

Doing Business in Brazil

Main drivers and challenges

April 2010



Agenda

**2014 FIFA World Cup and
Rio 2016 investments highlights**

Did you know?

Main drivers

Main challenges

**Highlights of the economic
environment**

**PwC and 2014 World Cup/Rio
2016**

2014 FIFA World Cup and Rio 2016 investments highlights

2014 FIFA World Cup – What it represents to Brazil?

US\$ 50 Bi infrastructure investments	190 Mi of Brazilians crazy for football!	1% GDP increase
US\$ 2,5 Bi sports arena investments		International visibility
FIFA Budget US\$ 450 MM	64 years to host another World Cup!	40 bi TV audience
Approx. 3,5 Mi jobs		
12 host cities		

2014 FIFA World Cup and Rio 2016 investments highlights

Rio 2016 Olympic Games – What it represents to Brazil?

US\$ 11,1 Bi – Infrastructure investments (Non-OCOG)	Sports biggest world event!	US\$ 2,82 Bi – Rio 2016 Organizing Committee investments
US\$ 558 Mi Event operation (Non-OCOG)		US\$ 600 Mi – Olympic villages and and Sport arenas
Olympic Village – 2448 rooms	First South American city to host the Olympic Games!	4 thousand fix jobs
Urban legacy		48 thousand volunteers
Tourism increase		11 thousand athletes

Did you know?

- Brazil shares a border with every other country in South America apart from Ecuador and Chile – eleven in total – and has lived in peace with all of them for nearly 150 years.
- Brazil is the world's fifth most populous country after China, India, United States and Indonesia.
- More than 80% of all new cars sold in Brazil are flex-fuel which run on any combination of ethanol and gasoline.
- A mega-oil field in the so-called pre-salt layer has impressive figures of potential volumes of barrels and investments required, which can put Brazil amongst the top oil exporter countries in the world.
- BM&FBOVESPA (Brazilian stock exchange) is public and is the third largest stock and futures exchange in the world market cap.
- Investment grade (BBB-) was received from S&P in early 2008.

Main challenges – Bric's

Opportunities



- Rapid economic growth
- Higher growth rate of GDP per capita
- Increasing market size across all sectors
- Burgeoning middle class in recent years
- Large urban populations
- Burgeoning energy consumption

Challenges



- Poor infrastructure
- Problems of state functioning
- Ineffective law and order
- Rampant corruption
- High levels of inequality and poverty

Main opportunities - Brazil



- Consolidated democracy;
- Established institutions;
- Highly urbanized compared to other emerging markets;
- Sophisticated financial/banking system;
- More business/friendly environment to US/European investors (cultural differences impacting business less stronger than in other emerging markets);
- One language throughout the country;

Brazil's risk has been reduced in recent years

- Inflation under control for over a decade.
- Significant reduction of the country risk rate in the last years.
- Massive investments in infrastructure needed – 2014 World Cup and 2016 Olympic Games.
- High-growth potential and fast-growing consumer market considerably in the middle classes.
- Abundant agriculture, mineral and energy resources.
- Privatization effort consolidated since the 1990's and follow-on transactions in development



Highlights of the economic environment

Brazil's GDP is the highest of Latin America and has been positively impacted by the large and developed agricultural, mining, manufacturing and service sectors. Inflation has decreased significantly since 2002.

Brazilian GDP evolution – in US\$ bilion



Source: IBGE – Instituto de Geografia e Estatística

Highlights of the economic environment

- Vigorous growth before the crisis – 2008
- The boom in the world economy and the vigorous boost in domestic credit were the main engine of this growth;
- Federal government reaction to the crisis has been timely and strong, although sometimes arbitrary;
- The only investment program launched by the Federal Government, back in 2007 – PAC (Programa de Aceleração do Crescimento) – was timid, suffered from bad management and conflicting political interests. It has very limited impact so far;
- Management of monetary policy going forward is a delicate matter: to keep inflation stable while not spoiling the optimistic business environment and the confidence of consumers;
- Corporate legislation, accounting practices and reporting requirements are improving. Local GAP is going in the direction of IFRS;
- October 2010 - Federal and State Government General Elections – Main contender have similar economic platforms

