REMARKS FOR CAE'S THIRD-QUARTER FISCAL YEAR 2015

February 6, 2015

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, Strategy and Investor Relations

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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. These include statements about our activities, events and developments that we expect to or anticipate may occur in the future including, for example, statements about our vision, strategies, market trends and outlook, future revenues, capital spending, expansions and new initiatives, financial obligations and expected sales. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties associated with our business which may cause actual results in future periods to differ materially from results indicated in forward-looking statements. While these statements are based on management's expectations and assumptions regarding historical trends, current conditions and expected future developments, as well as other factors that we believe are reasonable and appropriate in the circumstances, listeners are cautioned not to place undue reliance on these forward-looking statements as there is a risk that they may not be accurate. Except as required by law, we disclaim any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise. The forward-looking information and statements contained in this presentation are expressly qualified by this cautionary statement.

You will find more information about the risks and uncertainties associated with our business in our third quarter fiscal 2015 MD&A and in annual information form for the year ended March 31, 2014. 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 6, 2015, and, accordingly, are subject to change after this date."

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 review some of the highlights of the quarter and then Stephane will provide a more detailed summary of our financial results. I'll come back at the end of the call to discuss our outlook for the remainder of the year.

In our third quarter, we had double-digit earnings growth, with good free cash flow and solid order intake. In Civil, demand was especially strong for simulators, and airlines continued to choose CAE as their Partner of Choice by outsourcing their training to us. In Defence, we received a range of orders on new and existing platforms that underscored the diversity of the aircraft platforms we cover and the geographies we reach. And in Healthcare, we continued our success in penetrating global markets with orders including a large deal in Central Asia.

Looking more specifically at each business…

In **Civil**, we signed a range of Civil solutions agreements during the quarter with an expected value of approximately $452 million. We are very proud to have renewed our long-term outsourcing agreement with Iberia, for another 10 years, and we formed a new JV for pilot training services with China Eastern Airlines. China Eastern is a longstanding CAE customer, now with 23 CAE full-flight simulators in operation, and has just become our JV partner at our flight academy in Melbourne, Australia. The airline purchased a 50 percent stake in our flight academy and will outsource to the JV the training of 650 pilot cadets over the next five years.

Other notable deals in Civil during the quarter include the sale of 18 more full-flight simulators for a total of 31 for the first nine months of the fiscal year. We also signed a new training services agreement with Ryanair for the recruitment, selection, and type-rating training of new pilot cadets and experienced captains. And, we signed an exclusive training services agreement with Jet Star for the group's carriers in Vietnam, Singapore, and Hong Kong. The Civil book-to-sales ratio for the quarter was 1.40x and for the last 12 months it was 1.17x. Civil backlog for the quarter was $2.6 billion.

In **Defence**, we signed contracts to provide simulators and long-term support services for New Zealand's SH-2G Super Seasprite helicopter, and to upgrade the UK Royal Navy's Merlin helicopter training system. We received product orders for a Predator UAV Trainer for an undisclosed customer, a C295 transport aircraft full-flight simulator for the Polish Air Force, a UH72 Lakota helicopter flight training device for the US Army, and a KC-130J full-mission simulator for the US Marine Corps. We also received training services contracts from our Rotorsim Joint Venture, the German Army Aviation School, and a training needs analysis contract for the German-French Tiger Technical School. In total, we received approximately $201 million in Defence orders this quarter, representing a book-to-sales ratio of 0.93x. The book-to-sales ratio for the last 12 months was 0.83x. Third quarter Defence backlog was $2.4 billion.

Lastly, in Healthcare, we entered agreements with new distributors for our products in Europe and across Asia, and we sold our patient, surgical, and ultrasound simulators to hospitals in China. In North America, we sold simulators to an Air Force training centre in the US, and to a Canadian university. We were also successful in Healthcare this quarter by leveraging the kind of solutions strategy we employ in our Civil and Defence markets. We signed a contract for an $11 million, turn-key training centre solution in Central Asia, which represents Healthcare's largest single transaction to date.

With that, I will now turn the call over to Stephane.

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

Thank you, Marc, and good afternoon everyone.

