(A free translation of the original in Portuguese)



Financial statements

December 31, 2013

Annual Report

Financial statements

Notes

Independent auditor's report

TUPY.Worldwide reference in castings

TUPY

TUPY3 NOVO MERCADO BM&FBOVESPA

MANAGEMENT DISCUSSION AND ANALYSIS

To the Shareholders,

Looking back at 2013, I feel pleased with our performance throughout this period. And I have no doubt that Tupy can be proud of its 75 years of history and is ready to achieve even more success in the future.

Our position in the market has become more robust through the acquisition of new customers, the strengthening of relations with our existing customers and the increased use of our products in vehicles recognized for their state-of-the art technology. Following the same direction, various contracts with major OEMs and auto part manufacturers have been renewed, confirming, once more, that our customers recognize our competence.

With respect to the operating performance, the Adjusted EBITDA totaled R$ 490.1 million in 2013, equivalent to 15.7% of the revenues for the year. This represents the best margin since 2010 and ratifies the operational improvements that were extensively commented in our quarterly reports over the year.

Important changes took place in the management of the engineering and manufacturing areas - particularly in relation to organizational structures and management methods - aimed at improving the development of new products and processes, planning and production. This context considers the need for completing the challenging integration of these activities between Brazil and Mexico.

In parallel, the work processes of supplies and logistics were reviewed, in order to identify savings to mitigate the increase in prices, unavoidable in many cases of the inputs needed for our business. Because such functions are highly critical for the Company's results, both in Brazil and Mexico, these efforts represented an important contribution and should be intensified, in order to improve Tupy's competitiveness.

Also, the Company's structure, itself, underwent a significant change with the institution of the Vice-presidency of Technology, Research and Innovation. This measure had the purpose of strengthening the foundations on which, throughout its history, the Company has opened up markets and gained worldwide respect. This initiative will certainly provide us with conditions to meet the challenges of an increasingly dynamic industry, with the agility necessary.

In 2013, the Company developed actions consistent with one of its most important values - the respect for people - aimed at improving the health of its employees and safety in the work environment. Accordingly, a strong cross-level process of cultural change is already in course and will continue in 2014. Our social responsibility actions went beyond the walls of our Company, benefiting the surrounding communities.

Our concern for sustainability, which is crucial for the accomplishment of our Mission, was translated into a solid management of the impacts caused by the Company's activities on the environment. Special attention was dedicated to projects for improving the use of natural resources and protect their sources, such as sand and water, for example, and energy efficiency, among others. In this

regard, it should be pointed out that the Company won the 20th. Ecology Expression Award in the category Preservation of Production Inputs - Water.

Also to be highlighted is the development and implementation of the new enterprise management system (SAP), named OneTupy Project. This initiative is mainly based on the redesign of the organizational processes which support the departments' work, in order to make them more robust and reliable, improving the management of various areas, at the operational and supporting levels. Also, and not less important, the new tool will allow us to consolidate and systematize the business intelligence, in favor of the productivity and economic results.

After the substantial changes the Company has undergone in past years, which resulted in its financial recovery, business growth in domestic and international markets and becoming a multinational company, with the acquisition of companies in Mexico, Tupy submitted the merit of its transformation to the judgment of the investing community, by offering new shares to the public, through capital increase. The offering was concluded successfully and provided resources to finance the Company's strategic plans.

This transaction increased our cash by R$ 516.7 million, which will be used in projects to streamline our operations and reduce costs and also to support other strategic initiatives of growth. Accordingly, we intend to consolidate our leading position and continue the process of strengthening partnerships with customers - of whom we endeavor to be the preferred choice - through the supply of cast and machined products and high value services and always committed to maintain financial discipline and improve the indicators of return on invested capital.

Also, the Company has listed on the Novo Mercado segment of BM&FBovespa, reinforcing its commitment to corporate governance and quality of its relations with shareholders and investors in general. As this segment of the stock exchange is restricted only to companies that are committed with transparency and detailed accountability, these practices will provide better knowledge about the Company's business and the confidence required to obtain market support for its future growth projects.

It is, therefore, fair and natural that we celebrate the success we achieved so far and hope that this success may inspire new achievements in the future. In 2014 we will have to face even greater challenges to obtain results that meet the expectations of our customers and shareholders, which is the essential condition for the realization of our own objectives and to benefit the country in general.

Yours faithfully,

Luiz Tarquinio Sardinha Ferro
CEO

PERFORMANCE HIGHLIGHTS

Consolidated (thousands of R$)

SUMMARY OF RESULTS	2013	2012	Variation
Revenues	**3,122,984**	**2,671,120**	**16.9%**
Domestic market	1,035,353	983,241	5.3%
Foreign market	2,087,631	1,687,879	23.7%
Cost of goods sold	(2,554,117)	(2,211,858)	15.5%
Gross profit	**568,867**	**459,262**	**23.9%**
% over Revenues	18.2%	17.2%	
Selling, General and Administrative Expenses	(225,080)	(208,288)	8.1%
Other net operating expenses	(85,110)	(61,986)	37.3%
Income before financial result	**258,677**	**188,988**	**36.9%**
% over Revenues	8.3%	7.1%	
Net financial result:	(135,660)	(86,358)	57.1%
Net Income Before Income Taxes	**123,017**	**102,630**	**19.9%**
% over Revenues	3.9%	3.8%	
Income tax and social contribution	(36,696)	(36,273)	1.2%
Net Income	**86,321**	**66,357**	**30.1%**
% over Revenues	2.8%	2.5%	

EBITDA (according to the methodology of CVM Instruction 527/12)	**463,966**	**337,136**	**37.6%**
% over Revenues	14.9%	12.6%	
Adjusted EBITDA	**490,129**	**368,688**	**32.9%**
% over Revenues	15.70%	13.80%	

SALES VOLUME

The sales volume increased 12.5% when comparing to the prior year. In the domestic market, the sales volume remained practically unchanged, while in the foreign market it increased 19.8% against 2012 and currently represents 66.8% of the Company's sales.

	Consolidated (metric tons)		
	2013	2012	Variation
Total sales	**634,806**	**564,025**	**12.5%**
Domestic market	210,701	209,870	0.4%
Share in total %	33.2%	37.2%	
Foreign market	424,105	354,155	19.8%
Share in total %	66.8%	62.8%	

The recognition of twelve months of results of the Mexican operations was determinant for the growth in the foreign market share, since in 2012, the Mexican plants' contribution to the consolidated results was computed only as from the middle of April.

REVENUES

Revenues totaled R$ 3.1 billion in 2013, an increase of 16.9% when compared to 2012.

	Consolidated (thousands of R$)		
REVENUES BY MARKET AND APPLICATION	2013	2012	Variation
Revenues	**3,122,984**	**2,671,120**	**16.9%**
Domestic market	**1,035,353**	**983,241**	**5.3%**
Automotive	**851,015**	**808,161**	**5.3%**
Light vehicles	355,165	407,533	-12.9%
Commercial vehicles	416,203	324,153	28.4%
Construction, Industrial & Agricultural	79,647	76,475	4.1%
Hydraulics	**184,338**	**175,080**	**5.3%**
Foreign market	**2,087,631**	**1,687,879**	**23.7%**
Automotive	**2,019,048**	**1,627,572**	**24.1%**
Light vehicles	369,478	342,937	7.7%
Commercial vehicles	950,053	723,038	31.4%
Construction, Industrial & Agricultural	699,517	561,597	24.6%
Hydraulics	**68,583**	**60,307**	**13.7%**

In the evolution of the sales volume, the significant increase in foreign market revenues - 23.7% - should be highlighted. Domestic market revenues increased by 5.3%, when compared to 2012.

The following factors for the variation in revenues in the year were the highlights:

- The recovery of domestic market revenues from applications of Tupy's products in commercial vehicles, offset by the decrease in revenues from light vehicles in the same market.
- Influence of the sales of the Mexican units in the foreign market growth.
- Devaluation of 11.0% of the average exchange rate in 2013 (2.174 R$/US$) against 2012 (1.959 R$/US$), which caused positive impacts on the revenues from foreign sales.

COST OF GOODS SOLD AND SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

The Cost of goods sold (COGS) totaled R$ 2.6 billion, 15.5% above the amount recorded for 2012. Consequently, the gross margin grew to 18.2%, an increase of 1 p.p. in relation to the previous year.

Selling, General and Administrative Expenses (SG&A) totaled R$ 225.1 million, or 8.1% above the amount recorded for 2012.

	Consolidated (thousands of R$)		
	2013	2012	Variation
Revenues	**3,122,984**	**2,671,120**	**16.9%**
Cost of goods sold	(2,554,117)	(2,211,858)	15.5%
Gross profit	**568,867**	**459,262**	**23.9%**
% over Revenuess	18.2%	17.2%	
Selling, General and Administrative Expenses	(225,080)	(208,288)	8.1%

This variation was mainly due to:

- The inclusion of operating costs and expenses from the Mexican units.
- Increase in the average price of steel scrap.
- Effect of the depreciation of the Real on costs of inputs, with prices in U.S. Dollars, imported by the Brazilian and Mexican units.
- Evolution of labor costs.

The effects above were partially offset by:

- Benefit of payroll charges relief not available during seven months of the 2012 comparative basis.
- Improvement in productivity indicators, mainly at the Mexican plants.

OTHER NET OPERATING EXPENSES

	Consolidated (thousands of R$)		
	2013	2012	Variation
Other net operating expenses	(85,110)	(61,986)	37.3%

In 2013, expenses of R$ 85.1 million were recorded under Other operating income (expenses), an increase of 37.3% in relation to the expenses of R$ 62.0 million recorded in 2012.

This increase was mainly due to:

- The increase of R$ 20.2 million in expenses referring to the amortization of intangible assets, generated upon the acquisition of the companies in Mexico, which reflect both the inclusion of these expenses in the twelve months of operation and the impact of the foreign exchange devaluation, since it is recorded in U.S. dollars;
- The expense of R$ 9.6 million, referring to the enrollment in the Tax Recovery Program (REFIS) for payment of certain debts related to Income Tax, Social Contribution, Social Integration Program (PIS) and Social Contribution on Revenues (COFINS).

NET FINANCIAL RESULT

In 2013, net financial result amounted to a loss of R$ 135.7 million, a 57.1% increase when compared to a loss of R$ 86.4 million in 2012.

	Consolidated (thousands of R$)		
	2013	2012	Variation
Financial expenses	(116,263)	(113,846)	**2.1%**
Financial income	49,153	66,775	-26.4%
Net monetary and foreign exchange variations	(68,550)	(39,287)	74.5%
Net financial result	**(135,660)**	**(86,358)**	**57.1%**

This effect came mainly from the devaluation of 12.8% of the Real against the U.S. dollar (2.078 R$/US$ in 2012 versus 2.343 R$/US$ in 2013), which resulted in monetary and foreign exchange expenses, net, of R$ 68.6 million. An amount 74.5% higher than in 2012.

We should also highlight the amendment to the accounting policy ruling the performance of net monetary and foreign exchange variations. Pursuant to the hedge accounting policy adopted as from January 10, 2014, US$ 300 million (a portion of the debt in foreign currency) was allocated as a hedge instrument as a replacement of the derivatives with notional amount of US$ 200 million. The difference between these two hedge instruments will change the net exposure by US$ 100 million, impacting the Company's results for 2014. Nevertheless, there were no effects on the financial statements for the present year (Note 35).

NET INCOME BEFORE INCOME TAXES AND NET INCOME

Income tax and social contribution totaled R$ 36.7 million, representing 29.8% of Net Income Before Income Taxes. As a result, net income for 2013 totaled R$ 86.3 million, 30.1% above that in 2012.

	Consolidated (thousands of R$)		
	2013	2012	Variation
Net Income Before Income Taxes	**123,017**	**102,630**	**19.9%**
Income tax and social contribution	(36,696)	(36,273)	1.2%
Net Income	**86,321**	**66,357**	**30.1%**
% over Revenues	2.8%	2.5%	

ADJUSTED EBITDA

As a result of the factors mentioned above, the adjusted EBITDA totaled R$ 490.1 million, an increase of 32.9% when compared to 2012. This increase can also be noted in the respective margin – 15.7% over Revenues – against 13.8% in the previous period.

	Consolidated (thousands of R$)		
RECONCILIATION OF PROFIT AND EBITDA	2013	2012	Variation
Net Income	**86,321**	**66,357**	**30.1%**
(+) Net financial result	135,660	86,358	57.1%
(+) Income tax and social contribution	36,696	36,273	1.2%
(+) Depreciation and amortization	205,289	148,148	38.6%
EBITDA (according to the methodology of CVM Instruction 527/12)	**463,966**	**337,136**	**37.6%**
EBITDA margin	14.9%	12.6%	
(+) Other net operating expenses	26,163	26,336	-0.7%
(+) Amortization of inventory fair value adjustment	-	5,216	0.0%
Adjusted EBITDA	**490,129**	**368,688**	**32.9%**
Adjusted EBITDA margin	15.7%	13.8%	

The variation of 38.6% in the account Depreciation and amortization was influenced by the amortization of intangible assets, as mentioned above, as well as by higher depreciation expenses, reflecting the increase in the Company's base of property, plant and equipment items.

Adjusted EBITDA: corresponds to earnings plus net financial result, income tax and social contribution, depreciation and amortization, adjusted by the addition of other Selling, General and Administrative Expenses or reduction of other operating income, net. Adjusted EBITDA is not a financial performance measure according to the Accounting Practices Adopted in Brazil, and should not be considered separately, or as an alternative to profit, as an operating performance index, or as an alternative to operating cash flows or liquidity. There is no standard definition of Adjusted EBITDA, and Tupy's definition of Adjusted EBITDA may not be comparable to that of other companies.

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Total investment in property, property, plant and equipment and intangible assets was R$ 210.4 million in 2013, representing an increase of 11.9% when compared to 2012. This increase was mainly due to investments in environmental preservation and regeneration of the natural resources used in production, which were substantially higher (67.2%) than in 2012 and also the capitalization of software expenses (ERP), in the amount of R$ 34.6 million.

Also to be highlighted was the investment of R$ 17.5 million in the project for automation of finishing lines. This project, together with regeneration of sand and other initiatives intended to streamline operations, are linked to the use of resources arising from the public offering, allocated for their development in 2014.

	Consolidated (thousands of R$)		
	2013	2012	Variation
Property, plant and equipment			
In expansion	93,427	109,035	-14.3%
Maintenance and modernization of the operating capacity	60,125	61,536	-2.3%
Environment	19,875	11,885	67.2%
Interest and financial charges	2,340	5,583	-58.1%
Intangible assets			
Computer software	34,619	-	
	210,386	**188,039**	**11.9%**

BANK INDEBTEDNESS

The Company's gross indebtedness at the end of 2013 totaled R$ 1,803.5 million. Concerning the composition by currency, 42.0% of the indebtedness is denominated in Brazilian reais and 58.0% in foreign currencies. 12.4% are current liabilities and 87.6% are long-term liabilities.

Net bank indebtedness in 2013 amounted to R$ 664.6 million. The decrease in relation to the amount of R$ 1,159.8 million in 2012 is due to the increase in cash and cash equivalents, resulting from the inflow of R$ 516.7 million in net resources from the primary offering of shares issued by the Company.

	Consolidated (thousands of R$)	
INDEBTEDNESS	2013	2012
Bank debt - short term	221,493	530,993
Bank debt - long term	1,578,176	1,296,668
Derivative financial instruments	3,819	13,034
Total debt	**1,803,488**	**1,840,695**
Cash and cash equivalents	1,123,446	660,437
Derivative financial instruments	561	-
Financial investments	14,900	20,437
Net indebtedness	**664,581**	**1,159,821**

CASH FLOW

Cash and cash equivalents at the end of the year amounted to R$ 1,123.5 – 70.1% above the balance at the end of 2012. The funding of R$ 516.7 million from the public offering of shares was determinant for the cash flows in 2013.

	Consolidated (thousands of R$)		
SUMMARY OF CASH FLOWS	2013	2012	Variation
Cash and cash equivalents at the end of the year	**1,123,446**	**660,437**	**70.1%**
Cash provided by operating activities	298,281	384,421	-22.4%
Cash used in investing activities	(197,074)	(988,580)	-80.1%
Cash provided by (used in) financing activities	319,551	(145,841)	
Effect of exchange rate differences on cash for the year	42,251	(10,648)	
Increase (decrease) in cash and cash equivalents	**463,009**	**(760,648)**	

CAPITAL MARKETS

The trading volume and the highest and lowest price of the securities traded on the stock exchange or on over-the-counter markets of the common shares (TUPY3) are as follows

	TUPY3 - ON		
	Average daily volume (R$)	Highest price (R$)	Lowest price (R$)
4th quarter of 2013	4,631,335	22.30	17.66
3rd quarter of 2013	2,165,765	20.89	16.10
2nd quarter of 2013	160,738	24.09	18.50
1st quarter of 2013	270,830	26.65	22.50
4th quarter of 2012	186,206	25.75	23.15
3rd quarter of 2012	274,769	25.00	19.95
2nd quarter of 2012	872,440	21.23	13.64
1st quarter of 2012	376,405	15.12	12.50

The price of the Company's shares varied between R$ 25.99 and R$ 16.10. On August 23, 2013, Brasil Plural CCTVM started its activities as market maker for shares issued by the Company. The contract is valid for 12 months.

