



2007 ANNUAL REPORT

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A close-up photograph of a grey robotic arm, likely from a humanoid robot, positioned in the foreground. The arm is dark and metallic, with visible joints and a small circular sensor or camera lens on its upper section. The background is dark and out of focus, featuring several bright, colorful bokeh lights in shades of blue, green, and yellow, suggesting a stage or exhibition setting at night.

— MESSAGE FROM THE PRESIDENT



It is a pleasure and an honor to present Embraer's 2007 Annual Report, the first since I assumed the presidency of the Company, in April 2007.

Thus ends the formal process of the succession of Maurício Botelho, who led the Company impeccably for nearly 12 years, to nothing less than extraordinary results. Maurício transformed the scenario of enormous difficulties he encountered upon his arrival in September 1995 into a strong, solid and well-prepared legacy for the future. His continuance as Chairman of the Board was also an important stabilizing factor during this transition period.

2007 was marked by several accomplishments of great relevance to the Company. We closed out the year with 169 aircraft delivered, fulfilling the previously established target of 165-170. It should be pointed out that this is a historic number of deliveries for the Company, which is 30% above 2006 levels and is reflected in net revenues of R\$ 9.98 billion – 20.8% higher than last year, also another record.

The sales performance was another relevant item in 2007, with a significant increase in the firm order backlog, which came to US\$ 18.8 billion by the end of the fiscal year.

In spite of the adversities experienced by the Company in 2007, which are typical of a steep growth process, as well as the significant

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FREDERICO FLEURY CURADO

PRESIDENT AND CHIEF EXECUTIVE OFFICER

pressure on costs incurred in Brazil due to the appreciation of the Brazilian Real against the US Dollar, operational profits reached R\$ 527.6 million, or 5.3% of net revenues, while net profits reached R\$ 657 million, equivalent to a 6.6% net margin.

Embraer's financial position was significantly strengthened throughout 2007, with net cash coming to R\$ 1.31 billion by the end of the fiscal year, highlighting the important sale, to the market, of customer accounts receivable of R\$ 343.4 million. Besides the positive effect on cash holdings, this operation allowed a significant reduction of the Company's financial exposure, and for its projection in the aviation financial community, it was rewarded with the Aerospace Deal of the Year from *Airfinance Journal*.

In September, the historic delivery of the 1,000th ERJ 145 took place in a ceremony held at the headquarters of Harbin Embraer, China. Throughout 10 years in operation, these aircraft have demonstrated excellent performance levels, accomplishing the impressive mark of 10 million cycles and 12 million flight hours, with 99% dispatch reliability, while serving more than 30 operators worldwide.

The global fleet of the EMBRAER 170/190 family of E-Jets has achieved 1.3 million flight hours, with a dispatch reliability rate that is quickly

approaching 99%, and a growing acceptance worldwide. By the end of the year, the E-Jets had logged 764 firm orders, 786 options and 334 deliveries to about 45 operators in 30 countries.

The year 2007 also recorded great achievements and progress for Embraer as a player in the executive aviation market, in terms of record sales, development programs and the expansion of the infrastructure to support our customers.

The success of the Legacy 600 was reflected in a new delivery record of 35 units in 2007, which also represented market leadership in the Super Midsize segment for the year. With 130 aircraft flying in 23 countries, the Legacy 600 holds a 15% market share for this segment.

The Phenom jets maintained their extraordinary sales performance, having accumulated more than 700 firm orders by the end of 2007. Special mention goes to the order of one hundred Phenom 300 jets by Flight Options, the second-largest fractional ownership company in the world. This represents Embraer's first incursion into this sophisticated and competitive market.

As far as ongoing developments, the three development programs – Phenom 100, Phenom 300 and Lineage 1000 – progressed according to plan, including the first flights of the Phenom 100 and Lineage 1000 pre-series aircraft, with flight test campaigns now fully underway.

The certification and first deliveries of these two models will take place in the second semester of 2008, whereas the Phenom 300 will reach the market around 12 months later.

As for the defense and government market, 2007 also witnessed important results, such as the delivery of the 50th Super Tucano and the signing of the AMX mid-life update contract with the Brazilian Air Force (*Força Aérea Brasileira – FAB*) and the continued delivery of Super Tucano to the Colombian Air Force.

Additionally, several transport aircraft were negotiated during the year, to governments of such nations as Ecuador, Thailand and Angola. There was also the rapid progress of studies and preliminary discussions regarding the development of a new medium-sized military cargo aircraft, temporarily called the C-390.

On the Company's home front, the highlight was the launch of the Embraer Enterprise Excellence Program (P3E – *Programa de Excelência Empresarial Embraer*), an ample program aimed at the pursuit of excellence in corporate practices and processes, and which already contributed to the achievement of the Company's 2007 delivery targets. In addition to its focus on the issue of efficient processes, the P3E Program also addresses, in an integrated manner, the

Company's initiatives in the areas of leadership development and motivation of its people, as well as corporate culture.

Another corporate priority that bore fruit in 2007 was the Technological Development Plan, whose first results are evident at the testing level and should soon be put into practice on an industrial scale, such as new processes for manufacturing airframes from composite materials and the architecture for full fly-by-wire controls.

In 2007, we invested R\$ 12.3 million in social action programs in the communities where the Company is established. This action is handled by the Embraer Education and Research Institute (*Instituto Embraer de Educação e Pesquisa*), and Engenheiro Juarez Wanderley High School is its main project. In 2007, its graduates achieved an impressive 93% acceptance rate to different universities in Brazil.

Finally, regarding environmental protection, the creation of a specific area to deal with associated strategies and technologies reiterates Embraer's commitment to sustainable growth.

The results that Embraer achieved this year reaffirm the capacity, tenacity and unity of its people pursuing and overcoming challenges. It was an outstanding year, in terms of

strengthening the Company's bases for the new marketing and technological realities projected for the coming decade.

In 2008, the Company should experience more growth, making important advances toward corporate excellence; continually investing in new products, technologies and productivity; improving its bottom line; and emphasizing the development of its personnel and leadership.

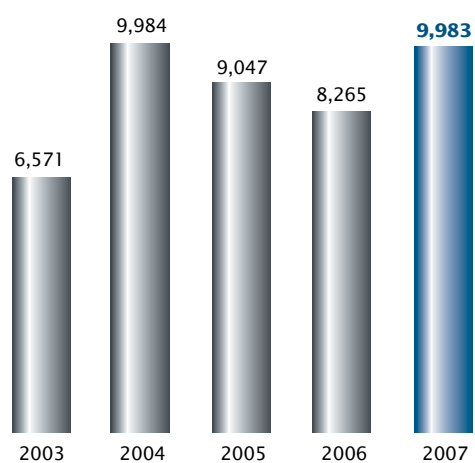
As in the past year, 2008 will be highly important for building the way for Embraer's growth and perpetuity, always taking the satisfaction of its customers as the backbone of its corporate strategy.



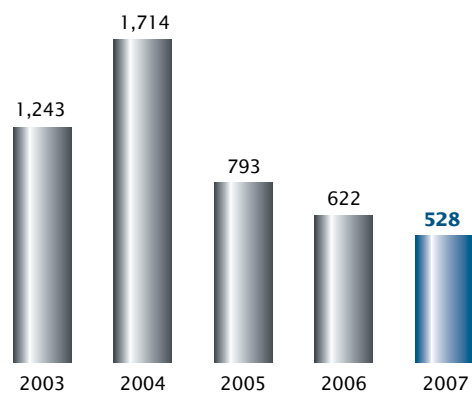
FREDERICO FLEURY CURADO
PRESIDENT AND CHIEF EXECUTIVE OFFICER

FINANCIAL HIGHLIGHTS

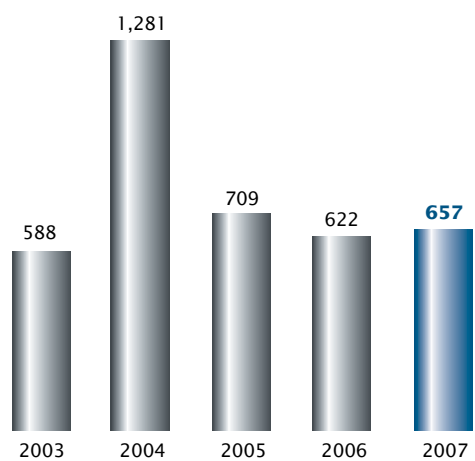
NET SALES – R\$ million



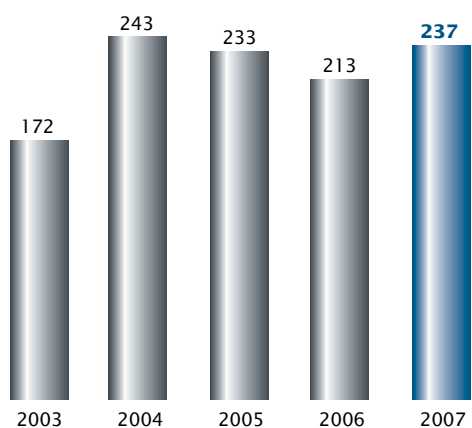
EBIT (Income from Operations) – R\$ million



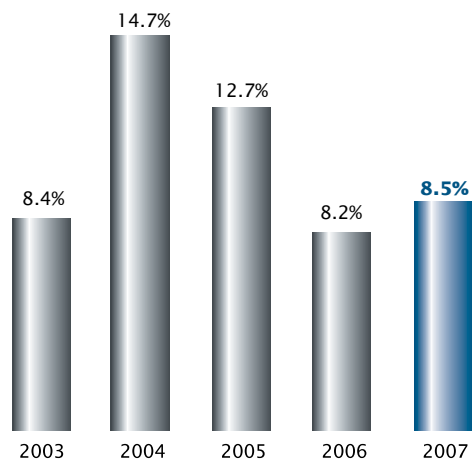
NET INCOME – R\$ million



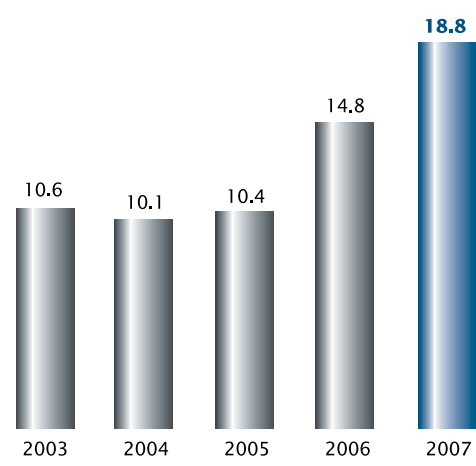
EBIT PER EMPLOYEE – R\$ thousand



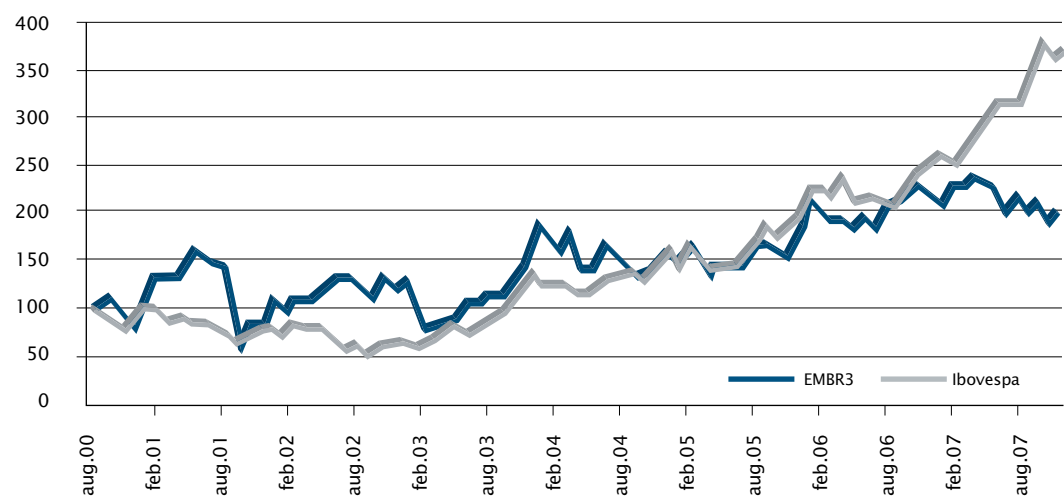
ROCE – Return on Capital Employed – US GAAP



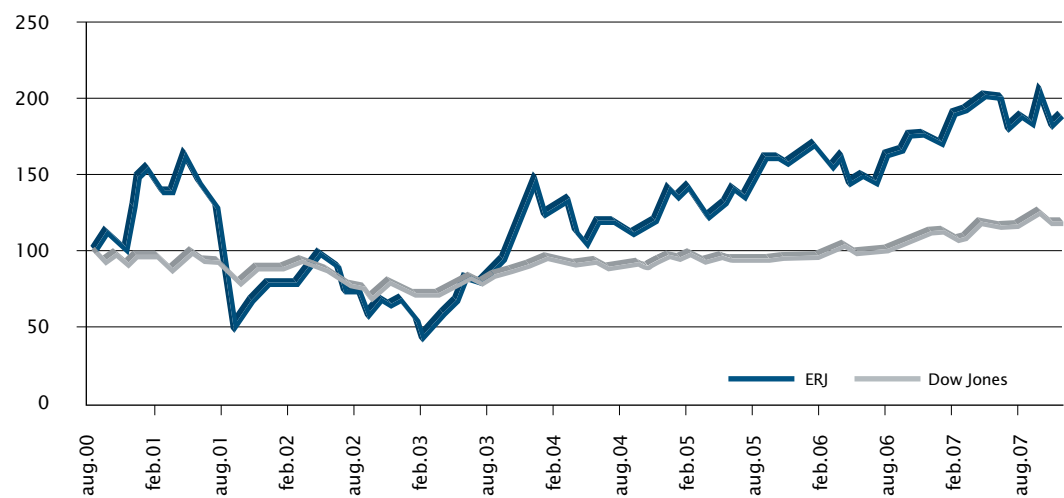
FIRM ORDERS BACKLOG – US\$ billion



EMBR3 and IBOVESPA PERFORMANCE - 7/21/00 = 100



ADS and DOW JONES PERFORMANCE - 7/21/00 = 100



CORPORATE STRATEGY





CUSTOMER SATISFACTION

In its pursuit of continuously generating increasing value for its shareholders, Embraer takes the satisfaction of its customers as the basis of its corporate action, primary source of its results and the essential element for its growth and longevity.

