



FOR THE JOURNEY



ANNUAL REPORT **2010**



ABOUT THIS REPORT

In order to make known its performance, perspectives and management model, Embraer S.A. has adopted, for the third consecutive year, the international Global Reporting Initiative (GRI) guidelines in the G3 version, and we declare that we have achieved application level “B.” This publication makes reference to the results of 2010 as published in 2011. **GRI 3.2 | 3.3**

Our objective is to present economic, social and environmental results clearly, transparently and broadly to stakeholders (employees, customers, community, financial institutions, suppliers, government, NGOs, shareholders and investors, representative associations and organizations, and media). **GRI 4.14**

We also plan to show the initiatives and the commitment to development, with a focus on management and results, and to show how Embraer mitigates the impacts caused by its activities on the environment. **GRI 3.5**

The information published here covers the period from January 1st, 2010, to December 31, 2010, except when subsequent events are mentioned, and the full economic-financial results of operations carried out in Brazil and the other countries where Embraer has units. The socioenvironmental results reported refer to the units installed in Brazil, except when other subsidiaries are included in the coverage. The criteria for selecting the information give priority to the relevance of the subjects for the Company, and they also consider Embraer’s commitments to the indicators found in the Corporate Sustainability Index. **GRI 3.1 | 3.6 | 3.9**

The financial data for 2009 and 2010 were calculated according to the criteria set forth by Brazilian accounting standards (International Financial Accounting Standards – IFRS), and they were audited by PricewaterhouseCoopers. In the case of significant changes that affect the comparability of the information, they will be duly indicated during the report. Information regarding the location of the GRI indicators can be found at the end of this report and, also, at the end of the paragraphs, graphs or tables in which they were described. **GRI 3.7 | 3.8 | 3.9 | 3.10 | 3.11 | 3.12 | 3.13**

As Embraer sees it, the geographical definition of “place” refers to the suppliers located in the same country as its headquarters – that is, Brazil. **GRI 2.1**

For more information, go to:

ri.embraer.com.br/Embraer

Suggested documents:

Financial Statements, Reference Forms and 20-F Report
or call: +55 12 3927 4404 **GRI 3.4**



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“Human flight is a wondrous thing.
Flight **makes the world smaller**, bends time in our
favor, and keeps danger a little farther from our doorsteps.

We are Embraer, a **global Company** creating
innovative aircraft and technologies, because we
believe that, while the destination is important, **the journey
is everything.**”

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MESSAGE FROM THE PRESIDENT & CEO

GRI 1.1 | 1.2

“ Embraer positioned itself appropriately throughout 2010, and significant **results** were **achieved**. Most of the corporate **objectives** and operational and financial performance **goals** were **met or surpassed**, as well as several objectives related to programs under development, most notably the certification of the Legacy 650.

After nearly two years of difficulties and challenges brought on by the international financial crisis, the aviation industry was marked by signs of stabilization and recovery in some of its segments in 2010. For Embraer, the year ended better than it started and, despite the adversities that the market still faces, the Company achieved its objectives and took one more important step forward in building its longevity and perpetuity.

Embraer's good positioning allowed us to take advantage of the opportunities that arose during 2010, and some significant results were achieved. We met or surpassed our corporate objectives and operational and financial-economic goals, in addition to reaching various milestones of programs under development, including the certification of the Legacy 650.

In addition, the constant efforts put forth through the Embraer Enterprise Excellence Program (P3E), mainly in its industrial operations, contributed positively to improving the Company's gross margin. Embraer strengthened itself operationally and financially, invested in its people and processes and in developing new products and new technologies, and continues to enjoy great credibility and acceptance in the market.

Current and new customers, mainly in the commercial aviation market, have begun procuring our aircraft once again, and the market, in general, has recognized our capacity to stand strong under difficulties, be competitive and preserve our economic-financial health. At the end of 2010, Embraer's firm order backlog stabilized at US\$15.6 billion, after more than two years of decline.



In summarized retrospect of the relevant facts for the year, in the commercial aviation market, we gained some 100 new orders for the E-Jets, thus reaffirming the good positioning of these products in the market. There were 101 commercial jets delivered, which surpassed the initial estimate of 90 aircraft.

In the executive aviation market, Embraer also had a remarkable 2010, with the delivery of 145 jets, which was the largest number among all manufacturers, and represented 19% of the industry's deliveries. In other words, practically one in every five executive jets delivered in 2010 was made by Embraer. A special highlight was the important contract with NetJets, the largest executive jet operator in the World, to supply 50 Phenom 300 light jets, with options for an additional 75 – truly a seal of credibility for Embraer in that market segment.

In the area of Defense and Security, there were also numerous triumphs, like the first sale of the Super Tucano in Asia, with a contract for eight airplanes for Indonesia. Furthermore, international partnerships were formed for the KC-390 program with the governments of Brazil, Chile, Colombia, Portugal, Czech Republic and Argentina, giving a firm boost to future export business.

Several important dates were commemorated in 2010, like ten years of Embraer's presence in China and Singapore, as well as ten years of our listing on the New York Stock Exchange (NYSE), and ten years since our Gavião Peixoto plant went into operation.



For the second consecutive year, we were listed among the best companies to work for in Brazil, and we were recognized, by an important national trade publication, as the best company in the vehicle and transport industry.

We won awards for the transparency of our management and our financial statements, which endorse our position as one of the global companies that effectively practice the best principles of corporate governance.

As for the responsibility to preserve the environment, we are working with other industry stakeholders to reduce the impact of aviation on the environment. The target set by IATA is to achieve a 50% reduction of greenhouse gas (GHG) emissions by 2050, in relation to the levels in 2006. Therefore, we are involved on different fronts in developing more efficient airplanes and sustainable biofuels for aviation.

Embraer's commitment to building a sustainable future is established in all of its dimensions, and founded on our commitment to the United Nations Global Compact. In recognition of the actions carried out in recent years, at the end of 2010, Embraer was included in the Dow Jones Sustainability Index (DJSI), after having been evaluated as one of the best global companies in the aerospace industry, and ranked in the "Gold Class" in terms of sustainability practices. It is also important to point out that we were, once again, chosen to be listed with the ISE (Índice de Sustentabilidade Empresarial/Corporate Sustainability Index) of the BM&FBOVESPA, as has happened every year since the index was created in 2005.

November 19, 2010, was a historic day for Embraer. On that date, the General Meeting of Shareholders approved two important changes in our corporate bylaws: the name of the Company, from Embraer – Empresa Brasileira de Aeronáutica S.A., to Embraer S.A.; and the expansion of our corporate purpose, from a single focus on the aerospace area to adding defense and security, as well as energy. This can be considered as one of the most important changes made in the Company's 41-year history, once we open new doors for growth and for building our future.



Consistent with this development, Embraer Defense and Security was created in January 2011 as a corporate unit that will be autonomous and agile to meet the needs of current and future customers in the defense and security market, domestically and abroad. Brazil has played an increasingly relevant role on the worldwide geopolitical scene and, through its National Defense Strategy, has established a forward-looking vision for positioning the nation's defense material industry. The creation of this new business unit is an important step in consolidating Embraer's central standing within this context, which continued at the beginning of 2011, with the signing of partnerships and the acquisition of part of the capital of companies that have technology for developing radar, command, control, computation, communication, and intelligence (C4I) systems, and unmanned aerial vehicles (USV).

Regarding the expansion of our business into the energy sector, we have broadened feasibility studies and analyses for investments, while always keeping in mind our central competencies – those which will allow Embraer to compete and win customers and markets. We will move forward, as we gain a clear certainty about the potential return on those investments and the true benefit they can accrue for our Company and our shareholders.

We face the future with optimism and determination and remain firmly on track with continuous improvement and the practice of our values. We are bold and innovative, pursuing excellence in what we do, investing in our people and working to satisfy our customers worldwide, and create value for our shareholders. Last but not least, we are building our future in a sustainable manner.

FREDERICO FLEURY CURADO
President & CEO

PROFILE

GRI 2.1 | 2.7 | 2.8 | 2.9

The change of the Company name to Embraer S.A. expanded its business scope, by creating **opportunities for diversification** and sustainable growth.

EMBRAER S.A.

Created on August 19, 1969, by the initiative of the federal government, Embraer transformed science and technology in to engineering and industrial capacity. Upon completing 41 years, it strengthened its pursuit of excellence by making a change in its corporate name to Embraer S.A., and also expanded the business and market areas, which will allow the Company to promote or carry out technical activities linked to the development, production and support of aircraft, as well as carrying out other technological, industrial, commercial and related services of the defense and security areas. This expansion will provide opportunities for diversification and non-organic growth, via investments in other areas, and allow the Company to engage in anticyclical activities, in relation to the fluctuating demands of the aeronautics industry. **GRI 2.9**

After it was privatized, in 1994, the Company experienced an expansion process, and today, it is involved

in the airline and executive jet markets, along with the defense and security segments. It also provides after-sales support and services to customers in 95 countries, and has become the world's largest manufacturer of aircraft with up to 120 seats, and one of the largest Brazilian exporters. It has produced and delivered more than five thousand units in a highly competitive, cash-intensive market with high technological content.

The Company's stocks are traded on the São Paulo Stock Exchange (BM&FBOVESPA), and for ten years it has been listed with the New York Stock Exchange (NYSE). Furthermore, it is listed with the BM&FBOVESPA Corporate Sustainability Index (ISE) and the Dow Jones Sustainability Index (DJSI).

Embraer closed out 2010 with 17,149 direct employees¹ – 16,133 in Brazil and 1,016 abroad – all of whom are committed to the goal of changing the way people and products are transported, always based on high technology, safety and customer satisfaction.

1. Number does not include employees of partially owned subsidiaries; OGMA – Indústria Aeronáutica de Portugal S.A. (1,512 employees); or HEAI – Harbin Embraer Aircraft Industry, a factory in Harbin, China, in a joint venture with the Chinese state-owned AVIC (223 employees), which has 1,735 direct employees.



FORT LAUDERDALE | 10:30AM | -5



TAUBATÉ | 12:30PM | -3



SÃO PAULO | 12:30PM | -3

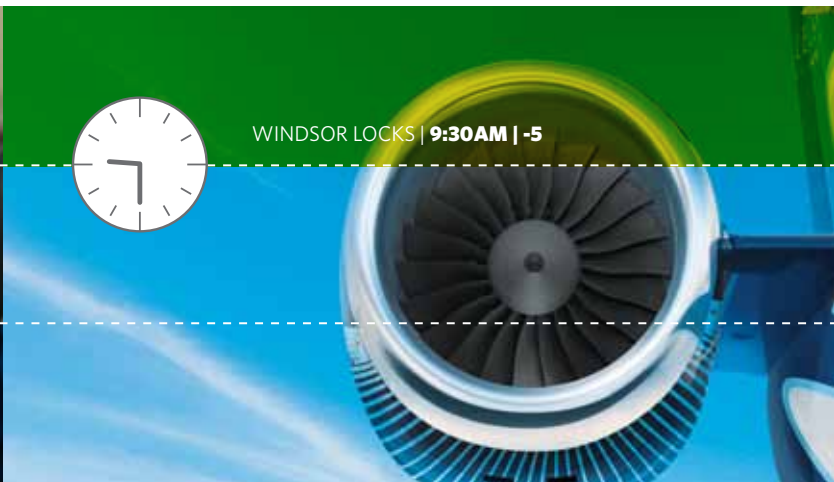


VILLEPINTE | 4:30PM | +1





MINNEAPOLIS | 9:30AM | -6



WINDSOR LOCKS | 9:30AM | -5

“We don’t want to
change the world,
only the way the
world flies.”

Embraer’s Worldwide Operations
GRI 2.5

- Countries with operations
- Factories
- Offices
- Service Centers
- Authorized Centers
- Spare Parts Distribution Centers

USA

- Fort Lauderdale
- Nashville
- Mesa
- Windsor Locks
- Louisville
- Minneapolis
- Melbourne*

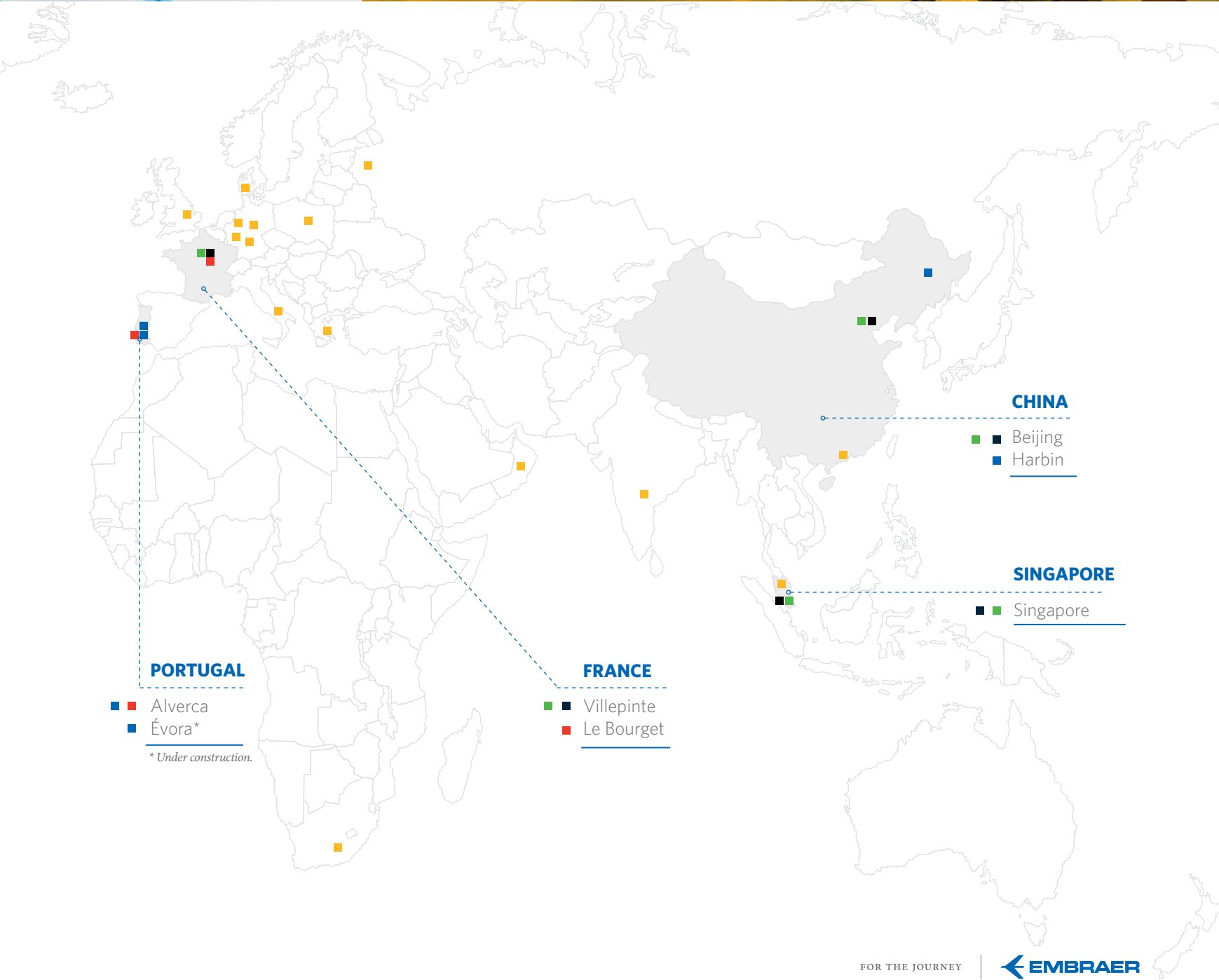
* Under construction.

BRAZIL

- São José dos Campos
- Gavião Peixoto
- Botucatu
- Taubaté
- São Paulo



ALVERCA | 4:30PM | +1



Global Presence

Today, Embraer is one of the largest aerospace companies in the world, due to its constant and determined pursuit of fully satisfying its customers. Now holding a part of the global market and having important and internationally renowned partners, for more than 40 years Embraer has been contributing to the integration of the world through aviation, shortening distances between people and offering aircraft with the most modern technology, versatility and comfort.

Embraer invests in its global presence in order to offer products, services and attention that meet the needs of its customers and markets. Therefore, it maintains industrial and operational units in Brazil and in several other countries. The Company's headquarters are located in Brazil, in the city of São José dos Campos, in the state of São Paulo. **GRI 2.4**

The Company maintains its engineering, development and manufacturing activities in Brazil, with five industrial units located in São José dos Campos, Eugênio de Melo, Botucatu and Gavião Peixoto, as well as two logistical centers in Taubaté and Campinas, all in the state of São Paulo.

In order to support its after-sales operations, Embraer has Company-owned service and spare parts sales centers in São José dos Campos (São Paulo – Brazil); Fort Lauderdale (Florida), Mesa (Arizona), Nashville (Tennessee), and Windsor Locks (Connecticut), in the U.S.; Villepinte (near Roissy – Charles de Gaulle Airport) in France; and in Singapore, as

well as a specialized worldwide authorized network. Embraer also has distribution centers for spare parts and specialized technical staff in China, to give support to customers.

Support for sales, marketing and promotional activities is provided by the offices in São José dos Campos, Fort Lauderdale, Villepinte, Singapore and Beijing.

With a majority holding, in association with EADS, Embraer controls 65% of the capital of OGMA – Indústria Aeronáutica de Portugal S.A., which is an aeronautics maintenance and production company. It also holds 51% of HEAL – Harbin Embraer Aircraft Industry, which is a factory in Harbin, China, in a joint venture with the Chinese state-owned AVIC. **GRI 2.5**

New Factories – The Company inaugurated its first industrial unit in the United States in February 2011 at Melbourne International Airport, in the Florida city by the same name. The facility will be initially dedicated to assembling the Phenom jets and supporting the executive jets business. In addition, Embraer is adding two new industrial units in the city of Évora, in the Alentejo region of Portugal, which will be dedicated to manufacturing milled metallic structures and sets made of composite materials. **GRI 2.5**

New Corporate Unit – In 2011, the Company's defense and security business began to be managed by a new corporate unit, whose creation was announced in December 2010. Embraer Defense and Security brings together not only the production and support of military aircraft and systems (patrol and surveillance), but also other types of military and civilian security projects.

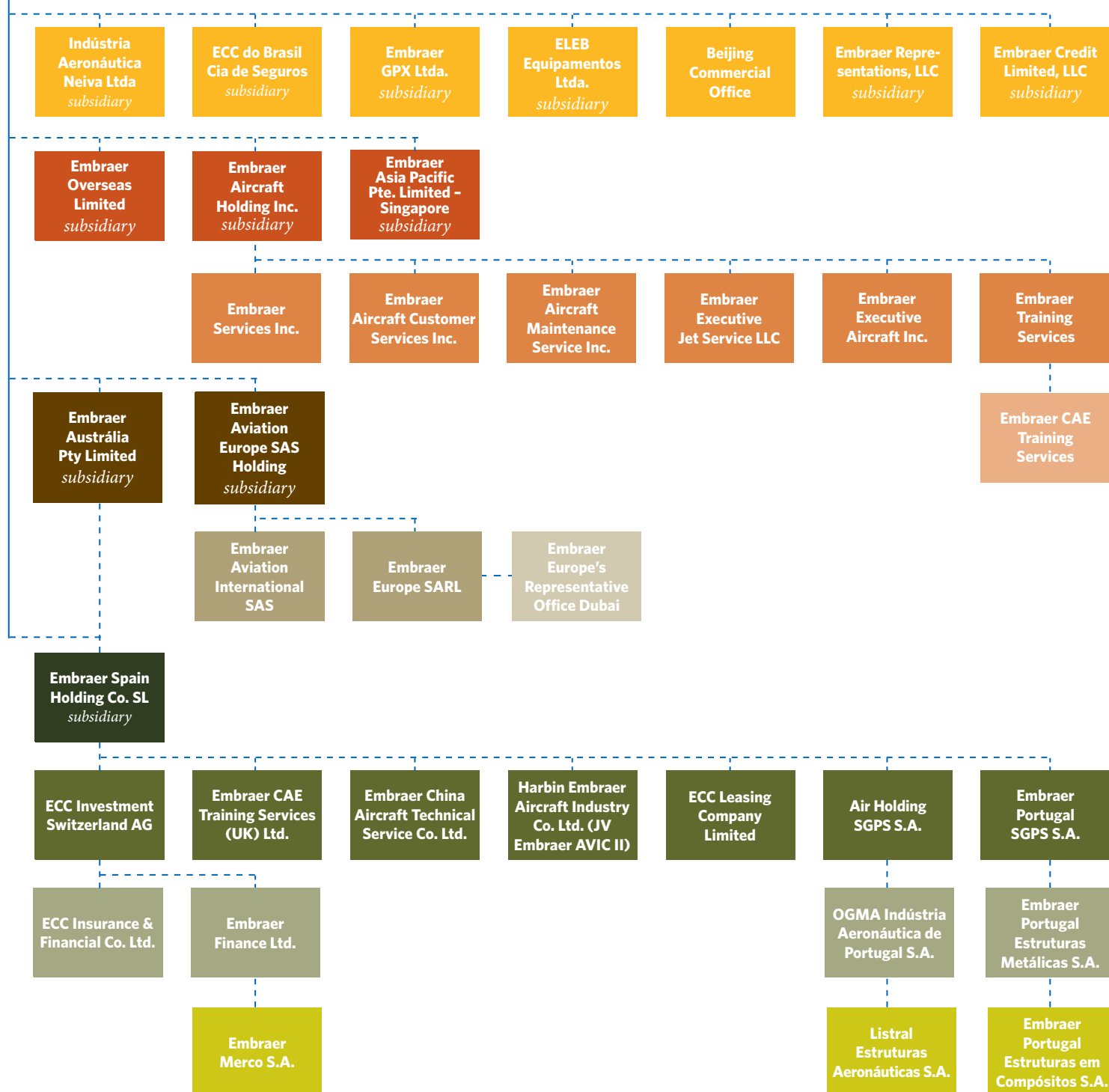
This separation of the defense and security business from the rest constitutes a big opportunity for Embraer, because it will basically change the verticalization of functions. Such areas as human resources and the purchase of supplies for assembling aircraft will report directly to the new company, thus strengthening the interfaces and facilitating even more the decision-making processes. **GRI 2.5**

Corporate Structure **GRI 2.3**

In order to support its operational activities, Embraer has a corporate structure that has the objective of meeting the demands and particularities of each Country in which it is involved, besides improving and organizing the management of the group's companies, while providing the integration of all operations and customer satisfaction.

For **41** years

Embraer has worked to bring the planet together through aviation, with the most modern aircraft technology and comfort.



Participation in Associations and Commitments

Embraer adopts principles and commitments in association with a variety of organizations, so as to expand its social involvement and develop the continuous improvement processes for its management. The Company participates proactively and with solidarity in issues relevant to human, environmental and economic development for the aerospace industry.

Embraer has been one of the signers of the UN Global Compact since 2008. When it joined, it made a public commitment to develop policies and strategies and to implement and monitor actions that seek to promote human rights, labor relations and the environment and fight corruption by making every effort to perfect the interaction processes of the organization, whether internally or externally. **GRI 4.12**

Table of Indexes and Highlights²

GRI 2.8 | EC1

| Table of Indexes and Highlights [R\$ Million] | 2010 | VARIATION 2010 v 2009 (%) | | 2009 | 2008 |
|---|--------|------------------------------|----|--------|--------|
| Net Revenues | 9,381 | ⬇ | 14 | 10,871 | 11,747 |
| Gross Margin (%) | 19.2 | ⬇ | 1 | 19.4 | 20.5 |
| Operating Income | 686 | ⬇ | 11 | 767 | 1,112 |
| Operating Margin (%) | 7.3 | ⬆ | 3 | 7.1 | 9.5 |
| EBITDA | 1,069 | ⬇ | 12 | 1,219 | 1,500 |
| EBITDA Margin (%) | 11.4 | ⬆ | 2 | 11.2 | 12.8 |
| Net Profits | 574 | ⬇ | 37 | 912 | 429 |
| Net Margin (%) | 6.1 | ⬇ | 27 | 8.4 | 3.6 |
| Investments ³ | 573 | ⬇ | 30 | 824 | 962 |
| Net Indebtedness | 2,391 | ⬇ | 33 | 3,584 | 4,300 |
| ROE (%) | 11.0 | ⬇ | 40 | 18.2 | 8.1 |
| ROCE – US\$ (%) | 16.1 | ⬆ | 2 | 15.8 | 17.1 |
| Dividends Distributed | 201 | ⬇ | 12 | 229 | 224 |
| Total Assets | 13,981 | ⬇ | 10 | 15,478 | 21,499 |
| Shareholders Equity | 5,218 | ⬆ | 4 | 5,020 | 5,971 |
| Firm Order Backlog (US\$ Billion) | 15.6 | ⬇ | 6 | 16.6 | 20.9 |
| Revenue Backlog (Years) | 3.0 | ⬇ | 6 | 3.3 | 3.8 |
| Number of Employees | 17,149 | ⬆ | 2 | 16,853 | 23,509 |
| EBIT per Employee (R\$ 1,000) | 40 | ⬇ | 7 | 43 | 47 |

2. The numbers calculated for 2009 and 2010 are in accordance with International Financial Reporting Standards (IFRS), and those for 2008 are in line with Law No. 11,638/07.

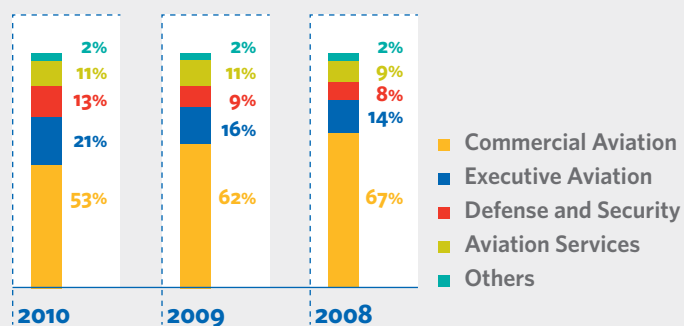
3. Values include investments in Development and Property, Plant and Equipment (PP&E).



