



BILATERAL
INVESTMENTS MAP

BRAZIL // EUROPEAN UNION



APEX-BRASIL

Roberto Jaguaribe Gomes de Mattos
PRESIDENT

Márcia Nejaim Galvão de Almeida
BUSINESS DIRECTOR

Sueme Mori Andrade
MARKET STRATEGY MANAGER

Maria Luisa Dorey Barreira Cravo Wittenberg
INVESTMENT MANAGER

Setor Bancário Norte, Quadra 02, Lote 11,
CEP 70.040-020 - Brasília - DF
Tel.: 55 (61) 3426-0202 / Fax: 55 (61) 3426-0263
www.apexbrasil.com.br
E-mail: apexbrasil@apexbrasil.com.br

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Camila Flores Orth
Clara do Carmo Rios dos Santos
Igor Isquierdo Celeste
Rodrigo Gedeon de Melo
Thiago Pessoa Gusman
AUTHORS

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INTRODUCTION

(Apex-Brasil)

This study is an initiative of the Brazilian Trade and Investment Promotion Agency (Apex-Brasil) – with the support of the European Union Delegation to Brazil – charting the history of investments between Brazil and the European trade bloc in order to demonstrate the strength of the relationship between both and provide policymakers and investors with useful information for their bilateral investment strategies.

The analysis of investments made between 2006 and 2015 showed that Brazil and the European Union have not only a long-lasting commercial relationship, but also strong economic interdependence with robust investment in both directions distributed over a variety of sectors, ranging from mining to agribusiness to the production of goods and services with high added value.

The study underpins the Agency's understanding that the European Union is as important an economic partner for Brazil's development as Brazil is for the European Union. That is because the relationship is historically structured around the pursuit of joint economic growth and mutual benefits, as demonstrated, for example, by positive data on investment income and job creation.

For Apex-Brasil, the data collected in the study are essential for the development of its activities, since qualified information on the level of investments with the European Union helps define long-term initiatives within its scope.

The countries of the European Union have always enjoyed the special attention of Apex-Brasil. Over the last five years, the trade bloc has received the largest number of activities supported by the Agency, with over a thousand events aimed at stimulating trade, supporting the internationalization of Brazilian companies and attracting European investments to Brazil. Apex-Brasil supports about 30 sectors of the Brazilian economy with priority markets in countries of the European bloc. In addition, since 2010 it has had a representative office in Brussels, Belgium, confirming the commitment to strengthen trade relations between Brazil and the European Union.

Therefore, it is expected that the data herein contained may support public policies that favour the deepening of relations between Brazil and the European Union with the objective of promoting the economic development of both sides through innovation, environmental sustainability and job creation.

INTRODUCTION

(European Union Delegation to Brazil)

Brazil and the European Union (EU) share not only strong economic ties but also historical and cultural links that made us strategic partners long before the Brazilian government and the EU formalized their Strategic Partnership in 2007. We have a lot in common: we share democratic values and respect for liberties and human rights; we attach great importance to values that are important to the world, such as the preservation of peace, the promotion of democracy and the pursuit of sustainable development. These shared values are the solid foundation that allows us to further increase our cooperation on political and economic issues, with the aim of improving the quality of life of our populations.

Foreign Direct Investment (FDI) is very important for any economy. FDI creates jobs, encourages technology transfer and promotes competition and efficiency among local businesses, resulting in tangible gains for consumers. FDI is considered an important parameter for assessing and measuring the potential of a country.

Few people know that Brazil is the third main destination of current EU worldwide FDI flows, and that the EU is by far the leading foreign investor in Brazil. Despite the economic challenges that both the EU and Brazil have faced in recent years, the EU has not only consolidated its leadership position, but actually increased it. According to Brazilian statistics, besides the foremost position in FDI, the EU is Brazil's main trading partner for goods, with 20% of the trade flow having the EU as main origin or destination in 2016. Moreover, the EU is Brazil's main trading partner also in services, with a share exceeding 44%. These figures are clear indicators of the strong bonds between Brazil and the EU and of the great importance of our trade and investment relations.

This study seeks to document the reality of such significant figures, given that many European companies are responsible for large investments in Brazil and vice versa, creating new opportunities for market diversification, technology transfer, access to talent and global value chains for businesses, greater offer of job opportunities for European and Brazilian citizens, as well as safer and more affordable products and services. I am pleased to note that this study provides an in-depth analysis of the investment flow, showing how strategic the Brazilian market has become for European industry and how Brazilian companies are increasingly targeting investments in the EU.

As this study shows, even in difficult times, EU investments remain strong. However, I believe there is still scope for better quality investment that would create new jobs and help Brazil transition to a more efficient, competitive and open economy. In fact, both in the EU and in Brazil, government and business organizations are strongly committed to increasing bilateral investment and trade, as well as reducing red tape and barriers to ensure that the economic benefits and gains ensuing from the increase in bilateral trade will result in savings for citizens and economic gains for its operators.

The publication of this study is the result of the successful partnership between Apex-Brasil, the Brazilian Ministry of Foreign Affairs and the EU, and an excellent example of how cooperation is necessary to maintain the increase and promotion of trade and investment flows. Together we are stronger.

EXECUTIVE SUMMARY

Historically, the member countries of the European Union are important trading partners of Brazil. According to data from UN Comtrade, in 2016 Brazilian exports to the European Union totalled US\$ 33.35 billion and imports from the bloc totalled US\$ 31.06 billion. The high values of this trade flow place the European Union as Brazil's main commercial partner.

The strength of the commercial relationship is also reflected in the analysis of investment flow between the European Union and Brazil. In 2015, Foreign Direct Investment (FDI) stock from the European Union in Brazil reached EUR 327.1 billion. As a result, in terms of stock from the European bloc, Brazil was the third destination outside the European Union (behind the United States of America and Switzerland) and the first among BRICS and Latin American countries. Moreover, the Brazilian economy accounted for 48.5% of total European FDI for Latin America and 81% for Mercosur.

Brazil stands out in comparison with the other BRICS economies. European Union FDI stock in Brazil was 1.14 times higher than in China (including Hong Kong), 1.9 times higher than in Russia, 4.2 times higher than in South Africa and approximately 6.4 times higher than in India.

Considering European Union FDI flows, Brazil is still the largest destination of direct investment. Over the period 2004-2015, 2012 was the sole year in which one of the BRICS countries – China – surpassed Brazil in attracting flows from the European Union, and even so only by adding Hong Kong flows. Among Latin American countries, Brazil was the absolute leader throughout the period.

In addition, the net annual FDI income of European companies in Brazil reached EUR 17.8 billion in 2015, highlighting Brazilian leadership in Latin America and among other emerging countries (except China) in terms of investment returns.

In the period 2006-2015, it is estimated that the announced productive FDI of European Union companies created more than 278 thousand jobs in the Brazilian economy. The most important sectors in this sense were “Automotive OEM”, “Metals” and “Communications”, which accounted for 36% of jobs announced in Brazil. These same three sectors represented 52.4% of the total value of European investments announced in Brazil.

Between 2006 and 2015, the sectors that concentrated most value among announced projects of European productive investment in Brazil were “Manufacturing” (51.1%), “ICT and internet infrastructure” (16.2%) and “Business services” (9.9%), indicating that European FDI in Brazil is strongly linked to high value-added activities.

In all, 133 companies with capital originating in the European Union were among the 1,000 largest companies operating in Brazil, according to a survey published in 2016 by the newspaper Valor Econômico titled “Value 1000,” accounting for almost 14% of the total. The cumulative net revenue of these companies reached EUR 194 billion in 23 different sectors.

The survey shows that European technological specialization in the Brazilian market is highly concentrated in five main sectors, which account for almost 44% of all companies: “Vehicles and parts,” “Chemical and petrochemical,” “Metallurgy and mining,” “Transport and logistics” and “Specialized services.” In terms of net revenue, however, the main sectors with companies of European Union capital are “Retail trade,” “Food and beverages,” “Oil and gas,” “IT and telecom” and “Vehicles and parts,” which together account for two-thirds of the total revenue of the 133 companies.

Regarding Brazilian investments in the European Union, in 2015 Brazil’s FDI stock reached EUR 127.6 billion. Thus, in terms of stock destined for the European bloc, Brazil was the fifth origin worldwide outside the European Union, the first among BRICS countries and the first in Latin America and, therefore, Mercosur. In addition, the Brazilian economy accounted for 68% of the total destined to the European Union by Latin American countries and approximately 95% of that by Mercosur.

Regarding the BRICS countries, Brazilian FDI stock in the European Union was 1.1 times larger than China’s, 2.1 times larger than Russia’s, 8.5 times larger than South Africa’s and 10.5 times larger than India’s.

Between 2005 and 2015, Brazil announced EUR 2.1 billion worth of productive investments in 15 European Union countries, with the creation of 6,405 jobs linked to these announced investments.

The leading sectors of Brazil's announced greenfield FDI in the European Union were, in terms of value, "Alternative/ renewable energy" (21.7%), "Food and tobacco" (20.9%) and "Aerospace" (16.6%). Together, these three sectors accounted for almost 60% of Brazilian FDI in the European economic bloc. In terms of employment, the highlights were "Food and tobacco" (20.9%), "Aerospace" (18.9%) and "Software and IT services" (16%), which accounted for half of the jobs announced by Brazil in the European Union between 2005 and 2015.

About 63% of Brazilian announced productive FDI in the European Union between 2005 and 2015 was concentrated in manufacturing activities. Administrative centers (10.9%) and business services (9.5%) come close behind. Those three activities accounted for about 84% of the amount invested over the period. Manufacturing also leads as the activity with the largest number of announced jobs, about 44.7% of the total.

This study was developed by Apex-Brasil, with the support of the European Union Delegation to Brazil, to charter the relevant bilateral investment relationship between Brazil and the European bloc. To achieve this purpose, the document analyses data on investments, mergers and acquisitions, and the main sectors and companies involved in announced productive FDI, in terms of both capital invested and number of jobs created.

The aim of the study was to chart investment relationships to demonstrate the dimension of the economic relationship between Brazil and the European Union. Thus, the data herein featured are expected to guide the decisions of policymakers and investors.

1. EUROPEAN UNION FOREIGN DIRECT INVESTMENT IN BRAZIL¹

1.1 INTERNATIONAL INVESTMENT POSITION²

According to data from Eurostat³, the European Commission office responsible for statistical information of the European Union, global direct investment stock of EU countries amounts to EUR 15.1 trillion, or EUR 17 trillion in assets⁴. Most of the stock, 54%, is in EU countries. Direct investments extra-EU account for 46% of the total stock, amounting to EUR 6.9 trillion. Latin America is the destination of 10% of extra-EU direct investment, with a stock of EUR 674.6 billion – EUR 749.5 billion in assets.

Country	Assets			Stock		
	Value (EUR million) 2015	Average Growth 2013-2015	Share in 2015	Value (EUR million) 2015	Average Growth 2013-2015"	Share in 2015
Brazil	331,568	9.1%	44.2%	327,104.9	8.7%	48.5%
Mexico	166,229	20.5%	22.2%	161,644.8	20.2%	24.0%
Argentina	43,189	20.1%	5.8%	42,408.3	24.0%	6.3%
Venezuela	39,981	6.5%	5.3%	39,148.4	6.7%	5.8%
Chile	25,984	-0.1%	3.5%	25,596.8	0.7%	3.8%
Latin America ¹	749,533		100%	674,578.7	12.4%	100%

Table 1
International Investment Position of European Union in Latin America: Main Destinations

Source: Eurostat

¹ No data of assets in Latin America were released for 2014, hindering calculation of growth.

¹ Foreign investments can be made as foreign direct investment (FDI) or portfolio investment. According to the definition of the OECD (Organization for Economic Co-operation and Development), FDI is when the investor demonstrates a lasting interest in the country of destination, i.e., when it holds 10% or more of the common stock or voting power in a company; values below 10% are considered portfolio investment.

² The International Investment Position relates to FDI assets, liabilities and stock of the group of companies from a country/region of origin in a country/region of destination. FDI stock for subsidiary companies consists of the value of the share of capital and reserves attributable to the parent company (i.e., total assets minus total liabilities), plus the net indebtedness of the subsidiary to the parent company. For branches it refers to the value of current and non-current assets, excluding amounts due from the parent company, minus obligations to third parties. This number may also be negative, but such an occurrence will be largely related to the accounting methods of the bodies used as source.

³ Data collected in January, 2017. Data is subject to change.

⁴ FDI assets correspond to the sum of current and non-current assets located in Brazil of all European Union investors that have FDI, that is, 10% or more of the common stock or voting power in a company established in Brazil.

Brazil stands out as the largest destination for Foreign Direct Investment (FDI) of European Union countries in Latin America, with almost half of the region's stock. In addition, Brazil is the third largest destination of extra-EU FDI, behind only the United States of America and Switzerland⁵, which demonstrates the strategic importance of the Brazilian economy for European companies. In 2015, according to Table 1, the total value of such assets in Brazil reached EUR 331 billion, which represented 4.3% of the assets of EU countries outside the European Union.

In regional terms, the value of European assets in Brazil is more than double compared to Mexico, approximately eight times higher than in Chile and Argentina and almost 13 times higher than in Venezuela. That means that although economies such as Mexico and Chile have become more attractive to European capital in recent years, they still do not compare in absolute terms to the representativeness of the Brazilian economy in FDI.

The average growth rate of EU FDI stock in Brazil (8.7%) between 2013 and 2015 was below the average for Latin America (12.4%). Among the main destinations, it exceeded growth in Argentina and Venezuela. On the other hand, the average growth rate of stock in Mexico and Chile over the period was much higher, around 20%.

The average growth rates by country and region for the period mask very dissimilar performances in 2014 and 2015. FDI stock from EU countries in Latin America grew 20% in 2014 and only 5% in 2015. In Brazil and especially in Venezuela there was a decrease in the value of stock in the last year, -1.4% and -15.9%, respectively. In Argentina and Chile the growth rate decelerated strongly. This trend was opposite to that of European Union FDI stock in the main regions worldwide, where the tendency was to accelerate stock growth in 2015 compared to 2014.

On the other hand, as will be seen later in the presentation of European investment flows in Brazil, the slight fall in stock value in 2015 was not due to a net outflow of direct investments, which could indicate a trend in sales of European corporate assets in the country and a reduced presence of EU companies in the Brazilian economy. In fact, in addition to flows, other factors have an impact on the value of FDI stock, particularly changes in stock market quotes of invested companies and fluctuations of the exchange rate. The devaluation of the Brazilian currency against the euro reduces the value of stocks in latter currency, and indeed the average real/euro exchange rate in 2015 was 18% higher than in the previous year and 29% higher than in 2013.

⁵ In 2015, European assets in Bermuda, a British overseas territory situated in the North Atlantic, also surpassed assets in Brazil. The territory is considered an offshore financial center, i.e., it provides financial services to non-residents on a scale that is incompatible with the size and financing of its domestic economy.

Country	Assets			Stock		
	Value (EUR million) 2015	Average Growth 2013-2015	Share in 2015	Value (EUR million) 2015	Average Growth 2013-2015	Share in 2015
Brazil	331,568	9.1%	34.1%	327,104.9	8.7%	35.7%
China ¹	324,275	10.6%	33.4%	287,813.9	9.8%	31.4%
Russia	181,422	-4.7%	18.7%	171,844.1	-5.4%	18.7%
India	80,277	31.4%	8.3%	78,781.6	31.4%	8.6%
South Africa	53,424	21.9%	5.5%	51,222.7	22.9%	5.6%
BRICS Total	970,965	8.4%	100%	916,767.2	7.9%	100%

Table 2
International Investment Position of European Union in BRICS Countries (Ranked by stock value in 2015)

Source: Eurostat

Note: ¹ Including Hong Kong

As mentioned earlier, outside the European Union, only the United States of America and Switzerland have larger EU FDI assets and stock than Brazil. That means that Brazil is also the main destination of FDI among the BRICS countries. The stock of European Union FDI in Brazil exceeds that in China, whose economy is six times larger than Brazil's, even considering the combined stock of mainland China and Hong Kong, as shown in Table 2. The value of FDI assets of European companies in Brazil confirms their integration with the Brazilian market and the latter's level of openness.

European investment stocks in Brazil and China grew at similar rates between 2013 and 2015. Only in Russia did the value of stocks and assets in euros fall. On the other hand, South Africa and India, where European Union investments are still much lower compared to the other BRICS countries, registered high growth rates. EU investment stock is particularly small in India. In 2015, its GDP was almost seven times higher than that of South Africa, and yet stock in the Asian country was 35% lower.

Still, the amount of EU investment in India grew at a rate lower than that of the African country. On the other hand, a large part of the increase in European Union stock in South Africa is related to a single acquisition of a company based in the country by a Dutch company in 2015, worth US\$ 20.5 billion⁶. The total flow of EU investment to South Africa in 2015 was EUR 26.2 billion, approximately US\$ 29 billion.

⁶ Acquisition of Steinhoff International Holdings Ltd, a company in the metal household furniture sector, by the Genesis International Holdings NV group, based in the Netherlands.

Russia, in turn, has faced economic sanctions from the European Union since 2014 due to its involvement in the conflict in Eastern Ukraine. That does not mean that the fall in stocks and value of European Union assets in Russia is due to divestments – although they fell 55% over the period, investment flows remained positive.

On the other hand, the fall in stock value in Russia may be at least partly explained by the strong 61% devaluation of the Russian ruble against the euro over the period, the largest among the BRICS countries. The second largest devaluation was of the Brazilian real, 29%, while the South African rand devalued 10%. The currencies of China, Hong Kong and India, in turn, appreciated over the period – 15%, 17% and 9%, respectively.

Country	Assets			Stock		
	Value (EUR million) 2015	Average Growth 2013-2015	Share in 2015	Value (EUR million) 2015	Average Growth 2013-2015	Share in 2015
Netherlands	183,876.0	13.2%	55.5%	182,884.0	12.9%	55.9%
Spain	37,424.0	-3.8%	11.3%	37,286.0	-3.6%	11.4%
United Kingdom	19,520.0	16.2%	5.9%	18,711.1	14.7%	5.7%
France	14,862.0	-14.9%	4.5%	14,649.0	-15.1%	4.5%
Germany	13,573.0	5.4%	4.1%	13,138.0	6.0%	4.0%
Italy	6,756.0	2.2%	2.0%	6,484.3	3.0%	2.0%
Sweden	3,276.9	-12.2%	1.0%	3,208.6	-12.5%	1.0%
Portugal	2,914.0	0.8%	0.9%	2,902.0	0.7%	0.9%
Belgium	1,341.0	-11.5%	0.4%	1,334.0	-11.5%	0.4%
Denmark	1,167.0	-5.1%	0.4%	1,119.4	-5.6%	0.3%
Ireland	(cd)	(cd)	(cd)	526.0		0.2%
Hungary	(cd)	(cd)	(cd)	38.6	-46.4%	0%
Poland	32.6	31.7%	0.0%	31.3	36.1%	0.0%
Other (non-confidential)	8.1	-20.8%	0.0%	8.1	-20.8%	0.0%
Subtotal (non-confidential)	284,750.6	7.2%	85.9%	282,320.4	7.1%	86.3%
Other (confidential) ²	46,817.4	22.9%	14.1%	44,784.5	20.6%	13.7%
European Union (28)	331,568.0	9.1%	100%	327,104.9	8.7%	100%

Table 3
International Investment Position of European Union in Brazil by Origin (Ranked by stock value in 2015)

Source: Eurostat

Notes: (cd) means unreleased data for confidentiality reasons.

