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Embraer Outlook

The origins of Empresa Brasileira de Aeronáutica S.A. date back to the 1940s, when the Brazilian federal government launched a long-term strategic project to develop the country's aircraft manufacturing capabilities.

Specifically, the project concept emerged from the need for a solid technical base that could relieve Brazil's dependence on the technology of more advanced countries. Efforts to generate an aeronautical industry in Brazil were to begin with the creation of a high-level engineering school and a research-and-development institute, located together at a fully equipped technical center.

Thus, the Aeronautical Technical Center, now known as Aerospace Technical Center (Centro Técnico Aeroespacial - CTA), was established in 1946 in São José dos Campos, followed in 1950 by the Aeronautic Technological Institute (Instituto Tecnológico de Aeronáutica - ITA) and, in 1953, the Research and Development Institute (Instituto de Pesquisa e Desenvolvimento - IPD).

Beginning in the 1950s, a number of experimental aircraft development programs were conducted at the CTA, including programs for the Convertiplano, the Beija-flor helicopter, and the Bandeirante turboprop. Started in 1965 under the program name IPD-6504, work on the Bandeirante project led to the establishment of Embraer on August 19, 1969. Supported by the Brazilian government, the new company would transform science and technology pioneered by the CTA into engineering and industrial capacity.

In addition to the Bandeirante, which was entirely redesigned in order to be produced in series as the EMB 110, the Brazilian government commissioned Embraer to manufacture, under a license agreement with Italian company Aermacchi, an advanced training and ground attack fighter – the EMB 326 Xavante. Other achievements that marked Embraer's initial efforts were

the high-performance glider EMB 400 Urupema and the EMB 200 Ipanema crop-duster airplane.

Embraer began to penetrate the international market in 1974 by exporting the EMB 110 Bandeirante and EMB 200 Ipanema aircraft. The EMB 121 Xingu, the Company's first pressurized aircraft design, was launched in 1976.

In the late 1970s, the development of new products enabled the Company to reach a new technological and industrial threshold. These offerings included the EMB 312 Tucano, the EMB 120 Brasília, and the AMX program, the latter in association with Aeritalia (now Alenia) and Aermacchi.

A widespread financial crisis in the early 1990s, however, led the Company to considerably reduce its workforce, abandon the CBA 123 Vector project, and delay the development of the ERJ 145, actions culminating in the privatization of the Company in 1994.

Privatization for Embraer meant a deep cultural transformation process in which the engineering and industrially oriented culture predominating in the state-owned years was merged with a new entrepreneurial and administratively oriented culture brought by the new controlling shareholders.

As a result, the Company was able not only to completely recover, but to embark on a new expansion process, primarily driven by the ERJ 145 family project. In the following years, by launching the EMBRAER 170/190 family and the Legacy Executive airplane, as well as Intelligence, Surveillance and Reconnaissance (ISR) products and the ALX/Super Tucano project, Embraer significantly increased its aeronautical market share, resulting in growing revenues in diversified marketplaces.

Since 1995, one year after being privatized, Embraer has exported US\$ 20 billion in products and services, having been the largest Brazilian exporter from 1999 to 2001. During this 10-year period, the Company accounted for US\$ 8 billion of the country's trade balance.

In more recent years, a number of important events have occurred that have consolidated the company's prosperous and sustainable economic and social development, such as the entry into service of the new EMBRAER 170/190 family of commercial jets, in a program that has required investments of approximately US\$ 1 billion; the confirmation of Embraer's commitment to the Executive Aviation Market with the launch of new products such as the Phenom 100 and the Phenom 300 executive jets; and the expansion of Embraer's presence in the Aeronautical Services Market with its acquisition of specialized MRO companies, such as OGMA-Indústria Aeronáutica de Portugal.

In accordance with the requirements and characteristics of a highly sophisticated aviation industry, Embraer's management is based on five cornerstones: high technology, qualified personnel, global presence, flexibility, and cash intensiveness – geared to delivering the permanent and complete customer

satisfaction in which the Company continually invests. Customer satisfaction drives Embraer's results, enabling the accomplishment of its main goal: to generate value for its shareholders.

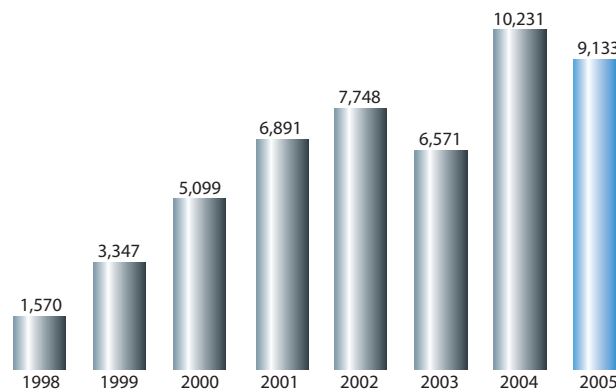
Based in the city of São José dos Campos, in the state of São Paulo, nearly 60 miles from the city of São Paulo, Embraer has five plants in Brazil in three different locations in that state, as well as subsidiaries, offices, technical assistance and supply parts distribution centers in China, Singapore, the United States, France and Portugal, together representing, in December of 2005, a workforce of more than 16,900 employees. In 2003, Embraer launched operations at its facility in Harbin in northeast China, the first Embraer plant located outside Brazil.

Today, Embraer aircraft fly in all the skies of the world, serving operators in 65 countries on five continents. The Company contributes to a smaller world through aviation by shrinking the distance between nations and providing aircraft featuring state-of-the-art technology, versatility and passenger comfort.

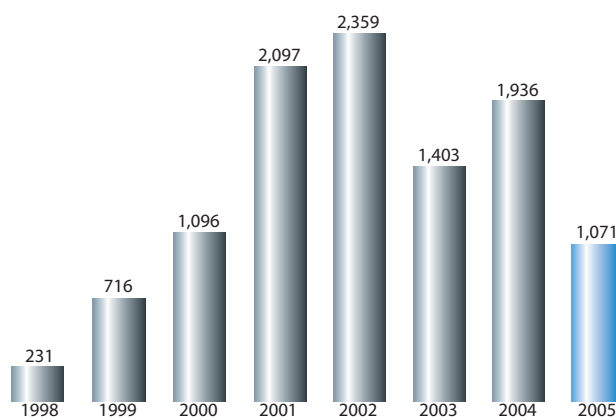


Financial Highlights

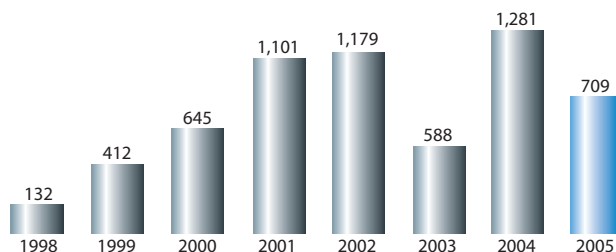
Gross Revenue – R\$ million



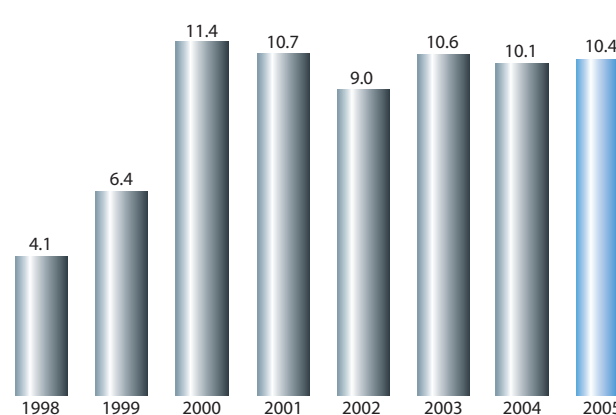
EBITDA – R\$ million



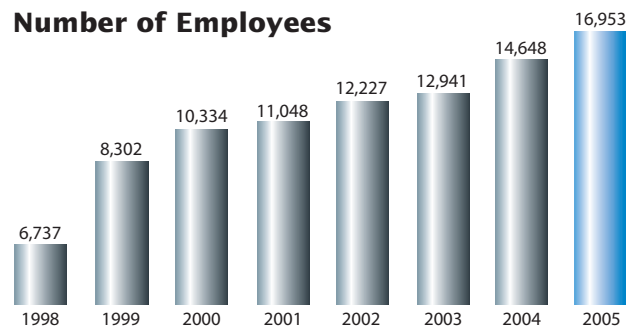
Net Income – R\$ million



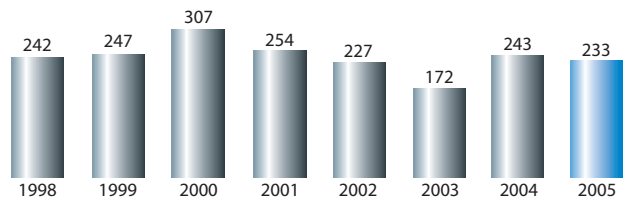
Firm Orders Backlog – US\$ billion



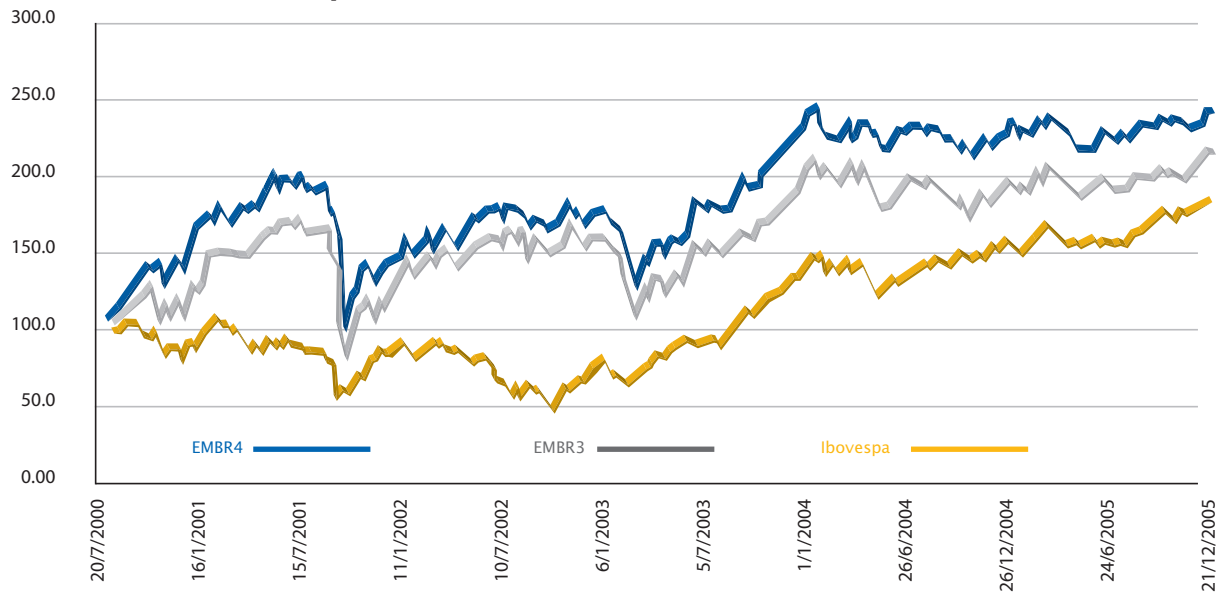
Number of Employees



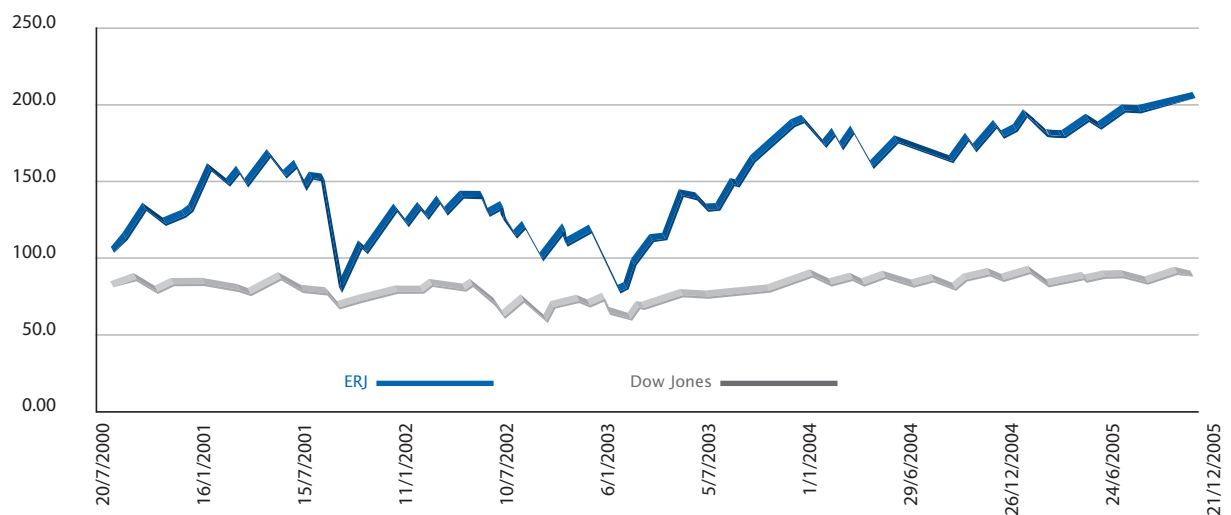
Revenue per Employee – US\$ thousand



ON and PN Ibovespa Performance 7/21/2000 = 100



ADS and Dow Jones Performance 7/21/2000 = 100



Embraer Profile



Business Definition

The business of Embraer is to provide its customers in the Commercial and Defense Aerospace Markets with competitive and innovative high-technology solutions, fully satisfying their needs, maximizing shareholder returns, and fostering the development of the Company's employees and the communities wherein it operates.

Aviation Business Characteristics

Few world industries face so daunting a combination of challenges as the aviation industry – from the simultaneous application of multiple state-of-the-art technologies and the need for highly qualified workers to meet the requirements of a truly global industry, to the flexibility that is critical to survival and the high amounts of capital required.

As a result of stringent operational requirements, extreme environmental variations, and weight and volume restrictions, the aeronautical industry is known as a veritable laboratory for the development of new technologies that later find their way into other productive segments and activities. Complex and sophisticated technologies are present not only in the products themselves, but also in the development and manufacturing methods and processes.

In order to effectively and productively put these groundbreaking technologies into practice, dependable highly qualified personnel at all company levels becomes of crucial importance.

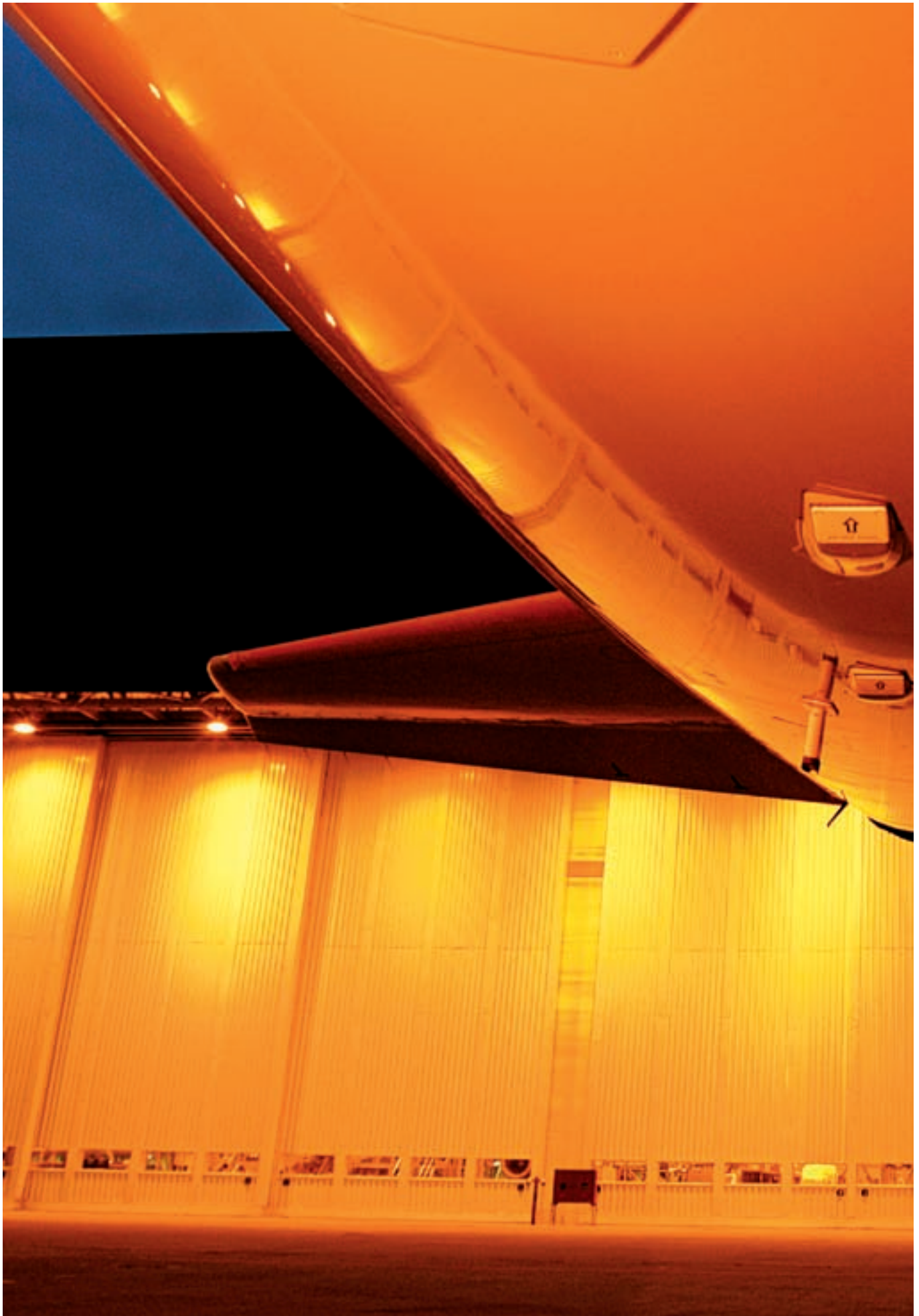
Owing to low production volumes and hefty costs, the aeronautical industry is, for all practical purposes, an exporting and global activity reflected not only in its customer base, but also its partner and supplier bases, including the financial institutions that make the industry viable.

