

Q3 2011 Earnings Call

Company Participants

- Andre Gaia, Head of IR
- Frederico Curado, President and CEO
- Paulo Penido, CFO
- Unidentified Speaker, Company Representative

Other Participants

- Caio Dias, Analyst
- George Carson, Analyst
- Nicolai Sebrell, Analyst
- Unidentified Participant, Analyst

Presentation

Operator

Good morning, ladies and gentlemen. Welcome to the audio conference call that will review Embraer's Third Quarter 2011 results. (Operator Instructions)

This conference call includes forward-looking statements or statements about events or circumstances which have not occurred. Embraer has based these forward-looking statements largely on its current expectation and projections about future events and financial trends affecting the business and its future financial performance. These forward-looking statements are subject to risks, uncertainties. And assumptions, including, among other things, general economic, political. And business conditions in Brazil and in other markets where the Company is present. The words believes, may, will, estimate, continue, anticipate, intend, expect. And similar words are intended to identify forward-looking statements.

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

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

Frederico Curado {BIO 2004589 <GO>}

Good morning, everyone. Thank you for participating in our earnings call. I will just start by saying a few words about the quarter and, also, a little bit of the outlook as we see the development of the Company.

It was a good quarter, showing our progressive strength in the operations of the Company. We did have a noncash impact to our bottom line, which Paulo will later on describe in some more details, which is an accounting effect due to IFRS legislation and some non-monetized assets on our balance sheet, which are subject to-- when there is strong volatility in the exchange rate, we may have effects, positive or negative, like that. But, as far as the operations go, the Company did produce strong results.

Of course, a relevant fact is the recent subpoena we disclosed and we disclosed because we thought it was important, although we really have no further details to say at this stage about the contents of the investigation, which is totally independent. Our role is to support it in the most proactive way we can. But, of course, this is a relevant fact (inaudible). That's why we decided to disclose it at this stage. Obviously, as the process moves on and we have more relevant information, this will be brought up to our stakeholders.

We have had a good sales result in the quarter not only in the commercial jets but also in business jets. The activity started picking up in a more meaningful way. But, of course, this whole situation in Europe again kind of stalled this recovery process.

But I think the outlook-- the way we see the world going forward is of a moderate growth. We do not work with a scenario where there will be a quick fix to the situation in Europe, which is not-- being European, it's also global in a sense. So we don't see a majestic return of growth in the world. But we do not see, also, either-- we do not see a sharp crisis or any more deep recession. So we work with a moderate growth scenario.

And our competitive positioning is to benefit of the challenging times to reinforce the strength of the Company and to reinforce our ability to capture market share. As you know, there is a strong correlation between economic growth and the civilian market, both the commercial jets and business jets. So there's not much we can do in that respect.

And, as we seek to diversify the Company in terms of revenues and, of course, contribution to margins, we do see the defense and security segment as the most promising growth rates, at least in the short and midterm. We know, obviously, that the defense-- the mood about the defense business in the United States is not particularly bright these days. But the situation in Brazil is quite different. The country has lacked investment in that area for decades. It has legitimate needs to re-fleet and not only re-fleet but refurbish the armed forces in general.

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Last year, we presented to the assembly of shareholders a proposition to open up the social-- the Company's objective, which was straight to aerospace. So we opened up the scope to defense and security without the specific qualification, allowing us to engage in other potential areas, such as Navy, Army, security forces. And, as you may or may not have read last night, satellite. We are just engaging to take the prime contractor role in the satellite program in Brazil.

So the way we see our defense business is different strategically than we see the commercial and business jets. In commercial and business jets, we are global players. We really work towards being one of the major players in the market. We are definitely the third player in the commercial jets in the world. So we are the alternative in addition to Boeing and Airbus for mainline aircraft. We have a lot of work to do in the business jets to become a player of that magnitude. But we are steadily and very firmly working towards that direction.

On the defense side, strategically, we see ourselves different. We're more of a niche player. But we have-- we just happened to be based in Brazil. And the structural need that the country has for security and defense does present an opportunity for us to establish ourselves as the defense house of Brazil, if you will, the center of the supply chain of the defense industry and security industry in Brazil.

And we do that with our technological base, with the strength of our balance sheet, with the corporate strength that we have, the global presence that we have. And experience in managing complex contracts. So our strategy there is much more. And Luiz Aguiar will detail that later on today, is much more to really solidify our position in the center of the supply chain in Brazil.

And, as Brazil also develops its geopolitical presence and importance, more specifically, in South America and Africa, we believe that may bring opportunities for us for exports as well.

So there is the organic growth as far as airplane platforms. And the KC-390 is a key project not only for Embraer but for Brazil. It's one of the pillars of the new generation of equipment of the armed forces but also the nonorganic growth and diversification that we are also pursuing, which translated into a couple of acquisitions that we did this year, small acquisitions but surgically[ph] important acquisitions of a technological boutique. And small companies in Brazil that added to our technological portfolio. So that really enhances our ability to serve more customers.

We do not see M&A activity as an end in itself. We do see the specific, as I said, surgical activities, acquisitions or mergers or joint ventures to enhance our base technology.

I also would like to say a word about the continuous efforts of our P3E program, which is our Embraer Enterprise Excellence program which has been in the air for four years now and has been the main, let's say, columns sustaining everything we're doing in terms of transforming the Company into a leaner company, transform the Company-- every time I speak about the P3E, I speak a lot about people. And sometimes it's hard to relate

directly people and results and numbers. But, in the end, that is exactly the reason for the numbers is the people.

That's why, out of the four pillars of the P3E, three are related to people. And one is the lean manufacturing. Lean manufacturing is the most visible result and action. It's actually visible. You see it in production on the shop floor. You see the automation. You see the robotization. You see the attitude and the cleanness of the factory, the reduction in work-in-process inventories.

But, behind all that, there's a huge effort as far as people. And the recognition that we have had both in Brazil and, recently, in Florida as one of the best companies to work for is a major injection of motivation for us to keep going.

So P3E is almost like the pursuit of excellence and the continuous improvement. It's almost like an obsession that the Company has. And the top management has been, is. And will continue to be fully engaged in making that (inaudible). So the whole Company may follow.

I would like also to say-- I think one of the questions which I probably should anticipate here and just say a few words-- I spoke a lot about defense. But just a little bit more flavor on the commercial jets and business jets. And then I will finalize and pass the word to Paulo.

On the business jets, the market is-- I think flat is a good way to put it. There was a tremendous decrease in demand. There was obviously speculation in everyone's backlogs. I think this leverage is going away.

