
Conference call: CAE INC. Q3 CONFERENCE CALL (Q&A only)
Time: 12h00 E.T.
Reservation No.: 21297155
Reference: CAE INC.-021109- 21297155
Duration: APPROXIMATELY 38 MIN.
Date: FEBRUARY 11, 2009

OPERATOR: Thank you, Mr. Arnovitz. We will now take questions from the telephone lines. If you have a question and you're using a speakerphone, please lift your handset before making a selection. If you have a question, please press *1 on your telephone keypad. If at any time you wish to cancel your question, please press the # sign.

Please press *1 at this time if you have a question. There will be a brief pause while the participants register for questions. We thank you for your patience.

The first question is from Cameron Doerksen from Versant Partners. Please go ahead.

CAMERON DOERKSEN: Yes, good afternoon.

ROBERT E. BROWN (President and Chief Executive Officer, CAE Inc.): Good afternoon.

CAMERON DOERKSEN: I guess a question on the training network. You spoke a bit about right-sizing all aspects of the business. I'm wondering if you could maybe just talk about what opportunities there might

be to perhaps retire some of the older simulators. And I guess also, where are you on what has been sort of firmly committed as far as the growth in the simulator network? I guess I'm trying to get a handle on where you expect the revenue simulator equivalents to be as we look ahead sort of 12 months.

ROBERT E. BROWN: Okay. I think, Cameron, I'll start probably at the end. We still are going with increasing by about 10 per cent. We've got a very selective basis in the way that we're investing. We're looking at assets that we can put in place that we feel quite confident can operate in the environment that we're in right now. So I think you can say that's where we'll be.

As you look at the training network, we have made adjustments in the United States as it relates to the number of instructors we have and making that more variable. And we've done the same thing as well in Europe, where we had to take action as well.

We've also had a number of new assets that we've put into place. You see the current level of assets that we have at around, I think it's 118. The ones that we've been putting out into the marketplace have been filling up very nicely, even in the current environment that we're in. And as well, the ones that we've gotten from Sabena, that we've taken over, are

operating well. We mentioned that they were a little bit of a drag because they don't have the margin that our initial business had, but we think that we can make improvements of that over the next year. So I think that we're seeing a number of things that are going well.

If you look at a couple of assets that we've put in, I'll use one example. We're up and running now in Bangalore, and the A320 that we've got there is jam packed. And we just started that in the fall. It's full. We have a Global Express as well that we've been putting out in Europe and it's very full.

I'd say by and large, we feel that we're still going to be growing with the assets that we can put in, and we have very good visibility on the product areas where we think we can increase and keep up with the penetration that we need in that segment of the business.

CAMERON DOERKSEN: Thank you.

ROBERT E. BROWN: You're welcome.

OPERATOR: Thank you. The next question is from Daniel Kim, from Paradigm Capital. Please go ahead.

DANIEL KIM: Good morning. Thank you. Gentlemen, I'm wondering if I can delve into the whole forecast for EBIT margins at 15 per cent. Is this something you're seeing today and what you've booked into

your backlog? Do you anticipate this to a crude beginning in Q4. If you can just provide how that's going to play out, that would be helpful. Thank you.

ROBERT E. BROWN: Sorry, Daniel, you're talking about the 15 per cent in defence?

DANIEL KIM: Right.

ROBERT E. BROWN: Yes. Yes, we've been going, as you can imagine right now, doing budgets for the new year coming. We've been re-evaluating our strategic plan. We've been looking at the order income and the nature of the orders that we've got coming. We've seen more of a switch now to military products as opposed to military services, so we know the bids that we have out there, we know the contracts that we've won, and you've seen, I think, in the last couple of quarters, of course, we've actually outperformed the 15, but we think it's wise to go with 15 in terms of what we have.

As we look at our loading over the next few years, we feel quite confident that we can deliver that 15 per cent. And a lot of the work, as well, has an engineering content to it and R&D and solutions oriented where you can tend to have the higher margins. So I think we're feeling quite good about that.

DANIEL KIM: Could you just comment at all, Bob, on where you see, or if we might be seeing margin pressure in any other areas of your business as well, given what's going on in the environment?

