

Annual Report 2002



EMBRAER











EMBRAER

It is with great pleasure that I present
Embraer's results for 2002.

Maurício Novis Botelho
President and CEO

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Embraer in Perspective

Empresa Brasileira de Aeronáutica S.A. (Embraer) is the end-result of a highly successful strategic national project, whose origin dates back to the 1940s. At that time, the Brazilian government took the right decision to develop the country's aeronautical capability, by creating a national competence to design, develop and manufacture aircraft. This competence arose in 1946, firmly anchored in a solid base, with the creation of Centro Técnico de Aeronáutica - CTA, nowadays known as the Centro Técnico Aeroespacial (Aerospace Technical Center). Subsequently, in 1950, ITA - Instituto Tecnológico de Aeronáutica (Aeronautical Technology Institute) was founded. Then, in 1969, Embraer was incorporated, supported by generations of engineers who had graduated from ITA, and by CTA itself. With support provided by the Brazilian government, Embraer was able to transform science and technology into engineering and industrial capacity.

From its foundation to privatization in December 1994, Embraer developed and manufactured aircraft such as the Bandeirante, Brasília and Tucano models, which were very well accepted by the international market. The Company's performance allowed it to obtain complete control over aeronautical industry processes, from the design and development stages through to assembly and manufacturing, and on to aircraft certification, sales and after sales services.

Since 1995, Embraer exported US\$ 11.95 billion in products and services, while having been Brazil's largest exporter from 1999 to 2001. During the eight-year period since 1995, the Company contributed US\$ 4.64 billion to the country's trade balance. Embraer today ranks among the world's largest commercial aircraft manufacturers, with a 45% market share in regional aircraft with 30 to 60 seats (more than 650 units in operation). Furthermore, its client portfolio lists 125 customers in more than 30 countries. Embraer-manufactured aircraft are in operation in air forces of 20 countries.

Embraer is in the process of launching a new commercial jet family, with a seating capacity of 70, 78, 98 or 108 passengers, which will require investments of approximately US\$ 850 million. Known as the EMBRAER 170/190 family, it is an entirely new aircraft category, specifically developed for the 70 to 110-passenger segment. Currently, this market is served by aircraft that are either larger or smaller than those actually needed.

Embraer's entrepreneurial action is based on five pillars – technology, qualified people, a global positioning, cash intensiveness and flexibility. The Company continuously invests in these areas, while always bearing in mind its fundamental corporate objective: customer satisfaction. Embraer's financial results originate from customer satisfaction, as does the ultimate creation of value for its shareholders.

In the commercial aviation market, Embraer offers a broad range of aircraft, with seating capacities of up to 110 passengers. In the corporate aviation market, the Company sells the Legacy, which comes in two versions: Executive and Shuttle, with various cabin interior configurations. For the defense market – which was Embraer's origin – models include training, combat and transport aircraft, as well as those used for intelligence, surveillance and reconnaissance missions.

In 1999, Embraer set up a strategic alliance with a European group of aerospace companies made up of EADS (European Aeronautic Defense and Space Company), Dassault Aviation, Snecma and Thales. Currently, these companies individually participate in Embraer's voting capital, while jointly holding 20% of the common shares. Headquartered in the city of São José dos Campos, located 100 km from São Paulo, Embraer has five manufacturing

units in Brazil, located in three cities in the state of São Paulo, in which a total of 11,500 people are employed. Abroad, Embraer has offices, warehouses, technical support centers or subsidiaries located in Australia, China, France, Singapore and the United States, with almost 1,000 employees.

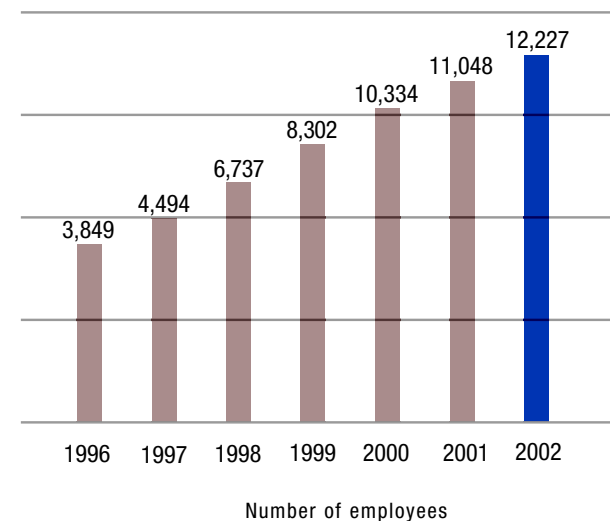
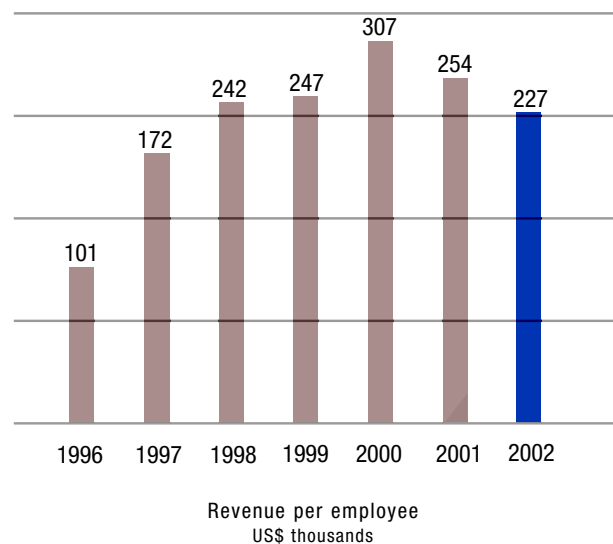
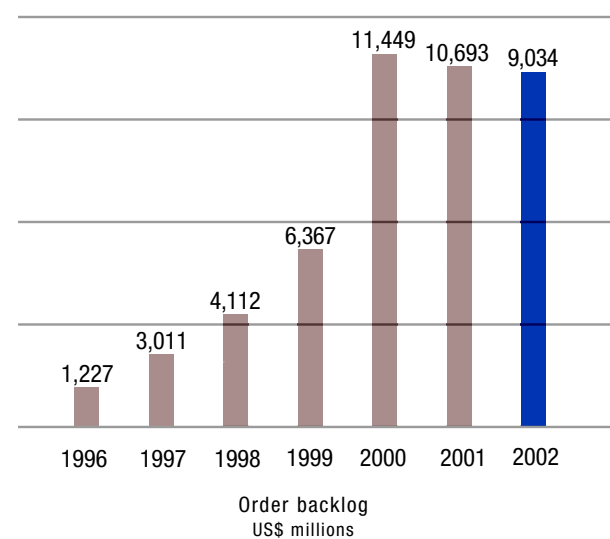
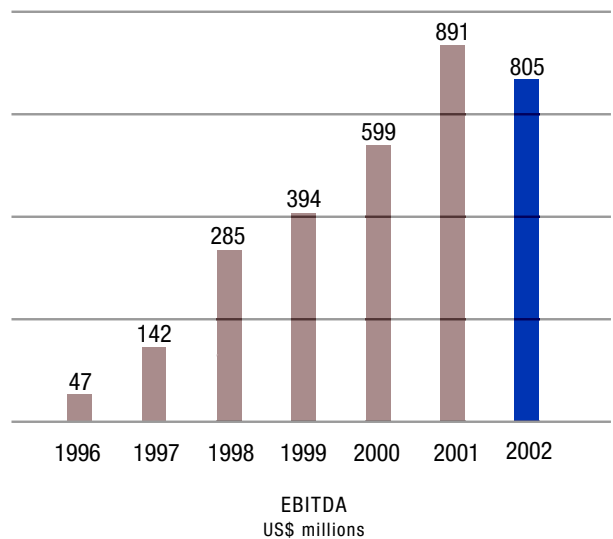
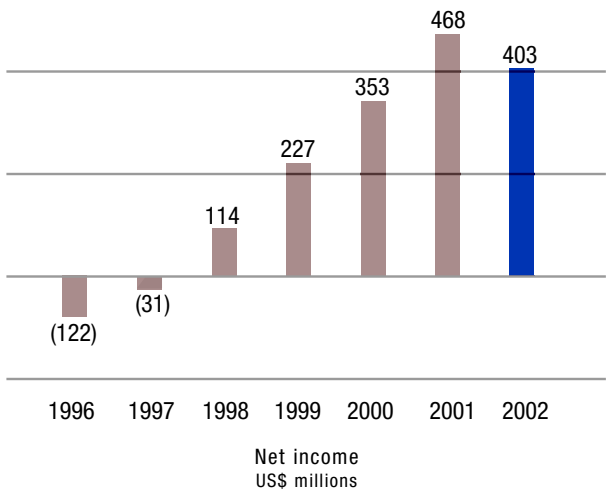
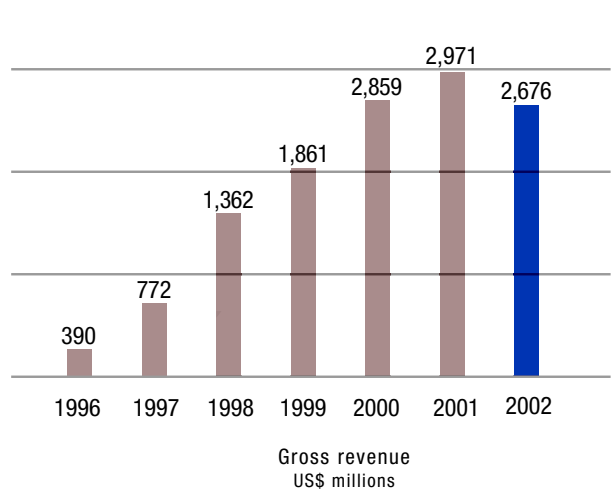
From a socio-environmental perspective, the Company has a reputation as a socially responsible company. It was distinguished with the Global Leader in the Aerospace Industry award, in the context of the Dow Jones Sustainability World Index. This index is an important parameter to measure companies' management quality, considering social, environmental and economic aspects, while indicating a company's ability to create value for its shareholders. In 2001, Embraer was already listed as a member of this select group of corporations.

Embraer-made aircraft have traveled the skies of the world, thereby putting Brazil in touch with all five continents and a variety of cultures. Embraer is contributing to the integration of the world through aviation, diminishing distances between nations, while bringing state-of-the-art aircraft technology, versatility and comfort to all countries.

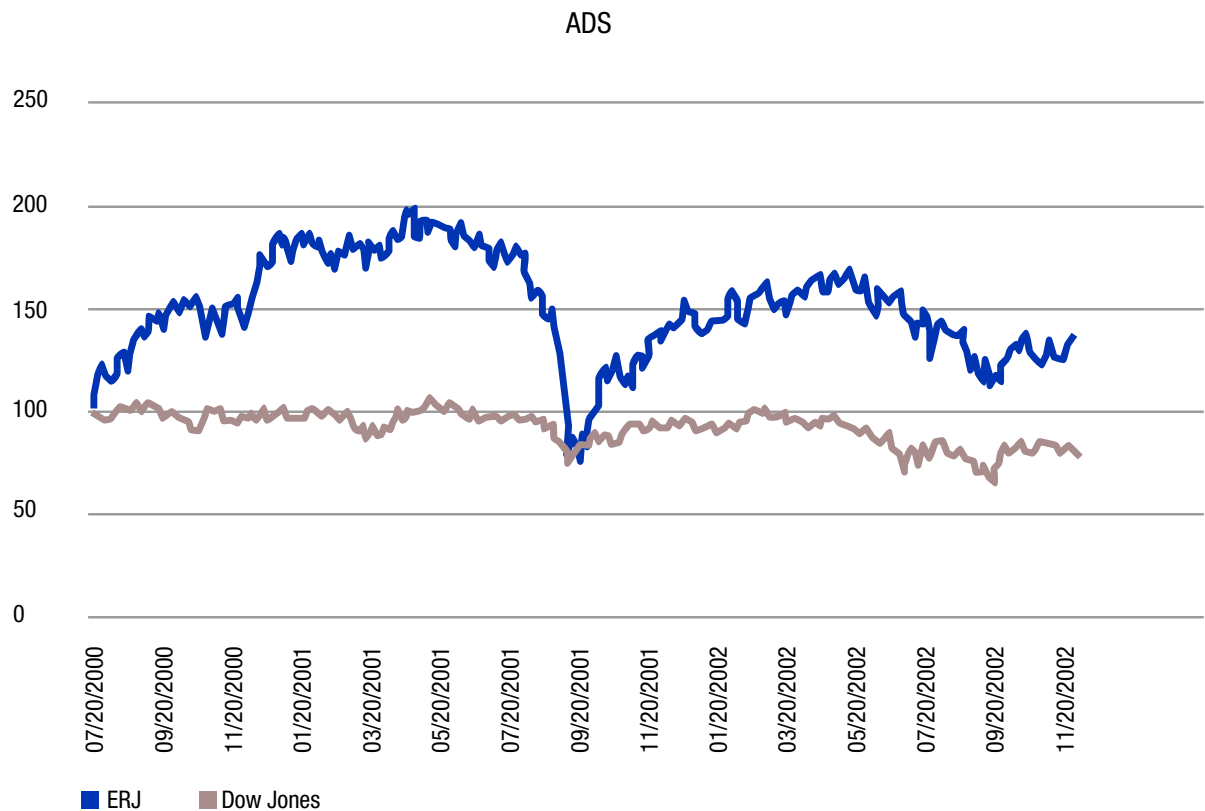
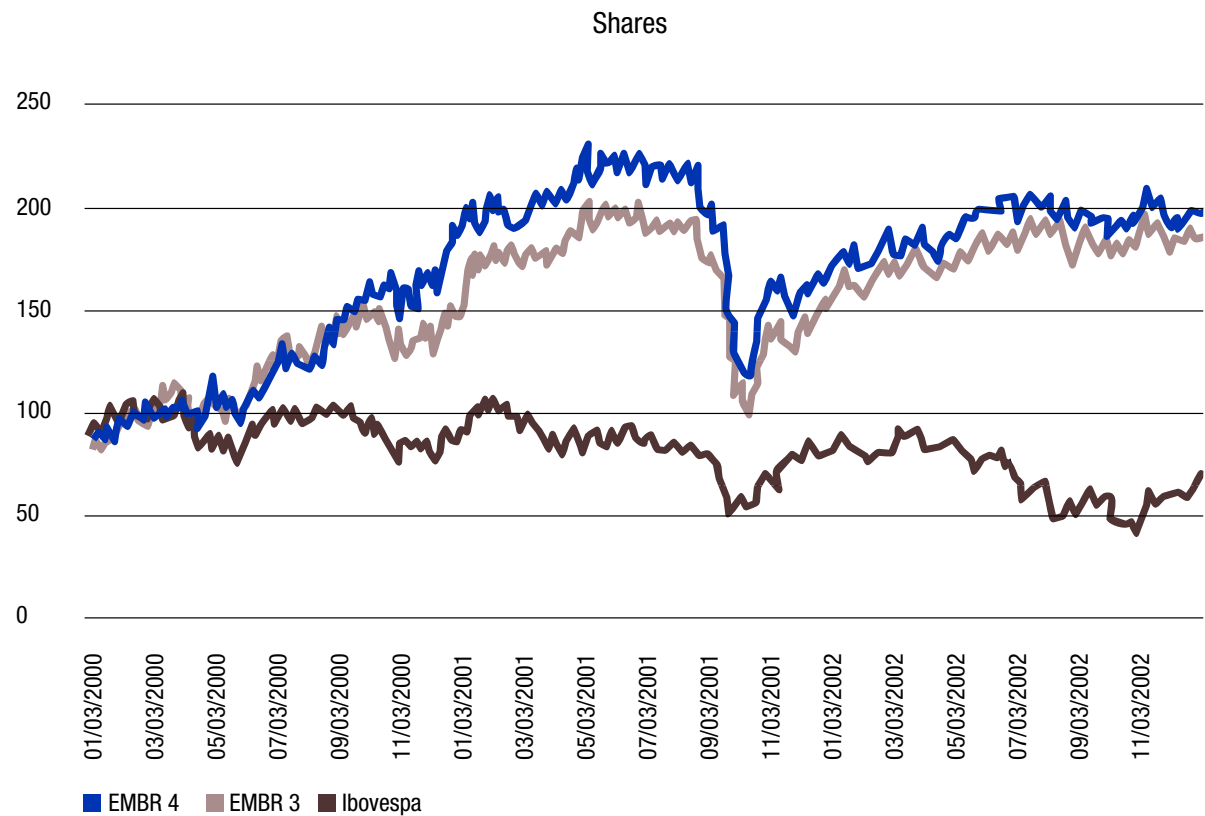


