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Other Data: Aircraft in backlog	As of December 31,				
	2018	2017	2016	2015	2014
In the Commercial Aviation Market	368	435	450	513	459
EMBRAER 170	—	1	3	3	5
EMBRAER 175	204	103	104	169	172
EMBRAER 190	7	46	56	55	65
EMBRAER 195	3	5	12	19	7
EMBRAER 175 – E2	—	100	100	100	100
EMBRAER 190 – E2	43	74	85	77	60
EMBRAER 195 – E2	111	106	90	90	50
In the Defense and Security Market	76	73	64	74	65
EMB 145 AEW&C/RS/MP	—	—	—	—	1
EMB 312 Tucano/EMB 314/EP Super Tucano	8	14	7	14	8
LAS	15	6	—	6	17
E99	5	5	5	5	5
KC-390	28	28	28	28	28
VU-Y	3	4	4	6	6
MFTS	—	1	5	—	—
F-39	15	15	15	15	—
PHENOM 100	2	—	—	—	—
In the Executive Jets Market	61	64	122	163	168
Legacy 450/500/600/650/Phenom 100/300/Lineage 1000/EMBRAER 170/190 Shuttle	61	64	122	163	168
Total backlog (in aircraft)	505	572	636	750	692
Total backlog (in US\$ millions)	16,300.5	18,337.0	19,622.8	22,460.7	20,920.2

3B. Capitalization and Indebtedness

Not applicable.

3C. Reasons for the Offer and Use of Proceeds

Not applicable.

3D. Risk Factors

Risks Relating to Embraer

The consummation of the strategic partnership with Boeing is subject to conditions, some or all of which may not be satisfied or completed within the expected timeframe, if at all. Failure to complete the proposed Transaction could adversely affect our business, financial condition and operating results and the trading price of our common stock and ADSs.

There can be no assurance that the Transaction will be consummated or that the consummation of the Transaction will occur in the timing estimated by Embraer. The consummation of the Transaction is subject to a number of conditions, some of which are beyond our control, including, among others, (i) approval by antitrust authorities in Brazil, the United States and other applicable jurisdictions, (ii) receipt of certain governmental authorizations and third party consents, (iii) absence of any law or order prohibiting the Transaction, and (iv) retention of certain key employees. The completion of the Transaction is also subject to various termination rights, including if the Transaction is not consummated by a certain date. There can be no assurance that the conditions to the closing of the Transaction will be satisfied or waived or, even if satisfied, that no event of termination will take place. In addition, we cannot assure that relevant antitrust authorities will approve the Transaction without imposing actions, conditions, limitations or restrictions in connection with their approval of the Transaction, which may jeopardize or delay completion of the Transaction, or allow the parties to terminate the Transaction.

Moreover, the consummation of the Transaction has been subject to various legal proceedings and challenges seeking to suspend the continuation of the consummation of the Transaction. For instance, there are four ongoing lawsuits seeking to prevent or delay the consummation of the Transaction: (1) class action No. 5017611-59.2018.4.03.6100, filed by Paulo Pimenta and others before the 24th Federal Civil Court of São Paulo, (2) public interest civil action No. 5031433-18.2018.4.03.6100, filed by the *Confederação Nacional dos Trabalhadores Metalúrgicos* and others before the 24th Federal Civil Court of São Paulo, (3) public interest civil action No. 5000804-27.2019.4.03.6100, filed by the *Associação Brasileira de Investidores* - ABRADIN before the 8th Federal Civil Court of São Paulo, and (4) public interest civil action No. 1000309-57.2019.4.01.3400, filed by the *Partido Democrático Trabalhista* - PDT before the 9th Federal Civil Court of the Federal District. Embraer has thus far been able to prevail and obtain decisions favorable to the continuation of the Transaction. However, the outcome of any such litigation is uncertain. Also, there can be no assurance that other legal proceedings will not be initiated with the purpose of suspending actions to consummate the Transaction nor that we will prevail in those proceedings. An adverse ruling in any such lawsuit could prevent or delay consummation of the Transaction and/or result in additional costs to us.

If the Transaction is not consummated, or its consummation takes longer than expected, or if certain conditions or restrictions are imposed by relevant antitrust authorities for the consummation of the Transaction, we may not realize the expected synergies and other benefits from the strategic partnership with Boeing, or our employees, suppliers or customers may lose focus on our business, cease doing business with us, or curtail their activities with us, which may materially and adversely affect our business and operations, financial condition or operating results, as well as the trading price of our common shares and ADSs. Failure to complete the Transaction for any reason could materially and adversely affect our business and the trading price of our common shares and ADSs in a number of other ways, including the following:

- having to pay substantial costs relating to the Transaction, whether or not the Transaction is completed;
- experiencing negative reactions from the financial markets, rating agencies or from our key business relationships, including our customers, suppliers and employees;
- focusing on the Transaction instead of on pursuing other opportunities that could be beneficial, without realizing any of the benefits of having the Transaction consummated; and
- reputational harm due to the adverse perception of any failure to successfully consummate the Transaction.

Our strategic partnership with Boeing may not be implemented successfully or the implementation may be more difficult, time consuming or costly than expected.

We face challenges in the implementation of the strategic partnership with Boeing that are inherent to splitting the businesses, operations and workforces of our commercial aviation and other businesses, including the potential for unforeseen difficulties in segregating operations and systems and the costs related thereto. The segregation of our commercial aviation business from our other businesses and the contribution of the relevant assets and liabilities to the Commercial Aviation JV is complex, costly and time-consuming and may deviate our management's focus and resources from our day-to-day operations. The difficulties of segregating the commercial aviation business from our other businesses include, among others:

- difficulties in segregating the commercial aviation business' operations and systems, including intellectual property and information technology assets;
- challenges in obtaining the required licenses and governmental and third party authorizations, consents or approvals;
- unforeseen costs;
- difficulties in segregating and retaining key personnel;
- challenges in keeping existing customers and suppliers; and
- performance shortfalls as a result of the diversion of management's attention caused by completing the Contribution.

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If we are not able to segregate our commercial aviation business unit according to the timing and costs originally planned and there are unforeseen difficulties in the segregation process, our business and operations as well as the trading price of our shares and ADSs may suffer a material adverse effect.

Although we expect that the strategic partnership with Boeing will result in synergies and other benefits to us, those benefits may not be realized fully or at all or may not be realized within the expected time frame.

