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OPERATOR: Thank you, Mr. Arnovitz. We will now take questions from the telephone lines. If you're using a speakerphone, please lift up 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. There will be a brief pause while the participants register. Thank you for your patience.

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

CAMERON DOERKSEN: Good afternoon.

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

CAMERON DOERKSEN: I guess my question is just on the civil sim products segment. You know, the backlog dropped pretty significantly from Q3 to Q4. I'm wondering if you can just maybe talk, you sort of touched on it a bit in your closing remarks, but can you maybe talk a bit about what the sort of level of simulator deliveries you're kind of expecting

in the current fiscal year relative to last year? What sort of magnitude of the drop should we expect?

ROBERT E. BROWN: I think there's two ways, Cameron, to look at this one. You know, as I mentioned, the level of activities are pretty good. It's taking a little longer to close the orders and you know, we see some opportunities that are going to arrive, we think in the first and second quarter of the year. So that's I think a real priority for us.

As we look at the actual number of simulator deliveries, I think, Andrew, you're helping me here.

ANDREW ARNOVITZ (Vice President, Investor Relations and Strategy, CAE Inc.): In the fourth quarter we had 15.

ROBERT E. BROWN: Yes, in the fourth quarter, we had 15. You're going to see probably a slight drop in that as it relates to the first quarter. So that's basically, as you would expect with the order intake that we have anticipated.

CAMERON DOERKSEN: Okay, and just to clarify, the total number of simulator deliveries in fiscal 2009, I wonder if you can maybe just break out that between internal and external builds?

ROBERT E. BROWN: We don't have it broken down like that right now, but we'll get back to you with it this afternoon.

CAMERON DOERKSEN: Perfect. Thanks very much.

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, clearly, with the strength in military carrying you through this year, could you share with us your assumption with regards to what your order mix should look like in 2010, of that 20 full-flight simulators that you provided between military and civil, please?

ROBERT E. BROWN: Pardon?

ANDREW ARNOVITZ: It's all civil.

ROBERT E. BROWN: What we've told you was all civil. The numbers we gave you, the 20, is all civil, okay? But I think you were asking a question about the strength of the military market. I think what I would say to you there is, you know, with the order intake that we've had about 75 per cent of the revenue that we have for this year is already booked, which you know I think is a very good year. And we expect, as we've said, next year that for the current year, we're going to have a very good performance on military orders with the visibility that we have and to the contract we see coming forward during the next period. That's why I think we feel quite strongly about the military part of the business.

DANIEL KIM: And given the lag between orders and deliveries, Bob, do you have a view with regards to how the deliveries will ultimately shake up for this year and do you have a view to next year as well?

ROBERT E. BROWN: We really don't have a view to... Are you talking military or civil?

DANIEL KIM: For both, if you could share both, or either one, whatever you're comfortable sharing, that would be great.

ROBERT E. BROWN: Yes, well, I think as it relates to the military, you know, as I mentioned, we've got 75 per cent of the revenue for this year. We also have I think quite... a lot of that spills over into the following year, which I think is positive.

On the civil, you know, we have some visibility as it relates to this year. I think that we're around 55 per cent, something like that, which is a little lower than we've had in previous years against the targets that we have. So I think that we have a shot at meeting the targets that we've set out. Hello?

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

BENOÎT POIRIER: Yes, thank you very much. My question relates to the military segment. I was wondering if you could comment about the training opportunities in Canada with respect to the CH47? Are there any updates? And also, if you could discuss the potential implications with respect to the A400M opportunities down the road? Thanks.

ROBERT E. BROWN: Yes, I'll try and go through each of your questions here. You know, the CH47 is something the government has

intended to move on. They've also been talking about a search-and-rescue platform. And with the program that we set up, you know, the OTSP, that initially has the C130J in it, these other programs would come along as they are approved. So it's really a matter of determining when the government would make a decision to move on these contracts that are coming forward.

It seems that the government is moving on the CH47 and I don't know, maybe in the second half of our fiscal year, something like that, there might be something coming. As it relates to the A400M, we're not currently involved in that program and, you know, I think any delays that occur there would probably strengthen our position on the Lockheed C130J program.