We still have had cancelations this year. So that shows that there's still some residual, let's say, either speculation inability to take delivery of the aircrafts still in the backlog. This is not particular to Embraer, by the way. This is also happening in some other vendors, especially in the lower end of the products. But flattish, I think, is what we see as far as the market.

Our positioning is of continuous capture of market share. Our product line is improving. And there will be a step function, a positive one, in our business when we certify the Legacy 500 and the Legacy 450.

So, as far as contribution to revenues and margins, probably, around 2014, that's when we'll have the first model into service and, probably, one year after that, the second model. So our business will have this potential upside as soon as we finalize the development, which is way down the road. Probably it's 70% or 80% already done.

The first prototype is in the final assembly. We may not be able to fly the prototype this year, just next year. I think we'll bring some details on that later.

But the point is that, despite of a market which is not stellar as far as potential growth, the competitive position of Embraer is positive. And, as we have-- in the downstream, we have products which will come relatively soon to the market, adding to the ones we have, completing our portfolio of products.

And, last but not least, on the commercial aircraft, it's no secret that we have been studying very hard the potential-- our potential entrance in the adjacent segment to the E-Jets. The E-Jets-- they go up to 120 seats, the Embraer 195. And the natural way to grow the larger aircraft. Larger aircraft poses technical challenges, industrial challenges, a tactical challenge, of course. And competitive challenges.

So whilst we do not have a firm, final decision on that, I think it's fair to share with you that we see-- we believe we could bring larger jets to the market with relatively low risk. We learned a great deal with the E-Jets, the difficulties of this new generation of jets, which is highly digital, a lot of end-market software, integrated cockpits, sophisticated systems. We believe that the E-Jets[ph], I think, enable us to do something the next step.

But the challenge is not technical we think. The challenge is how to make sure that there is a return on investment and, in the end, we create shareholders' value with an investment on our largest segment.

When we work with the denominator of how many aircraft we would have to capture to justify an investment, then we see that there is an element of risk there because, with the re-engining the 737 and the A320 family, the potential open market decreases by the day. The response to the markets to the re-engining alternative of both Boeing and Airbus has been massive. And, also, the difficulty, the entry barriers of the alternative propositions which are out there have also been not very encouraging.

So the market is clearly endorsing the continuation of the 737 and A320 family. And, obviously, those are companies which have a significantly bigger size than ourselves and others. So that's where the high risk is.

So, again, without making a firm, final decision, at this stage, it's important to share with you that we are seeing a difficulty to have a return on capital employed exercise when we think about investing a few billion dollars into a larger aircraft.

At the same time, our E-Jets-- they are performing well. They are relatively new aircraft. The 190 and 195 were certified in 2006. So only five years ago. And the sales have been picking up. Paulo later on will also talk a little bit more about the dynamics of the commercial jets and the E-Jets in particular. And we do see the E-Jets with a potential of high longevity.

I kind of look at the 737 as a program that has been very well managed by Boeing over these last 40 years. The 737 is going to its fourth generation, the first being the 100 and 200 and then the second-generation 300, 400. And 500, the third generation NGs. And now MAX. So this-- I think it's a good benchmark of how a program can be well managed and still keep a very attractive and very competitive product in the marketplace.

So E-Jets definitely can have some similar longevity. And we are and we will continue and probably deepen even further now the discussions with our customers to determine what should be a new generation of our E-Jets. We certainly will consider new engines and, potentially, some other improvements as well.

We do not see that happening in the short term or midterm. We see that happening more towards the end of the decade. We are very comfortable with the early improvements that we have been doing and we continue to do on the E-Jets.

I think, overall-- and just some final words. As a result of all that, the way we see capital allocation for the next few years is a continuous investment in our own organic developments. We still have an important task, which is to bring the Legacy 500 and the Legacy 450 to the market in the next couple of years. As that investment phases out, most likely, we will be already engaged into whatever will be the next generation of E-Jets. So we see, fundamentally, a continuous investment in R&D for our operations.

Obviously, on the defense side, there's a lot of important allocation of resources-- into new resources. But the capital obviously is funded by the contracts-- development contracts. That's not capital allocation. But, obviously, it does take part of our engineering capability that we could utilize otherwise to something else. So that has also to be kept into the equation.

M&A is-- we are not, let's say, particularly pro or against M&A. We are very disciplined in the sense that we-- first of all, opportunities-- We are alert. We are monitoring the market. And, whenever that makes sense, as those two acquisitions that we did and those couple of joint ventures we just established, one for the satellites and one for the UAVs, we will use that path as well. But it's not something that we are pursuing per se.

And, although we do not have a formal policy on dividends, we have been paying a significant amount of our profits over the last 12 years in dividends, probably on the average from 35% to 50%. So I think our vision is to be able to keep this 35% or so payment in dividends, which probably makes us one of the highest payers of dividends in our peers and in the industry.

So the combination of investment in our own developments, if and when there is a sense as far as M&A. And dividends-- that's, in a very broad picture, how we see capital allocation going forward.

With all that said, I would like to ask Paulo Penido to walk you through the results of the quarter.

Just a few words. Paulo has joined us two months ago. Paulo has an extensive-- we were very fortunate to have Paulo willing to join us. Paulo has an extensive experience both in banks and industries. And capital-intensive industries. So it's a Chief Financial Officer who is very seasoned and integrated very, very quickly into our team. So it's a pleasure to have Paulo with us. And it's his first Embraer days of many, many to come.

So, Paulo, if you could, please, walk us through. And then we'll be back in the end for questions and answers.

Paulo Penido {BIO 4384213 <GO>}

Good morning, everybody. Sorry. I've got a cold. But I can speak, no problem.

We have a 15-page presentation, where we will go through some recent highlights and some financial results of the Company.

Now, starting on page 3, please, we would like to highlight the commercial jets highlights in this quarter, when we delivered 28 jets. And we sold 17 E-Jets. It means that our firm orders book reached 1,018 planes. Now, in early October, there are six more orders from GECAS. So this is a book, as Fred said, that is growing. This is a plane that still has, I would say, a long life ahead of us.

It's also important to highlight that plane number 800 was delivered to China Southern Airlines.

Moving to executive jets, on page 4, I would like to highlight that we have delivered 18 jets in this quarter. And there was a very important order of 13 Legacy 650 from China Minsheng Financial, which is a confirmation that the Legacy is really present in China and will be an important plane in the executive aviation sector there.

