REMARKS FOR CAE'S FOURTH-QUARTER AND FULL FISCAL YEAR 2009

May 14, 2009

Time: 12:30 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, 2008. 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 May 14, 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."

With me today 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. We will have a second Q&A period for members of the media immediately following the investor session.

For your convenience, this conference call 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 this afternoon.

I will begin with a few comments about our performance last year and Alain will review our results in more detail. Marc will then walk us through the major elements of our reorganization plan and I will come back at the end of the call to conclude with some comments about the period ahead.

We delivered another year of strong performance in 2009 because we are well diversified and we maintained our strict financial discipline. Revenue grew 17% to $1.7 billion and net earnings grew more than 30% to $200 million. CAE's backlog exceeded the $3 billion mark, which is a new record for the company.

The downturn in aerospace is having an impact on virtually all companies in the sector and CAE's civil segments are not immune. The downturn so far has been mitigated by our geographic diversification, our civil backlog of orders from fiscal years 2008 and 2009, and the large portion of our business that is defence related. The positive outlook for our military business is supported by our record order intake. For the first time in CAE's history, military orders exceeded $1 billion.

In the **combined military segments**, we won new orders totalling more than $544 million in the fourth quarter. Key contract awards during the year included: the Government of Canada's C-130J aircrew training; a contract extension with the Commonwealth of Australia for training support services; and, a contract to develop Hawk 128 full-mission simulators for the U.K.'s MFTS program.

In **Training & Services/Civil** we signed agreements with an expected value of $464 million and we grew the annual average number of Revenue Simulator Equivalent Units in our network by nearly 10%. The impact on training demand from changes in the global installed aircraft fleet – both positive and negative – are felt sooner in this segment. Overall, our annual utilization rate was lower at 73% compared to 81% last year. Demand for training services in the U.S. already reflects weaker conditions for aerospace. Europe is beginning to experience lower levels of activity, while Asia, India, South America and the Middle East have all held up relatively well for training. Average annual revenue per simulator was $3.95 million in the fourth quarter and

$3.9 million for the year as a whole. All told, we think this is pretty good performance in the face of a market downturn.

In **Simulation Products/Civil**, we signed four orders in the fourth quarter and concluded the year as we predicted with a total of 34 orders. Marketing discussions are still active with a number of potential customers, but looking at the macro environment, we anticipate around 20 civil simulator sales for the current fiscal year.

Over the past four-and-a-half years, we have been in continuous pursuit of diversification, innovation and productivity improvements. We made good progress over the period and succeeded to overcome a number of major challenges. As part of his mandate as Chief Operating Officer, Marc Parent has recently led a comprehensive review of the company to identify opportunities for synergies between our business units and within our global structure. He will elaborate on a series of organizational changes that are now being implemented to strengthen our competitive position by reducing costs and bringing CAE even closer to our customers.

The value of diversification is now most apparent. There has never been a better time for CAE's military business, but at the same time we know that we must adapt to the weakened civil market. Concurrent with our initiatives to drive synergies between our business units, we are taking actions required to size the company to the current and expected market conditions.

With that, I will now ask Alain to discuss our financial results.

Alain Raquepas, Chief Financial Officer

Thank you, Bob and good afternoon everyone.

In **Training and Services/Civil**, fourth quarter revenue was up 16% over the same quarter last year to $121 million, and was in line with the preceding third quarter. The pick-up we normally see in the fourth quarter due to seasonality was subdued by market pressures. For the year, revenue was up 21% to $461 million. On average we grew the number of RSEUs in the network by 10 units for the year to reach 118 and we incorporated the results from our acquired companies. Segment operating income in the fourth quarter was $23.7 million, in line with Q4 last year and 10% higher than last quarter. For the year, segment operating income increased 16% to $85 million. The segment operating margin was 19.5% in the fourth quarter and 18.5% for the year.

In **Simulation Products/Civil**, revenue was $107 million in the fourth quarter, stable with last year. For the year, revenue increased 10% to $478 million. Segment operating income in the fourth quarter decreased 22% from last year to $18.5 million.

In **Simulation Products/Military**, revenue was $144 million in the fourth quarter, 41% higher than last year. For the year, revenue was up 26% to $484 million. We had higher activity on a number of helicopter and transport aircraft programs and we benefited from the lower Canadian dollar. Segment operating income was up 85% to $27 million in the quarter, and up 70% or $88 million for the year. The margin for the fourth quarter was 18.7% and for the year was 18.1%.

