REMARKS FOR CAE'S FIRST-QUARTER FISCAL YEAR 2010

August 12, 2009

Time: 1:00 p.m.

Speakers:

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

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

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

Mr. Andrew Arnovitz, Vice President, Investor Relations and Strategy

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Good afternoon, everyone, and thank you for joining us today. Before we begin I need to read the following:

"Certain statements made during this conference, including, but not limited to, statements that are not historical facts, are forward-looking and are subject to important risks, uncertainties and assumptions. The results or events predicted in these forward-looking statements may differ materially from actual results or events. These statements do not reflect the potential impact of any non-recurring or other special items or events that are announced or completed after the date of this conference, including mergers, acquisitions, or other business combinations and divestitures.

You will find more information about the risks and uncertainties associated with our business in the MD&A section of our annual report and annual information form for the year ended March 31, 2009. These documents have been filed with the Canadian securities commissions and are available on our website (www.cae.com) and on SEDAR (www.sedar.com). They have also been filed with the U.S. Securities and Exchange Commission under Form 40-F and are available on EDGAR (www.sec.gov). Forward-looking statements in this conference represent our expectations as of today, August 12, 2009, and, accordingly, are subject to change after this date.

We do not update or revise forward-looking information even if new information becomes available unless legislation requires us to do so. You should not place undue reliance on forward-looking statements."

On the call with me this afternoon are Robert E. Brown, CAE's President and Chief Executive Officer, Marc Parent, our Chief Operating Officer, and Alain Raquepas, our Chief Financial Officer.

After comments from Bob, Marc and Alain, we will take questions from financial analysts and institutional investors.

For your convenience, this conference call as well as presentation from this morning's annual general meeting will be archived on CAE's website:

Let me now turn the call over to Bob…

Robert E. Brown, President and Chief Executive Officer

Thank you, Andrew, and thank you everyone for joining us on the call.

This morning we announced that Marc Parent will be succeeding me on September 30, 2009 as the CAE's next president and CEO. Marc was appointed COO last November with responsibility for all four of CAE's business segments. Marc and I have a long history together in aerospace that predates the time I recruited him to lead the turnaround of operations at CAE and to restore profitability to our Simulation Products/Civil segment. He has been an essential member of the leadership team and his contributions have helped CAE to become the well positioned, well balanced and financially secure company that it is today. The responsibility to lead the people at CAE -- a global aerospace and defence leader -- is a great privilege, and I am very confident that under his leadership, Marc and his team will continue to achieve new levels of success for all of CAE's stakeholders. I will be staying on at CAE in an advisory capacity until the end of the calendar year to facilitate the transition.

We discussed first quarter results in detail this morning as part of our AGM presentation so we will be brief. I will begin with a few highlights from the quarter and Alain will comment on certain financial results and developments. Marc will then provide you with our view of the way forward.

Overall, we had good results this quarter – especially given the challenging aerospace cycle. We generated revenue of $383 million, which is within two percent of last year's result and we had net earnings of $27.2 million or $46 million, before the restructuring charge, which is also comparable to last year.

We owe the resilience of our financial performance to diversification. Our combined military EBIT was sufficiently strong to offset the softness in our civil segments. And we expect this to continue to help lessen the impact as we work our way through the bottom of the aerospace market.

In the **combined military segments**, we won new orders totalling $194 million in the first quarter, including a C-130J Hercules transport aircraft simulator for the U.S. Air Force Special Ops and upgrades to Seahawk helicopter trainers for the U.S. Navy. As well, we signed an agreement to perform major upgrades on a fleet of Chinook helicopter simulators used by the U.K. Royal Air Force.

In **Training and Services/Civil** we took in orders with an expected value of $59 million and we grew the average annualized number of RSEUs in our network to 130. Market pressure continued to be most pronounced in the United States and to some extent, in Europe. Our geographic diversification in this segment is proving helpful as demand for training in Asia, South America and the Middle East have all held up relatively well. Changes in market conditions are reflected quickly in this segment. Utilization was 66% in the first quarter compared to 67% last quarter and 79% last year. We have been and continue to reduce our costs to mitigate the impacts of lower levels of activity and increased pricing pressure.