PEOPLE

The people of Embraer are its greatest asset. Their unity, motivation, development and growth are an unceasing corporate priority. The policies regarding the return of results to shareholders, administrators and all of the employees are a basic part of this strategy.

TECHNOLOGY AND PROCESSES

Embraer's competitiveness is sustained and driven by its capacity to innovate, incorporate new technologies in its products and perfect its industrial, commercial, financial and administrative processes in general.

GLOBAL PRESENCE AND MARKET LEADERSHIP

Embraer is characterized by its ability to identify market opportunities and develop products and service solutions that meet those opportunities with great effectiveness.

In the commercial aviation market, the Company is the leader of the segment for jets with up to 120 seats, and it seeks to be one of the world's main companies in the executive aviation market by 2015. In the defense and government segment, as well as in aeronautical services, the Company seeks involvement in niches where it can exercise

a leadership now and that provide it with opportunities for continuous long-term growth.

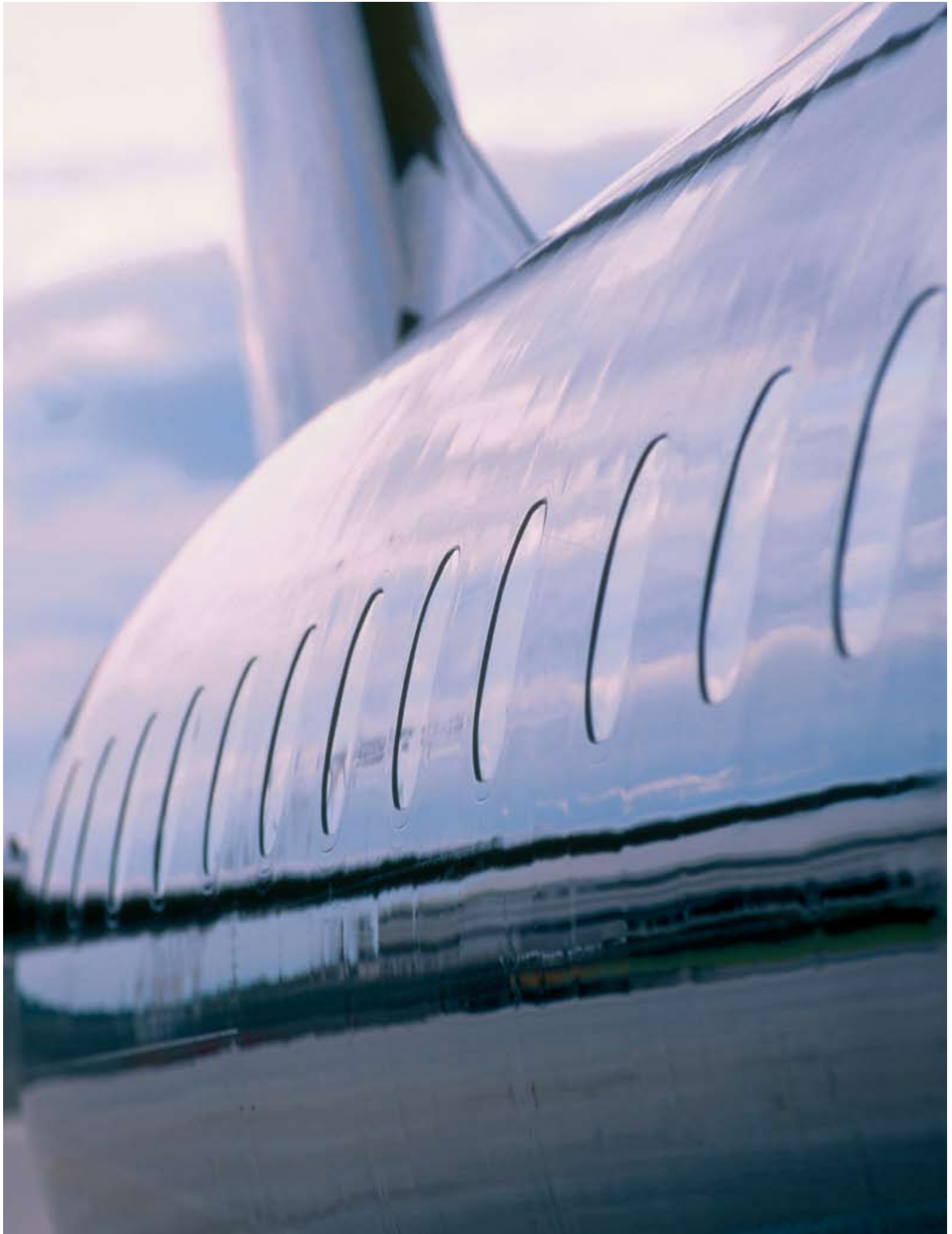
TRANSPARENT RELATIONSHIP WITH SHAREHOLDERS

Aware of its responsibility to those who have believed in the Company, supported its business vision and invested in it, Embraer maintains a relationship with its shareholders based on truthful and transparent communication, while exercising the best practices of corporate governance.

SOCIAL RESPONSIBILITY

The Company is committed to ethical behavior and to full compliance with the legal provisions of the countries where it operates, as well as in its relationships with customers, shareholders, suppliers, service providers, competitors and employees.

In its commitment to sustainable growth, Embraer continuously takes up actions that focus on protecting the environment, on the health and quality of life of its employees and their families, and on the development of the communities in which it is located.



— COMMERCIAL AVIATION





PRODUCTS – COMMERCIAL AVIATION

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)





The year 2007 was very active for commercial aviation, with several new airlines confirming orders and joining the Company's customer base. There were 145 new sales of commercial jets during the year, contributing decisively to the Company's record firm order backlog, which had risen to US\$ 18.8 billion by the end of the year.

In September 2007, the 1,000th aircraft of the ERJ 145 family was delivered to China's Grand China Express, of the HNA Group, confirming both the success of these products and the Company's strategy for establishing a manufacturing plant in that country.

The jets of the ERJ 145 family, which are operated by more than 30 airlines on five continents, completed 10 years of service in April 2007, and have accumulated over 10 million cycles and 12 million flight hours. In the middle of the year, the aircraft recorded the highest availability level in its history, with an impressive 99.83% completion rate (an average of only 1.7 cancellations for every 1,000 scheduled flights).

The EMBRAER 170/190 family of E-Jets is helping airlines, worldwide, to improve their operating efficiency, whether by natural growth of routes formerly operated by 50-seat jets, or by effectively substituting older narrow-body aircraft, with their high levels of fuel consumption and maintenance costs. During this substitution process, the E-Jets have also contributed significantly to reducing carbon dioxide emissions on the routes they fly.

Important customers were gained in 2007, such as Japan Airlines, Air France/KLM (France/Netherlands) and Lufthansa (Germany). E-Jets contracts were also signed with Flybaboo (Switzerland), NAS Air (Saudi Arabia), TACA (El Salvador) and Virgin Nigeria (Nigeria).

In addition, current customers, such as GECAS and Republic Airways, from the US, confirmed their satisfaction and confidence in Embraer's products by converting purchase options into firm orders.

The fleet of E-Jets continues its consistent growth pattern all over the world, thereby increasing the complexity of post-sale support activities. In 2007, seven new customers began operations in different countries: US Airways (USA), Mandarin Airways (Taiwan), Sirte Oil Company (Libya), SkyAirWorld and Virgin Blue (Australia), Egyptair (Egypt) and Kenya Airways (Kenya). The worldwide fleet has already achieved 1.3 million flight hours, carrying passengers everywhere in the world with high levels of reliability, comfort and efficiency.

With the ERJ 145 and EMBRAER 170/190 families, Embraer maintains its leadership market share of 47% of the world's up-to-120-seat jet segment. The firm order backlog reached 476 units in the end of the year, broken down as follows:

AIRCRAFT				DELIVERIES	FIRM ORDER
	FIRM ORDERS	OPTIONS	TOTAL	MADE	BACKLOG
ERJ 145 Family	915	131	1,046	869	46
EMBRAER 170/190 Family	764	786	1,550	334	430
Total Commercial Aviation	1,679	917	2,596	1,203	476

COMMERCIAL AVIATION CUSTOMERS

EMBRAER 170/190 FAMILY



ERJ 145 FAMILY



EXECUTIVE AVIATION





PRODUCTS – EXECUTIVE AVIATION

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 Midsize



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







Embraer continued to make solid progress in developing and strengthening its executive aviation business, throughout 2007, in both sales, whose record volume carried the firm orders for this area to around US\$ 4.5 billion, and in the development of new products and the implementation of a widespread support network for customers.

In July, the first Phenom 100 performed its maiden flight, followed by the second and third aircraft in September and December, respectively. By the end of the year, they had completed around 280 hours of test flights, and certification remains expected for the second semester of 2008.

The first Phenom 300 started to be assembled in mid-August and should take its first flight in the first semester of 2008.

In December, the hangar which will house the assembly lines was inaugurated and it will be fully operational by the middle of next year, and the Phenom 300 should be certified during the second semester of 2009. Together, the Phenom 100 and 300 jets had logged over 700 firm orders by the end of fiscal year 2007.

The Legacy 600 continues to demonstrate a growing competitiveness in the market, by an increase in deliveries from 27 units in 2006 to 35 in 2007. With 130 aircraft operating in 23 countries, the Legacy 600 holds about a 15% share of the market for super midsize jets. Furthermore, the greater internal cabin height of the 2008 model, plus new seats and other interior enhancements, will further increase the comfort and space in the three distinct cabin zones of the aircraft. Other highlights are a new galley that is even more functional, a forward lavatory that can be serviced externally and an enhanced passenger audio system.

In October, the first Lineage 1000 took its maiden flight and then flew to the United States for its interior to be installed by PATS, a company specialized in this type of service and an Embraer partner in this program. The certification and delivery of the first aircraft are expected for the second semester of 2008.

In September, during the annual National Business Aviation Association (NBAA) convention, two new executive jet concepts were presented: Embraer

Midsize Jet (MSJ) and Embraer Midlight Jet (MLJ), both of which are positioned between the Phenom 300 and the Legacy 600. The initial market reaction is promising for these new models, and a decision on their formal launch should be made in 2008.

In 2007, Embraer continued its solid investments in the implementation of its customer support network, by building three new service centers in the United States (in the states of Arizona, Connecticut and Florida), and one in Europe, in the former Embraer hangar in Le Bourget, France. At the end of 2008, it is expected that the network of service centers will consist of seven Company-owned and another 38 authorized centers run by other companies.

