

Why invest in Rio Grande do Sul



GOVERNO DO ESTADO
RIO GRANDE DO SUL
SECRETARIA DE DESENVOLVIMENTO
E PROMOÇÃO DO INVESTIMENTO



Motivated by Brazil



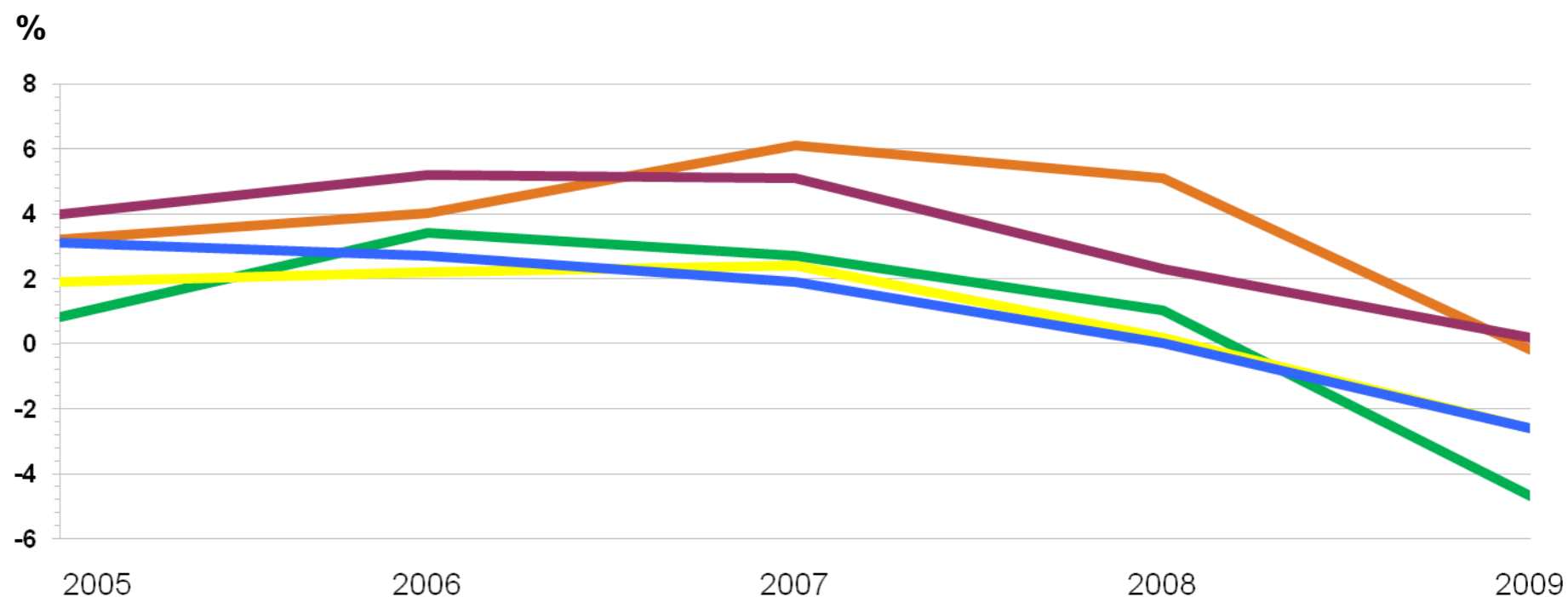







Almost achieving prosperity



Sustainable growth of Brazil, one of the nations least affected by the 2009 world economic crisis, reduced the distance between the country and the developed countries...

GDP growth rate



	2005	2006	2007	2008	2009
 Brazil	3.2	4.0	6.1	5.1	-0.2
 South Korea	4.0	5.2	5.1	2.3	0.2
 Germany	0.8	3.4	2.7	1.0	-4.7
 France	1.9	2.2	2.4	0.2	-2.6
 United States	3.1	2.7	1.9	0.0	-2.6

Source: World Bank and OCDE

At market prices in US\$ as of 2000



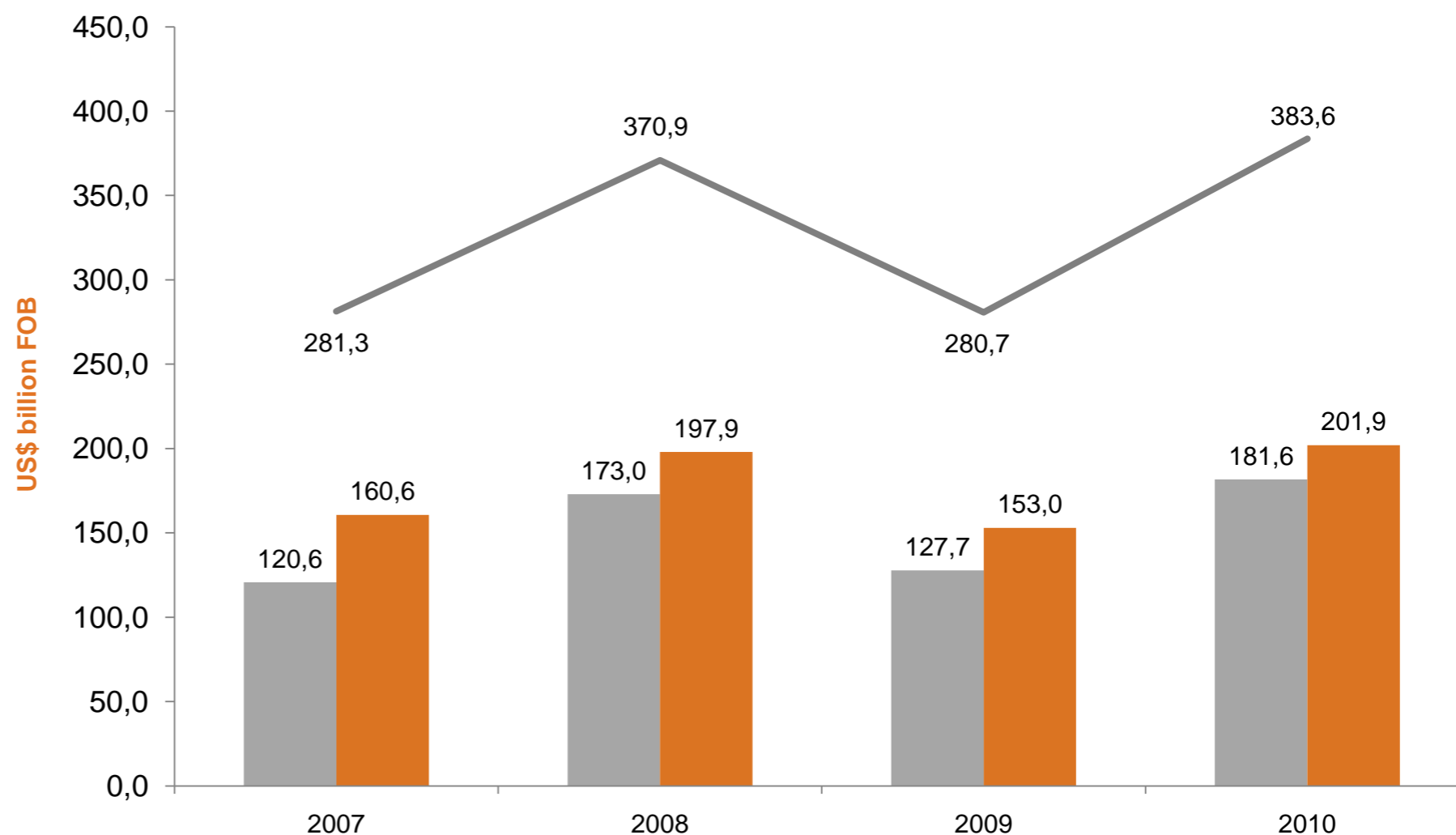
A country connected with the world



Brazil's international commerce has surpassed the US\$ 380 billion barrier...

