



**REMARKS FOR CAE'S 2009 ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS
Montreal, August 12, 2009**

Speakers:

Mr. Lynton R. Wilson, Chairman of the Board

Mr. Robert E. Brown, President and Chief Executive Officer

Mr. Alain Raquepas, Vice President, Finance, and Chief Financial Officer

Mr. Marc Parent, Executive Vice President, and Chief Operating Officer

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Lynton R. Wilson, Chairman of the Board

As you may have seen in the press release earlier, the Board, at its meeting this morning, was informed of Bob Brown's intention to step down as our Chief Executive Officer at the end of September. Towards the end of last year, as we were reaching the end of the five years that Bob had signed up for, the human resources committee, the executive committee and the Board initiated a search for his possible replacement and spent considerable time in succession deliberations. Today, I am delighted to announce the appointment of Marc Parent as the new President and CEO of the company, effective October 1st.

(PAUSE)

I would like to take a few moments to reflect on Bob's five challenging and transformational years at CAE as President and CEO.

Today CAE is testament to his vision and leadership and his remarkable ability to engage employees in the pursuit of strategic diversification. "Doing the right thing" became our mantra and Bob, the Board and the management team set forward with a comprehensive restructuring plan designed to enhance CAE's position as a global aerospace and defence leader.

Bob first made a series of decisions to strengthen the balance sheet of the company. This included finalizing the sale of our Marine Controls division, which provided us with greater flexibility to fund the growth of our other businesses. Starting April 1st 2005, we enhanced our financial disclosure, reporting our business in four segments, two in civil and two in military. This enabled management, the Board and shareholders to properly assess the condition and prospects of each of our segments.

Bob also mobilized our employees around the word, adopting Kaizen and six-sigma techniques to help improve quality and efficiency. Under his leadership, we initiated customer advisory boards to ensure that we provided the right solutions in a highly dynamic market.

When I spoke to Bob before he joined CAE, he told me how much he was impressed with CAE's products. He continued to strengthen our leadership position by investing \$1.6 billion in R&D in our core business and in new related sectors like healthcare simulation.

The numbers confirm Bob's legacy of leadership and sound management. Looking at the period between fiscal year 2004 and fiscal 2009, revenue grew 77% from \$938 million to \$1.7 billion and



earnings per share from continuing operations increased nearly four-fold from 20 cents to 79 cents.

As you can see on the slide, our civil simulation products grew 150% to \$478 million with the segment operating income increasing to \$92 million.

We increased our civil training locations from 18 to 26, consolidating our position in markets such as the United States, India, the Middle East and Europe. Revenue grew 70% to \$461 million and segment operating income doubled to \$85 million. CAE has grown to become the world's largest commercial aviation training company and the second largest in business aviation training.

Our military segments have increased substantially, with annual orders doubling to a record \$1.09 billion. CAE has dealings with more than 30 national defense forces; during the period, we won contracts with all branches of the US forces, the Canadian government, Germany, Australia and Singapore to name a few. Our revenue grew 52% to \$724 million, while our segment operating income increased 140% to \$126 million.

CAE stands today as a Canadian global leader and a symbol of our collective pride. Bob will leave CAE with the satisfaction of knowing that, on his watch, we met or exceeded the expectations of all our stakeholders.

He leaves the company a better, sounder organization that has progressed steadily under his stewardship and is well positioned for the future.

On behalf of the Board, the management team and all CAE employees across the globe, I wish to express to you, Bob, our deep appreciation for an exceptional contribution over these past five years. It has been a privilege and a pleasure to work with you. We wish you well in the future... And without laying too much of a heavy on you Marc, we fully expect that you will continue to build on Bob's legacy.

Bob, félicitations, and over to you.



Robert E. Brown, President and CEO

Good morning ladies and gentlemen,

Thank you very much Red for your kind words.

We delivered another strong performance in fiscal year 2009 thanks to our unique market position and continued diversification between products and services, our defence and civil businesses and our international reach. We also maintained strict financial discipline.

Our revenue grew 17% to \$1.7 billion and net earnings increased more than 30% to \$200 million. We established a new record, with a backlog of over \$3 billion.

The global economic downturn impacted our civil segments, while military enjoyed growth and increased profitability. For the first time in CAE's history, our military orders reached \$1.1 billion as we won contracts around the world.

In Canada, the CAE-lead team was awarded the C-130J aircrew training program. We were pleased to see Canada supporting the Canadian industry with key contracts awarded directly to Canadian companies who can then leverage their expertise and obtain new contracts from other nations. This week, Boeing announced an order for 15 Chinook helicopters from the Canadian Government. CAE and its pan-Canadian team is the sole qualifier for the training services related to this program and we hope to finalize a contract this year.

During the year, we also continued to win contracts from all branches of the U.S. defence forces.

In Europe, we won several contracts under the NH90 helicopter program and we continue to train pilots from a number of NATO countries at our U.K. helicopter training centre. We have also engaged in several initiatives with the German Ministry of Defence and have strengthened our presence in Singapore, India and Australia.

Our Civil business segments performed well despite the challenging economic conditions. In fiscal 2009, we won orders for 34 full-flight simulators. In civil training and services, we signed agreements with an expected value of \$464 million and our average annualized revenue per simulator was \$3.9 million.



Our 2009 results were very good, particularly in light of challenging market conditions. Alain will present our 2009 financial results as well as our Q1 of 2010, and I am proud to say that CAE continues to weather the storm.