Sudden scenario changes affecting the economy and the global geopolitical order are immediately reflected in the aeronautical industry. Flexibility in adapting to these changes, with minimum loss of efficiency and costs, is a crucial asset in ensuring continuity and preservation.

Ultimately, all these characteristics, together with the long cycles required to develop and test its products, force the aerospace industry to depend heavily on large capital infusions.

Embraer's Vision

Embraer will continue to be one of the leading global forces in the Aeronautical and Defense Markets, the leader in its segments, and a company renowned for the excellence of its entrepreneurial activities.



Embraer

in the World



Corporate Strategy



Embraer's strategies are based on its vision of Business continuity and growth, as well as on the continuous practice and improvement of a set of beliefs, values, and attitudes that are the core of its Corporate Culture.

BUSINESS ENTREPRENEURIAL DRIVERS

Growth and Continuance

Creating and maintaining conditions to ensure Embraer's growth and continuance is an ongoing business strategy and a permanent focus of attention.

In line with this objective, in 2005 the Company designed and began to implement a capital restructure operation that will greatly impact its future, turning Embraer into the first major Brazilian organization to adopt dispersed share ownership.

Among the several benefits for the Company and shareholders, this initiative will allow the use of Embraer's shares to acquire assets and expand its international presence, strengthening management relations with the shareholders with the adoption of better corporate governance practices, as well as maintaining and preserving the Brazilian government's Golden Share strategic rights.

Going Global

Aware that its effective penetration in new markets, which are essential for the Company's growth and consolidation, will not be possible without establishing a physical presence in these markets, including industrial units, after-sale services and customer support services, Embraer has adopted the continuous globalization of its operations as an essential strategic goal.

Important steps towards Embraer's progressive and strategic globalization efforts included the formation, in 2003, of Harbin Embraer Aircraft Industry (HEAI), a joint-venture company between Embraer and Aviation Industry of China (AVIC II) and more recently, in 2005,

the acquisition of OGMA – Indústria Aeronáutica de Portugal, and the start of construction of new aircraft maintenance facilities in Nashville, USA.

Growing Presence in Strategic Markets

Embraer's expansion, with the launch of new products and a strong presence in the segments in which it operates, results from thorough analyses of market opportunities and return on investment and is an essential aspect of its business strategy.

The Company will focus its efforts on the Executive Aviation Market, which is expected to reach US\$ 144 billion in the next ten years.

Industrial Partnerships

Successful industrial partnerships have been one of the Company's key growth factors throughout its history. Therefore, the establishment and consolidation of partnerships is vital for the success of future Embraer programs.

Embraer will continue to seek new global partnerships with leading companies in their segments based on flexible schemes oriented to risk-sharing and business results.

VALUES AND ATTITUDES

Ethics and Compliance with Laws

Embraer is committed to an ethical conduct and total compliance with legal regulations in the countries in which it operates and in its relations with customers, shareholders, suppliers, service providers, competitors, and employees.

Customer Satisfaction

Customer satisfaction is the driving force behind product development, production, and support with the high quality, performance and cost-effectiveness customers have come to expect.

Customer satisfaction is the common goal pursued by the organizations and teams that comprise Embraer. The Company is fully aware that customer satisfaction is the source of its results and returns on shareholder investments, as well as the cornerstone of future Company growth.

Transparent Shareholder Relations

Aware of its responsibility to those who believed in the Company, supported its business visions and invested their resources, Embraer maintains shareholder relations based on truthful and transparent communication and on Corporate Governance best practices.

Recognizing the Employees

Embraer is aware that its employees – skilled, integrated, motivated people united around our corporate objectives – are the Company's most important assets and competitive edge, as well as the source of its outstanding results over the past decade.

In the past five years, Embraer invested about US\$ 100 million in personnel training and qualification programs. Personnel qualification and development will continue to be one of the Company's major priorities, based on truthful and transparent communication as the main tool to integrate and unite employees.

Negotiation and Sharing of Results

Embraer's Variable Remuneration Policy is a true partnership among the shareholders, management and employees that helps increase productivity and ensure the alignment of the Company's and the employees' strategic goals.

Through this policy, Company results are shared among its employees in accordance with a clear and familiar rule that includes, among other things, the accomplishment of goals agreed on between the leaders and their teams for each year.

Social Responsibility

Committed to sustainable growth, Embraer has implemented measures to preserve the environment and the health and quality of life of its employees and their families, as well as the development of the communities in which the Company operates.

Message from the President



The year 2005 and the first months of 2006 were marked by events related to the creation of the basis of our Company's sustained growth and continuity. The most important of these events was undoubtedly Embraer's capital restructure of March 31st 2006, turning it into the first major Brazilian company to adopt dispersed share ownership. This, which I believe is Embraer's most important change since its privatization, expands the possibilities for obtaining resources to support the development of the Company's growth programs, as well as strengthens the management and its relations with Shareholders with the adoption of corporate governance best practices.

Embraer qualifies for better finance conditions after receiving an "Investment Grade" rating from two of the world's largest and most renowned risk classification agencies: Moody's Investor Service in December 2005, and Standard & Poor's in January 2006. This risk rating will certainly contribute to reducing the cost of capital and creating Shareholder value in the long term.

These facts, together with measures taken and results obtained in 2005, allow us to say that we are striding towards the future. Our actions and attitudes are always guided by our belief that the success in our business stands on five pillars – technology, people, global presence, cash, and flexibility. Understanding and meeting the needs of our Customers is an essential condition for producing continuous results.

Certification of the EMBRAER 190 and significant sales of EMBRAER 170/190 family of jets were decisive in consolidating the presence of the Embraer E-Jets in Commercial Aviation Markets in North America, Central America, and Europe, as well as its penetration in the Middle East, India, and China. These are new Clients in promising markets that are important to Embraer.

In 2005, we surpassed 900 ERJ 145 family deliveries to global market customers, with distinctive customer service and excellent 99.7% average dispatchability, confirming the tremendous success of these jets, which have helped drive Embraer's growth. In addition to its success in Commercial Aviation, this platform was effectively used as a base for the creation of products for the Executive Aviation and Defense and Government Markets.

Also, we defined Executive Aviation as a strategic growth segment for Embraer, considering that, following the introduction of the Legacy and the many lessons learned, the Company today masters the essential characteristics of this business.

We have taken an important step towards consolidating our presence in the Executive Aviation Market by launching the Phenom 100 and Phenom 300, our newest family of light jets distinguished by their spacious cabin size, comfort and exceptional performance, which give these jets an unbeatable competitive edge.

We were pleased to see extensive market acceptance of the Legacy, with more than 60 units sold in more than 15 countries. Launched in 2000, the Legacy was renamed Legacy 600 in 2005, to align with Embraer's new executive jet branding standards.

We are currently engaged in constructing a global service base, expanding our existing network to ensure total service to our Executive Aviation Customers.

Our Defense and Government area celebrated delivery of the first modernized F-5 fighters to the Brazilian Air Force (FAB), in addition to 24 Super Tucanos. FAB's acquisition of the Super Tucano reflects our strong partnership with Brazil's Aeronautical Command and the Ministry of Defense, which has contributed to the international career of this multi-mission aircraft including a sales contract with the Colombian Air Force for 25 Super Tucanos signed in December 2005. Today, the aircraft is being evaluated by air forces worldwide.

On the other hand, we were disappointed with the FAB's cancellation of the F-X BR Program. We believe this program is essential to boosting our technological capabilities and we will continue to pursue opportunities in this segment.

The cancellation of the United States Army and Navy Aerial Common Sensor (ACS) program was also a disappointment. However, we believe the experience we acquired, along with the high visibility and positive perception generated toward the market, certainly enable us to seek new opportunities with more favorable conditions than the ones we had when we took part in this program's bidding process.

We aim to support the growing number of Embraer aircraft in fleets worldwide, as well as offer our Customers maintenance services for other brands of aircraft. To support this goal, Embraer has increased investments in the Services area with the acquisition of OGMA – Indústria Aeronáutica de Portugal, thus expanding our presence in Europe. We also have expanded our maintenance operations at the Nashville unit in the United States.

The growth and complexity of our business units call for ongoing attention and adaptation of our organizational structure.

To this end, in 2005 we conducted a judicious organizational structure review in order to enhance our operational efficiency and effectiveness, streamline decision-making processes, and improve communication. As a result, we have become closer to our Customers and have stepped up our actions.

All these initiatives are conducted by a highly motivated team, committed to the Company's goals. We are focused on continuous personnel training. Training and development programs, student grants, formation of new leaders and, particularly, the Engineering Specialization Program, which has graduated 540 master engineers since 2001, attest to our Company stance. Continuous employee training and formation of new leaders are important factors in the sustained growth of our Company in the future.

Education is a priority in all of Embraer's social initiatives. In 2005, Engineer Juarez Wanderley High School, a secondary school supported by the Embraer Education and Research Institute, was classified as one of the best schools in the country by a Ministry of Education evaluation. The school's 2005 graduates reached an excellent 95% success rate in university entry exams. These results confirm our belief that high-quality education generates valuable results and is one of the major factors in the development and transformation of our country.

The results of our operations, according to Corporate Law criteria, were strongly affected by the appreciation of the real exchange rate against the dollar. Our net

revenue reached R\$ 9,133.3 million, a 10.7% reduction compared to 2004, with a gross margin of 23.7%. Net profit was R\$ 708.9 million, 44.7% down from 2004, whereas the net margin was 7.8%.

According to US GAAP criteria, net revenue reached US\$ 3,829.9 million, showing a 11.3% growth over 2004, with a gross margin of 30.2%, whereas net profit reached US\$ 445.7 million, representing a net margin of 11.6%.

According to US GAAP criteria, 2005 net revenue and net profit are historical records for the Company.

The initiatives highlighted above and their results, as well as the figures and information contained in this report, provide a clear demonstration of Embraer's solidity and its capacity, talent, and competence in overcoming the challenges lying ahead.

For the future, our vision and our efforts are committed to growing and generating results for our Shareholders.

It is my strongly held belief that we have created the foundation necessary for Embraer to pursue a successful future, orienting our initiatives and creativity towards building value for our Shareholders, fulfilling the needs of our Customers, the source of our results, and promoting the sustainable development of the regions in which we operate.

Let's move forward!



Mauricio Botelho
Maurício Botelho
President and CEO

Products

Commercial Aviation Market



EMBRAER 170

Capacity: 70 to 78 seats
Range: 2,000 nm (3,706 km)



EMBRAER 175

Capacity: 78 to 86 seats
Range: 1,900 nm (3,521 km)



EMBRAER 190

Capacity: 98 to 106 seats
Range: 2,300 nm (4,262 km)



EMBRAER 195

Capacity: 108 to 118 seats
Range: 2,100 nm (3,892 km)



ERJ 135

Capacity: 37 seats
Range: 1,750 nm (3,241 km)



ERJ 140

Capacity: 44 seats
Range: 1,650 nm (3,056 km)



ERJ 145

Capacity: 50 seats
Range: 1,550 nm (2,871 km)



ERJ 145 XR

Capacity: 50 seats
Range: 2,000 nm (3,704 km)

Defense and Government Market



Super Tucano

Mission: Training and Light Attack



AMX

Mission: Ground Attack



EMB 145 AEW&C

Mission: Airborne Early Warning and Control



EMB 145 RS/AGS

Mission: Remote Sensing, Air-to-Ground Surveillance



P-99

Mission: Maritime Patrol and Anti-Submarine Warfare

Executive Aviation Market



Legacy 600

Capacity: 10 to 16 seats
Range: 3,250 nm (6,019 km)
Category: Super Mid-Size



Legacy Shuttle

Capacity: 16 to 19 seats
Range: 1,910 nm (3,537 km)



Phenom 300

Capacity: 8 to 9 occupants
Range: 1,800 nm (3,334 km)
Category: Light



Phenom 100

Capacity: 6 to 8 occupants
Range: 1,160 nm (2,148 km)
Category: Very Light

Agricultural Aviation Market



EMB 202 Ipanema

Fuel: Ethanol
Hopper's Capacity: 251 gallons (950 liters)

Month by Month



JANUARY

- Embraer 170, Embraer 175, Embraer 190 and Embraer 195, the four members of the Embraer 170/190 jet family, fly together for the first time.



- Republic Airways Holdings orders 16 Embraer 170s, which will fly under the colors of Delta Air Lines as a Delta Connection carrier, raising the number of firm orders for this aircraft to 39.

- Embraer announces new Advanced Range (AR) versions of the Embraer 190 and Embraer 195 featuring an additional 300 nautical miles (nm) range, increasing operational flexibility for customers. JetBlue, the launch customer for the Embraer 190, is also the first operator to opt for the new AR version, converting its original order of 100 firm aircraft plus 100 options from Long Range into Advanced Range.

- Embraer announces the expansion of its Nashville, Tennessee, maintenance operations to meet the growing demand for full-service aircraft maintenance in the United States. To this end, Embraer Aircraft Maintenance Services (EAMS), an Embraer subsidiary, will build a new 70,000-square-foot facility at Nashville International Airport (BNA) to add capacity for maintenance services.

- Embraer participates in the 2005 Aero India air show, an event organized by the Defense Exhibition Organization of the government of India and traditionally held at the Air Force Station Yelahanka, a training base for pilots of the Indian Air Force and Navy, in the city of Bangalore.

FEBRUARY

- Embraer signs a Memorandum Of Understanding with the Indian Defense, Research and Development Organization (DRDO) to support the Indian Air Force new Airborne Early Warning & Control (AEW&C) system development.

- Embraer's Super Tucano advanced trainer and light attack turboprop and the Intelligence, Surveillance and Reconnaissance (ISR) family of aircraft are the highlight of the 8th annual International Defense Exhibition and Conference (IDEX), held annually in Abu Dhabi, United Arab Emirates.



- Embraer delivers the 900th ERJ 145 family jet, an ERJ 135, which will operate under the colors of Luxair Airlines of Luxembourg.

MARCH

- Embraer takes part in the 6th Heavy Maintenance Forum (HMF), held in Basel, Switzerland. The HMF was created by airlines operating jets of the ERJ 145 family to promote implementation and sharing of best maintenance practices and has total Embraer support.

- The ethanol-powered Ipanema is showcased at Expodireto Contrijal, one of Brazil's major crop- and livestock-raising shows.

- Government commerce authorities from Portugal, Germany and Italy approve the acquisition of OGMA – Indústria Aeronáutica de Portugal S.A. by a consortium formed by Embraer and the European Aeronautic Defense and Space Company (EADS).

- Embraer and Chautauqua Airlines announce an agreement to manage and streamline the company's spare parts inventory using the Embraer Collaborative Inventory Planning (ECIP) program. The program shortens delivery times for contracted parts and establishes a baseline for carriers to better manage costs.



- Indústria Aeronáutica Neiva, a wholly owned Embraer subsidiary, delivers the 1000th Ipanema, the first crop duster ever to fly on ethanol as fuel. The company's ethanol-powered Ipanema received type certification to fly with this type of fuel, which is extracted from sugar cane, in October 2004 from the Brazilian certification authority Centro Técnico Aeroespacial (CTA).

- Harbin Embraer Aircraft Industry (HEAI), a joint-venture company between Embraer and Chinese company AVIC II, receives an order for five ERJ 145s from China Eastern Airlines.

