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The following table sets forth the selling exchange rate, expressed in *reais* per U.S. dollar, for the periods indicated:

Year ended December 31,	Exchange Rate of <i>Reais</i> to US\$1.00			
	Low	High	Average <sup>(1)</sup>	Period-end
2012	1.7024	2.1121	1.9588	2.0435
2013	1.9528	2.4457	2.1741	2.3426
2014	2.1974	2.7403	2.3547	2.6562
2015	2.5754	4.1949	3.3876	3.9048
2016	3.1193	4.1558	3.4500	3.2591

  

Month	Exchange Rate of <i>Reais</i> to US\$1.00			
	Low	High	Average <sup>(2)</sup>	Period-end
September 2016	3.1934	3.3326	3.2564	3.2462
October 2016	3.1193	3.2359	3.1858	3.1811
November 2016	3.2024	3.4446	3.3420	3.3967
December 2016	3.2591	3.4650	3.3523	3.2591
January 2017	3.1270	3.2729	3.1966	3.1270
February 2017	3.0510	3.1479	3.1039	3.0993
March 2017 (through March 15, 2017)	3.0976	3.1735	3.1402	3.1629

Source: Central Bank.

(1) Represents the average of the exchange rates on the last day of each month during the relevant periods.

(2) Represents the average of the exchange rates during the relevant periods.

We will pay any cash dividends and make any other cash distributions with respect to the common shares in *reais*. Accordingly, exchange rate fluctuations may affect the U.S. dollar amounts received by the holders of American Depositary Shares, or ADSs, upon the conversion into U.S. dollars by the depositary of our ADS program of such distributions for payment to holders of ADSs. Fluctuations in the exchange rate between the *real* and the U.S. dollar may also affect the U.S. dollar equivalent of the *real* price of our common shares on the São Paulo Stock Exchange.

### 3B. Capitalization and Indebtedness

Not applicable.

### 3C. Reasons for the Offer and Use of Proceeds

Not applicable.

### 3D. Risk Factors

#### Risks Relating to Embraer

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

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

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

***We depend on key customers.***

In the Commercial Aviation segment, as of December 31, 2016, more than 85% of our firm orders in backlog for the current family of EMBRAER 170/190 jet family were from the airlines Skywest, American Airlines, United, JetBlue, Alaska, Air France-KLM and Hainan, and the leasing company NAC / Aldus. We believe that we will continue to depend on a select number of key customers, the loss of any one of which would reduce our sales and our market share. Fewer sales would reduce our profitability.

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

Financial difficulties, restructurings and bankruptcy proceedings of customer airlines can have a materially adverse effect on our results of operations and financial position. In February 2016, Republic Airways Holdings, which by that time operated a fleet of 230 Embraer Commercial Aviation aircraft (of which 50 are of the ERJ145 family and 180 are E170/E175 models), filed for a Chapter 11 bankruptcy. As a result, we have provisioned a total of US\$100.9 million to account for expected expenses related to obligations from financial guarantees offered to the main financing agent of the ERJ 140/145 aircraft, acquired by and delivered to this customer. For more information, see “Item 5E – Off-Balance Sheet Agreements.”

In addition, delays in payment cycles by significant customers can negatively affect our cash position and working capital, as occurred for example in 2014 and to a lesser extent in 2015.

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

In our Defense & Security segment, the Brazilian Federal Government is our largest customer of defense aircraft products. Revenue from sales to the Brazilian federal government accounted for 61.8% of segment revenue for the year ended December 31, 2016. A decrease in defense investments by the Brazilian federal government due to budgetary constraints or other factors that are out of our control could decrease our Defense & Security revenue. We cannot assure you that the Brazilian federal government will continue to acquire defense products and services from us in the future at the same rate or at the same level.

***Our aircraft sales are subject to cancellation provisions that may reduce our revenues, profitability, backlog and cash flow.***

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

Our customers may also reschedule deliveries or cancel orders, particularly during an economic downturn. In 2016, we had revenue of US\$16.8 million related to contractual penalties paid by customers due to contract cancellations, compared to contractual penalty revenues of US\$17.3 million in 2015 and US\$31.6 million in 2014. Material cancellations, delays or decreases in the number of aircraft delivered in any year would reduce our sales and revenue, and, consequently, our profitability, cash flow and backlog.