Now some highlights about defense and security. We have created in the Third Quarter a company called Harpia that is focused to develop a Brazilian unmanned aerial system, creating new planes in this segment. It's a new venture that we are doing together with Elbit, another company. But we have the control of this new company.

Moving to some other, I would say, facts, Embraer was named leader of the Dow Jones Sustainability Index in the aerospace and defense sector. That's something that we are very proud.

And, also very important, we have tested with success the bio-jet fuel in one of our planes. There were three flights where the plane was-- the fuel was tested with success. That's important to highlight that.

Now, moving to numbers, we have had in the Third Quarter \$1.36 billion revenue, which is very similar-- it's about at the same level as the Second Quarter. The mix was a little bit better, as you can see, from our sales in the commercial aviation. And the Company is following it. So it's expected track record in this in terms of revenues.

In terms of deliveries, the 46 planes that we have delivered in the Third Quarter were, I would say, as expected according to our plans and comparable to the same level of planes that we had delivered in the Third Quarter of last year.

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In terms of our firm order backlog, we have good news. It crept up a little bit to \$16 billion, which means about three years of revenues, which is, I would say, a good level from our perspective.

Moving to revenues, in US millions, as we have seen before, I would just like to highlight our gross margin of 21%. That was, I would say, a solid margin from our perspective.

Our expenses remained flat, both in terms of selling expenses and G&A expenses.

And, now, on page 12, income from operations. The EBIT is also at a very, I would say, good level, at 9.1%, reaching \$124 million, which is, again, a strong and sound result.

Another way to see it is in, I would say, (inaudible) EBITDA. EBITDA margin reached close to 14% and growing in terms of value from \$153 million in the Second Quarter to \$188 million in the Third Quarter. So, it's, again, a sound result.

In terms of net income, here comes the comment that Fred was saying. As you know, the IFRS forced us to mark-to-market our inventories, our intangibles. And our fixed assets. With the new exchange rate, it creates a gain in Brazil -- more reais because of the higher interest rate. And there is a noncash provision for income tax.

If we reduce our profit to, let's say, zero or very close to zero-- we made an exercise. If the exchange rate were flat or somewhat flat, we would have had \$120 million or \$130 million profit in the quarter. That's just a hypothetical exercise.

The actual number, as you see, is zero. With the, I would say, small depreciation of the currency since the end of the quarter, this number will come back gradually to our results. Again, this is a noncash impact.

In terms of inventories, as we are planning a strong quarter in the Fourth Quarter of the year-- if we come back here to revenues, we can see that we have had on an accumulated basis \$3.7 billion of revenues year to date at the end of the Third Quarter. If we repeat in the Fourth Quarter with a revenue level around \$1.9 billion or \$2 billion, we will be reaching our guidance in terms of revenues.

We have a natural increase in inventories, which is normal. We have a few planes waiting to be delivered in the Fourth Quarter. As soon as we deliver these planes, our free cash flow will turn positive in the year. And that's how we expect to end the year. Attending[ph] the guidance was positive free cash flow and reducing the inventory levels in the year.

Our debt situation. As a result of this temporary increase in inventories, we had taken some short-term financing. You see the increase in the short-term financing. It reduced a little bit the average life of the debt. But this is a very, very comfortable situation.

We are still with, I would say, a sound cash position. Net cash increases gradually when the inventories reduce and when we perform the strong quarter that we have-- we are living right now, the Fourth Quarter of the year.

That's it in terms of, I would say, providing some highlights about the Company. Again, sorry for my voice. And we are now available for the Q&A session. Thank you.

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Questions And Answers

Operator

(Operator Instructions) Nicolai Sebrell, Morgan Stanley.

Q - Nicolai Sebrell {BIO 7321622 <GO>}

Two questions from me. First, I know there's only a limited amount you can say about the investigation that you announced with your earnings release.

But we've heard a couple and read a couple different things. This might be part of a broader effort that doesn't just involve you. It might be a wider sweep. I was wondering if there was anything you could say to put this in context that might be more general in scope to help us understand whether this is something that's targeted at Embraer specifically or maybe a more general effort.

And then the second question is if you could talk about executive jets a little bit more. If we look forward to 2012 and you had to estimate the risk to upside or downside, relative to this number-- you said it was holding steady, which seems to indicate that maybe deliveries could be steadier or maybe even up slightly next year. Any elaboration on that would be helpful.

A - Frederico Curado {BIO 2004589 <GO>}

We obviously are not in a position to say much more than what we have disclosed. Not only we are under the confidentiality of the subpoena. But, also, we are passive in the process. Our attitude is of full collaboration.

The Company has never-- these are uncharted waters for us. It has never lived that situation similar to that before. So we are learning as it goes. So, of course-- We just thought it was important to bring it to the attention of the public, to disclose it. And we have no information whatsoever about whether this is just us or a broader investigation.

So I apologize. But this is exactly where we are. As I said, we remain with serenity, knowing the seriousness of what a process like that is-- the serenity of the Company that has voluntarily adopted all the processes, the code ethics, adhered to the global compacts of the United Nations with follow-up reports. So we just have to wait in an orderly way.

As far as executive jets, we probably-- this is not a guidance. The guidance we'll provide early next year. But we probably should have more revenues than this estimated \$1 billion of this year. So it will be more flat towards what we should have achieved in 2011, the \$1.2 billion.

Again, although we're not in a position to say it's going to be \$1.2 billion next year, we do expect to be more than the just \$1 billion of this year. (technical difficulties). We have had cancelations that did result-- we were able to resell the aircraft. But we will not be able to deliver the aircraft this year. Part of that is reflected in our inventories.

Q - Nicolai Sebrell {BIO 7321622 <GO>}

Thank you. Much appreciated.

Operator

Caio Dias, Santander.

Q - Caio Dias {BIO 21849043 <GO>}

My first question is on the strategic decision regarding whether or not to launch a new family and/or the enhancement of the E-Jets. As you mentioned during the presentation, the enhancement became a more likely scenario. You have not taken the final decision yet. But it's clear that is the most likely scenario at this point.

So my first question is-- when are you going to take the final decision? Is the end of the year still the deadline for announcing the market-- for an announcement for the market? And, second, if you decide to go ahead with enhancement of E-Jets, what is the expected level of CapEx and R&D involved in the program?

And I have one third question related to the investigation. I understand you guys are not allowed to provide further information on the investigation. But I would like only to confirm two information I got from the press this morning.

