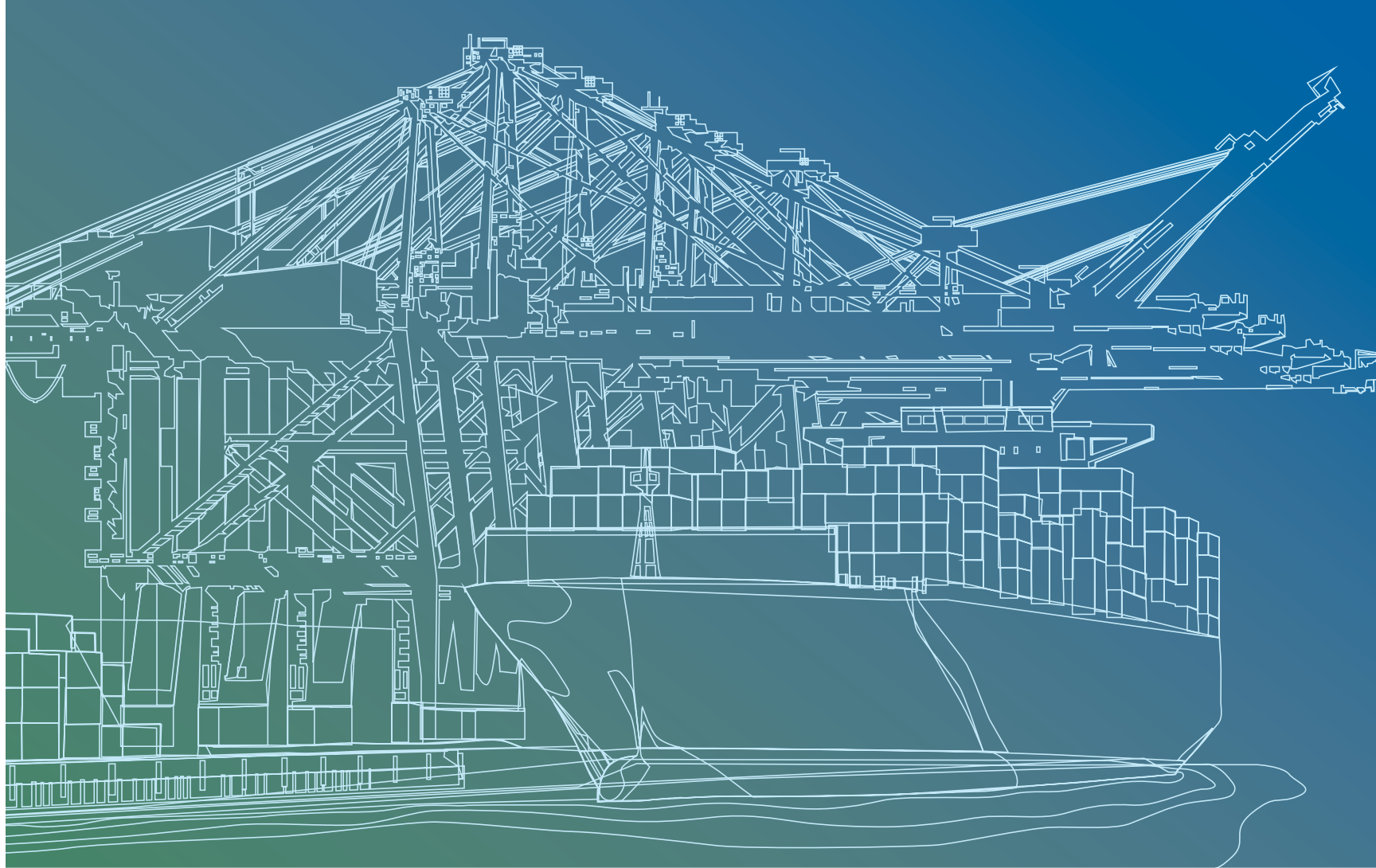




2012 SUSTAINABILITY REPORT



MISSION, VISION AND VALUES

GRI 4.8

MISSION

TO OFFER PORT INFRASTRUCTURE AND INTEGRATED LOGISTICS SERVICES WITH PROMPTNESS, QUALITY AND SAFETY, RESPECTING INDIVIDUALS AND THE ENVIRONMENT AND CONTRIBUTING TO SOCIOECONOMIC DEVELOPMENT IN BRAZIL.

VISION

TO BE THE BEST PORT INFRASTRUCTURE AND INTEGRATED LOGISTICS SERVICES COMPANY IN ITS MARKETS OF OPERATION.

ON ITS VALUES:

- Ethics and transparency
- Valuing the individual
- Respect for diversity
- Environmental and social responsibility
- Teamwork
- Speed and accuracy
- Continuous improvement



HIGHLIGHTS

	2010	2011	2012	VARIATION 2011-2012
FINANCIAL RESULTS				
Gross revenue from services (R\$ million)	982.7	1,278.7	1,471.7	15.1%
Net revenue from services (R\$ million)	865.5	1,124.7	1,293.2	15.0%
Cost of services provided (R\$ million)	517.8	625.9	690.9	10.4%
Operating expenses (R\$ million)	138.1	152.3	177.4	16.5%
EBITDA (R\$ million)	310.1	456.9	551.7	20.7%
EBITDA margin (%)	35.8%	40.6%	42.6%	2.0 pp
Net earnings (R\$ million)	112.0	246.6	270.2	9.6%
Gross debt (R\$ million)	466.3	705.1	433.1	-38.6%
Net debt (R\$ million)	358.8	410.2	296.7	-27.7%
Net debt /EBITDA (ratio)	1.2	0.9	0.5	
Investment (R\$ million)	210.0	184.4 ⁽¹⁾	97.9	-46.9%
SOCIAL AND ECONOMIC RESULTS				
Number of employees	3,073	3,527 ⁽²⁾	3,631	1.7%
Investment in training (R\$ million)	1.3	2.1	2.0	-4.8%
Hours of training	82,162	232,842	151,000	-35.1%
CO ₂ emissions (kg of CO ₂ e per Twenty-foot Equivalent Unit (TEU) handled) ⁽³⁾	11	13	13	-
CAPITAL MARKETS				
Net earnings per unit(R\$)	0.85	1.87	2.04	9.1%
Average price of unit (R\$)	17.69	26.21	30.23	15.3%
Closing price on December 31 (R\$)	23.00	24.67	29.20	18.4%
Average daily financial trading volume (R\$ million)	1.99	5.67	8.05	42.0%
Market capitalization (R\$ million)	3,017.0	3,261.0	3,878.7	18.9%
Dividends + interest on equity (R\$ million)	85,147.0	187,387.0	205,360.9	9.6%
Payout	80.0%	80.0%	80.0%	-
Distribution of earnings per unit (R\$)	0.65	1.42	1.55	9.2%
OPERATIONAL HIGHLIGHTS				
PORT TERMINALS				
Quay operations	938,924	1,001,875	1,138,573	13.6%
Full containers	742,681	781,523	862,787	10.4%
Empty containers	196,243	220,352	275,786	25.2%
Storage operations	182,900	179,202	175,557	-2.0%
LOGISTICS				
Storage operations	67,848	74,632	76,608	2.6%
VEHICLE TERMINAL				
Vehicles handled	154,212	205,603	195,741	-4.8%

⁽¹⁾Revision of fixed asset write-down. **GRI 3-10**
⁽²⁾Revised to exclude interns.
⁽³⁾Data from Santos Container Terminal.

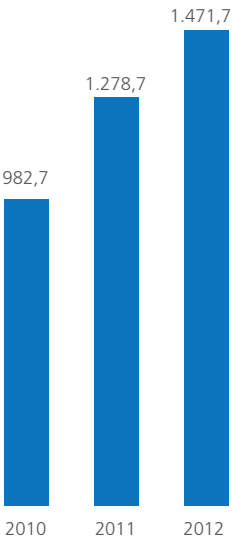
NET REVENUE WAS UP 15% ON 2011, TOTALING R\$1,293.2 MILLION.

RECORD CASH GENERATION, WITH EBITDA UP 20.7% TO R\$551.7 MILLION.

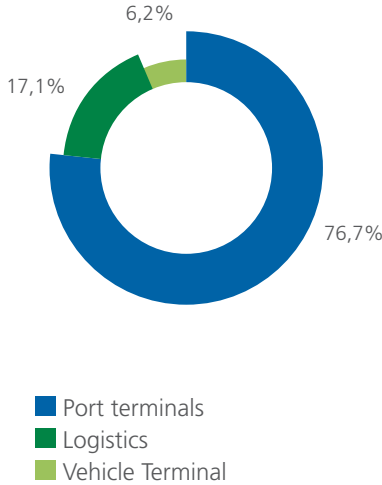
OPERATIONAL EFFICIENCY ENABLED THE COMPANY TO ACHIEVE 155.5 MOVES PER HOUR (MPH) ON A SINGLE SHIP.

RECORD THROUGHPUT, WITH 105,530 CONTAINERS REGISTERED IN ONE MONTH.

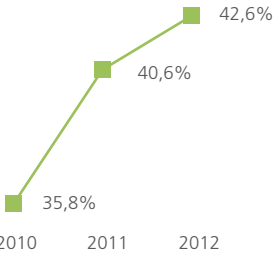
Gross operating revenue (R\$ million)



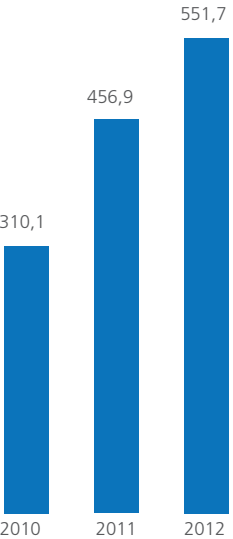
Breakdown of gross revenue



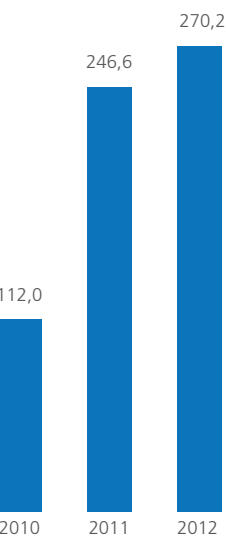
EBITDA margin



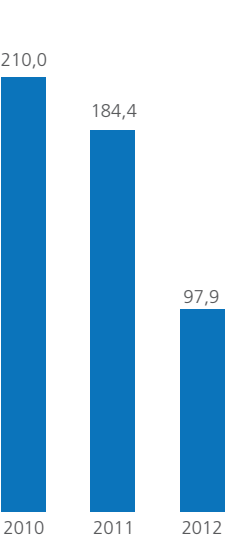
EBITDA (R\$ million)



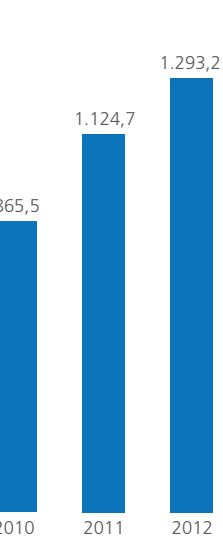
Net earnings (R\$ million)



Investment (R\$ million)



Net revenue from services (R\$ million)



13.6% INCREASE IN MOVEMENT AT THREE CONTAINER TERMINALS.

NET DEBT REDUCTION OF 27.7%, TO R\$296.7 MILLION, OR 0.5 TIMES EBITDA.

S&P CREDIT RATING UPGRADE TO “BRAA+” CLASSIFICATION ON NATIONAL SCALE.

DEFINITION OF FIVE KEY ISSUES FOR COMPANY SUSTAINABILITY.

INVESTMENT IN SOCIAL AND ENVIRONMENTAL PROJECTS BENEFITED SOME 40 ORGANIZATIONS.

GREENHOUSE GAS INVENTORY IS BASED ON THE ENTIRE ORGANIZATION FOR THE FIRST TIME.

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MESSAGE FROM THE CEO

GRI 1.1, 2.8, 3.5

In 2012, we maintained our focus on growth and productivity. We surpassed our 2011 results and reached the end of the year with record volumes, strengthening our leadership position in container operations in South America.

Our financial results were impressive – a growth of 20.7% in EBITDA, to R\$551.7 million, 15.1% in gross revenue, to R\$1.472 billion, and 9.6% in net earnings, to R\$270.2 million. On the commercial front, we gained market share in the ports in which we operate. Most notably, our share rose by five percentage points, from 50% to 55%, in the Port of Santos, our largest market.

New records were also set in handling volumes, with 105,530 containers handled at Tecon Santos in a single month.

The total number of containers handled during the year at all our terminals increased by 13.6% to 1,138,573. In Imbituba, although we have not yet reached break-even point, we added two new lines, one to service the Gulf of Mexico and the other for Northern Europe. We also achieved solid results at Tecon Vila do Conde, where at the end of the year a combination of coastal shipping with the transshipment of containers onto barges was introduced for the first time.

Maintaining our emphasis on operational efficiency, we broke our own record right at the start of the year, managing 155.5 moves per hour (MPH) on a single ship. We ended 2012 with an average of 80 MPH per ship operated at Tecon Santos, on a par with leading European terminals. In addition, we began a comprehensive project to structure our sustainability management, culminating in the presentation of our first performance report in accordance with Global Reporting Initiative (GRI) guidelines, an international standard for disclosing sustainability actions.

In order to ensure sustainable business growth, we are incorporating clear environmental and social performance concepts and indicators into the company's everyday routines. Starting with this edition of the report, we are expanding access to information about our strategy and results in these areas. The market has already recognized some of our initiatives, such as our Sustainable Drivers Program, which in 2012 received an Environmental Responsibility Award from motor vehicle manufacturer Mercedes-Benz. In joining the United Nations Global Compact in 2013, we will be reaffirming our commitment to sustainable development.

Discussions about the sector's regulatory framework took up a significant part of the year's agenda. Provisional Measure MP 595, proposed by the Brazilian government at the end of 2012, is still passing through the National Congress, but it already singles out the upkeep of public ports as an indispensable tool for the growth of Brazil's foreign trade. Consequently, we are optimistic about the guarantee of equality in competition between terminals and maintenance of the legal security of administrative contracts. Another positive point is the line of credit offered by BNDES to finance port projects.

Good governance, a solid balance sheet and strong strategic positioning contributed to the company's reclassification by credit rating agency Standard & Poor's (S&P), upgraded from "brAA" to "brAA+" on S&P's Brazilian National Scale, reflecting the credibility we have gained in the capital markets. Over the course of the year, the company's share price rose by 18.4%.

This market recognition is an indication that our investment and management strategy, underpinned by ethics, transparency and social and environmental responsibility has been successful. We must follow this path to face an ever tougher competitive landscape. We will meet the challenge of

maintaining the values already recognized in our brand and seeking to further increase the efficiency of our operations.

We will remain focused on achieving greater integration between the logistics services offered at Tecon Santos, the Vehicle Terminal and Santos Brasil Logística. At Tecon Imbituba, we will concentrate on expanding the number of shipping lines berthing at the terminal, taking advantage of its unique accessibility characteristics. At Tecon Vila do Conde, the focus will be on coastal shipping. We will work to increase the size of the area served by coastal shipping, especially through the use of barges.

We are prepared for the challenges of this new year. We have all the distinctive advantages needed to excel ourselves once more and the best port assets in Brazil: state-of-the-art equipment and technology, expertise gained from 15 years of successful work developing Brazilian port logistics, and above all a top professional team of competent experts.

Antonio Carlos Sepúlveda
Chief Executive Officer

We have maintained our focus on operational efficiency, breaking new cargo handling records, strengthening our leadership position and beginning a comprehensive project to structure our sustainability management.



SUSTAINABILITY VISION



Five key issues for sustainability at Santos Brasil: employee training and retention; health and safety; transparency and anti-corruption practices, use of renewable energy and raw materials and local development.

Aware of the vital importance of socially and environmentally responsible conduct, as well as its role in the social and economic development of regions in which it operates, Santos Brasil actions are based on a Sustainability Policy developed in late 2012. In this document, the Company recognizes its transformational power and prioritizes alignment between management and behavioral practices.

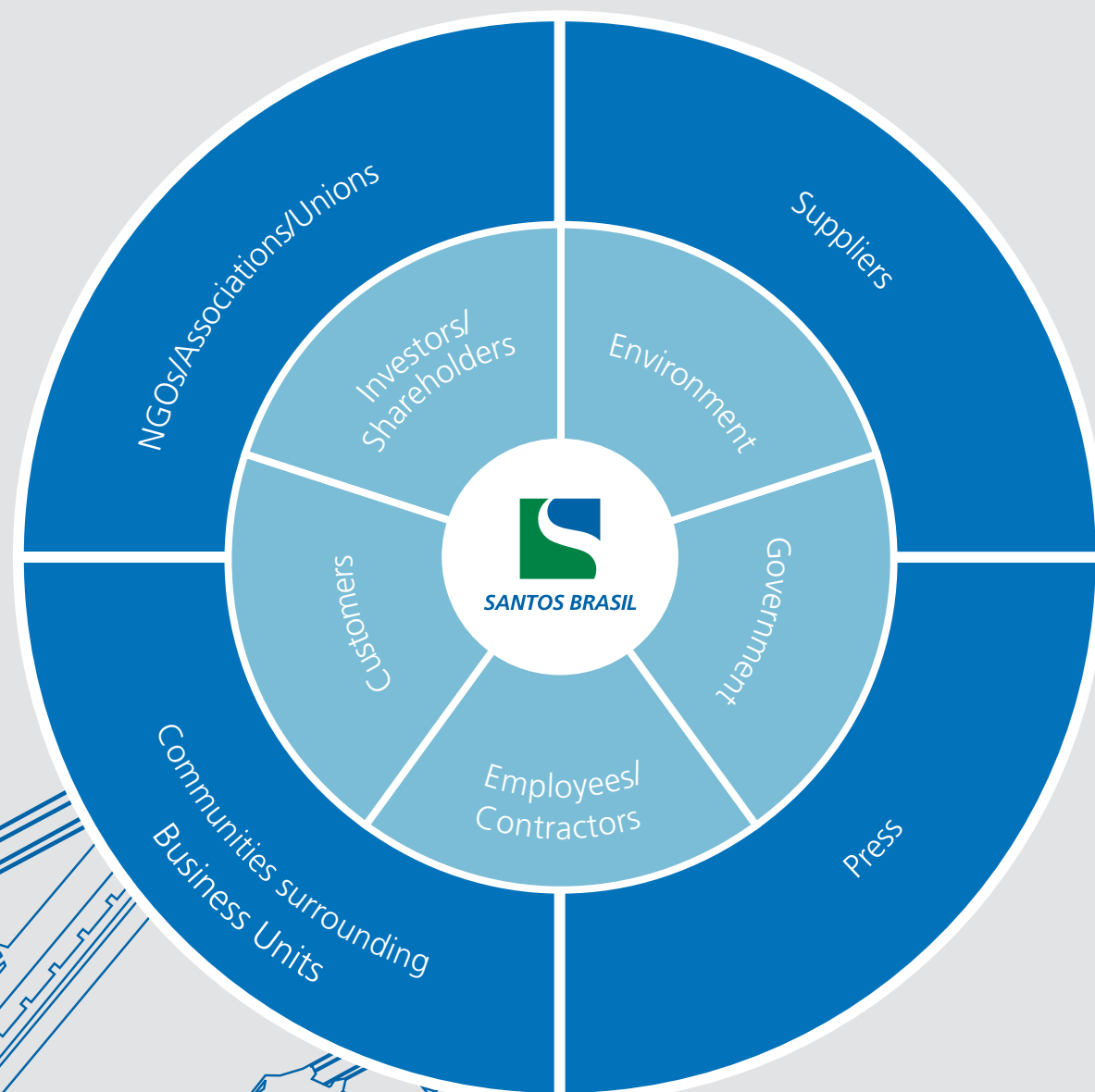
This policy is aligned with responsible management values and represents a commitment to embed sustainability in the company's culture, business decisions and daily practices, serving as a benchmark for all our actions. The policy identifies that integration of social and environmental opportunities in the Company strategy and management model will enable us to achieve business objectives and create long-term value for all our stakeholders.

In the process of developing this policy, the Company identified primary stakeholders: customers, investors/shareholders, employees/contractors, government and the environment, mapping the communities around operational areas, suppliers, non-governmental organizations, the press, associations and labor unions. For each of these groups, the Company maintains specific relationship channels with the aim of harmonizing interests and concerns regarding social and environmental issues.

Following a survey of stakeholders and discussions with executives, the Company defined five essential and strategic social and environmental issues for full and successful operation of Santos Brasil business: employee training and retention; health and safety; transparency and anti-corruption measures, use of renewable energy and raw materials and local development. These issues will be the focus of company operations from 2013 going forward.

GRI 1.2, 3.5, 4.15

MAP OF STAKEHOLDERS GRI 3.5, 4.14



ENGAJAMENTO GRI 4.16

Investors/shareholders

Santos Brasil has an Investor Relations Department and a section on its website specially developed for investors. The department takes part in national and international conferences, holds customized meetings and answers analyst and investor queries over the telephone.

Environment

To provide more focus on environmental issues, which Santos Brasil considers to be of great importance in a context of respect for the environment and sustainability, in 2012 the Company separated the Environmental division from the Workplace Safety Department. The new corporate structure encompasses all business units with technicians involved in all Company operations.

Government

As a public- service concession holder, Santos Brasil pays special attention to its relations with different sections of government, and such dialogue is part of manager responsibilities at different levels, according to their areas of influence.

Employees and contractors

Santos Brasil maintains regular communication channels with employees (monthly magazine, weekly bulletin boards, one-off emails and internal TV) in all its operations. In 2012, the Company launched a bi-monthly magazine, mailed to employees' families, and a dedicated Social Services team supports employees and their families.

Customers

In 2012, the Company revised its customer relationship structure and created an exclusive post-sales department, with the aim of proactively measuring customer satisfaction with services provided and identifying improvement and new business opportunities. A dedicated team in the Customer Service Center guides customers on everyday processes and in 2012 began conducting satisfaction surveys by e-mail as a supplement to consultations carried out on the company website. GRI PR5

Labor unions

The Company maintains transparent, open and constant relations with labor unions representing workers. Negotiations are annual, but dialogue is continuous.

Suppliers

The Company has a dedicated corporate purchasing department, and in 2012 a Supplier Qualification Manual was devised as a basis for relations with suppliers. Guidelines on service provision, health and safety in operations, performance validation, internal client satisfaction, and socio-environmental qualification criteria are included in this new manual, to be published in the first half of 2013. GRI EC6

Press

The Corporate Communications Department maintains forthright and transparent relations with press organizations, supported by an outsourced team under the administration of an executive management unit.

Community

The team responsible for community relations in the regions where the Company operates holds meetings with community representatives to plan and evaluate actions.