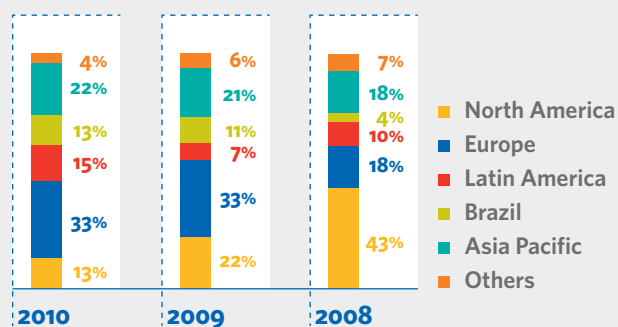
**THE IBASE SOCIAL REPORT CONTAINING THE
SOCIOENVIRONMENTAL INDICATORS IS FOUND ON PAGE 80.**

Revenue Breakdown GRI 2.7

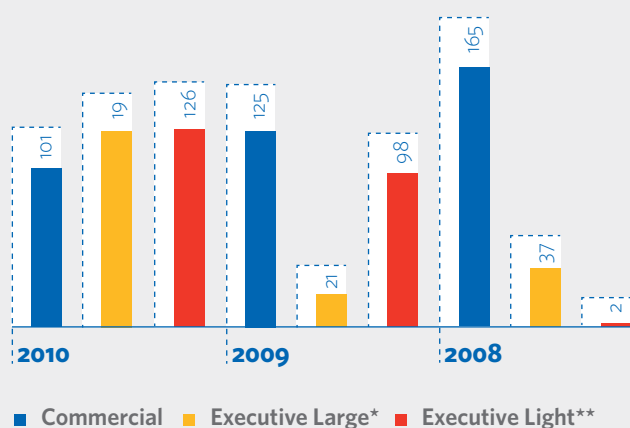
Revenue by Segment



Revenue by Region



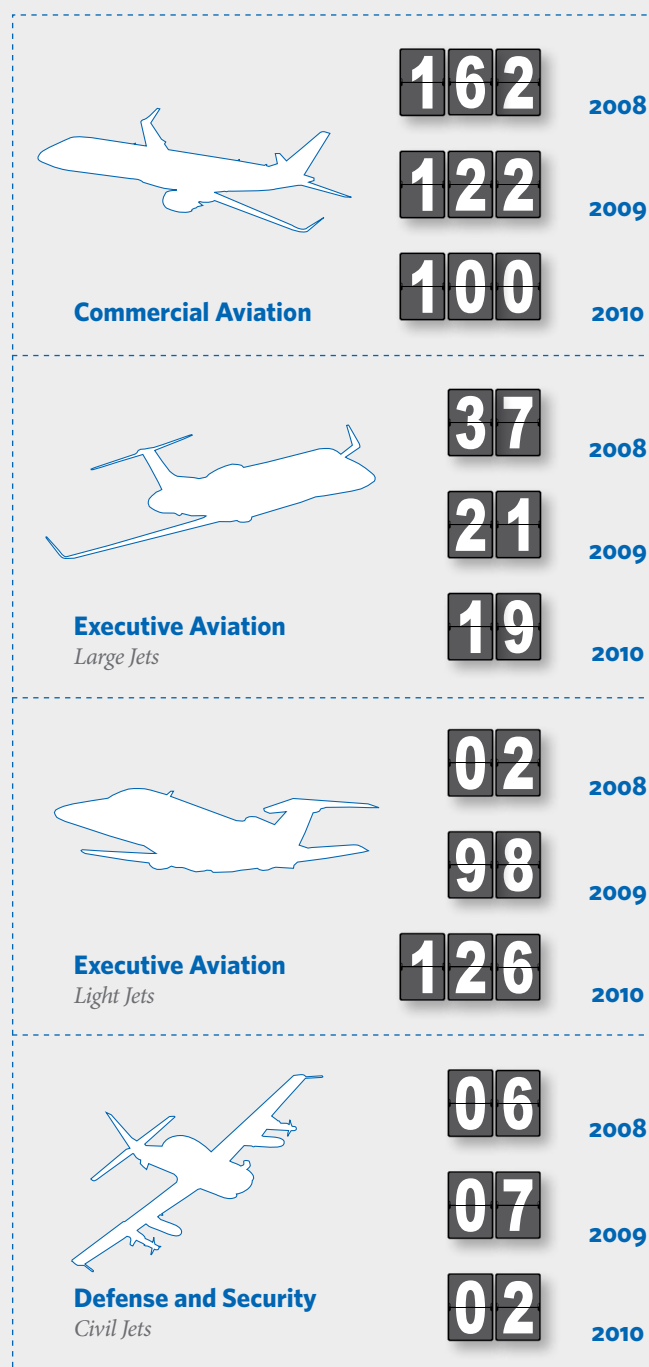
Aircraft Deliveries by Segment



* Legacy and Lineage ** Phenom

Jets delivered to the Defense and Security market are accounted for in the segment according to the model delivered.

Aircraft Deliveries (Units)



BUSINESS PRINCIPLES AND MANAGEMENT PRACTICES

Embraer generates value for its stakeholders as it follows its vision, its values and the highest governance standards currently practiced in Brazil. It is through these precepts that the Company seeks to ensure its perpetuity, with behavioral integrity and a keen socioenvironmental awareness.

BUSINESS PHILOSOPHY

Vision

Embraer will continue to consolidate itself as one of the main global forces in the aeronautics and defense and security markets and as a leader of the segments in which it is involved, recognized for the level of excellence in its corporate action. **GRI 4.8**

Business

It is Embraer's business to generate value for its shareholders, by fully satisfying its customers in the global aeronautics market. Generating value is understood to be the maximization of the Company's value and the guarantee of its perpetuity, with integrity of conduct and social and environmental awareness. The Company concentrates on three business areas and markets: the airline market, executive jets and defense and security. **GRI 4.8**

Values

The values that shape attitudes and unite actions to ensure the Company's perpetuity are: **GRI 4.8**

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



MINNEAPOLIS | 9:30AM | -6

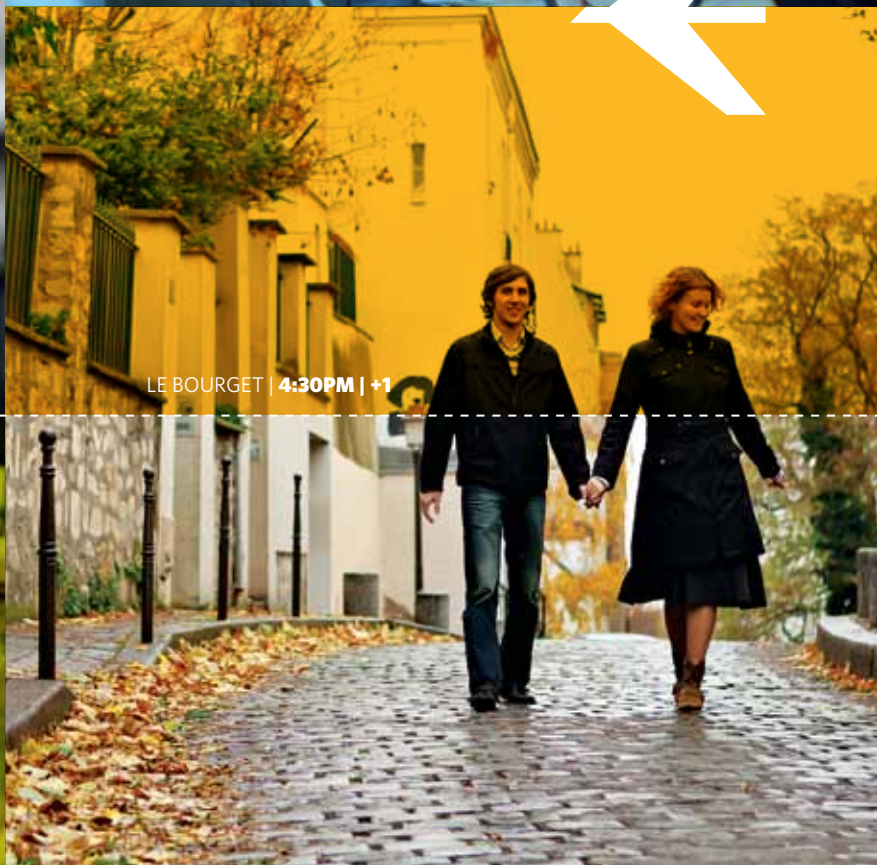
PHENOM 300[®]
BY EMBRAER



SÃO JOSÉ DOS CAMPOS | 12:30PM | -3



SÃO PAULO | 12:30PM | -3



LE BOURGET | 4:30PM | +1



VILLEPINTE | 4:30PM | +1



CORPORATE GOVERNANCE

Embraer S.A. is a publicly traded corporation with its capital spread among thousands of shareholders – many of whom are long-term institutional investors – and which operates in a field that is highly competitive and cash intensive, with high technological content. For that reason, it is more than necessary to have a corporate governance model that safeguards the responsibilities inherent to an integral business management and that ensures sustainability and perpetuity.

This commitment to the shareholders and other stakeholders is an effect of the proposed company restructuring, which, among its achievements, brought the unification of the classes of shares issued by the Company and in circulation for a class of common stocks. This unification facilitates Embraer's participation in the BM&FBOVESPA New Market and also ensures the benefit of 100% of the tag-along rights. **GRI 2.9**

The Brazilian Government, as the holder of the special class Golden Share, preserved its right to veto issues considered to be strategic for the Company and for the Federal Republic of Brazil.

The Articles of Incorporation also provide for other protective mechanisms to ensure not only the spread of the controlling shareholders, but also that most of the votes cast during the deliberations of any general assembly be cast by Brazilian shareholders, which was an principle established when the Company was privatized. **GRI 2.6**

Board of Directors

Since May, 2011, the Board of Directors (BD) has been composed of 13 full members and their respective substitutes, elected directly by the shareholders, and nine of them are independent. It is up to the Federal Government, as the holder of the Golden Share, to name one member, and the employees must name two representatives: one for the Embraer Employee Investment Club (*Clube de Investimentos dos Empregados da Embraer* – CIEMB) and the other elected directly by the employees who are not shareholders. **GRI 4.3**

The BD meets regularly, eight times a year, or at any time to discuss and decide on matters important to the operations of Embraer. All members serve a joint two-year mandate, and reelection is permitted. **GRI 4.4**

The mission of the Board of Directors, among other functions, is to establish guidelines; set the overall direction for the business, along with plans and goals, the annual budget, and investment programs established by the Board's Action Plan; follow the performance of Embraer in the markets where it operates; call independent auditors; and issue stocks and bonuses. The BD also can elect and dismiss the members of the Executive Board, as well as inspect its management. **GRI 4.1**

In 2010, as a means of strengthening even more the practices of corporate governance and of meeting the needs of the shareholders, the BD started using a self-evaluation process to rate its own performance. **GRI 4.10**

MESA | 8:30AM | -7



ALVERCA | 4:30PM | +1

Composition of the Board of Directors **[on January 1st, 2011]**

President

Maurício Novis Botelho

Vice President

Hermann Heinemann Wever

Members

Cecília Mendes Garcez Siqueira
Wilson Carlos Duarte Delfino
Claudemir Marques de Almeida
Israel Vainboim
Aprígio Eduardo de Moura Azevedo
Paulo César de Souza Lucas
Samir Zraick
Sergio Eraldo de Salles Pinto
Ingo Plöger **GRI 4.2**

Auxiliary Committees

In November, 2010, the Executive Committee ceased to exist, and the Strategy Committee was formed, as well as the new Risks Committee. The Company now has four auxiliary committees, all of which advise the Board of Directors in areas significant for Embraer. **GRI 4.1**

Strategy Committee

It is the responsibility of the Strategy Committee to assist the BD in establishing the strategic policies and guidelines for the segments in which Embraer operates; follow the Company's management, in order to increase its efficiency and effectiveness and to reduce costs; and establish priorities for new demands and investments. **GRI 4.9**

Risks Committee

This new committee established in 2010 has the responsibility to identify and manage the risks inherent to the Company's activities, by operating in a totally independent manner in relation to the operational units; to consolidate the risks and make it possible for the BD to make evaluated decisions regarding allocations of capital based on return/risk; to formalize the processes in which risks are present and, periodically, review them and readapt them to the new needs; to establish, publish and document standards and procedures for approving and managing risks; to provide Embraer with the most advanced models for measurement, and processes for managing risks, that are able to furnish the necessary information with maximum accuracy, speed, and security; and to prepare employees (through formation, training, etc.) in terms of risk management. **GRI 4.9**



FOR MORE ON THE RÉSUMÉS OF THE MEMBERS, GO TO:

ri.embraer.com.br/Embraer/Show.aspx?id_canal=pYKhgRD4EdB96GGQEb9knA== **GRI 4.7**

Human Resources Committee

Composed of four members, all of whom are named by the BD, its responsibilities are to assist the Board of Directors in electing and dismissing Company directors; to establish the functions of executive directors; to name the Director of Investor Relations, in line with the regulations of the Brazilian SEC (*Comissão de Valores Mobiliários – CVM*); to approve the salary and human resources policy, including criteria for remuneration, rights and advantages and remuneration of the top management; and to authorize donations or transfers of resources.

Audit Committee

In compliance with the requirements of the Sarbanes-Oxley Act (SOX), Embraer made several changes in its Fiscal Board, so that it can perform the functions of the Audit Committee. This became necessary because the Company has ADRs on the NYSE. The Committee's functions are: to present recommendations to the BD regarding the choice, elimination, substitution or hiring of other services from external auditing firms and amounts paid for the services they provide; and to mediate eventual conflicts and controversies between the Board and the external auditors. Additional functions are to supervise the work of the external auditors; to take the initiatives and measures needed for knowing and checking on complaints regarding articles referring to its financial statements, internal controls and the independent audit; to supervise the quality of the financial reports and Embraer's compliance with the legal and regulatory requirements; and to evaluate and manage the qualifications, performance and independence of the internal audit and the internal financial and control risks. **GRI 4.6**

Fiscal Board

The Fiscal Board is a standing body that inspects administrative actions. It is elected in a regular general meeting for a one-year mandate and is composed of five full members, whether shareholders or not, with one of them being a financial expert, and their respective substitutes. **GRI 4.1 | 4.4 | 4.6**

Composition of the Fiscal Board [on January 1st, 2011]

President

Ivan Mendes do Carmo

Vice President

Eduardo Coutinho Guerra

Members

Alberto Carlos Monteiro dos Anjos

Taiki Hirashima

Adolpho Gonçalves Nogueira

Executive Board

The Executive Board (EB) manages the Company, with its responsibilities established by the Articles of Incorporation, and it is named by the Board of Directors for a two-year mandate. Management follows the strategic planning that takes into consideration not only the economic, financial and operational performance, but the socioenvironmental as well, which is part of the goals and remuneration of the EB. **GRI 4.5 | 4.10**

In 2010, the EB was reorganized to expand the Company's capacity for external actions and, at the same time, its competitiveness and the quality of its employees, products and services. Three fundamental changes were made in this reorganization: the creation of a COO (Chief Operating Officer), with a strong emphasis on and dedication to the internal operations of the Company; the establishment of a specific front to study, plan and make new programs feasible; and the creation of a new position focusing exclusively on strategies and policies pertaining to people, in addition to the existing human resources structure. Besides this, as mentioned previously, the Embraer Defense and Security corporate unit was created in November.



FOR MORE ON THE RÉSUMÉS OF THE FISCAL BOARD MEMBERS, GO TO:

ri.embraer.com.br/Embraer/Show.aspx?id_canal=pYKhgRD4EdB96GGQEb9knA==

FOR MORE ON THE RÉSUMÉS OF THE MEMBERS OF THE EXECUTIVE BOARD, GO TO:

ri.embraer.com.br/Embraer/Show.aspx?id_canal=pYKhgRD4EdB96GGQEb9knA==

***Composition of the Executive Board
[on January 1st, 2011]***

President & CEO

Frederico Pinheiro Fleury Curado

Executive Vice President & CFO

Cynthia Marcondes Ferreira Benedetto

COO

Artur Aparecido Valério Coutinho

Executive Vice President, Airline Market

Paulo César de Souza e Silva

Executive Vice President, Executive Jets

Luís Carlos Affonso

Chief Executive Officer, Embraer Defense and Security

Luiz Carlos Siqueira Aguiar

**Executive Vice President,
New Programs Airline Market**

Mauro Kern Júnior

Executive Vice President, Technology

Emílio Kazunoli Matsuo

Executive Vice President & General Counsel

Flávio Rímoli

Executive Vice President, Corporate Affairs

Horacio Aragonés Forjaz

Executive Vice President, People Development

Antonio Júlio Franco

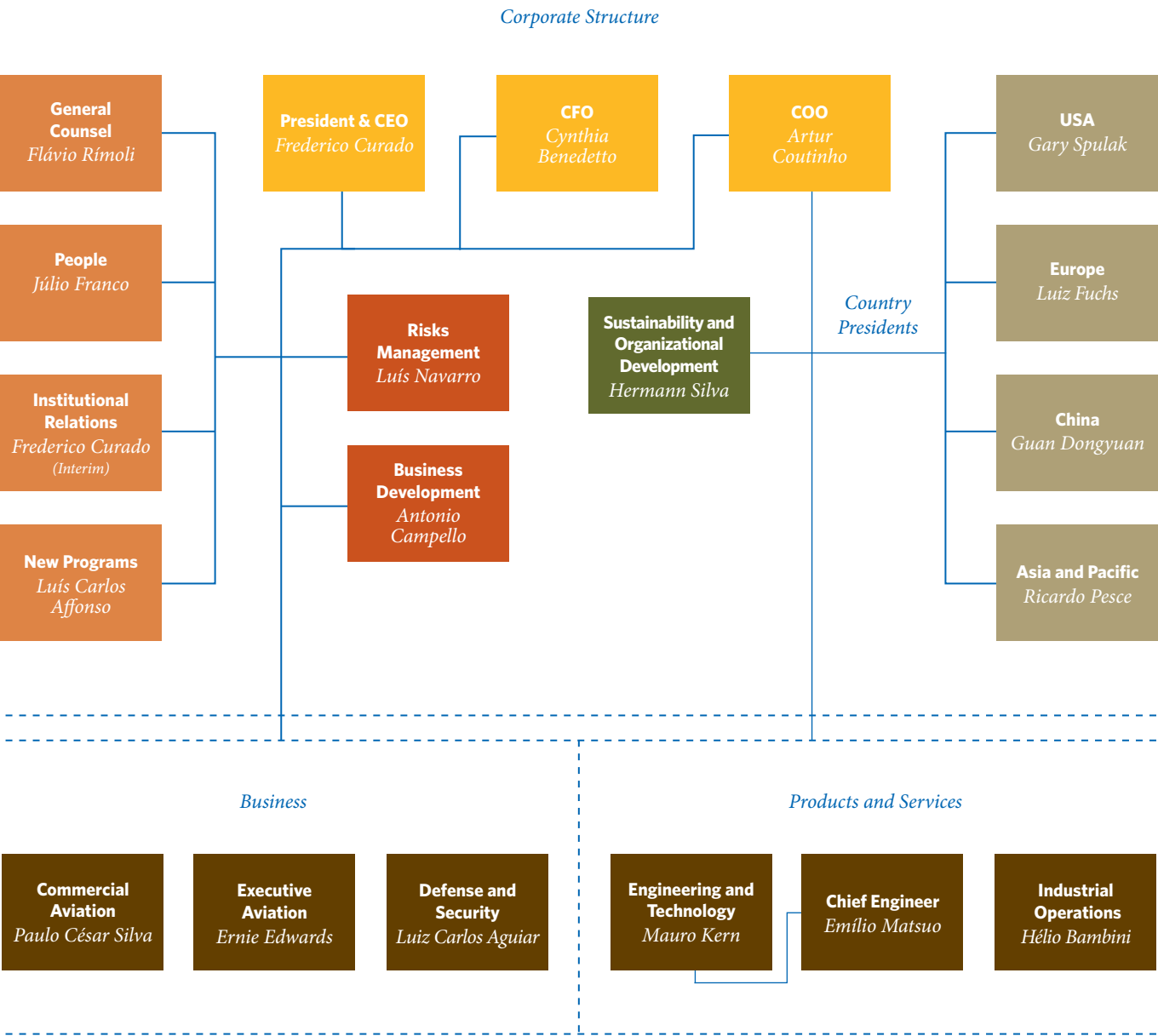
**Executive Vice President,
Organization and Human Resources**

Hermann Ponte e Silva



In May, 2011, Embraer made the following changes in the composition of its Executive Board:

- Luís Carlos Affonso took responsibility for New Programs, and was succeeded at the head of the Executive Jets business by Ernest Edwards, formerly responsible for marketing and sales, North America and the Caribbean
 - Mauro Kern took responsibility for the Engineering and Technology area, whose former head, Emílio Matsuo, moved on to the recently created position of Embraer's Chief Engineer
 - In the Operations area, Hélio Bambini took responsibility for Industrial Operations
- Therefore, the new Embraer organization now has the following macrostructure:



Sustainability Committee

In 2009, in an action for improving its commitment to ethics, transparency and the perpetuity of the business, Embraer created the Sustainability Committee.

Composed of four members and connected directly to the Executive Board, the Sustainability Committee has as its main responsibilities to identify and propose to the Executive Board the adoption of best sustainability practices and accompany the established performance indicators, in order to ensure that the targets are achieved during the annual planning cycle. Furthermore, it supports the preparation of the Annual Report and the evaluation of Embraer for participating in sustainability indexes. **GRI 4.9**

Relationship with Independent Auditors

Embraer's policy regarding its independent auditors, and services provided that are not related to external audits, is based on principles that preserve the auditor's independence.

During 2010, Embraer hired services from those auditors for diagnosing IFRS, for a total of R\$279,000, or 5% of the total fees paid for external auditing services, which were provided to the group's companies worldwide.

Embraer has a policy of presenting all services provided by its independent auditors, but not related to external audits, to the Fiscal Board for approval.

Policies

The corporate policies for Financial Management, Quality, Environment, and Occupational Health and Safety have been consistently consolidated through the Embraer Enterprise Excellence Program (P3E). Embraer is on the path to formalizing a corporate Sustainability policy, and to that end, it follows the best practices.

Financial Management Policy

This policy establishes the guidelines for managing the corporate finances related to the Company's cash flow and capital structure. A committee was established with the responsibility for keeping abreast of the indicators and reporting them to the management, to the Audit Committee and to the Board of Directors, by reporting on the opportunities and risks found, and the comments made regarding the operations and the progress of mitigating actions.

Quality Policy

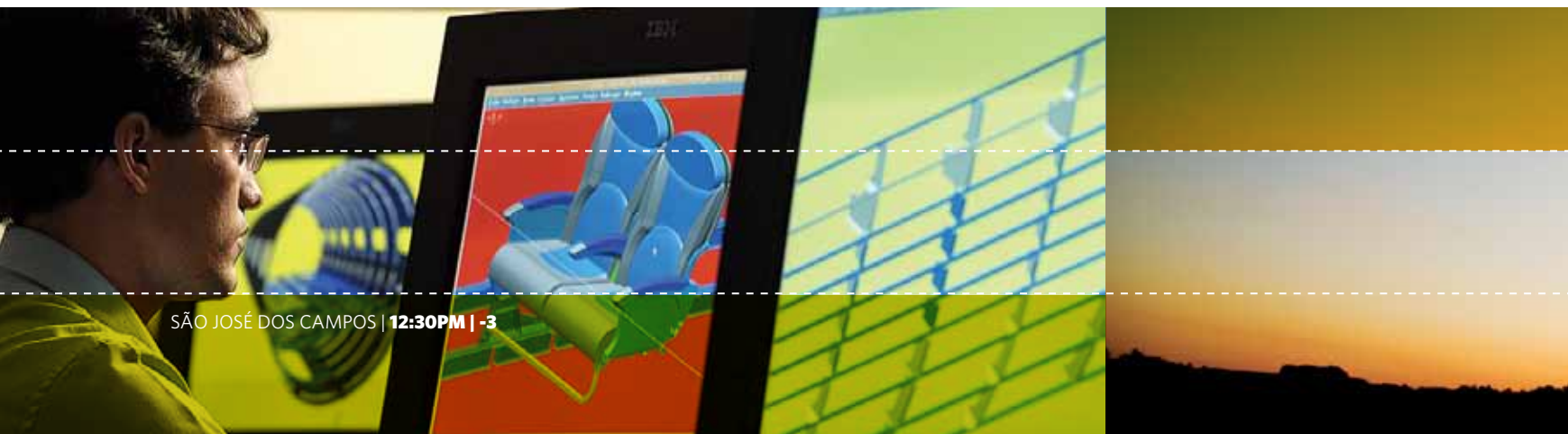
Since 1996, Embraer has been certified according to ISO 9001 standards, and since 2002, by AS 9100 (a standard for Quality Management Systems for Aviation, Space and Defense organizations). When P3E (see page 36) went into effect in 2007, these requirements were deepened and expanded to all Embraer employees who are involved in the pursuit of continuous improvement in all administrative and operational processes. To be excellent means to have customers, shareholders and employees who are benefiting from the best corporate practices and their results. In 2010, a study was done to find the level of compliance of Embraer's Management practices with the fundamentals of excellence of the National Quality Foundation, in order to identify what actions are needed to begin implementation in 2011. (The National Quality Foundation is an organization analogous to the European Foundation for Quality Management and The Foundation for the Malcolm Baldrige National Quality Award).

Environment, Occupational Health and Safety Policy

As provided in its Environment, Occupational Health and Safety Policy, "...Embraer shall perform all industrial and commercial operations in an environmentally sustainable way, which is entirely safe and promotes good health."

For that reason, it aligns itself with the following principles: respect for the environment; occupational health and safety as Company priorities, reflected in its activities, products and services; the continuous perfection of performance in these areas, by combining preventive practices with corrective action and innovative and effective solutions; and full compliance with environmental, health, occupational safety, and fire and emergency prevention standards and laws.

Other priorities include providing training, awareness and constant information to employees and stakeholders; integrating environmental, health and occupational safety objectives and goals with Embraer's processes and plans; preventing and combating pollution; ensuring that work areas conform with health, occupational safety and ergonomic requirements; and preserving natural resources, in order to avoid damage to the environment.



SÃO JOSÉ DOS CAMPOS | 12:30PM | -3

RISK MANAGEMENT

GRI 1.2 | 4.9 | 4.11

Since 2002, Embraer has applied structured risk management processes to a number of corporate levels, thereby meeting current demands, standards and regulations of the aerospace industry, according to national and international standards and laws.

The Company reinforced its processes in 2009, through the Board of Directors' approval of a Financial Management Policy and, in 2010, by creating the Risks Committee, at the Board of Directors level, which strengthened even more its commitment to transparency and the perpetuity of the operations and of the material and financial resources used.

The entire portfolio of corporate risks is managed and monitored through an Action Plan as the management tool. This entire process and its results are periodically discussed with the top management and presented to the Risks Committee, Fiscal Board and Board of Directors.

Operational

Operational risks are covered by regularly evaluating our processes. Last year, the treasury and marketing processes were evaluated, for the purpose of assessing our practices in light of those of the market. All of the studies done of the processes, from the standpoint of operational risks, are presented and discussed with Embraer's Audit Committee, under the responsibility and coordination of the Internal Risks and Controls area.