- The Legacy Executive jet receives certification from the aviation authorities in Brazil, the U.S. and Europe to raise its service ceiling to 41,000 feet (12,500 meters), allowing Legacy operators to take advantage of less congested airways, for faster and more enjoyable flights.

- Embraer names Boutsen Aviation as its authorized executive jet sales representative in Europe.

- Embraer attends the Latin America Business Aviation Conference and Exhibition (LABACE), Latin America's largest executive aviation trade show, held in São Paulo and introduces its new Vice-President for the Executive Aviation Market, Luís Carlos Affonso.

APRIL

- The first group of graduates from the Engineer Juarez Wanderley High School, supported by the Embraer Education and Research Institute, obtain an 82% approval rate in entrance exams for public and private universities.

- Embraer attends Aeroexpo international trade show in Mexico, where three ISR family jets and five ERJ 145s are in operation, the latter under the colors of Aerolitoral airlines.

- Air One Feeder Airline Ltd., a recently founded airline based in Bangalore, will be the first Indian airline to operate a 50-seat ERJ 145. Two ERJ 145s are poised to enter revenue service in the second half of 2005.

- Embraer names Naturelink as its authorized executive jet sales representative in sub-Saharan Africa, including southern African states.

- Embraer Customer Training Center awarded Regulamento Brasileiro de Habilitação Aeronáutica 142 (similar to FAA FAR 142 Certification) by Brazil's Civil Aviation Department (DAC).

- Ecuadorian airline TAME signs purchase contract for three EMBRAER 170/190 jets, with deliveries to take place in 2005.

- Ethanol-powered Ipanema is shown at Agrishow, the most important Brazilian agricultural trade show held in Rondonópolis, state of Mato Grosso.

- Saudi Arabian Airlines announces a firm order for 15 EMBRAER 170s, becoming Embraer's first customer of the type in the Middle East.
- Embraer attends Latin America Aero & Defense (LAAD), Latin America's largest defense aviation event, held in Rio de Janeiro.
- Embraer and the Rio de Janeiro Aerospace Museum (MUSAL) inaugurate two new halls of the museum, as a result of an agreement signed in August 2002 through which Embraer invested R\$ 1,359 thousand to renovate and expand the exhibits of the largest aerospace museum in the Southern Hemisphere.

MAY

- Embraer announces at an event held in Washington, USA, the introduction of two new products for the Executive Aviation Market: the Very Light Jet (VLJ) and the Light Jet (LJ). The announcement follows the restructuring of Embraer's Executive Aviation team and reflects Embraer's firm commitment to this market segment.
- Embraer selected Pratt & Whitney Canada (PWC) to supply the engines of the new Very Light and Light executive jets.
- Recognized for nearly 2,400 training hours completed by its maintenance team in 2004, Embraer Aircraft Maintenance Services (EAMS), an Embraer subsidiary located in Nashville, was awarded the Federal Aviation Administration (FAA) Diamond Certificate of Excellence for maintenance training.
- LOT Polish Airlines converts four EMBRAER 170 options into firm orders for EMBRAER 175 jets. Deliveries are scheduled to start in the second quarter of 2006.
- Copa Airlines converts two EMBRAER 190 options into firm orders, reaching a total of 12 units.
- Embraer holds the 7th Embraer Partners & Suppliers Conference (ESC), held in Campinas, state of São Paulo, Brazil, and announces the winners of the Supplier of the Year Awards.
- Ethanol-powered Ipanema showcased at Latin America's largest crop and livestock farming event held in Ribeirão Preto, São Paulo, Brazil.
- Embraer participates in the Regional Airline Association (RAA) convention in Cincinnati, Ohio, reinforcing its commitment to the regional market.
- The Legacy Executive jet is displayed at the European Business Aviation Conference & Exhibition (EBACE), held in Geneva, Switzerland.
- The Embraer Education and Research Institute launches the second edition of the Social Partnership Program (PPS), which aims to support social actions jointly conducted by private non-profit institutions and Company employees.



JUNE

- Legacy jet sold to the state of Rivers, Nigeria, is delivered and starts operation.

- UK-based Flybe Airlines announces order for 14 EMBRAER 195s and options on an additional 12, with deliveries set to begin in August 2006. The total value of the firm contract at list price is US\$ 470 million, with a potential of reaching US\$ 870 million if all options are converted.
- The EMBRAER 190 completes 5,000 flight cycles in its fatigue test campaign, an important step to the aircraft's certification.
- Embraer showcases the Legacy Executive jet and the EMBRAER 175 and EMBRAER 195 jetliners at the Paris Air Show, one of the world's top aviation shows.
- Embraer displays replica of Santos Dumont's 14 Bis biplane at the Paris Air Show, kicking off a celebration of the 100-year anniversary of the first flight on October 23, 1906, in Paris.
- The ethanol-powered Ipanema crop duster wins the Flight International Aviation Industry Award in the General Aviation category at the Paris Air Show.
- Embraer delivers first Legacy jet to a UK customer through Harrods Aviation, an authorized Embraer sales representative.
- Paramount Airways becomes EMBRAER 170/190 launch customer in India by leasing two EMBRAER 170s and three EMBRAER 175s.
- GE Commercial Aviation Services (GECAS) signs a contract to purchase 20 EMBRAER 190 aircraft, with conversion rights to EMBRAER 195s. GECAS, one of the world's largest aircraft leasing companies, will take delivery of the aircraft beginning in mid-2006. The value of the order totals US\$ 650 million, at aircraft list price.
- The International Finance Corporation (IFC), the private sector arm of the World Bank Group, lends US\$ 35 million from its own account, with a final maturity of twelve years (A Loan), and US\$ 145 million from the account of participants (B Loan) in an IFC financing, to complete the end-stage launch program of the EMBRAER 190 and EMBRAER 195 aircraft.
- Embraer begins accepting orders for its new Very Light and Light executive jets.
- Embraer expands its waste recycling program started in 1998. In 2004, 7,000 tons of materials were recycled.

JULY

- Embraer certifies the Hellenic Aerospace Industry (HAI) as an authorized service shop for defense aircraft derived from the ERJ 145 platform.
- Brazilian Air Force (FAB)'s Natal Air Base's 2nd/5th Gav squadron wins the 2005 FAB Chaser Jet Tournament, held at Anápolis Air Base, flying A-29 Super Tucanos.
- Embraer opens a new service center, with 32,300 square feet, for maintenance, repair and overhaul of Embraer aircraft, at its Gavião Peixoto unit.
- The EMBRAER 170 and the EMBRAER 175 are awarded type certification by Transport Canada Civil Aviation (TCCA), Canada's certification authority, allowing deliveries of the EMBRAER 175 to begin to Air Canada.



- Embraer makes delivery of the first EMBRAER 175s to Air Canada, which will receive 15 EMBRAER 175s by the end of the year.

AUGUST

- The Legacy Executive jet is displayed at the Asian Business Aviation Conference & Exhibition (ABACE), held in Shanghai, China.

- The Legacy's High Speed Data (HSD) capability is certified by the CTA, FAA and EASA. Embraer delivers first Legacy equipped with wireless high-speed Internet connection.

- Embraer attends the International Aviation and Space Salon (MAKS) in Russia to promote its Legacy Executive jet and commercial aircraft of the ERJ 145 and EMBRAER 170/190 families.



- Embraer delivers three specially configured Legacy Executive aircraft to the government of India, which ordered five airplanes and holds options on two more. Two of the Legacies delivered will serve the Indian Air Force and one will serve India's Border Security Force.

- Indústria Aeronáutica Neiva, a wholly owned Embraer subsidiary, attends the National Agricultural Aviation Technology Congress, held in Botucatu, Brazil.

- First EMBRAER 170 Full Flight Simulator (FFS), located in Zurich, Switzerland, provides EMBRAER 170/190 cockpit crew instruction in Europe.

- Embraer signs five-year Total Legacy Care (TLC) agreement with the government of the state of Rivers, Nigeria.

- Harbin Embraer Aircraft Industry (HEAI) delivers first ERJ 145 to China Eastern Airlines. Completion of deliveries to China Eastern is expected by April 2006.

- The ethanol-powered Ipanema crop duster is awarded Gerdau Best of the World Award Golden Trophy in the "Innovation" category. In its 23rd edition, the event selects the best manufacturers of agricultural machine and equipment, highlighting their technological innovation.

- The EMBRAER 190 is awarded type certification by the Centro Técnico Aeroespacial (CTA).

SEPTEMBER

- The Legacy Executive jet is approved by CTA and FAA to operate at airports located at up to 9,500 feet above sea level, providing customers with more flexibility.

- French airline Régional signs contract for the purchase of six EMBRAER 190 LR aircraft. Régional is to become the first operator of the type in Europe as of the first quarter of 2007.

- The EMBRAER 190 is awarded type certification by FAA, allowing deliveries to begin to JetBlue and GECAS.

- The Brazilian Air Force's F-5 jet fleet modernization program obtains Initial Operational Clearance (IOC), as stipulated in contract. In the same month, the first modernized F-5BR is delivered to FAB and enters operation.

- The first EMBRAER 190 is delivered to US airline

JetBlue, launch customer of the model and which shall receive another 100 aircraft up to 2011.

- The Embraer Education and Research Institute (IEEP) receives US\$ 10,000 donation from JetBlue on delivery of first EMBRAER 190 to the airline. Another 100 donations in the same amount for each aircraft delivered will be used to pay stipends to 101 Eng. Juarez Wanderley High School students admitted to public universities.
- A second agreement, in addition to a January agreement, is signed with Mexico National Defense Agency (SEDENA) for the supply of spare parts to serve Embraer defense aircraft in operation in the country.
- Embraer holds the 5th Maintenance Cost Workshop in the city of Taubaté, São Paulo, Brazil, bringing together suppliers and representatives from airlines operating Embraer commercial aircraft.
- Finnish airline Finnair takes delivery of the first EMBRAER 170 of an order for 12 aircraft of this model.



- Hong Kong Express Airways takes delivery of the first EMBRAER 170 aircraft. Another three aircraft are scheduled for delivery up to early 2006. HKE is the first operator of the EMBRAER 170/190 jet family in Asia.
- Embraer attends the 7th International Defense Industry Fair (IDEF 2005), held in Turkey, to promote its

Super Tucano, as well as achievements in Intelligence, Surveillance and Reconnaissance (ISR) aircraft.

OCTOBER

- Embraer starts development of a Mission Planning and Debriefing Station (MPDS) in association with CTA's Institute of Advanced Studies (IEAv) under FAB's AMX aircraft modernization program.
- Embraer selects BMW Group DesignworksUSA to design the interior of the new Very Light and Light jets.
- The EMBRAER 190 is unveiled by JetBlue Airways in New York and new routes are announced.
- Embraer highlights its commercial aircraft at the annual European Regions Airline Association (ERA) convention held in Gothenburg, Sweden.
- EMBRAER 170 enters service with Paramount Airways in India.



- Embraer delivers the 100th EMBRAER 170/190, an EMBRAER 175, to Air Canada only 19 months after Embraer's first E-Jet delivery.
- The A-29 Super Tucano enters operation with Brazilian Air Force 2nd/3rd GAv squadron of the Natal Air Base.

NOVEMBER

- The A-29 Super Tucano enters operation with Brazilian Air Force 1st/3rd GAv Scorpion squadron of the Boa Vista Air Base, state of Roraima.
- Embraer selects Garmin G1000 integrated avionics suite for its new Light and Very Light jets.



- Embraer unveils full-scale mock-ups of the interior design of the new Very Light and Light jets at the 58th National Business Aviation Association (NBAA) annual convention, the world's biggest executive aviation show, held in Orlando, USA.
- Embraer unveils the names of its Very Light and Light jets – Phenom 100 and Phenom 300 – at the NBAA. It also reveals the name Prodigy for the cockpit of the new aircraft.
- The Legacy Executive jet is displayed at the NBAA with a new name – Legacy 600. The new name is in line with the Company's new executive jet naming structure.
- Czech Republic ABS Jets purchases one Legacy Executive jet, increasing its fleet of the model to three aircraft.
- The Centro Técnico Aeroespacial (CTA) approves a revision of the Legacy's Maintenance Planning Guide (MPG), allowing a 21.5% reduction in maintenance costs, increasing aircraft flexibility.

- Embraer delivers second modernized F-5 jet to FAB.
- Copa Airlines, launch customer of the EMBRAER 190 in Latin America, takes delivery of the first of 12 aircraft to be delivered by 2008.
- FAB's own EMB 145 AEW&C aircraft flies 13,890 km (7,500 nautical miles), covered in 18 flight-hours, to make first appearance at the Dubai International Air Show.
- The Embraer Education and Research Institute celebrates the signing of seven agreements with entities whose projects were approved by the Social Partnership Program (PPS).

DECEMBER

- Embraer signs amendment to the ALX Program production contract with the Brazilian Air Force, converting 23 options into firm orders and raising to 99 the number of Super Tucanos ordered by FAB.
- The EMBRAER 170, EMBRAER 175 and EMBRAER 190 airliners are granted a common type rating after a joint evaluation by the aeronautical authorities of Brazil, the United States, Canada and Europe, allowing Embraer aircraft operators to significantly reduce pilot training and crew qualification costs.
- Finnair converts four of its EMBRAER 170 options to EMBRAER 190 firm orders. These aircraft add to the original firm order of 12 EMBRAER 170s placed in June 2004 by the airline, comprising a total of ten EMBRAER 170s and six EMBRAER 190s. The airline still holds four EMBRAER 170 options, which are convertible to other members of the EMBRAER 170/190 family.
- Embraer attends the LIMA 2005 Air Show on Dec 6-11 in Langkawi, Malaysia, to promote achievements in Intelligence, Surveillance and Reconnaissance (ISR) aircraft, as well as its Super Tucano trainer aircraft.

- The EMBRAER 190 is certified by Transport Canada Civil Aviation (TCCA), according to plan, allowing deliveries to start to Air Canada.

- Embraer shares are listed in the São Paulo Stock Exchange (Bovespa) Corporate Sustainability Index.



- The Super Tucano debuts in the international market with an order for 25 aircraft placed by the government of Colombia.

- Embraer delivers two Legacy Executive aircraft to the government of India, completing an order for five aircraft of the model.

- Embraer signs a 10-year agreement with the government of India for continued maintenance services to the Legacy aircraft owned by the country's air force.

- Air Canada takes delivery of the first EMBRAER 190 of an order for 45 aircraft.

- Embraer receives Investment Grade rating from Moody's Investor Service.

- Luiz Carlos Aguiar, former Chairman of Embraer's Board of Directors, replaces Romualdo Monteiro de Barros as Executive Vice-President for the Defense and Government Market.

- The ethanol-powered Ipanema is recognized as one of the 50 best inventions in 2005, and received an award by the Scientific American magazine.

Commercial Aviation Market



Market Overview

The air transport industry is going through a recovery phase characterized by growing passenger demand worldwide, as well as increased levels of efficiency and competitiveness between airlines. There are, however, challenges to be overcome prior to the industry's return to profitability, particularly in regard to steep fuel costs. The continuous search for improvements has been an essential condition for survival in this industry.

In the U.S. market, network carriers continue to undergo a deep restructuring process, some under Chapter 11 protection and others through direct negotiations, aiming at significantly reducing costs and increasing operational efficiency. Generally speaking, most airlines are operating at a loss. On the other hand, more flexible pilot contracts have made it possible for airlines to increase the number of higher capacity jet aircraft operated by affiliated regional airlines, allowing better balanced fleets and more adequate matches between capacity and demand.

In Europe, network carriers have been posting profits, showing that they have adjusted to an environment of competition with low-cost carriers. Regional carriers have produced good results operating in secondary, mid-size markets and focusing on business passengers. Consolidation of regional carriers around network carriers has resulted in fleet adjustment and increased demand for larger capacity regional aircraft.

Air transport in the Middle East has grown at rates above the world average, but is still heavily focused on intercontinental routes. Regional airlines have started to see opportunities for growth as feeding systems for newly created intercontinental routes and in providing services to local secondary markets.

In Africa, the development of air travel has been more modest, concentrated in the main economic centers in the North and South of the continent.

The Asia-Pacific market has seen a strong increase in passenger demand with the emergence of a large number of new airlines, especially in the low-cost segment, as a result of some more flexible air transport regulations in the region. Regional aviation in China develops at a slow pace, but proposals to foster this market segment are currently being analyzed by the Chinese government. The major focus by Chinese airlines continues to be on higher capacity aircraft for connecting large cities and international traffic.



In Latin America, the air transport industry has experienced significant growth with the emergence of several low-cost carriers, particularly in Brazil and Mexico. Regional aviation is still little exploited due to the lack of infrastructure and the fact that airlines have concentrated their operations in high-density markets. Greater integration and the adoption of deregulatory measures in air transport tend to increase demand for regional aircraft servicing secondary markets.

