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EMBRAER

Annual Report 2000



EMBRAER

Annual Report 2000







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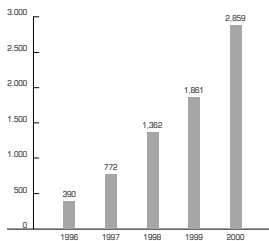
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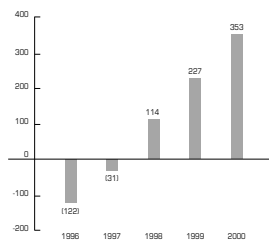
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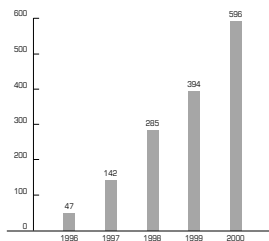
Financial Highlights



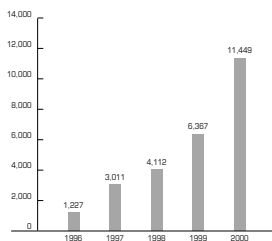
Gross revenues
US\$ million



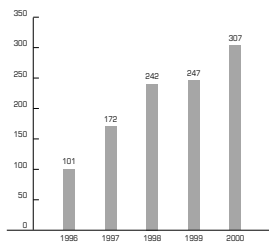
Net earnings
US\$ million



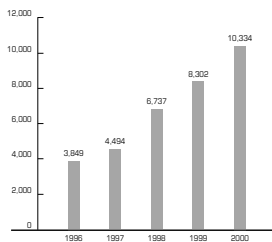
EBITDA
US\$ million



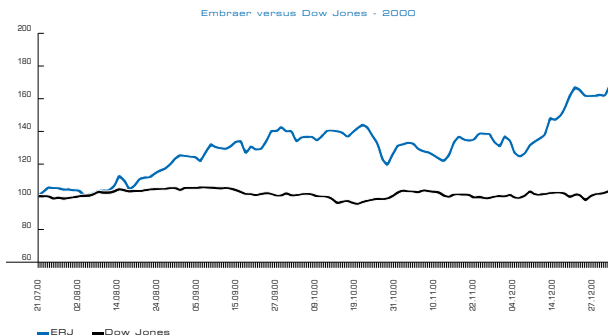
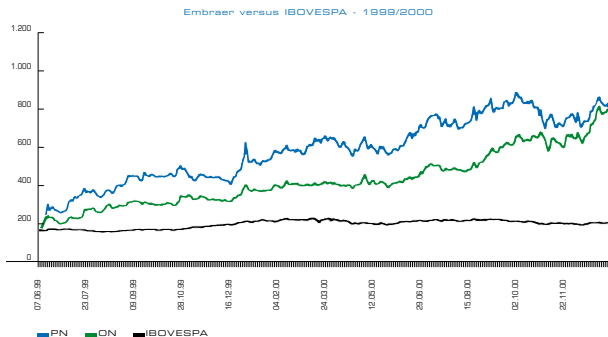
Order backlog
US\$ million



Revenues per employee
US\$ thousand



Evolution of number of employees



The company's operating and financial information, except where otherwise indicated, is presented in consolidated numbers and in Brazilian reais, according to Corporate Law. The amounts expressed in U.S. dollars were obtained using the average rate or the final rate of the commercial dollar during the corresponding periods, depending upon whether they refer to the income statement or the balance sheet data, respectively.

Message from the President



A Year of Extraordinary Results

The year 2000 was notable for major accomplishments that led to the best commercial, industrial and economic-financial performances in the history of Embraer.

Net earnings for the period totaled the equivalent of US\$ 352.7 million, which represented a substantial increase, of 55%, over 1999. Gross revenues grew 54%, reaching US\$ 2.859 billion, a reflection of the market's excellent reception of Embraer's products.

The generation of operating cash flow was very strong, with the EBITDA totaling about US\$ 596.3 million.

Sales during the year reached unprecedented levels, totaling more than 400 firm orders for aircraft, corresponding to a volume of contracts worth US\$ 6.8 billion, as well as purchase options for 295 aircraft.

Taking into consideration orders from previous years, Embraer's sales portfolio at the end of 2000, between firm orders and purchase options, totaled 1,212 units, corresponding to US\$ 24 billion.

For the second year in a row, Embraer was the company that exported the most from Brazil, with a volume of exports in the amount of US\$ 2.7 billion, which generated net foreign exchange earnings of US\$ 1.35 billion for the country.

As a consequence of this performance, the year 2000 saw Embraer rise to a position of market leader for regional jets of up to 60 seats and solidify its global presence, with activities on five continents.

A major strategic and financial accomplishment came about on July 21, 2000, when Embraer took another step towards increasing its world presence. It issued shares simultaneously on the New York and São Paulo stock exchanges through a global offer of US\$ 446 million, divided up into a primary offer of US\$ 244 million and a secondary offer of US\$ 202 million. This operation positioned the company on the international capital market, assuring it access to a channel of funding necessary for continued growth. The funds that were

obtained through this offer are to be used mostly for the development of the new ERJ 170/190 family of jets.

The company's various business areas showed substantial expansion during the year.

In the commercial aviation area, the most significant accomplishment during the year was the strengthening of positions that had been attained in the United States and Europe and a further advance into the global market, with the delivery of our products to new markets such as South Africa, China and the Caribbean.

The delivery of the first ERJ 145 to an airline in China was particularly significant in that it represented the opening up of a strategic market for the expansion of Embraer's presence in that part of the world.

In the defense area, the year ended with the definition of the company's position as leader of the Brazilian Air Force's F-5E/F Fighter Modernization Program. Meanwhile, we continued our work on behalf of the SIVAM Program (Amazon Integrated Surveillance System), for which Embraer is supplying advanced alert and remote sensing aircraft based on the ERJ 145 platform. On the international market, an operation was concluded for the sale of two ERJ 135 and two ERJ 145 jets to the Belgian Air Force for the transportation of military personnel and authorities.

In the customer service area, which is essential to the company's success, Embraer strengthened its presence with customers in the U.S. and Europe, reinforced its organizational structures and made further investments in spare parts warehousing operations, at existing bases as well as new ones.

An example of this was the establishment of a parts and components supply center in Weybridge, England.

With the launch of three versions (Executive, Shuttle and Authorities Transport) of the Legacy executive jet, we entered a new business area - corporate aviation. The market recognized the competitive advantages of this family of products, and a significant volume of orders was placed at the time of its introduction.

We were able to achieve large productivity gains, both in the reduction of inventory levels as well as through a substantial increase in production, which translated into improved production cycles and manufacturing pace. Our production rate increased from twelve aircraft per month in January to 16 aircraft per month as of December. Also showing an increase were revenues earned per employee, which reached US\$ 307 thousand. Without a doubt, these numbers are among the best in the world for our industry.

Significant capital expenditures were made throughout the year in order to sustain the increases in productivity and for the development of new products.

The intensive development work on the new ERJ 170/190 family went forward at full throttle, with the roll-out of the ERJ 170 scheduled for November 2001.

At the same time, we continued to develop new products and more advanced versions of current products, such as the ERJ 140 and ERJ 145 XR (an extra-long-range version of the successful ERJ 145), as well as military programs. All of this work has been carried out in strict compliance with previously established deadlines.

We took firm action to create the manufacturing infrastructure needed to support the growth that is foreseen by the company.

Thus, in addition to the enlargement currently underway of the São José dos Campos factory, we expanded Neiva's factory in the municipality of Botucatu, state of São Paulo, and we acquired a major industrial site located in the Eugênio de Melo region about 15 km from our main factory. Moreover, we initiated construction of a new factory in the municipality of Gavião Peixoto in the state of São Paulo. This new site will contain a runway 3 km long with over 2 km of stopway.

Another action that we took to support our extraordinary growth was to increase the size of our workforce. During the year, we hired more than 2,000 new professionals. At year's end, Embraer had 10,334 employees worldwide, 9,946 of whom were in Brazil. These employees form an integrated and motivated team that is committed to the future of the company. Since it is the employees who are primarily responsible for the company's results, Embraer invested substantial resources in supporting and developing our workforce. Worth to mention are also our investments in training, which exceeded US\$ 33 million during the year and our profit-sharing plan for employees, which distributed US\$ 44 million in 2000. These measures are an expression of the existing Shareholders-Management-Employees partnership arrangement that is so important to the company's overall business activities.

We saw with satisfaction that the capital markets supported our shares on the São Paulo and New York stock exchanges, which enabled us to clearly reiterate our commitment to respecting our shareholders through the regular dissemination of company information and economic-financial statements.

In summary, the results we obtained in 2000 proved the solid position Embraer has achieved as the fourth largest manufacturer of commercial aircraft in the world. They also provide evidence of the company's global presence, serving as a clear indication that Embraer is well-positioned for a phase of sustainable growth as we strive to build a company that is competitive on a global basis. The results we attained were made possible thanks to the trust of our customers, the quality of our products, the dedication of our team of employees, and the support and confidence of our shareholders, industrial partners and financial and government institutions, as well as a business philosophy that emphasizes total customer satisfaction, which our major objective and the source of all of the results that the company has achieved.



Maurício Novis Botelho
President and CEO



2000: The Year Month-by-Month

January

Mesa Air Group orders 100 ERJ 145 regional jets.

February

Continental Express announces the order of 100 ERJ 145 regional jets.



Embraer begins flight tests of the EMB 145 AEWSC, that will be used for the SVAM Program (Amazon Integrated Surveillance System).

Embraer inaugurates its Virtual Reality Center, a modern interactive computer system used for aircraft development.

March

The sale of 35 ERJ 145 aircraft for U.S.-based Wexford, with an option for 45 more units, is concluded.

Portugalia Airlines receives two ERJ 145 regional jets, raising the total number in its fleet to eight.

Embraer initiates assembly of the new 44-passenger ERJ 140 regional jet.

April

Alitalia Express, a subsidiary of Alitalia, receives its first ERJ 145 out of a total of 16 it has ordered.



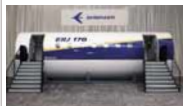
Crossair confirms 10 ERJ 145 purchase options, increasing the number of firm orders to 25 and the number of options to 15.

May

Continental Express announces the conversion of 11 ERJ 145 purchase options into firm orders.

Embraer inaugurates a field office in Beijing and conducts demonstration flights in six Chinese cities.

The mock-up of the new ERJ 170 jet is presented at the Regional Airline Association (RAA) and afterwards is taken on a world tour.



Embraer and the German Liebherr group formalize a partnership venture creating a new company called Embraer-Liebherr Equipamentos do Brasil S/A (ELEB) to manufacture landing gear and hydraulic components.

June

The Chinese company Sichuan Airlines confirms the purchase of five ERJ 145s.

The ERJ 140 regional jet makes its maiden flight at São José dos Campos.

Embraer and LOT Polish Airlines announce the conversion of six ERJ 145 options into firm orders, as well as the acquisition of three more models of this aircraft.

Embraer and GE Capital Aviation Services (GECAS) announce an agreement for the acquisition of fifty 70-passenger ERJ 170 regional jets and purchase options for up to 100 units of the ERJ 170 and ERJ 190 models.



Embraer announces the construction of a new manufacturing facility at Gavião Peixoto, in the state of São Paulo, to be used for final assembly of corporate aviation and defense market aircraft and for centralizing test flight activities.

July

Embraer launches shares on the New York Stock Exchange (NYSE) and the São Paulo Stock Exchange (BOVESPA), introducing the company to the global capital market.



The ERJ 145 XR, a regional jet with extended flight range, is introduced, and Continental Express places an initial confirmed order for 75 units and 100 purchase options.

American Eagle confirms 18 ERJ 135 purchase options.

Rheintalflug and City Airline confirm one purchase option each — an ERJ 145 and an ERJ 135, respectively.

Swift Aviation is the first operator to announce orders for the Legacy executive jet.

Embraer concludes its participation at Farnborough by announcing purchase orders totaling US\$ 4.25 billion.

August

British Regional Airlines receives the 300th regional jet manufactured by Embraer. It is the 16th unit of the ERJ 145 family delivered to this airline.

Embraer and GE Capital Aviation Training (GECAT) sign an agreement to develop a complete training system for pilots and maintenance mechanics for the latest generation of regional jets — the ERJ 170 and the ERJ 190.

September

Sichuan Airlines receives the first ERJ 145 regional jet ordered by a Chinese company.



Embraer announces that American Eagle will be the first company to operate the new 44-passenger ERJ-140 regional jet. American Eagle confirms an order for 66 units of this model aircraft.

Embraer conquers its first customer in the Caribbean, Air Caraïbes, who orders two ERJ 145s.

Embraer receives orders for ERJ 145 family aircraft from Axon Airlines of Greece, Regional Air Lines of Morocco, LOT Polish Airlines of Poland, and Air Moldavia, an airline in the Republic of Moldavia.

Embraer purchases in auction a 340,000 square meter industrial site in the Eugênio de Melo district of São José dos Campos, to be used for expansion of production capacity.

October

Embraer wins a tender to supply four aircraft to the Belgian Air Force — two ERJ 135s and two ERJ 145s.

November

For the second consecutive year, Embraer receives the Foreign Commerce Prize in the Exporter category from the Foreign Trade Secretariat of the Ministry of Development, Industry and Foreign Trade of Brazil, in partnership with the Foreign Trade Association.

Embraer and TsAGI of Russia, the largest aeronautical research institute in the world, sign a cooperative agreement to develop the new ERJ 170/190 family of jets.

Embraer signs a contract with Aviones de Oriente (AVIOR C.A.) of Venezuela during that nation's AEROPRO 2000 exhibition for two EMB 120 Brasília 30-passenger aircraft.

December

S.A. Airlink of South Africa signs a contract to acquire 70 ERJ 135 37-passenger jets, 30 of which are firm orders and 40 are purchase options.

Embraer begins construction of the Gavião Peixoto Industrial Complex, with a cornerstone laying ceremony.

The program to modernize the Brazilian Air Force's F-5E/F fighter fleet gets under way.

The Embraer field office in Singapore is inaugurated.

The Brazil-China Chamber of Commerce elects Embraer Company of the Year.



An exceptional year

2000 was the most remarkable year in Embraer's history. Sales and deliveries set records and the company introduced its products into China, gained its first customers in Africa and the Caribbean, consolidated its global presence, and initiated the new millennium by assuming leadership of the world regional aircraft market.

With an unprecedented performance, sales for the year totaled 400 firm orders and 295 purchase options, representing a volume of firm orders worth US\$ 6.8 billion. Deliveries of 157 aircraft were made to operators in diverse locations around the world. As a result, Embraer became the world leader of the market for regional jets of up to 60 seats, with a total of 828 firm orders on hand since the introduction of the ERJ 145 family in 1996.

This fact has allowed the company to attain a 49% share of this market segment.

In addition to maintaining its outstanding position with important customers in the U.S., Europe and Brazil, Embraer has been paying special attention to its global expansion plan.

2000 marked the year the company entered the Chinese market with the sale of five ERJ 145 regional jets to Sichuan Airlines. The first three of these aircraft have already been received and are in operation. As part of Embraer's strategy to solidify its presence in the Asia/Pacific region, offices were opened in Beijing and Singapore to supplement the Melbourne, Australia office inaugurated in 1999.

Another important advance was the winning of customers in Africa through contracts to supply 70 ERJ 135 aircraft to S. A. Airlink, and another 10 units to Regional Air Lines of Morocco, five of which are firm orders and five are purchase options. Embraer also initiated sales to the Caribbean region, where Air Caraïbes ordered two ERJ 145s.

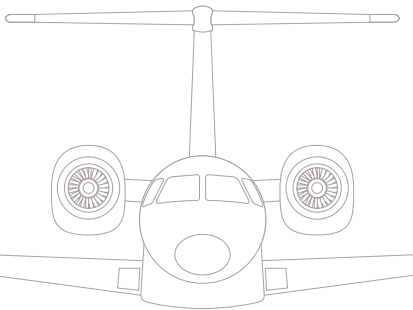
In the U.S. market, Embraer's presence was expanded through a major order made by American Eagle for ERJ 140s, whose first deliveries are scheduled for August 2001. Meanwhile, Continental Express placed 75 firm orders for the ERJ 145 XR, as well as 100 purchase options for the same model.

With a range of 2,000 nautical miles, the ERJ 145 XR satisfies the need for long-range regional jets that will allow operators to open up new routes. The maiden flight of this new model is scheduled for June 2001.

The ERJ 170/190 program, currently under development, includes the 70-passenger ERJ 170, the 98-passenger ERJ 190-100 and the 108-passenger ERJ 190-200. This program is going forward as scheduled with the roll-out of the ERJ 170 scheduled for the end of 2001. Very well accepted by operators, this new family of jets received 230 orders in 2000, which brings the total accumulated orders since its introduction in 1999 to 325 — a number that includes 120 firm orders and 205 purchase options.

The ERJ 170/190 regional jet program was Embraer's response to the growing demand by airlines to satisfy the 61- to 120-seat market's need for larger aircraft designed for medium- and short-haul routes, at improved performance levels and greater operational economy than models currently available.

