REMARKS FOR CAE'S 2010 ANNUAL MEETING OF SHAREHOLDERS
Toronto, August 11, 2010

Speakers:

Mr. Lynton R. Wilson, Chairman of the Board

Mr. Marc Parent, President and Chief Executive Officer

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

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Marc Parent, President and Chief Executive Officer

Thank you Mr. Chairman.

Good morning ladies and gentlemen,

We had a good year in fiscal 2010 even though we went through the worst downturn in the history of civil aviation. The year was challenging but it gave us the opportunity to test the merits of our diversification strategy. Taken together with the measures we took early in the year to improve and align our cost base, we demonstrated the resiliency of CAE's business model.

We were able to maintain our market share in the civil market and had a strong order book in military with good margins. We also started to make inroads in our new core markets.

Alain Raquepas, our Chief Financial Officer, will give you the financials of 2010 and our first quarter results for fiscal 2011. I will then return to discuss some highlights and the way forward for our company.

Alain Raquepas, Vice President, Finance and CFO

Thank you Marc.

Good morning, ladies and gentlemen.

Let us first look briefly at some financial highlights of fiscal 2010.

Our total revenue reached $1.53 billion and we achieved continued double-digit growth in our defence segments, which helped offset the contraction in the civil aviation market.

Today we have a solid backlog of $3.0 billion and we maintain our lead in a competitive market.

In Training and Services/Civil, our revenue reached $433 million and we delivered $75.1 million of operating income for an annual margin of 17.3%. We booked orders with an expected value of $351 million and our utilization rate in our training centres was 64%.

In Simulation Products/Civil, revenue was $284 million. Segment operating income was $49.4 million with a margin declining from 20% in Q1 to 13.8% in Q4. In a difficult environment, we were able to maintain an average of 17.4% for the year.

In defence, we received total orders of $969 million. Together, our military segments generated revenue of $809 million with a combined Segment operating income of $ $139.6 million for an operating margin of 17.3%. Results from our military segments have been key to mitigate the downturn in civil.

Capital expenditures last year were about $130 million, $77 million for growth and $53 million for maintenance and our net debt to total capital was 23%.

We concluded the year with a strong free cash flow of $179 million for a ratio over our net earnings of 124 percent.

(PAUSE)

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

For the first quarter of 2011, we generated revenues of $367 million, 4% lower than last year. Net earnings were $39.4 million or 15 cents per share. Last year, net earnings were $27.2 million or 11 cents per share, which included the cost of our restructuring program.

In the combined military segments, we won orders valued at $276 million with a book to sales ratio of 1.51x. The combined revenue was $182 million with a margin of 17.5%. Revenue decreased 2% compared to last year mainly because of foreign currency translation and because of the back-ended profile of this year’s production as well as the lower contribution from large programs we recently won which are still in early stages of development.

In Civil Training and Services, revenues were $118 million and margins were 18.9%. We received orders with an expected value of $81.8 million and we increased the annual average number of Revenue Simulator Equivalent Units in our network from 130 to 132.

In civil simulation products, revenues were $67 million with a margin of 12.3%.

We had a combined civil segment operating margin of 16.5%, with revenues totalling $185 million, reflecting the diversification of our revenues and the success of our efforts to control costs.

Free cash flow was negative $65.4 million, primarily because of the increase in account receivables and contracts in progress as well as the reduction of payables and accrued liabilities. We normally anticipate increases in these working capital accounts at the start of our fiscal year. Our first quarter is always impacted by cash payments for taxes, royalties and other expenses that are accrued during the prior year and paid in Q1. We expect a good portion of the working capital to come back over the balance of the year.

Capital expenditures were $22 million during the quarter, compared with $49 million in Q4 of fiscal 10.

To conclude, CAE is in good financial health. We have a strong balance sheet, quality earnings and the basis to pursue our growth.

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 Alain,

Our overall performance in fiscal year 2010 provided more evidence that CAE has become less vulnerable to the cycles of the aerospace market and, more specifically, to the sale of civil simulators. More than half of our revenue was derived from defence products and services, nearly 30% were generated by the provision of civil training and services, leaving less than 20% of our overall activities related to the sale of civil simulation products.

