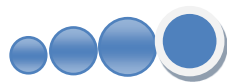


Outlook of Swedish Business in Brazil | **2013**



KREAB & GAVIN ANDERSON
WORLDWIDE São Paulo



Swedish-Brazilian Chamber of Commerce

The Swedish-Brazilian Chamber of Commerce, or SwedchamBrasil, represents Swedish-Brazilian commercial interests in Brazil and Sweden, in addition to maintaining close contact with the Swedish government departments at all levels. SwedchamBrasil is also associated with the European Chamber, which brings together all European Chambers of Commerce established in Brazil.

Founded in 1953, it is sustained solely by member contributions and funds from a series of activities organized and conducted by its local staff. It offers its members (over 500) and the industry valuable support through their influence, conviviality and knowledge of political and socioeconomic relations between Brazil and Sweden.

Members enjoy a modern infrastructure and vast network of contacts and business, as well as activities developed exclusively to enhance and support the Brazilian and Swedish markets.

Kreab Gavin Anderson Brazil

Kreab Gavin Anderson Brazil is one of the top 10 PR agencies in Brazil, winning Aberje Awards in 2010 and 2011, voted among the top ten by Communicate in 2010, 2011 and 2012, and finalists at the Cannes festival in 2009, in the PR category.

The agency works with the concept of Public Relations (PR), i.e. communication strategy focused on all public clients (shareholders). Kreab Gavin Anderson Brazil operates in the market of corporate communication, financial communication and public affairs.

Kreab Gavin Anderson serves approximately 500 clients through 25 offices worldwide. Our experience, built over four decades, is drawn from the 400 communications consultants working in our offices, representing 40 different nationalities. Capitalizing on our experience, we serve large and small companies from virtually all industries, organizations and public sectors, providing advice on complicated issues with an urgent or long-term time perspective.



Considerations and Objective

The Swedish-Brazilian Chamber of Commerce (Swedcham) and communications agency Kreab Gavin Anderson Brazil developed a survey for Swedish companies in Brazil in order to provide an overview of their activities and their opinions of doing business in Brazil.

The main objective of this survey is to create a reference document for companies but also for private and public organizations.

Methodology

Chosen universe: 120 Swedish companies in Brazil - chosen by Swedcham

Participation: of these 120, 65 companies answered - ABB Ltda, AF, Alfa Laval, Arycom, AstraZeneca Ltda, Atlas Copco, Atos Medical AB, Axis Communications, BAE Systems, Brasil Projects, BTS, Business Sweden, Camfil Farr, Cinnober, Dometic, Elanders do Brasil SA, Elekta Medical Systems, Elof Hanson Ltda, Ericsson, Ferring, Five Star Services, FlexLink, Flir Systems Brasil, Getinge do Brasil, Haldex do Brasil, Handelsbanken, Höganäs, IFS, Ikea, iZettle, Kinnarps do Brasil, Kreab Gavin Anderson, LEAX do Brasil Ltda, Linde Gases, Maasai Hotel, Mercuri Urval, Munters Brasil, Nefab Embalagens Ltda, Nordea do Brasil, Readsoft, Roxtec, SAAB International Brasil, Sandvik do Brasil, SCA do Brasil, Scania Latin America, SEB Merchant Banking, Seco Tools, Semcon, Skanska do Brasil Ltda, SKF do Brasil, Swedbrazil, Swedcham, Swedish Match do Brasil, Tanac, Tetra Pak Ltda, Thule, Trelleborg, Vector, Volvo Cars and Volvo do Brasil Veículos.

Questionnaires: Swedcham sent the questionnaires via email to the CEOs of the 120 companies selected, a document with 18 questions divided into two topics: **General Information** and **Investment and Performance in the Brazilian Market**

Period: The survey was conducted from October 1 to December 6.

Note: *As a rule of privacy in surveys, results show general information, without identifying each company's individual answer to each question.*

Results

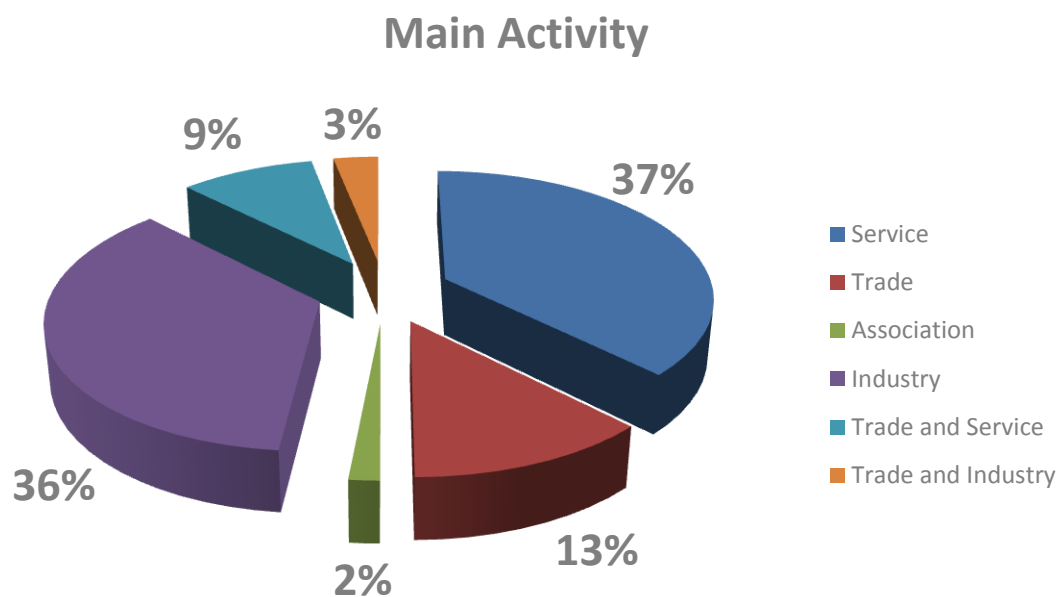
The first question was about the name of the participating company. From the second question on, all answers were analyzed.

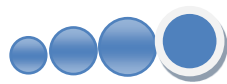
I – General Information

2. What is the main activity of the company?

In this question the companies should indicate their main activity

- Of the companies surveyed, 32 are primarily engaged in services, followed by trade (21) and industry (20). Within industry 12% represent Oil & Gas and 12% Automotive, but areas such as telecom, pulp and paper and mining are also represented.





