

*(Convenience Translation into English from the  
Original Previously Issued in Portuguese)*

***Santos Brasil Participações S.A.  
and Subsidiaries***

*Individual and Consolidated Financial Statements  
for the Year Ended  
December 31, 2013 and  
Independent Auditor's Report*

Deloitte Touche Tohmatsu Auditores Independentes

# Management Report

Dear Shareholders:

We are pleased to submit the Management Report and financial statements of the Santos Brasil Participações S.A. for the year ended December 31, 2013.

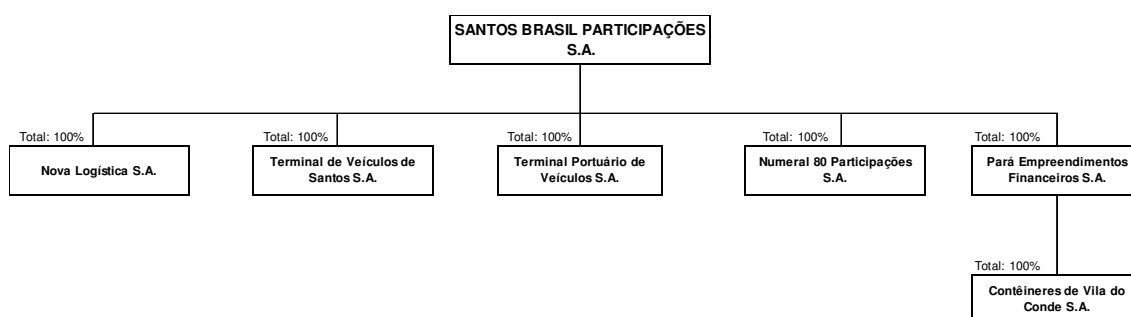
## Corporate Profile

Reference in container and logistics operations, Santos Brasil is a genuinely Brazilian company that actively contributes to the country's development, with continuous investments in the modernization of port infrastructure.

Brazilian leader in the container port operations, Santos Brasil operates in three Brazilian ports and is able to comply with all stages of the logistics chain outside the ports.

The Company, whose administrative head office is located in São Paulo, has an infrastructure comprised of three container terminals (Tecon Santos, State of São Paulo, Tecon Imbituba, State of Santa Catarina, and Tecon Vila do Conde, State of Pará), a vehicle export and import terminal (TEV), located in Santos Port, and integrated port logistics units in Santos (State of São Paulo), Guarujá (State of São Paulo), São Bernardo do Campo (State of São Paulo), Jaguaré (State of São Paulo) and Imbituba (State of Santa Catarina).

In relation to the corporate structure of its subsidiaries, the Company did not conduct mergers, acquisitions or spin-offs in 2013 and, currently, holds the following investments in subsidiaries:



Equity interest - %	2013	2012
<b>Direct subsidiaries:</b>		
Terminal Portuário de Veículos S.A.	100	100
Pará Empreendimentos Financeiros S.A.	100	100
Terminal de Veículos de Santos S.A.	100	100
Numeral 80 Participações S.A.	100	100
Nova Logística S.A.	100	100
<b>Indirect subsidiary:</b>		
Convicon Contêineres de Vila do Conde S.A.	100	100

The changes in investments in the year are broken down as follows:

<b>(R\$ million)</b>	<b>2013</b>	<b>2012</b>	<b>Change</b>
<b>Direct subsidiaries:</b>			
Terminal Portuário de Veículos S.A.	0.0	0.0	0.0
Pará Empreendimentos Financeiros S.A.	15.5	24.3	(8.8)
Terminal de Veículos de Santos S.A.	236.6	235.4	1.2
Numeral 80 Participações S.A.	0.2	0.1	0.1
Nova Logística S.A.	153.7	159.0	(5.3)
<b>Total</b>	<b>406.0</b>	<b>418.8</b>	<b>(12.8)</b>
<b>Indirect subsidiary:</b>			
Convicon Contêineres de Vila do Conde S.A.	15.4	24.2	(8.8)

<b>(R\$ million)</b>	<b>Equity in subsidiaries</b>	<b>Capital contribution</b>	<b>Dividends</b>	<b>Other</b>	<b>Total</b>
<b>Direct subsidiaries:</b>					
Terminal Portuário de Veículos S.A.	0.0	0.0	0.0	0.0	0.0
Pará Empreendimentos Financeiros S.A.	(10.4)	1.5	0.0	0.1	(8.8)
Terminal de Veículos de Santos S.A.	21.7	0.0	(20.5)	0.0	1.2
Numeral 80 Participações S.A.	(0.1)	0.2	0.0	0.0	0.1
Nova Logística S.A.	21.8	0.0	(27.5)	0.4	(5.3)
<b>Total</b>	<b>33.0</b>	<b>1.7</b>	<b>(48.0)</b>	<b>0.5</b>	<b>(12.8)</b>
<b>Indirect subsidiary:</b>					
Convicon Contêineres de Vila do Conde S.A.	(10.4)	1.5	0.0	0.1	(8.8)

Pará Empreendimentos Financeiros S.A. is the Convicon Contêineres de Vila do Conde S.A.' direct subsidiary.

Listed since 2006 in Level 2 of BM&FBOVESPA Corporate Governance, Santos Brasil adopts a continuous and sustainable growth model that unites high financial and operating performance with environmental conservation and social responsibility.

According to the Ministry of Development, Industry and Foreign Trade (MDIC), the trade chain, which comprises the imports and exports in 2013, was 3.4% greater than 2012, totaling US\$481.8 billion. This is the second highest annual profit recorded in Brazil due to increased imports.

In June 2013, Law 12815 was enacted as the new regulatory framework in the Brazilian port sector. The new law provides for sector modernization, investment improvement and definition of clear operating, management and competition rules. After this law, the National Waterway Transport Agency (ANTAQ) issued two new resolutions governing the new concessions and the economic and financial balance of the concession agreements. This law also ensures the competition isonomy, in addition to offer the BNDES credit facility to finance the port developments.

The new regulatory environment creates two opportunities to the Company, as follows: (i) in addition to authorize and clarify that the extension clauses of the concession agreements not yet exercised may be advanced through investments; (ii) it eliminated the difference between own and third-party load, allowing the investment by the Company in other container terminals outside the public ports.

2013 was also marked by the start-up of two new containers terminals in Santos Port, which was long awaited, as the Port's rate of use was already close to its limit. This additional capacity does not only mean that the competition for the current volume of operations is expected to be fiercer, but also that the demand so far restrained by Santos Port, such as that for transshipment cargo.

According to reports from Companhia Docas do Estado de São Paulo (CODESP), Tecon Santos holds 52% of the market share in Santos Port, which, in turn, reported a 8.8% increase in the number of TEUs operated in all of its terminals.

Upon suspension of the economic measures adopted, mainly in the trade flow with Argentina and Mexico, which impacted the exports and imports of vehicles in Santos Port in 2012, the vehicles sold in Santos Port increased by 11.5% in 2013.

After completing the investment cycle with excellent indicators, Santos Brasil's goal in 2014 is to improve all areas to further meet its corporate purposes and shareholders' interests.

Focused on operating quality and maintenance of its value, the Company will undertake its best efforts in the commercial area in 2014 to face a more competitive scenario. In Tecon Santos, to face more fierce competitiveness, the Company's commercial area will seek for new long-term agreements with customers already operating in the terminal.

The Company is undertaking its best efforts to improve the operations in Imbituba terminal. The regular, safe and efficient operation of Tecon Imbituba and the distinguishing feature to provide integrated port and logistics solutions, designed according to the needs of each customer, will improve the Company's businesses in the State of Santa Catarina. Together with this gain of confidence, the Company will undertake its best efforts to increase the shipping lines in the terminal, as well as customers' portfolio, including the importers/exporters of the production centers in the North region of the State of Rio Grande do Sul.

For Vila do Conde, growth prospects are primarily focused on coastal shipping activities, as they can benefit from the waterway expansion in the region by increasing the transportation of barges, and the use of intermodal services, with the same goods being transported through waterway, highway and railway means. The full use of the waterway capacity may also result in positive social and environmental impacts in the region.

Santos Brasil aims at generating value to its shareholders and community through ethical and transparent position in its businesses, stimulating and implementing good practices of environmental protection and professional education of youngsters in the communities where it operates.

## Operating Performance

### OPERATING INDICATORS

	2013	2012	Variation %
<b>PORT TERMINALS</b>			
<b>Quay operations</b>	<b>1,171,726</b>	<b>1,138,573</b>	<b>2.9%</b>
Full containers	873,261	862,787	1.2%
Empty containers	298,465	275,786	8.2%
<b>Warehousing operations</b>	<b>183,811</b>	<b>175,557</b>	<b>4.7%</b>
<b>LOGISTICS</b>			
Warehousing operations	88,817	76,608	15.9%
<b>VEHICLE TERMINAL</b>			
Vehicles handled	256,904	195,741	31.2%

The consumption and income growth, together with the logistics advantages of the container as a transportation mean, including the agricultural commodities, also increased the load flow through the largest Brazilian port - Santos - where the Company has significant market share through the Tecon Santos' operations, the largest and the most modern terminal of containers in Brazil.

The **8.8%** increase in Santos Port in **2013** confirms the consolidation of the container transportation in view of the Brazilian economic growth, as well as restricted demand limited by the port's installed capacity. Due to the increase in its capacity, resulting from the start-up of operations of the new terminals in Santos Port, this demand was satisfied in Santos.

The capacity expansion in 2013 allowed the operation of transshipment containers, which, in the past, due to the Santos Port's insufficient capacity, were transported to other ports.

Accordingly, the Company recorded an increase of 2.9% in 2013, exceeding for the third consecutive year the target of **1,000,000** containers handled in the year.

Due to the increase in transshipment load operated by Tecon Santos and the increase in competition faced by Santos Port in the second six-month period of 2013, the **volume of stored containers** in the port terminals increased by **4.7%**, only compared to 2012.

Full-empty mix of containers slightly decreased to 74.5% of full containers in 2013 (75.8% in 2012).

Santos Brasil Logística had good performance in 2013 and its customs storage operations increased by **15.9%** compared to 2012. In addition to the good operating income recorded by the Customs Logistics and Industrial Centers (CLIA), the Company improved its integrated logistics services through the Distribution Centers in São Bernardo do Campo and Jaguaré, from the receipt of load in port terminals, through the CLIA's and Distribution Centers, through the highway transportation of containers and distribution of part load and inventory management.

The Vehicle Terminal improved its operations compared to the number of vehicles handled in 2012 and reached its **operating record** with **256,904 vehicles (increase of 31.2%)**. In 2012, the performance of this industry was affected by the political and economic measures adopted by the Brazilian Government in the foreign trade of the automotive sector.

## FINANCIAL AND ECONOMIC PERFORMANCE

The amounts included in the discussion of results are presented in millions of Brazilian reais (R\$), thus being subject to rounding.

### Gross revenue from services

(R\$ million)	2013	2012	Variation %
<b>PORT TERMINALS</b>	<b>1,246.9</b>	<b>1,128.7</b>	<b>10.5%</b>
Quay operations	767.7	653.3	17.5%
Warehousing operations	479.2	475.4	0.8%
<b>LOGISTICS</b>	<b>288.3</b>	<b>251.8</b>	<b>14.5%</b>
<b>VEHICLE TERMINAL</b>	<b>77.8</b>	<b>91.3</b>	<b>(14.8%)</b>
<b>Eliminations</b>	<b>(12.1)</b>	<b>(0.1)</b>	-
<b>Consolidated</b>	<b>1,600.9</b>	<b>1,471.7</b>	<b>8.8%</b>

In the **Port Terminal** segment, the increase in gross revenues was higher than the increased terminal operations, mainly in quay operations. Such increase resulted from the partial reversal of the Company's provision for the claim relating to the segregation, delivery and billing of Dry Ports (TRAs), as described in Note 18 to the Company's financial statements. The revenue generated from the partial reversal of this provision amounted to R\$55.6 million and gross revenues from quay operations increased by 5% compared to 2012, above volume variation. **Revenue from storing operations**, in the Port Terminal segment, increased by **0.8%** in the period, below the stored containers volume variation. This difference resulted from lower storage time from 15.6 days in 2012 to 14.3 in 2013.

In **Logistics** sector, the Company's gross revenues increased by **14.5%**, slightly below the variation recorded in the number of stored containers.

Revenues from the **Vehicle Terminal - TEV** in Santos Port were decreased by 14.8% in 2013. Such decrease is not aligned with the variation in the number of vehicles handled and resulted from lower storage time from 12.6 days in 2012 to 9.5 days in 2013.

### Net revenues from services

**Consolidated net revenues** totaled **R\$1,377.4 million** in 2013, an increase of **6.5%** compared to R\$1,293.2 million in 2012.

### Cost of services

(R\$ million)	2013	2012	Variation %
<b>PORT TERMINALS</b>			
Handling costs	164.4	145.6	12.9%
Personnel expenses	182.1	160.8	13.2%
Lease and infrastructure	58.7	54.5	7.7%
Depreciation and amortization	97.9	92.8	5.5%
Other costs	89.7	63.1	42.2%
<b>Total</b>	<b>592.8</b>	<b>516.8</b>	<b>14.7%</b>
<b>LOGISTICS</b>			
Fuel and freight	65.5	50.3	30.2%
Personnel expenses	62.8	52.9	18.7%
Depreciation and amortization	11.7	7.8	50.0%
Other costs	44.0	33.7	30.6%
<b>Total</b>	<b>184.0</b>	<b>144.7</b>	<b>27.2%</b>
<b>VEHICLE TERMINAL</b>			
Handling costs	18.7	13.5	38.5%
Lease and infrastructure	4.0	3.7	8.1%
Depreciation and amortization	9.0	9.1	(1.1%)
Other costs	4.9	3.1	58.1%
<b>Total</b>	<b>36.6</b>	<b>29.4</b>	<b>24.5%</b>
<b>Eliminations</b>	<b>(10.9)</b>	<b>0.0</b>	-
<b>Consolidated</b>	<b>802.5</b>	<b>690.9</b>	<b>16.2%</b>

Similarly to revenue, the partial reversal of the allowance for the TRAs caused R\$3.1 million to be eliminated in the quarter, which relate to the payment of prompt delivery services provided by Tecon to Santos Brasil Logística.

#### PORT TERMINALS

*Handling costs (occasional labor, TUP-channel fees and other variable costs):* the increase of **12.9%** compared to 2012 resulted from the: (i) temporary labor price adjustment; (ii) inflation for the period; (iii) increase in the number of containers handled in the quay operations; and (iv) increase in freight costs to remove the customers' import containers that landed in another Santos Port's terminal.

*Personnel costs:* increased by **13.2%** mainly due to the following: (i) staff increase; and (ii) salary adjustment granted to employees to comply with the union agreements.

*Leasing and infrastructure:* increased by **7.7%** mainly due to the inflation for the period based on the IGP-M.

*Other costs:* other costs increased **42.2%** in 2013, primarily due to a rise in the following costs: maintenance - R\$8.0 million; sundry services - R\$5.7 million; operating machinery and equipment lease - R\$2.5 million, and insurance and damages - R\$3.9 million.

#### LOGISTICS

*Fuel and freight:* increased by **30.2%** in 2013 compared to 2012, mainly due to the following: (i) increase in the volume of transportation and distribution services; and (ii) adjustment to the contracted freight prices to remove the containers from the Company's import customers unloaded in another terminal.

*Personnel costs:* increased by **18.7%** in 2013 due to the hiring of extra staff (Distribution Center and highway transportation) and the pay rise pursuant to the collective bargaining agreement.

*Depreciation and amortization:* increased by **50.0%** due to the investments in new equipment acquired to meet the demand growth.

*Other costs:* increased by **30.6%** mainly due to operating maintenance costs.

#### VEHICLE TERMINAL

The costs increased by **24.5%** in 2013, mainly due to variable costs from significant increase of **31.2%** in the number of vehicles handled.

## Operating expenses

(R\$ million)	2013	2012	Variation %
<b>PORT TERMINALS</b>			
Selling	32.7	27.3	19.8%
General, administrative and other	41.9	43.0	(2.6%)
Depreciation and amortization	0.6	0.7	(14.3%)
<b>Total</b>	<b>75.2</b>	<b>71.0</b>	<b>5.9%</b>
<b>LOGISTICS</b>			
Selling	15.5	11.7	32.5%
General, administrative and other	11.8	15.3	(22.9%)
Depreciation and amortization	0.3	0.3	0.0%
<b>Total</b>	<b>27.6</b>	<b>27.3</b>	<b>1.1%</b>
<b>VEHICLE TERMINAL</b>			
Selling	0.4	0.3	33.3%
General, administrative and other	0.5	0.2	150.0%
Depreciation and amortization	0.0	0.0	-
<b>Total</b>	<b>0.9</b>	<b>0.5</b>	<b>80.0%</b>
<b>INSTITUTIONAL</b>			
General and administrative	62.5	62.4	0.2%
Depreciation and amortization	16.2	16.2	0.0%
<b>Total</b>	<b>78.7</b>	<b>78.6</b>	<b>0.1%</b>
<b>Consolidated</b>	<b>182.4</b>	<b>177.4</b>	<b>2.8%</b>

In the **Port Terminal** segment, the growth in competition in Santos, as well as the relocation of part of the sales team of the logistics segment to Port Terminals in the first quarter of 2013, resulted in the increase of selling expenses.

In relation to general expenses, the decrease resulted from the seek for a more efficient management of the Company's resources that, as from this year, faced competition in Santos terminal.

In **Logistics**, despite of increase in operations, the operating expenses remained stable compared to 2012. The increase in sales expenses due to additional commercial efforts and in volume was compensated by efficient management of general and administrative expenses for the period.

In **Institutional segment**, total expenses remained basically stable compared to 2012.

## EBITDA and EBITDA Margin

(R\$ million)	2013	Margin	2012	Margin	Variation	Margin variation - %
Port terminals	504.9	47.0%	504.4	50.5%	0.1%	-3.5 p.p.
Logistics	46.7	19.0%	51.3	23.9%	(9.0%)	-4.9 p.p.
Vehicle terminal	38.9	57.7%	58.4	73.6%	(33.4%)	-15.9 p.p.
Institutional	(62.5)	-	(62.4)	-	0.2%	-
<b>Consolidated</b>	<b>528.0</b>	<b>38.3%</b>	<b>551.7</b>	<b>42.7%</b>	<b>(4.3%)</b>	<b>-4.4 p.p.</b>

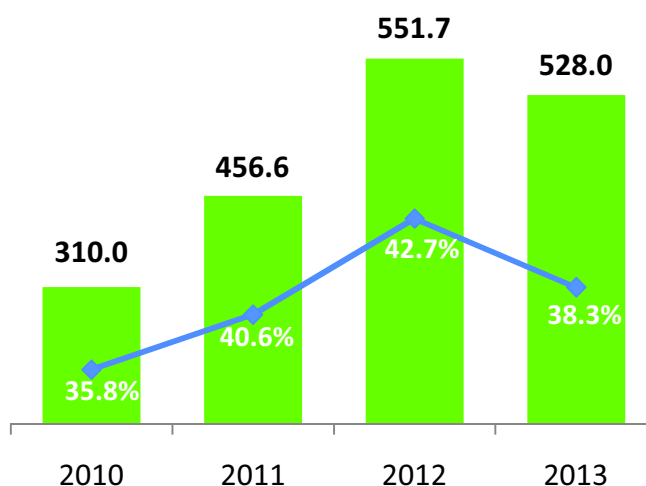
**Consolidated EBITDA** for 2013 was slightly decreased by 4.3% compared to 2012. Revenues arising from the partial reversal of the provision relating to the process of segregation, delivery and billing of the TRAs resulted in an EBITDA of approximately R\$53.1 million to be posted. The costs related to prompt delivery operations were accounted for in the months they were actually incurred. Had the provision for tax and labor risks, in the total amount of R\$12.1 million, not been considered in the result of the reversal of the provision, the Company's consolidated EBITDA for 2013 would have been R\$487.3 million, with a 36.7% margin. The decrease of 4.4 p.p. in EBITDA margin resulted from: (i) the increase in transshipment operations; (ii) lower dwell time from customs storage operations in the port terminals; (iii) costs from unloading of containers whose original destination was Tecon Santos in other port terminals; and (iv) strong comparison basis in Port Terminals in 2012.

The EBITDA in the **Port Terminal** segment remained basically stable; however, the margin was decreased by 3.5 p.p. due to: (i) the increase in transshipment volume handled in the port operations; (ii) the lower average time of the containers stored in the port operations.

The **EBITDA** of **Santos Brasil Logística**, impacted by the cost generated from the removal of containers in other port terminals, decreased by 9.0%, with margin of 19.0%.

Despite of the significant increase in its operating volume, the **EBITDA** of the Vehicle Terminal was decreased by 33.4% in 2013. This decrease resulted from the lower time of the vehicles in the yard in 2013.

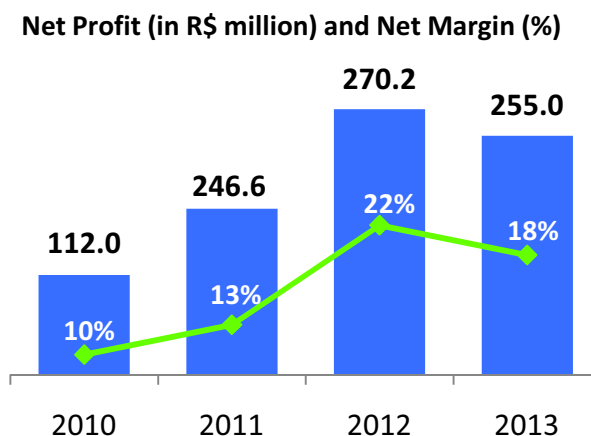
**EBITDA (in R\$ million) and EBITDA Margin (%)**



**Net profit**

(R\$ million)	2013	2012	Variation %
<b>EBITDA</b>	<b>528.0</b>	<b>551.7</b>	<b>(4.3%)</b>
Depreciation and amortization	135.7	126.8	7.0%
<b>EBIT</b>	<b>392.4</b>	<b>424.9</b>	<b>(7.6%)</b>
Financial income (expenses)	(28.6)	(43.7)	(34.6%)
Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL)	(108.8)	(111.0)	(2.0%)
Minority interest	-	-	-
<b>Net profit</b>	<b>255.0</b>	<b>270.2</b>	<b>(5.6%)</b>

The operating income was impacted by the increase in revenues due to the partial reversal of the segregation and delivery and billing of the TRAs. In addition, net profit was also impacted by the increase in financial income in 2013.



According to the Company's Bylaws, the following deductions or additions are levied on net profit, on the following decreasing order:

- (a) 5% will be allocated to establish the legal reserve, which shall not exceed 20% of the capital stock. The legal reserve may not be recorded in the year that, in addition to the capital reserves, the amount exceeds 30% of capital.
- (b) Amount allocated to the provisions for contingencies and reversal of prior-year reserves.
- (c) Unrealized profits and reversal of profits previously recorded in such reserve and realized in the year.
- (d) 25%, at least, for the payment of the mandatory dividend.
- (e) The remaining portion of adjusted net profit after payment of minimum mandatory dividend shall be allocated to reserve for investment and expansion, whose purposes are: (i) ensure the resources for investments in permanent assets, without prejudice to profit retention, as prescribed by article 196 of Law 6404/76; and (ii) additional working capital; it can also (iii) be used in redemption, reimbursement or acquisition of the Company's shares, which may be released by the General Meeting in the event of payment additional dividends (in addition to minimum mandatory dividend).

## DEBT AND CASH AND CASH EQUIVALENTS

(R\$ million)	Currency	12/31/2013	12/31/2012	Variation %
Short term	Domestic	114.0	116.3	(2.0%)
	Foreign	33.8	49.2	(31.3%)
Long term	Domestic	121.5	205.4	(40.8%)
	Foreign	52.4	62.2	(15.8%)
<b>Total debt</b>		<b>321.7</b>	<b>433.1</b>	<b>(25.7%)</b>
<b>Cash and cash equivalents</b>		<b>123.0</b>	<b>136.4</b>	<b>(9.8%)</b>
<b>Net debt</b>		<b>198.7</b>	<b>296.7</b>	<b>(33.0%)</b>

In 2013, the Company's cash and cash equivalents amounted to R\$123.0 million, accounting for R\$198.7 million of net debt, at the Net Debt/EBITDA Ratio of 0.4x. As of December 31, 2013, total consolidated debt amounted to R\$321.7 million. In December 2013, interest on capital and interim dividends amounted to R\$173.9 million.

The Company did not acquire debentures, as set forth in article 55, paragraph 2, of Law 6404/76, which were settled in April 2013.

Due to its competitive and consolidated position due to the continued improvement in its operational performance, and cash flow generation and stability, the rating agency Standard & Poor increased the Santos Brasil's rating from "brAA+" to "brAAA". The complete communication on this material fact is available at the Company's website.

## INVESTMENTS

Description	R\$ million	Purpose	Source of funds
<b>PORT TERMINALS</b>	<b>46,3</b>		
<b>Tecon Santos</b>	<b>37,5</b>		
Scanners for container inspection	5,4	Federal Revenue Service's requirement	Financing - FINIMP
Harbor dredging	4,4	Growth of productivity	Own
IT equipment purchase	4,3	Growth of productivity	Own
Yard equipment	3,8	Continuing improvement and increase of operating performance	Own
Power substations	3,6	Cost reduction - synergy with power suppliers	Own
Construction works	3,2	Growth of productivity / Security	Own
Reefers platforms	2,7	Growth of productivity / optimization of power consumption	Own
Change of administrative areas from the terminal to the building in Rua Bras Cubas	2,1	Better integration with other administrative areas already installed in downtown	Own
Sundry projects	8,0	Santos Operational maintenance	Own
<b>Tecon Imbituba</b>	<b>1,9</b>		
Adequacy and expansion of customs areas	0,9	Federal Revenue Service's requirement	Own
Yard equipment	0,7	Continuing improvement and increase of operating performance	Own
Sundry projects	0,3	Operational maintenance	Own
<b>Tecon Vila do Conde</b>	<b>6,9</b>		
Scanners for container inspection	4,1	Federal Revenue Service's requirement	Financing - FINIMP
Adequacy of the shipyard according to SEMA's inspection	1,2	Legal requirement	Own
Yard equipment	0,8	Continuing improvement and increase of operating performance	Own
Sundry projects	0,9	Operational maintenance	Own
<b>LOGISTICS</b>	<b>32,4</b>		
Renewal of truck fleet	11,1	Continuing improvement and increase of operating performance	Financing - FINAME
Scanners for container inspection	5,4	Federal Revenue Service's requirement	Financing - FINIMP
Service provision project for the Company's customer (Mechanical horses and semitow trucks)	5,0	New business with trading partner	Financing - FINAME
Yard equipment	4,5	Continuing improvement and increase of operating performance	Own
Construction works	4,3	Growth of productivity / Security / Legal requirement	Own
Sundry projects	2,1	Operational maintenance	Own
<b>VEHICLE TERMINAL</b>	<b>0,7</b>		
Construction works	0,7	Contractual requirement - CODESP	Own
<b>CORPORATE</b>	<b>5,4</b>		
Strategic Project - Imbituba Land	5,4	Company's strategy	Own
<b>CONSOLIDATED</b>	<b>84,8</b>		

Out of the **investments** in 2013, Tecon Santos and Logística units absorbed, respectively, 44.2% and 38.2% of total invested. Out of the R\$84.8 million invested in 2013, the Company financed equipment and import for 36.6% of its projects. The remaining 63.4% was financed with own funds. The funds invested were allocated to expansion and improvement of operations in the business units.