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

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

Residual value guarantees typically ensure that, at the exercise date (between 6 and 18 years after the aircraft delivery date), the relevant aircraft will have a residual market value equal to a percentage of the original sale price. Most of our residual value guarantees are subject to a limitation (a “cap”) and, therefore, on average, our residual value guarantee exposure is limited to 15% of the original sale price. In the event of an exercise by a purchaser of its residual value guarantee, we will bear the difference, if any, between the guaranteed residual value and the market value of the aircraft at the time of exercise, limited to the cap.

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Assuming all customers who are supported by off-balance sheet financial guarantees defaulted on their aircraft financing arrangements, and also assuming we were required to pay the full aggregate amount of outstanding financial and residual value guarantees and were unable to remarket any of the aircraft to offset our obligations, our maximum exposure would have been US\$477.3 million (or, subtracting provisions and liabilities already recorded in the amount of US\$144.9 million as reflected in Note 25 to our audited consolidated financial statements, US\$332.4 million) under these guarantees as of December 31, 2016. As a result, we would be obligated to make substantial payments that may not be recoverable through proceeds from aircraft sales or leases, particularly if we are not able to remarket any of the aircraft to offset our obligations or financing defaults occur with respect to a significant portion of our aircraft. The value of the underlying aircraft is more likely to decrease and third parties are more likely to default during economic downturns. For further discussion see our exposure to these guarantees in Note 36 to our audited consolidated financial statements and "Item 5E – Off Balance Sheet Agreements."

In addition, we sometimes provide trade-in options to our customers in purchase agreements for new aircraft. These options provide customers with the right to trade in aircraft upon the purchase and acceptance of a new aircraft. In 2016, we accepted 43 aircraft, with a total invoiced value of US\$365.4 million, for trade-in pursuant to trade-in options, as compared to 25 aircraft, with a total invoiced value of US\$145.8 million, in 2015 and five aircraft, with a total invoiced value of US\$43.9 million, in 2014. In the aggregate, we are currently subject to trade-in options relating to 13 aircraft, as a result of trade-ins tied to contractual obligations with customers and to their taking delivery of certain new aircraft. In addition, other aircraft may become subject to trade-in due to new sales agreements. The trade-in price is determined based on the new aircraft sold, as well as other factors, including a market value assessment performed by independent third party appraisers. We may be required to accept trade-ins at prices that could result in financial loss for us when we receive the aircraft.

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

In 2016, 2015 and 2014, we recorded provisions of US\$210.8 million, US\$192.2 million (excluding provision for Chapter 11 filled by Republic Airways on US\$100.9 million) and US\$238.0 million, respectively, related to exposure from financial guarantees offered to the main financing agent of the ERJ 140/145 aircraft, acquired by and delivered to this customer.

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

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

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

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

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

From 2004 through 2016, approximately 27% of our Commercial Aviation deliveries was subject to official export credits. In 2015 and 2016, approximately 43% and 57%, respectively, of our Commercial Aviation deliveries were supported by the Brazilian export financing program. We cannot assure that the Brazilian federal government, for policy reasons or otherwise, will not reduce or discontinue this type of funding for the financing of our aircraft or that other sources of funding will be available to our customers. The loss or significant reduction of funds available to our customers, without an adequate substitute, could lead to a reduction in sales of our aircraft or to an increase of eventual aircraft financing arrangements.

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

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

Our investments in the Legacy 450/500 executive jets, launched in April 2008, are almost concluded, totaling approximately US\$840 million through 2016. The first Legacy 500 executive jet was delivered in October 2014, and the Legacy 450 entered into service in December 2015. We cannot assure you that our products will be accepted by our customers and the market, and if any of our new products does not meet customer expectations or market demand, our business would be materially and adversely affected. In addition, as we continue to develop new products, we may need to reallocate existing resources and coordinate with new suppliers and risk-sharing partners. Finally, cost overruns and delays in the development and delivery of new products would materially and adversely affect us.

We may pursue strategic growth opportunities, just as we have in the past, including joint ventures, acquisitions or other transactions, to expand our business or enhance our products, services and technology. We may face a number of challenges, including difficulties in identifying appropriate partners, assimilating their operations and personnel and maintaining internal standards and controls, as well as the diversion of our management's focus from our ongoing business. We cannot assure you that we will be able to meet these challenges or that our business will not face disruptions.