3. Location of the companies in Latin America:

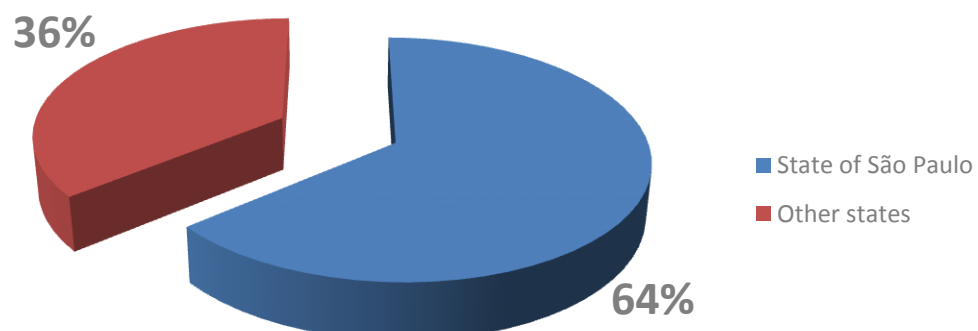
Respondents should indicate country and city headquarters

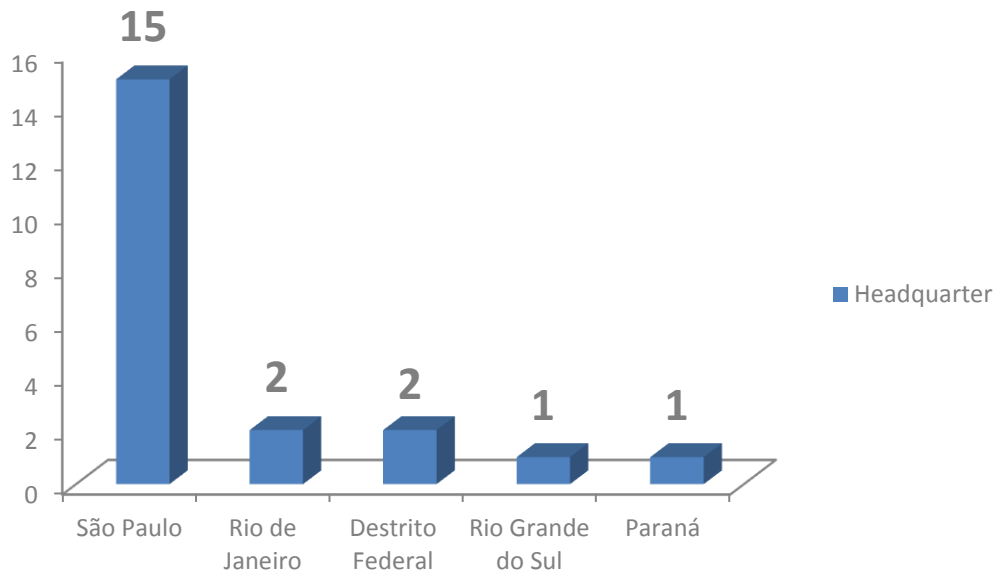
- For 63 of the participating companies with presence in Latin America the headquarter is located in Brazil. One is based in Argentina and another in Mexico.
- São Paulo is the state that hosts the vast majority of Swedish companies with presence in Brazil.



- 42 companies or 64% have presence in the São Paulo State. 27 in the city of SP and the others in Sorocaba (2), Barueri (2), São José dos Campos (1), Osasco (1), Cajamar (1), Itupeva (1), Cotia (1), Mogi das Cruzes (1), Jaguariúna (1), São Bernardo do Campo (1), Monte Mor (1), Itupeva (1) and Embu das Artes (1).
- Rio de Janeiro (capital, Saquarema and Macae), Paraná (Araucaria and Curitiba), Federal District (Brasília), Rio Grande do Sul (Montenegro), México (Mexico City) and Argentina (Buenos Aires) also host the headquarters of some Swedish multinationals in Latin America.

Geographic location

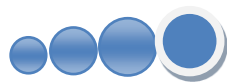




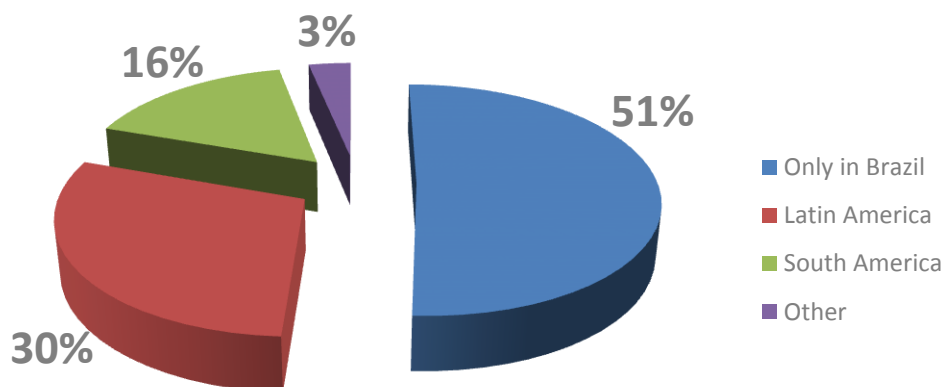
4. The Brazilian unit is responsible for business in...

Companies should indicate one of these options:

- Only in Brazil
 - In Latin America
 - In South America
 - Others
- For 31 companies (48%) the unit is only responsible for business in Brazil, while for 10 companies the unit is responsible for all business in South America (16%) and for 18 companies (28%) the unit is responsible for all business in Latin America. Lastly, for 7 companies (8%) the unit has other areas for responsibility.
- Some companies marked more than one option.