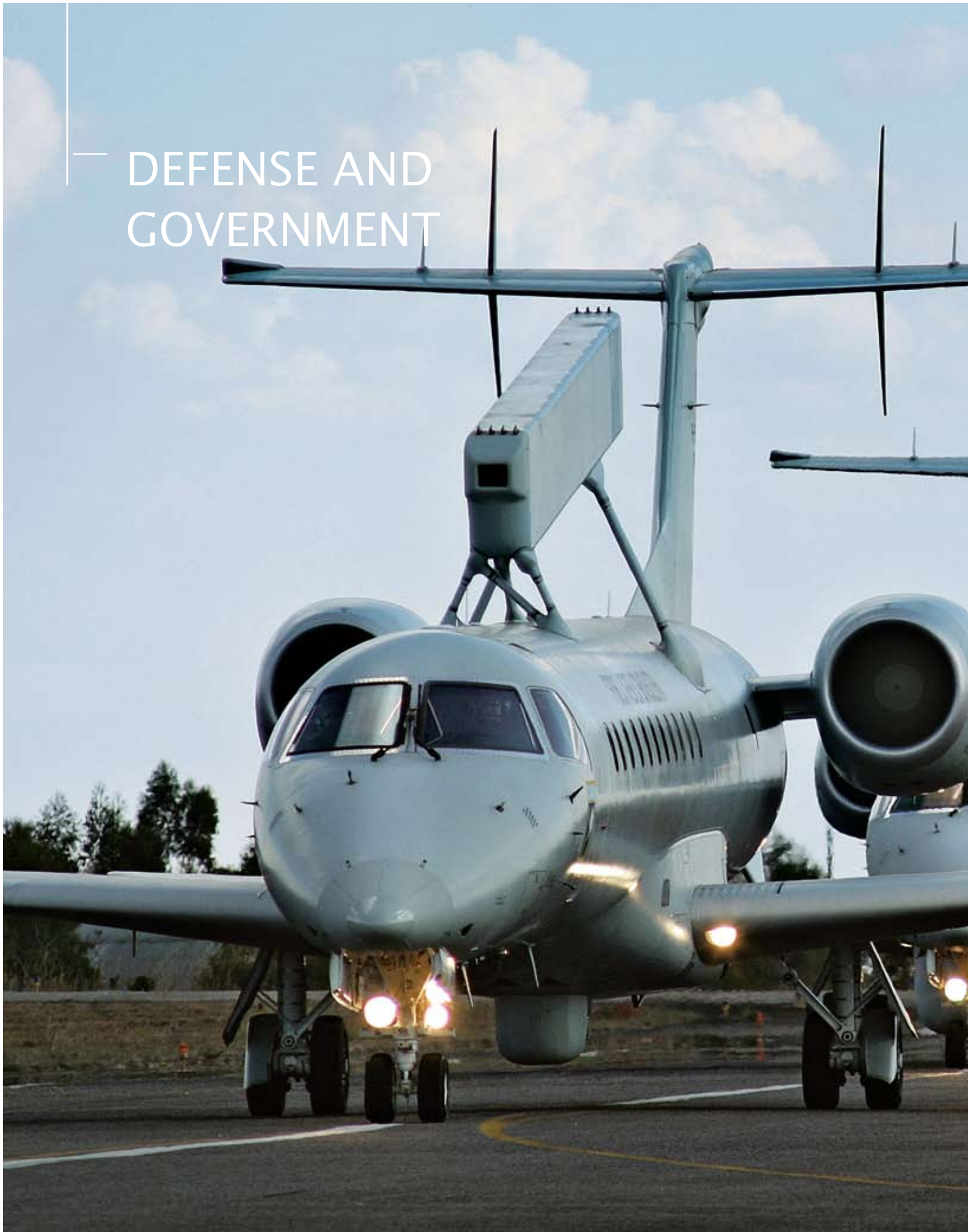
Also for the purpose of giving post-sale support, Embraer CAE Training Services was formally established in November 2007, and will offer training for pilots and maintenance crews of the Phenom 100 and Phenom 300 jets. The first

two training centers to be inaugurated will be in Dallas, Texas, US, and Burgess Hill, UK, in 2008 and 2009, respectively.

Finally, we highlight the development of the Maintenance Tracking & Planning Service (MTPS) system that will facilitate controlling the maintenance of aircraft by their owners and operators. In less than one year of operation, MTPS has received very positive feedback and is already used by 64% of the Legacy 600 fleet.



— DEFENSE AND GOVERNMENT





PRODUCTS – DEFENSE AND GOVERNMENT

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



E-JETS

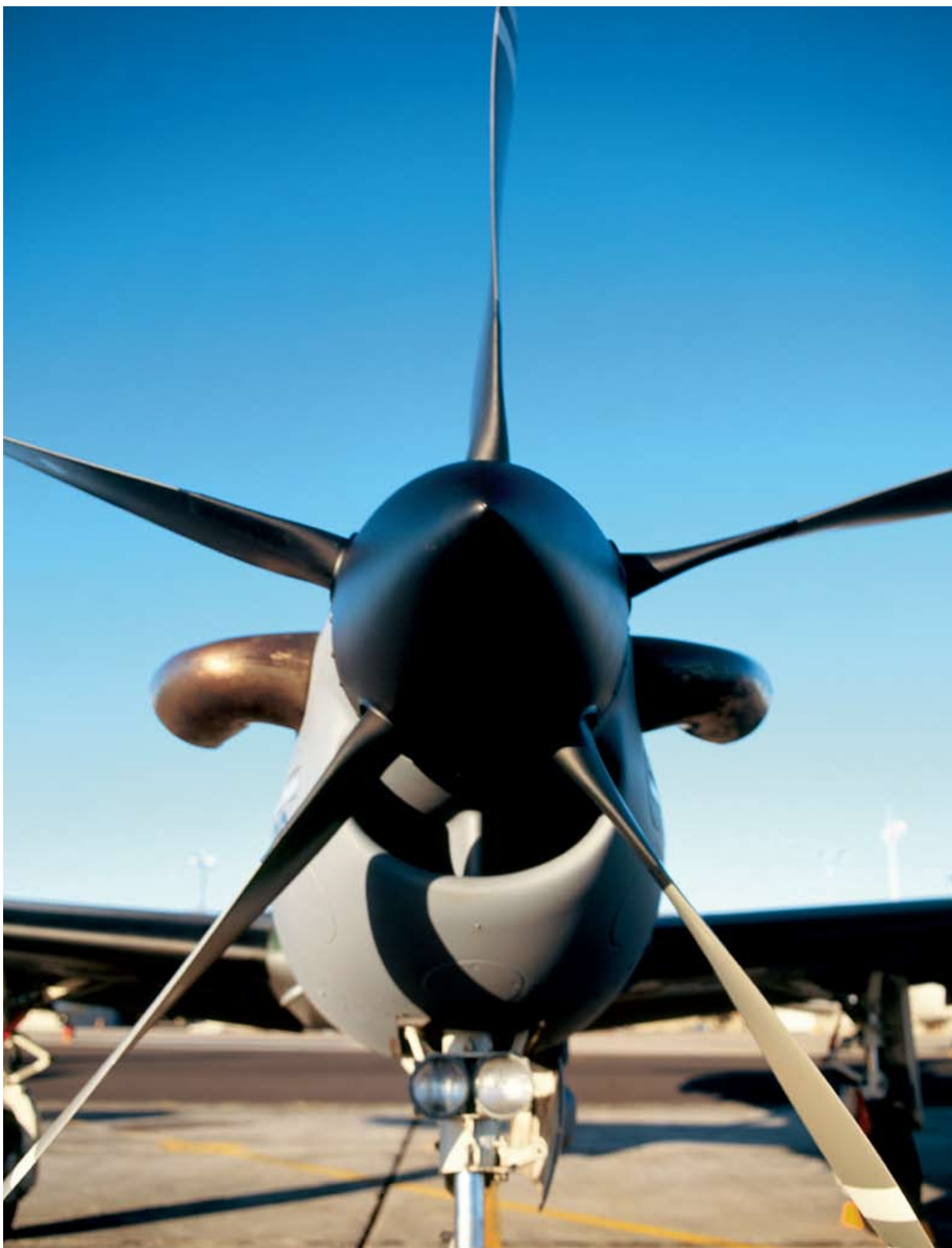
ERJ 145

LEGACY

PHENOM

MISSION: VIP Transportation







With aircraft that combine high levels of technological content, operational efficiency and competitive acquisition and operating costs, Embraer continues to be in line with growing defense and government market demands. In this direction, 2007 was also positive for this business area of the Company.

With the delivery of 18 Super Tucano turboprops to the Brazilian Air Force (Força Aérea Brasileira – FAB) during the year, the number of these aircraft in operation reached 58 of the 99 on order, with proven operational performance and efficiency in joint actions with the R-99A (EMB 145 AEW&C) aircraft for the Amazon Surveillance System (SIVAM).

Ten Super Tucanos were also delivered to the Colombian Air Force, totaling 15 aircraft in operation, of 25 ordered. These airplanes also have been of great use and effectiveness in combating the drug traffic in that country.

As for transportation aircraft, special mention goes to the increase of the fleet of the Ecuadorean government with two EMBRAER 190 jets, the first ERJ 145 jet for the Government of the State of Bauchi (Nigeria), and one Legacy 600 and one EMB 120 Brasilia to Angola. Besides these, other important sales were gained during the year, such as two Phenom jets to carry VIPs from Pakistan's Air Force, and two ERJ 135 jets for Thailand's Air Force that will be used to carry VIPs and for medevac missions. These contracts, which include long-term logistical support, reflect the Company's expansion in this market segment in Asia.

With the confirmation of the contract for modernizing the A-1 (AMX) fighter jets of the Brazilian Air Force, the first of a total of 53 aircraft arrived at the Company, in August, and will serve as a prototype for the modified aircraft, which should fly at the end of 2008. With the planned systems modernization and technological



upgrading, the fleet of A-1s should continue to be active for another 20 years, with a high degree of operational efficiency.

Another highlight has to do with the businesses associated with post-sale support for the more than 800 aircraft in operation, by over 25 customers from the armed forces and other government agencies worldwide. These ever-expanding services include preventive maintenance and provisioning of spare parts, like Embraer Executive Care (EEC) and Contractor Logistic Support (CLS), as well as aircraft inspection, engineering, configuration and obsolescence management, training, editing technical publications, repairs and equipment for support on the ground. Several distinctive contracts in 2007, among a number of others, involved the air forces of Brazil, Colombia, India and Greece.

In April 2007, during the Latin America Aero & Defence (LAAD) Exhibition, in Rio de Janeiro, Embraer confirmed its studies regarding the possible development of a military transport plane temporarily called the C-390. Besides the positive reactions after the announcement to potential customers, we should mention the advanced discussions with the Brazilian Air Force, in terms of detailing the technical and operational specifications, as well as the necessary budget planning for developing the aircraft.

Finally, in December, Embraer delivered two new Ipanema airplanes to the FAB, to be used to tow gliders at the Brazilian Air Force Academy (AFA).

— AVIATION SERVICES





The recently created Aviation Services business unit obtained good results in 2007, with net revenues of US\$ 528 million. This unit is responsible for handling three business areas: maintenance services, material solutions and customer training.

The existing fleet of Embraer aircraft involves approximately 4% of the world's maintenance services, or around US\$ 4 billion per year. The Company has been concentrating its efforts exclusively on maintenance for aircraft it has built, guaranteeing quality and priority services to its customers. Besides the service centers already established in Brazil (Gavião Peixoto plant), in Portugal (OGMA – Indústria Aeronáutica de Portugal) and in the United States (Embraer Aircraft Maintenance Services - EAMS), the Company is implementing four new units focusing on executive aviation – one in Europe and three in the United States – all of which should be operational in 2008.

EAMS received two awards in 2007: the Diamond Training Award, in recognition of the training standards for its mechanics, and the US Environmental Protection Award, granted for outstanding initiatives for protecting the environment.

In February 2007, OGMA received the Design Organization Approval (DOA) certification, from the European Aviation Safety Agency (EASA). This certification, besides granting greater autonomy, will allow OGMA to perform modification projects and repairs on large airplanes.

In the area of material solutions, the highlight is the process of expanding Embraer's units in Singapore and Beijing, as well as the signing

of a total support contract for replacement parts for the EMBRAER 175 in the Northwest/Compass fleet, involving the implementation of a specific infrastructure for distributing parts in Minneapolis, Minnesota, US.

As for customer training, a partnership was formalized in 2007 with Canada's CAE, guaranteeing a solid base for growth of Embraer's share in this business segment. The joint venture Embraer CAE Training Services, LLC (ECTS), will initially concentrate on training pilots and maintenance staff for the Phenom 100 and Phenom 300 jets, seeking leadership in this market segment.

Another important achievement in the area of training services was the beginning of the operations of the EMBRAER 170/190 flight simulator in Singapore, which was part of a Company investment of US\$ 40 million in the Asia-Pacific region, and is able to receive up to 400 pilots per year.

Finally, while always seeking to be in the forefront in meeting the needs of its customers, Embraer continues investing in e-business initiatives. In 2007, the Company restructured its AeroChain portal, creating a new portal specifically for customers (FlyEmbraer), which gives them more exclusive and user-friendly access, besides expanding the portfolio of available services covering the operational, maintenance, materials and training areas. The other AeroChain applications are still active, with interfaces with suppliers and industrial partners.



TECHNOLOGICAL AND INDUSTRIAL MANAGEMENT







In 2007, Embraer faced the challenge of growing its production and delivery volume by 30% while, at the same time, it was recovering from delays that had been accumulating since 2006. By the end of the year, the delivery goal (165 to 170 airplanes, including the E-Jets, ERJ 145 and Legacy 600 models) had been fully met, with 169 jets delivered, plus one EMB 120 and all of the 38 military planes planned for the year.

The hiring and intensive training of a large contingent of employees for the production area – around 4,500 people – was a crucially important measure for eliminating industrial bottlenecks. At the Faria Lima plant, a third shift was created for structural and final assembly operations, in order to reduce the manufacturing cycles of the aircraft of the EMBRAER 170/190 family and the Legacy 600.

Another important structural step was to intensify investments in industrial capacity, based on machinery, equipment, automation and new facilities in general, including, among others,

a final assembly hangar and two painting booths for the Phenom jets at the Gavião Peixoto plant, expansion of the structural assembly and stamping hangars at the Botucatu plant, acquisition of new automatic riveting equipment and the building of new final assembly docks for the E-Jets.