As far as aircraft financing goes, export credit agencies continue to play an important role in materializing new aircraft deals, in view of the scarce financing resources available for conventional financing through capital markets and commercial banks.

Airlines have increasingly farmed out fleet support activities in order to further trim costs and investments. There is a trend toward outsourcing maintenance services in favor of an increased focus core on operational and commercial activities.



Embraer

Embraer has achieved important results in 2005 in the development and marketing of its commercial aviation product line.

With the delivery of an ERJ 135 to European airline Luxair, Embraer has reached the mark of 900 ERJ 145 family aircraft produced, confirming the success of this product in its market segment. Jets in the 30-to-60 – seat range have reached maturity and will continue to play an important role in the commercial aviation market, particularly in the United States and Europe. Another 2005 highlight was the sale of five ERJ 145s to China Eastern Airlines, marking the second order for Harbin Embraer Aircraft Industry.

The EMBRAER 170/190 development program continued with the certification of the EMBRAER 170, EMBRAER 175 and EMBRAER 190 models in Canada, as well as certification of the EMBRAER 190 in the United States.

Another significant result was the confirmation of the similarity among the operational licenses and training for the EMBRAER 170, EMBRAER 175 and EMBRAER 190, providing carriers with substantial cost reductions when transitioning pilots and mechanics from one model to another, within the family.

Significant sales of EMBRAER 170/190 aircraft were announced to new customers, including Saudi Arabian Airlines in the Middle East, Paramount Airways in India, Régional Airlines from the Air France group, Flybe in England, and TAME in Ecuador. In addition, GECAS and Republic Airways from the United States, COPA of Panama, LOT from Poland, and Finnair of Finland have confirmed their confidence in Embraer's products by converting several options into firm sales. The purchase of the EMBRAER 175 by LOT (launch customer of the EMBRAER 170 in Europe) and of the EMBRAER 190 by Finnair (an EMBRAER 170 operator) testify to the advantages and reliability that airlines find in the E-Jet family concept.

The EMBRAER 170/190 family has reached worldwide acceptance with the entry into service of EMBRAER 170s for Hong Kong Express, Finnair, Paramount Airways and Saudi Arabian Airlines; EMBRAER 175s for Air Canada, and EMBRAER 190s for JetBlue, Air Canada and COPA. In October, just 19 months after delivery of the first E-Jet, Embraer reached the milestone of 100 units delivered, showing the wide acceptance of this program. At the end of 2005, the EMBRAER 170/190 program boasted 13 operators in four continents, having accumulated approximately 228,000 flight hours.

Aiming to better meet customers' increasing demand for support and maintenance services, Embraer recently announced the expansion of its maintenance, repair

and overhaul facilities in Nashville in the United States and the purchase of OGMA – Indústria Aeronáutica de Portugal, in Europe. The Company has also announced an agreement with Chautauqua Airlines for the management and optimization of the airline's spare parts inventory.

Embraer closed 2005 with a 46% share of the world's 30-to-60 – seat jet market and a leading 44% share of the 61-to-120 – seat jet market. The firm order backlog of the Commercial Aviation area reached 367 units at the end of 2005, according to the sale and delivery table, below.

	Firm Orders	Options	Aircraft Delivered	Backlog
ERJ 145 Family	894	179	849	45
EMBRAER 170/190 Family	440	362	118	322
Commercial Aviation	1,334	541	967	367



Commercial Aviation Clients

EMBRAER 170/190 Family



ERJ 145 Family



Executive Aviation Market



Market Overview

In 2005, the Executive Aviation Market showed consistent signs of recovery and upturn, having reached delivery figures close to the records of the beginning of the decade.

Embraer's estimates for the global Executive Aviation Market between 2006 and 2015 indicate a 2.2% average annual increase in value and 4.4% in aircraft deliveries. In absolute figures, the market will total US\$ 144 billion and 9,680 aircraft will be delivered in this period. As a result of this scenario and recent technological advancements (mainly in the areas of propulsion and onboard electronics) and the increased use of composite material, the market has seen a growing number of new aircraft models that offer lower operational cost and improved performance compared to previous generation aircraft.

The United States continues to represent the largest share of the global aviation market, accounting for 75% of the world's demand, and is expected to increase a little more than 4% annually in the next 10 years.

Europe, Africa, and the Middle East account for 18% of the market, with an estimated 4% annual growth in the same period. Depreciation of the dollar against other currencies is expected to boost global demand. The Middle East and Russia present good growth prospects, mainly due to continued high oil prices.

Asian-Pacific market demand has grown steadily, despite its infrastructure deficiencies, and should continue to grow at a higher rate than projected for Western markets. China operates a small fleet of executive jets, but estimated deliveries in the coming years may increase as a result of the growing capital flow expected in the next decade.

In Latin America, the Executive Aviation Market will favor very light jets (VLJs), creating new sale

opportunities in the region. VLJs may account for up to 40% of executive jet deliveries in Latin America in the next 10 years.

The Executive Aviation Market offers a wide range of business models and operational models. These models range from traditional aircraft ownership to air taxi companies and prepaid cards by fractional ownership operators. Executive aircraft manufacturers, particularly those of light jets, are likely to benefit from this move towards dispersed, less restrictive offerings with more competitive prices.

As a result of the increased number of executive jet options available in the market, investing in higher quality service and support becomes a critical factor in winning and retaining new customers. The number of independent maintenance and logistic support companies has grown significantly, attracting investments from large finance groups. The global market dedicated to aeronautical services and maintenance for executive aviation totaled US\$ 6 billion in 2005 and is expected to reach US\$ 9 billion by 2015. The share of airframe manufacturers in this market will grow in the coming years due to scheduled investments in the expansion and consolidation of support networks in Asia and Eastern Europe. Major manufacturers are investing heavily in support and services, in order to strengthen their brands and gain customer loyalty.

Embraer

The year 2005 was marked by Embraer's strategic decision to become a strong player in the Executive Aviation Market over the next ten years.

The first step in that direction was the creation of a new organization with a strong and competent leadership, exclusively dedicated to the development of this business. Special attention was given to reinforcing the sales and customer support areas.



In sales, the Company hired professionals experienced in the North American, European, and Middle East markets. In addition, the network of representatives was expanded with the appointment of Boutsen Aviation as a representative for Benelux, the region comprised of Belgium, Holland, and Luxembourg.

In May, Embraer announced the introduction of its two new jets for the Very Light and Light categories.

Superior comfort, exceptional performance, and low operating cost are key differentiators of these jets. In addition to being designed for high utilization and availability, the cockpit functionality and flight qualities of the new jets will allow single pilot operation and a smooth transition for pilots from other aircraft.

At the well-attended opening ceremony of the 58th annual National Business Aviation Association (NBAA) convention, the world's largest executive aviation trade show, Embraer introduced interior mockups of the new jets and announced their names: Phenom 100 and Phenom 300. Embraer also announced that its Legacy Executive jet had been renamed Legacy 600, to align with new brand architecture adopted for the Company's expanding executive aviation product line.

During the year, Embraer announced the selection of Pratt & Whitney Canada to develop and supply the engines for the new jets and of Garmin to supply its





integrated avionics system. BMW DesignworksUSA was selected to develop the new aircraft interior style, with very positive results.

Along with these new jets, Embraer announced that it would provide an integrated services solution for customers, including a complete range of service solutions, from training partnerships to full worldwide customer support.

A number of improvements were incorporated to the Legacy 600 during 2005, competitively enhancing its comfort, performance, and operational support.

Customers can now enjoy even better onboard vibro-acoustic comfort and the convenience of wireless Internet access throughout the cabin. The Legacy 600 was certified to fly at 41,000 feet (12,500m) and operate from airports located at 9,500 feet (2,900m), like Telluride in the USA and Quito in Ecuador. The aircraft is now capable of carrying out steep approach landings in such airports as London City Airport in England, and maintenance plan improvements have reduced maintenance costs by 21.5% in terms of man-hour per flight hour. Maintenance program flexibility was also enhanced for better operator convenience.

These improvements, along with Embraer's announcement of its new focus on the Executive Aviation Market and its new sales teams, spurred sales of the Legacy 600. In 2005, 20 Legacy jets were delivered, totaling 67 deliveries in 15 countries since it was launched, increasing its market share to 12%, up from 11%, of deliveries in the super mid-size segment.

Embraer also began taking production line reservations for the Phenom 100 and Phenom 300 in June and firm orders in November 2005. Results have been quite satisfactory, with strong sales to individual customers and air taxi companies across the globe.

Embraer's all-out commitment strengthened the Company's presence in the Executive Aviation Market in 2005. Success is already indicated by the Company's growing backlog of executive jets.



Defense and Government Market

Market Overview

Worldwide defense expenditures continue to grow, totaling US\$ 975 billion in 2004, a nearly 40% increase over a period of five years. The USA defense budget, which accounted for 47% of worldwide defense spending in 2004, keeps growing, having reached, in 2005, US\$ 423.6 billion – not including expenses for operations in Afghanistan and Iraq – and is expected to grow to US\$ 453 billion in 2006.

Although the U.S. defense budget is under pressure, especially due to the cost of war operations under way and the current budget deficit, spending is expected to grow overall and major acquisition programs were maintained in the four-year revision carried out in 2005. A slight reduction projected for investments in Research and Development (R&D) may impact new programs; however, resources allocated to procurement (currently about US\$ 78 billion annually) will ensure the continuity of programs already in progress.

In spite of the recent identification of new oil reserves, the solution to the oil problem seems to be the ability to control demand and the search for other energy sources. However, most alternative energy sources still present higher costs and face opposition from conventional energy agents.

The ever-growing global demand for energy, terrorist attacks to oil facilities, limitations to oil production and refining, natural disasters in oil production regions, and political instability in oil producing countries are some of the factors that contribute to the rise in oil prices. These factors, along with the geographical concentration of oil reserves, make access to oil a major drive in today's global geopolitics.

In this context, one can easily predict that countries with abundant sources of energy will seek additional means of self-protection, whereas energy-dependent countries will try to gain greater influence in order to get access to energy sources.

Likewise, environmental degradation and high population growth rates mean that access to natural resources, particularly water, is increasingly a determining geopolitical factor.

Terrorist threats continue and lead to changes in defense expenditures structure. Several countries are focusing actions and resources on fighting drug trafficking, mainly due to its ever-growing association with terrorist activities.

Other factors affecting the Defense and Government Market and receiving more attention from the international community include regional conflicts in places throughout the world and the threat of weapons of mass destruction. The latter may lead to an increase in world defense expenditures as a means of preventing their use.

All these factors indicate a change in the profile of security and defense expenditures that provide opportunities for, in particular, Intelligence, Surveillance, and Reconnaissance (ISR) systems.

From an industry standpoint, greater cash availability and pressure to reduce defense spending in the U.S. have intensified the trend toward mergers, acquisitions and joint ventures. Of particular relevance in the U.S. are acquisitions of non-defense-related companies, especially IT companies and contractors working for other government services and agencies, as well as attempts from European groups to penetrate this market.

Embraer

Embraer has demonstrated that its capabilities and products strongly align with market needs and demands by offering advanced and competitive solutions. The Company's family of Intelligence, Surveillance and Reconnaissance (ISR) aircraft and the Super Tucano deserve highlighting for allowing differentiated operational capabilities previously not

available to a large number of countries. Though a difficult year, in 2005 Embraer solidified its position in the global Defense and Security Market.

The year ended without a decision from the American government as to the implementation of the Aerial Common Sensor (ACS) program, which was postponed to the beginning of 2006. Regardless of the decision, through this project Embraer demonstrated its ability to satisfy demanding requirements of the American defense and security market by successfully presenting an aircraft, the EMB 145 CS, which fully satisfied all initial program requirements, and then quickly reacting to changes by offering an alternative solution based on the EMBRAER 190 platform. The ACS program provided positive visibility in this market and enhanced the Company's chances of success in other business opportunities, in the United States and other countries.

The reliability, robustness and operational capability of Embraer's ISR aircraft were once again proven in November and December 2005, when an R-99A (EMB 145 AEW&C) of the Brazilian Air Force (FAB) flew as part of the Guardian Operation from its base in Brazil to

included stopovers for presentations in airshows in Dubai, United Arab Emirates, and Malaysia, as well as several operational demonstration flights in Malaysia and other countries in the region. The R-99A flew 42,500 km in almost 80 hours, on a 26-day mission with no snags, a feat that shows the efficiency and professionalism of the FAB and in which Embraer took great pride.

The year 2005 was a positive year for the Super Tucano with the delivery of 24 new aircraft to FAB, where it received the designation A-29. Brazilian fighter pilots began training in this aircraft and it entered operation with two squadrons in the Amazon region. This year, the 2nd Squadron of the 5th Aviation Group (2nd/5th GAv), from the Natal Air Base, won FAB's Fighter Tournament flying A-29 Super Tucanos. Two contracts added 48 new firm orders to the Super Tucano order book, including 23 to FAB, which converted options specified in its initial contract with Embraer, and 25 to the government of Colombia, whose air force will start taking delivery of the aircraft still in 2006. With this important sale, Colombia becomes the first Super Tucano customer outside of Brazil.

Also in 2005, FAB's F-5 fighter fleet modernization program attained the Initial Operational Clearance (IOC) and FAB took delivery of the first two modernized jets, improving the operational capability of its fleet. Several other modernized aircraft will be brought back into operation in 2006.

A number of improvements were developed for the AMX ground attack fighter, in preparation for its already contracted modernization. Under this modernization, which covers 53 FAB aircraft, the development of the Mission Planning and Debriefing Station (MPDS) began in 2005, in association with CTA's Institute for Advanced Studies (IEAv).



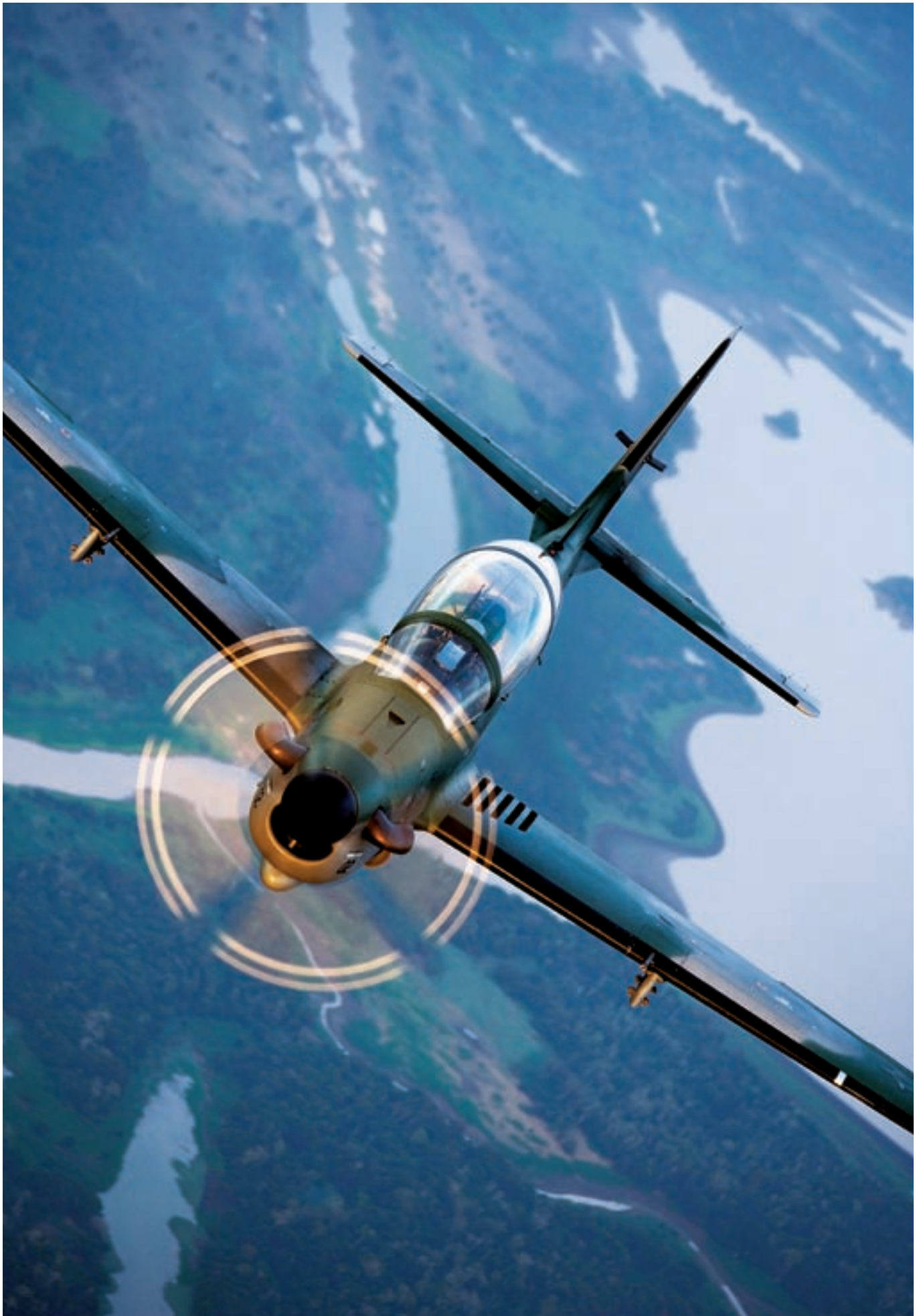
Ecuadorian state-owned airline TAME placed a firm order for three EMBRAER 170/190 family aircraft in 2005, confirming the announcement made at the end of 2004. All five Legacy aircraft ordered by the government of India were delivered in 2005, in addition to the sale and delivery of another Legacy to the government of the state of Rivers, Nigeria.

