

EMBRAER BRAZILIAN AVIATION CO  
Form F-4  
February 22, 2006

As filed with the Securities and Exchange Commission on February 22, 2006

Registration No. 333-\_\_\_\_\_

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**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**Form F-4**  
REGISTRATION STATEMENT UNDER THE SECURITIES ACT OF 1933

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**RIO HAN EMPREENDIMENTOS E PARTICIPAÇÕES**  
**S.A.**

*(Exact name of Registrant as specified in its charter)*

**Rio Han Holding Company**

*(Translation of Registrant's name into English)*

**Federative Republic of Brazil**  
*(State or Other Jurisdiction of  
Incorporation or Organization)*

**3721**  
*(Primary Standard Industrial  
Classification Code Number)*

**Not Applicable**  
*(I.R.S. Employer  
Identification No.)*

**Av. Brigadeiro Faria Lima, 2170, F-56, térreo, sala 2656  
12227-901 São José dos Campos, SP, Brazil  
55-12-3927-1000**

*(Address, including zip code, and telephone number, including area code, of the registrant's principal executive offices)*

**National Registered Agents, Inc.  
875 Avenue of the Americas, Suite 501  
New York, NY 10001  
1-800-767-1553**

*(Name, address, including zip code, and telephone number, including area code, of agent for service)*

*Copy to:*

**Richard S. Aldrich, Jr., Esq.  
Shearman & Sterling LLP  
Av. Brig. Faria Lima, 3400  
04538-132 São Paulo-SP, Brazil**

**Approximate date of commencement of proposed offer to the public:** As soon as practicable after this registration statement becomes effective.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

**CALCULATION OF REGISTRATION FEE**

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Title of Each Class of Securities to be Registered	Amount to be Registered <sup>(1) (2)</sup>	Proposed Maximum Offering Price Per Share <sup>(3)</sup>	Proposed Maximum Aggregate Offering Price <sup>(2)(3)</sup>	Amount of Registration Fee
Common Shares, no par value	337,177,111	U.S.\$9.6578	U.S.\$3,256,377,638.65	U.S.\$348,433.63

- (1) 290,029,360 of these common shares will initially be represented by the registrant's American Depositary Shares ( ADSs ), each of which will represent four common shares, and which will be evidenced by American Depositary Receipts ( ADRs ). A separate registration statement on Form F-6 will be filed to register the ADSs. The remaining 38,503,014 common shares will not be represented by ADSs. An additional 8,644,737 common shares will be issuable in exchange for preferred shares of Embraer in connection with the offering of exchangeable notes into preferred shares of Embraer by the Brazilian National and Social Development Bank, or BNDES.
- (2) Includes a maximum number of the registrant's common shares expected to be issued to holders of ADSs of Embraer Empresa Brasileira de Aeronáutica S.A. ( Embraer ), and to U.S. holders of common shares and preferred shares of Embraer in connection with the proposed restructuring and merger described in the accompanying prospectus. The common shares to be issued in connection with the proposed restructuring and merger outside the United States to non-U.S. residents are not registered under this registration statement.
- (3) The proposed maximum aggregate offering price per common share (estimated solely for the purpose of computing the amount of the registration fee pursuant to Rule 457(f) and Rule 457(c) under the Securities Act) was calculated in accordance with the exchange ratio of one common share of the registrant to be exchanged for each common share or preferred share of Embraer held directly by a U.S. resident and the exchange ratio of one ADS of the registrant to be exchanged for each ADS of Embraer, in each case in connection with the proposed restructuring and merger described in the accompanying prospectus and based on (a) R\$19.80, the average of the high and low prices of the common shares of Embraer, and R\$20.45, the average of the high and low prices of the preferred shares of Embraer, as reported on the São Paulo Stock Exchange on February 17, 2006, converted into U.S. dollars based on an exchange rate of R\$2.1182 = U.S.\$1.00, as reported by the Central Bank (PTAX rate) on February 17, 2006 and (b) U.S.\$38.70, the average of the high and low prices of the ADSs of Embraer as reported on the New York Stock Exchange on February 17, 2006.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until this registration statement shall become effective on such date as the Commission, acting pursuant to Section 8(a), may determine.**

**The information in this prospectus is not complete and may be changed. Rio Han Empreendimentos e Participações S.A. may not sell these securities until the registration statement filed with the U.S. Securities and Exchange Commission is effective. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any securities in any jurisdiction where such an offer or solicitation would be illegal.**

**Prospectus  
Subject to Completion, dated \_\_\_\_\_, 2006**

**RIO HAN EMPREENDIMENTOS E PARTICIPAÇÕES S.A.**

The Board of Directors of Embraer-Empresa Brasileira de Aeronáutica S.A., or Embraer, has approved a restructuring of Embraer that consists of the adoption of a new capital structure and listing on the *Novo Mercado* segment of the São Paulo Stock Exchange (*Bolsa de Valores de São Paulo*), or BOVESPA.

The proposed restructuring will be implemented through a merger of companies under Brazilian law (*incorporação de empresas*), or merger, of Embraer with and into Rio Han Empreendimentos e Participações S.A., a holding company, or Rio Han. As a result of the merger, Embraer will cease to exist and:

Rio Han will succeed to all of the rights and obligations of Embraer, and will change its legal name to Embraer-Empresa Brasileira de Aeronáutica S.A., which is Embraer's current legal name;

each common share of Embraer (other than common shares held by Rio Han) will be exchanged for one common share of Rio Han, or Rio Han common share;

each preferred share of Embraer will be exchanged for one Rio Han common share, and Rio Han will be prohibited from issuing preferred shares;

each American Depositary Share of Embraer, or Embraer ADS, each of which represents four preferred shares of Embraer, will be exchanged for one American Depositary Share of Rio Han, or Rio Han ADS, each of which will represent four Rio Han common shares; and

the Golden Share, a special class of common share of Embraer held by the Federative Republic of Brazil, or the Brazilian Government, will be exchanged for a special class of common share, or Golden Share, of Rio Han.

**An extraordinary general meeting of Embraer shareholders will be held at Embraer's principal executive offices at Avenida Brigadeiro Faria Lima, 2170, City of São José dos Campos, State of São Paulo, Brazil on [\_\_\_\_\_] [\_\_\_], 2006 at [\_\_]:00 a.m., local time, to consider and vote upon the merger in accordance with the procedures described in this prospectus.**

Even though under Brazilian law holders of Embraer preferred shares and, consequently, Embraer ADSs, collectively, Embraer non-voting shares, do not have the right to vote on the merger, the Board of Directors of Embraer proposes to extend voting rights to all holders of preferred shares, including preferred shares represented by Embraer ADSs, in respect of all proposals relating to the merger, as described in this prospectus.

**NEITHER RIO HAN NOR EMBRAER IS ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND RIO HAN OR EMBRAER A PROXY.**

The Rio Han common shares to be issued to holders of Embraer common and preferred shares will be listed on the BOVESPA. Rio Han will apply to list such shares on the *Novo Mercado* segment of the BOVESPA under the symbol EMBR3. The Rio Han ADSs and the underlying common shares to be received by holders of Embraer ADSs will be listed on the New York Stock Exchange, or NYSE, under the symbol ERJ.

**You should read this prospectus carefully. See the section entitled Risk Factors beginning on page 27 of this prospectus for a discussion of risks that you should consider when evaluating the transactions described in this prospectus.**

**Neither the U.S. Securities and Exchange Commission nor any state securities commission has approved or disapproved of the securities to be issued in connection with the merger or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

This prospectus is dated \_\_\_\_\_, 2006 and is expected to be first made available to Embraer shareholders on or about that date.

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You should rely only on the information contained in this prospectus or on the information to which Rio Han and/or Embraer have referred you. Rio Han and Embraer have not authorized anyone to provide you with different information. The information contained in this prospectus or in any supplement accompanying this prospectus is only accurate at its respective date, and the business, results of operations and financial condition of Rio Han and Embraer may change thereafter.

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## PRESENTATION OF FINANCIAL INFORMATION

### Rio Han Historical Financial Information

Rio Han was formed on September 2, 2005 as a *sociedade por ações de capital fechado* (a closed company), and has not carried on any activities other than in connection with the proposed restructuring and merger. At September 30, 2005, Rio Han had no material assets or liabilities and had only recorded a capital of US\$21.34 in accordance with accounting principles generally accepted in the United States of America, or U.S. GAAP. As a result, Rio Han has not prepared any historical financial statements at and for the one month ended September 30, 2005.

After the proposed restructuring and merger is implemented, Rio Han will prepare financial statements in accordance with U.S. GAAP, and, as currently done by Embraer, Rio Han will also present its primary U.S. GAAP financial statements in U.S. dollars.

In addition, after implementation of the proposed restructuring and merger, and the subsequent listing of Rio Han as a public company with the *Comissão de Valores Mobiliários*, or CVM, Rio Han will be permitted for a limited period of time to prepare its financial statements in accordance with accounting practices adopted in Brazil (which include accounting practices derived from Law No. 6,404 of December 15, 1976, as amended, or the Brazilian Corporate Law) for certain purposes, such as providing reports to its Brazilian shareholders, filing financial statements with the CVM and determining dividend payments and other distributions and tax liabilities in Brazil. These accounting practices are referred to in this prospectus as generally accepted accounting principles in Brazil, or Brazilian GAAP.

### Embraer Historical Financial Information

The historical financial information of Embraer included in this prospectus is derived from the following financial statements:

the consolidated financial statements of Embraer at December 31, 2003 and 2004 and for the years ended December 31, 2002, 2003 and 2004, audited by Deloitte Touche Tohmatsu Auditores Independentes, or Deloitte, included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus;

the consolidated financial statements of Embraer at December 31, 2000 and 2001 and for the years ended December 31, 2000 and 2001, audited by Deloitte, that have not been included in this prospectus; and

the condensed consolidated financial statements of Embraer at and for the nine months ended September 30, 2005, subject to limited review by Deloitte, included in *Financial Statements* beginning on page F-1 of this prospectus.

You should read Embraer's selected historical financial information included in this prospectus in conjunction with (1) *Item 5. Operating and Financial Review and Prospects* and *Item 18. Financial Statements* included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus, (2) Embraer's financial statements and related notes included in *Financial Statements* beginning on page F-1 of this prospectus, and (3) *Management's Discussion and Analysis of Financial Conditions and Results of Operations* beginning on page 74 of this prospectus.

Embraer's consolidated financial statements for the years ended December 2001, 2002, 2003 and 2004 have been prepared in accordance with U.S. GAAP. Because Embraer exports more than 90% of its production and operates in an industry that uses the U.S. dollar as its currency of reference, Embraer's management believes that the U.S. dollar is its functional currency and the most appropriate currency in which to present its financial statements. As a result, amounts for all periods presented have been remeasured into U.S. dollars in accordance with the methodology set forth in Statement of Financial Accounting Standards No. 52, or SFAS 52.

Embraer's consolidated financial statements at and for the year ended December 2000 have been prepared in accordance with Brazilian GAAP, stated in Brazilian *reais* and have been adjusted for the effects of inflation. Previously, amount of net income and shareholders' equity under Brazilian GAAP were reconciled to those that would have been reported under U.S. GAAP.

For certain purposes, such as providing reports to its Brazilian shareholders, filing financial statements with the CVM and determining dividend payments and other distributions and tax liabilities in Brazil, Embraer has prepared and will, until the date the merger is completed, continue to be required to prepare financial statements in accordance with the Brazilian Corporate Law. Embraer's financial statements prepared in accordance with the Brazilian Corporate Law are not adjusted to account for the effects of inflation.

As a result of the reconciliation of amounts to the functional currency and other adjustments related to the differences in accounting principles between U.S. GAAP and Brazilian GAAP, the amounts of net income and shareholders' equity as reported in Embraer's consolidated historical financial statements presented herein differ from those included in its statutory accounting records.

### **Pro Forma Combined Financial Information**

Under U.S. GAAP, the merger of Embraer with and into Rio Han will be recorded using the historical carrying values of the assets and liabilities of Embraer. The merger will be treated as a recapitalization that results in no change in accounting basis from the accounting basis of Embraer because, in accordance with U.S. GAAP, Embraer is regarded as the acquiring party for accounting purposes. The creation of Rio Han, a holding company with no operations, and the subsequent merger with Embraer do not involve any new shareholders nor result in any one shareholder or group of shareholders obtaining unilateral control of Rio Han.

As a result, Rio Han is not presenting pro forma combined financial information in this prospectus, with the exception of the unaudited pro forma earnings per share information of Embraer, giving pro forma effect to the proposed restructuring and merger contemplated in this prospectus. The unaudited pro forma earnings per share information is included in Summary Historical and Pro Forma Financial Information Summary Comparative Per Share Data beginning on page 24 of this prospectus.

The unaudited pro forma earnings per share information of Embraer presented in this prospectus gives effect to estimates made by Embraer's management and assumes that none of the holders of Embraer common shares will exercise their appraisal rights.

The unaudited pro forma earnings per share data of Embraer was prepared for illustrative purposes only. This information does not purport to represent what historical earnings per share Embraer would have had if the proposed restructuring and merger had occurred before such period or the future earnings per share that Rio Han will experience after the proposed restructuring and merger is implemented.

References to *real*, *reais* or R\$ are to the legal currency of Brazil, and references to U.S. dollars or US\$ are to the legal currency of the United States.

### CAUTIONARY STATEMENTS CONCERNING FORWARD LOOKING INFORMATION

This prospectus includes forward-looking statements. These forward-looking statements include, but are not limited to: statements about the benefits of the proposed restructuring to Embraer and Embraer shareholders, including statements that the proposed restructuring will facilitate access to capital markets and increase financing resources for the development of new products and expansion programs and statements regarding the dispersed ownership and potential increase in liquidity of Rio Han common shares, and statements about the current conditions and future trends in the airline industry and business jet market, financial conditions, results of operations, cash flows, dividends, financing plans, business strategies, operating efficiencies or synergies, budgets, capital and other expenditures, competitive positions, growth opportunities for existing products, benefits from new technology, plans and objectives of management of Embraer and other matters.

These forward-looking statements are based largely on the current beliefs and expectations of Rio Han and Embraer about future events and financial trends affecting Embraer's businesses and are subject to risks, uncertainties and assumptions, including, among other things:

general economic, political and business conditions, both in Brazil and in Embraer's markets;

changes in competitive conditions and in the general level of demand for Embraer's products;

management's expectations and estimates concerning Embraer's future financial performance, financing plans and programs, and the effects of competition;

continued successful development and marketing of the Embraer 170/190 jet family, the line of business jets, including the new business jets for the light and very light categories, and defense aircraft;

Embraer's level of debt;

anticipated trends in Embraer's industry and its short- and long-term outlook for the 30-120 seat commercial aircraft market;

Embraer's expenditure plans;

inflation and fluctuations in exchange rates;

Embraer's ability to develop and deliver its products on a timely basis;

availability of sales financing for Embraer's existing and potential customers;

existing and future governmental regulation; and

other risk factors as set forth under "Risk Factors" beginning on page 27 of this prospectus.

The words "believe," "may," "will," "estimate," "continue," "anticipate," "intend," "expect" and similar words are intended to identify forward-looking statements. Rio Han and Embraer undertake no obligation to update publicly or revise any forward-looking statements because of new information, future events or other factors. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this prospectus might not occur.

Actual results and performance could differ substantially from those anticipated in forward-looking statements as a result of various factors such as those risks described in this prospectus, including in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus. You should not place undue reliance on these forward-looking statements.

**QUESTIONS AND ANSWERS ABOUT THE PROPOSED RESTRUCTURING AND MERGER**

**Q: What is the proposed restructuring and merger?**

**A:** The Board of Directors of Embraer-Empresa Brasileira de Aeronáutica S.A., or Embraer, has approved a restructuring of Embraer that consists of the adoption of a new capital structure and listing on the *Novo Mercado*, a special trading segment of the São Paulo Stock Exchange (*Bolsa de Valores de São Paulo*), or BOVESPA.

The proposed restructuring involves two steps:

the organization of Rio Han Empreendimentos e Participações S.A., a holding company, or Rio Han, and the transfer by Cia. Bozano, Caixa de Previdência dos Funcionários do Banco do Brasil - PREVI, or PREVI, and Fundação Sistel de Seguridade Social, or SISTEL, the controlling shareholders of Embraer, of all of the Embraer common shares, or Embraer control shares, held by them subject to the Shareholders' Agreement among Cia. Bozano, PREVI and SISTEL, dated July 24, 1997, or the Shareholders' Agreement, to Rio Han - this step was completed on January 18, 2006; and

the merger of companies under Brazilian law (*incorporação de empresas*), or merger, of Embraer with and into Rio Han.

**Q: Why has Embraer decided to propose the restructuring and merger?**

**A:** The proposed restructuring is intended to create a basis for the sustainability, growth and continuity of Embraer's businesses and activities by simplifying the capital structure of Embraer and thereby improving its access to capital markets and increasing financing resources for the development of new products and expansion programs. The Board of Directors of Embraer believes that the proposed restructuring will also benefit Embraer shareholders through:

the extension of voting rights to all Embraer shareholders;

the relinquishment of voting control by the current controlling shareholders of Embraer in favor of all Embraer shareholders;

a potential increase in the liquidity of the shares to be received by Embraer shareholders in the merger resulting from the expected dispersed ownership of such shares; and

the adoption of enhanced corporate governance practices and transparency standards.

**Q: What will happen to my Embraer common or preferred shares or ADSs?**

**A:** As a result of the merger, Embraer common and preferred shares (including preferred shares represented by Embraer ADSs, each of which represents four Embraer preferred shares) will be exchanged for Rio Han common shares (including common shares represented by Rio Han ADSs, each of which will represent four Rio Han common shares) as follows:

each common share of Embraer (other than those held by Rio Han) will be exchanged for one Rio Han common share;

each preferred share of Embraer will be exchanged for one Rio Han common share, and Rio Han will be prohibited from issuing preferred shares;

each Embraer ADS will be exchanged for one Rio Han ADS; and

the Golden Share, a special class of common share held by the Federative Republic of Brazil, or the Brazilian Government, will be exchanged for a special class of common share, or Golden Share, of Rio Han.

**Q: What shareholder approvals are needed for the proposed restructuring and merger?**

**A:** Under the Brazilian Corporate Law, the merger must be approved by the shareholders of Rio Han and Embraer at their respective general meetings.

The Brazilian Government holds a Golden Share that gives the Brazilian Government a veto right over certain actions by Embraer, including the merger. The representative of the Brazilian Government on the Board of Directors of Embraer has approved the proposed restructuring and merger, and the Brazilian Government has indicated to the Board of Directors of Embraer that it intends to vote in favor of the merger.

**Q: When and where is the extraordinary general meeting of Embraer shareholders to approve the merger?**

**A:** The extraordinary general meeting of Embraer shareholders to approve the merger will be held on [\_\_\_\_\_], 2006, at [\_\_] a.m., local time, at Embraer's principal executive offices at Avenida Brigadeiro Faria Lima, 2170, São José dos Campos, São Paulo, Brazil. The general meeting of Rio Han shareholders to approve the merger will be held at Rio Han's principal executive offices at Avenida Brigadeiro Faria Lima, 2170, F-56, térreo, sala 2656, São José dos Campos, São Paulo, Brazil, immediately following the extraordinary general meeting of Embraer shareholders.

**Q: Will holders of Embraer non-voting shares be entitled to vote at the extraordinary general meeting?**

**A:** Even though under the Brazilian Corporate Law holders of Embraer preferred shares and, consequently, Embraer ADSs do not have the right to vote on the merger, the Board of Directors of Embraer proposes to extend voting rights to all holders of preferred shares, including preferred shares represented by Embraer ADSs, or, collectively, The Embraer non-voting shares in respect of all proposals relating to the merger. At the extraordinary general meeting of Embraer shareholders, holders of Embraer common shares will first be asked to consider and vote upon a proposal to insert a temporary provision in the bylaws of Embraer to confer voting rights upon all Embraer shareholders in respect of all proposals relating to the merger. This first proposal must be approved by holders of a majority of the Embraer common shares present and voting at the extraordinary general meeting. The Board of Directors of Embraer expects this first proposal to be approved because Rio Han and its shareholders Cia. Bozano, PREVI and SISTEL, which directly or indirectly hold 63.35% of the outstanding Embraer common shares, have indicated to the Board of Directors of Embraer that they intend to vote in favor of this first proposal. If this first proposal is approved, all Embraer shareholders will have the right to vote upon all proposals relating to the merger.

**Q: What vote is required to approve the merger at the extraordinary general meeting?**

**A:** If the proposal to insert a temporary provision in the bylaws of Embraer to confer voting rights upon all Embraer shareholders is approved, then the merger must be approved by holders of more than 50% of the outstanding common and preferred shares of Embraer.

**Q: How will the vote for the approval of the merger be conducted at the extraordinary general meeting?**

**A:** The Board of Directors of Embraer has agreed that all Embraer shareholders (other than Rio Han, Cia. Bozano, PREVI and SISTEL and the directors and executive officers of Embraer), including the depositary of the Embraer ADSs that will vote as instructed by holders of ADSs, will vote before Rio Han, Cia. Bozano, PREVI, SISTEL and the directors and executive officers of Embraer on the proposals to approve the merger. If the merger is rejected by holders of more than 50% of the outstanding common and preferred shares of Embraer (other than common or preferred shares held by Rio Han, Cia. Bozano, PREVI, SISTEL and the directors and executive officers of Embraer), then Rio Han, Cia. Bozano, PREVI and SISTEL will vote against the merger. If the merger is not rejected as described in the preceding sentence, Rio Han, Cia. Bozano, PREVI and SISTEL will vote for the merger.

**Q: What is the record date for the extraordinary general meeting?**

**A:** Only Embraer shareholders who hold shares of record as of the close of business on [\_\_\_\_\_], 2006 will be entitled to attend and, in the case of holders of Embraer non-voting shares only if the proposal to extend voting rights to all Embraer shareholders is approved, vote at the extraordinary general meeting.

**Q: Do I have to attend the extraordinary general meeting in person to vote?**

**A:** You must attend the extraordinary general meeting of Embraer shareholders in person or by proxy in order to vote. See Extraordinary General Meeting of Embraer Shareholders How to Vote Your Embraer Shares and ADSs beginning on page 33 of this prospectus for further details.

**Q: As a holder of Embraer ADSs, how do I vote?**

**A:** As a holder of Embraer ADSs, you are not entitled to attend the extraordinary general meeting in person, but instead may be represented at the meeting by the depositary of the Embraer ADSs, or the depositary, or its representative. You should provide the depositary with timely voting instructions with respect to the preferred shares represented by your Embraer ADSs to enable the depositary to have such shares represented at the extraordinary general meeting. The depositary has set [\_\_] p.m. (New York City time) on [\_\_\_\_\_], 2006 as the record date for determining those holders of Embraer ADSs entitled to provide voting instructions. See Extraordinary General Meeting of Embraer Shareholders How to Vote Your Embraer Shares and ADSs and Specific Considerations for Holders of Embraer ADS Vote by Holders of Embraer ADSs beginning on pages 33 and 68 of this prospectus, respectively.

**Q: Do I have appraisal rights in connection with the merger?**

**A:** Holders of record of Embraer common shares at the close of business on January 19, 2006, the date of the first announcement of the merger, are entitled to exercise appraisal or withdrawal rights (*direito de recesso ou retirada*), or appraisal rights, in connection with the merger.

If you held Embraer common shares of record at the close of business on January 19, 2006, you will have the right to elect to receive, instead of the Rio Han common shares to be issued in the merger, R\$6.61 in cash per common share, being the shareholders' equity per share of Embraer determined in accordance with Brazilian GAAP as of September 30, 2005, using the methodology described in the Valuation Report of Shareholders' Equity of Embraer prepared by ACAL Consultoria e Auditoria S/S, or ACAL, dated as of January 18, 2006. See The Proposed Restructuring and Merger Valuation Reports of ACAL Summary of Valuation Report of Book Value of Embraer's Shareholders' Equity beginning on page 53 of this prospectus.

If you have appraisal rights, you must exercise your rights within 30 days of the publication of the minutes of the extraordinary general meeting of Embraer shareholders convened to approve the merger, or the appraisal rights period, otherwise your rights will lapse. You cannot exercise your appraisal rights if you vote in favor of the merger. See The Proposed Restructuring and Merger Appraisal Rights on page 56 of this prospectus for information on how to exercise your appraisal rights.

Under the Brazilian Corporate Law, holders of Embraer preferred shares and Embraer ADSs are not entitled to appraisal rights in connection with the merger. See The Proposed Restructuring and Merger Appraisal Rights on page 56 of this prospectus.

**Q: Can the merger be unwound?**

**A:** Yes. Under the Brazilian Corporate Law, if the management of Rio Han believes that the total value of the appraisal rights exercised by holders of Embraer common shares may put at risk the financial stability of Rio Han, the management may, within ten days after the end of the appraisal rights period, call an extraordinary general meeting of Rio Han shareholders to ratify or unwind the merger.

**Q: When will the merger be completed?**

**A:** The merger will be effective upon approval of the merger by the shareholders of Rio Han and Embraer at their respective meetings.

The merger will be completed only after the merger becomes irreversible, which will occur upon the earliest occurrence of any of the following events:

by the tenth day following the end of the appraisal rights period if management of Rio Han has not called an extraordinary general meeting of Rio Han shareholders to either ratify or unwind the merger;

Rio Han waives its right to unwind the merger; or

management of Rio Han calls an extraordinary general meeting of Rio Han shareholders within ten days of the end of the appraisal rights period to either ratify or unwind the merger, and the merger is ratified.

**Q: As a holder of Embraer common or preferred shares, what should I do to receive my Rio Han common shares?**

**A:** As a holder of Embraer common or preferred shares, you will not need to do anything to receive your Rio Han common shares issued in the merger. Upon the effectiveness of the merger, all Embraer common and preferred shares will automatically be exchanged for Rio Han common shares. As Embraer shares are registered in book-entry form and Rio Han common shares will be registered in book-entry form, an entry or entries will be made by Banco Itaú S.A., the registrar of the Embraer share registry and the Rio Han share registry, in the Rio Han share registry to evidence the Rio Han common shares issued in the merger. Holders of Embraer common or preferred shares will not receive certificates evidencing Rio Han common shares. After the merger is completed, the registrar of the Rio Han share registry will provide a statement of shareholding to each registered holder of Rio Han common shares confirming their ownership of Rio Han common shares.

**Q: As a holder of Embraer ADSs, what should I do to receive my Rio Han ADSs?**

**A:** If you are a registered holder of Embraer ADSs, you will not need to take any action with respect to your Embraer ADSs. If you hold your Embraer ADSs in book-entry form through the direct registration system maintained by JPMorgan Chase Bank, N.A., the depository for the Embraer ADSs, an entry or entries will be made in the direct registration system after the effectiveness of the merger to evidence that your Embraer ADSs represent Rio Han common shares rather than Embraer preferred shares. If you hold certificates, commonly known as American Depositary Receipts, or ADRs, evidencing your Embraer ADSs, your ADRs will evidence your Rio Han ADSs after the effectiveness of the merger. In all cases, the number of Embraer ADSs you hold will remain unchanged. If you are not a registered holder of your Embraer ADSs but hold your Embraer ADSs in street name through a broker, bank, custodian or other nominee, you will not need to take any action unless your broker, bank, custodian or other nominee informs you otherwise.



**Q: Can I trade my Embraer shares during the appraisal rights period?**

**A:** Yes. You may continue to trade your Embraer common or preferred shares under their existing ticker symbols on the BOVESPA until such time as Rio Han is registered as a public company with the CVM and the Rio Han common shares issued in the merger are listed on the BOVESPA. Upon the effectiveness of the merger, Rio Han will apply to register as a public company with the CVM and to list the Rio Han common shares on the *Novo Mercado* segment of the BOVESPA under the ticker symbol EMBR3. Rio Han anticipates the registration and listing process to be completed within approximately 60 days from the date of the filing of its applications with the CVM and the BOVESPA. Holders of Embraer ADSs may continue to trade their Embraer ADSs under the ticker symbol ERJ on the NYSE until such time as the Rio Han ADSs are authorized for listing on the NYSE. Rio Han expects that the Rio Han ADSs will be authorized for listing on the NYSE, subject to official notice of issuance, by the same time that Rio Han is registered as a public company with the CVM and the Rio Han common shares are listed on the BOVESPA.

**Q: Will I have to pay brokerage commissions?**

**A:** You will not have to pay brokerage commissions if your shares are registered in your own name.

**Q: Who can help answer my questions?**

**A:** If you have any questions about the proposed restructuring or merger, you should contact:

**Embraer**  
Avenida Brigadeiro Faria Lima, 2170  
12227-901 São José dos Campos  
São Paulo, Brazil  
Attention: Investor Relations  
Telephone (Brazil): +55 12 3927-4404  
Telephone (US): +1 954 359-3721

**SUMMARY**

The following summary highlights selected information from this prospectus and may not contain all the information that may be important to you. To understand the proposed restructuring and merger more fully, you should read this entire prospectus carefully. This summary is qualified in its entirety by, and should be read in conjunction with, the more detailed information appearing in this prospectus, including Embraer's condensed consolidated financial statements and the accompanying notes.

**The Companies*****Rio Han (see page 71)***

Av. Brigadeiro Faria Lima, 2170  
F-56, térreo, sala 2656  
12227-901 São José dos Campos  
São Paulo, Brazil  
Tel: +55-12-3927-1000

Rio Han was formed as a closed company under the laws of Brazil on September 2, 2005 under the name R.A.A.S.P.E. Empreendimentos e Participações S.A., which name was subsequently changed to Rio Han on January 12, 2006.

The current share ownership of Rio Han (after giving effect to the transfer by Cia. Bozano, PREVI and SISTEL of the Embraer control shares to Rio Han on January 18, 2006) is as follows:

Shareholder	Number of common shares	Percentage of participation in the capital stock
Cia. Bozano	54,102,501	33.33%
PREVI	54,102,131	33.33%
SISTEL	54,102,131	33.33%
<b>Total</b>	<b>162,306,763</b>	<b>100%</b>

Rio Han has not carried on any activities other than in connection with the proposed restructuring and merger.

***Embraer (see page 72)***

Avenida Brigadeiro Faria Lima, 2170  
12227-901 São José dos Campos  
São Paulo, Brazil  
Tel: +55-12-3927-4440

Embraer was incorporated as a publicly held company with private participation by the Brazilian Government in 1969, was privatized in 1994 and is currently a joint stock company duly organized under the laws of Brazil. Embraer is one of the leading manufacturers of commercial aircraft in the world based on net sales of commercial aircraft, and has a global customer base. Embraer's focus is achieving customer satisfaction with a range of products addressing the commercial, business jet and defense aircraft markets. Embraer is also the leading supplier of defense aircraft for the Brazilian Air Force based on number of aircraft sold, and has also sold aircraft to military forces in Europe and Latin America.

For additional information about Embraer, including information regarding recent developments, see The Companies Information About Embraer beginning on page 72 of this prospectus.

**The Proposed Restructuring and Merger (see page 35)**

The Board of Directors of Embraer has approved a restructuring of Embraer that consists of the adoption of a new capital structure and listing on the *Novo Mercado*, a special trading segment of the BOVESPA.

The proposed restructuring involves two steps:

1. the organization of Rio Han and the transfer by Cia. Bozano, PREVI and SISTEL of the Embraer control shares to Rio Han this step was completed on January 18, 2006; and
2. the merger under Brazilian law of Embraer with and into Rio Han.

***Organization of Rio Han and the Transfer of Embraer control shares to Rio Han (see page 71)***

Rio Han was formed on September 2, 2005 and has not carried on any activities other than in connection with the proposed restructuring and merger.

On January 12, 2006, Cia. Bozano purchased all of the common shares representing the capital stock of Rio Han. On January 13, 2006, PREVI and SISTEL each purchased from Cia. Bozano an amount of common shares to enable each of Cia. Bozano, PREVI and SISTEL to hold nearly equal amounts of Rio Han's capital stock. On January 18, 2006, Cia. Bozano, PREVI and SISTEL transferred all of the Embraer control shares (which represent 60% of Embraer's common shares and 20.16% of Embraer's total capital) to Rio Han in exchange for 162,306,263 Rio Han common shares (or 1.1153 Rio Han common shares for each Embraer control share).

The exchange ratio for the transfer of the Embraer control shares to Rio Han was determined by the management of Rio Han and the management of Embraer and subsequently recommended for approval by the Conselho Fiscal (Audit Board) of Embraer. The exchange ratio was approved by the Board of Directors of Embraer based on, among other things, the Financial Analyses Regarding the Restructuring of the Capital Stock of Embraer prepared by Goldman Sachs & Co. together with Goldman Sachs & Companhia, collectively, Goldman Sachs, dated as of January 13, 2006. See *The Proposed Restructuring and Merger Financial Analyses of Goldman Sachs* beginning on page 43 of this prospectus for further details regarding the financial analyses. The exchange ratio for the transfer of the Embraer control shares to Rio Han reflects a premium of 9% when compared to the exchange ratio for the merger. The Board of Directors of Embraer understands that Cia. Bozano, PREVI and SISTEL have a legitimate and justified expectation in receiving a premium on the transfer of the Embraer control shares to Rio Han as compensation for their relinquishment of voting control over Embraer in favor of all Embraer shareholders in connection with the proposed restructuring and merger. See *Merger Agreement* beginning on page 59 of this prospectus for further details.

***Merger of Embraer with and into Rio Han (see page 37)***

The proposed restructuring will be implemented through the merger of Embraer with and into Rio Han under the Brazilian Corporate Law.

As a result of the merger, Embraer will cease to exist and:

Rio Han will succeed to all of the rights and obligations of Embraer, and will change its legal name to Embraer Empresa Brasileira de Aeronáutica S.A., which is Embraer's current legal name;

all of the assets and liabilities (including shareholders' equity) of Embraer will be combined with the assets and liabilities (including shareholders' equity) of Rio Han, and all of Embraer's subsidiaries will become Rio Han's subsidiaries;

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each common share of Embraer (other than common shares held by Rio Han) will be exchanged for one Rio Han common share;

each preferred share of Embraer will be exchanged for one Rio Han common share, and Rio Han will be prohibited from issuing preferred shares;

each Embraer ADS will be exchanged for one Rio Han ADS; and

the Golden Share of Embraer held by the Brazilian Government will be exchanged for a Golden Share of Rio Han.

Each common and preferred share of Embraer held by Cia. Bozano, PREVI or SISTEL not subject to the Shareholders Agreement will be exchanged for one Rio Han common share.

Upon the effectiveness of the merger, the Shareholders Agreement will terminate and the new bylaws of Rio Han to be approved in connection with the merger will prohibit any shareholder or group of shareholders from exercising voting control over Rio Han.

The ownership structure of Rio Han after the merger will be as follows:

### **Share Ownership After the Merger (see page 38)**

As of the date of this prospectus, holders of Embraer shares other than Rio Han hold approximately 79.84% in the aggregate of the total capital stock of Embraer. As a result of the premium that will be realized by Cia. Bozano, PREVI and SISTEL by virtue of the exchange ratio for the transfer of the Embraer control shares to Rio Han when compared to the exchange ratio for the merger, and assuming no holders of Embraer common shares exercise their appraisal rights, holders of Embraer shares other than Rio Han will hold approximately 78.03% in the aggregate of the total capital stock of Rio Han after the merger. See The Proposed Restructuring and Merger Share Ownership After the Merger beginning on page 38 of this prospectus for further details on the financial impact of the merger on Embraer shareholders.

### **Reasons for the Proposed Restructuring and Merger (see page 41)**

The proposed restructuring and merger is intended to create a basis for the sustainability, growth and continuity of Embraer's businesses and activities by simplifying the capital structure of Embraer and thereby improving its access to capital markets and increasing financing resources for the development of new products and expansion programs. See The Proposed Restructuring and Merger Reasons for the Proposed Restructuring and Merger beginning on page 41 of this prospectus. The Board of Directors of Embraer expects that the following benefits will result from the proposed restructuring:

*Benefits to Embraer Shareholders:*

- the extension of voting rights to all Embraer shareholders;
- the relinquishment of voting control by the current controlling shareholders of Embraer in favor of all Embraer shareholders;
- a potential increase in the liquidity of the shares to be received by Embraer shareholders in the merger resulting from the expected dispersed ownership of such shares;
- the adoption of enhanced corporate governance practices and transparency standards; and
- for Cia. Bozano, PREVI and SISTEL, realization of a premium on the Embraer control shares transferred to Rio Han by virtue of the exchange ratio applicable to such transfer when compared to the exchange ratio applicable to the merger.

*Benefits to the Brazilian Capital Markets:*

- the creation of the first major Brazilian company with dispersed ownership and simplified capital structure (only common shares) to be listed on the *Novo Mercado*; and
- the creation of a new corporate governance benchmark for Brazilian public companies.

*Benefits to the Brazilian Government:*

- the continuation of the rights of the Golden Share;
- the assurance that a majority of the voting rights of Rio Han common shares will be held by Brazilian shareholders as provided in the Privatization Notice of Embraer;
- the control over the concentration of Rio Han common shares in amounts equal to or greater than 35%;
- the assurance of a dispersed capital structure due to the adoption of restrictions on voting rights contained in Rio Han's proposed bylaws; and
- the assurance that Rio Han will remain as a technological and industrial partner of the Brazilian Army.

The Board of Directors also considered the following potential effects arising from the proposed restructuring and merger:

- the ownership percentage of holders of Embraer shares other than those subject to the Shareholders' Agreement will be diluted as a result of the merger (assuming no holders of Embraer common shares exercise appraisal rights); and
- holders of Embraer preferred shares (including preferred shares represented by Embraer ADSs) will no longer be entitled to receive a dividend per share at least 10% higher than any dividend conferred upon each Embraer common share.