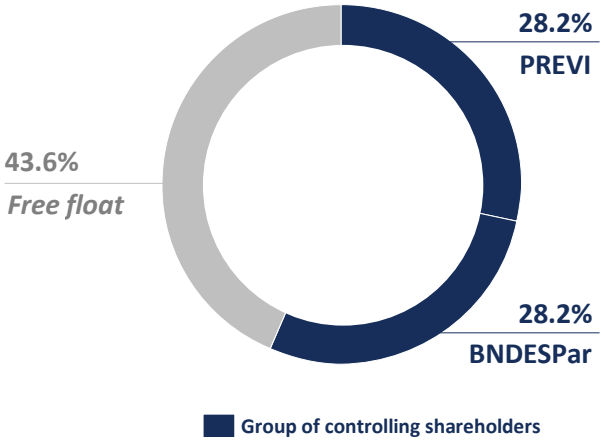
On October 17, 2013, the Company listed its shares in the segment with the highest requirements of corporate governance in BM&FBovespa, the Novo Mercado. With the listing, TUPY S.A. was included in three indexes: Index of Stocks with a Differentiated Tag Along (ITAG), Index of Stocks with Differentiated Corporate Governance (IGC) and Index of Stocks in Differentiated Corporate Governance - New Market (IGC-NM). According to article 60 of the bylaws, the Company is bound to the decisions of the Market Arbitration Chamber.

On November 5, 2013, the Company announced the conclusion of the public primary offering of common shares, which resulted in the issuance of 29,900,000 new common shares at the unit price of R$ 17.50, recording an inflow of R$ 516,709,375, net of commissions paid. The offer increased the ratio of shareholders with interest lower than 5% in the Company's share capital, which went from 15.6% to 33.1%. There was no change in the controlling structure of the Company.

On January 15, 2014, Telos' IPO lock-up period of 90 days, as from the date the beginning of the public offering was announced, expired and its shares were included in the Company's free float.

All the shares held by Previ and BNDESPar are in the lock-up period up to April 15, 2014. After that date and up to October 10, 2014, in accordance with listing regulations of BM&FBovespa New Market, Previ and BNDESPar will not be able to sell more than 40% of their shares.

Shareholder structure after offering



SHAREHOLDER'S REMUNERATION

The payment of dividends and interest on shareholder's equity amounting to R$ 25.2 million (approximately R$ 0.17 per share) will be discussed at the General Meeting of Shareholders to be held in April 2014. This remuneration, net of tax effects on the portion distributed as interest on shareholder's equity, corresponds to 26.1% of net income after legal appropriations.

RELATIONSHIP WITH INDEPENDENT AUDITORS

In conformity with the Brazilian Securities Commission (CVM) Instruction 381/03, dated 1/14/2003, Tupy S.A. preserves the auditor's independence, according to the applicable legislation, when contracting services not related to external audit.

During the year ended December 31, 2013, the independent auditor's reviewed Tupy's internal controls with the purposes of implementing the integrated system (ERP). This review, which was not related to the external audit, represented 36% of the total fees paid to the independent auditor.

Auditor's Statement - PricewaterhouseCoopers Auditores Independentes

The provision of other professional services as described above, which are not related to external audit, does not affect the independence nor the objectivity in the conduct of the external audit for Tupy S.A. The policy of Tupy S.A. regarding the provision of services not related to external audit is based on principles that preserve the independence of the independent auditor, all of which having been complied in the rendering of such services.

EXECUTIVE OFFICERS' STATEMENT

The provision of other professional services as described above, which are not related to external audit, does not affect the independence nor the objectivity in the conduct of the external audit for Tupy S.A. The policy of Tupy S.A. regarding the provision of services not related to external audit is based on principles that preserve the independence of the independent auditor, all of which having been complied in the rendering of such services.

Joinville, February 25, 2014

Management

TUPY S.A. AND SUBSIDIARIES

BALANCE SHEET AT DECEMBER 31, 2013 AND DECEMBER 31, 2012

(All amounts in thousands of reais)

A S S E T S

		Parent company		Consolidated	
	Note	12/31/2013	12/31/2012	12/31/2013	12/31/2012
CURRENT ASSETS					
Cash and cash equivalents	3	830,499	439,225	1,123,446	660,437
Derivative financial instruments	33	561	-	561	-
Trade receivables	5	205,979	132,237	379,664	244,687
Inventories	6	168,613	186,499	277,766	290,835
Third-party tools		32,979	34,525	80,658	58,934
Income tax and social contribution recoverable	7	40,755	659	54,928	12,743
Other taxes recoverable	8	46,891	75,316	90,943	114,493
Related parties	9	502	-	-	-
Notes and other receivables		18,244	30,829	29,041	32,370
Total current assets		1,345,023	899,290	2,037,007	1,414,499
NON-CURRENT ASSETS					
Financial investments	4	14,900	20,437	14,900	20,437
Income tax and social contribution recoverable	7	-	50,256	-	50,256
Other taxes recoverable	8	114,808	117,249	116,658	119,097
Credits - Eletrobras	10	93,753	87,919	93,753	87,919
Judicial deposits and other		19,322	5,174	20,328	7,679
Investments in equity instruments		631	666	5,532	3,953
Investment properties	11	-	-	6,546	4,574
Investments	12	1,340,660	1,122,199	-	-
Property, plant and equipment	13	1,215,959	1,211,133	1,652,569	1,578,522
Intangible assets	14	24,371	-	559,717	514,318
Total non-current assets		2,824,404	2,615,033	2,470,003	2,386,755
Total assets		4,169,427	3,514,323	4,507,010	3,801,254

(continued)

TUPY S.A. AND SUBSIDIARIES

BALANCE SHEET AT DECEMBER 31, 2013 AND DECEMBER 31, 2012
(All amounts in thousands of reais)

L I A B I L I T I E S A N D E Q U I T Y

	Note	Parent company		Consolidated	
		12/31/2013	12/31/2012	12/31/2013	12/31/2012
CURRENT LIABILITIES					
Trade payables		125,773	145,966	248,879	254,539
Borrowings	15	221,493	530,993	221,493	530,993
Derivative financial instruments	33	1,275	13,034	1,275	13,034
Financing of taxes and social security charges	16	642	7,491	642	7,491
Other taxes payable		3,518	3,312	29,714	16,659
Salaries, social security charges and profit sharing	17	101,253	80,889	122,845	98,322
Advances from customers		22,612	48,748	75,610	73,768
Related parties	9	1,089	1,476	-	-
Dividends and interest on shareholder's equity		24,119	18,916	24,119	18,916
Provision for tax, civil, social security and labor contingencies	19	7,274	5,457	7,274	5,457
Notes and other payables		40,702	42,671	56,856	59,140
Total current liabilities		549,750	898,953	788,707	1,078,319
NON-CURRENT LIABILIITES					
Borrowings	15	1,578,176	1,296,668	1,578,176	1,296,668
Financing of taxes and social security charges	16	8,933	-	8,933	-
Derivative financial instruments	33	2,544	-	2,544	-
Provision for tax, civil, social security and labor contingencies	19	95,916	93,925	97,394	94,291
Deferred income tax and social contribution	20	21,840	28,724	101,632	120,436
Retirement benefit obligations	18	-	-	16,749	14,212
Other long-term liabilities		10,367	10,198	10,974	11,473
Total non-current liabilities		1,717,776	1,429,515	1,816,402	1,537,080
EQUITY					
Share capital	21	1,060,301	537,051	1,060,301	537,051
Expenses with shares issued	21	(6,541)	-	(6,541)	-
Carrying value adjustments	21	321,218	189,415	321,218	189,415
Revenues reserves	21	526,923	459,389	526,923	459,389
Total equity		1,901,901	1,185,855	1,901,901	1,185,855
Total liabilities and equity		4,169,427	3,514,323	4,507,010	3,801,254

TUPY S.A. AND SUBSIDIARIES

STATEMENT OF INCOME
YEARS ENDED DECEMBER 31, 2013 AND 2012
(All amounts in thousands of reais unless otherwise stated)

		Parent company		Consolidated	
	Note	12/31/2013	12/31/2012	12/31/2013	12/31/2012
REVENUES	22	2,125,820	2,006,256	3,122,984	2,671,120
Cost of goods sold	23	(1,737,207)	(1,679,433)	(2,554,117)	(2,211,858)
GROSS PROFIT		388,613	326,823	568,867	459,262
Selling expenses	23	(78,756)	(83,455)	(123,342)	(120,286)
Administrative expenses	23	(64,518)	(59,732)	(92,623)	(83,404)
Management fees	9 and 23	(9,115)	(4,598)	(9,115)	(4,598)
Other net operating income (expenses)	25	(33,594)	(31,165)	(85,110)	(61,986)
Share of results of subsidiaries	12	71,870	22,997	-	-
INCOME BEFORE FINANCIAL RESULT AND TAXES		274,500	170,870	258,677	188,988
Financial expenses	24	(111,202)	(111,734)	(116,263)	(113,846)
Financial income	24	48,547	64,261	49,153	66,775
Net monetary and foreign exchange variations	24	(82,916)	(43,757)	(68,550)	(39,287)
NET INCOME BEFORE INCOME TAXES		128,929	79,640	123,017	102,630
Income tax and social contribution	26	(42,608)	(13,283)	(36,696)	(36,273)
NET INCOME		86,321	66,357	86,321	66,357
EARNINGS PER SHARE					
Basic earnings per share - R$	27	0.5987	0.5807	0.5987	0.5807
Diluted earnings per share - R$	27	0.7201	0.5807	0.7201	0.5807

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

TUPY S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2013 AND 2012
(All amounts in thousands of reais)

	Note	Parent company		Consolidated	
		12/31/2013	12/31/2012	12/31/2013	12/31/2012
NET INCOME		86,321	66,357	86,321	66,357
Components of other comprehensive income to be subsequently reclassified to profit or loss					
Foreign exchange variation of investees located abroad	12	146,591	70,765	146,591	70,765
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		232,912	137,122	232,912	137,122

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

TUPY S.A. AND SUBSIDIARIES

STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2013 AND 2012
(All amounts in thousands of reais)

		Parent company		Consolidated	
Cash flows from operating activities:	Note	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Net Income before income tax and social contribution		128,929	79,640	123,017	102,630
Adjustment to reconcile profit with cash provided by operating activities:					
Depreciation and amortization	13 and 14	120,761	94,076	205,289	148,148
Share of results of subsidiaries	12	(71,870)	(22,997)	-	-
Disposals of property, plant and equipment	13	2,458	452	2,459	453
Interest accrued and foreign exchange variations		191,604	182,104	177,067	213,426
Provision for impairment of trade receivables		265	(257)	(119)	1,286
Provision for inventory losses		631	741	2,152	3,031
Provision for tax, civil, social security and labor contingencies	19	15,337	15,930	16,552	15,942
Enrollment in Refis - Law 12,685/13	16	9,628	-	9,628	-
Change in fair value - IPI premium credit		10,956	(12,115)	10,956	(12,115)
Change in fair value - Eletrobras credit		(5,834)	6,378	(5,834)	6,378
		402,865	343,952	541,167	479,179
Changes in operating assets and liabilities:					
Trade receivables		(59,492)	87,691	(109,139)	111,939
Inventories		17,255	16,944	10,917	(13,619)
Customers' tools		1,546	(9,481)	(21,724)	(6,246)
Other taxes recoverable		(19,422)	(30,968)	(24,299)	(45,730)
Notes and other receivables		12,585	(5,485)	3,329	743
Judicial deposits and other		(14,148)	1,078	(12,649)	(422)
Trade payables		(26,998)	(21,934)	(12,465)	(764)
Other taxes payable		206	(1,973)	13,055	(3,374)
Salaries, social security charges and profit sharing		20,364	(6,746)	24,523	(1,148)
Advances from customers		(26,136)	4,017	1,842	388
Notes and other payables		(1,969)	22,011	(2,284)	17,522
Retirement benefit obligations		-	-	2,537	3,260
Other long-term liabilities		(13,896)	(847)	(14,667)	(2,220)
Interest paid		(92,669)	(111,740)	(92,669)	(111,740)
Income tax and social contribution paid		-	(17,719)	(9,193)	(43,347)
		(202,774)	(75,152)	(242,886)	(94,758)
Cash provided by operating activities		200,091	268,800	298,281	384,421
Cash flows from investing activities:					
Acquisition of the companies in Mexico - net of cash acquired		-	(710,298)	-	(599,778)
Capital increase of the companies in Mexico		-	(203,568)	-	(203,568)
Purchases of property, plant and equipment and intangible assets		(141,180)	(173,036)	(198,112)	(185,382)
Cash generated on disposals of property, plant and equipment		1,038	148	1,038	148
Cash provided by (used in) investing activities		(140,142)	(1,086,754)	(197,074)	(988,580)
Cash flows from financing activities:					
Payment of borrowings		(561,017)	(392,605)	(561,017)	(392,605)
Repayment of tax financing		(5,063)	(9,783)	(5,063)	(9,783)
New borrowings		390,580	335,352	390,580	335,352
Subsidiaries and associates		(889)	(213)	-	-
Capital increase, net of expenses with shares issued	21	516,709	-	516,709	-
Interest on shareholder's equity and dividends paid	21	(28,372)	(84,488)	(28,372)	(84,488)
Long-term financial investments	4	6,714	5,683	6,714	5,683
Cash provided by (used in) financing activities		318,662	(146,054)	319,551	(145,841)
Effect of exchange rate differences on cash for the year		12,663	(5,200)	42,251	(10,648)
Increase (decrease) in cash and cash equivalents		391,274	(969,208)	463,009	(760,648)
Cash and cash equivalents at the beginning of the year		439,225	1,408,433	660,437	1,421,085
Cash and cash equivalents at the end of the year		830,499	439,225	1,123,446	660,437

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TUPY S.A.

STATEMENT OF CHANGES IN EQUITY
(All amounts in thousands of reais)

				Carrying value adjustments		Revenues reserves				
	Note	Share capital	Share issue expenses	Exchange variation of investees	Other	Legal reserve	Investment reserve	Proposed additional dividends	Retained earnings	Total
AT DECEMBER 31, 2011		**398,395**	**-**	**-**	**132,203**	**37,453**	**499,598**	**28,982**	**-**	**1,096,631**
Total comprehensive income for the year										
Net Income		-	-	-	-	-	-	-	66,357	66,357
Realization of carrying value adjustments		-	-	-	(13,553)	-	-	-	13,553	-
Effects from subsidiaries:										
Foreign exchange variation of investees located abroad	12	-	-	70,765	-	-	-	-	-	70,765
Total comprehensive income for the year		-	-	70,765	(13,553)	-	-	-	79,910	137,122
Contributions by and distributions to owners of the Company										
Capital increase with reserves	21	138,656	-	-	-	-	(138,656)	-	-	-
Approval of 2011 additional dividends		-	-	-	-	-	-	(28,982)	-	(28,982)
Allocation of profit:										
Legal reserve		-	-	-	-	3,318	-	-	(3,318)	-
Reserve for investments		-	-	-	-	-	48,220	-	(48,220)	-
Dividends and interest on shareholder's equity		-	-	-	-	-	-	9,456	(28,372)	(18,916)
Total contributions by and distributions to owners of the Company		138,656	-	-	-	3,318	(90,436)	(19,526)	(79,910)	(47,898)
AT December 31, 2012		**537,051**	**-**	**70,765**	**118,650**	**40,771**	**409,162**	**9,456**	**-**	**1,185,855**
AT December 31, 2012		**537,051**	**-**	**70,765**	**118,650**	**40,771**	**409,162**	**9,456**	**-**	**1,185,855**
Total comprehensive income for the year										
Net Income		-	-	-	-	-	-	-	86,321	86,321
Realization of carrying value adjustments		-	-	-	(14,788)	-	-	-	14,788	-
Effects from subsidiaries:										
Foreign exchange variation of investees located abroad	12	-	-	146,591	-	-	-	-	-	146,591
Total comprehensive income for the year		-	-	146,591	(14,788)	-	-	-	101,109	232,912
Contributions by and distributions to owners of the Company										
Capital increase	21	523,250	(6,541)	-	-	-	-	-	-	516,709
Approval of 2012 additional dividends		-	-	-	-	-	-	(9,456)	-	(9,456)
Allocation of profit:										
Legal reserve		-	-	-	-	4,316	-	-	(4,316)	-
Reserve for investments		-	-	-	-	-	71,646	-	(71,646)	-
Dividends and interest on shareholder's equity		-	-	-	-	-	-	1,028	(25,147)	(24,119)
Total contributions by and distributions to owners of the Company		523,250	(6,541)	-	-	4,316	71,646	(8,428)	(101,109)	483,134
AT December 31, 2013		**1,060,301**	**(6,541)**	**217,356**	**103,862**	**45,087**	**480,808**	**1,028**	**-**	**1,901,901**