The Company's investments were decreased by 13.4% compared to R\$97.9 million invested in 2012, when Imbituba received significant investments for dredging.

## **CAPITAL MARKETS**

### **Corporate Governance**

The Company is subject to the requirements of the Differentiated Corporate Governance Practices Level 2 of the São Paulo Stock Exchange (Bovespa), since October 13, 2006, date of Santos-Brasil S.A.'s IPO.

Extraordinary Shareholders' Meeting held on October 24, 2007 approved the merger, by Santos Brasil Participações S.A., of all shares issued by Santos-Brasil S.A., with the latter becoming a fully-owned subsidiary of Santos Brasil Participações S.A. Accordingly, since December 5, 2007, these shares are traded in Bovespa Level 2 special segment.

The Company is committed to continuously seek to improve its corporate governance practices and its relationships with shareholders, customers, suppliers, public bodies and employees, among other entities involved with its businesses. The Company's corporate governance structure includes: (i) Board of Directors; (ii) Statutory Board; and (iii) Supervisory Board.

The Board of Directors comprises nine full members and six alternate members. Amongst the members elected, three are independent directors and the others are indicated by the controlling shareholders. The members are elected for two-year mandates, reelection being permitted.

Statutory Board performs business management according to the strategies and guidelines defined by the Board of Directors and is formed by the CEO and Officers of: (i) Financial-Economic and Investor Relations; (ii) Operation; and (iii) Commercial, all elected by the Board of Directors for two-year mandates, reelection being permitted.

The Supervisory Board is composed of four members plus four alternate members (one member and the respective alternate elected by the holders of preferred shares).

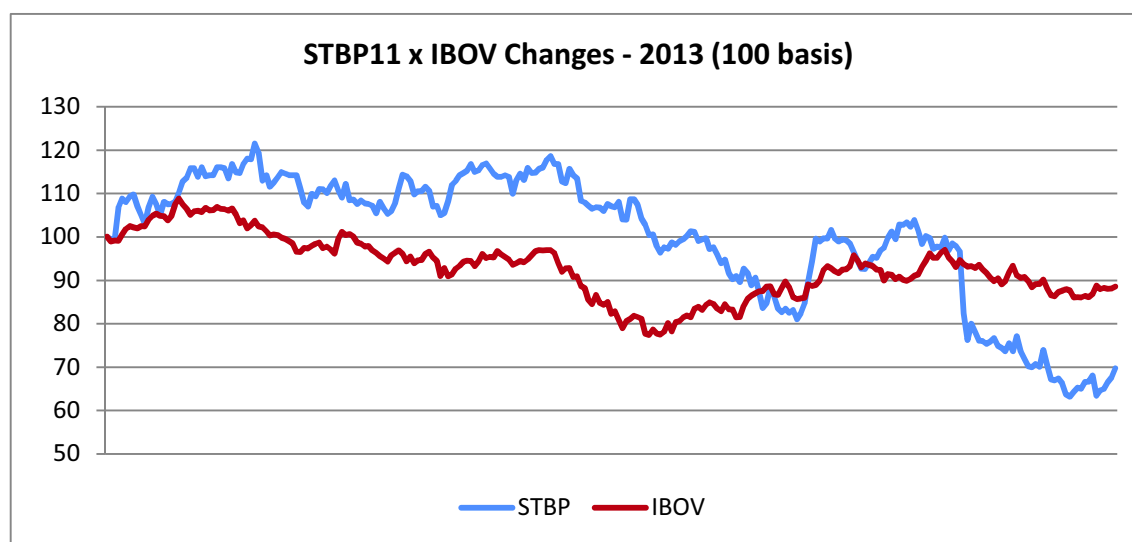
The Supervisory Board has a permanent nature and acts independently from the management and external auditors. It is in charge of inspecting all management acts and the fulfillment of all legal and statutory duties, ensuring the quality and accuracy of the financial reports and information periodically prepared by the Company; and analyzing and issuing an opinion on the financial statements for the year.

The main administrative developments in 2013 include the change in the Company's Board of Directors by virtue of the replacement of Richard Klien, elected by the controlling shareholder, by Carlos Geraldo Langoni.

Another change was the resignation of Andreas Klien, who was initially replaced by his alternate, Mr. Guido Vinci, until election of Fabio Perrone Campos Mello.

In 2013, the Company also disclosed to the market that it requested before the proper authorities, as set forth in article 57, first paragraph, of Law 12815/13, the extension of the concession period of Tecon Santos and that such request was prepared based on the investment plan referred to in article above, for modernization of the terminal's facilities.

At the year end, the net book value per unit was R\$10.87 and the closing value at São Paulo Stock Exchange, on December 30, 2013, was R\$18,94, totaling R\$2,523.1 million in market value, at an average daily trading volume of R\$8.1 million.



In relation to the Company's corporate businesses, on December 17, 2013, the Company began the stock repurchase plan under the following conditions:

- (i) Purpose: the purpose of the acquisition is to increase the generation of value to shareholders through efficient capital structure management.
- (ii) Maximum number of shares to be acquired: 21,077,781 shares, of which 4,215,556 are common shares and 16,862,225 are preferred shares (equivalent to 4,215,556 units).
- (iii) Maximum term for acquisition of the Company's shares: 365 days.
- (iv) Number of outstanding shares in the market, as set forth in article 3, item III, CVM Instruction 361/02: 210,777,820, of which 42,155,564 are common shares and 168,622,256 are preferred shares.
- (v) Intermediary Financial Institution: (i) Itaú Corretora de Valores S.A., headquartered at Avenida Brigadeiro Faria Lima, 3400, 10º andar; CEP 04538-132, São Paulo - SP; (ii) Bradesco S.A. CTVM, headquartered at Avenida Paulista, 1450, 7º andar, CEP 01310-917, São Paulo - SP; and (iii) BTG Pactual CTVM S.A., headquartered at Avenida Brigadeiro Faria Lima, 3477, 11º andar, CEP 04538-133, São Paulo - SP.

Through December 31, 2013, the Company had already acquired, at the total cost of R\$2.3 million, through the stock repurchase plan, 128,337 units, of which 128,337 are common shares and 513,348, preferred shares.

### Shareholders' rights

Committed with the best governance practices, the Company ensures 100% tag-along rights for preferred shares in the event of sale and/or change in control, above the requirements established by Bovespa Level 2 Differentiated Corporate Governance Practices.

The Company's shares are traded in Bovespa as units, and each unit is comprised of one common share and four preferred shares.

The shareholders' rights are set forth in articles 5, 6 and 7 of the Company's Bylaws, as follows:

**“Article 5°** - Capital amounts to R\$1,071,077,315.22 (one billion, seventy-one million, seventy-seven thousand, three hundred and fifteen reais and twenty-two cents), divided into 454,629,482 (four hundred and fifty-four million, six hundred and twenty-nine thousand, four hundred and eighty-two) common shares and 211,457,072 (two hundred and eleven million, four hundred and fifty-seven thousand, seventy-two) preferred shares, all book-entry and with no par value.

Paragraph 1 - Each common share entitles its holder to one vote in Shareholders' Meetings resolutions.

Paragraph 2 - The Company shall not issue partners' shares.

Paragraph 3 - The shares are held in deposit account on behalf of the holders in the accredited financial institution to be appointed by the Board of Directors to provide such service.

**Article 6** - The preferred shares are not entitled to vote at the General Meeting's resolutions, except for the provisions set forth in Sole Paragraph, subject to the following preemptive rights and advantages:

- (a) Priority in the reimbursement of capital without premium in case of the Company's liquidation.
- (b) Right to be included in the public offering due to the disposal of the Company's shareholding control, as set forth in Chapter VII of this Bylaws, under the same conditions provided to the selling controlling shareholder.
- (c) Dividend at least equivalent to the common shares.

Sole Paragraph - The preferred shares shall be entitled to restricted voting rights exclusively on the following matters: (a) Company's transformation, incorporation, merger or spin-off; (b) approval of agreements entered into between the Company and its controlling shareholder, directly or through third parties, as well as agreements involving other companies in which the controlling shareholders has interest, for those cases in which, by virtue of legal or statutory provision, the approval of these agreements is approved at the General Meeting; (c) evaluation of assets for the Company's capital increase; (d) selection of specialized company for determination of the Company's shares' economic value for purposes of public offering, as set forth in Chapter VII of this Bylaws; and (e) amendment or revocation of the provisions set forth in this Bylaws that change or modify any of the requirements set forth in Section IV, item 4.1 of Level 2 Listing Regulation (“Level 2 Regulation”), established by BM&FBOVESPA S.A. - Bolsa de Valores, Mercadorias e Futuros (“BM&FBOVESPA”), except for, however, that this voting right shall prevail over the Level 2 Corporate Governance Agreement.

**Article 7** - The Company is authorized to increase its capital regardless of the General Meeting's resolution, up to the limit of 2,000,001,000 (two billion and one thousand) common and/or preferred shares, as approved by the Board of Directors, which shall determine the issuance and placement conditions of these shares.

Paragraph 1 - The Company may grant, under the terms approved by the shareholders at the General Meeting, the stock option representing its capital to management and employees.

Paragraph 2 - As approved at the General Meeting or by the Board of Directors, the preemptive right in the issuance of shares, subscription warranties or debentures convertible into shares may be excluded, as prescribed by article 172 of the Brazilian Corporate Law.”

In addition, according to the Bylaws, in the event of stock split, grouping, bonus or issuance of new shares upon capitalization of profit or reserves, the following rules shall be applicable to the units:

- (a) In the event of an increase in the number of shares issued by the Company, the depositary shall register the deposit of new shares and credit the new units in the account of the respective holders, in order to reflect the new number of shares held by the unitholders, in the proportion of 1 (one) common share and 4 (four) preferred shares issued by the Company for each unit, and the shares not designated as units shall be directly credited to the shareholders, without issuance of units.
- (b) In the event of a decrease in the number of shares issued by the Company, the depositary shall debit from the deposit accounts the units of the holders of grouped shares, by automatically cancelling the units in number sufficient to reflect the new number of shares held by the unitholders, in the proportion of 1 (one) common share and 4 (four) preferred shares issued by the Company for each unit, and the remaining shares not designated as units shall be directly credited to the shareholders, without issuance of units.

## Human Capital

In accordance with established strategic objectives, the Company promotes the professional development and improvement of employees' quality of life through actions and benefit granting, with a clear and transparent relationship and involvement of employees, so that they understand their role in complying with established goals and their responsibility in improving operations and creating value for the Company.

Positive results achieved in the year resulted from the correct decisions on the conditions that are necessary to make the Company achieve its purposes, according to the plan. Promotion, development and valuation processes are intended to recognize the employee's professional efforts and to improve the Company's performance in the long term.

Human capital is considered a valuable tool for the success of the Company's businesses and, in 2013, Santos Brasil closed the year with 3,867 employees.

		2013	2012
Workforce		3,867	3,628
Turnover		12.00%	7.90%
Geographic location	São Paulo	91.59%	92.05%
	Pará	5.65%	5.30%
	Santa Catarina	2.74%	2.62%
	Federal District	0.03%	0.03%
Investment in training - R\$ million		R\$2.27	R\$2.00
Pension funds		Pension plan	Pension plan
Other plans		N/A	N/A
Educational level	Without schooling	1	1
	Complete primary school	171	274
	Incomplete primary school	166	59
	Complete secondary school	2,617	2,375
	Incomplete secondary school	112	140
	Complete technical course	154	155
	Incomplete technical course	20	46
	Complete graduation	405	384
	Incomplete graduation	154	138
	Post-graduation	50	55
Master's degree		4	4

## Sustainability

In 2013, Santos Brasil invested significantly in the sustainability area. The Company invested in the structuring of staffs and reorganization of management systems and invested in initiatives that represented the best available environmental practices.

In order to align the sustainable development with its application, in 2012, the Company implemented the Sustainability Plan, which promoted meetings with the coordinators of several areas to discuss about improvement opportunities and implement good practices in the operating units.

Since 2008, Santos Brasil Participações S.A. comprises the Companies for Climate (EPC) and Innovation and Sustainability in the Value Chain (ISCV) of Fundação Getúlio Vargas, attending to meetings, discussions and activities of the Business Activities and Brazilian GHG Protocol Program. In 2013, the Company monitored the GEE emissions and continued the “Carbon Project” through the preparation of the GEE emission inventory in Tecon Santos and units of Nova Logística S.A.

Amongst the GEE reduction actions, the Company adopted the Green Purchase process for acquisition of new trucks, equipped with the post-treatment system of gases with Selective Catalytic Reduction (SCR). In 2013, the Company acquired 34 trucks with this system that use fuel and additives as a liquid reduction agent of automotive NOx, a nonflammable and nontoxic product comprised of urea and water, which contributes for reduction in fuel consumption.

The fuel (biodiesel) of SB 500 type (500 ppm of sulphur) was replaced for SB 10 (10 ppm of sulphur) in the trucks of Highway Transportation Terminal (TTR) of Nova Logística S.A., representing a reduction of 98% in the sulphur emission.

In 2013, Tecon Santos replaced fluorescent lamps and metal vapor lamps for Light Emitting Diode (LED) lamps of the entry gates and administrative buildings. The total of 550 lamps were replaced, representing power saving of 70% compared to other lamps, in addition to the reduction of 64.3% of associated CO<sub>2</sub> emissions.

The Company also develops and supports social inclusion projects focusing on education and fostering of citizenship. Through the program called Escola Santos Brasil Formare, an initiative started in 2009 together with the Iochpe Foundation, the Company provides vocational training courses for public school students in the last year of high school to support the full development of their potential and help them get their first job.

The Company also promotes voluntary work among its employees and local community development initiatives.

### Environmental Investments - 2013

Description	R\$ million	Purpose	Source of funds
<b>PORT TERMINALS</b>	<b>0,6</b>		
<b>Tecon Santos</b>	<b>0,4</b>		
Expansion of ETE	0,4	Environmental protection	Own
<b>Tecon Vila do Conde</b>	<b>0,2</b>		
Environmental adjustments	0,2	Environmental protection	Own
<b>CONSOLIDATED</b>	<b>0,6</b>		

## **Independent Audit**

The Company's and its subsidiaries' financial statements were audited by Deloitte Touche Tohmatsu Auditores Independentes.

The Company's policy for contracting services other than external audit intends to evaluate the existence of conflict of interest; thus, the following aspects are analyzed: the auditor should not: (a) audit his/her own work; (b) exercise managerial duties in the client; and (c) promote the interests of his/her client.

Accordingly, in the year ended December 31, 2013, the following services were contracted: (i) review as to compliance with certain conditions in selling agreements; (ii) review in economic calculations; and (iii) review of the Company's economic and tax information. Those services amounted to R\$156 thousand, which represent approximately 31% of the external audit services contracted for the year.

The advisory services related to the selling agreements were contracted on February 1, 2013 and were provided through March 31, 2013. The advisory services related to the economic calculations were contracted on October 1, 2012 and will be provided through January 31, 2014. The review of the economic and tax information disclosed was contracted on June 1, 2013 and was carried out through August 31, 2013.

With respect to these services, Deloitte informed the Company that there was no relation or event that could represent any conflict of interest that would affect its activities as the Company's independent auditors.

## **Arbitration Commitment Clause**

The Company, its shareholders, management and members of the Supervisory Board undertake to settle, by means of arbitration, any and all dispute and controversy that may arise among them, whether related to or arising from, in particular, the application, validity, effectiveness, construction, breach and the effects thereof, of the provisions set forth in Law 6404/76, the Company's bylaws, the rules issued by the National Monetary Council, the Central Bank of Brazil and the Brazilian Securities and Exchange Commission, as well as any other rules applicable to the operation of capital markets in general, as well as those set forth in the Corporate Governance Regulation Level 2, the Differentiated Corporate Governance Practices Level 2 Agreement and the Market Arbitration Chamber Rules.

## **Final Message**

In 2013, the Company recorded the highest volume of operations over its history, handling over 1.8 million TEUs in the three terminals where it operates. In 2013, Santos Brasil faced two different scenarios. Over the first eight months of the year, the Company maintained its expansion and increased the volume handled, with docking of vessels with 330 meters of length in Tecon Santos. However, beginning September, the Company began the dredging program in Tecon Santos that, together with the start-up of operations of two new players, impacted the growth compared to the previous six-month period. Over the year, Santos Brasil focused on operating efficiency, and Tecon Santos registered a new record in August, with 108,833 containers operated in one month.

For the second consecutive year, Santos Brasil prepared the Annual Sustainability Report according to the Global Reporting Initiative (GRI) guidelines. The Annual Sustainability Report seeks to improve the access to the information on Santos Brasil's strategy and results by implementing clear performance definitions and indicators at corporate and environmental levels.

Good governance, consolidated balance sheet and good strategic position resulted in the reclassification of the Company by the international agency Standard&Poor's (S&P), which increased its rating from "brAA+" to "brAAA" in the domestic credit rating scale. This rating reclassification confirms the Company's recognition in the capital market.

The Company is prepared for challenges of the new competitive environment of Santos Port. As a recognition for the quality of the service provided by the Company, as well as its assets and market share in the port sector, Santos Brasil, in June 2013, extended to 2019 the service agreement with Hamburg Süd, the shipping company with greater market share in Brazil and Santos.

Accordingly, Management understands that the Company is fully qualified to maintain the international quality level already recognized for the services provided and it is committed to improve the productivity, profitability and added value to the shareholders and community.

São Paulo, February 6, 2014

**The Management**

(Convenience Translation into English from the Original Previously Issued in Portuguese)

## INDEPENDENT AUDITOR'S REPORT

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 sheet as of December 31, 2013, 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 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 conducted 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 misstatements.

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, in all material respects, the financial position of Santos Brasil Participações S.A. as of December 31, 2013, 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, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with the IFRS, issued by the 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, 2013, 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 prepared in accordance with the accounting practices adopted in Brazil, taken as a whole.

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

São Paulo, February 6, 2014

DELOITTE TOUCHE TOHMATSU  
Auditores Independentes

Walter Dalsasso  
Engagement Partner

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

BALANCE SHEETS AS OF DECEMBER 31, 2013 AND 2012

(Amounts expressed in thousands of Brazilian reais - R\$)

ASSETS	Note	Parent		Consolidated		LIABILITIES AND EQUITY	Note	Parent		Consolidated	
		2013	2012	2013	2012			2013	2012	2013	2012
<b>CURRENT ASSETS</b>						<b>CURRENT LIABILITIES</b>					
Cash and cash equivalents	8	107.285	74.642	122.987	136.444	Borrowings and financing	15	132.269	124.161	147.847	131.876
Trade receivables	9	104.095	100.809	139.935	134.799	Debentures	16	-	33.671	-	33.671
Inventories	3.d)	15.668	14.055	17.613	15.814	Trade payables		59.981	44.768	78.928	57.160
Current tax assets	11	16.531	14.755	18.187	16.483	Payroll and related taxes		39.487	35.841	51.591	46.387
Dividends receivable		5.141	6.355	-	-	Taxes payable		16.198	17.600	22.110	24.472
Prepaid expenses		758	697	1.238	1.173	Dividends and interest on capital payable		60.054	64.569	60.054	64.569
Swap operations	29.b.1)	3.111	429	3.374	433	Swap operations	29.b.1)	-	57	-	68
Other assets		1.852	4.036	2.567	5.761	Intragroup loans	7	46.145	-	-	-
Total current assets		<u>254.441</u>	<u>215.778</u>	<u>305.901</u>	<u>310.907</u>	Other payables		61	59	65	64
						Total current liabilities		<u>354.195</u>	<u>320.726</u>	<u>360.595</u>	<u>358.267</u>
<b>NONCURRENT ASSETS</b>						<b>NONCURRENT LIABILITIES</b>					
Trade receivables	9	40.625	14.236	40.625	14.011	Borrowings and financing	15	149.300	252.318	173.847	267.600
Escrow deposits	18	191.429	140.763	198.074	152.913	Trade payables		23.681	-	23.681	-
Deferred tax assets	26.b)	-	-	256	183	Deferred taxes on court-ordered debts receivable		-	-	1.378	1.305
Court-ordered debts receivable	10	-	-	4.053	3.839	Provision for tax, labor and civil risks	18	107.941	130.162	117.059	135.189
Swap operations	29.b.1)	-	2.504	-	2.504	Deferred tax liabilities	26.b)	33.769	21.355	48.657	35.604
Other assets		16.386	10.216	17.201	10.573	Taxes in installments	17	-	-	-	4.836
Investments	12	405.988	418.846	-	-	Actuarial liabilities - post-employment benefit	28	9.508	10.039	10.711	11.461
Property, plant and equipment	13	954.486	991.280	1.130.366	1.143.648	Other liabilities		18.306	-	22.733	3.839
Intangible assets	14	281.314	309.878	510.154	548.424	Total noncurrent liabilities		<u>342.505</u>	<u>413.874</u>	<u>398.066</u>	<u>459.834</u>
Total noncurrent assets		<u>1.890.228</u>	<u>1.887.723</u>	<u>1.900.729</u>	<u>1.876.095</u>						
						<b>EQUITY</b>					
						Capital	20.a)	1.071.077	1.062.576	1.071.077	1.062.576
						Capital reserve	20.b)	59.210	53.281	59.210	53.281
						Earnings reserve	20.c)	283.228	224.308	283.228	224.308
						Proposed additional dividends	20.d)	35.401	31.436	35.401	31.436
						Other comprehensive income (loss)	20.e)	(947)	(2.700)	(947)	(2.700)
						Total equity		<u>1.447.969</u>	<u>1.368.901</u>	<u>1.447.969</u>	<u>1.368.901</u>
<b>TOTAL ASSETS</b>		<u>2.144.669</u>	<u>2.103.501</u>	<u>2.206.630</u>	<u>2.187.002</u>	<b>TOTAL LIABILITIES AND EQUITY</b>		<u>2.144.669</u>	<u>2.103.501</u>	<u>2.206.630</u>	<u>2.187.002</u>

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME

FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Amounts expressed in thousands of Brazilian reais - R\$, except earnings per share)

	Note	Parent		Consolidated	
		2013	2012	2013	2012
NET REVENUES	21	1.045.751	969.493	1.377.354	1.293.169
COST OF SERVICES	22	(562.155)	(490.813)	(802.474)	(690.896)
GROSS PROFIT		<u>483.596</u>	<u>478.680</u>	<u>574.880</u>	<u>602.273</u>
OPERATING INCOME (EXPENSES)					
Selling expenses	22	(32.606)	(27.537)	(48.934)	(39.636)
General and administrative expenses	22	(106.908)	(100.400)	(128.498)	(122.880)
Goodwill amortization		(15.617)	(15.617)	(15.617)	(15.617)
Equity in earnings		32.892	57.363	-	-
Other operating income	23	9.455	2.162	11.989	3.452
Other operating expenses	23	(373)	(779)	(1.399)	(2.688)
Total		<u>(113.157)</u>	<u>(84.808)</u>	<u>(182.459)</u>	<u>(177.369)</u>
PROFIT FROM OPERATIONS BEFORE FINANCIAL INCOME (EXPENSES)		<u>370.439</u>	<u>393.872</u>	<u>392.421</u>	<u>424.904</u>
FINANCIAL INCOME (EXPENSES)					
Financial income	24	38.477	48.769	43.365	53.598
Financial expenses	24	(67.832)	(93.422)	(71.951)	(97.250)
Total financial income (expenses)		<u>(29.355)</u>	<u>(44.653)</u>	<u>(28.586)</u>	<u>(43.652)</u>
INCOME BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		<u>341.084</u>	<u>349.219</u>	<u>363.835</u>	<u>381.252</u>
INCOME TAX AND SOCIAL CONTRIBUTION					
Income tax and social contribution - current	26.a)	(74.323)	(54.569)	(96.626)	(82.630)
Income tax and social contribution - deferred	26.a)	(11.701)	(24.438)	(12.149)	(28.410)
Total income tax and social contribution		<u>(86.024)</u>	<u>(79.007)</u>	<u>(108.775)</u>	<u>(111.040)</u>
PROFIT FOR THE YEAR		<u>255.060</u>	<u>270.212</u>	<u>255.060</u>	<u>270.212</u>
ATTRIBUTABLE TO SHAREHOLDERS					
Controlling shareholders		<u>255.060</u>	<u>270.212</u>	<u>255.060</u>	<u>270.212</u>
		<u>255.060</u>	<u>270.212</u>	<u>255.060</u>	<u>270.212</u>
BASIC EARNINGS PER SHARE - R\$					
Common	27.a)	<u>0,38357</u>	<u>0,40730</u>	<u>0,38357</u>	<u>0,40730</u>
Preferred	27.a)	<u>0,38357</u>	<u>0,40730</u>	<u>0,38357</u>	<u>0,40730</u>
DILUTED EARNINGS PER SHARE - R\$					
Common	27.b)	<u>0,38095</u>	<u>0,40503</u>	<u>0,38095</u>	<u>0,40503</u>
Preferred	27.b)	<u>0,38095</u>	<u>0,40503</u>	<u>0,38095</u>	<u>0,40503</u>

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(Amounts expressed in thousands of Brazilian reais - R\$)

		<u>Parent</u>		<u>Consolidated</u>	
	<u>Note</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
PROFIT FOR THE YEAR		255.060	270.212	255.060	270.212
OTHER COMPREHENSIVE INCOME					
Post-employment benefit - health care plans	28	(947)	(2.700)	(947)	(2.700)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		<u>254.113</u>	<u>267.512</u>	<u>254.113</u>	<u>267.512</u>
COMPREHENSIVE INCOME ATTRIBUTABLE TO					
Controlling shareholders		254.113	267.512	254.113	267.512

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

**SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES**

**STATEMENTS OF CHANGES IN EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Amounts expressed in thousands of Brazilian reais - R\$)**

	Note	Parent									Consolidated		
		Capital reserve			Profit reserve			Proposed additional dividends	Retained earnings	Other comprehensive income	Equity attributable to Company's owners	Noncontrolling interests	Equity
		Capital	Stock option plan	Other	Legal	Investment	Share buyback						
BALANCES AT DECEMBER 31, 2011		1.053.893	28.886	18.897	23.604	135.853	-	24.519	-	-	1.285.652	-	1.285.652
Dividends paid		-	-	-	-	-	-	(24.519)	-	-	(24.519)	-	(24.519)
Actuarial liabilities - medical expenses - Company and subsidiaries	28	-	-	-	-	-	-	-	-	(2.700)	(2.700)	-	(2.700)
Stock option plan	25	-	5.498	-	-	-	-	-	-	-	5.498	-	5.498
Option exercised	25	8.683	-	-	-	-	-	-	-	-	8.683	-	8.683
Profit for the year		-	-	-	-	-	-	-	270.212	-	270.212	-	270.212
Profit allocation:													
Legal reserve	20.c)	-	-	-	13.511	-	-	-	(13.511)	-	-	-	-
Interim dividends paid	20.d)	-	-	-	-	-	-	-	(100.000)	-	(100.000)	-	(100.000)
Interest on capital paid	20.d)	-	-	-	-	-	-	-	(73.925)	-	(73.925)	-	(73.925)
Proposed additional dividends	20.d)	-	-	-	-	-	-	31.436	(31.436)	-	-	-	-
Investment and expansion reserve	20.c)	-	-	-	-	51.340	-	-	(51.340)	-	-	-	-
BALANCES AT DECEMBER 31, 2012		1.062.576	34.384	18.897	37.115	187.193	-	31.436	-	(2.700)	1.368.901	-	1.368.901
Dividends paid		-	-	-	-	-	-	(31.436)	-	-	(31.436)	-	(31.436)
Actuarial liabilities - medical expenses - Company and subsidiaries	28	-	-	-	-	-	-	-	-	1.753	1.753	-	1.753
Stock option plan	25	-	5.929	-	-	-	-	-	-	-	5.929	-	5.929
Option exercised	25	8.501	-	-	-	-	-	-	-	-	8.501	-	8.501
Profit for the year		-	-	-	-	-	-	-	255.060	-	255.060	-	255.060
Profit allocation:													
Legal reserve	20.c)	-	-	-	12.753	-	-	-	(12.753)	-	-	-	-
Interim dividends paid	20.d)	-	-	-	-	-	-	-	(90.000)	-	(90.000)	-	(90.000)
Interest on capital paid	20.d)	-	-	-	-	-	-	-	(68.445)	-	(68.445)	-	(68.445)
Proposed additional dividends	20.d)	-	-	-	-	-	-	35.401	(35.401)	-	-	-	-
Investment and expansion reserve	20.c)	-	-	-	-	48.461	-	-	(48.461)	-	-	-	-
Share buyback	20.c)	-	-	-	-	-	(2.292)	-	-	-	(2.292)	-	(2.292)
Share buyback costs	20.c)	-	-	-	-	-	(2)	-	-	-	(2)	-	(2)
BALANCES AT DECEMBER 31, 2013		1.071.077	40.313	18.897	49.868	235.654	(2.294)	35.401	-	(947)	1.447.969	-	1.447.969