We expect that the Commercial Aviation JV and the KC-390 JV, and the long-term Commercial Aviation JV Operational Agreements and the KC-390 JV Operational Agreements that we will enter into in connection with the Transaction, will generate synergies and other benefits to us, such as broader scale, resources and market presence, including access to Boeing's global supply, sales, marketing and service chain, increased efficiency and competitiveness of our products and services. However, our ability to realize the anticipated benefits of the Transaction will depend, to a large extent, on the successful, timely and cost-effective implementation of these joint ventures and the performance of the Commercial Aviation JV Operational Agreements and the KC-390 JV Operational Agreements in a manner that facilitates growth opportunities and achieve the projected stand-alone cost savings and revenue growth trends identified by us. Factors that could affect this implementation include the following, among others:

- the occurrence of unforeseen operational difficulties, especially considering the mutual operational dependency relationship that will result from the Transaction;
- potential disagreements with Boeing;
- difficulties in achieving anticipated synergies, business opportunities, and growth prospects from the strategic partnership;
- unexpected costs;
- challenges in sustaining the activities that we will conduct on a stand-alone basis;
- potential loss of key employees;
- potential changes to, or early termination of, the Commercial Aviation JV Operational Agreements; and
- negative perception from the financial markets and rating agencies of the business and operations of Embraer post-Transaction.

We cannot assure you that the strategic partnership with Boeing, if consummated, will be successful and, therefore, we may not realize fully or at all or may realize over a longer period of time than initially anticipated the anticipated synergies and other benefits of the Transaction. In addition, the value of the Transaction may be reduced as a result of purchase price adjustments and post-closing indemnities. If we are unable to fully realized the anticipated benefits of the Transaction, or if the value of the Transaction is reduced for any reason, our business, results of operations and financial condition as well as the trading price of our common shares and ADSs may be materially and adversely affected.

A downturn in the commercial and executive aviation markets may reduce our sales and revenue, and, consequently, our profitability.

We expect that a substantial portion of our sales will be derived from sales of commercial aircraft and executive jets. Historically, these markets have been cyclical due to a variety of factors that are both external and internal to the air travel industry, including general economic conditions.

Economic downturns in our industry may reduce air travel demand and corporate and personal spending, which may negatively impact our Commercial Aviation and Executive Jets businesses. Downturns may also lead to a decrease in the volume of financing available to our customers for aircraft purchases, particularly in the aforementioned segments. A continued downturn in general economic conditions could result in further reductions in air travel and decreased orders for our aircraft. Our customers could also defer or cancel their purchases of our aircraft. We cannot predict the magnitude or duration of the impact that the aforementioned events would not only have on the air transport industry as a whole and on our business in particular.

We depend on key customers.

In our Commercial Aviation business, as of December 31, 2018, approximately 90% of our firm orders in backlog for the current EMBRAER 170/190 jet family were from the airlines Republic Airlines, American Airlines, United Airlines, Horizon/Alaska and two undisclosed customers. Moreover, our E-Jets E2 family backlog mainly comprises orders from the companies Azul, AerCap, AirCastle and Helvetic, which represent approximately 90% of our E-Jets E2 family orders. We believe we will continue to depend on a select number of key customers, and the loss of any one of them would significantly reduce our sales and market share.

Progressively, the commercial airline industry is seeking to reduce costs and increase efficiency, and is experiencing a consolidation process through mergers and acquisitions and alliances through code-sharing arrangements. Although it is expected that those consolidations and alliances may result in the creation of more stable and competitive airlines, they may also have the effect of reducing the number of existing and potential customers and, possibly, the number of aircraft purchases, which may adversely affect us.

Financial difficulties, restructurings and bankruptcy proceedings of customer airlines can have a material adverse effect on our results of operations and financial condition. In February 2016, Republic Airways Holdings, which by that time operated a fleet of 230 Embraer Commercial Aviation aircraft (of which 50 are of the ERJ145 family and 180 are E170/E175 models), filed for a Chapter 11 bankruptcy. As a result, we have provisioned a total of US\$100.9 million to account for expected expenses related to obligations from financial guarantees offered to the main financing agent of the ERJ 140/145 aircraft, acquired by and delivered to this customer. As of December 31, 2018, the remaining obligation assumed in accounts payable was US\$15.1 million. For further information on these provisions, see "Item 5E. Off-Balance Sheet Arrangements."

In addition, delays in payment cycles by significant customers may adversely affect our cash position and working capital, as occurred in the past.

In the Executive Aviation segment, we have been increasingly relied on individual orders as the share of fleet orders in the backlog has been diminishing. The broad adoption of the Legacy and Phenom jets by fleet customers has in recent years driven the growth of our sales, backlog and deliveries, but fleet renewal demand has decreased and is expected to occur at a more moderate rate over a longer period as the current fleet ages.

In our Defense and Security business, the Brazilian government is our largest customer of defense aircraft products. Revenue from sales to the Brazilian government accounted for 48.1% of segment revenue for the year ended December 31, 2018. A decrease in defense investments by the Brazilian government due to budgetary constraints or other factors that are out of our control could decrease our Defense and Security revenue. We cannot assure you that the Brazilian government will continue to acquire defense products and services from us in the future at the same rate or at the same level.

Our aircraft sales are subject to cancellation and reschedule delivery provisions that may reduce our future income, profitability, backlog and cash flow.

A portion of our aircraft firm orders is subject to significant contingencies before delivery. Prior to delivery, some of our purchase contracts may be terminated, or all or a portion of a particular firm order may be canceled, for different reasons, including (i) extended delays in delivering aircraft or failure to obtain certification of the aircraft or otherwise meet performance milestones and other requirements, (ii) the failure of a customer to honor its aircraft purchases or (iii) production rate shortfalls.

Our customers may also reschedule deliveries or cancel orders, particularly during an economic downturn. In 2018, we had income of US\$35.4 million related to contractual fines paid by customers due to contract cancellations, compared to contractual fines income of US\$2.4 million in 2017 and US\$24.2 million in 2016. Material cancellations, delays or decreases in the number of aircraft delivered in any year would reduce our sales and revenue, and, consequently, our profitability, cash flow and backlog.

Some of our aircraft sales may be subject to financial and residual value guarantees and trade-in options that may require us to make significant cash disbursements.

For certain aircraft sales contracts, we guarantee a portion of the financial value and the residual value for aircraft that we have already delivered. Financial guarantees are provided to financing parties to support a portion of the payment obligations of purchasers of our aircraft under their financing arrangements to mitigate default-related losses. These guarantees are secured by the financed aircraft.

Residual value guarantees typically ensure that, at the exercise date (between six and 19 years after the aircraft delivery date), the relevant aircraft will have a residual market value equal to a percentage of the original sale price. Most of our residual value guarantees are subject to a limitation (a "cap") and, therefore, on average, our residual value guarantee exposure is limited to 11% of the original sale price. In the event of an exercise by a purchaser of its residual value guarantee, we will bear the difference, if any, between the guaranteed residual value and the market value of the aircraft at the time of exercise, limited to the cap.

