

Bombardier Sources for Embraer Aircraft Financing Analysis

For Fiscal Years 2000 to 2003

	2000A	Note	2001A	Note	2002A	Note	2003F	Note	TOTAL (2001-2003)	Note
BNDES Financing (US\$ millions)	1 400	¹	1 155	²	1 800	¹	1 800	³	4 755	
Embraer Regional Jet Deliveries (Units)	157	⁴	153	⁴	121	⁴	87	⁵	361	
Embraer Regional Jet Sales (US\$ millions)	2 453	⁴	2 553	⁴	2 110	⁴	1 566	⁶	6 229	
Financing requirement at 85% of aircraft value ⁷ (US\$ millions)	2 085		2 170		1 794		1 331		5 294	
% of Embraer Deliveries Financed									89,8%	⁸

1. Embraer Investor Relations, Investor Meeting Presentation, November 20-21, 2003 (p.25)
2. BNDES Annual Report, December 31st, 2001 (p.15)
3. Mauricio Botelho as quoted in *Jornal do Comercio do Rio de Janeiro* article, December 4th, 2003
4. Embraer SEC filing (20-F), December 31st, 2002 (p.38 & p.40)
5. Embraer Press Release, January 15th, 2004
6. Assuming an average selling price of US\$18M/aircraft
7. 85% is maximum loan-to-value ratio allowed by OECD rules/WTO decisions
8. Calculation: 4,755 / 5,294

