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Consolidated Statement of Financial Position

<i>(amounts in millions of Canadian dollars)</i>	Notes	December 31 2017	March 31 2017
Assets			
Cash and cash equivalents		\$ 530.8	\$ 504.7
Accounts receivable	4	545.7	548.4
Contracts in progress: assets		369.5	337.5
Inventories		370.1	416.3
Prepayments		59.4	63.8
Income taxes recoverable		44.1	25.6
Derivative financial assets	11	26.2	23.4
Total current assets		\$ 1,945.8	\$ 1,919.7
Property, plant and equipment		1,726.7	1,582.6
Intangible assets		1,033.4	944.0
Investment in equity accounted investees	9	235.8	378.4
Deferred tax assets		46.2	42.8
Derivative financial assets	11	14.6	16.0
Other assets		475.1	471.3
Total assets		\$ 5,477.6	\$ 5,354.8
Liabilities and equity			
Accounts payable and accrued liabilities		\$ 607.7	\$ 695.2
Provisions		37.0	43.2
Income taxes payable		9.9	9.6
Deferred revenue		367.1	266.6
Contracts in progress: liabilities		192.1	191.9
Current portion of long-term debt		55.1	51.9
Derivative financial liabilities	11	9.2	15.5
Total current liabilities		\$ 1,278.1	\$ 1,273.9
Provisions		47.1	39.1
Long-term debt		1,187.3	1,203.5
Royalty obligations		137.9	138.5
Employee benefits obligations		208.7	157.7
Deferred gains and other non-current liabilities		217.3	217.8
Deferred tax liabilities		212.8	238.6
Derivative financial liabilities	11	2.7	4.7
Total liabilities		\$ 3,291.9	\$ 3,273.8
Equity			
Share capital		\$ 628.2	\$ 615.4
Contributed surplus		21.4	19.4
Accumulated other comprehensive income		174.3	193.7
Retained earnings		1,297.6	1,192.3
Equity attributable to equity holders of the Company		\$ 2,121.5	\$ 2,020.8
Non-controlling interests		64.2	60.2
Total equity		\$ 2,185.7	\$ 2,081.0
Total liabilities and equity		\$ 5,477.6	\$ 5,354.8

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Income Statement

<i>(amounts in millions of Canadian dollars, except per share amounts)</i>	Notes	Three months ended December 31		Nine months ended December 31	
		2017	2016	2017	2016
Continuing operations					
Revenue	12	\$ 704.4	\$ 682.7	\$ 2,049.3	\$ 1,969.8
Cost of sales		488.7	483.4	1,432.9	1,393.6
Gross profit		\$ 215.7	\$ 199.3	\$ 616.4	\$ 576.2
Research and development expenses		29.8	28.8	92.1	79.7
Selling, general and administrative expenses		98.6	90.0	268.5	254.9
Other gains – net	9	(15.1)	(6.8)	(33.1)	(0.4)
After tax share in profit of equity accounted investees	12	(10.4)	(14.1)	(31.0)	(37.3)
Restructuring, integration and acquisition costs		—	2.8	—	15.5
Operating profit		\$ 112.8	\$ 98.6	\$ 319.9	\$ 263.8
Finance expense – net	5	16.9	18.5	52.2	56.1
Earnings before income taxes		\$ 95.9	\$ 80.1	\$ 267.7	\$ 207.7
Income tax (recovery) expense	10	(24.0)	11.0	15.4	20.4
Earnings from continuing operations		\$ 119.9	\$ 69.1	\$ 252.3	\$ 187.3
Earnings from discontinued operations		—	0.2	—	0.2
Net income		\$ 119.9	\$ 69.3	\$ 252.3	\$ 187.5
Attributable to:					
Equity holders of the Company		\$ 117.9	\$ 67.8	\$ 246.9	\$ 184.8
Non-controlling interests		2.0	1.5	5.4	2.7
		\$ 119.9	\$ 69.3	\$ 252.3	\$ 187.5
Earnings per share from continuing operations					
attributable to equity holders of the Company					
Basic and diluted	7	\$ 0.44	\$ 0.25	\$ 0.92	\$ 0.69

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Comprehensive Income

<i>(amounts in millions of Canadian dollars)</i>	Three months ended December 31		Nine months ended December 31	
	2017	2016	2017	2016
Net income	\$ 119.9	\$ 69.3	\$ 252.3	\$ 187.5
Items that may be reclassified to net income				
Foreign currency translation				
Net currency translation difference on the translation of financial statements of foreign operations	\$ 26.9	\$ (1.8)	\$ (33.3)	\$ (9.6)
Net (loss) gain on certain long-term debt denominated in foreign currency designated as hedges of net investments in foreign operations	(2.9)	(11.9)	28.5	(17.4)
Reclassification to income	(8.1)	(0.5)	(9.3)	(1.8)
Income taxes	1.9	(1.5)	5.7	1.0
	\$ 17.8	\$ (15.7)	\$ (8.4)	\$ (27.8)
Net change in cash flow hedges				
Effective portion of changes in fair value of derivatives designated as cash flow hedges	\$ (3.6)	\$ (1.0)	\$ 20.1	\$ 0.8
Reclassification to income	4.7	0.2	(7.3)	8.5
Income taxes	0.3	0.3	(2.9)	(2.4)
	\$ 1.4	\$ (0.5)	\$ 9.9	\$ 6.9
Net change in available-for-sale financial instruments				
Net change in fair value of available-for-sale financial asset	\$ —	\$ (0.1)	\$ —	\$ (0.2)
	\$ —	\$ (0.1)	\$ —	\$ (0.2)
Share in the other comprehensive income of equity accounted investees				
Share in the other comprehensive income of equity accounted investees	\$ 5.6	\$ (5.1)	\$ (8.1)	\$ (6.8)
Reclassification to income	3.8	—	(15.0)	—
	\$ 9.4	\$ (5.1)	\$ (23.1)	\$ (6.8)
Items that are never reclassified to net income				
Defined benefit plan remeasurements				
Defined benefit plan remeasurements	\$ (44.3)	\$ 70.4	\$ (44.0)	\$ 7.9
Income taxes	11.9	(18.9)	11.8	(2.1)
	\$ (32.4)	\$ 51.5	\$ (32.2)	\$ 5.8
Other comprehensive (loss) income	\$ (3.8)	\$ 30.1	\$ (53.8)	\$ (22.1)
Total comprehensive income	\$ 116.1	\$ 99.4	\$ 198.5	\$ 165.4
Attributable to:				
Equity holders of the Company	\$ 114.1	\$ 97.6	\$ 195.3	\$ 162.8
Non-controlling interests	2.0	1.8	3.2	2.6
	\$ 116.1	\$ 99.4	\$ 198.5	\$ 165.4
Total comprehensive income attributable to equity holders of the Company:				
Continuing operations	\$ 114.1	\$ 97.4	\$ 195.3	\$ 162.6
Discontinued operations	—	0.2	—	0.2
	\$ 114.1	\$ 97.6	\$ 195.3	\$ 162.8