In **Simulation Products/Civil** we signed six full-flight simulator orders in the first quarter, including customers in Europe and the Middle East, and an order for two simulators in support of Bombardier's CSeries program. Marc will update you on our outlook for the rest of the year.

With that, I will now ask Alain to comment on the quarter.

Alain Raquepas, Chief Financial Officer

Thank you, Bob and good afternoon everyone.

I would like to comment on some of the financial results and developments from the quarter.

We have adopted a change in accounting per the CICA Handbook Section 3064, which deals with goodwill and intangibles. Effective April first we began to fully expense our pre-operating costs as they are incurred instead of capitalizing them. You will have noticed that we restated prior period information to reflect the adoption of this new accounting standard.

We entered private placements for about $130 million with an average of 8.5 years and a blended fixed rate of 7.15%. We repaid a US$60 million note which came due in June with part of the proceeds. The notes were placed with two of our original note holders, which is a vote of their continued confidence in CAE. As well, the rate we secured on these instruments reflects the stability and credibility of the company. We believe this transaction sets a good precedent for our upcoming discussions with our bankers regarding the renewal of our revolving credit facilities, which come due next July.

Also on the financing front, we established after the quarter, a fund with the Solidarity Fund QFL and Société générale de financement du Québec to help facilitate the sale of simulation products. We do not expect this financing option to become de rigueur, but we do expect it to assist those customers who require additional funds on top of what they can access from Export Develoopment Canada. Ultimately, this is another one of CAE's competitive advantages and we think this helps to de-risk our full-flight simulator sales forecast.

During the quarter, working capital increased, which is usual for the start of the year. Our military business is growing and thus requires more working capital, while orders in Simulation Products/Civil slowed, which has a negative impact on the cash instalments we receive. That said, we expect some reversal in the overall trend in working capital as the year progresses.

Finally, capital expenditures were $32 million during the quarter, mainly in support of our prior commitments. The lower level reflects more moderate growth capital expenditures and lower maintenance expenditures because we did not buy back any leases this quarter. We still expect total CAPEX this year to be about $150 million, of which nearly one-third is related to our military business.

Thank you for your attention. I will now turn the call over to Marc.

Marc Parent, Executive Vice President and Chief Operating Officer

Thanks, Alain and thank you Bob for your encouragement.

It is indeed an honour and a privilege to have been appointed to succeed Bob Brown as president and CEO and to lead the great team at CAE. We are in a position of strength today in no small part because of Bob's clarity of vision and his ability to empower people.

A major part of the vision we share is making certain that the company is equipped to manage market uncertainty. We are making our way through a difficult period in the aerospace sector and our diversification and healthy financial position are helping to bolster our performance and to ensure that we have the flexibility to benefit when the markets recover.

Last quarter we announced our restructuring plans and the need to size CAE to current and expected market conditions. As well, we identified opportunities to adjust our global organization to achieve both cost and revenue synergies. This initiative is well underway and we are already operating under our renewed structure. We recorded $27.2 million in restructuring costs this quarter and we expect this amount to total approximately $32 million as we conclude our activities over the course of the year. The cost reductions and ongoing savings that we expect to realize this year should offset our total restructuring costs.

In the first quarter we combined the sales and support organizations of our two civil segments to give us the ability to provide customers with a unique and seamless portfolio of products and services. This approach is especially timely as we can offer customers the kind of flexibility they need to manage current conditions. We believe this will also give us a greater competitive advantage when the market resumes growth.

The latest commercial passenger and cargo traffic data show some improvements. Consensus is that air traffic may be bottoming out, albeit at a much lower level. In business aviation, inventories of used aircraft are slightly lower, which is positive, but conditions in this segment continue to be difficult. We share the opinion that sustained improvements in corporate profitability are necessary to drive a meaningful recovery in this market.