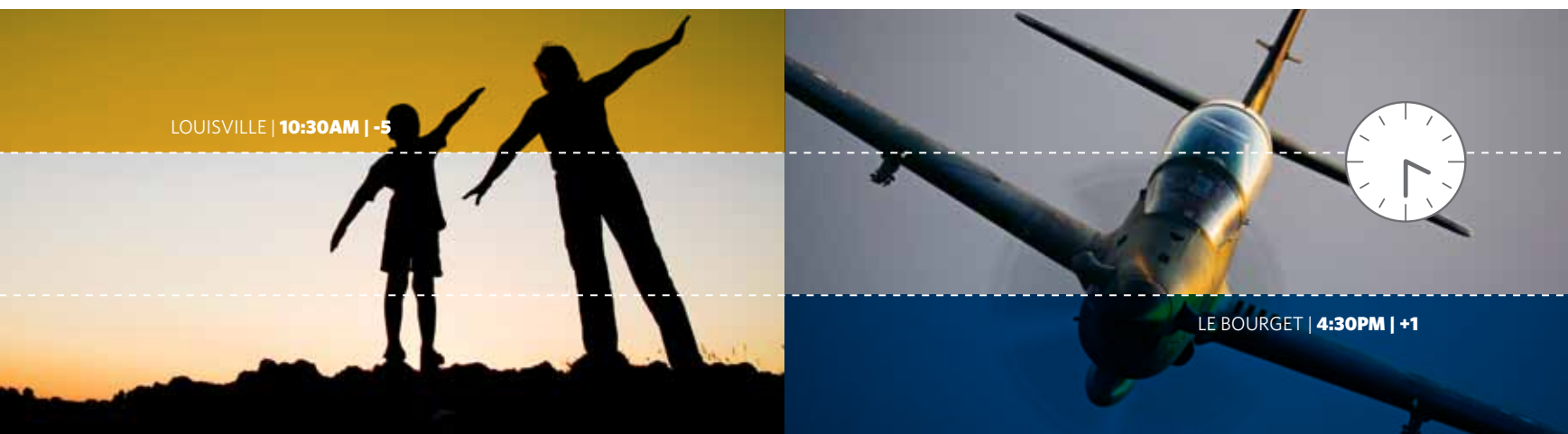
Market

The expansion of the operating areas into the defense and security and energy segments will allow Embraer to not be so dependent on the behavior of the aerospace market, which is still recovering from the effects of the international economic crisis that began in 2008. With this operational diversification, the Company will be prepared for eventual market risks.

Financial

Several risk reduction projects were developed and implemented for corporate processes and in the main information systems. The overall control environment was revised, while improving the corporate structure for internal controls, in line with the Sarbanes-Oxley Act, Section 404: Internal control structure of relevant processes for financial statements, according to the Public Companies Audit Oversight Board (PCAOB).

In order to offer better financial support to sales and operations, Embraer closed a credit operation in September 2010 for US\$1 billion, with a group of 25 international financial institutions, for the purpose of ensuring access to short-term financial resources, in the case of need, at previously negotiated rates. This amount will be available for up to two years, through two lines of credit: US\$400 million for pre-financing exports, and US\$600 million for financing working capital. This resource may be used for withdrawals, and the payment deadline, if used, is September, 2013.



The cash allocation management system adopted by the Company continues to be one of the main tools for mitigating exchange risks. Thus, by adjusting the cash allocations in reals (R\$) or in dollars (US\$), Embraer seeks to neutralize its exchange exposure. It also extended its indebtedness, in 2010, in order to ensure greater security for its operations.

Image

Embraer zealously protects its image, based on a constant and transparent relationship with strategic groups in which the Company actively communicates to the market and other stakeholders even before certain issues become polemical or become risks to operations and to the brand.

Legal

Embraer is one of the largest aerospace companies and takes part in all of the manufacturing stages of its aircraft, from developing the project to providing after-sale assistance.

Therefore, its concern with legally protecting the intellectual property of innovations, generated by its research and development initiatives, is shown in the significant increase in the number of patents requested by Embraer. From 2003 to 2010, there were 64 requests made, of which 26 were granted (12 in 2010 alone).

Environmental/Climate Change

GRI EC2

The subject of climate change has transformed the discussion agenda of organizations, due to numerous alerts regarding the environmental problems arising from global warming and, especially, its effects.

While accompanying the evolution of these issues, Embraer assesses existing opportunities associated with its activities, such as controlling consumption, changing the energy matrix, utilizing new technologies, developing new products, and others. Thus, issues related to this subject are worked out in the organization's different action plans, as described in this report.

During the present year, the process for identifying environmental and climate change risks will be revised, as part of building the organization's sustainability policy.

CODE OF ETHICS AND CONDUCT

GRI 4.6 | 4.8 | SO2 | SO3

Five years after its approval, our Code of Ethics and Conduct fits perfectly into the Company's commitment to intensify its actions for ensuring sustainable growth.

As it works with our corporate values and the basic principles of the UN Global Compact, which the Company formally accepted in 2008, our Code of Ethics and Conduct is similar to a nation's constitution, integrating fundamental principles, rules and values that should guide all corporate policies, guidelines and procedures.

The code also applies to Embraer's subsidiaries, in Brazil and abroad, and is absolutely coherent with the laws and best corporate governance practices of the countries where we are located.

As an essential management instrument, Embraer's Code of Ethics and Conduct will be updated whenever necessary, contributing decisively to guiding the vision, actions and behavior that will ensure the perpetuity of the Company. This updating and revision of content is up to the committees assisting the Board of Directors (Human Resources Committee and Audit Committee) and committees assisting the Company's Executive Board (Ethics Committee and Sustainability Committee).

All employees receive, upon hire or at each updating phase, a copy of the document. Furthermore, presentations are made on the subject to employees, so that everyone can understand its contents and clarify any doubts. For suppliers, partners and other stakeholders, Embraer seeks to present its internal rules of conduct through communiqués.



WHISTLEBLOWING CHANNEL

GRI 4.4 | SO2

Embraer has several communications channels between employees and employer. The Whistleblowing Channel – managed by an independent company – works with anonymity and confidentiality, and makes it possible for any person to report an eventual violation of the Code of Ethics and Conduct, or of practices that are inappropriate for the best sustainable practices. The Whistleblowing Channel is available in three distinct forms:

- Mail, via mailbox No. 11.331 – ZIP 05422-970 – São Paulo/SP – Brazil
- Embraer’s website (www.embraer.com), on the home page, “Report of Misconduct” icon, or filling out a form, under “Contact Us”
- Embraer’s Intranet

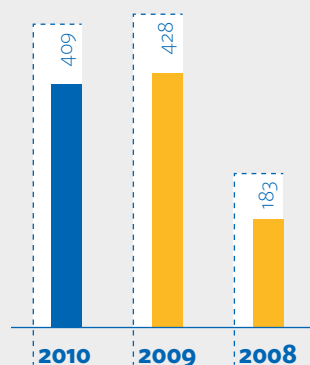
Number of Reports Received

The Whistleblowing Channel, in operation since 2005, received an average of 218 reports from 2005 to 2008, but in 2009 and 2010, this number went up to 419 reports posted. This increase was due to an internal campaign regarding the channel, which was held during the second half of 2009.

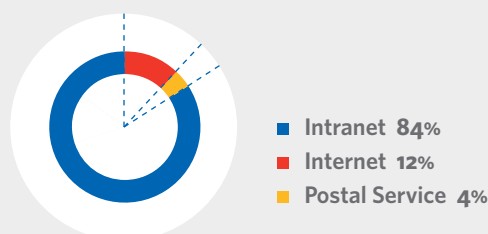
During the first half of 2010, the number of reports stayed above the average of the year before. As of July, we improved the Whistleblowing Channel, in order to make its purpose more clear, and we included questions that helped improve the quality of the contents of the reports. After those changes, we had a 45% reduction in the number of reports posted during the second half of the year, in comparison with the first half of 2010, but, with an improved quality of the reports, reflecting a better understanding of the Code of Ethics and Conduct, and of the true purpose of this communication channel.

The Intranet continues to be the most used channel, from the three that have been made available, and it was responsible for 84% of all reports posted on the Whistleblowing Channel in 2010. This shows the credibility of the mechanism in the aspects already mentioned, such as confidentiality and anonymity in receiving and dealing with the reports that are posted.

Total reports received



Means Used 2010



SCENARIO AND STRATEGY

In order to generate value for its shareholders, the Company includes among its strategies the **development of new businesses and operations**, the evolution of the enterprise excellence program (P3E) and the stimulation of best **environmental and social practices**.

AIRLINE MARKET

In 2010, worldwide air traffic showed an increase of 6.4%, according to estimates made by the International Civil Aviation Organization (ICAO), which confirmed that the air transportation market is recovering, after the crisis period of 2008-2009. As a result, the industry may earn as much as US\$15.1 billion in 2010, according to IATA estimates.

With the renewed demand in the airline market, Embraer estimates an average growth of 4.9% per year, over the next 20 years, but in an environment with greater competition and lower charges, due to the change in passenger profile. Embraer expects a global demand of around 6,900 jets with 30 to 120 seats in the next 20 years, and that estimate will generate some US\$200 billion.

The 30- to 120-seat jets are established as essential tools for the development of worldwide aviation. They contribute to increased quality of service, help the system to be more efficient, allow airlines to adjust supply to demand – during both growth and crisis phases – and make it possible to open new routes, which makes air transportation more

accessible to a larger number of users. Furthermore, since they have more modern technology, they help lower the impact on the environment caused by older and inefficient aircraft.

The 30- to 60-seat segment has achieved its maturity cycle and is established as an important element for hub feeder systems in the main North American and European airports. The primary demand for this type of aircraft should regain its intensity only in the next decade, when the natural substitution cycle will begin. Also, transactions with 50-seat regional jets in the used aircraft market have intensified, due to their greater use in regional aviation markets in Russia, the European Community, Mexico, Africa, South America and Australia.

The 61- to 120-seat segment will continue assisting airlines in the process of increasing efficiency by adapting the seat offering to passenger demand on flights operated by narrow-body aircraft with excess capacity. These jets also tend to be used to substitute older fleets, to develop new markets and to assist with the natural growth of regional airlines that operate smaller jets, in order to increase income and market share.



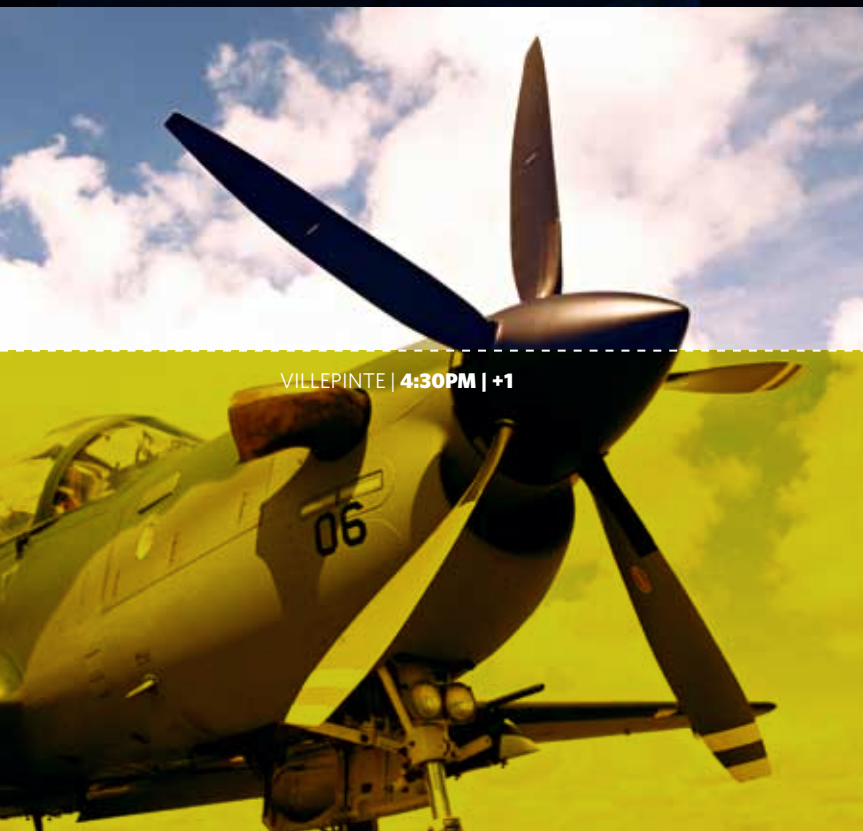
BOTUCATU | 12:30PM | -3



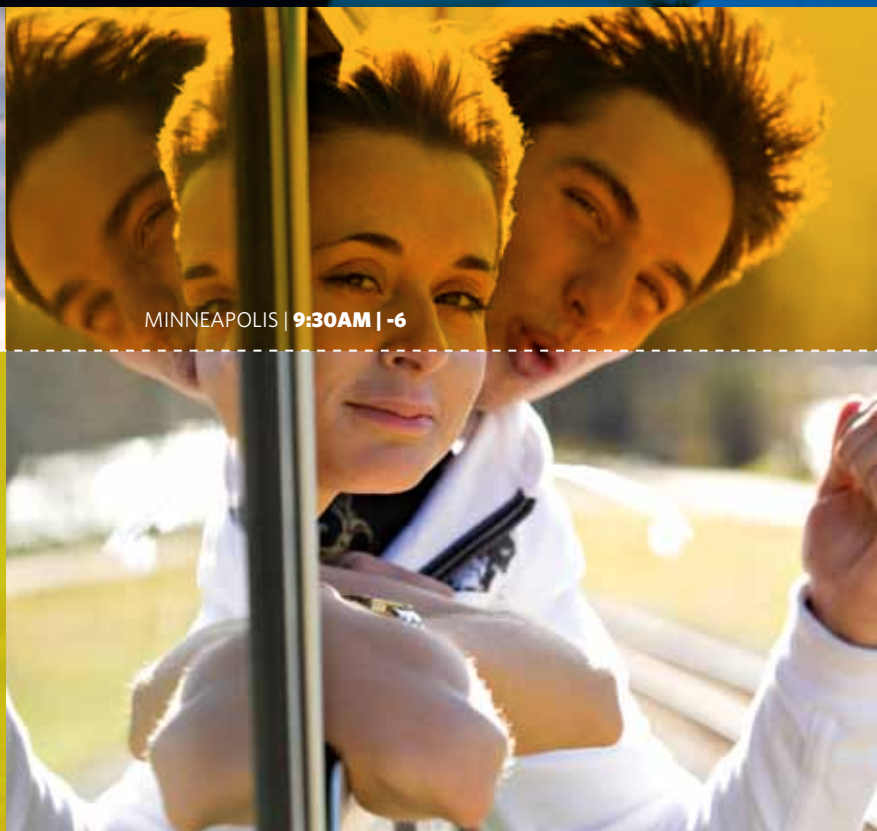
GAVIÃO PEIXOTO | 12:30PM | -3



SÃO JOSÉ DOS CAMPOS | 12:30PM | -3



VILLEPINTE | 4:30PM | +1



MINNEAPOLIS | 9:30AM | -6



SÃO JOSÉ DOS CAMPOS | 12:30PM | -3



EXECUTIVE AVIATION MARKET

Since mid-2008, the executive aviation market has suffered the effects of one of the most aggressive drops in sales in its history, surpassing the impacts left by the recession of the '80s, as well as the events of September 2001. The high inventory of semi-new aircraft for sale at low prices and the uncertainties that assail the worldwide economy are factors that make it unlikely that there will be a full recovery of demand for light executive jets in 2011.

In 2010, the global industry's deliveries of executive aviation jets came to 763 aircraft, or a drop of 12% when compared to 2009, when 870 executive jets were delivered. In terms of income, the market grew from US\$17.2 billion in 2009, to US\$18.2 billion in 2010, mainly due to the increase in deliveries of larger and more expensive aircraft, in relation to the smaller models. It is expected that the market will continue its recovery process, which will probably become more intense at the end of 2011 or beginning of 2012. The potential global value of this market, from 2011 to 2020, should reach US\$210 billion, with the delivery of over 10,000 executive jets.

The emerging economies performed well in 2010, especially in Brazil, where government long-term financing alternatives, which did not exist until then, have accelerated demand, mainly for light jets. The Russian market regained normalcy earlier than expected, mainly due to the return to liquidity of the region's stock markets, as well as the recovery of the more wealthy individuals. On a smaller scale, some of the Asian countries, like China, and those of the Middle East helped absorb the reduction in worldwide demand.

Despite the fact that the impact of the world crisis has limited the short-term growth prospects, the United States will continue to be the biggest and most mature market for executive aviation in absolute numbers. Current estimates indicate that the country will be responsible for something like 43% of the global market projected for the next ten years.

DEFENSE AND SECURITY

Embraer concluded the year with the operations of the defense and security area being managed separately by a new business unit – Embraer Defense and Security – that will focus on the production of military aircraft and their systems (patrol and surveillance), as well as communication, computerization, control and intelligence, command and training in other types of military and civilian security projects. This diversification is a part of the Company's strategy for compensating market risks.

This business unit, whose biggest customer is the Brazilian Air Force (FAB), has integrated solutions that combine an extensive technological content and operational efficiency with competitive acquisition and operating costs. Its product portfolio includes aircraft and systems for a variety of purposes: command, control, communication, computers, intelligence, surveillance, and reconnaissance (C4ISR); training and combat; and transportation of civilian and military officials. Furthermore, this corporate unit provides support services for defense and security customers, as well as modernizing aircraft for the Brazilian armed forces.

NASHVILLE | 9:30AM | -6

SÃO JOSÉ DOS CAMPOS | 12:30PM | -3

It is expected that during its first year of operations this new corporate unit will have revenues of around US\$750 million and will become stronger over the coming years, not only to meet Brazil's needs, but also in exports. This new business configuration opens a new range of capacities to the Company since, besides providing products and systems for the aerospace segment, it will also serve the promising security segment and will consolidate Embraer's central position in the process of strengthening the Brazilian Defense and Security industry.

In line with this strategy, at the beginning of 2011, Embraer Defense and Security acquired 90% of the capital of the radar division of OrbiSat da Amazônia S.A., which was an important step for increasing the Company's participation in the Brazilian Security System. The Company also signed a contract with AEL Sistemas, a subsidiary of Israel's Elbit Systems Ltd., for the purpose of jointly assessing and exploring the market for unmanned aerial vehicles (UAV), including the potential creation of a company to be involved in this segment with Embraer Defense and Security as majority shareholder.

As it continued to expand its portfolio, the Company acquired 50% of the capital of Atech Negócios em Tecnologias S.A. This partnership will increase the capacity of the companies to develop products and services in the area of command, control, computer, communications and intelligence (C4I) systems.

In 2010, the defense market presented a favorable scenario for growth, with a series of campaigns underway in the markets for transporting officials, training and light attack, intelligence, surveillance and reconnaissance systems, aircraft modernization and military transport, as well as other systems and services.

EMBRAER STRATEGY

In order to build a future of longevity, with growth and value generated for shareholders, Embraer will adopt the following strategic actions over the coming years:

- Assess new developments and invest in the future of commercial aviation
- Continue investing in and developing executive aviation
- Boost the operations of the new corporate unit – Embraer Defense and Security, which will concentrate not only on the production and support of military aircraft and systems (patrol and surveillance), but also on other types of military and civilian security projects
- Expand into new business, based on investment feasibility studies and analyses
- Continue implementing the Embraer Enterprise Excellence Program (P3E), with increased improvement in resources and processes, thus generating reduced operating expenses
- Invest in technology and innovation
- Give even more incentive to best environmental practices, and for occupational health and safety, corporate governance, and relationships with the communities and employees.

PERFORMANCE

The **constant efforts** of the Embraer Enterprise Excellence Program (P3E), especially in the industrial operations, contributed to improving **productivity** and **maintaining** the gross margins.

After the adjustment made in 2009 by Embraer, 2010 was marked by a return to stability, mainly during the second half of the year, when there was a market upturn and the Company focused its actions and strategies on sales. These efforts brought results: after seeing its firm order backlog shrink by nearly US\$6 billion in 2009, due to cancelled aircraft orders and paralyzed sales, Embraer closed out the year with a firm order backlog of US\$15.6 billion, and sales are once again on the rise.

In 2010, as in the last two years, Embraer achieved its initial results forecasts, and the composition of the backlog was very important at that time, especially due to the drastic drop in sales caused by the international financial crisis. A devalued dollar (US\$), in relation to the Brazilian real (R\$), also brought pressure to bear on performance, because 90% of the Company's revenues come from foreign sales, in dollars, while an important part of its costs occur in reals. Even at that, there was improvement in operating margins and an increase in productivity.

Even with a policy of controlling expenses, the Company did not suspend its programs for developing the midlight Legacy 450 and midsize Legacy 500 aircraft, and certifying the large Legacy 650 jet. That attitude transformed 2010 into a year of stability for Embraer, which moved ahead toward a sustainable future and toward perpetuity, due to consistent management, transparent processes and relationships, and strategy.

OPERATIONAL PERFORMANCE

The return to sales campaigns and the results achieved in the second half of the year, with new orders, brought new strength to the Company, whose main challenge was to maintain profitability and to improve processes, so as to reduce financial and operating costs.

In that context, despite the effects of the currency exchange rate, the constant efforts promoted by the Embraer Enterprise Excellence Program (P3E), mainly in its industrial operations, contributed positively to improving productivity and maintaining gross margin amounts.



GAVIÃO PEIXOTO | 12:30PM | -3



SÃO JOSÉ DOS CAMPOS | 12:30PM | -3



WINDSOR LOCKS | 10:30AM | -5



ÉVORA | 4:30PM | +1

“Until science gives people wings,
we will give them a better way to fly.”

Keeping the Company balanced and profitable, and ensuring the position and prestige it holds in the market, is the big challenge for the coming years, along with the preservation of our corporate values.

In terms of sales, the Farnborough International Airshow (U.K.), in July 2010, was an important event that reinforced Embraer's image as a competitive company, attractive to operators worldwide, after having racked up highly important victories that resulted in 42 firm orders, besides other commercial proposals. The largest order came from Britain's Flybe, which could be for as many as 140 aircraft for a potential total value of US\$5 billion, if all options and purchase rights are taken.

Another big highlight was the annual organizational climate study and the polls taken by *Época* and *Exame* magazines, ranking Embraer as one of the best companies to work for in Brazil. The Company was also named by *Valor Econômico* as one of the best companies in terms of people management in Brazil. The target set by Embraer, three years ago, was to achieve a 75% employee satisfaction rating, and at the end of 2010, the rating came to 78%.

Technological and Knowledge Management

Knowledge management continues its big focus on consolidating practicing communities and collaborative environments for projects. In addition to the efforts in this area, an Embraer Technology and Innovation Seminar (ETIS) was held for the first time, where a large amount of high-tech work produced by employees was presented and discussed, focused on technology and innovation.

As a means of optimizing and standardizing the processes applied to the various products being developed, intense work is being carried out to revise and harmonize these processes, in order to ensure the continuous improvement of quality and productivity in developing new projects.

Technological Development – The capacity to generate technologically innovative solutions is an indispensable competency for remaining competitive in the aeronautics industry. Keeping in mind the importance of new technologies for confronting the main challenges facing the aeronautics industry in the coming years, Embraer, through its technological development program, investigates and develops solutions that create internal competencies for total familiarity with critical technologies for the markets in which the Company is involved, or in which it could be involved in the future.

In order to ensure an adequate vision of the future, the strategy of the technological development program is based on an assessment and monitoring of the worldwide technological scenario. The training efforts moved ahead in 2010 and will continue to receive investments in 2011. All of this is to apply advanced technologies that will make it possible to develop aircraft more quickly and make them safer, lighter, quieter, more comfortable and more efficient in energy consumption and in terms of emissions and with easier maintenance.

Knowledge Network – Embraer's technological development strategy is structured as a program that is able to manage and carry out multidisciplinary projects and be part of a variety of institutions, like universities, research institutes, stimulus institutions and other companies that operate as a network of development partners. At the present time, more than 50 Research and Development (R&D) institutes, in the technological cooperation network, involve over 250 researchers from the scientific community. In 2010, an important step was taken to integrate with global research networks, when the Company became a member of an initiative of Singapore's Agency for Science, Technology and Research (ASTAR), which allowed Embraer to access knowledge at the forefront of aeronautical technology.



In light of the importance of R&D for the nation's development, and the strategic importance of the aeronautics industry for technological innovation, Embraer actively participates in discussions with the main corporate leadership and the government, in order to strengthen public policies for stimulating the National Innovation System. In this way, the Company seeks to contribute to building a more dynamic environment that favors technological innovation in companies and the intensification of the research of emerging technologies in the Country. **GRI SO5**

Innovation and Intellectual Property – The technological development program showed significant results. Among them were two important projects in the area of energy efficiency for onboard aircraft systems, which will allow greater efficiency in fuel consumption and a resulting reduction of emissions for future Embraer products.

From 2003 to 2010, Embraer substantially increased its requests for patents. In all, 64 requests were made, of which 26 have been granted so far.

Industrial Operations

In 2010, Embraer moved forward to make its manufacturing units benchmarks of productivity and technology in its industry.

The aircraft production volume surpassed the previous year by two airplanes, including the delivery of the first units of the new Legacy 650, which joined the portfolio of executive aviation products. The Phenom 300 program climbed to 26 deliveries in 2010.

The Embraer Enterprise Excellence Program (P3E) continued advancing with the implementation of important initiatives, Kaizen projects and 3P (Production Preparation Process). During the year, there was significant progress in the certification level of the continuous improvement cell groups for industrial activities, with the qualification of the Company's first silver cells.



The strategy for automation implementation moved significantly ahead in 2010. Projects were put in place that raised productivity and quality. Other robots were added to the already existing number for joining the fuselages, manufacturing E-Jet wing panels, performing ultrasound inspections and assembling structures made of composite materials for executive jets.

As for the development of new programs, the first large tooling sets for the wing and horizontal and vertical stabilizers were received for assembling the prototype of the Legacy 500, for which the first parts had already been manufactured. The KC-390 cargo transport jet, which is another big project in the development phase, also took significant steps forward by establishing the production process and doing the preliminary planning of the infrastructure for producing these airplanes.

Embraer Enterprise Excellence Program – P3E

GRI 4.9 | EC9

It is of vital importance that every corporation know the right time to make big changes that have the power to impact its way of being and doing. Embraer has experienced this ever since the presentation, in July 2007, of the Embraer Enterprise Excellence Program (P3E), which is a system based on a Japanese model whose objective is to take Embraer's management, processes and products to the level of excellence, starting with improving the skills of all of the Company's employees and leaders.

