

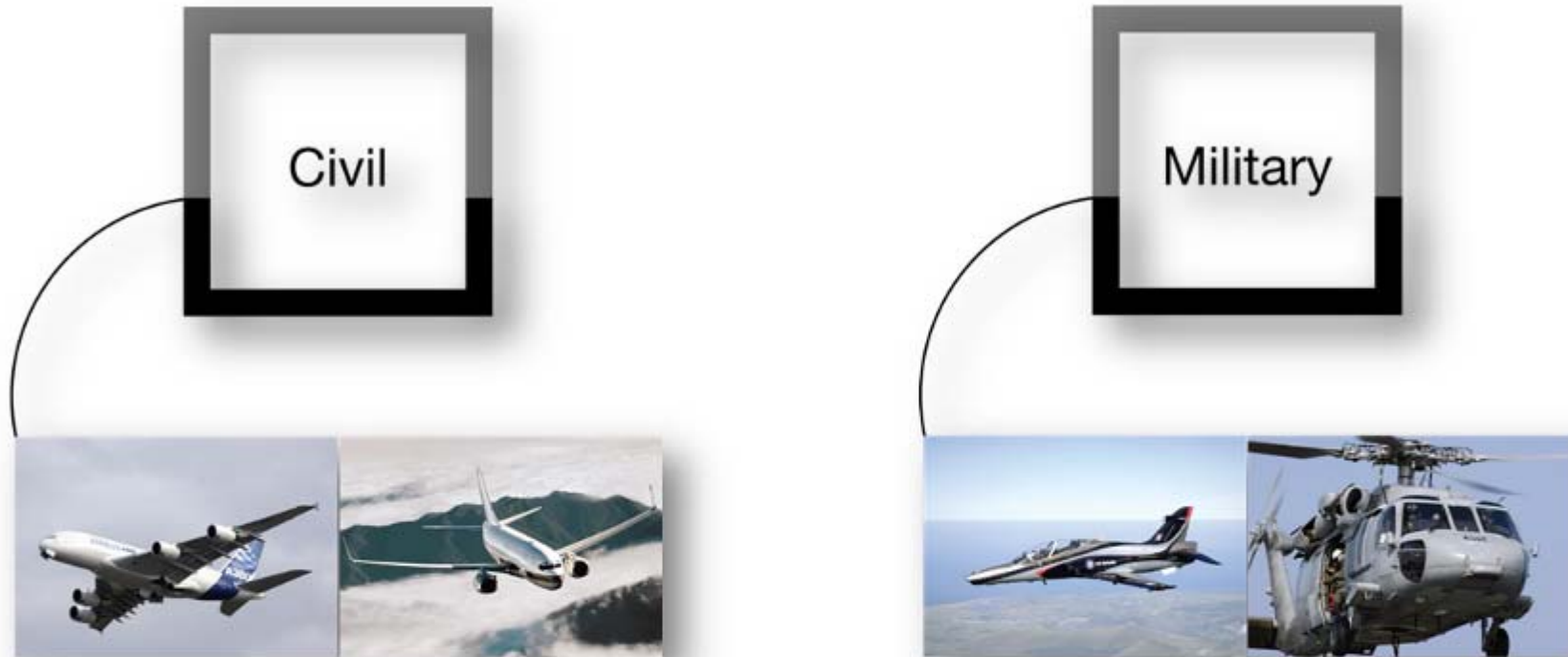


# CAE: A global leader



**Alain Raquepas**  
Vice-President Finance and Chief Financial Officer  
May 28, 2009

# A global leader in two markets related by our core competencies



A world leader in providing simulation and modelling technologies and integrated training solutions for commercial and business aviation and defence forces globally

## Overview

- ❑ Founded in 1947 in Montreal
- ❑ More than 6,000 employees worldwide
- ❑ Annual revenues of over C\$1.6 billion
- ❑ Operations and training facilities in 20 countries on five continents
- ❑ Clients in over 100 countries
- ❑ Over 75,000 crewmembers trained annually