Embraer in the World

Financial Highlights



Obs.:The amounts expressed in US dollars, with exception of the backlog, were obtained using an average exchange rate for the corresponding periods.





Message from the President

The year 2002 will be remembered for the immense difficulties faced by the international aviation industry. The business volume of airlines around the globe, which was already in a downturn since the first half of 2001 due to a decrease in economic activity, continued to be directly impacted by the outcome of the September 11, 2001 terrorist attacks in the United States, and the ensuing atmosphere of war. This resulted in that airlines, particularly U.S. companies, posted unprecedented losses.

At the same time, campaigns against international terrorism and the sense of insecurity generated by the attacks on the World Trade Center and the Pentagon, led many nations to increase their investments in defense and security.

In Brazil, we underwent a wide-range electoral process, which showed that our democratic institutions are strong and mature. However, investors' aversion to risk, and unfavorable perceptions on the part of international analysts as to the outcome of the election, pushed country risk levels to absurd heights and resulted in a substantial depreciation of the Real. Fortunately, initiatives undertaken by the new government have since shown that these perceptions were biased and led to the beginning of an inverse trend, thus diminishing Brazil's country risk.

Despite this scenario, which caused a cutback in the number of aircraft delivered, Embraer achieved significant results, both in terms of its financial statements, as well as industrial, commercial and strategic results.



With the delivery of 131 commercial and corporate aircraft, we practically met our expectations for the year. In addition, the SIVAM program (Amazon Region Surveillance System) took delivery of our first remote sensing and early warning aircraft, a particularly relevant fact in view of the rising global demand for surveillance and reconnaissance aircraft.

During the year, we also obtained certification from the JAA (European Joint Aviation Authorities) and the FAA (U.S. Federal Aviation Administration) for our Legacy corporate jet, thus allowing for the first deliveries of this aircraft to the United States and Europe. Furthermore, we obtained certification for, and delivered, the first ERJ 145 XR. With a range of 2,000 nautical miles, this aircraft is a new version of the successful ERJ 145.

On the other hand, our strategic approach to constantly improve customer services led us to expand our presence in the United States through the acquisition of an aircraft maintenance and repair facility in Nashville, Tennessee. We also expanded our participation in Europe and took a considerable step in the direction of developing the Chinese market. To that effect, we signed a joint venture constitution agreement with AVIC II (Aviation Industry of China II), creating Harbin Embraer Aircraft Industry Company. Located in Harbin, Helongjiang, this new company will assemble and sell ERJ 145 family aircraft in the local Chinese market. We also started up the first phase of our plant at Gavião Peixoto, in the state of São Paulo, a fundamentally important aspect for flight-testing of Embraer aircraft and the production of military and corporate aircraft.

Embraer's performance resulted in net revenues of R\$ 7,748 million, EBITDA of R\$ 2,358 million and net income of R\$ 1,179 million. At the same time, important sales opportunities made it possible to sustain a comfortable level in terms of our order portfolio, with US\$ 9 billion in firm orders, which amounts to US\$ 22.2 billion when considering the options. Our investments in industrial capacity, productivity and new products were in the magnitude of R\$ 620 million.

The financial results generated tax contributions that totaled R\$ 450 million. Embraer's activities played a considerable role in terms of the Company's contribution to Brazil's trade balance: US\$ 1,176 million, the balance of US\$ 2,396 million in exports and US\$ 1,220 million in imports.

We ended the fiscal year with an integrated and motivated workforce of 12,227 people, of which more than 3,000 are engineers. In terms of its qualification, training and commitment, this team is no doubt our single most important competitive advantage. Over the last three years, we invested some US\$ 60 million in the training of our workforce.

In the context of product development, it is important to emphasize progress made in the development of the EMBRAER 170/190 program, in which six pre-serial aircraft are performing flight tests, while two other prototypes are undergoing static and dynamic tests on the ground. The EMBRAER 170 will be certified by mid-2003. The EMBRAER 175 and 195 aircraft are also in an advanced development phase, due to be certified in July and December 2004, respectively.

Thus, to the extent we progress in building the future, we assure our shareholders a return on their investment, within the concept of entrepreneurial safeguards. According to this perspective, creating value for shareholders is based on our conviction that our results derive from customer satisfaction, in turn the focus of our entrepreneurial action.

With this important consideration in mind, as of the beginning of 2003 we will implement organizational changes aimed at bringing decisions closer to our customers, thereby providing them quick answers to their demands. To that end, we will strengthen our leaders and work teams, while at the same time adapting the organizational support structures so as to allow them to promptly respond to, and support, the needs of the markets we operate in.

Speaking of the future, it is important to comment on the graduation of the first classes trained under the PEE program (the Embraer Specialization Program in Engineering) and the in-house MBA program with emphasis on foreign trade. These two initiatives now occupy relevant positions in the Company's technical and administrative environment and provide a considerable and effective contribution to results. Entirely paid for by Embraer, both initiatives are 18-month courses. The PEE program, which leads to an academic master's qualification, had 164 participants in its first class, whereas 32 managers attended the MBA program.

Similarly, we could see the initiatives of Embraer's Institute for Education and Research come to fruition, and while this does not imply a direct and immediate impact on the Company's operations, it certainly is very relevant for the improvement and development of the communities in which we are present. Reference should also be made to several cooperation initiatives with an array of universities and in the field of educational development of schools at the high school level. In this context, the Colégio Eng. Juarez Wanderley, in São José dos Campos, currently with 400 students, stands out.

We are convinced the best social contribution a company can make is to well manage its business. However, when considering the shortcomings of our country, we are pleased to contribute efforts and skills developed at Embraer to increase the professional qualification of all the people who join us, while at the same time providing the elements for personal and professional development to people who otherwise might not have the opportunity to obtain them. We see these initiatives as contributions to growth, not only of Embraer, but also of Brazil.



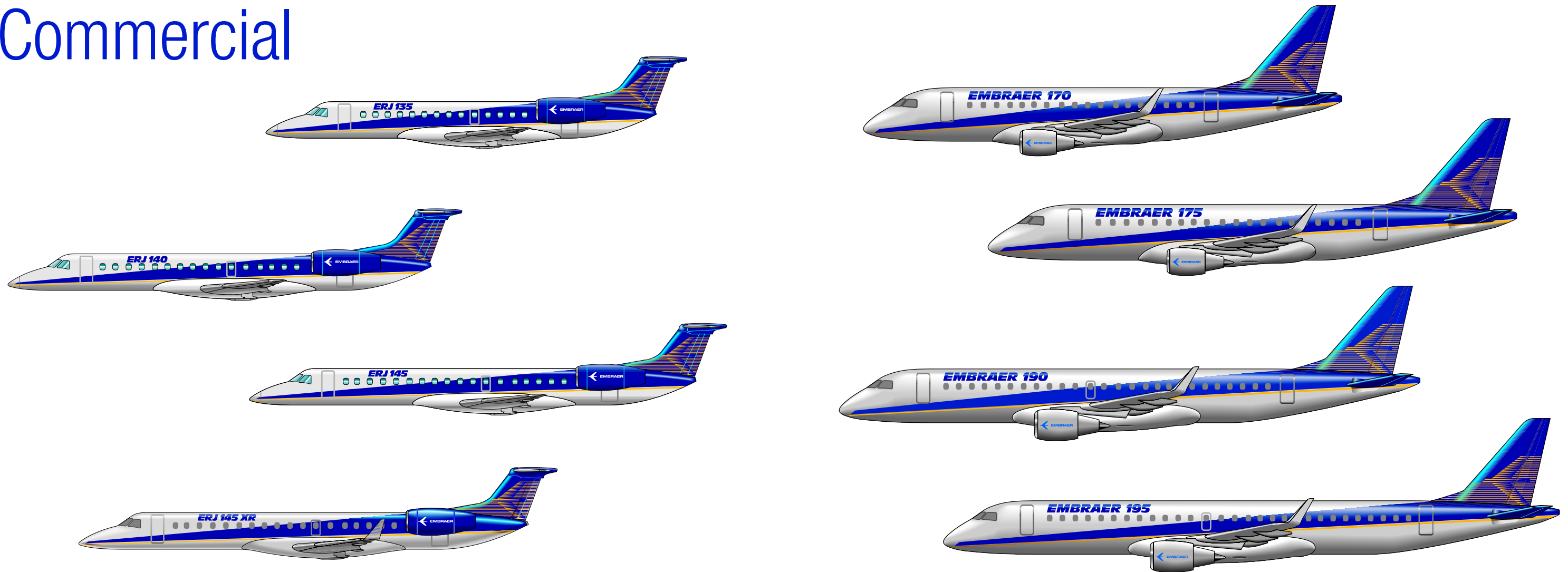
Thus, while overcoming significant challenges we are faced with in this adverse and aggressive scenario that characterized the year 2002, we continued to create value for our customers, shareholders, employees and the communities in which we are present. This reality has been recognized by important and relevant entities and by society itself. Acknowledging this only strengthens our commitment to the future, which will be built with courage, determination and the certainty that the power and the requirements to accomplish this intended objective lie within us.

Let's move ahead!

Embraer

Maurício N. Botelho
President and CEO

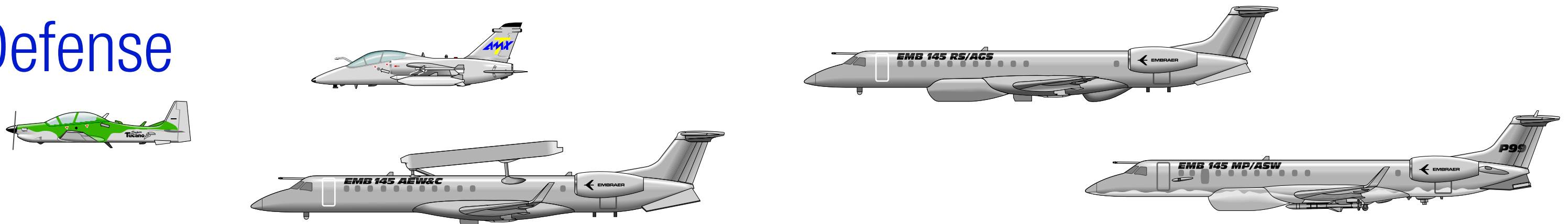
Commercial



Corporate



Defense





1 EMBRAER 170 S/N 001
 2 EAMS (Embraer Aircraft Maintenance Services, Inc., Nashville) Hangar
 3 EAMS
 4 Super Tucano/ ALX
 5 EMBRAER 170 S/N 003
 6 EMBRAER 170 S/N 004



The Year Month-by-Month

January

- Embraer participates in a promotional event of ABAG (Brazilian General Aviation Association), in São Paulo, Brazil. On this occasion, a model of the Legacy corporate jet is displayed.

