



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

Wednesday, August 11, 2021

Montreal

ENGLISH VERSION

Good morning Ladies and Gentlemen and welcome to CAE's Annual General Meeting. There aren't words strong enough to describe Fiscal 2021. Who could have foreseen the plummeting 90% drop in global air travel and border closures worldwide? It was an instant sharp blow to our Civil aviation segment, our biggest business unit, and the effects of the pandemic swept across our defence and healthcare markets as well.

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.

We turned adversity into a major strategic advantage. We took extraordinary measures to protect CAE, our employees and our customers, and I have never been prouder of how our company performed under challenging circumstances. Against the tide, we took bold, forward-thinking, proactive measures to consolidate in our core markets and expand into adjacent ones.

We leveraged capital markets and raised equity for the first time in 18 years, to heighten our position in our civil and defence key markets. We acquired four companies in core and adjacent markets in Civil and with the acquisition of L3Harris Technologies Military Training, CAE's largest acquisition ever, we gained critical mass in the US, the world's largest defence market. We launched new products and expanded into new growth adjacencies while embarking on numerous initiatives to drive even greater operational excellence and lower our cost structure.

I am exceptionally proud of how our CAE employees responded worldwide. Amid lockdowns, closed borders and many other complex challenges, our employees have taken initiative and ownership, finding ways to ensure the continuity of our customers' most critical operations, and ensuring that we continue to earn the privilege of being our customers' partner of choice. Many went through long quarantines away from their loved ones to get to our customer sites and help install and support simulators and provide training, an essential service to maintain air travel across the globe.

This past year was a time for us to stand together and answer the calls to action in our communities. We were guided throughout by our noble purpose of safety, which is at the heart of everything we do.

At the very beginning of the crisis, our employees stepped forward and got to work on trying to solve one of the most serious problems at the time: an acute shortage of ventilators. In less than a year, we developed, certified and delivered thousands of ventilators to the government of Canada, playing a role to help save lives and support Canada's self-sufficiency.

CAE's innovation capability didn't stop there; we were able to repurpose our knowledge, expertise and advanced manufacturing assets. As we continued to reinvent ourselves, we launched several other initiatives to help in the fight against COVID-19.

We developed and offered free online medical crisis training material to prepare healthcare workers to fight the pandemic.

And to proactively help with vaccination campaigns, leveraging our high-tech capabilities, and using AI technology, we developed a novel injection training platform. We also took the lead in setting up the Industry for Vaccination group to reduce pressure on the healthcare system and help put the economy back on track. I personally spoke to CEOs, and set-up a team to bring together large companies to work in collaboration with the Quebec government to create 23 vaccination hubs.

On April 26, we opened, at our own cost, the CAE Montreal Vaccination Centre, the first of these one-of-a-kind hubs, to CAE employees, partner companies, their families and the local community. I am proud to say that at CAE's vaccination centre alone, we have administered close to 33,000 vaccines since it opened.

(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 recompute 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)

And beyond financial results, CAE became the first Canadian aerospace company to become carbon neutral on a worldwide basis. This represents a bold achievement, and we hope that CAE's commitment in the fight against climate change will inspire other companies to take tangible action today.

Despite a whirlwind of unpredictable elements, we honoured our commitment made prior to the pandemic - a further demonstration of CAE's environmental leadership and commitment toward future generations.

We also made progress in terms of diversity and inclusion, strengthening our stance against discrimination and investing in the development of women. We now have six strong Employee Resource Groups working as incredible ambassador networks. Our efforts are being recognized, as evidenced by our inclusion in the Bloomberg Gender-Equality Index for a third consecutive year and by our Silver certification by Women in Governance.

And most importantly, we pulled together as One CAE to face COVID-19. We put safety first, focused on vaccination and on making a difference in our society.

I invite you to read our Annual Activity and Corporate Social Responsibility Report to find out more.

(PAUSE)

Now I'd like to ask Sonya Branco, our Executive Vice President, Finance and Chief Financial Officer to provide us with an overview of our financial results.

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

Good morning ladies and gentlemen.

As Marc mentioned, despite the brunt of major global disruptions in all our markets, we proved resiliency by returning to quarterly profitability and positive free cash flow after our first quarter. Our recovery continued through the fiscal year.

From the start of the pandemic, we were agile and worked on all fronts. We optimized our global asset base and footprint, adjusting our business to correspond with the expected level of demand for certain of our products and services

We then played offence and worked proactively to secure \$1.5 billion in equity capital, we had great reception in the capital markets, giving us the ability to seize a pipeline for growth as well as multiple acquisitions -- 4 in Civil and 1 in Defence & Security- and position ourselves for the future.

At the same time, we strengthened CAE internally, in anticipation of the arising trends to come in the post-COVID world. We enabled remote working and developed a unique program to optimize work-from-home and office balance. We launched our restructuring program, for \$65-70 million of annual recurring cost savings.

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

Thank you, Sonya. Let's now look at the way forward.

The sharp industry headwinds that confronted us demanded new thinking. We pivoted in all our businesses to support our customers in innovative manners, often remotely. And we boldly seized opportunity through this period of uncertainty. Building on the strengths of our great company, we adapted our strategy, widening our aperture and embracing a new mission and vision focused on high technology and expansion into adjacent growth markets.

Our **mission** is to lead at the frontier of digital immersion with high-tech training and operational support solutions to make the world a safer place.

Our **vision** is to be the worldwide partner of choice in civil aviation, defence and security, and healthcare by revolutionizing our customers' training and critical operations with digitally immersive solutions to elevate safety, efficiency and readiness.

In a matter of a few months, we have already started to revolutionize our customers' training and critical operations with our digitally immersive solutions.

(PAUSE)

By playing both strong defence and offence we are emerging into the post COVID-19 world stronger and well positioned in our key industries.

The slope of our recovery to pre-pandemic levels and beyond continues to depend on the timing and rate at which border restrictions can be safely lifted and normal activities resume in our end markets -- and in the geographies where we and our customers have significant operations.

Notwithstanding what have so far been very disparate global vaccination rates and the volatility of border restrictions, which continue to obscure usual market visibility, we still expect strong growth in our core markets this fiscal year, weighted more to the second half.

This is especially the case for our **Civil** business unit, where we see considerable pent up demand for air travel. In business aviation training, where we are a world leader, flying activity has recovered much faster than commercial and in fact now surpasses pre-pandemic levels in the U.S. and is approaching 2019 levels in Europe. This bodes extremely well for pilot hiring and business aviation training demand in this highly important segment of the Civil training market. A lot of the current demand is coming from first-time users of private aviation and we believe the market is expanding as a result.

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)

To bolster execution on our new overall strategy, just a few weeks ago, in partnership with the Canadian and Quebec governments, and in the presence of the prime minister of Canada and the Premier of Quebec, I made an exciting announcement: we will invest one billion dollars in innovation over the next five years!

We are launching Project Resilience, a transformation initiative through which we will develop the technologies of tomorrow. CAE is a Canadian innovation powerhouse, and our Research and Development will allow us to reinforce our leadership in training by creating digitally immersive solutions across our markets.

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 customer-delight focus 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.