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

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TUPY S.A. AND SUBSIDIARIES

STATEMENT OF VALUE ADDED
YEARS ENDED DECEMBER 31, 2013 AND 2012
(All amounts in thousands of reais)

		Parent company		Consolidated	
	Note	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Origination of value added		2,367,671	2,231,210	3,365,379	2,894,673
Sale of products, net of returns and rebates	22	2,367,936	2,230,953	3,365,260	2,895,959
Provision for impairment of trade receivables		(265)	257	119	(1,286)
(-) Inputs acquired from third parties		1,472,714	1,416,158	2,169,357	1,885,413
Raw materials and processing material consumed		1,139,548	1,074,745	1,719,597	1,458,949
Materials, electricity, third-party services and other		333,166	341,413	449,760	426,464
GROSS VALUE ADDED		894,957	815,052	1,196,022	1,009,260
Retentions:		120,761	94,076	205,289	148,148
Depreciation and amortization	13 and 14	120,761	94,076	205,289	148,148
Net value added generated by the Company		774,196	720,976	990,733	861,112
Value added received through transfer		120,417	87,258	49,153	66,775
Share of results of subsidiaries	12	71,870	22,997	-	-
Finance income	24	48,547	64,261	49,153	66,775
VALUE ADDED TO DISTRIBUTE		**894,613**	**808,234**	**1,039,886**	**927,887**
Distribution of value added					
Personnel		525,659	485,975	685,862	584,632
Employees		347,318	336,465	502,313	428,793
Social charges - Government Severance Indemnity Fund for Employees (FGTS)		37,128	38,178	37,128	38,178
Profit sharing		40,607	26,627	42,113	28,027
Management fees		9,115	4,598	9,115	4,598
Workplace healthcare and safety		66,274	56,294	66,274	56,294
Food		10,927	10,748	10,927	10,748
Professional education, qualification and development		3,583	2,557	3,784	2,787
Other amounts		10,707	10,508	14,208	15,207
Government		88,515	100,411	82,890	123,765
Federal taxes and contributions		77,800	76,913	72,048	100,104
State taxes and rates		7,133	20,374	7,133	20,374
Municipal taxes, rates and others		3,582	3,124	3,709	3,287
Third-party capital		194,118	155,491	184,813	153,133
Finance costs	24	111,202	111,734	116,263	113,846
Net monetary and foreign exchange variations	24	82,916	43,757	68,550	39,287
Own capital		86,321	66,357	86,321	66,357
Shareholders (Interest on shareholder's equity)	19	25,147	21,041	25,147	21,041
Shareholders (dividends)	19	-	7,331	-	7,331
Retained earnings		61,174	37,985	61,174	37,985
TOTAL VALUE ADDED		**894,613**	**808,234**	**1,039,886**	**927,887**

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

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1. GENERAL INFORMATION

Tupy S.A. (the "Parent company") and its subsidiaries (together the "Company" or "Consolidated") have an important position in the domestic and foreign iron casting markets, being the largest foundry in the world manufacturing cast-iron engine blocks and cylinder heads, with a diversified customer base in the Americas, Europe and Asia. They operate in the Automotive and Hydraulics segments, previously designated as automotive products, (blocks, cylinder heads and parts), industrial products, (connections, abrasives and shapes). The Company has plants in Brazil (Joinville, State of Santa Catarina, and Mauá, State of São Paulo) and in Mexico (in the cities of Saltillo and Ramos Arizpe). In addition to its plants, the Company has investments in companies abroad, which operate as an extension of the activities in Brazil in logistics, trading and technical assistance:

Tupy S.A. is a publicly-held corporation headquartered in Joinville, state of Santa Catarina, listed on the BM&F Bovespa S.A. - Securities, Commodities and Futures Exchange ("BOVESPA": ticker TUPY3) and in the Novo Mercado segment of BM&FBovespa. The Company's main shareholders are Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI) and BNDES Participações S.A. (BNDESPAR), which together held 56.4% of the Company's share capital at December 31, 2013.

Primary offering of shares issued by the Company

On October 17, 2013, Tupy S.A. entered the Novo Mercado of BM&FBovespa and on November 6, 2013 the public offering of primary distribution of shares was concluded, through which the Company obtained net resources of R$ 516.709. (Note 21)

2. PRESENTATION AND PREPARATION OF FINANCIAL STATEMENTS

The issue of these financial statements was authorized by the Board of Directors on February 25, 2014.

The Company's financial statements include:

- the parent company financial statements, which have been prepared in accordance with accounting practices adopted in Brazil issued by the Brazilian Accounting Pronouncements Committee (CPC) and are disclosed together with the consolidated financial statements; and
- the consolidated financial statements, which have been prepared and are being presented in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

In the parent company financial statements, subsidiaries are recorded based on the equity accounting method. The same adjustments are made in the parent company and consolidated financial statements to reach the same profit or loss and equity of the Company. In the case of Tupy S.A., the accounting practices adopted in Brazil applicable to the parent company financial statements differ from IFRS applicable to separate financial statements only in relation to the

measurement of investments in subsidiaries based on the equity accounting method, instead of cost or fair value in accordance with IFRS.

2.1 Basis of preparation, functional and presentation currency

The financial statements have been prepared under the historical cost convention, except for certain financial instruments measured at their fair values, as described in the accounting policies. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

The Company's functional currency is the Brazilian real, except for its subsidiaries located in Mexico, whose functional currency is the U.S. dollar. The preparation and presentation currency of the parent company and consolidated financial statements is the Brazilian real.

2.2 Use of critical accounting estimates and judgments

The preparation of parent company and consolidated financial statements in accordance with IFRS and the accounting practices adopted in Brazil requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported for assets, liabilities, revenues and expenses.

Estimates and assumptions are reviewed at the end of each annual reporting period, and adjustments to accounting estimates are recognized in the period of the review and any future period affected.

Based on assumptions, the Company makes estimates concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

Deferred income tax and social contribution

The Company recognizes the effect of deferred income tax and social contribution arising from tax losses and/or temporary differences in its financial statements. A provision for impairment of tax assets is recognized when it is not probable that these assets will be recovered.

The recognition of a provision for tax assets and liabilities or deferred tax, and provisions for tax losses, requires the Company's management to make estimates. For each future tax credit, the Company assesses the likelihood of a portion or the totality of the tax asset not being recovered. The amount of the valuation allowance depends on the evaluation of the likelihood of generation of taxable profit based on the production and planning of sales, prices, operating costs and other expenditures.

The Company's deferred income tax and social contribution carrying amount at December 31, 2013 was R$ 101,632 (R$ 120,436 at December 31, 2012). (Note 20)

Retirement and post-employment benefit obligations

The present value of the retirement and post-employment benefit plan obligations depends on a number of factors that are determined on an actuarial basis using various assumptions. The assumptions used in determining the net cost (income) for pensions include the discount rate. Any changes in these assumptions will impact the carrying amount of pension obligations.

The Company determines the appropriate discount rate at the end of each year. This is the interest rate that should be used to determine the present value of the estimated future cash outflows expected to be required to settle the retirement and post-employment benefit obligations. In determining the appropriate discount rate, the Company considers the interest rates of corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related retirement and post-employment benefit obligations.

Other key assumptions for retirement and post-employment benefit obligations are based in part on current market conditions.

The carrying amount of the Company's retirement and post-employment benefit obligations at December 31, 2013 was R$ 16,749 (R$ 14,212 at December 31, 2012). (Note 18)

Derivative financial instruments

The Company values its derivative financial instruments at fair value at the reporting date, and the main evidence of fair value is the consideration of quotations obtained with market participants. However, the volatility of foreign exchange and interest markets in Brazil has led, in certain periods, to significant changes in interest rates, thus generating significant variations in the market value of the swaps and other financial instruments within a short period of time.

The market value recorded in the financial statements may not necessarily represent the amount of cash that the Company would receive or pay, as appropriate, if the Company would settle the transactions at the reporting date. (Note 33)

Useful life of property, plant and equipment

The Company recognizes the depreciation of its property, plant and equipment based on their estimated useful lives, which is in accordance with the industry practices, as well as previous experiences, reflecting the economic useful lives of property, plant and equipment. However, actual useful lives may differ depending on the technological update of each plant. Useful lives of property, plant and equipment also affect recoverability tests, when necessary.

The Company does not believe that there is evidence of material changes in the estimates and assumptions used for the calculation of impairment of property, plant and equipment. However, if the current results are not consistent with the estimates and assumptions used in estimated future cash flows and fair value of assets, the Company may be exposed to potential material losses.

Accounting for business combination and evidence of impairment of goodwill and intangible assets

The Company makes significant judgments in the process of identification of tangible and intangible assets and liabilities and in the determination of the fair value of these assets and liabilities and their remaining useful lives. The Company usually contracts third-party valuation companies to help in the determination of the value of the assets acquired and liabilities assumed. The evaluation of these assets and liabilities is based on assumptions and criteria which include, in some cases, future cash flow estimates, discounted to present value using appropriate rates. The utilization of assumptions different from those used for evaluation purposes, including estimates of future cash flow discounted to present value, may result in estimates which are different from the actual value of the assets acquired and liabilities assumed.

The Company tests annually its goodwill and other long-term assets whenever events and circumstances indicate that the estimated discounted cash flows to be generated by such assets are lower than the book value of these items. Cash flow estimates are based on historical results adjusted to reflect the best market estimate and the Company's operating conditions. The estimates of actual amounts used by the Company to calculate impairment losses, if any, represent the Company's best estimate based on expected cash flows, industry tendencies and reference to rates and market operations. Impairment losses may arise also from the disposal of assets.

The carrying amount of the Company's goodwill at December 31, 2013 and 2012 was R$ 41,226. (Note 14)

Provision for tax, civil, social security and labor contingencies

Provisions for tax, civil, social security and labor contingencies are recognized only when the Company's legal department and legal advisors consider that the likelihood of loss is probable. Contingencies are recorded when the amount of loss can be reasonably estimated. By their nature, contingencies will be settled when one or more future events happen or not. Typically, the Company does not have influence over whether these events happen or not, thus making it difficult to make accurate estimates about when these events will happen. The evaluation of these liabilities, particularly in the uncertainty of the Brazilian legal environment, but also in other jurisdictions, requires Management to use significant estimates and judgments concerning the results of future events.

The carrying amount of the Company's tax, civil, social security and labor provisions at December 31, 2013 was R$ 104,668 (R$ 99,748 at December 31, 2012) (Note 19)

2.3 Significant accounting policies

The accounting policies described in detail below have been consistently applied to the years presented in these parent company and consolidated financial statements.

a. Consolidation basis

Subsidiaries

The consolidated subsidiaries at December 31, 2013 were:

		Interest in capital (%)	Interest in voting capital (%)	Headquarters
Direct subsidiaries				
Tupy Mexico Saltillo, S.A. de C.V	(a)	100.00	100.00	Mexico
Technocast, S.A. de C.V.	(a)	100.00	100.00	Mexico
Servicios Industriales Technocast, S.A. de C.V.	(b)	100.00	100.00	Mexico
Tupy American Foundry Co.	(c)	100.00	100.00	USA
Tupy American Iron & Alloys Co.	(d)	100.00	100.00	USA
Tupy Europe GmbH	(c)	100.00	100.00	Germany
Tupy Argentina S.R.L.	(d)	100.00	100.00	Argentina
Tupy Agroenergética Ltda.		100.00	100.00	Brazil
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation"		100.00	100.00	Brazil
Indirect subsidiaries				
Diesel Servicios Industriales, S.A. de C.V.	(b)	100.00	100.00	Mexico

Main subsidiaries' activities:

(a) Industrial plants for the automotive products segment.
(b) Rendering of industrial services for subsidiaries in Mexico.
(c) Companies abroad, which operate as an extension of the activities in Brazil in logistics, trading and technical assistance for the automotive products segment.
(d) Companies abroad, which operate as an extension of the activities in Brazil in logistics, trading and technical assistance for the hydraulics segment.

Subsidiaries are all entities over which the Company has the power to govern the financial and operating policies. The Company owns 100% of the voting capital of its Subsidiaries. Subsidiaries are fully consolidated from the date on which control is transferred to the Company.

The Company uses the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Company. The consideration transferred includes the fair value of assets or liabilities resulting from a contingent consideration arrangement, when applicable. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The excess of the consideration transferred, and the acquisition-date fair value of any previous equity interest in the acquiree, over the fair value of the Company's share of the identifiable net assets acquired is recorded as goodwill. When the consideration transferred is less than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the statement of income.

The consolidated financial statements include the acquisitions in Mexico, which consider the assets acquired and liabilities assumed, as disclosed in Note 34, as well as, in 2012, the profit calculated from April 16 to December 31, 2012.

Transactions eliminated on consolidation

Balances, transactions and revenues or expenses from transactions between the subsidiaries and the Company are eliminated in the preparation of the consolidated financial statements. Unrealized profit or loss arising from transactions between subsidiaries and the Company is eliminated to the extent of the Company's interest in the subsidiary.

b. Foreign currency translation

Foreign currency transactions

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the dates of valuation when items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the statement of income within "Finance income or costs". All other foreign exchange gains and losses are presented in the statement of income within "Net monetary and foreign exchange variations".

Translation differences on monetary securities denominated in foreign currency carried at amortized cost are recorded in the statement of income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets are included in the account "Carrying value adjustments", within equity.

Subsidiaries with a different functional currency

The results and financial position of the Company's subsidiaries in Mexico, whose functional currency is the U.S. dollar and is different from the presentation currency of these consolidated financial statements, were translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each statement of income are translated at the average exchange rate.
- All resulting exchange differences are recognized as a separate component of equity, in the account "Carrying value adjustments".
- Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

The Company's subsidiaries abroad, except those in Mexico, are considered as an extension of the Company's business and thus operate with the same functional currency.

c. Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, responsible for allocating resources and assessing performance of the operating segments, is the Executive Board, which is also responsible for making the Company's strategic decisions.

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits, financial investments in Brazil and abroad, as well as highly-liquid securities redeemable in 90 days or less from the investment date, subject to an immaterial risk of change in value. (Note 3)

e. Financial assets

(i) Classification

The Company classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the financial assets were acquired.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss, including financial investments and investments in equity instruments, are financial assets held for trading, considering that the Company manages these financial assets at fair value. A financial asset is classified in this category if acquired to be offered as guarantee for borrowings obtained.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period, which are classified as non-current assets. The Company's loans and receivables comprise "Cash and cash equivalents" and "Trade receivables". (Notes 3 and 5)

(ii) Recognition and measurement

Normal purchases and sales of financial assets are typically recognized on the trade date. Investments are initially recognized at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or

loss are initially recognized at fair value, and transaction costs are expensed in the statement of income. Financial assets are derecognized when the rights to receive cash flows have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortized cost using the effective interest method.

Gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" category are presented in the statement of income within "Finance result" in the period in which they arise.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Company establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

(iii) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

(iv) Impairment of financial assets

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Company uses to determine whether there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Company, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that it would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganization;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including: adverse changes in the payment status of borrowers in the portfolio; and national or local economic conditions that correlate with defaults on the assets in the portfolio.

The amount of any impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognized in the statement of income. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the reversal of the previously recorded loss is recognized in the statement of income.

(v) Derivative financial instruments

The Company uses derivative financial instruments to hedge against fluctuations in foreign currencies.

Such instruments are recognized at fair value and attributable transaction costs and the changes in the fair value of any of the derivative instruments are recorded immediately in the statement of income within "Finance result".

f. Trade receivables

Trade receivables are stated at the amortized cost, less impairment losses. Accounts receivable from foreign customers are adjusted based on exchange rates in effect at the end of the reporting period. Trade receivables are not adjusted to present value since they mature in the short term and the effects are not significant to the financial statements.

The provision for impairment of trade receivables is recognized based on quantitative and qualitative analyses of the receivables portfolio, in an amount considered sufficient to cover expected losses on the realization of the amounts receivable. (Note 5)

g. Inventories

Inventories are carried at the average acquisition and/or production cost, considering the full manufacturing costs absorption method, adjusted to the net realizable value, when applicable.

Inventory costs include the expenditures incurred with the purchase of inputs, transportation to their current location and all direct and indirect fixed and variable production costs, including depreciation, required to transform inputs into finished products ready to be sold. Inventory costs do not exceed the lower of cost and the net realizable value.

