



Annual Report 2009





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CORPORATE PROFILE

Embraer – Empresa Brasileira de Aeronáutica S.A. is one of the world's main aircraft manufacturers, a position achieved due to the constant and determined pursuit of full customer satisfaction. Throughout its 40-year history, the Company has been involved in all stages of a complex process: design, development, manufacturing, sales and after-sale support for aircraft in the segments of commercial aviation, executive aviation, and defense. It has produced more than 5,000 aircraft that operate in 88 countries on five continents, and it is the market leader for commercial jets with up to 120 seats. Embraer manufactures some of the best executive jets in operation, and is now entering a new level in the defense segment.

In August 2009, Embraer celebrated its 40th anniversary in the midst of an international crisis. It was a difficult year for the industry throughout the world. Despite the adverse context, the Company signed new contracts and delivered 122 commercial, 115 executive, and seven defense jets, including two for the President of the Republic of Brazil.

We are a globalized Brazilian company that has expanded from its headquarters in Brazil, in the city of São José dos Campos, state of São Paulo, to other national and international locations.

In Brazil, engineering, development and manufacturing activities take place in five industrial units located in the cities of São José dos Campos, Botucatu, and Gavião Peixoto, as well as a logistics center in Taubaté, all located in the state

of São Paulo. At the present time, the Company is establishing three new industrial units abroad: one is located in the city of Melbourne, Florida, U.S.; and two are in the city of Évora, in the Alentejo region of Portugal.

In order to provide after-sale support, Embraer has its own service centers and replacement parts sales in São José dos Campos, São Paulo, Brazil; Fort Lauderdale, Florida; Mesa, Arizona; and Nashville, Tennessee, U.S.; Villepinte (near Roissy – Charles de Gaulle Airport), France; and Singapore, as well as a specialized authorized service network located in several countries. In addition, Embraer maintains distribution centers for replacement parts and a trained technical staff in China for customer services in the region.

For the global support of the Company's activities, there are offices in São Paulo, São José dos Campos, Fort Lauderdale, Villepinte, Singapore, and Beijing.

Through a joint venture with EADS in which it holds a 70% share, Embraer controls 65% of the capital of the aircraft maintenance and production company OGMA – Indústria Aeronáutica de Portugal S.A. It also has HEAI – Harbin Embraer Aircraft Industry, a factory in Harbin, China, in a joint venture with the Chinese state-owned company AVIC.

Embraer closed out 2009 with 16,853 employees – 15,952 in Brazil and 901 abroad – as well as 1,775 at its partially-owned subsidiaries OGMA and HEAI.







Ricardo Coutinho (left)
Defense Market, 26 years of Embraer

Helena Maria Bernardes Bonesio
Promotional Events / Brand Management, 5 months of Embraer

Roberto Catto (right)
America Customer Support, 31 years of Embraer

EMBRAER – 40 YEARS OF HISTORY



A DREAM THAT TAKES OFF

Created on August 19, 1969, Embraer – Empresa Brasileira de Aeronáutica S.A. - was a mixed capital company under government control. With the support of the Brazilian Government, the Company would transform science and technology into engineering and industrial capability.

In addition to starting the production of the Bandeirante, Embraer was commissioned by the Brazilian Government to manufacture the EMB 326 Xavante, an advanced trainer and ground attack jet, under license of Italian company Aermacchi. Other developments that marked the beginning of Embraer's activities were the EMB 400 Urupema high-performance glider and the EMB 200 Ipanema agricultural airplane.

GAINING ALTITUDE

By the end of the 70's, the development of new products, such as the EMB 312 Tucano and the EMB 120 Brasília, followed by the AMX program in cooperation with the companies Aeritalia (now Alenia) and Aermacchi, allowed Embraer to reach a new technological and industrial level.

The Brasília became an important milestone in the history of Embraer. Developed as an answer to the new demands of the regional air transport industry, its design made use of the most advanced technologies available at the time, setting new standards for regional aviation. It became the fastest, lightest and most economical airplane in its category.

TURBULENCE...AND RISING ABOVE

During the long lasting financial crisis endured in the first half of the 1990s, Embraer reduced

its workforce considerably, postponed the development of the EMB 145 and cancelled the CBA 123 Vector project.

Finally, after a long process and facing a lot of difficulties, the Company was finally privatized on December 7, 1994.

From that decisive moment on, and relying on the commitment and support of the new controlling shareholders – Cia. Bozano, Simonsen and pension funds Previ and Sistel – Embraer embarked on a broad cultural and business transformation which culminated with its recovery and return to growth, stimulated by the EMB 145 project, later renamed ERJ 145.

In the following years, with the launch of new products for the defense market and the entry into the executive aviation market, Embraer expanded its presence in the aeronautical market, growing revenues and diversifying marketplaces.

HIGH PERFORMANCE CLIMB

The entry into service of the new EMBRAER 170/190 family of commercial jets in 2004, the confirmation of Embraer's definitive presence in the executive aviation market with the launch of new products, as well as the expansion of its operations into the aviation services market, established solid foundations for the future development of the Company.

With a global customer base and important internationally renowned partners, Embraer has been contributing, for 40 years, to world integration through aviation, shortening distances between people and offering the most modern technology, versatility and comfort in airplane.



EMBRAER 170

EXIT

TO OPEN
1. PULL AND LIFT HANDLE
2. PULL THE DOOR OUT

CAUTION
DO NOT PROCEED FORWARD BEFORE FLIGHT
AND DO NOT PROCEED FORWARD OF THE STOP POSITION



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Message from the President and CEO

During the year of its 40th anniversary, Embraer faced an unprecedented international financial crisis that brought profound consequences to the world's air transport industry. The large volume of order cancellations and delays in 2009 affected not only the Company, but the entire global aeronautics industry supply chain.

In the face of such an adverse situation, the Company was forced to adapt to the new reality with firmness, agility and pragmatism, in order to preserve its economic-financial health and its competitive edge. After 12 months of extreme challenges and difficulties, we came to the end of the fiscal year with our most important values fully intact: customer relations, industrial and technological capacity, economic-financial health, motivation of our personnel, internal and external transparency, zealous care for shareholder assets and, in a word, the perpetuity of the enterprise.

In addition to the necessary and inevitable reduction in staff, which was handled with transparency, consideration and respect for those people, the Company reduced its administrative and commercial expenses by 21% – US\$ 134 million – compared to 2008, and postponed nonessential investments, while maintaining those related to technological development and new products.

It also installed a rigorous financial administration, generating an operating cash flow of US\$ 135 million*, extending the debt maturity, and handling efficient treasury performance and balancing assets and liabilities in Reals (R\$) and U.S. Dollars (US\$). Another highlight was the inventory reduction of US\$ 0.5 billion*, as the result of a significant adjustment in deliveries and conditions negotiated with suppliers, as well as cycle and productivity gains originating from the Embraer Enterprise Excellence Program – P3E.

All of these actions enabled Embraer to increase its net cash liquidity, which surpassed the December 2008 figures, reaching US\$ 0.5 billion* by the end of fiscal 2009. Incidentally, unlike other business segments, the maintenance of a conservative cash flow position is essential for the Company to confront the capital intensity and long cycles inherent to the aeronautics industry, which fact is widely acknowledged by the market and has contributed to maintaining the investment grade granted to the Company by rating agencies.

As has consistently happened in the past few years, the Company achieved the projected number of deliveries, as well as income and margin figures for 2009, thus reinforcing its credibility in the market with regard to its ability to deliver its forecasted results.

For the third consecutive year, the Company set a new aircraft delivery record, with a total of 244 jets, which is higher than the previously defined goal of 242 units, and 19.6% more than 2008, when 204 jets were delivered. The firm order backlog was US\$16.6 billion, on December 31, 2009.

Despite the increased deliveries, net revenues showed a drop of 8% to R\$ 10.8 billion in 2009, compared to the previous year, mainly due to the mix of products delivered.

Embraer achieved practically the same operating margin as the previous fiscal year (8.5% in 2008 and 8.0% in 2009*), proving that the adjustment measures adopted were effective. However, on January 5, 2010, the U.S. airline company Mesa Air Group filed for chapter 11 bankruptcy protection. Its fleet included 36 ERJ 145 aircraft delivered between 2000 and 2003, for which Embraer is obligated for guarantees related to the respective financing structures. Therefore, Embraer set up a provision that reduced its operating margin to 6.1%.

In 2009, Embraer met all of its product development goals, particularly the certification of the Phenom 300, on time and surpassing all projected performance parameters; the first flight of the Legacy 650; the development and delivery of two EMBRAER 190 jets for the use of Brazil's President; the delivery of the first Super Tucano aircraft to the Chilean and Dominican Republic air forces; and the first flight of the A-1M prototype.

Another highlight was winning the contract for developing the KC-390, a product that will enable the Company to advance its technological knowledge and make both a qualitative and a quantitative leap in terms of its presence in the defense market in the coming years.

During 2009, there was a significant advance of the P3E program, with the implementation of continuous improvement cells and the execution of hundreds of Kaizen projects throughout the Company, in Brazil and abroad. The highlight was the conversion of the E-Jets assembly from docks to an assembly line, which reduced the construction cycle of the aircraft to only 12 days, making it an industry benchmark.

* According to the United States Generally Accepted Accounting Principles – U.S. GAAP.

Another extremely relevant result was the increased level of employee satisfaction to 70%, according to an annual organizational climate survey performed by an independent specialized company. Consistent with the results, Embraer was chosen as one of the best companies to work for in Brazil by two of the nation's most respected periodicals.

The fundamental and decisive support of the Brazilian Government to finance our customers by means of the Export Guarantee Fund (FGE), the National Economic and Social Development Bank (BNDES), and the Bank of Brazil was another important achievement, since international credit sources were practically inactive during this period.

Embraer's commitment to building a sustainable future is based on all of its dimensions – economic-financial, social, and environmental. As a result, for the fifth consecutive year we were listed on the Corporate Sustainability Index (ISE) of the São Paulo Stock Exchange (BM&FBOVESPA). We maintained the same high corporate governance standards adopted in 2006, when we were listed on BM&FBOVESPA's Novo Mercado (New Market), and we reaffirmed our commitment to the United Nations Global Compact.

The independence and transparency of the Ethics Committee within the scope of the Executive Board, and of the Audit Committee within the scope of the Board of Directors provide broad coverage of subjects related to labor relations, human rights, and the fight against corruption. The Company has a "whistle blower's" hotline that is managed by an independent company, so as to ensure impartiality and rigor. Furthermore, the Embraer has been improving its corporate risk controls, which are now evaluated quarterly, representing an improvement in corporate governance.

Embraer has an ongoing program of technological development that has delivered improved efficiency for aircraft performance, and reduced fuel consumption and the emission of gases that contribute to global warming. With an eye on a future with less emissions from the air transport sector, we participated in a project for developing a new generation of renewable fuel from sugarcane, which may be a long-term sustainable alternative.

Our vision for the future is positive. Our objective is to lead the market segments in which we are involved. We know that 2010 will be a year of big challenges, yet the Company is ready to take advantage of any opportunities that may arise, with the same agility and determination with which it responded to the crisis.

We are grateful to our employees, shareholders, customers, suppliers, financial institutions, governments, and communities for supporting us throughout these years of history and accomplishments, and we invite you to join us in writing our future, which will certainly honor the legacy we have received from the thousands of people who dedicated themselves to this endeavor over the past four decades with distinguished determination and competence.

Frederico Fleury Curado
President and CEO







China

- Beijing
- Harbin

Singapore

- Singapore

Subtitles

- Plant
- Office
- Service Center
- Authorized or Hired Service Center



SCOPE OF REPORT

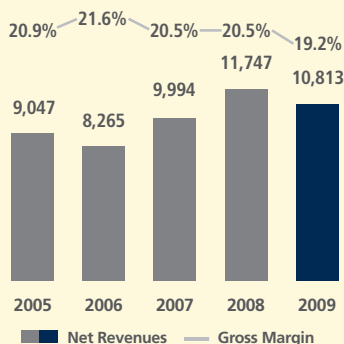
This Annual Report offers information regarding the Company's governance and various performance areas. For the second consecutive year, we present the data requested by the Global Reporting Initiative (GRI), which demonstrate the Company's commitments and actions in different areas of economic, environmental and social sustainability.

In compliance with the requisites of the Global Reporting Initiative, Embraer states that this report meets GRI application level "C" and that the data related to the Company's operations refer mostly to the units in Brazil. The information regarding the location of GRI indicators is located in the end of this report.

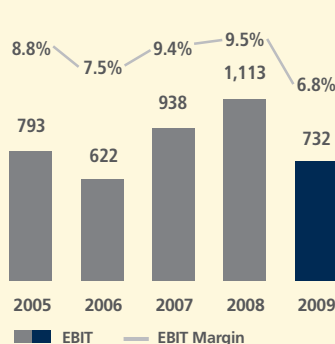
The scope and limit of the report were conducted internally by project managers, in conjunction with representatives from several areas of the Company. There was no significant information change, compared to the last report. However, possible alterations in the analysis and data comparison bases are duly described and indicated throughout the text.

HIGHLIGHTS

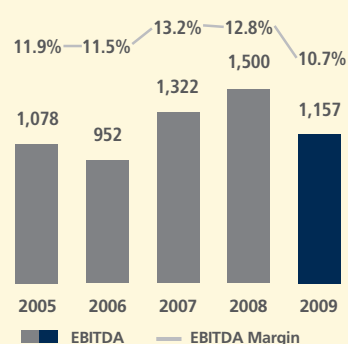
Net Revenues and Gross Margin (R\$ Million)



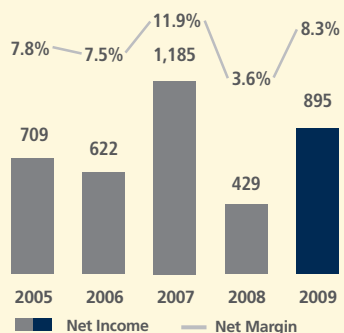
EBIT and EBIT Margin (R\$ Million)



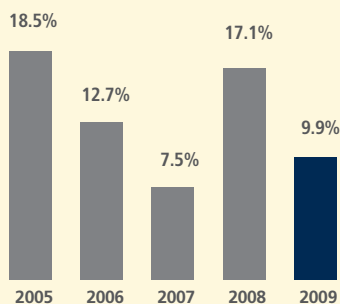
EBITDA and EBITDA Margin (R\$ Million)



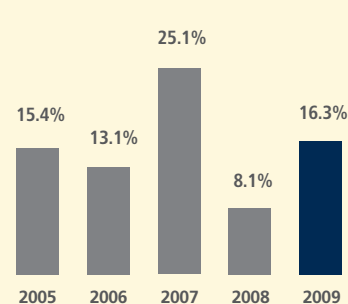
Net Income and Net Margin (R\$ Million)



ROCE - US GAAP

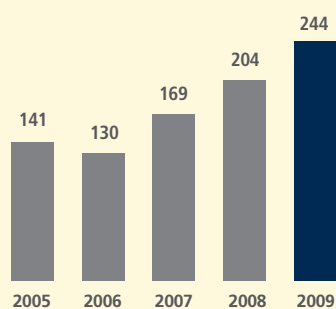


ROE





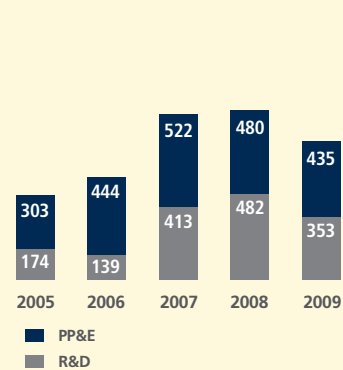
Aircraft Deliveries



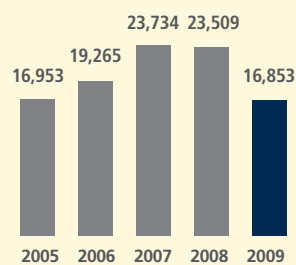
Firm Order Backlog (US\$ Billion)



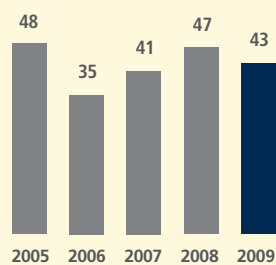
Investments (R\$ Million)



Employees



EBIT per Employee (R\$ Thousand)



Total Assets (R\$ Million)



Shareholder Equity (R\$ Million)



Note: Figures recorded since 2007 are in accordance with the new Brazilian accounting legislation – Law number 11.638/07.