Brazil's Trade Balance

- Import
- Export
- Trade Flow



Source: SECEX/MDIC

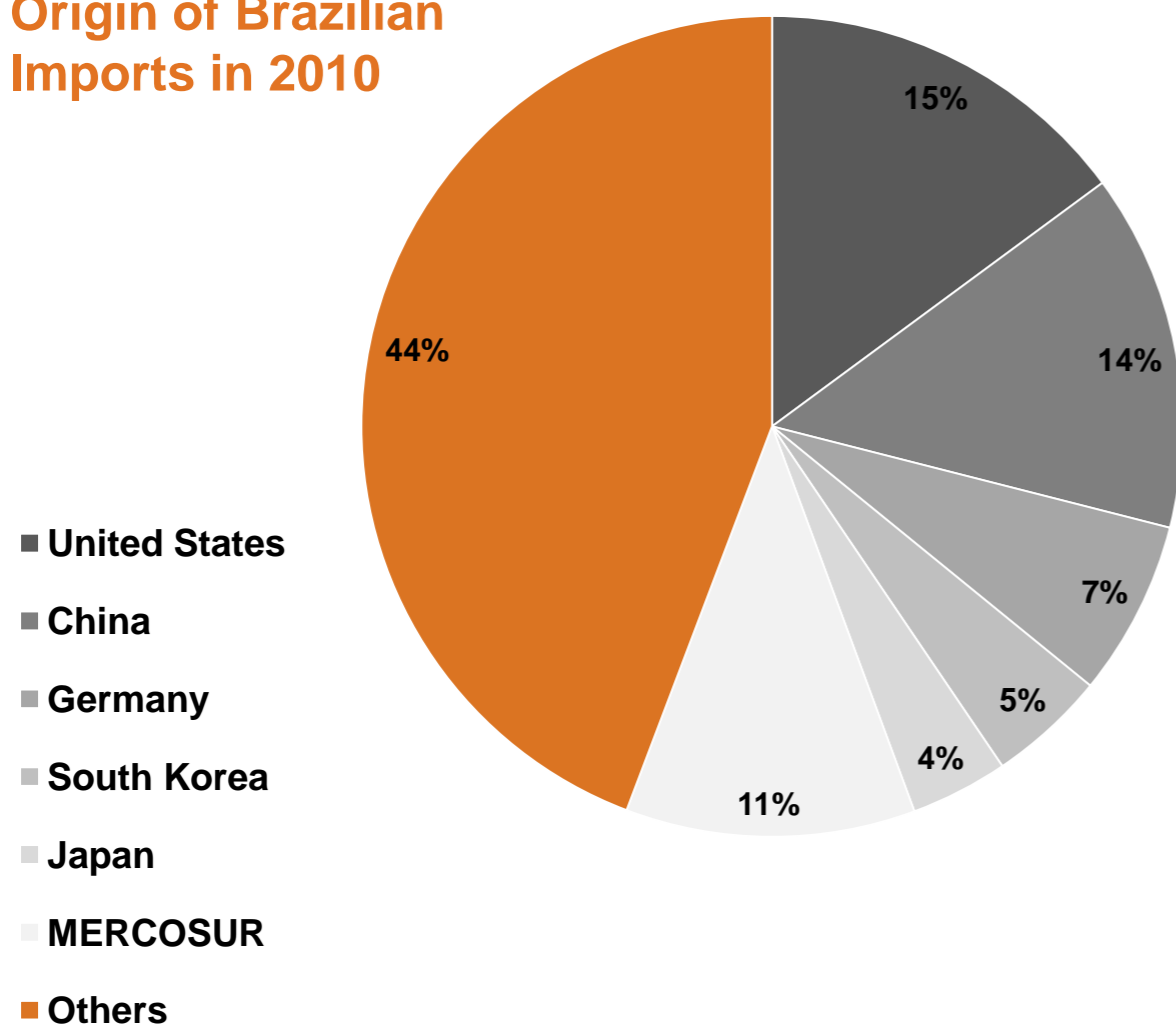


The geography of the Brazilian international trade



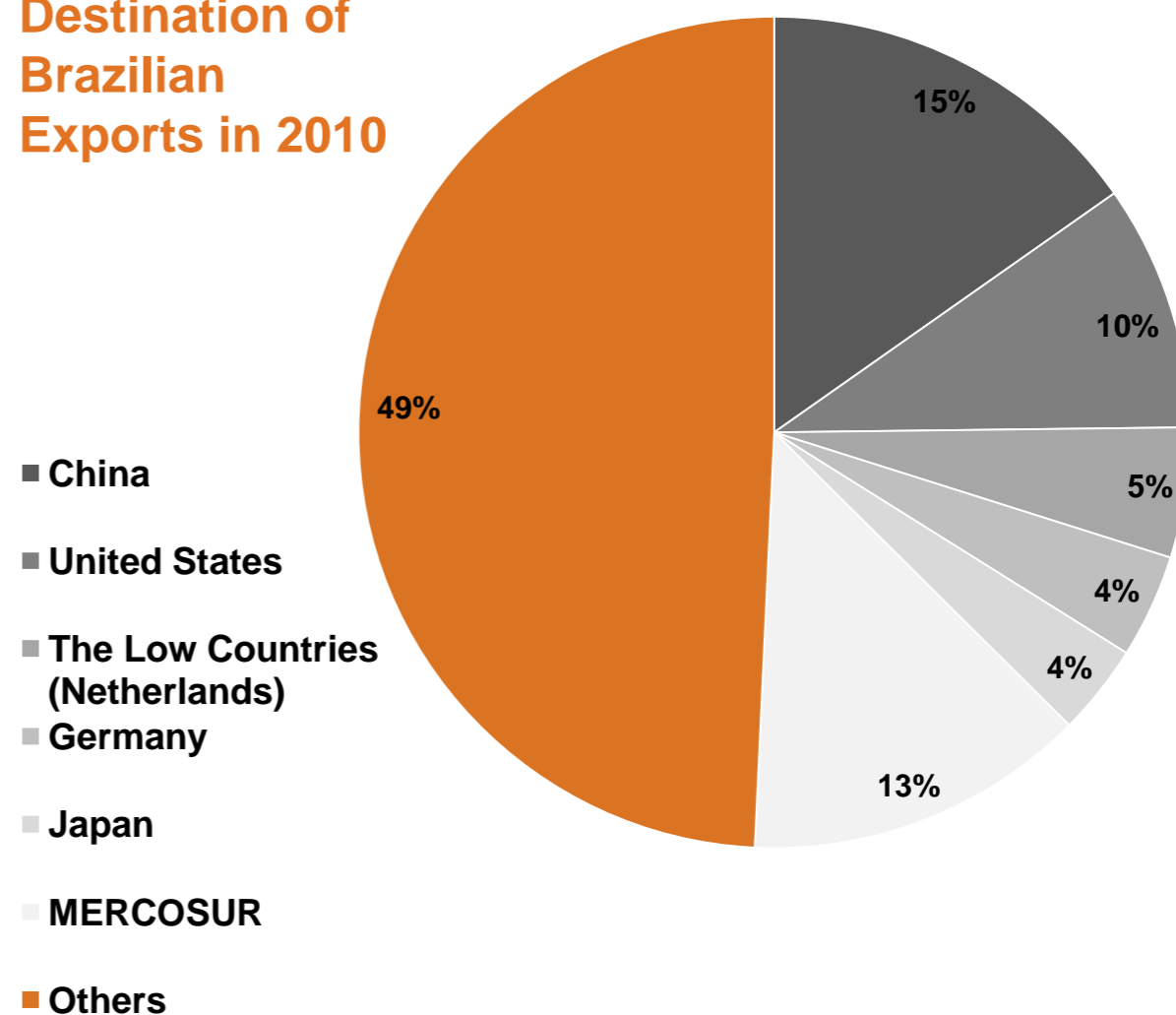
The main commercial partners of Brazil. South Korea is the fifth origin of Brazil's imports...

Origin of Brazilian Imports in 2010



Source: SECEX/MDIC

Destination of Brazilian Exports in 2010



Source: SECEX/MDIC



US\$ 795 billion until 2014



The federal government and the Brazilian states work to take advantage of strategic opportunities to be generated by investments in the next four years...

OIL – New oil fields generate demand for technologies and equipment, such as ships and exploration rigs, besides investments in the oil and gas segments. Petrobras alone plans to invest **US\$ 224 billion until 2014.**

INFRASTRUCTURE – The plan of investment of the federal government in infrastructure (called PAC) – in the fields of civil construction, energy and transports – contemplates the application of **US\$ 543 billion until 2014.**

BROADBAND – The Brazilian government has created a program aimed to ensure that most of the population enjoys broadband internet access and to expand the existing telecommunication infrastructure capacity. **The investment shall be of US\$ 28 billion until 2014.**



Brazil, a land of opportunities



Brazil will keep on improving its sustainable development, basing its in strategics investments...

Oil and Gas

- Petrobras business plan for 2010-2014 expects investments of around US\$ 224 billion, an average of US\$ 44.8 billion/year.
- Its business plan expects 67% of the purchases to be made by domestic suppliers.
- The objective is to strengthen the country's productive chains of shipbuilding, mechanic, metallurgy, chemistry and precision engineering.
- There are plans for new oil platforms, special-purpose ships and deep-sea leads.
- The investment in technology is expected to be around US\$ 11.4 billion.
- The investments in refinery and in the petrochemical sectors are expected to be about US\$ 5.1 billion.



Brazil, a land of opportunities



Brazil will keep on improving its sustainable development, basing its in strategics investments...

Brazil's Growth Acceleration Programme (PAC)

- PAC is more than a federal programme which guarantees investment of US\$ 543 billion in infrastructure up to the year 2014.
- In the housing sector, the programme Minha Casa, Minha Vida (My House, My Life) expects to build two million homes until 2014.
- In the transportation sector, the investments will gather the expansion of the road and railway networks and their integration with ports, rivers and airports, making logistics a multimodal one and which generates less pollution.
- Part of the investments guarantee works for the 2014 World Cup and the 2016 Olympic Games. The capital of Rio Grande do Sul, is one of the cities to host the World Cup matches.
- PAC also focus on the energy generation, ensuring the energy to consolidate the economic growth.

The World Cup




Porto Alegre, capital of the State of Rio Grande do Sul, is one of the World Cup 2014 host city and is going to receive part of the US\$ 81 billion to be invested in the country...

Investments and opportunities

Investments in the country	US\$ 81 billion
Direct investments (2010-2014)	US\$ 16.8 billion
Indirect results	US\$ 64 billion
Job generation	3.63 million
Increase in the population's	US\$ 36.1 billion
Impact on GDP	US\$ 36.6 billion (2.17% of GDP)
Investment in Porto Alegre	US\$ 411.7 million

Source: Ernst&Young Brasil e FGV Projetos

A close-up photograph of a worker in a blue uniform and white gloves working with rebar in a factory setting. The worker is using a tool to manipulate the rebar. The background is blurred, showing industrial equipment and materials. A large orange diagonal overlay is present on the left side of the image, containing the text.

With the Strength of Rio Grande do Sul





Land of Presidents



Seven presidents came from Rio Grande do Sul, including Brazil's present leader...



Getúlio Vargas (1930-1945)



Dilma Rousseff



At the heart of the main markets

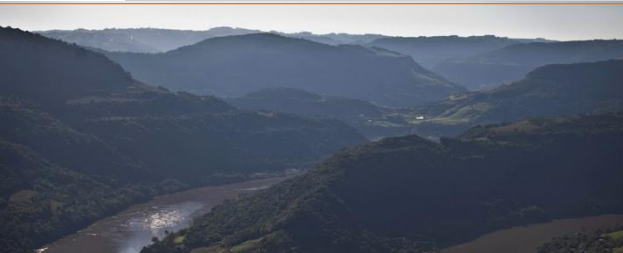


Rio Grande do Sul is located at the heart of the highest income area of Brazil, Argentina, Uruguay, Paraguay and Chile...

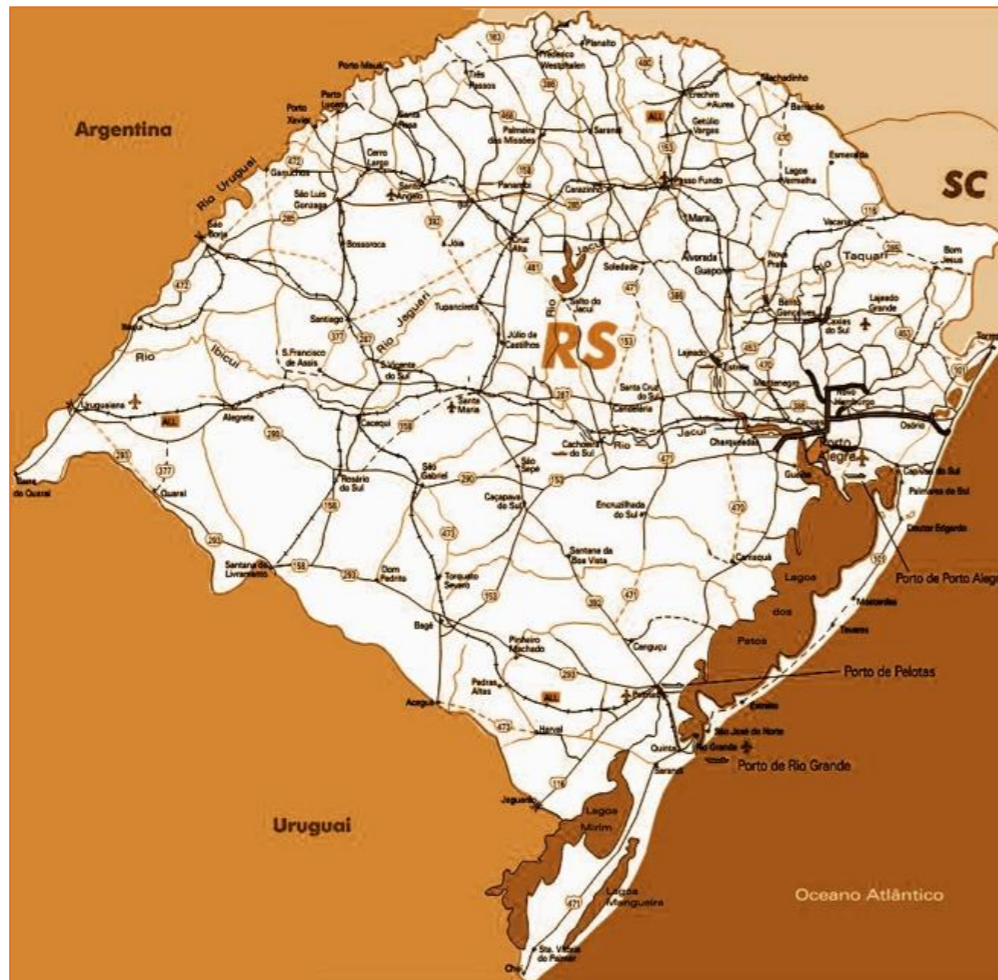




Abundance of land



Rio Grande do Sul there is space available waiting for new business...



