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## Goodrich Q3 2008 Earnings Call Transcript

### Question-and-Answer Session

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#### Operator

Our first question comes from Troy Lahr - Stifel Nicolaus.

#### Troy Lahr - Stifel Nicolaus

You had really good margins here at the nacelles and interior systems business. Can you walk through that? I think you had a contract adjustment. Was that just due to operating efficiencies that you adjusted the contract or due to pricing terms with the customer?

#### Scott Kuechle

We did have good margins in the nacelles and interior systems business; not way out of line from what we've seen in prior quarters, I would point out. Relative to contract adjustments that we made during the quarter, there weren't any particular contracts that led to that increase. As you know, we have 30 or so contracts that we adjust every quarter.

The main drivers though in those adjustments, that routinely have been positive over the last number of quarters, have been a combination of increased unit volume, price adjustments or escalation that we get on those contracts.

Then on the cost side we've seen cost reductions as we pushed some of our own production off into low cost country sources. We source suppliers and then just on the inside of our own manufacturing facilities, as we've driven cost down through continuous improvement, lean manufacturing initiatives.

It's been a combination of factors that has led to good performance on those contracts, and we got the benefit of that again in this quarter.

#### Troy Lahr - Stifel Nicolaus

Okay, thanks. Another question on the 737 Classics that you talked about retiring. Are those getting parked completely? I would have thought that some of those end up in third world countries and things like that. Is that what you see?

#### Marshall Larsen

I think some of them will; particularly, now that the oil prices have come down. But I think our assumption is based more on them going out of the system, but any moving to another venue for which they fly somewhat will help the industry. As I said, it doesn't have a large effect on us.

**Operator**

Our next question is from Carter Copeland - Barclays Capital.

**Carter Copeland - Barclays Capital**

Really a great quarter, Marshall.

I wonder if you'd talk a little bit more about the order rates and we've had a pretty big move in oil; you provided a lot of color on the growth. But in terms of the detailed reviews your businesses have been having and giving you data, have you seen any difference in activity in procurement of spares or how order rates are tracking since oil has come back down a substantial amount?

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