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Amounts expressed in thousands of Brazilian reais - R\$)

	Parent		Consolidated	
	2013	2012 (Reclassified)	2013	2012 (Reclassified)
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>				
Profit before income tax and social contribution	341.084	349.219	363.835	381.252
Adjustments to reconcile profit before income tax and social contribution to cash and cash equivalents generated by operating activities:				
Inflation adjustment and exchange rate changes	9.669	8.965	10.953	9.595
Depreciation and amortization	109.883	105.406	135.579	126.813
(Reversal) recognition of the provision for risks	(19.696)	24.585	(15.572)	27.068
Allowance for doubtful debts	8.691	795	9.632	671
Equity in subsidiaries	(32.892)	(57.363)	-	-
Stock option plan	5.797	5.303	5.929	5.498
Write-off and gain (loss) on sale of permanent assets	1.164	(417)	(494)	(521)
Post-employment benefit - health care plans	1.567	5.340	1.905	7.370
Interest on debentures	998	4.815	998	4.815
Interest on borrowings	26.495	37.756	28.640	39.471
	<u>452.760</u>	<u>484.404</u>	<u>541.405</u>	<u>602.032</u>
(Increase) decrease in operating assets:				
Trade receivables	(38.366)	(27.804)	(41.382)	(34.895)
Inventories	(1.613)	(3.222)	(1.799)	(3.896)
Current tax assets	(1.776)	(8.117)	(1.704)	(7.236)
Prepaid expenses	(61)	(75)	(65)	(144)
Escrow deposits	(50.666)	(18.522)	(45.161)	(19.049)
Intragroup loans receivable	-	4.364	-	-
Other assets	(3.986)	(3.027)	(3.647)	(2.890)
Increase (decrease) in operating liabilities:				
Trade payables	38.894	4.277	45.449	1.701
Payroll and related charges	3.646	853	5.204	(335)
Taxes and contributions	(1.402)	(1.026)	(6.005)	(1.523)
Trade payables	-	-	215	1.656
Intragroup loans	46.145	-	-	-
Other liabilities	18.308	(297)	18.680	(1.241)
	<u>461.883</u>	<u>431.808</u>	<u>511.190</u>	<u>534.180</u>
Income tax and social contribution paid	(74.323)	(54.569)	(97.819)	(82.604)
Write-off of contingent liabilities - indemnity paid	(2.525)	(3.121)	(2.558)	(3.411)
Cash and cash equivalents provided by operating activities	<u>385.035</u>	<u>374.118</u>	<u>410.813</u>	<u>448.165</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>				
Purchase of property, plant and equipment	(46.233)	(71.456)	(86.334)	(98.399)
Fixed assets disposed of	1.064	677	3.494	1.264
Increase of investments in subsidiaries	(1.759)	(10.381)	-	-
Increase in intangible assets	(520)	(1.089)	(694)	(1.140)
Dividends and interest on capital	49.223	40.400	-	-
Interest on capitalized loans	289	1.437	526	1.448
Short-term investments	-	28.023	-	28.023
Cash and cash equivalents provided by (used in) investment activities	<u>2.064</u>	<u>(12.389)</u>	<u>(83.008)</u>	<u>(68.804)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>				
Increase in capital from stock options exercised	8.501	8.683	8.501	8.683
Share buyback payment	(2.292)	-	(2.292)	-
Share buyback costs	(2)	-	(2)	-
Borrowings and financing	8.429	168.658	35.588	176.244
Borrowings and financing repaid	(158.168)	(435.182)	(169.369)	(440.988)
Receivables in swap transactions	2.182	7.005	2.120	7.145
Interest on debentures/borrowings	(18.709)	(61.315)	(21.411)	(63.339)
Dividends and interest on capital	(194.397)	(197.493)	(194.397)	(197.493)
Cash and cash equivalents used in financing activities	<u>(354.456)</u>	<u>(509.644)</u>	<u>(341.262)</u>	<u>(509.748)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS FROM CONTINUING OPERATIONS</b>	<u>32.643</u>	<u>(147.915)</u>	<u>(13.457)</u>	<u>(130.387)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS REPRESENTED BY</b>				
Cash and cash equivalents at beginning of year	74.642	222.557	136.444	266.831
Cash and cash equivalents at end of year	<u>107.285</u>	<u>74.642</u>	<u>122.987</u>	<u>136.444</u>
	<u>32.643</u>	<u>(147.915)</u>	<u>(13.457)</u>	<u>(130.387)</u>

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

STATEMENTS OF VALUE ADDED  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012  
(Amounts expressed in thousands of Brazilian reais - R\$)

	Parent		Consolidado	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
REVENUES (EXPENSES)				
Goods, products and services sold	1.144.438	1.059.706	1.526.620	1.432.038
Other	9.455	2.163	11.989	3.453
Allowance for doubtful debts - recognition	<u>(10.576)</u>	<u>(1.118)</u>	<u>(11.192)</u>	<u>(1.009)</u>
	<u>1.143.317</u>	<u>1.060.751</u>	<u>1.527.417</u>	<u>1.434.482</u>
INPUT ACQUIRED FROM THIRD PARTIES				
Cost of goods, products and services sold	(182.657)	(161.827)	(264.149)	(233.796)
Materials, power, third-party services and other	(140.921)	(123.893)	(210.135)	(171.163)
Other	<u>(374)</u>	<u>(779)</u>	<u>(1.400)</u>	<u>(2.688)</u>
	<u>(323.952)</u>	<u>(286.499)</u>	<u>(475.684)</u>	<u>(407.647)</u>
GROSS VALUE ADDED	819.365	774.252	1.051.733	1.026.835
DEPRECIATION, AMORTIZATION AND DEPLETION	(109.883)	(105.406)	(135.579)	(126.813)
NET VALUE ADDED	<u>709.482</u>	<u>668.846</u>	<u>916.154</u>	<u>900.022</u>
VALUE ADDED FROM TRANSFER				
Equity in subsidiaries	32.892	57.363	-	-
Financial income	<u>38.477</u>	<u>48.769</u>	<u>43.365</u>	<u>53.598</u>
	71.369	106.132	43.365	53.598
VALUE ADDED TO BE DISTRIBUTED	<u>780.851</u>	<u>774.978</u>	<u>959.519</u>	<u>953.620</u>
DISTRIBUTION OF VALUE ADDED	780.851	774.978	959.519	953.620
Personnel:				
Direct compensation	167.651	146.047	220.021	195.398
Benefits	32.061	30.538	48.240	46.105
FGTS	<u>9.487</u>	<u>8.500</u>	<u>13.256</u>	<u>11.799</u>
	<u>209.199</u>	<u>185.085</u>	<u>281.517</u>	<u>253.302</u>
Taxes and contributions:				
Federal	177.479	162.189	245.087	237.634
State	136	373	6.660	6.102
Municipal	<u>35.158</u>	<u>32.369</u>	<u>46.113</u>	<u>42.806</u>
	<u>212.773</u>	<u>194.931</u>	<u>297.860</u>	<u>286.542</u>
Debt capital:				
Interest	67.832	93.422	71.951	97.250
Rentals	<u>35.987</u>	<u>31.328</u>	<u>53.131</u>	<u>46.314</u>
	<u>103.819</u>	<u>124.750</u>	<u>125.082</u>	<u>143.564</u>
Own capital:				
Interest on capital	68.445	73.925	68.445	73.925
Dividends	90.000	100.000	90.000	100.000
Proposed additional dividends	35.401	31.436	35.401	31.436
Retained earnings	<u>61.214</u>	<u>64.851</u>	<u>61.214</u>	<u>64.851</u>
	<u>255.060</u>	<u>270.212</u>	<u>255.060</u>	<u>270.212</u>

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

(Convenience Translation into English from the Original Previously Issued in Portuguese)

SANTOS BRASIL PARTICIPAÇÕES S.A. AND SUBSIDIARIES

NOTES TO THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

(In thousands of Brazilian reais - R\$)

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1. GENERAL INFORMATION

Santos Brasil Participações S.A. (the “Company”), domiciled in Brazil, with registered head offices in São Paulo, is engaged in holding interests, as a partner or shareholder, in the capital of other Brazilian or foreign entities and in consortiums, as well as in the commercial operation of port and terminal storage facilities and integrated logistics solutions, including container handling and related activities.

On October 24, 2007, the Extraordinary Shareholders Meeting of Santos-Brasil S.A. (“Santos-Brasil”) approved the purchase of all shares issued by Alphapart Participações S.A., a company opened in 1998, which never had any operating activity so that it could operate as a holding company, under the new company name Santos Brasil Participações S.A. Subsequently, the merger, by the Company, of all shares issued by Santos-Brasil was approved and, as a result, Santos-Brasil became the Company’s wholly-owned subsidiary.

The merger of shares was completed, upon shareholders’ consent, resulting in the Company’s capital to be increased to R\$1,042,070, divided into 655,776,449 shares, out of which 452,567,461 common shares and 203,208,988 preferred shares, all book-entry and without par value, assigned to Santos-Brasil’s shareholders, in replacement of those they held, by applying a ratio of one share issued by the Company for one share in Santos-Brasil.

The units are traded under the ticker symbol “STBP11” on São Paulo’s Stock Exchange - BM&FBOVESPA, under the Corporate Governance Practices - Level 2.

On September 15, 2011, the Company’s Extraordinary Shareholders Meeting approved the partial spin-off of Santos-Brasil, followed by the merger of the spun off portion. The same Shareholders Meeting approved the merger of Nara Valley Participações S.A. (“Nara Valley”).

The spun off and merged portion of Santos-Brasil included all chattels and property, plant and equipment, rights and obligations and became an operating branch of Tecon Santos (“Tecon Santos”). Only cash, amounting to R\$10, and the corresponding capital remained in Santos-Brasil. Accordingly, Santos-Brasil remains a publicly-held company, not jointly liable with the merging company, since it was agreed upon that the merging company will be responsible for all Santos Brasil’s obligations and no obligations would remain in Santos-Brasil.

As a result of the merger transaction, Nara Valley was extinguished and succeeded by the merging company by way of universal succession.

On December 19, 2011, as approved at the Extraordinary Shareholders Meetings, the names of the subsidiaries Santos-Brasil and Mesquita S.A. Transportes e Serviços were changed to Numeral 80 Participações S.A. (“Numeral 80”) and Nova Logística S.A. (“Nova Logística”), respectively.

On March 20, 2013, the General Shareholders’ Meeting approved the change of the legal name of its subsidiary Union Armazenagem e Operações Portuárias S.A. to Terminal de Veículos de Santos S.A. (“TVS”).

a) General information on operating branch Tecon Santos

Operating branch Tecon Santos was created to commercially operate the port facilities of Port of Santos’s Containers Terminal - Tecon 1, under a lease agreement effective from November 1997 to November 2022, by operating containers and related items, for renovation of the existing facilities and their technological and managerial update, as well as the expansion of such facilities by making improvements, following the legal and contractual rules of the respective port and the Federal Government, as stipulated in Invitation to Bid PND/MT/CODESP 01/97.

In January 2010, operating branch Tecon Santos inaugurated an area called Tecon 4, which consisted of expanding the container yard by 112,715 m<sup>2</sup>, totaling 596,715 m<sup>2</sup>, and the construction of additional stocks, upon an amendment to a lease agreement made in July 2006.

b) General information on operating branch Tecon Imbituba

Operating branch Tecon Imbituba was created to commercially operate the port facilities of Port of Imbituba’s Containers Terminal, under a lease agreement effective from April 2008 to April 2033, by operating containers and related items, for renovation of the existing facilities and their technological and managerial update, as well as the expansion of such facilities by making improvements, following the legal and contractual rules of the respective Port and the Federal Government, as stipulated in Invitation to Bid 2 of Tender 01/07 - Port Administration.

This operating branch also engages the operations of Port of Imbituba’s General Cargo Terminal, under a lease agreement effective from February 2006 to February 2031, by performing the operation, conservation, improvement and expansion of the Port’s customs yards and warehouses, and providing preferential docking at a stock contiguous to Tecon Imbituba’s stocks.

c) General information on subsidiary Nova Logística

The subsidiary Nova Logística engages in the commercial operation of services, including integrated logistics and development of customized logistic solutions, and related services. It operates containers and bulk cargo in import and export transactions and is authorized to receive cargo under different customs systems, especially bonded warehouse, at its two Customs Logistics Centers (CLIAS).

## d) General information on subsidiary Terminal de Veículos de Santos S.A. (“TVS”)

In January 2010, the subsidiary TVS, formerly Union Armazenagem e Operações Portuárias S.A., through its subsidiary in the Municipality of Guarujá, assumed the Vehicles Export Terminal’s (TEV) operations, under a lease agreement effective through January 2035, for management, operation and investments in the port facilities, focusing on the handling and storage of vehicles relating to exports, imports and hauling, under the lease agreement entered into on this date.

The areas contiguous to TEV, which totals approximately 27,500 m<sup>2</sup>, can be expanded upon the Port administration’s request and approval, as already provided for in the agreement.

## e) General information on subsidiary Convicon Contêineres de Vila do Conde S.A. (“Convicon”)

The indirect subsidiary Convicon is engaged in the commercial operation of Vila do Conde Container Terminal’s port facilities, in the Municipality of Barcarena, State of Pará, from May 2005 through September 2018, when it assumed the lease of the Terminal, under Amendment 2 to Agreement 14/03, which had been leased by Transnav Ltda. since September 2003, through the implementation and operation of yards to handle and store containers, vehicles and similar items, which involves their technological and managerial update, as well as the expansion of such facilities by performing improvements, granting right of way to bridges used to access the piers and making special use of the public stock 301, following the legal and contractual rules of the respective port and the Federal Government.

## f) Main commitments under Tecon 1 operating agreement with Companhia Docas do Estado de São Paulo - CODESP

Operating branch Tecon Santos, besides the initial disbursement made when the auction was held, assumed a commitment corresponding to the bid amount, totaling R\$74,312, payable in monthly and quarterly installments of lease for commercially operating the area over the term of the agreement (25 years, renewable for an equal period, as provided for in the initial agreement), adjusted for inflation using the General Market Price Index (IGP-M), which are recognized on the accrual basis of accounting, as it is an operating lease.

The branch also makes monthly payments for services provided by CODESP based on specific tables established by port authorities.

There is a commitment whereby Minimum Contractual Handling (MMC) in loading and unloading vessels is provided for. Failure to comply the conditions set forth under the MMC commitment, or breach of any other contractual clause, is subject to penalty of up to 2% of the total monthly and quarterly installments due in the 12 months prior to the default.

As a result of the First Amendment to the original agreement, signed on July 3, 2006, a MMC of 363,000 containers up to the 48<sup>th</sup> month was set, from the time the Installation License (LI) provided by CETESB (State Environmental Agency) is obtained, for the area added by Tecon 4, which occurred on October 19, 2007. Beginning the 49<sup>th</sup> month, that is, October 19, 2011, MMC increased to 513,000 containers per year. This Amendment included in the above-mentioned MMCs a handling goal of 70,000 containers in coastal shipping.

The operating agreement provides for the obligation to pay additional amounts per container handled above two times the MMC, as shown in Note 19.b).

The facilities being commercially operated and the assets belonging to CODESP that have been used by the branch must be kept in perfect conditions of use. All improvements made in these facilities, such as any equipment and software, information systems and computers, communication and security systems and systems used to control the port area, which are required for container operations, will be transferred to CODESP at the end or termination of the agreement.

- g) Main commitments under Tecon Imbituba operating agreement with SCPAR Porto de Imbituba S.A. - SCPAR, successor of Companhia Docas de Imbituba - CDI

Operating branch Tecon Imbituba, as part of the fixed portion of the lease, makes monthly payments for the use of the leased area, as shown in Note 19.b).

The minimum investment commitment includes works to expand the port retro-docking area, as well as the construction of an administrative area, gates, warehouses, reinforcement works and containment of stocks and expansion of such stocks by additional 120 meters. It also included the acquisition of pieces of equipment for harbors, and the port retro-docking area, which are compatible with facilities, that is, mobile cranes (Mobile Harbor Crane (MHC)), reach stackers, tow trucks and forklifts. New harbor equipment and also equipment for the port retro-docking area are expected to be purchased to replace the existing ones and expand the Terminal's handling capacity.

As part of the variable portion of the lease, there is a commitment to make monthly payments for the use of the land infrastructure, as shown in Note 19.b).

There is also a commitment for a minimum handling of 65,000 containers in the Terminal in the first year of activity, 150,000 containers in the second year of activity, 280,000 containers in the third year of activity and 360,000 containers from the fourth year of activity. Failure to meet this minimum handling volume shall require the entity to pay an additional amount, as shown in Note 19.b).

Operating standards were established whereby Tecon Imbituba shall perform at least 6 handling activities per hour per trio, when resources other than MHC are used, and at least 15 handling activities per hour, when MHC is used.

- h) Main commitments under the General Cargo Terminal operating agreement with SCPAR, successor of CDI

Operating branch Tecon Imbituba - General Cargo Terminal is required to make minimum investments that include the expansion of the warehouse by 1.500 m<sup>2</sup>, construction of a new warehouse of 3.000 m<sup>2</sup>, repairs in pavement, streets, fences and gates, implementation of facilities and networks of services and expansion of refrigerated containers' capacity. In addition, the agreement requires the entity to implement the ISPS Code and a Port Public Security Plan (PSPP) for Port of Imbituba and purchase its own general cargo handling equipment.

Terminal is required to pay per tonne handled, on a monthly basis, as compensation for the leased area, and per tonne per vessel, as compensation for using the land infrastructure, as shown in Note 19.b).

Terminal has a commitment to handle at least 120,000 tonnes of general cargo in the first year of activity, 140,000 tones in the second year of activity, 180,000 tones in the third year of activity, and 200,000 tones from the fourth year of activity until the end of the agreement. Failure to meet this minimum handling volume shall require the entity to pay an additional amount, as shown in Note 19.b).

i) Main commitments under TEV operating agreement with CODESP

TVS has a commitment to handle at least 182,931 vehicles in the second year of activity, 214,147 vehicles in the third year of activity, 250,691 vehicles in the fourth year of activity, 293,470 vehicles in the fifth year of activity and 300,000 vehicles from the sixth year of activity. Failure to meet this minimum handling volume shall require the entity to pay an additional amount, as shown in Note 19.b).

The investment commitment primarily includes the construction of external accesses to the Terminal and the public harbor and the construction of a gate and a gatehouse for internal access to the Terminal.

As part of the monthly lease payment, the entity is required to pay for the use of the total leased area and infrastructure. There is also a commitment to pay per vehicle handled, as shown in Note 19.b).

j) Main commitments under Convicon operating agreement with Companhia Docas do Pará - CDP

Convicon has the commitment to provide pavement, fences and lighting for at least 20,000 m<sup>2</sup> of lot A and purchase the equipment required for it to be capable of handling at least 30,000 containers after the fifth year of signature of the agreement.

As part of the compensation guaranteed to CDP for the commercial operation by Convicon, the subsidiary is required to make payments of amounts per container handled and tonne handled of unitized cargo, as show in Note 19.b).

The facilities being commercially operated and the assets belonging to CDP that have been used by Convicon must be kept in perfect conditions of use. All improvements made in these facilities, such as any equipment and software, information systems and computers, communication and security systems and systems used to control the port area, which are required for container operations, will be transferred to CDP at the end or termination of the agreement.

Convicon has the contractual commitment to pay CDP a compensation for the operation by Convicon over the term of the agreement (15 years) in monthly lease payments plus inflation adjustment, every September of each year, based on IGP-M.

On June 5, 2013, the Federal Government established, under Law 12815, new guidelines on the direct and indirect exploitation, by the Federal Government, of ports and port facilities, and the operations undertaken by the port operators, and other provisions. The Company's management is still assessing the impacts of these guidelines and monitoring closely the regulation of said Law.

## 2. BASIS OF PREPARATION

### a) Statement of compliance (with respect to IFRS and CPC)

These financial statements include:

- The consolidated financial statements prepared in accordance with the International Financial Reporting Standards - IFRS, issued by the International Accounting Standards Board - IASB, and the accounting practices adopted in Brazil, identified as Consolidated.
- The Parent's individual financial statements prepared in accordance with accounting practices adopted in Brazil (BR GAAP), identified as Parent - BR GAAP.

The accounting practices adopted in Brazil comprise the policies set out in Brazilian Corporate Law and the technical instructions, interpretations and pronouncements issued by the Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CFC) and the Brazilian Securities and Exchange Commission (CVM).

The Parent's individual financial statements present the investments in subsidiaries under the equity method, which differ from the IFRS, which require these investments to be measured at cost or fair value.

However, there is no difference between the consolidated equity and the profit/loss presented and the Company's equity and profit/loss presented in its financial statements. Accordingly, the consolidated and the Parent's individual financial statements are presented as a single set.

The Company's Executive Board authorized the issuance of the individual and consolidated financial statements on February 6, 2014.

### b) Basis of preparation

The individual and consolidated financial statements have been prepared based on the historical cost, except for the following material items recognized in balance sheets:

- Derivatives measured at fair value.
- Financial instruments measured at fair value through profit or loss.

### c) Functional and reporting currency

These individual and consolidated financial statements are presented in Brazilian reais (R\$), which is the Company's functional currency. All financial information presented in Brazilian reais (R\$) have been rounded to the nearest thousand, unless otherwise stated.

### d) Use of estimates and judgments

The preparation of individual and consolidated financial statements pursuant to IFRSs and CPCs requires Management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed on an ongoing basis. Revised accounting estimates are recognized in the period in which estimates are reviewed and in any future periods that may be impacted.

The information on critical judgments related to the accounting policies adopted that affect the amounts recognized in the consolidated financial statements is disclosed in Notes 18 and 19.b).

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies described below have been consistently applied by the Company and its subsidiaries to all reporting periods presented in these individual and consolidated financial statements.

#### a) Basis of consolidation

- Transactions eliminated on consolidation

All intragroup transactions and balances, and any intragroup revenue and expenses are eliminated on consolidation. Unrealized gains, if any, arising from transactions with investees recognized under the equity method are eliminated against the investment to the proportion of the Company's interest in the subsidiaries. Unrealized losses, if any, are eliminated the same way as unrealized gains, but only to the extent that there is no indication of impairment.

The main consolidation procedures are as follows:

- Elimination of intergroup asset and liability balances between consolidated companies.
- Elimination of the Parent's interests in the equity of its subsidiaries, directly and indirectly.
- Elimination of intergroup revenue and expenses and unrealized profits derived from business between the companies. Unrealized losses are eliminated in the same way, but only when there is no indication of impairment of the respective assets.

#### b) Foreign currency

Foreign currency-denominated transactions are translated into the functional currency of the Company and its subsidiaries at the exchange rates prevailing at the dates of the transactions. Foreign-currency assets and liabilities at the reporting date are reconverted into the functional currency at the exchange rate prevailing on those dates. Foreign exchange gain or loss on monetary items is the difference between the amortized cost of the functional currency at the beginning of the year, adjusted by interest rates and actual payments during the year, and the amortized cost in foreign currency at the exchange rate prevailing at the end of the reporting period.

c) Financial instruments and equity

- Nonderivative financial assets

The Company and its subsidiaries initially recognize loans and receivables on the date they were originated. All other financial assets (including assets designated at fair value through profit or loss) are initially recognized on the trade date when the Company and its subsidiaries become a party to the underlying contract.

The Company and its subsidiaries cease to recognize a financial asset when the contractual rights to the asset's cash flows expire or when they transfer such rights to receiving contractual cash flows from a financial asset under a transaction that transfers substantially all risks and rewards of ownership of the financial asset. Any interest created or retained in financial assets is recognized as an individual asset or liability.

The Company and its subsidiaries classify nonderivative financial assets into the following categories:

- Financial assets at fair value through profit or loss

A financial asset is classified at fair value through profit or loss if it is classified as held for trading, i.e., designated as such on initial recognition. Financial assets are designated at fair value through profit or loss if the Company and its subsidiaries manage such investments and make buy-or-sell decisions based on their fair values according to the documented risk management policy and their investment strategy. Transaction costs after initial recognition are recognized through profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes in these assets' fair values are recognized in profit or loss for the year.

- Loans and receivables

Are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are initially recognized at fair value plus any attributable transaction costs. After initial recognition, loans and receivables are measured at the amortized cost using the effective interest rate method, less any impairment losses.

Loans and receivables include trade receivables, other receivables, related parties and court-ordered debt payments, among others.

- Cash and cash equivalents

Include cash and short-term investments with original maturities of three months or less on the date of the contract. Bank overdraft limits that must be repaid in cash and are an integral part of the Company's cash management are carried as a component of cash and cash equivalents for statement of cash flows purposes.

- Nonderivative financial liabilities

The Company and its subsidiaries initially recognize debt securities issued on the date they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are initially recognized on trade date when the Company and its subsidiaries become a party to the underlying contract. The Company and its subsidiaries derecognize a financial liability when their contractual obligations are discharged, cancelled or settled.

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheet when, and only when, there is a legally enforceable right to set off recognized amounts and the intent to either settle them on a net basis, or to recognize the asset and settle the liability simultaneously.

These financial liabilities are initially recognized at fair value plus any attributable transaction costs. After the initial recognition, these financial liabilities are measured at amortized cost using the effective interest rate method.

The Company and its subsidiaries hold the following nonderivative financial liabilities: borrowings and financing; debentures; trade payables; and other payables.

- Capital

*Common and preferred shares*

Common and preferred shares are classified in equity.

Preferred shares are classified in equity in case they are not redeemable, or if they are redeemable only at the Company's discretion. Preferred shares are nonvoting and have preemptive rights in the liquidation of its interest in the capital.

As provided for by bylaws and when determined at the end of the year, minimum mandatory dividends are recognized as liabilities.

- Derivatives, including hedge accounting

Derivatives are initially recognized at fair value; attributable transaction costs are recognized in profit or loss when incurred. After the initial recognition, derivatives are measured at fair value and changes in fair value are recorded in profit or loss.

