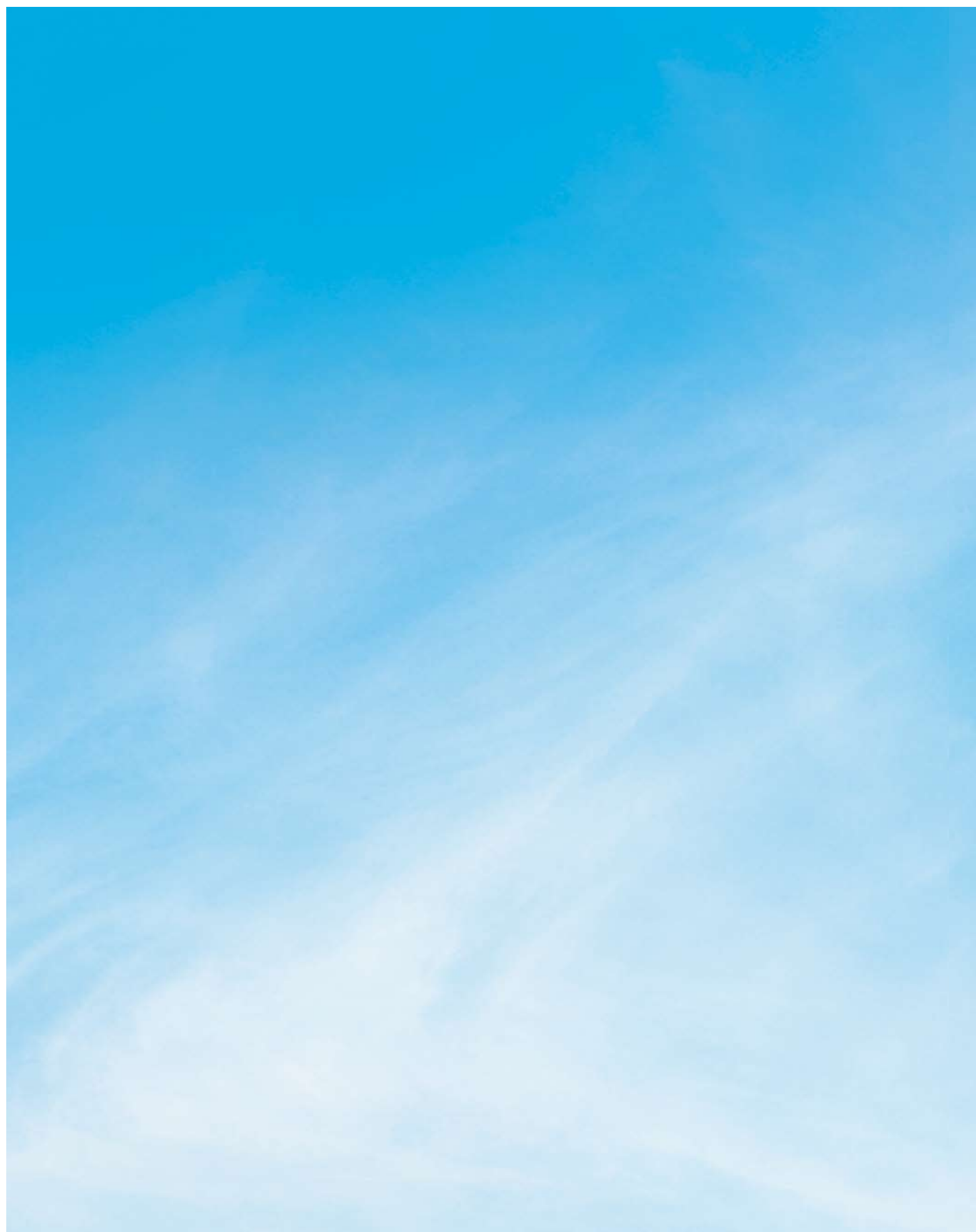




2006 Embraer Annual Report



3	Embraer Outlook
7	Financial Highlights
9	Embraer Profile
11	Embraer in the World
13	Corporate Strategy
17	Message from the President
21	Products
25	Month by Month
37	Commercial Aviation Market
45	Executive Aviation Market
53	Defense and Government Market
59	Customer Services
65	Technological and Industrial Management
71	Economic and Financial Analysis
79	The Capital Market
81	Risk Management
84	Corporate Governance
89	Management
91	Shareholder Information
92	Addresses

Embraer Outlook





The origin of Empresa Brasileira de Aeronáutica S.A. dates back to the 1940s, when the Brazilian Federal Government kicked off a long-term strategic project to develop the country's aircraft manufacturing capabilities.

The project concept emerged from the need to set up a solid technical base capable of overcoming Brazil's dependence on the technology of more advanced countries, and to implement an aviation industry in Brazil, initially establishing a high-level engineering school, together with the creation of an institute dedicated to research and development, both located at a technical center with a suitable infrastructure.

This is how the Aviation Technical Center, now known as the General Command for Aerospace Technology (Comando-Geral de Tecnologia Aeroespacial – CTA), was established in 1946 in the city of São José dos Campos, followed in 1950 by the Aeronautical Technology Institute (Instituto Tecnológico de Aeronáutica – ITA). The next step of the project was the creation of the Research and Development Institute (Instituto de Pesquisa e Desenvolvimento – IPD), in 1953.

Beginning in the 1950s, a number of experimental aircraft development programs were conducted at the CTA, including the Converteplano, the Beija-flor helicopter, and the Bandeirante turboprop. Beginning in 1965, under the name of the IPD-6504 program, work on the Bandeirante project led to the establishment of Embraer on August 19, 1969. Supported by the Brazilian Government, the new company would transform science and technology pioneered by the CTA into engineering and industrial capacity.

In addition to the Bandeirante, which was entirely redesigned in order to be produced in series as the EMB 110, the Brazilian Government commissioned Embraer to manufacture, under a license agreement with the Italian company Aermacchi, an advanced training and ground attack fighter – the EMB 326 Xavante. Other

achievements that marked Embraer's initial efforts were the high-performance glider EMB 400 Urupema and the EMB 200 Ipanema crop duster.

Embraer started to penetrate the international market in 1974 by exporting the EMB 110 Bandeirante and EMB 200 Ipanema airplanes. The EMB 121 Xingu, the Company's first pressurized aircraft, was launched in 1976.

In the late 1970s, the development of new products, such as the EMB 312 Tucano, the EMB 120 Brasília, and the AMX program, in association with Aeritalia (today Alenia) and Aermacchi, enabled the Company to achieve a new technological and industrial threshold.

However, a widespread financial crisis in the early 1990s led the Company to considerably reduce its workforce, abandon the CBA 123 Vector project, and delay the development of the ERJ 145, eventually culminating in the privatization of the Company in 1994.

The privatization of Embraer meant a deep cultural transformation process in which the former engineering and industrially-oriented culture predominant in the state-owned years merged with a new entrepreneurial and administratively-oriented culture, brought by the new controlling shareholders.

As a result, the Company was able not only to completely recover, but also prepared to embark on a new expansion process, primarily driven by the ERJ 145 regional jet project. In the following years, by launching the EMBRAER 170/190 family and the Legacy Executive jet, as well as Intelligence, Surveillance and Reconnaissance (ISR) products and the ALX/Super Tucano project, Embraer significantly increased its market share, resulting in growing revenues in diversified marketplaces.

Since 1995, one year after being privatized, Embraer has exported US\$ 23,8 billion in products and services, as the largest Brazilian exporter from 1999 to 2001.

During that period, the Company accounted for US\$ 9,2 billion of the country's trade balance.

In more recent years, a number of important events occurred that consolidated the Company's prosperous and sustainable economic and social development, such as the entry into service of the new EMBRAER 170/190 family of commercial jets, a program which has required investments of approximately US\$ 1 billion; the confirmation of Embraer's commitment to the Executive Aviation Market, with the launch of new products such as the Phenom 100/300 and the Lineage 1000 executive jets; the expansion of Embraer's presence in the Aviation Services Market, with the acquisition of specialized MRO companies, such as OGMA – Indústria Aeronáutica de Portugal; and, finally, Embraer's capital restructuring in March 2006, making it the first major Brazilian company to adopt dispersed share ownership.

Consistent with the requirements and characteristics of the sophisticated aviation business, Embraer's management is based on five cornerstones – high technology, qualified personnel, global presence, flexibility and cash

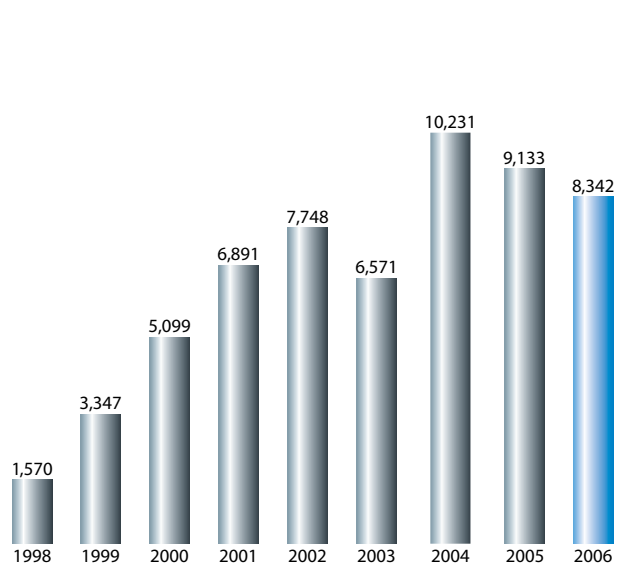
intensiveness – geared to a permanent and complete customer satisfaction, in which the Company continually invests. Customer satisfaction is the source of Embraer's results, enabling the accomplishment of its main goal: generating value for its shareholders.

Based in the city of São José dos Campos, nearly 60 miles from the city of São Paulo, Embraer has five plants in Brazil, in three different locations in the State of São Paulo, as well as subsidiaries, offices, technical assistance and parts distribution centers in China, Singapore, USA, France and Portugal, with, in December 2006, a workforce of more than 19,000 employees. In 2003, Embraer started operations at its first plant outside Brazil, in Harbin, northeast China.

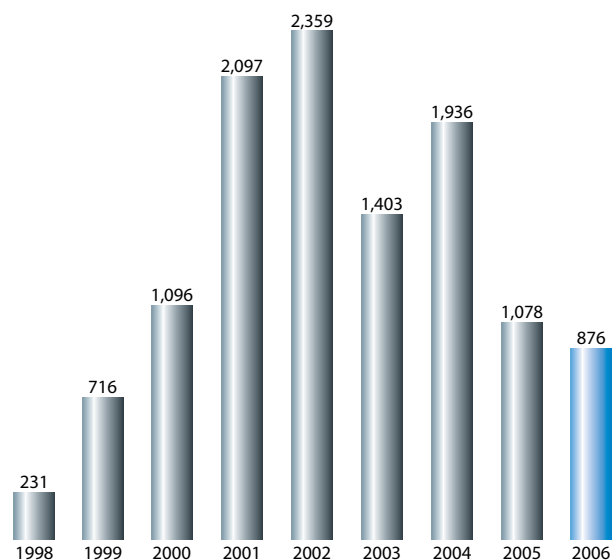
In December 2006, Embraer aircraft flew in the skies of the world, serving operators in 69 countries on five continents. The Company contributes to bringing the world together through aviation, by shortening distances between nations and providing aircraft featuring state-of-the-art technology, versatility and passenger comfort.



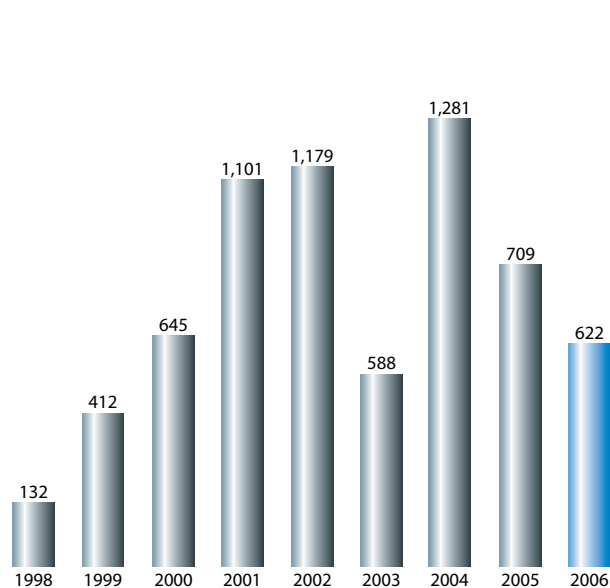
Financial Highlights



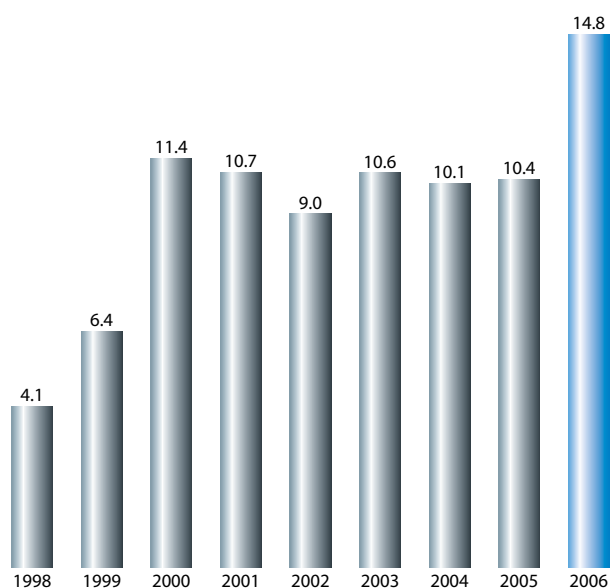
Gross Revenue – R\$ million



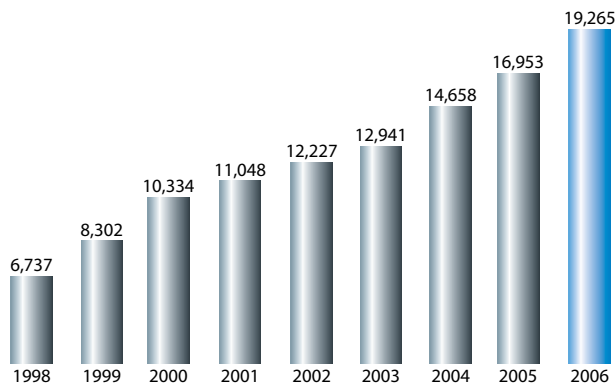
EBITDA – R\$ million



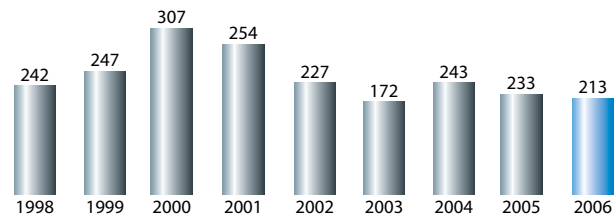
Net Income – R\$ million



Firm Orders Backlog – US\$ billion

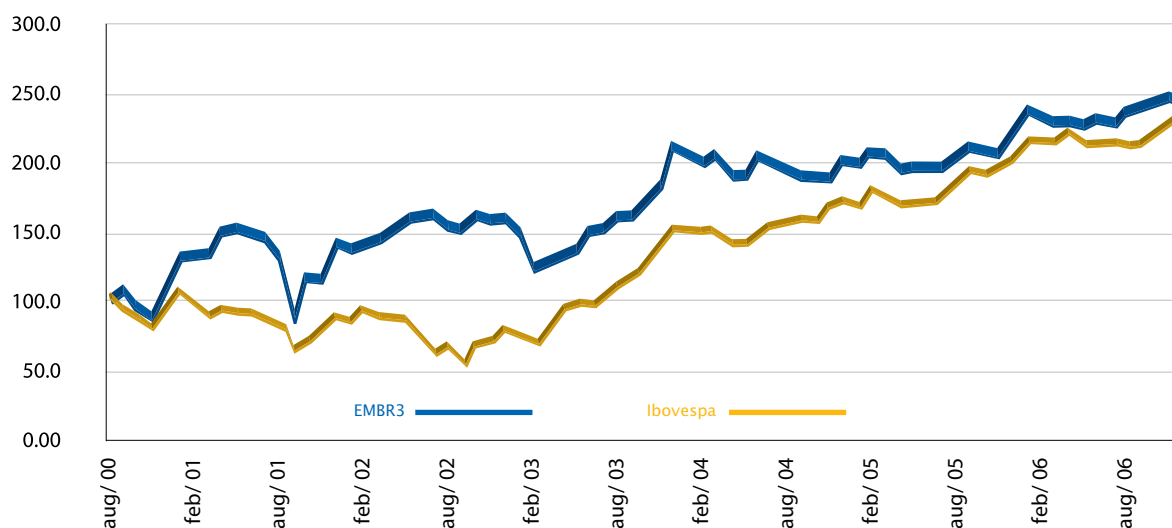


Number of Employees

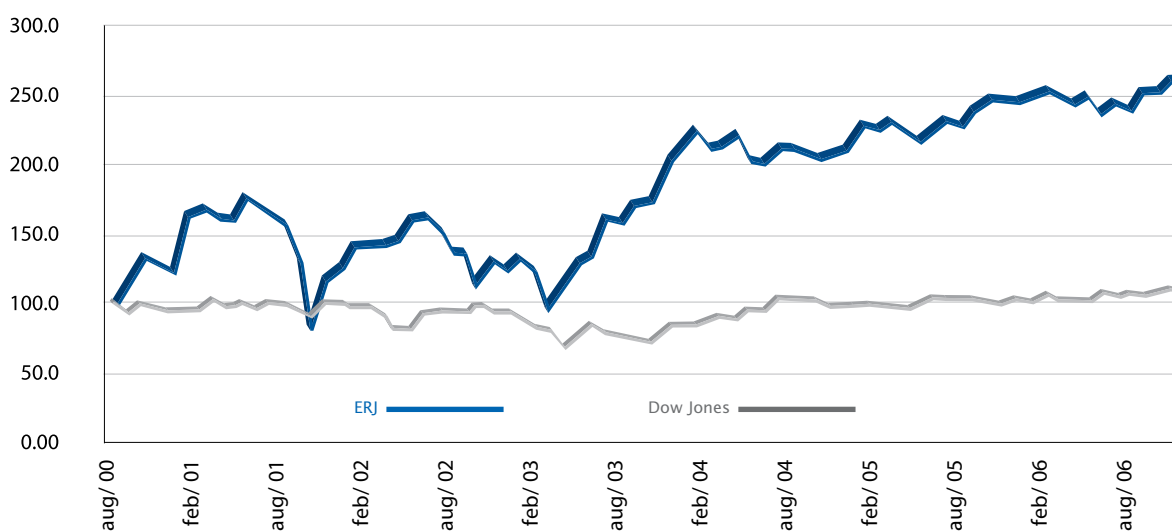


Revenue per Employee – US\$ thousand

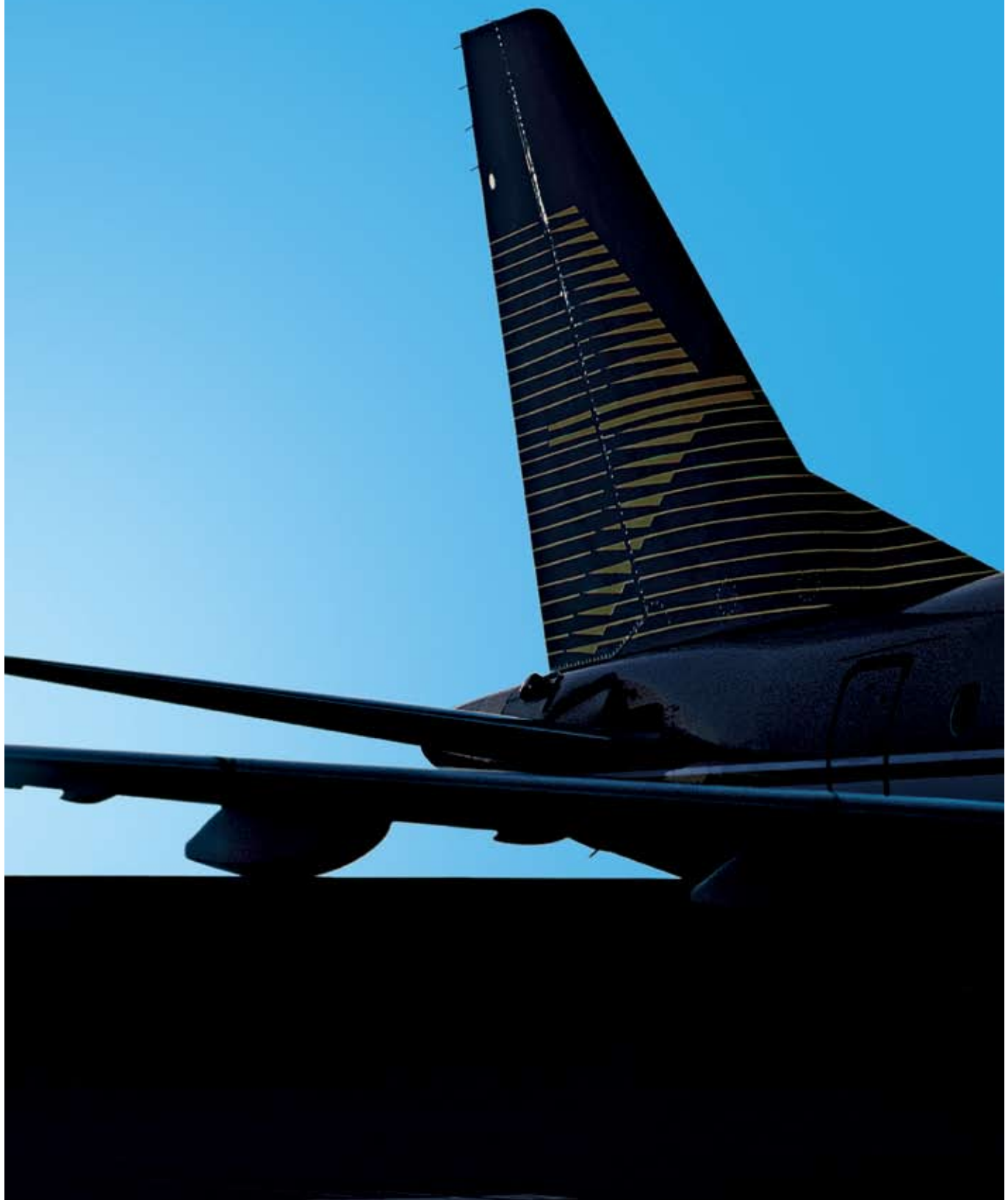
EMBR3 and Ibovespa Performance 7/21/00 = 100



ADS and Dow Jones Performance 7/21/00 = 100



Embraer Profile



BUSINESS DEFINITION

Embraer's business is to provide its customers in the Commercial and Defense Aerospace Markets with competitive and innovative high-technology solutions, fully satisfying their needs, maximizing shareholder returns, and fostering the development of the Company's employees and that of the communities where it operates.