The four sustaining pillars of P3E are:

- The development of Embraer's organizational culture
- The development of people
- The continuous formation of leaders and of their management skills
- The pursuit of excellence and efficiency in all of the Company's processes

The last item uses Kaizen³ and the Lean⁴ philosophy to improve processes in an integrated fashion.

The program was developed by setting up continuous improvement cell groups, based on the Company's value flow. The advance of the cells in the stages of the program goes through a certification process, starting with a basic qualification and, then, successively moving through the bronze, silver and gold levels, as performance goals are achieved.

By 2010, 424 of the 443 existing cell groups had qualified, which means that they had established the expectations of internal and external customers, the routine for applying the tools for continuous improvement and the excellence goals. By the end of the year, four cell groups had achieved silver certification and 280, the bronze level.

4. Japanese administrative concept that means continuous and gradual improvement in the company or in the personal life. Above all, it is a philosophy of life of constant improvement, based on the phrase "tomorrow is better than today".

5. A management philosophy derived from the Toyota Production System, also called Lean Manufacturing, which came up in Japan, at the Toyota automobile plant, after World War II. The philosophy is sustained by absolutely eliminating waste, and the two supporting pillars are just-in-time and automation. The seven biggest wastes that the system works to eliminate are: overproduction, waiting time, transportation, processing, inventory, movement, and defects.



Furthermore, we began the second cycle of practicing the values, which move from individual actions to a collective movement, and adapting the processes, tools and policies of the cell groups that are a part of the program.

Several tools are used to train employees and to maintain the excellence of operations in each sector. Every member of each of the cell groups has the autonomy to solve problems. To that end, there are quality clinics that identify difficulties and make it possible to repair mistakes. There is also a skill matrix that shows the technical capacities of the people in each cell, which helps focus needed adjustments and training.

Leaders are trained in three stages: a) program for new leaders; b) perfecting command skills; c) forming new entrepreneurs, for the purpose of ensuring the perpetuity of the business. The leader must always be aligned with the P3E values, in order to inspire subordinates and thus reduce waste and increase Embraer's competitiveness.

The program also established a culture of "self-expression," where employees can offer solutions and innovations for the operating and management processes, besides new values for the Company: the importance of teams for the Company's success, serving customers well, constant pursuit of excellence, innovation as a Company hallmark, global thinking and alignment with sustainability.

Occupational Health and Safety GRI LA7

The Company holds OHSAS 18001 certification. Embraer has the Environmental, Occupational Health, Safety and Quality Integrated Management System (SIG-MASSQ) that monitors the actions and results of all of the units and integrates the Company, employees, outsourced personnel and partners in issues relating to health and safety. This system is evaluated annually and certified by ABS - Quality Evaluations.

Based on P3E, all of the Company's areas have continuous improvement targets for the processes and criteria for eligibility connected with the issues of occupational health and safety. Furthermore, the system is supported by other programs, such as the Behavioral Program that has contributed to the goal of reducing job-related accidents by involving employees in the subject of safe behavior.

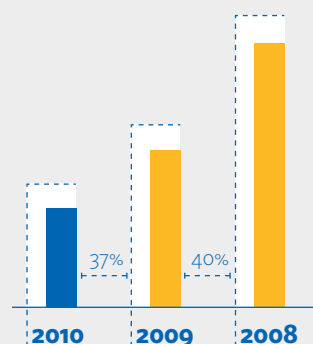
The SIG-MASSQ strategy is based on establishing objectives and goals that are strengthened through actions such as those covered by the Plan for Excellence in Occupational Health and Safety, whose main goal is to reduce job-related accidents by 70% and reduce the degree of seriousness by 50%, by December 2012. The plan has a four-pronged focus: prevention, process changes, educational actions and corrective actions.

In 2010, compared to 2008, there was a 50% reduction in the number of job-related accidents requiring a leave from work, and 37% in accidents requiring no leave, at just the Faria Lima plant, which has the largest group of people (see graph), thus reflecting the preventive, corrective and educational actions.

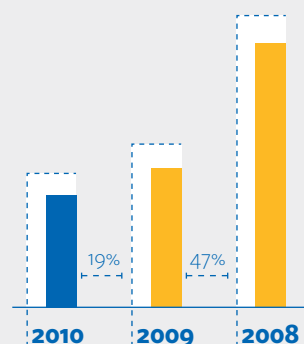
Embraer has not recorded an accident fatality among either employees or outsourced personnel since 2007.

Accidents Graphs – Faria Lima Unit

Work-related accidents without loss of working days



Work-related accidents with loss of working days



Supply Chain Management

Embraer does not apply common policies or practices of preference to any type of supplier. There are several factors that influence the selection of suppliers, including reliability, cost, technical capacity, availability and delivery deadlines, quality, purchase convenience, assistance and production capacity. **GRI 2.4 | 2.5**

In the production process, the purchased aeronautical materials represent a high percentage of aircraft costs and, consequently, have a big impact on the Company's cash flow. One of the main efforts put forth in 2010 was to conduct projects in such a manner as to improve cash flow, turnover, relations and communications with suppliers, labor processes, training the employees of the Supply Department, and reducing the volume of inventory of purchased materials. About 5% of the budgets for the purchase processes of the operating units is worked out with local suppliers. Projects for reducing inventory levels covered changing the purchasing planning policies for materials (lot and emergency inventory), eliminating inventory excesses, reducing obsolete materials and taking actions for improving cash disbursement forecasts. The project

integrated the rules and procedures practiced by all of the areas involved in the supply chain, such as freight, Incoterms, currency conversion, receiving materials, exhibits and payment conditions.

Meetings are held with executives and to accompany action plans with the main suppliers of aeronautical materials. Quarterly checks are made of: on-time delivery, quality indexes, management of product modification and customer satisfaction. To improve relations and communications, the Embraer Suppliers Conference (ESC) and Supply Chain Alignment (SCA) are held twice a year, with the participation of supply chain companies, in order to communicate Embraer's expectations and present current and future scenarios for the airline, executive jet and defense and security markets. Also, production plans, action plans and projects for improving the supply chain and product quality are presented.

Evaluations were done of key suppliers, in order to identify potential risks to the supply chain and to limit them. Checks are made of risks related to finances, product quality, supply chain, modifications and engineering and production workload versus capacity. After the check is finished, Embraer, in conjunction with the suppliers, establishes action plans to limit or eliminate the risks. **GRI EC6**

Sales Financing

Despite the effects of the crisis on the availability and cost of financing aircraft, in 2010 the airline companies were able to structure the financing of their deliveries, and the export credit agencies fully supported their manufacturers. Embraer's customers, in particular, obtained wide-ranging success in structuring aircraft financing.

The diversification of the E-Jets customer base and the versatile application of the aircraft in several business models have contributed to a positive perception of the asset as a risk-mitigating element, and consequently, the residual values have performed excellently. The successful structuring of financing for Embraer 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 of the Brazilian export financing system, composed by BNDES, SBCE and the Ministry of Finance, increased in recent years due to the financial crisis and represented about 53% of the total deliveries in 2010, and should maintain similar levels in 2011. However, accumulated government support represents only 17% of the total E-Jets deliveries since 2004.

There are signs of liquidity in the market as a whole. Private banks, leasing companies and the capital markets should increase their participation in new financing in the coming years. Agencies giving credit to exports will continue their important involvement in 2011 in meeting total financing needs, which are estimated at US\$77 billion for the airline market.

In 2010, Embraer announced the second Memorandum of Intent (MOI) with companies from China to finance and lease aircraft. These agreements will contribute to providing strong support for our customers worldwide. It is expected that participation in structuring for leasing will increase significantly over the coming years.

This year, Embraer concluded its first Pure Cover line of credit for exports. With the creation of this structure, the financing bank benefits from a 100% guarantee from the Brazilian government, via the Department of International Affairs of the Ministry of Finance. This new structure will also offer more credit to Embraer customers, because it facilitates access to international financial institutions and a broad range of investors from the capital markets.



Asset Management

In order to offer the best support to sales and reduce some of the financial risks relate to selling airplanes, in 2002, Embraer created the ECC Leasing Co. Ltd. subsidiary, based in Dublin, Ireland.

The mission of ECC Leasing is to manage and sell the portfolio of aircraft that, due to contractual obligations, may be acquired by Embraer by trade-in and repurchase. This company also provides resale services to third parties connected with sales campaigns.

Up to the present time, ECC Leasing has handled 86 aircraft manufactured by Embraer, 37 of which have been resold, 30 are under operating leases, 11 are available to be placed back on the market and 8 are used by Embraer to conclude testing and certification, mainly for the E-Jets and the Legacy 650.

Besides these aircraft, at the end of 2010, ECC Leasing acquired a fleet of 25 Citation Ultra aircraft, by trade-in, through a sales contract for 50 Phenom 300 jets, signed by Embraer with NetJets Inc. The objective of ECC is to resell these aircraft on the secondary market.

Intangible Assets

For Embraer, the strength of the brand is one of its main intangible assets. Penetrating different markets and regions and holding a significant market share demonstrate a global acceptance, always associated with highly reliable, innovative, sustainable and state-of-the-art products.

Product Responsibility and Safety

Embraer has the highest production standards, Embraer has the highest production standards, which begin with the commitment to entrepreneurial excellence. The P3E program, which pursues continuous improvement of people and processes, is one of the pillars of responsibility for a product, like an airplane, involving technology and safety measures. Besides training employees, the Company and its training partners provide all of the operators of the aircraft it manufactures with a comprehensive set of technical training courses.

Our sense of responsibility is also reflected in the certifications earned for design, manufacture and air navigability obtained for our airplanes in Brazil and abroad. Certification is a legal and mandatory process for civil aviation, in which Embraer must show that the product meets the safety requirements set by the certifying agency.

For Embraer, the safety of its products is one of the fundamental bases for generating value. Its safety policy is a proactive approach to the entire life cycle of the product, so as to ensure that the rules and standards of safety are met, besides exceeding the minimums required by aeronautical certification agencies.

Its concern for protecting the health and safety of people, at all stages of the life cycle of its products and services, is perceived not only in total compliance with compulsory regulations and standards, but also in the pursuit of voluntary certifications. Embraer has certifications issued by aeronautical agencies (CHE -

| INTANGIBLE ASSETS | COMPONENTS | MEANS OF EVALUATION |
|-----------------------|---|--|
| Embraer Brand | Third-largest manufacturer of commercial jets in the world | Total sales |
| | Fourth-largest Brazilian exporter | Global customer base |
| | 41 years in operation | Group formed by important world-renowned partners |
| | | Bond credit rating (investment grade) by Moody's and Standard & Poor's |
| Human Resources | Knowledge and skills related to strategic competencies | Company performance |
| | High production rates, motivation and commitment | Performance and Process Management System (P3E) |
| | | Awards and recognition in the area of people management |
| Intellectual Property | Knowledge management process | Number or value of patents |
| | Legal protection of intellectual property related to innovations | |
| Infrastructure | Complete knowledge and control of the business cycle, from conception to customer support | Operational performance |

Certificado de Homologação de Empresa/Company certification and CHT - Certificado de Homologação de Tipo/Type certification) and by the international ABS - Quality Evaluations (OHSAS 18001 and AS 9100) agency.

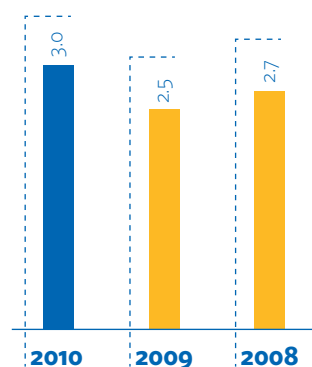
New products, or even the modifications made in projects that have already been certified, are released to operators after a formal process of demonstrating compliance with the safety requirements and resulting issuance of approval by the civil aviation authority.

The process of guaranteeing the integrity of Embraer's products continues, even after the aircraft goes into service, or after modifications have been made, with the appropriate follow-up of the fleet, both by Embraer and by the responsible agencies. **GRI PR1**

Furthermore, via technical operating and maintenance manuals of the aircraft, Embraer makes detailed information available for all of its products and services so that customers and end users can use them safely, efficiently and in accordance with the applicable regulatory demands, thus minimizing the environmental and social impacts arising from their use.

Certifications - All of the aircraft developed by Embraer are certified by Brazil's National Civil Aviation Agency (Agência Nacional de Aviação Civil - ANAC), the Federal Aviation Administration (FAA) of the United States and the European Aviation Safety Agency (EASA) of the European Union, as well as others, depending on where the aircraft will be registered and operated. **GRI PR3**

Subjects Included in the Product Safety Committee Monitoring



(*)The value refers to the average per type of monitored aircraft.

In its 41 years

of operations, Embraer has been at the forefront of the industry, innovating the way of transporting people while globally consolidating its brand.

The safe performance of the products is continuously monitored with customers. Any risks eventually identified are immediately evaluated and treated by Embraer's Product Safety Committee, thus consolidating a complete process for managing risks that seeks to minimize exposure, according to the best standards of the industry. The following graph presents the annual average of subjects included in the monitoring performed by this committee. Even while continually launching new models and with the number of airplanes in operation growing, in recent years this average has remained at around three issues per type of airplane monitored.

In the event of an accident or serious incident involving one of its products, Embraer's Flight Safety representatives participate in investigations and supports the authorities in charge, always in accordance with the regulations of Attachment 13 of the International Civil Aviation Organization (ICAO). In the case of an accident that occurred in China, in August 2010, involving an EMBRAER 190 jet, a team of experts from the Company was present at the site, from the very beginning of the work, supporting the Civil Aviation Administration of China (CAAC). Although the investigation has not been concluded, at the present time, nothing has been found to suggest a cause related to the product.

In other accidents that occurred in 2010, like the crash of an EMB-810C Seneca II, in Manaus, Amazonas, Brazil; an Embraer 110 Bandeirante in the municipality of Senador José Porfírio, Pará, Brazil; and an Embraer 120 Brasília in Australia; besides a belly landing of an ERJ 145 in Vitória da Conquista, Bahia, Brazil there was no proof of manufacturing problems with the aircraft. **GRI PR2**





COMMERCIAL AVIATION CUSTOMERS

PORTFOLIO – COMMERCIAL JETS

| | | |
|----------------|---|--|
| ERJ 145 Family |  | Capacity: up to 50 Seats Range: up to 2,000 nm (3,700 km) |
| 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) |

PORTFOLIO – EXECUTIVE JETS

| | | |
|--------------|---|---|
| Phenom 100 |  | Capacity: 6 to 8 Occupants Range: 1,178 nm (2,182 km) Category: Entry-level |
| Phenom 300 |  | Capacity: 8 to 10 Occupants Range: 1,971 nm (3,650 km) Category: Light |
| Legacy 450 |  | Capacity: 7 a 9 Seats Range: 2,300 nm (4,260 km) Category: Midlight |
| Legacy 500 |  | Capacity: 8 a 12 Seats Range: 3,000 nm (5,556 km) Category: Midsize |
| Legacy 600 |  | Capacity: 10 to 14 Occupants Range: 3,400 nm (6,297 km) Category: Super Midsize |
| Legacy 650 |  | Capacity: 10 to 14 Seats Range: 3,900 nm (7,223 km) Category: Large |
| Lineage 1000 |  | Capacity: 13 to 19 Seats Range: 4,500 nm (8,334 km) Category: Ultra-large |

PORTFOLIO – EMBRAER DEFENSE AND SECURITY

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

C4I Integrated Systems,
Data Link

Training and Operation Support System

TOSS

Aircraft Modernization

PORTFOLIO – AGRICULTURAL AVIATION

Ipanema



Aircraft Deliveries by Segment GRI 2.2

| | | 2010 | 2009 |
|-------------------------------|--|------------|------------|
| Commercial Jets | | 100 | 122 |
| ERJ 145 | | 6 | 7 |
| EMBRAER 170* | | 9 (2) | 22 |
| EMBRAER 175 | | 8 | 11 |
| EMBRAER 190 | | 58 | 62 |
| EMBRAER 195 | | 17 | 20 |
| Executive Jets | | 144 | 115 |
| Phenom 100 | | 100 | 93 |
| Phenom 300 | | 26 | 1 |
| Legacy 600 | | 3 | 18 |
| Legacy 650 | | 7 | - |
| Lineage 1000 | | 5 | 3 |
| EMBRAER 170 Shuttle | | 3 | - |
| Defense and Security** | | 2 | 7 |
| ERJ 135 | | 1 | 1 |
| Phenom 100 | | - | 4 |
| Legacy 600 | | 1 | - |
| EMBRAER 190 | | - | 2 |
| Total Jets | | 246 | 244 |

* Deliveries identified with parentheses were accounted for as operational leasing.

** Includes only deliveries of executive jets to be used for VIP transportation and aircraft for stated-owned airlines.

Airline Market

In Brazil, due to the success of Passaredo Linha Aéreas' operations of the ERJ 145, which began in 2009, that company's fleet was doubled in 2010, to ten from this aircraft family. In Ukraine, Dniproavia Airlines uses the aircraft to cover new markets and to substitute for larger airplanes, in order to adapt the number of seats to demand. In Mexico, the 50-seat jet is operated by AeroMexico Connect and is an increasingly important element for feeding AeroMexico's hubs. The company operates 41 aircraft, which is the fourth-largest ERJ 145 fleet in the World.

In order to serve the growing market for used aircraft, and to give support to the needs of customers, Embraer offers the Lifetime Programme, a customizable support package that has been essential to guaranteeing the success of the operation of the ERJ 145 in those markets. Furthermore, Embraer also offers a conversion to a shuttle configuration as an option for customers of this family.

The 888 ERJ 145 jets delivered by Embraer are now flying for over 30 airline companies on five continents, and have surpassed the impressive figure of 13 million cycles and 15 million flight hours.

The 61- to 120-seat jets are increasingly serving as strategic tools, which are fundamental for airlines to protect their competitive positioning. Similar to what happened after September 11, 2001, the effects of the worldwide financial crisis, which began in 2008 and peaked in 2009, have forced companies to adapt seat offerings to a reduced demand. The E-Jets have provided the needed agility for companies to adjust the seat offerings on their routes, thus maintaining their level of service while, at the same time, protecting their market shares. This strategy favored the positioning of companies for regaining the growth of their business when the industry began to recover in 2010.

At the same time, the E-Jets have been recognized by the market for their capacity to operate within all business models, whether low-cost, mainline or regional companies. This flexibility is the direct result of low fuel consumption and low emissions, and reduced operating costs. The high levels of punctuality and excellent comfort offered by this aircraft family are also fundamental factors for the versatility of the product.

In just six years after the first EMBRAER 170 went into service, the E-Jets conquered a solid and diversified customer base of 58 airlines in 39 countries on five continents, while surpassing the mark of five million flight hours. The delivery of the 700th E-Jet – an EMBRAER 190 – to BA CityFlyer, of the U.K., represented an enormous triumph for Embraer and is a milestone achieved by few commercial aviation programs in the history of the world aviation industry.

The EMBRAER 190 of BA CityFlyer went into operation at the main business airport in London, London City (LCY), where Embraer gained steep descent certification for this model. The EMBRAER 170 was certified in 2007 for the same function and is also operated by this airline company, out of LCY.

In 2010, the market began to show signs of recovery, which was reflected in the announcement of new E-Jet sales: EMBRAER 170/190 to Gulf Air (Bahrain), EMBRAER 175 to FlyBe (U.K.), EMBRAER 190 to Air Lease (U.S.), EMBRAER 190 to Republic Airways (U.S.), EMBRAER 175 to Fuji Dream Airlines (Japan), EMBRAER 195 to Lufthansa (Germany), and EMBRAER 190 to Austral Líneas Aéreas (Argentina). In addition, Azul (Brazil), TRIP (Brazil), and BA CityFlyer (U.K.) confirmed their confidence in Embraer's products by converting several options into firm orders.

Also in 2010, three new customers began operating E-Jets: Austral Líneas Aéreas (Argentina), Gulf Air (Bahrain) and Air Moldova (Republic of Moldova).

At the end of 2010, the E-Jets achieved the impressive figure of 947 firm orders, 720 options and 699 new jets delivered. With the ERJ 145 family and the E-Jets, Embraer achieved a market share of 44% in the segment of 30 to 120-seat jets. The firm order backlog for the airline market reached US\$7.6 billion, or the equivalent of 250 aircraft, detailed as follows:

Airline Market – Firm Order Backlog 2010

| AIRCRAFT MODEL | FIRM ORDERS | OPTIONS | DELIVERIES | FIRM ORDER BACKLOG |
|---------------------------------------|--------------|------------|--------------|--------------------|
| <i>ERJ 145 Family</i> | | | | |
| <i>ERJ 135</i> | 108 | - | 108 | - |
| <i>ERJ 140</i> | 74 | - | 74 | - |
| <i>ERJ 145</i> | 708 | - | 706 | 2 |
| Total – ERJ 145 Family | 890 | - | 888 | 2 |
| <i>EMBRAER 170/190 Family</i> | | | | |
| <i>EMBRAER 170</i> | 191 | 40 | 181 | 10 |
| <i>EMBRAER 175</i> | 173 | 276 | 133 | 40 |
| <i>EMBRAER 190</i> | 478 | 353 | 321 | 157 |
| <i>EMBRAER 195</i> | 105 | 51 | 64 | 41 |
| Total – EMBRAER 170/190 Family | 947 | 720 | 699 | 248 |
| Total | 1,837 | 720 | 1,587 | 250 |

Executive Jets

Despite the difficulties that affected the worldwide aviation market, Embraer significantly expanded its share of the executive aviation market. In terms of units delivered, Embraer's share rose from 14% in 2009 to 19% in 2010. In terms of revenues, the increase was from 6.4% to 6.9%, due to the mix of products delivered. These increases are considered to be extremely relevant, given the World's current economic scenario.

One sign of recovery was the purchase agreement for up to 125 aircraft signed by Embraer and the U.S.-based NetJets, which is the biggest shared ownership operator in the World and has a fleet of over 800 aircraft in the light, midsize and large categories. The agreement provides for the purchase of 50 Phenom 300 light jets, plus 75 options to buy, and could come to about US\$1 billion.

During 2010, in line with a planned strategy, Embraer worked in the executive aviation market and made direct efforts that consolidated even more the commitment established with the market at the beginning of the decade. Those efforts were a part of the offer of integrated solutions for acquiring and operating Embraer's executive jets, and covered everything from ANAC and EASA certifications obtained by the Phenom 300 to the expansion of the network of sales representatives, training, services and customer support.

The Legacy 650 jet debuted on the market in 2010. After obtaining ANAC and EASA certifications, the aircraft took its first flight directly from Dubai, in the United Arab Emirates (UAE), to London, in the U.K. Furthermore, the first unit of this aircraft was delivered in December to a customer in the Middle East, reinforcing the good acceptance of the Legacy platform in that market. On the other hand, the super midsize Legacy 600 is entering its ninth year of production with wide market acceptance, having achieved 185 aircraft in regular operation in 35 countries, in December 2010.

Also in 2010, the 100th Phenom 100 entry-level jet was delivered to JetSuite, an American shared-ownership operator. Furthermore, the first delivery of a unit of this aircraft to an Indian customer occurred in November, reinforcing the position of Embraer on the Asian market. At the end of the year, the Phenoms then flying came to over 180 aircraft in 22 countries. The Phenom 300 was delivered to a Brazilian and an Indian customer for the first time, thus confirming the acceptance of Embraer's executive jets in emerging markets. In May 2010, the aircraft received EASA Type Certification.



The new midlight Legacy 450 and midsize Legacy 500 jets saw their first parts produced, beginning in January 2010. The development of these aircraft continues on schedule. In October 2010, ground tests began on the Legacy 500, and its first flight is expected for the end of 2011.

In September 2010, the longest flight ever taken by an Embraer executive jet was recorded. The ultra-large Lineage 1000 took a nonstop flight from Mumbai, India, to London, U.K. Furthermore, an aircraft of this jet model was delivered to a Mexican customer for the first time, and the fleet was increased in the Middle East.

At the end of 2010, Embraer had accumulated a backlog of US\$4.7 billion in executive jet orders.

Defense and Security

Embraer Defense and Security played a strategic role in Brazil's defense system – it has already supplied more than half of the Brazilian Air Force (FAB) fleet – and is now beginning to aggressively expand its influence to other regions, besides the more than 25 countries that it already serves with its aircraft.

Now under development and in schedule, the KC-390 military transport and in-flight refueling aircraft is right on schedule. The KC-390 will have the capability of flying 850 kilometers per hour and carrying up to 23 tons of useful payload. It can also carry 64 battle-equipped parachutists or 80 conventional infantry soldiers, and will allow Embraer to enter a new market segment. The first flight of the prototype is expected by 2014 and the certification of the aircraft by the end of the following year. The aircraft already has 60 intents to buy – 28 from FAB; 12 from Colombia; six each from Chile, Portugal and Argentina; and two from the Czech Republic.



In 2010, two transport aircraft were delivered to the defense market, eight F-5s were modernized by FAB's F-5M Program, and 35 Super Tucanos were delivered to Brazil, Ecuador, the Dominican Republic and Chile.

The year 2010 was very significant for the entire line of products for the defense and security segment. The Super Tucano training and light attack aircraft continued to be one of the highlights, and went into service in one more country, Ecuador, which joined Brazil, Colombia, Chile and the Dominican Republic as operators of the aircraft. Furthermore, a contract was signed with a new customer, Indonesia, to supply eight aircraft, starting in 2012, making a total of 180 aircraft sold and 152 delivered. The contract with Indonesia represents the first in the Asia Pacific region.

Embraer Defense and Security has a contract with FAB to produce 99 Super Tucano airplanes, and in 2010, FAB received the 89th unit. Deliveries were finalized of the 12 units to Chile and the 8 to the Dominican Republic. The Ecuadorian Air Force ordered 18 aircraft, and 15 have already been delivered. This wide acceptance confirms its versatility, associated with its good performance for training and operating missions, and its low acquisition, operation and maintenance costs.

In 2010, the training and operational support systems (TOSS) – which can include flight simulators, computer-based training (CBT), mission planning stations (MPS) and mission debriefing stations (MDS) – were also developed to support operations of the Super Tucano in Chile, Ecuador and the Dominican Republic. These countries receive basic, advanced and instructor training. Training services were also supplied, in 2010, to Thailand (ERJ 145 family), Panama (Legacy 600) and the Brazilian government (EMBRAER 190PR).

As for Intelligence, Surveillance and Reconnaissance (ISR) systems, the highlight is the AEW India program, now fully underway, for India's Defence Research and Development Organization (DRDO), to supply three EMB 145 AEW&C aircraft. The first delivery is expected for 2011.

As for aircraft for transporting military and civilian officials, the deliveries of an ERJ 135 to the Thai Navy and a Legacy 600 to the government of Panama demonstrated the good acceptance of our platforms for carrying authorities.

