

Q2 2010 Earnings Call

Company Participants

- Andre Gaia, Empresa Brasileira de Aeronautica S.A.
- Frederico Curado, Empresa Brasileira de Aeronautica S.A.
- Luiz Carlos Aguiar, Empresa Brasileira de Aeronautica S.A.

Other Participants

- Augusto Insiki, Analyst
- Daniela Bretthauer, Analyst
- Joe Nadol, Analyst
- Ron Epstein, Analyst
- Steve Trent, Analyst
- Yosef Abut, Analyst

Presentation

Operator

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Participants on today's conference call are Mr. Frederico Curado, President and CEO; Mr. Luiz Carlos Aguiar, Chief Financial Officer; Mr. Andre Gaia, Head of IR; and (Mr. Rodrigo Rosa), Controller.

I would like now to turn the conference over to Mr. Curado. Please go ahead, sir.

Frederico Curado {BIO 2004589 <GO>}

Thank you. Good morning, everyone. Thanks for attending our conference. I will follow the presentation, which is available on our Webpage. And try to do it briefly. So we can have more time for questions and answers.

Well it was undoubtedly a good quarter for us. Our revenues reached \$1.35 billion. And we could get a margin of about 9.3% in terms of EBIT margin. That translates into \$126 million in the natural earnings. We also had a positive cash flow operational generation. And our free cash flow was even north of \$200 million. That, of course, helped us to increase our net cash position, along, also, with some reduction in our inventories.

As we have discussed before, we do see some signs of improvement in the commercial airline business. We were fortunate to be able to announce a few orders during the air show. And everyone knows that those discussions-- they did not happen during the air show. They are a result of work, weeks and months before this. So although we're not extremely optimistic. But certainly we think that the inflection is positive from now on.

Very important development, as well, although, at this stage, just an intention. The intention is the Brazilian air force announcement about the 28 KC 390s. I think that solidifies the program. And that also allows us to go forward and discuss potential customers beyond the Brazilian air force. Now, there is not only the development program fully executed and fully procured. But, also, there is a formal, official intention of the acquisition of 28 aircraft. So I think that was very important.

We continue to invest in our customer support infrastructure, especially in the executive jets as the Phenom fleet gets more and more popular around the world.

As far as development, our programs are on track, which is also very positive.

And we had this quarter the certification of the Phenom 300 in Europe and also the first delivery in Brazil.

If we just talk about the breakdown of our revenue in the quarter, about 60% of the revenues-- they came from the commercial airline market, which is pretty typical. If you remember, last quarter-- in the First Quarter, we had artificially higher revenues coming from the defense business. This is more equalized now, about 13%. And the rest spread between executive jets and services and others.

As far as delivery goes, we delivered 29 commercial jets; most of them, of course, were E-jets. 39 Phenoms-- most of those were Phenom 100s. Once the Phenom 300s-- they have a higher concentration of those delivered in Second Quarter as we ramp up the production of that model. And we also delivered one Lineage in the last quarter. So it was 40 business jets, being 39 Phenoms and one Lineage. And 29 commercial jets.

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Our backlog was slightly below what we had at the beginning of last year. That does not-- of course, does not count, as this was at the end of the quarter-- It does not count the firm orders we announced in Farnborough, which would take us, roughly, to a stable backlog. And obviously, it does not count the LOIs which still have to become firm contracts.

I reiterate that we are pursuing to have build-to ratio of one to one this year, showing some stability at the end of the year in our backlog. This is our goal.

Well turning to margins now, roughly--

Before that, I would like to make an observation. For the first time, we are showing side by side the results of the Company in US GAAP and also in IFRS, reminding everyone that the fiscal year 2010, we will file both in Brazil and in New York our statements in IFRS. For comparison purposes and to help everyone out, we'll also file unaudited US GAAP figures for 2010. So as we go towards the end of the year, we'll try to kind of phase in the IFRS accounting principles because, from next year on, that will be the basis of our accounting. And obviously, we are totally open to help everybody to clarify the differences, which are not that many anyway.