February

- The maiden flight of the EMBRAER 170, one of four models of this new aircraft family manufactured by Embraer, took place on the 19th.
- Embraer receives two awards – one as the Best Air Transport Company, the other as the Best Company in Executive and Corporate Aviation – from Flight International Industry Awards 2002, during the Asian Aerospace 2002 Fair in Singapore.
- Hawker Pacific is appointed an authorized service center for maintenance, repair and inspection services on aircraft in Australia and Southeast Asia.
- Jet Aviation selected as an authorized service center for maintenance, repair and inspection services on Legacy corporate aircraft in Düsseldorf, Germany, and London Biggin Hill, England.
- Embraer participates in the Asian Aerospace Exposition in Singapore, a trade fair at which the Company officially announces start-up of serial manufacturing of the Super Tucano aircraft.
- Embraer hosts the II Annual Analysts and Investors Convention in São José dos Campos, Brazil.
- Embraer inaugurates Colégio Eng. Juarez Wanderley, a high-school for youths from the region around São José dos Campos, Brazil. An initiative of the Embraer Institute for Education and Research (EIER).

March

- Embraer Aircraft Maintenance Services Inc., a subsidiary of Embraer Aircraft Holding Inc., purchases the operational assets of Celsius Aerotech Inc., an aircraft maintenance, repair and inspection company headquartered in Nashville, Tennessee, U.S.A.
- An Embraer parts and components distribution center, co-managed by China Aviation Supplies Import and Export Corporation, is dedicated in Beijing, China.

April

- Embraer and its strategic partners Dassault Aviation, Snecma Moteurs and Thales Airborne Systems announce the creation of the “Mirage 2000 BR Consortium”, set up for the purpose of participating in the Brazilian government’s tender for the renewal of the Air Force’s supersonic fighter jet fleet.
- Embraer begins the serial manufacturing program of the Super Tucano ALX aircraft, of which the Brazilian Air Force ordered 76 units in 2001, with options on another 23 units.
- Kawasaki Heavy Industries, Embraer’s risk-sharing partner in the EMBRAER 170/190 aircraft family project, announces its intention to set up an operational unit within the Embraer facility at Gavião Peixoto, Brazil, for the purpose of manufacturing the wings of this new aircraft family.
- Maiden flight of the second EMBRAER 170 takes place.
- The Ipanema, Embraer’s crop duster aircraft commemorates 30 years of serial manufacturing, with a total of 850 units sold.
- Saab Aviacomp, established in Linköping, Sweden, appointed an authorized service center for maintenance, repair and inspection services on Embraer-made jet aircraft.
- Embraer participates in the 12th. FIDAE (International Air and Space Fair) in Santiago, Chile.

- The 5th. EMBRAER 170/190 Man Machine Interface meeting is held at São José dos Campos, Brazil. It brings together airline representatives and Embraer personnel, with the objective of continuously improving technical specifications of the new EMBRAER 170/190 aircraft family.
- Embraer presents its new website, specifically designed for the financial community (“Investors” at www.embraer.com or www.embraer.com.br).

May

- Embraer is selected by the government of India to supply 6 Legacy corporate jets to be used in transporting government authorities. The Air Force and the Border Security Force (BSF), India’s border security agency, will operate the aircraft. The contract is to be signed in 2003.
- One of the EMBRAER 170 aircraft is displayed to the public in Nashville, Tennessee, during the annual convention of the Regional Airline Association (RAA).
- The third EMBRAER 170 performs its maiden flight.
- Embraer delivers its regional jet nr. 600 (an ERJ 145) to Swiss International Air Lines.
- The Legacy corporate jet is shown to the European public during EBACE 2002 (European Business Aircraft Convention Exhibition). One unit is sold to Spanish company Fadesa.
- Embraer’s Total Legacy Care (TLC) program is launched in Europe. It is a Legacy corporate jet maintenance program.
- Embraer announces its intention to install an ERJ 145 regional jet family assembly line in China.
- The 6th. EMBRAER 170/190 Man Machine Interface meeting takes place in São José dos Campos, Brazil.

June

- Chautauqua Airlines signs a contract to purchase 15 ERJ 135 and 7 ERJ 145 regional jets, with options on another 47 units of either model.
- The fourth EMBRAER 170 performs its maiden flight.
- Centro Técnico Aeroespacial (CTA), the Brazilian aircraft certification agency, issues supplementary aircraft type certificates for the reconnaissance and surveillance aircraft R-99A and R-99B, delivered to the Brazilian Air Force under the SIVAM, (Amazon Region Surveillance System) program.
- Líder Signature is appointed an authorized service center for maintenance, repair and inspection services on Legacy corporate jet aircraft in Brazil.
- Embraer’s industrial site at Gavião Peixoto is officially inaugurated, thereby increasing the number of industrial units in Brazil to five.
- The Faria Lima industrial unit in São José dos Campos, Embraer’s headquarters, is awarded certifications ISO (International Organization for Standardization) 14001, relative to environmental management, and OHSAS (Occupational Health and Safety Assessment Series) 18001, relative to health and safety standards.
- The fourth Embraer Partners and Suppliers Conference (ESC) is held in Guarulhos, Brazil. ENAER (Empresa Nacional de Aeronáutica) of Chile is appointed the Embraer Supplier of the Year.
- The World Trade Organization’s Dispute Settlement Body (DSB) grants Brazil the right to retaliate against Canada on account of illegal subsidies provided that country’s regional jet manufacturer.

July

- Jet Airways, of India, and Embraer sign a preliminary commercial proposal for 10 EMBRAER 175 aircraft, with options on another 10 units.
- Embraer’s fifth EMBRAER 170 performs its maiden flight and is shown to the public at the Farnborough International Airshow in England. Subsequently, the aircraft performed demonstration flights in 9 European capital cities.
- The first 3 of a total of 8 aircraft for the Brazilian Air Force’s SIVAM program are delivered: 2 EMB 145 SA (AEW&C – Airborne Early Warning and Control) and 1 EMB 145 RS (Remote Sensing).
- The Legacy corporate jet receives its type certification from the European certification agency Joint Aviation Authorities (JAA).
- Defense Ministry of Greece purchases its first Legacy corporate jet.
- Graduation of the first class of engineers in Embraer’s Specialization Program in Engineering and placement of all graduates in positions at the Company.
- Embraer announces financial support to recover and refurbish the installations of the Aerospace Museum (Musal) in Rio de Janeiro, Brazil, which is managed by the Brazilian Air Force Command.
- Embraer announces its sponsorship for the Steven F. Udvar – Hazy Center of the Smithsonian National Air and Space Museum, located in Washington D.C., U.S.A.
- Grupo Exame, of publishing company Editora Abril, appoints Embraer as the Best Company in the Automotive Sector in 2001.

August

- Italian airline Alitalia exercises options on 6 ERJ 145 regional jets, to be delivered in 2002 and 2003, increasing the airline’s total ERJ 145 fleet to 14 aircraft.
- Embraer and VEM (Varig Engenharia e Manutenção) sign a contract for the supply of after sales services on Legacy corporate jet aircraft in Brazil.
- Manufacturing start-up of the first EMBRAER 195 aircraft prototype.

September

- Embraer’s Executive version of the Legacy corporate jet aircraft receives its type certification from the U.S. certification agency Federal Aviation Administration (FAA).
- The ERJ 145 XR, Embraer’s extra-long range regional jet, receives its airworthiness certificate from CTA - Centro Técnico Aeroespacial, Brazil.
- EMBRAER 170 aircraft Maintenance Man Machine Interface meeting held in São José dos Campos, Brazil.
- For the second consecutive year, Embraer is selected as one of the names to integrate the Dow Jones Sustainability World Index (DJSI World), a parameter that rates corporate management based on social, environmental and economic criteria. Embraer is appointed the leader among five companies in the aviation industry qualified to integrate the index, of a total of 2,500 corporations analyzed.

October

- Embraer's ERJ 145 XR aircraft receives its type certification from the Federal Aviation Administration (FAA) and immediately thereafter delivers the first four units of this model to ExpressJet Airlines, launch customer for the ERJ 145 XR and successor company of Continental Express.
- AEROChain®, an e-commerce company controlled by Embraer and headquartered in the United States, sponsors the Embraer Operators Conference held in Florida, U.S.A.
- Marubeni Corporation appointed Embraer's commercial representative in Japan for the EMBRAER 170/190 aircraft family.
- Embraer participates in the 12th. Defendory International 2002 exposition in Athens, Greece, one of Europe's most important defense system expositions.
- Indústria Aeronáutica Neiva, an Embraer subsidiary located in Botucatu, Brazil, rolls out the Ipanema crop duster concept plane powered by a hydrated alcohol engine.
- IMIC - Instituto Miguel Calmon de Estudos Sociais e Econômicos (a social and economic think tank), of Salvador, Brazil, grants Embraer the IMIC Performance in 2002 award as the Largest and Best Company in Brazil in the Auto Parts and Transport Material segment. In that same ceremony, Embraer subsidiary ELEB (Embraer Liebherr Equipamentos do Brasil S.A.) is granted an award as the Largest and Best Company in Brazil in the Machinery and Equipment sector.

November

- First sale of a Legacy corporate jet, in the Executive configuration, to a customer in Eastern Europe (Russia).
- The Legacy corporate jet aircraft receives its type certification for its Shuttle version from the Federal Aviation Administration (FAA).
- Embraer establishes ECC Leasing Co. Ltd. to meet the market needs for previously owned Embraer-made aircraft.
- Embraer hosts the III Annual Analysts and Investors Convention in São José dos Campos, Brazil.
- The National Confederation of Transport (CNT), Brazil, along with magazines Transporte Moderno and TechniBus, promote the event The Biggest and Best in Transport and Logistics, in São Paulo, Brazil. Embraer is distinguished as The Best in Transport in the Aeronautics and Components sector and also as The Best of the Best in the Industry sector.
- Embraer and Universidade Estadual de Campinas (Unicamp) and Universidade Federal da Bahia (UFBA), Brazil, sign memoranda of understanding, with the objective of creating academic competence in the field of aeronautical engineering.

December

- Alitalia, of Italy, signs a purchase contract for 6 EMBRAER 170 aircraft, with options on another 6 units.
- GECAS (GE Capital Aviation Services) purchases 2 ERJ 145 regional jets, immediately leased to PB Air of Thailand.
- A contract is signed with Venezuela for the supply of 12 AMX-T advanced training, operational conversion and tactic support aircraft for the Venezuelan Air Force.
- An additional EMB 145 SA (AEW&C) for the Brazilian Air Force's SIVAM program is supplied.
- The sixth EMBRAER 170 performs its maiden flight.
- First Legacy corporate jets delivered, respectively, to customers in the United States and the Middle East.
- In Beijing, Embraer signs a contract with companies Harbin Aircraft Industry Group Co. Ltd. and Hafei Aviation Industry Co. Ltd., both controlled by China Aviation Industry Corporation II (AVIC II), creating Harbin Embraer Aircraft Industry Company Ltd., a joint venture for the assembly of ERJ 145 family aircraft in China, headquartered in Harbin, in the province of Heilongjiang.



1 and 3 Delivery Ceremony of the first SIVAM aircraft
2 EMB 202 Ipanema, an alcohol-powered version launched in 2002
4 Embraer stand at Farnborough Airshow 2002, England
5 Founding Ceremony of Harbin Embraer Aircraft Industry Company Ltd., China
6 Legacy Shuttle, corporate aircraft for VIP transport

Commercial Aviation Market



2002 was a difficult year for the world's air transport industry due to an unfavorable economic environment and the continued consequences of the tragic events of September 2001 in the United States. Throughout the world, most airlines, particularly U.S. companies, ended the year faced with financial difficulties and a decline in the level of business activity. Additionally, a reduction in the availability of funds to finance aircraft sales resulted in that commercial aircraft manufacturers were faced with a difficult year in terms of sales performance.

Notwithstanding the overall adverse environment, Embraer signed sales contracts for 36 commercial aircraft, both of the current ERJ 145, as well as the new EMBRAER 170/190 families. In June, Chautauqua Airlines of the United States signed a contract to purchase 15 ERJ 135 and 7 ERJ 145 aircraft, with options for another 47 units of the same family. These aircraft will fly for Delta Airlines. In August, Italian company Alitalia exercised 6 options on the ERJ 145 and in December signed a new contract to purchase 6 EMBRAER 170, with options on another 6 units



convertible to the EMBRAER 190. Still during the final month of the year, GECAS (GE Capital Aviation Services) purchased 2 ERJ 145, immediately leased by PB Air of Thailand.

In the second half of 2002, Embraer obtained type certification for its extra-long range model ERJ 145 XR. This made it possible for ExpressJet, a U.S. company and a Continental Airlines affiliate, to incorporate 18 units of this model into its fleet. ExpressJet's total order consists of 275 firm orders, of which 104 are for ERJ 145 XR and 100 for additional options. Embraer ended 2002 having delivered 121 commercial aircraft, 2 more than had been projected.

As a result of the September 2001 events, one can clearly see a change in the world's commercial aviation profile. During the year, one could observe an important trend in the direction of a growing preference towards replacing large capacity aircraft models flown on several commercial routes by regional jets, with the objective of maintaining or reestablishing route profitability.

In some cases, this replacement process is related to increasingly more stringent environment protection norms, which make it unfeasible to continue to operate older aircraft. Additionally, there is a limitation imposed by specific conditions in labor contracts between the airlines and the pilot unions (the so-called scope clauses). In essence, these provisions limit the number of regional jets in airline fleets, imposing limitations on operational optimization in terms of the type of aircraft to be flown on each route in the most economic way possible. In the event the trend to relax these restrictions should continue, market opportunities for manufacturers of aircraft with seating capacities between 70 and 110 seats will increase. This would benefit the new Embraer aircraft family, which provides all the elements required by a financially sound operation, while at the same time allowing for excellent levels of quality, performance and passenger comfort.



1 ERJ 145 XR, 50-seat jet, certified
and entered into service in 2002
2 ERJ 140



EMBRAER 170, first product of the new EMBRAER 170/190 family of 70 to 110-seat aircraft for the Commercial Aviation market



At the end of the year, the first serial production EMBRAER 170 unit was on the assembly line at the Faria Lima industrial site. The other EMBRAER 170/190 family members were at different development stages:

- the EMBRAER 175 had concluded project detailing;
- the EMBRAER 195 had concluded joint project definitions between Embraer and its strategic partners; and
- the EMBRAER 190 had begun preliminary studies.

