CAE INVESTOR DAY

CAPITAL PRIORITIES

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March 30, 2016

CAUTION REGARDING FORWARD LOOKING STATEMENTS

The following investor presentation and oral statements made by management during CAE Inc.'s March 30, 2016 Investor Day include forward-looking 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. Forward-looking statements normally contain words like believe, expect, anticipate, plan, intend, continue, estimate, may, will, should, strategy, future and similar expressions. 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, readers are cautioned not to place undue reliance on these forward-looking statements as there is a risk that they may not be accurate. You will find more information about these and other factors in our reports filed with securities regulators in Canada and the United States. Reference should be made in particular to "Management's Discussion and Analysis" in our annual and interim reports and to our Annual Information Form and Form 40-F. 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 and are available on EDGAR (www.sec.gov). Forward-looking statements represent our expectations as of March 30, 2016, and, accordingly, are subject to change after this date. We caution readers that the risks described are not necessarily the only ones we face; additional risks and uncertainties that are presently unknown to us or that we may currently deem immaterial may adversely affect our business. Additionally, differences could arise because of events that are announced or completed following the date of the presentation, including mergers, acquisitions, other business combinations and divestitures. 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. Any forward-looking information and statements made during the presentation or contained herein are expressly qualified by this cautionary statement.

CAPITAL ALLOCATION PRIORITIES

1 Invest in sustainable growth

- Market/customer-led investments with a path to attractive recurring returns

2 Provide current shareholder returns in addition to generating long term growth

- Current shareholder returns to increase with earnings/cash performance

3 Maintain a strong balance sheet

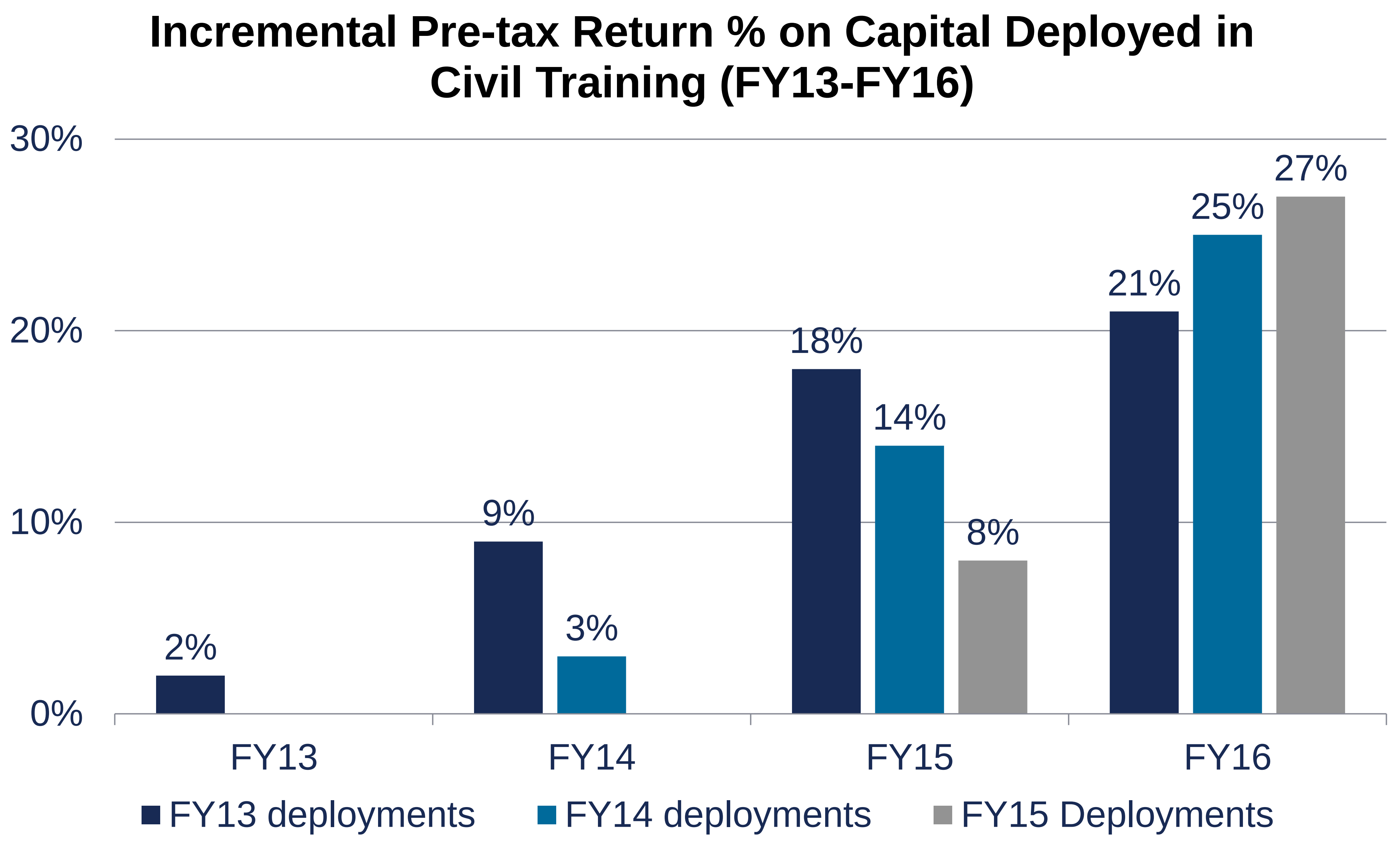
- Optimal leverage ratio of Net Debt-to-Capital of 35-45%