The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Changes in Equity

	Attributable to equity holders of the Company							Total equity	
	Notes	Number of share	Common shares Stated value	Contributed surplus	Accumulated other comprehensive income	Retained earnings	Total		Non-controlling interests
<i>Nine months ended December 31, 2017</i> (amounts in millions of Canadian dollars, except number of shares)									
Balances, beginning of period		268,397,224	\$ 615.4	\$ 19.4	\$ 193.7	\$ 1,192.3	\$ 2,020.8	\$ 60.2	\$ 2,081.0
Net income		—	\$ —	\$ —	\$ —	\$ 246.9	\$ 246.9	\$ 5.4	\$ 252.3
Other comprehensive (loss) income:									
Foreign currency translation		—	—	—	(6.2)	—	(6.2)	(2.2)	(8.4)
Net change in cash flow hedges		—	—	—	9.9	—	9.9	—	9.9
Share in the other comprehensive income of equity accounted investees		—	—	—	(23.1)	—	(23.1)	—	(23.1)
Defined benefit plan remeasurements		—	—	—	—	(32.2)	(32.2)	—	(32.2)
Total comprehensive (loss) income		—	\$ —	\$ —	\$ (19.4)	\$ 214.7	\$ 195.3	\$ 3.2	\$ 198.5
Stock options exercised		1,002,300	12.8	—	—	—	12.8	—	12.8
Optional cash purchase		1,496	—	—	—	—	—	—	—
Common shares repurchased and cancelled	7	(2,061,500)	(4.8)	—	—	(39.6)	(44.4)	—	(44.4)
Transfer upon exercise of stock options		—	2.4	(2.4)	—	—	—	—	—
Share-based payments		—	—	4.4	—	—	4.4	—	4.4
Additions to non-controlling interests		—	—	—	—	—	—	3.3	3.3
Dividends to non-controlling interests		7	2.4	—	—	(2.4)	—	(2.5)	(2.5)
Stock dividends	7	108,899	2.4	—	—	(67.4)	(67.4)	—	(67.4)
Cash dividends	7	—	—	—	—	—	—	—	—
Balances, end of period		267,448,419	\$ 628.2	\$ 21.4	\$ 174.3	\$ 1,297.6	\$ 2,121.5	\$ 64.2	\$ 2,185.7
<i>Nine months ended December 31, 2016</i> (amounts in millions of Canadian dollars, except number of shares)									
Balances, beginning of period		269,634,816	\$ 601.7	\$ 18.3	\$ 220.7	\$ 1,048.0	\$ 1,888.7	\$ 51.6	\$ 1,940.3
Net income		—	\$ —	\$ —	\$ —	\$ 184.8	\$ 184.8	\$ 2.7	\$ 187.5
Other comprehensive (loss) income:									
Foreign currency translation		—	—	—	(27.7)	—	(27.7)	(0.1)	(27.8)
Net change in cash flow hedges		—	—	—	6.9	—	6.9	—	6.9
Net change in available-for-sale financial instruments		—	—	—	(0.2)	—	(0.2)	—	(0.2)
Share in the other comprehensive income of equity accounted investees		—	—	—	(6.8)	—	(6.8)	—	(6.8)
Defined benefit plan remeasurements		—	—	—	—	5.8	5.8	—	5.8
Total comprehensive (loss) income		—	\$ —	\$ —	\$ (27.8)	\$ 190.6	\$ 162.8	\$ 2.6	\$ 165.4
Stock options exercised		918,110	11.3	—	—	—	11.3	—	11.3
Optional cash purchase		1,991	—	—	—	—	—	—	—
Common shares repurchased and cancelled	7	(2,332,300)	(5.3)	—	—	(33.4)	(38.7)	—	(38.7)
Transfer upon exercise of stock options		—	2.3	(2.3)	—	—	—	—	—
Share-based payments		—	—	3.4	—	—	3.4	—	3.4
Additions to non-controlling interests		—	—	—	—	—	—	3.9	3.9
Stock dividends	7	171,329	3.0	—	—	(3.0)	—	—	—
Cash dividends	7	—	—	—	—	(60.1)	(60.1)	—	(60.1)
Balances, end of period		268,393,946	\$ 613.0	\$ 19.4	\$ 192.9	\$ 1,142.1	\$ 1,967.4	\$ 58.1	\$ 2,025.5

The balance of retained earnings and accumulated other comprehensive income as at December 31, 2017 was \$1,471.9 million (2016 – \$1,335.0 million). The accompanying notes form an integral part of these Consolidated Financial Statements.

Consolidated Statement of Cash Flows

Nine months ended December 31

(amounts in millions of Canadian dollars)

	Notes	2017	2016
Operating activities			
Earnings from continuing operations		\$ 252.3	\$ 187.3
Adjustments for:			
Depreciation of property, plant and equipment	12	90.8	95.3
Amortization of intangible and other assets	12	61.1	65.2
After tax share in profit of equity accounted investees		(31.0)	(37.3)
Deferred income taxes	10	(17.6)	11.9
Investment tax credits		(14.4)	(11.1)
Share-based compensation		7.9	13.7
Defined benefit pension plans		6.0	8.3
Amortization of other non-current liabilities		(24.0)	(56.1)
Derivative financial assets and liabilities – net		3.6	9.3
Gain on disposal of interest in investment	9	(14.3)	—
Remeasurement of investment, net of reorganization and other costs	9	(4.0)	—
Other		(0.8)	31.8
Changes in non-cash working capital	10	(50.1)	(51.5)
Net cash provided by operating activities		\$ 265.5	\$ 266.8
Investing activities			
Business combinations, net of cash and cash equivalents acquired	3	\$ (124.4)	\$ (5.5)
Net proceeds from disposal of interests in investments	9	117.8	—
Capital expenditures for property, plant and equipment		(116.5)	(149.3)
Proceeds from disposal of property, plant and equipment		16.4	2.5
Capitalized development costs		(19.0)	(23.8)
Enterprise resource planning (ERP) and other software		(12.7)	(9.1)
Net payments to equity accounted investees	10	(11.7)	(9.4)
Dividends received from equity accounted investees		23.6	9.2
Other		0.5	5.9
Net cash used in investing activities		\$ (126.0)	\$ (179.5)
Financing activities			
Proceeds from borrowing under revolving unsecured credit facilities		\$ 106.0	\$ 506.5
Repayment of borrowing under revolving unsecured credit facilities		(106.0)	(506.5)
Proceeds from long-term debt		27.3	42.7
Repayment of long-term debt		(23.8)	(92.7)
Repayment of finance lease		(15.6)	(13.6)
Dividends paid		(67.4)	(60.1)
Common stock issuance		12.8	11.3
Repurchase of common shares	7	(44.4)	(38.7)
Other		(1.9)	(0.2)
Net cash used in financing activities		\$ (113.0)	\$ (151.3)
Effect of foreign exchange rate changes on cash and cash equivalents		\$ (0.4)	\$ (4.8)
Net increase (decrease) in cash and cash equivalents		\$ 26.1	\$ (68.8)
Cash and cash equivalents, beginning of period		504.7	485.6
Cash and cash equivalents, end of period		\$ 530.8	\$ 416.8
Supplemental information:			
Interest paid		\$ 38.8	\$ 52.6
Interest received		9.5	7.1
Income taxes paid		30.6	20.6