Area of responsibility

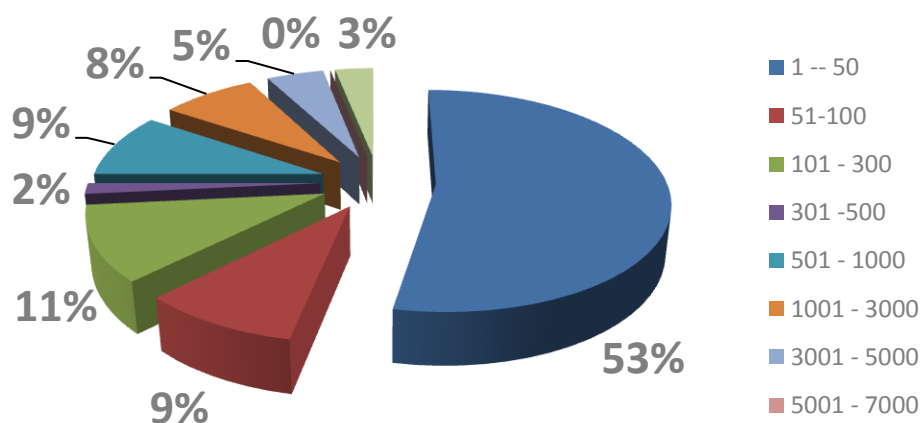


5. How many employees does the company have in Brazil?

Companies should indicate the size of the team in accordance with these options:

- 1 - 50
 - 51 - 100
 - 101 - 300
 - 301 - 500
 - 501 - 1.000
 - 1.001 - 3000
 - 3.001 - 5.000
 - 5.001 - 7.000
 - 7.001 - 10.000
- The majority of the respondents (34) have a small operation in Brazil, with up to 50 employees.
 - The large companies, i.e. those that have more than 1,000 employees, represent 38% of the respondents (24).

Number of employees in Brazil



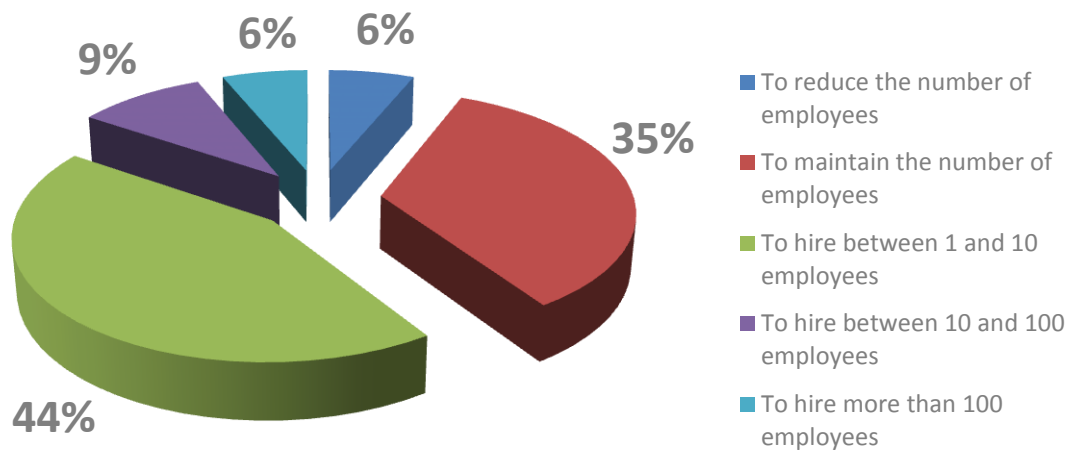


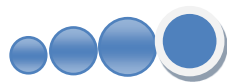
6. The company's plans regarding the number of employees for 2014?

In this question the respondents should mention whether they intend to increase or decrease the team, according to the following options:

- To reduce the number of employees
 - To maintain the number of employees
 - To hire between 1 and 10 employees
 - To hire between 10 and 100 employees
 - To hire more than 100 employees
- Nearly all firms (60) aim to maintain or increase the number of employees. Of this total, 22 will maintain the number of employees. Of the companies surveyed, 6% aim to hire more than 100 people this year.

Plans regarding employees

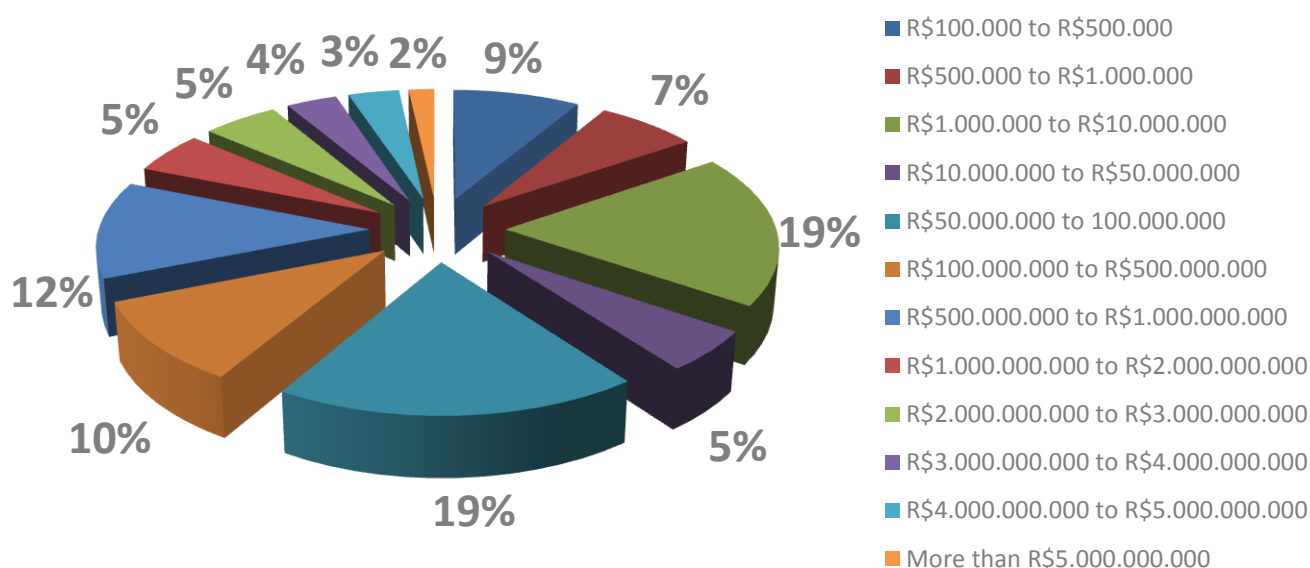




7. What was the company's total revenue in 2012 in Brazil?

- Six companies did not answer this question.
- For 34 companies turnover in Brazil was less than R\$ 100. 000 000 (100 million BRL). 23 of the companies reported turnover from R\$ 100.000.000 (100 million BRL) to R\$ 500. 000. 000 (5 billion BRL) of which 11 reported a revenue of more than 1 billion BRL.