BENOÎT POIRIER: Okay, perfect. Thank you.

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. Looking at the civil training business for a moment, can you comment on the outlook in terms of the overall market dynamics and the competitive situation? I'm thinking about I believe there's been some rationalization and some small competitors having difficulties in this environment. Do you see an opportunity to pick up market share in part because of the weakness of the competitive environment at all?

ROBERT E. BROWN: I think that, you know, we've been moving very rapidly to adjust to market conditions, as we've said, making more of our cost rates variable and we've had very good success in doing that, not just in North America but in Europe and around the world as well. I think that we've been seeing some of the things on the rationalization that have been going on, but where we think we have the competitive advantage is what's going on internationally in terms of where our footprint I think is quite good and that's I think where we can pick up some advantage.

And also, you know, we've been making some move, for instance, into the northeast in the United States, we're seeing some good positive feedback there. And also what we've been doing in the U.K. with the expansion of the training centre there, we've been seeing.

So I think you'll find that we're going to focus more on the things that we can do and the portfolio products that we have, the additions that we're going to make. And I think it's going to position us well for what we're doing right now but also for when, as we said before, we think this is the part of the business that will come back quickly when the market comes back and we want to make sure we're well positioned for that.

TIM JAMES: Thank you.

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

NICK MORTON: Good afternoon. I'd like to ask you about your cash flows. I'm looking at page 8 of your financial statements. I see that cash from operations has been declining for the past three years and I just wondered if you could discuss the changes in non-cash working capital last year.

ALAIN RAQUEPAS (Vice President, Finance and Chief Financial Officer, CAE Inc.): I'll take this one, yes. Hi, Nick.

NICK MORTON: Hi.

ALAIN RAQUEPAS: Yes, so effectively, the cash flow this year, as you might have noted, we've made investments in working capital, I mean, more than 94 million went to working capital. Obviously with the growth of our military business, as you grow that business, the AR and the unbilled sales or the long-term inventory on the military side are going up. So this explains a good portion of the investment we've made in the working cap.

NICK MORTON: Okay, so if your unbilled sales were \$215 million versus \$139 million, what are those? What are unbilled sales?

ALAIN RAQUEPAS: Well, let me try to describe to you what unbilled sales are. As you know, we're using POC, percentage of completion to recognize our revenue at CAE. So when we get a long-term contract in the military area, for instance, we book our revenue as we expense the cost, as we incur the costs. And depending when we get the

milestones or the payments on these long-term contracts, we might have a receivable in the books if we're entitled to bill that military customer by contract. And if we're not yet at the milestone, we have what we call an unbilled sale on the balance sheet.

NICK MORTON: Okay.

ALAIN RAQUEPAS: So it is really like a receivable from all these military customers, all good credit, that we will collect eventually; so it's not work in process on assets that we're doing without a contract to back it up.

NICK MORTON: Okay, that's good. Maybe while I've got you, could you comment on capex for this year?

ALAIN RAQUEPAS: For the year we're in?

NICK MORTON: Yes, for the year you're in.

ALAIN RAQUEPAS: Yes, the year in, we're a bit like we've said in the comments, a bit higher than what we thought and the key reason was the foreign exchange obviously on that, and a buy back that we got in Q4.

ROBERT E. BROWN: I think you were asking about this current fiscal?

NICK MORTON: Fiscal 10.

ALAIN RAQUEPAS: You're already in fiscal 10, all right. So we said we expect right now 150 million of total capex. This includes our maintenance capex. A good portion of it goes to military. There's close to

50 million going to military and the balance goes to complete the growth of our civil network for assets that are already in process, here in the plant.

NICK MORTON: Great, thank you very much.

ALAIN RAQUEPAS: You're welcome.

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

RICHARD STONEMAN: Good afternoon, Bob.

ROBERT E. BROWN: Good afternoon.

RICHARD STONEMAN: If I were to look at CAE and say that the revenue is going to be flat-lined over the next 10 years, what level of capex would be required to keep revenue where it is now?