AVIATION BUSINESS CHARACTERISTICS

Few world industries face such a daunting combination of challenges as the aviation industry – from the simultaneous application of multiple state-of-the-art technologies and the need to employ highly qualified workers to meet the requirements of a truly global industry, to the necessary flexibility to respond to sudden and unexpected changes in scenario and to the high amounts of capital required.

As a result of stringent operational requirements, extreme environmental variations, and weight and volume restrictions, the aeronautical industry is known as a veritable laboratory for the development of new technologies that later find their way into other productive segments and activities. Complex and sophisticated technologies are present not only in its products, but also in the development of manufacturing methods and processes.

In order to effectively and productively put these groundbreaking technologies into practice, counting on highly qualified personnel at all Company levels becomes of crucial importance.

Owing to low production volumes and hefty costs, the aeronautical industry is, by definition, an exporting and global industry, which reflects not only in its customer base, but also in its partner and supplier bases, including the financial institutions that make the industry viable.

Sudden scenario changes affecting the economy and the global geopolitical order are immediately seen in the aeronautical industry. Flexibility to adapt to these changes with minimum loss of efficiency and costs is a crucial asset in ensuring its continuity and preservation.

Finally, all these characteristics, together with the long cycles required for developing and testing its products, ultimately force this industry to heavily depend on large amounts of capital.

EMBRAER'S VISION

Embraer will continue to grow to become one of the leading global forces in the Aeronautical and Defense Markets, the leader in its segments, and renowned for the excellence of its entrepreneurial activities.

Embraer In the World





HARBIN
China

BEIJING
China

SINGAPORE
Singapore

Corporate Strategy





Embraer's strategies are based on its business continuity and vision for growth, as well as on the continuous practice and improvement of a set of beliefs, values, and attitudes that are the core of its Corporate Culture.

BUSINESS ENTREPRENEURIAL DRIVERS

Growth and Continuity

Creating and maintaining conditions to ensure Embraer's growth and continuity is an ongoing business strategy and a permanent focus of attention.

In line with this objective, in 2006 the Company implemented a capital restructuring operation of great impact for its future, which eventually made Embraer the first major Brazilian corporation to adopt dispersed-share ownership.

Among several benefits for the Company and shareholders, this initiative will allow the use of Embraer's shares to acquire assets and to expand its international presence, strengthening the relationship between the Company's management and the shareholders, with the adoption of better corporate governance practices, while maintaining and preserving the Brazilian government's strategic rights, as defined by the Golden Share.

Going Global

Aware that its effective penetration in new markets, which are essential for the Company's growth and consolidation, will not be possible without being physically present in these markets, with industrial units, after-sale services and customer support services, Embraer has adopted the continuous globalization of its operations as an essential strategic goal.

Important steps towards Embraer's progressive and strategic globalization efforts included the formation of Harbin Embraer Aircraft Industry (HEAI), a joint-venture between Embraer and Aviation Industry of China (AVIC II),

the acquisition of OGMA – Indústria Aeronáutica de Portugal, and the initial construction of new aircraft maintenance facilities in Nashville, Tenn., USA.

Growing Presence in Strategic Markets

Embraer's expansion, with the launch of new products and a strong presence in the segments in which it operates, results from thorough analyses of market opportunities and return on investment, and is an essential aspect of its business strategy.

The Company will focus its efforts on the Executive Aviation Market, which is expected to reach over US\$ 169 billion in the next ten years.

Industrial Partnerships

Successful industrial partnerships have been one of the Company's key growth factors throughout its history. Therefore, the establishment and consolidation of partnerships is vital for the success of future Embraer programs.

Embraer will continue to seek new global partnerships with leading companies in their segments, based on flexible risk-sharing and results oriented business plans.

VALUES AND ATTITUDES

Ethics and Compliance with Laws

Embraer is committed to ethical conduct and total compliance with legal regulations in the countries in which it operates and in its relations with customers, shareholders, suppliers, service providers, competitors and employees.

Customer Satisfaction

Customer satisfaction is the driving force behind product development, production and support with the high quality, performance and cost-effectiveness balance customers have come to expect.

Customer satisfaction is the common goal pursued by the organizations and teams that comprise Embraer. The Company is fully aware that customer satisfaction is the source of its results and returns on shareholder investments, as well as the cornerstone of future Company growth.

Transparent Shareholder Relations

Aware of its responsibility to those who believed in the Company, support its business visions and invest their resources, Embraer maintains shareholder relations based on truthful and transparent communication and on the best corporate governance practices.

Employee Recognition

Embraer is aware that its employees – skilled, integrated, motivated people united around its corporate objectives – are the Company's most important assets and competitive edge, as well as the source of its outstanding results in the past 11 years.

Over the last five years, Embraer invested about US\$ 107 million in personnel training and qualification programs. These programs will continue to be one of the Company's major priorities, based on truthful and transparent communication as the main tool to integrate and unite employees.

Negotiating and Sharing Results

Embraer's Variable Remuneration Policy is a true partnership among the shareholders, the management, and the employees that helps increase productivity and ensure the alignment of the Company's and the employees' strategic goals.

Through this policy, Company results are shared among its employees in accordance with a clear and familiar rule that includes, among other things, the accomplishment of goals agreed upon by the leaders and their teams, annually.

Social Responsibility

Committed to sustainable growth, Embraer has implemented measures to protect the environment and preserve the health and quality of life of its employees and their families, as well as the development of the communities in which the Company operates.

Message from the President





The year 2006 marked the beginning of a new era for Embraer. After the Company's capital restructuring, which made it the first major Brazilian enterprise to adopt dispersed-share ownership, we became, in fact, a global company.

This is Embraer's most important change since its privatization, because it expands the possibilities of obtaining financial resources in the world market for sustaining our expansion programs, while strengthening the organization and Shareholder relations by adopting the best corporate governance practices.

In fact, the Board of Directors, elected on March 31, 2006, consists of 11 members, seven of whom are independent, which gives the Board a high level of independence.

On the other hand, in addition to the responsibilities of the Board, as set forth in the Law and in the Company By-Laws – which do include approving the Company investment policies and growth strategies, as well as monitoring its activities, thus assuring a solid operation and permanent value adding for the Shareholder –, the Board of Directors is currently dedicated to analyzing the means and processes to be incorporated in its working procedures, in order to efficiently fulfill its responsibilities within this environment of a dispersed-share corporation.

The positive reaction to the long-term bonds and the secondary offering recently launched by Embraer is a clear testimony to the global market's acceptance of the changes implemented and the strategies adopted by Embraer.

From the Commercial Aviation business standpoint, we are very pleased to see the consolidation of the EMBRAER 170/190 family of jets in North America, Central America, and Europe, as well as its penetration into such very important markets as the Middle East, India and China. Today, some 650 aircraft from this new family have been sold to approximately 30 different Customers.

I would also like to point out the sale of 50 ERJ 145s and 50 EMBRAER 190s to China's fourth largest airline – the HNA Group. In addition, that marked the first E-Jet sale in China, which was signed before the competing Chinese aircraft entered service, confirming how right our strategy for growth in the Chinese market has been.

It is also very gratifying to see the success of the ERJ 145 family, which has nearly reached the milestone of 1,000 units delivered, with excellent acceptance by users and the best safety record and dispatch availability rates in its category.

In the Executive Aviation segment, Embraer's experience in developing efficient and robust aircraft has been fundamental in ensuring the acceptance of our products. In 2006, we sold a significant number of our executive jets: Legacy 600, Lineage 1000, Phenom 100 and Phenom 300. Currently, around 100 Legacy 600s are in operation in approximately 20 countries. The firm-order backlog for the Phenom 100 and Phenom 300 has already exceeded the mark of 350 jets, which are on schedule for their planned dates of entry into service.

This is a good time to mention that, together with these significant sales in a growing business, Embraer is expanding its Customer support network, assisted by a worldwide aeronautical services organization.

As for the Defense and Government segment, in 2006 we continued to produce the aircraft ordered by the Brazilian Air Force (FAB). It was an important achievement to deliver the first modernized F-5BRs and the Super Tucanos. We also delivered the first Super Tucano aircraft to Colombia, for this model's first export.

Another 2006 highlight was the creation of the Aeronautical Services Business Unit to meet Embraer's future expansion needs. We intend to exploit this market as a new growth area for the Company, and effectively penetrate lucrative market niches, resulting in additional revenue sources.

At the end of 2006, our total firm-order backlog reached US\$ 14.8 billion, a record for the Company and a 42.3% increase over 2005, signifying considerable economic strength.

We began the year with a plan to deliver 145 aircraft to the Commercial Aviation, Executive Aviation and Defense and Government Markets. But, due to difficulties in the production ramp up of the EMBRAER 190 and EMBRAER 195 aircraft, especially in terms of wing assembly, we actually delivered 130 airplanes.

This fact brought increased cost and loss of revenues. Therefore, our net income came to R\$ 8,342.4 million, or 8.7% less than in 2005, with a gross margin of 24.6%.

Net profits were R\$ 621.7 million, below the R\$ 708.9 million recorded in 2005, while the net margin remained practically stable, at 7.5%.

We would also point out the Company's net cash (available cash, less total indebtedness), which increased R\$ 34.9 million over 2005, thus closing out the fiscal year at R\$ 877.4 million.

Upon receiving Moody's and Standard & Poor's Investment Grade, in December 2005 and January 2006, respectively, we were able to reduce our debt costs. Furthermore, the signing of a syndicated standby facility of US\$ 500 million and the issuing of US\$ 400 million in bonds, maturing in 2017, with a coupon of 6.375% per annum, also allowed us to extend the tenor of our indebtedness maturity.

In 2006, we were pleased to see that over 800 employees volunteered for the projects implemented by the Embraer Institute. The social initiatives of the Institute benefited over 1,000 people, directly, and 9,000, indirectly, in the São José dos Campos, Gavião Peixoto and Botucatu communities. It was also gratifying to learn that the Ministry of Education ranked our 600-student Engineer Juarez Wanderley High School, for young people from low income families of the

Paraíba Valley, among the best schools in Brazil.

The succession process for Embraer's top leadership began in a harmonious and planned fashion, in 2006, with the Board of Directors nominating Eng. Frederico Fleury Curado to succeed me as President and CEO, at the end of April 2007. I am certain that Frederico, with his talent, intelligence, solid moral and ethical values, competence, experience and determination, will lead Embraer to higher levels of growth, while accruing value for our Shareholders and Investors. As Chairman, I, along with the other members of the Board, will work to support him in achieving these goals.

And it will be with the energy, dedication, competence and integrated efforts of our teams that we will continue to build a globally competitive and successful company, always focused on Customer satisfaction as the source of our continuous results, and value creation for our Shareholders.

MAURÍCIO BOTELHO
PRESIDENT AND CEO



Maurício Botelho and Frederico Fleury Curado

Products

Commercial Aviation Market



EMBRAER 170

Capacity: 70 to 80 seats
Range: 2,100 nm (3,900 km)



EMBRAER 175

Capacity: 78 to 88 seats
Range: 2,000 nm (3,700 km)



EMBRAER 190

Capacity: 98 to 114 seats
Range: 2,400 nm (4,500 km)



EMBRAER 195

Capacity: 108 to 122 seats
Range: 2,200 nm (4,100 km)



ERJ 135

Capacity: 37 seats
Range: 1,750 nm (3,250 km)



ERJ 140

Capacity: 44 seats
Range: 1,650 nm (3,050 km)



ERJ 145

Capacity: 50 seats
Range: 1,550 nm (2,900 km)



ERJ 145 XR

Capacity: 50 seats
Range: 2,000 nm (3,700 km)

Executive Aviation Market



Lineage 1000

Capacity: 13 to 19 seats
Range: 4,200 nm (7,778 km)
Category: Ultra-Large



Legacy 600

Capacity: 10 to 16 seats
Range: 3,250 nm (6,019 km)
Category: Super Mid-Size



Legacy Shuttle

Capacity: 16 to 19 seats
Range: 1,910 nm (3,537 km)
Category: Super Mid-Size



Phenom 300

Capacity: 8 to 9 occupants
Range: 1,800 nm (3,334 km)
Category: Light



Phenom 100

Capacity: 6 to 8 occupants
Range: 1,160 nm (2,148 km)
Category: Very Light

Defense and Government Market



Super Tucano

Mission: Training and Light Attack



AMX

Mission: Ground Attack



EMB 145 AEW&C

Mission: Airborne Early Warning and Control



EMB 145 RS/AGS

Mission: Remote Sensing, Air-to-Ground Surveillance



P-99

Mission: Maritime Patrol and Anti-Submarine Warfare

Agricultural Aviation Market

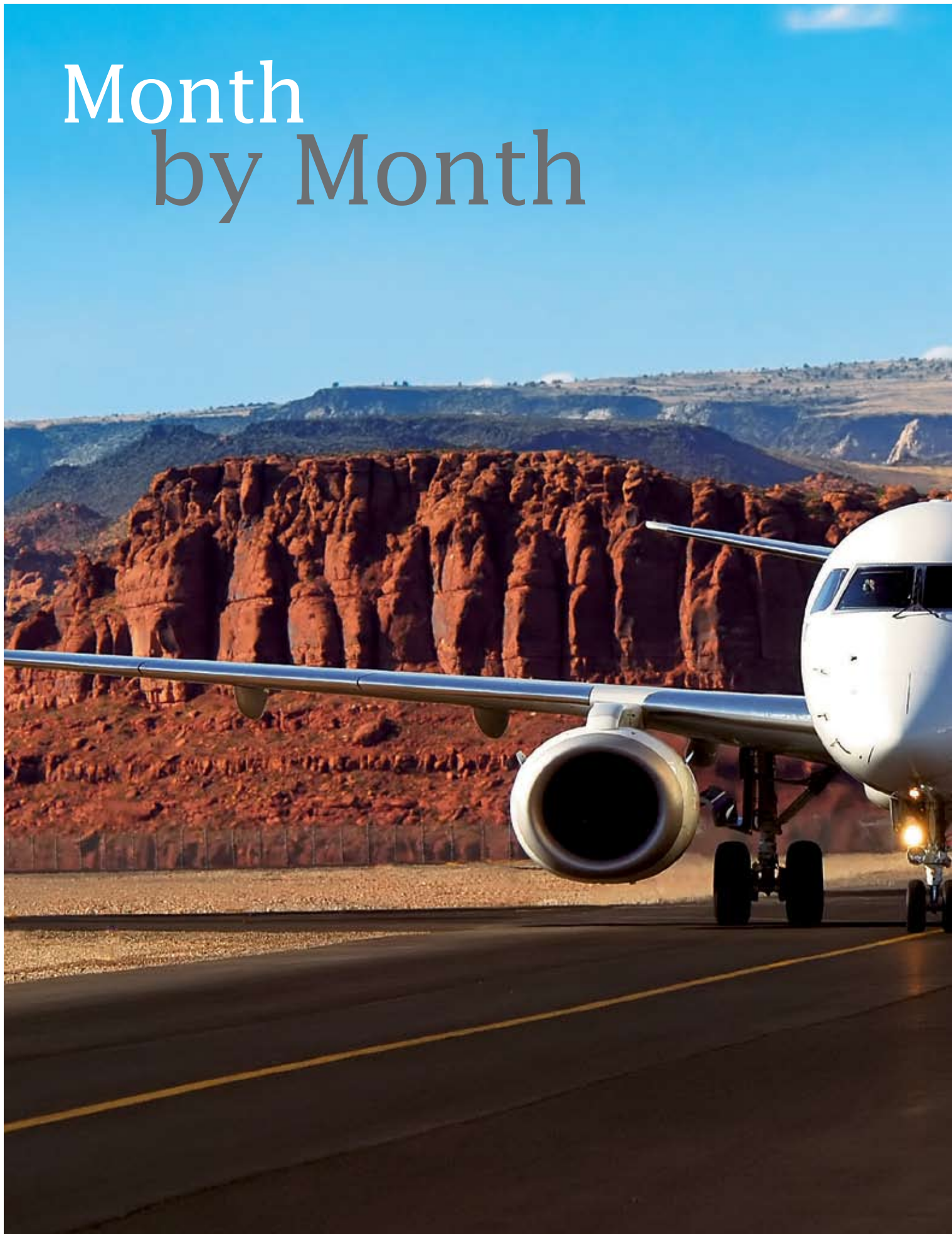


EMB 202 Ipanema

Fuel: Ethanol

Hopper's Capacity: 251 gallons (950 liters)

Month by Month





JANUARY

- The U.S. government announces cancellation of the Aerial Common Sensor (ACS) program.
- The new board of administration of China Eastern Airlines Wuhan Ltd. approves the purchase of five ERJ 145 LR jets from Harbin Embraer, fulfilling the last required formality for the sales contract to take effect. The deal adds to the five ERJ 145s previously acquired by China Eastern Airlines Jiangsu Ltd., and brings to ten the number of ERJ 145 jets in China Eastern's regional fleet.
- Standard & Poor's, one of the largest and most prestigious rating agencies in the world, has initiated coverage of Embraer, assigning its "BBB-" Local and Foreign Currency Corporate Credit Rating, as a moderate credit risk without speculative elements, corresponding to investment grade.

FEBRUARY

- Embraer and U.S. Airways Group announce they have reached an agreement to amend their original aircraft order. Under this agreement, the previous 57 undelivered EMBRAER 170s will be converted into 25 firm EMBRAER 190 aircraft and 32 additional firm EMBRAER 190 aircraft that are subject to reconfirmation by U.S. Airways. The amendment also includes up to 50 options for other aircraft in the EMBRAER 170/190 family.
- The Legacy 600 executive jet is displayed for the first time at the Asian Aerospace 2006 show, at the Changi Exhibition Center, in Singapore.
- The EMBRAER 170 receives certification from Brazil's aviation authority Centro Técnico Aeroespacial (CTA) and from the European Aviation Safety Agency (EASA) to perform CATEGORY IIIa (CAT IIIa Autoland) operations.

- During Asian Aerospace 2006, Luiz Carlos Aguiar, Embraer's new Executive Vice-President, Defense and Government segment, participates for the first time in an international air show, after taking on his new job. Aguiar's responsibilities cover business and product strategies, as well as marketing, sales and customer support for this segment.



- Embraer shows the Super Tucano military trainer aircraft for the first time on the Asian continent, during Asian Aerospace 2006. Embraer's Intelligence, Surveillance and Reconnaissance (ISR) Systems are also promoted at the show. The Super Tucano takes a demo tour of Asia and the Middle East after the trade show.
- Embraer distributes "A Detailed Perspective of the Commercial Aviation Market for the Next 20 Years", during Asian Aerospace 2006, in Singapore.
- Luís Carlos Affonso, Embraer's Executive Vice-President, Executive Jets, presents the Company's Executive Aviation Market Outlook for Asia, during a press conference at Asian Aerospace 2006.
- Two new Legacy 600 executive jets are sold to Asia, expanding the Legacy 600 fleet in the region to eight. One will be operated by Jakarta-based PT Ekspres Transportasi Antarbenua (Premiair), and the other by an undisclosed company in the region.

- A world mock-up tour of the new Phenom 100 and Phenom 300 executive jets begins in North America. The full-scale models allow visitors to experience the premium comfort, space and luxury of the Phenom jets.

- SIMPORTEX, a State-run company in Luanda, Angola, signs a contract for acquiring a Brasília aircraft and a Legacy 600 executive jet, plus parts and services.

MARCH

- Embraer shows style, sophistication and engineering excellence at Aero '06, in Toluca, Mexico. Visitors are invited to experience the premium comfort, space and luxury of the Phenom 100 in a full-scale mock-up. The Legacy 600, equipped with high-speed Internet connectivity, is also on display for the first time in Toluca.



- Aero República, of Bogotá, Colombia, places a firm order for five EMBRAER 190s, with options for an additional 20 aircraft of the same model.

- Embraer's Phenom 100 progresses with the completion of the Joint Definition Phase (JDP), a significant milestone toward delivering the very light executive jet.

- Embraer and Royal Jordanian Airlines sign a contract for the airline's firm acquisition of seven EMBRAER 195s.

The aircraft will be deployed on routes in the Middle East, Africa and Europe.

- Ecuador's state-run airline, TAME Línea Aérea del Ecuador, takes delivery of its first two EMBRAER 170s at Embraer's headquarters, in São José dos Campos. The airline also holds four options for aircraft from the EMBRAER 170/190 family.

- Embraer participates in the 2006 edition of the Feria Internacional Del Aire y Espacio (FIDAE), at Aeropuerto Internacional Arturo Merino Benítez, in Santiago, Chile. Four Embraer aircraft in service with the Brazilian Air Force (FAB) are in the static exhibition: a Super Tucano military trainer and light attack aircraft, two A-1s (FAB's designation for the subsonic AMX ground attack aircraft), and one C-99, a military transport aircraft derived from the ERJ 145 regional jet.

- Shareholders approve Embraer's restructuring, which is a very important change for the future growth and preservation of the Company, making it the first large Brazilian company to have totally dispersed capital.

APRIL

- Embraer displays the cabin of the Phenom 100, an aircraft that stretches common definitions of the Very Light jet category, at Sun 'n Fun Fly-In 2006, in Lakeland, Florida.

- The second graduating class of Engineer Juarez Wanderley High School (CEJW), which is maintained by the Embraer Education and Research Institute, shows impressive positive results on the National High School Exam (ENEM) and the 2006 college entrance exams, thus validating an instructional model that promotes not only academic excellence, but also such values as continuing education for the formation of citizens and professionals.

- Embraer Aircraft Maintenance Services (EAMS), located in Nashville International Airport (BNA), USA, opens its new 78,000 square-foot (7,250 square-meter) hangar.
- The Joint Definition Phase (JDP) begins for the Phenom 300 light jet.



- Copa Airlines exercises three EMBRAER 190 options, increasing to 15 the number of firm E-Jets in its order book – two of which have already been delivered – and still has 15 options.
- At the 10th Defense Services Asia (DSA 2006), Embraer presents one of its most successful aircraft families: the Intelligence, Surveillance & Reconnaissance (ISR) Defense line.
- Embraer showcases the Phenom 100 and the Phenom 300 interior mock-ups at the European Business Aviation Convention and Exhibition (EBACE 2006), to kick off the European tour. The newest Legacy 600 is also exhibited at the international convention in Geneva, Switzerland.
- The government of India signs a support contract with Embraer to increase the operational efficiency of its five Legacy 600 executive jets in operation with the Indian Air Force and the Border Security Force.