VISION, BUSINESS AND VALUES

VISION

Embraer will continue to establish itself as one of the principal global forces in the aeronautics and defense markets, a leader in its business segments and recognized for the levels of excellence in its entrepreneurial actions.

BUSINESS

Embraer's business is to generate value for its shareholders by fully satisfying its customers in the global aviation market. By "generate value", we mean maximizing the Company's value and ensuring its perpetuity, acting with integrity and social and environmental awareness.

The Company concentrates on three business segments and markets: commercial aviation, executive aviation, and defense.

CORPORATE VALUES

The values that mold the attitudes and unite actions to ensure the Company's perpetuity are:

- Our people;
- Our customers;
- Company excellence;
- Boldness and innovation;
- Global presence;
- Sustainable future.



BUSINESS SEGMENTS AND OPERATIONAL PERFORMANCE

2009 was marked by big challenges in the pursuit of increased operational efficiency in all Company areas. Industrial operations needed adjustments in production capacity and actions for increasing productivity, in order to adapt to the new market reality and the effects arising from the world financial crisis.

Even with market adversities, Embraer closed out the year with a historic 244 jets delivered. This result was made possible by initiatives implemented in the Company, such as the Embraer Enterprise Excellence Program (P3E), which includes Kaizen Weeks, Continuous Improvement Cells, the 3P Method (Production, Preparation, Process), and others.

We believe we are on the right track to achieve the objective of making our production units a worldwide productivity benchmark for the segments in which we are involved. One important milestone reached in 2009 was the transformation of the final assembly of the E-Jets from a docking to an assembly line system. This initiative brought production gains and represented not only important financial savings for the Company, but also a conceptual change in aircraft production, with the implementation of lean manufacturing tools and supply chain management. Reducing the assembly cycle, work in process, and the number of non-conformities is a practical example of the success of this initiative. These goals were achieved by optimizing existing assets and without impacting the aircraft delivery plan.

The Phenom 100 jet assembly line in Gavião Peixoto (GPX) achieved its full production rate, closing out the year with 97 jets delivered. In 2009, one more product was added to the executive jets portfolio, with the certification, start of operation, and delivery of the first Phenom 300, which is also produced on the GPX assembly line. The increased production of the new jet is planned to occur during 2010.

Continuing the work performed in the automation area in 2008, new projects were implemented in 2009, in order to increase productivity and operational efficiency, and to improve quality. The E-Jets fuselage line added an automatic fuselage-drilling robot to the existing robots for empennage and wing drilling.

The expansion of production abroad went according to plan, with three large projects in the execution phase. In the United States, in the city of Melbourne, Florida, the new facilities that will house the Company's executive jet operations in that country, along with a final assembly line capable of producing the Phenom 100/300 executive jets, a paint shop, a delivery center, and a customer design center (to assist new customers in choosing their airplanes), are in the advanced construction stage. In Portugal, the two centers for excellence in the city of Évora, for manufacturing complex airframe structures and components in composite materials, have already finished the earthmoving, and the details of the production process and the industrial buildings are in the final approval phase.

As for the development of new products, the highlights were the first flight of the Legacy 650 jet that is currently in its test campaign for certification, and the preparation for production of two new executive jets – the Legacy 450 and the Legacy 500 – and the military cargo transport jet program: KC-390.

Important strides have also been taken in the management of the supply chain, enabling the reduction of inventory levels, which positively affected the results for the fiscal year.

Our Company is the outcome of this continuous pursuit of excellence, in products, as well as the methods and services associated with them, and our people bear the main responsibility for this success.



We now present additional information about our commercial aviation, executive aviation, and defense business segments.

COMMERCIAL AVIATION

Many passengers have had the pleasant experience of flying on Embraer airplanes with Brazilian and foreign airline companies. We currently have more than 90 customers worldwide. This international scope reflects the quality of our airplanes, and also the fact that the jets produced by Embraer have established themselves as essential tools for the development of aviation, worldwide.

During both growth phases and moments of crisis, the features of Embraer commercial jets customers a wide range of choices for quickly reconfiguring the operations network, enabling the opening of new routes and making air transport more accessible to a larger number of people.

In this manner, our products contribute to promoting regional mobility, making it easier and potentially cheaper for people to travel. Associated with this is the fact that those cities have increased their opportunities for social-economic development with tangible gains in people's quality of life.

The 30 to 60 seat segment reached maturity and has become established due to aircraft originating from smaller cities and airports that feed passengers to main flights in larger airports (hubs). Furthermore, the transactions for 50 seat regional jets in the used aircraft market have intensified, because of their application in the development of regional aviation in Russia and the Commonwealth of Independent States (CIS), Mexico, Africa, and South America.

In Brazil, the ERJ 145 returned to the market, operated by Passaredo Airlines, enabling this company to implement its expansion plan for regional routes. In the Ukraine, the airline company Dniproavia uses the same aircraft for opening new markets and for replacing larger aircraft, whenever it is necessary to adapt seat offerings to demand. In Mexico, this 50 seat jet is operated by AeroMéxico Connect, and it plays an important role in feeding the company's hub airports. The airline operates 37 of these jets – the fourth-largest ERJ 145 fleet in the world.

In order to serve a growing market for used aircraft and to support customer needs for more comprehensive services, Embraer created the Lifetime Programme, which has been essential to ensuring the success of ERJ 145 operations in these markets. This support package can be customized, offering each operator a complete

list of services and products that range from start-up through operation, and customer support on a daily basis.

The 882 commercial jets from the ERJ 145 family delivered by Embraer are currently flying on five continents and are operated by more than 30 airlines. They have surpassed the impressive mark of 13 million cycles and 15 million flight hours.

The 61 to 120 seat E-Jets have a strategic function in airline companies, helping them to maintain their competitive edge in times of crisis. Just like what happened to the aviation market after the September 11, 2001, terrorist attacks in the United States, the effects of the world financial crisis that began in 2008 and reached its peak in 2009 forced companies to adapt seat offerings to reduced demand. The E-Jets offered agility so that companies could make the necessary capacity reductions on their routes while, at the same time, preserving their market presence.

At the same time, the E-Jets have been recognized by the market for their operational capacity in all business models – low-cost, traditional, and regional airlines. This flexibility is the direct result of the excellent comfort, low fuel consumption and emissions levels, reduced operating costs, and high levels of punctuality achieved by this aircraft family.

Embraer's products enable airlines to be more efficient and profitable through what the aeronautics market calls "right sizing": matching seat offerings to demand and replacing larger aircraft with their excess vacant seats by smaller aircraft that operate with better occupation rates.

The sales outlook for jets in this segment is quite positive. Besides right sizing, they can also be used

to replace older fleets, to develop new markets, and to assist the natural growth of regional airlines on routes with greater demand that are currently operated by smaller aircraft, focusing on increasing revenues and market share.

At the beginning of 2010, the EMBRAER 190 jet earned steep approach certification for London City (LCY), London's main business airport. The same certification had been granted to the EMBRAER 170 in 2007. Since the EMBRAER 190 has a range of 2,400 nautical miles (4,500 kilometers), it will serve multiple destinations in Europe out of LCY. By the end of 2010, it is expected that 15 E-Jets will be operating out of LCY, transporting one million passengers.

The E-Jets have won a solid and diversified customer base – 54 airlines in 37 countries on five continents – and have surpassed the impressive mark of three million flight hours. The delivery of the 600th E-Jet, to LOT Polish Airlines, just five years after the first EMBRAER 170 entered operation, was a great milestone for Embraer, that has been reached by few programs in the history of commercial aviation, worldwide.

In 2009, even with the market affected by the strong world crisis, Embraer announced the sale of five EMBRAER 175 jets to Oman Air. In addition, Fuji Dream Airlines (Japan), KLM Cityhopper (Netherlands), and NIKI Luftfahrt GmbH (Austria) confirmed their confidence in Embraer products by converting several options into firm orders.

Also in 2009, eight new customers began operating E-Jets: Fuji Dream Airlines (Japan), TRIP Linhas Aéreas (Brazil), LAM – Linhas Aéreas de Moçambique (Mozambique), NIKI Luftfahrt GmbH (Austria), Augsburg Airways, and Lufthansa CityLine (Lufthansa Group – Germany), British



ERJ 145 FAMILY

Airways (United Kingdom), and the first operator in Central Asia, Air Astana (Kazakhstan).

On December 31, 2009, the E-Jets family had logged a total of 862 firm orders and 722 options, and 605 new jets delivered. With the ERJ 145 and EMBRAER 170/190 families, Embraer achieved a 45% market share in the segment of jets from 30 to 120 seats. The firm order backlog for commercial aviation reached 265 units, as follows:

2009 showed a reduction of 3.1% in the world's air traffic, according to preliminary ICAO (International Civil Aviation Organization) results, confirming that the air transport market is still in deep crisis. The market should improve, from 2010 to 2012, with the gradual recovery of the global economy. Demand should return to 2007 levels only in 2011. However, in an environment of greater competition and lower fares, due to changes in passenger profiles, it will increase an average of 4.5% a year for the next 20 years, at a rate slightly lower than projections made before the crisis.

Embraer estimates a global demand for about 6,000 airplanes with 30 to 120 seats over the next 20 years, which could generate business of around US\$ 200 billion in new aircraft sales.

EXECUTIVE AVIATION

Since 2005, the executive aviation industry has witnessed the growth in demand from new markets such as Russia, the Middle East, and Asia, bolstered by high economic development and by the continuous devaluation of the U.S. dollar.

However, as of the end of 2008, the world financial crisis had a big and immediate impact on the industry and on the appetite of world markets for executive airplanes. Such factors as the loss of purchasing power by companies and individuals, the increased inventories of used airplanes, and unfavorable and restrictive financing conditions marked 2009 as the year when the growth trend of the last five years was reversed.

That same year, jet deliveries for the global industry in this segment came to around 850 aircraft, or a drop of 26% in relation to the record year of 2008, when 1,154 executive jets were delivered.

In 2010, we estimate that the demand for these aircraft will decline even more, reflecting the freeze on sales over the past 18 months, and the cancellations made in the industry backlog. The market is expected to recover in 2011 or 2012.

Portfolio for firm orders - commercial aviation

Aircraft Model	Firm Orders	Options	Deliveries	Firm orders backlog
ERJ 145 Family	890		882	8
ERJ 135	108		108	
ERJ 140	74		74	
ERJ 145	708		700	8
EMBRAER 170/190 Family	862	722	605	257
EMBRAER 170	187	48	170	17
EMBRAER 175	140	178	125	15
EMBRAER 190	448	426	263	185
EMBRAER 195	87	70	47	40
TOTAL	1,752	722	1,487	265

Note: Deliveries and firm orders in the portfolio include airplanes sold by the defense segment to government airline companies (Satena and TAME).

We believe that the global value of this market, from 2010 to 2019, should reach US\$ 190 billion, with the delivery of more than 10,000 executive jets. Despite the difficulties that affected the entire aviation market, worldwide, Embraer's executive aviation segment saw a significant expansion of its market share, in terms of planes delivered, that increased from 3.3%, in 2008, to 14.0%, in 2009. As for revenues, the increase was from 4.1% to 6.4%, respectively. This expansion was important, especially when taking the moment of crisis into consideration.

Over the next 10 years, Latin America, Asia-Pacific, Eastern Europe, and the Middle East should continue to have increased relevance for deliveries of executive jets, which will demand investments to strengthen the presence of aircraft manufacturers in these markets. In Latin America, for example, lighter jets are more adequate to the local needs and have always been well received. Conversely, the demand in the Asia-Pacific region should favor larger aircraft that have an intercontinental range.

Although the impact of the world crisis has restricted short-term growth perspectives, the United States will continue to be the largest and the most mature market for executive aviation in absolute numbers. Current estimates indicate that the country will be responsible for about 48% of the global market revenue expected for the next 10 years.

During 2009, Embraer continued evolving in its exploration of the executive aviation market and took direct action that further solidified the commitment it made to the market at the beginning of the decade.

These actions are part of the offer of integrated solutions for the acquisition and operation of Embraer executive jets, and they range from launching a new Legacy family product – the Legacy 650 – and the certification of

the Phenom 300 jet to the expansion of the network of sales representatives, training, services, and customer support.

In October 2009, Embraer unveiled the new Legacy 650 jet during a press conference at the 62nd Annual Meeting and Convention of the National Business Aviation Association (NBAA) of the United States, in the city of Orlando, Florida.

This large category executive jet was developed on the successful platform of the super midsize Legacy 600, offering a greater range for as many as 14 passengers. The Legacy 650 will fly up to 3,900 nautical miles (7,223 kilometers) nonstop with four passengers, or 3,800 nautical miles (7,038 kilometers) with eight passengers, which represents about 500 nautical miles (926 kilometers) of additional range, compared to the Legacy 600.

The Legacy 650 will be able to fly nonstop from London (United Kingdom) to New York (USA); from Dubai (United Arab Emirates) to London or Singapore; from Miami (USA) to São Paulo (Brazil); from Singapore to Sydney (Australia); or from Mumbai (India) to Central Europe.

The super midsize Legacy 600 is entering its eighth year of production with wide acceptance in the market, especially by customers in Europe and the Middle East, where nearly 14% of the fleet (23 planes) are located. In December 2009, there were more than 180 Legacy 600 jets flying in 24 countries.

Also in 2009, the Phenom 100 jet earned European Aviation Safety Agency (EASA) and Australia's CASA type certification, joining approval by agencies in Brazil (ANAC) and the United States (FAA).

The first two Phenom 100 jets were delivered in December 2008 to customers in the United States,

Marjorie Anversa Pujol Fanton
Market Intelligence - Executive Jets

and another 97 were delivered in 2009, of which 93 were for the executive aviation market and four for the defense market.

The new Legacy 450 midlight and the Legacy 500 midsize jets, with respective ranges of 2,300 nautical miles and 3,000 nautical miles, also highlighted 2009, when they completed the Joint Definition Phase (JDP), which started in July 2008 and involved more than 100 engineers from key suppliers and 500 Embraer employees.

These aircraft are positioned between the Phenom 300 and the Legacy 600, thus consolidating the full range of Embraer products for executive aviation as one of the most complete among those currently offered. The certification process for the Legacy 500 and the Legacy 450 has already begun and is on schedule.

In December 2009, the Phenom 300 was certified by the Brazilian National Civil Aviation Agency (ANAC) and by the Federal Aviation Administration (FAA) in the United States. All project goals were achieved or surpassed. The maximum range of the Phenom 300, which was originally designed for 1,800 nautical miles (3,334 kilometers), was extended to 1,971 nautical miles (3,650 kilometers) with six occupants and NBAA IFR reserves.

Runway performance was also significantly improved in comparison to initial goals. The runway length for takeoff, with the aircraft at maximum takeoff weight (MTOW) is now 3,138 feet (956 meters), which is considerably better than the projected 3,700 feet (1,127 meters), while the runway length for the maximum landing weight (MLW) was improved to 2,621 feet (799 meters), or 329 feet (100 meters) less than the initial goal of 2,950 feet (899 meters).

