



Aerial view of Christ the Redeemer.

Sistema
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INFORMING, FORMING, TRANSFORMING

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VEIRANO ADVOGADOS



INVESTMENTS

DECISION:

RIO

2011.2013



EXECUTIVE SUMMARY

RIO DE JANEIRO:

**HERE AND NOW, THE WORLD
CAPITAL OF NEW OPPORTUNITIES**

In the period 2011-2013, Rio de Janeiro will receive public and private investments totaling US\$ 102 billion. The volume of the investment, compared with the State's small territorial dimensions (only 16.8 thousand square miles), makes Rio the largest investment hub in the world, with more than US\$ 6 million invested per square mile.

Such a concentration is rooted in the structural factors that put Rio de Janeiro on an equal footing with many countries. Its GDP, equivalent to that of Chile, combined with a large population (16 million inhabitants) and very low unemployment rate – approximately 5% – have created an enviable consumer market in the State. Logistical proximity with the other three major Brazilian States, in turn, allows easy access to almost $\frac{3}{4}$ of national GDP. With regard to natural resources, its oil production is also on a country scale: equivalent to some member countries of OPEC, it will expand even further with the exploration of the pre-salt reserves, of which a large part lie in the State's offshore waters.

The combination of these structural factors has generated such an attractive environment that various national and multinational companies have decided to install their centers of research and technology development in the State, especially in the technological park next to the Federal University of Rio de Janeiro. GE, L'Oréal, Usiminas and Baker Hughes are examples of companies that have confirmed investments, and a dozen more are competing for the remaining available spaces.

Along with the structural factors there is the preparation and implementation of major world events. The Military World Games, FIFA Confederations Cup, World Cup and Olympic and Paralympic Games are the key events in this sequence which includes many other industry events already scheduled for the coming decade.

The effects of this combination of factors on the increase in real estate values in Rio de Janeiro are indisputable. The better neighborhoods of the city of Rio de Janeiro currently have the most expensive residential floor space in the country, and in the commercial centre, some offices cost more per square foot than offices in Manhattan, NY. The "Rio" brand continues to increase in value, being successfully associated internationally to the most varied products and services such as films, fashion, events, culture and design. International interest is also seen in the significant increase in the number of business missions visiting the country and international companies opening offices in the State, or even by Rio's constant presence in the international media and the clear growth in the flow of tourists.

The world has realized that from whatever point of view you choose, Rio de Janeiro's time has come. The record inbound investments that the State is receiving and will continue to receive in the coming years are proof of this perception.



Model of the Museum of Tomorrow. This project is part of Rio's port area revitalization.

DECISION: RIO INVESTMENTS 2011-2013

The FIRJAN System – Federation of Industries of the State of Rio de Janeiro – is one of the first - and biggest - Brazilian business entities. Currently, it brings together 105 industrial employers' unions throughout the State of Rio de Janeiro, with a total of 9,250 affiliated member companies. Its goal is to promote business competitiveness, education and quality of life for the employees of these companies and society, contributing to the sustainable development of the State of Rio de Janeiro.

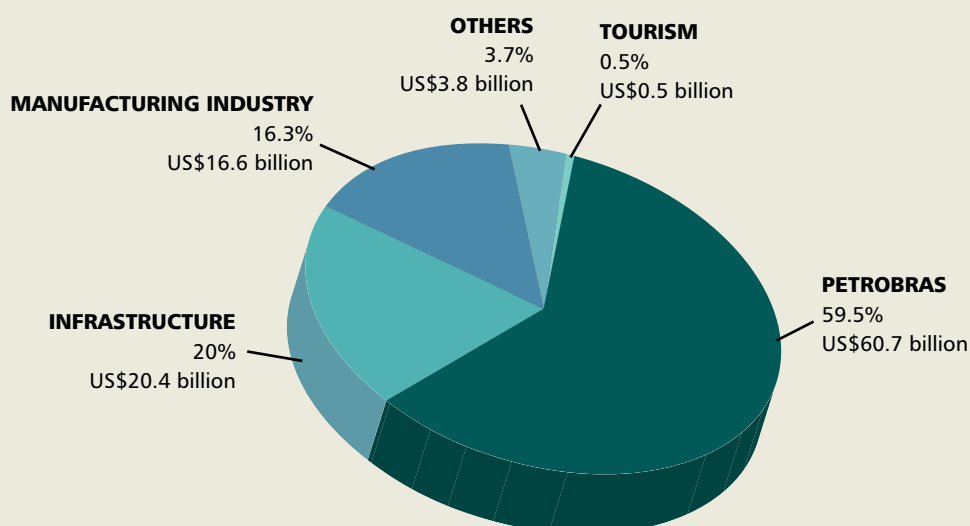
Every year the FIRJAN System Board of Economic and Associative Development organizes a study of investment intentions in the State of Rio de Janeiro with private and public investors for a forward-looking period of three years. Its goal is to gather all the information in a single document and present the main trends to decision makers in the public and private sectors, making it the largest and most comprehensive map of opportunities in Brazil.