Assuming all customers who are supported by off-balance sheet financial guarantees defaulted on their aircraft financing arrangements, and also assuming we were required to pay the full aggregate amount of outstanding financial and residual value guarantees and were unable to remarket any of the aircraft to offset our obligations, our maximum exposure would have been US\$319.7 million (or US\$182.7 million, net of provisions of financial guarantee of residual value and financial guarantee already recorded in the amount of US\$137.0 million as reflected in Note 35.3 to our 2018 audited consolidated financial statements) under these guarantees as of December 31, 2018. As a result, we would be obligated to make substantial payments that may not be recoverable through proceeds from aircraft sales or leases, particularly if we are not able to remarket any of the aircraft to offset our obligations or financing defaults occur with respect to a significant portion of our aircraft. The value of the underlying aircraft is more likely to decrease and third parties are more likely to default during economic downturns. For further discussion see our exposure to these guarantees in Note 35 to our audited consolidated financial statements and "Item 5E. Off Balance Sheet Agreements."

In addition, we sometimes provide trade-in options to our customers in purchase agreements for new aircraft. These options provide customers with the right to trade in aircraft upon the purchase and acceptance of a new aircraft. In 2018, we accepted 11 aircraft, with a total invoiced value of US\$ 81.2 million, for trade-in pursuant to trade-in options, as compared to 23 aircraft, with a total invoiced value of US\$114.0 million, in 2017 and 43 aircraft, with a total invoiced value of US\$365.4 million, in 2016. In the aggregate, we are currently subject to trade-in options relating to eight aircraft, as a result of trade-ins tied to contractual obligations with customers and to their taking delivery of certain new aircraft. In addition, other aircraft may become subject to trade-in due to new sales agreements. The trade-in price is determined based on the new aircraft sold, as well as other factors, including a market value assessment performed by independent third party appraisers. We may be required to accept trade-ins at prices that could result in financial loss for us when we receive the aircraft.

We continuously re-evaluate our risk related to financial guarantees and trade-in obligations based on a number of factors, including the estimated future market value of our aircraft based on third-party appraisals, information on similar aircraft remarketing in the secondary market and the credit rating of the customers.

In 2018, 2017 and 2016, we recorded provisions and contract liabilities on financial guarantees and residual value guarantees of US\$152.1, US\$156.8 million and US\$210.8 million (including provision for Chapter 11 filed by Republic Airways on US\$15.1, US\$ 30.8 million and US\$ 41.6 million), respectively, related to exposure from financial guarantees offered to the main financing agent of the ERJ 140/145 aircraft, acquired by and delivered to this customer.

Any unexpected decrease in the market value of the aircraft covered by trade-in rights or financial guarantees would decrease our ability to recover the amounts payable to satisfy our obligations and cause us to incur additional charges to income. If we are required to pay amounts related to the guarantees, we may not have sufficient cash or other financial resources available to do so and may need to seek financing to fund these payments. We cannot assure you that the then-prevailing market conditions would allow us to resell or lease the underlying aircraft at its anticipated fair value or in a timely manner. Consequently, honoring our financial guarantee or trade-in obligations could require us to make significant cash disbursements in a given year, which, in turn, would reduce our cash flow in that year.

Any decrease in Brazilian government-sponsored customer financing, or increases in government-sponsored financing that benefits our competitors, may decrease the competitiveness of our aircraft.

Traditionally, aircraft original equipment manufacturers, or OEMs, from time to time, have received support from governments through governmental export credit agencies, or ECAs, in order to offer competitive financing conditions to their customers, especially in periods of credit tightening from the traditional lending market.

Official government support may constitute unofficial subsidies causing market distortions, which may rise to disputes among governments at the World Trade Organization, or WTO. Since 2007, an agreement known as the Aircraft Sector Understanding, or ASU, developed by the Organization for Economic Co-operation and Development, or OECD, has provided guidelines for the predictable, consistent and transparent use of government-supported export financing for the sale or lease of civil aircraft, in order to establish a “level-playing field.” ECAs from signatory countries are required to offer terms and conditions no more favorable than those contained in the ASU’s base financial agreement when financing sales of aircraft that compete with those produced by the OEMs of their respective countries. The effect of the agreement is to encourage aircraft purchasers to focus on the price and quality of aircraft products offered by OEMs rather than on the financial packages offered by their respective governments.

The Brazilian ECA, Brazilian Social and Economic Development Bank (*Banco Nacional de Desenvolvimento Econômico e Social*), or BNDES, together with the Brazilian National Treasury Export Guarantee Fund, offer financing and export credit insurance to our customers under terms and conditions required by the ASU. Any reduction or restriction to the Brazilian export financing program, and any increase in our customers’ financing costs for participation in this program, above those provided in the ASU’s base financial agreement, may cause the cost-competitiveness of our aircraft to decline. Other external factors may also impact our competitiveness in the market, including, but not limited to, aircraft OEMs from countries which are not signatories to the ASU agreement offering attractive financing packages, or any new government subsidies supporting any of our major competitors.

From 2004 through 2018, approximately 30% of our Commercial Aviation deliveries was subject to official export credits. In 2017 and 2018, approximately 25% and 51%, respectively, of our Commercial Aviation deliveries were supported by the Brazilian export financing program. We cannot assure that the Brazilian government, for policy reasons or otherwise, will not reduce or discontinue this type of funding for the financing of our aircraft or that other sources of funding will be available to our customers. The loss or significant reduction of funds available to our customers, without an adequate substitute, could lead to a reduction in sales of our aircraft or to an increase of eventual aircraft financing arrangements.

We may face a number of challenges resulting from the development of new products and the possible pursuit of strategic opportunities and transactions.

Our products require a high level of research, development and production expenditures. Our main ongoing project is the development of the E-Jets E2 family, comprising three new airplanes, the E175-E2, E190-E2, and E195-E2. We estimate our total investment in this project will be US\$1.7 billion, net of contributions from suppliers, through 2021. In December 2016, we revised our projection of certification and entry into service of the E175 E2 jet from 2020 to 2021. This rescheduling is based on continued interest in the current generation E175 jet in the North American market and recent negotiations between the major US airlines and their respective pilot unions.

We cannot assure you that our products will be accepted by our customers and the market, and if any of our new products does not meet customer expectations or market demand, our business would be materially and adversely affected. In addition, as we continue to develop new products, we may need to reallocate existing resources and coordinate with new suppliers and risk-sharing partners. Finally, cost overruns and delays in the development and delivery of new products would materially and adversely affect us.

