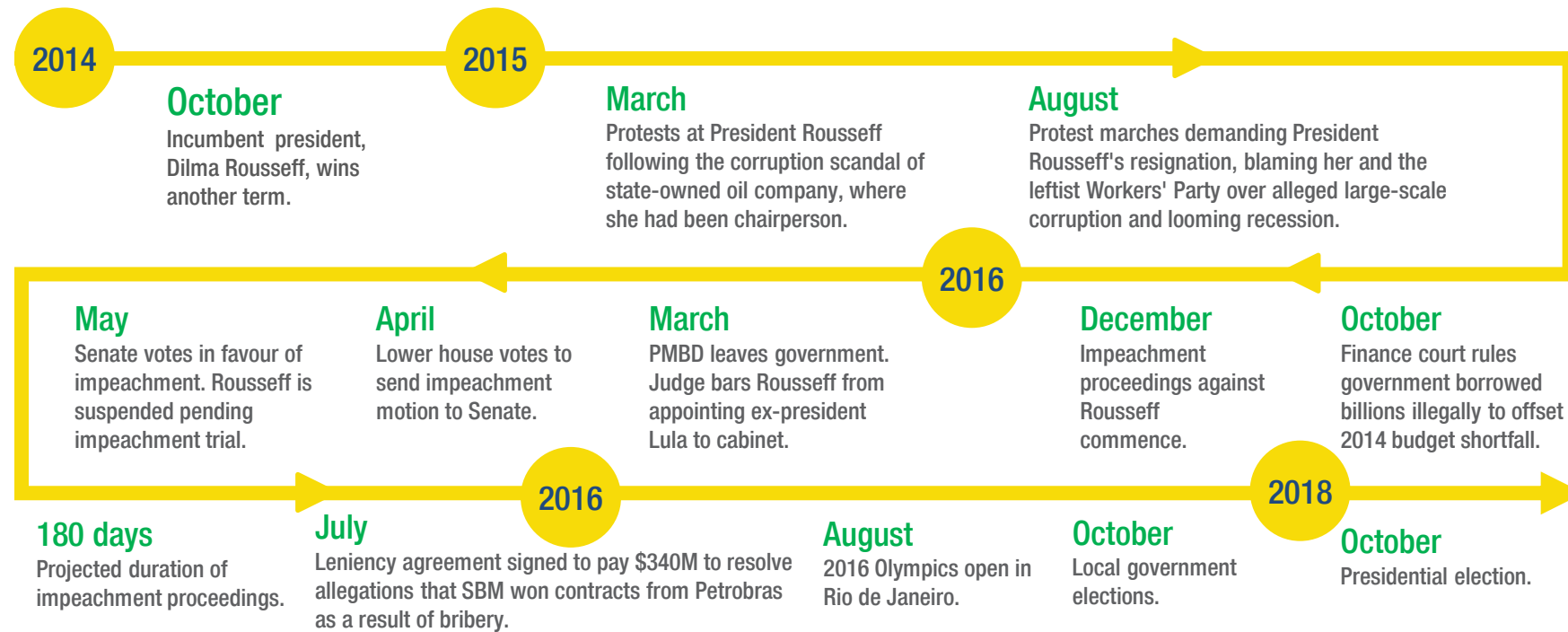


BRAZIL – CRISIS AND OPPORTUNITIES

The seventh largest economy in the world is changing its government after a year of political and economic turbulence. For many Brazil continues to offer huge investment potential and this interest may increase if the new government relaxes restrictions that currently apply to foreign direct investment in Brazil.

Political Timeline



Key Political Players



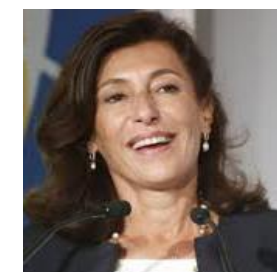
Michel Temer, Acting President
Vice President since January 2011 and acting president since the suspension of Rousseff. Member of Chamber of Deputies since 1987. President of the PMDB (Brazilian Democratic Movement Party) and known for forming coalitions with every president in the past two decades.