**Approval of the Conselho Fiscal (Audit Board) and of the Board of Directors of Embraer (see page 42)**

The Conselho Fiscal (Audit Board) of Embraer has reviewed the proposed restructuring and merger, including the Protocol and Justification of Merger of Embraer with and into Rio Han, dated January 19, 2006, and the valuation reports, financial analyses and proposed bylaws of Rio Han attached as exhibits thereto, or the Merger Agreement, and has unanimously recommended the submission of the Merger Agreement and the merger to an extraordinary general meeting of Embraer shareholders for approval.

The Board of Directors of Embraer has also reviewed the proposed restructuring and merger, including the Merger Agreement and all exhibits thereto, and has unanimously approved the restructuring and merger, the terms of the Merger Agreement and all related documents, and has approved the submission of the Merger Agreement and the merger to an extraordinary general meeting of Embraer shareholders for approval.

In determining whether to approve the proposed restructuring and merger, the Board of Directors of Embraer consulted with its senior management and legal counsel as well as its financial advisors, ACAL and Goldman Sachs, considered the approval of the Conselho Fiscal, and considered the respective strategic, financial and other considerations referred to under "The Proposed Restructuring and Merger - Reasons for the Proposed Restructuring and Merger" beginning on page 41 of this prospectus.

**Conditions to the Merger (see page 37)**

The merger must be approved by the shareholders of Rio Han and Embraer at their respective meetings. At their general meeting, Rio Han shareholders will be asked to vote upon, among other things, the following proposals:

the approval of the proposed bylaws for Rio Han;

the election of a transition Board of Directors to serve until the annual general meeting of Rio Han shareholders in 2009 to approve the financial statements for the fiscal year ended December 31, 2008;

the ratification of the appointment of ACAL by the management of Rio Han to prepare the valuation reports of Embraer and Rio Han;

the approval of the valuation reports prepared by ACAL;

the approval of the Merger Agreement;

the approval of the merger of Embraer with and into Rio Han, pursuant to the terms of the Merger Agreement and related documents;

the increase of Rio Han's capital as a result of the merger;

the approval of the renaming of Rio Han as Embraer - Empresa Brasileira de Aeronáutica S.A., which is Embraer's current legal name; and

the restriction on transfers of Rio Han common shares by the current controlling shareholders of Rio Han and the management of Rio Han for a period of six months following the effectiveness of the merger.

Rio Han expects that all of the resolutions submitted to Rio Han shareholders for approval at the general meeting of Rio Han shareholders will be approved because the current controlling shareholders of Rio Han have indicated to Rio Han and to the Board of Directors of Embraer that they intend to vote in favor of all of these proposals.

The Brazilian Government holds a Golden Share that gives the Brazilian Government a veto right over certain actions by Embraer, including the merger. The representative of the Brazilian Government on the Board of Directors of Embraer has approved the proposed restructuring and merger, and the Brazilian Government has indicated to the Board of Directors of Embraer that it intends to vote in favor of the merger at the extraordinary general meeting of Embraer shareholders called to approve the merger.

No regulatory requirements, other than the filing of the minutes of the extraordinary general meeting of Embraer and general meeting of Rio Han shareholders approving the merger with the proper commercial registries, must be met, and no regulatory approvals must be obtained, in connection with the proposed restructuring and merger.

**Extraordinary General Meeting of Embraer Shareholders Regarding the Merger (see page 32)**

*When and Where.* The extraordinary general meeting of Embraer shareholders to approve the merger will be held on:

\_\_\_\_\_, 2006, \_\_\_\_ a.m., local time,  
Avenida Brigadeiro Faria Lima, 2170,  
City of São José dos Campos, State of São Paulo  
Brazil

*Purpose of the Extraordinary General Meeting.* At the extraordinary general meeting of Embraer shareholders, holders of Embraer common shares will first be asked to consider and vote upon a proposal to insert a temporary provision in the bylaws of Embraer to confer voting rights upon all Embraer shareholders, regardless of the type of shares held by them, in respect of all proposals relating to the merger. This first proposal must be approved by holders of a majority of the Embraer common shares present and voting at the extraordinary general meeting. The Board of Directors of Embraer expects this first proposal to be approved because Rio Han and its shareholders Cia. Bozano, PREVI, and SISTEL, which directly or indirectly hold 63.35% of the outstanding Embraer common shares, have indicated to the Board of Directors of Embraer that they intend to vote in favor of this first proposal.

If this first proposal is adopted, all Embraer shareholders will have the right to vote upon the following proposals relating to the merger:

- the ratification of the appointment of ACAL and Goldman Sachs by the management of Embraer to prepare the valuation reports and financial analyses, respectively, regarding the proposed restructuring and merger;
- the approval of the valuation reports prepared by ACAL and of the financial analyses prepared by Goldman Sachs;
- the approval of the Merger Agreement; and
- the approval of the merger of Embraer with and into Rio Han, pursuant to the terms of the Merger Agreement and related documents.

*Record Date; Quorum.* Only Embraer shareholders who hold shares of record as of the close of business, local time, on [\_\_\_\_], 2006 will be entitled to attend and, in the case of holders of Embraer non-voting shares only if the first proposal is approved, vote at the extraordinary general meeting of Embraer shareholders to approve the merger. The holders of record of Embraer ADSs as of [\_\_] p.m. (New York City time) on [\_\_\_\_], 2006, the record date for the Embraer ADSs, will be entitled to provide the depositary for the Embraer ADSs with voting instructions in respect of the proposals to be considered at the extraordinary general meeting.

A quorum of shares of Embraer common stock is necessary to hold a valid extraordinary general meeting of Embraer shareholders. At first call, the holders of at least two-thirds of Embraer common shares issued and outstanding, present in person or represented by proxy, will constitute a quorum to hold the extraordinary general meeting. In the event such quorum is not present, the extraordinary general meeting of Embraer shareholders may be held at second call, with the presence of any amount of holders of Embraer common shares issued and outstanding.

#### **Vote Required for Approval of the Merger (see page 33)**

If the proposal to confer voting rights upon all Embraer shareholders is approved, all Embraer shareholders will have the right to vote on the merger and the merger must be approved by holders of more than 50% of the outstanding common and preferred shares of Embraer.

The Board of Directors of Embraer has agreed that all Embraer shareholders (other than Rio Han, Cia. Bozano, PREVI and SISTEL and the directors and executive officers of Embraer), including the depositary of the Embraer ADSs that will vote as instructed by the holders of ADSs, will vote before Rio Han, Cia. Bozano, PREVI and SISTEL. If the merger is rejected by holders of more than 50% of the outstanding common and preferred shares of Embraer (other than common or preferred shares held by Rio Han, Cia. Bozano, PREVI, SISTEL and the directors and executive officers of Embraer), then Rio Han, Cia. Bozano, PREVI and SISTEL will vote against the merger. If the merger is not rejected as described in the preceding sentence, Rio Han, Cia. Bozano, PREVI and SISTEL will vote for the merger.

At the close of business, local time, on February 20, 2006, directors and executive officers of Embraer beneficially owned, in the aggregate, 18 Embraer common shares and 2,417,681 Embraer preferred shares, representing approximately 0.22% of Embraer's total capital stock.

#### **Appraisal Rights (see page 56)**

Holders of record of Embraer common shares at the close of business on January 19, 2006, the date of the first announcement of the merger, are entitled to exercise appraisal rights in connection with the merger.

If you held Embraer common shares of record at the close of business on January 19, 2006, you will have the right to elect to receive, instead of the Rio Han common shares to be issued in the merger, an amount in cash equal to R\$6.61 per common share, being the shareholders equity per share of Embraer determined in accordance with Brazilian GAAP as of September 30, 2005, using the methodology described in the Valuation Report of Shareholders' Equity of Embraer prepared by ACAL Consultoria e Auditoria S/S, or ACAL, dated as of January 18, 2006. See The Proposed Restructuring and Merger Valuation Reports of ACAL Summary of Valuation Report of Book Value of Embraer's Shareholders Equity beginning on page 53 of this prospectus.

If you have appraisal rights, you must exercise your rights within 30 days of the publication of the minutes of the extraordinary general meeting of Embraer shareholders convened to approve the merger, or the appraisal rights period, otherwise your rights will lapse. Embraer expects to publish the minutes of the extraordinary general meeting in the *Vale Paraibano* in São José dos Campos and in the *Gazeta Mercantil* in São Paulo on or about [\_\_\_\_], 2006. Embraer will furnish an English translation of the minutes of the extraordinary general meeting, which will specify the last date for the exercise of appraisal rights, on Form 6-K with the SEC ([www.sec.gov](http://www.sec.gov)) on the same date as their publication in Brazil and will also make an English translation of the minutes of the extraordinary general meeting available on its website ([www.embraer.com.br](http://www.embraer.com.br)). For information on how to exercise your appraisal rights, see The Proposed Restructuring and Merger Appraisal Rights on page 56 of this prospectus.

Under the Brazilian Corporate Law, holders of Embraer preferred shares and Embraer ADSs are not entitled to appraisal rights in connection with the merger. See The Proposed Restructuring and Merger Appraisal Rights on page 56 of this prospectus.



**Unwinding of the Merger (see page 57)**

Under the Brazilian Corporate Law, if the management of Rio Han believes that the total value of the appraisal rights exercised by holders of Embraer common shares may put at risk the financial stability of Rio Han, the management may, within ten days after the end of the appraisal rights period, call an extraordinary general meeting of Rio Han shareholders to ratify or unwind the merger. Payment relating to the exercise of appraisal rights will not be due if the merger is unwound by Rio Han's shareholders.

The factors that may put at risk the financial stability of the enterprise will depend on the financial condition of Rio Han after the merger and the general economic environment in its markets at the time the appraisal rights are exercised. These factors may include, but are not limited to, the cash balances of Rio Han, its ability to borrow funds or fund expansion plans and continuing operations, and compliance with existing contractual obligations, including financial covenants. The decision to call the extraordinary general meeting of shareholders to ratify or unwind the merger is at the discretion of Rio Han's management.

**Financial Analyses of Goldman Sachs (see page 43)**

In connection with the merger, the Board of Directors of Embraer received certain financial analyses from Goldman Sachs for consideration in its determination of the exchange ratio for the transfer of the Embraer control shares to Rio Han and the exchange ratio for the merger.

**We urge you to read carefully the summary of the financial analyses set forth in The Proposed Restructuring and Merger Financial Analyses of Goldman Sachs beginning on page 43 of this prospectus, which includes information on how to obtain copies of the full analyses.**

**Valuation Reports of ACAL (see page 49)**

In connection with the merger, Rio Han and Embraer retained ACAL to render valuation reports for the purpose of appraising:

the book value of the shareholders' equity of Embraer in order to determine the capital increase of Rio Han that will result from the merger; and

the market value of the shareholders' equity of Embraer and Rio Han in order to (i) compare the ratio between such values with the exchange ratio stipulated in the Merger Agreement and (ii) determine the appraisal value of the Embraer common shares.

The valuation reports were based on the audited financial statements of Rio Han and Embraer as of September 30, 2005, prepared in accordance with Brazilian GAAP. See The Proposed Restructuring and Merger Valuation Reports of ACAL beginning on page 49 of this prospectus for further details.

**We urge you to read carefully the summary of the valuation reports set forth in The Proposed Restructuring and Merger Valuation Reports of ACAL beginning on page 49 of this prospectus, which includes information on how to obtain copies of the full reports.**

**Opinion of Citigroup Global Markets Inc. (see page 54)**

In connection with the merger, the Board of Directors of Embraer received a written opinion from Citigroup Global Markets Inc., or Citigroup, dated February 15, 2006, as to the fairness, from a financial point of view and as of the date of the opinion, to the holders of the Embraer non-voting shares (other than the controlling shareholders of Embraer and their respective affiliates), of the one-for-one exchange ratio provided for in the merger for the Embraer non-voting shares. The full text of Citigroup's written opinion is attached to this prospectus as Annex G. We encourage you to read this opinion carefully in its entirety for a description of the assumptions made, procedures followed, matters considered and limitations on the review undertaken. **Citigroup's opinion was provided to the Board of Directors of Embraer and relates only to the fairness, from a financial point of view, to the holders of the Embraer non-voting shares (other than the controlling shareholders of Embraer and their respective affiliates) of the one-for-one exchange ratio provided for in the merger for the Embraer non-voting shares. Citigroup's opinion does not address any other term, aspect or implication of the merger and does not constitute a recommendation to any security holder as to how such security holder should vote or act on any matters relating to the proposed merger.**



**Risk Factors (see page 27)**

Before making an investment decision, you should carefully consider the risk factors related to the proposed restructuring and the merger and also those related to Rio Han's common shares and ADSs set forth in "Risk Factors" beginning on page 27 of this prospectus.

**Tax Considerations (see page 102)**

There is no specific Brazilian legislation nor administrative or judicial precedent regarding the income tax consequences to investors resulting from a stock-for-stock merger. Based on the opinion of its Brazilian tax counsel, Rio Han believes that the merger should not be subject to income tax pursuant to Brazilian law. Rio Han's Brazilian counsel believes that it is unlikely that the merger will be deemed to be a taxable transaction under Brazilian law, especially if a shareholder maintains, for Brazilian tax purposes, as the cost of acquisition of Rio Han's common shares the cost of the acquisition of Embraer's shares. Gains resulting from the exercise of appraisal rights, however, will be taxable. See "Risk Factors - Risks Relating to the Proposed Restructuring and Merger" beginning on page 27 of this prospectus and "Material Tax Considerations - Material Brazilian Tax Considerations" beginning on page 102 of this prospectus. You are urged to consult your own tax advisor with respect to the personal tax consequences of the merger, which may vary for investors in different tax situations.

Shearman & Sterling LLP, U.S. tax counsel to Embraer and Rio Han, is providing an opinion, based in part on customary representations and assumptions set forth therein, that the merger and resulting share exchange should qualify as one or more reorganizations for U.S. federal income tax purposes. If the merger so qualifies as a reorganization pursuant to these provisions, the exchange of Embraer common shares, preferred shares and ADSs for Rio Han common shares and ADSs pursuant to the merger generally will be tax-free to U.S. holders of Embraer common shares, preferred shares and ADSs for such tax purposes. See "Risk Factors - Risks Relating to the Proposed Restructuring and Merger" beginning on page 27 of this prospectus and "Material Tax Considerations - Material United States Federal Income Tax Considerations" beginning on page 104 of this prospectus. You are urged to consult your own tax advisor with respect to your personal tax consequences of the merger, which may vary for investors in different tax situations.

**Accounting Treatment of the Merger (see page 58)**

Under U.S. GAAP, the merger of Embraer with and into Rio Han will be recorded using the historical carrying values of the assets and liabilities of Embraer. The merger will be treated as a recapitalization that results in no change in accounting basis from the accounting basis of Embraer because, in accordance with U.S. GAAP, Embraer is regarded as the acquiring party for accounting purposes. The creation of Rio Han, a holding company with no operations, and the subsequent merger with Embraer do not involve any new shareholders nor result in any one shareholder or group of shareholders obtaining unilateral control of Rio Han.

**Merger Agreement (see page 59)**

The Merger Agreement provides for the merger of Embraer with and into Rio Han, which will become the successor of Embraer and, by operation of law, assume all Embraer's rights and obligations, under the Brazilian Corporate Law. The Merger Agreement is described in more detail in "Merger Agreement" beginning on page 59 of this prospectus and is attached as Annex B to this prospectus.

**Interests of Certain Persons in the Merger (see page 65)**

In considering how to vote, Embraer shareholders should be aware that certain members of the Embraer Board of Directors and the management of Embraer may have interests in the merger that differ from, or are in addition to, their interests as Embraer shareholders. The Embraer Board of Directors was aware of these interests and considered them, among other matters, in approving the Merger Agreement and the merger. A summary of these interests, to the extent material, is set forth in "Interests of Certain Persons in, and Significant Shareholders of, Embraer and Rio Han" beginning on page 65 of this prospectus.

**Management of Rio Han Before and After the Proposed Restructuring and Merger (see page 110)**

Rio Han is currently managed by two executive officers, Mr. Vitor Sarquis Hallack and Mr. Carlos Alberto Cardoso Moreira, both executive officers without specific title currently serving a term that will expire at the next general meeting of Rio Han shareholders. Additional officers of Rio Han may be elected by its shareholders prior to the proposed restructuring and merger.

Pursuant to Rio Han's proposed bylaws, after the implementation of the proposed restructuring and merger, Rio Han will be managed by a Board of Directors comprised of 11 members and a board of officers with a minimum of four and a maximum of 11 members. One of the members of the board of officers will be the Chief Executive Officer, or CEO, who will participate in meetings of the Board of Directors, but may not vote in respect of any resolution of the Board of Directors. The members of the Board of Directors will be elected for two-year terms. Rio Han's proposed bylaws further provide that the Brazilian Government, as holder of the Golden Share, will be entitled to appoint one member of the Board of Directors. In addition, Rio Han's employees will be entitled to appoint two members of the Board of Directors: (i) one as a representative of the Rio Han employees who are Rio Han shareholders and (ii) one as a representative of Rio Han employees who are not Rio Han shareholders. Rio Han will have a permanent Conselho Fiscal, or audit board, which will comprise five members and an equal number of alternates.

Rio Han's proposed bylaws also contain a temporary provision, which will become effective immediately before approval of the proposed restructuring and merger, specifying that Rio Han will be managed by a transition Board of Directors of 11 members to be elected on the date of approval of the Rio Han proposed bylaws at the general meeting of Rio Han shareholders to approve the merger. This transition Board of Directors will comprise 11 members, of whom: (i) one will be the current CEO of Embraer, who will also serve as CEO of Rio Han for a limited period; (ii) one will be appointed by the Brazilian Government; (iii) two will be appointed by Embraer's employees; (iv) one will be appointed by each of Cia. Bozano, PREVI and SISTEL; and (v) the remaining four will be independent board members, who will be appointed by Cia. Bozano, PREVI and SISTEL, as a group. The term of office of the members of the transition Board of Directors elected on the date of approval of the Rio Han bylaws will be three years, until the annual general meeting of Rio Han shareholders in 2009 to approve the financial statements for the fiscal year ended December 31, 2008. The term of office of Rio Han's Board of Directors will thereafter be two years.

The current president and CEO of Embraer will be the Chairman of the transition Board of Directors pursuant to the temporary provision of Rio Han's proposed bylaws. As a result, Mr. Maurício Novis Botelho, currently president and CEO of Embraer, will be elected as Chairman of the Board of Directors, as well as the president and CEO of Rio Han, and will hold the office of CEO until the first meeting of the Board of Directors of Rio Han to be held after the annual general meeting of Rio Han shareholders that approves the financial statements for the fiscal year ended December 31, 2006 (at which time, a new CEO will be elected by the Board of Directors).

See "Management of Rio Han Before and After the Proposed Restructuring and Merger" beginning on page 110 of this prospectus and "Description of Rio Han's Capital Stock - Election of Board of Directors" beginning on page 126 of this prospectus for a detailed description of the rules and procedures regarding the nomination and election of Rio Han's board members and executive officers.

#### **Stock Exchange Listings (see page 57)**

Upon the effectiveness of the merger, Rio Han will apply to register as a public company with the CVM and to list the Rio Han common shares to be issued in the merger on the *Novo Mercado* segment of the BOVESPA under the ticker symbol EMBR3, which is currently the ticker symbol for the Embraer common shares. Rio Han anticipates the registration and listing process to be completed within approximately 60 days from the date of the filing of its applications with the CVM and the BOVESPA. Until Rio Han is registered as a public company with the CVM and the Rio Han common shares are listed on the BOVESPA, holders of Embraer common and preferred shares may continue to trade their Embraer shares under their current ticker symbols EMBR3 and EMBR4, respectively.

Rio Han will also submit a listing application to the NYSE to list the Rio Han ADSs to be issued to holders of Embraer ADSs in the merger under the ticker symbol ERJ, which is currently the ticker symbol for the Embraer ADSs. Until the Rio Han ADSs are authorized for listing on the NYSE, holders of Embraer ADSs may continue to trade their Embraer ADSs, without interruption, under their current ticker symbol. Rio Han expects that the Rio Han ADSs will be authorized for listing on the NYSE, subject to official notice of issuance, by the same time that Rio Han is registered as a public company with the CVM and the Rio Han common shares are listed on the BOVESPA.

**Rights of the Golden Share (see page 125)**

All rights to which the Brazilian Government is entitled in its capacity as holder of the Golden Share pursuant to Embraer's bylaws will be fully maintained in Rio Han's proposed bylaws, including the right to appoint one member to Rio Han's Board of Directors.

In addition, Rio Han's proposed bylaws provide that:

any shareholder or group of shareholders that acquires or becomes the holder of (i) 35% or more of the total shares issued by Rio Han or (ii) other rights over shares issued by Rio Han that represent more than 35% of its capital will be required to make a public tender offer to purchase all of the shares issued by Rio Han on the terms specified in Rio Han's proposed bylaws or to sell all of such shareholders' shares that exceed the 35% limit, in either case, as required by the Brazilian Government; and

the Brazilian Government will have veto powers in connection with certain matters contained in Rio Han's bylaws.

See Description of Rio Han's Capital Stock Rights of the Golden Share on page 125 of this prospectus for further details regarding the Golden Share.

**Lock-up of Certain Shareholders (see page 63)**

Immediately after approval of the merger, a proposal will be submitted to the general meeting of Rio Han shareholders, as set forth in the Merger Agreement, to approve a restriction on transfers of Rio Han common shares by the current controlling shareholders of Rio Han and the management of Rio Han for a period of six months after the effectiveness of the merger. Rio Han expects that this proposal will be approved at the meeting as the current controlling shareholders of Rio Han have indicated that they intend to vote in favor of this proposal.

**Comparison of Rights of Holders of Embraer Preferred Shares and Rio Han Common Shares (see page 117)**

If you hold Embraer preferred shares or Embraer ADSs, once you receive Rio Han common shares or Rio Han ADSs, respectively, your rights as a shareholder of Rio Han will be different in certain respects from your current rights. As a holder of Rio Han common shares, you may personally attend and vote at any and all general meetings of Rio Han shareholders, subject to certain limitations applicable to all Rio Han common shareholders, and you will receive the same amount of dividends per share payable to all other shareholders, instead of the current entitlement to dividends in an amount per share at least 10% higher than any dividend conferred upon each Embraer common share. For a more detailed description of the rights of holders of Rio Han common shares, see Description of Rio Han's Capital Stock Rights of Common Shares beginning on page 117 of this prospectus.

**Limitations on Voting Rights of Certain Rio Han Shareholders (see page 120)**

Rio Han's proposed bylaws provide that, at any general meeting of Rio Han shareholders, no shareholder or group of shareholders may exercise votes representing more than 5% of the quantity of shares into which the capital stock of Rio Han is divided. Votes that exceed this 5% threshold will not be counted. For further information, see Description of Rio Han's Capital Stock Limitations on the Voting Rights of Certain Holders of Common Shares beginning on page 120 of this prospectus.

In order to comply with the *edital* (invitation to bid) issued by the Brazilian Government in connection with the privatization of Embraer in 1994, which limited the participation in the voting capital of Embraer by non-Brazilian shareholders to 40%, Rio Han's proposed bylaws provide that, at any general meeting of Rio Han shareholders, non-Brazilian shareholders may not exercise voting rights representing in total more than 2/3 of the total votes that can be exercised by the Brazilian shareholders present at such meeting. The total number of votes that may be exercised by Brazilian shareholders and by non-Brazilian shareholders will be assessed after giving effect to the 5% voting limitation discussed above. Votes of non-Brazilian shareholders that exceed this 2/3 threshold will not be counted.

If the total vote of non-Brazilian shareholders at any general meeting of Rio Han shareholders exceeds 2/3 of the votes that may be exercised by the Brazilian shareholders present at such meeting, the number of votes of each non-Brazilian shareholder will be proportionately reduced so that the total vote of non-Brazilian shareholders does not exceed 2/3 of the total votes that can be exercised by Brazilian shareholders present at such meeting. The objective of this 2/3 limitation is to ensure that Brazilian shareholders constitute a majority of the total votes cast at any general meeting of Rio Han shareholders and will effectively prevent the takeover of Rio Han by non-Brazilian shareholders. The limitation applicable to Rio Han's non-Brazilian shareholders only restricts voting rights without, however, preventing non-Brazilian shareholders from participating in the capital stock or receiving dividends based on their effective shareholding. Therefore, rights such as the participation in the distribution of profits, participation in the net assets in case of liquidation, inspection of management's activities, and preemptive rights in the subscription of new shares and convertible securities, as well as the right to exercise appraisal rights as provided by applicable law, shall not be affected. See Description of Rio Han's Capital Stock Limitation on the Voting Rights of Non-Brazilian Shareholders beginning on page 121 of this prospectus for a further discussion of this limitation and examples of its application.

**Mechanism to Promote Dispersed Ownership of Rio Han's Shares (see page 128)**

Rio Han's proposed bylaws contain provisions that have the effect of avoiding concentration of Rio Han shares in the hands of one investor or a small group of investors in order to promote more dispersed ownership of its shares. These provisions require any shareholder or group of shareholders that acquires or becomes the holder of (i) 35% or more of the total shares issued by Rio Han or (ii) other rights over shares issued by Rio Han that represent more than 35% of its capital to make a public tender offer to purchase all of the shares issued by Rio Han on the terms specified in Rio Han's proposed bylaws or to sell all of such shareholders' shares that exceed the 35% limit, in either case, as required by the Brazilian Government. For purposes of calculating the 35% limit, the calculation shall not include involuntary percentage increases resulting from the cancellation of treasury shares.

Rio Han's proposed bylaws will further require the mandatory disclosure, by means of a notice to Rio Han and to the exchanges on which its securities are traded, of the acquisition of shares that together with those already held by such shareholder exceed 5% of Rio Han's total capital stock, subject to the potential suspension of all voting rights of the shares held by such shareholder, if a resolution is approved at a general meeting of Rio Han shareholders specially called by Rio Han's management to discuss the matter.

### SUMMARY HISTORICAL AND PRO FORMA FINANCIAL INFORMATION

The following information is provided to aid you in your analysis of the financial aspects of the proposed restructuring and merger.

Rio Han was formed on September 2, 2005 as a closed company, and has not carried on any activities other than in connection with the proposed restructuring and merger. At September 30, 2005, Rio Han had no material assets or liabilities and had only recorded a capital of US\$21.34 in accordance with U.S. GAAP. As a result, Rio Han has not prepared any historical financial statements at and for the one month ended September 30, 2005.

The historical financial information of Embraer included in this prospectus is derived from the following financial statements:

the consolidated financial statements of Embraer at December 31, 2003 and 2004 and for the years ended December 31, 2002, 2003 and 2004, audited by Deloitte Touche Tohmatsu Auditores Independentes, or Deloitte, included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus;

the consolidated financial statements of Embraer at December 31, 2000 and 2001 and for the years ended December 31, 2000 and 2001, audited by Deloitte, that have not been included in this prospectus; and

the condensed consolidated financial statements of Embraer at and for the nine months ended September 30, 2005, subject to limited review by Deloitte, included in Financial Statements beginning on page F-1 of this prospectus.

This summary historical financial information should be read together with these financial statements.

You should also read Embraer's selected historical financial information included in this prospectus in conjunction with (1) Item 5. Operating and Financial Review and Prospects and Item 18. Financial Statements included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus, (2) Embraer's financial statements and related notes included in Financial Statements beginning on page F-1 of this prospectus, and (3) Management's Discussion and Analysis of Financial Conditions and Results of Operations beginning on page 74 of this prospectus.

Embraer's consolidated financial statements for the years ended December 2001, 2002, 2003 and 2004 have been prepared in accordance with U.S. GAAP. Because Embraer exports more than 90% of its production and operates in an industry that uses the U.S. dollar as its currency of reference, Embraer's management believes that the U.S. dollar is its functional currency and the most appropriate currency in which to present its financial statements. As a result, amounts for all periods presented have been remeasured into U.S. dollars in accordance with the methodology set forth in Statement of Financial Accounting Standards No. 52, or SFAS 52.

Embraer's consolidated financial statements at and for the year ended December 2000 have been prepared in accordance with Brazilian GAAP, stated in Brazilian *reais* and adjusted for the effects of inflation. Previously, amounts of net income and shareholders' equity under Brazilian GAAP were reconciled to those that would have been reported under U.S. GAAP.

Under U.S. GAAP, the merger of Embraer with and into Rio Han will be recorded using the historical carrying values of the assets and liabilities of Embraer. The merger will be treated as a recapitalization that results in no change in accounting basis from the accounting basis of Embraer because, in accordance with U.S. GAAP, Embraer is regarded as the acquiring party for accounting purposes. The creation of Rio Han, a holding company with no operations, and the subsequent merger with Embraer do not involve any new shareholders nor result in any one shareholder or group of shareholders obtaining unilateral control of Rio Han.

As a result, Rio Han is not presenting pro forma combined financial information in this prospectus, with the exception of the unaudited pro forma earnings per share information of Embraer, giving pro forma effect to the proposed restructuring and merger contemplated in this prospectus. The unaudited pro forma earnings per share information is included in Summary Comparative Per Share Data beginning on page 24 of this prospectus.

The unaudited pro forma earnings per share information of Embraer presented in this prospectus gives effect to estimates made by Embraer's management and assumes that none of the holders of Embraer common shares will exercise their appraisal rights.

The unaudited pro forma earnings per share data of Embraer was prepared for illustrative purposes only. This information does not purport to represent what historical earnings per share Embraer would have had if the proposed restructuring and merger had occurred before such period or the future earnings per share that Rio Han will experience after the proposed restructuring and merger is implemented.



**Summary of Selected Historical Financial Information of Rio Han**

Rio Han was formed on September 2, 2005 as a closed company, and has not carried on any activities other than in connection with the proposed restructuring and merger. At September 30, 2005, Rio Han had no material assets and liabilities and had only recorded a capital of US\$21.34 in accordance with U.S. GAAP. As a result, Rio Han has not prepared any historical financial statements at and for the one month ended September 30, 2005.

## Summary of Selected Historical Financial Information of Embraer

	At and for the year ended December 31,					At and for the nine months ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
<i>(In thousands of U.S. dollars, except per share/ADS data)</i>							
<b>Income Statement Data</b>							
Net sales	2,762,162	2,926,995	2,525,800	2,143,460	3,440,533	2,486,999	2,640,049
Cost of sales and services	(1,879,318)	(1,769,234)	(1,531,720)	(1,335,032)	(2,267,330)	(1,672,283)	(1,817,226)
Gross profit	882,844	1,157,761	994,080	808,428	1,173,203	814,716	822,823
<i>Operating expenses</i>							
Selling expenses	(193,420)	(212,057)	(211,015)	(206,246)	(342,883)	(266,317)	(177,933)
Research and development	(69,593)	(99,566)	(158,499)	(173,216)	(44,506)	(5,435)	(62,095)
General and administrative expenses	(96,645)	(120,787)	(109,673)	(114,743)	(139,357)	(97,011)	(138,945)
Employee profit sharing	(41,770)	(43,746)	(25,222)	(20,399)	(61,199)	(42,956)	(35,166)
Other operating expense, net	(19,275)	(30,227)	(20,109)	(29,009)	(41,272)	(600)	(18,367)
Total operating expenses	(420,703)	(506,383)	(524,518)	(543,613)	(629,217)	(412,319)	(432,506)
<i>Income from operations</i>	462,141	651,378	469,562	264,815	543,986	402,397	390,317
<i>Non-operating income (expense)</i>							
Interest income (expenses), net	(6,874)	47,502	80,456	(140,755)	(38,000)	4,548	(25,393)
Exchange loss, net	(24,637)	(148,637)	(135,647)	(16,500)	(12,218)	(4,968)	(19,520)
Other non-operating income (expenses), net	5,955	(8,426)	(1,394)	711	(117)	13	(725)
Total non-operating income (expense)	(25,556)	(109,561)	(56,585)	(156,544)	(50,335)	(407)	(45,638)
<i>Income before income taxes</i>	436,585	541,817	412,977	108,271	493,651	401,990	344,679
Income tax benefit (expenses)	(117,379)	(218,394)	(188,502)	27,990	(112,139)	(103,431)	(47,530)
<i>Income before minority interest</i>	319,206	323,423	224,475	136,261	381,512	298,559	297,149
Minority interest	1,522	(423)	(1,883)	(217)	(1,306)	(1,321)	(7,454)
<i>Income before cumulative effect of accounting change</i>	320,728	323,000	222,592	136,044	380,206	297,238	289,695
Cumulative effect of accounting change, net of tax		5,440					
<i>Net income</i>	320,728	328,440	222,592	136,044	380,206	297,238	289,695
<b>Earnings per share</b>							
Common share basic (1) (3) (6)	0.55	0.48	0.30	0.18	0.50	0.39	0.38
Preferred share basic (1) (3) (6)	0.61	0.53	0.33	0.20	0.55	0.43	0.41
ADS basic (1) (3) (6)	2.43	2.11	1.32	0.79	2.18	1.72	1.64
Common share diluted (2) (3) (6)	0.48	0.46	0.30	0.18	0.49	0.38	0.37
Preferred share diluted (2) (3) (6)	0.53	0.50	0.33	0.20	0.54	0.42	0.41
ADS diluted (2) (3) (6)	2.10	2.01	1.31	0.78	2.17	1.68	1.65
<b>Dividends per share</b>							
Common share (3) (4) (5)	0.220623	0.235248	0.173256	0.088174	0.166520	0.166520	0.194306
Preferred share (3) (4) (5)	0.242686	0.258763	0.190578	0.096991	0.183169	0.183169	0.213737
ADS (3) (4) (5)	0.970744	1.035052	0.762312	0.387964	0.732676	0.732676	0.854948
<b>Weighted averaged number of shares outstanding</b>							
Common share basic (3)	242,544	242,544	242,544	242,544	242,544	242,544	242,544
Preferred share basic (3)	308,401	402,035	454,414	471,228	474,994	475,411	478,219
Common share diluted (3)	242,544	242,544	242,544	242,544	242,544	242,544	242,544

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Preferred share	diluted (3)	392,954	433,386	459,415 21	474,840	479,217	479,822	481,746
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	At and for the year ended December 31,					At and for the nine months ended September 30,
	2000	2001	2002	2003	2004	2005
<i>(In thousands of U.S. dollars, except per share/ADS data)</i>						
<b>Balance Sheet Data</b>						
Cash and cash equivalents	1,189,231	749,302	656,822	1,265,820	1,207,288	976,093
Temporary cash investments				4,320	153,488	821,515
Other current assets	920,278	1,816,046	1,856,301	2,076,726	2,514,733	2,998,589
Property, plant and equipment, net	254,965	366,481	436,715	402,663	381,265	399,372
Other long-term assets	528,942	628,958	1,335,626	2,331,006	1,825,625	1,829,251
<b>Total assets</b>	<b>2,893,416</b>	<b>3,560,787</b>	<b>4,285,464</b>	<b>6,080,535</b>	<b>6,082,399</b>	<b>7,024,820</b>
Short-term loans and financing	365,043	526,550	244,526	517,014	513,281	576,887
Other current liabilities	967,283	1,161,313	1,397,407	1,929,181	1,802,820	2,032,630
Long-term loans and financing	90,969	245,186	308,110	526,728	825,448	1,123,752
Other long-term liabilities	677,013	599,212	1,237,015	1,925,776	1,565,539	1,737,483
Minority interest	7,748	8,170	8,226	12,611	21,443	46,110
Shareholders' equity	785,360	1,020,356	1,090,180	1,169,225	1,353,868	1,507,958
<b>Total liabilities and shareholders' equity</b>	<b>2,893,416</b>	<b>3,560,787</b>	<b>4,285,464</b>	<b>6,080,535</b>	<b>6,082,399</b>	<b>7,024,820</b>

	For the year ended December 31,					For the nine months ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
<i>(In thousands of U.S. dollars, except per share/ADS data)</i>							
<b>Other Financial Data</b>							
Net cash provided by (used in) operating activities	1,103,674	(207,388)	575,653	239,634	3,301	192,027	195,096
Net cash used in investing activities	(90,996)	(162,760)	(104,216)	(72,667)	(217,781)	(85,371)	(720,440)
Net cash provided by (used in) financing activities	(85,250)	134,379	(352,435)	403,791	105,220	7,374	206,832
Depreciation and amortization	30,596	46,417	55,602	58,877	59,685	44,250	52,190

- (1) Based on weighted average number of shares outstanding. See Note 25 to Embraer's consolidated financial statements included in Item 18 of the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.
- (2) Based on weighted average number of shares outstanding and the effects of potentially dilutive securities. See Note 25 to Embraer's consolidated financial statements included in Item 18 of the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.
- (3) Restated to give effect to the issuance on March 1, 2002, in the form of a preferred share dividend, of 0.142106 new preferred share for each existing preferred or common share.
- (4) Includes interest on shareholders' equity.
- (5) Translated from nominal *reais* into U.S. dollars at the commercial selling rates in effect on the dates that distributions were approved during the period. The dividends to the ADSs were adjusted from the total amount paid to the preferred shares multiplied by four.
- (6) In 2001, Embraer adopted SFAS No. 133 Accounting for Derivative Instruments and Hedging Activities, as amended. As a result, Embraer recognized a gain of US\$5.4 million, net of related taxes, as a cumulative effect of a change in accounting. The following summarizes the earnings per share impact related to the adoption of SFAS No. 133.