- Equity instruments

The repurchase of the Company's own equity instruments is recognized and directly deducted from equity. No gain or loss is recognized in income or losses due to the purchase, sale, and issuance or cancellation of the Company's equity instruments.

d) Inventories

Primarily consisting of maintenance items, inventories are measured at average acquisition cost, which does not exceed the market value.

e) Investments

Investments in subsidiaries and other companies that are part of the same group, or are under common control, are measured under the equity method.

f) Property, plant and equipment

• Recognition and measurement

Property, plant and equipment items are measured at the historical purchase or construction cost, less accumulated depreciation and accumulated impairment losses, when necessary.

The software purchased that is an integral part of a piece of equipment's functionality is capitalized as part of such equipment.

When parts of a property, plant and equipment item have different useful lives, such parts are recognized as individual (key components) property, plant and equipment items.

Gains and losses on the disposal of a fixed asset are calculated by comparing the proceeds from the sale with the carrying amount of fixed asset and are recognized at their net amount, in line item "Other income", in the statement of income.

• Subsequent costs

The cost of replacement of property, plant and equipment item is recognized at the carrying amount of the item when it is probable that the economic benefits arising from the item will flow to the Company and its subsidiaries and its cost can be reliably measured. The carrying amount of the component replaced is written off. Daily maintenance costs are recognized in profit or loss as incurred.

• Depreciation

Recognized in profit or loss using the straight-line method, based on the estimated useful lives of each part of an item of property, plant and equipment, as this method is more representative of the time pattern in which economic benefits from the asset are consumed. Leased assets are depreciated over the shorter of the lease term and their economic useful lives, unless it is not reasonable certain that the Company and its subsidiaries will obtain ownership at the end of the lease period.

The estimated useful lives for the current and comparative periods are as follows:

Leasehold improvements	1 to 25 years
Cargo handling equipment	1 to 23 years
IT equipment	5 years
Machinery, equipment and accessories	10 years
Facilities, furniture and fixtures	10 years
Vehicles	5 years
Properties	46 years
Other	10 years

The depreciation methods, useful lives, and residual values are reviewed at each year end, and possible adjustments are recognized as changes in accounting estimates.

g) Other intangible assets and goodwill

- Goodwill

Goodwill arising on the acquisition of subsidiaries is carried in intangible assets in the consolidated financial statements.

The concession intangible assets are measured at cost and amortized over the term of the concession arrangement. Concession intangible assets with indefinite useful life are tested and written down due to impairment losses, when necessary.

Concession intangible assets from acquisitions of entities that hold operating rights are amortized over the term of the agreement and do not consider renewal.

- Public service concession

The Company's subsidiaries and branches, Tecon Santos, Tecon Imbituba, TVS, and Convicon, have public service concession derived from lease agreements, as mentioned in Notes 1 and 14. These branches and subsidiaries operate under a concession arrangement; however, their activities do not fall under the requirements of technical interpretations ICPCs 01 and 17 - Concession Agreements (International Financial Reporting Interpretations Committee - IFRIC 12), as the price of the services provided is not regulated and/or controlled by the concession grantor.

- Other intangible assets

Other intangible assets that are acquired and have finite useful lives are measured at cost less accumulated amortization and accumulated impairment losses.

- Subsequent expenditures

Subsequent expenditures are capitalized only when they increase the future economic benefits attributable to the specific asset to which they are associated. All other expenditures are recognized in profit or loss as incurred.

- Amortization

Amortization is calculated on cost of an asset or another cost value after deducting its residual value.

Amortization is recognized in profit or loss using the straight-line method, based on the estimated useful lives of intangible assets, other than goodwill without definite useful life, from the date they are available for use, since this is the method that best reflects the pattern in which the asset's future economic benefits are expected to be consumed.

The estimated useful lives for the current and comparative periods are as follows:

Operating rights	25 years
Goodwill on acquisitions	10 to 22 years
Software licenses	10 years

h) Leased assets

Leased assets with respect to which the Company and its subsidiaries assume the risks and rewards inherited in the property are classified as finance leases. On initial recognition, a leased asset is measured at the lower of its fair value or the present value of the minimum lease payments. After initial recognition, a leased asset is recorded according to the accounting policy applicable to the asset.

Other leases are operating leases and are not recognized in the balance sheet.

i) Impairment

The carrying amounts of the Company's nonfinancial assets other than inventories and deferred income tax and social contribution are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful life, the recoverable amount is annually estimated at the same time of the year.

The recoverable value of an asset or cash-generating unit (UGC) is the greater of its value in use and its fair value less costs to sell. In measuring the value in use, the estimated future cash flows are discounted to their present value using a pretax discount rate that reflects current market conditions with respect to the capital recovery period and the risks specific to the asset. For impairment testing purposes, assets that cannot be individually tested are grouped in the lowest group of assets that generates cash inflows from continuing use, which are mainly independent from cash inflows from other assets or groups of assets (cash-generating unit). For impairment testing purposes, the goodwill amount based on future profitability was allocated to the UGC of the logistics business, as mentioned in Note 32. This allocation reflects the lowest level at which is monitored for internal purposes and is not larger than an operating segment determined under IFRS 8 and technical pronouncement CPC 22 -Segment Information.

The Company's Management did not identify any evidence that would justify recognizing impairment losses as of December 31, 2013 and 2012.

j) Employee benefits

Share-based payment transactions

The fair value of share-based payments is recognized at the grant date, as personnel expenses, with a corresponding increase in equity, over the period when employees become unconditionally entitled to the benefits. The amount recognized as an expense is adjusted to reflect the actual number of stock options for which the related service and nonmarket vesting conditions are expected to be met, so that the amount ultimately recognized as an expense is based on the actual number of shares actually meeting service conditions and nonmarket vesting conditions at vesting date. For share-based payment awards with a nonmarket vesting condition (nonvesting), the fair value at grant date is measured to reflect such conditions and there is no change for differences between expected and actual benefits.

### Post-employment benefits

Post-employment benefits are recognized as an expense when is provenly committed, without the possibility of retraction, to a formal detailed plan to terminate the employment contract before the normal retirement date, or to provide employment termination benefits as a result of an offer made to encourage voluntary dismissals. Post-employment benefits arising from voluntary dismissals are recognized as an expense when a voluntary dismissal offer has been made, it is probable that the offer will be accepted, and the number of employees who will adhere to the program can be reliably estimated. If the benefits are payable for more than 12 months from the reporting date, they are discounted to their present values.

### Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and incurred as expenses as the related service is provided.

The liability is recognized at the expected amount to be paid under the cash-bonus or short-term profit share plans when the Company has a legal or constructive obligation to pay such amount as a result of the past service provided by an employee, and such obligation can be reliably estimated.

### Defined contribution plan

The Company and its subsidiaries provide to its employees benefits comprising mainly private pension plan with defined contribution managed by Brasilprev, according to Note 7.d).

### Post-employment benefits

Health care expenses on retirement are recognized under the Projected Credit Unit approach based on an actuarial valuation performed annually at the reporting dates. Past-service cost is recognized immediately on a straight-line basis over the average period until the benefits become vested.

Obligations relating to health care benefits recognized in the balance sheet represent the present value of the obligation with the benefits defined, adjusted for actuarial losses and gains and for the cost of past services, as mentioned in Note 28.

## k) Provisions

A provision is recognized when there is a present legal or constructive obligation, that can be reliably estimated and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.

l) Operating revenue

Service revenue is recognized when services are provided and is related, mainly, to harbor, bonded warehouse and logistics operations. Harbor operations refer basically to the loading and unloading of containers from vessels and are recognized in the statement of income as operations of each vessel is completed. Bonded warehouse operations are related to the storage of import or export cargo. Storage revenue is recognized upon customs clearance and withdrawal of the imported cargo by the importing company or upon shipping the exported cargo into the vessel. Logistics operations refer mainly to the transport and storage at distribution centers. Storage revenue is recognized every 15 days or monthly, according to the customer agreement, and freight revenue is recognized when stored goods are delivered.

Revenues and expenses are recognized on the accrual basis.

m) Leases

Operating lease payments are charged to profit or loss on the straight-line basis over the lease period.

The minimum lease payments under finance lease are allocated between financial expenses and reduction of outstanding liability. The financial expenses are allocated to each period during the lease term in order to create a periodic constant interest rate over the remaining balance of the liability. Contingent lease payments are recorded through the review of minimum lease payments based on the remaining lease term when the lease adjustment is confirmed.

n) Financial income and financial expenses

Financial income is primarily comprised of interest on short-term investments, which is recognized in income under the effective interest rate method.

Financial expenses consist basically of expenses on interest on borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss under the effective interest rate method.

o) Income tax and social contribution

Current and deferred income tax for the year is calculated at the rate of 15%, plus a surtax of 10% on taxable income exceeding R\$240, and current and deferred social contribution is calculated at the rate of 9% on taxable income; this calculation takes into consideration tax loss offset, limited to 30% of taxable income.

Current tax is the expected tax payable or receivable on taxable profit or loss for the year at tax rates that have been enacted or substantially enacted by the end of the reporting period and any adjustment to taxes payable in relation to prior years.

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used for tax calculation purposes. Deferred taxes are not accounted for on the following temporary differences: the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss, and differences related to investments in subsidiaries and controlled entities when it is probable that they will not be reversed in the foreseeable future. In addition, deferred tax is not recognized for taxable temporary differences resulting in the initial recognition of goodwill. Deferred tax is measured at the rates that are expected to be applied on temporary differences when they reverse, based on the laws that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax assets and liabilities may be netted if there is a legal right to offset the current tax asset and liability amounts and they relate to the same taxing authority.

A deferred income tax and social contribution asset is recognized for all unutilized deductible tax losses, tax credits, and temporary differences to the extent that it is probable that taxable profits will be available against which those tax losses, tax credits, and deductible temporary differences can be utilized.

Deferred income tax and social contribution assets are reviewed at each reporting period and will be reduced to the extent their realization is no longer probable.

p) Earnings per share

Basic earnings per share are calculated using net profit for the period attributable to the Company's owners and the weighted average number of shares outstanding in the period. Diluted earnings per share are calculated by means of the average number of shares outstanding, adjusted by instruments potentially convertible into shares, with diluting effect, in the reported periods, as prescribed by technical pronouncement CPC 41 - Earnings per Share and rule IAS 33 - Earnings per Share.

q) Segment information

An operating segment is a component of the Company and its subsidiaries that develop activities from which they can earn revenues and incur expenses, including income and expenses related to transactions with other components. All revenues and expenses from operating segments are reviewed frequently by the Chief Executive Officer - CEO of the Group for decisions on the resources to be allocated to the segment and for an evaluation of its performance, for which individual financial information is available.

Revenue and expenses from segments include items directly attributable to the segment, as well as those that may be allocated on a reasonable basis. Unallocated items mainly comprise institutional assets (primarily the Company's headquarters) and income and social contribution assets and liabilities.

r) Statements of value added

The Company has prepared individual and consolidated statements of value added (DVA) in accordance with CPC 09 - Statement of Value Added, which are presented as an integral part of the financial statements according to the BR GAAP applicable to publicly-held companies, whereas they represent additional financial information for IFRS.

s) New standards and interpretations issued and not yet adopted

The Company and its subsidiaries did not adopt the following new and revised IFRSs already issued but not yet effective:

<u>Standard</u>	<u>Description</u>	<u>Effective date</u>
IFRS 9 - Financial Instruments	Refers to the first stage of the project to supersede IAS 39 - Financial Instruments - Recognition and Measurement	Annual periods beginning after January 1, 2015.
Amendments to IFRS 9 and IFRS 7	Refers to the mandatory application date of IFRS 9 and transition disclosure	Annual periods beginning on or after January 1, 2015.
Amendments to IAS 32	Refers to the offsetting of financial assets and liabilities	Annual periods beginning on or after January 1, 2014.

The Company's management believes that the application of these standards above, to be adopted in its financial statements on their effective dates, could impact previously reported amounts. However, it is not possible to provide a reasonable estimate of this effect until a detailed review is made for the time of their adoption.

t) Present value adjustment

Accounts subject to adjustment to present value include trade receivables and trade payables. These were not adjusted to their present value, as their settlement term is shorter than 60 days.

u) Reclassifications

Some amounts presented in the statement of cash flows for the year ended December 31, 2012 have been reclassified for better presentation and for consistency with the reporting standard used in the current year:

- The amount of interest on capitalized borrowings, which was previously presented as an adjustment to reconcile profit or loss, was reclassified and is being presented in the group cash flows from investing activities.
- The amount of the allowance for doubtful debts, which was previously presented together with the changes in receivables, was reclassified and is being separately presented in the adjustments to reconcile profit for the year.
- The amount of derecognized contingencies due to payment, which was previously presented together with the changes in provision for contingencies, in the adjustments to reconcile profit for the year, was reclassified and is being separately presented.

#### 4. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements include information on the Company and the following subsidiaries:

	Equity interest - %	
	12.31.2013	12.31.2012
Direct subsidiaries:		
Terminal Portuário de Veículos S.A. (“TPV”)	100	100
Pará Empreendimentos Financeiros S.A. (“Pará Empreendimentos”)	100	100
Terminal de Veículos de Santos S.A. (“TVS”)	100	100
Numeral 80 Participações S.A. (“Numeral 80”)	100	100
Nova Logística S.A. (“Nova Logística”)	100	100
Indirect subsidiary:		
Convicon Contêineres de Vila do Conde S.A. (“Convicon”)	100	100

#### 5. FAIR VALUE MEASUREMENT

Several of the Company’s accounting policies and disclosures require the measurement of the fair value of both financial assets and financial liabilities and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

##### a) Trade and other receivables

The fair value of trade receivables and other receivables is estimated as the present value of future cash flows, discounted at the interest market rate as at the reporting date. Such fair value is calculated for purposes of disclosure.

##### b) Interest rate swap contracts

The fair value of swaps and interest rates is based on quotations from brokerage houses. These quotations are tested for reasonableness using the future estimated discounted cash flows method based on conditions and maturity of each contract, using the interest rate prevailing in the market for a similar instrument determined on the measurement date. The fair values reflect the risk of credit of the instrument and include adjustments to consider the credit risk of the entity of the Group and counterpart, when appropriate.

##### c) Other nonderivative financial liabilities

The fair value, which is determined for disclosure purposes, is calculated based on the present value of the principal and future cash flows, discounted using a market interest rate determined at the reporting date. With respect to the liability component of convertible debt instruments, the market interest rate is calculated based on similar liabilities with no translation option. For finance leases, the interest rate is determined based on similar lease agreements.

## d) Share-based payment transactions

The fair value of stock option plan and rights on appreciation of shares are measured using the Black-Scholes formula. Changes in measurement include price of shares at the measurement date, the instrument's exercise price, expected volatility (based on the historical weighted average adjusted for changes expected, which, in its turn, is based on information made publicly available), weighted average life of the instruments (based on the historical experience and option holder's general behavior), expected dividends and risk-free interest rate (based on government bonds).

Service conditions and nonmarket performance conditions inherent in transactions are not taken into account in measuring the fair value.

## 6. FINANCIAL RISK MANAGEMENT

Capital management

It is the management's policy to adopt a solid capital base to ensure that the confidence of investors, creditors and the market is maintained and also to maintain the future development of the business. Management monitors the return on the capital invested taking into consideration the performance of the operating segments and the level of dividends paid to common and preferred shares.

Management seeks to maintain a balance between the highest returns possible with more appropriate financing level and the advantages and security provided by a healthy capital position. The objective is to reach a return compatible with its capital cost, which is reviewed annually under the Weighted Average Cost of Capital - WACC approach.

The debt-to-capital ratio for the years ended December 2013 and 2012 is as follows:

	Parent	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Total current and noncurrent liabilities	696,700	734,600
(-) Cash, cash equivalents and other investments	<u>(107,285)</u>	<u>(74,642)</u>
Net debt	<u>589,415</u>	<u>659,958</u>
Total equity	1,447,969	1,368,901
Net debt-to-equity ratio	0.40706	0.48211
	Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Total current and noncurrent liabilities	758,661	818,101
(-) Cash, cash equivalents and other investments	<u>(122,987)</u>	<u>(136,444)</u>
Net debt	<u>635,674</u>	<u>681,657</u>
Total equity	1,447,969	1,368,901
Net debt-to-equity ratio	0.43901	0.49796

The other risks, i.e., credit risk, liquidity risk and market risk, are presented in Note 29.

## 7. RELATED-PARTY TRANSACTIONS

## a) Intragroup loans - Parent

12.31.2013

Current liabilities:

Terminal de Veículos de Santos S.A. 46,145

Refer to the agreement entered into on August 9, 2013, bearing interest equivalent to 100.5% of the Interbank Deposit Certificate (CDI), equivalent to the same interest applicable to the short-term investment that was held by the lender.

## b) Provision of port services

The operating branch Tecon Santos provided, from January to December 2013, port services to the subsidiary Nova Logística, including: (i) prompt delivery of containers, in the amount of R\$6,395 (R\$3,610 as of December 31, 2012), relating to 180,802 containers handled (28,253 containers as of December 31, 2012); (ii) noninvasive inspection of containers, in the amount of R\$772, relating to 4,791 containers; and (iii) other services in the storage and monitoring of containers, in the amount of R\$89.

The subsidiary Nova Logística also provided, in the same period, services in the transportation of containers to the operating branch Tecon Santos, in the amount of R\$4,863, relating to 6,317 containers.

The billing prices were usual market prices.

## c) Compensation of key management personnel

Certain officers are parties to a Confidentiality and Non-compete Agreement, approved by the Board of Directors. This agreement sets out the obligations and benefits in case of termination.

	Parent		Parent	
	12.31.2013		12.31.2012	
	Board of Directors	Executive Board	Board of Directors	Executive Board
Short-term benefits	1,841	17,823	1,841	17,111
Other benefits	-	518	-	462
Stock option plan	-	<u>5,512</u>	-	<u>5,144</u>
Total	<u>1,841</u>	<u>23,853</u>	<u>1,841</u>	<u>22,717</u>
	Consolidated		Consolidated	
	12.31.2013		12.31.2012	
	Board of Directors	Executive Board	Board of Directors	Executive Board
Short-term benefits	1,864	19,097	1,864	19,000
Other benefits	-	531	-	492
Stock option plan	-	<u>5,603</u>	-	<u>5,292</u>
Total	<u>1,864</u>	<u>25,231</u>	<u>1,864</u>	<u>24,784</u>

The Executive Board's amounts include the compensation paid to statutory officers and other executives.

The officers holding shares have 0.01% of the Company's voting stock.

d) Employee benefits - Consolidated

The Company and its subsidiaries grant their employees benefits, under the prevailing legislation, comprising basically of a defined contribution private pension plan managed by Brasilprev, life insurance, medical care, basket of food staples, food card, meal tickets and the supply of ready meals. As of December 31, 2013, the benefits above total R\$37,984 (R\$30,872 as of December 31, 2012), corresponding to 2.74% and 2.39% of the consolidated net operating revenue, respectively.

The operating branch Tecon Santos and the subsidiaries Nova Logística and Terminal de Veículos include in their human resources policies a profit-sharing plan and to which are eligible all employees with a formal employment relationship not part of any other variable compensation program offered by these companies. The goals and criteria for setting and distributing the funds awarded are agreed to between the parties, including the unions that represent employees, to promote gains in productivity and competitiveness, as well as motivation and involvement of participants. As of December 31, 2013, an accrual in the amount of R\$12,236 (R\$10,373 as of December 31, 2012) was recorded.

e) Guarantees

The Company provides the following guarantees to its subsidiaries:

- Letter of guarantee related to the contract with Cia de Docas do Pará - CDP, provided to Convicon, in the amount of R\$357.
- Guarantor of Nova Logística's Distribution Center (DC) lease agreement, in the amount of R\$840.
- Guarantee for the acquisition of reach stackers to Nova Logística, in the amount of €1,300, equivalent to R\$4,194.
- Guarantee for the acquisition of semi-trailers for Nova Logística, in the amount of R\$6,402.
- Guarantee for the acquisition of truck tractors for Nova Logística, in the amount of R\$4,137.
- Guarantee for the acquisition of electric reach stackers and forklifts for Nova Logística, in the amount of R\$2,333.
- Guarantee for the acquisition of a forklift for empty containers for Convicon, in the amount of €178, equivalent to R\$574.
- Guarantee for the acquisition of trucks for Convicon, in the amount of R\$361.

## f) Controlling interests

The controlling group, structured in accordance with Auction Notice PND/MT/CODESP 01/97, clause 5.2.2, consists of the shareholders of International Markets Investments C.V., Multi STS Participações S.A. and Brasil Terminais S.A. No transactions with the controlling group were conducted.

## 8. CASH AND CASH EQUIVALENTS AND NATURE OF SHORT-TERM INVESTMENTS

## a) Cash and cash equivalents

	Parent		Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>	<u>12.31.2013</u>	<u>12.31.2012</u>
Cash and banks	16,807	5,963	21,482	9,972
Short-term investments	<u>90,478</u>	<u>68,679</u>	<u>101,505</u>	<u>126,472</u>
Total	<u>107,285</u>	<u>74,642</u>	<u>122,987</u>	<u>136,444</u>

## b) Nature of short-term investments

	Average rates - % CDI	Maturity	Parent	
			<u>12.31.2013</u>	<u>12.31.2012</u>
Held-for-trading investments:				
Bank Certificates of Deposit (CDBs)	106.00	09/04/2014	-	30,528
Investment funds	100.27	Indeterminate	<u>90,478</u>	<u>38,151</u>
Total			<u>90,478</u>	<u>68,679</u>
	Average rates - % CDI	Maturity	Consolidated	
			<u>12.31.2013</u>	<u>12.31.2012</u>
Held-for-trading investments:				
Bank Certificates of Deposit (CDBs)	105.00	06/02/2014	3,351	33,630
Investment funds	100.28	Indeterminate	<u>98,154</u>	<u>92,842</u>
Total			<u>101,505</u>	<u>126,472</u>

The average rates of short-term investments, shown above, refer to the yield obtained in the period January-December 2013, and are pegged to the CDI rate. Despite their long-term maturities, the investments in Bank Certificates of Deposit (CDBs) can be redeemed at any time provided in the contract without risk of loss of income already accrued, are part of the Company's daily cash management and are, therefore, stated as cash and cash equivalents in current assets.

## 9. TRADE RECEIVABLES

## a) Current

	Parent	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Domestic customers	114,420	102,443
(-) Allowance for doubtful debts	<u>(10,325)</u>	<u>(1,634)</u>
Total	<u>104,095</u>	<u>100,809</u>
	Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Domestic customers	151,732	136,964
(-) Allowance for doubtful debts	<u>(11,797)</u>	<u>(2,165)</u>
Total	<u>139,935</u>	<u>134,799</u>

In December 2013, the amount of R\$10,043, relating to amounts receivable between the Company and its subsidiary Nova Logística, from port services billed, was eliminated for consolidation purposes (Note 7.b)).

The table below summarizes aging list of receivables:

	Parent	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Current	48,682	54,773
Receivables up to 60 days past due	45,520	38,677
Receivables 61 to 90 days past due	3,532	4,023
Receivables 91 to 180 days past due	5,327	3,607
Receivables 181 to 360 days past due	8,184	781
Receivables past due for more than 361 days	<u>3,175</u>	<u>582</u>
Total	<u>114,420</u>	<u>102,443</u>
	Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Current	71,048	80,076
Receivables up to 60 days past due	52,255	45,949
Receivables 61 to 90 days past due	5,617	4,366
Receivables 91 to 180 days past due	9,111	3,896
Receivables 181 to 360 days past due	9,753	1,593
Receivables past due for more than 361 days	<u>3,948</u>	<u>1,084</u>
Total	<u>151,732</u>	<u>136,964</u>

Impairment

The allowance for doubtful debts is recognized based on receivables past due for more than 90 days, according to the history of losses, which as at December 31, 2013 totaled R\$22,812, consolidated (R\$6,573 as at December 31, 2012). Out of this amount, (i) receivables under collection procedures but without risk of loss and (ii) unidentified deposits have been excluded, while the amount of R\$5,750, relating to retrospective billings to Terminais Retroportuários Alfandegados - TRAs (note 18 (a)), despite not past due for more than 90 days, has been included, resulting in a consolidated amount of R\$11,797 (R\$2,165 at December 31, 2012).

Past-due receivables are written off as prescribed by article 9, paragraph 1, II, of Law 9430/96.

## b) Noncurrent liabilities

	<u>Parent</u>	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Domestic customers	<u>40,625</u>	<u>14,236</u>
	<u>Consolidated</u>	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Domestic customers	<u>40,625</u>	<u>14,011</u>

The amount classified as noncurrent refers to receivables under judicial discussion related to TRAs that are not the subject of the reversal of the provision for risk referred to in Note 18.(a).

In December 2012, the amount of R\$225, relating to amounts receivable between the Company and its subsidiary Nova Logística, derived from port services billed, was eliminated for consolidation purposes (Note 7.b)).

## 10. COURT-ORDERED DEBT PAYMENTS - CONSOLIDATED

	<u>12.31.2013</u>	<u>12.31.2012</u>
Noncurrent assets:		
Court-ordered debts receivable	<u>4,053</u>	<u>3,839</u>
Noncurrent liabilities:		
Court-ordered debts to be transferred to shareholders, net of legal fees (*)	<u>3,243</u>	<u>3,071</u>

(\*) The court-ordered debts are classified in the balance sheet in line item "Other", under noncurrent liabilities.

In 1993, the subsidiary Nova Logística filed a collection lawsuit related to goods warehousing services provided to and not paid by the São Paulo State Department of Finance. In 2001, this lawsuit was finally upheld to become final and unappeasable, and the court ordered that the debt be paid in ten annual installments, of which only one remains unpaid on December 31, 2013, adjusted for inflation according to legal debt adjustment rate of the São Paulo State Justice Court and recognized in assets.

In the year ended December 31, 2013, the noncurrent liability amount was adjusted principally considering the inflation adjustment mentioned in the paragraph above. The agreement to acquire Nova Logística establishes that any court-order debt amounts received shall be transferred to the former controlling shareholders, net of the related legal fees.

## 11. CURRENT TAX ASSETS

	Parent	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Withholding income tax - IRRF	1,710	466
Corporate Income Tax - IRPJ and Social Contribution on Net Profit - CSLL	14,807	14,232
Other	<u>14</u>	<u>57</u>
Total current	<u>16,531</u>	<u>14,755</u>
	Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>
IRRF	1,839	684
IRPJ and CSLL	15,705	14,935
Credits of Social Integration Program - PIS / Contribution for Social Security Financing - COFINS	136	136
Other	<u>507</u>	<u>728</u>
Total current	<u>18,187</u>	<u>16,483</u>

As of December 31, 2013, the Company recorded IRRF credits totaling R\$1,710 (R\$466 as of December 31, 2012) primarily derived from short-term investments.

The consolidated IRPJ and CSLL credits, in the amount of R\$15,705 (R\$14,935 as of December 31, 2012), referred mainly to the Company and resulted from payment made in the prior year, as prepayments of monthly amounts due. These credits will be offset in the subsequent year.

PIS and COFINS credits referred to the subsidiary Convicon, in the amount of R\$136, derived from PIS/COFINS tax credits taken on revenue from foreign trade receivables, which had been paid inappropriately.

