



CAE'S 2021 ANNUAL MEETING OF SHAREHOLDERS

Mr. Marc Parent, President and Chief Executive Officer

Ms. Sonya Branco, Executive Vice President, Finance, and Chief Financial Officer

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BILINGUAL VERSION

Bonjour Mesdames et Messieurs et bienvenue à l'assemblée générale annuelle de CAE. Il n'y a pas de mots assez forts pour décrire l'exercice 2021. Qui aurait pu prévoir la chute vertigineuse de 90 % du trafic aérien mondial et la fermeture des frontières dans le monde entier? Notre secteur de l'aviation civile, notre plus grande division, a été frappé de plein fouet et les effets de la pandémie ont également touché nos marchés de la défense et des soins de santé.

CAE confronted challenges at all levels and, a year-and-half after the start of the COVID pandemic, we are stronger. We demonstrated courage and resiliency, we successfully seized on opportunities and adapted our strategy and focus, fundamentally strengthening the Company for the future.

As you saw in the video, we persevered as one team, as One CAE.

Nous avons transformé l'adversité en un avantage stratégique majeur. Nous avons pris des mesures extraordinaires pour protéger CAE, nos employés et nos clients, et je n'ai jamais été aussi fier de la façon dont notre entreprise s'est comportée dans ce contexte difficile. En pleine situation de crise, nous avons pris des mesures audacieuses, avant-gardistes et proactives pour consolider nos marchés principaux et nous étendre aux marchés adjacents.

Nous avons mis à profit les marchés de capitaux et levé des fonds propres pour la première fois en 18 ans afin de renforcer notre position sur nos marchés clés de l'aviation civile et de la défense. Nous avons acquis quatre entreprises dans nos marchés principaux et adjacents dans le secteur civil et, avec l'acquisition de la division Formation militaire de L3Harris Technologies, la plus importante acquisition jamais réalisée par CAE, nous avons accru significativement notre présence aux États-Unis, le plus grand marché de la défense au monde. Nous avons lancé de nouveaux produits et nous nous sommes développés dans de nouveaux secteurs de croissance, tout en lançant de

nombreuses initiatives visant à renforcer l'excellence opérationnelle et à réduire notre structure de coûts.

Je suis exceptionnellement fier de la manière dont nos employés ont su répondre à l'échelle mondiale. Face aux confinements, aux frontières fermées et à de nombreux autres défis complexes, nos employés ont fait preuve d'initiative, en trouvant des moyens d'assurer la continuité des opérations les plus critiques de nos clients et en veillant à ce que nous continuions à mériter le privilège d'être leur partenaire de choix. Nombre d'entre eux ont traversé de longues périodes de quarantaine, loin de leurs proches, pour se rendre sur les sites de nos clients et participer à l'installation et à la maintenance des simulateurs ainsi qu'à la formation, un service essentiel au maintien du trafic aérien dans le monde.

L'année écoulée a été l'occasion pour nous de nous unir et de répondre aux appels à l'action dans nos communautés. Nous avons été guidés tout au long du processus par notre vocation de garantir la sécurité, qui est au cœur de tout ce que nous faisons.

Au tout début de la crise, nos employés se sont mis au travail pour tenter de résoudre l'un des problèmes les plus graves du moment : une pénurie aiguë de respirateurs.

En moins d'un an, nous avons développé, certifié et livré des milliers de respirateurs au gouvernement du Canada, jouant ainsi un rôle pour aider à sauver des vies et à soutenir l'autosuffisance du Canada.

La capacité d'innovation de CAE ne s'est pas arrêtée là; nous avons su réaffecter nos connaissances, notre expertise et nos actifs de fabrication avancée. Tout en continuant à nous réinventer, nous avons lancé plusieurs autres initiatives pour aider à la lutte contre la COVID-19.

Nous avons élaboré et offert du matériel de formation en ligne gratuit afin de préparer le personnel de santé à lutter contre la pandémie.