In one specific newspaper, they mention that this kind of investigation leads to fines of \$2 million for the companies involved. Is that true that the limit is only \$2 million? And another newspaper said that this investigation could threaten your participation in the bidding process to sell Super Tucanos to the American government. Is that true, or you are able to participate in the bidding process independently to the result of the investigation?

A - Frederico Curado {BIO 2004589 <GO>}

Your question with the three parts. And three big ones. Okay. A new family of commercial jets. We do not anticipate any splash announcement, big-bang announcement that, oh, we're going to do this and that. We're actually starting to communicate which is our strategic direction.

So, as you correctly said, it is unlikely that we pursue at this moment-- so, the question is when to engage. We're not abandoning the possibility of coming to the larger segment eventually. We just do not see a window of opportunity at this stage, which it may be different five years from now or some amount of time from now. It may be different, the relative position of the competitive landscape.

So we just think now is not the-- so, the next few months, we will be detailing with our customers what could be the evolution of the E-Jets. We are improving the airplanes anyway. We have been doing that year by year. And we continue to do that. But, let's say, a step function would, be to adapt to new engines.

The engines, Caio, are responsible for-- the new generation of engines are responsible for probably 80% or 90% of the fuel-burning benefit that a new airplane may have. So that's why I think the market was so much appreciative of the solutions that Boeing and Airbus adopted because they really brought a solution of continuity to the market and also combined with-- continuance in some of the commonality of the cockpit and no need to train pilots. It's the same cockpit airplane with the benefits of the new engines.

Obviously, any new aircrafts-- a blank sheet of paper aircraft tends to be a few percentage points better than an existing one. Technology evolves by the day. The real bulk-- the real chunk of benefit comes from the engine.

So we (inaudible) customers in the next few months. As we progress in defining what will be the new E-Jets family, which, again, I do not anticipate for the mid or short term-- if we take the Airbus with the GTF engine, their engine to service, if I'm not wrong, is something around end of 2015 or early 2016. The Airbus 320neo with the CFM engine will come probably a year later or something like that; so, 2016 or 2017. MAX-- the 737MAX in 2017. Probably not much longer after that is probably when we would be coming to the marketplace.

But all that, as we mature the continuation of the airplanes, are going to stress the 195 enough. As we mature those decisions, we'll be bringing them up to the knowledge of our customers and to the marketplace in general. I see much more an evolution of our process rather than, let's say, a sharp announcement. I think today we clearly give you an indication towards where we're probably going.

As far as CapEx, we probably tend to-- as far as assets, we have-- next year, we have the final stage of the two plants in Portugal. So there will be a demand on CapEx expenditures to finalize those two factories.

As far as R&D, we see a stable or maybe a slight growth in the demand for our research and development not only for our engineering product development in general but, also, on our continuous research, the R of the R&D, research efforts because we want to be ready. We need to be ready to go whenever we decide to go to a different product or a larger product as we are now.

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If we were to decide now to go to a larger segment, we are prepared to go. We need to keep that readiness, if you will. But that's how we see investment going forward.

And the last part of your question about the subpoena, I really have no way to make any sort of extrapolation of what would be the potential value of the-- if something is found and they determined that something was not consistent with the regulations. So the \$2 million, for me, there's absolutely no-- totally inconclusive. We have no such estimate, none.

And LAS, that's-- we do not believe that an investigation which is not finished, there's no conclusion, would prevent us from competing or, eventually, winning the LAS contract in the United States. So this is our understanding.

Q - Caio Dias {BIO 21849043 <GO>}

Clear. Thank you, very much.

Operator

(Operator Instructions) Caio Dias, Santander.

Q - Caio Dias {BIO 21849043 <GO>}

I'm sorry for asking so many questions. My question now is about the facility in China. What is the current status of the negotiation with the Chinese government regarding the potential production of the Legacies over there? Do you have any news on that front?

A - Frederico Curado {BIO 2004589 <GO>}

I refer to that famous passage where the Chinese were asked about the French revolution. And the answer was too early to tell. We are trying to have Chinese patience. We are making progress, Caio. We are indeed making progress.

It's always challenging to put a date, target to the conclusion. But we have an agreement with our partner there, with AVIC. And the Chinese government has to formalize what has been already turned public several months ago, which is the formal approval of the venture. So I think we're in the final sprint.

How long is that? It's hard to estimate. But I think we're really coming closer to a positive outcome now.

Q - Caio Dias {BIO 21849043 <GO>}

Okay. Thank you, again.

Operator

(inaudible) Morgan Stanley.

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Q - Unidentified Participant

Two questions from the Third Quarter results actually. Could you give us a little more detail in the other gain? How much of that was from cancelations? How much was from the two South Africa Airlink E170 cancels? And, second to that, how much can we expect for--? Can we expect something similar from the Jet Blue cancelations in the Fourth Quarter? Thank you.

A - Paulo Penido {BIO 4384213 <GO>}

The cancelation number we have included in our press release reached \$28 million in the quarter. It was spread among different types of planes but mostly in the (inaudible) aviation sector, where, as was mentioned before, there is a type of clean-up in some orders that were not very firm. So that's the size, Auguste[ph], of the cancelation level.

Q - Unidentified Participant

So the full \$28 million was from cancels.

A - Paulo Penido {BIO 4384213 <GO>}

Sorry?

Q - Unidentified Participant

The full \$28 million--

A - Paulo Penido {BIO 4384213 <GO>}

\$28 million was cancelations. Yes.

Q - Unidentified Participant

Okay. So then the Jet Blue cancelation won't have a material impact on 4Q?

A - Paulo Penido {BIO 4384213 <GO>}

No. As you saw, as a coincidence, there was a sale, some new planes in terms of deliveries. There was no impact in terms of cancelation, in terms of production, in terms of, I would say, delivery of planes.

A - Frederico Curado {BIO 2004589 <GO>}

Azul was the airline that confirmed 11 new orders. So the answer is no. There would be no-- there is no revenue coming in the Fourth Quarter due to the Jet Blue cancelation.

Q - Unidentified Participant

Understood. Thank you, very much.

Operator

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(inaudible).

Q - Unidentified Participant

I just had one question on-- I'm wondering if there's any possibility in providing some initial thoughts on what you're thinking about margins in 2012, particularly as it relates to mix.

A - Frederico Curado {BIO 2004589 <GO>}

I'm sorry. We just could not understand the question.