The development of this program has been carried out with the addition of risk partners, represented by some of the largest aerospace companies in the world. Projected investments, to the order of US\$ 850 million, will be shared between Embraer and its risk partners.



The excellent acceptance Embraer's products by the international market through the expansion of sales — which reached record numbers in 2000 — to all continents, resulted in the company's attaining a position of leadership in the world market for regional jets of up to 60 seats.



With the opening of offices in Beijing and Singapore, and the sale of its first five ERJ 145 regional jets to the Chinese company Sichuan Airlines, Embraer is strengthening its presence in the Asia/Pacific markets.



An growing number of operators around the world are using aircraft from the ERJ 145 family on their routes. Besides the comfort they offer passengers, these aircraft also feature superior operating qualities.

Currently in the development stage, the first part for the ERJ 170/190 family of jets was milled at the Embraer factory in July 2000.





What was missing in the executive jet market

Among the most relevant facts of 2000 was the entry of Embraer into the corporate jet market with the introduction of the Legacy.

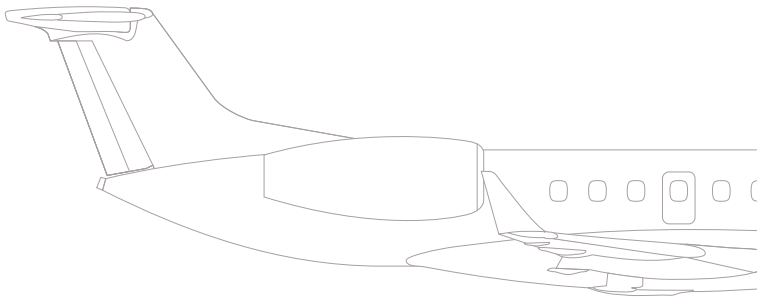
Positioned between the super midsize and large corporate jets market segments, the Legacy offers an excellent combination of comfort, performance and operating costs in three distinct versions — Executive, for up to 15 passengers; Shuttle, for up to 20 passengers; and Authorities Transport, for up to 20 passengers.

The Legacy incorporates some advantages that make it unique in the corporate aviation market: a large passenger cabin (the largest in its price range), excellent operating performance and modern technology. The distinguishing characteristics of the Legacy, in regard to the ERJ 145 regional jet family from which it is adapted, include new fuel tanks for a longer flight range, a centralized and lowered floor in the passenger cabin that allows the installation of large reclining seats, and winglets at the wing tips to improve performance, as well as specific entertainment and communication equipment and, of course, bold new interior options.

In the executive version, the Legacy has a range of 3,200 nautical miles, which would allow it to fly, for example, non-stop from coast to coast in the United States at an altitude of 39,000 feet and a maximum speed of Mach 0.80.

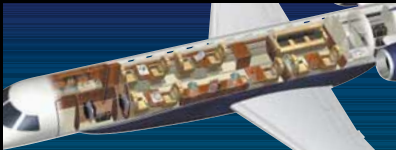
At the time of its introduction, Swift Aviation of the U.S. ordered 25 units of the Legacy, with purchase options for another 25 units, which was one of the largest aircraft orders by a private operator in the history of corporate aviation.

The demand for corporate jets over the next ten years is very promising, due to factors such as the globalization of the economy, the absence of regular flights to many locations, the need for quick trips in today's business world and the operating overload at many traditional airports. The Legacy, in the executive version, will initiate its certification flights during the first half of 2001, with the first delivery scheduled for the fourth quarter of the same year. The Legacy already has won over customers in the three market segments for which it was designed.



Among the market segments for which it is designed, the Legacy offers an excellent combination of comfort, performance and price in the 15-passenger Executive version and 20-passenger Shuttle, as well as in the 20-passenger version for the of Authorities Transport.

One day after the introduction of the Legacy, Swift Aviation ordered 25 units of the new aircraft, with an option for 25 additional aircraft. It was one of the largest executive aircraft acquisitions ever made by a private operator.



The Legacy is experiencing the same acceptance and success as the other models of the ERJ 145 family, from which it is derived.

With the Legacy, Embraer offers the executive aircraft market a jet whose cabin provides ample comfort for passengers and an incomparably large luggage compartment.





High-tech aircraft for surveillance, reconnaissance, training and combat missions

Based on proven technical-industrial capacity and years of experience in the development and production of civilian and military aircraft, Embraer is able to offer the world's air forces advanced and competitive aircraft that are appropriate for a broad variety of missions.

The presence of Embraer in the world defense market has been enhanced through a strategic alliance forged with Dassault Aviation, EADS, SNECMA and Thales (formerly Thomson CSF). These partnerships make it possible to offer customers a wider and more integrated range of products for surveillance, reconnaissance, training and combat missions.

The company's military aircraft have been achieving a growing international market share, a result of excellent mission performance coupled with low acquisition and operating costs.

The government of Greece has already ordered EMB 145 AEW&Cs for operations within the NATO environment, and the government of Mexico has acquired the EMB 145 AEW&C and the EMB 145 MP/ASW systems for use as aerial vector aircraft in the national Narcotraffic Combat Program.

The AMX-T, the most modern advanced training and ground attack aircraft in the world has already been chosen by the Venezuelan Air Force and has awoken the interest of many other air forces around the world.

So have the training and light attack versions of the Super Tucano and the ALX, developed to carry out counter-insurgency and border patrol missions.

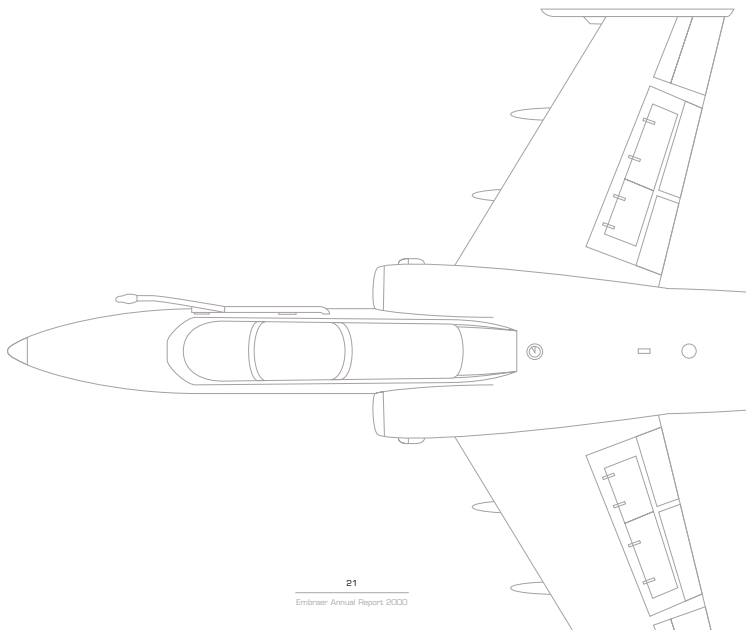
In the market segment for the transportation of authorities, the government of Belgium selected Embraer to supply ERJ 135s and ERJ 145s.

This segment has proven to be very promising and appropriate for Embraer's aircraft, especially the Legacy, which was chosen by the Greek government for transportation of authorities.

In the Brazilian market, Embraer is responsible for the aviation segment of the SIVAM Program (Amazon Integrated Surveillance System). It will initiate the delivery of the first aircraft — the EMB 145 SA for air

surveillance and the EMB 145 RS for remote sensing — that together with ALX aircraft will provide the basis for surveillance and protection of the Amazon region.

Embraer is also playing an important role in the Brazilian Air Force's program to modernize and re-equip its fleet of F-5E/F fighters, which began in December when the company was hired to lead the project.



In its version for the governmental market, the Legacy will satisfy customers who demand aircraft with excellent operating performance, comfort and logistical support as well as a wide range of safety and communication resources.

Embraer offers a complete, intelligent and integrated package of systems and aircraft for surveillance, reconnaissance, training and combat missions, with excellent performance and low acquisition and operating costs.



Included into the national defense system, Embraer will play an important role in the modernization plans of the Brazilian Air Force (FAB), which calls for, among other programs, the complete modernization of its fleet of F-5E/F fighter planes.

An advanced training and ground attack aircraft, the AMX-T has sparked the interest of number of the world's air forces, as has the Super Tucano, whose version as developed for the FAB, the ALX, will be employed for training and combat missions.





Wherever and whenever necessary

With full support of the customer as its main goal, Embraer's customer service area was strengthened with the installation of a Parts Distribution Center in Weybridge, England during the year.

The company also initiated the establishment of a support structure in China and started up operations on the World Wide Web through the Customer Integration System (CIS), which not only makes publications and technical information available but also allows customers to order spare parts via the Internet.

With more than 5,400 aircraft in operation on five continents, Embraer is a global company, and its customer support service is equally present around the globe. In North America, Embraer offers engineering support, technical field assistance, training and spare parts distribution from a local subsidiary located in Fort Lauderdale, Florida.

These same services are provided in Europe through a subsidiary based at Le Bourget, France, and supplemented by a spare parts distribution center in Weybridge, England.

In Asia and Africa, where Embraer obtained its first customers in 2000, local structures are being set up to provide support services.

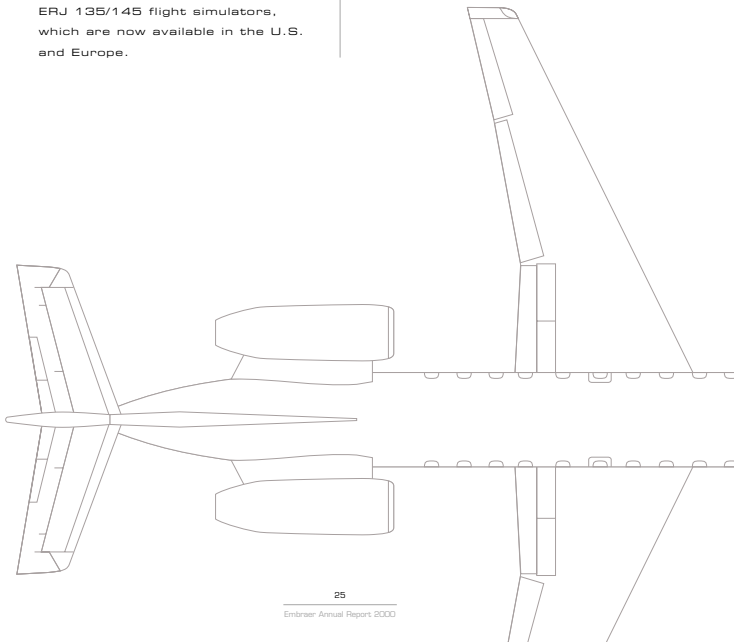
In Australia, through its subsidiary in Melbourne, Embraer offers support services and spare parts distribution.

For South America, customer service is centralized at the company's own headquarters site.

In addition, Embraer maintains a growing network of authorized aircraft and equipment repair shops. At the end of 2000, there were 23 authorized workshops in North America and another three in Europe.

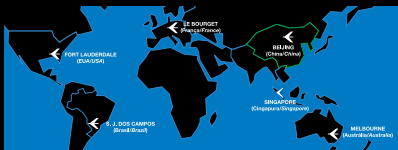
In 2000, in partnership with FlightSafety, Embraer consolidated its international pilot training with ERJ 135/145 flight simulators, which are now available in the U.S. and Europe.

In order to constantly offer new services to customers, Embraer signed an agreement with GE Capital Aviation Training (GECAT) to develop a complete training system for both pilots and maintenance technicians of the new family of ERJ 170/190 regional jets. Another highlight of the year consisted of actions we initiated to establish an e-Marketplace designed to integrate Embraer, customers, suppliers and maintenance providers. Without a doubt, this initiative will represent added value for our customers.



At the moment customers receive an Embraer aircraft, they have at their disposal a complete logistical support system to satisfy their requirements wherever and whenever needed.

The customer service area takes the necessary steps to ensure full reliability of Embraer's products so that they generate profits or are always available to carry out the missions for which they have been designed...



Embraer's customer service structure is spread in a global fashion. It provides support through physical bases in a number of locations, along with services available via the Internet, such as the sale of parts.

At the same time it has solidified the structure to service the ERJ 145 family of jets, the customer service area is also preparing itself to service the needs of future customers of the ERJ 170/190 family of jets.





Development Base

During 2000 Embraer continued to improve itself from a technological standpoint, having implemented, among others, a number of initiatives that seek to keep the company in a position of leadership in this area.

The Virtual Reality Center, inaugurated in February, is one of the most modern tools available to aid in the conception, design, calculation and sizing of systems as well as simulating system and component integration. This sophisticated operation makes it possible to significantly reduce the project cycle, from conception to introduction of a product. The Virtual Reality Center also makes it possible to optimize future maintenance services since it perfectly simulates the conditions that will actually be encountered during maintenance routines.

Another computer system implemented by Embraer is known as Knowledge Based Engineering (KBE). It is an integrated system that makes use of sophisticated software and contains a database of information, regulations, normative rules and restrictions related to all of the knowledge acquired by the company's engineering operations over the years. This system lets us recover all restraining factors and restrictions that in the past influenced certain technical decisions, and to apply them to future projects.

In the field of research, it is important to mention that the establishment of the Aeronautical Complex in Gavião Peixoto allowed us to put into practice an agreement we had signed with the government of the state of São Paulo for allocation of financial resources through the state's Research Support Foundation (FAPESP).

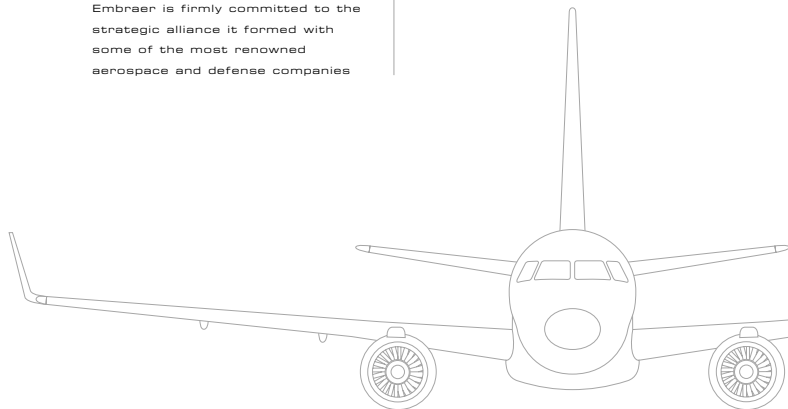
At the end of the year, Embraer sent FAPESP two projects for joint development with two research and teaching institutions. The first is a partnership program with the Aeronautical Technological Center (CTA) whose main objective is to reform and modernize an existing subsonic wind tunnel to permit tests and simulations of component operations. The second project, in joint development with the University of Campinas (Unicamp) and the CTA, is designated the Computer Fluid Dynamics (CFD) program. This project consists of developing simulated models of fluid dynamics to analyze the interaction between a surface and a fluid. Both projects will contribute in large measure to reducing the production cycle for introducing new aircraft into the market.

Also in the field of technology, Embraer is firmly committed to the strategic alliance it formed with some of the most renowned aerospace and defense companies

in Europe — Dassault Aviation, EADS, SNECMA and Thales.

In May, Embraer concluded an association agreement with Liebherr International AG, through which Liebherr acquired a minority stake in a new company named Embraer-Liebherr Equipamentos do Brasil S.A. This new company, now fully operational, produces landing gear and hydraulic components.

Finally, we would like to mention the agreement for technological cooperation with TsAGI Russia, the world's largest aeronautical research institute, which gives Embraer access to the institute's wind tunnels as well as its aeroelasticity and aerodynamics computer laboratories.



Making use of the most advanced flight instruments and computerized control systems, the Embraer ERJ 135 and ERJ 145 regional jets led the production records set by the company in 2000. Production rates went from 12 units per month in January 2000 to 16 per month in December 2000.



In order to adjust assembly lines to the growth in demand, substantial investments were made in installations, equipment and personnel.

The Virtual Reality Center constitutes a modern interactive system that aids the development of Embraer's new family of ERJ 170/190 regional jets by substantially reducing time and costs and ensuring large productivity gains.



In parallel with the accelerated pace of production of the ERJ 145 family, Embraer has initiated development of the ERJ 170/190 family of regional jets. For this, the company is using the most modern project technology available.



As part of its plan for global expansion, Embraer has consolidated its international system of support for pilot training through the use of flight simulators. In partnership with FlightSafety, flight simulation bases have been set up in the United States and Europe.



Expansion of Production Capacity

The growth in our activity has required an expansion of our installations. In July, the construction of a new facility in Gavião Peixoto, in the state of São Paulo, was announced. This new facility will be dedicated to the final assembly of military aircraft and corporate jets and also serve as a flight test center.

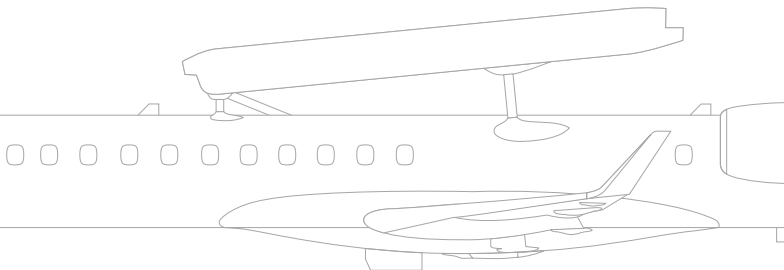
In addition to assembly lines, the new Gavião Peixoto Aeronautical Complex will have a large landing field, its own installations and installations for suppliers of aircraft sub-sections.