The net realizable value is the estimated sales price in the normal course of business less related selling expenses. The analysis for recording a provision is based on the inventory applicability, recoverability, expected realization and evidence of obsolescence. (Note 6)

h. Third-party tools

Refer to tools used in production to complete contracts with customers. They are carried at the average acquisition or production cost, less the provision for adjustment to probable realizable

values, when applicable. When completed, the tools are billed to customers and remain in the Company under free-lease agreements, to be used in the production process.

i. Income tax and social contribution

The income tax and social contribution expenses comprise current and deferred taxes. Current and deferred taxes are recognized in profit or loss unless they are related to items recognized directly in equity or other comprehensive income. (Notes 7, 20 and 26)

Current taxes

The provision for income tax and social contribution is based on the taxable Net Income. Taxable profit differs from profit as reported in the statement of income because it does not include income or expenses that are taxable or deductible in other years and items that are never taxable or deductible. The provision for income and social contribution is calculated separately for each Group company based on the tax rates prevailing at the end of the reporting period.

Deferred taxes

Deferred taxes are recognized on temporary differences between the carrying amounts of assets and liabilities and the corresponding tax bases used in the computation of taxable profit. Deferred taxes are measured at the rates expected to be applied on temporary differences when reversed, based on the statutory tax rates that have been enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset whenever there is a legal right to offset current tax liabilities and assets, and they are related to taxes charged by the same tax authority to the same entity subject to taxation.

A deferred tax asset is recognized for all unused 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 tax assets are reviewed at each reporting date and will be reduced to the extent that their realization is no longer probable. (Note 20)

j. Investment properties

Assets classified as investment properties are measured at cost, following the accounting policy described in item k. (Note 11)

k. 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, where applicable, accumulated impairment losses. (Note 13)

Historical cost includes expenditures directly attributable to the installation of assets. The cost of assets built by the Company includes materials, labor, and any other costs required to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended. Historical cost also comprises borrowing costs incurred during the installation or construction of the related qualifying assets.

Depreciation

Depreciation is calculated on the cost of an asset and based on the estimated useful life of each asset or portions of each asset, using the straight-line method, as this method is more representative of the time pattern in which future economic benefits from the asset are realized.

Depreciation methods, useful lives and residual values are reviewed at the end of each year, and any adjustments are recognized as a change in accounting estimates on a prospective basis.

Depreciation of assets not related to production is allocated directly to the statement of income, while depreciation of assets used in the operation is charged to the cost of inventories.

I. Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the net fair value of assets and liabilities of the acquired entity.

Goodwill on acquisitions of subsidiaries is recorded as "Intangible assets" in the consolidated financial statements.

Goodwill is tested annually for impairment and is recorded at cost value less accumulated impairment losses, which are not reversed once they have been recognized.

Computer software

Computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognized as intangible assets when the following criteria are met:

- It is technically feasible to complete the software product so that it will be available for use.
- Management intends to complete the software product and use or sell it.
- There is an ability to use or sell the software product.
- It can be demonstrated how the software product will generate probable future economic benefits.
- Adequate technical, financial and other resources to complete the development and to use or sell the software product are available.
- The expenditure attributable to the software product during its development can be reliably measured.

Directly attributable costs that are capitalized as part of the software product include the software development employee costs and an appropriate portion of applicable overheads. Costs also include finance costs related to the development of the software product.

Other development expenditures that do not meet these criteria are definitely recognized as an expense as incurred.

Other intangible assets

Other intangible assets are the contractual relationship with customers and the non-competition agreement in business combinations and they are recorded at fair value, net of accumulated amortization and impairment losses, when applicable. Intangible assets with defined useful lives are amortized during such useful lives, using an amortization method which reflects the economic benefit of the intangible asset. Amortization is recognized within other Selling, General and Administrative Expenses. (Note 14)

m. Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized when the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and its value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash-generating units (CGUs)). Non-financial assets that were adjusted due to impairment are subsequently reviewed for possible reversal of the impairment at the balance sheet date.

n. Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business. Accounts payable are classified as current liabilities if payment is due in one year or less. If not, they are presented as non-current liabilities.

Trade payables are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

o. Borrowings

Borrowings are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the life of the borrowings using the effective interest method. (Note 15)

p. Employee benefits

Short-term benefits (Salaries and social charges)

Short-term benefits are obligations to employees and related charges. These expenses are measured when incurred and recognized as expenses as services are provided.

Liabilities related to the short-term profit sharing plan are recognized at the estimated amount to be disbursed by the Company. (Note 17)

Retirement and post-employment benefit obligations

The Company has defined benefit plans for its operations in Mexico. These plans are funded through payments to insurance companies or trustee-administered funds, determined by periodic actuarial calculations. The Company also has defined contribution plans for its operations in Brazil.

A defined contribution plan is a pension plan under which the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

Defined benefit plans establish an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognized in the balance sheet in respect of defined benefit plans is the present value of the defined benefit obligation at the end of the reporting period less the fair value of plan assets together with adjustments for unrecognized past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are recorded in profit or loss for the year when the actuarial gains and losses are calculated.

Past-service costs are recognized immediately in profit or loss, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortized on a straight-line basis over the vesting period.

For defined contribution plans, the Company pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available. (Note 18)

q. Advances from customers

This account refers to advances of funds to build the tools that will be used in the production process. Advances from customers are recorded at the contractual amounts and adjusted for foreign exchange differences when applicable, and settled upon the billing of the object of the transaction; the resulting revenues is recorded when the construction of tools is concluded and approved by the customer.

r. Provision for tax, civil, social security and labor contingencies

A provision is recognized in the balance sheet when the Company has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of resources will be required to settle the obligation. The provisions are recorded in an amount considered by management as sufficient to cover probable losses and adjusted for inflation or interest up to the balance sheet dates, based on the nature of each contingency and on the opinion of the Company's internal and external legal counsel. (Note 19)

s. Revenues

Revenues are presented net of taxes and discounts. Taxes on sales are recognized when sales are billed and discounts are recognized when granted. Revenues from sales of goods are recognized when the sales amount can be measured reliably, the Company no longer controls the goods sold or has any other responsibility related to the ownership of the goods and costs incurred or to be incurred in respect of the transaction can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the Company has transferred to the buyer all the risks and rewards of ownership of the good (Note 22).

t. Basic and diluted earnings per share

Basic earnings per share are calculated by dividing the Net Income attributable to the Company's shareholders by the weighted average number of shares outstanding in the respective period.

Diluted earnings per share are calculated using the aforementioned weighted average number of outstanding shares adjusted by potentially dilutive instruments convertible into shares, if any. (Note 27)

u. Statement of value added

The purpose of this statement is to disclose the wealth created by the Company and its distribution during a certain reporting period, and it is presented by the Company, as required by the Brazilian Corporate Law, as an integral part of the parent company financial statements, and as additional disclosure in the consolidated financial statements, since this statement is not required by the IFRS.

The statement of value added was prepared based on information obtained from the same accounting records used to prepare the financial statements and pursuant to the provisions of CPC 9, "Statement of value added". The first part of this statement presents the wealth created by the Company, represented by revenues (gross sales revenues, including taxes levied thereon, other income and the effects of the provision for impairment of trade receivables), inputs acquired from third parties (Cost of goods sold and purchase of materials, electricity and outsourced services, including taxes levied at the time of the acquisition, the effects of impairment losses and depreciation and amortization), and the value added received from third parties (equity in the results of investees, finance income and other income). The second part of the statement of value added presents the distribution of wealth among personnel, taxes and contributions, and remuneration of third-party and own capital.

v. New standards, amendments to and interpretations of standards

The following pronouncements were first adopted for the year beginning January 1, 2013. The corresponding impacts on these financial statements, if any, are listed below

Standard		Impact
CPC 19 (R2)/IFRS 11	Joint arrangements	No impact on the financial statements, since the Company does not participate in joint arrangements.
CPC 26 (R1)/IAS 1	Presentation of financial statements	The main change for 2013 was the grouping of items presented in Other comprehensive income, based on their potential to be reclassified to profit or loss at a later date. In order to comply with this standard, the Company added the disclosure in its statement of comprehensive income.
CPC 33 (R1)/IAS 19	Employee benefits	There is no impact, as the discount rate applied to the liabilities and the expected rate of return on plan assets adopted in the actuarial calculations are the same. Additionally, the Company did not adopt the corridor method, or have a balance of past service cost.
CPC 36 (R3)/IFRS 10	Consolidated financial statements	The changes to the standard had no impact on the financial statements, since the Company owns 100% of in all the consolidated entities.
CPC 40 (R1)/IFRS 7	Financial instruments Disclosure	This standard includes new disclosure requirements for offsetting assets and liabilities. The Company does not have financial instruments offset.
CPC 45/IFRS 12	Disclosure of interests in other entities	This standard establishes disclosure requirements for all forms of interest in other entities, including joint operations, associated companies, structured entities and other types of vehicles not recorded in the balance sheet. The impact of this standard will be basically an addition to disclosure.
CPC 46/IFRS 13	Fair value measurement	This standard aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements. The impact of this standard will be basically an addition to disclosure.

There are no other effective IFRS or IFRIC interpretations that had a material impact on the Company.

The following new standards and interpretations to existing standards were issued by IASB but are not effective for 2013. The early adoption of these standards, even though encouraged by IASB, has not been implemented in Brazil by the Brazilian Accounting Pronouncements Committee (CPC).

Standard		Impact
IFRIC 21	Levies	The interpretation provides guidance on accounting for levies according to the legislation. IFRIC 21 confirms that an entity should recognize a liability for a levy when, and only when, the triggering event specified in the legislation occurs. The standard is applicable as from January 1, 2014. The Company expects that its adoption will not generate impacts on its financial statements.
IFRS 9	Financial instruments	The standard addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortized cost. The Company expects that adoption will not generate impacts on its financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective, which would be expected to have a material impact on the Company.

3. CASH AND CASH EQUIVALENTS

	Parent company		Consolidated	
	2013	2012	2013	2012
Cash and banks in Brazil	7,162	2,171	7,436	2,397
Financial investments in Brazil	528,604	283,891	528,604	283,891
Financial investments abroad	294,733	153,163	587,406	374,149
	830,499	**439,225**	**1,123,446**	**660,437**

The financial investments in Brazil earn interest at the Interbank Deposit Certificate (CDI) rate, with an average rate equivalent to 8.20% per annum (7.03% at December 31, 2012). Abroad, the investments are denominated mostly in U.S. Dollars (US$) at the average rate of 0.46% per annum (0.58% per annum in December 2012).

The exposure to interest rate risk and the sensitivity analysis for the financial assets are disclosed in Note 33 (financial instruments).

4. FINANCIAL INVESTMENTS

Parent and consolidated		
	2013	2012
Opening balance	**20,437**	**24,192**
Redemptions	(6,714)	(5,683)
Changes in fair value	1,177	1,928
Closing balance	**14,900**	**20,437**

These financial investments earn interest at the CDI rate, with an average rate equivalent to 8.31% p.a. (average rate of 7.18% p.a. at December 31, 2012) and are restricted to transactions entered into with the National Bank for Economic and Social Development (BNDES). (Note 15)

5. TRADE RECEIVABLES

Trade receivables by market and aging are as follows:

	Parent company		Consolidated	
	2013	2012	2013	2012
Domestic market	95,200	64,059	95,200	64,059
Foreign market	111,953	69,703	286,797	183,696
Provision for impairment of trade receivables	(1,174)	(1,525)	(2,333)	(3,068)
	205,979	**132,237**	**379,664**	**244,687**

Trade receivables in the domestic market are exclusively denominated in Reais and in the foreign market primarily in U.S. dollars.

The Company's trade receivables in the foreign market include related-party amounts which are eliminated in consolidation. (Note 9)

	Parent company		Consolidated	
	2013	2012	2013	2012
Falling due in up to 30 days	96,509	78,501	242,307	153,513
Falling due within 31 to 60 days	54,851	24,435	74,468	53,438
Falling due over 61 days	34,214	19,265	18,184	8,573
Total falling due	**185,574**	**122,201**	**334,959**	**215,524**
Overdue for up to 30 days	11,981	5,600	26,853	10,200
Overdue from 31 to 60 days	2,366	4,402	5,229	11,936
Overdue for over 61 days	7,232	1,559	14,956	10,095
Total overdue	**21,579**	**11,561**	**47,038**	**32,231**
Provision for impairment of trade receivables	(1,174)	(1,525)	(2,333)	(3,068)
Total	**205,979**	**132,237**	**379,664**	**244,687**

The Company performs quantitative and qualitative analyses of its portfolio of trade receivables in order to determine the provision for probable losses with receivables, which changed as follows:

	Parent company		Consolidated	
	2013	2012	2013	2012
Opening balance	**1,525**	**1,925**	**3,068**	**1,925**
Additions	295	484	705	2,027
Reversals	(30)	(741)	(824)	(741)
Write-offs (*)	(616)	(143)	(616)	(143)
Closing balance	**1,174**	**1,525**	**2,333**	**3,068**

(*) Trade receivables written off during the year as uncollectible

6. INVENTORIES

	Parent company		Consolidated	
	2013	2012	2013	2012
Finished products	67,510	76,352	118,018	136,502
Work in progress	31,476	32,826	59,346	47,713
Raw materials	39,566	46,710	74,159	71,561
Maintenance and other materials	33,794	33,713	33,787	40,451
Provision for losses	(3,733)	(3,102)	(7,544)	(5,392)
	168,613	**186,499**	**277,766**	**290,835**

The costs of inventory recorded as expenses during the year in relation to the continuing operations totaled R$ 1,737,207 in the Parent company (R$ 1,679,433 at December 31, 2012) and R$ 2,554.117 in the Consolidated (R$ 2,211,858 at December 31, 2012).

At December 31, 2013, the Company pledged finished product inventory as collateral for labor and social security litigation in the amount of R$ 17,447 in the Parent company and Consolidated.

The changes in the provision for losses during the year were as follows:

	Parent company		Consolidated	
	2013	2012	2013	2012
Opening balance	**(3,102)**	**(2,361)**	**(5,392)**	**(2,361)**
Additions	(2,060)	(741)	(3,581)	(3,031)
Write-off as loss	1,429	-	1,429	-
Closing balance	**(3,733)**	**(3,102)**	**(7,544)**	**(5,392)**

7. INCOME TAX AND SOCIAL CONTRIBUTION RECOVERABLE

	Parent company		Consolidated	
	2013	2012	2013	2012
Current	40,755	659	54,928	12,743
Non-current	-	50,256	-	50,256
	40,755	**50,915**	**54,928**	**62,999**

The Company pays these taxes monthly based on estimated taxable income and according to the annual tax returns for 2011 and 2012, the Company overpaid them. These amounts continued to be recorded in assets since priority was given to other taxes recoverable (Note 8). Based on the Company's projections, they will be realized in 2014.

8. OTHER TAXES RECOVERABLE

	2013			2012		
	Current	Non-current	Total	Current	Non-current	Total
Parent company						
1979/1981 IPI premium credit	28,342	-	28,342	31,020	-	31,020
1988/1990 IPI premium credit	-	70,136	70,136	-	78,217	78,217
ICMS recoverable - São Paulo	-	33,177	33,177	-	27,537	27,537
ICMS recoverable - Santa Catarina	7,483	11,495	18,978	9,260	11,495	20,755
Reintegra Benefit	8,853	-	8,853	32,920	-	32,920
COFINS, PIS and IPI recoverable	2,213	-	2,213	2,116	-	2,116
	46,891	**114,808**	**161,699**	**75,316**	**117,249**	**192,565**
Subsidiaries						
Value-added tax (VAT)	44,052	1,850	45,902	39,177	1,848	41,025
Consolidated	**90,943**	**116,658**	**207,601**	**114,493**	**119,097**	**233,590**

The aforementioned credits originate as follows:

a. IPI premium credit - exports from 1979 to 1981

This credit relates to a tax benefit arising from the exports carried out by the Company from 1979 to 1981. The right to use such credit was recognized by a final and unappealable court decision in December 2003. The sentence with respect to execution became unappealable in March 2011. In April 2011, seeking the realization of the credit at the administrative level, the Company filed a request for dismissal of the executory acts, which was accepted in June 2011 and became final and unappealable in August 2011.

In September 2011, the Company requested from the Brazilian Federal Revenues Service (RFB) the approval of the aforementioned credit and, in February 2012, the request was accepted, which permitted the offset of R$ 2,678 against federal taxes during the year ended December 31, 2013 (R$ 22,627 at December 31, 2012). The Company expects to fully use this credit during 2014.

b. IPI premium credit - exports from June 1988 to October 1990

This refers to IPI premium credit originating from exports of the Company from June 1988 to October 1990. The right to utilize such credit was recognized by a final and unappealable decision of the High Court of Justice (TSJ) in April 2009.

On January 25, 2012, the Company filed a request for enforcement of said decision and the proceeding is expected to be completed within three years, allowing recovery of the credit through the issuance of court-ordered debts.