Okay. So (inaudible) gross margin hovering around 21.5%, which translates into 20.5% in IFRS; so, relatively, a typical number in terms of our gross margin.

Our SG&A-- I think the Company remains very much in control of our indirect costs. So SG&A is pretty much in line with what we had, for example, in the last quarter of last year. So I think that's a focus we're just continuing there. And we have protected quite well below the gross margin down to the EBIT margin in terms of our sales and general expenses.

As a result of that, our net margin-- our operational margin in the quarter was north of 9%, which was a relatively nice surprise, bringing, of course, the first half margins up above our 6% guidance. In spite of some expectations that we have some headwinds in second half of the year, that led us to, as you'll see in the end of the presentation, to increase our guidance in terms of margin from \$300 million to \$340 million; therefore, from 6% to 6.5% of EBIT margin.

In terms of EBITDA, we have again the two-digit-- the 10.2% margin in US GAAP and 12.2% margin in IFRS.

We are also introducing-- Of course most of you guys that follow our Company know that the calculation of income tax in Brazil-- it's always complicated because it's governed by a different set of rules, legally speaking; different law. On top of that, we have that valuation or devaluation of our known, monetized assets, which can bring severe distortion to our results due to noncash provisions or credits of income tax.

So to help everyone to better understand the Company, we have introduced this new-- we'll start following the income before taxes, which brings the whole operation all the way down before the income tax and, therefore eliminates this potential artificial variation of our results due to income tax credits or provisions.

In that sense, we reached 9.7% income before IR in US GAAP, or 9.4% in IFRS.

And as far as net income goes, we have reached 5.2% in US GAAP and 4.2% in IFRS. And fundamentally, the difference between the two is exactly the variation of the exchange rate, real to US dollar, which, although it was not very large in the quarter, applies to a large amount of inventory. That creates some fluctuation and represents this \$10 million to \$13 million. That's basically-- Again, it's a noncash-- in this case, it was a reduction. It could be an upside if the exchange rate goes the other way around.

I think a very important figure on the cash flow. We've got a solid Second Quarter of over \$200 million of free cash flow, or \$250 million in the IFRS, in here on the same guide that we have equalized the concepts to be things which are comparable. So I think that's a very important result for the quarter.

Our indebtedness has-- It's healthier in terms of maturity. It's longer-term indebtedness. And our net cash position was stronger as a result, of course, of the free cash flow.

And also, in the (last) slide, we continue a very strong effort to reduce our inventories on top of what we achieved last year. Last year, remember-- reminding we achieved roughly a \$0.5-billion reduction on inventory. And from that figure, we already reduced another \$100 million from the end of last year to the end of this semester; so, the continuous effort to improve our turnover.

Last slide. We feel comfortable enough to revise our guidance and, fortunately, revise it in the right direction, upwards. We think we can achieve probably 5% higher revenues than what we had forecasted; so, \$5.25 billion instead of \$5 billion. As I said a few moments ago, our EBIT, we think, will grow from \$300 million to \$340 million, a 13% or so improvement. And as a result, our margin probably will go up from 6% to 6.5% accordingly.

And at this stage, we maintain our views about the size of the investment this year, \$300 million, divided roughly 50/50 between R&D and PP&E; \$160 million and \$140 million.

With all that said, I'd like to open for questions and answers. And I'll be glad to clarify any further issues. Thank you.

Questions And Answers

Operator

(Operator Instructions) Daniele Bretthauer, Raymond James.

Q - Daniela Bretthauer {BIO 13380169 <GO>}

Congratulations on a strong beat in your Second Quarter results. A question-- Actually, two questions; the first one on your new EBIT margin guidance of 6.5% for full-year 2010. Does that take into account this R&D of \$160 million, meaning that R&D expenses should increase in the second half of the year? And even so, I would argue that the EBIT margin guidance looks a bit conservative. Is that kind of what we can expect?