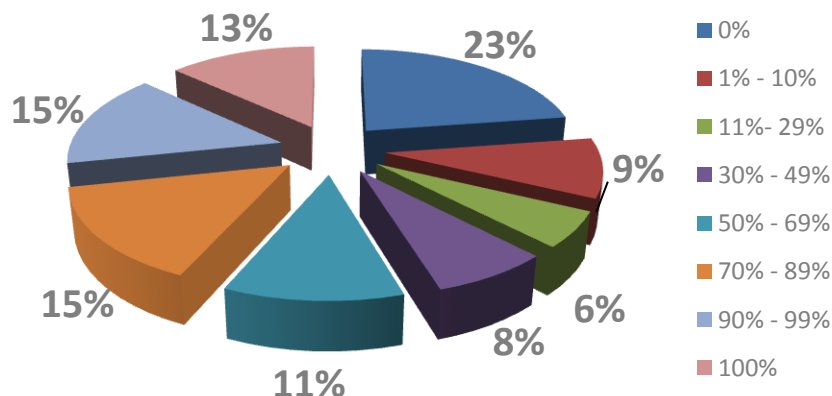
Total revenue in Brazil

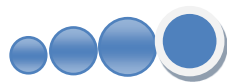


8. Which percentage of the total sales in Brazil refers to local production?

- Eight companies did not answer this question.
- 50 % of the respondents produce 50% or more of the total production in Brazil.
- 13% of the companies produce in Brazil 100% of what they sell in the country.

Production in Brazil x Revenue

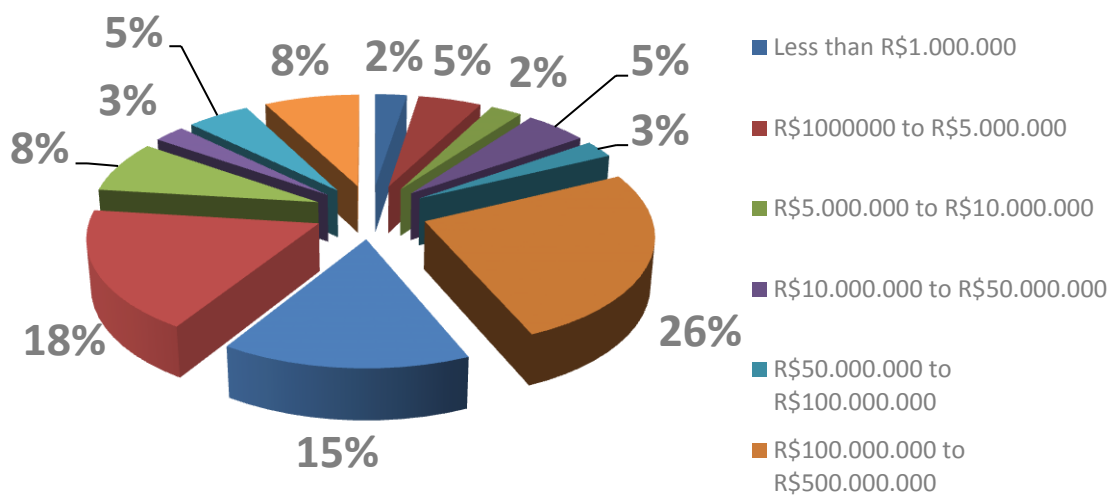


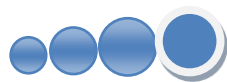


9. What was the company's total revenue in 2012 worldwide?

More than 50% of the participating companies have a worldwide revenue of more than 100 000 million BRL and 16 of them reported a worldwide revenue of more than 1 billion BRL.

Total revenue worldwide



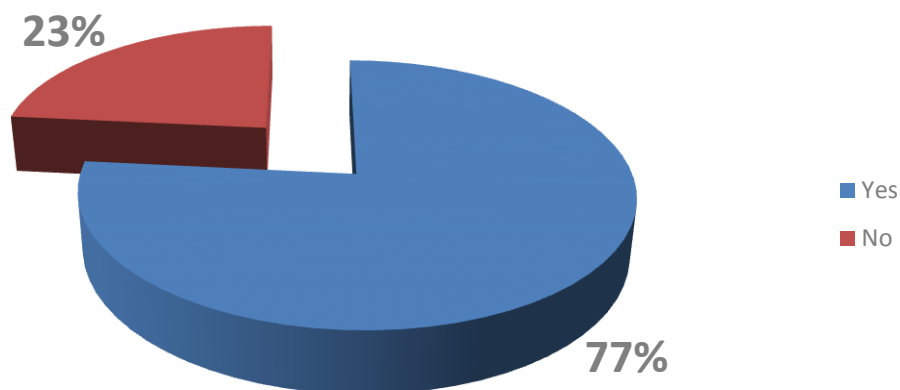


10. Does the company have offices, operations or exports to other Latin American countries?

It was requested that the companies indicate Argentina, Bolivia, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Uruguay or Venezuela.

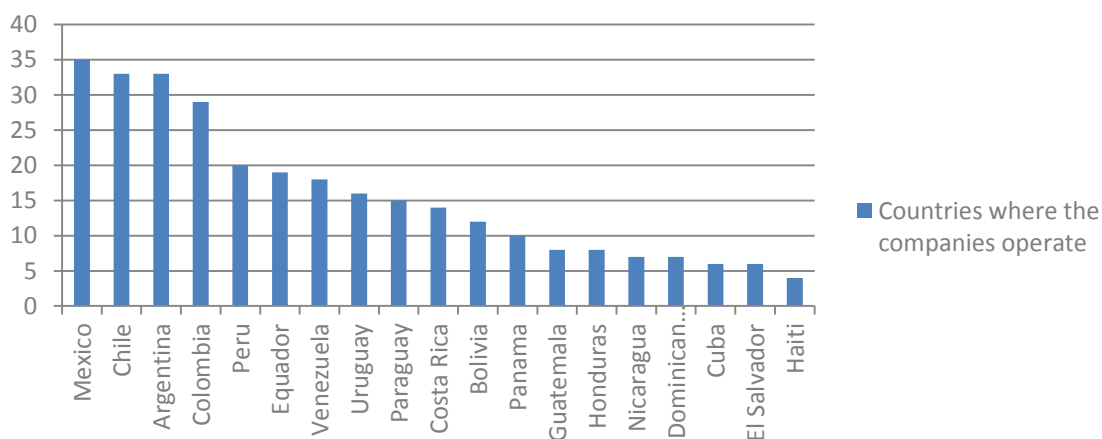
- Most companies (49) have a presence in other Latin American countries

Offices/operations or exports to other Latin American countries



- After Brazil, Mexico is the country where most companies operate in Latin America, followed by Chile, Argentina, Mexico, Colombia and Peru.

