

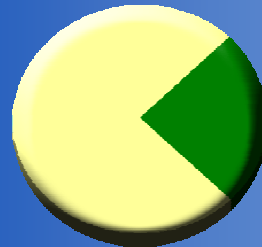
Embraco's progress in CHINA



Embraco Today



World leader in
hermetic compressor
market



22% global
market share

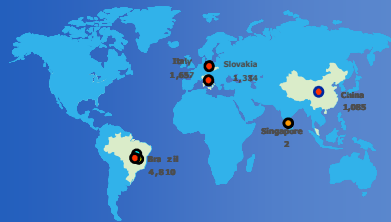
36 anos
in operation



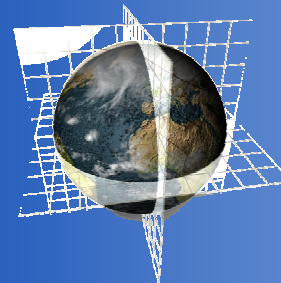
+ 300 million
products
manufactured



Technology
Leadership



Plants in **3** continents



Global distribution
and sales network



+ 27 million
compressors/year

Plants and People



Determining Factors for the Investment



Why go to China?

- Exporting to China since 1986
- Embraco brand already known in Asia
- Perception of economic growth, domestic potential of the cooling market
- Future export base for the continent
- Good infrastructure, low production costs

**First Brazilian company to form a joint venture with
the Chinese government in 1995**

Embraco's First Steps



CHINESE MARKET

Investment to know peculiarities of the market

- How business is done in China
- Financial market – capital inflow and outflow
- Legal and taxation systems
- Regional differences



Market demand, then estimated at 7 to 8 million compressors/year

Cultural differences between the two countries

Embraco's First Steps

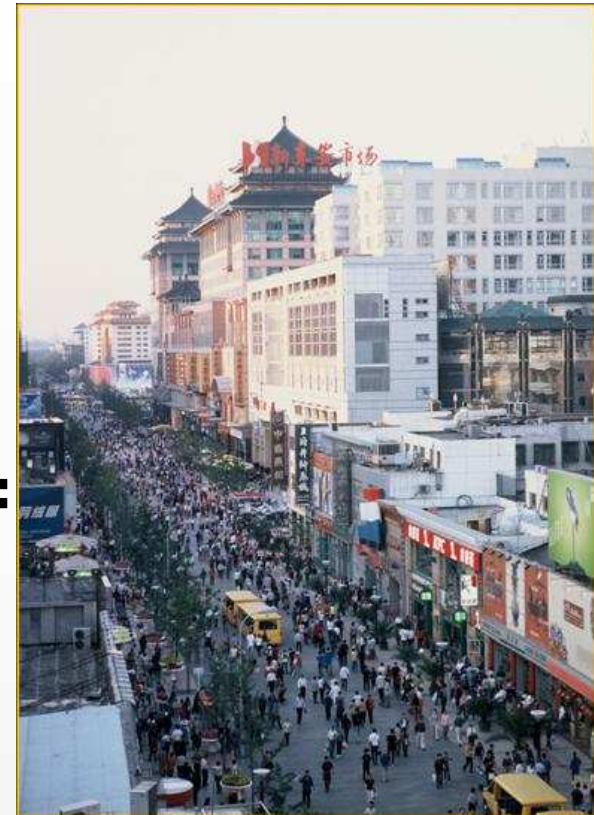


1993 – Initial negotiations for a possible partnership

1995 – Joint venture established with Snowflake group, controlled by the municipality of Beijing

Documents that structured the association:

- Joint venture contract
- Articles of Association – Limited partnership
- Installation's rental contract (factory already existed)
- Licensing contract to use brand on product
- Technology transfer contract – EC compressor



Characteristics and Challenges



Business strategies

Cultural understanding

Intellectual property

Complex negotiations

Consolidation of judicial system

Understanding social protocols

Start of Operations - 1995



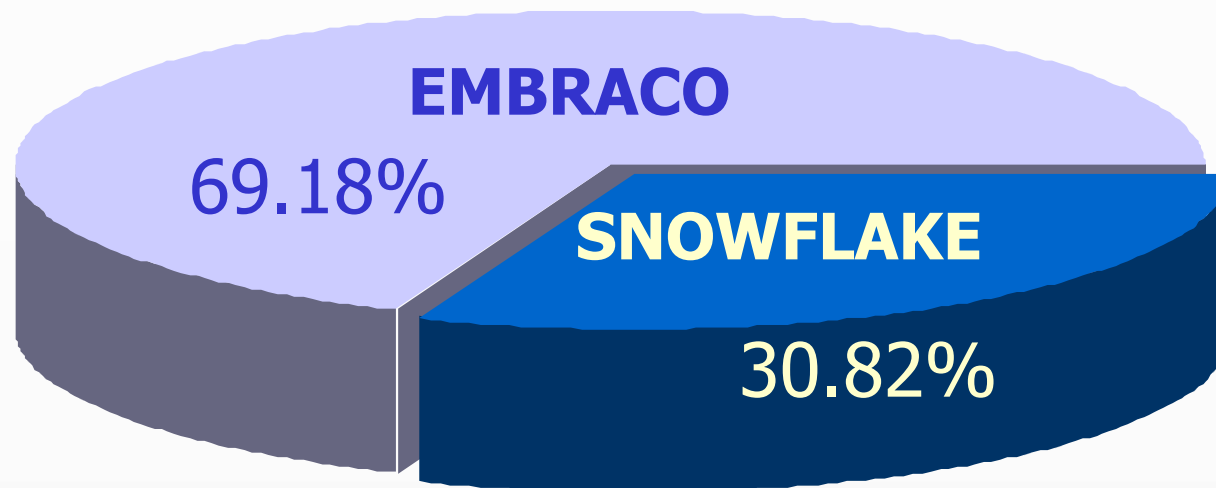
- Beijing Embraco Snowflake Compressor Company - BESCO
- Old factory located in urban area: Fungtai District, south of Beijing
- Production volume: 1 million compressors/year
- Number of employees: approximately 1150 people
- Focus on domestic market