**Embraer
Fourth Annual
Investor Meeting
São José dos Campos**

Nov. 20-21, 2003

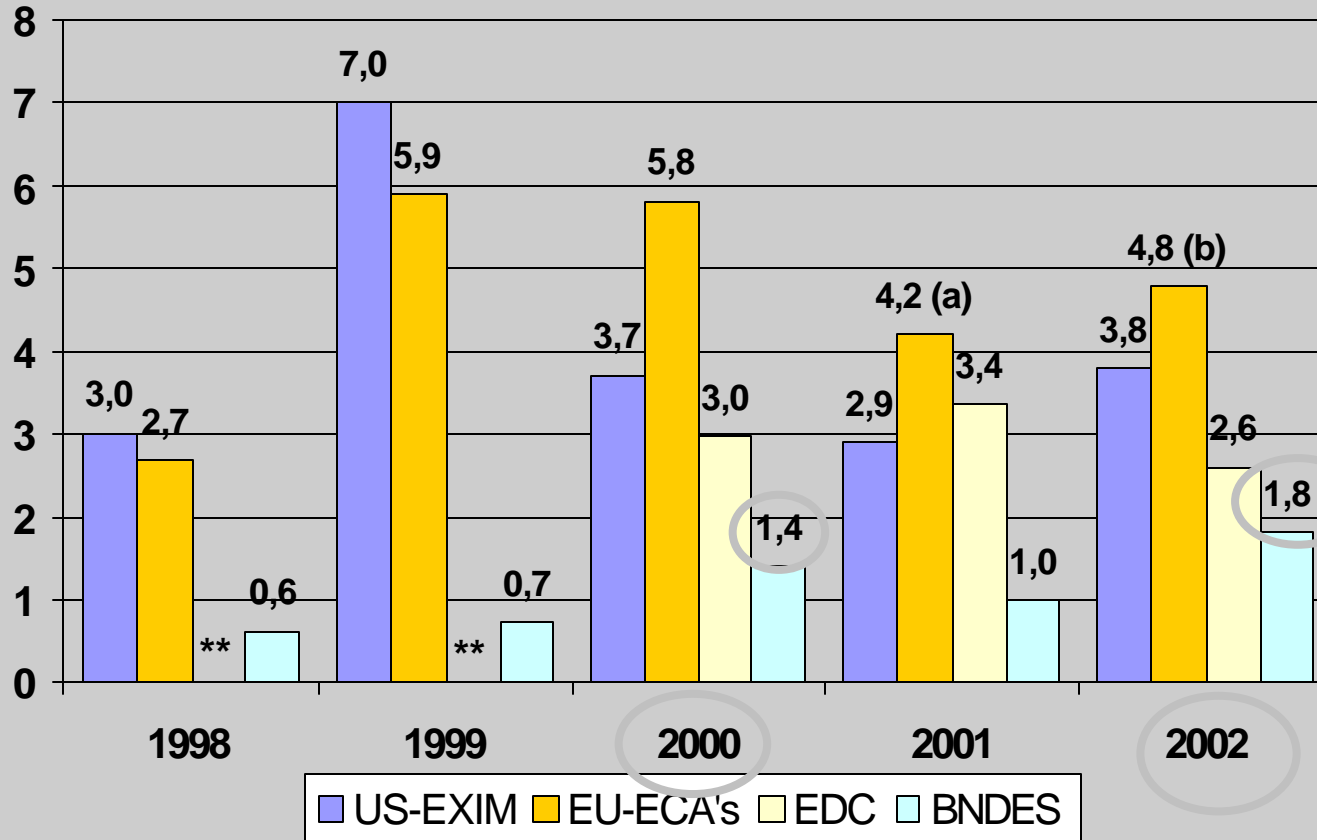


**Antonio Luiz Pizarro Manso
CFO**



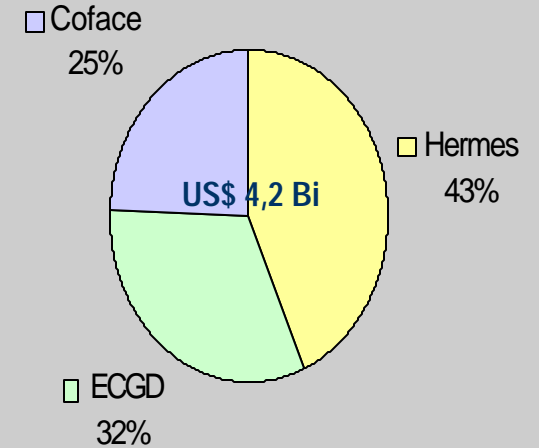
Aerospace Sector Support*

US\$ Bi

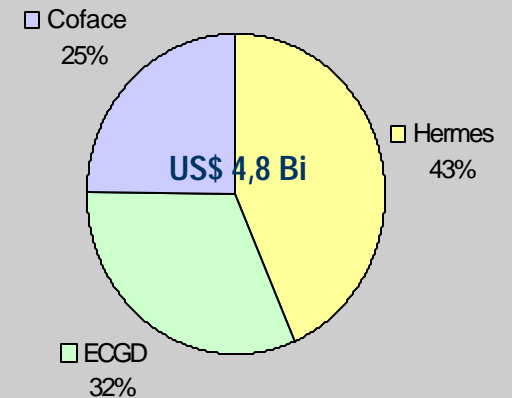


- US-EXIM & EU-ECA's: commercial aircraft more than 70 seats
- EDC commercial aircraft of 50-70-90 seats
- BNDES: commercial aircraft 30-50 seats

(a) European ECA's in 2001:



(b) European ECA's in 2002:



Source: US-Exim - Competitiveness Report 2001/2002
EDC Annual Report 2000/2001/2002



Banco Nacional de Desenvolvimento Econômico e Social

BNDES

**Financial Statements as of
December 31, 2001 and 2000**

In 2001 the disbursements to this sector of \$1.3 billion were directed toward telephone companies and served to finance investments in expansion and modernization of telephone networks. During the year, 9.5 million new fixed telephone lines were installed and the subscriber-base for cellular telephones grew by 5.5 million users. The market penetration (number of users per 100 inhabitants) for cellular telephony has reached 16.9%, and 27.8% for fixed-line telephones, a rate higher than the average for Latin America, which is 16.9%. The number of public telephones increased to 1.4 million in 2001.

Navigation, Ports and Waterways

There was a growth in demand for ships used in oil-production. With respect to port projects, BNDES financed the modernization of private terminals used for container-shipment.

Ground Transportation

In 2001, eight financing projects were approved for investments in highway concessions. The main project was the concession known as Ecovias dos Imigrantes, in São Paulo. This project also has the support of the Inter-American Development Bank (IDB) and its major investment will be a partial doubling in the size of the Rodovia dos Imigrantes, the main highway leading to São Paulo's coastline and the Port of Santos.

Another standout was the re-starting of highway concessions, four of which were projects approved for Paraná State. Among these, specifically, support was given for the Rodonorte project, which covers highways that link the north of the state to the city of Curitiba, where, in addition to providing financing, BNDES also helped the project capture funds on the long-term capital market, by way of an option to sell government debentures.

In the logistics sector, financing was approved for Katoen Natie do Brasil, in order to build multipurpose terminals in Paulínia (SP), Araucária (PR), Camaçari (BA) and Suape (PE).

In the railroad sector, the Bank continued to support the projects of Ferronorte to Rondonópolis (MT) and the refurbishing and modernization of América Latina Logística (ALL) and the Centro–Atlântico Railroad (FCA).