**CAE a real global player that  
thinks globally, acts locally**

# Organization: Four reporting segments

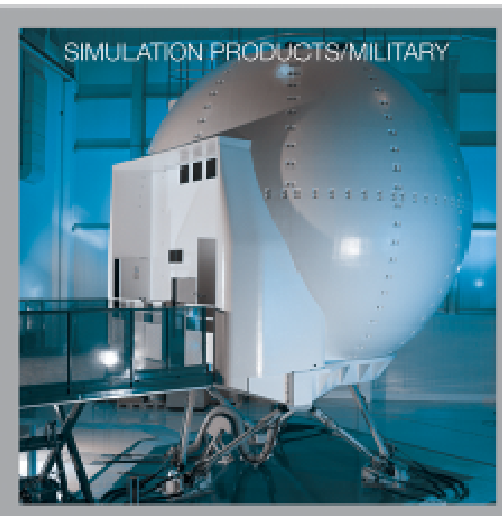
## PRODUCTS

## SERVICES

### CIVIL



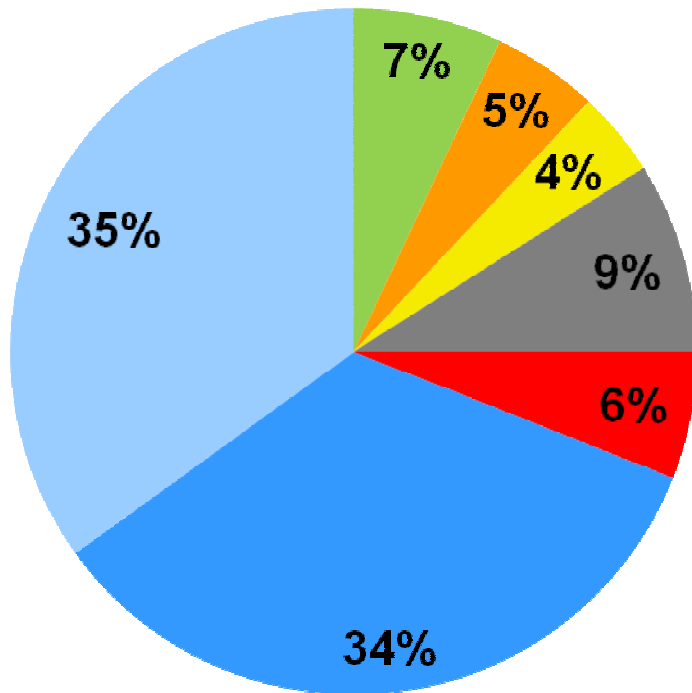
### MILITARY



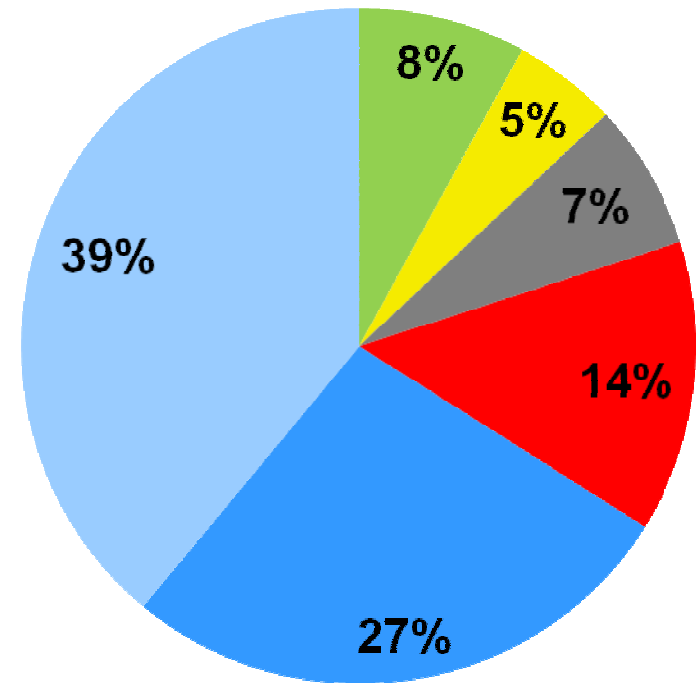
**Wherever we are around the world, units report standardized key metrics throughout the organization**

# Diversified revenue and asset base

## Geographic distribution of revenue



## Geographic distribution of long-term assets



■ Canada ■ United States ■ Europe ■ Other Asian countries ■ United Arab Emirates ■ China ■ Other

**FY2009 | Revenue \$1.6B | Long-Term Assets \$1.5B**



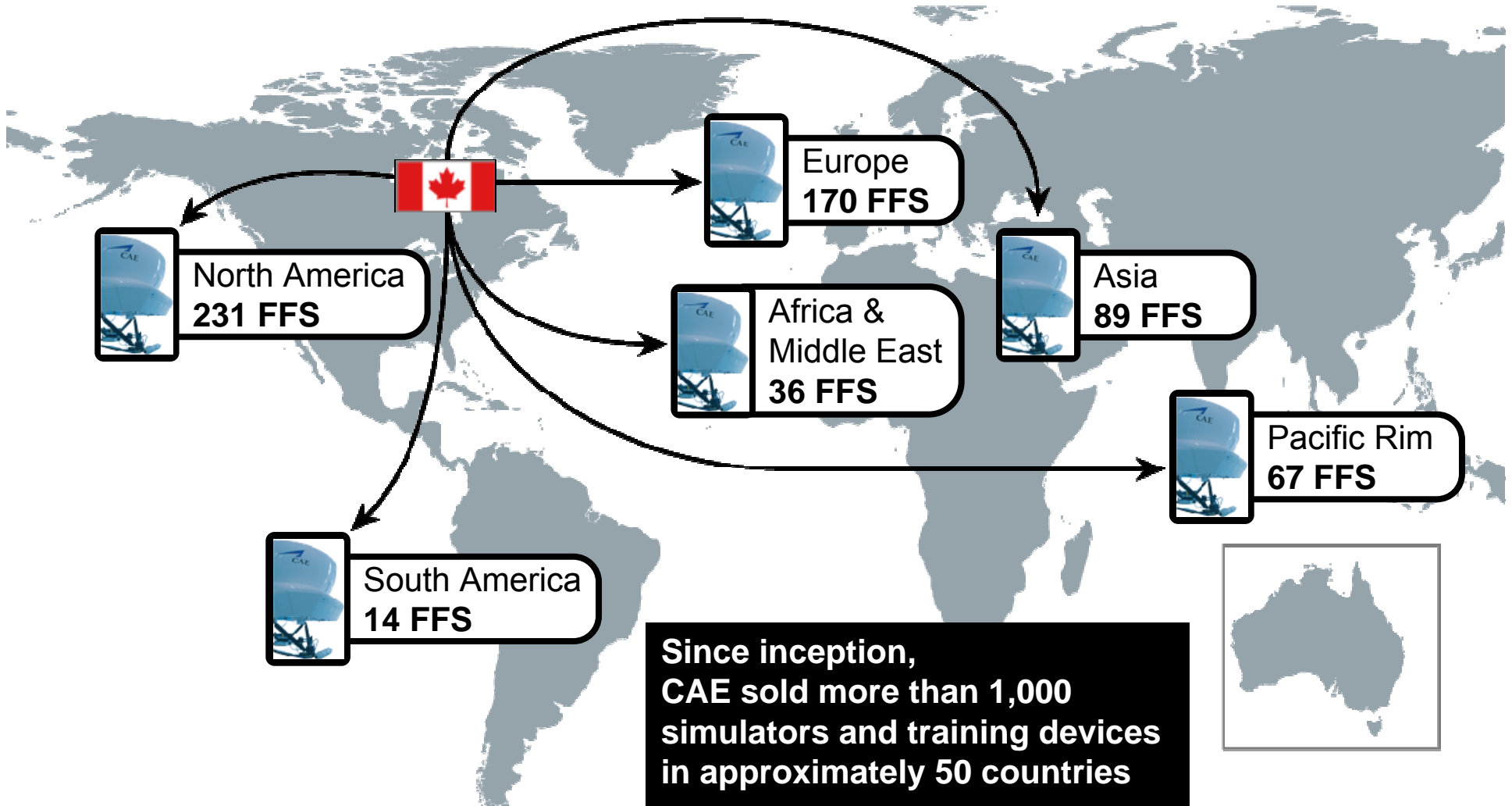
# How CAE became a global player...