¹ Other countries with released data (non-confidential): Bulgaria, Slovenia, Cyprus, Estonia, Czech Republic, Greece, Croatia and Lithuania.

² Countries with confidential stock data: Luxemburg, Malta, Austria, Romania, Slovakia, Finland and Latvia. In addition, Ireland and Hungary released stock but not assets data.

As seen in Table 3, the Netherlands is the reported source of more than half of European Union direct investments in Brazil. The reason for such high values attributed to the Netherlands is its status as a European financial hub, serving as a natural channel for FDI operations of EU companies. Brazil is the third largest destination for direct investment from the Netherlands outside the European Union, behind the United States of America and Switzerland.

Spain is another prominent source of European FDI assets in Brazil. Among European Union countries, Spain has the seventh largest FDI stock worldwide, but ranks second among those that invest in Brazil. In fact, with a stock of EUR 37.3 billion, Brazil is the largest destination for Spanish investments outside the European bloc, surpassed only by the United Kingdom when considering all destinations.

The three largest economies within the trade bloc – Germany, the United Kingdom and France – complete the list of the five largest European Union investors in Brazil. It should be noted that since investments are often triangulated via the Netherlands, this obviously implies that the values for some countries tend to be underestimated. That seems to be especially the case for investments from these three countries, as well as from Italy.

Analysing FDI stock data by ultimate investing country published by the Central Bank of Brazil (BACEN) for 2014, the Netherlands remains the largest European Union investor in Brazil, but the differences in stock values are much reduced. For example, UK stock corresponds to 43% of the value of the Netherlands stock according to BACEN data, and not only 10% as estimated by Eurostat data, which is based on immediate investing country.⁷

Eight EU countries had FDI stocks of up to EUR 2.2 billion: Bulgaria, Slovenia, Cyprus, Estonia, the Czech Republic and Greece. Two other countries, Croatia and Lithuania, had no direct investment in Brazil. Data of direct investment in Brazil for seven other countries were not made available by Eurostat due to confidentiality limitations. Prominent among them is Luxembourg, which, like the Netherlands, serves as a European financial hub and is the largest investor outside the EU among all countries of the bloc. According to FDI stock data in Brazil published by BACEN, Luxembourg is the fifth largest investor from the EU, ahead of Germany.

⁷ This study uses data reported by European countries that publish FDI assets, liabilities, stock, net income and flows of the immediate investing country rather than the ultimate investing country, which produces such distortion. Ideally, data from the Central Bank of Brazil should be used, as then values could be published according to ultimate FDI investing country. However, since Central Bank data are not aggregated by region, such a choice entails technical limitations.

Sector	FDI stock in Brazil in 2014 (EUR million)	Sector share of FDI stock in Brazil	Brazilian share of sector FDI stock in Extra-EU countries
Mining and quarrying	115,612	34.9%	18.2%
Financial and insurance activities	59,975	18.1%	2.6%
Administrative and support service activities	19,879	6.0%	18.0%
Manufacture of food products; beverages and tobacco products	19,093	5.8%	6.9%
Information and communication	18,305	5.5%	6.5%
Manufacture of basic metals and fabricated metal products, except machinery and equipment	13,726	4.1%	18.0%
Manufacture of chemicals and chemical products	11,924	3.6%	4.3%
Wholesale and retail trade; repair of motor vehicles and motorcycles	9,521	2.9%	3.9%
Manufacture of motor vehicles, trailers and semi-trailers	9,469	2.9%	8.1%
Manufacture of coke and refined petroleum products	9,356	2.8%	5.8%
Professional, scientific and technical activities	7,825	2.4%	1.9%
Other manufacturing activities	22,551	6.8%	3.2%
Other service activities	5,482	1.7%	3.3%
Other (agriculture, forestry and fishing; electricity, gas, steam and air conditioning supply; water supply; sewerage, waste management and remediation activities; construction)	8,914	2.7%	3.9%
Total	331,630.4	100%	5.5%

Table 4
International Investment Position of European Union in Brazil by Economic Sector (Ranked by stock value in 2014)

Source: Eurostat

As seen in Table 4, most of European Union direct investments in Brazil are allocated to “Mining and quarrying” (which includes extraction of metallic, nonmetallic and fuel minerals), a sector that accounts for 35% of the stock. In addition, Brazil has a proportionately higher importance in this sector for EU investments: 18% of European Union investment stock in “Mining and quarrying” extra-EU is in Brazil, while the average share of all sectors combined was 5.5%.

European FDI stock in service activities in Brazil amounted to EUR 121 billion in 2014, or 36.5% of the total stock. The second sector with the largest stock of EU FDI in Brazil, and the main sector among services, “Financial and insurance activities” concentrates a relatively low value compared to the average of European investments in the sector worldwide. Brazil accounts for only 2.6% of EU investments in non-EU countries, less than half of the 5.5% average share of all sectors. On the other hand, Brazil concentrated relatively high values (18%) of European Union FDI stock outside the trade bloc in the sector of “Administrative and support service activities”. Investments of that sector in Brazil focused more specifically in “rental and leasing activities”.

“Manufacturing”, in turn, accounts for 26% of European countries’ FDI stock in Brazil, especially “Manufacture of basic metals and fabricated metal products, except machinery and equipment” – another sector in which Brazil stands out in extra-EU investments. Another highlight is the sector of “Manufacture of motor vehicles, trailers and semi-trailers”.

1.2 FOREIGN DIRECT INVESTMENT FLOWS

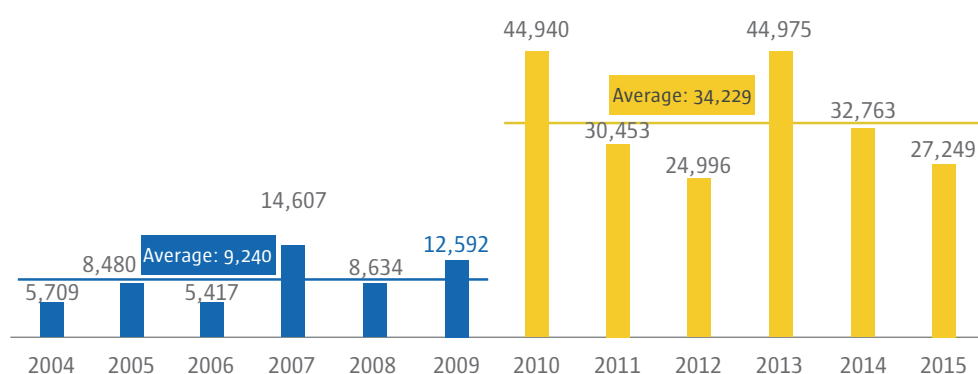


Chart 1
European Union FDI flows to Brazil (EUR million)

Source: Eurostat

Notes: ¹ Between 2004 and 2012, FDI flows are measured according to the IMF BPM5 methodology. As of 2013, measurements follow the BPM6 methodology.

Between 2004 and 2015, European Union FDI flows⁸ to Brazil increased from EUR 5.7 billion to EUR 27.2 billion, with an annual average growth of 15.3%. A considerable difference in investment values is noted between the first and second halves of the period. Between 2004 and 2009, European Union annual average FDI in Brazil reached EUR 9.2 billion. In the second half, there was a clear change in the level of investments, with an annual average value of EUR 34.2 billion between 2010 and 2015.

Despite the fluctuations of European Union FDI flows to Brazil over the period, it is interesting to note that Brazil held a leading position among the BRICS countries as destination for EU investments in all years except one. In 2012, China assumed the lead – but only when adding its flows to those of Hong Kong. Among Latin American countries, Brazil was the absolute leader throughout the period, despite a greater interest in Mexico in recent years. Between 2004 and 2012, investment flows from the European Union to Mexico averaged EUR 5 billion per year. From 2013 to 2015, the average annual value increased to EUR 21.3 billion.

⁸ According to UNCTAD, FDI flows to subsidiary companies consist of the net sales of shares and loans (including non-cash acquisitions made against equipment, manufacturing rights, etc.) to the parent company plus the parent firm's share of the subsidiary's reinvested earnings. For branches, this value consists of the increase in reinvested earnings plus the net increase in funds received by the parent company.

1.3 FOREIGN DIRECT INVESTMENT INCOME⁹

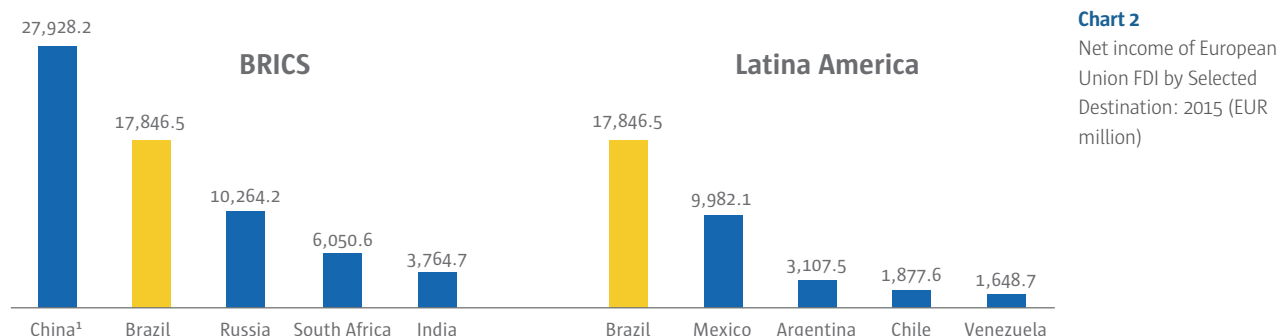


Chart 2

Net income of European Union FDI by Selected Destination: 2015 (EUR million)

Source: Eurostat

Notes: ¹ Including Hong Kong

Chart 2 features the net FDI income earned by European Union companies by selected destination in 2015, more specifically in relation to the BRICS countries and the main economies of Latin America. Within the emerging bloc, Brazil was the second most profitable destination for investments of European companies, with a return of EUR 17.8 billion, behind only China with a return of EUR 27.9 billion. Meanwhile, in comparison with Latin American countries, the value of FDI income in the Brazilian market is considerably higher. The value for Mexico, EUR 10 billion, is almost 45% lower than that for Brazil. Among all extra-EU investment destinations, Brazil accounted for the fourth largest net income of European investors, with the United States of America and Switzerland occupying the top two positions.

⁹ Income earned by investors with FDI activities at the destination, returned to the countries of origin. According to BPM6, this does not include profits reinvested in Brazil, only profits returned to the origin.

1.4 GREENFIELD FOREIGN DIRECT INVESTMENT PROJECTS

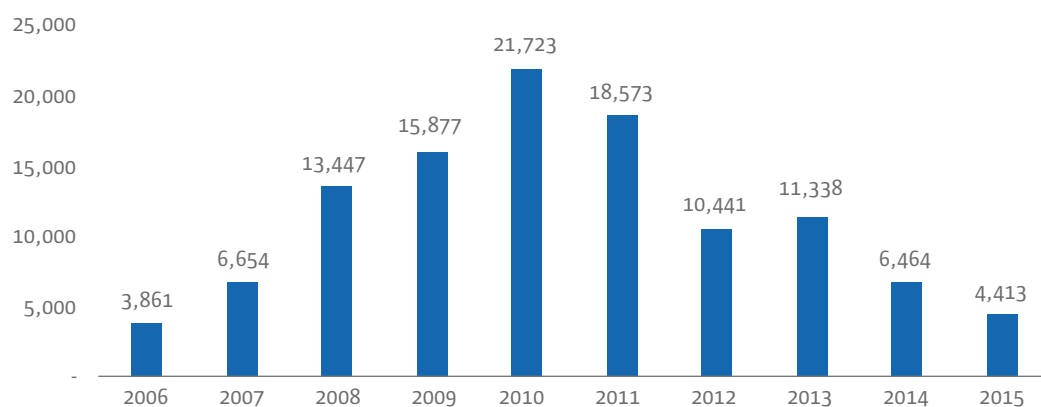


Chart 3
Evolution of Greenfield Investment Projects Announced by the European Union in Brazil between 2006 and 2015 (in EUR million)

Source: FDI Markets

Companies from European Union countries announced 1,405 greenfield investment projects¹⁰ in Brazil between 2006 and 2015. Seven of the trade bloc's 28 countries did not announce any greenfield investment in Brazil over the period. These are: Bulgaria, Croatia, Estonia, Hungary, Latvia, Lithuania and Romania.

The evolution of the volume of resources related to projects featured in Chart 3 reveals two very clear trends: growth between 2006 and 2010 and decline between 2010 and 2015. Investments announced in the last year, 2015, are the second lowest of the whole period, after only the first year of the period, 2006. Total greenfield FDI announced by the European Union in Brazil over the period was EUR 112.8 billion, accounting for 43.3% of greenfield FDI announced by the world for Brazil.

¹⁰ Announced productive FDI – based on the concept by FDI Markets, the Financial Times intelligence division – consists of greenfield investment projects, i.e., new productive investments or investments in existing companies that involve physical expansion and/or job creation. Thus, mergers and acquisitions and other investments in participation are not considered, as there is no immediate physical expansion. It is important to consider that all data and information on investment projects are based on public information on companies' investment announcements, but not all investments actually materialize. In addition, information on invested capital and number of jobs created is not always available in companies' investment projects. In these cases, values are estimated by FDI Markets according to their own methodology.

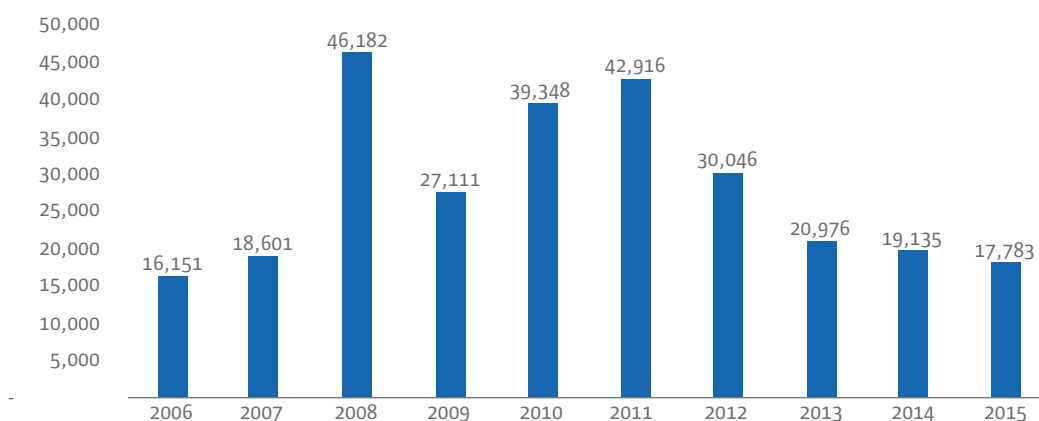


Chart 4
Evolution of Jobs
Announced by the
European Union in Brazil
between 2006 and 2015

Source: FDI Markets

The evolution of estimated jobs generated by announced investments follows the general trends of growth and fall in estimated values, with the notable exception of 2008 – the year of the highest number of announced jobs. In addition, the number of jobs created by European productive investments begins to fall in only 2012, while estimated values start falling already in 2011. In all, announced jobs related to investments totalled 278.2 thousand over the period, which accounts for half (50.7%) of all estimates of jobs generated by greenfield investments announced by foreign companies in Brazil. On average, for every million euros invested by the European Union in Brazil, 2.47 jobs were generated in the country.

1.4.1 Sectors

Regarding the most prominent sectors targeted in productive investment projects announced by the European Union in Brazil, significant differences are observed depending on the point of view, whether value invested or number of jobs created.

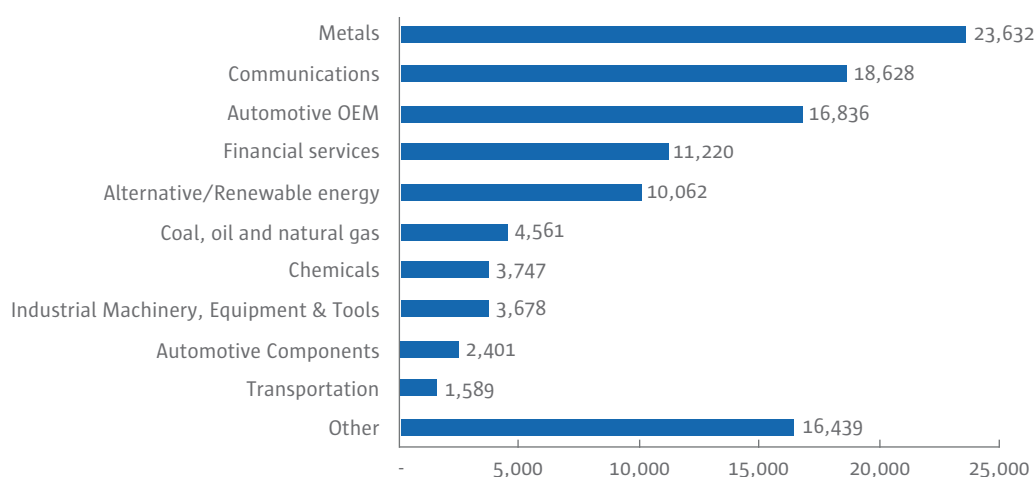


Chart 5
Sectors with highest Greenfield Investment value announced by the European Union in Brazil – Accumulated between 2006 and 2015 (in EUR million)

Source: FDI Markets

From the viewpoint of investment value, according to Chart 5 the sectors that stand out are “Metals”, “Communications” and “Automotive OEM”. Together, these sectors accounted for 52.4% of European Union announced investment in Brazil between 2006 and 2015, worth over EUR 59 billion. The top 10 sectors with the largest greenfield investment announcements by the European Union, highlighted in Chart 5, amount to EUR 96.4 billion and represent 85.4% of the total value announced.

However, four of the top 10 sectors in investment value are not among the top 10 sectors in estimated number of jobs over the period, because they are more capital-intensive. These are: “Alternative/renewable energy”, “Coal, oil and natural gas”, “Chemicals” and “Transportation”.

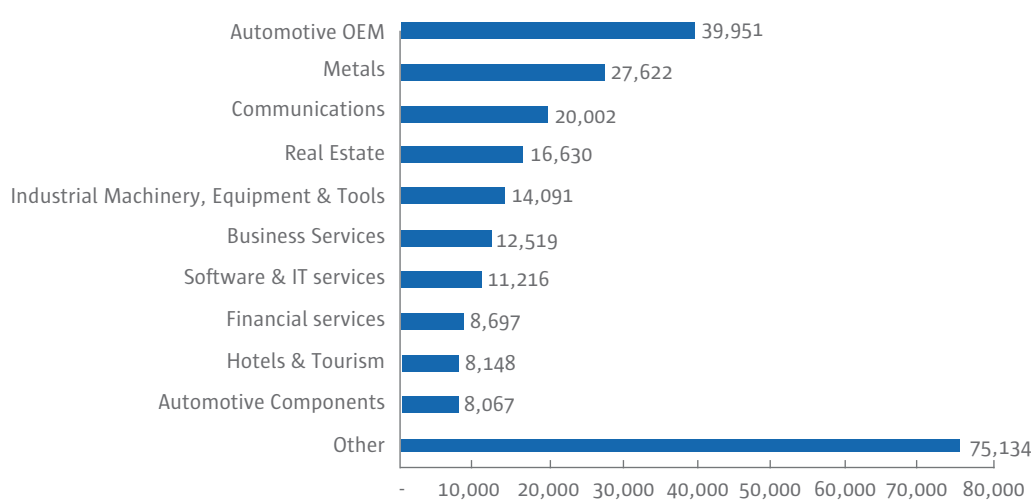


Chart 6
Sectors with most Jobs Announced by the European Union in Brazil – Accumulated between 2006 and 2015

Source: FDI Markets

Among the sectors with the highest number of announced jobs, it is observed that the first three – “Automotive OEM”, “Metals” and “Communications” – are the same that concentrate the highest value in announced greenfield investment, albeit in a different order, according to Chart 6. On the other hand, the three sectors accounted for 36.2% of total announced jobs, a much lower share compared to that in investment value.