A - Frederico Curado {BIO 2004589 <GO>}

The answer is yes. We expect higher R&D in the second half. And the 6.5% does reflect that as well. So there is also, of course, product mix, et cetera. And as far as conservatism goes, hopefully you're right. Hopefully, we'll beat that. But at this stage, that's what we feel-- have enough comfort to assume.

Q - Daniela Bretthauer {BIO 13380169 <GO>}

Thanks, Fred. And also, the income tax rate was unusually high in the Second Quarter. I know you mentioned something in your opening remarks. But I couldn't really understand what was the reason for the high tax rate in the Second Quarter. So can you just quickly explain and if that's a new tax rate that we should assume going forward or if it was specific in the Second Quarter?

A - Luiz Carlos Aguiar {BIO 6035667 <GO>}

As a matter of fact, if this is compared with our income tax in the Second Quarter '09, it was \$63 million against \$57 million right now. It's pretty much the same. You don't have any new tax on that. When Fred explained about IFRS, under IFRS, we have this kind of differentiation, which is the impact on our inventory of the foreign exchange fluctuation. But in terms of US GAAP, we are keeping absolutely the same. And the level is pretty much what we had in the same period of last year.

It depends-- Once again, we have calculated this income tax under the Brazilian income tax rules, which is not related with IFRS and not related with US GAAP, importantly. And when you calculate that, we have to have our balance sheet in reais and our results in reais. All of the accounts must be translated into reais first and have this fluctuation of foreign exchange in our favor in our cost of sales. It depends on the average of foreign exchange moves in cost of sales and sales as well. And it ends up with this amount. We are pretty much open even to go into the details with you if you want, anytime, about this question.

Q - Daniela Bretthauer {BIO 13380169 <GO>}

Yes, because I think that's where the Street has the most difficulty in getting your EPS figure correct, because it fluctuates a lot. Again, I know that there are many moving parts to that. But if we had some sort of guidance-- Obviously, it looks like 20% may be a very low rate for tax rate. So maybe-- I don't know-- going forward, it's something like 40% or 35%.

A - Frederico Curado {BIO 2004589 <GO>}

This is a historical issue not with Embraer, with any Brazilian company, because we-- Although we have, of course, US GAAP and, now, IFRS coming, the income tax is calculated based on the law 6404, a 30-year-old law. And before Brazil-- Until the point Brazil unifies that legislation to the accounting principles, any Brazilian statements will have the distortion. But this is not new. This is something, in our case, since the year 2000. And, again, it affects all companies in Brazil. It is very hard even for us. Even internally, Daniele, I'll tell you it's very hard to come to the bottom line because it's just two different references.

Q - Daniela Bretthauer {BIO 13380169 <GO>}

Okay. Thank you. Perhaps, if I may ask a last question that's probably a more complex question. And it has to do with the possible reengineering of E-jets. So can you talk a little bit about that at this time? I mean, when are you planning to do that? How much is it going to cost? When is the timing to market of the new E-jets family?

A - Frederico Curado {BIO 2004589 <GO>}

I'm sure that after that question many people will leave us. But anyway-- Well again, we do not have at this stage any decision about new investments in the new product. The market is coming back slowly. But it is coming back. And our products-- they are competitive. I think a demonstration of that is some-- the renewed interest, which translates into new sales. We are basically monitoring what is the competitive landscape. Of course, there's a new product offering from Bombardier out there, which is, of course, an important element in this competitive landscape. And there is also movements from Airbus and Boeing that may lead to a re-engining of their existing aircraft or even into a new development of aircraft not on the side of E-jets but on the adjacent segment.

I do not anticipate any decision-- Although we are studying a lot to have conceptual aircraft to have even some basic, pretty competitive engineering and a lot of discussions were studied, et cetera, I do not anticipate a decision from our side before we fully understand the competitive landscape. So it's not something which I anticipate for short term. It would be the end of the year. That's the time we kind of have been indicating; end of the year. But not even that-- I do not have any hard lines pressing the Company now. I do not have, for example, customers pressing us for re-engine the 190. So we have to be very careful with that. And we are being very careful.