In the second semester, with a more long-term vision, the Embraer Enterprise Excellence Program (P3E – Programa de Excelência Empresarial Embraer) was launched. Among its various involvement fronts, it addresses lean manufacturing actions in the Company's main industrial processes, both in manufacturing parts and components and in structural and final assembly. Already in 2007, it was possible to attain productivity and production cycle gains on the order of 20% at the main production bottlenecks, thus contributing decisively to achieving the year's delivery goal.

From the standpoint of engineering technology and aircraft design, important evolutions



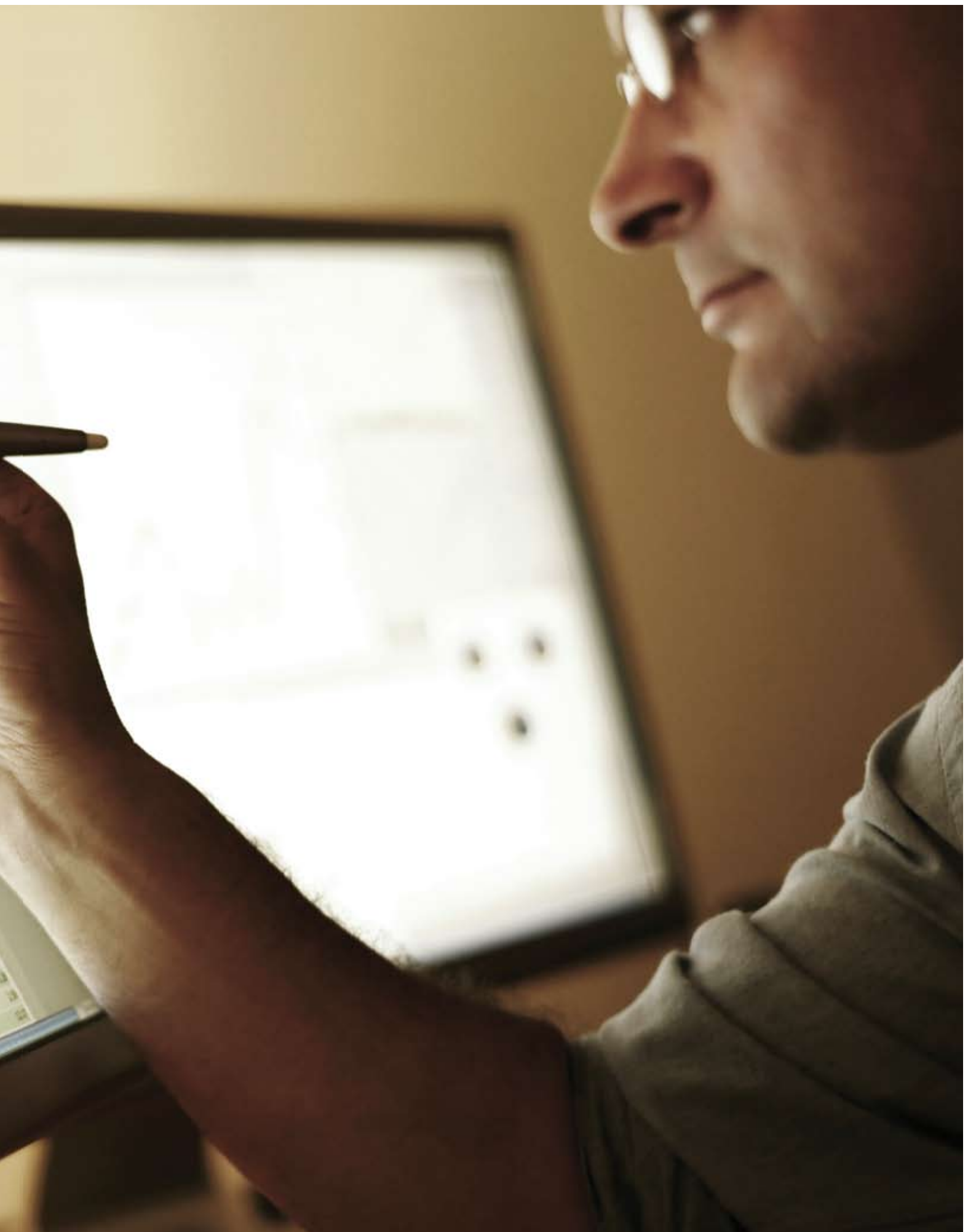
occurred throughout 2007, like the development of complex systems and onboard software for military aircraft, and a whole range of technological development projects, such as studies for the use of new materials (composite and metallic) in primary aircraft structures, bio-fuels, and the development and integration of state-of-the-art systems.

In order to optimize and expand the scope of the results of these pre-competitive research and

development activities, several of the projects have been carried out in conjunction with scientific and technological institutions, which has provided the Company and the academic community with synergy gains and a reduction in the cycles and risks of the respective developments.



ECONOMIC-FINANCIAL MANAGEMENT



FISCAL YEAR RESULTS

Embraer recorded a net income of R\$ 9,983.4 million in 2007, or 20.8% more than 2006's R\$ 8,265.2 million. The growth is due basically to the record number of deliveries, which compensated for and overcame the negative

impact of the 11.7% increase in the exchange rate for the Real (vs. the US Dollar), during the period.

The following table details the evolution of deliveries over the last four fiscal years:

AIRCRAFT DELIVERIES ACCORDING TO SEGMENT (*)

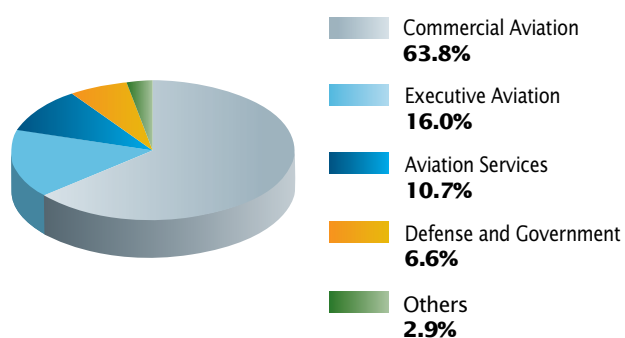
	2004	2005	2006	2007
Commercial Aircraft	134	120	98	130
ERJ 135	1	2	-	-
ERJ 145	87	46	12	7
EMBRAER 170	46	46 (1)	32 (2)	11
EMBRAER 175	-	14	11 (1)	34
EMBRAER 190	-	12	40	68
EMBRAER 195	-	-	3	10
Executive Aircraft	13	14	27	35
Legacy 600	13	14	27	35
Defense and Government (**)	1	7	5	4
EMB 145	1	1	-	1
Legacy 600	-	6	-	1
EMBRAER 170	-	-	4 (1)	-
EMBRAER 190	-	-	1	2
Total Jet Aircraft	148	141	130	169

* Deliveries recorded as operational leasing transactions.

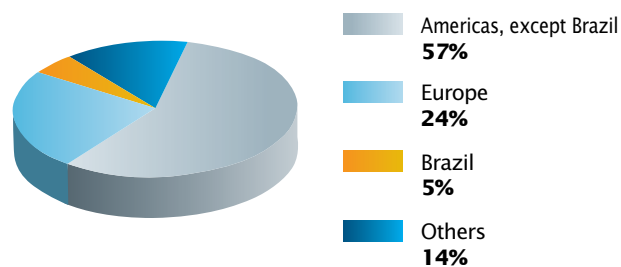
** Includes only aircraft configured for authority transportation and sales to state-owned companies.

The composition of the revenues, by business area and by geographical market, is found in the following figure:

REVENUE BREAKDOWN BY SEGMENT



REVENUE BREAKDOWN BY REGION



Exports answered for 96% of total revenues, positioning the Company as the largest Brazilian exporter of manufactured products and the third-largest exporter overall.

The gross margin in 2007 was 16.1%, below the 21.6% recorded during the previous year, basically due to the increased exchange rate and the impact of structural adjustments implemented throughout the year in the industrial area, such as expenses with hiring and training personnel, implementing the third shift and the large amount of overtime worked, in order to meet contractual deadlines for deliveries.

Operating expenses (including employee profit sharing) totaled R\$ 1,079.7 million, a 7.4% reduction related to the R\$ 1,166.2 million in the previous fiscal year. However, this reduction was due, basically, to a reversion of R\$ 342.1 million in provisions associated with a decision in favor of the Company by the Supreme Court, regarding the expansion of the basis for calculating the PIS/COFINS, set by Law no. 9718/98.

Commercial expenses showed a growth of 41.5% over the R\$ 477.7 million of the previous year and totaled R\$ 675.7 million, or 6.8% of net income from sales, representing an increase over the 5.8% of 2006. This variation was due to intensified sales, which was reflected in the Company's historic sales record and additions to the order book.

Administrative expenses came to R\$ 440.9 million, or 14% lower than the R\$ 512.7 million recorded in the previous year, clearly demonstrating the first results and benefits arising from the P3E Program.

The line "Other Net Operating Income (Expenses)" totaled R\$ 166.1 million, in 2007, already including the reversion of R\$ 342.1 million in provisions, as cited previously.

Therefore, income from operations, before interest and taxes (EBIT), totaled R\$ 527.6 million in 2007, 15.2% less than the R\$ 621.9 million calculated in 2006, with operating margins of 5.3% and 7.5%, respectively. Cash generation, measured by EBITDA, came to R\$ 889.1 million, or 6.6% below the R\$ 952.3 million of the previous year, with margins of 8.9% and 11.5%, respectively.

During 2007, Embraer maintained a solid cash position, which contributed to net financial income of R\$ 89 million, when taking into account the Company's net profits of R\$ 657 million for the fiscal year, or 5.7% above the R\$ 621.7 million obtained in 2006. The net margin for 2007 was 6.6%, against 7.5% in 2006.

The following tables present the Company's main economic and asset indicators for the last three fiscal years, respectively.

R\$ MILLION	2005	2006	2007
Net Sales	9,046.5	8,265.2	9,983.4
Cost of Goods Sold	7,160.1	6,477.1	8,376.0
Gross Profit	1,886.4	1,788.1	1,607.4
Gross Margin	20.9%	21.6%	16.1%
Operating Expenses and Profit Sharing	1,093.4	1,166.2	1,079.8
Operating Profit Before Interest and Taxes	793.0	621.9	527.6
Operating Margin	8.8%	7.5%	5.3%
Depreciation and Amortization	284.1	330.4	361.4
Adjusted EBITDA (1)	1,077.0	952.3	889.1
Adjusted EBITDA Margin	11.9%	11.5%	8.9%
Net Profit	708.9	621.7	657.0
Net Margin	7.8%	7.5%	6.6%
Profit per Share	0.98	0.84	0.89
Number of Shares	721,832,057	739,903,914	740,465,044

(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.

KEY CONSOLIDATED FIGURES R\$ MILLION	2005	2006	2007
Cash and Cash Equivalents	4,479.2	3,774.0	4,442.0
Accounts Receivable	1,068.1	641.2	698.5
Customer Financing	673.9	464.8	65.2
Inventories	3,967.3	4,683.0	5,040.0
Permanent Assets	1,184.4	1,411.6	1,387.6
Trade Payables	1,712.7	1,950.0	1,620.0
Indebtedness - Short Term	1,112.7	1,077.1	1,656.1
Indebtedness - Long Term	2,545.9	1,819.5	1,471.7
Shareholders' Equity	4,735.9	5,040.6	5,262.3

In compliance with Decisions 488 and 489 of the CVM (Brazilian SEC), the financial statements for the fiscal year ended on December 31, 2005, shown here for the purpose of comparison, were reclassified in relation to assets and liabilities, thus adapting them to their respective accounting standards.

The Company's liquidity, measured by its net cash (cash, minus total indebtedness), grew 49.8% more than the closing of 2006, reaching R\$ 1,314.2 million in net cash by the end of the fiscal year. Therefore, Embraer closed out the year with a total indebtedness of R\$ 3,127.8 million, 47.1% of which referred to long-term debt,

composed of 55.2% in US dollars. The average debt length is 3.5 years.

A significant reduction in accounts receivable and commercial customer financing, during 2007, reflects the capacity that is still available in the market for aircraft financing, as well as the reception given the E-Jets as assets with a good capacity for retaining residual value.