The four sectors mentioned above are replaced with more labour-intensive sectors (and which require different qualification levels): “Real estate”, “Software & IT services”, “Business services” and “Hotels & tourism”. At any rate, it is generally observed that the generation of investment-related jobs announced by European Union countries is more diversified in terms of sector distribution – the ten sectors shown in Chart 6 account for 69% of total announced jobs, reaching 167 thousand.

1.4.2 Activities

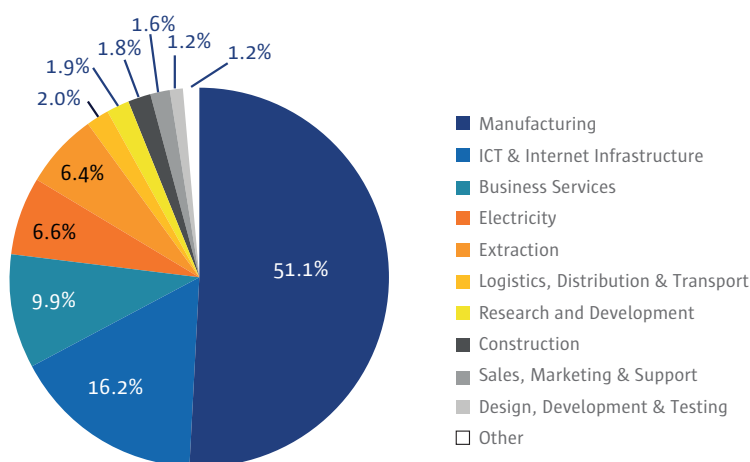


Chart 7
Breakdown by Activity of Greenfield Investment Announced by the European Union in Brazil – Accumulated between 2006 and 2015

Source: FDI Markets

The breakdown by activity of greenfield investments announced by the European Union in the period 2006-2015 is featured in Chart 7. Investments focused on “Manufacturing”, i.e., the establishment or expansion of industrial production in Brazil, accounted for more than half of EU investments over the period, or EUR 57.6 billion. The largest manufacturing investment project was in the “Metals” sector, by the German company ThyssenKrupp, which in December 2010 announced EUR 6.8 billion to expand its activities in the state of Rio de Janeiro.

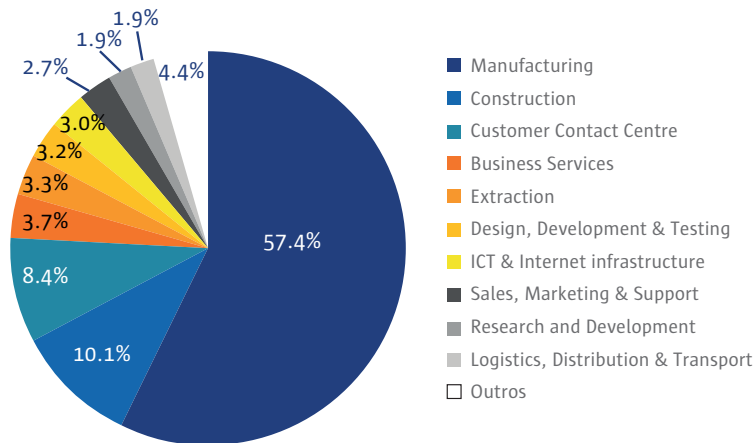


Chart 8

Breakdown by Activity of Jobs Announced by the European Union in Brazil – Accumulated between 2006 and 2015

Source: FDI Markets

Regarding the breakdown by activity of European Union jobs announced in Brazil between 2006 and 2015, the highest concentration also occurs in “Manufacturing” activities, with 57.4% of the total, corresponding to 160 thousand jobs. The largest job-generating project is by the Italian company Fiat, which in March 2012 announced a automotive plant in the state of Pernambuco, with estimated 4,500 new jobs generated. It is also observed that “Customer Contact Centre”, the third activity in number of jobs, is not among the top activities in investment value – indeed, it is a low-skill labour-intensive activity.

1.4.3 Companies

Parent company	Main sector	Greenfield Investment Value (EUR million)	Share (%)
Fiat Chrysler Automobiles (Fiat)	Automotive OEM	8,781.4	7.8%
Telefonica	Communications	8,098.3	7.2%
ThyssenKrupp (TK)	Metals	6,388.9	5.7%
Anglo American	Metals	6,189.4	5.5%
Telecom Italia	Communications	6,021.7	5.3%
ArcelorMittal	Metals	5,446.1	4.8%
Volkswagen	Automotive OEM	4,092.4	3.6%
Daimler AG	Automotive OEM	2,387.8	2.1%
Santander Group	Financial services	2,240.2	2.0%
British Gas Group (BG)	Coal, oil and natural gas	2,236.2	2.0%
Renault	Automotive OEM	1,647.7	1.5%
Enel	Alternative/ renewable energy	1,564.7	1.4%
Energias de Portugal (EDP)	Alternative/ renewable energy	1,492.7	1.3%
Rexam	Metals	1,231.1	1.1%
Iberdrola	Alternative/ renewable energy	1,195.8	1.1%
Other		53,776.9	47.7%
Total		112,791.3	100%

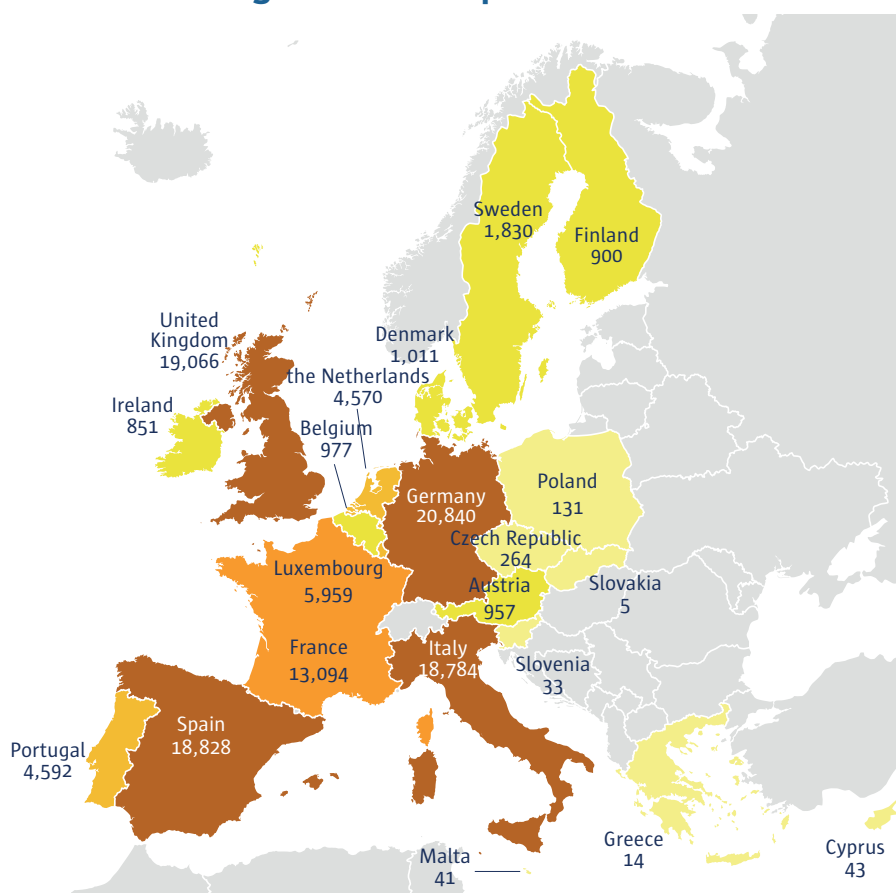
Table 5
Productive FDI Announced by the European Union in Brazil: 15 Top Companies by Value (Accumulated between 2006 and 2015)

Source: FDI Markets

Over the period analysed in this section (2006 to 2015), the top 15 EU companies in announced greenfield investments in Brazil accounted for 52.3% of total announced greenfield investments, reaching EUR 59 billion. The highlights are companies in the sectors of “Automotive OEM” and “Metals”, each with four of the 15 European companies that most announced investments in Brazil over the period.

The Italian automaker Fiat, in addition to being the company with the highest investment value announced in Brazil between 2006 and 2015, EUR 8.8 billion, was also the company estimated to have generated the largest number of jobs, over 20 thousand. The second company with the largest estimated number of generated jobs, 14,000 openings, is Telefônica group, from Spain, the largest telecommunications company in Brazil.

1.4.4 Countries of Origin of the European Union



Map 1

Greenfield FDI
Announced by the
European Union in
Brazil by Origin: Value
(EUR million) 2006-2015
(accumulated)

Source: FDI Markets

Between 2006 and 2015, 21 of the 28 EU member states announced greenfield investment projects in Brazil. Map 1 features the investment value announced by each one of those countries. The darker the colour, the greater the announced value of investments.

The countries with the highest productive investments announced in Brazil were Germany, the United Kingdom, Spain, Italy and France. Those five account for approximately 80% of EU investments in Brazil, with more than EUR 90 billion announced over the period.

Investments announced by Germany were mainly shared out between the “Metals” and “Automotive OEM” sectors, which together accounted for 62% of the total announced by that country. In the latter sector, Germany announced the highest values among EU members over the period. The largest projects were mainly related to expansions in production of heavy trucks by companies such as Mercedes-Benz, Volkswagen and MAN.

Investments announced by the United Kingdom were mainly allocated to the “Metals” sector, which alone accounted for 41% of the value announced by that country. The United Kingdom was also the country that announced the largest investments in “Metals” in Brazil among EU members, ahead of Germany and Luxembourg.

Spanish announced investments were focused on the “Communications” sector, which accounted for 43% of that country’s total. Spain is the largest foreign investor in this sector in Brazil among all countries, not only EU members. Italy divided its investments between “Communications” and “Automotive OEM”, which concentrated more than 60% of the country’s announced investments. France, in turn, stands out for investments in “Alternative/ renewable energy”, as well as “Automotive OEM” and “Communications.”

Country	Greenfield Investment Value (EUR million)	Brazil’s share in Global Greenfield Investments	Announced Jobs in Brazil	Brazil’s share in Global Announced Jobs	Nº of Greenfield Investment Projects in Brazil	Brazil’s share in Global Nº of Greenfield Investment Projects
Germany	20,840.4	4.1%	49,399	2.9%	245	2.1%
United Kingdom	19,065.6	4.1%	34,135	2.6%	262	2.1%
Spain	18,828.1	8.3%	57,662	9.2%	228	5.6%
Italy	18,784.5	11.3%	38,621	8.5%	105	4.0%
France	13,093.9	3.5%	32,243	3.3%	187	2.6%
Luxembourg	5,958.8	10.5%	10,423	6.8%	37	3.3%
Portugal	4,592.1	12.6%	23,276	26.8%	46	7.8%
the Netherlands	4,570.3	2.5%	8,971	1.8%	90	2.4%
Sweden	1,830.4	2.3%	5,753	1.7%	47	1.9%
Denmark	1,011.3	1.5%	2,198	1.2%	28	1.9%
Belgium	976.8	1.8%	3,542	1.9%	29	2.0%
Austria	957.0	1.2%	3,361	0.9%	17	0.9%
Finland	900.2	1.7%	4,568	2.1%	29	2.0%
Ireland	850.9	1.5%	2,465	1.5%	33	2.2%
Czech Republic	264.5	1.5%	392	0.6%	6	1.6%
Poland	131.1	1.0%	782	1.7%	7	2.0%
Cyprus	42.6	0.3%	114	0.3%	2	0.8%
Malta	41.1	2.4%	115	3.6%	3	7.3%
Slovenia	32.6	0.8%	115	0.4%	1	0.6%
Greece	13.9	0.1%	61	0.1%	1	0.4%
Slovakia	5.4	0.2%	53	0.5%	2	0.9%
Subtotal - 21 countries	112,791.3	4.6%	278,249	3.7%	1,405	2.5%
Total	112,791.3	4.5%	278,249	3.6%	1,405	2.5%

Table 6
Brazilian share in global greenfield investments and jobs announced by the European Union between 2006 and 2015

Source: FDI Markets

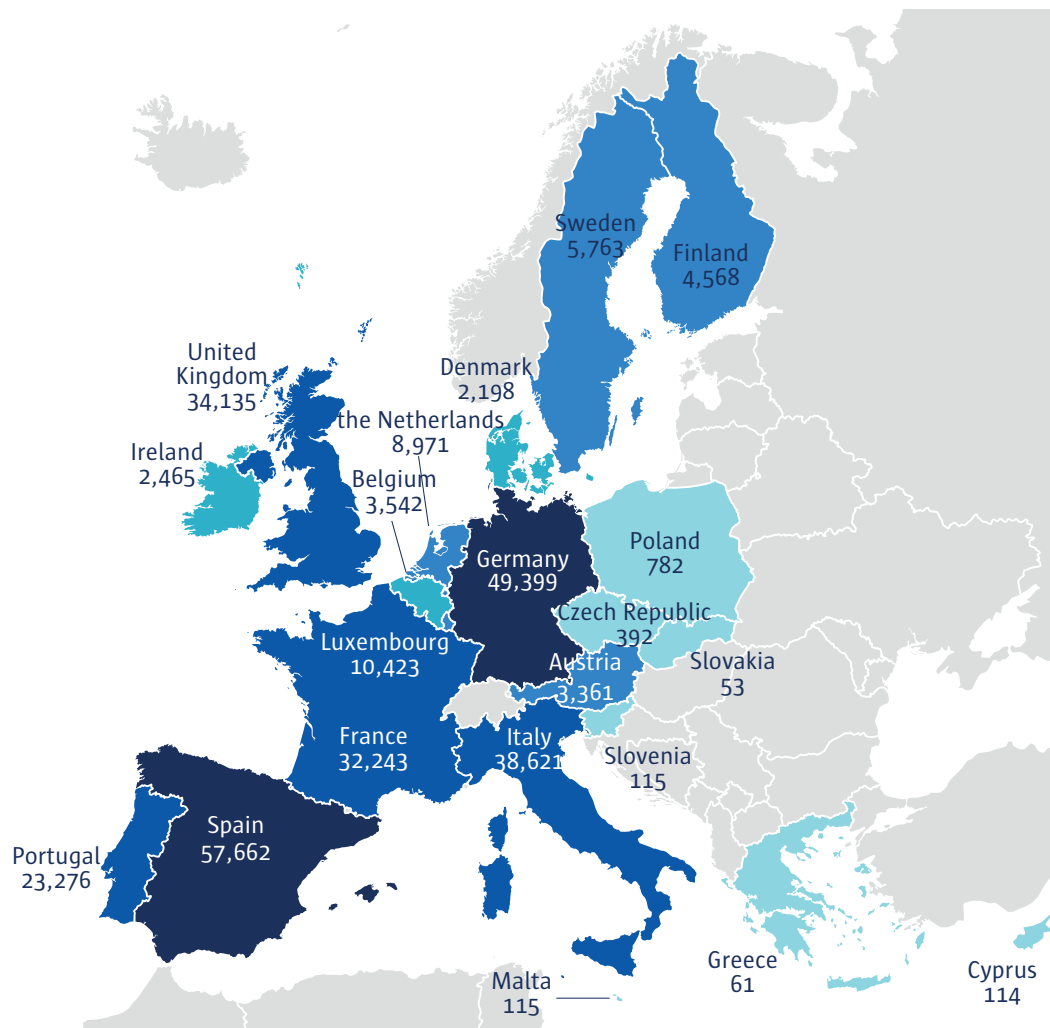
Note¹: Considering the 21 EU countries that announced investments in Brazil between 2006 and 2015

It is worth mentioning that from 2006 to 2015 Brazil was the fifth largest destination of EU greenfield investments in terms of value of the projects, despite being only tenth in number of announced projects. In terms of job creation, Brazil was the eighth largest destination in total, and the fourth among extra-EU countries. This shows that Brazilian relevance for EU countries greenfield investments globally.

Regarding the information on investments and jobs announced by EU countries between 2006 and 2015 in Brazil and worldwide, Table 6 shows Brazil's importance to each of these countries separately.

Portugal ranked only eighth in value of announced investments in Brazil by EU members between 2006 and 2015, but Brazil is the most important investment destination of that country, concentrating 12.6% of global investment announced by Portugal over the period. Brazil has an even greater share of estimated jobs generated by investments announced by Portugal, concentrating more than a quarter of the total.

Italy comes next, with 11.3% of its announced investments destined for Brazil. In the case of Italy, as well as the average of the 21 European Union countries that announced investments in Brazil between 2006 and 2015, Brazil's share is higher in value of announced investments than in job creation.



Map 2
Productive FDI
Announced by the
European Union in
Brazil by Origin: Number
of Jobs 2006-2015
(accumulated)

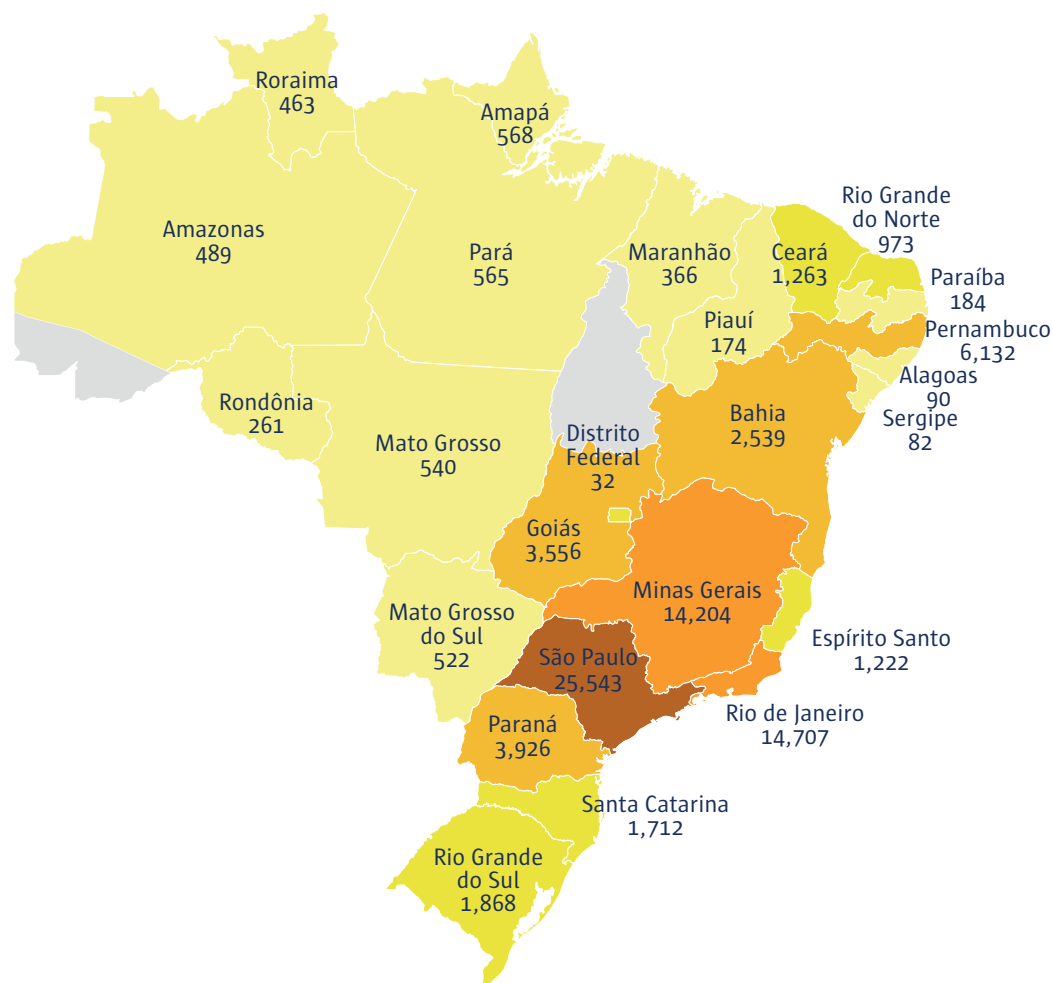
Source: FDI Markets

Analysing in Map 2 the geographical distribution of the origin of jobs generated by the European Union in Brazil, it can be observed that Spain and Germany lead the ranking, with approximately 50 thousand announced jobs each. These two countries plus Italy, the United Kingdom and France represented 76% of the estimated number of jobs generated by the European Union in Brazil.