From a geographic standpoint, about one-third of our revenue was generated in high growth markets such as Asia, the Middle East and South America, which continued to exhibit strong demand for our products and services during the downturn.

During fiscal 2010, we signed contracts with the defence forces of 21 nations, including a $250 million contract in support of Chinook helicopter training for the Canadian Forces. Many of these defence contracts span 10, 15, or even 20 years, providing long-term stability to CAE. This marks the third year in a row that we have a book to sales ratio at 1.2 times or greater, underlying our growth in defence.

In civil aerospace, we maintained our leadership in a difficult and competitive environment. We sold 20 full-flight simulators, mainly to customers in Asia and the Middle East and we maintained more than a 70% share of the competed market.

I am particularly proud that we generated solid margins in our civil business despite lower demand in our training centres and fewer sales opportunities for our products. This is testament to our global team – we took action early and were able to continue to satisfy our customers while improving our cost structure.

In conclusion, we have maintained our leadership position:

- In civil, we generated solid margins and we strengthened our unique global position
- In military, we achieved double-digit growth while maintaining good margins and we continue to see growth prospects ahead of us
- We have made inroads in new core markets
- And our financial base remains healthy.

(PAUSE)

Now looking at the first quarter of fiscal 11, we saw signs of a civil market recovery with more demand in our civil segments.

We announced the sale of six full-flight simulators to customers such as ATR, Bombardier and Vietnam Airlines. We saw a higher demand for civil training compared to last year, and this is helping offset the lasting effects of the downturn on our civil product segment.

In defence, we signed contracts with many nations including a contract to perform a major upgrade on the Puma helicopter simulator we operate for the UK Royal Air Force. This order showcases our ability to cover our defence customers' needs over the entire lifecycle with a total array of product and service solutions. We also signed a contract with Lockheed Martin for the training of maintenance technicians on the C-130J.

We are also making inroads to further diversify CAE for long-term sustainable growth by leveraging our core capabilities of modelling, simulation and training into New Core Markets, including healthcare and mining.

We are making a number of small acquisitions to develop our capabilities in the healthcare field by providing us with subject matter expertise, products and distribution channels. Through CAE Healthcare, we operate today the simulation centres of the Michener Institute here in Toronto, and of the Faculty of Medicine of Université de Montréal.

We also advanced our entry into mine simulation through the acquisition of Datamine, a company with proven expertise and global customer reach.

Similar to civil aviation and defence, these new market sectors have mission-critical needs for safety and efficiency and CAE is helping to address them. We are still in the early days, but I believe that these areas offer large market potential, and that, over time, CAE will emerge as a market leader in these fields.

(PAUSE)

As we look beyond Q1 into the rest of this year, we are increasingly optimistic about the future. Patience will still be required as the civil aerospace market works its way back from a deep downturn. We are confident the recovery is underway. As an example, there were two and a half times the numbers of aircraft orders at the recent Farnborough Airshow this year versus the show in Paris last year. This will ultimately translate into a pick-up in the demand for our civil training products and services.

We expect to enhance our competitive advantage and maintain combined civil segment margins in the mid-teens this year. Looking forward, when the civil aviation market fully recovers, we believe our combined civil business can achieve levels of performance similar to the last market up-cycle.

In defence, CAE is presently involved with platforms that are relevant to current needs like transport aircraft, helicopters and tankers. In an environment of constrained government spending, the positive is that CAE is part of the solution offering to do more with less by lowering the cost of training. By using simulation, defence forces train at roughly 10% of the costs of training in real aircraft, and they can improve mission readiness and practice events too dangerous to do in a real aircraft. Taking all this into account, we continue to expect revenue to increase 10-12% this year.

We intend to continue growing our international footprint. We will maintain a strong presence in the Americas and Europe as well as in emerging markets such as China, Southeast Asia, India, the Middle East and South America.