In the area of modernization programs, three are currently underway for Brazil's armed forces. In the A-1M program, Embraer is responsible for modernizing 43 subsonic AMX fighters. Besides this program, a contract was signed at the end of 2010 with FAB to modernize these aircraft.



NASHVILLE | 9:30AM | -6

SÃO JOSÉ DOS CAMPOS | 12:30PM | -3



The second program – the F-5M for FAB – covers a total of 46 F-5 fighters, of which 8 more units were delivered, in 2010, with 5 units left for 2011. At the beginning of 2011, a contract was signed to modernize 11 additional F-5 fighters, besides supplying another flight simulator for this aircraft, as a continuation of the contract signed in 2000.

The third program has to do with modernizing 12 A-4 aircraft for the Brazilian Navy, 2 units of which are already at the Company's facilities.

At the end of 2010, the Embraer Defense and Security business unit had accumulated a firm order backlog of US\$3.3 billion.

Aeronautical Services

The worldwide network of customer support and services for Embraer's Executive Aviation business continued expanding in 2010, with the naming of five new authorized service centers. Currently, this network consists of five Company-owned centers and another 37 authorized centers.

The number of Embraer aircraft is continuously expanding throughout the world, and the Company continues to stay focused on supplying and developing aeronautical services. In July 2010, it created the first full subsidiary in China, after ten years of activities in the country: China Aircraft Technical Services Company Ltd. (ECA), headquartered in Beijing and with investments of US\$18 million, specializing in logistics and the sale of spare parts, as well as consulting services on technical and flight operations issues.

The first flight simulator for the new Phenom 300 jet at Embraer CAE Training Services (ECTS) received certification from ANAC, the FAA and EASA in August 2010. This is a cutting-edge training tool in operation at the CAE SimuFlite training center in Dallas, Texas, U.S., and it is used by customers to qualify pilots for that particular aircraft.

16 billion

In 2010, the aeronautics market was marked by the initial signs of stability and recovery in some segments, which allowed the backlog to grow again, coming to US\$ 16 billion by the beginning of 2011.

ECONOMIC PERFORMANCE

Embraer is listed with the New Market (Novo Mercado) of the São Paulo Stock Exchange (BM&FBOVESPA), after following its rules, which deal with the top level of governance in Brazil. This shows our investors, financiers and other stakeholders the Company's commitment to best management practices adopted by open capital companies.

Strategic planning and continuous follow-up, internally and externally, along with the use of corporate indicators, allow the Company to make necessary adjustments in the pursuit of better results. The economic impacts are reflected on the Added Value Statements.

In 2010, the aeronautics market was marked by the initial signs of stability, and even the recovery of several segments. Embraer's good positioning allowed it to take good advantage of the opportunities that arose, mainly in the airline market, and some significant results were achieved, mainly in industrial operations, which contributed positively to improving the Company's gross margin.

Embraer prepared its financial statements for 2010 in accordance with the information gathered and the International Financial Accounting Standards (IFRS) model, applying IFRS 1 "First time adoption of IFRS," and setting January 1st, 2009, as the transition date for the standard.

The individual financial statements of the controller were prepared according to the accounting principles followed in Brazil, in order to allow a better basis for comparing the data.

Net Revenues and Gross Margin

In 2010, Embraer recorded net revenues of R\$9,380.6 million, which is 14% less than the R\$10,871.3 million earned in 2009. This drop is due, basically, to the strengthening of the real (R\$) in relation to the dollar (US\$), with an average annual exchange rate variation of 11.7%, and to a change in the mix of products delivered, with a larger share going to the Phenom. The gross margin calculated in 2010 was 19.2%, and stable in relation to the previous year, which despite the strengthened exchange rate, was compensated by productivity gains arising from the P3E program.

| [R\$ Million] | 2010 | 2009 |
|---|----------------|-----------------|
| Net Income | 9,380.6 | 10,871.3 |
| <i>Cost of Products Sold</i> | (7,582.6) | (8,759.5) |
| <i>Gross Profits</i> | 1,798.0 | 2,111.8 |
| <i>Gross Margin</i> | 19.2% | 19.4% |
| <i>Operating Expenses</i> | (1,112.4) | (1,345.1) |
| <i>Earnings before Interest and Taxes</i> | 685.6 | 766.7 |
| <i>Operating Margin</i> | 7.3% | 7.1% |
| <i>Depreciation and Amortization</i> | 383.6 | 452.1 |
| Adjusted EBITDA* | 1,069.2 | 1,218.8 |
| <i>Adjusted EBITDA Margin</i> | 11.4% | 11.2% |
| Net Income Attributed to Embraer | 573.6 | 912.1 |
| <i>Net Margin</i> | 6.1% | 8.4% |
| <i>Earnings per Share</i> | 0.79 | 1.26 |
| <i>Number of Shares**</i> | 723,665 | 723,665 |

* Adjusted EBITDA, according to the CVM's Official Letter No. 1/2005, represents the net profits plus net financial income (expenses), income tax and social security, depreciation and amortization, nonoperational income (expenses), minority shareholdings, and asset equivalence.

** Does not include 16.8 million shares held by the treasury.

Income per Business Segment and Region

In 2010, the Airline, Executive Aviation and Defense and Security segments represented, respectively, 53%, 21% and 13% of total net revenues, compared to 62%, 16% and 9% in 2009. Aeronautical services and other business maintained their 11% and 2% shares, respectively, of total net revenues.

Net revenues for the airline market closed out the period with R\$5,058.8 million, which is a 26% reduction from the R\$6,811.4 million of 2009, due to fewer deliveries and the strengthening of the Brazilian real. The executive aviation market generated revenues of R\$1,983.4 million in 2010, or 17% more than the revenues of R\$1,694.1 million of the previous year. The aeronautical services segment presented revenues of R\$991.2 million, for a drop of 17% from the R\$1,194.3 million recorded in 2009. Net revenues from the defense and security market were R\$1,177.8 million in 2010, for a growth of 24% over the R\$948.9 million of 2009.

Brazil maintained its expansion in the Company's net revenues, growing from 4% in 2008 to 13% in 2010 (11% in 2009). The main factors were seven deliveries to Azul Linhas Aéreas Brasileiras and one to TRIP Linhas Aéreas. Also contributing were the new Phenom 100 and Phenom 300 customers, in addition to the contracts signed with the Brazilian government. Furthermore, in light of the worldwide crisis, North America's share in Company revenue continued dropping, going from 23% to 13% of net revenues.

Operating Expenses and Profits

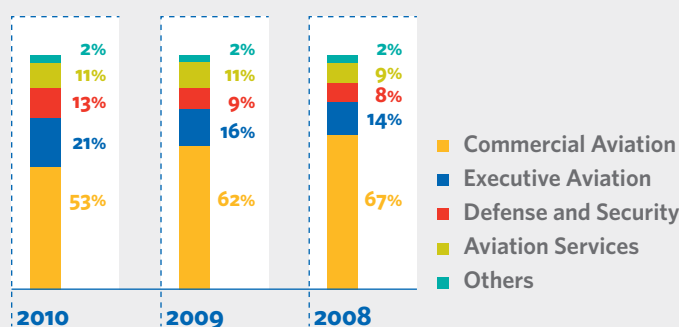
As a result of the large number of aircraft delivered during 2010, total inventory dropped by US\$433 million and closed out the period at a total of US\$2,150.9 million, which was the lowest it has been since 2006. Accounts payable were US\$749.8 million less in 2010, as a consequence of the adjustments in purchases. Furthermore, during 2010, accounts receivable recorded a slight increase of US\$350.4 million. During the period, operating expenses totaled R\$1,112.4 million, for a drop of 17%, compared to the R\$1,345.1 million of 2009, due to a provision of US\$103 million made that year, because of Mesa Air Group entering into receivership. Taking away the nonrecurring effects of the receivership, our operating expenses remained stable in 2010, despite the strengthening of the Brazilian real by nearly 12%.

Commercial expenses, on the other hand, rose 9% over 2009 and totaled R\$657 million, or 7% of net sales revenues. Administrative disbursements recorded R\$346.1 million in 2010, for a drop of 8% from the R\$376.2 million of the previous year.

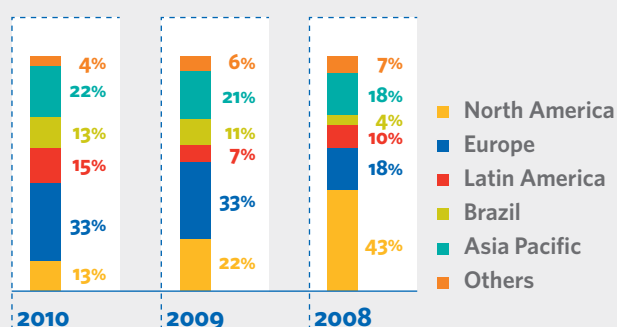
EBIT

Operating profits (EBIT) in 2010 came to R\$685.6 million, or 11% less than the R\$766.7 million of 2009. Even at that, the Company generated an operating margin, also known as an EBIT margin, of 7.3%, which is higher than the 7.1% of 2009.

Revenue by Segment



Revenue by Region



EBITDA

Operating cash generation, as measured by EBITDA, dropped 12% in 2010 from that of 2009 (R\$1,069.2 million and R\$1,218.8 million, respectively), but the EBITDA margin was 11.4%, and remained stable, in relation to the previous year.

Net Profits and Net Margin

Embraer ended 2010 with net financial revenues of R\$30.9 million, or 90% more than the R\$16.3 million of 2009, which is explained mainly by the continuity of the actions to manage financial assets and reduce indebtedness. Therefore, it obtained profits, before taxes, of R\$715.1 million, as opposed to R\$647.2 million for the previous period.

The net profits of R\$573.6 million attributed to Embraer dropped 37% from the R\$912.1 million calculated in 2009, and net margin reached 6.1%, below the 8.4% of 2009. In that same year, net margin was positively influenced by a deferred income tax credit on the difference between the tax base and the accounting base of nonmonetary assets, mainly inventories. Due to the strengthening of the real, in 2010, there was an income tax disbursement that contributed to a reduction in net margin.

Asset Indicators

Embraer closed the year with a total indebtedness of R\$2,390.6 million, or 33% less than the R\$3,584 million of the previous year. Long-term credit lines are 95% of this total. Indebtedness is composed of R\$1,723.3 million (72%) in credit lines, the majority of which are stated in U.S. dollars, and the rest – R\$667.3 million (28%) are stated in Brazilian reals, where the average debt retirement is six years.

The 3.3% growth in operational results, stated in dollars, resulted in an improved return on capital employed (ROCE), showing the Company's greater operating efficiency. Its liquidity evolved over 2009 due to the payment of short-term indebtedness. At the end of 2010, net cash grew 36% to R\$1,152.8 million. Financial management that is close to customers allowed a lessening of the total amount of accounts receivable and customer financing for another year.

Inventory ended the year at R\$3,662.8 million, or 14% below the previous year, which is consistent for the second consecutive year, as a result of managing suppliers and perfecting operational efficiency, which reduced the production cycles.



| CONSOLIDATED INDICATORS [R\$ Million IFRS] | 2010 | 2009 |
|---|-------|-------|
| Net Indebtedness/Assets | 0.5 | 0.7 |
| Inventory Turnover | 2.1 | 2.1 |
| Asset Turnover | 0.7 | 0.7 |
| ROA | 4.1% | 5.9% |
| ROE | 11.0% | 18.2% |
| ROCE* | 16.1% | 15.8% |

* In US\$ IFRS.

| CONSOLIDATED HIGHLIGHTS [R\$ Million] | 2010 | 2009 |
|--|---------|---------|
| On hand* | 3,543.4 | 4,433.4 |
| Accounts Receivable | 581.9 | 709.3 |
| Customer Financing | 117.5 | 91.9 |
| Inventory | 3,662.8 | 4,257.3 |
| Permanent Assets** | 3,194.6 | 3,180.8 |
| Suppliers | 1,250.0 | 1,038.3 |
| Indebtedness – Short-term | 120.9 | 1,031.5 |
| Indebtedness – Long-term | 2,269.7 | 2,552.5 |
| Net Assets | 5,217.7 | 5,019.8 |

* Includes cash and cash equivalents and Active Financial Instruments.

** Includes Property and Intangibles.

| [R\$ Million] | 2010 | 2009 |
|---|--------------|--------------|
| Total Assets | 13,981 | 15,478 |
| Liabilities with Spontaneous Financing | 6,372 | 6,874 |
| Remunerated Liabilities | 7,609 | 8,604 |
| Third-party Capital | 2,391 | 3,584 |
| Own Capital | 5,218 | 5,020 |
| Investments to be Remunerated | 7,609 | 8,604 |
| Net Operating Income | 9,381 | 10,871 |
| Operating Costs and Expenses | (8,696) | (10,240) |
| Operating Results | 685 | 631 |
| Income Tax and Social Contribution | (115) | 290 |
| Cost of Third-Party Capital | (216) | (286) |
| Adjusted Net Profits | 354 | 635 |
| Cost of Own Capital | (675) | (666) |
| Added Economic Value | (321) | (31) |
| EVA/Investment to be Remunerated | -4.2% | -0.4% |

The EVA calculation excludes special purpose entities (SPE).

For **5** years

Five years ago, Embraer was listed on the ISE-BM&FBOVESPA, and in 2010, it became one of five aerospace companies to join the Dow Jones Sustainability Index, ranked in the Gold Class

Economic Value Added (EVA)

Embraer showed a drop in profitability, as measured by the Economic Value Added (EVA), due to the constitution of deferred income tax and social contributions on the difference between the accounting value of assets and liabilities and the tax base, for fiscal purposes, and the increased investments to be remunerated.

Capital Markets

Embraer's relationship with the financial community and with its investors is based on the release of transparent and equitable information communiqués, which are characterized by profound respect for legal and ethical principles, as the Company seeks to consolidate and maintain its leadership and innovation image on the capital markets, according to the rules of the New Market (Novo Mercado) of the São Paulo Stock Exchange (BM&FBOVESPA), which requires the highest level of corporate governance in the Nation. Its shares have been listed on the BM&FBOVESPA since 1989, and on the New York Stock Exchange (NYSE), with level III American Depositary Receipts (ADR), where it completed 10 years in July 2010.

As a result of the management and innovation processes, the Company has been listed with the ISE-BM&FBOVESPA (Corporate Sustainability Index), since it was created in 2005, and joined the Dow Jones Sustainability Index (DJSI) for 2010-2011, thus becoming one of the five aerospace companies from around the world to be listed with the index.

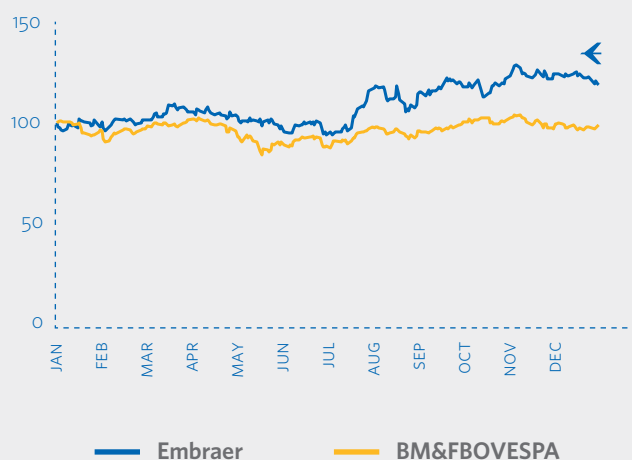
Furthermore, in 2010, Embraer also joined the theoretical lists of the IBrX (Brazil Index), IBrX 50, IGC (Índice de Ações com Governança Corporativa/Index of Stocks with Corporate Governance), the recently created ICO₂ (Carbon Efficiency Index), ITAG (Índice de Ações com Tag Along Diferenciado/Special Tag Along Stock Index), INDX (Industrial Sector Index), and IVBX-2 (BM&FBOVESPA 2nd Line Value Index).

Embraer's capital consists only of common stocks, traded on the BM&FBOVESPA under EMBR3, which recorded a 24% increase in value in 2010, and closed the year quoted at R\$11.80. However, the BM&FBOVESPA, as a whole, rose 1% in value over the same period.

The Company's American Depositary Shares (ADS), listed on the NYSE under ERJ, achieved a quote of US\$29.40 during the last session of the year, representing an increase in value of 33% in 2010, while the Dow Jones increased by 13%.

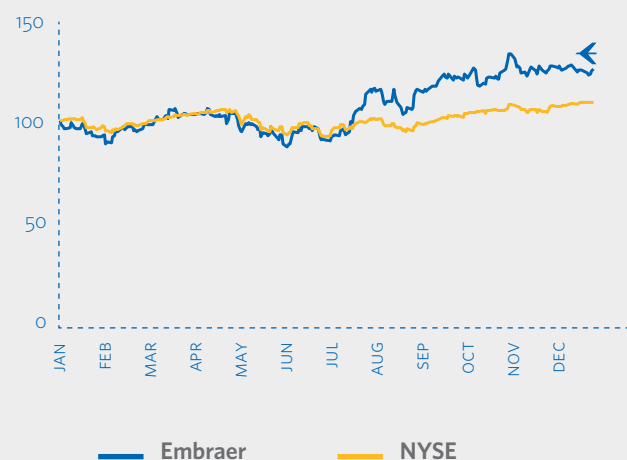
EMBR3 Performance BM&FBOVESPA [2010]

Jan/01/2010 = 100



ERJ Performance NYSE [2010]

Jan/01/2010 = 100



On December 31, 2010, Embraer's capital totaled 740,465,044 common stocks (ON), and 16,800,000 common stocks were deposited in the treasury, with no political or economic value.

Of the total shares forming the Company's capital, on December 31, 2010, 49.6% were being traded on the BM&FBOVESPA, and 50.4% in the form of American Depositary Shares (ADS) on the New York Stock Exchange (NYSE).

In 2010, most of the liquidity of the common stocks was in the North American market, when the volume of ADS traded on the NYSE showed a daily average of 938,000 shares, which is equivalent to the average daily financial volume of US\$23.1 million. On the Brazilian Exchange, common stocks showed an average daily volume of 1,731 shares, with an average daily financial volume of R\$18.4 million.

Embraer's market capitalization came to US\$5.4 billion at the end of December 2010, compared to US\$4 billion on December 31 of the previous year.

Shareholders Remuneration

Based on consolidated net profits of R\$600.2 million, Embraer distributed R\$201 million to its shareholders in 2010, in the form of interest on its own capital, equivalent to R\$0.28 per common stock. This distribution to the shareholders was approved by the Board of Directors in meetings held during the year:

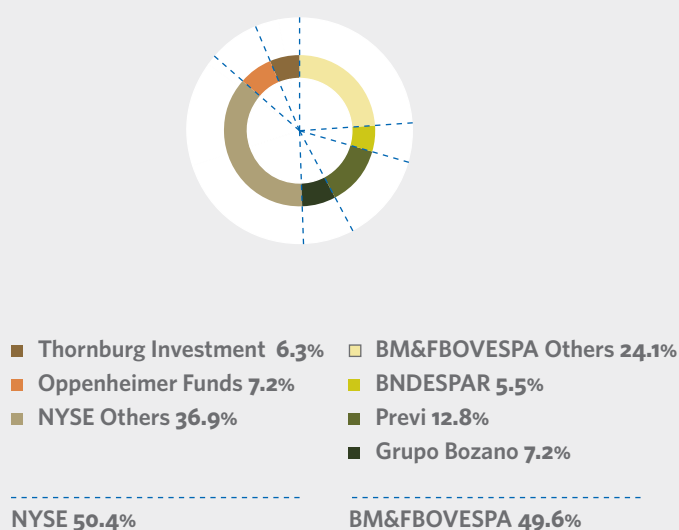
On July 10, the distribution of R\$34.540 million was approved for the first half of 2010, and was paid on November 22, 2010.

On September 16, the distribution of R\$21.709 million was approved for the third quarter of 2010, which was paid on November 22, 2010.

And on December 9, the distribution of R\$144.733 million was approved for the fourth quarter of 2010, and was paid on January 14, 2011.

The distribution of proceeds in 2010 represented 33.5% of the consolidated net profits of the Company.

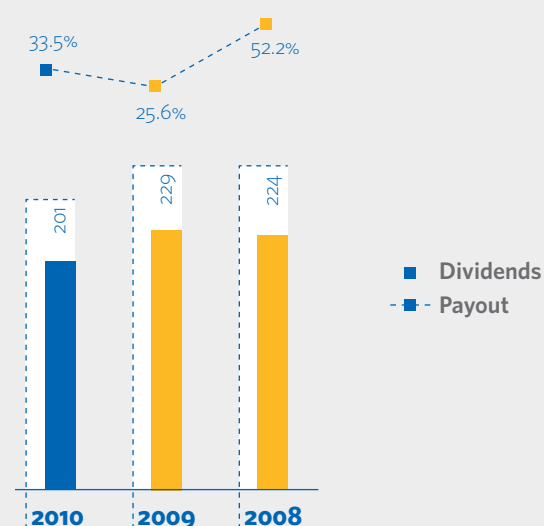
Capital Structure Composition on 12/31/2010*



* Does not include 16.8 millions of shares in the treasury.
Shares total 723.665.044

Dividends Paid

R\$ million



SOCIOENVIRONMENTAL PERFORMANCE

Embraer actively **supports** and participates in projects for developing alternative **solutions** with a focus on reducing the **environmental impact** of air transportation, and on ensuring the **sustainable growth** of the aeronautics industry.

ENVIRONMENTAL PERFORMANCE

The management of environmental performance at Embraer is based on the awareness and training of all employees, on continuously improved actions regarding the subject, and on monitoring processes, activities and results in the Environmental, Occupational Health, Safety and Quality Integrated Management System (SIG-MASSQ). (see page 37)

SIG-MASSQ integrates all of the data referring to the environmental impact of the units in Brazil, and their aggregate indicators are: liquid effluents, solid wastes, atmospheric emissions, water, electrical power and greenhouse gases (GHG).

As a reflection of its environmental initiatives, the Company has held ISO 14001 certification since 2002 and is evaluated annually by ABS - Quality. Furthermore, since December 2007, Embraer has promoted the corporate management of its environmental guidelines, through the Environmental Master Plan.

Our commitment to protecting the environment and natural resources is also extended to an unrestricted compliance with all of the environmental legal requirements and standards in all of the countries in which Embraer has units or sells its products.

In 2010, based on the Embraer Enterprise Excellence Program (P3E) and on the Behavioral Program, new requirements were included that are connected to the environment and occupational health and safety, by establishing targets for reducing the use of natural resources and the number of job-related accidents.

Regarding eco-efficiency, in 2010, a survey began of possible energy-efficiency projects and of rationalizing water consumption in the various production and administrative processes. During the current year, Embraer is evaluating long-term goals regarding the environmental aspects of its operations and processes.

As for product development, a project was begun in the second half of 2010 to introduce environmental requirements to Embraer's products, throughout their life cycle.

During 2010, Embraer continued to support several projects for developing bio-kerosene for aviation, through various technological partnerships, besides being a founding member of the Brazilian Alliance for Aviation Bio-Kerosene (Aliança Brasileira para Bioquerosene de Aviação - ABRABA).



MELBOURNE | 10:30AM | -5



LOUISVILLE | 10:30AM | -5



SÃO JOSÉ DOS CAMPOS | 12:30PM | -3



BOTUCATU | 12:30PM | -3



HARBIN | 11:30AM | +8



SINGAPORE | 11:30AM | +8

Product Development

GRI 4.17 | EC2 | EN6 | EN26 | EN27

The global air transportation industry is responsible for about 2% of the greenhouse gas emissions generated by human action⁶. The growth of this industry over the past several decades, allied with increased efficiency, has avoided making the current scenario more significant. However, with the constant growth in air traffic, it is forecast that this proportion will increase in the coming years.

In response to that, civil aviation in general – airline companies, aircraft manufacturers, airports and air traffic control systems – has been working in a coordinated fashion on a series of goals for reducing its environmental impact (footprint), so as to continue to be an instrument for economic growth. The goals include: improve fuel burn efficiency by 1.5% by 2020, limit industrial emissions as of 2020 and reduce industry emissions by 50% by 2050, based on 2005 figures.

To that end, we consistently invest in technological development, in order to meet the challenge. Embraer's plan for technological development gives priority to initiatives that seek to improve the performance of the products and mitigate their environmental impact.

Among the innovation and increased efficiency initiatives are the following projects:

- Improvement of airplane aerodynamics
- Intensively use of lighter materials to reduce the structural weight of the aircraft
- Develop aircraft with more electrical systems that are less dependent on power from the engine
- Research alternative fuels, including bio fuels

6. www.iata.org/whatwedo/environment/Pages/climate_change.aspx

- Work to develop new-generation engines, in conjunction with propulsion system manufacturers
- Research new technologies for reducing internal and external noise levels, for the purpose of increasing passenger comfort and causing less noise impact in the vicinity of airports

During the second half of 2010, a project was begun to introduce environmental requirements and evaluate the impacts of Embraer's products on the environment during their entire life cycle, which consists of:

- Conception
- Certification
- Production Process
- Customer Operation
- Disposal

Development of Biokerosene

Companies and institutions connected with the aviation, agricultural and energy sectors have been carrying out a variety of activities and projects, in order to contribute to the development of sustainable alternative fuels for aviation.

The industry's objective is to develop effective solutions for reducing its environmental impact and to ensure the sustainable growth of this important means of transportation, by using sustainable biofuels that do not contribute to deforestation, or cause other possible harm to the environment.

Embraer supports the development and introduction of biofuels as a long-term sustainable alternative for aviation. As an integrating element, the Company must assess the impact of new fuels on its platforms.



In November 2009, Embraer, General Electric and Amyris signed a memorandum of understanding to evaluate the technical and sustainability aspects of renewable fuels, starting with sugar cane. The initiative will result in a demonstration flight, in 2012, with an Embraer E-Jet owned by Azul Linhas Aéreas and using GE engines.

Embraer has participated in different industry initiatives that seek to make the development and production of biokerosene more dynamic, including: ABRABA – Brazilian Alliance for Aviation Biofuels (Aliança Brasileira para Biocombustíveis na Aviação); the international SAFUG – Sustainable Aviation Fuel Users Group; the European consortium SWAFEA – Sustainable Way for Alternative Fuels and Energy for Aviation; and the American CAAFI – Commercial Aviation Alternative Fuels Initiative. **GRI 4.13 | 4.17 | SO 5**

***Brazilian Alliance for Aviation Biofuels
(Aliança Brasileira para Biocombustíveis na Aviação –
ABRABA, www.abraba.com.br)***

Moved by the growing demand to meet the requirements for reducing greenhouse gas emissions in aviation, as well as providing energy safety in Brazil, ABRABA has become a forum for discussing the various aspects of developing sustainable aviation biofuels, positioning Brazil as one of the world's main protagonists of this technology, similar to what has already happened with ground transportation.