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

We have arrangements with our risk-sharing partners, pursuant to which they have contributed to us, in cash over the years, a total of US\$1,153.5 million since the beginning of the development of the EMBRAER 170/190, Phenom 100/300 Legacy 450/500 jet families and the E2 jet family through December 31, 2016. Cash contributions would have to be refunded by us to the risk-sharing partners to the extent that we had failed to fulfill certain agreed-upon milestones. The full amount of these cash contributions were nonrefundable during 2016, as we had met all the required milestones.

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

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

The worldwide commercial aircraft manufacturing industry is highly competitive. Along with Boeing, Airbus and Bombardier, all large international companies, we are one of the leading manufacturers of commercial aircraft in the world. Certain of these competitors may have greater financial, marketing and other resources than we have. Although we have attained a significant share of the market for our commercial aircraft products, we cannot assure that we will be able to maintain our current market share. Our ability to maintain our market share and remain competitive in the commercial aircraft manufacturing market over the long term requires continued enhancement of our products' technology and performance. Our primary competitor in the regional jet market is Bombardier Inc., a Canadian company, which has significant technological capabilities and financial and marketing resources. Additionally, Chinese, Russian and Japanese companies are also developing regional jets and already have firm orders in backlog.

As a relatively new entrant to the executive jet market, we face significant competition from companies with longer operating histories and established reputations in this industry. Some of our competitors in the executive jet market have a longer track record and a more established customer base. In addition, the level of pre-owned aircraft for sale continues to pressure new aircraft demand in this segment and may impact the value of the used aircraft we own in our portfolio. We cannot assure that we will continue to increase our market share in the executive jet market segment, or that we will not experience a reduction in our current market share in this segment, especially in a scenario of a decrease in the global market demand, which we expect for 2017.

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

***We worked with a limited number of key suppliers.***

We do not manufacture all of the parts and components used in the production of our aircraft. Approximately 85% of the production costs of our Commercial Aviation aircraft consist of materials and equipment purchased from our risk-sharing partners and other major suppliers. Risk-sharing arrangements are those in which suppliers are responsible for the design, development and manufacture of major components or systems of our aircraft. In some cases, the aircraft are designed specifically to accommodate a particular component, which cannot be substituted by another manufacturer without significant delays and expense. In addition, there exist only a limited number of suppliers of certain key components of aircraft globally. We work closely with our main suppliers in order to mitigate any potential supply chain risk, but we cannot assure you that these risks, which could negatively and adversely affect our operating and financial performance, will not materialize.

***Intellectual property violations may negatively affect us.***

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

***We may suffer from a lack of qualified personnel.***

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

***We are subject to environmental, health and safety risks.***

Our products, as well as our manufacturing and service activities, are subject to environmental laws and regulations in each of the jurisdictions in which we operate, governing, among other things: product performance or content; energy use and greenhouse gas emission; air; water and noise pollution; the use, storage, transportation, labeling and disposal or release of hazardous substances, human health risks arising from the exposure to hazardous or toxic materials; and the remediation of soil and groundwater contamination on or under our properties (whether or not caused by us), or on or under other properties and caused by our current or past operations. Environmental regulatory requirements, or enforcements thereof, may become more stringent and we may incur additional costs to be compliant with such future requirements or enforcements. We currently have several ongoing comprehensive programs to reduce the effects of our operations on the environment. For more information, see “Item 4D. Information on the Company–Property, Plant and Equipment.”

Changes to current environmental regulations may demand that we spend additional amounts to enhance our environmental compliance programs. In addition, environmental regulations, such as those requiring the reduction of greenhouse gas emissions, are becoming one of the main drivers of airline fleet decisions, potentially causing our customers to change their purchasing plans or requiring us to make additional capital investments to adapt to new requirements.

The various products manufactured and sold by us must also comply with relevant health and safety and substances and preparations related laws and regulations in the jurisdictions in which we operate. Although we seek to ensure that our products meet the highest quality standards, increasingly stringent and complex laws and regulations, new scientific discoveries, delivery of defective products or the obligation to notify or provide regulatory authorities or others with required information (such as under the EU regulation known as “REACH,” which addresses the production and use of chemical substances) may force us to adapt, redesign, redevelop, recertify and/or eliminate products from the markets in which we operate. Seizures of non-compliant products may be required, and we may incur administrative, civil or criminal penalties. In the event of an accident or other serious incident involving a product, we may be required to conduct investigations and undertake remedial activities.