Et pour contribuer de manière proactive aux campagnes de vaccination, en utilisant l'intelligence artificielle ainsi que nos capacités de haute technologie, nous avons développé une nouvelle plateforme de formation à l'injection. Nous avons également pris l'initiative de créer le Regroupement des entreprises pour la vaccination afin de réduire la pression sur le système de santé et de contribuer à remettre l'économie sur les rails.

J'ai personnellement parlé à des PDG, et mis sur pied une équipe chargée de rassembler les grandes entreprises pour qu'elles travaillent en collaboration avec le gouvernement du Québec afin de créer 23 centres de vaccination.

Le 26 avril, nous avons ouvert, à nos frais, le Centre de vaccination CAE Montréal, le premier de ces centres uniques en leur genre, aux employés de CAE, aux entreprises partenaires, à leurs familles et à la communauté locale. Je suis fier de dire que, seulement au centre de vaccination de CAE, nous avons administré près de 33 000 vaccins depuis son ouverture.

(Fiscal 2021)

From a business perspective, given the magnitude of COVID-19 impacts, I am especially pleased with what we delivered in fiscal 2021. Even in the face of the worst crisis our industry has ever faced, CAE demonstrated its resiliency by returning to quarterly profitability and positive free cash flow after only one quarter when the brunt of the pandemic hit us.

Let's have a look at what we accomplished in our different segments.

(Civil aviation)

In Civil – the largest of our three business units – training centre utilization plunged from 70% levels before the pandemic to an unheard of 20%. While still below pre-pandemic levels, it stabilized around 50% through most of the year.

Despite these setbacks, our employees found innovative ways to serve our customers and we remained the training partner of choice for airlines, business jet operators and pilots worldwide, signing multiple long-term training services agreements and signing up a series of new low-cost airlines.

We consolidated Civil training and simulation products capacity with the acquisitions of Flight Simulation Company and TRU Simulation + Training Canada and signed contracts with numerous airlines. With the acquisition of Merlot Aero Limited and RB Group, we accelerated our expansion into software-enabled services.

We also launched Airside, a new digital platform and online community for pilots. More than 100,000 users in approximately 200 countries accessed the platform which allows pilots to sharpen their skills, remain connected to the industry, and emerge better prepared to pursue their dreams of flying.

And to help make the profession more accessible to aspiring pilots we also spearheaded new financing collaborations with financial institutions worldwide to create a financing ecosystem for new cadets. These funding initiatives will ensure that we can meet the strong demand for pilots as the industry recovers.

(Defence & Security)

In Defence & Security, we introduced a new leader, Dan Gelston, and a new defence strategy to bring CAE in even greater alignment with the needs and priorities of National Defence Departments, from the U.S. and Canada, to NATO and allies worldwide.

With the acquisition of L3Harris Technologies' Military Training business, we doubled our U.S. defence presence to become the largest non-OEM training provider to the U.S. military. We are now the world's leading platform-agnostic global training and simulation pure play. As a result of the acquisition, the iconic brands in the simulation industry, Link and Doss Aviation, are now part of CAE. And in addition to Reflectone acquired in 2001, CAE has brought together the legacy of the founding fathers of simulation - Edwin Link of Link Aviation, Luther Simjian of Reflectone, and Ken Patrick of CAE, representing nearly a quarter millennium of combined of training and simulation excellence - under one roof.

This acquisition accelerates our growth strategy and increases our ability to support multi-domain operations, as well as positions us for expansion into mission and operations support. It bolsters our position in the air tier, augments us in land and sea, and provides entrée into space and cyber. We are now focused on welcoming and integrating the 1,600 employees from the acquisition and leveraging our combined expertise to support the mission of our defence and security customers.

During the year, we secured all our foundational recompetes, won significant competitions in our core market, and expanded our position in digital immersion, operational support and security. Key foundational recompetes wins included a contract with the U.S. Air Force to continue providing KC-135 aircrew training services, and with the U.S. Navy for T-44 Command Aircrew Training.

Significant competitive wins in our core market included US Army Advanced Helicopter Flight Training Services, and in Europe support to the UK Protector and P-8, and France/Germany C-130J programs. In addition, we expanded our position in new markets with notable wins including the US Air Forces' Advanced Battle Management System, US Customs and Border Protection flight training, the UK's Single Synthetic Environment initiative, and a flagship award from the U.S. Special Operations Command to develop a Mission Command System Common Operating Picture— a great example of how we are leveraging CAE's modeling and simulation expertise into the adjacent operational support market.

