

Brazilian Economic Scenario and Investment Opportunities

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Outline

- ✓ An Attractive Investment Destination
- ✓ Oil & Gas Sector
- ✓ Infrastructure
- ✓ Energy
- ✓ How can Apex-Brasil can help you



Brazil – An Attractive Investment Destination

Brazilian remarks in market and production

- ✓ Largest consumer market in Latin America;
- ✓ 3rd largest market of cell phones, cosmetics and soft drinks;
- ✓ 5th largest market of personal computers
- ✓ World's 7th largest manufacturer and 4th largest consumer of automobiles;
- ✓ World's 4th largest manufacturer of aircraft and top producer of models seating up to 120 passengers;
- ✓ Largest consumer market for renewable energies (UN);
- ✓ Largest producer of biofuels;

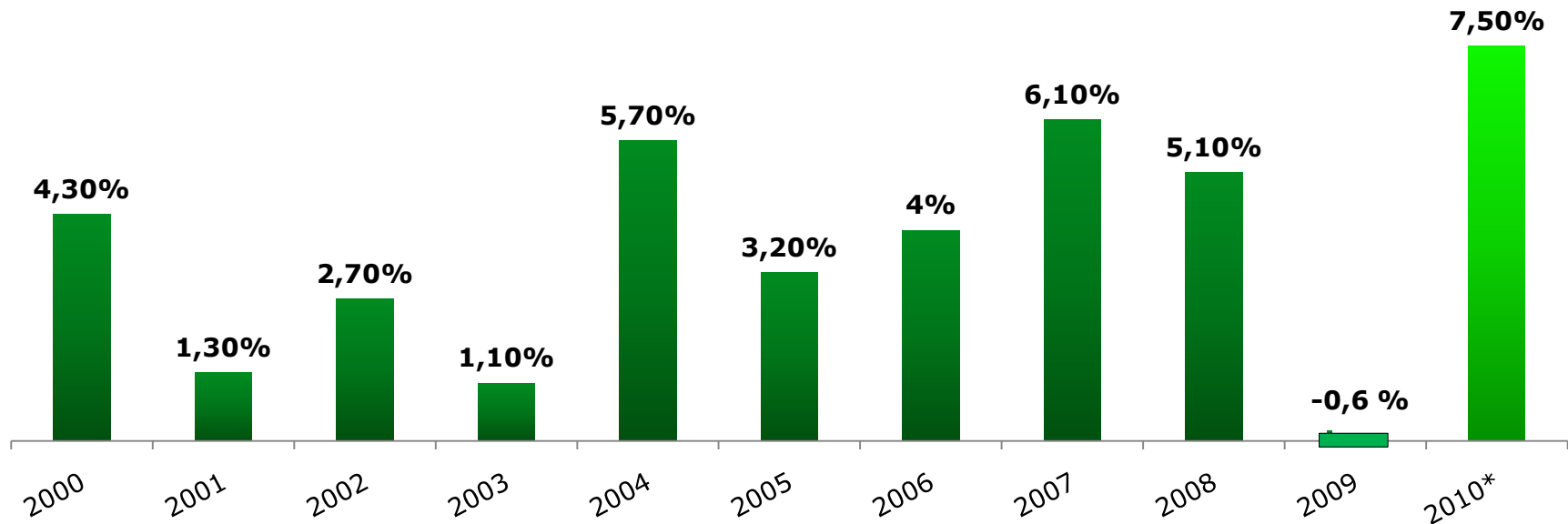


Brazilian remarks in market and production

- ✓ Top 5 producer of medical and dental equipment;
- ✓ Home to the world's 10th largest petroleum reserves;
- ✓ 13th largest producer of scientific articles;
- ✓ 10th largest industrial producer;
- ✓ Leader in production and exports of several agribusiness products and 3rd overall largest exporter of agricultural goods.



GDP Growth in Brazil



- Brazil is experiencing high rates GDP growth. The international crisis affected this tendency, but in the second semester of 2009 Brazil had already retaken the growth and for 2010, the forecast is a 7.5% rate.