ROBERT E. BROWN: Well, I think that first of all, it's not going to be. But secondly, I think you have to look at what we're going to be doing in military. It would be a piece of it. But the second thing, as you look at civil, the new 5000 is having a whole bunch of impact. It's got a shorter cycle time, it has a lower cost. It's now proven that it can be maintained at a significantly lower level than simulators that have been put out in the past. So I think we're still going to be able to have the growth and do the things that we need to do because of the improvement in this cost base and the quality of the product that we have going out there.

So I don't know, if everything stayed the same where we are right now, we could probably stay around the \$150 million mark that we've got right now.

ALAIN RAQUEPAS: That's for total capex.

ROBERT E. BROWN: Yes, for total capex, yes.

RICHARD STONEMAN: For total capex, but what part of that would be... Could you get away with \$54 million and maintain revenues where they are now?

ALAIN RAQUEPAS: Yes, so if I might answer, Bob, yes, the maintenance capex, yes, it's probably south of 50, like we've experienced this year. But to keep steady stay, to maintain the fleets out there, the updates, fix the roof in Montreal and all these maintenance capex expenses, probably south of 50 would be a good number.

RICHARD STONEMAN: And if you wanted 10-per-cent growth, what would that cost you, Marc, or sorry, Alain?

ALAIN RAQUEPAS: Well, pick a number. I mean, the network at \$8 million a simulator, 7 depending of the assets, 10 if it's a more sophisticated asset. And multiply it by the number of units. So probably 100 million, you'll have at least 12 assets per year on that front.

RICHARD STONEMAN: Um-hmm. And just a clarification on an earlier question that was asked. Last year, you delivered 29 simulators and you had 37 orders. What was the number in fiscal 09?

ROBERT E. BROWN: Do you have that, Andrew?

ANDREW ARNOVITZ: Fiscal 08.

ROBERT E. BROWN: Let us come back to you, Richard. We don't have our hands strictly on that. We'll have no trouble giving it to you. We'll have to search for it and come back.

RICHARD STONEMAN: Thank you.

ROBERT E. BROWN: It should be in the MD&A.

ALAIN RAQUEPAS: I'm sure it is in the MD&A, Richard, but I do not recall exactly the number.

RICHARD STONEMAN: I appreciate it.

ALAIN RAQUEPAS: Okay?

OPERATOR: Thank you. The next question is from Scott Ratté, from Blackmont Capital. Please go ahead.

SCOTT RATTÉ: Hi, Thank you. Robert, with regard to the layoffs, I get the impression that the majority of the layoffs are in the civil segment. But you've got significant growth that you've posted in the military group. Will there actually be sort of hiring within that group during this coming year?

ROBERT E. BROWN: No. What we are doing, we have very flexible organization. We're shifting people in the engineering organization primarily over into that area and with the contracts that we've signed, you

know, on the military and the R&D program that we have under way, that allows us to deal with a very substantial number of people.

SCOTT RATTÉ: Okay, so the layoffs are sort of net of the sort of internal movements that you've got, is it?

ROBERT E. BROWN: Yes, that's correct, yes.

SCOTT RATTÉ: Okay, great. Second question is just you had mentioned that there is preliminary softness in the civil training services group in Europe. Could you provide a little bit of colour maybe on why this region may differ from the sort of acute downturn that we've seen in the U.S. so far?

ROBERT E. BROWN: Yes, well I think that the way that the airlines operate there, the regulatory environment that they're in is very different. And as a consequence, you know, you see some airlines that are very strong in comparison to North America. If you look at ones like Lufthansa, you look at Iberia, you look at some of the things that Ryanair are doing, so you're not seeing a lot of the same impacts that you would see in North America.

SCOTT RATTÉ: Okay, that's great. I appreciate it. Thank you.

ROBERT E. BROWN: Welcome.

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

CHRIS MURRAY: Good afternoon.

ROBERT E. BROWN: Hi.

CHRIS MURRAY: I was wondering if you could give us some more colour on the civil backlogs, particularly in simulation products, the mix between some of the 5000 and the 7000 and if you can just discuss if you're having issues with any of the customers. And then if you can on the training side, there was a bit of a downward revision of about \$78 million. Could you just give us a little more colour on what exactly that related to?