The first Phenom 300 was delivered on December 29, 2009, to Executive Flight Services, a wholly owned subsidiary of Executive AirShare, which received the aircraft on behalf of a customer. Embraer began delivering the Phenom 300

executive jet only one year after the first Phenom 100 customers received their aircraft.

The training, services and customer support organization for Embraer executive aviation is ready for the Phenom 300 fleet. Three new authorized service centers were named by Embraer in India, United Arab Emirates, and Canada in 2009. The worldwide support and services network for Embraer executive jets currently has a total of six Company-owned centers and more than 30 authorized centers.

By the end of 2009, Embraer had a firm order backlog of US\$ 5.6 billion for executive jets.

DEFENSE

This segment works with integrated solutions and highly technological contents. Our defense aircraft combine operational efficiency with very competitive acquisition and operating costs. We are pleased and proud to have the Brazilian Air Force (FAB) as the main customer of our products and services in this segment.

The portfolio of defense products includes aircraft designed for different purposes: Intelligence, Reconnaissance and Surveillance (ISR); training and combat; and transportation of civilian and military authorities. In addition, we provide support for defense customers, as well as modernization services for aircraft of the Brazilian Armed Forces.

Embraer plays a strategic role in Brazil's defense system – it has provided a little over half of the Brazilian Air Force fleet – and is now more aggressively expanding into other regions, beyond the 20 countries that already use its aircraft.

The defense segment is particularly important for the benefits generated by participating in programs involving the transfer of technology, which are of interest to Embraer and may be applied to other products and services within the Company.

EMBRAER
Executive Jets

It's where you want to be.

← EMBRAER
Executive Jets

CUSTOMER SUPPORT
& SERVICES

PHENOM TRAINING



An important cutting-edge aircraft is currently under development by Embraer – the KC-390, a new jet-powered military tactical transport and aerial refueling. This cargo plane will meet the needs of the Brazilian Armed Forces and fully complies with the National Defense Strategy of the Brazilian Government. The KC-390 will fly at 850 km/h and transport 19 tons of payload, 64 combat-equipped paratroopers or 80 conventional infantry soldiers, and it will enable Embraer to enter a new and promising market segment.

This twin-engine aircraft incorporates fly-by-wire technology. It can be used on short dirt runways and also be adapted to perform humanitarian missions. Therefore, the product can contribute to projecting Brazil, internationally, and be an important factor in actions for the protection of human rights.

In 2009, seven aircraft for transporting authorities were delivered to the defense market, as well as 10 additional modernized F-5 (F-5M) fighters for the FAB F-5BR Program, and 20 Super Tucanos, 14 of which to Brazil, two to the Dominican Republic, and four to Chile.

Embraer has a contract with FAB to produce 99 Super Tucanos. In 2009, the FAB received the 100th unit produced of this turboprop. The Colombian Air Force ordered 25, and all of them have been delivered and are operational, while the air forces of the Dominican Republic, Chile, and Ecuador have ordered eight, 12 and 24 aircraft, respectively.

The Super Tucano continues to be one of the highlights of our Company, because of its versatility, associated with excellent performance for training and for operational missions, as well as low acquisition, operation, and maintenance costs. The Super Tucano currently has a firm order backlog of 178 aircraft.

In 2009, the training and operation support system (TOSS), which can include flight simulators,

computer-based training (CBT), mission planning stations (MPS), and mission debriefing stations (MDS), has also been developed to support the new Super Tucano customers.

As for ISR (Intelligence, Surveillance and Reconnaissance) systems, the contract with India, through its Defence Research and Development Organization (DRDO), continues developing the AEW India program. Three EMB 145 AEW&C aircraft will be provided, with the first delivery expected in 2011. Also in the area of systems, in 2009, Embraer formalized the delivery of the data communication protocol to the Aeronautics Command, which is to be employed in the Link-BR2 network.

The Royal Thai Navy and the Royal Thai Army, which already operate one ERJ 135 aircraft each, joined together to order two more, increasing their number of aircraft to four, showing the great acceptance of this successful regional jet by defense customers, as well. The Phenom jets can also be applied to this segment. For example, this year, the Pakistan Air Force received the four Phenom 100 jets it had purchased, thus becoming the first military operator of this aircraft in the world.

An important highlight of Embraer's defense segment and a key element for the defense of Brazil are the aircraft modernization programs. There are currently two FAB programs underway. In the A-1M program, Embraer will modernize 43 AMX subsonic fighter jets. The second program, F-5BR, involves 46 F-5 fighter jets, 10 of which were delivered in 2009, bringing the number of completed, operational aircraft to 38.

Another highlight was the signing of the first contract with the Brazilian Navy. As announced at the last Latin America Aerospace and Defense (LAAD), held in April 2009, the Company will modernize 12 A-4 aircraft, thus beginning a relationship with another important national customer.

Armed forces and government transport aircraft are a very specific area of the defense segment. Here, we would highlight the delivery of two EMBRAER 190 PR E-jets to the Special Transport Group of the Brazilian Air Force, which were specially designed to serve the President of Brazil.

Important service and support contracts for defense customers were won in 2009, among which the ESGS (Embraer Solutions for Government Support) to support the operation of EMBRAER 190 PR jets, as well as CLS (Contractor Logistic Support) contracts involving the EMB 312 Tucano of the Brazilian Air Force and the Super Tucano of the Colombian Air Force.

Last year, the advance of the defense segment, within Embraer's business, is confirmed by the evolution of its firm order backlog, from US\$ 1.5 billion to US\$ 3.2 billion.

JET DELIVERIES IN 2009

Of the total 244 jets delivered in 2009, 122 went to the commercial aviation market (115 from the EMBRAER 170/190 family and seven from the ERJ 145 family), and 115 were delivered to the executive aviation market, including 18 Legacy 600, three Lineage 1000, one Phenom 300, and 93 Phenom 100. Furthermore, seven transport aircraft were delivered to the defense market, as well as 10 modernized F-5 through the FAB's F-5BR Program and 20 Super Tucanos to Brazil, the Dominican Republic, and Chile.

Aircraft Deliveries per Segment

	2008	2009
Commercial Aviation	162	122
ERJ 145	6	7
EMBRAER 170	9	22
EMBRAER 175	55	11
EMBRAER 190	78 (1)	62
EMBRAER 195	14	20
Executive Aviation	36	115
Phenom 100	2	93
Phenom 300	-	1
Legacy 600	33	18
Lineage 1000	-	3
EMBRAER 175	1	-
Defense*	6	7
ERJ 135	2	1
ERJ 145	1	-
Phenom 100	-	4
Legacy 600	3	-
EMBRAER 190	-	2
TOTAL JETS	204	244

* Includes only deliveries of executive jets configured for transport of authorities and aircraft for Government airlines
Deliveries between parentheses are registered as operational leasing



Commercial Jets



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 Jets



LINEAGE 1000

capacity: 13 to 19 seats
range: 4,500 nm (8,334 Km)
category: Ultra-large



LEGACY 650

capacity: 10 to 14 seats
range: 3,900 nm (7,223 Km)
Category: Large



LEGACY 600

capacity: 10 to 14 seats
range: 3,400 nm (6,297 Km)
Category: Super Midsize



LEGACY 500

capacity: 8 to 12 seats
range: 3,000 nm (5,556 Km)
Category: Midsize



LEGACY 450

capacity: 7 to 9 seats
range: 2,300 nm (4,260 Km)
Category: Midlight



PHENOM 300

capacity: 8 to 9 occupants
range: 1,800 nm (3,334 Km)
Category: Light



PHENOM 100

capacity: 6 to 8 occupants
range: 1,178 nm (2,182 Km)
Category: Entry-level



Defense Systems



SUPER TUCANO

Basic and Advanced Training,
Transition to Fighter and Light Attack



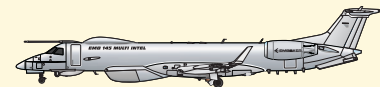
AMX

Ground Attack



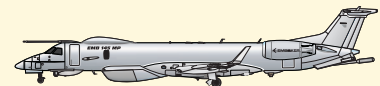
EMB 145 AEW&C

Airborne Early Warning
and Control



EMB 145 MULTI INTEL

Remote Sensing, Air to Ground
Surveillance and Intelligence



EMB 145 MP

Maritime Patrol



KC-390

Military Transport
and Tanker



Transportation of Authorities

•ERJ 145 Family •E-JETS •LEGACY •PHENOM

Integrated Command and Control System:

C41 Integrated Systems, Data Link

Training and Operation Support System:

TOSS

Aircraft Modernization



SALES FINANCING

As of the second semester of 2008, the worldwide financial crisis affected the availability and the cost of aircraft financing. In 2009, many analysts predicted a financing deficit of US\$ 15 billion, which would certainly result in many deliveries being canceled or postponed, with manufacturers providing their own financial resources to customers.

This scenario was not entirely realized. Airline companies were able to structure the financing of their deliveries, and export credit agencies fully supported their manufacturers during one of the biggest liquidity crises in history. In this context, Embraer successfully restructured all of the financing for commercial aircraft delivered in 2009.

The diversification of the E-Jets customer base and the aircraft's versatile application to different business models have contributed to the positive perception of this asset as a risk mitigator. Consequently, the projected residual values have shown excellent performance, given the sharp depreciation that affected most of the assets.

The successful structuring of financing for our customers in recent years is proof of the excellent evaluation of the E-Jets by the financial market. The EMBRAER 170/190 family has been predominantly financed by European financial institutions and leasing companies. The support provided by the Brazilian export financing system, composed of the BNDES, SBCE, and the Treasury Ministry, represented 35% of all deliveries in 2009, and it could be even more significant in 2010.

European commercial banks are still facing some restrictions, and they are not likely to increase the amount of resources granted last year. The funding costs for financial institutions remain high, but the banks will continue granting credit selectively by applying some restrictive financial conditions, especially regarding the amount financed and operation deadlines.

On the other hand, there are signs of gradual improvement through financing by capital markets, which will provide more liquidity in the sector to meet all financing needs, which are estimated at US\$ 62 billion for commercial aviation.

ASSET MANAGEMENT

In order to offer better sales support and reduce some of the financial risks related to commercializing aircraft, Embraer created the subsidiary ECC Leasing Co. Ltd., in 2002.

The mission of ECC Leasing is to manage and commercialize aircraft that, due to contractual obligations, may be acquired by Embraer through trade-in or repurchase transactions. The Company also provides resale services to third parties connected with sales campaigns.

ECC Leasing Co Ltd. has managed 81 aircraft, to the present time; 35 of those have been sold, 32 are under operating leases, five are available for market replacement, and nine are being used for testing at Embraer.

The lease and sale operations were signed at market values, thus preserving the value of Embraer products.

TECHNOLOGY AND KNOWLEDGE MANAGEMENT

Based on our business plans and on monitoring the worldwide technological scenario, we have established a technological development plan that focuses on investigating and developing solutions for the main challenges the aeronautics industry should face in the coming years regarding aircraft design, development, production, and commercialization.

These efforts to build capacity for applying advanced technologies will provide airplanes that are lighter, quieter, more comfortable, and more

energy efficient with less emissions, and they will be designed and manufactured in less time with optimized resources.

In order to increase the scope of the results and minimize development risks, the Company's strategy for research and precompetitive development is a structured program capable of managing and executing multi-task projects and of integrating several institutions, such as universities, research institutes, stimulus institutions, and companies that serve as a network of development partners.

Concern about legally protecting the intellectual property rights of innovations generated from research and development initiatives is seen in the considerable increase in patent requests submitted by Embraer in 2009. Since 2003, 62 requests have been submitted, and 14 of them have been issued.

Embraer has obtained significant results from innovations and new technologies, which may be found in both operating aircraft and those under development. Other positive aspects are the transfer of these technologies to the aeronautics productive chain and support for the formation, training and use of a high-level labor force in national universities and research centers.

In addition, a knowledge management process is being implemented, which increases intellectual capital in a structured and organized manner. The results are seen in greater agility for sharing and generating knowledge, and in stimulating innovation in technology areas that are vital for increasing the technical quality of the product.

Donizete Ronaldo Rebouças Rodrigues
Flight and Delivery Preparation

As a result of this initiative, Embraer was recognized by MAKE¹ Award Brazil 2009 as one of the top three companies in knowledge management in Brazil, which qualified it for the international phase of this prize.

In order to consolidate ourselves as one of the main global players in executive aviation, we are implementing a center for training and innovation in airplane interiors that will enable us to develop and produce distinctively competitive products marked by comfort, elegance, style, functionality and strength, with adequate business costs and deadlines.

PRODUCT RESPONSIBILITY AND SAFETY

Embraer has the highest production standards, which start with our commitment to enterprise excellence. The P3E program pursues continuous improvement for Embraer's people and processes, and is one of the pillars of our responsibility for producing a product that involves so much technology and so many safety procedures as those found in an airplane.

Besides employee preparation, Embraer and its training partners offer all aircraft operators a comprehensive set of technical training courses. For additional information, see:

www.embraer.com/english/content/servicos_cliente/treinamento.asp

Our responsibility is also reflected in the design, manufacture and airworthiness certifications

earned by our aircraft in Brazil and abroad. Certification is a legal and mandatory procedure for civil aviation, in which Embraer must demonstrate that the product complies with safety regulations defined by the certifying authority.

The safety of Embraer products is one of the pillars for generating value. The Company's safety policy takes a proactive approach during the entire product life cycle, in order to ensure that Embraer's safety standards are met and exceed the minimum standards set by aeronautic certifications.

New products, or even modifications in previously certified designs, are only disclosed to the operators after a formal demonstration of compliance with safety requirements and the resulting approval by the civil aviation authority.

The procedure for guaranteeing the integrity of Embraer products continues after the aircraft goes into operation, or when any modification is made, by both Embraer and the responsible authorities appropriately monitoring the fleet.

All of our aircraft are certified by the Brazilian National Civil Aviation Agency (ANAC), the Federal Aviation Administration (FAA) in the United States, and the European Aviation Safety Agency (EASA) in the European Union, plus additional agencies, wherever the aircraft is to be registered and operated.

Product safety performance is continuously monitored in conjunction with customers. Any risk that is found is immediately evaluated and treated

¹ MAKE – Most Admired Knowledge Enterprises

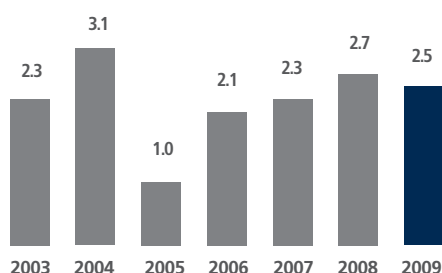


EMBRAER 170

within the scope of the Embraer Product Safety Committee, thus consolidating a complete risk management procedure, in order to minimize risk exposure, according to the best standards in the industry.

The following graph presents the average annual number of items that are included in the monitoring performed by this committee. Even with the continuous launching of new models and the growth of the number of planes in operation, over the past few years this average has been kept at fewer than three items per monitored aircraft.

Average of Topics Monitored by the Product Security Committee per Airplane Type



AVIATION SERVICES

A fundamental dimension of responsibility for the product is in the Company's after-sale support for its three business segments. Aviation services currently account for 11% of the Company's total revenue, and they are part of its strategy for customer satisfaction and global development.

The range of possible services includes aircraft maintenance, spare parts, training and flight operations. Embraer offers field support to its customers 24 hours a day, 365 days a year.

In order to provide after-sale support to the three business segments, we have an aviation service structure that, since 2008, has been consolidated with a worldwide base of service centers, ensuring total coverage to our customers.

Therefore, as part of the responsibility for our aircraft, we maintain several customer services:

Field Support – Assistance for customers in all aspects of their operations, including maintenance, flight operations, and replacement parts.

Technical Support – Customer support for all technical needs, with systems for daily monitoring the fleet, in order to identify chronic problems and opportunities for design improvement.