In **Training and Services/Military**, revenue in the quarter was 23% higher than last year at $67 million. For the year, revenue reached $241 million, up 8%. Segment operating income for the quarter was up 20% to $9.1 million and up 23% for the year to $39 million. We had more activity in the Professional Services area and we began to deliver maintenance services under the U.S. Army SE Core program.

The combined annual operating margin for our two military segments reached 17.5% for the year.

Capital expenditures totalled $204 million last year, slightly higher than our forecast because of foreign exchange and a lease buyback. $149 million was for growth capital expenditures in support of our prior investment commitments and $55 million was related to maintenance. We expect total CAPEX to be about $150 million in fiscal 2010.

Income taxes in the fourth quarter were $22 million, representing an effective tax rate of 30%. For the year, taxes were $83 million or 29%. We benefited from a different mix of income in both periods. We expect the effective income tax rate for fiscal 2010 to be about 31%.

Free cash flow was $34 million in the fourth quarter and $106 million for the year. We had higher investments in non-cash working capital and we paid higher dividends compared to the year ago periods as a result of our change in dividend policy.

Finally, **net debt** increased $161 million this year to reach $285 million at March 31st to support our investment in working capital, our acquisition of Sabena Flight Academy, and our growth capital expenditures.

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.

These are pivotal times for CAE. We are faced with the challenge of managing our business through a downturn, and at the same time, we have an opportunity to drive additional synergies between our business units to enhance our competitive advantage and strengthen the company for the future. We have developed a comprehensive plan to enhance our competitiveness in the global aerospace and defence markets by improving the way we serve our customers and by doing things more efficiently. Within that plan we have also had to address the changes that must be made now to scale down our business to manage the current and expected market conditions.

Overall our reorganization plan has been designed to achieve four basic goals:

- First, we want to ***DISTINGUISH*** CAE further from the competition by improving our go-to-market approach in our core civil and military markets by providing our customers with a total solutions offering. We believe this will help unlock greater revenue opportunities with every customer interaction;
- Second, we want to ***MAXIMIZE*** cost synergies between our four business units by employing a shared services model for engineering, manufacturing and support functions;
- Third, we aim to ***IMPROVE*** how we operate on a global basis by optimizing operations at the local, regional and global level with clearer Profit and Loss accountability; and
- Lastly, we intend to ***ENSURE*** that we retain the financial and human resources that are necessary to develop new business areas. We will continue to use a measured approach to leverage CAE's core capabilities into industries like healthcare.

CAE offers the broadest array of product and service solutions of all our competitors. We have consolidated the leadership of our two civil segments under Jeff Roberts and our two military segments under Martin Gagné. CAE has the capability to offer customized solutions to customers that combine both products and services. By adopting a solutions-oriented approach with dedicated teams by region, we will be providing solutions more effectively and with a unified face to the customer. Our customers will have the benefit of a seamless portfolio that will create greater value for them and will be delivered in a stronger and more consistent way.

We felt it best to combine in one reorganization plan all the actions required to derive lasting cost savings and quality improvements with those that are needed to respond to the current market conditions. Our reorganization will be concentrated in two phases -- the first of which is underway and the second which will be completed this fall.

We are reducing our staff worldwide by approximately 700 people including 600 here in Montreal and 100 internationally. For every direct labour position that we are reducing, we are removing an equal portion of indirect labour to contain our costs and remain competitive. Included in the layoffs are 70 management positions. These are extraordinary times for aerospace and we sincerely regret the hardship this will cause those affected by the layoffs. We are grateful to all CAE employees for their contribution.

We are doing everything we can to maximize the number of jobs that we can maintain at CAE so that we can pursue our strategic initiatives. For those remaining with CAE the challenges are great. We will all share in the sacrifices required to manage through the period ahead. We are also implementing a number of temporary cost-saving measures. Effective immediately, all management and most other employees globally will be subject to a salary freeze and will have five mandatory furlough days. We have also introduced new limits on overtime, and we are offering early retirement incentives to qualifying employees. We believe that by taking these measures, we can continue to pursue value from our strategy despite the current market turbulence.