## 12. INVESTMENTS - PARENT

## a) Balance breakdown

	<u>12.31.2013</u>	<u>12.31.2012</u>
Investments in subsidiaries	<u>405,988</u>	<u>418,846</u>

## b) Changes in balances - starting December 31, 2011

	Numeral 80 Participações S.A.	Terminal Portuário de Veículos S.A.	Pará Empreendimentos Financeiros S.A. (Consolidated)	Nova Logística S.A.	Terminal de Veículos de Santos S.A.	Total
Balance at December 31, 2011	283	4	17,239	142,956	227,517	387,999
Capital contribution	-	81	10,300	-	-	10,381
Share of profits (losses) of subsidiaries	(175)	(45)	(3,124)	26,758	33,949	57,363
Additional dividend proposed in 2011 and paid in 2012	-	-	-	(5,114)	(9,129)	(14,243)
Interim dividends	-	-	-	-	(16,894)	(16,894)
Minimum mandatory dividends	-	-	-	(6,355)	-	(6,355)
Stock option plan	-	-	21	173	-	194
Actuarial liabilities	-	-	(154)	578	(23)	401
Balance at December 31, 2012	<u>108</u>	<u>40</u>	<u>24,282</u>	<u>158,996</u>	<u>235,420</u>	<u>418,846</u>

## c) Changes in balances - starting December 31, 2012

	Numeral 80 Participações S.A.	Terminal Portuário de Veículos S.A.	Pará Empreendimentos Financeiros S.A. (Consolidated)	Nova Logística S.A.	Terminal de Veículos de Santos S.A.	Total
Balance at December 31, 2012	108	40	24,282	158,996	235,420	418,846
Capital contribution	200	25	34	-	-	259
Advance for future capital increase	-	-	1,500	-	-	1,500
Share of profits (losses) of subsidiaries	(119)	(26)	(10,467)	21,858	21,646	32,892
Additional dividend proposed in 2012 and paid in 2013	-	-	-	(11,439)	(15,357)	(26,796)
Additional dividends, as approved by the GSM held on March 25, 2013	-	-	-	(5,084)	-	(5,084)
Interim dividends	-	-	-	(10,988)	-	(10,988)
Minimum mandatory dividends	-	-	-	-	(5,141)	(5,141)
Stock option plan	-	-	23	109	-	132
Actuarial liabilities	-	-	101	251	16	368
Balance at December 31, 2013	<u>189</u>	<u>39</u>	<u>15,473</u>	<u>153,703</u>	<u>236,584</u>	<u>405,988</u>

## d) Information on subsidiaries as of December 31, 2013

	Numeral 80 Participações S.A.	Terminal Portuário de Veículos S.A.	Pará Empreendimentos Financeiros S.A. (Consolidated)	Nova Logística S.A.	Terminal de Veículos de Santos S.A.
Capital	500	300	66,810	126,374	201,051
Number of shares held:					
Common	345,100	299,999	66,809,999	115,935,256	204,269,217
Preferred	154,900	-	-	115,935,255	-
(Loss) profit for the period	(119)	(26)	(10,467)	21,858	21,646
Equity	189	39	15,473	153,703	236,584
Equity interest (%)	100	100	100	100	100
Interest in equity	189	39	15,473	153,703	236,584
Current assets	191	40	5,418	51,588	56,630
Noncurrent assets	-	-	30,725	199,008	189,600
Total assets	191	40	36,143	250,596	246,230
Current liabilities	2	1	10,436	48,807	9,561
Noncurrent liabilities	-	-	10,234	48,086	85
Total liabilities	2	1	20,670	96,893	9,646
Net revenues	-	-	28,672	246,431	67,467
(Loss) profit for the year	(119)	(26)	(10,467)	21,858	21,646

The end of the subsidiaries' reporting periods is the same as that of the Parent company.

## 13. PROPERTY, PLANT AND EQUIPMENT

	Annual depreciation rate - %	Parent			
		Cost	Accumulated depreciation	Net value 12.31.2013	Net value 12.31.2012
Leasehold improvements	5.6	836,058	(213,610)	622,448	627,872
Cargo handling equipment	7.6	533,719	(292,277)	241,442	260,715
Construction in progress (*)	-	28,113	-	28,113	54,277
IT equipment	20	27,442	(21,041)	6,401	4,567
Land	-	36,553	-	36,553	30,022
Machinery, equipment and accessories	10	22,181	(8,583)	13,598	8,056
Facilities, furniture and fixtures	10	7,870	(4,247)	3,623	2,935
Vehicles	20	4,880	(2,624)	2,256	2,777
Other	10	241	(189)	52	59
Total		<u>1,497,057</u>	<u>(542,571)</u>	<u>954,486</u>	<u>991,280</u>

	Annual depreciation rate - %	Consolidated			
		Cost	Accumulated depreciation	Net value 12.31.2013	Net value 12.31.2012
Leasehold improvements	4.2 - 13.6	860,892	(222,789)	638,103	653,666
Cargo handling equipment	7.6 - 12.1	617,806	(322,740)	295,066	303,786
Construction in progress (*)	-	44,811	-	44,811	69,376
IT equipment	20	35,363	(25,735)	9,628	7,352
Land	-	62,979	-	62,979	56,447
Machinery, equipment and accessories	10	34,003	(12,141)	21,862	12,574
Facilities, furniture and fixtures	10	47,941	(13,671)	34,270	15,864
Vehicles	20	5,124	(2,765)	2,359	2,862
Properties	2.2	25,181	(4,060)	21,121	21,627
Other	10	614	(447)	167	94
Total		<u>1,734,714</u>	<u>(604,348)</u>	<u>1,130,366</u>	<u>1,143,648</u>

Changes in property, plant and equipment in the years ended December 31, 2013 and 2012 are as follows:

	Parent		Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Opening net balances:	991,280	996,131	1,143,648	1,133,557
Additions/transfers:				
Leasehold improvements	43,810	69,535	45,893	80,127
Cargo handling equipment	8,438	39,802	26,540	50,000
Construction in progress (*)	(24,831)	(41,984)	(23,105)	(47,148)
IT equipment	3,633	2,017	4,965	3,812
Land	6,532	-	6,532	-
Machinery, equipment and accessories	6,809	573	11,305	1,762
Facilities, furniture and fixtures	1,279	523	13,492	8,784
Vehicles	557	983	607	1,051
Properties	-	-	-	-
Other	6	7	105	11
Total additions/transfers	<u>46,233</u>	<u>71,456</u>	<u>86,334</u>	<u>98,399</u>
Write-offs/reclassifications	<u>(2,228)</u>	<u>(120)</u>	<u>(3,005)</u>	<u>(583)</u>
Depreciation	<u>(80,799)</u>	<u>(76,187)</u>	<u>(96,611)</u>	<u>(87,725)</u>
Closing net balances	<u>954,486</u>	<u>991,280</u>	<u>1,130,366</u>	<u>1,143,648</u>

(\*) The amount added to line item "Construction in progress" is net of transfers of the assets that go into service to the relevant line items.

Capitalized consolidated borrowings and financing costs in the year ended December 31, 2013, in the amount of R\$526 (R\$1,448 as of December 31, 2012), refer to financing directly attributable to these property, plant and equipment items.

The Company and its subsidiaries have pieces of equipment that have been pledged as collateral of the financed acquisitions (Financing Fund for the Acquisition of Industrial Machinery and Equipment (FINAME) and Import Financing (FINIMP)). The acquisition value of these assets was R\$253,883. In addition to these guarantees, the Company also has a Rubber Tyred Gantry - RTG pledged as collateral of ongoing Labor Lawsuit 369/03, which, as of December 31, 2013, had a carrying amount of R\$1,325.

## 14. INTANGIBLE ASSETS

	Annual amortization rate - %	Parent			
		Cost	Accumulated amortization	Net value	Net value
				12.31.2013	12.31.2012
Finite useful lives:					
Operation rights: (a)					
Tecon Santos	4	129,791	(83,499)	46,292	51,484
Tecon Imbituba	4	121,700	(27,517)	94,183	99,051
Terminal de Carga Geral	4	7,395	(1,925)	5,470	5,770
Goodwill on acquisitions: (b)					
Santos-Brasil S.A. share	7.2	321,264	(221,775)	99,489	110,647
Pará Empreendimentos	9.8	37,760	(20,815)	16,945	20,576
Terminal de Carga Geral	4.5	18,983	(3,805)	15,178	16,007
Software:					
Data processing systems	20	21,440	(17,746)	3,694	6,207
Other intangible assets:					
Software under development	-	<u>63</u>	<u>-</u>	<u>63</u>	<u>136</u>
Total		<u>658,396</u>	<u>(377,082)</u>	<u>281,314</u>	<u>309,878</u>
	Annual amortization rate - %	Consolidated			
		Cost	Accumulated amortization	Net value	Net value
				12.31.2013	12.31.2012
Finite useful lives:					
Operation rights: (a)					
Tecon Santos	4	129,791	(83,499)	46,292	51,484
Tecon Imbituba	4	121,700	(27,517)	94,183	99,051
Terminal de Carga Geral	4	7,395	(1,925)	5,470	5,770
Terminal de Exportação de Veículos	4	223,493	(35,759)	187,734	196,674
Goodwill on acquisitions: (b)					
Santos-Brasil S.A. share	7.2	321,264	(221,775)	99,489	110,647
Pará Empreendimentos	9.8	37,760	(20,815)	16,945	20,576
Terminal de Carga Geral	4.5	18,983	(3,805)	15,178	16,007
Software:					
Data processing system	20	29,797	(24,620)	5,177	8,597
Other intangible assets:					
Software under development	-	<u>221</u>	<u>-</u>	<u>221</u>	<u>153</u>
		<u>890,404</u>	<u>(419,715)</u>	<u>470,689</u>	<u>508,959</u>
Indefinite useful lives:					
Goodwill on acquisitions: (c)					
Nova Logística (*)	-	<u>47,575</u>	<u>(8,110)</u>	<u>39,465</u>	<u>39,465</u>
		<u>47,575</u>	<u>(8,110)</u>	<u>39,465</u>	<u>39,465</u>
Total		<u>937,979</u>	<u>(427,825)</u>	<u>510,154</u>	<u>548,424</u>

(\*) Amortization accumulated through December 31, 2008.

Changes in property, plant and equipment in the years ended December 31, 2013 and 2012 are as follows:

	Parent		Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>	<u>12.31.2013</u>	<u>12.31.2012</u>
Opening net balances	309,878	338,148	548,424	586,530
Additions/transfers:				
Software	593	945	626	1,634
Other intangible assets	<u>(73)</u>	<u>144</u>	<u>68</u>	<u>(494)</u>
Total additions/transfers	520	1,089	694	1,140
Write-offs/reclassifications	<u>-</u>	<u>(140)</u>	<u>4</u>	<u>(158)</u>
Amortization	<u>(29,084)</u>	<u>(29,219)</u>	<u>(38,968)</u>	<u>(39,088)</u>
Closing net balances	<u>281,314</u>	<u>309,878</u>	<u>510,154</u>	<u>548,424</u>

(a) Operating rights

Operating rights refer to installments comprising the amounts paid for the commercial operation of the related port facilities, Tecon 1 Santos, since November 29, 1997 (Note 1.a)), Tecon Imbituba, since April 7, 2008 (Note 1.b)) and Terminal de Carga Geral Imbituba, since February 13, 2006 (Note 1.b)), which are amortized over 25 years, which is the term of all of the respective lease agreements.

As mentioned in Note 1.d), the subsidiary TVS won the tender process for TEV and, when the agreement was executed, it made an initial payment of R\$133,495, plus bidding costs, in the amount of R\$4,711, and, on January 4, 2010, TVS made a final payment of R\$85,287 and assumed TEV's operations, upon signing a document supporting the delivery and receipt of the area.

(b) Goodwill on acquisitions - with finite useful lives

In 2006, former shareholders of the then subsidiary Santos-Brasil granted stock options that were exercised by third parties with a goodwill of R\$321,264. In the same year, the then subsidiary Santos-Brasil conducted a downstream merger of the stock options of the companies acquiring the stock options, including the respective goodwill, which was amortized through December 31, 2008, based on tax benefits that may be used in five years, as prescribed by legal rules applicable. Beginning January 1, 2009, under technical instruction OCPC 02 - Clarifications on 2008 Financial Statements, this goodwill, which is based on the expected future profitability over the term of Tecon 1 Santos lease agreement (Note 1.a)), was considered as having a finite useful life and its amortization will be made based on the remaining term of the lease agreement.

The acquisition of Convicon was completed on April 9, 2008 through the subsidiary Nara Valley, for the amount of R\$45,000, which, compared to the net accounting position as at the acquisition date, generated a goodwill of R\$37,760. This transaction occurred through the acquisition of 75% of common shares in the capital stock of Pará Empreendimentos Financeiros S.A., which holds 100% of common shares representing Convicon's capital stock.

The goodwill recorded on the acquisition of Convicon was based on the expected future profitability over Terminal de Contêineres de Vila do Conde lease term (Note nº 1.e)) and is amortized over the remaining term of this lease agreement.

The acquisition of 100% of common shares in the capital stock of Union, then lessee of Terminal de Carga Geral de Imbituba, through the then subsidiary Tremarctos Participações S.A., was completed for the amount of R\$25,000, and a goodwill of R\$18,983 was recorded.

The goodwill recorded on the acquisition of Terminal de Carga Geral was based on the expected future profitability over the respective Terminal lease term and is amortized over the remaining term of this lease agreement.

(c) Goodwill on acquisitions - with indefinite useful lives

The acquisition of Nova Logística, then named Mesquita (Note nº 1.c)), was completed on November 1, 2007, for R\$95,000, which, compared to the net accounting position generated a goodwill of R\$47,575.

The goodwill recorded on the acquisition of Nova Logística was based on the expected future profitability and, through December 31, 2008, was amortized based on tax benefits that may be used in five years, as prescribed by legal rules applicable. Beginning January 1, 2009, the amortization was suspended as the related operations do not have a definite term; however, goodwill is tested for impairment on an annual basis and a provision is recorded, as necessary.

For impairment testing purposes, goodwill was allocated to logistics business segment - Nova Logística, as it corresponds to the lowest level of cash-generating unit. Goodwill is monitored for the internal Management's purposes, but never above the Company's operating segments.

As of December 31, 2013, goodwill was tested for impairment, considering the annual budget for 2014, and a long-term planning through 2018 was made for the subsidiary Nova Logística, which represents the logistics business segment under the following most significant assumptions:

- Increase in the volumes of bonded warehousing keeping up with the market growth until the installed capacity is reached.
- Increase in business segments in distribution and transport centers.
- The Company will obtain scale gains from increased fixed costs.
- A nominal discount rate of 7.75%, applied under the discounted cash flow approach, with Earnings Before Interest, Taxes, Depreciation and Amortization - EBITDA being the inflow of funds and capital expenditures and working capital investments as outflow of funds.
- As of December 31, 2013, the total operating assets, which includes the net goodwill amount, was considered.

The impairment testing proved the economic return on operating assets, including goodwill.

Sensitivity analysis of assumptions:

The logistics unit's estimated recoverable value exceeds by R\$17,298 the value of operating assets of R\$185,957 as of December 31, 2013, including goodwill. Even though there are significant changes in the assumptions adopted, the carrying amount will not be higher than the recoverable value.

## 15. BORROWINGS AND FINANCING

	Interest and commissions	Adjustment index	Amortization	Parent	
				12.31.2013	12.31.2012
Domestic currency:					
Export Credit Notes (NCEs) - Safra	1.60% p.y.	CDI	Semiannual	150,000	150,000
(-) Borrowing costs				<u>(375)</u>	<u>(375)</u>
Net amount raised				149,625	149,625
Accrued interest and costs				25,737	16,128
(-) Debt amortization				<u>(114,956)</u>	<u>(45,435)</u>
				<u>60,406</u>	<u>120,318</u>
NCE - Safra	1.29% p.y.	CDI	Semiannual	120,000	120,000
(-) Borrowing costs				<u>(360)</u>	<u>(360)</u>
Net amount raised				119,640	119,640
Accrued interest and costs				13,100	1,619
(-) Debt amortization				<u>(16,864)</u>	<u>-</u>
				<u>115,876</u>	<u>121,259</u>
NCE - Safra	1.81% p.y.	CDI	Quarterly	-	10,000
(-) Borrowing costs				<u>-</u>	<u>(76)</u>
Net amount raised				-	9,924
Accrued interest and costs				-	569
(-) Debt amortization				<u>-</u>	<u>(10,493)</u>
				<u>-</u>	<u>-</u>
NCE - BB	1.29% p.y.	CDI	Quarterly	30,000	30,000
(-) Borrowing costs				<u>(90)</u>	<u>(90)</u>
Net amount raised				29,910	29,910
Accrued interest and costs				3,081	330
(-) Debt amortization				<u>(3,034)</u>	<u>(317)</u>
				<u>29,957</u>	<u>29,923</u>
Lease	0.84% p.m.	-	-	1,326	-
				<u>207,565</u>	<u>271,500</u>

	Interest and commissions	Adjustment index	Amortization	Parent	
				12.31.2013	12.31.2012
Foreign currency:					
FINIMP	LIBOR/EURIBOR + 1.84% to 4.65% p.y.	Exchange rate changes	Semiannual	73,577	104,607
Darby Brazil Mezzanine	LIBOR + 6.5% p.y.	Exchange rate changes	-	<u>427</u>	<u>372</u>
				<u>74,004</u>	<u>104,979</u>
Total				<u>281,569</u>	<u>376,479</u>
(-) Current portion				(132,269)	(124,161)
Noncurrent portion				149,300	252,318
	Interest and commissions	Adjustment index	Amortization	Consolidated	
				12.31.2013	12.31.2012
Local currency:					
FINAME	3.05% p.y. to 8.70% p.y.	URTJLP	Monthly	20,509	8,983
Banco do Estado do Pará	5% p.y.	TJLP	Monthly	713	1,502
NCE	1.29% p.y. to 1.81% p.y.	CDI	Semiannual	206,239	271,500
Lease	0.84% a.m.	-	-	1,326	-
Working capital	113% do CDI	CDI	Monthly	6,680	6,021
Overdraft account	0.77% p.m. up to 2.75% p.m.	-	-	<u>1,328</u>	<u>-</u>
				<u>236,795</u>	<u>288,006</u>
Foreign currency:					
FINIMP	LIBOR/EURIBOR + 1.84% up to 4.72% p.a.	Exchange rate changes	Monthly/ quarterly/ semiannual	83,680	109,122
Darby Brazil Mezzanine	Libor + 6.5% p.a.	Exchange rate changes	-	427	372
Supplier credit	6.4% p.a.	Exchange rate changes	Semiannual	<u>792</u>	<u>1,976</u>
				<u>84,899</u>	<u>111,470</u>
Total				<u>321,694</u>	<u>399,476</u>
(-) Current portion				(147,847)	(131,876)
Noncurrent portion				173,847	267,600

The interest on foreign-currency borrowings and financing is increased by the IRRF levied on interest remittances, as established by the underlying agreement.

These borrowings and financing are not subject to covenants.

Collaterals

## • Guarantees given

	<u>Maturity</u>	<u>Currency</u>	<u>Collaterals (a)</u>
FINAME	June 2018	R\$	Financed equipment
Banco do Estado do Pará	June 2014	R\$	Bank guarantee
FINIMP	December 2018	US\$/€	Financed equipment
Darby Brazil Mezzanine	(b)	US\$	None
Supplier credit	March 2014	€	Stand-by-letter credit/Company's surety
NCE - Banco Safra	May 2017	R\$	Receivables

(a) As described in Note 13.

(b) Payment waiting execution of the contract for remittance.

The amount of the stand-by letter credit and Company guarantee is limited to the contracted amount.

## • Guarantees received

As of December 31, 2013, the Company did not have any guarantee as a result of outstanding transactions or any other existing transactions.

As of December 31, 2013, the long-term debt matured as follows:

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>Total</u>
NCE	39,812	39,812	24,898	-	-	104,522
FINAME	6,164	3,889	2,816	779	-	13,648
Lease	439	438	-	-	-	877
Working capital	1,356	1,356	564	-	-	3,276
FINIMP	<u>21,124</u>	<u>17,699</u>	<u>10,351</u>	<u>2,153</u>	<u>197</u>	<u>51,524</u>
Total	<u>68,895</u>	<u>63,194</u>	<u>38,629</u>	<u>2,932</u>	<u>197</u>	<u>173,847</u>

## 16. DEBENTURES

	<u>Interest and commissions</u>	<u>Adjustment index</u>	<u>Amortization</u>	<u>Parent and consolidated 12.31.2013</u>	<u>12.31.2012</u>
Debentures	2.20% p.y.	CDI	Annual	100,000	100,000
(-) Debenture costs				<u>(1,350)</u>	<u>(1,350)</u>
Net amount raised				98,650	98,650
Accrued interest and costs				25,082	23,933
(-) Debt amortization				<u>(123,732)</u>	<u>(88,912)</u>
Total				<u>-</u>	<u>33,671</u>

Up to the merger date, on September 15, 2011, debentures were guaranteed by the subsidiary Santos-Brasil, as a joint and several debtor of all obligations for the amount placed, and is represented by the ability to generate funds from the operations of branch Tecon Santos, which was part of the spun off assets merged with and into said subsidiary.

## 17. TAXES IN INSTALLMENTS - CONSOLIDATED

	<u>12.31.2013</u>	<u>12.31.2012</u>
Noncurrent	_____ -	<u>4,836</u>

The amount of R\$4,836, recorded in noncurrent, refers to taxes paid in installments under the Tax Debt Refinancing Program (REFIS) (Law 11941/09), which the Company joined in November 2009, deferred to February 2010. In February, a motion was attached to the tax proceedings from which the tax debt originated, requesting the tax authorities to stay the tax execution, as the Company joined REFIS. In September 2010, the Company filed a petition claiming the conversion into credits with the Brazilian government of the amount corresponding to the payment in cash made using an escrow deposit, as described in Note 18.(e), which was attached to the court records. In May 2012, the Company filed a petition claiming the issuance of a court order to calculate the difference between the amount deposited and the amount converted under the REFIS program. In September 2012, a court order was issued determining the following: (a) the partial conversion of the amounts for settlement of the debt by enjoying the benefits under Law 11941/09; and (b) postponement of the analysis of the petition claiming the calculation of the difference between the amount deposited and the amount converted under the REFIS program after the conversion procedure. This decision was subject to a new petition requesting the reconsideration and presentation of a pre-execution exception. Also in September, a new court order was issued determining the following: (a) the conversion of the portion the Finance Department is entitled to; and (b) examination of the court records by the tax authorities to express a position on the allegations submitted by Nova Logística, as well as clarify the request for pledge in the court records. In November 2012, the Finance Department replied the petition and agreed to raise the remaining amount. In December 2012, Petition 34/12 was filed with Caixa Econômica Federal requesting the amount of R\$536 to be raised. In February 2013, escrow deposits were made and, subsequently, transferred to Nova Logística's former shareholders.

## 18. PROVISION FOR TAX, LABOR AND CIVIL RISKS AND ESCROW DEPOSITS

The Company and its subsidiaries are exposed to certain risks, represented by tax, labor and civil lawsuits, which are accrued in the financial statements because they are considered as a remote chance of success. The procedure used to determine the provision amount is considered by Management as adequate based on several factors, including (but not limited to) the opinion of the Company's legal counsel, the nature of the lawsuits and the past experience.

The accrued amounts related to litigation contingencies are as follows:

	Parent	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Conselho Administrativo de Defesa Econômica - CADE - fine (a)	1,767	1,697
CADE Lawsuit - TRA revenue (a)	81,159	113,340
Provision for labor claims (b)	16,401	9,914
Provision for lawsuit filed by Companhia de Docas do Estado de São Paulo - CODESP	-	1,265
Provision for lawsuit relating to Accident Prevention Factor (FAP) (c)	4,749	3,946
Other lawsuits (d)	<u>3,865</u>	-
Total	<u>107,941</u>	<u>130,162</u>
	Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>
CADE lawsuit - fine (a)	1,767	1,697
CADE lawsuit - TRA revenue (a)	81,159	113,340
Provision for labor claims (b)	23,920	12,228
Provision for CODESP lawsuit	-	1,265
Provision for FAP lawsuit (c)	5,866	4,854
Other lawsuits (d)	<u>4,347</u>	<u>1,805</u>
Total	<u>117,059</u>	<u>135,189</u>

The escrow deposit amounts were as follows:

	Parent	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Relating to contingencies:		
CADE lawsuit - fine (a)	1,767	1,695
CADE lawsuit - TRA revenue (a)	122,012	99,476
Labor lawsuits (b)	5,760	5,631
CODESP lawsuit	-	1,265
FAP lawsuits (c)	3,730	2,926
Other lawsuits (d)	1,073	-
Other escrow deposits (e)	<u>33,328</u>	<u>29,770</u>
Subtotal	<u>167,670</u>	<u>140,763</u>
Relating to the supplier:		
SCPar Porto de Imbituba S.A. (“SCPar”) (f)	<u>23,759</u>	-
Subtotal	<u>23,759</u>	-
Total	<u>191,429</u>	<u>140,763</u>

	Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Relating to contingencies:		
CADE lawsuit - fine (a)	1,767	1,695
CADE lawsuit - TRA revenue (a)	122,012	99,476
Labor lawsuits (b)	6,571	5,640
CODESP lawsuit	-	1,265
FAP lawsuit	4,672	3,594
Other lawsuits (d)	1,073	1,662
Other escrow deposits (e)	<u>38,220</u>	<u>39,581</u>
Subtotal	<u>174,315</u>	<u>152,913</u>
Relating to the supplier:		
SCPar (f)	<u>23,759</u>	-
Subtotal	<u>23,759</u>	-
Total	<u>198,074</u>	<u>152,913</u>

- (a) The provisions related to the CADE (Brazilian antitrust agency) refer to a proceeding pursued by this agency for alleged offenses against the economic system, involving several companies operating leased docks or docks under private sector management, including the operating branch Tecon Santos.

The matter under discussion referred to the legality of the container sorting and delivery service fees charged from Bonded Terminals (TRAs). This lawsuit was judged and the Company is required to: (i) pay a pecuniary fine; and (ii) interrupt the collection made to TRAs. Operating branch Tecon Santos filed a lawsuit and obtained an injunction to resume the charge and deposited in courts the full amount charged and the pecuniary fine imposed by CADE, resulting in escrow deposits in the amounts of R\$99,025 and R\$1,767, respectively. Operating branch Tecon Santos filed other two injunctions to suspend the collection of taxes involving receivables that have been deposited in courts, namely: (i) one claim, involving the collection of PIS, COFINS, IRPJ and CSLL; and (ii) another claim, involving the collection of Service Tax (ISS-QN) was filed with Guarujá Court, totaling R\$22,987, already deposited.

Said lawsuit was judged on September 4, 2013, and the lower court judge partially granted our claim cancelling the collection interdiction abusively made by the CADE, but maintaining the fine imposed, because the court understood that the CADE acted under its jurisdiction, as regards the fine only. As to the collection interdiction, the court nullified the CADE's decision since the National Waterway Transportation Agency - ANTAQ has exclusive jurisdiction on the port industry. This jurisdiction was correctly enforced by CODESP, through decisions DIREXE 371.2005 and 50.2006, setting the maximum prices of the services addressed by the lawsuit.

The Company filed a motion for clarification to request a decision on the continuity of the deposit in escrow of collected services until a final and unappealable court decision is reached and the deposit of taxes thereon in escrow, as well as other related impacts. The motion for clarification was judged and a decision was issued on November 4, 2013 that only authorizes the deposit in escrow of taxes on collected services but that does not authorize the deposit of invoices issued by the Company in escrow.