	<u>2001</u>
Effect of tax adjustments	
Effect of cumulative effect of change In accounting	5,440
<b>Total</b>	<b>5,440</b>
Basic earnings per common share	0.01
Basic earnings per preferred share	0.01
Basic earnings per ADS	0.04
Diluted earnings per common share	0.01
Diluted earnings per preferred share	0.01
Diluted earnings per ADS	0.04

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	At and for the year ended December 31,					At and for the nine months ended September 30,	
	2000	2001	2002	2003	2004	2004	2005
<b>Other Data:</b>							
Aircraft delivered during period							
(1):							
To the Commercial Airline Market							
EMB 120 Brasília		2					
ERJ 145	112	104	82	57	87(5)	64(3)	40
ERJ 135	45	27	3	14	1(1)		2
ERJ 140		22	36	16			
EMBRAER 170					46	36	35(1)
EMBRAER 175							9
EMBRAER 190							2
To the Defense Market							
EMB 120 Brasília							
Legacy 600			1				4
EMB 145			1	1	1	1	1
EMB 135	1	2					
EMB 145 AEW&C/RS/MP		1	5	3	6	5	1
EMB 312 Tucano / AL-X					7	3	14
AM-X	1						
To the Business Jet Market							
Legacy 600			8	11(2)	13	5	8
EMB 135	2	5		2			
To the General Aviation Market							
Light Propeller Aircraft							
	17	11	25	46	70	32	26
<b>Total delivered</b>	<b>178</b>	<b>174</b>	<b>161</b>	<b>150</b>	<b>231</b>	<b>146</b>	<b>142</b>
Aircraft in backlog at the end of period:							
In the Commercial Airline Market (2)							
EMB 120 Brasília	2						
ERJ 145	261	159	109	144	66	109	16
ERJ 135	85	53	31	17	17	19	15
ERJ 140	133	152	116	20	20	20	20
EMBRAER 170	90	82	88	120	112	119	108
EMBRAER 175					15		13
EMBRAER 190				110	155	155	182
EMBRAER 195	30	30	30	15	15	15	29
In the Defense Market							
EMB 145 AEW&C/RS/MP	12	15	10	7	1	2	
EMB 312 Tucano/EMB 314 Super Tucano		86	86	76	69	73	55
EMB 145	2	1		1			
EMB 135	2	1					
EMBRAER 170							2
EMBRAER 190							1
Legacy 600				5	5	5	2
In the Business Jet Market							
Legacy 600/EMB 135	29	66	58	27	4	23	12
In the General Aviation Market							
Light Propeller Aircraft							
				11	25	45	8
<b>Total backlog (in aircraft)</b>	<b>646</b>	<b>645</b>	<b>528</b>	<b>553</b>	<b>504</b>	<b>585</b>	<b>463</b>
<b>Total backlog (in millions)</b>	<b>11,421</b>	<b>10,693</b>	<b>9,034</b>	<b>10,591</b>	<b>10,097</b>	<b>11,048</b>	<b>10,415</b>

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- (1) Deliveries identified in parentheses correspond to aircraft delivered under operating leases.
- (2) Since September 30, 2005, Embraer has received five additional firm orders for its ERJ 145 regional jet family, 13 additional firm orders for its EMBRAER 170/190 jet family and 59 firm orders for its EMBRAER 170 aircraft were converted into 59 firm orders for the EMBRAER 190 aircraft.

### Summary Comparative Per Share Data

Set forth below is Embraer's book value, cash dividend and income (loss) from continuing operations per share data on both a historical and an unaudited pro forma combined basis under U.S. GAAP.

The unaudited pro forma earnings per share information of Embraer presented in this prospectus gives effect to estimates made by Embraer's management and assumes that none of the holders of Embraer common shares will exercise their appraisal rights.

The unaudited pro forma earnings per share data of Embraer was prepared for illustrative purposes only. This information does not purport to represent what historical earnings per share Embraer would have had if the proposed restructuring and merger had occurred before such period or the future earnings per share that Rio Han will experience after the proposed restructuring and merger is implemented.

Rio Han was formed on September 2, 2005 as a closed company and has not carried on any activities other than in connection with the proposed restructuring and merger. At September 30, 2005 Rio Han had no material assets or liabilities and had only recorded a capital of US\$21.34 in accordance with U.S. GAAP. As a result, Rio Han has not prepared any historical financial statements at and for the one month ended September 30, 2005.

Embraer's per share information on a historical (U.S. GAAP) and on a pro forma basis for the nine months ended September 30, 2005 are summarized below. The pro forma information gives effect to the restructuring and merger contemplated in this prospectus. You should read this information in conjunction with Embraer's historical financial statements and related notes contained in the report and other information of Embraer attached to this prospectus, and presented elsewhere in the prospectus. You should not rely on the pro forma information as being indicative of the historical results Embraer would have had if the restructuring had occurred before such period or the future results that Rio Han will experience after the proposed restructuring and merger is implemented.

		<b>Embraer</b>	
		<b>Historical</b>	<b>Combined Pro Forma</b>
<b>Statement of Income Data Year End December 31, 2002</b>			
Basic (loss)/earnings			
Per Common Share:		0.30	0.31
Per Preferred Share:		0.33	
Diluted (loss)/earnings			
Per Common Share:		0.30	0.31
Per Preferred Share:		0.33	
Dividend			
Per Common Share:		0.17	0.21
Per Preferred Share:		0.19	
		<b>Embraer</b>	
		<b>Historical</b>	<b>Combined Pro Forma</b>
<b>Statement of Income Data Year End December 31, 2003</b>			
Basic (loss)/earnings			
Per Common Share:		0.18	0.19
Per Preferred Share:		0.20	
Diluted (loss)/earnings			
Per Common Share:		0.18	0.19
Per Preferred Share:		0.20	
Dividend			
Per Common Share:		0.09	0.09
Per Preferred Share:		0.10	



	<b>Embraer</b>	
	<b>Historical</b>	<b>Combined Pro Forma</b>
<b>Statement of Income Data Year End December 31, 2004</b>		
Basic (loss)/earnings		
Per Common Share:	0.50	0.52
Per Preferred Share:	0.55	
Diluted (loss)/earnings		
Per Common Share:	0.49	0.51
Per Preferred Share:	0.54	
Dividend		
Per Common Share:	0.17	0.28
Per Preferred Share:	0.18	

	<b>Embraer</b>	
	<b>Historical</b>	<b>Combined Pro Forma</b>
<b>Balance Sheet Data as of December 31, 2004</b>		
Book value		
Per Common Share:	1.88	1.84
Per Preferred Share:	1.87	

	<b>Embraer</b>	
	<b>Historical</b>	<b>Combined Pro Forma</b>
<b>Statement of Income Data Nine Months Ended September 30, 2005</b>		
Basic (loss)/earnings		
Per Common Share:	0.38	0.39
Per Preferred Share:	0.41	
Diluted (loss)/earnings		
Per Common Share:	0.37	0.39
Per Preferred Share:	0.41	
Dividend		
Per Common Share:	0.19	0.19
Per Preferred Share:	0.21	
<b>Balance Sheet Data as of September 30, 2005</b>		
Book value		
Per Common Share:	2.09	2.04
Per Preferred Share:	2.08	

**Comparative Per Share Market Data**

As Rio Han is a closed company, its common shares are not currently listed on the BOVESPA or any other securities exchange, and, therefore, there is no reported sale price of its shares.

Embraer ADSs are listed on the NYSE under the symbol ERJ. Each ADS represents four preferred shares. In addition, Embraer preferred shares are traded on the BOVESPA under the symbol EMBR4. Embraer common shares are traded on the BOVESPA under the symbol EMBR3.

The table below sets forth the high and low sale prices of Embraer ADSs as reported on the NYSE, Embraer common shares as reported on the BOVESPA and Embraer preferred shares as reported on the BOVESPA, on a historical basis, on January 12, 2006, the last trading day prior to the Notice to the Market issued by Embraer on January 13, 2006, in response to rumors about the proposed restructuring and merger published in a local newspaper, and on [\_\_\_\_\_] [\_\_], 2006, the last practicable trading day before the date of this prospectus.

	January 12, 2006		[_____] [__], 2006	
	High	Low	High	Low
Embraer common shares (actual) ( <i>reais</i> )	19.80	19.01		
Embraer preferred shares (actual) ( <i>reais</i> )	23.50	23.12		
Embraer ADSs (actual) (US\$)	40.79	39.99		

The market prices of the Embraer common and preferred shares and the Embraer ADSs are subject to fluctuation. As a result, Embraer shareholders are urged to obtain current market quotations.

## RISK FACTORS

Before making an investment decision, you should carefully consider the risk factors set forth below.

### Risks Relating to the Proposed Restructuring and Merger

***The controlling shareholders of Embraer may have actual or potential conflicts of interest with respect to the proposed restructuring and merger.***

The controlling shareholders of Embraer may have actual or potential conflicts of interest because they have the power to elect a majority of members of the Board of Directors of Embraer. The controlling shareholders of Embraer have not negotiated the terms of the proposed restructuring and merger with any person acting on behalf of the minority shareholders of Embraer, with the exception of the Brazilian Government, as holder of the Golden Share and Dassault Aviation S.A., Thales S.A., European Aeronautic Defence and Space Company EADS N.V. and Safran S.A., or collectively, the European Aerospace and Defense Group.

***Your ownership percentage in Rio Han will, as a result of the proposed restructuring and merger, be less than your ownership percentage in Embraer.***

As of the date of this prospectus, holders of Embraer shares other than Rio Han hold approximately 79.84% in the aggregate of the total capital stock of Embraer. Upon the completion of the merger, Cia. Bozano, PREVI and SISTEL will realize a premium of 9% on the Embraer control shares transferred to Rio Han by virtue of the exchange ratio applicable to such transfer when compared to the exchange ratio applicable to the merger. As a result of this premium and assuming no holders of Embraer common shares exercise their appraisal rights, holders of Embraer shares other than Rio Han will hold approximately 78.03% in the aggregate of the total capital stock of Rio Han following the merger.

***The proposed restructuring and merger may not result in the benefits that Embraer is seeking to achieve, including improving access to capital markets and increasing financing resources for the development of new products and expansion programs.***

Embraer is proceeding with the proposed restructuring and merger because it believes that the restructuring and merger will create a basis for the sustainability, growth and continuity of Embraer's businesses and activities by simplifying the capital structure of Embraer and thereby improving its access to capital markets and increasing financing resources for the development of new products and expansion programs. However, the proposed restructuring and merger may not accomplish these objectives, because, even though the proposed restructuring and merger will simplify the capital structure of Embraer, any future offerings of Rio Han common shares will depend upon, among other things, Rio Han's future performance, market conditions, investor interest and general economic, political and business conditions both in Brazil and abroad.

***If the proposed restructuring and merger is not implemented, the ability of Embraer to access capital markets and to fund the development of new products and expansion programs may be adversely affected.***

The development of new products and expansion programs by Embraer as well as the sustainability, growth and continuity of Embraer's businesses and activities depend on the ability of Embraer to access capital markets and increase financing resources. Embraer's current capital structure, which restricts its ability to issue common shares or preferred shares in excess of the maximum 1/3 to 2/3 proportion permissible under Brazilian law, significantly limits its ability to access capital markets and increase financing resources. As such, if the proposed restructuring and merger is not implemented, the ability of Embraer to access capital markets and to fund the development of new products and expansion programs may be adversely affected.

***The proposed restructuring and merger may not result in an increase in liquidity of the shares to be received by Embraer shareholders in the merger.***

Embraer believes that the proposed restructuring and merger will benefit Embraer shareholders through, among other things, a potential increase in liquidity of the shares to be received by such shareholders in the merger resulting from the expected dispersed ownership of such shares. However, the proposed restructuring and merger may not result in an increase in liquidity of such shares, in which case Embraer shareholders may experience a decrease in their ability to sell such shares as compared to their ability to sell their Embraer shares or Embraer ADSs.

***The exercise of appraisal rights by holders of Embraer common shares could decrease Rio Han's cash balances after the restructuring and merger and otherwise adversely affect its financial condition.***

As described in "The Proposed Restructuring and Merger - Appraisal Rights" on page 56 of this prospectus, holders of Embraer common shares at the close of business on January 19, 2006 will be entitled to exercise appraisal rights in connection with the merger. If holders of a significant number of Embraer common shares exercise their appraisal rights, the requirement to make large cash payments could decrease the cash balances of Rio Han, limit its ability to borrow funds or fund expansion plans or prevent it from complying with its contractual obligations, including financial covenants. In addition, under the Brazilian Corporate Law, if the management of Rio Han believes that the total value of the appraisal rights exercised by Embraer common shares may put at risk the financial stability of Rio Han, the management of Rio Han may, within ten days after the end of the appraisal rights period, call an extraordinary general meeting of Rio Han shareholders to ratify or unwind the merger.

***There is no clear guidance under Brazilian law regarding the Brazilian income tax consequences to non-Brazilian investors resulting from a merger.***

There is no specific legislation, nor administrative or judicial precedent regarding the income tax consequences to Embraer shareholders resulting from a merger. Based on the opinion of its Brazilian counsel, Rio Han believes that the merger should not be subject to income tax by a non-Brazilian holder of Embraer ADSs or by a U.S. holder of Embraer common or preferred shares that are registered as a foreign portfolio investment under Resolution 2,689/00 of the National Monetary Council or are registered as a foreign direct investment under Law No. 4,131/62. Rio Han's Brazilian counsel believes that it is unlikely that the merger will be deemed to be a taxable transaction under Brazilian law, particularly if the investor maintains as the cost of acquisition of Rio Han's shares the cost of acquisition of Embraer's shares, for Brazilian tax purposes. However, capital gains by holders of Embraer common shares resulting from the exercise of appraisal rights will be taxable.

In the event this position does not prevail and Brazilian tax authorities succeed in making a tax assessment regarding this matter, Rio Han would be liable to the Brazilian tax authorities for withholding and collecting the taxable capital gains of shareholders resident abroad, if any. In no event would these shareholders be liable to Brazilian tax authorities. However, Rio Han would be entitled to reimbursement from these shareholders.

See "Material Tax Considerations - Material Brazilian Tax Considerations" beginning on page 102 of this prospectus for further details.

***The capital gain arising from a disposition of Rio Han common shares registered as a direct foreign investment in Brazil could be calculated based on the historical amount in Brazilian currency of the investment, rather than the amount in foreign currency registered with the Central Bank of Brazil.***

There is uncertainty concerning the currency to be used for the purposes of calculating the cost of acquisition of shares registered with the Central Bank of Brazil as a direct investment. Rio Han's Brazilian counsel believes that the capital gains should be based on the positive difference between the cost of acquisition of the shares in the applicable foreign currency and the value of disposition of those shares in the same foreign currency. Recent precedents issued by the Brazilian administrative court support this belief. However, tax authorities are not bound by these precedents and, accordingly, may continue to assess taxpayers who adopt this line of interpretation. For more details on the taxation of capital gains in Brazil, see "Material Tax Considerations - Material Brazilian Tax Considerations" beginning on page 102 of this prospectus.

***There is no clear guidance under U.S. federal income tax law regarding the U.S. income tax consequences to U.S. holders of Embraer shares and ADSs resulting from a merger.***

There are no judicial or administrative authorities under the U.S. federal income tax laws that directly address the specific circumstances of the merger and share exchange and thus the U.S. federal income tax consequences of the merger and share exchange are not entirely clear. Shearman & Sterling LLP, U.S. tax counsel to Embraer and Rio Han, is providing an opinion, based in part on customary representations and assumptions set forth in such opinion and by analogy to existing authority, that the merger and resulting share exchange should qualify as one or more reorganizations for U.S. federal income tax purposes. In the event the merger and share exchange so qualify, the exchange of Embraer common shares, preferred shares and ADSs for Rio Han common shares and ADSs pursuant to the merger generally will be tax-free for such purposes to exchanging U.S. Holders (for the definition of U.S. Holders, see Material Tax Considerations Material United States Federal Income Tax Considerations beginning on page 104 of this prospectus) of Embraer common shares, preferred shares and ADSs. If, however, contrary to the opinion of U.S. tax counsel, the merger and related exchange of shares does not qualify for tax-free reorganization treatment, then the share exchange will be taxable to U.S. Holders of Embraer shares and ADSs on the exchange of their Embraer shares or ADSs for Rio Han common shares or ADSs pursuant to the merger.

For a discussion of certain other U.S. tax matters that may be relevant to U.S. Holders, including qualification of dividends on Rio Han common shares or ADSs paid to certain U.S. Holders for the maximum rate of 15% and the treatment of U.S. Holders in the event that Embraer or Rio Han is treated as a Passive Foreign Investment Company or PFIC, please refer to the discussion of Material United States Federal Income Tax Considerations. See Material Tax Considerations Material United States Federal Income Tax Considerations beginning on page 104 of this prospectus.

***Unless waivers are obtained on a timely basis, the merger may cause the acceleration of the debt payments under certain financing agreements entered into by Embraer or by its subsidiaries.***

A substantial number of financing agreements entered into by Embraer or by its subsidiaries, under which Embraer is a guarantor of such subsidiaries' debt, contain clauses that provide for acceleration in the payment of such debt in the case of a direct or indirect change of control in Embraer or in the event Embraer ceases to exist. Upon the effectiveness of the merger, if Embraer is not successful in obtaining waivers from the lenders under such financing agreements, debt payments under those financing agreements may be accelerated, which might have an adverse effect on Embraer's and, after the effectiveness of the merger, Rio Han's financial condition and results of operations.

#### **Risks Relating to Rio Han's Common Shares and ADSs**

***The Brazilian Government has veto power over, among other things, change of control, change of corporate purpose and creation and alteration of defense programs, and the Brazilian Government's interests could conflict with the interests of the holders of Rio Han common shares or Rio Han ADSs.***

The Brazilian Government currently holds one special class of Embraer's common stock, called a Golden Share, and will continue to hold such a Golden Share in the capital of Rio Han. The Golden Share carries veto power over, among other things, change of control, change of corporate purpose and creation and alteration of defense programs (whether or not the Brazilian Government participates in such programs). The Brazilian Government may have an interest in vetoing transactions that may be in the interests of the holders of Rio Han common shares or Rio Han ADSs.

***Exchange controls and restrictions on remittances abroad may adversely affect the holders of Rio Han common shares or Rio Han ADSs.***

The Brazilian Government may impose temporary restrictions on the conversion of Brazilian currency into foreign currencies and on the remittance to foreign investors of proceeds from their investments in Brazil. The Brazilian Government imposed remittance restrictions for a number of months in 1989 and early 1990. These restrictions would hinder or prevent the conversion of dividends, distributions or the proceeds from any sale of Rio Han common shares, as the case may be, from *reais* into U.S. dollars and the remittance of the U.S. dollars abroad. Rio Han cannot assure you that the Brazilian Government will not take similar measures in the future. Holders of Rio Han common shares and Rio Han ADSs could be adversely affected by delays in, or refusals to grant, any required governmental approval for conversion of *real* payments and remittances abroad in respect of the Rio Han common shares, including common shares underlying the ADSs. In the case of Rio Han ADSs, the depository for the ADSs will hold the *reais* it cannot convert for the account of the holders of Rio Han ADSs who have not been paid. The depository will not invest the *reais* and will not be liable for interest on those amounts.

***If holders of Rio Han ADSs exchange their ADSs for the underlying common shares, they risk losing the ability to remit foreign currency abroad and Brazilian tax advantages.***

After the implementation of the proposed restructuring and merger, the Brazilian custodian for the Rio Han common shares will obtain an electronic certificate of registration from the Central Bank of Brazil permitting it to remit foreign currency abroad for payments of dividends and other distributions relating to the Rio Han common shares or upon the disposition of the Rio Han common shares. If holders of Rio Han ADSs decide to exchange their ADSs for the underlying common shares, they will be entitled to continue to rely on the custodian's electronic certificate of registration for five business days from the date of exchange. Thereafter, such holders of ADSs may not be able to obtain and remit foreign currency abroad upon the disposition of, or distributions relating to, their Rio Han common shares unless they obtain their own electronic certificate of registration or register their investment in Rio Han common shares pursuant to Resolution No. 2,689, which entitles certain foreign investors to buy and sell securities on the BOVESPA. Holders who do not qualify under Resolution No. 2,689 will generally be subject to less favorable tax treatment on gains with respect to their Rio Han common shares. If holders of Rio Han ADSs attempt to obtain their own electronic certificate of registration, they may incur expenses or suffer delays in the application process, which could delay their ability to receive dividends or distributions relating to the Rio Han common shares or the return of their capital in a timely manner. In addition, Rio Han cannot assure you that the custodian's electronic certificate of registration or any certificate of foreign capital registration obtained by a holder of Rio Han ADSs will not be affected by future legislative or other regulatory changes, or that additional restrictions applicable to such holder, to the disposition of the underlying Rio Han common shares or to the repatriation of the proceeds from such disposition will not be imposed in the future.

***Substantial sales of Rio Han common shares after the merger could cause the price of Rio Han common shares to decrease.***

Cia. Bozano, PREVI and SISTEL, have agreed that they will not issue or transfer, for six months after the effectiveness of the merger, Rio Han common shares, or any securities convertible into, or exchangeable for, or that represent the right to receive, Rio Han common shares. After this lock-up expires, common shares that they own will, subject to applicable law, be eligible for sale in the public market. The market price of Rio Han's common shares could drop if Cia. Bozano, PREVI or SISTEL sell a substantial amount of Rio Han common shares or the market perceives that they intend to sell all or some of their shares.

***Holders of Rio Han common shares and ADSs may not receive any dividends.***

According to Rio Han's proposed bylaws, Rio Han must generally pay its shareholders at least 25% of its adjusted net income in the form of dividends. This adjusted net income may be appropriated as allowed under the Brazilian Corporate Law and may not be available to be paid as dividends. In addition, Rio Han may elect not to pay dividends to its shareholders in any particular fiscal year if its Board of Directors determines that it does not have sufficient adjusted net income (or accumulated retained earnings) to distribute dividends, or that the distribution of dividends would be incompatible with Rio Han's financial condition at the time. As Rio Han has been recently incorporated and has had no operations, it has not yet distributed any dividends.

***Rio Han's proposed bylaws contain provisions that could discourage its acquisition or prevent or delay transactions that you may favor.***

Rio Han's proposed bylaws contain provisions that have the effect of avoiding the concentration of its common shares in the hands of a small group of investors so as to promote the dispersed ownership of such shares. These provisions require any shareholder or group of shareholders that acquires or becomes the holder of (i) 35% or more of the total shares issued by Rio Han or (ii) other rights over shares issued by Rio Han that represent more than 35% of its capital to make a public tender offer to purchase all of the shares issued by Rio Han on the terms specified in Rio Han's proposed bylaws or to sell all of such shareholders' shares that exceed the 35% limit, in either case, as required by the Brazilian Government. If the request is approved, such shareholder or group of shareholders must commence the public tender offer within 60 days of the date of approval. If the request is refused, such shareholder or group of shareholders must sell such number of common shares within 30 days so that the holding of such shareholder group of shareholders is less than 35% of Rio Han's capital stock. These provisions may have anti-takeover effects and may discourage, delay or prevent a merger or acquisition, including transactions in which Rio Han shareholders might otherwise receive a premium for their common shares. See Description of Rio Han's Capital Stock Mechanism to Promote Dispersed Ownership of Rio Han's Shares beginning on page 128 of this prospectus.

***Upon the implementation of the restructuring and merger, the absence of a single, controlling shareholder or group of controlling shareholders may leave Rio Han susceptible to shareholder disputes or other unanticipated developments.***

The absence of a single, controlling shareholder or group of controlling shareholders may create difficulties for Rio Han's new shareholders to approve certain transactions, because the minimum quorum required by law for the approval of certain matters may not be reached. Rio Han and other minority shareholders may not be afforded the same protections provided by the Brazilian Corporate Law against abusive measures taken by other shareholders and, as a result, may not be compensated for any losses incurred. Any sudden and unexpected changes in Rio Han's management team, changes in its corporate policies or strategic direction, takeover attempts or any disputes among shareholders regarding their respective rights may adversely affect Rio Han's business and results of operations.

***Rio Han's proposed bylaws contain provisions that limit the voting rights of certain shareholders including non-Brazilian shareholders.***

Rio Han's proposed bylaws contain provisions that limit the right of a shareholder or group of shareholders to exercise voting rights in respect of more than 5% of the outstanding shares of Rio Han capital stock at any general meeting of shareholders. See Description of Rio Han's Capital Stock Limitation on the Voting Rights of Certain Holders of Common Shares beginning on page 120 of this prospectus.

Rio Han's proposed bylaws also contain provisions that limit the right of non-Brazilian shareholders to exercise voting rights in respect of more than 2/3 of the voting rights that may be exercised by Brazilian shareholders present at any general meeting of shareholders. This limitation will effectively prevent the takeover of Rio Han by non-Brazilian shareholders and limit the ability of non-Brazilian shareholders to effect control over Rio Han. See Description of Rio Han's Capital Stock Limitation on the Voting Rights of Non-Brazilian Shareholders beginning on page 121 of this prospectus.

***Holders of Rio Han ADSs might be unable to exercise preemptive rights with respect to the underlying common shares.***

Holders of Rio Han ADSs may not be able to exercise the preemptive rights relating to the common shares underlying their ADSs unless a registration statement under the U.S. Securities Act of 1933, as amended, or the Securities Act, is effective with respect to those rights or an exemption from the registration requirements of the Securities Act is available. Rio Han is not obligated to file a registration statement with respect to the shares or other securities relating to these preemptive rights and Rio Han cannot assure holders of Rio Han ADSs that it will file any such registration statement. Unless Rio Han files a registration statement or an exemption from registration applies, holders of its ADSs may receive only the net proceeds from the sale of their preemptive rights by the depository or, if the preemptive rights cannot be sold, the rights will be allowed to lapse.

**EXTRAORDINARY GENERAL MEETING OF EMBRAER SHAREHOLDERS**

**Extraordinary General Meeting**

Rio Han and Embraer have prepared this prospectus to provide Embraer shareholders with important information about the proposed restructuring, including important information about the merger, the Rio Han common shares (including common shares represented by Rio Han ADSs) to be issued to Embraer shareholders in the merger and the procedures to be followed by Embraer shareholders to attend and vote at the extraordinary general meeting of Embraer shareholders to approve the merger.

**Date, Time, Place and Purpose of the Extraordinary General Meeting**

Embraer will hold the extraordinary general meeting of Embraer shareholders at [\_\_\_\_] a.m., local time, on [\_\_\_\_], 2006, at Embraer's principal executive offices at Avenida Brigadeiro Faria Lima, 2170, City of São José dos Campos, State of São Paulo, Brazil.

Even though under Brazilian law holders of Embraer preferred shares and, consequently, Embraer ADSs, do not have the right to vote on the merger, the Board of Directors of Embraer proposes to extend voting rights to all holders of preferred shares, including preferred shares represented by Embraer ADSs, in respect of all proposals relating to the merger. At the extraordinary general meeting of Embraer shareholders, holders of Embraer common shares will first be asked to consider and vote upon a proposal to insert a temporary provision in the bylaws of Embraer to confer voting rights upon all Embraer shareholders in respect of all proposals relating to the merger. This first proposal must be approved by holders of a majority of the Embraer common shares present and voting at the extraordinary general meeting. The Board of Directors of Embraer expects this first proposal to be approved because Rio Han and its shareholders Cia. Bozano, PREVI and SISTEL, which directly or indirectly hold 63.35% of the outstanding Embraer common shares, have indicated to the Board of Directors of Embraer that they intend to vote in favor of this first proposal.

If this first proposal is approved, all Embraer shareholders will have the right to vote upon the following proposals relating to the merger:

the ratification of the appointment of ACAL and Goldman Sachs by the management of Embraer to prepare the valuation reports and the financial analyses, respectively, regarding the proposed restructuring and merger;

the approval of the valuation reports prepared by ACAL and the financial analyses prepared by Goldman Sachs;

the approval of the Merger Agreement; and

the approval of the merger of Embraer with and into Rio Han, pursuant to the terms of the Merger Agreement and related documents.

**Record Date; Quorum**

Only Embraer shareholders who hold shares of record as of the close of business, local time, on [\_\_\_\_], 2006 will be entitled to attend and, in the case of holders of Embraer non-voting shares only if the first proposal is approved, vote at the extraordinary general meeting of Embraer shareholders to approve the merger. The holders of record of Embraer ADSs as of [\_\_] p.m. (New York City time) on [\_\_\_\_], 2006, the record date for the Embraer ADSs, will be entitled to provide the depositary for the Embraer ADSs with voting instructions in respect of the proposals to be considered at the extraordinary general meeting. See Specific Considerations for Holders of Embraer ADSs beginning on page 68 of this prospectus for further details.



At first call of the extraordinary general meeting, a quorum of at least two-thirds of Embraer common shares outstanding is necessary to hold the meeting. If a quorum is not met at first call, the extraordinary general meeting may be held at second call, in accordance with the notice requirements of the Brazilian Corporate Law, regardless of the number of common shares represented.

### **Vote Required for Approval of the Merger**

The common shares of Embraer will first be asked to consider and vote upon a proposal to insert a temporary provision in the bylaws of Embraer to confer voting rights upon all Embraer shareholders, regardless of the type of shares held by them, in respect of all proposals relating to the merger. This first proposal must be approved by holders of at least a majority of the Embraer common shares present and voting at the extraordinary general meeting. If this first proposal is approved, the merger must be approved by holders of more than 50% of the outstanding common and preferred shares of Embraer. The Board of Directors of Embraer has agreed that all Embraer shareholders (other than Rio Han, Cia. Bozano, PREVI, SISTEL and the directors and executive officers of Embraer), including the depository of the Embraer ADSs that will vote as instructed by the holders of ADSs, will vote before Rio Han, Cia. Bozano, PREVI and SISTEL. If the merger is rejected by holders of more than 50% of the outstanding common and preferred shares of Embraer (other than common or preferred shares held by Rio Han, Cia. Bozano, PREVI, SISTEL and the directors and executive officers of Embraer), then Rio Han, Cia. Bozano, PREVI and SISTEL will vote against the merger. If the merger is not rejected as described in the preceding sentence, Rio Han, Cia. Bozano, PREVI and SISTEL will vote for the merger.

**NEITHER RIO HAN NOR EMBRAER IS ASKING YOU FOR A PROXY AND YOU ARE REQUESTED NOT TO SEND RIO HAN OR EMBRAER A PROXY.**

At the close of business, local time, on February 20, 2006, directors and executive officers of Embraer beneficially owned, in the aggregate, approximately 18 Embraer common shares and 1,592,399 Embraer preferred shares (including preferred shares represented by Embraer ADSs), representing approximately 0.22% of Embraer's total capital stock. See *Interests of Certain Persons in, and Significant Shareholders of, Rio Han and Embraer* beginning on page 65 of this prospectus.

### **How to Vote Your Embraer Shares and ADSs**

If the proposal to extend voting rights to all holders of preferred shares (including preferred shares represented by Embraer ADSs) is approved, each Embraer common or preferred share outstanding on the record date will entitle the holder thereof to one vote on each proposal submitted to Embraer shareholders at the extraordinary general meeting (other than the proposal to insert a temporary provision in the bylaws of Embraer to confer voting rights upon all shareholders of Embraer, regardless of the type of shares held by them, which will only be voted on by the holders of Embraer common shares).

#### ***Vote by Holders of Embraer common or preferred shares***

Holders of Embraer common or preferred shares must attend the extraordinary general meeting of Embraer shareholders in person or by proxy in order to vote. Embraer's shareholders must present a statement issued by the registrar of the Embraer share registry confirming their shareholders' equity at least 48 hours prior to the extraordinary general meeting in order to attend the extraordinary general meeting. A shareholder may be represented at the extraordinary general meeting by a proxy granted within one year of the date of the meeting to any other shareholder, any director or officer of Embraer, a lawyer or a financial institution. A proxy will be required to show original or certified copies of the documents that grant him or her powers of representation. An investment fund must be represented by its manager (*administrador*).

Embraer shareholders should contact the registrar of the Embraer share registry, see details below, for information on how to receive a statement confirming their shareholders' equity.

#### **Banco Itaú S.A.**

Rua Boa Vista, 185 - 2º andar  
01014-001 - São Paulo - SP  
Brazil  
Tel: +55 11 3247 3138 / 3247 3139  
Fax: +55 11 3247 3141

Any powers-of-attorney granting special powers of representation for representation at the extraordinary general meeting on behalf of a shareholder must be delivered to Embraer (Attention: Investor Relations) at the address listed below at least 48 hours prior to the extraordinary general meeting.



**Embraer**

Avenida Brigadeiro Faria Lima, 2170  
12227-901 São José dos Campos  
São Paulo, Brazil  
Attention: Investor Relations

***Vote by Holders of Embraer ADSs***

Holders of Embraer ADSs are not entitled to attend the extraordinary general meeting in person, but instead may be represented at the meeting by the depositary of the Embraer ADSs or its representative. Holders of Embraer ADSs should provide the depositary with timely voting instructions with respect to the preferred shares represented by their Embraer ADSs to enable the depositary to have such shares represented at the extraordinary general meeting. The depositary has set [ ] p.m. (New York City time) on [ ], 2006 as the record date for determining those holders of Embraer ADSs entitled to provide voting instructions. See Specific Considerations for Holders of Embraer ADSs beginning on page 68 of this prospectus for further details.

Alternatively, holders of Embraer ADSs may, if they wish, attend the extraordinary general meeting in person (or nominate someone to attend on their behalf). To do this, they must present their Embraer ADSs for cancellation and arrange for delivery of the underlying Embraer preferred shares, which, if registered in their name in a timely manner, will enable them to attend the extraordinary general meeting as a shareholder of Embraer. Holders of Embraer ADSs should keep in mind the depositary's fee of \$5.00 per 100 ADS (or portion thereof) applicable to any and all cancellations thereof. See Specific Considerations for Holders of Embraer ADSs Vote by Holders of Embraer ADSs beginning on page 68 of this prospectus for further details.

***Vote by the Brazilian Government***

The Brazilian Government, which holds the Embraer Golden Share, a special class of common share that gives the Brazilian Government a veto right over certain transactions by Embraer, including the merger, has indicated to Embraer that it intends to vote in favor of the merger.

**Questions About Voting Your Shares**

If you have any questions about how to vote your Embraer shares or provide instructions to the depositary of the Embraer ADSs, you may contact:

**Embraer**

Avenida Brigadeiro Faria Lima, 2170  
12227-901 São José dos Campos  
São Paulo, Brazil  
Attention: Investor Relations  
Telephone (Brazil): +55 12 3927-4404  
Telephone (US): +1 954 359 3721

## THE PROPOSED RESTRUCTURING AND MERGER

### The Proposed Restructuring and Merger

The Board of Directors of Embraer has approved a restructuring of Embraer that consists of the adoption of a new capital structure and listing on the *Novo Mercado*, a special trading segment of the BOVESPA. The proposed restructuring is intended to create a basis for the sustainability, growth and continuity of Embraer's businesses and activities by simplifying the capital structure of Embraer and thereby improving its access to capital markets and increasing financing resources for the development of new products and expansion programs.

The proposed restructuring involves two steps:

1. the organization of Rio Han and the transfer by Cia. Bozano, PREVI and SISTEL of the Embraer control shares to Rio Han this step was completed on January 18, 2006; and
2. the merger under Brazilian law of Embraer with and into Rio Han.

#### ***Organization of Rio Han and the Transfer of Embraer control shares to Rio Han***

Rio Han was formed on September 2, 2005 and has not carried on any activities other than in connection with the proposed restructuring and merger.

On January 12, 2006, Cia. Bozano purchased all of the common shares representing the capital stock of Rio Han. On January 13, 2006, PREVI and SISTEL each purchased from Cia. Bozano an amount of common shares to enable each of Cia. Bozano, PREVI and SISTEL to hold nearly equal amounts of Rio Han's capital stock. On January 18, 2006, Cia. Bozano, PREVI and SISTEL transferred all of the Embraer control shares (which represent 60% of Embraer's common shares and 20.16% of Embraer's total capital) to Rio Han in exchange for 162,306,263 Rio Han common shares (or 1.1153 Rio Han common shares for each Embraer control share).

The exchange ratio for the transfer of the Embraer control shares to Rio Han was determined by the management of Rio Han and the management of Embraer and subsequently recommended for approval by the Conselho Fiscal (Audit Board) of Embraer. The exchange ratio was approved by the Board of Directors of Embraer based on, among other things, the Financial Analyses Regarding the Restructuring of the Capital Stock of Embraer prepared by Goldman Sachs, dated as of January 13, 2006. See Financial Analyses of Goldman Sachs beginning on page 43 of this prospectus for further details regarding the financial analyses. The exchange ratio for the transfer of the Embraer control shares to Rio Han reflects a premium of 9% when compared to the exchange ratio for the merger. The Board of Directors of Embraer understands that Cia. Bozano, PREVI and SISTEL have a legitimate and justified expectation in receiving a premium on the transfer of the Embraer control shares to Rio Han as compensation for their relinquishment of voting control over Embraer in favor of all Embraer shareholders in connection with the proposed restructuring and merger. See Merger Agreement beginning on page 59 of this prospectus for further details.

The current ownership structure of Rio Han (after giving effect to the transfer by Cia. Bozano, PREVI and SISTEL of the Embraer control shares to Rio Han on January 18, 2006) is as follows:

The current ownership structure of Embraer (after giving effect to the transfer by Cia. Bozano, PREVI and SISTEL of the Embraer control shares to Rio Han on January 18, 2006) is as follows:

*Merger of Embraer with and into Rio Han*

The proposed restructuring will be implemented through the merger of Embraer with and into Rio Han under the Brazilian Corporate Law. Under the Brazilian Corporate Law, the merger must be approved by both Rio Han and Embraer shareholders at their respective general meetings.