ROBERT E. BROWN: Well, I think the area that you're going to see, the civil area clearly is something where it's going to relate to the orders and the volume that you get. And our real challenge is to keep operating the way that we've been operating during the entire restructuring period that we started four years ago, where we've been continually trying to establish a culture where we have to adapt. I would say those are the two most challenging areas in the civil area and I think that it will always be there.

But we've got some things going for us here that we didn't have before. One is the foreign exchange that currently is in our favour. And I would say that the other thing is critical mass. If you look at where we were in previous cycles the business is very, very different. We're generating a lot of cash inside of our training business. We have a global footprint that we did not have before. We've got a financial system that you're seeing in the disclosure we have in the segments that we're using in the business to manage it to be able to react very quickly to situations. We have a much stronger balance sheet than we had before. I mentioned, I think, exchange

rate and where it is. We have a defence business as well that is generating cash that we didn't have in previous cycles.

So it's very, very different than what we had before. But I think you have to look at this very, very clearly and the two segments that are going to be the most challenging are the ones in the civil area.

OPERATOR: Thank you. The next question is from Nick Morton, from RBC Capital Markets. Please go ahead.

NICK MORTON: Good day. On your R&D expenditures, you commented in your release that Project Phoenix helped out your margins in the third quarter. And then you went on in your commentary to suggest perhaps that R&D could be cut for a period. How will that affect your contributions from the government?

ROBERT E. BROWN: I think the main point I was trying to make here, Nick, is that the expenditures were a little higher than some of the previous quarters and the explanation for that is that we had a piece that where a claim came through that had been made a couple of quarters previously and we just happened to get it in that quarter and we wanted to signal that that was unusual for that period.

I think the other thing is that I didn't want to give the impression that we're cutting R&D. I think what we're clearly doing is trying to find that

we can match the R&D in a way that can immediately help us in terms of commercializing the work that we're doing and help us make the sales that we see are coming in the next period.

NICK MORTON: Is there any change to the Project Phoenix contribution arrangement with the government?

ROBERT E. BROWN: No. No change.

NICK MORTON: And so it stays at sort of the level it's been at in recent quarters?

ROBERT E. BROWN: Yes, for the life of the program.

NICK MORTON: That's great. Well, thank you very much.

ROBERT E. BROWN: You're welcome.

OPERATOR: Thank you. The next question is from Tim James, from TD Newcrest. Please go ahead.

TIM JAMES: Thank you. Good afternoon. I'm just wondering, Bob, if you could explore or provide some additional details on a couple of these initiatives that you mentioned, in particular, looking to increase the variable cost structure of the business or looking to capitalize on that.

And secondly, you commented about looking for additional synergies. Could you just provide a little more detail on what's behind both of those initiatives?

ROBERT E. BROWN: Yes, I'll ask Marc to talk about the synergies and some ideas that we've got there. On the variability, you know, it's very much seeing if we can adjust part of the business so that we have the base loading. I'll give you an example. In the plant here, we've had great cooperation from our workers and the union and we have a number of people that are basically temporary employees. So we're able to move the man loading up and down to a certain extent.

In some other areas, using perhaps some retired people that we have as trainers, so that we're able to again have more variability relating on the load that we have without sacrificing the quality of the service and the product that we're doing. So those are just a couple of ideas.

On the synergies front, Marc, you want to mention some of the things that you're looking at there?

MARC PARENT (Executive Vice President and Chief Operating Officer, CAE Inc.): Yes, sure. I think if you look at synergies, first of all, I think I'd look at both revenue and cost synergies because I think both are there to be had.

Since I'm looking at four segments as a whole and having a lot of experience in the past few years to look at the products business on the civil side and understanding the dynamics there, as well as supplying

simulators for our training business, it's very clear that the customers, the airlines of the world, the OEMs, are the same. There's clearly from a go-to-market strategy on the civil side, there's clearly some bundling opportunities that exist there that will be easier to get as we focus on them.

From the same standpoint, you look at how we operate in regions in the civil business now and also across civil and military, in geographically areas inevitably you will have some overlap and duplications in how we go to market and operate in the various geographies. So as we look at that, we can clearly see opportunities there.

Other opportunities, for example, are from our infrastructure. You can think about, as we are looking at seriously about putting military sims in commercial centres, as an example. If you look at our network of civil centres we can look at how we optimize, how we spare, from supporting our customers, for example, who may be in the same geographical vicinity. Those are some of the opportunities that we're looking at from a synergistic point of view.