With inauguration scheduled for the fourth quarter of 2001, the landing field — unequalled anywhere in the Southern Hemisphere — will be of strategic importance to Embraer. It will allow us to perform aircraft flight tests that consume major amounts of time and resources and

were previously only conducted outside the country. The result will be greater flexibility and agility in the development of new projects, as well as a reduction in costs.

After the new facility is set up at Gavião Peixoto, the manufacturing complex at São José dos Campos will concentrate its activities on the growing production of the ERJ 145 family and ERJ 170/190 regional jets.

In September, the company acquired, through auction, a 50,000 square meter industrial site located on 340,000 square meters of land in the Eugênio de Melo district, in São José dos Campos, to which some manufacturing areas were transferred.





Organization and Management in a Globalized Economy

The vigorous growth of the company over the past five years and the expanding customer base have had a significant impact on the entire organization and its management practices.

The need to strengthen the production, engineering, service and service support areas has obliged the company to hire additional qualified personnel at a constantly accelerating pace.

The number of employees increased from approximately 4,500 in the middle of 1997, to 10,334 at the end of 2000.

	SJC	Neiva	ELBB	FLL	LBG	Outros	Total
1996	3,526	211	-	79	33	-	3,849
1997	4,150	203	-	105	36	-	4,494
1998	6,214	309	-	143	71	-	6,737
1999	7,347	366	317	162	106	4	8,302
2000	8,574	894	378	190	170	28	10,334

Note: SJC (São José dos Campos); Neiva (Bocutatu - SP) and ELBB (São José dos Campos); FLL (Fort Lauderdale - U.S.); LBG (Le Bourget - France); Outros (Dallas - U.S., PBO Beijing - China; CIN Singapore and MEL Melbourne - Australia).

In 1998, Embraer undertook an ambitious program of revising and improving business processes throughout the company. The effects of these changes began to be felt more deeply beginning in 2000.

The program was called The TOR Program (Transformation of the Organization for Results). This initiative called upon key persons in the company to become involved in an intense program to offer analysis, criticism and

recommendations regarding processes and systems. This resulted in the development of 170 projects dedicated to the revision and improvement of processes, and most importantly, in the successful implementation of a modern, integrated business management system, the SAP R/3.

The internationalization and expansion of Embraer's activities caused the company to re-examine the quality, capability and scope of activities of the leaders of its working groups. Maintaining productivity and motivation at levels compatible with the growth of business activities is a challenge that has demanded unprecedented flexibility and administrative competence. The constant and unrestricted development of managerial skills, therefore, has become an indispensable and inevitable activity.

To develop these management skills, a Leadership Development Program was started in 2000, involving more than 500 of the company's managers in Brazil.

Designed to be developed within a context of education, training and development, this program has generated intense interest up and down the management chain in a process that began with a systematic evaluation of performance, followed by dialogue about the special abilities that are sought in every leader in Embraer.

These reflections have led to the initiation of collective development programs, including a series of conferences on various topics, specific seminars, directed readings and in-house workshops, in addition to the designing of individual programs for the development of managerial abilities.

At the same time, the Embraer Training Policy continued, organized under three basic headings — technical, management, and operational.

Under the technical training heading, the purpose of the program is to make sure that product development and manufacturing teams remain current on aviation technology issues. More than 50% of the training resources available were budgeted for programs to update and refine technical skills. These technical training programs totaled 300,000 man-hours in 2000.

In management, the objective is to equip the company's management team with the resources they need to perform in the global environment. Basically, this involves a cultural adjustment to the new international presence of Embraer.

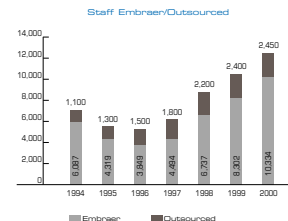
In terms of operations, the emphasis is on technical and operational training of the younger workers who have recently become employed by the company.

Social Responsibility

Embraer is aware that a company must interact with the communities in which it operates, contributing to the general improvement of these communities' quality of life.

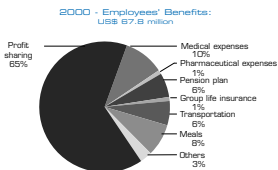
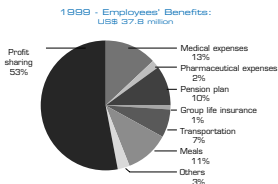
• Employees and remuneration

In 2000 alone, 2,032 new direct jobs were created at Embraer. Productivity measured in terms of revenue per employee reached US\$ 307,000 per worker, 24% greater than in 1999.



Embraer bases its policy for remuneration of its employees on a system of monitoring and evaluating performance and skills, measured against Sector Action and Plans Target Programs and a Variable Remuneration Program. This ensures that all employees have a chance to share in the profits and earnings of the company.

In 2000, the total of salaries and benefits paid to employees amounted to US\$ 253.7 million, compared to US\$ 172.4 in 1999.



In terms of employee benefits, of particular significance is the Private Pension Plan, which provides our workers with a monthly payment to supplement the retirement income paid by the official Social Security System (INSS or Instituto Nacional de Seguridade Social).

• Education and Professional Training

In this area, special mention should be made of programs designed to improve the indices of job satisfaction and employee training; accords with teaching institutions for courses at various levels,

including language courses; student scholarship programs and specific training programs.

An outstanding institution is the Embraer Institute for Education and Research, a reflection of Embraer's decision to place a priority on education. During the first phase, the institute's activities will be concentrated on primary education in areas where the company has operations in Brazil.

In addition, there is the Specialization Program for Aeronautical Engineering, with investments on the order of US\$ 4.5 million a year. This program chooses recent engineering school graduates who display good potential, offering them an additional 18 months of training in aeronautical sciences. There is also the Master's in Business Administration program, exclusive to Embraer employees and run jointly with the Fundação Getúlio Vargas of São Paulo, which has a special focus on the field of international trade.

• Health and the Quality of Life

The quality of the organization is closely linked to the quality of life of its employees and their families.

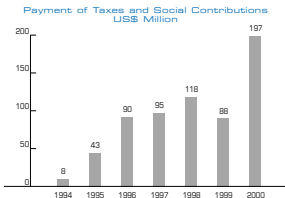
Therefore, the company has developed programs such as a chemical dependence prevention and recovery program, health campaigns, the Vitality Campaign and blood donor campaigns.

• Community Support

In 2000, Embraer contributed to agencies that provide needed services to Brazilian communities. Among these we can highlight The Solidarity Training Program (part of the Community Solidarity Program); UNICEF; Cáritas (an institution of the Catholic Church); the Children's Cancer Support Group (GACC); the Vicentina Aranha Geriatric Hospital; and the Hélio Augusto de Souza Foundation (FUNDHAS). This last institution has a working agreement to place about 160 teenagers in Embraer in general services jobs, where they earn salaries compatible with their work and receive school guidance and professional counseling in addition to the opportunity to become permanent employees once they come of age. In addition, Embraer participates in various cultural projects in which it invested US\$ 0.6 million in 2000.

• Taxes and Social Contributions

The improvement in Embraer's financial position during recent years has exponentially increased its payments of federal, state and municipal taxes and social contributions, as shown in the following chart.



The Environment

The aircraft manufactured by Embraer are engineered to meet the most rigorous international guidelines and standards for environmental protection, with regard to both noise pollution and the emission of gases and operating wastes.

Moreover, the challenge to be able to manufacture without causing damage to the environment has led Embraer to develop monitoring and prevention programs in every area of production, with oversight by environmental control agencies.

By way of example, we can cite the fact that all of the organic waste generated in the São José dos Campos industrial facility is pre-sorted and processed before being sent to a sanitary landfill.

The selection and sorting of paper, plastics and metals for recycling has been going on for a number of years.

A program of environmental management was started in 2000, based on international standards set by the ISO 14000 guidelines. The company expects to be certified by the end of 2001.

Social Report (Additional Information)
For the Fiscal Years Endings December 31, 2000 and 1999

(Parent Company - São José dos Campos)
(In thousands of US dollars)



	2000			1999		
	Amount			Amount		
1) Calculation Base						
Net Revenue (NR)	2,712,216			1,798,962		
Operating Profit (OP)	354,595			253,532		
Gross Payroll (GPR)	155,781			113,616		
2) Internal Social Indicators	Amount	% of GPR	% of NR	Amount	% of GPR	% of NR
Food	5,415	3.48	0.20	3,866	3.40	0.22
Social and mandatory charges	57,286	36.78	2.11	41,154	36.22	2.37
Private pension scheme	3,696	2.37	0.14	3,042	2.68	0.17
Healthcare	7,338	4.71	0.27	5,237	4.61	0.30
Occupational safety and medicine	1,211	0.78	0.04	769	0.68	0.04
Education	552	0.35	0.02	36	0.03	0.00
Culture	195	0.12	0.01	185	0.16	0.01
Professional training and development	4,149	2.66	0.15	1,709	1.50	0.10
Profit sharing	40,362	25.92	1.49	17,063	15.02	0.98
Others	4,666	2.99	0.17	3,652	3.21	0.21
Total - Labor Indicators	124,889	80.17	4.60	76,712	67.52	4.41
3) External Social Indicators	Amount	% of OP	% of NR	Amount	% of OP	% of NR
Culture	437	0.28	0.02	21	0.02	0.00
Community Solidarity Program	611	0.39	0.02	547	0.48	0.03
Total Contributions to Society	1,048	0.67	0.04	567	0.50	0.03
Taxes (except social charges)	140,398	90.12	5.18	22,878	20.14	1.31
Total - External Social Indicators	141,446	90.80	5.22	23,445	20.64	1.35
4) Environment Indicators	Amount	% of OP	% of NR	Amount	% of OP	% of NR
Related with company operations	807	0.52	0.03	574	0.51	0.03
Total Investments in the Environment	807	0.52	0.03	574	0.51	0.03
5) Staff Indicators						
Headcount at end of period	8,574			7,347		
Nº of admissions during period	1,421			1,821		
Nº of outsourced staff	2,450			2,400		
Nº of employees above 45 years	1,100			862		
Nº of women working with the company	906			672		
% of management posts held by women	4.71%			3.47%		
6) Relevant Information on the Exercise of Corporate Citizenship						
Ratio between highest and lowest remuneration in the company	50			53		
Total number of occupational accidents	53			47		
The social and environmental projects developed by the company were defined:	() by the board	(X) by board and departments	() by all employees	() by the board	(X) by board and departments	() by all employees
The safety and health level standards in the work environment were defined by:	() by the board	() by board and departments	(X) by all employees	() by the board	() by board and departments	(X) by all employees
The pension scheme includes:	() board	() board and departments	(X) by all employees	() board	() board and departments	(X) by all employees
Profit sharing includes:	() board	() board and departments	(X) by all employees	() board	() board and departments	(X) by all employees
In selecting suppliers, the same ethical, social responsibility and environment standards adopted by the company are:	() are not considered	(X) are suggested	() are required	() are not considered	(X) are suggested	() are required
With respect to participation by employees in voluntary work programs, the company:	() is not involved	(X) supports () organizes incentives		() is not involved	(X) supports () organizes incentives	



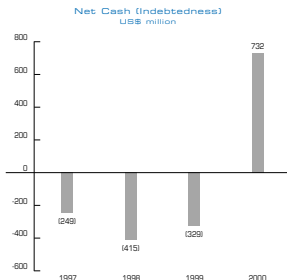
Financial Management and Shareholder Returns

The year 2000 was one of major accomplishments, with cash generation reaching record highs for Embraer. The financial strategy during the year was designed to increase the generation of cash flow and structuring of funding to support the development of new programs and investments in industrial capacity and productivity.

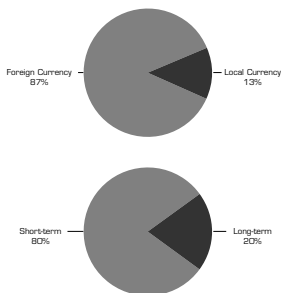
Therefore, in order to fund the development of the ERJ 170/190 regional jet and as part of Embraer's internationalization strategy, we were able to successfully conclude a global offering of preferred shares on the New York and São Paulo stock exchanges. In all, the size of the offering was US\$ 446 million and consisted of a primary issue of US\$ 244 million together with a second offering of US\$ 202 million.

The generation of cash from operations measured by the EBITDA (operating income prior to financial expenditures, taxes, depreciation and amortization) reached US\$ 596.3 million, a record without precedent in the history of Embraer. As a result of this strong generation of cash, the company was able to systematically reduce its bank debt and close the year with a balance of US\$ 457.3 million, a reduction of 28.1% compared to total indebtedness at the end of 1999. Taking into account the financial and cash balance, in the amount of US\$ 1,189.3 million, the company closed out the year with a net cash position of US\$ 732.0 million.

The adjustment of the capital structure and debt to appropriate levels, combined with a close relationship with banking institutions and capital markets, helped to create a positive image of Embraer on a global scale. It also helped make it possible to increase the company's access to lines of credit and, more importantly, reduce costs to levels that are appropriate to its operations. One of the principal measures of generation of value for a company is the total return provided for its shareholders, which includes the changes in the price of the shares and the dividends paid.



Breakdown of Indebtedness

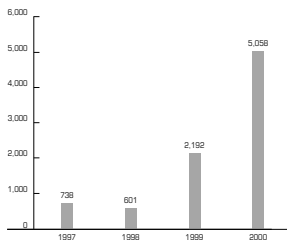


Embraer's stock exceeded the BOVESPA index by a wide margin in 2000. Preferred and common shares increased in price by 123.3% and 37.2% respectively, in contrast to a decline in the value of the BOVESPA index of 10.7% during the same period. The American Depositary Shares (ADSs) traded on the New York Stock Exchange posted a similar performance. Since their introduction on July 21, 2000, they have increased in value by 115.0%. The market value of Embraer, therefore, reached R\$ 9.9 billion at year-end 2000, the equivalent of US\$ 5.1 billion. The strong generation of cash, combined with

the new profits for the fiscal year, made it possible to distribute 43.1% of the profits of the company in the form of dividends and interest on its own capital.

Financial management carefully exercised in strict accordance with a previously approved plan made it possible for Embraer to start 2001 in an excellent financial position, prepared to provide the necessary support for the development of new programs and expand the company's product and business bases.

Market Value US\$ million



Board of Directors*



Carlyle Wilson, Chairman

Lucy Dias da Silva, Vice Chairman

Claudemir Marques de Almeida

Dietrich Russel

Brig.-do-Ar Fernando Antonio Fernandes Cima

Fernando Antonio Pimentel de Melo

Maj.-Brig.-do-Ar Frederico de Queiroz Veiga

Juarez Martinho Quadros do Nascimento

Leandro Martins Alves

Maurício Novis Botelho

Paulo Cesar de Souza Lucas

Pierre Chouzenoux

Vitor Sarquis Hallack

** During 2000, the following individuals were members of the Board:*

Carlos Leoni Rodrigues Siqueira, João Maria Stefanon, Maj.-Brig.-do-Ar Aluizio Weber,

Brenno dos Reis Pereira, Rui Vanderlei Rocha, Jean-François Bigay.

Executive Officers & Senior Executives

Maurício Novis Botelho, President and CEO

Antonio Luiz Pizarro Manso, Executive Vice President, Finance and CFO

Carlos Rocha Villela, Executive Vice President, General Counsel

Frederico Pinheiro Fleury Curado, Executive Vice President, Airline Market

Horacio Aragonés Forjaz, Executive Vice President, Planning and Organizational Development

Romualdo Monteiro de Barros, Executive Vice President, Defense Market

Satoshi Yokota, Executive Vice President, Industrial

Artur Aparecido Valério Coutinho, Executive Vice President, Customer Services

Henrique Costa Rzezinski, Vice President, External Relations

Samuel D. Hill, Executive Vice President, Corporate Aircraft Market

Walter Nori, Vice President, Corporate Communication

Directors of Subsidiary Companies

Gary J. Spulak, President, EAC - Embraer Aircraft Corporation

Paulo Roberto Fernandes Serra, Director, EAI - Embraer Aviation International

Antonio Pires Monteiro, President, ELEC - Embraer Equipamentos do Brasil S.A.

Paulo Urbanavicius, Director, Indústria Aeronáutica Neiva S.A.