We may pursue strategic opportunities and transactions, just as we have in the past, including joint ventures, partnerships, acquisitions or divestitures. We may face a number of challenges, including difficulties in identifying appropriate partners, assimilating with or adjusting to our partners' or targets' operations and personnel, maintaining internal standards and controls, as well as the diversion of our management's focus from our ongoing business. We cannot assure you that we will be able to meet these challenges and that our business or the trading price of our common shares or ADSs will not face disruptions as a result of such opportunities or transactions or the markets' perception thereof.

We may be required to refund cash contributions in connection with the production or development of our aircraft if certain milestones for our aircraft are not reached.

We have arrangements with our risk-sharing partners, pursuant to which they have contributed to us, in cash over the years, a total of US\$1,365 million since the beginning of the development of the EMBRAER 170/190, Phenom 100/300, Legacy 450/500 jet families and the E2 jet family through December 31, 2018. Cash contributions would have to be refunded by us to the risk-sharing partners to the extent that we had failed to fulfill certain agreed-upon milestones. In 2018, we met all the required milestones, and as a result, the full amount of the cash contributions were nonrefundable.

Although, currently, no cash contributions from our risk-sharing partners are refundable, we may enter into similar arrangements, and if we are unable to meet certain milestones agreed upon with our risk-sharing partners, we may be required to refund cash contributions for which we have not established provisions.

We face significant international competition, which may adversely affect us.

The worldwide commercial aircraft manufacturing industry is highly competitive. Along with the large international companies Boeing, Airbus SE, or Airbus, and Bombardier Inc., or Bombardier, we are one of the world's leading manufacturers of commercial aircraft. Additionally, Chinese, Russian and Japanese companies are developing regional jets and already have firm orders in backlog. Although we have attained a significant market share for our commercial aircraft products, we cannot assure you that we will be able to maintain our market share.

In order to remain competitive in the commercial aircraft manufacturing market in the long-term, we must continue to make technological, efficiency and performance enhancements to our aircraft. The competitive landscape has become increasingly aggressive, for example, in light of deals such as the Airbus acquisition of a majority stake in Bombardier's C-Series Program, renamed A220s in July 2018.

In addition, as a relatively new entrant to the executive jets market, we face significant competition from companies with longer operating histories and established reputations in the industry. Some of our competitors in the executive jets market have a longer track record and a more established customer base. In addition, the level of pre-owned aircraft for sale, although improving, continues to pressure new aircraft demand in this segment and may impact the value of the used aircraft in our portfolio. We cannot assure you that we will increase our market share in the executive jets market segment, or that we will not experience a reduction in our current market share in this segment, especially taking into account a stable market demand scenario that we expect in 2019.

Protectionist and other measures adopted by the governments of specific countries could adversely and disproportionately affect us when compared to our main competitors. Our production is spread globally, with parts manufactured in one or more countries and assembled in another, and as a result any limitations to trade, including quotas, tariffs, subsidies or local content requirements, may increase our production costs and affect our capacity to compete in equal terms in the market for our products.

We work with a limited number of key suppliers.

We do not manufacture all of the parts and components used in the production of our aircraft. Approximately 80% of the production costs in our Commercial Aviation and Executive Jets businesses consist of materials and equipment purchased from our risk-sharing partners and other major suppliers. Risk-sharing arrangements are those in which suppliers are responsible for the design, development and manufacture of major components or systems of our aircraft. In some cases, the aircraft are designed specifically to accommodate a particular component, which cannot be substituted by another manufacturer without significant delays and expense. In addition, there exist only a limited number of suppliers of certain key components of aircraft globally. We work closely with our main suppliers in order to mitigate any potential supply chain risk, but we cannot assure you that these risks, which could negatively and adversely affect our operating and financial performance, will not materialize.

Intellectual property violations may adversely affect us.

We rely on patent, copyright, trademark and trade secret laws, and agreements with our employees, customers, suppliers and other parties, to establish and maintain our intellectual property rights in technology and products used in our operations. Despite these efforts to protect our intellectual property rights, any of our direct or indirect intellectual property rights could be challenged, invalidated or circumvented. In addition, although we believe that we lawfully comply with the intellectual property rights granted to others, we may be accused of infringement on occasion and could have claims asserted against us in the future. These claims could harm our reputation, lead to fines and penalties and prevent us from offering certain products or services. Any claims or litigation in this area, whether we ultimately win or lose, could be time-consuming and costly, hurt our reputation and/or require us to enter into licensing arrangements. We may not be able to enter into these licensing arrangements on acceptable terms. If any infringement brought against us is successful, an injunction may also be ordered against us to stop infringing the alleged rights, which could adversely affect us, our research and/or production.

Unauthorized access to, or release or violation of our, our customers' or our business partners' systems and data could cause a material adverse effect on our business and reputation.

We, like all business organizations in the digital world, have been subject to a broad range of cyber threats, including attacks, with varying levels of sophistication. These cyber threats are related to the confidentiality, availability and integrity of our systems and data, including our customers' confidential, classified or personal information. In addition, because we have access to certain information technology systems of some of our customers, our systems may be subject to attacks aimed at accessing, tampering with or exposing our customers' systems and their data.

We maintain extensive technical security controls, policy enforcement mechanisms, monitoring systems and management oversight in order to address these threats. While these measures are designed to prevent, detect and respond to unauthorized activity in our systems, certain types of attacks, including cyber-attacks, which could have a material adverse effect on our business and reputation, may occur.

Furthermore, some of our business partners, such as our suppliers, have significant access to confidential and strategic information regarding our projects and engineering data. Many of these suppliers face similar security threats and any attacks on their systems could result in unauthorized access to our systems or data.

Any unauthorized access to, or release or violation of our systems and data or those of our customers or business partners could cause a material adverse effect on our business and reputation.

We may suffer from a lack of qualified personnel.

From time to time, there is significant competition within the aviation industry for skilled personnel in general and engineers in particular. To the extent the competition re-emerges, we may be unable to recruit and retain the necessary number of highly skilled engineers and other personnel we require. Failure to coordinate our resources in a timely manner or to attract and retain skilled personnel could slow down our development efforts and cause delays in production and deliveries of our aircraft, which would adversely affect us.

We are subject to environmental, health and safety risks.

Our products, as well as our manufacturing and service activities, are subject to environmental laws and regulations in each of the jurisdictions in which we operate. These laws regulate product performance or content, energy use, greenhouse gas emissions, air quality, water and noise pollution, hazardous substance management, human health risks arising from the exposure to hazardous or toxic materials and the remediation of soil and groundwater contamination.

In addition, environmental regulations related to climate change, including CO₂ emissions standards adopted by the International Civil Aviation Organization, or the ICAO, in March 2017, are one of the main drivers of global aerospace industry research and development investments since they may affect customer preferences. We may incur additional costs to improve or create new compliance programs to meet environmental regulatory requirements. We currently have several comprehensive programs in place to reduce the effects of our operations on the environment. For further information, see “Item 4D. Information on the Company—Property, Plant and Equipment.”