Together, the three main sectors in job creation in these five countries coincide with those that accounted for most of the investments announced by the European Union in Brazil: “Automotive OEM”, “Metals” and “Communications” account for 39% of jobs announced by those countries. Individually, there are important distinctions in the case of Spain, France and Italy. The sector that most accounted for job creation by Spanish investments was “Professional services” – ranked only seventh in terms of the value of the investments announced by the country in Brazil. In the case of France, “Alternative/renewable energy,” the leading sector in investments announced by the country in Brazil, was only seventh in job creation, led by “Automotive OEM”. Among Italian investments, the second sector in estimated jobs is “Industrial Machinery, Equipment & Tools”, fourth in investment value announced by Italy in Brazil.

1.4.5 Brazilian States of Destination

The following maps feature European Union investments and jobs announced in Brazil by state of destination between 2006 and 2015. It is important to note that many investment projects announced do not specify the state of destination. Such projects amount EUR 30.8 billion – more than the amount allocated to any particular state, or 27.3% of the total. With regard to jobs, 48,800 are unspecified, or 17.5% of the total – fewer only than the number of jobs announced for the state of São Paulo.

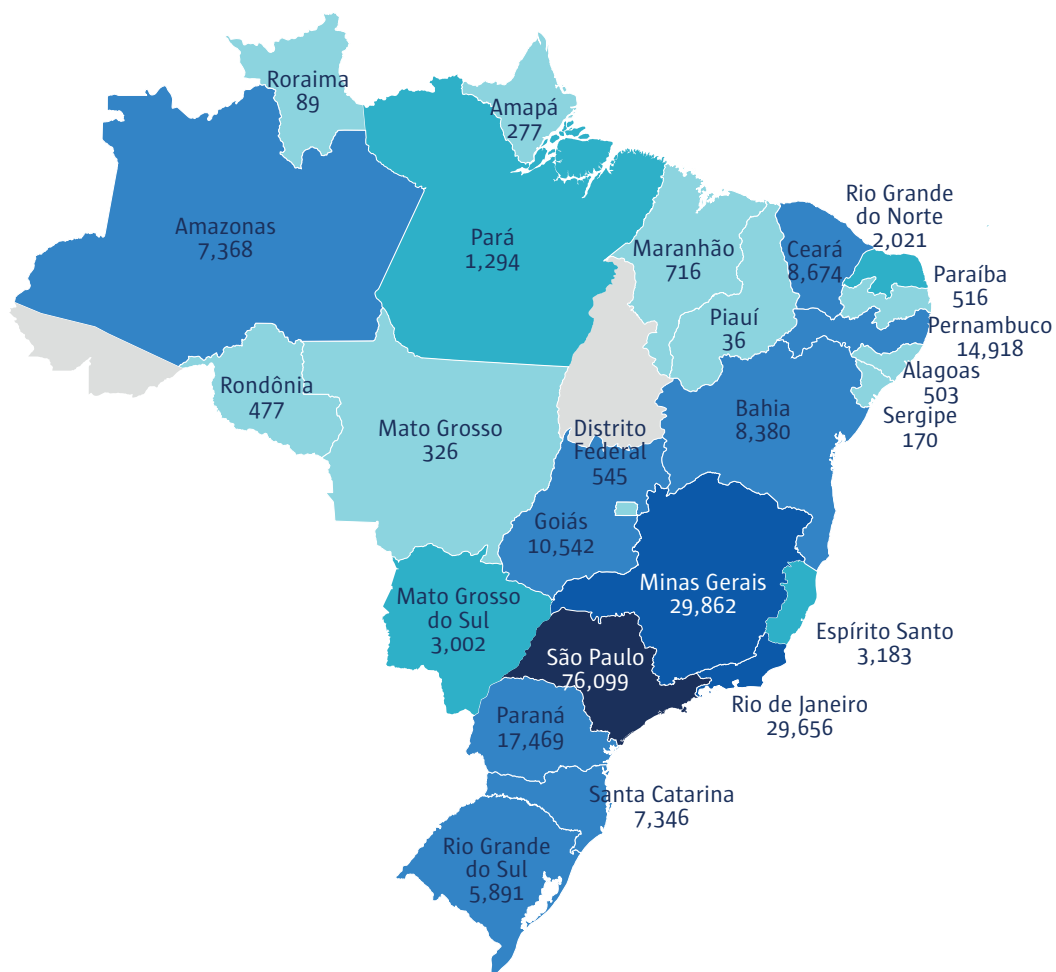


Map 3
Greenfield FDI
Announced by the
European Union in Brazil
by Destination: Value
(EUR million) 2006-2015
(accumulated)

Source: FDI Markets

Over the survey period, no investment was announced by any member of the European Union in the states of Tocantins and Acre, both in the North region. The state of São Paulo was the main destination of greenfield investments announced by the European Union in Brazil, concentrating 22.3% of the total announced for the country. Half of announced investments (49.4%) were concentrated in the Southeast region alone (São Paulo, Minas Gerais, Rio de Janeiro and Espírito Santo).

The highlight in the Northeast region is the state of Pernambuco, which received EUR 6.1 billion in announced investments, mainly related to the installation of a new production plant of the Italian automaker Fiat in Brazil, in 2010 and 2012, totalling EUR 4.2 billion. These projects also largely accounted for the high number of jobs announced in the state: of the 13,974 recorded jobs, 8,000 were created by Fiat.



Map 4
Productive FDI
Announced by the
European Union in Brazil
by Destination: Number
of Jobs 2006-2015
(accumulated)

Source: FDI Markets

The state of São Paulo was also the main destination of EU announced jobs in Brazil from 2006 to 2015, totalling 76,100 openings, which accounted for 27.3% of the country's total. In line with announced investments, the states of the Southeast region also concentrated half (49.9%) of estimated jobs generated by European Union investments in Brazil. A further 13% of estimated jobs went to states in the Northeast region (which includes states between Maranhão and Bahia), especially Pernambuco; and 11% was destined to states in the South region (Paraná, Santa Catarina and Rio Grande do Sul), particularly Paraná.

1.5 MERGERS AND ACQUISITIONS

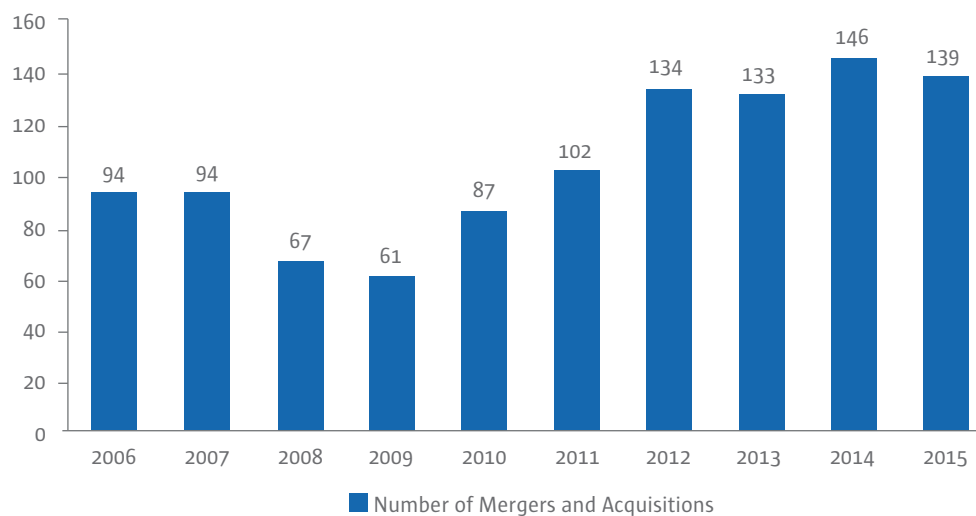


Chart 9
Evolution of mergers and acquisitions involving inflow of European Union capital in Brazil (2006-2015)

Source: Relatório de Fusões e Aquisições – KPMG

Graph 9 features the number of mergers and acquisitions¹¹ involving the acquisition of Brazilian assets by European Union capital. A clear growth trend is noticed in this type of operation as of 2009, related to the greater attractiveness and lower price of Brazilian assets from the viewpoint of foreign companies. This was due to changes in the macroeconomic scenario, especially the intensified devaluation of the Brazilian real as of 2012 and growth reduction as of 2014, culminating in the 3.8% GDP drop in 2015. For the purposes of comparison, between 2006 and 2011 the average number of transactions involving European Union capital inflow in Brazil was 81.1 per year; between 2012 and 2015 the average rose to 138 transactions per year.

¹¹ Mergers and Acquisitions are relevant to this study both from the microeconomic (e.g. company) point of view and from the macroeconomic (e.g. sector) point of view. Among the main benefits of such cross-border operations are: a) generation of value for companies involved; b) increase in cost efficiency; c) increase of market share of some participants; d) tax benefits; e) productivity gains derived from know-how intrinsic to each organization involved in the process; f) innovation favoring productive processes and goods and services offered (Source: FINANCE - MAPS OF WORLD). Therefore, analysis of the dynamics of Mergers and Acquisitions between Brazil and the European Union (EU) is an important indicator of the willingness of both regions to mutually exploit the domestic market so that the benefits listed above are enjoyed by both.

Country	Number of Deals	Share of EU Deals
France	239	22.61%
United Kingdom	207	19.58%
Germany	184	17.41%
Spain	99	9.37%
Italy	87	8.23%
the Netherlands	71	6.72%
Portugal	49	4.64%
Belgium	25	2.37%
Sweden	25	2.37%
Ireland	17	1.61%
Finland	14	1.32%
Austria	13	1.23%
Denmark	10	0.95%
Luxembourg	8	0.76%
Cyprus	4	0.38%
Poland	2	0.19%
Slovakia	1	0.09%
Estonia	1	0.09%
Latvia	1	0.09%
Total	1.057	100%

Table 7
Mergers and acquisitions involving inflow of European Union capital in Brazil by country (2006-2015)

Source: Relatório de Fusões e Aquisições – KPMG

Still regarding Mergers and Acquisitions involving European Union capital, Table 7¹² shows that the countries with the highest number of operations integrating companies into the Brazilian market were France (239), the United Kingdom (207) and Germany (184). In all, operations involving companies from those three countries accounted for 59.6% of total transactions with EU companies between 2006 and 2015.

The dominance of those three countries was not only due to their economic strength compared to other European nations, but also due to the concentration of their companies in sectors that are characterized by internationalization through purchase of participation and not via greenfield projects in countries of destination.

This line of reasoning applies especially to French companies in sectors such as retail and pharmaceuticals, which are among the most prominent in internationalization through mergers and acquisitions in markets of interest. For more information on this point see Annex I.

¹² The following EU countries had no companies interested in Mergers and Acquisitions with Brazilian companies: Bulgaria; Croatia; Slovakia; Slovenia; Greece; Hungary; Lithuania; Malta; Czech Republic; and Romania.

1.6 CASES OF EUROPEAN UNION COMPANIES IN BRASIL

SAP

SAP Labs Latin America	
Sector	Information Technology
Initial year of operation in Brazil	2006
Presence in Brazil	São Leopoldo - RS

• The Company

In addition to its subsidiary in São Paulo, in Brazil SAP also owns SAP Labs Latin America, one of the company's fifteen laboratories worldwide. The businesses comprise together around 1,600 employees (1,003 at SAP Brazil and 667 at SAP Labs) and are market leaders in software for business applications.

SAP Labs Latin America focuses on developing applications and support services for the Americas. It is located in São Leopoldo, in the state of Rio Grande do Sul, inside the technology park linked to the Unisinos University campus, and it has been in operation since 2006.

The laboratory is the first and only SAP center in Latin America and one of the four R&D centers in Brazil. The advantages of SAP Labs Latin America, among others, are its proximity to growing markets in South America and its operation in US time zones.

In 2015, SAP Labs Latin America received the award for best company to work in IT in Brazil, in a ranking prepared by the magazine *Você S/A*, of Editora Abril.

- **The Sector**

SAP Labs Latin America is part of the Information Technology sector, which ranks 7th worldwide according to a 2014 survey by the Brazilian Association of Software Companies (ABES Software), with US\$ 60 billion worth of investments in Brazil.

In Latin America, Brazil ranks first in investments in the IT sector, with 46% of the market, which totalled US\$ 128 billion worth of turnover in 2014.¹³

- **History of relations with Brazil**

SAP Labs Latin America has been operating in Brazil since 2006 and has grown steadily since then. In that year, the company had fewer than 50 employees and work was restricted to Core Services. Today, SAP Labs Latin America has over 15 lines of business, including research, development and solution support, and has 667 employees.

- **Investment decision**

Approximately R\$ 100 million were invested to build the laboratory, and the decision to bring it to Brazil was based on growth prospects. The area was donated by Unisinos – which helped reduce operating costs – and the location facilitated the provision of support to other SAP units in the Americas. Being in a technology hub, close to partners and customers, was a decisive factor.

Since its inauguration, SAP Labs has had a highly skilled local workforce. For example, all staff members speak fluent English and most of them also speak Spanish, German, French or Italian. In addition, 1/3 of employees work on research and development.

¹³ Source: ABES Software: <http://www.abessoftware.com.br/dados-do-setor/dados-2014>

- **Implementation of business plan**

SAP Labs Latin America operations comprise the areas of Financial Services, Localization, HR and Payroll, Internet of Things, Cloud Storage and Agribusiness.

SAP Labs has more than 1,200 partners across Latin America.

- **Opportunities**

Latin America is a region of great importance for the growth of SAP. The consistent expansion of SAP Labs Latin America enhances support provided to customers seeking innovation and efficient management to gain competitiveness. In addition, SAP Labs opens up opportunities for local talent and develops specific solutions that cater to local customers.

SAFRAN OPTOVAC

SAFRAN OPTOVAC	
Sector	Aerospace, defence and security
Initial year of operation in Brazil	2001
Presence in Brazil	São Paulo and Rio de Janeiro states

• The Company

Safran is an international group specialized in high technology, operating in aerospace, defence and security.

In 2014 the group's revenue was EUR 15.3 billion, with a turnover of EUR 1.22 billion. At that time the company had around 7,600 employees in Europe, Asia and the Pacific, and North and South America. The workforce is distributed among the group's three areas of operation: aviation and space, defence and security.

• Presence in Brazil

The company has been operating in Brazil for 16 years, enjoying continuous growth. It currently has over 1,000 employees and global revenues of R\$ 1.2 billion. The first two subsidiaries installed in Brazil were TURBOMECA do Brasil, in the state of Rio de Janeiro, and MORPHO do Brasil, in the state of São Paulo. Two companies belonging to the Safran group, Optovac and Safran Aeronáutica, have recently inaugurated a new plant in São José dos Campos, in the state of São Paulo.

Optovac was Safran's first acquisition in Brazil in 2012, aiming to expand the development of new technologies and exploit the Brazilian company's capacity in optical electronic equipment for defence, public security and industrial use. The new Optovac plant in São José dos Campos was installed at the UNIVAP Technology Center.

Capital investment by SAGEM (Grupo Safran) allowed Optovac to increase its industrial capacity to produce a helicopter autopilot, a technology used by Helibrás helicopters, which added unprecedented technology to the production line in Brazil.

- **Investment decision**

The company analysed the Brazilian defence and security market before expanding in the country. In this sense, it identified opportunities in government contracts with the Brazilian Armed Forces and federal and state polices. A further important factor in investment decision was related to official innovation incentive programs that enabled OPTOVAC to partner with the Brazilian Navy and the University of São Paulo (USP) to raise funds for the development of new products through the Inova Aerodefesa Joint Support Plan (Inova Aerodefesa, a FINEP initiative).

OPTOVAC is currently recognized in Brazil for its technology and expertise, especially by the Armed Forces. However, cuts in public defence budgets have led the company to target other sectors. This has led to major investment in innovation for the development of new products that meet the needs of states and municipalities in the area of public security.

2. BRAZILIAN FOREIGN DIRECT INVESTMENT IN THE EUROPEAN UNION

2.1 INTERNATIONAL INVESTMENT POSITION

Country	Assets			Stock		
	Value (EUR million) 2015	Average Growth 2013-2015	Share in 2015	Value (EUR million) 2015	Average Growth 2013-2015	Share in 2015
Brazil	156,464	11.8%	68.0%	127,425	12.4%	68.5%
Mexico	43,656	18.2%	19.0%	36,527	20.3%	19.6%
Argentina	2,518	13.7%	1.1%	1,784	7.8%	1.0%
Venezuela	2,176	-33.7%	0.9%	1,724	-35.7%	0.9%
Chile	2,158	-6.1%	0.9%	280	-46.9%	0.2%
Latin America ¹	230,061		100%	186,224	12.5%	100%

Table 8
International Investment Position of Latin America in the European Union: Main Destinations (Ranked by stock value in 2015)

Source: Eurostat

¹ Data of assets from Latin America were only released from 2015, hindering calculation of growth

According to Eurostat data, worldwide investment stock in the EU reached EUR 5.8 trillion in 2015, or EUR 6.7 trillion in assets. Most of this stock comes from the United States of America, which had a stock of EUR 2.5 trillion in 2015, equal to 41.7% of the total invested by the world in the EU. Latin America is the origin of 3.2% of direct investments in the European Union, with a stock of EUR 186.2 billion and assets of EUR 230 billion.

Among Latin American countries, Brazil is the largest origin of FDI assets in the European Union. By 2015, its assets reached EUR 156.4 billion, growing 11.8% on average over the period starting in 2013 and reaching 2.3% of worldwide total assets in the EU. Brazilian FDI assets in the European Union are 3.5 times higher than the sum of the other economies analysed. Even Mexico, which is the second largest economy in the region and has experienced above-average growth in recent years, has assets in the European Union that are four times smaller than those of Brazilian companies in the trade bloc.

In addition to the differences in market size of these economies, a relevant factor for this variation in FDI assets in European territory is the sheer robustness of the companies of each Latin American country. According to the FT Global 500 for 2015, published by the Financial Times, Brazil has six companies among the 500 largest in the world in market value. Mexico has only three and the other countries selected have none.