MAY



- Embraer introduces the Lineage 1000, an Ultra-Large business jet based on the EMBRAER 190 commercial jet platform, at the European Business Aviation Convention & Exhibition (EBACE). The aircraft is the fourth in Embraer's growing business jet portfolio.
- Embraer announces that it has fully completed the implementation of its Europe, Middle East and Africa sales team.
- Embraer announces the sale of two more Legacy 600 aircraft in the Middle East, bringing the total to seven executive jets now operating in the region.
- Geneva-based JetBird acquires 50 Phenom 100 jets and takes options on an additional 50 aircraft. The contract allows JetBird to convert its positions into either the Phenom 100 or the Phenom 300.
- Embraer announces the launch of its new Embraer Executive Care, a comprehensive customer support program



designed to provide the highest level of aircraft availability and utilization, and maintenance cost predictability.

- The Embraer Education and Research Institute launches the third edition of the Social Partnership Program (Programa de Parceria Social – PPS), to financially support volunteer projects conducted by private nonprofit organizations in which Company employees actively participate.

- The Rivers State Government of Nigeria signs a product support contract with Embraer to provide maintenance for its Legacy 600 jet.

- Embraer participates in the international aerospace exhibition Berlin Air Show (ILA 2006). Embraer highlights its Executive Jet portfolio, as the Phenom 300 interior mock-up and the Legacy 600 make their first public appearance at the German international exhibition.

- Embraer participates in the 2006 Regional Airline Association Annual Conference in Dallas, USA.

JUNE

- A Letter of Agreement (LOA) foreseeing the transfer of some work packages to Embraer from Kawasaki Heavy Industries Ltd. (KHI) and Kawasaki Aeronáutica do Brasil Ltda. (KAB) is disclosed, which includes producing the metallic parts from the wings of the EMBRAER 190 and EMBRAER 195 jets.



- Embraer announces its São Paulo Stock Exchange (BOVESPA) listing with the Novo Mercado.

- At the Company's main plant in São José dos Campos, Embraer performs the first metal cut for the Phenom 100 program, to be assembled on the first Phenom 100 pre-series aircraft.

- Embraer delivers the third E-Jet to Ecuadorian airline TAME Línea Aérea del Ecuador.

- Embraer's offices in Europe move to a new building in Villepinte, close to the Roissy Charles de Gaulle airport, a few miles north of Paris. The new facilities unite Embraer's activities, previously in two separate locations, and serve Embraer operators located in Europe, the Middle East and Africa.

- Embraer convenes seasoned pilots and aircraft owners from various regions of the world at its headquarters in Brazil. The advisory board evaluates the Man-Machine Interface (MMI) of the Phenom 300 Prodigy™ flight deck. Advisory board participants validate the intuitive design and functionality of the Phenom 300 cockpit and avionics suite.

- Embraer delivers the 275th ERJ 145 family aircraft to ExpressJet, under the contract signed ten years ago with former Continental Express. The delivery ceremony is held at Embraer's headquarters in São José dos Campos and is attended by senior executives from ExpressJet, Continental Airlines, Rolls-Royce and Embraer. ExpressJet is the largest Embraer regional jet operator in the world, with a fleet of 30 ERJ 135s and 245 ERJ 145s.

- The EMBRAER 195, the largest of the EMBRAER 170/190 family, receives type certification from the National Civil Aviation Agency (Agência Nacional de Aviação Civil - ANAC), the newly-created airworthiness authority that replaced the Comando-Geral de Tecnologia Aeroespacial (CTA) as the official Brazilian certification body.

- The European Aviation Safety Agency (EASA) issues the type certificate for the EMBRAER 190 airliner, enabling the 100-seat aircraft to enter service with European operators Finnair and Régional (Air France's regional subsidiary). EASA came into full operation in September 2003, and the EMBRAER 170 became the first commercial aircraft to receive an European-type certificate issued by the newly-established agency.
- Embraer participates in F-Air, in Rio Negro, Colombia, where it displays the EMB 145 AEW&C.

JULY



- Mandarin Airlines chooses the EMBRAER 190 and EMBRAER 195 E-Jets as the core aircraft for its future fleet requirements. Mandarin initially chooses to acquire a fleet of eight aircraft under operating leases signed with GE Commercial Aviation Services (GECAS).
- Embraer showcases two aircraft at the Farnborough International Airshow: an EMBRAER 190 commercial jet and a Legacy 600 executive aircraft.
- Embraer announces that it presented a proposal to the Turkish government to sell from 36 to 55 Super Tucano training aircraft.

- Copa Airlines operates its first flight between Panama and Manaus, a key tourism and business city in the heart of Brazil's Amazon region.

- The European Aviation Safety Agency (EASA) issues the type certificate for the EMBRAER 195, the largest E-Jet of the EMBRAER 170/190 family, during the Farnborough Airshow, just two weeks after its Brazilian type certificate was granted by the National Civil Aviation Agency (Agência Nacional de Aviação Civil - ANAC), on June 30.

- Embraer's Aircraft Health, Analysis and Diagnosis (AHeAD) system – a modern computational, web-based platform that enables airlines to continuously monitor the health of an aircraft while it's still in flight – is available for operators of E-Jets worldwide.

- Another member of Embraer's E-Jet family, the EMBRAER 190, formally starts its campaign for steep approach approval that will enable operations at London City Airport (LCY).

- Embraer announces that it has signed an agreement with KIPCO Group's United Aviation for the sale of one Phenom 100, one Phenom 300 and one Legacy 600. As one of the leading VIP aircraft charter operators in the Middle East, United Aviation becomes the launch customer for Embraer's Phenom in the region.

- OGMA, Embraer's maintenance services company in Portugal, announces the conclusion of major renovation work at one of its facilities, creating a 1,542-square-meter hangar totally dedicated to the maintenance, repair and overhaul of Embraer's executive jets.

- Embraer announces that the first run of the Phenom 100's PW617F engine was performed at Pratt & Whitney Canada Corp. (P&WC), at its plant in Longueuil, Canada.

- Central European Aerospace, located in Prague, Czech

Republic, is named the authorized sales representative for the Legacy 600 Phenom 100 and Phenom 300 executive jets, and the Legacy Shuttle in the Czech Republic, Slovakia and Hungary.

- Embraer announces that the Phenom 100 has completed its wind tunnel test campaign. Extensive testing, in three phases, performed at the Washington Aeronautical Laboratory (UWAL), in the USA, at the Comando-Geral de Tecnologia Aeroespacial, in Brazil, and at the Central Aerohydrodynamic Institute (TsAGI), in Zhukovsky, in Russia, confirmed the specifications of the jet's design.

- Embraer participates for the first time in the Experimental Aircraft Association's AirVenture Oshkosh, Wisconsin, USA, which is one of the world's most famous aviation events. The Company's debut is marked by a display of full-size mock-ups of the Phenom 100 and Phenom 300 executive jets.

- Measurements taken on the EMBRAER 190 aircraft show a 3 percent better fuel burn rate than previously predicted. This benefit is the result of enhancements in the manufacturing process that reduced drag and were implemented on the assembly line since the very first serial production aircraft.

- EMBRAER 170/190 family aircraft are offered in high-capacity variations, as a response to the growing demand among airlines, which are focused on maximizing their revenue potential in specific markets.

- The Legacy 600 executive jet receives type certification from the Directorate General of Air Communications, the Indonesian airworthiness authority.

- Embraer announces it has reached an agreement for the sale of 30 EMBRAER 175 aircraft to Republic Airlines, bringing the total number of E-Jets on order for Republic to 78 firm orders and 75 options. These aircraft were

originally options under the Embraer / US Airways purchase agreement that was later revised.

- A static exhibit of a replica of Alberto Santos-Dumont's 14 Bis biplane, along with a photographic exhibit dedicated to the renowned inventor and aviation pioneer, is one of the highlights at AirVenture Oshkosh 2006.

AUGUST

- Embraer sells five Phenom 100 jets to Gold Aviation Services of Ft. Lauderdale, FL. The contract includes options for 10 additional Phenom 100 or Phenom 300 jets.

- Embraer's Board of Directors appoints Frederico Fleury Curado to succeed Maurício Botelho as President and CEO of Embraer, to be elected in April 2007, in accordance to a previously-defined and publicly-announced schedule. After that date, Maurício Botelho will stay on as Chairman of Embraer's Board of Directors, a position he has held since last March 31st, with a three-year mandate up to April 2009.

- Embraer, OGMA – Indústria Aeronáutica de Portugal and the Portuguese Government, through the Portuguese Investment Agency (API), sign a protocol of intent for strengthening the levels of industrial cooperation in the aeronautics industry.

- The Brazilian tour of the Phenom 100 full-scale mock-up covers five Brazilian cities, starting in Belo Horizonte, state of Minas Gerais; on to Goiânia, in Goiás; Brasília, in the Federal District; Angra dos Reis, on the coast of the State of Rio de Janeiro, and, finally, Brazil's largest city, São Paulo.

- One Phenom 100 and one Phenom 300 are sold to ABC Táxi Aéreo, a subsidiary of the Algar Group in Brazil, which will be the launch charter customer for the Phenom jets in Latin America.

- Embraer and BNP Paribas close a US\$ 500 million syndicated standby facility.

- Embraer officially supports the formation of the Aeronautical Technology Development Center (Centro de Desenvolvimento de Tecnologia Aeronáutica - CDTAer) in São José dos Campos, the city in which the Company's main aircraft manufacturing plant is located. The project is born from a partnership between the City Government, Embraer, the Aeronautics Technological Institute (ITA) and the Technological Research Institute (IPT).

- Embraer sells 50 ERJ 145s and 50 EMBRAER 190s to the HNA Group, the fourth largest airline in China. The deal marks the first contract involving an E-Jet in mainland China. The total value of the firm aircraft orders, at list price, is US\$ 2.7 billion.

- The EMBRAER 175 aircraft receives type certification from the U.S. Federal Aviation Administration (FAA). The U.S. certification was based on the original type certificate issued by the Brazilian National Civil Aviation Agency (ANAC). The EMBRAER 175 has already been certified by the European Aviation Safety Agency (EASA) and Transport Canada Civil Aviation (TCCA).



- The EMBRAER 190 completes a demonstration tour of the United States and the Caribbean. By the end of 2006, the EMBRAER 190 had stopped in 68 cities in 43 countries on six continents. It was displayed to some 95 airlines and attended three industry trade shows.

SEPTEMBER

- Embraer delivers to Flybe its first EMBRAER 195 E-Jet. The company, with 14 firm orders and 12 options, is the aircraft's launch customer.

- Embraer displays the full-scale Phenom 300 mock-up in front of the New York Stock Exchange (NYSE) building, marking the first time one of the Phenom mock-ups is publicly shown in New York City.

- Houston-based Magnum Jet acquires 50 Phenom 100 executive jets and places options for an additional 50 aircraft.



- EgyptAir Holding Company places a firm order for six EMBRAER 170s, with options for another six aircraft of the same type.

- Embraer and show jumper Rodrigo Pessoa, an Olympic medalist who is sponsored by the Company, showed the mock-up of the Phenom 100 executive jet at the Paulista Riding Club, in São Paulo.

- Airlines operating Embraer commercial jets worldwide join the Company's customer support officers, service center representatives and suppliers in the sixth edition of the Maintenance Cost Workshop (MCW).

- Embraer takes part in Africa's largest aerospace, defense and security exhibition. Africa Aerospace &

Defense (AAD 2006), held at Ysterplaat Air Force Base near Cape Town, South Africa. Embraer showcases one of the five EMB 145 AEW&C (Airborne Early Warning & Control) surveillance aircraft operated by the Brazilian Air Force (FAB) in the Amazon region. The Company also displays the Legacy 600 executive aircraft and the EMBRAER 190 commercial jet at the event.

- Embraer attends the European Regions Airline Association (ERA) Conference, in Barcelona, Spain, once again with a major presence.

- Embraer sells an ERJ 145 jet to the Government of the State of Bauchi, in Nigeria.

OCTOBER

- Embraer participates in Defendory International 2006. The show is held every two years in Athens, Greece, and now is in its 14th edition.

- U.S.-based carrier Northwest Airlines places firm orders for 36 EMBRAER 175s, with options for an additional 36 aircraft of the same type, and up to 100 rolling purchase rights.

- Embraer presents plans to enhance customer support for its Executive Jets during the 59th National Business Aviation Association (NBAA) Annual Meeting & Convention, held in Orlando, FL, USA. Customer Support plans include the expansion of its service center network, logistics, and the Embraer Executive Care and training programs.

- The Embraer Executive Care program, currently offered exclusively to Legacy 600 owners, is expanded and tailored for the Phenom 100 and Phenom 300 jets and will be available upon entry into service in mid-2008 and mid-2009, respectively.

- Three new service centers in the U.S., dedicated to full-service care for the Phenom 100, Phenom 300 and Legacy 600 aircraft, are implemented. A fourth service center will be built in 2007, at Le Bourget airport, in Paris, France.

- Embraer and CAE sign an agreement to form a global training joint-venture, which will provide comprehensive pilot and ground crew training for Embraer customers of the Phenom 100 Very Light Jet and Phenom 300 Light Jet.

- Embraer signs a joint referral program with Bank of America to finance business jets for Embraer's customers, during the 59th Annual Meeting & Convention of the National Business Aviation Association (NBAA), in Orlando, FL, USA.

- Avantair, a leading provider of fractional aircraft shares, places an order for 20 Phenom 100 executive jets.



- Wondair, of Valencia, Spain, orders 24 Phenom 100 jets and acquires options for an additional 12 aircraft, which may be converted into Phenom 100s or Phenom 300s.

- Embraer signs an agreement with the aviation branch of U.S. Bank Equipment Finance and Multi Service Aviation. The agreement includes customized financing through U.S. Bank Equipment Finance for Embraer's U.S. business jet customers, along with a Multi Service Aviation Affinity Card.

- Eagle Creek Aviation Services, a full-service provider of aircraft sales, management and maintenance services, purchases 12 Phenom 100 and four Phenom 300 jets, with options for an additional five units that can be converted into either aircraft model.
- Embraer expands its Executive Jets authorized service center network in the U.S. and Europe. By mid-2008, the Company's customer support network is expected to consist of seven wholly-owned and 38 authorized service centers, in all regions of the world.
- Embraer announces that its subsidiary, Embraer Overseas Limited, has priced an offering of US\$ 400 million in Guaranteed Notes, due in 2017. The notes will be unconditionally guaranteed by Embraer.
- U.K.-based Priestman Goode is chosen to design the interior of the Lineage 1000 Ultra-Large executive jet, which was launched in May, in Geneva, Switzerland.
- Embraer chooses DeCrane Aircraft to complete the interior of the Lineage 1000.
- Embraer is strikingly present at the 6th China International Aviation & Aerospace Exhibition, in the city of Zhuhai, Guangdong Province, China.

NOVEMBER

- Australia-based Virgin Blue Airlines orders 14 E-Jets to support its expansion in the domestic and regional markets throughout the South Pacific islands. The deal includes three EMBRAER 170 and 11 EMBRAER 190 jets, plus options for six aircraft.
- Embraer is the main sponsor of the restaging of the historic flight made by Brazilian Alberto Santos-Dumont, on October 23, 1906, at Bagatelle Field, in Paris, France.

- The ERJ 145 platform reaches an historic ten million flight-hour milestone after a decade in service. The total number of cycles (take-off and landing procedures) is around 8.5 million. The first aircraft delivered have already achieved 20,000 flight cycles and continue to operate with sound structural integrity.
- Embraer presents its long-term forecast for the commercial and business jet markets, as well as its delivery forecast for these markets for 2007 and 2008.
- Embraer delivers to Régional – Compagnie Aérienne Européenne, a subsidiary of the Air France Group, its first EMBRAER 190 E-Jet. The company also owns purchase rights on six more units of the same model.
- Embraer announces that Finnair has confirmed its four remaining options of the initial order placed in July 2004. The airline opts for four additional EMBRAER 190 jets, thus reaffirming its confidence in this model. When completed, the Finnair E-Jets fleet will consist of ten EMBRAER 170 and ten EMBRAER 190 jets.
- Embraer announces the winners of the 2006 Embraer Best Supplier Awards in seven categories, at the Embraer Partners & Suppliers Conference (ESC 2006).



- Engineer Juarez Wanderley High School, conceived and sponsored by Embraer, through the Embraer Education

and Research Institute (IEEP), holds the ceremonies for its third graduating class of 200 students.

DECEMBER

- Embraer delivers its 200th E-Jet, in a ceremony at the Company's headquarters in São José dos Campos, Brazil. Panama's Copa Airlines, launch customer for the EMBRAER 190 jet in Latin America, received its sixth airplane of this model, configured in dual-class layout with 94 seats.
- Sirte Oil Company places an order for one EMBRAER 170 jet. With this contract, Embraer gains its first customer in Libya, with delivery scheduled for March 2007.
- Colombia's state-owned SATENA (Servicio Aéreo a Territorios Nacionales) takes delivery of its first EMBRAER 170 jet, in a ceremony held at Embraer's Gavião Peixoto Unit in the State of São Paulo, Brazil. During the same ceremony, five Super Tucano aircraft are delivered to the Colombian Government.
- Embraer announces that it will equip the flight decks of its E-Jets commercial family and its Legacy 600 and Lineage 1000 business jets with the PilotView® class II Electronic Flight Bag (EFB) system by CMC Electronics. This optional, light and compact equipment may replace conventional pilot's flight bag contents.
- A Legacy 600 jet is delivered to state-run SIMPORTEX, of Luanda, Angola.
- Embraer signs a contract with the Federal Government, via the Brazilian Air Force (FAB), to develop the LINK-BR2 network data link system that will enable data communications between complex applications used by the FAB.



- Kenya Airways chooses to add the EMBRAER 170 to its current fleet, continuing its network expansion. The airline, based in Nairobi, Kenya, will operate three EMBRAER 170 jets under an operating lease with GE Commercial Aviation Services (GECAS).

Commercial Aviation Market





MARKET

The world's air transportation market is still recovering from the crisis induced by the attacks on New York's World Trade Center, on September 11, 2001, and should close out the year at the break-even point, after five consecutive years of losses. This resurgence is characterized by a growth in passenger demand in all regions, stimulated by a reduction in air fares, an economic scenario favored by the expansion of international trade and by the greater flexibility of air transportation. The airlines have attempted to improve their efficiency and reduce operating costs in order to survive in a more competitive atmosphere, with rising fuel prices. Increased passenger demand, associated with a better management of seat offerings, has brought about record load factor rates, thus improving operating results.



In the North American market, mainline carriers have faced increased competition from low-cost airlines, forcing them into a deep restructuring process, in order to reduce costs and increase operating efficiency. The scope clauses relaxation from 50 to 75 seats has allowed mainline carrier to implement, through their regional partners, adjustments in the routes operated by narrow-body aircraft with excess capacity and to explore new medium-density markets. According to IATA, this market should be profitable, once again, in 2007, reversing the negative results shown since 2001.

In Europe, mainline carriers have recorded positive results, showing that they are better adapted to the growing competition from low-cost airlines. Regional airlines have developed secondary markets with a focus on business travelers and helped mainline carrier to improve their system efficiency. The environmental regulations regarding noise and emissions should influence the development of new technologies and equipment for air travel. The aviation industry should be included in the Emission Trading Scheme (ETS), by 2011, generating additional costs for European airlines and demanding more efficient aircraft with less impact on the environment.

The Commonwealth of Independent States (CIS) and Russia have a diversified environment. Outside of Russia, small state-owned airlines predominate and are looking for narrow-body aircraft to replace their old fleet. But, in Russia, high import taxes, running over 40%, impose big barriers for airlines to renew their old fleet with Western aircraft. The industry consolidation is progressing with airlines intending to improve competitiveness to benefit from the strong economic growth and increased demand for air transportation in the region.



In the Middle East, there is an increased demand for air transportation, mainly in the Gulf region, because of the expansion of long-distance international flights and the development of intra-regional aviation to explore lower-density markets and feed international routes. This is a region where the penetration of low-cost airlines is small

and characterized by the high comfort standards required by its passengers.

The air transportation system in Africa is still tightly regulated, and needs investments in infrastructure and fleet renovation. Air transport liberalization is being implemented in some countries, with opportunities for regional aviation development.

Some Asia-Pacific regions are going through the process of liberalizing air transportation, which stimulates the creation of new companies with more competitive prices and results in growing demand. There are many aircraft orders, especially for narrow-body planes for low-cost airlines. More deregulation, with greater regional integration, will stimulate the air services between secondary cities, creating opportunities for regional aviation.



Continuous economic growth and recent government policies for regional aviation development in China have strongly stimulated the evolution of the air transportation industry. Growth rates are on the order of 7% per year, with high levels of investment in new airports and infrastructure to benefit cities in the western and northeastern regions. The Chinese fleet is highly concentrated on large capacity jets for domestic and international flights. However, regional aviation is being developed to provide adequate levels of service to medium-sized cities.

In Latin America, the air transportation industry has shown significant growth, with the rise of low-cost carriers, especially in Brazil and Mexico. Intra-regional aviation is growing considerably in some countries, like Mexico and Panama. Greater regional integration and more liberalization of air transportation tend to increase the demand for regional airplanes to operate in secondary and medium-density markets.

EMBRAER

Embraer achieved important results throughout 2006 in the development and sales of commercial aviation products. Some of 225 aircraft were sold, doubling the original goal and representing a US\$ 6 billion increase in the company backlog.

With the sale of 50 ERJ 145s to the HNA Group, the fourth largest airline in China, Embraer not only consolidated its position in the Chinese market, but also brought the ERJ family closer to a landmark 1,000 airplanes sold. This outstanding sale proves, once again, how correct Embraer's strategy is for China, which is one of the world's fastest growing airline markets.

In the E-Jets family, the highlight is the certification and first delivery of the EMBRAER 195 to the British low-cost airline Flybe. Another relevant fact was the conversion, by US Airways, of 57 EMBRAER 170s to EMBRAER 190s, with deliveries beginning in December. The EMBRAER 170/190 family also made important sales to new customers, like Air Caraïbes, in Guadeloupe; Aero República, in Colombia; EgyptAir, in Egypt; the HNA Group, in China; Northwest, in the U.S.; Royal Jordanian, in Jordan; Sirte Oil, in Libya and Virgin Blue, in Australia. In addition, GECAS and Republic Airways in the United States, COPA in Panama and Finnair in Finland reaffirmed their interest in Embraer's products, converting a number of options into firm orders. Furthermore, we must also highlight the beginning of the EMBRAER 175 operation

with Paramount Airways, in India, and Air Caraïbes, in Guadeloupe. The EMBRAER 190 started with Régional CAE, in France, and the EMBRAER 195 with Flybe, in England, and Royal Jordanian, in Jordan.