Source: IBGE

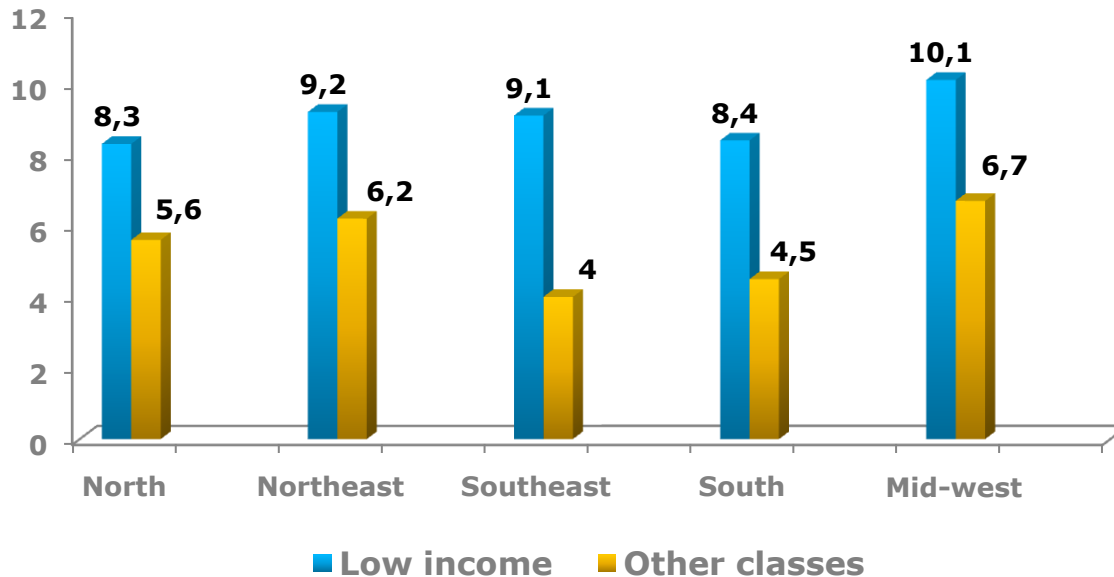
* Forecast

Employment Rate

- In Brazil, from 2004 to 2009, **1.34 million** new jobs were created each year on average, and **2.3 million** jobs are expected to be created in 2010. Unemployment rate fell 35% in the last 5 years and reached a record low in September 2010: **6.2%** of the economic population

Income growth

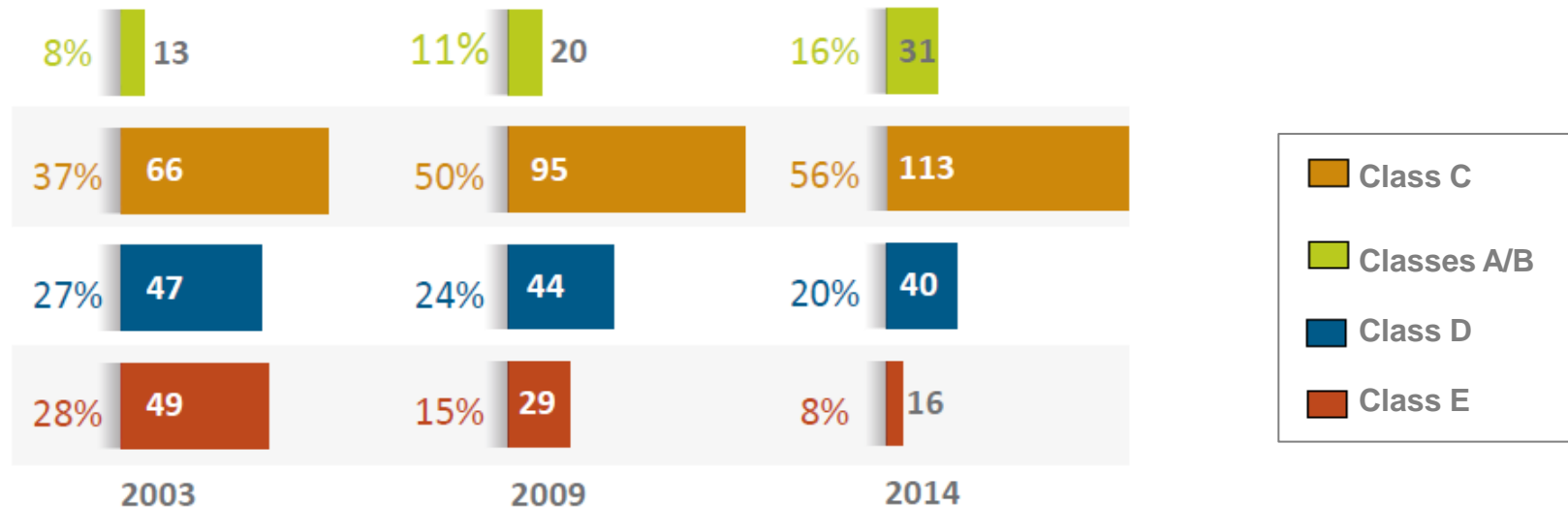
Per-capita income growth by region (average % 2003-08)