The realization of the expert evidence was approved on March 22, 2012, with a subsequent request for the presentation of questions. The Company has already presented the relevant questions and the experts have already started their work.

Taking into consideration the estimated realization, the balance of the principal amount is adjusted at the rate of 1% p.m. and totaled R$ 97,538 at December 31, 2013 (R$ 94,663 at December 31, 2012); furthermore, the Company adjusts the amount to the present value, discounting the future value of the credit based on the SELIC rate. At December 31, 2013, the credit, adjusted to present value, amounts to R$ 27,402 (R$ 16,446 at December 31, 2012).

c. ICMS recoverable in São Paulo

Credits arising from the purchase of raw materials used in the manufacture of exported products.

d. ICMS recoverable in Santa Catarina

Credits arising from the purchase of property, plant and equipment items, amounting to R$ 18,975 (R$ 20,755 at December 31, 2012), realizable in 48 installments, according to applicable state legislation.

e. REINTEGRA benefit

Credits arising from the benefit established by Provisional Measure 540 of August 2, 2011 and regulated by Decree 7,633 of December 1, 2011, and extended to December 31, 2013 by the Provisional Measure 601 of December 28, 2012.

In 2013, the amount of R$ 56,268 was offset against various federal taxes and the balance recoverable at the end of the year was R$ 8,853 (R$ 32,920 at the end of 2012).

f. COFINS, PIS and IPI recoverable

These are credits generated on the acquisition of inputs used in the production process and are offset with the taxes levied on the sale of products.

g. Value-added tax (VAT)

These are credits generated on the acquisition of inputs used in the production process of the subsidiaries in Mexico and are regularly reimbursed by the local tax authorities.

9. RELATED-PARTY TRANSACTIONS

The balances and transactions of the Company with related parties are summarized as follows:

Assets	2013	2012
Trade receivables	**26,737**	**12,655**
Tupy American Foundry Corporation	8,945	4,444
Tupy Europe GmbH	14,576	6,048
Tupy Argentina S.R.L.	3,216	2,163
Related parties - loans	**502**	**-**
Tupy Agroenergética Ltda.	502	-
	27,239	**12,655**

Liabilities	2013	2012
Trade payables	**822**	**176**
Tupy Mexico Saltillo, S.A. de C.V	822	176
Advances from customers	**2,712**	**-**
Tupy American Foundry Corporation	26	-
Tupy American Iron & Alloys Corporation	2,097	-
Tupy Europe GmbH	589	-
Notes and other payables	**20,896**	**-**
Tupy American Foundry Co.	7,867	-
Tupy American Iron & Alloys Corporation	906	-
Tupy Europe GmbH	12,123	-
Related parties - loans	**1,089**	**1,476**
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation"	1,089	1,415
Tupy Agroenergética Ltda.	-	61
	25,519	**1,652**

Statement of income	2013	2012
Revenues	**529,010**	**491,273**
Tupy American Foundry Corporation	405,950	366,693
Tupy American Iron & Alloys Corporation	121	1,613
Tupy Europe GmbH	121,429	122,010
Tupy Argentina S.R.L.	1,510	957
Purchases	**(1,599)**	**(176)**
Tupy Mexico Saltillo, S.A. de C.V	(1,599)	(176)
Finance costs	**(3)**	**(5)**
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation"	(3)	(4)
Tupy Argentina S.R.L.	-	(1)
	527,408	**491,092**

The receivables and sales revenues of the Company to/from its subsidiaries mainly represent sales of products of the Automotive and Hydraulics segments. Prices charged are in compliance with the Company's price lists, and collection terms range from 60 to 90 days, as established by the parties. At December 31, 2013, the Company's related parties had no overdue receivables and, therefore, the Company did not record a provision for the impairment of these receivables.

Payables to subsidiaries abroad represent advances for future delivery of products and current account between the subsidiaries and the Parent company, with an unspecified maturity.

Loan agreements between the subsidiaries in Brazil and the Company, have no defined maturities and bear interest equivalent to the Referential Rate (TR).

Main shareholders

The Company's main shareholders are PREVI - Caixa de Previdência dos Funcionários do Banco do Brasil and BNDES Participações S.A. – BNDESPAR.

The Company has borrowing agreements with the BNDES, controlling shareholder of BNDES Participações S.A. - BNDESPAR, as detailed in Note 15.

Management remuneration

	Board of Directors		Executive Board	
	2013	2012	2013	2012
Fixed compensation	865	864	4,554	2,909
Variable compensation	-	-	3,696	825
	865	**864**	**8,250**	**3,734**

The overall annual compensation approved at the Extraordinary and Ordinary General Meeting was R$ 21,310 (R$ 10,311 in 2012).

Statutory management compensation is paid only at the parent company level; therefore, no management compensation has been recorded in subsidiaries.

The amounts recorded as variable compensation of the Executive Board are considered a provision, according to the goals established for the year. The Company does not offer variable compensation to the Board of Directors.

Officers receive additional corporate benefits, such as company vehicles, reimbursement of vehicle-related expenses, health insurance and severance pay. At December 31, 2013, these benefits totaled R$ 581 (R$ 712 in the previous year).

In the year ended December 31, 2013, the Executive Officers received R$ 2,095 as bonus for the success of the primary offer of shares issued by the Company. The amount was recognized under Administrative expenses.

The Company does not offer its officers a post-employment benefit plan or stock options.

Other related parties:

The Parent company sponsors the Associação Atlética Tupy (Tupy Athletic Association), a not-for-profit foundation that offers leisure activities and sports to the Company's employees. During the year ended December 31, 2013, the Company recognized sponsorship expenses of R$ 996 (R$ 848 at December 31, 2012).

10. CREDITS - ELETROBRAS

Refer to credits recorded in 2003 relating to the recognition by the Courts (in a final and unappealable decision) of the right to the additional inflation adjustment of the Eletrobras compulsory loan and related interest.

Concerning the execution of judgment, in December 2011, the Federal Regional Court of the 4th Region confirmed the calculation made by the Company, and allowed for, in addition to the credit already recognized by the trial court (principal plus interest), the credits corresponding to interest for late payment. The Company and Eletrobrás lodged appeals to the Superior Court of Justice (STJ) ad Federal Supreme Court (STF), which have not yet been judged.

Therefore, the amount recorded by the Company reflects: (i) the right already recognized by the Courts; (ii) the calculation method indicated by the Federal Regional Court of the 4th Region; (iii) the expert report ratified by the Court; and (iv) the legal provision that allows Eletrobras to pay a part of the aforementioned debt with shares - a criterion that the Company is challenging at higher courts, but that for now requires the recording of a provision for loss of R$ 16,731 (R$ 16,461 in 2012), resulting in an additional amount of R$ 270 recorded in 2013 (R$ 6,378 in 2012).

The restatement for inflation is recognized based on the Amplified Consumer Price Index (IPCA-E).

The Company estimates that the credit will be effectively received in a period of two to three years.

The table below shows the balance of this account:

Parent and consolidated

	Credits - Eletrobras	Provision for losses	Total, net
At January 1, 2012	**98,680**	**(10,083)**	**88,597**
Monetary restatement	5,700	-	5,700
Provision for losses	-	(6,378)	(6,378)
At December 31, 2012	**104,380**	**(16,461)**	**87,919**
Monetary restatement	6,104	-	6,104
Provision for losses	-	(270)	(270)
At December 31, 2013	**110,484**	**(16,731)**	**93,753**

11. INVESTMENT PROPERTIES

The Company has assets classified as investment properties, mainly land and forests, belonging to the subsidiary Tupy Agroenergética Ltda. At December 31, 2013, their carrying value was R$ 6,546 (R$ 4,574 in 2012), considering the historical cost as the accounting basis.

According to the appraisal performed in 2013 by a specialized company, the expected possible result on the realization of these assets indicate a range between R$ 27,663 (minimum) and R$ 51,228 (expected).

12. INVESTMENTS

a. Breakdown of investments

Parent company	Total assets	Equity	Goodwill	Profit (loss) for the year	Interest in capital (%)	Equity in the results of investees (*)	Book value (*)
At December 31, 2013							
Investments in direct subsidiaries							
Tupy Mexico Saltillo, S.A. de C.V	905,879	600,713	30,513	38,950	100.00	38,950	631,226
Technocast, S.A. de C.V.	708,971	573,413	10,713	10,635	100.00	10,635	584,126
Servicios Industriales Technocast, S.A. de C.V.	13,854	5,463	-	3,229	100.00	3,229	5,463
Tupy American Foundry Co.	88,366	49,772	-	9,757	100.00	10,092	47,266
Tupy American Iron & Alloys Co.	3,613	3,507	-	550	100.00	550	3,507
Tupy Europe GmbH	97,237	64,250	-	13,645	100.00	11,590	59,117
Tupy Argentina S.R.L.	2,727	(593)	-	(1,428)	100.00	(1,428)	(593)
Tupy Agroenergética Ltda.	10,284	9,028	-	(1,253)	100.00	(1,253)	9,028
Sociedade Técnica de Fundições Gerais SA. - Sofunge "in liquidation"	2,291	1,520	-	(495)	100.00	(495)	1,520
						71,870	**1,340,660**

(*) Adjusted by unrealized profits

Parent company	Total assets	Equity	Goodwill	Profit (loss) for the year	Interest in capital (%)	Equity in the results of investees (*)	Book value (*)
At December 31, 2012							
Investments in direct subsidiaries							
Tupy Mexico Saltillo, S.A. de C.V	745,785	488,132	30,513	18,176	100.00	2,740	518,645
Technocast, S.A. de C.V.	602,388	490,143	10,713	19,072	100.00	7,064	500,856
Servicios Industriales Technocast, S.A. de C.V.	9,791	1,909	-	399	100.00	399	1,909
Tupy American Foundry Co.	72,960	40,015	-	(1,402)	100.00	5,073	37,175
Tupy American Iron & Alloys Co.	3,098	2,957	-	(5)	100.00	239	2,957
Tupy Europe GmbH	76,619	50,605	-	5,400	100.00	8,064	47,526
Tupy Argentina S.R.L.	3,114	835	-	(436)	100.00	(499)	835
Tupy Agroenergética Ltda.	10,312	10,281	-	34	100.00	34	10,281
Sociedade Técnica de Fundições Gerais SA. - Sofunge "in liquidation"	2,419	2,015	-	(117)	100.00	(117)	2,015
						22,997	**1,122,199**

(*) Adjusted by unrealized profits

Changes in investments

Parent company

	2013	2012
Opening balance	**1,122,199**	**87,995**
Acquisition of companies in Mexico	-	710,298
Capital increase of the companies in Mexico	-	203,568
Advance for future capital increase - Adjustment	-	26,576
Equity in the results of investees	71,870	22,997
Exchange variation of investees located abroad	146,591	70,765
Closing balance	**1,340,660**	**1,122,199**

13. PROPERTY, PLANT AND EQUIPMENT

a. Changes in property, plant and equipment

Parent company	Machinery, facilities and equipment	Buildings	Land	Vehicles	Furniture, fittings and equipment	Construction in progress	Total
Cost							
At January 01, 2012	**1,305,494**	**169,043**	**8,748**	**21,190**	**8,316**	**325,655**	**1,838,446**
Additions	-	-	-	-	-	175,693	175,693
Transfer to property, plant and equipment in use	289,569	41,130	-	6,069	358	(337,126)	-
Disposals	(22,671)	(152)	-	(405)	(37)	-	(23,265)
At December 31, 2012	**1,572,392**	**210,021**	**8,748**	**26,854**	**8,637**	**164,222**	**1,990,874**
Additions	-	-	-	-	-	129,083	129,083
Transfer to property, plant and equipment in use	147,716	11,410	-	3,442	994	(163,562)	-
Disposals	(19,046)	(2,274)	-	(733)	(311)	-	(22,364)
At December 31, 2013	**1,701,062**	**219,157**	**8,748**	**29,563**	**9,320**	**129,743**	**2,097,593**
Depreciation							
At January 01, 2012	**(600,659)**	**(87,478)**		**(12,636)**	**(7,557)**		**(708,330)**
Depreciation in the year	(87,663)	(4,514)		(1,764)	(135)		(94,076)
Disposals	22,080	152		396	37		22,665
At December 31, 2012	**(666,242)**	**(91,840)**		**(14,004)**	**(7,655)**		**(779,741)**
Depreciation in the year	(112,897)	(5,280)		(2,390)	(194)		(120,761)
Disposals	15,617	2,274		666	311		18,868
At December 31, 2013	**(763,522)**	**(94,846)**		**(15,728)**	**(7,538)**		**(881,634)**
Carrying amount							
At December 31, 2012	906,150	118,181	8,748	12,850	982	164,222	1,211,133
At December 31, 2013	937,540	124,311	8,748	13,835	1,782	129,743	1,215,959

Consolidated	Machinery, facilities and equipment	Buildings	Land	Vehicles	Furniture, fittings and equipment	Construction in progress	Total
Cost							
At January 01, 2012	**1,306,826**	**169,419**	**11,102**	**21,335**	**12,227**	**325,655**	**1,846,564**
Additions	-	-	-	-	-	188,039	188,039
Transfer to property, plant and equipment in use	298,703	41,130	-	6,071	470	(346,374)	-
Acquisition of subsidiaries in Mexico	751,447	182,762	27,239	535	1,088	17,638	980,709
Foreign exchange variations	85,178	21,590	3,092	101	320	2,097	112,378
Disposals	(22,671)	(152)	-	(405)	(38)	-	(23,266)
Transfers to investment properties	-	-	-	-	(385)	-	(385)
At December 31, 2012	**2,419,483**	**414,749**	**41,433**	**27,637**	**13,682**	**187,055**	**3,104,039**
Additions	-	-	-	-	-	175,767	175,767
Transfer to property, plant and equipment in use	176,670	14,208	-	3,442	1,593	(195,913)	-
Foreign exchange variations	123,471	30,059	4,440	121	3,804	3,223	165,118
Disposals	(19,046)	(2,274)	-	(735)	(311)	-	(22,366)
Transfers to investment properties	-	-	(1,950)	-	(22)	-	(1,972)
At December 31, 2013	**2,700,578**	**456,742**	**43,923**	**30,465**	**18,746**	**170,132**	**3,420,586**
Depreciation							
At January 01, 2012	**(601,733)**	**(87,761)**		**(12,749)**	**(8,271)**		**(710,514)**
Depreciation in the year	(104,529)	(7,362)		(2,017)	(249)		(114,157)
Acquisition of subsidiaries in Mexico	(559,203)	(90,232)		(429)	(354)		(650,218)
Foreign exchange variations	(63,103)	(10,111)		107	(186)		(73,293)
Disposals	22,080	152		396	37		22,665
At December 31, 2012	**(1,306,488)**	**(195,314)**		**(14,692)**	**(9,023)**		**(1,525,517)**
Depreciation in the year	(138,262)	(9,810)		(2,446)	(511)		(151,029)
Foreign exchange variations	(92,251)	(15,306)		(121)	(2,662)		(110,340)
Disposals	15,618	2,274		666	311		18,869
At December 31, 2013	**(1,521,383)**	**(218,156)**		**(16,593)**	**(11,885)**		**(1,768,017)**
Carrying amount							
At December 31, 2012	1,112,995	219,435	41,433	12,945	4,659	187,055	1,578,522
At December 31, 2013	1,179,195	238,586	43,923	13,872	6,861	170,132	1,652,569

The group of construction in progress mainly comprises amounts applied in the increase of the capacity of the machining unit, maintenance and modernization of the industrial complex, information technology and the environment.

Property, plant and equipment acquisitions in 2013 totaled R$ 175,515 thousand, a decrease of 6.7% when compared to 2012.

	Parent company		Consolidated	
	2013	2012	2013	2012
In expansion	76,298	104,415	93,427	109,035
Maintenance and modernization of the operating capacity	35,723	54,367	60,125	61,536
Environment	14,722	11,328	19,875	11,885
Interest and financial charges	2,340	5,583	2,340	5,583
	129,083	**175,693**	**175,767**	**188,039**

b. Depreciation

The Company depreciates property, plant and equipment on a straight-line basis, using the following useful lives:

	Average useful lives
Machinery, facilities and equipment	15 years
Buildings	35 years
Vehicles	5 years
Furniture and fittings	10 years

c. Capitalization of interest and financial charges

The Company recognizes interest and financial charges incurred during the period of construction of the qualifying assets as asset formation cost.