In 2002, Embraer was dedicated to commercially promoting this new aircraft family, firmly convinced of its prospects of becoming an enormous success in the years to come. To that end, the Company participated in a number of international promotional events, particularly the traditional International Airshow at Farnborough, England. On that occasion, an EMBRAER 170 was displayed and performed demonstration flights in 9 European capital cities, showing the invited public the new family's qualities and advantages.

	Total Sales	Aircraft Delivered	Firm Orders	Options
COMMERCIAL AVIATION	1,557	623	374	560
ERJ 145 family	1,231	623	256	352
EMBRAER 170/190 family	326	-	118	208





Corporate
Aviation Market

On December 31, 2002, the Legacy corporate jet order portfolio already totaled 73 aircraft, in addition to 92 units in options. This expressive number of orders attests the outstanding market acceptance of this product. During the year, the first 8 units were delivered (7 in the Executive and 1 in the Shuttle version) to customers in North and South America, Europe and the Middle East. These deliveries took place only 3 years after Embraer announced its decision to enter the corporate aviation market.

The downturn in the world's aviation market and the fact that the Legacy only received its JAA (European Joint Aviation Authorities) and FAA (U.S. Federal Aviation Administration) certifications in the second semester, prevented Embraer from attaining the same level of commercial success achieved in the previous year. The U.S. certification for the Shuttle version was only issued in November.



The Legacy represents a new concept in corporate aviation, occupying a very specific new market segment, referred to as Super Midsize. Given that the Legacy is an aircraft derived from the ERJ 135 regional jet, it combines interesting operational characteristics with comfort and a price considerably lower than the competition's in that category.

In 2002, Embraer focused on the Legacy's technological improvement. The aircraft was equipped with higher power Rolls Royce A1E turbines, which in combination with improved aerodynamic features and the reduction in weight of certain components, allowed for the increase of efficiency in take-off and climbing by, respectively, 11% and 12%. Interior noise levels were also reduced, as a result of changes in the acoustic insulation material used with several components that make up the cabin interior, thereby further increasing passengers' level of comfort. Additionally, the range of options relative to interior configuration, in terms of materials and colors, was expanded.

In 2002, Embraer also started a technical, logistic and maintenance support program called Total Legacy Care (TLC), which invoices the customer on a monthly basis, according to a fixed rate per flight hour. The program covers ordinary wear-and-tear parts and components such as wheels, tires and brakes, the avionics, the electric system, as well as the landing gear, the APU (auxiliary power unit) and other consumable operational components. Under the TLC program, spare parts are stored at the site normally used by the customer for aircraft maintenance, thereby meeting the demands of customers who prefer the visibility of foreseeable regular expenditures to major onetime expenses.

In terms of after sales services, Embraer has been expanding its technical assistance and maintenance network. At the end of the year, it comprised 12 assistance centers in several countries and operated in synchronization with AEROChain®, Embraer's virtual customer support network.

	Total Sales	Aircraft Delivered	Firm Orders	Options
CORPORATE AVIATION	165	15	58	92
Legacy Executive	77	7	34	36
Legacy Shuttle	75	1	24	50
EMB 135	13	7	-	6



Legacy Executive, corporate jet certified and entered into service in 2002



Defense Market



In the defense market, 2002 stood out as a year of intense activity. One of the most outstanding and significant events occurred in July, when the Brazilian Air Force (FAB) took delivery of the first 3 of a total of 8 surveillance and remote sensing aircraft destined for SIVAM (Amazon Region Surveillance System), the complex system that will allow Brazil to monitor its vast Amazon region, which covers 60% of its territory.

Complementing its defense role of the Brazilian territory, the SIVAM program will contribute to promote the sustainable development of the Amazon region on a social, ecological and economic plane. The delivery ceremony took place at the Anápolis Air Force Base in the state of Goiás, attended by then president of Brazil, Fernando Henrique Cardoso. This event was very relevant for Embraer's worldwide defense market sales strategy. The SIVAM program made it possible for Embraer to develop its modern EMB 145 SA (airborne early warning) and EMB 145 RS (remote sensing) aircraft, thereby incorporating the most up-to-date airborne electronic technology available in the world market.

Embraer's participation, as the leader and the party responsible for the entire airborne segment of the program, encompassing the supply of 5 EMB 145 SA and 3 EMB 145 RS aircraft, allowed the Company to develop an entire family of Intelligence, Surveillance and Reconnaissance (ISR) systems. This product line comprises 3 aircraft



models: the EMB 145 AEW&C (airborne early warning & control); the EMB 145 AGS (airborne ground surveillance); and the EMB 145 MP/ASW (maritime patrol/antisubmarine warfare) aircraft.

The Company is thus able to offer innovative and extremely competitive systems to the international market, having won important contracts in both Greece and Mexico. The Brazilian Air Force order for SIVAM was essential for Embraer, and hence for Brazil, because it allowed both to obtain the technological know-how needed for these strategic intelligence aircraft, and more importantly, to qualify for a contending position in international high-technology markets.

As a likely consequence of a world market realignment with the new post-September 2001 global reality, one can see a clear business expansion process involving defense products. The focus is now on information dominance. In this context, Embraer's surveillance and intelligence systems will meet the most stringent national security and defense requirements currently being implemented by a number of nations.

At the end of the year, Embraer continued in the process of developing new business opportunities, while at the same time finalizing other opportunities that were already being developed with several governments. This scope of opportunity included potential sales of training and combat aircraft Super Tucano or AMX-T, ISR aircraft for airborne surveillance, maritime patrol / antisubmarine warfare and remote sensing, in addition to the respective control and communications ground systems.

In April, with its French strategic partners Dassault, Snecma and Thales, Embraer formed the Mirage 2000 BR Consortium to take part in an international tender for the renewal of the Brazilian Air Force's fleet of supersonic fighter aircraft (the F-X BR Program). Led by Embraer, the consortium will bring an important Brazilian technological and industrial element to the project, warranting a high degree of technology transfer to Brazil, including operational and armament systems software source codes. As a consequence, Embraer will have unrestricted control of the sensitive technologies used in the aircraft, as well as a significant degree of local content. Furthermore, it will make Brazil an exporter of this sophisticated defense technology, providing the country a fundamental element of national sovereignty.

According to a decision reached by the new Brazilian government that took office on January 1, 2003, final appraisal of the proposals submitted and the announcement of the winning bidder have been postponed until 2004. As in the case of the ISR aircraft for the SIVAM program, the Brazilian Air Force's F-X BR Program would play the same strategic role in opening up perspectives for regional and worldwide sales.

Finally, still in terms of the defense market, it is worth highlighting the start-up, in 2002, of serial manufacturing of the 76 Super Tucano (ALX) aircraft ordered by the Brazilian Air Force in 2001 and, just before the end of the year, the order from the Venezuelan Air Force for 12 advanced training, operational conversion and tactical support AMX-T aircraft.



1 ISR (Intelligence, Surveillance and Reconnaissance) aircraft
2 AMX-T
3 Super Tucano/ ALX



Customer Services



Embraer's entrepreneurial actions are based on the managerial fundamentals previously mentioned in this report. However, these entrepreneurial actions occur in synchronization with a fundamental posture adopted with extreme care by the Company, i.e., the permanent quest for customer satisfaction.

Around the world, Embraer maintains spare parts inventories in different strategic locations, thereby allowing for prompt servicing of parts replacement demands. In 2002, emphasis should be placed upon the coming on stream of the Call Center, located at São José dos Campos, Brazil, which services customers from around the world, 24 hours a day, 365 days a year. In 2002 alone the Company received an average of 105 calls a day, totaling 38,325 during the year.

Apart from creating parts and service supply centers, in 2002 Embraer took a major step forward by purchasing assets related to aircraft maintenance, repair and inspection services from the well-known company Celsius Aerotech, of Nashville, Tennessee, U.S.A. Renamed Embraer Aircraft Maintenance Services, this company has an under roof area of 30,000 m² on an 11,000 m² plot of land, encompassing warehouses and administrative and sales offices. With the incorporation of this new company, 210 employees joined the Embraer workforce in the United States, totaling 475 employees at year-end.



During the year, Embraer considerably expanded its network of suppliers of technical services for Embraer-made aircraft. Contracts were signed with 8 companies, increasing the number of authorized service partners to 30, located in 12 countries.

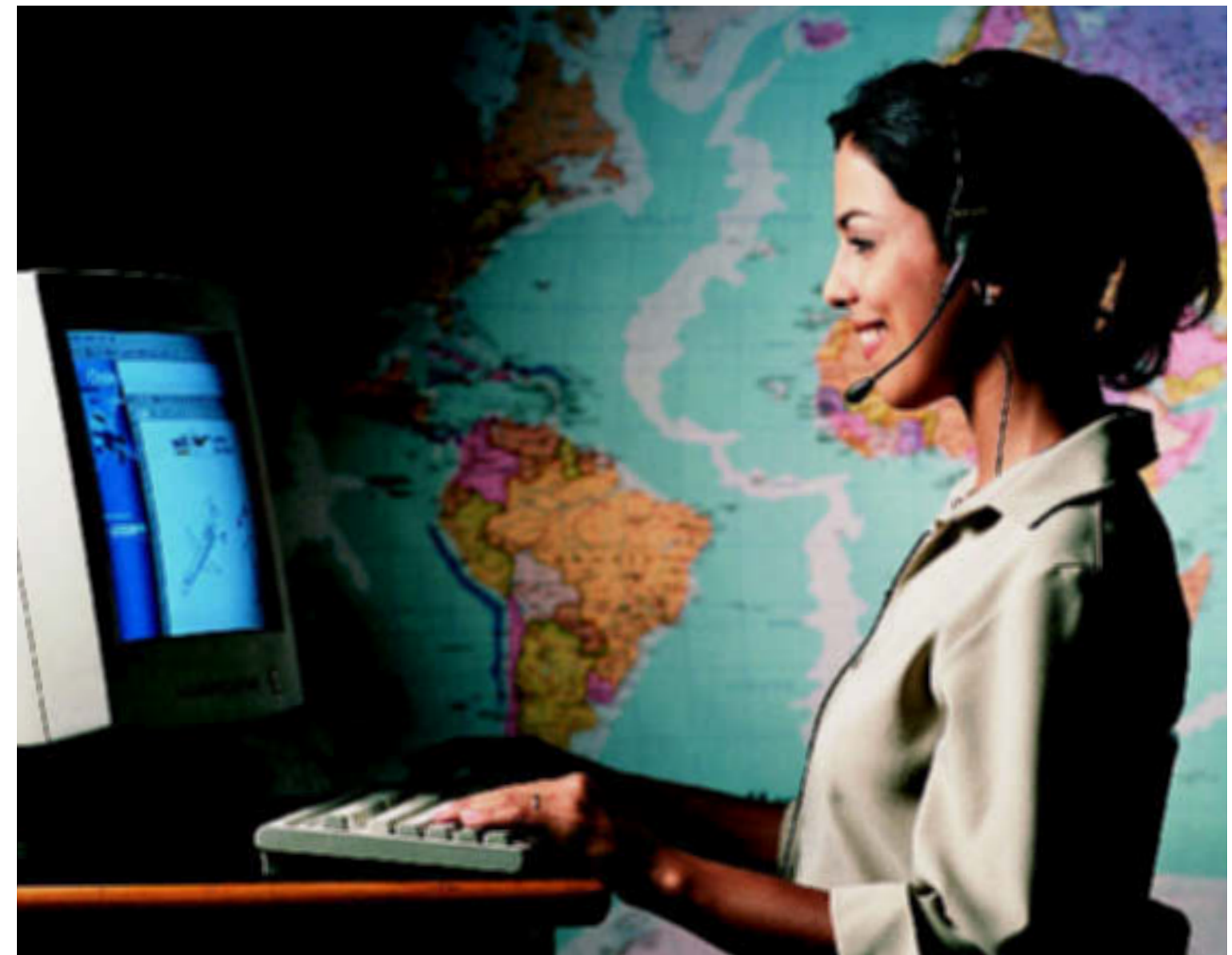
Also in 2002, AEROChain® started up operations. Controlled by Embraer and headquartered in the United States, this company is engaged in e-commerce of parts and services. Its responsibilities include buying and selling components, research and analysis of market data, the identification of technical problems and their quick and efficient solution, monitoring, programming and controlling maintenance needs of the Embraer-made aircraft fleet, in addition to the organization of sales and purchase auctions for parts and components and the online publicizing of technical literature.

In its permanent quest to provide customer satisfaction, Embraer has stood out by creating several special programs with the objective of providing an increasingly differentiated service. In this sense, one should emphasize the Company's Total Legacy Care Program, which provides an integrated scope of engineering services, maintenance and spare parts, in exchange for a monthly service fee. Other service modalities include a parts consignment program under which parts are stored at customer sites, as well as a parts leasing program. Furthermore, there is also a parts sharing program, under which several customers resort to a common pool of parts. This allows for the reduction of costs related to carrying inventory.

With these initiatives, Embraer has considerably contributed to the achievement of a high no delay in take-offs or technical problems fly-as-scheduled completion rate (CR). In 2002, Embraer's CR reached 99.73% for its Brasília turboprop aircraft (EMB 120) fleet and 99.69% for the ERJ 145 jet family.

We would also like to mention that in September 2002, in São José dos Campos, Embraer held its second Maintenance Cost Workshop - MCW. On that occasion, 22 Embraer aircraft operators met to exchange information and experience.

As of 2003, with the Company's reorganization announced in December, the customer service area will be divided and subordinated, respectively, to the civil aviation and defense areas of the Company. With this initiative, customer services will be incorporated into Embraer's two large product areas, thus contributing to further improve customer services by concentrating entrepreneurial actions at all decision-making levels of those two product areas.