Although Mexico was the country with the highest growth of FDI assets in the European Union, 18.2%, its positive variation was EUR 12 billion. In the case of Brazil, growth was slightly lower, but the positive variation in assets was around EUR 30 billion.

Between 2013 and 2015, Venezuela and Chile had an average drop in assets of 33.7% and 6.1%, respectively. Argentina recorded a 13.7% increase in FDI assets in the European Union, reaching EUR 2.5 billion.

Brazil has the 5th largest investment stock in the EU¹⁴, totalling EUR 127.4 billion, which corresponds to 2.2% of worldwide stock. The average growth of Brazilian FDI stock in the EU (12.4%) was practically the same as that of Latin America (12.5%) between 2013 and 2015. An increase is noted in the stock of most selected countries, due mainly to the growth in assets, as in the case of Mexico and Argentina. In the case of Chile, there was an increase in liabilities that surpassed asset growth.¹⁵ Venezuela, in turn, which experienced an economic recession over the same period, also had a substantial fall, in both liabilities and assets. Mexico was the country with the largest stock increase in European countries (20.3%), rising from EUR 23 billion to EUR 28 billion.

¹⁴ In 2015, British overseas territories such as Bermuda, Cayman Islands, Jersey and Gibraltar surpassed Brazil in FDI stock in the EU. These territories, however, are considered offshore financial centers, i.e., the jurisdiction provides financial services to non-residents on a scale that is incompatible with the size and financing of their domestic economy.

¹⁵ FDI stock (or equity) corresponds to the difference between FDI assets and liabilities of foreign companies in a given economy. Therefore, when the assets of these companies in a given country increase, but their stock decreases, that means that the increase in the liabilities of these companies to third parties has surpassed the growth of their assets.

However, in absolute terms, Brazilian FDI stock had the largest positive variation. Equity of Brazilian companies in the European Union increased by EUR 26 billion. This confirms the greater prominence of Brazilian companies compared to the other Latin American economies.

Country	Assets			Stock		
	Value (EUR million) 2015	Average Growth 2013-2015	Share in 2015	Value (EUR million) 2015	Average Growth 2013-2015	Share in 2015
Brazil	156,464	9.4%	35.7%	127,584	12.3%	38.4%
China ¹	132,281	13.2%	30.2%	115,281	11.1%	34.8%
Russia	116,067	1.3%	26.5%	60,888	7.6%	18.4%
India	18,174	40.1%	4.1%	15,919	52.7%	4.8%
South Africa	15,732	33.2%	3.6%	12,008	39.0%	3.6%
BRICS Total	438,717	8.4%	100.0%	331,521	12.9%	100%

Table 9
International Investment
Position of BRICS Countries
in the European Union
(Ranked by stock value in
2015)

Source: Eurostat

Note: ¹ Including Hong Kong

Brazil also stands out when compared to the BRICS economies, presenting the largest FDI assets and stock in the European Union and even surpassing Chinese investments for the period. For purposes of comparison, in 2015 its FDI stock in the European Union were 18.2% larger than China's, 134% larger than Russia's, 860% larger than India's and 994% larger than South Africa's. This shows the great difference in economic presence in the EU of Brazilian companies compared to those of the other countries.

China had an average growth in FDI assets in the European Union close to Brazil's between 2013 and 2015. However, China's assets surpassed those of Russia, which in 2014 had the highest asset value (EUR 123 billion) among BRICS countries in the European Union. Chinese asset values rose from EUR 103 billion in 2013 to EUR 132 billion in 2015, a positive variation of EUR 29 billion over the period. Its FDI stock also evolved, from EUR 93 billion to EUR 115 billion, with an 11.1% growth and a positive variation of EUR 22 billion.

Russia, which as mentioned earlier has faced economic sanctions since 2014, showed near-stagnation in asset growth in the EU. Between 2014 and 2015, it was the only country with a decrease in asset value among the BRICS countries (-6%), reaching EUR 116 billion in 2015. Although Russian FDI stock grew 7.6% on average between 2013 and 2015, below the rate of the other BRICS members, the fall in asset and liability values is likely to result in a reduction of this stock in the EU in coming years.

Following the pattern of European investments in these countries, both India and South Africa have a lower level of investment assets and stock in the EU compared to Brazil, Russia and China. However, it is important to note that the value of Indian assets in the EU doubled between 2013 and 2015, rising from EUR 9 billion to EUR 18 billion, which led the country to surpass South Africa in both assets and stock, which increased from EUR 6 billion in 2013 to EUR 16 billion in 2015. Indian companies have been prominent in large transactions involving the purchase of European companies, such as the acquisition of British Jaguar Land Rover by Tata Motors, but the country's FDI stock is still low compared to the other BRICS countries.

The value of South Africa's assets in the EU experienced significant growth between 2013 and 2014 – around 76.4% – but has remained virtually stagnant in recent years, resulting in an average growth of 33.2% between 2013 and 2015. From 2014 to 2015, growth of South African assets in the EU was only 0.5%, the lowest among BRICS countries. Growth in FDI stock was very similar, from EUR 11.4 billion in 2014 to EUR 12 billion in 2015.

Country	Assets			Stock		
	Value (EUR million) 2015	Average Growth 2013-2015	Share in 2015	Value (EUR million) 2015	Average Growth 2013-2015	Share in 2015
the Netherlands	61,992.0	48.6%	39.6%	58,753.0	12.9%	46.1%
Spain	9,064.0	0.4%	5.8%	6,127.0	-3.6%	4.8%
Belgium	(cd)			2,579.0	14.7%	2.0%
Portugal	2,521.0	18.7%	1.6%	2,419.0	-15.1%	1.9%
Hungary	2,393.0	-4.3%	1.5%	1,410.5	6.0%	1.1%
Italy	435.3	7.0%	0.3%	274.4	3.0%	0.2%
United Kingdom	(cd)			39.1	-12.5%	0.0%
Denmark	61.9	67.7%	0.0%	36.4	0.7%	0.0%
Slovakia ¹	12.1		0.0%	6.9	-11.5%	0.0%
Slovenia	1.7	30.4%	0.0%	1.6	-5.6%	0.0%
Other (non-confidential) ²	1,363.9			-609.0		
Subtotal (non-confidential)	77,844.9	7.2%	85.9%	71,037.9	7.1%	55.7%
Other (confidential) ³	78,619.1	22.9%	50.2%	56,387.3	20.6%	44.3%
European Union (28)	156,464	9.1%	100%	127,425.2	8.7%	100%

Table 10
International Investment Position of Brazil in the European Union by Destination (Ranked by stock value in 2015)

Source: Eurostat

Note: (cd) means unreleased data for confidentiality reasons.

¹ Data for Slovakia were only released as of 2014, hindering calculation of average growth.

² Other countries with released stock data: Germany, Bulgaria, Cyprus, Croatia, France, Greece, Ireland, Lithuania, Poland and the Czech Republic.

³ Other countries with confidential stock data: Austria, Estonia, Finland, Latvia, Luxembourg, Malta, Romania and Sweden.

Table 10 features the breakdown of Brazilian direct investment in the European Union in 2015 by destination. It is noted that a little over half of Brazilian assets and stock in the trade bloc are under confidentiality according to Eurostat parameters. Among destinations with released Brazilian FDI data, the largest share of Brazilian assets were in the Netherlands, reaching EUR 61 billion and growing 48.6% on average compared to 2013. As previously mentioned, because it is a financial hub with fiscal competitiveness for investments, the Dutch economy ends up concentrating a considerable amount of FDI in the bloc. In 2015, it had 39.6% of Brazilian FDI assets in the EU.

However, data published by the census of Brazilian capital abroad of the Central Bank of Brazil reveals that Austria, whose data in the European statistical center are under confidentiality, plays a relevant role in Brazilian FDI stock in the EU, slightly ahead of the Netherlands as destination. Disregarding the offshore financial centers, the country has the largest Brazilian FDI stock in the world, concentrating 14.4% of the total. The Netherlands comes close behind, with 13.5% of FDI stock as measured by BACEN.

Among countries with no confidentiality restrictions, Spain was the second destination for Brazilian FDI assets in the European Union. In 2015, following a fall in the previous year, the value of assets resumed a growth trend, reaching EUR 9 billion, a 10% increase compared to 2014. As a result, its share of total Brazilian FDI assets in the region remained at about 6%, similar to the previous year.

Although Portugal showed a high average growth between 2013 and 2015, ranking third as destination for Brazilian FDI in the European Union among countries with available data, Brazilian FDI assets in Portugal decreased in value from 2014 to 2015. Over this period, the value of those assets fell from EUR 3.4 billion to EUR 2.5 billion. However, the value of liabilities did not fall at the same rate, which caused Brazilian FDI stock in the country to decline from EUR 3.2 billion to EUR 2.4 billion between 2014 and 2015, a 26.2% drop.

It is also worth noting that Hungary was the fourth destination in the trade bloc for Brazilian FDI assets and the fifth for Brazilian FDI stock. In 2015, assets and stock reached EUR 2.3 billion and EUR 1.4 billion, down 17.2% and up 81.3%, respectively, compared to 2014. This difference in performance between assets and stock is mainly due to a peak in Brazilian liabilities with the country in 2014, with the value reaching EUR 2.1 billion.

Brazilian FDI stock is negative in some countries, such as France, Germany, Ireland, Poland and the Czech Republic. This indicates that these economies are heavily used for access to more competitive financing through their subsidiaries, given the difference in term structure of interest rates compared to the Brazilian economy.

Regarding European Union member countries with confidentiality restrictions on FDI data of Brazilian companies, between 2013 and 2015 an average growth of 22.9% is observed in FDI assets, which reached EUR 78 billion, and of 20.6% in FDI stock, which reached EUR 56 billion.

Sector	Brazil FDI Stock in the EU in 2014 (EUR million)	Sector Share of Brazil FDI Stock in the EU	Brazilian share of sector FDI stock in Extra-EU countries
Financial and insurance activities	91,269.3	76.8%	2.6%
Professional, scientific and technical activities	23,969.5	20.2%	11.3%
Manufacture of basic metals and fabricated metal products, except machinery and equipment	3,621.2	3.0%	17.6%
Total	118,860.0	100.0%	1.0%

Table 11
International Investment Position of Brazil in the European Union by Economic Sector (Ranked by stock value in 2014)

Source: Eurostat

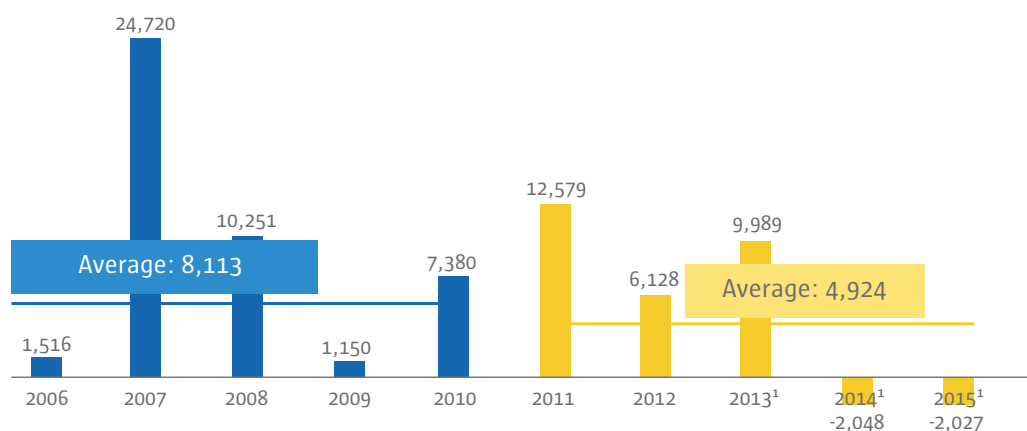
According to Eurostat data, most of Brazilian direct investment in the European Union is concentrated in services, whose stock reached EUR 112.2 billion in 2014 and concentrates 96% of total Brazilian FDI stock in the EU. In this sector, “financial and insurance activities” is the most significant, accounting for almost 80% of total stock, or EUR 91.2 billion. Although Brazil’s share is low (2.6%) compared to extra-EU investments in the sector, most of that stock has the participation of offshore financial centers that provide investment services to non-residents. When considering only resident investments, Brazil is the fourth largest origin of FDI stock among extra-EU countries in the financial and insurance services sector.

The sector of “professional, scientific and technical activities”, which in Brazil’s case mainly comprises activities of head offices and management consultancy activities, is the second largest among Brazilian FDI stock in the EU, with 20.8% of the total, or EUR 23.9 billion. Brazil plays a particularly important role in this sector, accounting for 11.3% of the stock of extra-EU countries, being therefore the third largest origin of investment (once again disregarding offshore financial centers).

Regarding manufacturing activities, the share of this sector in Brazilian FDI stock is low compared to the rest, amounting to EUR 3.6 billion, or 3.1% of the total. Most of this stock is concentrated in “Manufacture of basic metals and fabricated metal products, except machinery and equipment” an activity in which Brazil stands out when compared to the rest of the world, accounting for 17.6% of extra-EU stock and being also the third largest investor.

2.2 FOREIGN DIRECT INVESTMENT FLOWS

Chart 10
Brazilian FDI flows to the European Union (EUR million)



Source: Eurostat

Notes: ¹ Between 2005 and 2012, FDI flows are measured according to the IMF BPM5 methodology. As of 2013, measurements follow the BPM6 methodology

Between 2005 and 2015, FDI flows from Brazil to the European Union showed ups and downs, with values fluctuating positively until 2014, when flows started being negative. Average Brazilian investment in the trade bloc was higher in the first half of the analysed decade (2005-2009), reaching EUR 8.1 billion. Between 2010 and 2015, mainly due to the negative performance in the last two years, there was a decrease in average FDI values, which reached EUR 5.3 billion.

One of the relevant factors for the significant difference between the first and second halves of the decade was the initial appreciation trend of the real against other currencies, due to two aspects that reinforced the inflow of dollars to the Brazilian market and strengthened the Brazilian currency, especially between 2007 and 2008: the commodity boom and the higher Brazilian interest rate compared to the international rate, which attracted portfolio investments to the Brazilian market based on arbitrage investing. However, as of 2014, the reverse trend was observed, with the real devaluing against other currencies, mainly due to the slow growth of the Brazilian economy.

2.3 FOREIGN DIRECT INVESTMENT INCOME

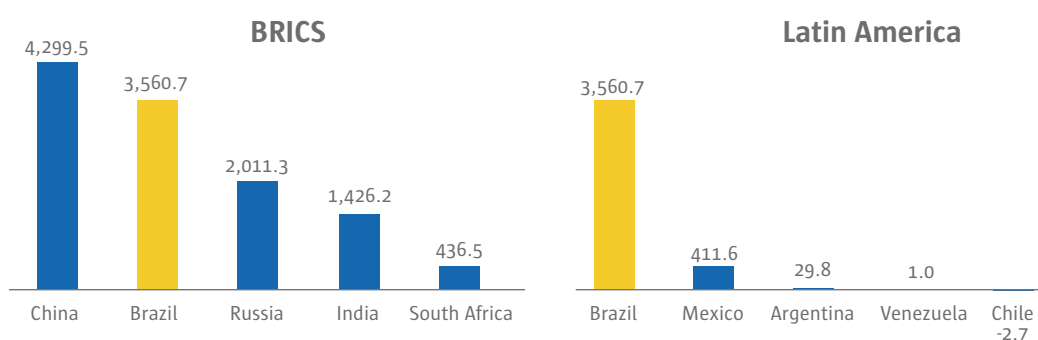


Chart 11
FDI net income in the European Union by Selected Origin: 2015 (EUR million)

Source: Eurostat
Note: ¹ Including Hong Kong

In 2015, FDI net income of Brazilian companies operating in European Union markets reached EUR 3.6 billion. When compared to the BRICS countries, Brazil ranked second in highest income from direct investment in the European market, more than doubling the value compared to 2014. Only China ranked ahead of Brazil, with FDI income of EUR 4.3 billion. Russia, most likely due to the effects of the sanctions and the devaluation of the ruble, had its income considerably reduced, from EUR 5.5 billion in 2014 to EUR 2 billion in 2015. India, which as shown previously presented a significant increase in assets and stock in the EU, also increased in income, from EUR 390 million to EUR 1.4 billion in 2015. Far below the four countries, South Africa totalled EUR 436.5 million in income, virtually stagnant over the period.

In the comparison with the main economies of Latin America, FDI net income of Brazilian companies in the European Union is considerably higher. Companies from Mexico, which ranked second, reached only 12% of the value of Brazilian companies, with EUR 411.6 million. Argentina had the third highest net income, with EUR 29.8 million. Only Chile had a negative FDI net income, of EUR 2.7 million.

2.4 GREENFIELD FOREIGN DIRECT INVESTMENT PROJECTS

Over in the period 2006 - 2015, Brazilian companies announced 115 greenfield investment projects in the European Union, totalling EUR 2.1 billion distributed among 15 countries of the trade bloc. The estimated generation of jobs linked to these announced investments was 6,405 new openings. The evolution of productive investment announced by Brazil in the European Union¹⁶ between 2006 and 2015 shows a very inconsistent flow, with some peaks occurring in the years 2008, 2010 and 2014.

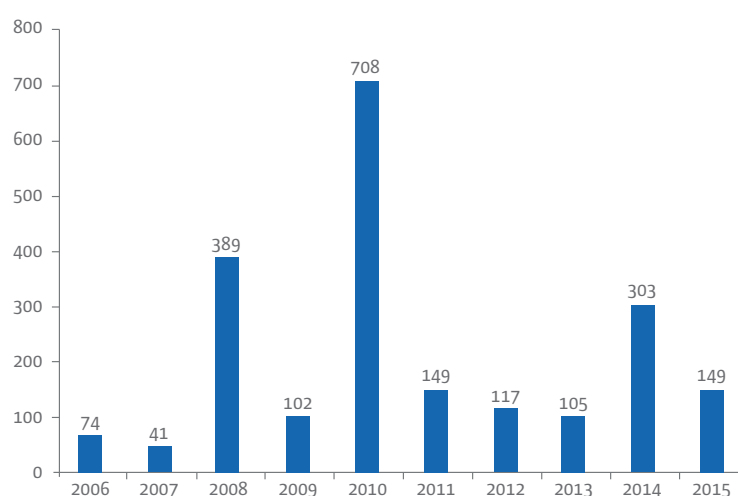


Chart 12
Evolution of Greenfield Investment Projects Announced by Brazil in the European Union between 2006 and 2015 (in EUR million)

Source: FDI Markets

In 2008, two large Embraer projects account for more than 60% of the value. The Brazilian aircraft company announced two projects in Portugal with aggregate worth of EUR 240.4 million.

In 2010, a Petrobras project in the sector of “alternative/renewable energy” in Portugal, worth EUR 463.6 million, and a project of the company InterAlli in the logistics sector in Belgium, worth EUR 85.6 million, accounted for about 80% of the total amount announced in that year.

Regarding 2014, three projects of the company Marfrig in the food manufacturing sector in different cities in the UK accounted for about 84% of the amount invested in that year, i.e., EUR 254 million.

¹⁶ Over the study period, Brazil announced investments in 15 of the 28 member countries of the European Union. Therefore, in this section the term “European Union” refers to that group of 15 countries: Germany, Austria, Belgium, Denmark, Spain, France, Hungary, Ireland, Italy, Luxembourg, the Netherlands, Portugal, the United Kingdom, Romania and Sweden.