MATERIALITY GRI 3.5



INITIATIVES IN 2012 GRI 4.17

Employee training and retention

- Internal training programs
- Santos Brasil *Formare School*
- Motivational programs, internal events, family occasions and internal channels

Health and safety

- Safety programs, such as the "Safety is a reflection of your attitudes" campaign
- Santos Brasil in Movement program (sporting activities)

Transparency and anti-corruption practices

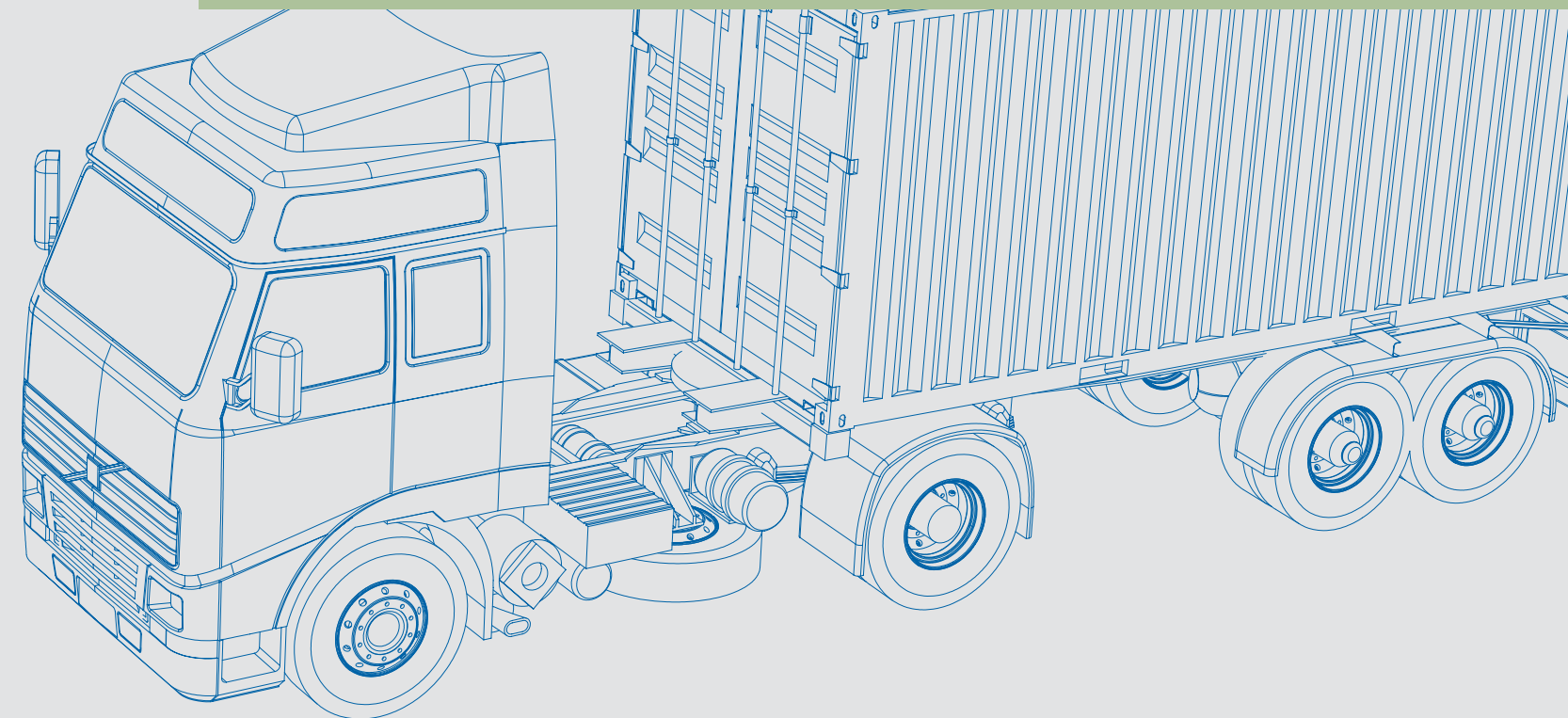
- Communication and training on Code of Conduct

Use of renewable energy and raw materials (emissions)

- Carbon Project
- *Empresas pelo Clima* ("Companies for the Climate") initiative (led by *Fundação Getúlio Vargas*)

Local development

- Community development programs in Imbituba, Baixada Santista and Vila do Conde
- Volunteer campaigns





The biggest container operator in Brazil and a leading South American port operator, Santos Brasil operates at three Brazilian ports and comprehensively services the logistics chain. The Company is driving sector development through investments in infrastructure and sustainable management, integrating environmental preservation and social responsibility to ensure enhanced operational and financial performance. [GRI 2.1](#)

Established in 1997 with the aim of participating in the auction to lease Tecon Santos in Guarujá, São Paulo state, Santos Brasil operates in four business segments across Brazil: Container Port Terminals, Vehicle Terminals, General Cargo Terminals and Port Logistics. In addition to Tecon Santos, the Company operates another two container terminals: Tecon Imbituba in Imbituba, Santa Catarina; and Tecon Vila do Conde in Barcarena, Pará. The Santos Brasil Vehicle Export Terminal ("Terminal de Exportação de Veículos" or TEV) is located on the left bank of the Port of Santos in Guarujá, while its General Cargo Terminal is located in Imbituba, Santa Catarina state. With established operations in the Federal District and states of São Paulo (municipalities of Santos, Guarujá, São Bernardo do Campo and São Paulo), Santa Catarina (Imbituba) and Pará (Barcarena and Belém), in 2012 the Company opened a branch of Santos Brasil Logística in Porto Alegre, Rio Grande do Sul. [GRI 2.2, 2.3, 2.5, 2.9](#)

A publicly traded Company, listed since 2006 on the São Paulo Stock Exchange (BMF&Bovespa) at Corporate Governance Level 2, Santos Brasil has to date invested more than R\$3 billion in port service concessions, acquisitions, expansion, workforce training, technology and infrastructure modernization. As of the end of 2012, the Company had 3,631 employees, 28 interns and 38 apprentices. 2012 net

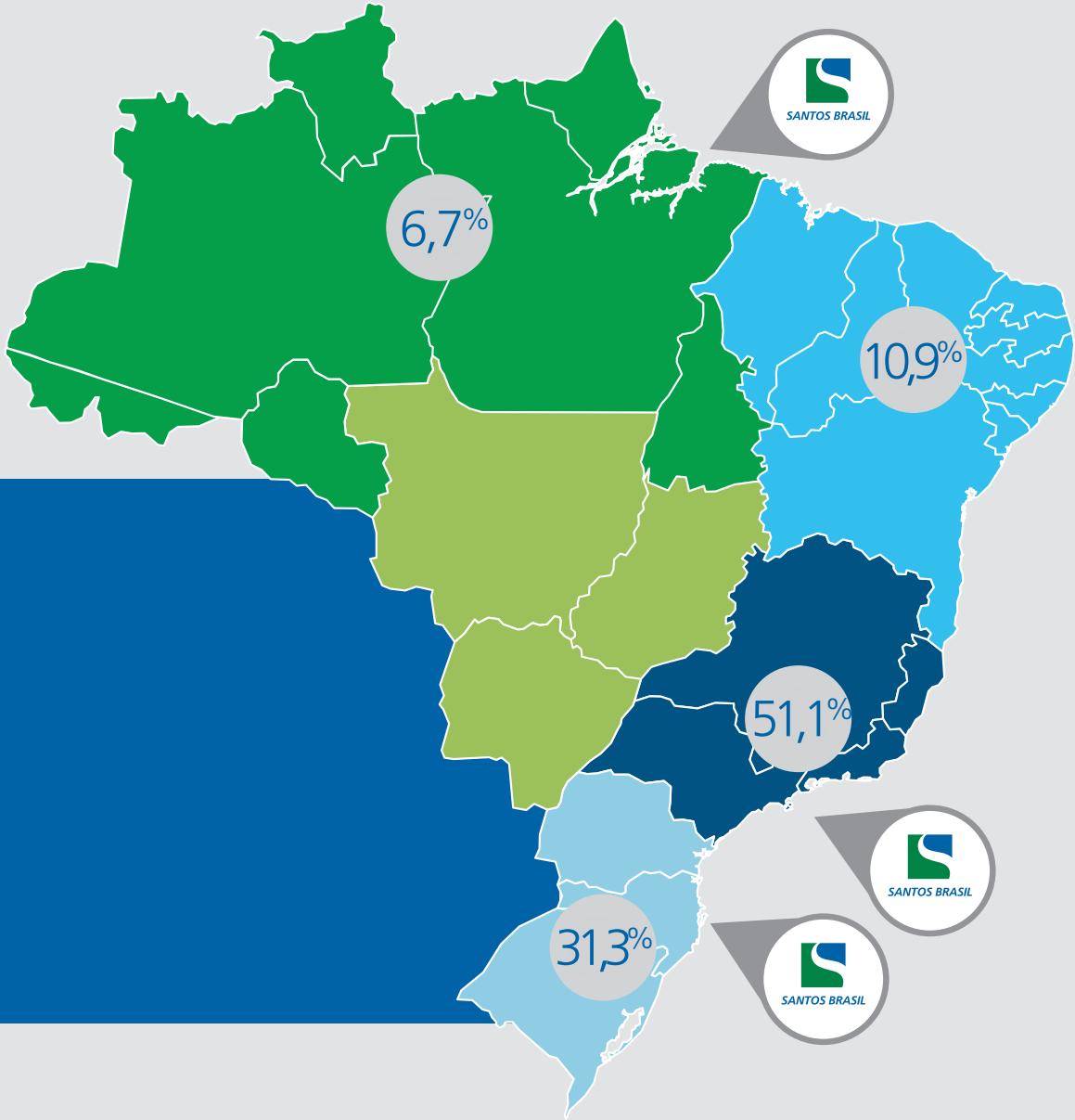
revenue was R\$1,293.2 million and net earnings totaled R\$270.2 million. Market share rose over the course of the year, with the company handling around 21% of all the containers exported from and imported into Brazil, and accounting for approximately 7% of the container market in South America and the Caribbean, according to data from Drewry Shipping Consultants. Collectively, the Company's three port terminals saw a 13.6% expansion in operations in 2012 against the previous year. [GRI 2.6, 2.8](#)

Backed by the strength of its brand, the Brasil Santos customers include shipping and import-export companies. The main goods handled in containers at its port terminals are coffee, sugar, beef, metals, cotton, chemical and electronic products, paper, foodstuffs, machines and construction materials in Santos; tiles, copper, rice, construction materials, furniture, poultry and pork in Imbituba; and high-value minerals, timber, frozen fruit, pepper and frozen beef in Vila do Conde. Santos Brasil also provides comprehensive integrated logistics solutions for customers across a wide range of sectors, such as chemicals, automobiles, pharmaceuticals, food, autoparts, and electrical, electronic and consumer products with punctuality, speed and safety. [GRI 2.7](#)

The Company's business units use a cutting-edge operating system (Navis one of the most advanced in the world), featuring GPS equipment control and electronic monitoring of refrigerated containers to ensure safe, high-quality service provision. In the logistics sector, the Company provides customized solutions using a Supply Chain Management (SCM) system, making for trouble-free and more efficient goods transportation.

Operating in three port business segments – container terminals, vehicle terminals and logistics – the Company is the biggest container operator in Brazil, accounting for around 21% of the country's import and export volumes.

MARKET SHARE IN BRAZILIAN REGIONS

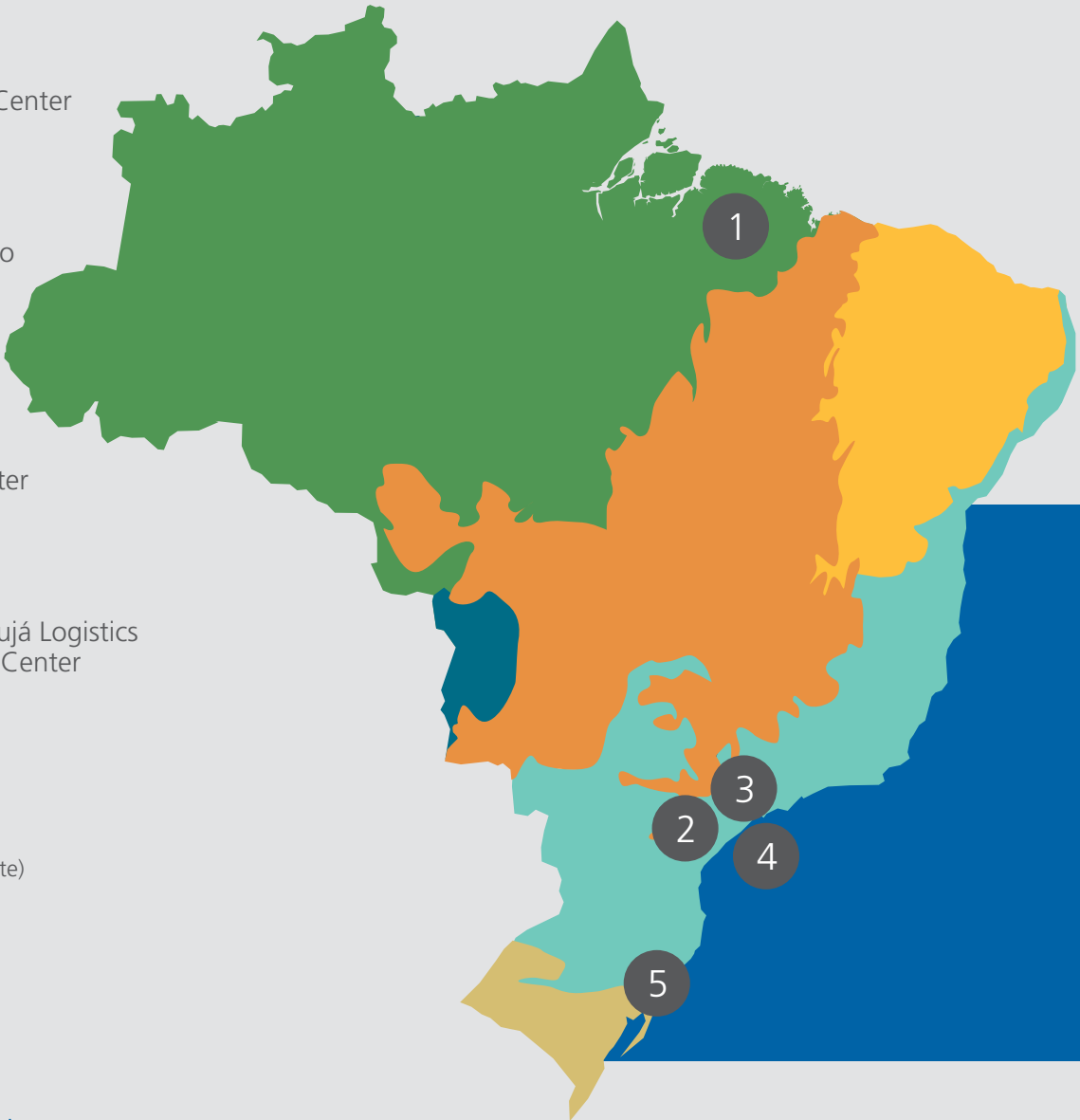


Santos Brasil operates in the Northern, Southeastern and Southern regions of Brazil, which together account for 89.1 % of the country's container movements.

UNITS AND BIOMES GRI EN11

- 1 Tecon Vila do Conde
Barcarena (Pará State)
Population: 99,859
HDI: 0.768
Biome: Amazon
- 2 São Paulo Distribution Center
São Paulo (São Paulo State)
Population: 11,337,021
HDI: 0.849
Biome: Atlantic Forest
- 3 São Bernardo do Campo Distribution Center
São Bernardo do Campo (São Paulo State)
Population: 765,463
HDI: 0.834
Biome: Atlantic Forest
- 4 Santos Logistics and Industrial Customs Center
Santos (São Paulo State)
Population: 419,400
HDI: 0.871
Biome: Atlantic Forest
- 5 Tecon Santos and Guarujá Logistics and Industrial Customs Center
Guarujá (São Paulo State)
Population: 290,752
HDI: 0.788
Biome: Atlantic Forest
- 5 Tecon Imbituba
Imbituba (Santa Catarina State)
Population: 40,170
HDI: 0.805
Biome: Atlantic Forest

- Amazon biome
- Caatinga (semi-arid) biome
- Cerrado (savannah) biome
- Pantanal (wetland) biome
- Atlantic Forest biome
- Pampas biome



BUSINESS UNITS

Santos Brasil operates three container terminals – Santos (São Paulo State), Vila do Conde (Pará State) and Imbituba (Santa Catarina State) – a vehicle terminal (in Santos), a general cargo terminal (in Imbituba), and a port logistics company.



TECON SANTOS

GRI EN11

A LEADER IN OPERATIONAL EFFICIENCY, THE TERMINAL, LOCATED AT BRAZIL’S BIGGEST PORT, ACHIEVED A NEW RECORD OF 155.5 CONTAINERS MOVED PER HOUR IN 2012.

Covering a total area of 596,000 square meters, Tecon Santos is a global leader in efficiency and modernity, with performance on a par with Asian ports and indicators which outstrip those of major US and European ports. Latin America’s biggest container terminal, Tecon Santos has 980 meters of quays in Guarujá, São Paulo State on the left bank of the Port of Santos. The terminal handles 25.8% of Brazilian trade according to the annual report of the São Paulo State Docks Company (Codesp).

The year 2012 began with a new productivity record at the terminal: on January 11, 155.5 moves per hour (MPH) were achieved during an operation on a single ship, beating the previous record of 136.64 MPH obtained in January 2010. Over the course of the year, Tecon Santos broke a number of other records. In March, for example, the average monthly number of MPH per ship reached 81.86, with 87,000 containers moved on 104 ships over a period of 30 days. In August the terminal handled 105,530 containers - the first time that a Brazilian port had handled more than 100,000 containers in a single month.

New levels of excellence and productivity are steadily being achieved due to continuous investment in workforce training and cutting-edge technology. For example, in terms of quay crane usage per square meter of terminal space, the Company is much closer to Asian indicator levels (the best in the world) than European levels (the second best). Tecon Santos has 16 quay cranes, six of which are latest-generation, capable of serving the world’s biggest vessels–Ultra Large Containerships (ULCs). Over the course of 2012, a further 120 meters of rails were laid for these cranes, enabling them to operate along practically the entire length of ULCs.

Various new projects embarked upon in 2011 were fully completed in 2012. For instance, the remaining nine of 12 twin-pick rubber-tired gantry cranes (RTGs) acquired the previous year were installed in 2012. Capable of hoisting two 20-foot containers simultaneously, these machines move containers in yards, optimizing storage space, improving productivity and helping to reduce CO₂ emissions by cutting fuel consumption. Tecon Santos closed the year with a fleet of 46 RTGs.

In 2013, the container terminal will be provided with an automated railroad gate using optical character recognition



SOCIAL AND ENVIRONMENTAL HIGHLIGHTS

- Participation of 100 volunteers in a vocational training program at the Santos Brasil *Formare School*.
- New water-oil separation system at refueling station.

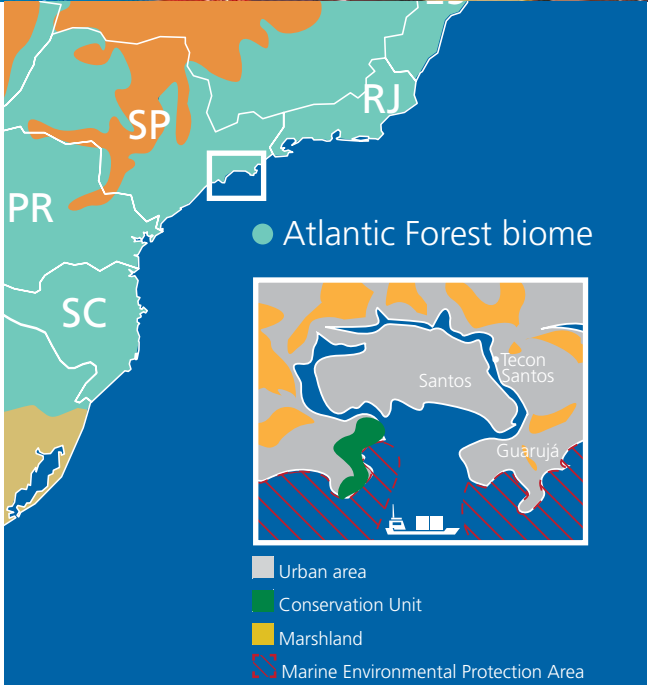
(OCR) technology. Installed at the truck entrance/exit, this gate will make railroad movements faster and safer.

OCR is the subject of several other initiatives, such as the automation of quay cranes, which the Company is studying to make operations more dynamic. The idea is to use the technology to check and read containers, making the process safer and more productive and reducing operational risks.

In 2012, Tecon Santos – whose annual throughput capacity is 2 million twenty-foot equivalent units (TEU) – expanded its market share by five percentage points to 55% of container movements at the Port of Santos, which has another three container terminals. In 2012, the terminal also began operating three new weekly shipping lines.

Technological and productivity improvements at Tecon Santos have been achieved through total investment of more than R\$2

billion during its 15 years under Santos Brasil management. In 1997 the Company won an auction conducted by Codesp and was consequently awarded the concession to provide port services for 25 years, renewable for an equal period.



Source: Brazilian Environmental Institution (IBAMA) Decree 53.526

TECON IMBITUBA GRI EN11

WITH CAPACITY TO RECEIVE THE WORLD’S BIGGEST VESSELS, THIS TERMINAL IN THE STATE OF SANTA CATARINA OPENED TWO NEW REGULAR LONG-DISTANCE SHIPPING LINES IN 2012.

Located at a deep-water port with easy sea and road access, Tecon Imbituba is the only container terminal at the Port of Imbituba on the southern coast of Santa Catarina state. It is equidistant from the main productive regions of Santa Catarina and Rio Grande do Sul, 90 kilometers from state capital Florianópolis and 6 kilometers from the BR-101 highway.

Work on expanding the terminal, which now covers 207,000 square meters and has 660 meters of quays, was completed in November 2011. By the end of 2012, the terminal had handled 25,000 TEU. Its annual handling capacity is 650,000 TEU, although this may be expanded to 970,000 TEU in the medium term. Dredging work in 2012 increased the port’s draft to 12.5 navigable meters. In March 2013, work is set to begin on further deepening the port to 14.5 meters, using resources provided for in the federal government’s Growth Acceleration Program (*Programa de Aceleração do Crescimento* or PAC).

The terminal has received more than R\$520 million of investment since it was leased by Santos Brasil which, in a public tender in 2008, won the concession to operate it for 25 years, renewable for a further 25. These resources were spent on licensing fees, renovation, expansion work, local workforce training, technological modernization and equipment acquisition.

Tecon Imbituba now has two ZPMC super-cranes capable of working with Super-Post-Panamax ships, two mobile harbor cranes (MHCs) and eight reach stackers. Plans are in train to expand storage capacity in 2013 by installing modular cold storage rooms to attract new business from animal protein exporters, an important business in Brazil’s Southern region.

With two new shipping lines implemented in 2012, at the start of 2013 the terminal had three regular long-distance shipping lines (along the east coast of South America and Europe, the west coast of South America, and the Gulf of Mexico and the Caribbean). The terminal is able to berth the biggest vessels in the world, so-called fifth-generation ships capable of transporting up to 13,000 TEU which operate along major international shipping routes. Consequently, the terminal is well placed to attract more international cargo and become a hub port, receiving long-distance cargo for transfer



- SOCIAL AND ENVIRONMENTAL HIGHLIGHTS**
- Support for southern right whale conservation project.
 - Development of an exclusive access project to separate out port traffic and promote harmonious coexistence with the city.
 - Daily monitoring of waste collection, promoting the most heavily involved internal areas.

to feeder ships to be taken to other ports in Brazil and Mercosul, or for distribution along nearby highway BR-101, one of Brazil’s key arteries.

In 2012, progress was made in the *Porto Indústria Imbituba* (Imbituba Industrial Port Complex) project, with an end to attracting more cargo to the terminal. Located 8 kilometers from the port, this 2.5 million-square-meter site was acquired by the Company in 2011. The project involves building facilities for cold storage of bulk and container cargo, a truck coordination yard and terminals for empty Containers, cargo handling and cargo loading under the Special Enclosure for Export Customs Dispatch (*Recinto Especial para Despacho Aduaneiro de Exportação* or *Redex*) regime. There will also be distribution centers and facilities for industrial companies requiring import and export services.

To present the site to potential customers, the Company recently sent a mission to China and Singapore. Negotiations have also been held recently with automakers, metalworking companies and electronics firms in the industrial centers of Santa Catarina and northern Rio Grande do Sul.

Plans for a two-lane 6-km arterial road to directly connect the site to the gates of Tecon Imbituba were drafted in 2012, and the local municipal government issued a number of resolutions to ensure its implementation.

In 2013, further commercial progress is expected, with new shipping lines and customers attracted to the terminal due to its recognized efficiency and consolidation as a terminal of the future, backed by the Company’s solid reputation.



TECON VILA DO CONDE GRI EN11

TWO NEW REGULAR COASTAL SHIPPING LINES OPERATED USING BARGES MEET GROWING DEMAND GENERATED BY HYDROELECTRIC, STEEL AND MINING PROJECTS.

Part of the Vila do Conde Industrial and Port Complex, 96 kilometers from the industrial and commercial center of Belém, state capital of Pará, Tecon Vila is located in the municipality of Barcarena on the Amazon River delta. In July 2012, dredging work was completed in record time (under two months), increasing the draft alongside the internal berths of the Port of Vila do Conde to 12 meters, thereby raising the operational capacity of the largest port in Pará by 33%.

Tecon Vila has 254 meters of quays over an area of 103,000 square meters in a strategic location in the heart of a region of major waterways with considerable potential for coastal shipping and close to international shipping routes. The terminal provides access to all continents either directly or via shipping lines from Caribbean hub ports.

Capable of handling 250,000 TEUs per year, Tecon Vila do Conde has received total investment of more than R\$30 million since 2008, when Santos Brasil took over its operation after negotiating its concession with the winner of a public bidding process held in 2003. These resources were spent on expanding the yard, acquiring a forklift and weighing equipment, installation of two entry and exit gates, and training and qualifying the workforce to enable the terminal to receive cargo for major industrial projects and coastal shipping.

In 2012, the terminal's four gates were automated and now use an optical character recognition (OCR) system. Two new weighing scales were added to an existing set, a new yard area of 6,000 square meters was paved and 8,000 square meters of existing yard paving was refurbished.

In order to develop alternative sustainable transport solutions making use of the waterway capacity of Brazil's Northern region, the Company sent a team to Rotterdam, Holland, to study waterway shipping, also working actively on commercial planning for this business area, designing operations in line with feasible waterways integrated with rail and road modes, and the commercial and logistical needs of shipping and import-export companies.



SOCIAL AND ENVIRONMENTAL HIGHLIGHTS

- Barge transshipment is improving access to remote Amazon towns.
- Greater use of the region's waterway potential.
- Donation of 400 kilograms of food to riverside communities.

These efforts came to fruition in 2012 when the terminal began to generate cash flow. Two new regular coastal shipping lines were implemented: a twice-monthly line commenced in August, and a monthly line operated using barges, which first berthed at Vila do Conde in December, inaugurating a route between the Xingu and Pará rivers. This initiative will meet growing demand generated by local projects – such as hydroelectric plants, steel mills and mining projects – and provide an alternative to land transport. Smaller than ocean-going ships, barges are more suited to river transport as they have a shallower draft. Barge convoys can carry up to 200 containers.

Corn, cocoa, timber, consumer goods and steel are among the main products transported in the region. The municipalities covered by barge transport in 2012 included Marabá, Altamira, Santarém and Itaituba, in Pará. Macapá (the capital of Amapá State) and Manaus (the capital of Amazonas) are likely to be the next cities to benefit from barge transportation. Santos Brasil plans to continue expanding its port facilities at Tecon Vila do Conde in order to double its capacity in the coming years.



VEHICLE TERMINAL GRI EN11



ACCOUNTING FOR 59.4% OF ALL VEHICLES HANDLED AT THE PORT OF SANTOS, THE TERMINAL'S MARKET SHARE EXPANDED IN 2012, A YEAR OF REDUCED VEHICLE IMPORTS AND EXPORTS.

Recognized by its customers for operating at the highest international standards of efficiency and safety, the Vehicle Terminal (TEV) is located on the left bank of the Port of Santos, in Guarujá, next to Tecon Santos. It has a 165,000-square-meter yard for storing vehicles, with capacity to handle 300,000 cars per year. The terminal's designated berth is a 310-meter-long public quay used for general cargo operations and sometimes containers using roll-on/roll-off (Ro-Ro) multipurpose ships.

In October 2012, a crack was observed in the public quay at the Port of Santos and docking operations there were suspended for 14 days. Repair work conducted by the São Paulo State Docks Company (Codesp), responsible for maintenance, were still under way at the start of 2013. Measures related to international trade, such as the bilateral standoff between Brazil and Argentina and import quotas imposed on Mexico were also reflected in the Terminal's performance during the year and there was a consequent reduction in the volume handled and an increase in storage revenue, as imported vehicles spent more time in the yards waiting for customs clearance to enter Brazil.

The Vehicle Terminal's market share rose in 2012, ending the year with 59.4% of vehicle movements at the Port of Santos. The terminal handled 195,700 vehicles in 2012, down 4.8% from 205,600 in 2011. The terminal began operating in 2006 and was definitively incorporated by Santos Brasil in 2009, when it won a public tender for a 25-year concession. Between 2006 and 2009, the Company operated the terminal provisionally at the request of Codesp, to cope with rising levels of vehicle exports from Brazil.