(Growth opportunities & Healthcare)

The growth we have seen this past year is in part coming from a decision I made just before the pandemic to add a growth-specific leader to my team, to heighten the focus and vigor to the wealth of great ideas we have within CAE. I appointed Heidi Wood as Executive Vice President of Business development and Growth Initiatives. The objective is for her to partner with the business unit leaders to identify and drive new avenues of growth across CAE, maximize opportunities that provide cross business unit growth, capture exciting opportunities faster and leverage them into new markets.

In hindsight, it was a bit of a prescient decision, as our markets were being challenged, and we were already focusing on investing in our future growth.

Given her role to advance our early-stage growth initiatives, in the Fall of 2020 I decided to appoint Heidi as President of CAE Healthcare, our smallest business unit with great growth potential and even more relevance in a post pandemic world where virtual and simulation training can replace live training.

Throughout the pandemic, the Healthcare team has remained in overdrive to provide innovative training solutions to help prepare frontline healthcare and critical care unit workers. CAE Healthcare developed and offered free online

training modules on personal protection equipment use, point-of-care ultrasound scanning and COVID-19 assessment.

New tools and training capabilities were launched, including the first-of-its-kind CAE Blue Phantom COVID-19 Lung Simulator. Our new adaptive Ventilator Reskilling course won the EMS World Innovation Award. We expanded our capabilities with the introduction of CAE Maestro Evolve, collaborated with leading OEMs, including projects with Edwards Lifesciences and Cordis to develop transformative digital training solutions.

We finished the fiscal year with record core Healthcare sales and I am pleased that our CAE Healthcare manufacturing site in Sarasota recently received a Gold prize for Florida's Best Manufacturers from the *Florida Sterling Manufacturing Business Excellence Awards*.

(Activity Report)

Et au-delà des résultats financiers, CAE est devenue la première entreprise aéronautique canadienne à devenir carboneutre à l'échelle mondiale. Il s'agit d'une réalisation audacieuse, et nous espérons que l'engagement de CAE dans la lutte contre le changement climatique inspirera d'autres entreprises à prendre des mesures concrètes dès aujourd'hui.

Malgré un tourbillon d'éléments imprévisibles, nous avons honoré notre engagement pris avant la pandémie - une nouvelle démonstration du leadership environnemental de CAE et de son engagement envers les générations futures.

Nous avons également progressé en termes de diversité et d'inclusion, en renforçant notre position contre la discrimination et en investissant dans le développement des femmes. Nous disposons désormais de six groupes de ressources pour les employés, qui constituent d'incroyables réseaux d'ambassadeurs. Nos efforts sont reconnus, comme en témoigne notre présence dans l'indice Bloomberg d'égalité entre les sexes pour la troisième année consécutive et notre certification Argent par la Gouvernance au Féminin.

Et surtout, nous nous sommes unis en tant qu'un CAE pour faire face à la COVID-19. Nous donnons la priorité à la sécurité, en nous concentrant sur la vaccination et sur notre volonté de faire la différence dans notre société.

Je vous invite à lire notre rapport annuel d'activité et de responsabilité sociale d'entreprise pour en savoir plus.

(PAUSE)

J'aimerais maintenant demander à Sonya Branco, notre vice-présidente exécutive finances et chef de la direction financière, de nous donner un aperçu de nos résultats financiers.

Sonya Branco, Executive Vice President, Finance and Chief Financial Officer

Mesdames et Messieurs, bonjour.

Comme Marc l'a mentionné, malgré le poids des perturbations mondiales majeures sur tous nos marchés, nous avons fait preuve de résilience en retrouvant une rentabilité trimestrielle et un flux de trésorerie disponible positif après notre premier trimestre. Notre reprise s'est poursuivie tout au long de l'exercice.