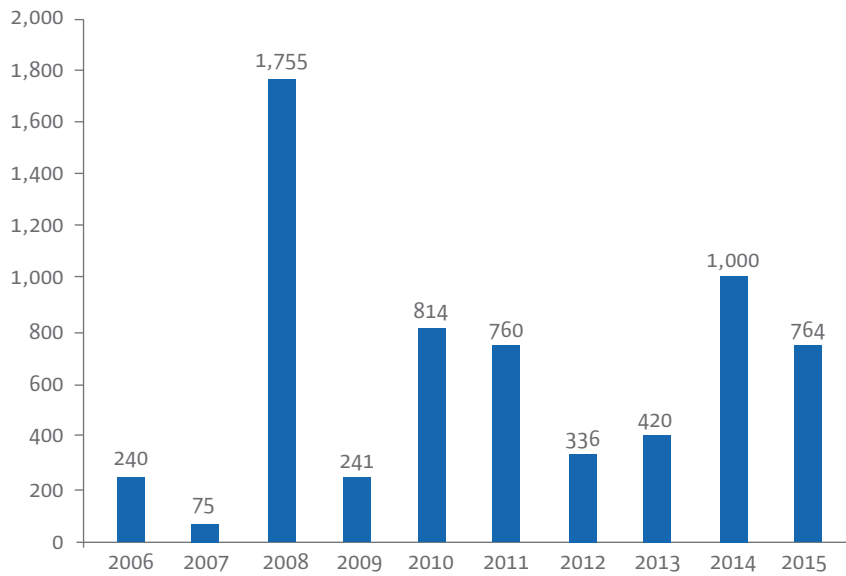


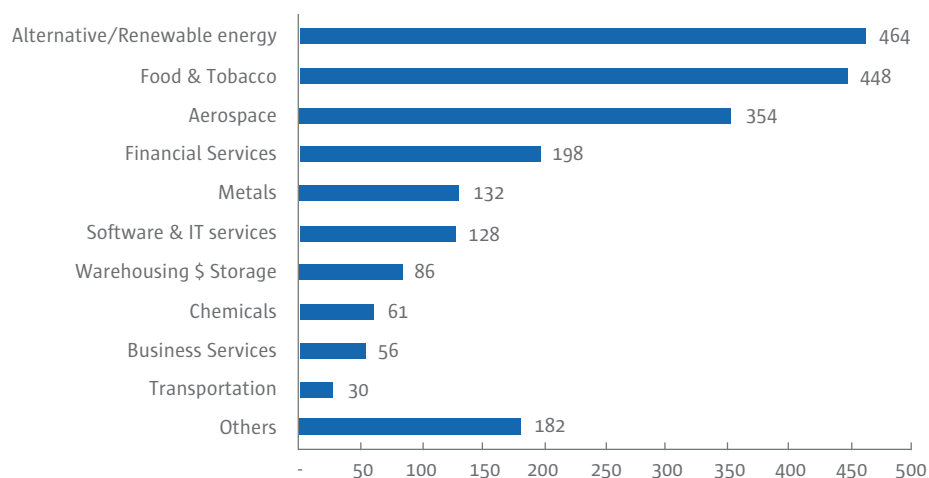
Chart 13
Evolution of Jobs
Announced by Brazil
in the European Union
between 2006 and 2015

Source: FDI Markets

The evolution of estimated jobs generated by investments announced by Brazil in the European Union in the period 2006-2015 follows a similar trend of the value of these investments, with peaks in the years 2008, 2010 and 2014. However, while the value of announced investments peaked in 2010, announced jobs reached the highest figure in 2008.

In 2008, a project in the “Chemicals” sector announced by the company Innova in Denmark accounted for about 33% of the total announced for that year, with 586 new jobs. Embraer’s two projects, in turn, already mentioned due to their relevance in the value of the announced investment, accounted for a further 40% of the total number of jobs, with 718 new openings announced.

2.4.1 Sectors

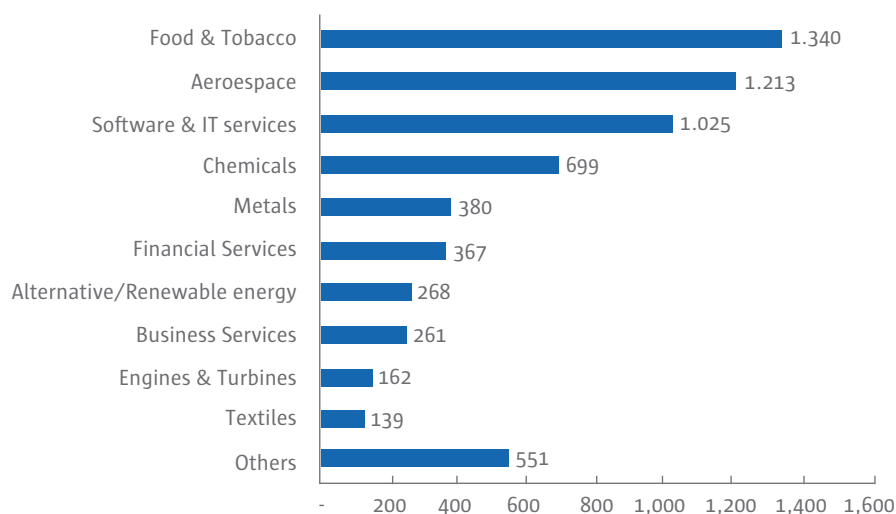


Source: FDI Markets

Chart 14

Sectors with Highest Greenfield Investment Value by Brazil in the European Union – Accumulated between 2006 and 2015 (in EUR million)

Investment projects announced by Brazil in the European Union are highly concentrated in terms of sectors, considering that the three main ones account for 59.1% of the total value: “Alternative or renewable energy,” “Food and tobacco” and “Aerospace.” The sector with the highest value in investment projects is “Alternative or renewable energy,” EUR 464 million. This figure concerns a single manufacturing project announced by Petrobras in Portugal in May 2010 in the biofuel subsector. “Food and tobacco” and “Aerospace,” with EUR 448 million and EUR 354 million worth of investments, respectively, are the second and third sectors with the highest value announced for the period.



Source: FDI Markets

Chart 15

Sectors with most Jobs Announced by Brazil in the European Union – Accumulated between 2006 and 2015

Regarding the sectors with the largest number of jobs announced by Brazil in the European Union, there is a lower concentration, with the three main sectors accounting for 55% of the total. It is worth noticing that the sector of “alternative and renewable energy”, which is admittedly more capital-intensive than labour-intensive, had the highest value of announced investments, but did not figure so prominently in number of announced jobs, ranking only seventh. In contrast, the software and IT services sector, which ranked sixth in value of announced investment projects, was third in announced jobs between 2006-2015.

“Food and tobacco” is the sector that most concentrated jobs announced by Brazil in the European Union, with 1,340 openings over the period 2006-2015. More than 86.7% of jobs in this sector are related to eight expansion projects of the company Marfrig in France and the United Kingdom between 2008 and 2015, which announced a total of 1,162 new jobs.

2.4.2 Activities

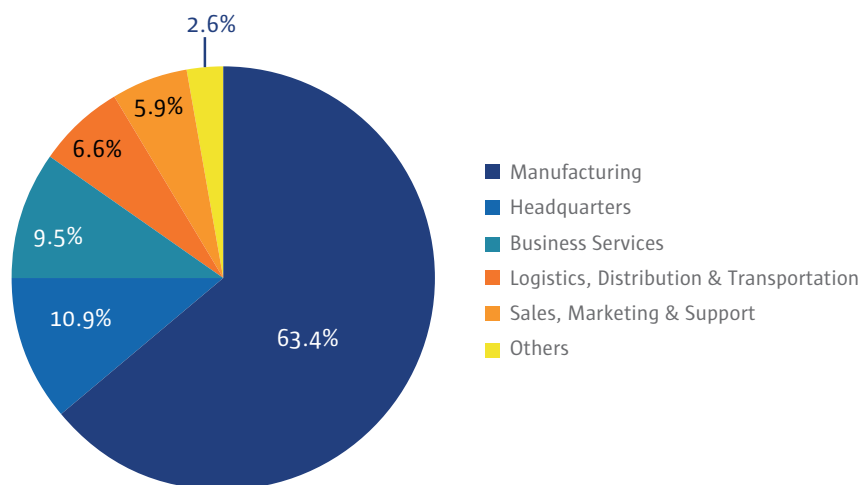


Chart 16
Breakdown by Activity of Greenfield Investment Projects Announced by Brazil in the European Union – Accumulated between 2006 – 2015

Source: FDI Markets

Investment projects announced by Brazil in the European Union are highly concentrated in terms of activity, with “Manufacturing” accounting for 63.4% of the aggregate value recorded over the period 2006-2015, i.e., EUR 1.3 billion. “Headquarters” is the second activity with the largest share in announced value, 10.9% or EUR 232 million.

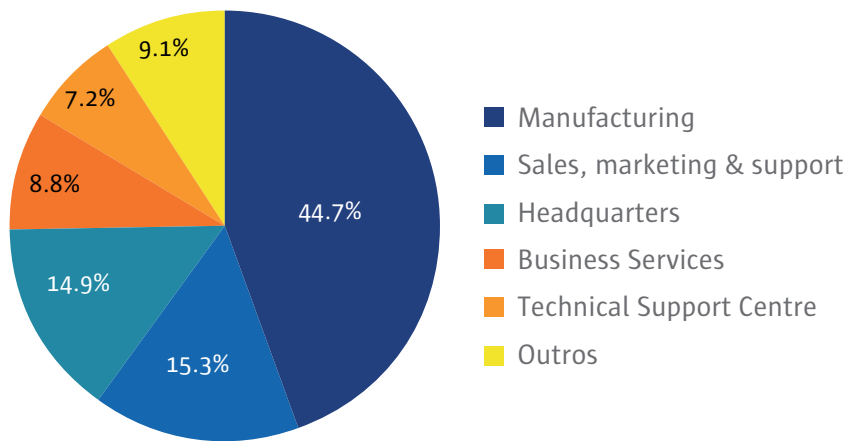


Chart 17
Breakdown by Activity of Jobs Announced by Brazil in the European Union – Accumulated between 2006 – 2015

Source: FDI Markets

Jobs announced by Brazil in the European Union between 2006-2015 are less concentrated in regards to its activities than announced investments. However, “Manufacturing” is still the main activity, generating 44.7% of jobs, with more than 2,800 openings. In second comes “Sales, Marketing & Support”, traditionally a more labour-intensive activity, which generated 982 jobs, 15.3% of the total.

2.4.3 Companies

Company	Sector	Greenfield Investment Value (EUR million)	Share (%)
Petrobras	Alternative/Renewable energy	483	22,6%
Marfrig	Food & Tobacco	385	18,0%
Embraer	Aerospace	354	16,6%
Gerdau	Metals	101	4,7%
InterAlli	Warehousing & Storage	86	4,0%
BRF Brasil Foods	Food & Tobacco	46	2,2%
Stefanini IT Solutions	Software & IT services	46	2,1%
Innova SA	Chemicals	44	2,0%
Vale	Metals	42	2,0%
BTG Pactual	Financial Services	40	1,9%
Banco Bradesco	Financial Services	30	1,4%
Odebrecht	Chemicals	29	1,3%
Borrachas Vipal	Rubber	26	1,2%
Lang Medical	Medical Devices	25	1,2%
Banco Maxima	Financial Services	24	1,1%
Other	-	378	17,7%
TOTAL		2.138	100%

Source: FDI Markets

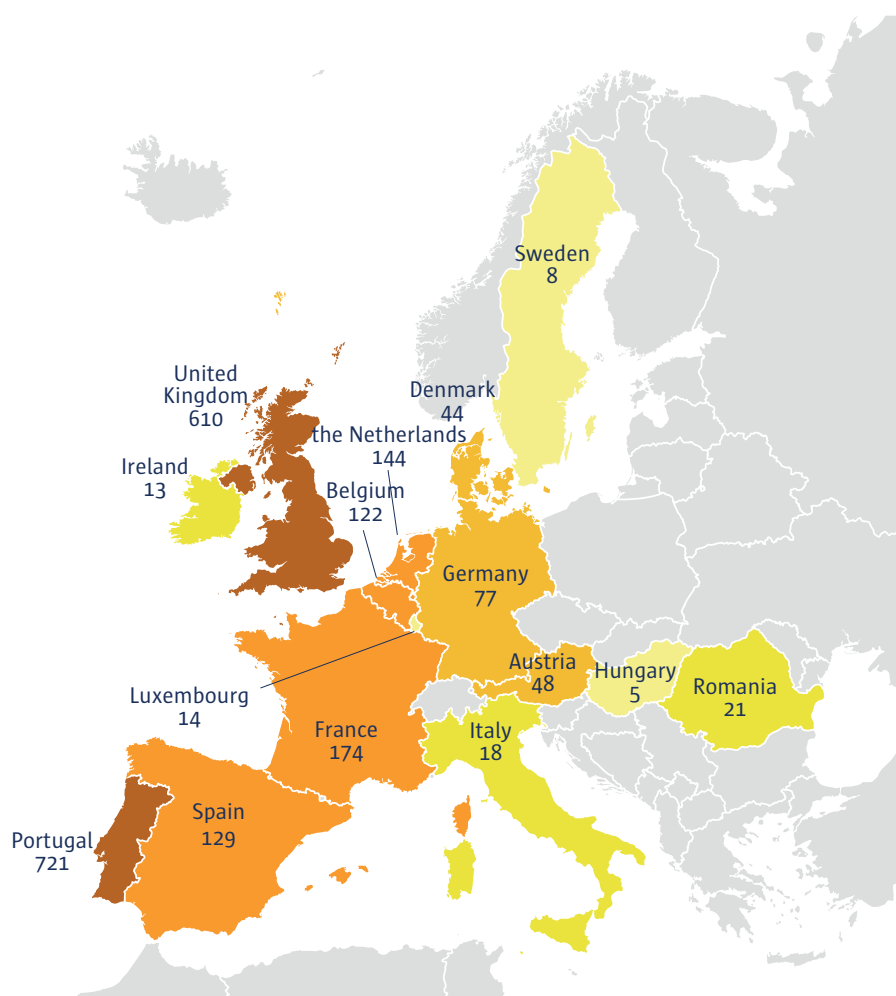
Chart 12

Greenfield FDI Projects Announced by Brazil in the European Union: 15 Top Companies by Value (Accumulated between 2006 and 2015)

Table 12 features the 15 Brazilian companies that most announced investments in the European Union between 2005 and 2015. Together they accounted for over 80% of the announced total. It is noteworthy that there is a great concentration in the first three companies, which announced investments exceeding EUR 1.2 billion, or more than half of the total invested by Brazil in the region.

The companies that most announced jobs were Marfrig, Embraer and Stefanini, with 2,993 openings, accounting for 46.7% of total jobs announced by Brazil in the European Union over the period.

2.4.4 Countries of Destination in the European Union



Map 5

Greenfield FDI Projects Announced by Brazil in the European Union by Destination: Value (EUR million) 2006-2015 (accumulated)

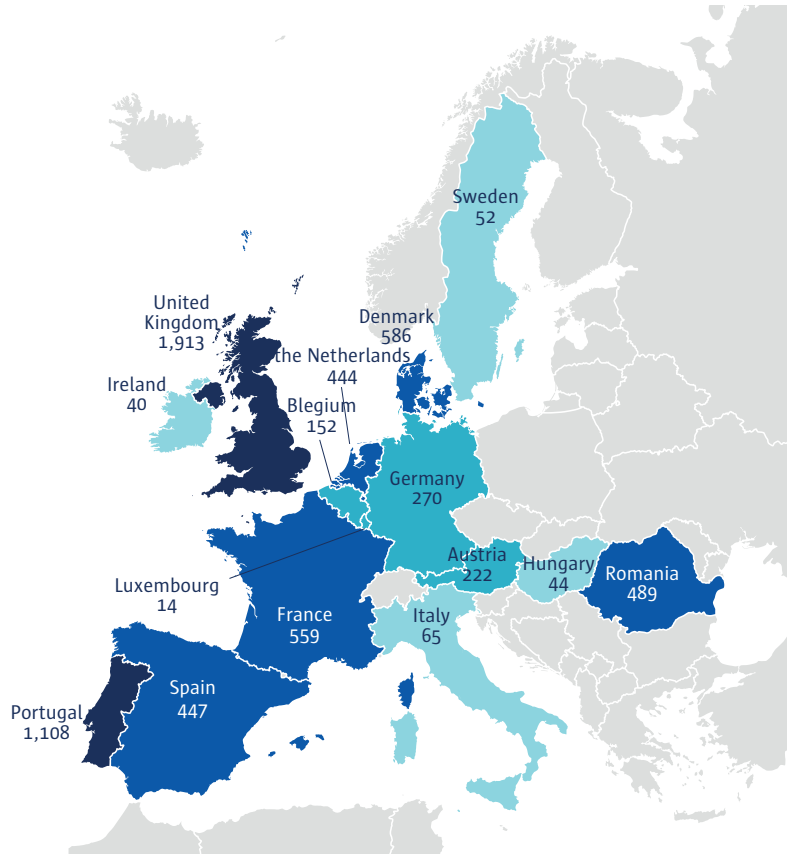
Source: FDI Markets

The 15 EU countries where Brazil announced greenfield investment projects between 2006 and 2015 were the destination of 4% of total investments and 5.3% of jobs announced by Brazil in the world over the period.

Map 5 shows that the geographical distribution of the value of investments announced by Brazil in the European Union is highly concentrated. Portugal and the United Kingdom, the two countries with the highest value, accounted for approximately 62.2% of the total invested by Brazil in the EU.

Among the countries with announced greenfield investment value below EUR 10 million over the period – Hungary, Luxembourg and Sweden, according to information from FDI Markets – in both Hungary and Sweden the first productive investment announced by Brazil occurred in 2014.

In the case of Hungary, the announced project was by the company Oi in the communications sector, worth EUR 4.5 million. In Sweden, the Brazilian company Fitesa, controlled by Petropar, announced an expansion of its manufacturing activities in the textile sector to the amount of EUR 7.6 million.