SOCIAL AND ENVIRONMENTAL HIGHLIGHTS

- Digital inclusion and sports activities for young people as part of the Nostra Aldeia project.
- Support for the Warriors without Weapons social enterprise project.

THE UNIT’S CORE ACTIVITY IS PROVISION OF PORT-TO-PORT SERVICES, INTEGRATING PORT OPERATIONS, ROAD TRANSPORTATION AND INDUSTRIAL SUPPLY ACTIVITIES.

A provider of integrated solutions, Santos Brasil Logística devises projects in supplement to container-handling operations and is one of few companies in the sector capable of offering customers complete, personalized service packages integrating port operations, road transportation and industrial supply activities through a “Door-to-Door” system.

Established in 2007 through the acquisition of Mesquita S.A. Transportes e Serviços, Santos Brasil Logística’s revenues have more than doubled over the last five years. The Company now offers its customers services that span transportation, storage, packaging, labeling, kit assembly, customer product picking for storage, stock and inventory management, cross-docking (distribution and redirection of merchandise, without storage) and information management, using infrastructure which includes distribution centers, customs terminals, warehouses and fleets of company and outsourced vehicles.

In 2012, the Company acquired 18 new vehicles, expanding its internal fleet to 110 trucks, including a B-train truck with twin trailers to transport two 40-TEU containers between terminal yards at the Port of Santos.

With an area of 105,000 square meters, the Company’s main distribution center is located in São Bernardo do Campo, near the southern stretch of the São Paulo *Rodoanel* (Ring Road) highway and has capacity to handle 120,000 pallets per month. The São Paulo Distribution Center is located in the neighborhood of Jaguaré, 6 kilometers from the western stretch of the Rodoanel. It has a storage area of 30,000 square meters and can move 33,000 pallets per month.

The Company’s logistics and industrial customs centers are strategically located on both banks of the Port of Santos, in Santos and Guarujá. They receive export cargo and imported goods awaiting customs clearance. In 2012, the Company adopted a new technology to support customs procedures - some R\$1.2 million was invested in the development of a modular software program for planning of storage blocks and electronic registration of imported cargo deliveries. This software enables online scheduling of vehicles to receive cargo and computerization of data on cargo location, release and movements which importers, transportation companies and customs agents can track on the Company website. A further



SOCIAL AND ENVIRONMENTAL HIGHLIGHTS

- The Sustainable Drivers Program recognized by an award.
- 1 million hours worked without any lost workday accidents.
- Signatory to the Na Mão Certa (“In the Right Hands”) program to combat sexual exploitation of children along Brazilian highways.

R\$2.7 million was spent on building automated gates at terminals using this system.

In Imbituba, Santos Brasil has a 50,000-square-meter warehouse offering services related to project and general cargo port operations, container loading and unloading, and general cargo storage. The Company has added logistic services to its operations at the site and is working commercially to demonstrate its reliability and performance to the market, also offering door-to-door services for cargo handled by Tecon Imbituba and Imbituba General Cargo Terminal.

In May 2012, the Company signed a major port-to-port operating contract with German multinational Schaeffler,

similar to the one it had entered into with Mercedes-Benz the previous year. Santos Brasil has taken on another 91 employees and invested R\$2 million in team training and new storage systems to serve Schaeffler. This customer has a plant in Sorocaba, São Paulo, producing bearings and auto parts for sale to various automakers in Brazil and other countries. Schaeffler has transferred its logistics department to Santos Brasil Logística’s distribution center in São Paulo, enabling it to reduce costs and free up space at its plant for expansion. At this facility, parts are stored and prepared for transportation to the Company’s distribution points in Brazil and throughout the rest of South America.

MANAGEMENT

Through objective practices based on simplicity and harnessing of synergies, the Company can offer swift, safe, high-quality services and achieve the goal of being the best Brazilian port and logistics infrastructure Company.



STRATEGIC MANAGEMENT

The Santos Brasil operating strategy is underpinned by objective practices based on simplicity and harnessing of synergies, ensuring business sustainability to attain the highest standards of efficiency and achieve the goal of being the best integrated port infrastructure and logistics services company in the markets where it operates.

An integrated management system maintains a high-level corporate vision based on a single structure which considers the specific features of its businesses and regions of operation. The Company ensures that all its processes are standardized, with specific validity periods and regular reviews to keep operations up to date and efficient. Procedures and functions are described and mapped, ensuring the smooth-running of everyday operations, clear communication between the different parts involved in each process and overall transparency.

Corporate and individual goals are adopted based on the concept of meritocracy, which considers professionals' responsibility for results, whether operational, financial, environmental or social. Collective goals for maintaining a safe work environment and recycling solid waste are part of an annual valuation for profit-sharing with all employees. In 2013, specific environmental and social indicators will be incorporated into the business plans of each operation's managers.

The Company also uses quality management tools such as the Visible Management model, which makes it possible to analyze and track selected indicators in real time, comparing results with the targets established at the start of each year. The main macro-indicators used are movements per hour (MPH), determining the productivity of container terminals, and unit operating cost.

In concluding a cycle of investment that has led to the achievement of excellent indicator performance, Santos Brasil has incorporated an international benchmarking tool with the aim of further enhancing its standards of efficiency based on best practices and methodologies used in the global market.

COMMITMENTS

GRI 4.12

To reinforce its sustainability goals, the Company participates in initiatives promoted by organizations, institutes and entities that are aligned with its mission and values.

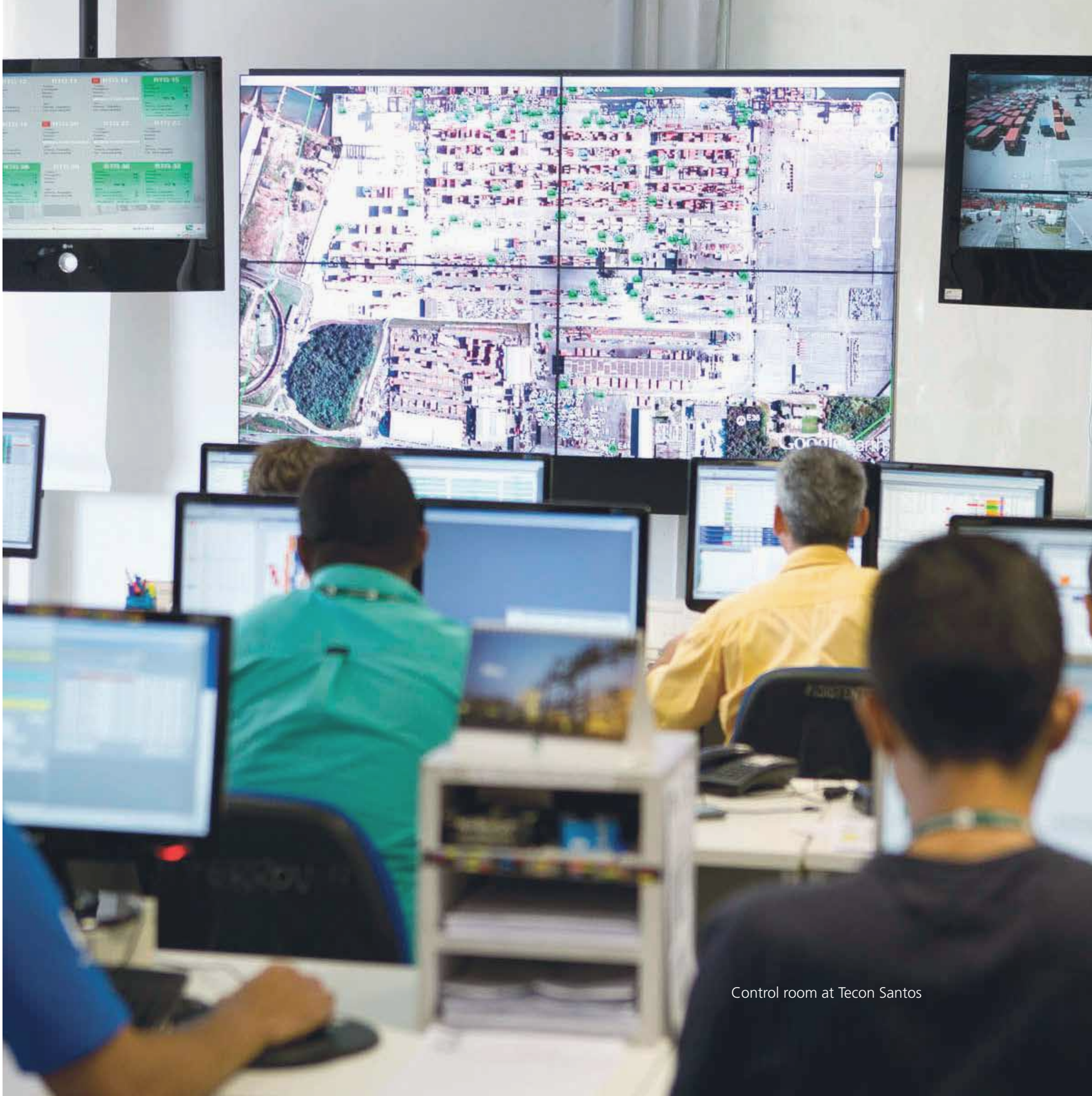
Na Mão Certa ("In the Right Hands") program – This program concentrates efforts to mobilize governments, companies and civil society organizations to combat the sexual exploitation of children and teenagers along Brazilian highways. A signatory to this program since 2009, Company Logistics units handed out leaflets about the program in 2012 to truck drivers passing through Tecon Santos on Truck Drivers' Day (June 30). [GRI SO10](#)

Instituto Ethos de Empresas e Responsabilidade Social ("Ethos Institute of Companies and Social Responsibility") – This entity promotes the sharing of knowledge and experience along with development of tools to help companies analyze their management practices and strengthen their commitment to social responsibility and sustainable development. The Company joined the organization in 2012.

Empresas pelo Clima (EPC) ("Companies for the Climate") Fundação Getúlio Vargas – Run by Fundação Getúlio Vargas, this program brings together companies seeking to operate in a low-carbon economy, helping to establish a regulatory framework. Santos Brasil joined the initiative in 2011. (See www.empresaspeloclima.com.br.) [GRI EC2](#)

In 2013, Santos Brasil aims to join the Global Compact, an initiative developed by former UN Secretary-General Kofi Annan, with the goal of mobilizing the international business community to adopt, in their business practices, internationally accepted fundamental values in the fields of human rights, workplace relations, the environment, and anti-corruption measures, as set out 10 principles.

The Santos Brasil management model is aimed at fulfilling its mission to offer port infrastructure and integrated logistics services with promptness, quality and safety



Control room at Tecon Santos

CORPORATE GOVERNANCE



Based on best governance practices required by the São Paulo Stock Exchange (BM&FBovespa)'s Novo Mercado ("New Market") platform, Santos Brasil is listed at Corporate Governance Level 2 and has adopted the criteria of transparency and security in disclosing information. It follows all the rules applicable to publicly traded companies in this segment, maintaining an ethical commitment to the market by treating all shareholders and investors equally. Key practices include the "tag-along" right of minority shareholders to receive 100% of the value paid to controlling shareholders in the event of the latter selling their interests, obliging the acquirer to make a public share offer with identical conditions for all shareholders.

Santos Brasil follows Brazilian Securities Commission (*Comissão de Valores Mobiliários*, or CVM) standards on the Use and Disclosure of Securities Information and Negotiations and in 2007 established rules for disclosing and maintaining the confidentiality of relevant information. In addition, any transactions involving companies linked to shareholders and related parties are submitted to the Board of Directors for approval.

The Company's governance structure consists of a Board of Directors, a Statutory Executive Board and Fiscal Council, without involvement of any committees. The model is organized so as to enable investors and shareholders to track and monitor the Company's management and performance. [GRI 4.1, 4.10](#)

Transparency, security and comprehensive disclosure of information characterize the governance model of the Company, which is listed on the São Paulo Stock Exchange (BM&FBovespa) at Level 2

BOARD OF DIRECTORS GRI 4.6

Santos Brasil’s most senior governance body is its Board of Directors. Current board members were elected at the Annual General Meeting held in March 2012 for a two-year term. The members, whose reelection is permitted, must have recognized professional experience and evident technical and academic knowledge. GRI 4.7

In line with best practices, the chairman and members of the Board of Directors do not perform executive functions. Composed of nine full-time members, three of them independent, the Board’s main duties include appointing, guiding and monitoring the Statutory Board of Executive Officers, supervising business conduct, defining strategies, and tracking their execution, and is also responsible for approving the Company’s annual budget and investment plan. GRI 4.2, 4.3

The Board of Directors holds ordinary meetings every two months, with extraordinary meetings as required. Seven meetings were held in 2012. Members receive fixed remuneration, unrelated to the Company’s performance, and receive no additional remuneration if removed from post. They are not subject to compulsory retirement due to age. The Board of Directors’ remuneration totaled R\$1,841,000 in 2012. The members include seven men and two women. Two are older than 70 (22%), six are aged between 50 and 60 (67%), and one is under 50 (11%). GRI 4.5, LA13

STATUTORY BOARD OF EXECUTIVE OFFICERS

The Statutory Board of Executive Officers is composed of four directors, who directly report to the Board of Directors, which elected them in April 2012 for a two-year term, with their reelection permitted. Comprising a chief executive officer, a chief financial officer and investor relations officer, a chief commercial officer and a chief operations officer, the group is responsible for the day-to-day administration of business, ensuring application and execution of deliberations and guidelines established by the Board of Directors.

Composed of fixed and variable portions (the latter made up of a bonus and Share Options Plan), with the annual amount determined by the Board of Directors, the Statutory Board of Executive Officer’s total compensation in 2012 was R\$13,238,000, including salaries and bonuses. Annual targets are related to financial performance, with metrics composed of EBITDA (operating earnings) and economic value added (EVA). GRI 4.5

FISCAL COUNCIL

Consisting of four members – a chairman and three board members – and four understudies, the Fiscal Council is responsible for monitoring the Company administrators’ acts and compliance with their legal and statutory duties, and examining and giving their opinions on financial statements each year.

INVESTOR RELATIONS GRI 4.4

Through its Investor Relations Department, the Company provides secure, comprehensive information through a customized service. It is invited to all relevant conference calls organized by banks and takes part in the vast majority of them. Among mid-cap companies, it is one of the most comprehensively covered by the market, with 16 bank and brokerage analysts monitoring activities. Striving for uniformity and equality in the disclosure of information, the Company presents all its press releases and other publications on its website in both Portuguese and English, and maintains the following permanent channels for communication with investors:

- Teleconferences and press releases on release of quarterly results;
- Responses to queries by phone, email and at meetings at its headquarters;
- Presentations at public events in Brazil and at events organized by financial market institutions in national and international markets;
- Specific-purpose visits to business units;
- Maintenance of an up-to-date, dedicated website to meet the demand for information.

The board is permanent and acts independently of the administrators and external auditors. The present group was elected in March 2012 at the Annual General Meeting for a term of two years, with reelection permitted. One of the members was elected by minority shareholders and one of the understudies was elected by holders of preferred shares.

The Fiscal Council met six times in 2012. Its remuneration, established annually at the Annual General Meeting, totaled R\$574,000 in 2012, equally divided among the members. GRI 4.5

INDEPENDENT AUDITORS

In 2012, Santos Brasil implemented an auditor rotation system, in line with CVM’s deliberation to change auditors every five years. The Company’s financial statements for the 2012 fiscal year were audited by independent auditors Deloitte Touche Tohmatsu.



RISK MANAGEMENT

GRI 1.2



The main factors that could interfere with business performance are continually monitored and treated by a multidisciplinary group.

The Santos Brasil risk management policy is based on identifying, analyzing, evaluating, treating and continuously monitoring internal procedures and controls. This work is conducted by a multidisciplinary group that develops actions to mitigate risks and reduce the incidence of factors that may interfere in operational, environmental or financial performance. It also acts in a preventive manner, taking into account any possible risks or non-conformities in processes. **GRI 4.11**

OPERATIONAL RISKS

Employing specialist manpower to operate and maintain equipment, Santos Brasil adopts a policy of constant training for professionals at different levels, seeking to maintain a pool of talent to meet future personnel needs in the event of losing professionals to competitors or increased demand due to business expansion. Accordingly, it manages the risk of operational non-continuity and minimizes the risk of lack of motivation among its team members, who see opportunities for professional growth through training and internal recruitment processes. The Company also organizes a series of talks, seminars and training courses on workplace safety.

The Company performs preventive maintenance on equipment and adopts action plans to optimize resources and maintain operations in the case of non-standard occurrences. In 2012, a meteorological station featuring an alarm system was installed at Tecon Santos to manage the risks of damage to equipment by strong winds - whenever wind speeds exceed 60 km/h, operations are shut down and cranes are attached to the quays with steel anchor pins to prevent toppling and damage. To avoid damage caused by power system failures, the terminal uses reactive compensators to raise electrical transmission capacity and dampen electromechanical oscillations. It also has insurance covering any damage or harm arising from shutdowns lasting up to 15 days.

The Company invests in technological updates and modernization, analyzing the most advanced solutions implemented in its sector around the world, and gives priority to information technology systems compatible with the software used by its customers and suppliers. It also maintains backup infrastructure with redundant networks and databases capable of ensuring the integrity of electronic data in its operations, minimizing the possibility of losses.

ENVIRONMENTAL RISKS

Committed to mitigating the environmental risks inherent in its activities, the Company invests in cutting-edge technology and a number of initiatives to preserve the environment. Primary risk factors are greenhouse gas emissions, spillages of hazardous substances transported in containers or flammable substances stored in fuel tanks, and pollution involving liquid effluents removed to sanitary sewage or solid waste systems.

With and end to managing emissions risks, the Company has, since 2008, kept an inventory of its greenhouse gas emissions at Tecon Santos and Santos Brasil Logística. To reduce environmental impacts, Santos Brasil is running a Carbon Project to study new technologies, such as the electrification of rubber-tired gantry cranes and a review of power supplies at units. In addition, projects are under way to cut consumption of energy and water, for example by installing presence sensors, flow regulators on faucets and ecological toilet flush mechanisms. Reuse of water on washing ramps in workshops is also being studied.

Tecon Santos is equipped with containment barriers to reduce possible environmental impacts in the event of oil spills from equipment at terminals or on vessels, and has two effluent

treatment stations, one for sanitary effluents and the other for chemical waste, with capacity to ensure the safe disposal of oil and grease waste used in operations.

Other Company units employ systems connected to the public waste collection network or a septic tank. In the case of solid waste, in addition to minimizing volumes by reducing the amount generated at source, systems are used for collection, segregation, classification and transportation to treatment facilities or final disposal.

Always prepared for adverse situations, Santos Brasil does not only comply with specific laws in the regions where it operates, but also pre-empts environmental requirements, establishing targets for various indicators at levels which go beyond those determined by regulating bodies. The work undertaken by the company's environmental department was recognized by ISO 14001 certification awarded to its main unit, Tecon Santos, and also the Vehicle Terminal. Compliance with certification requirements helps to prioritize environmental risk management. **GRI EN26**

FINANCIAL RISKS

The Company's bylaws ensure alignment between the Board of Directors and the Statutory Board of Executive Officers, by determining that decisions about loans, investments and guarantees be submitted to the highest governance body for approval. Accordingly, financial risks are monitored and managed by different administrative bodies, with the aim of evaluating results and the financial impact on cash flow, establishing a policy with secure limits.

Operational strategies and internal controls to ensure liquidity, profitability and security are applied in the administration of operations involving financial instruments, contracted on prior approval from the Board of Directors, and based on periodic analysis of exposure to the risk to be mitigated (foreign exchange, interest rates, etc.) Contracted conditions are constantly monitored and compared with current market conditions, and the Company uses financial derivative instruments to protect itself against interest and exchange-rate risks, primarily in short-term amortizations (up to 12 months) of debts in foreign currency. The estimated realizable values of the financial assets and liabilities of Santos Brasil and its subsidiaries have been determined using available market

information and appropriate valuation methodologies. No investments of speculative nature in derivatives or any other risk assets have been made.

In December 2012, Standard & Poor's Rating Services (S&P) elevated the Company's corporate credit rating from "brAA" to "brAA+" on its Brazilian National Scale. According to the S&P report, this upgrade reflected the Company's sound, competitive business position.

REGULATORY RISKS

The company participates actively in discussions with the federal government and its agencies to advocate stable port sector concession rules, maintaining good relations with different spheres of government and minimizing regulatory risks by ensuring the efficiency of its operations and honoring its concession contracts.



ETHICAL BEHAVIOR

GRI 4.8

With business development underpinned by ethical conduct and inspired by company values – ethics and transparency, appreciation of each individual, respect for diversity, environmental and social responsibility, teamwork, speed and precision and continuous improvement – in 2012 Santos Brasil launched its Code of Conduct and revised its Personnel Regulations.

Distributed to all employees in July, these two documents are tools that formalize the Company's values and guide its actions with a view to adding value to work carried out, supporting growth and the constant pursuit of excellence and improving corporate governance.

Code of Conduct rules include professional relations based on absolute respect and cordiality, prohibition of any discriminatory acts or political, religious or commercial demonstrations at Company premises and preservation of Company assets. Workplace safety is another theme covered in the code, which makes it the duty of all to perform their activities safely, observing safety standards and being proactive if they observe any unsafe situation.

The document stresses the importance of environmental awareness and the Company's commitment to environmental education as a tool to guarantee the planet's future. It also covers standards on cordiality and respectful customer relations, with high-quality service provision and a ban on preferential treatment for customers for personal reasons. All contracts with customers and suppliers make reference to respect for human rights.

Transparency and ethics are fundamental values to the Company and anti-corruption practices are a key factor in its Sustainability Policy. Society demands such attributes from companies and governments and it is essential to maintain one's corporate reputation and ensure sustainable business activity. This topic is now incorporated in the Code of Conduct, distributed to all employees hired. **GRI 5003**

The Company values guide the actions and conduct expected by all employees and inspired the Code of Conduct launched in 2012.



SOCIAL AND HUMAN CAPITAL

Santos Brasil believes in transparent dialogue as the main tool for fostering good relations with all its stakeholders. Since 2011, the Company has maintained profiles on social networks YouTube, Twitter and Facebook, helping to streamline relations with different groups and expand people’s knowledge of the company and the port sector, as well as providing information about campaigns, events and awards.

In 2012, the Company implemented a number of strategic actions defined following an analysis of the results of a survey conducted in 2011 involving more than 800 people, including both internal and external stakeholders. For example, the advertising campaign “*Movimentando Sonhos*” (“Moving Dreams”) was launched in June 2012, taking Santos Brasil onto television screens for the first time with a 45-second film shown in the commercial break during the Rede Globo TV program *Fantástico*, which went out to viewers in the *Baixada Santista* area, where the Company’s main operations are located. The campaign featured employees and was also published in printed media, demonstrating the importance of the Company’s work for the Country, its relations with surrounding communities and its appreciation of its team members.

Santos Brasil considers its internal stakeholders to be its top priority. As part of internal communications, in 2012 the Company launched *Viva Voz Família*, a bi-monthly magazine that explores health, safety and quality of life from a family perspective. Sent to employees’ homes, the magazine is part of the Company’s “Viva Voz” communication platform, which also features a monthly publication, bulletin boards, online newsletters and a corporate TV station. Implemented in 2011, *TV Viva Voz* broadcasts corporate programs and information of specific interest to each location using monitors installed at strategic points on Company sites, such as reception areas and canteens.

RELATIONS

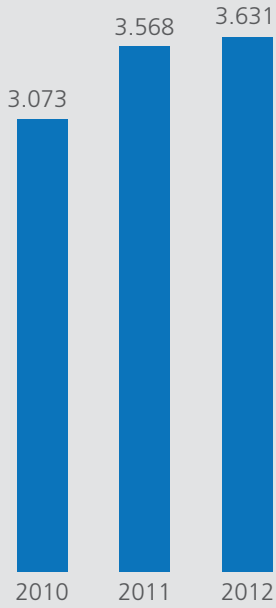
In line with its strategic objectives, Santos Brasil considers its body of professionals to be one of the main pillars that sustain its business growth and the company prioritizes clear and transparent relations with them, seeking to enhance employees’ quality of life through various actions and benefits and encouraging their professional development through continual training, internal recruitment and promotions.

At the end of 2012, the Company had 3,631 employees, 28 interns and 38 apprentices. Of this total, 87.56% were men and 12.44% were women. **GRI LA1**

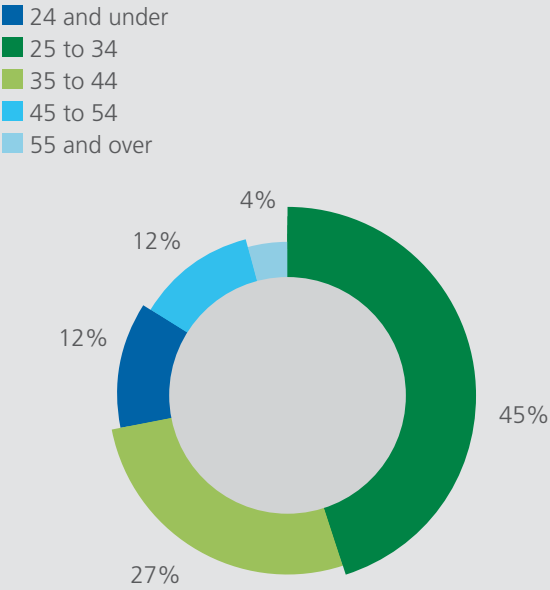
Transparent dialogue is considered the main tool for Santos Brasil to maintain good relations with all its stakeholders.