The amount recorded in the year ended December 31, 2013 totals R$ 2,340 (R$ 5,583 in 2012).

d. Guarantees

The Company pledged property, plant and equipment items as guarantees for borrowings amounting to R$ 343,333 in the Parent Company and Consolidated and R$ 3,520 in the Parent Company and Consolidated as guarantees for tax litigation.

e. Insured amounts

Property, plant and equipment are insured for fire, electrical damage and explosion. Insurance coverage is determined based on the amounts and the level of risk involved. (Note 28)

14. INTANGIBLE ASSETS

Consolidated	Computer software	Goodwill	Contractual customer relationships	Non-competition agreement	Total
At January 1, 2012	**-**	**-**	**-**	**-**	**-**
Acquisition of subsidiaries in Mexico		41,226	453,083	2,617	496,926
Foreign exchange variations	-	-	51,088	295	51,383
Amortization	-	-	(33,603)	(388)	(33,991)
At December 31, 2012	**-**	**41,226**	**470,568**	**2,524**	**514,318**
Acquisition/costs of software licenses	34,619	-	-	-	34,619
Foreign exchange variations	-	-	64,719	321	65,040
Amortization	-	-	(53,641)	(619)	(54,260)
At December 31, 2013	**34,619**	**41,226**	**481,646**	**2,226**	**559,717**

Intangible assets relating to contractual relationship with customers and non-competition agreements, arising from a business combination (Note 33), have defined useful lives of 10 years and 5 years, respectively.

In January 2013, the Parent company acquired a license for an enterprise management system (ERP), which is not being amortized since it is still in the implementation phase. The Company is capitalizing the costs incurred to acquire the software and make it ready to be used.

Impairment tests for goodwill

Goodwill is allocated to the subsidiaries Tupy México S.A., de C.V. and Technocast S.A., de C.V., which are considered as cash generating units and operate in the automotive segment.

The recoverable amount of a CGU has been determined based on value-in-use calculations. These calculations utilize discounted cash flow projections, post-tax profit and capital expenses based on financial budgets in real terms (i.e., without considering inflation) approved by management and covering a five-year period. Cash flows beyond the five-year period are extrapolated using the cash flows for the 5th year. The key assumptions used for value-in-use calculations at December 31, 2013 are as follows:

- Revenues were defined based on projections of demand by customer in the next five years.
- Management determined the operating margins based on past performance and its expectations of market development.
- Discount rate in real terms of 7.2% p.a., which reflects the Company's specific risks.

15. BORROWINGS

			Parent and consolidated	
	Maturity	Average cost	2013	2012
Local currency			**757,192**	**907,602**
(a) Expansion project of Tupy S.A. - BNDES	Jul/2018	TJLP + 2.62% p.a.	202,917	236,879
(b) BNDES Exim - Pre-shipment of the Investment Sustainability Program (PSI)	Apr/2016	6.75% p.a.	405,638	654,417
(c) Export credit notes	Feb/2016	5.50% p.a.	125,410	-
(d) Finame (PSI)	May/2023	6.29% p.a.	23,227	16,306
Foreign currency			**1,042,477**	**920,059**
(a) Expansion project of Tupy S.A. - BNDES	Jul/2016	VC + 6.16% p.a.	49,339	35,833
(e) Export prepayment	Sep/2017	VC+ Libor + 3.79% p.a.	993,138	876,812
Working capital	Mar/2013	VC+ Libor + 1.90% p.a.	-	7,414
			1,799,669	**1,827,661**
Current portion			221,493	530,993
Non-current portion			1,578,176	1,296,668
			1,799,669	**1,827,661**

The fair value of the Company's borrowings (classified in Level 2 of the fair value hierarchy) is calculated through the discount of future flows of their payments at the curves, interest rates and currencies observable in the financial market. At December 31, 2013, the fair value of borrowings was R$ 1,865,537 (R$ 1,867,662 at December 31, 2012).

Long-term maturities are as follows:

Parent and consolidated

Year	2013	2012
2014	-	175,299
2015	557,931	515,627
2016	667,641	301,140
2017	322,002	280,837
2018	21,801	18,729
2019	2,886	1,896
Thereafter	5,915	3,140
	1,578,176	**1,296,668**

In the year ended December 31, 2013, the Parent company carried out the following new transactions with respect to borrowings:

a) Expansion project of Tupy S.A. – BNDES

This refers to the financing for expansion obtained from the BNDES, contracted on June 15, 2009, in the amount of R$ 199,343, with a 4.5-year average term, being 89% of funds with costs in reais and the remaining 11% in U.S. dollars. Collaterals comprise industrial equipment, mortgage, bank guarantees, and a guarantee deposit of 12% of the outstanding balance. (Note 4)

In January 2012, the Company contracted a new loan of R$ 195,934 from BNDES, of the Enterprise Financing (FINEM) type, with a 4.3-year average term, of which R$ 127,094 was released up to December 31, 2012, with the objective of financing investments, already carried out and to be carried out between 2011 and the first quarter of 2013.

The agreement provides for the disbursement of 83% of funds with costs in reais and the remaining 17% in U.S. dollars. The guarantees comprise industrial equipment of the machining and blocks units of the plant located in Joinville, Santa Catarina.

At December 31, 2013, the debt balance was R$ 252,256 (R$ 272,712 at December 31, 2012).

b) BNDES Exim – Pre-shipment (PSI)

In June 2010 and October 2011, through the BNDES Exim - Pre-shipment of the Investment Sustainability Program (PSI), the Company obtained funds of R$ 250,000 and R$ 200,000, respectively, which were fully repaid in 2013.

Under the same modality, the Company raised R$ 400,000 in new transactions, being R$ 200,000 in July 2012 and R$ 200,000 in April 2013. The debt balance at December 31, 2013 was R$ 405,638 (R$ 654,417 at December 31, 2012).

c) Export credit note

In February and March 2013, loans were obtained from Banco do Brasil and Itaú, amounting to R$ 125,000, with a three-year average term and repayment of principal at the end of the agreement. The debt balance at the end of 2013 was R$ 125,410.

d) Finame (PSI)

During 2013, the Company entered into new Finame transactions for purchase of machinery and equipment, amounting to R$ 6,982, with a two-year grace period and repayment over eight years with monthly installments.

e) Export prepayment

In September and October 2011, the Company obtained funds from Banco do Brasil, Itaú, Safra and Bradesco in the amount of US$420,000 thousand, equivalent to R$ 745,991. All the transactions have an average term of four and a half years. Such funds were used for cash reinforcement and to ensure settlement of debts falling due as from 2012.

In 2012 and 2013, there were no new borrowings or repayments. The variations during these years substantially correspond to foreign exchange effects.

Restrictive covenants

A portion of the Company's borrowings have contractual clauses establishing the compliance with covenants based on certain financial ratios, calculated according to the consolidated financial information of the Company, as follows:

I. Net Debt/Adjusted EBITDA*
II. Equity/Total assets
III. Current assets/Current liabilities
IV. Current liabilities + Long-term liabilities/Total assets

Nearly 55% of the borrowing agreements are subject to the Net Debt/Adjusted EBITDA ratio and another 14% are subject to other financial ratios.

The lack of compliance with these requirements by the Company would result in the anticipated maturity of the aforementioned contracts. At December 31, 2013, the Company was in compliance with all the financial ratios established in the borrowing contracts. In addition, even though internal and external factors may affect the Company's performance positively or negatively, according to internal projections, it is expected that the Company will comply with the covenants for the next twelve months.

*Adjusted EBITDA corresponds to earnings plus income tax and social contribution, net financial result, depreciation and amortization, adjusted by the addition of other expenses or reduction of other operating income, net.

16. FINANCING OF TAXES AND SOCIAL SECURITY CHARGES

a. Tax amnesty - Law 10,684/03 (Special Installment Payment Plan (PAES)

On July 31, 2003, the former subsidiary Tupy Fundições Ltda. enrolled in the REFIS-PAES tax recovery program, created by Law 10,684/03, for the settlement of National Institute of Social Security (INSS) debts of R$ 58,379, which is being paid in 120 monthly installments as adjusted by the Long-term Interest Rate (TJLP). The Company does not provide any form of guarantee. At December 31, 2012, the balance was R$ 7,491, divided into eight installments, which were fully settled in 2013.

b. Tax amnesty - Law 12,865/13

On December 19, 2013, the Company requested to the Brazilian Federal Revenues adhesion to the tax amnesty program established by Law 11,941/09 and re-introduced by Law 12.865/13, for the payment of income tax, social contribution, PIS and COFINS debts relating to 2000. The debt amounted to R$ 9,628, already considering the reductions of fines and interest under the program. This amount was recognized as Other net operating expenses for the year ended December 31, 2013 and will be paid in 180 monthly installments, subject to the SELIC interest rate. The letter of guarantee will be linked to the debt over the term of the installments. The balance at December 31, 2013 was R$ 9,575.

17. SALARIES, SOCIAL SECURITY CHARGES AND PROFIT SHARING

	Parent company		Consolidated	
	2013	2012	2013	2012
Salaries	9,605	7,922	15,523	12,505
Provision for vacation pay	44,119	40,374	48,701	43,561
Social charges	9,896	10,598	14,527	16,079
Profit sharing	36,382	20,475	42,843	24,657
Private pension plan	1,251	1,520	1,251	1,520
	101,253	**80,889**	**122,845**	**98,322**

The Company's profit-sharing program applies proportionately according to time in service and is based on financial and operating indicators and individual performance goals.

In 2011, the Company introduced an optional private pension plan for all employees in Brazil. It is a defined contribution plan, for which the amount contributed by the employee, limited to an established percentage on the payroll, is matched with the same amount by the Company.

18. DEFINED BENEFIT OBLIGATIONS

The operations in Mexico have defined benefit obligations. The purpose of these plans is to offer employees retirement benefits, in addition to and complementing those provided by other retirement or pension plans, whether public or private. In addition, the Mexican legislation also establishes other defined benefits such as age premium and legal indemnity.

At December 31, 2013, the amounts related to post-employment benefits were calculated at the annual actuarial valuation carried out by independent actuaries, and are recorded in the financial

statements. The actuarial liability recorded at December 31, 2013 totaled R$ 16,749 (R$ 14,212 at December 31, 2012).

Consolidated		
Obligations recorded in the balance sheet	**2013**	**2012**
Social security plan benefits		
Pension plan (a)	2,061	796
Other employee benefits		
Age premium (b)	3,801	3,370
Legal indemnity (c)	10,887	10,046
Consolidated	**16,749**	**14,212**

Consolidated		
Expenses recognized in the statement of income	**2013**	**2012**
Social security plan benefits		
Pension plan (a)	1,265	1,596
Other employee benefits		
Age premium (b)	693	943
Legal indemnity (c)	1,217	3,526
Consolidated	**3,175**	**6,065**

Consolidated		
Changes	**2013**	**2012**
Opening balance	**14,212**	**-**
Acquisition of subsidiaries in Mexico (Note 34)	-	9,363
Expenses recognized in the statement of income	3,175	6,065
Contributions made by the Company and the former controlling shareholders	(638)	(1,216)
Closing balance	**16,749**	**14,212**

a. Pension plan

The pension plan is granted to all graduated employees working for the subsidiary Diesel Servicios Industriales, S.A. de C.V., and contributions are fully paid by the subsidiary. The maximum benefit will be equivalent to three months of salary plus the equivalent to 20 salary days for each year in the company.

The employee may request this benefit when reaching 65 years of age while having worked, at least, 15 years. Also, they may anticipate the utilization of the benefit when reaching 60 years of age and at least 15 year worked, although with a reduction in the benefit of 5% for each anticipated year.

b. Age premium

As established by local legislation, employees in Mexico are entitled to receive an age premium when the employment relationship is terminated due to death or disability or when they leave the company after having worked 15 years or by retirement.

Costs are fully covered by these companies, and the compensation amount consists of 12 days of salary per year of service. The compensation is limited to two minimum wages for the economic zone where the service is rendered.

c. Legal indemnity

As established by local legislation, employees in Mexico are entitled to receive a legal indemnity when the employment relationship is terminated. Costs are fully covered by the employer and consist of 3 months of salary plus the proportional to 20 days of salary per year of service.

d. Results of the actuarial valuation

(i) Changes in the present value of the obligations

Consolidated

Changes in the present value of the obligations	Pension plan	Age premium	Legal indemnity	Total
At January 1, 2012	**-**	**-**	**-**	**-**
Liabilities assumed in a business combination (Note 33)	4,616	2,569	6,657	13,842
Current service cost	210	158	266	634
Interest on actuarial obligations	1,568	473	2,452	4,493
Benefits paid	(324)	(142)	(137)	(603)
Foreign exchange variations	560	312	808	1,680
At December 31, 2012	**6,630**	**3,370**	**10,046**	**20,046**
Current service cost	478	321	661	1,460
Interest on actuarial obligations	1,121	(95)	(847)	179
Benefits paid	(104)	(262)	(376)	(742)
Foreign exchange variations	818	467	1,403	2,688
At December 31, 2013	**8,943**	**3,801**	**10,887**	**23,631**

(ii) Changes in the fair value of plan assets

Consolidated

Changes in the fair value of plan assets	Pension plan	Age premium	Legal indemnity	Total
At January 1, 2012	**-**	**-**	**-**	**-**
Assets acquired in a business combination (Note 33)	4,479	-	-	4,479
Expected return on plan assets	215	-	-	215
Employer contributions	-	142	137	279
Benefits paid	(324)	(142)	(137)	(603)
Contributions of former controlling shareholders	937	-	-	937
Foreign exchange variations	527	-	-	527
At December 31, 2012	**5,834**	**-**	**-**	**5,834**
Expected return on plan assets	272	-	-	272

Consolidated

Changes in the fair value of plan assets	Pension plan	Age premium	Legal indemnity	Total
At January 1, 2012	**-**	**-**	**-**	**-**
Employer contributions	-	262	376	638
Benefits paid	(104)	(262)	(376)	(742)
Foreign exchange variations	880	-	-	880
At December 31, 2013	**6,882**	**-**	**-**	**6,882**

(iii) Reconciliation of the liabilities recognized in the balance sheet

Consolidated

Reconciliation of the liabilities recognized in the balance sheet	Pension plan	Age premium	Legal indemnity	Total
At December 31, 2012				
Present value of the obligations	6,630	3,370	10,046	20,046
Fair value of plan assets	(5,834)	-	-	(5,834)
	796	**3,370**	**10,046**	**14,212**
At December 31, 2013				
Present value of the obligations	8,943	3,801	10,887	23,631
Fair value of plan assets	(6,882)	-	-	(6,882)
	2,061	**3,801**	**10,887**	**16,749**

(iv) Costs recognized in the statement of income

Consolidated

Costs recognized in the statement of income	Pension plan	Age premium	Legal indemnity	Total
Current service cost	210	158	266	634
Finance costs, net	1,386	785	3,260	5,431
At December 31, 2012	**1,596**	**943**	**3,526**	**6,065**
Current service cost	478	321	661	1,460
Finance costs, net	787	372	556	1,715
At December 31, 2013	**1,265**	**693**	**1,217**	**3,175**

(v) Actuarial, economic and biometric assumptions

Consolidated

	Pension plan	Age premium	Legal indemnity
Discount rate	7.75%	7.75%	7.75%
Expected return on plan assets	7.75%	7.75%	7.75%
Salary growth rate	5.00%	5.00%	5.00%
Minimum wage growth rate	4.00%	4.00%	4.00%
Inflation	4.00%	4.00%	4.00%
Mortality table	Mexican social security experience (active employees) - 2009		
Disability table	Mexican experience		
Turnover table	Experience of the company		

19. PROVISION FOR TAX, CIVIL, SOCIAL SECURITY AND LABOR CONTINGENCIES

The Company is a party to ongoing litigation arising in the normal course of business and for which provisions (in the case of probable losses) were recorded based on estimates made by its legal counsel.

The changes in the provisions for tax, civil, social security and labor contingencies in the year ended December 31, 2013 and the related balances are as follows:

Parent company

	Civil	Tax	Labor	Social security	Judicial deposits	Total
At January 01, 2012	**71,471**	**10,154**	**13,580**	**4,484**	**(8,650)**	**91,039**
Additions	-	-	8,315	-	(1,012)	7,303
Restatements	7,484	131	-	-	-	7,615
Payments	-	-	(6,903)	-	328	(6,575)
At December 31, 2012	**78,955**	**10,285**	**14,992**	**4,484**	**(9,334)**	**99,382**
Additions	(24)	-	11,083	2,536	(1,199)	12,396
Restatements	1,628	114	-	-	(355)	1,387
Payments	-	(2,330)	(7,645)	-	-	(9,975)
At December 31, 2013	**80,559**	**8,069**	**18,430**	**7,020**	**(10,888)**	**103,190**
Current portion						7,274
Non-current portion						95,916
						103,190

Consolidated

	Civil	Tax	Labor	Social security	Judicial deposits	Total
At January 01, 2012	**71,930**	**10,197**	**13,641**	**4,484**	**(8,849)**	**91,403**
Additions	-	-	8,327	-	(1,022)	7,305
Restatements	7,484	131	-	-	-	7,615
Payments	-	-	(6,903)	-	328	(6,575)
At December 31, 2012	**79,414**	**10,328**	**15,065**	**4,484**	**(9,543)**	**99,748**
Additions	(24)	-	12,298	2,536	(1,199)	13,611
Restatements	1,628	114	-	-	(355)	1,387
Payments	-	(2,330)	(7,748)	-	(93)	(10,171)
Disposals	-	-	-	-	93	93
At December 31, 2013	**81,018**	**8,112**	**19,615**	**7,020**	**(11,097)**	**104,668**
Current portion						7,274
Non-current portion						97,394
						104,668

Generally, the Company's provisions for contingencies are long-term provisions. Considering the period necessary to conclude the judicial proceedings in the Brazilian judicial system, making accurate estimates about the specific year when a certain lawsuit will be concluded is difficult, and because of this the Company does not disclose the settlement flow of these liabilities.