Maintenance Engineering – Complete and detailed monitoring of Embraer aircraft, with corrective measures, dispatch reliability, and control of non-programmed removal rates for components.

Technical Publications – Availability of technical publications by Embraer and its suppliers, with the most recent aircraft technical information.

Operational Support – Full-time services are available with the necessary information for efficient and safe fleet operation. Complete availability of flight operation documentation and software for operational analysis, as well as several fleet support actions, including a regular visitation schedule to operators.

Embraer Service Center – Large facilities and highly qualified personnel approved by ANAC (Brazil), FAA (USA), and EASA (European Union) provide aircraft maintenance services. Our Company also has authorized service centers in the United States, the Middle East, Europe, Africa, and Asia.

Material Support – Complete assistance is provided for supplying materials and attractive choices for reducing investments through special replacement parts programs.

FlyEmbraer – Our customers may also access several digital productivity tools available at: www.flyembraer.com.

- We control our own cutting-edge technology;
- We have a global customer base;
- We have important partners that are recognized worldwide;
- We are among the top four Brazilian exporters;
- We have earned the Investment Grade granted by Moody's Investor Service and Standard & Poor's credit agencies;
- We are listed on the BM&FBOVESPA Corporate Sustainability Index (ISE).

INTANGIBLE ASSETS

Intangible assets multiply the economic capital of companies, especially in terms of brand value. By diversifying products, regions, customers, and services, Embraer has been building a strong, unquestionable, and sustainable brand throughout its 40-year history.

For Embraer, brand strength is one of our main intangible assets. Our presence in different markets and regions and our significant market share indicate the brand's global acceptance, which is always associated with highly reliable products and cutting-edge technology.

We have gathered a series of indicators that indirectly qualify the brand value and grant public endorsement of its efficiency and competence:

- We are the third-largest commercial jet manufacturer in the world;
- We control the entire business cycle, from conception to customer support;



GOVERNANCE AND THE FUNDAMENTALS OF SUSTAINABILITY

Embraer has considered the pursuit of higher sustainability standards within their economic, social and environmental dimensions as one of the pillars of the Company's activities.

Two other dimensions round them out: corporate governance and the capacity to positively influence public policies. In both cases, Embraer is qualified as a company with significant services on behalf of sustainability.

These efforts to include sustainability practices in the Company's governance structure are perceived through several actions and practices. Our Ethics and Audit Committees work with absolute transparency, granting Embraer a high level of governance on such items as labor relations, human rights, and the fight against corruption.

Embraer has a special communication channel for whistle blowing, which is managed by an independent company to ensure impartiality and rigor, and in 2010, we are implementing an improved version of our Code of Ethics and Conduct.

We have been enhancing our controls of corporate risks, with quarterly assessments, which is an improvement for our corporate governance practices.

CORPORATE GOVERNANCE

Embraer's corporate governance model enjoys the comprehensive and unrestricted commitment of the entire Executive Board and the Board of Directors.

In 2006, Embraer went through a restructuring program, transforming its shares into a single class of common shares, without the presence of

a control group or controlling shareholder, thus extending the right to vote to all shareholders. This allowed Embraer to be listed with the BM&FBOVESPA's Novo Mercado (New Market), meaning that the Company shows the highest level of corporate governance practices in Brazil.

The restructuring program strengthened the administration via control instruments generated by the new governance structure while maintaining the strategic rights of the Federal Government, which owns a Golden Share, with veto powers over the following issues: 1) changes in the Company name or in its business purpose; 2) alteration and/or application of the Company logo; 3) creation and/or alteration of military programs that do or do not involve the Federal Republic of Brazil; 4) training third parties in technology for military programs; 5) interruptions in the supply of maintenance and replacement parts for military aircraft; 6) transfer of shareholder control of the Company.

The Company's By-laws provide protection mechanisms that ensure the pulverization of shareholder control and also guarantee that Brazilian shareholders, according to the principles defined during the privatization of the Company, hold the majority of votes during the deliberations of Shareholders Meetings:

- In any Shareholders Meeting, no shareholder or group of shareholders, whether Brazilian or foreign, may vote with a number that represents over 5% of the total number of shares of the capital stock.
- The total votes permitted to foreign shareholders in any Shareholders Meeting, whether isolated or as a group, are limited to 40% of the total valid votes on each subject.

- The acquisition by any shareholder or group of shareholders of participation equal to or more than 35% of Embraer's capital is prohibited, except with the express authorization of the Federal Government, as the owner of the Golden Share, and is subject to a public offering for acquisition.
- It is mandatory that the stock position be disclosed whenever: (i) the participation of a shareholder reaches or surpasses 5% of the Company's capital; (ii) the participation of any shareholder rises by at least 5% of the Company's capital.

BOARD OF DIRECTORS

The main duties of the Board of Directors are to approve and monitor the Company's strategies, as well as annual budgets and investment programs of the Action Plan designed by the Executive Board.

The Board of Directors has a two-year term and, besides the routine meetings every three months, it may also meet on occasion to debate issues that could affect Embraer's business. The Board is composed of 11 members and their respective substitutes, who are directly elected by the shareholders; one member is appointed by the Federal Government (holder of the Golden Share); and two are representatives of the employees. The Board of Directors currently has seven independent members.

COMPOSITION OF THE BOARD OF DIRECTORS on January 1, 2010

CHAIRMAN OF THE BOARD OF DIRECTORS

Maurício Novis Botelho

VICE CHAIRMAN OF THE BOARD OF DIRECTORS

Hermann Heinemann Wever

MEMBERS OF THE BOARD OF DIRECTORS

Cecília Mendes Garcez Siqueira
 Claudemir Marques de Almeida
 Israel Vainboim
 Aprígio Eduardo de Moura Azevedo
 Paulo Cesar de Souza Lucas

Samir Zraick
 Sergio Eraldo de Salles Pinto
 Wilson Carlos Duarte Delfino
 Wilson Nélío Brumer

Three committees have been constituted to assist the Board of Directors with its attributes and competencies:

Executive Committee: Permanent and composed of four members named by the Board of Directors and chosen from among its regular or substitute members, or from the Company's Executive Board. Responsible for assisting the Board of Directors in performing its duties, especially those related to strategic management.

Human Resources Committee: Composed of four members who are named by the Board of Directors and chosen from among its regular or substitute members, or from the Company's Executive Board. Advises the Board of Directors on issues related to human resources.

Audit Committee: In order to meet the requirements for being listed on the New York Stock Exchange, and of the Sarbanes-Oxley Act, which applies to foreign companies with stock listed on the U.S. market, Embraer made a few modifications in its Fiscal Council, so it can perform the duties of the Audit Committee.

We would point out that all during 2009 we had the valuable, unwavering support of our Board of Directors, especially at the most difficult moments in the struggle against the crisis, showing that the Company has been benefiting from the healthy integration and independence of its administrative bodies, with the highest levels of corporate governance.

FISCAL COUNCIL

The Fiscal Council is committed to the policies of transparency and good corporate governance, and its focus is on monitoring the Company's administrative acts and analyzing its financial statements. It is composed of five regular members, all of them with annual terms, and one of them being a financial specialist.



COMPOSITION OF THE FISCAL COUNCIL on January 1, 2010

CHAIRMAN OF THE FISCAL COUNCIL
Rolf Von Paraski

VICE CHAIRMAN OF THE FISCAL COUNCIL
Ivan Mendes do Carmo

MEMBERS OF THE FISCAL COUNCIL
Taiki Hirashima
Eduardo Coutinho Guerra
Alberto Carlos Monteiro dos Anjos

EXECUTIVE BOARD

The Executive Board is responsible for the daily administration of the Company. The duties and responsibilities of the officers of the Executive Board are established in the Company's bylaws. Officers are appointed by the Board of Directors for a two-year term.

COMPOSITION OF EXECUTIVE BOARD on January 1, 2010

PRESIDENT AND CEO
Frederico Pinheiro Fleury Curado

EXECUTIVE VICE PRESIDENT - AIRLINE MARKET
Mauro Kern Junior

EXECUTIVE VICE PRESIDENT - EXECUTIVE AVIATION
Luís Carlos Affonso

EXECUTIVE VICE PRESIDENT - DEFENSE MARKET
Orlando José Ferreira Neto

EXECUTIVE VICE PRESIDENT - TECHNOLOGY
Emílio Kazunoli Matsuo

**EXECUTIVE VICE PRESIDENT -
INDUSTRIAL OPERATIONS**
Artur Aparecido Valério Coutinho

EXECUTIVE VICE PRESIDENT AND CFO
Luiz Carlos Siqueira Aguiar

EXECUTIVE VICE PRESIDENT - GENERAL COUNSEL
Flávio Rímoli

EXECUTIVE VICE PRESIDENT - CORPORATE AFFAIRS
Horacio Aragonés Forjaz

**EXECUTIVE VICE PRESIDENT - ORGANIZATIONAL
DEVELOPMENT AND PERSONNEL**
Antonio Júlio Franco

Tatiana Cristina Almeida
ALX Assembly

The Company's organization is an important and dynamic tool for conducting business and must always adapt and evolve to enable the execution of its corporate strategies and objectives.

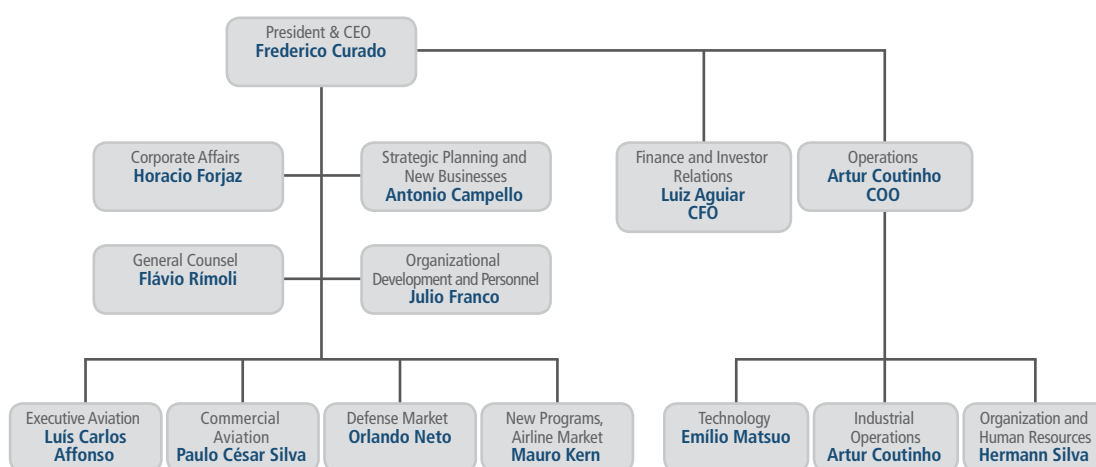
For this reason, since April 2010, we have made some changes in Embraer's Executive Board, in order to strengthen its capacity for external action while reinforcing and solidifying the internal basis on which we improve our competitiveness and quality.

There are three fundamental changes in this restructuring: creating a COO (Chief Operating Officer) position heavily focused on handling

the Company's internal operations; setting up a specific front to study, plan and enable new programs in the commercial aviation segment; and creating a new position exclusively focused on strategies and policies pertaining to people, in addition to the existing human resources structure.

In this way, Embraer's Executive Board now has two new executive vice presidents, both with a long history of distinguished results and contributions to Embraer: Paulo César Souza e Silva and Hermann Ponte e Silva. The new organization has the following macrostructure:

Organizational Macrostructure



RELATIONSHIP WITH INDEPENDENT AUDITORS

Embraer's policy regarding services provided by its independent auditors confirms the principles that preserve the auditor's independence. These principles are based on the fact that auditors must not audit their own work, perform managerial functions, or even advocate in behalf of their customers.

Embraer hired these auditors to review the acquisition of funding in October 2009 and to perform an International Financial Reporting Standards (IFRS) diagnosis, for a total of R\$ 895,000, corresponding to 15.9% of all fees paid to external auditing services provided to all of the Group's companies, worldwide.

It is Embraer's policy to present and have approved by the Fiscal Council any service rendered by its independent auditors that is not related to external auditing.





Luís Cesar Reina
Mário Aparecido Ribeiro
Prototype Maintenance and Configuration

MANAGEMENT PRINCIPLES AND PRACTICES

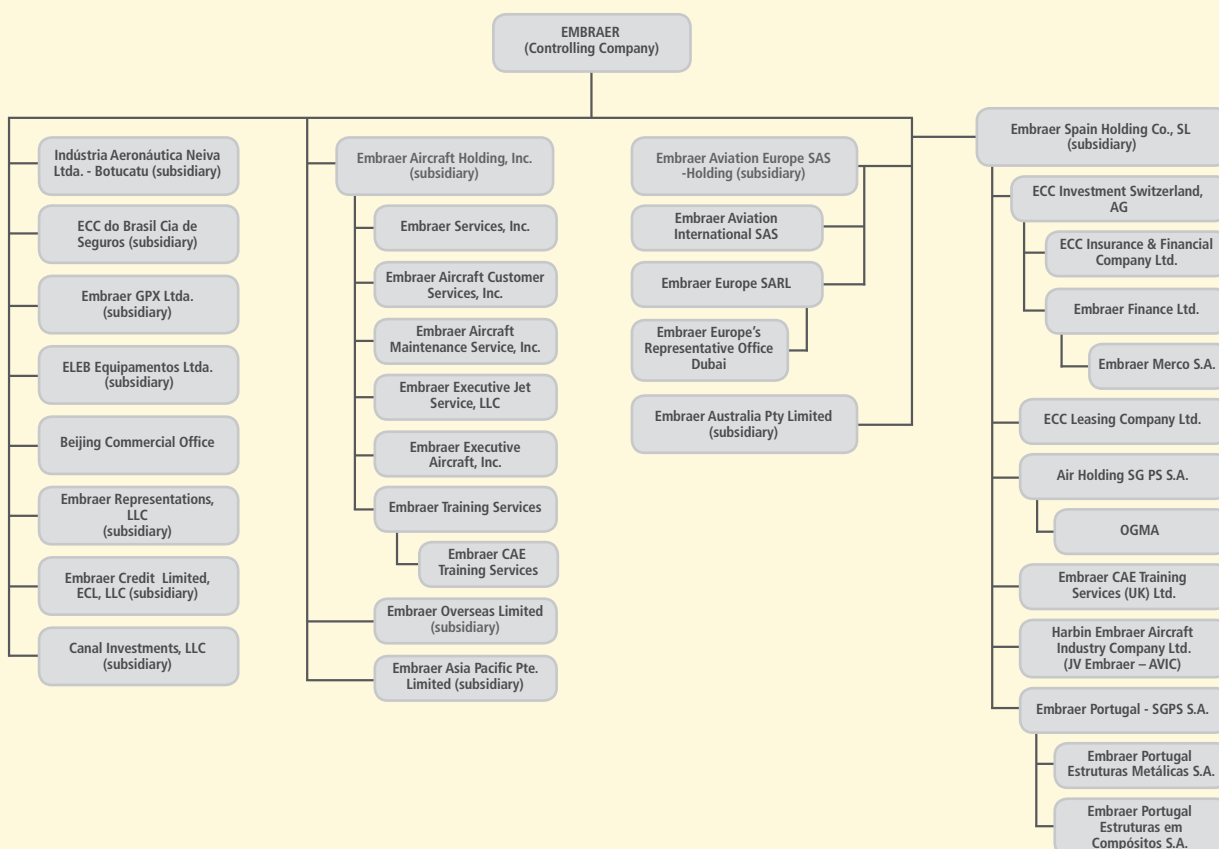
Embraer's strategic planning is based on a five-year Action Plan, which is revised annually, and establishes the Company's short- and long-term priorities, taking into account such factors as:

- Feasibility and potential of the markets in which we are present, from an economic, social, and environmental perspective;
- Outlook for products and services for new regions that have an already proven their potential for growth;
- Careful analysis of the performance of our main competitors;
- Competencies to be highlighted and weak points to be improved;
- Opportunities, challenges, and risks to be faced and overcome.