This decision had the following impacts on the Company: (i) we started to have access to the billed amounts that are no longer deposited in escrow; (ii) we collected retroactively invoices that had been suspended; and (iii) we requested in court the withdrawal of the service escrow deposits. Our legal counsel also started to classify the lawsuit as a “probable favorable outcome” until a final and unappealable decision is reached, especially taking into account that the lower court decided that the CADE does not have jurisdiction on the matter.

The lower court judge decided against the withdrawal of the billed and received services escrow deposits for the following reasons: (i) both parties can still appeal against the court’s decision; and (ii) the lack of these amounts does not affect the Company’s liquidity. After the court recess, the Company will file a new request because we understand that the court reasons are unrelated to our first request’s merits.

Thus, for the reasons above and taking into account the services provided to the three TRAs, two of which are parties to the lawsuit and the third is challenging the collection in courts, the Company reversed part of the provision for contingencies recognized until the court decision, and maintained the provision for the amounts related to these three TRAs.

This partial procedure reversal produced the following impacts: (i) write-off of the CADE Provision - TRA billing of R\$79,977, from a total R\$161,136; (ii) increase of income before income tax and social contribution of R\$63,751 and EBITDA by the same amount; and (iii) increase of profit for the year of R\$42,076. The profit for the year and EBITDA increases are carried net of the recognized allowance for doubtful accounts, of R\$5,750, related to retroactive billings that the Management predicts will be collected in courts, added to the amounts listed in Note 9.

- (b) Refers to lawsuit under the responsibility of: (i) operating branch Tecon Santos, for which a provision of R\$16,401 was recognized and R\$5,760 were deposited in escrow; (ii) the subsidiary Nova Logística, for which a provision of R\$558 was recognized and R\$7 were deposited in escrow; and (iii) the subsidiary Convicon, for which a provision of R\$6,961 was recognized and R\$804 were deposited in escrow.
- (c) This provision refers to the administrative objections filed with the National Social Security Institute (INSS) against the new social security tax calculation system, based on the creation of a multiplying index called Accident Prevention Factor (FAP), which is calculated based mainly on the number of occupational accidents that occur in companies and employees on leave, compared to companies in the same industry (National Economic Activities Classification, or CNAE). Because the collection was maintained, we filed for an injunction requesting authorization to deposit in escrow and the suspension of the collected tax related to the 2010 FAP. The injunction was granted and authorizes the full deposit of the Parent company’s debt, amounting to R\$3,730, and its subsidiaries’ debt, broken down as follows: (i) Nova Logística - R\$880; (ii) Convicon - R\$44; and (iii) TVS - R\$18. Subsequently, the Company filed a civil lawsuit challenging the FAP’s constitutionality legality. We also filed lawsuits related to the 2011 FAP of Nova Logística and 2012 FAP of Santos Brasil Participações S.A. aiming at suspending their collection and realizing the existing escrow deposits.

- (d) The R\$4,347 provision refers mainly to: (i) the success clause provided for in the tax lawsuit defense agreement, which is classified as with a possible likelihood of a favorable outcome, related to the tax assessment notice and the jointly-liability notice issued by the Brazilian Federal Revenue Service and received on December 14, 2012, amounting to R\$2,000; and (ii) the recourse action filed by the insurer responsible for paying the claim to the customer, because of the damages caused to the stored cargo, fully deposited and amounting to R\$1,026.
- (e) Escrow deposits classified as other, related to the Parent, are broken down as follows: (i) deposit referring to the broadening the PIS and COFINS tax base in 1999-2003, amounting to R\$1,234 and R\$7,748, respectively, the provisions for which were reversed; (ii) challenge of the Tax on Banking Transactions (CPMF) levied on loans transfers during the merger, amounting to R\$2,167; (iii) deposit related to federal taxes that prevented the issuance of a Joint Tax Debt Certificate with Clearance Effects on Federal Taxes and Debts to the Federal Government, amounting to R\$12,053; (iv) INSS and income tax deposit on the Voluntary Termination Plan (PDV) and from the Non-salary Fund of the Santos, São Vicente Guarujá and Cubatão Dockworkers Union (SINDESTIVA), amounting to R\$1,685; and (v) other deposits for tax and civil lawsuits, amounting to R\$8,441. The escrow deposits classified as other refer to: (i) the subsidiary Nova Logística, related to federal tax enforcement proceedings that prevented obtaining the Tax Debt Clearance Certificate, in the amount of R\$4,129, and labor lawsuits totaling R\$324; and (ii) the subsidiary Convicon, related to labor lawsuits totaling R\$300 and court-blocked bank accounts amounting to R\$139.
- (f) On November 26, 2012, the Federal Government and the State of Santa Catarina entered into Delegation Arrangement 01/12 under which the Federal Government delegates the management and operation of the Imbituba Port to SCPar, a Special Purpose Entity (SPE), beginning December 25, 2012. Companhia Docas de Imbituba S.A., former port manager, filed a lawsuit against the ANTAQ and the Federal Government, requesting that the concession agreement be maintained until December 2016. As a result, the Company decided to pay its obligations related to this port's Container Terminal and the General Cargo Terminal operation agreements through escrow deposits linked to the lawsuit in progress. As of December 31, 2013, these escrow deposits total R\$23,759. The amount related to this amount is provided for in noncurrent liabilities, in line item "Trade payables".

As set out in the acquisition agreement, the lawsuits related to the subsidiary Nova Logística, referred to in (e), the origin of which is prior to the date of its acquisition, are the responsibility of its former shareholders. Accordingly, an equivalent amount was recognized in noncurrent assets, in line item "Receivables from former shareholders - Nova Logística".

Changes in provision for risks in the years ended December 31, 2013 and 2012 were as follows:

	Parent			Balance at 12.31.2013
	Balance at 12.31.2012	Additions	Other movements (*)	
CADE lawsuit - fine	1,697	70	-	1,767
CADE lawsuit - TRA revenue	113,340	47,810	(79,991)	81,159
Provision for labor lawsuits	9,914	2,155	4,332	16,401
Provision for CODESP lawsuit	1,265	43	(1,308)	-
Provision for FAP	3,946	843	(40)	4,749
Other lawsuits	-	<u>3,865</u>	-	<u>3,865</u>
Total	<u>130,162</u>	<u>54,786</u>	<u>(77,007)</u>	<u>107,941</u>
	Balance at 12.31.2011	Additions	Other movements (*)	Balance at 12.31.2012
CADE lawsuit - fine	1,616	81	-	1,697
CADE lawsuit - TRA revenue	92,965	20,390	(15)	113,340
Provision for labor lawsuits	10,827	1,467	(2,380)	9,914
Provision for CODESP lawsuit	1,047	218	-	1,265
Provision for FAP	<u>2,243</u>	<u>1,823</u>	<u>(120)</u>	<u>3,946</u>
Total	<u>108,698</u>	<u>23,979</u>	<u>(2,515)</u>	<u>130,162</u>
	Balance at 12.31.2012	Additions	Other movements (*)	Balance at 12.31.2013
CADE lawsuit - fine	1,697	70	-	1,767
CADE lawsuit - TRA revenue	113,340	47,810	(79,991)	81,159
Provision for labor lawsuits	12,228	3,249	8,443	23,920
Provision for CODESP lawsuit	1,265	43	(1,308)	-
Provision for FAP	4,854	1,053	(41)	5,866
Other lawsuits	<u>1,805</u>	<u>4,266</u>	<u>(1,724)</u>	<u>4,347</u>
Total	<u>135,189</u>	<u>56,491</u>	<u>(74,621)</u>	<u>117,059</u>
	Balance at 12.31.2011	Additions	Other movements (*)	Balance at 12.31.2012
CADE lawsuit - fine	1,616	81	-	1,697
CADE lawsuit - TRA revenue	92,965	20,390	(15)	113,340
Provision for labor lawsuits	11,272	3,591	(2,635)	12,228
Provision for CODESP lawsuit	1,047	218	-	1,265
Provision for FAP	2,927	2,050	(123)	4,854
Other lawsuits	<u>1,705</u>	<u>100</u>	-	<u>1,805</u>
Total	<u>111,532</u>	<u>26,430</u>	<u>(2,773)</u>	<u>135,189</u>

(\*) Refer to the provision reversal, closed lawsuits, additions to and reductions of contingent liabilities, or changes in the likelihood of a favorable outcome assessment.

The amount of R\$8,443 in other changes in the provision for labor contingencies consist of: (i) R\$2,074 in changes in the contingency amount; (ii) R\$8,927 related to changes in likelihood of a favorable outcome assessment; and (iii) R\$(2,558) related write-offs of court-orders payments.

In addition to the lawsuits above, the Company and its subsidiaries are parties to administrative and judicial proceedings, for which, according to the Company's and its subsidiaries' legal counsel, the likelihood of favorable outcome is possible: (i) lawsuits with measured amounts totaling R\$450,607; and (ii) lawsuits whose contingency amounts have not been measured by said legal counsel. In both cases, no provision for losses was recognized in the interim financial information.

Changes in lawsuit for which the likelihood of favorable outcome is possible as of December 31, 2013 are as follows:

<u>Nature of lawsuit</u>	<u>Balance at 12.31.2012</u>	<u>Additions</u>	<u>Other movements (*)</u>	<u>Balance at 12.31.2013</u>
Customs	1,433	1,232	12,963	15,628
Civil	23,044	2,428	(3,410)	22,062
Labor	85,619	34,538	(63,711)	56,446
Tax	384,411	26,409	(54,428)	356,392
Other	<u>2,120</u>	<u>-</u>	<u>(2,041)</u>	<u>79</u>
Total	<u>496,627</u>	<u>64,607</u>	<u>(110,627)</u>	<u>450,607</u>

(\*) Refer to lawsuits closed, additions and reductions in contingent liabilities or changes in the assessment of the likelihood of success.

On December 14, 2012, the Company and its subsidiary Numeral 80 were issued a tax assessment notice and a jointly-liability notice from the Brazilian Federal Revenue Service requiring the collection of IRPJ and CSLL in the amount of R\$334,495, which were previously classified as having a tax nature, which, according to such tax notification, Numeral 80 would have failed to pay from 2006 to 2011, due to the amortization, for tax purposes, of the goodwill it recorded upon the merger by the acquiring companies of shares issued by Numeral 80, whose transaction was approved by Extraordinary Shareholders Meeting of Numeral 80 (then Santos-Brasil S.A.) held on May 30, 2006 (merger).

The Company's and its subsidiary Numeral 80 objected such tax assessment notice within the statutory term, reaffirming its understanding that the goodwill recorded on the acquisition of equity interests held in Numeral 80 (then Santos-Brasil S.A.) and transferred to the latter through the merger, has been correctly recognized, in strict compliance with the corporate and tax laws.

On October 17, 2013, the Company received a notification informing the decision of the São Paulo-I/SP Federal Revenue Service Judgment Office, 1<sup>st</sup> Panel, which upholds part of the objections filed and reduced the ex-officio fine to 75%, thus reducing the tax debt to R\$283,466, as adjusted, and a likelihood of an unfavorable outcome classified as possible by the Company's outside legal counsel.

This notification also informs that the National Treasury filed an appeal against the decision to cancel tax debts totaling R\$69,328, as adjusted, classified by said legal counsel with remote likelihood of an unfavorable outcome.

The Company's and its subsidiary Numeral 80's management filed an appeal within the statutory deadline.

## 19. LEASE - CONSOLIDATED

### a) Finance lease

The Company has 13 assets subject to lease agreement ("lease"). The agreements are effective for three years and include purchase option clauses.

The assets described below are included in property, plant and equipment.

The net carrying amount of the assets obtained through lease agreements is as follows:

	<u>12.31.2013</u>
IT equipment	998
Data processing systems	<u>318</u>
Total	<u>1.316</u>

As of December 31, 2013, the Company recognized interest in the amount of R\$10, relating to financial expenses. The depreciation of such assets will begin in January 2014.

The minimum future payments as of December 31, 2013 are broken down as follows:

	<u>Present value of minimum payments</u>	<u>Interest</u>	<u>Minimum future payments</u>
From one to three years	<u>1.326</u>	<u>10</u>	<u>1.326</u>

### b) Operating lease

The Company, through its branches, and its subsidiaries have concession agreements and lease payments to be recognized to profit or loss, on the accrual basis. These amounts are adjusted on an annual basis using the General Market Price Index, as disclosed by Fundação Getúlio Vargas (IGP-M/FGV):

<u>Contracts</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017 - end of the agreement term</u>	<u>Total</u>
Tecon Santos	30,525	30,525	30,525	180,607	272,182
Tecon Imbituba	2,616	2,616	2,616	42,720	50,568
Terminal de Carga Geral	165	165	165	2,553	3,048
Convicon	719	719	719	1,259	3,416
Nova Logística	249	-	-	-	249
Terminal de Veículos	<u>3,124</u>	<u>3,124</u>	<u>3,124</u>	<u>56,492</u>	<u>65,864</u>
Total	<u>37,398</u>	<u>37,149</u>	<u>37,149</u>	<u>283,631</u>	<u>395,327</u>

Effective term of contracts

<u>Contracts</u>	<u>Start date</u>	<u>End date</u>
Tecon Santos	November 1997	November 2022
Tecon Imbituba	April 2008	April 2033
Terminal Carga Geral	June 2007	June 2032
Convicon	September 2003	September 2018
Nova Logística	June 1991	June 2014
Vehicle Terminal	January 2010	January 2035

Warranty insurance

<u>Contracts</u>	<u>Effective date</u>
Tecon Santos	April 2013 to April 2014
Tecon Imbituba	July 2013 to July 2014
Vehicle Terminal	July 2013 to July 2014

The Company and its subsidiaries have lease agreements that require them to make payments based on their handling operations, as follows. These were the amounts as of December 31, 2013, annually adjusted for inflation, under the terms of the respective agreements, using the IGP-M index.

<u>Contracts</u>	In Brazilian reais - R\$		
	<u>Cost by container handled</u>	<u>Cost by tonne handled</u>	<u>Cost by vehicle handled</u>
Tecon Santos (a)	14.79	-	-
Tecon Santos (b)	7.39	-	-
Tecon Imbituba (c)	69.73	-	-
Terminal de Carga Geral (d)	-	2.17	-
Terminal de Carga Geral (e)	-	4.80	-
Terminal de Carga Geral (f)	-	2.89	-
Convicon (g)	14.79	-	-
Convicon (h)	2.97	-	-
Convicon (i)	-	1.48	-
Vehicle Terminal (j)	-	-	13.87

- (a) Amount due when the handling volume exceeds two times the MMC, until reaching three times the minimum range applicable.
- (b) Amount due when the handling volume exceeds three times the minimum range applicable.
- (c) Amount due for the use of the land infrastructure and also when the MMC is not achieved, limited to the MMC.
- (d) Amount due for the use of the lease area and also when the MMC is not achieved, limited to the MMC.
- (e) Amount due for the use of the land infrastructure (harbor), relating to handling of cargo originating from vessels.
- (f) Amount due for the use of the land infrastructure (yard), relating to handling of cargo originating from unitization and de-unitization of containers.
- (g) Amount due by full container and also when the MMC is not achieved, limited to the MMC.
- (h) Amount due by empty container.
- (i) Amount due per tonne.
- (j) Amount due by vehicle and also when the MMC is not achieved, limited to the MMC.

The Company and its subsidiaries have lease agreements that include minimum handling commitments that have not been met, thus generating a cost in the amount of R\$21,460, as follows:

<u>Contracts</u>	<u>12.31.2013</u>
Tecon Santos (*)	(982)
Tecon Imbituba	21,632
Terminal de Carga Geral	269
Convicon	211
Vehicle Terminal	<u>330</u>
Total	<u>21,460</u>

(\*) Net reversal of provision that had been over recorded.

The Company and its subsidiaries also entered into rental agreements of the Administrative and Operational areas (DC of subsidiary Nova Logística), which, in the year ended December 31, 2013, generated expenses in the amount of R\$12,973.

## 20. EQUITY - PARENT

### a) Capital

	<u>Common shares</u>		<u>Preferred shares</u>	
	<u>12.31.2013</u>	<u>12.31.2012</u>	<u>12.31.2013</u>	<u>12.31.2012</u>
Balances at the beginning of year	454,244,356	453,584,430	209,916,568	207,276,864
Stock options exercised during the year	<u>385,126</u>	<u>659,926</u>	<u>1,540,504</u>	<u>2,639,704</u>
Issued/authorized without par value	<u>454,629,482</u>	<u>454,244,356</u>	<u>211,457,072</u>	<u>209,916,568</u>

Out of the total shares, 210,136,135 are outstanding as of December 31, 2013 (free float), of which 42,027,227 are common shares and 168,108,908 are preferred shares, represented by 42,027,227 units.

Units are registered, book-entry share deposit certificates, with no par value, free and clear of any burden or encumbrance, each one representing one common share and four preferred shares.

Up to December 31, 2012 capital increases related to the options exercised were made, as described in Note 25, amounting to R\$20,506, of which 1,676,895 are common shares and 6,707,580 are preferred shares.

On February 28, 2013 a capital increase related to the options exercised was made, as described in Note 25, amounting to R\$4,807. The Company issued 207,730 common shares and 830,920 preferred shares.

On March 31, 2013 a capital increase related to the options exercised was made, as described in Note 25, amounting to R\$1,331. The Company issued 68,188 common shares and 272,752 preferred shares.

On April 30, 2013 a capital increase related to the options exercised was made, as described in Note 25, amounting to R\$534. The Company issued 27,921 common shares and 111,684 preferred shares.

On May 31, 2013 a capital increase related to the options exercised was made, as described in Note 25, amounting to R\$1,332. The Company issued 55,329 common shares and 221,316 preferred shares.

On June 30, 2013 a capital increase related to the options exercised was made, as described in Note 25, amounting to R\$497. The Company issued 25,958 common shares and 103,832 preferred shares.

As set forth in the Company's bylaws, the sale of share control, either through a single transaction or successive transactions, is performed under the suspensive or resolute condition that the acquirer of control agrees to complete such transactions according to the terms and within the deadlines provided for in the prevailing relevant law and the Level 2 Corporate Governance Regulation of the BM&FBOVESPA, granting the right to tag along to all other Company's shareholders, so they receive the same treatment awarded to the selling controlling shareholder.

The Company is authorized to increase its capital, regardless of a decision in a shareholders' meeting, up to a ceiling of 2,000,001,000 shares, under a Board of Directors' decision, which will set the issuance and placement terms of such securities.

Each common share entitles its holder to one vote in Shareholders' Meeting resolutions. The preferred shares are not secured dividends.

#### b) Capital reserve

- Stock options plan

Represented by the recognition of the stock option plan (Note 25), amounting to R\$40,312 as of December 31, 2013 (R\$34,384 as of December 31, 2012), in compliance with CPC 10 - Share-based Payment, approved by CVM Resolution 562/08.

- Other

With respect to the merger of shares, the equity of the then subsidiary Santos-Brasil S.A., as of December 31, 2006, was recorded in line item "Capital" of the Parent, as set forth in the Merger of Shares Agreement. Profit for the year, under the equity of the then subsidiary Santos-Brasil S.A., represented by results of operations, between such base date and the merger date, i.e., October 2007, net of distributions to shareholders, in the amount of R\$28,923, was recorded in line item "Capital reserve".

On April 20, 2011, the subsidiary Nara Valley Participações S.A. acquired, in accordance with the Private Agreement for Purchase and Sale of Shares and Other Covenants, 12.327% of the equity interest in direct subsidiary Pará Empreendimentos, for R\$4,500, representing 100% of its share control. This transaction represented changes in equity interests amounting to R\$5,478.

c) Earnings reserve

- Legal reserve

Recognized as 5% of profit for the year as provided for in article 193 of Law 6404/76 up to a ceiling equal to 20% of capital.

- Investment and expansion reserve

Represented by the Management's proposal to retain the remaining balances of profit for the current and previous years, net of retentions set forth in applicable legislation or approved by the shareholders, to meet the subsidiaries' investment expansion plans, provided for in capital budgets.

- Share buyback

On December 17, 2013, the Board of Directors approved the Company's Share Buyback Program to maximize the creation of shareholder value.

The program authorizes the purchase of up to 4,215,556 units, divided into 4,215,556 common shares and 16,862,225 preferred shares, and the deadline for the purchase of such shares is 365 days, from December 20, 2013 to December 20, 2014.

The table below shows the number of shares bought back by the Company in the year ended December 31, 2013:

Units	Number of shares			Market value (*)	Price per unit		
	Common	Preferred	Amount		Weighted average price	Minimum	Maximum
128,337	128,337	513,348	2,294	2,431	17.87	17.56	18.52

(\*) Market value based in the last quotation prior to the year end.

d) Shareholders' compensation

Shareholders are entitled to annual minimum dividends of 25% of net income, adjusted in accordance with corporate legislation and the Company's bylaws.

The table below shows the shareholders' compensation for the year ended December 31, 2013:

		<u>12.31.2013</u>
Profit for the year		255,060
Recognition of legal reserve	5.0%	<u>(12,753)</u>
Adjusted profit (a)		<u>242,307</u>
Minimum mandatory dividends	25.0%	60,577
Shareholders' compensation		
Interim dividends, included in minimum mandatory dividends, prepaid over 2013 (b)		90,000
Interest on capital prepaid over 2012 (c)		68,445
IRRF on interest on capital (d)		<u>(8,481)</u>
Proposed supplementary dividends (e)		<u>35,401</u>
Net shareholders' compensation (b + c - d + e)	76.5%	<u>185,365</u>
Gross shareholders' compensation (b + c + e)	80.0%	<u>193,846</u>
Net interim dividends and interest on capital paid and/or credit per share class:		
Common shares		102,356
Preferred shares		<u>47,608</u>
		<u>149,964</u>
Proposed supplementary dividends		35,401
Earning retention		48,461
e) Other comprehensive income		
• Post-employment benefit		
Represented by the accounting record of the actuarial computation of the post-retirement health care benefits (Note 28), as prescribed by CPC 33 - Employee Benefits, approved by CVM Resolution 600/09.		

## 21. NET OPERATING REVENUE

Below is the reconciliation between gross revenue for tax purposes and revenue stated in the statement of income for the years ended December 31, 2013 and 2012:

	<u>Parent</u>		<u>Consolidated</u>	
	<u>12.31.2013</u>	<u>12.31.2012</u>	<u>12.31.2013</u>	<u>12.31.2012</u>
Gross sales revenue	1,214,118	1,094,954	1,600,941	1,471,663
Revenue deductions:				
Tax on services	(98,687)	(90,213)	(149,266)	(138,767)
Other	<u>(69,680)</u>	<u>(35,248)</u>	<u>(74,321)</u>	<u>(39,727)</u>
Total	<u>1,045,751</u>	<u>969,493</u>	<u>1,377,354</u>	<u>1,293,169</u>

## 22. OPERATING EXPENSES BY NATURE

	Parent		Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>	<u>12.31.2013</u>	<u>12.31.2012</u>
Newsstand labor	(80,044)	(73,940)	(83,385)	(77,434)
Rates - Companhias Docas	(54,586)	(53,416)	(56,418)	(55,187)
Lease and infrastructure - Companhias Docas	(36,853)	(34,733)	(41,717)	(39,351)
Electricity	(9,490)	(9,806)	(11,123)	(11,414)
Fuel and lubricants	(17,645)	(13,380)	(25,280)	(19,914)
Freight	(13,002)	(4,249)	(47,984)	(36,587)
Vehicles	-	-	(18,342)	(13,270)
Other services and materials	(2,105)	(302)	(11,617)	(8,608)
Personnel expenses	(240,497)	(213,567)	(323,985)	(291,797)
Consulting, advisory and audit fees	(30,821)	(28,981)	(33,604)	(31,748)
Other outside services	(22,496)	(19,378)	(34,420)	(29,717)
Operating maintenance	(35,213)	(28,114)	(43,642)	(35,770)
Depreciation and amortization	(94,266)	(89,789)	(119,963)	(111,196)
Rentals/condominium fees - operating areas	-	-	(10,498)	(9,061)
Expenses on sales of services	(13,950)	(13,527)	(23,998)	(19,778)
Other costs	<u>(50,701)</u>	<u>(35,568)</u>	<u>(93,930)</u>	<u>(62,580)</u>
Total	<u>(701,669)</u>	<u>(618,750)</u>	<u>(979,906)</u>	<u>(853,412)</u>
Classified as:				
Cost of sales and/or services	(562,155)	(490,813)	(802,474)	(690,896)
Selling expenses	(32,606)	(27,537)	(48,934)	(39,636)
General and administrative expenses	<u>(106,908)</u>	<u>(100,400)</u>	<u>(128,498)</u>	<u>(122,880)</u>
Total	<u>(701,669)</u>	<u>(618,750)</u>	<u>(979,906)</u>	<u>(853,412)</u>

## 23. OTHER OPERATING INCOME (EXPENSES)

	Parent		Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>	<u>12.31.2013</u>	<u>12.31.2012</u>
Other operating income:				
ISS reimbursement on invoices cancelled	393	268	411	294
Gain on sale of assets	276	635	2,358	1,116
Adjusted advance for dredging fund	405	527	405	527
Inflation adjustment of escrow deposits	8,237	492	8,295	569
Other income	<u>144</u>	<u>240</u>	<u>520</u>	<u>946</u>
Total	<u>9,455</u>	<u>2,162</u>	<u>11,989</u>	<u>3,452</u>

	Parent		Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>	<u>12.31.2013</u>	<u>12.31.2012</u>
Other operating expenses:				
Adjusted reserves	(288)	(223)	(354)	(276)
Court-ordered collection notes	-	-	(171)	(1,615)
Write-off of escrow deposits	-	-	(332)	-
Stock option plan premium	-	(510)	-	(510)
Other costs	<u>(85)</u>	<u>(46)</u>	<u>(542)</u>	<u>(287)</u>
Total	<u>(373)</u>	<u>(779)</u>	<u>(1,399)</u>	<u>(2,688)</u>

## 24. FINANCIAL INCOME (EXPENSES)

	Parent		Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>	<u>12.31.2013</u>	<u>12.31.2012</u>
Financial income:				
Income from short-term investments	9,868	9,716	13,296	13,391
Loan interest	-	102	-	-
Inflation and exchange gains	24,347	34,622	25,520	35,445
Fair value - swap transaction	2,162	3,007	2,322	3,208
Other income	<u>2,100</u>	<u>1,322</u>	<u>2,227</u>	<u>1,554</u>
Total	<u>38,477</u>	<u>48,769</u>	<u>43,365</u>	<u>53,598</u>
Financial expenses:				
Interest	(28,668)	(45,913)	(30,927)	(47,679)
Loan interest	(1,354)	-	-	-
Inflation and foreign exchange losses	(30,733)	(41,958)	(33,131)	(43,490)
Tax on Financial Transactions - IOF on intragroup loans	(504)	(184)	(601)	(353)
Fair value - swap transaction	(5,439)	(4,634)	(5,657)	(4,758)
Other costs	<u>(1,134)</u>	<u>(733)</u>	<u>(1,635)</u>	<u>(970)</u>
Total	<u>(67,832)</u>	<u>(93,422)</u>	<u>(71,951)</u>	<u>(97,250)</u>

## 25. STOCK OPTION PLAN - PARENT

At the Extraordinary General Meeting held on September 22, 2006 the shareholders of the then subsidiary Santos-Brasil S.A. approved the Stock Option Plan ("Plan") for senior management and employees. At the Extraordinary General Meeting, held on January 9, 2008, the Plan was transferred to the Company.

The Plan is managed by the Board of Directors or, at its discretion, by a Committee comprised of three members, provided that one of these members (effective or alternate) is also a member of the Board of Directors.

