



 INVESTMENT GUIDE TO
BRASIL2014

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PREFACE

Welcome to our comprehensive guide to investing in Brazil. In this publication you will gain an insight into Brazil's economy and the essentials you need to know in order to successfully invest in the Brazilian market.

Brazil is an open and diversified economy with a wide array of opportunities across multiple productive sectors. For many investors, considering growing a business in a market as vast and dynamic as Brazil is an exciting prospect. This is why the Government of Brazil is making a concerted effort to help support international investors who are developing business projects in Brazil. Brazil is open for business, and we are here to help.

At a time when global business is confronted with ongoing economic uncertainty, Brazil stands out as a stable economy underpinned by solid growth. In 2012, Brazil was the world's third-largest recipient country for foreign direct investment. In the past two years alone, businesses and entrepreneurs from across the globe have invested a record US\$132 billion in Brazil.

ABOUT THIS GUIDE

This guide brings together essential information from various government sources to make it easier for you, to get to know Brazil, its economy, growth sectors, business climate and investment framework.

It is the product of cooperation among Brazil's government support partners which are responsible to assist foreign investors: the Ministry of External Relations; the Brazilian Trade and Investment Promotion Agency (Apex-Brazil); the Brazilian Investment Information Network (RENAI) of the Ministry of Development, Industry and Foreign Trade; and the Secretary of International Relations of the Ministry of Agriculture, Livestock and Food Supply (MAPA). Each institution has its own responsibilities, but all four work in close cooperation with one another, as well as with the private sector and other relevant public bodies.

This guide is designed to meet the needs of two types of investor. For potential investors unfamiliar with Brazil, the guide contains useful, fact-filled information, profiles Brazil's growing economy and provides snapshots of major business opportunities in productive sectors. For investors ready to do business in Brazil and existing investors seeking to expand their Brazilian business operations, the guide also serves as a reference companion to Brazil's investment framework, including how to establish and run a business in the country and government incentive programs to help expand businesses in priority sectors.

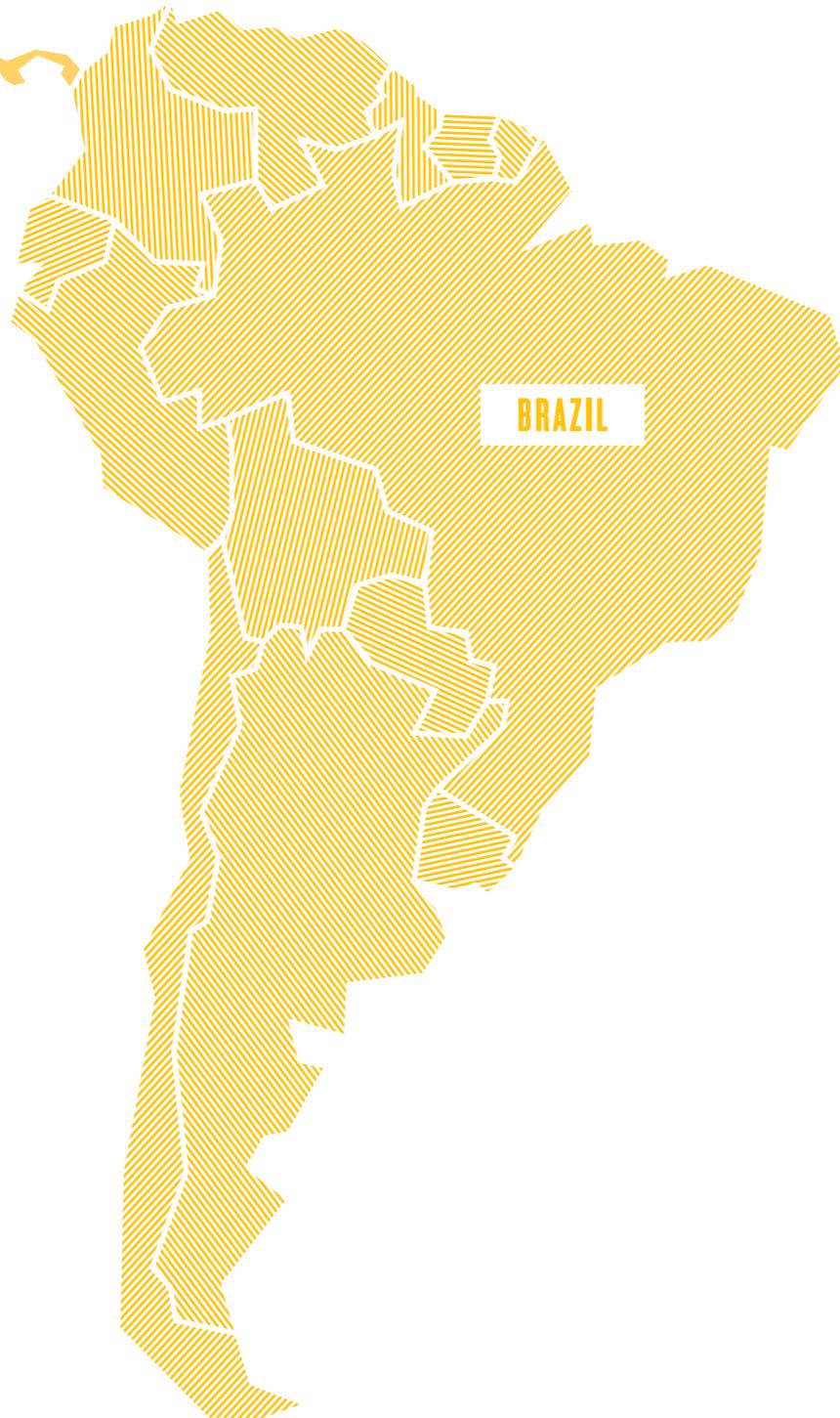
The information contained in this guide was compiled in 2013.

1.

BRAND

WELCOME TO

1 WELCOME
TO
BRAZIL



WHY BRAZIL? BRAZIL'S COMPETITIVE EDGE 10 KEY REASONS TO CHOOSE BRAZIL

With an area covering 8.5 million square kilometers that is home to 201 million people, a territory rich in natural resources, a leading industrial base and a strong democracy, Brazil is currently one of the most attractive countries for foreign investment.

1 LEADING REGIONAL ECONOMY

- ▶ Brazil is a global growth engine and the second-largest emerging market in the world after China, with a nominal GDP of \$2.4 trillion in 2012 and a 3.8% average GDP growth rate over the last decade (2002-2012).
- ▶ Brazil's economy rests on solid foundations of macroeconomic stability and inclusive growth. This enabled Brazil to weather the global economic crisis well, with the economy rebounding from the 2009 global recession with 7.5% growth in 2010.

2 SECURE INVESTMENT FRAMEWORK

- ▶ Brazil was the 3rd-largest FDI recipient in 2012 and the top destination in Latin America.
- ▶ Profits of multinational companies operating in the region have grown five and a half times in just nine years, from \$20.4 billion in 2002 to \$113.1 billion in 2011. Brazil is open to foreign direct investment and continues to attract leading and innovative international businesses thanks to a secure investment framework and highly competitive economy.

3 HUGE DOMESTIC MARKET

- ▶ Brazil has one of the largest consumer markets in the world, with over 201 million inhabitants, and it is growing fast. It is due to become the fourth-largest economy in the world by 2050 according to PwC.
- ▶ 40 million new consumers have joined a burgeoning middle class since 2003, driving growth across a variety of sectors.
- ▶ Brazil is currently the world's 3rd-largest market for beauty and healthcare products; 3rd-largest for PCs; 4th-largest for mobile phones, automobiles and TVs; and 5th-largest for medical equipment.

4 A GLOBAL PLAYER

- ▶ The 'B' in BRICS – a global growth engine for today and tomorrow.
- ▶ Brazil is home to a competitive industrial sector. A series of market reforms, including steadily declining interest rates, lower electricity costs, improved access to financing, a reduced tax burden on companies and reduced logistics costs through unprecedented infrastructure investment programs have strengthened industry.
- ▶ Brazil is home to Latin America's largest aerospace, automotive, oil and gas, mining, capital goods, medical equipment and chemical industries.

5 ENERGY POWERHOUSE

- ▶ Brazil is home to the world's 10th-largest petroleum reserves and the largest oil discovery made in the Western Hemisphere in the past 30 years with the pre-salt deep-water oil finds off Brazil's southeast coast.
- ▶ Largest exporter and 2nd-largest producer of ethanol biofuel in the world.
- ▶ World's largest river basin and home to 12% of the planet's surface water, with hydroelectric power supplying 73% of Brazil's energy needs.

6 INNOVATION HOTBED

- ▶ Relevant player in research, development and innovation.
- ▶ \$15 billion in credit and grants to support innovative projects by companies will be invested by 2014 under the *Inova Empresa* program.
- ▶ Science Without Borders program will send 100,000 of the best and brightest Brazilian students overseas to pursue graduate studies and research projects at the world's best universities to bring new talent to Brazil when they return.

7 WORLD-CLASS WORKFORCE

- ▶ Brazil's demographic dividend: the vast majority of the population falls within the economically active range, with a positive demographic trend until at least 2020.
- ▶ Young, dynamic workforce, supported by government professional training programs that can be implemented in partnership with businesses.

8 MAJOR INFRASTRUCTURE PROJECTS

- ▶ Brazil is making unprecedented investments in infrastructure under the Accelerated Growth Program and the Logistics Investment Program.
- ▶ The pipeline of investment projects includes 10,000km of new railways, 7,500km of highways to be widened and extended, development of 270 regional airports, new urban mobility projects for Brazil's medium and large cities, new, efficient and integrated ports, the development of 4 international airports, new electricity transmission lines and hydroelectric power plants.
- ▶ The new projects will reduce costs for business and generate related business activities in the transportation and logistics segment.

9 AGRICULTURAL POWERHOUSE

- ▶ Among the world's top producers and exporters of sugar, ethanol biofuel, orange juice, coffee, soybeans, beef, poultry, pork, tobacco and forest products.
- ▶ New agricultural frontiers being opened up for agricultural development, putting Brazil at the cutting edge of innovation, research and development in agricultural techniques, technologies and productivity gains.
- ▶ Sustainable agriculture: Brazil has the lowest carbon emissions among the world's largest agricultural players.

10 GATEWAY TO LATIN AMERICA

- ▶ Brazil's largest cities are consolidating their position as global investment headquarters not only for Brazil, but for the entire Latin American region.
- ▶ Brazil is a member of the South American Common Market (Mercosur) and is connected to all countries in South America by free trade agreements.

2.

BRAND

DISCOVER



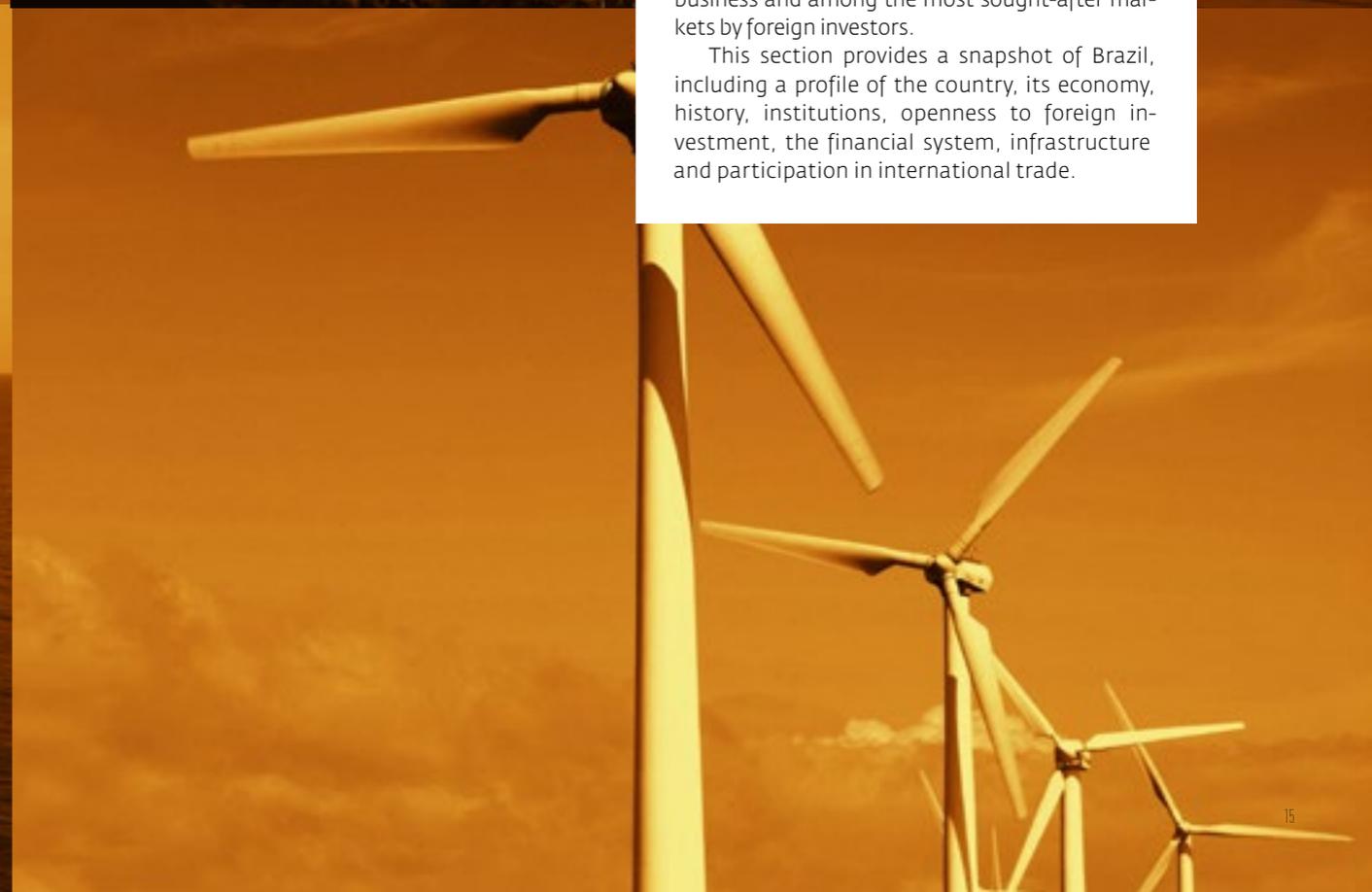
INTRODUCTION

The Federative Republic of Brazil is the largest economy in Latin America and one of the world's largest engines of economic growth. While any mention of Brazil often conjures images of soccer, samba and stunning tropical landscapes in the minds of foreign investors, there is a reason Brazil is forecast to become the fifth-largest economy on the planet by 2050. It's because Brazil is a highly diversified economy and one of the largest consumer markets in the world, with a highly productive agriculture sector, a broad and sophisticated industrial base, one of the most solid and prudently regulated financial sectors in the G20, the largest stock market in Latin America and has abundant natural resources, including energy.

What makes Brazil a great place in which to do business is the sheer potential of internal growth in all sectors. As an emerging economy, Brazil faces structural challenges that are business opportunities in themselves.

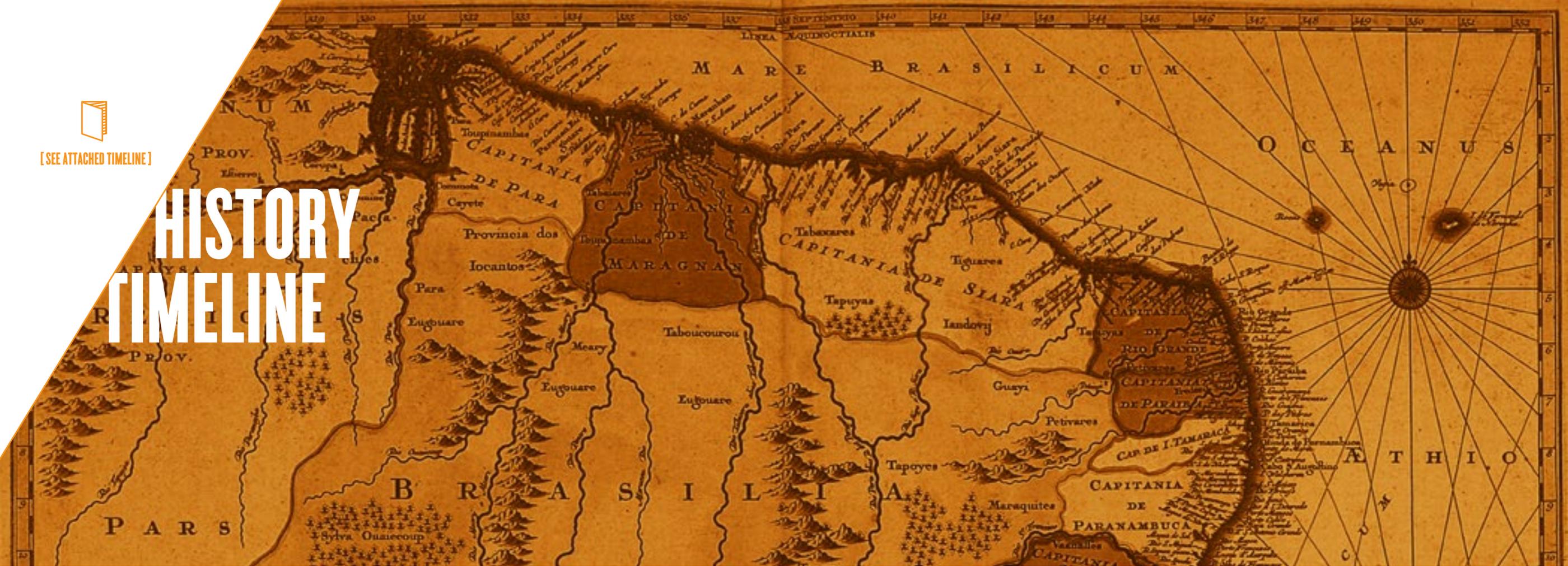
The Brazilian government's top priority is to ensure sustainable economic development and prosperity for all. Foreign investment in Brazil plays a crucial role in helping to achieve this objective, which is why Brazil is open for international business and among the most sought-after markets by foreign investors.

This section provides a snapshot of Brazil, including a profile of the country, its economy, history, institutions, openness to foreign investment, the financial system, infrastructure and participation in international trade.



[SEE ATTACHED TIMELINE]

HISTORY TIMELINE



Brazil is home to an indigenous population of approximately 900,000 individuals – the contemporary descendants of the native peoples of Brazil that first inhabited this part of the Americas.

European explorers arrived in South America during the late 15th century during the Age of Discovery. Brazil was officially “discovered” in 1500 by the Portuguese explorer Pedro Álvares Cabral, which led to Brazil being established as a colony of the Portuguese Empire when the Treaty of Tordesillas divided the New World between Spain and Portugal, but attempts to gain a foothold in Brazil were also made by France (*France Antartique*) and the Netherlands (New Holland). At this time, Brazil was a preeminent supplier of riches from the New World, including a lustrous, deep-red timber called brasilwood, from which Brazil may have derived its name. Not all trade was positive: Brazil was part of the slave trade from Africa to provide labor to work on the sugar plantations, but slavery was outlawed in 1888. Today,

Brazil marks Black Awareness Day every year on November 20, the anniversary of the death in 1695 of Zumbi dos Palmares, a leader of escaped slaves who fought for the right to live free.

By the 18th century Brazil had become established as a source of mineral riches – gold in particular – and the largest global supplier of coffee, which grew so important as a sector that its production came to dominate Brazil’s economy. Around this time, the capital of Brazil was moved to Rio de Janeiro, after having been in Salvador for over 200 years. During the Napoleonic Wars in Europe in the early 19th century, the Portuguese court left Lisbon to seek shelter in Brazil. This prompted Brazil’s first wave of economic development, as Rio de Janeiro became the center of the Portuguese Empire. However, Brazil was limited to trading with Portugal and its ally, Great Britain. There were stirrings of unrest against Portuguese rule, the most celebrated of which is the Minas Conspiracy, during which a young cavalry officer

and dentist nicknamed Tiradentes was hanged. These planted the seeds of Brazilian nationhood. Seeking greater autonomy from European affairs in order to promote the social and economic development of Brazil, Emperor Pedro I declared independence on September 7, 1822. September 7 is celebrated each year as Independence Day, a national holiday in Brazil. Uniquely among Latin American nations, Brazil’s independence was negotiated peacefully with Portugal, while the Spanish viceroynalties in America had to fight fiercely to win their independence.

Brazil became a republic on November 15, 1889, following a peaceful republican movement. The fledgling republic adopted a federal system of government that still exists today, with the same institutions – an executive branch led by a President, a bicameral National Congress vested with legislative authority and an independent Supreme Court.

In the 1930s Brazil was hit by the Great Depression that spread contagion into Brazil’s economy

as a result of a collapse in international coffee prices. The government was overthrown by force by a revolutionary movement led by Getúlio Vargas, who went on to become president. During the presidencies of Getúlio Vargas and Juscelino Kubitschek, Brazil adopted a strategy of rapid industrialization through import substitution. Industrialization and domestic production was encouraged. President Kubitschek is celebrated as the President who decided to move Brazil’s capital from Rio de Janeiro to the geographic heart of the country as part of this economic development strategy. The new capital, Brasília, was inaugurated in 1960 and has grown from an administrative center to become the fourth-largest city in Brazil.

The 1960s and 1970s saw Brazil fall under a period of military rule that came to an end in 1985, when power was transferred back into civilian hands and free elections were held. Despite strong GDP growth led by industrial production during this period, huge swathes of the popu-

lation remained in abject poverty as a result of rampant inflation. Human rights abuses were widespread.

The 1980s was a period of economic instability across Latin America due to the energy shocks and ensuing sovereign debt crises that saw many countries in the region – including Brazil – struggle to balance public finances. Most of Brazil's governments during this period struggled to contain hyperinflation, but at the same time important structural reforms were carried out by opening Brazil to international trade and beginning to liberalize sectors of the economy to encourage private sector initiatives.

In 1994 a successful formula for ensuring economic stability was achieved. Brazil introduced a new currency – the real – and created a macroeconomic framework aimed at inflation-targeting, fiscal responsibility and insulating the economy from external shocks. This plan – called the Real Plan – laid the foundations on which Brazil's subsequent economic growth has been built.

The first decade of the new century was defined by many great achievements for Brazil, but perhaps the single most transformational moment came through the efforts to improve the quality of life for the poorest members of Brazilian society. During this period, 40 million Brazilians entered Brazil's middle class, with access to social housing, electricity, education and food. In 2012 the first female president of Brazil took office.

OVERVIEW OF BRAZIL'S TERRITORY, STATES AND PEOPLE

Brazil is the fifth-largest country in the world in both population size and total land mass. It is the largest country in Latin America and occupies most of the land-mass of the South American continent.

There are six main biomes in Brazil. Almost the entire Northern Region is covered by the Amazon Rainforest. The central part of the country is tropical savannah and scrub called *cerrado*. The Northeast encompasses a dry outback called *caatinga* and also a large *cerrado* area. The Southeast coast and most of the South are covered by the Atlantic Rainforest. In addition, there are two smaller biomes: the Pantanal Wetlands near the border with Bolivia and the Pampas in the far south on the border with Argentina and Uruguay.

Most of Brazil lies in a tropical climate zone, except for the South which is situated in a temperate zone. In general terms, temperatures in the country tend to vary between highs of 30°C (86°F) and lows of 15°C (59°F), depending on the season. As a southern hemisphere country, Brazil's summer runs from November through February, and winter from June through September. Temperatures in the South and Southeast of the country can reach freezing during the southern hemisphere winter, particularly at higher elevations. The North, on the other hand, tends to remain hot and humid throughout the year. The Midwest of the country and the Northeast have essentially two seasons: a dry season (roughly June through September) and a rainy season (October through May). The country is relatively free from natural disasters, although heavy rainstorms have been known to cause occasional flooding and landslides in mountainous areas.

TERRITORIAL ORGANIZATION OF BRAZIL

Brazil is a federation, administratively divided into twenty-six states and one Federal District, each with its own independent local government. The states are in turn grouped into regions.

The regions of Brazil are geographic areas that group neighboring states together. The regions are used for statistical and cultural purposes only; there is no regional level of government. There are five regions in Brazil, described below.

THE NORTH

STATES: AMAZONAS, PARÁ, ACRE, RONDÔNIA, RORAIMA, AMAPÁ, TOCANTINS

This region lies mostly within the Amazon basin and the territory is dominated by rainforest and numerous tributaries of the Amazon River. By volume, this area holds the largest concentration of freshwater in the world and one-fifth of the planet's freshwater reserves. The two largest cit-

ies in the region are Manaus, capital of the state of Amazonas and an important manufacturing cluster as Brazil's largest Free Trade Zone, and Belém, capital of the state of Pará, which has an important maritime port. The Amazon is an important trade corridor, with a lot of goods shipped by barge between Manaus and Belém for onward shipment to the Brazilian domestic and international export markets. The state of Pará is an important mining center, home to the Carajás Iron Ore Mine, the largest iron ore mine in the world.

THE NORTHEAST

STATES: MARANHÃO, PIAUÍ, CEARÁ, RIO GRANDE DO NORTE, PARAÍBA, PERNAMBUCO, BAHIA, ALAGOAS, SERGIPE

One of the fast-growing regional economies in Brazil, the Northeast is situated in an area that encompasses both the arid *caatinga* and the semi-arid *cerrado* biomes. Vast stretches of this region, which contains nearly 30% of the Brazilian population, are subject to frequent drought. Industrial development is an important and fast-growing sector in the region. Salvador, the largest city in the region and the capital of the state of Bahia, has an important manufacturing cluster, while Recife, the second-largest metropolitan area in the region and capital of the state of Pernambuco, is home to the Suape Industrial Complex and the Recife Digital Port, an ICT innovation hub. Sizable oil fields and mineral deposits are located in the region, and in recent years the Federal Government (through the Northeastern Brazil Development Agency – SUDENE) has been giving the Northeast special attention. Significant resources have been allocated to its improve-

ment, with considerable success.

Pernambuco and Bahia were the first major centers of colonial Brazil and they still exert a very strong influence on Brazilian culture. Much of what is characteristically Brazilian in music, folklore and cuisine originated in this region. Both Ceará and Maranhão ports of Pecém and Itaqui are important hubs for agricultural and iron ore exports.

THE MIDWEST

STATES: FEDERAL DISTRICT, GOIÁS, MATO GROSSO, MATO GROSSO DO SUL

This region, covered with extensive savannah and tropical grasslands (*cerrado*), is still sparsely populated. Once one of the more isolated areas of the country, this region has experienced a rapid expansion of its rural production and established new industries. The national capital, Brasília, founded in 1960, was moved to this region when the then President Juscelino Kubitschek made the decision to move the capital of Brazil to the heart of the country as part of a national economic develop-

BRAZIL IN NUMBERS DEMOGRAPHICS

▶ Brazil is the 5th-largest country in the world by population.

▶ Demographic Dividend: Brazil's population is highly concentrated in the working-age range

▶ 40 million Brazilians have entered the middle class since 2002

▶ 22 million Brazilians have been lifted out of extreme poverty since 2011

▶ Total population

201.032.714 million (2010 Census)

▶ Population living in urban areas

84% of total

▶ Language

Portuguese

▶ Largest cities

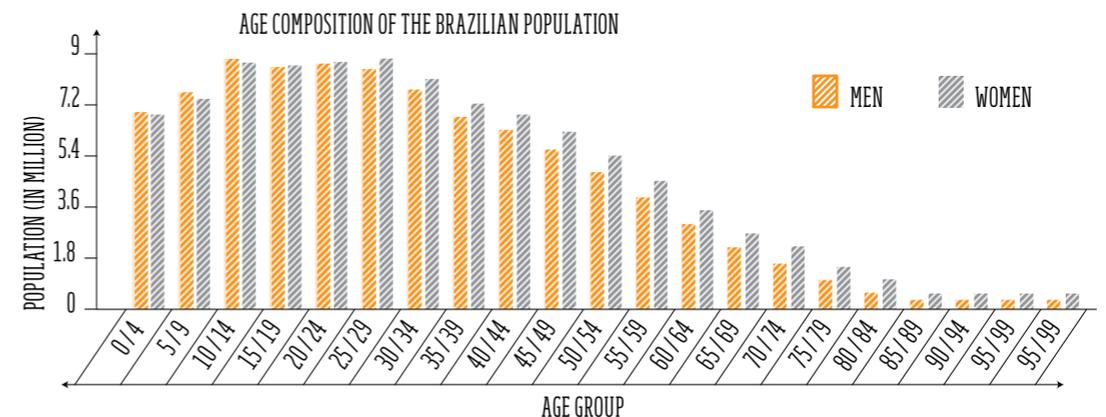
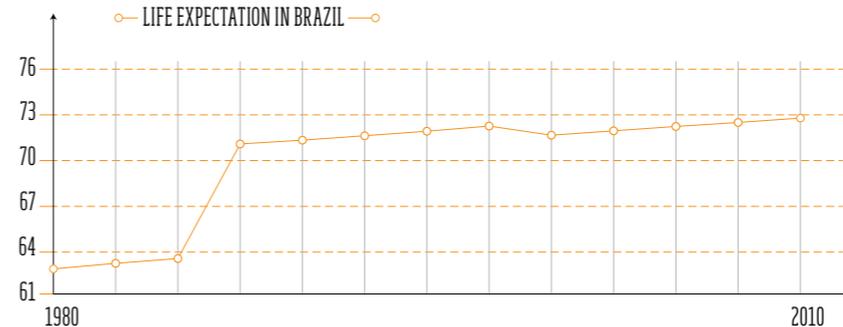
São Paulo (11.4m), Rio de Janeiro (6.4m), Salvador (2.7m), Brasília (2.6m), Fortaleza (2.5m), Belo Horizonte (2.4m), Manaus (1.9m), Curitiba (1.8m), Recife (1.6m), Porto Alegre (1.4m)

▶ Ethnicity

white 48.2%,
mixed ancestry 44.2%,
black 6.9%,
Asian 0.7%,
indigenous peoples of Brazil 0.7%

▶ Religion

No State religion exists in Brazil; the Constitution guarantees freedom of belief and expression. Most of the population are Christian (64.6% Roman Catholic and 22.2% Protestant). 8% declare themselves to have no religion, while 2% are Spiritist.





LARGEST CITIES IN BRAZIL

Source: Globo

ment plan. Goiânia is the second-largest city in the Midwest. A planned city like Brasília, Goiânia and its surrounding hinterland is an area traditionally dominated by agribusiness, but recent industrial projects are opening up the region to new activities, including automotive manufacturing.

THE SOUTHEAST

STATES: ESPÍRITO SANTO, MINAS GERAIS, RIO DE JANEIRO, SÃO PAULO

The Southeast is Brazil's industrial heartland, most densely populated region and has the largest economy among Brazil's regions, with a diversified production base that includes industrial manufacturing, agriculture and services. The state of São Paulo accounts for 33% of Brazil's total GDP. The largest cities in the region are São Paulo (the largest city in the southern hemisphere and Latin America's largest financial center), Rio de Janeiro (the host city for the 2016 Olympic Games

and second-largest city in Brazil), Belo Horizonte (the center for many of Brazil's mining businesses) and Campinas, a center for regional agribusiness and an important industrial center.