Opportunities for Foreign Companies



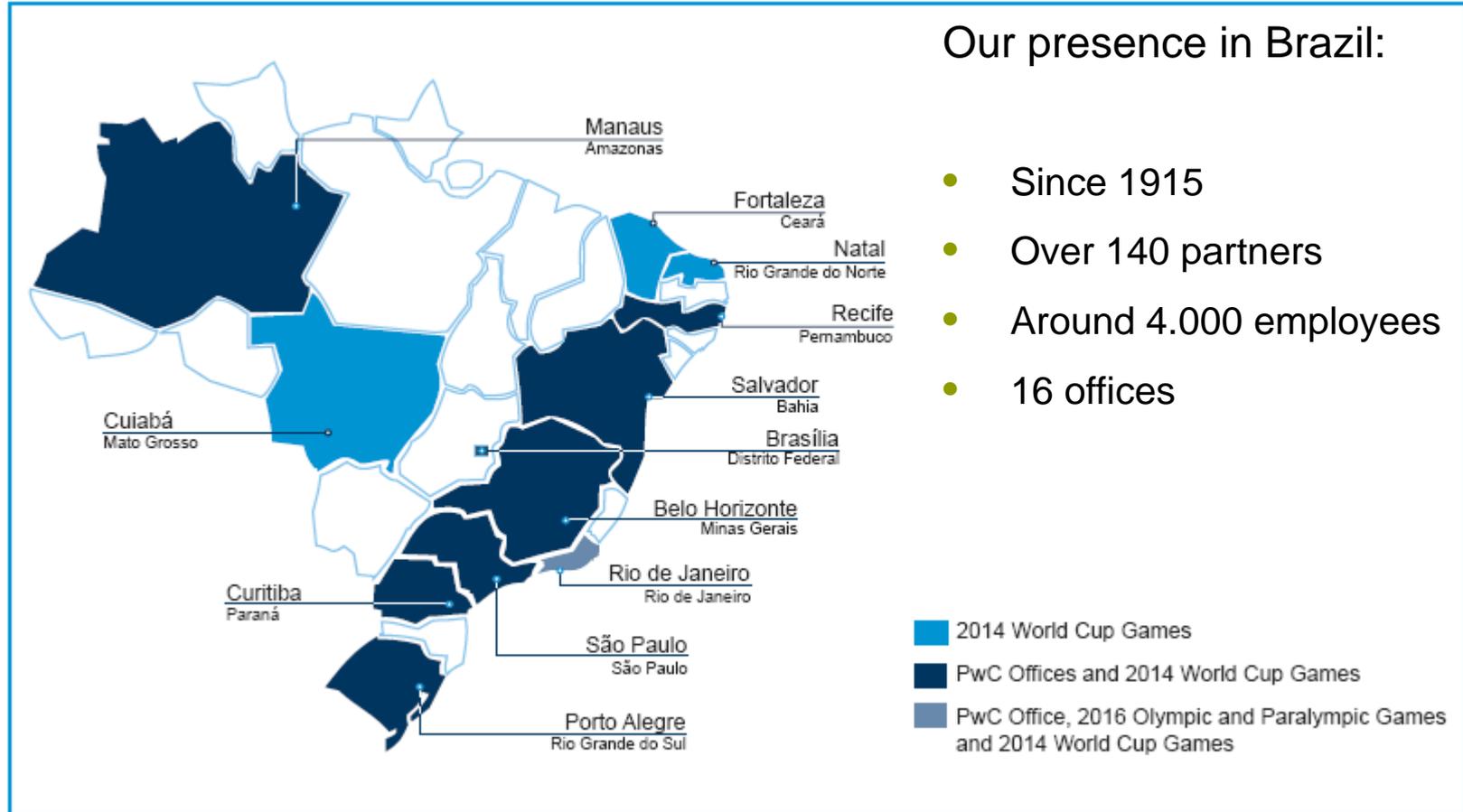
- Brazil's economy outweighs all other South American countries and it is expanding its presence in world markets.
- Many local companies are undervalued and in need of restructuring, capital and technology.
- From Brazil, investors have tariff-free access to the other members of the Mercosur free trade zone area (Brazil, Argentina, Chile, Venezuela, Paraguay and Uruguay).
- Foreign investors are eligible for most available fiscal incentives, including deductibility of goodwill under certain conditions.
- New regulations favouring minority shareholders, corporate governance and better accounting practices.