The inventory position ended the year at R\$ 5,040 million, which is 7.6% above the amount at the end of fiscal year 2006. Actually, this growth is less than the rate of growth in revenues, indicating an improvement in overall

working capital, as shown in the following table, together with other financial indicators:

KEY CONSOLIDATED FIGURES R\$ MILLION			
	2005	2006	2007
Net Cash (Debt)	820.7	877.3	1,314.2
Working Capital	5,046.3	4,007.2	4,411.9
Current Ratio	1.8	1.6	1.7
Acid Test	1.2	0.9	0.9
Inventory Turnover	1.8	1.5	1.7
Assets Turnover	0.5	0.5	0.6
ROCE	12.7%	8.2%	8.5%
ROE	15.4%	12.7%	12.8%

ECONOMIC VALUE ADDED (EVA)

Despite the fact that it still generates a negative EVA, the Company improved its position in relation to the previous fiscal year, as can be seen in the following table:

EVA R\$ MILLION			
	2005	2006	2007
Total Assets	16,940	16,292	15,660
Liabilities with Operational Funding	8,567	8,355	7,270
Paid-up Liabilities	8,373	7,937	8,390
Third-Party Funding	3,637	2,897	3,128
Equity Capital	4,736	5,040	5,262
Investments To Be Paid	8,373	7,937	8,390
Net Operating Revenues	9,046	8,265	9,983
Operating Cost and Expenses	(8,210)	(7,672)	(9,242)
Operating Profit	836	593	741
Income Tax and Social Contribution	(180)	(156)	(162)
Cost of Third-Party Funds	(419)	(382)	(355)
Adjusted Net Capital	237	55	224
Cost of Equity Capital	(673)	(626)	(541)
Economic Value Added	(436)	(571)	(317)
EVA / Investments To Be Paid	-5.2%	-7.2%	-3.8%

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

ALLOCATION OF RESULTS BY THE CONTROLLER'S OFFICE

The General Shareholders' Meeting approved – after establishing legal reserves and distributing dividends and interest on capital – the retention of net profits for the fiscal year in the amount of R\$ 114.6 million, as a reserve for investment and

working capital, in order to ensure having the funds necessary for the eventual development of a new family of executive jets and for technological development projects, as well as other Company organic investments.

CONSOLIDATED US GAAP STATEMENTS

As a part of the transparency policy adopted by the Company and since it has shares (ADS) traded on the New York Stock Exchange (NYSE), a summary of its key financial statements, according to US GAAP, is presented on the following pages:

CONSOLIDATED BALANCE SHEETS ON DECEMBER 31, IN US GAAP (US\$ 1,000)		
ASSETS	2006	2007
CURRENT ASSETS		
Cash and cash equivalents	1,209,396	1,307,366
Temporary cash investments	555,795	1,185,745
Trade accounts receivable, net	277,878	354,650
Customer and commercial financing	16,215	4,292
Inventories	2,047,244	2,481,065
Deferred income tax and social contribution	148,275	87,050
Other assets	536,683	229,573
	4,791,486	5,649,741
NON CURRENT ASSETS		
Trade accounts receivable	22,109	39,661
Customer and commercial financing	552,751	410,382
Deferred income tax	90,934	175,925
Other assets	1,194,373	1,181,708
Property, plant and equipment, net	412,244	565,979
Investments	33,844	42,458
	2,306,255	2,416,113
TOTAL ASSETS	7,097,741	8,065,854
LIABILITIES AND SHAREHOLDERS' EQUITY	2006	2007
CURRENT LIABILITIES		
Loans and financing	503,047	932,668
Trade accounts payable	912,753	912,546
Advances from customers	544,802	801,619
Other payables and accrued liabilities	1,034,587	692,559
	2,995,189	3,339,392
NON CURRENT		
Loans and financing	846,104	820,320
Advances from customers	183,639	367,957
Contributions from suppliers	92,217	112,201
Other payables and accrued liabilities	1,042,397	1,107,835
	2,164,357	2,408,313
MINORITY INTERESTS	63,914	68,709
SHAREHOLDERS' EQUITY	1,874,281	2,249,440
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	7,097,741	8,065,854

CONSOLIDATED STATEMENTS OF INCOME IN US GAAP
FOR FISCAL YEARS ENDED ON DECEMBER 31, 2006 AND 2007
(US\$ 1,000)

	2006	2007
NET SALES	3,759,519	5,245,172
Cost of sales and service	(2,806,802)	(4,093,504)
GROSS PROFIT	952,717	1,151,668
OPERATING EXPENSES		
General and administrative	(235,505)	(234,792)
Selling	(220,596)	(361,306)
Research and development	(112,743)	(259,726)
Employee profit sharing	(42,719)	-
Other operating income (expenses), net	1,677	78,361
INCOME FROM OPERATIONS	342,831	374,205
Financial income (expenses), net	105,433	163,378
Loss with accumulated conversion adjustments, net	(4,098)	(37,669)
Other non-operating income (expenses), net	-	-
PROFIT BEFORE INCOME TAX	444,166	499,914
Income tax payable	(44,412)	(2,745)
Minority interests	(9,580)	(8,180)
Equity in income (loss) from affiliates	(34)	316
NET PROFIT	390,140	489,305

CONSOLIDATED STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR FISCAL YEARS ENDED ON DECEMBER 31, 2006 AND 2007
(US\$ 1,000)

	2006	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	390,140	489,305
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation	63,859	58,798
Deferred income taxes	(1,295)	(30,798)
Foreign exchange loss, net	4,098	37,669
Others	24,259	6,166
	481,061	561,140
Changes in assets and liabilities	(94,128)	(509,107)
Net cash provided by operating activities	386,933	52,033
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(90,761)	(208,947)
Others	(88,757)	(46,968)
Net cash (used by) investing activities	(179,518)	(255,915)
CASH FLOW FROM FINANCING ACTIVITIES		
Repayment of borrowings	(1,497,751)	(1,471,971)
Proceeds from borrowings	1,258,249	1,771,987
Dividends and/or interest on capital paid	(157,771)	(163,475)
Others	2,170	454
Net cash provided by (used in) financing activities	(395,103)	136,995
Effect of exchange rate changes on cash and cash equivalents	57,924	164,856
Net increase (decrease) in cash and cash equivalents	(129,763)	97,970
Cash and cash equivalents, at beginning of year	1,339,159	1,209,396
Cash and cash equivalents, at end of year	1,209,396	1,307,366

CAPITAL MARKET

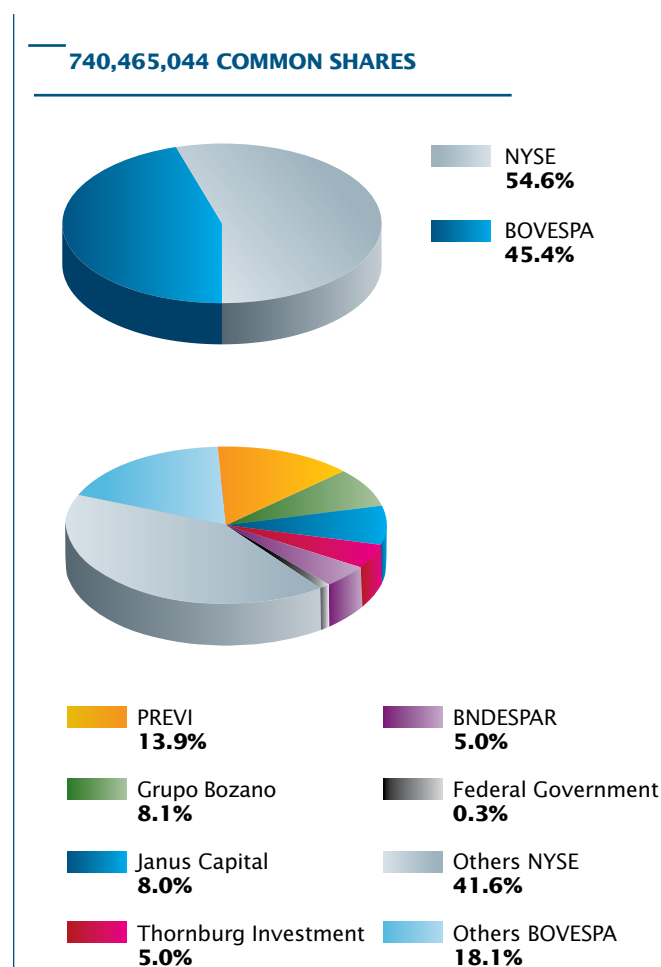
Embraer's relationship with its shareholders and with capital markets, in general, is based on information released with transparency and fairness, and on a deep respect for legal and ethical principles, seeking to consolidate and maintain the Company's leadership and innovative image within the financial community and in compliance with the rules of BOVESPA's Novo Mercado, the highest level of Corporate Governance in Brazil.

The Company's shares have been traded on the São Paulo Stock Exchange (Bolsa de Valores de São Paulo – BOVESPA) since 1989. In 2000, the Company's ADRs (American Depositary Receipts), were launched at Level III, on the New York Stock Exchange (NYSE).

On December 31, 2007, the Company's capital stock totaled 740,465,044 common shares (ON), traded on BOVESPA as EMBR3 and on the New York Stock Exchange (NYSE) as ERJ (equivalent to four common shares). The following chart shows the evolution of Embraer's shares:

Of the total shares, 45.4% are allocated for trading on BOVESPA, and 54.6% are traded as American Depositary Shares (ADS) on the NYSE. The Brazilian Government maintains the rights inherent to its special share, called the "Golden Share."

The following figure shows the composition of the Company's capital stock, indicating the shareholders who own more than 5%, as set forth in Embraer's Company's Bylaw:



PERFORMANCE OF EMBRAER SHARES

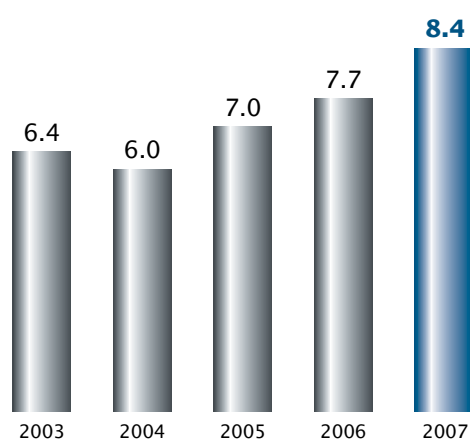
	2003		2004		2005		2006		2007	
	CLOSING	% YEAR	CLOSING	% YEAR	CLOSING	% YEAR	CLOSING	% YEAR	CLOSING	% YEAR
R\$										
EMBR3	19.30	50.8%	15.80	-18.1%	18.00	13.9%	22.05	22.5%	20.15	-8.6%
EMBR4	25.70	83.6%	22.20	-13.6%	22.95	3.4%	-	-	-	-
Ibovespa	22,236	97.3%	26,196	17.8%	33,455	27.7%	44,473	32.9%	63,886	43.7%
US\$										
ERJ (ADS)	35.39	122.6%	33.44	-5.5%	39.10	16.9%	41.43	6.0%	45.59	10.0%
Dow Jones	10,425	25.3%	10,783	3.4%	10,717	-0.6%	12,463	16.3%	13,366	7.3%
S&P 500	1,111.92	26.4%	1,211.92	9.0%	1,248.29	3.0%	1,418.43	13.6%	1,468.36	3.5%
US\$ (R\$)	2,8892	-18.2%	2,6544	-8.1%	2,3407	-11.8%	2,1380	-8.6%	1,7713	-17.2%

COMMON SHARES

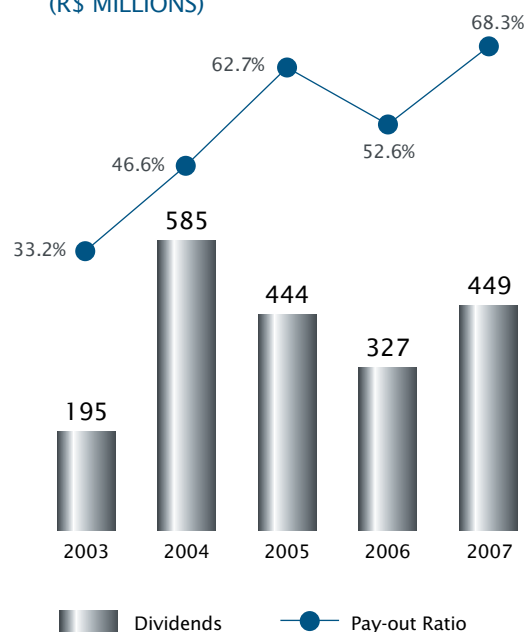
In 2007, the greater part of share liquidity occurred on the NYSE, with an average daily volume of US\$ 37.6 million, whereas on BOVESPA the amount was R\$ 21.4 million.

Embraer's market capitalization came to US\$ 8.4 billion at the end of December 2007, compared to US\$ 7.7 billion on December 31, 2006.

FAIR MARKET VALUE (US\$ BILLIONS)



DIVIDENDS PAID (R\$ MILLIONS)



SHAREHOLDERS' COMPENSATION

Based on consolidated net profits of R\$ 657 million for the fiscal year, Embraer distributed 68.3% of this amount (R\$ 448.8 million) to its shareholders, in the form of dividends and interest on capital, which is equivalent to R\$ 0.60976 per share. The distribution of interest on capital was approved by the Board of Directors at the end of each quarter, and was paid in April, July and October 2007, and in January 2008. The distribution of dividends was approved by the Board of Directors and paid in April 2008.

CORPORATE GOVERNANCE AND RISK MANAGEMENT

Since its corporate restructuring, in March 2006, Embraer has been a dispersed capital company, without controlling shareholders or groups, with free access to the world's capital markets, thus expanding its capacity to obtain funding to undergird the investments that will ensure the Company's sustainable growth and perpetuity.