Consolidated revenue for the quarter was $559 million and net income attributable to equity holders from continuing operations was $52.1 million or 20 cents per share.

Our income tax rate this quarter was 20%, compared to 19% for the same quarter last year. The higher rate reflects differences in the mix of income from the various jurisdictions in which we operate.

Free cash flow from continuing operations was stronger this quarter at $70 million, with the increase coming mainly from a reduction of our investment in non-cash working capital, and from higher cash provided by continuing operating activities. This is in line with our outlook, our free cash flow being typically higher in the second half of the fiscal year, as we normally see improvements in these two lines of the cash flow statement in particular.

Capital expenditures were $28 million this quarter, with growth investments representing 78% of the total, and maintenance capital expenditures the balance.

Net debt was lower at $971.7 million as at December 31, 2014, compared to $998.5 million as at September 30, 2014. Our net debt-to-capital ratio was also lower at 38.3%.

Now looking at our segmented financial performance...

For **Civil**, third quarter revenue was $322 million, up by 14% year over year and operating income was up 19% year over year to $53.8 million for an operating margin of 16.7%. We had a gain in the quarter involving two of our Joint Ventures, and we received compensation for a terminated customer service agreement. This was offset in part by some non-recurring expenses including transaction costs in the quarter and the net effect of these items brings the Civil margin to about 15% on 68% utilization of our training network.

In **Defence**, third quarter revenue was up 7% year over year at $216 million, while operating income was 8% lower at $28.6 million, for an operating margin of 13.3%. This represents a 110 basis point improvement over last quarter and is within the range of our 12-13% margin backlog.

Lastly, in **Healthcare**, revenue for the quarter was $21.3 million and operating income was half a million dollars. These results are higher than last year but lower than last quarter mainly due to the timing of some contract awards that moved into the fourth quarter.

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

Marc Parent, President and Chief Executive Officer

Thanks, Stephane.

For CAE, third-quarter performance gives us confidence in our outlook for a stronger second half of the fiscal year.

Civil aviation market fundamentals remain strong, notwithstanding a still soft European market. Globally, passenger traffic grew nearly 6 percent in calendar 2014 and the global fleet of passenger aircraft increased by 2.5% over the same period. As we look at our current fourth quarter, we see things developing the way we had expected for the second half as a whole, and we expect appreciably higher utilization and margins in the last quarter. This means, for the year as a whole, we're still expecting strong growth in revenue and even higher growth in operating income.

We're continuing to book sizable, long-term contracts with airlines and business aircraft operators and our pipeline remains strong. We're seeing more instances of airlines choosing CAE as their outsourcing partner than ever before, and we expect this trend to continue. With 31 full-flight simulator sales in the first nine months, we're well on track to meet our outlook for about 40 FFS sales for the year as a whole. We also expect to continue booking training and services contracts at a rate that gives us confidence in filling more of our available capacity.

In **Defence,** our outlook is unchanged. We are working from a solid backlog of $2.4 billion and a bid pipeline of nearly an additional $2 billion. We expect Defence to continue to demonstrate resilience for the year overall and we continue to position for growth in the medium-to long term. Last week, we announced our agreement to acquire Bombardier's Military Aviation Training unit, which gives us a new capability and opportunity for growth. Once the acquisition closes, CAE will become the prime contractor responsible for the highly-prestigious NATO Flying Training in Canada (NFTC) program that produces world-class fighter pilots for the Royal Canadian Air Force and its allies.

Importantly, this tuck-in acquisition will significantly enhance our core capabilities as a global training systems integrator by adding support for live military flying while giving us additional experience with integrated live, virtual and constructive training systems. And here in our home market, we will be strengthening our position to support Canada as the country begins to consider its future pilot training system as well as next-generation fighter program.

Finally, in **Healthcare**, we're developing a global market for our simulation products and audiovisual solutions, and we see larger opportunities ahead for growth. For instance, we're finding an increased propensity by medical societies to adopt the use of simulation in the course of assessing and certifying practitioners. As well, the multimillion dollar deal we signed in the quarter is a good example of what we can achieve with our unique and comprehensive offering, as well as our global reach.

Thank you for your attention. We are now ready to answer 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 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.