As we say in the title of our annual report, Growth is truly in our Vision. We have many initiatives under way, let me describe a few:

1. We are continuing to strengthen our position in India where we opened a helicopter training centre in partnership with HAL. When fully operational, the centre will be able to train up to 400 civil and military helicopter pilots each year.

2. To address the long-term pilot shortage, we are continuing to grow our CAE Global Academy network of flight schools, with the expansion of our relationship with China Southern to include training of its future pilots in Australia. Boeing and Airbus estimate as many as 18,000 new pilots will be needed per year over the next 20 years globally, with the highest demand coming from emerging markets.

3. We are continuing to strengthen our relationships with Original Equipment Manufacturers (OEMs). We already have alliances and partnerships with many OEMs. Recently, we signed partnerships with Hawker Beechcraft, ATR, Mitsubishi and Lockheed Martin.

4. We are continuing to develop our New Core Markets. They are still at an early stage but we see a large market potential and we expect these new businesses to become material parts of CAE in the future. We are gaining momentum in healthcare. For instance, our e-learning ultrasound curriculum has received certification by the American College of Chest Physicians. Just outside of this room, you will be able to see firsthand how our imaging and surgical simulators can be used effectively to prepare doctors and other practitioners for medical procedures. The same way pilots train to be ready for the unthinkable at 20,000 feet, doctors can prepare for the unexpected.

5. And beyond healthcare, we are now getting into the mining sector. Datamine has 29 years experience with customers in 70 countries. By combining its expertise with CAE's, we will develop compelling technology and services to increase the safety and efficiency of mine operations.

We will continue to invest in innovation. It is part of our DNA. We will continue to invest into R&D every year, as we did even during the tough times we've just been through to ensure our market leadership over the long term. We are continuing to develop new ways to use our core modelling and simulation expertise.

To name just a few:

- We are currently developing what we call an "Augmented Engineering Environment" to support OEMs in the design, integration and development of new aircraft. Our first contract is with Bombardier on the CSeries.
- Our commitment to enhancing the safety of aviation goes beyond training. We are also bringing simulation into the actual operations and right into the cockpit – the Augmented Visionics System we are developing will help pilots see through the most extreme conditions. For instance one of the most dangerous conditions is when a pilot tries to land in the desert: as you can see on the slide, sand obstructs the view and the pilot loses all visual reference to the ground. With our AVS, the pilot will see a synthetic image of the landing area and can land safely. You will be able to see a demo of this capability in the lobby.
- We are also developing solutions for the U.S. defence forces to improve convoy safety. By integrating advanced sensors and synthetic displays, our new system called "VISR" will help detect improvised explosive devices also known as roadside bombs or IEDs.

As you can see, we have many avenues for growth ahead of us. Fiscal 2011 will be geared toward strengthening CAE's position and ensuring more long-term sustainable growth.

We believe CAE is in a good position to prosper in the years ahead as the civil aviation market recovery gradually takes hold; as our defence business continues to produce strong results; and as we start seeing a contribution from our new core markets. As a testament to our confidence in CAE's business model, I am pleased to announce that the Board of Directors has approved a one cent increase in CAE's regular quarterly dividend to four cents on September 30th.

To conclude, we are over 7,500 people strong and the world is our market. In an era of globalization, we are a true global leader with a presence in 23 countries and customers in 100 countries. Our employees have made CAE the industry leader it is today, and they will drive its future success. In addition to their daily work, the men and women of CAE also make a difference in their communities by supporting educational programs for promising youth, social services for those in need, as well as healthcare programs.

The CAE brand is admired globally, a powerful calling card throughout the world. The company has credibility in all segments of aviation and a range of expertise that is unmatched in our industry. Most important of all, our customers think highly of CAE.

I take this opportunity to thank the members of the CAE team around the world for their dedication and service to the company.

I would also like to thank our Board of Directors for its support and counsel and you, our shareholders, for your confidence.

It is truly a privilege and an honour for me to lead CAE. I am very proud of this company, its employees and its history of innovation and technology breakthroughs.

Thank you.