ROBERT E. BROWN: Okay, do you know what he's talking about on the 78 million?

ALAIN RAQUEPAS: Yes, the adjustment.

ROBERT E. BROWN: Why don't you do that one first?

ALAIN RAQUEPAS: Okay, so in training and services civil, as you know, the backlog or the order, there is an estimation on the value of contracts we're getting. So at the end of every fiscal year, we revisit our estimate on the value that we can pull out of these contracts and considering the actual state of the affairs, we've made that adjustment of 78 million to the backlog.

ROBERT E. BROWN: And I think as it relates to in the sim products civil, the backlog, you know, we're seeing a good mix, an increasing number of the 5000s that are coming forward and I can tell you that the number that we have out in the field now, we're getting a very good

feel for how these sims are operating and what the cost of maintenance is, the level of reliability and the feedback has been excellent.

CHRIS MURRAY: Okay, any particular customers that you're concerned with at this particular point?

ROBERT E. BROWN: No. Well, you saw last year, we had one customer where we had to do a fill-in, but any of the customers that we have, no, I don't see any issues.

CHRIS MURRAY: Thank you.

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

MARKO PENCAK: Thank you, good afternoon. I want to get one number from you and then sort of a more substantive question. The first one is can you tell me what was the size of the externally competed simulator market in fiscal 09, how many units?

ANDREW ARNOVITZ: We had 71-per-cent market share.

ROBERT E. BROWN: We had 34 and we calculated 71 per cent. So I guess we'll confirm the math to you, but I think that's basically it, Marko.

MARKO PENCAK: Okay, and then my question to you, I guess, Bob, is if we just base this simplistically on the change in the number of civil sim orders that you expect, so you're down just over 40 per cent year over year, and if I just simplify to say that your employee base is roughly half and

half civil and military, and please correct me if I'm wrong, I'm just wondering whether between the number of layoffs and some of the internal engineering staffing that's going to be shifting, whether that's sufficient and sort of why you've picked that level and not more?

Like I'm just trying to frame why you guys sort of decided that number as opposed to some other number and how that may relate to sort of your ongoing capability to support your customers and business?

ROBERT E. BROWN: Yes, I think that we've had a very thorough exercise here. And we really looked hard at the adjustments we had to make for volume and we know the ones we have now and we anticipated if you go to a lower order intake, that the other adjustments will have to come in September. We wanted to deal with it at once so that we could come up with an organizational structure that's going to be a lot more efficient, can be better organized going forward on a continuing basis.

But then the other thing we looked at is how can we structure the business to make sure that we can be more competitive going forward and adapt to the circumstances that we're in. And that has an impact, not just on the civil side, it also has an impact on the military side.

So I think... you know, are we saying this is the last time that we'll have to do it? We hope so. We believe that we've tried to anticipate the market situation, but sometimes life and the market unfolds in a way that you can't predict. But we've made the best call we can right now to make

sure that we have the business size to make sure that we can continue to have a solid performance in the period we're in right now and that we can continue our growth in some of the areas related to our innovation ideas, we can expand the military business. And as the civil area comes out of its slump, as we've said before, that we're going to be poised to really capitalize on it.

MARKO PENCAK: Just to follow up on your comment about expand the military business, I mean, I know you have the commonality in Montreal between civil and military, but when we look at the phenomenal order intake in military that you've had, if you assume that the duration of, or the delivery profile of the backlog has the same duration as it has historically, in other words you deliver it over the next year and a half, or whatever the math suggests, could it be that your 10-per-cent revenue growth expectation for military is conservative and you're essentially providing yourself some capability internally to do better than that?

ROBERT E. BROWN: I think I'd say that we stick with the estimates that we've got right now. If we can do better, that will be great.

But we expect another solid year from military in terms of order intake and we have visibility that goes out basically two to three years and we also have very good visibility around the world right now with the contracts that we have a good chance of winning. I think that this is a business that we've spent a long time developing and maturing and

understanding and it's going to perform very well over the next two or three years.

MARKO PENCAK: Okay, thank you.

ANDREW ARNOVITZ: Operator, we have time for just one more question because we do have a series of members of the media to respond to.

