REMARKS FOR CAE'S 2012 ANNUAL MEETING OF SHAREHOLDERS

Speakers:

Mr. Marc Parent, President and Chief Executive Officer

Mr. Stéphane Lefebvre, Vice President, Finance, and Chief Financial Officer

Thursday, August 9, 2012
Montreal

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Marc Parent, President and Chief Executive Officer

Thank you Mr. Chairman.

Good morning ladies and gentlemen,

Our company achieved strong results in fiscal 2012. Our revenue and earnings increased by double digits. We had good margins and strong order intake and our backlog reached a record level.

One of the reasons for our success is our innovation. It is at the heart of who we are, it's in our DNA and it provides CAE with an incredible advantage and differentiator. This is why our main theme this year is **Leading by innovation**.

Innovation takes many forms at CAE:

- We develop innovative technologies and services;
- we are innovative in the way we go to market;
- we have innovative partnerships and relationships with our customers;
- and we develop innovative programs for our employees.

Let me start with the first one: our innovative technologies and services. Our reputation has been built on it. With our technologies being so realistic, pilots can prepare for many situations we all hope will never happen as we are flying with our families in the airplane.

Over the years, we have developed simulators for more than 130 aircraft types and we developed more simulators for new prototype aircraft than any other company. For example, this year alone, we are developing the first simulators for five new aircraft including the Airbus A350 and Bombardier C-Series.

We are deploying our first CAE 3000 Series helicopter simulators with full motion capability. The first one is being shipped to Sao Paolo to service our joint venture with Lider, the largest helicopter operator in Brazil. This new simulator is revolutionizing helicopter training by introducing the highest level of realism in this market.

The innovation embodied in our products enabled us to sell 37 civil full-flight simulators during fiscal 2012, up from 29 the previous year. Year to date, we already announced 10 simulator sales.

We also launched innovative services like CAE Real Case where we incorporate real-life scenarios of incidents into business aviation pilot training – a first in that segment. We also introduced web-based recurrent training for business aviation and helicopters.

As well, we are offering more training closer to our customers' bases. Today, we have 44 civil training locations around the globe.

In the defence market, we provide innovative solutions to the forces of more than 50 nations in order for troops to be ready for their missions.

This year, we delivered the first simulator for the Alenia Aermacchi M-346 advanced lead-in-fighter trainer and for the Boeing P-8 Poseidon maritime patrol aircraft. We are also developing the first simulator for AgustaWestland's new AW189 helicopter.

Defence forces are looking for the most advanced technologies for effective mission training. Already, we are involved in networking multiple flight simulators, as well as linking virtual simulators to live aircraft in joint exercises. More and more, militaries are extending their use of virtual simulation and will increasingly bring together virtual training across air, land and sea platforms and personnel to conduct highly realistic mission rehearsals.

This innovation means an aircrew on a simulator in Canada and an aircrew flying a real aircraft in Europe will be able to participate in the same mission rehearsal exercise.

We also innovate in our new core markets of Healthcare and mining, where we are leveraging our technology honed over decades in aviation.

In Healthcare, we continued to develop our simulators and greatly expanded our reach through the acquisition of METI. We now have the right business platform to fully leverage CAE's capabilities and seed the long-term growth of the company. We have sold our products to marquee customers like the Mayo Clinic, Harvard Medical, the Cleveland clinic and the US Air Force.

Today we offer a full spectrum of training tools, including surgical and imaging simulation, centre management solutions and a suite of highly realistic patient simulators. In total, more than 6,000 of our medical simulators are in use worldwide and CAE Healthcare is already the world leader in healthcare simulation technology.

In Mining, we completed the development of our first simulators for electric shovels and haul trucks. Like civil aviation and defence, our simulators allow operators to reduce cost of training on real mining equipment and improve safety. We also sell a suite of solutions ranging from exploration data management to mine planning. We have customers in more than 100 countries including Vale, Goldcorp and Rio Tinto.