TIM JAMES: Okay, thank you very much.

OPERATOR: Thank you. Your next question is from Benoît Poirier, from Desjardins Securities. Please go ahead.

BENOÎT POIRIER: Yes, thank you very much. My question relates to the margin on the SP/C. You reported 19.1, but if we remove the 1.7 million impact, if the impact only on the cost side, is it fair to assume that you would have reported 17.7? And I was also wondering about if you could quantify the unfavourable hedge for position? And also more details about the impact of a program mix. Thanks.

ROBERT E. BROWN: Okay. Yes, I think the way I would look at the margin, Benoît, you're absolutely right in the way that you do the calculation. It would have been lower. But we've tended to have items and we've always pointed them out quarter by quarter. But, yes, that observation is correct.

And I'll ask Alain to comment on the hedges.

ALAIN RAQUEPAS (Vice President, Finance and Chief Financial Officer, CAE Inc.): On the hedges, Benoît, if I'm looking at the average hedge rate for SP/C in the quarter, we were around \$1.00 U.S. to \$1.06 Canadian. And last year for the same quarter we were at 1.13. Obviously, last year was better. That's why we said this quarter vis-à-vis last year FX played against us because of these rates.

So looking forward, as we're getting out of these hedges contract that we look close to par, it will benefit if there's no more pressure on price on the business, FX should help us.

BENOÎT POIRIER: Okay and with respect to the program mix, is it more related to the 5000 Series, or do you see more pricing pressure right now?

ROBERT E. BROWN: I think it's program mix. I think clearly there is some pricing pressure in the market that we're in right now, so it's a mix of all of those things. But, you know, the mix can change the next quarter as well. And as we go forward we still have a goal of trying to be at 20 per cent, as we've talked about in the past. But that's a little bit more challenging in the environment that we're in right now.

BENOÎT POIRIER: Okay, thanks.

ROBERT E. BROWN: You're welcome.

OPERATOR: Thank you. The next question is from Chris Murray, from CIBC World Markets. Please go ahead.

CHRIS MURRAY: Good morning.

ROBERT E. BROWN: Good morning.

CHRIS MURRAY: Just if we can cover off some of the acquisitions, if you can give us an idea with Sabena, the actual impact it

had on training services, that would be great. And then, as well, if you can just update us on where you're at with xwave and where you think the impact will be for next year.

ROBERT E. BROWN: Okay, I think what you can assume on the acquisition of Sabena, it's about 10 million a quarter, something like that. And you can assume... I don't want to be too precise here, but let's say the margin is about half of what it should be. So if we can correct that, you're going to see some of that be corrected going forward.

As it relates to xwave we're still trying to finalize that acquisition. There are always elements in these things. It's complicated because it's defence business and they do defence business in the United States and it relates to ITARs. It's an area where we have to get pre-approvals from the government in terms of the way that we do it.

We're hopeful that we're going to get this finalized in the first quarter of the new year, but it's something we've got to be patient with. It has to be done the right way because we don't want it to affect in any way, and we want to understand how it's going to affect the relationship that we have with the State Department in the United States.

CHRIS MURRAY: And then, with xwave, if you can just give us an idea of where you think the order of magnitude of revenues will be, any impact it may have on your backlog and where margins may end up?

ROBERT E. BROWN: It's about the same as what we had for the other acquisition I was talking about. It's about 10 million a quarter. It should have margins that are similar to what we're doing in the military business.

CHRIS MURRAY: Okay, thank you very much.

ROBERT E. BROWN: You're welcome.

OPERATOR: Thank you. The next question is from Ben Cherniavsky, from Raymond James. Please go ahead.

BEN CHERNIAVSKY: Hi, guys. The military business in the quarter, first of all, I didn't see any specific identification of the Bell Aliant acquisition contributing to the revenue growth there. I'm wondering if that was a factor. And then when you guys maintain your 10-per-cent military growth forecast, is that combined between your two military divisions and is that inclusive of a lower Canadian dollar?

ROBERT E. BROWN: That's the combined business, Ben. It's both of the businesses together. There is nothing in for Bell Aliant because we haven't finalized the transaction yet, so there's nothing that would be there.