Directors

Adelino Gomes Cardoso, Director, Domestic Business - Defense

Almir Miguel Borges, Director, Manufacturing

Cláudio Augusto Joaquim Moreira, Director, Strategic Relations - Defense

Edson Carlos Mallaco, Director, Technical and Field Support

Eduardo Munhós de Campos, Director, International Business - Defense

Emílio Kazunori Matsuo, Director, Commercial Programs

Flávio Rimoli, Director, Contracts

Guan Dongyuan, Director, Marketing & Sales China - Commercial Aviation

John Doyle, Director, Marketing & Sales United Kingdom, Ireland, Belgium, Turkey and Switzerland - Commercial Aviation

José Renato Oliveira Melo, Director, Engineering

José Roberto F. Serricchio, Director, Events

Ladislau Cid, Director, Controller

Luis Antonio Hernandez Gonzalez, Director, Defense Programs

Luis Carlos Afonso, Director, ERJ 170/190 Program

Luis Puntel, Director, Information Technology

Luiz Cláudio Sigaud Ferraz, Director, Corporate Quality

Luiz Fuchs, Director, Marketing & Sales Asia and the Pacific - Commercial Aviation

Mark P. Hale, Director, Marketing & Sales North and Central America and the Caribbean - Commercial Aviation

Nelson Luiz Costa Silva, Director, Marketing & Sales Europe, Africa and the Middle East - Commercial Aviation

Orlando José Ferreira Neto, Director, Market Intelligence - Commercial Aviation

Paulo César de Souza e Silva, Director, Sales Financing

Robert Davis, Director, Maintenance

Roberto Ribeiro Santos, Director, Infrastructure

Rogério Magalhães Marques, Director, Marketing & Sales South America - Commercial Aviation

Rogério Teperman, Director, Matériel & Procurement

Ulrico Barini Filho, Director, Human Resources

Position as of December 31, 2000.



Economic-Financial Perfomance

Financial Highlights for the Financial Years Ended December 31, 2000 and 1999

(Stated in thousands of Brazilian reais, except where otherwise indicated)

	Corporate Law	
	2000	1999
Income		
Gross revenue	5,230.7	3,378.7
Operating profit	1,026.7	625.0
Net income	645.2	412.2
Earnings per share	1.2282	0.8988
Dividends per share (average)	0.5134	0.2567
Balance Sheet		
Cash and cash equivalents	2,325.6	548.2
Financing (banks and debentures)	1,073.7	1,320.5
Total Assets	5,099.1	3,460.9
Shareholder's Equity	1,538.7	697.1
Indicators		
Net Cash (Indebtedness)	1,431.4	(590.0)
Operating Cash Flow	2,281.9	377.8
EBITDA*	1,091.0	715.9
EBITDA Margin	21%	21%
Net Margin	12%	12%
Return on Assets - ROA	15%	15%
Return on Equity - ROE	58%	74%
Current Ratio	1.5	1.2
Inventory Turnover	2.9	2.4
Others		
Firm order backlogs - US\$ billion	11.4	6.4
Company market value - US\$ billion	5.1	2.2
Total numbers of shares - thousands	543,409.9	481,217.9
Common stock quotation - reais* **	12.35	9.00
Preferred stock quotation - reais* **	18.20	8.15
American Depositary Share quotation - ADS (US\$)* **	39.75	-

* EBITDA means Net Income + Financial Expense/Revenue + Income Taxes + Non-operating Expense + Depreciation + Amortization

** Market Value: closing quotation on the last business day of the year

*** Each ADS represents four preferred shares

Evolution in the Number of Aircraft Delivered

	1996	1997	1998	1999	2000
Commercial Aviation	22	42	73	103	157
ERJ 145	4	32	60	80	112
ERJ 135	0	0	0	16	45
EMB 120	17	10	13	7	0
EMB 110	1	0	0	0	0
Defense	18	5	17	3	2
EMB 120	0	0	1	0	0
ERJ 135	0	0	0	0	1
EMB 312 Tucano	15	0	6	0	0
AM-X	3	5	10	3	1
Corporate Aviation	0	0	0	0	2
ERJ 135	0	0	0	0	2
Light Aviation	24	24	26	17	17
Total	64	71	116	123	178

Backlog by Customer and by Product

ERJ 135					
Customer	Country	Firm Orders	Options	Deliveries	Firm Backlog
American Eagle	USA	40	0	33	7
British Midland	UK	4	0	0	4
City Airline	Sweden	2	1	1	1
Continental Express	USA	50	0	18	32
Proteus Airlines	France	10	15	6	4
Regional Airlines	France	5	0	3	2
Regional Air Lines	Morocco	5	5	0	5
South African Airlink	South Africa	30	40	0	30
Total		146	61	61	85

ERJ 140					
Customer	Country	Firm Orders	Options	Deliveries	Firm Backlog
American Eagle	USA	133	31	0	133
Total		133	31	0	133

ERJ 145					
Customer	Country	Firm Orders	Options	Deliveries	Firm Backlog
Air Caraibes	Guadalupe	2	0	2	0
Air Moldova	Moldavia	2	2	0	2
Alitalia Express	Italy	8	13	6	2
American Eagle	USA	56	17	50	6
Axon Airlines	Greece	4	2	0	4
British Midland	UK	10	6	6	4
British Regional Airlines	UK	23	3	17	6
Brymon	UK	7	14	6	1
Cirrus	Germany	1	0	1	0
Continental Express	USA	225	100	79	146
Crossair	Switzerland	25	15	9	16
ERA	Spain	2	0	2	0
KLM Exel	Holland	3	2	2	1
LOT Polish Airlines	Poland	16	0	10	6
Luxair	Luxemburg	9	2	7	2
Mesa Airlines	USA	36	64	12	24
Portugalia Airlines	Portugal	8	0	8	0
Proteus Airlines	France	13	0	6	7
Regional Airlines	France	15	0	11	4
Rheinflug	Austria	3	5	3	0
Rio Sul	Brazil	15	15	15	0
Sichuan Airlines	China	5	0	3	2
Skyways AB	Sweden	4	11	4	0
Trans States Airlines	USA	12	0	11	1
Worford	USA	45	45	19	27
Total		549	316	288	261

ERJ 170					
Customer	Country	Firm Orders	Options	Deliveries	Firm Backlog
Crossair	Switzerland	30	50	0	30
Regional Airlines	France	10	5	0	10
GECAS	USA	50	78	0	50
Total		90	133	0	90

ERJ 190					
Customer	Country	Firm Orders	Options	Deliveries	Firm Backlog
Crossair	Switzerland	30	50	0	30
GECAS	USA	0	22	0	0
Total		30	72	0	30

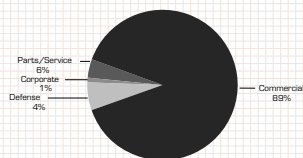
LEGACY					
Customer	Country	Firm Orders	Options	Deliveries	Firm Backlog
SWIFT	USA	25	25	0	25
Undisclosed	USA	6	6	2	4
Total		31	31	2	29

Results Indicators:

A total of 178 aircraft were delivered in 2000, of which 157 of the ERJ 135/140/145 family for the Commercial Aviation market, two for the Defense market, 17 related with the light aviation market and the first two deliveries for the Corporate Aviation market. The increase in regional aircraft deliveries was 52.4%, confirming the wide acceptance of our aircraft developed for this market.

In addition to aircraft, the breakdown of consolidated Embraer Gross Revenues includes the sale of replacement parts and services by the Parent Company and subsidiaries in Brazil and abroad.

Revenues per segment 2000



The economic and financial situation presented is a result of the good performance of all areas of the Company, from sales to production and client services.

Gross operating revenues in 2000 were R\$ 5,230.7 million, exceeding the 1999 figure of R\$ 3,378.7 by 55%. Of this total, R\$ 5,123.5 million, or the equivalent of 98%, was generated by exports, against an export percentage in 1999 of 95%. Therefore exports reached US\$ 2.7 billion in 2000, representing 4.9% of total Brazilian exports and guaranteeing first

place in the export company ranking in Brazil for the second year running.

As a result of productivity gains and investments made, the Embraer gross margin in 2000 was 30%, exceeding the 1999 gross margin of 28% by 2%.

In the year 2000, operating expenses (administrative, selling and others) totaled R\$ 561.7 million, a 69.6% increase compared with the figure for 1999. Expressed as a percentage of net sales, operating expenses represented 10% and 11% in 1999 and 2000 respectively. These expenses are directly related with the global expansion of Embraer.

The Variable Remuneration Program, whereby employee profit-sharing is established according to the evaluation of the performance of each employee/team, linked to income returns on operations and the distribution of dividends to the Embraer shareholders. Since the targets for 2000 were achieved, R\$ 80.5 million was distributed in profit-sharing.

Therefore the Embraer operating profit (EBIT) for the year 2000, including employee profit-sharing, totaled R\$ 940.8 million, surpassing the 1999 operating profit of R\$ 58.4 million by 59.9%. Operating margins for the same periods were 17% in 1999 and 18% at the end of 2000.

Operating cash flow generation measured by the EBITDA reached a significant and record figure in the history of Embraer, growing by 52.4% from R\$ 715.9 million in 1999 to R\$ 1,091.0 million in 2000. The EBITDA margin remained stable at 21% for the two periods analyzed.

This performance enabled a record net income of R\$ 645.2 million to be achieved, corresponding to 12% of gross revenues, an improvement of 57% on net income returned for 1999.

Financial and Equity Indicators:

With the record operating cash flow generation, together with incomings from deliveries and progressive payments on new contracts signed during the period, resulted in an accrued cash balance for the financial year of approximately R\$ 2,325.6 million.

Therefore Embraer closed the year 2000 with a bank indebtedness of R\$ 894.2 million, which continues to be progressively reduced. In 1999, total bank indebtedness was R\$ 1,138.2 million. If we consider the balance of short-term financial and cash availability, we closed the year 2000 with a net cash figure of R\$ 1,431.4 million. These funds provide the necessary tranquility for the Company to meet its investment needs, principally those related with development of the new family of regional jets, the ERJ 170/190.

Adjustment of the capital structure and indebtedness to appropriate levels, together with the close ties with financial institutions and the capital market, enabled Embraer to project a positive image at world level, making it possible to extend the lines of credit available and, which is more important, at costs that are adequate for operations.

The adjustment and control of the indebtedness profile resulted in an improved current liquidity ratio, which has continually improved, reaching 1.52 in the year-end balance sheet, showing a significant increase when compared with the 1.23 ratio for 1999.

As a result of the review of processes related with materials management and logistics, we can observe the improvement in inventory turnover over recent years, from 2.4 in 1999 to 2.9 per annum in 2000. This corresponds to an improvement of 21% in 2000 compared to the prior period, which is very significant bearing in mind the volume of materials processed annually.

**Value Added Statement (Additional Information)
for The Financial Years Ended December 31, 2000 and 1999**

The consolidated added economic values for the financial years compared were R\$ 399.0 million

and R\$ 300.6 million respectively, signifying a variation of 33%.

R\$ million	1999	2000
Total Assets	3,460.9	5,099.1
Liabilities with Operational Financing	2,408.7	3,201.4
Remunerate Liabilities	1,052.3	1,897.7
Debt (Permanent Assets Financing and Debentures)	355.1	359.0
Equity	697.1	1,538.7
Invested Capital	1,052.3	1,897.7
Net Sales	3,347.5	5,099.3
Cost and Operational Expenses	(2,805.2)	(4,131.3)
Earnings Before Income Tax	542.3	968.0
Income Tax and Social Contribution	(94.1)	(291.7)
Debt Cost	(57.1)	(49.4)
Fiscal Benefit	21.1	18.3
Net Income	412.2	645.2
Cost of Equity	(111.5)	(246.2)
Value Added	300.6	399.0
VA/Invested Capital	29%	21%

The criteria used to calculate the Added Economic Value were the following:

- The effect of exchange variations was included in the weighted average cost of capital;
- Income tax and social contribution calculated at a nominal rate of 34.0%;
- The own capital cost was calculated on shareholders' equity at the end of the financial year.

The value added in 2000 was 21%, compared with 29% in 1999. The reduction in 2000 is a result of capitalization corresponding to US\$ 244 million, through the primary stock offering on the New York and São Paulo stock exchanges.

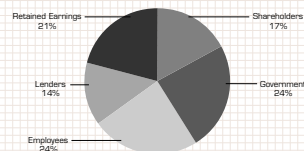
**Added Value Statement (Additional Information)
for The Financial Years Ended December 31, 2000 and 1999**

The social function of the Company can be analyzed based on a vision of how the value added by Embraer was distributed during the

year 2000 amongst shareholders, employees and the different levels of government (municipal, state and federal):

Parent Company - R\$ million	1999	2000
Revenue	3,255.7	5,208.8
Inputs Acquired from Third Parties	2,231.8	3,496.0
Gross Added Value	1,023.9	1,712.8
Retentions	115.5	129.3
Net Added Value Produced	908.4	1,583.5
Added Value Received in Transfers	86.7	160.3
Total Added Value to Be Distributed	995.1	1,743.8
Distribution of Added Value	995.1	1,743.8
Employees	297.6	410.9
Government	(38.2)	429.6
Taxes, duties and contributions	120.4	486.3
Tax credits, income taxes	(158.6)	(56.7)
Financing institutions	303.2	235.9
Shareholders	123.5	287.7
Reinvested	309.0	379.7

Added Value Statement for 2000



Consolidated Statements of Income for the Years Ended December 31, 2000 and 1999

(In thousands of Brazilian reais)

	2000	1999
Gross Sales:		
Domestic market	107,202	156,694
Foreign market	5,123,541	3,222,012
Sales taxes and deductions	(10,360)	(12,094)
Other sales deductions	(121,034)	(19,151)
Net Sales	5,099,349	3,347,461
Cost of Sales:	(3,510,978)	(2,391,274)
Gross profit	1,588,371	956,187
Operating Income (Expenses):		
Administrative	(144,033)	(84,997)
Selling	(358,086)	(220,201)
Other expenses, net	(61,073)	(25,732)
Equity unconsolidated subsidiary	1,472	(254)
Income from operations before financial income (expenses)	1,026,651	625,003
Financial Income (Expenses):		
Interest on capital	(100,698)	-
Interest expense	(174,538)	(119,888)
Interest income	163,692	94,075
Monetary and exchange variations, net	(96,647)	(208,831)
Income from operations after financial income (expenses)	818,460	390,359
Nonoperating income (expense), net	19,232	(31,517)
Income before tax and profit sharing	837,692	358,842
Provision for income tax	(274,647)	(73,024)
Deferred income and social contribution taxes	67,275	162,966
Income after taxes	630,320	448,784
Profit sharing	(80,540)	(36,632)
Reversal of interest on capital	100,698	-
Minority interest	(5,299)	-
Net income	645,179	412,152

The accompanying notes are an integral part of these statements.

Consolidated Statements of Income for the Years Ended December 31, 2000 and 1999

(In thousands of Brazilian reais)

	2000	1999
Assets		
Current Assets:		
Cash and cash equivalents	2,325,579	548,155
Trade accounts receivable	342,473	557,407
Allowance for doubtful accounts	(28,449)	(20,041)
Recoverable taxes	8,744	30,060
Deferred taxes on income	226,154	96,096
Other receivables	40,217	39,972
Inventories	1,121,562	1,281,058
Prepaid expenses	16,808	8,615
Total current assets	4,053,088	2,541,312
Noncurrent Assets:		
Trade accounts receivable	44,461	26,831
Recoverable taxes	4,505	3,422
Compulsory loans, guarantee and other deposits	11,043	6,909
Other receivables	66,743	55,236
Deferred taxes on income	111,527	174,310
Total noncurrent assets	238,279	266,708
Permanent Assets:		
Investments	8,112	6,106
Property, plant and equipment	522,551	370,792
Deferred charges	277,023	275,997
Total permanent	807,686	652,895
Total assets	5,099,053	3,460,915

The accompanying notes are an integral part of these balance sheets.

Consolidated Balance Sheets - December 31, 2000 and 1999

(In thousands of Brazilian reais)

Liabilities and Shareholder's Equity

	2000	1999
Current Liabilities:		
Loans	716,744	994,102
Suppliers	521,175	358,227
Accounts payable	124,340	52,649
Customers' advances	567,037	390,401
Taxes and social charges payable	149,681	42,311
Accrued taxes on income	78,047	26,170
Dealers and sales agents	1,261	355
Accrued liabilities	358,794	121,217
Dividends	116,127	86,796
Interest on capital	33,780	-
Accrued interest on debentures	1,797	1,826
Total current liabilities	<u>2,668,783</u>	<u>2,074,054</u>
Long-term liabilities:		
Loans	177,505	144,111
Accounts payable	280,580	38,579
Customers' advances	158,771	201,514
Long-term portion of tax installments	52,531	86,376
Accrued liabilities	28,082	38,285
Debentures	177,677	180,504
Total long-term liabilities	<u>875,146</u>	<u>689,369</u>
Deferred Income	<u>409</u>	<u>386</u>
Minority Interest	<u>15,989</u>	<u>-</u>
Shareholders' Equity:		
Capital	808,984	354,619
Capital reserve	29,974	159
Legal reserve	62,135	28,766
Reserve for investments and working capital	<u>637,633</u>	<u>313,562</u>
Total shareholders' equity	<u>1,538,726</u>	<u>697,106</u>
Total liabilities and shareholders' equity	<u>5,099,053</u>	<u>3,460,915</u>

The accompanying notes are an integral part of these balance sheets.