Income growth

- Growth of the population's consumption capacity

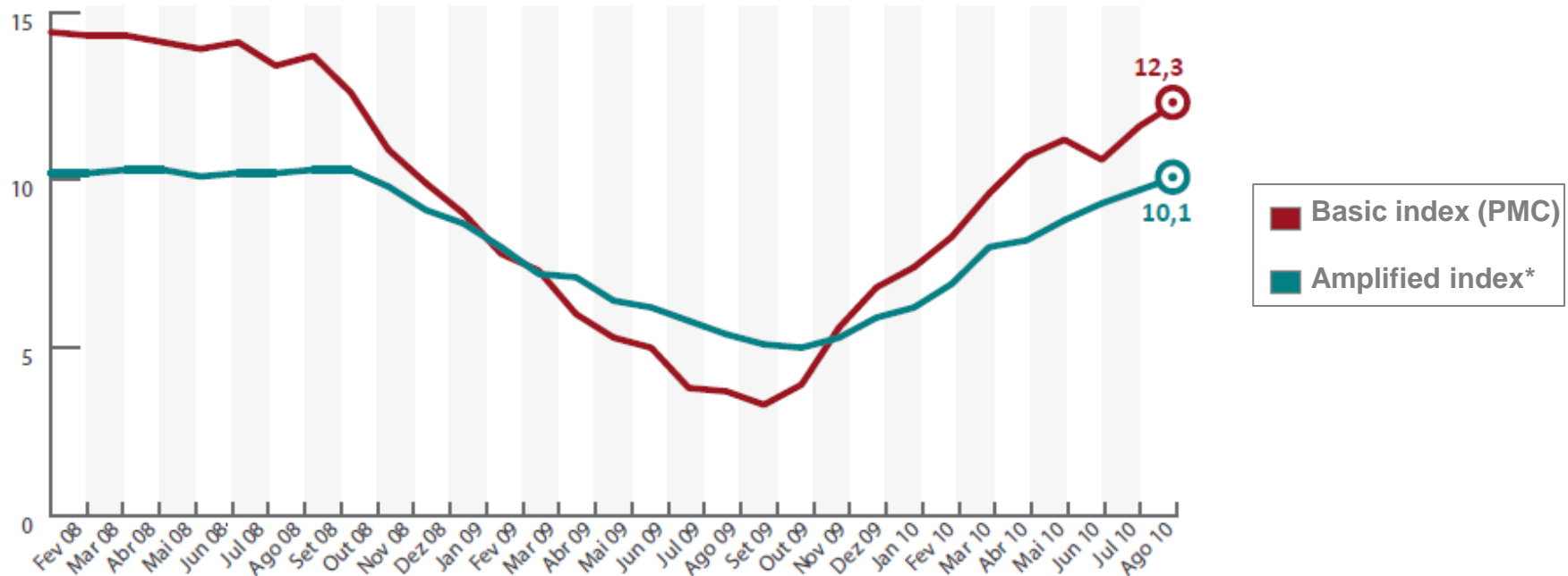
Class incomes - Million of inhabitants and share of population



- ✓ Expansion of employment and income;
- ✓ Increase on minimum wage: **+63% from 2003 to 2009;**
- ✓ New social programs;
- ✓ Inflation under control.

Consumer market

Sales in commerce growth (% on 12 months accumulated)