# Step 1

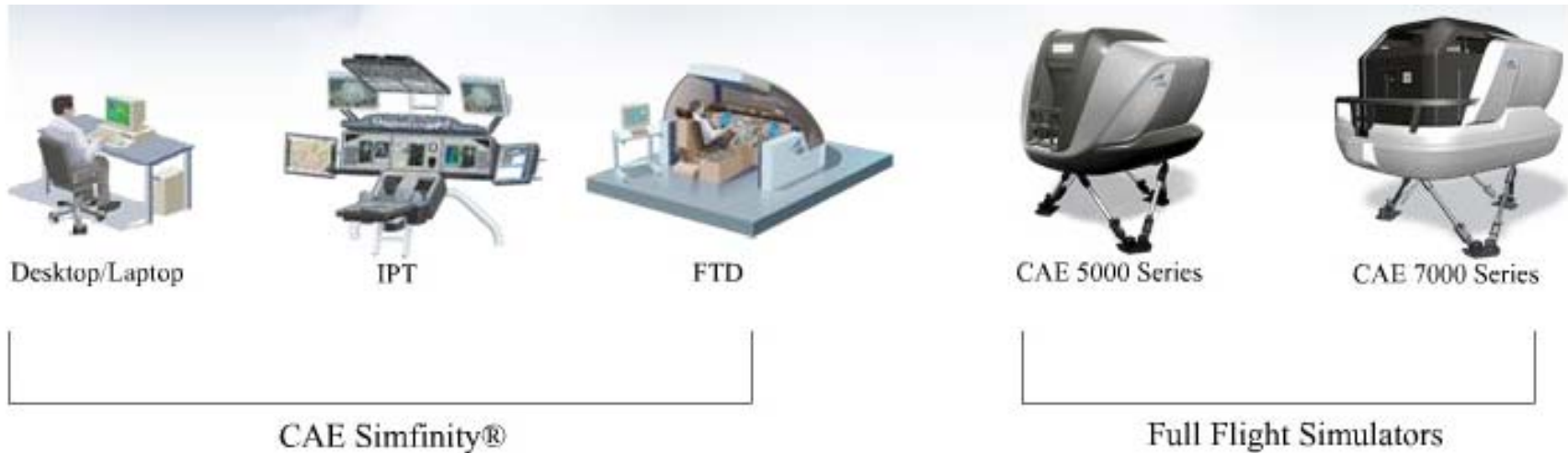
## CAE Globalization Process

The sale of commercial flight simulators around the world



# Step 1

## Civil Simulation Products: Number one in the world for civil simulator equipment



- ❑ **Customers include more than 130 airlines, aircraft manufacturers and training centres**
- ❑ **On average, we are able to maintain 70% of the world market share**