Countries where the companies operate



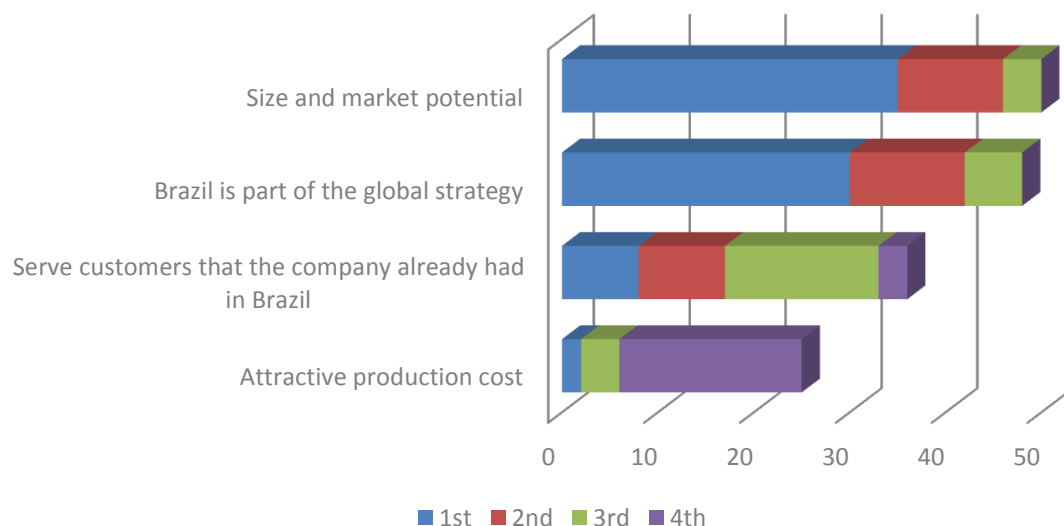
II – Investments and Performance in the Brazilian market

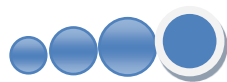
11. What are the main reasons for your company to operate in the Brazilian market?

Respondents were asked to rank from 1 to 4 subjects, with 1 being the most important and 4 the least important:

- Size and market potential
 - Brazil is part of the global strategy
 - Serve customers that the company already had in Brazil
 - Attractive production cost
 - Others
- The size and potential of the Brazilian market is the main reason for being in Brazil in accordance with 35 companies. The productions cost is not attractive for Swedish companies.
 - Two companies did not answer this question.

Reasons to be in Brazil



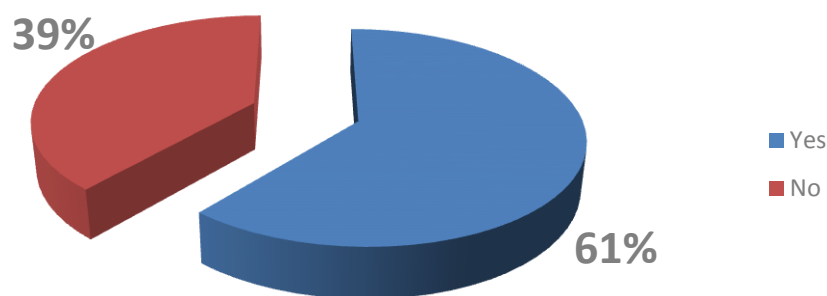


12. Does the company have any plans to expand operations or export to other countries in Latin America?

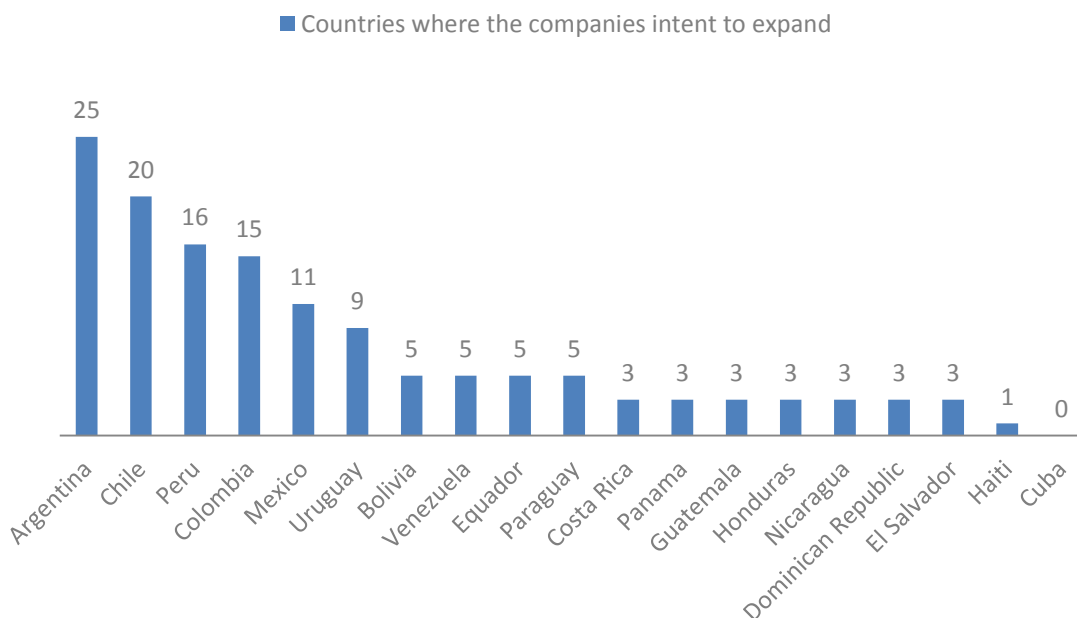
It was requested that companies choose between Argentina, Bolivia, Chile, Colombia, Costa Rica, Cuba, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Dominican Republic, Uruguay and Venezuela.

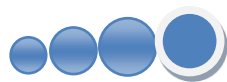
- Two companies did not answer this question
- Most companies (38) intend to expand operations to other Latin American countries.

Plans to expand to other Latin American Countries



- Among the respondents only Cuba is not in the expansion plans.
- Argentina (25), followed by Chile (20) and Peru (16) are the most targeted by Swedish companies wanting to expand their presence in the region.