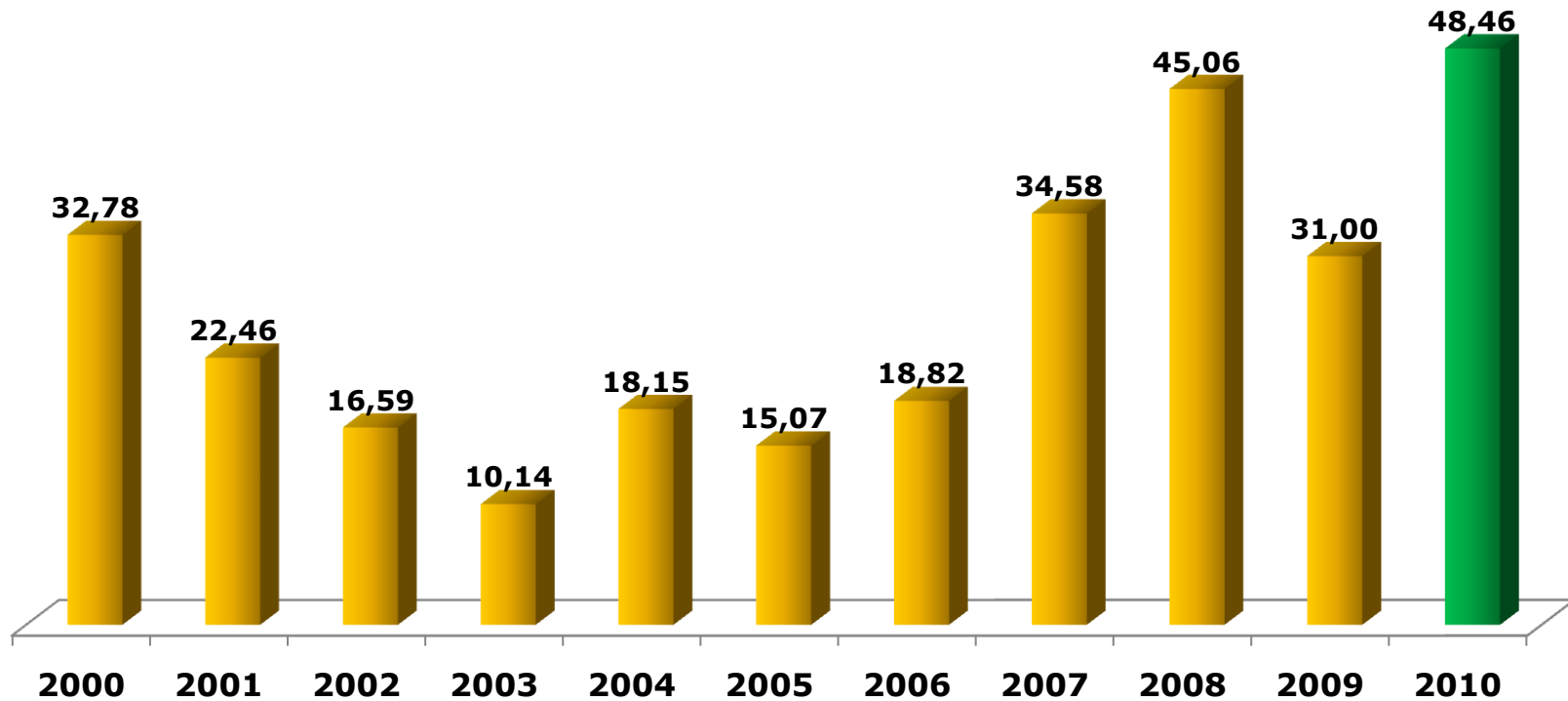
- Pushed by income and employment growth, Brazilian population has kept high rate growth in consumption, which stimulate production ➡ Sustainable Growth

Source: IBGE / Ministry of Finance

*includes vehicles and motorcycles and its parts; and construnction material

Brazil - FDI inflows

US\$ billion

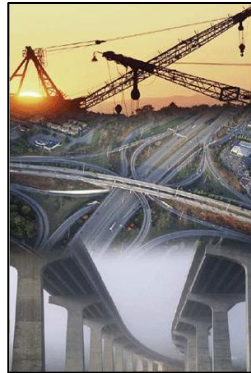


- Brazil has become one of the leader recipients of FDI in the last decade, attracting investments for several sectors of its economy.

Booming sectors



**Biofuels &
Renewable
Energy**



Infrastructure



RE and Tourism



Oil & Gas



ICT



**Electronic
components**

Brazil – An Attractive Destination for Oil & Gas Sector



Oil & Gas in Numbers

- ✓ Home to the world's 16th largest petroleum reserves (proven)
- ✓ 11% of Brazil's GDP
- ✓ 38 main worldwide players in the E&P sector
- ✓ 75.000 industry direct employees
- ✓ 200 subsea product and services companies

* Source: ONIP – National Organization of Petroleum Industry, Europe's Energy Portal

Main Investments Forecast

Near Term (2009-2013)

✓ Exploration and Production: US\$ 131 billion dollars

Long Term (2010-2020)

Drilling Rig Units	U\$ 60 billion
Production Units	U\$ 51 billion
Subsea Production and Services	U\$ 85 billion
Construction of new vessels	309