Q - Unidentified Participant

I'm just wondering if it's possible to provide some initial thoughts on what we should be looking at for margins in 2012. I'm wondering-- I guess mix might be slightly negative, then, in 2012, based on what you're talking about in terms of deliveries.

A - Frederico Curado {BIO 2004589 <GO>}

Again, it's a bit premature to make any guidance there. On the positive side, all the efforts on the P3E and the lean manufacturing and all that-- they are there. They continue. They are growing.

One comment that I have to make. That's a couple of headwinds which are important. One is the labor cost in Brazil. It is probably going up in reais something around 9% to 10% from this month on. So this is a tremendous challenge for us.

Of course, if the exchange rate goes up and compensates for that, this is good. This is great news. If it doesn't, it's just another stronger headwind for us as far as costs.

Also, I think it's reasonable to expect some pricing pressure, as there is a clear effort from Boeing and Airbus to really keep their situation in the narrow-body scenario against new entrants. So that puts the pricing pressure on everybody else in the whole competitive scenario.

Having said that, we were definitely working towards continuous improvement. Quantification of that we'll probably disclose early next year when we provide guidance for the 2012 fiscal year.

Q - Unidentified Participant

Thanks. That's helpful. And just one quick clarification on the Legacy 500. I think you mentioned in your presentation that there was some small delay in terms of the first plane. I'm just wondering if you're still okay for EIS for next year. Is that right? Q4?

A - Frederico Curado {BIO 2004589 <GO>}

I did not understand the last part of your question.

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Q - Unidentified Participant

We're still okay for entry into service next year?

A - Frederico Curado {BIO 2004589 <GO>}

It was never next year. We will in 2013. We're going to also-- as soon as we determine more precisely what is the issue we have, which is with the software, the flight controls.

Our supplier, we just found out, is late. So we are debating, probably going to bring that development in house. So there will be, inevitably, a delay on the first flight, which will not happen this year. It will happen the first half-- towards the middle of next year probably. So that, of course, pushes the program a little bit.

But as far as contribution to revenues in a meaningful way, probably 2014 is the year where you would see the ramp-up of that airplane. Certification time maybe is still at the end of 2013 or so. But just a few months of delay. Again, as we determine exactly what's the impact, we will give more precise data.

2014 is when we should have the Legacy 500 really bringing a contribution to the business as far as quantities and the ramp-up in production and, about 12 months later, the 450. A similar time as today. Just about a year later, the 450 should be in service.

Q - Unidentified Participant

That's great. Thank you, very much.

Operator

(inaudible), Morgan Stanley.

Q - Unidentified Participant

Congratulations on the results. I know that you can't comment very-- on a limited basis regarding the situation right now in the US. But can you point out what the size of your contracts here in the US and in the three countries mentioned on your disclosure, total size in billions of future contracts?

A - Frederico Curado {BIO 2004589 <GO>}

I think I'm obliterated. Can anybody help me? Has anybody understood? Sorry. Could you repeat the question, please? We just could not understand.

Q - Unidentified Participant

The total size of your contracts in the US and the three countries mentioned on your disclosure.

A - Frederico Curado {BIO 2004589 <GO>}

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What's each contract in the US?

(multiple speakers)

Q - Unidentified Participant

Your revenue exposure, your future backlog revenue exposure in the US and in the three countries.

A - Frederico Curado {BIO 2004589 <GO>}

Anyway, well, we do not foresee any change to our-- let's say any participation in the United States. Our commercial activity, our executive jet activity, our possibility in the LAS contract-- we do not see any change to that at all. And, obviously, we're not in a position to disclose the three countries, again because of the confidentiality of the whole process.

This is where we are today. As soon as we are able-- again, we are passive in this investigation. The investigation is independent. The very nature of the investigation is independent. So we are not in control. We are passive in the process. Our role is to support it the best way we can.

Q - Unidentified Participant

Okay. I understand that point. But, at least, can you disclose the total size of your exposure to the US market, or is that already disclosed in your statement?

A - Frederico Curado {BIO 2004589 <GO>}

We do not have exposure to the US market. The US market is an important market to us. We do not have any specific exposure to the United States market.

It's just-- If you're looking for the amount of revenue of Embraer to the United States, they are about 15%. It used to be 50%. It's now about 15%. But, again, this is not an exposure. This is market share. And there is no exposure to talk about at this stage.

Q - Unidentified Participant

Okay. Thank you.

Operator

(Operator Instructions)

Q - Unidentified Participant

A couple of questions, first of all on free cash flow. You're minus \$275 million year to date. If we can understand why inventories are higher-- and you're going to release some of those, I imagine, in Q4 and then going into next year. But then there's the two other items

that have been impacting your cash flow this year. One is the spare parts pool. And one is aircraft that you're leasing.

I'm wondering if you can talk a little bit about, first of all, the outlook for overall cash flow. Are you going to have a big Fourth Quarter? What's the cash flow opportunity next year for the Company? And then maybe a little bit of color on each of those three items.

A - Frederico Curado {BIO 2004589 <GO>}

Okay, Joe[ph], I'll just start answering. And then Paulo and Gaia can help with more details.

Fundamentally, if you look at our inventories, Joe, we started the year with something around \$2.2 billion. As we are growing some 5% to 7% in revenue this year, it would be, let's say, natural to have a little bit of growth. If you just applied that ratio to the inventory, maybe another \$100 million, adding work in process. So we are probably \$400 million to \$500 million above where we should be in inventories.

Hopefully, as we deliver something close to \$1.8 billion, \$2 billion in the last quarter, that will intrinsically reduce our inventory by the same amount. So the outlook is a positive free cash flow this year. (inaudible).

But, also, we have to take into account that we spent \$85 million this year in acquisitions, which is not something which is regularly in our activity. But the bulk of the reason of this negative is inventory. And our expectation is that, in the last quarter, this inventory will be reduced. And, therefore, we will have a positive. As we invoice those aircraft, it will turn into positive free cash flow.

A - Andre Gaia

This is Andre Gaia. In regard to the spare part pools, we got a couple more investments this year, as we got a little bit of momentum in terms of selling those type of programs. We expect those investments on inventories, building up inventories for spare part pools decrease next year. But, of course, if we keep selling more, well, we have to adjust to that. But the expectation right now is to have the small investments in spare part pools going forward next year.

Regards to the aircrafts, I think, Joe, that we-- it's a little bit of an opportunity as you cut the deal. So it's hard to be very precise. But we don't expect to keep buying aircrafts back. We don't have nothing in the backlog-- in the pipeline right now. And I think that's where we are.