Commercial efforts supporting the new Phenom 100 and Phenom 300 jets for the government transport market were initiated in 2005, expanding the Company's ability to meet this segment's wide range of needs.

Embraer showcased its defense and security solutions at several international events, including Aero India 2005 in January; the eighth IDEX in Abu Dhabi, United Arab Emirates in February; AEROEXPO in Mexico; MRO 2005 in Dallas, USA in April; LAAD 2005 in Rio de Janeiro in April; IDEF 2005 in Turkey in September; Dubai 2005 in November in United Arab Emirates; and, in December, LIMA 2005 in Malaysia.

In 2005, Embraer strengthened its position as a solid supplier of innovative and highly competitive solutions in the domestic and global Defense and Government Market.







Customer
Services

In 2005, Embraer has consolidated the important organizational restructuring initiated in the previous year, with significant implications for customer support activities.

In the new structure, the former Product Support Vice-Presidency was broken down into two independent but complementary organizations: Customer Support and Aeronautical Services.

CUSTOMER SUPPORT

Commercial Aviation

With the purpose of continuously identifying the needs of its operators, Embraer carried out debating forums with the customers' operational areas, in addition to developing solutions and actions aiming at perfecting maintenance practices, reducing costs and improving fleet performance.

Worth noting is the significant number of E-Jets entering into service in 2005 with new clients such as Air Canada, JetBlue, Finnair, Copa, TAME, Saudi Arabian, Hong Kong Express and Paramount. The introduction of a new aircraft model in an airline represents a major operational challenge, having caused enormous pressure on the Embraer support team throughout the year, in order to assure a smooth and controlled process.

Also deserving to be highlighted are the expansion of Embraer's warehouse in Beijing, China; the certification of the maintenance programs and the development of the operational publications and software for the EMBRAER 170/190; the customization of the Reliability Analysis and Monitoring Program (RAMP) for the ERJ 145; as well as the tailoring of the Runway Analysis and Weight and Balance applications to run on Palm platforms.

Executive Aviation

A new Customer Support organization dedicated to Executive Aviation was created in August, focusing on attaining customer satisfaction with Embraer products and services, in a highly demanding and differentiated market.

By setting up adequate controls and implementing new communication channels with the operators (monthly electronic reports, visits, seminars and operators meetings), it was possible within a short period to organize and expedite the response to pending operations-related technical issues.

New standards applicable to the Authorized Service Centers network were developed, aiming at raising operators support quality level and expanding its scope. The existing Total Legacy Care (TLC) program was improved by incorporating additional services and a format more adherent to market requirements. A new brand was created, the Embraer Executive Care, with broader coverage and ready to support all our Executive Aviation models, according to the most stringent service and brand image standards.

A new and unique long term support and service plan was developed for the Phenom family, taking into account the best practices in the market, as well as new functionalities perceived and valued by customers, which will ensure high satisfaction levels. The final objective of this plan is to integrate all after-sales solutions, encompassing aircraft systems and engines worldwide.

Defense and Government

The entry into service of Legacy aircraft in India and in Nigeria required the logistic aspects to be properly dealt with in this new geographical scenario, in order to ensure the adequate support to these clients. By making use of tools already available to Commercial Aviation, such as the Pool and the Total Legacy Care (TLC) programs, this approach allowed Embraer to respond to demands typical of the Defense Market, such as, for example, the ten-year Follow-On-Support (FOS) program.

Similarly, with the entry into service of the Super Tucano in the Brazilian Air Force and of the Command and Control Center of the SIVA (Air Surveillance System) in Mexico, the Customer Support organization started to support

complex systems with high technological content and degree of integration, by adapting programs in use for commercial customers and by creating new solutions, such as the Contractor Logistics Support (CLS) program.

The Defense and Government Customer Support organization has attained high levels of customer satisfaction as a result of creative and well structured solutions that are able to overcome the obsolescence of components and airframes operating in several air forces to assure maximum fleet availability and continual, safe operations, leading to greater self-sufficiency. The permanent interaction with military and governmental clients has contributed to the loyalty of these clients. The offer of solutions for tailoring existing products to new requirements from military operators has also contributed to the efforts to reallocate second-hand aircraft.

It is important to highlight the participation, for the first time, of a representative of Embraer's Defense and Government Customer Support organization as a speaker in the Maintenance, Repair and Overhaul Conference (MRO 2005) promoted by the renowned publication Aviation Week & Space Technology.

AERONAUTICAL SERVICES

Within the scope of the 2005 restructuring, a new organization was created, dedicated to aeronautical services, with its main focus on the businesses of maintenance, training and aeronautical structures and systems subcontracts.

As part of the structuring process of the area, the concentration in the second half of 2005 (and expected to go up to mid 2006) was in the modeling of these businesses, including the search for strategies that shall allow Embraer's effective insertion into profitable niches of the related markets.

Relocation of the Service Center (SC) from São José dos Campos to Gavião Peixoto (GPX) was successfully completed in 2005. A total of 25 aircraft were serviced in 2005, with priority given to aircraft reconfiguration activities. In the seven months since the SC has been operating in Gavião Peixoto, it obtained about the same income as that obtained in São José dos Campos during the entire year of 2004, indicating it to be a competitive and promising business unit.

The growth of Embraer Aircraft Maintenance Services (EAMS) has been somewhat impacted due to the increase in ERJ 145 heavy maintenance intervals to 5,000 hours, from 4,000 hours, and also due to strong competition, with resulting pressures on prices practiced in the market. Prospective income and profit for 2006 are auspicious, with a new maintenance hangar suited for larger aircraft due to be available by April.

In the European market, Embraer has also been consolidating its position as a supplier of aircraft maintenance, repair and overhaul services through OGMA – Indústria Aeronáutica de Portugal, whose control was transferred to Embraer in March. Efforts throughout the year were concentrated in reducing costs and, at the same time, in improving the company's commercial and operational capabilities, results having showed slightly better than expected. Starting in 2006, a better profitability and the laying down of the basis for a sustained growth in following years are anticipated.

The Customer Training area is preparing to exploit its business in an ever competitive way, currently developing a business plan that shall guide its actions and focus in the coming years. In addition, opportunities in both design and production of aeronautical structures and systems are now being evaluated in a more proactive manner, based on the experiences acquired with previous programs, such as the McDonnell Douglas MD-11 external flaps and Boeing 777 wing tips, as well as the ongoing program with Sikorsky for the S-92 helicopter sponsons and fuel system.



Technological and Industrial Management

Planning and research in past years were aimed at implementing best practices and meeting market needs. As a result, the Company enhanced its competitiveness in the aviation market with improved product development and increased engineering and production technological capabilities.

PRODUCT DEVELOPMENT

The year 2005 was important for product development optimization and the expansion of Embraer's product portfolio.

The EMBRAER 170 was certified by six civil aviation authorities: from Saudi Arabia, Canada, Ecuador, Hong-Kong, Macedonia and Panama, in addition to existing certifications in Australia, Brazil, United States, Hungary, India, Iceland, Latvia, Lithuania, Poland, Moldova, Czech Republic, Switzerland, and the European Union.

Certification of the EMBRAER 175 happened as planned, with satisfactory performance and reliability levels for its entry into service. In January, the EMBRAER 175 was certified by the European Aviation Safety Agency (EASA) and in July by Transport Canada Civil Aviation (TCCA), the certifying authorities of Europe and Canada respectively. The EMBRAER 175 first entered service in Canada.

The EMBRAER 190 has also fulfilled all goals established for its development and certifications, including: Centro Técnico Aeroespacial (CTA) on August 30; Federal Aviation Administration (FAA) on September 2; and TCCA on December 6. Certification by the EASA is due in the first half of 2006, topping off the successful, record-time development of another Embraer product.

In-Flight Entertainment System (IFE) certification will be awarded in the beginning of 2006. The modern on-board entertainment system allows passengers to access, through a liquid crystal screen, a wide range of audio and video functionalities.

The CAT III system, which assists aircraft landing in poor visibility conditions, was certified in November by CTA and EASA. Certification by the FAA is due in mid-2006.

Another important achievement that strengthened the Company's competitiveness was the certification of ten new interior configurations for the EMBRAER 170 and EMBRAER 190, providing operators with a customized treatment.

The EMBRAER 195, the largest aircraft ever produced by Embraer, quickly progresses in its development cycle, having accomplished all the tests planned for 2005. Completion of the test campaign, final type certification, and first delivery to European airline Flybe are due for the second and third quarter of 2006, respectively.

This past year also saw significant developments for Embraer's Executive Aviation portfolio, including the Legacy certification to operate in airports located at 9,500 feet, awarded in September by CTA and FAA. This certification allows the aircraft to operate in airports located at higher altitudes, such as Telluride and Aspen in the United States; and Quito, Ecuador.

Another 2005 highlight was the launch of the Phenom 100 and Phenom 300 executive jets. Development of the Phenom 100, the first product in this new line, is on track, with wind tunnel tests and selection of strategic suppliers having already begun. Product certification is expected to take place in the first quarter of 2008. Phenom 300 development will start in January 2006, with the co-location of all teams involved.

A landmark at the Botucatu unit was the certification of the ethanol-powered Ipanema, a great technological achievement that improved the competitiveness of this product. The Ipanema was the first production aircraft ever certified to operate using ethanol as fuel. The Ipanema program also created an ethanol conversion kit for retrofitting aircraft already delivered. The kit was well

received by the market for the operational savings it provides.

In 2005, the Ipanema won the prestigious Flight International Aerospace Industry Award in the General Aviation category, as well as the “Best on Earth” award from the Brazilian group Gerdau.

DEVELOPMENT OF NEW TECHNOLOGIES

In 2005, Embraer’s research and development activities addressed new technologies and processes, always focused on meeting expectations from customers and certification authorities regarding requirements on costs, passenger comfort, noise levels, emissions, and safety.

Building on activities carried out in past years, significant results were achieved with the technology development projects now underway, several of which are highlighted below.

Engineering

The “Aircraft Health Monitoring System” project enables airlines to monitor online the status of their fleet equipment and systems failures. This accelerated diagnosis tool provides significant gains both in time and efficiency for the planning and execution of maintenance tasks and will provide EMBRAER 170/190 family customers with significant operational savings.

The “Computational Fluid Dynamics Applications Development” project, in association with the São Paulo State Research Support Foundation (Fundação de Amparo à Pesquisa do Estado de São Paulo – FAPESP), moved ahead with the installation of a comprehensive network connecting Embraer and the R&D institutions involved. Tools developed are being applied in the integration of different technology applications. In October 2005, the project received Brazil’s National Industry Confederation (Confederação Nacional da Indústria – CNI) award in the “Partners for

Technological Innovation” category, for creating an enterprise-research network.

The “Brazil’s Wind Tunnels Research and Test Capabilities Expansion” project, also in association with FAPESP, has already installed control and measurement equipment and instruments (a new propeller and laser system, for example) and is making strides toward completing test method development. A few Phenom 100 tests are being conducted in this wind tunnel.

Also in 2005, Embraer conducted studies of customers’ needs and market demands for new technologies and associated gains. Based on the results, a new portfolio of technological development projects was proposed for the coming years. These projects focus on technological gains in state-of-the-art aircraft structures, noise and comfort levels, as well as more effective development processes for systems integration and onboard software.

Manufacturing

The “Slitting Machine and Wire Marking Management System” project, under the responsibility of the Cabling organization at Embraer’s Eugênio de Melo unit, has enabled automation and optimization of the use of wire spools, with the required quality.

Through the “Raw Material Optimization” project, the Composite Material organization has automated and integrated composite fabric slitting machines with the engineering software CATIA and the SAP. As a result, there has been a considerable reduction in raw material loss rates and operation time, while keeping required quality levels.

Improvements to the test integration system for aircraft in final assembly has reduced the time required and enhanced the reliability of system operation tests during aircraft assembly. These results ensure future use of this project by aircraft operators as a maintenance tool.

In the Production Engineering organization, the highlight was the development of process simulation tools and the extended use of 3-D models. With a focus on anticipating manufacturing maturity while still in the product conceptual phase, this development will help avoid extra costs in the initial serial production stages. This process will benefit the development of the new Phenom 100 and Phenom 300 jets.

PRODUCTION DEVELOPMENT

In the production environment, the main event was the start of EMBRAER 190 serial production, with focus on ensuring on-schedule deliveries in second half of the year.

Embraer's commitment to improve productivity and reduce costs and production cycles has brought important results, mainly the reduction of the EMBRAER 170/190 family aircraft assembly cycles, enabling a major increase in production volume.

By establishing decentralized units dedicated to specialized activities, as part of an industrial

architecture master plan, Embraer has improved industrial operations involving defense aircraft at the Gavião Peixoto unit and the production of sheet forming parts at the Botucatu unit.

Construction of a furniture factory to produce interiors for the Legacy 600 was completed at the Gavião Peixoto facility and the first interior shipset was delivered in September of 2005, benefiting production costs of this product.

Embraer is committed to making continuous improvements to supply and production chain management. Guidelines and priorities were discussed during the 7th annual Embraer Partners and Suppliers Conference (ESC), with focus on promoting Embraer's business vision and exploring opportunities for improvement in the supply chain.

Noting that success resides in the ability to effectively materialize actions from opportunities, during the conference Embraer offered special recognition to seven companies that excelled in improving supply chain processes and commercial aircraft operator support.



Economic and Financial Analysis



Comments on Economic and Financial Performance

Financial Statements (Brazilian GAAP)

The year of 2005 represents a milestone for Embraer as it successfully certified and started the deliveries of two new aircraft models, the EMBRAER 175 and the EMBRAER 190.

As an exporting company with over 90% of its revenues denominated in US dollars, the 11.8% U.S. devaluation over the course of the year adversely impacted the Company's net revenue, which totaled R\$ 9,133.3 million in 2005, 10.7% below the R\$ 10,231.2 million reached in 2004. Similarly, the net profit of R\$ 708.9 million for 2005 was below the previous year's R\$ 1,280.7 million.

Embraer's exports totaled US\$ 3,267.0 million, qualifying the Company as the third largest Brazilian exporter, and representing 2.8% of Brazil's 2005 trade balance.

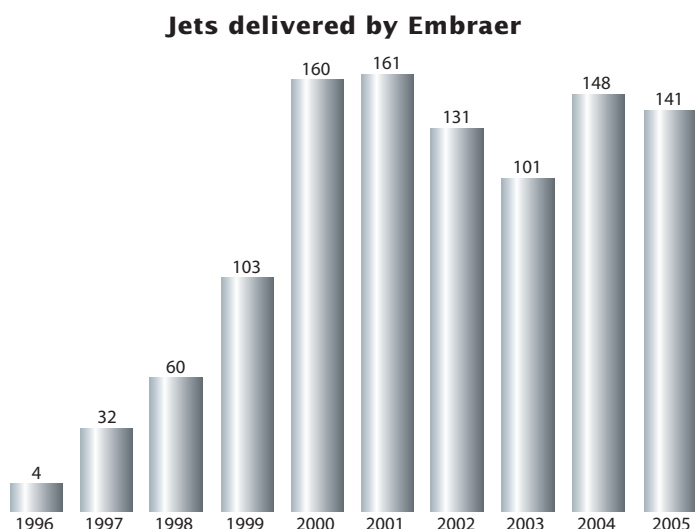
Aircraft delivered in 2005 totaled 141. Of this number, 120 jets were delivered to the Commercial Aviation Market (72 of which were from the EMBRAER 170/190 family), 14 to the Executive Aviation Market, and seven to the Defense and Government Market, configured for carrying government authorities.

In addition to these aircraft, 24 Super Tucanos were delivered and two F-5 were upgraded for the Brazilian Air Force.

