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REMARKS FOR CAE'S SECOND-QUARTER FISCAL YEAR 2008

November 8, 2007

Time: 12:00 p.m.

Speakers:

Mr. Robert E. Brown, President and Chief Executive 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, 2007. 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 November 8, 2007 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."

Robert E. Brown, CAE's President and Chief Executive Officer, and Alain Raquepas, our Chief Financial Officer, are participating in the call today.

Following the remarks, we will invite questions from financial analysts and institutional investors. Once we have concluded the question-and-answer period with analysts and institutional investors, we will then invite questions from the media.

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 today.

Let me begin with some comments about the second quarter and then Alain will take you through our results more specifically. Following that, I will conclude with some words about the way forward.

Our financial performance in the second quarter reflects a healthy level of diversification between market segments and geographies.

Revenue this quarter increased 26% over last year to $354 million. Net earnings from continuing operations increased 25% to reach $39 million.

This quarter, we received $354 million in new orders. And we now have a backlog of approximately $2.5 billion.

Over 90 percent of our business is conducted with customers outside Canada, and our costs originate in a number of different currencies. The recent surge in the Canadian dollar has made this long-time challenge more topical – particularly since its symbolic rise above parity with its U.S. counterpart. The nature of our business is global, and foreign exchange movements have always been a factor for us. Alain and I will provide some perspective on how we are affected by currency moves and how we manage our currency exposure.

First, I would like to review each of our business segments...

In **Simulation Products/Civil**, we announced orders and commitments for seven full-flight simulators during the quarter with customers including Air France, Virgin Blue, Alteon and Lion Air. This brings the total number of simulator announcements to 21 for the year to date.

We recognized 33% more revenue this quarter compared to last year because of a higher than usual level of activity at the start of the year. This enabled us to get an early start on some simulator builds. Our operating margin reached 23.3% as a result of higher volume and a favourable mix of programs.

Training & Services/Civil won more than $165 million in new training contracts during the quarter including a 15-year service agreement with Air Canada.

We also announced that we will be expanding our global training network to include 16 additional business aviation training programs, planned to be deployed over the next two years and situated globally.

Average annualized revenue per simulator in the second quarter was $3.4 million on a base of 106 Revenue Simulator Equivalent Units. Demand for training continued to be strong with revenue increasing by 15% year over year. Compared to the seasonally stronger first quarter, revenue decreased by 5% but most of this is accounted for by foreign exchange translation.

Our operating margin for the quarter reached 16.2%, which is higher than last year, but reflects some drag caused by the ramp-up of our recently deployed training assets.

In the **combined military segments**, we secured $114 million worth of contracts for a range of programs including the design and delivery of training systems and services to U.S. and British forces.

On a combined basis, military revenue for the quarter was up 29% compared to last year and operating margins reached 14.1%.

With that, I will ask Alain to take you through our financial results.

Alain Raquepas, Chief Financial Officer

Thank you, Bob and good afternoon everyone.

In the **second quarter**, consolidated revenue was $354 million, up 26% from last year.

The consolidated backlog was $2.5 billion dollars, and our book-to-sales ratio was 1.0 time for the quarter and for the last 12 months.

Net earnings were $38.9 million, or $0.15 per share, compared to $31.0 million, or $0.12 per share in the same quarter last year.

Income taxes were $17.7 million, representing an effective tax rate of 31% compared to 28% last year. The tax rate this quarter was higher because of changes in the mix of income from various jurisdictions, but we still expect the average rate for fiscal 2008 to be about 30%.

Capital expenditures this quarter totalled $87 million, which included the repurchase of some simulators already in our network and previously financed as operating leases. Strong market conditions are providing us with more opportunities to grow with our customers. As a result, we expect to conclude the year with total capex of about $220 million. I should note that even with this higher level of expenditure, we expect to generate positive free cash flow at year end.

We generated $98 million of net cash from continuing operations during the quarter, and, as we expected at the start of the year, we have begun to improve our non-cash working capital position. We had a $33 million reversal this quarter. Our strong cash flow performance enabled us to offset the entire $87 million of capex, leaving us with $27 million of free cash flow.