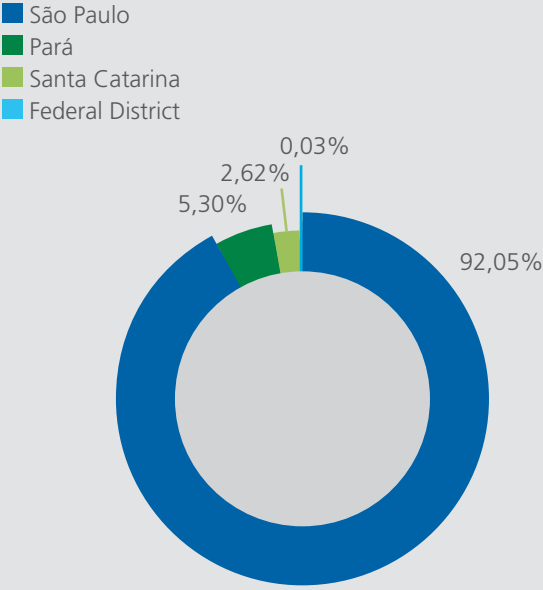
Number of employees (*) **GRI LA1**



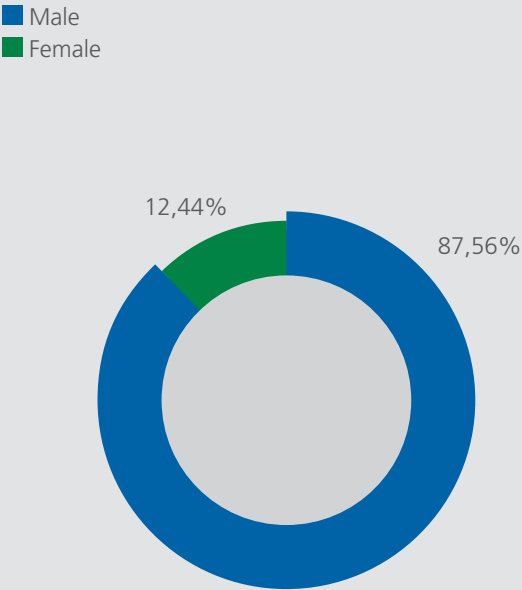
Employees (*) by age range **GRI LA13**



Employees (*) by region **GRI LA1**



Employees (*) by gender **GRI LA13**



REMUNERATION AND PERFORMANCE

Santos Brasil upholds meritocracy as a policy for recognizing and engaging its professionals. Employee remuneration takes the form of fixed and variable components, the latter based on performance in achieving individual and team goals. The Company's profit-sharing program, linked to the attainment of goals, covers all levels from operational to coordination. The amount paid is calculated in line with each business unit's EBITDA and the maximum remuneration limit is 2.5 monthly salaries. 95% of employees participate in the program and performance is assessed every six months. Employees with lower salaries receive a bonus based on their salary band. In 2013, the entire workforce will be evaluated as a result of the assessment system's deployment at Tecon Vila do Conde. Progress was made in relation to the assessment system in 2012, when the Company began using the Nine Box tool, which cross-references information on employee performance and potential. The system was applied to management levels in 2012 and will be expanded to other functions in 2013. **GRI LA12**

The Company's salary policy is based on levels of development among professionals and, in recent years, pay increases negotiated on the respective base dates for each category have been higher than the rate of inflation. Remuneration does not differ according to gender, but is equal for men and women with the same positions and functions. In 2012, the lowest salary paid at the company's port terminals was, on average, 41.5% higher than the national minimum salary during the year and 16.7% higher in the case of logistics operations. **GRI EC5, LA14**

Lowest salary paid vs. minimum salary⁽¹⁾

Unit	% above minimum salary
Tecon Santos	51.38%
Tecon Imbituba	22.03%
Tecon Vila do Conde	38.06%
Vehicle Terminal	51.38%
Logistics	41.57%

⁽¹⁾ Considering the national minimum salary of R\$622.00 in 2012.

BENEFITS

The Company offers a package of benefits defined in a collective bargaining agreement (meal, food and transport vouchers, crèche allowance, nanny allowance and life insurance) and extra benefits such as a health and dental care plan, funeral cost assistance, insurance for personal and collective accidents and an allowance for school materials. There is also a private pension plan, in which employee payments are supplemented by a Company contribution equivalent to up to 2.5% of employees' salary, without obligations in relation to future liabilities. **GRI EC3**

As part of the Company's initiatives to enhance employee quality of life and work-family balance, the *Portas Abertas* ("Open Doors") program has been running for 11 years at Tecon Santos, allowing workers' families to visit Company facilities, thereby strengthening ties with this group. In

2012 the terminal was visited by 394 people, including children, young people and adults.

TRAINING AND DEVELOPMENT

A natural source of specialist manpower in the sector, Santos Brasil invests in the professional development of its employees. Employee training and retention are considered key issues for the Company's sustainability, given the specific nature of port and logistics operations and the severe shortage of qualified professionals in the sector.

The Company therefore seeks to maintain a pool of talent to guarantee the continuity of its operations in the event of a loss of professionals to competitors or an increase in demand for specialist personnel due to the expansion of its own business. In this way, the Company does not only strengthen its strategic performance, but also contributes to society by preparing qualified manpower.

In 2012, the Company's development and training process provided more than 151,000hours of training: 684 for directors and managers; 2,047 for coordinators and supervisors; and 148,269 for operational technicians. R\$2 million was invested in training, down 6.54% against the previous year as a consequence of running programs internally, valuing and harnessing in-house talent. The Company also subsidizes language courses for its employees, benefiting 100 people in 2011 and 110 in 2012. **GRI LA10**

Training and development (hours during the year) **GRI LA11**

Function	Total hours	Hours per employee
Director/Manager	684	17.0
Coordinator/Supervisor	2.047	13.4
Operational technician	148.269	43.1

Through a continuous learning process that supports career management of and employability, the Company runs an operational training program based on a workforce planning spreadsheet, prioritizing the hiring of employees who operate the simplest of equipment, such as forklifts, and carrying out a sequence of promotions whenever necessary. In this way, professionals who start their career as a conveyor belt operator, for example, are promoted as they gain experience, receive training and participate in selection processes, enabling them to reach the position of quay crane operator, responsible for the most modern and complex machinery used in Company operations. Highlights of the Company's training programs are shown below:

Leadership development – In 2012, coordinators, managers and directors from all Company units participated in an assessment program, after which they received a suggested Personal Development Plan. They also took part in various courses in Brazil and other countries. In all, 12 directors, 30 managers and 50 coordinators participated in the program.

Interns – The Company’s internship program was restructured in 2012, with interns now coordinated by the Human Resources department which evaluates whether their university courses are relevant to the functions required for each position. The program requires interns to present a project when they join the Company and a practical monograph at the end of a one-year period. The projects are periodically monitored by managers and the monographs are evaluated by a panel. As of 2013, interns – who must be studying at either a technical school or university – will be taken on in phases between March and October. Of the 63 interns at Santos Brasil in 2012, 22 were formally hired by the Company.

Apprentice program – This program is run at Tecon Santos and in the company’s Logistics area. Forty young people took part in 2012, attending four development meetings. Commenced in 2004, the program has so far involved 91 young people, 46 at the container terminal and 45 in the Logistics area. Of these participants, 12 have been hired by the company.

Engineers – In 2012, the Company developed a training program for young engineers. The first class, consisting of four recent graduates from respected universities, will begin their work in 2013, traveling around different parts of the Company to acquire a comprehensive overview of the business.

Ship planners – For eight months, university students in their last year of study receive training from operational managers. They start off working as supervisors at import-export yards and empty

container yards, before going on to work as ship supervisors and ship planners. The second edition of the program was run in 2012.

Maintenance technicians – This program was developed through a partnership between Santos Brasil, Libra Terminais and the Catholic University of Santos (*Unisantos*), with theoretical classes administered at the university and the practical part taking place at Santos Brasil. At the end of the program, 14 young people were hired by the company, six in the mechanical area and eight in the electrical area.

RECRUITMENTAND SELECTION

At Santos Brasil port terminals, 100% of recruitment for functions that involve operating the most advanced container handling equipment (stackers, rubber-tired gantry cranes and Portainer cranes) takes place internally. When it is impossible to in-source a position, an external recruitment and selection process is conducted with positions publicized on the company website and in regional communications media.

In line with its commitment to professional development of employees, in 2012 there were 421 promotions across the Company’s units. There were 465 discharges and 534 appointments to fill vacancies arising from promotions, discharges and the opening of new vacancies. Employee turnover in 2012 was 7.5% at port terminals and 16.5% in logistics operations, a difference which reflects the specific characteristics of each business. **GRI LA2**

In selection processes, candidates are analyzed in line with each function’s minimum requirements. In external selection processes, priority is given to candidates who live in the region of the unit in order to maintain high levels of local employability. At the end of 2012, 99% of employees at Guarujá and Santos units were from the Baixada Santista region, while 99.8% of employees at Santos Brasil Logística’s Alemoa and Guarujá units were from that area. Likewise, 97% of employees at the São Bernardo do Campo and Jaguaré distribution centers in São Paulo were from São Paulo or the Grande ABC region. **GRI EC7**

The procedures of Santos Brasil’s selection processes are described in its Recruitment & Selection Instructions and are conducted in a respectful, ethical manner, considering candidates’ technical and behavioral skills, regardless of race, color or creed.. Once selected, candidates are hired on a definitive or temporary basis (in line with Brazil’s consolidated labor laws, or CLT), as an apprentice (in line with the Law on Young Apprentices) or as an intern (in accordance with the Internship Law). **GRI LT16**

HEALTH AND SAFETY

In 2012, the Company’s Safety and Environment areas were restructured and vertically integrated, and each was given its own coordinator. An extensive awareness-raising process was initiated, featuring many internal communication actions and the launch of the “Safety is a reflection of your attitudes” campaign. A consultancy firm (DNV) was hired to conduct an in-depth diagnosis to direct the Company’s actions in 2013.

The Santos Brasil Logística unit in Santos reached the milestone of 1 million hours worked without any accidents and ended 2012 with an accident frequency rate of 5.24 accidents per 1 million hours worked. The target for 2013 is to reduce this figure by 50% at all operating units. **GRI LA7**

Safety occurrences⁽¹⁾ **GRI LA7**

Units	Number of accidents	Frequency rate ⁽²⁾	2012 target
Santos Container Terminal	17	4.90	2.45
Imbituba Container Terminal	2	15.57	7.79
Vila do Conde Container Terminal	1	23.20	11.60
Vehicle Export Terminal	2	5.20	2.60
Logistics	24	10.47	5.24

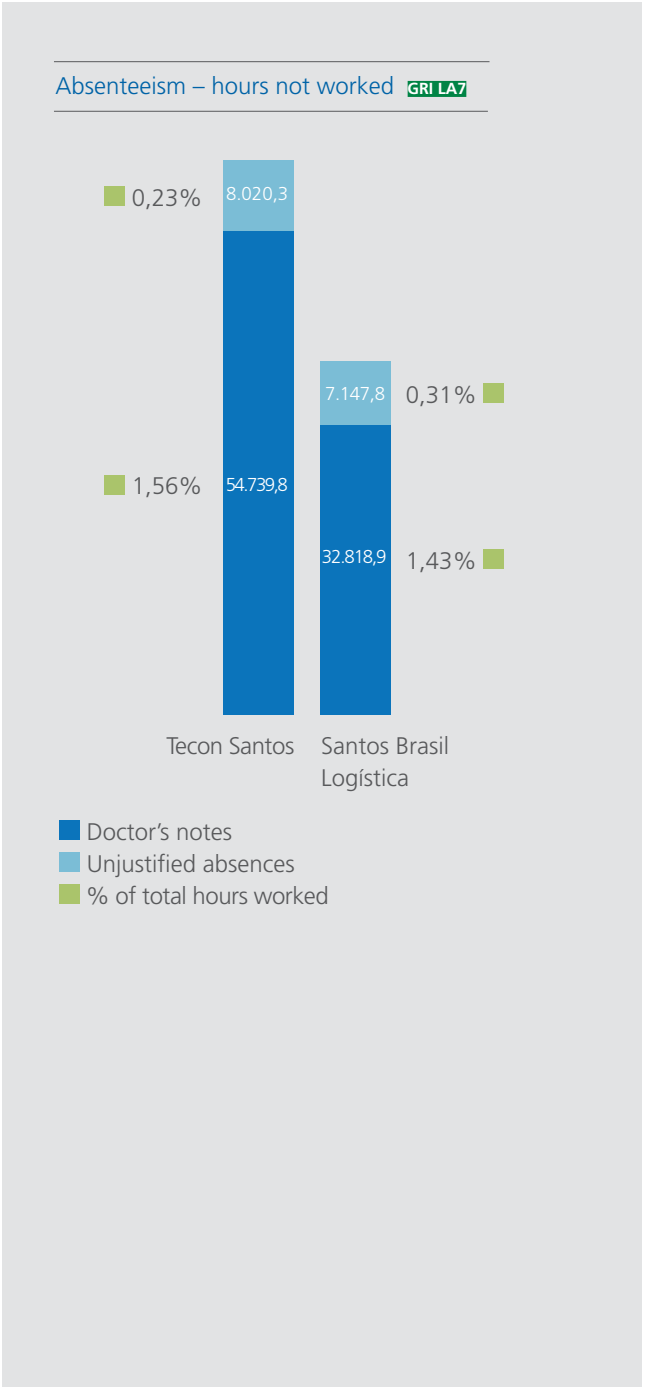
⁽¹⁾ Accidents involving Santos Brasil employees.

⁽²⁾ The frequency rate is calculated on the basis of the number of employees and hours worked. In operations with small numbers of employees, even low numbers of accidents may imply high frequency rates. Frequency rate = number of accidents x 1,000,000 hours / number of employees x hours worked during the month in question.



The Company engaged in a number of internal and external driver safety actions, such as the Annual Drivers’ Program training conducted by Sest/Senat (Transport Social Services/ National Transport Education Service). Santos Brasil has fully complied with work and break requirements provided for in legislation in effect in 2012, and has begun the process of complying with Law 12,619, supplemented by National Traffic Council (Contran) Resolution 405, governing mandatory rest breaks for drivers, which came into force in January 2013. [GRI LT9](#)

In 2012, the rate of absenteeism with doctor’s notes at Tecon Santos represented 1.56% of all hours worked. At Santos Brasil Logística, the figure was 1.43%, while at Tecon Imbituba the rate was negligible. The Vila do Conde unit will start to monitor this indicator in 2013. [GRI LA7](#)



The Company runs various initiatives to engage its employees, encompassing training and awareness-raising campaigns. These include Daily Safety Dialogues, a Port Work Accident Prevention Committee (CPATP), Internal Accident Prevention Committees (CIPAS), an Internal Port Work Accident Prevention Week (SipatP) and Preliminary Risk Analyses (APRs). Mandatory training is also provided over the course of each year and employees are represented on the aforementioned committees, making up 80% of CPATP members (the other 20% being managers) and 63% of members of the Tecon Vila do Conde Cipa (the other 37% being managers).

In 2012, the company expanded its corporate sports platform (Santos Brasil in Movement) and its workplace exercise project to promote good health among employees. The Santos Brasil Logística unit in Santos also hired a nursing technician.

To provide its employees with guidance on serious diseases, the Company organizes talks about topics such as sexually transmitted diseases and drug-use during the annual Internal Work Accident Prevention Week (known by Portuguese acronym Sipat) and Internal Health and Safety Week. The Company's Social Services department also monitors cases of professionals who may have problems related to drug use. In 2012, employees' families began receiving guidance on health and safety-related topics through the magazine *Viva Voz Família*, published bi-monthly and mailed to employees' homes. [GRI LA8, LT11](#)

Noise Control

The company's noise management program is aimed at anticipating, recognizing, evaluating and consequently controlling noise levels at work sites and areas surrounding operations. Such evaluations are included in the company's Environmental Risk Prevention Program (*"Programa de Prevenção de Riscos Ambientais"* or PPRA) and contribute to defining necessary clinical exams and the adoption of a Hearing Control Program (*"Programa de Controle Auditivo"* or PCA). In functions exposed to noise above the legal limits, it is mandatory to use personal protective equipment (PPE). During periodic health exams, the Company's medical staff analyze the results of audiometric tests and, in the case of hearing loss, employees are called upon to undergo further tests and are included in a PCA. [GRI LT7](#)



NATURAL CAPITAL GRI EN26

The environmental impacts of a port operation may be broken down in line with the phases of each project. During the initial implementation stage or in expansion phases, all impacts are meticulously evaluated and environmental legislation is strictly followed. Santos Brasil complies with all legal determinations and adopts any compensatory measures required. In the operational stage, the Company is currently focused on reducing its greenhouse-gas emissions and developing alternative logistics solutions with financial, environmental and social benefits. GRI EN12

SUSTAINABLE LOGISTICS

Mindful of its potential for contribution to development of alternative sustainable cargo transportation options, the Company seeks to develop projects that add environmental value as well as bringing financial and social results. The barge transport projects initiated in 2012 at Tecon Vila do Conde, Pará and Imbituba Port Industrial Park are two examples of such initiatives.

The barge project in Pará will expand waterway transportation's market share and contribute to the sustainable development of the Brazilian economy. It is aligned with the National Logistics and Transport Plan ("Plano Nacional de Logística e Transportes" or PNLT), announced in

April 2012, which involves promoting more intensive and appropriate use of waterways with the aim of raising their share of transportation volumes from the current level of 13% to 29% within 15 to 20 years.

Located in the Tocantins-Araguaia waterway region, with a sea connection close to the Amazon waterway system, Tecon Vila do Conde lies in an area of deep rivers that do not require major investment to expand navigation - Brazil's Northern region has few land transportation options.

In Imbituba, the port's inclusion in the municipality's master plan as the main driver for the development of the entire region paves the way for detailed dialogue on the best way of achieving harmonious coexistence between the port and the community. Santos Brasil is participating actively in building this dialogue and is investing to contribute to local sustainable development. The Imbituba Port Industrial Complex project aims to ensure the infrastructure needed for this development. In 2012, the Company produced a plan for a two-lane 6-km arterial road to directly connect the site to the gates of Tecon Imbituba. The plan was submitted to the municipal government and the state government now intends to implement it before the end of 2013.

PRESERVATION OF ECOSYSTEMS GRI EN13

Imbituba is one of nine municipalities encompassed by the Baleia Franca Environmental Protection Area, a federal Conservation Unit created to protect the Southern Right Whale (*Eubalaena australis*), which come to the waters off southern Brazil to give birth and feed their calves between June and November.

Although the Port of Imbituba is not inside the Environmental Protection Area, Santos Brasil recognizes the need for harmonious coexistence between port activities and marine species. As a result, it supports and publicizes the activities of Projeto Baleia Franca, an NGO that researches and monitors the endangered Southern Right Whale, as well as conducting wider environmental preservation-related educational and awareness-raising activities. GRI EN15

Projeto Baleia Franca recently conducted a visual monitoring program to enable extension of the Tecon Imbituba quay without adversely affecting the Southern Right Whale. The work was completed in November 2011 with no impacts on the whales' migration or reproduction.

ENERGY AND EMISSIONS

Since 2011, Santos Brasil has been a member of the *Empresas pelo Clima* (EPC) ("Companies for the Climate") platform, a group managed by Fundação Getúlio Vargas (FGV)'s Sustainability Studies Center. Its objectives are to mobilize, sensitize and coordinate business leaders with respect to the management and reduction of greenhouse gas emissions and climate risks, and to propose public climate change policies and positive incentives. In order to prepare for a low-carbon economy, Santos Brasil participates in both EPC and the related "Innovation and Sustainability in the Value Chain" initiative. Since 2008 the company has kept an inventory of its greenhouse gas emissions at Santos Container Terminal and in its Logistics business. GRI EN18

The Company's impact management initiatives encompass logistics operations, ecosystem preservation, the prioritization of renewable energy sources and emissions control.



INTELLECTUAL CAPITAL



Innovation, quality and safety in operations are areas where Santos Brasil stands out, giving it a competitive advantage in the market.

TECHNOLOGICAL INNOVATION

Santos Brasil considers technological innovation to be a strategic advantage and since it began operating its first terminal, Tecon Santos, the Company has directed efforts and investment to keep all its units up to date with the most advanced equipment in the sector. To this end, the Company's executives visit port terminals throughout the world and participate in seminars and other events. The Company also encourages the creation of research discussion channels and maintains an internal Information Technology team that works to develop customized solutions for its services and customers.

In addition to providing indicators of excellence and high levels of efficiency, the Company's pioneering innovation means that technology takes on a wider relevance than merely being a national reference and becomes a requirement for the whole sector.

This occurred with three methodologies adopted at Tecon Santos that are now obligatory at all container terminals in Brazil. For example the Federal Revenue Service has made it mandatory to have automated gates featuring an optical character recognition (OCR) system to control trucks accessing terminals and a scanner system for closed containers (featuring X-ray equipment to identify cargo).

Another tool developed at Tecon Santos and implemented throughout the Port of Santos is the Vehicle Scheduling Service ("Serviço de Agendamento de Veículos" or SAV), which is now an obligation imposed by the São Paulo State Docks Company (Codesp). This program enables customers (exporters and importers) and their service providers (customs agents and transportation companies) to consult the schedule and choose

the best date and time to deliver and remove containers, avoiding congestion on internal roads and near the terminal.

Storage, control and planning processes for the loading and unloading of containers are conducted using a sophisticated GPS container positioning system known as the Navis yard manager, one of the most advanced port software programs in the world.

The cranes at Tecon Santos are equipped with a differential global positioning system (DGPS) linked to an outdoor wireless network, which triggers sequencing orders for the loading of trucks, forklifts and cranes for more than 500 data collectors at the site.

In turn, Santos Brasil quay crane operations have the best indicators in the world in terms of usage per square meter of terminal. The Company is studying implementation of a new operating system with automated equipment based on OCR, with a view to checking containers, thereby making the process safer and more productive and releasing containers for use in other activities.

The Company also uses the following innovative technologies:

- **Weighing on RTGs** – This system weighs containers while they are being moved by rubber-tired gantry cranes (RTGs), thereby eliminating a stage in the operation and so reducing handling time.
- **Biometry** – Drivers who arrive at terminals are identified using a biometry system. Accordingly, only professionals whose fingerprints have been registered in advance and are confirmed at the time of entry can access the site.
- **Radio Frequency Identification (RFID) system** – All trucks have intelligent tags that store information about the vehicles and are used to track trucks undergoing maintenance or the flow of trucks in loading and unloading processes.
- **Tracing Log** – Santos Brasil was a pioneer in the port logistics segment in adopting this tool to track and collate cargo data. The system guarantees fast, reliable logistics information, generating cost reductions related to idle fleet vehicles removing and delivering cargo at the terminal.

QUALITY AND SAFETY

Safety measures and international quality standards for protecting the assets and wellbeing of customers, partners, visitors and employees are fundamental issues in the Company's development. This process is supported by state-of-the-art tools and employee training, positively affecting levels of efficiency at business units.

Priority is given to the definitive monitoring of information, using electronic equipment that records a wide range of images and data, as well as issuing records of people and vehicles circulating in all areas for which the Company is responsible. The monitoring center at Tecon Santos is staffed by observers 24 hours per day. The unit is equipped with biometric access equipment and a panel of 30 LCD monitors, forming a large digital surveillance mosaic. This system follows the rules of the International Ship and Port Facility Security Code (ISPS Code), which Tecon Santos has been following since 2005, with strict security rules to prevent terrorist acts at container terminals.

Santos Brasil's equipment also enables the public authorities – such as the customs authorities, the Federal Police, the Special Maritime Police (Depom) and the Guarujá Mutual Support Plan (PAMG) – to be called upon at any time. Tecon Santos also has a radio-communications system linked 24 hours a day to the PAMG network for emergency calls to the Fire Brigade and Civil Defense.

The Company evaluates health and safety impacts at all phases of the life cycle of its services, from the design of new projects to everyday operations. All activities and services related to operations undergo a risk analysis to identify possible deviations and necessary mitigation and emergency measures. These risk analyses involved the use of hazard and risk tables. Reviews take place once a year or whenever there are changes that affect the process. [PRO1](#)

The Company also maintains a fully-staffed and trained emergency team to respond to any type of emergency incident and to conduct regular internal audits and inspections to assess business unit performance in compliance with quality and safety rules.

BUSINESS PERFORMANCE

2012 was a year of new records, higher productivity and the strengthening of important competitive advantages for Santos Brasil, with a record 155 moves per hour (MPH) in a single ship operation.



INDUSTRY ANALYSIS



Despite the weak performance of the Brazilian economy, which slowed down throughout 2012 and ended the year with gross domestic product (GDP) growth of around 1%, the container sector performed strongly, benefiting from pent-up demand caused by the country's infrastructure deficit. Representing nearly 32% of all throughput at Santos, for example, container operations at the country's biggest port grew by 6.2%, adding up to 3.2 million TEU over the course of the year.

Sector discussions in 2012 were mainly related to changes to the regulatory framework planned for the year, leading to uncertainty for future investment plans. However, Provisional Measure MP 595, proposed by the government at the end of 2012 (still proceeding through the National Congress), singled out upkeep of public ports, thereby putting an end to expectations that investments within public ports would be freed from the rules established in the Port Modernization Law (8,630/93), upon which the port terminal concession model is based.

The Ports Package called for the rules to be maintained, ensuring equal competition and promoting a credit line offered by the national development bank (BNDES) to finance port projects.

Measures related to foreign trade – such as the bilateral standoff between Brazil and Argentina and the imposition of import quotas on Mexico – contributed to a 24% reduction in vehicle exports and a 17% fall in vehicle imports at the Port of Santos.

Brazil's total foreign trade (the sum of imports and exports) in 2012 was down 3.4% from 2011, ending the year at US\$465.7 billion. Despite the drop, this figure is still the second highest in the country's history.

INVESTMENTS

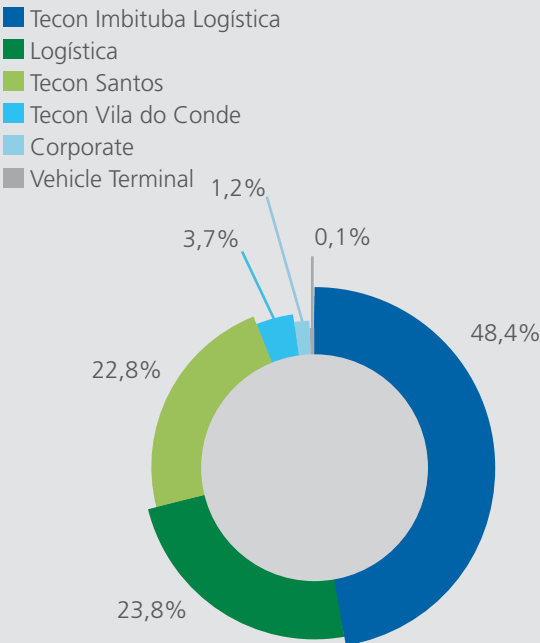
2012 was marked by the completion of a cycle of investment commenced in 2006 when the Company was floated on the stock exchange through an initial public offering (IPO), thereby receiving a significant inflow of resources.