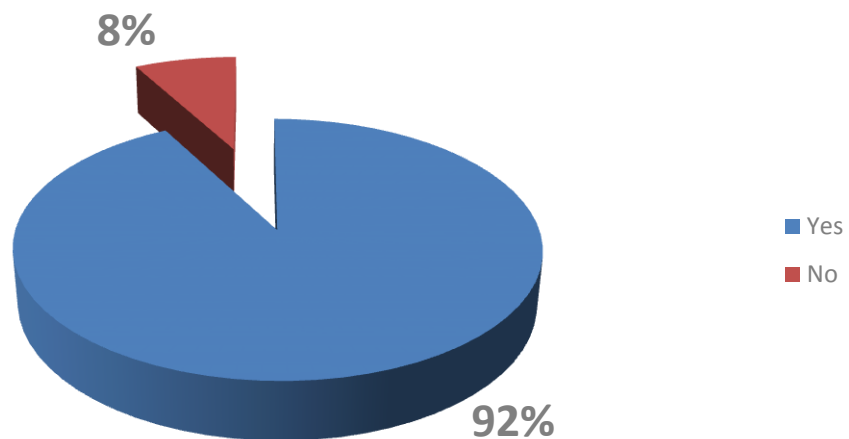


13. Did the company invest in Brazil the last 12 months?

It was requested that companies mention where they invested most in the following areas: infrastructure, people, technology, innovation, training, research, marketing and communications, corporate social responsibility and others.

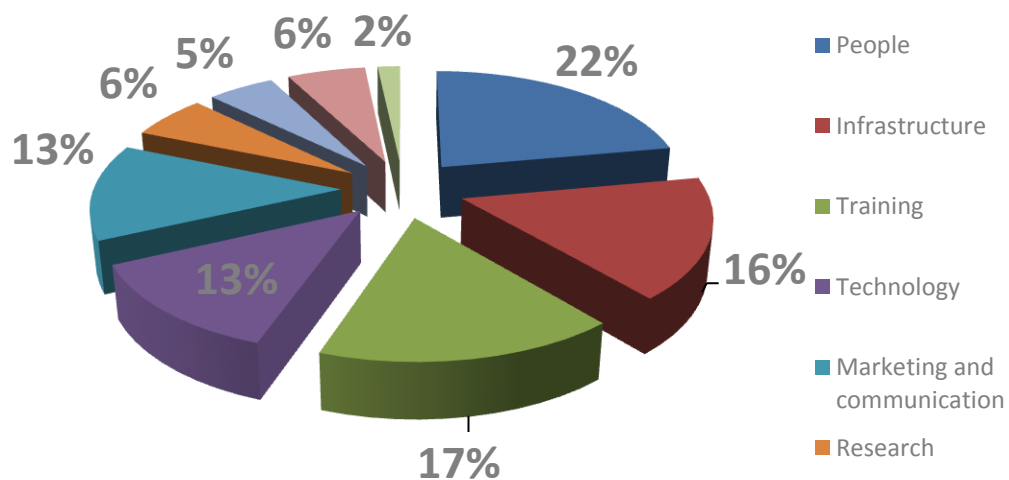
- The vast majority of companies (59) invested in their units in Brazil in the last 12 months.

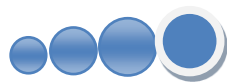
Did the company invest in Brazil the last 12 months



- This question allowed multiple answers.
- Of the companies that have invested in the country in the period, 22% concentrated spending on people (hiring, retention and benefits for employees). Infrastructure and training were two other areas with major investments during the year.

Areas with most investments



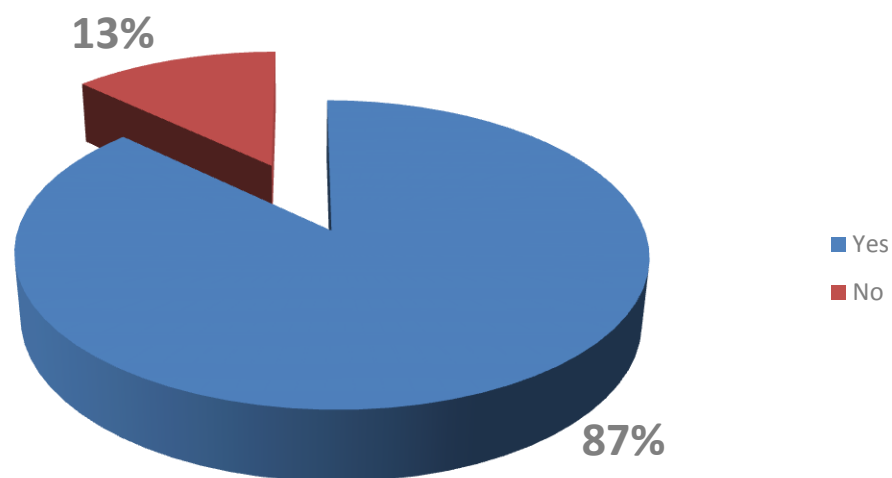


14. Will the company invest in Brazil in the next 12 months?

Respondents were asked to identify which of the following areas they would focus their investments on in the near future: infrastructure, people, technology, innovation, training, research, marketing and communications, corporate social responsibility and others.

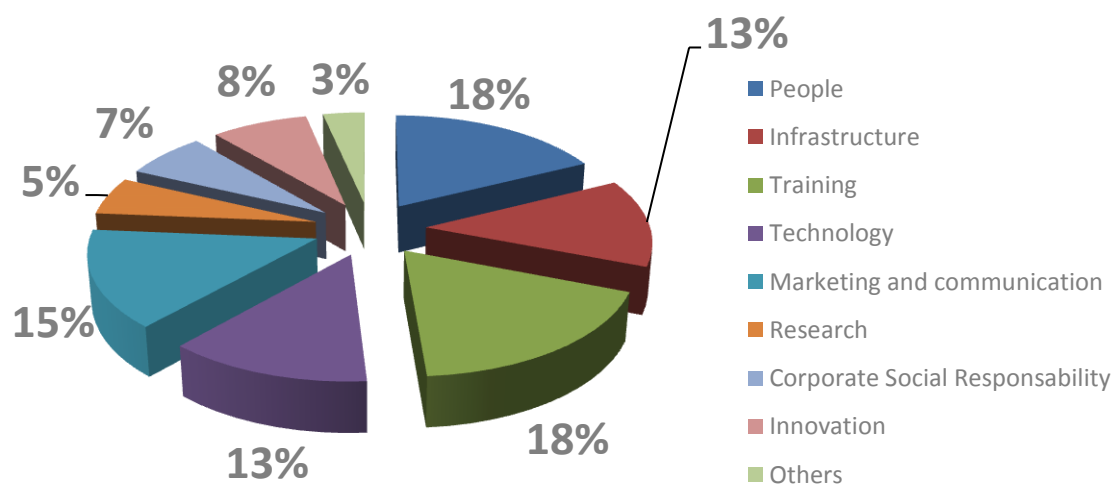
- Only eight companies will not invest in Brazil in the next 12 months.