Dès le début de la pandémie, nous avons fait preuve d'agilité et travaillé sur tous les fronts. Nous avons optimisé notre base d'actifs et notre empreinte mondiale et ajusté nos activités pour correspondre au niveau de demande anticipé pour certains de nos produits et services

Nous avons ensuite joué un rôle offensif et travaillé de manière proactive pour obtenir 1,5 milliard de dollars de capitaux propres.

Cette initiative a été très bien accueillie par les marchés financiers, ce qui nous a permis de saisir un pipeline de croissance ainsi que de multiples acquisitions – quatre dans le secteur Civil et une dans le secteur Défense et sécurité – et de nous positionner pour l'avenir.

Au même moment, nous avons renforcé CAE à l'interne, en prévision des nouvelles tendances à venir dans le monde post-COVID. Nous avons mis en place le travail à distance et développé un programme unique pour optimiser l'équilibre entre le travail à domicile et le bureau. Nous avons aussi lancé un programme de restructuration pour 65 à 70 millions de dollars d'économies annuelles récurrentes.

Our results were remarkable given the challenges faced by the global aviation industry during this crisis and slower timing on defence contracts.

Annual revenue was \$3 billion, compared to \$3.6 billion in the prior year, and adjusted segment operating income of \$280.6 million, compared to \$590.4 million in the prior year. Adjusted earnings per share was \$0.47 this year, compared to \$1.34 per share in the prior year. Order intake was \$2.7 billion for the year, yielding a solid backlog of \$8.2 billion.

We generated strong annual free cash flow of \$347 million, a testament to CAE's position as a sustainable growth company. In addition to having the benefits of secular tailwinds and a cash generative profile, fiscal 2021 demonstrated that CAE has been and remains a safe port in a storm.

(PAUSE)

The positive momentum continues into this year with a strong start in the first quarter. Our revenue was up 37% versus last year, adjusted segment operating income was \$98.4 million compared to a loss of \$2.1 million last year. Adjusted earnings per share was \$0.19, compared to negative \$0.11 last year. On the order front, we booked over \$521 million of orders, for a solid \$7.9 billion backlog.

(PAUSE)

We are off to a solid start to the fiscal year, positioned for strong year over year growth. We are making good progress with our restructuring program and we continue to target a 100% conversion of net income to free cash flow. Looking beyond, the outlook for the Company remains highly compelling, with potential for compound growth and superior returns over the long term.

Thank you for your attention and I now turn the microphone over to our CEO, Marc Parent.

Marc Parent, President and Chief Executive Officer

Merci, Sonya. Regardons maintenant nos perspectives pour le futur.

Les nombreux défis qui se sont abattus sur notre secteur exigeaient de changer notre façon de penser. Nous avons adapté toutes nos activités pour soutenir nos clients de manière innovante, le plus souvent à distance. Pendant cette période d'incertitude, nous avons saisi audacieusement les occasions qui se présentaient. En nous appuyant sur les forces de notre entreprise, nous avons adapté notre stratégie, en élargissant nos horizons et adoptant une nouvelle mission et une nouvelle vision axées sur la haute technologie et l'expansion sur les marchés de croissance adjacents.

Notre **mission** est d'être à l'avant plan de l'immersion numérique grâce à des solutions de formation et de soutien opérationnel de haute technologie pour rendre le monde plus sécuritaire.

Notre **vision** est d'être le partenaire de choix partout dans le monde dans les domaines de l'aviation civile, de la défense et sécurité, et des soins de santé, en révolutionnant la formation et les opérations critiques de nos clients grâce à des solutions numériques immersives qui améliorent la sécurité, l'efficacité et la préparation.

En l'espace de quelques mois, nous avons déjà commencé à révolutionner la formation et les opérations critiques de nos clients grâce à nos solutions immersives numériques.

(PAUSE)

En jouant à la fois à la défense et à l'attaque, nous émergeons dans le monde de l'après COVID-19 plus forts et mieux positionnés dans nos industries clés.

Notre remontée aux niveaux d'avant la pandémie et même au-delà continue de reposer sur le moment et le rythme auxquels les restrictions frontalières pourront être levées en toute sécurité afin que le cours normal des opérations puisse reprendre dans nos marchés principaux et dans les régions où nos clients et nous exerçons des activités importantes.