INVESTMENT CRITERIA

- Investments aligned with CAE's strategy and **Training Partner of Choice** vision
  - Protect leadership position
  - Grow in three core markets
- CAPEX primarily supports market/customer-led organic growth
- Additional investment targets selective training outsourcings/M&A
- Hurdle rates vary as a function of business risk
- ROCE and EPS accretive within a reasonable period

Capital deployment is closely linked to protecting CAE's leadership position, growing share in three core markets, and to realizing CAE's long-term vision

INVESTMENT IN ACCRETIVE GROWTH REMAINS A PRIORITY GIVEN ATTRACTIVE RETURN POTENTIAL



~$230M capital investment from FY13-FY15 to deploy 40 FFSs to CAE's Civil training network

Growth capital deployed in Civil training in the last three years to increase recurring revenue and keep pace with customers/market has been highly accretive

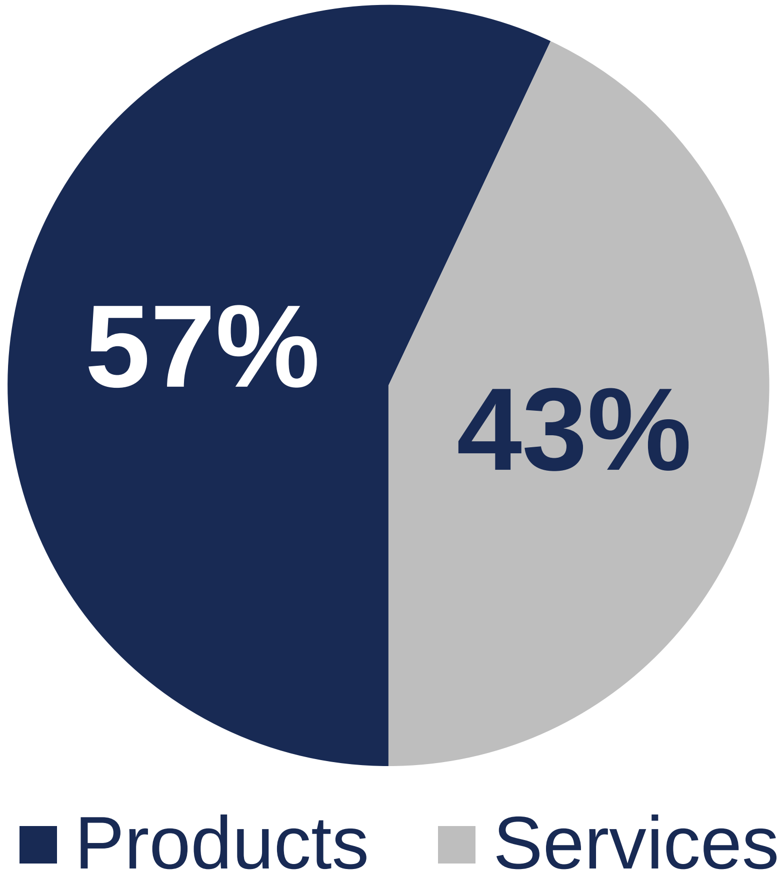
RECURRING BUSINESS AND SUSTAINABLE COMPETITIVE ADVANTAGE

Underpinning its position as a global training leader, CAE invested >$2.5B over 15 years to create the world’s largest and most geographically diverse Civil aviation training network