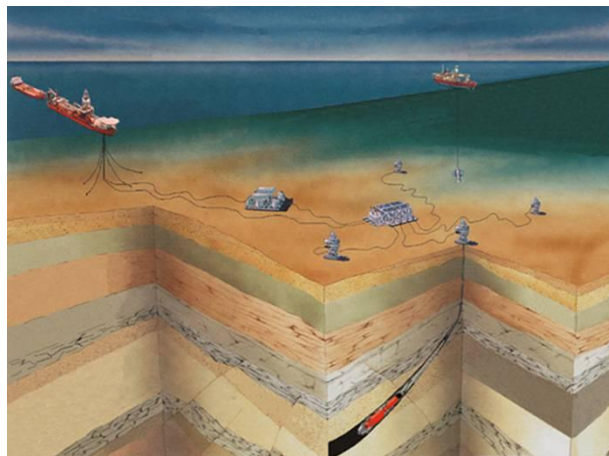
Petrobras CAPEX (2010-2014)

✓ Exploration and Production: US\$ 108 billion dollars

* Source: ONIP – National Organization of Petroleum Industry and Petrobras

Equipment with local supply constraint

- ✓ Instrumentation and Gauging
- ✓ Gas Turbines
- ✓ Compressors
- ✓ Engines
- ✓ Alloys



Equipments	Demand 2010-2014
Air Coolers	882
Wet Christmas Trees	540
Compressors	3,181
Power Generators	646
Turbines	595
Valves	834,000
Reactors	427

* Source: Prominp – Oil and Gas Industry National Mobilization Program

Local Content Policy (LC)

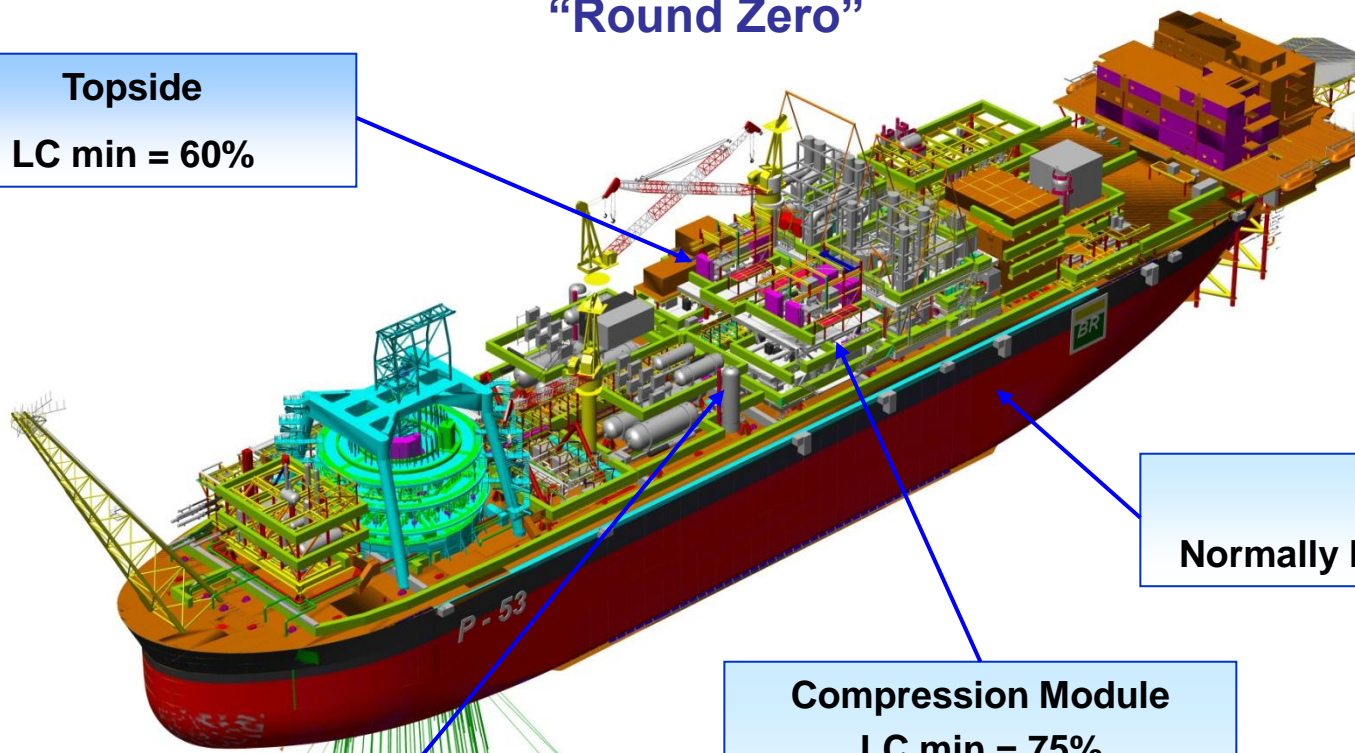
- ✓ Defined in Bidding Rounds
- ✓ Distinct Requirements for Onshore and Offshore E&P
- ✓ Minimum and Maximum percentage (equipments, labor and services)
- ✓ Formula $LC\% = \text{local content} / \text{total content}$
- ✓ Certifiers (2007)