	2003	2004	2005
Commercial Aviation	87	134	120
ERJ 135	14	1	2
ERJ 140	16	-	-
ERJ 145	57	87	46
EMBRAER 170	-	46	46
EMBRAER 175	-	-	14
EMBRAER 190	-	-	12
Executive Aviation	13	13	14
Legacy 600	13	13	14
Authorities Transportation	1	1	7
EMB 145	1	1	1
Legacy	-	-	6
Total	101	148	141

	2003	2004	2005
Gross Revenue	6,599.1	10,252.7	9,140.5
Sales Deduction	28.5	21.5	7.2
Net Revenue	6,570.6	10,231.2	9,133.3
Cost of Goods Sold	4,219.8	6,822.8	6,966.8
Gross Profit	2,350.8	3,408.4	2,166.5
Gross Margin	35.8%	33.3%	23.7%
Operating Expenses and Profit-sharing	1,108.0	1,694.2	1,379.3
Earnings before Interest and Taxes - EBIT	1,242.8	1,714.2	787.2
EBIT Margin	18.9%	16.8%	8.6%
Depreciation and Amortization	160.5	221.6	284.1
EBITDA	1,403.3	1,935.8	1,071.3
EBITDA Margin	21.4%	18.9%	11.7%
Net Profit	587.7	1,280.9	708.9
Net Margin	8.9%	12.5%	7.8%
Earnings per Share	0.82	1.78	0.98
Number of Shares	716,045,583	718,341,868	721,832,057

The progression in the number of jets delivered by Embraer since the introduction of the ERJ 145 family and the recovery of deliveries after the crisis in September of 2001 is depicted in the graphic below.

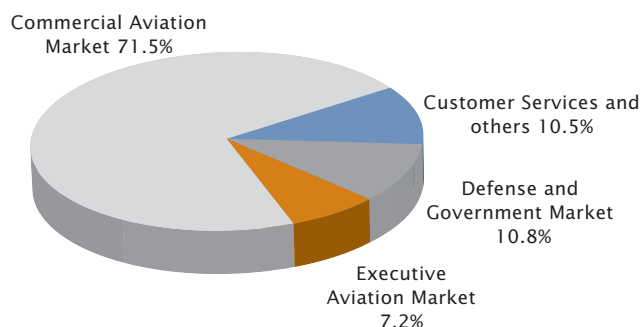


In addition to the number of aircraft delivered, the composition of net revenues represents a consolidation of sales of Spare Parts and Services, and sales to the Defense and Government Market by the Company and its subsidiaries in Brazil and overseas.

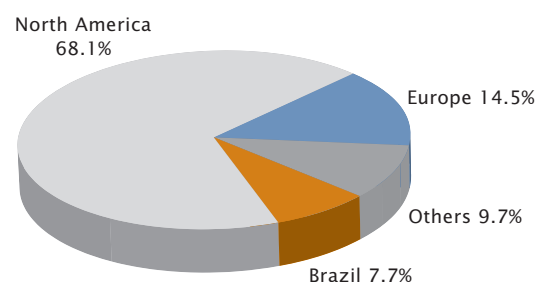
In 2005, these two segments comprised 21.3% of total revenues, as compared to a 17.0% share in 2004. On the other hand, the Commercial and Executive Aviation segments accounted for 71.5% and 7.2% of net revenues in 2005, respectively, compared to 76.1% and 6.9% in 2004. Therefore, because of a lower number of jets delivered to the Commercial Aviation Market in 2005, net revenues for this segment totaled R\$ 6,527.9 million, 16.2% below the 2004 level. Executive Jets and Defense and Government net revenues totaled R\$ 989.7 million and R\$ 655.7 million in 2005, respectively, a 6.6% and 6.3% decrease over 2004, mostly due to the US dollar devaluation against the Brazilian real. Finally, the Customer Service segment recorded net revenues of R\$ 960.0 million in 2005, an increase of 40.6% over 2004, mostly due to Embraer's expansion

in Europe with the acquisition of OGMA – Indústria Aeronáutica de Portugal.

Revenue Breakdown by Segment



Revenue Breakdown by Region



As a result of the difference between the average US dollar exchange rate used to compute inventories, which are largely composed of imported goods, and the average exchange rate used in the invoicing of finished goods, gross margin reached 23.7% in 2005, as compared to the previous year's 33.3%. In addition, with the beginning of the production of the EMBRAER 190 and EMBRAER 175 aircraft and the ensuing "learning curve" in connection with these new products, initial production costs were greater. It is important to note that when a new product enters the market, the launch customers will receive benefits that affect average sales prices and thus exert additional pressure on the Company's margins.

In compliance with CVM Instruction No. 408 dated August 18, 2004, Embraer consolidated the Special Purpose Companies (SPCs) used in several of its financial transactions for aircraft sales. Hence, for comparison purposes, the 2004 consolidated financial statements were adjusted to take into account the mentioned Instruction.

Operating expenses (including employee profit-sharing) declined by 18.7% from the previous fiscal year and totaled R\$ 1,379.3 million. As a result, the operating margin totaled 15.1%, well below the 16.8% recorded in 2004.

Earnings before interest and taxes (EBIT) for 2005 totaled R\$ 787.2 million, less than the R\$ 1,714.2 million recorded in the previous year. Employee profit-sharing, which totaled R\$ 133.5 million, was 24% below the previous year's level, mainly due to reduced profit generation and payouts during the period. Sales expenses declined by 37.8% and was impacted by the appreciation of the Brazilian real against the US dollar during the period, as roughly 80% of selling expenses are dollar-denominated. In addition, sales expenses was also impacted by the conclusion of structured sales financing and the ensuing recovery of sums in connection with guarantees provided for delivered aircraft.

As for administrative expenses, this sum increased by 24.2% during 2005 in comparison to the previous year, and basically reflects implementation costs of the SAP 4.7 aerospace version project, intended to optimize management processes and tools. In 2005, administrative expenses totaled R\$ 483.2 million, representing 5.3% of Embraer's total revenues, compared to 3.8% in 2004.

On the other hand, other net operating expenses remained stable and totaled R\$ 138.3 million for the year. The larger portion of these expenses is related to the development of technology, employee training, and preliminary project studies.

Consequently, operating cash generation as measured by EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) totaled R\$ 1,071.3 million in 2005, compared to R\$ 1,935.8 million in the previous year. Similarly, the 11.7% EBITDA

margin on net revenues reflects Embraer's capacity for converting revenues into operating profits that provide adequate returns on its investments, albeit adversely influenced by the reduced revenues and gross margin figures for the period.

Due to a greater balance between US dollar-denominated assets and liabilities during 2005, foreign exchange gain totaled US\$ 44.1 million, as opposed to an expense of R\$ 57.0 million recorded in 2004.

As a result of an increase in net cash during the year, in 2005 Embraer recognized R\$ 67.5 million in net financial revenues, as opposed to R\$ 21.8 million in financial expenses in 2004.

Due to the appreciation of the Brazilian real during 2005 and to a lower number of aircraft delivered, Embraer's net profit totaled R\$ 708.9 million in 2005, resulting in a net margin of 7.8%, lower than the 12.5% recorded in the previous year.

Balance Sheet Main Indicators

A three-year comparison of Embraer's balance sheet indicators is described below:

Consolidated Highlights Figures in R\$ million	2003	2004	2005
Cash and Cash Equivalents	3,658.6	3,614.3	4,479.2
Accounts Receivable	1,040.2	1,920.0	1,167.1
Inventories	3,346.1	4,069.6	3,967.3
Fixed Assets	1,177.6	1,094.8	1,184.4
Trade Payables	1,167.0	1,486.4	1,712.7
Short-term Debt	1,493.9	1,362.5	1,112.7
Long-term Debt	1,522.5	2,191.2	2,524.1
Shareholders' Equity	3,731.8	4,442.7	4,735.9

As a result of a R\$ 637.1 million decline in accounts receivable and of a R\$ 102.3 million decline in inventories, the Company's cash and cash equivalents increased by R\$ 864.9 million, totaling R\$ 4,479.2 million at the end of 2005.

The decline in accounts receivable was a result of improved market conditions for financing aircraft and the Company's strategy of reducing temporary structured sales financings. About R\$ 232.9 million of total accounts receivable refers to aircraft delivered for which sales financing arrangements are under a structuring process.

The decrease in inventories from R\$ 4,069.1 million in December 2004 to R\$ 3,967.3 million by year-end 2005, is basically due to the beginning of deliveries of EMBRAER 190 and EMBRAER 175 models.

Embraer ended 2005 with total indebtedness of R\$ 3,636.8 million, higher than the R\$ 3,553.7 million recorded in the previous year. Part of this increase is due to the addition of long-term credit facilities at extremely compatible cost. As a result, approximately 69.4% of total indebtedness refers to long-term facilities, compared to 62% in 2004. As over 90.0% of Embraer's revenues are denominated in US dollars, the breakdown of the debt currencies is also adequate, as R\$ 2.45 million refer to US dollar-denominated credit facilities with the remaining 31.0% denominated in Brazilian reais and other currencies.

The financial ratios showed improvements over the period, with the 1.1 acid ratio test in 2004 increasing to 1.2 in 2005 and the current ratio reaching 1.8 in 2005 compared to 1.7 in the previous year.

Consolidated Highlights Figures in R\$ million	2003	2004	2005
Net Cash (debt)	642.2	60.7	842.4
Working Capital	3,242.9	4,389.9	5,029.9
Current Ratio	1.5	1.7	1.8
Acid Test	1.0	1.1	1.2
Inventory Turnover	1.4	1.8	1.7
Assets Turnover	0.5	0.6	0.5
ROA	4.9%	8.7%	4.2%
ROE	16.6%	31.3%	15.4%

Despite the decline in inventories during 2005, inventory turnover remained practically unchanged due to a lower number of aircraft delivered during the period.

Return on Assets of 4.2% and Return on Equity of 15.4% were lower in 2005 as a result of the decline in operating earnings and net profit for the year.

Economic Value Added (EVA)

As a result of reduced operating earnings for 2005 as compared to 2004, in conjunction with the growth in assets, this year Embraer recorded a negative return according to the economic value added method, as demonstrated in the table below:

R\$ Million	2003	2004	2005
Total Assets	12,831	14,185	16,983
Operating Liabilities	6,083	6,214	8,610
Paid Liabilities	6,748	7,971	8,373
Third-party Capital	3,016	3,554	3,637
Own Capital	3,732	4,418	4,736
Investment Requiring Compensation	6,748	7,971	8,373
Net Operating Revenues	6,571	10,231	9,133
Costs and Expenses	(5,370)	(8,548)	(8,277)
Operating Profit	1,201	1,683	856
Income Tax and Social Contribution	(250)	(333)	(191)
Cost of Third-party Capital	(315)	(476)	(419)
Adjusted Net Profit	636	875	239
Cost of Own Capital	(597)	(707)	(673)
Economic Value Added	38	168	(433)
EVA/Investment Requiring Compensation	1%	2%	-5%

Allocation of the Parent Company's Profits

At the 2006 General Shareholders' Meeting, Management will propose the retention of the year's net profits, following the creation of a legal reserve and payment of R\$ 235.2 million in dividends, plus R\$ 74,000 of unclaimed dividends, thus totaling R\$ 235.3 million, as an investment and working capital reserve ensuring investments in research

and development of the EMBRAER 170/190 family of jets, of a new corporate jet family, and of new technologies, processes, and management models, with a view to increasing the Company's performance in know-how and productivity. Embraer shares are also traded in the New York Stock Exchange (NYSE)

as American Depositary Shares (ADSs) and, as a result, the Company reports its consolidated financial statements according to the US Generally Accepted Accounting Principles (US GAAP).

US GAAP Consolidated Balance Sheets on December 31
(In US dollars thousands)

Assets	2004	2005
Current Assets		
Cash and cash equivalents	963,818	1,339,159
Temporary cash investments	396,958	574,395
Trade accounts receivable, net	566,127	445,520
Customer and Commercial Financing	-	147,118
Inventories	1,408,608	1,477,559
Deferred income tax and social contribution	104,417	121,376
Other accounts receivable	435,581	510,394
	3,875,509	4,615,521
Noncurrent Assets		
Inventories	19,674	33,746
Deferred income tax and social contribution	262,403	302,303
Other noncurrent assets	1,495,281	1,561,078
Fixed assets	381,265	388,362
Investments	48,267	31,433
	2,206,890	2,316,922
Total Assets	6,082,399	6,932,443

US GAAP Consolidated Balance Sheets on December 31
(In US dollars thousands)

Liabilities and Shareholders' Equity	2004	2005
Current Liabilities		
Loans	513,281	475,305
Trade accounts payable	556,492	728,011
Advances from Customers	375,548	485,958
Other current liabilities	870,780	965,162
	2,316,101	2,654,436
Long Term Liabilities		
Loans	825,448	1,078,117
Advances from Customers	103,615	97,024
Contributions from suppliers	140,037	97,852
Other current liabilities	1,321,887	1,337,987
	2,390,987	2,610,980
Minority Shareholders	21,443	46,775
Shareholders' Equity	1,353,868	1,620,252
Total Liabilities and Shareholders' Equity	6,082,399	6,932,443

US GAAP Consolidated Statement of Income
For Fiscal Year-ends December 31, 2004 and 2005

In US\$ thousands	2004	2005
Net Sales	3,440,533	3,829,907
Cost of Sales and Services	(2,267,330)	(2,671,816)
Gross Profit	1,173,203	1,158,091
Operating Expenses		
General and Administrative	(139,357)	(205,202)
Selling Expenses	(342,883)	(269,747)
Research and Development	(44,506)	(93,166)
Profit-sharing	(61,199)	(56,051)
Other operating expenses, net	(41,272)	(26,079)
Equity in income (loss) from affiliates	-	(3,096)
Operating Profit	543,986	504,750
Net Financial income (expenses)	(38,000)	(1,672)
Foreign exchange gain (loss), net	(12,218)	(15,218)
Other non-operating income (expense), net	(117)	9,050
Income Before Income Tax	493,651	496,910
Income tax expense	(112,139)	(41,569)
Minority interest	(1,306)	(9,622)
Net Income	380,206	445,719

Sales Financing

The market for aircraft financing has shown a gradual improvement as, in 2005, financial institutions and investors, mainly from Europe, demonstrated an increased interest in participating in structured financing based on airlines' credit risks and secured by aircraft leases. The successful conclusion of a loan transaction in the United States capital market involving Continental Airlines' receivables, in addition to the granting of loans in favor of a number of customers and secured by aircraft leases, demonstrate the gradual return of financial institutions. The improved yields by United States airlines seen in the latter months of 2005 will certainly bring greater liquidity to the market in the course of 2006.

Filing for Chapter 11 protection by Delta and Northwest, in conjunction with the dire situation of several airlines in the United States, has so far prevented the market from resuming aircraft financing more vigorously. It is expected that during 2006 the flow of credit facilities will continue its gradual improvement, with the return of the

financial intermediaries that were absent from the market over recent years.

Asset Management and Financial Guarantees

In order to provide improved financial support for its sales and to reduce some of the financial risks in connection with aircraft sales, in 2003 Embraer created its subsidiaries ECC Leasing Co. Ltd. and ECC-Insurance & Financial Co. Ltd.

The mission of ECC Leasing Co. Ltd. is the management and sale of the aircraft portfolio, which may be acquired by Embraer under contractual obligations with regard to trade-in and repurchase transactions. The company also provides resale services to third parties, in connection with its sale campaigns.

In addition, ECC Insurance & Financial Co. Ltd. was created as an in-house insurance company with the purpose of ensuring payments of likely contingencies arising from financial guarantees provided in a number of sales financing transactions.

Capital Markets

Embraer Shares as an Investment

Embraer's relationship with the financial community and its investors is based on transparency and the quality disclosure of information, marked by a deep respect for legal and ethical principles and an effort to consolidate and maintain an image of company leadership and innovation within the capital markets. Its shares have been listed in Bolsa de Valores de São Paulo (Bovespa) since 1986. Embraer has maintained an ADR (American Depositary Receipts) level III program in the New York Stock Exchange (NYSE) since 2000.

In 2005, Embraer's common (EMBR3) and preferred (EMBR4) shares, traded in the BOVESPA, recorded an appreciation of 13.9% and 3.4% and ended the year traded at R\$ 18.00 and R\$ 22.95, respectively. By comparison, the BOVESPA index appreciated 27.7% over the same period. The poor performance of Embraer's shares is a consequence of the Brazilian real's vigorous appreciation during 2005, as well as of the restructuring process undergone by US airlines, some of which filed for Chapter 11 protection.