Consolidated Statements of Changes in Shareholders' Equity
for The Years Ended December 31, 2000 and 1999

	2000	1999
Beginning Balance	697,106	417,874
Capital increase:		
In cash	439,824	-
Debentures converted into capital	20,773	-
Redemption of class "B" preferred shares	-	(9,549)
Fiscal incentive reserve	23,583	159
Proposed dividends	(187,041)	(123,530)
Interest on capital	(100,698)	-
Net income	645,179	412,152
Ending Balance	<u>1,538,726</u>	<u>697,106</u>

The accompanying notes are an integral part of these statements.

**Consolidated Statements of Changes in Financial Position for the Years Ended
December 31, 2000 and 1999**

(In thousands of Brazilian reais)

	2000	1999
Sources of Funds:		
Provided by operations-		
Net income	645,179	412,152
Items not affecting working capital-		
Equity method - unconsolidated subsidiary	(1,472)	254
Minority interest	5,289	-
Depreciation	47,235	36,932
Write-off of deferred charges	1,182	31,288
Amortization of deferred charges	102,921	90,563
Net book value of permanent asset disposals	3,626	1,774
Write-off of investments	46	-
Interest on long-term items	1,759	3,199
Net monetary and exchange variations on long-term items	40,354	57,335
Provision for losses on investments	14,058	7,297
Reversal of deferred income	(12)	(817)
Long-term deferred income and social contribution taxes	9,751	(162,956)
Provision for contingencies	15,471	8,462
Reversal of reserve for losses on contracts	-	(1,970)
Funds provided by operations	<u>885,397</u>	<u>483,503</u>
From shareholders-		
Capital increase	439,824	-
From third parties-		
Increase in long-term liabilities-		
Customers' advances	156,284	334,080
Loans	57,961	160
Debentures issued	-	164,507
Suppliers and other liabilities	225,242	39,369
Tax incentives	5,504	-
Transfer to current assets	52,194	171,480
Increase in minority interest	10,690	-
Funds provided by third parties	<u>507,875</u>	<u>709,616</u>
Total sources	<u>1,833,096</u>	<u>1,193,119</u>
Applications of Funds:		
Increase in noncurrent assets	17,903	74,916
Increase in permanent assets-		
Investments	837	19
Property, plant and equipment	195,953	97,114
Deferred charges	105,008	25,560
Transfer to current liabilities	308,608	358,775
Dividends	187,042	123,530
Redemption of class "B" preferred shares	-	9,549
Interest on capital	<u>100,698</u>	<u>679,463</u>
Total applications	<u>815,049</u>	<u>1,193,119</u>
Increase in working capital	<u>817,047</u>	<u>813,656</u>
Working capital - end of year:		
Current assets	4,053,088	2,541,312
Current liabilities	<u>2,668,783</u>	<u>2,074,054</u>
	1,384,305	467,258
	<u>467,258</u>	<u>(46,399)</u>
	<u>817,047</u>	<u>513,656</u>
Working capital - beginning of year		
Increase in working capital		

The accompanying notes are an integral part of these statements.

Notes to the Consolidated Financial Statements as of December 31, 2000 and 1999

(Amounts in thousands of Brazilian reais, unless otherwise indicated)

1. Operations

The Company is engaged in the design, development, production and marketing of a range of jet and turboprop aircraft for regional airline and defense use, of light reciprocating and turboprop aircraft for general aviation, corporate and agricultural uses and of aviation-related structural parts and mechanical and hydraulic systems.

2. Basis of presentation of financial statements

a. Presentation of Financial Statements

The financial statements were prepared in accordance with accounting practices emanating from Brazilian corporate law and additional regulations of the "Comissão de Valores Mobiliários", the Brazilian Securities Commission (the "CVM"), and are an English language adaptation of the financial statements published in Brazil, for the convenience of users outside Brazil.

Certain accounting practices applied by the Company and its subsidiaries that conform with accounting practices emanating from corporate law in Brazil may not conform with generally accepted accounting principles in the countries where these financial statements may be used.

The financial statements include the accounts of the Company and the following wholly-owned subsidiaries: Embraer Aircraft Corporation - EAC, Embraer Aviation International SAS - EAI, Embraer Finance Ltd. - EFL, Embraer Service Inc. - ESI, Trumpeter Inc., Indústria Aeronáutica Neiva S.A. - NEIVA, ELEC - Embraer - Liebherr Equipamentos do Brasil S.A., Embraer Aviation Europe SAS - EAE, Embraer Europe SARL, Embraer Australia PTY Ltd. - EAL, and Embraer Credit Ltd. - ECL.

b. Operating Activities of Subsidiaries

Embraer Aircraft Corporation - EAC

Wholly-owned subsidiary located in Fort Lauderdale, Florida, USA, represents the Company commercially in North and Central America, the Caribbean, Australia, Asia, the United Kingdom and Scandinavia, including sales, product support, and customer training.

Embraer Aviation International - SAS-EAI

Wholly-owned subsidiary located in Le Bourget, near Paris, France, represents the Company in the European, African and Middle-east markets by providing after-sale support. This company was transformed from a branch to a subsidiary effective July 1, 2000.

Indústria Aeronáutica Neiva S.A. - NEIVA

Wholly-owned subsidiary located in Botucatu, São Paulo, Brazil, is involved in the production and sale of light executive and agricultural aircraft, as well as the production and assembly of parts for the EMB 120 Brasília, ERJ 145 and ERJ 135 aircraft.

Embraer Finance Ltd. - EFL

Provides support in the purchasing and sales activities of the Company, as well as assisting customers in obtaining financing from third parties.

ELEC - Embraer Liebherr Equipamentos do Brasil S.A.

On November 1, 2000, Embraer - Liebherr Equipamentos do Brasil S.A., based at São José dos Campos - SP was merged into Órbita Sistemas Aeroespaciais S.A. Its principal business of producing and selling precision hydraulic and mechanical equipment for the aeronautical industry remained unchanged. The company name was changed to ELEC - Embraer - Liebherr Equipamentos do Brasil S.A.

**Embraer Service Inc. - ESI
(previously Green Service Inc.)**

Located in Dallas, Texas, USA, to provide support in the United States in the development activities for the EMB 145 special configurations, contracted under the SIMAM Program (Integrated Surveillance System for the Amazon Region).

Trumpeter Inc.

Located in Wilmington, Delaware, USA, it has a 25% interest in Expressprop LLC, which provides support for the sale of used EMB 120 Brasília aircraft.

Embraer Aviation Europe SAS - EAE

Formed on June 21, 2000 and located at Le Bourget, near Paris, France, for the purpose of becoming the holding company of Embraer Aviation International - EAI.

Embraer Australia PTY Ltd. - EAL

Formed on June 1, 2000 and located at Melbourne, Australia. Its purpose is to provide services and after-sales support to customers in Australia, Asia and that region.

Embraer Credit Ltd. - ECL

Formed on April 10, 2000, located at Wilmington, Delaware, USA, to support sales operations.

Embraer Europe - SARL

Formed on September 7, 2000 and located at Le Bourget, near Paris, France. Its purpose is to provide sales representation for Embraer in Europe.

The financial statements of subsidiaries based abroad are prepared according to accounting practices compatible with those used by the Company, and are converted into reais at the exchange rates in effect at

the balance sheet date.

Intercompany balances, transactions and unrealized profits are eliminated in consolidation.

The reconciliation between the amounts reported by the Company in its individual financial statements, not presented herein, and the consolidated amounts is as follows:

	Net income for the year ended December 31		Shareholders' equity at December 31	
	2000	1999	2000	1999
Company	667,393	432,507	1,605,592	741,759
Unrealized profit (*)	(22,214)	(20,355)	(66,866)	(44,653)
Consolidated	<u>645,179</u>	<u>412,152</u>	<u>1,538,726</u>	<u>697,106</u>

(*) Unrealized profit arises from sales by the Company to its subsidiaries, and also among the subsidiaries, of spare parts, aircraft and marketing rights, eliminated in consolidation.

3. Summary of accounting practices

a. Cash and Cash Equivalents

Cash equivalents are considered to be all highly liquid temporary cash investments with original maturity dates of three months or less.

b. Allowance for Doubtful Accounts

Recognized based on an analysis of receivables, in an amount considered sufficient to cover possible losses on realization.

c. Foreign Currency Transactions

Transactions in foreign currency are recorded at the prevailing exchange rate at the time of the related transactions. Foreign currency denominated assets and liabilities are translated using the exchange rate at the balance sheet date. Exchange differences are recognized in income as they occur.

d. Foreign Currency Translation Gains (Losses)

Translation gains and losses arising from the effects of devaluation (or appreciation) of the Brazilian real in relation to the U.S. dollar, French franc or Australian dollar, in translating the financial statements of foreign subsidiaries for consolidation, are allocated to financial expenses.

e. Assets and Liabilities Subject to Monetary Restatement

Accounts subject to monetary restatement are updated based on the indices defined legally or by contract.

f. Inventories

Stated at average production or acquisition cost, monetarily restated, or market, whichever is lower. Market is replacement cost for raw materials and net realizable value for work-in-process and finished products. Spare parts are stated at average cost not in excess of realizable value.

g. Other Current and Noncurrent Assets

All other current and noncurrent assets are stated at cost, or realizable value, including income earned, when applicable.

h. Permanent Assets

Investments are stated at cost, monetarily restated to December 31, 1995, and reduced by reserves to adjust to market value.

Property, plant and equipment - Stated at cost, plus revaluations and monetarily restated to December 31, 1995. Depreciation is provided on the straight-line method based on the estimated useful lives of the assets. Improvements to existing property are capitalized while maintenance and repair costs are charged to expense as incurred. Materials allocated to specific projects are added to construction-in-progress.

Deferred charges - Stated at cost, monetarily restated to December 31, 1995, composed mainly of research and development costs, comprising design, project engineering, prototypes and tooling, for subsequent amortization based on the number of aircraft expected to be sold.

i. Loans

Restated based on monetary and exchange variations, and include the respective charges incurred to the balance sheet date.

j. Customers' Advances

Restated from the date received for monetary and exchange variations, when applicable.

k. Taxes on Income

Comprise Federal income and social contribution taxes. Deferred taxes are provided on temporary differences to the extent realization is probable.

l. Accrued Vacations

Vacation accruals payable to employees are recognized as incurred, according to the provisions of the Consolidated Labor Laws (CLT), plus additional amounts defined in collective bargaining agreements and the related social charges.

m. Product Warranties

Warranty expense is recognized based on estimated amounts to be incurred as a percentage of the sale price of the aircraft. The warranty period ranges from two to three years depending on the part of the aircraft.

n. Provisions for Contingencies

Based on the opinion of legal counsel and management's best estimate as to the likely outcome of the matters outstanding at the balance sheet date, related to labor, tax, civil and commercial litigation at the administrative and judicial levels.

o. Pension and Post-retirement Benefits

The Company sponsors in a defined contribution pension plan that provides pension and other post-retirement benefits for its employees, except for Embraer Aircraft Corporation - EAC, where the plan is

a defined benefit plan. Current costs are determined at the amount of contribution required for the period and are recognized on the accrual basis.

p. Other Current and Long-term Liabilities

The remaining current and long-term liabilities are stated at known or estimated amounts, plus the related charges and exchange variations where applicable.

q. Employees' Profit Sharing

Accruals are made for employees' profit sharing. The amount recorded is the profit sharing attributable to those employees of the Company and its subsidiaries; payment is based on the variable compensation policy approved by the Board of Directors, in April 1996.

r. Sales and Other Operating Revenues

Sales under fixed-price contracts are generally recognized as deliveries are made or upon completion of contractually defined events. Regional aircraft sales are recorded as deliveries are made. In the defense aircraft segment, operations consist principally of long-term development and construction contracts, predominantly for the Brazilian Government; the revenue is recognized in accordance with the percentage of completion method. Anticipated losses on sales contracts are recognized, when applicable, at their estimated amounts. Actual losses are recognized upon delivery of the related aircraft and the estimated amounts are proportionally reversed.

s. Stock Options

Stock options granted do not result in any expense being recorded. As the options are exercised, the purchase of stock by the employees will be recorded as an increase in capital stock at the amount of the purchase price.

4. Cash and Cash Equivalents

	2000	1999
Cash and banks	21,340	18,264
Short-term investments:		
In reais-		
Bank certificates of deposit	-	21,751
Investment funds	1,652,011	456,062
In U.S. dollars-		
Time deposits	443,331	-
Overnight	8,897	394
Promissory notes	-	47,129
Capitalization bonds	-	4,555
	<u>2,325,579</u>	<u>548,155</u>

The average annualized interest rates related to the investments in reais and in U.S. dollars for the year ended December 31, 2000 were 17.71% and 5.60%, respectively.

5. Trade Accounts Receivable

	2000	1999
Brazilian Air Force	45,440	88,760
Domestic customers	11,437	11,354
Foreign customers	297,364	459,045
Export financing program - PROEX (*)	32,693	25,079
	<u>386,934</u>	<u>584,238</u>
Less-current portion	342,473	557,407
	<u>44,461</u>	<u>26,831</u>

(*) Refers to receivables acquired by the Company from its customers, related to the equalization of interest rates to be paid by PROEX between the 11th and 15th year after the sale of the related aircraft, recorded at present value. The interest earned is added to the balance and recorded as interest income.

As of December 31, 2000 and 1999, respectively, accounts receivable from the Brazilian Air Force include amounts not currently billable of R\$42,032 and R\$55,019, which relate primarily to sales recorded using the percentage of completion method; the

remaining balance refers to amounts billed for aircraft and spare-part sales.

Changes in the allowance for doubtful accounts are as follows:

	2000	1999
Beginning balance	20,041	2,351
Exchange variation	1,699	565
Provision	9,406	17,309
Reversal	(2,697)	(184)
Ending balance	<u>28,449</u>	<u>20,041</u>

6. Recoverable Taxes

	2000	1999
Recoverable State and Federal VAT	37,067	35,506
Reserve for losses	(24,348)	(4,323)
Net	12,719	31,183
Withholding and prepaid taxes	43	2,032
Other	487	257
	<u>13,249</u>	<u>33,472</u>
Less- Current portion	8,744	30,050
Noncurrent portion	<u>4,505</u>	<u>3,422</u>

7. Other Receivables

	2000	1999
Credits with suppliers (a)	20,719	26,962
Guarantee deposits (b)	59,713	41,270
Consortium	-	8,395
Advances to employees	10,586	7,247
Import duty refundable	956	1,214
Payroll tax refundable - INSS	394	353
Escrow deposits	3,556	-
Other	11,036	7,767
	<u>106,960</u>	<u>95,208</u>
Less- Current portion	40,217	39,972
Noncurrent portion	<u>66,743</u>	<u>55,236</u>

(a) Represents aircraft parts to be supplied free of charge and price discounts to be received from suppliers.

(b) Guarantee deposits represent U.S. dollar amounts deposited in escrow as collateral for financing of certain aircraft sold. If the guarantor of the debt (an unrelated third party) is required to pay the creditors under such financing arrangement, the guarantor has the right to the escrow funds. The amounts deposited will be released when the financing contracts (15 to 18 years) mature, if no default by the buyers of the aircraft has occurred. The interest earned on the escrow funds is added to the balance in escrow and is recorded as interest income by the Company.

8. Inventories

	2000	1999
Finished products	58,554	199,531
Work-in-process	381,930	421,812
Raw materials	545,445	547,867
Used aircraft for resale	845	7,863
Supplies	2,070	1,152
Inventory in transit	106,429	82,194
Advances to suppliers	26,269	20,619
	<u>1,121,562</u>	<u>1,281,058</u>

Inventories, when applicable, were reduced to their replacement cost (raw materials) and net realizable value (work-in-process and finished products), as follows:

- Allowance for reduction to market value - Inventories of work-in-process and finished products were reduced to net realizable value after deduction for costs, taxes and selling expenses, adjusted in proportion to the stage of production. Inventories of raw materials were

reduced to market value based on the average cost compared with the average cost of replacement.

- Allowance for obsolescence - For items without activity for more than two years, provisions were made for possible losses on excess and obsolete supplies and work-in-process inventories, based on management's estimate of net realizable values.