The second way we innovate is the way we go to market.

We are a global company supporting our customers locally. As an example, we have 800 employees on 70 military bases around the globe. As you can see on the map, we have 8,000 employees who work on a daily basis in the same environment as our clients. Not only do they speak the language, but they also live and work in the same culture.

We are innovative as we offer our customers the broadest portfolio of products and services and we tailor our offering to each client's specific needs. Our clients can choose to buy our simulators, rent simulator time, buy services, or they can decide to outsource their whole training needs. They can also decide to train in the country of their choice.

And, a few months ago, we added another arrow to our quiver. We brought together CAE, the world leader in training commercial pilots, and Oxford Aviation Academy, one of the oldest and most esteemed brands in Ab-Initio training and aviation personnel sourcing.

This acquisition will result in many synergies. Already, we see increased revenue opportunities and we identified significant cost synergies throughout the network.

Today, we have a unique ability to take a man or a woman with a dream of becoming an airline pilot, all the way through his or her training and making their dream a reality. We accompany them throughout their career: we recruit them, we train them as cadets in our flight schools, then as airline pilots in our training centres and we can place them with airlines.

We also offer this possibility in more places around the world than any other company. Summing it all up, Today we are:

- The world's largest type rating network with 44 training locations
- The world's largest flight training organization with 12 ab initio flight schools
- And, the world's largest aviation personnel sourcing organisation with over 1,200 pilots, maintenance crew and other aviation professionals on assignment with 50 airlines.

And we are leveraging our successful civil business model into defence. Our KC-135 program in the United States is an example of a full training service: today, CAE is providing aircrew training to more than 3,500 pilots, co-pilots, and refuelling boom operators annually on 13 US Air Force bases in the United States and internationally.

In healthcare, we have a sales force, comprised of our own employees and key distributors which allow us to have an international presence.

In mining, our headquarters are in Australia, close to large mining companies; we also have offices in 10 countries.

(PAUSE)

The third way CAE continues to lead is through **innovative partnerships and relationships** with our customers. Today, in our civil business we have many long-term service agreements and 13 joint ventures with airlines, aircraft operators, OEMs and government entities. When we establish a joint venture, the airline outsources its training to the joint venture.

We recently added three joint ventures: Cebu Pacific in the Philippines, Air Asia in Malaysia and Interglobe in India. We also strengthened our position with our long-time joint venture partners such as China Southern and Emirates in Dubai.

In fact, most of those relationships have been expanded in scope over time. A good example is our joint venture with Air Asia, the largest low-cost carrier in Asia: at the beginning, we sold the airline simulators, and then we operated its training centre. Today, we train all its pilots, maintenance technicians, cabin crew and ground personnel. This is actually a total outsourcing of the airline's training needs.

In Defence, we created a venture with the Government of Brunei to develop a Multi-Purpose Training Centre where we will train helicopter operators as well as other personnel. We continued to grow our long-standing relationship with Lockheed Martin on the C130J Super Hercules with contracts to deliver eight additional C-130J simulators to various units of the United States Air Force.

Finally, an innovation which makes me particularly proud is how we are growing our people and positioning them around the world. We have become a truly global company with half our people based in Canada and the other half in more than 30 countries around the world. We have created a program where we are actively promoting, developing and nurturing our high-potential employees because they are the future leaders of our company. Already many high-potentials have been promoted or transferred to other positions in our global network.

In conclusion, our longstanding commitment to innovation has helped us become leaders in all our market segments. It has also enabled us to achieve first mover advantage in the emerging markets which has contributed to our geographic balance. Our 8,000 employees are on six continents serving customers in more than 190 countries. Our global reach combined with our innovative solutions and our best-in-class personnel positions us well for the future.

I will now invite Stéphane Lefebvre, our Chief Financial Officer, to review the financial results for fiscal 2012 and for the first quarter of fiscal 2013.

Stephane Lefebvre, Vice President, Finance and CFO

Thank you Marc.