The Action Plan is analyzed, revised, and approved annually by the Board of Directors, and the Executive Board is evaluated according to the achievement of the goals stipulated in it. The Action Plan permeates all of the Company's levels and areas, by aligning and committing all employees to the planned goals and results, corporate objectives, and perpetuity of the Company.

CORPORATE STRUCTURE

In order to support its operational activities, the objective of Embraer's corporate structure is to meet the demands and particularities of each country where it is present, besides improving, organizing and optimizing the management of the Group's companies, so as to integrate all operations and to satisfy customers. This structure is organized and distributed as follows:



In Brazil, Embraer has branches in Gavião Peixoto, Botucatu, São Paulo, Eugênio de Melo, and Parque Tecnológico (Technological Park) (the last two in São José dos Campos), Taubaté, and Campinas.

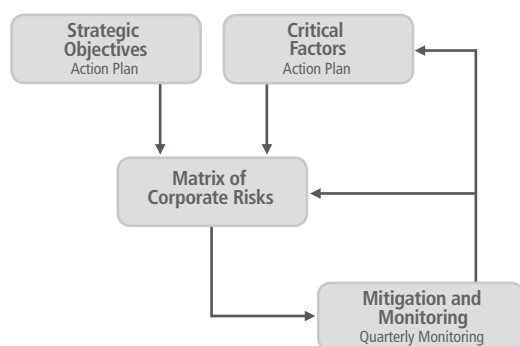
Adriano Rodrigues Ribeiro
Flight and Delivery Preparation

RISK MANAGEMENT

Embraer reinforced its position regarding risk management by approving the financial management policy and the methodology for monitoring and mitigating corporate risks with the Board of Directors and the Audit Committee. In this way, the Company strengthens the transparency processes that are already in place, as well as the management of its business. Thus, Embraer seeks to safely achieve all of its strategic objectives, and ensure its perpetuity.

The financial management policy establishes the general guidelines for administrating corporate finances, in terms of cash flow management and the Company's capital structure. A committee was formed with the responsibility of monitoring the indicators and reporting on them to the Executive Board and the Board of Directors, via existing risk reports and comments about the progress of mitigation operations.

Methodology for Corporate Risks



This methodology was the basis for updating the portfolio of corporate risks, and was incorporated

by Embraer's management into the Action Plan. This entire process and its results were discussed with the Executive Board and presented to the Audit Committee and the Board of Directors.

Since the beginning of 2010, the assessment of corporate risks has been monitored quarterly, which is an improvement of our corporate governance.

ETHICS AND CONDUCT

Embraer's Code of Ethics and Conduct applies equally to all Company units and its subsidiaries, including those located abroad. It is based on the Company's corporate culture, which has been established over the past 40 years.

All employees receive a copy of this document whenever it is updated or when they are hired.

Since Embraer formally adhered to the United Nations Global Compact in 2008 (www.unglobalcompact.org), it decided to update the code and make it perfectly compatible with the six corporate values that were defined with the participation of all employees in a comprehensive process of mapping and building the corporate culture.

All employees carry Embraer's corporate values on the back of their identification badges as a gesture of support, compliance, and commitment.

- **Our people** are what make us fly;
- We are here to serve **our customers**;
- We strive for **company excellence**;
- **Boldness and innovation** are our hallmark;
- **Global presence** is our frontier;
- We build a **sustainable future**.





The new Code of Ethics and Conduct implemented in 2010 is one more step by the Company towards sustainability. According to President and CEO Frederico Fleury Curado, the new code:

“Fits perfectly into the Company’s commitment to intensify actions geared toward sustainable growth. By contemplating our corporate values and the fundamental principles of the United Nations Global Compact, our Code of Ethics and Conduct integrates fundamental principles, rules, and values to inform all policies, guidelines and corporate procedures. The code also applies to Embraer’s subsidiaries in Brazil and abroad, with total respect for the legislation and the best corporate governance practices in the countries where we are present.”

The Company clearly states everyone’s commitment to ensuring that their acts and conduct comply with the Code’s terms, and that those who violate its provisions will be subject to disciplinary measures.

In order to guarantee the effective application of the code and its contents, which must be updated whenever necessary, Embraer has the assistance of advisory committees. This structure ensures that sustainability themes – which in their broadest sense involve human rights, labor rights, environmental protection, and the fight against corruption, among other things – are brought to the attention of the Company’s top management.



EMBRAER ENTERPRISE EXCELLENCE PROGRAM (P3E)

As the centerpiece of Embraer's management model, the Embraer Enterprise Excellence Program (P3E) was launched in mid-2007, and made the Company stronger and more competitive through continuous improvement in all of its areas.

The program has been an efficient tool for overcoming obstacles, and has involved all employees in a major effort to review the Company's processes and find ways to improve results.

Its structure is based on the lean manufacturing philosophy, which enables the general optimization of productive architecture and the introduction of the best manufacturing practices used by the aeronautics industry, worldwide.

P3E has four pillars:

- the development of Embraer's organizational culture;
- the professional development of Embraer's employees;
- the continuous development of leaders and their management skills;
- the pursuit of excellence and efficiency in all of the Company's processes.

In order to implement the P3E, employees in all of Embraer's units organized themselves into 447 cells. The cells move forward through the program stages via a certification process that begins with basic qualification and proceeds successively to the bronze, the silver, and the gold levels, as they develop.

In 2009, the P3E took big strides in its initiatives covering the Company's entire value chain, in line with sustainability principles. All of the continuous improvement cells evolved beyond what was expected, obtaining significant improvements in process, timing, and quality.

We finished launching all of the cells, in 2009, 80% of which were qualified, meaning that the expectations of their customers, the routines for applying improvement tools, and the excellence goals were established. Furthermore, 25% of the cells achieved bronze certification, which requires the presentation of results generated by the improvements accomplished.

For 2010, silver certification will be the goal of some of the cells, where the objective is customer satisfaction, via even more emphatic results.

Since one of the pillars of the P3E focuses on people, we worked hard in 2009 to enable cell members, agents for continuous improvement, and leaders, in order to prepare our Company to calmly face future challenges.

FIGHT AGAINST CORRUPTION

Embraer is inflexible regarding any case of corruption (including all forms of extortion and bribery) involving the Company, its employees, its suppliers, or the assets under its management. Guidance is constantly given, and punitive measures are immediately taken whenever any case of corruption comes to light.

Since August 2005, Embraer has maintained an open communication channel for all of its stakeholders or interested parties to denounce harmful practices. This channel is used to voice concern regarding any situation that could possibly result in damages to Embraer, its shareholders, employees, or suppliers. The Company received about 180 denunciations through this channel in 2008. In 2009, this figure increased to 430, due in great measure to the widespread communication to all employees at all units, demonstrating the use of the channel.

The three means of contact are:

- Mail: to "Caixa Postal No. 11.331 – ZIP: 05422-970 - São Paulo - SP / Brazil;
- Embraer website (www.embraer.com): on the home page, click on the "Report of Misconduct" icon, and fill out the form in the "Contact Us" section; or
- The Company's intranet.

In 2009, we perfected our evaluation procedures, which enabled the swift distinction between valid and invalid denunciations. During this period, there was an increase of nearly 10% in the valid denunciations, which are recorded in the minutes of proceedings.

The Ethics Committee analyzes the notifications having to do with the aspects of ethics and conduct. Eventual denunciations related to financial aspects are forwarded to the Audit Committee, which is composed of members outside of the Company, in order to ensure impartiality and transparency.

As a result of the Company's commitment to transparent and ethical labor relations, all investigations are performed after the sector's leadership has been notified. Therefore, in its pursuit of a transparent relationship with external stakeholders, Embraer discloses its internal conduct rules by means of notifications to suppliers.

In order to ensure compliance with its Code of Ethics and Conduct, Embraer communicates the most relevant aspects regarding limits on relationships and the projected punishments involved. Every purchase order issued by the Company includes a disclaimer referring to the Code and provides guidelines about how suppliers may use the channel for communicating harmful practices.





ECONOMIC AND FINANCIAL PERFORMANCE

During this period of international financial crisis, Embraer has successfully maintained its economic sustainability by paying special attention to cash flow management. Due to the drop in sales and a reduction in available cash, we quickly took measures to adjust production levels, and we communicated our new net revenue and operating margin (EBIT) projections to the market, as well as the number of aircraft deliveries that we made according to plan.

Since approximately 90% of Embraer's revenues are generated in U.S. dollars, it became essential that we adopt a policy for protecting our cash flow, assets, and liabilities by means of hedging strategies.

Of the total cash, 48% is stated in Brazilian Reals and the remainder in other currencies, especially the U.S. dollar. Allocating cash during the year was one of the main tools for executing investment and hedging strategies. An adequate R\$/US\$ balance contributed significantly to minimizing the exchange and interest exposure of assets and liabilities. That balance also took into consideration future expectations for costs, expenses, and investments stated in Brazilian Reals.

We held intense negotiations with suppliers and put much effort into lowering overall expenses, which unfortunately resulted in reducing our workforce. These strict measures enabled Embraer to come down to the end of the final fiscal year with a cash position that was adequate to our business, and with a structure that is better prepared for the market's comeback. We must point out that these measures were taken with proper attention and respect given to people.

Reflecting the Company's commitment to long-term sustainability, we maintained the investment programs focusing on technological development and new products. Plant and equipment investments were reduced, but without compromising the Company's production capacity. In this area, the P3E was very relevant, assisting us to optimize physical spaces and resources.

Embraer prepared its 2009 financial statements in accordance with Law no. 11.638/07. The same procedure was performed in 2008, when we revised the 2007 data so that it would be easier to make comparisons.

NET REVENUES AND GROSS MARGIN

In 2009, Embraer recorded net revenues of R\$ 10,812.7 million, which was 8% less than 2008. Despite increased deliveries during this period, going from 204 in 2008 to 244 in 2009, the decrease in revenues was basically the result of changes in the product mix. Ninety-eight of the aircraft delivered were Phenom 100 jets, which have a lower unit price than the other aircraft produced by Embraer.

The 19.2% gross margin for 2009 was lower than the 20.5% of the previous year. This was because the Phenom 100 and Lineage 100 executive jets began to be manufactured in series, requiring that the production process be perfected and become more mature throughout the year, thus affecting the gross margin of these products.

Financial indicators and results

Values in R\$ million	2008	2009
Net Revenue	11,746.8	10,812.7
Cost of Sales and Services	9,339.7	8,734.0
Gross Profit	2,407.1	2,078.7
Gross Margin	20.5%	19.2%
Operating Expenses	1,294.7	1,346.8
Operating Profit Before Interest and Taxes	1,112.4	731.9
Operating Margin	9.5%	6.8%
Depreciation and Amortization	387.2	425.5
EBITDA Adjusted (1)	1,499.6	1,157.4
EBITDA Adjusted Margin	12.8%	10.7%
Net Income	428.8	894.6
Net Margin	3.6%	8.3%
Earnings Per Share	0.59	1.24
Total Shares (2)	723,665,044	723,665,044

(1) The adjusted EBITDA, according to the Official Letter CVM no.1/2005 represents the net income plus net financial revenues (expenses), income tax and social contribution, depreciation and amortization, non-operational revenues (expenses), minority interest and patrimonial equivalence.

(2) Does not include 16.8 million stocks in treasury.

REVENUES PER BUSINESS SEGMENT AND REGION

Net revenues for the commercial aviation market represented 62% of the total revenue, or R\$ 6,780.7 million – 13.5% less than 2008, due to the lower number of deliveries made during the year.

The executive aviation market generated revenues of R\$ 1,694.1 million in 2009, which is 4.6% higher than 2008, and represented 16% of total revenues.

Revenues from the aviation services segment totaled R\$ 1,166.4 million in 2009, for an increase of 4.9% over 2008, and contributed 11% of total revenues.

The defense market achieved R\$ 948.9 million in revenues in 2009, and was stable, compared to 2008, which represented a 9% share in Company's revenues.

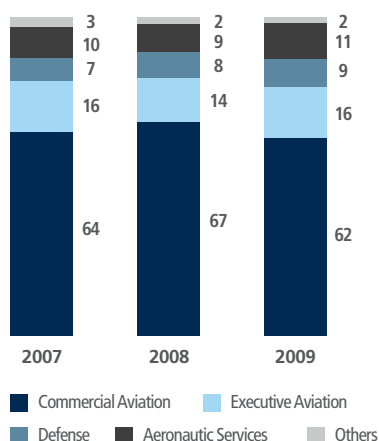
Other revenues represented 2% of Embraer's total.

In 2009, Embraer's exports totaled US\$ 4,053.3 million, recording a drop of 29.3%, in relation to 2008. Nevertheless, this ranked the Company as the fourth-largest Brazilian exporter, contributing 2.65% to the nation's balance of trade.

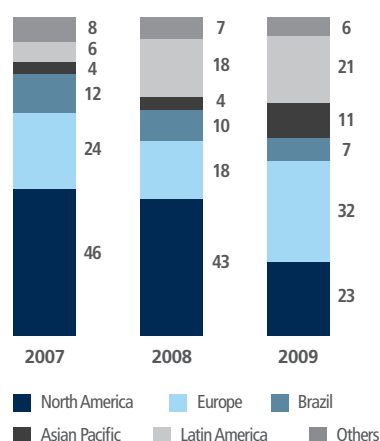
Europe was the biggest importer of our products and services, and accounted for 32% of total revenues. In 2008, North America had a 46% share; in 2009, due to the delivery schedule for the period and the natural fulfilling of contracts, its share was reduced to 23%. The Asia and Pacific markets represented 21%, Latin America 7%, and other markets 6% of Embraer's total revenues.

We must point out that the Brazilian share of the Company's revenues increased from 4%, in 2008, to 11%, in 2009, mainly due to deliveries made to Azul Linhas Aéreas Brasileiras and Trip Linhas Aéreas. New Phenom 100 customers and two presidential aircraft also contributed.

Revenue Breakdown by Segment (%)



Revenue Breakdown by Region (%)



OPERATING EXPENSES AND OPERATING INCOME

In fiscal year 2009, operating expenses totaled R\$ 1,346.8 million, or 4.0% higher than the previous year, due to costs related to adjusting the labor force at the beginning of the year and a subsequent extraordinary event. That event led the Company to set up a provision of R\$ 179.3 million, because Mesa Air Group, a North American operator with 36 ERJ 145 aircraft, filed for U.S. chapter 11 bankruptcy protection, on January 5, 2010. Although not directly exposed through Mesa, Embraer issued financial guarantees on behalf of institutions sharing the structures for financing the aircraft.

In 2009, commercial expenses showed a decrease of 17.6% and totaled R\$ 602.8 million, representing 5.6% of net revenues. This drop occurred because of rigid expense controls and a reduced number of aircraft delivered.

Employee profit and result sharing totaled R\$ 61.9 million, or 35% less than the previous year.

Administrative expenses totaled R\$ 376.2 million in 2009, showing a drop of 11.5%, compared to

the previous fiscal year, which can be attributed mainly to positive results arising from the P3E program and readjustments made in the Company's cost structure.

The "Other net operation income (expenses)" account totaled an expense of R\$ 367.8 million in 2009, which is substantially more than the R\$ 138 million expense recorded in 2008, mainly due to the event mentioned earlier, regarding the Mesa Air Group.

Therefore, the operating income before interest and taxes (EBIT) totaled R\$ 731.9 million, or 34.2% less than the previous year, generating an operating margin of 6.8%, due to the factors cited above.