Henrique Meirelles, Finance Minister
Elected to Brazil's lower house of congress in 2002 for Brazilian Social Democracy Party (PSDB), but resigned to become head of the central bank during Luiz Inácio Lula da Silva's presidency.



Ilan Goldfajn, Central Bank President
Previously director of the central bank during the presidency of Fernando Henrique Cardoso. Other experience includes chief economist of Itaú Unibanco, Brazil's largest private-sector bank and consultant for the World Bank, the International Monetary Fund and the UN.

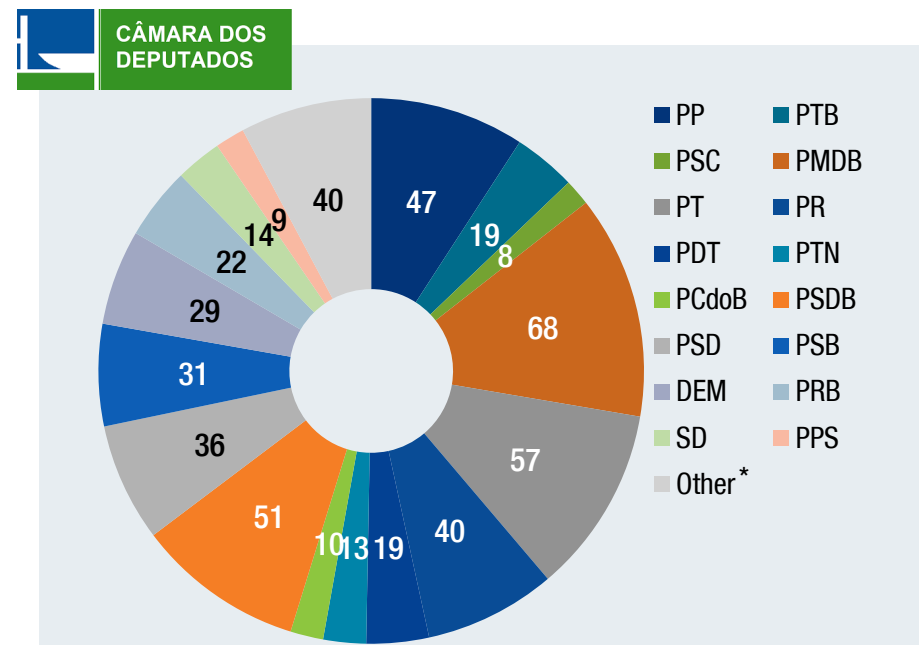
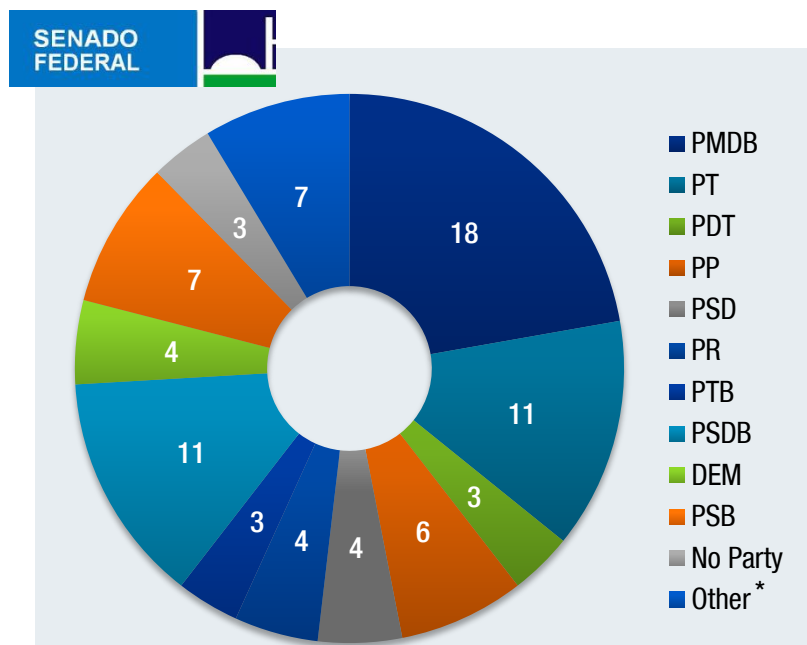


Maria Silvia Bastos Marques, Head of State Development Bank (BNDES)
President of BNDES since 2007 and currently Special Advisor for 2016 Olympics. Previously CEO of Icatu Hartford Seguros S.A and CEO of Companhia Siderurgica Nacional.