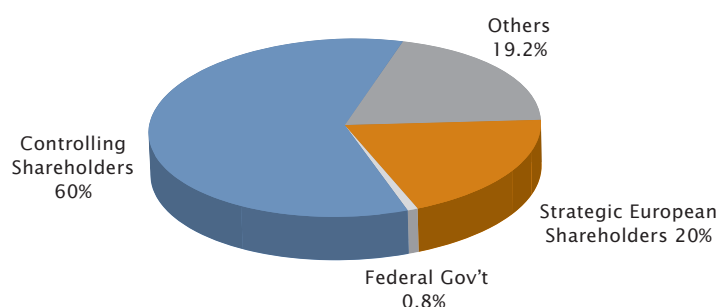
Similarly, the performance of the Company's American Depositary Shares (ERJ) listed in the New York Stock Exchange (NYSE) was recorded as high as US\$ 39.10 during the year's last session, an appreciation of 16.9% in 2005 and above the Dow Jones variation of -0.6% over the same period, yet in line with the Dow Jones US Aerospace and Defense index, which showed an appreciation of 17.1% in 2005.

On December 31, 2005 Embraer had 721,832,057 shares outstanding, of which 242,544,448 were common shares and 479,287,609 were preferred shares. Of these common shares, 60% were held by Embraer's controlling shareholders (i.e., Cia. Bozano, Previ, Sistel) and were subject to a shareholders' agreement and equally divided at 20.0% for each party. A further 20.0% was held by the strategic European shareholders Dassault, EADS, Thales, and SAFRAN. In addition to the special class (Golden Share), the Brazilian Government held 0.8% of common shares. The remaining 19.2% were traded in the São Paulo Stock Exchange (Bovespa). On the other hand, 18.1% of the preferred shares belong to the controlling shareholders, 9.0% to BNDES, 1.5% to the strategic European shareholders, and the remaining 71.4% were traded in the local and international (free floating) markets.

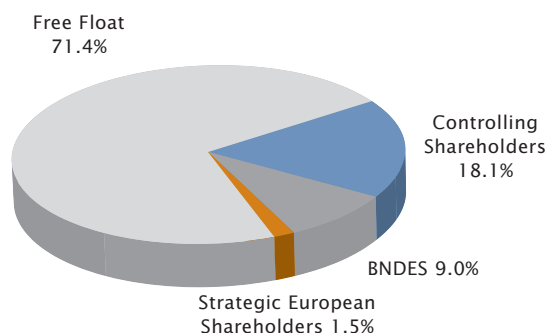
Performance of Embraer Shares

	2001		2002		2003		2004		2005	
	Price	% year	Price	% year	Price	% year	Price	% year	Price	% year
in R\$										
EMBR3	10.73	1.3%	12.80	19.3%	19.30	50.8%	15.80	-18.1%	18.00	13.9%
EMBR4	11.32	-27.5%	14.00	23.6%	25.70	83.6%	22.20	-13.6%	22.95	3.4%
Ibovespa	13,577	-11.0%	11,268	-17.0%	22,236	97.3%	26,196	17.8%	33,455	27.7%
in US\$										
ERJ (ADS)	18.99	-44.3%	15.90	-16.3%	35.39	122.6%	33.44	-5.5%	39.10	16.9%
Dow Jones	10,022	-7.1%	8,342	-16.8%	10,425	25.3%	10,783	3.4%	10,717	-0.6%
S&P 500	1,148.08	-13.0%	879.82	-23.4%	1,111.92	26.4%	1,211.92	9.0%	1,248.29	3.0%
US\$ (R\$)	2.3204	18.7%	3.5333	52.3%	2.8892	-18.2%	2.6544	-8.1%	2.3355	-12.0%

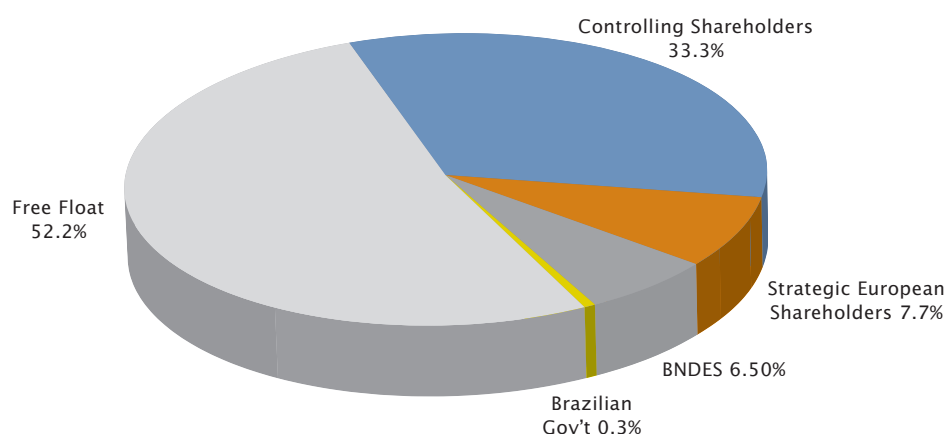
Voting Capital (Common Shares)



Preferred Capital (Preferred Shares)



Total Capital

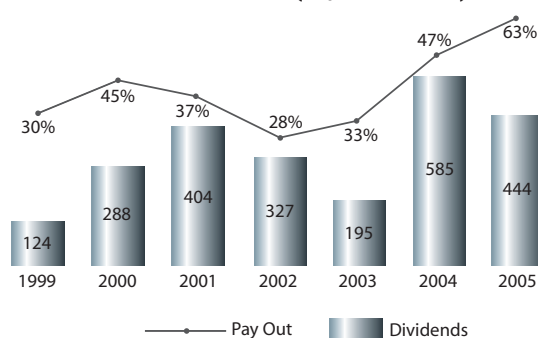


In 2005, part of the preferred share's liquidity was transferred to the US market and, as a result, the volume of ADSs traded at the NYSE reached a daily average of 537,000 ADSs, equal to a financial volume of US\$ 18.3 million. In the Brazilian stock market, the company's common and preferred shares recorded an average daily volume of 483,000 and 215,000 shares, with a turnover of R\$ 9.9 million and R\$ 3.3 million, respectively. In 2004, the average daily trading volume totaled 523,000 preferred shares, equal to R\$ 10.9 million, and the average daily volume of the common shares totaled 222,000, equivalent to R\$ 3.5 million.

Shareholder Compensation

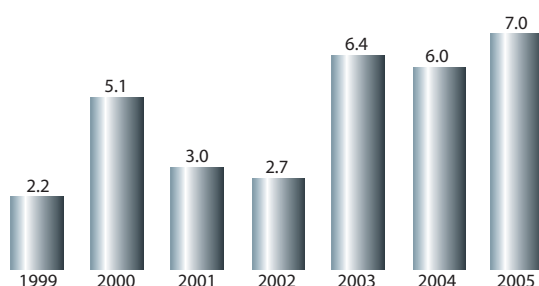
In 2005, based on a consolidated R\$ 708.9 million net income, Embraer paid out R\$ 443.9 million as interest on shareholder's capital, equivalent to R\$ 0.64 per preferred share and R\$ 0.58 per common share. Payment of interest on shareholder's capital was approved by the Board of Directors for each quarter and was paid to shareholders in April, July, and October 2005, and January 2006. The payout in 2005 represented 62.6% of the Company consolidated net income, thus honoring its policy of compensating shareholders above the minimum Brazilian Corporate law requirement of 25%.

Dividends Paid (R\$ millions)



At the end of 2005, Embraer's market capitalization reached US\$ 7 billion as compared to the US\$ 6 billion recorded at December 31 of the previous year.

Fair Market Value (in US\$ billions)



Investor Relations

Embraer is committed to a transparent management model that assures shareholder satisfaction with rapid and efficient disclosure of information, in response to the Company's profound respect for legal and ethical principles and ensuring respect for shareholders' rights. The amount of information disclosed simultaneously to every shareholder and financial market agent proves that transparency and fair treatment are crucial to the Company's management model.

During 2005, Embraer executives participated in a number of events including conferences sponsored by financial institutions, meetings at its São José dos Campos headquarters, meetings at the São Paulo offices, and conference calls.

The 6th Annual Analyst and Investor Meeting held in November at the Company's headquarters in São José dos Campos registered a record attendance,

with as many as 180 participants, including market analysts, investors and fund managers.

Once again, Embraer's transparency in the disclosure of information was acknowledged by Associação Brasileira das Companhias Abertas (ABRASCA), and the Company was ranked among the ten finalists in the ABRASCA Award's 2005 edition for the Best Annual Report. The Institutional Investor Research Group, a pioneering research company in Latin American stock markets, awarded Embraer first place in the Best Buy-Side Investor Relations survey. This ranking was based on the opinions of 53 buy-side investors and 59 sell-side analysts.

Risk Management

Embraer always maintained its risk management, closely tied to strategic and operating planning processes, in order to protect and sustain its activities as well as the material and financial resources employed in its operations.

In addition to monitoring every aspect of its value chain, from the acquisition of raw materials to customer after-sales support, Embraer follows closely the financial, economic, political, and social scenarios and assesses ways to protect itself against risks associated with its key business segments.

In order to increase the Company's responsiveness to unexpected changes in a scenario, Embraer is implementing a project to monitor key business risks through its management information system.

Strategic Risks

Because of the complexity and degree of technology involved in the production of its aircraft, Embraer seeks to ensure, by means of long-term agreements and partnerships, the supply of raw materials at stable prices and a number of components employed in its aircraft, regardless of the fluctuations affecting the commodities employed in the manufacturing process. The general condition of airlines worldwide is also constantly monitored by the Company, in order to provide us with an improved perception of the current situation and financial standing of our target customers.

All aircraft manufactured by Embraer undergo strict inspection and quality assurance processes. They are certified by aeronautical certification authorities such as CTA, FAA, and EASA, among others, which means that they are submitted to a comprehensive program of tests

prior to being granted approval for carrying passengers. Risks in connection with the aircrafts' civil liability are duly covered through insurance.

Risks to the Financial Statements

In order to comply with sections 302 and 404 of the Sarbanes-Oxley act, the internal control structure of the pertinent processes that pose risks to the financial statements are undergoing assessment, documentation, and tests since 2002, as required by the Public Companies Audit Oversight Board (PCAOB), with the use of world-acknowledged methodologies and criteria.

Economic and Financial Risks

Despite having a natural hedge to cover its financial transactions, as 85% of its Cost of Goods Sold are dollar-denominated and roughly 95% of its sales are undertaken with this same currency, Embraer carefully monitors the foreign exchange and interest rate markets in order to reconcile cash position and indebtedness, thereby side-stepping undue exposure in one single asset in order to minimize the effects of these markets' volatility. Always in line with the guidelines and limits agreed on with the Chief Financial Officer, the treasury department employs a wide range of instruments available in the capital markets, such as swaps, futures, and derivatives, in order to perform its transactions in the constant pursuit of liquidity and transparency, in the local as well as in the global markets.

Environmental Risks

Preservation of the environment is an ongoing concern to the Company's management in the manufacturing process, the implementation of new industrial facilities, or the development of a new product. All of Embraer's projects are in accordance with the applicable environmental laws and take into consideration the residues produced by the Company's day-to-day activities, in addition to the recycling of materials used for a variety of purposes, from milk cartons and other

packaging materials to organic residues and metal particles arising from the industrial process. The material recycling and re-use rates have been growing annually as a clear result of the environmental policies adopted by the Company, which is ISO 14001-certified.

Operating Risks

With a view to protecting its assets, Embraer has adopted a policy of contracting insurance with appropriate limits in order to cover the risks inherent to its business. Thus, through insurance, the Company is protected from events that cause damages to society, employees, Company assets, and its ability to generate profits. Furthermore, insurance covers customer obligations stated in aircraft sales agreements.

Embraer strictly controls its supply chain and is thus able to mitigate the continuity risks inherent to its complex production network. The risks arising from the Company's contractual liabilities are under continuous monitoring in order to ensure that the resulting exposure remains at acceptable levels.

Embraer's business is based on knowledge and technology. Hence, it is crucial that the risks in connection with information security and intellectual capital should be kept at acceptable exposure levels. Embraer's information systems are duly protected from external or internal unauthorized access. The plant facilities are also subject to controlled access, and awareness programs on the importance of protecting information are constantly made available to all employees.

Conformity Risks

Embraer respects and fully complies with the law, its by-laws, and the rules and regulations applicable to its activities and products, in Brazil and in other countries where it or its products are present. Consequently, the Company constantly monitors changes in the legal sphere, and assesses any likely impacts caused by its activities.

Embraer's Code of Ethics establishes the Company's conduct and ethic principles that need to be followed by all employees.



Corporate Governance

At a General Shareholders' Meeting held on March 31, 2006, Embraer shareholders approved the Company's corporate restructuring proposal, turning it into the first large Brazilian company with dispersed share ownership.

The restructuring will allow the creation of a basis for the sustainability, growth and continuity of the businesses and activities of Embraer, as its implementation will provide adequate access to the capital markets and the enhancement of its capacity to finance and develop new programs.

In addition, the restructuring will strengthen management with regard to the adoption of best corporate governance practices, while preserving the Federal Government's strategic rights (Golden Share).

As a result of the new capital structure, the Company will have only one class of shares outstanding (common shares), thus extending voting rights to all of its shareholders and allowing the Company to become a member of the São Paulo Stock Exchange's New Market ("Novo Mercado"), which requires the highest level of corporate governance standards in Brazil.

The Golden Share, a special class of share held by the Federal Government, with veto power over specific issues in connection with Embraer's business, will have its rights fully preserved under the new structure.

Pursuant to the guidelines issued by the Brazilian Securities Commission (Comissão de Valores Mobiliários) on corporate governance practices, and to provide greater transparency to the voting process, the approval of the restructuring proposal was submitted to all Embraer shareholders, regardless of the class of shares owned.

The Corporate By-laws approved by the shareholders on March 31, 2006 establish control mechanisms in order to ensure not only dispersed share ownership, but also that a majority vote in the shareholders' meeting resolutions will be exercised by Brazilian shareholders, thus ensuring that corporate resolutions remain in Brazilian hands – a condition established when the Company was privatized. The key control mechanisms are as follows:

1. No shareholder or group of shareholders, whether Brazilian or foreign, may exercise voting rights in the General Shareholders' Meetings representing more than 5% of the number of shares in the capital stock. The purpose of this limitation is to discourage the excessive concentration of shares or American Depositary Shares (ADSs) in the hands of one single shareholder or group of related shareholders.
2. The total votes that may be cast by foreign shareholders, individually or collectively, in any General Shareholders' Meeting, will be limited to 40% of the total votes present at such meeting.
3. Restriction to the acquisition by any shareholder or group of shareholders of an interest equal to or in excess of 35% of Embraer's capital stock, unless under the express approval of the Federal Government as the holder of the Golden Share, and subject to a public tender offer for acquisition of the remaining shares outstanding.
4. The mandatory disclosure of a share ownership whenever: (i) any shareholder's interest should be equal to or exceed 5% of the Company's capital stock; and (ii) any shareholder's interest should increase by at least 5% of the Company's capital stock.

The Board of Directors elected on March 31, 2006 is composed of 11 members and their respective alternates. In order to prevent a rupture in the short- and medium-term strategies devised by Management, and to ensure a coordinated and stable transition of Embraer to the dispersed capital control environment, the Board of Directors' term of office was set at three

years, and, following this transition period, consecutive terms of office should not exceed two years. In addition, the Company's elected Chairman of the Board of Directors will be Mr. Maurício Novis Botelho, who will also occupy the post of Chief Executive Officer until April 2007, when the Board of Directors will elect a new Chief Executive Officer, and it will henceforth be expressly forbidden to serve concurrent terms in the Company's Board of Directors and Senior Management.

The Fiscal Board, responsible for monitoring management and examining the Company's financial statements, will also form part of the transparency and good corporate governance policy. Embraer has a permanent board, as provided by its by-laws, that meets at least once every three months. In compliance with the Sarbanes-Oxley Act, applicable to foreign companies with shares traded in the US market, in 2004 Embraer introduced a number of changes in its Fiscal Board with a view to performing the functions of an Audit Committee.

Consequently, Embraer's Fiscal Board will act as an Audit Committee and is formed by five effective members, one of whom is a specialist in finance, and all of them holding a one-year term.

Intangible Assets

Embraer has a history of material achievements, as reflected by consistent sales and profit figures, as well as a history of achievements with more intangible assets, always considered by the Company as indispensable tools in the quest for improved results in favor of its stakeholders and the creation of benefit to the surrounding community.

Brand

The "EMBRAER" brand is acknowledged and respected within Brazil and overseas, having always been associated with highly reliable state-of-the-art products. For the fifth consecutive year the magazine "Carta

Capital" has selected Embraer as one of the ten most admired companies in Brazil. Similarly, Embraer has for seven years been among the three largest Brazilian exporters, and during this period has been positioned as Brazil's largest exporter for three consecutive years. Embraer makes a significant contribution to the Brazilian trade balance and to bringing international recognition for the country's industrial qualifications.

Personnel and Technology

Embraer staff members have faced and overcome a sequence of challenges which are characteristic of the aerospace market, acting conscientiously and remaining united around the Company's values and objectives.