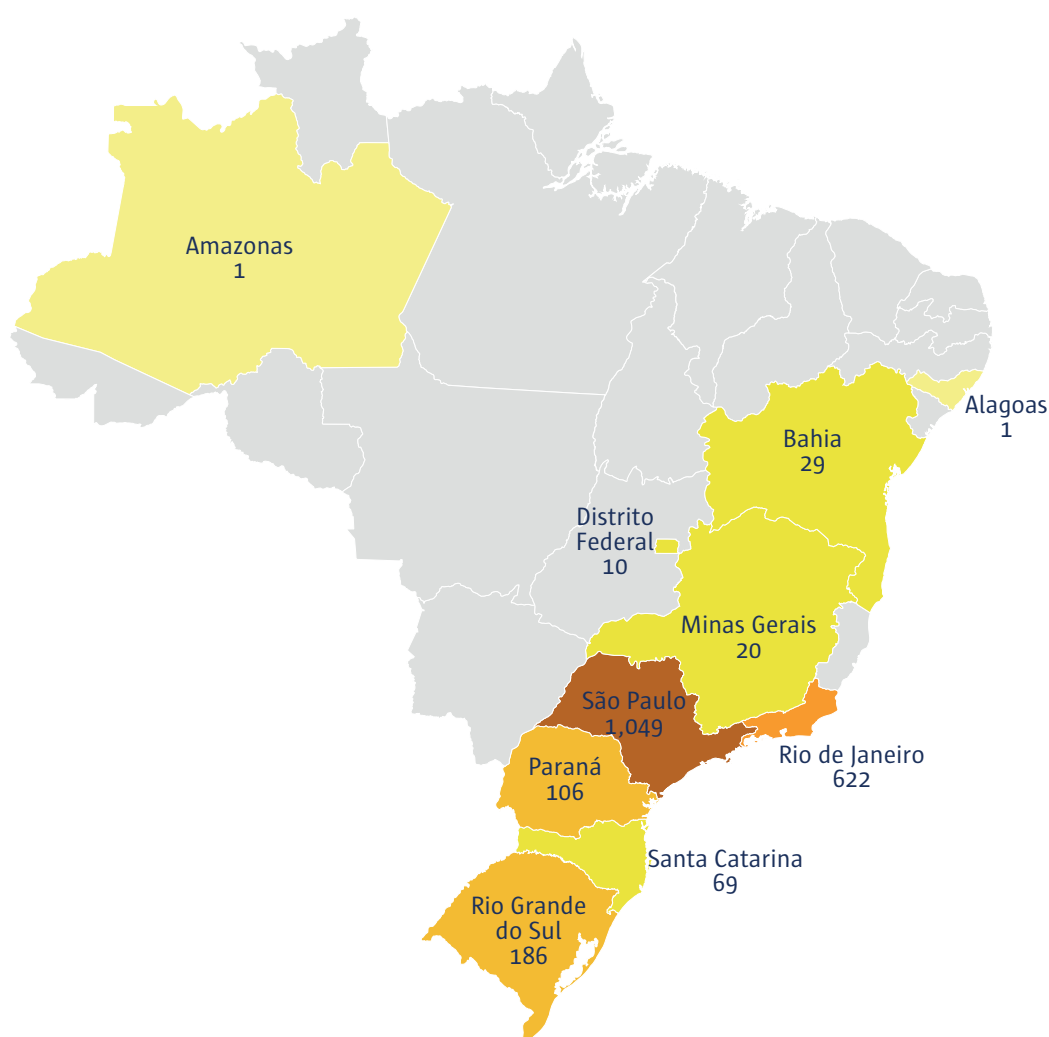
Map 6
Greenfield FDI Projects
Announced by Brazil in
the European Union by
Destination: Number
of Jobs 2006-2015
(accumulated)

Source: FDI Markets

The geographic distribution of announced jobs shows clearly that the United Kingdom and Portugal are still the major destinations among EU countries. However, announced jobs are less concentrated than the value of greenfield investment projects, given that the two main destinations concentrate 47.1% of total jobs against 62.2% of announced projects.

Denmark also figures among the main job destinations, with 586 announced jobs and 9.1% of share, as does France, with 559 jobs and 8.7% of share. In Denmark, the jobs relate to a single investment project of the company Innova in the chemical sector. In France, 50.9% of announced jobs announced relates to an Embraer project in 2015, generating 125 jobs, and two Marfrig projects in the food sector, which together generated estimated 90 jobs.

2.4.5 Brazilian States of Origin



Map 7

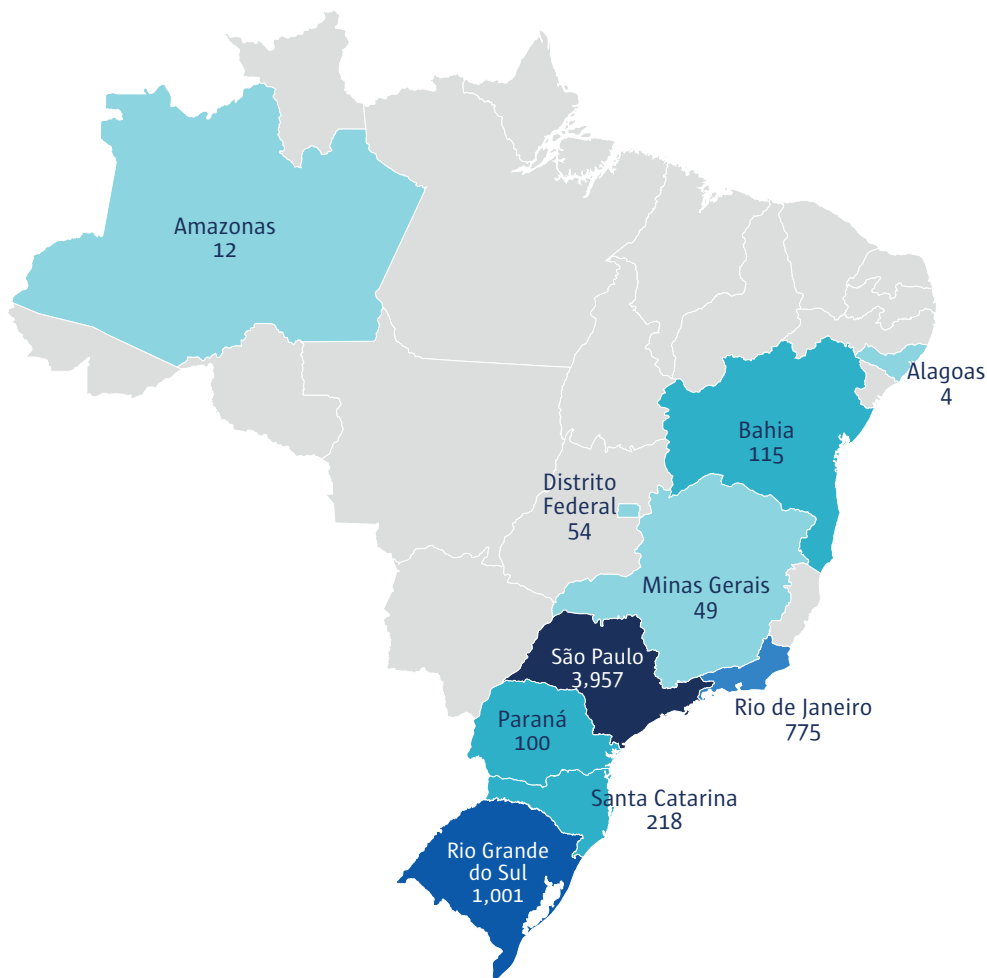
Greenfield FDI Projects Announced by Brazil in the European Union by Origin: Value (EUR million) 2006 - 2015 (accumulated)

Source: FDI Markets

Between 2006 and 2015, 10 of the 27 Brazilian states announced investment projects in the European Union, involving 70 companies and EUR 2.1 billion worth of investment, as mentioned previously. This figure also includes those values that could not be attributed to a specific state of origin (EUR 45 million). The state with the highest value of announced investments was São Paulo, EUR 1 billion, approximately half of the total. After São Paulo comes Rio de Janeiro (EUR 622 million), Rio Grande do Sul (EUR 186 million) and Paraná (EUR 106 million). These states concentrate together almost the totality (91.8%) of investments announced by Brazil in the European Union.

Map 8

Greenfield FDI Projects Announced by Brazil in the European Union by Origin: Number of Jobs 2006-2015 (accumulated)



Source: FDI Markets

In terms of announced jobs, 6,405 openings were created by Brazil in the European Union, 120 of them with no specified state of origin. Once again, the state of São Paulo was the largest origin of announced jobs, with 3,957 openings, a share of 61.7%. Added to the number of jobs announced by Rio Grande do Sul (1,001) and Rio de Janeiro (775), the share reaches 89.4% of the total announced by Brazil in the European Union between 2006 and 2015.

2.5 MERGERS AND ACQUISITIONS

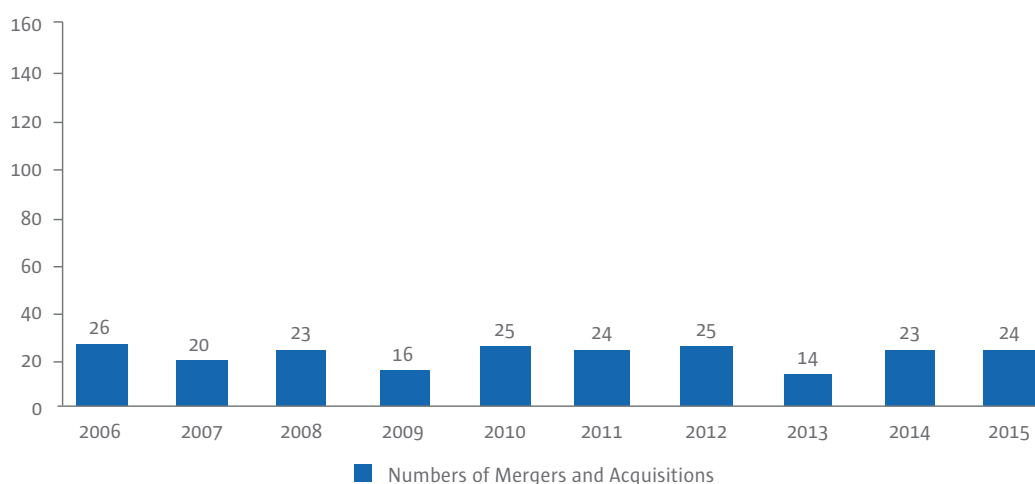


Chart 18
Evolution of mergers and acquisitions involving Brazilian companies acquiring European Union companies headquartered in Brazil and/or abroad (2006-2015)

Source: Relatório de Fusões e Aquisições – KPMG

Chart 18 features the evolution of operations involving Brazilian companies acquiring companies from the European Union between 2006 and 2015. Compared to figures related to the acquisition of Brazilian companies by companies in the European Union (see Chart 9), insertion of the latter in the European market is clearly timid, even accounting for differences in size between Brazil and the European Union. The years in which the Brazilian currency was most appreciated against foreign currencies show a greater number of purchases of European assets by Brazilian multinational companies, especially in the 2007-2008 biennium and the 2010-2012 three-year period.

Country	Number of Deals	Share of Brazil Deals
Spain	46	20.9%
France	35	15.9%
United Kingdom	30	13.6%
Germany	22	10.0%
Portugal	22	10.0%
the Netherlands	20	9.1%
Italy	18	8.2%
Belgium	9	4.1%
Denmark	7	3.2%
Ireland	4	1.8%
Finland	3	1.4%
Austria	1	0.5%
Cyprus	1	0.5%
Poland	1	0.5%
Sweden	1	0.5%
Total	220	100%

Table 13
Operations involving Brazilian companies acquiring European Union companies headquartered in Brazil and/or abroad by country (2006-2015)

Source: Relatório de Fusões e Aquisições – KPMG

Table 13¹⁷ shows that Mergers and Acquisitions made with Brazilian capital between 2006 and 2015 mainly involved Spanish, French, British and German companies. These operations, which occurred in both the Brazilian and European markets, accounted for almost 50% of total transactions during the study period.

¹⁷ The following EU countries were not subject to Mergers and Acquisitions by Brazilian companies: Bulgaria, Croatia, Slovakia, Slovenia, Estonia, Greece, Hungary, Latvia, Lithuania, Luxembourg, Malta, Czech Republic and Romania.

2.6 CASES OF BRAZILIAN COMPANIES IN THE EUROPEAN UNION

SINTEL

SINTEL	
Sector	ICT
Initial year of operation in the European Union	2013
Presence in the European Union	Belgium

The company

Sintel is an Information Technology company specialized in electronic integration of information in the automobile industry. Thanks to 28 years of experience in the automobile sector, it has acquired in-depth knowledge of the key processes that support the relationship between automakers and their suppliers. It serves 20 of the 30 largest companies in the global automobile industry and accounts for over 60% of the volume of B2B electronic transactions of the national automobile market.

In Brazil, the company has a staff of 165 employees.

Leader in cloud information technology

Sintel's value proposition is to offer Consultancy, Software and Services to support the automotive supply chain in Global Automotive Supply Chain Management.

Consultancy covers the requirements and needs of customers and possible adjustments in processes, while software and services support the daily operational needs of businesses.

The business structure is based on cloud computing via a 24 X 7 X 365 operating center, in three languages, a software development center and two robust data centers, which enable on-demand computing capacity on a global scale.

Sintel in the European Union

The relationship with European countries comes from the customer base in Brazil, which recognizes SINTEL as a specialist in the sector, with a very innovative value proposition.

The sector is dominated by global companies and the strategy comes from headquarters, many located in the European Union. Therefore, from a strategic point of view, it is important to be close to the headquarters of companies.

In this sense, SINTEL chose the following countries as priority for internationalization: Belgium, Italy, France and the Czech Republic, followed by Germany and England.

Between 2008 and 2011, SINTEL started building a systematic relationship with the headquarters of companies whose subsidiaries were part of its clients portfolio in Brazil. In this phase, Sintel prioritized participation in international events and missions and training staff for the European market.

In the second phase of the internationalization process, between 2011 and 2013, the company created a team responsible for internationalization, with structured communication and consolidated relationship with European customers, which guaranteed the first contracts.

In the consolidation phase of internationalization, between 2013 and 2014, SINTEL decided to invest in Belgium, opening a project execution office to serve European clients.

Investment decision

Sintel opted for a vertical rather than horizontal approach, which usually happens with IT companies.

Thus, the company seeks to raise the level of its clients' services, creating a distinct value proposition and offering them a portfolio of products to meet their short-, medium- and long-term needs.

As the auto industry is global, internationalization is the *sine qua non* for the company's success and growth in this market. Continuous presence close to clients' headquarters, where the decisions effectively take place, is strategic to increase and extend partnerships previously established with many players of this market in Brazil. That process started in 2008 with the opening of a unit in the USA and later in Belgium and Argentina, consolidating the company's strategy abroad.

EMBELLEZE

EMBELLEZE	
Sector	Cosmetics
Initial year of operation in the European Union	2004
Presence in the European Union	Portugal, Spain, France, United Kingdom, Luxembourg, Netherlands, Switzerland, Czech Republic, Germany, Belgium and Italy

The company

Founded in Rio de Janeiro on March 8, 1969, Embelleze is one of the largest and most important companies in the health and beauty segment in the Brazilian market. It has several brands in its portfolio, the most prominent being Novex, a market leader in volume in Brazil with 8.6% of market share.¹⁸

In Brazil, Embelleze currently generates over 10,000 direct and indirect jobs and is present in more than six million Brazilian households and approximately 100,000 points of sale throughout the country.

¹⁸ Nielsen - T. Brazil Set / Out'14.

Embelleze International

Embelleze has six branches strategically located in the USA, Portugal, Colombia, Panama, Venezuela and the Dominican Republic. The US office manages the American, Canadian and Asian markets. The branches of Colombia, Panama and Venezuela are in contact with Central America and the Andean states. In Venezuela, the company also has an industrial enterprise. The Portugal branch is responsible for the European market, the Middle East and Africa and, finally, the Dominican Republic branch has an industrial enterprise in Santo Domingo and operates in the Caribbean market.

With products in more than 37 countries, Embelleze has focused mainly on brand awareness via participation in international trade fairs such as Cosmoprof in Bologna, Las Vegas and Hong Kong, and Beauty World Middle East in Dubai.

The company grew 45% in 2015 over 2014.

History of relations with European countries

The first export to Europe occurred in 2004, to Portugal. At the time, Embelleze had an exclusive importer and distributor. Detailed market research showed that the Portuguese market could be better exploited with direct presence in the country through a joint venture or the establishment of a branch. Although the latter required greater investment, it was the option chosen by Embelleze in 2009, when the Lisbon branch was officially opened. In 2016, almost seven years after that decision, Embelleze is present in several European countries (Spain, France, the United Kingdom, Luxembourg, the Netherlands, Switzerland, the Czech Republic, among others) and has achieved record sales with a growth of more than 40 % compared to 2014.

In Portugal the company is present in more than 500 points of sale across the country, including the islands. Embelleze is proud of bringing Brazilian products to a country that shares so many cultural similarities.

Investment decision

Entering the Portuguese market gave the company access to the entire European market, a large consumer market with a little over 500 million inhabitants and, consequently, a fertile place to prosper.

The main difficulty identified in the investment decision in the European Union was the regulatory aspect, since in addition to specific regulations for the Portuguese market, the company also had to adapt to the technical, sanitary and phytosanitary requirements of the European trade bloc.

The factors identified as positive for the investment decision were: the size of the consumer market, the positive image of Brazil associated with natural resources and the cultural identity shared with Portugal (the gateway for the products).

ANNEX I - MAIN EUROPEAN UNION COMPANIES IN BRAZIL

Ranking 2015	Company	Sector	Country of Origin	Net Income 2015 ¹ (EUR million)	Variation % 2015
5	Raízen	Oil and Gas	Brazil/United Kingdom/Netherlands	20,083.8	13.9
6	GPA	Retail Trade	France	18,730.4	5.5
9	Ambev	Food and Beverages	Belgium/Brazil	12,661.3	22.7
12	Telefônica Brasil	IT & Telecom	Spain	11,418.4	4.8
13	Atacadão/Carrefour	Retail Trade	France	11,229.6	78.3
14	Bunge Alimentos	Food and Beverages	Netherlands	9,694.5	5.0
19	Oi	IT & Telecom	Portugal	7,413.0	-3.2
22	Arcelormittal Brasil	Metallurgy and Mining	Spain	6,027.5	23.6
28	FCA - Fiat Chrysler Auto	Vehicles and Auto Parts	Italy	5,115.4	-22.7
30	Volkswagen	Vehicles and Auto Parts	Germany	4,653.0	-18.3
31	TIM Participações	IT & Telecom	Italy	4,644.7	-12.1
32	LDC Brasil	Food and Beverages	France	4,370.1	15.9
36	Neoenergia	Electric Power	Brazil/Spain	4,023.0	20.1
38	Unilever Brasil	Pharmaceuticals and Cosmetics	United Kingdom/Netherlands	3,831.5	13.8
53	Tereos Internacional	Sugar and Alcohol	France	2,762.6	26.8
55	EDP - Energias do Brasil	Electric Power	Portugal/Brazil	2,739.3	13.6
60	Bayer	Chemicals and Petrochemicals	Germany	2,607.5	21.9
65	Syngenta	Chemicals and Petrochemicals	Switzerland/Netherlands	2,395.7	23.4
66	Basf	Chemicals and Petrochemicals	Germany	2,345.8	10.7
71	Renault	Vehicles and Auto Parts	France	2,172.1	-10.8
73	BG Brasil	Oil and Gas	France	1,981.5	45.7
74	Makro	Wholesale and Foreign Trade	Netherlands	1,964.0	1.1

Table 14

Companies with capital originating in European Union countries among the 1000 largest in Brazil according to the net income criterion of 2015

Source: Valor1000/ Valor Econômico

¹ Mean Exchange rate for 2015: EUR 1= BRL 3.69.