We have to understand better how several moving pieces in this puzzle will fit before we act. Having modern aircraft as we do gives us this breathing space. It gives us a little bit of time to wait and see what is the right move to do.

Q - Daniela Bretthauer {BIO 13380169 <GO>}

Okay. Thank you very much, Fred. And congratulations again on the results.

Operator

(Ron Epstein), Bank of America.

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Q - Ron Epstein {BIO 15893287 <GO>}

Just to follow up on one of Daniele's questions. For the second half of the year, it looks like your guidance-- You took your guidance up for EBIT margin. But it's lower than the margin in the first half of the year. So that's because R&D is going up in the second half of the year?

A - Frederico Curado {BIO 2004589 <GO>}

A little bit, yes, as well. Aguiar, if you want to add-- If we make this math, basically, to get at 6.5%, our margin in the second half would be in the mid 5s; 5.5% or something like that. So we have some more R&D coming. R&D is one of the issues. You are right, Ron. And there is another one, which is the mix of products. In the second half, we are going to have a concentration in terms of the business jets. And we are going to start delivering the Legacy 650. They're going to continue to deliver the Lineage 1000 and Phenom 300. They are all brand new. And you know the products. They are not mature products. And we expect to have-- For that, we expect to have a lower operating margin due to this factor as well.

Q - Ron Epstein {BIO 15893287 <GO>}

Okay. Then, Fred, you mentioned that the market is getting better slowly. Can you just give us maybe a better feel on what regions of the world you're seeing a little more activity and a little more interest and what kind of customers and that kind of thing, just broadly speaking?

A - Frederico Curado {BIO 2004589 <GO>}

No. No customer names.

Q - Ron Epstein {BIO 15893287 <GO>}

Of course not. Sure.

A - Frederico Curado {BIO 2004589 <GO>}

Okay. Well we've seen some option activities around some existing customers re-discussing options. We do expect to have some options confirmed in the second half. This goes for Latin America. This goes for Europe. Some activity in Asia as well. The United States-- I think it was public-- was clearly where we were focusing our efforts recently. We still have to finalize that contract, by the way. But I think we are very confident that we would. Otherwise, we would not have announced it of course. So it's kind of a bit of everything. Europe is active in terms of options, believe it or not; Middle East as well. And maybe some new customers are coming maybe in Asia. So that's-- I know that I haven't said much to you. But it's kind of a bit of everything, everywhere, actually.

Q - Ron Epstein {BIO 15893287 <GO>}

And how about on the business jet front? Are you starting to see any improvement there?

A - Frederico Curado {BIO 2004589 <GO>}

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Yes. Yes. We are. The Legacy sales-- they were kind of slow particularly. And we are seeing some better prospects there. So there is more customers talking and more, even, LOIs being signed. So again, we have a big challenge for the second half because most of the revenue for the year, \$1.1 billion-- I think about \$800 million is still to be in the second half. Our first half was very soft. A big challenge. But we feel comfortable we're going to be at this \$1.1 billion revenues this year. We have a few airplanes to sell to complete that. And my guys tell me that they're confident.

Q - Ron Epstein {BIO 15893287 <GO>}

Okay. That's great. Thank you very much.

Operator

Joe Nadol, J.P. Morgan.

Q - Joe Nadol {BIO 3056499 <GO>}

Congratulations on a good quarter. Fred, your sales guidance-- I may have missed it. But what sector, specifically, or what business segment is responsible for the \$250 million sales guidance raise?

A - Frederico Curado {BIO 2004589 <GO>}

It's probably more concentrated on commercial.

Q - Joe Nadol {BIO 3056499 <GO>}

So is your delivery guidance any different?

A - Frederico Curado {BIO 2004589 <GO>}

Well we did not change the numbers, Joe, because it's 90 aircraft. Potentially, yes, we'll have a few more deliveries; a handful more deliveries. Maybe some better pricing power (inaudible). But it's more concentrated on the commercial side.