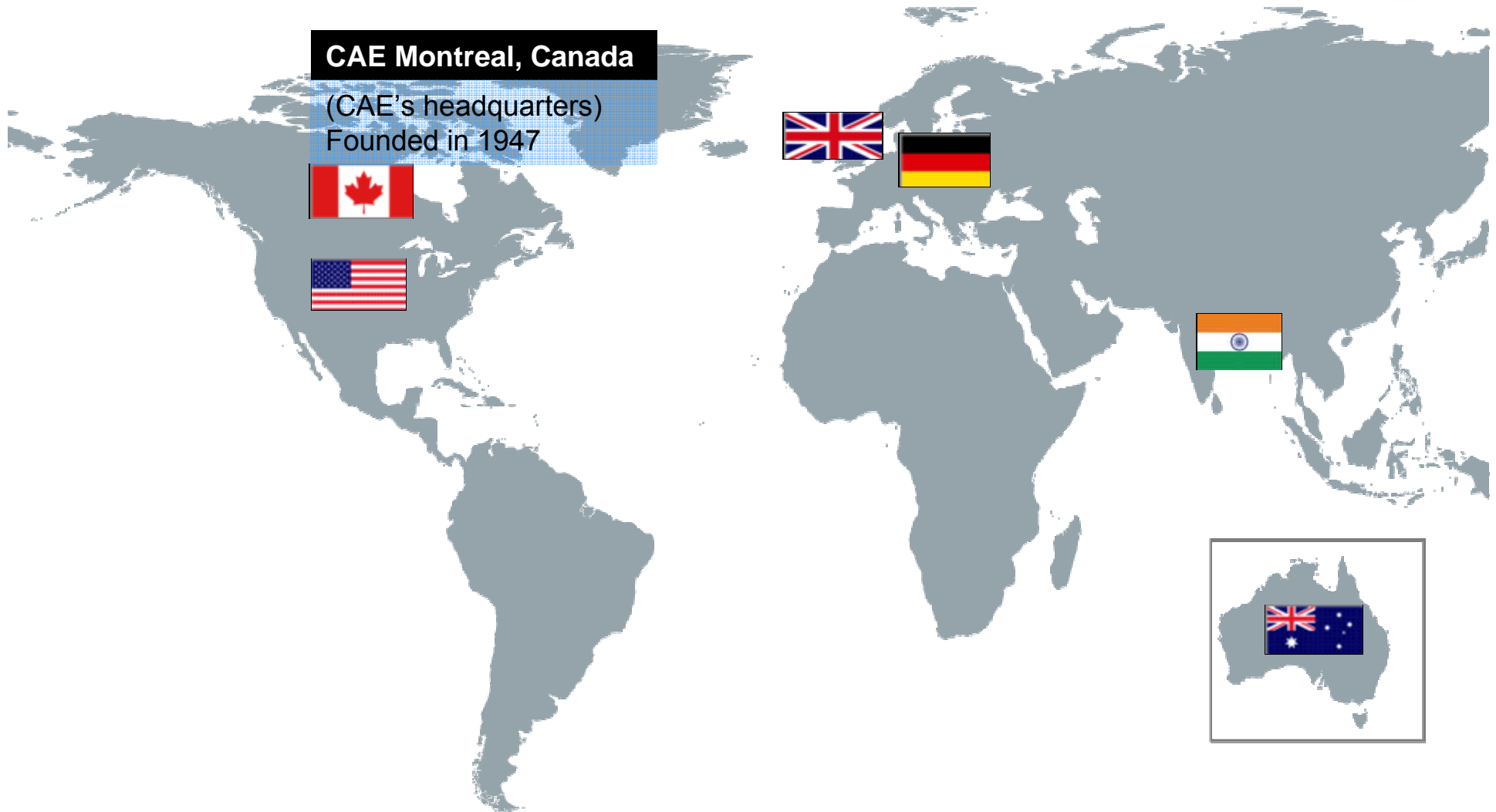
## Step 2

# CAE globalization process: Acquire military contracts and set-up of local presence