Another relevant result was the delivery of the 200th E-Jet, 33 months after the first EMBRAER 170 delivery, attesting to the global acceptance of this product family.

At the end of 2006, the EMBRAER 170/190 program already had 32 customers, on all continents, with around 600,000 accumulated flight hours.

Embraer ended 2006 with a world market share of 47% for the 30 to 120-seat jet market, and with a total Commercial Aviation products backlog of 463 aircraft, as summarized below:

Aircraft	Firm Orders	Options	Total	Delivered	Firm Order Backlog
ERJ 145 Family	914	133	1,047	861	53
EMBRAER 170/190 Family	619	568	1,187	209	410
Commercial Aviation	1,533	701	2,234	1,070	463



Commercial Aviation Customers

EMBRAER 170/190 Family



ERJ 145 Family



Executive Aviation Market





MARKET OVERVIEW

In 2006, the Executive Aviation Market reported more than 885 executive jet deliveries, the largest volume in its history and a 16% increase over 2005.

Embraer estimates that the global Executive Aviation Market between 2007 and 2016 will be valued at around US\$ 169 billion – a 17% increase over last year's projections – with deliveries of around 11,115 business jets.

Last year, Executive Aviation experienced a shift in demand away from the traditional markets to Russia, the Middle East and Asia, stimulated mainly by economic growth and the depreciation of the dollar.

Over the next ten years, Latin America, Asia-Pacific, Eastern Europe and the Middle East are expected to report a major increase in the number of executive jet deliveries. This is particularly true for Latin America, where lighter jets were always well-accepted and are well-suited to local needs. Therefore, the introduction of Light and Very Light Jets will be a key factor for sustaining the increase in deliveries to the region.

Although China has experienced an outstanding economic expansion, its government-controlled development model, cultural barriers, state control of the air space and limited infrastructure are factors that continue to deter the growth of the Chinese Executive Aviation Market. A similar analysis can be extended to India, which reported a significant increase in aircraft registration in 2006.

Therefore, non-traditional markets for Executive Aviation should assume a more relevant role in global demand, requiring investments to enhance local presence.

Notwithstanding the growing role of emerging markets, the United States will continue to be the largest market

for Executive Aviation, representing 72% of all projected deliveries. Although a slight slowdown is expected in the U.S. economy, over the next few years, existing backlogs that extend through 2009, a healthy used aircraft market, the emergence of Very Light Jets and the subsequent launch of air taxi companies, the deterioration of premium service in commercial aviation, and the increased threat of terrorism at major airports should compensate this phase and support a trend towards continued growth.

Since its inception, the Very Light Jet concept has matured into a true innovation with high sales volumes. If expectations are confirmed, Very Light Jets will boost jet deliveries to significant levels. Not only are these smaller jets proving to be a viable alternative for private use, they have also fomented the creation of a new business model: per seat, on-demand air taxi service.

This business model will be put to the test over the coming year. If successful, it will create a new alternative for air travel: affordable point-to-point hassle-free short flights with the comfort of an executive jet. This may change the competitive dynamics of the Executive Aviation Market.

Traditional business models, such as fractional ownership, corporate shuttles and charter, are sharing the Executive Aviation Market with emerging models, like on-demand air taxi and branded charter. These new business models are expected to enlarge the executive aviation customer base by offering a more affordable service. On the other hand, fractional ownership deliveries will continue to grow, mainly due to the growing "jet cards" demand. Shuttles operated by corporate flight divisions, or third-party operators, are expected to continue to be a niche market.

As for new developments, the existing market opportunities have attracted startups and manufacturers alike, with varying levels of tradition in aviation. Although some competitors are steadily making headway, others

have faced severe financial and technological challenges while developing products and growing their businesses. Regardless of their success, these entrants will certainly bring new challenges and dynamics to the competitive scenario.

Investments are also being made in expanding sales and service structures for emerging markets. All major

manufacturers have been expanding their networks to the Middle East, Asia-Pacific and Latin America and should continue to reinforce their operations in these markets.

Consequently, supply and demand come together to establish a favorable scenario for the Executive Aviation Market.





EMBRAER

In 2006, Embraer continued to demonstrate its solid commitment to the Executive Aviation Market. The global structure of the sales team was a main focus. In fact, in the second quarter, the sales team for the United States, Europe, Middle East and Africa was completed. During the third quarter, the position of Marketing and Sales Director for Latin America (except for Mexico) was filled by an executive with extensive Executive Aviation Market experience. By year-end, the position of Sales Manager for Mexico was filled, as well.

Only a year after the launch of the Phenom jets, Embraer's product portfolio was expanded with the introduction of the Lineage 1000 Ultra-Large executive jet, based on the EMBRAER 190 platform. First deliveries are expected in mid-2008. The aircraft was presented at the European Business Aviation Conference and Exhibition (EBACE), in May. During the 59th National Business Aviation Association (NBAA) Convention, in October, Embraer announced that Priestman Goode will design the Lineage 1000 interior, and DeCrane Aircraft will manufacture and certify it.

Throughout 2006, major investments were made to strengthen the Embraer Executive Jets brand in the market, thus enhancing global brand awareness. In February, Embraer displayed the Legacy 600 for the first time at Asian Aerospace, in recognition of the region's potential for growth. In May, the Legacy 600 had its first showing at the Internationale Luftfahrt Ausstellung (ILA) 2006, in Berlin. In July, Embraer participated for the first time in the AirVenture Oshkosh, where Phenom 100 and Phenom 300 mock-ups were exhibited.

Another important promotional action in 2006 was the Phenom Tour, showcasing the Phenom 100 and Phenom 300 full-scale mock-ups. The tour started in February, in North America, and was extended to Europe (Germany, Switzerland, Holland and France) and Brazil, exhibiting

the spacious comfort of the passenger cabin, the generous baggage compartment, and the revolutionary man-machine interface: the Prodigy® Flight Deck, based on Garmin's acclaimed G1000 integrated avionics system. In September, the Phenom 300 mock-up was displayed in front of the New York Stock Exchange (NYSE) building, where Embraer executives took part in the Exchange's opening bell ceremony.

But 2006 was most certainly the year for Customer Support, with a series of announcements made during the 59th NBAA Convention regarding the establishment of a worldwide service network and other integrated support solutions, backed by investments in excess of US\$ 100 million.

OGMA – Indústria Aeronáutica de Portugal, an Embraer-owned service center in Europe, concluded the construction of a dedicated hangar for executive aviation maintenance, in July.

With the purpose of offering integrated solutions to executive aviation customers, agreements were made with financial institutions to provide customized aircraft financing. Embraer also announced at NBAA a logistics service provider for Phenom aircraft in North America and the selection of a technology provider for the Embraer Planning and Tracking Service, which will allow customers to remotely access and update their aircraft maintenance plan.

Concurrently with new product and service support announcements and promotional efforts, Embraer reached remarkable mileposts in Phenom 100 and Phenom 300 development and continued to enhance the Legacy 600's competitiveness, in 2006.

The Phenom programs advanced steadily throughout 2006. In March, the Phenom 100 Joint Definition Phase was finalized, representing an important milestone for the program. In the second quarter, the Phenom Prodigy®

Flight Deck design, with its “Quiet & Dark” concept, was validated by experienced customer pilots during a man-machine interface (MMI) meeting; the first metal cut occurred, where a fuselage component was produced with totally automated manufacturing technology, and Pratt & Whitney Canada started the Phenom 100’s PW617F turbine engine tests.

In July, Phenom 100 wind tunnel tests were finalized and the results confirmed performance specifications. In October, Pratt & Whitney Canada’s PW617F turbine first flight was announced, generating results that exceeded expectations.

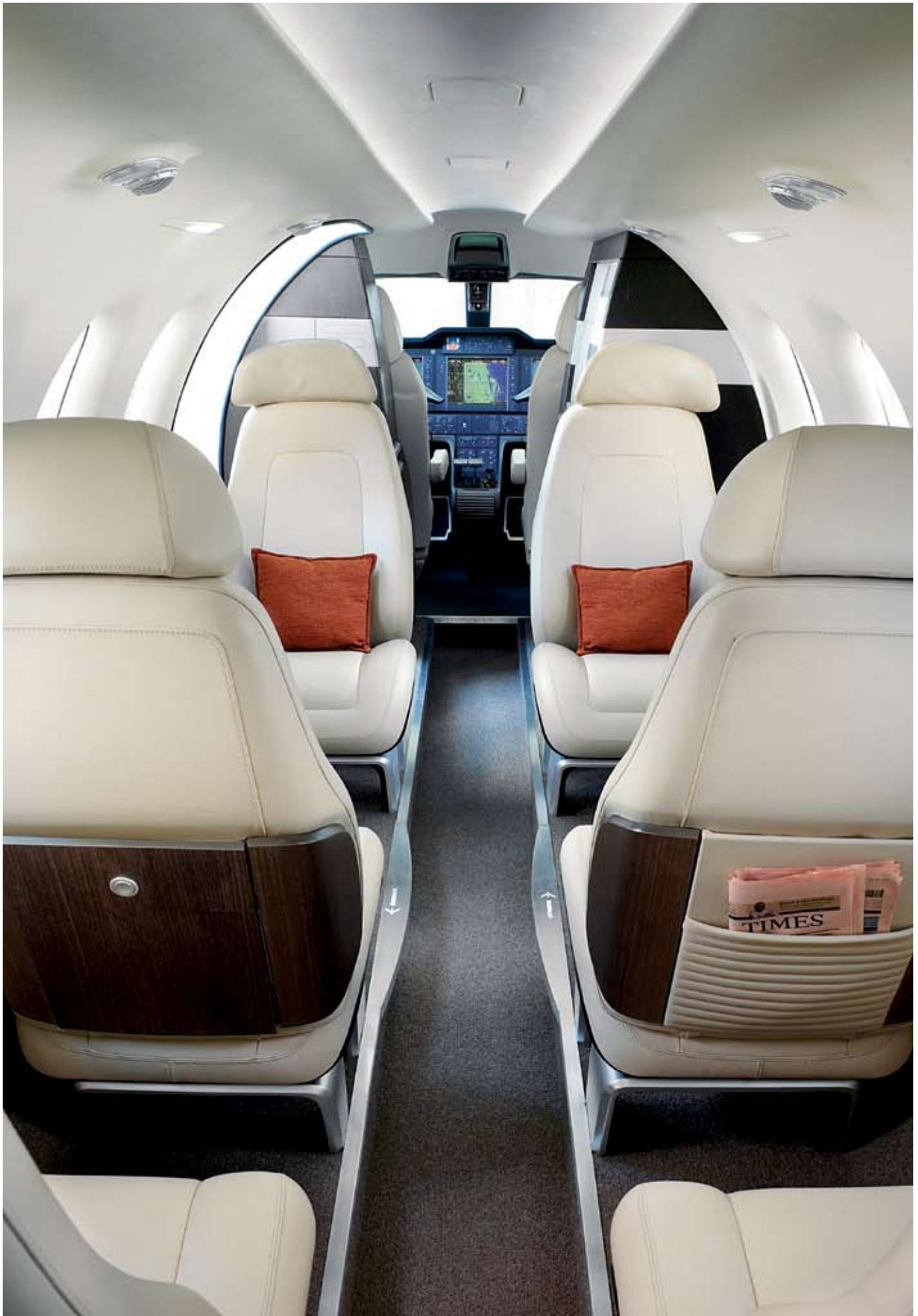
The Legacy 600 continued to receive important improvements: in the second and third quarters, first aircraft deliveries took place with Airshow 4000 and LED Lighting System, respectively. In June, the Legacy 600 was certified to operate in Indonesia. In the third quarter, the Legacy 600 obtained FAA certification for steep approaches and was also allowed to operate at Cannes airport. This capability can be extended to aircraft in the field through a service bulletin.

In December, Embraer announced that the Legacy 600 and Lineage 1000 will make available the Pilot View® class II Electronic Flight Bag (EFB), supplied by CMC Electronics, as an optional system. This will allow quicker and more accurate performance calculations and a reduction in required printed material on board.

The mounting success of the Legacy 600 is due to broad market acceptance and continued product enhancements that raised its deliveries to 27 in 2006, up from 20 units in 2005. Excluding the six aircraft delivered to government programs in 2005, deliveries of the Legacy 600 nearly doubled in 2006, over 2005. With a fleet of 94 in 19 countries, the Legacy 600 held, in December 2006, a 13.8% market share in the super mid-size category.

Since the unveiling of their interiors at NBAA 2005, the Phenom 100 and Phenom 300 have met with great customer approval and market acceptance, forming a firm order backlog of over 350 units.

Embraer’s unyielding commitment to business aviation strengthened the Company’s presence in the Executive Aviation Market and generated significant results in 2006. In December 2006, the Executive Jets organization had logged annual sales approaching US\$ 2 billion.



Defense and Government Market





GENERAL OVERVIEW

Throughout 2006, the world witnessed a series of events that made the planet's geopolitical scenario even more complex, with significant repercussions on the Defense Market – that is – increased petroleum prices and the intensification or rise of instability in given regions.

The constant increases in the barrel price of oil seem to show that it has reached a new level, which should increase the strategic importance of this resource and strengthen its role in directing global geopolitical order. This change in price levels is caused by the pressures of supply and demand, which have risen steeply, subjecting oil prices to greater vulnerability to supply-side threats.

Strengthening the role of petroleum in directing the world's geopolitical order contributes to increasing the search for ISR (Intelligence, Surveillance and Reconnaissance) systems, especially in countries with abundant energy resources.

The instability in given territories is associated with a trend toward a greater number of internal conflicts, represented by several forms of insurgency, driven by political, ethnic and religious motives. This trend has been accompanied by a reduction in the number of conflicts between nations. Consequently, the countries involved should experience changes in their defense spending structure, with a focus on Intelligence and Surveillance and COIN (Counter-Insurgency) systems, since the capability hiatus between the armed forces of countries affected by this type of movement and by insurgent groups is mainly in terms of information and intelligence systems.

For instance, there are the recent transformations begun by the U.S. Department of Defense, which is changing its capacity portfolio, in order to deal with unusual, catastrophic and disruptive threats while, at the same time, it seeks to maintain the capability for handling traditional threats.

An emphasis on intelligence aspects, the growing need for controlling borders and maritime territories, establishing a greater number of small military bases, and gaining such skills as flexibility, agility and the capacity to predict are characteristic of counter-insurgency actions.

Standing out among other factors that continue to influence the worldwide Defense Market are the development of weapons of mass destruction, the production, trafficking and consumption of illegal substances, the deterioration of the environment, the lack of natural resources and demographic trends.

These and other factors pushed the world's military expenditures to one trillion dollars in 2005 (at 2003 dollar rates). The regions that have shown the most significant defense spending (in terms of percentages) are Southern Asia, North America, the Middle East and, then, Eastern Europe, with the United States being responsible for about half of the world's total defense spending.

The defense industry continues to see mergers, acquisitions and joint-ventures, as well as programs based on international cooperation.

EMBRAER

With aircraft that combine elevated levels of technological content and operational efficiency with highly competitive acquisition and operating costs, Embraer continues to be in line with market needs and demands. Even though 2006 was a difficult year, Embraer's product line for the Defense and Government Market shows that it is fully capable of meeting customers' needs.

In a decision that had been pushed ahead from 2005 and, in a sense, already expected, the U.S. government announced, right at the beginning of the year, that it was

cancelling the Aerial Common Sensor (ACS) program, for which a platform based on the ERJ 145 (the EMB 145 CS) had originally been selected and met all of the initially-stated requirements. Despite that cancellation, the fact that the EMB 145 CS had been selected, as well as its capability for reacting quickly and offering an alternative solution based on the EMBRAER 190, in light of the new demands, showed, as expected, Embraer's maturity and improved its competitive position in the global market. The Cecil Commerce Center, in Jacksonville, Florida, which had been chosen as the site for Embraer's defense initiatives in North America, continues to be the focus of the Company's interest, but occupying the facilities and staffing them will depend upon contracts being signed.



Once again, in 2006, the aircraft produced by Embraer showed their efficiency and contributed to increasing the operational capabilities of its customers.

With Operation Cruzex III (Operation Southern Cross), held in Midwestern Brazil in August, in which the Air Forces of Argentina, Brazil, Chile, France, Venezuela and Uruguay participated, the Brazilian Air Force used the following Embraer products: five A-29s (Super Tucano), three R-99 A/Bs (EMB 145 AEW&C and EMB 145 RS), six F-5EMs (F-5E fighter modernized by Embraer) and six A-1s (AMX). The F-5EMs were especially surprising for their attack and self-defense capabilities, working together with the R-99s and bringing significant

operational gains in the BVR (Beyond Visual Range) combat arena.

The same F-5EMs allowed the 1st Squadron of the 14th Aviation Group (1st/14th AG) to win the Fighter Aviation Tournament of the Brazilian Air Force (FAB), held in August at the Air Force Academy, in Pirassununga, São Paulo. The previous year, the champions had been the A-29s of the 2nd/5th AG.

One of the five aerial surveillance planes operated by the Brazilian Air Force – an EMB 145 AEW&C (Airborne Early Warning & Control) plane, from Embraer's ISR class aircraft – was demonstrated during the Company's participation in Africa's biggest aerospace, defense and security trade fair – Africa Aero & Defence – held in September in Cape Town, South Africa. In July, the EMB 145 AEW&C was present at Colombia's F-Air trade fair.

The Super Tucano is already operating in the Brazilian Amazon and, as of the end of 2006, it is also in Colombia. The aircraft overcame a bold challenge in February and March: on a 46-day mission, it covered a total distance greater than once around the Earth, at the Equator, or over 42,000 kilometers. It flew on its own to take part in one of the world's most important international air shows: Asian Aerospace, in Singapore. The aircraft was also evaluated by the air force of that country and performed demonstration flights in other countries of the region and in the Middle East. In March and April, it was present, along with two A-1s (Brazilian Air Force designation of the subsonic AMX ground attack jet), at FIDAE 2006, in Santiago, Chile.

In 2006, nine A-29s (Super Tucanos) were delivered to the Brazilian Air Force, which ended the year with three squadrons operating the aircraft in the Amazon Region. In December 2006, the first five planes, of a total of 25 Super Tucanos, were delivered to the Colombian Air Force.

Signed in December 2006 with the Brazilian government, the contract for developing the LINK-BR2 network data link protocol, that will enable data communications between applications such as command and control, intelligence and monitoring, determines another Embraer participation in a highly strategic sector.

The year 2006 witnessed the expansion of services to meet the needs of states and state-owned companies for aviation transportation, with the sale of an ERJ 145 aircraft to the Government of the State of Bauchi, Nigeria, in September, and of a Brasília aircraft to the state-owned SIMPORTEX, located in Luanda, Angola, to be delivered in 2007, and of a Legacy 600 aircraft, delivered in December 2006, plus a package deal for parts and services.



In March, Embraer delivered two EMBRAER 170 aircraft to TAME, Línea Aérea del Ecuador, and, in June, an EMBRAER 190, thus totaling the three aircraft expected for the company in 2006. In December, it was SATENA, Servicio Aéreo a Territorios Nacionales, of Colombia, that received its first EMBRAER 170 jet.

Two product support contracts were signed for Legacy 600 jets: in April, with the Indian government, for ten years, including a parts replacement program, a maintenance program and a whole range of technical

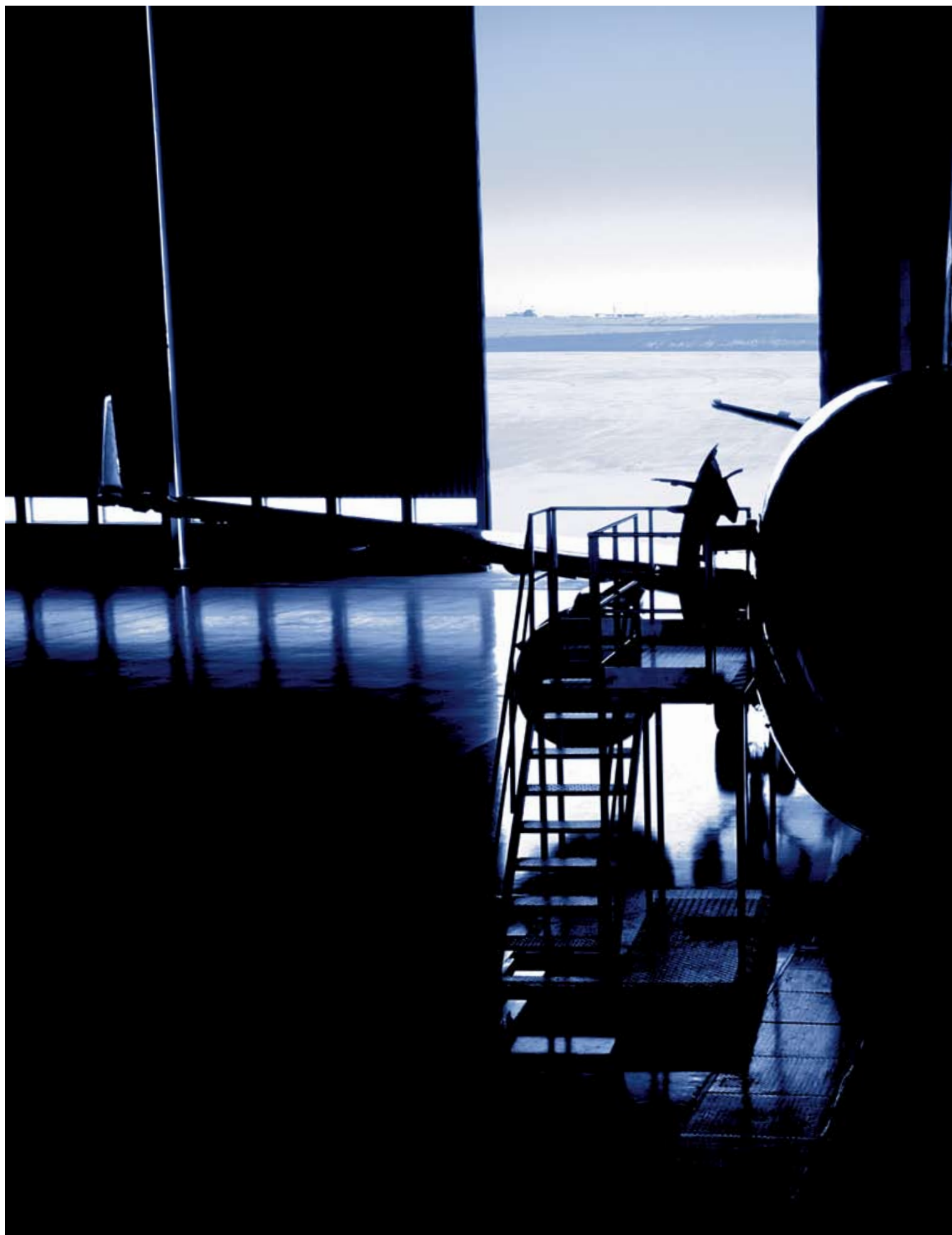
assistance services; in May, with the Rivers State Government, in Nigeria, involving maintenance, substituting original parts, and controlling and monitoring maintenance tasks for five years.