Q - Joe Nadol {BIO 3056499 <GO>}

Okay. And on the tax rate-- I don't want to harp on this. But, because it does bump around a lot. And it has historically-- But I think it would be helpful if you provided-- assuming that exchange rates were flat quarter to quarter and didn't move, which, of course, will never happen. But assuming that there was no change and assuming that you continue to pay a dividend that's consistent with your policy, because I know that's deductible from your tax returns in Brazil, if you provided a normalized tax rate, which seems to me is probably between 20% and 25%-- But if you provided that, I think that would be quite helpful. I don't know if you can do that on the call or maybe next time around. But I think that's what people are looking for.

A - Frederico Curado {BIO 2004589 <GO>}

Bloomberg Transcript

I understand. Thank you, Joe. We understand where you're coming from. And we will try. We will try to develop something which is along those lines. One thing we can say is that, if it's a flat exchange rate, there would be no difference between our IFRS and US GAAP. But that doesn't help you to get to the bottom line anyway. At least we eliminated the distortion between the two systems. We'll think about it, Joe. And see if we can get you something.

Q - Joe Nadol {BIO 3056499 <GO>}

Okay. Then, just one more follow-up on the biz jets. Is there--? Can you say which model is seeing more demand? Is it Legacies in particular? Is it across the board? Of the aircraft you have to sell for this year, can you share what model those might be?

A - Frederico Curado {BIO 2004589 <GO>}

Yes. It's the Legacy. Let's keep in mind the Phenom, both 100 and 300. We are sitting, actually, on a very large backlog. We had that wave of cancelations last year. I have to tell you we still have some cancelations happening but in a much, much lower scale and not to the point to really disturb our overall business-- the management of the business. Last year was a real challenge. We had to make all sorts of move-ups and find customers at fire sales. This year is very different. But we still have had some cancelations.

On the Phenom, the backlog is solid. It's basically holding us-- no need for sales there, unless maybe one or other specific customer giving up the delivery when the airplane is ready for delivery. Then I have to find a customer. There's a handful of situations which do not even show up in our radar. The Lineage for the year they're sold-- I think we maybe have one. This is more possible in the Legacy.

Q - Joe Nadol {BIO 3056499 <GO>}

And this is the Legacy 600s before you start delivering the 650s which are already sold? Is that accurate?

A - Frederico Curado {BIO 2004589 <GO>}

Probably a bit of both. I think we also have some 650s to sell before yearend.

Q - Joe Nadol {BIO 3056499 <GO>}

Okay. All right. Thank you.

Operator

(Yosef Abut, Deep Research).

Q - Yosef Abut

I have a question regarding the new accounting standard, the IFRS. If I look at the presentation and I see the free cash flow numbers, they're-- On the IFRS, it's \$253 million. Under the US GAAP, it's \$220 million. Now, can you explain a little bit the difference here? I

understand (inaudible) will be higher. Is it the issue of timing here or of recognition of some transaction? And how would you explain--? Going forward, are we going to see higher free cash flow based on the IFRS?

A - Andre Gaia

For the IFRS, we tried to make it comparable to US GAAP standards. So under US GAAP, you take the operating cash flow and deduct the CapEx. On the IFRS, we do the same. And we also do two other adjustments. One is the temporary cash investment that, under IFRS, counts as an investment. And under IFRS, (are under) operating. And because it's just a matter of how long your investment goes more than 90 days. We cannot count it back to make it comparable to you as GAAP. And we also deduct also the R&D expenditures that are related to product development that were not-- that were deducted under US GAAP because they count as a result and not under IFRS.

Q - Yosef Abut

Okay. All right.

A - Andre Gaia

The difference (inaudible) are small changes on accounting procedures that also explains the (inaudible) portion, because, without this adjustment, the difference would be even huger.

Q - Yosef Abut

Right. Okay. And just a bookkeeping question. What's your percentage of your total operating costs which are in Brazilian real?

A - Frederico Curado {BIO 2004589 <GO>}

In real? You are talking about the operating expenses that goes below the gross margin or the total costs?

Q - Yosef Abut

The total costs.

A - Frederico Curado {BIO 2004589 <GO>}

The total costs, real, was about 20% to 25%.