Good morning, ladies and gentlemen.

Let us first look briefly at some financial highlights of fiscal 2012.

Our total revenue increased to $1.82 billion and net income reached $182 million for the year. We had a strong order intake and ended the year with a record backlog of $3.7 billion.

In Civil, our revenue reached $841 million and we delivered $174 million of operating income for an annual margin of 20.7%. We booked record orders with an expected value of $1.1 billion.

In Defence, our military segments generated revenue of $897 million with a combined segment operating income of $142 million for an operating margin of 15.8%. We received total orders of $960 million including a record level of US defence contracts.

Capital expenditures were $166 million during the year, with $117 million for growth and the balance for maintenance. We converted 96% of our net earnings into free cash flow, which was $174 million.

Overall, we achieved a solid performance in fiscal 2012.

(PAUSE).

Let’s now look at our first quarter results for fiscal 2013.

Revenue was $480 million, or 12% higher than in the first quarter last year.

Net income attributable to equity holders was $21.3 million or 8 cents per share. Excluding restructuring, integration and acquisition costs, it was $46.7 million or 18 cents per share.

In civil, we are continuing to benefit from a strong commercial aerospace market. The Civil operating margin was 19%, with revenues totalling $251 million, reflecting the strong demand for our solutions globally.

Combined Civil orders during the quarter totalled $235 million for a book-to-sales ratio of 0.94x and a trailing twelve months of 1.24 times.

Defence revenue was $203 million, down 2% compared to last year, with a margin of 14%. This is a reflection of the late timing of orders booked in fiscal 2012. We expect volume to ramp up in the second half of the year.

During the quarter, we received orders valued at $146 million with a book to sales ratio of 0.72x. For the last twelve months, the ratio was one-times sales.

Our Healthcare and Mining businesses reached $26.1 million in revenues. We achieved profitability for the first time with an operating profit of $700 thousand as we continued to gain traction by penetrating global markets with our innovative products and services.

Income taxes this quarter were $6.2 million representing an effective tax rate of 22%, compared to 24% last year. The lower rate is mainly due to lower income in higher tax jurisdictions, which was further accentuated by our restructuring measures in Europe.

Free cash flow was negative $98 million, primarily because of unfavourable changes in non-cash working capital and lower cash provided by operating activities.

Net debt was $989 million as at June 30, compared to $534 million last quarter. This increase is mainly attributable to the financing of our Oxford acquisition and higher investment in our non-cash working capital. We normally see negative changes in non-cash working capital in the first quarter due to the timing of certain payments related to our operations and we expect an improvement over the course of the year.

Capital expenditures were $46.5 million during the quarter, with $34.3 million for growth initiatives and the balance for maintenance.

I am pleased to report that we recently negotiated our revolving credit facility at more favourable interest rates. We extended the maturity date from April 2015 to April 2017 and we increased the available facility amount from $450 million to $550 million. The additional $100 million was used to reduce our banking facility put in place for the Oxford acquisition. These improvements are a reflection of the quality of our business and a testament of our healthy balance sheet. In the last 12 months, we have deployed capital in different areas of our business through two key acquisitions and benefitted from a favourable debt market to finance them.

With no further material acquisition plans in the near term, we are prioritizing the use of capital and free cash flow toward selectively funding investments where demand has been secured, reducing our debt, and generating higher current returns for our shareholders.

In summary, our performance in the quarter reflects our restructuring as well as the acquisition and integration of Oxford. Before those impacts, our performance was better than what we saw at this time last year. CAE is in good financial health. We have a solid backlog valued at $3.9 billion and we are well positioned for the future.

I thank you for your attention. I now turn over the podium to our CEO, Marc Parent.

Marc Parent, President and Chief Executive Officer

Thank you Stephane,

Fiscal 2013 is shaping up largely the way we anticipated. On the civil side, the market continues to be robust, with large OEM aircraft backlogs. Today, Airbus and Boeing have a total of 8,500 aircraft to be delivered within the next 6 years. The total commercial aircraft backlog, including all OEMs that build regional, narrow-body and wide-body aircraft exceeds 10,000 for the first time in history!!