CAE BENEFITS FROM A HIGH DEGREE OF RECURRING BUSINESS

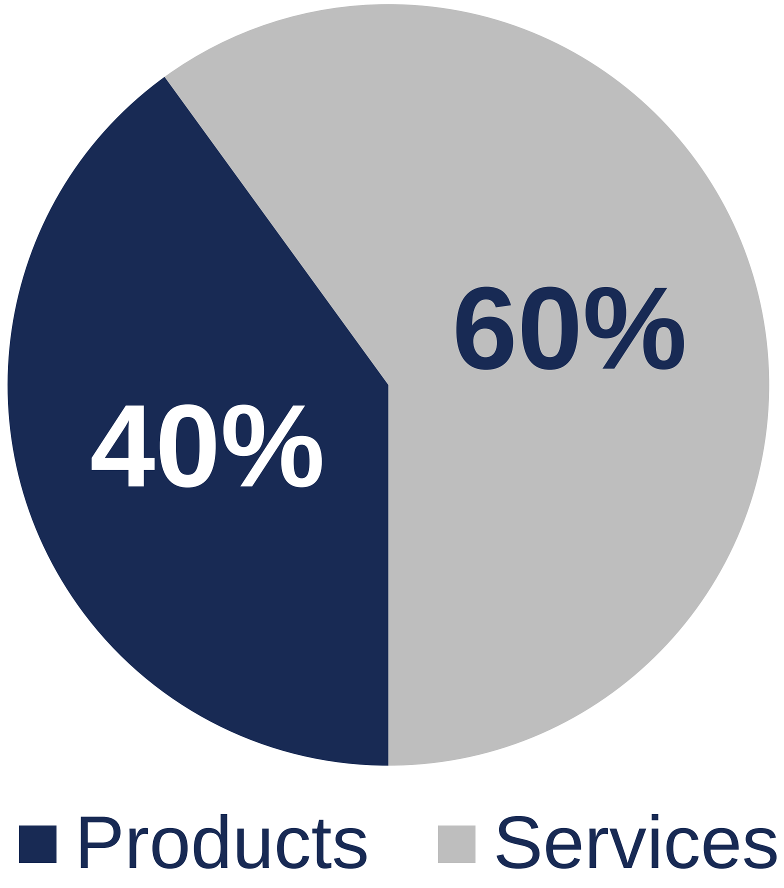
High Degree of Recurring Business

CAE's **FY2008** proportion of revenue from training and related services and products