The general meeting of Rio Han shareholders to approve the merger will be held at Rio Han's principal executive offices at Avenida Brigadeiro Faria Lima, 2170, F-56, térreo, sala 2656, São José dos Campos, São Paulo, Brazil, immediately following the extraordinary general meeting of Embraer shareholders. At their general meeting, Rio Han shareholders will be asked to vote upon, among other things, the following proposals:

the approval of the proposed bylaws for Rio Han;

the election of a transition Board of Directors to serve until the annual general meeting of Rio Han shareholders in 2009 to approve the financial statements for the fiscal year ended December 31, 2008;

the ratification of the appointment of ACAL by the management of Rio Han to prepare the valuation reports of Embraer and Rio Han;

the approval of the valuation reports prepared by ACAL;

the approval of the Merger Agreement;

the approval of the merger of Embraer with and into Rio Han, pursuant to the terms of the Merger Agreement and related documents;

the increase of Rio Han's capital as a result of the merger;

the approval of the renaming of Rio Han as Embraer Empresa Brasileira de Aeronáutica S.A., which is Embraer's current legal name; and

the restriction on transfers of Rio Han common shares by the current controlling shareholders of Rio Han and the management of Rio Han for a period of six months following the effectiveness of the merger.

Rio Han expects that all of the resolutions submitted to Rio Han shareholders for approval at the general meeting of Rio Han shareholders will be approved because the current controlling shareholders of Rio Han have indicated to Rio Han and to the Board of Directors of Embraer that they intend to vote in favor of all of these proposals.

In addition to approval by Rio Han and Embraer shareholders, the merger must also be approved by the Brazilian Government, as holder of the Golden Share, which gives the Brazilian Government a veto right over certain actions by Embraer, including the merger. The Brazilian Government, as holder of the Golden Share, has a veto right in connection with the proposed restructuring and merger, because: (i) there will no longer be a controlling shareholder of Embraer and (ii) the rights of the Golden Share to be issued by Rio Han will be different from the rights of the Golden Share currently held by the Brazilian Government. The representative of the Brazilian Government on the Board of Directors of Embraer has approved the proposed restructuring and merger and the Brazilian Government has indicated to the Board of Directors of Embraer that it intends to vote in favor of the merger.

As a result of the merger, Embraer will cease to exist and:

Rio Han will succeed to all of the rights and obligations of Embraer, and will change its legal name to Embraer-Empresa Brasileira de Aeronáutica S.A., which is Embraer's current legal name;

all of the assets and liabilities (including shareholders' equity) of Embraer will be combined with the assets and liabilities (including shareholders' equity) of Rio Han, and all of Embraer's subsidiaries will become Rio Han's subsidiaries;

each common share of Embraer (other than common shares held by Rio Han) will be exchanged for one Rio Han common share;

each preferred share of Embraer will be exchanged for one Rio Han common share, and Rio Han will be prohibited from issuing preferred shares;

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each Embraer ADS will be exchanged for one Rio Han ADS; and

the Golden Share of Embraer held by the Brazilian Government will be exchanged for a Golden Share of Rio Han.

Each common and preferred share of Embraer held by Cia. Bozano, PREVI or SISTEL not subject to the Shareholders Agreement will be exchanged for one Rio Han common share.

Upon the effectiveness of the merger, the Shareholders' Agreement will terminate and the new bylaws of Rio Han to be approved in connection with the merger will prohibit any shareholder or group of shareholders from exercising voting control over Rio Han.

The ownership structure of Rio Han after the merger will be as follows:

Upon approval of Rio Han's proposed bylaws at the general meeting of Rio Han shareholders, Rio Han will only be permitted to issue one class of common shares and will be prohibited from issuing preferred shares. For a description of Rio Han's common shares, see "Description of Rio Han's Capital Stock - Limitations on the Voting Rights of Certain Holders of Common Shares" beginning on page 120 of this prospectus.

Upon the effectiveness of the merger, Rio Han will be renamed Embraer - Empresa Brasileira de Aeronáutica S.A., Embraer's current legal name, provided that such change of name is approved at the general meeting of Rio Han shareholders.

### **Share Ownership After the Merger**

As of the date of this prospectus, holders of Embraer shares other than Rio Han hold approximately 79.84% in the aggregate of the total capital stock of Embraer. As a result of the premium that will be realized by Cia. Bozano, PREVI and SISTEL by virtue of the exchange ratio for the transfer of the Embraer control shares to Rio Han when compared to the exchange ratio for the merger, and assuming no holders of Embraer common shares exercise their appraisal rights, holders of Embraer shares other than Rio Han will hold approximately 78.03% in the aggregate of the total capital stock of Rio Han after the merger.



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The financial impact of the merger on Embraer shareholders will be as follows:

	Embraer Shares		Implied Exchange Ratio	Rio Han Shares		Implied Premium / (Dilution)
	Shares	Economic Stake (%)		Shares	Economic Stake (%)	
Embraer control shares	145,527,000	20.16%	1.1153x	162,306,763	21.97%	9.0%
Embraer shares held by Cia. Bozano, PREVI and SISTEL not subject to the Embraer Shareholders Agreement*	95,011,102	13.16%	1.0x	95,011,102	12.86%	(2.3)%
All other Embraer shareholders (including holders of ADSs)	481,293,955	66.68%	1.0x	481,293,955	65.16%	(2.3)%
<b>Total</b>	<b>721,832,057</b>	<b>100%</b>		<b>738,611,820</b>	<b>100%</b>	<b>(2.3)%</b>

\* Includes 8,896,920 Embraer preferred shares held by Bozano Holdings, Ltd.

### Background of the Proposed Restructuring and Merger

In the first quarter of 2004, Mr. Maurício Novis Botelho, Chief Executive Officer of Embraer, and Mr. Antonio Luiz Pizarro Manso, Chief Financial Officer of Embraer, decided to evaluate the possible restructuring of Embraer's capital structure as a means of improving Embraer's access to capital markets and increasing financing resources for the development of new products and expansion programs.

In April 2004, at a meeting of the then controlling shareholders of Embraer, Cia. Bozano, PREVI and SISTEL to discuss the possible restructuring, Mr. Botelho was authorized to undertake further evaluation of the possible restructuring.

On July 1, 2004, Goldman Sachs and Mattos Filho, Veiga Filho, Marrey Jr. e Quiroga Advogados, or Mattos Filho, were requested by Mr. Botelho and Mr. Manso to submit a proposal regarding the corporate structure of a possible restructuring and on July 15 2004, Goldman Sachs and Mattos Filho met with Mr. Botelho, Mr. Manso, Ms. Anna Cecília Bettencourt, Head of Capital Markets and Investor Relations of Embraer, and Mr. Carlos Rocha Villela, Executive Officer for Legal Matters of Embraer, to discuss their proposal.

On July 18, 2004, Embraer retained Mattos Filho to advise on the Brazilian legal aspects of the possible restructuring.

On August 10, 2004, a presentation regarding the proposed restructuring was given by Goldman Sachs and Mattos Filho to the then controlling shareholders of Embraer. In attendance at this meeting was Mr. Vitor Sarquis Hallack, representing Cia. Bozano, Mr. Luiz Carlos Aguiar, representing PREVI, and Mr. Wilson Carlos Delfino, representing SISTEL. At this meeting, the then controlling shareholders approved the retention of Goldman Sachs as financial advisor to Embraer in connection with the possible restructuring and to prepare financial analyses relating to the possible restructuring for the consideration of Board of Directors of Embraer.

On August 18, 2004, Mr. Manso and Mr. Villela signed a mandate letter with Goldman Sachs as financial advisor to Embraer in connection with the possible restructuring. This appointment was later ratified by the Board of Directors of Embraer at its meeting on January 19, 2006 and remains subject to approval by Embraer shareholders at their extraordinary general meeting convened to approve the merger.

On or about the same date, Mr. Botelho and Mr. Manso authorized Mattos Filho to contact and retain Bulhões Pedreira, Bulhões Carvalho, Piva, Rosman e Souza Leão Advogados, Brazilian counsel, to advise on Brazilian legal aspects of the possible restructuring, in particular on compliance with Embraer's Privatisation Notice.

On April 25 and 26, 2005, Ms. Bettencourt and representatives of Goldman Sachs, Messrs. Jairo Loureiro and Matheus Villares, met with representatives of SISTEL and PREVI, on the respective dates, to discuss the possible restructuring, including the proposed bylaws of Embraer to be adopted in connection with the possible restructuring.

On August 10, 2005, at a meeting of the then controlling shareholders of Embraer, Cia. Bozano, PREVI and SISTEL approved the continued evaluation of the possible restructuring.

On September 1, 2005, Embraer retained Shearman & Sterling LLP to advise on the U.S. legal aspects of the possible restructuring.

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In October 2005, a proposal regarding the restructuring of Embraer was presented by Mr. Mauricio Botelho to the Executive Officers of Embraer.

On October 19, 2005, the Chief Executive Officer of PREVI, Mr. Sergio Rosa, presented the proposed restructuring transaction to the Board of Directors of PREVI, which approved in principle the proposal. On October 21, 2005 the proposal was also presented to the Board of Directors of SISTEL, which subsequently sought the advice of a financial advisor to assist with its evaluation of the proposal. Embraer also meet with the Brazilian Government, as holder of the Golden Share, to obtain its approval for the proposed restructuring. Several meetings were held with representatives of the Brazilian Government, including with the President of Brazil, on October 18, 2005, the Minister of Finance, on October 24, 2005, and with Tenente Brigadeiro do Ar Luiz Carlos da Silva Bueno of the Brazilian Air Force, also on October 24, 2005. During this same period, the proposed restructuring was presented to the President of the BOVESPA, the President of BNDES, and to representatives of Embraer's strategic shareholders, the European Defence Group.

On October 31, 2005, Embraer appointed ACAL to prepare the valuation reports of Embraer and Rio Han required under the Brazilian Corporate Law. This appointment was later ratified by the Board of Directors of Embraer at its meeting on January 19, 2006, but remains subject to approval by Embraer shareholders at their extraordinary general meeting convened to approve the merger.

On November 17, 2005, Mr. Manso met with members of the Ministry of Finance to discuss the proposed restructuring in more detail, including the effect that the proposed restructuring would have on the Golden Share.

On November 18, 2005, Cia. Bozano and PREVI gave their approval for the proposed restructuring.

On December 22, 2005, a meeting was held between the Treasury Secretary, Mr. Joaquim Levy, Treasury representatives and Mr. Manso and Ms. Bettencourt to provide Mr. Levy with more detailed information about the proposed restructuring.

On January 13, 2006, Mr. Levy met with the then controlling shareholders of Embraer and representatives of Embraer to discuss the proposed restructuring.

After taking into account the financial analyses regarding the proposed restructuring and merger prepared by Goldman Sachs, based on information provided by Embraer's management, Embraer's management met on January 13, 2006 to discuss a proposed exchange ratio for the Embraer control shares. At a meeting held on January 13, 2006, Cia. Bozano, PREVI and SISTEL, after holding discussions with Embraer's management and analyzing the applicable documents, accepted the proposal submitted by Embraer's management and decided to call a meeting of the Board of Directors and of the Conselho Fiscal of Embraer to analyze the proposed restructuring.

On January 13, 2006, a local newspaper, *Valor Econômico*, published an article disclosing certain details of the proposed restructuring. On the same date, Embraer published a Notice to the Market informing that Embraer has been studying the possibility of adopting a new capital structure, and that the viability of the project was still being analyzed, and that it would promptly disclose details of the proposal should a new capital structure be proposed to its shareholders.

On January 16, 2006, Embraer published a Notice to the Market informing the public that a meeting of the Board of Directors of Embraer had been called to analyze the proposed restructuring and merger and to approve all necessary documents and actions.

On January 17, 2006, the Executive Committee of Embraer presented the proposed restructuring and merger to the Board of Directors of Embraer.

In a meeting held on January 19, 2006, the Conselho Fiscal of Embraer was presented with and considered the proposal to implement the proposed restructuring and merger and the submission of the merger for approval by Embraer shareholders. The Conselho Fiscal unanimously recommended the approval of such proposals and the submission of such proposals to the Board of Directors.

At a meeting held on January 19, 2006, which took place after the meeting of the Conselho Fiscal, the Board of Directors of Embraer was presented and considered the proposal to implement the proposed restructuring and merger and the submission of the merger for approval by Embraer shareholders. In its meeting, the Board of Directors of Embraer discussed the details of the proposed restructuring and merger and its objectives, as well as the terms of the Merger Agreement regarding the merger of Embraer with and into Rio Han. After such discussion and consideration, the Board of Directors of Embraer unanimously (1) approved the terms and conditions of the Merger Agreement and all other documents related to the merger, and its submission for the approval of the extraordinary general shareholders meeting of Embraer, (2) ratified the appointment of Goldman Sachs and ACAL and approved the financial analyses prepared by Goldman Sachs and the valuation reports prepared by ACAL, (3) approved the proposal of the merger of Embraer with and into Rio Han, including the exchange ratio of the shares of Embraer for the shares of Rio Han as a result of the merger, to be presented to the shareholders of Embraer, authorizing the Executive Officers to take all actions necessary to implement the merger, (4) approved the proposal to be presented to the extraordinary general meeting of Embraer shareholders, before the other items of the agenda, to include a temporary provision in the by-laws of the company, in order to extend voting rights to all of the Embraer shareholders regardless of the class or type of share held by them, (5) approved the terms of the notice to the market to be published by Embraer and (6) decided to call the extraordinary general meeting of Embraer shareholders to be held on March 31, 2006 to decide on all matters related to the merger.

On January 19, 2006, the managements of Rio Han and Embraer executed the Merger Agreement, subject to approval by their respective shareholders at the [\_\_\_\_\_], 2006 extraordinary general meetings of Rio Han and Embraer shareholders.

The merger remains subject to the approval of both Rio Han and Embraer shareholders at their respective general meetings scheduled to occur on [\_\_\_\_\_], 2006. See Extraordinary General Meeting of Embraer Shareholders Regarding the Merger Vote Required for Approval of the Merger for more information on the required vote at the extraordinary general meeting of Embraer shareholders to approve the merger.

#### **Reasons for the Proposed Restructuring and Merger**

This discussion of the information and factors that the Board of Directors of Embraer considered in making its decision is not intended to be exhaustive but includes all material factors considered by the Board of Directors of Embraer. In view of the wide variety of factors considered in connection with the evaluation of the proposed restructuring and merger and the complexity of these matters, the Board of Directors of Embraer did not find it useful to, and did not attempt to, quantify, rank or otherwise assign relative weights to these factors. In addition, the individual members of the Board of Directors of Embraer may have given different weight to different factors.

In reaching its decision to approve the proposed restructuring and merger and the terms of the Merger Agreement and all related documents, and the submission of the Merger Agreement and the merger to an extraordinary general meeting of Embraer shareholders for approval, the Board of Directors of Embraer carefully considered the following factors:

***Creation of a solid foundation for the sustainability, growth and continuity of Embraer's businesses and activities.*** The development of new products and expansion programs by Embraer as well as the sustainability, growth and continuity of its businesses and activities depend on its ability to access capital markets and increase financing resources. A simplified capital structure (only common shares) is expected to provide Embraer (through its successor Rio Han) with greater access to capital markets and increase financing resources because Embraer will be able to issue common shares without regard to the restrictions on the maximum proportion of common shares and preferred shares that can be issued under Embraer's current capital structure and the Brazilian Corporate Law.

***Increased capacity to obtain new resources and possibility of international expansion.*** The proposed restructuring and merger is expected to enhance Embraer's capacity to obtain new resources to fund its activities, and to enable Embraer to use its common shares as acquisition currency, for new acquisitions and to facilitate potential international expansions.

***The extension of voting rights to all Embraer shareholders.*** Currently, holders of Embraer preferred shares (including preferred shares represented by Embraer ADSs) do not have voting rights. As a result of the proposed restructuring and merger, Embraer will adopt a simplified capital structure that will extend voting rights to all Embraer shareholders.

***The relinquishment of voting control by the controlling shareholders of Embraer in favor of all Embraer shareholders.*** In connection with the proposed restructuring and merger, Cia. Bozano, PREVI and SISTEL have agreed to terminate the Shareholders' Agreement and relinquish voting control over Embraer in favor of all Embraer shareholders. Following the implementation of the restructuring and merger, Cia. Bozano, PREVI and SISTEL will no longer have the ability to control the outcome of matters submitted to a vote of Embraer shareholders. In addition to reducing their voting power, the restructuring and merger will result in a reduction in the controlling shareholders' representation on the Board of Directors of Embraer. Currently, Cia. Bozano, PREVI and SISTEL have six representatives on the Board of Directors of Embraer. Until the annual general meeting of Embraer shareholders in 2009 to approve the financial statements for the fiscal year ended December 31, 2008, the controlling shareholders will each have the right to appoint one representative to the Board of Directors of Embraer. Following the annual general meeting of Embraer shareholders in 2009, the

controlling shareholders will no longer have the right to appoint any representative to the Board of Directors of Embraer.

***A potential increase in the liquidity of the shares to be received by Embraer shareholders in the merger.*** The proposed restructuring and merger is expected to result in a potential increase in the liquidity of the shares to be received by Embraer shareholders in the merger as a result of the expected dispersed ownership of such shares.

***Adoption of enhanced corporate governance practices and transparency standards.*** Upon implementation of the proposed restructuring and merger, all Embraer shareholders will have voting rights, Embraer will apply to list on the *Novo Mercado* segment of the BOVESPA and will, as a consequence, be subject to enhanced corporate governance practices and transparency standards.

***Financial Analyses of Goldman Sachs.*** The financial analyses, dated as of January 13, 2006, presented by Goldman Sachs to the Board of Directors of Embraer for its consideration of the proposed exchange ratio applicable to the transfer by the controlling shareholders of the Embraer control shares to Rio Han and the premium to be realized by such shareholders when compared to the exchange ratio for the merger.

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The Board of Directors of Embraer also carefully considered the following factors:

### *Benefits to the Brazilian Capital Markets:*

the creation of the first major Brazilian company with dispersed ownership and simplified capital structure (only common shares) to be listed on the *Novo Mercado*; and

the creation of a new corporate governance benchmark for Brazilian public companies.

### *Benefits to the Brazilian Government:*

the continuation of the rights of the Golden Share;

the assurance that a majority of the voting rights of Rio Han common shares will be held by Brazilian shareholders as provided in the Privatisation Notice of Embraer;

the control over the ownership of Rio Han common shares in amounts equal to or greater than 35%;

the assurance of a dispersed capital structure due to the adoption of restrictions on voting rights contained in Rio Han's proposed bylaws; and

the assurance that Rio Han will remain as a technological and industrial partner of the Brazilian Army.

The Board of Directors also carefully considered the following potential effects arising from the proposed restructuring and merger:

the ownership percentage of holders of Embraer shares other than Rio Han will be diluted as a result of the merger (assuming no holders of Embraer common shares exercise appraisal rights); and

holders of Embraer preferred shares (including preferred shares represented by Embraer ADSs) will no longer be entitled to receive dividends at least 10% higher than dividends conferred upon each Embraer common share.

### **Delivery of Rio Han Common Shares and ADSs**

If you are a registered holder of Embraer common or preferred shares, you will not need to take any action with respect to your shares. Upon the effectiveness of the merger, all Embraer common and preferred shares will automatically be exchanged for Rio Han common shares. As Embraer shares are registered in book-entry form and Rio Han common shares will be registered in book-entry form, an entry or entries will be made by in the Rio Han share registry to evidence the Rio Han common shares issued in the merger. You will not receive certificates evidencing you Rio Han common shares. After the merger is completed, the registrar of the Rio Han share registry will provide a statement of shareholding to each registered holder of Rio Han common shares confirming their ownership of Rio Han common shares.

If you are a registered holder to Embraer ADSs, you will not need to take any action with respect to your Embraer ADSs. If you hold your Embraer ADSs in book-entry form through the direct registration system maintained by JPMorgan Chase Bank, N.A., the depositary for the Embraer ADSs, an entry or entries will be made in the direct registration system after the effectiveness of the merger to evidence that your Embraer ADSs represent Rio Han common shares rather than Embraer preferred shares. If you hold ADRs evidencing your Embraer ADSs, your ADRs will evidence you Rio Han ADSs after the effectiveness of the merger. In all cases, the number of Embraer ADSs you hold will remain unchanged. If you are not a registered holder of your Embraer ADSs but hold your Embraer ADSs in street name through a broker, bank, custodian or other nominee, you will not need to take any action unless your broker, bank, custodian or other nominee informs you otherwise.

### **Approval of the Conselho Fiscal (Audit Board) and of the Board of Directors of Embraer Regarding the Merger**

The Conselho Fiscal (Audit Board) of Embraer has reviewed the proposed restructuring and merger, including the Merger Agreement, and the valuation reports and financial analyses and proposed bylaws of Rio Han attached as exhibits thereto, and has unanimously recommended the submission of the Merger Agreement and the merger to an extraordinary general meeting of Embraer shareholders for approval.

The Board of Directors of Embraer has also reviewed the proposed restructuring and merger, including the Merger Agreement and all exhibits thereto, and has unanimously approved the proposed restructuring and merger and the terms of the Merger Agreement and all related documents, and has approved the submission of the Merger Agreement and the merger to an extraordinary general meeting of Embraer shareholders for approval.

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In determining whether to approve the proposed restructuring and merger, the Board of Directors of Embraer consulted with its senior management and legal counsel, as well as its financial advisors, ACAL and Goldman Sachs, considered the recommendation of the Conselho Fiscal, and considered the respective strategic, financial and other considerations referred to under "The Proposed Restructuring and Merger - Reasons for the Proposed Restructuring and Merger" beginning on page 41 of this prospectus.

For more information on Embraer's Audit Board and Board of Directors and their respective members, see Item 6A. Directors and Senior Management and Item 6C. Conselho Fiscal included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

## Financial Analyses of Goldman Sachs

### *General*

The financial analyses discussed herein have been prepared based on prospective financial information prepared by the management of Rio Han and Embraer. Rio Han and Embraer do not as a matter of course make public projections as to future sales, earnings, or other results. The prospective financial information used to prepare these analyses was not prepared with a view toward public disclosure or with a view toward complying with the published guidelines of the SEC or the American Institute of Certified Public Accountants with respect to prospective financial information.

Embraer retained Goldman Sachs to perform certain financial analyses with respect to Rio Han and Embraer in connection with the merger of Embraer with and into Rio Han. On January 15, 2006, Goldman Sachs presented financial analyses, prepared as of January 13, 2006, to the Board of Directors of Embraer for its consideration in determining the proposed exchange ratio applicable to the shares of Embraer held by Cia. Bozano, PREVI and SISTEL.

You should consider the following when reading the discussion of the financial analyses of Goldman Sachs below:

Rio Han urges you to read carefully the entire financial analyses of Goldman Sachs, which are contained in Annex C of this prospectus and are incorporated by reference in this summary and which you can obtain as described in Where You Can Find More Information. The description of Goldman Sachs' financial analyses set forth below is qualified in its entirety by reference to the full text of the analyses.

Goldman Sachs' financial analyses were prepared for the exclusive use of the Board of Directors of Embraer in connection with its analysis of the merger, as described further below, and should not be used for any other purposes, including, without limitation, for the formation of capital under the terms of the Brazilian Corporate Law, including, but not limited to, Article 8 of such law.

The financial analyses were exclusively addressed to Embraer and do not address the underlying business decision by Embraer to engage in the merger and do not constitute a recommendation to Embraer and/or its shareholders (including, but not limited to, as to whether any Embraer shareholder should vote in favor of the merger or exercise any appraisal rights or other rights with respect to the merger).

In rendering its financial analyses, Goldman Sachs:

reviewed certain internal financial analyses and forecasts for Embraer prepared and approved by its senior management;

reviewed publicly available financial statements for the nine months ended September 30, 2005 and for years ended December 31, 2004, 2003 and 2002 of Embraer, which were audited by Embraer's independent auditors; and

reviewed certain other financial information with respect to Embraer, including, but not limited to, its cash and bank balances, loans and other debt obligations and hedging and contingencies provisions as of September 30, 2005, reflecting the best judgment of such auditors in accordance with generally accepted accounting procedures in Brazil.



Goldman Sachs also held discussions with members of the senior management of Embraer with respect to its assessment of the past and current business operations, financial condition and prospects of Embraer.

In preparing its financial analyses, Goldman Sachs assumed and relied, with Embraer's express consent and without independent verification, on the accuracy, content, truthfulness, consistency, completeness, sufficiency and integrity of the financial, accounting, legal, tax and other information reviewed by or discussed with it, and Goldman Sachs did not assume any responsibility to independently verify any of the information or to make an independent verification or appraisal of any of the assets or liabilities (contingent or otherwise) of Embraer, nor did Goldman Sachs examine the solvency or fair value of Embraer under any laws concerning bankruptcy, insolvency or similar matters. To this effect, Goldman Sachs assumed no responsibility or liability with respect to the accuracy, truthfulness, integrity, consistency or sufficiency of such information, for which Embraer is solely and exclusively responsible. In addition, Goldman Sachs did not assume any obligation to conduct, and did not conduct, any physical inspection of Embraer's properties or facilities. With Embraer's consent, Goldman Sachs assumed that the financial analyses and forecasts prepared by Embraer's senior management were reasonably prepared on a basis reflecting best currently available estimates and judgments of Embraer.

Goldman Sachs' financial analyses assumed a stable macroeconomic scenario for Brazil. The financial analyses and their results do not purport to reflect the prices at which Embraer or its securities could be sold, nor do they take into account any element of value that may arise from the accomplishment or expectation of the merger. Goldman Sachs is not an accounting firm and did not provide accounting or audit services in connection with the financial analyses. In addition, because the financial analyses are based upon forecasts of future financial results, they are not necessarily indicative of actual subsequent results, which may be significantly more or less favorable than those suggested by the analyses. Given, further, that these analyses are intrinsically subject to uncertainties and various events or factors outside the control of Embraer and Goldman Sachs, neither Goldman Sachs, nor any of its affiliates and representatives, assumed any responsibility or liability if subsequent results differ substantially from the projections presented in the financial analyses and made no representation or warranty with respect to such projections.

Goldman Sachs' financial analyses are necessarily based on economic, monetary, market and other conditions as in effect on, and the information made available to Goldman Sachs as of, January 13, 2006, the date of the financial analyses. As a result, the financial analyses are valid exclusively as of that date, as subsequent events and developments may affect the conclusions reached in the analyses. Goldman Sachs did not assume any obligation to update, review, revise or revoke the financial analyses as a result of any subsequent event or development. With respect to the financial analyses, Embraer and its Board of Directors did not authorize Goldman Sachs to solicit, nor did Goldman Sachs solicit, any indication of interest from third parties to acquire, in whole or in part, any Embraer shares. Therefore, the results determined in the financial analyses do not necessarily correspond to, and should not be construed as representative of, the prices at which Embraer could be sold in a third-party acquisition transaction, at which its shares or, where applicable, ADSs traded on the date of the financial analyses or traded at any subsequent time, or at which Embraer's shares or ADSs will trade after the merger.

In addition, the financial analyses (1) treat Embraer as a stand-alone operation, and therefore do not include any operational, tax or other benefits or losses, or synergies, incremental value and/or costs for Embraer, if any, which may arise from the consummation of the merger; and (2) do not address the treatment of the different classes of shares of Embraer, and any adjustments intended to offset, or that may reflect, any specific rights associated with any specific class of shares of Embraer. In preparing the valuation analyses, in accordance with applicable laws and regulations, Goldman Sachs did not take into account (1) the tax consequences of the merger for the holders of Embraer shares or ADSs; and (2) the impact of any fees and expenses that may result from the consummation of the merger, including, but not limited to, those related to any depository services that may be charged to the holders of Embraer ADSs. The financial calculations contained in the valuation analyses may not always result in a precise sum due to rounding.

The following are summaries of the material analyses conducted by Goldman Sachs in preparation of its financial analyses for Embraer, prepared as of January 13, 2006 and delivered on January 15, 2006, and do not purport to be complete descriptions of the analyses performed by Goldman Sachs. **The following summaries of financial analyses include information presented in tabular format. You should read these tables together with the text of each summary.**

**Discounted Cash Flow Analysis**

Goldman Sachs performed a discounted cash flow analysis to generate a range of indicative equity values per share of Embraer treating Embraer as a stand-alone entity. Analyses were performed as of September 30, 2005, based on a projection period from 2005 to 2014. Unlevered free cash flows (operating income less income taxes, plus depreciation and amortization, less increases in working capital and less capital expenditures) before financing costs were projected by Embraer in U.S. dollars and based on financial statements of Embraer in conformity with U.S. GAAP and therefore did not include any benefits or losses that may arise from the consummation of the merger.

A range of illustrative enterprise values for Embraer was obtained by the sum of (i) the net present value calculated as of September 30, 2005 with respect to the unlevered free cash flows for the projection period and (ii) the net present value calculated as of September 30, 2005 with respect to the terminal value, determined using the perpetuity growth methodology applied to a normalized unlevered free cash flow (assuming capital expenditures equal to depreciation and excluding temporary tax benefits). Terminal Value refers to the value of a particular asset at a specific future time. Present Value refers to the current value of future cash flows (including terminal value) obtained by discounting such future cash flows (including terminal value) based on an interest rate that takes into account risk, the opportunity cost of capital, expected returns and other appropriate factors. The present values of the unlevered free cash flows were calculated using a weighted average cost of capital ( WACC ) between 11.3% and 12.3%. The perpetuity growth rate utilized for calculating the unlevered free cash flow was between 4% and 5%.

The indicative equity values calculated for Embraer were determined by subtracting from the enterprise values previously calculated the total value of the net debt and minority interest, as set forth in the audited balance sheets as of September 30, 2005. The indicative equity value per share for Embraer was determined by dividing the indicative equity value by the total number of shares outstanding, excluding treasury shares. The analyses result in aggregate equity value indications for Embraer and do not allocate value between any classes of shares. No adjustments were made as to potential benefits that may arise from the transaction, such as synergies or tax gains.

Based on these assumptions, the indicative per share equity values for Embraer ADRs ranged from US\$39.90, assuming a perpetuity growth rate of 4% and a WACC of 12.3%, to US\$48.90, assuming a perpetuity growth rate of 5% and a WACC of 11.3%.

The results of Goldman Sachs analysis are set forth in the following table.

		Perpetuity Growth Rate		
		4%	4.5%	5%
Weighted	11.3%	45.0	46.8	48.9
Average	11.6%	43.6	45.2	47.1
Cost of Capital	11.8%	42.3	43.8	45.5
	12.1%	41.1	42.5	44.0
	12.3%	39.9	41.2	42.7

Based on these indicative ranges of per share equity values, Goldman Sachs also determined the ranges of implied premiums over the Embraer ADR market price, as follows: a premium ranging from (3.1)% to 18.6% relative to the ADR price as of January 13, 2006; a premium ranging from (0.9)% to 21.4% relative to the preceding 30-day average ADR price; and a premium ranging from 1.6% to 24.4% relative to the preceding 60-day average ADR price.

**Precedent Transactions Analysis Share Reclassification Transactions**

Goldman Sachs reviewed selected transactions involving publicly traded corporations where two classes of stock of a single company with different voting rights were reclassified or combined into a single class of common stock. Goldman Sachs divided these transactions into two groups:

*Transaction With Relinquishment of Control.* Goldman Sachs reviewed four reclassification transactions occurring between June 2000 and September 2005 where the reclassification resulted in a relinquishment of control by a controlling shareholder. The transactions in this group were: Sotheby's, Royal Group, Reader's Digest, and Mitchell Energy.

*Transactions Without Change of Control.* Goldman Sachs reviewed 13 reclassification transactions occurring between May 2001 and June 2005 and involving high vote and low vote shares but not involving a controlling shareholder. The transactions in this group were: Gartner, Inc., Gildan Activewear, MIPS Technologies, Jo-Ann Stores, Commonwealth Telephone Enterprises, Florida East Coast Industries, Home Capital Group, Cabot Oil & Gas, Freeport McMoran Copper & Gold, Conoco Phillips, Waddell & Reed Financial, Raytheon, and SAP.

For each of the precedent reclassification transactions, Goldman Sachs determined the implied premium paid to the controlling shareholder or high vote shares by dividing the total value that those shares represented after the transaction by the total value that those shares represented before the transaction. In transactions where a payment or a targeted repurchase was made by the company, Goldman Sachs added the cash component to the value received by the high vote shares or controlling shareholder, and adjusted the pro forma market capitalization of the company to reflect the cash payment and shares repurchased. In transactions involving a controlling shareholder, Goldman Sachs determined that the implied premium paid to the controlling shareholder varied from 0% to 19.4%; in transactions involving high vote shares but no controlling shareholder, Goldman Sachs determined that the implied premium for high vote shares ranged from 0% to 8.2%, with 11 transactions having no implied premium.

No company utilized in Goldman Sachs analysis of historical share reclassification transaction is identical to Embraer. In this analysis, Goldman Sachs made judgments and assumptions with regard to, among other things, the capital structure and shareholder base of the companies involved in these transactions.

#### ***Precedent Transactions Analysis Aerospace and Defense Industry***

Goldman Sachs reviewed 16 private-market transactions in the aerospace and defense industry, involving changes of control, having transaction values in excess of US\$500 million and occurring between December 1996 and September 2005. These included the following transactions (in each case, the first named entity is the acquiring entity and the second named entity is the acquired entity in the transaction): DRS Technologies / Engineered Support Systems Inc, Zodiac SA / C&D Aerospace Group, BAE Systems / United Defense Industries, Pratt & Whitney / Boeing Rocketdyne Propulsion and Power, Onex Corporation / Boeing Commercial Airplanes - Tulsa Div., Aurora Capital / K&F Industries, Meggitt/Carlyle / Dunlop Standard, BAE / Alvis, Finmeccanica / AgustaWestland, Kohlberg Kravis Roberts / MTU Aero Engines (Daimler Chrysler), Precision Castparts / SPS Technologies, DRS / Integrated Defense, Warburg Pincus / TransDigm, EU Consortium / Embraer, General Dynamics / Gulfstream and Boeing / McDonnell Douglas.

Goldman Sachs derived the implied ratios of enterprise value to LTM EBITDA multiples resulting from these transactions, which ranged from 9.0x to 13.1x, with a median of 11.3x. Goldman Sachs then applied these ratios to the corresponding LTM EBITDA figures for Embraer and translated the resulting range of per share prices into implied premiums over Embraer's ADR price as of January 13, 2006, preceding 30-day average ADR price and preceding 60-day average ADR price. These implied premiums ranged from (26.8)% to 6.3% relative to the ADR price as of January 13, 2006, (25.0)% to 8.8% relative to the 30-day average ADR price, and (23.2)% to 11.5% relative to the preceding 60-day average ADR price. LTM refers to the preceding 12-month period for which relevant data is available and EBITDA refers to earnings before interest, taxes, depreciation and amortization.

No company utilized in Goldman Sachs analysis of certain selected private market transactions is identical to Embraer. In evaluating these private market transactions, Goldman Sachs made judgments and assumptions with regard to, among other things, the capital structure and shareholder base of the companies involved in these transactions.

*Selected Companies Analysis*

Goldman Sachs reviewed and compared certain financial information for Embraer to corresponding financial information, ratios and public market multiples for the following publicly traded corporations in the aircraft manufacturing industry:

Boeing

Bombardier

EADS

Goldman Sachs reviewed and compared certain financial information for Embraer to corresponding financial information, ratios and public market multiples for the following publicly traded corporations in the aircraft components industry:

BE Aerospace

Heico

Hexcel

K&F Industries

Goldman Sachs reviewed and compared certain financial information for Embraer to corresponding financial information, ratios and public market multiples for the following publicly traded corporations in the aircraft manufacturing industry:

General Dynamics

Northrop Grumman

Raytheon

Goldman Sachs calculated and compared various financial multiples and ratios and growth rates based on market data as of January 13, 2006 and estimates reported by IBES (the Institutional Brokerage Estimate System, a data service that compiles earnings estimates of securities research analysts), including certain enterprise value multiples (including LTM sales multiples and 2006 and 2007 EBITDA multiples), 2006 and 2007 price-to-earnings multiples, earnings per share long-term growth rates, 2007 price/earnings per share long-term growth rates, and LTM margins/EBITDA. The multiples, ratios and growth rates for each of the selected companies were based on IBES estimates and the most recent publicly available information as of January 13, 2006.

The following table presents the result of this analysis:

	Selected Companies		
	Range (including Embraer)	Median (including Embraer)	Embraer
<b>Aircraft Manufacturers / Components</b>			
Enterprise Value Multiples			
LTM Sales	0.5x-3.7x	1.8x	2.1x
LTM EBITDA	5.0-16.2	11.6	12.3
2006E EBITDA	6.3-15.6	9.1	9.8
2007E EBITDA	5.5-11.9	8.4	9.7
2006 P/E Multiples	13.8-23.5	19.9	17.3
2007 P/E Multiples	11.9-20.0	16.9	15.2
5-Year EPS Growth Rate	10%-18%	16%	16.7%
2007 P/E / 5-Year EPS Growth Rate	0.9x-1.7x	1.2x	0.9x
LTM/EBITDA Margins	6.1%-38.9%	14.7%	16.7%
<b>Defense</b>			
Enterprise Value Multiples			
LTM Sales	0.8x-1.2x	1.1x	2.1x
LTM EBITDA	8.8-11.0	10.4	12.3
2006E EBITDA	7.8-9.5	8.7	9.8
2007E EBITDA	8.0-9.0	8.1	9.7
2006 P/E Multiples	14.3-16.3	14.6	17.3
2007 P/E Multiples	13.2-14.1	13.2	15.2
5-Year EPS Growth Rate	10%-12.0%	10.3%	16.7%
2007 P/E / 5-Year EPS Growth Rate	1.2x-1.3x	1.3x	0.9x
LTM/EBITDA Margins	9.5%-11.9%	9.8%	16.7%

#### *Share Exchange Analysis; Breakeven Analysis*

Assuming no change in the market value of the surviving entity following the merger, Goldman Sachs prepared illustrative pro forma analyses of the financial impact of the merger on the current shareholders of Embraer assuming a range of premiums from 0% to 20% being paid for the control shares relative to Embraer ADR price as of January 13, 2006. Goldman Sachs determined that this range of control premiums would result in an implied price being paid for all the shares held by the control group (consisting of Cia. Bozano, PREVI and SISTEL) representing a premium ranging from 0% to 10.1% relative to the current market value of their shares (based on the preceding 60-day average Embraer ADR price of US\$39.30, as of January 13, 2006), which, based on Embraer's estimated 2006 EBITDA projections, implies estimated 2006 EBITDA multiples ranging from 10.3x to 11.4x. Goldman Sachs also determined that this range of control premiums would result in an implied price being paid for all the shares held by minority shareholders representing a discount ranging from 0.0% to 5.1% relative to the current market value of their shares (based on the preceding 60-day average Embraer ADR price), which, based on Embraer's estimated 2006 EBITDA projections, implies estimated 2006 EBITDA multiples ranging from 10.3x to 9.8x.