ABRABA believes that the use of sustainable biofuels produced from biomass is fundamental for maintaining the growth of the aviation industry in an economy of low carbon emissions. The goal is to obtain biofuels of equivalent quality, safe use, cost and adequate production capacity, compared to petroleum-derived fuels.

In different regions of the world, airline companies and airplane manufacturers have performed flights using alternative fuels, mainly biokerosene mixed with conventional aviation gas (kerosene), with the objective of showing the technical feasibility of these renewable fuels. From 2008 to 2010, eight demonstration flights were taken with biofuels produced from several raw materials, one of which, in Brazil, used domestically produced pinhão-mansô.

Domestic Technological Capacity

GRI EN 18 | EN 26

The engagement of Brazil in projects for developing alternative fuels will make agriculturalists, technicians and industries able to create a consistent technological base. Among the benefits brought by establishing a specific policy and with an eye to the future of aviation are:

- Technological development between educational institutions, regulatory agencies and private organizations
- The insertion of the nation's industry in the alternative fuels market
- The engagement of the agricultural sector and research institutes for the purpose of seeking highly productive genetic material and the productive development of agro-energy cultures that are adequate for Brazil's soil and climate conditions
- Bringing value to biomasses produced in the country
- An assessment of the impacts of using sustainable biofuels for aviation
- Safety and energy independence for defense aviation

Environmental Management System

The Environmental, Occupational Health, Safety and Quality Integrated Management System (SIG-MASSQ) is responsible for managing and monitoring the processes related to this subject, while always working for continuous improvement. The efforts put forth throughout the years resulted in the Company receiving OSHAS 18001 and ISO 14001 certification, and maintaining them year after year. In 2010, all of the Company's units in Brazil had objectives and goals aligned with managing atmospheric emissions, wastes and natural resources.

Embraer reinforced its environmental management system through P3E, by adopting the eligibility requirements for the certifications (bronze, silver and gold) for each cell group, required for the environment, occupational health and safety, highlighting: having no pending nonconformities or lacking of action plan; fully complying with all legislation; maintaining spreadsheets of updated and monitored environmental aspects and impacts; and performing a SIG-MASSQ self-evaluation.

The cell groups responsible for projects or results directly linked to the Environmental Master Plan have indicators for accompanying the evolution of the actions carried out.

Embraer develops its activities with a focus on the efficiency of its processes and on the high quality of its products. In line with these guidelines, it takes into account the issues of health and safety, quality of life of its employees, and the socioeconomic development and well-being of the communities with which it is related, via educational and management improvement programs for civil organizations.

Eco-Efficiency

Besides all of these actions, Embraer also has an Internal Electrical Power and Water Committee (CICEA) that puts out ideas, information and technologies for the purpose of raising the awareness of employees regarding the need for economizing these resources.

Consumption of Electrical Energy GRI EN 4 | EN 7

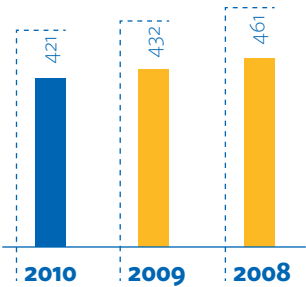
In Brazil, Embraer's units purchase electrical energy from the power companies in the regions where they are located. In 2010, 421,000 GJ were purchased.

As for the projects for reducing energy consumption, we began substituting light fixtures in 2010, at the Faria Lima unit (São José dos Campos), where 80% have already been changed, bringing savings of 16 GJ/year. The approximately 3,000 remaining fixtures will be changed later this year.

Another investment in 2011 will be to change 750 air conditioning units, which will bring a reduction in consumption of 6 GJ/year. Furthermore, other projects will be evaluated within the plan for establishing Embraer's eco-efficiency goals.

In this context, the work is being done in partnership, since 2008, with the School of Electrical Engineering of the Universidade Estadual Paulista Júlio de Mesquita Filho (UNESP) in Guaratinguetá. GRI EN 5

Energy Consumption [GJ thousand]



The Environmental, Occupational Health, Safety and Quality Integrated Management System (SIG-MASSQ) is responsible for managing and monitoring these processes, while always pursuing continuous improvement.

Direct Energy Consumption Listed According to Primary Energy Source GRI EN 3

| Sources [GJ - Unit] | 2010 | 2009 | 2008 |
|---------------------|---------|---------|---------|
| Heavy Fuel Oil | 2,600 | 4,143 | 7,272 |
| Diesel Oil | 358 | 687 | 1,061 |
| Gasoline | 2,111 | 1,662 | 297 |
| Diesel | 6,293 | 14,745 | 5,726 |
| Aviation Gas | 32 | 49 | 429 |
| Aviation Kerosene | 361,868 | 359,904 | 495,142 |
| Ethanol | 1,934 | 5,019 | 5,633 |

Water Consumption

Embraer has been identifying and intensifying actions for reducing water consumption in its production and administrative processes.

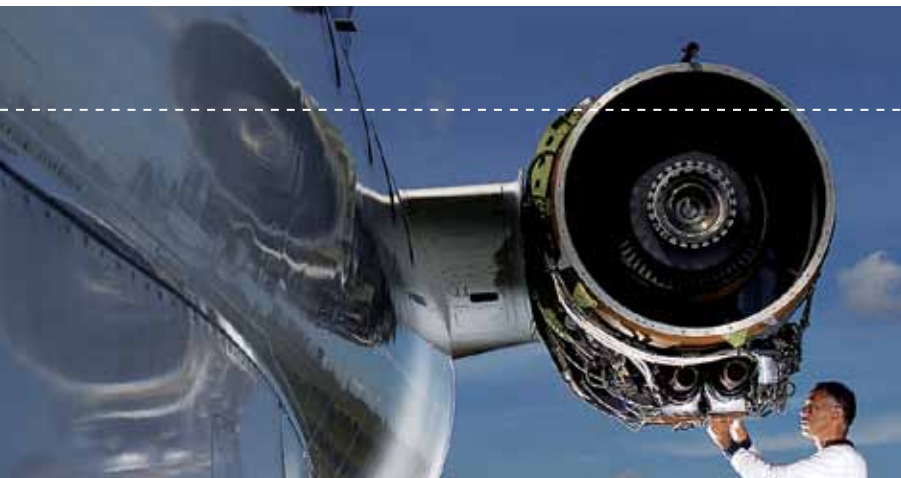
In 2010, consumption was reduced by 40,450 m³ at the Brazil units. This savings came from investments in production processes, from installing timed faucets in the restrooms (bringing as much as a 60% reduction in water consumption) and from implementing projects for reusing water. For 2011, plans include continuing these projects, intensifying improvement studies and modernizing the paint shops.

There is a reuse rate of 831 m³/month in various production processes of the Faria Lima and Gavião Peixoto units.

The ideal total water consumption at the Brazil units, in 2010, was 564 m³ x 1000.

During 2011, we will continue assessing alternatives for reducing water consumption, also as part of the plan for establishing Embraer's eco-efficiency targets. **GRI EN 8 | EN 10**

| UNIT | INITIATIVE | REUSE |
|----------------------------------|---|---|
| Gavião Peixoto | Irrigating trees and gardens with reused water | 281 m ³ /month (during the dry season) |
| Faria Lima (São José dos Campos) | Reused in the towers for washing gases and in the paint shop of F-113 | 550 m ³ /month |



Protecting Biodiversity

The Faria Lima, Eugênio de Melo, Botucatu, Taubaté, and ELEB plants do not have protected areas. Only Gavião Peixoto (GPX) had a demand that was finalized in 2010 (according to Pre-License 000373, of December 8, 2000), which requested a Permanent Preservation Area (PPA) of 200 hectares, for a total area of 1,693.39 hectares.

Since 2001, at the GPX plant, Embraer has been reconstituting an area of 356.71 hectares, by planting 91 species of seedlings native to the region. This environmental recovery process is backed by the Forest Restoration Project approved by the State Natural Resources Protection Department of 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 are a legal reserve. Twenty-three hectares were planted with 35,200 trees, in 2010, for a total of 594,200 trees, or 100% of the total area set aside for the project (356.71 hectares). The reforestation of the area permits the reconstitution of the local ecosystem and the return of the region's wildlife.

Another preservation area is located near the Botucatu plant, where Embraer acquired three hectares of *cerrado*, in order to perform the environmental compensation requested by the DEPRN, due to the impact caused on the vegetation by the building expansions that occurred there. Therefore, Embraer began a project at that site, in 2009, to create a Private Reserve of Natural Assets (Reserva Particular do Patrimônio Natural - RPPN). The RPPN is private conservation unit legally established by public authorities. This is a voluntary act by the landowner, who transfers the ownership of the land to the State, but maintains control of the area, and who is then exempt from paying property tax.

At the RPPN, scientific research can be done, as well as visits for touristic, recreational and educational purposes, supported by universities, organizations and

public agencies. For organizing the use and preservation of the nature area, Embraer has had a management plan in place since 2009, including a survey of the flora and fauna, and as soon as the process is finished, it will make the community aware of the area's existence.

GRI EN 11 | EN 12 | EN 13

In 2011, the Embraer Institute for Education and Research launched Embraer's Jequitibá Center for Environmental Education, covering 250,000 square meters and named for a jequitibá tree that is over 500 years old on the site. The project is done in a partnership with the departments of education and of the environment of the city of São José dos Campos, along with local universities and NGOs. The objective is to promote environmental awareness among public school students and contribute to the professional qualification of teachers and local residents. GRI EN 14

Emissions, Effluents and Waste
Greenhouse Gas Emissions

The emission of greenhouse gases (GHG) is also of concern to Embraer. Based on a process established in 2007, we do a GHG inventory annually, according to WRI/ WBCSD standards. In 2010, for the second consecutive year, Embraer audited its GHG emissions inventory for the purpose of validating the data and improving its survey process. This audit follows ISO 14064 - Greenhouse Gases: Part 1 - Specifications for Quantifying, Monitoring and Reporting Emissions and Removing Entities. The audit was performed by Lloyd's Register Quality Assurance.

We continuously seek to reduce our emissions through different projects for improving efficiency, like lowering electrical consumption, improving the internal logistics of products being manufactured, and the consumption of kerosene during technical and corporate flights.

Embraer's Brazil units recorded the following GHG emissions:

| Tons of CO ₂ Equivalent | 2010 ⁽²⁾ | 2009 ⁽¹⁾ | 2008 |
|------------------------------------|---------------------|---------------------|--------|
| Scope 1 - Direct Emissions | 41,728 | 36,990 | 48,100 |
| Scope 2 - Indirect Emissions | 6,360 | 2,951 | 6,215 |
| Scope 3 - Other Indirect Emissions | 22,390 | 23,249 | 22,390 |

1. The amounts published in the previous report, with reference to the 2009 inventory, were estimated and then adjusted, after the audit for the ISO 14064 process.
2. A preliminary estimate. It can be altered by a review of the data entrance date or the expansion of the inventory limits, during the audit.

GRI EN 16 | EN 17 | EN 19



Volunteer Reporting Initiatives on the GHG Inventory

By joining different voluntary initiatives for reporting GHG emissions, Embraer has participated, since 2007, in the Brazilian GHG Protocol Program as one of its founding members, and in 2010, we obtained the silver seal. In 2008, the Company also joined the Carbon Disclosure Project.

Besides providing a better understanding and positioning regarding the subject, joining these initiatives gives the Company a better relationship with stakeholders and an increased capacity to participate in defining public policies for the carbon market, among other competitive advantages. **GRI EN 18**

MP, SOx, NOx and VOC Emissions

Embraer's objective, by 2012, is to reduce VOC emissions by 20% compared to 2008. During 2010, the chemical milling facilities were transferred from the Faria Lima plant to the Botucatu plant, following the installation of a new control and exhaust technology, which will allow expected VOC emissions to be reduced by 7 tons/year.

For the coming years, a plan has been established for investing in different processes:

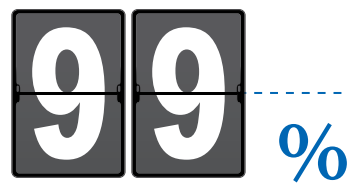
- Automation of the painting process, by installing robots in the larger paint shop of the Faria Lima plant
- Installation of a solvent recovery system in the area for painting primary parts with reusing the solvent in processes for cleaning parts at the Faria Lima plant

The total discharge of particulate materials, composed of VOCs, and sulfur and nitrogen oxides during the operations of all of the Brazil units are shown in the following table.

| Atmospheric Emissions [Brazil units] | 2010 | 2009 | 2008 |
|--------------------------------------|-------|-------|-------|
| Particulate Material – MP | 17.68 | 7.34 | 6.67 |
| Sulfur Oxide – SOx | 3.29 | 1.95 | 4.90 |
| Nitrogen Oxide – NOx | 55.75 | 16.04 | 16.96 |
| Volatile Organic Compounds – VOC | 24.30 | 25.05 | 21.83 |

The results of the ELEB plant began to be reported in 2010, along with monitoring the emissions of its paint shops and gas washers. The 2010 amounts are within legal limits. Opportunities for improvement for 2011 are being assessed, regarding NOx emissions (25 tons in 2010).

GRI EN 20



of the hazardous wastes
from the Brazil units go to
companies that co-process
or recycle them

Effluents and Wastes

The effluents and waste generated during the various production processes are treated according to the most stringent standards in effect. As for waste, the main generating processes are: production of composite materials, surface treatments, aircraft painting and the milling of parts.

Hazardous materials are given special attention when disposed of. Approximately 99.3% of the hazardous waste of the Brazil plants go to companies that co-process or recycle them. The following are examples of the disposal of these wastes:

- Discarded florescent bulbs are recycled. The mercury in them is used to produce thermometers, the aluminum is reused to make cans and the chemical powder is used to make ceramics
- Cans, filters, cleaning cloths and leftover paint are used in ovens for manufacturing cement for the construction industry
- Chemical sludge and leftovers from surface treatments and chemical milling are transformed into metal oxides and used in the finish work of flooring and tiles

In 2010, the Brazil units generated approximately 12,800 tons of waste, a drop of 6% compared to 2009.

As for non-hazardous materials, Embraer generated 10,000 tons, of which 80% is sent for recycling, 3% for recovery, 16% to the sanitary landfill and 1% to make compost.

Embraer generated 2,700 tons of hazardous waste, which was 5% less than in 2009. The Company's main guideline is to not send these wastes to industrial landfills. Therefore, 54% of the hazardous waste go for co-processing in cement ovens; 44% are reused as raw materials for other production processes outside of Embraer and the rest is decontaminated, recovered or sterilized.

| Waste Disposal Methods, by Type and Weight [Kg] | TYPE OF WASTE | 2010 | 2009 | 2008 |
|---|---------------|------------|------------|------------|
| Recycling | Hazardous | 1,187,967 | 1,422,931 | 4,445,899 |
| | Non-hazardous | 8,115,998 | 8,134,672 | 11,996,495 |
| Decontamination | Hazardous | 21,984 | 12,651 | 23,305 |
| | Non-hazardous | 11,323 | 14,505 | 14,319 |
| Recovery | Hazardous | 324,000 | 331,000 | 247,00 |
| | Non-hazardous | 1,588 | 1,598 | 300 |
| Sterilization (autoclave) | Hazardous | 1,627,735 | 2,416,923 | 2,900,797 |
| Sanitary Landfill | Non-hazardous | 134,240 | 0 | 0 |
| Compost | Non-hazardous | 1,449,824 | 1,366,860 | 1,477,041 |
| Co-processing | Hazardous | 12,874,659 | 13,701,140 | 21,105,156 |
| Total | | | | |

GRI EN 22 | EN 24

Total Water Disposal, by Quality and Destination

GRI EN 21 | EN 25

As for industrial effluents, the Faria Lima, Eugênio de Melo, ELEB and Botucatu units use the public sewer system, run by Sabesp, to dispose of them, after giving them proper treatment according to Decree No. 8,468 (September 8, 1976), Article 19A. The volumes disposed of by these units are shown in the following table.

In 2010, the Botucatu unit aggregated new surface treatment and chemical milling processes, which is the main cause of the 13% growth in effluents generated compared to 2009.

At the Gavião Peixoto unit, a physical-chemical treatment is done to industrial effluents, for later disposal in the Córrego da Mulada stream, according to Decree No. 8,468 (September 8, 1976), Article 18A. The volumes disposed of by this unit are shown in the following table.

In 2010, the Gavião Peixoto unit aggregated two new paint shops to its production process, bringing the total to four shops in operation. Furthermore, it began the technical cleaning process of these shops, which also contributed to an increase of 89% in the industrial effluents generated.

Improvements Related to the Environment, by Unit

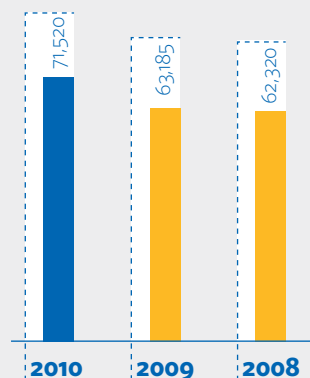
Embraer modernized the galvanization process by substituting wood crates for devices that can be returned to the ELEB unit and by substituting the bright shot and shot peening equipment, thus reducing the generation of glass microspheres and employee exposure to noise.

At the Faria Lima plant, the internal route for transporting materials and aircraft was optimized, with less distance covered and a resulting reduction in CO₂ emissions. **GRI EN 18**

Among the improvements made in the Botucatu unit, the main ones were: changing the energy matrix from OC4 gas to LPG; reducing electrical consumption; substituting the exhaust of the paint shop by removing the axial exhaust units; installing centrifugal exhaust units with a controlled speed; improving the performance of the compressed air distribution circuit by interconnecting the central air units; reducing water consumption, reusing it in the effluent treatment plant and using the treated effluents at the ETEI to fill the gas washers; and changing the hot water tables for dry heat in the dining hall. **GRI EN 5 | EN 10**

Industrial Effluents [m³/year]

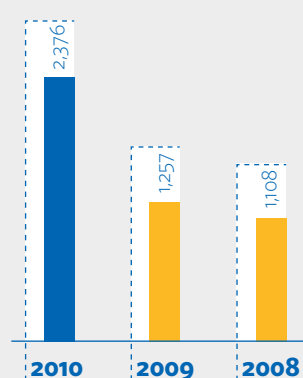
(Faria Lima, Eugênio de Melo, Eleb and Botucatu Units)



Main disposal parameters: pH 6 to 10, Sulfite 1.0 mg/lit, Hexavalent chromium 1.5 mg/lit, Total Suspended Solids up to 20ml/lit and total Chromium 5.0 mg/lit.

Industrial Effluents [m³/year]

(Gavião Peixoto Unit)



Main disposal parameters: pH 5 to 9; DBO: 60mg/lit or 80% reduction, Total Suspended Solids up to 1.0 ml/lit and total Chromium 5.0 mg/lit.



SOCIAL PERFORMANCE

Embraer carries out its activities focusing on the efficiency of its processes and the quality of its products. Aligned with these guidelines, it deals with the issues of health, safety and quality of life of its employees, as well as the socioeconomic development and well-being of the communities in which it is involved.

In its community relations, Embraer develops programs focusing on education and on projects that provide improved management processes for civil organizations.

Management System

In 2010, the Company continued investing in developing and training employees and leaders, which, among other benefits, positively influenced the internal work climate. Directly reflecting this evolution and several movements directed at employee satisfaction, Embraer was ranked as one of the best companies to work for in Brazil, according to the results of the Great Place to Work study, which analyzed the five dimensions of the organizational environment: credibility, respect, fairness, pride and camaraderie.

Another result that showed the Company's commitment to its employees was the result of the Exame/FIA *Guia 150 Melhores* study, which investigated four overall subjects: identity, satisfaction and motivation, leadership, and learning and development. In the case of the Hewitt/*Valor Econômico* study, three main axes were studied – engagement, high-performance culture and satisfaction – and the result was no different. All of the studies show a level of satisfaction of around 79%, along with favorability, engagement, improvement and balance.

To complement these results, it is good to note the organizational climate study done every year at Embraer, which in 2010 obtained an overall favorability rate of 78%. This study looks at 17 factors: my satisfaction, motivation and commitment, safety and working conditions, leadership, strategic management, innovation and productivity, survey reliability, external relationship (corporate image and citizenship), performance management, communication, pressure/stress and quality of life, development and career, teamwork, risk/priorities and propensity for change, work planning/decentralization/organization and roles, remuneration and benefits. The same survey, the previous year, showed 70% positive answers.

The work of recognizing the practice of Embraer's values continues to grow throughout the Company, strengthening corporate identity and trust among people. The activities of the cultural front of the P3E program resulted in a participative dynamic of transparency and respect in personal relationships.

In this sense, the Values Program started the second practice cycle, in 2010, which went from individual actions into a collective movement, besides adapting processes, tools and policies in the cell groups that are a part of the P3E program.

HARBIN | 11:30AM | +8

SÃO JOSÉ DOS CAMPOS | 12:30PM | -3

Stakeholders Relations

GRI 4-14 | 4-15 | 4-16 | 4-17

Embraer's operations and activities demand frequent or occasional direct interaction with various stakeholders, and it is essential that this relationship be kept responsible, objectively and transparently, and that it contribute to the development of the communities in which the units are located. Since it is a world-class company and one of the country's biggest exporters, there is a need for periodic contact with national, state and municipal governments.

Communication takes place through representatives of like areas who are named to be involved in conversations, dialogues, negotiations or even as a legal representative. This is done through personal attention, telephone contacts, advertising in the media, the use of electronic and computerized media or formal documents, and in all cases giving a smooth flow and outworking of the subjects dealt with.

In pursuit of improved relationships and communication, Embraer promotes several actions during the year to engage stakeholders, such as: periodic face-to-face meetings of customers at their headquarters; various workshops in which best maintenance practices are discussed, such as the MCW (Maintenance Cost Workshop); conferences, meetings and events with customers, shareholders, the community, and the press regarding a broad range of subjects and proposals; Internet forums for exchanging experiences among customers, mediated by Embraer technicians; promotion of regular visits by groups, including heads of state, ministers and other

institutional representatives, to the Company's facilities (open doors); practices of investor relations (participation in conferences, road shows etc.); the Embraer Suppliers Conference (ESC) and Supply Chain Alignment (SCA), with the participation of members of the supply chain, and so on.

The institutional website and that of Investor Relations serve as a source of news and information regarding performance, products, governance and other subjects of interest to stakeholders.

Employees and Labor Rights

Embraer believes that people are the basis for its success, and gives incentive to building harmony between professional development, personal satisfaction, social participation and family tranquility. The human resources area is responsible for applying best labor practices that are based on national and international standards, like: Brazil's Consolidated Labor Laws (CLT), the International Labour Organization (ILO) and its fundamental provisions, the Universal Human Rights Declaration and specific labor legislation of the countries in which Embraer has units.

During the integration program for new employees, everyone receives detailed information regarding salaries, benefits, vacation, collective bargaining agreement, rights and duties, and a copy of the Embraer Code of Ethics and Conduct. (see page 26)

In 2010, Embraer hired 1,130 new employees. The return of former employees was given priority and took into account their profile and professional experience; 377 former employees were hired, or 33% of the total. For the first time, the Company used social networks to publicize available job openings:

Thus, Embraer closed out 2010 with 17,149 employees.



FACEBOOK, AT:

www.facebook.com/pages/Embraer/305961729456?v=wall



TWITTER, AT:

twitter.com/embraer



LINKEDIN, AT:

www.linkedin.com/company/embraer

Employees [By Functional Category – Includes Subsidiaries]

| Category | 2010 | | | 2009 | | | 2008 | | |
|---|---------------|--------------|---------------|---------------|------------|---------------|---------------|------------|---------------|
| | BRAZIL | FOREIGN | TOTAL | BRAZIL | FOREIGN | TOTAL | BRAZIL | FOREIGN | TOTAL |
| Operational (Hourly) | 7,479 | 7 | 7,486 | 7,640 | 43 | 7,683 | 11,020 | 63 | 11,083 |
| Administrative | 619 | 221 | 840 | 615 | 155 | 770 | 927 | 158 | 1,085 |
| Technicians (Mid-Level) | 2,130 | 385 | 2,515 | 2,160 | 280 | 2,440 | 2,564 | 317 | 2,881 |
| Engineers ^{1 2 3} | 3, 579 | 73 | 3,652 | 3,367 | 79 | 3,446 | 3,645 | 73 | 3,718 |
| Other Professionals (University Level) | 1,431 | 213 | 1,644 | 1,315 | 221 | 1,536 | 1,443 | 165 | 1,608 |
| Leadership | 895 | 117 | 1,012 | 855 | 123 | 978 | 1,009 | 166 | 1,175 |
| Total | 16,133 | 1,016 | 17,149 | 15,952 | 901 | 16,853 | 20,608 | 942 | 21,550 |

1. For 2008, 616 engineers were considered to be in leadership positions; the engineers total 4,334.

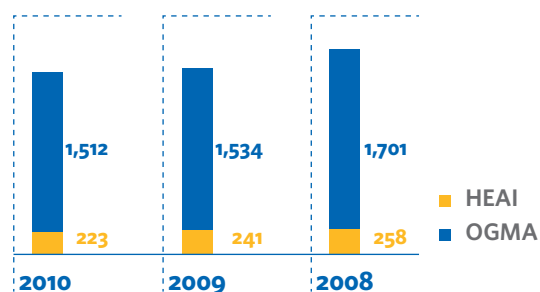
2. For 2009, 510 engineers were considered to be in leadership positions; the engineers total 3,956.

3. For 2010, 513 engineers were considered to be in leadership positions; the engineers total 4,165.

GRI LA 1

Its partially owned subsidiaries, OGMA and HEAL, closed out the year with 1,735 employees.

Subsidiaries and Associated Companies



Women were 13.4% of the total Embraer employees. As for diversity, there are 786 employees with handicaps or special needs. Furthermore, Embraer's culture is based on respect for differences in religion, sexual preference, race, gender or any other condition covered by appreciation for minorities, cultural differences or the like.