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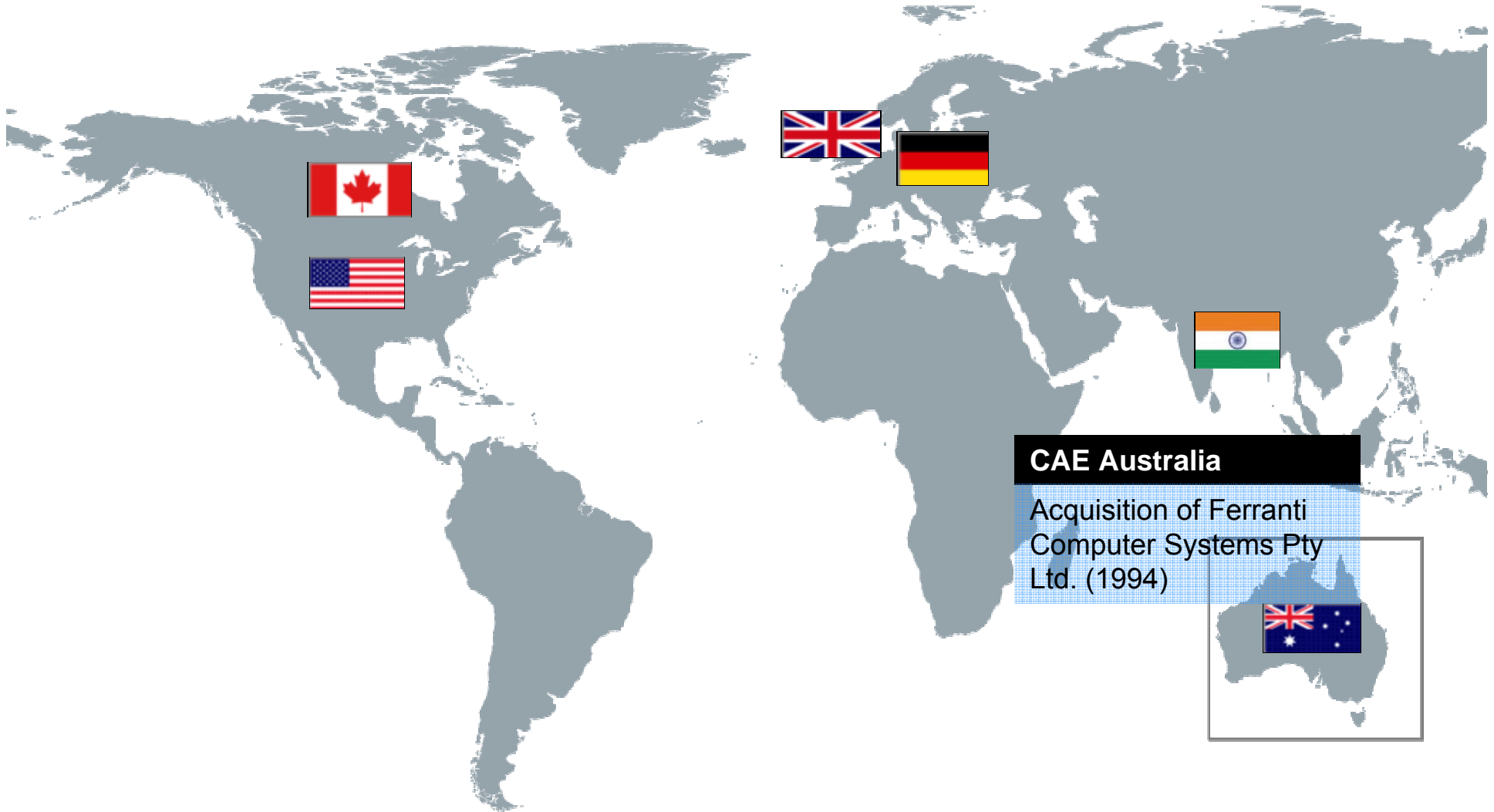
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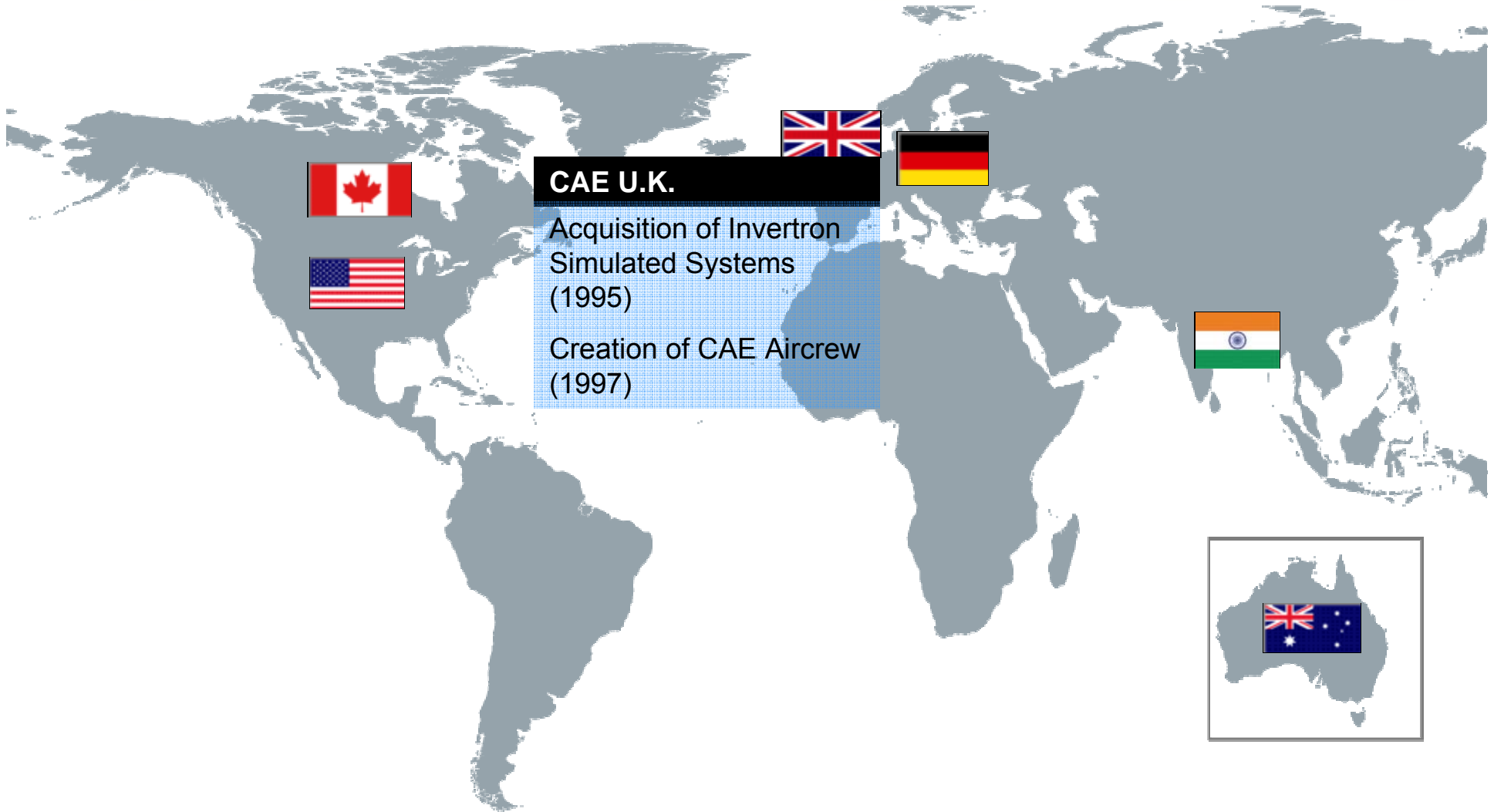