Embraer everyday scenes: customer services, training and spare parts





Technological and
Industrial Management

In 2002, Embraer's activities in the industrial area focused on the development of expansion programs, which reflected in the intensification of activities in the areas of Engineering, Procurement and Manufacturing. In Engineering, for instance, one should mention the high number of certifications received by the Company. In total, there were 11 certifications for 7 new products – a benchmark in the history of Embraer – including the ERJ 145 XR and the Shuttle version of the Legacy corporate jet aircraft.

In Engineering, another major focal point was the development of the EMBRAER 170/190 family. Launched in the market in record time, this US\$ 850 million investment project involves complex logistics in the coordination of thousands of people, including 1,200 Embraer employees and other professionals at the 16 risk-sharing partners and 22 suppliers of 12 different countries linked to this initiative.

On February 19, only 32 months after the launch of this new aircraft family, the maiden flight of the first EMBRAER 170 took place, followed by the beginning of the test and in-flight test programs. The ultimate objective is to achieve aircraft certification in the first semester of 2003.

In only six months (from February to August) 5 EMBRAER 170 aircraft began test programs and were shown at international promotional events. In total, 850 flight hours were logged, with very satisfactory results that allowed to identify improvements and technical adjustments, subsequently incorporated to the aircraft's project.

The development of the other three aircraft models is progressing according to schedule. For the EMBRAER 175, the manufacturing of fuselage sections has begun and wind-tunnel tests were successfully completed. The maiden flight is scheduled for the end of the first semester 2003. For the EMBRAER 195, the machining of parts began in August, while the maiden flight is expected to occur at the end of the third quarter 2003. The first commercial unit deliveries are planned to occur in July 2004 (EMBRAER 175), December 2004 (EMBRAER 195) and December 2005 (EMBRAER 190).



In the Procurement and Manufacturing areas, efforts were focused on flexing services provided the market, as a result of better on-line integration with suppliers. Delivery times for materials decreased and new technologies were adopted, including digital manufacturing, which resulted in the reduction of manufacturing and configuration cycles by, respectively, 15% and 25%.

It is also important to mention the approval by the federal government of Brazil of the aeronautical RECOF program (Special Computer-aided Customs Industrial Warehouse Control Program for the Aeronautical Industry), which will radically change the way in which Embraer conducts its foreign trade processes. This modern procedure establishes a virtual customs warehouse that allows for automatic clearance of materials without physical inspection by the customs authority. Thus, customs clearance is reduced to only a few hours, while at the same time rationalizing the collecting of taxes and dues. Embraer will implement the RECOF program beginning in 2003.

In June, Embraer inaugurated the first phase of its fifth industrial unit, located in the small town of Gavião Peixoto, in the interior of the state of São Paulo, 370 km Northwest of company headquarters. At this site, Embraer will concentrate technological and industrial activities related to the integration of aircraft systems, final assembly and flight tests of defense aircraft, including the ISR (Intelligence, Surveillance and Reconnaissance) aircraft.

Over a 10-year period, this new industrial site, actually 32 times larger than the plot of land on which headquarters in São José dos Campos is built, will benefit from investments in a magnitude of US\$ 150 million, with the

generation of 3,000 direct jobs. At this site there is a 5-km long runway, already in use for aircraft tests and in-flight tests for all aircraft manufactured by Embraer.

At the end of the year, the hangar that is to be used by Kawasaki Aeronáutica do Brasil (KAB), a subsidiary of Kawasaki Heavy Industries of Japan, Embraer's risk-sharing partner in the EMBRAER 170/190 projects for the manufacturing and assembly of the wings for the new aircraft family, was finished. The Gavião Peixoto project complies with the most recent directives for social and environmental settings (ISO 14000 certification for environmental management). It has a 350-hectare forest preservation area, in addition to sanitary and industrial effluent and residue treatment facilities.

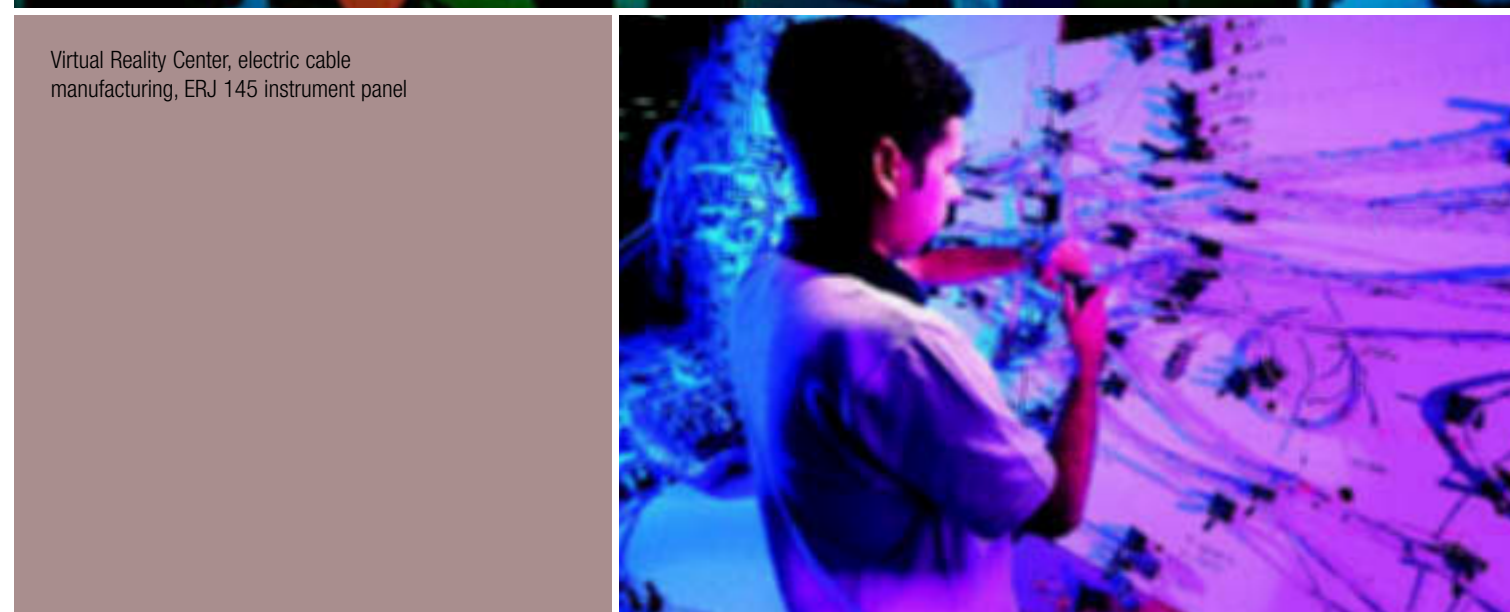
At the Botucatu industrial unit, also located in the interior of the state of São Paulo, Embraer in 2002 commemorated the historical mark of the 30-year manufacturing of the Ipanema crop duster. During that period, 850 units were manufactured and sold. In October, a version powered by hydrated alcohol, an alternative fuel widely used in automotive vehicles in Brazil, was presented to the public. The project was developed in partnership with the CTA – Aerospace Technical Center, linked to the Brazilian Air Force.

Also in 2002, the industrial and technological areas at Embraer continued their advancement programs. Knowledge-based engineering applications and other engineering projects such as the wind-tunnel modernization were developed, as was the computer-based fluid dynamic tool. All these initiatives occurred in joint programs with academic institutions such as the University of São Paulo (São Paulo and São Carlos campi), State University of Campinas, Federal University of Santa Catarina and the Pontifical Catholic University of Rio de Janeiro.

Finally, reference should be made to the first 164 professionals who concluded the Specialization Program in Engineering and were integrated into Embraer's workforce at the beginning of the year.



Virtual Reality Center, electric cable manufacturing, ERJ 145 instrument panel



Organizational and Human Resource Management



For Embraer's outside public, the most important event in the Company's social activities was the inauguration, in February, of high school Colégio Eng. Juarez Wanderley, named after the Company's former president, who passed away in 1997. Engineer Juarez Wanderley was a defender of initiatives aimed at improving Embraer employees' formal schooling and professional qualifications. The dedication ceremony was attended by a large number of dignitaries and representatives of society and of Brazil's educational establishment, including former Minister of Education, Paulo Renato Souza.

Established in São José dos Campos, on a 31,000 m² plot of land at the Eugênio de Melo industrial site, the school is one of the important initiatives of the Embraer Institute for Education and Research. Designed and built in the record time of only 6 months, the school building totals a 4,200 m² under roof area that required an US\$ 2.7 million investment in facilities. Classrooms are equipped with multimedia resources and have a layout that allows for different in-class configurations.

The objective of this initiative is to provide quality high-school education and excellent physical and material conditions within the school itself, to youths formerly enrolled in the public school system. Colégio Eng. Juarez Wanderley is equipped with modern physics, chemistry, biology, computer and language laboratories, in addition to an arts and crafts room. Classes run for 9 hours a day and Embraer fully pays for all uniforms, school materials, transport and at-site meals in the school's own mess hall.

The Pitágoras System, one of Brazil's foremost private organizations in secondary education, provides pedagogic assistance. The course is offered 200 students a year. Each of the places is intensely disputed at a rate of 30 to 1 in the first selection process that took place. A specialized outside entity handles the selection process.

Emphasis should also be laid on the first class that graduated in the Specialization in Engineering Program (PEE): in 2002, 164 professionals graduated under the program. Embraer created the PEE in 2001, with the objective of meeting Embraer's demand for highly qualified engineering manpower. Beginning with the second class, this 18-month course will entitle graduates to an academic Master's degree in aeronautical engineering.



As in the case of Colégio Eng. Juarez Wanderley, the PEE is fully paid for by Embraer. Engineers enrolled in the program are selected among some 10,000 candidates from around the country. They are given individual notebook computers and the Company provides all course materials. Furthermore, they receive a scholarship as a means of compensation. Upon conclusion of the course, their professional placement at Embraer is guaranteed.

Resulting from the creation of the PEE program, Embraer celebrated agreements with a number of renowned Brazilian universities, with the objective of setting up courses in aeronautical engineering that in the medium term will contribute to increase the number of specialized professionals in the industry. The professional training of its personnel is one of the pillars of Embraer's entrepreneurial actions. In 2002, the Company invested US\$ 18 million in this initiative, whereas in the previous 3 years this figure was in the magnitude of US\$ 60 million.

Another relevant event took place in June. Embraer's Faria Lima industrial unit (company headquarters) received two important corporate certifications from ABS Quality Evaluations relative to the Environment, Safety and Occupational Health. One was issued according to the ISO 14001 norm (environmental management), while the other, OHSAS 18001, refers to safety and occupational health. Embraer is among the first companies in Brazil and one of few in the international aeronautical industry to receive these two certificates. In order to obtain this certification, the Company developed a sophisticated Integrated System for Quality and Environmental, Safety and Occupational Health Management called SIG-MASSQ. However, since 1996, Embraer's quality system has been functional in accordance with the ISO 9001 norm.

On a social plane, another company focus was on its employees. In April, a multi-purpose sports gymnasium, with a capacity for 1,500 people and located close to the Faria Lima industrial unit, was dedicated. This facility has an under roof area of 2,000 m² and all installations needed for practicing in-door sports modalities, in addition to a stage and dressing rooms that allow for the realization of cultural and social events.

As in previous years, and in line with initiatives focused on its employees, in 2002 Embraer promoted two major events at company headquarters. The first, called “Open Gates”, took place on August 18, a Sunday, and allowed 25,000 employees and their families to tour the Faria Lima unit's installations. More than 20,000 people also attended the second event, the already traditional “Christmas Party”.

Events such as these, along with several others, are intended to aggregate value to the Embraer community, foster company “esprit de corps” and employees’ corporate identity, while also expanding employees’ knowledge of relevant issues related to life at Embraer.

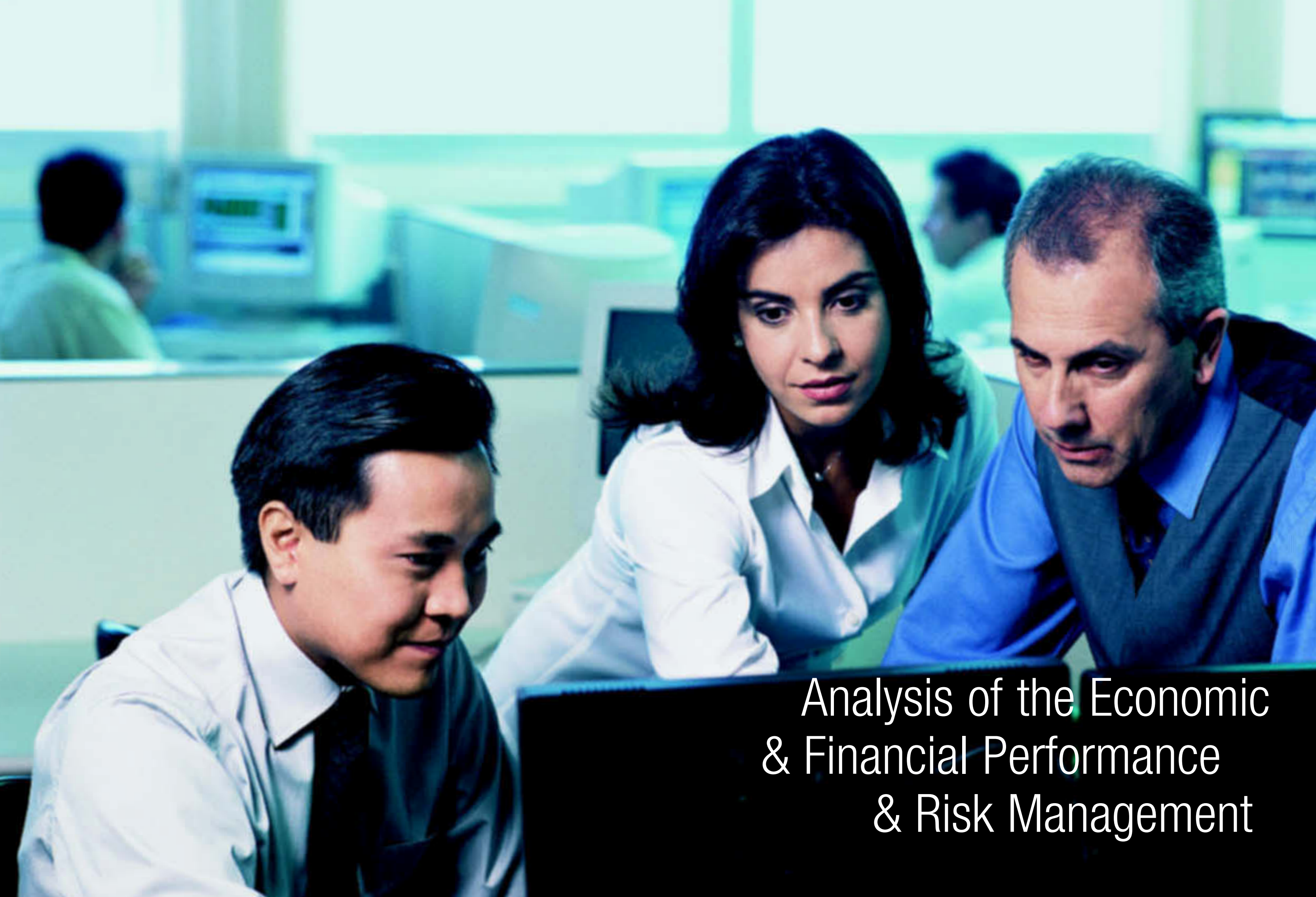
In 2002, an important Embraer initiative made it possible to deepen employee integration with the Company. An integrated in-house communications program was set up with the objective of aligning and integrating Embraer staff around the world. This integration through communication process is accomplished through employees’ voluntary work, contributing material that is then published in the Embraer News magazine. Published once a month, the magazine’s 12,000 copies in Portuguese and English are distributed to all Embraer units.