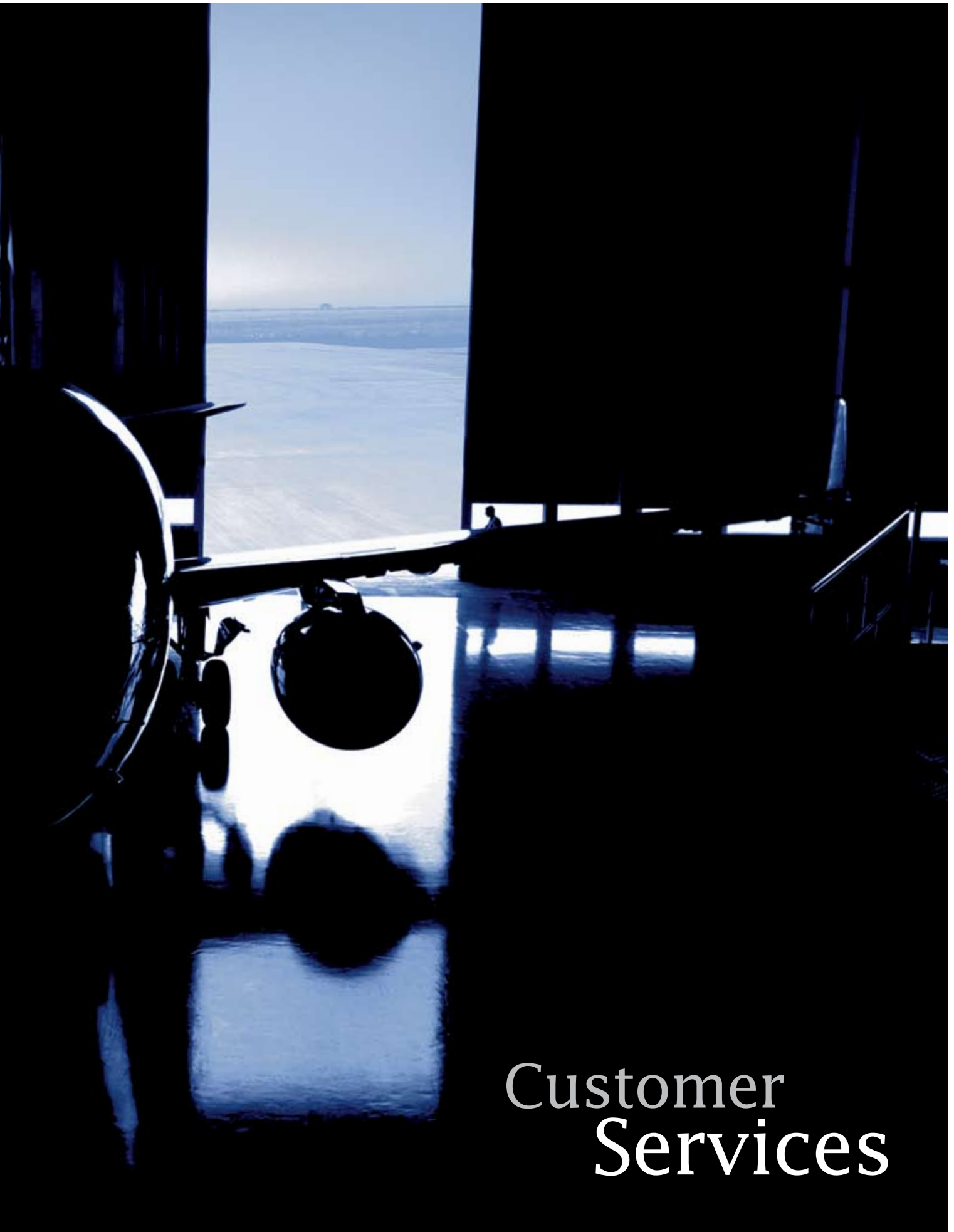


There were several international events at which Embraer was present with its defense and security solutions, in 2006: Asian Aerospace, in Changi, Singapore, in February; FIDAE, in Santiago, Chile, in March and April; Defense Services Asia, in Kuala Lumpur, Malaysia, in April; ILA, in Berlin, Germany, in May; F-Air, in Rio Negro, Colombia, in June and July; Farnborough International Air Show, in Great Britain, in July; Africa Aerospace & Defence, in Cape Town, South Africa, in September; and Defendory International, in Athens, Greece, in October.

In 2006, Embraer continued to establish the solid bases on which it will seek to build the sustained growth of its involvements in the global defense and government market, through innovative and highly competitive solutions.







Customer Services

AVIATION SERVICES

As a continuation of the restructuring process begun in 2005, the area of Aviation Services was recognized, in September 2006, as an independent business unit, covering the aircraft maintenance, replacement parts, training and aeronautical segments, in order to effectively position Embraer in these markets.

Highlights of 2006 include the approval of the Service Business Plan for Executive Aviation, with a partnership with Canada's CAE company to do the training for the Phenom jets, plus contracting UPS as the logistics provider for the North American market, and the decision to implement four new Company-owned service centers, three in the United States and one in France.

In terms of Aircraft Maintenance, 2006 certainly presented big challenges and big results. The activities at the service center located in the Gavião Peixoto plant were very intense, with the highlight being the conversion of nine ERJ 145 (ex-Rio Sul) aircraft for Aerolitoral, the Brazilian Air Force (FAB) and the Brazilian Federal Police. In 2006, an intense sales campaign was held to sell pay-by-the-hour programs, with the significant result of winning the bidding contest conducted by Brazil's Federal Police Department.

At Embraer Aircraft Maintenance Services (EAMS), based in Nashville, Tenn., a new 7,250-square-meter maintenance hangar was inaugurated especially for larger aircraft. This new hangar, with its capacity for handling up to three EMBRAER 195 aircraft at the same time, will meet the demand for complete maintenance, overhaul and inspection services for narrow-body aircraft (up to 200 passengers) that operate in North America. Another highlight of the year at EAMS was the signing of the first maintenance contract for the E-Jets

operated by Republic Airlines and Air Canada. The Company's income grew 45%, in 2006.

In the European Market, OGMA recorded 15 consecutive months of positive financial results. In order to have space exclusively for executive aviation, one of the Company's hangars was totally remodeled, providing a total of 1,542 m² for this purpose. The hangar also has new workshops and reception rooms which are appropriate for the customers and crews of this type of aircraft.

In August, Embraer and the Portuguese Government, via the Portuguese Investment Agency (API), signed a protocol to strengthen the levels of cooperation in the Portuguese aeronautical industry. According to the agreement, Embraer will do studies on the cooperation with OGMA, in terms of developing the capacity to design and manufacture aircraft structures for the global market.

As for Customer Training, a training center equipped with a flight simulator was being implemented in Singapore for customers of the EMBRAER 170/190 family located in the Asia/Pacific region. This operation will begin in mid-2007. We also moved ahead with implementing a spare parts distribution center in the Asia/Pacific region, also in Singapore. The forecast is that this center will be operational during the first semester of 2007.

Another important result in 2006 was an improvement in providing replacement parts for customers in Europe, Africa and the Middle East, by implementing a new parts distribution center in Embraer's facilities in Villepinte, near Roissy – Charles de Gaulle Airport, in Paris, France, which made it possible to unify all support operations, services and sales for the region.

In the area of Aeronautical Segments, we would point out the evolution of the Sikorsky Program for tanks and

the fuel system for the S-92 helicopter, and the signing of an understanding for developing the fuel system for the H-92, in August 2006. Furthermore, an evaluation of the opportunities for designing and manufacturing aeronautical structures and systems was intensified, based on the experience acquired with previous programs.

CUSTOMER SUPPORT

Commercial Aviation

The operations of the broad airline customer base of the ERJ 145 family (over 800 airplanes in service) experienced excellent performance levels in 2006, achieving an impressive landmark of 10 million flight hours. Despite the winter weather in the northern hemisphere, which naturally affects fleet performance, there was no big impact in 2006, and December recorded one of the best flight availability results in the history of the worldwide fleet of these aircraft.

The fleet of EMBRAER 170/190s continues its consistent growth pattern in regions all over the world, increasing the complexity of customer support activities. In 2006, eight new customers began their commercial operations: Flybe – United Kingdom; Air France/Régional – France; Royal Jordanian – Jordan; Saudi Arabian – Saudi Arabia; Air Caraïbes – Guadeloupe; Aero República – Colombia; TAME – Ecuador; and Satena – Colombia.

The E-Jets continue the trend in improved performance, in terms of flight availability, while, at the same time, customers are expanding their operations, adding new routes and scheduling more flights. Despite this positive scenario, the performance of the E-Jets family still requires attention and a constant focus, in terms of meeting all of the expectations of the airlines. This requires the strategic positioning of human resources and materials, which has been systematically taking place, according to plan.

There was also the launch of the AHeAD (Aircraft Health Analysis and Diagnosis) system, which enables operators to continuously monitor maintenance messages, while in flight, thus allowing for advance alignment with the maintenance control centers. In this way, the process for isolating and identifying engine problems that may have been detected during flight, and the proper preparation on the ground, with mechanics, tools and parts, begins even before the aircraft lands, which greatly increases the effectiveness of the maintenance performed and reduces the time on the ground.

In 2006, two conferences were held with customers from the Commercial Aviation area, at which time subjects were addressed that are relevant to the operation of Embraer aircraft in the markets where they are active. Furthermore, customer satisfaction surveys were done, with the objective of identifying opportunities for improvement, as well as defining new means of communication.

Executive Aviation

The year 2006 was most certainly the year for Customer Support, as far as the Executive Aviation market is concerned, with Embraer announcing its integrated service and support solutions backed by investments in excess of US\$ 100 million.

Customer Support and Services were the main focus at the 59th NBAA Convention, in October, with several announcements from different support areas. By mid-2008, there will be seven Embraer-owned service centers and 38 authorized service centers world wide. The significant investment involved in establishing a robust service center network envisions global support for Executive Aviation customers.

Also in October, Embraer announced UPS Supply Chain Solutions as the Phenom logistics services provider in North America and the Caribbean. In order to support

the Phenom fleet in this region, Embraer will keep a complete parts inventory at Louisville, Kentucky, where the biggest UPS transportation center is located, in addition to critical parts stocked at service centers and at its current parts distribution center, in Fort Lauderdale, Florida.

Embraer Maintenance Planning and Tracking Service, which will have Flightdocs as the technological supplier, was announced at the same time. This service will give Embraer executive customers remote access for updating their aircraft maintenance plans, with the assistance of an internal technical team.

During 2006, Embraer focused on enhancing and expanding the executive aviation maintenance program. In the second quarter, Embraer Executive Care was launched for the Legacy 600, as a reinforcement of the previous Total Legacy Care program. In October, the Company announced the Embraer Executive Care maintenance program for Phenom customers, which will provide comprehensive airframe and engine maintenance management and execution, including parts shipment and the implementation of service bulletins for systems and engines world wide.

Defense and Government

While currently providing assistance to some 800 aircraft in operation with over 20 customers, on five continents, the Customer Support area of the Defense and Government Market was outstanding in selling logistical support solutions, such as Parts Exchange (Pool), Follow-on Support (FOS), and Contractor Logistic Support (CLS), including the sale of pilot and mechanic services, aircraft inspection, engineering, configuration

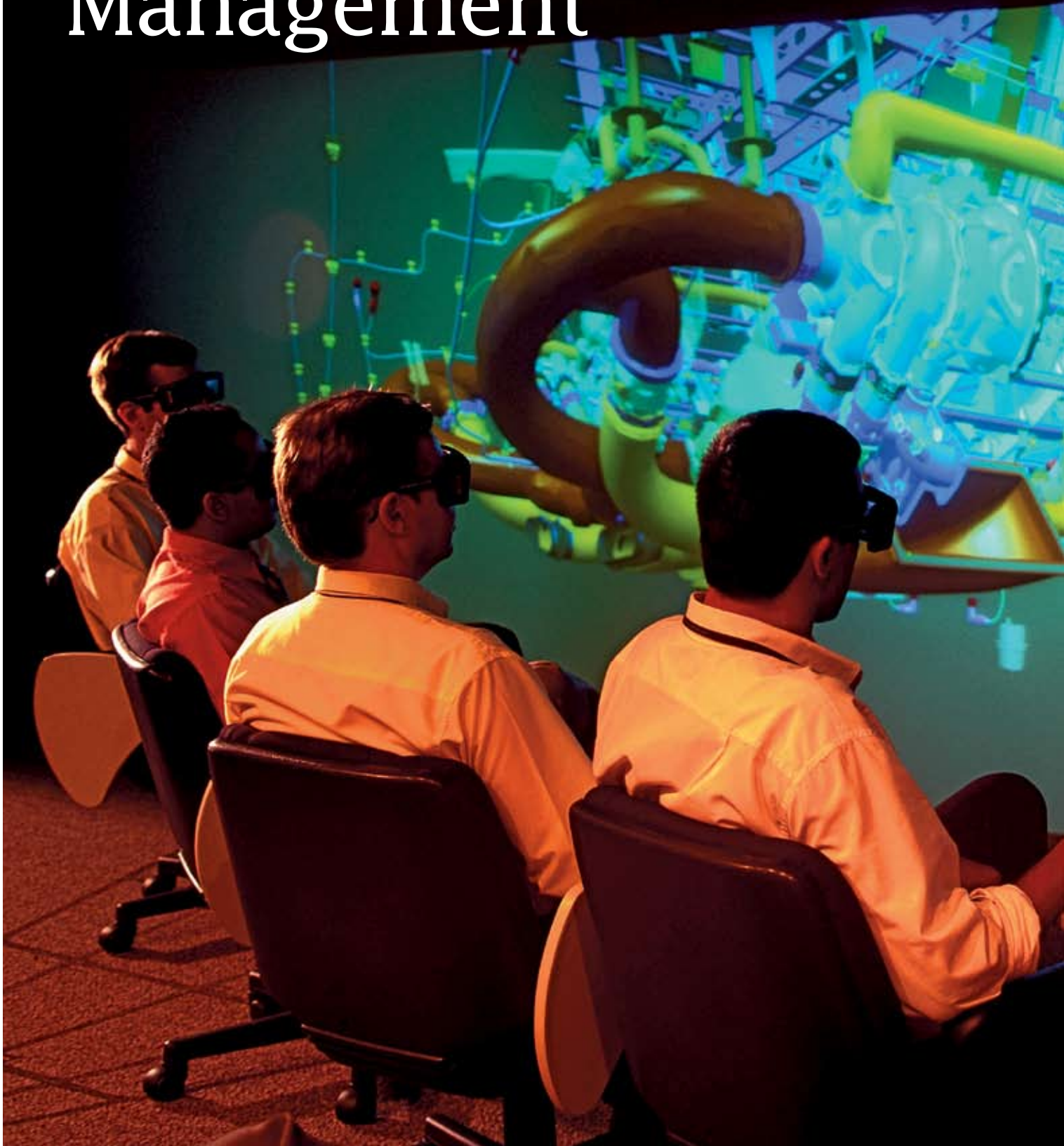
management, obsolescence management, training, copydesk of technical publications, repairs and the sale of replacement parts and support equipment.

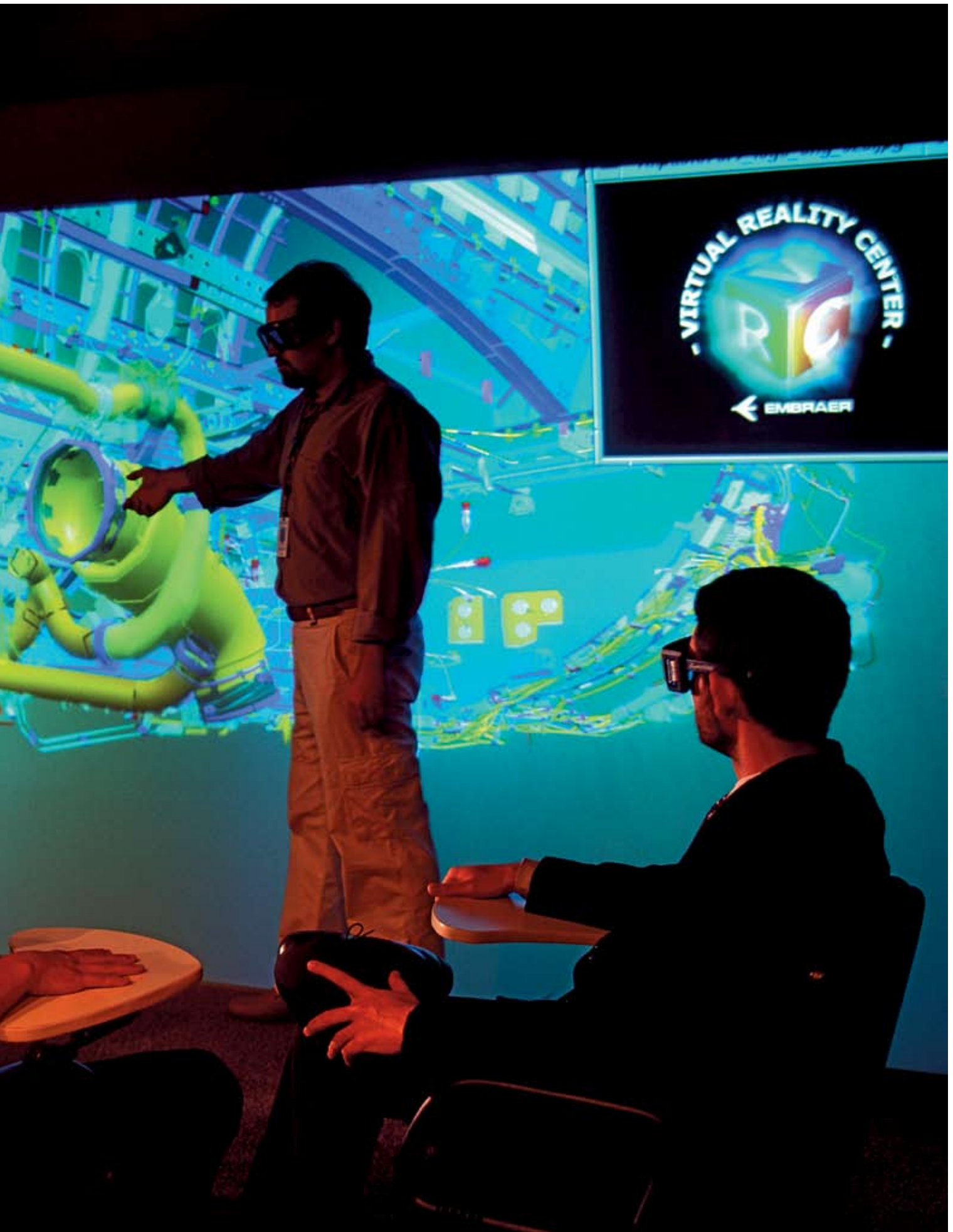
The sale of Super Tucano planes to the Colombian Air Force (FAC), pool contracts signed with Mexico's National Defense Department (SEDENA) and with Colombia's National Air Space Service (SATENA), and the renewal of the Follow-on Support contract with India's Border Security Force (BSF), with Greece's Hellenic Air Force (HAF), and with the Indian Air Force (IAF) demonstrate the confidence and satisfaction of our customers regarding the services provided.

Its involvement in the area of Customer Services, in terms of aircraft sales support, via special logistical support programs and solutions that are optimized to meet a broad range of customer requirements, has given Embraer a competitive edge in the Defense and Government Market, which is strengthened by the integration of the Villepinte, France, and Fort Lauderdale, United States, units, making it possible to offer more efficient logistical solutions.



Technological and Industrial Management





The constant pursuit of developing and improving technologies, as applied to products, together with the best practices of the aeronautical market, has allowed Embraer to expand its product portfolio, over the years, and increase its competitiveness in this aggressive industry.

One important recognition of Embraer's efforts in this area was the Aviation Technology Achievement Award given by the prominent *Air Transport World* magazine. The award is presented to the aircraft manufacturer that has developed a product that significantly improves the operations of airline companies, as well as their capacity, efficiency and safety. This presentation was made to the EMBRAER 170/190 family, consisting of four new-generation jets for the 70 to 120-seat segment.

PRODUCT DEVELOPMENT

In 2006, under increasing pressure to reduce costs and development cycles and having a determined engineering staff, the Company achieved its certification and new product development goals.

Contributing to the increased presence of the Company and its products on five continents, certifications were obtained for the Legacy executive jet in Dubai, Indonesia, Bermuda and Bahrain; the EMBRAER 170/190 aircraft family in Colombia and Ecuador; and the EMBRAER 195 in Jordan.

The certification of the EMBRAER 175 by the Federal Aviation Administration (FAA), in September, took place as planned, laying the groundwork for the model to operate in the United States.

In July, the goal of certifying the EMBRAER 190 with the European Aviation Safety Agency (EASA) was met satisfactorily, allowing the aircraft to be operated by Finnair and Régional (regional subsidiary of Air France).

In June, the EMBRAER 195 received its type certification from the National Civil Aviation Agency (Agência Nacional de Aviação Civil – ANAC), Brazil's official aeronautics certification agency recently created to take over the role of the General Command for Aerospace Technology (Comando-Geral de Tecnologia Aeroespacial – CTA). Certification by the European Aviation Safety Agency (EASA) was received in July, opening the way for the first deliveries to the United Kingdom's Flybe Airlines, plus other customers, like GECAS, Royal Jordanian and SWISS. The certification campaign of this aircraft confirmed the similarity of functions and parts commonality of the EMBRAER 190, resulting in a trim and expeditious validation process for systems and performance. Another highlight of this product was the confirmation, via specific measurements, of fuel consumption of less than 3% of the specified amount, further reinforcing the fact that Embraer's E-Jets are highly efficient aircraft.

During 2006, 15 new interior configurations for the EMBRAER 170/190 family programs were approved, in order to provide customized service for each operator, which is a significant factor for strengthening the Company's competitiveness.

In the Executive Aviation Market, the development of the Phenom 100 jet, which is the first of the new family of executive jets, is on schedule. The wind tunnel tests and decisions regarding strategic suppliers for the program are finished. The ground test campaign started, and the manufacturing of parts too. Another milestone for the program was the first flight of the engine that was developed especially for this aircraft, in October, at the headquarters of Pratt & Whitney, in Canada. The maiden flight of this aircraft is planned for mid-2007 and it should be certified in the second semester of 2008.