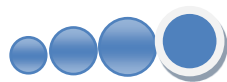
Intention of investments



- The focus of Swedish investments over the next 12 months will remain in training, people, marketing and communication. Infrastructure, technology and innovation will also be important areas for investments in Brazil in 2014.

Areas of investment

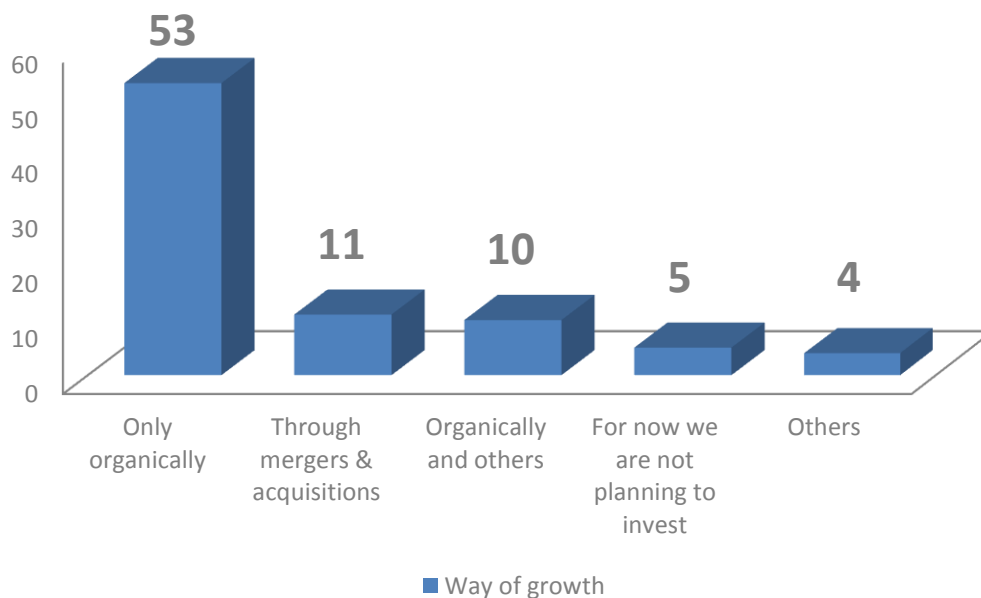


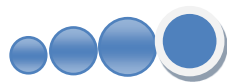


15. How is the company seeking growth opportunities in Brazil?

It was requested that companies choose between the following options:

- For now, we are not planning to invest
 - Through mergers & acquisitions
 - Organically (with investments in the company)
 - Others
- The vast majority of companies should grow only organically, while only five have no investment forecast.

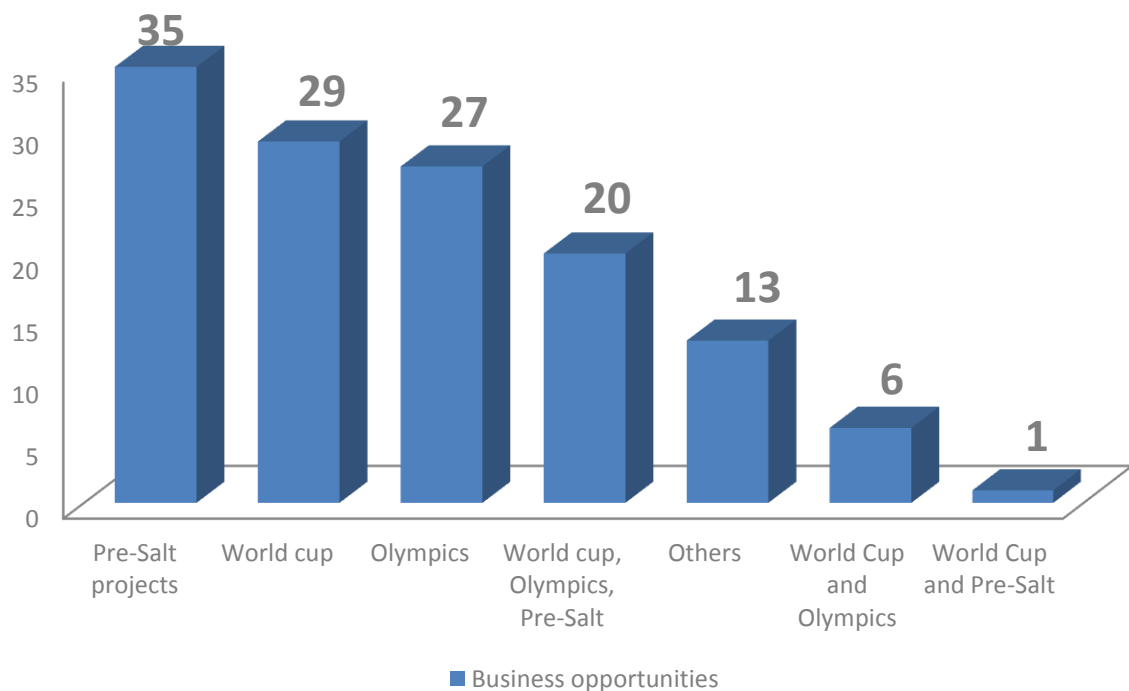




16. Does the company see business opportunities in relation to...

Respondents should indicate whether any of these areas and events might generate business:

- ☐ World Cup 2014
 - ☐ The 2016 Olympics
 - ☐ Pre-salt projects
 - ☐ Others
- The majority of the companies (35) see opportunities in the pre-salt projects.
 - Only one company does not see business opportunities in sporting events or in the pre-salt area.
 - Five companies cited infrastructural investments.
 - 20 companies surveyed see opportunities to generate business both in the coming sporting events and the pre-salt area.