Another initiative that should be mentioned was the complete redesigning and modernization of the Intranet, which, launched in 2002, now connects all Embraer units around the world, with a variety of information on the Company, its products and activities. The “Good Idea” program, another important initiative, is living proof that employee-company integration at Embraer is a successfully accomplished objective. This program allows employees to contribute suggestions on how to make changes to work processes, equipment, tools and devices, or to submit other ideas that reduce operational costs, improve product quality and customer satisfaction. Employees who submit the best ideas are rewarded with prizes in money of up to US\$ 3,000. In 2002, the program rendered US\$ 10 million in economic benefits for Embraer, as a result of 2,344 ideas submitted and analyzed, at an implementation cost of US\$ 1.1 million.



Embraer everyday scenes:
cafeteria, firefighter and
manufacturing, Faria Lima unit.





Analysis of the Economic
& Financial Performance
& Risk Management

Analysis of the Economic & Financial Performance

Financial Statements

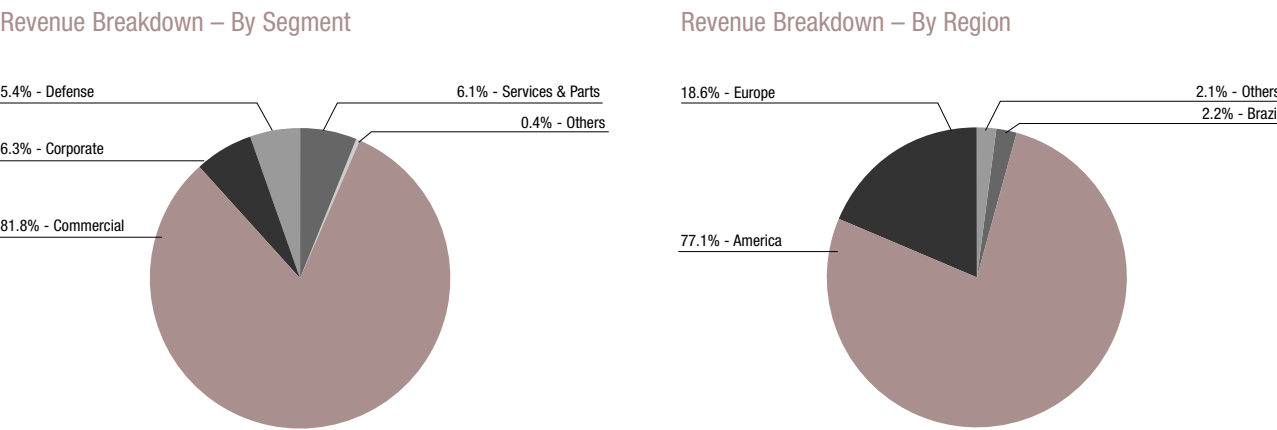
In 2002, Embraer delivered 131 jets, of which 121 were for the Commercial Aviation market, eight for the Corporate Aviation market and two for the Defense segment. In addition to these, SIVAM (Amazon Region Surveillance System) received five EMB 145 aircraft, configured and modified to meet its special requirements. Embraer subsidiary Neiva, a manufacturer of light aircraft located in Botucatu, delivered 26 EMB 202 Ipanema aircraft in 2002.

Aircraft Deliveries	2001	2002
Commercial Aviation	155	121
EMB 120	2	-
ERJ 135	27	3
ERJ 140	22	36
ERJ 145	104	64
ERJ 145 XR	-	18
Corporate Aviation	8	10
EMB 135	7	1
EMB 145	1	1
Legacy Executive	-	7
Legacy Shuttle	-	1
SIVAM	-	5
Light Aircraft	11	26
TOTAL	174	162
TOTAL JETS	161	131

Despite the lower number of deliveries in 2002, Embraer's Gross Revenues were up 12.1% in comparison to the previous year, increasing from R\$ 6,989.2 million to R\$ 7,836.9 million. This increase is explained by the exchange rate devaluation in the period, as 97% of the Company's revenues are accounted for in dollars, including the Defense and Corporate Aviation segments. As deliveries of the Legacy corporate jet began in June 2002, following certification by the CTA, JAA and FAA, revenues in this segment more than doubled, increasing from R\$ 181.3 million in 2001, to R\$ 496.5 million in 2002.

Consolidated Economic Highlights - Amounts in R\$ million, except %	2001	2002
Gross Revenues	6,989.2	7,836.9
Cost of Sales and Services	4,025.9	4,293.7
Gross Profit	2,864.8	3,454.4
Gross Margin	41.0%	44.1%
Operational Expenses and Profit Sharing	937.0	1,287.0
Earnings Before Interest & Tax	1,927.8	2,167.5
EBIT Margin	27.6%	27.7%
Depreciation & Amortization	169.0	191.3
EBITDA	2,096.8	2,358.8
EBITDA margin	30.0%	30.1%
Net Earnings	1,100.9	1,179.2
Net Margin	15.8%	15.0%
Earnings per share	1.77	1.65
Number of Shares	622,282,874	712,974,355

In addition to the sale of aircraft, Consolidated Gross Revenues also include the sale of spare parts and services, sales to the Defense market and to the Corporate market, provided by the Company and its subsidiaries in Brazil and abroad. Thus, in 2002 these three segments accounted for 18.2% of Total Revenues, compared to 13.0% in 2001, reflecting a strategy of diversifying revenue sources. The Defense, Corporate Aviation and Customer Services segments recorded growth of 47.9%, 173.9% and 20.7%, respectively.



Gross Sales margin amounted to 44.1%, higher than the 41.0% reported in 2001. This increase in margins was caused by the effect of exchange rate devaluation on inventories - denominated in dollars - and productivity gains that resulted in the shortening of the aircraft production cycle, which was reduced from 5.0 to 3.7 months. The accounting changes for expenses related to technology and other support functions also contributed to the higher margin. Until 2001, these were classified under Cost of Sales and Services, but since the first quarter of 2002 have been recognized as part of Administrative Expenses. With this, R\$ 91.9 million in expenses ceased to be included under Costs of Sales and Services.

Operational Expenses, including Employee Profit Sharing, increased from R\$ 937.0 million in 2001 to R\$ 1,287.0 million in 2002. Part of this rise is due to the increase of R\$ 156.5 million in Sales Expenses. They include product guarantees, customer training, technical assistance and the provision for financial guarantees, for the most part denominated in U.S. dollars, and therefore affected by fluctuations in the exchange rate. Administrative Expenses cover information technology, personnel expenses and services provided by third parties. In 2002, administrative expenses increased from R\$ 211.8 million to R\$ 329.3 million, R\$ 91.9 million of which related to the accounting reclassification just mentioned. Other Net Operational Expenses recorded an increase of R\$ 95.5 million, which referred principally to the higher expenses of preliminary project studies that in 2002 amounted to R\$ 153.0 million, compared to R\$ 63.0 million in 2001. This increase is mainly due to the beginning of a joint definition phase between Embraer and its partners for the development of the EMBRAER 190 and 195 jet aircraft. Investments were also made in professional training and development and in the implementation of the Specialization Program in Engineering.

Thus, even considering the lower number of aircraft deliveries, in 2002 Embraer obtained an Operating Profit, before Financial Revenues and Expenses and including a Provision for Employee Profit Sharing and the Equity Income Result, of R\$ 2,167.5 million, 12.4% higher than the R\$ 1,927.8 million reported in 2001. Despite the adverse scenario in the period, operating margins remained almost unchanged at 27.7%.

Cash generation as measured by EBITDA - Earnings before interest, taxes, depreciation and amortization, in 2002 amounted to R\$ 2,358.8 million, up 12.5% on the previous year's figure of R\$ 2,096.8 million. The EBITDA margin on Gross Revenues of 30.1% reveals Embraer's excellent capacity of converting revenues into operating profit, managing to generate satisfactory rates of return on investment.

Embraer reported Net Earnings for the year of R\$ 1,179.2 million, 7.1% higher than the R\$ 1,100.9 million obtained in the previous year. Despite the fact that Operating Profit was 12.4% higher in 2002, compared with the previous year, a number of non-operational factors occurred which merit analysis.

In 2002, the depreciation in the Real on dollar-denominated liabilities caused a negative impact on earnings. The devaluation of the Real against the dollar, which devalued from R\$ 2.3204 in December 2001 to R\$ 3.5333 in December 2002, resulted in net expenses from a monetary and exchange rate variation of R\$ 638.9 million in 2002, compared to expenses of R\$ 495.0 million in 2001.

Also in 2002, Net Financial Revenues dropped to R\$ 92.3 million compared to R\$ 196.7 million in 2001. Despite the fact that the Company had a net positive cash position at the end of 2002 compared to a net debt position at the end of December 2001, during the first nine months of 2001 Embraer had a net cash position that was higher on average than the one maintained throughout 2002, which meant the amount of interest paid on cash held was lower in 2002.

Thus, overcoming the adverse situation endured by the aerospace sector and the difficulties caused by substantial fluctuations in the exchange rate between the Real and the U.S. dollar during the year, Embraer reported a 7.1% increase in Net Earnings when compared to 2001, and a net margin of 15.0%, a little lower than the 15.8% obtained in 2001.

Balance Sheet Highlights

Below is a table of Embraer's main balance sheet highlights:

Consolidated Highlights - Amounts in R\$ million	2001	2002
Cash & Cash Equivalents	1,739.1	2,320.7
Trade Accounts Receivable	1,558.4	2,488.5
Inventories	2,371.1	2,837.8
Property Plant & Equipment	718.6	929.7
Suppliers	615.7	1,141.6
Loans – Short Term	1,223.1	863.9
Loans - Long term	568.9	1,088.6
Shareholders' Equity	2,456.9	3,327.2

At the end of 2002, Cash & Cash Equivalents amounted to R\$ 2,320.7 million, an increase on the R\$ 1,739.1 million at the end of 2001. As total debt levels remained at similar levels - R\$ 1,792.0 million in 2001 and R\$ 1,952.5 million in 2002 - Embraer ended the year with a net cash position (Cash & Cash Equivalents less total Loans) of R\$ 368.2 million, compared to Net Debt of R\$ 52.9 million at the end of 2001. The balance in the Trade Accounts Receivable account increased by 59.7% between 2001 and 2002, the result of the higher number of aircraft delivered with long term financing contracts still in the finalization phase.

There was also a 19.7% increase in inventory levels, which increased from R\$ 2,371.1 million in 2001, to R\$ 2,837.8 million in 2002. This mainly reflected the prospect of the production start-up of the new EMBRAER 170, whose input materials have a higher unit value, and the beginning of production and delivery of the Legacy. For these reasons, inventory turnover decreased from 2.1 months in 2001, to 1.6 months in 2002.

During 2002, R\$ 52.1 million were invested in machinery, equipment, improvements and installations, particularly at the Gavião Peixoto industrial unit in São Paulo, increasing the balance in the PP&E account to R\$ 929.7 million, up 29.4% compared to the end of 2001.

The higher volume of parts and inputs acquired during the year and delivery time negotiations with partners and suppliers led the suppliers account to increase by 85.4% in relation to 2001, amounting to R\$ 1,141.6 million in December 2002. This contributed to a reduction in the Company's working capital requirements.

Embraer decided to partially hedge its debt, through the swaps of Japanese yen and U.S. dollars denominated debt, linking it to the CDI (inter-bank) rate. Thus, of the total debt in foreign currency of R\$ 1,867.2 million, 51.5% - equivalent to R\$ 962.4 million, became indexed to the CDI rate. Converting these debts to local currency, of the total company debt of R\$ 1,952.4 million, 42.1% or R\$ 821.3 million referred to financing in foreign currency and were subject to the exchange rate variation plus the weighted average interest of 5.2% a year. The remaining R\$ 1,131.1 million, equivalent to 57.9% of total debt, is financed in local currency at a weighted average interest rate of 17.2% a year, equivalent to 83.1% of the CDI rate.

In December 2001, 68.3% of total debt were short term. In December 2002, 44.2% of total debt were short term and 55.8% long term.