FY08 mix not restated for IFRS and includes CAE's share of JVs

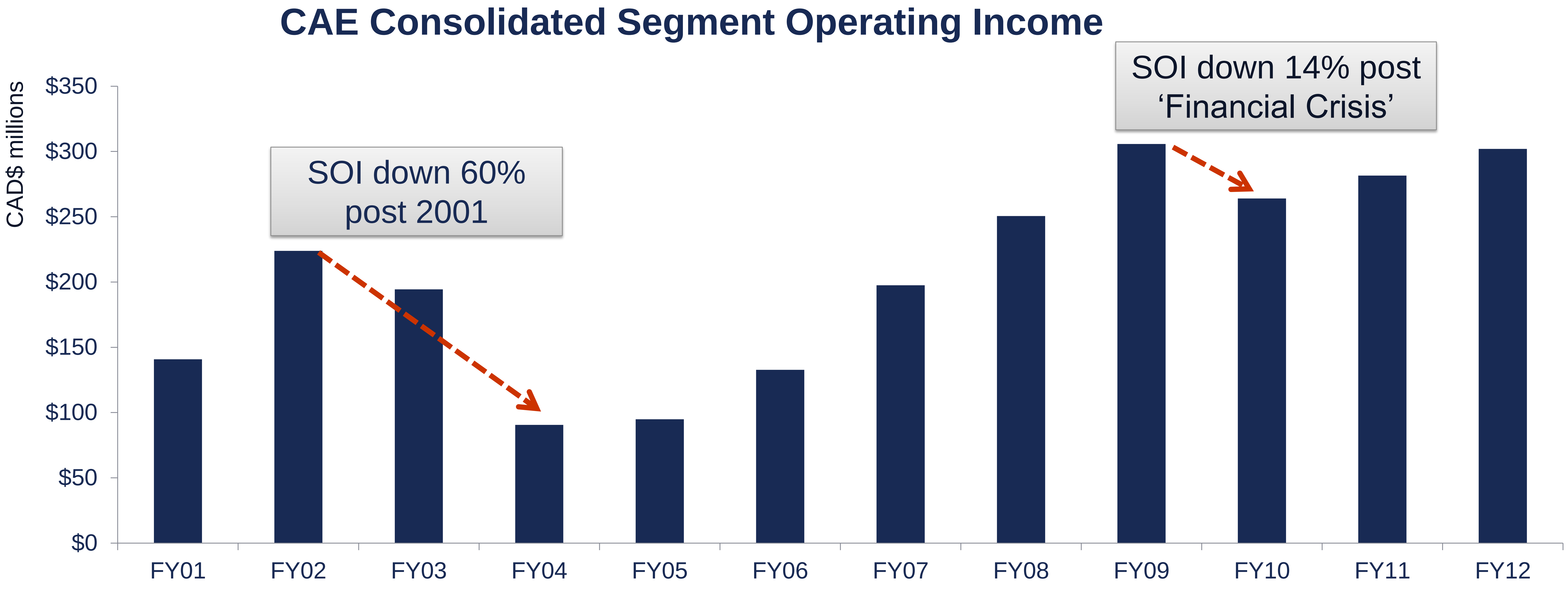
CAE's **FY2016 YTD** proportion of revenue from training and related services and products



FY16YTD includes CAE's share of JVs

A high proportion of services business positions CAE for sustainable growth and greater stability