The Board of Directors or the Committee periodically creates Stock Option Programs (“Programs”), grouped in units (Note 20.a)) to determine the beneficiaries that will receive the options, the number of Company’s units that each beneficiary will be authorized to subscribe or acquire with the exercise of the option, the subscription price, the initial grace period, over which the option cannot be exercised, and the limit dates for total or partial exercise. The terms and conditions are set forth in the Stock Option Agreement entered into between the Company and each beneficiary.

The price of the units to be acquired by the beneficiaries, due to the exercise of the option (“Exercise Price”), is equivalent to the unit average value of the last 30 trading sessions of BM&FBOVESPA, prior to the option concession date, plus inflation adjustment, based on the price index variation and interest variation, at the discretion of the Board of Directors or Committee that may also grant to the beneficiaries a discount of up to 15% on the Exercise Price.

The Company’s units, acquired in the context of the Plan, may solely be disposed in accordance with the minimum unavailability period defined in each Program for each lot of units that will never be less than three years from the exercise date of each annual lot.

As of December 31, 2013, the effective Programs were as follows:

Programs	Exercise prices R\$/units (*)	Number of units granted	Grace period	Vesting period	Value of options R\$/units (*)	Number of units exercised	Number of expired/ forfeited units	Number of units - balance
10/20/06 - 2006 Program	20.7	<u>231,493</u>			10.7	<u>34,200</u>	<u>197,293</u>	-
1st annual lot		77,164	10/20/07	10/20/09		-	77,164	-
2nd annual lot		77,164	10/20/08	10/20/10		-	77,164	-
3rd annual lot		77,165	10/20/09	10/20/11		34,200	42,965	-
08/13/07 - 2007 Program	25.67	<u>342,572</u>			12.02	-	<u>342,572</u>	-
1st annual lot		114,191	08/13/08	08/13/10		-	114,191	-
2nd annual lot		114,191	08/13/09	08/13/11		-	114,191	-
3rd annual lot		114,190	08/13/10	08/13/12		-	114,190	-
02/28/08 - 2008 Program	22.23	<u>456,331</u>			10.22	<u>188,507</u>	<u>267,824</u>	-
1st annual lot		152,110	02/28/09	02/28/11		-	152,110	-
2nd annual lot		152,110	02/28/10	02/28/12		108,749	43,361	-
3rd annual lot		152,111	02/28/11	02/28/13		79,758	72,353	-
02/28/08 - 2008 Supplementary Program	22.23	<u>1,115,760</u>			7.17	-	<u>1,115,760</u>	-
Annual lot		1,115,760	No grace period	02/28/11		-	1,115,760	-
01/27/09 - 2009 Program	6.59	<u>1,170,153</u>			3.64	<u>1,132,089</u>	<u>38,064</u>	-
1st annual lot		390,051	01/27/10	01/27/12		377,629	12,422	-
2nd annual lot		390,051	01/27/11	01/27/13		378,809	11,242	-
3rd annual lot		390,051	01/27/12	01/27/14		375,651	14,400	-
03/08/10 - 2010 Program	15.35	<u>605,201</u>			6.77	<u>422,537</u>	<u>26,712</u>	<u>155,952</u>
1st annual lot		201,734	03/09/11	03/09/13		194,436	7,298	-
2nd annual lot		201,734	03/09/12	03/09/14		136,463	8,199	57,072
3rd annual lot		201,733	03/09/13	03/09/15		91,638	11,215	98,880
04/19/11 - 2011 Program	21.71	<u>535,279</u>			9.12	<u>198,003</u>	<u>15,913</u>	<u>321,363</u>
1st annual lot		178,426	02/01/12	02/01/14		118,812	4,329	55,285
2nd annual lot		178,426	02/01/13	02/01/15		79,191	4,329	94,906
3rd annual lot		178,427	02/01/14	02/01/16		-	7,255	171,172
01/31/12 - 2012 Program	23.19	<u>849,476</u>			6.48	<u>86,685</u>	<u>13,797</u>	<u>748,994</u>
1st annual lot		283,159	02/01/13	02/01/15		86,685	993	195,481
2nd annual lot		283,159	02/01/14	02/01/16		-	6,403	276,756
3rd annual lot		283,158	02/01/15	02/01/17		-	6,401	276,757
01/31/13 - 2013 Program	27.35	<u>590,980</u>			7.54	-	-	<u>590,980</u>
1st annual lot		196,993	02/01/14	02/01/16		-	-	196,993
2nd annual lot		196,993	02/01/15	02/01/17		-	-	196,993
3rd annual lot		196,994	02/01/16	02/01/18		-	-	196,994
Total cost of granted shares		<u>5,897,245</u>				<u>2,062,021</u>	<u>2,017,935</u>	<u>1,817,289</u>

(\*) Original amounts on the Stock Option Program dates.

The grace periods reflect the conditions set forth in the Programs, based on which the options may be exercised in three annual lots, each one equivalent to 33.3333% of the total option granted in each Program.

The exercise prices of the annual lots are adjusted using the IGP-M/FGV, based on the shortest period permitted by law, up to the option exercise dates.

The exercise term reflects the 24-month period, counted as from the termination of the initial grace periods of the annual lots.

The costs of the options granted are calculated over the respective grace periods, based on the option values, determined by the Black-Scholes evaluation method on the Program dates. Should the forfeiture index history of the options exercised is not available, the above-mentioned calculation must be used, considering that 100% of the options will be exercised.

In accordance with technical pronouncement CPC 10, approved by CVM Resolution 562/08, the Company and its subsidiaries recognized, to the extent the services were rendered, through stock-based compensation, the profit or loss for the year ended December 31, 2013, in the amount of R\$5,928 (R\$5,498 as of December 31, 2012), as referred to in Note 20.a).

With respect to the options effective by December 31, 2013, those exercised represented a reduction in shareholders' interest of 1.56%; and those not exercised, if fully exercised under certain conditions provided for in the agreements, would represent a dilution in current shareholders' interest of 1.35%.

## 26. INCOME TAX AND SOCIAL CONTRIBUTION

### a) Current and deferred income tax and social contribution reconciliation

Breakdown of the reconciliation of IRPJ and CSLL recorded in profit (loss):

	Parent		Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Income before taxes	341,084	349,219	363,835	381,252
Exclusion of equity in subsidiaries	(32,892)	(57,363)	-	-
Adjusted income before taxation	308,192	291,856	363,835	381,252
I - Base amount - IRPJ and CSLL:	<u>104,761</u>	<u>99,207</u>	<u>123,680</u>	<u>129,601</u>
IRPJ at the rate of 15% and CSLL at the rate of 9%	73,966	70,045	87,320	91,500
Additional IRPJ rate of 10% subject to deduction of R\$240	30,795	29,162	36,360	38,101
II - Effects of permanent additions of revenues and expenses	<u>(17,070)</u>	<u>(18,970)</u>	<u>(16,440)</u>	<u>(18,209)</u>
Permanent additions:				
Variable management compensation	1,471	1,767	1,471	1,767
Stock option plan	1,971	1,803	2,016	1,869
Other	2,759	2,595	3,344	3,290
Permanent deductions:				
Interest on capital paid	(23,271)	(25,135)	(23,271)	(25,135)
III - Tax incentive effects:	<u>(1,667)</u>	<u>(1,659)</u>	<u>(1,927)</u>	<u>(1,659)</u>
Tax incentives	<u>(1,667)</u>	<u>(1,659)</u>	<u>(1,927)</u>	<u>(1,659)</u>
IV - Effective rate:				
Adjusted IRPJ and CSLL (I + II + III)	86,024	78,578	105,313	109,733
Statutory rate	27.9%	26.9%	28.9%	28.8%

	Parent		Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
V - Effects of deferred IRPJ and CSLL:				
Tax loss carryforwards and temporary differences not recorded (*)	-	-	3,389	805
Initial recognition of tax loss carryforwards and temporary differences	-	-	3,389	977
	-	-	-	(172)
VI - Extraordinary adjustments:				
Prior-year IRPJ and CSLL	-	429	73	502
	-	429	73	502
Effects from IRPJ and CSLL in profit or loss (IV + V + VI)	<u>86,024</u>	<u>79,007</u>	<u>108,775</u>	<u>111,040</u>
Current IRPJ and CSLL	74,323	54,569	96,626	82,630
Deferred IRPJ and CSLL	<u>11,701</u>	<u>24,438</u>	<u>12,149</u>	<u>28,410</u>
Total	<u>86,024</u>	<u>79,007</u>	<u>108,775</u>	<u>111,040</u>

(\*) Refer to the subsidiaries Numeral 80, TVP and Pará Empreendimentos, for which no deferred tax credits were recorded because they are not qualified for this recognition.

#### b) Breakdown of deferred tax assets and liabilities

	Parent			
	12.31.2013		12.31.2012	
	IRPJ	CSLL	IRPJ	CSLL
<u>Assets (liabilities)</u>				
Social contribution tax loss carryforwards	-	-	13,706	4,934
Temporary differences:				
Provision for risks	29,604	10,657	32,540	11,715
Other provisions	18,393	6,622	8,040	2,895
RTT effects:				
Goodwill amortization	(24,872)	(8,954)	(27,662)	(9,958)
Depreciation	(48,813)	(17,573)	(43,525)	(15,669)
Others	208	75	23	8
Actuarial losses	<u>650</u>	<u>234</u>	<u>1,175</u>	<u>423</u>
Total	<u>(24,830)</u>	<u>(8,939)</u>	<u>(15,703)</u>	<u>(5,652)</u>
	Consolidated			
	12.31.2013		12.31.2012	
	IRPJ	CSLL	IRPJ	CSLL
<u>Assets (liabilities)</u>				
Social contribution tax loss carryforwards	-	-	13,706	4,934
Temporary differences:				
Provision for risks	29,983	10,793	32,757	11,794
Other provisions	20,291	7,305	9,511	3,424
RTT effects:				
Goodwill amortization	(34,739)	(12,506)	(37,320)	(13,435)
Depreciation	(51,508)	(18,543)	(45,549)	(16,398)
Others	26	9	(173)	(62)
Actuarial losses	<u>359</u>	<u>129</u>	<u>1,022</u>	<u>368</u>
Total	<u>(35,588)</u>	<u>(12,813)</u>	<u>(26,046)</u>	<u>(9,375)</u>
Assets	<u>188</u>	<u>68</u>	<u>135</u>	<u>48</u>
Liabilities	<u>(35,776)</u>	<u>(12,881)</u>	<u>(26,181)</u>	<u>(9,423)</u>

As of December 31, 2013, deferred tax credits from tax loss carryforwards on temporary differences, under the Transitional Tax Regime (RTT), applicable to the Company and its subsidiaries, were recognized. Deferred tax liabilities are recognized for the Company and its subsidiaries.

## 27. EARNINGS PER SHARE

### a) Basic earnings per share

Basic earnings per share were determined based on the Company's profit or loss for the years ended December 31, 2013 and 2012 and in the respective average number of common shares and preferred shares outstanding in these years, as shown below:

	12.31.2013			12.31.2012		
	<u>Common</u>	<u>Preferred</u>	<u>Total</u>	<u>Common</u>	<u>Preferred</u>	<u>Total</u>
Net profit	174,207	80,853	255,060	184,808	85,404	270,212
Weighted average of shares	454,174	210,792	664,966	453,739	209,683	663,422
Basic earnings per share	0.38357	0.38357	0.38357	0.40730	0.40730	0.40730
Basic earnings per unit	1.91784	1.91784	1.91784	2.03650	2.03650	2.03650

### b) Diluted earnings per share

Diluted earnings per share on the Company's profit or loss for the years ended December 31, 2013 and 2012 are as follows:

	12.31.2013			12.31.2012		
	<u>Common</u>	<u>Preferred</u>	<u>Total</u>	<u>Common</u>	<u>Preferred</u>	<u>Total</u>
Net profit	174,207	80,853	255,060	184,808	85,404	270,212
Weighted average of shares	454,174	210,792	664,966	453,739	209,683	663,422
Potential effects from stock option subscription	915	3,660	4,575	745	2,981	3,726
Diluted earnings per share	0.38095	0.38095	0.38095	0.40503	0.40503	0.40503
Diluted earnings per unit	1.90474	1.90474	1.90474	2.02513	2.02513	2.02513

## 28. ACTUARIAL LIAILITIES - POST-RETIREMENT BENEFITS

Refer to provision for supplementary healthcare plan, which reflects the healthcare plan costs of employees and statutory officers entitled to post-retirement benefits, as prescribed by Law 9656/98 and technical pronouncement CPC 33, determined based on actuarial study.

Actuarial calculations, carried out by independent actuary, had the following basic assumptions for the years ended December 31, 2013 and 2012:

	Parent and Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Financial discount rate	6.6% p.y.	4.0% p.y.
Initial nominal growth rate for health care costs	6.61% p.y.	6.61% p.y.
Year of final rate	2064	2062

Based on the reports prepared by independent actuary in 2013 and 2012, which contains the amounts of projected expenses for the years ended December 31, 2013 and 2012, the Company recorded proportional provisions for the years ended December 31, 2013 and 2012:

	Parent	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Present value of actuarial obligations	1,567	5,341
Actuarial losses	<u>7,941</u>	<u>4,698</u>
Unrecognized actuarial liability, net	<u>9,508</u>	<u>10,039</u>
	Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>
Present value of actuarial obligations	1,905	7,370
Actuarial losses	<u>8,806</u>	<u>4,091</u>
Unrecognized actuarial liability, net	<u>10,711</u>	<u>11,461</u>

## 29. FINANCIAL INSTRUMENTS

The Company and its subsidiaries conduct transactions with financial instruments. These financial instruments are managed through operating strategies and internal control that aim at liquidity, profitability and security. Derivatives for hedging purposes are contracted based on a periodic analysis of the risk exposure management intends to mitigate (foreign exchange, interest rates, etc.), which is approved by the Board of Directors. The control policy consists of a permanent monitoring of contracted terms and conditions compared to the conditions prevailing in the market. The Company and its subsidiaries do not make investments involving derivatives or any other risk assets for speculative purposes. Gains and losses on these transactions are consistent with the policies and strategies defined by the Company's management.

The estimated realizable amounts of the Company and its subsidiaries' financial assets and financial liabilities have been determined using available market inputs and appropriate valuation techniques. Judgments have been required to interpret market input in order to develop the most appropriate realizable value estimates. Therefore, the estimates provided below are not necessarily indicative of the amounts that could be realized in a current exchange market.

Derivatives are initially recognized at their fair value; attributable transaction costs are recognized in profit or loss when incurred.

### a) Classification of financial instruments

The classification of financial instruments is presented below and there are no other financial instruments classified in other categories in addition to those reported:

	Parent		Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
<b>Assets:</b>				
Loans and receivables:				
Cash and banks	16,807	5,963	21,482	9,972
Trade receivables	104,095	100,809	139,935	134,799
Court-ordered debts receivable	-	-	4,053	3,839
	<u>120,902</u>	<u>106,772</u>	<u>165,470</u>	<u>148,610</u>
Fair value through profit or loss:				
Short-term investments	90,478	68,679	101,505	126,472
Swap - BTG Pactual 2014	2,100	-	2,297	-
Swap - Credit Suisse	566	2,849	566	2,849
Swap - Itaú 2013	-	84	-	88
Swap - Itaú 2014	445	-	511	-
	<u>93,589</u>	<u>71,612</u>	<u>104,879</u>	<u>129,409</u>
<b>Liabilities:</b>				
Fair value through profit or loss:				
Swap - BTG Pactual 2013	-	57	-	68
	<u>-</u>	<u>57</u>	<u>-</u>	<u>68</u>
Other financial liabilities:				
Measured at amortized cost:				
Debentures	-	33,671	-	33,671
Borrowings and financing in foreign currency	74,004	104,979	84,899	111,470
Borrowings and financing in local currency	-	-	21,222	10,485
Trade payables	59,981	44,768	78,928	57,160
NCE	206,239	271,500	206,239	271,500
Lease	1,326	-	1,326	-
Working capital	-	-	6,680	6,021
Overdraft account	-	-	1,328	-
Court-ordered debts payable (*)	-	-	3,243	3,071
	<u>341,550</u>	<u>454,918</u>	<u>403,865</u>	<u>493,378</u>
<b>Total</b>	<u>556,041</u>	<u>633,359</u>	<u>674,214</u>	<u>771,465</u>

(\*) The court-ordered debts are classified in the balance sheet in line item "Other", under noncurrent liabilities.

#### b) Fair value

The Company determines the fair value of financial instruments without an active market or which are not publicly quoted using valuation techniques. These techniques include using recent operations with third parties, reference to other instruments that are substantially the same, the analysis of discounted cash flows, and swap pricing model that make maximum use of market inputs and rely as little as possible on entity-specific inputs.

## b.1) Derivative financial instruments

The Company holds derivative financial instruments to hedge against foreign currency and interest rate risks.

As of December 31, 2012, all derivative financial instruments held were entered into over-the-counter market with large-sized financial institutions.

These derivative financial instruments are stated at fair value and accounted for in assets or liabilities in the balance sheet. Derivative financial instruments are stated at fair value through profit or loss. Quarterly periodical changes in fair value of these derivative financial instruments are recognized as financial income (expenses) for the period.

The fair value of these instruments is calculated under the future cash flow model, according to contractual rates, discounted at present value based on market rates. Information and projections on U.S. dollar, and Libor and CDI rates were disclosed by BM&FBOVESPA.

On April 1, 2011, the Company entered into the first amendment to the swap contract - Credit Suisse to eliminate the foreign exchange risk. This amendment changed the terms and conditions relating to the long position adjustment parameter, from exchange rate change plus Libor plus 7.95% per year to 108.75% of CDI.

The table below indicates all existing transactions with derivative financial instruments or that generated financial effects in the year ended December 31, 2013. The column "Receipts (payments)" shows the amounts received or paid through settlements performed in the year ended December 31, 2013, and the column "Cost" shows the related effects recognized as financial income or expenses, associated with settlements and fair value variation of derivatives in the year:

Identification	Nominal amount	Maturity date	Purpose	Parent		Fair value		Short position	Long position
				Receipts (payments)	Cost	Dec./2013	Dec./2012		
				<u>Credit Suisse</u> CDI swap + fixed	250,000	September 2014	Pegged to CCE		
<u>BTG Pactual 2013 (*)</u> Exchange swap + coupon - CDI	23,442	June 2013	Pegged to exchange variation	(1,595)	(769)	-	(57)	Exchange variation + exchange coupon	100% CDI
<u>Itaú 2013 (*)</u> Exchange swap + coupon - CDI	22,212	December 2013	Pegged to exchange variation	1,466	1,838	-	84	Exchange variation + exchange coupon	100% CDI
<u>BTG Pactual 2014 (*)</u> Exchange swap + coupon - CDI	17,521	June 2014	Pegged to exchange variation	-	2,073	2,100	-	Exchange variation + exchange coupon	100% CDI
<u>Itaú 2014 (*)</u> Exchange swap + coupon - CDI	11,055	December 2014	Pegged to exchange variation	-	365	445	-	Exchange variation + exchange coupon	100% CDI

(\*) Performed in the context of the hedge operation.

Identification	Nominal amount	Maturity date	Purpose	Consolidated		Fair value		Short position	Long position
				Receipts (payments)	Cost	Dec./2013	Dec./2012		
<u>Credit Suisse</u> CDI swap + fixed	250,000	September 2014	Pegged to CCE	2,311	2,188	566	2,849	100% CDI + 3.5% p.y.	108.75 % CDI
<u>BTG Pactual 2013</u> (* Exchange swap + coupon - CDI)	25,147	June 2013	Pegged to exchange variation	(1,728)	(843)	-	(68)	Exchange variation + exchange coupon	100% CDI
<u>Itaú 2013</u> (*) Exchange swap + coupon - CDI	23,413	December 2013	Pegged to exchange variation	1,537	1,929	-	88	Exchange variation + exchange coupon	100% CDI
<u>BTG Pactual 2014</u> (* Exchange swap + coupon - CDI)	19,162	June 2014	Pegged to exchange variation	-	2,267	2,297	-	Exchange variation + exchange coupon	100% CDI
<u>Itaú 2014</u> (*) Exchange swap + coupon - CDI	12,695	December 2014	Pegged to exchange variation	-	419	511	-	Exchange variation + exchange coupon	100% CDI

(\*) Performed in the context of the hedge operation.

The swaps mature together with the principal and/or interest on financing, except for Credit Suisse that is no longer subject to any financing; therefore, there is not a specific risk, but it continues to be marked to market.

## b.2) Other financial instruments

Based on interest and currency rates projected by BM&FBOVESPA and Bloomberg, a pricing model was prepared and applied individually to each transaction.

Borrowings, financing and debentures - future payment flows were considered based on contractual conditions, and currency and interest rate projections of BM&FBOVESPA and Bloomberg, discounted at present value according to the rates on market interest yields, based on the information provided by these sources; own credit risk and eventual bank spread were not considered as they are not material.

Accordingly, the fair value of a security corresponds to its value at the maturity date, discounted to present value using a factor applicable at the installment maturity date as obtained from the market interest rate, in Brazilian reais.

Short-term investments - Short-term investments in investment funds and CDBs are stated at fair value, given the classification of fair value through profit or loss, as shown above.

As of December 31, 2013, the market values of the nonderivative financial instruments, presented solely for statement purposes, are as follows:

	Parent	
	12.31.2013	
	Carrying amount	Fair value
Assets:		
Cash and cash equivalents	107,285	107,285
Trade receivables	104,095	104,095
Other receivables	<u>3,376</u>	<u>3,376</u>
Total	<u>214,756</u>	<u>214,756</u>
Liabilities:		
Borrowings and financing	281,569	273,067
Trade payables	59,981	59,981
Loan payable	46,145	46,145
Dividends and interest on capital	<u>60,054</u>	<u>60,054</u>
Total	<u>447,749</u>	<u>439,247</u>
	Consolidated	
	12.31.2013	
	Carrying amount	Fair value
Assets:		
Cash and cash equivalents	122,987	122,987
Trade receivables	139,935	139,935
Other receivables	<u>3,376</u>	<u>3,376</u>
Total	<u>266,298</u>	<u>266,298</u>
Liabilities:		
Borrowings and financing	321,694	307,050
Trade payables	78,928	78,928
Dividends and interest on capital	<u>60,054</u>	<u>60,054</u>
Total	<u>460,676</u>	<u>446,032</u>

c) Foreign currency-denominated assets and liabilities

Solely foreign currency-denominated liabilities were recorded, as follows:

Nature of balance	Parent		Transaction currency
	Amount (in R\$)		
	12.31.2013	12.31.2012	
Darby Brazil Mezzanine Holdings LLC financing	427	372	US\$
FINIMP financing	73,577	98,338	US\$
FINIMP financing	<u>-</u>	<u>6,269</u>	€
Total	<u>74,004</u>	<u>104,979</u>	

<u>Nature of balance</u>	<u>Consolidated</u>		<u>Transaction</u> <u>currency</u>
	<u>Amount (in R\$)</u>		
	<u>12.31.2013</u>	<u>12.31.2012</u>	
Darby Brazil Mezzanine Holdings LLC financing	427	372	US\$
FINIMP financing	82,475	101,697	US\$
FINIMP financing	1,205	7,425	€
Supplier credit	<u>792</u>	<u>1,976</u>	€
Total	<u>84,899</u>	<u>111,470</u>	

## d) Market risk

The Company's market risk management policies include, among others, the development of economic and financial studies and analyses to determine the impact of different scenarios against market positions and reports that monitor the Company's risks.

The Company's profit or loss is subject to variations due to the exchange rate changes on the transactions in foreign currencies, mainly the U.S. dollar and euro, whose appreciation against Brazilian real, in the year ended December 31, 2013, was 14.64% and 19.70%, respectively, as compared to December 31, 2012.

The Company constantly monitors risks, threatens and opportunities based on projected scenarios and their impacts on profit or loss. In addition, other risk factors and possible operations to hedge against these risks are analyzed.

The Company contracts financial instruments to hedge against changes in foreign-currency current liabilities related to borrowings and financing; such transactions are not used for speculative purposes (except for item b.1)) and are characterized as financial instruments highly related to their underlying liabilities.

As of December 31, 2013, derivative transactions are as follows:

Currency exposure

	<u>Parent</u>	<u>Transaction</u>
	<u>Amount (in R\$)</u>	<u>currency</u>
Borrowings and financing	73,577	US\$
(-) Hedge instruments	(28,576)	US\$
Net exposure	<u>45,001</u>	
	<u>Consolidated</u>	<u>Transaction</u>
	<u>Amount (in R\$)</u>	<u>currency</u>
Borrowings and financing	1,997	€
Borrowings and financing	82,475	US\$
(-) Hedge instruments	(31,857)	US\$
Net exposure	<u>52,615</u>	

The Company manages its exposures considering the flows estimated for the subsequent 12-month period, on average. Accordingly, the net exposure previously reported refers to amortization above the period set forth in the policy.

#### Sensitivity analysis of exchange rate changes

The Company and its subsidiaries have foreign currency-denominated borrowings and financing, considered by Management as the sole financial instruments that could represent significant coverage risks.

The table below considered three risk scenarios for the currency indices of these financial liabilities, and the probable scenario was adopted by the Company and its subsidiaries. In addition to this scenario, CVM Instruction 475/08 established two additional scenarios with stresses of 25% and 50% in the risk variables considered as of December 31, 2013.

		Parent - balance sheet accounts				
<u>Operation</u>	<u>Risk</u>	Probable scenario I	Scenario II (+) 25%	Scenario II (-) 25%	Scenario III (+) 50%	Scenario III (-) 50%
Financial liabilities:						
Borrowings and financing	US\$/€	74,004	93,075	54,935	112,144	35,865
Swap - BTG Pactual 2014 (gain) loss	US\$/CDI	(2,073)	(7,230)	3,085	(12,387)	8,242
Swap - Itaú 2014 (gain) loss	US\$/CDI	(365)	(3,259)	2,529	(6,153)	5,424
Rates:						
US\$		2.34	2.93	1.76	3.51	1.17
€		3.23	4.03	2.42	4.84	1.61
		Consolidated - balance sheet accounts				
<u>Operation</u>	<u>Risk</u>	Probable scenario I	Scenario II (+) 25%	Scenario II (-) 25%	Scenario III (+) 50%	Scenario III (-) 50%
Financial liabilities:						
Borrowings and financing	US\$/€	84,899	106,741	63,056	128,583	41,214
Swap - BTG Pactual 2014 (gain) loss	US\$/CDI	(2,267)	(7,907)	3,373	(13,547)	9,014
Swap - Itaú 2014 (gain)/loss	US\$/CDI	(419)	(3,742)	2,905	(7,065)	6,228
Rates:						
US\$		2.34	2.93	1.76	3.51	1.17
€		3.23	4.03	2.42	4.84	1.61

The Company did not consider the interest rates as risk variables, since Management understands that they do not vary significantly.

## e) Fair value hierarchies

The derivative financial instruments stated at fair value are as follows:

	Parent		
	12.31.2013		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	16,807	90,478	107,285
Derivative financial liabilities:			
Swap - CCE	-	566	566
Swap - Itaú 2014	-	445	445
Swap - BTG Pactual 2014	-	2,100	2,100
	Consolidated		
	12.31.2013		
	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
Cash and cash equivalents	21,482	101,505	122,987
Derivative financial liabilities:			
Swap - CCE	-	566	566
Swap - Itaú 2014	-	511	511
Swap - BTG Pactual 2014	-	2,297	2,297

Assets and liabilities were not transferred between the fair value hierarchy levels for the year ended December 31, 2013. The nonderivative financial instruments stated at fair value through profit or loss are classified as having a Level 2 hierarchy.