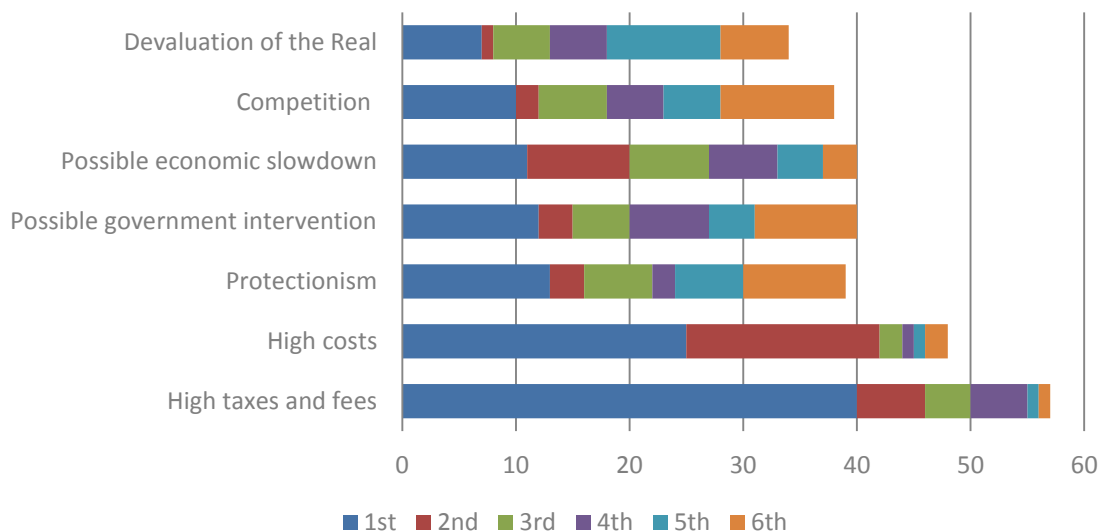


17. What are the main barriers for your company to act in the Brazilian market?

Respondents were asked to choose among the following items, with 1 being the most important and 6 the least important:

- The competition
 - A possible economic slowdown
 - High costs
 - High taxes and customs fees
 - Protectionism
 - Possible government intervention
- The high taxes and custom fees are considered the main barrier for Swedish companies in Brazil, followed by high production costs.

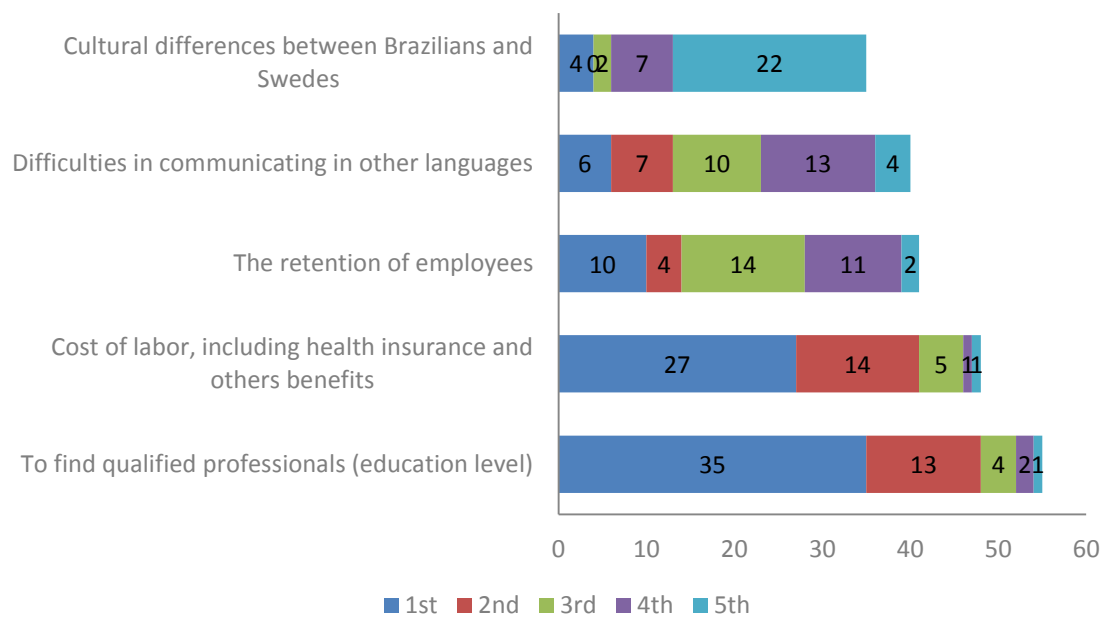
Main barriers

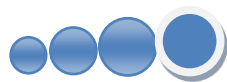


18. What are the main challenges for your company in relation to human resources?

Respondents were asked to rank 1-5 the following reasons, with 1 being the most important and 5 the least important:

- To find qualified professionals (education level)
 - Cultural differences between Brazilians and Swedes
 - Cost of labor, including health insurance and other benefits
 - The retention of employees
 - Difficulties in communicating in other languages
- The difficulty of finding skilled labor in Brazil is the main challenge of human resources for the vast majority of Swedish companies, followed by the cost of labor.





Conclusions

The results of the survey **Outlook of Swedish Business in Brazil** show excellent prospects for the operations of these multinationals not only in Brazil but also in other Latin American countries. The continent is the main focus for companies seeking to increase revenue and sales in promising markets.

Besides the obvious countries like Argentina, Chile, Colombia and Peru, the results highlight the great interest of companies in countries like Uruguay (nine of them have an interest in setting up operations there) and Dominican Republic (three).

Although most Swedish companies have already been present in Brazil for decades, some have recently entered the market and are still at a very initial stage of operations.

The 65 companies that responded to the questionnaire employ a total of approximately 60,000 people in Brazil. As regards the main activity, the sectors with the largest representation are Services, Automotive and Mechanical Industry.

In the field of human resources, it is interesting to note that Swedish companies find it difficult to hire professionals in the Brazilian market. Much of the problem is attributed to low-skilled labor. Cultural adaptation is not considered a barrier by Swedish companies, which shows that the cultures of both countries mingle without any major difficulties.

São Paulo emerged as the major center of operations for Swedish multinationals, with 36 companies headquartered in the city. Another 15 Swedish companies are headquartered in other regions of São Paulo State, totaling a 79% concentration in the region but Curitiba and, Rio de Janeiro are other cities of great importance for Swedish companies in Brazil.

This survey is repeated annually in order to create historical data to assess the evolution of the business climate for Swedish companies in Brazil.



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