Q - Unidentified Participant

Okay. A second question. It's just on to the executive jet area. You had more cancelations or, at least, more income from cancelations in the Third Quarter than you've had for, certainly, a while. And you lowered your revenue guidance this quarter. I know the market's been tough for a long time. But is it getting worse? Are you seeing implications

of what's been going on in the market since August really impacting your business? Or is this just you ran out of time to sell the aircraft? Which is really the bigger driver?

A - Frederico Curado {BIO 2004589 <GO>}

I don't think it's getting worse. It was actually getting better in, let's say, July, August, September timeframe. We actually start to get a little bit more upbeat about our serious prospects. (technical difficulties).

Q - Unidentified Participant

Is that cash just likely to-- some of that goes back to shareholders in some way, or do you increase your investments in defense or executive jets? How do you think about where that cash that you had made 6 or 12 months ago that might be going to commercial? Where does it go?

A - Frederico Curado {BIO 2004589 <GO>}

Well, I think that question is not in the short term. I think the commitment that we have in existing development programs and the start of the new-- the curve of investments on the (inaudible) E-Jets vis-a-vis the new aircraft-- the first part of the curve will be very similar. The peak will be less. So the (inaudible) for the development in the next-- let's say the timeframe is three or five years. I don't think it will be fundamentally different than what it would be if we were going to a larger investment. Going to a larger investment maybe would require us to (technical difficulties).

It's too early to decide yet and too early to decide that and too early to decide (inaudible) strategy to get there. Is it organic? Is it collaboration with somebody else? That answer, I think, is a few years down the road.

Defense? Only, of course, if we have-- if we find a suitable acquisition opportunity, because we're not going to invest capital at risk on a defense contract. By definition, we are totally conservative as far as defense development has to be self-funded. Capital of the acquisitions of earlier this year, \$85 million. We should not see it as-- the Company cash flow will be sufficient in the next, let's say, few years-- three, four, five years should sustain our research and development efforts. That's, I think, where the bulk of the investment will be, again, keeping the dividends at a reasonably high level, where they have been for the last several years.

Q - Unidentified Participant

Just two questions from me, if I may. The first is on the 50-seat jet market. How are you seeing that now with American Airlines and some of the US carriers, for example, telegraphing that they're having some financial strain? How are you seeing residual values on the 50-seaters down the line holding up? And how are your outlooks holding up, maybe remarketing these aircraft to carriers in the former Soviet Union, et cetera?

The second question, very quickly. I was intrigued with your JV with the Elbit Systems guys. The market for unmanned aerial vehicles-- longer term, who are you thinking is going to

be your end customer? Are we talking about large NATO countries? Are we talking about smaller governments within the Americas that have drug cartel problems or something this? Or do you see more of a domestic application for the UAV?

A - Frederico Curado {BIO 2004589 <GO>}

Okay. 50-seaters, of course, the higher (inaudible) becomes, the tougher the economics work. They are gradually leaving the US market and going towards other, secondary markets in the world. They are still an attractive solution for airlines. That's your second-tier airlines that currently fly (inaudible) or smaller aircrafts. We see 145s, for example, flying in countries where they never flew before. The ERG 145 family is holding value better than the other products in the same category.

So we feel relatively comfortable about the market is relatively organized in that sense in the secondary market. We are not, let's say, totally involved yet. But we are playing in that market. So we do have a few of those airplanes in our portfolio. And they are in use in operations throughout the world. So we are making sure that we have a very strong customer support, parts availability, technical support to the aircraft, engineering support, even, to the aircraft. So I think it's-- we are as good as we can be in that obviously challenging economic scenario for any 50-seat, including (inaudible). The 50-seat activity of new airplanes has due for a long, long time.

About the UAV joint venture, Brazil has virtually no-- the focus is Brazil, clearly. The focus is in Brazil. The end customer is armed forces and also, potentially, some police forces. Brazil is absolutely, I think, almost virgin as far as UAVs. There is one prototype in tests today. So they're building them for the air force, for sure. The federal police, which is the equivalent of the FBI in Brazil-- the federal police, Policia Federal, they also are a potential user of UAVs. So the focus will be in Brazil and the countries where Brazil may have some geopolitical influence. But it's not meant to be, let's say-- at least, not in the short term, like a global player to compete with the Global Hawks or the Predators. We are more humble in that aspect. We are really focusing more on the domestic market and the near vicinities.

Q - Unidentified Participant

I wanted to ask about the pace of order demand in the commercial aviation segment. You started the year saying book to bill above one. It looks like you're tracking pretty much right to that. But you kind of exited 2010 and started 2011 at a much faster pace. If we included everything you announced at Paris in the first half of the year, it looked like you were maybe going to flirt with book to bill of two. I just wonder if you could talk about the degree to which potential customers have kind of backed off because of all the macro headlines we're seeing, or not. And just what you see for new orders through the end of the year and maybe into the first half of 2012, as well, based on conversations you're having today?

A - Frederico Curado {BIO 2004589 <GO>}

There was no major back off. The airplane sales, at least for us, have always been something which is not steady. It's pretty (inaudible). Sometimes we have a very good

quarter. It's better if-- It's very difficult to try to follow an aerospace and defense company on a quarterly basis, because-- especially in the commercial side. Defense is more stable. Things are really like-- they are really events. One contract for 50 airplanes is a major event and really concentrated there.

So the activity-- We still have things that we have announced as MOUs, which have not yet come to fruition, especially in China. I think we still have-- Paulo can confirm that later. But we still have ten airplanes in China which are done but not in our backlog yet because the finality was not there. And we have campaigns just about to finish. We probably will be announcing a new, leasing company any time. Today, Paulo, or tomorrow-- Monday? Monday, we'll be announcing a new--

Let me, if you'll allow me, take your question-- benefit of your question to talk a little bit about the strategy there vis-a-vis leasing companies. We see a potential constraint in credit for financing aircraft. The capital markets is still pretty much closed for financing of aircrafts. (inaudible). They cannot finance 100% of the exports, of course. And the role of leasing and the banks-- The banks that were very active in the leasing are mostly European, which we have to believe will have, at least, more difficulty to engage into large amount of credit going forward. The role of leasing companies will be increasing in financing airplanes. So this is one aspect.

The second aspect is the markets and capillarity of those leasing companies, which, in the end, we can look at in two ways, either competing with yourself-- you establish a leasing company-- if you consider that (inaudible), your job is done, then you're probably (inaudible). A few words like the way we do it-- well, it's almost like a marketing arm of our operation. We actually work together. And we have two examples. We have examples of airlines that we (inaudible) and, later on, a lessor came and had a follow-on business and vice versa. Airlines that started with the leasing (inaudible) with our aircraft and then eventually acquired them directly from Embraer.