Exports

The amount disbursed – \$2.6 billion – in financing for Brazilian exports was 15% lower than the \$3.1 billion from the year 2000. This decline was influenced directly by the performance of Argentina's economy, one of the main destinations for Brazilian exports. Still, BNDES helped finance 4.5% of Brazil's exports in 2001.

The Bank continues to emphasize its financial support for added-value export products, as well as for actions allowing micro, small and medium-sized businesses access to international markets. In order to reinforce this support, a unit was created specifically to handle financing operations for these companies, and its aim is to provide more individualized and flexible service in order to help structure all types of financing operations according to scale.

Aeronautical Sector

In 2001, BNDES remained the largest financier for export of airplanes produced in Brazil. The financing, known as Post-Export, included disbursements in the order of \$1,155 billion in order to finance sales of aircraft ERJ-140, ERJ-145 and ERJ-135. During the year, credit operations included financing for Chautauqua Airlines of the United States (\$251 million), Crossair Limited Co. of Switzerland (\$125 million) and Sichuan Phoenix Co., of China (\$95 million).

A \$250 million financing program was approved for the boosting of aircraft engine repair services taking place in Brazil. The aim of this operation is to promote an increase in the volume of exports from GE Celma and GE Varig and to boost the competitiveness of these two Brazilian subsidiaries in relation to the other companies competing in this sector, as well as in relation to other GE units in different countries where the same type of services are offered.

Automotive Sector

Brazilian BNDES To Extend \$3.0 Bln to Embraer 2004

226 words

4 December 2003

Portuguese News Digest

English

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The Brazilian National Social and Economic Development Bank (BNDES) is to extend \$3.0 bln (2.489 bln euro) to local aircraft maker Empresa Brasileira de Aeronautica SA (Embraer) in 2004, Embraer's president Mauricio Botelho said on December 4, 2003.

The BNDES projected to extend \$1.8 bln (1.493 bln euro) in 2004, unchanged from 2003. According to Botelho, the amount is 50 pct of the funds the company needs in 2004. Botelho added that Embraer will try to find financing from other local financial institutions.

Embraer's president also said that the company may be fined due to the delay of deliveries of eight Embraer 170 jets to US Airways and Alitalia, which were scheduled for 2003. The deliveries were postponed for 2004.

The Embraer 170 model, with a capacity of between 70 and 78 seats, is to be certified in the first quarter of 2004 by authorities in Brazil, the EU and the United States.

Embraer (www.embraer.com.br) is currently studying possibilities to sell aircraft to countries from the Middle East.

<http://www.jornaldocomercio.com.br>

Source: Jornal do Comercio do Rio de Janeiro (LP/MG/TD)

Document PORTND0020031204dzc4000p1

AVIAÇÃO.

621 words

4 December 2003

Jornal do Comércio do Rio de Janeiro

Portuguese

(c) Copyright: Jornal do Comercio.

Embraer precisará financiar US\$ 3 bi

o próximo ano

O presidente da Embraer, Maurício Botelho, considera «equacionada» a liberação de recursos à Embraer pelo Banco Nacional de Desenvolvimento Econômico e Social (BNDES). Segundo ele, estão previstos para 2004 recursos da ordem de US\$ 1,8 bilhão, mesmo montante deste ano. O crédito será usado para financiar a compra de aviões da Embraer por clientes internacionais.

Segundo Botelho, esse volume representa 50% do total de recursos que a empresa precisará em financiamentos no ano que vem. Isto quer dizer que a fabricante necessitará de valores superiores a US\$ 3 bilhões. Segundo Botelho, a Embraer vai negociar outras fontes de crédito junto a organismos financeiros internacionais. A empresa pretende entregar 160 jatos, em 2004, e 170, em 2005.

Desde 2001, de acordo com o executivo, o BNDES tem respondido por metade dos financiamentos da empresa. Há cerca de três anos, o volume era de 35%. A elevação ocorreu por causa da crise da indústria aeronáutica depois de 11 de setembro de 2001, que tornou mais difíceis as negociações de crédito do setor com o mercado financeiro internacional.

De acordo com Botelho, é natural que os bancos oficiais dêem suporte às principais indústrias aeronáuticas de seus países, especialmente em momentos de crise do setor.

Maurício Botelho admitiu que a Embraer pode ter de pagar multa por atrasar o início da entrega de seis aviões Embraer 170 da nova família de jatos regionais. A entrega, prevista para este mês, foi adiada para fevereiro de 2004. Houve um problema envolvendo a documentação relativa ao software de comando de vôo desenvolvido pela empresa Honeywell para o novo modelo que motivou o adiamento da certificação definitiva por parte do Centro Técnico Aeroespacial (CTA) e pelas autoridades americanas e européias. A Alitalia e a US Airways são as primeiras clientes do 170. «É natural a multa quando escorregamos no prazo», afirmou Botelho.