Main challenges - Brazil

- Complex tax and labour regulatory environment with taxes and social charges rates on payroll, sales and income affect business plans and increase risks of contingencies.
- Complex transfer pricing and foreign capital registration rules.
- The “know-who” is sometimes more important than the “know-how” in certain regions and even industries.
- Short supply of skilled labor in certain developing areas.
- Considerable bureaucratic rules and regulations for certain businesses and industries.
- High demand on investments in distribution channels and infrastructure in less industrialized areas of the country.



PwC and 2014 World Cup/Rio 2016



Our presence in Brazil:

- Since 1915
- Over 140 partners
- Around 4.000 employees
- 16 offices

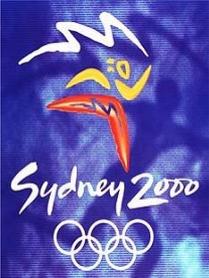
PwC and 2014 World Cup/Rio 2016

Local credentials

Natal 2014	Advisory services to support the bid for a 2014 World Cup host city and pre-feasibility study for the “Arena das Dunas” stadium.
Goiânia 2014	Advisory services to support the bid for a 2014 World Cup host city.
Belém 2014	Advisory services and follow up to support the bid for a 2014 World Cup host city and pre-feasibility study for the “Mangueirão” stadium and adjacent facilities.
Manaus 2014	Advisory services to recommend the best solution for a high capacity transport, improving the city’s mobility conditions.
Infrastructure 2014	Diagnostic of the current infrastructure and needs for the candidates for host city for the 2014 FIFA World Cup Brazil™ for the Brazilian Association of Infrastructure and Basis Industries - ABDIB.
Rio 2016	Financial advisory services to COB (Brazilian Olympic Committee) in the bid for Rio 2016.

PwC and 2014 World Cup/Rio 2016

International credentials



PwC and 2014 World Cup/Rio 2016

- PwC is prepared to support all companies willing to invest in and act as stakeholders of these events.
- We have the expertise and know-how required to help clients start up a business, improve business performance and return maximum value to their stakeholder:
 - ✓ Top of Mind Award – HR Consultancy – last 5 consecutive years;
 - ✓ Best Tax Consultancy Firm in Brazil – International Tax Review - last 7 consecutive years;
 - ✓ Leader in Outsourcing/Back-office Services – Outsourcing Guide – last 3 years;
 - ✓ The most admired Audit Firm Brazil – last 8 consecutive years;
 - ✓ Most admired knowledge enterprises (MAKE) – The PwC network was recognized by the Fortune 500 for the 8 time, specifically for our capability to transform knowledge into value for our clients.