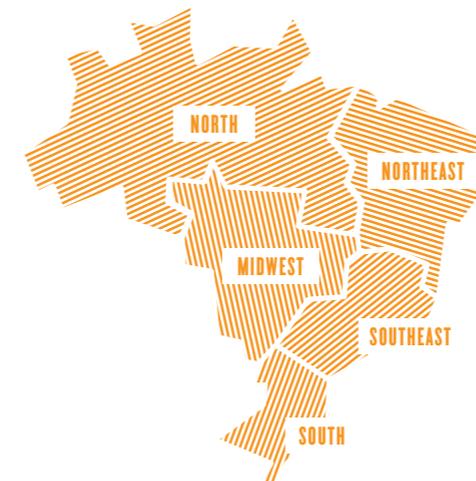
THE SOUTH

STATES: PARANÁ, RIO GRANDE DO SUL, SANTA CATARINA

The South of Brazil is an area shaped by European immigration, particularly from Germany, Italy and Eastern Europe. Traditions from the Old Continent – and its languages – are still preserved in the culture of Southern Brazil. The South has among the highest levels of infrastructure, human development and economic diversity rates in Brazil. Towards the very south, in the state of Rio Grande do Sul, the highland plateaus sweep down to wide plains called the pampas, home to gaucho culture. The largest city in the region is Porto Alegre, the capital of Rio Grande do Sul.

BRAZIL IN NUMBERS TERRITORY

- ▶ Brazil is the fifth-largest country in the world by total area and occupies almost half of the entire South American continent
- ▶ Brazil is the world's fourth-largest democracy
- ▶ The heart of South America: Brazil occupies almost half of the South American continent and shares land borders with Argentina, Bolivia, Colombia, Guyana, Paraguay, Peru, Suriname, Uruguay and Venezuela as well as the French Overseas Region of French Guiana.
- ▶ Most of the Amazon Rainforest is situated within Brazil's borders
- ▶ Size: 8,514,876.6 km²
- ▶ Land border: 15,735 km
- ▶ Coastline: 7,367 km
- ▶ Arable land: 388m hectares
- ▶ Administrative divisions: Brazil is divided into 26 states and a Federal District, which have their own directly elected governments and independent administrations.
- ▶ They are grouped into 5 regions:
 - » Midwest (agricultural heartlands of the country's cerrado biome)
 - » North (mainly the Amazon Basin)
 - » Northeast (encompasses a large part of the arid caatinga biome)
 - » South (includes the Brazilian pampas and part of the Atlantic Rainforest)
 - » Southeast (the Atlantic Rainforest and some of the semi-arid cerrado biome)
- ▶ Population distribution per Region: Southeast (42.1%), Northeast (27.8%), South (14.4%), North (8.3%) and Midwest (7.4%)



MATURE DEMOCRACY WITH STRONG INSTITUTIONS

Since a return to democracy in the early 1980s, Brazil has sought to improve accountability and ensure a strict separation of powers. In 1988 Brazil adopted a new Constitution, which is Brazil's highest law of the land. The Constitution enshrines liberal democracy in Brazil.

The Constitution provides for executive power to be vested in a President, who is both Head of State and Head of the Government, and is elected by universal adult suffrage. The current President of Brazil is Dilma Rousseff, an economist who campaigned against Brazil's military government in the 1960s and 1970s. The President of Brazil is elected for a term of four years, and can be reelected once.

The legislative branch is the National Congress, which is divided into two houses: the House of Representatives, the members of which reflect the relative populations or the states they represent, and the Federal Senate, which ensures equal representation of all states and the Federal District. Elections to the House of Representatives are held every four years under a system of proportional representation. Elections to the House of Representatives coincide with the presidential elections. The Federal Senate is elected by a first-past-the-post system, with senators elected to serve an eight-year term. Elections take place at

the same time as those to the Presidency and the House of Representatives, but Senate terms are staggered, so either two-thirds or one-third of seats will be up for a vote in any given election.

Brazil's judiciary is independent from the legislative and executive branches. The highest court in the land is the Federal Supreme Court. Justices to the court are appointed by the President when vacancies arise.

Since the 1980s, Brazil's government has been led by six presidents, each with different policies and visions for Brazil's development. Transitions from one administration to the next are smooth and ensure continuity, including with regard to long-term investment plans.

Today, Brazil participates in the Open Government Partnership, a multilateral initiative aimed at promoting transparency, increasing civic participation, combatting corruption and harnessing new technologies to improve the accountability, effectiveness and openness of participating governments.

POLITICAL

▶ Brazil is a federal republic and constitutional democracy, with a presidential system of government

▶ Brazil is the world's fourth-largest democracy

▶ Full name:
Federative Republic of Brazil

▶ Capital:
Brasília

▶ National Day:
September 7 (Independence Day, celebrates the end of colonialism in Brazil)

▶ Form of government:
Brazil is a federal presidential republic and constitutional democracy. The Constitution of Brazil (ratified in 1988) ensures the separation of powers between the executive, legislative and judicial branches.

▶ Executive authority:

The President of Brazil is Brazil's Head of State and Government, elected by universal adult suffrage in a two-round system. The current President is Dilma Rousseff (since January 1, 2011), the first woman to be elected President of Brazil. The President is advised by her Cabinet, composed of Ministers entrusted with a specific portfolio of responsibility.

▶ Legislative authority:

The Congress of Brazil is divided into the House of Representatives and the Federal Senate. Both houses are elected by universal adult suffrage. The current Speaker of the House is Rep. Henrique Eduardo Alves. The current Speaker of the Senate is Sen. Renan Calheiros.

▶ Judicial authority:

Brazil's judiciary is independent from both the executive and legislative branches. The highest level is the Federal Supreme Court. Supreme Court Justices are appointed by the President upon vacancies arising following the retirement or death of an incumbent. The current Chief Justice is Joaquim Barbosa.

▶ **Nominal GDP of \$2.4 trillion (seventh-largest in the world in 2012)**

▶ **Sovereign credit rating:**
BBB (Fitch), Baaz (Moody's), BBB (S&P) – all investment grade

▶ **GDP per capita:**
\$11,400 (2012)

▶ **GDP growth rate of almost 4% over the decade 2002-2012**

▶ **GDP composition per sector (2012):**
67.2% services, 27.4% industry, 5.4% agriculture

▶ **International reserves:**
\$379 billion (2012)

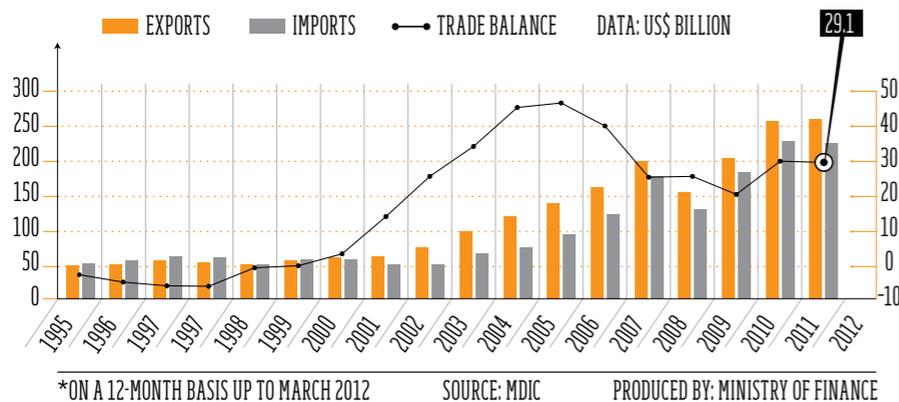
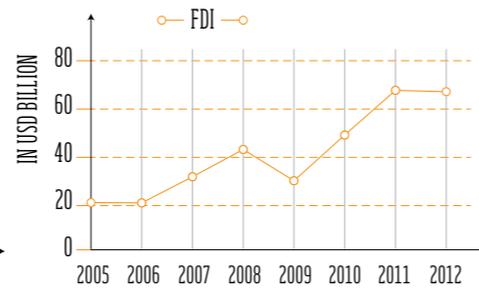
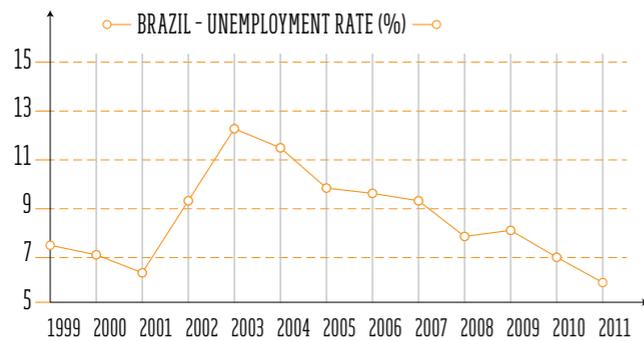
▶ **Real GDP growth:**
5.1% (2008), -0.3% (2009), 7.5% (2010), 2.7% (2011), 0.9% (2012)

▶ **Unemployment rate (average):**
7.9% (2008), 8.1% (2009), 6.7% (2010), 6.0% (2011), 5.5% (2012)

▶ **Foreign direct investment:**
\$45.1bn (2008), \$25.9bn (2009), \$48.5bn (2010), \$66.7bn (2011), \$65.3bn (2012)

▶ **Net public debt:**
38.5% (2008), 42.1% (2009), 39.1% (2010), 36.4% (2011), 35.1% (2012)

▶ **Exports:**
\$198bn (2008), \$153bn (2009), \$202bn (2010), \$256bn (2011), \$243bn (2012)



SOUND MACROECONOMIC CREDENTIALS

Brazil's nominal GDP currently stands at \$2.4 billion, making Brazil the seventh-largest economy in the world. According to the investment bank Goldman Sachs, Brazil is forecast to become the world's fourth-largest economy by 2050.

Over the past decade, Brazil has emerged as one of the world's most dynamic global markets. Sustainable economic growth underpinned by social inclusion through income distribution policies and respect for the environment has proven to be a winning economic formula, propelling Brazil towards becoming the world's fourth-largest economy. Latin America has shown impressive resilience in the face of global economic headwinds, leading economists to state that this decade will be known as the Latin American Decade, with Brazil at its heart as the region's largest economy and business hub.

BRAZILIAN ECONOMIC DEVELOPMENT: A HISTORICAL PERSPECTIVE

21st-century Brazil is very different from the Brazil of the 1980s, when the country was buffeted by a series of international debt crises. Thanks to the country's large and growing domestic market and high degree of diversification, Brazil has since consolidated macroeconomic stability, become a net external creditor in 2010 by paying off its debt to the International Monetary Fund, reduced net debt-to-GDP ratio to an historic low of 35% and accumulated international reserves totaling \$380 billion.

At the same time, conditional cash transfer programs to families, such as the internationally known *Bolsa Família* ("Family Grant"), have lifted 40 million Brazilians out of poverty and into an emerging middle class. Currently this income bracket, referred to as the "C Class" in Brazil, represents 55% of Brazil's total population and is expected to grow from 105 million in 2011 to 118 million in 2014. Combined with a positive demographic outlook through 2020 and supported by improved access to consumer credit, Brazil's domestic market is set to continue to grow into the future.

AN INDUSTRIAL AND RESOURCE POWERHOUSE

Brazil is a market of superlatives. It is the world's fifth-largest country by population and landmass, the world's seventh-largest economy by nominal GDP (and also when measured on a purchasing power parity basis) and the second-largest emerging market in the world after China by both market size and total GDP.

Brazil is a leading global player in a broad range of economic sectors.

In advanced manufacturing, Brazil is proud to host multinational original equipment manufacturers, as well as homegrown talent, in aerospace, automotive, capital goods, chemicals, construction, electronics, engineering, information and communications technologies, life sciences and oil and gas. Brazil is also home to world-class service industries, including construction, engineering and financial and professional business services.

Commodities continue to play an important role in Brazil's economic emergence and have done so ever since European settlers first arrived in Brazil, with the country's name likely deriving from a commodity – a lustrous red timber called *brasilwood*. Agricultural advances over the past twenty years have seen Brazil emerge as one of the most vitally important food producers in the world. Today, Brazil is among the top producers and exporters of a wide range of commodities, including biofuels (ethanol and biodiesel), iron ore, soybeans, coffee, oranges, poultry, beef, pork, aluminum and forest products.

Recent oil and gas discoveries – the largest find in the last 30 years in the Americas – as well as abundant renewable energy resources, including hydro, wind and solar power, all contribute to increasing Brazil's status as a major international energy player, currently holding the 10th-largest oil reserves on the planet.

BRAZIL: STRONG AND STABLE

The ongoing crisis in advanced economies highlights just how far Brazil has come since the lost decade of the 1980s. Since then, Brazil has seen its average GDP growth rate increase every ten years, from less than 2% in the 1980s to 2.7% per year over the decade from 1991 to 2001, to almost 4% over the ten years from 2002 through 2012. At a time when advanced economies are facing poor growth prospects relative to past performance, Brazil stands out for its solid fundamentals and positive long-term prospects.

ECONOMIC LIBERALIZATION AND REFORMS

Brazil's financial stability and economic strength stems from reforms made during the 1980s and 1990s that opened Brazil to international trade and liberalized key sectors of the economy by removing government monopolies and fostering competition. In 1994, after several frustrated attempts to bring down inflation, the Brazilian government introduced the "Real Plan," a successful stabilization program that introduced the currency that Brazil uses today – the real (plural: reais). The Real Plan managed to achieve a sustained reduction in prices, ending three decades of hyperinflation in Brazil. Since that time, prices have remained stable. The Real Plan made ambitious structural reforms that gave Brazil what is known as its macroeconomic "tripod" of stability – inflation targeting, commitment to a free-floating exchange rate and prudent management of public finances. This tripod, adopted in 1994 and managed by an autonomous Central Bank and the Brazilian government, has remained at the heart of Brazil's macroeconomic policy framework ever since, irrespective of changes in government.

One of the main consequences of ending inflation was an improvement in income distribution. The restoration of the value of the currency and the return to economic growth brought about an increase in the purchasing power of the less privileged members of the population and a significant reduction in poverty.

POSITIVE BUSINESS ENVIRONMENT

Brazil is an open economy, in particular when it comes to foreign direct investment. Many of the largest companies operating in Brazil today are a product of foreign direct investment. This is the case, for example, in the automotive sector and in many other consumer segments. International investors in Brazil today benefit from strong market fundamentals, a supportive investment framework, a modern and efficient financial system and a world-class workforce.

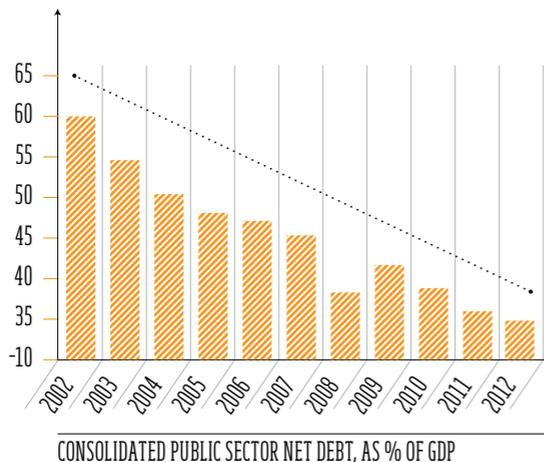
CHALLENGES AND OPPORTUNITIES IN THE NEW BRAZIL

There is still much to be done to ensure that the economy continues to grow in the years ahead. Brazil is not isolated from the global economy and in recent years turbulent headwinds from the European sovereign debt and banking crisis have caused Brazil's growth to decrease to more moderate rates.

Yet Brazil remains a compelling opportunity for international investors seeking to create a new business venture or expand their international operations. Local demand remains robust, unemployment rates remain at historical lows and FDI inflows are at record highs.

At the same time, not all of Brazil's challenges come from abroad. Important reforms are being carried out to address internal growth constraints. These internal challenges are in themselves a source of opportunity for international investors, such as the government's recent decision to open Brazil's infrastructure assets to private investment. The whole economy stands to benefit from a more efficient, modern and enhanced infrastructure network as a result of this ambitious program, which will reduce costs for doing business and generate further investment.

One of the main challenges facing the Brazilian economy is increasing its investment rate. From 2008 it has reached new heights, which have fluctuated between 18% and 20% of GDP. The goal of the Government is to increase gross fixed capital formation even further in order to ensure sustainability and accelerate economic growth.



LATEST ECONOMIC DATA

For the latest economic indicators, the Brazilian Central Bank provides monthly charts in English. For the most recent edition, please click on the following link: http://www4.bcb.gov.br/pec/gci/ing/Economic_Chart_Pack.pdf

Source: Brazilian Central Bank, Ministry of Finance

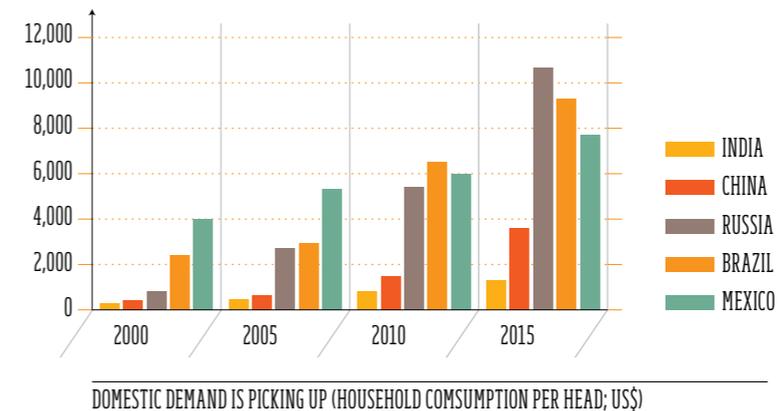
DYNAMIC ECONOMY WITH A LARGE DOMESTIC MARKET

Brazil's prospects have never been better. Brazil is a market of superlatives, from being the world's top producer and exporter of major food and resource commodities to leading market growth and share in consumer retail. But much has yet to be achieved. Major investments are planned in the infrastructure and energy sectors.

as a result of wage growth and record low unemployment rates. Upward social mobility, shown by an increase in the emerging middle class, is creating a huge demand for consumer products. Brazil's demographic profile is a further positive characteristic, as the vast majority of the population falls within the economically active range.

Brazil's domestic market, with over 201 million people, drives its economic growth. The fundamentals propelling Brazil's domestic market are strong: the middle class is expanding – it is expected to grow to 118 million by 2014 – consumer credit is becoming more accessible, inflation remains under control and purchasing power has increased

Historical trends of personal disposable income per capita are also a positive factor contributing to Brazil's attractiveness to the international market. According to Deloitte Touche Tohmatsu, Brazil's 10-year per capita disposable income growth in US dollars was 14% over the period 2001 to 2011, the second-highest growth rate for leading economies after China.



Source: Economist Intelligence Unit

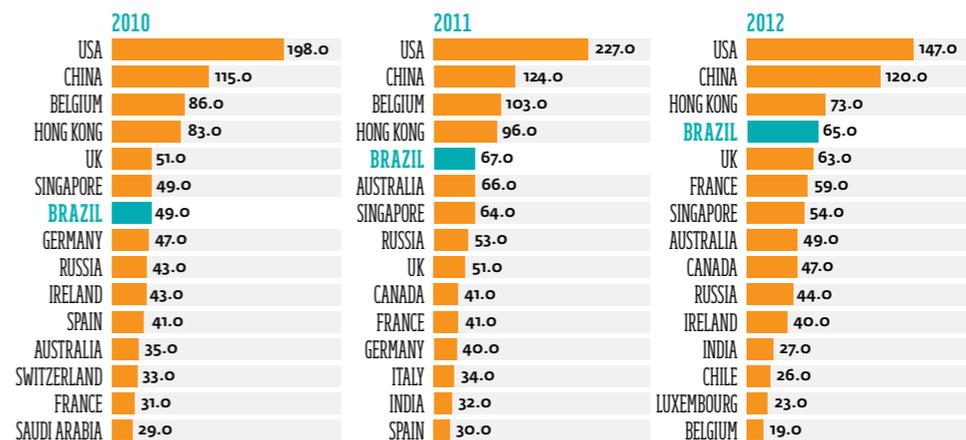
AN ATTRACTIVE MARKET FOR FOREIGN INVESTMENT

Brazil is currently one of the most attractive global markets for foreign direct investment. In the past eight years, foreign investment in Brazil has grown by almost 210%, from \$22 billion in 2005 to \$67 billion in 2012.

After a temporary contraction caused by the global credit crunch in 2009, foreign investment into Brazil was quick to rebound as investors and entrepreneurs moved to take advantage of growing business opportunities. In 2012, Brazil received the third-largest amount of FDI in the world, behind only China (including Hong Kong) and the United States.

The investment climate in Brazil is one characterized by openness. Foreign capital is free to enter Brazil and is treated equally alongside domestic capital, with only a small number of exceptions designed to protect sectors considered strategic under the Constitution. Foreign companies, once established in Brazil, are treated on an equal footing with Brazilian companies by both public authorities and the courts.

In 2012, despite the strong headwinds from the international financial crisis in advanced economies, the main rating agencies maintained a positive outlook for Brazil's investment grade rating, highlighting sound fiscal policies, a solid macroeconomic framework and the strength of international reserves. Brazil's commitment to a continued reduction of net public debt and balanced fiscal responsibility are a key reason why international investors have been eager to hold Brazilian government bonds.



FOREIGN DIRECT INVESTMENT (FDI), IN US\$ BILLION

Source: Brazilian Central Bank, Ministry of Finance

STRONG FINANCIAL SYSTEM AND LARGEST STOCK MARKET IN LATIN AMERICA

Stability is one of the defining characteristics of the Brazilian financial system. Since the structural reforms of the 1990s, Brazil has developed a robust financial system that comprises 2,300 financial institutions with total assets of over \$1.78 trillion and 85 million active consumer and business accounts.

For almost 20 years, Brazil's financial system has been prudently managed by an autonomous Central Bank whose primary mandate is price stability through an inflation-targeting regime, fiscal responsibility in government expenditures and regulations and a free-floating currency. Commitment to this "tripod" of macroeconomic stability is firm.

Today, Brazil is strengthened by a record-low net public debt-to-GDP rate of 35% and record-high international reserves of over \$380 billion. A strong symbol of how Brazil has evolved in terms of financial stability over the past decade came in 2009, when Brazil became a net creditor of the International Monetary Fund (IMF) at a time when a number of Eurozone economies were applying to the IMF for stabilization loans.

Despite the onset of the global credit crunch and ensuing global recession in 2008/09, total credit volume in the Brazilian financial system expanded by 39.8% over the period between September 2008 and September 2010. Real interest rates have been brought down from 13% on average from 1995 through 2008, to less than 2% on average in 2012 and 2013. Public banks in particular have played a key role in credit growth.

As a member of the G20, Brazil is committed to coordinate with advanced economies and peer emerging markets to help bring stability to global financial architecture. In this regard, Brazil has begun early implementation of new rules for capital requirements in banks to provide even greater strength to Brazil's financial system

**BM&F
BOVESPA**

BM&FBOVESPA is the world's third-largest exchange and the second-largest in the Americas by market value. It has 80% of the total volume traded in Latin American stock exchange markets. BM&FBOVESPA is the only futures exchange in Brazil and largest in Latin America based on the number of futures contracts traded. BM&FBOVESPA develops and manages systems for the trading and settlement of derivatives products, equities and securities.

Under Brazil's financial system, there are four main institutions:

BRAZILIAN SECURITIES AND EXCHANGE COMMISSION (CVM)

www.cvm.gov.br

The Brazilian Securities and Exchange Commission has a mandate to ensure the proper functioning of the exchange and over-the-counter markets; protect securities holders against fraud; ensure public access to relevant information about Brazil's securities market and the companies that issue securities; ensure fair trading practices; encourage savings and investments in securities; and promote the expansion and efficiency of the securities market in Brazil to benefit the capitalization of Brazil-based companies.

BRAZILIAN ANTITRUST COUNCIL (CADE)

www.cade.gov.br

Antitrust policy in Brazil is the responsibility of the Brazilian Competition Policy System (BCPS), which is composed of three agencies: the Economic Monitoring Bureau of the Ministry of Finance (SEAE), the Secretariat of Economic Law of the Ministry of Justice (SDE), and the Brazilian Antitrust Council (CADE). SDE is the chief investigative body in matters related to anticompetitive practices and it also issues non-binding opinions in merger cases. SEAE issues non-binding economic opinion in merger review and it may also issue non-binding opinions related to anticompetitive practices. CADE is the administrative tribunal, composed of seven Commissioners, which makes the final rulings in connection with anticompetitive practices and merger review.

MINISTRY OF FINANCE

www.fazenda.gov.br

A government department responsible for framing and implementing Brazilian economic policy. The Ministry has a wide mandate covering money, credit, financial institutions, tax policy, administration of public accounts, management of public debt, international economic dialogue and coordinating Brazil's participation in international economic bodies. The Ministry of Finance is composed of five bureaus: (1) the National Treasury; (2) Brazilian Inland Revenue Service & Customs (Receita Federal); (3) the Economic Policy Bureau (SPE/MF); (4) the Economic Surveillance Bureau (ESEA/MF); and (5) the International Affairs Bureau (SAIN/MF).

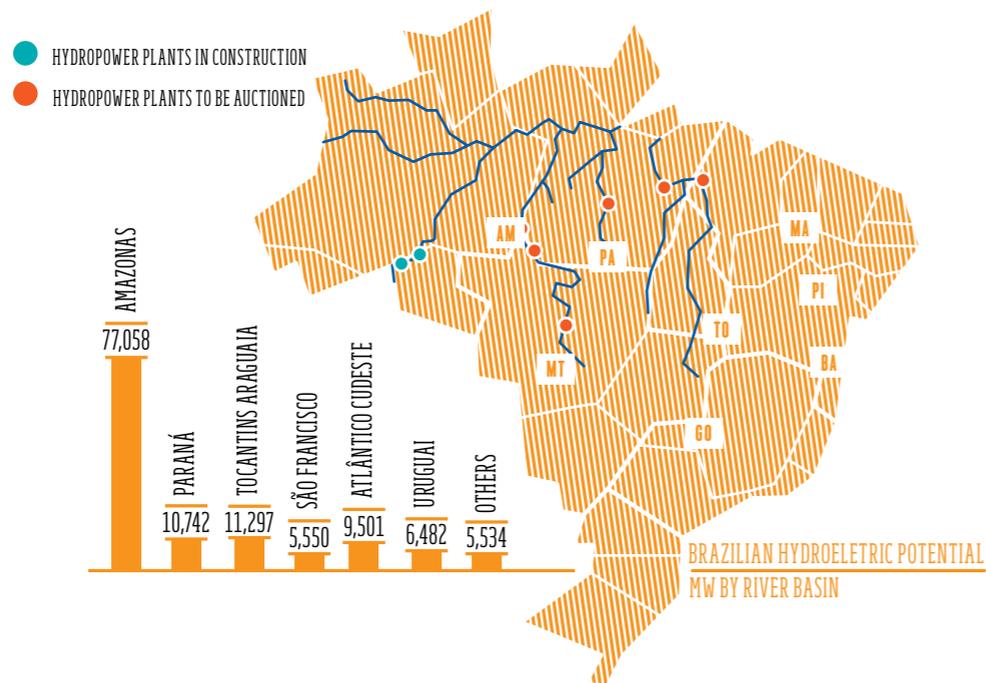
BRAZILIAN CENTRAL BANK

www.bcb.gov.br

An autonomous government institution, the Central Bank's primary mandate is price stability through inflation-targeting aimed at anchoring inflation expectations around a target set by the National Monetary Council (CNM), which has been 4.5% p.a., plus or minus 2%, since 2006. The Central Bank is also the Brazilian banking regulator and is responsible for overseeing the investment framework as it relates to foreign capital entering and leaving Brazil. The Central Bank is also responsible for operating Brazil's payment system.

To learn more about the BM&FBOVESPA equities exchange, including information on non-resident investment in Brazil's financial market, please visit www.bmfbovespa.com.br

- ▶ 62,351 km of paved federal highways (2010)
- ▶ 212,738 km of total paved road network (2010)
- ▶ 29,637 km of railroads (2009)
- ▶ 67 airports with total capacity for 128 million PAX per year (2010)
- ▶ 216 public ports and private port terminals (2010)
- ▶ 2.78 million barrels of oil equivalent per day in oil & gas output (2012)
- ▶ Freight transportation matrix in Brazil:
 - » 58% road,
 - » 25% rail,
 - » 13% water (maritime and inland waterways)
 - » 4% air (2010)
- ▶ Electricity consumption: 505,684 GWh (2010)
- ▶ Hydroelectric power plants: 887
- ▶ Gas-fired electricity generation plants: 129
- ▶ Biomass power plants: 389
- ▶ Petroleum-fuelled power plants: 866
- ▶ Nuclear power plants: 2
- ▶ Coal-fired electricity generation plants: 9
- ▶ Wind farms: 50
- ▶ Solar plants: 4
- ▶ Ethanol production: 20.9 billion liters (2011/12)



STATE INFRASTRUCTURE: BUILDING TODAY FOR TOMORROW'S GROWTH

Investment in transportation, power generation, sanitation, housing and logistics are fundamental to ensure Brazil's continued economic development.

Over the past ten years Brazil's domestic market has grown at a phenomenal pace, creating a surge of demand that has heightened pressure on the country's infrastructure networks. Brazil's agriculture is going through a period of extraordinary dynamism, thanks to rising global demand, the vitality of its entrepreneurial-led expansion and technological advances in production methods. Advanced manufacturing exports have expanded, led by aircraft, automobiles and sophisticated equipment and machinery. The discovery of huge oil fields off the coast of Brazil in the largest oil discovery in the Americas in the past three decades, coupled with Brazil's leadership in non-food based biofuels and emerging shale potential, require development of new supply chains and support infrastructure.

At the same time, however, much is still to be done to address fundamental social infrastructure, such as sewage treatment, water sanitation, housing and electricity transmission. Investment in infrastructure has been small in the past – between 2% and 2.5% of GDP.

The challenge currently facing Brazil is therefore one of boosting investment to accelerate upgrades to Brazil's infrastructure. The Brazilian government is meeting this challenge head-on.

Infrastructure investments have tripled in real terms over the last ten years, reaching about \$100 billion in 2012, and are set to continue to grow through increased investment of public funds in priority projects under the Accelerated Growth Program (PAC), launched in 2007, as well as auctioning infrastructure assets to the private sector based on a concessions contract model under the Logistics Investment Program, launched in 2012. These two ambitious programs benefit from widespread support from both the public and private sectors and together will achieve approximately \$550 billion in total new investment across the whole spectrum of Brazil's infrastructure assets. In addition to providing a strong pipeline of new infrastructure assets to Brazil, the investment is also aimed at upgrading and building upon existing assets.

Additional drivers of infrastructure investment are Brazil's successful bids to host the FIFA™ Soccer World Cup in 2014 and the Olympic Games in Rio de Janeiro in 2016. As a direct consequence, Brazil has increased investment in urban mobility systems by \$5.8 billion, with total investment in civil infrastructure reaching \$11.5 billion and social investments of \$4.2 billion to supplement existing public expenditure programs for healthcare, security, telecoms, energy and accommodation. Many host cities across Brazil are embarking on major urban renewal projects, as well as investing in energy-efficient sports infrastructure.