Distribution of Employees by Gender [Brazil and Foreign Units]

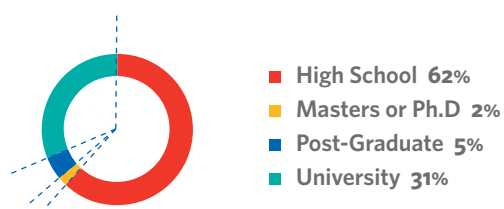
| Age Level | 2010 | | | 2009 | | | 2008 | | |
|--------------|---------------|--------------|---------------|---------------|--------------|---------------|---------------|--------------|---------------|
| | MALE | FEMALE | TOTAL | MALE | FEMALE | TOTAL | MALE | FEMALE | TOTAL |
| Up to 30 | 5,277 | 977 | 6,254 | 5,911 | 1,031 | 6,942 | 8,872 | 1,550 | 10,422 |
| 30 – 50 | 8,294 | 1,225 | 9,519 | 7,619 | 1,089 | 8,708 | 8,507 | 1,205 | 9,712 |
| Over 50 | 1,283 | 93 | 1,376 | 1,116 | 87 | 1,203 | 1,327 | 89 | 1,416 |
| Total | 14,854 | 2,295 | 17,149 | 14,646 | 2,207 | 16,853 | 18,706 | 2,844 | 21,550 |

GRI LA 13

Educational Level – Embraer and Subsidiaries

Embraer depends on a highly qualified labor force, and of the total number of employees in Brazil, 38% have at least a university degree, which is three times more than the national average of 12%. The minimum educational level required for employees is a high school diploma.

Educational Level [Embraer and Subsidiaries]



Turnover

Turnover at Embraer, in 2010, was 5.5%, as shown in the following table. The benchmark for the sector is 4%. The formal job market in Brazil had a turnover rate of 36% in 2009. **GRI LA 2**

In 2010, 1,130 employees were hired and 834 were dismissed, so that we closed the year with a growth of 296 employees.

| COMPANY INITIATIVE | EMPLOYEE INITIATIVE | OVERALL TURNOVER |
|--------------------|---------------------|------------------|
| 3.8% | 1.6% | 5.5% |



Remuneration

Embraer operates in the aerospace industry, where qualified and motivated professionals are the basis for effective performance in operations carried out at several units and locations. We seek to develop competencies and to give incentive to professional improvement through educational means and remuneration that is in line with the complexity of the job and the performance of the employee, and according to the job market.

The remuneration policy is exclusively based on technical criteria, and no form of discrimination is allowed of the person holding the position. The individual salary is based on qualifications, competencies and skills needed to perform the activities – that is, it is related to the position held by the employee. The lowest salary at Embraer is twice the national minimum wage (R\$510 in December 2010). **GRI EC 5**

Employee Remuneration by Salary Range

| RANGE (No. WAGE) | | REGIONAL MINIMUM WAGE (SP): R\$560.00 | | | | | | REGIONAL MINIMUM WAGE (SP): R\$505.00 | | | | | |
|---------------------|----|---------------------------------------|---------|-----------|---------|-----------|---------|---------------------------------------|---------|-----------|---------|-----------|---------|
| | | 2010 | | | | | | 2009 | | | | | |
| | | MALE | | FEMALE | | GENERAL | | MALE | | FEMALE | | GENERAL | |
| | | EFFECTIVE | RATIO % | EFFECTIVE | RATIO % | EFFECTIVE | RATIO % | EFFECTIVE | RATIO % | EFFECTIVE | RATIO % | EFFECTIVE | RATIO % |
| 1 | 2 | 129 | 0.92 | 48 | 2.29 | 177 | 3.21 | 78 | 0.56 | 54 | 2.66 | 132 | 3.22 |
| 2 | 5 | 2,841 | 20.24 | 375 | 17.91 | 3,216 | 25.70 | 4,680 | 33.61 | 579 | 28.55 | 5,259 | 42.60 |
| 5 | 10 | 6,190 | 44.09 | 889 | 42.45 | 7,079 | 56.58 | 4,914 | 35.29 | 747 | 36.83 | 5,661 | 45.85 |
| MORE THAN 10 | | 4,849 | 34.75 | 782 | 37.34 | 5,661 | 45.24 | 4,252 | 30.54 | 648 | 31.95 | 4,900 | 39.69 |
| TOTAL | | 14,039 | | 2,094 | | 16,133 | | 13,924 | | 2,028 | | 15,952 | |

GRI EC 5

Collective Bargaining and Unionization

Embraer respects and understands the importance of the role played by the unions with which it relates and maintains a relationship with them that conforms to the legislation in effect. In the Brazilian units, 8.5% of the employees are union members; however, all of them, whether union members or not, are covered by the salary adjustments and by the social clauses negotiated in the collective bargaining agreements signed by the union representative of the employees and the association that represents the Company. The Company also negotiates collective agreements directly with the unions representing the employees, covering 100% of the employees represented. In the collective labor agreements, there are social clauses that ensure the right of the unions to hold membership campaigns on the Company's premises. The individual condition and freedom of employees to associate is respected by Embraer. **GRI LA 4 | HR 5**

The Company recognizes and fully applies all of the clauses of the collective agreements signed by its union representative, in which there are specific clauses regarding job safety, such as improved working conditions around presses and similar equipment, plastic injectors and surface galvanization, in all of the metalworking industries in the State of São Paulo. **GRI LA 9**

Child Labor and Forced Labor or Analogous to Slavery

- At Embraer there is no child labor, because the minimum hiring age is 18, except for minor apprentices, according to specific legislation
- At Embraer there is no forced labor, or that which is analogous to slavery
- The Code of Ethics and the signing of the UN Global Compact by Embraer publicly reinforce these commitments in the eyes of stakeholders **GRI HR 6 | HR 7**

Career Planning and Internal Recruiting

The “Flight Plan – Career at Embraer” program, which provides an integrated vision of their careers to employees, from hiring to retirement, has been consolidated. In it, the leadership personnel are capacitated to discuss and guide people in the process of building their careers.

In July 2010, a career planning program was created, called Career Paths, which proposes to make information available so that people can autonomously understand what is required for developing their careers in the Company. **GRI LA 12**

Also, nine groups concluded the Post-Career Program, with the participation of 289 employees. This program supports employees in their retirement planning with subjects related to that change, such as how to prepare a new life project, knowledge transfer, and preparing leadership to guide and support people. **GRI EC 3 | LA 11**

As a means of giving incentive to the career development of its employees, Embraer makes available, internally, all of the job openings in the selection process, before going to the market to fill them. For leadership levels, this process occurs in the same way, but the priority is on natural selection within the area itself. If it is necessary to go outside to recruit, we benefit local candidates. Since the Company is geographically located in several countries, we understand “local” to mean the country in which the job opening appeared.

In 2010, 841 openings were available (112 leadership positions), and 10,487 people participated in the selection process. We had an internal usage rate of 94% for the leadership positions and 55% for the other positions. **GRI EC 7**

| | 2010 | 2009 | 2008 |
|--------------------------------|---|--------|-------|
| <i>Job Openings</i> | 841 | 348 | 30 |
| <i>Participating Employees</i> | 10,487 | 11,481 | 1,091 |
| <i>Usage (%)</i> | 94% (leadership) 55% (remaining positions) | 47% | 83% |

Leadership Development

In 2010, the actions for developing leadership continued by launching the Embraer Leadership Laboratory with the purpose of helping the managers find answers by exercising leadership and inspiring others. The laboratory will promote the connection between Embraer leaders and the companies that can accrue solid knowledge and experience; it will also allow Company leaders to share their knowledge and build joint solutions for exercising an increasingly effective and innovative leadership, by discussing such subjects as people management, innovation, high-performance teams, sustainability, business sense, transforming leadership, culture management, strategy, global involvement and career guidance.

Professional Qualification and Development

GRI LA 10

In 2010, the Engineering Specialization Program (ESP) graduated 84 engineers specialized in aeronautics. Since the first class, in 2001, ESP has trained 1,116 engineers with a total investment of R\$67 million.

As a means of strengthening competencies and knowledge, the “Internal Instructors” program has the participation of 526 employees who are capable of being instructors for internal courses, and 10,737 hours of instruction have been given in 722 courses held.

The behavioral preparation program, based on values and focusing on Embraer competencies, called “Future Business Leaders”, drew the participation of 211 employees in 2010.

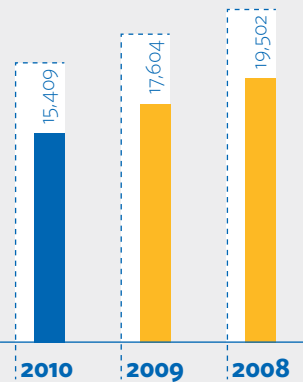
Another outstanding program is the Study Scholarship, where Embraer gives scholarships to partially cover the cost of courses connected with the essential functions of the Company’s business, at the technical or university educational levels. In 2010, 347 employees benefited, with a total investment of R\$246,000.

The total investment in professional qualification programs and specific programs for the business, corporate, industrial and engineering areas was in the order of R\$5.3 million in 2010.

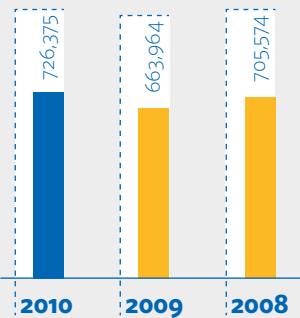
Training and Development Programs [Brazil Units 2010]

| CATEGORY | NUMBER OF TRAINED EMPLOYEES | TRAINING HOURS | AVERAGE TRAINING HOURS PER CAPITA |
|----------------|--------------------------------|----------------|--------------------------------------|
| Leadership | 759 | 32,768 | 43 |
| Engineers | 3,102 | 240,439 | 78 |
| Technicians | 1,908 | 134,498 | 70 |
| Operational | 7,279 | 197,324 | 27 |
| Professionals | 1,530 | 86,299 | 56 |
| Administrative | 606 | 27,622 | 46 |
| Trainees | 225 | 7,425 | 33 |
| Total | 15,409 | 736,375 | 47 |

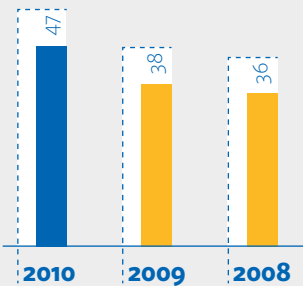
Number of Employees Trained
[Brazil Units]



Number of Training Hours
[Brazil Units]



Average Training Hours per
Employee [Brazil Units]



Health and Safety Committees GRI LA 6

Embraer has installed and put into operation an Internal Accident Prevention Committee (IAPC) at all of its Brazil units. At the Faria Lima plant, the IAPC has been in existence since 1971. The number of members of the IAPC is set by Regulatory Norm NR-05 of Administrative Statement No. 2,314/78 of the Ministry of Labor, and at the present time at all of the units there are 40 full members and 30 substitutes representing the employees, which are elected every year by secret ballot. Also on the IAPC are 40 full members and 30 substitutes named by the Company. The IAPC, besides holding the annual SIPAT (Internal Accident Prevention Week), also has its own action program prepared by its participants and reviewed by every new mandate.

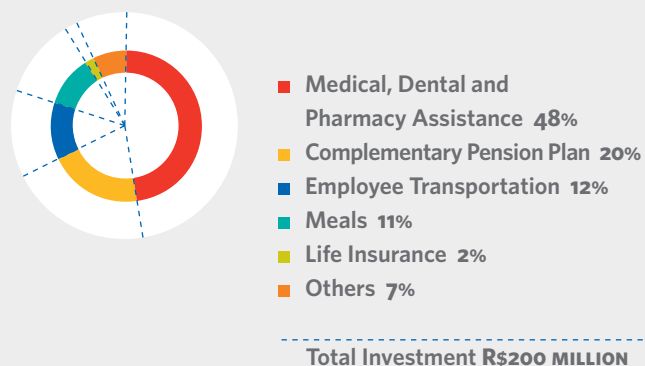
Initiatives for Promoting Health and Quality of Life GRI LA 8

Embraer develops several corporate programs with a focus on the occupational health and the quality of life of its employees and their families.

| Initiatives | Description |
|-----------------------------|--|
| Well-Being | <i>Launched in 2009, the program serves as an “umbrella” for the actions promoting health and quality of life, focusing on employees and their families. Along with the program, the Well-Being Minute was set up, as an informative weekly bulletin focusing on information and awareness of employees regarding health and quality of life. In 2010, the program was expanded to the Embraer units abroad, respecting the needs of employees and the culture of each country</i> |
| Well-Being Without Smoking | <i>The Company has a program for reducing/eliminating smoking. This program offers smoking employees treatment and psychological follow-up, and has been working to eliminate smoking on its premises by 2011</i> |
| Well-Being Without Drugs | <i>The program supports employees and families with treatment for drug dependency</i> |
| Well-Being with the Scales | <i>A partnership with Weight Watchers that offers employees several methods for healthy weight loss. In all, 453 employees participated in the initiative and lost, collectively, 1,540 kg</i> |
| Well-Being with Your Heart | <i>Reintegration of employees with heart problems to their habitual activities with physical activity and actions for improving their life style</i> |
| Well-Being with Maternity | <i>Creation of the “Breastfeeding Area”, which is a pleasant place for mothers to breastfeed their children in comfort and privacy</i> |
| Lecture Series | <i>Promotes an ideal environment for exchanging information and also for reflecting on how to have a better quality of life, by adopting healthy attitudes in daily living</i> |
| Embraer Vaccination Program | <i>In 2010, Embraer invested R\$1 million to vaccinate over 29,000 employees and family members. The program seeks to prevent endemic diseases, by offering the annual vaccination of employees and their families, by picking up almost the entire cost</i> |

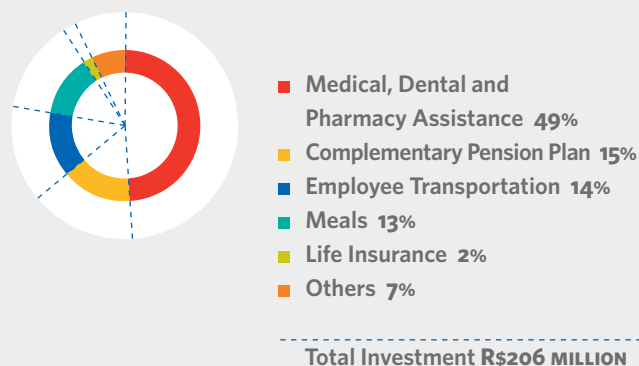
Distribution of Benefits 2010

GRI LA 3



Distribution of Benefits 2009

GRI LA 3



Benefits

Embraer offers a broad range of benefits to its employees and their families, which represents an important distinctive difference in attracting and retaining talent. This is proven by the organizational climate study performed in 2010, in which 88% of the employees said they were satisfied with the benefits offered. Around R\$200 million were invested in benefits, as the chart above.

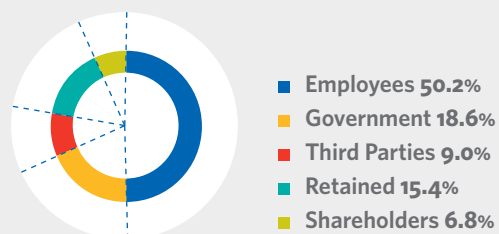
Value Added Distribution (VAD) – Consolidated

GRI EC 1

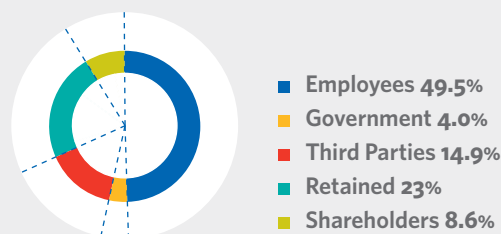
The purpose of the VAD is to show the wealth generated by Embraer, and its distribution to the segments of society represented by its shareholders, employees, financial institutions and the government (municipal, state and federal). The added value to be distributed totaled R\$2,707 million and represents 28% of net revenues in 2010.

| Consolidated [R\$ million] | 2010 | 2009 |
|---|----------------|----------------|
| Revenues | 11,324.3 | 9,751.5 |
| Supplies Acquired from Third Parties | (8,208.3) | (6,907.7) |
| Gross Added Value | 3,116.0 | 2,843.8 |
| Depreciation and Amortization | (452.1) | (383.6) |
| Net Added Value Produced by Entity | 2,663.9 | 2,460.2 |
| Added Value Received by Transfer | 302.7 | 246.8 |
| Total Added Value to be Distributed | 2,966.6 | 2,707.0 |
| Distribution of Added Value | 2,966.6 | 2,707.0 |
| Personnel | 1,467.6 | 1,359.2 |
| Government (taxes, fees and contributions) | 119.3 | 503.7 |
| Interest and Rent | 442.4 | 244.0 |
| Interest on Own Capital and Dividends | 228.9 | 155.7 |
| Profits Withheld / Losses for the Year | 683.2 | 417.8 |
| Participation of Non-controlling Shareholders | 25.2 | 26.6 |

Value Added Statement – VAS 2010



Value Added Statement – VAS 2009



Society and Human Rights

The Embraer Code of Ethics and Conduct formalizes the corporate commitment to maintain a work environment that is free of any form of discrimination, harassment or forced labor, whether child or slave. It is strictly prohibited, at all plants, and in any relationship with stakeholders, to have publicity, advertising or any other material released, to make any mention or have any illustration or manifestation of discrimination of race, ethnic group, gender, creed, religion, age, handicap or sexual preference. It also prohibits and punishes within the measures established by the law, to have any type of harassment, which includes any act or attitude, verbal or physical, that implies humiliation, embarrassment or threat to employees.

In 2010, Embraer recorded no cases of discrimination of any type, and there was no record of forced or compulsory labor at the units in Brazil or abroad. Complaints of moral harassment were checked by internal processes, and five occurrences were assessed to be real. Disciplinary measures were applied in each case, from orientation with a formal warning to the dismissal of those involved. **GRI LA 4 | HR 4**

Embraer's actions against discrimination and forced labor are extended to the entire network of national and foreign suppliers. The Environmental, Occupational Health, Safety and Quality Integrated Management System (SIG-MASSQ) establishes a process for qualifying suppliers, which covers environmental, human rights, and

occupational health and safety criteria. In effect since 2005, by 2009 it included 359 suppliers (143 national and 216 foreign). In 2010, 120 suppliers were qualified (39 national and 81 foreign). Once irregularities are identified, the suppliers are guided and given a deadline for correcting the problem, under the condition that the purchase or service contract could be canceled. **GRI HR 1 | HR 2**

Social Action **GRI SO 1 | EC 8 | EC 9 | SO 5**

The Embraer Institute for Education and Research (IEEP) has actions and projects directed towards initiatives that contribute to the social inclusion process through the education. IEEP is fully supported by Embraer and develops its own projects, in order to create models of excellence that can be transferred to other realities, as well as actions in support of third-party projects.

Besides technical criteria, the initiatives of the Embraer Institute also reflect three areas of concern: quality, innovation and cost. The quality of the projects for social investment is derived, in part, from the Company policy to demand standards from IEEP that are similar to those required of its product line. In the aeronautics industry, quality is an absolute value, and the conviction is that there is the very real possibility for improving Brazil's public education based on improving management, without a significant increase in cost.

Innovation is another banner of the institute. Since it is fully sustained by a high-tech company that competes on a global scale, and the subjects of education and management are present in Embraer's daily life, there is total commitment to debating these subjects, supporting the improved quality of education, and increasing the degree of social inclusion of low-income young people.

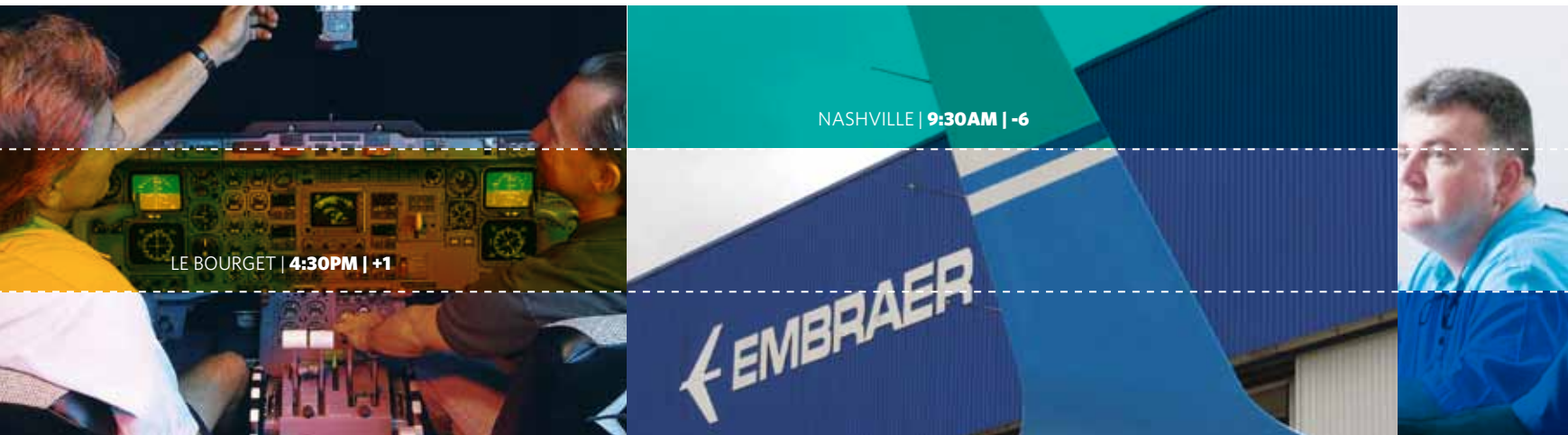
One of the highlights of this commitment to developing young people through education is Embraer Juarez Wanderley High School. It is fully maintained by Embraer, and provides quality instruction to young people coming from the public schools. Over the past three years, it has obtained notable results on the National High School Exam (ENEM):

Social Development Actions and Projects in Brazil

| Project | Description |
|---|---|
| Embraer Juarez Wanderley High School (CEJW) | Main project of the Embraer Institute for Education and Research (IEEP) and fully supported by the Company since 2002 Serves 600 students per year in the region of São José dos Campos, Taubaté, Caçapava, and Jacareí Quality, free education with a pedagogical focus on giving incentive to autonomy Full-time High School instruction for students from the public school system According to the Ministry of Education, it is the 8 th best high school in the State of São Paulo, the 21 st in the Southeast Region, and the 35 th in the nation (ENEM-2009) |
| University Preparation Program (UPP) | Began in 2006 Prepares its curriculum in association with the USA Occupational Research and Development Center, Rede Pitágoras de Ensino, and the Instruction and Research Institute of the Sírrio-Libanês Hospital Prepares for academic and professional challenges, bringing the reality of the workplace into the school 800 classroom hours in four semesters: exact sciences (pre-engineering), humanities (pre-humanities and administration) and biomedicine (pre-biomedicine) 400 students benefited per year |
| Scholarship Fund | Began in 2005 Embraer is the biggest contributor to the fund, with up to 25% of the amount paid monthly to each scholarship recipient Helps cover the general expenses of former students of Embraer Juarez Wanderley High School who are studying in universities outside of the region of São José dos Campos The scholarships are granted only to students with excellent academic performance, accepted by public or private universities, with a government (PROUNI) study scholarship and facing financial limitations that hinder them from pursuing their studies Former students of Embraer Juarez Wanderley High School who benefited from the program become contributors to the fund after graduating from the university, thus returning the value of the scholarship, with monetary correction In 2010, 313 students benefited |
| Embraer Mini-Glider Competition | Began in 2009, with the 2nd edition of the competition held in 2010 Held in a partnership with IEEP and Embraer employee volunteers Challenge for students from the 7th to 9th grades that involves preparing a project report, with drawings, diagrams and explanations regarding the solutions used to develop the mini-glider, down to the construction and testing, in order to evaluate its performance during the competition flight In 2010, 260 students participated in the program |
| Action in School Program (ASP) | Participative management program for the school community, created in 2006 Since its creation, 41,848 students have benefited. In 2010, there were another 8,768 students Stimulates reflection on the quality of school management and proposes improvements in the educational model of public primary and high schools Projects are evaluated by IEEP Methodology developed under the coordination of UNICEF's Educational Action, of the UN Development Program, and Inep-MEC |

In 2010, Embraer invested some R\$ 12 million in **educational and cultural** programs that benefited local communities. Furthermore, the Company promoted and participated in several social actions that strengthened its relationship with society.

| | |
|---|--|
| <i>Social Partnership Program (SPP)</i> | <p><i>Created in 2004, to assist NGOs in preparing and developing projects</i></p> <p><i>Foments social culture for mobilizing society to identify and solve problems</i></p> <p><i>Active participation of Embraer employees who voluntarily prepare and carry out projects developed by social organizations</i></p> <p><i>Since 2004, SPP has supported 61 projects, 14 in 2010 alone</i></p> |
| <i>Digital Inclusion</i> | <p><i>Course lasts eight months for students from the state school system</i></p> <p><i>QuQualifies participants with information technology knowledge, techniques and citizenship</i></p> <p><i>Offers professionalization alternatives for the job market</i></p> <p><i>Since it was created in 2003, 240 students have benefited, 40 in 2010</i></p> <p><i>Embraer volunteer employees participate as instructors</i></p> |
| <i>Mini-Company</i> | <p><i>Created in 2002, in partnership with Municipal Departments of Education and Junior Achievement of the State of São Paulo</i></p> <p><i>Embraer employees participate in the program as volunteer guides to students</i></p> <p><i>Objective is to stimulate an entrepreneurial spirit in young people</i></p> <p><i>Program lasts for 15 weeks with weekly periods of 3 ½ hours. Participants create a company, choose their product, manufacture and sell it. In this way, they learn the main processes that are experienced in a day-to-day business</i></p> <p><i>8th grade and High School students from public schools participate in the program</i></p> <p><i>The resources needed for creating the mini-company are raised by the students, themselves, by selling shares</i></p> <p><i>At the end of the program, the mini-companies are liquidated, and the results are distributed among the shareholders</i></p> |
| <i>Robotics Project</i> | <p><i>Created in 2009, in a partnership with GAMT, an NGO from Caçapava/SP, that trained the educators of Gavião Peixoto</i></p> <p><i>Offers, through educational robotic, a learning environment capable of awakening new interest in subjects already experienced by the students in the classroom</i></p> <p><i>20 students from the public schools of Gavião Peixoto, ages 14 to 17, participated in the project</i></p> |
| <i>Program for the Handicapped</i> | <p><i>Professional development and training program for handicapped people, created in 2002</i></p> <p><i>Already benefited around 78 handicapped young people, 35 in 2010</i></p> |



In 2010, Embraer invested around R\$12 million in educational and cultural programs that benefit local communities.

Besides these programs, Embraer promoted or participated in several social action and isolated awareness programs.

Program for the Handicapped

In February 2010, the Embraer Institute invested R\$60,000 and benefited 35 students with special needs from the Elza Regina Ferreira Bevilacqua Municipal School, of São José dos Campos, who received two ergonomic computer stations that adjust to their needs, providing comfortable access to tools for pedagogical support in the school's information technology room. The municipal pilot program was supported by the Department of Education of São José dos Campos.