The accompanying notes form an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Interim Financial Statements

(Unless otherwise stated, all tabular amounts are in millions of Canadian dollars)

The consolidated interim financial statements were authorized for issue by the board of directors on February 9, 2018.

NOTE 1 – NATURE OF OPERATIONS AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of operations

CAE Inc. and its subsidiaries (or the Company) design, manufacture and supply simulation equipment, provide training, and develop integrated training solutions for defence and security markets, commercial airlines, business aircraft operators, helicopter operators, aircraft manufacturers and for healthcare education and service providers. CAE's flight simulators replicate aircraft performance in normal and abnormal operations as well as a comprehensive set of environmental conditions utilizing visual systems that contain a database of airports, other landing areas, flying environments, mission-specific environments, and motion and sound cues. The Company offers a range of flight training devices based on the same software used on its simulators. The Company also operates a global network of training centres with locations around the world.

The Company's operations are managed through three segments:

- (i) Civil Aviation Training Solutions – Provides comprehensive training solutions for flight, cabin, maintenance and ground personnel in commercial, business and helicopter aviation, a range of flight simulation training devices, as well as ab initio pilot training and crew sourcing services;
- (ii) Defence and Security – Is a training systems integrator for defence forces across the air, land and naval domains, and for government organizations responsible for public safety;
- (iii) Healthcare – Designs and manufactures simulators, audiovisual and simulation centre management solutions, develops courseware and offers services for training of medical, nursing and allied healthcare students as well as medical practitioners worldwide.

CAE is a limited liability company incorporated and domiciled in Canada. The address of the main office is 8585 Côte-de-Liesse, Saint-Laurent, Québec, Canada, H4T 1G6. CAE shares are traded on the Toronto Stock Exchange and on the New York Stock Exchange.

Seasonality and cyclicity of the business

The Company's business operating segments are affected in varying degrees by market cyclicity and/or seasonality. As such, operating performance over a given interim period should not necessarily be considered indicative of full fiscal year performance.

The Civil Aviation Training Solutions segment sells equipment directly to airlines and to the extent that the entire commercial airline industry is affected by cycles of expansion and contraction, the Company's performance will also be affected. The segment activities are also affected by the seasonality of its industry – in times of peak travel (such as holidays), airline and business jet pilots are generally occupied flying aircraft rather than attending training sessions. The opposite also holds true – slower travel periods tend to be more active training periods for pilots. Therefore, the Company has historically experienced lower demand during the second quarter.

Order intake for the Defence and Security segment can be impacted by the unique nature of military contracts and the irregular timing in which they are awarded.

Basis of preparation

The key accounting policies applied in the preparation of these consolidated interim financial statements are consistent with those disclosed in Note 1 of the Company's consolidated financial statements for the year ended March 31, 2017, except for the changes in accounting policies described in Note 2. These policies have been consistently applied to all periods presented. These condensed consolidated interim financial statements should be read in conjunction with the Company's most recent annual consolidated financial statements for the year ended March 31, 2017.

The consolidated interim financial statements have been prepared in accordance with Part I of the CPA Canada Handbook – Accounting, International Financial Reporting Standards (IFRS), as issued by the International Accounting Standards Board (IASB) applicable to the preparation of interim financial statements, IAS 34, *Interim Financial Reporting*.

The consolidated interim financial statements have been prepared under the historical cost convention, except for the following items measured at fair value: contingent consideration, derivative financial instruments, financial instruments at fair value through profit and loss, available-for-sale financial assets and liabilities for cash-settled share-based arrangements.

The functional and presentation currency of CAE Inc. is the Canadian dollar.

Use of judgements, estimates and assumptions

The preparation of consolidated interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. In preparing these consolidated interim financial statements, the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements of the year ended March 31, 2017, with the exception of changes in estimates that are required in determining the provision for income taxes. Taxes on income in the interim periods are accrued by jurisdiction using the effective tax rate that would be applicable to expected total annual profit or loss of the jurisdiction.

NOTE 2 – CHANGES IN ACCOUNTING POLICIES**New and amended standards adopted by the Company**

The amendments to IFRS effective for the fiscal year 2018 have no material impact on the Company's fiscal 2018 consolidated financial statements.

New and amended standards not yet adopted by the Company**IFRS 9 - Financial Instruments**

In July 2014, the IASB released the final version of IFRS 9 - *Financial Instruments* replacing IAS 39 - *Financial Instruments: Recognition and Measurement*.

IFRS 9 introduces a revised approach for the classification of financial assets based on how an entity manages financial assets and the characteristics of the contractual cash flows of the financial assets replacing the multiple rules in IAS 39. Most of the requirements in IAS 39 for classification and measurement of financial liabilities have been carried forward in IFRS 9. The Company's preliminary analysis has not identified any significant differences in respect to the classification and measurement of financial instruments.

IFRS 9 also introduces a new hedge accounting model that is more closely aligned with risk-management activities and a new expected credit loss model for calculating impairment on financial assets replacing the incurred loss model in IAS 39.

For the Company, IFRS 9 is effective for annual periods beginning on April 1, 2018. The Company continues to evaluate the impact of the new standard on its consolidated financial statements.

IFRS 15 - Revenue from contracts with customers

In May 2014, the IASB released IFRS 15 - *Revenue from Contracts with Customers*. The core principle of the new standard is to recognize revenue to depict fulfillment of performance obligations to customers in amounts that reflect the consideration to which the Company expects to be entitled in exchange for those goods or services. The new standard also intends to enhance disclosures on revenue. IFRS 15 supersedes IAS 11 - *Construction Contracts* and IAS 18 - *Revenue* and related interpretations.