As we're making the projection, we are making some assumptions on exchange, as you always have to do in terms of revenue. But you can be sure that as we have in the past, we are being conservative in terms of the way we do our calculations. It's not at the spot rate today. We're trying to be conservative in the way we do it, and that's why we think we can do the 10 per cent.

BEN CHERNIAVSKY: But wasn't Bell supposed to have been accretive by now? I thought that was supposed to start contributing?

ROBERT E. BROWN: Yes, we were hoping to have it done by now, but I think as I mentioned in the previous question, we have to work some things out that relate to ITARs with the State Department because of the contracts that xwave has in the United States. And we're taking the time to make sure that that's done carefully. But you're not seeing anything yet from xwave.

BEN CHERNIAVSKY: And so that is in your 10-per-cent assumption as well.

ROBERT E. BROWN: Yes, it would be included at some point, yes.

BEN CHERNIAVSKY: Okay, thanks a lot.

ROBERT E. BROWN: You're welcome.

OPERATOR: Thank you. The following question is from Marko Pencak, from GMP Securities. Please go ahead.

MARKO PENCAK: Thanks, good afternoon. Bob, I didn't catch whether you had mentioned whether you've actually seen any cancellations or deferrals yet in your civil equipment backlog?

ROBERT E. BROWN: Yes, we're in the same position, Marko, as we were last time. We've had one customer where we had some difficulties and we were able to basically cover off the particular sim that was (inaudible) in that case. That's the only one that we've had.

MARKO PENCAK: And as you look across sort of the timeframe for when you're supposed to deliver the simulators that you currently have in backlog and you think about the specific customers, can you give us a sense of what percentage of that backlog you think might be at risk, as opposed to what you feel pretty comfortable on? I'm just trying to get a sense, because you've obviously mentioned the challenging environment and the cautionary stance you guys are taking. I'm just trying to frame that a little better.

ROBERT E. BROWN: I think everything that we have in backlog I would feel pretty comfortable about. You know, we get advance payments against the bills generally speaking that we make. We get advances when

we sign the contracts, and I don't really feel that there's a lot that is there. What I see more is going forward, as I mentioned, as it is with the financing of aircraft, there's going to be some requirement for financing. So we're going to have to work out some mechanisms to make sure with the Export Development Corporation, the great cooperation that we've got there, all the things we've done in the past. As it relates to backlog I don't see any real risk, Marko.

MARKO PENCAK: And would the same be true on the training side? I recognize there's capacity reduction since you may have customers who just scaled down their requirements, but I'm more just curious about some of your commercial customers, whether you think there are risks that some of them may just cease altogether?

ROBERT E. BROWN: Well, I think that here we've got a very good mix geographically, a good mix between business aircraft, civil aircraft. The pilots to maintain their certification, or type certification, have got to go in at least once a year, some airlines twice a year, to maintain their currency. You're still going to see, from a pilot training point of view, people reaching 65 and having to no longer be pilots. You're going to see maybe, I think there's about 7,000 of those that are coming on an annual basis in the next period of time.

You're going to see a broad mix of things. We're clearly seeing right now that it's more acute in the United States than anywhere else in the world and it's clearly affecting the business aircraft segment of our business. But there, we've just got to adjust our business to make sure that we can deal with those changes, and I think, as I mentioned before, we're doing that. We've done it directly. We've already started doing it in a number of areas.

MARKO PENCAK: Okay, thank you.

ROBERT E. BROWN: You're welcome.

OPERATOR: Thank you. The next question is from David Tyerman, from Scotia Capital. Please go ahead.

DAVID TYERMAN: Yes, just on the Sabena, I didn't catch the number. Did you give a number for the impact on EBIT in the quarter?

ROBERT E. BROWN: No, we didn't, but what I said is there were about 10 million a quarter in terms of revenue and I said you can assume that's about half of whatever's there.

DAVID TYERMAN: I'm not sure, I don't understand the last comment.

ROBERT E. BROWN: It's about half of where it should be to be consistent with the returns we're getting in the rest of the business.

DAVID TYERMAN: Okay, that's helpful. And then just quickly, the growth rates that you gave for the military, the 10 per cent per year and also on the TS/C area, 10 per cent growth on RSEUs, how long are you thinking when you give those numbers?