The shareholder reorganization unified the Company's outstanding shares in a single class of common shares, thus extending the right to vote to all of its shareholders and allowing it to be listed on BOVESPA's Novo Mercado (New Market), which is the highest level of corporate governance that a company can have in Brazil. The unification of the classes of shares, in conjunction with changes in its bylaws, created 100% tag-along rights, by which all shareholders have the same economic rights, in an offer to purchase the Company.

The "Golden Share," a special class share held by the Federal Government ever since the Company was privatized, gives veto rights on specific issues regarding its operations and its nature, as duly established in its bylaws. It also provides protective mechanisms, guaranteeing the actual dispersal of shareholder control and that the majority of the votes in General Shareholders' Meetings be assured to Brazilian shareholders,

respecting another principle which was established in the privatization call for bid.

Some of these mechanisms are:

- No shareholder or group of shareholders, whether Brazilian or foreign, may have votes in each General Assembly that come to more than 5% of the number of shares into which the Company's capital is divided;
- In any General Shareholders' Meeting, the total votes allowed to foreign shareholders, whether individually or in a group, will be limited to 40% of the total valid votes;
- It is prohibited that any shareholder or group of shareholders hold 35% or more of the Company's capital, except with the express authorization of the Federal Government, as the holder of the "Golden Share," and also subject to public acquisition offer;
- It is mandatory that the shareholder standing be made public whenever: (i) a shareholder reaches or surpasses 5% of the Company's capital; and (ii) any shareholder takes at least 5% of the Company's capital.

Embraer's **Board of Directors** is composed of 11 members and their respective alternates, seven of which are independent. Three committees were formed to assist the Board of

Administration in carrying out its duties and responsibilities:





A permanent **Executive Committee**, composed of up to four members, with no deliberative or management powers. Members of this committee may come from the Board of Directors (full or alternates members) and from the Executive Board. It is the responsibility of the Executive Committee to assist the Board of Directors in the performance of its duties, with a focus on the following subjects: (i) establishing the general guidance for the business; (ii) approving and following up on the execution of the Action Plan proposed by the Executive Board, including multi-year budgets, strategic plans, expansion projects, investment programs and acquisitions; (iii) specific subjects, as requested by the Board of Directors.

A **Human Resources Committee**, with a specific term of office (until the end of the term of the current Board of Directors), composed of four members, with no deliberative or management powers. Members of this committee may come from the Board of Directors (full or alternate members) and from the Executive Board. It is the responsibility of the Human Resources Committee to assist the Board of Administration regarding the following specific duties, in compliance with Art. 34 of the

Company's bylaws: (i) election and removal of Company executive officers and establishing their duties, in line with the provisions of the bylaws; (ii) while respecting the responsibilities of the Executive Board, establishing the functions and duties of the Executive Officers, naming, from among them, the Executive Vice President of Investor Relations, in compliance with CVM (Brazilian equivalent to the SEC) regulations; (iii) approving the salary and human resources policy of the Company, including criteria for remuneration, rights and advantages, and the individual remuneration of administrators; (iv) authorizing the transfer of Company funds to employee associations, assistance and recreational entities, private pension funds and foundations.

An **Audit Committee**, which acts as a Fiscal Council (since 2004, in compliance with the requirements of the Sarbanes-Oxley law, applicable to foreign companies with shares listed on the North American market, Embraer made several changes in the by-laws and structure of its Fiscal Council, so that this Council can also perform the functions of the Audit Committee), in order to meet the requirements of the New York Stock Exchange (NYSE). To this end, it has an experienced and



qualified specialist in accounting, financial and independent auditing management who is able to qualify as an “Audit Committee Financial Expert,” in line with the norms of the US Securities Act of 1933. The Audit Committee has restricted counseling duties, including, according to the provisos of Article 43, paragraph 4 of the Company’s bylaws, regarding (i) presenting recommendations to the Board of Directors for choosing, removing or substituting the external auditing firm, as well as its remuneration; (ii) giving opinions on hiring other services from the external auditing firm; and (iii) mediating eventual conflicts or controversies between the Company’s Executive Board and the auditors. In addition, it has supplementary duties, including those stipulated by the NYSE and by the Public Company Accounting Oversight Board (PCAOB), which could require close coordination with the Executive Board or the Board of Directors, and also result in recommendations or opinions directed to the Board of Directors, including the following subjects: (i) supervising the work of the external auditors; and (ii) taking any initiative or measure necessary for gaining knowledge of and investigating complaints regarding subjects referring to the financial statements, internal

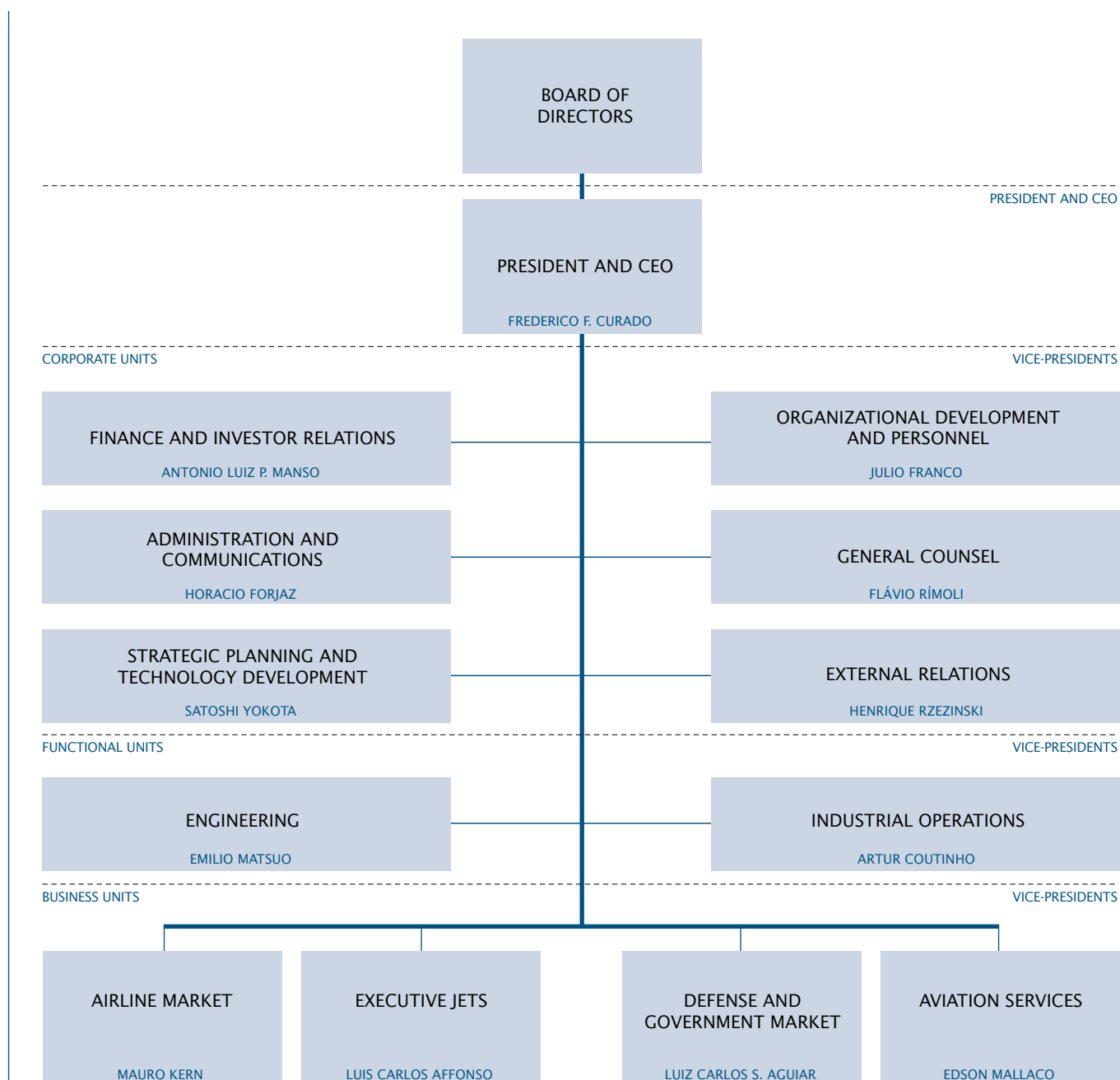
controls and independent auditing. The Fiscal Council, also within its functions as the Audit Committee, will support the Board of Directors on the supervision of the (i) quality and integrity of the financial reports; (ii) Embraer’s compliance with legal and regulatory requirements; (iii) qualifications, performance and independence of the external auditors; and (iv) evaluation and management of financial risks and internal controls.

Embraer’s **Fiscal Council**, whose main activity is to accompany the administrative actions and analyze the Company’s financial statements, also participates in the transparency and good corporate governance policy. The Council is permanent, as set forth in the Company’s bylaw, and meets at least every three months, with five full members, one of whom is a financial specialist, and all have a one-year term.

MANAGEMENT MODEL

The Executive Board prepares an Action Plan, annually, that includes a five-year horizon and follows a strategic planning model that takes into account the markets in which it is involved, competitors, the Company's responsibilities, and the opportunities and risks for its business. The Action Plan is the central management instrument of the business, of the unification and commitment of all employees to the planned goals and results.

The Company flowchart is as follows:



RELATIONSHIP WITH INDEPENDENT AUDITORS

Deloitte Touche Tohmatsu completed five years as Embraer's independent auditing firm during the first quarter of 2007. After a rigorous worldwide selection process, the firm of PricewaterhouseCoopers Independent Auditors was hired for the next five years.

The Company's policy regarding its independent auditors, in terms of the services they provide which are not related to outside auditing, is based on the principles that preserve the auditors'



independence. These principles, in turn, are based on the fact that the auditors must not audit their own work or have managerial functions in the Company, or even defend their client.

The Company also has a policy of presenting to the Fiscal Council all of the services not related to the outside audit provided by the independent auditors. During fiscal 2007, Embraer hired work from these auditors that was not directly linked to auditing the financial statements, in an amount that represented 1.8% of the total fees for external audit services for all of the companies belonging to Embraer, whether controlled or subsidiaries, worldwide.

POLICY FOR TRADING SHARES

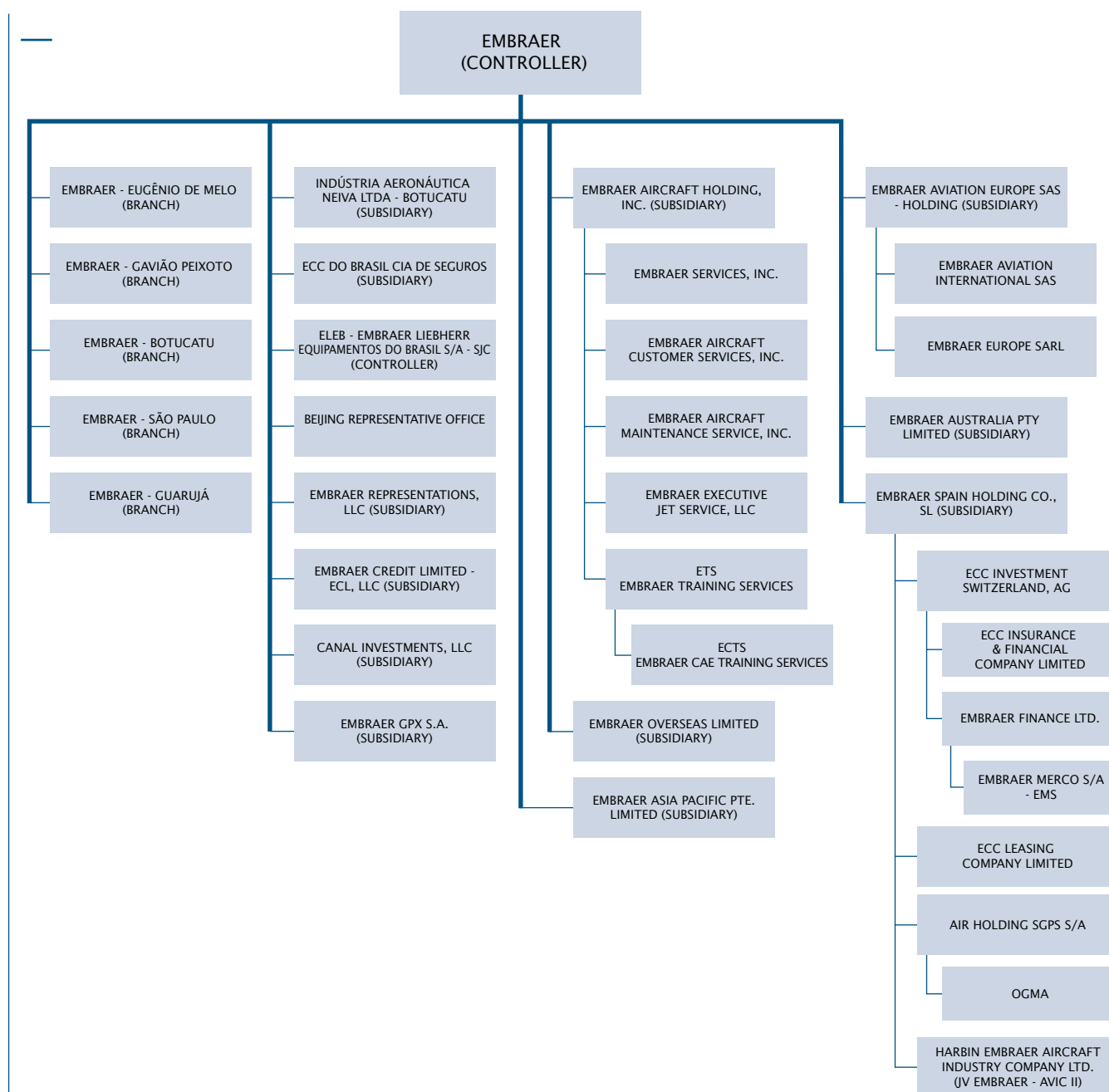
Embraer, in order to ensure the highest level of corporate governance and, at the same time, guarantee the transparency of the management and the business, to the benefit of all shareholders, prepared a policy for trading its shares, which is specifically applicable to people linked to the Company (administrators and employees) who have access to privileged

information. The objective of this policy is to establish rules and procedures that must be followed by those people when trading the Company's securities, including establishing periods when they must refrain from trading them.