In **Training and Services/Civil** we have cut costs globally to help mitigate the market decline. Conditions for training are weakest in the U.S. and Europe, and better in the rest of world. In this regard, CAE is unique in that we have the broadest global reach of any of our training competitors. Our global diversification is working to partially dampen the effects of the downturn in the legacy markets. We should, however, recognize that the downturn is on a global scale and no market segment is completely immune.

In **Simulation Products/Civil** the level of marketing activity is reasonably good but it is taking longer to get deals done. That said, we continue to expect 20 full-flight simulator orders this year based on our forecast for new aircraft deliveries. We remarked last quarter that we believe we can achieve an average EBIT margin percentage this year in the mid-teens for our combined civil segments. We are monitoring market conditions and factors like utilization and pricing closely and based on our visibility over the rest of the year we continue to believe this is the correct estimate.

The outlook for our **combined military segments** is clearly positive. We achieved strong performance in the first quarter and on a combined basis we have been outperforming our previous estimates of 10 percent revenue growth and 15 percent EBIT margins. We now believe that our annual revenue growth could be somewhat higher than our previous estimate.

We are optimistic about military and we expect another good year of orders. Just this week the Canadian government announced that it has concluded the contract for the purchase of CH-47 Chinook helicopters. As you may recall, the CAE-led team is the sole qualifier for the training services related to this program and we are hopeful to conclude an agreement later this year.

Although we benefit from some larger programs, our business does not rely heavily on them. Our diversification strategy has favoured smaller program sizes to lower our exposure to any single contract. Excluding the multi-year Canadian C-130J contract that we won last year, the average of our top 25 contracts was approximately $16 million.

Demand for simulation-based training solutions remains strong as militaries globally are intent on finding alternatives to live training to reduce costs, relieve bottlenecks, and enhance their mission rehearsal capabilities. We anticipate that demand for modelling and simulation-based solutions will outpace the rate of defence spending growth for the foreseeable future.

CAE’s real forté involves aircraft types that are considered the workhorses of the current defence environment: helicopters, transports, tankers, and lead-in jet trainers. And as with our civil business, we are well diversified geographically with key centres of operation in seven countries. Also, we are prominently placed on what we feel are the right aircraft platforms that are either new, like the NH-90 helicopter, or that have long expected lives ahead of them like the C130J transport aircraft.

Overall, our first quarter results were strong. Looking ahead, when we take into account market developments since last quarter and the actions we have taken, our outlook for the year is largely unchanged.

We normally expect variances in our performance from quarter to quarter as a result of seasonality. Accordingly, the second quarter is normally our weakest as flight crews are busy flying passengers rather than going through training centres. As well, we shut down our main manufacturing operations every July, which directly impacts the progress we make on programs during the quarter. These variances will be even more pronounced this coming second quarter as our cost reduction initiatives included an extended shut down of three weeks rather than two and we also had two furlough days.

This means that our second quarter will be somewhat softer than usual, but nonetheless, our outlook for year remains intact. We should be able to make up for some of the softness in Q2 with the ramp up of our cost savings initiatives over the second half of the year, and with the continued strong execution from our military segments.

To conclude, the aerospace market is at historical lows, but the fundamentals of CAE’s business remain strong: we have a solid balance sheet and we are generating good cash flow; we are well diversified between markets, products, services and geographies; and, we have a highly capable management team to help CAE weather the storm.

On a final note, Bob and I will be transitioning over the next six weeks. On behalf of the entire team at CAE I would like to extend our gratitude for his leadership and the invaluable legacy he leaves behind. Over the past year I have had opportunity to meet with a number of investors and financial analysts and as we make this transition, I hope to meet many of you in the weeks and months ahead.

Thank you for your attention. We are now ready to take your questions.

Andrew?

Andrew Arnovitz, Vice President, Investor Relations and Strategy

Operator, we would now be pleased to take questions from analysts and institutional investors.

Before we open the lines, let me first ask in the interest of fairness that you limit yourself to a single, one-part question. If you have additional questions and time permits, please feel free to re-enter the queue.