Type of Exploration (9 th Round)	LC%
Onshore	70%
Offshore shallow	51%
Offshore 100m to deep waters	37%

Local Content Policy

“Round Zero”

Topside
LC min = 60%



Hull
Normally LC = 0% to 60%

Power Generation Module
LC min = 75%
Turbo generators
LC = 0%

Compression Module
LC min = 75%
Gas Compressors
LC = 0%

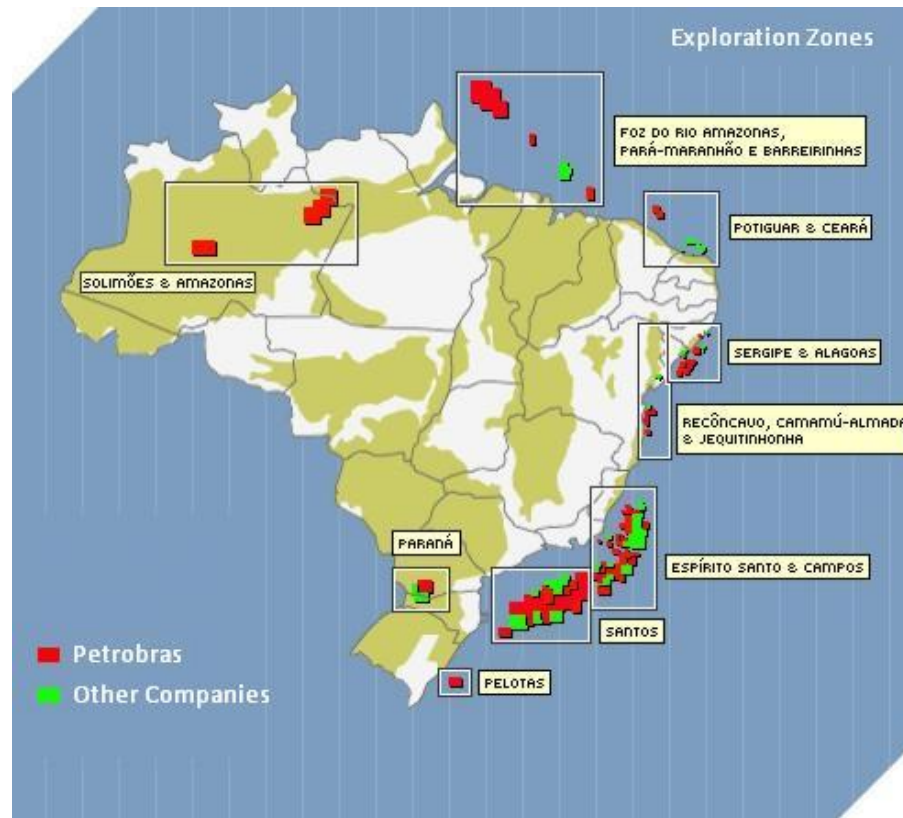
* Source: Prominp – Oil and Gas Industry National Mobilization Program

Sectorial Business Environment

- ✓ Funding (BNDES)
- ✓ Innovation Funding (FINEP)
- ✓ R\$ 3 billion to Petrobras' supply chain support plan (PROGREDIR)
- ✓ Training Programs (PROMIMP)
- ✓ Special Customs Regime (REPETRO)

New Frontiers

- ✓ Petrobras announces new oil frontier in Sergipe state



Relevant News

- ✓ Sinopec acquires part of Repsol Brazil by US\$ 7bi
- ✓ Record in oil and natural gas production (2,089 mi boe/day and 66 mi cubic meters per day)
- ✓ 11th round of bidding in first semester (concession model)
- ✓ Ministry of Mines and Energy assures first pre-salt bidding in second semester (new sharing system)



Infrastructure

Infrastructure Projects in Brazil – History and Prospects

✓ Investments 03-09

	US\$ Billion
Infrastructure	304
Electric Power	53.5
Telecom	56.2
Sanitation	17
Transportation	48.2
Oil & Gas	129.3