At the same time, a policy for publicizing relevant information sets the criteria, the moment and the responsibility for revealing that information to the market, in order to guarantee a transparent, homogeneous and widespread distribution of information by the Company.

CORPORATE STRUCTURE

In order to give support to its operations, Embraer has a corporate structure whose objective is to meet the demands and particularities of each nation in which it is involved, as well as to organize, integrate and optimize the management of its several subsidiary and controlled companies, always keeping in mind the maximum satisfaction of its customers and the remuneration of its shareholders.



RISK MANAGEMENT PROCESSES

For the purpose of protecting its assets, Embraer has a policy of taking out insurance with limits that are adequate for protecting it from the risks inherent to its business. Therefore, it can handle events that could cause damage to the corporation, to employees and to the Company's assets, as well as its capacity to generate income. In the same way, it guarantees the obligations assumed by the contracts for the sale of its aircraft.

Embraer's business is based on knowledge and technology. Therefore, it is essential that the risks related to information security and intellectual capital be maintained at an acceptable level of exposure. The Company's information systems are duly protected from outside, or unauthorized inside, access. The physical installations also have controlled access, and awareness programs regarding the importance of protecting information are constantly presented to employees.

One of Embraer's essential values is respect and full compliance with the Law, Bylaw, and the norms and regulations applicable to its activities and products, in Brazil and in other countries where its products are found. Therefore, the Company constantly monitors changes of a legal nature, studying and evaluating any eventual impact on its business activities.

The Company follows a Code of Conduct and Ethics that guides the actions and decisions of its administrators and employees.

It also has a process for risk management, whose main focus is the protection and sustainability of its business and of the material and financial resources used in its operations.

Within the context of its strategic planning and operational processes, the macroeconomic, political, social, competitive and market scenarios are monitored, to evaluate what is the best way of mitigating or eliminating eventual risks, which are often inherent to the Company's own business milieu.

Given the complexity of the technology involved in producing its aircraft, Embraer seeks, through long-term contracts and partnerships, to guarantee its supply of raw materials and the numerous components used in its products, and to protect itself from price adjustments, whatever the fluctuations to which the commodities used during the manufacturing process are exposed. The risks arising from the Company's contractual commitments are constantly monitored, in order to ensure that the resulting exposure remain at an acceptable level.

The overall situation of airlines, worldwide, is also constantly monitored, in order to have a better

perspective of the competitive environment and of the financial health of its customers and potential customers.

The contracts maintained with both suppliers and customers are, in large part, medium and long-term, and the means of adjusting prices takes place with the aid of a group of specific indicators from the airline industry. A possible separation of the adjustment indicators for purchase contracts of materials from those for the sale of products and services is continuously managed so as to mitigate the risks involved in such a separation.

The products manufactured by Embraer go through a rigorous inspection and quality control process. The aircraft are approved by official aviation agencies from a number of countries (ANAC – Brazil; FAA – United States; and EASA – Europe, for instance), which subjects them to an exhaustive test program before they receive their respective type certifications. Furthermore, the risks of the product involving civil responsibility are duly mitigated by specific insurance policies.

Seeking to also comply with sections 302 and 404 of the Sarbanes-Oxley law, the structure for internal controls that present risks to the financial statements has been evaluated, documented and tested, since 2002, according to the requirements of the Public Companies Audit Oversight Board (PCAOB), by using methodologies and criteria recognized worldwide.

MODIFICATION OF SOME ACCOUNTING PRACTICES ADOPTED BY US GAAP

In 2007, the Company conducted a broad-based analysis of certain aspects of complex sales transactions related to granting guarantees,

multiple sales elements and contractual concessions that resulted in modifying the US GAAP accounting practices previously followed. Therefore, the Company decided to make a new presentation of the financial statements of the years ended on December 31, 2004, 2005 and 2006, found in its annual 20-F/A report for the fiscal year ended on December 31, 2006, and filed with the Securities and Exchange Commission (SEC). These modifications affected certain line items of the Company's statements of income and cash flow, but they caused no impact on net profits, profits per share and net assets previously released and filed.

After a full review of the accounting practices for complex sales transactions, the Company concluded that the internal controls related to applying US GAAP accounting practices, for these complex sales transactions, were not effective in identifying a diversion from guidelines on how to account for concessions given to customers and to recognize income from multiple sales elements. Therefore, Embraer concluded, on December 31, 2006, that there were deficiencies in its internal financial reporting controls regarding the appropriate application of the US Generally Accepted Accounting Principles (US GAAP) for its complex sales transactions. The Company corrected the deficiencies and took necessary corrective action, without jeopardizing its shareholders.

EXCHANGE RISKS

Despite having a natural hedge for its financial operations, since around 85% of its CPV (Cost of Product Sold) and about 96% of its revenues are in US dollars, Embraer carefully monitors the exchange markets and interest rates, in

order to balance its cash position, in light of its indebtedness, avoiding concentrated exposure in merely one asset or index and minimizing the effects of the volatility of those markets.

The Company uses the broad range of resources available on the capital market, such as swaps, futures markets and derivatives to carry out its operations, while always seeking liquidity and transparency in handling its business, in both local and international markets.

ENVIRONMENT

The conservation of the environment is a constant concern of the Company's administration, whether in conducting its operations or developing its products. All of Embraer's projects meet the applicable legal requisites and seek to treat waste from the Company's daily activities, as well as to recycle materials with a variety of uses, from incoming packaging and organic waste to metallic particles resulting from manufacturing processes. The indexes of recycling and reusing materials have been growing every year, as a result of the Company's policy of respecting the environment, and its environmental management system has received ISO 14001 certification.

ADMINISTRATION OF ASSETS AND FINANCIAL GUARANTEES

In order to provide financial support for sales and reduce several financial risks related to the sale of aircraft, Embraer created the ECC Leasing Co. Ltd. and ECC Insurance & Financial Co. Ltd. subsidiaries, in 2002.

The mission of ECC Leasing Co. Ltd. is to manage and sell the aircraft portfolio that, by contractual obligations, may be acquired by Embraer through

trade-in. The Company also provides resale services to third parties connected with the sales campaign. The used aircraft business has brought accumulated results of US\$ 26.4 million, since it was created by the Company. The leasing and sales operations are concluded according to market conditions, seeking to preserve the value of Embraer's products.

ECC Insurance & Financial Co. Ltd. was launched as a captive insurance to ensure the payment of possible contingencies related to the financial guarantees offered for some of the financing on sales.

The constant monitoring of risks associated with the portfolio of these financial guarantees is done in two ways: (i) risk of variation in the future residual value of the aircraft, for which the Company acquires and compiles the information of respected appraisers on the international market; and (ii) credit risk of airline companies, for which the Company purchases the services of Moody's KMV (which has a cutting-edge tool), and keeps up on the news and market indicators of each airline company.

INTANGIBLE ASSETS

The history of Embraer has been characterized by a succession of challenges and victories, covering both tangible and easily quantifiable aspects and intangible aspects that are also a part of the Company's concern and attention, since they are indispensable for building its future.

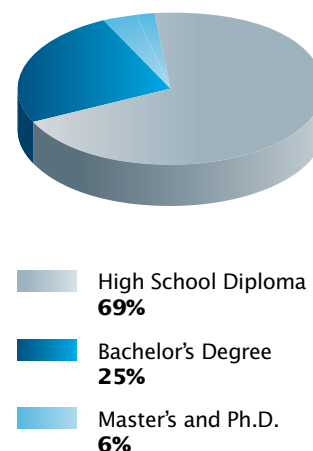
BRAND

The "EMBRAER" brand is recognized and respected inside and outside of Brazil, and is always associated with highly reliable products and

state-of-the-art technology, thus making it one of the Company's most important assets. For eight years, Embraer has figured among Brazil's three biggest exporters, and held first place in the ranking for three consecutive years, bringing foreign exchange and recognition to the industries of our country. In 2007, the Company decided to update its logo, without changing any of its traditional elements, but merely by maximizing the size of the word "EMBRAER" in relation to its characteristic symbol.

PEOPLE

People are the Company's best asset. In 2007, Embraer generated 4,181 new jobs in Brazil and 288 abroad, reaching the mark of 21,077 employees, whose educational level is as follows:





Besides these, there are another 2,657 employees in the companies controlled by or affiliated with Embraer, bringing the total workforce to 23,734 people.

COMPANY	Nº OF EMPLOYEES
OGMA (Portugal)	1,654
ELEB (Brazil)	766
HEAI (China)	237
TOTAL	2,657

The year 2007 was marked by the development of numerous programs linked to capacitating and developing Company professionals at all levels, involving more than 12,000 employees.

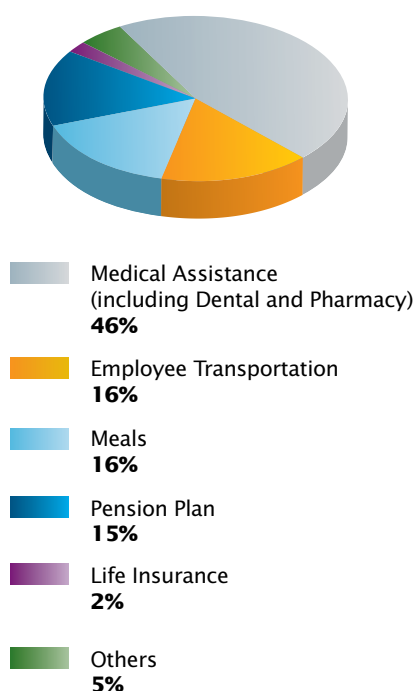
For the sixth consecutive year, the Engineering Specialization Program (Programa de Especialização em Engenharia – PEE) graduated a class of engineers specialized in aeronautics (112), bringing the total to 737 engineers graduated and hired by the Company since the program began. Around R\$ 50 million has already been invested in the PEE.

Two other programs along the line of professional and personal development were implemented throughout the year in Brazil:

- Leadership Improvement Program, involving some 900 Company managers, at various levels;
- Program for the Formation of New and Future Leaders, involving 231 professionals with distinctive talents for taking leadership positions in the near future.

In 2007, approximately 21,000 employees received payment of their participation in the Company's profits and results, in line with the current Variable Remuneration Policy. Furthermore, to meet the expectations of its employees regarding improvements in the supplementary medical assistance plan, Embraer modified the health insurance system by adopting a prepaid regimen. The acceptance of these proposed modifications was shown by the high percentage of employees who migrated to the new plan, which has already reached around 90% of the work force.

In all, R\$ 207 million were invested in voluntary benefits, distributed as follows:



CORPORATE SOCIAL RESPONSIBILITY

Embraer is a socially responsible company that develops social programs through the Embraer Education and Research Institute (Instituto Embraer de Educação e Pesquisa – IEEP), which gives priority to education, in specific benefit of the numerous communities where it is located.

The Embraer Institute's activities focus predominantly on two areas: educational projects offered to students in the public school system, and projects for improving the management process for public organizations and public schools.

The Engenheiro Juarez Wanderley High School (CEJW) will have its seventh graduating class in 2008, and it is the main responsibility of the Embraer Institute. It is located in São José dos Campos and has 600 full-time students in the three high school grades. The students receive a free, quality education, meals, transportation, school uniform and study materials. A high percentage of CEJW's students go on to study in public universities located outside of the São José dos Campos region. Even though those educational institutions are free of charge, the

young people are forced to handle personal upkeep expenses, which are not always within their reach. In order to overcome this problem, the Embraer Institute administers an upkeep scholarship fund that receives voluntary donations from companies and Embraer's own employees.

Another area where the Embraer Institute is involved is the Social Partnership Program (SPP) that, besides helping NGOs (nongovernmental organizations) gain the capacity to conceive and prepare projects linked to a plan of action, encourages the development of a solid social culture, including the capacity to mobilize society to identify and resolve its problems. The SPP was launched in May 2004 and is based on "NGOs, employee volunteers and the Embraer Institute."

Finally, in the two years it has been in existence, 44 students have graduated from the Handicapped Qualification Program, which is carried out in a partnership with the City of São José dos Campos, the Junior Achievement NGO and two consulting companies.