For the Company, IFRS 15 is effective for annual periods beginning on April 1, 2018. The Company has elected to apply IFRS 15 retrospectively and thus will restate its comparative results, with an opening adjustment to equity as at April 1, 2017.

The Company has conducted a preliminary assessment of the effects of the application of IFRS 15 on its interim and annual consolidated financial statements. The Company's preliminary analysis has identified that revenue from the sale of certain Civil training devices currently considered as construction contracts and accounted for under the percentage-of-completion method will not meet the requirements for revenue recognition over time. This change will result in the deferral of revenue recognition to the date when control is transferred to the customer instead of revenue recognition over the construction period. The Company is currently assessing the impact of this expected change on its consolidated financial statements.

As the Company progresses in its assessment, it continues to evaluate the impact of the new standard on its consolidated financial statements.

IFRS 16 - Leases

In January 2016, the IASB released IFRS 16 - *Leases*. The new standard eliminates the classification of leases as either operating or finance leases and introduces a single accounting model for the lessee under which a lease liability and a right-of-use asset is recognized for all leases. IFRS 16 also substantially carries forward the lessor accounting requirements; accordingly, a lessor continues to classify its leases as operating leases or finance leases. IFRS 16 supersedes IAS 17 - *Leases* and related interpretations.

For the Company, IFRS 16 will be effective for annual periods beginning on April 1, 2019, with earlier application permitted if the Company also applies IFRS 15. The Company is currently evaluating the impact of the new standard on its consolidated financial statements. Where the Company is the lessee, it expects that the adoption of IFRS 16 will result in the recognition of assets and liabilities on the consolidated statement of financial position for certain lease arrangements related to training devices and buildings that under current IFRS standards the Company classify as contractual obligations in the form of operating leases. The Company also expects a decrease of its rent expense and an increase of its finance and depreciation expenses resulting from the change to the recognition, measurement and presentation of lease expense.

NOTE 3 - BUSINESS COMBINATIONS**Acquisition of a portfolio of training assets**

During the second quarter of fiscal 2018, the Company acquired a portfolio of training assets in North America and Europe from a full-flight simulator leasing business for cash consideration of \$24.7 million. With this transaction, the Company obtained full-flight simulators presently in operation and various customer contracts.

The preliminary determination of the fair value of the identifiable assets acquired and liabilities assumed are as follows: \$24.7 million of property plant and equipment, \$4.3 million of goodwill, \$1.4 million of non-current assets and \$5.7 million of non-current liabilities. The goodwill arising from the acquisition is attributable to the expansion of CAE's customer installed base of commercial flight simulators, market capacity consolidation and expected synergies from combining operations.

The net assets acquired, including goodwill, are included in the Civil Aviation Training Solutions segment.

Asian Aviation Centre of Excellence Sdn. Bhd.

On November 17, 2017, the Company completed the acquisition of the remaining 50% equity interest in Asian Aviation Centre of Excellence Sdn. Bhd. (AACE) from AirAsia, for a cash consideration of CAD\$114.8 million [US\$90 million] and long-term contingent cash consideration payable of up to US\$10 million if certain criteria are met.

As a result, the Company's interest in AACE increased from 50% to 100%, obtaining control over AACE's three training centres located in Malaysia, Singapore and Vietnam, as well as its 50% interest in Philippine Academy of Aviation Training, a joint venture training centre between AACE and Cebu Pacific, located in the Philippines. With this acquisition, the Company owns a customer installed base of commercial flight simulators and have assets including full-flight simulators, simulator parts and equipment, facilities and a talented workforce.

Before the transaction, the Company's 50% ownership interest in AACE was accounted for using the equity method. The gain resulting from the remeasurement to fair value of the previously held interest in AACE was included in Other gains – Net in the consolidated income statement (Note 9).

Net assets acquired and liabilities assumed arising from the acquisition are as follows:

	Total
Current assets ⁽¹⁾	\$ 16.1
Current liabilities	(21.1)
Property, plant and equipment	113.4
Investment in equity accounted investee	7.6
Intangible assets	121.2
Deferred tax	(13.0)
Non-current liabilities	(16.8)
Fair value of net assets acquired, excluding cash and cash equivalents	\$ 207.4
Cash and cash equivalents acquired	15.1
Total purchase consideration	\$ 222.5
Fair value of long-term contingent cash consideration payable (Note 11)	(10.7)
Settlement of pre-existing relationship	(9.2)
Fair value of previously held interest in AACE	(87.8)
Total cash consideration	\$ 114.8

⁽¹⁾ Excluding cash on hand.

The fair value and the gross contractual amount of the acquired accounts receivable were \$13.9 million.

The net assets acquired, including intangibles, are included in the Civil Aviation Training Solutions segment.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable are carried on the consolidated statement of financial position net of allowance for doubtful accounts. This provision is established based on the Company's best estimates regarding the ultimate recovery of balances for which collection is uncertain. Uncertainty of ultimate collection may become apparent from various indicators, such as a deterioration of the credit situation of a given client and delay in collection beyond the contractually agreed upon payment terms. Management regularly reviews accounts receivable, monitors past due balances and assesses the appropriateness of the allowance for doubtful accounts.

Details of accounts receivable are as follows:

	December 31 2017	March 31 2017
Current trade receivables	\$ 174.8	\$ 207.5
Past due trade receivables		
1-30 days	71.0	56.8
31-60 days	20.1	14.5
61-90 days	16.0	13.0
Greater than 90 days	69.0	56.4
Allowance for doubtful accounts	(17.1)	(14.5)
Total trade receivables	\$ 333.8	\$ 333.7
Accrued receivables	120.7	105.8
Receivables from related parties (Note 13)	29.4	54.0
Other receivables	61.8	54.9
Total accounts receivable	\$ 545.7	\$ 548.4

NOTE 5 – DEBT FACILITIES AND FINANCE EXPENSE – NET**Long-term debt**

As part of the acquisition of AACE, the Company acquired loans in the amount of \$29.6 million as at December 31, 2017.

Finance expense - net

	Three months ended December 31		Nine months ended December 31	
	2017	2016	2017	2016
Finance expense:				
Long-term debt (other than finance leases)	\$ 13.3	\$ 13.5	\$ 39.6	\$ 40.2
Finance leases	2.0	2.7	6.8	7.9
Royalty obligations	2.7	2.4	8.1	7.5
Employee benefits obligations	1.3	1.3	3.7	3.9
Financing cost amortization	0.4	0.4	1.1	1.1
Other	1.8	1.2	5.7	5.1
Borrowing costs capitalized ⁽¹⁾	(0.8)	(0.8)	(2.5)	(2.3)
Finance expense	\$ 20.7	\$ 20.7	\$ 62.5	\$ 63.4
Finance income:				
Loans and finance lease contracts	\$ (2.5)	\$ (1.8)	\$ (7.4)	\$ (5.7)
Other	(1.3)	(0.4)	(2.9)	(1.6)
Finance income	\$ (3.8)	\$ (2.2)	\$ (10.3)	\$ (7.3)
Finance expense – net	\$ 16.9	\$ 18.5	\$ 52.2	\$ 56.1

⁽¹⁾ The capitalization rate used to determine the amount of borrowing costs eligible for capitalization was 4.33% for the three months ended December 31, 2017 (2016 – 4.26%), 4.33% for the three months ended September 30, 2017 (2016 – 4.33%) and 4.34% for the three months ended June 30, 2017 (2016 – 4.55%).