Pink Jet

In October 2010, Embraer, Azul Linhas Aéreas Brasileiras and the Brazilian Federation of Philanthropic Institutions Supporting Breast Health (*Federação Brasileira de Instituições Filantrópicas de Apoio à Saúde da Mama – FEMAMA*) came together in a campaign for breast cancer prevention, with the objective of increasing the awareness of the importance of early diagnosis, in order to increase the chances of curing the disease. To symbolize the initiative, an EMBRAER 195 jet belonging to Azul was painted pink, which is the worldwide symbol of the fight against breast cancer. The jet is operated by an exclusively female crew, who wear pink uniforms. The launch of the campaign coincided with Pink October, which is the worldwide movement against breast cancer.

NASHVILLE | 9:30AM | -6

EMBRAER

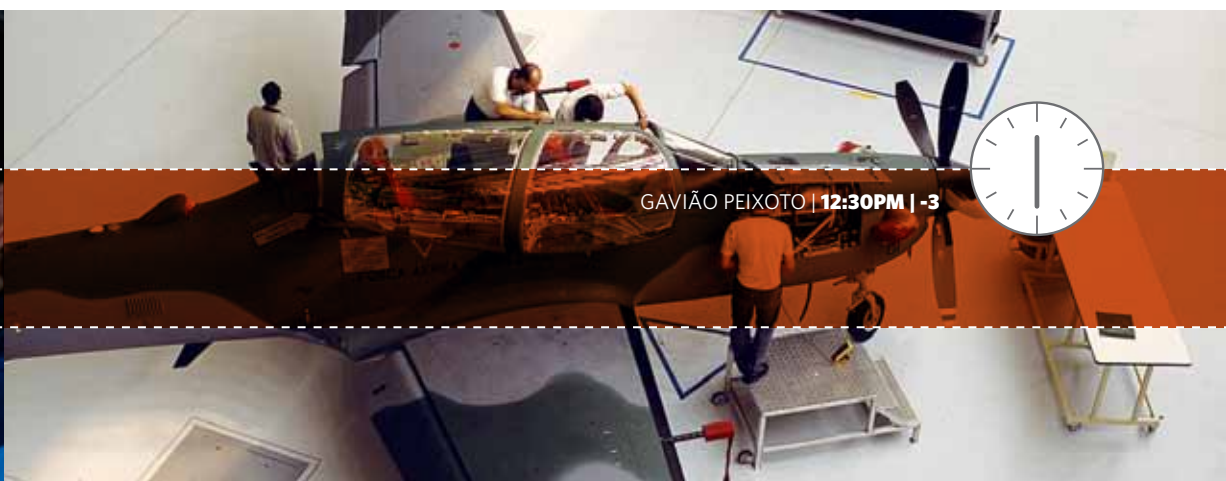
Awards and Recognition GRI 2.10

Embraer was recognized and awarded in several evaluation areas, which take into consideration high standards of governance, sustainability, management practices, occupational health and safety, crisis management and the quality of its products, among others. Some of the recognition and awards received are:

- IDEA Brasil Design 2010 Award – Transportation Category: “Gold” rating for Legacy 450 and Legacy 500 executive jets, for using the most modern and refined design solutions
- Flightglobal Achievement Award – Innovation of the Year Category: for the innovative electronic flight control system of the Legacy 450 and Legacy 500 executive jets
- 23rd Annual “Best of the Best,” Robb Report – Business Jet Category: Phenom 100 – best aircraft in the light jet category; Phenom 300 – best aircraft in the light midsize jet category
- *Inovar para Crescer* 2010 Award – Brazilian Pro-Technological Innovation Society: winner in the Vision Category, for the constant improvements in the Ipanema aircraft
- Diamond Certification 2010 – U.S. Federal Aviation Administration (FAA): second consecutive win for Embraer's executive jet maintenance centers in Fort Lauderdale, Florida, and Mesa, Arizona (U.S.), in recognition of excellence in aircraft maintenance training
- SAM Sustainability Yearbook 2011 – “Gold Class” Category: Embraer joined the DJSI (Dow Jones Sustainability Index), having been evaluated as the second-best global company in the aerospace industry, in terms of sustainability practices



TAUBATÉ | 12:30PM | -3



GAVIÃO PEIXOTO | 12:30PM | -3

- Ranking among the 150 Best Companies to Work 2010 – *Exame* and *Você S.A.* magazines, in a partnership with FIA (award also received in 2009)
- Ranking among the 100 Best Companies to Work 2010 – Great Place to Work Institute: award received for the second consecutive year and published in *Época* magazine, of *Editora Globo*
- 30 Best in People Management 2010 – AON Hewitt Consultants and *Valor Econômico*: 4th place in the Large Company Category
- EPS 2010 Award – Best Psychologically Healthy Companies – *Gestão & RH* magazine
- ABS – *Agência Brasil de Segurança* Award: first Brazilian company to receive the award for best practices in preventing and fighting fires and emergencies
- XIV Anefac – Fipecafi – Serasa Experian Award “Transparency Trophy 2010”: Embraer among the 10 most transparent in Brazil
- 12th Abrasca Award for Best Annual Report: 5th place and honorable mention in the Strategy item
- DCI Company of the Year 2010 Award: “Embraer, the most admired company in the aviation sector”
- *Carta Capital* Award: most admired Companies in Brazil 2010
- Biggest and Best (*Maiores & Melhores*) Award in transportation & logistics 2010: “The best in the aeronautical and components industry sector”
- *Época Negócios* – The companies with the greatest prestige
- *Revista Exame* – Biggest and Best
- *IstoÉ Dinheiro* – Most Valuable Brands

In 2010, Embraer won a number of awards, in recognition of the results it obtained throughout the year.

We are grateful to these institutions and to our stakeholders, and we are committed to continuing to make every effort in defending our fundamental values: motivating our people, internal and external transparency, healthy and ethical relations with our customers, excellence in industrial and technological capacity, promoting economic-financial health, zeal for the assets of shareholders and, finally, the perpetuity of the enterprise.

Social Performance Indicators

GRI EN30

| 1 - Calculation Base | 2010 VALUE [R\$ thousand] | 2009 VALUE [R\$ thousand] |
|-------------------------|---------------------------|---------------------------|
| Net Revenues (NR) | 8,231,283 | 9,271,506 |
| Operational Result (OR) | 1,076,535 | 890,356 |
| Gross Payroll (GPR) | 1,649,730 | 1,550,566 |

| 2 - Internal Social Indicators | VALUE [R\$ thousand] | % OVER GPR | % OVER NR | VALUE [R\$ thousand] | % OVER GPR | % OVER NR |
|---|-------------------------|---------------|--------------|-------------------------|---------------|--------------|
| Meals | 20,475 | 1.24 | 0.25 | 22,203 | 1.43 | 0.24 |
| Mandatory social charges | 444,839 | 26.96 | 5.40 | 406,853 | 26.24 | 4.39 |
| Supplementary retirement | 38,324 | 2.32 | 0.47 | 29,659 | 1.91 | 0.32 |
| Health | 84,895 | 5.15 | 1.03 | 94,428 | 6.09 | 1.02 |
| Labor health and safety | 9,346 | 0.57 | 0.11 | 10,615 | 0.68 | 0.11 |
| Education | 246 | 0.01 | 0.00 | 326 | 0.02 | 0.00 |
| Culture | 143 | 0.01 | 0.00 | 168 | 0.01 | 0.00 |
| Professional training and development | 15,784 | 0.96 | 0.19 | 15,943 | 1.03 | 0.17 |
| Childcare or childcare stipend | 342 | 0.02 | 0.00 | 276 | 0.02 | 0.00 |
| Profit-sharing | 79,162 | 4.80 | 0.96 | 70,175 | 4.53 | 0.76 |
| Others | 29,891 | 1.81 | 0.36 | 34,661 | 2.24 | 0.37 |
| Total - Internal Social Indicators | 723,447 | 43.85 | 8.79 | 685,307 | 44.20 | 7.39 |

| 3 - External Social Indicators | VALUE [R\$ thousand] | % OVER OR | % OVER NR | VALUE [R\$ thousand] | % OVER OR | % OVER NR |
|---|-------------------------|--------------|--------------|-------------------------|--------------|--------------|
| Education | 11,272 | 1.05 | 0.14 | 12,174 | 1.37 | 0.13 |
| Culture | 806 | 0.07 | 0.01 | 600 | 0.07 | 0.01 |
| Fight against hunger and food insecurity | 0 | 0.00 | 0.00 | 457 | 0.05 | 0.00 |
| Others | 260 | 0.02 | 0.00 | 385 | 0.04 | 0.00 |
| Total Contribution to Society | 12,338 | 1.15 | 0.15 | 13,616 | 1.53 | 0.15 |
| Taxes (excluding social charges) | 141,441 | 13.14 | 1.72 | 235,433 | 26.44 | 2.54 |
| Total - External Social Indicators | 153,779 | 14.28 | 1.87 | 249,049 | 27.97 | 2.69 |

| 4 - Environmental Indicators | VALUE [R\$ thousand] | % OVER OR | % OVER NR | VALUE [R\$ thousand] | % OVER OR | % OVER NR |
|--|-------------------------|--------------|--------------|-------------------------|--------------|--------------|
| Investment related to Company production/operation | 8,956 | 0.83 | 0.11 | 9,017 | 1.01 | 0.10 |
| Investment in external programs and/or projects | 92 | 0.01 | 0.00 | 96 | 0.01 | 0.00 |
| Total Environmental Investment | 9,047 | 0.84 | 0.11 | 9,113 | 1.02 | 0.10 |

Regarding the definition of "annual goals" to reduce waste, the general consumption for production/operation and increase efficiency in utilization of natural resources, the Company:

() does not have goals
() meets from 0 a 50%
() meets from 51 to 75%
(x) meets 76 to 100%

(x) does not have goals
() meets from 0 a 50%
() meets from 51 to 75%
() meets 76 to 100%

| 5 – Staff Indicators | 2010 | 2009 |
|---|--------|--------|
| No. of employees at the end of the period | 16,133 | 15,952 |
| No. of new hires in the period | 1,028 | 201 |
| No. of outsourced employees | 2,430 | 2,336 |
| No. of interns | 169 | 32 |
| No. of employees over 45 years | 2,441 | 2,492 |
| No. of women working at the Company | 2,094 | 2,030 |
| % of management positions held by women | 8.16% | 8.47% |
| No. of handicapped or special-needs employees | 740 | 786 |

| 6 – Relevant Corporate Citizenship Information | 2010 | GOAL FOR 2011 |
|--|--|---|
| Ratio of highest to lowest salary at the Company | 42 | No goal |
| Total on-the-job accidents | 792 | 600 |
| The social and environmental projects implemented by the Company were decided upon by: | () Directors (x) Directors and management () All staff | () Directors (x) Directors and management () All staff |
| The risk and security standards in the workplace were decided upon by: | () Directors and management () All staff (x) All staff + CIPA | () Directors and management () All staff (x) All staff + CIPA |
| With regard to labor unions, the right for collective bargaining and internal representation of workers, the Company: | () Does not get involved () Follows ILO rules (x) Encourages and follows ILO | () Will not get involved () Follow ILO rules (x) Encourage and follow ILO |
| Supplemental pension benefits are extended to: | () Directors () Directors and management (x) All staff | () Directors () Directors and management (x) All staff |
| Profit-sharing is extended to: | () Directors () Directors and management (x) All staff | () Directors () Directors and management (x) All staff |
| Regarding the selection of suppliers, the same ethical and social and environmental responsibility standards adopted by the Company: | () Are not considered (x) Are suggested () Are required | () Will not be considered (x) Will be suggested () Will be required |
| Regarding the participation of employees in volunteer activities, the Company: | () Does not get involved () Supports (x) Organizes and encourages | () Will not get involved () Will Support (x) Will organize and encourage |
| Total value added for distribution (R\$ thousand): | In 2010: 2,397,906 | In 2009: 2,509,580 |
| Distribution of Value Added (DVA): | 19.23% Government 6.49% Shareholders 17.43% Retained | 1.59% Government 48.28% Employees 9.12% Shareholders 13.79% Third Parties 27.22% Retained |

GRI Index 3.12

| GENERAL INDICATORS | | |
|---------------------------|---|---|
| 1. Strategy and Analysis | | AR PAGES GLOBAL COMPACT |
| 1.1 | Statement from the most senior decisionmaker of the Organization about the relevance of sustainability to the organization and its strategy. | 4 Declaration of continuous support in the CEO's Message |
| 1.2 | Description of key impacts, risks and opportunities. | 4 AND 24 |
| 2. Organizational Profile | | AR PAGES GLOBAL COMPACT |
| 2.1 | Name of the Organization. | 1 AND 8 - |
| 2.2 | Primary brands, products and/or services. | 44 - |
| 2.3 | Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures. | 12 - |
| 2.4 | Location of organization's headquarters. | 12 AND 38 - |
| 2.5 | Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report. | 12 AND 38 - |
| 2.6 | Nature of ownership and legal form. | 18 - |
| 2.7 | Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries). | 8 AND 15 - |
| 2.8 | Scale of the reporting Organization. | 8 AND 14 - |
| 2.9 | Significant changes during the reporting period regarding size, structure or ownership. | 8 AND 18 - |
| 2.10 | Awards received in the reporting period. | 79 AND 80 - |
| 3. Report Parameters | | AR PAGES GLOBAL COMPACT |
| 3.1 | Reporting period (e.g., fiscal/calendar year) for information provided. | 1 - |
| 3.2 | Date of most recent previous report (if any). | 1 - |
| 3.3 | Reporting cycle (annual, biennial etc.) | 1 - |
| 3.4 | Contact point for questions regarding the report or its contents. | 1 - |
| 3.5 | Process for defining report content, including: a) determining materiality; b) prioritizing topics within the report; and c) identifying stakeholders the Organization expects to use the report. | 1 - |
| 3.6 | Boundary of the Report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). | 1 - |
| 3.7 | State any specific limitations on the scope or boundary of the report. | 1 - |
| 3.8 | Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations and other entities that can significantly affect comparability from period to period and/or between organizations. | 1 - |
| 3.9 | Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to the compilation of the Indicators and other information in the report. | 1 - |
| 3.10 | Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods). | 1 - |

| | | | |
|------|--|----------|---|
| 3.11 | Significant changes from previous reporting periods in the scope, boundary or measurement methods applied in the report. | 1 | - |
| 3.12 | Table identifying the location of the Standard Disclosures in the report. | 1 AND 82 | - |
| 3.13 | Policy and current practice with regard to seeking external assurance for the report. | 1 | - |

| 4. Governance, Commitments and Engagement | | AR PAGES | GLOBAL COMPACT |
|---|---|-------------------|--|
| 4.1 | Governance structure of the Organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight. | 18, 19 AND 20 | - |
| 4.2 | Indicate whether the Chair of the highest governance body is also an Executive Officer (and, if so, his or her function within the Organization's management and the reasons for this arrangement). | 19 | - |
| 4.3 | For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent or non-executive members. | 18 | - |
| 4.4 | Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body. | 18, 20 AND 27 | - |
| 4.5 | Linkage between compensation for members of the highest governance body, senior managers and executives (including departure arrangements), and the Organization's performance (including social and environmental performance). | 20 | - |
| 4.6 | Processes in place for the highest governance body to ensure conflicts of interest are avoided. | 20 AND 26 | - |
| 4.7 | Process for determining the qualifications and expertise of the members of the highest governance body for guiding the Organization's strategy on economic, environmental and social topics. | 19 | - |
| 4.8 | Internally developed statements of mission or values, codes of conduct and principles relevant to economic, environmental and social performance and the status of their implementation. | 16 AND 26 | Statement of Commitment and employees disclosure |
| 4.9 | Procedures of the highest governance body for overseeing the Organization's identification and management of economic, environmental and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct and principles. | 19, 23, 24 AND 36 | - |
| 4.10 | Processes for self-evaluating the highest governance body's own performance, particularly with respect to economic, environmental and social performance. | 18 AND 20 | - |
| 4.11 | Explanation of whether and how the precautionary principle is addressed by the Organization. | 24 | 7 |
| 4.12 | Externally developed economic, environmental and social charters, principles or other initiatives to which the Organization subscribes or endorses. | 14 | Statement of Commitment |
| 4.13 | Memberships in associations (such as industry associations) and/or national/international advocacy organizations in which the Organization: has positions in governance bodies; participates in projects or committees; provides substantive funding beyond routine membership dues; views membership as strategic. | 59 | Statement of Commitment |
| 4.14 | List of stakeholder groups engaged by the Organization. | 1 AND 67 | - |
| 4.15 | Basis for identification and selection of stakeholders with whom to engage. | 67 | - |
| 4.16 | Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group. | 67 | Share of the COP with the Company's stakeholders |
| 4.17 | Key topics and concerns that have been raised through stakeholder engagement, and how the Organization has responded to those key topics and concerns. | 58, 59 AND 67 | - |

| ECONOMIC PERFORMANCE INDICATORS | | | | |
|--------------------------------------|------|--|-----------|----------------|
| DISCLOSURE OF MANAGEMENT APPROACH | | | 50 AND 54 | |
| Aspect: Economic Performance | | | AR PAGES | GLOBAL COMPACT |
| Core | EC1 | Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings and payments to capital providers and governments. | 14 AND 74 | - |
| Core | EC2 | Financial implications and other risks and opportunities for the Organization's activities due to climate change. | 25 AND 58 | 7 AND 8 |
| Core | EC3 | Coverage of the Organization's defined benefit plan obligations. | 71 | - |
| Aspect: Market Presence | | | AR PAGES | GLOBAL COMPACT |
| ADD | EC5 | Range of ratios of standard entry-level wage compared to local minimum wage at significant locations of operation. | 70 | 6 |
| Core | EC6 | Policy, practices and proportion of spending on locally-based suppliers at significant locations of operation. | 38 | - |
| Core | EC7 | Procedures for local hiring and proportion of senior management hired from the local community at locations of significant operation. | 71 | 6 |
| Aspect: Indirect Economic Impacts | | | AR PAGES | GLOBAL COMPACT |
| Core | EC8 | Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, inkind or pro bono engagement. | 75 | - |
| ADD | EC9 | Understanding and describing significant indirect economic impacts, including the extent of impacts. | 36 AND 75 | - |
| ENVIRONMENTAL PERFORMANCE INDICATORS | | | | |
| DISCLOSURE OF MANAGEMENT APPROACH | | | 56 AND 60 | |
| Aspect: Energy | | | AR PAGES | GLOBAL COMPACT |
| Core | EN3 | Direct energy consumption by primary energy source. | 61 | 8 |
| Core | EN4 | Indirect energy consumption by primary source. | 60 | 8 |
| ADD | EN5 | Energy saved due to conservation and efficiency improvements. | 60 AND 65 | 8 AND 9 |
| ADD | EN6 | Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives. | 58 | 8 AND 9 |
| ADD | EN7 | Initiatives to reduce indirect energy consumption and reductions achieved. | 60 | 8 AND 9 |
| Aspect: Water | | | AR PAGES | GLOBAL COMPACT |
| Core | EN8 | Total water withdrawal by source. | 61 | 8 |
| ADD | EN10 | Percentage and total volume of water recycled and reused. | 61 AND 65 | 8 AND 9 |

| Aspect: Biodiversity | | | AR PAGES | GLOBAL COMPACT |
|----------------------|------|--|----------|----------------|
| Core | EN11 | Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas. | 62 | 8 |
| Core | EN12 | Description of significant impacts of activities, products and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas. | 62 | 8 |
| ADD | EN13 | Habitats protected or restored. | 62 | 8 |
| ADD | EN14 | Strategies, current actions and future plans for managing impacts on biodiversity. | 62 | 8 |

| Aspect: Emissions, Effluents and Waste | | | AR PAGES | GLOBAL COMPACT |
|--|------|---|---------------|----------------|
| Core | EN16 | Total direct and indirect greenhouse gas emissions by weight. | 62 | - |
| Core | EN17 | Other relevant indirect greenhouse gas emissions by weight. | 62 | - |
| ADD | EN18 | Initiatives to reduce greenhouse gas emissions and reductions achieved. | 59, 63 AND 65 | 8 AND 9 |
| Core | EN19 | Emissions of ozone-depleting substances by weight. | 62 | 8 |
| Core | EN20 | NOx, SOx and other significant air emissions by type and weight. | 63 | 8 |
| Core | EN21 | Total water discharge by quality and destination. | 65 | 8 |
| Core | EN22 | Total weight of waste by type and disposal method. | 64 | 8 |
| ADD | EN24 | Weight of transported, imported, exported or treated waste deemed hazardous under the terms of the Basel Convention Annex I, II, III and VIII, and percentage of transported waste shipped internationally. | 64 | - |
| ADD | EN25 | Identity, size, protected status and biodiversity value of water bodies and related habitats significantly affected by the reporting Organization's discharges of water and runoff. | 65 | 8 |

| Aspect: Products and Services | | | AR PAGES | GLOBAL COMPACT |
|-------------------------------|------|--|-----------|----------------|
| Core | EN26 | Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation. | 58 AND 59 | 8 AND 9 |
| Core | EN27 | Percentage of products and their packaging materials that are reclaimed by category. | 58 | 8 AND 9 |

| Aspect : Overall | | | AR PAGES | GLOBAL COMPACT |
|------------------|------|--|----------|----------------|
| ADD | EN30 | Total environmental protection expenditures and investments by type. | 80 | 8 |

| LABOR PRACTICES AND DECENT WORK PERFORMANCE INDICATORS | | | | |
|--|-----|--|-----------|----------------|
| DISCLOSURE OF MANAGEMENT APPROACH | | | 66 AND 67 | |
| Aspect: Employment | | | AR PAGES | GLOBAL COMPACT |
| Core | LA1 | Total workforce by employment type, employment contract and region. | 68 | - |
| Core | LA2 | Total number and rate of employee turnover by age group, gender and region. | 69 | 6 |
| ADD | LA3 | Benefits provided to full-time employees that are not provided to temporary or part-time employees, by major operations. | 74 | 6 |

| Aspect: Labor/Governance Relations | | | AR PAGES | GLOBAL COMPACT |
|--|------|---|-----------|----------------|
| Core | LA4 | Percentage of employees covered by collective bargaining agreements. | 70 AND 75 | 1 AND 3 |
| Aspect: Occupational Health and Safety | | | AR PAGES | GLOBAL COMPACT |
| ADD | LA6 | Percentage of total workforce represented in formal joint management-worker health and safety committees that help monitor and advise on occupational health and safety programs. | 73 | - |
| Core | LA7 | Rates of injury, occupational diseases, lost days and absenteeism, and number of work-related fatalities by region. | 37 | - |
| Core | LA8 | Education, training, counseling, prevention and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases. | 73 | - |
| ADD | LA9 | Health and safety topics covered in formal agreements with trade unions. | 70 | - |
| Aspect: Training and Education | | | AR PAGES | GLOBAL COMPACT |
| Core | LA10 | Average hours of training per year per employee by employee category. | 71 | - |
| ADD | LA11 | Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings. | 71 | - |
| ADD | LA12 | Percentage of employees receiving regular performance and career development reviews. | 71 | - |
| Aspect: Diversity and Equal Opportunity | | | AR PAGES | GLOBAL COMPACT |
| Core | LA13 | Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership and other indicators of diversity. | 68 | 1 AND 6 |
| Core | LA14 | Ratio of basic salary of men to women by employee category. | - | 1 AND 6 |
| HUMAN RIGHTS PERFORMANCE INDICATORS | | | | |
| DISCLOSURE OF MANAGEMENT APPROACH | | | 24 AND 76 | |
| Aspect: Investment and Procurement Practices | | | AR PAGES | GLOBAL COMPACT |
| Core | HR1 | Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening. | 75 | 1, 4, 5 AND 6 |
| Core | HR2 | Percentage of significant suppliers and contractors that have undergone screening on human rights and actions taken. | 75 | 1, 4, 5 AND 6 |
| Aspect: Non-Discrimination | | | AR PAGES | GLOBAL COMPACT |
| Core | HR4 | Total number of incidents of discrimination and actions taken. | 75 | 1 AND 6 |
| Aspect: Freedom of Association and Collective Bargaining | | | AR PAGES | GLOBAL COMPACT |
| Core | HR5 | Operations identified in which the right to exercise freedom of association and collective bargaining may be at significant risk, and actions taken to support these rights. | 70 | 1 AND 3 |

| Aspect: Child Labor | | | AR PAGES | GLOBAL COMPACT |
|---|-----|--|-------------------|----------------|
| Core | HR6 | Operations identified as having significant risk for incidents of child labor, and measures taken to contribute to the elimination of child labor. | 70 | 1 AND 5 |
| Aspect: Forced or Analogous to Slavery | | | AR PAGES | GLOBAL COMPACT |
| Core | HR7 | Operations identified as having significant risk for incidents of forced or labor analogous to slavery, and measures to contribute to the elimination of forced labor or analogous to slavery. | 70 | 1, 2 AND 4 |
| SOCIETY PERFORMANCE INDICATORS | | | | |
| DISCLOSURE OF MANAGEMENT APPROACH | | | 26 AND 75 | |
| Aspect: Community | | | AR PAGES | GLOBAL COMPACT |
| Core | SO1 | Nature, scope and effectiveness of any programs and practices that assess and manage the impacts of operations on communities, including entering, operating and exiting. | 75 | 1 |
| Aspect: Corruption | | | AR PAGES | GLOBAL COMPACT |
| Core | SO2 | Percentage and total number of business units analyzed for risks related to corruption. | 26 AND 27 | 10 |
| Core | SO3 | Percentage of employees trained in Organization's anti-corruption policies and procedures. | 26 | 10 |
| Aspect : Public Policy | | | AR PAGES | GLOBAL COMPACT |
| Core | SO5 | Public policy positions and participation in public policy development and lobbying. | 35, 59 AND 75 | 10 |
| Aspect: Anti-Competitive Behavior | | | AR PAGES | GLOBAL COMPACT |
| ADD | SO7 | Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes. | - | - |
| PRODUCT RESPONSIBILITY PERFORMANCE INDICATORS | | | | |
| DISCLOSURE OF MANAGEMENT APPROACH | | | 36, 37, 40 AND 41 | |
| Aspect: Customer Health and Safety | | | AR PAGES | GLOBAL COMPACT |
| Core | PR1 | Life cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services subject to such procedures. | 41 | - |
| ADD | PR2 | Total number of incidents of non-compliance with regulations and voluntary codes concerning health and safety impacts of products and services during their life cycle, by type of outcomes. | 41 | - |
| Aspect: Product and Service Labeling | | | AR PAGES | GLOBAL COMPACT |
| Core | PR3 | Type of product and service information required by procedures, and percentage of significant products and services subject to such information requirements. | 41 | 8 |

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