Consolidated Highlights - Amounts in R\$ million	2001	2002
Net Cash	(52.9)	368.2
Working Capital	2,018.9	2,993.5
Current Liquidity	1.5	1.5
Asset Ratio	0.9	1.0
Inventory Turnover	2.1	1.6
Asset Turnover	0.9	0.7
ROA	17.1%	12.4%
ROE	55.1%	40.8%

The fact that indebtedness remained at the same level meant that the ratio of Shareholders' Equity to Total Capital (debt plus Shareholders' Equity), increased from 57.8% in 2001 to 63.0% in 2002.

The growth of 43.1% in the Current Assets account, principally in Cash & Cash Equivalents and Inventory, associated with the lower growth in Current Liabilities (39.2%) increased Embraer's working capital to R\$ 974.6 million. However, financial indicators remained stable, with current liquidity remaining at 1.5 for two comparative years. The asset ratio, in turn, increased from 0.9 to 1.0.

The increase in revenues was not sufficient to offset the increase in Assets, which meant the turnover of these assets fell from 0.9 to 0.7 in the year. Return on Assets (ROA), amounted to 12.4%, while Return on Equity (ROE) amounted to 40.8%, higher than the average in the aerospace industry and among industrial Brazilian corporations. The reduction in these indicators was mainly caused by an increase in Assets and Shareholders' Equity, given that the net margin remained at 15.0%.

Economic Value Added

Even with the worsening of the crisis in the aerospace sector, Embraer managed to add value for its shareholders with a positive Economic Value Added of R\$ 491.8 million (see table):

In Million Reais	2001	2002
Total Assets	7,726.2	11,243.4
Self-financed liabilities	5,114.5	7,702.9
Liabilities	2,611.7	3,540.5
Third Party Capital	154.8	213.3
Shareholders' Equity	2,456.9	3,327.2
Total Investments	2,611.7	3,540.5
Net Operational Revenues	6,890.7	7,748.1
Operational Costs & Expenses	(5,356.7)	(6,137.3)
Operating Result	1,534.0	1,610.8
Income Tax and Social Contribution	(486.5)	(430.3)
Cost of Third Party Capital	(15.8)	(236.9)
Tax Benefits	5.4	80.5
Net Result	1,037.1	1,024.1
Cost of Shareholders' Equity	(393.1)	(532.4)
Economic Value Added	644.0	491.7
Econ. Value Added/Total Investments	25%	14%

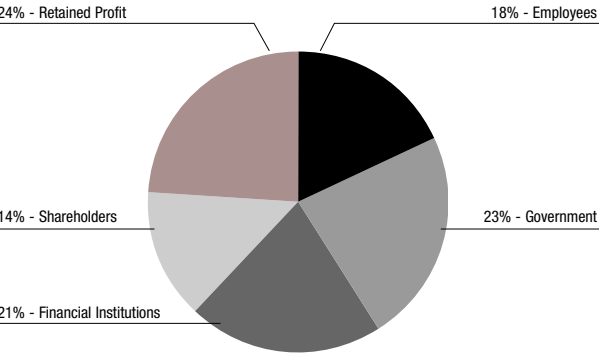
In percentage terms, Economic Value Added in 2002 was down compared to the same period for 2001. This was the result of an increase in the value of operational assets, particularly in inventories and trade accounts receivable.

Value Added Statement

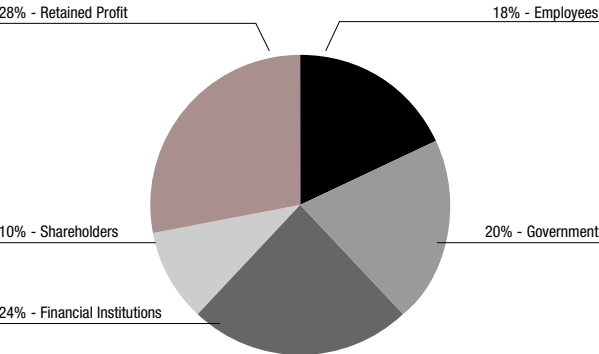
Parent Company - R\$ million	2001	2002
Revenues	6,991.5	7,668.3
Inputs Acquired from Third Parties	4,213.6	4,519.8
Value Added	2,777.9	3,148.5
Retentions	133.8	141.8
Net Value Added Produced	2,644.0	3,006.8
Value Added Received in Transfer	266.6	151.9
Total Value Added for Distribution	2,910.6	3,158.7
Value Added Distribution	2,910.6	3,158.7
Employees	520.4	560.2
Government (taxes, charges, etc.)	666.6	624.2
Financial Institutions (interest and rent)	605.1	772.2
Shareholders	403.9	327.2
Retained Profit	714.6	874.9

The Value Added Statement portrays the social function of the Company and is based on the amounts distributed to the various stakeholders represented by shareholders, employees, financial institutions and government (federal, state and municipal). The value-added has grown constantly, as shown in the results of R\$ 2,910.6 million and R\$ 3,158.7 million recorded in 2001 and 2002, respectively. These figures correspond to 41.6% and 41.2% of revenues generated in these years.

2001



2002



Allocation of Income by the Parent Company

In the financial statements of the year ended December 31, 2002, the Company's Net Income of R\$ 1,202.1 million was allocated in 2002 as follows:

- R\$ 327.2 million, distributed as interest on equity, R\$ 58.9 million for the first quarter; R\$ 59.5 million for the second quarter; R\$ 66.3 million for the third quarter; R\$ 70.0 million for the fourth quarter, and R\$ 72.5 million based on the years 1998 and 1999, added to the compulsory dividends. This amount corresponded to 27% of net income in the year, complying with the minimum obligatory limit of 25% for dividends, as set out in the Company by-laws;
- R\$ 60.1 million to the Legal Reserve, 5% of Net Income, under the terms of Article 193 of Law 6,404/76;
- transfer of the balance of R\$ 814.8 million to Investment and Working Capital Reserves, as set out in the by-laws. Of this amount, R\$ 24,8 thousand were related to dividends prescribed.

Consolidated Financial Statements U.S. GAAP

As part of its disclosure policy, considering the fact that the company is listed on the New York Stock Exchange, below is a summary of the consolidated financial statements according to U.S. GAAP, which have been reviewed by independent auditors.

Consolidated Balance Sheet		
(In '000 dollars)		
ASSET	As of December 31	
	2002	2001
CURRENT ASSETS		
Cash & Cash Equivalent	656,822	749,302
Trade Accounts Receivable, net of provisions for credit and bad debt payments of 25,000 & 23,700	610,583	596,801
Inventories	864,800	1,015,081
Deferred income tax and social contribution	90,014	98,756
Other accounts receivable	242,265	105,408
	2,464,484	2,565,348
NON-CURRENT ASSETS		
Accounts receivable	-	36,021
Inventories	15,518	22,714
Deferred income tax and social contribution	72,827	85,139
Other accounts receivable	621,721	480,722
Property, Plant and Equipment	453,167	366,481
Investments	4,745	4,362
	1,167,978	995,439
TOTAL ASSETS	3,632,462	3,560,787
LIABILITIES & SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Loans	244,526	526,550
Suppliers	323,115	265,593
Customer Advances	409,258	385,265
Contingencies	188,900	117,374
Other accounts payable	427,495	393,081
	1,593,294	1,687,863
LONG TERM LIABILITIES		
Loans	308,111	245,186
Customer Advances	95,625	106,594
Contributions from partners	235,445	143,615
Contingencies	12,314	11,131
Other accounts payable	289,267	337,872
	940,762	844,398
MINORITY INTEREST	8,226	8,170
SHAREHOLDERS' EQUITY	1,090,180	1,020,356
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	3,632,462	3,560,787

Embraer ended the year 2002 with Net Sales of US\$ 2.5 billion, 13.7% lower than in 2001. Gross Margin was relatively stable at 39.4%, as compared to 39.6% in 2001.

SG&A fell during the year, but investments in Research and Development increased by 59.3% (due to the investment in the development of the EMBRAER 170), and so the operating margin dropped from 22.3% in 2001 to 18.6% in 2002.

Consolidated Income Statements for years ending December 2002 and 2001		
(in '000 dollars)		
	2002	2001
NET SALES	2,525,800	2,926,995
Cost of Sales & Services	(1,531,720)	(1,769,234)
GROSS PROFIT	994,080	1,157,761
OPERATING EXPENSES		
General & Administrative	(109,673)	(120,787)
Selling Expenses	(211,013)	(212,057)
Research & Development	(158,617)	(99,566)
Other operating expenses, net	(45,215)	(73,973)
INCOME FROM OPERATIONS	469,562	651,378
Interest Income, net	30,797	69,043
Financial Transaction Loss, net	(85,988)	(170,178)
Other non-operating income (expense), net	(1,394)	(8,426)
INCOME BEFORE INCOME TAX	412,977	541,817
Provision for Income Taxes	(188,502)	(218,394)
Minority Interest	(1,883)	(423)
INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGES	222,592	323,000
ACCUMULATED EFFECT OF ACCOUNTING CHANGE, NET OF TAX	-	5,440
NET INCOME	222,592	328,440

Despite the drop of more than 55% in financial revenues, Financial Transaction Losses were reduced by 49.5% and partially offset the reduction in Net Income, which amounted to US\$ 222.6 million in 2002, 32.2% below 2001 Net Income.

Consolidated Statements of Cash Flows for the years ended December 31, 2002 and 2001

(In '000 dollars)

	2002	2001
CASHFLOW – OPERATIONAL ACTIVITIES:		
Net Income	222,592	328,440
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation & Amortization	55,602	46,417
Provisions	509	6,938
Provision for inventory obsolescence	20,974	12,968
Deferred income and social contribution tax	21,054	41,333
Cumulative effect of accounting change	-	(5,440)
Loss on the disposition of assets	1,119	966
Stock Compensation	-	1,074
Equity in (income) loss from affiliates	(388)	(310)
Accrued interest recorded in loans	22,712	3,731
Minority Interests	1,883	423
Other	(5,839)	(9,351)
	<u>340,218</u>	<u>427,189</u>
Changes in assets and liabilities:	<u>187,470</u>	<u>(738,835)</u>
Net cash provided by (used in) operating activities	527,688	(311,646)
CASH FLOW – INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(151,827)	(143,828)
Others	(68,982)	(112,412)
Net cash used in investing activities	(220,809)	(256,240)
CASH FLOW – FINANCING ACTIVITIES		
Repayment of loans	(1,103,848)	(1,180,601)
Proceeds from borrowings	868,046	1,495,119
Dividends paid	(134,421)	(179,491)
Others	(29,136)	(7,070)
Net cash provided by (used in) financing activities	(399,359)	127,957
Net increase (decrease) in cash and cash equivalents	(92,480)	(439,929)
Cash & cash equivalents at beginning of year	749,302	1,189,231
Cash & cash equivalents at end of year	656,822	749,302

Risk Management

Operational Risks

Embraer transfers its operational risks to the insurance market through the contracting of specific policies with appropriate limits. It can thus weather events, which could otherwise cause damage to society, employees and the assets of the Company and its capacity to generate profits. In the same way, this policy guarantees the obligations assumed through its aircraft sales contracts.

In 2002, Embraer began working on evaluating the risks in its internal controls, prioritizing the contracting and sub-contracting of services and the use of risk partnerships. It also began the complete evaluation of each different function performed by its Enterprise Resource Planning (ERP) system. In this evaluation, advanced and internationally recognized risk management methods were used, whose practice is in accordance with the requirements laid down by Sarbanes-Oxley, section 404, for Brazilian companies listed in the United States.

Financial Risks

The management of financial risk seeks to identify and deal with sudden effects, caused by exchange rate fluctuations and variation in interest rates on the Company's cash flow. To lessen these risks, Embraer makes use of both domestic and international derivatives markets. As part of this management policy, all asset and liability transactions are monitored and measured through value at risk and stress test models.

To offer better financial support for sales and reduce some of the financial risks related to the sale of aircraft, Embraer created a wholly owned subsidiary ECC Leasing Co Ltd. The mission of the new company is to manage and commercialize the portfolio of used aircraft, which through contractual obligations may be acquired by Embraer in trade-in and repurchase transactions. The company also offers “remarketing” services to third parties linked to ongoing sales campaigns. ECC Insurance & Financial Co. Ltd was created as a captive insurance company to cover the payment of potential contingencies related to the financial guarantees offered on certain sales financing.

Capital Markets

The year 2002 was marked by intense market volatility. Significant events in the international aerospace industry, and in Brazil, generated negative impacts, with repercussions on the economic and financial performance of Embraer and the Company's share price.

In the aerospace industry the increasingly competitive environment, together with the continued reduction in the level of air traffic after the terrorist attacks of September 11 2001, resulted in financial losses for the main airlines, particularly in the United States. With two companies filing for bankruptcy protection, there has been a reduction in availability of funds to finance new aircraft, further contributing to a drop in delivery levels for all commercial aircraft manufacturing companies.

In the Brazilian scenario, the presidential elections led to a negative perception in international markets, that widened sovereign risk spreads – country risk – and caused a higher volatility in exchange rate markets. These factors also had repercussions on Embraer's financial expenses and FX-related transactions over the various quarters of 2002.

During the year, the shares of the Company traded on the São Paulo Stock Exchange (Bovespa) outperformed the Bovespa Index, whose performance was negative. The ADSs (American Depositary Shares) traded on the New York Stock Exchange (NYSE) saw a negative performance, but still outperformed the FTSE 100 and S&P 500 indices, but, due to the events that took place within the Brazilian scenario, underperformed the S&P Aerospace Index.