### CAE Australia

Acquisition of Ferranti  
Computer Systems Pty  
Ltd. (1994)

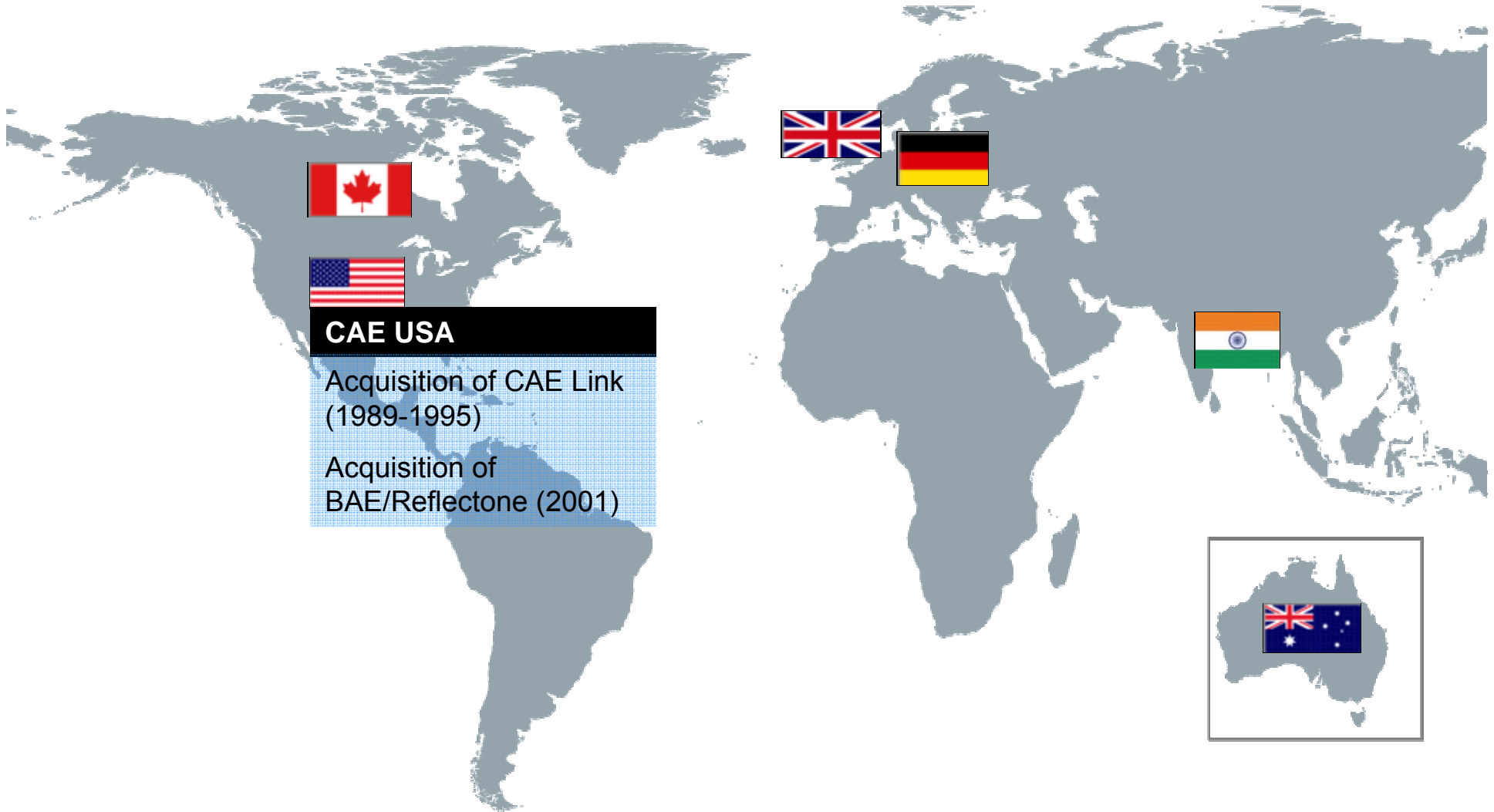
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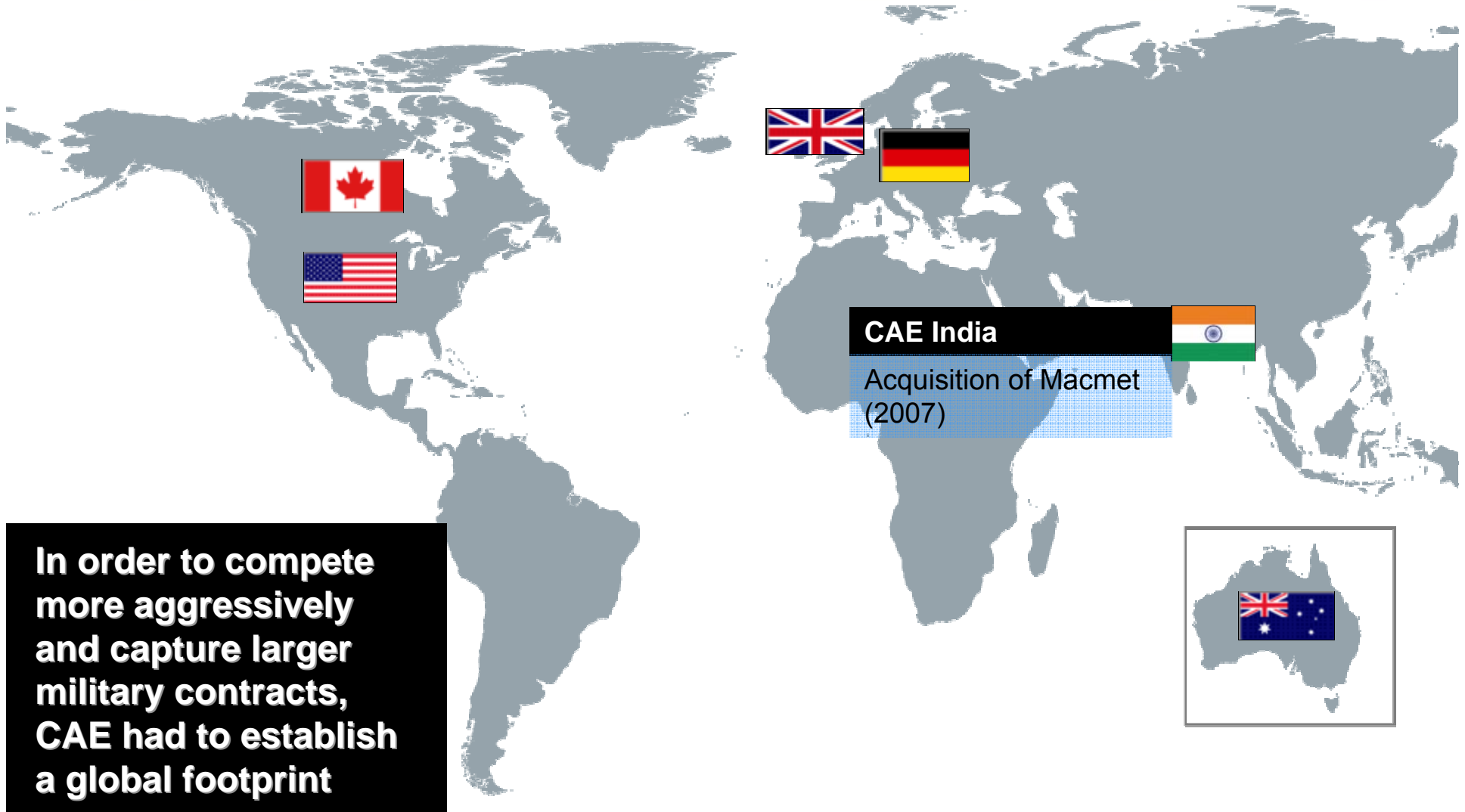
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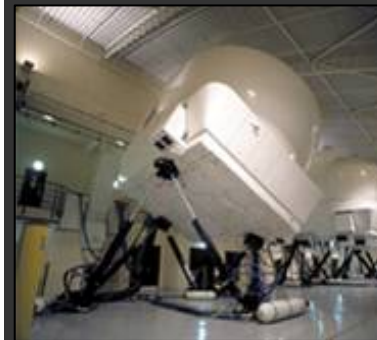
**In order to compete more aggressively and capture larger military contracts, CAE had to establish a global footprint**

## Step 3

# Expanding military business from selling products around the world into maintenance services and then training

- ❑ **CAE Canada**  
Montreal, Ottawa, Halifax
- ❑ **CAE Australia, 158 people**  
Sydney HQ (9 sites)
- ❑ **CAE Germany, 463 people**  
Stolberg HQ (16 sites)
- ❑ **CAE India, 320 people**  
Bangalore HQ (3 sites)
- ❑ **CAE UK. Plc., 184 people**  
Burgess Hill HQ (6 sites)
- ❑ **CAE USA, 1,263 people**  
Tampa HQ (28 sites)
- ❑ **Rotorsim – Italy, 10 people**  
Sesto Calende