EBITDA

Operating cash generation, as measured by EBITDA, was R\$ 1,157.4 million in 2009, or 22.8% lower than the R\$ 1,499.6 million of the previous year. The EBITDA margin calculated for 2009 was 10.7%, or less than the 12.8% of 2008.

FINANCIAL RESULTS

In 2009, Embraer posted a net financial revenue of R\$ 14.6 million, compared to a net financial expense of R\$ 40.5 million, in 2008, due mainly to a reduction in debt costs and better management of financial assets and exchange exposure.

NET INCOME

Embraer had a net income of R\$ 894.6 million, in 2009, or 108.7% more than 2008. The Company's net margin was 8.3%, in 2009, or more than the 3.6% calculated in 2008. This considerable increase can be attributed mainly to the effect of the appreciation of the Brazilian Real in relation to the U.S. dollar, with positive fiscal influences on the variations of non-monetary assets, especially inventories.

ASSET INDICATORS

The following are Embraer's principal asset indicators:

Consolidated Highlights Values in R\$ million	2008	2009
Available (*)	5,144.9	4,433.4
Receivable	1,038.0	692.2
Financings to Clients	284.7	91.9
Inventory	7,101.1	4,424.1
Fixed Assets (**)	3,910.7	3,038.9
Suppliers	2,520.2	1,038.0
Short term debt	1,259.8	1,031.5
Long term debt	3,039.9	2,552.5
Shareholder's equity	5,970.5	5,020.8

(*) Includes Cashflow and Cashflow Equivalents,

Temporary Cashflow Investments and Securities

(**) Includes Investments, Fixed and Intangible Assets

The Company's liquidity – confirmed by both the available dollars and net cash (available cash, minus total debt) – was stable in relation to the end of 2008, closing out fiscal year 2009 at R\$ 849.4 million.

Thus, Embraer ended the fiscal year with a total debt of R\$ 3,584 million, or 16.6% less than the previous fiscal year, of which 71.2% was long-term indebtedness. The debt consisted of R\$ 2,331.9 million (65.1%) in lines of credit that were stated mostly in U.S. dollars, and the remaining R\$ 1,252.1 million (34.9%) in Brazilian Reals, with an average maturity indebtedness of four years and nine months.

The reduction of accounts receivable and the customer financing account reflects good financial management in conjunction with customers.

Inventory closed out the fiscal year at R\$ 4,424.1 million, or 37.7% below the corresponding amount in December 2008. This drop is the result of strong supplier management, of perfecting operational efficiency, which has been reducing production cycles, of reducing production rhythm in 2009, and of the appreciation of the Brazilian Real in relation to the U.S. dollar.

RESULTS IN US GAAP

In line with our transparency policy, and since we have ADS' trading on the New York Stock Exchange (NYSE), we present the following summary of Embraer's consolidated financial highlights, according to the United States Generally Accepted Accounting Principles (U.S. GAAP).

Results in US GAAP

	2005	2006	2007	2008	2009
Net Revenues	3,789.5	3,759.5	5,245.2	6,335.2	5,466.3
Gross Profit	1,050.6	952.7	1,151.7	1,343.5	1,114.1
Gross Margin	27.7%	25.3%	22.0%	21.2%	20.4%
Operating Income	510.3	342.8	374.2	537.1	335.6
Operating Margin	13.5%	9.1%	7.1%	8.5%	6.1%
EBITDA	571.8	406.7	433.0	607.5	422.0
EBITDA Margin	15.1%	10.8%	8.3%	9.6%	7.7%
Net Income	445.7	390.1	489.3	388.7	248.5
Net Margin	11.8%	10.4%	9.3%	6.1%	4.5%





CAPITAL MARKET

Embraer's relations with the financial community and its investor base are founded on the principles of transparent information disclosure and impartiality, characterized by a profound respect for legal and ethical principles, while seeking to consolidate and maintain its reputation for leadership and innovation in the capital markets, according to the rules of BM&FBOVESPA's New Market, which is the highest corporate governance level in Brazil.

The Company's capital stock consists of common shares, which have been negotiated on the São Paulo Stock Exchange (BM&FBOVESPA) since 1989, under ticker symbol EMBR3, and since July 2000, on the NYSE under ticker symbol ERJ, via ADRs, level III.

Embraer's shares are also part of the following theoretical portfolios: IBRX (Brazil Index), IBrX 50, IGC (Corporate Governance Stock Index), ISE (Corporate Sustainability Index), ITAG (Enhanced Tag Along Rights Stock Index), INDX (Manufacturing Sector Index), and the IVBX-2 (Valor Bovespa 2nd Tier Index).

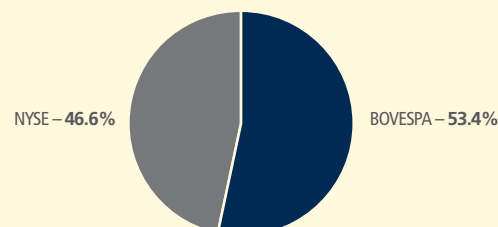
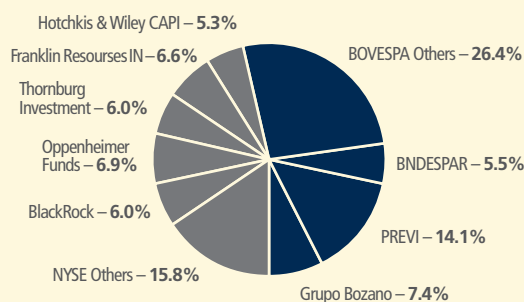


On December 31, 2009, Embraer's capital stock totaled 740,465,044 common shares, 16,800,000 of which held as treasury stocks, with no political or economic value. The Brazilian government has a special class of common share, called the Golden Share, giving it veto power in certain cases (see page 35).

At the end of 2009, 53.4% of the Company's shares were traded on BM&FBOVESPA and 46.6% in the form of American Depositary Shares (ADS) on the New York Stock Exchange (NYSE).

Embraer's Capital Structure Composition on 12/31/2009

723.665.044 Common Shares*



* Does not include the 16.8 million shares in treasury

Daniel Ricardo Dias Fargiani (esquerda)
 Assembly of Phenom 100 / 300 Panels
 Marcio Roberto Bizotto (direita)
 ALX Assembly

In 2009, part of Embraer's common share liquidity was concentrated in the North American market, when the average daily ADS trading volume on the NYSE was 1,036,000 shares, or and average daily financial volume of US\$ 19.1 million. On the last trading day of 2009, the Company's ADS was quoted at US\$ 22.11, for an appreciation of 36.4%, compared to an 18.8% appreciation of the Dow Jones index.

On the Brazilian stock market, the common shares showed an average daily volume of 2,493,000, with an average daily financial volume of R\$ 22.8 million. In 2009, Embraer's shares appreciated by 7.9% and were quoted at R\$ 9.51 at the end of the year. The BM&FBOVESPA Index posted an appreciation of 82.7% over the same period.

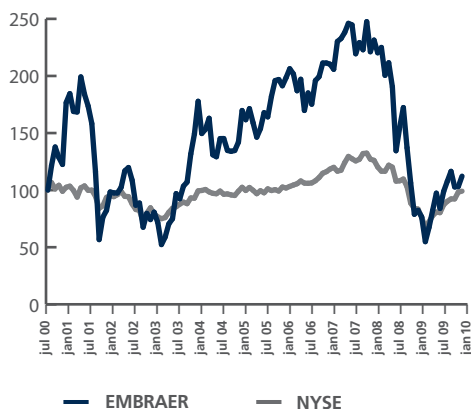
Performance EMBR3 – BM&FBOVESPA

07/21/2000 = 100



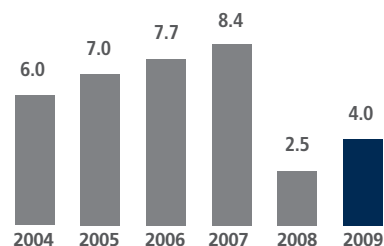
Performance ERJ – NYSE

07/21/2000 = 100



Embraer's market capitalization stood at US\$ 4 billion at the end of 2009, compared to US\$ 2.5 billion on December 31 of the previous year.

Market Capitalization (US\$ Billion)

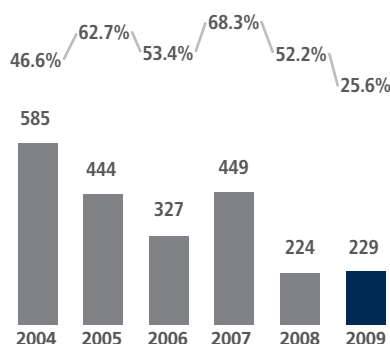


SHAREHOLDER REMUNERATION

Based on consolidated net income of R\$ 894.6 million, Embraer distributed R\$ 228.8 million in dividends and interest on shareholder's equity, equivalent to R\$ 0.316279 per common share. The distribution of interest on shareholder's equity was approved by the Board of Directors on December 11, 2009, and the amount will be paid in two equal installments, the first one being due on July 20, 2010, and the second on December 20, 2010.

The proposal to distribute complementary dividends was approved by the Board of Directors and also by a Shareholders Meeting, to be paid on June 17, 2010. The distribution of dividends this year represented 25.6% of the consolidated net income of the Company.

Dividends Paid - R\$ Million







ENVIRONMENTAL PERFORMANCE AND RESPONSIBILITY, OCCUPATIONAL HEALTH AND SAFETY

For the aeronautics industry, environmental issues are directly connected to product performance. Due to peculiarities inherent to air transportation, airplanes consume a considerable amount of fuel, so operational efficiency is fundamental to reducing the impact on the environment, especially in the emission of greenhouse gases. The pursuit of better performance is connected to our efforts to provide more comprehensive contributions to the environment, by making all aeronautical activities more sustainable.

Regarding the improvement of our aircraft, we put continuous effort into their aerodynamics, in order to reduce drag during flight and, as a result, improve fuel consumption. The pursuit of better aircraft performance is present in several Company actions, beginning with the Engineering Specialization Program, which has graduated more than 950 engineers, since 2001, who are conscious of preventive actions that should be taken related to environmental issues.

Embraer has monitored the development of new generations of engines in partnership with the manufacturers of propulsion systems, and we are alert to new technological changes that should be implemented in the next few years. The Company has researched and studied new technologies for reducing internal and external noise levels, for the greater comfort of passengers and to lessen the impact on airports and their surroundings.

We have invested in the use of lighter materials, in order to reduce the structural weight of the aircraft, and we have incorporated more electrical systems that are less dependent on the power produced by the engines.

The interface of our activities with weather issues is especially important for Embraer and the entire aeronautics industry. We are part of the Air Transport Action Group (ATAG), which gathers the main players in the air transport sector and seeks to mitigate the effects of aviation on the environment.

Embraer participates in the development of public policies related to future product regulations, in conjunction with governments and representatives of society, in general. Company technicians participate on the Environmental Protection Committee of the International Civil Aviation Organization (ICAO). The committee works to improve aviation's performance in terms of noise, greenhouse gas emissions, and air quality.

ETHANOL-POWERED IPANEMA

Since 2005, Embraer's Botucatu facility has been manufacturing the Ipanema crop duster equipped with an ethanol-powered engine, which uses the same fuel as automobiles (hydrated ethanol). Ethanol is a smart choice for the Brazilian crop dusting market, because it reduces environmental impact, as well as operation and maintenance costs, and improves overall aircraft performance, which makes this product even more attractive to the market. The Ipanema is the market leader, with 40 years of continuous production and over 1,100 units sold, representing about 75% of the nation's fleet in this segment.



In order to support the development of fuels that have less impact on the environment, Embraer has created a joint program with Azul Linhas Aéreas Brasileiras, General Electric (GE), and Amyris to develop a fuel produced by Amyris from sugarcane, via a modern fermentation process. The initiative could result in a demonstration flight by an Embraer E-Jet owned by Azul Linhas Aéreas Brasileiras, using GE engines, in the beginning of 2012.

The purpose of Embraer in this project is to stimulate and accelerate the development of a new aviation fuel that significantly reduces the emission of greenhouse gases and offers a sustainable long-term alternative to petroleum-based jet fuels.

ENVIRONMENTAL RESPONSIBILITY AND RISK PREVENTION

Embraer is constantly searching for better industrial processes. Our focus is on risk and damage prevention, in terms of both the product and industrial processes, making them cleaner, more efficient and safer. The Company also seeks to work responsibly with its employees and the communities in which it is located.

In 2009, at the Botucatu plant, we continued the initiatives for promoting environmental responsibility. A new and important technology for the painting process was adopted, by installing new paint shops that control air pollution and have highly efficient exhaust systems, in order to reduce atmospheric emissions.

We have also begun installing a wastewater treatment plant that uses electrocoagulation

techniques, with countless advantages over the conventional physicochemical system: lower chemical consumption, reduced residual metals and sludge, and the possibility of water recycling.

ENVIRONMENT AND OCCUPATIONAL HEALTH AND SAFETY

In the context of its environmental and occupational health and safety actions, Embraer has received ISO 14001 (environmental) and OHSAS 18001 (occupational health and safety) certifications. In order to manage all of these certifications, Embraer has the Integrated Environmental, Occupational Health and Safety and Quality Management System (SIG-MASSQ). The system monitors the actions and results at all of the units, thus integrating the Company, its employees, third parties, and partners with the environment, health, safety, and quality.

In 2009, based on the P3E and on the Behavioral Program, several areas included requisites related to environmental, occupational health and safety items in their eligibility process, defining goals for reducing job accidents and the use of natural resources. These occupational health and safety activities are coordinated by SIG-MASSQ, which was evaluated and certified by the international certification agency: ABS-QE.

During the year, we trained 8,600 people regarding occupational health and safety and, in the production areas, we held the "Weekly Safety Dialogue" for the purpose of informing employees and making them aware of health and safety topics related to their work activities.

In the industrial procedures, we seek to identify and neutralize any ergonomic, physical, chemical or accident hazards that may eventually cause health damage to employees, via a preventive or corrective action plan to control existing risks. In 2009, the ergonomics program was improved, showing significant results in the prevention of job-related illnesses.

In 2008 and 2009, we reduced the number of job-related accidents by 52%, reflecting not only

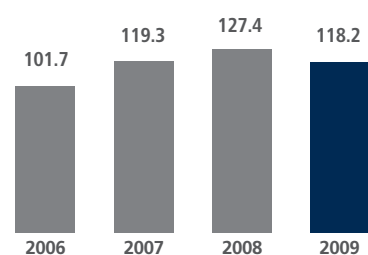
the implementation of preventive and corrective measures, but also the increased awareness at both Embraer and in third-party activities.

ELECTRICITY CONSUMPTION

In Brazil, Embraer's units buy electrical energy from power companies in the regions where they are located, as shown in the following graphs. A total of 118.2 million kilowatt hours (kWh) were acquired in 2009.

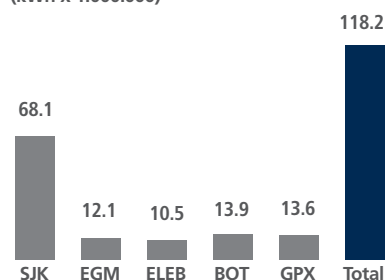
Consumption of Electric Energy - Brazil Units

(kWh x 1.000.000)



Consumption of Electric Energy – 2009

(kWh x 1.000.000)



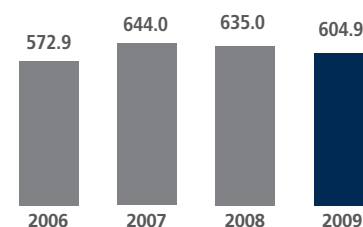
By rationing lighting procedures in the factory and corporate areas, we saved 172,000 kWh during the year. In order to expand the energy efficiency of our plants, we formed a partnership with the School of Electrical Engineering of UNESP (São Paulo Julio de Mesquita Filho State University) in the city of Guaratinguetá. Within this context, we performed a survey, in 2009, that identified opportunities for saving up to 10% by replacing approximately 20,000 light fixtures.

