REMARKS FOR CAE’S THIRD-QUARTER FISCAL YEAR 2012

February 8, 2012

Time: 1:00 p.m.

Speakers:

Mr. Marc Parent, President and Chief Executive Officer

Mr. Stephane Lefebvre, 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, 2011. 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, February 8, 2012, 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 Marc Parent, CAE’s President and Chief Executive Officer, and Stephane Lefebvre, our Chief Financial Officer.

After comments from Marc and Stephane, we will take questions from financial analysts and institutional investors. Following the conclusion of that Q&A period we will open the call to members of the media.

Let me now turn the call over to Marc…

Marc Parent, President and Chief Executive Officer

Thank you, Andrew, and good afternoon to everyone joining us on the call.

I'll first discuss some highlights from the quarter, and then Stephane will provide a bit more detail about our segmented results. I'll come back at the end to talk about some of the trends we see and our view of the way forward.

We had a good performance overall in the third quarter with higher margins in both our Civil and Military business units. We had continued strong order activity in Civil, which helped to offset the delays in military, and we generated a good level of free cash flow.

In **Civil,** we continued to demonstrate CAE's strong competitive position. We've maintained our market leadership with 11 full-flight simulator sales during the quarter, which brings us to 30 after nine months. In Civil training, we signed new agreements expected to generate $122 million in future training revenue, including a long term recurring training services deal with flydubai. We also announced that we're forming another new joint venture in South East Asia, this time with Cebu Pacific Air of the Philippines.

For our combined Civil business, our book-to-sales ratio reached 1.15 times in the quarter.

Looking now at **Defence**, orders were lighter in the quarter than we expected—not because business opportunities went away or were lost—but mainly because of slower contracting and procurement delays. Although, predicting the timing of orders on the defence side remains a challenge, we booked some orders during the quarter with key defence customers in North America, Europe and Asia. These included Tornado jet maintenance trainers for the German Air Force and UK Royal Air Force, and additional contract options for P-8 Poseidon simulators for Boeing and the US Navy. In terms of downstream opportunities, we won upgrade work on Canadian Forces simulators for the Hercules aircraft and Griffon helicopter. In Asia, we were awarded contracts to provide support services for an AW139 helicopter simulator in Malaysia and a multi-year, helicopter training services contract with another key customer in the region.

Combined Military orders in the quarter totalled $124 million for a book-to-sales ratio of 0.56x. Our military backlog remains over $2 billion and our additional unfunded military backlog stands at $269 million.

In our **New Core Markets** segment we continued to make good progress integrating our businesses and aligning our resources and structure for future growth.

In **Mining**, we made more inroads penetrating the market with notable new customers for our software solutions in Australia, Mexico, and Peru.

And in **Healthcare** we gained additional credibility with the endorsement of our ultrasound curriculum and seminars from the Canadian Critical Care Society. As well, the simulation centre we manage at Université de Montréal received accreditation from The Royal College of Physicians and Surgeons of Canada. During the quarter we sold patient simulators, courseware, and centre management systems to customers in North America, Eastern Europe, and the Middle East.

With that, I'll now ask **Stephane** to take you through the financials.

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

Thank you, Marc, and good afternoon everyone.

Revenue for the quarter was up 10 percent year-over-year at $453.1 million and net income attributed to equity holders of the company was $45.6 million or 18 cents per share. Operating profit in the quarter was $77.5 million for a net operating margin of 17.1 percent.

We had good cash flow performance in the quarter with free cash flow of $46.2 million. This was mainly the result of favourable changes in our non-cash working capital accounts and more cash provided by continuing operations.

Net debt was $593.9 million as at December 31, 2011 compared with $618.8 million at the end of September. The decrease of $24.9 million was mainly due to foreign exchange movements.

Income taxes were $15.2 million representing an effective tax rate of 25%. The rate is lower than usual mainly because of a settlement of a tax audit in Canada as well as a change in the mix of income from various jurisdictions. On a normalized basis, our effective tax rate would have been 29%.

Capital expenditures totalled $44.1 million this quarter, including $25.3 million in support of our growth initiatives and the balance for maintenance.

Now looking at our segmented financial performance...

In our combined **Civil segments,** third quarter revenue increased 13 percent year over year, reaching $203.7 million. For the year to date, revenue grew by 18 percent. Our combined Civil operating income for the quarter was up 31 percent to $42.0 million, which gave us an operating margin of 20.6 percent. Utilization in our training centres increased to 73 percent from 70 percent last quarter and 71 percent last year, and our trailing twelve month revenue per simulator increased to $3.56 million compared to $3.39 million last year.