281.748,5 km²



99.237 km²



Portrait of the economy



GDP in expansion, significant foreign trade and unemployment in decline...

Economy in 2010

Added	Rio Grande do Sul	Brazil
GDP (US\$ billion)	129.7	1,781.6
GDP per capital (US\$)	11,823.9	9,340.9
Exports (US\$ billion)	15.4	201.9
Imports (US\$ billion)	13.3	181.6
Unemployment Rate (%)	4.5	6.7

Sources: IBGE e MDIC



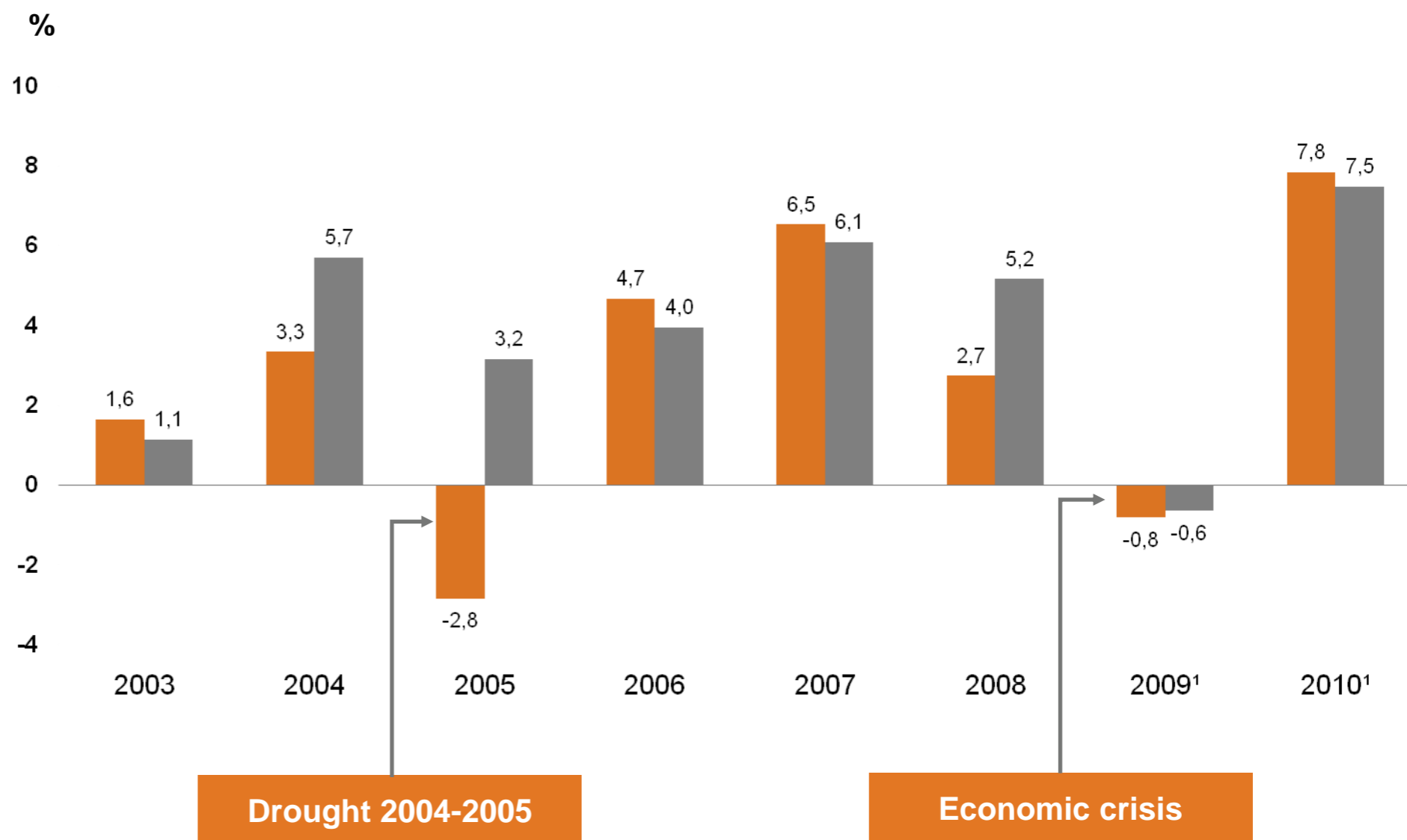
The power of growth



The Rio Grande do Sul's economy has grown more than the Brazilian economy in 2010...

GDP Growth (annual %)

- Rio Grande do Sul
- Brazil



Source: FEE e IBGE
(1) Preliminary Data

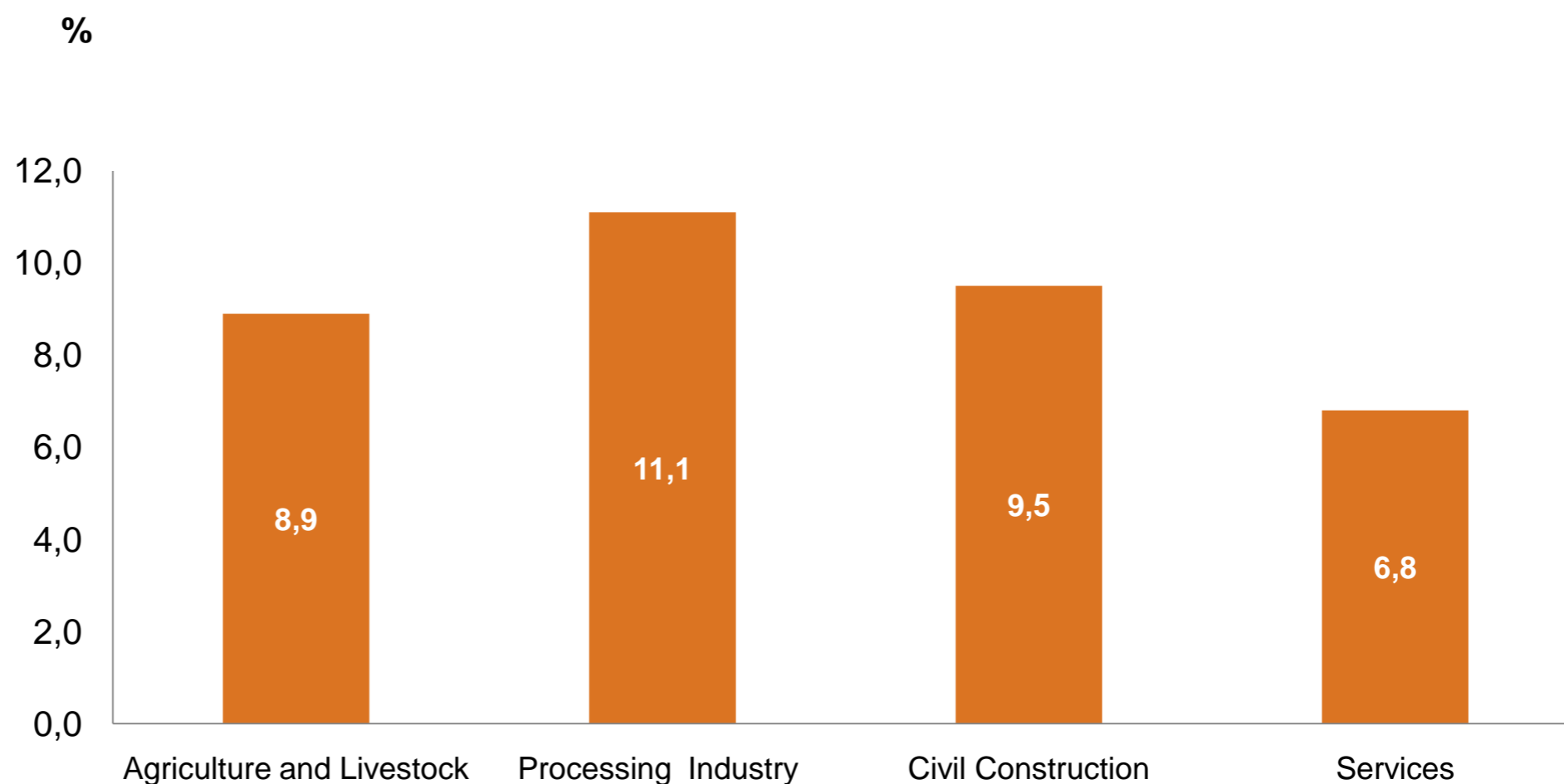


Widespread progress



Expansion of all segments of Rio Grande do Sul's economy...

Growth Rate per Sector in Rio Grande do Sul in 2010



Source: FEE



Quality of life in Southern Brazil



If Rio Grande do Sul were a country, it would have the 29th best human development index of the planet...

- Population: 10,695,532 inhabitants (2010)
- Cities: 497
- Population density: 38 inhabitants/km² (2010)
- Life expectancy at birth: 75 years (PNAD 2008)
- GDP in 2010¹: US\$ 129.7 billion
- GDPpc in 2010: US\$ 11,823.86
- HDI² Rio Grande do Sul: 0.832
- (4th in Brazil and equivalent to the group of countries with “very high HDI”.
- Ranks 29th among the countries)
- HDI Brazil: 0.771

Source: FEE and IBGE

Note: (1) Preliminary data. Converted using the exchange rate for sale - US\$/R\$ 1.76, equivalent to the average value in 2010 – source: BCB/Boletim BP.

(2) 2005, PNUD/ONU



The size of the income



Rio Grande do Sul accounts for 7% of the Brazilian economy and is at the heart of a market that generates US\$ 2,090 billion...

Gross Domestic Product - (US\$ billion)

Year	Rio Grande do Sul ²	Brazil	Mercosur + Chile
2008	108.7	1,637.9	2,183.4
2009 ¹	103.5	1,573.4	2,090.0

Source: FEE/Núcleo de Contabilidade Social; IBGE/Contas Nacionais; Banco Mundial.

Note (1): Preliminary Data.