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

Similarly to other Brazilian companies across multiple industries, we receive certain tax and other government-granted benefits, including incentives related to our export and research and development activities. For further information, see “Item 5A – Operating and Financial Review and Prospects–Operating Results–Current Conditions and Future Trends in the Commercial Airline Industry and Executive Jet Market–Defense & Security–Tax Incentives.”

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

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

On October 24, 2016 we finalized definitive agreements, or the Final Agreements, with the U.S. Department of Justice, or DOJ, and the U.S. Securities and Exchange Commission, or the SEC, for the settlement of criminal and civil violations of the U.S. Foreign Corrupt Practices Act of 1977, as amended, or FCPA. We also finalized a term of undertaking (*termo de compromisso e de ajustamento de conduta*), or TCAC, with the Brazilian Federal Public Prosecutor's Office (*Ministério Público Federal*), or MPF, and the Brazilian Securities and Exchange Commission, or the CVM, for the resolution of violations of certain Brazilian laws. Under these settlements, we agreed to pay a total of US\$205.5 million to the SEC and DOJ (of which US\$20.0 million was due under the TCAC), and a total equivalent to US\$20.0 million to a Brazilian federal fund. See "Item 8 Financial Information—A. Consolidated Statements and Other Financial Information—Legal Proceedings—SEC/DOJ and Brazilian Public Prosecutor's Investigations."

We also agreed to an external and independent monitorship for a period of three years. The monitorship period may be extended at the DOJ's discretion depending on our compliance with the DPA. The monitor may recommend changes to our policies and procedures that we must adopt unless they are unduly burdensome or otherwise inadvisable, in which case we may propose alternatives, which the DOJ may or may not accept. Operating under the oversight of the monitor may result in burdens on members of our management and divert their time from the operation of our business. We currently cannot estimate the costs that we are likely to incur in connection with compliance with the Final Agreements, including the retention of the monitor or implementing the changes, if any, to our policies and procedures required by the monitor. However, the costs and burdens of the monitoring process could be significant and could negatively impact us and could divert the efforts and attention of our management team from our ordinary business operations.

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

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

**Risks Relating to the Commercial Airline Industry**

***Scope clause restrictions in airline pilot contracts may limit demand for regional jets in the U.S. market.***

A key limiting factor in demand for regional jets is the existence of scope clauses contained in airline pilot contracts. These scope clauses are union-negotiated restrictions on the number and/or size of regional jets that a particular carrier may operate. Current scope clause restrictions, which are more prevalent in the United States, include restrictions on the weight of aircraft and number of 76 seat commercial aircraft in an airline's fleet operated by regional carriers. As a result, our opportunities for near-term growth in the U.S. regional jet market in the 76 seat jet category may be limited. The continuation or further tightening of scope clauses could also lead some of our customers who have purchased options to acquire our regional jets not to exercise those options. In December 2016, during the major US airlines negotiations with their respective pilot union, the maximum takeoff weight restrictions for 76-seat aircraft included in the relevant scope clauses remained unchanged. The next round of negotiations between the major US airlines and their respective pilot unions is scheduled to occur in 2019 at which time such restrictions may be revisited. We cannot assure you that current restrictions will be lessened, or will not be expanded, including by amending these scope clauses to cover larger-sized commercial aircraft. Furthermore, although scope clauses are less prevalent outside the United States, we cannot assure you that scope clauses will not become more prevalent or restrictive, or that some other form of restriction will not take effect, in Europe or in other markets.

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

FAA regulations may negatively impact the supply of qualified pilot candidates eligible for hiring by the airline industry. A first officer in domestic operations must hold an airline transport pilot certificate and an airplane type rating for the aircraft to be flown. An airline transport pilot certificate requires that a pilot be 23 years of age and have 1,500 hours total time as a pilot. Due to those requirements, there may be a growing scarcity of new entrant pilots who meet the experience qualifications, impacting mainly regional carriers as they are the normal entry airlines for new pilots, and the majors are expected to hire many of their experienced pilots. Any further inability to recruit, train and retain qualified pilots may materially impact our customers' operations.