NOTE 6 – GOVERNMENT PARTICIPATION

The following table provides aggregate information regarding net contributions recognized and amounts not yet received for the projects New Core Markets, Innovate and SimÉco 4.0:

	Three months ended December 31		Nine months ended December 31	
	2017	2016	2017	2016
Net outstanding contribution receivable, beginning of period	\$ 6.6	\$ 8.5	\$ 6.3	\$ 7.7
Contributions	7.1	7.3	21.0	24.0
Payments received	(7.3)	(8.5)	(20.9)	(24.4)
Net outstanding contribution receivable, end of period	\$ 6.4	\$ 7.3	\$ 6.4	\$ 7.3

The aggregate contributions recognized for all programs are as follows:

	Three months ended December 31		Nine months ended December 31	
	2017	2016	2017	2016
Contributions credited to capitalized expenditures:				
Project New Core Markets	\$ 0.5	\$ 0.4	\$ 1.5	\$ 0.9
Project Innovate	0.7	0.9	1.7	3.4
Project SimÉco 4.0	0.6	—	1.2	—
Contributions credited to income:				
Project New Core Markets	0.4	0.5	1.6	1.7
Project Innovate	4.2	5.5	13.4	18.0
Project SimÉco 4.0	0.7	—	1.6	—
Total contributions:				
Project New Core Markets	\$ 0.9	\$ 0.9	\$ 3.1	\$ 2.6
Project Innovate	4.9	6.4	15.1	21.4
Project SimÉco 4.0	1.3	—	2.8	—

There are no unfulfilled conditions or unfulfilled contingencies attached to these government contributions.

NOTE 7 – SHARE CAPITAL, EARNINGS PER SHARE AND DIVIDENDS**Share capital****Repurchase and cancellation of common shares**

On February 14, 2017 the Company announced the renewal of the normal course issuer bid (NCIB) to purchase up to 5,366,756 of its common shares, representing 2% of the 268,337,816 issued and outstanding common shares as of February 9, 2017. The NCIB began on February 23, 2017 and will end on February 22, 2018 or on such earlier date when the Company completes its purchases or elects to terminate the NCIB. These purchases will be made on the open market plus brokerage fees through the facilities of the TSX and/or alternative trading systems at the prevailing market price at the time of the transaction, in accordance with the TSX's applicable policies. All common shares purchased pursuant to the NCIB will be cancelled.

During the nine months ended December 31, 2017, the Company repurchased and cancelled a total of 2,061,500 common shares (2016 – 2,332,300) under the NCIB, at a weighted average price of \$21.52 per common share, for a total consideration of \$44.4 million (2016 – \$38.7 million). An excess of \$39.6 million (2016 – \$33.4 million) of the shares' repurchase value over their carrying amount was charged to retained earnings as share repurchase premiums. Included in the above amount were 600,000 common shares that were repurchased under a private agreement with a third-party seller at a discount to the prevailing market price of the Company's common shares at the time of purchase.

Earnings per share computation

The denominators for the basic and diluted earnings per share computations are as follows:

	Three months ended December 31		Nine months ended December 31	
	2017	2016	2017	2016
Weighted average number of common shares outstanding	268,098,211	268,455,739	268,458,862	268,806,466
Effect of dilutive stock options	1,393,285	1,239,029	1,250,788	795,762
Weighted average number of common shares outstanding for diluted earnings per share calculation	269,491,496	269,694,768	269,709,650	269,602,228

For the three months ended December 31, 2017, no options to acquire common shares (2016 - no options) have been excluded from the above calculation.

For the nine months ended December 31, 2017, options to acquire 1,950,100 common shares (2016 – 46,700) have been excluded from the above calculation since their inclusion would have had an anti-dilutive effect.

Dividends

The dividends declared for the third quarter of fiscal 2018 were \$24.1 million or \$0.09 per share (2017 – \$21.4 million or \$0.08 per share). For the first nine months of fiscal 2018, dividends declared were \$69.8 million or \$0.26 per share (2017 – \$63.1 million or \$0.235 per share).

NOTE 8 – EMPLOYEE COMPENSATION

The total employee compensation expense recognized in the determination of net income is as follows:

	Three months ended December 31		Nine months ended December 31	
	2017	2016	2017	2016
Salaries and other short-term employee benefits	\$ 237.9	\$ 207.1	\$ 666.3	\$ 610.0
Share-based payments, net of equity swap	9.2	7.0	29.9	23.7
Post-employment benefits – defined benefit plans ⁽¹⁾	7.7	7.8	23.4	23.1
Post-employment benefits – defined contribution plans	3.4	3.1	9.7	9.5
Termination benefits	3.6	0.4	5.1	7.4
Total employee compensation expense ⁽²⁾	\$ 261.8	\$ 225.4	\$ 734.4	\$ 673.7

⁽¹⁾ Includes net interest on employee benefits obligations.

⁽²⁾ Certain members of key management may have employment agreements with clauses for payment in case of termination without cause and payment in case of termination of employment following a change in control. All such employment agreements are for an indeterminate term. Please refer to the 2017 CAE Inc. Management Proxy Circular for more information.

NOTE 9 – OTHER GAINS – NET

	Three months ended December 31		Nine months ended December 31	
	2017	2016	2017	2016
Disposal of property, plant and equipment	\$ 0.2	\$ (0.1)	\$ 5.4	\$ 0.1
Net foreign exchange gains (losses)	6.7	3.4	4.3	(3.7)
Disposal of interest in investment	—	—	14.3	—
Remeasurement of investment – net	12.2	—	12.2	—
Other	(4.0)	3.5	(3.1)	4.0
Other gains - net	\$ 15.1	\$ 6.8	\$ 33.1	\$ 0.4

Disposal of interest in investment

During the second quarter of fiscal 2018, the Company disposed of its 49% interest in Zhuhai Xiang Yi Aviation Technology Company Limited, an equity accounted investee, for a net cash proceeds of \$114.0 million. Upon disposal of this investment, \$6.3 million of goodwill was derecognized and an impairment of \$7.0 million was recognized with respect to a related investment in an equity account investee. The Company realized a net gain on disposal of \$14.3 million.