► **Brazil's exports**

- » Commodities: 46.8%
- » Manufactured goods: 37.4%
- » Partly manufactured goods: 13.6%
- » Special operations: 2.2%

► **Brazil's imports**

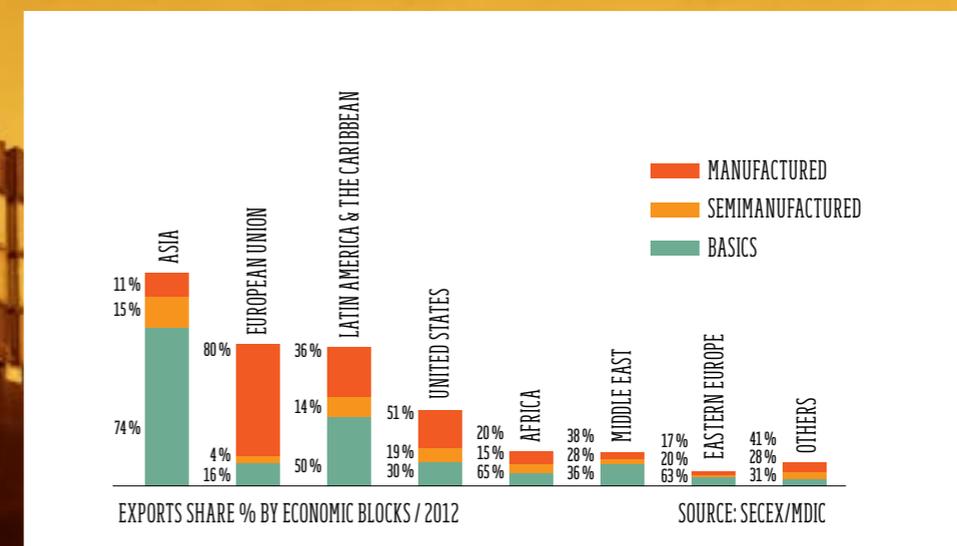
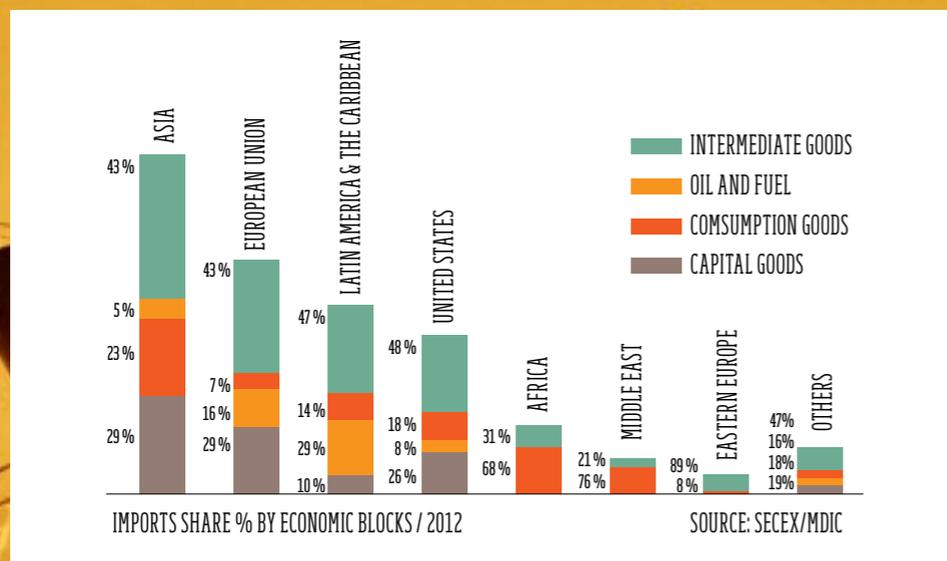
- » Intermediate goods: 44.7%
- » Capital goods: 21.8%
- » Consumer goods: 17.6%
- » Oil and fuel: 15.8%

► **Main exports in 2012:**

Nº	GOOD	% SHARE
1	Ores	13.7
2	Oil and fuel	12.8
3	Soybeans and derivative products	3.8
4	Transportation material	10.1
5	Metallurgic products	6.4
6	Chemicals	6.3
7	Meat products	6.3
8	Sugar and ethanol	6.2
9	Machinery and equipment	4.4
10	Paper and pulp	2.7
11	Coffee	2.7
12	Electrical equipment	1.9
13	Tobacco and derivative products	1.3
14	Footwear and leather goods	1.4
15	Textiles	1.4

► **Main imports in 2012:**

Nº	GOOD	% SHARE
1	Oil and fuel	18.0
2	Mechanical equipment	15.5
3	Electrical and electronic equipment	11.4
4	Motor vehicles and parts	9.5
5	Organic and inorganic chemicals	5.6
6	Fertilizers	3.8
7	Plastics and derivative products	3.6
8	Iron, steel and derivative products	3.4
9	Pharmaceuticals	3.1
10	Optical and precision equipment	2.9
11	Rubber and derivative products	2.0
12	Cereals and milling products	1.3
13	Copper and its products	1.2
14	Synthetic and artificial filaments/fibers	1.1



Source: SECEX / MDIC

Source: SECEX / MDIC

BRAZIL: YOUR GATEWAY TO LATIN AMERICA AND BEYOND

Brazil is a founding member of Mercosur, the South American Common Market, which is a free trade area and progressively consolidating customs union between Argentina, Brazil, Paraguay, Uruguay and Venezuela. In 2012 Mercosur had a combined gross domestic product of \$3.328 trillion, which is almost 80% of South America's combined total and makes Mercosur the world's third-largest free trade area after the European Union (EU) and the North American Free Trade Agreement (NAFTA). In December 2012, Bolivia signed an accession treaty to join Mercosur.

Mercosur currently has free trade agreements with Bolivia, Chile, Colombia, Ecuador, Israel and Peru. Free trade agreements have been signed with Egypt and the State of Palestine and are pending ratification. Mercosur is currently negotiating a free trade agreement with the European Union (EU), which, if successful, would create the world's largest free trade area.

Brazil is also a member of the Latin American Integration Association (ALADI), which aims to establish a pan-Latin American free trade area. At present, ALADI members extend tariff preferences to one another in specific sectors, with the goal of progressively removing tariff barriers among ALADI members.

In recent years, Brazil has maintained a consistent surplus in its trade with the rest of the world. In 2012, Brazil's total international trade (exports and imports combined) reached \$465.7 billion, with a \$19.4 billion surplus in Brazil's favor.

CURRENCY

- ▶ Brazil's currency is the real (R\$), which is divided into 100 cents (centavos).
- ▶ Unit of currency: real (ISO code: BRL), plural reais (pronounced in English as hey-AL and hey-ICE, respectively)
- ▶ Symbol: R\$
- ▶ 1 real (R\$1) is subdivided into 100 centavos
- ▶ 1 real is approximately equivalent to US\$0.50 (fifty cents)

PUBLIC HOLIDAYS

NATIONAL AND OTHER MAJOR HOLIDAYS IN BRAZIL

- ▶ **January 1:** New Year's Day
- ▶ **April 21:** Tiradente's Day (National Hero)
- ▶ **May 1:** Labor Day
- ▶ **September 7:** Independence Day (celebrates Brazil's independence from Portugal in 1822)
- ▶ **October 12:** Nossa Senhora Aparecida (Patron Saint of Brazil)
- ▶ **November 2:** All Souls' Day
- ▶ **November 15:** Republic Day (celebrates the proclamation of Brazil as a republic in 1889)
- ▶ **December 25:** Christmas Day

Days on which general elections are held (presidential and state governmental elections) are also national holidays. The next general election will take place on October 5, 2014. If necessary, runoff votes will be held on October 26, 2014.

OTHER IMPORTANT HOLIDAYS

There are a number of other holidays that, while optional, are regularly observed across Brazil.

- ▶ **Late February or early March:** Carnival (falls on the Monday and Tuesday immediately preceding Ash Wednesday. Many Brazilians take this time to use annual leave and travel outside their home city. As a result, many businesses may be closed around this time.)
- ▶ **Late March or April:** Good Friday
- ▶ **May or June:** Corpus Christi
- ▶ **December 24:** Christmas Eve
- ▶ **December 31:** New Year's Eve

State governments and a number of municipalities decree a small number of holidays which are only observed in their area of jurisdiction.

BUSINESS ETIQUETTE

Brazil operates a very tactile business culture, based on personal contact and familiarity between investors and local partners. In this respect, long-distance communication can only take investors so far. At some point investors should plan on visiting Brazil to meet with qualified contacts, government support services, matchmaking, visit facilities, etc.

LANGUAGE

The language spoken throughout Brazil is Portuguese. It is advisable to enquire in advance as to the language capabilities of your interlocutors in Brazil. Do not assume your contacts in Brazil will be able to speak a language other than Portuguese. If in doubt, retain the services of a professional translator during your visit. Despite being related, Portuguese and Spanish are quite distinct languages and you will not necessarily be intelligible to your Brazilian contacts if you speak in Spanish. Any effort to speak even a little Portuguese will be much appreciated by your Brazilian interlocutors. Any essential information that you would like to pass on to your contacts – such as leave-behind documents, presentations or corporate brochures – should ideally be translated into Portuguese.

REQUESTS FOR A MEETING

When requesting a meeting, it is advisable to provide your contacts with information, including the purpose of the meeting and what will be discussed. The vast majority of medium and large businesses are comfortable corresponding by email, but plan to make a phone call to secure the meeting. In both cases and for first contact, it is advisable to communicate in Portuguese unless you know your contact speaks another preferred language. Meetings can take place over a formal lunch or dinner, which is common in Brazil, but for a first meeting it is preferable to meet your contacts on their premises, unless they suggest otherwise.

TIME OF THE YEAR

Brazilians tend to travel during major holiday periods, which in Brazil are Christmas/New Year, Easter and Carnival, which takes place in either late February or early March. During this time many businesses and public services (including government departments) will be closed.

PUNCTUALITY

Be sure to leave plenty of time to avoid any delays that might prevent you from attending a meeting at a pre-determined time. Do not interpret tardiness on the part of your Brazilian contacts as a sign of disinterest or bad manners. On the other hand, Brazil meetings can sometimes extend beyond their allotted time, which can have a knock-on effect for the rest of the day's schedule.

GREETINGS

It is common to shake hands with both women and men upon first meeting. International business attire is the normal dress code throughout Brazil in business meetings. Exchanging business cards is standard practice.

3.

BUSINESS
OPPORTUNITIES IN
SECTOR
PROFILES

BRAND

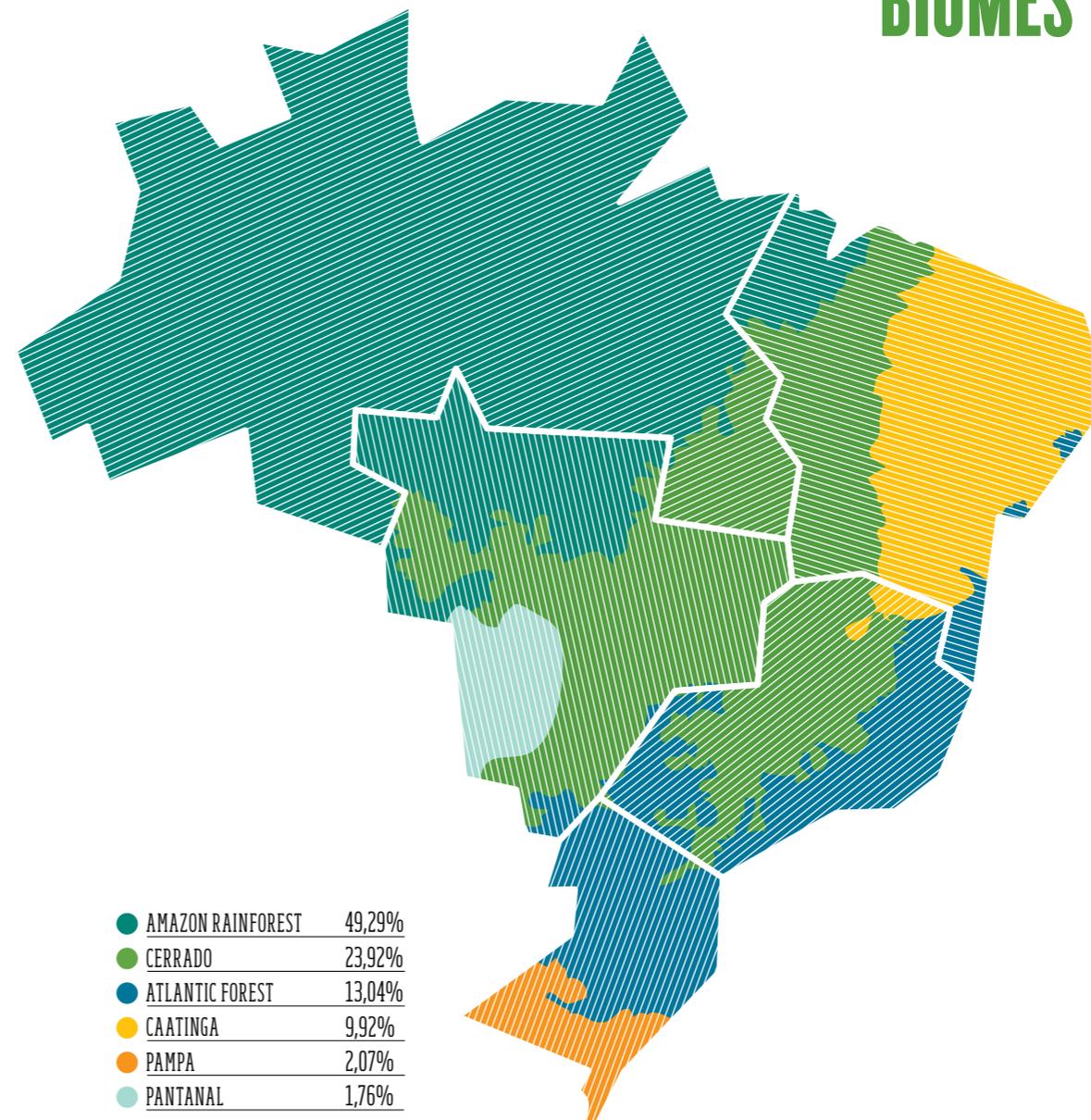
PRIMARY SECTOR

AGRIBUSINESS

Modern, efficient and competitive, Brazil has grown into one of the world's largest agricultural producers and exporters in the past two decades. Gains in productivity, management efficiency, research, innovation and technological development have revolutionized the country's agribusiness sector. Combined with the largest arable land area in the world – 388 million hectares (almost 960 million acres) of farmable, fertile land – and rising demand to feed a growing global population that is expected to reach 9 billion by 2050, the fundamentals driving demand for agribusiness in Brazil are strong.

Brazil's leadership in the agribusiness sector has been achieved as a result of favorable growing conditions and long-term investment in tropical farming technology research and development. The climate is conducive to agricultural production, with much of Brazil receiving over 1,200 millimeters of rain each year and abundant sunlight. This allows for two crop cycles per year without the need for irrigation in some regions.

BRAZIL'S BIOMES



TOTAL AREA 8,514,877 KM²

EMBRAPA: THE BRAZILIAN AGRICULTURAL RESEARCH CORPORATION

Advances in farming techniques and technology have been pioneered by the Brazilian Agricultural Research Corporation (EMBRAPA), whose research is responsible for the internationally renowned opening of Brazil's Midwestern cerrado region to farming soybean, cotton, corn and other crops. Today, EMBRAPA is on course to repeat its success by opening up a new agricultural frontier in a region called MATOPIBA, which is the name given to new agricultural production in the states of Maranhão, Piauí, Tocantins and Bahia.

EMBRAPA is a public company whose mission is to provide feasible solutions for the sustainable development of Brazilian agribusiness. Since its creation in 1973, EMBRAPA has supported the creation of over 9,000 technological products for use in Brazilian agriculture. From its national headquarters in Brasília, EMBRAPA operates a countrywide network of 47 research centers and participates in cooperation activities with a wide range of international partners.

www.embrapa.br/english

NEW INFRASTRUCTURE INVESTMENT WILL FURTHER SUPPORT AGRICULTURE

New transportation and logistics infrastructure networks currently being built under federal investment programs such as the Accelerated Growth Program and the Logistics Investment Program will further drive growth in new agricultural regions by enabling producers to efficiently transport their crops to consumer centers in Brazil and to ports for export to international markets. Brazil's main export markets for agricultural products are the European Union, China, the United States, Russia and Japan.

As a result of innovation and excellent growing conditions, farming in Brazil does not depend on government subsidies to be competitive. According to the OECD-FAO Agricultural Outlook for 2010-2019, "Brazil is the fastest growing agricultural sector by far, growing by over 40% up to 2019, when compared to the 2007-09 base period." Brazil is already the top global supplier for a wide range of agricultural commodities, including beef, orange juice, soybeans, sugar, tobacco, coffee, ethanol, poultry and cellulose, despite the fact that approximately 70% of production is targeted at the domestic consumer market.

BRAZIL'S GLOBAL AGRICULTURAL DOMINANCE IN KEY PRODUCTS (2012/13)

PRODUCT	PRODUCTION	GLOBAL SHARE	EXPORTS	GLOBAL SHARE
Soybeans	82 million tons	31%	38.4 million tons	39%
Corn	71 million tons	8%	17.5 million tons	19%
Coffee	55.9 million 60 kg bags	38%	32.95 million 60 kg bags	28%
Sugar	37.5 million tons	28%	25 million tons	45%
Ethanol	20.3 billion liters*	24%	1.1 billion liters*	16%
Poultry	13,005 million tons	16%	3,582 million tons	36%
Beef	9,375 million tons	16%	1.45 million tons	16%
Pork	3.3 million tons	3%	645,000 tons	9%
Orange juice	1.26 million tons	57%	1.23 million tons	82%

* Refers to 2011/12 harvest.

Source: PwC Agribusiness Research & Knowledge Center.

BRAZIL'S FARMING MODEL

Farming in Brazil is immensely diversified, ranging from family small holdings to huge commercial rural estates. The actual area of farms varies deeply depending on the region they are located. A considerable part of Brazilian agribusiness is organized into cooperatives, mainly in the south region. Family farming also plays a strategic role, producing almost half of the corn crop and over a third of the coffee crop consumed in Brazil each year. However, large international groups such as ADM, Agrium, Bunge, Cargill, Louis Dreyfus and Syngenta have established strong operations in Brazil.

INVESTMENT IN RURAL REAL ESTATE

In order to ensure the effective administration of rural areas and regional development policies, there are certain restrictions on the size and nature of real estate that foreign investors can purchase or rent. It is important to note that Brazil's Constitution does not prohibit the acquisition or leasehold of rural real estate by non-Brazilian nationals.

The main restrictions on rural real estate acquisition and rental by non-Brazilian nationals and foreign entities are:

- ▶ Where the rural property in question is greater than 3 MEIs (Modulo de Exploração Indeфинida), a unit of measurement that varies in size depending on its location in Brazil and ranges from 5 to 100 hectares, the foreign investor needs to apply to the National Institute for Rural Development and Land Reform (INCRA) for authorization. The authorizing document must be produced along with other required documentation in order to register ownership or leasehold of the land with the competent Land Registry Office.

- ▶ Where the rural property is located within 150 kilometers of Brazil's national territorial borders, which are called border areas, the foreign investor also needs to apply to INCRA, which will submit an application to the National Defense Council for a decision on whether the sale or rental is to be authorized, before being sent to INCRA for a final decision.

- ▶ A non-Brazilian national cannot purchase land in excess of 50 MEIs (i.e. between 250 to 5,000 hectares depending on the locality). In the case of foreign entities, this cap is 100 MEI (from 500 to 10,000 hectares). Irrespective of these two caps, the law stipulates that no more than 25% of a municipality's territory can be under foreign ownership.

COMMITMENT TO SUSTAINABLE AGRICULTURAL DEVELOPMENT

What is unique about Brazil's agricultural development is that it is compatible with sustainable development and environmental conservation. The Government of Brazil is committed to sustainable economic development, with special attention being paid to illegal deforestation. As a result of government action to preserve the Amazon Rainforest, in 2009 Brazil recorded the lowest rate of deforestation in the past 20 years. The Brazilian Forestry Code, which consolidates relevant federal legislation, is one of the most rigorous in the world. The Code was updated in 2012.

Brazil has the lowest carbon emissions among the world's largest agricultural producers.

BRAZILIAN AGRICULTURE: HIGH GROWTH WITH ENVIRONMENTAL SUSTAINABILITY

In 2010 Brazil's federal government adopted the 'ABC Plan' – an ambitious initiative to add impetus to the consolidation of low carbon emissions in Brazilian agriculture while sustaining economic growth in the sector. The ABC Plan consists of seven programs, six of which are related to the development of sustainable production and mitigation technologies and the final program to climate change adaptation:

- ▶ **Program 1:** Rehabilitation of Degraded Pastures – recovery of 15 million hectares of degraded pasture
- ▶ **Program 2:** Crop-Livestock-Forest Integration and Agroforestry Systems – increase in the use of integrated crop-livestock-forestry systems, covering an area of 4 million hectares
- ▶ **Program 3:** Tillage System – expansion of the no-tillage system, covering an area of 8 million hectares
- ▶ **Program 4:** Biological Nitrogen Fixation – increase of biological nitrogen fixation in an area covering 5.5 million hectares of farmland, as a substitute for nitrogen fertilizers
- ▶ **Program 5:** Planted Forests – expansion of new forest plantations, covering an area of 3 million hectares
- ▶ **Program 6:** Treatment of Animal Waste – increase technologies used to treat 4.4 million cubic meters of animal waste
- ▶ **Program 7:** Adaption to Climate Change

Under the ABC Plan, the Brazilian government aims to reduce between 1.168 billion and 1.259 billion metric tons of CO₂ equivalent, based on total emissions forecast for the year 2020, which are expected to total 3.236 billion metric tons of CO₂ equivalent. Agriculture will be responsible for 22.5% of the targeted reduction.

INDUSTRY

AEROSPACE

As you would expect from the land of the pioneer of aviation – Alberto Santos Dumont – Brazil today has a world-class, competitive aerospace industry. It is currently home to the third-largest commercial aircraft manufacturer, Embraer, and hosts global leaders such as Boeing, EADS, GE, Pratt & Whitney Canada and Rolls Royce.

The Brazilian aerospace industry is the largest in the Southern Hemisphere. It operates in a globalized market, positioning itself as a leader in several market segments, thanks to the technology and quality of its products. The companies in this industrial cluster do everything from initial design to providing support and maintenance, as well as providing various types of specialized services.

The aerospace sector encompasses the aeronautical, defense and space sectors and is concentrated in the Brazilian Aerospace Cluster in São José dos Campos, a city approximately 80 kilome-

ters northeast of São Paulo (Brazil's largest city) and within a short distance of Viracopos/Campinas, Latin America's second-busiest cargo hub, and Guarulhos/São Paulo, Latin America's busiest passenger airport. The Brazilian Aerospace Cluster is home to over 130 companies, both domestic and international, that employ almost 30,000 people. It is also home to universities, government bodies and research institutions, creating an environment highly conducive to innovation and product development.

The aeronautical segment offers a wide range of products, including airplanes, helicopters, their structural parts and assemblies, engines, components and parts, radio and navigation equipment, systems and equipment and air traffic control. It is also offers maintenance, repair and overhaul for aircraft of various sizes, engines, on-board systems components and equipment, as well as design, engineering and related industrial services.

The defense segment offers, in addition, air-

craft designed for different types of missions, integration of systems, equipment, components and parts, intelligent and unguided weapons.

The aerospace area provides small satellites and structures and their equipment, including payloads aboard, scan rockets and vehicle launch, various systems and parts, propulsion and ground segments of services involving the application of satellite images, consulting and other specialized services.

MARKET

Stronger trade, a growing middle class, investment liberalization, more tourism and the expansion of free trade agreements are the major contributors to sustainable air transport growth in Brazil, which facilitates growth in demand for new aircraft. The Fortaleza Agreement, an "open skies" agreement in the region, is expected to help develop air transportation in small and medium-sized markets beyond the scope of existing bilateral limits in subregions in the Americas. Sales in the Brazilian aircraft and spacecraft market are therefore predicted to increase steadily at a 10-11% annual rate during the 2011-2016 forecast period.

Domestic aviation in Brazil grew 194% in the last decade according to Civil Aviation National Agency (ANAC). It is estimated that the civil aviation market in Brazil will grow even more, driven by economic growth and stability.

Brazil is the second-largest market for the executive aviation industry worldwide, after the United States.

The Brazilian market for aircraft and spacecraft totaled R\$23.9 billion in 2010, increasing more than fivefold from 2000 to 2010. It's the largest aerospace market in the southern hemisphere.

The total size of the aircraft and spacecraft market increased at an average annual rate of 22% over the review period, fluctuating as high as 52% in 2008 and as low as -13% in 2004. Direct business purchases accounted for 56% of total buyer expenditures on the market in 2010. The air transportation industry was the largest of these, with 3%, or R\$725 million, of the total market value. Investment or capital spending by airlines or aircraft leasing companies accounted for 40% of the total market value in 2010, 16% more than in 2000. Refurbishing ageing Brazilian airline fleets facilitated growth in this buyer segment, in line

with growing demand for both domestic and international air travel.

Sales of local producers grew at an impressive rate, though slightly lower than the total market – an annual average of 17% during the review period – to reach R\$24 billion, putting it on a par with the size of the domestic market. Aircraft manufacturing was the most significant area of the industry, accounting for over 79% of total revenue. Although its relative importance decreased slightly, it grew 17% a year in terms of value.

Throughout the review period, this category experienced strong growth and should not lose any of it in the immediate future since many Latin American airlines are using old and inefficient aircraft to explore new market opportunities throughout Latin America and consumers are keenly aware of equipment age and view aircraft type as a factor that makes an airline stand out from its competitors. Projected demand for new aircraft in the coming decade is at around 800 new deliveries throughout the region. The spacecraft category experienced 19% annual growth and was the second-largest area with, a 20% share of industry sales. However, there are signs that not all of the potential for growth is being taken advantage of. Brazil is in a naturally good location for the space industry – since it is on the Equator, it provides a 25% fuel savings compared to Cape Kennedy.

EMBRAER

More than a hundred years ago, a young Brazilian aviator impressed the people of Paris with his successful flight of a monoplane of his own design. Inspired by Santos Dumont, Embraer is one of the world's main aircraft manufacturers, a position it has achieved through constant and determined pursuit of full customer satisfaction. Throughout its 43-year history, the company has been involved in all stages of a complex process: design, development, manufacturing, sales and after-sale support for aircraft in the commercial aviation, executive aviation, defense systems and agricultural aviation segments.

It has produced over 5,000 aircraft that operate in 92 countries on five continents and is the market leader for commercial jets with up to 120 seats. Embraer manufactures some of the best executive jets in operation and is now entering a new level in the defense segment.

MAIN OPPORTUNITIES AND NEW TRENDS

According to IBM Plant Location International, the main opportunities and new trends of the aerospace industry, which could impact the Brazilian market, are:

- I. Forecasted growth in both the airline industry and defense spending;

- II. Growth of the business jet segment;
- III. Greater industry focus on the creation of more fuel-efficient planes;
- IV. Increased outsourcing of development and manufacturing activities;
- V. Increased industry consolidation and partnering opportunities;
- VI. Good prospects for MRO activities

AUTOMOTIVE

BRAZILIAN AUTOMOTIVE INDUSTRY

COMPANIES
VEHICLES AND AGRICULTURAL MACHINERY ASSEMBLERS: 28
AUTOPARTS: 500
DEALERS: 5.116

PLANTS
INDUSTRIAL UNITS: 57
STATES: 10
CITIES: 35

PRODUCTION CAPACITY 2012
VEHICLES: 4,5 MILLION
AGRICULTURAL MACHINERY: 109 THOUSAND

REVENUE 2012
INCLUDING AUTOPARTS
US\$ 106,8 BILLION

INVESTMENTS 1994/2012
INCLUDING AUTOPARTS
US\$ 68,0 BILLION

ACCUMULATED PRODUCTION
ASSEMBLED VEHICLES
64,4 MILLION (1957/2012)
AGRICULTURAL MACHINERY
2,3 MILLION (1960/2012)

FOREIGN MARKET 2012
INCLUDING AUTOPARTS
EXPORTS: US\$ 22,7 BILLION
(25% OF MANUFACTURED EXPORTS)
IMPORTS: US\$ 33,2 BILLION
BALANCE: (-) US\$ 10,5 BILLION

EMPLOYMENT
DIRECT AND INDIRECT
1,5 MILLION OF PERSONS

GDP SHARE 2012
INCLUDING AUTOPARTS
INDUSTRIAL: 21,0%
TOTAL: 5,0%

TAX GENERATION 2012 (IPI, ICMS, PIS, COFINS)
VEHICLES: US\$ 24,8 BILLION

SECTORIAL RELATIONS
200 THOUSAND COMPANIES

WORLD RANKING 2012
VEHICLES: 7TH / 4TH DOMESTIC MARKET

Source: ANFAVEA (2013)

GENERAL MARKET INFORMATION

Brazil has become the 7th-largest vehicle producer and the 4th-largest vehicle consumer market in the world. Since 2006, vehicle production in Brazil has been over 2 million units a year and has been growing uninterrupted (3.3 million units in 2012). The automotive industry in Brazil accounts for almost 20% of the country's GDP.

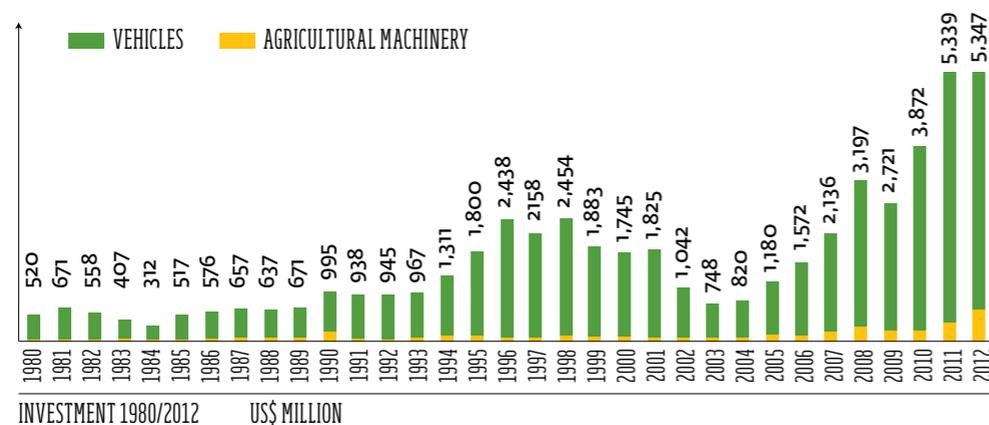
The recent crisis that affected automotive markets in other parts of the world was well-managed in Brazil. The Federal Government implemented a range of measures to assure economic growth through increased production and consumption. Among the measures were interest rate cuts, extended credit, excise tax reductions and programs to encourage the acquisition of trucks and buses.

In 2012, the Brazilian automotive industry registered record investments, shown in the chart below:

In the next four years these resources will be used in expanding production, engineering and new products. The automotive sector in Brazil brings together the leading global brands in automobiles, light commercial vehicles, buses, trucks and agricultural machinery. The 25 manufacturers that make up the Brazilian automotive industry are: AGCO (Massey Ferguson), Agrale, Caterpillar, CNH (Case e New Holland), Fiat, Ford, General Motors, Honda, Hyundai, International, Iveco, John Deere, Karmann-Ghia, Komatsu, Man (Volkswagen Caminhões e Ônibus), Mercedes-Benz, Mitsubishi, Nissan, Peugeot Citroën, Renault, Scania, Toyota, Valtra, Volkswagen and Volvo.

The industry also has sales infrastructure throughout the nation. There are currently over 4,200 authorized resellers in Brazil.

