

Minas Gerais



The second-most populous state in Brazil and the second largest in terms of exports, Minas Gerais is thriving with opportunity.

FACTS AND FIGURES

LOCATION
Southeast of Brazil
CAPITAL
Belo Horizonte

STATE REVENUE
Third - largest state economy in the country (9.6% of GDP)

POPULATION
18.9 million

PERCENTAGE OF NATIONAL OUTPUT
Coffee 59%, electric power 17%, mining activity 35%

PERCENTAGE OF BRAZILIAN EXPORTS
Iron and steel 53%, iron ore 43%, jewelry and gems 43%



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▶▶▶ DRIVEN BY UNMATCHED DYNAMISM AND DETERMINATION, MINAS GERAIS' GOVERNMENT HAS TAKEN ON THE ROLE OF A DEVELOPMENT PROMOTER WORKING IN PARTNERSHIP WITH THE PRIVATE SECTOR.

AN INTRODUCTION BY VICE PRESIDENT JOSE ALENCAR

"A formidable base for long-term growth"

Minas Gerais is possibly the most dynamic and economically diverse region in the whole of Latin America. The depth and breadth of our natural resources provide a formidable base for long-term sustainable growth and prosperity for future generations. We have recently taken a faster track toward achieving these goals through a cohesive, inclusive strategy, initiated by our modernized regional government and supported 100% by all stakeholders of the economy. The public and private sectors of Minas Gerais not only speak the same language, but also stand shoulder to shoulder in their daily mission to bring liberty and opportunity to all her citizens. I am most proud to be a "Mineiro" and I truly believe that our economy will go from strength to strength in the current climate of optimism, determination and solidarity. Minas Gerais will always be my home and also the best home for investors looking to join us on our road to unrivaled success.



JOSE ALENCAR
Vice President of the Federal Republic of Brazil



GOVERNO DO ESTADO MINAS GERAIS

Challenge remains to add value to export products

IN LESS than two years, Aécio Neves da Cunha, Governor of Minas Gerais, has imposed a new order of management that has lifted the Brazilian state out of debt and into an ever-growing role as a prime investment destination. A thorough reform of public administration processes and the introduction of private-sector practices have led to a much-lauded zero budget deficit.

The challenge remains to increase investment and add value to export products. Minas Gerais is already the second-largest exporter in Brazil, and is likely to grow the fastest over the next decade. The governor comments, "We are creating all the necessary condi-

tions to expand existing investment and attract new investors."

In addition to a strategic geographical location for Latin American markets, and extensive transportation infrastructure,

Minas has an extremely diversified economy and much potential for added-value industries. Eduardo Prates Octaviani Bemis, President of the Associação Comercial de Minas (AC Minas), believes the new government has earned

the confidence of the business sector thanks to its serious and modern approach. "Today Minas clearly understands that the state's role is not that of an investor but that of a development promoter working as a partner with companies," he says.

A new order of management has lifted the state out of debt and into an ever-growing role as a prime investment destination



AÉCIO NEVES DA CUNHA
Governor of Minas Gerais

Booming industry creates high demand for air transport connections



Lider Aviação is meeting the increasing demand for aircrafts and aviation services in the state.

MINAS GERAIS has the largest road network in Brazil and more than 3,100 miles of railroads, linking it to the three main Brazilian ports and allowing rapid access to national and international markets. The state itself has five inland ports. However, for an area roughly the same size as Arizona and Nevada combined, efficient, extensive and safe air transportation remains a priority requirement.

There are 82 airports in Minas, including the Tancredo Neves International Airport in the Belo Horizonte metropolitan area. Recently, its passenger handling capacity was increased by the transfer of flights from the smaller Pampulha airport, a move undertaken in order to cope with Brazil's constantly growing air traffic. In addition to drawing more international airlines to the airport, the aim is to increase the airport's cargo and commercial activities, strengthening its position as a connection point and generating more business for the state.

Currently creating a greater demand for air transportation in Minas Gerais are the state's thriving steel and mining industries.

Executive aviation provider Lider Aviação has seen this reflected directly in aircraft sales, one of the many commercial branches the company is engaged in. Starting out almost 50 years ago as an air taxi outfit, Lider Aviação has recently re-branded itself to highlight the fact that it also handles insurance, training, maintenance, air ambulances and airport safety.

"Today helicopters represent our largest share of revenues," says Eduardo de Pereira Vaz, the company's President. According to Mr. Vaz, a key element of Lider's success has been its business philosophy. Owner and founder José Afonso Assumpção built up the company by introducing new ideas and products. "We constantly search for improvements, either on the organizational level or in equipment," says Mr. Assumpção. Lider was the first to fly jets in Brazil commercially and has become the largest aviation firm in Latin America. Although it has expanded beyond its Minas Gerais beginnings, Lider Aviação remains closely linked to the state. "We have grown in a very 'Mineira' way: slowly, but very sustainably," says its owner.



JOSÉ AFONSO ASSUMPTÃO
Owner and founder of Lider Aviação

Swiftly taking up technology in business and spurring robust growth in telecommunications

BRAZIL privatized the telecommunications sector in 1998 and it has been showing robust growth since then, particularly the cellular segment. According to national regulator Anatel, there were 68.6 million cellular customers in the country at the end of March this year, up 39.6% from the same period in 2004.

The state of Minas Gerais has been swift to latch on to business-related technology opportunities, and the main companies offering fixed telephone lines and other communication services such as internet, data transmission and cable are Telemar, Embratel and CTBC. Telemar, the largest, has approximately 4.8 million fixed lines.

Of the four operators providing cellular services within the state, Telemig Celular is the largest and also the only one that is independent. "We have a 51% share of the total cellular market today and around 70% in the contract sector," says company CEO Ricardo Grau. Also in the cellular market are TIM Brazil, a unit of Telecom Italia; Claro, owned by Mexico's America Movil; and Oi, which is part of Telemar. Mr. Grau is not daunted by the competition, however, and stresses that his company is very client focused, which helps create customer loyalty. "We were the first to launch a customer relationship and reward program - we spend money

on retaining our clients," he says.

Telemig is concentrating on social development and support within the local community to differentiate itself from other mobile operators.

Indeed, the company has been improving its market position steadily, with profits increasing by 4% in the first quarter of 2005 compared to a year ago - and 2004 was a year of record earnings. In addition, the company has been licensed to provide new services in the west of Minas Gerais, thereby extending its coverage to over 500 cities and towns state-wide.

There were 68.6 million cellular customers in the country at the end of March this year, up 39.6% from the same period in 2004



RICARDO GRAU
CEO of Telemig Celular



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