WATER CONSUMPTION

Embraer's Faria Lima, Eugênio de Melo, Gavião Peixoto, and ELEB units draw their water from wells. The Botucatu unit receives water from the local water company (SABESP). The following chart shows that the total water consumption in 2009 was nearly 605,000 cubic meters (m³), which is lower than the two previous years.

Consumption of Water - Brazil Units

(m³ x 1.000)



Total water withdrawal per source

EMBRAER UNIT	Well (m³)	Concessionaire (m³)
BOT	0	70,000
SJK	350,370	0
EGM	81,980	0
GPX	69,730	0
ELEB	32,890	0
Total	534,970	70,000

As a result of studies to increase efficient water usage, Embraer has a plan for reducing water consumption in all plumbing installations, where all faucets at the Faria Lima unit will be replaced by timed faucets, by 2011, thus generating a savings of 60% at this source of water consumption.

Total water discharge, per quality and destination

EMBRAER UNIT	Industrial Waste (m³)	Domestic Waste (m³)
BOT	19,849	50,136
SJK	6,320	54,273
EGM	6,912	18,621
GPX	1,257	40,267
ELEB	30,943	291,496
Total	65,281	454,793



Ricardo Alexandre dos Santos
Flight and Delivery Preparation

PROTECTING BIODIVERSITY

The recovery process for the degraded natural environment requires continuous investment for several years. Since 2001, we have performed the recomposition of an area of nearly 350 hectares at the Gavião Peixoto unit, by planting 91 species of native regional seedlings. This procedure for environmental recovery is supported by the Project for Forest Restoration, duly approved by the State Department for Protection of Natural Resources attached to the Department of the Environment of the State of São Paulo (DEPRN). In the recovered area, 32.38 hectares are a permanent preservation area and 328.74 hectares belong to a legal conservation area.

In 2009, 26 hectares were planted with 43,000 trees, out of a total of 550,000 trees or 92% of the total area predicted for the project (350 hectares). The area's reforestation permits the recomposition of the local ecosystem and the return of wildlife to the region.

We are also assisting in the preservation of the natural environment at the Botucatu unit, where Embraer has acquired a three-hectare-area of cerrado (tropical savanna), in order to promote environmental compensation requested by the DEPRN as a result of the impact caused to the existing vegetation by building enhancements in the region.

In 2009, Embraer began a project for the creation of a Private Nature Reserve (RPPN) in this area. An RPPN is a private conservation unit that is legally created by the public authorities. It is a voluntary act of the owner, who cedes the land to the government, but keeps possession of the area, and it is exempt from property taxes.

The RPPN can be used for scientific research, tourism, recreational or educational purposes, including support by universities, similar entities, or public offices. For the organization of the use and preservation of the natural area, Embraer will have a management plan, including a flora and fauna survey, and it will communicate the existence of the area to regional communities.

EMISSIONS, EFFLUENTS AND WASTE

In 2009, Embraer did the first audit of its inventory of emissions of greenhouse gases (GHG), in order to validate data from 2008, in compliance with the ISO 14064 norm – Greenhouse Gases: Part 1 – Specification with Guidance at the Organization Level for Quantification and Reporting of Greenhouse Gas Emissions and Removals. The audit was performed by the certifying agency: Lloyd's Register Quality Assurance.

Embraer's Brazil units showed the following GHG emissions:

CO₂ Equivalent Emissions (Ton)

	2005	2006	2007	2008 ¹	2009 ³
Scope 1 – Direct emissions	48,291	37,876	41,136	48,100	39,248
Scope 2 – Indirect emissions	5,240	5,420	3,470	6,215	2,2951
Scope 3 – Other relevant indirect emissions	11,220	12,920	9,440	25,419 ²	23,249

Note:

- 1 – The figures presented in the previous report referring to the 2008 inventory were estimates and they suffered changes after the audits for the ISO 14064 certification;
- 2 – Information related to airplane trips by employees was added to the Scope 3;
- 3 – Preliminary estimate. It may be altered due to a revision in the entry data or amplification of inventory limits during the audit.

Besides greenhouse gases, we monitor the emissions of other pollutants. The total emissions of particulate materials, volatile organic compounds, sulfur and nitrogen oxides by the operations of all the Brazilian units show the following distribution:

Atmospheric Emissions – Brazil Units

Parameter	Emission rate (ton/year)			
	2006	2007	2008	2009
Particulate Material - PM	7.28	4.88	6.67	7.34
Sulfur Dioxide - SO _x	0.80	2.28	4.90	1.95
Nitrogen Dioxide - NO _x	10.63	16.05	16.96	16.04
Volatile Organic Compounds - VOC	4.64	13.60	21.83	25.05

Regarding sanitary and industrial wastes, the Faria Lima, Eugênio de Melo, and Botucatu facilities dispose of the waste in SABESP's sewer system, after treatment. The amount disposed of was:

Disposal of Effluents (m³) - Faria Lima, Eugênio de Melo and Botucatu Facilities

	2006	2007	2008	2009
Sanitary and industrial waste	307,437	308,576	436,208	402,431

The Gavião Peixoto facility has its own system for treating industrial and sanitary wastes. The following table shows the amount disposed of:

Disposal of Effluents (m³) - Gavião Peixoto Facility

	2006	2007	2008	2009
Sanitary and industrial waste	37,218	32,194	46,997	41,524

Embraer generated 3,058 tons of hazardous wastes, in 2009, representing a reduction of 22%, compared to 2008.

One of our Company's top priorities is to not send waste to landfills. Therefore, 35% of the hazardous wastes are sent for co-processing in cement ovens (autoclave); 41% are recycled as raw materials for other production processes outside of Embraer; 10% are oils that to go through a new refining process; and 14% are vegetable fats that are sent to SABESP's waste water treatment plants.

Total residual weight, per type and disposal method

DESTINATION	UNIT	2007	2008	2009	RESIDUAL DESCRIPTION
RECYCLING	KG	26,691	29,138	23,378	FOAM RUBBER/POLYSTYRENE
	KG	2,670,530	3,355,770	1,951,754	WOOD
	KG	7,525	14,856	6,680	GLASS MICRO-SPHERE/GLASS
	KG	1,578,312	1,806,718	1,478,609	PAPER/CARDBOARD/PLASTIC
	KG	7,202	8,071	35,220	INDUSTRIAL RUBBER WASTE/ USED TIRES
	KG	2,759,706	4,807,450	1,422,931	CHEMICAL SLUDGE/OILS/ ACID SOLUTION/ALKALINE SOLUTION
	KG	6,385,270	6,074,462	3,854,581	METAL WASTE (STEEL/ALUMINUM/BRONZE/COPPER/ IRON/TITANIUM)
	KG	20,709	25,693	12,651	ENTIRE/SPENT FLUORESCENT LAMPS
DECONTAMINATION	KG	7,062	27,179	14,505	BATTERIES
RECOVERY	KG	81	143	1,598	MEDICAL WASTE
STERILIZATION (AUTOCLAVE)	KG	2,739,092	2,897,397	2,387,253	ORGANIC WASTE
LANDFILL	KG	1,307,331	1,356,550	1,366,860	CLASS I WASTE
CO-PROCESSING					
TOTAL		17,509,511	20,403,427	12,556,020	

In 2009, Embraer invested R\$ 9,113,000 in projects and actions for protecting and preserving the environment.





PEOPLE MANAGEMENT AND SOCIAL RESPONSIBILITY

PEOPLE AND ORGANIZATION

Despite the difficult times experienced by the Company in 2009, due to the financial crisis, we showed a great evolution in leadership capacity and people management. This improvement was recognized by the employees and assessed by an annual organizational climate survey, which showed an improvement of 10 percentage points over 2008. Leadership evolution was also recorded in our 360° competence evaluation.

As a direct reflection of this evolution and of several actions geared toward the satisfaction of our employees, we can highlight the classification of Embraer as one of the best companies to work for in the rankings of two of the most important national publications, and one of the 12 largest and best companies to work for in Brazil, by Great Place to Work.

We are also pleased to point out important gains resulting from operational improvements and corporate efficiency, which were obtained by applying the Lean Manufacturing System, placed before the processes in our Embraer Enterprise Excellence Program (P3E). These processes made important contributions that helped the Company to overcome the difficult time of crisis.

The recognition of the application of Embraer's values in their different perspectives and situations mobilized the entire Company, strengthening the corporate identity and the trust relationship among its people. This good work environment and trust relationship reflect

the healthy and transparent treatment Embraer gives its employees.

The activities of the P3E cultural front resulted in another positive dynamic that enabled the Company to make tough decisions with a strong impact on its internal audience, in light of the corporate scenario that is based on strong values that are shared by everyone, with much transparency and respect in the relationships.

Therefore, a broad program of support to the more than 4,000 employees dismissed at the beginning of the year sought to guide them regarding their relocation, or alternatives for continuing their careers.

In addition, we continued their health insurance for one year, and paid the private retirement contribution for those who were near to receiving the benefit, and an additional indemnification of two monthly salaries, limited to R\$ 7,000. We made available a support manual on our website for the dismissed employees, with several tips to assist them in the relocation process. Finally, we took on a commitment to give priority to those dismissed employees during future hiring opportunities.

The education, training and development actions involved practically all employees, reinforcing the Company's commitment to the development and growth of people.

Embraer continued the program "Flight Plan – Career at Embraer", in which leadership was enabled to discuss with and guide people in

the process of building their careers. Another highlight, here, were the 350 positions offered to employees, facilitating internal movement and opportunities for career evolution.

Embraer's performance is based on coherent practices for individual promotion, with respect for all dimensions associated with human rights, in an environment of freedom of association with unions and collective bargaining, and no toleration of any form of discrimination.

Embraer respects and understands the importance of the role played by unions, and maintains relations with them in compliance with the legislation in effect. In Brazil, about 10% of the employees belong to unions. Nevertheless, all employees, whether they are unionized or not, are covered by wage increases and the social clauses negotiated during the collective bargaining between the employee labor representatives and representatives of the employer association.

WORKFORCE

Embraer closed out 2009 with 16,853 employees, plus 1,775 in its partially owned subsidiaries – OGMA and HEAI – which are distributed as follows:

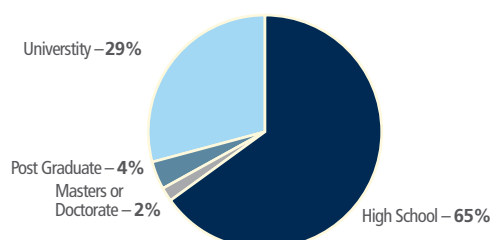
Indústria Aeronáutica de Portugal S.A., which is an aeronautics production and maintenance company, and it also has a plant in Harbin, China, which is a joint venture with the Chinese state-owned company AVIC.

Subsidiaries and associated companies

Company	Employees
OGMA (Portugal)	1,534
HEAI (China)	241
Total	1,775

Embraer is a company that relies on a qualified labor force; 35% of the employees have a university degree.

Education Level – Embraer and Subsidiaries



Employees per function category, including subsidiaries

Category	Total	Brazil	Abroad
Operational (hourly-paid workers)	7,683	7,640	43
Administrative	770	615	155
Technical (intermediate level)	2,440	2,160	280
Professionals (University diploma)			
Engineers (*)	3,446	3,367	79
Other Professional staff	1,536	1,315	221
Leadership	978	855	123
Total	16,853	15,952	901

(*) Considering 510 engineers in leadership posts, the total number of engineers is 3,956.

Embraer controls 65% of the capital of OGMA –

PROFESSIONAL QUALIFICATION AND PEOPLE DEVELOPMENT

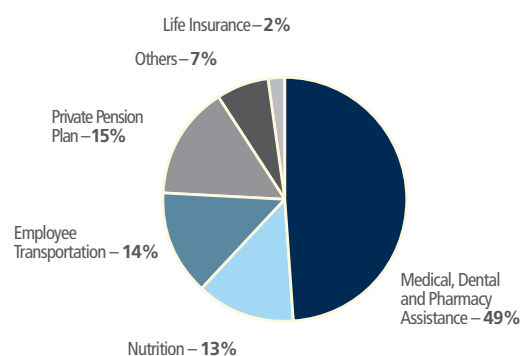
For the eighth consecutive year, the Engineering Specialization Program trained two new classes of engineers specialized in aeronautics (122 professionals), bringing the total number of engineers trained and hired by the Company, by the end of 2009, to 969. The investments in this program in 2009 came to R\$ 5 million, with a total of R\$ 65 million put into the program since it started.

As a means of spreading information and recognizing knowledgeable employees with experience in their specialized areas, an "Internal Instructors" program was implemented, in which some 440 employees were trained as instructors for internal courses, for a total of 7,500 training hours in 180 courses.

Several training programs for personnel qualification were held throughout the year, which required investments of R\$ 60 million.

BENEFITS FOR EMPLOYEES AND THEIR FAMILIES

Embraer offers a wide range of benefits to its employees, which are important distinctives for attracting and retaining talent. According to the organizational climate survey performed in 2009, 83% of employees are satisfied with the benefits. More than R\$ 206 million in benefits were paid this year, according to the following distribution:



The highlight of 2009 was the creation of Embraer Prev, a private and closed supplementary retirement plan focusing on greater autonomy and transparency in asset administration, according to the best market practices.

Furthermore, during this period, Embraer launched the "Well Being Program", which provides integrated management of actions related to occupational health and safety, benefits, sports and leisure – providing employees with the necessary resources and tools for investing in their health and physical, emotional and social well being. The objective is to have healthy and satisfied people working in a more pleasant and safer environment, which contributes to productivity, product quality, and corporate excellence.

Evolution of training and development programs (Brazil units)

Category	2007			2008			2009		
	Amount of Trained Employees	Training Hours	Average Hours Per Capita	Amount of Trained Employees	Training Hours	Average Hours Per Capita	Amount of Trained Employees	Training Hours	Average Hours Per Capita
Leadership	759	25,164	33	973	63,064	65	890	44,809	50
Engineers	2,537	107,897	43	2,742	114,396	42	3,072	148,549	48
Technicians	1,896	88,283	47	2,280	92,862	41	2,239	136,508	61
Operational	8,250	703,905	85	9,557	296,791	31	8,963	244,068	27
Professional	1,335	52,362	39	1,628	77,979	48	1,613	66,557	41
Administrative	1,615	42,553	26	1,970	51,768	26	714	21,361	30
Internship	251	8,951	36	352	8,714	25	113	2,112	19
Total/ General Average	16,643	1,029,115	62	19,502	705,574	36	17,604	663,963	38

In 2009, we began a series of programs promoting the health of our employees:

- “Well Being Without Cigarettes”: Embraer will be a smoke-free environment by 2011.
- “Well Being Without Drugs”: The program supports employees and family members in the treatment of chemical dependency.
- “Health Mapping”: Traces the health profile and lifestyle of employees, in order to guide actions for promoting health and quality of life.
- “Well Being With the Scales”: A partnership developed with Weight Watchers® to offer employees healthy methods for losing weight.
- “The Well Being Minute”: A weekly information bulletin with tips on health, quality of life, culture, and leisure.

PROFIT SHARING PLAN

In 2009, nearly 17,000 Embraer employees were also remunerated through the profit sharing plan, which totaled R\$ 62 million.

Another way of profit sharing is the Good Idea program, which is designed to encourage employees to propose improvements in the Company's manufacturing processes, routines and instruments, or in the areas of cost reduction, safety, ergonomics, and environment. In 2009, it awarded 4,645 prizes and the ideas that were implemented generated gains of US\$ 25 million for the Company.

In 2009, the program reached the milestone of more than 11,000 ideas presented, with over 4,600 of them implemented, and a daily average of 48 ideas presented and 20 implemented.