Moreover, our services and products must comply with health and safety laws and regulations, as well as substances and preparations. We strive to maintain the highest quality standards and closely follow potential and confirmed changes in laws and regulations to adapt, redesign, redevelop, recertify or eliminate our products to remain compliant with those claims. Seizures of non-compliant products may occur and we may incur administrative, civil or criminal penalties. In the event of an accident or other serious incident involving a product, we may be required to conduct investigations and undertake remedial activities.

We benefit from certain tax and other government-granted benefits and the suspension, cancellation or non-renewal of those benefits would have a material adverse effect on us.

Similarly to other Brazilian companies across multiple industries, we receive certain tax and other government-granted benefits, including incentives related to our export and research and development activities. For further information, see “Item 5A. Operating and Financial Review and Prospects—Operating Results—Brazilian Economic Environment—Tax Incentives.”

We cannot assure you that these incentives will be maintained or renewed or that we will be able to obtain new incentives. We could be materially adversely affected in the event our existing benefits are cancelled or not renewed.

Investigations by government authorities under the FCPA and other applicable anti-corruption laws may result in substantial fines and other adverse effects.

On October 24, 2016 we finalized definitive agreements, or the Final Agreements, with the U.S. Department of Justice, or DOJ, and the U.S. Securities and Exchange Commission, or the SEC, for the settlement of criminal and civil violations of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or FCPA. We also finalized a term of undertaking (*termo de compromisso e de ajustamento de conduta*), or TCAC, with the Brazilian Federal Public Prosecutor’s Office (*Ministério Público Federal*), or MPF, and the Brazilian Securities and Exchange Commission, or the CVM, for the resolution of violations of certain Brazilian laws.

Under these settlements, in addition to paying a total of US\$205.5 million to the SEC, DOJ and a Brazilian federal fund, we agreed to an external and independent monitorship for a period of three years. The monitorship period may be extended at the DOJ’s discretion depending on our compliance with the deferred prosecution agreement, or DPA. In February 2017, the United States authorities appointed the monitor, who has been preparing annual reports containing certain observations and recommendations to further improve our anti-corruption and compliance policies and procedures. If our monitor reports we are not in compliance with his recommendations or the terms of the Final Agreements, the latter could be terminated and we could be significantly and negatively affected. Additionally, the monitoring process could divert the efforts and attention of our management team from our ordinary business operations.

In addition, under the DPA the DOJ has agreed to defer prosecution for three years of the facts acknowledged by us that occurred between 2007 and 2011, after which period the charges will be dismissed with prejudice if we do not violate the terms of the DPA. If the DOJ determines that we have breached the DPA, the DOJ may commence prosecution or extend the term of the DPA for up to one year. Similarly, if we breach our obligations under the TCAC, it may also be terminated by the MPF and the CVM in which case we would be subject to sanctions. The criminal prosecution or sanctions could have a material adverse effect on our business, financial condition, results of operations, or cash flows.

Moreover, related proceedings and developments are ongoing and could result in additional fines and possibly other sanctions and adverse consequences, which may be substantial. We currently cannot estimate the costs, sanctions or other adverse consequences in connection with these proceedings, nor can we predict the manner in which any proceedings will be resolved. However, any costs, sanctions or other adverse consequences could be significant, and any resolution could have a material adverse effect on our business, financial condition, results of operations, or cash flows. We believe that there is no adequate basis at this time for estimating accruals or quantifying any contingency with respect to these matters.

For further information on these settlements, see “Item 8A. Financial Information—Consolidated Statements and Other Financial Information—Legal Proceedings—SEC/DOJ and Brazilian Public Prosecutor’s Investigations.”

Risks Relating to the Commercial Airline Industry

Scope clause restrictions in airline pilot contracts may limit demand for commercial aircraft in the U.S. market.

A key limiting factor in demand for regional jets is the existence of scope clauses contained in airline pilot contracts. These scope clauses are union-negotiated restrictions on the number and/or size of regional jets that a particular carrier may operate. Current scope clause restrictions, which are more prevalent in the United States, include restrictions on the weight of aircraft and number of 76 seat commercial aircraft in an airline’s fleet operated by regional carriers. As a result, our opportunities for near-term growth in the U.S. regional jets market in the 76 seat jet category may be limited. The continuation or further tightening of scope clauses could also lead some of our customers who have purchased options to acquire our commercial aircraft not to exercise those options. The next round of negotiations of scope clauses will begin on December 31, 2019, at which time restrictions may be reviewed. We cannot assure that current restrictions will be reduced, or that they will not be expanded, including by amending these scope clauses to cover larger-sized commercial aircraft. Furthermore, although scope clauses are less prevalent outside the United States, the same uncertainty is present in other regions, like Europe.

The supply of pilots to the airline industry may be limited.

U.S. Federal Aviation Administration, or the FAA, regulations may negatively impact the supply of qualified pilot candidates eligible to be hired in the airline industry. A first officer in U.S. domestic operations must hold an airline transport pilot certificate and an aircraft type rating to fly the aircraft. An airline transport pilot certificate requires that a pilot be 23 years of age and have 1,500 hours total time as a pilot. Due to these requirements, there may be a growing scarcity of new entrant pilots who meet the experience qualifications, mainly affecting regional carriers which are the usual entry airlines for new pilots (major airlines are expected to hire many of their experienced pilots).

In order to mitigate this issue, certain airlines, for example American Airlines and Jet Blue especially in the United States, have adopted internal measures, including but not limited to creating professional pilot programs and providing financing alternatives. However, any inability to recruit, train and retain qualified pilots may materially affect our customers’ operations.

We are subject to stringent certification and regulatory requirements, which may adversely affect us.

Our civil aviation products are subject to regulation in Brazil and in each jurisdiction where our customers are located. The aviation authority in Brazil, known as the National Civil Aviation Agency (*Agência Nacional de Aviação Civil – ANAC*), or the Brazilian Aviation Authority, as well as authorities in other countries in which our customers are located, most notably the FAA and the European Aviation Safety Agency, or the EASA, must certify our civil aviation products before we can deliver them to our customers. We cannot assure you that we will be able to obtain certification of our aircraft on a timely basis or at all. In addition, complying with the requirements of regulatory authorities can be both expensive and time-consuming. If we fail to obtain a required certification from an aviation authority for any of our aircraft, that aviation authority can prohibit the registration of that aircraft within its jurisdiction until certification has been obtained. Changes in government regulations and certification procedures could also delay our start of production as well as entry of a new product into a new market. Despite our continuous efforts to strictly observe and comply with all aviation certification and other regulatory requirements, we cannot predict how future laws or changes in the interpretation, administration or enforcement of those laws will affect us. We may be required to incur significantly more costs to comply with these laws and/or to respond to these changes.