Malgré des taux de vaccination mondiaux jusqu'à présent très disparates et la volatilité des restrictions frontalières qui continuent d'obscurcir la visibilité habituelle du marché, nous prévoyons toujours une forte croissance dans nos marchés au cours de cet exercice, particulièrement pendant le deuxième semestre.

Cela est particulièrement vrai pour notre secteur **Civil**, où nous constatons une forte demande jusqu'à maintenant contenue pour le transport aérien. Dans le domaine de la formation pour l'aviation d'affaires, où nous sommes un chef de file mondial, l'activité aérienne s'est rétablie beaucoup plus rapidement que l'aviation commerciale et dépasse même désormais les niveaux d'avant la pandémie. Cela augure très bien pour le recrutement de pilotes et la demande en matière de formation pour l'aviation d'affaires dans ce segment très important du marché de la formation civile. Une grande partie de la demande actuelle provient de nouveaux utilisateurs de l'aviation d'affaires, ce qui, selon, nous entraîne une expansion du marché.

In commercial aviation, we're in an excellent position to benefit from a broader market recovery, which so far has been more narrowly led by domestic air travel, specifically in regions with relatively high vaccination rates, and cargo

operations. In those regions where there is strong domestic air travel unhindered by border restrictions, we see the market rebounding quickly, a predictor of the future. In the US, the number of travellers on domestic air routes is at 80% of pre-pandemic levels. Other regions are recovering slower mostly because of international border restrictions.

Our training centre network utilization rate this quarter is at 56% vs. a pre-pandemic level of over 70% so we have lots of capacity to meet market demand as recovery continues to take hold and to secure more market share from airlines that traditionally do training in-house. We project greater willingness by airlines to entrust more of their critical training and operational needs to CAE as their partner of choice. Longer term, we see even higher than expected pilot demand because of attrition and crisis-induced career shifts, as well as a strong demand for business jet travel.

We're also expect to build on our initial successes in the emerging Advanced Air Mobility market, which we see as a potential new demand driver for the creation of some 60,000 pilots by 2028. CAE is already bringing its expertise to the fore with selections by aircraft OEMs including Jaunt Air Mobility and Volocopter, and we see an important leadership role for CAE helping to shape the training standard for this entirely new modality of air transportation.

In **Defence**, we are aligned with national defence priorities focused on preparing for near peer threats, which brings with it a high level of complexity involving all five domains of air, land, sea, space and cyber. This means that digital technology needs to play an even bigger role than it has in the past in training defence forces, and we expect higher demand for our immersive, synthetic solutions to maintain mission readiness and support operational decision-making.

As testimony to how our position has already been substantially augmented by L3Harris Military Training, since the end of the quarter, Defence won key positions on three major IDIQs –these are indefinite delivery/indefinite quantity contract vehicles in the U.S.-- and two noteworthy prime contracts that together significantly expand CAE’s customer base and market reach.

Specifically, we won the largest IDIQ contract in CAE’s history with our prime position on the U.S. General Service Administration (GSA) ASTRO IDIQ vehicle for data operations, aircraft, development and systems integration, support and training pools.

We also won a prime position on the Multiple Award Task Order Contract (MATOC) IDIQ to provide mission support services to the US Army Futures Command. Defence also won a position in an important growth domain as a key partner to a small business on the National Cyber Range Complex IDIQ.

Furthermore, Defence won a competitive prime contract with an expected life cycle value of \$90 million USD over eight years to develop simulators and training for U.S. Air Force Joint Terminal Attack Controllers. And in another first for CAE, Defence won a three-letter agency prime contract, expanding our market penetration into synthetic environment-enhanced multi-domain operational support and training.

We also see greater growth for **Healthcare** with our new digital and virtual learning products, COVID-19 training solutions, and the overall increased recognition of the value of simulation-based preparedness. Investments of the past several years to augment our nursing suite of products have proven to be the right strategy, as this past year has exacerbated the growing nursing shortage and the need for simulation-based training.