Note (2): Converted using the annual average exchange rate - sale / Banco Central do Brasil

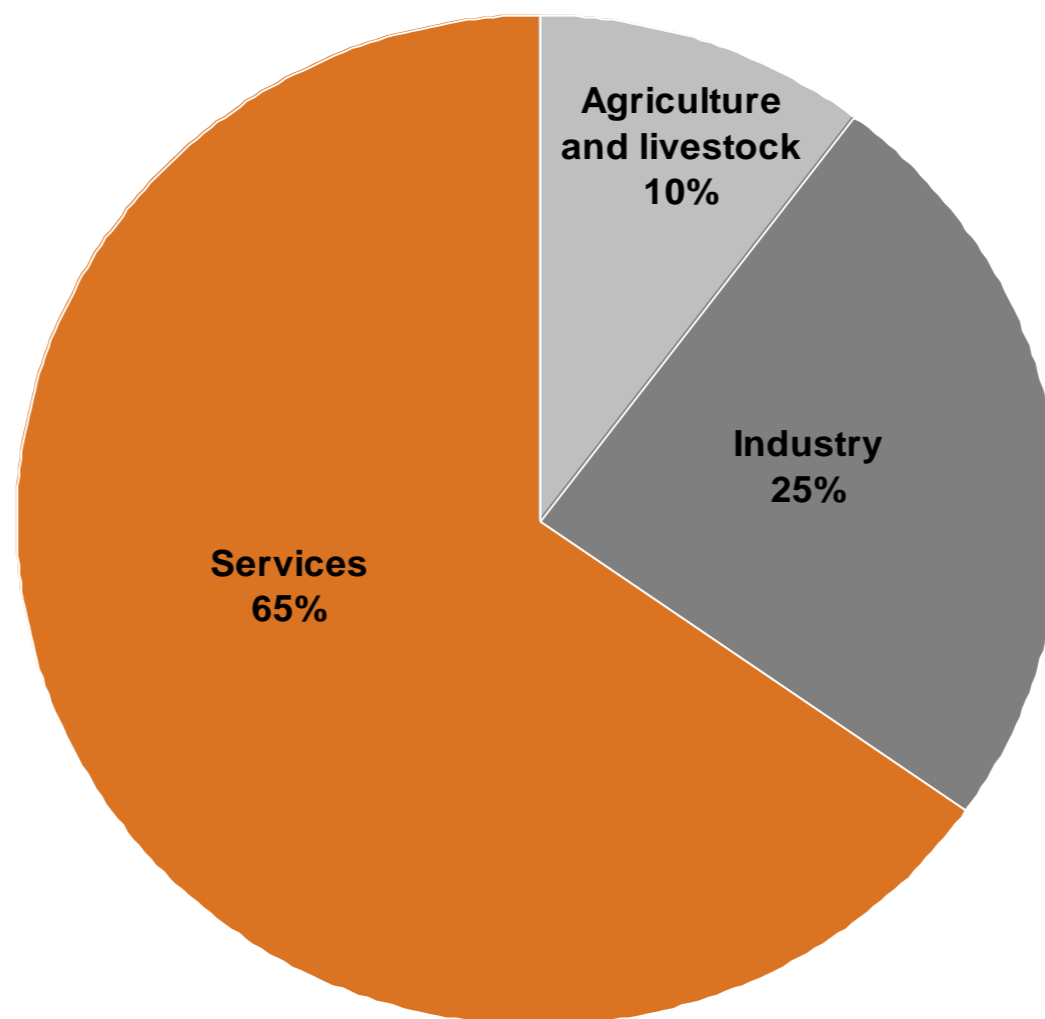


Seeking diversification



The structure of Rio Grande do Sul's economy is compatible with that of developed countries where the service sector is the most thriving sector...

Structure of the Gross Value Added of Rio Grande do Sul in 2009





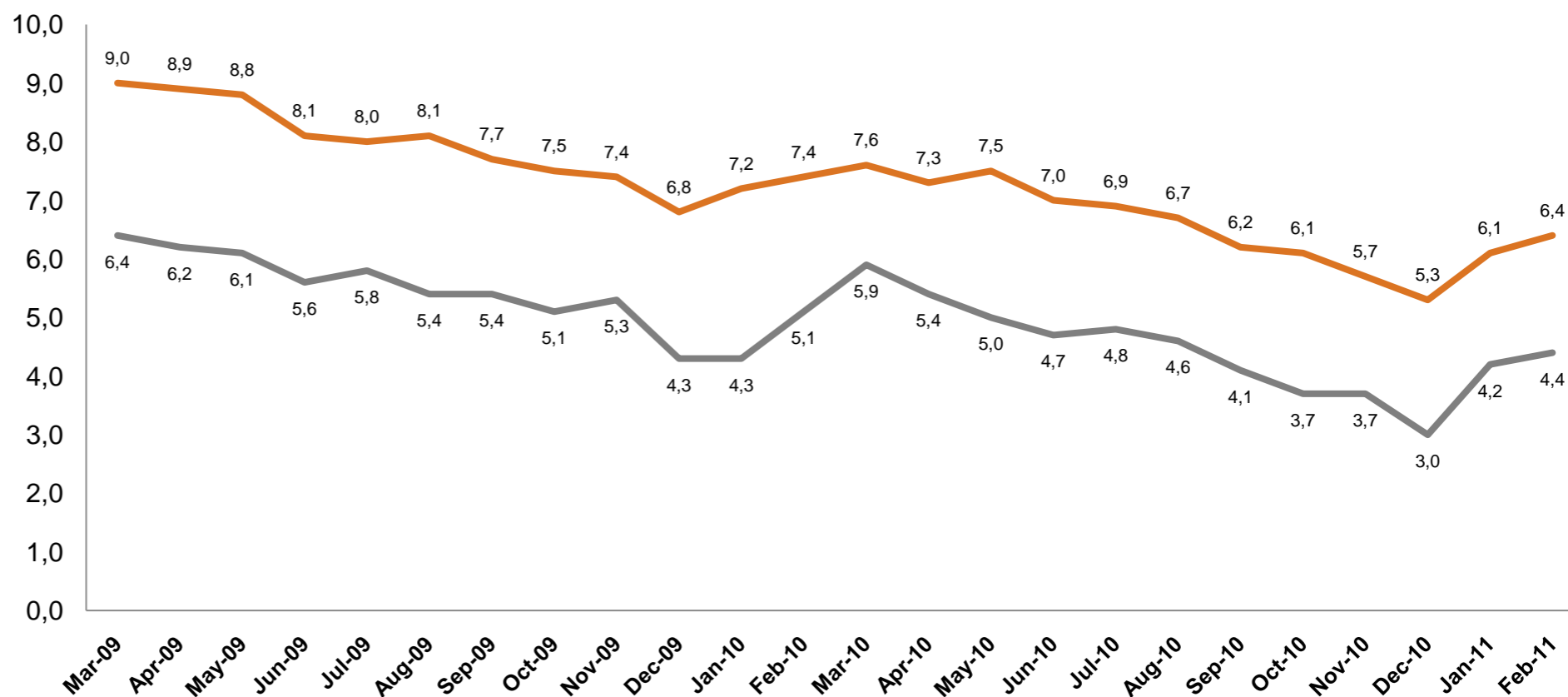
Unemployment in decline



Rio Grande do Sul's employment rate is very high, close to full employment. The unemployment rate in Porto Alegre is at least two percentage points below the national average...

Unemployment rate% in the Main Metropolitan Regions

— Porto Alegre - RS
— Total areas



Source: IBGE - Monthly Research on Employment. The number of Total Areas is the average of Porto Alegre, Salvador, Belo Horizonte, Rio de Janeiro and São Paulo.

Rate in the reference week of people aged 10 years or older..



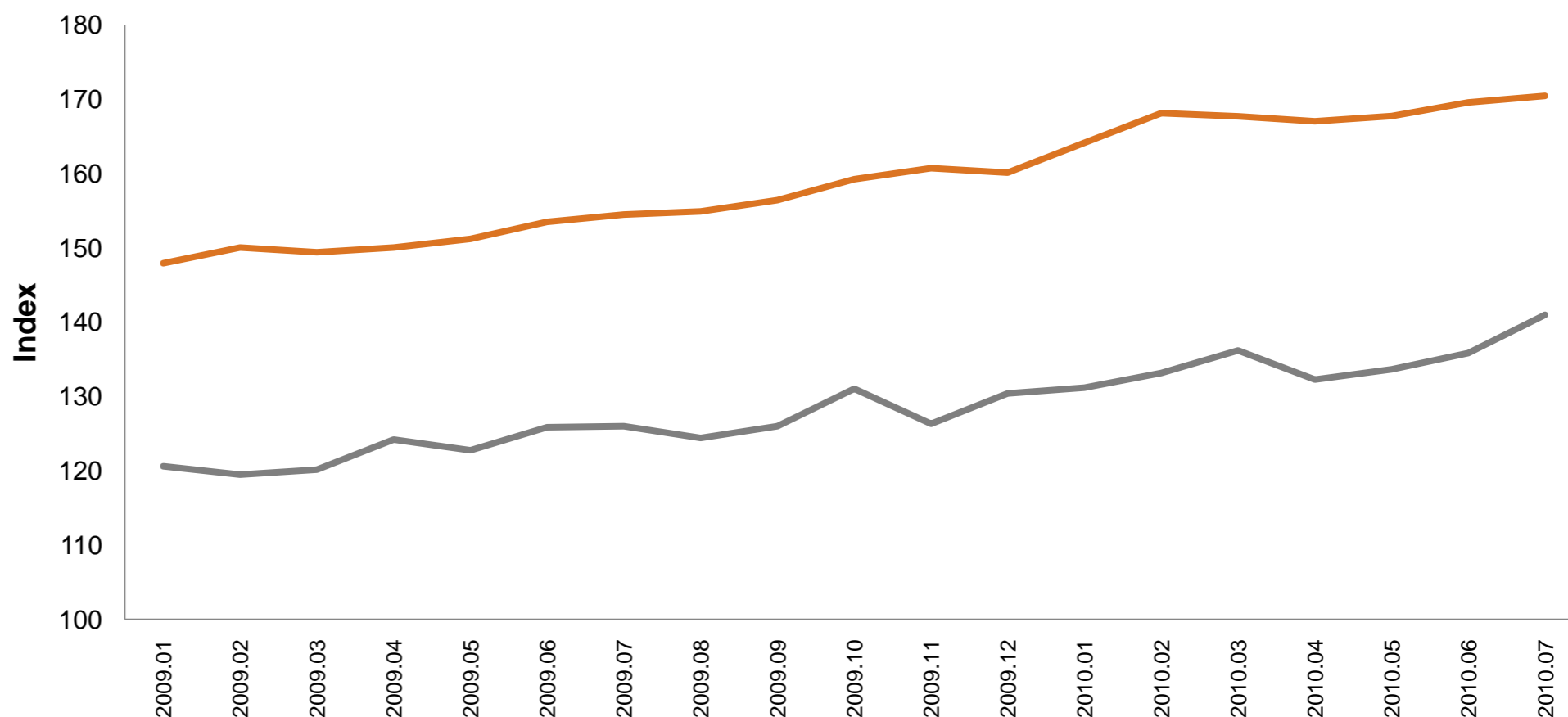
Increased sales



Despite the 2009 global economic downturn, Rio Grande do Sul's internal sales levels were maintained, including the expanding automobile and electroelectronic sales...