Another product for the Executive Aviation Market whose development began in 2006 was the Phenom 300, which is currently in the project specification phase. The first flight of this aircraft is planned for the first semester

of 2008 and certification is expected for the second semester of 2009.

In the same Executive Aviation Market, 2006 saw the first steps in developing the Lineage 1000, which is the biggest executive aircraft made by Embraer, at the present time, based on the platform of the EMBRAER 190 and classified as an Ultra-Large aircraft. The assembly of the first interior is expected to be ready during the third quarter of 2007, and this aircraft should gain its type certification during the first semester of 2008.

As for the Defense and Government Market, the big highlight was the development of the Super Tucano training and combat plane for the Colombian government. The program began in early 2006, met its goals, as planned, and concluded the aircraft test campaign, which culminated in the delivery of five airplanes to the Colombian Air Force, in December 2006. For 2007, several systems and weaponry tests are scheduled, within the scope of this contract.

In December 2006, a contract was signed with the Brazilian government, through the Brazilian Air Force (FAB), for developing the LINK-BR2 network data link system, for the purpose of facilitating the communications between complex applications – such as command and control, intelligence and monitoring – used by the FAB. The project will also allow the future implementation of the system in other platforms.

DEVELOPMENT OF NEW TECHNOLOGIES

Commitment and effort surrounded the achievements and activities in developing new technologies for reducing costs and cycles, as well as for improving product quality, while always seeking to meet customer and certifying agency requirements regarding economy, comfort, noise emissions and safety.

The portfolio of projects for elevating the technological standards of the company focuses, medium and long-range, on improving the capacity to develop and produce more competitive products, as well as obtain more effective development processes.

In order to obtain better results and to apply scientific knowledge to developing products, the involvement of Brazilian and foreign research and instructional institutes was sought.

One of the most significant results of these efforts was the signing of an agreement with the Aeronautics Technological Institute (Instituto Tecnológico de Aeronáutica – ITA) and with the Technological Research Institute of the State of São Paulo (Instituto de Pesquisas Tecnológicas do Estado de São Paulo – IPT), announced in August. The purpose of the document is to agree on the general conditions and principles for implementing actions in developing the Scientific, Technological, Educational and Industrial Program at the Aeronautics Technology Development Center (Centro de Desenvolvimento da Tecnologia Aeronáutica – CDTAer), which is the first research and development (R&D) center to be installed in the São José dos Campos Technology Park. This will benefit not only the projects underway, but also future initiatives in the area of technological enablement.

In addition, a discussion began with different companies to establish cooperation agreements, for the purpose of sharing the risks and costs involved in enabling these new technologies.

The results of technological efforts put forth or underway have benefited different aspects of products under development or already developed, like aerodynamics, noise, materials and systems diagnostics. Among the present projects expected to conclude over the coming years are comfort, monitoring structural health and systems, and moving up the product is maturity, which stands for the Company's long-term commitment to technological competence.

PRODUCTION DEVELOPMENT

The highlight of the manufacturing area, in 2006, was the “Quality and Productivity Project” implemented in April, focusing on the customer and on improving results, and consisting of several interconnected projects comprising all areas and business units. Among the aspects taken into consideration are flight availability, customer support and quality. This project brings significant improvements to the production atmosphere and the other business processes related to aircraft production.

Also, along with the focus on improved quality and productivity, a new machine was acquired for cutting metal sheets, with technology based on high-pressure jets of water and sand. The equipment is about twice as fast as conventional machines and is able to make curved and complex cuts, reducing manufacturing time, as well as the consumption of metal sheeting. A high-speed milling center was also installed that, along with already-existing machinery, allowed for substantial increases in the milling capacity for pieces with complex shapes.

In the area of provisioning, two important agreements for supplying raw materials deserve to be mentioned. For aluminum, Embraer and U.S.-based Aleris agreed to substantially increase their already-existing partnership.

The agreement is an evolution of a contract signed with Corus, in 2000, which was recently acquired by Aleris. The deal goes into long-term effect in 2007, and guarantees that Embraer’s programs will be supplied with up to 50% of its sheet metal needs by Aleris.

Another important agreement involved a contract signed with Russia’s VSMPO – Avisma, in effect until 2011, to meet most of the titanium needs of Embraer’s aircraft programs. VSMPO – Avisma will continue to supply most of the traditional products, such as sheeting, plating, dowelling and bars, used by Embraer’s aircraft programs, and will also begin supplying forged products with high aggregate value.

Embraer, Kawasaki Heavy Industries Ltd. (KHI), and Kawasaki Aeronáutica do Brasil Ltda. (KAB) signed an





agreement for transferring some of the production of metal as part for the agreement EMBRAER 190 and EMBRAER 195 jets. Included in the agreement, Embraer took over KAB's facilities in Gavião Peixoto, São Paulo, where it will produce some of the parts. KHI will continue manufacturing the control surfaces of the wings and the doors for the main landing gear of these aircraft. This will give Embraer and KHI better conditions for sustaining an increased production rate for the EMBRAER 190 and EMBRAER 195 airliners.

As in previous years, Embraer presented the Supplier of the Year Award to seven of its suppliers. The event occurred simultaneously with Embraer's Partners and Suppliers Conference (ESC) 2006 held in November. The Award recognizes the achievements of Embraer's suppliers, in terms of improved product and service quality and efficiency, as well as their support of airline operators.

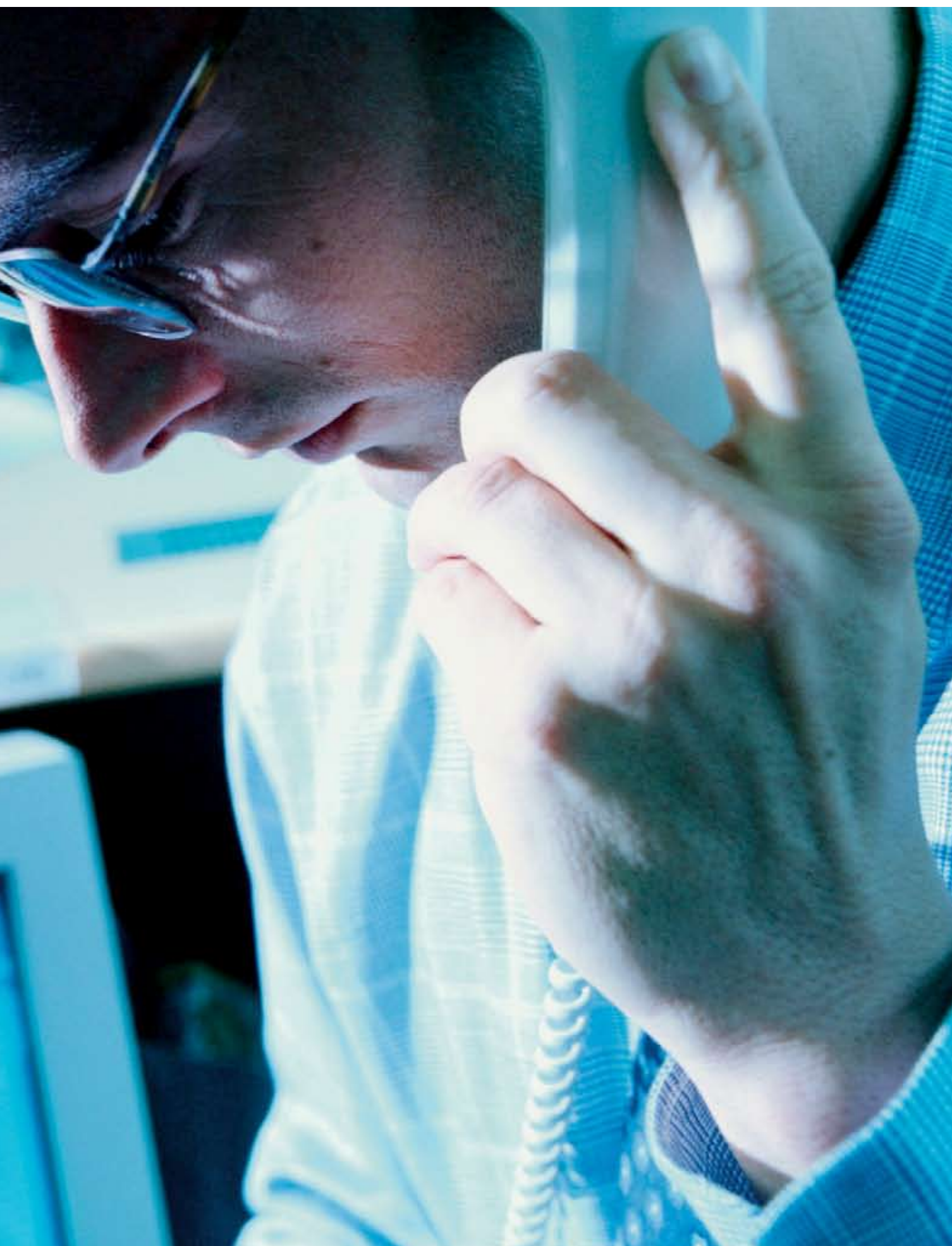
At the Gavião Peixoto plant a series of expansion activities were started, in order to produce the new Phenom 100 and Phenom 300 executive jets, with construction beginning on the Final Assembly Hangar and the Paint Shop. The first piece of the Phenom 100 was milled in June, at the Faria Lima plant, in São José dos Campos, where the milling process is entirely automatic, based on data obtained directly from the digital mock-up.

At the Faria Lima plant, in São José dos Campos, preparations were made to increase the rate of the EMBRAER 170/190 aircraft production, by adapting the facilities and tools the will permit producing up to 15 aircraft per month, as of 2008.

The beginning of the production of the 1,000th airplane of the ERJ 145 family was a historic milestone for the Company in November 2006, with expected delivery to China's HNA Group in 2007, by Harbin Embraer Aircraft Industry (HEAI).

Economic and Financial Analysis

A photograph of an office environment with a blue color cast. In the foreground, a person's head and shoulders are visible as they look down at a computer monitor. The monitor displays a 3D pie chart with several segments. In the background, another person is seated at a desk, working. The overall scene suggests a professional setting focused on data analysis.



Comments on Economic and Financial Performance

FINANCIAL STATEMENTS (BRAZILIAN GAAP)

The Company started the year with a delivery forecast of 145 aircraft to the Commercial Airline, Executive, and Defense and Government Markets, but due to difficulties which arose with the increased rate of production of the EMBRAER 190 and EMBRAER 195 aircraft, in particular with regard to the wing assembly, 130 aircraft were actually delivered.

Therefore, the problems encountered with the supply chain for the EMBRAER 170/190 family resulted in lost revenues, because of the smaller number of aircraft delivered during the fiscal year as compared to the 141 deliveries made in 2005. In addition, as an exporting company for which over 90% of its revenues are in US dollars, the currency's 8.66% devaluation during the year also had a negative influence in Embraer's net revenues. Consequently, net revenues totaled R\$ 8,342.4 million, or 8.7% below the 2005 figure of R\$ 9,133.3 million.

Embraer's exports for the fiscal year totaled US\$ 3,269.0 million, qualifying the Company as one of Brazil's largest exporters, with a 2.3% share of Brazil's 2006 balance of trade figures.

	2004	2005	2006
Net Revenues	10,231.2	9,133.3	8,342.4
Cost of Goods Sold	6,822.8	6,966.8	6,293.3
Gross Profit	3,408.4	2,166.5	2,049.1
Gross Margin	33.3%	23.7%	24.6%
Operating Expenses and Profit Sharing	1,694.2	1,379.3	1,502.3
Operating Profit Before Interest and Taxes	1,714.2	787.2	546.8
Operating Margin	16.8%	8.6%	6.6%
Depreciation and Amortization	221.6	284.1	330.4
Adjusted EBITDA (1)	1,935.8	1,078.3	876.0
Adjusted EBITDA Margin	18.9%	11.8%	10.5%
Net Profit	1,280.9	708.9	621.7
Net Margin	12.5%	7.8%	7.5%
Profit per Share	1.78	0.98	0.84
Number of Shares	718,341,868	721,832,057	739,903,914

(1) According to CVM Circular Letter no. 1/2005, adjusted EBITDA represents net profit plus net financial income (expenses), income tax and social contribution, depreciation, and amortization, non-operating income (expenses), minority interests, and inflation accounting income.

In 2006, there were 130 jet aircraft delivered, 98 of which went to the Commercial Airline Market (86 of the EMBRAER 170/190 family and 12 ERJ-145s), 27 Legacy 600s to the Executive Aviation Market, and five transport aircraft to the Defense and Government Market.

In addition to these jet aircraft, Brazilian Air Force (Força Aérea Brasileira) contracts were honored with the delivery of seven modernized F-5s. Five Super Tucano aircraft were also delivered to Colombia, and were the first exports of this model.

Aircraft Deliveries According to Segment (*)

	2003	2004	2005	2006
Commercial Aircraft	87	134	120	98
ERJ 135	14	1	2	-
ERJ 140	16	-	-	-
ERJ 145	57	87	46	12
EMBRAER 170	-	46	46 (1)	32 (2)
EMBRAER 175	-	-	14	11 (1)
EMBRAER 190	-	-	12	40
EMBRAER 195	-	-	-	3
Executive Aircraft	13	13	14	27
Legacy 600	13	13 (2)	14	27
Defense and Government (**)	1	1	7	5
EMB 145	1	1	1	-
Legacy 600	-	-	6	-
EMBRAER 170	-	-	-	4 (1)
EMBRAER 190	-	-	-	1
TOTAL JET AIRCRAFT	101	148	141	130

(*) Deliveries recorded as operational leasing transactions.

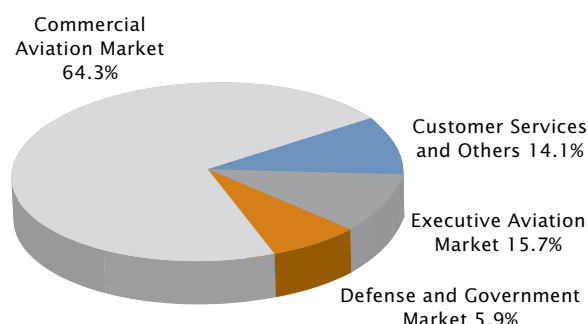
(**) Includes only aircraft configured for authority transportation and sales to state-owned companies.

By virtue of the increased quantity of Legacy 600 aircraft delivered during 2006, Executive Aviation Market revenues practically doubled in relation to the previous year and totaled R\$ 1,309.4 million, compared to R\$ 655.7 million recorded in 2005.

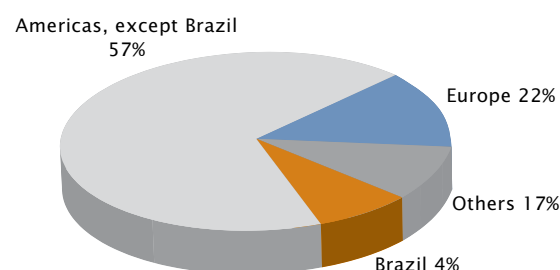
However, because of the fewer deliveries of jet aircraft in the Commercial Airline Market, this segment's net revenues totaled R\$ 5,366.4 million, or a 17.8% decrease over 2005. In the case of Defense and Government, net revenues for 2006 were of R\$ 492.0 million, when in 2005, by virtue of the Legacy 600 aircraft delivered to the Indian government, this sum had been R\$ 989.7 million.

Therefore, in 2006 Aviation Services and Defense and Government represented 14.1% and 5.9% of total net revenues, respectively, compared to the respective shares of 10.5% and 10.8% in 2005. Commercial Airlines and Corporate Aviation activities represented 64.3% and 15.7% respectively, compared to 71.5% and 7.2%, in 2005.

Revenue Breakdown by Segment



Revenue Breakdown by Region



Due to the 8.66% devaluation of the U.S. dollar vis-à-vis the Brazilian Real, in 2006, Embraer's gross margin was kept under pressure and topped 24.6%, slightly above the 23.7% mark recorded in the preceding year. It is important to emphasize that delays, during 2006, in the supply of aircraft components for the EMBRAER 170/190 family resulted in increased production time, with the aircraft staying longer in the assembly docks and a consequent rise in industrial costs, and a negative effect on the Company's gross margin over the period.

Operating costs during the period (including employee profit-sharing) rose to R\$ 1,502.3 million, besting the R\$ 1,379.3 million of the previous fiscal year, due mainly to greater sales expenses.

In 2006, sales expenses rose 35.1% as compared to the previous year and totaled R\$ 833.9 million, or 10.0% of net sales revenues with sales as opposed to a 6.8% share in 2005. This increase is a result of the work to commission the EMBRAER 190, as well as the growth of the Company's sales team, focusing on the Executive Aviation area's new products, in confirmation of Embraer's growth strategies in this market segment.

This aggressive strategy adopted by the Company and the sales efforts focused on its new executive aircraft have already proved positive in terms of units sold, but the financial returns will only appear in mid-2008, when delivery of these aircraft will begin. Furthermore, it is worthy of note that sales expenses, during the previous year, were positively influenced by the recognition of R\$ 94.0 million with the reversal of guarantees provisioned, due to the conclusion of financing structures for aircraft delivered, and which favored the total sum of these expenses.

Employee profit-sharing totaled R\$ 98.2 million, or a 26.4% drop from the previous year, due to the reduced generation and sharing of profits during the year.

Administrative expenses totaled R\$ 492.5 million in 2006, with a small 1.9% change over the previous year's R\$ 483.2 million, including costs for the conclusion of implementing the SAP 4.7 aerospace version project, intended to optimize management processes and tools.

In addition, other net operating expenses of R\$ 78.2 million were recorded, 43.4% below the previous year's figure. The major portion of these expenses relates to technology development, employee technical training and preliminary project studies.

Therefore, operating profits before interest and taxes, for 2006, totaled R\$ 546.9 million, or less than the R\$ 787.2 million earned in the previous year.

Consequently, the EBITDA operating cash generated topped R\$ 876.0 million, which was less than the previous year's figure of R\$ 1,078.3 million, and influenced by the drop in revenues and rise in operating expenses recorded for the period.

Similarly, the 10.5% EBITDA margin on net revenues was adversely influenced by the reduced revenues and gross margin figures for the period.

As a result of the net cash increase that occurred during 2006 and by virtue of its decreased debt cost, Embraer recognized R\$ 293.8 million in net financial revenues, as opposed to R\$ 67.5 million in financial expenses for 2005.

Therefore, affected by foreign exchange fluctuations of the year and by the fewer aircraft delivered, Embraer's net profit for 2006 was of R\$ 621.7 million, below the R\$ 708.9 million figure recorded in 2005. Similarly, the Company's net margin dropped to 7.5%, in 2006, which was below the 7.8% of 2005.

BALANCE SHEET INDICATORS

A number of Embraer's balance sheet indicators are described below, with a three-year comparison:

Key Consolidated Figures, R\$ million	2004	2005	2006
Cash and Cash Equivalents	3,614.3	4,479.2	3,774.0
Accounts Receivable	1,839.6	1,056.2	628.4
Customer Financing	286.1	673.9	464.8
Inventories	4,069.6	3,967.3	4,683.0
Permanent Assets	1,094.8	1,184.4	1,411.6
Trade Payables	1,486.4	1,712.7	1,950.0
Indebtedness – Short Term	1,362.5	1,112.7	1,077.1
Indebtedness – Long Term	2,191.2	2,545.9	1,819.5
Shareholders' Equity	4,442.7	4,735.9	5,040.6

In compliance with CVM (Brazilian SEC) resolutions 488 and 489, the financial statements for the fiscal year ended on December 31, 2005, and submitted as a basis for comparison, certain restatements were made in connection with assets and liabilities, bringing them more into line with the respective accounting principles, the effects of which are shown in explanatory note 2 of the financial statements.

The Company's liquidity as seen by its net cash position (cash and cash equivalents less total indebtedness) remained stable, compared to the closing date for 2005, and ended the fiscal year at R\$ 877.4 million in net cash availabilities.

The successful conclusion of a syndicated stand-by credit transaction totaling US\$ 500 million, and a US\$ 400 million bond issue maturing in 2017, with 6.375% coupon, allowed Embraer to pre-pay a number of its existing credit facilities, thus reducing total indebtedness.

Therefore, Embraer was able to conclude the year with a total indebtedness of R\$ 2,896.7 million, which was below the R\$ 3,658.6 million on the previous fiscal year's closing date. Roughly 62.8% of total indebtedness refers to long-term credit facilities. Embraer's total indebtedness comprises R\$ 2,253.5 million denominated in US dollar and other currencies, and the remaining R\$ 643.2 million are set forth in Brazilian real.

The decline in accounts receivable and customer commercial financing indicates the recovery of the civil aircraft financing market, thus reducing the need for Company to participate in temporary structured sales financings.

On the other hand, inventories ended the year at R\$ 4,683.0 million, or 18.0% above the sum for December 2005. A major portion of this expansion came from problems experienced with the supply chain and the consequent postponement of aircraft deliveries from 2006 to 2007.

Key Consolidated Figures, R\$ million	2004	2005	2006
Net Cash (Debt)	60.6	820.7	877.4
Working Capital	4,389.9	5,046.3	4,007.0
Current Ratio	1.7	1.8	1.6
Acid Test	1.1	1.2	0.9
Inventory Turnover	1.8	1.7	1.5
Assets Turnover	0.6	0.5	0.5
ROA	8.7%	4.2%	3.7%
ROE	31.3%	15.4%	12.7%

Financial ratios were adversely influenced, basically by an increase in inventories during the period. Therefore, the 1.2 acid test ratio in 2005 dropped to 0.9 in 2006, and the current ratio progressed from 1.8 to 1.6 from 2005 to 2006. Similarly, because of the reduced number of

deliveries for the period and the above-mentioned rise in inventories, inventory turnover dropped from 1.7 in 2005 to 1.5 in 2006.

ROA (Return on Assets) of 3.7% and ROE (Return on Equity) of 12.7% were lower in 2006 than the same figures for 2005, as a result of the decline in operating earnings and net profit for the year.

ECONOMIC VALUE ADDED (EVA)

Reduced operating earnings for 2006, compared to fiscal year 2005, in conjunction with the growth of Company assets, brought about Embraer's negative return, according to economic value added, as demonstrated below:

R\$ million	2004	2005	2006
Total Assets	14,185	16,940	16,292
Liabilities with Operational Funding	6,214	8,567	8,354
Paid-Up Liabilities	7,971	8,373	7,937
Third-Party Funding	3,554	3,637	2,897
Equity Capital	4,417	4,736	5,041
Investments to Be Paid	7,971	8,373	7,937
Net Operating Revenues	10,231	9,133	8,342
Operating Costs and Expenses	(8,548)	(8,277)	(7,824)
Operating Profit	1,683	856	518
Income Tax and Social Contribution	(333)	(191)	(156)
Cost of Third-Party Funds	(476)	(419)	(383)
Adjusted Net Profit	874	246	(20)
Cost of Equity Capital	(707)	(673)	(626)
Economic Value Added	167	(427)	(646)
EVA / Investments to Be Paid	2.1%	-5.1%	-8.1%

Note: The calculation EVA does not include special purpose entities (SPEs).