Society has never had more focus on healthcare, and we’ve powered up our sales organization with the appointment of industry veterans known for driving change, expanding markets and achieving results. With this renewed team, we will focus on four distinct growth vectors: we continue in our **core market** of simulation

and training and we are expanding in adjacent markets: **Strategic Business, Military & Government** as well as **eCommerce**.

(PAUSE)

Pour renforcer l'exécution de notre nouvelle stratégie globale, il y a à peine quelques semaines, en partenariat avec les gouvernements du Canada et du Québec, et en présence du premier ministre du Canada et du premier ministre du Québec, j'ai fait une annonce importante : nous allons investir un milliard de dollars dans l'innovation au cours des cinq prochaines années!

Nous lançons le projet Resilience, une initiative de transformation grâce à laquelle nous développerons les technologies de demain. CAE est un moteur d'innovation canadien, et la recherche et le développement nous permettront de renforcer notre leadership en matière de formation en créant des solutions numériques immersives dans tous nos marchés.

Project Resilience will position CAE as a leader in end-to-end technology, operational support, advanced healthcare technologies, and training solutions for the promising new Advanced Air Mobility market.

And as part of our commitment to creating a more sustainable aviation industry, we will also invest in the development of electric aircraft technologies and solutions. We will retrofit our fleet of 200 light trainer aircraft to reduce our carbon footprint and contribute to a greener world.

(PAUSE)

In conclusion, I have never been more confident about the prospects of our great company.

We said we are going to emerge from the pandemic a stronger company, and we are already stronger. We are lowering our cost structure to deliver \$65-70 million in recurring savings. We have consolidated our **Civil** market position by acquiring 2 companies, one in training and one in products. And we have increased our addressable market by expanding into Civil adjacencies with three more acquisitions, namely RB Group, Merlot, and most recently, GlobalJet Services. In Defence, we have doubled our presence in the US, the world's largest **Defence** market and significantly solidified our position. We couldn't be more excited about L3 Harris Military Training and the synergies that we expect to get out of combining it with CAE.

The contract announced last week with the US Air Force, together with our recent IDIQ wins, are perfect examples of how the acquisition expands our core offerings across multi-domain operations and brings access to new customers and programs. In **Healthcare**, we are seeing a greater market appreciation for simulation-based training and we are igniting sales to drive further revenue growth.

We have solidified our core and we're also emerging from the pandemic with huge new potential headroom in all our markets through these adjacencies that we've gone after. We have a technology focus on digital immersion and high-growth software-enabled services. We have a strong pipeline of potential opportunities and a strong balance sheet. We have a great CAE brand, strengthened by our focus on customer-delight and by our humanitarian efforts. We have a renewed leadership team in Healthcare and Defence, a fantastic culture, and a new vision with great opportunities.

(PAUSE)

And just a couple of weeks ago, great news: CAE was selected for inclusion in the S&P TSX60 index, which includes 60 companies most representative of the stock market in Canada. We view CAE's inclusion in this exclusive index as an acknowledgement of the stature, industry leadership, and sustainability of this great company and we are very proud to now be among its ranks.

When you look at CAE's stock over the long run, even with COVID-19, CAE's market capitalization has nearly quadrupled from just over \$3 billion to over \$12 billion over the last decade. CAE stock is up 226% over the same period, outperforming the TSX's 75% increase. So clearly, while some years will be more volatile than others, including those while managing through a pandemic, when you evaluate us over the long term, we have shown -- and will continue to demonstrate -- that we are making the right decisions in support of a broader long-term vision.

I thank our employees for their dedication and ingenuity through unprecedented circumstances. Their resilience and hard work have enabled us to succeed. I am proud to lead this great company, an industry leader, playing a key role in making the world a better and safer place.

(PAUSE)

Before turning over to our Chair John Manley, I would like to congratulate him. He was named a recipient of the 2021 Institute of Corporate Directors (ICD) Fellowship Award. It is the highest distinction for corporate directors in Canada, presented to those who have made outstanding contributions to boardrooms across Canada by bringing sound corporate governance leadership. John, it is an honour and a privilege to benefit from your guidance.

I would also like to thank all the members of our Board for their advice and support, and of course you, our shareholders, for your trust.

Thank you.