Just to clarify the question on deliveries, we delivered 38 simulators to external customers this year versus 29 last year.

Operator, we'll take one more question, please.

OPERATOR: Thank you, sir. The last question is from David Tyerman, from Genuity Capital. Please go ahead.

DAVID TYERMAN: Yes. Good afternoon. I just wanted to revisit the military margins. Bob, I think your guidance was 15 per cent for fiscal 2010. You did 17.5 in fiscal 2009. Is there something about the mix of the business in 10 that takes you down or is this conservatism or is there some other explanation?

ROBERT E. BROWN: Nothing is different. We're using 15.

DAVID TYERMAN: Okay, so conservatism. And just one last question: Inventories were pretty high. Alain I think provided some explanation. Is the expectation that the inventories will come back to more historic levels at some point or is this just really the nature of the military business?

ALAIN RAQUEPAS: Yes, we're doing everything we can to collect the receivables and keep the UBS at the proper level on the military side. Like I said, the important thing, they're all governmental customers and very solid credit and that business is growing; so we do our best to keep it low, but let's see how it goes in the next couple of quarters.

ROBERT E. BROWN: Yes, the way I do it, David, it's going to be a bit cyclical quarter to quarter. This is an area where you can't really, you don't have as much influence on the customer in terms of the way they pay you. You can go and collect. You have milestones that are contractual in terms of what you have to do. So you have to look at it over a longer period.

I think as the business gets bigger, you're probably going to find that some of the inventories are going to go up a little bit. It will depend on the program. But there's nothing that's really out of line here in terms of the way we're managing it. I think it's being managed very well.

DAVID TYERMAN: Okay, so 100 days, 90-100 days is closer to normal than 70 or so in the past, it sounds like.

ROBERT E. BROWN: Yes, but our goal is to get it down still to 60-70 days if we can. A lot of this is determined up front in the way that you negotiate the contracts, and so it's not a matter of collecting from the customer. We're reviewing the way that contracts are structured to see if there's a way that we can get them closer to the cash more quickly. I think

you know that our compensation plan, from an EVA point of view, is very much driven by cash. So you can be sure that this is a priority inside the company.

DAVID TYERMAN: Okay, great. Thank you.

ROBERT E. BROWN: You're welcome.

ANDREW ARNOVITZ: Operator, we'll now take calls from members of the media and thank investors for their participation.

OPERATOR: Thank you. So once again, if you have a question, please press *1 on your telephone keypad. The first question is from François Shalom, from the Montreal Gazette. Please go ahead.

FRANÇOIS SHALOM: Yes, thank you. Good afternoon.

ROBERT E. BROWN: Good afternoon, François.

FRANÇOIS SHALOM: Hi. I'm just looking at the big picture here and I'm looking at higher revenues, soaring profits, record military contracts, bulging orders on backlog and Project Falcon that was unveiled last month that was supposed to create or maintain 1,000 jobs. And the cuts, particularly in Montreal, which amount to more than 17 per cent, seem out of whack with that sort of overall big picture. And I understand that your sim deliveries are going to drop this year. You expect them to. But you also say that you see signs that it might be bottoming out.

I'm wondering if these draconian cuts here, in terms of your employment level in Montreal, what's the real reason behind it? Is it

because now with new processes and technologies you can accelerate the cycle of production or you can do more with less, to put it in blunt terms? Is that how it's working out?

ROBERT E. BROWN: Yes, well I think just to go back on a few of the things, I think, first of all, where we sit, we saw some things bottoming out. It really didn't relate to the purchase of simulators as it related to the use of devices in the training system in the United States.

FRANÇOIS SHALOM: Oh, right. I wasn't sure about that.

ROBERT E. BROWN: So I think that's one thing.

The second thing is that the jobs that are being affected in Montreal, a lot of them relate to the actual manufacture of these simulators. You're right; you're seeing two impacts here. One is a lower demand in the marketplace, so we've said we're adjusting our orders from 34 down to 20, we think. No one really knows, but that's what we think is the prudent thing to do as we look at the number of campaigns that we have under way in the market. But we also have some simulators where we're more efficient in manufacturing them. So it's a combination of those things, but I would say the biggest impact is the slowdown in the marketplace.