ROBERT E. BROWN: Well, I think we said on the military for the foreseeable future. So that to me would be two, three years.

DAVID TYERMAN: Okay.

ROBERT E. BROWN: And on what we're adding into the system on the RSEUs, I think we have to be careful here. We can see ourselves out at about 12 months. So we're getting pretty close to next year. We can see ourselves doing it, but I think that we should be prudent not to say that we're just going to keep doing this at a certain rate. We've got to evaluate that situation all of the time and we're watching our CAPEX very, very closely to deal with it.

Even before all of this, the recession and the credit crisis developed, we had a number of assets that were already in the system; so we have a pretty good idea of what's coming at least for the next year.

DAVID TYERMAN: Okay, great. Thank you.

OPERATOR: Thank you. Your next question is from Richard Stoneman, from Dundee Securities. Please go ahead.

RICHARD STONEMAN: Yes, good afternoon, Bob. A question of clarification. Where would you expect your average exchange rate to be in the next quarter vis-à-vis the U.S. dollar if you were at \$1.06 in the quarter we just completed?

ROBERT E. BROWN: I think Alain can help us there. We probably can't be too precise, but we can maybe give you just a general idea.

RICHARD STONEMAN: Assuming the dollar stays where it is.

ROBERT E. BROWN: Yes.

ALAIN RAQUEPAS: If I'm looking, Richard, at my basket of hedges contracts, looking forward, the rate would be at 1.14 as the basket stands right now.

ROBERT E. BROWN: That could change.

ALAIN RAQUEPAS: It could change because depending what the rates are... If the rate continues to stay where it is, it will improve a little bit. If the rate goes back the hedges we're adding to the pool will dilute that 1.14.

RICHARD STONEMAN: Thank you very much.

ALAIN RAQUEPAS: You're welcome.

ROBERT E. BROWN: You're welcome.

OPERATOR: Thank you. The next question is from Benoît Poirier, from Desjardins Securities. Please go ahead.

BENOÎT POIRIER: In your MD&A, you mentioned that you have 145 million of debt maturity in the next 12 months. I was just wondering how you intend to address that.

ALAIN RAQUEPAS: The major component of this is there's \$60 million U.S. coming due on the private placement this summer. We already have protected it at a very good rate last year, like we've mentioned. We have a credit revolver available to us for more than 500 million for the next two years. To finance this repayment is not an issue, and if you looked at the cash on the balance sheet, there's more than 170 million around the net worth. So that's not an issue, the refinancing of the 100 million coming up.

BENOÎT POIRIER: Thanks.

ANDREW ARNOVITZ (Vice President, Investor Relations and Strategy, CAE Inc.): Operator, we want to be sure to have enough time to respond to media questions. I think we'll conclude the investor portion of the call now and remind everyone that the transcript of today's remarks can be found at our website. And if you will, please open the lines now to the members of the media.

OPERATOR: Thank you. We'll now take questions from the media. If you have a question, please press *1 on your telephone keypad. If you are using a speakerphone, please lift the handset and then press *1. If at any time you wish to cancel your question, please press the # sign.

The first question is from Marie Tison, from La Presse. Please go ahead.

MARIE TISON: Oui, bonjour, Monsieur Brown. J'aimerais savoir en ce qui concerne vos mesures pour contrôler les coûts, qu'est-ce que ça peut vouloir dire là pour le niveau des effectifs. Vous avez parlé de flexibilité. Qu'est-ce que ça veut dire exactement?

ROBERT E. BROWN: Oui, Marie, c'est difficile à dire à ce point-ci exactement l'impact. C'est clair qu'il y a des défis, surtout dans le domaine civil, dans les prochains mois. Normalement, il y a un impact pour nous plus tard dans le cycle que pour les autres compagnies qui sont impliquées dans le domaine aéronautique. Alors, on continue à évaluer la situation. Ce n'est pas clair pour nous à ce point-ci. Mais on pense aussi qu'avec les contrats militaires qu'il est possible d'absorber quelques effectifs. Alors, ça va dépendre de la situation au niveau des commandes à court terme qu'on peut avoir et ça va dépendre aussi du nombre de commandes qu'on peut

avoir pour nos simulateurs si on dit dans les prochaines quatre, cinq semaines avant la fin de l'année.