INVESTMENT - 1980/2012



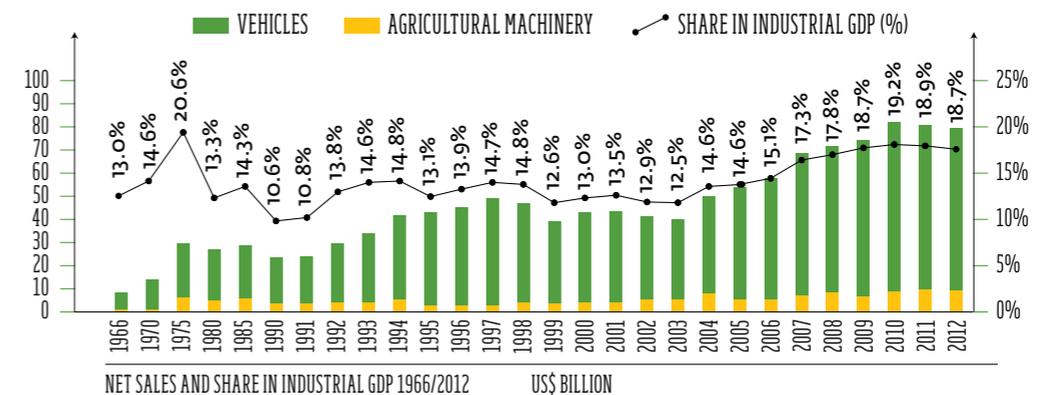
SECTOR GDP

In 2012, The Brazilian Automotive complex was responsible for 18.7% of the Brazilian industrial GDP, with total net revenue of US\$93.977 billion.

ENGINEERING AND DESIGN

Brazil is a global platform for compact and compact premium vehicle development and production. GM has a dedicated engineering and design team in São Caetano do Sul, São Paulo, as part of a global design network that integrates Korean, Chinese and US offices. Fiat has only two design centers in the world: Italy and Brazil. There is an engineering center with more than 1,500 engineers in the city of Betim, Minas Gerais. Ford and VW have their design and engineering teams in Brazil engaged in developing vehicles for emerging markets.

NET SALES AND SHARE IN INDUSTRIAL GDP - 1966/2012



AUTO PARTS

Brazil has a strong automotive supply chain with significant operations belonging to global companies such as Magnetti Marelli, Bosch, Visteon, Delphi, among others. These companies have been improving their investments in developing customized auto parts in partnership with OEMs (co-design). Domestic content in Brazilian cars has reached nearly 90%. São Paulo state is home to the main cluster for both auto parts and OEMs.

The automotive industry encompasses an extensive list of products, such as car bodies and cabs, electrical and electronic components, suspension and steering systems, breaks, engines, the transmission system and so on. Brazil has various industrial units specialized in producing them. According to RAIS (a government database that provides annual social information in Brazil), Brazil has 9,672 factories in the sector, which employ a total of 481,681 workers.

INOVAR-AUTO POLICY

Inovar-Auto is an innovative new program by the Brazilian government aimed at ensuring that Brazil's automotive industry leads in innovation, energy efficiency, environmental sustainability and professional skills training to strengthen the competitiveness of Brazil's automotive industry.

The program offers incentives for investment by creating new, sophisticated supply chains, sophisticated R&D programs for new products and technologies, including tax rebates. Inovar-Auto will anchor Brazil as an international hub for the automotive industry as it starts to develop new products, increasing exports to regional and international markets.

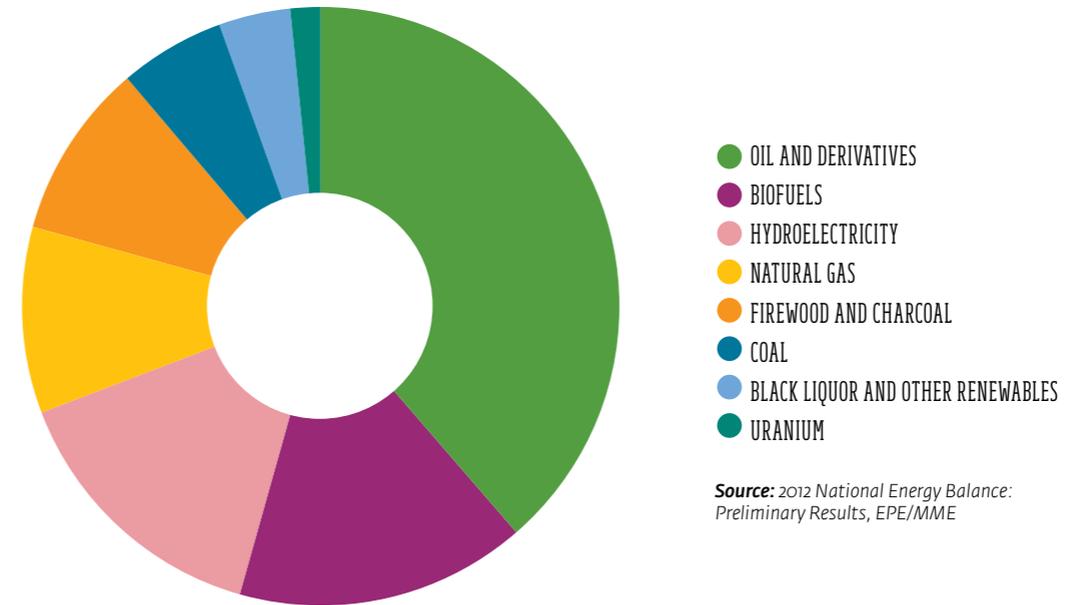
ENERGY

Brazil is the 9th-largest consumer of energy in the world, but also an emerging global energy heavy-weight that should become energy self-sufficient and an energy exporter. Driving Brazil's energy sector are massive renewable energy resources, such as hydroelectric, wind and solar power, as well as the discovery of the largest oil deposits to be found in the Americas in the past 30 years. Brazil is also promoting bidding rounds to develop onshore, non-conventional oil and gas reserves such as shale. In cleaner fuels, Brazil is the world's largest biofuels producer that uses a non-food source (sugarcane).

Brazil's generation capacity is due to increase from 110,000 MW to 171,000 MW by 2020, led by advances in renewable energy sources such as hydro power, wind power, biomass and small hydro. The latest three energy sources will represent 16% of the energy matrix in Brazil by 2020, led by wind power, which will account for almost half of this total, increasing from 1% to 7%.

Demand for energy is growing at a faster pace than production, which is fuelling investment in a wide range of energy producers.

BRAZIL'S ENERGY MIX: DOMESTIC SUPPLY (2011)



Source: 2012 National Energy Balance: Preliminary Results, EPE/MME

INOVA-ENERGIA

On April 1, 2013, the Brazilian Development Bank (BNDES), the electricity regulator (ANEEL) and the Brazilian Innovation Company (FINEP) signed a Technical Cooperation Agreement to create a Support Plan for Technological Innovation in the Electric Sector – INOVA-ENERGIA. The budget available for this Support Plan will be \$1.5 billion, of which \$300 million will come from ANEEL, \$600 million from BNDES and \$600 million from FINEP.

The joint effort of these three agencies will ensure a more extensive coordination effort among government programs aimed at fostering innovation, as well as bringing together various instruments that provide support for research, development and innovation in Brazil's energy

sector, one of the key areas for growth in Brazil. Companies selected will have an opportunity to access credit with special conditions, with grants and non-reimbursable financing for research conducted at science and technology institutes, among other instruments.

INOVA-ENERGIA is aimed at promoting and selecting business plans that include research, development, engineering and technological absorption; production and trade of goods; as well as innovative processes and services.

The program will contribute to developing Brazilian companies and technology in the production chain of smart grids, solar energy and wind power, hybrid vehicles and vehicle energy efficiency.

RENEWABLE ENERGY AND ENVIRONMENTAL SOLUTIONS

With abundant natural resources, strong government incentive programs, compelling financing options and a clear policy choice on the part of the government to encourage the development of renewable energy, the sector is one of the most attractive for foreign direct investment. International businesses such as Alstom, Gamesa, GE Wind, Impsa Wind, Siemens, Suzlon, Teccis, Vestas and Wobben/Enercon have all made investments in Brazil's renewable energy sector.

Brazil's renewable energy sector and related industries consist of both mature and new growth segments. Over the past ten years, the Brazilian government has built and delivered 43 new hydroelectric plants (mainly small hydro), 61 wind farms and over 30,000 km of energy transmission lines. Approximately 50% of Brazil's energy consumption is derived from renewable sources, predominantly hydroelectricity and biofuels. At present 80% of Brazil's electricity is generated by hydroelectric dams, but to diversify the government has moved into other renewable energy sources, including wind, biomass and solar energy.

Promoting greener, more sustainable energy development is a key government priority, which is why specific incentive programs have been developed in order to attract new investment in clean technologies and environmental solutions. These include:

- ▶ The Alternative Energy Source Incentive Program (PROINFA), created in 2002, subsidizes the higher cost of alternative energy through a levy on consumer electricity bills.
- ▶ The Electricity Development for States and Municipalities (PRODEEM) and the Luz para Todos ("Electricity For All") federal government initiatives encourage the development of alternative energy systems in rural and isolated parts of Brazil.
- ▶ Electricity regulator ANEEL has changed the rules to allow independent and individual producers to use renewable generation to connect to the national grid and a net metering Power Compensation System has been introduced to offer credits on energy bills.
- ▶ Several credit lines from the Brazilian Development Bank (BNDES) are available for industries operating in the renewable energy segments.

The renewables and environmental solutions sectors are on course for continued growth. According to the Brazilian Energy Research Corporation (EPE), between 2007 and 2012 electricity generated by biomass grew over 120%, while wind energy generation jumped by almost 700% - a staggering growth rate. Although wind energy accounts for only 1% of Brazil's electricity generation at present, investment and expansion in wind energy sector is growing fast. Brazil had 1,421 MW of installed wind power capacity in 2011, rising to 2,508 MW in 2012 and due to reach 9,000 MW by 2017, according to industry representative body Abeólica. The Global Wind Energy Council expects Brazil's wind energy capacity to grow by at least another 450% by 2016.

ELECTRICITY GENERATION IN BRAZIL (GWH)

	2011	SHARE (%)	GROWTH 2006-2011 (%)
Hydroelectric	428,571	80.4	23
Natural gas	26,242	4.9	44
Carbon	14,402	2.7	34
Coal	7,883	1.5	17
Nuclear	15,659	2.9	14
Biomass	32,197	6.0	123
Wind	2,705	0.5	691
Other*	5,213	1.0	-16
Total	532,872	100	

* Includes solar

Source: Brazilian Energy Research Company (EPE) 2012 Energy Annual Statistics

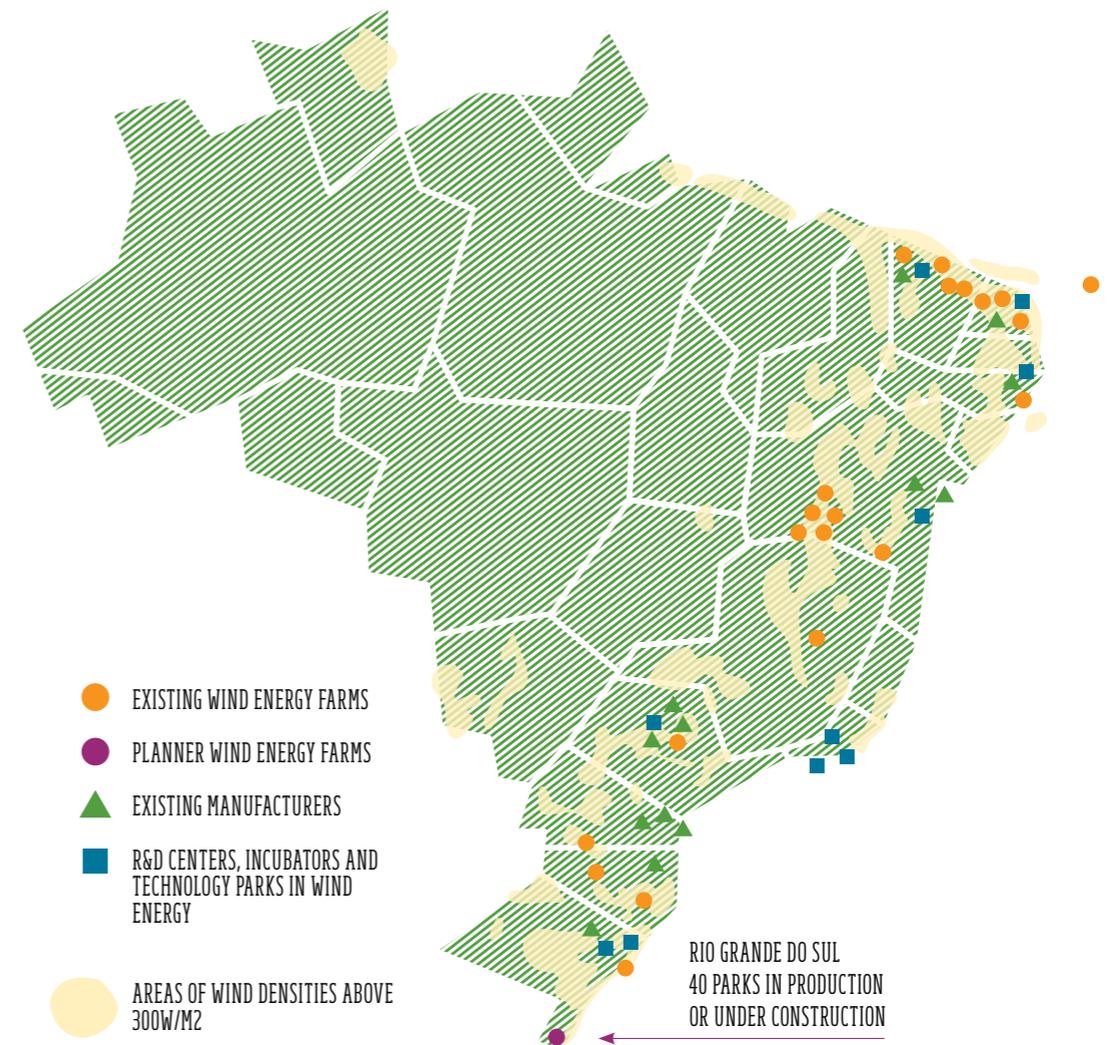
WIND ENERGY

Strong demand and government support are driving investment in Brazil's wind energy sector. The historic triple-digit growth is set to continue into the future as current production is unable to keep pace with demand, despite the relatively recent entry of 11 original equipment manufacturers into the Brazilian market. Over 40 plant wind-farm developers and several private investors attracted to the sector believe Brazil is one of the top markets for wind potential due to high levels of wind exposure, a strong energy network and isolated regions that need energy. Since the first auction, 257 wind energy plants have won contracts for delivery through 2014.

With the objective of diversifying Brazil's electricity production sources, wind energy was added as a focal sub-sector to the Alternative Energy Source Incentive Program (PROFINA) in 2004. Further steps adopted by the federal government to encourage investment in wind energy include:

- ▶ An exclusive reserve wind energy auction where 711 operators were awarded long-term bids (15-30 years), with contracts totaling 1,800 MW.
- ▶ According to the Brazilian Energy Research Company (EPE), generation of electricity by wind will increase its share from 0.5% in 2011 to 7% by 2020.
- ▶ Wind energy was included in general electricity auctions contracts.
- ▶ Discounts on distribution tariffs and easier access to the national grid.
- ▶ Introduction of a net metering system, offering credits on electricity bills for micro and small plants and individual use.
- ▶ Special credit lines from the Brazilian Development Bank (BNDES) for both wind farm development and financing machinery and equipment for projects that are available.
- ▶ Introduction of tax breaks in specific states where local governments have proven capacity to introduce and/or expand existing wind farms.

WIND ENERGY CLUSTERS MAP



Sources: NREL, Brazilian Energy Research Institute (INPE), Solar and Wind Energy Reference Center (CEPEL), Trade Associations: Brazilian Wind Energy Association (ABEEÓLICA), Euromonitor International

Wind energy development is an excellent opportunity for states in the South and Northeast regions of Brazil to attract foreign direct investment. Traditionally the Northeast region, which is situated in the arid caatinga biome, receives little rainfall and is largely dependent on the South of the country to provide electricity. Wind energy is an opportunity to further advance the economic development of the Northeast Region, which is already home to over 80% of the wind farms that have already been auctioned. The Northeast is also emerging as a leading renewable energy cluster as it is home to the Center for Strategies in Natural Resources and Energy (CERNE) and a branch of the Center for Gas and Renewable Energy Technologies (CTAGS-ER). The Southern and Southeast regions have boosted incentives programs aimed at attracting investment in renewable energy and environmental solutions.

► **Best Investment Opportunities in Wind Energy**

Manufacturers and developers in wind energy have made good use of the locally developed Brazilian supply of towers, blades and other components. There is still strong demand for other wind energy items not being currently met:

- » *Development of specific systems for the Brazilian climate and stronger and more stable winds, such as cost-effective blades, turbines and metal parts;*
- » *High-technology components such as generators, automation and monitoring systems, as well as high-tech inverters and converters;*
- » *With the net metering system approved in April 2012, several small companies are investing in services and technology for isolated systems and micro and individual wind-farms, directed at small businesses and farms in isolated locations. Smaller, less expensive systems will be in demand, together with lead and nickel batteries to support these systems.*

SOLAR ENERGY

While Brazil's solar energy sector remains in its infancy, the market environment is ripe for fast-paced growth and development. Located in a largely tropical climate with an investment environment supported by government incentives and market demand for energy in rural and isolated areas, Brazil is a significant market with growth potential.

The federal government has facilitated solar energy plant access to the national grid and included solar energy in the net metering system announced in April 2012. End consumers are eligible to receive credits on their electricity bills from selling solar energy back to operators. The rollout of electricity in rural areas under the government's *Luz para Todos* program has benefited solar energy investment.

One of the main obstacles to stronger investment in the solar energy sector is cost. Similar to wind energy in the mid-2000s, solar energy costs at least three times more than other renewable energy sources in Brazil, such as hydro or wind. Researchers from the Brazilian Development Bank (BNDES) and the Brazilian Energy Research Company (EPE), however, believe that the sector will follow the path of wind energy, for which prices fell, unlocking the current period of exponential growth. These are the fundamental drivers for the solar energy market:

- The arid Northeast region, which receives more sunlight than other regions of Brazil, is also a net importer of electricity from the Southern Region of the country and is leading the effort to develop autonomous sources of electricity generation.
- As a result of regulatory reform, small distributed systems are now able to access the national electricity grid at reduced costs.
- Several regions in Brazil have higher residential electricity prices compared to other regions, making net metering with photovoltaic solar energy attractive.
- Solar energy is being implemented in public investment projects such as public buildings and stadiums to be used in the 2014 World Cup.

► **Best Opportunities in Solar Energy**

The solar energy market is full of opportunities. There is currently only one local manufacturer of solar panels. Imports of solar panels and solar cells are expected to double in 2012, reaching US\$4.5 billion. Several specific areas represent the strongest immediate opportunities for solar energy investment:

- » *Isolated systems and distributed generation, specifically systems for residential and small business use, such as complete packaged systems for generated distribution, installation services and residential PV models, are anticipated to grow rapidly due to the recent introduction of the net metering system;*
- » *Municipalities and government will continue to stimulate the sector by including solar energy systems in public works, buildings and parks and will require components such as batteries, self-commutated inverters, monitoring and automation systems;*
- » *Demand for locally manufactured components, such as inverters, lead and gel batteries, as well as supply chain, will grow.*

► **Further reading:**

- » *Brazilian Association of Electrical and Electronics Industries (ABINEE) – www.abinee.org.br*
- » *Brazilian Association of Wind Energy (ABEOLICA) – www.abeolica.org.br*
- » *Brazilian Energy Research Corporation (EPE) – www.epe.gov.br*
- » *Brazilian Network of Civil Organizations for Renewable Energy (RENOVE) – www.renove.org.br*

BIOFUELS

Biofuels are Brazil's second-largest energy source, after oil. Biofuels from sugar generate only two-fifths of carbon emissions of gasoline and half those of corn-based ethanol, according to the United States Environmental Protection Agency.

Biofuels are oriented not only towards the domestic market, but also to the export market.

Transportation fuel is growing, as well as emissions. Many countries have adopted emissions reduction targets aimed at reducing greenhouse gas emissions. Brazil's biofuels are sugar-based and are a clean solution and one that does not contribute to driving up food prices. Brazil's sugarcane production is concentrated in the Southeast Region, far from the Amazon Rainforest.

Brazil is the world leader in investment in biofuel production plants, accounting for approximately a quarter of total worldwide investment, according to F.O. Licht. Brazil's biofuels market is a vibrant business sector, with strong opportunities for new greenfield investment, mergers and acquisitions.

Biofuels production is concentrated in Brazil's Southeast and Northeast regions.

Ethanol production has more than doubled over the past decade. Brazil produces flex-fuel cars, bolstering demand. Almost all new cars are flex. The government mandates that gasoline include about 25% ethanol.

SOLID WASTE

The rapid acceleration in Brazil's middle class population and related growth in the population living in Brazil's cities means the total amount of garbage produced by urban residents has also grown. For Brazil, the treatment of solid waste is a priority in order to protect public health, minimize environmental impact and increase the recovery of waste through recycling. According to the Brazilian Association of Public Cleaning Services and Waste Management Companies (ABRELPE), Brazil's urban residents generated an average of over 160,000 tons of solid waste (garbage) each day in 2012, for a total of almost 63 million tons of urban solid waste in 2012. This was an increase of 1.3% from 2011. This rate outpaced growth in the urban population over the same period (0.9%).

Also according to ABRALPE, in 2012 just over half of all urban waste was organic matter, followed by 13.5% plastic, 13.1% paper and cardboard, 2.9% metals and 2.4% glass.

In 2012, 37.4% of all municipal solid waste was incinerated, with 21.7% going to landfills and 13.3% to open-air dumps. While Brazil has good waste collection coverage (over 90% of all solid urban waste generated), a large segment of disposal of this waste (approximately 40%) was deemed inadequate in 2012. Brazil is taking important steps to increase sustainable waste management, which include closing municipal open-air dumps that pose health and environment risks. For example, in June 2012, the largest open-air dump in Brazil – called Jardim Gramacho – was closed to make way for a modern recycling plant.

In 2010 Brazil adopted the National Policy on Solid Waste (PNRS) as part of the Federal Basic Sanitation Act, which provides for the collection, treatment and disposal of household and industrial waste. Under the PNRS, reusable and recyclable municipal solid waste is recognized as a good that can be traded and treated, generating opportunities for cleantech industries and companies specializing in environmental solutions.

A hallmark of the PNRS is the principle of extended producer responsibility. Brazil now implements a policy of returning a product to manufacturers, importers, distributors and retailers for recycling or appropriate disposal once the product reaches the end of its useful life cycle. For now this principle applies to electronic waste, medicines, tires, batteries, pesticide containers, lube oil and their containers, mercury lamps and packaging in general.

Brazil has emerged as an enormous market for machinery and equipment used in recycling. As a result of the change in legislation in 2010, new opportunities for significant investments in different segments of the waste value chain in Brazil have been created. Brazil will require investments of more than US\$10 billion over the next decade to meet demand for infrastructure in this sector. The sheer size of the Brazilian consumer market – which grew by 40 million over the past decade – and future growth prospects in the consumer population are the solid fundamentals driving investment in Brazil's waste destination market.

Current market needs include, for example, product design for waste minimization and prevention of waste generation; anaerobic digestion systems; plasma arc gasification technologies; automatic mechanical sorting facilities for recyclables; and program design for integrated municipal waste management strategies.

Investment in this sector is a priority to meet both existing and future demand. For recycling activities, investment should be focused on logistics and infrastructure for separation and treatment of sensitive materials such as batteries and electronic waste. In the area of waste treatment, investment in new treatment facility capacity and capabilities will be prioritized, including conversion of open dumps into sanitary landfills with gas capture and combustion and other upgrades in waste-to-energy facilities, if the opportunity is environmentally, technically and economically feasible.

OIL & GAS

As the global population continues to grow, so does the demand for crude oil, which reached 88 million barrels of oil per day in 2012 and is expected to grow to almost 100 million by 2020, according to the Organization of Petroleum Exporting Countries (OPEC) World Oil Outlook 2012. Brazil's oil and gas resources are a vital long-term source of supply to help meet expanding energy demand on both the domestic and export markets. Brazil is set to become one of the largest suppliers of conventional oil in developing country regions among non-OPEC countries, according to OPEC.

Estimates of reserves in the pre-salt area range from 50 to 80 billion barrels of high-quality oil, according to the National Agency of Petroleum, Natural Gas and Biofuels (ANP) and market analysts around the world.

To date, 15.8 billion recoverable barrels of oil have been found in the Lula and Sapinhoá commercial pre-salt fields alone. According to Petrobras, the state-owned oil and gas operator, current production of the pre-salt layer is about 300,000 boe/day, or about 15% of total Brazilian production.

Growth in production, recent attractive reserve discoveries and the possibility of unconventional oil production has led to modifications in regulations that encourage direct investment in the market, increased research and development and foreign participation in production and the supply chain.

Developed under a state monopoly by Petrobras and subsequently liberalized in 1997, Brazil's oil and gas sector – which encompasses both onshore and offshore oil and gas fields – has undergone tremendous change in recent years. Brazil is currently the 9th-largest oil producer in the world, the 5th-largest consumer of oil and the 15th-largest holder of proven oil reserves.

The government aims for Brazil to be the 5th-largest producer by 2020, with output of 6.4 million barrels of oil equivalent per day.

PETROBRAS BUSINESS PLAN 2013 - 2017

The largest corporate player in Brazil's oil and gas sector is Petrobras, a state-owned integrated oil, gas and biofuels company. Petrobras carries out a wide range of activities in the sector, including exploration, research, refining, transportation and supply.

Petrobras is one of the largest integrated oil company among emerging markets. Fully integrated across the production and supply chains, including exploration, downstream, distribution, gas and power, petrochemicals and biofuels.

Petrobras is the largest corporate investor in Brazil, with a US\$235 billion capital expenditure program over the next five years from a company with \$120-130 billion in market capitalization, primarily for exploration and production activities. This creates opportunities for suppliers of goods and services from around the globe. Petrobras also has the largest downstream investment program in Latin America, including refineries, fleet expansion and logistics, as well as investment in oil quality to ensure lower sulfur content. In order to fulfill its business plan, Petrobras will demand the following equipments and goods in the next five years.

NON-CONVENTIONAL OIL AND GAS

Although very much in the early stages, the government intends to develop Brazil's onshore, non-conventional energy resources, such as shale gas. Brazil has the world's 10th-largest shale gas reserves, with an estimated 245 trillion cubic feet according to the US Energy Information Association (EIA). Shale gas is not yet produced in Brazil, but six blocks will be licensed 2013.

More information on oil and gas bidding rounds in Brazil can be found at:

http://www.brasil-rounds.gov.br/index_e.asp

EQUIPMENT AND MATERIALS REQUIRED FOR 2012-2017

	UNIT	2012	2013	2014	2015	2016	2017	TOTAL
PUMPS	un	899	1.737	942	381	96	331	4.386
COMPRESSORS	un	174	54	51	23	40	45	387
CRANES	un	23	25	24	8	7	6	93
STRUCTURAL STEEL (SHIP HULLS)	t	205.100	45.600	31.750	29.600	70.900	70.900	453.850
STRUCTURAL STEEL (PLAT-FORM HULLS)	t	140.000	364.000	224.000	112.000	140.000	112.000	1.092.000
STRUCTURAL STEEL (RIG HULLS)	t	0	120.000	120.000	120.000	120.000	80.000	560.000
FLARES	un	11	12	8	6	4	5	46
POWER GENERATORS (13,8 KV)	un	32	189	14	20	27	17	299
POWER GENERATORS (0,48KV)	un	158	0	0	0	0	0	158
TANKS	un	253	180	68	55	39	89	684
PROCESSING TOWERS	un	101	119	53	0	5	17	295
REACTORS	un	114	71	0	0	4	0	189
WET CHRISTMAS TREES	un	136	158	191	217	203	229	1.135
OFFSHORE WELLHEADS	un	215	204	220	225	207	235	1.307
DRY CHRISTMAS TREES	un	457	522	436	324	189	120	2.047
ONSHORE WELLHEADS	un	458	522	436	324	189	120	2.049
MANIFOLDS	un	10	18	23	15	12	21	99
UMBILICALS	km	517	714	887	1.295	1.485	1.593	6.492

(**) This list does not include all the equipment and materials required for 2012-2017 period.
Source: Petrobras Procurement Department

EQUIPMENT AND MATERIALS REQUIRED FOR 2012-2017

	UNIT	2012	2013	2014	2015	2016	2017	TOTAL
TUBING (ONSHORE)	t	28.681	28.681	28.681	28.681	28.681	28.681	172.084
TUBING (OFFSHORE)	t	13.947	13.947	13.947	13.947	13.947	13.947	83.682
FLEXIBLE PIPES	km	743	616	713	957	1.471	1.478	5.977
RISERS	km	210	173	311	441	544	682	2.361
TURBINES (GAS)	un	41	38	18	12	16	26	151
TURBINES (STEAM)	un	28	91	67	0	0	17	203
SPECIAL ALLOYS FOR TUBING AND CASINGS	t	2.470	3.293	2.027	6.256	11.525	11.854	41.325
TURBO GENERATORS	un	32	37	12	8	12	37	138
POLYESTER MOORING CABLES	km	182	249	319	113	170	114	1.147
FIBERGLASS PIPELINES	km	425	128	353	353	353	353	1.966
ELECTRICAL CABLES FOR CSP	km	9.562	8.487	10.073	10.363	0	0	38.485
STEAM GENERATORS	un	0	0	0	0	0	0	0
HCC REACTORS	un	0	5	0	0	4	0	9
SPECIAL ALLOY BOILERS, REACTORS, TOWERS, AND PRESSURE VESSELS	un	64	79	67	0	4	5	219
HEAT EXCHANGERS	un	7	61	63	65	0	0	196
REFORMER FURNACES	un	3	6	0	0	0	0	9

(**) This list does not include all the equipment and materials required for 2012-2017 period.
Source: Petrobras Procurement Department

LIFE SCIENCES

Brazil is an ideal location for companies aiming to diversify life sciences activities in a market that offers both scale and robust growth rates. The fundamentals driving the market in the life sciences sector include the sheer size of Brazil's consumer market, fast-growing healthcare expenditures in both public and private healthcare services and the gradual shift to an aging population.

33% of Brazil's population of 201 million is still under the age of 20, with an average life expectancy at 73 years old. While Brazil's demographics favor continued growth in the economically active population (those between 15 and 59 years old) through around the year 2020, the number of people over the age of 60 is also growing. Between 2001 and 2011, the number of pensioners aged 60 years or more grew from 15.5 million to 23.5 million.

Healthcare is responsible for 9% of Brazil's GDP, with the country operating both a universal healthcare system called SUS (Sistema Único de Saúde), which accounts of almost half of total healthcare spending and serves 80% of the population, and a private healthcare industry.

The demands of operating a universal healthcare system in the world's fifth-largest country by population are immense, but a further market driver is the expansion in the middle class by 40 million over the past decade. Per capita expenditure on healthcare has grown by almost 14% in Brazil over

the period from 2001 to 2011, compared to 10% in Latin America and 6% worldwide. In 2011, Brazilians used SUS for 740 million exams, 2.4 million chemotherapy treatments and 4 million surgeries.