On the basis of these determinations, Goldman Sachs computed illustrative breakeven analyses. For the above-described range of premiums being paid for the control shares (ranging from 0% to 20% relative to the preceding 60-day average Embraer ADR), Goldman Sachs computed the corresponding required implied enterprise value to 2006 EBITDA multiple expansion, which ranged from 0.0x to 0.6x, that would yield a value to minority shareholders equal to the current value of their shares based on the preceding 60-day average Embraer ADR price. For this same range of premiums being paid for the control shares, Goldman Sachs also computed the corresponding percentage increases in Embraer's share price following the merger, which ranged from 0.0% to 5.3%, that would be required to yield a value to minority shareholders equal to the current value of their shares based on the preceding 60-day average Embraer ADR price.

The preparation of financial analyses such as those conducted in the preparation of the financial analyses is a complex process that involves subjective judgment and is not susceptible to partial analysis or summary description. In arriving at its conclusions, Goldman Sachs did not attribute any particular weight to any particular factor considered by it; rather, Goldman Sachs made qualitative judgments as to the importance and relevance of all the factors considered in the financial analyses. Accordingly, Goldman Sachs believes that the financial analyses should be considered as a whole and that selecting portions of its analyses or the factors considered as part of those analyses could result in an incomplete and incorrect understanding of the conclusions of the financial analyses. The results presented in the financial analyses refer solely to the merger of Embraer with and into Rio Han, and do not extend to any other present or future matters or transactions regarding Embraer, the economic group to which it belongs or the sector in which it operates.

Goldman Sachs and its affiliates, as part of their investment banking business, are continually engaged in performing financial analyses with respect to businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and other transactions as well as for estate, corporate and other purposes. Goldman Sachs was retained by Embraer on August 18, 2004. Pursuant to the engagement letter entered into as of the same date between Embraer and Goldman Sachs, Goldman Sachs will receive a fee for its services. Moreover, Embraer has agreed to reimburse Goldman Sachs' expenses and indemnify it for certain liabilities that may arise as a result of this engagement. Goldman Sachs also may provide investment banking services to Embraer and its affiliates in the future. In connection with the above-described services, Goldman Sachs has received, and may receive, compensation.

Goldman Sachs is a full-service securities firm engaged, either directly or through its affiliates, in securities trading, investment management, financial planning and benefits counseling, risk management, hedging, financing and brokerage activities for both companies and individuals. In the ordinary course of these activities, Goldman Sachs and its affiliates may actively trade the debt and equity securities (or related derivative securities) of Embraer and its affiliates for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities. Goldman Sachs does not have a direct interest in the merger; provided, however, that in accordance with usual market practice, part of the compensation payable by Embraer in connection with the services rendered by Goldman Sachs depends on the implementation of the merger. Except as may result from the activities described in the first and second sentences of this paragraph, Goldman Sachs does not have a direct or indirect interest in Embraer. Without limiting any other statement in this summary, to the best of Goldman Sachs' knowledge, neither the controlling shareholders of Embraer nor the management of Embraer directed, limited, obstructed or otherwise took any action that compromised or could have compromised access to, or use or knowledge of, information, documents or work methodologies relevant to the quality of the financial analyses.

#### **Valuation Reports of ACAL**

ACAL was retained by Rio Han and Embraer to render valuation reports for the purpose of appraising: (i) the book value of the shareholders' equity of Embraer as of September 30, 2005 in order to determine the capital increase of Rio Han that will result from the merger and (ii) the market value of the shareholders' equity of Embraer and Rio Han as of September 30, 2005, as required by Article 264 of the Brazilian Corporate Law, in order to (i) compare the ratio between such values with the exchange ratio stipulated in the Merger Agreement and (ii) determine the appraisal value of the Embraer common shares.

The valuation reports prepared by ACAL are subject to the assumptions and considerations set forth in such valuation reports and summarized in this prospectus. The valuation reports prepared by ACAL were presented to the management of Rio Han and the Board of Directors of Embraer on January 18, 2006 for their evaluation of the proposed restructuring and merger. The valuation reports are not intended to be and do not constitute a recommendation to any shareholder as to how such shareholder should vote on any matters relating to the merger. ACAL did not make a recommendation with respect to the exchange ratio applicable to the transfer of the Embraer control shares to Rio Han or the exchange ratio for the merger. **Rio Han urges you to read carefully the entire valuation reports of ACAL, which are contained in Annexes D, E and F of this prospectus.**

The valuation reports were prepared according to the same criteria and the same base date (September 30, 2005) and were based on the financial statements of Embraer and Rio Han as of September 30, 2005. The Embraer financial statements were audited for Brazilian law purposes and the consolidated financial statements were reviewed for U.S. law purposes by Deloitte. The Rio Han financial statements were audited for Brazilian law purposes by ACAL.

In connection with its preparation of the valuation reports, ACAL represented that: (i) it had no direct or indirect interest in Embraer or Rio Han, and that there was no significant circumstance that may characterize a conflict of interest for the issuance of its report and (ii) there had been no attempt by Embraer's controlling shareholders or management to direct, limit, hinder or perform any action that might have affected the access to and the use and knowledge of any information, assets, documents or work methodologies relevant to its conclusions.

*Summary of Valuation Report of Market Value of Embraer's Shareholders' Equity*

ACAL prepared a valuation report of the market value of Embraer's shareholders' equity. In its analysis, ACAL considered the nature of Embraer's business as both an operating company and a holding company for its subsidiaries. Determining the value of Embraer as a holding company entailed making independent valuations of the market value of Embraer's subsidiaries and, accordingly, ACAL made valuations of Embraer Aircraft Holding, Embraer Liebherr Equipment Brazil, Embraer Representation LLC, Embraer Spain Holding Company and Harbim Embraer Aircraft Industrial Company. ACAL determined the value of Embraer's investment in its subsidiaries to be R\$948,770,000, equal to 6.74% of Embraer's total assets, which represented significant assets in the valuation of Embraer's shareholders' equity.

ACAL utilized the equity method of accounting to determine the market value of Embraer's net assets. Equity accounting was also used to recognize adjustments to Embraer's shareholders' equity. Equity accounting is used to determine the fair market value of specific assets, provide a basis for certain adjustments to net book value and serve as a starting point to estimate the liquidation value of a company as if the company would cease operations and be sold to a third party. ACAL's market value adjustment of Embraer's net assets was calculated by taking into consideration the legal definitions and precepts of Article 264 of the Brazilian Corporate Law and the approach established in Article 183, § 1, of the Brazilian Corporate Law. Under this latter provision, market value is determined: (i) for raw materials and storeroom supplies, at the price at which they may be replaced through purchase in the market; (ii) for goods and rights intended for sale, at the net realization price through sales to the market, less taxes and other expenses necessary for the sale and the profit margin and (iii) for investments, at the net value at which they can be sold to third parties.

ACAL's valuation was also based on a limited review of Embraer's financial statements as of September 30, 2005.

ACAL performed its review using Brazilian GAAP, which included tests on the accounting records necessary for determining the equity value of certain items at market value. ACAL concluded that the financial statements of Embraer were prepared in accordance with all legal formalities, including the uniform and consistent observance of Brazilian GAAP. In addition, Embraer's financial statements had been examined by Deloitte as of September 30, 2005, whose Audit Report, dated November 10, 2005, was unqualified.

In connection with its analysis, ACAL noted that Embraer's financial statements, audited under Brazilian GAAP, as of September 30, 2005, contained the following provisions:

- allowance for doubtful accounts;
- provision for adjustment to realization value;
- provision for depreciation; and
- provision for amortization.

In order to adjust Embraer's financial statements to market value, ACAL made adjustments in the following accounts:

- prepaid expenses;
- deferred tax assets calculated on tax losses, available for offset against future income;
- unamortized goodwill/negative goodwill on the acquisition of investments; and
- deferred assets.



The adjustments made by ACAL were as follows (amounts in *reais*):

Description	Value - R\$1,000.00
<b>Book Value of Shareholders Equity of EMBRAER as of 09/30/2005</b>	<b>4,771,726</b>
<b>(-) Debit Adjustments to Shareholders Equity:</b>	<b>(2,146,399)</b>
Write-off of deferred income tax and social contribution (Current Assets)	(207,816)
Write-off of prepaid expenses (Current Assets)	(239,021)
Write-off of deferred income and social contribution taxes (Long-Term Liabilities)	(294,547)
Write-off of prepaid expenses (Long-Term Liabilities)	(151,442)
Write-off of deferred assets	(1,149,861)
Equity loss on adjustments to shareholders equity of Harbim	(134)
Equity loss on adjustments to shareholders equity of Liebherr	(31,048)
Equity loss on adjustments to shareholders equity of Aircraft	(23,128)
Equity loss on adjustments to shareholders equity of Aviation Europe	(3,370)
Write-off of unrecoverable escrow deposits	(46,032)
<b>(+) Credit Adjustments to Shareholders Equity:</b>	<b>131,393</b>
Equity gain on adjustments to shareholders equity of Spain Holding	50,903
Tools recorded in deferred charges	80,490
<b>Shareholders Equity of EMBRAER adjusted to market value as of 09/30/2005</b>	<b>2,756,720</b>

Considering the above factors and in accordance with the requirements of the Brazilian Corporate Law, ACAL verified the accounting books and records that were used in creating Embraer's balance sheet, which verifications were based on selective tests and sampling.

Through ACAL's examination of the relevant documents and its analysis, ACAL concluded that Embraer's shareholders' equity value, based on the equity value approach, was R\$2,756,720,000.00, or R\$3.22 per Embraer share, as of September 30, 2005.

*Summary of Valuation Report of Market Value of Rio Han's Shareholders' Equity*

ACAL prepared a valuation report of the market value of Rio Han's shareholders' equity. For the purpose of their report and in accordance with the requirements of the Brazilian Corporate Law, ACAL used the adjusted market value of the net assets of Rio Han, as of September 30, 2005, except for Rio Han's interest in the 145,527,000 Embraer control shares transferred to Rio Han by Cia. Bozano, PREVI and SISTEL. ACAL's analysis contemplates Rio Han's net assets as of September 30, 2005, as adjusted to reflect the transfer of the Embraer control shares to Rio Han on January 18, 2006.

ACAL's determination of the market value of Rio Han's shareholders' equity was also based on a limited review of Rio Han's financial statements as of September 30, 2005, which were audited under Brazilian GAAP by ACAL. ACAL's review included tests on the accounting records necessary for determining Rio Han's equity value at market value. ACAL's examinations found that Rio Han's financial statements were prepared in accordance with all legal formalities, including uniform and consistent observance of Brazilian GAAP.

In connection with its analysis, ACAL noted that Rio Han financial statements, audited under Brazilian GAAP, as of September 30, 2005, contained the following provisions:

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allowance for doubtful accounts;  
 provision for adjustment to realization value;  
 provision for depreciation; and  
 provision for amortization.

In order to adjust Rio Han's financial statements to market price, ACAL made adjustments in the following accounts:

prepaid expenses;  
 deferred tax assets calculated on tax losses, available for offset against future income;  
 unamortized goodwill/negative goodwill on the acquisition of investments; and  
 deferred assets.

The adjustments made by ACAL were as follows (amounts in *reais*):

<b>Book Value of Shareholders' Equity of RIO HAN as of 09/30/2005</b>	<b>50.00</b>
<b>(-) Debit Adjustments to Shareholders' Equity</b>	<b>(406,240,912.29)</b>
Adjustment to market price for the EMBRAER shares paid as capital	(406,240,912.29)
<b>(+) Credit Adjustments to Shareholders' Equity</b>	<b>962,017,269.89</b>
EMBRAER control shares value - 20.16% of total capital	962,017,269.89
<b>Shareholders' Equity of Rio Han adjusted to market value as of 09/30/2005</b>	<b>555,776,407.60</b>

Considering the above factors and in accordance with the requirements of the Brazilian Corporate Law, ACAL verified the accounting books and records that were used in creating Rio Han's balance sheet at September 30, 2005, which verifications were based on selective tests and by sampling.

Through ACAL's examination of the relevant documents and its analysis, ACAL concluded that Rio Han's shareholders' equity value, based on the equity value approach, was R\$555,776,407.60, or R\$3.42 per Rio Han share, on January 18, 2006.

*Summary of Valuation Report of Book Value of Embraer's Shareholders' Equity*

ACAL prepared a valuation report of the book value of Embraer's shareholders' equity as of September 30, 2005. ACAL's analysis was conducted and the report was prepared in accordance with the rules and regulations of the CVM.

In conducting its valuation, ACAL used the book valuation approach, as it considered such method to be the most appropriate in determining the value of a merger of companies of the same business group. This approach was also considered appropriate by ACAL because Embraer's shares had not been exposed to any fact or situation that may have caused the overvaluation of such shares.

ACAL's determination of the book value of Embraer's shareholders' equity was also based on a limited review of Embraer's financial statements, audited under Brazilian GAAP as of September 30, 2005. ACAL's review included tests on the accounting records necessary for determining the book value of Embraer's shareholders' equity. ACAL's examination found that Embraer's financial statements were prepared in accordance with all legal formalities, including the uniform and consistent observance of Brazilian GAAP. In addition, the financial statements of Embraer and its subsidiaries were audited by Deloitte, as of September 30, 2005, whose opinion thereon, dated November 10, 2005, was unqualified.

In accordance with the Brazilian Corporate Law, ACAL verified the accounting books and records that were used in the preparation of Embraer's balance sheet. Such verifications were based on selective tests and by sampling.

Through ACAL's examination of the relevant documents and its analysis, ACAL concluded that the shareholders' equity, based on the book valuation report, of Embraer was R\$4,771,725,554.66 or R\$6.61 per Embraer share, as of September 30, 2005.

#### **Opinion of Citigroup Global Markets Inc.**

Embraer requested that Citigroup evaluate the fairness, from a financial point of view, to the holders of the Embraer non-voting shares (other than the controlling shareholders of Embraer and their respective affiliates) of the one-for-one exchange ratio provided for in the merger for the Embraer non-voting shares. Citigroup has delivered to the Board of Directors of Embraer a written opinion, dated February 15, 2006, to the effect that, as of that date and based on and subject to the matters described in its opinion, the one-for-one exchange ratio provided for in the merger for the Embraer non-voting shares was fair, from a financial point of view, to the holders of the Embraer non-voting shares (other than the controlling shareholders of Embraer and their respective affiliates). Citigroup was not requested to, and it did not, make any written or oral presentation to the Board of Directors of Embraer, or otherwise provide the Board of Directors of Embraer with, any financial analyses in connection with the rendering of Citigroup's opinion and, accordingly, such analyses were not reviewed, considered or relied upon by the Board of Directors of Embraer for purposes of its evaluation of the merger.

**The full text of Citigroup's written opinion, dated February 15, 2006, which describes the assumptions made, procedures followed, matters considered and limitations on the review undertaken, is attached to this prospectus as Annex G and is incorporated into this prospectus by reference. Citigroup's opinion was provided to the Board of Directors of Embraer and relates only to the fairness, from a financial point of view, to the holders of the Embraer non-voting shares (other than the controlling shareholders of Embraer and their respective affiliates) of the one-for-one exchange ratio provided for in the merger for the Embraer non-voting shares, does not address any other term, aspect or implication of the merger and does not constitute a recommendation to any security holder as to how such security holder should vote or act on any matters relating to the proposed merger.**

In arriving at its opinion, Citigroup:

reviewed the Merger Agreement;

held discussions with senior officers, directors and other representatives and advisors of Embraer concerning Embraer's business, operations and prospects;

examined publicly available business and financial information relating to Embraer;

examined financial forecasts and other information and data relating to Embraer which were provided to or otherwise discussed with Citigroup by Embraer's management;

reviewed the financial terms of the merger as described in the Merger Agreement in relation to, among other things, current and historical market prices of the Embraer non-voting shares and the common shares of Embraer (other than the Golden Share of Embraer held by the Brazilian Government and the common shares of Embraer held by Rio Han); the dividend preference attributable to the Embraer non-voting shares; historical returns on equity of the Embraer non-voting shares and the common shares of Embraer; historical and projected earnings and other operating data of Embraer; and Embraer's capitalization and financial condition;

considered certain stock market information of certain other Brazilian publicly traded companies and, to the extent publicly available, the financial terms of share reclassifications and Brazilian change of control transactions which Citigroup considered relevant; and

conducted other analyses and examinations and considered other financial, economic and market criteria as Citigroup deemed appropriate in arriving at its opinion.

In rendering its opinion, Citigroup assumed and relied, without assuming any responsibility for independent verification, on the accuracy and completeness of all financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with it and on the assurances of Embraer's management that it is not aware of any relevant information that was omitted or remained undisclosed to Citigroup. With respect to financial forecasts and other information and data provided to or otherwise reviewed by or discussed with Citigroup relating to Embraer, Citigroup was advised by Embraer's management and assumed, with Embraer's consent, that the forecasts and other information and data were reasonably prepared on bases reflecting the best currently available estimates and judgments of Embraer's management as to the future financial performance of Embraer. Citigroup assumed, with Embraer's consent, that the merger would be consummated in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary regulatory or third party approvals, consents, releases and waivers for the merger, no delay, limitation, restriction or condition has been or would be imposed that would have an adverse effect on Embraer, Rio Han or the merger. Citigroup assumed, with Embraer's consent, that neither Embraer nor Rio Han will incur any Brazilian income tax liabilities as a result of the merger.

Citigroup's opinion with respect to the one-for-one exchange ratio provided for in the merger for the Embraer non-voting shares related to the pro forma dilutive impact of the merger on the Embraer non-voting shares. Citigroup's opinion did not address any terms or other aspects or implications of the merger (other than the one-for-one exchange ratio provided for in the merger for the Embraer non-voting shares to the extent expressly specified in Citigroup's opinion), including, without limitation, the number of common shares of Rio Han that have been or will be issued in the merger or related transactions in exchange for any securities of Embraer other than the Embraer non-voting shares or the relative fairness of such exchanges to the holders of Embraer non-voting shares. Citigroup did not express any opinion as to the actual value of the common shares Rio Han or the Rio Han ADSs when issued or the prices at which the Embraer non-voting shares, the common shares of Embraer, the common shares of Rio Han or the Rio Han ADSs will trade or otherwise be transferable at any time. Citigroup's opinion does not address, and Citigroup did not consider, any operational, tax or other benefits, synergies, losses or costs, if any, that may result from the consummation of the merger. Citigroup did not make, and was not provided with, an independent evaluation or appraisal of the assets or liabilities, contingent or otherwise, of Embraer, and did not make any physical inspection of the properties or assets of Embraer. Citigroup did not express any view as to, and its opinion did not address, Embraer's underlying business decision to effect the merger, the relative merits of the merger as compared to any alternative business strategies that might exist for Embraer or the effect of any other transaction in which Embraer might engage. Citigroup was not requested to, and it did not, solicit third party indications of interest in the acquisition of Embraer or any securities of Embraer nor was Citigroup requested to, and it did not, participate in the negotiation or structuring of the merger. Citigroup's opinion was necessarily based on information available to Citigroup, and financial, stock market and other conditions and circumstances existing and disclosed to Citigroup, as of the date of its opinion. Except as described above, Embraer imposed no other instructions or limitations on Citigroup with respect to the investigations made or procedures followed by Citigroup in rendering its opinion.

The type and amount of consideration payable in the merger and related transactions was determined by Embraer and the decision to enter into the proposed merger and related transactions was solely that of the Board of Directors of Embraer. Citigroup's opinion should not be viewed as determinative of the views of the Board of Directors of Embraer or Embraer's management with respect to the proposed merger or related transactions or with respect to the consideration payable in the merger or related transactions.

Citigroup was engaged by Embraer solely for purposes of rendering an opinion in connection with the merger. Pursuant to the terms of Citigroup's engagement, Embraer has agreed to pay Citigroup for its opinion services a fee of US\$400,000, which was payable in connection with the delivery of its opinion. Embraer also has agreed to indemnify Citigroup and related persons against liabilities, including liabilities under the United States federal securities laws, arising out of its engagement.

In the ordinary course of business, Citigroup and its affiliates may actively trade or hold the securities of Embraer, and in the future may actively trade or hold the securities of Rio Han, for their own account or for the account of customers and, accordingly, may at any time hold a long or short position in those securities. Certain of Citigroup's Brazilian affiliates in the past have provided and currently are providing corporate banking and other financial services to Embraer, and in the future may provide services to Rio Han, unrelated to the proposed merger, for which services such affiliates have received and expect to receive compensation. In addition, Citigroup and its affiliates, including Citigroup Inc. and its affiliates, may maintain relationships with Embraer and affiliates of Embraer and Rio Han.

Embraer selected Citigroup to deliver an opinion in connection with the merger based on Citigroup's reputation and experience. Citigroup is an internationally recognized investment banking firm which regularly engages in the valuation of businesses and their securities in connection with mergers and acquisitions, negotiated underwritings, competitive bids, secondary distributions of listed and unlisted securities, private placements and valuations for estate, corporate and other purposes.

### Appraisal Rights

Holders of record of Embraer common shares at the close of business on January 19, 2006, the date of the first announcement of the merger, are entitled to exercise appraisal rights, in connection with the merger.

If you held Embraer common shares of record at the close of business on January 19, 2006, you will have the right to elect to receive, instead of the Rio Han common shares to be issued in the merger, an amount in cash equal to R\$6.61 in cash per common share, being the greater of (i) the shareholders' equity per share of Embraer determined in accordance with Brazilian GAAP as of September 30, 2005, using the methodology described in the Valuation Report of Shareholders' Equity of Embraer prepared by ACAL Consultoria e Auditoria S/S, or ACAL, dated as of January 18, 2006 and (ii) the market value of Embraer's shareholders' equity as of September 30, 2005, using the methodology described in the Valuation Report of Embraer's Shareholders' Equity prepared by ACAL, dated as of January 18, 2006. See The Proposed Restructuring and Merger Valuation Reports of ACAL Summary of the Valuation Report of Book Value of Embraer's Shareholder's Equity beginning on page 53 of this prospectus. As the extraordinary general meeting of Embraer shareholders will take place more than 60 days after the date of the last approved balance sheet, a shareholder may demand that their shares be valued on the basis of a new balance sheet that is as of a date within 60 days of such meeting.

If you have appraisal rights, you must exercise your rights within 30 days of the publication of the minutes of the extraordinary general meeting of Embraer shareholders convened to approve the merger, or the appraisal rights period, otherwise your rights will lapse. Embraer expects to publish the minutes of the extraordinary general meeting in the Vale Paraibano in São José dos Campos and in the Gazeta Mercantil in São Paulo on or about [\_\_\_\_\_], 2006. Embraer will furnish an English translation of the minutes of the extraordinary general meeting to the SEC ([www.sec.gov](http://www.sec.gov)) on the same date as their publication in Brazil and will also make an English translation of the minutes of the extraordinary general meeting available on its website ([www.embraer.com.br](http://www.embraer.com.br)).

You can exercise your appraisal rights by delivering written notice to Embraer (Attention: Investor Relations) prior to the expiration of the appraisal rights period at the following address:

**Embraer**  
Avenida Brigadeiro Faria Lima, 2170  
12227-901 São José dos Campos  
São Paulo, Brazil  
Attention: Investor Relations

You cannot exercise your appraisal rights if you vote in favor of the merger.

Under the Brazilian Corporate Law, holders of Embraer preferred shares and Embraer ADSs are not entitled to appraisal rights in connection with the merger.

### **Unwinding of the Merger**

Under the Brazilian Corporate Law, if the management of Rio Han believes that the total value of appraisal rights exercised by holders of Embraer common shares may put at risk the financial stability of Rio Han, the management may, within ten days after the end of the appraisal rights period, call an extraordinary general meeting of Rio Han shareholders to ratify or unwind the merger.

The factors that may put at risk the financial stability of Rio Han will depend on the financial condition of Rio Han after the merger and the general economic environment in its markets at the time the appraisal rights are exercised. These factors may include, but are not limited to, the cash balances of Rio Han, its ability to borrow funds or fund expansion plans and continuing operations, and compliance with existing contractual obligations, including financial covenants. The decision to call the extraordinary general meeting of Rio Han shareholders to ratify or unwind the merger is at the discretion of Rio Han's management.

Payment relating to the exercise of appraisal rights will not be due if the merger is unwound by Rio Han's shareholders.

### **Prospectus Availability**

Rio Han will make this prospectus available to (1) record holders of Embraer common and preferred shares who must receive this prospectus under the applicable U.S. federal securities laws, (2) holders of Embraer ADSs whose names appear on the list of record holders of ADSs maintained by the depository and (3) brokers, banks and similar persons whose names, or the names of whose nominees, appear on Embraer's shareholders' list or, if applicable, who are listed as participants in a clearing agency's security position listing for subsequent transmission to beneficial owners of Embraer ADSs.

### **Brokerage Commissions and Cancellation Fees**

You will not have to pay brokerage commissions if your Embraer shares or ADSs are registered in your name. However, if your securities are held through a bank or broker or a custodian linked to a stock exchange, you should inquire as to whether any other transaction fee or service charges may be charged in connection with the merger.

### **Stock Exchange Listings**

Upon the effectiveness of the merger, Rio Han will apply to register as a public company with the CVM and to list the Rio Han common shares to be issued in the merger on the Novo Mercado segment of the BOVESPA under the ticker symbol EMBR3, which is currently the ticker symbol for the Embraer common shares. Rio Han anticipates the registration and listing process to be completed within approximately 60 days from the date of the filing of its applications with the CVM and the BOVESPA. Until Rio Han is registered as a public company with the CVM and the Rio Han common shares are listed on the BOVESPA, holders of Embraer common and preferred shares may continue to trade their Embraer shares under their current ticker symbols EMBR3 and EMBR4, respectively.

Rio Han will also submit a listing application to the NYSE to list the Rio Han ADSs to be issued to holders of Embraer ADSs in the merger under the ticker symbol ERJ, which is currently the ticker symbol for the Embraer ADSs. Until the Rio Han ADSs are authorized for listing on the NYSE, subject to official notice of issuance, holders of Embraer ADSs may continue to trade their Embraer ADSs under their current ticker symbol. Rio Han expects that the Rio Han ADSs will be authorized for listing on the NYSE, subject to official notice of issuance, by the same time that Rio Han is registered as a public company with the CVM and the Rio Han common shares are listed on the BOVESPA.

### **Accounting Treatment**

Under Brazilian GAAP, the merger will be accounted for considering net assets acquired at book value.

Under U.S. GAAP, the merger of Embraer with and into Rio Han will be recorded using the historical carrying values of the assets and liabilities of Embraer. The merger will be treated as a recapitalization that results in no change in accounting basis from the accounting basis of Embraer, because, in accordance with U.S. GAAP, Embraer is regarded as the acquiring party for accounting purposes. The creation of Rio Han, a holding company with no operations, and the subsequent merger with Embraer do not involve any new shareholders nor result in any one shareholder or group of shareholders obtaining unilateral control of Rio Han.

### **Exchangeable Notes Issued by BNDES**

On June 19, 2001, Banco Nacional de Desenvolvimento Econômico e Social - BNDES, the Brazilian National and Social Development Bank, or BNDES, conducted a private offering of notes that are exchangeable into Embraer ADSs representing Embraer preferred shares currently owned by BNDES Participações S.A. - BNDESPAR, or BNDESPAR, a wholly owned subsidiary of BNDES. The holders of the exchangeable notes have the right to acquire the Embraer ADSs at any time prior to June 18, 2006, which is the stated maturity of the notes. In connection with the offering of such exchangeable notes, Embraer became a party to a registration rights agreement, pursuant to which it agreed, among other things, to register resales of the ADSs and underlying preferred shares relating to the exchangeable notes. Embraer filed a resale registration statement on Form F-3 with the U.S. Securities and Exchange Commission, or SEC, on October 17, 2001.

As a result of and after completion of the merger, Rio Han will be required to file a post-effective amendment to the Embraer resale registration statement in order to update the disclosure contained in the registration statement, because the bonds will be exchangeable into Rio Han ADSs representing Rio Han common shares held by BNDESPAR, under the same terms and conditions as under the 2001 offering made by BNDES.

## MERGER AGREEMENT

The following description of the material provisions of the Merger Agreement is qualified in its entirety by reference to the Merger Agreement, a copy of which is attached as Annex B to and incorporated by reference into this prospectus. All Embraer shareholders are encouraged to read the Merger Agreement in its entirety for a more complete description of the terms and conditions of the merger.

### Structure of the Merger

The Merger Agreement provides for the merger of Embraer with and into Rio Han, which will become the successor of Embraer and, by operation of law, assume all of Embraer's rights and obligations, pursuant to Articles 224, 225, 227 and 264 of the Brazilian Corporate Law.

As a result of the merger, Embraer will cease to exist and:

each common share of Embraer (other than the common shares held by Rio Han) will be exchanged for one Rio Han common share;

each preferred share of Embraer will be exchanged for one Rio Han common share, and Rio Han will be prohibited from issuing preferred shares;

each Embraer ADS will be exchanged for one Rio Han ADS; and

the Golden Share issued by Embraer and held by the Brazilian Government will be exchanged for a Golden Share of Rio Han.

### Rationale, Purpose and Interests of Embraer and Rio Han in the Implementation of the Proposed Restructuring and Merger

The Merger Agreement provides that the proposed restructuring and merger is intended to create a basis for the sustainability, growth and continuity of the businesses and activities of Embraer, through its successor Rio Han. This will be achieved by facilitating its access to capital markets and increasing financing resources for the development of new products and expansion programs.

As set forth in the Merger Agreement, the management of Embraer expects that the following benefits to result from the proposed restructuring and merger:

#### Benefits to Embraer:

enhance the capacity to attract resources to support its expansion programs because of increased access to capital markets; and

potential use of Rio Han common shares as acquisition currency.

#### Benefits to Embraer Shareholders:

extension of voting rights to all Embraer shareholders;

potential increase in the liquidity of the shares to be received by Embraer shareholders in the merger resulting from the expected dispersed ownership of such shares;

adoption of enhanced corporate governance practices and transparency standards; and

for Cia. Bozano, PREVI and SISTEL, realization of a premium on the Embraer control shares transferred to Rio Han by virtue of the exchange ratio applicable to such transfer when compared to the exchange ratio applicable to the merger, such premium being compensation for their agreement to relinquish their controlling ownership of Embraer and to terminate the Shareholders' Agreement.



Benefits to the Brazilian Capital Markets:

creation of the first major Brazilian company with dispersed corporate control and adequate share capital structure to be listed on the *Novo Mercado* segment of the BOVESPA, creating a precedent for similar transactions; and  
creation of a new corporate governance benchmark.

Benefits to the Brazilian Government:

maintenance of the rights attributed to the Golden Share and improvement of the conditions for its application;  
assurance that the majority of the voting rights of Rio Han will be held by Brazilian shareholders as provided in the Privatization Notice of Embraer;  
control over the concentration of equity interest in the capital stock of Rio Han equal to or greater than 35%;  
assurance of a dispersed capital structure due to the adoption of restrictions on voting rights contained in Rio Han's proposed bylaws; and  
assurance that Rio Han will remain as a technological and industrial partner of the Brazilian Army.

**Approval of the Merger**

The merger will be submitted to the extraordinary general meetings of Embraer and Rio Han shareholders to take place on [\_\_\_\_], 2006, which will be called and convened as set forth in the Brazilian Corporate Law and Embraer's and Rio Han's bylaws.

**Valuation Reports and Financial Analyses**

(i) *ACAL Consultoria e Auditoria S/S Valuation Reports  
Valuation Reports of Market Value of Shareholders' Equity*

Pursuant to Article 264 of the Brazilian Corporate Law, valuation reports of the market value of shareholders' equity of Embraer and Rio Han were prepared by ACAL for the purpose of calculating the amount per share that holders of Embraer common shares would be entitled to receive if they decided to exercise their appraisal rights. These valuation reports were prepared according to the same criteria and the same base date (September 30, 2005) and were based on the financial statements of each company, dated September 30, 2005, audited under Brazilian GAAP. For such purposes, ACAL accounted for the necessary adjustments in the balance sheet of Rio Han to reflect the transfer of the Embraer control shares into Rio Han's capital stock on January 18, 2006, based on the following assumptions:

Rio Han holds the Embraer control shares as its sole assets; and

Rio Han does not have any liability or obligation that could adversely affect its net equity.

See The Proposed Restructuring and Merger Valuation Reports of ACAL Summary of Valuation Report of Market Value of Embraer Shareholders Equity beginning on page 50 of this prospectus for further details.

#### ***Valuation Report of Shareholders Equity of Embraer***

The capital increase of Rio Han resulting from the merger will be calculated based on the Valuation Report of Shareholders Equity of Embraer. According to this valuation report, Embraer's net equity on September 30, 2005 amounted to R\$4,771,725,554.66. See The Proposed Restructuring and Merger Valuation Reports of ACAL Summary of Valuation Reports of Book Value of Embraer's Shareholders Equity beginning on page 53 of this prospectus for further details.

#### ***(ii) Financial Analyses of Goldman Sachs***

In order to support the determination of the exchange ratio between the shares issued by Embraer for those issued by Rio Han, Goldman Sachs was retained by Embraer to undertake certain financial analyses regarding the proposed restructuring and merger. The Merger Agreement provides that the management of each of Rio Han and Embraer understand that, among the several valuation methods addressed in the financial analyses undertaken by Goldman Sachs, a discounted cash flow analysis best reflected the value of Embraer and, consequently, of Rio Han, since the assets of Rio Han comprise solely the Embraer control shares. See The Proposed Restructuring and Merger Financial Analyses of Goldman Sachs beginning on page 43 of this prospectus for a more detailed discussion of the financial analyses undertaken by Goldman Sachs.

#### **Exchange Ratio**

Since Rio Han: (i) has the sole purpose to serve as a vehicle for implementation of the proposed restructuring and merger, (ii) has as its sole asset the Embraer control shares and (iii) does not have any liability or obligation of any kind which could adversely affect its net equity, the management of each of Rio Han and Embraer determined that each Embraer share or Embraer ADS not subject to the Shareholders Agreement would be exchanged for one Rio Han common share or Rio Han ADS, respectively.

#### **Premium for Embraer Control Shares**

The Merger Agreement provides that based on, among other things, and taking into account: (i) Goldman Sachs' financial analyses and (ii) the recognition that Cia. Bozano, PREVI and SISTEL have a legitimate and justified expectation in receiving a premium on the Embraer control shares transferred by them to Rio Han, the management of each of Rio Han and Embraer determined that such transfer would be made at the ratio of 1.1153 common shares of Rio Han for each Embraer control share. Each common or preferred share of Embraer (including preferred shares represented by Embraer ADSs) not subject to the Shareholders Agreement, regardless of the type of share, would be exchanged for one Rio Han common share or Rio Han ADS, respectively.

#### **Capital Increase**

The Merger Agreement provides that Rio Han will undergo a capital increase to reflect its increased capital stock created by the transfer of the total amount of the capital stock of Embraer into Rio Han as a result of the merger. Therefore, as a result of the merger and based on the valuation reports prepared by ACAL, the capital stock of Rio Han will be increased by R\$3,809,708,284.77, from R\$962,017,769.89 to R\$4,771,726,054.66, and the number of shares issued by Rio Han to Embraer shareholders may vary if holders of Embraer common shares exercise their appraisal rights in connection with the merger. Upon implementation of the merger, the capital stock of Rio Han will comprise 738,611,819 common shares and one Golden Share held by the Brazilian Government.

### **Holders of Embraer Preferred Shares**

As a result of the merger and the receipt of Rio Han common shares, holders of Embraer preferred shares will no longer have priority in capital reimbursement and in receiving dividends per share 10% higher than those granted to holders of Embraer common shares. The holders of Rio Han common shares as a result of the merger will be entitled to all rights prescribed thereto in Rio Han's bylaws.

The Merger Agreement provides that the management of each of Rio Han and Embraer considers equitable the application of the same exchange ratio for the exchange of the common shares and preferred shares (including preferred shares of Embraer represented by ADSs) for Rio Han common shares (including common shares represented by ADSs) given that the equity losses suffered by holders of preferred shares (including preferred shares represented by ADSs) will be offset by the extension of voting rights to all Embraer shareholders.