### Global Presence



Operations in 7 countries  
and approximately 60 services sites

**A global operation with regional focus and accountability**

## Step 4

# Expand civil business into training

- ❑ Having established a strong reputation around product quality, CAE expanded to build a training business around its core product
- ❑ CAE now owns and operates 140 simulators in 16 countries
- ❑ Training business was built via greenfield, acquisitions, joint ventures and partnerships

### **Greenfield:**

- ❑ São Paulo, Brazil (2000)
- ❑ Denver, U.S. (2001)
- ❑ Toronto, Canada (2002)
- ❑ Burgess Hill, U.K. (2004)
- ❑ New Jersey, U.S. (2007)

### **Acquisitions:**

- ❑ Schreiner, Netherlands (2001)
- ❑ SimuFlite, U.S. (2001)

### **JVs and partnerships with airlines:**

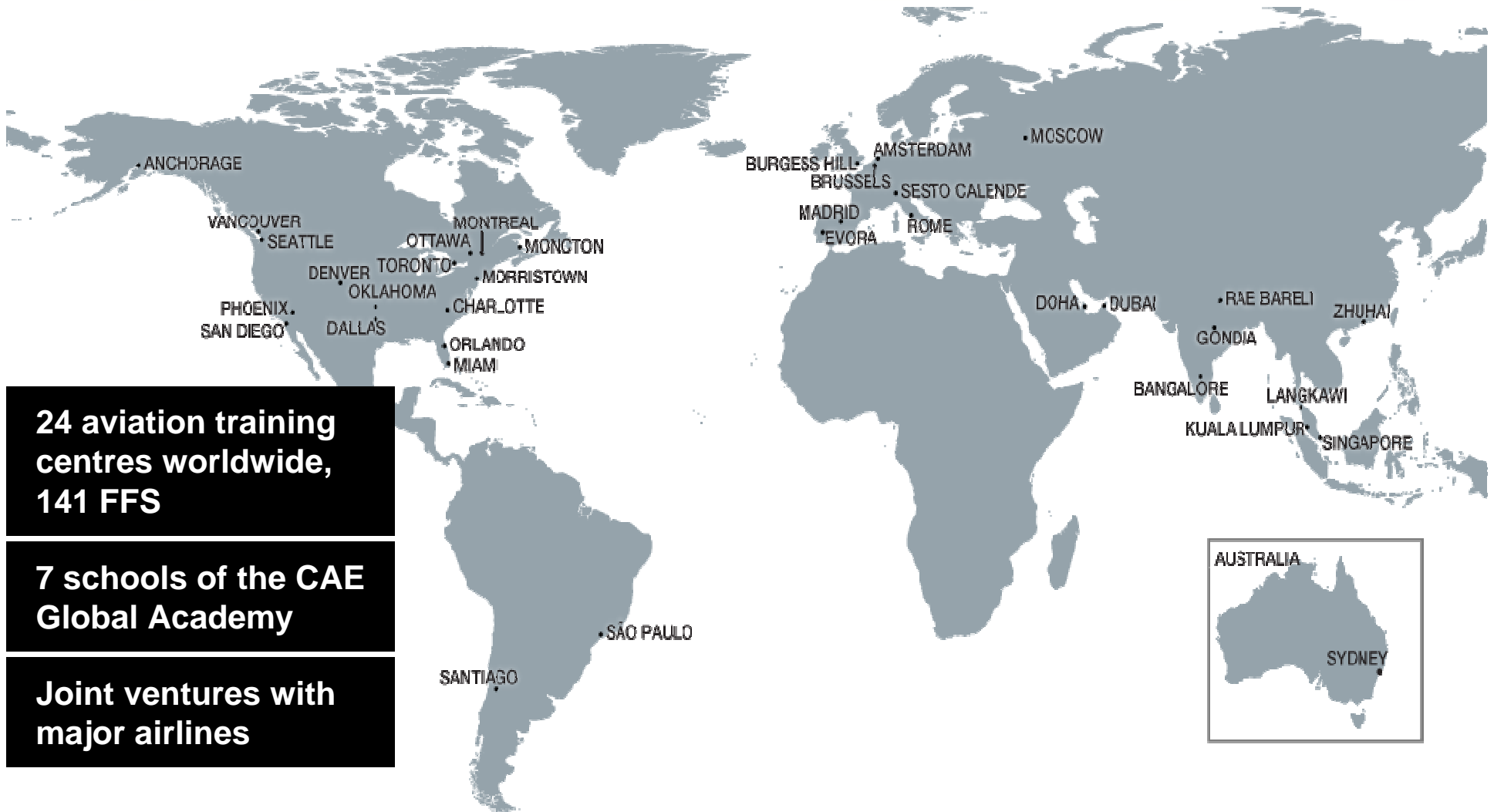
- ❑ China Southern, China (2002)
- ❑ Emirates, U.A.E. (2002)
- ❑ Iberia, Spain (2004)
- ❑ Air Asia, Malaysia (2008)

### **JVs and partnerships with OEMs:**

- ❑ Airbus (2000)
- ❑ Bombardier (2002)
- ❑ Dassault (2005)
- ❑ Embraer (2006)
- ❑ Honeywell (2008)

# Step 4

## Training & Services - Civil: Global reach in civil pilot training



**24 aviation training centres worldwide, 141 FFS**

**7 schools of the CAE Global Academy**

**Joint ventures with major airlines**

# Step 5

## CAE globalization process: Focus on emerging markets



**Brazil**



Training centre  
(Greenfield, 2000)