Brazil has a strong medical device market that is able to meet current demand, with 90% of an average hospital's technological and equipment needs fulfilled locally. Future growth in the life sciences sector will stem from businesses that bring new innovative products to market, including transferred technology not currently present in Brazil. Industry leaders, including 3M, Baxter, Beckton Dickinson, Dentsply, Fresenius, GE Healthcare, Geratherm, Johnson & Johnson, Philips, Roche and Siemens Healthcare are already present in Brazil.

In order to ensure continued quality in the healthcare sector, there are a number of incentives and conditions in place that make Brazil a top destination for foreign investment and technological development in the life sciences sector:

- ▶ \$1 billion of new investment between 2012 and 2014 under the Healthcare Industry Investment Program (PROCIS), aimed at increasing the capacity for innovation.
- ▶ Attractive funding and financing conditions from the Brazilian Development Bank (BNDES) and the Brazilian Innovation Agency (FINEP).

- ▶ Margins of preference have been established under the SUS (universal healthcare) program, allowing the public sector to purchase essential medical equipment that is up to 25% more expensive when manufactured in Brazil in order to stimulate local investment in the life sciences sector.
- ▶ Promotion of public-private partnerships for technology transfer and development through a network of public laboratories that spans the country. These Production Development Partnerships will expedite the registration and public purchase of technology required by SUS when developed with and transferred to public laboratories.
- ▶ Norms and standards in the sector have been harmonized with internationally accepted regulations to facilitate technology transfer and trade.
- ▶ The Ministry of Health has established several SUS expansion programs to develop specific areas such as radiotherapy, investing

\$300 million in equipment, subsidies for professional training, financing and materials.

- ▶ The Ministry of Health is currently expanding its procurement database to include a national inventory of essential medical devices (in addition to the current inventory of essential medications), as well as listing products and medications which will benefit from priority patent approvals and other required certification.

At present, the states of Brazil's South and Southeast regions host 98% of medical technology firms doing business in Brazil, as well as a large number of incubators, research and development centers, public laboratories and technology parks with a focus on biosciences and medical technology. There is a strong presence of public laboratories in the Northeast Region of Brazil. These laboratories play a role in partnerships with foreign companies wishing to enter or expand in Brazil.

SEMICONDUCTORS

With a young population and emerging middle class avid for new technology – many of whom are first-time buyers – the demand for electronic goods in Brazil's consumer market is large. Brazil ranks high in the strongest-performing semiconductor markets, such as:

- ▶ 5th-largest mobile phone market;
- ▶ 3rd-largest market for computers and peripherals;
- ▶ 4th-largest market for financial cards; and
- ▶ 7th-largest producer of passenger cars.

Brazil is the leading global growth market in terms of per capita consumption and penetration of end products:

BRAZILIAN END PRODUCT CONSUMPTION AND GROWTH COMPARISON

	BRAZIL	RUSSIA	INDIA	CHINA	MEXICO	INDONESIA
PER CAPITA CONSUMPTION OF CONSUMER ELECTRONICS 2011 US\$	208.4	150.9	21.3	88.6	79.2	56.0
MOBILE PHONE DEVICES RETAIL VOLUME 2011 (MILLION UNITS)	56.2	40.5	202.4	243.8	27.4	35.0
TV RETAIL VOLUME 2011 (MILLION UNITS)	12.2	7.4	15	47.8	2.3	4.3
VEHICLE PRODUCTION 2011 (MILLION UNITS)	3.4	1.9	3.9	18.4	2.7	0.8
FORECAST GROWTH OF MOBILE PHONE DEVICES 2011-2016 (CAGR %)	9.8	2.3	13.1	7.2	0.1	7.8
POSSESSION OF BROADBAND 2011 (% OF POPULATION)	32.1	33.8	4.9	29.6	22.1	2.4
GROWTH IN POSSESSION OF BROADBAND 2011-2016 (CAGR %)	21.5	27.8	4.3	16.6	18.0	2.0
POSSESSION OF PERSONAL COMPUTER (% OF POPULATION)	45.4	57.1	8.6	38	31.9	12.0
GROWTH POSSESSION OF PERSONAL COMPUTER 2011-2016 (CAGR %)	15.5	30.5	18.4	7.1	9.1	16.2

Source: Euromonitor, International Organization of Automobile Manufacturers (OICA)

Steady growth in demand is expected to continue as more Brazilians join the middle class and demand for end products which require electrical components grows. For the middle class, mobile phones are no longer a luxury but a vital tool for communication and personal computers and electronics are increasingly used to further education. As such, they are a top priority for Brazilian consumers.

Government investment in national broadband under the National Broadband Plan (PNBL) is broadening access to the Internet and generating further demand for electronics. According to Euro-monitor, Latin America will generate demand for \$147 billion in consumer electronics by 2016, 40% of which will come from consumers in Brazil.

In order to seize upon this opportunity leveraged by such strong demand to create wealth and jobs and contribute to Brazilian economic development, the Brazilian government has identified semiconductors as a priority sector for attracting investment. To encourage business in the semiconductors sector, the federal government has adopted several initiatives, including:

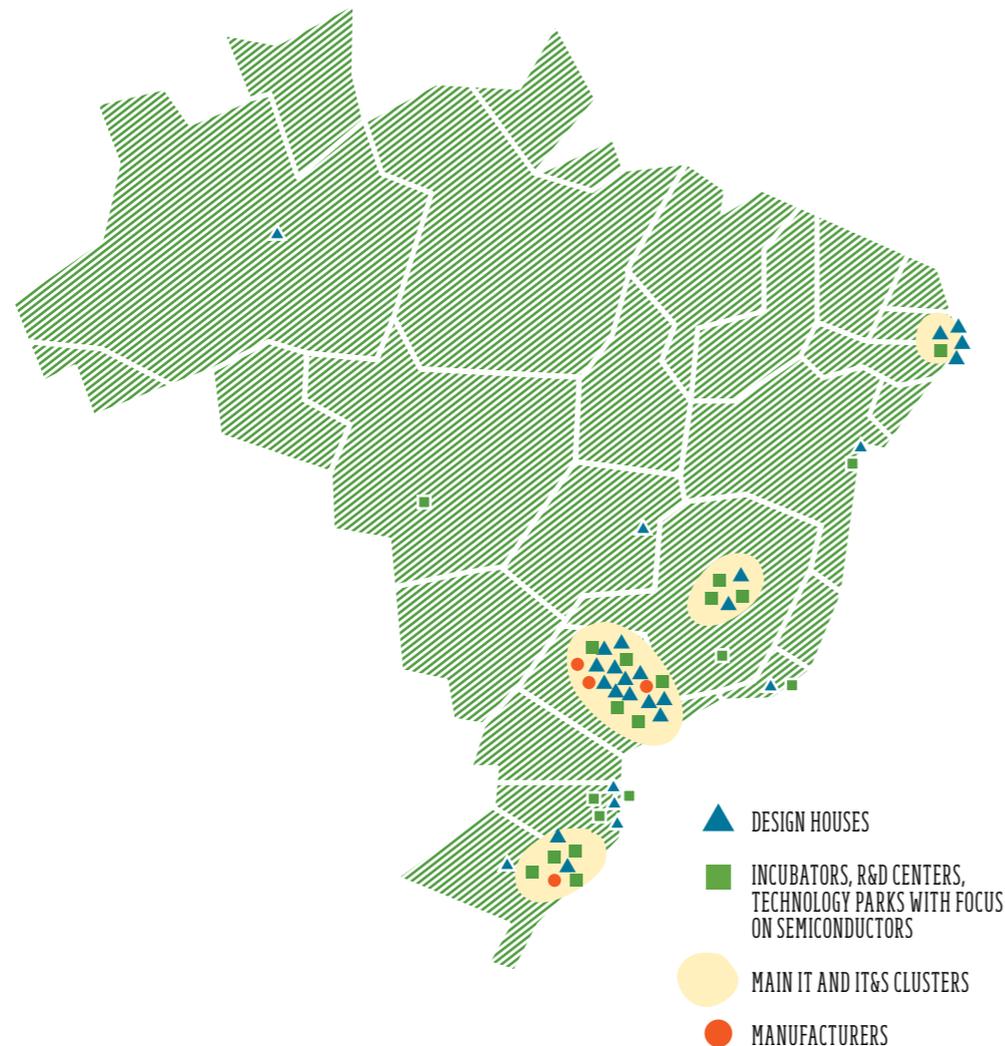
- ▶ Tax incentives and lower tax rates for manufacturers producing consumer goods such as mobile phones, tablets and related products (which can be produced in the Manaus Free Zone, benefiting from further incentives), in exchange for a minimum investment of 5% of the revenue coming from such products in research and development activities in Brazil.

- ▶ Specific incentives oriented towards manufacturers of semiconductor electronic devices, liquid crystal and plasma displays and on-board chip systems under the Brazilian Program to the Development of the Semiconductor and Display Industry, or "PADIS," as it's known in Portuguese. PADIS suspends a number of taxes in the sector, including import taxes on machinery or raw materials necessary for production. A minimum investment of 5% of revenue in research and development is required.

- ▶ Other industrial development policies in force, such as professional training for IC designers and engineers, are also supportive.

A public Brazil-based semiconductor design house and foundry was inaugurated in 2008. The National Center for Advanced Electronic Technology (CEITEC) presently designs and produces chips to meet local needs, such as an RFID chip to track cattle and a biometric chip for Brazilian passports. Another important step is the construction of Six Semicondutores. Announced in 2012 and currently being implemented, Six Semicondutores SA (SIX) is the result of a partnership between SIX Soluções Inteligentes, Brazilian Development Bank (BNDES), Minas Gerais State Development Bank (BDMG); IBM; Matec Investimentos; and WS-Intecs. The R\$1 billion investment is to build the most modern semiconductor factory of the Southern Hemisphere and will be operational in 2014. Another important investment has been made by a joint-venture between South Korean company Hana Micron and the Brazilian holding company Parit Participações. HT Micron is already operational inside Tecnosinos, with the production of SmartChips and DRAM memories. Its permanent headquarter will be completed by end of 2013, with approximately 10,000 m² of buildings with expanded capacity both in volume and products.

Also present on the Brazilian market in the electronics sector are: Dell, Epson, Google, HP, LG, MABE, Lenovo, Microsoft, Motorola, Panasonic, Philips, Samsung, Sony, Toshiba and Whirlpool, among others.



Sources: Brazilian Agency for Industrial Development (ABDI), Brazilian Association for the Electric and Electronics Industries (ABI-NEE), Brazilian Association for Innovative Entrepreneurial Promotion Entities (ANPROTEC), Brazilian Studies and Project Financing Company (FINEP)

SÃO PAULO, SP

UNIVERSITIES: University of São Paulo, Pontifical Catholic University, Technology & Science College, São Paulo State University, Aeronautics Technical Institute
DESIGN HOUSES: Excelchip, LSI - TEC, STI Semiconductor Design
INCUBATORS: CIETEC, Agencia GABC, UNIVAP
MANUFACTURERS: Freescale ZTE, Technologies, Smart Modular Technologies, Nvidia, Microsoft, Itaotec, ThyssenKrupp, Eletrolux, Hitachi, Panasonic, Semp Toshiba, Whirlpool, Siemens, Tecsyst, Ericsson, Flextronics, Foxconn
TECHNOLOGY PARKS: PQ TEC, UNIVAP

RECIFE, PE

UNIVERSITIES: Federal University of Pernambuco, Science & Technology College Pernambuco
DESIGN HOUSES: SiliconReef, TE@12, CETENE, CESAR
INCUBATORS: Nectar, Incubatep
MANUFACTURERS: Serttel, Tron, Impsa, Koblitz, Nokia Institute, Accenture,
TECHNOLOGY PARKS: Porto Digital, Parqtel

MINAS GERAIS

UNIVERSITIES: Minas Gerais Federal University, Juiz de Fora Federal University, Inatel, São João del Rei Federal University, Itajubá Federal University
DESIGN HOUSES: DH BH, MINASIC
INCUBATORS: BH TEC, Nascente, NEmp, Inova
MANUFACTURERS: Six Semicondutores, Nanium (planned)
TECHNOLOGY PARKS: BH TEC, ParcTec, Itec

CAMPINAS, SP

Universities: University of São Paulo, Campinas State University, Pontifical Catholic University - Campinas
Design Houses: Werhner Von Braun, CTI, Freescale Design Center, Ideal, Eldorado, Perceptia
Incubators: Incamp, CIATEC
Manufacturers: Freescale, Samsung, Motorola, Nortel Networks, Bosch, Dell, Flextronics, IBM, CPqD, HP, 3M, Celestica, Magneti Marelli, ZTE, Accenture, Stefanini IT Solutions, Petrobrás, RBS, Mabe, Quanta, Samsung
Technology Parks: CPqD, CTI-TEC

PORTO ALEGRE, RS

UNIVERSITIES: Rio Grande do Sul Federal University, Pontifical Catholic University - RS, Unisinos, Santa Maria Federal University
DESIGN HOUSES: CEITEC, Eldorado, Santa Maria
INCUBATORS: Raiar, ITEC, VALETEC, IETEC, CIENTEC
MANUFACTURERS: HT Micron, Altus, Terra, Vivo, GM, Gerdau, Imec, Agco, Digital, Alstom, Spinger Carrier
TECHNOLOGY PARKS: Tecnosinos, Tecnopuc, Valetec

SERVICES

INFRASTRUCTURE and LOGISTICS

Investing in Brazilian infrastructure makes good business sense. As one of the world's largest consumer markets and a major global exporter, Brazil depends upon logistics and transportation networks to guarantee future competitiveness. The federal government has clearly recognized the importance of national infrastructure for Brazil's growth by launching two hallmark programs: the Accelerated Growth Program (PAC), created in 2007 and financed from public funds, and the Logistics Investment Program, launched in 2012 to liberalize conditions for the private sector to invest in infrastructure assets.

INVESTMENT IN SCHEDULED CONCESSIONS (ESTIMATE)	US\$ BILLION
Logistics	121.0
Roads	21.0
Railways	45.5
Ports	27.3
High Speed Train (TAV)	17.8
Airports	9.4
Energy	74.0
Hydro	39.9
Wind, Biomass and Small Hydro	19.0
Thermal	1.4
Distribution	13.7
Oil&Gas	202.5
Total	397.5

Source: Ministry of Finance

These two far-sighted programs will transform Brazil by the upgrade and construction of new highways, railways, ports (both maritime and inland waterways), airports (international and regional), oil & gas supply chains, agriculture support infrastructure and electricity supply and distribution networks.

By investing in the services sector, international businesses and investors stand to benefit from a strong pipeline of demand for assets and operations know-how across the whole infrastructure spectrum. Driving demands are:

- ▶ Increasing output from Brazil's agribusinesses and exports, with growth of over 300% between 2002 and 2012, and total production of \$242.6 billion in 2012.
- ▶ Major sporting events, such as the 2014 soccer World Cup and the 2016 Olympic Games, for which \$22.9 billion is being invested in support infrastructure.
- ▶ A growing population and burgeoning middle class that has expanded by 40 million and requires urban mobility networks and efficient inter-state ground transportation networks.
- ▶ New industrial growth in traditionally rural regions of Brazil, particularly the North and Northeast.
- ▶ Growing energy production in offshore and onshore oil and gas (including non-conventional blocks that will be auctioned in 2013), biofuels, hydroelectricity, wind power and other renewable sources, which are propelling Brazil towards energy independence and becoming a net energy exporter.

Through both the PAC and the Logistics Investment Program, the Government of Brazil aims to achieve a substantive leap forward in sharpening Brazil's competitive advantage by providing Brazil with an interconnected and modern transportation network, upgraded logistics infrastructure and efficient energy grid.

GROWTH ACCELERATION PROGRAM (PAC)

Launched in 2007, the Growth Acceleration Program, more commonly called the "PAC" after its acronym in Portuguese (Programa de Aceleração de Crescimento), is a package of major public investment in energy, logistics, social housing, sanitation and urban mobility projects.

During the first phase of the PAC between 2007 and 2010, a total of \$363.2 billion was invested in infrastructure projects. The budget of the program is approximately \$530 billion for the second phase of the PAC, which runs between 2011 and 2014. Of this total, \$260 billion will be invested in power generation and transmission projects, \$200 billion in social and urban projects (including urban mobility and housing) and \$67 billion in logistics.

Over the past 10 years, 1.1 million new houses have been built and a further 1.4 million are under construction to accommodate Brazil's surge in the middle class population. 43 new hydroelectric power plants, 61 wind farms, 30,000 kilometers of power lines and 12 new sports stadiums have been built, with the latter preparing Brazil to host the 2014 Soccer World Cup and the 2016 Olympic Games in Rio de Janeiro.

The backbone of supplying demand in the domestic market and growing participation in international trade depends on logistics infrastructure, which is a growing business opportunity in Brazil as a result of new investment in the sector. While most logistics operations have traditionally been concentrated on the Southeast Region of Brazil, which accounts for a larger portion of national GDP, government fiscal incentives, lower prices of real estate and expansion of land cultivated for agriculture, together with strong economic development in other regions of the country, are contributing to robust demand for logistics operations in these areas.

LOGISTICS INVESTMENT PROGRAM

Brazil's national Logistics Investment Program was launched by the federal government in 2012 and is aimed at providing Brazil with a modern, integrated and efficient transportation network, strengthening the Brazilian economy's competitiveness by reducing logistics costs by at least 30% by the time the program reaches completion and laying the foundation for sustainable growth in Brazil over the next 50 years by beginning a continuous process of planning and development of transportation and logistics infrastructure, led by the newly created Logistics & Planning Corporation (Empresa de Logística e Planejamento, or EPL). This ambitious plan, which will raise investment of over \$250 billion, creates unprecedented demand for new and upgraded infrastructure assets in ports, railways, airports and highways.

A defining characteristic of the Logistics Investment Program is its openness to international business. The program will auction contracts for the following infrastructure needs:

- ▶ Widening and extending 7,500 kilometers of highways (equivalent to the distance between New York and Moscow), with various stretches of road to be auctioned to the private sector following a concessions contract model.

- ▶ Building 10,000 kilometers of railway (greater than the distance between London and Tokyo). Stretches of track are to be auctioned to the private sector following a concessions contract model.

- ▶ Upgrading existing ports (both maritime and inland waterways) and creating new ones. These have been opened up to private investment under a new regulatory framework.

- ▶ Development of 270 regional airports and aerodromes, including 5 international airports that are auctioned under concession contracts to the private sector.

Concession contracts will be awarded for a term of 25 to 30 years, with financing spread over 20 to 25 years at highly competitive interest rates and with a 3 to 5 year grace period for financing from state-owned banks, which include the Brazilian Development Bank (BNDES), Banco do Brasil and Caixa Econômica Federal.

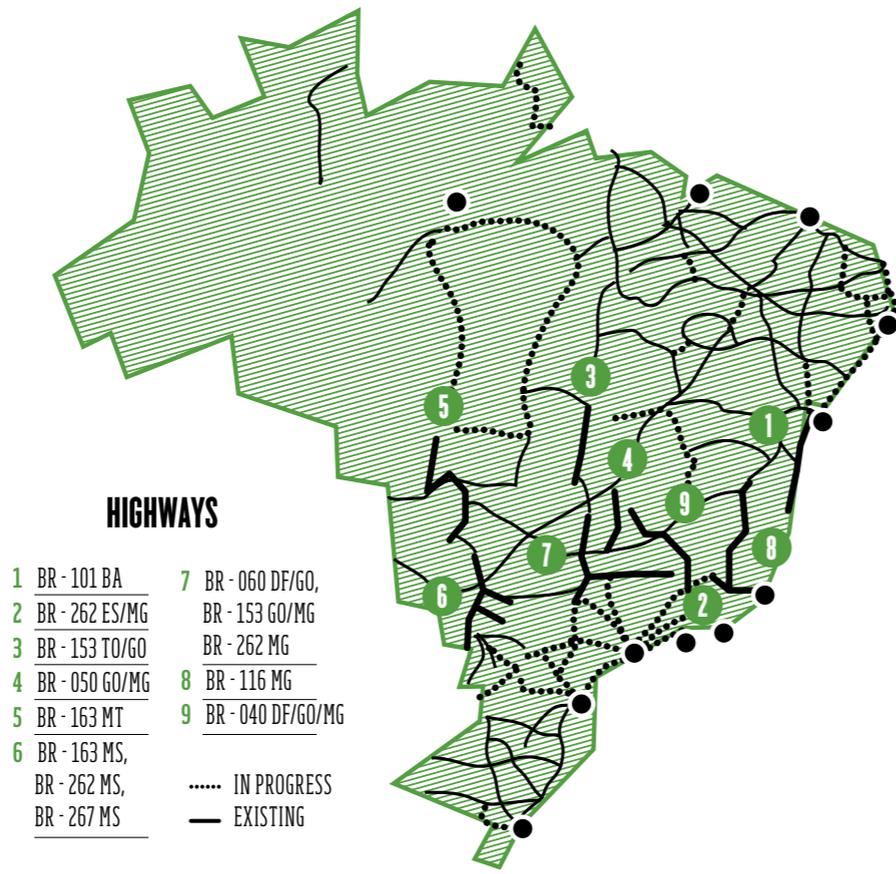
HIGHWAYS

As the fifth-largest country in the world, it is not surprising that Brazil has one of the world's largest road networks, with approximately 1.7 million kilometers of roads. At present, however, less than 15% of the national road network is paved, meaning that road surfacing and maintenance services are badly needed to help connect more parts of the country and improve transportation efficiency.

Approximately 60% of total freight and 45% of passenger transportation in Brazil is carried over the national highway network, which is a

comparatively high level compared to other continental-sized countries such as Australia, Canada, Russia and the United States, for instance, where rail plays a stronger role in the transportation matrix. This creates heavy demands for quality highway infrastructure. According to JPMorgan, traffic grows on average between 1 to 1.5 times GDP.

A total of nine concession contracts will be awarded, covering highways located in the states of Bahia, Espírito Santo, Goiás, Mato Grosso, Mato Grosso do Sul, Minas Gerais and Tocantins.



The following conditions will apply to the concessions for highways:

- ▶ Concessionaires will be selected through public auctions following a public consultation period. The award will be made to the bidder that offers the lowest toll fee. Brazil operates an open-toll system with fares tied to inflation.
- ▶ Tolls may only begin to be collected once at least 10% of the construction work has been completed.
- ▶ No concession fee will be charged, allowing the concessionaire greater leeway to charge lower toll fares, as well as accelerating implementation of the project.
- ▶ Concessionaires will be responsible for the construction and maintenance of the sections of highway covered under the concession contract, which includes traffic management systems, customer care services and emergency support assistance.

For highway concessions, the construction of additional lanes, bypasses, pedestrian crossings, side roads, overpasses, and bridges is expected to be carried out in the first five years. Brazil's National Development Bank (BNDES) may finance 65% to 80% of the concessionaires' investment needs. The loans will have a three-year grace period and a 20-year repayment term. The annual charges will be based on Brazil's Long-Term Interest Rate (TJLP), set at 5% per year in January 2013, plus additional interest of up to 1.5% per year.

For more information on investing in Brazilian toll highways, visit the Brazilian Logistics & Planning Corporation's website for investors: www.logisticsbrazil.gov.br

Other useful links:

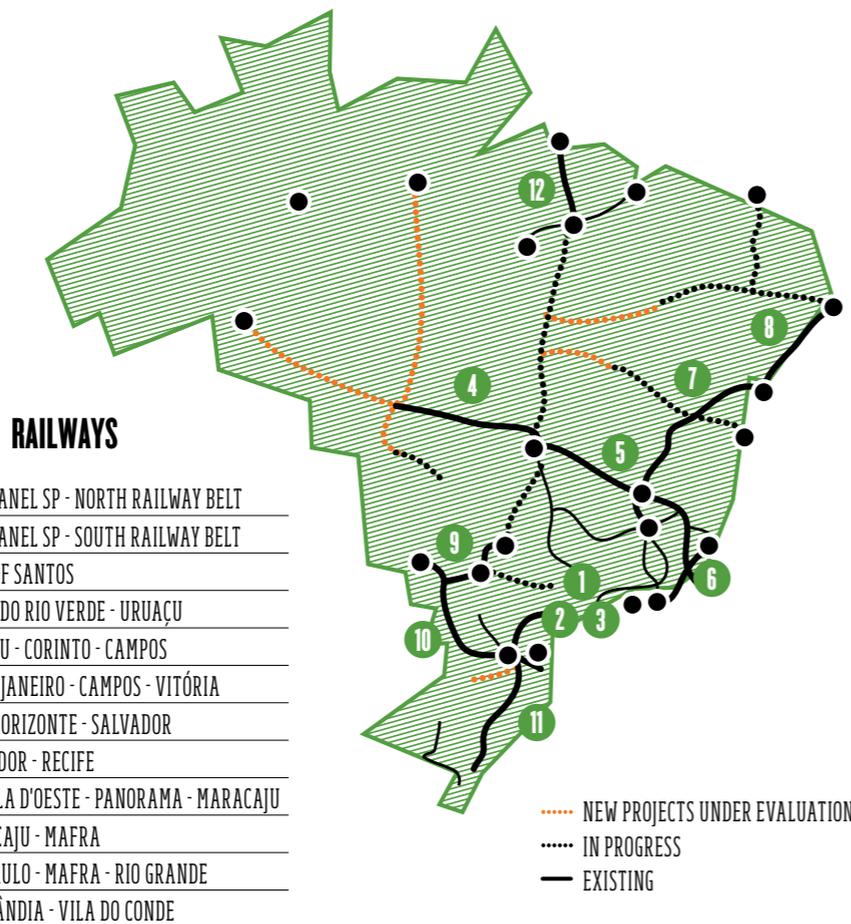
- ▶ www.transportes.gov.br - Ministry of Transportation
- ▶ www.antt.gov.br - the ground transportation regulatory agency
- ▶ www.dnit.gov.br - National Transportation Infrastructure Department, which contains many useful studies and maps covering Brazil's land and water transport infrastructure assets.

RAILWAYS

Privatized in the 1990s, Brazil's railway network has suffered from a lack of public investment for many years. Originally, the railroads were built to connect Brazil's coffee-growing areas to the ports during the 19th century, until roads became the preferred form of transportation due to a lack of investment in rail. Today, the bulk of rail transportation – which accounts for just 25% of freight transportation in Brazil – is dominated by a handful of companies that have won concession contracts to operate specific stretches of railroad. To

encourage competition and new market entrants in the railway sector, the government has established a public-private partnership model, whereby the Brazilian government will award a contract to a company under an open tender process to build, maintain, operate and transfer the railway assets (BOOT concession model).

The stretches of railway to be auctioned are widely spread across Brazil and intersect with the major rail projects, namely the North-South Railroad, the Trans-Northeastern and the West-East Railroad.



The following conditions will apply to concessions for railways:

- ▶ Concessionaires will be selected through public auctions following a public consultation period. The award will be made to the bidder that offers the lowest tariffs. In order to reduce demand risk (i.e. that initial demand may not be sufficient to enable to concessionaire to recoup the investment and obtain sufficient remuneration), the state-owned railway engineering and construction firm VALEC will buy the entire railway capacity from concessionaires.
- ▶ By significantly alleviating risk away from the private companies, the government believes a higher number of potential investors will become active participants in Brazil's new railways model.
- ▶ While respecting the public-private partnership approach, one of the objectives in the new railways model is to reduce costs for freight and boost the share held by rail in Brazil's transportation matrix.
- ▶ To ensure the continuous expansion of Brazil's railway network capacity, the concession contracts will include investment triggers, which will take effect when the level of railway use reaches certain levels that indicate the saturation point on a certain railroad segment has been reached.

Railway concession partners will have access to a BNDES financing line with charges based on the TJLP plus additional interest of up to 1.0% per year, a five-year grace period and a 25-year repayment term. As in the highway concessions, BNDES may finance from 65% to 80% of the projects.

For more information on investing in Brazilian railways, visit the Brazilian Logistics & Planning Corporation's website for investors: www.logisticsbrazil.gov.br

Other useful links:

- ▶ www.transportes.gov.br - Ministry of Transportation
- ▶ www.antt.gov.br - the overland transportation regulatory agency
- ▶ www.valec.gov.br - VALEC Engineering, Construction and Railways

PORTS

Ports are an essential part of Brazil's business infrastructure, responsible for handling 90% of Brazil's participation in international trade, including both imports and exports.

In June 2013, a new Ports Law came into effect. This law opens Brazil's port sector to greater competition and aims to attract new investment. The law has been described as the most fundamental change to Brazil's port sector since the opening of Brazil's ports to Friendly Nations in 1808.

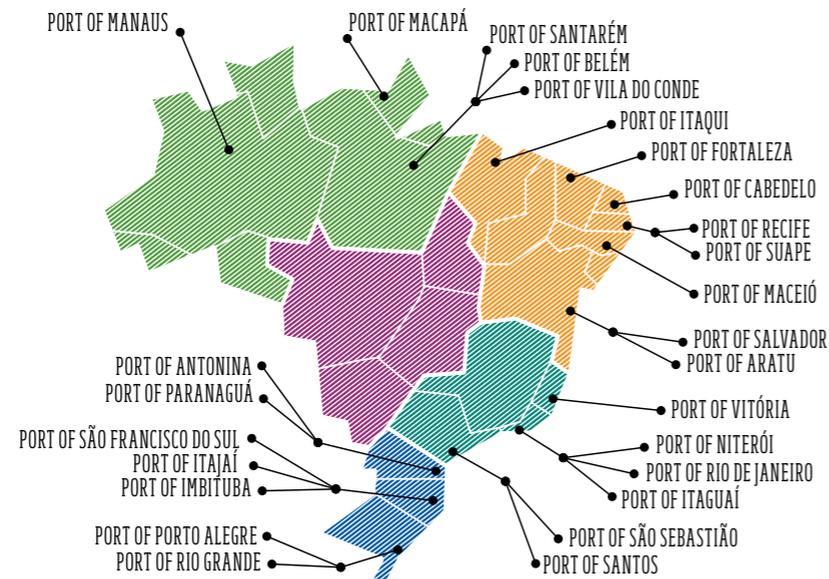
As a result of the new investment framework, the government expects to attract \$27.1 billion, of which \$15.5 billion will be invested by 2014/15.

At the heart of the new Ports Law is the goal of making Brazil more competitive on both domestic and international markets by increasing port efficiency in order to reduce costs and attract new investment to increase port handling capacity and absorb growing demand. The new law also provides for a shakeup of the institutional structure governing the ports sector in order to streamline decision-making.

Among the key changes made to attract new, private investment are:

- ▶ Selection criteria for awarding concession contracts will focus on greater cargo volume with the lowest tariff.
- ▶ Concessions will be granted for up to 25 years, renewable for the same length of time on the granting authority's approval.
- ▶ Existing contracts will remain in force until their expiration date and will be put up for tender at least 12 months prior to the deadline.
- ▶ Simplification of concession procedures, including tender by auction with inverted phases, focusing first on cost control and second on technical qualifications.
- ▶ Authorization for private port terminals to handle any type of cargo. Private port terminals could previously handle only their own freight.
- ▶ Greater scope for public consultations will be allowed in order to determine whether to authorize total or partial investment in submitted projects.

26 PUBLIC PORTS WHERE TERMINALS WILL BE LEASED



For more information on investing in Brazilian ports, visit the Brazilian Logistics & Planning Corporation's website for investors: www.logisticsbrazil.gov.br

Other useful links:

▶ www.portosdobrasil.gov.br

Ministry of Ports

▶ www.antaq.gov.br

the waterway transportation regulatory agency

AIRPORTS

Brazilian airports are an essential part of the country's business infrastructure, responsible for transporting 100 million people in 2012.