The allowances are as follows:

	2000	1999
Allowance for obsolescence:		
Beginning balance	39,037	21,685
Provision	37,941	26,896
Disposals	(4,504)	(14,571)
Effect of exchange rate changes	1,639	5,127
Ending balance	<u>74,113</u>	<u>39,037</u>

9. Investments

a. Balances

	2000	1999
Affiliated companies:		
AM-X International Ltd.	-	46
Expressprop LLC (*)	<u>7,912</u>	<u>5,692</u>
	7,912	5,938
Other	<u>200</u>	<u>168</u>
	<u>8,112</u>	<u>6,106</u>

(*) Embraer owns 25% of the capital stock of this company.

b. Relevant Information on Consolidated Subsidiaries

	2000			1999	
	Ownership (%)	Shareholders' equity	Net income (loss)	Shareholders' equity	Net income (loss)
Embraer Aircraft Corporation - EAC	100.00	85,454	5,680	72,913	4,398
Embraer Aviation International - EAI	100.00	5,673	(3,032)	8,504	818
Indústria Aeronáutica Neiva S.A. - NEIVA	100.00	11,965	1,265	10,698	245
Embraer Finance Ltd. - EFL	100.00	28,956	26,194	2,335	(12,454)
ELEB - Embraer Liebherr Equipamentos do Brasil S.A.	59.995	38,343	13,588	23,060	57
Embraer Service Inc. - ESI	100.00	15,084	3,891	10,240	4,820
Trumpeter Inc.	100.00	7,620	1,370	5,718	(427)
Embraer Aviation Europe SAS - EAE	100.00	37	-	-	-
Embraer Australia PTY Ltd - EAL	100.00	3,699	(13)	-	-
Embraer Credit Ltd. - ECL	100.00	(1,055)	(1,055)	-	-
Embraer Europe SARL	100.00	15	-	-	-
Órbita - Sistemas Aeroespaciais S.A.	-	-	-	(464)	-

c. Transactions with Consolidated Related Parties

	2000	1999
Current Items - Assets and Liabilities:		
Short-term cash investments-		
Banco Bozano, Simonsen	-	32,782
Accounts receivable-		
Brazilian Air Force	45,440	57,837
Customers' advances-		
Brazilian Air Force	34,989	37,983
Accounts payable-		
Brazilian Air Force	6,181	5,664
Sales-		
Brazilian Air Force	65,764	131,807
Financial income-		
Banco Bozano, Simonsen	335	1,450
Reimbursement of expenses-		
Brazilian Air Force	-	(502)
Financial expenses-		
Banco Bozano, Simonsen	-	(45)

These transactions are made under usual market prices and conditions.

10. Property, Plant and Equipment

	Annual depreciation (%)	Restated and revalued cost	Accumulated Depreciation	Net	
				2000	1999
Land	-	17,012	-	17,012	14,872
Buildings and land improvements	2.08 to 4.00	256,641	(99,268)	157,373	143,046
Installations	3.23 to 10.00	141,457	(115,428)	26,029	19,600
Machinery and equipment	5.88 to 10.00	262,069	(171,670)	90,399	75,403
Furniture and fixtures	10.00	21,084	(14,014)	7,070	3,639
Vehicles	9.09 to 20.00	7,127	(4,511)	2,616	1,904
Aircraft	20.00	118,932	(26,713)	92,219	51,479
Computers and peripherals	20.00	62,799	(34,471)	28,328	17,020
Other	20.00	43,891	(8,101)	35,790	17,890
Construction in progress	-	65,715	-	65,715	25,939
		<u>996,727</u>	<u>(474,176)</u>	<u>522,551</u>	<u>370,792</u>

On December 30, 1998 and April 30, 1991, the Company recorded revaluations of its operating assets. The remaining balance of these revaluations at December 31, 2000 and 1999 amounted to R\$129,734 and R\$138,621, respectively. The corresponding revaluation reserves were used to

increase capital and, except for the portion related to real estate, were included in the computation of taxable income for income tax purposes. The depreciation rates of the revalued assets were determined based on the revised estimated useful lives of these assets, in accordance with the appraisal reports.

11. Deferred Charges

	Cost	Accumulated amortization	Net	
			2000	1999
ERJ 145/140/135	467,360	(273,648)	193,532	255,120
EMB 120 - Brasília	199,157	(197,880)	1,277	1,277
S-92 - Sikorsky	17,286	-	17,286	15,805
ERJ 170/190	83,524	-	83,524	2,351
Other	6,396	(4,992)	1,404	1,444
	<u>753,743</u>	<u>(476,720)</u>	<u>277,023</u>	<u>275,997</u>

Deferred charges include the compensation of engineers assigned to the development of each new aircraft, support services, certain production overhead, tooling, and direct labor and materials to construct a prototype of the aircraft. Also included are the costs of testing the prototype and subsequent design changes.

The amortization of deferred charges is computed based on the estimated number of aircraft to be produced, for each project, starting when benefits begin to be generated, and is allocated to production costs.

For suspended projects, or those for which full realization is considered unlikely, the deferred charges are written off or reduced to estimated net realizable value.

ERJ 145

This 50-seat regional jet aircraft received certification to operate in the United States, Brazil, Europe, Australia, South Africa, China and Central America, and is in commercial operation with regional airlines in Brazil, the United States, Europe and China. As of December 31, 2000, the Company had delivered 288 ERJ 145, and had 263 firm orders for this aircraft. A modified platform of the ERJ 145 is in the development process for use in the SIVAM Program (EMB 145 AEWSC - Airborne Early Warning and Control aircraft and EMB 145 RS - Remote Sensing aircraft). As of December 31, 2000, the Company had 12 firm orders for this aircraft.

ERJ 140

This is a new 44-seat regional jet aircraft. Over 96% of this aircraft's parts are also used in the ERJ 145 and ERJ 135 models. The ERJ 140 is expected to be available for the market in 2001. As of December 31, 2000, the Company had a backlog of 133 firm orders for this aircraft.

ERJ 135

A 37-seat regional jet aircraft already certified by the Federal Aviation Administration - FAA of the United States and by the Joint Aviation Authorities - JAA to operate in Europe. As of December 31, 2000, the Company had delivered 64 aircraft, of which two were for the corporate aviation market. The Company has 91 firm orders for this aircraft.

Legacy

In July 2000, the Company introduced its latest product: the Legacy. This aircraft is a derivative of the ERJ 135 and will be offered in three versions: executive, corporate and official transport. As of December 31, 2000, the Company had a backlog of 25 firm orders for this aircraft.

ERJ 170 & ERJ 190

As approved by the Board of Directors, the Company is developing a new family of regional jets with capacities for 70, 98 and 108 passengers, the ERJ 170, ERJ 190-100 and ERJ 190-200, respectively. As of December 31, 2000, the Company had 120 firm orders for these aircraft.

EMB 120 Brasília

A 30-seat turboprop aircraft in operation since 1985. As of December 31, 2000, 350 aircraft had been delivered, and two firm orders in the backlog.

The Brasília project was being amortized based on the expected original total number of aircraft to be sold. With a reduction in potential sales for this aircraft, in 1997 and 1999, management wrote off R\$84,000 million and R\$31,288 million, respectively, of deferred charges related to this aircraft, leaving R\$1,277 million for the amortization of two aircraft which are in production.

S-92 - Sikorsky

The Company is in process of development and subsequent production of fuel tank structures and systems and landing gear systems for the S-92 Helibus, a medium-sized twin-turbine helicopter, with capacity to carry 19 passengers in its civilian version, to be produced by United Technologies Sikorsky Corporation (USA).

Research and development costs per aircraft, as of December 31, 2000, as well as the backlog, are presented below:

	In thousands of Brazilian reais except for quantities in units		
	EMB 120	ERJ 145/135/140	ERJ 170/190
Deferred costs	199,157	457,380	63,524
Accumulated amortization	(197,880)	(273,848)	-
Net	1,277	193,532	63,524
Quantity of aircraft projected for the program at December 31, 2000	352	960	650
Quantity of aircraft at December 31, 2000:			
Delivered	350	352	-
Firm orders	2	512	120
Options with exercisable date in (not audited):			
2001	-	126	15
2002	-	77	10
2003	-	57	10
2004	-	78	10
Thereafter	-	101	160
Total options	-	439	205
Total	352	1,303	325

12. Loans

a. Composition

	Currency	2000	1999	Annual interest rate (%)
				2000
Foreign currency:				
FINAMEX - export financing	U.S. dollar	-	276,360	
Materials acquisition	U.S. dollar/ Japanese Yen	351,356	545,342	Libor + 0.75 to 1.88
Advances on export sales contracts	U.S. dollar	231,525	84,469	6.00 to 7.68
Project development	U.S. dollar	37,980	41,892	Libor + 3.00
Working capital	U.S. dollar/ French francs	131,824	58,360	7.00 to 8.00
Property and equipment acquisition	U.S. dollar	24,871	867	10.15 to 11.80
		777,556	1,007,290	
Local currency:				
Project development		114,337	130,754	TJLP (long-term interest rate) plus 3.00 to 5.50
Property and equipment acquisition		2,356	169	TJLP (long-term interest rate) plus 3.30 to 4.40
		116,693	130,923	
Total		894,249	1,138,213	
Less- current maturities		716,744	994,102	
Long-term portion		177,505	144,111	

b. Long-term Maturities

Year	2000	1999
2001	-	31,121
2002	89,491	31,121
2003	34,074	31,118
2004	31,268	28,905
2005 to 2006	22,672	21,846
	177,505	144,111

c. Currency Analysis

Total debt was denominated in the following currencies:

	Exchange rate at December 31, 2000 (reais per unit of one)	2000	1999
Brazilian real	1.000	114,337	130,923
U.S. dollar	1.9554	662,742	975,165
French franc	0.280771	79,488	32,125
Japanese yen	0.017082	37,682	-
		894,249	1,138,213

The exchange rate increases in relation to the Brazilian real were as follows:

	%	
	2000	1999
U.S. dollar	9.30	48.01
French franc	1.93	28.03
Japanese yen	0.98	62.46

Total debt denominated in Brazilian reais is subject to monetary restatement based on the Brazilian long-term interest rate (TJLP).

The annualized changes in this index were as follows:

	%	
	2000	1999
TJLP	10.75	13.22

The Company and its subsidiaries partially hedge their foreign currency liabilities. In the opinion of management, the Company's exposure to devaluation of the Brazilian real against other currencies is mitigated by the substantial amount of sales revenues which are denominated in U.S. dollars.

d. Interest and Guarantees

The foreign currency financing outstanding at December 31, 2000 was subject to weighted average annual interest of 7.76% (8.33% at December 31, 1999) plus exchange variation; for local currency financing outstanding at December 31, 2000, the weighted average annual interest rate was 13.46% (15.87% at December 31, 1999).

The Company negotiated reductions in the spreads on loans from the BNDES from 4.5% for the FINEM line (a line of credit made available by BNDES to Brazilian corporations) and 6.5% for the import line, to 3.0% and 5.5% per year, respectively, and on the collateral, effective January 1, 1997. Because of these decreases, the Company pays fees to the BNDES of 0.35% on each ERJ 145 aircraft sold, limited to 420 aircraft sold between January 1, 1997 and December 31, 2005.

Collateral for part of these loans includes the pledge of property, machinery, equipment and inventories, in the amount of R\$394,953 million. Of this amount, R\$90,183 million is related to a second mortgage on real estate.

13. Suppliers

	2000	1999
Foreign suppliers:		
Risk-sharing partners (*)	189,327	116,258
Other	296,647	230,863
Domestic suppliers	35,201	11,112
	<u>521,175</u>	<u>358,227</u>

(*) Risk-sharing partners develop and manufacture significant portions of the Company's aircraft, including the engines, hydraulic components, avionics, wings, tail, interior and parts of the fuselage. The Company's contracts with risk-sharing partners are long term in nature and include the following principal terms:

* Deferred payments for components and systems for a negotiated period of time after delivery of such components and systems.

* Minimum delivery requirement for a certain number of the ERJ 145 aircraft family ranging from 250 to 400 aircraft depending on the contract. In the event the Company fails to deliver this minimum number of aircraft, the Company would have to proportionally reimburse the suppliers for their tooling and development cost. Considering the number of aircraft under firm orders and deliveries already made, management believes this requirement will be met.

Once risk-sharing partners have been selected and the program development and aircraft production have begun, it is difficult to substitute these partners. In some cases, such as engines, the aircraft are designed specifically to accommodate a particular

component, which cannot be substituted by another manufacturer without significant delays and costs. This dependence makes the Company susceptible to the performance, quality and financial condition of these risk-sharing partners.

14. Accounts Payable

	2000	1999
Brazilian Air Force (a)	6,181	5,664
Insurance	4,943	4,322
Joint responsibilities (b)	493	2,591
Commercial rebates (c)	68,691	9,753
Labor contingencies	-	1,387
Pension fund contributions	935	986
Contributions from suppliers (d)	277,022	38,016
Customer credits (e)	15,183	19,484
Other	31,472	8,025
	<u>404,920</u>	<u>91,228</u>
Less- Current portion	124,340	52,649
Long-term portion	<u>280,580</u>	<u>38,579</u>

(a) Represent materials related to the delivery of AM-X aircraft.

(b) Joint responsibilities represent trade receivables discounted with recourse which customers did not pay when due and creditors have not yet exercised their rights of recourse.

(c) Commercial rebates refer to credits for spare parts to be given to customers.

(d) Funds and materials received from suppliers in the development of the ERJ 170/190 programs. These liabilities are waived when certain requirements are met.

(e) Accruals to compensate customers for certain financing costs.

15. Customers' Advances

	2000	1999
Local currency	24,532	62,336
Foreign currency	<u>701,276</u>	<u>529,579</u>
	725,808	591,915
Less- Current portion	567,037	390,401
Long-term portion	<u>158,771</u>	<u>201,514</u>

The foreign currency advances are subject to exchange variation based on the U.S. dollar.

Segregation between current and long-term portions is based on contractual terms to deliver the related aircraft.

16. Taxes and Social Charges Payable

a. Composition

	2000	1999
Refinanced taxes:		
INSS (social charges on payroll)	56,612	58,438
FNDE (education tax on payroll)	6,445	5,666
ICMS (state VAT)	-	1,542
	<u>63,057</u>	<u>65,646</u>
Current taxes (*)	139,155	63,041
	<u>202,212</u>	<u>128,687</u>
Less- Current portion	149,681	42,311
Long-term portion	<u>52,531</u>	<u>86,376</u>

(*) The Company is challenging in court the constitutionality of the nature of modifications in rates and increase in the calculation base of certain taxes and social charges to obtain writs of mandamus or injunctions to avoid payment or recover past payments. As of December 31, 2000, the unpaid amounts and those offset based on injunctions, totaling R\$105,243 (R\$25,903 in 1999) and monetarily restated, are accrued.

The monetary restatement is recorded as financial expenses.

The outstanding balances of refinanced taxes as of December 31, 2000 are subject to monthly interest of 1%, which is added to the principal.

b. Maturities of Long-term Portion

Year	2000	1999
2001	-	36,563
2002	4,535	4,308
2003	4,535	4,308
2004	4,535	4,308
2005	4,535	4,308
2006 a 2013	<u>34,391</u>	<u>32,581</u>
	<u>52,531</u>	<u>86,376</u>

17. Accrued Liabilities

	2000	1999
Contingencies	29,315	38,285
Accrued vacations	58,714	32,128
Accrued pension costs	5,197	3,729
Employee profit sharing	51,943	26,019
Product warranties	90,360	41,582
Product improvement	83,790	-
Deferred State VAT and taxes on sales	5,271	4,565
Reserve for losses on contracts	22,861	8,167
Technical assistance	25,732	-
Other	12,693	5,027
	<u>386,676</u>	<u>159,502</u>
Less: Current portion	358,794	121,217
Long-term portion	<u>28,082</u>	<u>38,285</u>

The reserve for contingencies is recognized based on the opinion of legal counsel, considering the expected outcome of all pending litigation.

The amounts accrued are considered sufficient by management, based on expected success in certain current lawsuits and settlement negotiations in process.

The composition of the reserve for contingencies as of December 31, 2000 is as follows:

	Amount
Labor contingencies (a)	15,353
CBA-123 program (b)	310
Import tax (c)	1,223
FUNDAF (d)	8,852
Tax contingencies (e)	3,577
	<u>29,315</u>

(a) The labor lawsuits are brought by unions on behalf of employees or by individuals, as described below:

(i) The lawsuit claiming a retroactive salary increase was brought by the union in June 1991 in the name of all employees employed by the Company in 1990. The objective of the claim is to backdate to the months of November and December 1990 the salary increase granted by the Company in January and February 1991, through an agreement with the employees' union. 95% of current and former employees have agreed to settlements.

(ii) The Company is involved in labor claims in which employees are individually claiming overtime, reinstatement, allowances, retroactive salary increases and adjustments.

(iii) The litigation related to the difference in readjustment indices agreed with the São Paulo Federation of Industries (FESP) and the Metalworkers' Union was brought in October 1992 by the union on behalf of 7,293 current and former employees. This case is pending a ruling by the Superior Labor Court. Management believes, based on the opinion of its legal counsel, that the case will not result in an unfavorable outcome for the Company.

The total of the labor litigation mentioned above is approximately R\$83,637 million. Based on opinions of the Company's legal counsel and on the success of certain

rulings and negotiations which are expected to occur; the amount accrued is considered sufficient by management.

(b) Program which was discontinued after building three prototypes, related to contractual contingencies.

(c) Related to import duty and VAT tax (IP) on imported materials for two flight simulators which must be exported to be exempt from such taxes. Due to default, by the customer, these products were exported after the previously established period. The tax authorities assessed the Company which is currently discussing the payment terms.

(d) Related to a tax entitled FUNDAF (Special Fund for Development and Improvement of Taxation), due to the Federal tax authorities on customs clearance of imported materials. In October 1999, the tax authorities assessed the Company which is currently challenging the legality of the tax.

(e) Refers to a deficiency notice from the Federal Revenue Department and social contributions which are being challenged.