Q - Yosef Abut

Okay, of the total costs. Okay. Perfect. And that's it for me. Thank you very much.

Operator

(Augusto Insiki), Morgan Stanley.

Q - Augusto Insiki

Most of my questions have been answered. But a question for the guidance. What FX rate are you working with to come to your numbers; specifically, for your margins?

A - Frederico Curado {BIO 2004589 <GO>}

It's 1.8.

Q - Augusto Insiki

Thank you. And this is a stretch. But, after the Farnborough orders, would you happen to have an early sense of where deliveries could be for next year?

A - Frederico Curado {BIO 2004589 <GO>}

It is a bit early. We're going to provide guidance towards the end of the year. I don't feel very comfortable to make any projections at this stage.

Q - Augusto Insiki

Of course. Thank you very much.

Operator

Steve Trent, Citigroup.

Q - Steve Trent {BIO 5581382 <GO>}

Most of my questions have actually also been answered at this point. And forgive me. I wasn't-- I did miss a minute or two of the call. So I apologize if I'm repeating these questions.

But one question is-- I understand that you're still debating whether to, maybe by the end of this year or maybe next year, move along with a new commercial jet product or maybe re-engine your E-jets. Looking at the 195, for example, is it safe to say that it might not require a major rework if you were to fit a Pratt and Whitney-geared (Turboden) engine onto that aircraft?

A - Frederico Curado {BIO 2004589 <GO>}

Actually, not, Steve, because, if we do re-engine the E-jets, we probably would be looking towards a larger fan. This is valid both for Pratt and Whitney but would also be valid for Rolls or GE. A lot of the (inaudible) advantage comes from this higher bypass ratio. To do that, we may have to raise the aircraft a little bit. And that would cause us probably to redesign the wing and maybe the gears. So this is exactly one of the variables that we have to analyze.

But then, of course, as we keep changing the aircraft, the investment goes up. We have to be very, very certain about the market demand for or requirement for retrofit of the

aircraft. Today it's not very clear at all. Quite the contrary. The E-jets are well positioned. We are resilient to have sales. So this is where we are. We, fortunately-- And I do not say this with any arrogance whatsoever. But fortunately, we are in relatively good position to spend more time in analyzing and understanding and seeing how everybody else moves to make the right decision.

Q - Steve Trent {BIO 5581382 <GO>}

Great. Thanks, Freddie. To the extent that Embraer does decide to re-engine as opposed to developing a brand-new aircraft, could we assume that there is some possibility that you might get some help in terms of development cost, the so-called risk-sharing partners, as you've had with other programs?

A - Frederico Curado {BIO 2004589 <GO>}

Oh, absolutely, yes. For us-- If we launch the aircraft, it's because we have a solid business case. To have a solid business case, we will have people-- industrial partners be willing to invest with us. This, for us, is almost an assumption. Of course, that's something that has to make it real. But I'll say this is highly likely. If we do launch, we'll have people at our side helping us with the investments.

Q - Steve Trent {BIO 5581382 <GO>}

Great. And just one last question. We did see some very strong flow in terms of Super Tucano deliveries. I believe the Chilean air force took delivery on the last couple of planes this quarter. Can you comment on how you're seeing the broad landscape within the Americas with respect to the potential for incremental order activity from the region? Or maybe you're seeing potential Super Tucano demand or light-attack aircraft demand in other regions?

A - Frederico Curado {BIO 2004589 <GO>}

Yes. We have several campaigns going on not only in Latin America; also in other parts of the world; the Middle East, Asia. So yes, we think this line will have a continuity over the next few years. It's a very well proven product-- operationally proven product, both for training and for light attack. So we are marketing the best way we can. I think it's-- We should see some sales down the road for other countries as well.

Q - Steve Trent {BIO 5581382 <GO>}

Okay; great. I'll leave it at that, as my other questions have been answered. Thanks, Freddie.

Operator

(Operator Instructions) Daniele Bretthauer, Raymond James.