Alors, on continue de trouver les façons aussi de faire le maximum qu'on peut pour protéger l'emploi de nos employés, c'est-à-dire est-ce qu'il y a des choses qu'on fait à l'extérieur qu'on peut faire à l'intérieur de CAE maintenant ou est-ce qu'on peut trouver une façon de partager les tâches à l'intérieur de la compagnie? Il y a toutes sortes de choses qu'on évalue pour s'assurer qu'on fait le maximum pour protéger nos employés.

MARIE TISON: Donc, s'il y a des décisions à prendre, ça va être pris dans les prochains mois?

ROBERT E. BROWN: Probablement. Nous sommes en évaluation, une période de réflexion et probablement ça va être nécessaire d'évaluer le marché dans les prochains mois pour voir l'impact sur nous. Et ça c'est où nous sommes maintenant.

MARIE TISON: D'accord. Je vous remercie.

ROBERT E. BROWN: De rien.

OPERATOR: Merci. The next question is from Sylvain Larocque, from La Presse canadienne. Please go ahead.

SYLVAIN LAROCQUE: Oui, bonjour, Monsieur Brown. Concernant les commandes du côté civil pour les simulateurs, je comprends qu'il n'y a pas eu d'annulation importante jusqu'à maintenant. Comment vous pourriez qualifier le ralentissement des nouvelles commandes de ce côté-là?

ROBERT E. BROWN: Je peux vous dire qu'il y a encore un bon niveau d'activités dans le marché mais c'est clair qu'il n'y a pas le même niveau d'activités que les trimestres passés. Alors, comme je viens de dire nous sommes dans une période d'évaluation de quoi faire, mais c'est toujours une situation dans le marché où il est nécessaire pour nous de faire le maximum, de gagner tous les contrats qu'on peut.

SYLVAIN LAROCQUE: Et vous dites que jusqu'à maintenant, au cours des derniers mois, il n'y avait pas eu de mise à pied ou de licenciement chez CAE?

ROBERT E. BROWN: Nous avons fait des ajustements aux États-Unis, on a fait des ajustements en Europe mais à ce point-ci, il n'y a pas de modification qu'on a fait au niveau de notre manpower load ici, à Montréal.

SYLVAIN LAROCQUE: Et puis aux États-Unis, en Europe, c'était combien de personnes qui étaient touchées?

ROBERT E. BROWN: Pardon?

SYLVAIN LAROCQUE: Combien de personnes étaient touchées en Europe et aux États-Unis?

ROBERT E. BROWN: Oui, c'est combien? On l'a fait pas dans un gros morceau. On l'a fait centre par centre parce que nous avons 24 centres partout dans le monde.

SYLVAIN LAROCQUE: OK. Merci.

OPERATOR: Merci. The next question is from Ross Marowitz, from the Canadian Press. Please go ahead.

ROSS MAROWITZ: Yes. Just to follow up on the employment situation, you were in a hiring phase a couple of months ago. Has that been ended?

ROBERT E. BROWN: Well, I think our business has changed very much. When we started our restructuring we were down around 5,000 employees. We're now up to around 7,000 employees, so we've added a number of people into the business. And with some of the contracts we've won, especially with the expansions we have on the military side, the type of people that we need are different than some of the people we have in the organization. So we still have some open positions that we have to fill to be able to meet the requirements that we have.

ROSS MAROWITZ: But you had a hiring day where people came in.

ROBERT E. BROWN: Well, it wasn't really a hiring day. It was a...

ROSS MAROWITZ: Open house, I guess.

ROBERT E. BROWN: It was an open house to identify potential candidates for these positions that I was talking about, and that's still valid for a limited number of jobs that we have where we have special requirements.

ROSS MAROWITZ: So how many people are you looking to add then?

ROBERT E. BROWN: I don't know if we're going to add them all or not. There are about 100 positions that we're evaluating where we have special requirements.

ROSS MAROWITZ: And would the military adding military to civil production I guess, would that be in Montreal or where would that be located?

ROBERT E. BROWN: Yes, most of the engineering that we would have that would relate to this would likely be in the Montreal area.