ALLOCATION OF PARENT COMPANY PROFITS

At the next General Shareholders' Meeting, following the creation of a legal reserve and the payment of interest on capital and dividends, management will propose the retention of the year's net profit figures of R\$ 233.1 million as a reserve for investments and working capital, in order to ensure investments in supplementary certifications of the EMBRAER 170/190 jet aircraft family and of the new corporate jet family, in new technologies,

processes and management models, in the quest for the Company's increased performance in know-how and productivity.

US GAAP CONSOLIDATED FINANCIAL STATEMENTS

In line with its transparency policy and by virtue of having its shares (ADSs) traded on the New York Stock Exchange (NYSE), Embraer submits the following summary of its key financial statements in accordance with US GAAP.

Consolidated Balance Sheets on December 31, in US GAAP (US\$ 1,000)

ASSETS	2005	2006
	audited	audited
CURRENT ASSETS		
Cash and cash equivalents	1,339,159	1,209,396
Temporary investments	574,395	555,795
Accounts receivable, net of bad debt provision	445,520	272,153
Sales financing	147,118	16,215
Inventories	1,477,559	2,047,244
Deferred income tax and social contribution	121,376	116,510
Other accounts receivable	510,395	542,408
	4,615,522	4,759,721
LONG-TERM ASSETS		
Accounts receivable	5,304	22,109
Sales financing	460,044	552,751
Deferred income tax and social contribution	302,304	340,659
Other accounts receivable	1,129,476	1,194,373
Permanent assets	388,362	412,244
Investments	31,433	33,844
	2,316,923	2,555,980
TOTAL ASSETS	6,932,445	7,315,701

Consolidated Balance Sheets on December 31, in US GAAP (US\$ 1,000)

LIABILITIES AND SHAREHOLDERS' EQUITY	2005	2006
	audited	audited
CURRENT LIABILITIES		
Loans	475,305	503,047
Trade payables	728,011	912,753
Advances from customers	485,958	544,802
Other accounts payable	965,162	1,058,196
	2,654,436	3,018,798
LONG-TERM LIABILITIES		
Loans	1,078,117	846,104
Advances from customers	97,024	183,639
Contributions from stakeholders	97,852	92,217
Other accounts payable	1,337,987	1,236,748
	2,610,980	2,358,708
MINORITY INTERESTS	46,775	63,914
SHAREHOLDERS' EQUITY	1,620,254	1,874,281
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,932,445	7,351,701

Consolidated Statements of Income in US GAAP
For Fiscal Years Ended on December 31, 2005 and 2006
(US\$ 1,000)

	2005	2006
	audited	audited
NET REVENUES FROM SALES	3,829,907	3,807,403
Cost of goods sold	(2,671,816)	(2,736,234)
GROSS PROFIT	1,158,091	1,071,169
OPERATING EXPENSES		
General and administrative	(205,202)	(235,505)
Sales	(269,747)	(374,140)
Research and development	(93,166)	(112,743)
Employee profit sharing	(56,051)	(42,719)
Other operating expenses, net	(26,079)	(1,677)
OPERATING PROFIT	507,846	307,739
Financial income (expenses), net	(1,672)	140,525
Loss with accumulated conversion adjustments, net	(15,218)	(4,098)
Other non-operating income (expenses), net	9,050	-
PROFIT BEFORE INCOME TAX	500,006	444,166
Income tax payable	(41,569)	(44,412)
Minority interests	(9,622)	(9,580)
Inflation accounting income	(3,096)	(34)
NET PROFIT	445,719	390,140

Consolidated Statements of Changes in Financial Position
For Fiscal Years Ended on December 31, 2005 and 2006
(US\$ 1,000)

	2005	2006
	audited	audited
CASH FLOW FROM FINANCING ACTIVITIES		
Net profit	445,719	390,140
Adjustments to reconcile net income to net cash provided:		
Depreciation and amortization	61,491	68,359
Deferred income tax and social contribution	(42,270)	(1,295)
Gains from accumulated conversion adjustments, net	15,218	4,098
Others	42,397	34,304
	522,555	491,106
Changes in assets and liabilities	(175,646)	(104,173)
Net cash provided by (used in) operating activities	346,909	386,933
CASH FLOW FROM INVESTING ACTIVITIES		
Acquisition of permanent assets	(51,766)	(90,761)
Escrow deposits	(164)	(88,554)
Others	1,434	(203)
Net cash used in investing activities	(50,496)	(179,518)
CASH FLOW FROM FINANCING ACTIVITIES		
Loan repayments	(1,308,817)	(1,497,751)
Proceeds from loans	1,523,261	1,258,249
Dividends paid	(198,945)	(157,771)
Others	9,417	2,170
Net cash provided by (used in) investing activities	24,916	(395,103)
Effect of exchange rate changes on cash and cash equivalents	54,012	57,924
Increase (decrease) in cash and cash equivalents	375,341	(129,763)
Cash and cash equivalents at start of fiscal year	963,818	1,339,159
Cash and cash equivalents at end of fiscal year	1,339,159	1,209,396

The Capital Market

Embraer's relationship with the capital market and its shareholders is based on the clear and uniform release of information and results, according to current legislation and ethical principles, always seeking to consolidate and reaffirm the Company's leadership position within the financial community, following all requirements and rules of BOVESPA's Novo Mercado, the highest level of Corporate Governance in Brazil. Company shares have been traded on the São Paulo Stock Exchange (BOVESPA) since 1986. In 2000, the Company's ADRs (American Depositary Receipts) were launched at level 3 on the New York Stock Exchange (NYSE).

On December 31, 2006, Embraer's capital stock totaled 739,903,914 common shares (ON). The Annual General Shareholders' Meeting held in March 2006 approved the restructuring of the Company's capital stock, whereby it would be represented solely by common shares, giving every shareholder equal voting rights. The shareholders' agreement in effect at that time – which formed a Controlling Group – ceased to exist and Embraer became the first large Brazilian company with a dispersed equity base. The Brazilian Government continues to hold the rights attributed to its special class of share (the Golden Share). Of all the shares in the Company's capital stock, 57.3% are traded on BOVESPA, with the remaining 42.7% traded as American Depositary Shares (ADSs) on the New York Stock Exchange (NYSE).

Performance of Embraer Shares

	2002		2003		2004		2005		2006	
	Closing	% Year	Closing	% Year	Closing	% Year	Closing	% Year	Closing	% Year
R\$										
EMBR3	12.80	19.3%	19.30	50.8%	15.80	-18.1%	18.00	13.9%	22.05	22.5%
EMBR4	14.00	23.6%	25.70	83.6%	22.20	-13.6%	22.95	3.4%	-	-
Ibovespa	11,268	-17.0%	22,236	97.3%	26,196	17.8%	33,455	27.7%	44,473	32.9%
US\$										
ERJ (ADS)	15.90	-16.3%	35.39	122.6%	33.44	-5.5%	39.10	16.9%	41.43	6.0%
Dow Jones	8,342	-16.8%	10,425	25.3%	10,783	3.4%	10,717	-0.6%	12,463	16.3%
S&P 500	879.82	-23.4%	1,111.92	26.4%	1,211.92	9.0%	1,248.29	3.0%	1,418.43	13.6%
US\$ (R\$)	3.5333	52.3%	2.8892	-18.2%	2.6544	-8.1%	2.3355	-12.0%	2.1355	-8.6%

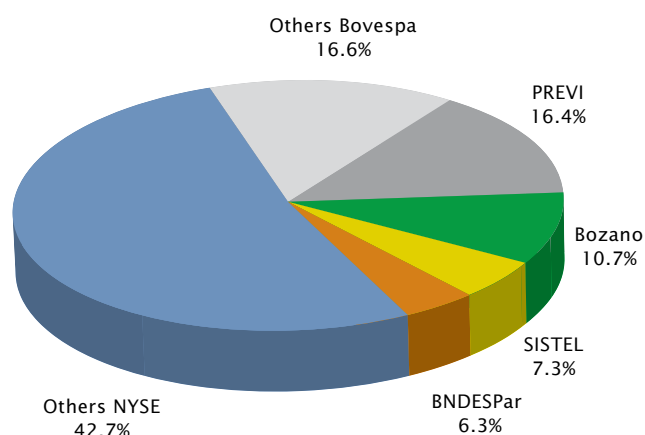
Under these conditions, as of April 2006, Embraer's capital stock consisted solely of common shares traded on BOVESPA under the EMBR3 symbol. In 2006, the Company recorded an appreciation of 22.5%, ending the fiscal year being traded at R\$ 22.05. In turn, the BOVESPA index appreciated 32.9% over the same period. Performance by the Company's shares reflected the decreased volume of deliveries during the year.

Similarly, performance by the Company's ADSs, listed on the New York Stock Exchange (NYSE) under the ERJ symbol, rose to US\$ 41.43 during the year's last session, or a 6.0% appreciation for 2006.

In 2006, a portion of the common share liquidity was present in the US market, when the number of ADSs traded on the NYSE reached a daily average of 589,000

shares, or a per diem financial volume of US\$ 22.4 million. Yet, on the Brazilian stock market, the Company's common shares recorded average daily volumes of 561,000 shares, with an average per diem turnover of R\$ 11.7 million. In 2005, the average daily volume was 199,000 common shares, equaling R\$ 3.1 million.

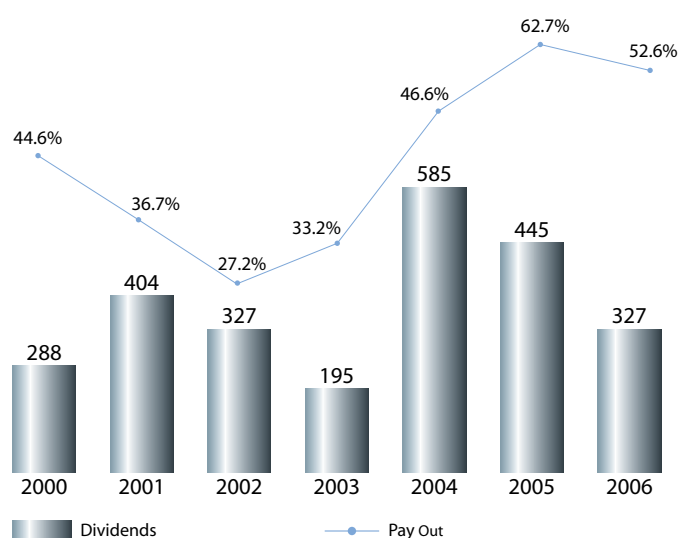
Embraer's market capitalization came to a total of US\$ 7.7 billion by December 2006, compared to the US\$ 7.0 billion recorded on December 31 of the previous year.



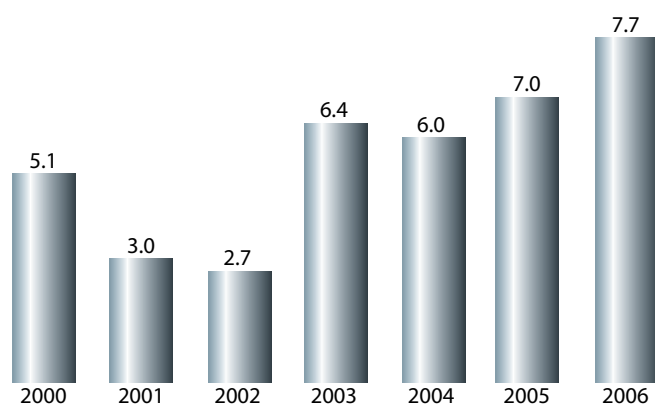
SHAREHOLDER COMPENSATION

Based on its consolidated R\$ 621.7 million net profit figure, in 2006, Embraer paid R\$ 327.3 million to its shareholders as interest on capital and dividends, or R\$ 0.44 per common share. Paying dividends and interest on capital was approved by the Board of Directors for each quarter and that was paid to shareholders in July and October 2006, and in January 2007. This payment came to 52.6% of the Company's consolidated net profits, in line with its policy of paying shareholders over and above the statutory 25%.

Dividends Paid (R\$ millions)



Fair Market Value (US\$ billions)



Risk Management

Embraer always maintained its risk management closely tied to strategic and operational planning processes, in order to protect and sustain its activities, as well as the material and financial resources employed in its operations.

Embraer follows up and studies the development of financial, economic, political and social scenarios, in addition to those fields of activity involved in its value chain, from procuring supplies to supporting its aircraft customers, and also assesses the best manner of minimizing or eliminating potential risks, frequently inherent to its core business.

STRATEGIC RISKS

Because of the complexity and degree of technology involved in the production of its aircraft, Embraer seeks to guarantee the supply of raw materials and of a number of components of its aircraft at stable prices, by means of long-term agreements and partnerships, regardless of the fluctuations affecting the commodities employed in the manufacturing process. The general condition of airlines, world wide, is also constantly monitored by the Company, in order to have an improved perception of the current environment and financial standing of target customers.

The products manufactured by Embraer undergo strict inspection and quality assurance processes. The aircraft are certified by such aviation authorities as Brazil's CTA, the U.S.'s FAA, and Europe's EASA, among others, which means that they are submitted to a comprehensive program of tests prior to being approved for carrying passengers. Aircraft civil liability risks are duly covered by insurance.

RISKS TO THE FINANCIAL STATEMENTS

In order to comply with sections 302 and 404 of the Sarbanes-Oxley Act, the internal control structure of the pertinent processes that pose risks to the financial statements has been undergoing assessment, documentation and testing since 2002, as required by the Public Companies Audit Oversight Board (PCAOB), with the use of world-acknowledged methodologies and criteria.

As of 2006, and in compliance with the Sarbanes-Oxley Act, Embraer will certify its internal controls for the USGAAP Financial Statements with no reservations, which means that there are no material and relevant deficiencies in the internal controls underlying those Financial Statements.

ECONOMIC AND FINANCIAL RISKS

Despite having a natural hedge available to cover its financial transactions, since 85% of its Cost of Goods Sold is in US\$ and roughly 95% of its sales are undertaken with the same currency, Embraer carefully monitors the foreign exchange and interest rate markets, in order to reconcile cash position and indebtedness, thus side-stepping undue exposure in one single asset or reference, and to minimize the volatile effects of these markets. Always in line with the guidelines and limits agreed upon with the Chief Financial Officer, the treasury department employs a wide range of instruments available in the capital market, such as swaps, future markets and derivatives, in order to perform its transactions in the constant pursuit of liquidity and transparency in its business, on the local as well as global markets.

ENVIRONMENTAL RISKS

Environmental protection is an ongoing concern to the Company's management in the performance of its activities, in the implementation of new industrial facilities, and in new product development. All of Embraer's projects are in accordance with the applicable environmental laws and take into consideration the residues produced by the Company's day-to-day activities, in addition to recycling materials used for a variety of purposes, from milk cartons and other packaging materials to organic residues and the metal shavings resulting from the industrial processes. Recycling and re-use rates have been growing annually, as a clear result of the environmental compliance policies adopted by the Company, for which the Environmental Management System has received ISO 14001 certification.

OPERATING RISKS

For the purpose of protecting its assets, Embraer has adopted a policy of taking insurance coverage with appropriate limits for protection against the risks inherent to the business. Hence, it is able to handle events likely to cause damages to society, employees, Company assets and its ability to generate profits. Similarly, it covers obligations assumed in its aircraft sale agreements.

Embraer strictly controls its supply chain, making it able to mitigate the continuity risks inherent to its complex production network. The risks arising from the Company's contractual liabilities are continuously monitored, ensuring that the resulting exposure remains at acceptable levels.

Embraer's business is based on knowledge and technology. Therefore, it is crucial that the risks connected with information security and intellectual

capital be kept at acceptable exposure levels.

Embraer's information systems are duly protected against external or unauthorized internal access. The plant facilities are also subject to controlled access. Awareness programs regarding the importance of protecting information are constantly offered to staff members.

CONFORMITY RISKS

Embraer's essential value system respects and fully complies with the Law, its by-laws and the rules and regulations applicable to its activities and products in Brazil and in other countries where it or its products are present. Consequently, the Company constantly monitors changes in the legal sphere, and studies and assesses any likely impact caused by its activities.

Embraer has adopted a Code of Ethical Conduct that considers this aspect in the actions and decisions of its officers and staff members.

ASSET MANAGEMENT AND FINANCIAL GUARANTEES

In order to provide improved financial support for its sales and to reduce some of the financial risks associated with aircraft sales, Embraer created its subsidiaries ECC Leasing Co. Ltd. and ECC Insurance & Financial Co. Ltd., in 2002.

The mission of ECC Leasing Co. Ltd. is to manage and sell the aircraft portfolio which may be acquired by Embraer under contractual obligations with regard to trade-in and repurchase transactions. The Company also provides resale services to third parties, in connection with its sales campaigns.

The second-hand aircraft business was consolidated, in 2002, through ECC Leasing, in Ireland, and resulted in a Company profit of US\$ 3.7 million in 2004, US\$ 4.3 million in 2005, and US\$ 11.9 million in 2006, fully covering the previous losses and totaling US\$ 8.5 million in profits since its inception. New aircraft sales were made feasible, considering the restrictive condition of used aircraft trade-ins as partial payment, and which have also generated revenues through sales and leasing transactions. Among these transactions are sales to the Brazilian Air Force and federal police, and leasing for Aerolitoral from Mexico, Air Caraibes from Guadeloupe, Cirrus from Germany, Lagunair from Spain and Satena from Colombia, basically of aircraft regained from

the former Rio-Sul Airlines, in addition to leasing transactions with EMBRAER 170 and EMBRAER 175 pre-series aircraft, which contributed to the current income figures.

The leasing and sales transactions were finalized under market conditions, seeking to preserve the value of Embraer products.

ECC Insurance & Financial Co. Ltd. was also created as an in-house insurance company intended to ensure payments of likely contingencies arising from financial guarantees provided in a number of sales financing transactions.



Corporate Governance

On March 31, 2006, the General Shareholders' Meeting (GSM) approved Embraer's corporate restructuring proposal, which converted it into Brazil's first large dispersed shareholder company, with no Controlling Group or controlling shareholder.

This was certainly the most important development since the Company's privatization, creating a basis for Embraer's perpetual sustainable growth, by providing it with free access to world capital markets and broadening its ability to obtain the funds required to support the development of its expansion programs.

The restructuring process will also strengthen Management to adopt best corporate governance practices, while preserving the Federal Government's strategic rights.

Corporate reorganization unified the Company's outstanding shares in a single class of common shares, thus extending voting rights to all of its shareholders and allowing the Company to enter the São Paulo Stock Exchange's New Market ("Novo Mercado"), representing the highest level of corporate governance practices that a company may aspire to in Brazil. Unification of the Company's shares, in conjunction with changes in its by-laws, created 100% tag-along benefits, whereby shareholders will enjoy the same economic rights in the event of an offer to purchase the Company.

The rights of the Golden Share, a special class held by the Federal Government and giving veto rights on specific issues regarding Embraer's business, will be fully preserved under the new structure.

The Corporate By-laws, approved by the shareholders on March 31, created protection mechanisms to

ensure not only a widespread shareholder base, but also that a majority vote would be needed for Brazilian shareholders' resolutions, thus ensuring that corporate resolutions should remain in Brazilian hands, confirming the principle established upon the Company's privatization. Among the key mechanisms are the following:

- No shareholder or group of shareholders, whether Brazilian or foreign, may exercise voting rights in the General Shareholders' Meetings representing more than 5% of the shares in the capital stock. The purpose of this restriction is to discourage an excessive concentration of shares or American Depositary Shares (ADSs) in the hands of a single shareholder or group of related shareholders.
- The total number of votes allowed to foreign shareholders in General Shareholders' Meetings, whether singly or jointly, will be restricted to 40% of the total votes in attendance at the meetings.
- The acquisition of an interest equal to or in excess of 35% of Embraer's capital stock by any shareholder or group of shareholders is restricted, unless under the express approval of the Federal Government as the holder of the Golden Share, and subject to an Acquisition Public Offering.
- Disclosure of shareholdings is mandatory whenever:
 - (i) any shareholder's interest is equal to or exceeds 5% of the Company's capital stock; and
 - (ii) any shareholder's interest is increased by at least 5% of the Company's capital stock.

The Board of Directors, elected on March 31, 2006, is composed of 11 members and their respective alternates, which are seven in number and totally independent.

Furthermore, as part of the procedures intended to ensure an orderly and stable transition to dispersed shareholder control, Maurício Botelho, President and CEO of Embraer, was elected Chairman of the Board

and will accumulate both offices until April 2007. In order to ensure the transparency of the Company's succession process, in August 2006, Frederico Fleury Curado was appointed by the Board of Directors to succeed him as Embraer's CEO, as of April 2007.

The Company's Fiscal Council is a standing body, as provided for in the By-laws and its key activity is to monitor managerial actions and examine the Company's financial statements. It is also a part of the transparency and good corporate governance policy. In compliance with the Sarbanes-Oxley Act, applicable to foreign companies with shares traded on the U.S. market, in 2004, Embraer introduced a number of changes in its Fiscal Council, in order to serve as an Audit Committee.

Consequently, Embraer's Fiscal Council is formed by five full members, one of whom is a specialist in finances, serving one-year terms of office and acting as an Audit Committee.

In addition, during 2006, two committees were formed to assist the Board of Directors with its responsibilities and duties.

- **The Executive Committee:** A standing committee having no more than four members (selected from among the sitting members and alternates of the Board of Directors and Senior Management), with no decision-making or governing powers, but having the purpose of assisting the Board of Directors in the performance of its responsibilities, and also in charge of managing policies regarding the Company's human resources: human resources and directors' remuneration.

- **The Advisory Committee:** Having up to five members (selected from among the sitting members and alternates of the Board of Directors and Senior Management), it has a deadline for submitting its considerations and recommendations to the Board of

Directors – no later than June 2007 – and is responsible solely and specifically for studying the governance model under Embraer's new condition as a company with dispersed shareholder control.

INTANGIBLE ASSETS

Embraer has a history of a number of breakthroughs in the material sphere, as reflected by ever-increasing sales, revenues and profit margins, as well as in the sphere of so-called intangible assets. They are always present in the Company's objectives as indispensable tools in the quest for improved results in favor of its stakeholders, in addition to creating value to the benefit of the surrounding community.