Any accidents or catastrophic events involving our aircraft could adversely affect us.

We believe that our reputation and the safety record of our aircraft are important selling points for our products. However, the safe operation of our aircraft depends to a significant degree on a number of factors largely outside our control, including our customers' proper maintenance and repair of our aircraft and pilot skill. The occurrence of one or more accidents or catastrophic events involving one of our aircraft could adversely affect our reputation and future sales, as well as the market price of our common shares and the ADSs.

Risks Relating to Brazil

Brazilian political and economic conditions have a direct impact on our business and the trading price of our common shares and ADSs.

The Brazilian government has frequently intervened in the Brazilian economy and occasionally has made drastic changes in policy and regulations. The Brazilian government's actions to control inflation and affect other policies and regulations have involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency exchange and remittance controls, devaluations, capital controls and limits on imports. Our business, financial condition, results of operations and the trading price of the common shares and the ADSs may be adversely affected by changes in policy or regulations at the federal, state or municipal level involving or affecting factors, such as:

- interest rates;
- currency fluctuations;
- monetary policies;
- inflation;
- liquidity of capital and lending markets;
- tax policies;
- labor regulations;
- energy and water shortages and rationing; and
- other political, social and economic developments in or affecting Brazil.

Uncertainty over whether the Brazilian government will implement changes in policy, regulation or legislation creates instability in the Brazilian economy, increasing the volatility of the Brazilian securities markets. These uncertainties and other future developments in the Brazilian economy may adversely affect our activities, and consequently our operating results, and may also adversely affect the trading price of our common shares and ADSs. These factors are compounded as Brazil emerges from a prolonged recession after a period of a slow recovery, with only meager GDP growth in 2018. Additionally, the new president of Brazil, Jair Bolsonaro, took office on January 1, 2019. We cannot predict the policies or regulations that he may adopt or change during his term.

Since 2011, Brazil's economy has been weak. The Gross Domestic Product, or GDP, growth rate was 1.1% in 2018, 1.0% in 2017, compared to contraction rates of (3.6)% in 2016, (3.8) % in 2015, and GDP growth was 0.1% in 2014, 2.7% in 2013 and 1.8% in 2012 and 3.9% in 2011, compared to a GDP growth of 7.5% in 2010. In 2019, analysts forecast that the Brazilian GDP will grow 2.5%.

Our results of operations and financial condition have been, and will continue to be, affected by the growth rate of the Brazilian GDP. Developments in the Brazilian economy may affect Brazil's growth rates and, consequently, the use of our products and services.

Political instability may adversely affect our business and results of operations, the price of our common shares and our debt instruments.

Brazil's political environment has historically influenced, and continues to influence, the performance of the country's economy. Political crises have affected, and continue to affect, the confidence of investors and that of the public in general, resulting in economic downturn and heightened volatility of securities issued by Brazilian companies.

Brazilian markets have been experiencing heightened volatility due to uncertainties derived from the ongoing *Lava Jato* investigation, which is being conducted by the Federal Prosecutor's Office, and its impact on the Brazilian economy and political environment. Certain members of the Brazilian government and of the legislative branch, as well as senior officers of large state-owned and private companies have been convicted of political corruption involving the acceptance of bribes by means of kickbacks on contracts granted by the government to several infrastructure, oil and gas and construction companies. Profits of these kickbacks allegedly financed the political campaigns of political parties that were unaccounted for or not publicly disclosed, and served to further the personal enrichment of the recipients of the bribery scheme. As a result, a number of senior politicians and officers of the major state-owned and private companies in Brazil, resigned or have been arrested and certain senior elected officials and other public officials are being investigated for allegations of unethical and illegal conduct identified during the *Lava Jato* investigation.

The ultimate outcome of the investigations related to the *Lava Jato* is uncertain, but they have already had an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. We cannot predict whether the allegations will lead to further political and economic instability or whether new allegations against government officials will arise in the future. We cannot predict the outcome of any of these allegations nor their effect on the Brazilian economy. The development of those unethical conduct cases has affected and may continue to adversely affect our business, financial condition and results of operations and may adversely affect the trading price of our common shares and ADSs.

Inflation and government efforts to combat inflation may contribute significantly to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and, consequently, may adversely affect the market value of our common shares.

Historically, Brazil has experienced high inflation rates. Inflation and certain actions taken by the Central Bank to curb it have had significant negative effects on the Brazilian economy. After the implementation of the *Plano Real* in 1994, the annual rate of inflation in Brazil decreased significantly, as measured by the National Broad Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), or IPCA. Inflation measured by the IPCA index was 3.8%, 3.0% and 6.3% in 2018, 2017 and 2016, respectively, and the tendency is stable or slightly increasing inflation for 2019.

Inflation and the Brazilian government's measures to fight it, principally the Central Bank monetary policy, have had and may have significant effects on the Brazilian economy and us. Among the effects of such inflationary pressure is a rise in labor costs. Contracts in U.S. dollars, which represent the majority of our Executive Jets businesses, are adjusted for U.S. inflation, through the application of the U.S. Consumer Price Index for Urban Wage Earners and Clerical Workers index when delivery is not in the same year of the sale and depending upon the specific commercial terms negotiated in the contracts. While contracts in Brazilian *real* represent a small portion of the Executive Jets business, the same price adjustment mechanism concept applies using national index, typically the I-GPM. Major contracts in our Defense and Security business are adjusted for Brazilian inflation. If Brazil experiences high inflation again, our operating expenses and borrowing costs may increase, our operating and net margins may decrease and, if investor confidence decreases, the price of our common shares and ADSs may fall.

Tight monetary policies with high interest rates have restricted and may restrict Brazil's growth and the availability of credit. Conversely, more lenient government and Central Bank policies and interest rate decreases have triggered and may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could adversely affect us. Increases in interest rates could adversely affect our ability to incur additional debt and increase the cost of service of debt, resulting in an increase in our financial costs, which may reduce our liquidity, thereby adversely affecting our ability to meet our financial obligations. As of December 31, 2018, approximately 13% of our cash and cash equivalents were indexed to the variation of the SELIC and CDI rates. Therefore, fluctuations in Brazilian interest rates and inflation may adversely affect us. On the other hand, a significant decrease in the CDI or inflation rates may adversely affect the revenue we receive from our financial investments.

Exchange rate volatility may adversely affect us.