Real Retail Sales - Not Seasonally Adjusted Index

— Rio Grande do Sul
— Brazil



Source: IPEA, base, mean 2003=100

Why invest in Rio Grande do Sul



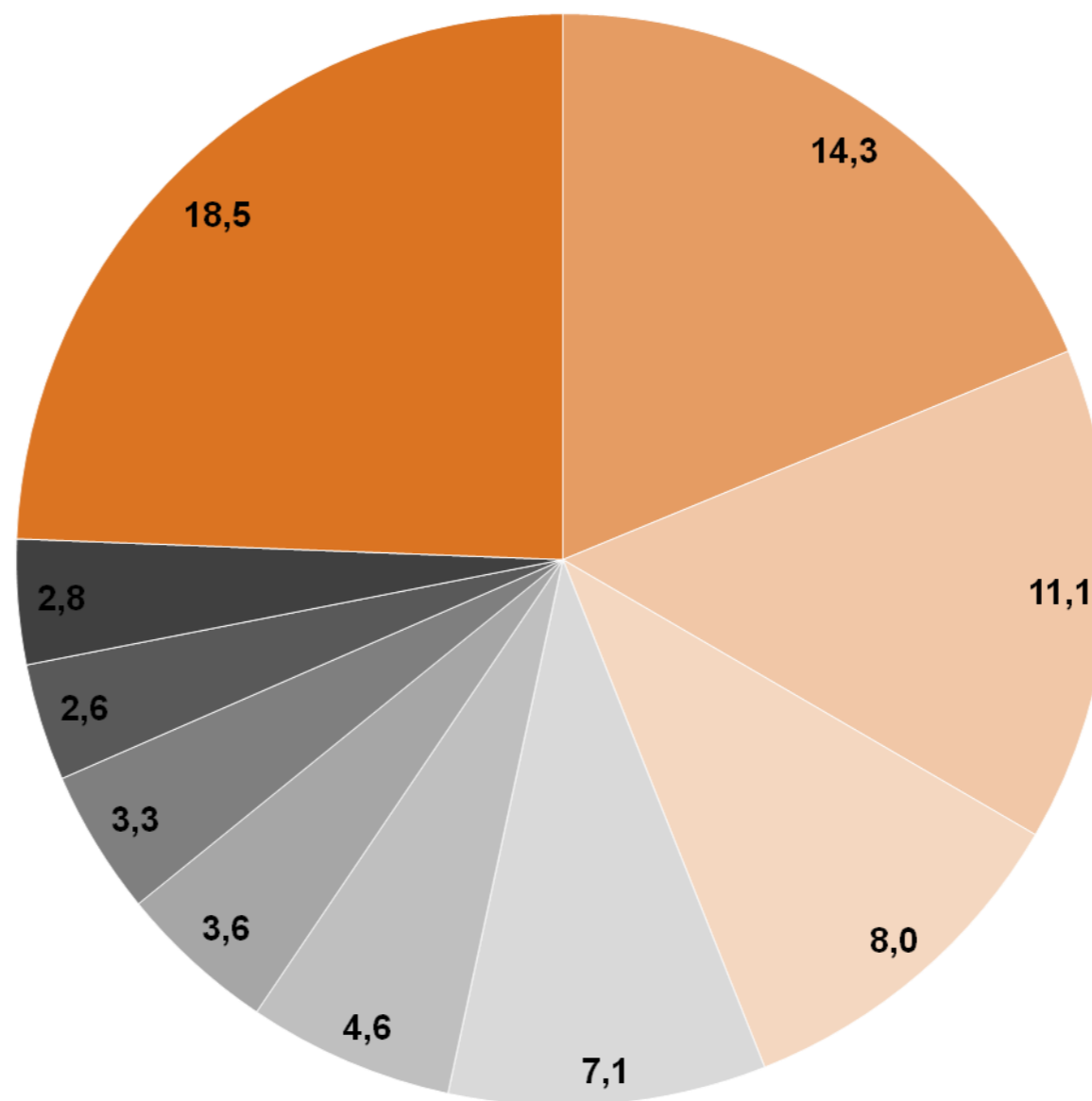
Industrial production



The State's power can be witnessed in its industrial inputs and consumer goods...

Segments of the processing industry (in US\$ billion)

- Foodstuff
- Chemicals
- Vehicles
- Machines and Equipment
- Leather and Shoes
- Metal Products
- Tobacco
- Metallurgy
- Rubber and Plastic
- Others



Source: PIA Empresa 2008 / IBGE



The highlights of our industry



The State has a strong presence in the Brazilian industry...

- **3rd** largest industry park of Brazil
- **1st** producer of leather and footwear
- **1st** center for transport equipment production
- **1st** center for agricultural equipment
- **2nd** center for chemical products
- **2nd** center for rubber and plastics
- **2nd** center for metal products
- **2nd** center for machines and equipment
- **2nd** center for furniture
- **2nd** center for beverage production
- **4th** center for food manufacture
- **4th** center for vehicle production

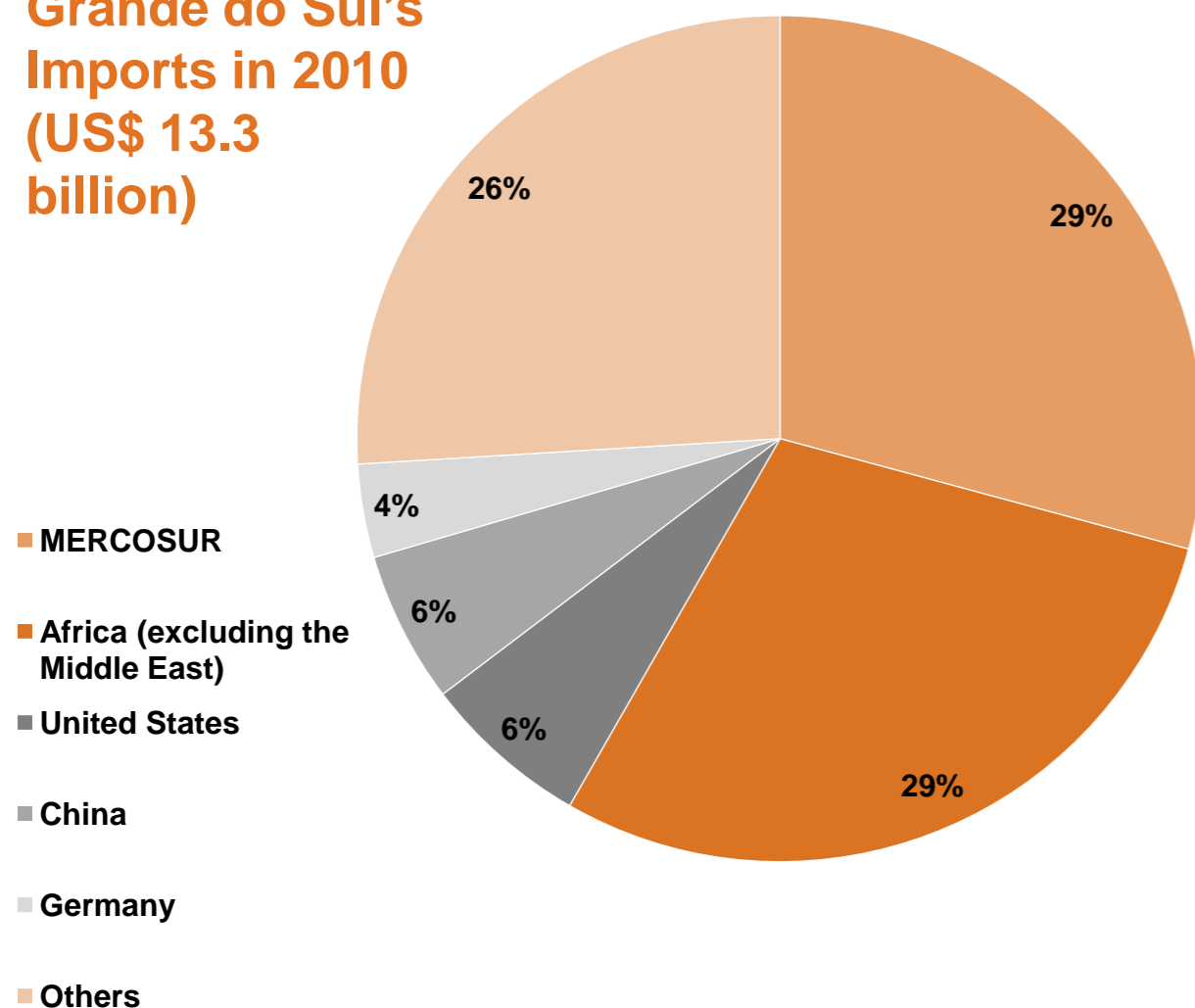


The geography of Rio Grande do Sul's international trade



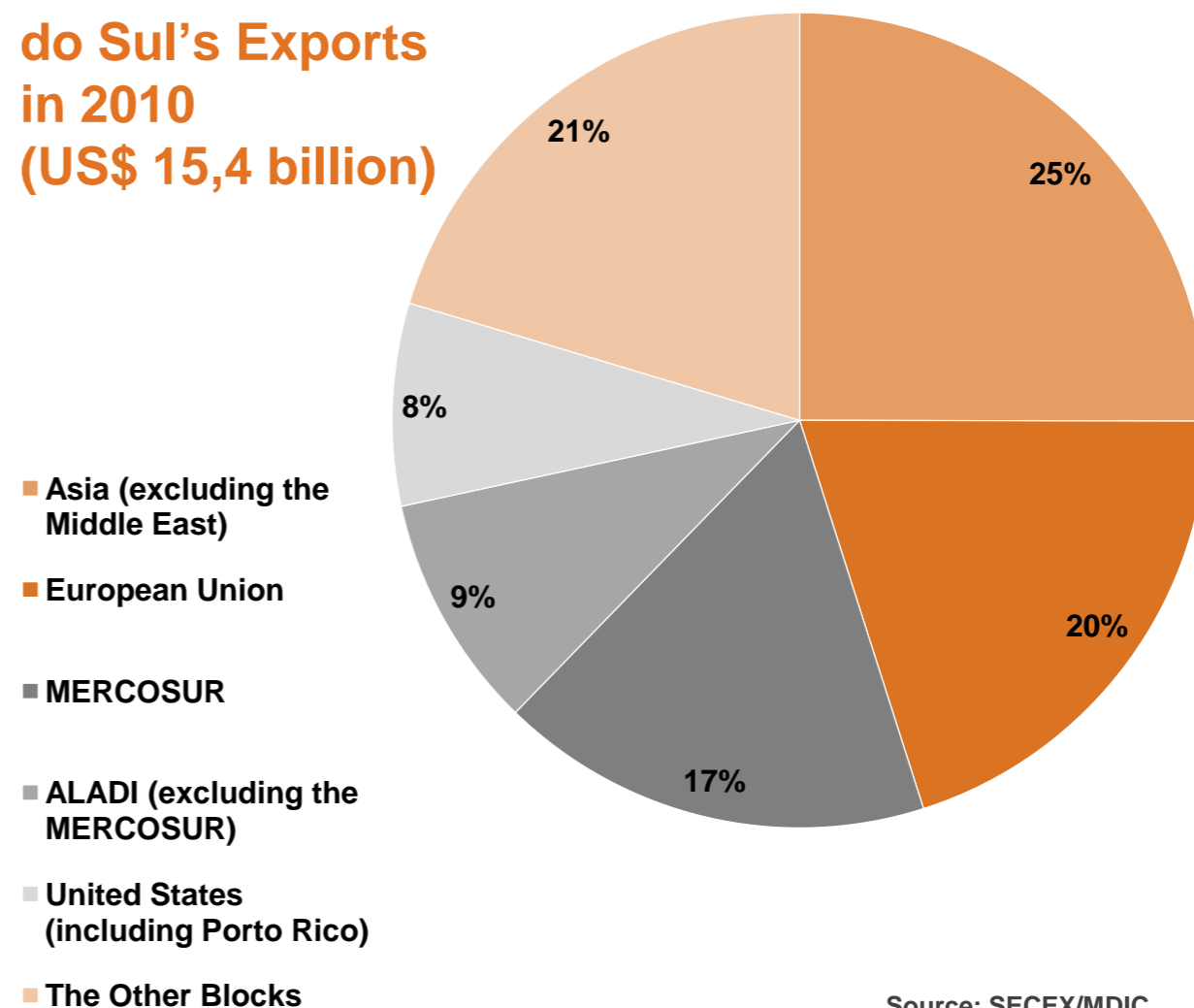
Asia is the main destination of the exports of Rio Grande do Sul's companies...