Investment in 2012 amounted to R\$97.9 million. Tecon Imbituba accounted for 48% of this total, allocated to expansion and improvement of terminal operations and dredging to deepen the draft at the Port of Imbituba. Investments in the Logistics segment were focused on construction work at logistics and industrial customs centers to optimize internal flows and acquire new equipment to expand road transportation operations.

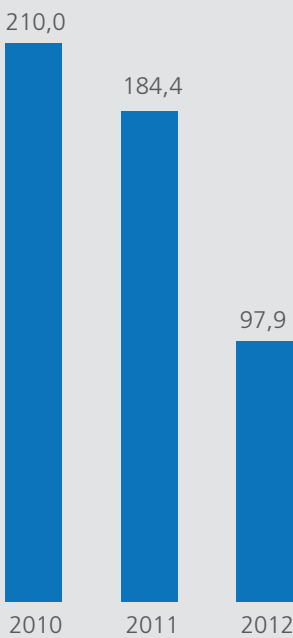
A further R\$3.9 million was invested in the Logistics area in a new technology to support customs procedures, with development of a software program and the construction of automated gates. This software has modules for planning of storage blocks, electronic registration of imported cargo deliveries, online scheduling of vehicles to receive cargo and computerization of data on cargo location, release and movements that importers, transportation companies and customs brokers can track on the Company website. Another R\$2 million was spent on new storage systems for a door-to-door operating contract with German multinational Schaeffler.

Other investments in 2012 focused on maintenance and adaptation of terminals in line with new regulations. For example, scanners were bought for the Imbituba and Vila do Conde terminals in order to comply with a new Federal Revenue Service ordinance that mandates non-invasive inspections of containers, identifying cargo using X-ray equipment in order to improve the efficiency of port operations and security in foreign trade.

Distribution of investments



Investments (R\$ million)



PROSPECTS

Having completed an investment cycle that has contributed to the attainment of excellent indicators, Santos Brasil starts 2013 with the mission of enhancing its performance in all areas to meet the demands of society, workers and shareholders.

Without losing focus on the quality of operations and maintenance of its values, the Company will concentrate its efforts in 2013 on the commercial area as it faces a more competitive environment. Restructured at the end of 2012, the department begins 2013 working in an integrated manner, with the same team for logistics, storage and road transport, and maintaining a different dedicated team to service ship-owners in line with specific business characteristics. A post-sales area is also starting up to focus on efficiency gains, customer satisfaction, synergies and the provision of more integrated services.

To tackle fiercer competition, long-term contracts will be developed with customers already operating at Tecon Santos, and efforts to attract new cargo to the Port of Santos, commenced in 2012, will be intensified.

The aim is to bring back to Santos import cargo whose final destination is the state of São Paulo. Over the years, this merchandise has been transferred primarily to ports in Santa Catarina and Espírito Santo, attracted by tax benefits, which will no longer exist from January 2013. Consequently the Port of Santos is likely to regain transshipment cargo, which at one point accounted for 25% of port throughput but in 2012 corresponded to just 5%.

The Company also envisages major development potential for Tecon Imbituba, which is ready to grow due to more investment, installed infrastructure and sufficient draft for large ships.

Regular, safe and efficient operations at Tecon Imbituba and its distinct advantage in offering integrated port and logistics solutions, designed to meet the specific needs of

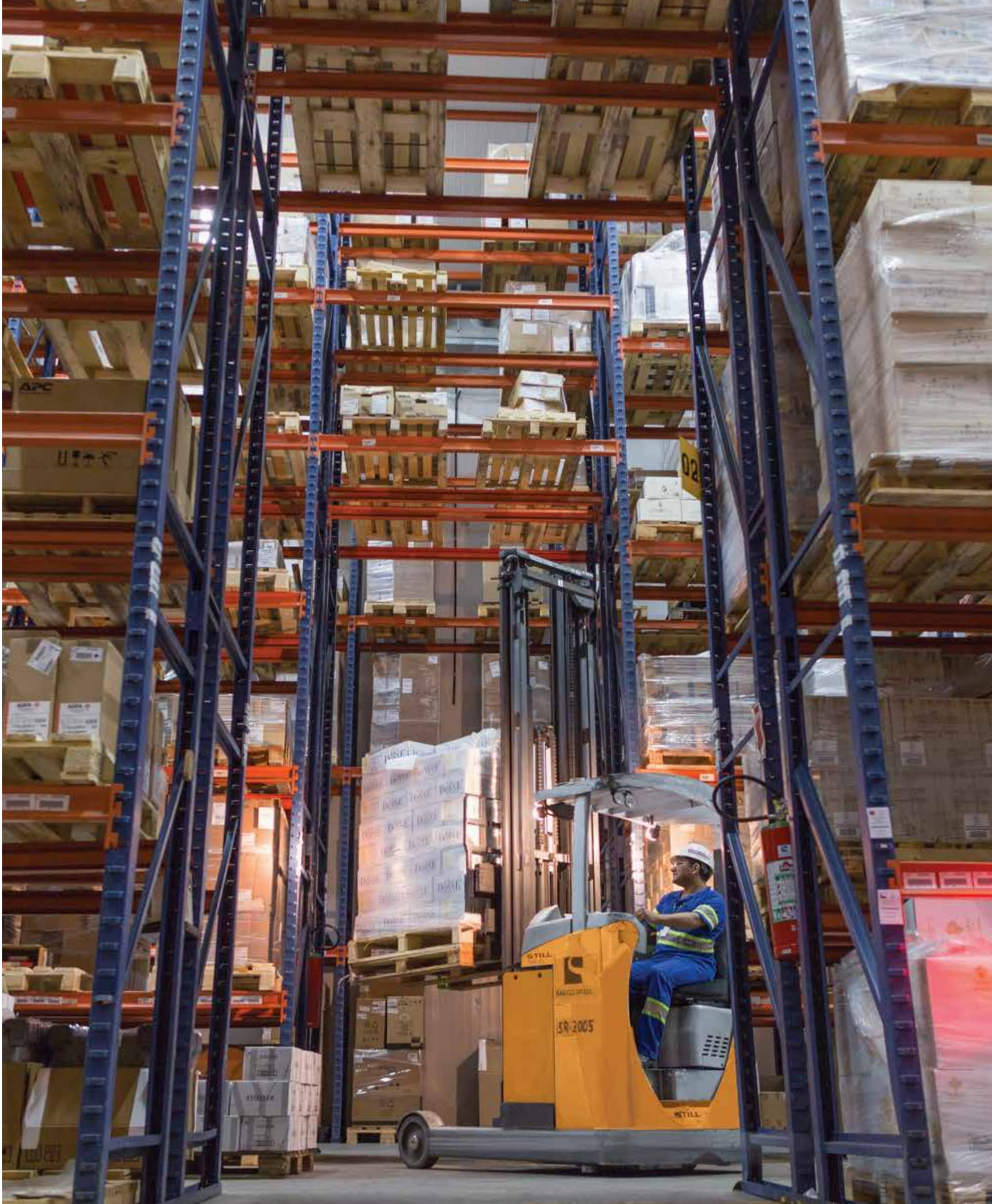
each customer, will help to increase business in Santa Catarina. Building on the terminal's attainment of a reputation for reliability, the Company will work to expand the number of shipping lines that berth there and its portfolio of customers, including importers/exporters from centers of production in northern Rio Grande do Sul, which currently use the Port of Rio Grande (in the same state). With the structuring of Imbituba Port Industrial Complex, the Company expects to set an example of sustainable development for the whole region.

In Vila do Conde, growth prospects are evident in coastal shipping. The aim is to continue to expand the terminal's port facilities in order to double its capacity in the coming years and develop integrated logistics projects to reduce cargo movement operating costs. The intention is to make use of the region's waterway capacity, expanding barge transport and multimodal operations, carrying the same goods partly by waterway and partly by road. Harnessing such potential to the maximum will also generate positive social and environmental results for the region.

NEWBUSINESS

Backed up by its financial liquidity and expertise, Santos Brasil is ready to invest in new businesses that are likely to emerge in Brazil as a result of the Ports Package launched by the federal government in December 2012, set to open up new concessions for port terminals along the Brazilian coast.

The Company intends to examine all planned bidding processes for ports and port storage yards, along with opportunities for acquisitions involving logistics and port activities that can add value to its business. Accordingly, in 2012 it created two new company departments reporting to the Commercial Unit: the New Business Department, to prospect, negotiate, purchase and bid; and the Development Department, to implement new operations.



OPERATIONAL PERFORMANCE

In 2012, Santos Brasil maintained its trajectory of growth and increased productivity, despite the slow expansion of the Brazilian economy. Growth in consumption and income, combined with the logistical advantages of containers as a means of transport, including for agricultural commodities, boosted the flow of container cargo through Brazil's largest port – Santos – where the Company has a significant presence, operating the biggest and most modern container terminal in Brazil, Tecon Santos.

Right at the start of the year, the company broke its own record for a single ship operation, managing 155.5 moves per hour (MPH) at Tecon Santos. Over the course of 2012, the monthly average at the terminal was 80 MPH per ship – a key competitive advantage that contributed to an increase in the Company's market share at the Port of Santos from 50% in 2011 to 55% in 2012.

New records were also set in cargo throughput volumes. Tecon Santos handled 105,530 containers in a single month. The total number of containers handled in 2012 at all Company terminals rose by 13.6% against 2011, to 1.1 million containers. Over the whole year, the average ratio of full-to-empty containers was 76 to 24, thanks to strong performance in the flow of full long-distance containers, which grew by 8.8% in 2012.

The volume of containers stored at port terminals declined by 2.0% in 2012, due to the lower retention rate for import containers unshipped for storage at Tecon Santos, which fell from 47% in 2011 to 45%.

Between 2011 and 2012, Santos Brasil Logística customs storage operations expanded by 2.6%. In 2012, the Company maintained strong growth in integrated logistics services through its distribution centers in São Bernardo do Campo and Jaguaré, and services offered include receipt of cargo by port terminals, logistics and industrial customs centers, distribution centers, container transportation by road of and distribution of divided loads.

Movements at the Vehicle Terminal declined by 4.8% in 2012. The performance of this business segment was influenced by measures adopted by the Brazilian government concerning foreign trade in the automobile industry.



Operational indicators

Port terminals	2011	2012	Change (%)
Quay operations	1,001,875	1,138,573	13.6%
Full containers	781,523	862,787	10.4%
Empty containers	220,352	275,786	25.2%
Storage operations	179,202	175,557	-2.0%
Logistics			
Storage operations	74,632	76,608	2.6%
Vehicle Terminal			
Vehicles handled	205,603	195,741	-4.8%

13.6%

increase in container movements.

155.5 MPH

was the year's operational record.

In 2012 the Company set new records for container movements and logistics storage operations, resulting in productivity gains.

FINANCIAL PERFORMANCE

EC 1



All financial performance indicators saw growth in 2012. Most notably, EBITDA rose by 20.7% and attained a 42.6% margin.

In 2012, gross revenue amounted to R\$1,471.7 million, up 15.1% from the previous year. Consolidated net revenue increased at practically the same rate, by 15%, from R\$1,124.7 million to R\$1,293.2 million.

The 13.2% growth in gross revenue observed in the Port Terminals segment is largely due to a 14.2% expansion in revenue from storage operations, which outpaced the increase in the volume of stored containers. This difference is the result of an adjustment to prices of storage services and had a positive influence on Tecon Santos's results.

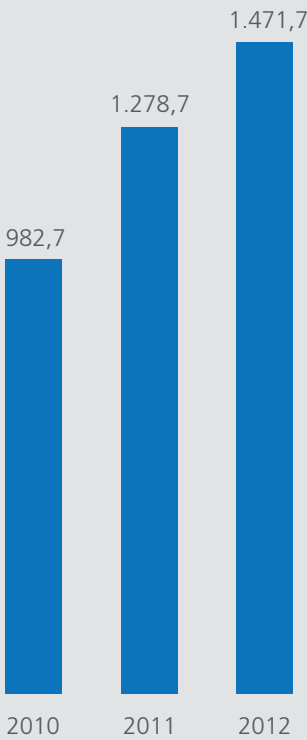
In the Logistics segment, gross revenue increased by 16.5%, as a result of the following factors: (i) growth in the volume of cargo stored at logistics and industrial customs centers at the Port of Santos; (ii) the Company's commercial efforts to expand its range of integrated logistics services while primarily serving customers that use the port; (iii) expansion in distribution center and road transport services; and (iv) service price adjustments.

Revenue earned by the Vehicle Terminal at the Port of Santos rose by 40.2% in 2012. Longer storage times and price adjustments led to this result, representing the fastest growth in all of the company's business segments.

Gross revenue (R\$ million)			
	2011	2012	Variation (%)
Port terminals	997.5	1,128.7	13.2%
Quay operations	581.2	653.2	12.4%
Storage operations	416.3	475.5	14.2%
Logistics	216.1	251.8	16.5%
Vehicle Terminal	65.1	91.3	40.2%
Consolidated	1,278.7	1,471.7	15.1%



Gross operating revenue (R\$ million)



COSTS AND EXPENSES

In 2012, the consolidated cost of services amounted to R\$690.9 million, up 10.4% on 2011 (a smaller increase than revenue growth). The figure rose by 9.1% at port terminals and 17.6% in the Logistics area. At the Vehicle Terminal, costs were practically unchanged from the previous year, with a rise of just 1.4%.

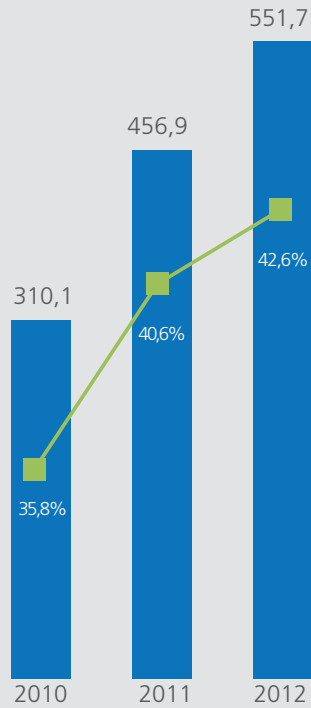
Personnel costs increased by 18.0% at port terminals and 18.7% in the Logistics area, due to workforce expansion and pay adjustments in line with union negotiations. An actuarial liability of R\$5.1 million for port terminals was recorded. Handling costs (one-off labor costs, channel fees, “TUP” port infrastructure usage fees and other variable costs) rose by 12.3% at port terminals due to larger container volumes in quay operations.

In the Logistics area, there was a rise of 24.6% in the cost of fuels and freight transportation, mainly due to an expansion in the provision of transport and distribution services and an adjustment to contracted transportation charges.

Consolidated operating expenses totaled R\$177.4 million, up 16.5% from the previous year. In the Port Terminals segment, an increase in storage revenue gave rise to increased spending on cargo agency sales commissions (calculated as a percentage of storage billing).

In the Logistics area, although operations grew, it was possible to keep operating expenses at levels similar to those seen in 2011.

EBITDA (R\$ million) and EBITDA margin (%)



EBITDA

The Company's 2012 EBITDA set a new record, while the 2.0 percentage point rise in its EBITDA margin was primarily due to economies of scale as a result of increased cargo handling at its business units.

The Port Terminals segment grew 17.3% and increased its average margin by 1.9 percentage points due to the following: (i) an increase in volumes handled in port operations; (ii) greater economies of scale at Tecon Santos; and (iii) price adjustments for storage and quay operation services.

EBITDA and EBITDA margin

(R\$ million)	2011	Margin (%)	2012	Margin (%)	Variation (%)	Variation (%) in margin
Port terminals	430.1	48.6%	504.4	50.5%	17.3%	+1.9 p.p.
Logistics	40.0	21.6%	51.3	24.8%	28.3%	+3.2 p.p.
Vehicle Terminal	34.6	63.1%	58.4	73.6%	68.8%	+10.5p.p.
Corporate	-47.8	-	-62.2	-	30.1%	-
Consolidated	456.9	40.6%	551.7	42.6%	20.7%	+2.0 p.p.

Santos Brasil Logística's EBITDA was influenced largely by the following factors: (i) a rise in volumes stored at the logistics and industrial customs centers at the Port of Santos; (ii) the Company's commercial efforts to expand its range of integrated logistics services while primarily serving customers that use the port; (iii) expansion in services through a new distribution center in the city of São Paulo; and (iv) adjustments to service prices.

Despite its contraction in operating volume, the Vehicle Terminal saw significant growth in EBITDA due to high volumes of heavy vehicles handled and an increase in the average stay-time of import vehicles at the terminal.



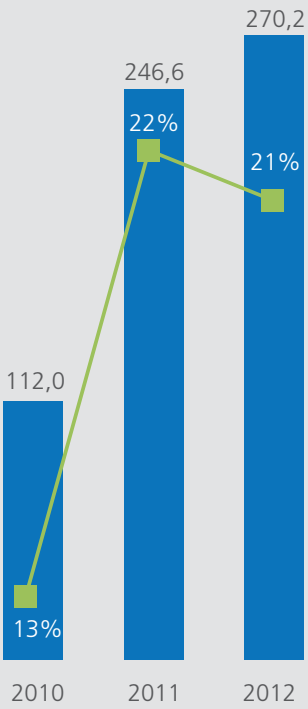
NET EARNINGS

Net earnings growth in 2012 was largely due to the robust growth of the Company's operating income, resulting from the competitive advantages of its business units.

The higher operating income was mainly the consequence of an increase in revenues in all business segments, in turn due to a gain in market share resulting from high productivity in services provided.

Due to the incorporation of the demerged portion of former subsidiary Santos Brasil S.A., representing Tecon Santos's operations, in 2011 the Company recorded a deferred tax asset held by Santos Brasil Participações S.A., and this had a positive impact on the 2011 results. The impact on results from accounting for accumulated tax losses in 2011 was R\$51.8 million.

Lucro líquido (R\$ milhões) e Margem líquida (%)



Net earnings			
(R\$ million)	2011	2012	Variation (%)
EBITDA	456.9	551.7	20.7%
Depreciation and amortization	-110.4	-126.8	14.9%
EBIT	346.5	424.9	22.6%
Financial result	-47.0	-43.7	-7.0%
Income tax / social contribution on net earnings	-53.2	-111.0	108.6%
Minority interests	0.2	-	-
Net earnings	246.6	270.2	9.6%

INDEBTEDNESS

Net debt fell by 27.7% to R\$296.7 million at the end of 2012, corresponding to leverage of 0.5 times EBITDA. In October 2012, in a move aimed at extending debt maturity and reducing debt cost, the Company raised R\$150 million at the interbank deposit rate (CDI) + 1.29%, with a five-year amortization period. These resources will be used to strengthen cash holdings and amortize short-term debt.

In 2012, cash equivalents benefited from strong cash generation arising from operating activities and amounted to R\$136.4 million at the end of the year.

In recognition of the Company's competitive, solid business position, reflecting its continuous improvement in operating efficiency and its stable cashflow generation, ratings agency standard & poor's elevated its rating on the brazilian National Scale from "brAA" to "brAA+."

Debt and cash equivalents				
(R\$ million)	Currency	December 31, 2011	December 31, 2012	Variation (%)
Short-term	Domestic	295.1	110.6	-62.5%
	Foreign	51.3	54.9	7.0%
Long-term	National	264.9	205.4	-22.5%
	Foreign	93.8	62.2	-33.7%
Total debt		705.1	433.1	-38.6%
Cash equivalents		294.9	136.4	-53.7%
Net debt		410.2	296.7	-27.7%



Statement of value added GR1 EC1	Parent company		Consolidated	
	2011	2012	2011	2012
REVENUE				
Sales of goods, products and services	306,410	1,059,706	1,246,026	1,432,038
Other revenue	598	2,163	3,587	3,453
Provisions for doubtful debtors – constitution	(571)	(1,118)	(1,931)	(1,009)
	306,437	1,060,751	1,247,682	1,434,482
INPUTS ACQUIRED FOR THIRD PARTIES				
Cost of products, goods and services sold	(64,180)	(161,827)	(210,685)	(233,796)
Materials, power, third-party services and other	(46,167)	(123,893)	(161,964)	(171,163)
Other	(4,321)	(779)	(5,466)	(2,688)
	(114,668)	(286,499)	(378,115)	(407,647)
GROSS VALUE ADDED	191,769	774,252	869,567	1,026,835
DEPRECIATION, AMORTIZATION AND DEPLETION	(38,003)	(105,406)	(110,434)	(126,813)
NET VALUE ADDED PRODUCED BY COMPANY	153,766	668,846	759,133	900,022
VALUE ADDED RECEIVED IN TRANSFERS				
Equity in subsidiaries	197,441	57,363	-	-
Financial income	81,399	48,769	100,188	53,598
	278,840	106,132	100,188	53,598
TOTAL VALUE ADDED TO DISTRIBUTE	432,606	774,978	859,321	953,620
DISTRIBUTION OF VALUE ADDED				
Personnel:				
Direct compensation	55,689	146,047	171,412	195,398
Benefits	7,362	30,538	33,912	46,105
FGTS	2,236	8,500	9,836	11,799
	65,287	185,085	215,160	253,302
Taxes, charges and contributions:				
Federal	(31,126)	162,189	163,028	237,634
State	8	373	5,546	6,102
Municipal	9,377	32,369	36,829	42,806
	(21,741)	194,931	205,403	286,542
Remuneration of third parties' capital:				
Interest	131,257	93,422	147,155	97,250
Rental	11,241	31,328	45,267	46,314
	142,498	124,750	192,422	143,564
Remuneration of own capital:				
Interest on shareholders' equity	72,868	73,925	72,868	73,925
Dividends	90,000	100,000	90,000	100,000
Additional dividends proposed	24,519	31,436	24,519	31,436
Retained earnings	59,175	64,851	59,175	64,851
Non-controlling shareholders' share of retained earnings (consolidation only)	-	-	(226)	-
	246,562	270,212	246,336	270,212

The explanatory notes are an integral part of these financial statements.



CAPITAL MARKETS

GRI EC1

Santos Brasil’s equity capital is represented by 664,161 shares: 454,244 ordinary and 209,917 preferred (known by Portuguese acronyms ON and PN respectively). The Company follows the Level 2 Corporate Governance rules of the São Paulo Stock Exchange (BM&FBovespa), on which its 41,923,000 units trade under the code STBP11. Units are nominative, registered share deposit certificates with no par value, each representing one common share and four preferred shares. Holders of units have all the rights and benefits accruing to common and preferred shares.

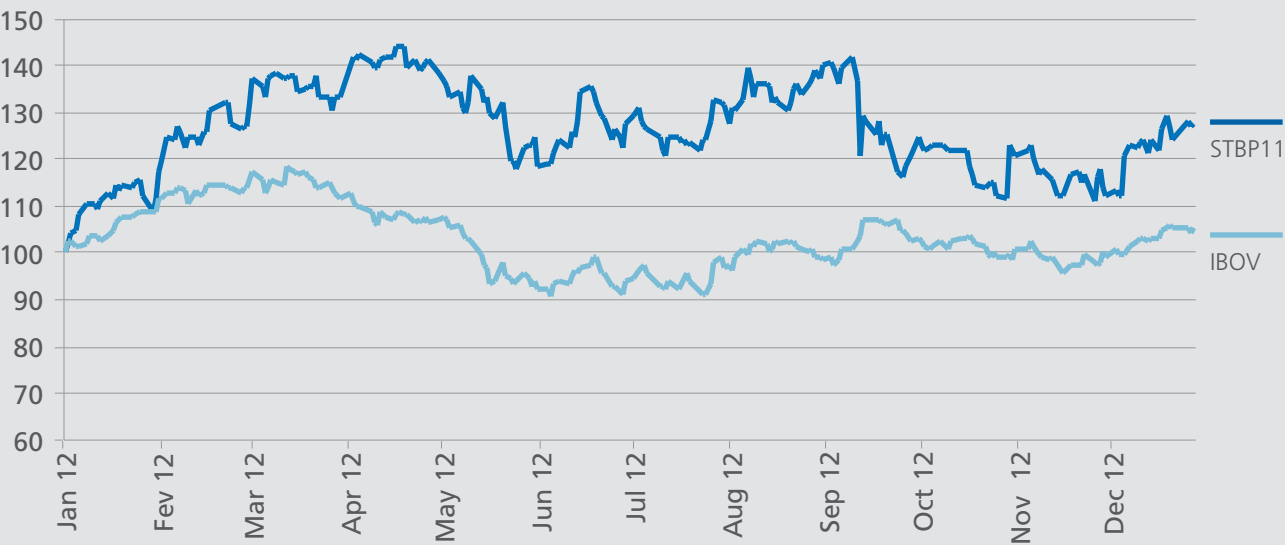
In 2012 the Company’s share performance was somewhat volatile, possibly caused by regulatory uncertainty over public concession-holders. The shares increased in value until April, when the unit price reached R\$34.60, representing a 40% gain in the period. In September, however, new rules established by the federal government for the electrical power sector caused concern in other markets involving the participation of public concession-holders, which also depend on government regulations, and speculation

began about the content of a set of official measures for the port sector, with Santos Brasil shares falling back to a level of around R\$27.30.

However, the Ports Package - announced in December - maintained equality of competition in the sector and Santos Brasil shares rose once more, ending 2012 at R\$29.20, up 18.4% for the year. During the same period, the Ibovespa, the São Paulo Stock Exchange’s main index, rose by 7.4%. Average daily trading volume in 2012 was R\$8.05 million, up 41.98% on 2011. The company’s shares were traded in 100% of the stock exchange’s sessions during the year.