Demand for air travel, both domestically and between Brazil and the rest of the world, grew at a rapid rate of 9.48% from 2011 to 2012. This, combined with the approach of major international sporting events hosted by Brazil in 2014 and 2016, has led the Brazilian government to divide investment in airports into two parts: international airports and regional airports.

▶ International airports

In 2012 concession contracts were awarded to the private sector for the operation and expansion of the international airports in São Paulo (Guarulhos), which is the largest passenger airport in Latin America, Brasília and Campinas (Viracopos), which is Brazil's largest airfreight airport and one of the largest cargo airports in Latin America.

In 2013 two further concessions will be auctioned to the private sector for the international airports in Rio de Janeiro (Galeão) and Belo Horizonte (Confins). One of the requirements to bid is that the consortium be joined by an operator responsible for an airport with a flow of at least 35 million passengers per year. In addition, the operator should hold a minimum share of 25%. The auction is scheduled for the second half of 2013.

▶ Regional airports

The second part of the program foresees investments worth over \$3.6 billion in 270 regional airports. It consists of strengthening and restructuring Brazil's regional aviation network, expanding air transport supply and improving the quality of airport infrastructure and services. For that purpose, regional airports will be managed through administrative concessions.

Finally, the third part consists of encouraging the commercial operation of private airports dedicated exclusively to general aviation.

The main goal is to improve logistics integration between all modes of transportation in order to enhance Brazil's competitiveness. It is expected that investments in infrastructure will boost the country's economic growth and will support Brazil's sustainable development.

For more information on investing in Brazilian airports, visit the Brazilian Logistics & Planning Corporation's website for investors: www.logisticsbrazil.gov.br

Other useful links:

▶ www.aviacaocivil.gov.br

Ministry of Civil Aviation

▶ www.anac.gov.br

the air transportation regulatory agency

REAL ESTATE & HOSPITALITY

Over the past seven years the real estate sector has undergone significant development and diversification in Brazil. During this period the most important domestic developers have conducted IPOs, a large number of new Real Estate Investment Trusts (REITs) and hospitality related funds have begun operating and sophisticated new instruments with strong returns have been introduced to the market. In the early 2000s there was almost no private equity activity in Brazil. Now some experts estimate that there is at least US\$10 billion available in funds from the United States, United Kingdom, Canada and the Middle East, ready to invest in the country.

HOUSING

Anchored by a steady level of consumer demand, credit expansion and rising income since 2003, the Brazilian government and the private sector have jointly worked to improve housing supply for the population. According to the Brazilian Central Bank, secured lending represents only 6.3% of the country's GDP, compared to 15% in Mexico and Chile, 60% in Spain and 70% in the USA. Risky markets that have experienced bubbles and crises reached rates higher than 50% of GDP for lending. Moreover, Brazilian home lending mechanisms are very conservative by nature. For example, it's not possible to finance more than 80% of the property's value or to approve additional mortgages for the same property, which is different than certain other markets. In 2003 the SFH – Housing Financing System – lent R\$2.21 billion to finance 36,480 properties; in 2012 R\$82.76 billion was lent to finance 453,209 units, for an increase of 4,575%.

With housing deficit level estimates ranging between 5 and 7 million, there is still a huge market for real estate development – notably in the low-income segment. For this reason, the government is expected to boost "Minha Casa, Minha Vida" program in the coming years. In addition, according to the Knight Frank Global House Price Index – an index that monitors housing prices in 55 countries - Brazil was the country with the highest increase in 2012, growing 15.2%, followed by Hong Kong at 14.2%, Turkey at 11.5% and Rus-

sia at 10.7%. This has led Brazil to be considered, for the second consecutive year, the most attractive emerging market to invest in and the second-most effective in generating capital gains, second only to the USA, according to AFIRE – Association of Foreign Investors in Real Estate. Despite the house price boom in the country, a recent survey by FGV – Fundação Getúlio Vargas – points out that, compared to countries in Europe and Asia, Brazilian prices are still quite cheap. For instance, the average price per square meter in London is US\$21,460.00, US\$15,122.00 in China and US\$6,931.00 in Brazil.

MALLS

Not only housing markets is doing well in Brazil. After a US\$ 4 Billion record in Foreign Direct Investment for 2012 there are also promising numbers for office development and retail, specifically shopping centers. Since the late 90s, Brazilian malls have been revamping their layouts and testing new configurations to leverage spending demand. Following a huge expansion, the industry finished 2012 with total revenue of R\$119.5 billion, an increase of 13.80% over 2011. The industry has been growing sustainably since 2006, when total revenue was R\$50 billion, or approximately US\$25 billion. In 2006 Brazil had 351 shopping centers in operation. In 2012 it had 457, with a gross leasable area (GLA) of 7,492. It

now has a GLA of 11,403. There are plenty of opportunities in secondary cities in Brazil – those with less than 500,000 people – where a number of major groups are expanding in various Brazilian states. The shopping center industry accounts for 18.3% of the national retail market and almost 3% of the country's GDP, employing over 850,000 people. The intense development of the industry is also a direct consequence of foreign investors and a large number of IPOs to finance new projects. According to ABRASCE – Brazilian Association of Shopping Centers – a total of 33 new developments are expected to begin operating between 2013 and 2014, with additional GLA of 981,073.

MALLS - 2013			
Total Malls	465.0	Total Stores	83,631.0 100%
To be Opened in 2013	33.0	Anchor Stores	2,509.0 3.0%
Gross Leasable Area (Million sq. m.)	11.7	Megastores	1,673.0 2.0%
Built Area (Million sq. m.)	28.9	Satellite Stores	71,923.0 86.0%
Employed Labor Force in 2012	877,000.0	Leisure	836.0 1.0%
Estimated 2012 Revenues (In US\$ Billion)	61.3	Store Services	6,690.0 8.0%
Consumer Traffic (million per month)	398.0	Cinema Halls	2,587.0

Source: ABRASCE

The main growth engine for the residential real estate and shopping center segments is the emergence of a wealthier middle class in Brazil and continuous private consumption increases. Many experts forecast that rising income and its effect on consumption will continue, at least, for the next 8 years. In 2012 per capita consumption reached more than R\$12,500.00 and it is expected that this will grow to around R\$17,000.00 in 2020 – an increase of 36%. A key driver for sales

in both residential and retail is the growth of the lower-middle class, which numbered 102 million in 2008 and had grown to 105.7 million in 2012, with the Ministry of Finance forecasting 111.4 million by 2020. This is an 8.4% increase in a little over a decade. The middle and upper-middle classes have been growing similarly – these two groups totaled 17.7 million in 2009 and are expected to increase to 19.2 million in 2020.

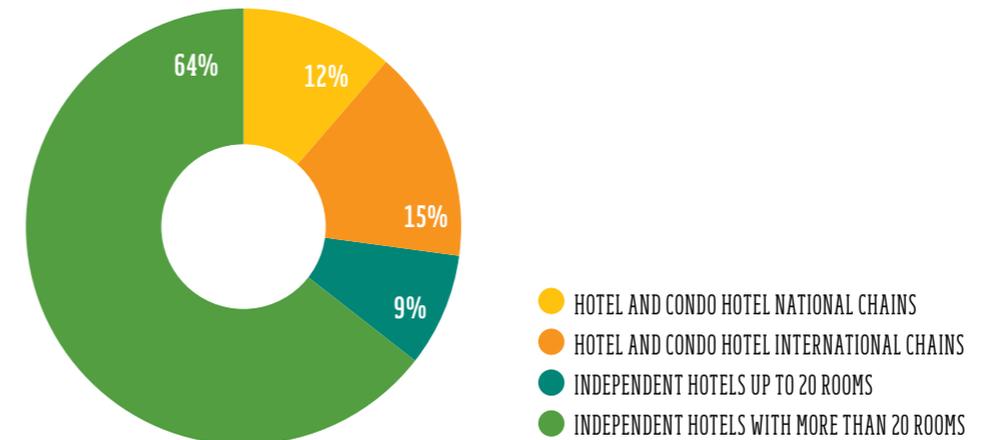
OFFICES

The commercial market is also recording higher levels each year, with increasing net yields, decreasing vacancy rates and growing rentals per square meter. São Paulo, Rio de Janeiro, Recife, Brasília, Curitiba, Porto Alegre and Belo Horizonte are the top state capitals for offices growth. In these cities the vacancy rates are at incredibly low levels – around 6.5%. Below 10% indicates that demand is greater than supply and above 15% the opposite. Rental yields are increasing from 9% to 12% yearly. Part of this is due to lack of space for new development in some major cities in the country, but a considerable porting is due to economic development, service growth and industrial expansion, which leads to demand for more office space for administrative areas. There are also a number of secondary and tertiary cities that are experiencing high demand for offices expansion and that have not yet been developed, such as Campinas and Ribeirão Preto.

HOTELS

Since the announcement that Brazil would host important international events like the World Cup in 2014 and the Olympic Games in 2016, the hospitality industry has begun a steady expansion cycle. The ongoing rise of Brazil's middle class, coupled with growing inbound tourism flows and a more dynamic domestic travel industry, have helped boost performance in hotel room occupancy rates and revenue per available room (RevPAR) since 2006. The occupancy rate was 58% in 2006 and nearly 70% in 2011. Likewise, revenue per available room went from R\$82.00 to R\$147.00 - a 20.5% increase. A new condo hotel cycle is taking place in large cities and some of these new ventures are already being launched. The same decentralization seen in the shopping center industry also applies for hotels. Hotels are being built in secondary and tertiary cities, due to low stock and number of huge infrastructure projects in progress - mining, oil, gas, energy, ect. Investment Criteria such as economic relevance, population growth and land prices also play an important role in this strategy.

ROOM STOCK IN BRAZIL



TOTAL NUMBER OF HOTELS AND HOTELS CONDOS IN BRAZIL - 2012

PROPERTY TYPE	HOTELS	%	ROOMS	%
Hotel and condo hotel national chains	361,00	3,76%	52.640,00	11,625
Hotel and condo hotel international chains	392,00	4,09%	70.229,00	15,51%
Independent hotels up to 20 rooms	3.489,00	36,37%	38.545,00	8,51%
Independent hotels with more than 20 rooms	5.350,00	55,78%	291.433,00	64,36%
Total	9.592,00	100,00%	452.847,00	100,00%

Source: Jones Lang LaSalle Hotels



LOGISTICS AND WAREHOUSES

The state of São Paulo is still a major hub for foreign industrial and logistics projects. However, since 2007 Northern and Northeastern states have become attractive and more projects are gradually being announced there. Besides the city of São Paulo, which has attracted more than 70 foreign developments in the 2003-2010 period alone, São Bernardo do Campo, Sorocaba, Jundiaí, Paulínia and Campinas are also key destinations. In these cities, significant activities have been generated over the years, driven by large investments in transportation equipment, electronics and other industries. Thanks to its comparatively lower costs and good labor availability, Manaus is a major hub for large manufacturing projects. Salvador and Camaçari, in the state of Bahia, are also leading destinations in the Northeastern Region of the country. According to market research conducted by IBM-PLI in 2012, the city of Recife has recently seen considerable growth in the industrial segment. Investments in logistics and industrial warehouses are expanding steadily each year. Colliers International reports that Brazil is the 108th place – out of 158 countries – for warehouse rental costs. The same market research shows high-quality industrial and warehouse building average rental is R\$19.60 m2 per month, including taxes. From 2008 to 2012, prices have risen 13.4%. As the general growth of the economy and country's market opportunities are still improving, it is expected that many greenfield and brownfield prospects will be available all over the country in the coming years.

SUPPORT MECHANISMS FOR BUSINESS

FINANCING

The Brazilian Development Bank (BNDES) is a state-owned bank that is a key instrument in Brazilian economic development. The BNDES mandate is to foster sustainable, competitive development in the Brazilian economy and support job creation while contributing to a reduction in social and regional inequality.

The BNDES is the main financing agent for development in Brazil. Since its foundation in 1952, the BNDES has played a fundamental role in stimulating the expansion of industry and infrastructure in the country. Over the course of the Bank's history, its operations have evolved in accordance with socio-economic challenges. They now include support for exports, technological innovation, sustainable socio-environmental development and the modernization of public administration.

The Bank offers several financial support mechanisms to private companies of all sizes with headquarters and administration in Brazil, as well as individual entrepreneurs, enabling investments in all economic sectors. In analyzing whether to provide financial support to a company or project, the BNDES emphasizes three factors it considers strategic: innovation, local development and socio-environmental development.

The BNDES can provide financial support to companies established in Brazil through three mechanisms:

► **Financing** – earmarked for investment projects, one-off purchases of new machinery and equipment, exports of machinery, Brazilian equipment and services and the acquisition of goods and production inputs. Financing modalities are divided into products, according to the purpose of the undertaking. These products define the general rules of applicable financial conditions and the operating procedures for financing. Some products are considered financing lines, aimed at certain clients, sectors and undertakings and, therefore, have more

specific rules. Among the bank's products is BNDES Project Finance, earmarked for the financial structuring of investment projects and contractually supported by project cash flow. Assets and receivables (asset-backed) may serve as guarantees for the same undertaking. Additionally, the BNDES offers financing programs of a transitional nature, which are focused on a particular economic segment. The Bank also administers some funds, which are resources to support specific activity sectors.

► **Non-repayable Funds** - investments of a social, cultural (educational and research), environmental, scientific or technological nature, which need not be repaid to the BNDES.

► **Subscription of Securities** - the BNDES may participate as a subscriber of securities - i.e., shares, simple debentures, convertible debentures, subscription bonds, options and other derivative products, in addition to participation in asset-backed (receivables) investment funds (FIDC) - in publicly-listed companies, in public or private issuances, or in companies that may join the capital market in the short or medium term, through a private issuance.

In some specific cases, financial support may be provided in a mixed manner by means of financing for a part of a project and through the subscription of securities for another part of it.

http://www.bndes.gov.br/SiteBNDES/bndes/bndes_en/

In addition to the BNDES, several international, national and regional commercial banks operate in the Brazil, providing financing lines to companies and investors. Most of these banks are organized under the Brazilian Banking Association (FEBRABAN).

<http://www.febraban.org.br/Febraban.asp>

Tax Incentives

The Brazilian government, at the federal, state and municipal levels, offers several tax-related incentives to companies interested in investing in the country. Usually the incentives are directed to sectors the government has an interest in developing, such as infra-structure, IT, oil and gas, electronics, shipbuilding and export sectors. Foreign and domestically-owned companies enjoy the same benefits in terms of incentives provided by government authorities. Most of the incentives are granted upon presentation by the investor of a project and its counterparts, such as a minimum amount invested and job creation.

At the federal level, there are several incentive packages in effect intended to support the development of strategic sectors within the country. They include:

- ▶ **PADIS** - Brazilian Semiconductor and Display Industry Development Support Program
- ▶ **PADTV** - Brazilian Digital TV Industry Development Support Program
- ▶ **RECAP** - Special Tax Regime for Capital Goods Acquisition by Export Companies and Shipyards
- ▶ **REIDI** - Special Tax Regime for Infra-structure Development
- ▶ **REPENEC** - Special Incentive Regime for the Development of the Oil Industry Infrastructure in the North, Northeast and Midwest Regions
- ▶ **REPES** - Special Tax Regime for IT Services Export
- ▶ **REPORTO** - Special Tax Regime for Port Infra-structure Modernization
- ▶ **REPETRO** - Special Import and Export Customs Regime Intended for the Exploration and Production of Oil and Gas
- ▶ **RETAERO** – Special Regime for the Brazilian Aeronautics Industry

The Brazilian government is also focused on fostering the creation of a competitive environment for R&D and innovation in Brazil. This concern is reflected in the creation of certain fiscal incentives mechanisms to promote investments in R&D by domestic and foreign companies established in Brazil. The main tax instruments to support R&D and innovation are:

- ▶ **Lei do Bem (Good Law)** allows corporate tax reduction, tax reduction on the acquisition of equipment allocated to R&D and accelerated depreciation of new machinery. It also allows accelerated amortization of certain R&D expenses.
- ▶ **Lei de Informática (IT Law)** grants benefits for the IT sector. It encourages the manufacture of IT and automation equipment in Brazil.

Foreign investors willing to establish a presence in Brazil will also find specific incentive packages created to foster the economic growth of less developed regions in the country. These packages include federal, state and municipal benefits. Investors willing to establish operations in the regions below may receive significant corporate tax reductions (up to 75%), among other benefits.

These specific regional packages are coordinated by regional development bodies, such as:

- ▶ **SUDAM (Amazon Region Development Agency)** – responsible for the states of Acre, Amapá, Amazonas, part of western Maranhão, Mato Grosso, Pará, Rondônia, Roraima and Tocantins.
- ▶ **SUDENE (Northeastern Brazil Development Agency)** – responsible for all states in the Northeast, as well as some municipalities in Minas Gerais and Espírito Santo.

REGIONAL INCENTIVES

In addition to the benefits described above, the Manaus Free Zone in the state of Amazonas has a specific incentive packages to encourage the creation of an industrial center to foster economic and social development in the Amazon forest, preventing natural extraction activities. In the Manaus Free Zone an investor may enjoy the following benefits:

- ▶ Reduction of up to 88% of Import Duty on inputs for a manufacturing or industrial investment.
- ▶ Exemption from excise duty on industrial goods.
- ▶ Reduction of up to 75% on corporate income tax for legal entities
- ▶ Exemption from social security taxes
- ▶ Reduction of state VAT (ICMS) of between 55% and 100%, depending on the project.

Export Processing Zones (EPZs)

Additionally, Export Processing Zones (EPZs) are characterized as free trade areas aimed at attracting the implantation of companies engaged in the production of goods to be traded worldwide. They are considered primary zones for purposes of customs control.

The objectives of EPZs are:

- ▶ Attracting foreign investment;
 - ▶ Reducing regional disparities;
 - ▶ Strengthening the balance of payments;
 - ▶ Promoting the dissemination of technology;
 - ▶ Creating jobs;
 - ▶ Promoting the economic and social development of the country;
 - ▶ Increasing the competitiveness of Brazilian exports.
- Companies installed within an EPZ will benefit from excise duty on industrial goods and social security tax suspension on local acquisitions and

imports. State VAT tax suspension may also be granted by the state government. They also enjoy exchange freedom, which means they are not obliged to convert the foreign currency obtained in the exports into reais (Brazilian currency), provided they send most of their products abroad. Companies may sell 20% of their production to the local market, with collection of all federal and state taxes are suspended.

Import incentives

- ▶ **"Ex tarifário"**: allows for temporary reductions in import tariffs, often to very low levels (between 0% and 2%), to facilitate investment in capital goods and IT and telecommunications goods for industrial development and key investment projects. The *ex tarifário* system is available only for machinery and equipment not produced in Brazil.
- ▶ Companies can request inclusion in the *ex tarifario* system by applying to the Production Development Secretary (SDP) at the Ministry of Development, Industry and Trade.

State-level incentives based on the ICMS tax

Although the Brazilian government has proposed the harmonization of the ICMS tax throughout Brazil, for the time being state governments continue to grant investment incentives on the basis of the ICMS tax. Local state governments will be happy to provide investors with information on their state's incentive program upon request, which can be made directly to the appropriate department of the local state government.

Municipal-level incentives

There are two main taxes under municipal jurisdiction in Brazil: Service Tax (ISS) and Property Tax (IPTU). Municipal authorities may concede tax reductions on these according to the amount invested and jobs created by an investment project. Local authorities may also give land grants, depending on the importance of the project in terms of local economic and social growth impact.

Small BUSINESS SUPPORT

Micro, small and medium-sized enterprises are by far the most common types of companies in Brazil and throughout Latin America.

In Brazil, small and medium enterprises are more commonly referred to as micro and small enterprises. Micro enterprises are those with gross annual revenues of up to R\$360.000,00. Small enterprises are those with gross annual revenues between R\$ 360.000,00 and R\$3.6 million.

Holders of permanent visas can open a small business. Holders of other visa categories are not automatically entitled to open a small business under Brazilian law.

BRAZILIAN SUPPORT SERVICE FOR MICRO AND SMALL ENTERPRISES (SEBRAE)

SEBRAE is a private entity of public interest dedicated to supporting entrepreneurship in Brazil by assisting in the establishment and expansion of small businesses. It operates at arm's length from the government and is part of Brazil's network of professional training agencies (the 'S'-System). SEBRAE is an essential support partner for foreign entrepreneurs seeking to establish a small business presence in Brazil. The agency provides entrepreneurs with quality information and troubleshooting on doing business in Brazil.

SEBRAE provides support to small businesses through designing and delivering training programs, distributing technical information on the local market, business management, sales, etc. and providing group and individual consulting services in areas such as management, human resources, market access, access to technology, innovation support and access to financial services.

Contact with SEBRAE can be made from the entrepreneur's home market by e-mail, or in person at one of SEBRAE's offices located throughout Brazil. All contact with SEBRAE needs to be made in Portuguese, as the agency is entirely focused on the domestic market in Brazil.

For more information, visit www.sebrae.com.br (in Portuguese with some information in English and Spanish).

TAXATION

Small businesses are eligible to participate in a simplified taxation system created in 2006 called *Simplex Nacional*. This system allows participating companies to consolidate almost all company taxes levied by all three levels of government (federal, state and municipal) into one monthly payment, as well as granting participating companies several tax incentives or reductions.

SUPPORT FOR INNOVATION

The Brazilian Innovation Agency (FINEP) is a public corporation attached to the Ministry of Science, Technology and Innovation and has accumulated vast experience in supporting Brazil's S&T and innovation ecosystem since it was established in 1967. FINEP's objective is to provide support at every stage of the innovation process, ranging from basic research through to sales of products, services and processes. FINEP's focus is on strategic activities aimed at promoting transformative, sustainable economic development in Brazil through innovation.

FINEP provides support to Brazil-based companies, as well as to public and private higher education establishments and research institutes. It works through a number of tools, which can include loans and subsidies to companies, grants to research institutes and direct equity support for companies.

Between 1999 and 2012, FINEP's budget has increased by over 600%, from just under \$4 million in 1999 to \$3 billion in 2012.

FINEP's current priority areas are:

- ▶ Defense and aerospace
- ▶ Healthcare
- ▶ Information and communications technology
- ▶ Oil, gas and naval industries
- ▶ Renewable energy
- ▶ Social development and assistive technology

FINANCING INNOVATION IN COMPANIES BASED IN BRAZIL

In March 2013, the Government of Brazil launched INOVA EMPRESA, a major incentive to encourage companies to innovate in Brazil. The plan has been allocated a budget of \$15 billion to be invested in innovation by companies and aims to bring together various financing and other support entities across the Brazilian government to simplify procedures for companies. This provides investors the benefit of a single window for innovation support in Brazil, with FINEP being one of the key players in this process.

The plan is divided into seven priority sectors. Among the activities to be encouraged in the seven strategic priority areas are:

- ▶ Agriculture and Agribusiness: inputs, mechanization and precision farming, genetics, traceability, planning and control of agricultural production, agricultural health and animal welfare; equipment, food technology and packaging with new features (INOVA AGRO).
- ▶ Energy: smart grids, hybrid vehicles and energy-efficient vehicles; technologies for biomass gasification. (INOVA ENERGIA and PAISS)
- ▶ Oil and gas: technologies for the pre-salt chain and the exploitation of unconventional gas (INOVA PETRO).
- ▶ Health: oncology and investments in biotechnology, medical devices (INOVA SAÚDE).
- ▶ Aerospace and defense: space propulsion, satellites and special platforms, sensors, command and control (INOVA AERODEFESA).
- ▶ Information technology and communication: cloud computing, mobility, and internet; semiconductors and displays, software, broadband and digital content (TBA).
- ▶ Environmental sustainability: combating the effects of climate change, greenhouse gases and pollutants, waste treatment,

contaminated water and soil, reducing deforestation of the Amazon; mobility and sustainable transportation, environmental sanitation (BRASIL SUSTENTÁVEL).

The INOVA EMPRESA plan consists of four financing lines to support research, development and innovation projects:

- ▶ Grants to companies (\$500 million);
- ▶ Support to foster collaboration between companies and research institutes (\$2.1 billion)
- ▶ Equity investment in companies through injections of share capital (\$1.1 billion);
- ▶ Loans for companies (\$10 billion) at highly competitive financing rates and repayment terms, including subsidized interest rates of between 2.5% and 5% per year, with a grace period of up to four years and up to 12 years in which to repay.

FINEP will be responsible for administering approximately 40% of the entire INOVA EMPRESA initiative.

FOSTERING A VENTURE CAPITAL ECOSYSTEM IN BRAZIL

FINEP is a major player in Brazil's venture capital scene.

If you have an innovative idea you would like to carry out in Brazil, FINEP should be among the first agencies you contact. Contact FINEP to learn more about how to innovate in Brazil:

www.finep.gov.br

VENTURE CAPITAL IN BRAZIL

The Brazilian Innovation Agency (FINEP) runs the INOVAR Program, which was created to boost the establishment of innovative companies and help these companies gain access to capital. The goals of the program are to develop an ecosystem conducive to venture capital investment; build relationships between Brazilian and international institutions; increase Brazilian sources of capital and grow the domestic investor base; and facilitate the creation of new local venture capital funds and fund managers.

The INOVAR Program facilitated over US\$1 billion in investment in SMEs.

The INOVAR Program has become a benchmark for other countries in Latin America for fostering venture capital.

4.

LEGAL FRAMEWORK
FOR INVESTMENT IN

BRAND



4 LEGAL FRAMEWORK INVESTMENT IN BRAZIL

FOREIGN CAPITAL

The following section relates to the entry of capital into Brazil for the purposes of productive investment only.

For investors seeking information in how to invest in Brazil's financial market, please visit www.portaldoinvestidor.gov.br, as well as the following guide produced by the Brazilian Central Bank: http://www4.bcb.gov.br/pec/Gci/inql/Non-resident_Investors_Guide_BEST.pdf

LEGAL DEFINITION

'Foreign capital' is defined by Brazilian law as any assets, machinery or equipment entering Brazil from abroad, without any initial expenditure of foreign currency, that are intended for the production of goods and services. Foreign capital is further defined as financial or monetary resources entering Brazil to be used in economic activities. In both cases, the foreign capital must belong to individuals or legal entities residing, domiciled or headquartered outside Brazil.

Foreign capital in Brazil will be treated on an equal footing with domestic capital, unless the investment falls within one of the small number of exceptions detailed below.

FOREIGN DIRECT INVESTMENT (FDI)

For electronic declaratory registration purposes (RDE-IED¹), FDI is defined as a permanent ownership interest in companies in Brazil, held by a non-resident investor (individual or legal entity) residing, domiciled or headquartered abroad, through the ownership of shares or quotas representing the equity of Brazilian companies, as well as the allocated capital of branches or subsidiaries of foreign companies authorized to operate in Brazil.

In practice, FDI may be divided into two types: equity capital and intercompany loans.

Equity capital is the inflow of funds for goods, currency conversions in foreign direct investment, including the amounts allocated to privatization programs, related to a purchase/subscription/capital increase, for all or part of the share capital of companies established in Brazil.

Intercompany loans are the loans granted by a parent company based abroad to its subsidiaries, branches or affiliates established in Brazil. FDIs are the investments made in startups or acquisitions of stakes from domestic companies.

It is worth mentioning that Brazilian law allows for mergers and acquisitions (M&A) by foreign inves-

tors. No special rules apply to them, although FDI remains restricted in the sensitive and strategic sectors referred to below.

The Brazilian Central Bank (BACEN²) has the authority to approve M&A deals in Brazil, with the Council for Economic Defence (CADE³) also playing a role to assess the implications of a proposed M&A deal on market competition.

CADE defines dominant market share as control by one company of 20% or more of a given market segment and it adopted a new antitrust framework in 2012 designed to accelerate decision-making on antitrust matters.

To improve M&A regulations in Brazil, in November 2012 the Brazilian Mergers and Acquisitions Committee (M&A Committee) was created. This was inspired by the Panel on Takeovers and Mergers, a non-statutory body that administers the Code on Takeovers and Mergers in the City of London.

The Brazilian M&A Committee's proposal is based almost entirely on self-regulation and intends to be a new kind of corporate governance quality seal for M&A transactions involving companies that have decided to abide by its rules.

¹ Acronym in Portuguese.

² Acronym in Portuguese.

³ Acronym in Portuguese.

NO RESTRICTIONS ON MOST FDI

Foreign capital may freely enter Brazil and is not subject to prior approval by the government and there are no conditions in respect of the total amount of investment that can be made in Brazil, with a small number of exceptions:

► Prohibitions:

- » Activities involving nuclear energy;
- » Healthcare services (unless an exception is expressly provided for by law);
- » Mail and telegraph services; and
- » Aerospace (launch and deployment of satellites, vehicles, aircraft or the commercialization of these goods, but the prohibition does not apply to manufacturing or trading these goods).

► **Restrictions** – in the following sectors, foreign capital may be subject to limitations or may require pre-authorization from public authorities:

- » Acquisition or rental of rural property (may require authorization from the National Institute for Colonization and Agrarian Reform - INCRA⁴ or, in the case of large purchases, the National Congress);
- » Financial institutions;
- » Air transportation companies (the operation of passenger air transportation services is subject to concession – under current legislation a concession contract can only be awarded to Brazilian-registered companies in which at least 80% of the voting capital is in the hands of Brazilians – entry of foreign capital is capped at 20% of ordinary shares in the company);
- » Media, including television networks, magazines, newspapers and radio broadcasting stations (the government prevents foreign investment in the ownership and administration of media – legislation stipulates that at least 70% of the total capital of media companies must be owned directly or indirectly by Brazilians born in Brazil or naturalized for more than ten years); and
- » Mining sector.

⁴ Acronym in Portuguese.

REGISTERING FOREIGN CAPITAL

Investors are required to register all inflows of foreign capital into Brazil with the Brazilian Central Bank within 30 days of the funds entering Brazil. This can only be done online through the Brazilian Central Bank's e-registration tool, RDE-IED (Electronic Declaration Registry), which is part of the Brazilian Central Bank's Information System (SISBACEN).

The recipient company of FDI and the foreign investor (through a representative) are responsible for registration.

An unregistered investment is not eligible for repatriation and dividends or profits generated by it cannot be remitted abroad through the commercial foreign exchange market.

However, it is important to note that nothing prevents the foreign investor from repatriating or remitting dividends or profits abroad through the floating exchange market or transferring local currency abroad to purchase foreign currency outside Brazil.

Apart from the aspects relating to registration, repatriation and certain tax consequences, an unregistered investment is subject to the same rules applicable to registered investments.

More information on registering foreign capital can be found in Portuguese from the Brazilian Central Bank's website: www.bcb.gov.br/pre/portalcidadao/cadsis/rde.asp?idpai=portalbcb

A user guide to the Electronic Declaration Registry, also in Portuguese, is available from the Brazilian Central Bank's website: www.bcb.gov.br/?RDEIED.

TAXES ON FOREIGN CAPITAL

Foreign capital that enters Brazil as FDI is not subject to any taxation. However, intercompany loans will be subject to the federal Tax on Credit, Foreign Exchange, Bonds and Securities Transactions and on Insurance Operations (IOF⁵) at a rate (which can be reduced to 0%) that varies depending on the sector, the length of investment and other aspects. Even though intercompany loans are classified as FDI, The Federal Revenue Service (SRF⁶) considers this kind of investment a normal, interest-bearing financial transaction that is subject to the same IOF rates as domestic investors.