Origin of Rio Grande do Sul's Imports in 2010 (US\$ 13.3 billion)



Source: SECEX/MDIC

Destination of Rio Grande do Sul's Exports in 2010 (US\$ 15,4 billion)



Source: SECEX/MDIC

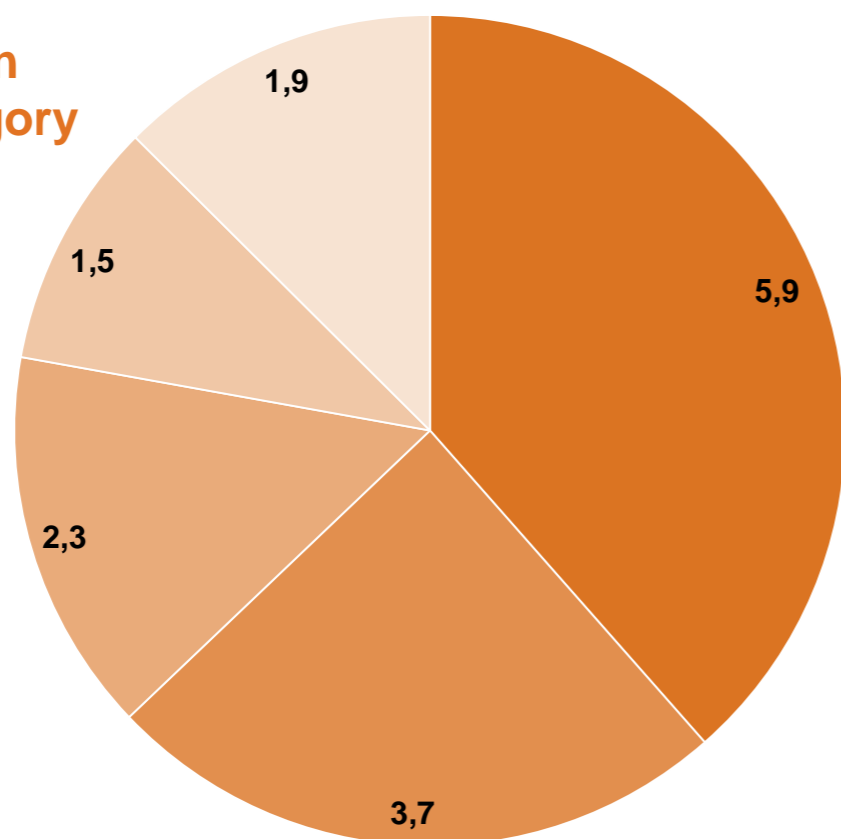


Our most exported and imported products



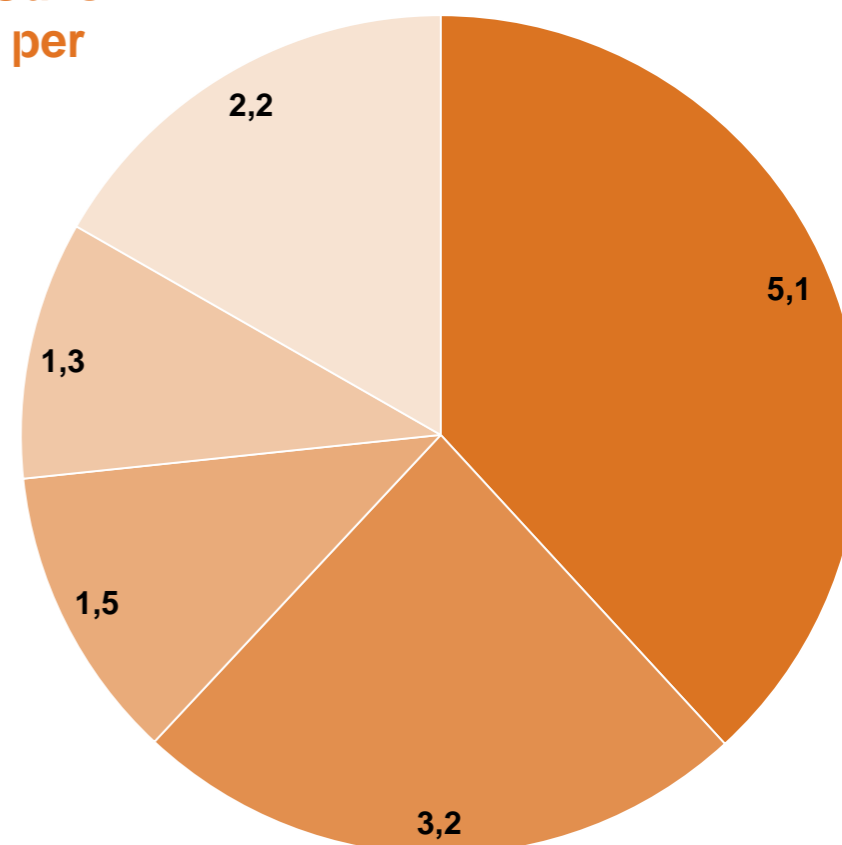
Industrial inputs, such as petrochemical products, are Rio Grande do Sul's most widely exported products, whereas fuels account for most of the state's imports...

Rio Grande do Sul's exports in 2010 per Category (US\$ billion)



- Industrial Inputs
- Non-Durable Consumption Goods
- Industrial Food and Beverage
- Capital Goods (Except for Industrial Transport Equipment)
- Others

Rio Grande do Sul's imports in 2010 per Category (US\$ billion)



- Fuels and Lubricants
- Industrial Inputs
- Capital Goods (Except for Industrial Transport Equipment)
- Durable Consumption Goods
- Others

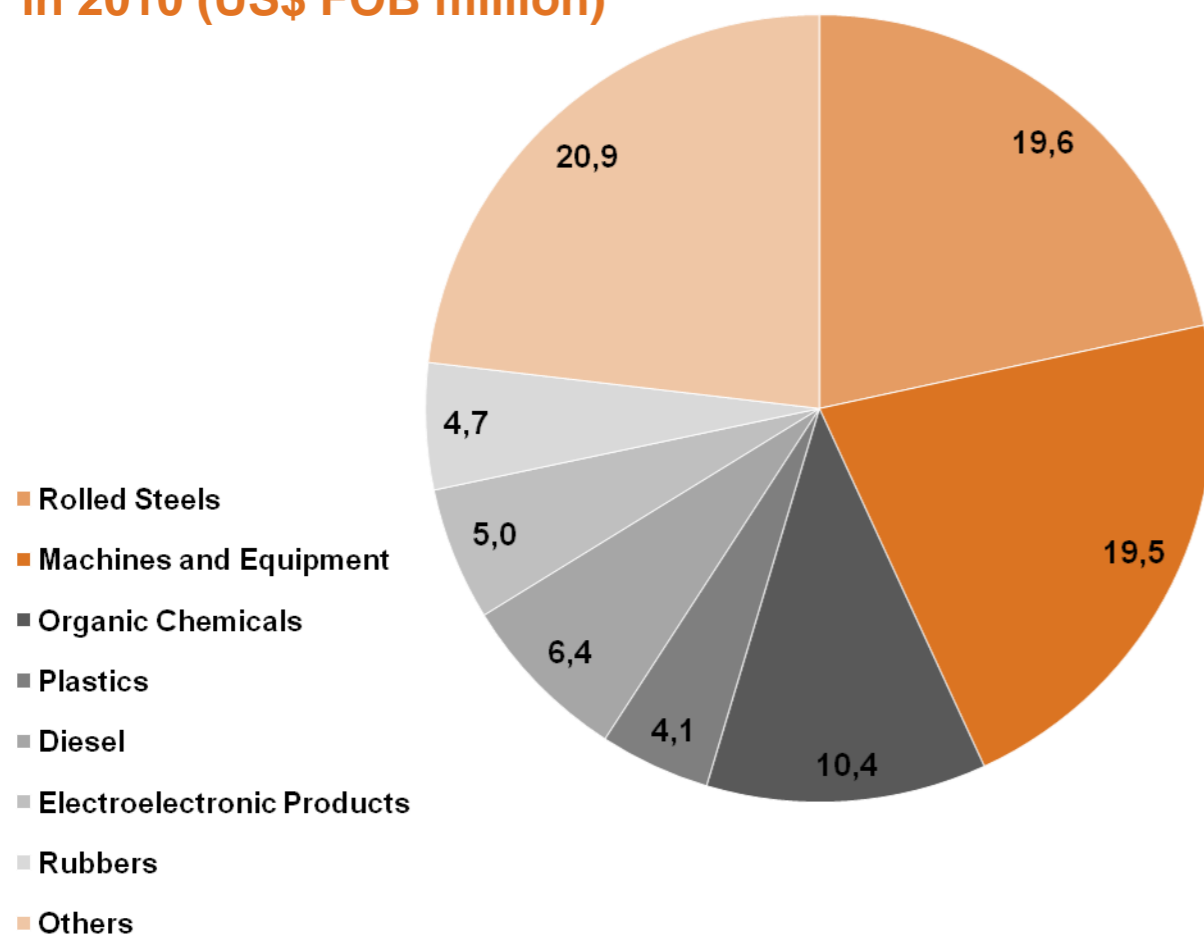


Rio Grande do Sul and South Korea



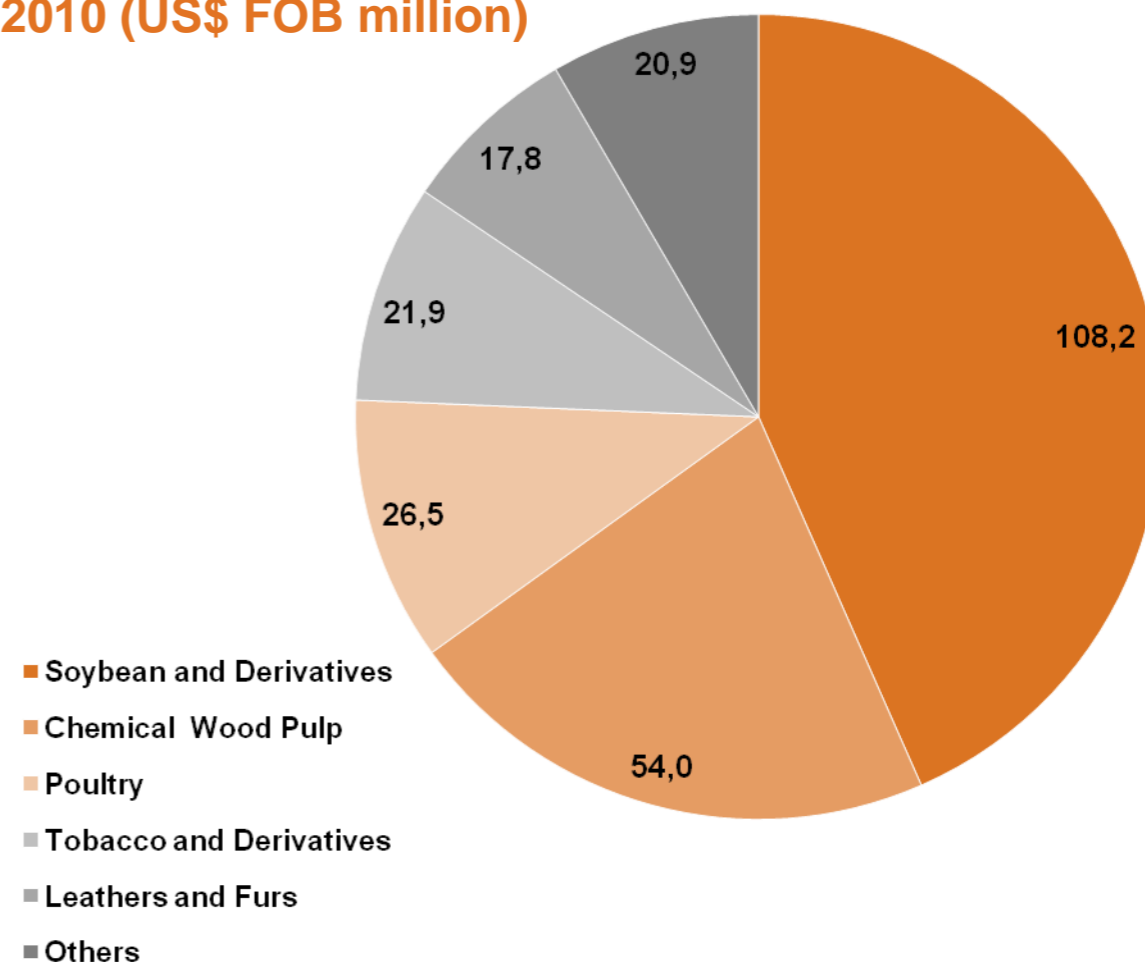
*Our State imports US\$ 90.6 million per year in Korean products.
We export US\$ 249.4 million to Korea...*

Rio Grande do Sul's imports from South Korea in 2010 (US\$ FOB million)



Source: SECEX/MDIC

Rio Grande do Sul's Exports to South Korea in 2010 (US\$ FOB million)



Source: SECEX/MDIC



An economy eager to grow



Rio Grande do Sul intends to improve its business relations with South Korea and get closer to Brazilian levels...