As the market leader in supplying simulators and training to the world's airlines, this is great news for CAE. For fiscal 2013, we already announced the sales of 10 simulators, and we expect our sales to be in the mid-thirties for the year.

(Pause)

In civil training and services, we now have 216 simulators in 44 training locations and 12 flight schools around the world. By combining CAE and Oxford, we are offering our clients end-end to solutions.

We already identified more opportunities to better serve our clients with our larger footprint and broader portfolio.

An excellent recent example is our long-term contract with easyJet that we announced earlier this week. With this deal:

- we will train cadets in our ab initio schools,
- once they graduate, we will train them in our simulation centres and, finally,
- we will provide flight crews to easyJet through our CAE Parc Aviation personnel sourcing business.

Our new total offering will have positive impacts on the revenue as well as on the bottom line, as we continue to see cost efficiencies throughout the network.

For Business Aviation, the recovery is still underway. We see utilization slowly increasing with significant delivery levels in the international and emerging markets. For example, during the Farnborough airshow in early July, Bombardier announced its largest business aircraft order ever for up to 275 Challenger jets.

We also see signs of optimism with our business aircraft OEM customers who have launched several new programs. As you see on the screen, Bombardier, Cessna, Dassault, Embraer and Gulfstream have recently introduced or are in the process of developing new generation aircraft in the mid-size to large cabin categories.

Overall, competition remains strong in a consolidating market, but CAE continues to lead the market and we expect double-digit growth with improved margins in our combined civil sector.

(Pause)

The defence market remains challenging, mainly because it’s difficult to predict the timing of orders.

We still have a strong pipeline of opportunities. For example, the US military expects two of the biggest export platforms over the next decade to be the MH-60R Seahawk helicopter and the C-130J Super Hercules. CAE leads in terms of simulation-based training on both these platforms. And just last month, the U.S. Navy ordered more than 250 additional Seahawks, which, again, bodes well for CAE.

And we continue to see higher levels of activity in the emerging markets with programs like the Multi-Purpose Training Centre which we are developing in partnership with the government of Brunei.

Looking forward, we will continue to innovate to ensure that our offering remains as relevant as it is today delivering high fidelity training to promote the safety and mission-effectiveness of our defence partners worldwide.

We expect to see defence orders, revenue, earnings and margins to ramp up in the second half of the year, not unlike what we saw in fiscal 2012.

In New Core Markets, we are happy with our progress and we now have the critical mass to be able to generate in excess of $100 million of revenue this year and be profitable.

Overall, we are seeing the fruits of our strategy which allows us to generate more recurring revenue and cash flow than ever before.

As a testament to the continued confidence in our business model, the Board of Directors has voted a dividend increase of 25% to 5 cents. per share, per quarter, effective September 28, 2012.

In conclusion, CAE's business platforms have never been better positioned.

In civil, with the acquisition of Oxford Aviation, we further solidified our global footprint and enhanced our total offering to our customers. We have the right platform to maintain our leadership and respond to the growing needs of our customers in a robust market.

In Defence, we have a large pipeline of opportunities, particularly involving aircraft that are in high demand with many forces. As I said earlier, our challenge is predicting the timing of contract awards.

In New Core Markets, we have the critical mass necessary to leverage CAE's capabilities into new markets. We have a strong position and we have in place the right team to deliver positive results

The position we have built up over the years in Civil, Defence and New Core Markets represents the best in class assets for our customers and stakeholders.

We had good success in FY2012 and this year is shaping up to be even stronger, thanks to the efforts and dedication of our 8,000 employees.

In closing, I would like to thank our Board of Directors for their guidance and support and you, our shareholders, for your confidence in our great company,

Thank you for your attention.

We are now ready to take questions from the floor.