PwC and 2014 World Cup/Rio 2016

Service Approach and Strategy



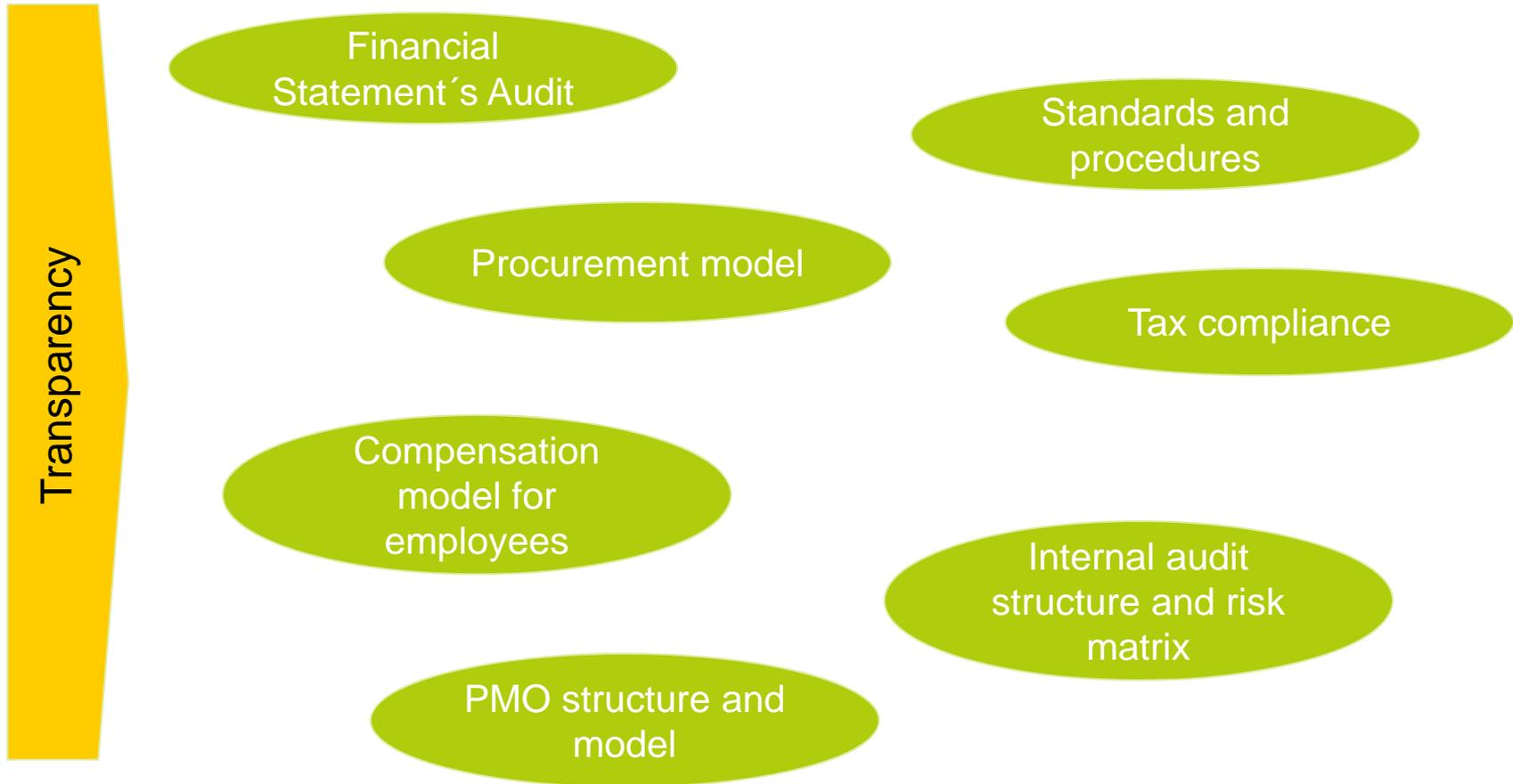
PwC and 2014 World Cup/Rio 2016

Service Approach and Strategy



PwC and 2014 World Cup/Rio 2016

Service Approach and Strategy



PwC and 2014 World Cup/Rio 2016

Service Approach and Strategy

Support and Implementation

Outsourcing :
accounting, tax,
treasury and payroll

Contract
management

IT:

- Management of information security;
- Purchasing Management;
- Contingency Plan / BCP

Expatriated tax
matters support

Thanks!

PRICEWATERHOUSECOOPERS 

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How Can We Help You Today?