## f) Credit risk

The credit policies established by Management are intended to minimize customer default risks. This objective is attained by Management through a careful selection of the customer portfolio, which considers the customer ability to pay (credit rating) and diversification (risk pulverization). As of December 31, 2013, consolidated allowance for doubtful accounts amounted to R\$11,797, representing 7.77% of outstanding trade receivables. As of December 31, 2012, this allowance amounted to R\$2,165, equivalent to 1.58%.

Also, to minimize credit risks related to financial institutions, Management seeks to diversify its investments with prime banks.

## g) Liquidity risk

The liquidity risk represents the possibility of a mismatch between maturities of assets and liabilities, which could result in an inability to meet obligations by the established due dates.

It is the Company's management policy to maintain adequate liquidity levels that can ensure that present and future liabilities are met, while seizing any commercial opportunities that may arise.

Management believes that the Company is not exposed to liquidity risk considering its cash generation capacity and its capital structure, with a low debt capital contribution.

In addition, strategies and tools to raise funds are periodically analyzed in order to reverse positions that could affect the Company's liquidity.

<u>Liabilities</u>	12.31.2013	Parent		
		Up to 1 year	1 to 3 years	3 to 5 years
Trade payables	59,981	59,981	-	-
Dividends and interest on capital	60,054	60,054	-	-
NCE	206,239	101,717	104,522	-
Lease	1,326	449	877	-
Borrowings and financing in foreign currency	<u>74,004</u>	<u>30,103</u>	<u>42,711</u>	<u>1,190</u>
Total	<u>401,604</u>	<u>252,304</u>	<u>148,110</u>	<u>1,190</u>

<u>Liabilities</u>	12.31.2013	Consolidated		
		Up to 1 year	1 to 3 years	3 to 5 years
Trade payables	78,928	78,928	-	-
Dividends and interest on capital	60,054	60,054	-	-
NCE	206,239	101,717	104,522	-
Lease	1,326	449	877	-
Borrowings and financing in local currency	21,222	7,574	12,869	779
Borrowings and financing in foreign currency	84,899	33,375	49,174	2,350
Working capital	6,680	3,405	3,275	-
Overdraft account	<u>1,328</u>	<u>1,328</u>	-	-
Total	<u>460,676</u>	<u>286,830</u>	<u>170,717</u>	<u>3,129</u>

#### h) Interest risk

The balances exposed to interest rate changes are as follows:

	Parent		Consolidated	
	<u>12.31.2013</u>	<u>12.31.2012</u>	<u>12.31.2013</u>	<u>12.31.2012</u>
Assets:				
Cash and cash equivalents	107,285	74,642	122,987	136,444
Swap operations	<u>3,111</u>	<u>2,933</u>	<u>3,374</u>	<u>2,937</u>
Total	<u>110,396</u>	<u>77,575</u>	<u>126,361</u>	<u>139,381</u>

	Parent		Consolidated	
	12.31.2013	12.31.2012	12.31.2013	12.31.2012
Liabilities:				
Debentures	-	33,671	-	33,671
NCE	206,239	271,500	206,239	271,500
Lease	1,326	-	1,326	-
Borrowings and financing in local currency	-	-	21,222	10,485
Borrowings and financing in foreign currency	74,004	104,979	84,899	111,470
Working capital	-	-	6,680	6,021
Overdraft account	-	-	1,328	-
Swap operations	-	57	-	68
Total	<u>281,569</u>	<u>410,207</u>	<u>321,694</u>	<u>433,215</u>

#### Sensitivity analysis to interest rate

The Company manages this risk through the balance between fixed and floating rates. Management understands that the changes in these rates would not significantly affect the Company's profit or loss.

### 30. INSURANCE

As of December 31, 2013, the following insurance policies were effective:

	Parent and Consolidated		
	Coverage	Currency	Maturity date
<u>Branch - Tecon Imbituba</u>			
Port Operator Insurance (SOP):			
Civil liability	20,000	US\$	March 2014
Chattels and properties	16,000	US\$	March 2014
Employer Civil Liability (RCE)	1,000	US\$	March 2014
Civil liability - pain and sufferings	1,000	US\$	March 2014
Loss on revenues from blocked stocks and waterways	600	US\$	March 2014
Fleet:			
Coverage for fleet of vehicles (3 vehicles):			
Hull - 100% of FIPE table			
Personal Accidents - Passengers - APPs	10	R\$	October 2014
Material damage	75	R\$	October 2014
Bodily injury	100	R\$	October 2014
Pain and suffering	20	R\$	October 2014
Insurance RCF (9 vehicles):			
RCF - property damages	500	R\$	October 2014
RCF - personal damages	500	R\$	October 2014
RCF - pain and suffering	100	R\$	October 2014

	Parent and Consolidated		
	Coverage	Currency	Maturity date
<u>Branch - Tecon Santos</u>			
SOP:			
Civil liability	20,000	US\$	March 2014
Chattels and properties	17,850	US\$	March 2014
RCE	1,000	US\$	March 2014
Civil liability - pain and sufferings	1,000	US\$	March 2014
Product transportation	2,000	US\$	March 2014
Passenger transportation in vessels (RC) and pain and suffering	1,000	US\$	March 2014
Loss on revenues from blocked stocks	1,000	US\$	March 2014
Loss on revenues from blocked waterways	4,000	US\$	March 2014
Directors and officers			
Civil liability - directors and officers	35,000	R\$	June 2014
Named perils - offices			
Santos and São Paulo	5,000	R\$	April 2014
Fleet:			
Coverage for fleet of vehicles (49 vehicles):			
Hull - 100% of FIPE table			
Personal Accidents - Passengers - APPs	10	R\$	October 2014
Material damage	75	R\$	October 2014
Bodily injury	100	R\$	October 2014
Pain and suffering	20	R\$	October 2014
<u>Nova Logística</u>			
SOP:			
Civil liability	20,000	US\$	March 2014
Chattels and properties	17,000	US\$	March 2014
RCE	1,000	US\$	March 2014
Civil liability - pain and sufferings	1,000	US\$	March 2014
Product transportation	2,000	US\$	March 2014
CD full civil liability - São Bernardo do Campo	50,000	US\$	March 2014
CD full civil liability - Jaguaré	50,000	US\$	March 2014
Electrical damages:			
Cargo Highway Transportation - RCTR-C	4,000	R\$	June 2014
Theft and cargo deviation - RCF-DC	4,000	R\$	June 2014
Insurance RCF (122 vehicles):			
RCF - property damages	200	R\$	October 2014
RCF - personal damages	700	R\$	October 2014
RCF - pain and suffering	90	R\$	October 2014

	Parent and Consolidated		
	Coverage	Currency	Maturity date
<u>Convicon</u>			
SOP:			
Civil liability	20,000	US\$	March 2014
Chattels and properties	7,600	US\$	March 2014
RCE	1,000	US\$	March 2014
Civil liability - pain and sufferings	1,000	US\$	March 2014
Loss on revenues from blocked stocks and waterways	600	US\$	March 2014
Fleet:			
Coverage for fleet of vehicles (3 vehicles):			
Hull - 100% of FIPE table			
Personal Accidents - Passengers - APPs	10	R\$	October 2014
Material damage	75	R\$	October 2014
Bodily injury	100	R\$	October 2014
Pain and suffering	20	R\$	October 2014
Insurance RCF (14 vehicles):			
RCF - property damages	500	R\$	October 2014
RCF - personal damages	500	R\$	October 2014
RCF - pain and suffering	100	R\$	October 2014

Vehicle Terminal

SOP:			
Civil liability	20,000	US\$	March 2014
Chattels and properties	1,000	US\$	March 2014
RCE	1,000	US\$	March 2014
Civil liability - pain and sufferings	1,000	US\$	March 2014
Loss on revenues from blocked stocks and waterways	600	US\$	March 2014

In view of their nature, the risk assumptions adopted are not part of the scope of an audit of interim financial statements and, therefore, were not examined by our independent auditor.

## 31. CAPITAL COMMITMENT

As of December 31, 2013, there are requests (purchase orders) subject to the future acquisition of property, plant and equipment in the amount of R\$2,679 (R\$2,139 as of December 31, 2012), not recorded in these financial statements because they were not classified as firm commitments.

## 32. SEGMENT REPORTING

Information by operating segment is presented in the following statements, which are an integral part of this note, as required by CPC 22 - Operating Segments.

The definition of operating segments and the structure of the statements follow the management model already used by management of each unit to monitor businesses, in conjunction with its managers reporting to the Statutory Directors; similarly, they are presented at Board of Directors' meetings.

The accounting policies used to report information by segment are the same as those used in the individual and consolidated financial statements, as mentioned in Note 3.

### Segment reporting

Containers Port Terminals, representing the aggregation of results and capital used by business units: (a) Tecon Santos; (b) Tecon Imbituba, including Terminal de Carga Geral; and (c) Tecon Vila do Conde, whose operations are described in Notes 1.a), 1.b) and 1.e). Their activities are conducting port operations consisting of loading and unloading of vessels carrying containers and bonded warehousing in primary zone, primarily including warehousing of cargo handled in their harbor.

The aggregation of containers port terminal is made because units have similar economic features and they are also similar in the following: (a) nature of the manufacturing processes; (b) type or category of customers using their services; (c) methods used to provide services; and (d) nature of the regulatory environment.

Logistics, with business units in Santos, Guarujá, São Bernardo do Campo, São Paulo and Imbituba, whose operations are described in Note 1.c). This operating segment also includes activities such as road transportation, distribution centers and distribution transport, in synergy with the containers port terminals.

Vehicle Terminal, with a business unit in Port of Santos and operations described in Note 1.d), this operating segment comprises loading and unloading of vehicles in vessels of the commercial import and export flow and yard activities, especially bonded warehousing.

### Statements

Statement of income to the EBITDA, representing the operating performance of units, consisting of account balances under the direct management of administrators. This statement also shows Earnings Before Interest and Taxes - EBIT.

Statement of the allocated capital, representing the account balances of operating assets, net of liabilities related to operating credits under the direct management of administrators.

As supplementary information on operating segments, institutional activities that cannot be attributed to operating segment are reported in a separate column in the statements, that is, amounts relating to: (a) the central administration; (b) the financial management; and (c) direct taxes on income.

Below are the statements referred to above for the reporting periods to which these financial statements refer.

Consolidated statement of income by operating segment -  
December 31, 2013

<u>Account</u>	<u>Port terminals</u>	<u>Logistics</u>	<u>Vehicle terminal</u>	<u>Institutional</u>	<u>Eliminations</u>	<u>Consolidated</u>
Gross operating revenue	1,246,933	288,294	77,834	-	(12,120)	1,600,941
Deductions	<u>(172,510)</u>	<u>(41,863)</u>	<u>(10,367)</u>	-	<u>1,153</u>	<u>(223,587)</u>
Net operating revenue	1,074,423	246,431	67,467	-	(10,967)	1,377,354
Cost of services	(592,799)	(184,003)	(36,639)	-	10,967	(802,474)
Variable/fixed costs	(494,942)	(172,427)	(27,624)	-	10,967	(684,026)
Depreciation/amortization	<u>(97,857)</u>	<u>(11,576)</u>	<u>(9,015)</u>	-	-	<u>(118,448)</u>
Gross profit	<u>481,624</u>	<u>62,428</u>	<u>30,828</u>	-	-	<u>574,880</u>
Operating expenses	(75,220)	(27,643)	(907)	(78,689)	-	(182,459)
Selling expenses	(32,753)	(15,482)	(380)	-	-	(48,615)
General and administrative expenses	(49,924)	(13,509)	(527)	(63,344)	-	(127,304)
Depreciation/amortization	(606)	(328)	-	(16,197)	-	(17,131)
Others	<u>8,063</u>	<u>1,676</u>	-	<u>852</u>	-	<u>10,591</u>
EBIT	406,404	34,785	29,921	(78,689)	-	392,421
Depreciation/amortization	98,463	11,904	9,015	16,197	-	135,579
EBITDA	504,867	46,689	38,936	(62,492)	-	528,000
Financial income (expenses)	-	-	-	(28,586)	-	(28,586)
Equity in subsidiaries	-	-	-	32,892	(32,892)	-
Income tax and social contribution	-	-	-	(108,775)	-	(108,775)
Net profit	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>255,060</u>

Consolidated statement of income by operating segment -  
December 31, 2012

<u>Account</u>	<u>Port terminals</u>	<u>Logistics</u>	<u>Vehicle terminal</u>	<u>Institutional</u>	<u>Eliminations</u>	<u>Consolidated</u>
Gross operating revenue	1,128,684	251,765	91,316	-	(102)	1,471,663
Deductions	<u>(129,879)</u>	<u>(36,557)</u>	<u>(12,067)</u>	-	<u>9</u>	<u>(178,494)</u>
Net operating revenue	998,805	215,208	79,249	-	(93)	1,293,169
Cost of services	(516,834)	(144,717)	(29,438)	-	93	(690,896)
Variable/fixed costs	(424,080)	(136,995)	(20,374)	-	93	(581,356)
Depreciation/amortization	<u>(92,754)</u>	<u>(7,722)</u>	<u>(9,064)</u>	-	-	<u>(109,540)</u>
Gross profit	<u>481,971</u>	<u>70,491</u>	<u>49,811</u>	-	-	<u>602,273</u>
Operating expenses	(71,005)	(27,240)	(514)	(78,610)	-	(177,369)
Selling expenses	(27,300)	(11,608)	(266)	-	-	(39,174)
General and administrative expenses	(43,968)	(15,772)	(273)	(61,672)	-	(121,685)
Depreciation/amortization	(723)	(351)	-	(16,199)	-	(17,273)
Others	<u>986</u>	<u>491</u>	<u>25</u>	<u>(739)</u>	-	<u>763</u>
EBIT	410,966	43,251	49,297	(78,610)	-	424,904
Depreciation/amortization	93,477	8,073	9,064	16,199	-	126,813
EBITDA	504,443	51,324	58,361	(62,411)	-	551,717
Financial income (expenses)	-	-	-	(43,652)	-	(43,652)
Equity in subsidiaries	-	-	-	57,363	(57,363)	-
Income tax and social contribution	-	-	-	(111,040)	-	(111,040)
Net profit	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>270,212</u>

As of December 31, 2013, revenues from a customer operating in the port terminal segment totaled R\$190,100 (R\$243,560 as of December 31, 2012), accounting for 11.9% of total consolidated gross revenue.

Consolidated statement of allocated capital per operating segment -  
December 31, 2013

<u>Account</u>	<u>Port terminals</u>	<u>Logistics</u>	<u>Vehicle terminal</u>	<u>Institutional</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Allocated capital</u>						
Current assets	<u>126,598</u>	<u>34,332</u>	<u>10,246</u>	<u>145,846</u>	<u>(11,121)</u>	<u>305,901</u>
Cash and cash equivalents	-	-	-	122,987	-	122,987
Others	126,598	34,332	10,246	22,859	(11,121)	182,914
Noncurrent assets	<u>1,342,638</u>	<u>191,311</u>	<u>189,344</u>	<u>583,424</u>	<u>(405,988)</u>	<u>1,900,729</u>
Long-term assets	238,019	5,355	18	16,817	-	260,209
Investment	-	-	-	405,988	(405,988)	-
Property, plant and equipment	954,897	144,870	1,592	29,007	-	1,130,366
Intangible assets	149,722	41,086	187,734	131,612	-	510,154
Current liabilities	<u>(110,126)</u>	<u>(38,176)</u>	<u>(3,285)</u>	<u>(12,228)</u>	<u>11,121</u>	<u>(152,694)</u>
Trade payables	(63,178)	(23,752)	(1,982)	(59)	10,043	(78,928)
Others	(46,948)	(14,424)	(1,303)	(12,169)	1,078	(73,766)
Noncurrent liabilities	<u>(149,239)</u>	<u>(1,913)</u>	<u>(61)</u>	<u>(62,295)</u>	-	<u>(213,508)</u>
Trade payables	(23,681)	-	-	-	-	(23,681)
Provision for risks	(115,082)	(1,913)	(61)	(3)	-	(117,059)
Others	(10,476)	-	-	(62,292)	-	(72,768)
Total	<u>1,209,871</u>	<u>185,554</u>	<u>196,244</u>	<u>654,747</u>	<u>(405,988)</u>	<u>1,840,428</u>

Capital sources

Current liabilities	-	-	-	-	-	<u>207,901</u>
Indebtedness	-	-	-	-	-	147,847
Dividends/Interest on capital	-	-	-	-	-	60,054
Noncurrent liabilities	-	-	-	-	-	<u>184,558</u>
Indebtedness	-	-	-	-	-	173,847
Actuarial liabilities	-	-	-	-	-	10,711
Equity	-	-	-	-	-	<u>1,447,969</u>
Equity	-	-	-	-	-	1,448,916
Actuarial liabilities	-	-	-	-	-	(947)
Total	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>1,840,428</u>

Consolidated statement of allocated capital per operating segment -  
December 31, 2012

<u>Line items</u>	<u>Port terminals</u>	<u>Logistics</u>	<u>Vehicle terminal</u>	<u>Institutional</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Allocated capital</u>						
Current assets	<u>122,484</u>	<u>25,524</u>	<u>8,705</u>	<u>157,834</u>	<u>(8,064)</u>	<u>306,483</u>
Cash and cash equivalents	-	-	-	136,444	-	136,444
Other	122,484	25,524	8,705	21,390	(8,064)	170,039
Noncurrent assets	<u>1,315,021</u>	<u>176,023</u>	<u>197,823</u>	<u>592,446</u>	<u>(419,071)</u>	<u>1,862,242</u>
Long-term assets	157,336	10,152	199	2,708	(225)	170,170
Investment	-	-	-	418,846	(418,846)	-
Property, plant and equipment	994,984	124,052	950	23,662	-	1,143,648
Intangible assets	162,701	41,819	196,674	147,230	-	548,424
Current liabilities	<u>(101,728)</u>	<u>(23,587)</u>	<u>(4,685)</u>	<u>22</u>	<u>1,932</u>	<u>(128,046)</u>
Trade payables	(46,763)	(9,887)	(1,800)	(2)	1,292	(57,160)
Other	(54,965)	(13,700)	(2,885)	24	640	(70,886)
Noncurrent liabilities	<u>(133,979)</u>	<u>(1,170)</u>	<u>(40)</u>	<u>(35,604)</u>	-	<u>(170,793)</u>
Provision for risks	(133,979)	(1,170)	(40)	-	-	(135,189)
Other	-	-	-	(35,604)	-	(35,604)
Total	<u>1,201,798</u>	<u>176,790</u>	<u>201,803</u>	<u>714,698</u>	<u>(425,203)</u>	<u>1,869,886</u>

<u>Line items</u>	<u>Port terminals</u>	<u>Logistics</u>	<u>Vehicle terminal</u>	<u>Institutional</u>	<u>Eliminations</u>	<u>Consolidated</u>
<u>Capital sources</u>						
Current assets	-	-	-	-	-	(4,424)
Other	-	-	-	-	-	(4,424)
Noncurrent assets	-	-	-	-	-	(13,853)
Long-term assets	-	-	-	-	-	(13,853)
Current liabilities	-	-	-	-	-	230,221
Indebtedness	-	-	-	-	-	165,547
Dividends/Interest on capital	-	-	-	-	-	64,569
Other payables	-	-	-	-	-	105
Noncurrent liabilities	-	-	-	-	-	289,041
Indebtedness	-	-	-	-	-	267,600
Other payables	-	-	-	-	-	9,980
Actuarial liabilities	-	-	-	-	-	11,461
Equity	-	-	-	-	-	1,368,901
Equity	-	-	-	-	-	1,371,601
Actuarial liabilities	-	-	-	-	-	(2,700)
Total	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>1,869,886</u>

### 33. OTHER INFORMATION

Provisional Measure 627, of November 11, 2013, and Regulatory Instruction 1397, of September 16, 2013, issued by Federal Revenue Service, changed significantly the federal tax rules. This Provisional Measure shall be effective for periods beginning 2015 and early adoption is permitted beginning 2014.

In order to ensure the tax neutrality set forth in articles 15 and 16, of Law 11941, of May 27, 2009, as dividends were paid, through the publication of such Provisional Measure, based on profit or loss recorded between January 1, 2008 and December 31, 2013, which was greater than those that would be recorded according to the accounting methods and criteria in effect as of December 31, 2007, the Company's management will early adopt the provisions above, as soon as the respective procedures are available and approved. Accordingly, the equity calculated according to Law 6404/76 will be used for purposes of calculation of the limit set forth in article 9, of Law 9249/95, relating to the tax effects on interest on capital.

According to the Company's management, the dividends paid or payable after the enactment of such Provisional Measure based on profit or loss for 2013 will not be greater than those that would be payable according to the accounting methods and criteria in effect as of December 31, 2007, not subject to any tax burden.

Management is analyzing other eventual effects from the adoption of such Provisional Measure.

Board of Directors

Carlos Geraldo Langoni (Chairman)  
Verônica Valente Dantas (Vice-Chairman)  
Marcos Nascimento Ferreira  
Maria Amalia Delfim de Melo Coutrim  
Daniel Pedreira Dorea  
Fabio Perrone Campos Mello  
Alcides Lopes Tápias (Independent)  
Hans Jurgen Friedrich Peters (Independent)  
Wallim Cruz de Vasconcellos Junior (Independent)

Alternates Board Members

Marcus Vinicius Gomes Bitencourt  
Eduardo Carvalho da Silva Faoro  
Eduardo de Britto Pereira de Azevedo  
Marcelo de Freitas Lapa Santos  
Pedro Corrêa da Veiga Murgel  
Ricardo Schenker Wajnberg

Executive Board

Antônio Carlos Duarte Sepúlveda - CEO  
Washington Cristiano Kato - CFO and Investor Relations Officer  
Caio Marcelo Morel Correa - Chief Operating Officer  
Mauro Santos Salgado - Chief Commercial Officer

Supervisory Board

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

Alternates

Marcello Martins Rodrigues  
Heldo Jorge dos Santos Pereira Junior  
Mauro Ormeu Cardoso Amorelli  
Alexandre Luiz Oliveira de Toledo

Luiz Carlos Quene TC/CRC nº 1 SP 192166/O-6  
Chief Controllershship Officer

# ***Santos Brasil Participações S.A.***

## **Attachment to the Financial Statements**

As required by Paragraph 1, article 25, of CVM Instruction 480/09

### **Contents**

**Supervisory Board's opinion**

**Capital budget proposal**

**Statement by the Executive Board**

## **SUPERVISORY BOARD'S OPINION**

The SUPERVISORY BOARD of SANTOS BRASIL PARTICIPAÇÕES S.A., in the discharge of its duties as imposed by prevailing legislation and the Company's bylaws, under article 163 of Law 6404/1976, has examined the annual Management Report, financial statements, capital budget and Management's profit allocation proposal for the year ended December 31, 2013. Based on the documents examined, analyses made and clarifications presented by a Company's representative, and, also considering the report issued by the independent auditors, Deloitte Touche Tohmatsu, dated February 6, 2014, the SUPERVISORY BOARD's unanimous opinion is that the documents referred to above are ready to be submitted to the General Shareholders Meeting.

São Paulo, February 6, 2014

**Gilberto Braga**  
Supervisory Board Chairman

**Antonio Carlos Pinto de Azeredo**  
Supervisory Board Member

**Axel Erhard Brod**  
Supervisory Board Member

**Leonardo Guimarães Pinto**  
Supervisory Board Member

# SANTOS BRASIL PARTICIPAÇÕES S.A.

CNPJ/MF nº 02.762.121/0001-04

NIRE 35.300.35.005-7

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## MANAGEMENT'S PROPOSED CAPITAL BUDGET FOR FY 2014

Dear shareholders:

The Management of Santos Brasil Participações S.A., in conformity with article 196 of Law 6404/76, proposes to the General Shareholders Meeting the approval of the Capital Budget, with a capital investment of forty-one million, two hundred and ninety-three thousand Brazilian reais (R\$41,293 thousand) for FY 2014, as shown below:

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<b>Summary Schedule of Uses and Sources – Budget Basis 2014</b>	<b>R\$ thousand</b>
<b>USES</b>	
<b>Property, plant and equipment and Investments</b>	<b>41,293</b>
Property, plant and equipment Tecon Santos – Cntrs Terminal	35,088
Property, plant and equipment Tecon Imbituba – Cntrs Terminal	1,655
Property, plant and equipment Tecon Imbituba – General Cargo Terminal	350
Increase in investments in subsidiaries	4,200
<b>Repayment of borrowings and financing</b>	<b>137,478</b>
Repayment of principal (Finimp, Debentures and NCE)	121,382
Repayment of interest (Finimp, Debentures and NCE)	16,096
<b>TOTAL USES</b>	<b>178,771</b>
<b>SOURCES</b>	
<b>Financial realization of the profit for FY2013</b>	<b>(90,224)</b>
Dividends receivable from Terminal de Veículos de Santos	5,141
Payment of dividends	(35,401)
Payment of interest on capital, net of income tax	(59,964)
<b>Financial realization of the profit for FY2014</b>	<b>161,710</b>
Cash generation – (derived from EBITDA 2014)	161,710
<b>Cash balance at 12/31/2013 – see statement of cash flow</b>	<b>107,285</b>
Earnings retention	48,461
Other cash balance amounts	58,824
<b>TOTAL SOURCES</b>	<b>178,771</b>

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# **SANTOS BRASIL PARTICIPAÇÕES S.A.**

CNPJ/MF nº 02.762.121/0001-04

NIRE 35.300.35.005-7

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<b>Profit for 2013</b>	<b>255,060</b>
Legal reserve	12,753
Interim dividends	90,000
Additional dividends proposed	35,401
Interest on capital payable in 2014	68,445
<b>Earnings retention</b>	<b>48,461</b>

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São Paulo, February 2014

The Management.



## STATEMENT

Pursuant to article 25, item VI, of CVM Instruction 480, of December 7, 2009, the Chief Executive Officer and the Chief Financial and Investor Relations Officer of **SANTOS BRASIL PARTICIPAÇÕES S.A.**, a publicly-held company, enrolled with the Ministry of Finance under the National Register of Legal Entities (CNPJ) No. 02.762.121/0001-04, headquartered at Rua Dr. Eduardo de Souza Aranha, 387, 2º andar, São Paulo, SP, hereby represent that they have reviewed, discussed and agreed with the financial statements attached hereto.

São Paulo, February 6, 2014

**Antônio Carlos Duarte Sepúlveda**  
Chief Executive Officer

**Washington Cristiano Kato**  
Chief Financial and  
Investor Relations Officer

**SANTOS BRASIL**

## STATEMENT

Pursuant to article 25, item V, of CVM Instruction 480, of December 7, 2009, the Chief Executive Officer and the Chief Financial and Investor Relations Officer of **SANTOS BRASIL PARTICIPAÇÕES S.A.**, a publicly-held company, enrolled with the Ministry of Finance under the National Register of Legal Entities (CNPJ) No. 02.762.121/0001-04, headquartered at Rua Dr. Eduardo de Souza Aranha, 387, 2º andar, São Paulo, SP, hereby represent that they have reviewed, discussed and agreed with the opinions expressed in the independent auditor's report.

São Paulo, February 6, 2014

**Antônio Carlos Duarte Sepúlveda**  
Chief Executive Officer

**Washington Cristiano Kato**  
Chief Financial and  
Investor Relations Officer