This version brings together details of investments announced for the period 2011-2013 and shows a State with huge and diverse opportunities in the short, medium and long term. The document that you have in your hand is the executive summary, while the full version of "Decision: Rio Investments 2011-2013" can be obtained at the following site www.firjan.org.br/decisionrio. It includes Google Earth maps, details of the major investments and a special section on the Olympics, plus information about other investments that have a high probability of taking place.

The FIRJAN System is confident that by creating this opportunity map and offering it to the public and investors, it is contributing to the economic development of the State and to bringing new investments into Brazil. Through this document, Rio de Janeiro moves from being an option to being a Decision.

INVESTMENTS ANNOUNCED FOR THE PERIOD 2011-2013 IN RIO DE JANEIRO

US\$ 102 billion in investments have been announced for the State of Rio de Janeiro between 2011 and 2013, an increase of 70% compared to the period 2010-2012. This volume is composed of public and private investments, both domestic and foreign. Of the total, 75 per cent (US\$ 77.3 billion) is for industrial investments – the total of investments in the manufacturing industry being US\$ 16.6 billion, and Petrobras investments, US\$ 60.7 billion.



Among the industrial investments, COMPERJ - the largest project underway in the country - stands out, with a modification in the original plan making into a huge refinery; together with steel investments of US\$ 2 billion for the construction of the Ternium steel-mill, within the Açu Port Industrial Complex, and expansion of the Gerdau plant which already exists in the State of Rio. Alongside these we can add construction of two new shipyards, one for the Brazilian Navy – which in future will be responsible for the construction of the first Brazilian nuclear submarine – and another for OSX, geared towards building platforms and support vessels. During the 3 year period the two shipyards will receive US\$ 3.4 billion.

Of the US\$ 20.4 billion slated for infrastructure, almost half – US\$ 9.4 billion – will go towards investments in energy, which includes projects like the construction of the 3rd Brazilian nuclear power plant, already underway, and a thermoelectric coal plant of 2,100 MW in the Açu Port Industrial Complex, as well as investments in renewable energy.

INVESTMENTS IN INFRASTRUCTURE	
SECTOR	US\$ BILLION
ENERGY	9.4
TRANSPORT/LOGISTICS	6.7
URBAN DEVELOPMENT	2.2
BASIC SANITATION	2.1
TOTAL	20.4

In the sectors of Transport/Logistics and Urban Development the ongoing construction of the Açu Port Industrial Complex must be emphasized, requiring investments of almost US\$ 1 billion, together with the deployment of Bus Rapid Transit systems (BRT) in Rio de Janeiro (US\$ 1.2 billion) and the Porto Maravilha (Wonderful Port) project to revitalize the capital's dockland area (US\$ 1 billion).

Among the US\$102 billion planned for the period, about US\$ 6.5 billion will be related to the Olympic Games, of which US\$ 3.3 billion has been detailed by the public and private sectors, including hotels, investment in infrastructure and reforming/building of Olympic equipment.

INVESTMENTS RELATED TO THE WORLD CUP AND THE OLYMPIC GAMES	US\$ BILLION
TRANSPORT INFRASTRUCTURE	2.9
HOSPITALITY NETWORK AND OTHER TOURIST INVESTMENTS	0.4
OLYMPIC COMMITTEE INVESTMENTS AS YET NOT DETAILED	0.7
OTHER PUBLIC AND PRIVATE INVESTMENTS IN THE ORGANIZATION OF THE GAME AS YET NOT DETAILED	2.5
TOTAL	6.5

It is important to note also the existence of dozens of investment projects of utmost importance and which, due to the degree of maturity of the project, the availability of information and timing for implementation – greater than covered by this study – were classified as “potential”, and thus not included in the total of US\$ 102 billion mapped for the period. Despite their exclusion from the total value, it is important that they stay on the radar of investors due to the size of the opportunities that they might generate. Some examples are:

- The bullet train from Rio de Janeiro to São Paulo, a project valued at almost US\$ 20 billion that still faces some challenges related to bidding, environmental issues and project execution;
- The Chinese steel company, Wisco, with investments of about US\$ 5 billion, which should set up in the Açu Port Industrial Complex, along with the Ternium steel-mill;
- The remaining investments scheduled to take place in the Açu Port Industrial Complex, such as the construction of a natural gas-fired thermoelectric plant with capacity to generate 3,300 MW, as well as construction of cement plants and a city for 50 thousand people;
- The construction of a new base for Petrobras oil exploration, with a focus on pre-salt;
- The construction of dozens of new hotels by several international tourist chains, which are currently at the project stage;
- The construction of several skyscrapers and commercial ventures in the centre of the city of Rio de Janeiro and in the neighborhood of Barra da Tijuca.

The details of these potential investments as well as all other investments mapped by FIRJAN System, can be obtained in the full publication of “Decision: Rio Investments 2011-2013”, available at www.firjan.org.br/decisionrio.