On January 9, 1997, an EMB 120 Brasília aircraft operated by Comair, a regional U.S. carrier, crashed outside of the Detroit Metropolitan Airport, in an accident with fatalities. The preliminary investigations by the U.S. aviation authorities have concluded that the Company was not responsible for the accident. The American carrier's insurers have reached final settlements for compensation for the 24 passengers and 3 crewmembers. Only one action in the name of two passengers is still pending a final ruling. Any remaining liabilities or expenses related to this case, if adjudicated payable, will be covered by insurance.

In addition, the Company is involved in other legal proceedings, all of which are in the ordinary course of business. In the opinion of management, none of these proceedings is expected to have a material adverse effect on the financial condition or results of operations of the Company.

Dividends for 2000 and 1999 were calculated as follows:

	2000	1999
Net income	667,393	432,507
Legal reserve	(33,369)	(21,626)
Adjusted net income	634,024	410,881
Minimum dividends (25%)	158,506	102,720
Additional dividends	<u>28,536</u>	<u>20,810</u>
Proposed dividends	187,042	123,530
Interest on capital	100,698	-
Withholding income tax	<u>(15,105)</u>	<u>-</u>
Total return to shareholders	<u>272,635</u>	<u>123,530</u>

Dividends per share:		
Common shares	0.3421	0.2447
Preferred shares	0.3763	0.2689

18. Dividends

Under the terms of the Company's statutes, shareholders of all types of shares are entitled to minimum dividends of 25% on net income for the year. Preferred shares do not have voting rights but are entitled to priority in the redemption of capital.

Holders of preferred shares are entitled to dividends 10% higher than those attributed to common shareholders.

On July 6, 2000, the Board of Directors approved the payment of an interim dividend based on net income for the first half of the current year in the amount of R\$79,570 million, R\$0.17020 for each preferred share and R\$0.15473 per common share.

The Company elected to pay interest on shareholders' capital, calculated according to article 9 of Law No. 9,249/95 based on the T.J.P. for deductibility purposes in computing income and social contribution taxes, recorded as financial expenses and subsequently, for reporting purposes, in compliance with CVM Instruction No. 207/96, charged directly to shareholders' equity. The amount of interest on capital per share, net of withholding tax, is as follows:

	2000
Common shares	0.15601
Preferred shares	0.15872

To shareholders exempt from withholding income tax will be paid the gross amount.

19. Debentures

The third series of convertible debentures was canceled at the Extraordinary Shareholders' Meeting on December 11, 1998 which also approved issuance of the fourth series of debentures, including 100 detachable subscription warrants per debenture.

Each subscription warrant entitles its holders to purchase ten preferred shares, or, in certain circumstances, ten common shares at anytime after June 6, 2000 or 90 days after any public offering of shares, whichever occurs first. If and when the subscription warrants are converted, the issue price will be R\$1.80 per share, as adjusted by the TJLP from July 1, 1998. The issue price was higher than the market price of the shares on the date of issuance of the debentures.

The fourth series, which was subscribed and paid in February and March 1999, consists of 83,330 debentures, with a par value of R\$1,800 each, in the total amount of R\$150 million, to be redeemed in five installments as follows: 10% on July 1, 2001, 10% on July 1, 2002, 60% on July 1, 2003, 10% on July 1, 2004 and 10% on July 1, 2005.

The face value is restated based on the TJLP from the issue date to maturity plus 2% per year and additional interest of 5% per year, calculated on a daily "pro rata" basis on the restated face value. The Company will not pay the premium if the conditions described below are met:

- * If the subscription warrants are traded by the debenture holders separately from the debentures.
- * If the subscription warrants are converted.
- * If market conditions allow the negotiation of shares equal to or greater than a preestablished price.

On February 18, 2000, 833,500 subscription warrants were exercised, for the issuance of 8,335,000 preferred shares, paid with 8,335 debentures which are held in treasury.

The issue price of the shares was R\$2.1998 per share, totaling R\$18,335. 30% of this amount was allocated to capital reserves and the balance to capital, as stipulated in item 4.2.11 of clause 4 of the deed of the 4th issue of debentures.

On June 30, 2000, interest was paid to the debenture holders of the 4th issue for the second capitalization period in the amount of R\$3,730.

As stipulated in the Public Offering Prospectus for Embraer preferred stock, and in order to meet the excess demand of the Green Shoe offer, BNDES Participações S.A. - BNDESPAR, which is the sole holder of the debentures, exercised 105,700 subscription warrants, with the issuance of 1,057,000 preferred shares. The issue price of the shares was R\$2.3056 per share, totaling R\$2,437. 30% of which was allocated to capital reserves and the balance to capital, as required under the debenture indenture agreement.

As of December 31, 2000, the monetarily restated amount of these debentures was R\$177,677 and accrued interest was R\$1,797. The premium was not accrued as of December 31, 2000, since the share negotiation price (R\$18.20) was above the preestablished price (R\$3.42).

20. Shareholders' Equity

a. Capital

The Company's updated and fully paid capital as of December 31, 2000 is represented by:

Classes of shares	Quantity	Amount
Classes of shares	242,544,447	361,080
Special common share	1	-
Preferred shares	300,865,426	447,904
	<u>543,409,874</u>	<u>808,984</u>

a.1. Special Common Share - "Golden Share"

A special common share ("golden share") is held by the Brazilian Government. As holder of the golden share, the Brazilian Government is entitled to the same voting rights as the other holders of common shares. In addition, the golden share carries veto power over the following corporate actions relating to the Company:

- Change the company's name and purpose;
- Amendment to and/or extension of company's logo;
- Creation and/or alteration of military programs whether or not involving the Federative Republic of Brazil;
- Third party training in technological for military programs;
- Discontinuance of supply of military airplane maintenance and replacement parts;
- Transfer of share control; and
- Any modifications to the special class action powers (7th article of the Statutes) and to the structure and composition of the Board of Directors (16th article of the Statutes).

a.2. Composition of Shareholders

Shareholders	Common		Preferred		%	
	2000	1999	2000	1999	2000	1999
Caixa de Previdência dos Funcionários do Banco do Brasil - Previ	59,243,379	59,243,379	59,356,935	70,826,935	21.83	27.03
Fundação Sistel de Seguridade Social Cia. Bozano	48,508,890	48,508,890	14,639,674	37,678,904	11.62	17.91
Bozano Holdings, Ltd.	48,508,220	48,509,221	14,260,613	-	11.55	10.08
Kol Fund. Inv. em Ações	-	-	44,429,611	21,072,043	8.18	4.38
Dassault Aviation	1,066,177	-	17,702,057	51,865,181	3.45	10.78
Thales (ex-Thomson CSF)	13,744,186	13,744,186	-	-	2.53	2.86
EADS	13,744,186	13,744,186	-	-	2.53	2.86
SNECMA	7,276,332	7,276,332	-	-	1.34	1.51
Federal Government	3,514,388	3,514,388	-	-	0.85	0.73
Other	33,193,504	34,259,680	150,476,536	57,230,363	33.79	19.00
	<u>242,544,448</u>	<u>242,544,448</u>	<u>300,865,426</u>	<u>238,673,426</u>	<u>100.00</u>	<u>100.00</u>

As approved by the Company's Board of Directors on June 30 and July 20, 2000, a public issue of 52,800,000 preferred shares at a price of R\$8.33 per share was made, totaling R\$439,824, within the authorized capital limit, in order to raise funds for the Company's investment plans.

Under the terms of article 172 of Law No. 6,404/76, of article 6, paragraph 3 of the Company's statutes, and decisions made by the Board of Directors at the above-mentioned meetings, the Company's shareholders were not granted preference rights.

On July 26, 2000, the Company's Board of Directors ratified the capital increase from R\$367,453 to R\$807,277, composed of 242,544,448 common shares, including one special class golden share, and 299,808,426 preferred shares, totaling 542,352,874 shares without par value.

Together with the primary offering, a secondary public offering of 31,200,000 preferred shares in the Company was made. Those shares were held by Cia. Bozano, Fundação Sistel de Seguridade Social, Caixa de Previdência dos Funcionários do Banco do Brasil - PREVI and BNDESPAR.

The primary and secondary offerings were made in Brazil and abroad, within the context of an overall offering. For this purpose, a public issue was registered with the CVM and the U.S. Securities and Exchange Commission - SEC. The global offering was comprised of preferred shares in Brazil and an offer of preferred shares represented by American Depositary Shares - ADSs abroad. Each ADS is represented by four preferred shares.

The shares issued and sold under the global offering have the same rights stipulated in Embraer's statutes, but are only entitled to receive dividends from income earned starting July 1, 2000.

The number of preferred shares included in the secondary offering was increased by 12,600,000 preferred shares, a purchase option extended by the selling shareholders to the coordinators of the Brazilian and International (Green Shoe) offerings, specifically to satisfy excess demand for the global offering.

Considering the Green Shoe offering, BNDESPAR exercised its rights on 105,700 subscription warrants, with the issuance of 1,057,000 Embraer preferred shares in the amount of R\$2,437.

After the exercise of the subscription warrants, the Company's capital increased from R\$807,277 to R\$808,984, divided into 543,409,874 shares without par value, consisting of 242,544,448 common shares, including one special golden share, and 300,865,426 preferred shares.

b. Stock Options

The Special Shareholders' Meeting, held on April 17, 1998, approved a stock option plan for management and employees, including those of the subsidiaries, subject to restrictions based on continuous employment with the Company for at least two years. The Administration Committee, which was appointed by the Board of Directors on the same date, is responsible for defining the rules and managing the plan.

Under the terms of the plan, options for 25,000,000 preferred shares are authorized to be granted. At the end of the third and fourth years subsequent to the grant, the employees will have the right to exercise 30% of the option, respectively, and the remaining 40% at the end of the fifth year.

The options may be exercised up to seven years after the grant date. As of December 31, 2000, the Administration Committee had made six grants,

equivalent to 358 lots of 50,000 shares each, totaling 17,900,000 preferred shares. Of this total 25.2%, equivalent to 4,515,000 preferred shares, may be exercised starting May 31, 2001, and 3.4%, equivalent to 600,000 preferred shares, starting November 30, 2001.

Options will be granted with an exercise price equal to the weighted average price of the Company's preferred shares traded on the São Paulo Stock Exchange in the 60 trading days prior to the grant date, increased or decreased by 30%, as defined by the Administration Committee. Such percentage is deemed to offset unusual fluctuations in the market price during this 60-day period.

The plan terminates five years after the first grant. No amounts have been charged to expense for the options.

Information regarding options granted to management and employees is shown in the following table:

	Shares
Available for grant as of April 17, 1998	25,000,000
Granted:	
1998	7,250,000
1999	5,400,000
2000	5,250,000
	<u>17,900,000</u>

Status of Options as of December 31, 2000

Grant date	Exercise date	Maturity	Number of shares granted
May 1998	May 2001	May 2005	4,515,000
November 1998	November 2001	November 2005	600,000
May 1998 and 1999	May 2002	May 2005 and 2006	1,245,000
November 1998 and 1999	November 2002	November 2005 and 2006	1,640,000
May 1998, 1999 and 2000	May 2003	May 2005, 2006 and 2007	2,535,000
November 1998, 1999 and 2000	November 2003	November 2005, 2006 and 2007	1,730,000
May 1999 and 2000	May 2004	May 2006 and 2007	2,425,000
November 1999 and 2000	November 2004	November 2006 and 2007	1,110,000
May 2000	May 2005	May 2007	1,580,000
November 2000	November 2005	November 2007	520,000
	Total options granted		<u>17,900,000</u>

21. Financial Instruments

Estimated fair values of the Company's financial assets and liabilities have been determined using available market information and appropriate valuation methodologies. However, considerable judgment was required in interpreting market data to produce the estimated fair values. Accordingly, the estimates presented below are not necessarily indicative of the amounts that could be realized in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair values.

The objective of transactions carried out by the Company related to financial instruments and derivatives involving interest rates is to reduce exposure to market, currency and interest rate risks.

The transactions and management of the risks are carried out through the financial operations area according to the control policy and operating strategy previously approved by management.

(a) Cash, Cash Equivalents, Trade Accounts

Receivable, Other Current Assets, Accounts Payable and Accrued Expenses - The carrying value of cash, cash equivalents, trade accounts receivable, other current assets, accounts payable and accrued expenses approximates their fair value.

(b) Investments - Consist mainly of subsidiaries and affiliates accounted for under the equity method or at restated cost and which have strategic interest for the Company's operations; market value considerations are not applicable.

(c) Loans - Subject to interest at usual market rates, as described in Note 12. Interest rates that are currently available to the Company for issuance of debt with similar terms and maturities were used to estimate fair value, which does not differ materially from book value.

(d) Financed Taxes - The conditions are similar to the usual terms for financed taxes and there are no material differences related to interest rates applicable to loans.

(e) Hedge Transactions - The derivative financial instruments held by the Company at December 31, 2000 consist of swaps and foreign currency forward contracts. The Company does not trade in derivatives for speculation purposes.

The swaps which are associated with short-term investments are designed to partially cover the future maturity of obligations denominated in U.S. dollars and indexed based on LIBOR. As of December 31, 2000, the notional amount is US\$65 million with an average fixed interest rate of 6.1% per annum, representing 35.0% of the total debt indexed speculative. The swaps are recorded at their market value at the balance sheet date and unrealized gains or losses are recognized in income.

Foreign currency forward contracts were entered into to limit the specific currency risk related to a purchase contract comprising 13 firm orders for ECU 145/135 regional jets, which includes an option for the purchaser to pay in Euros. As of December 31, 2000, the estimated value of the foreign currency forward contract expiring in April 2001 and denominated in U.S. dollars was US\$59.1 million.

Foreign currency forward contracts were also negotiated to restrict the specific risk of import financing obtained in Japanese yen, converting the debt into U.S. dollars. The balance as of December 31, 2000 is US\$22 million.

22. Supplementary Retirement Plan

a. Company

On June 26, 1998, the Board of Directors approved the implementation of the Embraer Supplementary Retirement Plan, with the Company initiating its contributions on July 1, 1998.

The plan is a private, defined-contribution plan where participation is optional; it is administered by a Brazilian pension fund administrator controlled by Banco do Brasil.

Company contributions to the plan in 2000 and 1999 were R\$6,762 and R\$6,446, respectively.

b. Subsidiary

The Embraer Aircraft Corporation 401(k) Retirement Plan (the "401(k) Plan") was originally established by EAC as a profit sharing plan on January 1, 1981. On November 1, 1993, the 401(k) Plan was amended and restated to comply with the provisions of Section 401(k) of the U.S. Internal Revenue Code as a defined contribution, deferred compensation plan. Employees who have attained age 21 and provided 1,000 hours of service during a year are eligible for participation. The EAC profit sharing contributions to the 401(k) Plan are discretionary. EAC may also match a discretionary percentage of the amount contributed by the participant.

up to a specified dollar amount. Vesting in Company matching contributions is 20% after three years of service, 40% after four years, 60% after five years, 80% after six years and 100% after seven years. EAC did not make a profit sharing contribution or a matching contribution for the year ended December 31, 2000.

EAC also sponsors a defined benefit plan, which includes a pension plan and a post-retirement medical plan. The plans cover substantially all employees, with retirement benefits based on compensation levels and the number of years of covered service. EAC makes contributions to the plans as required to meet U.S.

Internal Revenue Service funding standards. To determine the periodic pension expense and contribution to the plan, the actuarial method used is the "projected unit credit method".

The expected costs of providing post-retirement medical benefits to an employee and the employee's beneficiaries and covered dependents are accrued during the years that the employee renders the service.