Something I would like to say is that we still have relatively low participation of the leasing companies in our backlog. Just to give you numbers, Boeing and Airbus typically are 25%, 30%, up to 40% in the moment, especially on the A320 family. In our case, it's something like 10%, 12%, 15%. Paulo is making big efforts to really augment the concentration of leasing companies in our backlog. It's hard to break in because it's-- the liquidity of the acquisition assets, A320 and 737, is very high. It's very easy to move airplanes around.

And we are, in the recent history-- not recent, the last, probably, 15 or 20 years, we are just coming-- just becoming the third alternative for leasing companies. As the 190 family gets a broader customer base-- it's more than 60 customers at this stage. We are coming close not in volume but in quality of our backlog. And it's a very stable backlog, closer to the mainline, let's say, bread-and-butter products. So this is the potential upside for the family. One of the announcements we (inaudible) leasing companies-- the numbers are not huge. But, again, the quality-- the strategic implication of-- there's a third asset out there now. It's not only 737s. There's the 190, as well, that's got a good development.

So we feel very comfortable even to surpass the one-to-one ratio this year, probably not go to two to one. And we do expect some announcements towards the end of the year. And the activity-- Again, Paulo can detail that further. But the activity is going[ph]. So we're not seeing a reduction in activity. We're not seeing anybody back off. The Jet Blue 11 airplanes is exactly old news because they were working with us to-- in the sense of how to really (inaudible) some of their backlog in this triangle deal because it's very good for everybody.

So I hope I have answered your question.

Q - Unidentified Participant

Yes. That's helpful. Just one follow-up on defense. Your prepared remarks sound very positive on the prospects there. The segment's down in 2011. How fast do you expect your defense segment to grow in 2012?

A - Frederico Curado {BIO 2004589 <GO>}

Again, without committing to guidance, it may be even double digits. It's really-- We're going to be more specific early next year. But we had the ramp-up of the KC-390 development. So let me put it this way. If the existing-- By the way, we have not-- the increase in revenues on the defense side-- I read the reports saying that the Brazilian government is helping Embraer. This is actually not accurate because we, fundamentally-- we are ramping up existing programs as far as the budget allocation. So KC-390 has been the main product.

Next year's engagement of engineering in that program will be higher. So, unless there's a budgetary constraint or reduction or anything of that nature-- if everything goes as planned, we should have a robust growth next year.

Q - Unidentified Participant

Thank you.

Q - George Carson

George Carson with Bloomberg Research. A question for you still with the commercial side of the business. Can you talk to me about the production capability on the commercial side? It looks like you have produced about six 195s per quarter. And, this quarter, you delivered 22 190s, which looks like a pretty good result. Can you talk to me about what the capability is to produce aircraft on the commercial side, especially those two, per quarter?

A - Frederico Curado {BIO 2004589 <GO>}

Sure. The historic capacity of the Company is probably something around 15 airplanes a month, which would translate into 180 airplanes a year. Our peak year was 2008. That was 165 airplanes. So 180-- 15 a month probably (inaudible) with no further investments. Of course, variable costs, more people, obviously, we would need. We are running around nine today. So we have plenty of capacity to grow. And the production-- the industrial

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structure is totally flexible. It's totally agnostic. It's the 170, 190, 175, 195. So it depends a lot on how the demand will-- that's the beauty of having this family, although-- Let me rephrase that a little-- correct a little bit. We cannot do like 180 190s and 195s and zero 170s and 175s. Some jigs are specific-- (inaudible), for example. But, as far as the (inaudible) same assembly line.

So we have down-scaled our progression trying to keep the efficiency and (inaudible) challenge. We were successful doing so. If have any tailwind as far as demand, we can react very soon.

Q - George Carson

Thank you. Is there a limit as to 195s per month? It seems like the 195s really hover right around six.

A - Frederico Curado {BIO 2004589 <GO>}

I just would not know by heart. I'll just give you order of magnitude. Maybe two-thirds of those 180 a year. So maybe ten a month. So capacity is not an issue for us. We are-- our challenge is to use the capacity that we have. (inaudible) not precise. We used to use four jigs for assembly in 190 wings, the 195 the same wing. And we are down to three or two now. We can come close to the total production rate of 15, maybe not the whole 180 a year in the specific model but close to that. So, again, this is not on my top list of concerns at all. Capacity is there. And, if we have to start reusing jigs that we are not using, it happens like that. We can also add people relatively easy and ramp up. The real challenge is on the market side, the demand side.

Q - George Carson

Okay. Last question. Can you help us understand how that works on the executive aviation side of the business? What's your flexibility there in your production capability?

A - Frederico Curado {BIO 2004589 <GO>}

We also have plenty of flexibility in the Phenom family. Like everybody else, we were expecting a significantly higher demand for small jets. We were never a believer of this (inaudible). We were never-- but we did believe that the pure demand for small business jets would be much higher than what it is today. Again, we have good (inaudible) in just about everybody's products. (inaudible), for example, in the Phenom family, we have two assembly lines, one in Brazil and one in Melbourne in the US. And we are totally-- again, we have all the capacity in that sense. We're probably going to have to concentrate our production as much as possible to get efficiency. But it's not a concern.

On the Legacy 650-- the Legacy 650 is the assembly line of the 145, which capacity, in the past-- the long past, was 20 a month. So we are (inaudible) below that capacity. And, furthermore, with the line in China, (inaudible) capacity is the reverse. That (inaudible) is not a concern, other than the ability to grow. We can grow really in a, let's say, low-risk way if the demand is there.

Q - George Carson

Thank you, Fred.

Q - Unidentified Participant

In terms of cash flow, first, let me start off there. The inventory reduction in the Fourth Quarter-- do you anticipate that to be of a similar magnitude you saw last year Fourth Quarter?

A - Frederico Curado {BIO 2004589 <GO>}

Yes. The end figure? Yes. It's probably higher than the \$2.2 billion that we started the year. If we just extrapolate the growth in revenues, let's say, even 6% or 7%-- if we extrapolate that to the inventory, that would naturally take us from \$2.2 billion to \$2.4 billion. This is not very acceptable because, of course, it should be more effective, more efficient in (inaudible). But, in the current environment, it's not going to \$200 million or \$300 million above. So, from the (inaudible). This is where our estimates are.