✓ Demand for next 5 years

	US\$ Billion
Infrastructure	403.5
Electric Power	71
Telecom	49.5
Sanitation	34
Transportation	60.5
Oil & Gas	188.5

Source: ABDIB

1 US\$ = R\$ 2.00 (average 2009)

Infrastructure Projects in Brazil – Main Projects

Belo Monte
Hydroelectric
Plant

Jirau
Hydroelectric
Plant

Santo
Antonio
Hydroelectric
Plant

Tucuruí Locks

New Northeast
Railway

East-west railway

Transposition of S.
Francisco River

Natural Gas
Pipeline

Oil
Platforms

Port of Açu

Angra 3
Nuclear
Plant

North-South
Railway
(North Branch)

North-South
Railway
(South Branch)

BR-101
(NE and S sections)

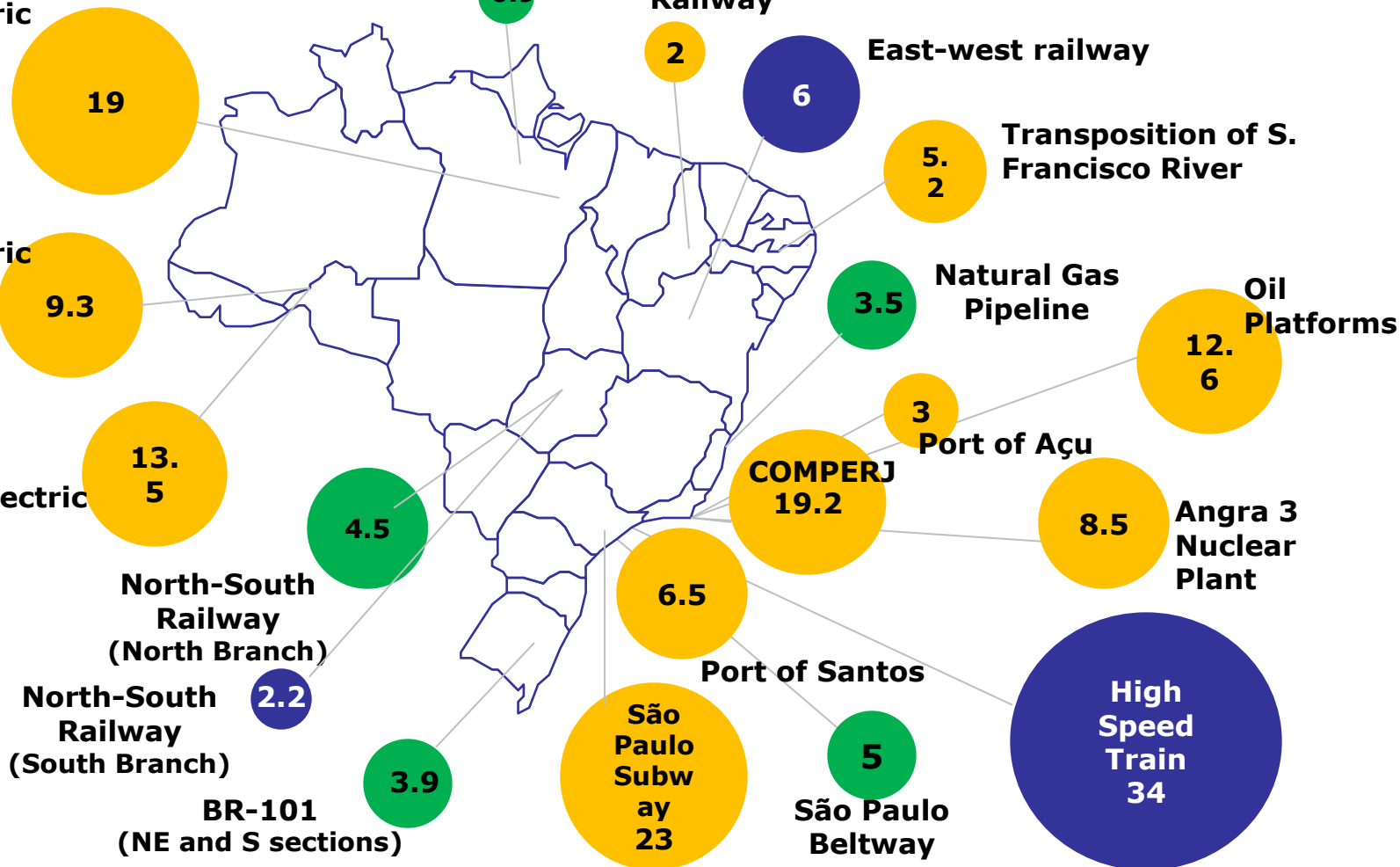
Port of Santos

São Paulo
Subway

São Paulo
Beltway

High
Speed
Train

- Phase of conclusion
- In progress
- Design or bid phase



Value of projects in Billion R\$

Source: EXAME

FIFA World Cup 2014 – 14 host cities



Investments

Host city	US\$ Millions
MANAUS/AM	1.497.35
SALVADOR/BA	4.097.75
FORTALEZA/CE	2.821.20
BRASÍLIA/DF	2.298.80
BELO HORIZONTE/MG	4.878.10
CUIABÁ/MT	797.35
RECIFE/PE	2.090.70
CURITIBA/PR	2.984.45
RIO DE JANEIRO/RJ	7.714.85
NATAL/RN	2.562.90
PORTO ALEGRE/RS	3.459.05
SÃO PAULO/SP	16.857.65
Total Brazil	52.060.15



Source: ABDIB

1 US\$ = R\$ 2.00 (average 2009)

FIFA World Cup 2014 – value of projects

Estimated value of investments (US\$ Mi)				
Sector	<i>Upcoming</i>	<i>In progress</i>	<i>Finalized</i>	<i>Total</i>
Urban Mobility	25,371.30	3,762.50	1,353.10	30.486.90
Airports	2,572.15	851.10	3.0	3.426.25
Ports	370.35	0.00	0.00	370.35
Energy	1,269.75	61.90	0.00	1.331.65
Sanitation	2,600.45	3,610.70	0.00	6.211.15
Hotels	3,946.33	2,366.72	0.00	6.313.05
Hospitals	302.40	284.50	0.00	586.90
Security	627.15	0.00	0.00	627.15
Venues	1,546.25	1,160.50	0.00	2.706.75
<i>Total</i>	<i>38.606.13</i>	<i>12.097.82</i>	<i>1.356.10</i>	<i>52.060.15</i>

Source: ABDIB

1 US\$ = R\$ 2.00 (average 2009)



Energy

Sector Overview

- ✓ The Brazilian Government strongly supports the growth of renewable energy, and the industry is backed by development facilities and growing market demand;
- ✓ The expanded Renewable Energy Target will be equivalent to **14 GW-hours** in 2030. This target will accelerate the deployment of a broad range of renewable energy technologies;