Santos Brasil’s shares are traded in the São Paulo Stock Exchange’s ITAG index (Differentiated Tag Along Index), for companies offering better conditions to minority shareholders in the event of a change in control, and the IGC index (Differentiated Corporate Governance Index), made up of corporations that voluntarily follow superior standards of corporate governance.

Variation in share value on São Paulo Stock Exchange – STBP11 vs. Ibovespa index



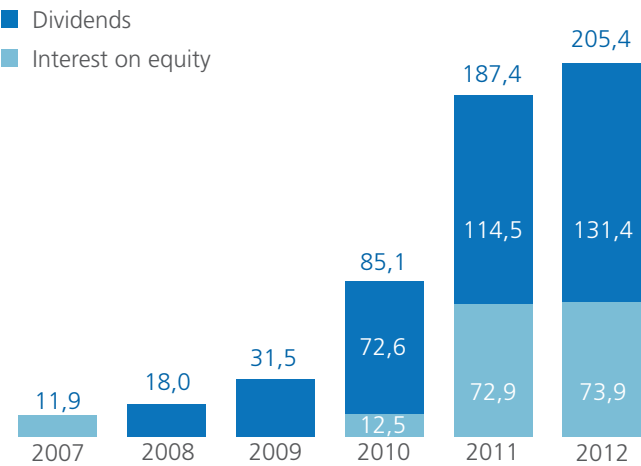
Trading in company shares

Month	Quantity traded (thousand units)	Financial volume (R\$ thousand)	Average daily volume (R\$ thousand)	Closing price (R\$/unit)
Jan.	3,181.40	84,150.75	4,007.18	26.80
Feb.	6,073.60	183,583.96	9,662.31	30.45
Mar.	5,385.90	173,713.45	7,896.06	32.00
Apr.	3,001.60	101,544.89	5,077.24	33.20
May	4,531.70	139,196.70	6,327.12	30.00
Jun.	7,212.30	218,024.24	10,901.21	30.60
Jul.	4,073.40	124,155.73	5,912.18	31.63
Aug.	4,610.40	148,355.37	6,450.23	33.70
Sep.	8,087.30	242,061.07	12,740.06	29.00
Oct.	6,637.20	189,560.38	8,616.38	29.20
Nov.	6,602.80	184,842.96	9,729.58	27.00
Dec.	6,723.80	191,523.51	10,640.19	29.20
Total in 2012	66,120.40	1,980,713.01	8,051.68	29.20

SHAREHOLDER REMUNERATION

For the year 2012, the Board of Directors approved the payment of interest on equity and dividends amounting to R\$205.4 million, equivalent to R\$0.309 per share and R\$1.546 per equivalent unit.

Shareholder remuneration (R\$ million)



Company STBP11 units increased in value by 18.4% over the course of the year. There was a 42% rise in average trading volumes to a daily average of R\$8.05 million.

ENVIRONMENTAL PERFORMANCE

The year 2012 saw advances in the sustainability department at Santos Brasil through investment in actions and initiatives to add value to existing best practices. Recognizing the importance of this aspect for achieving objectives and fulfilling its mission, the Company separated its Environment and Health & Safety management departments, assigning a coordination department and specific team to each discipline.

In order to align sustainable development concepts and their applicability to Santos Brasil, in 2012 the Company launched the “Sustainability Academy,” a program of monthly meetings with area coordinators to discuss real cases involving the matter and to conduct exercises on application of indicators at each unit. The first meeting of the Academy, held in November at a hotel in Santos, brought together employees from several different business units.

This program is coordinated by the Sustainability Committee, a group of 10 key leaders also created in 2012 to define the Company’s Sustainability Policy and track initiatives under way with creation of performance indicators to be monitored systematically.

For some time now, the Company has been working to spread information with the aim of engaging and raising awareness among employees about the importance of sustainability. Every year the Company runs an Environment Week at all business units. In 2012, the week’s theme was “Recycle, Reuse, Reduce” and, in partnership with SESI (Industrial Social Service), recycling workshops were held to raise employees’ awareness of the possibility of reusing materials present in everyday life. In addition to these workshops – which saw the transformation of plastic bottles into plant vases at Tecon Santos and Santos Brasil Logística, newspapers into reusable bags at Tecon Imbituba, and used cooking oil into soap at Tecon Vila do Conde—theater performances were given in operational and administrative areas, involving light-hearted interaction with employees.

Basing actions on its Sustainability Policy, in 2012 the Company made progress in environmental management and selection of indicators for systematic monitoring.

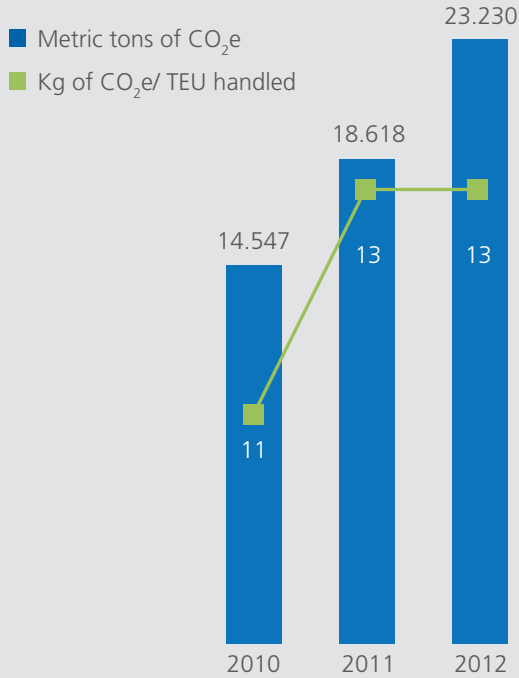
EMISSIONS

Compiled with reference to on the standard unit for measuring the impact of emissions on the planet’s climate, the Santos Brasil Greenhouse Gas Inventory covers activities performed at container terminals and in logistics operations, transforming all gases into CO₂ equivalent. At container terminals, the company measures emissions per TEU (twenty-foot equivalent unit) handled, and measures emissions per container handled at logistics and industrial customs centers, emissions per pallet (in and out) at distribution centers, and emissions per kilometer traveled are recorded at the Road Transport Terminal.

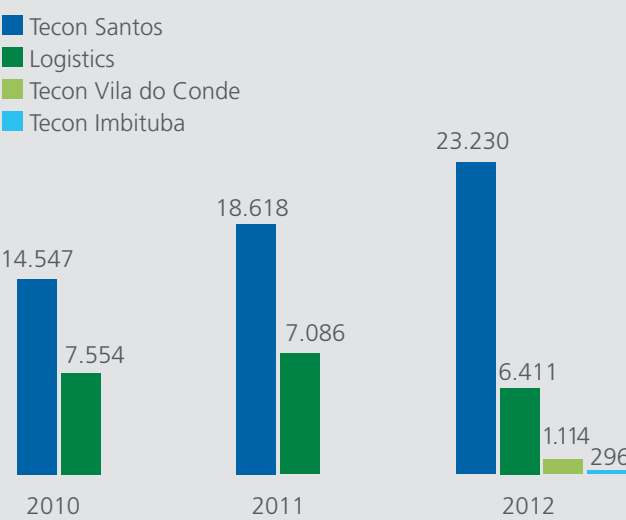
Completed in 2012, the diagnosis identified stable performance at Tecon Santos between 2011 and 2012, despite the growth of its operations. This result is considered satisfactory, as the unit accounts for 75% of Santos Brasil’s emissions. The inventory covers both scope1 emissions (from the use of fuels) and scope 2 emissions (from electricity use).



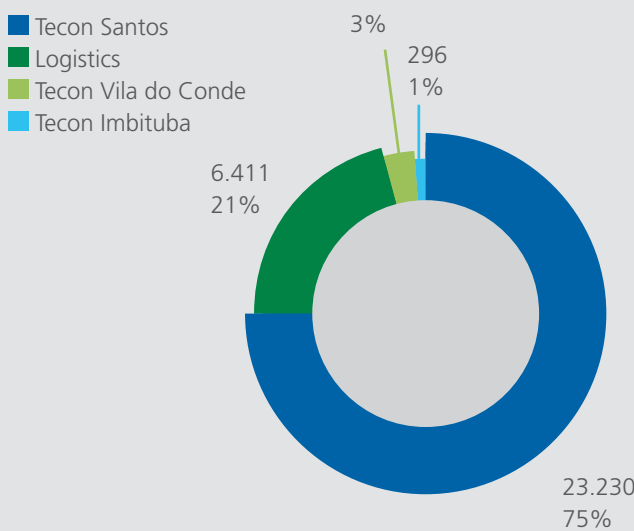
Emissions at Tecon Santos GRI 166



Record of emissions (metric tons of CO₂e)



CO₂emissions in 2012



In 2012, for the first time, the inventory encompassed all Company operations, with data collected by an in-house team that has acquired knowledge and experience concerning relevant indicators since 2007, when Santos Brasil launched its Carbon Project and began recording its greenhouse gas emissions at Tecon Santos.

In 2012, the Santos Brasil Sustainable Drivers Program won first prize in the Mercedes-Benz Environmental Responsibility Awards, which the automaker presents to its suppliers. This program, run since 2004 at the Santos Brasil Logística road transportation unit in Santos, provides guidance and encouragement to drivers to adopt best safety practices and the rational use of resources, with direct benefits for the environment. In 2012 alone, the program led to a saving of 1.0% in the fleet's fuel consumption compared to the previous year, and a 5% reduction in CO₂ emissions. Various other benefits are obtained from the program, such as a reduction in vehicle maintenance costs, lower traffic fine costs and better safety performance on highways. The amount saved is channeled back to participating drivers in the form of prizes. [GRI EN5](#)

A number of other measures are helping to reduce the Company's emissions, such as a policy, implemented in 2011, of compulsory ethanol use in all light vehicles, use of biodiesel and acquisition of more fuel-efficient equipment, examples of this latter being Euro V trucks and rubber-tired gantry cranes (RTGs) – cranes on wheels used to move containers around yards, replacing less economical reach stackers. In 2012, 18 new Euro V trucks were acquired for logistics operations. They represent 16% of the fleet and, due to their lower fuel consumption, have the potential to cut greenhouse gas emissions by up to 75%. The Company also employs route planning and an internal logistics program to continuously refine vehicle movements, reducing fuel consumption and greenhouse gas emissions while making operations faster and safer [GRI EN6, EN18, LT3, LT4, LT5](#)

WASTE AND EFFLUENTS

Santos Brasil adopted selective waste collection 12 years ago. In 2012, the Company applied a methodology for collecting precise data from all its operations.

Waste management ⁽¹⁾ GRI EN22	Tecon Santos	Tecon Vila do Conde	Tecon Imbituba	Logistics	Total
Hazardous					
Used lube oil (liters)	81,670.0	10.23	22,100.0	103,780.2	Recycling and decontamination
Used lamp bulbs (units)	3,250.0	-	-	3,250.0	and recycling
Septic residues from outpatient medical care (kg)	620.0	-	-	620.0	Incineration
Mix of oil-contaminated solid wastes (metric tons)	45.0	4.87	15.4	65.2	Processing
Oil-contaminated mud from water-oil separation system / effluent treatment plant II (metric tons)	29.0	-	45.8	74.8	Processing
Automotive batteries (units)	330.0	15.00	13.0	358.0	Recycling
Non-hazardous					
Organic waste, road sweepings, construction work rubble, timber (metric tons)	880.0	60.18	1,276.3	2,216.5	Controlled landfill
Scrap tires (units)	317.0	34.00	2.0	353.0	Recycling
Scrap iron (metric tons)	266.0	-	39.6	305.6	Recycling
Paper/plastic (metric tons)	41.0	3.95	394.4	439.4	Recycling
Scrap glass (metric tons)	5.0	-	-	5.0	Recycling



The Company's waste disposal policy is based on environmental legislation on transportation, handling and disposal methods. Water discharges are monitored and effluents are treated to ensure disposal in accordance with legal standards. [GRI EN25](#)

Santos Brasil continually seeks out best practices for waste disposal, involving approval of its suppliers and monitoring of final disposal to prevent environmental impacts. In 2012, adaptations were made to comply with the National Solid Waste Policy (PNRS), which came into effect in the second half of the year, as part of a process conducted in partnership with suppliers. All batteries and tires used in operations are collected by their manufacturers, as determined in legislation, and sent for recycling. [GRI EN14](#)

At Tecon Santos, water is disposed of at two company treatment plants and effluent quality is monitored. The industrial wastewater plant treated 2,880 m³ in 2012 while the sewage plant treated 45,508 m³. In the Company's Logistics area, discharges are treated by the public sanitation concession-holder. In addition, the Company is currently evaluating a number of projects to reuse treated water. At the Imbituba and Vila do Conde terminals, water disposal projects are planned for 2013.

Effluent treated ⁽¹⁾ GRI EN21	2012
Volume treated at effluent treatment plant 1 (m ³)	45,508.00
Volume treated at industrial treatment plant 2 (m ³)	2,880.00

⁽¹⁾Data from Santos Container Terminal

RESOURCE CONSUMPTION

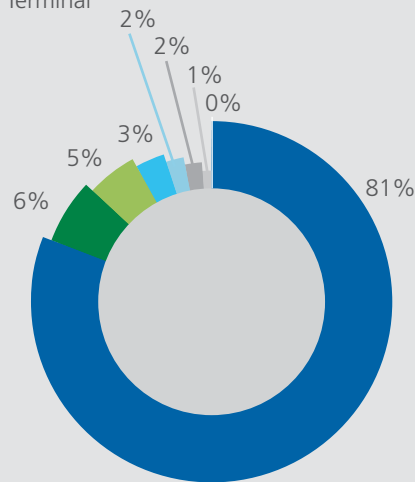
The power used by Santos Brasil is purchased from power distributors and is obtained from an indirect renewable source (hydroelectric power plants). In 2012, company power consumption amounted to 55,801.43 MWh (equivalent to 200,885.148 GJ).

The Company's power is sourced in line with the Brazilian electricity grid, which is dominated by renewable sources (89%), notably hydroelectric power (81.9%) and biomass (6.67%). These data are taken from 2012 National Energy Statistics. [GRI EN4](#)

Total power consumption GRI EN4	2012
Unit	Consumption (MWh)
Tecon Santos	45,115
Logistics	8,683
Tecon Vila do Conde	1,291
Tecon Imbituba	712
TOTAL	55,801

Power consumption per business unit

- Tecon Santos
- Guarujá Logistics and Industrial Customs Center
- Santos Logistics and Industrial Customs Center
- São Bernardo do Campo Distribution Center
- Tecon Vila do Conde
- Jaguaré Distribution Center
- Tecon Imbituba
- Road Transport Terminal



In addition, the Company uses other forms of energy such as LPG in canteens and small forklifts, ethanol to fuel small vehicles and biodiesel for the fleet of trucks, RTGs, stackers and generators.

The Company follows a green purchasing process for new trucks, choosing vehicles with greater autonomy and cutting-edge emissions technology (such as the use of S50 biodiesel).

In 2012, water consumption at Tecon Santos totaled 46,283 m3, provided by public utility supplies and large bottles of drinking water.

Water consumption at Tecon Santos ⁽¹⁾ <small>GRI EN8</small>	2012
Total water consumption (m³)	46,283
Public network(m³)	46,191
Large bottles of drinking water (m³)	92
Number of employees (average per year)	1,946
Number of service providers (average per year)	329
Water consumption per person (employees and service providers) (m3)	20.6

MOBILITY AND TRAFFIC

Santos Brasil operations mobilize partners, customers and society to transform the areas around them. Accordingly, each operation identifies the best ways of supporting public authorities to optimize positive impacts, such as income and job generation, and to minimize negative impacts such as congestion on access roads and in surrounding area.

For example, Tecon Santos receives around 3,000 trucks per day - this has a major impact on the surrounding community, intensifying traffic and greenhouse gas emissions. GRI SO9

The truck congestion problem was exacerbated in 2012 by construction work to upgrade a perimeter road, as part of the federal government's Growth Acceleration Program (*Programa de Aceleração do Crescimento* or PAC), in order to improve road access to the port. In the quest for a solution to reduce disruption caused by this construction work to truck drivers and residents who use the road – the only route connecting downtown Guarujá with the district of Vicente de Carvalho – a Santos Brasil engineering team, in partnership with the municipal government of Guarujá, conducted a study into ways to reduce the impact, and the solution involved hiring traffic guards to control and expedite the flow of trucks. The project, led by Santos Brasil and

paid for by the company together with the other port operators on the left bank of the port, worked satisfactorily, with traffic in the area becoming more orderly. GRI EC8, LT6, SO10

When the completion of the perimeter road is completed, scheduled by Codesp for March 2013, the Company will gain productivity, as truck flows will no longer be interrupted due to train maneuvers.

When the perimeter road is completed - scheduled by Codesp for March 2013 - the Company will enjoy productivity gains as truck flows will no longer be interrupted due to train maneuvers.

At its Vila do Conde and Imbituba terminals, Santos Brasil has been seeking to apply its experience to act assertively with the government and civil society to anticipate and resolve traffic problems – whether by offering more sustainable alternatives, as in the case of barge usage in Pará, or through the joint creation of a municipal development master plan prioritizing sustainable development, as in Imbituba. In the latter municipality, the Company has financed and donated to the municipal government a project to widen a 4.7-kilometer stretch of the port access road, from the BR-101 highway up to the port entrance. GRI LT6

Monitoring of southern right whales.



SOCIAL PERFORMANCE

GRI SO1

Santos Brasil seeks to continually improve its relations with the communities in which it operates, contributing to their sustainable development. Based on this effort, the Company devises and supports social inclusion initiatives, concentrating on education, the promotion of citizenship development in society. In 2012, Company investments in projects benefited around 40 organizations through initiatives implemented across all operations.

Community initiatives interact with workforce-focused training programs - the Company invests in training students and residents of the regions around its units, thereby expanding the supply of trained, specialist manpower to work in the sector.

The Company's flagship project is the Santos Brasil *Formare School*, which since 2009 has been training young people from the Baixada Santista region to work in the port sector as logistics operation assistants and port terminal operation assistants. The course curricula were refined in 2012 to add more logistics content. Recognized by the Ministry of Education and conducted in partnership with Fundação lochpe, the courses are aimed at 16- to 18-year-old students in their last year at public high schools on *per capita* family income of up to half of one minimum salary. Besides uniforms and meals, students receive a stipend worth half a minimum salary.

Of the class that graduated in January 2012, six young people were hired by Tecon Santos and four by Santos Brasil Logística. The selection process for courses, held in March 2012, attracted a record 452 applications. During the year the school provided training to 39 youngsters, set to complete their course in March 2013. In all, 97 young people have completed the program, 34 of whom have been hired by Santos Brasil. Average starting pay for these people has been around 30% higher than the market average, which was R\$916.63 per month in 2012 according to data from the Labor and Employment Ministry. Social programs such as Formare which provide vocational training thereby generate economic value and give people the chance to earn above-average income, benefiting the communities in which the Company operates. **GRI EC9**



Denilson Pereira Alves, a volunteer teacher at the Santos Brasil Formare School.

Company initiatives aimed at communities focus on education, the promotion of citizenship and the development of society.

OTHER NOTABLE INITIATIVES

Pastoral da Criança – Since 2007, Santos Brasil has supported this social action entity run by the National Conference of Bishops of Brazil (CNBB), which focuses on the well-rounded development of deprived children. The Company fully sponsors the upkeep of a Pastoral da Criança-run house, benefiting 13 communities in Guarujá. Monthly sponsorship enables provision of social support to more than 800 families and monitoring of 1,400 children from conception up to six months of age in a family and community context. In 2012, the Company also contributed to activities involving around 120 representatives of Pastoral da Criança, including workshops on income generation, food reuse and the environment developed in partnership with SESI, a nonprofit social organization for industrial workers. In addition, these representatives coordinated closely with the region’s Social Support Network, involving meetings to discuss topics of interest to the families concerned, such as domestic violence and family restructuring.

Parceiros da Educação – Initiated in 2011, this project seeks to raise the quality of teaching at public schools through teacher training, investment in infrastructure and greater integration with the community. It is conducted in partnership with NGO Parceiros da Educação (“Education Partners”) and the municipal government of Guarujá. In 2012, 33 teachers took courses in Portuguese and Mathematics in order to help ensure a basic knowledge of these subjects among all students.

Santos Brasil Formare School.



Community mobilized through the Warriors without Weapons project.

Nostra Aldeia – This is a social project run since August 2012 in partnership with Associação Palavra de Vida (“Word of Life Association”) in the Aldeia community in Guarujá. The project provides jiu-jitsu and digital inclusion classes for around 100 children and teenagers in the community, supported by volunteers from Santos Brasil. The Company’s partnership also encompasses other initiatives, such as social and cultural visits, guidance on oral health, sponsorship for students at regional jiu-jitsu championships and workshops on income generation in partnership with SESI for the mothers of students. The community has also benefited from the donation of more than 150 food hampers and 150 toys, collected by Company employees who took part in internal indoor football championships and charity campaigns.

Warriors without Weapons – This social enterprise project, run by NGO Instituto Elos, mobilized young people from 19 countries, including the residents of three communities in the Baixada Santista region, in a joint action conducted in July 2012 - the initiative’s sixth edition in Brazil. The project aims to empower young people to transform their circumstances in any part of the world. In 2012, 59 young people worked together for four days with residents of the Aldeia community in Guarujá and the Morro São Bento and Vila Santa Maria communities in Santos. Besides Brazil, the project involved people from the following countries: Argentina, Peru, Colombia, Guinea-Bissau, Egypt, India, Kenya, Curaçao, Mexico, Rwanda, South Africa, Switzerland, the Netherlands, Slovenia, Canada, Ghana, Turkey and Zimbabwe.



Children participate in a tennis workshop as part of an education project.

I’m a Volunteer – Santos Brasil encourages its employees to volunteer and believes that dedicating time and talent to volunteering generates positive results and can transform the world we live in. The Company closed 2012 with 180 active volunteers, up from 98 in 2011.

Volunteering is encouraged among employees.



Solidarity Campaign – Santos Brasil employees participated actively in charity campaigns run at all operational units in 2012. In May, the company supported municipal winter blanket campaigns, collecting more than 1,200 items including clothes, shoes, blankets and accessories for adults and children. Childrens’ Month was commemorated with a “Ticket Solidarity” campaign, which saw more than 500 toys collected. During end-of-year celebrations, the “It’s Time to Celebrate with the Community” campaign resulted in around 9 tons of food being collected for charity. Four Municipal Solidarity Funds and around 50 entities benefited from these donations, which the Company matched on a one-for-one basis.

Santos Brasil Tennis Open – For the second consecutive year, in 2012 the Company supported one of the heats of the ATP Challenger Tour in the city of Santos. The competition, an opportunity for tennis players looking to compete against famous athletes in the Association of Tennis Professionals (ATP) ranking, took place at Santos Tennis Club, with free entry for the public. World ranking points were awarded, as well as a prize of US\$50,000. Santos Brasil is Master Sponsor of the tour, with the conviction that in addition to strengthening its brand, the initiative is a social investment which enhances the quality of life of its employees and the community, helping people to learn more about the sport. Around 50 students at the Lúcia Flora Municipal School participated in a special tennis workshop and the Formare project’s 40 students were also invited to watch matches.

PARTICIPATION IN TRADE ASSOCIATIONS
AND OTHER ENTITIES GRI 4.13

Santos Brasil interacts with public bodies and society through its participation in the councils and boards of a number of entities and associations. The Company is a member of the São Paulo Federation of Industries (Fiesp), which has 140,000 members, the 9,000-member São Paulo Center of Industries (Ciesp) and the 5,000-strong American Chamber of Commerce (Amcham), important forums for the discussion of subjects such as competitiveness, ports and infrastructure. The Company is also a member of the Fiesp High-Level Council for Advanced Studies (Consea) and its High-Level Council on Infrastructure (Coinfra), which hold talks and discussions featuring prominent specialists, stimulating networking and providing useful information on a national scale.

In addition, the Company deems it strategic to develop its relationships with centers for academic discussion in the sector which study logistics and international trade, and which are potential candidates for the development of research and innovation. The Company's relations with teaching institutions in various locations help to enhance its image globally, attract

qualified manpower and contribute to alignment between academia curricula and market needs.

Santos Brasil maintains good relations with different government areas and entities, and considers it essential to have healthy interaction with dock companies, customs authorities, the Brazilian Federal Revenue Service, municipal governments (in particular the government of Baixada Santista), and the federal and military police. The fact that the Company invests in port areas considered important for national defense – and with great expectations for increasing movements of high-value merchandise – makes the Armed Forces, especially the Army and Navy, crucial authorities in the strengthening of the Company's institutional relationships.

In terms of resource allocation, in 2012 Santos Brasil made a donation of R\$175,000 to the Public Management Modernization Program (*Programa Modernizando a Gestão Pública* or PMGP), run by the Competitive Brazil Movement (*Movimento Brasil Competitivo* or MBC), implemented within the municipal government of Guarujá with a term running from March 5, 2012 to March 4, 2013. GRI 505

Participation in entities GRI 4.13

Member of governance bodies	Member of committees
<div><ul style="list-style-type: none">▪ Brazilian Association of Port Terminals (ABTP)▪ Brazilian Association of Container Terminals of Public Use (ABRATEC)▪ National Federation of Port Operators (FENOP)▪ Regional Action Department (Depar) in Santos, part of the São Paulo Federation of Industries (Fiesp)▪ Industrial Social Service (SESI)/National Industrial Training Service (SENAI)▪ Ports Commission (Conportos)▪ São Paulo State Center of Industries (Ciesp)▪ Nucleus of Young Entrepreneurs (NJE)▪ Institute of Foreign Trade Operation Studies (Icex)</div>	<div><ul style="list-style-type: none">▪ Brazilian Technical Standards Association (ABNT)▪ American Chamber of Commerce (Amcham)▪ City Council of Guarujá Municipal Government▪ Instituto Aliança Procomex▪ São Paulo State Docks Company (Codesp) Infrastructure and Logistics Committee▪ Ports Commission of the Commercial and Business Association of Guarujá (Aceg)▪ General Warehouses Sector Chamber▪ Terminals and Containers Committee of the Commercial Association of Santos (ACS)</div>

AWARDS AND CERTIFICATIONS

GRI 2.10

Environmental Responsibility Award Mercedes-Benz – In December 2012, Santos Brasil Logística came first in the Environmental Responsibility Awards presented by automaker Mercedes-Benz to its suppliers. The award was for the Sustainable Drivers Program, created eight years ago at the Company's road transportation unit in Santos to guide and encourage drivers to adopt best safety practices and rational use of resources, bringing direct benefits for the environment. The aim of the Mercedes-Benz awards is to recognize environmental best practices and promote experience-sharing between its partners. The judging committee was made up of environmental specialists from entities such as BNDES (Brazilian National Development Bank) and universities in São Paulo such as FEI and Unesp.