A Embraer está observando com atenção o mercado do Oriente Médio. Ela vai expor o jato executivo Legacy e o Embraer 170 numa feira aeronáutica em Dubai, nos Emirados Árabes, entre 7 e 11 de dezembro. Além disso, representantes da empresa acompanham a visita do presidente Luiz Inácio Lula da Silva ao Oriente Médio.

Botelho afirma, porém, que as possibilidades de negócios são menores no Oriente Médio do que em outros mercados porque as empresas daquela região preferem aviões maiores, com mais de 100 assentos. O presidente da Embraer negou rumores de um possível acordo com a Líbia, que estaria interessada em aviões brasileiros. «Não existe nada disso», declarou. Segundo ele, o embargo da Líbia pelos Estados Unidos limita a entrada de produtos de alta tecnologia no país, incluindo os aviões.

MP pede suspensão

da fusão Varig-TAM

O Ministério Público do Trabalho pediu, em ação civil pública, movida na Justiça do Trabalho em Porto Alegre, no Rio Grande do Sul, a suspensão do processo de fusão Varig-TAM, até que a nova empresa a ser criada se responsabilize pela garantia de todos os créditos e obrigações trabalhistas.

O pedido de suspensão do acordo baseia-se em denúncia feita pelo Sindicato Nacional dos Aeroviários em julho deste ano de que o processo de fusão estava ferindo a ordem jurídica trabalhista. A ação tem como objetivo evitar a frustração de direitos trabalhistas que já estariam consolidados por meio de sentenças com trânsito em julgado.

Segundo a denúncia do sindicato, esse «modelo de fraude» é utilizado quando uma nova sociedade é criada deixando a antiga com todo o passivo trabalhista. Se a decisão da Justiça for favorável, a nova sociedade deverá não só assumir o passivo deixado pelas duas empresas envolvidas no processo de fusão, como também deverá ser reconhecida como sucessora para todos os fins de direito.

Document JOCOM00020031204dzc400017

As filed with the Securities and Exchange Commission on June 30, 2003

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM 20-F

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR 12(g)
OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended: December 31, 2002

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the transition period from [] to []

Commission file number 1-15102

EMBRAER-EMPRESA BRASILEIRA DE AERONÁUTICA S.A.

(Exact name of Registrant as specified in its charter)

EMBRAER – Brazilian Aviation Company Inc.

(Translation of Registrant's name into English)

Federative Republic of Brazil

(Jurisdiction of Incorporation)

Avenida Brigadeiro Faria Lima, 2170

12227-901 São José dos Campos, São Paulo, Brazil

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class:

Preferred shares, without par value
American Depositary Shares (as evidenced by American Depositary
Receipts), each representing four preferred shares

Name of each exchange on which registered:

New York Stock Exchange*
New York Stock Exchange

* Not for trading purposes, but only in connection with the registration of American Depositary Shares pursuant to the requirements of the Securities and Exchange Commission.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None.

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

None.

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report:

242,544,448 common shares, without par value

470,429,907 preferred shares, without par value

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark which financial statement item the registrant has elected to follow.

Item 17 Item 18

Inflation and exchange rate variations have had, and may continue to have, substantial effects on our financial condition and results of operations.

Inflation and exchange rate variations affect our monetary assets and liabilities denominated in *reais*. The value of such assets and liabilities as expressed in U.S. dollars declines when the *real* devalues against the U.S. dollar and increases when the *real* appreciates. In addition, many financial instruments denominated in *reais* are indexed for inflation. In periods of devaluation of the *real*, we report (a) a remeasurement loss on *real*-denominated monetary assets, which is offset, at least in part, by monetary indexation of *real*-denominated financial instruments and (b) a remeasurement gain on *real*-denominated monetary liabilities, which is offset, at least in part, by the monetary indexation of *real*-denominated financial instruments.

Finally, because revenues in our defense business have historically been denominated principally in *reais*, while our costs for materials for this segment have been principally denominated in U.S. dollars, devaluation of the *real* has adversely affected margins in our defense business. However, at the anniversary date of each contract we are able, under our defense contracts with the Brazilian government, to adjust prospectively our prices (in *reais*) upward to reflect the adverse effects of devaluation. As our defense business becomes more international and our defense sales more U.S. dollar-denominated, we expect that our defense business will be less exposed to devaluation of the *real*.