Pedro Parente, Head of Petrobras
Currently chairman of stock-market operator BM&FBovespa SA and has taken the helm at Petrobras. Previously on the board of Petrobras (1999-2003) and oversaw its transformation into a thriving public-private partnership.

Political Landscape

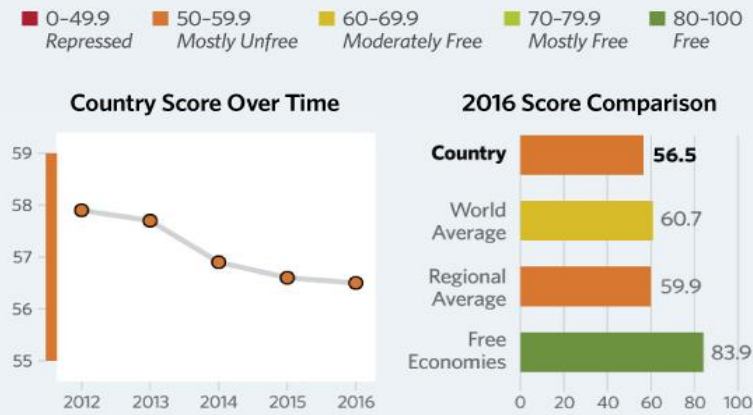


*PSC, PRB, PTC, PV, PPS, PCdoB, REDE

*No party, PMB, PSL, PTdoB, PEN, REDE, PRO S, PSOL, PV, PHS

BRAZIL – CRISIS AND OPPORTUNITIES

Economic Freedom



Sources: Terry Miller and Anthony B. Kim, 2016 Index of Economic Freedom (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), <http://www.heritage.org/index>.

- **Global ranking:** 122nd
- **Regional ranking:** 21st in South and Central America/Caribbean Region
- **Concerns:** Corruption, Management of Public Finance, and Regulatory Efficiency

Source: <http://www.heritage.org/index/pdf/2016/countries/brazil.pdf>

BRAZIL QUICK FACTS

- **Population:** 209.5 million
- **GDP (PPP):** -1.3%, Q2 2016
- **Unemployment:** 11.2% April 2016
- **Inflation (CPI):** 9.32% May 2016
- **Total foreign direct investment inflow:** US\$ 64 billion in 2015
- **UK direct investment in Brazil:** US\$ 1.6 billion in 2015, 10th largest foreign investor, 2.8% of total invested in Brazil
- **Public debt:** 66.23% of GDP, 2015
- **Economy:** is expected to shrink by 2.5% in 2016 according to the World Bank
- **Law:** Civil law prevails over common law and most of Brazilian law is codified
- **Structure:** Brazil is a federation of 26 states
- **Economic weight:** World's 7th largest economy
- **Geography:** 5th largest country in the world

Sources: www.worldometers.info, www.tradingeconomics.com, www.heritage.org, Central Bank of Brazil

Infrastructure

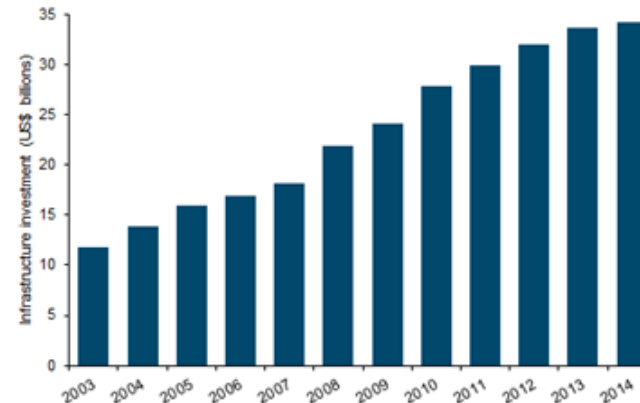


Figure 1: Brazilian infrastructure investment (excluding oil & gas) - billions US\$
SOURCE: ABDIB