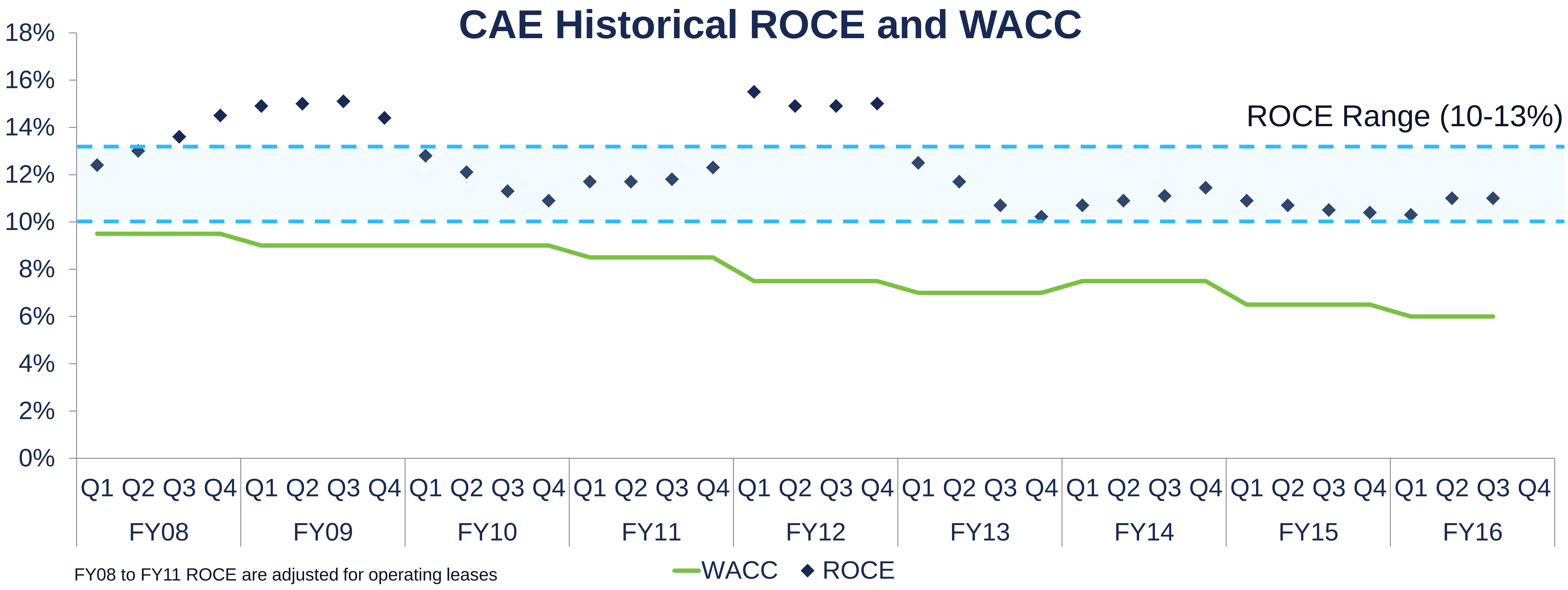
SERVICES MAKE CAE MORE RESILIENT



FY01-FY10 Canadian GAAP; FY11-FY12 IFRS

CAE proved less susceptible to the aerospace market down cycle following the 2008 financial crisis than the previous downturn because of a higher services mix

CAPITAL RETURNS FROM A MORE RESILIENT BUSINESS MIX



FY08 to FY11 ROCE are adjusted for operating leases

CAE's strategic transformation to a training services company involves a different risk/return/capital intensity dynamic and strikes a good balance between ROCE % and resiliency

ROCE DRIVERS

- Higher utilization of training centres
- Accretive capital deployments
- Process improvements
- Innovative solutions to penetrate market share

Income Levers

- Market-led growth investment discipline
- Optimal capital structure

Capital Levers

ROCE

We are well positioned to improve ROCE over the next 3 to 5 years

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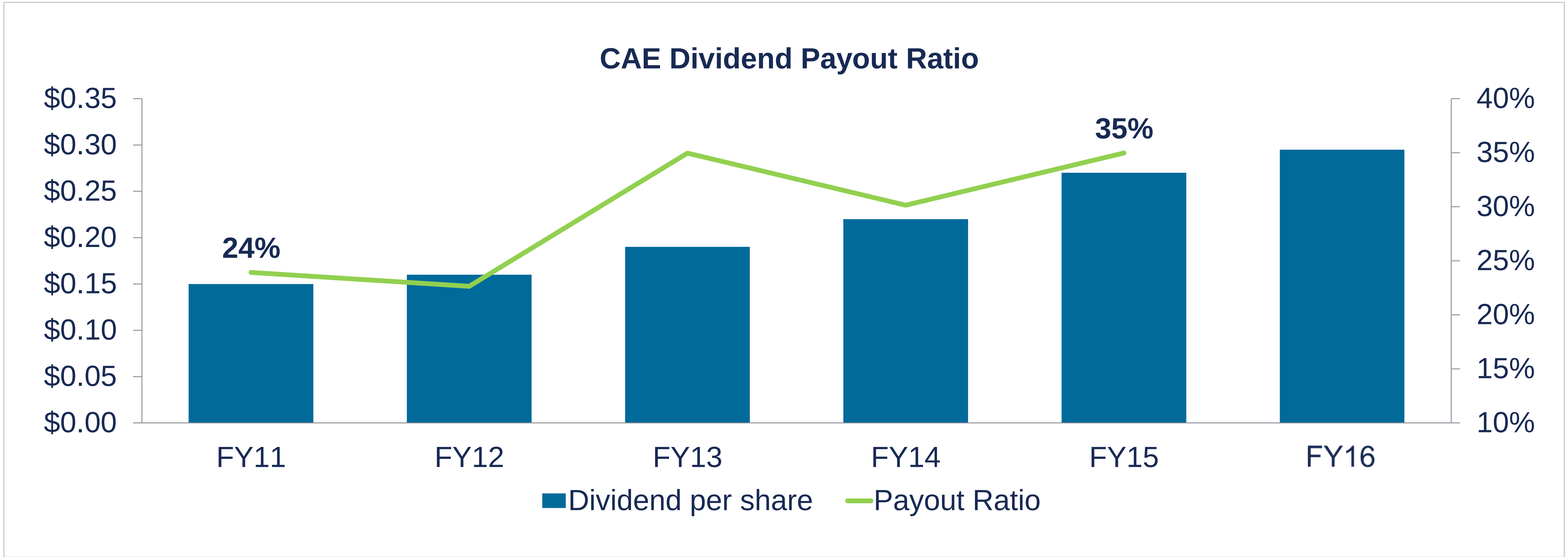
CURRENT SHAREHOLDER RETURNS