The aforementioned provisions are adjusted mainly based on the Special System for Settlement and Custody (SELIC) rate and General Market Price Index (IGPM), the impact of which on profit or loss for the year is described in Note 22.

- **Civil**

Provisions for civil contingencies are related to attorney fee awards in tax lawsuits and contingent liabilities arising from the acquisition of subsidiary.

- **Tax**

Provisions related to tax administrative proceedings involving certain credits taken by the Company in the calculation of ICMS, PIS, COFINS, IRPJ and CSLL.

- **Labor**

Lawsuits filed by former employees in progress at the Labor Courts, claiming compensation and payroll charges allegedly owed by the Company.

- **Social security**

Social security provisions relate to alleged debits resulting from differences between the social security contribution form (GFIP) and the respective payment (GPS). These differences arise from amounts challenged by the Company for which judicial deposits were made.

Contingencies involving possible losses

The contingencies involving the risk of possible loss, according to the assessment made by Management and the Company's outside legal counsel, are described in the table below.

	Parent company		Consolidated	
	2013	2012	2013	2012
PIS, COFINS and IPI credits/ IRPJ and CSLL processes	192,727	82,751	192,867	82,751
Debts settled through tax amnesty	50,566	63,212	50,566	63,212
ICMS credits	93,275	32,287	93,275	32,287
Expired tax debts	120,544	110,368	120,544	110,368
Customs	45,774	-	45,774	-
Social security	69,610	69,495	76,998	69,495
Labor lawsuits	17,730	15,738	17,836	15,738
Civil and other	1,310	6,623	3,547	6,623
	591,536	**380,474**	**601,407**	**380,474**

- **PIS and COFINS credits/IRPJ and CSLL proceedings**

Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) proceedings: Administrative proceedings in which the Brazilian Federal Revenues Service challenged the Company as to the use of credits generated in the acquisition of inputs from 2004 to 2011 (disagreement as to the concept of inputs). The Company submitted an administrative defense showing the eligibility for the use of credits in accordance with the applicable tax legislation.

Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL): administrative proceedings of 1994 and 2006 in which the Brazilian Federal Revenues Service challenges, respectively, the calculation of taxable income and the use of estimated IRPJ. The Company submitted a defense stating that the tax calculation was correct.

The main variations in the year ended December 31, 2013 were due to the following: (i) the Company had access to statements of the Brazilian Federal Revenues Service which permitted determining the amounts involved in certain administrative proceedings related to IRPJ and CSLL, resulting in the adjustment of the respective proceedings by R$ 20,959; and (ii) the Company received in the year ended December 31, 2013 tax assessment notices from the Brazilian Federal Revenues Service related to the credits of PIS/COFINS and IRPJ/CSLL used for offset against federal taxes totaling R$ 89,017. As regards the new tax assessment notices, the Company filed an administrative defense in which it sustained and evidenced the compliance of the tax procedures used with the tax legislation.

- **Debts settled through tax amnesty**

Debts settled by the Company by enrolling in the tax amnesty program of Provisional Measure 470/09, for which the Brazilian Federal Revenues Service claims the debts do not qualify under the program. The Company is seeking court approval as it considers that there is full compatibility of the debts with the amnesty.

- **ICMS credits**

Administrative and legal processes filed by the tax authorities of the states of São Paulo and Santa Catarina for the years 2009 to 2011, in which the use of certain ICMS credits by the Mauá and Joinville plants are challenged. In all the cases, the Company has shown the eligibility for the use of credits in accordance with the applicable tax legislation.

In April 2013, the Company received a tax assessment notice amounting to R$ 59,640, issued by the Finance Department of the State of São Paulo, disallowing ICMS credits recorded by the Mauá plant in 2008. The Company filed an administrative defense in which it sustained and evidenced the lawfulness of the tax credit recorded.

- **Expired tax debts**

Administrative and judicial tax demands made by the Federal Government related to alleged offsets of debits with IPI premium credit. In its defense, the Company claims that the statute of limitation period of said debts has expired, in compliance with case law of higher courts.

In April 2013, the Company had access to statements of the Brazilian Federal Revenues Service which permitted determining the amounts involved in certain administrative proceedings related to this issue, which resulted in the adjustment of the contingency.

- **Customs**

Administrative proceeding filed in 2006 in which the Brazilian Federal Revenues Service requires from the Company a fine corresponding to the customs value of merchandise related to import of inputs. In

its defense, the Company sustains and evidences that the transactions are legal and also demonstrates that some of the merchandise listed in the tax assessment were not even addressed to the Company.

- **Social security**

Administrative and legal proceedings filed by the federal tax authorities for 1998 and 2008 concerning alleged debts related to social security contributions on payroll and owed by service providers (joint responsibility). In all the cases, the Company's defense has shown that the procedures adopted are in full compliance with tax legislation.

On May 27, 2013, the Company made a judicial deposit of R$ 13,459 (recorded as judicial deposits in assets) in connection with a court claim for taxes related to social security contingency in order to replace assets that until then guaranteed the claim. In spite of the judicial deposit, the Company will continue discussing the merit of such tax litigation since it understands it has consistent favorable arguments.

- **Labor**

Lawsuits filed by former employees in progress at the Labor Courts, claiming compensation and payroll charges allegedly owed by the Company.

- **Civil**

Contingency in which the Company challenges an amount in excess concerning an undue increase in the electricity tariff by the concessionaire during a price freeze period, from February to November 1986.

20. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION, NET

The breakdown of deferred tax assets and liabilities relating to income tax and social contribution, according to the balance sheet accounts, is as follows:

	Parent company		Consolidated	
	2013	2012	2013	2012
Deferred liabilities				
Property, plant and equipment - carrying value adjustments	53,503	61,121	53,503	61,121
Depreciation rate differences	44,364	41,028	44,364	41,028
Deferred tax on intangible assets	-	-	145,162	141,928
Subtotal	**97,867**	**102,149**	**243,029**	**244,077**
Deferred assets				
Trade receivables	1,349	1,863	1,349	1,863
Inventories	1,269	1,055	1,269	1,055
Taxes and contributions recoverable	9,317	5,592	9,317	5,592
Third-party tools	3,326	3,405	3,326	3,405
Credits - Eletrobras	5,688	5,597	5,688	5,597
Salaries, social security charges and profit sharing	12,373	6,962	22,102	6,962
Provision for tax, civil, social security and labor contingencies	38,787	36,963	44,034	40,139
Other items	3,918	11,988	3,918	14,442
Property, plant and equipment - tax basis (Mexico)	-	-	46,456	41,534
Unrealized profits in subsidiaries	-	-	3,938	3,052
Subtotal	**76,027**	**73,425**	**141,397**	**123,641**
Total deferred liabilities, net	**21,840**	**28,724**	**101,632**	**120,436**

The Mexican tax legislation allows depreciation of property, plant and equipment on a tax basis and, accordingly, the Company records the temporary difference of the depreciation between the tax and the accounting bases. The temporary difference at December 31, 2013 was R$ 46,456 (R$ 41,534 at December 31, 2012).

The Company prepared a technical feasibility study, reviewed by the Statutory Audit Board and approved by the Board of Directors, for the deferred income tax and social contribution assets, which indicates the full recovery of these deferred taxes. Expected future realization, based on the Company's profit projections and the expectation of effective realization of temporary differences, is as follows:

	Parent company		Consolidated	
Years	2013	2012	2013	2012
2014	24,708	23,537	42,468	35,680
2015	9,093	6,016	12,964	9,477
2016	3,405	11,613	7,276	15,074
2017	3,405	6,016	7,276	9,477
2018	3,405	6,016	7,276	9,477
Thereafter	32,011	20,227	64,137	44,456
	76,027	**73,425**	**141,397**	**123,641**

The subsidiary Sociedade Técnica de Fundições Gerais S.A. - Sofunge (in liquidation) had income tax losses of R$ 56,280 at December 31, 2013 (R$ 56,138 at December 31, 2012) and social contribution losses of R$ 61,511 at December 31, 2013 (R$ 61,370 at December 31, 2012). At the moment, management does not envisage any form of realization, and therefore the related credits are not recorded.

During the year ended December 31, 2013, changes in deferred tax assets and liabilities were as follows:

	Parent company		Consolidated	
	2013	2012	2013	2012
Opening balance	**28,724**	**23,934**	**120,436**	**20,184**
Recognized in profit (loss) for the year	(6,884)	4,790	(31,335)	(841)
Business combination (Note 34)	-	-	-	83,571
Foreign exchange variations	-	-	12,531	17,522
At December 31, 2013	**21,840**	**28,724**	**101,632**	**120,436**

21. SHARE CAPITAL, CARRYING VALUE ADJUSTMENTS, RESERVES AND DIVIDENDS

a) Share capital

	2013		2012	
Share capital breakdown	Number	%	Number (*)	%
Controlling shareholders				
Caixa de Previdência dos Funcionários do Banco do Brasil – PREVI	40,693,254	28.2%	40,693,254	35.6%
BNDES Participações S.A. – BNDESPAR	40,645,370	28.2%	40,645,370	35.6%
Officers	8	0.0%	8	0.0%
Non-controlling interests				
Fundação Embratel de Seguridade Social - TELOS	15,109,156	10.5%	15,109,156	13.2%
Instituto Aerus de Seguridade Social - AERUS	-	0.0%	6,658,942	5.8%
Other shareholders	47,729,712	33.1%	11,170,770	9.8%
Total outstanding shares	**144,177,500**	**100.0%**	**114,277,500**	**100.0%**

(*) The Company's shareholders approved, at the General Meeting held on February 8, 2013, the split of the Company's common shares. As a result, 1 common share issued by the Company was split into 2 common shares, and the Company's share capital was then represented by 114,277,500 registered book-entry common shares with no par value ("Split"), already considering the preferred shares converted into common shares. The new shares created by the split confer on their holders the same rights as common shares they already held.

On February 13, 2013, the Company's Board of Directors approved, in connection with the Offering, the effective increase of the Company's capital, from R$ 537,051, divided into 114,277,500 common shares, to R$ 992,051, divided into 140,277,500 common shares, representing, therefore, an increase of R$ 455,000, through the issue of 26,000,000 new common shares, at the price of R$ 17.50 per share, with the exclusion of the preferential subscription rights of the Company's shareholders. On October 17, 2013, the start of the Offering was announced, and was carried out in Brazil, on the over-the-counter market, in conformity with CVM Instruction 400, and placement of shares abroad. The financial settlement of the Offering was on October 22, 2013.

Due to the full exercise of the option for the distribution of an additional batch of up to 15% of the total amount of shares initially offered, on October 30, 2013, the Company's Board of Directors approved, in connection with the Offering, a new capital increase, in the amount of R$ 68,250, through the issue of 3,900,000 new common shares, at the price of R$ 17.50 per share, with the exclusion of the preferential subscription rights of the Company's shareholders. Therefore, the Company's capital totaled R$ 1,060,301, divided into 144,177,500 common shares. The financial settlement of the Offering was on November 4, 2013. On November 5, 2013, the closing of the Offering was announced, with the funding of net resources for the Company in the amount of R$ 516,709.

Authorized capital is limited to R$ 1,200,000, represented by registered book-entry common shares with no par value.

The Company, its shareholders, management and members of the Statutory Audit Board are committed to resolve, through arbitration at the Market Arbitration Chamber, any dispute that may arise between them, relating to or originating, especially, from the application, validity, efficacy, interpretation, violation, and their effects, of the provisions of Brazilian Corporation Law, of the Company's bylaws, the regulations issued by the National Monetary Council, the Brazilian Central Bank and the Brazilian Securities Commission, as well as other regulations applicable to the functioning of capital markets in general, besides those comprised in the Regulations of the New Market, the Market Arbitration Chamber , the Sanctions Regulation and the Contract for Participation in the New Market.

b) Carrying value adjustments

Includes the balance of asset revaluations made in 1990 for the Land and buildings accounts (R$ 14,718) and, in 2005, for the Machinery and equipment account (R$ 89,144), which were included as an integral part of the costs of the assets. Realization against the Retained earnings account is proportional to the corresponding assets' depreciation, when applicable.

On April 16, 2012, the Company acquired subsidiaries in Mexico (Note 34), whose operations are carried out in a functional currency different from that of Company and its other subsidiaries. Because of the translation of the Mexican financial information into the presentation currency, the amount of R$ 146,591 was recognized at December 31, 2013 as exchange rate variation on the subsidiaries in Mexico.

c) Revenues reserves

- Legal reserve

The reserve is recorded at the rate of 5% of the profit of each year in compliance with article 193 of Law 6,404/76, up to the limit of 20% of the capital.

- Investment reserve

This reserve is recorded in an amount not less than 5% of annual profit, up to the limit of 50% of capital. The balance, together with the other revenues reserves, except for those relating to contingencies, tax incentives and unrealized profits, cannot exceed the amount of capital.

The balances remaining from profit after the transfers to legal reserve and dividends, was transferred to the Investment reserve, in accordance with the Company's by-laws, which establish the application of this reserve to expansion investment projects. The changes in the reserve for investments when comparing to the expansion investments made by the Company were as follows.

Investment reserve

	Constitution	Capital increase	Balance	Expansion (*)
2007	46,963	-	46,963	-
2008	131,295	-	178,258	79,864
2009	98,886	-	277,144	65,776
2010	97,440	-	374,584	61,080
2011	125,014	-	499,598	135,133
2012	48,220	(138,656)	409,162	109,035
2013	71,646	-	480,808	93,427
			480,808	**544,315**

(*) Refer to investment in property, plant and equipment for expansion of the production capacity. (Note 13) Unaudited information for 2008, 2009 and 2010.

At the General Meeting held on April 30, 2012, the shareholders approved the capitalization of R$ 138,656 from the investment reserve, thus increasing the Company's capital to R$ 537,051.

d) Allocation of profits

Shareholders are entitled to receive a minimum dividend of 25% of the Net Income, adjusted in accordance with the provisions of Article 202 of Law 6,406/76.

The allocation of profit for 2013, in comparison with 2012, which is subject to the approval of the shareholders at the General Meeting, is as follows:

Dividend calculation basis	2013	2012
Net Income	86,321	66,357
Transfer to legal reserve (5%)	4,316	3,318
	82,005	**63,039**
Proposal of allocation (*)		
Interest on shareholder's equity, gross	25,147	21,041
Dividends	-	7,331
	25,147	**28,372**

(*) For outstanding shares at the reporting date

Allocation in the financial statements	2013	2012
Minimum mandatory dividend - Current liabilities	**24,119**	**18,916**
Interest on shareholder's equity, gross	24,119	18,916
Portion exceeding the minimum mandatory dividend - Equity	**1,028**	**9,456**
Additional gross interest on shareholder's equity proposed	1,028	2,125
Proposed additional dividends	-	7,331
Allocation of the retained earnings balance		
Reserve for investments	71,646	48,220

	Common	
Unit amount per share	**2013**	**2012**
Interest on shareholder's equity, gross	0.17442	0.18412
Dividends	-	0.06415
Total proposed for distribution	**0.17442**	**0.24827**

Proposed dividends, net of tax effects on the portion paid as interest on shareholder's equity (15% of Withholding Income Tax (IRRF)), correspond to 26% of profit (40% at December 31, 2012) after legal appropriations.

The balance transferred to the investment reserve includes the portion of the Net Income which was not allocated, in the amount of R$ 56,858 (R$ 34,667 in 2012), plus the realized portion of the carrying value adjustment account of R$ 14,788 (R$ 13,553 in 2012).

On April 12, 2013, the General Meeting approved Management's proposed results for the year ended December 31, 2012 and, accordingly, the Company paid dividends in addition to the minimum mandatory, of R$ 9,456 (R$ 0.07 per share).