### **Appraisal Rights**

Appraisal rights will only be available to holders of Embraer common shares because the Embraer common shares meet the requirements of Brazilian Corporate Law: (1) such shares are considered illiquid and (2) more than 50% of such shares are held by controlling shareholders. Pursuant to the Merger Agreement and the Brazilian Corporate Law, holders of Embraer common shares that vote against the merger at the meeting, abstain from voting or do not attend the extraordinary general meeting that approves the merger can exercise appraisal rights if they already hold shares of Embraer on January 19, 2006, the date of the first announcement of the merger. The appraisal right must be exercised within 30 days after the publication of the minutes of the extraordinary general meeting.

As set forth in Article 264 of the Brazilian Corporate Law, the reimbursement to holders of Embraer common shares that exercise their appraisal rights will be made based on the greater of the following amounts:

Embraer's book value, calculated on September 30, 2005; and

Embraer's market value, calculated on September 30, 2005.

Based on the valuation reports prepared per share by ACAL, the reimbursement price calculated on the basis of Embraer's book value is R\$6.61 per share, which exceeds Embraer's market value of R\$3.82 per share, in each case calculated as of September 30, 2005.

The management of Rio Han may call a shareholders' meeting to ratify or unwind the merger if the amount paid to Embraer common shareholders who exercise their appraisal rights would risk the financial stability of Rio Han after the merger.

### **Renaming of Rio Han**

Rio Han will be renamed Embraer Empresa Brasileira de Aeronáutica S.A., Embraer's current name, upon the approval of such change in the name by Rio Han shareholders at the general meeting of such shareholders convened to approve the merger.

### **Rio Han Board of Directors**

Rio Han's proposed bylaws provide that, after the proposed restructuring and merger, Rio Han's Board of Directors will consist of 11 members and 11 alternates. The Brazilian Government will have the right to appoint one director and one alternate by virtue of its Golden Share. The employees of Rio Han will have the right to appoint two directors and two alternates. The eight remaining directors and their alternates will be elected by Embraer shareholders at a general meeting.

According to the *Novo Mercado* regulations, the members of Rio Han's Board of Directors will serve a unified two-year term. However, as an interim measure, the first term of Rio Han's Board of Directors will be for three years, ending at the annual general meeting of Rio Han shareholders that approves the financial statements for the fiscal year ended December 31, 2008. Additionally, the members of Rio Han's Board of Directors to serve during this interim term will be elected at the extraordinary general meeting of Rio Han shareholders to approve the merger immediately prior to the proposal to approve the merger. See Management of Rio Han Before and After the Proposed Restructuring and Merger beginning on page 110 of this prospectus for further details.

#### **Chairman and Chief Executive Officer**

The shareholders of Rio Han will appoint Mr. Maurício Novis Botelho as the Chairman of Rio Han's Board of Directors. Mr. Botelho will also serve as CEO of Rio Han until the annual general meeting of Rio Han shareholders to approve the financial statements for the fiscal year ended December 31, 2006. At this time, a new CEO will be elected by Rio Han's Board of Directors and the proposed Rio Han bylaws will expressly forbid any executive officer from serving simultaneously as a Director of Rio Han.

#### **Officers of Rio Han**

Rio Han's Board of Directors will elect Rio Han's officers. The initial term of Rio Han's officers will be three years and thereafter the officers will serve a term of two years. Until the annual general meeting of Rio Han shareholders to be held in 2009, a majority vote of the members of Rio Han's Board of Directors will be necessary to remove an executive officer. Thereafter, pursuant to the proposed Rio Han bylaws, the dismissal of a member of the executive committee will require the affirmative vote of at least seven members of the Board of Directors.

#### **Listing of Rio Han**

If the merger is approved at the general meeting of Rio Han shareholders convened for that purpose, a proposal for listing of Rio Han as a public company on the *Novo Mercado* segment of the BOVESPA will be submitted to Rio Han shareholders at the general meeting. The listing of Rio Han will be implemented within 120 days of the general meeting. The Rio Han ADSs and the underlying common shares to be received by holders of Embraer ADSs will be listed on the NYSE.

#### **Lock-up of Controlling Shareholders**

If the merger is approved at the general meeting of Rio Han shareholders convened for that purpose, a proposal will be submitted to Rio Han shareholders, as set forth in the Merger Agreement, at such general meeting providing that the Rio Han common shares held by the current controlling shareholders of Rio Han and by the management of Rio Han will be subject to a lock-up whereby they cannot trade their common shares of Rio Han for six months.

#### **Rio Han Bylaws**

Before the approval of the merger at the extraordinary general meeting of Rio Han shareholders, the current controlling shareholders of Rio Han will approve new bylaws for Rio Han substantially in the form attached as Annex H to this prospectus.

#### **General Limitation on the Exercise of Voting Rights**

Pursuant to Rio Han's proposed bylaws, the maximum number of votes allowed to any shareholder or group of shareholders at any general meeting of Rio Han shareholders is limited to 5% of the capital stock, regardless of the number of shares (including those represented by ADSs) held by such shareholder or group of shareholders. See Description of Rio Han's Capital Stock Limitations on the Voting Rights of Certain Holders of Common Shares beginning on page 120 of this prospectus for further details.

### **Limitation on the Exercise of the Voting Rights of Non-Brazilian Shareholders**

Pursuant to Rio Han's proposed bylaws, the total votes that may be cast by a non-Brazilian shareholder, or a group of non-Brazilian shareholders, in any general meeting of Rio Han shareholders, may not exceed 2/3 of the votes that may be exercised by Brazilian shareholders present at such meeting. See "Description of Rio Han's Capital Stock - Limitation on the Voting Rights of Non-Brazilian Shareholders" beginning on page 121 of this prospectus.

### **Requirement of a Public Tender Offer**

Pursuant to Rio Han's proposed bylaws, the acquisition of more than 35% of Rio Han's share capital by any shareholder or group of shareholders is subject to the approval of the Brazilian Government, as holder of the Golden Share. Upon approval by the Brazilian Government, such increase in participation will require such shareholder or group of shareholders to make a public tender offer for all of Rio Han shares at a price calculated and based on the criteria established in the proposed bylaws. See "Description of Rio Han's Capital Stock - Mechanism to Promote Dispersed Ownership of Rio Han's Shares" beginning on page 128 of this prospectus.

### **Rights of the Golden Share**

Rio Han's proposed bylaws maintain the rights currently granted to the Brazilian Government, as holder of the Golden Share. The proposed bylaws further assure that the Brazilian Government, as holder of the Golden Share, is granted a veto right over, among other things, any decision related to: (i) changes in the limitations on the exercise of voting rights described above; (ii) statutory amendments involving changes to the rights granted to the Golden Share and (iii) statutory changes to the provisions related to the acquisition of equity interests equal to or higher than 35% of the capital stock. See "Description of Rio Han's Capital Stock - Rights of the Golden Share" on page 125 of this prospectus.

### **Monitoring of Equity Shareholders**

Pursuant to Rio Han's proposed bylaws, Rio Han's Officer of Investor Relations is responsible for monitoring changes in Rio Han's shareholding composition and alerting the proper authorities of any violations of Rio Han's bylaws.

### **Breaching of Legal and Statutory Provisions**

Any violations of the Brazilian Corporate Law or Rio Han's proposed bylaws will, upon approval of Rio Han's shareholders at a special shareholders' meeting, result in the suspension of the violating shareholder's voting rights. Such suspension will cease as soon as the violation ceases.

### **General Provisions**

Upon approval of the merger by Embraer shareholders and Rio Han shareholders, the management of each of Embraer and Rio Han will register and publish all acts related to the proposed restructuring and merger.

Any dispute arising from the Merger Agreement will be venued in São Paulo, Brazil.

**INTERESTS OF CERTAIN PERSONS IN, AND SIGNIFICANT  
SHAREHOLDERS OF, RIO HAN AND EMBRAER**

**Rio Han**

Rio Han has 162,306,763 common shares outstanding as of the date of this prospectus and at January 18, 2006. Rio Han's current shareholders are Cia Bozano, PREVI and SISTEL and its capital stock is divided among them in nearly equal amounts.

In order to ensure stability during the proposed restructuring and merger and continuity of Embraer's management guidelines, Rio Han's proposed bylaws contain a temporary provision specifying that Rio Han's Board of Directors will be appointed by the general meeting of Rio Han shareholders convened to approve the proposed restructuring and merger immediately prior to the proposal to approve the merger and will hold office for a term of three years, expiring at the annual general meeting of Rio Han shareholders in 2009 to approve the financial statements of Rio Han for the fiscal year ending December 31, 2008. Under this arrangement, each current Rio Han shareholder will appoint one representative to, and all current Rio Han shareholders, as a group, will appoint four other members of, the Rio Han transition Board of Directors. See "Management of Rio Han Before and After the Proposed Restructuring and Merger" beginning on page 110 of this prospectus for further details. If the proposed restructuring and merger is approved at the general meeting of Rio Han shareholders convened for that purpose, a proposal will be submitted to the general meeting of Rio Han shareholders, as set forth in the Merger Agreement, to approve a restriction on transfers of Rio Han common shares by the current controlling shareholders of Rio Han and the management of Rio Han for a period of six months following the effectiveness of the merger.

**Embraer**

Embraer has total authorized capital of 1,500,000,000 shares, with a total aggregate of 721,831,057 shares outstanding at January 19, 2006. Of this total, 242,544,448 are common shares (including the Golden Share held by the Brazilian Government) and 479,287,609 are preferred shares. The table below sets forth the amount of Embraer shares held by each of Rio Han, Cia. Bozano, PREVI and SISTEL, as well as the amount of shares held by Embraer's shareholders that owned 5% or more of the common shares or preferred shares of Embraer as of January 19, 2006:

	Common Shares		Preferred Shares		Total Shares	
	Shares	(%)	Shares	(%)	Shares	(%)
Rio Han	145,527,000	60.00			145,527,000	20.16
Cia. Bozano(1)			18,786,588	3.92	18,786,588	2.60
PREVI(1)	8,134,690	3.35	59,037,178	12.32	67,171,868	9.31
SISTEL(1)			155,726	0.03	155,726	0.02
Bozano Holdings, Ltd.(2)			8,896,920	1.86	8,896,920	1.23
BNDESPAR(3)	3,488,893	1.44	43,223,686	9.02	46,712,579	6.47
Dassault Aviation(4)	13,744,186	5.67	1,953,132	**	15,697,318	2.17
Thales Airborne Systems(4)	13,744,186	5.67	1,953,132	**	15,697,318	2.17
EADS(4)	13,744,186	5.67	1,953,132	**	15,697,318	2.17
Safran(4)	7,276,332	3.00	1,034,010	**	8,310,342	1.15

\*\* Less than 1%.

(1) One of the current controlling shareholders of Rio Han.

(2) Bozano Holdings, Ltd. is held by Cia. Bozano.

(3) BNDESPAR is a wholly owned subsidiary of Banco Nacional de Desenvolvimento Econômico e Social - BNDES, the government-owned national development bank of Brazil.

(4) Member of the European Aerospace and Defense Group.

*Shares Held by the Controlling Shareholders; Exchange Premium*

On January 18, 2006, Cia. Bozano, PREVI and SISTEL transferred all of the Embraer control shares (which represent 60% of Embraer's common shares and 20.16% of Embraer's total capital) to Rio Han in exchange for 162,306,263 Rio Han common shares (or 1.1153 Rio Han common shares for each Embraer control share). The exchange ratio for the transfer of the Embraer control shares to Rio Han reflects a premium of 9% when compared to the exchange ratio for the merger. The Board of Directors of Embraer understands that Cia. Bozano, PREVI and SISTEL have a legitimate and justified expectation in receiving a premium on the transfer of the Embraer control shares to Rio Han as compensation for their relinquishment of voting control over Embraer in favor of all Embraer shareholders in connection with the proposed restructuring and merger.

In addition to the 145,527,000 common shares of Embraer that Cia. Bozano, PREVI and SISTEL hold through Rio Han, PREVI holds additional common shares of Embraer not subject to the Shareholders' Agreement and which are not held through Rio Han, which represented 3.35% of the common shares of Embraer outstanding as of January 19, 2006, and Cia. Bozano, PREVI and SISTEL also hold preferred shares of Embraer, which represented, in the aggregate, 18.13% of the preferred shares of Embraer outstanding as of January 19, 2006. These shares, along with all of the other outstanding Embraer common and preferred shares (including those represented by Embraer ADSs) will be exchanged as a result of the proposed restructuring and merger and will be replaced by Rio Han common shares.

Cia. Bozano, PREVI and SISTEL have each appointed two representatives to Embraer's current Board of Directors. For more information on the Board of Directors of Embraer, see Item 6A. Directors and Senior Management included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus. According to Rio Han's proposed bylaws, Rio Han will have a transition Board of Directors that will be appointed on the date of approval of the proposed restructuring and merger. The members of this transition Board of Directors will have a term of office of three years, until the annual general meeting of Rio Han shareholders in 2009 to approve the financial statements for the fiscal year ended December 31, 2008. Cia. Bozano, PREVI and SISTEL will each appoint one member of the transition Board of Directors of Rio Han and, as a group, will appoint an additional four independent members to the Rio Han transition Board of Directors. Beginning after the annual general meeting of Rio Han shareholders in 2009 to approve the financial statements for the fiscal year ended December 31, 2008, Rio Han's Board of Directors will be appointed for two-year terms and Cia. Bozano, PREVI and SISTEL shall no longer have the right to permanent seats on Rio Han's Board of Directors. For further information on the transition Board of Directors of Rio Han and the election of members of Rio Han's Board of Directors thereafter, see Management of Rio Han Before and After the Proposed Restructuring and Merger Board of Directors on page 110 of this prospectus.

*Brazilian Government Golden Share*

In addition to holding 1,850,495 common shares of Embraer as of January 19, 2006, the Brazilian Government has been issued a Golden Share entitling it to appoint one member of the Embraer Board of Directors, as well as veto rights over the following corporate actions:

- change of Embraer's name and corporate purpose;
- amendment to and/or extension of the Embraer logo;
- creation and/or alteration of military programs whether or not involving the Brazilian Government;
- third-party training in technology for military programs;
- discontinuance of supply of military aircraft maintenance and replacement parts;
- transfer of share control; and
- changes to the list of corporate actions over which the Golden Share carries veto rights, to the structure and composition of the Board of Directors and to the rights conferred to the Golden Share.

In addition to the member of the Embraer Board of Directors appointed through its Golden Share, the Brazilian Government currently has a second representative on the Embraer Board of Directors appointed by the holders of Embraer common shares.

The Brazilian Government, through its indirect subsidiary, BNDES Participações S.A. - BNDESPAR, also holds additional common shares and preferred shares of Embraer, which represented 6.47% of Embraer's total capital stock as of January 19, 2006.

With the exception of the Golden Share, that will be exchanged for a Golden Share of Rio Han as a result of the proposed restructuring and merger, all common shares and preferred shares of Embraer held directly or indirectly by the Brazilian Government will be exchanged as a result of the merger and will be replaced by Rio Han common shares.

#### **Related Party Transactions**

Other than the proposed restructuring and merger, as of the date of this prospectus, Rio Han has not engaged in any transactions with its affiliates.

In addition to the proposed restructuring and merger, Embraer has engaged in a number of transactions with its subsidiaries and the Brazilian Government, as described in Item 7B. Related Party Transactions included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.



### SPECIFIC CONSIDERATIONS FOR HOLDERS OF EMBRAER ADSs

Holders of Embraer ADSs should take into account the information contained in this section, in addition to other information contained in other sections of this prospectus related to the same subject matter, to understand their rights in the proposed restructuring and merger and what they should do in order to exercise these rights.

#### Voting Rights

Even though under Brazilian Corporate Law holders of Embraer preferred shares and, consequently, Embraer ADSs do not have the right to vote on the merger, the Board of Directors of Embraer proposes to extend voting rights to all holders of preferred shares, including preferred shares represented by Embraer ADSs, in respect of all proposals relating to the merger. If this proposal is approved, all Embraer shareholders will have the right to vote upon and, consequently, holders of Embraer ADSs will have the right to provide voting instructions to the depositary to vote upon all proposals relating to the merger. See Extraordinary General Meeting of Embraer Shareholders.

#### Vote by Holders of Embraer ADSs

Holders of Embraer ADSs are not entitled to attend the extraordinary general meeting in person, but instead may be represented at the meeting by the depositary or its representative. The depositary will mail to the holders of Embraer ADSs a notice containing:

the information in the call notice for the extraordinary general meeting of Embraer shareholders;

a statement that each holder of Embraer ADSs will have the right to instruct the depositary to vote at the extraordinary general meeting of Embraer shareholders with respect to all proposals relating to the merger; and

a brief statement as to the manner in which such instructions may be given, including an express indication that instructions may be given to the depositary to give a discretionary proxy to a person designated by Embraer, if the case.

Holders of Embraer ADSs should provide the depositary with timely voting instructions with respect to the preferred shares represented by their Embraer ADSs to enable the depositary to have such shares represented at the extraordinary general meeting. The depositary has set [ ] p.m. (New York City time) on [ ], 2006 as the record date for determining those holders of Embraer ADSs entitled to provide voting instructions. See Extraordinary General Meeting of Embraer Shareholders How to Vote Your Embraer Shares and ADSs beginning on page 33 of this prospectus.

Alternatively, holders of Embraer ADSs may, if they wish, attend the extraordinary general meeting in person (or nominate someone to attend on their behalf). To do this, they must present their Embraer ADSs for cancellation and arrange for delivery of the underlying Embraer preferred shares, which, if registered in their name in a timely manner, will enable them to attend the extraordinary general meeting as a shareholder of Embraer. Holders of Embraer ADSs should keep in mind the depositary's fee of \$5.00 per 100 ADS (or portion thereof) applicable to any and all cancellations thereof.

The depositary will not exercise any voting discretion over any Embraer ADSs. If no voting instructions or incomplete voting instructions are received by the depositary from any holder of Embraer ADSs, the depositary will not take any position with respect to such shares and, in accordance with the Brazilian Corporate Law, the shares represented by such ADSs, will be considered as being represented by a holder absent from the extraordinary general meeting of Embraer shareholders.

Holders of Embraer ADSs that wish to surrender their ADSs and hold the underlying preferred shares in order to attend the extraordinary general meeting of Embraer shareholders in person will also be required to comply with the registration requirements set forth in Resolution No. 2,689 of the National Monetary Council and CVM Instruction No. 325, or Law 4,131/62. See Item 10D. Exchange Controls included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004, attached as Annex A to this prospectus for a description of these registration requirements. In case holders of ADSs do not comply with these registration requirements, their investment in Embraer preferred shares will not be registered with the Central Bank of Brazil and therefore they may be subject to adverse tax treatment and to limitations on their ability to repatriate funds relating to this investment upon the sale of the preferred shares on the BOVESPA. See Item 3D. Risk Factors Risks Relating to the Preferred Shares and ADSs If holders of ADSs exchange the ADSs for preferred shares, they risk losing the ability to remit foreign currency abroad and Brazilian tax advantages included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus and Material Tax Considerations Material Brazilian Tax Considerations Taxation on Gains Future Disposals of Rio Han Shares on page 103 of this prospectus.

### **Appraisal Rights**

Under Brazilian law, holders of Embraer preferred shares and ADSs are not entitled to appraisal rights in connection with the merger because the Embraer preferred shares are liquid and dispersed in the Brazilian market. See The Proposed Restructuring and Merger Appraisal Rights on page 56 of this prospectus for further details.

As a result, if any holder of Embraer ADSs does not wish to exchange its Embraer ADSs for Rio Han ADSs, such holder may either sell its Embraer ADSs on the NYSE or, if the holder rather wishes to receive the underlying Embraer preferred shares, the holder will be required to surrender the Embraer ADSs to the depositary in sufficient time for cancellation and delivery of the underlying Embraer preferred shares to sell on the BOVESPA. See The Proposed Restructuring and Merger Appraisal Rights on page 56 of this prospectus. Holders of Embraer ADSs should keep in mind the depositary's fee of \$5.00 per 100 ADSs (or portion thereof) applicable to any and all cancellations thereof.

Holders of Embraer ADSs that wish to surrender their ADSs and hold the underlying preferred shares to thereafter sell on the BOVESPA will also be required to comply with the registration requirements set forth in Resolution No. 2,689 of the National Monetary Council and CVM Instruction No. 325, or Law 4,131/62. See Item 10D. Exchange Controls included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus for a description of these registration requirements. In case holders of ADSs do not comply with these registration requirements, their investment in Embraer preferred shares will not be registered with the Central Bank of Brazil and therefore they may be subject to adverse tax treatment and to limitations on their ability to repatriate funds relating to this investment upon sale of the preferred shares on the BOVESPA. See Item 3D. Risk Factors Risks Relating to the Preferred Shares and ADSs If holders of ADSs exchange the ADSs for preferred shares, they risk losing the ability to remit foreign currency abroad and Brazilian tax advantages included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus and Material Tax Considerations Material Brazilian Tax Considerations Taxation on Gains Future Disposals of Rio Han's Shares on page 103 of this prospectus.

### **Delivery and Trading of Rio Han ADSs**

Registered holders of Embraer ADSs will not need to take any action with respect to the Embraer ADSs held by them. For holders of Embraer ADSs in book-entry form through the direct registration system maintained by the depositary, an entry or entries will be made in the direct registration system, after the effectiveness of the merger to evidence that the Embraer ADSs represent Rio Han common shares rather than Embraer preferred shares. Certificates, or ADRs, evidencing ADSs, will evidence Rio Han ADSs after the effectiveness of the merger. In all cases, the number of Embraer ADSs will remain unchanged. Non-registered holders of Embraer ADSs that hold the ADSs in street name through a broker, bank, custodian or other nominee, will not need to take any action unless the broker, bank, custodian or other nominee informs otherwise.

Holders of Embraer ADSs may continue to trade their Embraer ADSs under the ticker symbol ERJ on the NYSE until such time as the Rio Han ADSs are authorized for listing on the NYSE. Rio Han expects that the Rio Han ADSs will be authorized for listing on the NYSE, subject to official notice of issuance, by the same time that Rio Han is registered as a public company with the CVM and the Rio Han common shares are listed on the BOVESPA.

## EXCHANGE RATES

Prior to March 14, 2005, there were two principal legal foreign exchange markets in Brazil:

the commercial rate exchange market; and

the floating rate exchange market.

Most trade and financial foreign-exchange transactions were carried out on the commercial rate exchange market. These transactions included the purchase or sale of shares or payment of dividends or interest with respect to shares. Foreign currencies could only be purchased in the commercial exchange market through a Brazilian bank authorized to operate in these markets. In both markets, rates were freely negotiated.

Resolution No. 3,265 by the National Monetary Council, dated March 4, 2005, consolidated the foreign exchange markets into one single foreign exchange market, effective as of March 14, 2005. All foreign exchange transactions must be carried out through institutions authorized to operate in the consolidated market and are subject to registration with the Central Bank of Brazil's electronic registration system. Foreign exchange rates continue to be freely negotiated, but may be influenced by Central Bank of Brazil intervention.

Since 1999, the Central Bank of Brazil has allowed the *real*/U.S. dollar exchange rate to float freely, and during that period, the *real*/U.S. dollar exchange rate has fluctuated considerably. In the past, the Central Bank of Brazil has intervened occasionally to control unstable movements in foreign exchange rates. Rio Han cannot predict whether the Central Bank of Brazil or the Brazilian Government will continue to let the *real* float freely or will intervene in the exchange rate market through a currency band system or otherwise. The *real* may depreciate or appreciate against the U.S. dollar substantially in the future. For more information on these risks, see Item 3D. Risk Factors Risks Relating to Brazil included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004, attached as Annex A to this prospectus.

The following tables set forth the commercial selling rate, expressed in *reais* per U.S. dollar (R\$/US\$), for the periods indicated.

Year ended December 31,	Exchange Rate of <i>Reais</i> to US\$1.00			
	Low	High	Average (1)	Period-end
2000	1.7234	1.9847	1.8925	1.9554
2001	1.9357	2.8500	2.3532	2.3204
2002	2.2709	3.9552	2.9309	3.5333
2003	2.8219	3.6623	3.0715	2.8892
2004	2.6544	3.2051	2.9265	2.6544
2005	2.1633	2.7621	2.4300	2.3407

Month	Exchange Rate of <i>Reais</i> to US\$1.00	
	Low	High
July 2005	2.2304	2.4656
August 2005	2.2767	2.4316
September 2005	2.2222	2.3623
October 2005	2.2222	2.2886
November 2005	2.1633	2.2516
December 2005	2.1800	2.3735
January 2006	2.2116	2.3460
February 2006 (through February 17)	2.1177	2.2210

Source: Central Bank.

(1) Represents the daily average exchange rate during each of the relevant periods.

## THE COMPANIES

### Information About Rio Han

#### *Overview*

Rio Han has not carried on any activities other than in connection with the proposed restructuring and merger and other than the Embraer common shares held by it, Rio Han currently does not have any material assets or operations. As a result of the merger, Rio Han will combine its assets and liabilities (including shareholders' equity) with the assets and liabilities (including shareholders' equity) of Embraer, and will change its legal name to Embraer-Empresa Brasileira de Aeronáutica S.A., which is Embraer's current legal name.

Rio Han's stated corporate purpose is to hold equity participations in any company or partnership in Brazil or abroad and to manage its own assets and interests. After implementation of the merger, Rio Han's corporate purpose will be amended to reflect Embraer's current corporate purpose. Rio Han's principal executive offices are located at Av. Brigadeiro Faria Lima, 2,170, F-56, térreo, sala 2656, 12227-901 São José dos Campos, State of São Paulo, Brazil.

#### *History*

Rio Han was formed as a closed company under the laws of Brazil, on September 2, 2005, under the name R.A.A.S.P.E. Empreendimentos e Participações S.A., which name was subsequently changed to Rio Han on January 12, 2006, and has not carried on any activities other than in connection with the proposed restructuring and merger.

In connection with the proposed restructuring and merger, on January 12, 2006, Cia. Bozano purchased all of the common shares representing the capital stock of Rio Han. On January 13, 2006, PREVI and SISTEL each purchased from Cia. Bozano, an amount of Rio Han common shares to enable each of Cia. Bozano, PREVI and SISTEL to hold nearly equal amounts of Rio Han's capital stock.

On January 18, 2006, Cia. Bozano, PREVI and SISTEL transferred all of the Embraer control shares (which represent 60% of Embraer's common shares and 20.16% of Embraer's total capital) to Rio Han in exchange for 162,306,263 Rio Han common shares (or 1.1153 Rio Han common shares for each Embraer control share). The exchange ratio for the transfer of the Embraer control shares to Rio Han was determined by the management of Rio Han and the management of Embraer and subsequently recommended for approval by the Conselho Fiscal (Audit Board) of Embraer. The exchange ratio was approved by the Board of Directors of Embraer based on, among other things, the Financial Analyses Regarding the Restructuring of the Capital Stock of Embraer prepared by Goldman Sachs, dated as of January 13, 2006. See "The Proposed Restructuring and Merger - Financial Analyses of Goldman Sachs" beginning on page 43 of this prospectus for further details regarding the financial analyses. The exchange ratio for the transfer of the Embraer control shares to Rio Han reflects a premium of 9% when compared to the exchange ratio for the merger. This premium was intended to compensate Cia. Bozano, PREVI and SISTEL for their agreement to relinquish voting control over Embraer in favor of all Embraer shareholders in connection with the proposed restructuring and merger. See "Merger Agreement" beginning on page 59 of this prospectus for further details.

Rio Han's current shareholders are Cia. Bozano, PREVI and SISTEL and its capital stock is divided among them in nearly equal amounts.

#### *Capital Stock*

The capital stock of Rio Han is solely represented by common shares.

As of January 13, 2006, Rio Han's capital stock consisted of a total of 500 outstanding common shares, without par value. After the transfer of the Embraer control shares to Rio Han on January 18, 2006, its capital consisted of a total of 162,306,763 outstanding common shares, without par value.

Rio Han will undergo a capital increase to reflect the increase in its capital stock created by the transfer of the capital stock of Embraer into Rio Han as a result of the merger. Therefore, as a result of the merger and based on the valuation reports prepared by ACAL, the capital stock of Rio Han will be increased by R\$3,809,708,284.77, from R\$962,017,769.89 to R\$4,771,726,054.66. The number of shares issued by Rio Han to Embraer shareholders may vary based on the decision of the holders of Embraer common shares to exercise their appraisal rights in connection with the merger. Upon implementation of the merger, the capital stock of Rio Han will comprise 738,611,819 common shares and one Golden Share held by the Brazilian Government.

### ***Ownership Structure***

The ownership structure of Rio Han after the proposed restructuring and merger will be as follows:

## **Information About Embraer**

### ***General***

Embraer was incorporated as a publicly held company with private participation by the Brazilian Government in 1969, was privatized in 1994 and is currently a joint stock company duly organized under the laws of Brazil. Embraer is one of the leading manufacturers of commercial aircraft in the world based on net sales of commercial aircraft, and has a global customer base. Embraer's focus is achieving customer satisfaction with a range of products addressing the commercial, business jet and defense aircraft markets. Embraer is also the leading supplier of defense aircraft for the Brazilian Air Force based on number of aircraft sold, and has also sold aircraft to military forces in Europe and Latin America.

For more information on Embraer, see [Recent Developments](#) below and [Item 4. Information on the Company](#) and [Item 8. Financial Information Consolidated Statements and Other Financial Information Legal Proceedings](#) included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus. For additional information on our legal proceedings, see Note 7 to Embraer's condensed interim consolidated financial statements included in [Financial Statements](#) beginning on page F-1 of this prospectus.

Embraer's corporate purpose is to (1) design, manufacture and market aircraft and aerospace materials and their respective accessories, components and equipment in accordance with the highest technology and quality standards, (2) promote and carry out technical activities related to the production and maintenance of aerospace materials, (3) contribute towards the education of technical personnel required for the aerospace industry, and (4) conduct technological, industrial and commercial activities and services related to the aerospace industry. Its principal executive offices are located at Av. Brigadeiro Faria Lima, 2170, 12227-901 São José dos Campos, State of São Paulo, Brazil. Embraer's telephone number is 55-12-3927-4440. Embraer maintains an Internet site at [www.embraer.com.br](http://www.embraer.com.br). Information contained on the Internet site is not a part of this prospectus.

**Recent Developments**

In February 2005, Embraer signed a Memorandum of Understanding with the Indian Defense, Research and Development Organization to support the development of the Indian Air Force's new Airborne Early Warning & Control system. The new system is being based on the EMB 145 Intelligence, Surveillance, and Reconnaissance (ISR) platform.

In March 2005, the Legacy 600 corporate jet received certification from the aviation authorities in Brazil, the U.S. and Europe to raise its service ceiling to 41,000 feet (12,500 meters).

In January 27, 2005, Embraer announced that Embraer Aircraft Maintenance Services Inc. (EAMS) will build a new 70,000 square-foot facility at Nashville International Airport, (BNA) to add capacity and capability for maintenance of the fleet of Embraer aircraft in North America.

In July 2005, the EMBRAER 170 aircraft and the EMBRAER 175 aircraft received certification from Transport Canada Civil Aviation (TCCA), Canada's certification authority.

In August 2005, the 100-seat EMBRAER 190 airliner was certified, on schedule, by the Brazilian certification authority, Centro Tecnico Aeroespacial, or CTA. CTA certification was shortly followed by type certification for the EMBRAER 190 in the United States of America by the Federal Aviation Administration (FAA) in the beginning of September. The first delivery of the EMBRAER 190 occurred on September 13, 2005.

In October 2005, Embraer announced the delivery of its 100th EMBRAER 170/190 aircraft, 19 months after the delivery of its first EMBRAER 170 aircraft. In December 2005, Finnair exercised four of its options to purchase EMBRAER 170 aircraft, converting them into EMBRAER 190 aircraft firm orders and the government of Colombia executed a contract for the purchase of 25 Super Tucano aircraft.

In 2005, Embraer delivered 141 aircraft to the commercial, business and defense segments, 40 of which were delivered during the fourth quarter of the year. At December 31, 2005, Embraer's firm backlog in orders totaled US\$10.4 billion, including 367 commercial aircraft.

Pursuant to an agreement executed by Embraer in 2003 regarding the sale of 12 EMBRAER 170 aircraft, which provided for the trade-in of six ERJ 145 aircraft, Embraer accepted three ERJ 145 aircraft as a trade-in during 2005 and based on such agreement, an additional three ERJ 145 aircraft remained subject to trade-in options as of December 31, 2005.

The rating agencies, Moody's Investors Service, Inc. and Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies Inc., have awarded Embraer an investment grade rating in December 2005 and January 2006, respectively.

In January 2006, the U.S. Army terminated the System Design and Development (SDD) contract with Lockheed Martin for the Aerial Common Sensor (ACS) program. Embraer, which was part of the team led by Lockheed Martin, had been selected in August 2004 to supply the platform for the ACS. Also in January 2006, Embraer announced an order for five ERJ 145 aircraft to China Eastern Airlines Wuhan Ltd. The aircraft will be assembled at Embraer's factory in China, Harbin Embraer.

Embraer and U.S. Airways Group, Inc. reached an agreement in February, 2006 to convert a contract for 57 firm orders for the EMBRAER 170 aircraft into 25 firm orders for the EMBRAER 190 aircraft and 32 additional firm orders for the EMBRAER 190 aircraft that remain subject to reconfirmation by US Airways. The contract amendment also includes up to 50 options to purchase other aircraft in the EMBRAER 170/190 family.

On February 15, 2006, Embraer announced that the EMBRAER 170 aircraft received certification from the CTA and the European Aviation Safety Agency to perform landing in low visibility and adverse weather conditions.

**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**General**

This discussion contains forward-looking statements that involve risks and uncertainties. Rio Han's and Embraer's actual results may differ materially from those discussed in the forward-looking statements as a result of various factors, including, without limitation, those set forth (1) in Cautionary Statements Concerning Forward Looking Information and Risk Factors beginning on pages vii and 27, respectively, of this prospectus and elsewhere in this prospectus, and (2) Introduction Special Note Regarding Forward-Looking Statements, Item 3D. Risk Factors and Item 5. Operating and Financial Review and Prospects included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004, attached as Annex A to this prospectus.

**Brazilian Economic Environment**

After the implementation of the merger, Embraer will cease to exist, Rio Han will succeed to all of the rights and obligations of Embraer and will combine its assets and liabilities (including shareholders' equity) with the assets and liabilities (including shareholders' equity) of Embraer. Therefore, in addition to macroeconomic conditions that affect Rio Han's business, its financial condition and results of operations will be directly affected by any events that impact Embraer's business, financial condition and results of operations. Events negatively affecting the commercial aviation industry and the ensuing negative effects on the U.S. economy have also adversely affected the global and Brazilian economies and securities markets, and have resulted in:

- increased volatility in the market price of securities;
- significant decline in corporate earnings estimates;
- substantial losses in important industries, including the air transport and insurance industries; and
- significant erosion of consumer confidence.

As discussed below, the uncertainty surrounding the U.S., Brazilian and global economies could in turn lead to the Brazilian Government changing existing laws or regulations or imposing new ones, and/or the Central Bank of Brazil changing base interest rates, which could adversely affect Rio Han's operations.

The Brazilian Government frequently intervenes in the Brazilian economy and occasionally makes drastic changes in policy and regulations. The Brazilian Government's actions to control inflation and affect other policies and regulations have often involved, among other measures, increases in interest rates, changes in tax policies, price controls, currency devaluations, capital controls and limits on imports. For example, the Brazilian Government has the authority, when a serious imbalance in Brazil's balance of payments occurs, to impose restrictions on the remittance to foreign investors of the proceeds of their investments in Brazil and on the conversion of Brazilian currency into foreign currencies. See Risk Factors Risks Relating to Rio Han's Common Shares and ADSs Exchange controls and restrictions on remittances abroad may adversely affect the holders of Rio Han common shares or Rio Han ADSs beginning on page 30 of this prospectus.

Changes in monetary, taxation, credit, tariff and other policies could adversely affect Embraer's and, consequently, after the merger, Rio Han's business, as could inflation, currency and interest rate fluctuations, social instability and other political, economic or diplomatic developments, as well as the Brazilian Government's response to such developments. See Item 3D. Risk Factors Risks Relating to Brazil included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004, attached as Annex A to this prospectus.

Rapid changes in Brazilian political and economic conditions that have occurred and may occur in the future will require continued emphasis on assessing the risks associated with Embraer's and, consequently, after the merger, Rio Han's activities and adjusting their business and operating strategy accordingly. Future developments in Brazilian Government policies, including changes in the current policy and incentives adopted for financing the export of Brazilian goods, or in the Brazilian economy, over which Rio Han and Embraer have no control, may also materially adversely affect Embraer's business and, as a result, after the merger, affect Rio Han's business. See Item 3D. Risk Factors Risks Relating to Brazil included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004, attached as Annex A to this prospectus.

Brazilian economic conditions may also be negatively affected by economic and political conditions elsewhere, particularly in other Latin American and emerging market countries. Although economic conditions in such countries may differ significantly from economic conditions in Brazil, the reaction of investors to developments in these other countries may have an adverse effect on the market value of securities of Brazilian issuers. Crises in other emerging market countries have at times significantly affected the availability of credit in the Brazilian economy and resulted in considerable outflows of funds and declines in the amount of foreign currency invested in Brazil.

Presidential elections were held in Brazil in 2002. The country experienced a period of market turmoil in the second half of 2002 as investors feared that the victorious Labor Party would change the economic policies of the previous administration. The *real* fluctuated significantly as a result, depreciating by 52.3% during the year and closing at R\$3.5333 to US\$1.00 on December 31, 2002. Inflation for the year, as measured by the IGP-M, was 25.3% and *real* GDP grew by 1.9%.

The current government has largely continued the macroeconomic policies of the previous administration, focusing on fiscal responsibility and the Brazilian economy has witnessed increased stability. In 2003, investor confidence rebounded as a result and the *real* appreciated by 18.2% against the U.S. dollar to R\$2.8892 per US\$1.00 at December 31, 2003.