Época Negócios 360º Awards – Santos Brasil received an award from annual publication *Época Negócios 360º*, recognizing it as one of Brazil's most successful companies. The magazine invited the country's 2,000 highest-earning companies to complete a questionnaire on six different dimensions: financial health, corporate governance, innovation capacity, human resources policies, social responsibility and future vision. To arrive at the results, the magazine's team received technical support from Fundação Dom Cabral.

“Companies that Communicate Best with Journalists” award – Santos Brasil was selected for an award by magazine *Negócios da Comunicação*, based on a survey of communications professionals across Brazil aimed at recognizing the quality of companies' relations with press professionals and the market. The survey considered criteria such as access, availability and ease of obtaining information, and the awards aimed at celebrating the role of press professionals and contributing to improved quality and transparency. Santos Brasil's press relations work has been conducted by agency Tree Comunicação since 2008.

Abrasca Award for Best Annual Report – Placed third among companies with annual gross revenue of under R\$2 billion, in awards presented by the Brazilian Association of Publicly-Held Companies (Abrasca).

CERTIFICATIONS

Santos Brasil uses an integrated management system that encompasses leading international standards. The process for maintaining business unit certifications is continuous and, when the company is not undergoing audits by external entities, it conducts internal audits with the support of an independent consulting firm.

The company's business units have the following certifications established by the International Organization for Standardization (ISO), one of the world's leading certification bodies:

ISO 9001:2008 (quality management) – Tecon Santos, Vehicle Terminal, Tecon Imbituba, Tecon Vila do Conde, Santos Logistics and Industrial Customs Center, Guarujá Logistics and Industrial Customs Center, São Bernardo do Campo Distribution Center, and São Paulo Distribution Center.

ISO 14001:2004 (environmental management) – Tecon Santos and Vehicle Terminal.

OHSAS 18001:2007 (health and safety) – Tecon Santos and Vehicle Terminal.

Health, Safety, Environment and Quality Evaluation System (*Sistema de Avaliação de Saúde, Segurança, Meio Ambiente e Qualidade* or SASSMAQ) – Vehicle Terminal and Santos Brasil Logística units.

International Ship and Port Facility Security Code (ISPS Code) – Tecon Santos, since 2005. This certification is issued by the International Maritime Organization (IMO).

ABOUT THE REPORT

GRI 1.1

This is the first year in which Santos Brasil has incorporated Global Reporting Initiative (GRI) guidelines –aimed at establishing an international standard for reporting economic, social and environmental performance – into its Annual Report. This document provides Company information for the period January 1 to December 31, 2012, encompassing quantitative and qualitative data on all business units (Tecon Santos, Tecon Imbituba, Tecon Vila do Conde, Vehicle Terminal and Logistics). **GRI 3.1, 3.6**

The Company has always followed a continuous, sustainable growth model, mentioning its social and environmental policies in its annual reports, and has published its financial statements since 2006, when it floated on the stock market, with annual reports produced since 2007. However, in 2011, it began structuring its sustainability management and to this end conducted an extensive image and reputation survey of all its stakeholders: employees, communities (Santos, Guarujá, São Bernardo do Campo, Imbituba and Vila do Conde), society (university students), customers (ship-owners, importers and exporters), the government, trade associations, NGOs, labor unions and investors/shareholders. **GRI 3.2, 3.3, 4.14**

The Company's financial data consolidate information from all its business units, in line with international accounting standards and audited by independent auditors Deloitte Touche Tohmatsu. Some social and environmental information relates to specific units, with duly identified partial data. These non-financial indicators were all verified internally. **GRI 3.13**

Key issues for the Company were defined in 2012 by cross-referencing the results of the stakeholder survey with an internal analysis conducted by senior management, concerning topics relevant to stakeholders, a process carried out in partnership with consultancy Via Gutenberg. **GRI 3.5**

The report's structure was designed in accordance with the GRI model and key indicators were defined based on the level of impact and relevance to established relationships. Accordingly, the Company wishes to widen the report's audience beyond shareholders, specialists and the press, and hopes that all groups defined in its map of stakeholders – prioritized in line with relevance, impacts and criticality – use the document as a tool for engagement with Santos Brasil.

The Company's Sustainability Committee has defined key topics for sustainability management and reporting in this document. Initiatives related to these aspects already under way are presented in the report, and a new action plan was validated at the end of the second semester of 2012 to focus on these issues from 2013.

The Company is keen to make progress in introducing a management model for assessing the social and environmental impacts of its operations and the organization's contribution to generating value for society and the environment. **GRI 3.9**

Requests for clarification about the content of this publication may be made to the Social Responsibility department (by emailing responsabilidadesocial@santosbrasil.com.br or by telephoning + 55 13 3344-1024) or the Investor Relations department (dri@santosbrasil.com.br / +55 11 3897-1107). **GRI 3.4**

APPLICATION LEVELS

Santos Brasil declares that its 2012 Sustainability Report complies with the requirements for attaining level B+, based on the GRI G3.1 guidelines, as shown in the table below. External checking was conducted by Dr. Priscila Borin Claro, PhD in Social and Environmental Management and coordinator of Environmental Management and Corporate Social Responsibility at research institute Insper (*Instituto de Ensino e Pesquisa*). **GRI 3.13**

	C	C+	B	B+	A	A+
G3.1 profile RESULT	Respond to items: 1.1; 2.1 to 2.10; 3.1 to 3.8; 3.10 and 3.12; 4.1 to 4.4; 4.14 and 4.15.	With external checking	Respond to all the criteria defined for Level C, plus: 1.2; 3.9, 3.13; 4.5 to 4.13; 4.16 and 4.17.	The same required for Level B.	Management form disclosed for each indicator category.	Respond to each essential indicator from G3.1 and the sector supplement with due consideration for the principle of materiality in one of the following ways: a) responding to the indicator; or b) explaining the reason for omission.
Information about G3.1 management form RESULT	Not required.					
G3.1 performance indicators and performance indicators of sector supplement RESULT	Respond to a minimum of 10 performance indicators, including at least one from each of the following areas of performance: social, economic and environmental.					

EXTERNAL ASSESSMENT OF SANTOS BRASIL’S 2012 SUSTAINABILITY REPORT

Santos Brasil's report is very informative in terms of the commitments undertaken by the company concerning the integration of sustainability into its strategy. The embedding of sustainability into the company's different operations, processes and management demonstrates its concern about its socioeconomic and environmental impacts, as well as its responsibilities in relation to risks inherent to its business model. One important highlight is the company's commitment to include social and environmental metrics in its assessments of managers' performance. This review confirms that the information contained in the report encompasses GRI indicators for level B+.

We identified some possibilities for progress in reporting in order to have greater transparency and clarity about the company's activities. These include a clearer explanation of the definition of materiality and the respective weightings of the high-priority themes in indicator 3.5. Regarding indicator 4.10, a more detailed explanation of the performance self-assessment process for the highest governance body would be appropriate. Concerning EC2 and EN18, it would also be important to verify all the results obtained from emissions-reduction initiatives. Finally, information on the organization's governance arrangements for its donations and its results metrics would add to SO5.

Conclusion:

In general, the report is easy to read and provides information that is very pertinent to the company's sector and the main impacts inherent to its business model. Furthermore, the report has a good balance in terms of the publication of qualitative and quantitative indicators. As this is the company's first report in GRI format, we suggest that the company also report negative information in subsequent years, not only in the financial statements, but also in the social and environment fields, as well as difficulties found in planning actions. In addition, it would be important for the company to make a commitment to targets. One such improvement in this area, to further enrich understanding of Santos Brasil's actions, could be the inclusion of a table with targets and lessons learned concerning economic, social and environmental performance.

Priscila Borin de Oliveira Claro

EXTERNAL ASSURANCE LETTER



Declaração Exame do Nível de Aplicação pela GRI

A GRI neste ato declara que **Santos Brasil** apresentou seu relatório “Relatório de Sustentabilidade 2012” para o setor de Serviços de Relatório da GRI, que concluiu que o relatório atende aos requisitos de Nível de Aplicação B+.

Os Níveis de Aplicação da GRI comunicam quanto do conteúdo das Diretrizes G3.1 foi aplicado no relatório de sustentabilidade enviado. O Exame confirma que o conjunto e número de itens de divulgação exigidos para aquele Nível de Aplicação foram cobertos pelo relatório e que o Sumário de Conteúdo da GRI é uma representação válida das informações exigidas, conforme descritas nas Diretrizes G3.1 das GRI. Para a metodologia, ver www.globalreporting.org/SiteCollectionDocuments/ALC-Methodology.pdf

Os Níveis de Aplicação não fornecem um parecer sobre o desempenho de sustentabilidade da organização relatora nem sobre a qualidade das informações contidas no relatório.

Amsterdã, 19 Março 2013



Nelmara Arbex
Vice-Presidente
Global Reporting Initiative



O “+” foi acrescentado a este Nível de Aplicação porque Santos Brasil submeteu (parte de) seu relatório a verificação externa. A GRI aceita a soberania da própria organização na escolha da organização responsável pela verificação externa e na decisão do escopo da verificação.

A Global Reporting Initiative (GRI) é uma organização baseada em redes pioneira no desenvolvimento da estrutura para elaboração de relatórios de sustentabilidade mais usada no mundo e está comprometida com sua melhoria contínua e aplicação em todo o mundo. As Diretrizes G3 da GRI estabeleceram os princípios e indicadores que as organizações podem usar para medir e relatar seu desempenho econômico, ambiental e social. www.globalreporting.org

Isenção de Responsabilidade: No caso do relato de sustentabilidade incluir links externos para materiais audiovisuais, entre outros, esta declaração irá referir-se apenas ao material submetido à GRI no momento do Exame em 7 Março 2013. A GRI exclui expressamente a aplicação desta declaração a alterações posteriores aos referidos materiais.

GRI INDEX

GRI 3.12

GRI code	Indicator	Page/response	Level of information
STRATEGYAND ANALYSIS			
1.1	Message from the CEO	p. 2, p. 80	Complete
1.2	Description of key impacts, risks and opportunities	p. 5, p. 34	Complete
ORGANIZATIONAL PROFILE			
2.1	Name of organization	p. 11	Complete
2.2	Primary brands, products and/or services	p. 11	Complete
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries and joint ventures	p.11	Complete
2.4	Location of organization headquarters	p. 105	Complete
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report	p. 11	Complete
2.6	Nature of ownership and legal form	p. 11	Complete
2.7	Markets served (including geographic breakdown, sectors served and types of customers/beneficiaries)	p. 11	Complete
2.8	Scale of organization, including: number of employees, net sales, total capitalization broken down in terms of debt and equity, and the number of products or services provided	p. 2, p. 11	Complete
2.9	Significant changes during the reporting period regarding its size, structure or ownership, including the siting of or changes in operations including facility openings, closures and expansions; changes in the share capital structure and other capital formation, maintenance, and alteration operations (for private sector organizations).	p. 11	Complete
2.10	Awards received in the reporting period	p. 79	Complete
REPORT PROFILE			
3.1	Reporting period	p. 80	Complete
3.2	Date of previous report	p. 80	Complete
3.3	Reporting cycle	p. 80	Complete
3.4	Contact point for questions regarding the report or its contents	p. 80	Complete
Report scope and boundary			
3.5	Process for defining report content (including determining materiality, prioritizing topics within the report and identifying stakeholders the organization expects to use the report)	p. 2, p. 5, p. 6, p. 80	Complete
3.6	Limits of the report (countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers)	p. 80	Complete
3.7	Statement about any specific limitations on the scope or boundary of the report	No specific limitations.	Complete
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations	The comparison base is the same. There were no mergers or acquisitions.	Complete

Indicador GRI	Indicador	Página/Resposta	Nível de informação
3.9	Data measurement techniques and the bases of calculations, including assumptions and techniques underlying estimations applied to compilation of the indicators and other information in the report	p. 80	Complete
3.10	Explanation of the effect of any restatements of information provided in earlier reports, and the reasons for such restatement (e.g., mergers/acquisitions, change of base years/periods, nature of business measurement methods)	"Highlights" table	Complete
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report	None. GRI G3.1 guidelines were introduced as of this report.	Complete
3.12	Table identifying the location of information in the report	p. 82, p.90	Complete
	Assurance		
3.13	Policy and current practice with regard to seeking external assurance for the report – if not included in the sustainability report, explain the scope and basis of any external assurance provided, as well as the relationship between the reporting organization and the assurance provider(s)	p. 80, p. 81	Complete
	GOVERNANCE, COMMITMENTS AND ENGAGEMENT		
	Governance		
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight	p. 31	Complete
4.2	Indicate whether the Chair of the highest governance body is also an executive officer (and, if so, their function within the organization's management and the reasons for this arrangement)	p. 32	Complete
4.3	For organizations that have a unitary board structure, state the number and gender of independent members of the highest governance body and/or non-executive members	p. 32	Complete
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body – include reference to processes regarding: the use of shareholder resolutions or other mechanisms for enabling minority shareholders to express opinions to the highest governance body; informing and consulting employees about the working relationships with formal representation bodies such as organization level work councils' and representation of employees in the highest governance body	p.33	Partial
4.5	Linkage between compensation for members of the highest governance body, senior managers, and executives (including departure arrangements), and the organization's performance (including social and environmental performance)	p. 32, p. 33	Complete
4.6	Processes in place for the highest governance body to ensure conflicts of interest are avoided	p. 32	Complete

Indicador GRI	Indicador	Página/Resposta	Nível de informação
4.7	Process for determining the qualifications and expertise of the members of the highest governance body, to define the organization's strategy for issues related to economic, environmental and social themes	p. 32	Complete
4.8	Internally developed statements of mission or values, codes of conduct, and principles relevant to economic, environmental and social performance and the status of their implementation – explain the degree to which these are applied across the organization in different regions and department/units and relate to internationally agreed standards	p. 38, "Mission, Vision and Values."	Complete
4.9	Procedures of the highest governance body for overseeing the organization's identification and management of economic, environmental, and social performance, including relevant risks and opportunities, and adherence or compliance with internationally agreed standards, codes of conduct, and principles	None.	Complete
4.10	Processes for evaluating the highest governance body's own performance, particularly with respect to economic, environmental, and social performance	p. 31	Complete
	Commitments to external initiatives		
4.11	Explanation of whether and how the precautionary approach or principle is addressed by the organization (Article 15 of the Rio Principles introduced the precautionary approach. A response to 4.11 could address the organization's approach to risk management in operational planning or the development and introduction of new products.)	p. 35	Complete
4.12	Externally developed economic, environmental, and social charters, principles, or other initiatives to which the organization subscribes or endorses – include date of adoption, countries/ operations where applied, and the range of stakeholders involved in the development and governance of these initiatives	p. 28	Complete
4.13	Memberships of associations (such as industry associations) and/or national/international advocacy organizations in which the organization: 1. holds positions in governance bodies 2. participates in projects or committees 3. provides substantive funding beyond routine membership dues 4. views membership as strategic	p. 78	Complete
	Stakeholder engagement		
4.14	List of stakeholder groups engaged by the organization	p. 6, p. 80	Complete
4.15	Basis for identification and selection of stakeholders with whom to engage	p. 5	Complete

Indicador GRI	Indicador	Página/Resposta	Nível de informação
4.16	Approaches to stakeholder engagement, including frequency of engagement by type and by stakeholder group (this could include surveys, focus groups, community panels, corporate advisory panels, written communication, management/union structures, and other vehicles)	p. 7	Partial
4.17	Key topics and concerns that have been raised through stakeholder engagement, and what measures the organization has adopted to treat them	p. 9	Complete
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments	p. 60, p. 65, p.66	Partial
EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change	p. 28	Partial
EC3	Coverage of the organization's defined benefit plan obligations	p. 42	Partial
EC4	Significant financial assistance received from government	None.	Complete
EC5	Range of ratios of standard entry-level wage compared to local minimum wage at significant locations of operation	p. 42	Complete
EC6	Policy, practices, and proportion of spending on locally based suppliers at significant locations of operation	p. 7, Average percentage of purchases made locally at different units = 48.8%	Partial
EC7	Procedures for local hiring and proportion of senior management hired from the local community (surrounding company sites) at significant locations of operation	p. 45, Average percentage of purchases made locally at different units = 48.8%	Partial
EC8	Development and impact of infrastructure investments and services provided primarily for public benefit through commercial, in-kind, or pro bono engagement	p. 73	Complete
EC9	Identification and description of significant indirect economic impacts, including the extent of impacts	p. 74	Complete
EN4	Indirect energy consumption by primary source	p. 71	Complete
EN5	Energy saved due to conservation and efficiency improvements	p. 70	Partial
EN6	Initiatives to provide energy-efficient or renewable energy based products and services, and reductions in energy requirements as a result of these initiatives	p. 70	Complete

Indicador GRI	Indicador	Página/Resposta	Nível de informação
EN8	Total water withdrawal by source	p. 73	Partial
EN9	Water sources significantly affected by withdrawal of water	The volume of water withdrawn is not significant.	Complete
EN11	Location and size of land owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	p. 13, p.16, p.18, p.20, p. 22	Complete
EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas	p. 48	Partial
EN13	Habitats protected or restored	p. 49	Partial
EN14	Strategies, current actions, and future plans for managing impacts on biodiversity	p. 71	Partial
EN15	Number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk	p. 49	Complete
EN16	Total direct and indirect greenhouse gas emissions by weight	p. 68	Complete
EN17	Other relevant indirect greenhouse gas emissions by weight	Other indirect emissions are not significant.	Complete
EN18	Initiatives to reduce greenhouse gas emissions and reductions achieved	p. 49, p. 70	Complete
EN19	Emissions of ozone-depleting substances by weight	Insignificant.	Complete
EN20	NOx, SOx, and other significant air emissions by type and weight	Insignificant.	Complete
EN21	Total water discharge by quality and destination	p. 71	Partial
EN22	Total weight of waste by type and disposal method	p. 70	Complete
EN23	Number and volume of significant spills	None.	Complete
EN25	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the reporting organization's discharges of water and runoff	p. 71	Partial
EN26	Initiatives to mitigate environmental impacts of products and services, and extent of impact mitigation	p. 36, p. 48	Complete
LA1	Total workforce by employment type, employment contract, and region	p. 40, p. 42, p. 43	Partial
LA2	Total number and rate of new employee hires and employee turnover by age group, gender, and region	p. 44	Partial

Indicador GRI	Indicador	Página/Resposta	Nível de informação
LA3	Benefits provided to full-time employees not provided to temporary or part-time employees, by significant locations of operation, e.g. medical care, disability, maternity, education and pension contributions	Employees who work fewer than 180 hours per month receive reduced meal vouchers in relation to other employees. All other benefits are the same.	Complete
LA4	Percentage of employees covered by collective bargaining agreements	100% of employees.	Complete
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities by region	p. 45, 46	Partial
LA8	Education, training, counseling, prevention, and risk-control programs in place to assist workforce members, their families, or community members regarding serious diseases	p. 46	Complete
LA10	Average hours of training per year per employee by employee category	p. 43	Partial
LA11	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing their careers	p. 43	Partial
LA12	Performance and career development reviews	p.42	Partial
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity	p. 32, p. 42, p. 43	Partial
LA14	Ratio of basic salary of men to women by employee category	p. 42	Complete
HR1	Percentage and total number of significant investment agreements that include human rights clauses or that have undergone human rights screening	All contracts make reference to respect for human rights, but there are no assessments or metrics for monitoring.	Complete
HR3	Total hours of employee training on policies and procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained – include the type of training, the number of employees trained and the average duration of training	The theme is covered in the Code of Ethics, but there is no specific training.	Complete

Indicador GRI	Indicador	Página/Resposta	Nível de informação
HR4	Total number of incidents of discrimination and actions taken	There were no reported cases of discrimination in 2012.	Complete
HR5	Operations identified in which the right to exercise freedom of association or collective bargaining may be at significant risk, and actions taken to support these rights	There are no restrictions on the right to exercise freedom of association.	Partial
HR6	Operations identified as having significant risk for incidence of child labor, and measures taken to contribute to the elimination of child labor	No unit with the risk of child labor was identified.	Partial
HR7	Operations identified as having significant risk for incidence of forced or compulsory labor, and measures taken to contribute to the elimination of all forms of such labor	No unit with a significant risk of forced or compulsory labor was identified.	Partial
HR9	Total number of violations of indigenous peoples’ rights and actions taken	There were no reports of any violations of the rights of indigenous peoples.	Complete
SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs (identify the total number of operations; identify involvement with the community; report the percentage of operations with community involvement)	p. 74	Complete
SO3	Percentage of employees trained in the organization’s anti-corruption policies and procedures	All employees, when hired, receive the “Code of Conduct,” which details the company’s policies, including its stance on corruption.	Complete
SO4	Actions taken in response to incidents of corruption	No cases of corruption were recorded.	Complete
SO5	Public policy positions and participation in public policy development and lobbying	p. 78	Complete

GLOSSÁRIO

GRI 3.12

Indicador GRI	Indicador	Página/Resposta	Nível de informação
SO6	Total value of financial and in-kind contributions to political parties, politicians, and related institutions by country	None. As a concession-holder, the company is prohibited from making any type of contribution.	Complete
SO7	Total number of lawsuits for anti-competitive behavior, anti-trust and monopoly practices, and their outcomes	There is currently one (1) process under way.	Complete
SO9	Operations with significant potential or actual negative impacts on local communities	p. 73	Complete
SO10	Prevention and mitigation measures implemented in operations with significant potential or actual negative impacts on local communities	p. 28, p. 73	Partial
PR1	Life-cycle stages in which health and safety impacts of products and services are assessed for improvement, and percentage of significant products and services categories subject to such procedures	p. 50	Complete
PR5	Practices related to customer satisfaction, including results of surveys	p.7	Partial
LT3	Description of policies and programs on the management of environmental impacts, including: 1) initiatives on sustainable transportation (e.g. hybrid vehicles); 2) modal shift; 3) and route planning	p. 70	Complete
LT4	Description of initiatives to use renewable energy sources and to increase energy efficiency	p. 70	Complete
LT5	Description of initiatives to control urban air emissions from road transportation (e.g. use of alternative fuels, frequency of vehicle maintenance, driving styles, etc.)	p. 70	Complete
LT6	Description of policies and programs implemented to manage the impacts of traffic congestion (e.g. promoting off-peak distribution, new inner city transport modes, percentage of delivery by modes of alternative transportation)	p. 73	Complete
LT7	Description of policies and programs for noise management/abatement	p. 46	Complete
LT9	Description of policies and programs to determine working hours and rest hours, rest facilities and leave for those driving and operating fleets	p. 46	Complete
LT11	Description of policies and programs regarding substance abuse (e.g. training and campaigns)	p. 46	Complete
LT16	Criteria for selecting recruitment and placement services – state how these criteria relate to existing international standards such as the conventions of the International Labor Organization (ILO)	p. 45	Partial

American Chamber of Commerce (Amcham): Entity that acts to promote services for the business community.

Annual General Meeting: Meeting of a company's shareholders, which it is mandatory to convene, to examine the company's results, read, discuss and vote on board reports and elect its fiscal council.

Brazilian Association of Container Terminals of Public Use (ABRATEC): Association established in 2002 to represent, at a national level, tenant companies at specialized container-handling port terminals of public use.

Brazilian Association of Port Terminals (ABTP): Nonprofit civil society, based in Rio de Janeiro, representing more than 100 port terminals of exclusive, mixed and public use.

Brazilian Technical Standards Association (ABNT): Entity responsible for setting technical standards in Brazil, providing the necessary basis for Brazilian technological development.

Commercial and Business Association of Guarujá (Aceg): Entity that represents the business community in the municipality's organized society.

Commercial Association of Santos (ACS): Institution representing the general interests of companies in Santos.

Competitive Brazil Movement (Movimento Brasil Competitivo or MBC): Civil society organization of public interest that seeks to contribute to improving the population's quality of life by enhancing the country's competitiveness.

Cross-docking: Distribution process in which goods received are redirected without prior storage.

Distribution Center (Centro de Distribuição or CD in Portuguese): Unit that stores products (its own or those of third parties) in order to subsequently dispatch them to other units, branches or customers.

Double-hoist Portainer: Equipment used in a port area to load and unload containers. Double-hoist Portainers are capable of handling up to four 20-foot containers or two 40-foot containers at the same time.

Drewry Shipping Consultants: English consultancy firm that specializes in shipping sector research.

EBITDA: Acronym for Earnings Before Interest, Taxes, Depreciation and Amortization.

Employees: These include direct employees hired under the Brazilian CLT regime and interns.

Gate: Access gate at terminals.

Global Reporting Initiative (GRI): Non-governmental organization that promotes the production of sustainability reports, establishing principles and indicators which organizations can use to measure and report their economic, environmental and social performance.

Greenhouse gases (GHGs): Gases that make up the atmosphere, of natural or man-made origin, which absorb and re-emit infrared radiation to the Earth's surface and atmosphere, causing the greenhouse effect (source: mudancasclimaticas.andi.org.br).

Health, Safety, Environment and Quality Evaluation System (Sistema de Avaliação de Saúde, Segurança, Meio Ambiente e Qualidade or SASSMAQ): Evaluation method created and required by the Brazilian Association of Chemical Industries (Abiquim) and implemented by the elements that make up a given logistics chain.

High-Level Council for Advanced Studies (Consea): An organization run by Instituto Roberto Simonsen (IRS) with the aim of studying, researching and discussing fundamental issues related to sustainable development in a comprehensive, interdisciplinary manner.