As for internal corporate responsibility actions, Embraer follows high standards that have gained the Company several certifications, such as: OHSAS 18001, for Occupational Health and Safety Management; ISO 14001, for Environmental Management; and ISO 9001 and SAE AS 9100, both for Quality Management.

Crowning this focus of the Company's management, since 2006, Embraer has been listed on BOVESPA's Corporate Sustainability Index (ISE), which is a select group of companies that are committed to social responsibility and corporate sustainability, and are active promoters of best practices in corporate governance in Brazil.

— ORGANIZATION

BOARD OF DIRECTORS

MAURÍCIO NOVIS BOTELHO

Chairman

VITOR SARQUIS HALLACK

Vice-Chairman

BORIS TABACOF

CLAUDEMIR MARQUES DE ALMEIDA

EDUARDO SALOMÃO NETO

HERMANN HEINEMANN WEVER

JOSÉ REINALDO MAGALHÃES

NEIMAR DIEGUEZ BARREIRO

PAULO CESAR DE SOUZA LUCAS

SAMIR ZRAICK

WILSON CARLOS DUARTE DELFINO

ARTUR APARECIDO VALÉRIO COUTINHO

Executive Vice President, Industrial Operations

EDSON CARLOS MALLACO

Senior Vice President, Aviation Services (from April 23, 2007)

EMÍLIO KAZUNOLI MATSUO

Senior Vice President, Engineering

FLÁVIO RÍMOLI

Executive Vice President, General Counsel

HENRIQUE COSTA RZEZINSKI

Senior Vice President, External Relations

HORACIO ARAGONÉS FORJAZ

Executive Vice President, Administration
and Communications

LUÍS CARLOS AFFONSO

Executive Vice President, Executive Jets Market

LUIZ CARLOS SIQUEIRA AGUIAR

Executive Vice President, Defense and Government Market

MAURO KERN JUNIOR

Executive Vice President, Airline Market (from April 23, 2007)

SATOSHI YOKOTA

Executive Vice President, Strategic Planning and
Technology Development

EXECUTIVE OFFICERS

MAURÍCIO NOVIS BOTELHO

President and CEO (until April 22, 2007)

FREDERICO PINHEIRO FLEURY CURADO

President and CEO (from April 23, 2007)

Executive Vice President, Airline Market (until April 22, 2007)

ANTONIO JÚLIO FRANCO

Executive Vice President, Organizational Development
and Personnel

ANTONIO LUIZ PIZARRO MANSO

Executive Vice President, Finance and
Investor Relations

SUBSIDIARY COMPANIES

GARY JOHN SPULAK

President, Embraer Aircraft Holding (EAH)

GUAN DONG YUAN

President, Embraer China

LUIZ FERNANDO FUCHS

President, Embraer Aviation Europe (EAE)

ORLANDO JOSE FERREIRA NETO

President, Embraer Asia Pacific (EAP)

AFFILIATED COMPANIES

ANTONIO PIRES MONTEIRO

President, ELEB – Embraer Liebherr Equipamentos do Brasil

EDUARDO BONINI SANTOS PINTO

President, OGMA – Indústria Aeronáutica de Portugal

ROBERTO ROSSI DE SOUZA

Managing Director, Harbin Embraer Aircraft Industry (HEAI)



FISCAL BOARD

JOSE MAURO LAXE VILELA

President (until April 22, 2007)

ROLF VON PARASKI

President (until April 22, 2007 as member; from April 23, 2007 as President)

ALBERTO CARLOS MONTEIRO DOS ANJOS

(from April 23, 2007)

EDUARDO COUTINHO GUERRA (from April 23, 2007)

GERALDO HUMBERTO DE ARAÚJO

JORGE KHALIL MISKI (until April 22, 2007)

TAIKI HIRASHIMA

INVESTOR RELATIONS

CARLOS EDUARDO BRITO DE ÁVILA CAMARGO

EXTERNAL COMMUNICATIONS (PRESS OFFICERS)

CHEN QI

China

CHRISTINE MANNA

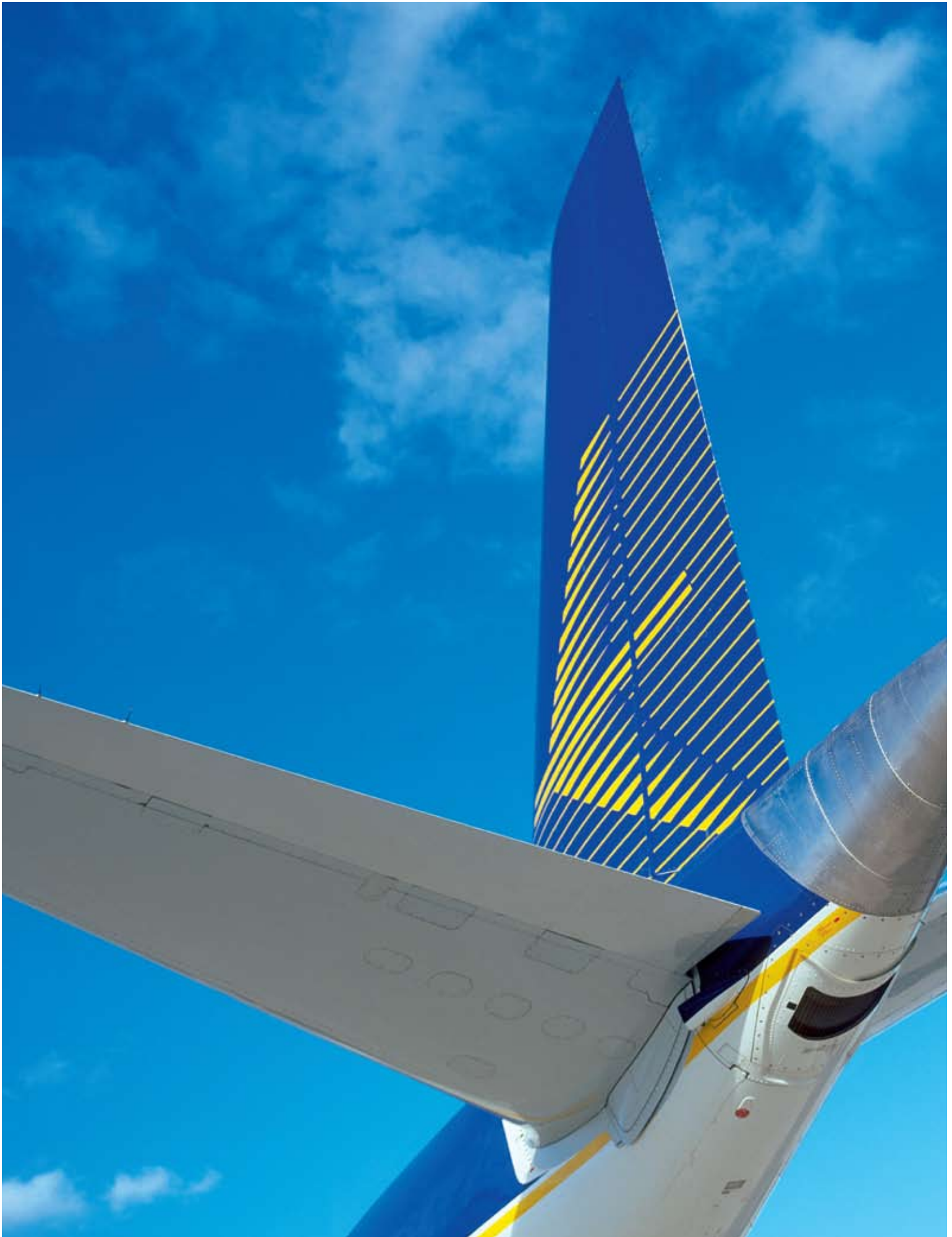
North America

ROSANA DIAS

Latin America and Asia

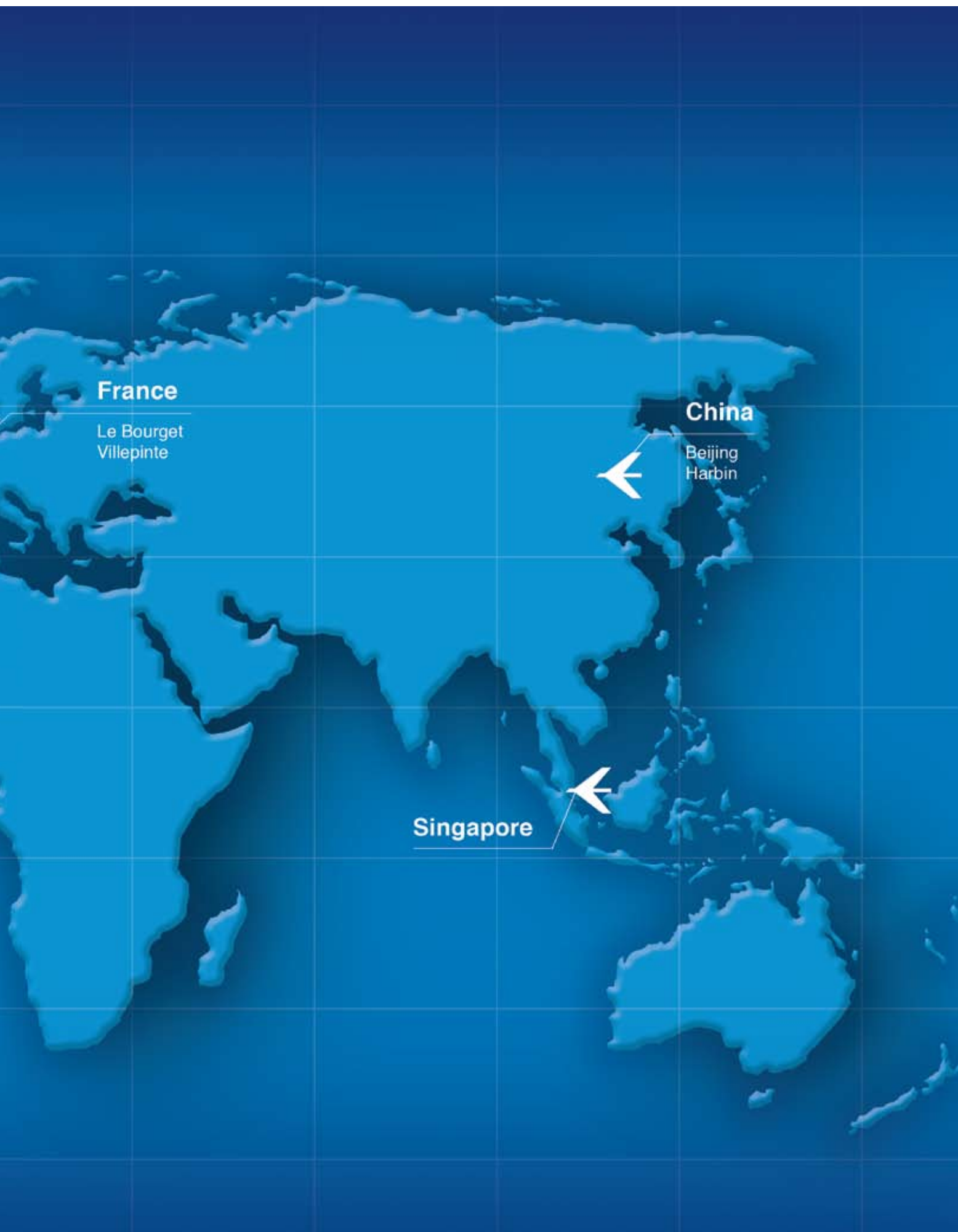
STÉPHANE GUILBAUD

Europe, Africa and the Middle East



— EMBRAER IN THE WORLD





France

Le Bourget
Villepinte

China

Beijing
Harbin

Singapore

— SHAREHOLDER INFORMATION

COMPOSITION OF SHAREHOLDER EQUITY on December 31, 2007

TYPE	NUMBER OF SHARES	% OF SHAREHOLDER EQUITY
Common	740,465,044	100.00

SHARES TRADED

IN BRAZIL - Embraer shares are listed on the São Paulo Stock Exchange (Bolsa de Valores de São Paulo – BOVESPA) under the name EMBR3.

IN THE UNITED STATES OF AMERICA - 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 - 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

IN THE UNITED STATES OF AMERICA - JP Morgan: 60 Wall Street, 36th floor - New York - NY - 10260-006 - USA

TEL.: +1 212 623 0875 - FAX: +1 212 623 0079

INDEPENDENT AUDITORS

PricewaterhouseCoopers - Rua Euclides Miragaia, 433 - Cjs. 301 e 304 - 12245-550 - São José dos Campos - SP - Brazil

TEL.: +55 12 3913 4505 - FAX: +55 12 3942 3329 www.pwc.com/br

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: Carlos Eduardo Camargo, Caio Pinez, Juliana Villarinho 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 SW 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
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

391B 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

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

HEAI – HARBIN EMBRAER AIRCRAFT INDUSTRY.

15 Youxie St.
Pingfang, Harbin – 150066
People's Republic of China
TEL.: +86 451 5390 8988
FAX: +86 451 8650 2511