ROSS MAROWITZ: Now, there's been a lot of layoffs at Bombardier and elsewhere. Are there opportunities that you feel to get qualified people as a result of those changes?

ROBERT E. BROWN: I don't think access to qualified people is a real problem. We have a very good source of talent here in Montreal.

ROSS MAROWITZ: Thank you.

OPERATOR: Thank you. The next question is from François Shalom, from the Montreal Gazette. Please go ahead.

FRANÇOIS SHALOM: Yes, hi, thank you. I'm wondering what the impact of the slowdown in the business aircraft market is on CAE? How many sims do you have in the business aircraft segment and how much pilot training do you do in that segment? And will this affect the utilization rates that has gone already from, I guess, 81 per cent to 75 per cent, if I understood correctly?

ROBERT E. BROWN: Yes, our rate has gone down in the 75, 72-per-cent range. That's not unusual. We haven't been really running at the 80-per-cent level for quite a while, so I don't think that that is really a big concern.

If you look at the total number of simulators in the business aircraft area, we have about 40 of them. I would add a number in the United

States, in Dallas, but a number around the world in different locations as well. And the loading very much depends on the type of the aircraft and how new or old the aircraft is. For instance, I think I mentioned we've got some Global Expresses out there that are jam-packed. We've got a Challenger 300 that's out there that's jam-packed. Some of the older models that we have down in our Dallas facility, it's more challenging.

I think overall, François, that people, they do have to remain their currency to be able to fly. So they've got to go in at least once a year to get that currency. If they don't do that, they then have to be evaluated as to whether they have to take a more extensive program to maintain their currency going forward.

Clearly, we'll see some downturn, but it's not catastrophic. The other thing I would say is we are not as reliable as others. We don't rely as much on what I will call initial training. When an aircraft is sold, there's normally initial training that goes with the aircraft that many times is paid for or sponsored by the OEM. Compared to our competitors, we have a lot more that's ongoing and recurring as opposed to this initial training. We think that might help us a little bit as well.

FRANÇOIS SHALOM: Okay, thanks. And to clear up, your 7,000 employees, how many of them are there in Saint-Laurent and how many of them in Dallas or around the world?

ROBERT E. BROWN: We have about 3,500 here, in Montreal. The rest are around the world.

FRANÇOIS SHALOM: Is your military operations, are they basically in Florida or are they spread around as well?

ROBERT E. BROWN: They are here, they are in Tampa, and we do have some activity that we do in Germany and a little bit that we do in Australia as well.

FRANÇOIS SHALOM: Thank you.

ROBERT E. BROWN: You're welcome.

OPERATOR: Thank you. The next question is from David Tyerman, from Scotia Capital. Please go ahead.

DAVID TYERMAN: I guess I've become a reporter too.

ROBERT E. BROWN: Hi, David.

DAVID TYERMAN: I just had a question on Project Phoenix.

ROBERT E. BROWN: Yes.

DAVID TYERMAN: You said that it helped SP/M and TS/M in the quarter. I was wondering how much impact that had? What would be considered unusual?

ALAIN RAQUEPAS: The unusual part in SP/M, David, was 2.7 million and on TS/M, it was below the 1 million mark, but it's a smaller segment. So we have to disclose it.

DAVID TYERMAN: Right.

ALAIN RAQUEPAS: But 2.7 was what we felt was incremental and that might not necessarily belong to this quarter. So we got confirmation that these expenses were eligible and we got the share on this quarter.

DAVID TYERMAN: Okay, that's fine. And then, Bob, you mentioned something about doing more in adjacent areas and TS/C. What does that mean?

ROBERT E. BROWN: Adjacent areas in what, sorry?

DAVID TYERMAN: In TS/C, you said that you're doing more focusing on adding things in adjacent areas that the business has moved into that. Are you talking about wet training or is it something else?

ROBERT E. BROWN: Yes, we're talking mostly about wet training there.

DAVID TYERMAN: Okay, thank you.

OPERATOR: Thank you.

ANDREW ARNOVITZ: Okay, Operator, if there are no more questions from media, I think we'll wrap up here.

OPERATOR: Thank you. There's no more questions from the media.

ANDREW ARNOVITZ: Okay, thanks very much.

OPERATOR: The conference call has now ended. Please disconnect your lines at this time. We thank you for your participation and have a great day.

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