Foreign exchange movements are a fact of life for CAE and we have been successful at managing our business within this environment.

We undertook a major initiative three years ago to restore CAE's profitability. At that time, we benefited from an 80 cent dollar. Since then, we have been effective at managing our foreign exchange exposure and at realizing gains through an ongoing program of cost reductions and productivity improvements. Commensurate with the higher aircraft delivery forecasts, we expect to continue enjoying higher volume for our products. This provides additional leverage in terms of procurements and also helps to absorb overheads.

In our products segments, contracts are usually made in U.S. dollars or in euros, while a significant portion of our costs are in Canadian dollars. We have been following a practice of hedging revenues on contracts in our backlog to help de-risk our short- to medium-term currency exposure. Hedging provides relief for a period of time, but ultimately we recognize the need to continuously find ways to drive greater productivity throughout our operations.

A good portion of CAE's currency exposure is the result of the translation of our foreign currency into Canadian dollars for the purpose of Canadian dollar reporting. In our training operations, for example, revenues and costs are generally in the same currency. This means that from an operational standpoint, the EBIT margin percentage in this segment is relatively unaffected by F/X movements.

We recognize the magnitude of this challenge and while the speed of the dollar's rise will not be easily overcome in the short-term, we continue to be proactive in order to help adapt to this new market reality.

Thank you for your attention. I will now I turn the call back to Bob.

Robert E. Brown, President and Chief Executive Officer

Thanks, Alain.

The fundamentals of our business remain strong. On the civil side, aircraft manufacturer backlogs continue to build, suggesting that sustained high levels of deliveries will extend past the end of the decade. Boeing and Airbus could very well enjoy another record year for order intake, with nearly 1,800 planes added to the backlog during the first nine months of the year. Business jet demand also remains exceptionally strong, and for the first time, more aircraft deliveries are forecast for markets outside North America than within. With our extensive global reach, we are particularly well positioned to address this expanding market demand.

We are now building and deploying simulators to grow our training network in order to keep pace with the growth of our customers and to address developing markets. Pilot shortages are becoming increasingly more acute, and we are developing our Pilot Provisioning initiative to address demand globally.

In business aviation, the 16 new training programs that we recently launched are intended to round out our fleet coverage and will enable us to address the majority of active aircraft types from our global locations.

Demand for our Civil full-flight simulators has been good so far, with 21 deals announced year to date. The continued momentum we see in the market is encouraging, and we now believe 34 sales for the year are possible.

On the military side, we expect to conclude the fiscal year with a solid order book, which means that we expect the rate of order activity to pick up in the second half. The timing of military contract awards can be elusive but we feel good about our position on a number of programs, which should materialize this fiscal year.

Earlier this week we announced that the Government of Canada has qualified the CAE-led team for the C-130J and CH-47 aircrew training capability. Public Works and Government Services Canada will release to CAE a request for proposal to acquire training equipment and aircrew training services over 20 years for Canada's future tactical airlift aircraft and helicopter fleets.

We are proud that our team has been chosen by the Government of Canada, and we applaud the government's decision to procure the aircrew training capability outside of the aircraft acquisitions. This approach will ensure the Canadian Forces receive a modern, leading-edge training capability developed in Canada by specialist training service providers while maximizing industrial and regional benefits across Canada. CAE and our Canadian-based industry partners are poised to benefit from a number of international opportunities related to training for these platforms.

Our response to the precipitous rise in the Canadian dollar over the past few months is similar to what we have been doing all along. The challenge is not entirely in our ability to adapt to the higher dollar. Rather, the velocity of the dollar's rise makes it difficult for any company to keep pace over such a short period of time. To help close as much of the currency gap as possible, we have been accelerating our initiatives to reduce costs and drive additional productivity gains.

We are fortunate to have a strong market position and healthy volumes. Overall, we are enjoying good market conditions in all segments of our business within a strong aerospace cycle.

Thank you for your attention. I think we are ready to take questions now. Andrew?

Andrew Arnovitz, Vice President, Investor Relations and Strategy

Operator, we would now be pleased to take questions from analysts and institutional investors. Following that, we will take questions from the media.

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.