Inflation in 2003, as measured by the IGP-M, decreased to 8.7%. Brazil's *real* GDP increased 0.5% in 2003, despite the constraints on economic growth caused by high interest rates that prevailed at the beginning of 2003 as the Central Bank of Brazil sought to combat inflationary pressures.

In 2004, Brazil's GDP increased 5.2% to US\$559.6 billion and the country achieved a trade surplus of US\$33.7 billion. Inflation in 2004, as measured by the IGP-M, was 12.4%. Interest rates continued to be maintained at high levels, with the CDI averaging 17.8% in 2004.

Given the positive 2004 results, investor's confidence continued to be strong in 2005. The *real* appreciated by 8.1% and 11.8% against the U.S. dollar in 2004 and 2005, respectively, to R\$2.3400 per US\$1.00 at December 31, 2005. In 2005, Brazil's GDP increased 3.1% to US\$734.4 billion and the country achieved a record trade surplus of US\$44.8 billion. Inflation in 2005, as measured by the IGP-M, was 1.2%. Interest rates continued to be maintained at high levels, with the CDI averaging 19.0% in 2005.

### Effects of Inflation and Currency Exchange Fluctuations

Until the adoption of the *Real* Plan in July 1994, Brazil had for many years experienced very high, and generally unpredictable, rates of inflation and steady devaluation of its currency relative to the U.S. dollar.

The following table sets forth, for the periods shown, Brazilian inflation as measured by the General Market Price Index and published annually by Fundação Getúlio Vargas and the devaluation or appreciation of the *real* against the U.S. dollar as measured by comparing the daily exchange rates published by the Central Bank of Brazil on the last day of each year:

	2000	2001	2002	2003	2004	2005
Inflation (General Market Price Index)	9.9%	10.4%	25.3%	8.7%	12.4%	1.2%
Devaluation (appreciation) (R\$ vs. US\$)	9.3%	18.7%	52.3%	(18.2)%	(8.1)%	(11.8)%



Inflation and exchange rate variations have had substantial effects on Embraer's financial condition and results of operations and may continue to have those effects on Embraer's and Rio Han's financial condition and results of operations. Inflation and exchange rate variations affect Embraer's monetary assets and liabilities denominated in *reais*, which will, after the merger, affect Rio Han's results of operations as a result. The value of Embraer's and Rio Han's monetary 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 periods of devaluation of the *real*, Embraer reports a remeasurement loss on *real*-denominated monetary assets and a remeasurement gain on *real*-denominated monetary liabilities.

### Recently Issued Accounting Pronouncements

In November 2004, the Financial Accounting Standards Board, or FASB, issued SFAS No. 151, *Inventory Costs—an amendment of ARB No. 43*. This Standard requires abnormal amounts of idle facility expenses, freight, handling costs, and spoilage to be recognized as current period charges. Additionally, it requires that allocation of fixed production overhead costs be allocated to inventory based on the normal capacity of the production facility. The provisions of this Standard shall apply prospectively and are effective for Embraer for inventory costs incurred after January 1, 2006. While Embraer believes that this Standard will not have a material effect on its financial statements, the impact of adopting these new rules is dependent on events that could occur in future periods and, as such, an estimate of the impact cannot be determined until the event occurs in future periods.

In December 2004, the FASB issued SFAS No. 153, *Exchanges of Nonmonetary Assets*, an amendment of APB No. 29. This Statement amends Opinion 29 to eliminate the exception for non-monetary exchanges of similar productive assets and replaces it with a general exception for exchanges of non-monetary assets that do not have commercial substance. This Statement specifies that a non-monetary exchange has commercial substance if the future cash flows of the entity are expected to change significantly as a result of the exchange. This Statement is effective for non-monetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. Earlier application is permitted for non-monetary asset exchanges occurring in fiscal periods beginning after the date this Statement was issued. Retroactive application is not permitted. Embraer and Rio Han have been applying this Statement, as necessary.

In March 2005, the FASB issued FASB Interpretation No. 47, *Accounting for Conditional Asset Retirement Obligations*. This interpretation clarifies that the term conditional asset retirement obligations as used in FASB No. 143 *Accounting for Asset Retirement Obligations* refers to a legal obligation to perform an asset retirement activity in which the timing and (or) method of settlement are conditional on a future event that may or may not be within the control of the entity. The Interpretation was issued in order to minimize the diverse accounting practices that have developed with respect to the timing of liability recognition for legal obligations associated with the retirement of a tangible long-lived asset when the timing and (or) method of settlement of the obligation are conditional on a future event. This Interpretation clarifies that an entity is required to recognize a liability for the fair value of a conditional asset retirement obligation when it is incurred if the liability's fair value can be reasonably estimated. The Interpretation became effective on December 31, 2005. Embraer has previously evaluated the application of FASB Statement No. 143 to its operations and concluded that no material effects would be expected. Embraer and Rio Han considered this Interpretation in 2005 with respect to all conditional asset retirement obligations that arose and expect to continue applying this Interpretation as necessary.

In June 2005, the FASB issued SFAS No. 154, *Accounting Changes and Error Corrections*, a replacement of APB Opinion No. 20 and FASB Statement No. 3. SFAS 154 requires retrospective application to financial statements of prior periods for changes in accounting principles as if such principles had always been used. The cumulative effect of the change is reflected in the carrying value of assets and liabilities as of the first period presented and the offsetting adjustments are recorded to opening retained earnings. This statement became effective on January 1, 2006. Embraer and Rio Han have started applying this statement as of January 1, 2006 as such changes in accounting principles occur.

In July 2005, the FASB issued FSP No. APB 18-1, *Accounting By an Investor for Its Proportionate Share of Accumulated Other Comprehensive Income of an Investee Accounted for Under The Equity Method in Accordance with APB Opinion No. 18 Upon a Loss of Significant Influence*, which requires that when equity method accounting ceases upon the loss of significant influence of an investee, the investor's proportionate share of the investee's other comprehensive income should be offset against the carrying value of the investment. To the extent this results in a negative carrying value, the investor should adjust the carrying value to zero and record the residual balance through earnings. Embraer and Rio Han have started applying this Statement in the fiscal period beginning January 1, 2006 as the need arises.

In November 2005, the FASB issued FSP FAS 115-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments, which outlines a three-step model for identifying investment impairments in debt and equity securities within the scope of Statement 115 and cost-method investments. The three steps involve (1) determining whether the investment is impaired, (2) evaluating whether the impairment is other-than-temporary, and (3) if the impairment is other-than-temporary, recognizing an impairment loss. The FSP carries forward the disclosure requirements of issue 03-1, The Meaning of Other-Than-Temporary Impairment and Its Application to Certain Investments. Embraer and Rio Han have started applying this guidance as of January 1, 2006 as circumstances arise.

## **RIO HAN**

### **Overview**

Rio Han was formed on September 2, 2005 as a closed company, and has not carried on any activities other than in connection with the proposed restructuring and merger. At September 30, 2005, Rio Han had no material assets or liabilities and had only recorded a capital of US\$21.34, in accordance with U.S. GAAP. As a result, Rio Han has not prepared any historical financial statements at and for the one month ended September 30, 2005.

Other than its holding of Embraer common shares, Rio Han currently does not have any material assets or operations. As a result of the proposed restructuring and merger, Rio Han will succeed to all of the rights and obligations of Embraer, will combine its assets and liabilities (including shareholders' equity) with the assets and liabilities (including shareholders' equity) of Embraer, and will change its legal name to Embraer-Empresa Brasileira de Aeronáutica S.A., which is Embraer's current legal name.

## **EMBRAER**

### **Overview**

Embraer was incorporated as a publicly held company with private participation by the Brazilian Government in 1969, was privatized in 1994 and is currently a joint stock company duly organized under the laws of Brazil. Embraer is one of the leading manufacturers of commercial aircraft in the world based on net sales of commercial aircraft, and has a global customer base. Embraer's focus is achieving customer satisfaction with a range of products addressing the commercial, business jet and defense aircraft markets. Embraer is also the leading supplier of defense aircraft for the Brazilian Air Force based on number of aircraft sold, and has also sold aircraft to military forces in Europe and Latin America.

### **Current Conditions and Future Trends in the Airline Industry and Business Jet Market**

The discussion below is based largely on the current beliefs and expectations of Embraer about future events, conditions and trends and are subject to risks and uncertainties, including the risks identified in Cautionary Statement Concerning Forward Looking Information and Risk Factors beginning on pages vii and 27, respectively, of this prospectus and in Item 3D. Risk Factors included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus. In light of such risks and uncertainties, the conditions and trends described below may not occur.

### *Commercial Aircraft*

The commercial aviation industry has been negatively impacted by a number of factors since 2001. First, the U.S. and world economies experienced an economic downturn that began in 2001 and was characterized by rapid declines in securities markets, a decline in productivity and an increase in unemployment. Second, the terrorist attacks of September 11, 2001 caused an immediate decline in airline travel and a high level of financial uncertainty among the worldwide airline industry. In addition, airline travel decreased significantly in 2003 as a result of both the commencement of military action by the United States and other countries in Iraq and the concerns over outbreaks of severe acute respiratory syndrome (SARS) in Asia and Canada. In response to these events, beginning in the fourth quarter of 2001, many airlines, including our largest customers, reduced their flight schedules for the long-term and announced significant lay-offs, and a number of airlines filed for bankruptcy protection. As a result, over the past three years Embraer agreed to modify certain delivery schedules to adjust to the changes in its customers businesses and reduced scheduled commercial airline, business jet and government transportation aircraft deliveries. Most recently, in 2004, Embraer reduced scheduled deliveries from 160 to 145 aircraft as a result of the US Airways Chapter 11 filing in September 2004. Many airlines faced and continue to face increased competition, escalating insurance costs, increased security costs, credit downgrades, liquidity concerns and bankruptcy, and sharply higher fuel costs. A further downturn in general economic conditions could result in further reduction in the passenger aircraft market and decreased orders for Embraer's commercial aircraft. See Item 3D. Risk Factors Risks Relating to Embraer A downturn in the commercial airline market may reduce our sales and revenue, and consequently our profitability, in any given year included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

The U.S. and world economies have shown some signs of recovery starting in 2004 and through 2005. Air travel demand is growing in all regions as a result of economic development, globalization, international trade, declining passenger fares and improved airline services. According to the International Civil Aviation Organization, or ICAO, despite world economy downturn experienced from 2001 through 2003, world airlines experienced average traffic growth around 5% per year in the last 10 years. Embraer believes that world air traffic demand will grow an average of 5.1% per year in the next 20 years and future demand will be supported by an average yearly growth of 3% in the world economy and stimulated by continued reductions in average ticket prices. Embraer also believes that mature air travel markets, like the USA and Europe, will grow more slowly than the average world rate, decreasing their share of world traffic. Embraer expects that China, assuring continued strong economic growth, and Asia Pacific, by liberalization, will represent one third of world traffic in 2025.

Despite increased passenger demand, the airline industry is not experiencing increased fare prices because of the increased competition. There is a fundamental change in the industry's revenue structure due to the introduction and expansion of low-fare airlines in all regions. Expansion of low-fare airlines and real-time availability of Internet fare information has led to a dramatic shift in consumer purchasing habits. In the USA, these airlines increased their market share from 19% in 2000 to 27% in 2005 and in Europe, from 11% in 2000 to 19% in 2005. Regional airlines are not facing the same level of competition from low-fare airlines because of their operations in low to medium density markets. However, competition is expected to increase as low-fare airlines move into markets reviled by regional airlines. Embraer believes that the mid-capacity jets will be an important tool for these low-fare airlines in their expansion efforts.

Embraer believes that the volatility in demand for air travel experienced between 2001 and 2003 has demonstrated that airlines need to more accurately match aircraft capacity to market demand. Similarly, Embraer believes there is the need for aircraft that can be deployed strategically across a full range of seat capacities. As airlines act to right-size their fleets to serve these needs, equipment distribution in fleets around the world will change. Embraer expects this equipment distribution to take advantage of new and existing products in the 30-120 seat category.

Embraer believes that the 30-60, 61-90 and 91-120 seat segments will play important but different roles in the airline industry. Embraer also currently believes:

the 30-60 seat segment has grown significantly in the last few years and is reaching maturity with an established customer base. This segment will continue to play an important role in the air transport system, by exploring new market opportunities, increasing frequencies on existing services and developing secondary markets in countries such as China, Mexico and Russia. In 2005, nearly 3,000 routes were operated by 30-60 seats regional jets in the USA. About 60% of those were served with fewer than two daily flights, indicating a potential for frequency increases in order to preserve market presence and reinforce competitive position.

the 61-90 seat segment will allow airlines to adjust aircraft capacity on high demand regional jet routes in order to sustain revenue growth and market share. In the USA, nearly 10% of regional jet flights have more than five daily frequencies. The loosening of Scope clauses clauses in airline labor contracts which restrict use of regional jets will enable regional airlines to operate higher capacity aircraft. In addition, aircraft in this seat segment will also help airlines to right-size their mainline fleets by diminishing the need to operate larger jets with excess capacity.

the 91-120 seat segment will benefit those markets currently being served by old, over-sized or inefficient jet fleets and will relieve higher-capacity aircraft to serve large-market, high-volume city to city markets over longer routes.

Embraer also believes that aircraft retirement will impact future fleet composition. Embraer estimates that only 40% (1,598 jets) of the current fleet will still be operating in 2025. Embraer expects that approximately 800 aircraft in the 60-120 seats segment (38% of the total fleet) are more than 20 years old and will need to be replaced in the coming years. Similarly, Embraer estimates that there are several middle-aged aircraft in this segment that are not in serial production and will face early retirement.

Embraer also expects that the world jet fleet in the 30-120 seats segment will increase from approximately 5,000 aircraft in 2005 to approximately 9,500 in 2025. Embraer believes that during the next 20 years, 70% of projected new deliveries (approximately 5,500 units) will be added to sustain air transport growth and 30% (approximately 2,400) to replace aging equipment, with the greatest share of projected deliveries being for airlines operating in North America (mainly the USA) and Europe, which markets are expected to represent 71% of total deliveries in the next 20 years.

Embraer forecasts that around 80% of projected deliveries in the next 20 years will be in the 61-120 seats segment as a result of the growth of regional airlines, replacement of aging aircraft, right-sizing requirements from network airlines and low-fare airlines expansion to mid-sized markets.

Embraer also believes that the 30-60 seats segment has reached maturity and will require fewer new deliveries in the next ten years. Embraer believes that demand for new 50-seater aircraft will increase in the 2016-2025 period mainly due to the replacement cycle of current regional jets in service. The availability of used aircraft in this segment is restricting deliveries of new aircraft in the short and medium term.

### ***Business Jets***

Embraer believes the business jet market has been positively impacted by the worldwide economic recovery experienced since 2004. According to the General Aviation Manufacturers Association (GAMA), deliveries in the business jet market increased by 30.4%, from 391 units in the first nine months of 2004 to 510 units in the first nine months of 2005. In addition, according to GAMA, over the past five years, 941 jets in the smallest aircraft categories (entry and light) were delivered, representing 29% of the total deliveries in the business jet market. The increasing demand for smaller planes that can be acquired at lower costs while still providing high levels of comfort and performance lead to creation of the very light jet segment. Embraer believes that demand for business jets will continue to increase as economic conditions continue to improve.

## **Critical Accounting Estimates**

In connection with the preparation of Embraer's condensed consolidated financial statements included in "Financial Statements" beginning on page F-1 of this prospectus and those included in "Item 18. Financial Statements" included in the Annual Report on Form 20-F of Embraer for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus, Embraer has relied on variables and assumptions derived from historical experience and various other factors that it deemed reasonable and relevant. Although Embraer reviews these estimates and assumptions in the ordinary course of business, the portrayal of its financial condition and results of operations often requires its management to make judgments regarding the effects of matters that are inherently uncertain. Actual results may differ from those estimated under different variables, assumptions or conditions. See Note 3 to Embraer's consolidated financial statements included in "Item 18. Financial Statements" included in the Annual Report on Form 20-F of Embraer for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus, for a summary of the significant accounting policies and methods used in the preparation of these financial statements. In order to provide an understanding about how management forms its judgments about future events, including the variables and assumptions underlying the estimates, and the sensitivity of those judgments to different variables and conditions, Embraer has included below a brief discussion of its more significant accounting policies.

### ***Sales and Other Operating Revenues***

Embraer generally recognizes sales of its commercial and business aircraft as deliveries are made. In its defense aircraft segment, Embraer performs work under long-term development contracts for the Brazilian government and other governments, and recognizes revenue in accordance with the percentage of completion method. Revenue recognized under this method is based on actual costs incurred and an estimate of the total remaining costs to be incurred prior to completion of the contract. Certain contracts contain provisions for the redetermination of price based upon future economic conditions. Anticipated losses, if any, under these contracts are accrued when known and are recorded based on management's estimate of such losses.

### ***Product Warranties***

Generally, aircraft sales are accompanied by a standard warranty for systems, accessories, equipment, parts and software manufactured by us and/or by our risk-sharing partners. Embraer recognizes warranty expense, as a component of selling expenses, at the time of sale based on the estimated amounts of warranty costs expected to be incurred, which are typically expressed as a percentage of the sales price of the aircraft. These estimates are based on a number of factors, including Embraer's historical warranty claim and cost experience, the type and duration of the warranty coverage, volume and mix of aircraft sold and in-service and warranty coverage available from the related suppliers. The warranty period ranges from two years for spare parts to five years for components that are a part of the aircraft when sold.

### ***Guarantees and Trade-In Rights***

Embraer has provided sales incentives in the form of financial and residual value guarantees and trade-in rights related to its aircraft. Embraer reviews the value of these commitments relative to the aircraft's anticipated future fair value and, in the case of financial guarantees, the creditworthiness of the obligor. Provisions and losses are recorded when and if payments become probable and are reasonably estimable. Embraer estimates future fair value using third party appraisals of aircraft valuations, including information developed from the sale or lease of similar aircraft in the secondary market. Embraer evaluates the creditworthiness of obligors for which it has provided credit guarantees by analyzing a number of factors, including third party credit ratings and estimated obligors' borrowing costs.

In accordance with FASB Interpretation No. 45, or FIN 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of the Indebtedness of Others," Embraer records third-party guarantees on its balance sheet at their fair value. FIN 45 has the general effect of delaying the recognition of the portion of Embraer's revenue sales that are accompanied by certain third-party guarantees. These estimates of fair value are based on certain assumptions, including the probability of default by the ultimate obligor and the market value of the mortgaged assets. As a result, actual losses under financial guarantees may differ from the amounts recognized on Embraer's balance sheet, and, consequently, could negatively affect its future operating results. As of September 30, 2004 and 2005, the fair value of guarantees recorded was US\$3.8 million and US\$5.0 million, respectively.

## Basis of Presentation

The following discussion is based on, and should be read in conjunction with, (1) Embraer's consolidated financial statements and related notes prepared in accordance with U.S. GAAP included in Item 18. Financial Statements included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004, attached as Annex A to this prospectus, and in Financial Statements beginning on page F-1 of this prospectus, as well as (2) the information set forth in Presentation of Financial Information, and Summary of Selected Historical and Pro Forma Financial Information of Rio Han and Embraer Summary of Selected Historical Financial Information of Embraer contained elsewhere in this prospectus.

Please see Item 5. Operating and Financial Review and Prospects and Item 11. Quantitative and Qualitative Disclosures About Market Risk included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus for a discussion of Embraer's operating and financial review and prospects regarding the fiscal years ended December 31, 2002, 2003 and 2004.

## Operating Data

The following chart sets forth statistical data concerning Embraer's deliveries and backlog for its 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. Embraer's 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 Embraer has reserved a place on one of its production lines. See Trend Information for certain information on Embraer's firm orders and options.

	Year Ended December 31,			Nine Months Ended
	2002	2003	2004	September 31, 2005
<b>Commercial Airline</b>				
Deliveries (1)				
ERJ 145	82	57	87(5)	40
ERJ 135	3	14	1(1)	2
ERJ 140	36	16		
EMBRAER 170			46	35(1)
EMBRAER 175				9
EMBRAER 190				2
<b>Business Jet</b>				
Deliveries (1)	8	13(2)	13	8
<b>Other Operating Information</b>				
Total backlog (in millions)(2)	US\$9,034	US\$10,591	US\$10,097	US\$10,415

(1) Deliveries identified by parentheses correspond to aircraft delivered under operating leases.

(2) Since September 30, 2005, Embraer has received five additional firm orders for its ERJ 145 regional jet family, 13 additional firm orders for its EMBRAER 170/190 jet family and 59 firm orders for its EMBRAER 170 aircraft were converted into 59 firm orders for the EMBRAER 190 aircraft.

## Net Sales

Embraer generates revenue primarily from sales of commercial aircraft. Embraer also generates revenue from the sale of defense aircraft, and from the sale of its Legacy 600 business jet. Net sales of commercial and business aircraft are denominated in U.S. dollars. Of defense net sales, approximately 85% are denominated in U.S. dollars and 15% are denominated in Brazilian *Reais*, but indexed to the U.S. dollar through price adjustment indexes. Finally, Embraer generates revenue from its other related businesses, which include after-sales support (including the sale of spare parts, maintenance and repair, training and other product support services), operating leases and single-source supply of structural parts and mechanical and hydraulic systems to other aircraft manufacturers.

Embraer generally recognizes revenue for the sale of its commercial and business aircraft when the aircraft is delivered to the customer. Embraer customarily receives a deposit upon signing of the purchase agreement for the sale of its commercial and business aircraft and progress payments in the amount of 5% of the sales price of the aircraft 18 months, 12 months and six months before scheduled delivery. For the EMBRAER 170/190 jet family, Embraer receives an additional 5% progress payment 24 months before scheduled delivery. Embraer typically receives the remaining amount of the sales price upon delivery. Payments in advance of delivery are recorded under advances from customers as a liability on Embraer's balance sheet and, when Embraer delivers the aircraft, these payments are recorded as net sales.

As a result of a decrease in the amounts available under the ProEx program in 1999, Embraer assisted some of its affected customers in restructuring their financing arrangements. In cases in which Embraer was not able to restructure these arrangements, Embraer provided special price adjustments to these customers to maintain the effective interest rates in their original financing arrangements.

Embraer's sales contracts with its customers typically include adjustments to the purchase price of the aircraft based on an escalation formula, which reflects, in part, inflation in the United States. The deposits, progress payments and option payments are generally non-refundable. Once a customer decides to exercise an option, Embraer accounts for it as a firm order and begins to receive progress payments and recognize revenue upon delivery as discussed above.

Embraer recognizes revenue from the sale of its defense aircraft, including the funding of the research and development for specific programs, in accordance with the percentage of completion method. Certain contracts contain provisions for the redetermination of price based upon future economic conditions. Embraer's defense customers continue to provide customer advances, which are converted into revenue as Embraer achieves pre-determined stages of completion of the project, such as conception, development and design, and engineering, systems integration and customization. These installments are generally non-refundable.

#### **Cost of Sales and Services**

Embraer's cost of sales and services consists primarily of:

*Material* These costs are primarily U.S. dollar-denominated. Substantially all of Embraer's materials costs are covered by contracts with its suppliers. Prices under these contracts are generally adjusted based on an escalation formula, which reflects, in part, inflation in the United States.

*Labor* These costs are primarily *real*-denominated.

*Depreciation* Embraer depreciates its property, plant and equipment over their useful lives, ranging from five to 48 years, on a straight-line basis. On average, Embraer's property, plant and equipment is depreciated over 13 years.

#### **Trend Information**

The following table summarizes Embraer's commercial airline sales order book at September 30, 2005 (also includes orders for the defense segment placed by state-run airlines such as Satena and Tame). Embraer's total firm order backlog at that date, including business jets and defense aircraft, was US\$10.4 billion.

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Airline Market	Firm Orders	Options	Deliveries	Firm Order Backlog
EMB 120 Brasília	352		352	
ERJ 135	123	2	108	15
ERJ 140	94	20	74	20
ERJ 145	677	206	661	16
EMBRAER 170	191	133	81	110
EMBRAER 175	22		9	13
EMBRAER 190	185	219	2	183
EMBRAER 195	29	31		29

The following tables set forth Embraer's commercial airline order book at September 30, 2005 by aircraft type, customer and country.

**ERJ 135:**

Customer	Firm Orders	Delivered	Firm Order Backlog
American Eagle (USA)	40	40	
British Midland (UK)	3	3	
City Airline AB (Sweden)	2	2	
ExpressJet (USA)	30	30	
Flandair (France)	3	3	
Jet Magic (Ireland)	1	1	
Luxair (Luxembourg)	2	2	
Pan Européenne (France)	1	1	
Proteus (France)	3	3	
Regional Airlines (France)	3	3	
Republic Airways (USA)	15	15	
South Africa Airlink (South Africa)	20	5	15
<b>TOTAL</b>	<b>123</b>	<b>108</b>	<b>15</b>

**ERJ 140:**

Customer	Firm Orders	Delivered	Firm Order Backlog
American Eagle (USA)	59	59	
Midwest (USA)	20		20
Republic Airways (USA)	15	15	
<b>TOTAL</b>	<b>94</b>	<b>74</b>	<b>20</b>

**ERJ 145:**

Customer	Firm Orders	Delivered	Firm Order Backlog
Aerolitoral (Mexico)	5	5	
Air Caraibes (Guadalupe)	2	2	
Alitalia (Italy)	14	14	
American Eagle (USA)	118	118	
Axon (Greece)	3	3	
British Midland (UK)	9	9	
British Regional Airlines (UK)	23	23	
Brymon (UK)	7	7	
China Southern (China)	6	6	



**ERJ 145:**

<b>Customer</b>	<b>Firm Orders</b>	<b>Delivered</b>	<b>Firm Order Backlog</b>
China Eastern Jiangsu (China)	5	2	3
Cirrus (Germany)	1	1	
ExpressJet (USA)	245	232	13
ERA (Spain)	2	2	
Flandre Air (France)	5	5	
GECAS (PB Air - Thailand)	2	2	
KLM EXEL (Holand)	2	2	
Lot Polish (Poland)	14	14	
Luxair (Luxembourg)	9	9	
Mesa (USA)	36	36	
Portugalia (Portugal)	8	8	
Proteus (France)	8	8	
Regional (France)	15	15	
Republic Airways (USA)	60	60	
Rheintalflug (Austria)	3	3	
Rio Sul (Brazil)	16	16	
Satena (Colombia)	3	3	
Sichuan (China)	5	5	
Skyways (Sweden)	4	4	
Swiss (Switzerland)	25	25	
Trans States (USA)	22	22	
<b>TOTAL</b>	<b>677</b>	<b>661</b>	<b>16</b>

**EMBRAER 170:**

<b>Customer</b>	<b>Firm Orders</b>	<b>Delivered</b>	<b>Firm Order Backlog</b>
Alitalia (Italy)	6	6	
Saudi Arabian Airlines (Saudi Arabia)	15		15
Cirrus (Germany)	1	1	
Finnair (Finland)	12	1	11
Gecas (USA)	8	6	2
Lot Polish (Poland)	6	6	
Republic Airlines (USA)	39	32	7
Swiss (Switzerland)	15		15
US Airways (USA)	85	28	57
Paramount (India)	2	1	1
TAME (Ecuador)	2		2
<b>TOTAL</b>	<b>191</b>	<b>81</b>	<b>110</b>

**EMBRAER 175:**

<b>Customer</b>	<b>Firm Orders</b>	<b>Delivered</b>	<b>Firm Order Backlog</b>
Air Canada (Canada)	15	9	6
Lot Polish (Poland)	4		4
Gecas (USA)	3		3
<b>TOTAL</b>	<b>22</b>	<b>9</b>	<b>13</b>

**EMBRAER 190:**

<b>Customer</b>	<b>Firm Orders</b>	<b>Delivered</b>	<b>Firm Order Backlog</b>
Air Canada (Canada)	45		45
Copa Airlines (Panama)	12		12
Gecas (USA)	20		20
JetBlue (USA)	101	2	99
Regional (France)	6		6
TAME (Ecuador)	1		1
<b>TOTAL</b>	<b>185</b>	<b>2</b>	<b>183</b>

**EMBRAER 195:**

<b>Customer</b>	<b>Firm Orders</b>	<b>Delivered</b>	<b>Firm Order Backlog</b>
Flybe (UK)	14		14
Swiss (Switzerland)	15		15
<b>TOTAL</b>	<b>29</b>		<b>29</b>

For additional information regarding trends in Embraer's business, see Item 4B. Business Overview Business Strategies and Item 5A. Operating Results Current Conditions and Future Trends in the Airline Industry and Business Jet Market included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004, attached as Annex A to this prospectus. For risks affecting Embraer's business, see Item 3D. Risk Factors included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004, attached as Annex A to this prospectus.

**Results of Operations***Years Ended December 31, 2002, 2003 and 2004*

For a discussion of Embraer's income statement and results of operation for the years ended December 31, 2002, 2003 and 2004, see Item 5A. Operating Results Results of Operations included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

*Nine Months Ended September 30, 2004 and 2005*

The following table presents income statement data by business segment for the nine months ended September 30, 2004 and 2005.

**Summary Financial Data by Business**

	<b>Nine months ended September 30,</b>	
	<b>2004</b>	<b>2005</b>
<b>Operating income</b>		
Net sales-		
Commercial Airline	1,952,188	1,912,766
Defense	277,054	306,766
Business Jet	94,514	154,764
Other related businesses	163,243	265,753
	<b>2,486,999</b>	<b>2,640,049</b>
Cost of sales and services-		
Commercial Airline	(1,263,377)	(1,284,591)
Defense	(217,361)	(246,816)
Business Jet	(71,956)	(105,440)

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Other related businesses	(119,589)	(180,379)
	<u>(1,672,283)</u>	<u>(1,817,226)</u>
Gross profit-		
Commercial Airline	688,811	628,175
Defense	59,693	59,950
Business Jet	22,558	49,324
Other related businesses	43,654	85,374
	<u>814,716</u>	<u>822,823</u>
Operating expenses-		
Commercial Airline	(137,465)	(123,646)
Defense	(42,261)	(52,390)
Business Jet	(63,711)	(91,845)
Other related businesses	(45,801)	(48,007)
Unallocated corporate expenses	(123,081)	(116,618)
	<u>(412,319)</u>	<u>(432,506)</u>
	<u>402,397</u>	<u>390,317</u>

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The following table sets forth income statement information and such information as a percentage of our net sales, for the periods indicated.

Nine Months ended September 30,				
2004		2005		
<i>(in millions of U.S. dollars, except percentages)</i>				
Net sales	\$ 2,487.0	100%	\$ 2,640.0	100%
Cost of sales and services	(1,672.3)	67.2	(1,817.2)	68.8
Gross profit	814.7	32.8	822.8	31.2
<b>Operating expense</b>				
Selling expenses	(266.3)	10.7	(177.9)	6.7
Research and development	(5.4)	0.2	(62.1)	2.4
General and administrative expenses	(97.0)	3.9	(139.0)	5.3
Employee profit sharing	(42.9)	1.7	(35.2)	1.3
Other operating expenses, net	(0.6)	0.1	(15.3)	0.6
Equity in income (loss) from affiliates	—		(3.1)	0.1
Income from operations	402.4	16.2	390.3	14.8
<b>Non-operating income (expense)</b>				
Interest income (expenses), net	4.5	0.2	(25.4)	1.0
Exchange loss, net	(5.0)	0.2	(19.5)	0.7
Other non-operating income (expenses), Net	—		(0.7)	—
Income before income taxes	402.0	16.2	344.7	13.1
Income tax benefit (expenses)	(103.4)	4.2	(47.5)	1.8
Income before minority interest	298.6	12.0	297.1	11.3
Minority interest	(1.3)	0.1	(7.4)	0.3
Income before cumulative effect of accounting change	297.2	11.9	289.7	11.0
Cumulative effect of accounting change, net of tax	—		—	—
Net income	297.2	11.9%	289.7	11.0%

***Nine Months Ended September 30, 2005 Compared with Nine Months Ended September 30, 2004***

*Net sales.* Net sales increased 6.2% from US\$2,487.0 million in the first nine months of 2004 to US\$2,640.0 million in the first nine months of 2005. Net sales in the commercial airline segment decreased 2.0% from US\$1,952.2 million in the first nine months of 2004 to US\$1,912.8 million in the first nine months of 2005. Business jet net sales increased 63.7% from US\$94.5 million in the first nine months of 2004 to US\$154.7 million in the first nine months of 2005. Defense net sales increased 10.8% from US\$277.0 million in the first nine months of 2004 to US\$306.8 million in the first nine months of 2005. Net sales from other related businesses increased 62.8% from US\$163.2 million in the first nine months of 2004 to US\$265.7 million in the first nine months of 2005.

The decrease in commercial airline net sales is primarily due to a smaller volume of deliveries of aircraft of the ERJ 145 family partially offset by higher deliveries of aircraft of the EMBRAER 170/190 jet family in the first nine months of 2005, and also by a better product mix with a higher aggregated value due to the deliveries of aircraft of the EMBRAER 170/190 family. In the first nine months of 2005 Embraer delivered 88 aircraft to the commercial airline market, compared to 100 aircraft delivered in the same period of 2004.

The increase in business jet net sales resulted from a larger volume of deliveries of the executive version of the Legacy 600 in the first nine months of 2005. In the first nine months of 2005 Embraer delivered eight Legacy 600 jets compared to five deliveries in the same period of 2004.

The increase in defense net sales is primarily due to the deliveries of three Legacy 600 jets specially configured for authority transportation, commencement of the deliveries of the ALX Super Tucano and the advancements made in the F-5 program for the Brazilian Air Force in the first nine months of 2005.

The increase in net sales from other related businesses is mainly due to the acquisition of the Portuguese MRO facility OGMA - Oficinas Gerais de Manutenção in March 2005, and an increase in sales of spare parts, as a result of an increase in the number of aircraft in service. See Item 4A. History and Development of the Company Strategic Alliance and Growth Opportunities Joint Venture and Acquisitions included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus for further information.

*Cost of sales and services.* Cost of sales and services increased by 8.7% from US\$1,672.3 million in the first nine months of 2004 to US\$1,817.2 million in the first nine months of 2005, primarily due to a larger participation of the EMBRAER 170/190 family, with higher aggregated value, in our deliveries to the commercial airline market. Cost of sales and services as a percentage of net sales increased to 68.8% in the first nine months of 2005, compared to 67.2% in the first nine months of 2004.

*Gross profit.* Gross profit increased by 1.0% from US\$814.7 million in the first nine months of 2004 to US\$822.8 million in the first nine months of 2005. Embraer's gross margin decreased from 32.8% in the first nine months of 2004 to 31.2% in the first nine months of 2005 primarily due to the production learning curve associated with the initial deliveries of the EMBRAER 175 and the EMBRAER 190 and to benefits provided to the launch customers of those aircraft.

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*Operating expenses.* Operating expenses increased by 4.9% from US\$412.3 million in the first nine months of 2004 to US\$432.5 million in the first nine months of 2005, as compared to an increase in net sales of 6.2% in the same period.

Research and development expenses in the first nine months of 2005 were US\$62.1 million, compared to US\$5.4 million in the first nine months of 2004, when the company recognized US\$103.8 million from the risk-sharing partners' contributions to the development of the EMBRAER 170/190 family.

Selling expenses decreased 33.2% from US\$266.3 million in the first nine months of 2004 to US\$177.9 million in the first nine months of 2005. That decrease resulted partially from the recovery of amounts related to guarantees on certain aircraft delivered upon the implementation of the financing structures for those aircraft. Selling expenses are directly related to aircraft deliveries.

General and administrative expenses increased 43.2% from US\$97.0 million in the first nine months of 2004 to US\$139.0 million in the first nine months of 2005, due to the effects on the *real* denominated administrative expenses resulting from the appreciation of the *real* during 2005 (approximately 80% of Embraer's administrative expenses are denominated in *reais*) and from the expense of US\$16.3 million related to the implementation of the SAP 4.7 Aerospace & Defense version.

Other operating expenses, net increased from US\$0.6 million in the first nine months of 2004 to US\$15.3 million in the first nine months of 2005.

Operating expenses as a percentage of net sales remained stable at the level of 16.6% in the first nine months of 2004 to 16.4% in the first nine months of 2005.

*Interest income (expenses), net.* Interest income (expenses), net, increased from a benefit of US\$4.5 million in the first nine months of 2004 to an expense of US\$25.4 million in the first nine months of 2005. This increase is mainly due to higher debt levels and lower cash availability in the period.

*Exchange loss, net.* Exchange loss, net, increased from US\$5.0 million in the first nine months of 2004 to US\$19.5 million in the first nine months of 2005 mainly due to the 16.3% appreciation of the Brazilian *real* against the dollar in the first nine months of 2005.

*Income tax benefit (expenses).* Income tax expenses decreased from US\$103.4 million in the first nine months of 2004 to US\$47.5 million in the first nine months of 2005 mainly due to the appreciation of the *real* during the period, which negatively impacted translation effects by US\$21.0 million compared to a positive translation effect of US\$5.5 million in the first nine months of 2004.

*Net income.* As a result of the foregoing factors, Embraer's net income decreased 2.5% from US\$297.2 million in the first nine months of 2004 to US\$289.7 million in the first nine months of 2005. Net income decreased as a percentage of net sales. In the first nine months of 2005, net income was 11.0% of net sales as compared to 11.9% in the first nine months of 2004.