	Rio Grande do Sul	Brazil
Exports to Korea	249.4 (16th)	3,760.1 (13th)
Imports of Korea	90.6 (24th)	8,421.4 (5th)



Driven by infrastructure





A State with competitive advantages



First -rate logistics and high-skilled labor at the heart of the main South American markets...

- Qualified personnel, increasingly progressing to more advanced education.
- Universities and research institutions with capacity to develop innovation in technology.
- Maritime access for production outflow through the Port of Rio Grande, facilitating the integration with the Brazilian and Mercosur markets.
- Possibility of combining road, rail and water transport.
- One of the most complete Brazilian roadway networks.
- Reliable supply of water and energy.
- Diversified industry with capacity to supply high-quality inputs.



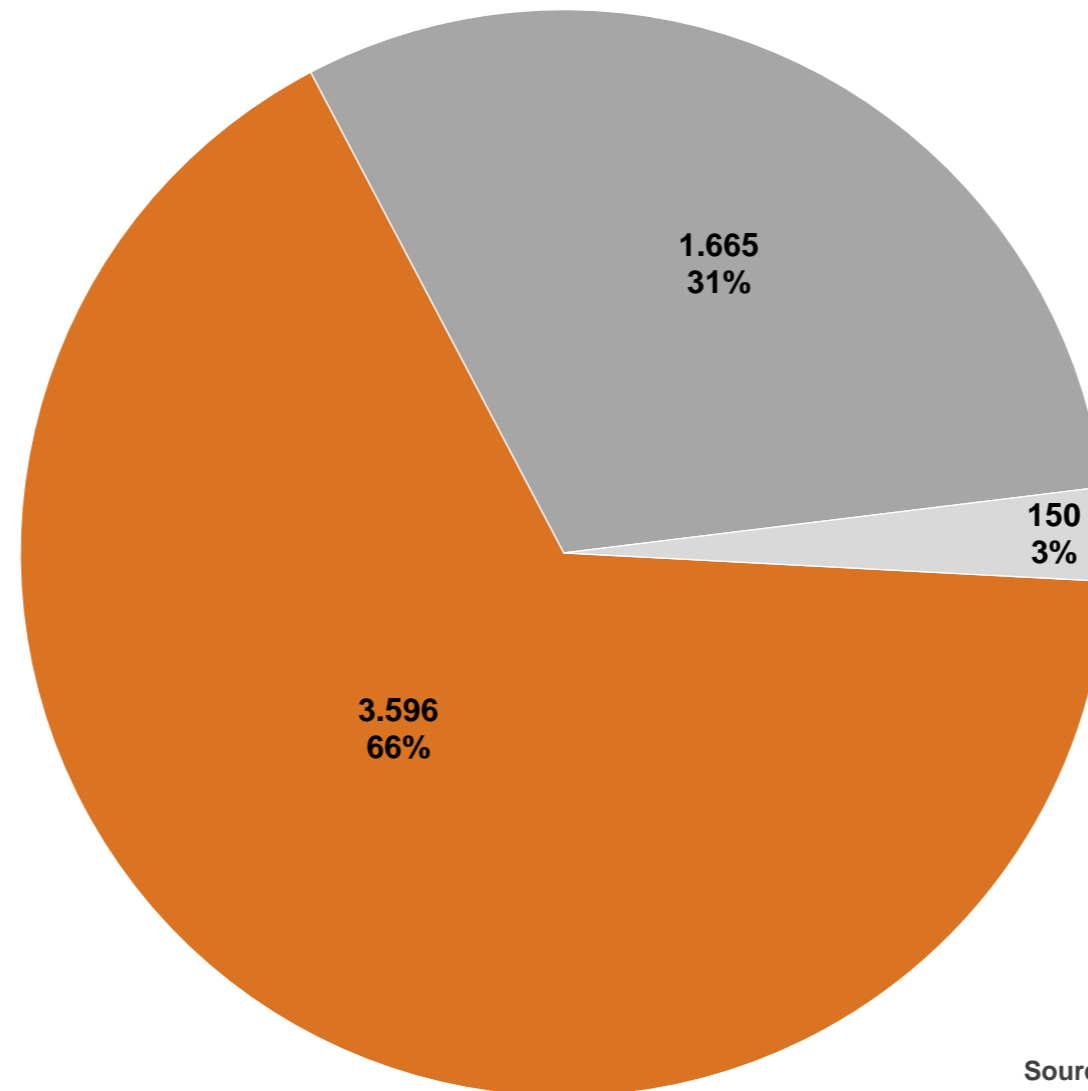
Clean energy and safe offer



69% of the power generated in our State is clean. The installed grid is linked to the rest of Brazil. The State of Rio Grande do Sul is amplifying its generation with more 650 MW, to avoid power supply problems...

Electric energy installed capacity in Rio Grande do Sul in 2009

- Hydroelectric
- Thermoelectric
- Wind



Source: BEN 2010/MME



Wide transportation network



The road, river and train infrastructures are connected to the main airports. One of the advantages is the transportation through lakes...



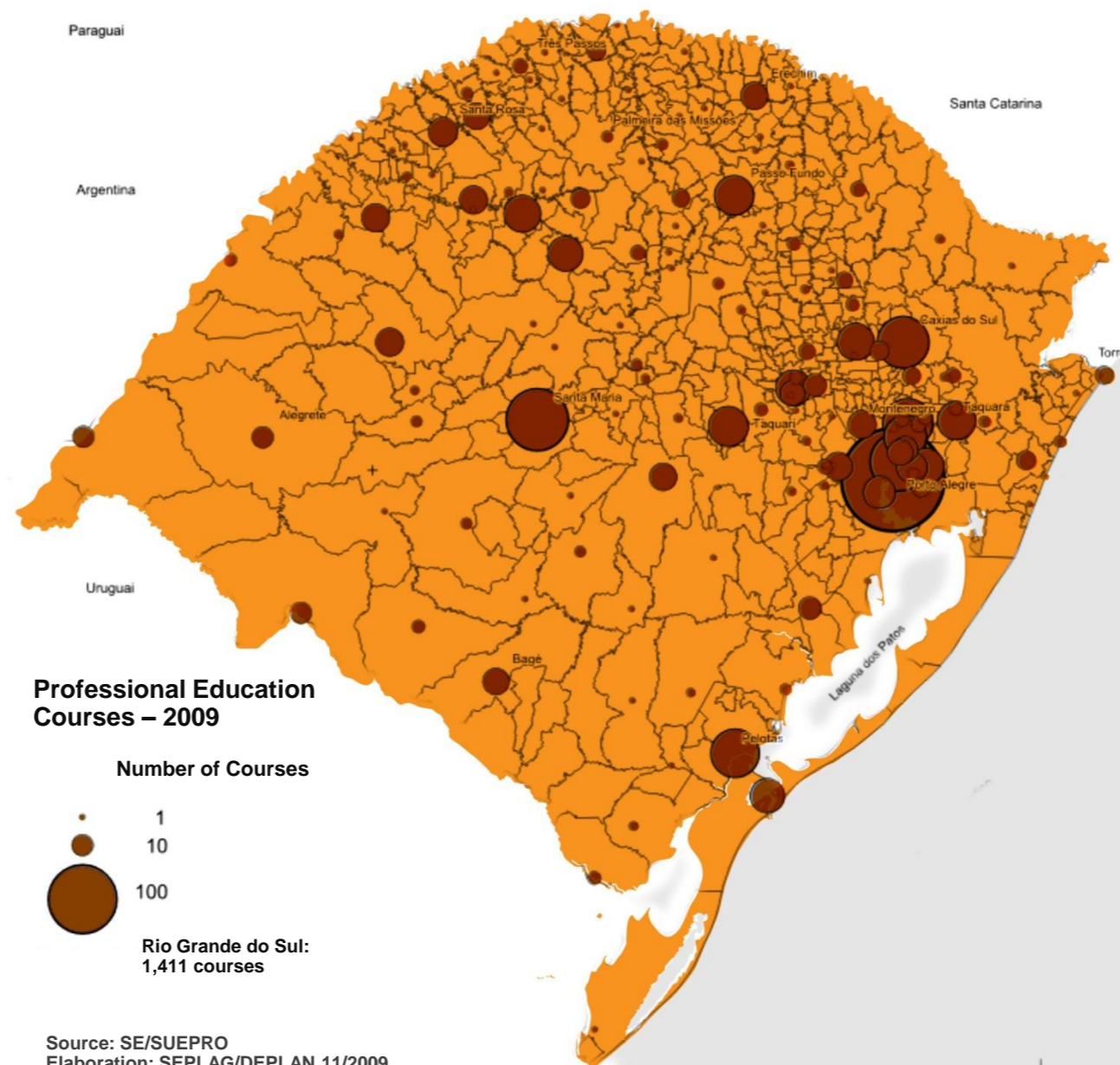
The State has 12,896.22 km (87.2%) of paved roads, besides the new roads that are being created (more than 1,531.37 km).



Investment in professional courses



113 technical and technology-oriented institutions offer courses which improve the Human Resources in Rio Grande do Sul...