The third thing would be that with the announcement that we made as it relates to Project Falcon, if you looked at our engineering workforce, you would see that there is really not that much of an adjustment in that part of the workforce here in Montreal and that's essentially because

we've been able to secure R&D activity in that area. And also in military contracts, there tends to be a higher content of engineering work.

So we've taken all of these actions as it relates to that and we're hopeful that when the market comes back, that some of the people that have unfortunately had to go will be called back. But I don't think that's going to be for a while, until we see really what's going to occur in the marketplace in general.

So I would really not describe what we've done here as draconian. The way I would describe it is that we've made a realistic assessment of the market and how we have to adjust the business. We have not just taken out people that are working on the plant floor. We've taken out 10 per cent of our people at the vice-president, director, manager level around the world.

And the thing that we don't really sometimes focus on, the measures we're taking is to make sure we can maintain our leadership position in the market. By these measures, 90 per cent of the employees are securing their position.

And don't forget, as well, that we're also in a period where people have to go out and renew lines of credit from banks, so we've got to continue to show good performance to make sure that we can attract the investors and make sure the banks are going to continue to fund us.

So I'm sorry, François, I've gone on for a bit, but it's a combination of all of those things that have led us to take the actions that we've taken now. And we decided to take them once so that people know where they stand in the company and also to do it in a way that we can be more efficient in terms of the way that we organize things internally because operating a business that operates in 20 different countries, it's complex in terms of how all of this works.

FRANÇOIS SHALOM: Thank you. If I may, just a quick follow up. You said there's a slowdown in the marketplace, but there actually isn't a slowdown in the marketplace. There's an expected slowdown in the marketplace is what you're saying. Is that right?

ROBERT E. BROWN: No, not at all. If you look at the ordering of aircraft, for instance, you look at the orders being taken in by Boeing, by Airbus, by Bombardier, by Embraer, you've been seeing the last three quarters a slowdown, and a substantial slowdown. And we have been able to go on a little longer because we wanted to really go as long as we could without making an adjustment. And I would say that the second thing is we relate to deliveries, not just to orders.

If you also look at cargo, I think cargo has been down by 25-26 per cent in the last quarter as it relates to aircraft flying.

So this is not expected. This is very much what we're facing up to and we've gone as long as we can. And unfortunately we've had to take

these measures; but as we've said, we're doing it to protect the business and protect the majority of the employees that we have.

FRANÇOIS SHALOM: Sure. No, I understand that about the slowdown in aircraft orders and aircraft sales; but in terms of CAE simulator deliveries, 34 is up from 29. Is that right?

ROBERT E. BROWN: Well, that was for last year. But now, we've become more efficient.

FRANÇOIS SHALOM: Right.

ROBERT E. BROWN: So the cycle time is shorter. Therefore you have to be able to deliver more simulators through the system. And when we look at the discussions we have under way right now and having to adjust to not having 34 come in but have 20 come in, hopefully have 20 come in, we have to adjust the system now because of the short lead times that we have.

FRANÇOIS SHALOM: Okay, my last abuse of the one question rule will be about attrition. How many people on the floor will be affected in Montreal and how many do you expect will be early retirements and other incentivized departures?

NATHALIE BOURQUE (Vice President, Public Affairs and Global Communications, CAE Inc.): Half is on the floor.

ROBERT E. BROWN: Yes, about half of the people I would say are unionized and the rest are...

FRANÇOIS SHALOM: Half of the 700?

ROBERT E. BROWN: Yes, I would say are salaried, and of that amount... Sorry, Nathalie, go ahead.

NATHALIE BOURQUE: François, it's half of the 600.

FRANÇOIS SHALOM: So half of the 600, okay.

NATHALIE BOURQUE: In Montreal.

FRANÇOIS SHALOM: Right.

NATHALIE BOURQUE: And we will be offering early retirement packages, but we will know that number only within the next two weeks.

FRANÇOIS SHALOM: Thank you.

ROBERT E. BROWN: Okay?

ANDREW ARNOVITZ: Thank you. Operator, we'll take the next question, please.