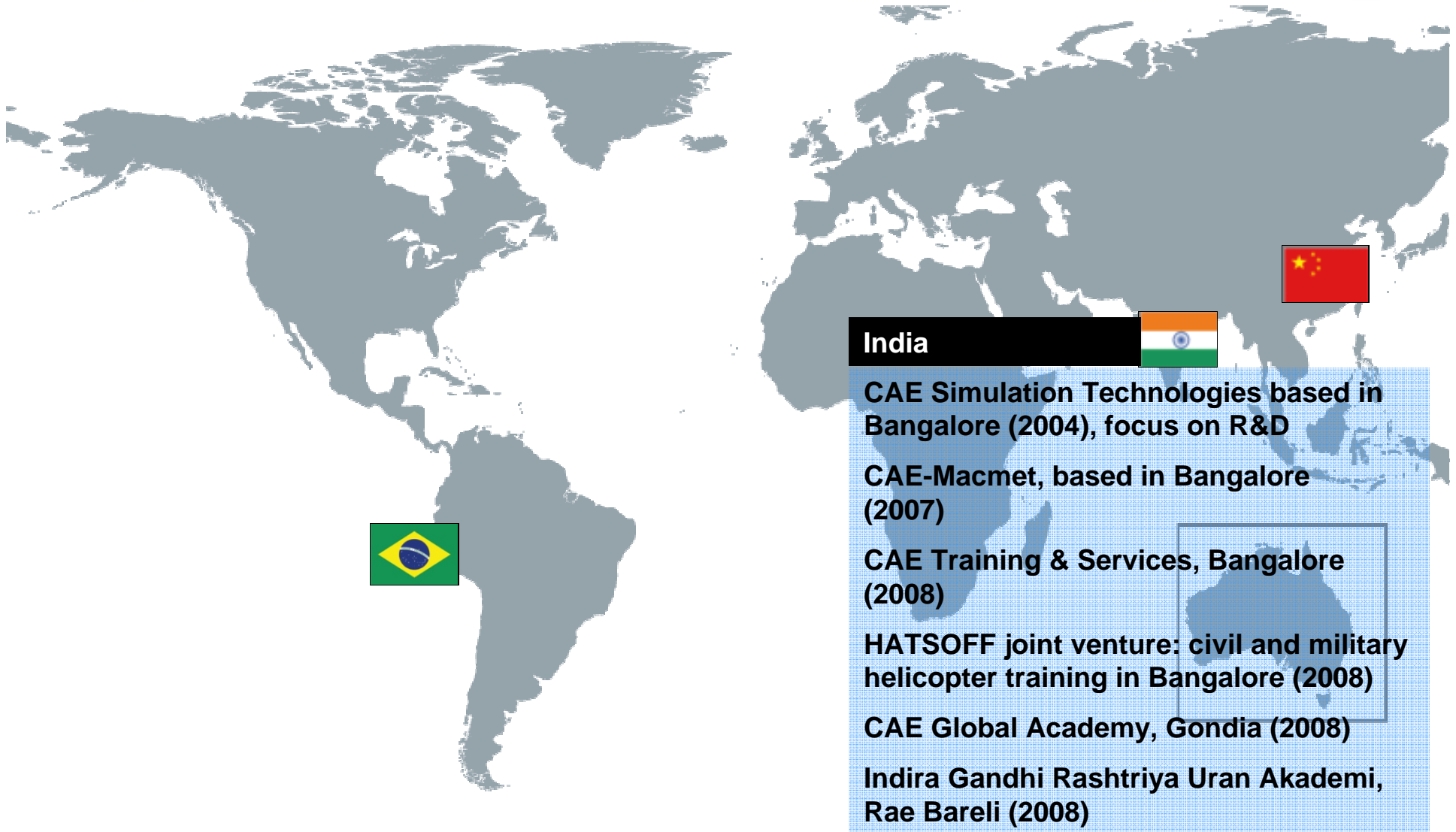
# Step 5

## CAE globalization process: Focus on emerging markets



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# Step 5

## CAE globalization process: Focus on emerging markets

Total	Revenue	Long-term assets
FY09	\$138 M	\$143 M
FY08	\$123 M	\$91 M
FY07	\$91 M	\$82 M

(1) Revenue from external customers based on their location

**Brazil**



Training centre  
(Greenfield, 2000)

Joint venture: Zhuhai  
Flight Training Centre,  
Zhuhai, China (2002)

**China**



**India**



CAE Simulation Technologies based in  
Bangalore (2004), focus on R&D

CAE-Macmet, based in Bangalore  
(2007)

CAE Training & Services, Bangalore  
(2008)

HATSOFF joint venture: civil and military  
helicopter training in Bangalore (2008)

CAE Global Academy, Gondia (2008)

Indira Gandhi Rashtriya Uran Akademi,  
Rae Bareli (2008)

**Lessons learned:  
Be first mover and find the right partner**

## Lessons learned

- ❑ Do not underestimate complexity of legal, tax and consolidation issues
- ❑ Include a financial lead on the Board of each entity
- ❑ Optimal transfer pricing process and policies to be carefully designed and implemented
- ❑ Coordinated and centralized treasury function to manage complex and voluminous foreign exchange issues
- ❑ Factor in extended timing – culture and distance often impacts project timelines
- ❑ Attract and manage key talent globally

## Summary

- ❑ CAE is at maturity in its globalization journey
- ❑ Benefits of being a globalized company for CAE
- ❑ Key challenges of managing globally

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- ❑ CAE is at maturity in its globalization journey
- ❑ Benefits of being a globalized company for CAE
  - ▶ Customer intimacy at the local level
  - ▶ Early detection of local opportunities
  - ▶ Obtain larger portion of foreign military contracts (fulfill offset obligations)
  - ▶ Greater service contract opportunities
  - ▶ Global diversification of revenue base reduces risk of regional downturns and allows opportunities from faster growing economies
- ❑ Key challenges of managing globally

# Summary

- ❑ CAE is at maturity in its globalization journey
- ❑ Benefits of being a globalized company for CAE
- ❑ Key challenges of managing globally
  - ▶ Global leadership management and engagement
  - ▶ Maintaining global excellence standards and branding
  - ▶ Balancing operations and programs between the regions and Montreal core
  - ▶ Tracking and minimizing the global cost structure

## Summary

- ❑ CAE is at maturity in its globalization journey
- ❑ Benefits of being a globalized company for CAE
- ❑ Key challenges of managing globally

**CAE exemplifies a successful globalization  
of a mid-size company**

# Results – Geographic diversification



**20 countries**

**75 sites**

**27 training centres**



Thank you