In our combined **Military** segments, third quarter revenue was one percent higher year over year, at $222.3 million. On a year to date basis, our military revenue was up 4 percent at $630.2 million. We generated a 16.6 percent combined military segment operating margin in the third quarter, which brings our year to date margin up to 15.3 percent.

In **New Core Markets,** third quarter revenue increased from $11.1 million to $27.1 million, reflecting the inclusion of METI for a full quarter. We had an operating loss of $1.4 million in the quarter, mainly from integration and restructuring costs. Our operating loss was $12.6 million for the first nine months on revenue of $58.8 million. We are tracking our expectations for New Core Markets to become profitable in the next fiscal year.

With that, I will turn the call back over to you, Marc.

Marc Parent, President and Chief Executive Officer

Thanks, Stephane.

We're encouraged by CAE's prospects for growth in the period ahead. We're well positioned as a leader in our end markets, and in total, they are large and growing.

The market drivers in Civil aerospace continue to support our positive outlook for growth and higher margins for our combined **Civil** business. Driving demand for commercial aircraft and aviation training solutions are the growth in air travel, as well as the re-fleeting of legacy carriers. Last year, total revenue passenger kilometres increased by an average of 5.9 percent and airlines added 6.3 percent more capacity. Commercial aircraft OEMs booked more than 2,400 orders, up over 60% year over year. OEM order backlogs have now surpassed 9,300 aircraft and their production rates are slated to go even higher.

These factors have been translating into more demand for our civil aviation training products and services. With more simulator orders booked after nine months than we had all of last year, we're confident in our ability to reach our mid-30s target by March 31st. Demand for commercial and business aviation training remains strong in all regions, with the exception of the small-cabin business jet segment. Industry experts predict a broader recovery in business aviation over the coming 12 months, which would present even more upside.

We're in a very good position within a growing market. We have well-established relationships with the world's legacy carriers, and we have a strong presence in the emerging markets, where growth rates for air travel are significantly higher than the global average. We've continued to be highly active developing our business, strengthening our competitive position in legacy markets, and forming long-term alliances with key operators in South East Asia, the Middle East and South America.

Overall in our combined Civil segments, we expect continued good growth. We've sustained a 20-percent-plus operating margin over the last few quarters and we expect this positive trend to continue.

Now turning to **defence**, procurement process delays and program movements to the right have become the order of the day, resulting in contracts taking longer to conclude. The good news is that we're continuing to win our fair share of those programs that have been awarded, and we've yet to see any major cuts—even in the US defence budget preview—that would materially affect our business.

Despite these delays, we still feel good about the market opportunities before us. We've identified a range of material contract prospects in our order pipeline, which support our outlook for modest growth in our combined military business in the period ahead. Predicting the precise timing of orders on a quarterly basis remains difficult, but we take confidence in the fact that a large majority of these opportunities involve programs where we've already been down-selected, or we're in exclusive negotiations. Taking all that into account, we fully expect that we can continue to replenish our backlog and grow.

In addition to the visibility our order pipeline provides, there are a number of fundamental factors that also contribute to our optimism over the medium to long term.

We're globally diversified with a third of our military revenue generated in the US, where we continue to win programs on platforms with long legs and have thus far proven to be resilient in the face of cuts. I'm speaking about platforms like transport aircraft and helicopters, which serve defence operations and also humanitarian and nation-building roles. Another third of our revenue is generated in Europe, where decisions about force structures are still not finalized but where we expect to maintain a solid recurring business. The remaining third of our military revenue is generated in the rest of the world, including the high-growth emerging markets, which are increasing defence spending in order to modernize their forces.

Ultimately, we believe CAE is well balanced in terms of regional exposure and we're on the right side of the equation by offering defence forces and governments a way to maintain mission readiness at a lower cost. By moving more of their training hours from aircraft to simulators, they can achieve recurring savings.

In **New Core Markets**, we're continuing to integrate our businesses and provide the necessary resources to develop a larger offering of solutions. We're on our way to meeting our goal to generate over $120 million of revenue next fiscal year and to become profitable. I'm pleased with our progress so far and I continue to expect New Core Markets to become as material to CAE in the years ahead as any of our four other segments today.

To conclude, we're well positioned to benefit from a robust civil aviation market; we have a compelling value proposition in defence with visibility for continued growth; and we're making good progress to further diversify CAE for growth and profitability in New Core Markets.

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

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 please limit yourselves to a single, one-part question. If you have additional questions after that, and if time permits, please feel free to re-enter the queue.