OPERATOR: Thank you. The next question is from David Paddon, from The Canadian Press. Please go ahead.

DAVID PADDON: Yes, thank you. You started dealing with some of my questions about the workforce. Can you give some sense of what kind of time these people have put in at the company? Have they worked there a long time, a short time? Are they older or younger? What kind of skills do they have and what kind of severance would they have?

ROBERT E. BROWN: The only thing I would say, David, it varies as it relates to salaried and professional people. There's no really specific

number. As it relates to unionized people, there are very specific rules on what we call bumping; so you would find, generally speaking, that it works on a seniority basis.

DAVID PADDON: Reverse seniority. The more seniority they have the less chance they would have of being laid off?

ROBERT E. BROWN: Correct.

DAVID PADDON: Okay. And you talked about cycle time. Can you describe that in maybe days it takes to make a simulator or something to that effect?

ROBERT E. BROWN: Yes, it takes about a year to make a simulator.

DAVID PADDON: And so that's the quicker cycle time? What was it before?

ROBERT E. BROWN: That's an average. There's some that are a little quicker than that. But that's down substantially than what it used to be two or three years ago.

DAVID PADDON: And what kind of severance or exit packages are being put together for the people who have to leave?

ROBERT E. BROWN: Nathalie?

NATHALIE BOURQUE : It's Nathalie Bourque. I will answer your question. We are putting all the packages together. It's more than what the

law asks us to do. And each and every single employee will be met with reallocations services to make sure that we treat them the best we can.

DAVID PADDON: Okay, thanks very much.

ROBERT E. BROWN: You're welcome.

OPERATOR: Thank you. The last question is from Marie Tison, from La Presse. Please go ahead.

MARIE TISON: Oui, bonjour. La plupart de mes questions ont été posées, mais juste des détails. En ce qui concerne les retraites anticipées, ça c'est des gens qui vont partir en plus des 700 postes déjà annoncés?

ROBERT E. BROWN: Non, c'est inclus dans les montants, Marie.

MARIE TISON: OK, d'accord. L'autre chose, si je comprends bien, pour les cinq jours de congé sans solde, ça va s'appliquer à tout le monde?

ROBERT E. BROWN: À tout le monde.

MARIE TISON: Et vous, Monsieur Brown, qu'est-ce que vous pensez faire de vos journées de congé?

ROBERT E. BROWN: Je vais travailler.

MARIE TISON: Oui. D'accord, je vous remercie.

ROBERT E. BROWN: OK, de rien.

OPERATOR: Merci. We have a question from Peter Ray, from the Canadian Press Radio. Please go ahead.

PETER RAY: Yes, my question was regarding the reorganization plan. I just wonder how long you had this in the works. Because I think you mentioned in passing that you sort of delayed it long as you could, that you wanted to go as long as you could before you made any adjustments. Was this reorganizational plan in the works before you saw the slump in orders for your civilian sims?

ROBERT E. BROWN: Well, there's really two parts to it. The part that relates to the market we did very recently. The part that relates to the reorganization, Marc Parent actually started that whole exercise about six months ago because we wanted to look. We are continuing looking in the company to find ways that we can reduce our costs, provide a better product and better service to the customer.

So that's something that had been going on for quite a while.

PETER RAY: And I'm just curious because I know a few months ago Stephen Harper came and visited the installations and announced the training for the military forces and the C-130Js. Was he aware of your situation at the time or was this something that you thought you might use to/ help get additional military orders?

ROBERT E. BROWN: No, not at all. I think that this happened... Things during that time, we were still hopeful that the market would not be as bad as it is. We didn't have an idea of where that was. It's really something that we've had to deal with in the recent few weeks.

PETER RAY: Thank you.

ROBERT E. BROWN: You're welcome.

OPERATOR: Thank you. There are no further questions registered at this time. I would like to turn back the meeting over to Mr. Arnovitz.

ANDREW ARNOVITZ: Thank you, Operator. And I'd like to thank all participants for joining us this afternoon and to remind you that a transcript of today's call can be found on our website at cae.com.

Thank you.

OPERATOR: Thank you. The conference has now ended. Please disconnect your lines at this time. And we thank you for your participation.

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