### ***Year Ended 2004 Compared with Year Ended 2003 and Year Ended 2003 Compared with Year Ended 2002***

For a discussion of Embraer's results of operations for 2002 compared with 2003 and of Embraer's results of operations for 2003 compared with 2004, see Item 5A. Operating Results Results of Operations 2004 Compared with 2003 and Item 5A. Operating Results Results of Operations 2003 Compared with 2002 included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

## Research and Development

### *Nine Months Ended September 30, 2004 and 2005*

Embraer incurs research and development costs related to its aircraft and aircraft components. Embraer also incurs research and development costs that are not associated with the development of any particular aircraft. Such costs include the implementation of quality assurance initiatives, production line productivity improvements and studies to determine the latest developments in technology and quality standards. The research and development costs incurred by Embraer are divided into two categories, research and development expense and additions to fixed assets. The research and development expense is the cost actually associated with the design and development of the aircraft less amounts earned from cash contribution from risk-sharing partners based on meeting performance milestones. Under U.S. GAAP, these costs are expensed in the year in which they are incurred. Additions to fixed assets relate solely to specialized equipment built by Embraer and required for the project. These costs are treated as additions to property, plant and equipment.

Embraer invests significantly in the development of new projects. Total research and development expenses for the first nine months of 2005, including expenses related to the development of the EMBRAER 170/190 jet family, net of cash contributions provided by risk-sharing partners, were US\$62.1 million compared to US\$5.4 million in the first nine months of 2004. Research and development costs as a percentage of net sales were 0.2% in the first nine months of 2004 and 2.4% in the first nine months of 2005. The increased percentages for the period reflects principally the revenue recognition of US\$103.8 million from Embraer's risk-sharing partners in the first nine months of 2004 compared to US\$45.6 million in the first nine months of 2005. In 2005, Embraer expects its research and development costs to total approximately US\$140.0 million. Embraer does not record an expense for research and development of defense programs, as they are funded by the Brazilian Government and other government customers. Most of Embraer's research and development expenses are associated with a particular program, whether commercial, business jet or defense.

Embraer receives additional funds from risk-sharing partners to fund its cash costs for its commercial research and development. In addition, the Brazilian and other governments fund substantially all of Embraer's defense research and development costs under long-term development contracts.

### *Years Ended December 31, 2002, 2003 and 2004*

For a discussion of Embraer's research and development costs for 2002, 2003 and 2004, see Item 5C. Research and Development included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

## Liquidity and Capital Resources

Embraer's liquidity needs arise principally from research and development, capital expenditures, principal and interest payments on its debt, working capital requirements and distributions to shareholders. Embraer generally relies on funds provided by operations, borrowings under its credit arrangements, cash contributions from risk-sharing partners, advance payments from customers and, to a lesser extent, capital increases to meet these needs. Embraer believes that these sources of funds will be sufficient to fund its future liquidity needs, continue to develop the EMBRAER 170/190 jet family, develop its new business jets for the light and very light segments, make other planned capital expenditures and pay dividends. However, Embraer's customers may reschedule deliveries, fail to exercise options or cancel firm orders as a result of the economic downturn and the financial volatility in the airline industry. In addition, Embraer's risk-sharing partners' cash contributions are refundable under certain limited circumstances and Embraer may need to find replacement sources of capital.

***Working Capital and Net Cash Provided by Operating Activities***

*Nine Months Ended September 30, 2004 and 2005*

Embraer had a working capital surplus of US\$1,559.4 million at December 31, 2004 and US\$2,186.7 million at September 30, 2005. Working capital increased mainly due to an increase in inventories because of the beginning of production of the EMBRAER 170/190 jet family and due to an increase in accounts receivable related to aircraft delivered for which sales financing arrangements were under a structuring process.

Embraer generated net cash provided by operating activities of US\$195.0 million at September 30, 2005, as compared to net cash provided by operating activities of US\$192.0 million at September 30, 2004.

*Years Ended December 31, 2003 and 2004*

For a discussion of Embraer's working capital and net cash provided by operating activities in 2003 and 2004, see Item 5B. Liquidity and Capital Resources Working Capital and Net Cash Provided by Operating Activities included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

***Net Cash Used in Investing Activities***

*Nine Months Ended September 30, 2004 and 2005*

Embraer's net cash used in investing activities was US\$720.4 million in the first nine months of 2005 compared to US\$85.4 million in the same nine months of 2004. The increase in 2005 was mainly due to US\$670.3 million related to temporary cash investments. As part of Embraer's analysis of variable interest entities under FIN 46-R, it concluded that the private investment funds used by Embraer to invest in underlying investments included US\$119.2 million in debt securities, which Embraer would have accounted for as cash equivalents prior to FIN 46-R, that should be included in temporary cash investments. In 2004, this amount of debt securities totaled US\$106.7 million. See Note 3 to Embraer's condensed interim consolidated financial statements included in Financial Statements beginning on page F-1 of this prospectus and also Note 6 to Embraer's consolidated financial statements included in Item 18. Financial Statements included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

*Years Ended December 31, 2003 and 2004*

For a discussion of Embraer's net cash used in investing activities in 2003 and 2004, see Item 5B. Liquidity and Capital Resources Net Cash Used in Investing Activities included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

***Capital Expenditures***

*Nine Months Ended September 30, 2004 and 2005*

Embraer recorded additions to property, plant and equipment of US\$50.4 million in the first nine months of 2005 and US\$34.0 million in the first nine months of 2004. These expenditures related to construction of facilities, improvements to Embraer's plant and production facilities and modifications for the production of new aircraft models.

Embraer currently expects investments in property, plant and equipment to total approximately US\$59.0 million in 2005 and an additional US\$76.0 million in 2006, primarily related to the production of the EMBRAER 170/190 jet family, and new business jet market aircraft, the Phenom 100 and the Phenom 300, as well as Embraer's defense aircraft.



*Years Ended December 31, 2003 and 2004*

For a discussion of Embraer's capital expenditures in 2003 and 2004, see Item 5B. Liquidity and Capital Resources Capital Expenditures included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

***Cash Provided by (Used in) Financing Activities and Total Debt***

*Nine Months Ended September 30, 2004 and 2005*

Embraer's net cash provided by (used in) financing activities increased from US\$7.4 million in the first nine months of 2004 to US\$206.8 million in the first nine months of 2005. The increase was primarily due to a decrease in repayments of loans and a decrease in payments of dividends and interest on shareholders' equity.

At September 30, 2005, Embraer had total debt of US\$1,700.6 million under its financing arrangements described in Credit Facilities and Lines of Credit beginning on page 92 of this prospectus, 66.1% of which consisted of long-term debt and 33.9% of which consisted of short-term debt. In comparison, Embraer had total debt of US\$1,338.7 million at December 31, 2004 and US\$1,169.2 million at September 30, 2004, consisting of 61.6% and 63.4% of long-term debt, respectively. Embraer's total debt increased from September 30, 2004 to September 30, 2005 largely due to new borrowings.

Total debt consists of amounts recorded as loans and financing on Embraer's balance sheet and excludes non-recourse and recourse debt associated with customer financing arrangements transacted through special purposes entities, or SPEs. In structured financings, an SPE purchases an aircraft from Embraer, pays Embraer the full purchase price on delivery or at the conclusion of the sales financing structure, and leases the related aircraft to the ultimate customer. A third-party financial institution facilitates the financing of an aircraft purchase through an SPE, and a portion of the credit risk remains with that third party. Embraer may provide financial guarantees and/or residual value guarantees in favor of the financial institution, as well as act as the equity participant in such financial structuring process. According to FIN 46-R (Consolidation of Variable Interest Entities an interpretation of ARB 51), an enterprise shall consolidate a variable interest entity if that enterprise has a variable interest that will absorb a majority of the entity's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur, or both. Therefore, Embraer has been consolidating certain SPEs owned by third parties where it is the primary beneficiary. See Note 9 to Embraer's consolidated financial statements included in Item 18. Financial Statements of the Annual Report of Embraer on Form 20-F for Fiscal Year Ended December 31, 2004 attached as Annex A of this prospectus.

The effect of consolidating these SPEs resulted in non-recourse and recourse debt at September 30, 2005, reflected as a separate line item on Embraer's balance sheet, of US\$933.8 million, collateralized accounts receivable of US\$0.5 million and US\$346.1 million accounted for as customer and commercial financing. US\$734.1 million of this debt is non-recourse and Embraer has no actual obligation for such debt as debtor or guarantor, other than potentially under existing financial guarantees for the financed aircraft. The remaining US\$199.7 million of debt is recourse to Embraer as a result of pending equity contributions and is secured by a pledge of a deposit with a financial institution. The non-recourse and recourse debt is collateralized by the collateralized accounts receivable and by the financed aircraft and, as a result, Embraer does not anticipate a net cash outflow related to Embraer's non-recourse debt in the future. These financing transactions do not materially affect Embraer's income statement and cash flow data since the terms of the leases and the loans are substantially the same.

*Years Ended December 31, 2003 and 2004*

For a discussion of Embraer's cash provided by (used in) financing activities and total debt in 2003 and 2004, see Item 5B. Liquidity and Capital Resources Cash Provided by (Used in) Financing Activities and Total Debt included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

## Credit Facilities and Lines of Credit

### *Long-term Facilities*

#### *Nine Months Ended September 30, 2004 and 2005*

Embraer maintains credit facilities with BNDES in a total amount of US\$10.8 million outstanding at September 30, 2005, US\$3.3 million of which is currently short-term. Embraer also maintains credit facilities with Fundo de Investimento em Estudo e Pesquisa, or FINEP, in a total amount of US\$9.7 million outstanding at September 30, 2005, all of which is related to the purchase of fixed assets for the expansion of Embraer's subsidiary ELEB Embraer Liebherr Equipamentos do Brasil S.A. The total amounts borrowed under the BNDES and FINEP credit facilities are due May 2011 and June 2010, respectively. Amounts borrowed from BNDES are secured by first and second mortgages on Embraer's properties in Brazil. The interest rates on these facilities range from TJLP plus 1.0% to TJLP plus 6.0% per annum. For BNDES borrowings, we also paid fees at the rate of 0.35% of the sales price of 420 ERJ 145 aircraft sold between January 1, 1997 and August 1, 2002.

Embraer has a credit facility with the Tokyo Branch of The Chase Manhattan Bank under which it borrowed the Japanese Yen equivalent of US\$150.0 million, principally to fund its purchase of aircraft component parts, of which the Japanese Yen equivalent of US\$65.9 million remained outstanding as of September 30, 2005. This loan matures in December 2006 and bears an interest rate equal to the twelve-month Japanese interbank deposit rate, or JIBOR, plus 1.1% per annum.

On September 20, 2002, Embraer secured a US\$100.0 million credit facility with Mitsui & Co., Ltd. and borrowed the full amount available thereunder, of which US\$80.1 million remained outstanding as of September 30, 2005. This loan matures in 2009 and bears interest at an interest rate of LIBOR plus 2.15%. The facility is guaranteed by Unibanco - União de Bancos Brasileiros SA. and provides that, if Embraer fails to maintain a minimum of 100 firm orders during the duration of the facility, Mitsui & Co. Ltd has the right to declare all amounts outstanding under the facility due and payable.

Embraer also has a US\$100.0 million credit facility with Santander Central Hispano Benelux S.A. fully disbursed to fund Embraer's purchases of wings and other equipment from Gamesa. As of September 30, 2005, US\$63.5 million was outstanding under the facility, which bears interest at a fixed rate of 4.49% per annum with a final maturity in February 2009.

In July 2003, Embraer signed a credit agreement with Sumitomo Mitsui Banking Corp. and other lenders providing for a term loan of US\$200.0 million, at a cost of LIBOR plus 2.97% per annum with a final maturity in June 2010, to purchase materials for the manufacture of the EMBRAER 170/190 jet family. Embraer borrowed the full amount under this facility in July 2003, of which US\$204.3 million remained outstanding as of September 30, 2005.

In April 2004, Embraer entered into credit agreements with Banco do Brasil S.A. for an import financing facility of US\$50 million, at a fixed rate of 5.63% per annum with final maturity in April 2007. Embraer has borrowed the full amount of the facility, of which US\$53.4 million remained outstanding as of September 30, 2005. Embraer subsequently entered into another credit agreement with Banco do Brasil S.A. on May 31, 2005 of US\$21 million, at a fixed rate of 7% per annum with final maturity in May 2011, of which US\$21.6 million remained outstanding as of September 30, 2005.

In May 2004, Embraer entered into credit agreements with ABN Amro Bank for a working capital and import financing facility of US\$71.0 million, at a fixed rate of 7.19% per annum with final maturity in May 2009. Embraer has borrowed the full amount of the facility, of which US\$73.1 million remained outstanding as of September 30, 2005.

In March 2005, Embraer entered into a credit agreement with Bladex - Banco Latinoamericano de Exportaciones S.A., for an import financing facility of US\$51.0 million, at a cost of LIBOR plus 1.88% per annum with final maturity in September 2010, of which US\$52.6 million remained outstanding as of September 30, 2005.

In April 2005, Embraer entered into an Export Credit Note with Banco Votorantim of US\$50 million, at a fixed rate of 7.81% per annum with final maturity in April 2010, of which US\$51.8 million remained outstanding as of September 30, 2005.

In June 2005, Embraer entered into an IFC - International Finance Corporation A/B Loan Secured Facility for a total amount of US\$180.0 million, which includes the A loan for up to US\$35.0 million, the B1 loan for up to US\$60.0 million and a B2 loan for up to US\$85.0 million. The terms of the loans are 12, ten and eight years, respectively, and the loans bear interest at a average cost of six-month LIBOR plus 2.9% per annum. The facility is secured by a combination of mortgages on Embraer's main industrial facility in Brazil, three EMBRAER 170/190 pre-series aircraft and a bank account pledge agreement in an amount equivalent to 12 months interest coverage. In addition to the customary covenants and restrictions, including, but not limited to, those that require Embraer to maintain defined debt liquidity and interest expense coverage ratios, the facility will have covenants related to compliance with IFC general environmental, health and safety guidelines. Embraer has also agreed to a mandatory pre-payment provision, which limits its net revenues generated by selling and supporting offensive attack aircraft to 12.5% of its total net revenues.

Embraer has various other loans and credit agreements with aggregate outstanding borrowings of US\$330.8 million at September 30, 2005, of which US\$48.3 million were allocated to Embraer's subsidiaries.

Each of Embraer's long-term financing arrangements includes customary covenants and restrictions, including those that require Embraer to maintain defined debt liquidity and interest expense coverage ratios, with which Embraer was in compliance at September 30, 2005 and none of which are expected to have a material effect on Embraer's business. See Note 6 of Embraer's condensed interim consolidated financial statements included in Financial Statements beginning on page F-1 of this prospectus and also Note 19 to Embraer's consolidated financial statements included in the Annual Report of Embraer on Form 20-F for Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

*Years Ended December 31, 2003 and 2004*

For a discussion of Embraer's long-term credit facilities and lines of credit in 2003 and 2004, see Item 5B. Liquidity and Capital Resources Cash Provided by (Used in) Financing Activities and Total Debt Credit Facilities and Lines of Credit Long-Term Facilities included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

***Short-term Facilities***

*Nine Months Ended September 30, 2004 and 2005*

Embraer obtains short-term financing primarily from Brazilian banks in the form of advances against exchange contracts that it enters into with those banks relating to payments it is entitled to receive within a period of not more than 360 days prior to delivery of aircraft. At September 30, 2005, Embraer had US\$247.9 million outstanding under these arrangements.

In June 2005, Embraer negotiated with BNDES a short term pre-export credit financing for an amount up to US\$400 million, of which US\$165.4 million remained outstanding as of September 30, 2005. This financing was fully settled on November 25, 2005.

Embraer has various other short-term loans with aggregate outstanding borrowings of US\$195.6 million at September 30, 2005, of which US\$85.0 million was allocated to its subsidiaries to finance working capital requirements. See Note 6 of Embraer's condensed interim consolidated financial statements included in Financial Statements beginning on page F-1 of this prospectus and also Note 19 to Embraer's consolidated financial statements included in Item 18. Financial Statements in the Annual Report of Embraer on Form 20-F for Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus for further information on Embraer's short-term financing arrangements.

*Years Ended December 31, 2003 and 2004*

For a discussion of Embraer's short-term credit facilities and lines of credit in 2003 and 2004, see Item 5B. Liquidity and Capital Resources Cash Provided by (Used in) Financing Activities and Total Debt Credit Facilities and Lines of Credit Short-Term Facilities included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

**Capital Contributions and Issuances of Capital Stock**

*Nine Months Ended September 30, 2004 and 2005*

During the first nine months of 2005, Embraer received capital contributions in the aggregate amount of US\$6.9 million, representing the issuance of preferred shares upon the exercise of options. In addition, through September 30, 2005, 2,421,870 preferred shares were issued upon the exercise of options at an average weighted exercise price of R\$7.02 per share.

*Year Ended December 31, 2004*

For a discussion of the capital contributions to and issuances of capital stock by Embraer during 2004, see Item 5B. Liquidity and Capital Resources Capital Contributions and Issuances of Capital Stock included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

**Off-Balance Sheet Arrangements**

Embraer participates in a number of off-balance sheet arrangements, principally relating to trade-in obligations and financial and residual value guarantees. Embraer also has a number of swap transactions that are described in Quantitative and Qualitative Disclosures about Market Risk beginning on page 97 of this prospectus.

In addition to the off-balance sheet arrangements discussed below, Embraer was also contingently liable for repurchasing a number of aircraft sold under sales contracts that provided the customer with the right to sell the aircraft back to it in the future, according to defined price rules. These repurchase commitments were cancelled in 2004 pursuant to formal amendments entered into with the holders of such options.

***Trade-in Obligations***

*Nine Months Ended September 30, 2004 and 2005*

In connection with the signing of a purchase contract for new aircraft, Embraer may provide trade-in options to its customers. These options provide a customer with the right to trade in existing aircraft upon the purchase of a new aircraft. At September 30, 2005, four commercial aircraft were subject to trade-in options, and additional aircraft may become subject to trade-in options upon delivery. The trade-in price is determined in the manner discussed in Critical Accounting Estimates Guarantees and Trade-In Rights on page 80 of this prospectus for commercial jets. Embraer may be required to accept trade-ins at prices that are above the then-market price of the aircraft, which would result in financial loss for Embraer when it resells the aircraft. Based on Embraer's current estimates and third party appraisals, Embraer believes that any aircraft accepted for trade-in could be sold without any material gain or loss. In 2005, Embraer accepted three ERJ 145 aircraft for trade-in.

*Year Ended December 31, 2004*

For a discussion of Embraer's trade-in obligations in 2004, see Item 5E. Off-Balance Sheet Arrangements Trade-in Obligations included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

***Financial and Residual Value Guarantees***

*Nine Months Ended September 30, 2005*

Embraer has guaranteed the financial performance of a portion of the financing for, and the residual value of, some of its aircraft that have already been delivered. Financial guarantees are provided to financing parties to support a portion of the payment obligations of purchasers of Embraer's aircraft under their financing arrangements to mitigate default-related losses. These guarantees are collateralized by the financed aircraft.

Assuming all customers supported by financial guarantees defaulted on their aircraft financing arrangements, and also assuming Embraer was required to pay the full aggregate amount of outstanding residual value guarantees and was not able to remarket any of the aircraft to offset its obligations, Embraer's maximum exposure under these guarantees (less provisions and liabilities) would have been US\$2.1 billion as of September 30, 2005. For further discussion of these off-balance sheet arrangements, see Note 9 of Embraer's condensed interim consolidated financial statements included in Financial Statements beginning on page F-1 of this prospectus and also Note 34 to Embraer's consolidated financial statements included in Item 18. Financial Statements included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

At September 30, 2005, Embraer had US\$246.7 million deposited in escrow accounts as collateral for financing and residual value guarantees of certain aircraft sold. If the guarantor of the debt (an unrelated third party) is required to pay the creditors of such financing arrangement or the residual value guarantee, the guarantor has the right to withdraw from the escrow account. Based on current figures, Embraer calculates that the proceeds from the sale or lease of the covered aircraft (based on resale value as of September 30, 2005) and from other offsetting collections, such as cash deposits, is lower than its exposure by US\$11.9 million. The deposited amounts will be released when the financing contracts mature (from 2013 to 2021) if no default by the buyers of the aircraft occurs or the aircraft market price is above the residual value guarantee.

The interest earned on the escrow funds is added to the balance in escrow and is recorded as interest income by Embraer. In order to earn a better interest rate on such guarantee deposits, at September 30, 2005, Embraer had invested part of the US\$246.7 million deposited in escrow accounts in fourteen-year structured notes in the total amount of US\$123.4 million with the depositary bank, which generated interest in the amount of US\$5.0 million in 2005 that was added to the principal amount and recognized in its consolidated statements of income and comprehensive income. At December 31, 2004 the amount invested in these structured notes was US\$42.2 million. This yield enhancement was obtained through a credit default swap (CDS) transaction, which provides to the note holder the right of early redemption of the note in case of a credit event by Embraer. Upon such a credit event, the note may be redeemed by the holder at the greater of the note's market value or its original face amount, which would result in a loss of all interest accrued on such note to date. Credit events include obligation and payment defaults under the terms of the guarantees above specified thresholds, events related to the restructuring of the obligations above a specified threshold, bankruptcy and a repudiation of and/or moratorium on the obligations above a specified threshold.

Embraer's residual value guarantees typically ensure that in the 15th year after delivery, the relevant aircraft will have a residual market value of 18% to 25% of the original sale price. In the event of a decrease in the market value of the underlying aircraft and an exercise by the purchaser of the residual value guarantee, Embraer will bear the difference between the guaranteed residual value and the market value of the aircraft at the time of exercise. Embraer's exposure is mitigated by the fact that the guaranteed party, in order to benefit from the guarantee, must make the aircraft meet specific return conditions.

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For a discussion of the risks related to Embraer's trade-in obligations and Embraer's financial and residual value guarantee obligations, see Item 3D. Risk Factors Risk Relating to Embraer Our aircraft sales are subject to cancellation provisions and trade-in options and financial and residual value guarantees that may reduce our cash flow or require us to make significant cash disbursements in the future included in the Annual Report of Embraer on Form 20-F for Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

Embraer continually re-evaluates its risk under its guarantees and trade-in obligations based on a number of factors, including the estimated future market value of its aircraft based on third-party appraisals, including information developed from the sale or lease of similar aircraft in the secondary market, and the credit rating of customers. See Note 9 to Embraer's condensed interim consolidated financial statements included in Financial Statements beginning on page F-1 of this prospectus and also Note 9 to Embraer's consolidated financial statements included in Item 18. Financial Statements included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus, for a further discussion of these off-balance sheet arrangements.

### *Year Ended December 31, 2004*

For a discussion of Embraer's financial and residual value guarantees in 2004, see Item 5E. Off-Balance Sheet Arrangements Financial and Residual Value Guarantees included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

### **Contractual Obligations**

#### *Nine Months Ended September 30, 2005*

The following table and discussion provide additional disclosure regarding Embraer's material contractual obligations and commercial commitments as of September 30, 2005.

Contractual Obligations	Total	Less than 1 year	1 - 3 years	3 - 5 years	More than 5 years
<b>Loans and expected interest</b>	US\$1,700.6	US\$576.9	US\$686.5	US\$351.1	US\$86.2
<b>Capital lease obligations</b>	5.6	2.9	2.6		
<b>Operating leases</b>	9.6	2.5	2.2	0.5	4.5
<b>Purchase obligations</b>	630.8	630.8			
<b>Other long-term liabilities</b>	1,594.3	74.8	816.5	220.3	482.5
<b>Total</b>	US\$3,940.9	US\$1,287.9	US\$1,507.8	US\$571.9	US\$573.2

The above table does not reflect contractual commitments related to trade-in options and financial and residual value guarantees discussed in Off-Balance Sheet Arrangements beginning on page 94 of this prospectus. See Item 3D. Risk Factors Risk Relating to Embraer Our aircraft sales are subject to cancellation provisions and trade-in options and financial and residual value guarantees that may reduce our cash flow or require us to make significant cash disbursements in the future included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

Purchase obligations consist of trade accounts payable and insurance payables.

Other long-term liabilities include recourse and non-recourse debt in the total amount of US\$612.4 million that relates to obligations of Embraer's consolidated SPEs. The above table does not reflect any information about Embraer's derivative instruments, which are discussed more fully in Quantitative and Qualitative Disclosures About Market Risk beginning on page 97 of this prospectus.

### *Year Ended December 31, 2004*

For a discussion of Embraer's contractual obligations at December 31, 2004, see Item 5F. Tabular Disclosure of Contractual Obligations included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

## Quantitative and Qualitative Disclosure About Market Risk

Embraer is exposed to various market risks, primarily related to potential loss arising from adverse changes in interest rates and foreign currency exchange rates. Embraer has established policies and procedures to manage sensitivity to interest rate and foreign currency exchange rate risk. These procedures include the monitoring of Embraer's levels of exposure to each market risk, including an analysis based on a forecast of future cash flows, the funding of variable rate assets with variable rate liabilities, and limiting the amount of fixed rate assets which may be funded with floating rate liabilities. Embraer may also use derivative financial instruments to mitigate the effects of interest rate fluctuations and to reduce its exposure to exchange rate risk.

The following sections address the significant market risks associated with Embraer's financial activities.

### *Interest Rate Risk*

*Nine Months Ended September 30, 2005*

Embraer's exposure to market risk for interest rate fluctuations principally relates to changes in the market interest rates of Embraer's U.S. dollar-denominated and *real*-denominated monetary liabilities, principally its short- and long-term debt obligations. Increases and decreases in prevailing interest rates generally translate into increases and decreases in interest expense. Additionally, the fair values of interest rate-sensitive instruments are also affected by general market conditions.

Embraer's short- and long-term debt obligations totaled US\$1,700.6 million at September 30, 2005 and were denominated in U.S. dollars, Brazilian *reais*, Japanese yen and Euros. Of the total amount of debt denominated in U.S. dollars, US\$1,412.2 million, approximately US\$759.3 million was fixed rate. The remaining floating rate U.S. dollar-denominated debt was indexed to either six-month or 12-month LIBOR. Of the US\$189.7 million of our Brazilian *reais*-denominated debt, US\$183.5 million bears interest at a variable rate based on the TJLP, the long-term interest rate in Brazil. The TJLP ranged from 9.75% per annum to 10% per annum during 2005. Embraer also maintains a subsidiary line of credit in an amount of US\$6.0 million which bears interest at a variable rate based on the CDI, the interbank deposit rate in Brazil. All of Embraer's US\$65.9 million of Japanese yen-denominated debt was floating rate indexed to the Japanese interbank deposit rate, or JIBOR. All of Embraer's Euro-denominated debt, totaling US\$31.5 million, was fixed rate.

The table below provides information about Embraer's short- and long-term debt obligations as of September 30, 2005 that are sensitive to changes in interest rates and foreign currency exchange rates.

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	Weighted Average Interest Rate September 30, 2005	Total Outstanding Amount	Outstanding Amount By Year of Maturity As of September 30,					Total Fair Value
			2006	2007	2008	2009	2010	
<i>(in thousands of US dollars, except percentages)</i>								
<b>Short-Term Debt and Current Portion of Long-Term Debt</b>								
U.S. dollars (LIBOR indexed)	6.39%	48,146	48,146					56,089
U.S. dollars (fixed rate)	5.62%	317,888	317,888					325,228
<i>Reais</i> (TJLP indexed)	11.94%	168,649	168,649					173,599
<i>Reais</i> (CDI indexed)	14.04%	145	145					206
Euro (fixed rate)	3.63%	7,423	7,423					8,918
Japanese yen (JIBOR indexed)	1.14%	33,272	33,272					34,627
GBPounds (fixed rate)	4.07%	1,365	1,365					1,365
<b>Total short-term debt</b>		<b>576,887</b>	<b>576,887</b>					<b>600,032</b>
<b>Long-Term Debt</b>								
U.S. dollars (LIBOR indexed)	6.39%	604,735	40,650	141,204	144,523	144,512	133,845	770,527
U.S. dollars (fixed rate)	5.62%	441,385	13,998	180,005	123,134	48,800	75,449	518,531
<i>Reais</i> (TJLP indexed)	11.94%	14,833	3,596	3,533	2,525	1,575	3,604	19,645
<i>Reais</i> (CDI indexed)	14.04%	6,051		6,051				8,616
Euro (fixed rate)	3.63%	24,084		2,408	4,817	4,817	12,042	48,420
Japanese yen (JIBOR indexed)	1.14%	32,665	32,665					33,995
Japanese yen (fixed rate)	0.00%							
<b>Total long-term debt</b>		<b>1,123,752</b>	<b>90,909</b>	<b>333,202</b>	<b>274,998</b>	<b>199,703</b>	<b>224,941</b>	<b>1,399,734</b>
<b>Total debt</b>		<b>1,700,639</b>	<b>576,887</b>	<b>90,909</b>	<b>333,202</b>	<b>274,998</b>	<b>224,941</b>	<b>1,999,766</b>

In order to manage interest rate risk on its monetary liabilities, Embraer has entered into a number of swaps, which effectively convert part of its fixed and floating interest rate U.S. dollar-denominated debt into CDI-based *reais*-denominated obligations. Specifically, as of September 30, 2005, Embraer had effectively converted US\$37.0 million of its U.S. dollar fixed interest rate debt into CDI-based *reais*, which, together with Embraer's US\$6.2 million subsidiary line originally bearing interest at CDI-based *reais*, totals the equivalent of US\$43.2 million of CDI-based *reais*-denominated obligations. The weighted average interest rate of these CDI-based obligations for the first nine months of 2005 was 12.59%. Through these swaps, Embraer has also effectively converted the yen equivalent of US\$65.9 million of its yen-denominated floating interest rate debt to an equivalent amount of U.S. dollar obligations with a fixed interest rate of 4.35% per annum. In addition, using swaps transactions Embraer has effectively converted US\$605.9 million of its U.S. LIBOR indexed debt to U.S. fixed rate debt. The weighted average fixed interest rate of these obligations for the first nine months of 2005 was 8.05% per annum. These swaps did not affect the maturity or amortization schedule of Embraer's existing debt.

These swaps are not accounted for as hedging transactions under U.S. GAAP. Nevertheless, they are recorded at fair value on Embraer's balance sheet, and Embraer recognized an unrealized loss of US\$27.4 million as of September 30, 2005 as part of interest income (expenses), net. For further information about the terms of these swap transactions, including notional amount, maturity date and fair value gains and losses, see Note 31 to Embraer's consolidated financial statements included in Item 18. Financial Statements included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

Embraer does not currently have any derivative instruments that limit its exposure to changes in the TJLP because it believes that its total exposure, combined with the relatively low volatility of the TJLP, is unlikely to have a material effect on Embraer.

The table below provides information about Embraer's short- and long-term debt obligations as of September 30, 2005, after considering the effects of the above-mentioned derivative transactions.





Weighted Average Interest Rate September 30, 2005	Total Outstanding Amount	Outstanding Amount By Year of Maturity As of September 30,					Total Fair Value
		2006	2007	2008	2009	2010	
<i>(in thousands of US dollars, except percentages)</i>							
<b>Short-Term Debt and Current Portion of Long-Term Debt</b>							
U.S. dollars (LIBOR indexed)	5.18%	1,296	1,296				1,055
U.S. dollars (fixed rate)	6.08%	384,121	384,121				400,075
<i>Reais</i> (CDI indexed)	12.59%	14,034	14,034				15,020
<i>Reais</i> (TJLP indexed)	12.22%	168,649	168,649				173,599
Euro (fixed rate)	3.48%	7,423	7,423				8,918
GBPounds (fixed rate)	4.07%	1,365	1,365				1,365
<b>Total short-term debt</b>		<b>576,887</b>	<b>576,887</b>				<b>600,032</b>
<b>Long-Term Debt</b>							
U.S. dollars (LIBOR indexed)	5.18%	45,644	4,814	20,659	10,090	10,080	50,028
U.S. dollars (fixed rate)	6.08%	1,010,039	98,210	287,073	243,907	175,477	205,402
<i>Reais</i> (CDI indexed)	12.59%	29,152	3,750	19,527	5,875		33,256
<i>Reais</i> (TJLP indexed)	12.22%	14,833	3,596	3,533	2,525	1,575	3,604
Euro (fixed rate)	3.68%	24,084		2,408	4,817	4,817	12,042
<b>Total long-term debt</b>		<b>1,123,752</b>	<b>110,370</b>	<b>333,202</b>	<b>267,214</b>	<b>191,919</b>	<b>221,048</b>
<b>Total debt</b>		<b>1,700,639</b>	<b>576,887</b>	<b>110,370</b>	<b>333,202</b>	<b>191,919</b>	<b>221,048</b>

In addition, as of September 30, 2005, US\$46.9 million of Embraer's U.S. dollar-indexed liabilities were exposed to LIBOR fluctuations.

*Year Ended December 31, 2004*

For a discussion of Embraer's quantitative and qualitative disclosure about interest rate risk in 2004, see Item 11. Quantitative and Qualitative Disclosure About Market Risk Interest Rate Risk included in the Annual Report of Embraer on Form 20-F for the Fiscal Year Ended December 31, 2004 attached as Annex A to this prospectus.

### **Foreign Currency Risk**

*Nine Months Ended September 30, 2005*

In managing its foreign currency risk, Embraer focuses on balancing its non-U.S. dollar-denominated assets against its non-U.S. dollar-denominated liabilities plus shareholders' equity in relation to its forecasts of future cash flows. Beyond the foreign currency exposure related to its debt obligations as summarized above, Embraer also has other assets and liabilities denominated in currencies other than the U.S. dollar. These assets and liabilities are primarily cash and cash equivalents, accounts receivable and payable, deferred income taxes, dividends and certain other assets and liabilities and are primarily denominated in Brazilian *reais*. The effects on such assets and liabilities of the appreciation or devaluation of foreign currencies against the U.S. dollar result in foreign exchange gains (losses) is recognized on Embraer's income statement as interest income (expenses), net.

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The table below provides information about Embraer's assets and liabilities exposed to foreign currency risk as of September 30, 2005 as well as the derivative transactions outstanding at the same date:

Total Outstanding Amount	Outstanding Amount by Year of Maturity As of September 30,						Total	Fair Value
	2006	2007	2008	2009	2010	Thereafter		
<i>(in thousands of US dollars, except percentages)</i>								
<b>ASSETS</b>								
<i>Cash and cash equivalents</i>								
In Reais	288,675	288,675					288,675	288,675
In Euro	11,162	11,162					11,162	11,162
In CNY	22,506	22,506					22,506	22,506
<i>Investments and temporary cash investments</i>								
In Reais	121,848	121,848					121,848	121,848
<i>Trade accounts receivable</i>								
In Reais	34,260	34,260					34,260	34,260
In Euro	107,982	107,982					107,982	107,982
<i>Deferred income taxes</i>								
In Reais	237,218	133,374	37,519	37,519	28,806		237,218	237,218
In Euro	1,121	1,121					1,121	1,121
<i>Other assets</i>								
In Reais	107,532	75,773	31,759				107,532	107,532
In Euro	2,810	2,394	416				2,810	2,810
<b>Total Assets in Reais</b>	<b>789,533</b>	<b>653,930</b>	<b>69,278</b>	<b>37,519</b>	<b>28,806</b>		<b>789,533</b>	
<b>Total Assets in Euro</b>	<b>123,075</b>	<b>122,659</b>	<b>416</b>				<b>123,075</b>	
<b>Total Assets in CNY</b>	<b>22,506</b>	<b>22,506</b>						
<b>LIABILITIES</b>								
<i>Loans and financing</i>								
In Reais	189,678	168,793	3,596	9,584	2,525	1,575	3,605	189,678
In Euro	31,507	7,423	2,408	4,817	4,817	4,817	7,225	31,507
In Japanese Yen	65,937	33,272	32,665					65,937
In GBPounds	1,365	1,365						1,365
<i>Trade accounts payable</i>								
In Reais	25,388	25,388					25,388	25,388
In Euro	34,285	34,285					34,285	34,285
<i>Advances from customers</i>								
In Reais	16,559	16,559					16,559	16,559
<i>Other payables &amp; accrued liabilities</i>								
In Reais	109,594	104,039	5,555				109,594	109,594
In Euro	7,404	7,404					7,404	7,404
<i>Taxes and payroll charges payable</i>								
In Reais	80,501	31,401	14,612	14,612	7,418	2,280	10,178	80,501
In Euro	4,339	4,339						4,339
In CNY	22,766	22,766						22,766
<i>Accrued taxes on income</i>								
In Reais	1,923	1,923					1,923	1,923
In Euro	3,048	3,048					3,048	3,048
<i>Deferred income tax liabilities</i>								
In Reais	215,878	98,981	42,235	42,235	32,427		215,878	215,878
In Euro	43,990	43,990					43,990	43,990
<i>Accrued dividends</i>								

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In Reais	46,597	46,597					46,597	46,597
<b>Contingencies</b>								
In Reais	593,418	77,304	503,014	5,057	3,536	4,507	593,418	593,418
In Euro	237	237					237	237
<b>Total Liabilities in Reais</b>	1,279,536	570,985	569,012	71,488	45,906	8,362	13,783	1,279,536
<b>Total Liabilities in Euro</b>	124,810	100,726	2,408	4,817	4,817	4,817	7,225	24,810
<b>Total Liabilities in Japanese Yen</b>	65,937	33,272	32,665					65,937
<b>Total Liabilities in CNY</b>	22,766	22,766						22,766
<b>Total Liabilities in GBPounds</b>	1,365	1,365						1,365
<b>Total exposure in Reais</b>	(490,005)	82,942	(499,734)	(33,969)	(17,100)	(8,361)	(13,783)	(490,003)
<b>Total exposure in Euro</b>	(1,736)	21,931	(1,922)	(4,817)	(4,817)	(4,817)	(7,225)	(1,735)
<b>Total exposure in Japanese Yen</b>								