



## Quarterly Compliance Report based on AAOIFI Shariah Mandate (Q2-2011)

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### Embraer SA - ADR (ERJ BR)

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#### Description

Embraer S.A. (Embraer) is engaged in the manufacturing of commercial aircraft. Embraer is a supplier of defense aircraft for the Brazilian Air Force. The Company has sold aircraft to armed forces in Europe, Asia and Latin America. Its defense and security business accounted for 12.5% of its revenue during the year ended December 31, 2010. The Company has developed a line of executive jets based on one of its regional jet platforms and launched new executive jets in the entry-level, light, ultra-large and mid-light/mid-size categories: the Phenom 100/300 family, the Lineage 1000 and the Legacy 450/500 family, respectively. Its executive jet business accounted for 21.3% of its revenue during 2010. Its aviation services business accounted for 10.5% of its revenue during 2010 and other related businesses, accounted for 1.8% of its revenue during 2010.

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#### Company Status

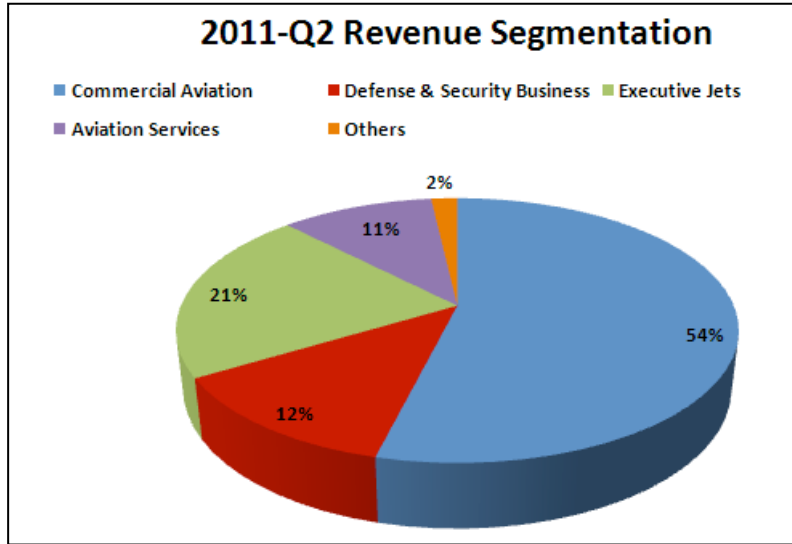
IdealRatings analysts have issued a new report regarding the company:

<b>Name:</b>	Embraer SA (ADR)
<b>Ticker:</b>	ERJ BR
<b>Country:</b>	Brazil
<b>Core Business Activity:</b>	Aerospace / Defense
<b>Exchange:</b>	New York Stock Exchange
<b>Compliance Status:</b>	Not Shariah-compliant

IdealRatings reviewed the most recent financial statements (Q2-2011) for Embraer SA (ADR). The report has been prepared to determine the Shariah-compliance status of the company based on the AAOIFI Shariah mandate.

#### Business Screening

Based on the business of the company the core business is manufacturing of aircrafts for commercial and defense purposes.



(Source: Embraer SA (ADR) Form 20-F)

Embraer SA as a key supplier of defense and security solutions for the Brazilian federal government, as well as other governments worldwide providing a wide range of integrated solutions for the defense and security market.

The products include training/light attack aircraft, aerial surveillance platforms, military transport aircraft, government transport aircraft as well as others.

Thus, the income from the core business is non-compliant due to defense income. Non-permissible income mainly comes from defense and interest income and exceeds the 5% threshold as defined by AAOIFI.

Therefore the status of the company from a business activity is as follows:

	Threshold	Company	Compliance
<b>Non-permissible Income</b>	5%	Exceeds 5%	<b>FAIL</b>

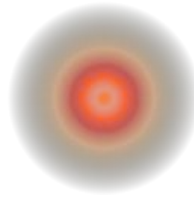
## Financial Screening


According to the most recent available financial statement with adequate information (2011-Q2) the financial ratios with respect to the AAOIFI Shariah mandate for the company are as follows:

	Threshold	Company	Compliance
Interest-bearing Investments	30%	47.47%	FAIL
Interest-bearing Debts	30%	29.61%	PASS
Liquidity	67%	21.46%	PASS
Share Type (Preference or Common)	Common	Common	PASS

## Compliance Status

Based on the available information and the above figures according to the AAOIFI Shariah mandate, **Embraer SA (ADR)** is to be considered **Non-Shariah-compliant**.





## Disclosures

This research is for our clients only. This research is based on current public information that we consider reliable, but we do not represent it is accurate or complete, and it should not be relied on as such. The research reports are published at irregular intervals based on clients' request or as appropriate in our analysts' judgment.

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