The Brazilian currency has, during the last decades, experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. For example, the *real* was valued at R\$1.67 per US\$1.00 in August 2008. Following the onset of the crisis in the global financial markets with consequences for our businesses, the *real* depreciated 31.9% against the U.S. dollar and reached R\$2.34 per US\$1.00 at the end of 2008. In 2010, the *real* appreciated against the U.S. dollar, reaching R\$1.661 per US\$1.00 at the end of 2010. Since 2011, the *real* depreciated against the U.S. dollar, reaching R\$3.9048 per US\$1.00 at the end of 2015 with a 47.0% devaluation in 2015. In 2016, the *real* appreciated against the U.S. dollar, reaching R\$3.2591 per US\$1.00 as of December 31, 2016. In 2017, the *real* appreciated against the U.S. dollar in comparison to 2016, reaching R\$3.3080 per US\$1.00 as of December 31, 2017. In 2018, the *real* depreciated against the U.S. dollar in comparison to December 31, 2017, reaching R\$3.8748 per US\$1.00 as of December 31, 2018. There can be no assurance that the *real* will not depreciate further against the U.S. dollar.

Depreciation of the *real* against the U.S. dollar creates inflationary pressures in Brazil and causes increases in interest rates, which negatively affects the growth of the Brazilian economy as a whole, curtails access to foreign financial markets and may prompt government intervention, including recessionary governmental policies. Depreciation of the *real* against the U.S. dollar has also, including in the context of an economic slowdown, led to decreased consumer spending, deflationary pressures and reduced growth of the economy as a whole. On the other hand, appreciation of the *real* relative to the U.S. dollar and other foreign currencies could lead to a deterioration of the Brazilian foreign exchange current accounts, as well as dampen export-driven growth. Depending on the circumstances, either depreciation or appreciation of the *real* may materially and adversely affect us.

Although most of our revenue and debt is U.S. dollar-denominated, the relationship of the *real* to the value of the U.S. dollar, and the rate of depreciation of the *real* relative to the prevailing rate of inflation, may adversely affect us, mainly due to the following factors:

- Approximately 30% of our total costs are incurred and denominated in *reais*.
- Because taxes on income are largely determined and paid in *reais* based on our Brazilian tax books, the income tax expense line item of our statements of income, which has the U.S. dollar as our functional currency, is significantly impacted by appreciation of the *real* relative to the U.S. dollar to the extent we must record deferred taxes resulting from exchange rate fluctuations on the reported basis of our nonmonetary assets (mainly property, plant and equipment and intangible assets). If the *real* had devalued or appreciated by 10% against the U.S. dollar in relation to the actual exchange rate as of December 31, 2018, the deferred income tax expense would have been higher or lower by approximately US\$148.2 million. For further information on the effects of the variation of the *real* against the U.S. dollar, see Note 26 to our 2018 audited consolidated financial statements
- Depreciation of the *real* against the U.S. dollar or other currencies would reduce our real-denominated revenues from our Defense and Security business, when converted to the U.S. dollar as our functional currency.
- Depreciations of the *real* relative to the U.S. dollar would also reduce the U.S. dollar value of distributions and dividends on our ADSs and may also reduce the market value of our common shares and ADSs.
- Appreciation of the *real* against the U.S. dollar or other currencies increases the costs of our products when measured in U.S. dollars, and may result in a decrease in our margins.

As a result, we may be materially and adversely affected by exchange rate variations.

Developments and the perception of risk in other countries, especially other emerging markets, may adversely affect the market price of Brazilian securities, including our ADSs, our common shares and our debt instruments.

The market value of securities of Brazilian issuers, including securities issued by us, may be affected by economic and market conditions in other countries, including the United States, European Union and Latin American countries and other emerging market countries. Although economic conditions in those countries may differ significantly from economic conditions in Brazil, investors' reactions to developments in other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises elsewhere may diminish investor interest in securities of Brazilian issuers, including ours. This could adversely affect the trading price of our securities, and could also make it more difficult for us to access the capital markets and finance our operations in the future on acceptable terms, or at all.

Any further downgrading of Brazil's credit rating could adversely affect the market price of our common shares, ADSs and debt instruments.

Credit ratings affect investors' perceptions of risk and, as a result, the yields required on debt issuances in the financial markets. Rating agencies regularly evaluate Brazil and its sovereign ratings, taking into account a number of factors including macroeconomic trends, fiscal and budgetary conditions, indebtedness and the prospect of change in these factors.

In September 2015, Standard & Poor's lowered Brazil's sovereign credit rating to below investment grade, from BBB-minus to BB-plus, citing, among other reasons, general instability in the Brazilian market caused by the Brazilian government's interference in the economy and budgetary difficulties. Standard & Poor's again downgraded Brazil's credit rating in February 2016, from BB-plus to BB, and maintained its negative outlook on the rating, citing a worsening credit situation from the time of the September 2015 downgrade. In January 2018, Standard & Poor's lowered its rating to BB-minus with a stable outlook in light of doubts regarding this year's presidential election and pension reform efforts. In December 2015, Moody's placed Brazil's Baa3 ratings on review for a downgrade, citing negative macroeconomic trends and a deterioration of the government's fiscal conditions. Subsequently, in February 2016, Moody's downgraded Brazil's ratings to below investment grade, to Ba2 with a negative outlook, citing the prospect for further deterioration in Brazil's debt service in a negative or low growth environment, in addition to challenging political dynamics. Fitch also downgraded Brazil's credit rating to BB-plus with a negative outlook in December 2015, citing the country's rapidly expanding budget deficit and the worse-than-expected recession, and made a further downgrade in May 2016 to BB with a negative outlook, which it maintained in 2017 and downgraded to BB- in February 2018. As a result, the trading prices of debt and equity securities of Brazilian issuers were negatively affected.

Any further downgrade of Brazil's credit ratings could heighten investors' perception of risk and, as a result, increase the cost of debt issuance and adversely affect the trading price of our securities.

Risks Relating to Our Common Shares and ADSs

If holders of our ADSs exchange the ADSs for common shares, they risk losing the ability to remit foreign currency abroad and Brazilian tax advantages.

The Brazilian custodian for the common shares has obtained an electronic certificate of registration from the Central Bank permitting it to remit foreign currency abroad for payments of dividends and other distributions relating to the common shares or upon the disposition of the common shares. These remittances under an ADR program are subject to a specific tax treatment in Brazil that may be more favorable to a foreign investor if compared to remitting gains originated from securities directly acquired by the investor in the Brazilian regulated stock markets. Therefore, an investor who opts to surrender ADSs in exchange for the underlying common share may be subject to less favorable tax treatment on gains with respect to these investments.

Pursuant to CMN Resolution No. 4,373, in order for the investor to surrender ADSs for the purpose of withdrawing the common shares represented thereby, the investor is required to appoint a Brazilian financial institution duly authorized by the Central Bank of Brazil and CVM to act as its legal representative, who shall be responsible, among other things, for keeping and updating the investors' certificates of registrations with the Central Bank of Brazil, which entitles registered foreign investors to buy and sell directly on the B3. These arrangements may require additional expenses from the foreign investor. Moreover, if the representatives fail to obtain or update the relevant certificates of registration, investors may incur additional expenses or be subject to operational delays which could affect their ability to receive dividends or distributions relating to the common shares or the return of their capital in a timely manner.