The normal course issuer bid now gives CAE a second avenue to return capital to shareholders

Enhancing current returns remains a priority and reflects the Company's desire to balance long-term capital appreciation and cash returns to shareholders

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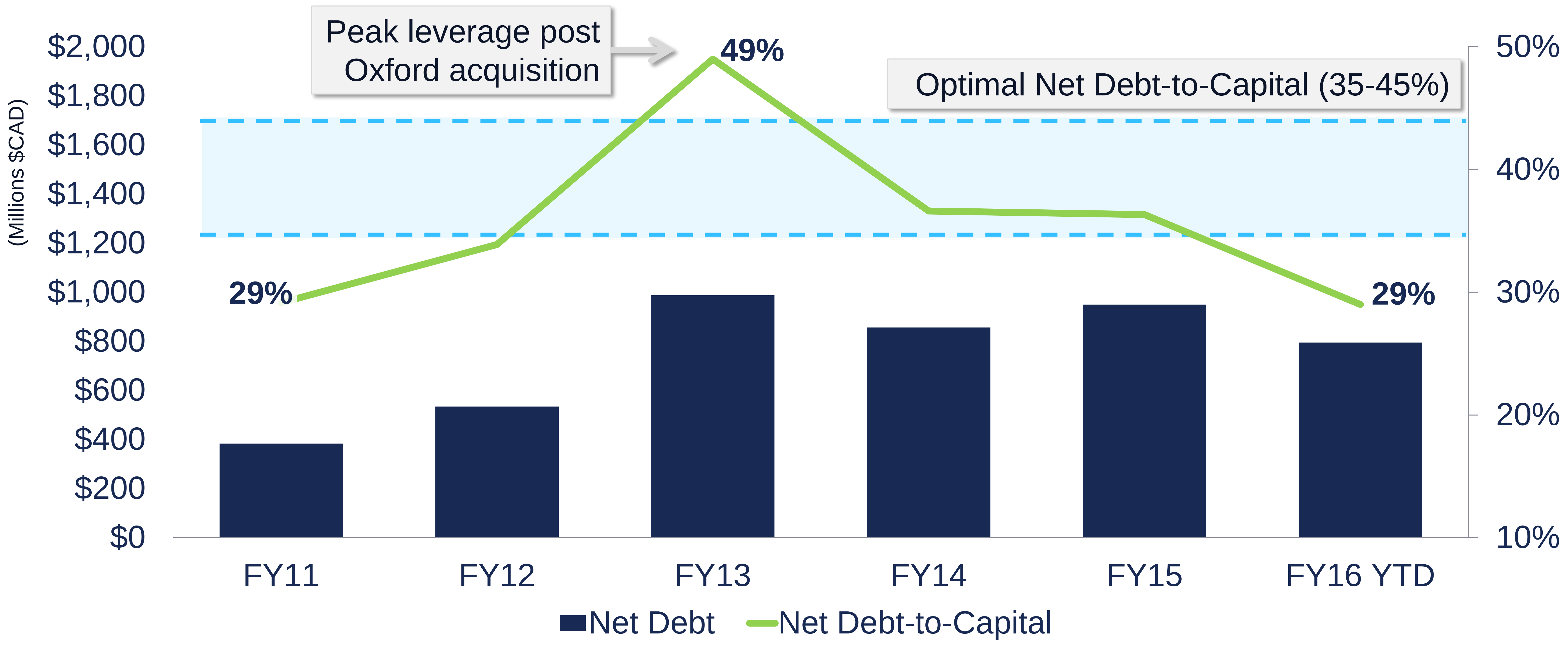
MAINTAIN A STRONG BALANCE SHEET