ADDED VALUE STATEMENT

Embraer is a company in constant pursuit of ways to positively influence society and especially the communities in which it is involved.

The Added Value Statement breaks Embraer's results down according to the values distributed to different sectors of the community, such as shareholders, employees, financial institutions, and municipal, state and federal governments.

The Added Value to be distributed in 2009 totaled R\$ 2,878.9 million, or the equivalent of 26.6% of net sales revenue for the year.

TAXES AND SOCIAL CONTRIBUTIONS

Social contributions and municipal, state and federal taxes, which measure part of Embraer's contributions to Brazilian society, totaled R\$ 618.2 million in 2009. Additional information about Embraer's social contributions and financial terms are in the Company's Financial Statement.

Added Value Statement

Consolidated - R\$ million	2008	2009
Revenues	12,300.9	11,294.1
Input purchased from third parties	9,303.6	8,535.9
Added Value	2,997.3	2,758.2
Retentions	227.6	180.1
Net Added Value Produced	2,769.7	2,578.1
Added Value Received in Transfer	188.9	300.8
Total Added Value for Distribution	2,958.6	2,878.9
Distribution of Added Value	2,958.6	2,878.9
Employees	1,526.8	1,467.6
Government (taxes, charges and contributions)	549.4	59.4
Financial institutions (interest and leasing)	434.4	432.1
Shareholders	224.2	173.7
Retained Earnings	204.5	720.9
Minority Interests	19.3	25.2

Social Performance Indicators 2009 - Controlling Company

1 Base for Calculation	2009 Value (thousand reais)			2008 Value (thousand reais)		
Net Revenue (NR)	9,271,506			10,706,196		
Operational Result (OR)	890,356			409,450		
Gross Payroll (GP)	1,550,566			1,717,311		
2 Social Internal Indicators	Value (thou)	% over GP	% over RL	Value(thou)	% over GP	% over RL
Nutrition	22,203	1.43%	0.24%	29,248	1.70%	0.27%
Compulsory social fees	406,853	26.24%	4.39%	437,847	25.50%	4.09%
Private Pension Plan	29,659	1.91%	0.32%	31,431	1.83%	0.29%
Health	94,428	6.09%	1.02%	77,219	4.50%	0.72%
Labor Health and Safety	10,615	0.68%	0.11%	9,935	0.58%	0.09%
Education	326	0.02%	0.00%	958	0.06%	0.01%
Culture	168	0.01%	0.00%	275	0.02%	0.00%
Training and professional development	15,943	1.03%	0.17%	21,035	1.22%	0.20%
Kindergarten or kindergarten assistance	276	0.02%	0.00%	230	0.01%	0.00%
Participation in profits or results	70,175	4.53%	0.76%	130,992	7.63%	1.22%
Others	34,661	2.24%	0.37%	36,148	2.10%	0.34%
Total – Social Internal Indicators	685,307	44.20%	7.39%	775,318	45.15%	7.24%
3 Social External Indicators	Value (thou)	% over OR	% over RL	Value(thou)	% over OR	% over RL
Education	12,174	1.37%	0.13%	10,071	2.46%	0.09%
Culture	600	0.07%	0.01%	0	0.00%	0.00%
Fight against hunger and food security	457	0.05%	0.00%	1,254	0.31%	0.01%
Others	385	0.04%	0.00%	385	0.09%	0.00%
Total of contributions to society	13,616	1.53%	0.15%	11,710	2.86%	0.11%
Taxes (excluding social charges)	235,433	26.44%	2.54%	249,506	60.94%	2.33%
Total – Social External Indicators	249,049	27.97%	2.69%	261,216	63.80%	2.44%
4 Environmental Indicators	Value (thou)	% over OR	% over RL	Value(thou)	% over OR	% over RL
Investments related to Company production / operation	9,017	1.01%	0.10%	10,272	2.51%	0.10%
Investments in external programs and/or projects	96	0.01%	0.00%	59	0.01%	0.00%
Total investments in environment	9,113	1.02%	0.10%	10,331	2.52%	0.10%
Regarding the definition of “annual goals” to reduce waste, The general consumption for production/ operation and increase effiUtilization of natural resources, the company	() no goals () meets 0 to 50% () meets 51 to 75% (X) meets 76 to 100%			() no goals () meets 0 to 50% () meets 51 to 75% (X) meets 76 to 100%		
5 Staff Indicators	2009			2008		
Nº of employees at the end of fiscal year	15,952			20,608		
Nº of admissions during the period	201			973		
Nº of third-party employees	2,336			2,657		
Nº of interns	32			155		
Nº of employees above age 45	2,492			2,617		
Nº of women in the company	2,030			2,644		
% of positions of trust occupied by women	8.47%			7.14%		
Nº of individuals with disabilities	786			1,011		
6 Relevant Information regarding entrepreneurial citizenship	2009			Goals 2010		
Ratio between the highest and lowest remuneration in the company	57			48		
Total number of labor accidents	792			634		
Social and environmental projects developed by the company were defined by:	() Directors.	(x) Director Mgt	() all employees	() Directors.	(x) Director Mgt	() all employees
Risk and security standards in the work environment in the company were defined by:	() Director/ Mgt.	() all employees	(x) all + IAPC	() Director/ Mgt.	() all employees	(x) all + IAPC
Regarding union freedom, the right to collective bargaining to Internal representation of employees, the company:	() not involved	() follows ILO norms	(x) supports Follows ILO	() not involved	() follows ILO norms	(x) supports Follows ILO
The private pension plan compenhends:	() Directors.	() Director Mgt	(x) all employees	() Directors.	() Director Mgt	(x) all employees
The participation in profits and results compenhends:	() Directors.	() Director Mgt	(x) all employees	() Directors.	() Director Mgt	(x) all employees
For the selection of suppliers, the same ethical, environmental and social responsibility adopted by the company:	() not considered	(x) are suggested	() not required	() not considered	(x) are suggested	() not required
Regarding the participation of employees in voluntary work programs, the company:	() not involved	() supports	(x) organizes supports	() not involved	() supports	(x) organizes supports
Total Added Value to be Distributed (in thousand R\$):	In 2009: 2,407,063			In 2008: 2,555,441		
Added Value Distribution:	-1.68% government 50.33% employees 7.21% sharholders 14.36% third parties 29.78% retained			18.94% government 47.15% employees 8.77% shareholders 17.89% third parties 7.25% retained		
7 Other Information						

Carlos Leandro Cremone
EMBRAER 190 / EMBRAER 195 Wing Assembly

SOCIAL ACTIVITIES

Embraer's Education and Research Institute (IEEP), founded in May 2001, is one of the Company's main instruments for developing its social activities. It runs several different educational programs in partnership with specialized organizations, NGOs and municipal authorities. IEEP is active in two main fields: educational projects for students in the public school system, and projects improving management processes, focusing on public organizations and schools in the public educational system.

Institute projects are comprehensive and especially committed to quality, transformation, innovation, and sustainability.

ENGENHEIRO JUAREZ WANDERLEY HIGH SCHOOL (CEJW)

IEEP's main project, today, is Engenheiro Juarez Wanderley High School (CEJW). Founded in 2002, the school offers quality full-time education with a pedagogical focus that gives incentive to student autonomy, so that they can also develop as citizens. According to data from the National High School Exam (ENEM) in 2008, the school was ranked as the best high school in the state of São Paulo and eighth in the Nation.

The school offers full-time education in the three high school grades for 600 students from the São José dos Campos public school system and the nearby municipalities of Caçapava, Jacareí, and Taubaté. For the second consecutive year, all high school graduates passed entrance exams for at least one Brazilian institution of higher education, and more than 80% earned a place at public universities.

COLLEGE PREPARATION PROGRAM (PPU)

Besides top-quality education and environmental, social and cultural extracurricular activities, Engenheiro Juarez Wanderley High School has offered students a College Preparation Program (PPU), since 2006. The program was created to bring the realities of the job market into the school. In this way, students are prepared for the challenges they will face both in the university and in professional life.

The PPU's comprehensive 800 classroom-hours are spread over four semesters, covering the areas of pre-engineering, for students following a career in the exact sciences; pre-humanities and administration, for those wishing to pursue these areas; and pre-biomedical studies, for future health care professionals. The program curriculum is heavily based on laboratory experience, and it was developed with the participation of the US Center for Occupational Research and Development, the Pitagoras System, and the Education and Research Institute of São Paulo's Sírio-Libanês Hospital.

The first pre-engineering class graduated in 2008. In 2009, the first pre-humanities, pre-biomedical, and administration groups graduated, having begun their courses in 2007.

SOCIAL PARTNERSHIP PROGRAM (PPS)

IEEP seeks a greater outreach for its activities through another activity – the Social Partnership Program (PPS) – that works on two fronts: assisting NGOs in learning how to create and develop projects, and helping develop a social culture capable of mobilizing the community to identify and provide solutions for its problems.





Reginaldo Luiz dos Santos
Cláudio Rafael Francisco
Final Assembly - Phenom

These goals are achieved with the active participation of Embraer employees who voluntarily participate in the development and execution of projects prepared by social organizations in the regions of São José dos Campos, Botucatu, and Gavião Peixoto. In 2009, the 80 projects that IEEP received were analyzed, and 13 of them were chosen. The cost of Embraer's support amounted to R\$ 340,000 and benefited nearly 2,600 people.

Since its creation in 2004, the PPS has supported 61 projects that went through a strict evaluation process and are connected with social organizations possessing a legitimate regional commitment. These projects have benefited more than 33,000 people from several communities where Embraer is located. The following is an assessment of the evolution of these actions over the past three years:

Social Partnership Program (PPS)

	2007	2008	2009	Total (since 2004)
Projects Received	48	90	80	458
Projects Selected	9	12	13	61
Beneficiaries	6,055	15,304	2,627	33,580
Investment (R\$)	281,044	320,785	340,000	2,318,149

SCHOOL ACTION PROGRAM (PAE)

IEEP is also concerned with community participation in the management of schools, as a means of integrating its activities with the social demands in the regions where it operates and, to this end, has developed the School Action Program (PAE). Using technology developed by an opinion poll organization – Ação Ativa – and under the experienced coordination of Inep-MEC and the United Nations Development Program (UNDP), the community of São José dos Campos is encouraged

to rank, rate, and give its opinion on the quality of school management and to participate in eventual changes in the model for running the schools. In 2009, PAE supported 14 projects with a total investment of R\$ 350,000, and more than 11,000 students were benefited.

Since PAE's foundation in 2006, the Embraer Education and Research Institute has analyzed 205 projects, 66 of which were selected, benefiting 42,000 students.

School Action Program (PAE)

	2007	2008	2009	Total (since 2006)
Projects Received	47	46	46	205
Projects Selected	20	18	14	66
Beneficiaries	10,000	10,677	11,171	41,848
Investment (R\$)	334,214	316,952	350,270	1,201,742

The PPS and PAE programs have the voluntary participation of 1,580 Embraer employees.

HUMAN RIGHTS

Embraer's Code of Ethics and Conduct reinforces its commitment to offer a working environment free of any form of discrimination or harassment. Any form of discrimination by race, ethnicity, gender, belief, religion, age, physical handicap or sexual orientation is strictly forbidden anywhere on the Company's premises. Equality, recognition and continual development are the values the Code offers its employees.

Any form of harassment whatsoever on Company premises is forbidden. This includes any verbal or physical humiliation, coercion or threat to employees or management. It also prohibits the creation of any form of hostile work environment that unjustifiably interferes with an individual's performance or negatively affects their working conditions.

Embraer's rejection of discrimination by race, gender, ethnicity or color, as well as compulsory or forced labor and child labor, go far beyond the perimeter of the Company's premises. Embraer has developed a process for rating its suppliers according to environmental, human rights, and occupational health and safety criteria. This program was initiated in 2005 and already covers 143 Brazilian and 216 international suppliers. In this way, we decisively influence our suppliers, aligning them with the highest principles of defense of human rights that permeate our Company.

Embraer did not register any case of social, sexual or religious discrimination in 2009, neither is there any record of forced or compulsory labor at our national and foreign units. However, the charges received regarding moral harassment were studied through internal procedures, and those involved were dismissed by the Company.





EMBRAER
Capt FABIO
TEST PILOT O-



AWARDS AND RECOGNITION

During 2009 Embraer won a number of awards and accolades from different institutions and in different categories, including the following:

IR – Global Rankings 2009 – 11th Annual Edition:

- Top 5 in Corporate Governance in Latin America
- Top 5 in Corporate Governance in Brazil

Isto É Dinheiro Magazine,

“The Dinheiro Best” award:

- 1st Place in Financial Sustainability for the Mobility Sector
- 1st Place in Corporate Governance for the Mobility Sector
- Among the Top 3 Companies in the Mobility Sector in the General Ranking
- Among the Top 4 Companies in Social Responsibility

XIII Anefac Awards – Fipecafi – Serasa Experian – “Transparency Trophy 2009”:

- 1st Place, Open Capital Companies with Revenue Above R\$ 4 billion

Management & Excellence (M&E) Strategic Consulting and Latin Finance Magazine:

- 3rd Place in the Sustainability Ranking of the Top 50 Largest Latin American Companies

Open Capital Ranking – The Best Companies for Shareholders in 2009:

- 2nd Place – Market Value Category Between R\$ 5 Billion and R\$ 15 Billion

DCI Award – Company of the Year 2009:

- “Embraer, the Most Admired Company in the Aviation Industry”

Carta Capital Magazine Award:

- The Most Admired Companies in Brazil 2009

Biggest and Best Award in the Transportation and Logistics Sector 2009:

- “The Best Company in the Aeronautics and Components Industry”

ABNM Award, Marketing Category 2009:

- Embraer 40 Years, Reducing Distances, Bringing People Together

Top Vale 2009 Award:

- Embraer, Industry of the Valley Region


These awards were very important in confirming that we are constantly enhancing our corporate and governance practices, even under adverse circumstances.

We thank these institutions and are committed to continuing our efforts to defend our core values: motivation of personnel, internal and external transparency, a healthy and ethical relationship with our customers, excellent industrial and technological training, economic-financial health, care for shareholder assets – in a word, the perpetuity of the Company.

GRI Index

For the second consecutive year, Embraer is voluntarily adopting the Global Reporting Initiative (GRI) guidelines in its annual sustainability report.

According to these guidelines, this publication, that covers the Company's actions during 2009, meets Level C application requirements.

		C	C+	B	B+	A	A+
MANDATORY	Self Declared		Report Externally Assured		Report Externally Assured		Report Externally Assured
OPTIONAL	Third Party Checked						
	GRI Checked						

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EN28. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations	N/A
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LA13. Composition of governance bodies and breakdown of employees by category according to gender, age group, minority groups, membership and other indicators of diversity		N/A
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SO6. Total value of financial and in-kind contributions to political parties, politicians and related institutions broken down by country		N/A
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SO7. Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their results		N/A
Compliance		
SO8. Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations		N/A
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PR1. Lifecycle stages in which health and safety impacts of products and services are assessed and improvement and percentage of significant products and services subject to such procedures		N/A
PR2. Total number of incidents of non-compliance with regulations and voluntary codes related to the impacts caused by the products and services on health and safety during the lifecycle by type of outcome		32
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PR3. Type of product and service information required by procedures and percentage of significant products and services subject to such information requirements		29 - 32
PR4. Total number of incidents of non-compliance with regulations and voluntary codes with respect to product and service information and labeling by type of outcome		N/A
PR5. Practices related to client satisfaction, including results of surveys measuring customer satisfaction		29 - 32
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PR7. Total number of cases of non-compliance with the regulations and voluntary codes with respect to marketing communications, including advertising, promotion and sponsorship by type of outcome		N/A
Compliance		
PR8. Total number of substantiated complaints regarding breaches of clients privacy and losses of client data		N/A
Compliance		
PR9. Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services		N/A

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