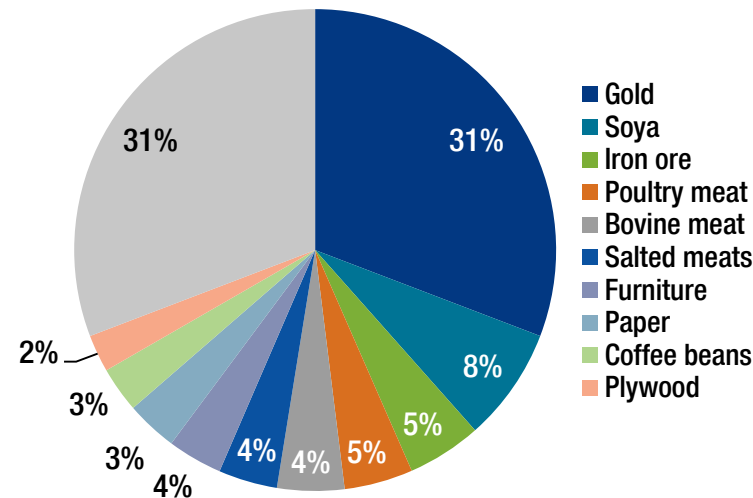
SPENDING ON MAJOR PROJECTS

- **Hosting World Cup 2014:** US\$3.5 billion (US\$15 billion including public infrastructure)
- **Hosting the 2016 Olympics:** US\$9.7 billion (likely to be exceeded)
- "Brazil's federal government could increase the amount it spends on new transportation infrastructure in 2016 to 5 billion reais (US\$1.45 billion) from about 1 billion reais [says] Transportation Minister Mauricio" June 2016

Source: www.reuters.com

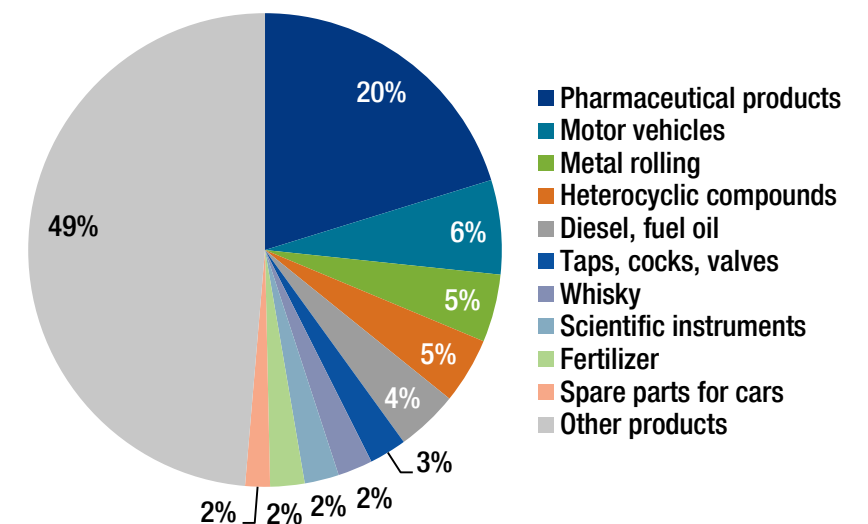
Bilateral Trade Brazil/UK January - May 2016

Main Brazilian exports to the United Kingdom



Source: Ministry of Development, Industry & Trade (MDIC/SECEX/DECEX)

Main Brazilian imports from the United Kingdom



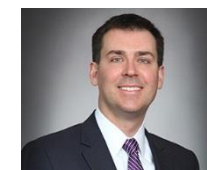
Contacts for more information



Kevin Roberts
Morrison & Foerster
Partner, London
KRoberts@mofo.com



Ruti Smithline
Morrison & Foerster
Partner, New York
Rsmithline@mofo.com



James Koukios
Morrison & Foerster
Partner, Washington
JKoukios@mofo.com



Duncan Grieve
Morrison & Foerster
Associate, London
DGrieve@mofo.com