Ranking 2015	Company	Sector	Country of Origin	Net Income 2015 ¹ (EUR million)	Variation % 2015
81	Saint-Gobain	Building and Decorating Material	France	1,832.6	-0.1
83	Engie	Electric Power	France	1,764.8	0.6
89	Biosev	Sugar and Alcohol	France	1,670.1	36.5
90	Lojas Renner	Retail Trade	United Kingdom/ United States of America/ Singapore	1,665.4	17.8
91	CNH	Vehicles and Auto Parts	Italy	1,638.0	-
94	InterCement	Building and Decorating Material	Austria	1,620.0	8.3
100	Elektro	Electric Power	Spain	1,511.8	16.8
106	Thyssenkrupp CSA	Metallurgy and Mining	Germany	1,453.8	0.1
109	Electrolux	Electro Electronics	Sweden	1,365.6	-8.8
124	McDonald's	Retail Trade	Netherlands/ United States of America	1,153.0	4.8
128	Aliança Navegação e Log.	Transport and Logistics	Germany	1,092.6	19.4
137	Bosch	Vehicles and Auto Parts	Germany	1,052.4	2.9
140	Arteris	Transport and Logistics	Spain/China	1,037.4	-4.7
142	CEG	Oil and Gas	Spain/Brazil	1,010.3	5.8
143	PSA Peugeot-Citroën	Vehicles and Auto Parts	France	1,004.3	-16.2
146	Aperam Inox América do Sul	Metallurgy and Mining	Luxembourg	972.6	6.2
148	Man Latin America	Vehicles and Auto Parts	Germany	953.1	-47.5
151	Siemens	Electro Electronics	Germany	940.4	-20.5
176	CEG Rio	Oil and Gas	Spain/Brazil	829.6	2.6
177	Prosegur Brasil	Transport and Logistics	Argentina/Spain	828.2	2.0
183	Repsol Sinopec Brasil	Oil and Gas	Spain	800.9	54.7
198	Sanofi	Pharmaceuticals and Cosmetics	France	738.6	43.5
202	Rhodia	Chemicals and Petrochemicals	France/Brazil/ Belgium	719.9	1.7
204	Ericsson	IT & Telecom	Sweden	712.2	-7.7
208	Solvi *	Environmental Services	France	708.6	12.8
211	Vallourec Tubos	Metallurgy and Mining	France	704.0	-21.7
214	Accenture do Brasil	Specialized Services	Ireland	698.1	6.5

Table 14

Companies with capital originating in European Union countries among the 1000 largest in Brazil according to the net income criterion of 2015

Source: Valor1000/ Valor Econômico

¹ Mean Exchange rate for 2015: EUR 1= BRL 3.69.

Ranking 2015	Company	Sector	Country of Origin	Net Income 2015 ¹ (EUR million)	Variation % 2015
215	Três Corações Alimentos	Food and Beverages	Netherlands/ Brazil	688.4	8.0
218	Shell	Oil and Gas	United Kingdom/ Netherlands	678.6	-39.4
222	Mahle Metal Leve	Vehicles and Auto Parts	Germany	659.4	4.3
267	Serasa Experian	Specialized Services	Netherlands/ Brazil	539.9	6.1
274	SAP	IT & Telecom	Germany	528.5	-
282	M&G Poliéster	Chemicals and Petrochemicals	Italy	515.3	12.6
287	DSM	Pharmaceuticals and Cosmetics	Netherlands	506.6	30.0
298	Petrogal	Oil and Gas	Portugal	479.1	15.7
300	Gavilon do Brasil	Wholesale and Foreign Trade	Luxembourg	478.5	-
329	Somague Engenharia	Construction and Engineering	Brazil/Portugal	429.0	-8.5
333	Arlanxeo Brasil	Plastics and Rubber	Germany	420.1	10.2
341	Eneva	Electric Power	Germany/Brazil	411.5	-15.5
357	UTE Norte Fluminense	Electric Power	France	391.5	-2.3
397	Voith Hydro	Mechanics	Germany	345.6	19.9
401	Thyssenkrupp	Mechanics	Spain	343.7	2.7
404	Stihl	Mechanics	Germany	340.8	14.4
411	Astrazeneca	Pharmaceuticals and Cosmetics	Netherlands	333.7	15.4
413	ZF do Brasil	Vehicles and Auto Parts	Germany	332.1	-17.5
417	AB Concessões	Transport and Logistics	Brazil/Italy	327.7	1.0
419	Lafarge Brasil	Building and Decorating Material	France	323.5	-34.8
428	Sodexo Pass	Specialized Services	France	319.0	13.7
434	Evonik Degussa	Chemicals and Petrochemicals	Germany	313.2	49.7
439	Hydro Paragominas	Metallurgy and Mining	Norway/Austria	309.6	67.7
443	Unidas	Specialized Services	Brazil/Portugal	305.0	12.5
448	Merck	Pharmaceuticals and Cosmetics	Germany	302.2	-4.1
458	Prysmian Energia	Electro Electronics	Italy	294.9	-1.8
462	V S do Brasil	Metallurgy and Mining	France/Japan	289.8	-39.9

Table 14
Companies with capital originating in European Union countries among the 1000 largest in Brazil according to the net income criterion of 2015

Source: Valor1000/ Valor Econômico

¹ Mean Exchange rate for 2015: EUR 1= BRL 3.69.

Ranking 2015	Company	Sector	Country of Origin	Net Income 2015 ¹ (EUR million)	Variation % 2015
482	Comau do Brasil	Mechanics	Italy	278.3	9.7
485	Schneider Electric	Electro Electronics	France	276.3	-28.1
487	Ticket Serviços	Specialized Services	Brazil/France	273.8	8.3
492	Veracel	Paper and Pulp	Brazil/Finland/Sweden	268.9	1.7
493	Elcano	Transport and Logistics	Spain	268.6	47.9
497	Villares Metals	Metallurgy and Mining	Austria	266.2	7.4
509	Getnet	Specialized Services	Brazil/Spain	260.5	88.6
512	Santista Participações	Textiles, Leather and Clothing	Spain	259.6	23.1
534	Gomes da Costa	Food and Beverages	Spain	249.7	4.6
541	Deten Química	Chemicals and Petrochemicals	Spain/Brazil	246.2	-6.0
558	Petronas	Chemicals and Petrochemicals	Italy	236.4	9.1
564	TNT Mercúrio	Transport and Logistics	Netherlands	232.3	-4.9
572	Medley Farmacêutica	Pharmaceuticals and Cosmetics	France	229.6	-2.7
605	Gestamp Brasil	Vehicles and Auto Parts	Spain	210.4	-22.0
613	Level 3	IT & Telecom	Brazil/United Kingdom	205.9	15.4
615	Wobben Windpower	Mechanics	Germany	205.5	93.7
619	Technicolor	Electro Electronics	France	203.1	-17.4
623	Alcatel-Lucent	Electro Electronics	France/Brazil	201.4	33.3
626	Brenntag Química	Chemicals and Petrochemicals	Netherlands	200.9	14.9
627	Indra Brasil	IT & Telecom	Spain	200.5	-4.4
644	Arcelormittal Contagem	Metallurgy and Mining	Spain	193.0	126.0
655	Teleperformance	Specialized Services	France	189.6	17.0
656	Autometal	Vehicles and Auto Parts	Spain	189.5	-79.0
660	BTP	Transport and Logistics	Denmark/Belgium	187.8	94.9
662	Lanxess	Plastics and Rubber	Germany	187.0	9.7
681	CAF Brasil	Vehicles and Auto Parts	Spain	181.6	21.6
688	Nexans	Electro Electronics	France	178.0	-11.5
704	Faber-Castell	Plastics and Rubber	Germany	172.0	26.1
720	Hospital São Rafael	Medical Services	Italy	162.6	3.9
721	Europ Assistance Brasil	Specialized Services	Brazil/Portugal	162.5	-

Table 14
Companies with capital originating in European Union countries among the 1000 largest in Brazil according to the net income criterion of 2015

Source: Valor1000/ Valor Econômico

¹ Mean Exchange rate for 2015: EUR 1= BRL 3.69.

Ranking 2015	Company	Sector	Country of Origin	Net Income 2015 ¹ (EUR million)	Variation % 2015
731	Helibras	Vehicles and Auto Parts	France	157.6	-13.4
738	Mills	Specialized Services	Brazil/Spain	156.1	-27.5
749	Sandvik MGS	Mechanics	Sweden	153.4	83.3
750	Pearson Education	Education and Training	United Kingdom	153.3	-4.7
766	Ferropport	Transport and Logistics	Brazil/United Kingdom	149.5	279.4
768	DeVry	Education and Training	Netherlands	149.0	65.1
771	Vitopel	Plastics and Rubber	Netherlands	147.8	8.9
775	Teksid	Metallurgy and Mining	Italy	147.2	-14.0
778	B Braun	Pharmaceuticals and Cosmetics	Germany	145.3	4.9
783	Schering	Pharmaceuticals and Cosmetics	Spain/Germany	143.2	3.4
791	Arcadis Logos	Construction and Engineering	Netherlands	141.7	-27.6
802	Ceva Logistics	Transport and Logistics	Netherlands	139.2	0.1
813	Faurecia	Vehicles and Auto Parts	United Kingdom	137.3	-11.8
845	Gás Natural São Paulo Sul	Oil and Gas	Spain	128.5	-12.8
852	Isban Brasil	IT & Telecom	Spain	127.2	8.1
866	Andritz Hydro Inepar	Mechanics	Austria/Brazil	125.2	25.1
871	Mondial Assistance	Specialized Services	Germany	123.3	-2.0
872	Viabahia	Transport and Logistics	Spain/Brazil	123.2	-31.8
915	Voith Paper	Mechanics	Germany	116.6	-18.8
919	Saint-Gobain Vidros	Building and Decorating Material	France	116.1	1.8
928	Cristal	Chemicals and Petrochemicals	United Kingdom	114.5	7.1
937	Infineum Brasil	Chemicals and Petrochemicals	United Kingdom	113.4	8.8
940	Arcelormittal Gonvarri	Metallurgy and Mining	Spain	113.1	-24.6
944	Epcos do Brasil	Electro Electronics	Germany	112.0	23.2
958	Saam Smit	Transport and Logistics	Netherlands/Brazil	108.8	63.9
960	Viscofan	Chemicals and Petrochemicals	Spain	108.2	23.3
988	Saint-Gobain Canalização	Metallurgy and Mining	France	103.3	-40.7
Total				194,681.8	

Table 14

Companies with capital originating in European Union countries among the 1000 largest in Brazil according to the net income criterion of 2015

Source: Valor1000/ Valor Econômico

¹ Mean Exchange rate for 2015: EUR 1= BRL 3.69.

Table 14 features the main companies operating in Brazil with capital originating in member countries of the European Union. The source of this data is the special publication of Valor Econômico newspaper entitled “Valor 1000” for the year 2016, which lists the 1,000 companies with highest net income in 2015.

In all, 133 companies with capital originating in the European Union (including companies that also have Brazilian capital or from countries of other regions) were among the 1,000 largest companies operating in Brazil. The combined net income of these companies was EUR 194.7 billion. Among the 133 listed companies, 43 had a drop in net income in 2015. Income variation for four companies was not available; thus, 86 of the 133 companies herein featured recorded an increase in net income in 2015 over the previous year.

Country	Nº of Companies among the top 1000 ³	Net Income in 2015 ^{1 3} (EUR milhões)	Net Profit in 2015 ^{1 2 3} (EUR million)	Equity ^{1 2 3} (EUR million)
France	28	53,641.7	71.4	18,882.6
Spain	27	30,990.1	409.6	37,746.5
Germany	25	19,956.9	-95.5	3,010.2
the Netherlands	18	42,989.3	87.1	7,778.3
Italy	10	13,360.5	607.1	5,570.8
United Kingdom	10	27,133.1	-346.3	5,179.2
Portugal	6	11,527.8	-1,337.6	6,586.9
Austria	4	2,321.0	89.2	1,570.9
Sweden	4	2,500.0	-10.2	1,210.9
Belgium	3	13,568.9	3,494.4	13,815.8
Luxembourg	2	1,451.1	47.5	603.9
Denmark	1	187.8	4.1	175.2
Ireland	1	698.1	-15.3	68.0
Finland	1	268.9	5.3	775.7

Table 15
Breakdown by European Union country of companies ranked among the 1,000 largest in Brazil by net income in 2015

Source: Valor 1000/ Valor Econômico

¹ Mean Exchange rate for 2015: EUR 1= BRL 3.69

² Information of stockholders' equity for 2015 was not available for 18 of the 133 companies considered, which accounted for 13.4% of the total net income of the 133 companies. Of those 18 companies, six are in “Vehicles and Auto Parts” and three are in “Pharmaceuticals and Cosmetics.” There is also one company in each one of the following sectors: “Wholesale and Foreign Trade,” “Retail Trade,” “Electro Electronics,” “Building and Decorating Material,” “Mechanics,” “Metallurgy and Mining,” “Chemicals and Petrochemicals,” “IT & Telecom” and “Transport & Logistics.”

³ Among the 133 listed companies, seven have capital from two European Union countries in their shareholding composition and were considered in duplicate in the Table above.

The capital of the 133 companies in question comes from 14 European Union countries. France is the origin of capital of 28 of those companies – 24 as sole origin and 27 as main origin of capital. Next comes Spain with 27 companies, 17 of them with sole Spanish capital and six with Spain as main origin.

Prominent among companies with French capital are the two largest in Brazil in the “Retail Trade” sector: Atacadão/Carrefour group and GPA (Grupo Pão de Açúcar). Also prominent among some of the largest and most renowned companies in their respective sectors are LDC Brasil (a subsidiary of Louis Dreyfus), with strong presence in the agriculture sector; the automakers Renault and Peugeot-Citroen; and the pharmaceutical laboratory Sanofi.

Among the main companies listed by the Valor 1000 publication as having Spanish capital the highlight is Telefônica, the largest telecommunications company in Brazil. The publication also lists ArcelorMittal, of the “Metallurgy and Mining” sector, among leading companies with Spanish capital, although other sources list those companies as being of Anglo-Indian control.¹⁹

Germany and the Netherlands are the origin of capital of 25 and 18 companies, respectively, among the top 1000 in Brazil. Only one of the 25 German companies mentioned is not exclusively German. Highlights are the automaker Volkswagen; the “Chemicals and Petrochemicals” companies Bayer and Basf; and the mining and metallurgy company Thyssenkrupp CSA (not to be confused with the Spanish elevator manufacturer Thyssenkrupp, also listed in the top 1000).

Of the Dutch companies, 14 have capital originating exclusively in Netherlands, and in the other four the Netherlands is the main origin of capital. Among the major ones are Bunge, one of the largest in the “Food and Beverages” sector, and Makro, in the “Wholesale and Foreign Trade” sector. It should be noted, however, that many large groups from different parts of the world invest capital through units located in the Netherlands for accounting reasons. Highlights among companies listed as Dutch capital but headquartered in other countries are McDonald’s (based in the USA), Serasa Experian (based in Ireland) and the pharmaceutical company Astrazeneca (based in the United Kingdom).

¹⁹ Publication “Melhores e Maiores 2016” of Exame magazine, which lists the 500 top companies in Brazil by sales revenue of the previous year.

Sector	No. of companies among the top 1,000	Net income in 2015 (EUR million)	Net profit in 2015 (EUR million)	Shareholders' equity (EUR million)
Retail Trade	4	32,778.3	338.7	6,232.1
Food and Beverages	5	27,664.0	3,759.6	16,478.0
Oil and Gas	8	25,992.4	-742.8	16,526.2
IT & Telecom	8	25,250.3	-166.2	27,304.1
Vehicles and Auto Parts	14	18,456.1	-452.8	911.4
Electric Power	6	10,842.0	1,116.4	8,206.9
Metallurgy and Mining	11	10,580.2	-616.3	7,924.9
Chemicals and Petrochemicals	12	9,917.0	210.6	2,962.2
Pharmaceuticals and Cosmetics	8	6,230.7	189.6	1,573.6
Transport and Logistics	11	4,495.2	90.1	2,350.5
Sugar and Alcohol	2	4,432.7	-117.3	1,427.1
Building and Decorating Material	4	3,892.2	-453.4	885.0
Electro Electronics	8	3,571.7	-96.6	795.1
Specialized Services	10	3,027.9	384.6	1,899.0
Wholesale and Foreign Trade	2	2,442.4	15.7	45.3
Mechanics	8	1,909.1	13.2	379.3
Plastics and Rubber	4	926.9	34.7	380.7
Environmental Services	1	708.6	29.5	398.8
Construction and Engineering	2	570.7	-35.0	227.3
Education and Training	2	302.3	-16.3	745.2
Paper and Pulp	1	268.9	5.3	775.7
Textiles, Leather and Clothing	1	259.6	34.1	31.6
Medical Services	1	162.6	3.6	12.8
Total	133	194,681.8	3,529.3	98,472.8

Table 16
Breakdown by economic sector of companies with European Union capital ranked among the 1,000 largest in Brazil by net income in 2015

Source: Valor1000/ Valor Econômico

¹ Mean Exchange rate for 2015: EUR 1= BRL 3.69

² Information of stockholders' equity for 2015 was not available for 18 of the 133 companies considered, which accounted for 13.4% of the total net income of the 133 companies. Of those 18 companies, six are in "Vehicles and Auto Parts" and three are in "Pharmaceuticals and Cosmetics." There is also one company in each one of the following sectors: "Wholesale and Foreign Trade," "Retail Trade," "Electro Electronics," "Building and Decorating Material," "Mechanics," "Metallurgy and Mining," "Chemicals and Petrochemicals," "IT & Telecom" and "Transport & Logistics."

The economic sector breakdown of these large companies with European Union capital in Brazil reveals a diversified outlook, with 133 companies distributed among 23 activities. The sector with the largest number of companies with European Union capital among the top 1,000 in 2015 is "Vehicles and Auto Parts," with 14 companies. In terms of income, however, the sector ranked only fifth, with EUR 18.5 billion.

Among the 14 companies of the sector listed here, 10 had a drop in net income in 2015. Structure and conjuncture factors related to the Brazilian market, such as restriction of tax credits to purchase vehicles, the fall in GDP, poor competitiveness of exports and pressure on employment and purchasing power of the population created a scenario of obstacles for the sector in Brazil. Regarding the sector's net profit, results were not available for six of the 14 companies, including the two with the highest income in the sector among the listed companies, Fiat and Volkswagen.

Another sector with a large number of companies with European Union capital among the top Brazilian companies is "Metallurgy and Mining," with 11 companies. Of those, only one (Teksid) did not disclose its net profit in 2015. Thus, the result featured in Table 15, a loss of around EUR 600 million, seems closer to the actual result of this group of companies. On the other hand, the sector's result in 2015 was not as negative as implied by the net profit, since seven of the 11 companies increased their net income. Even ArcelorMittal, which had the worst loss among the listed companies in the industry (EUR 1.8 billion), actually had a 24% increase in net income in 2015.

Two other sectors in which most of the listed companies performed poorly in 2015 are "Electro Electronics," in which six of the eight companies had a decline in income in 2015, and "Construction and Engineering," in which both listed companies had a fall in income. Both listed companies in "Construction and Engineering" had a loss in 2015, as did four of the eight "Electro Electronics" companies (three had a positive profit and one – Schneider Electric – did not disclose the information). In these two sectors, whose outcome can be highly dependent on consumer purchasing power (and also of firms and the state in the case of construction), the macroeconomic situation seems to have a direct influence on the results of its companies.

The worst result in terms of net profit was in the "Oil and Gas" sector, which accumulated EUR 743 million worth of loss in 2015. In fact, five of the eight companies made a profit, including the company with the highest net income in the sector, Raízen.

Of the sectors in which European capital companies showed positive results, “Food and Beverages” stood out with the highest combined net profit. Most of the sector’s results are related to Ambev, a company of Belgian and Brazilian capital, whose net profit reached EUR 3.5 billion in 2015. “Electric Power” is another sector where companies with European Union capital achieved positive results, with a net profit of EUR 1.1 billion. The results of this sector were favoured by the correction of tariffs previously kept at artificially low levels in an attempt by the previous government to contain the acceleration of inflation.

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