- ✓ Brazil produces **57 million** tons of waste per year, according to the IPEA, only **2,4%** of municipal waste is recycled.

In 2009, 46 % of the Brazilian energy comes from renewable sources (vs. world's average of 14%)...

Opportunities

- ✓ Eolic energy
- ✓ Solar energy
- ✓ PCH – Small Hydroelectric Centers
- ✓ Biofuels
- ✓ Smart Grid
- ✓ Biogas (solid wastes)

How Apex-Brasil can support your company?

Apex-Brasil: the investor's focal point to do business in Brazil



CASE #1

Company : GE

Country: USA

Type of Investment: Global R&D Center

Apex Services

- Federal Government Coordination with INPI, INMETRO, MCT and ABDI;
- Brazilian Top executives mobilize;
- Information gathering about Brazilian talent pool, technology development, incentives and intellectual property ;



CASE #2

Company Segment: Crane and Drilling Equipments
Manufacturing

Country: Netherland

Investment Amount: US\$100 millions

Apex Services

- Site location road show : SP, RJ, PE and ES;
- State Level agenda with key players to search appropriate land and to discuss incentives and grants;
- Strategic information about supply chain, labor costs, competitor analysis and legal framework;



CASE #3



Company Segment: Manifolds and Connectors

Country: UK

Type of Investment: Joint-Venture/Greenfield

Apex Services

- Supply chain info, purchase process and demand trends;
- Matchmaking with potential partners;
- Site location support;
- Arrangement of meetings BNDES (credit lines) and Petrobras;

Trust in Brazil

“**Economic growth and government programs** are helping lift many Brazilians out of poverty and fueling a sense of optimism.”

“Brazil's \$1.3 trillion economy is bigger than those of India and Russia, and its **per-capita income** is nearly twice that of China.”

“Economists and social scientists say the booming **trade-oriented economy** and innovative government programs are lifting millions from poverty and shaking what was once a certainty: that a person born poor in Brazil would surely die poor.”

The Washington Post. 2010

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