As a result of years of ongoing investments, the staff members' technical capacity, especially in engineering, has had a positive reflection in the quality, costs, and development cycles of the Company products. Embraer currently counts roughly 3,800 engineers in its staff, a large portion of whom are qualified by virtue of specialization in aeronautical disciplines. Embraer's engineering staff is renowned internationally for its excellence and creative capacity in developing and adapting products in conformity with its specific customer needs.

Customer Satisfaction

Embraer has built its brand as a company focused on customer satisfaction, with products embodying a combination of comfort, performance, and cost, making them manifestly superior, in addition to enjoying distinctive customer service from its product support teams.

Embraer is fully aware that the source of these results and the basis for future growth reside in its customer's satisfaction, and as a result Embraer invests extensively and continuously in the qualification of its teams as well as in quality and productivity enhancements.

Social Responsibility

Embraer enjoys an excellent image as a socially responsible Company, developing programs of a social nature through Embraer Education and Research Institute, primarily oriented towards education and benefiting a number of communities in which it is active throughout the country.

Colégio Engenheiro Juarez Wanderley, a high school created, sponsored, and maintained by Embraer and whose students, all progressing from the public school system, have shown excellent performance in their 2005 Exame Nacional do Ensino Médio (ENEM – official national high school standard examinations), with average grades that placed the school among the ten best schools in the country. The students also obtained a 95% approval rate in the 2005 public and private university entrance examinations.

In connection with internal corporate responsibility actions, Embraer has adopted stringent standards that have given rise to a number of certifications, such as: OHSAS 18001 with regard to Occupational Health and Safety Management, ISO 14001 with regard to Environmental Management, and ISO 9001 and SAE ES 9100, both of which with regard to Quality Management.

Partnerships

To optimize its productive processes, Embraer has established strategic long-term partnerships with its suppliers, ensuring the supply of raw materials and key components for its aircraft. These partnerships also convey to Embraer's customers the assurance with regard to meeting deadlines and aircraft quality standards and the services provided by the Company, since the delivery and service agreements are usually long-term in nature.

Technology

Embraer has approximately 3,800 engineers performing activities involving production, development, and project monitoring, in addition to other areas in the Company.

Through Company sponsorship, several engineers have completed specialization courses in their respective fields as well as master's and doctor's degree programs.

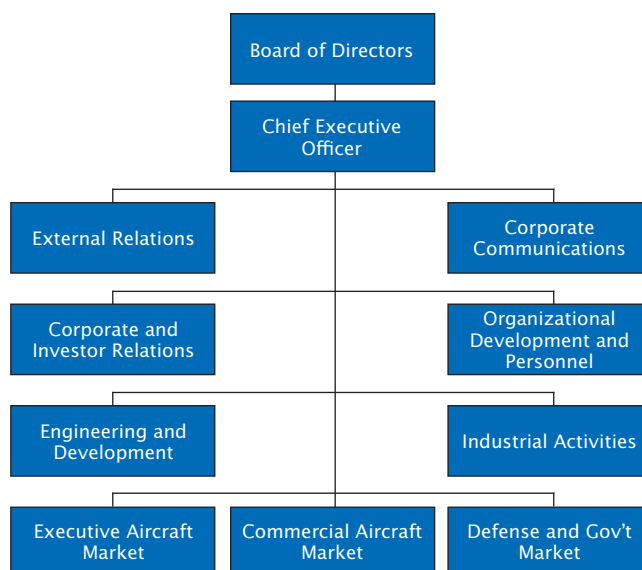
Based on this group of highly qualified professionals, Embraer is able to develop new projects starting from the most elementary industrial processes to the final integration of systems in its aircraft. Embraer's engineering staff is renowned internationally for its excellence and creativity.

Management Model

Every year, Embraer's Senior Management prepares a five year Action Plan, following a strategic planning model that considers variables such as market presence, competition, core competencies, opportunities, and risks. The Action Plan is a pivotal instrument for business entrepreneurship, alignment, and commitment of the entire staff to the planned goals and results.

In 2005 a detailed review process of the Company's organizational structure was developed to increase operating efficiency and effectiveness. As a result, the Company has come closer to its customers and has become more agile. The new organization that emerged from this process is summarized below:

Embraer's Organizational Chart



Independent Auditor Relationship

Embraer's policy in connection with its independent auditors regarding service provisions not related to external audits is substantiated on principles in favor of their independence. These principles are based on the fact that independent auditors should not examine their own work nor perform managerial functions, or defend their customers.

During 2005, Embraer contracted other tasks with these auditors not directly related to auditing financial statements, incurring expenses of approximately R\$ 520,000, which represents 12.5% of the total fees in connection with external audit services provided to the companies of the group worldwide.

Embraer has a policy of submitting to the Board of Directors' approval all the services not related to external audits, when provided by our independent auditors.

Trading Policy

To maintain high corporate governance standards and business management transparency, Embraer created a trading policy for its shares, which is observed by all persons related to the Company (executives and employees) with access to relevant information. The purpose of this policy is to establish rules and procedures that define the periods during which people related to the Company should refrain from trading Embraer shares in order to avoid questioning as to the undue use of relevant information not disclosed to the public.

Additionally, the existing Disclosure Policy for relevant information defines the criteria, the timing, and those responsible for disclosing such information to investors, ensuring a transparent, uniform, and widespread distribution of information to the market.



Management

Board of Directors

VITOR SARQUIS HALLACK (1)
Chairman of the Board

WILSON CARLOS DUARTE DELFINO (3)
Vice-Chairman of the Board

CARLOS ALBERTO CARDOSO MOREIRA

CARLYLE WILSON

CHRISTIAN PAUL MAURICE GRAS

CLAUDEMIR MARQUES DE ALMEIDA

FRANÇOIS REGIS YVES MARIE GAYET

HENRIQUE PIZZOLATO (4)

ISAAC MARCEL DE PICCIOTTO (5)

LUIZ CARLOS SIQUEIRA AGUIAR (2)
Chairman of the Board

MAURÍCIO NOVIS BOTELHO

MAYSA OLIVEIRA DA VOLTA

NEIMAR DIEGUEZ BARREIRO

PAULO CÉSAR DE SOUZA LUCAS

RUBENS A. BARBOSA

Notes:

- (1) Vice-Chairman of the Board until 19 Dec 2005
- (2) Chairman and Member of the Board until 19 Dec 2005
- (3) Member of the Board until 19 Dec 2005
- (4) Member of the Board until 14 Jul 2005
- (5) Member of the Board until 17 Apr 2005

Executive Officers

MAURÍCIO NOVIS BOTELHO
President and CEO

ANTONIO LUIZ PIZARRO MANSO
Executive Vice-President & CFO

ARTUR APARECIDO VALERIO COUTINHO
Executive Vice-President, Industrial Operations

CARLOS ROCHA VILLELA (1)
Vice-President, Legal Counsel

FREDERICO PINHEIRO FLEURY CURADO
Executive Vice-President, Airline Market

HORACIO ARAGONÉS FORJAZ
Executive Vice-President, Corporate Communications

LUIZ CARLOS SIQUEIRA AGUIAR (2)
Executive Vice-President, Defense and Government Market

ROMUALDO MONTEIRO BARROS (3)
Executive Vice-President, Defense and Government Market

SATOSHI YOKOTA
Executive Vice-President, Engineering and Development

Notes:

- (1) Vice-President, Legal Counsel until 20 Apr 2005.
- (2) Executive Vice-President, Defense and Government Market, effective 01 Jan 2006.
- (3) Executive Vice-President, Defense and Government Market until 19 Dec 2005.

Officers, Directors of Subsidiary or Affiliated Companies, and Representatives of Embraer Abroad

ACIR LUIZ DE ALMEIDA PADILHA JUNIOR
Managing Director, Indústria Aeronáutica Neiva

ANTONIO JÚLIO FRANCO
Senior Vice-President, Organizational Development and Personnel

ANTÔNIO PIRES MONTEIRO
President, OGMA – Indústria Aeronáutica de Portugal

BRUCE PEDDLER
Managing Director – Embraer Asia and Pacific, Airline Market

EDUARDO BONINI SANTOS PINTO
President, ELEB – Embraer Liebherr Equipamentos do Brasil

FLÁVIO RÍMOLI
Senior Vice-President, General Counsel

GARY JOHN SPULAK
President, Embraer Aircraft Holding (EAH)

GUAN DONGYUAN
Managing Director – Embraer China

HENRIQUE COSTA RZEZINSKI
Senior Vice-President, Foreign Affairs

LUIZ CLÁUDIO SIGAUD FERRAZ (1)
President, ELEB – Embraer Liebherr Equipamentos do Brasil

LUÍS CARLOS AFFONSO
Senior Vice-President, Executive Jets



LUIZ FERNANDO FUCHS
Senior Vice-President – Europe, Africa and Middle East, Airline Market

ROBERTO ROSSI DE SOUZA
Managing Director, Harbin Embraer Aircraft Industry (HEAI)

Note: (1) until 03 Aug 2005.

Directors, Organizational Functions

ADELINO GOMES CARDOSO
Contracts – Defense and Government Market

ALFREDO ZINA CORREIA
Product Quality

ALMIR MIGUEL BORGES
Material & Procurement

ANASTÁCIO KATSANOS
Market Intelligence – Defense and Government Market

ANDRE LUIZ SORIANI
Site of Gavião Peixoto

ANNA CECILIA BETTENCOURT
Investor Relations

ANTÔNIO CARLOS VIEIRA VICTORAZZO
Product Integrity

ARTUR DINIZ RAMOS
National Business – Defense and Government Market

CARMINE SARAO NETO
Personnel Development

COLIN STEVEN
Marketing and Sales – Europe, Africa and Middle East, Executive Jets

CYNTHIA MARCONDES F. BENEDETTO
Finance

EDSON CARLOS MALLACO
Customer Support – Airline Market

DAVID SCOTT KALISTER
Customer Support – USA, Canada, Mexico and Caribbean, Executive Jets

EDUARDO MUNHÓS DE CAMPOS
International Business – Defense and Government Market

EMÍLIO KAZUNOLI MATSUO
Development Engineering

ERNEST EDWARDS
Marketing and Sales – USA, Canada, Mexico and Caribbean, Executive Jets

EUGÊNIO CALIL PEDRO
Labor and Unions Relations, Personnel and Benefits

FERNANDO RANIERI
Aviation Services – Airline Market

FRANCISCO HORÁCIO BENTO DE MELLO
Foreign Affairs – Brazil

GRACILIANO CAMPOS
Promotional Marketing

HÉLIO BAMBINI FILHO
Industrial Operations Planning

HERMANN PONTE E SILVA
Programs – Executive Jets

HUMBERTO LUIZ DE RODRIGUES PEREIRA
Product Support Engineering

JOÃO PEDRO TABORDA
Foreign Affairs – Europe, Middle East and Africa

JORGE RAMOS DE OLIVEIRA JUNIOR
Technological Development

JOSÉ EDUARDO GANDARA COSTAS
Contracts – Executive Jets

JOSÉ LUIS D´AVILA MOLINA
Contracts – Airline Market

JOSÉ RENATO OLIVEIRA MELO
Advanced Design

JOSÉ SÉRGIO OLIVEIRA VILLELA JUNIOR
Corporate Quality

JOSÉ SERRADOR NETO
Planning and Foreign Trade Policy

LADISLAU CID
Executive Manager – OGMA

LUIS ANTONIO HERNANDEZ GONZALEZ
Planning and New Products Development – Defense and Government Market

LUIZ ANTONIO LOPES DE OLIVEIRA
Production

LUIZ EDUARDO ALMEIDA DE OLIVEIRA
Organizational Development

LUIZ SÉRGIO CARDOSO DE OLIVEIRA
Social Development

LUIZ SÉRGIO CHIESSI
Market Intelligence – Airline Market

MARK PAUL HALE
Marketing and Sales – USA, Canada and Caribbean, Airline Market

MARCELO BOTELHO RODRIGUES
Controller

MARCELO RAMON FERRONI
SAP Project

MARCO ANTONIO NUTINI
Risks and Internal Controls

MARCO TÚLIO PELLEGRINI
Market Intelligence – Executive Jets

MAURÍCIO RODRIGUES AVEIRO
Customer Support – Executive Jets

MAURO KERN JÚNIOR
Programs – Airline Market

NELSON KRAHENBUHL SALGADO
Corporate Planning

ORLANDO JOSÉ FERREIRA NETO
Marketing and Sales – Latin America, Airline Market

PAULO CESAR DE SOUZA E SILVA
Sales Financing

PAULO ESTEVÃO DE CARVALHO TULLIO
Asset Management

PAULO MARCHIOTO
Logistics

PEDRO VEIGA FERRAZ PEREIRA
Corporate Communications – North America

RICARDO MARCELO BESTER
Customer Support – Defense and Government Market

ROBERTO RIBEIRO SANTOS
Administrative Services and Infrastructure

ROSANA APARECIDA DA SILVA AGUIAR
Internal Communication

ROSANA DIAS
External Communications

SÉRGIO DIAS DA COSTA AITA
Corporate Security

SÉRGIO GONÇALVES HORTA
Programs – Defense and Government Market

SÉRGIO MAURO DE M. REGO COSTA
Ground and Flight Test

STÉPHANE GUILBAUD
Corporate Communications – Europe, Middle East and África

WAGNER LAPA PINHEIRO
Information Technology

Fiscal Board (1)

JOSÉ MAURO LAXE VILELA
President

CELENE CARVALHO DE JESUS

GERALDO HUMBERTO DE ARAUJO

JORGE KHALIL MISKI

TAIKI HIRASHIMA

Note: (1) As of April 2004, the Fiscal Board has also become responsible for the duties of the Auditing Committee.

Shareholder Information

Composition of Shareholders' Equity on December 31, 2005

Type	Number of Shares	% of Shareholders' Equity
Common	242,544,448	33.60%
Preferred	479,287,609	66.40%
Total	721,832,057	100.00%

Shares Traded

In Brazil	In the United States of America
Embraer shares are listed on the São Paulo Stock Exchanged (Bolsa de Valores de São Paulo – Bovespa) under the name EMBR3 (common shares) and EMBR4 (preferred shares).	Embraer is listed on the New York Stock Exchange (NYSE) in the ADR Level III Program under code ERJ. Each Embraer ADS is equivalent to four preferred shares.

Depository Banks

In Brazil	In the United States of America
Banco Itaú S.A. Rua Boa Vista, 176 - 1º Subsolo 01014-001 - São Paulo - SP - Brasil Tel.: +55 11 3247 3138 / 3247 3139 Fax: +55 11 3247 3141	JP Morgan 60 Wall Street, 36 th floor 10260-006 - New York, NY - EUA Tel.: +1 212 623 0875 Fax: +1 212 623 0079

Independent Auditors

Deloitte Touche Tohmatsu
Rua Alexandre Dumas, 1.981 - Chácara Santo Antônio
04717-906 - São Paulo - SP - Brazil
Tel.: +55 11 5185 2444 - Fax: +55 11 5181 2911

Investor Relations Departament

Av. Brigadeiro Faria Lima, 2.170 - 12227-901 - São José dos Campos - SP - Brazil
Tel.: +55 12 3927 1216
Fax: +55 12 3922 6070
investor.relations@embraer.com.br
Contacts: Anna Cecília Bettencourt, Andrea Bottcher, Carlos Eduardo Camargo e Paulo Ferreira.

Publications and Information

Quarterly reports, press releases and annual reports are available at our Investor Relations Departament and on our website: www.embraer.com

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Embraer – North America

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Embraer – Europe

Bat. Eddington Paris Nord II – 33, Rue des Vanesses
BP 57391 Villepinte
95943 Roissy CDG Cedex - France
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Embraer – China

Suite 3618, China World Tower 1
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Chaoyang District - Beijing 100004 –
People's Republic of China
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Fax: +86 10 6505 9866

Embraer – Asia Pacific

391 B Orchard Road # 15-01 - Ngee Ann City - Tower B
Singapore 238874
Tel.: +65 6734 4321 - Fax: +65 6734 8255

EAMS – EMBRAER Aircraft Maintenance Services, Inc.

10 Airways Blvd.
Nashville, TN 37217 – USA
Tel.: +1 615 367 2100 – Fax: +1 615 367 4327

ELEB – Embraer Liebherr Equipamentos do Brasil S.A.

Rua Itabaiana, 40
12237-540 – São José dos Campos - SP - Brazil
Tel.: +55 12 3935 5268 – Fax: +55 12 3935 5284

Embraer – Botucatu

Av. Alcides Cagliari, 2.281
18600-971 - Botucatu - SP - Brazil
Tel.: +55 14 3811 2000 - Fax: +55 14 3811 1936

OGMA – Indústria Aeronáutica de Portugal S.A.

2615 – 173
Alverca – Portugal
Tel.: +351 21 957 1000/957 9000
Fax: +351 21 958 1288/958 0401