Overview

Basis of Presentation

The consolidated financial statements have been prepared in accordance with U.S. GAAP. See “Introduction—Presentation of Financial and Other Data—Financial Data” for a discussion of factors affecting our financial data.

Operating Data

The following chart sets forth statistical data concerning our deliveries and backlog for our aircraft at the end of the respective periods. Deliveries consist of aircraft that have been delivered to customers and for which the corresponding revenue has been recognized. Our backlog consists of all firm orders that have not yet been delivered. A firm order is a contractual commitment from a customer, customarily accompanied by a down payment, for which we have reserved a place on one of our production lines. See “Item 5D. Trend Information” for certain information on our firm orders and options.

	At December 31,		
	2000	2001	2002
Regional			
Deliveries			
ERJ 145	112	104	82
ERJ 135	45	27	3
ERJ 140	—	22	36
EMB 120 Brasflia.....	—	2	—
Defense			
Deliveries	2	3	7
Corporate			
Deliveries	2	5	8
Other Operating Information			
Total backlog (in millions)(1).....	US\$11,421	US\$10,693	US\$9,034

(1) Subsequent to December 31, 2002, we received 126 net additional firm orders for our EMBRAER 170/190 jet family.

Net Sales

We generate revenue primarily from the sale of regional aircraft, which historically consists of our ERJ 145 regional jet family and our EMB 120 Brasflia. We also generate revenue from the sale of defense aircraft, including

Results of Operations

The following table presents income statement data by business segment.

Summary Financial Data by Business

	Operating income		
	Year ended December 31,		
	2000	2001	2002
	<i>(in millions of dollars)</i>		
Net sales:			
Regional.....	US\$2,453.1	US\$2,552.5	US\$2,110.3
Defense.....	99.2	124.0	127.3
Corporate.....	26.5	72.6	144.9
Other related businesses	183.4	177.9	143.3
	<u>2,762.2</u>	<u>2,927.0</u>	<u>2,525.8</u>
Cost of sales and services:			
Regional.....	(1,692.3)	(1,536.8)	(1,243.9)
Defense.....	(84.0)	(105.2)	(79.5)
Corporate.....	(18.8)	(47.0)	(104.6)
Other related businesses	(84.2)	(80.2)	(103.7)
	<u>(1,879.3)</u>	<u>(1,769.2)</u>	<u>(1,531.7)</u>
Gross profit:			
Regional.....	760.8	1,015.7	866.4
Defense.....	15.2	18.8	47.8
Corporate.....	7.7	25.6	40.3
Other related businesses	99.2	97.7	39.6
	<u>882.9</u>	<u>1,157.8</u>	<u>994.1</u>
Operating expenses:			
Regional.....	(122.6)	(161.9)	(177.5)
Defense.....	(14.9)	(20.9)	(15.7)
Corporate.....	(3.7)	(9.3)	(28.4)
Other related businesses	(52.5)	(61.0)	(30.8)
Unallocated corporate expenses	(227.1)	(253.3)	(272.1)
	<u>(420.8)</u>	<u>(506.4)</u>	<u>(524.5)</u>
Income from operations.....	<u>US\$462.1</u>	<u>US\$651.4</u>	<u>US\$469.6</u>

EMBRAER REPORTS 2003 DELIVERIES AND TOTAL COMPANY BACKLOG

São José dos Campos, January 15, 2004 - Embraer (Bovespa: EMBR3 and EMBR4; NYSE: ERJ) today announced its total backlog, 2003 and fourth-quarter 2003 deliveries for the Airline, Corporate and Defense markets.

Deliveries by segment were as follows:

Deliveries by Segment	4 th . Quarter 2003	2003
<i>Airline Market</i>		
ERJ 135	1	14
ERJ 140	-	16
ERJ 145	22	57
Total Airline Market	23	87
<i>Corporate Jet Market</i>		
Legacy	6	13
Total Corporate Jet Market	6	13
Defense (*)		
EMB 145	1	1
Total Defense Market	1	1
Total	30	101

(*)Includes only deliveries for government authority transportation

Embraer delivered 101 aircraft in 2003 compared with its forecast of 102 aircraft. In the fourth quarter of 2003, Embraer expected to make 31 deliveries, but one was delivered in January 2004.

Embraer maintains its forecast for deliveries of 160 and 170 Commercial, Corporate and Defense aircraft (including only authority transport aircraft) in 2004 and 2005, respectively.

As of December 31, 2003, Embraer's firm order backlog, including the Airline, Corporate and Defense markets totaled US\$ 10.6 billion. Backlog including options reached US\$ 28.1 billion.