Main Challenges:

- Uncertainties regarding Chinese legislation
- Marked cultural differences
- Trust between the parties – relationship building

Current Capital Stock Structure



Management Structure



BOARD OF DIRECTORS



Management



Embraco Today in China



- New factory located in planned area – near the Beijing International Airport
- Joint investment of US\$ 65 million
- Strategic platform to supply the Asian market with cooling systems
- Focus on the domestic market
- Full production capacity of 4.5 million products
- ISO 9001 Certification
- More than 1,100 employees



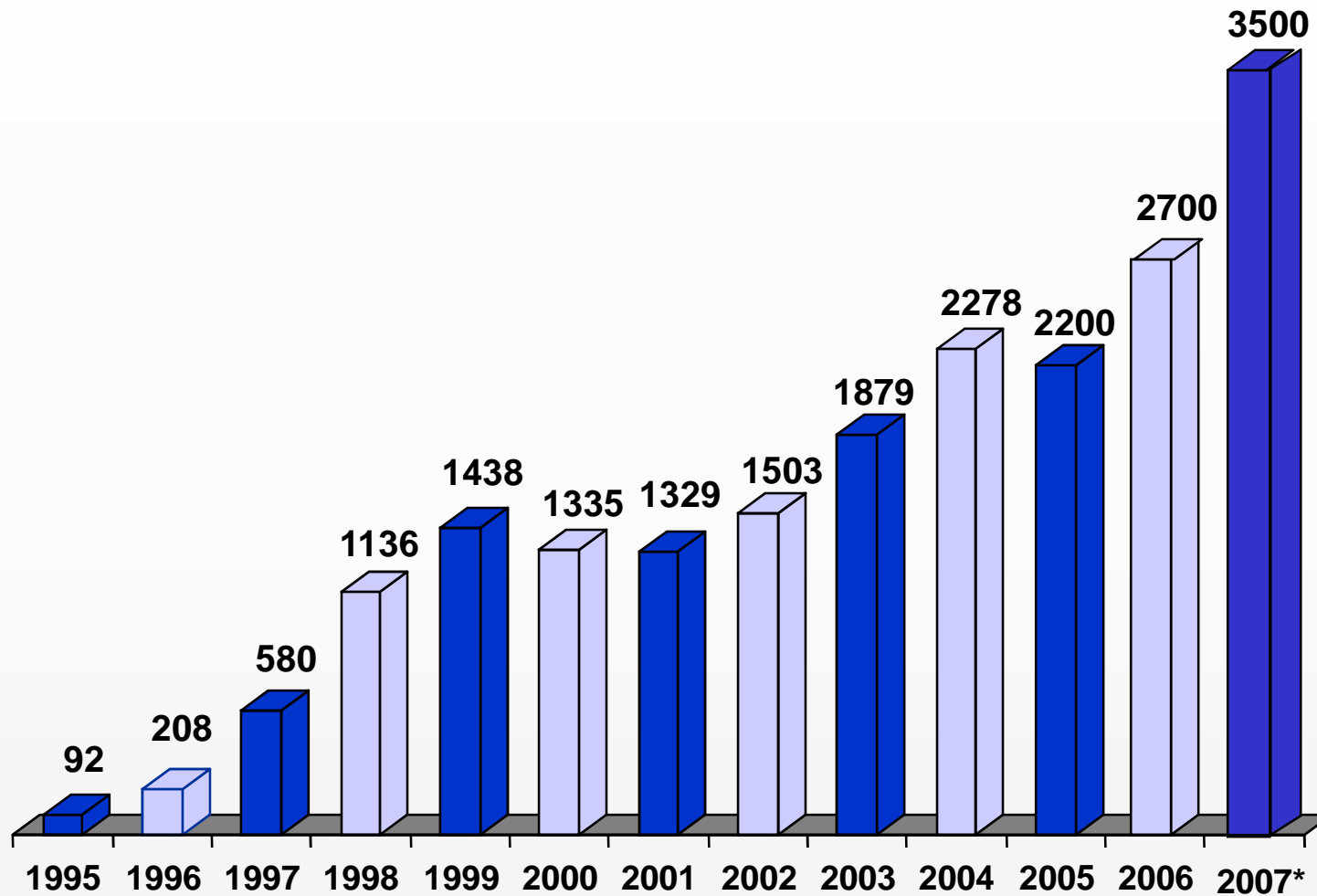
New Factory Differentials



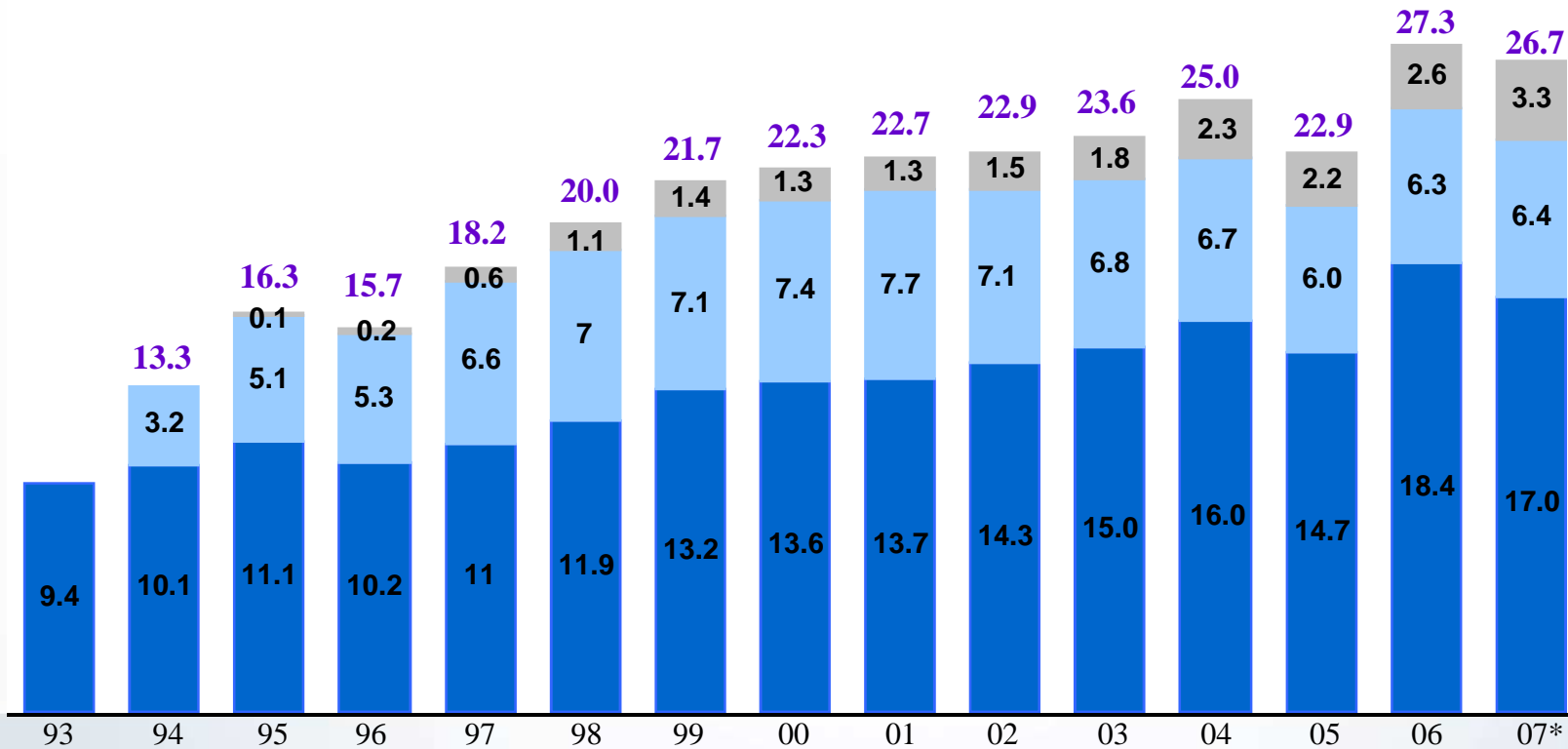
- Research and development center
- New product EM - global
- State-of-the-art technology
- Full production capacity of 4.5 million products
- Environmental concerns:
 - Reduction in water consumption
 - Reduction in electric energy consumption
 - Reduction in CO2 emission



Sales Volume Evolution in China



Global Sales Volume



■ BRAZIL
 ■ EUROPE
 ■ CHINA



Current Situation



- Chinese partnership management is more focused on results
- Management, quality and productivity concepts are internalized
- People already understand that the company should generate jobs and profit
- China has been a member of World Trade Organization since 2004
- Steady growth supports investments for future development



New Plant Inauguration – May 2006



New Plant Inauguration – May 2006



New Plant Inauguration – May 2006



New Plant Inauguration – May 2006



New Plant Inauguration – May 2006



Conclusion



"A Chinese bargain" does not exist.



Ernesto Heinzelmann

president@embraco.com