Changes in the benefit obligations for the years ended December 31, 2000 and 1999 are as follows:

	Defined pension benefits		Post-retirement medical benefits	
	2000	1999	2000	1999
Benefit obligation - beginning of year	15,375	11,604	6,136	5,535
Service cost	2,133	1,843	567	590
Interest cost	997	792	447	356
Supplement to the plan	1,145	-	-	-
Actuarial loss (gain)	(731)	1,595	576	(181)
Benefits paid to participants	(455)	(659)	(164)	(164)
Benefit obligation - end of year	<u>18,464</u>	<u>15,375</u>	<u>7,582</u>	<u>6,136</u>

Changes in plan assets for the years ended December 31, 2000 and 1999 are as follows:

	Defined pension benefits		Post-retirement medical benefits	
	2000	1999	2000	1999
Fair value of plan assets - beginning of year	8,298	6,692	3,419	2,931
Employer contributions	1,780	1,587	699	356
Participant contributions	-	-	-	13
Actual return on plan assets	114	678	46	283
Benefits paid to participants	(455)	(659)	(164)	(164)
Fair value of plan assets - end of year	<u>9,737</u>	<u>8,298</u>	<u>4,000</u>	<u>3,419</u>

The components of accrued benefit costs at December 31, 2000 and 1999 are as follows:

	Defined pension benefits (%)		Post-retirement medical benefits (%)	
	2000	1999	2000	1999
Funded status	(8,727)	(7,077)	(3,582)	(2,717)
Unrecognized transition obligation	242	315	-	-
Unrecognized prior service cost	755	(338)	(74)	(88)
Unrecognized net loss (gain)	<u>5,047</u>	<u>5,482</u>	<u>1,167</u>	<u>372</u>
Accrued benefit cost	<u>(2,683)</u>	<u>(1,618)</u>	<u>(2,489)</u>	<u>(2,433)</u>

The weighted average assumptions at December 31, 2000 and 1999 are as follows:

	Defined pension benefits (%)		Post-retirement medical benefits (%)	
	2000	1999	2000	1999
Average discount rate	6.50	6.50	6.50	6.50
Expected return on plan assets	7.75	7.75	7.75	7.75
Rate of compensation increase	6.00	6.00	6.00	6.00

The components of net periodic benefit cost at December 31, 2000 and 1999 are as follows:

	Defined pension benefits		Post-retirement medical benefits	
	2000	1999	2000	1999
Service cost	2,133	1,843	567	590
Interest cost	997	792	447	356
Expected return on plan assets	(666)	(540)	(263)	(222)
Amortization of transition obligation	73	73	-	-
Amortization of prior service cost	52	(24)	(14)	(14)
Amortization of loss	255	201	-	4
Net periodic benefit cost	<u>2,844</u>	<u>2,345</u>	<u>757</u>	<u>714</u>

The subsidiaries Indústria Aeronáutica Neiva S.A. - NEIVA, ELEB - Embraer Liebherr Equipamentos do Brasil S.A. and Embraer Aviation International - EAI have private supplementary retirement plans for their employees; the plans are the defined contribution type which is optional. During 2000, the subsidiaries contributed R\$126, R\$51 and R\$283 to the plans, respectively (NEIVA R\$67, ELEB R\$15 and EAI R\$184 in 1999).

23. Employee Profit Sharing

The Company has a profit sharing policy (PLR) for employees linked to the achievement of targets. The targets are established and agreed at the beginning of each year. As of December

31, 2000, the Company recognized a provision for profit-sharing totaling R\$51,943, representing the second half of 2000; the total amount for the year was R\$80,540.

24. Other Operating Expense, Net

	2000	1999
Provision for contingencies	(11,625)	(8,049)
Product modifications	(15,227)	(3,558)
Royalties	728	3,464
Insurance recovery	7,018	225
Contractual fines	7,222	3,796
Reimbursement of expenses	1,014	2,137
Feasibility study costs on ERJ 170 development	(28,652)	(17,850)
Provision for losses and contractual obligations	(11,062)	-
Provision for losses on other accounts receivable	(8,145)	(1,398)
Other	(2,344)	(4,499)
	<u>(61,073)</u>	<u>(25,732)</u>

25. Interest Income (Expense)

	2000	1999
Interest expense:		
Interest and commissions on loans	(78,806)	(73,238)
Interest on taxes in litigation	(13,299)	(425)
Expenses for issuing ADRs	(17,726)	-
Interest and premium on debentures	(3,702)	(3,087)
CPMF (tax on bank account transactions)	(20,700)	(7,215)
Interest on refinanced taxes	(2,283)	(2,458)
Premium on preferred class "B" shares	-	(1,057)
Credit insurance	(3,329)	(3,704)
Fees to BNDES on aircraft sold	(10,981)	(7,648)
Structuring finance costs	(2,216)	(8,460)
Other	(21,496)	(12,596)
	<u>(174,538)</u>	<u>(119,888)</u>
Interest income:		
Temporary cash investments	131,991	80,878
Interest	14,588	6,008
Other	17,113	7,189
	<u>163,692</u>	<u>94,075</u>

26. Monetary and Exchange Variations, Net

	2000	1999
Exchange variations:		
Assets-		
Accounts receivable	130,879	159,098
Hedge transactions	701	-
Advances to suppliers	1,392	4,600
Other	3,705	3,880
	<u>136,677</u>	<u>167,578</u>
Liabilities-		
Advances from customers	(66,011)	(109,671)
Loans	(58,801)	(24,752)
Suppliers	(30,765)	(82,914)
Accounts payable	(33,906)	(80,892)
Other	(5,870)	(10,017)
	<u>(195,353)</u>	<u>(308,246)</u>
Exchange variations, net	<u>(58,676)</u>	<u>(140,668)</u>
Monetary variations:		
Assets-		
Accounts receivable	79	2,422
Other	375	1,646
	<u>454</u>	<u>4,068</u>
Liabilities-		
Contingencies	(692)	(3,622)
Loans	(5,692)	(8,776)
Advances from customers	(475)	(15,287)
Accounts payable	-	(3,348)
Taxes	(8,668)	(15,924)
Debentures	(17,946)	(18,171)
Other	(4,952)	(7,103)
	<u>(38,425)</u>	<u>(72,231)</u>
Monetary variations, net	<u>(37,971)</u>	<u>(68,163)</u>
Monetary and exchange variations, net	<u>(96,647)</u>	<u>(208,831)</u>

27. Nonoperating Income (Expense), Net

	2000	1999
Sale and rental of property items	1,859	1,963
Provision for realization of assets	-	(83)
Write-off of deferred charges - EMB 120 (Note 11)	-	(31,288)
Provision for losses on investments	(13,574)	-
Gain on equity investment	31,793	-
Other	(846)	(2,109)
	<u>19,232</u>	<u>(31,517)</u>

The gain on equity investment is derived from the capital increase by third parties in the subsidiary ELEB - Embraer - Liebherr Equipamentos do Brasil S.A., which was made at market value, exceeding the book value of the shares subscribed.

28. Responsibilities and Commitments

The Company may have to repurchase a number of aircraft. The price per aircraft of any required repurchase is less than the original sale price of the aircraft and less than management's current estimate of the market value of the relevant aircraft type in future years (based on current third-party appraisals of the same type of aircraft). If the Company is required to repurchase all of the relevant aircraft under repurchase obligations, which covers the period from 2003 to 2007, the Company may be required to pay up to approximately US\$500 million for these aircraft.

The Company is also subject to trade-in options for approximately 5.0% of the firm orders for regional jets, including aircraft which have already been delivered. These options provide that the repurchase price, determined in the manner discussed above, can be applied to the price of an upgraded model or any of the Company's other aircraft. Based on the Company's current estimates and third-party appraisals, management believes that any repurchased aircraft could be sold without loss.

The Company may also be called upon to directly or indirectly guarantee the minimum residual value of its aircraft, including aircraft that have already been delivered. In accordance with Company policy, this minimum residual value does not exceed the appraisal value of each aircraft delivered. The value of the guarantee typically ranges from 18% to 25% of sales

price in the 15th year after delivery. These guarantees may run in favor of certain customers or providers of financing to customers. The Company is unable to determine the terms nor the extent of its financial exposure under these guarantees, which may result in substantial payments in the event that actual residual values of the related aircraft decline below the guaranteed levels.

Embraer Aircraft Corporation - EAC is obligated under noncancellable operating leases for land and equipment of its facilities. Such leases expire at various dates through 2020.

Future minimum lease payments are as follows:

Year	Amount
2001	1,212
2002	1,178
2003	922
2004	627
2005	627
Thereafter	6,479
	<u>11,045</u>

The leases include clauses requiring EAC to make investments totaling R\$19,500, management's belief is that this obligation was satisfied, based upon construction projects performed by sublessees.

29. Income and Social Contribution Tax Credits

As of December 31, 2000, the Company and its subsidiaries had tax loss carryforwards, for which there is no time limit for utilization, composed as follows:

Year	Income tax	Social contribution tax
1991	877	-
1992	114,226	2,357
1993	21,416	14,086
1994	73,826	2,306
1995	206,591	3,450
1996	216,755	139,965
1997	70,176	27,869
1998	13	13
1999	81	81
2000	19	19
	<u>703,980</u>	<u>190,146</u>

Through December 31, 1998, deferred tax assets on tax loss carryforwards were recognized only when there was reasonable assurance that the assets could be recovered against taxes payable during the following three years, based on internal studies and projections.

Effective January 1, 1999, the Company adopted the policy of recognizing deferred tax assets on tax loss carryforwards when realization was probable, based on internal studies and projections.

The components of deferred tax assets and liabilities as of December 31, 2000 and 1999 are as follows:

	2000	1999
Deferred tax asset on:		
Income tax losses	175,994	259,546
Social contribution tax losses	17,113	46,982
Valuation allowance	(7,815)	(56,417)
Effect of tax loss carryforwards, net	185,292	250,111
Temporary differences:		
Reserve for contingencies	5,521	9,286
Reserve for inventories	49,343	11,573
Accrual for product warranties	32,503	14,156
Accrual for product improvement	22,097	-
Accrued taxes, other than income tax	47,415	18,334
Other	46,509	21,974
	203,388	75,323
Total asset	388,680	325,434
Deferred tax liability on temporary differences:		
Property, plant and equipment revaluation	(20,503)	(21,132)
Special monetary restatement - IPC index	(9,950)	(17,927)
Equity pick-up from subsidiaries in tax haven	(13,079)	(3,624)
Exchange variation	(1,341)	(6,291)
Difference in revenue recognition	(1,899)	(3,933)
Accelerated depreciation	(1,600)	(339)
Other	(2,627)	(1,782)
Total liability	(50,999)	(55,028)
Net deferred tax asset	337,681	270,406

The aforementioned studies indicate that the present amounts should be realized within three years.

The net deferred tax assets presented above were reflected in the financial statements as follows:

	2000	1999
Deferred tax assets:		
Current	226,154	96,096
Noncurrent	111,527	174,310
	337,681	270,406

The composition of taxes on income included in the statements of income is as follows:

	2000	1999
Deferred tax asset:		
On loss carryforwards-		
Utilization for the year	(113,421)	(19,945)
Reduction in the valuation allowance	48,602	185,405
	(64,819)	165,460
Temporary differences-		
Additions	132,094	-
Reversals	-	(2,494)
	132,094	(2,494)
Provision for taxes on income	(274,647)	(73,024)
Income tax credit (provision)	(207,372)	89,942
A reconciliation of income tax expense is as follows:		
	2000	1999
Income before taxes as reported in the accompanying statements of income	757,152	322,210
Tax charge at the combined statutory rates	257,432	119,218
Permanent additions:		
Equity pickup	-	4,608
Other	6,258	2,043
	6,258	6,651
Permanent exclusions:		
Exchange rate fluctuation on foreign investments recorded under equity method	-	-
Reversal of special monetary restatement - IPC/BTNF	(3,080)	(12,029)
Gain on equity investment	(2,519)	(30)
Other	(10,802)	-
	(63)	(1,979)
	(16,464)	(14,038)
Other items:		
Unrealized profit on inventories	7,552	7,531
Realization of tax loss	-	(19,945)
Statutory tax rate increase (decrease)	1,196	(3,206)
Other	-	(748)
Subtotal	255,974	95,463
Reduction in valuation allowance on deferred tax asset	(48,602)	(185,405)
Income tax charge (credit) as reported in the accompanying statements of income	207,372	(89,942)

30. World Trade Organization - WTO

In July 1998, the Canadian Government initiated a proceeding with the World Trade Organization - WTO, accusing the Brazilian Government of granting prohibited export subsidies relating to sales of aircraft to foreign purchasers under the export financing program - PROEX (the most relevant subsidy being interest rate discounts up to 3.8% per year on export financing). In December 2000, the Brazilian Government changed the PROEX export incentive legislation to comply with the WTO ruling on the aforementioned proceeding. In relation to export financing for regional aircraft, the Brazilian Government also established an interest rate discount for each case based on the Commercial Interest Reference Rate - CIRR established on a monthly basis

by the Organization for Economic Cooperation and Development - OECD. The Brazilian Government maintained the percentage discount on the interest rate at a maximum of 2.5% per annum. The Canadian Government declared that the modifications made by Brazil were unsatisfactory and not in accordance with the WTO rules. As a result, in February 2001, a new panel was convened to determine whether the WTO rulings were in fact implemented by Brazil. Based on declarations by the Brazilian Government that it will honor commitments already assumed, management does not expect a significant impact on contracted sales, nor on the competitiveness of its products.

31. Cash Flow - December 31, 2000 and 1999. (In thousands of Brazilian reais)

	2000	1999		2000	1999
Operating activities:			Changes in noncurrent assets and liabilities:		
Net income for the year	645,179	412,152	Accounts receivable	(17,631)	(3,076)
Adjustments to reconcile net income to net cash provided by operating activities:			Recoverable taxes	(1,063)	(7,743)
Depreciation and amortization	150,156	127,495	Other receivables	20,781	22,252
Allowance for doubtful accounts	8,408	17,890	Suppliers	-	(4,509)
Gain on permanent asset disposals	1,767	1,485	Accounts payable	242,001	24,856
Write-off of deferred charges	1,162	31,288	Customer advances	(42,743)	83,623
Reversal of deferred income	(12)	(817)	Deferred income	(1)	-
Provision for losses	14,058	7,297	Accrued liabilities	(10,086)	(15,882)
Deferred income and social contribution taxes	(87,275)	(162,968)	Taxes payable	(35,860)	-
Interest on loans, tax installments, debentures and other	80,780	87,436	Minority interest	(10,880)	-
Reserve for Reversal of contingencies	-	6,482		<u>165,988</u>	<u>99,694</u>
Monetary and exchange variations, net	76,194	308,482	Net cash provided by operating activities	2,281,914	377,755
Equity in unconsolidated subsidiary	(1,472)	254			
Write-off of investment	66	-	Investing activities:		
Minority interest	5,299	-	Sale of property, plant and equipment	1,859	279
	<u>914,183</u>	<u>836,278</u>	Compulsory loans	(4,134)	285
			Additions to property, plant and equipment	(109,593)	(87,114)
			Additions to deferred charges	(105,038)	(25,362)
			Changes in investments	4,160	(19)
				<u>(289,076)</u>	<u>(112,129)</u>
Changes in current assets and liabilities:			Net cash used in investing activities		
Accounts receivable	214,294	(405,300)			
Inventories	150,486	(598,784)	Financing activities:		
Prepaid expenses	(8,193)	(291)	Redemption of class "B" preferred shares	-	(8,549)
Deferred and recoverable taxes	(21,306)	(9,795)	Loans repaid	(208,293)	(1,708,108)
Other receivables	(249)	(15,740)	New loans obtained	1,685,807	1,625,782
Suppliers	162,948	108,248	Payment of refinanced taxes	(5,838)	(5,314)
Accrued taxes on income	51,877	47,984	Guarantee deposits	(13,728)	(23,556)
Accrued liabilities	237,578	38,087	Dividends paid	(224,829)	(70,687)
Customer advances	178,636	215,544	Payment of charges on debentures	(3,730)	(3,438)
Taxes and social charges payable	<u>112,789</u>	<u>23,514</u>	New debentures		164,507
Others	72,587	16,398	Capital increase	439,824	-
	<u>1,801,733</u>	<u>(598,217)</u>		<u>(205,414)</u>	<u>(31,359)</u>
			Net cash used in financing activities		
			Net increase in cash and cash equivalents	1,777,424	234,267
			Cash and cash equivalents, beginning of year	548,155	313,888
			Cash and cash equivalents, end of year	2,325,579	548,155

Report of Independent Public Accountants

To the Management and Shareholders of Embraer - Empresa Brasileira de Aeronáutica S.A.:

We have audited the accompanying consolidated balance sheets of EMBRAER - EMPRESA BRASILEIRA DE AERONÁUTICA S.A. (a Brazilian corporation) and subsidiaries as of December 31, 2000 and 1999, and the related statements of income, changes in shareholders' equity, and changes in financial position for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements.

We conducted our audits in accordance with auditing standards in Brazil. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Embraer - Empresa Brasileira de Aeronáutica S.A. and subsidiaries as of December 31, 2000 and 1999, and the results of their operations, the changes in shareholders' equity, and the changes in their financial position for the years then ended in conformity with accounting practices emanating from corporate law in Brazil.

The accompanying consolidated financial statements are a translation and adaptation of those originally issued in the Portuguese language and in conformity with accounting practices emanating from corporate law in Brazil. Certain accounting practices applied by the Company and its subsidiaries that conform with those accounting practices in Brazil may not conform with generally accepted accounting principles in countries of users of the financial statements other than Brazil.

Sao Paulo, Brazil,

March 1, 2001

Shareholder Information

Class	Number of Shares	% of Stock Capital
Common	242,544,448	44.63%
Preferred	300,865,426	55.37%
Total	543,409,874	100.00%

Shares Traded:

In the U.S.A.

Embraer is listed on the New York Stock Exchange (NYSE) through an ADR Level Three Program, under the code ERJ. Each Embraer ADS is the equivalent to four preferred shares.

In Brazil

Embraer' shares are listed on the São Paulo Stock Exchange (Bovespa) under the code EMBR3 (common shares) and EMBR4 (preferred shares).

Depository Banks :

JP Morgan	Banco Itaú S.A.
60 Wall Street, 36th floor	Rua Boa Vista, 185 - 2º andar
10260 - 0060 - New York, NY	01014 - 001 - São Paulo - SP
USA	Brazil

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Publications and Information:

Quarterly reports, press releases and annual reports are available through our Investor Relations Department and on our Internet site at www.embraer.com