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

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

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

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

**Risks Relating to Brazil**

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

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

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



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Uncertainty over whether the Brazilian federal government will implement changes in policy or regulation affecting these or other factors may contribute to economic uncertainty in Brazil and to heightened volatility in the Brazilian securities markets and securities issued abroad by Brazilian companies. These and other developments in the Brazilian economy and governmental policies may adversely affect us and our business and results of operations and may adversely affect the trading price of our common shares and ADSs.

Since 2011, Brazil's economy has been weak. The Gross Domestic Product, or GDP, contraction rates were (3.6)% in 2016, (3.8) % in 2015, and GDP growth was 0.1% in 2014, 2.7% in 2013 and 1.8% in 2012 and 3.9% in 2011, compared to a GDP growth of 7.5% in 2010. In 2017, analysts forecast that the Brazilian GDP will grow 0.5%.

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

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

Brazilian markets have been experiencing heightened volatility due to the uncertainties derived from the ongoing Lava Jato investigation, which is being conducted by the Federal Prosecutors' Office, and its impact on the Brazilian economy and political environment. Numerous members of the Brazilian government and of the legislative branch, as well as senior officers of large state-owned and private companies have been convicted of political corruption of officials accepting bribes by means of kickbacks on contracts granted by the government to several infrastructure, oil and gas and construction companies. Profits from these kickbacks financed the political campaigns of political parties that were unaccounted for or not publicly disclosed, and served to further the personal enrichment of the recipients of the bribery scheme. As a result, a number of senior politicians, including congressmen and officers of the major state-owned and private companies in Brazil, resigned or have been arrested.

The ultimate outcome of these investigations is uncertain, but they have already had an adverse impact on the image and reputation of the implicated companies, and on the general market perception of the Brazilian economy. The development of those unethical conduct cases has and may continue to adversely affect our business, financial condition and results of operations and the trading price of our common shares and ADSs.

In addition, the Brazilian economy continues to be subject to the effects of the impeachment of President Dilma Rousseff on August 31, 2016. Vice-President Michel Temer was sworn in as the new President of Brazil until the next presidential election in 2018. Political uncertainty has remained since Mr. Temer, the subject of allegations of misconduct, took office. We cannot predict the effects of these recent developments and the current ongoing political uncertainties on the Brazilian economy.

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

Historically, Brazil has experienced high inflation rates. Inflation and certain actions taken by the Central Bank to curb it have had significant negative effects on the Brazilian economy. After the implementation of the Plano Real in 1994, the annual rate of inflation in Brazil decreased significantly, as measured by the National Broad Consumer Price Index (*Índice Nacional de Preços ao Consumidor Amplo*), or IPCA. Inflation measured by the IPCA index was 6.4%, 10.7% and 6.3% in 2014, 2015 and 2016, respectively and the tendency is stable or slightly decreasing inflation for 2017.

Inflation and the Brazilian government's measures to fight it, principally the Central Bank monetary policy, have had and may have significant effects on the Brazilian economy and us. Among the effects of such inflationary pressure is a rise in labor costs. Contracts in our Commercial Aviation and Executive Jets segment are adjusted for U.S. inflation, and major contracts in our Defense & Security segment are adjusted for Brazilian inflation. If Brazil experiences high inflation again, our operating expenses and borrowing costs may increase, our operating and net margins may decrease and, if investor confidence decreases, the price of our common shares and ADSs may fall.

Tight monetary policies with high interest rates have restricted and may restrict Brazil's growth and the availability of credit. Conversely, more lenient government and Central Bank policies and interest rate decreases have triggered and may trigger increases in inflation, and, consequently, growth volatility and the need for sudden and significant interest rate increases, which could negatively affect us. Increases in interest rates could adversely affect our ability to incur additional debt and increase the cost of service of debt, resulting in an increase in our financial costs, which may reduce our liquidity, thereby adversely affecting our ability to meet our financial obligations. Approximately 37% of our cash and cash equivalents are indexed to the variation of the SELIC and CDI rates and IPCA and IGP-M indices, therefore, fluctuations of Brazilian interest rates and inflation may adversely affect us. On the other hand, a significant decrease in the CDI or inflation rates may adversely affect the revenue we receive from our financial investments

**Exchange rate volatility may adversely affect us.**

The Brazilian currency has, during the last decades, experienced frequent and substantial variations in relation to the U.S. dollar and other foreign currencies. For example, the *real* was valued at R\$1.67 per US\$1.00 in August 2008. Following the onset of the crisis in the global financial markets, the *real* depreciated 31.9% against the U.S. dollar and reached R\$2.34 per US\$1.00 at the end of 2008. In 2010, the *real* appreciated against the U.S. dollar, reaching R\$1.661 per US\$1.00 at the end of 2010. Since 2011, the *real* depreciated against the U.S. dollar, reaching R\$3.905 per US\$1.00 at the end of 2015 with a 47.0% devaluation in 2015. In 2016, the *real* appreciated against the U.S. dollar, reaching R\$3.2591 per US\$1.00 at December 31, 2016. There can be no assurance that the *real* will not depreciate further against the U.S. dollar.