The custodian's certificate of registration or any foreign capital registration directly obtained by the holders may be affected by future legislative or regulatory changes, and we cannot assure the holders that additional restrictions applicable to them, the disposition of the underlying common or preferred shares, or the repatriation of the proceeds from the process will not be imposed in the future.

The Brazilian government has veto power over the change in our corporate control, and of our name, trademark or corporate purpose and over the creation or alteration of our Defense and Security programs, and its interests could conflict with the interests of the holders of our common shares and ADSs.

The Brazilian government holds one share of a special class of our common stock called a “golden share,” which carries veto power over our change of control, name, trademark or corporate purpose and over the creation or alteration of our Defense and Security programs (whether or not the Brazilian government participates in those programs). For example, (i) in 2010, we changed our corporate name to Embraer S.A. and altered our bylaws to allow us to enter the defense and security market, which required the approval of the Brazilian government and (ii) in 2019, the Brazilian government granted its approval for the strategic partnership between Embraer and Boeing. For further information on the Transaction, see the Explanatory Note on page 3 of this annual report. The Brazilian government may veto transactions that may be in the interest of the holders of our common shares or ADSs. We cannot assure you that we will be able to obtain approvals from the Brazilian government in the future to effect important corporate changes or transactions, or other important corporate changes that may be required.

Our bylaws contain provisions that could discourage our acquisition or prevent or delay transactions that you may favor.

Our bylaws contain provisions that have the effect of avoiding the concentration of our common shares in the hands of a small group of investors to promote the dispersed ownership of those shares. These provisions require any shareholder or group of shareholders that acquires or becomes the holder of (i) 35% or more of the total shares issued by us or (ii) other rights over shares issued by us that represent more than 35% of our capital, to submit to the Brazilian government a request for making a public tender offer to purchase all of our shares on the terms specified in our bylaws. If the request is approved, the shareholder or group of shareholders must commence the public tender offer to purchase all of our shares within 60 days of the date of approval. If the request is refused, the shareholder or group of shareholders must sell all of their shares that exceed the 35% limit within 30 days, so that the holding of this shareholder or group of shareholders falls below 35% of our capital stock. These provisions may have anti-takeover effects and may discourage, delay or prevent a merger or acquisition, including transactions in which our shareholders might otherwise receive a premium for their common shares and ADSs. These provisions can only be altered or overridden with the approval of our board of directors and our shareholders in a shareholders’ meeting convened for this purpose and with the consent of the Brazilian government, as holder of the golden share.

Our bylaws contain provisions that limit the voting rights of certain shareholders, including non-Brazilian shareholders.

Our bylaws contain provisions that limit the rights of a shareholder or group of shareholders, including brokers acting on behalf of one or more holders of ADSs, to exercise voting rights in respect of more than 5% of the outstanding shares of our capital stock at any general meeting of shareholders. See “Item 10B. Additional Information—Memorandum and Articles of Association—Description of Capital Stock—Voting Rights of Shares—Limitations on the Voting Rights of Certain Holders of Common Shares.”

Our bylaws also contain provisions that limit the right of non-Brazilian shareholders to exercise voting rights in respect of more than two-thirds of the voting rights that may be exercised by Brazilian shareholders present at any general meeting of shareholders. This limitation will effectively prevent our takeover by non-Brazilian shareholders and limit the ability of non-Brazilian shareholders to effect control over us. For further information on our voting rights, see “Item 10B. Additional Information—Memorandum and Articles of Association—Voting Rights of Shares—Limitation on the Voting Rights of Non-Brazilian Shareholders.”

The absence of a single, controlling shareholder or group of controlling shareholders may render us susceptible to shareholder disputes or other unanticipated developments.

The absence of a single, controlling shareholder or group of controlling shareholders may create difficulties for our shareholders to approve certain transactions, because, among other things, the minimum quorum required by law for the approval of certain matters may not be reached. We and our shareholders may not be afforded the same protections provided by the Brazilian Corporate Law against abusive measures taken by other shareholders and, as a result, may not be compensated for any losses incurred. Any sudden and unexpected changes in our management, changes in our corporate policies or strategic direction, takeover attempts or any disputes among shareholders regarding their respective rights may adversely affect our business and results of operations.

Holders of ADSs may not be able to exercise their voting rights.

Holders of ADSs may only exercise their voting rights with respect to the underlying common shares in accordance with the provisions of the deposit agreement governing our ADSs. Under the deposit agreement, ADS holders must vote the common shares underlying their ADSs by giving voting instructions to the depository. Upon receipt of the voting instructions from the ADS holder, the depository will vote the underlying common shares in accordance with these instructions. Otherwise, ADS holders will not be able to exercise their voting right unless they surrender the ADS for cancellation in exchange for the common shares.

Pursuant to our bylaws, the first call for a shareholders' meeting must be published at least 30 days in advance of the meeting and the second call must be published at least 15 days in advance of the meeting. When a shareholders' meeting is convened, holders of ADSs may not receive sufficient advance notice to surrender the ADSs in exchange for the underlying common shares to allow them to vote with respect to any specific matter. In addition, the depository has no obligation to notify ADS holders of an upcoming vote or distribute voting cards and related materials to ADS holders, unless we specifically instruct the depository to do so. If we ask the depository to seek voting instructions from ADS holders, the depository will notify ADS holders of the upcoming vote and will arrange to deliver proxy cards to those holders. We cannot assure you that ADS holders will receive proxy cards in time to allow them to instruct the depository to vote the shares underlying their ADSs. In addition, the depository and its agents are not responsible for failing to carry out voting instructions or for an untimely solicitation of voting instructions. As a result, holders of ADSs may not be able to fully exercise their voting rights.

The relative illiquidity and volatility of the Brazilian securities markets may substantially limit the ability of holders of our common shares or the ADSs to sell the common shares underlying ADSs at the price and time they desire.

Investing in securities, including our common shares or the ADSs, of issuers from emerging market countries, including Brazil, involves a higher degree of risk than investing in securities of issuers from more developed countries.

The Brazilian securities markets are substantially smaller, less liquid, more concentrated and more volatile than major securities markets in the United States and other jurisdictions, and are not as highly regulated or supervised as some other markets. The relatively small market capitalization and illiquidity of the Brazilian equity markets may substantially limit the ability of holders of our common shares or ADSs to sell the common shares or the ADSs at the price and time desired. For further information on the B3, see "Item 9C. Offer and Listing Details—Markets—Trading on the B3."