The remittance of profits and dividends and the repatriation of the foreign capital abroad are exempted from the Withholding Income Tax (IR⁷) when leaving Brazil. But this only applies if the sum of the capital to be sent abroad is the same as the sum that was registered with the Brazilian Central Bank. Capital repatriated in an amount greater than the initial amount registered will be deemed a capital gain and be subject to a 15% or 25% IR, unless otherwise provided by an applicable tax treaty between Brazil and the other country involved.

When remittance or repatriation is not desirable, reinvesting profits is an option. Reinvestment can be registered as foreign capital with the Brazilian Central Bank, thereby increasing the tax basis for calculating future divisions of capital.

Finally, to stimulate FDI, Brazil has signed Double Taxation Treaties (DDTs) with 28 countries. Check each convention document in its entirety at <http://www.receita.fazenda.gov.br/Legislacao/AcordosInternacionais/AcordosDuplaTrib.htm>⁸.

⁵ Acronym in Portuguese.

⁶ Acronym in Portuguese.

⁷ Acronym in Portuguese.

⁸ In Portuguese only.

CONTRACT ENFORCEMENT AND INVESTOR PROTECTION

Brazil has an independent judiciary governed by the rule of law. Its legal system is based on respect for contracts and private property and other matters provided for in Brazil's Constitution and laws.

Brazil's legal system provides an independent forum in which challenges and appeals to both public and private acts are adjudicated in accordance with the law. Brazilian law provides for equal treatment between domestic and foreign capital, with the exception of the few areas in which foreign investment is restricted.

Brazil is a civil law jurisdiction, based predominantly on consolidated sets of legislation called 'Codes'. Each area of law is governed by its own individual rulebook, such as taxation (National Tax Code); private law, including property (Civil Code); commercial law (Commercial Code) and labor law (Consolidated Labor Law), for example. Unlike the common law system used in countries such as the United States and Commonwealth countries, Brazil's courts are less able to establish legally-binding precedent, as most decisions are applicable only to the parties concerned. There are, however, some examples of 'settled law' (*súmulas*) issued by the superior courts that influence the legal system.

Parties are free to enter into contracts establishing mutual obligations at will. As long as an obligation is not illicit, in conflict with the law, immoral or impossible to fulfill, it is deemed valid. Exceptions to the general rule:

- ▶ **The Principle of the Contract's Social Function** - "the liberty to contract shall be exercised by virtue of and limited by the contract's social function". (Article 421 of the Civil Code)
- ▶ **The Principle of the Objective Good Faith** - "the parties are obliged to observe the principles of honesty and good faith in the contract's negotiation and execution." (Article 422 of the Civil Code)

Many legal experts maintain that there must be some balance between the mutual obligations established in a contract: a contract cannot create obviously disproportional obligations for one party, while granting extreme advantages to the other.

Foreign arbitration awards are enforceable in Brazil. Transparency is another relevant issue in Brazil on which there has been progress. These efforts have contributed to giving Brazil a good ranking.

Brazil is an OECD Anti-Bribery Convention party and co-founder of the Open Government Partnership. It has also approved significant laws concerning:

- I. The Clean Records Law (Lei da Ficha Limpa)** prevents corruption in the legislature, making people criminally convicted by a judicial court ineligible to run for political office for eight consecutive years at any level;
- II. The Information Law (Lei da Informação)** guarantees Brazilian citizens access to federal, state and municipal public documents;
- III. The new Anti-Corruption Law (Lei Anticorrupção)** recently came into force.

The Anti-Corruption Law establishes direct civil liability for companies for the bribery of both Brazilian and foreign public officials. This effectively means that foreign companies operating within Brazil could be subject to penalties for bribery of local officials, including employees of Brazilian subsidiaries of foreign companies; major Brazilian companies that are publicly listed on foreign stock exchanges; Brazilian agents of foreign companies that have been subject to due diligence reviews; and Brazilian companies acquired by foreign companies.

Moreover, the new law establishes civil liability against companies for corrupt acts done by their directors, employees, and other agents acting on their behalf.

The law creates stiff penalties as well. A company found guilty of corruption can face fines of up to 20 percent of its gross revenue from the previous year. In addition, penalties can include disgorgement of benefits obtained, suspension of the company's activities, and even the dissolution of the offending entity.

Also, the Anti-Corruption Law includes a provision directing that sanctions may be reduced for companies with effective compliance programs in place and those that self-report violations of the law to the authorities.

Additionally, since 2010 the electronic platform Transparency Portal (<http://www.portaltransparencia.gov.br>) has been available to Brazilians to track how public money is being used in all federal government programs. This includes items such as funds transferred to states and municipalities, funds directly transferred to citizens (i.e. conditional cash transfer programs),

and direct government spending for the procurement of projects and services. Citizens are also able to report irregularities and file complaints through the portal.

This is a brief overview of the key national institutions tasked with fighting corruption in Brazil:

- ▶ **Comptroller General (CGU)**
<http://www.cgu.gov.br>;
- ▶ **Federal Police**
<http://www.cgu.gov.br>;
- ▶ **Integrated Financial Administration System (IFAS)**;
- ▶ **Inter-ministerial Committee on Open Government (CIGA)**;
- ▶ **Supreme Audit Court (TCU)**
<http://portal2.tcu.gov.br/portal/page/portal/TCU>;
- ▶ **Ministry of Finance: Council for Financial Activities Control**
https://www.coaf.fazenda.gov.br/?set_language=en

INTELLECTUAL PROPERTY

REGISTERING INTELLECTUAL PROPERTY RIGHTS

Brazil provides foreign investors with a world-class Intellectual Property Rights protection. Throughout its history, the country has built a solid tradition as a founding-member and an active participant in the IP multilateral-system. Brazil is a member of both the World Intellectual Property Organization (WIPO) and the World Trade Organization (WTO) – the two key-institutions of the IP international system -, and has signed the core IP multilateral treaties, such as the Paris Convention, the Bern Convention, the Patent Cooperation Treaty and the Trade-Related Aspects of Intellectual Property Agreement (TRIPS).

In order to support the overall efforts and focus on the technological development of the market, Brazil has taken several steps towards the protection of intellectual property rights for both existing and potential technology-related organizations:

- ▶ IPR international standards have been duly incorporated by Brazil's legislation and, in some aspects, the country's domestic legislation provides protection beyond TRIPS requirements;
- ▶ The country has also established national laws protecting industrial design and IC lay-out design;
- ▶ Brazil adopted international trademark classification systems and examination standards;
- ▶ The country is currently evaluating membership in the Madrid System (trademarks) and the Hague Union (industrial designs).

INTELLECTUAL PROPERTY ENFORCING IP RIGHTS

Brazil's domestic legal framework offers foreign investors and domestic businesses equal treatment based on compliance with the law.

Measures against unfair competition are provided for in the Brazilian Industrial Property Law, and criminal law penalties include imprisonment or a fine.

IP rights may be enforced in Brazil by:

- I. Arbitration** - although Brazilian legislation provides for arbitration procedures, both parties need to agree to it in writing.
- II. Civil action** - there are specialist courts in the Federal Courts of Rio de Janeiro to deal exclusively with IP-related cases. In the other states, the ordinary civil courts hear the cases as appropriate. Trade name registration and protection rules are contained within the Civil Code, while other areas of IP are regulated by specific legislation.
- III. Criminal prosecution** - actions against the infringement of all types of IP may be brought under Brazil's Criminal Code and specific IP legislation, with penalties that include imprisonment and fines.

Actions by Customs are also a relevant part in IP enforcement in Brazil. Customs can monitor and seize, ex officio, infringing products on import or export.

More information about IP at: www.inpi.gov.br (Portuguese only).

Like in any other country, industrial property rights must be registered in Brazil in order to be enjoyed. According to the International Intellectual Property Index (IPTI) Report for 2012, Brazil has increased its performance for the fourth consecutive year, attesting to the efficacy of its efforts in this area.

Regarding the patents (including inventions, utility models and industrial designs), individual registrations must be made, but for rights other than industrial designs, they can be applied under the terms of the Patent Cooperation Treaty.

The INPI (National Institute of Industrial Property) is the body that examines IP applications. Registered industrial property agents and attorneys-at-law may represent applicants before INPI.

With respect to pharmaceutical products, the granting of patents depends on prior consent by the National Sanitary Agency (ANVISA).

'Priority rights' under the Paris Convention can help in the local registration of trademarks, designs and patents by allowing rights previously registered elsewhere to become effective in Brazil, if filed within a time limit.

Copyright registration is not required but it is recommended.



TAXATION

The Brazilian Federal Constitution of 1988 gives the main guidelines for taxation. It establishes the general principles of taxation, limitations on the power to tax, jurisdiction to tax amount levels of government and tax revenue sharing provisions.

Administrative-political autonomy confers on each level of government the possibility of instituting taxes, fees (due to its police power or to the use of public services) and improvement charges (due to public works). Most social contribution taxes can only be established by the federal government.

There are also regulatory taxes, like the IOF (Tax on Financial Transactions), the IPI (Excise tax) and the CIDE (Contribution for Intervention in the Economic Domain), which are used by the Federal Government as auxiliary instruments in conducting monetary and industrial policies, respectively.

CORPORATE TAXES

No foreign corporation may carry out permanent activities in Brazil except through a registered subsidiary, branch or permanent establishment, and these corporate entities, including those that are foreign controlled, must calculate and pay tax on a monthly basis and file an annual tax return consolidating the monthly results from the previous calendar year. This annual return has to be filed by the end of June.

For tax purposes, business profits are computed on the basis of net income, as reported in the income statement (profit and loss account), adjusted for non-taxable income and non-deductible expenses.

Inter-company transactions are subject to transfer pricing rules.

Capital gains are taxed as ordinary income. The cash basis may be used to compute profits on certain long-term sales of permanent assets. Capital losses may only be offset by capital gains. Unused capital losses are treated similarly to income tax losses with regard to limits on use and carry forward period.

Gains from the sale of depreciable property are treated as ordinary non-operating income and not as capital gains.

Corporate taxpayers may elect to include exchange gains and losses in their taxable income, on an accrual basis or when realized.

Interest income is taxable on the accrual basis.

Dividends:

- ▶ Are not subject to withholding income tax and neither is the recipient;
- ▶ Received from other local companies, including subsidiaries and affiliates, are not subject to corporate income tax;
- ▶ The payment of dividends in kind is not prohibited by corporate law, provided that specific rules and terms are clearly defined in the Articles of Incorporation or the payment is approved at the Annual Shareholders' Meeting.

Royalties and service fees received by Brazilian residents are taxable on an accrual basis.

There is no legislation that favors foreign shareholders or holding companies. Companies participating in certain sectors, such as banking, insurance, leasing, etc., are subject to special tax rules.

Tax holidays are offered to certain industries operating in specific areas.

No tax consequences arise from converting a non-incorporated business into an incorporated entity or from changing the corporate form, such as from a "limitada" (private limited liability company) into a corporation.

The current maximum consolidated effective tax rate on taxable income (IRPJ⁹) is 34%. In addition to corporate income tax, all legal entities are subject to a social contribution tax to the federal government at the rate of 9% (except for insurance and financial institutions, which are subject to a 15% rate), which is not deductible for corporate income tax purposes. The tax basis is profit before income tax, after certain adjustments.

FOREIGN PERSONNEL

In Brazil, foreign workers are taxed as residents on their worldwide income, regardless of the visa type. There are no special rules for foreign personnel who hold a permanent visa.

PARTNERSHIPS AND JOINT VENTURES

The procedures for the taxation of partnerships and joint ventures are similar to those for corporate taxpayers.

⁹ Acronym in Portuguese.

Main Taxes and Contributions in Brazil

SERVICES	PRODUCTS	SERVICES AND PRODUCTS
ISS – Service Tax – 2% and 5% (depending on the type of service).	ICMS – Value-added Tax on Sales and Services – Intra-State and Interstate: 7% and 12%, respectively. Imports: 4% (the final manufactured product must feature more than 40% imported parts/components).	IRPJ – Corporate Income Tax – At a rate of 15%, plus a 10% additional rate on monthly income that exceeds BRL 24,000.
INSS – Social Security Contribution – 11%.	IPI – Excise Tax – Ranging from 0% to 330% (depending on how essential the product is and in conformity with the IPI Tax Rates Table – TIPI ¹⁰).	PIS – Social Contribution on Gross Revenue – Presumptive Profit – Cumulative Regime: 0.65% Taxable Profit – Non-Cumulative Regime: 1.65%.
	II – Customs Duties – * Foreign Merchandise – Indicated in the Common External Tariff (TEC), usually ranging from 0% to 35%. * Baggage – 50%	Cofins – Social Contribution Tax Presumptive Profit – Cumulative Regime: 3% Taxable Profit – Non-Cumulative Regime: 7.6% .
	IE – Export Tax – 30% but it may be raised or lowered to meet the objectives of Brazil's exchange rate and foreign trade policies. The maximum rate may be raised up to 150%.	CSLL – Social Contribution Tax on Profit – 9%. Financial Institutions: 15%.
	IOF – Tax on Financial Transactions – Ranging from 0% to 25% (depending on the transaction ¹¹).	

PAYROLL
FGTS – Employee Severance Indemnity Fund Contribution – 8%.
INSS – Social Security Contribution – 20%.
SAT/RAT – Occupational Environmental Risks – 1% and 3%.
Contribuição de Terceiros – Third Party Contribution Taxes – SESI/SESC Social Programs, SENAI/SENAC Training Programmes, SEBRAE Program for Small Companies and INCRA Supplementary rural pension – 3.1%.

PROPERTY
IPTU – Property Tax – There is no minimum or maximum rate established in federal law (it is therefore established by each municipality). Escalation criteria: location, value, use and social function.
ITR – Rural Property Tax – Ranging from 0.03% to 20% (depending on land area and degree of land use).
ITBI – Tax on Sale or Transfer of Properties – There is no minimum or maximum rate established in federal law (it is therefore established by each municipality). Single rate, non-progressive regime.

¹⁰ Available in Portuguese at: <http://www.receita.fazenda.gov.br/aliquotas/TabIncidIPITPIPI.htm>.

¹¹ For further details (in Portuguese), go to: <http://www.receita.fazenda.gov.br/aliquotas/impressegamb.htm>.

PROPERTY AND LAND

Foreigners may acquire real property in Brazil and no local partner is needed. However, there are some limitations and/or fees applicable for specific areas, such as marine land, islands, rural land and areas near Brazil's international borders.

Brazilians and foreigners have almost equal rights when it comes to leasing or acquiring real estate.

All properties must be registered with a private notary public (Cartório de Registros Imobiliários) located in the same jurisdiction as the property. The real estate registry is such that each property can only be registered at one registry, which stores its entire transaction history and physical identification. All information about a property is public and the registry costs vary depending on the state the property is purchased in.

Acquiring real estate in Brazil requires following these steps:

- ▶ Buying a property requires a CNPJ/CPF (Company/Personal Taxpayer Identifications, respectively), both of which are provided by the Federal Revenue Service; a birth certificate

translated into Portuguese by a sworn translator and authenticated by the Brazilian Consulate in the country of origin; and a valid passport or National Registry of Foreigners (RNE) card. If the foreign purchaser is married, the spouse's CPF must also be submitted.

- ▶ It is recommended that investors choose a member of CRECI, the professional organization regulating professional property managers and real estate brokers, as a real estate agent;
- ▶ Local legal support is not necessary, but is recommended.

Currently, foreign investors without a permanent visa cannot get a Brazilian mortgage. However, the domestic mortgage market in Brazil is reforming and developing and with the levels of foreign interest in property purchases in recent years, it is entirely possible that finance for foreigners will become available at some point in the future.

RURAL LAND ACQUISITION/ LEASING

In the case of rural properties, only foreigners with authorized permanent residence status in Brazil and an established residence (ownership of an urban property by the purchaser) may make an acquisition.

For purposes of rural land acquisition/leasing, the definition of a foreigner in Brazil is:

- ▶ Foreign individuals who are not naturalized, even if married to a Brazilian citizen with community property and with Brazilian children;

- ▶ Foreign corporations, that is, one whose capital is totally of foreign origin, headquartered abroad and authorized to operate in Brazil; and Brazilian corporations in which foreigners control the majority of the capital, whether they are individuals or corporations, residing or headquartered in Brazil or abroad.

Although foreigners are allowed to acquire land, there are some restrictions on the amount of land to be acquired:

NATURE OF FOREIGN PERSON	
Individuals	Corporations
Allowed to acquire up to 50 MEI ¹² (Indefinite Exploitation Module), which is equivalent to areas ranging from 250 to 5,000 hectares, according to the MEI's value in each municipality.	Allowed to acquire up to 100 MEI, which is equivalent to areas ranging from 500 to 10,000 hectares, according to the MEI's value in each municipality

MUNICIPALITY AND NATIONALITY
The total sum of land areas acquired by foreigners in a municipality may not exceed 25% of its territory;
Foreigners of the same nationality cannot own more than 10% of the total area of a municipality.

Prior consent from the Executive Secretariat of the National Defense Council is necessary for real estate in a border territory or area deemed essential to national security.

¹² This is a unit of measure, expressed in hectares, used to establish the limit of acquisition and leasing of land by foreigners in Brazilian municipalities. The size of each MEI ranges from 5 to 100 hectares depending on the municipality. It is defined by the National Institute of Colonization and Agrarian Reform (INCRA) and takes into account the size, geographical location and economic activities of each municipality. The amount in hectares of each MEI can be found at www.incra.gov.br/index.php/estrutura-fundiaria/regularizacao-fundiaria/aquisicao-de-terras-por-estrangeiros/file/114-modulo-de-exploracao-indefinida-mei

The main requirements for the acquisition and leasing of land by foreigners in Brazil are:

INDIVIDUAL	CORPORATIONS
Being a permanent resident in Brazil and enrolled in the National Registry of Foreigners – RNE under permanent status;	Registration at the Board of Trade in the Brazilian State (Junta Comercial) where it is headquartered - in the case of a Brazilian corporation controlled by foreigners, whether they are natural or legal persons, residing or headquartered abroad;
Providing a use plan (only for areas above 20 MEI).	Official authorization to operate in Brazil, in the case of a foreign legal entity, that is, one in which foreigners control all capital;
	Clear provision in its bylaws regarding activities agriculture, livestock, forestry, tourism, industry or settlement activities;
	Providing a use plan, regardless of the size of the area to be acquired or leased.

In the use plan mentioned above, the applicant for acquiring or leasing must specify the following information:

- ▶ Justification of proportionality between the amount of land to be acquired and size of the project;
- ▶ Physical and financial schedule for investment and implementation;
- ▶ Possible use of official credit to finance all or part of the venture;
- ▶ Logistical feasibility of its implementation and, in the case of an industrial project, demonstration of compatibility between the land location and the type of plant to be built;
- ▶ Demonstration of compliance with the criteria for Ecological and Economic Zoning of Brazil (ZEE¹³). The ZEE establishes which crops are best suited economically to each area of the country, taking into account measures and standards of environmental protection and biodiversity.

The use plan must be applied to the National Institute of Colonization and Agrarian Reform - INCRA,¹⁴ which, depending on the nature of the project, may send it to other government bodies, such as the Ministry of Development, Industry and Foreign Trade - MDIC; Ministry of Tourism – Mtur or Ministry of Agrarian Development – MDA to analyze; but, all projects must be assessed by the Ministry of Agriculture, Livestock and Food Supply - MAPA. Final authorization depends on INCRA's decision.

Authorization request and presentation of a use plan are subject to the nature of the foreign person and the size of the property:

¹³ Find further information about ZEE on: http://www.planalto.gov.br/ccivil_03/leis/L6938.htm / http://www.planalto.gov.br/ccivil_03/DNN/2001/Dnn9465.htm#art11 / http://www.planalto.gov.br/ccivil_03/decreto/2002/d4297.htm

¹⁴ Acronym in Portuguese.

INDIVIDUALS	CORPORATIONS
Land with an area equivalent of up to 3 MEI: the applicant must only declare it does not own another rural property in Brazil. Therefore, foreigners cannot acquire several properties with areas below 3 MEI each in order to be exempted from INCRA's authorization;	INCRA's authorization and a use plan are required regardless of the estate's size;
Land between 3 and 20 MEI: INCRA's authorization is required, but applicants are exempted from submitting a use plan;	For land measuring more than 100 MEI: besides INCRA's authorization and a use plan, an authorization from the Brazilian National Congress is also required.
Land measuring more than 20 MEI: INCRA's authorization and a use plan are required;	
Land measuring more than 50 MEI: besides INCRA's authorization and a use plan, an authorization by the Brazilian National Congress is also required.	

ENVIRONMENTAL POLICY AND REGULATION

The Ministry of Environment is responsible for Brazil's national environmental policy. It deals with climate change and environmental quality, biodiversity and forests, water resources, sustainable urban and rural development, and environmental citizenship.

Other government bodies are also responsible for the implementation of environmental policies, such as the National Council on the Environment, the National Council of the Amazon, the National Council of Water Resources, the Chico Mendes Institute for Biodiversity Conservation (ICMbio), Brazilian Institute of Environment and Renewable Natural Resources (IBAMA¹⁵), Board of Management of Public Forests.

Among these institutions, IBAMA is the Brazilian government's main tool for providing information with regards to environmental welfare and protection, and acts as the "environmental police." Despite its administrative and financial autonomy, it is responsible for implementing new policies and standards for environmental quality, evaluating environmental impact, examining environmental degradation and for distributing environmental licenses. It also has the power to impose administrative fines and, when more serious environmental crimes are committed, it is responsible for informing federal authorities for further prosecution.

¹⁵ Website in Portuguese only: www.ibama.gov.br

ENVIRONMENTAL Licenses

The National Environment System (SISNAMA), which includes local, state government environment agencies, the National Environment Council (CONAMA) and IBAMA, was created to facilitate the licensing process. An environmental license is always required before any potentially damaging and polluting activities take place in any part of Brazil.

Brazil's environmental legislation is one of the most complete in the world, and its Policy, published in 1981, was the first real breakthrough concerning environmental protection and sustainability. The mainstay of the Policy is strict liability for factories, which, from that moment, became accountable for the pollution they cause. Soon after, laws were introduced authorizing public prosecutors and NGOs to act in defense of the environment.

More recently, many improvements have been made by the Federal Government. A new Forest Code and a number of regulations regarding environmental licensing proceedings covering transmission lines, roads, ports and terminals, as well as oil and gas exploration and production, were put into force.

The Ministry of the Environment has issued new rules to decrease the complexity of environmental licensing proceedings at the federal level, as well as to the process up, as well as to assure the interpretation of the law to mitigate risk for investors. For instance, these rules establish deadlines for the Brazilian Institute of Environment and Renewable Natural Resources (IBAMA) to issue environmental licenses, and also to limit the number of times that agency may request additional information and/or studies from entrepreneurs in order to complement the environmental licensing proceedings.

Basically, there are three licenses at the federal level, which can be issued individually or in succession, according to the nature, characteristics and phase of the enterprise or activity:

- I. The Preliminary License – valid for no longer than five years;**
- II. The Installation License - valid for a minimum time established in the work schedule, but no longer than six years; and**
- III. The Operating License – valid for a minimum of four years and maximum of ten years.**

The Preliminary License (LP¹⁶) certifies the environmental feasibility of the business, based on three aspects: the activity, the location and the impact.

It is important to mention that the LP does not authorize the installation or operation of the enterprise; its purpose is to authorize the location and design of the project, attest to its environmental viability and set forth the basic requirements and standards to be met in the next phases of the licensing process, taking into account the different project alternatives and proposals submitted by applicants.

During the LP phase, the proposal for the Term of Reference (TR¹⁷) should be forwarded to IBAMA for preparation of environmental studies. Once the TR is approved, the applicant should then prepare the Environmental Impact Study (EIA) and the Environmental Impact Report (RIMA).

Although the documents are submitted to IBAMA for analysis, if necessary, other government bodies may also contribute to the evaluation, for example:

GOVERNMENT BODY	JURISDICTION CONCERNING THE ENVIRONMENTAL LICENSING PROCESS
FUNAI – National Indian Foundation	Analyzes the impact on native/indigenous community land and proposals to control and mitigate them.
FCP – Palmares Cultural Foundation	Analyzes the impact on descendants of slave community (Quilombola) land and proposals to control and mitigate them.
IPHAN – Historic and Artistic National Heritage Institute	Analyzes the existence of safeguarded cultural assets identified in the area of direct influence of the activity and proposals to safeguard them.
MS – Ministry of Health	Analyzes the impact on risk factors for the occurrence of malaria cases if the activity or enterprise is located in areas where malaria is endemic.
ANA – National Water Agency	Determines and grants an authorization for use of water according to surface distribution and mediates its multiple uses (water for drinking, irrigation, industry demands, etc).

Following submission of the EIA/RIMA to IBAMA, with the corresponding authorization for the enterprise and a public hearing, the applicant may obtain a Preliminary License.

For enterprises and activities without significant environmental impact, IBAMA may cancel the Previous License phase and require instead a Simplified Environmental Study (EAS) and an Environmental Control Plan (RAP).

As the second phase of the environmental licensing process, the Installation Permit (LI¹⁸) authorizes the installation of the enterprise/activity and the start of construction work in accordance with the specifications contained in previously approved plans, programs and projects.

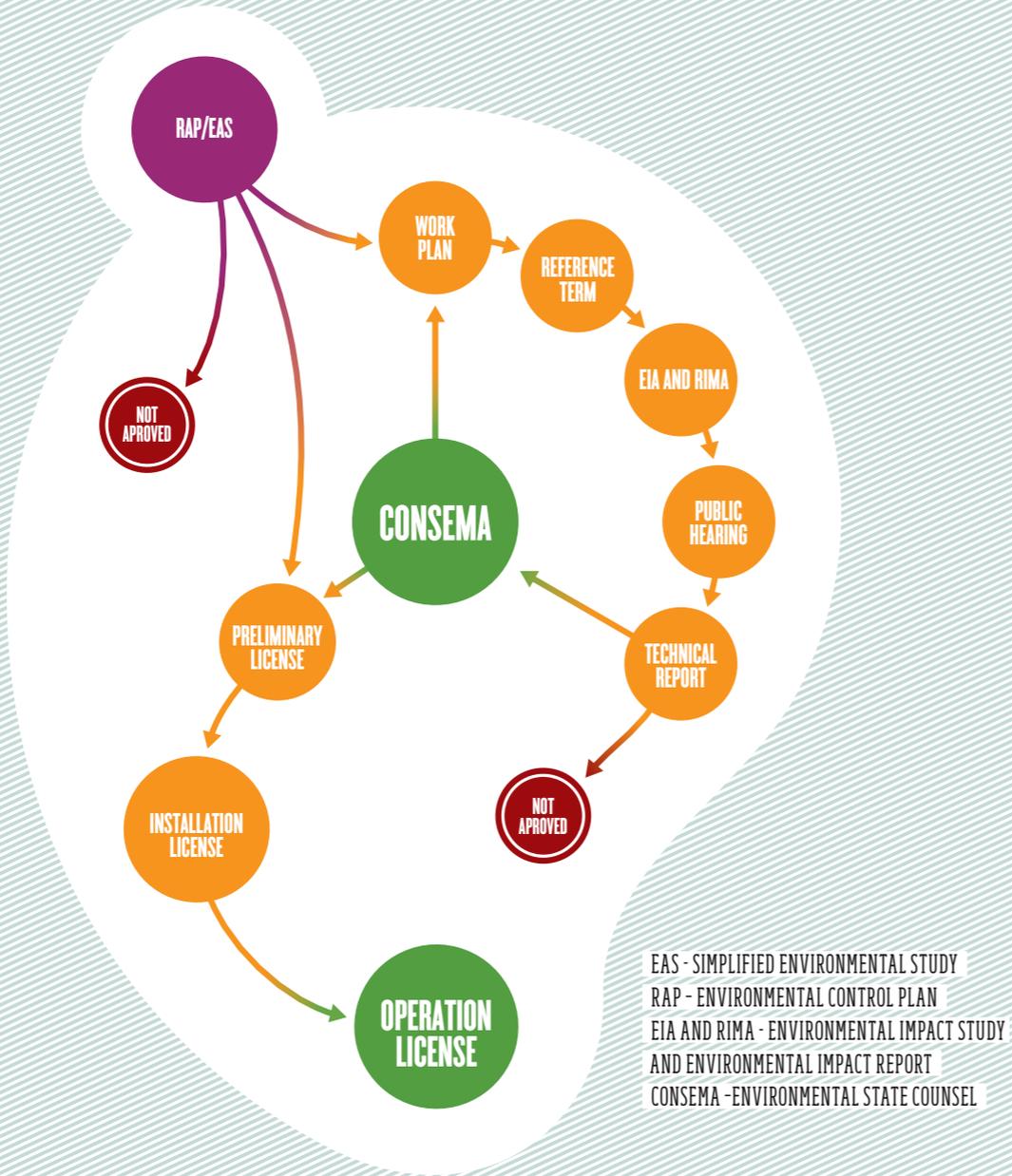
Finally, the Operating License (LO¹⁹) must be applied before initiating the proposed activity. In order to get it, a number of reports are required, describing environmental mitigation measures, including those which were not mentioned or were not accurately detailed during the Installation License process. Inspection visits may occur at this stage.

¹⁶ Acronym in Portuguese.
¹⁷ Acronym in Portuguese.

¹⁸ Acronym in Portuguese.

¹⁹ Acronym in Portuguese.

ENVIRONMENT LICENSING FLOWCHART



VISAS

Nationals of most European and Latin American countries, as well as certain other countries, do not need a visa to enter Brazil for business visits of up to 90 days. A list of visa requirements per country is available from the following link: http://chicago.itamaraty.gov.br/en-us/visa_requirements_by_country.xml

In any case, investors planning to visit Brazil are strongly advised to check with the Brazilian consulate in their country on whether they require a visa before confirming travel plans.

For investors who do require a visa to enter Brazil, it is recommended to apply for a business visa that is valid for up to five years (depending on reciprocal arrangements in the country in which you hold nationality) and allow a maximum stay of up to 90 days at any one time, which can be extended for a further 90 days upon request to the Federal Police.

For more information about this topic, please access:
<http://www.brasil.gov.br/sobre/environment> and
<http://www.ibama.gov.br/licenciamento-ambiental/processo-de-licenciamento>

20 In Portuguese only.

PERMANENT RESIDENCE VISAS FOR FOREIGN INVESTORS

Only holders of permanent residence visas can become individual autonomous investors in Brazil or be appointed administrators, managers or officers of local companies.

Permanent residence visas allow the bearer to remain in Brazil indefinitely, conditional upon compliance with Brazilian laws and meeting the conditions attached to receiving the permanent residence visa.

There are three types of permanent residence visa:

INVESTOR VISAS

Investors who plan to invest at least \$75,000 in any productive investment in Brazil are eligible to apply for an investor visa (Visto de Investidor Pessoa Física). In some cases, the National Monetary Council may reduce the minimum capital investment provided the foreign investor commits to creating 10 new jobs within a 5-year period.

PARTNERS, MANAGERS AND ADMINISTRATORS OF A BRAZILIAN COMPANY

Permanent visas may be issued to foreign nationals designated by a Brazilian company as a partner, administrator or manager when the appointment depends on receiving a permanent visa. Such requests should be made by the Brazilian company seeking to make the appointment, directly to the Ministry of Labor in Brazil²¹.