Q - Unidentified Participant

Development expense. Last quarter, you took it down to \$160 million net, \$210 million gross. It looks like you're even under running that. Is that \$160 million still the right number for the full year?

A - Frederico Curado {BIO 2004589 <GO>}

No. It will be less. It will be less than that probably.

Q - Unidentified Participant

Okay. And, moving to the guidance, just a clarification. Was the default payment of the \$28 million expected in the prior guidance, because you didn't change the EBIT number. Obviously, the sales in executive aviation came down. But the gross margin in executive aviation wouldn't, to me, look to be enough to offset.

A - Frederico Curado {BIO 2004589 <GO>}

That's a good question. It was not expected. We expected to deliver the aircraft and add some margin. No. The reason-- Of course, being there-- happening helped us to keep the actual operational profits absolute number. But, that was not the way we thought it would be.

Q - Unidentified Participant

It looks like there's some upside to that number, given the default payments came in.

A - Frederico Curado {BIO 2004589 <GO>}

Hopefully.

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Q - Unidentified Participant

And, then, the last one for me. In terms of executive aviation backlog, can you give us a picture of where it sits today relative to yearend last year-- where you think it will sit at yearend relative to last year's yearend and what the mix is between light and on-Phenoms at this point?

A - Frederico Curado {BIO 2004589 <GO>}

I may ask Ernie[ph] to help me on that. I don't see a major change into the mix of Phenom and non-Phenom. There is a change-- the Phenom 300 is outselling the Phenom 100s. This was, I would say, a positive surprise and development for us. It's a \$9-million airplane versus a \$4-million airplane. But it's outselling. And we have seen more, let's say, cancelation problems in the 100 area than in the 300 area.

Between the 100 in the Phenoms and the Legacy, do you see any major shift of the combination of the two going forward?

A - Unidentified Speaker

No. I don't see any major shift. And I do support Fred's comment there that there are less cancelations in the Phenom 300 line than there are in the 100 line.

A - Frederico Curado {BIO 2004589 <GO>}

Back to the overall business. Yes. (inaudible) executive aviation business, not that product but the business jets.

Q - Unidentified Participant

Paulo or Fred, can you give us a little more color on gross margins in the quarter? They declined from the Second Quarter. I'm just wondering if you talk through kind of the puts and takes that drove that compression-- that decline.

A - Paulo Penido {BIO 4384213 <GO>}

The short answer would be the mix of the products. Different mix, different margin. Of course, we can go deep in details. But maybe it's not appropriate to do it right here. But let's fix on a different mix.

A - Frederico Curado {BIO 2004589 <GO>}

More on the revenue than on the costs.

A - Paulo Penido {BIO 4384213 <GO>}

That's right. Costs are not stable. That makes it a little bit different than (inaudible) reduction in the margin, which is not a meaningful (inaudible), 1% reduction.

Q - Unidentified Participant

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Thank you.

I guess you can't talk too much about it. But you did mention a leasing company. That would be a total new business for you. I guess the different (inaudible) involved with that. And it probably would be a consumer of capital. (inaudible) big thing, or is this just kind of a backup to move your product.

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A - Frederico Curado {BIO 2004589 <GO>}

Which company?

Q - Unidentified Participant

You're talking about a leasing company before.

A - Frederico Curado {BIO 2004589 <GO>}

I mentioned the one for satellites and one for UAVs.

Q - Unidentified Participant

Right. So it's going to be very limited just to those-- that product area.

A - Frederico Curado {BIO 2004589 <GO>}

Yes.

Q - Unidentified Participant

Okay. You have no plans of going into leasing the 170s and the like.

A - Frederico Curado {BIO 2004589 <GO>}

No. We're not-- No. Sorry. We have no-- We are very conservative, to say the least, about financing and sales. It's like-- we've begun to be a good industrial company. We're not in the finance (inaudible).

Q - Unidentified Participant

Why would you just for the satellite and the other products? There's no way of financing that? Is that why you're thinking about doing that?

A - Frederico Curado {BIO 2004589 <GO>}

Which products?

Q - Unidentified Participant

The products that you're thinking about doing leasing for.

A - Frederico Curado {BIO 2004589 <GO>}

No. We're not thinking about doing leasing. What I mentioned was to get leasing companies to buy our aircraft.

Q - Unidentified Participant

Okay. I got it.

A - Frederico Curado {BIO 2004589 <GO>}

For example, (inaudible). We signed-- That's a great example because we signed a contract for 10 airplanes in the (inaudible) last year. In a year, they went from 10 airplanes to 31 airplanes. The good news is (technical difficulties) place in the marketplace. They have (inaudible). What I'm saying is that, if you take our backlog-- the participation (inaudible) different companies buying airplanes, particularly from us, to (inaudible) them into the market (inaudible). Paulo's strategy is really to focus on that segment, not only applying on the normal marketing but also to diversify our customer base and have another marketing arm. We wanted that from day one. We just could not-- We were not able to convince the leasing companies to invest in our assets because (inaudible). Right now, (inaudible) good place for a lessor to be. The same costs that a leasing company has to manage the 777 are the same costs to manager our, let's say, 145. They're fundamentally the same task.

The 190 family really proved to be a mainline aircraft. It's not a regional jet. This is why-- and now having 60 customers, probably at least two-thirds of them using the aircraft side by side with Boeing or Airbus products, which proves our right-sizing strategy, which was there from day one, which, if you have markets with lower (inaudible) passengers, the 190 is the right answer for that instead of A320 or 737. (inaudible) Lufthansa, (inaudible) Air France, or Finnair, China Southern, mainly to (inaudible) 60-plus customers, have the airlines in coexistence. So the 190s is exactly now the third main liner out there (inaudible). We are doing everything we can to get (inaudible) more and more excited about that idea, which tends to create a positive circle[ph] into the markets in the whole family.

Q - Unidentified Participant

You have mentioned to us that you might be moving towards the 140; or 150-seaters area.

A - Frederico Curado {BIO 2004589 <GO>}

Not-- probably not at this stage.

Q - Unidentified Participant

Okay. Good. Thank you.

A - Frederico Curado {BIO 2004589 <GO>}

Maybe in the 100 area, maybe.

Operator

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

A - Frederico Curado {BIO 2004589 <GO>}

Thank you, again for participating. I wish everyone a nice weekend. Thank you.

Operator

That does conclude Embraer's audio conference for today. Thank you, very much for your participation. And have a good day.

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