TRADE NAME

The "EMBRAER" trade name is acknowledged and respected in Brazil and the world, and has always been associated with highly reliable state-of-the-art products, forming part of the Company's most important assets. Similarly, for eight years, Embraer has been ranked among the three largest Brazilian exporters, and as the number-one company for three consecutive years, contributing to foreign exchange and bringing recognition for the nation's industrial qualifications. In the quest to increase its business and diversify the markets in which it is currently active, Embraer works continuously to make its trade name known, associating it with the luxury and comfort of its products.

PERSONNEL AND TECHNOLOGY

The growing Embraer team has met and overcome the constant challenges faced by the aerospace market,

acting conscientiously, in accord with the Company and its objectives.

Embraer aggressively trains its staff and builds their technical capacity, and is widely known in the field of engineering, in terms of quality, low costs and short development cycles for aerospace products. The Company currently has over 4,400 engineers among its employees, a significant number of whom have been qualified by extension and specialization courses in disciplines involving aeronautics. Embraer's engineering staff is internationally renowned for its excellence and creativity in developing and adapting its products for specific customer needs.

In 2006, the Company prepared and put in place a "Leadership Improvement Program" intended to develop and reinforce the professionals who hold leadership positions in a number of areas. The program has been attended by 615 corporate leaders. This year also saw the inception of the "Leadership Training Program," which continues on course and involves 280 potential future leaders.

CUSTOMER SATISFACTION

Embraer is known for its focus on customer satisfaction, with products combining comfort, performance and cost, making them manifestly superior and supported by distinctive customer service, through its product support teams.

Embraer is well aware that its results and future growth lie in customer satisfaction and, as a result, it invests extensively and continuously in training its teams in quality and productivity improvements, as well as in the quest for strategic partners who will add value to its products.

SOCIAL RESPONSIBILITY

Embraer enjoys an excellent image as a socially responsible company, developing appropriate programs through the Embraer Education and Research Institute, with a primary focus on educating and benefiting a number of communities in which it is involved throughout the country.

In connection with internal corporate responsibility actions, Embraer has adopted stringent standards that have earned a number of certifications, such as OHSAS 18001 (Occupational Health and Security Management), ISO 14001 (Environmental Management) and ISO 9001 and SAE ES 9100, both of which deal with Quality Management.

Embraer has been included in the Corporate Sustainability Index for 2006, and belongs to an exclusive group of companies committed to social responsibility, corporate sustainability and encouraging good corporate governance in Brazil.

RISK MANAGEMENT

Embraer has always maintained its risk management closely tied to strategic and operational planning procedures, in order to protect and sustain its activities, as well as the material and financial resources employed in its operations.

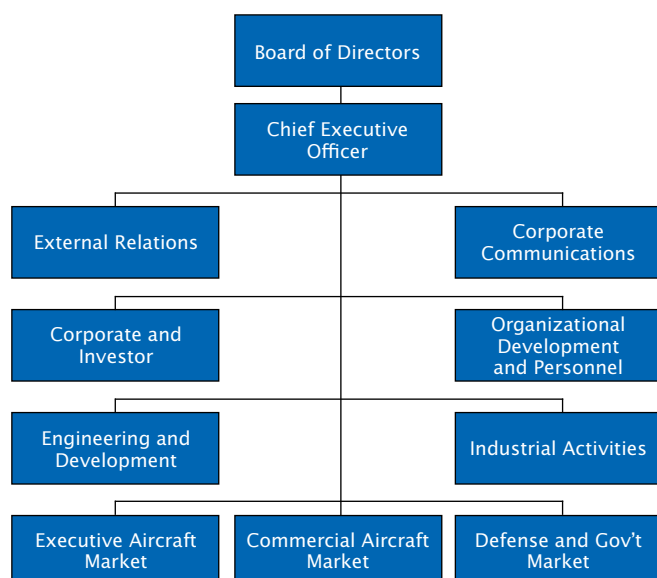
Embraer studies the development of financial, economic, political and social scenarios, in addition to those fields of activity involved in its value chain, from procuring supplies to supporting its aircraft customers, and also assesses the best manner of protecting itself against those risks which are often inherent to its business activities.

As of 2006, and in compliance with the Sarbanes-Oxley Act, Embraer certifies its internal controls in line with USGAAP financial statements, with no reservations, which means there are no material and relevant deficiencies in the internal controls underlying those financial statements.

MANAGEMENT MODEL

Every year, Embraer's Senior Management prepares a five-year Action Plan, according to a strategic planning model that considers such variables as market presence, competition, core competencies, opportunities and risks. The Action Plan is a pivotal instrument for business entrepreneurship, alignment and commitment of the entire staff to the planned goals and results.

In 2005, a detailed review process of the Company's organizational structure was performed to increase operating efficiency and effectiveness. As a result, the Company has drawn closer to its customers and has become more agile. The new organization that emerged from this process is summarized below:



RELATIONSHIP WITH INDEPENDENT AUDITORS

Embraer's policy regarding the services provided by its independent auditors, which are not related to external audits, is based on principles that guard the auditors' independence. Those principles are founded on the fact that the auditors should not audit their own work, perform managerial functions or defend their customers.

During 2006, Embraer contracted other tasks from these auditors, which are not directly related to auditing financial statements, at a cost of roughly R\$ 309,900 and representing 4.6% of the total fees for external audit services provided to group companies worldwide.

Embraer has a policy of submitting all of the services not related to external audits for the Board of Directors' approval, when provided by its independent auditors.

The independence of these auditors is assured because the tasks were developed by a team which is independent from the group responsible for external audit procedures. Decision-making in connection with the procedures adopted was done by Senior Management and approved by the Board of Directors.

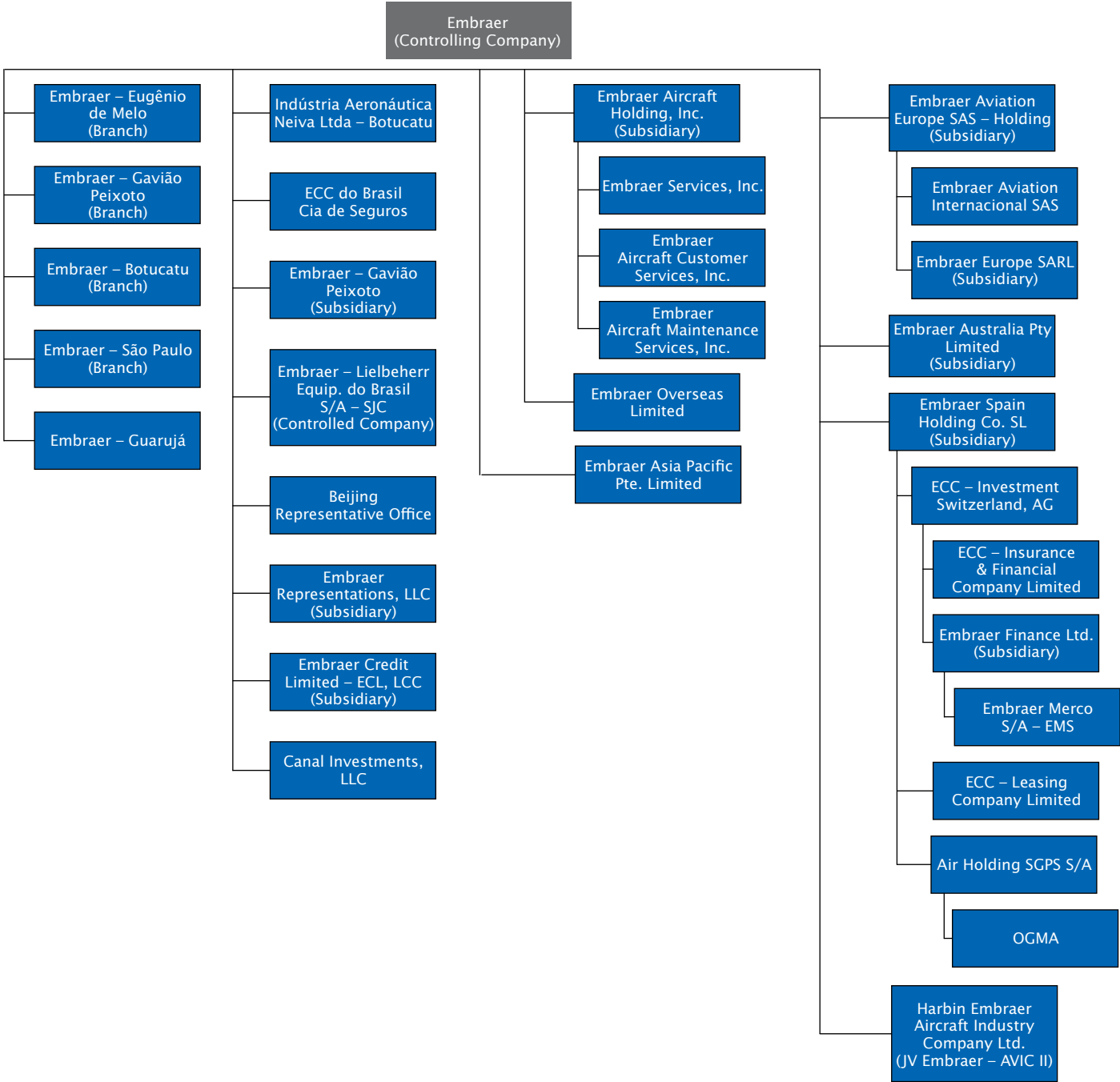
TRADING POLICY

To maintain high corporate governance standards and business management transparency, Embraer created a trading policy for its shares, which is observed by all persons related to the Company (executives and employees) who have access to relevant information. The purpose of this policy is to establish rules and procedures that define the periods during which people related to the Company should refrain from trading Embraer shares, in order to avoid questioning as to the undue use of privileged information not disclosed to the public.

Additionally, the existing Disclosure Policy for relevant information defines the criteria, the timing and those responsible for disclosing such information to investors, ensuring a transparent, uniform and widespread distribution of information to the market.

CORPORATE STRUCTURE

In order to support its operating activities, Embraer maintains a corporate structure which focuses on meeting the requirements and specifics of each country in which it operates, in addition to improving, organizing and optimizing Company management, for the purpose of integrating all of its activities with customer satisfaction.



Management

BOARD OF DIRECTORS

From January 1 to March 31:

VITOR SARQUIS HALLACK
Chairman

WILSON CARLOS DUARTE DELFINO
Vice-Chairman

BRUNO COTTÉ

CARLOS ALBERTO CARDOSO MOREIRA

CARLYLE WILSON

CHRISTIAN PAUL MAURICE GRAS

CLAUDEMIR MARQUES DE ALMEIDA

MAURÍCIO NOVIS BOTELHO

MAYSA OLIVEIRA DA VOLTA

NEIMAR DIEGUEZ BARREIRO

PAULO CÉSAR DE SOUZA LUCAS

RUBENS ANTONIO BARBOSA

SERGIO ÁLVARES DA FONSECA PINHO

From April 1 to December 31:

MAURÍCIO NOVIS BOTELHO
Chairman of the Board

VITOR SARQUIS HALLACK
Vice-Chairman of the Board

BORIS TABACOF

CLAUDEMIR MARQUES DE ALMEIDA

EDUARDO SALOMÃO NETO

HERMANN HEINEMANN WEVER

JOSÉ REINALDO MAGALHÃES

NEIMAR DIEGUEZ BARREIRO

PAULO CÉSAR DE SOUZA LUCAS

SAMIR ZRAICK

WILSON CARLOS DUARTE DELFINO

EXECUTIVE OFFICERS

MAURÍCIO NOVIS BOTELHO
President and CEO

Business Areas:

FREDERICO PINHEIRO FLEURY CURADO
Executive Vice-President, Airline Market

LUÍS CARLOS AFFONSO
Executive Vice-President, Executive Jets

LUIZ CARLOS SIQUEIRA AGUIAR
Executive Vice-President, Defense and Government Market

Functional Areas:

ARTUR COUTINHO
Executive Vice-President, Industrial Operations

EMÍLIO KAZUNOLI MATSUO (1)
Senior Vice-President, Engineering

SATOSHI YOKOTA (1)
Executive Vice-President, Technology Development and Advanced Design

Corporate Areas:

ANTÔNIO JÚLIO FRANCO
Senior Vice-President, Organizational Development and Personnel

ANTONIO LUIZ PIZARRO MANSO
Executive Vice-President & CFO

FLÁVIO RÍMOLI
Senior Vice-President, General Counsel

HENRIQUE COSTA RZEZINSKI
Senior Vice-President, External Relations

HORACIO ARAGONÉS FORJAZ
Executive Vice-President, Corporate Communications

Note:

(1) From January 1, 2007.

OFFICERS, DIRECTORS OF SUBSIDIARY OR AFFILIATED COMPANIES AND REPRESENTATIVES OF EMBRAER ABROAD

ANTÔNIO PIRES MONTEIRO
President, OGMA – Indústria Aeronáutica de Portugal

EDUARDO BONINI SANTOS PINTO
President, ELEB – Embraer Liebherr Equipamentos do Brasil



GARY JOHN SPULAK
President, Embraer Aircraft Holding (EAH)

GUAN DONG YUAN
Managing Director, Embraer China

JAMES BRUCE PEDDLE
Managing Director – Embraer Asia and Pacific, Airline Market

LUIZ FERNANDO FUCHS
Senior Vice-President – Europe, Africa and Middle East, Airline Market

ROBERTO ROSSI DE SOUZA
Managing Director, Harbin Embraer Aircraft Industry (HEAI)

RESPONSIBLE OFFICERS

ACIR LUIZ DE ALMEIDA PADILHA JUNIOR
Customer Support – Airline Market

ALFREDO ZINA CORREIA
Product Quality

ALMIR MIGUEL BORGES
Botucatu Unit

ANASTÁCIO KATSANOS
Market Intelligence – Defense and Government

ANDRE LUIZ SORIANI
Gavião Peixoto Unit

ANNA CECILIA BETTENCOURT
Investor Relation

ANTÔNIO CARLOS VIEIRA VICTORAZZO
Product Integrity

ARTUR DINIZ RAMOS
Marketing and Sales - Brazil, Defense and Government

BRENO CESAR SOARES CORREA
Marketing and Sales - Latin America, Executive Jets

CARMINE SARAO NETO
Human Resources

CHEN QI
Corporate Communications – China

COLIN STEVEN
Marketing and Sales – Europe, Africa and Middle East, Executive Jets

CYNTHIA MARCONDES F. BENEDETTO
Finance

DAVID SCOTT KALISTER
Customer Support - USA, Canada, Mexico and Caribbean, Executive Jets

EDSON CARLOS MALLACO
Aviation Services – Airline Market

EDUARDO MUNHÓS DE CAMPOS
Marketing and Sales – Americas, Defense and Government

ERNEST EDWARDS
Marketing and Sales – USA, Canada, Mexico and Caribbean, Executive Jets

EUGÊNIO CALIL PEDRO
Labor and Unions Relations, Personnel and Occupational Health

EVANDRO BRAGA DE OLIVEIRA
Aircraft Maintenance and Customer Training

FERNANDO IKEDO
Sales Engineering – Defense and Government

FERNANDO RANIERI
Planning – Engineering

GERALDO FERREIRA DA SILVA JUNIOR
Customer Support – Defense and Government

FRANCISCO HORÁCIO BENTO DE MELLO
External Relations – Brazil

GRACILIANO CAMPOS
Promotional Marketing

HÉLIO BAMBINI FILHO
Planning – Industrial Operations

HENRIQUE LANGENEGGER (1)
Phenom Program

HERMANN PONTE E SILVA (1)
Legacy and Lineage Programs

HUMBERTO LUIZ DE RODRIGUES PEREIRA (1)
Product Development Engineering

JOÃO PEDRO TABORDA
External Relations – Europe, Africa and Middle East

JORGE RAMOS DE OLIVEIRA JUNIOR
Technology Development

JOSÉ EDUARDO GANDARA COSTAS
Contracts – Executive Jets

JOSÉ LUIS D'AVILA MOLINA
Contracts – Airline Market

JOSÉ RENATO OLIVEIRA MELO
Advanced Design

JOSÉ SÉRGIO OLIVEIRA VILLELA JUNIOR
Corporate Quality

JOSÉ SERRADOR NETO
Planning and Foreign Trade Policy

LADISLAU CID
Executive Administrator - OGMA

LUIS ANTONIO HERNANDEZ GONZALEZ
Contracts – Defense and Government Market

LUIS ARTHUR OLIVEIRA NAVARRO
Risks and Internal Controls

LUIZ ANTONIO LOPES DE OLIVEIRA
Production

LUIZ EDUARDO ALMEIDA DE OLIVEIRA
Organizational Development

LUIZ SÉRGIO CARDOSO DE OLIVEIRA
Social Development

LUIZ SÉRGIO CHIESSI
Market Intelligence – Airline Market

MARCELO BOTELHO RODRIGUES
Controller

MARCELO RAMON FERRONI
ERP Project

MARCO TÚLIO PELLEGRINI
Market Intelligence - Executive Jets

MARCOS AUGUSTO HIROTA DA SILVA
Production

MARK PAUL HALE
Marketing and Sales – USA, Canada and Caribbean, Airline Market

MAURÍCIO RODRIGUES AVEIRO
Customer Support – Executive Jets

MAURO KERN JÚNIOR
Programs – Airline Market

NELSON KRAHENBUHL SALGADO
Corporate Planning

ORLANDO JOSÉ FERREIRA NETO
Marketing and Sales – Latin America, Airline Market

PAULO CESAR DE SOUZA E SILVA
Sales Financing

PAULO ESTEVÃO DE CARVALHO TULLIO
Asset Management

PAULO MARCHIOTO
Logistics

PEDRO VEIGA FERRAZ PEREIRA
Corporate Communications – North America

RICARDO MARCELO BESTER
Marketing and Sales – Europe, Africa and Middle East, Defense and Government

ROBERTO RIBEIRO SANTOS
Administrative Services and Infrastructure

ROSANA APARECIDA DA SILVA AGUIAR
Internal Communications

ROSANA DIAS
External Communications

SERGIO BELLATO ALVES
Marketing and Sales – Asia, Defense and Government

SÉRGIO DIAS DA COSTA AITA
Corporate Security

SÉRGIO GONÇALVES HORTA
Programs – Defense and Government

SÉRGIO MAURO COSTA
Ground and Flight Test

STÉPHANE GUILBAUD
Corporate Communications – Europe, Middle East and Africa

WAGNER LAPA PINHEIRO
Information Technology

WALDIR GOMES GONÇALVES (1)
Product Support Engineering

Note:
(1) From January 1, 2007.

FISCAL BOARD

JOSE MAURO LAXE VILELA
Chairman

CELENE DE CARVALHO JESUS (1)

GERALDO HUMBERTO DE ARAUJO

JORGE KHALIL MISKI

ROLF VON PARASKI (2)

TAIKI HIRASHIMA

Note:
(1) Until March 31, 2006.
(2) From April 1, 2006.

Shareholder Information

COMPOSITION OF SHAREHOLDER EQUITY ON DECEMBER 31, 2006

Type	Number of Shares	% of Shareholder Equity
Common	739,903,914	100.00%

SHARES TRADED

In Brazil	In the United States of America
Embraer shares are listed on the São Paulo Stock Exchange (Bolsa de Valores de São Paulo – Bovespa) under the name EMBR3 (common shares).	Embraer is listed on the New York Stock Exchange (NYSE) in the ADR Level III Program under code ERJ. Each Embraer ADS is equivalent to four common shares.

DEPOSITARY BANKS

In Brazil	In the United States of America
Banco Itaú S.A. Rua Boa Vista, 176 – 1º Subsolo 01014-001 – São Paulo – SP – Brazil Tel.: +55 11 3247 3138 / 3247 3139 Fax: +55 11 3247 3141	JP Morgan 60 Wall Street, 36 th floor 10260-006 – New York – NY – USA Tel.: +1 212 623 0875 Fax: +1 212 623 0079

INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu

Rua Alexandre Dumas, 1.981 – Chácara Santo Antônio

04717-906 – São Paulo – SP – Brazil

Tel: +55 11 5185 2444 – Fax: +55 11 5181 2911

INVESTOR RELATIONS DEPARTMENT

Av. Brigadeiro Faria Lima, 2.170 – 12227-901 – São José dos Campos – SP – Brazil

Tel.: +55 12 3927 4404

Fax: +55 12 3922 6070

investor.relations@embraer.com.br

Representatives: Anna Cecília Bettencourt, Carlos Eduardo Camargo and Paulo Ferreira

PUBLICATION AND INFORMATION

Quarterly reports, press releases and annual reports are available at our Investor Relations Department and on our website www.embraer.com

Addresses

EMBRAER – HEADQUARTERS

Av. Brigadeiro Faria Lima, 2.170
12227-901 – São José dos Campos – SP – Brazil
Tel.: +55 12 3927 1000 – Fax: +55 12 3927 6600
Extension 1448

EMBRAER – NORTH AMERICA

276 S.W. 34th Street
Fort Lauderdale – FL – 33315 – USA
Tel.: +1 954 359 3700 – Fax: +1 954 359 8170

EMBRAER – EUROPE

Bat. Eddington Paris Nord II – 33, Rue des Vanesses
BP 57391 Villepinte
95943 Roissy CDG Cedex – France
Tel.: +33 1 49 38 4400 – Fax: +33 1 49 38 4401

EMBRAER – CHINA

Suite 1806, Tower 2
China Central Place Office Building
No.79 Jianguo Road
Chaoyang District – Beijing 100025
People's Republic of China
Tel.: +86 10 6598 9988 - Fax: +86 10 6598 9986

EMBRAER – ASIA PACIFIC

391 B Orchard Road # 24-02 – Ngee Ann City – Tower B
Singapore 238874
Tel.: +65 6734 4321 – Fax: +65 6734 8255

EAMS – EMBRAER AIRCRAFT MAINTENANCE SERVICES, INC.

10 Airways Blvd.
Nashville, TN – 37217 – USA
Tel.: +1 615 367 2100 – Fax: +1 615 367 4327

ELEB – EMBRAER LIEBHERR EQUIPAMENTOS DO BRASIL S.A.

Rua Itabaiana, 40
12237-540 – São José dos Campos – SP – Brazil
Tel.: +55 12 3935 5268 - Fax: +55 12 3935 5284

EMBRAER – BOTUCATU

Av. Alcides Cagliari, 2.281
18600-971 – Botucatu – SP – Brazil
Tel.: +55 14 3811 2000 – Fax: +55 14 3811 1936

OGMA – INDÚSTRIA AERONÁUTICA DE PORTUGAL S.A.

2615 – 173
Alverca – Portugal
Tel.: +351 21 957 1000 / 957 9000
Fax: +351 21 958 1288 / 958 0401