High-Level Council on Infrastructure (Coinfra): A strategic technical entity of the São Paulo State Federation of Industries (Fiesp), coordinated by Instituto Roberto Simonsen (IRS), with the aim of debating, studying and proposing policies in the field of infrastructure.

Industrial Social Service (SESI): Private entity, under the terms of civil law, structured on a federative basis, that provides social services for industrial and related workers across Brazil.

Institute of Foreign Trade Operation Studies (Icex): A group of users of simplified clearance services that act in government bodies in the pursuit of solutions to facilitate foreign trade operations.

International benchmarking: Consists of evaluating products, services and processes, comparing them with those of competitors recognized as leaders in the appraised areas.

International Organization for Standardization (ISO): One of the world’s leading certification entities. A non-governmental organization headquartered in Switzerland whose function is to develop and promote globally accepted norms, standardizing products and services so that their quality is continually improved.

International Ship and Port Facility Security Code (ISPS Code): International code aimed at the security and protection of ships and port facilities, developed by the International Maritime Organization (IMO), part of the United Nations, and approved by the Brazilian government through legislation. It was created following the terrorist incidents in the United States of September 11, 2001.

Key issues: Subjects that are fundamental and strategic to the full, successful functioning of something. In this specific case, they are subjects that are fundamental and strategic to the functioning of Santos Brasil’s business.

Leasing agreement: Private leasing instrument entered into by a port authority with a respective tenant. Contractually guarantees the concession of an area for a given time, as well as the achievement of quality targets in the execution of activities and user service standards.

Logistics and Industrial Customs Center (Centro Logístico e Industrial Aduaneiro or Clia in Portuguese): Goods storage facilities that offer storage and logistics services to operate in the special customs warehousing regime.

Market share: The proportion of a market that a company has in its sector or in the sector of a given product.

Mobile Harbor Crane (MHC): A mobile, rotating crane whose function is to load and unload containers onto/from ships.

Moves per hour (MPH): Productivity indicator that gauges the number of containers moved per hour.

National Federation of Port Operators (FENOP): Second-level union entity that brings together and represents the economic category of port operators.

National Industrial Training Service (SENAI): Federatively structured system that runs an array of vocational training programs, seeking to meet the shortage of industrial manpower in Brazil, always in line with the specific characteristics of each region of the country.

National Institute of Meteorology, Quality and Technology (Inmetro): Federal body reporting to the Ministry of Development, Industry and Foreign Trade, which acts as the Executive Secretariat of the National Council of Metrology, Standardization and Industrial Quality (Conmetro), an inter-ministerial entity that is the regulatory body of the National System of Metrology, Standardization and Industrial Quality (Sinmetro).

Navis system: Software for controlling and planning yards and ships. It speeds up data transmission and integrates the operational activities within a terminal area. Supplied by a US company, it is used in the most modern ports around the world.

Nine Box: Matrix tool used to evaluate and produce a plan for a company’s employees, based on two factors, in most cases performance and potential.

Nucleus of Young Entrepreneurs (NJE): Composed of young businesspeople from all kinds of industries, this organization seeks to prepare new leaders and successors with a profile aimed at expanding their companies, trade associations and representative participation in the political economy of São Paulo and Brazil.

Occupational Health and Safety Assessment Services (OHSAS): A tool enabling companies to attain and systematically monitor and improve their level of workplace health and safety performance in line with parameters established by it.

Optical character recognition (OCR): Technology that recognizes characters from an image file or map of bits, whether handwritten, typed or printed.

Order of Attorneys of Brazil (OAB): Most senior entity representing Brazilian lawyers, and responsible for regulating the legal professional in Brazil.

Pallet: A structure, generally made of wood or plastic, used to stack and transport materials, moved by a forklift.

Picking: Also known as order picking (the separation and preparation of orders), this consists of collecting certain products in a warehouse in line with customer needs.

Portainer: Super-sized quay crane.

Ports Commission (Conportos): National Commission for Public Safety in Ports, Terminals and Waterways, created by Decree 1,507 of May 30, 1995, amended by Decree 1,972 of July 30, 1996. Conportos is staffed from the ministries of Justice, Defense (represented by Navy Command), Finance, Foreign Relations and Transport.

Post-Panamax: Class of ships with dimensions larger than those of Panamax-class vessels, i.e. ships that are too big to fit through the Panama Canal’s locks.

RTG twin picks (rubber-tired gantry cranes): Cranes on wheels that used to move containers around yards. Twin pick models are capable of hoisting two 20-foot containers simultaneously.

São Paulo State Center of Industries (Ciesp): Nonprofit civil entity, founded in 1928, which brings together industrial companies and their parent companies, and associations related to the productive sector, as well as companies focused on activities directly related to the interests of industry.

São Paulo State Docks Company (Codesp): Federal entity reporting to the Presidential Special Ports Secretariat (Secretaria Especial de Portos or SEP). Its role is to administer and commercially exploit the Port of Santos.

São Paulo State Federation of Industries (Fiesp): Biggest trade association in Brazilian industry. Represents around 130,000 companies in various sectors, of all sizes and in all kinds of production chains, distributed in over 130 employers’ unions. Its mission is to represent the productive sector, defend private enterprise and the market economy, and be alert to national issues that affect industrial activity and the development of the country.

Securities and Exchange Commission of Brazil (Comissão de Valores Mobiliários or CVM): Body reporting to the Ministry of Finance that, together with the Corporation Law (Law 6,404 of 1976), governs the functioning of the securities market and the action of its players.

Shared value: Operational policies and practices that improve a company’s competitiveness while enhancing the socioeconomic conditions of the communities in which it operates. The generation of shared value is focused on identifying and expanding the link between social and economic progress.

Social and environmental responsibility: Set of practices, actions and initiatives capable of making effective the principle of social and environmental functions, whether under the scope of governments, enterprise or non-governmental entities, through the adoption, implementation and management of social and environmental activities to benefit the community, enhancing people’s quality of life and human development.

Special Enclosure for Export Customs Dispatch (Recinto Especial para Despacho Aduaneiro de Exportação or Redex): Warehouse regularized by the Brazilian Federal Revenue Service, in which goods for export go through customs clearance.

DEMONSTRAÇÕES FINANCEIRAS

Stakeholders: All those directly or indirectly involved in the projects, activities, businesses and operations of an undertaking (shareholders, lenders, customers, suppliers, employees, consultants, communities, government, trade associations and non-governmental organizations, among others).

Standard & Poor’s Rating Services (S&P): Credit rating agency that publishes analyses and research about stock exchanges, securities and companies.

Supply chain management (SCM): System through which organizations and companies deliver their products and services to their customers in a network of interconnected organizations. It is governed by a set of techniques and tools to improve management of the supply chain and contribute to improving strategies and production.

Sustainable development: Strategy for developing economic activity in harmony with social demands and issues and the conscientious use of resources available in the environment.

Tag along: Mechanism for protecting a company’s minority shareholders, guaranteeing them the right to leave the company, if control of it is acquired by an investor that until then was not a part of it.

TEU (twenty-foot equivalent unit): Unit equivalent to a 20-foot-long container.

Transtainer: Equipment in the form of a gantry crane on wheels used to move containers. Standard Transtainers are typically capable of handling 40 tons and can stack as many as five containers.

Value chain: The set of related activities performed by an organization, spanning relations with supplier, production and sales cycles, and the phase entailing distribution to end consumers. Each part of this chain is interlinked. The concept was introduced by Michael Porter in 1985.

INDEPENDENT AUDITOR’S REPORT

INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED DECEMBER 31, 2012, AND REPORT BY INDEPENDENT AUDITORS ON THE FINANCIAL STATEMENTS

To the Directors and Shareholders
of Santos Brasil Participações S.A.
São Paulo - SP

We have audited the accompanying individual and consolidated financial statements of Santos Brasil Participações S.A. (the “Company”), identified as Parent and Consolidated, respectively, which comprise the balance sheets as of December 31, 2012, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

MANAGEMENT’S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB, and in accordance with accounting practices adopted in Brazil, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error

AUDITOR’S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conduct our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION ON THE INDIVIDUAL FINANCIAL STATEMENTS

In our opinion, the individual financial statements present fairly (Parent), in all material respects, the financial position of Santos Brasil Participações S.A. as of December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Santos Brasil Participações S.A. as of December 31, 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS issued by IASB and accounting practices adopted in Brazil.

EMPHASIS OF MATTER

We draw attention to Note 2 to the financial statements, which states that the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. These practices differ from IFRS applicable to the individual financial statements only with respect to the valuation of investments in subsidiaries by the equity method of accounting, while for IFRS purposes these investments would be measured at cost or fair value. Our opinion regarding this matter is unqualified.

OTHER MATTERS

Statements of value added

We have also audited the individual and consolidated statements of value added (“DVA”) for the year ended December 31, 2012, prepared under the responsibility of the Company’s Management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies and as supplemental information for IFRS. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Individual and consolidated financial statements for the year ended December 31, 2011

The individual and consolidated financial statements for the year ended December 31, 2011, presented for purposes of comparison, were previously audited by other independent auditors, and their report thereon, dated January 31, 2012, did not contain any modification.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, January 31, 2013

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

Walter Dalsasso
Engagement Partner

BALANCE SHEETS

AS OF DECEMBER 31, 2012 AND 2011

(AMOUNTS EXPRESSED IN THOUSANDS OF BRAZILIAN REAIS - R\$)

		Parent		Consolidated	
		2012	2011	2012	2011
ASSETS	Note	(Reclassified)		(Reclassified)	
CURRENT ASSETS					
Cash and cash equivalents	8	74,642	222,557	136,444	266,831
Restricted short-term investments	8	-	28,023	-	28,023
Trade receivables	9	100,809	77,829	134,799	104,697
Inventories	3.d)	14,055	10,833	15,814	11,918
Current tax assets	11	14,755	6,638	16,483	9,247
Dividends receivable		6,355	9,263	-	-
Prepaid expenses		697	622	1,173	1,029
Swap operations	29.b.1)	429	4,822	433	4,959
Loans receivable	7	-	4,364	-	-
Other assets		4,036	1,652	5,761	3,625
Total current assets		215,778	366,603	310,907	430,329
NONCURRENT ASSETS					
Trade receivables	9	14,236	10,207	14,011	9,889
Escrow deposits	18	140,763	122,241	152,913	133,864
Deferred tax assets	26.b)	-	1,486	183	1,486
Court-ordered debts receivable	10	-	-	3,839	3,623
Swap operations	29.b.1)	2,504	4,272	2,504	4,272
Other assets		10,216	9,573	10,573	10,035
Investments	12	418,846	387,999	-	-
Property, plant and equipment	13	991,280	996,131	1,143,648	1,133,557
Intangible assets	14	309,878	338,148	548,424	586,530
Total noncurrent assets		1,887,723	1,870,057	1,876,095	1,883,256
TOTAL ASSETS		2,103,501	2,236,660	2,187,002	2,313,585

As notas explicativas são parte integrante das demonstrações contábeis.

		Parent		Consolidated	
		2012	2011	2012	2011
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	(Reclassified)		(Reclassified)	
CURRENT LIABILITIES					
Borrowings and financing	15	124.161	305.830	131.876	312.073
Debtentures	16	33.671	34.344	33.671	34.344
Trade payables		44.768	40.491	57.160	55.459
Payroll and related taxes		35.841	34.988	46.387	46.722
Taxes payable		17.600	18.626	24.472	25.969
Dividends and interest on capital payable		64.569	63.620	64.569	63.620
Swap operations	29.b.1)	57	52	68	53
Other payables		59	356	64	1.305
Total current liabilities		320.726	498.307	358.267	539.545
NONCURRENT LIABILITIES					
Borrowings and financing	15	252.318	310.821	267.600	325.463
Debtentures	16	-	33.182	-	33.182
Deferred taxes on court-ordered debts		-	-	1.305	1.232
Provision for risks	18	130.162	108.698	135.189	111.532
Deferred tax liabilities	26.b)	21.355	-	35.604	9.960
Taxes in installments	17	-	-	4.836	4.836
Actuarial liabilities - post-employment benefit	28	10.039	-	11.461	-
Other liabilities		-	-	3.839	2.183
Total noncurrent liabilities		413.874	452.701	459.834	488.388
SHAREHOLDERS' EQUITY					
Capital	20.a)	1.062.576	1.053.893	1.062.576	1.053.893
Capital reserve	20.b)	53.281	47.783	53.281	47.783
Earnings reserve	20.c)	224.308	159.457	224.308	159.457
Proposed additional dividends	20.d)	31.436	24.519	31.436	24.519
Other comprehensive income (loss)	20.e)	(2.700)	-	(2.700)	-
Total equity		1.368.901	1.285.652	1.368.901	1.285.652

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(AMOUNTS EXPRESSED IN THOUSANDS OF BRAZILIAN REAIS - R\$)

		Parent		Consolidated	
	Note	2012	2011	2012	2011
NET REVENUES	21	969.493	279.488	1.293.169	1.124.670
COST OF SERVICES	22	(490.813)	(171.490)	(690.896)	(625.914)
GROSS PROFIT		478.680	107.998	602.273	498.756
OPERATING INCOME (EXPENSES)					
Selling expenses	22	(27.537)	(4.940)	(39.636)	(30.170)
General and administrative expenses	22	(100.400)	(49.800)	(122.880)	(104.593)
Goodwill amortization		(15.617)	(5.141)	(15.617)	(15.616)
Equity in earnings		57.363	197.441	-	-
Other operating income	23	2.162	659	3.452	3.831
Other operating expenses	23	(779)	(4.382)	(2.688)	(5.708)
Total		(84.808)	133.837	(177.369)	(152.256)
OPERATING INCOME BEFORE FINANCIAL INCOME (EXPENSES)		393.872	241.835	424.904	346.500
FINANCIAL INCOME (EXPENSES)					
Financial income	24	48.769	81.399	53.598	100.188
Financial expenses	24	(93.422)	(131.257)	(97.250)	(147.155)
Total financial income (expenses)		(44.653)	(49.858)	(43.652)	(46.967)
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		349.219	191.977	381.252	299.533
INCOME TAX AND SOCIAL CONTRIBUTION					
Income tax and social contribution - current	26.a)	(54.569)	-	(82.630)	(86.808)
Income tax and social contribution - deferred	26.a)	(24.438)	54.585	(28.410)	33.611
Total income tax and social contribution		(79.007)	54.585	(111.040)	(53.197)
NET PROFIT FOR THE YEAR		270.212	246.562	270.212	246.336
ATTRIBUTABLE TO SHAREHOLDERS					
Controlling shareholders		270.212	246.562	270.212	246.562
Noncontrolling interests		-	-	-	(226)
		270.212	246.562	270.212	246.336
BASIC EARNINGS PER SHARE					
Common	27.a)	0,407	0,374	0,407	0,374
Preferred	27.a)	0,407	0,374	0,407	0,374
DILUTED EARNINGS PER SHARE					
Common	27.b)	0,405	0,372	0,405	0,372
Preferred	27.b)	0,405	0,372	0,405	0,372

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(AMOUNTS EXPRESSED IN THOUSANDS OF BRAZILIAN REAIS - R\$)

		Parent		Consolidated	
	Nota explicativa	2012	2011	2012	2011
NET PROFIT FOR THE YEAR		270.212	246.562	270.212	246.336
OTHER COMPREHENSIVE INCOME (LOSS)					
Post-retirement healthcare obligations	28	(2.700)	-	(2.700)	-
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		267.512	246.562	267.512	246.336
ATTRIBUTABLE TO					
Controlling shareholders		267.512	246.562	267.512	246.562
Noncontrolling interests		-	-	-	(226)
The accompanying notes are an integral part of these financial statements.					

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(AMOUNTS EXPRESSED IN THOUSANDS OF BRAZILIAN REAIS - R\$)

	Note	Parent				
		Capital reserve		Earnings reserve		
		Capital	Stock option plan	Others	Legal	Investment
BALANCES AS OF DECEMBER 31, 2010		1.042.070	24.872	24.375	11.276	89.006
Dividends paid		-	-	-	-	-
Net profit for the year		-	-	-	-	-
Stock option plan	25	-	4.014	-	-	-
Option exercised	25	11.823	-	-	-	-
Allocation of net profit:						
Legal reserve	20.c)	-	-	-	12.328	-
Interim dividends paid	20.d)	-	-	-	-	-
Interest on capital paid	20.d)	-	-	-	-	-
Investment and expansion reserve	20.c)	-	-	-	-	46.847
Proposed additional dividends	20.d)	-	-	-	-	-
Change in subsidiaries' interest		-	-	(5.478)	-	-
BALANCES AS OF DECEMBER 31, 2011		1.053.893	28.886	18.897	23.604	135.853
Dividends paid		-	-	-	-	-
Net profit for the year		-	-	-	-	-
Actuarial liability - health care expenses - Company and subsidiaries	28	-	-	-	-	-
Stock option plan	25	-	5.498	-	-	-
Option exercised	25	8.683	-	-	-	-
Allocation of net profit:						
Legal reserve	20.c)	-	-	-	13.511	-
Interim dividends paid	20.d)	-	-	-	-	-
Interest on capital paid	20.d)	-	-	-	-	-
Proposed additional dividends	20.d)	-	-	-	-	-
Investment and expansion reserve	20.c)	-	-	-	-	51.340
BALANCES AS OF DECEMBER 31, 2012		1.062.576	34.384	18.897	37.115	187.193

The accompanying notes are an integral part of these financial statements.

Parent				Consolidated	
Additional dividends proposed	Retained earnings	Other comprehensive income	Equity attributable to Company's owners	Noncontrolling interests	Equity
22.862	-	-	1.214.461	(752)	1.213.709
(22.862)	-	-	(22.862)	-	(22.862)
-	246.562	-	246.562	(226)	246.336
-	-	-	4.014	-	4.014
-	-	-	11.823	-	11.823
-	(12.328)	-	-	-	-
-	(90.000)	-	(90.000)	-	(90.000)
-	(72.868)	-	(72.868)	-	(72.868)
-	(46.847)	-	-	-	-
24.519	(24.519)	-	-	-	-
-	-	-	(5.478)	978	(4.500)
24.519	-	-	1.285.652	-	1.285.652
(24.519)	-	-	(24.519)	-	(24.519)
-	270.212	-	270.212	-	270.212
-	-	(2.700)	(2.700)	-	(2.700)
-	-	-	5.498	-	5.498
-	-	-	8.683	-	8.683
-	(13.511)	-	-	-	-
-	(100.000)	-	(100.000)	-	(100.000)
-	(73.925)	-	(73.925)	-	(73.925)
31.436	(31.436)	-	-	-	-
-	(51.340)	-	-	-	-
31.436	-	(2.700)	1.368.901	-	1.368.901

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(AMOUNTS EXPRESSED IN THOUSANDS OF BRAZILIAN REAIS - R\$)

	Parental		Consolidated	
	2012	2011	2012	2011
CONTINUED OPERATIONS				
CASH FLOW FROM OPERATING ACTIVITIES				
Income before income tax and social contribution	349.219	191.977	381.252	299.533
Adjustments to reconcile net profit to net cash provided by operating activities:				
Inflation adjustment and exchange rate changes	8.965	11.299	9.595	16.961
Depreciation and amortization	105.406	38.003	126.813	110.434
Accrued and written-off unfeasible investment projects	-	3.887	-	4.352
Provision for risks	21.464	8.537	23.657	24.162
Equity in subsidiaries	(57.363)	(197.441)	-	-
Stock option plan	5.303	3.857	5.498	4.014
Write-offs and income (loss) on sale of permanent assets	(417)	(11)	(521)	(156)
Post-employment benefit - health care plans	5.340	-	7.370	-
Interest on debentures	4.815	10.542	4.815	10.542
Interest on loans	37.756	34.736	39.471	38.495
Interest on capitalized loans	1.437	12.294	1.448	12.748
	481.925	117.680	599.398	521.085
Increase (decrease) in operating assets:				
Trade receivables	(27.009)	(22.589)	(34.224)	(46.102)
Inventories	(3.222)	20	(3.896)	(4.194)
Current year	(8.117)	3.719	(7.236)	7.052
Prepaid expenses	(75)	364	(144)	(702)
Escrow deposits	(18.522)	(6.966)	(19.049)	(22.580)
Loans receivable	4.364	20.081	-	-
Other assets	(3.027)	2.777	(2.890)	(224)
Increase (decrease) in operating liabilities:				
Trade payables	4.277	9.150	1.701	2.158
Payroll and related taxes	853	8.961	(335)	8.902
Taxes payable	(1.026)	(508)	(1.523)	11.723
Accounts payable	-	-	1.656	42
Loans payable	-	28.234	-	-
Other liabilities	(297)	(921)	(1.241)	(2.243)
	430.124	160.002	532.217	474.917
Income tax and social contribution	(54.569)	-	(82.604)	(89.346)
Net cash provided by operating activities	375.555	160.002	449.613	385.571

	Controladora		Consolidado	
	2012	2011	2012	2011
CONTINUED OPERATIONS				
CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(71.456)	(137.457)	(98.399)	(195.272)
Sale of property, plant and equipment	677	65	1.264	1.414
Increase in investments in subsidiaries	(10.381)	(36.057)	-	-
Acquisition of subsidiaries' interest	-	-	-	(4.500)
Increase in intangible assets	(1.089)	(41)	(1.140)	(1.436)
Merger of Santos-Brasil S.A.	-	98.776	-	-
Merger of Nara Valley Participações S.A.	-	6	-	-
Dividends and interest on capital	40.400	96.262	-	-
Short-term investments	28.023	(914)	28.023	(3.076)
Net cash provided by (used in) investing activities	(13.826)	20.640	(70.252)	(202.870)
CASH FLOW FROM FINANCING ACTIVITIES				
Stock option plan received	8.683	11.823	8.683	11.823
Loans	168.658	330.226	176.244	366.400
Loans paid	(435.182)	(105.584)	(440.988)	(160.647)
Gains (loss) on swap operations	7.005	(1.737)	7.145	(6.782)
Interest paid on debentures/loans	(61.315)	(41.270)	(63.339)	(46.165)
Dividends and interest on capital	(197.493)	(163.065)	(197.493)	(163.065)
Net cash provided by (used in) financing activities	(509.644)	30.393	(509.748)	1.564
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM DESCONTINUED OPERATIONS				
	(147.915)	211.035	(130.387)	184.265
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS OF CASH REPRESENTED BY				
Cash and cash equivalents at the beginning of year	222.557	11.522	266.831	82.566
Cash and cash equivalents at the end of year	74.642	222.557	136.444	266.831
	(147.915)	211.035	(130.387)	184.265

The accompanying notes are an integral part of these financial statements.

STATEMENTS OF VALUE ADDED

FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

(AMOUNTS EXPRESSED IN THOUSANDS OF BRAZILIAN REAIS - R\$)

	Controladora		Consolidado	
	2012	2011	2012	2011
REVENUES				
Goods, products and services sold	1.059.706	306.410	1.432.038	1.246.026
Others	2.163	598	3.453	3.587
Allowance for loan losses - reversal (recognition)	(1.118)	(571)	(1.009)	(1.931)
	1.060.751	306.437	1.434.482	1.247.682
INPUT FROM THIRD PARTIES				
Cost of goods, products and services sold	(161.827)	(64.180)	(233.796)	(210.685)
Materials, power, third-party services and others	(123.893)	(46.167)	(171.163)	(161.964)
Others	(779)	(4.321)	(2.688)	(5.466)
	(286.499)	(114.668)	(407.647)	(378.115)
GROSS VALUE ADDED	774.252	191.769	1.026.835	869.567
DEPRECIATION, AMORTIZATION AND DEPLETION	(105.406)	(38.003)	(126.813)	(110.434)
NET VALUE ADDED	668.846	153.766	900.022	759.133
VALUE ADDED FROM TRANSFER				
Equity in subsidiaries	57.363	197.441	-	-
Financial income	48.769	81.399	53.598	100.188
	106.132	278.840	53.598	100.188
VALUE ADDED TO BE DISTRIBUTED	774.978	432.606	953.620	859.321
DISTRIBUTION OF VALUE ADDED	774.978	432.606	953.620	859.321
Personnel:				
Direct compensation	146.047	55.689	195.398	171.412
Benefits	30.538	7.362	46.105	33.912
FGTS	8.500	2.236	11.799	9.836
	185.085	65.287	253.302	215.160
Taxes, rates and contributions:				
Federal	162.189	(31.126)	237.634	163.028
State	373	8	6.102	5.546
Municipal	32.369	9.377	42.806	36.829
	194.931	(21.741)	286.542	205.403
Debt capital:				
Interest	93.422	131.257	97.250	147.155
Rental	31.328	11.241	46.314	45.267
	124.750	142.498	143.564	192.422
Own capital:				
Interest on capital	73.925	72.868	73.925	72.868
Dividends	100.000	90.000	100.000	90.000
Proposed additional dividends	31.436	24.519	31.436	24.519
Retained earnings	64.851	59.175	64.851	59.175
Noncontrolling interests in retained earnings (consolidation only)	-	-	-	(226)
	270.212	246.562	270.212	246.336

The accompanying notes are an integral part of these financial statements.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Verônica Valente Dantas – Chairman
Richard Klien – Vice-Chairman
José Raul Sant’Anna – Member
Marcos Nascimento Ferreira – Member
Maria Amalia Delfim de Melo Coutrim – Member
Andreas Klien – Member
Hans J. F. Peters – Independent member
Wallim Cruz de Vasconcellos Junior – Independent member
Alcides Lopes Tápias – Independent member

FISCAL COUNCIL

Gilberto Braga
Leonardo Guimarães Pinto
Antonio Carlos Pinto de Azeredo
Axel Erhard Brod

STATUTORY EXECUTIVE BOARD

Antonio Carlos Duarte Sepúlveda – Chief Executive Officer
Washington Cristiano Kato – Chief Financial Officer and Investor Relations Officer
Caio Marcelo Morel Correa – Chief Operations Officer
Mauro Santos Salgado – Chief Commercial Officer

HEADQUARTERS GRI 2.4

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Otavio Dias (24, 25, 26, 27, 45, 57, 60, 74 and 75)

Sérgio Furtado (2, 3, 30 and 31)

Santos Brasil Archives (18, 19, 20, 21, 41, 52, 53, 69, 72, 73, 76 and 77)