²¹ http://portal.mte.gov.br/trab_estrang_ing/

MARRIAGE TO OR CIVIL UNION WITH A BRAZILIAN NATIONAL (FAMILY REUNION)

Non-Brazilian nationals married to or in a common law marriage with a Brazilian citizen (including same-sex couples) are eligible to apply for permanent residency in Brazil, provided they intend to move to and live in Brazil. Applications for permanent residency based on family reunion should be made to the Brazilian Consulate in the country in which you live. You will need to have your marriage or civil union certificate translated into Portuguese by a sworn translator and have this notarized by the Brazilian Consulate.

WORK VISAS

Non-Brazilian nationals who wish to take up employment in Brazil should apply for a work visa. In this case the Brazil-based company that seeks to hire the individual concerned should apply for a work visa to the Ministry of Labor and Employment. Work visas are valid for up to two years, renewable for a further two years upon request and may be converted into a permanent visa.

Answers to frequently asked questions on applying for a Brazilian visa can be found here: <http://sistemas.mre.gov.br/kitweb/datafiles/Miami/en-us/file/FAQ%20Visas.pdf>

HOW TO ESTABLISH A BUSINESS IN BRAZIL

Tax experts advise foreign investors to establish companies in Brazil rather than setting up branches, as in the latter case non-residents must file an application to the Ministry of Development, Industry and Foreign Trade (MDIC) to obtain authorization to operate in the country. This explains why very few branches of foreign entities are operating in Brazil and are most commonly used by foreign banks and airline companies.

We will therefore focus on the procedure for opening a subsidiary, which can be a Single Holder Limited Liability Company (Empresa Individual de Responsabilidade Limitada - EIRELI), a Limited Liability Company (Limitada - Ltda.) or a Corporation (Sociedade por Ações - S. A.). The latter two are the most common types of company in Brazil.

Partnerships and joint ventures between foreign firms and Brazilian companies can take the form of a corporate entity – either a Ltda. or an S.A.

GOVERNMENT ENTITY RESPONSIBLE FOR OPENING COMPANIES

The National Commercial Registration Department (DNRC - Departamento Nacional de Registro do Comércio²²) is the entity responsible for improving Brazil's business environment, including adopting policies aimed at simplifying and modernizing the necessary procedures for opening, amending and closing a company. It operates at the national level, in close cooperation with relevant agencies from the federal, state and local governments. It also provides a list of local, state-level company registration offices, which in Brazil are known as "Boards of Trade" (Juntas Comerciais).

STEP-BY-STEP

1. Check whether the business activities require prior authorization from public agencies to operate in Brazil. They are listed in the Technical DNRC nº 114 of September 30, 2011 (available in Portuguese at

<http://www.dnrc.gov.br/Legislacao/IN%20114%2011.pdf> and

<http://www.dnrc.gov.br/Legislacao/IN%20114%2011%20Anexo.pdf>).

2. Choose the type of company for the business. For that, it is important to consider the table below.

3. Hire a local accountant to take all documents to the Board of Trade of the Brazilian state where you intend to open the company. This professional should assist throughout the process and prepare and record the following documents:

- I.** Articles of incorporation/bylaws. One must choose the method for calculating taxes when filing these (National Simple (Simples Nacional), Taxable Income or Estimated Profit) and make a number of other decisions, such as the company's name, the administrator of the company, etc. Legal assistance is also recommended in order to prepare the articles of incorporation/bylaws;
- II.** Power of attorney given to the Brazilian Representative;
- III.** Copies of the personal documents of the associates, including the visa; and the address voucher for where the company will be established.
- IV.** Corporate taxpayer ID number (CNPJ);
- V.** State and Municipal Taxpayer Registries;
- VI.** Municipal License / Operation Permit (Alvará ou Licença de Funcionamento); and
- VII.** National Institute of Social Security (Previdência Social) and Special Fund for Unemployment - FGTS Registrations.

Note that all documents must be translated to Portuguese by a sworn translator and registered in the Registry of Deeds and Documents. The paperwork also must be notarized by a Brazilian consulate located in the associate's country of origin.

TYPES OF COMPANIES

	SOCIEDADE LIMITADA - LTDA. (LIMITED LIABILITY COMPANY - LLC)	SOCIEDADE ANÔNIMA - S.A. (CORPORATION)	EIRELI (SINGLE HOLDER LIMITED LIABILITY COMPANY)
CLASSIFICATION	<ul style="list-style-type: none"> ▶ Business company formed by individuals or capital; ▶ For profit. 	<ul style="list-style-type: none"> ▶ Business corporation formed by either public or private capital (either publicly or closely-held companies); ▶ For profit. 	<ul style="list-style-type: none"> ▶ Individual company; ▶ For profit.
LEGAL NAME	<ul style="list-style-type: none"> ▶ Corporate Name: name of one or more of company's partners + "Limitada" or "Ltda."; or ▶ Name: corporate purpose + "Limitada" or "Ltda." 	<ul style="list-style-type: none"> ▶ Name: fictitious business name or shareholders' civil name + company's core business + "Sociedade Anônima" or "Companhia" or "S.A." or "Cia." (the latter cannot be placed at the end of corporate name). 	<ul style="list-style-type: none"> ▶ Corporate Name: holder's name + "EIRELI"; or ▶ Name: corporate purpose + "EIRELI".
OWNERS	<ul style="list-style-type: none"> ▶ 2 (two) or more partners; ▶ Individuals or legal entities (of Brazilian or foreign origin²³). 	<ul style="list-style-type: none"> ▶ At least 2 (two) shareholders for closely-held companies and 3 (three) for publicly-held ones; ▶ Individuals or legal entities (of Brazilian or foreign origin). 	<ul style="list-style-type: none"> ▶ Only 1 (one) holder – a one-person enterprise²⁴; ▶ Individual²⁴(of Brazilian or foreign origin). ²⁴Once an individual opts for an EIRELI, he/she can run only one company under that type.
ARTICLES OF INCORPORATION	<ul style="list-style-type: none"> ▶ Articles of Incorporation/ bylaws; ▶ Registration and filing at the Board of Trade (Junta Comercial) with jurisdiction. 	<ul style="list-style-type: none"> ▶ Articles of Incorporation/ bylaws; ▶ Registration and filing at the Board of Trade (Junta Comercial) with jurisdiction. 	<ul style="list-style-type: none"> ▶ Incorporation document (private instrument); ▶ Registration and filing at the Board of Trade (Junta Comercial) with jurisdiction.

²³ Foreign shareholding in business activities in Brazil is limited by the constitutional restrictions and constraints that govern foreign shareholding in Brazilian companies. Normative Ruling No. 76/1998, issued by the National Trade Registry Department (DNRC), governs the filing of acts of commercial companies or cooperatives with foreign shareholders who are resident and domiciled in Brazil; individuals of Brazilian or foreign origin, resident and domiciled abroad; and legal entities headquartered abroad. Its appendix includes a list with business activities for which foreign shareholders are either restricted or prohibited.

²⁴ As understood by the National Trade Registry Department (DNRC).

	SOCIEDADE LIMITADA - LTDA. (LIMITED LIABILITY COMPANY - LLC)	SOCIEDADE ANÔNIMA - S.A. (CORPORATION)	EIRELI (SINGLE HOLDER LIMITED LIABILITY COMPANY)
CORPORATE CAPITAL	<ul style="list-style-type: none"> ▶ Divided into quotas; ▶ No minimum corporate capital is legally required; ▶ An increase of the corporate capital is allowed as soon as all the subscribed quotas are paid in. Preemptive rights are granted to maintain the original share of the existing partners in the corporate capital; ▶ The corporate capital may be subject to reduction in the following cases: (i) occurrence of losses; or (ii) corporate capital is excessive for to the company's corporate purpose. 	<ul style="list-style-type: none"> ▶ Divided into shares; ▶ No minimum capital is required, but shareholders must pay in at least 10% of the issuance price of the shares subscribed in cash; ▶ The bylaws will establish: <ul style="list-style-type: none"> - the number of shares; and - whether the shares will have a par value or not; ▶ The corporate capital may be increased in the following cases: <ul style="list-style-type: none"> - Issuance of shares provided for in the bylaws; - Conversion of debentures and participation certificates into shares; - Resolution of the Annual General Meeting regarding capitalization of profits or reserves or issuance of new shares; ▶ The corporate capital may be reduced in case of a loss or capital that is excessive for the company's corporate purpose. 	<ul style="list-style-type: none"> ▶ Given that the company relies on a sole holder, it is not required that the corporate capital is divided into quotas; ▶ The minimum corporate capital may not be less than 100 (one hundred) times the sum of the highest monthly minimum wage in Brazil on the date of filing for registration; ▶ Once it has been paid in, the corporate capital may be increased at any time; ▶ The corporate capital may be reduced, so long as the minimum value required by law is maintained.
PAYING IN	<ul style="list-style-type: none"> ▶ The articles of incorporation must establish the deadline for payment; ▶ Any assets can be used for paying in, provided that they are susceptible to cash valuation. 	<ul style="list-style-type: none"> ▶ The bylaws must establish the deadline for payment; ▶ Any assets can be used for paying in, provided that they are susceptible to cash valuation. 	<ul style="list-style-type: none"> ▶ Statement, in the incorporation document, that the corporate capital has been fully paid in; ▶ Any assets can be used for paying in, provided that they are susceptible to cash valuation.

	SOCIEDADE LIMITADA - LTDA. (LIMITED LIABILITY COMPANY - LLC)	SOCIEDADE ANÔNIMA - S.A. (CORPORATION)	EIRELI (SINGLE HOLDER LIMITED LIABILITY COMPANY)
OWNER LIABILITY	<ul style="list-style-type: none"> ▶ Limited to the capital that has been paid in; ▶ In case the corporate capital has not been fully paid in, the owners are deemed jointly liable, without limitation. 	<ul style="list-style-type: none"> ▶ No liability: shares subscribed and paid in; ▶ Limited to the shares shareholders have subscribed for and have not yet paid in. 	<ul style="list-style-type: none"> ▶ Limited to the capital that has been paid in; ▶ Unlimited: in case the corporate capital has not yet been paid in or if there has been a failure to pay in the required minimum amount.
CONTROL AND MANAGEMENT	<ul style="list-style-type: none"> ▶ Control defined by the number of quotas; ▶ Resolutions are passed during meetings (up to 10 partners) or general meetings (more than 10 partners); ▶ The company may be managed by a non-partner, if allowed under the articles of incorporation; ▶ A foreigner may be appointed to be the manager, provided he/she has a permanent visa and is not otherwise prevented from holding management positions.²⁵ 	<ul style="list-style-type: none"> ▶ Control defined by shareholders with voting rights. The controlling shareholder owns a major portion of the voting capital; ▶ In compliance with company's bylaws, corporate management will be performed by the Board of Directors and the Executive Committee, or solely by the Executive Committee; ▶ The chair of the Executive Committee, whether a shareholder or not, must reside in Brazil;²⁶ ▶ The members of the Board of Directors may reside abroad, provided they appoint a representative resident in Brazil. 	<ul style="list-style-type: none"> ▶ Control exercised by the sole holder; ▶ An EIRELI may be managed by its owner or by a non-owner, as indicated in the incorporation document; ▶ A foreigner may be appointed to be the manager, provided he/she has a permanent visa and is not otherwise prevented from holding management positions.²⁷
TERMINATION / DISSOLUTION	<ul style="list-style-type: none"> ▶ The dissolution occurs in the following cases: (i) at the end of its term; (ii) unanimous resolution of all quota holders; (iii) resolution of quota holders representing an absolute majority, in companies with an open-ended duration; (iv) insufficient plurality of quota holders; (v) expiration of company's license to operate; (vi) court decision; and (vii) bankruptcy (Article 1,033; Article 1,034; and Article 1,087 of the Brazilian Civil Code); ▶ Judicial or extrajudicial liquidation will take place after the company is terminated. The remaining assets will be distributed to the quota holders proportionally to their respective quotas. 	<ul style="list-style-type: none"> ▶ The dissolution comes into effect either by court order or by the ruling of administrative authorities with jurisdiction. Incorporation, merger and spin-off are forms of dissolution; ▶ Judicial or extrajudicial liquidation will take place after the company is terminated. The remaining assets will be distributed to the shareholders proportionally to their respective shares. 	<ul style="list-style-type: none"> ▶ Compliance with Sociedade Limitada's rules, wherever applicable.

²⁵ For further information see the Appendix to Normative Ruling No. 76/1998, issued by the DNRC (in Portuguese only).

²⁶ Individuals of foreign origin are entitled to hold management positions, provided they have a permanent visa. Individuals of foreign origin are entitled to be members of a company's Audit Committee if they reside in Brazil.

²⁷ For further information see the Appendix to Normative Ruling No. 76/1998, issued by the DNRC (in Portuguese only).

OPENING A BANK ACCOUNT

A final important point related to this topic is opening a bank account in Brazil.

The Brazilian banking sector is considered one of the most modern in the world. State-owned banks, private banks, investment banks and other financial institutions, both domestic and international, compete in the retail banking industry in Brazil.

To open a business account, businesses need to fill out certain forms and provide legal documents, such as:

REGISTRATION OF INDIVIDUALS (PARTNERS/OFFICERS/GUARDIANS)

- ▶ Personal (e.g. identity document, Social Security number);

- ▶ Address (provide proof of residence) – Utility bill or rent or lease statement, issued fewer than 90 days earlier;

- ▶ Professional details (e.g. pay stub provided by the company).

REGISTRATION OF LEGAL ENTITIES

- ▶ Identification, proof of registration and registration status with the National Registry of Legal Entities of the Ministry of Finance/Internal Revenue Service issued no more than 30 days earlier;

- ▶ Identification of Partners and Managers - Submit documents and information form for the registration of individuals who are shareholders or officers of the company/organization;

- ▶ Relationships (attach proof of identity and CPF) - Legal representative;

- ▶ Chattel property, real estate and livestock (e.g. proof of property ownership, proof of payment of property tax or ITR for the last year, Certificate of Ownership, Registration and Licensing of Vehicles)

AUTHORIZATION FOR WAIVER OF REGISTRATION INFORMATION – SCR (CREDIT INFORMATION SYSTEM)

AUTHORIZATION FOR WAIVER OF REGISTRATION INFORMATION – REFIS (TAX PAYMENT PROGRAM)

COMPANY INFORMATION

EARNINGS REPORT

HIRING EMPLOYEES

Employment contracts are dealt with in the Federal Constitution of 1988 and in the Consolidation of Labor Laws (CLT) and subsequent legislation. Labor laws apply to all employees except for public servants, for whom there are separate regulations.

The legislation makes no distinction between skilled and unskilled workers or between those engaged in manual, office or professional work.

A change in the legal structure or ownership of an employer does not affect the rights acquired by employees under the labor laws.

All registered employees, including foreigners, are required to hold a work card (Carteira de Trabalho), on which the terms of employment must be recorded. Employers must keep official records or cards containing detailed information about each employee, and each year they must file returns listing all employees with the local office of the Ministry of Labor, including reporting the number of foreigners and minors. Companies are allowed to employ foreign workers up to a limit of 1/3 of total staff.

According to the CLT, substance is more important than form. As a consequence, a written employment agreement is not essential to prove the employment relationship, since it can result from mere verbal arrangements or even from implied circumstances. Nevertheless, it is recommended a written agreement be prepared to make the relationship clearer for the parties, because although the labor laws and regulations

provide for minimum, mandatory employment conditions, a written employment agreement may specify matters such as any form of special compensation, fringe benefits, confidentiality, and non-competition agreements.

Employment agreements are generally in force for an indefinite term. Employees can only be hired for a fixed term in a few special circumstances, namely: (i) services whose nature or time frame justifies establishing a termination date (ii) transitory business activities; and (iii) trial employment contracts.

Employers have the burden of proof of the circumstances that authorize the execution of the employment contract for a definite term. Otherwise, the employment relationship will be governed under indefinite term employment contract rules, which are generally more favorable to the employee.

Fixed-term agreements may not exceed two years and may only be renewed once. A trial agreement may not exceed 90 days.

As to contract modification practices, according to the laws, any change to employment conditions (i) requires the employee's express consent in writing; and (ii) must not cause any loss (financial or otherwise) to the employee.

Disputes related to employment relationships are decided by specialist courts (Justiça do Trabalho) which are present in all states of the country.

BENEFITS

The Federal Constitution and the CLT provide for a series of minimum benefits that must be granted by the employer to its employees throughout the employment relationship. These minimum benefits are:

MINIMUM WAGE

The Federal Government is responsible for establishing the minimum wage that must be paid to employees. No employee in Brazil shall receive less than the minimum wage. The minimum wage is reviewed and adjusted every year.

Additionally, each category of workers (e.g., salesmen, drivers, doctors, etc.) has a professional minimum wage, which shall not be lower than the minimum wage established by the Federal Government. Wage rates set by local labor unions are typically higher than the general minimum wage.

The states may also establish a local minimum wage by law.

MAXIMUM HOURS/ OVERTIME PAY

Regular working hours are limited to 8 hours per day and 44 hours per week.

The employees' regular work schedule may be increased by overtime hours. However, the overtime hours cannot exceed the legal limit of two hours per day.

Overtime work during business days requires an additional overtime payment of at least 50% more than the regular rate. Work on Sundays and holidays requires a permit from the Ministry of Labor and a minimum overtime payment of at least 100% more than the regular rate. Collective bargaining agreement may provide for higher overtime payments.

PAID LEAVE

In Brazil, every employee is entitled to an annual 30-calendar day paid leave, in addition to the holidays occurring during the year. The employee's vacation right is acquired after a year of continuous employment. The leave must be taken in the course of the 12 months following the anniversary date of employment. If the employee does not take his or her vacation on time, the company must pay the respective compensation in double.

The Federal Constitution also provides that employers must pay an additional 1/3 of the monthly salary as a vacation bonus during the month the employee is on vacation.

PAID HOLIDAYS

The following are the legal paid holidays that must be observed. As mentioned above, an employee required to work on any of these holidays must be paid at the rate of at least 100% over his or her normal wage.

- ▶ New Year's Day (January 1);
- ▶ Carnival (varies);
- ▶ Good Friday/Easter (varies);
- ▶ Tiradentes (Brazilian Martyr for National Independence)(April 21);
- ▶ Labor Day (May 1);
- ▶ Corpus Christi (varies);
- ▶ Brazilian Independence Day (September 7);
- ▶ Our Saint Lady of Aparecida (October 12);
- ▶ All Souls' Day (November 2);
- ▶ Proclamation of the Republic (November 15);
- ▶ Christmas Day (December 25).

There are also paid state and municipal holidays.

CHRISTMAS BONUS (13TH SALARY)

The Constitution also provides that all employers must pay the Christmas Bonus, which is better known as 13th salary. This is an additional monthly salary payment each year. This payment is made in two installments: the first installment is paid between February and November of each year and the second installment is paid on or before December 20. The Christmas Bonus is paid based not on the base salary, but on the employee's entire compensation, including the usual overtime and bonuses.

PROFIT SHARING

Law 10,101 of December 19, 2000, regulates the employees' share in the company's profits or results, as an instrument to align capital and the workforce and as a production incentive.

Although it is not mandatory, once the company decides to implement this benefit, it has to follow some important rules:

- ▶ All company employees must be allowed to participate in the profit-sharing plan;
- ▶ The company must renegotiate the content of the profit sharing plan every year with the labor union. The negotiation instrument usually establishes the rules to set the material participation rights and procedural rules, including mechanisms to evaluate the information related to the accomplishment of the agreed goals, frequency of the distribution, terms of validity, and frequency of review of the agreement;
- ▶ Profit sharing does not replace or complement the employees' compensation, nor it is a basis for any labor or social security charges;
- ▶ It is subject to withholding income tax.

HEALTH AND SAFETY

Although the CLT contains a chapter that deals exclusively with health and safety matters, the Labor Ministry publishes Administrative Rules which establish specific provisions in connection with, among other matters, the prevention of and protection from accidents, personal safety equipment, building safety requirements, transportation and handling of materials, hazardous work conditions, and environmental contamination.

Also, some employers must establish an internal accident prevention committee in every establishment. This committee is made up of representatives of the employer and the employees and must hold periodic meetings to prevent on-the-job accidents.

PAID MATERNITY LEAVE

Female employees in Brazil are entitled to a 120-day paid maternity leave. The payment of salary during the maternity leave is made by the employer, who may offset the corresponding amount against Social Security charges.

Under the CLT, an employer cannot dismiss pregnant employees from the confirmation date of the pregnancy until at least five months after the birth.

Finally, in addition to the benefits above, employers may voluntarily provide further ones at their discretion. In Brazil, employers usually provide health care plans and life insurance policies to their employees.

Most usual fringe benefits granted to employees (i.e., health insurance, pension fund, life insurance, education, etc.) are not considered salary for any purpose.

5.

GOVERNMENT
SUPPORT PARTNERS IN

BRAND

5 GOVERNMENT SUPPORT PARTNERS IN BRAZIL

GOVERNMENT SUPPORT PARTNERS IN BRAZIL

Support for international investors extends much further than the last page of this guide. Brazil's business support institutions, served by a cross-country network of talented professionals, are ready to help international businesses and entrepreneurs advance their investment plans in Brazil. You can find out more from the websites of various investor partners listed in this publication or you can contact one of their investment support professionals, who will be delighted to assist you in developing your business idea in Brazil.



BRAZILIAN TRADE AND INVESTMENT PROMOTION AGENCY (APEX-BRASIL)

Apex-Brasil is a private entity of public interest that works to attract foreign investment into strategic sectors of the Brazilian economy by promoting investment opportunities abroad. The agency focuses on foreign companies and green-field projects that bring technological innovation and new business models to Brazil, strengthen domestic industrial supply chains, have a direct impact on local job creation and improve export volumes and diversification.

Apex-Brasil is prepared to assist in all steps of the investor's decision-making process through its investment facilitation team. The agency's service portfolio includes identifying and reaching qualified contacts; preparing market intelligence covering leading industry sectors, markets, economic trends and guidance on legal and tax matters; and mapping projects for investors, including the identification of suitable locations, potential costs and other business options. Apex-Brasil can also act as a liaison between the investor, strategic partners, suppliers and local authorities.

Apex-Brasil is currently proactively promoting the following segments:

- ▶ Automotive
- ▶ Aerospace and Defense

- ▶ Environmental Solutions (clean technology and renewable energy)
- ▶ Life Sciences
- ▶ Oil and Gas
- ▶ Real Estate
- ▶ Research and Development
- ▶ Semiconductors and Displays

The Agency also supports foreign investors willing to identify local companies, universities and research centers to establish partnerships, joint-ventures or other types of collaboration. Apex-Brasil can also help capital investors in the process of identifying opportunities, projects and companies for venture capital and private equity investments in the country.

Apex-Brasil works collaboratively with the Ministry of Development, Industry and Trade and with the Brazilian Investment Information Network (RENAI).

More information can be found from the Apex-Brasil website.

www.apexbrasil.com.br



Ministry of External Relations
Department of Trade and Investment Promotion

MINISTRY OF EXTERNAL RELATIONS

The Ministry of External Relations is responsible for framing and implementing Brazil's commercial diplomacy, which includes investment promotion.

The Investment Division (DINV) of the Ministry of External Relations coordinates investment promotion activities that aim to increase foreign investment in strategic sectors of the economy, which include, for example, energy, infrastructure and logistics and information technology, as well as projects that involve a strong research and development component. On the commercial intelligence side, the Investment Division produces frequent business publications on a wide variety of sectors, specific projects and general commercial information on investing in Brazil. On the investor support and marketing side, the Investment Division provides support for delegations of foreign investors coming to Brazil by identifying key value partners and prepares visit programs, as well as organizing and participating in investment promotion events outside Brazil.

BRAZILIAN COMMERCIAL SERVICE (SECOM)

The Ministry of External Relations is also responsible for the Brazilian Commercial Service (SECOM), which is an organization of trade and investment professionals located in the national capital Brasilia and in Brazil's embassies and consulates around the globe. SECOMs are responsible for promoting investment in Brazil and are a port of call for foreign investors seeking initial information on business opportunities in Brazil, the regulatory framework, economic indicators and market intelligence. SECOMs are open to receive your queries about investing in Brazil and point you in the right direction for additional support. SECOMs also help play an essential support function should you be interested in planning an outreach business mission to Brazil. In this case, SECOMs work hand in hand with the Ministry of External Relations in Brasilia and federal, state and municipal support entities and private sector organizations to help confirm a productive visit program.

More information can be found from the BrasilGlobalNet website.

www.brasilglobalnet.gov.br



Ministry of
**Development, Industry
and Foreign Trade**

Ministry of
**Agriculture, Livestock
and Food Supply**

BRAZILIAN INVESTMENT INFORMATION NETWORK (RENAI)

The Brazilian Investment Information Network (RENAI) is part of the Ministry of Development, Industry and Foreign Trade. It works in close cooperation with state governments across Brazil. Its main objective is to provide information about government programs, legislation and projects to local and foreign investors.

RENAI has three primary objectives:

- ▶ Introduce and clarify government programs, regulations and projects to potential investors and established companies in Brazil;
- ▶ Articulate private sector demands within the federal government to improve the business climate through policy improvements and adjustments; and
- ▶ Stimulate and assist state governments to foster investment in Brazil as a pathway to economic and social development.

To help achieve its objectives, RENAI operates an extensive online database of government investment projects across Brazil that include federal, state and municipal initiatives such as con-

cessions and Public-Private Partnerships (PPPs). RENAI also organizes workshops and seminars in Brazil to disseminate a culture of investment attraction in the country.

The RENAI team systematically and continuously surveys announced investment projects and makes them available in an online database. It provides detailed information about these investments according to company, state and economic sector.

It also takes part in international investment agreement negotiations and is responsible for organizing investment missions abroad for the Minister of Development, Industry and Foreign Trade, as well as for hosting investors wishing to negotiate directly with the Brazilian government.

RENAI, in conjunction with several secretariats within the Ministry of Development, Industry and Foreign Trade, also aims to identify supply-chain gaps to subsidize foreign investment attraction campaigns carried out by Apex-Brasil and other federal entities.

To learn more about RENAI, please access its website:

www.mdic.gov.br/renai

MINISTRY OF AGRICULTURE, LIVESTOCK AND FOOD SUPPLY

The mission of the Ministry of Agriculture, Livestock and Food Supply is to foster the competitiveness and sustainability of Brazilian agribusiness. Its various agencies implement policies in the areas of food security, animal and plant health, credit, food supply and agricultural research.

Through the Secretariat of Agribusiness for International Relations, the Ministry promotes trade and the image of Brazilian agribusiness. The work of the Secretariat is based on global statistics in order to provide domestic and international players with commercial intelligence on agriculture.

Furthermore, the Secretariat is in charge of attracting investment to Brazil's agribusiness sector, connecting foreign capital with domestic opportunities. To this end, it regularly hosts international delegations of investors interested in Brazilian agriculture and promotes local companies' participation in investment events overseas.

<http://www.agricultura.gov.br>

LEGAL GUIDE FOR FOREIGN INVESTORS IN BRAZIL

For investors seeking detailed information on the applicable legislation for foreign investment in Brazil, we are pleased to recommend our accompanying publication, the Legal Guide for Foreign Investors in Brazil, prepared by leading law firms in Brazil for the Investment Division of the Ministry of External Relations. The legal guide is available for free download from the following link: <http://www.brasilglobalnet.gov.br/ARQUIVOS/Publicacoes/Manuais/PUBGuiaLegalII.pdf>

BRAZILIAN OFFICIAL INVESTMENT OPPORTUNITIES WEBSITE

Qualified investors and entrepreneurs continue to be drawn to the Brazilian market thanks to major advances in the country's mature and diversified productive structure.

In response to investor demand for information on the types of opportunities available in the Brazilian market, RENAI and Apex-Brasil operate an online database of open business opportunities, both in the public and private sectors, organized by economic sector, project value, the nature of the project and geographic scope (national or local).

RENAI and Apex-Brasil believe this website will serve as a fundamental investment tool. The goal is to facilitate business and spur additional growth in Brazil's productive sector throughout the country.

This database is regularly updated and available to access from RENAI's website:

<http://investimentos.mdic.gov.br> on Investment Opportunities link

SOURCES AND OTHER USEFUL LINKS

www.brasil.gov.br

www.planalto.gov.br

www.bacen.gov.br

www.mte.gov.br

www.receita.fazenda.gov.br/Publico/estudotributarios/estatisticas/Inqles/ET0o8-TaxSystemandAdministration.pdf

www.inpi.gov.br

www.islamabade.itamaraty.gov.br/en-us/land-acquisition_in_brazil.xml
www.ibama.gov.br

www.mma.gov.br

www.anp.gov.br

www.portaldoempreendedor.gov.br

www.wipo.int

www.doingbusiness.org

www.acs.org.br/content/dam/acsorg/greenchemistry/news/a-brief-explanation-about-environmental-licenses-in-brazil.pdf

www.economist.com

www.dbbrazil.com.br

www.pwc.com.br/pt/publicacoes/assets/doing-business-2013.pdf

www.consultoriaambiental.com.br/en/Licenciamento-Ambiental.asp

www.patentlens.net

www.amcham.com.br

www.icaew.com

www.thebrazilbusiness.com/article/tax-on-foreign-investments-in-brazil

www.thebrazilbusiness.com/article/paying-dividends-from-brazil-to-abroad

www.setupglobal.com

www.latinlawyer.com/reference/topics/62/jurisdictions/6/brazil/

www.internationalexperts.com/index.php/research/item/brazil-employeremployee-relations

www.internationalexperts.com/index.php/research/item/employment-contracts-in-brazil

www.internationalexperts.com/index.php/research/item/employment-relationship-in-brazil

www.law.harvard.edu

www.nibusinessinfo.co.uk/content/registering-and-enforcing-intellectual-property-rights-brazil

www.globallegalinsights.com/practice-areas/Mergers%20&%20Acquisitions/mergers-and-acquisitions-2nd-edition/brazil

www.complianceweek.com/brazil-passes-land-mark-anti-bribery-law/article/302203/

www.transparency.org/country#BRA

www.en.wikipedia.org/wiki/Environment_of_Brazil

www.felsberg.com.br/the-benefits-of-the-new-environmental-regulations-for-the-infrastructure-sector/

www.energiasustentaveldobrasil.com.br/licenciamento-ambiental.asp?lq=2

www.luxembourgforbusiness.lu/market-entry-guide-brazil#chap-procedures-for-foreign-enterprises

DISCLAIMER

The material contained in this Guide is intended to provide general information only. Before entering into any commercial transaction, readers are strongly advised to seek independent professional advice in order to validate and supplement the information contained in this Guide. While every care has been taken to ensure the accuracy of the information contained in this document, the Ministry of External Relations, the Ministry of Development, Industry and Foreign Trade and the Brazilian Trade and Investment Promotion Agency, including all affiliated agencies, bodies, officers, employees and agents, accept no liability for any loss, damage or expense arising out of, or in connection with, any reliance upon or inaccuracies or omissions in the material contained in this Guide. No warranty is given or responsibility accepted regarding the standing of any individual, firm, company or other organization.

The material used in this Guide has been drawn in part from publicly available data prepared and/or released by third party sources.

All dollar figures shown by the symbol US\$ in this guide denote United States dollars unless otherwise indicated. Due to currency movements, any values expressed in a currency other than Brazilian reais in the present guide are subject to change. A spot exchange rate of US\$1 = R\$2 has been adopted in this guide, which represents the approximate average USD-BRL in 2012.

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 INVESTMENT GUIDE TO
BRASIL2014