Remeasurement of investment and reorganization costs

On November 17, 2017, the Company's interest in AACE increased from 50% to 100%, obtaining control of AACE (Note 3). Before the transaction, the Company's 50% ownership interest in AACE was accounted for using the equity method. The remeasurement to fair value of the previously held interest in AACE generated a gain of \$34.7 million. In addition, \$4.6 million of goodwill was derecognized, costs of \$8.5 million, including acquisition costs of \$1.5 million and a write-down of assets for \$9.4 million were incurred. Accordingly, the Company recognized a net gain upon remeasurement of \$12.2 million. Also in the quarter, reorganization and other costs of \$8.2 million were incurred resulting in a gain upon remeasurement net of overall costs incurred in the amount of \$4.0 million.

NOTE 10 – SUPPLEMENTARY CASH FLOWS AND INCOME INFORMATION

a) Changes in non-cash working capital are as follows:

<i>Nine months ended December 31</i>	2017	2016
Cash provided by (used in) non-cash working capital:		
Accounts receivable	\$ 2.0	\$ (1.8)
Contracts in progress: assets	(39.3)	21.9
Inventories	(4.4)	(49.4)
Prepayments	(9.1)	5.8
Income taxes recoverable	0.6	0.5
Accounts payable and accrued liabilities	(94.3)	(82.8)
Provisions	(15.4)	(16.2)
Income taxes payable	(11.1)	(1.5)
Deferred revenue	120.4	12.0
Contracts in progress: liabilities	0.5	60.0
Changes in non-cash working capital	\$ (50.1)	\$ (51.5)

b) Acquisition of 45% interest in Pelesys

The Company purchased 45% of the shares of Pelesys, a global leader in the provision of aviation training solutions and courseware, for a cash consideration of \$7.7 million. This joint venture investment is accounted under the equity method. The transaction includes a series of put and call options over the remaining 55% equity interest. The options are exercisable on pre-determined dates, at fair value subject to a pre-defined cap and floor.

c) Income tax recovery

Under the Tax Cuts and Jobs Act, which was substantially enacted on December 22, 2017, the U.S. statutory federal income tax rate was reduced to 21% from the previous rate of 35%. The impact of the change in tax rate resulted in a reduction of \$33.1 million of the net deferred tax liability position and a reduction of \$0.6 million of the current income tax expense for the nine months period ended December 31, 2017.

The resulting non-cash tax gain of \$33.7 million was recognized as a component of the income tax recovery in the third quarter of fiscal 2018.

NOTE 11 – FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of a financial instrument is determined by reference to the available market information at the reporting date. When no active market exists for a financial instrument, the Company determines the fair value of that instrument based on valuation methodologies as discussed below. In determining assumptions required under a valuation model, the Company primarily uses external, readily observable market data inputs. Assumptions or inputs that are not based on observable market data incorporate the Company's best estimates of market participant assumptions. Counterparty credit risk and the Company's own credit risk are taken into account in estimating the fair value of financial assets and financial liabilities.

The following assumptions and valuation methodologies have been used to measure the fair value of financial instruments:

- (i) The fair value of cash and cash equivalents, accounts receivable, contracts in progress, accounts payable and accrued liabilities approximate their carrying values due to their short-term maturities;
- (ii) The fair value of derivative instruments, which include forward contracts, swap agreements and embedded derivatives accounted for separately and is calculated as the present value of the estimated future cash flows using an appropriate interest rate yield curve and forward foreign exchange rate. Assumptions are based on market conditions prevailing at each reporting date. The fair value of derivative instruments reflect the estimated amounts that the Company would receive or pay to settle the contracts at the reporting date;
- (iii) The fair value of the available-for-sale investment, which does not have a readily available market value, is estimated using a discounted cash flow model, which includes some assumptions that are not based on observable market prices or rates;
- (iv) The fair value of non-current receivables is estimated based on discounted cash flows using current interest rates for instruments with similar risks and remaining maturities;
- (v) The fair value of provisions, long-term debts and non-current liabilities, including finance lease obligations and royalty obligations, are estimated based on discounted cash flows using current interest rates for instruments with similar risks and remaining maturities;
- (vi) The fair value of the contingent considerations arising on business combinations are based on the estimated amount and timing of projected cash flows, the probability of the achievement of the factors on which the contingency is based and the risk-adjusted discount rate used to present value the probability-weighted cash flows.

The carrying values and fair values of financial instruments, by class, are as follows at December 31, 2017:

					Carrying Value	Fair Value
	At FVTPL ⁽¹⁾	Available- for-Sale	Loans & Receivables	DDHR ⁽²⁾	Total	
Financial assets						
Cash and cash equivalents	\$ 530.8	\$ —	\$ —	\$ —	\$ 530.8	\$ 530.8
Accounts receivable	—	—	516.4 ⁽³⁾	—	516.4	516.4
Contracts in progress: assets	—	—	369.5	—	369.5	369.5
Derivative financial assets	12.2	—	—	28.6	40.8	40.8
Other assets	26.7 ⁽⁴⁾	1.4 ⁽⁵⁾	157.6 ⁽⁶⁾	—	185.7	197.1
	\$ 569.7	\$ 1.4	\$ 1,043.5	\$ 28.6	\$ 1,643.2	\$ 1,654.6

					Carrying Value	Fair Value
	At FVTPL ⁽¹⁾	Other Financial Liabilities	DDHR ⁽²⁾	Total		
Financial liabilities						
Accounts payable and accrued liabilities	\$ —	\$ 551.6 ⁽⁷⁾	\$ —	\$ 551.6	\$ 551.6	\$ 551.6
Provisions	10.8	29.2	—	40.0	40.0	40.0
Total long-term debt	—	1,244.8 ⁽⁸⁾	—	1,244.8	1,326.9	1,326.9
Other non-current liabilities	—	153.0 ⁽⁹⁾	—	153.0	172.5	172.5
Derivative financial liabilities	5.5	—	6.4	11.9	11.9	11.9
	\$ 16.3	\$ 1,978.6	\$ 6.4	\$ 2,001.3	\$ 2,102.9	\$ 2,102.9

The carrying values and fair values of financial instruments, by class, were as follows at March 31, 2017:

					Carrying Value	Fair Value
	At FVTPL ⁽¹⁾	Available for-Sale	Loans & Receivables	DDHR ⁽²⁾	Total	
Financial assets						
Cash and cash equivalents	\$ 504.7	\$ —	\$ —	\$ —	\$ 504.7	\$ 504.7
Accounts receivable	—	—	526.4 ⁽³⁾	—	526.4	526.4
Contracts in progress: assets	—	—	337.5	—	337.5	337.5
Derivative financial assets	12.2	—	—	27.2	39.4	39.4
Other assets	26.0 ⁽⁴⁾	1.4 ⁽⁵⁾	167.6 ⁽⁶⁾	—	195.0	210.7
	\$ 542.9	\$ 1.4	\$ 1,031.5	\$ 27.2	\$ 1,603.0	\$ 1,618.7

					Carrying Value	Fair Value
	At FVTPL ⁽¹⁾	Other Financial Liabilities	DDHR ⁽²⁾	Total		
Financial liabilities						
Accounts payable and accrued liabilities	\$ —	\$ 615.0 ⁽⁷⁾	\$ —	\$ 615.0	\$ 615.0	\$ 615.0
Provisions	0.1	39.3	—	39.4	39.4	39.4
Total long-term debt	—	1,258.2 ⁽⁸⁾	—	1,258.2	1,340.3	1,340.3
Other non-current liabilities	—	146.5 ⁽⁹⁾	—	146.5	170.4	170.4
Derivative financial liabilities	9.8	—	10.4	20.2	20.2	20.2
	\$ 9.9	\$ 2,059.0	\$ 10.4	\$ 2,079.3	\$ 2,185.3	\$ 2,185.3

⁽¹⁾ FVTPL: Fair value through profit and loss.

⁽²⁾ DDHR: Derivatives designated in a hedge relationship.

⁽³⁾ Includes trade receivables, accrued receivables and certain other receivables.

⁽⁴⁾ Represents restricted cash.

⁽⁵⁾ Represents the Company's portfolio investment.

⁽⁶⁾ Includes non-current receivables and advances.

⁽⁷⁾ Includes trade accounts payable, accrued liabilities, interest payable, certain payroll-related liabilities and current royalty obligations.

⁽⁸⁾ Excludes transaction costs.

⁽⁹⁾ Includes non-current royalty obligations and other non-current liabilities.

The Company did not elect to voluntarily designate any financial instruments at FVTPL; moreover, there have not been any changes to the classification of the financial instruments since inception.

Fair value hierarchy

The fair value hierarchy reflects the significance of the inputs used in making the measurements and has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices in markets that are not active) or indirectly (i.e. quoted prices for similar assets or liabilities);

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Each type of fair value is categorized based on the lowest level input that is significant to the fair value measurement in its entirety.

The following table presents the financial instruments, by class, which are recognized at fair value:

	December 31			March 31		
	Level 2	Level 3	Total	Level 2	Level 3	Total
Financial assets						
At FVTPL						
Cash and cash equivalents	\$ 530.8	\$ —	\$ 530.8	\$ 504.7	\$ —	\$ 504.7
Restricted cash	26.7	—	26.7	26.0	—	26.0
Forward foreign currency contracts	7.9	—	7.9	7.4	—	7.4
Embedded foreign currency derivatives	0.8	—	0.8	1.8	—	1.8
Equity swap agreements	3.5	—	3.5	3.0	—	3.0
Available-for-sale	—	1.4	1.4	—	1.4	1.4
Derivatives designated in a hedge relationship						
Forward foreign currency contracts	17.7	—	17.7	10.8	—	10.8
Foreign currency swap agreements	10.9	—	10.9	16.4	—	16.4
	\$ 598.3	\$ 1.4	\$ 599.7	\$ 570.1	\$ 1.4	\$ 571.5
Financial liabilities						
At FVTPL						
Contingent consideration arising on business combinations	\$ —	\$ 10.8	\$ 10.8	\$ —	\$ 0.1	\$ 0.1
Forward foreign currency contracts	5.5	—	5.5	9.8	—	9.8
Equity swap agreements	—	—	—	—	—	—
Derivatives designated in a hedge relationship						
Forward foreign currency contracts	6.3	—	6.3	10.0	—	10.0
Interest rate swap agreements	0.1	—	0.1	0.4	—	0.4
	\$ 11.9	\$ 10.8	\$ 22.7	\$ 20.2	\$ 0.1	\$ 20.3

During the nine months of fiscal 2018, the changes in level 3 financial instruments are as follows: no realized or unrealized gains have been included in income and a financial liability for a contingent consideration arising from a business combination in the amount of \$10.7 million has been recognized (Note 3).

NOTE 12 – OPERATING SEGMENTS AND GEOGRAPHIC INFORMATION

The Company elected to organize its operating segments principally on the basis of its customer markets. The Company manages its operations through its three segments. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker.

Results by segment

The profitability measure employed by the Company for making decisions about allocating resources to segments and assessing segment performance is operating profit (hereinafter referred to as segment operating income). The accounting principles used to prepare the information by operating segments are the same as those used to prepare the Company's consolidated financial statements. The method used for the allocation of assets jointly used by operating segments and costs and liabilities jointly incurred (mostly corporate costs) between operating segments is based on the level of utilization when determinable and measurable, otherwise the allocation is based on a proportion of each segment's cost of sales.

	Civil Aviation Training Solutions		Defence and Security		Healthcare		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<i>Three months ended December 31</i>								
External revenue	\$ 413.7	\$ 412.8	\$ 262.8	\$ 243.7	\$ 27.9	\$ 26.2	\$ 704.4	\$ 682.7
Depreciation and amortization								
Property, plant and equipment	26.4	27.7	4.0	4.6	0.6	0.7	31.0	33.0
Intangible and other assets	9.5	9.6	6.3	9.9	2.6	2.8	18.4	22.3
Write-downs of inventories - net	0.3	0.3	0.3	0.3	—	—	0.6	0.6
Write-downs (reversals of write-downs)								
of accounts receivable – net	3.4	0.4	—	0.1	—	(0.1)	3.4	0.4
After tax share in profit of equity								
accounted investees	7.3	10.3	3.1	3.8	—	—	10.4	14.1
Segment operating income	78.6	71.4	32.7	30.0	1.5	—	112.8	101.4

	Civil Aviation Training Solutions		Defence and Security		Healthcare		Total	
	2017	2016	2017	2016	2017	2016	2017	2016
<i>Nine months ended December 31</i>								
External revenue	\$ 1,174.5	\$ 1,139.1	\$ 794.7	\$ 754.2	\$ 80.1	\$ 76.5	\$ 2,049.3	\$ 1,969.8
Depreciation and amortization								
Property, plant and equipment	74.6	80.4	14.3	12.9	1.9	2.0	90.8	95.3
Intangible and other assets	28.3	26.5	24.8	30.6	8.0	8.1	61.1	65.2
Write-downs (reversals of write-downs)								
of inventories - net	2.2	0.6	0.7	0.9	—	(0.1)	2.9	1.4
Write-downs (reversals of write-downs)								
of accounts receivable – net	3.5	2.9	—	—	(0.1)	(0.1)	3.4	2.8
After tax share in profit of equity								
accounted investees	22.6	29.5	8.4	7.8	—	—	31.0	37.3
Segment operating income	228.8	189.4	89.0	87.4	2.1	2.5	319.9	279.3