(PAUSE)

But before Alain's presentation, I would like to take this opportunity to thank all CAE employees and my management team colleagues. Our success is the result of every one's dedication and hard work, and it has been an enriching and stimulating experience for me working with such a team. I also want to thank the CAE Board and CAE USA Board for their constant support and counsel. I would like to extend a special thanks to our Chairman, Red Wilson, who has always been very supportive of our actions.

And finally, I want to thank the shareholders of CAE for believing in our company, its management team and myself.

It has been my good fortune to work with Marc Parent, and I am convinced that he will be successful in his new role. Over the last five years, he always delivered on every assignment I gave him, and always exceeded my expectations. I wish him well.



Alain Raquepas, Vice President, Finance and CFO

Thank you, Mr. Brown. Good morning, ladies and gentlemen.

Let us now look briefly at the highlights of fiscal 2009.

Again this year, we continued to make good progress on all fronts.

Annual revenues in FY 2009 reached \$ 1.7 billion compared to \$1.4 billion in 2008, with the four segments all contributing to that 17% growth. In our military segments, we obtained record orders of \$1.1 billion, contributing to our consolidated backlog valued at \$3.2 billion

We recorded \$304 million of EBIT representing an increase of 21% from last year. Our EBIT margin now represents 18.3% of our consolidated revenue. Volume and our constant preoccupation to reduce costs have contributed to this achievement.

Earnings per share from continuing operations increased from \$0.65 last year to \$0.79 this year.

We concluded the year with free cash flow of \$106 million. We generated \$196 million of net cash from our operations around the world. We reinvested \$204 million in Capital Expenditures, a substantial portion of which was invested to grow our training network. For FY09, CAE and its partners around the world operated more than 140 Full Flight Simulators.

Our Capital employed at year end was \$1.5 billion and our return on capital employed was 15.8% improving year over year. The balance sheet is strong and the level of our net debt provides us flexibility.

(PAUSE)

Let's now talk about our first quarter results ended June 30.

Overall, we had good results, especially considering the challenging aerospace market.



For the first quarter of 2010, we generated revenues of \$383 million, slightly lower than last year. Net earnings were \$27.2 million, or 11 cents per share, compared to \$47.3 million or 19 cents per share in the first quarter of last year. On May 14th, we announced a restructuring plan to align the organisation to current and expected market conditions. Excluding the restructuring charge booked in Q1, our net earnings were \$46 million, or 18 cents per share on a normalized basis. Once again, our diversification has played a key role in our positive results. Our military earnings were sufficiently strong to offset the softness of our civil business.

In the combined military segments, we won orders valued at \$194 million; this includes a C-130J simulator for the U.S. Air Force Special Operations and upgrades to the Seahawk helicopter trainers for the U.S. Navy. The combined revenue was \$185 million and margins were above 18% in both segments.

In Civil Training and Services, we booked orders valued at \$59 million and we increased the annual average number of Revenue simulator Equivalent Unit in our network to 130. We are experiencing a slow down in North America and in Europe, but demand in the rest of the world has been relatively stable. Revenues were at \$115 million, 4% over last year.

In civil simulation products, we have announced the sale of six simulators in the quarter, including two simulators for Bombardier's new aircraft, the C-Series. Revenues were \$83M with a margin of 20.1%.

Capital expenditures were \$32 million during the quarter, compared with \$64 million in Q4 of fiscal 09.

We issued senior notes for approximately \$130 million of a private placement with two investors who have renewed their confidence in us, which this reflects the stability and credibility of the company.

In conclusion, CAE has done well this quarter. This year will bring its challenges, but I believe CAE is well positioned to continue creating shareholder value.

Thank you for your attention.



Marc Parent, EVP and COO

Good morning,

I would like to thank Mr. Wilson and the Board of Directors for their vote of confidence. I also want to thank Bob Brown for his mentorship and counsel. Under his leadership, CAE has attained a solid financial base, good diversification and the company is well positioned to meet present challenges and pursue future opportunities.

My entire career has been in the aerospace sector, with the last five years at CAE, a true leader in aerospace and defence. It is a privilege to be named CEO of a world leader and I will do my utmost to meet expectations from the Board, our employees and you, our shareholders.

CAE is a great company. I never cease to be impressed by the strength of our brand, which resonates around the world and is synonymous with quality, innovation and customer focus.

I've had the chance to visit most of our sites around the world a number of times and I also had the opportunity to meet the majority of our employees. I am always impressed with their pride in the company and their dedication to our customers. They are amongst the finest in the world.

I also met many of our customers who spoke highly of the quality of our products and services and their satisfaction toward our employees.

Becoming CAE's new President and CEO is a big challenge and a great responsibility, but I believe we have the employees, the management team and excellent products and services to create even more value for our stakeholders.

We are now working our way through a challenging aerospace market and we are well equipped to manage this situation. We expect this fiscal year to bring its share of difficulties, but our diversification and our worldwide presence will allow us to weather the storm.

Bob and I share a mutual discipline and orientation in terms of the way we consider risks and opportunities. A strong balance sheet provides the stamina necessary to manage uncertainty,



and innovation is key to our future success. Accordingly, we will continue to invest in R&D in a prudent fashion in order to maintain our leadership.

In the coming weeks, I will meet with some investors, employees, customers and other stakeholders.

Once again I would like to reiterate my sincere thanks to Bob Brown and to the Board for their confidence.

The management team and I are looking forward to continuing in Bob's footsteps and we fully intend to deliver good results and shareholder value.

Thank you