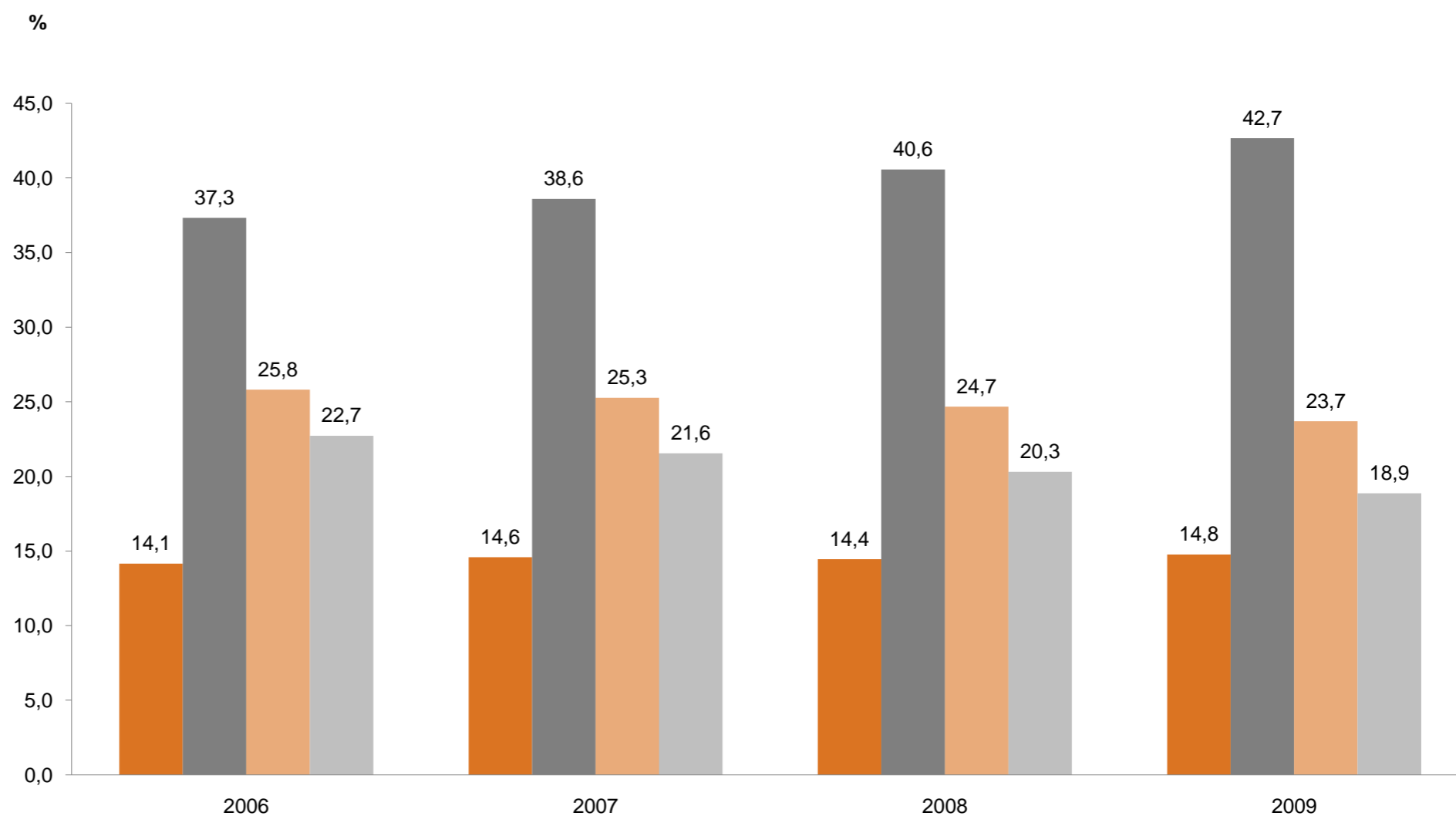
Workforce with higher qualifications



University and High School levels are improving, which means an increase in companies productivity and competitiveness...

Education of the Workforce of Rio Grande do Sul

- Higher Education
- School
- Basic Education
- Incomplete Basic Education



Source: RAIS/MTE

Source: RAIS/MTE

Our Universities



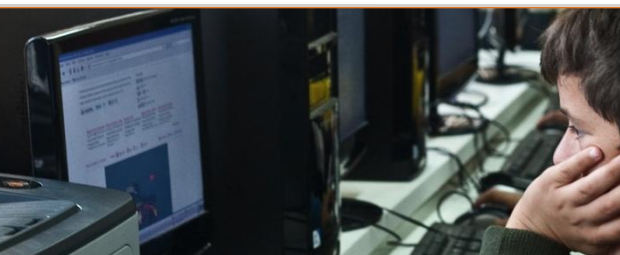
Six federal and one state run institutions are found in Rio Grande do Sul. Those universities offer tuition free and highly qualified education...

Main Public and Private Universities in Rio Grande do Sul and their Location

Public Universities	Location
Federal University of Rio Grande do Sul	Porto Alegre
Federal University of Health Sciences of Porto Alegre - UFCSPA	Porto Alegre
Federal University of Santa Maria - UFSM	Santa Maria
Federal University of Rio Grande – FURG	Rio Grande
Federal University of Pelotas – UFPEL	Pelotas
State University of Rio Grande do Sul - UERGS	Porto Alegre
Federal University of Pampa – UNIPAMPA	Bagé

Private Universities	Location
Pontifical Catholic University of Rio Grande do Sul - PUC-RS	Porto Alegre
University of Passo Fundo – UPF	Passo Fundo
University of Caxias do Sul – UCS	Caxias do Sul
University of the Sinos River Valley – UNISINOS	São Leopoldo
Lutheran University of Brazil – ULBRA	Canoas
Regional University of Campanha – URCAMP	Bagé
Integrated Regional University of Alto Uruguai and Missões – URI	Erechim
University of Santa Cruz do Sul – UNISC	Santa Cruz do Sul
University of Ijuí – UNIJUÍ	Ijuí
Feevale University	Novo Hamburgo

Technology Centres



14 centres join companies to generated technologies. Besides the three already consolidated centres, other 11 centres were created in 2010. Microsoft, Dell and HP are installed in the capital Porto Alegre...

Parque	Institution	Covering Area	Region	Number of Companies
Sao Leopoldo Technological Park TECNOSINOS	UNISINOS	City of São Leopoldo	Dos Sinos Valley	53 Established
Pontifical Catholic University Technology Park– TECNOPUC	PUCRS	City of Porto Alegre	Metropolitan and Jacui River	60 Established
Vale dos Sinos Technology Park – VALETEC	FEEVALE	Cities of Campo Bom / Dois Irmãos / Estância Velha / Novo Hamburgo and Sapiranga	Dos Sinos Valley	21 Established <hr/> 35 Affiliate



Spreading Technology

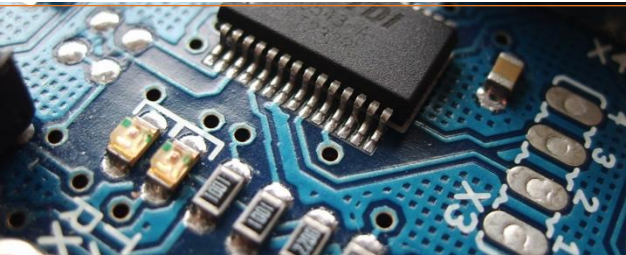


The State Government encourages the development of technology parks in the countryside. The main goal is to encourage the integration between universities and companies' research centres to promote innovation...





A Center for Semiconductors



An important technology center for the development of semiconductors, the Ceitec is established in the state of Rio Grande do Sul...

- It is a federal public company associated to the Brazilian Ministry of Science and Technology , which was created in 2008. 285 million dollars have already been spent on the establishment of a strong technology base and to develop the segment in Brazil.
- The Ceitec counts on a Center for Research and Development (R&D), responsible for the creation of the products, generating intellectual property for chip production in Brazil.





The Development Banks



Rio Grande do Sul has three financial institutions dedicated to fostering investment. Since the beginning of the present term, they operate into an integrated format...



The Extreme South Regional Development Bank works in cooperation with the Brazilian Development Bank (BNDES), Brazil's largest development banks. In 2010, BRDE approved investments of R\$ 2,2 billion for the South Region of Brazil.



It is the country's largest fostering agency with assets of R\$ 2 billion in December 2010 (it initiated business with R\$ 220 million in 2002), 800% growth in the period. It has revolving lines of credit of BNDES of R\$ 3 billion and roughly 80 million from Caixa Federal (Federal Savings Bank).

In 2010, it approved financing projects of R\$ 660,96 million.



It is a finance institution that operates as multiple bank.

The long-term finance portfolio reached R\$ 714,3 million in 2010 which represents an increase of 42.5% compared to the R\$ 501,3 million recorded until the end of 2009.



Rio Grande do Sul full of opportunities



The State is at the center of major investments that will create significant business opportunities...

- New investments under the PAC in infrastructure, housing and health in the cities of Rio Grande do Sul (Porto Alegre and other 38 cities with more than 100,000 inhabitants): **US\$ 568.2 million.**
- Enlargement of Salgado Filho Airport (Porto Alegre): **US\$ 196.5 million.**
- Aeromóvel, a wind-powered train in Porto Alegre: **US\$ 16.9 million.**
- Subway of Porto Alegre: estimate **US\$ 1.4 billion.**
- Project Mercosur Waterways: **US\$ 136.4 million.**
- System of irrigation under the PAC, with the construction of 4 dams and 2 irrigation channels: **US\$ 340.9 million.**
- Plan for construction of new hydroelectric power plants: Usina Garabi and Usina Roncador, both bi-national (Brazil-Argentina): **US\$ 2 billion** - 1.8 thousand MW shall be generated.
- 8 more wind parks in construction, with an investment of US\$ 528.4 million, and another one approved, which will cost **US\$ 157.8 million** and is expected to generate 70 MW.

The Maritime Complex of Rio Grande do Sul



Rio Grande do Sul is endeavoring to increase its stake in Petrobrás future investments in the exploration of oil and gas fields from the Brazilian pre-salt layer...


In order to achieve this objective, the state seeks to attract companies to its Maritime Complex and the associated production chains, such as steel, electronic products, equipment, automation, module assembly and large equipment.

Companies of the Maritime Complex of Rio Grande do Sul

Status	Company	Activity	Location in the state
In operation	ERG - I	Shipyard / Dry Dock	Rio Grande
	QUIP	Construction of platform modules	Rio Grande
Being established	IESA	Construction of platform modules	Charqueadas
	Setal EBR	Shipyard	São José do Norte
	ERG - II	Shipyard	Rio Grande
	ERG - III	Shipyard	Rio Grande
	Wilson Sons	Shipyard	Rio Grande
	Reparação de embarcações	Shipyard	Pelotas
	Canteiro offshore		Pelotas



Connecting the State to Broadband



The current administration of Rio Grande do Sul is preparing a plan to deliver faster broadband connection. The total investment is US\$ 55.7 million...

- The Broadband Plan is an action developed in partnership with Telebrás to establish high-speed internet with optical fiber technologies and digital radios, which will provide fast internet access to areas where broadband is not available and stimulate the competition.
- The government's goal is the implementation of 1 thousand km of optical fiber from 1 to 10 Gbps speeds in the first phase, which can be expanded up to 40 Gbps.
- The Rio Grande do Sul's Broadband Plan is expected to begin in the second semester of 2011 and will be concluded until the end of 2012, at an estimated cost of US\$ 55.7 million.



Industrial Estates



The State has lots in five industrial estates...



Alvorada - Viamão



Guaíba



Bagé



Montenegro - Triunfo



Rio Grande

Such lots are sold to companies through subsidised prices. Many cities have their own estates and incentive policies for the interested companies.



Tax Incentive Policies



In order to attract investments, the State has a special incentive programme...

Incentive based on the Tax on the Circulation of Goods and Rendering of Services (ICMS)

- In Brazil, ICMS is equivalent to the English VAT.
- Brazilian states use the ICMS as a tool to attract investment.
- In Rio Grande do Sul, a state mechanism to provide ICMS deductions is called Fundopem.
- The State offers finance of up to 75% of the due ICMS. Such a discount should be paid after the granted grace period.

Incentive to attract investment to regions with development index below the state average

- The benefit is extended if the company chooses regions which present development index below the state average.
- The State offers deduction of up to 75% of the monthly incremental ICMS. The deduction does not need to be returned after the granted grace period.
- Such programme is called Integrar-RS.



The Companies that have already chosen Rio Grande do Sul



Foreign companies in operation in the State.