Q - Daniela Bretthauer {BIO 13380169 <GO>}

Sorry. A follow-up question on the business jets still. You have a 17-jet guidance for the Legacy and Lineage models for full-year 2010. However, you've delivered only three jets; two Legacy 600 and one Lineage; in the first half. So how confident are you on the 17-jet guidance for full year?

A - Frederico Curado {BIO 2004589 <GO>}

This is exactly where our challenge rests for the year. Our sales guys-- I think we have-- Most of them are sold. Remember, we are certifying the Legacy 650 in the second half. So we'll have kind of a (bunk) in terms of production deliveries because of-- We have to wait for certification of the aircraft. That's one factor.

And we do have also a few challenges-- a handful of airplanes we have to sell to complete that number. My sales guys-- they are confident that we will meet the 17-aircraft guidance for the year.

And as far as revenue goes, \$300 million in the first half and \$800 million in the second half has the impact of this higher delivery of Legacy in it. But it also has the impact of-- as we (inaudible) and streamline the production of the Phenom 300 that started just six months ago. So we have a much higher number of deliveries of Phenom 300s in the second half than the first half also to help us to get to our \$1.1 billion revenue for the year.

Q - Daniela Bretthauer {BIO 13380169 <GO>}

So for the Phenoms, the 120 delivery guidance-- you feel very comfortable about that. I mean the challenge is really on the Legacy/Lineage models?

A - Frederico Curado {BIO 2004589 <GO>}

It's maybe a larger challenge area. Challenges-- Largely, yes, you are right. They're (inaudible) challenges on the Legacy side.

Q - Daniela Bretthauer {BIO 13380169 <GO>}

And may I ask--? Can you break down how many Legacies and Lineages we're talking about, or the bulk is really the Legacies?

A - Frederico Curado {BIO 2004589 <GO>}

The bulk is really the Legacies. We actually do not break down in precise numbers to have some flexibility. But of course, the larger number is Legacies, for sure.

Q - Daniela Bretthauer {BIO 13380169 <GO>}

Okay. Thank you very much.

Operator

Yosef Abut, Deep Research.

Q - Yosef Abut

Fred, just to follow on the question of risk sharing with partners, is it possible that you may cooperate with-- You mentioned industrial partner. Is it possible you'd cooperate with competitors on that front to make a new plane or engine the E-190 or E-195 with a new engine? What's your take on that?

A - Frederico Curado {BIO 2004589 <GO>}

I see a very-- I don't see any possibility of having any sort of cooperation to re-engine our E-jets. This is a 100%-Embraer product. So what I do envision is some industrial-- like first-tier or second-tier suppliers to us, cooperating with us and helping to support the investment burden. But not-- We do not actually need-- Probably our competitor would not want to help us out in any re-engine efforts of the E-jet. This is an Embraer product.

Q - Yosef Abut

Even Boeing or Airbus? I mean, Boeing was mentioned-- They were quoted that they might work with you guys on that issue.

A - Frederico Curado {BIO 2004589 <GO>}

Well I do not see that-- Actually, I did see in the press general comments from both Boeing and Airbus and, to that extent, ours as well, saying that cooperation is always something which has to be considered in the industry, et cetera, et cetera. But to have any cooperation, you need to have a project-- to have a program. And what we have today-- in study today about re-engining our E-jets-- it's kind of a follow-on to an existing program. So I don't think that would cause any-- would give us any possibility of cooperation.

Q - Yosef Abut

Thank you very much.

Operator

(Operator Instructions) This concludes today's question and answer session. I would like to invite Mr. Curado to proceed with his closing statements. Please, sir, go ahead.

A - Frederico Curado {BIO 2004589 <GO>}

Just thank you all again for being present. And good news is the industry shows some sign of recovery, although a little bit faint yet. But I think that the worst is behind us. Hopefully, this is what we have ahead. Thank you. So much. Have a good week.

Operator

Thank you. That does conclude Embraer's audio conference call for today. Thank you very much for your participation. Have a good day. And thank you for using Chorus Call Brazil.

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