In all, we estimate the reorganization will cost approximately $34 million for both phases, which will be recorded largely in the current first quarter. We plan to prepare CAE for the future by dealing with this in three ways and we expect to substantially offset the reorganization costs this year through a combination of measures:

- first, a portion of the reorganization costs will be offset by reducing the scale of our civil segments to reflect the current market conditions;
- Second, part of the cost will be offset by savings this year from temporary measures like the salary freeze and furlough days; and,
- third, we estimate the remainder of the reorganization costs will be offset by the ongoing savings we expect to realize from synergies. On an annualized basis, these ongoing savings should be approximately $15 million.

To conclude, we fully expect to manage the aerospace downturn successfully and we have the benefit of a secure and well diversified base to work from. Our global reorganization should enable us to achieve a series of lasting benefits that enhance our competitive position.

With that I will turn the call back over to Bob.

Robert E. Brown, President and Chief Executive Officer

Thanks, Marc.

Aerospace companies are working their way through some very difficult challenges and CAE is no exception. Change is part of our culture and we have had to adapt to dynamic market conditions for some time. We have the benefit of a well diversified base and a sound financial structure, and we have a plan to manage through the downturn and emerge rapidly when the market recovers.

We also have the financial flexibility to remain committed to our long term strategic priorities, including maintaining our technological leadership. At the end of the quarter we announced Project Falcon: a five-year investment plan for up to C$714 million for research and development. This program will help considerably to maintain a number of high-value jobs at CAE.

The outlook for our business is both positive and negative and we expect some earnings impact on the civil side, not all of which can be compensated for by the military side. With the organizational improvements Marc is leading, we expect to come back even stronger once the aerospace cycle stabilizes.

CAE's military business is coming into its own. We felt it was important to develop this business to diversify CAE from its dependence on the civil aircraft delivery cycle, and now we are seeing the validation of this strategy. We are pleased to have broken through the $1 billion military order mark and we anticipate another good year for military orders in fiscal 2010. We expect to achieve 10% top line growth and 15% EBIT margins in our combined military segments in the current fiscal year.

We expect approximately 10,000 new military aircraft to be deployed into the global defence fleets over the next five years, which should generate demand for approximately 300 full-mission simulators. We expect to serve a portion of this market – especially in programs involving transport and tanker aircraft, maritime patrol aircraft, jet trainers, and helicopters. The use of simulation for training is continuing to gain momentum among defence forces worldwide. Earlier this month, Australia's Prime Minister released a white paper setting that nation's defence and security strategy for the next 20 years. It specifically called for a "substantial boost to simulator training for defence," and the use of simulation to relieve bottlenecks in training. They also stressed the use of simulator training for mission rehearsal and interoperability between allied forces. This is consistent with what other governments and defence forces around the world have been saying and implementing.

Turning now to civil, it is difficult to provide any precision in this area. However, based on our current view of the market and the actions we are taking, we expect average annual margins in the mid-teens for our civil segments.

As I mentioned earlier, we expect about 20 full-flight simulator orders this year, which means lower production volume. As well, the timing of orders is a factor to consider in terms of how much revenue from these orders we are able to recognize during the year. Last fiscal year we benefited from a high number of orders received in the first half of the year. In terms of pricing pressure, competition intensifies when there are fewer customer opportunities. Given the conditions we expect, margins will be lower, but they will be helped by our improved cost base, which will improve further with the reorganization, and the good level of production demand for military and internal products. In this light, we still think we can achieve decent performance considering the current context. We are also encouraged by the two FFS orders we announced yesterday.

In Training and Services/Civil we have already experienced the impacts of lower demand – mainly in North America and to some extent in Europe. Other regions have experienced varying amounts of contraction in air travel but demand for training has held up reasonably well. We expect some additional impact on profitability as we go through the market trough. We have taken some steps to convert fixed costs to variable where possible and we will achieve more cost savings from our new regional structure. This segment responds quickly to changes in the underlying market and so we expect it to be the first to recover when the market turns positive. There have been some early indications that the U.S. region is starting to stabilize, which is encouraging, but we will want to see more confirmation in the coming months before we are ready to call the market bottom.

In conclusion, we have had good performance in fiscal 2009 – especially in the military. We expect the aerospace markets to be weaker in the current fiscal year but that we will be able to offset part of that with continuing strong military performance and the cost savings measures being undertaken. It is also our intention to carry on investing in R&D and to maintain our good financial position. We believe this approach will allow us to manage through the current period and continue to deliver shareholder value.

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.