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

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

- Approximately 15% of our total costs are incurred and denominated in *reais*.
- Because taxes on income are largely determined and paid in *reais* based on our Brazilian tax books, the income tax expense (benefit) line item of our statements of income, which has the U.S. dollar as our functional currency, is significantly impacted by appreciation of the *real* relative to the U.S. dollar to the extent we must record deferred taxes resulting from exchange rate fluctuations on the reported basis of our nonmonetary assets (principally property, plant and equipment and intangible assets). Had the *real* devalued or appreciated by 10% against the dollar in relation to the actual exchange rate as of December 31, 2016, the deferred income tax expense would have been higher or lower by approximately US\$140.3 million. For more information, see Note 24 to our audited consolidated financial statements as of and for the year ended December 31, 2016.
- Depreciation of the *real* against the U.S. dollar or other currencies would reduce our *real*-denominated revenues from the Defense & Security segment, when converted to the U.S. dollar as our functional currency.
- Depreciations of the *real* relative to the U.S. dollar would also reduce the U.S. dollar value of distributions and dividends on our ADSs and may also reduce the market value of our common shares and ADSs.
- Appreciation of the *real* against the U.S. dollar or other currencies increases the costs of our products when measured in U.S. dollars, and may result in a decrease in our margins.

We may, as a result, be materially and adversely affected by exchange rate variations.

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

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

Recently, heightened volatility in the Brazilian market was due to, among other factors, uncertainty as to the implication of U.S. elections, U.S. monetary policy and Great Britain's exit from the European Union on international financial markets, increased aversion to risk in emerging countries, and uncertainties regarding macroeconomic and political conditions.

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

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

In September 2015, Standard & Poor's lowered Brazil's sovereign credit rating to below investment grade, from BBB-minus to BB-plus, citing, among other reasons, general instability in the Brazilian market caused by the Brazilian government's interference in the economy and budgetary difficulties. Standard & Poor's again downgraded Brazil's credit rating in February 2016, from BB-plus to BB, and maintained its negative outlook on the rating, citing a worsening credit situation from the time of the September 2015 downgrade. In December 2015, Moody's placed Brazil's Baa3 ratings on review for a downgrade, citing negative macroeconomic trends and a deterioration of the government's fiscal conditions. Subsequently, in February 2016, Moody's downgraded Brazil's ratings to below investment grade, to Ba2 with a negative outlook (recently changed to stable), citing the prospect for further deterioration in Brazil's debt service in a negative or low growth environment, in addition to challenging political dynamics. Rating agency Fitch also downgraded Brazil's credit rating to BB-plus with a negative outlook, citing the country's rapidly expanding budget deficit and the worse-than-expected recession. As a result, the trading prices of debt and equity securities of Brazilian issuers were negatively affected. Continuation of the current Brazilian recession could lead to further ratings downgrades. As a result of the Moody's downgrade of Brazil's issuer and bond ratings in February 2016, the rating agency also downgraded Embraer's issuer rating from Baa3 to Ba1, below investment grade, as the rating agency largely does not rate issuers higher than one rating notch above the sovereign credit rating of the country in which issuer is located. At this time, Embraer maintains its investment grade rating from Standard and Poor's of BBB, and Fitch Rating of BBB-.