Strong cash flow enabled us to reduce CAE's Net Debt-to-Capital ratio from ~50% in FY13 to ~29% in Q3FY16

STATUS UPDATES

▶ Process Improvement Program

- Line of sight on $15-20M annualized cost savings
- Expect to conclude restructuring by H2 FY17
- Review of revenue recognition methodology as simulator models become increasingly productized

▶ Acquisition of Lockheed Martin Commercial Flight Training

- Going through necessary consultations with labour and regulatory process
- Expect to close transaction in 2016
- Expect nominal financial impact (+/-) on CAE’s ongoing operations

INTRODUCTION TO NEW CFO

CFO effective May 23, 2016

- Oversight of financial operations of 160 sites and training locations in more than 35 countries
- 15+ years' experience as a financial officer
- Joined CAE in 2008; Corporate Controller in 2011
- Prior experience
  - BCE in Mergers & Acquisitions
  - PricewaterhouseCoopers in Audit and Advisory

Sonya Branco, CPA, MBA
Vice President, Finance and CFO

A well-considered CFO succession to ensure continuity and good financial stewardship

NON-GAAP MEASURES

- **Free cash flow** is a non-GAAP measure that shows us how much cash we have available to invest in growth opportunities, repay debt and meet ongoing financial obligations. We use it as an indicator of our financial strength and liquidity. We calculate it by taking the net cash generated by our continuing operating activities, subtracting maintenance capital expenditures, investment in other assets not related to growth and dividends paid and adding proceeds from the disposal of property, plant and equipment, dividends received from equity accounted investees and proceeds, net of payments, from equity accounted investees.
- **Net debt** is a non-GAAP measure we use to monitor how much debt we have after taking into account liquid assets such as cash and cash equivalents. We use it as an indicator of our overall financial position, and calculate it by taking our total long-term debt, including the current portion of long-term debt, and subtracting cash and cash equivalents. Net debt-to-capital is calculated as net debt divided by the sum of total equity plus net debt.
- **Total backlog** is non-GAAP measure that includes obligated backlog, joint venture backlog and unfunded backlog. Obligated backlog represents the expected value of orders we have received but have not yet executed. Joint venture backlog is obligated backlog that represents the expected value of our share of orders that our joint ventures have received but have not yet executed. Unfunded backlog represents firm Defence and Security orders we have received but have not yet executed and for which funding authorization has not yet been obtained. We include unexercised negotiated options which we view as having a high probability of being exercised, but exclude indefinite-delivery/indefinite-quantity (IDIQ) contracts.
- **The book-to-sales ratio** is the total orders divided by total revenue in a given period.
- **Capital employed** is a non-GAAP measure we use to evaluate and monitor how much we are investing in our business. For each segment, we take the total assets (not including cash and cash equivalents, tax accounts and other non-operating assets), and subtract total liabilities (not including tax accounts, long-term debt and the current portion of long-term debt, royalty obligations, employee benefit obligations and other non-operating liabilities)
- **Segment operating income (SOI)** is a non-GAAP measure and our key indicator of each segment's financial performance. This measure gives us a good indication of the profitability of each segment because it does not include the impact of any items not specifically related to the segment's performance. We calculate it by taking the operating profit and excluding the impact of restructuring costs.
- **Maintenance capital expenditure** is a non-GAAP measure we use to calculate the investment needed to sustain the current level of economic activity. Growth capital expenditure is a non-GAAP measure we use to calculate the investment needed to increase the current level of economic activity.
- **Return on capital employed (ROCE)** is a non-GAAP measure we use to evaluate the profitability of our invested capital. We calculate this ratio over a rolling four-quarter period by taking net income attributable to equity holders of the Company excluding net finance expense, after tax, divided by the average capital employed
- **Utilization rate** is an operating measure we use to assess the performance of our Civil simulator training network. We calculate it by taking the number of training hours sold on our simulators during the period divided by the practical training capacity available for the same period.