In US\$			
	December 31, 2002	December 31, 2001	% change
S&P 500	879.82	1,148.08	- 45.7%
DJIA	8,341.63	10,021.50	- 16.8%
FTSE 100	3,940.40	7,587.14	- 48.1%
S&P 500 Aerospace Index	194.43	208.39	-6.7%
ERJ (ADS)	15.90	18.99	- 16.3%
In R\$			
Ibovespa	11,268	13,577	- 17.0%
EMBR4 (PN)	14.00	11.32	23.7%
EMBR3 (ON)	12.80	10.73	19.3%

In 2002, an average of 312,000 ADSs were traded per day on the NYSE, equivalent to an average daily volume of US\$ 6 million. These numbers, however, are lower than those registered in the previous year when the average daily volume was around US\$ 9 million, with 380,000 ADSs being traded daily. On the Brazilian stock exchange, the Company's preferred (PN) and ordinary shares (ON), respectively, saw average daily volumes of around 750,000 and 185,000 shares, the equivalent of R\$ 10 million and R\$ 2 million. In 2001, the average daily volume amounted to 441,000 PN (R\$ 6 million) and 317,000 ON (R\$ 4 million).

In 2002, an average of 312,000 ADSs were traded per day on the NYSE, equivalent to an average daily volume of US\$ 6 million. These numbers, however, are lower than those registered in the previous year when the average daily volume was around US\$ 9 million, with 380,000 ADSs being traded daily. On the Brazilian stock exchange,

Year	Total (R\$ million)	Payout	Per share		
			PN	ON	ADS (US\$)
2000	287.7	43.1%	0.57819	0.52567	1.20384
2001	403.9	36.0%	0.68240	0.62035	1.10616
2002	327.2	27.2%	0.47431	0.43121	0.61580

Embraer has constantly held, and participated in, investor events. Of particular note is the Annual Analyst and Investor meeting, held at the Company's headquarters in São José dos Campos and the Annual Results Presentations to investors, analysts and members of the press, which have been held in São Paulo and New York. For the second consecutive year, Embraer was selected to be part of the Dow Jones Sustainability World Index (DJSI), and this year was appointed as the global leader in the aerospace sector. Throughout the world, DJSI selects companies that are outstanding in the economic, environmental and social fields.

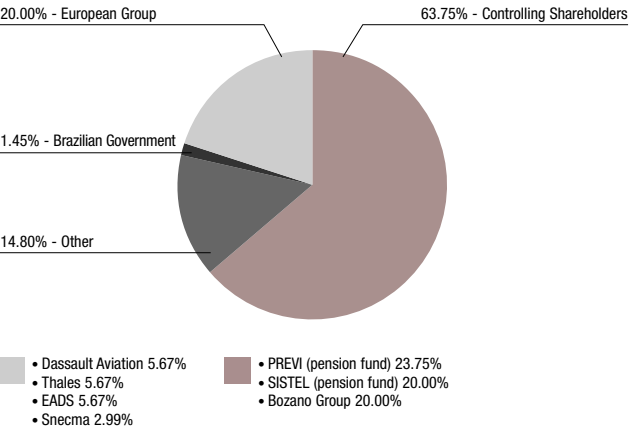
Corporate Governance

Embraer's corporate governance model makes clear distinctions between the responsibilities of the Board of Directors, the Executive Board and the Audit Board (Conselho Fiscal). With 13 members, ten of whom are independent, the Board of Directors meets every three months. Of the three members related directly to the Company, one is the President and CEO, Maurício Botelho, and two are employee representatives. Paulo Cesar de Souza Lucas, appointed by the Embraer Employee Investment Club, represents employee shareholders, while Mario Hipólito Silva was appointed as a result of an election held by the non-shareholder employees.

Of the other members of the Board of Directors, six were appointed by the controlling shareholders: The Bozano Group, the Sistel Foundation and the Previ Foundation. They are: Carlyle Wilson, Vitor Sarquis Hallack, Juarez Martinho Quadros do Nascimento, Fernando Pimentel de Melo, Nélcio Henrique Lima and Andrea Sandro Calabi. There are also two members appointed by the Federal Government – Luiz Felipe P. Lampreia and *Major-Brigadeiro* Reginaldo dos Santos – and two appointed by Thales, EADS, Snecma and Dassault – the European aerospace and defense industry group: Pierre Chouzenoux and Dietrich Russel.

The Audit Board, in turn, was constituted on a permanent basis, conforming to the provisions of article 29 of company by-laws. It has five members, four currently appointed by the controlling shareholders and one by Brazil's Federal Government. Every two months the group meets to evaluate the financial statements and discuss their composition.

Shareholder Breakdown



Stock Option Plan

As an instrument to motivate and retain professionals, since 1998 Embraer has maintained a preferred share option plan for its executives. The preferred shares are offered as long-term compensation packages linked to results and performance, in such a way as to combine the interests of the Company with those of shareholders. The plan makes provisions for the granting of up to 25 million preferred shares, with an exercise price based on the weighted average price of the preferred shares quoted on the São Paulo Stock Exchange (Bovespa) in the 60 trading days prior to the options being granted. The options granted will vest as follows: 30% after three years from the date granted, an additional 30% after four years and the remaining 40% after five years.

An administrative committee composed of three non-beneficiary members, who are designated by the Board of Directors, manages the option plan. They select the professionals, which will take part in the plan, approve the quantity of option share lots, their exercise price and the conditions to be met before the options can be exercised.

Since 1998, 20 million preferred shares have been granted. Of this total, 335,000 have been cancelled due to executives leaving the Company and 7.2 million options have been exercised. There is still a remaining balance of 5 million shares, which can be granted.

With the aim of establishing rules and procedures to avoid insider trading, Embraer has formulated a Trading Policy for its shares and options, for executives who have access to material information.

Embraer’s Material Information Policy conforms to the rules established by Instruction 358 of the Brazilian Securities Commission (CVM), and defines the time and the person responsible for the announcement of material information, in order to guarantee a timely, homogeneous and wide disclosure by Embraer.

Strategy and Management Model

The Board of Directors and the Executive Board have a unified mandate of three years. The main function of the Board of Directors is to define the long-term goals for Embraer, which must be reached based on the strategy and Action Plan formulated by the Executive Board. This Plan is the central tool used to communicate across the organization how the scenario and the industry are perceived and what the Company’s strategic objectives are. It is designed to ensure the alignment of employees and their commitment to the results expected of them.

With a five-year outlook, the Action Plan is formulated annually, following a strategic planning model, which takes into account the market, the Company’s competitors, the core skills of the Company and the potential risks. Based on this evaluation and the objectives defined by the Board of Directors, goals are established which must be met according to the priorities defined in the evaluation phase.

New Organizational Structure

With the objective of optimizing the organizational structure of the Company to meet a new growth phase – depicted by the maturity and the expansion of the product lines in the Commercial, Corporate and Defense market segments –, at the beginning of 2003, the Board of Directors and the Executive Board defined a new organizational structure, which encompassed the following:

- The creation of a New Business Development Committee, consisting of the President and the Executive Vice Presidents, to discuss the long-term development of Embraer and evaluate growth alternatives;
- Consolidation of the Commercial Aviation and Corporate Aviation areas which will become known as the Civil Aviation area;
- Division of the industrial activity into two new areas, Industrial Operations and Product Development;
- The separation of Customer Service activities related to the Civil and Defense markets, in such a way as to seek closer contact with the client as part of the total care solution concept.



Management

Board of Directors

CARLYLE WILSON
Chairman of the Board of Directors

NÉLIO HENRIQUES LIMA
Vice Chairman of the Board of Directors

ANDREA SANDRO CALABI

DIETRICH RUSSEL

FERNANDO ANTONIO PIMENTEL DE MELO

JUARez MARTINHO QUADROS DO NASCIMENTO

LUIZ FELIPE PEREIRA LAMPREIA

MARIO HIPÓLITO SILVA

MAURÍCIO NOVIS BOTELHO

PAULO CESAR DE SOUZA LUCAS

PIERRE CHOUZENOUx (*)

TEN.-BRIG.-DO-AR REGINALDO DOS SANTOS

VITOR SARQUIS HALLACK

Executive Officers

MAURÍCIO NOVIS BOTELHO
President and CEO

ANTONIO LUIZ PIZARRO MANSo
Executive Vice President - Corporate Administration and Investor Relations

FREDERICO PINHEIRO FLEURY CURADO
Executive Vice President - Civil Aviation Market

HORACIO ARAGONÉS FORJAZ
Executive Vice President - Corporate Communications

ROMUALDO MONTEIRO DE BARROS
Executive Vice President - Defense Market

SATOSHI YOKOTA
Executive Vice President - Corporate Development and Industrial Affairs

CARLOS ROCHA VILLELA
Senior Vice President - Legal Affairs

Obs.: Reflects positions as of March 2003
(*) until February 2003

Officers

ANTÔNIO PIRES MONTEIRO
Senior Vice President - Corporate Aviation Market

ARTUR APARECIDO VALÉRIO COUTINHO
Senior Vice President - U.S.A , Canada and Caribbean Civil Aviation Market

FLÁVIO RÍMOLI
Senior Vice President - Commercial Aviation Market

HENRIQUE COSTA RZEZINSKI
Senior Vice President - External Relations

IRAJÁ BUCH RIBAS
Senior Vice President - Product Support Civil Aviation Market

LADISLAU CID
Senior Vice President - Corporate Quality and Organization

LUÍS CARLOS AFFONSO
Senior Vice President - Engineering and New Product Development

LUIZ FUCHS
Senior Vice President - Europe, Africa and Middle East Civil Aviation Market

PAULO CÉSAR DE SOUZA E SILVA
Senior Vice President - Sales Financing and Asset Management

ROGÉRIO TEPERMAN
Senior Vice President - Procurement and Industrial Operations

SAMUEL DWIGHT HILL (*)
Senior Vice President - Corporate Aviation Market

Directors of Subsidiary or Affiliated Companies

GARY JOHN SPULAK
President - EAH - Embraer Aircraft Holding

LUIZ CLÁUDIO SIGAUD FERRAZ
President - ELEB - Embraer Liebherr Equipamentos do Brasil S.A.

PAULO URBANAVICIUS
Director of Indústria Aeronáutica Neiva S.A.

Directors

ADELINO GOMES CARDOSO
Director - Domestic Business - Defense Market

ALMIR MIGUEL BORGES
Director - Manufacturing

ANDERSON MARKIEWICZ
Director - Latin America
Civil Aviation Market

ANTONIO CARLOS VIEIRA VICTORAZZO
Director - Product Quality and Integrity

ANTONIO JÚLIO FRANCO
Director - Human Resources

ANTONIO MARTINI NETO
Director - Fleet Support

ÁUREO VERDI LEAL
Director - Aerochain

BRUCE PEDDLE
Director - Asia and Pacific
Civil Aviation Market

CLÁUDIO AUGUSTO JOAQUIM MOREIRA
Director - Strategic Relations - Defense Market

CYNTHIA MARCONDES FERREIRA BENEDETTO
Director - Financial Management

DAVID SCOTT KALISTER
Director - Corporate Aviation Market

EDSON CARLOS MALLACO
Director - Customer Services - Civil Aviation Market

EDUARDO BONINI SANTOS PINTO
Director - Programs - Commercial Aviation Market

EDUARDO MUNHÓS DE CAMPOS
Director - International Business - Defense Market

EMÍLIO KAZUNOLI MATSUO
Director - Engineering

ERNEST SALVATORE FINO
Director - External Relations - U.S.A.

FERNANDO RANIERI
Director - Serial Product Engineering
and Technical Support

FRANCISCO HORÁCIO BENTO DE MELLO
Director - Institutional Relations - Brazil

GRACILIANO CAMPOS
Director - Marketing Services

GUAN DONG YUANG
Director - China - Civil Aviation Market

HERMANN PONTE E SILVA
Director - Corporate Planning

IAN FRASER MONTGOMERIE
Director - Programs - Corporate Aviation Market

JOHN R. DOYLE
Director - Sales & Marketing - Belgium, Ireland, United
Kingdom,Turkey and Switzerland - Commercial Aviation Market

JOSÉ EDUARDO CAMPOS
Director - Corporate Security

JOSÉ LUIS D'AVILA MOLINA
Director - Contracts - Commercial Aviation Market

JOSÉ RENATO OLIVEIRA MELO
Director - Advanced Projects

LUÍS ANTONIO HERNANDEZ GONZALEZ
Director - Defense Programs - Defense Market

LUIZ SÉRGIO CARDOSO DE OLIVEIRA
Director - Social Development

MARCELO BOTELHO RODRIGUES
Director - Controller

MARK PAUL HALE
Director - Sales & Marketing
Commercial Aviation Market

ORLANDO JOSÉ FERREIRA NETO
Director - Market Intelligence
Commercial Aviation Market

OTÁVIO ERNESTO
Director - Logistic Support

PAULO MARCHIOTO
Director - Planning and Logistics

RICARDO MARCELO BESTER
Director - Customer and Product Support
Defense Market

ROBERT ADAIR DAVIS
Director - Maintenance Services

ROBERTO RIBEIRO SANTOS
Director - Infrastructure

ROSANA DIAS
Director - Communications

SÉRGIO MAURO DE MORAES REGO COSTA
Director - Test Programs

WAGNER LAPA PINHEIRO
Director - Information Technology

Obs.: Reflects positions as of March 2003

Shareholder Information

Ownership Structure

Class	Number of Shares	% of Stock Capital
Common	242,544,448	34.02%
Preferred	470,429,907	65.98%
Total	712,974,355	100.00%

Shares Traded

In Brazil	In the USA
Embraer shares are listed on the São Paulo Stock Exchange (Bovespa) under code EMBR3 (common shares) and EMBR4 (preferred shares)	Embraer is listed on the New York Stock Exchange through an ADR Level Three Program, under code ERJ. Each Embraer ADS is equivalent to four preferred shares

Depository Banks

In Brazil	In the USA
Banco Itaú S.A. Rua Boa Vista, 185 – 2º Andar 01014-001 – São Paulo – SP Brazil	JP Morgan One Chase Manhattan Plaza, 40 th floor 10.081- New York, NY USA

Investor Relations Department

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Phone.: +55 (12) 3927-1216 - Fax: +55 (12) 3922-6070 - mercapit@embraer.com.br

Contacts: Anna Cecília Bettencourt, Gustavo Poppe, Milene Petrelluzzi and Paulo Ferreira

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

Embraer

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Embraer - Singapore

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ELEB

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