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

**Risks Relating to Our Common Shares and ADSs**

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

The Brazilian custodian for the common shares has obtained an electronic certificate of registration from the Central Bank permitting it to remit foreign currency abroad for payments of dividends and other distributions relating to the common shares or upon the disposition of the common shares. If holders of ADSs decide to exchange their ADSs for the underlying common shares, they will be entitled to continue to rely on the custodian's electronic certificate of registration for five business days from the date of exchange. Thereafter, such holders of ADSs may not be able to obtain and remit foreign currency abroad upon the disposition of, or distributions relating to, the common shares unless they obtain their own electronic certificate of registration or register their investment in the common shares pursuant to Resolution No. 4,373, which entitles certain foreign investors to buy and sell securities on the São Paulo Stock Exchange. Holders who do not qualify under Resolution No. 4,373 will generally be subject to less favorable tax treatment on gains with respect to the common shares. If holders of ADSs attempt to obtain their own electronic certificate of registration, they may incur expenses or suffer delays in the application process, which could delay their ability to receive dividends or distributions relating to the common shares or delay the return of their capital in a timely manner. In addition, we cannot assure you that the custodian's electronic certificate of registration or any certificate of foreign capital registration obtained by a holder of ADSs will not be affected by future legislative or other regulatory changes, or that additional restrictions applicable to such holder, to the disposition of the underlying common shares or to the repatriation of the proceeds from such disposition, will not be imposed in the future.

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

The Brazilian federal government holds one share of a special class of our common stock called a "golden share," which carries veto power over our change of control, name, trademark or corporate purpose and over the creation or alteration of our Defense & Security programs (whether or not the Brazilian federal government participates in such programs). For example, in 2010, we changed our corporate name to Embraer S.A. and altered our bylaws to allow us to enter the defense and security market, which required the approval of the Brazilian federal government. The Brazilian federal government may veto transactions that may be in the interest of the holders of our common shares or ADSs. We cannot assure you that we will be able to obtain approvals from the Brazilian federal government in the future to effect important corporate changes, such as those carried out in 2010, or other important corporate changes that may be required.

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

Our bylaws contain provisions that have the effect of avoiding the concentration of our common shares in the hands of a small group of investors so as to promote the dispersed ownership of such shares. These provisions require any shareholder or group of shareholders that acquires or becomes the holder of (1) 35% or more of the total shares issued by us or (2) other rights over shares issued by us that represent more than 35% of our capital, to submit to the Brazilian federal government a request for making a public tender offer to purchase all of our shares on the terms specified in our bylaws. If the request is approved, such shareholder or group of shareholders must commence the public tender offer to purchase all of our shares within 60 days of the date of approval. If the request is refused, such shareholder or group of shareholders must sell all of their shares that exceed the 35% limit within 30 days, so that the holding of such shareholder or group of shareholders falls below 35% of our capital stock. These provisions may have anti-takeover effects and may discourage, delay or prevent a merger or acquisition, including transactions in which our shareholders might otherwise receive a premium for their common shares and ADSs. These provisions can only be altered or overridden with the approval of our Board of Directors and our shareholders in a shareholders' meeting convened for this purpose and, with the consent of the Brazilian federal government, as holder of the golden share.

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

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

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

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

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

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

Holders of ADSs may only exercise their voting rights with respect to the underlying common shares in accordance with the provisions of the deposit agreement governing our ADSs. Under the deposit agreement, ADS holders must vote the common shares underlying their ADSs by giving voting instructions to the depositary. Upon receipt of the voting instructions from the ADS holder, the depositary will vote the underlying common shares in accordance with these instructions. Otherwise, ADS holders will not be able to exercise their right to vote unless they surrender the ADS for cancellation in exchange for the common shares. Pursuant to our bylaws, the first call for a shareholders’ meeting must be published at least 30 days in advance of the meeting, the second call must be published at least 15 days in advance of the meeting, and the third call, if necessary, must be published at least 8 days in advance of the meeting. When a shareholders’ meeting is convened, holders of ADSs may not receive sufficient advance notice to surrender the ADSs in exchange for the underlying common shares to allow them to vote with respect to any specific matter. In addition, the depositary has no obligation to notify ADS holders of an upcoming vote or distribute voting cards and related materials to ADS holders, unless we specifically instruct the depositary to do so. If we ask the depositary to seek voting instructions from ADS holders, the depositary will notify ADS holders of the upcoming vote and will arrange to deliver proxy cards to such holders. We cannot assure you that ADS holders will receive proxy cards in time to allow them to instruct the depositary to vote the shares underlying their ADSs. In addition, the depositary and its agents are not responsible for failing to carry out voting instructions or for an untimely solicitation of voting instructions. As a result, holders of ADSs may not be able to fully exercise their voting rights.

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

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