Capital expenditures which consist of additions to non-current assets (other than financial instruments and deferred tax assets), by segment are as follows:

	Three months ended December 31		Nine months ended December 31	
	2017	2016	2017	2016
Civil Aviation Training Solutions	\$ 45.2	\$ 21.3	\$ 107.7	\$ 87.4
Defence and Security	7.0	25.7	33.2	90.4
Healthcare	2.2	1.8	7.5	4.6
Total capital expenditures	\$ 54.4	\$ 48.8	\$ 148.4	\$ 182.4

Operating profit

The following table provides a reconciliation between total segment operating income and operating profit:

	Three months ended December 31		Nine months ended December 31	
	2017	2016	2017	2016
Total segment operating income	\$ 112.8	\$ 101.4	\$ 319.9	\$ 279.3
Restructuring, integration and acquisition costs	—	(2.8)	—	(15.5)
Operating profit	\$ 112.8	\$ 98.6	\$ 319.9	\$ 263.8

Assets and liabilities employed by segment

The Company uses assets employed and liabilities employed to assess resources allocated to each segment. Assets employed include accounts receivable, contracts in progress, inventories, prepayments, property, plant and equipment, intangible assets, investment in equity accounted investees, derivative financial assets and other assets. Liabilities employed include accounts payable and accrued liabilities, provisions, contracts in progress, deferred gains and other non-current liabilities and derivative financial liabilities.

Assets and liabilities employed by segment are reconciled to total assets and liabilities as follows:

	December 31 2017	March 31 2017
Assets employed		
Civil Aviation Training Solutions	\$ 2,882.0	\$ 2,821.1
Defence and Security	1,395.3	1,363.6
Healthcare	240.5	264.0
Assets not included in assets employed	959.8	906.1
Total assets	\$ 5,477.6	\$ 5,354.8
Liabilities employed		
Civil Aviation Training Solutions	\$ 883.1	\$ 835.8
Defence and Security	439.8	482.4
Healthcare	35.5	39.7
Liabilities not included in liabilities employed	1,933.5	1,915.9
Total liabilities	\$ 3,291.9	\$ 3,273.8

Products and services information

The Company's revenue from external customers for its products and services are as follows:

	Three months ended December 31		Nine months ended December 31	
	2017	2016	2017	2016
Revenue				
Simulation products	\$ 321.5	\$ 304.4	\$ 916.0	\$ 864.0
Training and services	382.9	378.3	1,133.3	1,105.8
	\$ 704.4	\$ 682.7	\$ 2,049.3	\$ 1,969.8

Geographic information

The Company markets its products and services globally. Sales are attributed to countries based on the location of customers. Non-current assets other than financial instruments and deferred tax assets are attributed to countries based on the location of the assets.

	Three months ended December 31		Nine months ended December 31	
	2017	2016	2017	2016
Revenue from external customers				
Canada	\$ 60.7	\$ 59.9	\$ 189.5	\$ 190.5
United States	248.9	263.7	723.7	722.9
United Kingdom	51.0	63.0	180.4	192.3
Germany	29.1	25.9	69.9	68.1
Netherlands	21.2	21.4	63.8	65.6
Other European countries	84.2	78.0	230.3	247.1
United Arab Emirates	25.9	2.0	82.8	27.4
China	82.5	36.3	170.0	106.9
Other Asian countries	69.6	97.8	242.8	246.9
Australia	12.6	14.5	39.6	46.4
Other countries	18.7	20.2	56.5	55.7
	\$ 704.4	\$ 682.7	\$ 2,049.3	\$ 1,969.8

	December 31	March 31
	2017	2017
Non-current assets other than financial instruments and deferred tax assets		
Canada	\$ 895.3	\$ 1,051.1
United States	917.5	988.1
Brazil	110.5	124.9
United Kingdom	230.9	218.0
Luxembourg	183.5	182.9
Netherlands	214.6	159.0
Other European countries	310.7	274.0
Malaysia	189.5	0.1
Other Asian countries	162.4	109.0
Other countries	70.4	74.2
	\$ 3,285.3	\$ 3,181.3

NOTE 13 – RELATED PARTY TRANSACTIONS

The following table presents the Company's outstanding balances with its joint ventures:

	December 31	March 31
	2017	2017
Accounts receivable (Note 4)	\$ 29.4	\$ 54.0
Contracts in progress: assets	15.5	14.2
Other assets	25.7	27.4
Accounts payable and accrued liabilities	8.4	15.3
Contracts in progress: liabilities	3.1	25.9

Other assets include a finance lease receivable of \$9.7 million (March 31, 2017 – \$12.4 million) maturing in October 2022 and carrying an interest rate of 5.14% per annum, a loan receivable of \$8.6 million (March 31, 2017 – \$8.4 million) maturing June 2026 and carrying a fixed interest rate of ten years Euro swap rate plus a spread of 2.50%, and a long-term interest free account receivable of \$7.3 million (March 31, 2017 – \$6.6 million) with no repayment term. As at December 31, 2017 and March 31, 2017, there are no provisions held against the receivables from related parties.

The following table presents the Company's transactions with its joint ventures:

	Three months ended December 31		Nine months ended December 31	
	2017	2016	2017	2016
Revenue	\$ 9.4	\$ 12.4	\$ 56.3	\$ 42.2
Purchases	0.5	0.8	2.8	1.9
Other income	0.4	0.5	1.2	1.4

In addition, during the third quarter of fiscal 2018, transactions amounting to \$0.2 million (2017 – \$0.3 million) were made, at normal market prices, with organizations for which some of the Company's directors are officers. For the first nine months of fiscal 2018, these transactions amount to \$0.6 million (2017 – \$1.1 million).

Compensation of key management personnel

Key management personnel have the ability and responsibility to make major operational, financial and strategic decisions for the Company and include certain executive officers. The compensation of key management for employee services is shown below:

	Three months ended December 31		Nine months ended December 31	
	2017	2016	2017	2016
Salaries and other short-term employee benefits	\$ 2.3	\$ 2.1	\$ 4.9	\$ 4.9
Post-employment benefits – defined benefit plans ⁽¹⁾	0.5	0.3	1.4	0.9
Share-based payments	2.7	1.4	12.4	10.9
	\$ 5.5	\$ 3.8	\$ 18.7	\$ 16.7

⁽¹⁾ Includes net interest on employee benefits obligations.