22. REVENUES

The reconciliation between gross and net revenues for the year is as follows:

	Parent company		Consolidated	
	2013	2012	2013	2012
Gross revenues	2,400,650	2,276,098	3,422,371	2,953,537
Returns and rebates	(32,714)	(45,145)	(57,111)	(57,578)
Revenues net of returns and rebates	**2,367,936**	**2,230,953**	**3,365,260**	**2,895,959**
Taxes on sales and services	(242,116)	(224,697)	(242,276)	(224,839)
Revenues	**2,125,820**	**2,006,256**	**3,122,984**	**2,671,120**
Revenues				
Domestic market	1,035,453	983,398	1,035,353	983,241
Foreign market	1,090,367	1,022,858	2,087,631	1,687,879
	2,125,820	**2,006,256**	**3,122,984**	**2,671,120**

23. COSTS AND EXPENSES BY NATURE

The breakdown of costs and expenses by nature, reconciled with costs and expenses by function presented in the statement of income for the year, is as follows:

	Parent company		Consolidated	
	2013	2012	2013	2012
Raw material and processing materials	889,674	843,745	1,453,615	1,246,792
Maintenance and consumption materials	133,920	128,292	192,338	160,582
Salaries and social charges	420,235	442,547	575,230	520,297
Profit sharing	40,607	26,627	42,113	28,027
Social benefits	91,491	80,107	95,193	85,036
Electric power	100,182	116,099	130,940	137,758
Depreciation	116,084	92,417	146,342	112,498
Freight and commissions on sales	63,480	76,286	96,516	95,049
Management fees	9,115	4,598	9,115	4,598
Other costs	24,808	16,500	37,795	29,509
	1,889,596	**1,827,218**	**2,779,197**	**2,420,146**
Cost of goods sold	1,737,207	1,679,433	2,554,117	2,211,858
Selling expenses	78,756	83,455	123,342	120,286
Administrative expenses	64,518	59,732	92,623	83,404
Management fees	9,115	4,598	9,115	4,598
	1,889,596	**1,827,218**	**2,779,197**	**2,420,146**

24. FINANCIAL RESULT

	Parent company		Consolidated	
Financial result	**2013**	**2012**	**2013**	**2012**
Financial assets	**42,340**	**50,876**	**42,340**	**50,876**
Financial assets at fair value through profit or loss	***7,246***	***6,929***	***7,246***	***6,929***
Credits - Eletrobras	6,104	5,699	6,104	5,699
Financial investments	1,177	1,928	1,177	1,928
Investments in equity instruments	(35)	(698)	(35)	(698)
Loans and receivables	***35,094***	***43,947***	***35,094***	***43,947***
Cash and cash equivalents	35,094	43,947	35,094	43,947
Tax credits and other finance income	**6,207**	**13,385**	**6,813**	**15,899**
Financial income	**48,547**	**64,261**	**49,153**	**66,775**
Financial liabilities	**(110,173)**	**(107,935)**	**(110,174)**	**(107,941)**
Financial liabilities at amortized cost	***(106,354)***	***(107,935)***	***(106,355)***	***(107,941)***
Borrowings	(105,859)	(106,330)	(105,859)	(106,330)
Financing of taxes and social security charges	(103)	(601)	(104)	(607)
Notes payable and other financial liabilities	(392)	(1,004)	(392)	(1,004)
Derivative financial instruments	***(3,819)***	***-***	***(3,819)***	***-***
Interest rate swaps	(3,819)	-	(3,819)	-
Other financial expenses	**(1,029)**	**(3,799)**	**(6,089)**	**(5,905)**
Financial expenses	**(111,202)**	**(111,734)**	**(116,263)**	**(113,846)**
Exchange differences				
Derivative financial instruments				
Non Deliverable Forward (NDF)	25,725	(32,082)	25,725	(32,082)
Foreign exchange variations, net	(108,641)	(11,675)	(94,275)	(7,205)
Foreign exchange variations, net	**(82,916)**	**(43,757)**	**(68,550)**	**(39,287)**
Net financial result	**(145,571)**	**(91,230)**	**(135,660)**	**(86,358)**

25. OTHER NET OPERATING INCOME (EXPENSES)

	Parent company		Consolidated	
	2013	**2012**	**2013**	**2012**
Constitution and restatement of provision (Note 19)	(15,337)	(15,930)	(16,552)	(15,942)
Reversal of provisions	(270)	8,667	(270)	8,667
Depreciation of non-operating assets	(4,677)	(1,659)	(4,687)	(1,659)
Disposals of property, plant and equipment	(2,458)	(452)	(2,459)	(453)
Tax amnesty - Law 12,865/13 (Note 16)	(9,628)	-	(9,628)	-
Expenses of strike	-	(12,496)	-	(12,496)
Termination expenses	-	(5,071)	-	(5,071)
Amortization of intangible assets (Note 14)	-	-	(54,260)	(33,991)
Gain (loss) on the sale of unusable assets and write-off of third-party tools and other assets	(1,224)	(4,224)	2,746	(1,041)
	(33,594)	**(31,165)**	**(85,110)**	**(61,986)**

26. INCOME TAX AND SOCIAL CONTRIBUTION IN THE RESULTS

	Parent company		Consolidated	
	2013	2012	2013	2012
Net Income Before Income Taxes	**128,929**	**79,640**	**123,017**	**102,630**
Income tax rate	34%	34%	34%	34%
Expenses at standard rate	(43,836)	(27,078)	(41,826)	(34,894)
Tax effect of permanent (additions)/deductions:				
Equity in the results of subsidiaries	24,436	7,819	-	-
Depreciation of non-operating assets	(1,590)	(564)	(1,590)	(564)
Interest on shareholder's equity	8,550	7,154	8,550	7,154
Foreign exchange gains (losses)	-	-	(2,428)	(8,802)
Adjustments of the property, plant and equipment base - Mexico	-	-	10,740	5,773
Tax surcharge on cash flows - Mexico	-	-	(4,269)	(10,062)
Tax reform in Mexico (a)	-	-	9,729	-
Other permanent (additions) exclusions	(4,513)	(614)	5,683	5,122
Effects of different tax rate in subsidiaries	(25,655)	-	(21,285)	-
Tax effects recorded in the statement of income	**(42,608)**	**(13,283)**	**(36,696)**	**(36,273)**
Income tax effective rate	**33%**	**17%**	**30%**	**35%**

Breakdown of the tax effects recorded in the statement of income:

	Parent company		Consolidated	
	2013	2012	2013	2012
Current income tax and social contribution	(49,492)	(8,493)	(68,031)	(37,114)
Deferred income tax and social contribution	6,884	(4,790)	31,335	841
Tax effects recorded in the statement of income	**(42,608)**	**(13,283)**	**(36,696)**	**(36,273)**

a) Tax reform in Mexico

The Company has industrial plants in Mexico, which are subject to Mexican tax legislation. On October 31, 2013, the Mexican Congress approved an economic plan effective as from 2014 along with a tax reform.

The most important points, which may affect the operations in Mexico, are the new income tax law (LISR – Ley del Impuesto sobre la Renta) and the end of the tax surcharge on cash flows (IETU – Impuesto Empresarial a Tasa Única).

Before the changes in the referred law, the subsidiaries Servicios Industriales Technocast, S.A. de C.V. and Diesel Servicios Industriales, S.A. de C.V. paid the income tax calculated on the cash flows and did not record deferred income tax on temporary differences. With the end of the tax surcharge on cash flows, these companies started to calculate income tax based on taxable profit and, accordingly, recognized in their balance sheet R$ 9,729 relating to temporary differences generated by obligations with employees.

b) Provisional Measure 627/2013

Provisional Measure (MP) 627, of November 11, 2013 and the Normative Instruction 1,397 issued by the Brazilian Federal Revenues Service on September 16, 2013, brought significant changes to the federal tax rules. The MP becomes effective as from 2015. Companies may opt for the early adoption of this MP in 2014.

Based on the analysis of the new rules performed by management, we concluded that the distribution of dividends and interest on shareholder's equity were not above the amounts calculated based on the accounting methods and criteria effective as at December 31, 2007. Therefore, management understands that there will not be additional tax effects on the profit distribution in the past five years.

Considering that a large number of amendments to this MP have already been proposed in the Congress and that several matters should be regulated by the Brazilian Federal Revenues Service in accordance with the MP, it is possible that the final text will change and/or clarify some of its provisions. However, based on the current wording, we believe that the referred changes will not imply any significant accounting effects for the Company.

27. EARNINGS PER SHARE

The calculations of the earnings per share in the year are as follows:

	2013	2012
Profit attributable to shareholders of the Company	86,321	66,357
Outstanding shares (*)	144,178	114,278
Basic earnings per share - R$	**0.5987**	**0.5807**

	2013	2012
Profit attributable to shareholders of the Company	86,321	66,357
Weighted average number of outstanding shares (*)	119,873	114,278
Diluted earnings per share - R$	**0.7201**	**0.5807**

(*) As described in Note 21, in the first quarter of 2013, the Company split the number of shares, and consequently the basic and diluted earnings per share for the comparative periods of 2012 consider the number of outstanding shares after the split.

28. SEGMENT REPORTING

The Company discloses information by operating segment based on the information reported to management and used in decision-making in order to allocate funds to the segments and to assess their performance, as described below:

Automotive (formerly automotive products) - manufacture, to order, of cast and machined products, with significant technological content, such as powertrain (blocks and cylinder heads), brake, transmission, steering, axle and suspension components for worldwide manufacturers of engines, passenger vehicles, commercial vehicles (trucks, buses, etc.), construction machines, tractors, agricultural machines and power generators.

Hydraulics (formerly industrial products) - manufacture of flexible iron connections for the construction industry, iron and steel grits for the marble and granite processing industry and cast-iron shapes for general use.

The following is information on each reported segment:

Reconciliation of revenues, costs and expenses and profit

Consolidated	Automotive		Hydraulics		Total	
	2013	2012	2013	2012	2013	2012
Revenues (Note 14)	2,870,063	2,435,733	252,921	235,387	3,122,98	2,671,12
Costs and expenses except depreciation	(2,448,59	(2,130,01	(184,263	(177,63	(2,632,8	(2,307,6
Other net operating expenses, except amortization of intangible	(24,347)	(24,698)	(1,816)	(1,638)	(26,163)	(26,336)
EBITDA (according to the methodology of CVM Instruction 527/12)	**397,124**	**281,021**	**66,842**	**56,115**	**463,966**	**337,136**
Depreciation and amortization	(196,602)	(139,354)	(8,687)	(8,794)	(205,289)	(148,148
Income before financial result	**200,522**	**141,667**	**58,155**	**47,321**	**258,677**	**188,988**
Net financial result (Note 24)					(135,660)	(86,358)
Net income before income taxes					**123,017**	**102,630**
Income tax and social contribution (Note 26)					(36,696)	(36,273)
Net Income					**86,321**	**66,357**

Information on the countries from which the Company derives revenues

The revenues derived from customers in Brazil and from customers in each foreign country, and their respective shares in the Company's total revenues for the year, are as follows:

Consolidated

	2013	%	2012	%
Brazil - head office	1,035,353	33.2	983,241	36.8
United States	934,167	29.9	760,494	28.5
Mexico	563,165	18.0	400,558	15.0
United Kingdom	158,913	5.1	162,759	6.1
Canada	80,330	2.6	62,791	2.4
Italy	57,853	1.9	65,229	2.4
Hungary	54,829	1.8	34,869	1.3
South Africa	39,782	1.3	32,482	1.2
Thailand	33,598	1.1	13,480	0.5
Netherlands	31,204	1.0	17,200	0.6
Japan	31,163	1.0	44,690	1.7
Germany	19,396	0.6	12,429	0.5
Argentina	16,222	0.5	19,198	0.7
France	15,683	0.5	21,199	0.8
Other countries	51,326	1.5	40,501	1.5
Total	**3,122,984**	**100.0**	**2,671,120**	**100.0**

Major customers accounting for over 10% of the Company's total revenues

The Company has a diversified portfolio of local and foreign customers. The automotive segment has customers that individually account for more than 10% of consolidated revenues, as follows:

Consolidated - thousands of R$

Revenues	2013	%	2012	%
Automotive				
Customer A	558,186	17.9	490,686	18.4
Customer B	460,955	14.8	392,252	14.7
Other customers	1,850,922	59.3	1,552,795	58.1
Total revenues from the automotive segment	**2,870,063**	**91.9**	**2,435,733**	**91.2**
Hydraulics segment	252,921	8.1	235,387	8.8
Total revenues	**3,122,984**	**100.0**	**2,671,120**	**100.0**

The sales in the Hydraulics segment are diversified.

Reconciliation of costs and expenses by segment

Consolidated	Automotive		Hydraulics		Total	
	2013	2012	2013	2012	2013	2012
Raw material and processing materials	1,371,683	1,163,175	81,932	83,617	1,453,615	1,246,792
Maintenance and consumption materials	178,985	148,212	13,353	12,370	192,338	160,582
Salaries and social charges	535,094	480,218	40,136	40,079	575,230	520,297
Profit sharing	39,189	25,868	2,924	2,159	42,113	28,027
Social benefits	88,584	78,486	6,609	6,550	95,193	85,036
Electric power	120,241	127,146	10,699	10,612	130,940	137,758
Depreciation	137,655	103,704	8,687	8,794	146,342	112,498
Freight and commissions on sales	74,537	75,429	21,979	19,620	96,516	95,049
Management fees	8,482	4,244	633	354	9,115	4,598
Other costs	31,797	27,236	5,998	2,273	37,795	29,509
	2,586,247	**2,233,718**	**192,950**	**186,428**	**2,779,197**	**2,420,146**

Reconciliation of assets and liabilities

Consolidated	Automotive		Hydraulics		Total	
ASSETS	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Trade receivables, net (Note 5)	342,527	215,734	37,137	28,953	379,664	244,687
Inventories (Note 6)	236,637	243,916	41,129	46,919	277,766	290,835
Third-party tools	79,877	58,875	781	59	80,658	58,934
Notes and other receivables	26,353	27,202	2,688	5,168	29,041	32,370
Property, plant and equipment (Note 13)	1,608,315	1,539,821	44,254	38,701	1,652,569	1,578,522
Intangible assets (Note 14)	559,717	514,318	-	-	559,717	514,318
Other assets not allocated					1,527,595	1,081,588
Total consolidated assets	**2,853,426**	**2,599,866**	**125,989**	**119,800**	**4,507,010**	**3,801,254**

Consolidated	Automotive		Hydraulics		Total	
LIABILITIES	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**
Trade payables	233,079	230,176	15,800	24,363	248,879	254,539
Taxes and contributions	28,843	16,021	871	638	29,714	16,659
Salaries, social security charges and profit sharing	114,335	90,781	8,510	7,541	122,845	98,322
Advances from customers	70,911	64,114	4,699	9,654	75,610	73,768
Notes and other payables	53,805	52,617	3,051	6,523	56,856	59,140
Deferred tax on intangible assets (Note 20)	145,162	141,928	-	-	145,162	141,928
Other liabilities not allocated					1,926,043	1,971,043
Equity					1,901,901	1,185,855
Total consolidated liabilities and equity	**646,135**	**595,637**	**32,931**	**48,719**	**4,507,010**	**3,801,254**

Dedicated assets and liabilities are allocated directly to the segments. Assets and liabilities of common use are allocated according to their origin or applicability. The Company does not allocate cash and cash equivalents, recoverable and deferred taxes, judicial and other deposits, and investments in companies to the reporting segments, as they are not directly related to the operations. For the same reason, borrowings, tax financing and social charges, dividends, provisions, deferred taxes and other long-term liabilities are also not allocated to reporting segments.

29. NON-CASH TRANSACTIONS

The Company carried out investment transactions that did not affect cash, and which, therefore, were not recorded in the statement of cash flows. These transactions totaled R$ 12,278 at December 31, 2013 (R$ 2,657 at December 31, 2012).

30. INSURANCE COVERAGE

The Company contracts insurance taking into account the nature and level of risks involved, according to the guidance of its insurance advisors, and at amounts considered adequate by management.

The risk assumptions adopted, in view of their nature, are not part of the scope of the audit or review of the financial statements and, therefore, were not examined by our independent auditors.

The covered risks include the following items and corresponding amounts:

	2013	2012
Buildings	258,443	273,175
Machinery and equipment, furniture and fittings	2,133,860	1,903,758
Inventories	249,749	234,105
Loss of profits	880,344	856,270
General civil liability	115,710	98,011
Civil liability - management	60,000	-

31. COMMITTMENTS

The Company has commitments for the acquisition of long-lived assets (property, plant and equipment and intangible assets), that is, expenditures contracted at the reporting date but not yet incurred, in the consolidated amount of R$ 86,440 (R$ 4,250 at December 31, 2012) which will be settled with its own resources.

32. FINANCIAL INSTRUMENTS BY CATEGORY

Consolidated		Parent company		Consolidated	
	Note	2013	2012	2013	2012
Loans and receivables		**1,074,044**	**607,465**	**1,552,479**	**945,173**
Cash and cash equivalents	3	830,499	439,225	1,123,446	660,437
Trade receivables	5	205,979	132,237	379,664	244,687
Notes and other financial assets		37,566	36,003	49,369	40,049
Impact on the result (*)		*34,829*	*44,204*	*35,213*	*42,661*
Financial assets at fair value through profit or loss		**109,284**	**109,022**	**114,185**	**112,309**
Financial investments		14,900	20,437	14,900	20,437
Credits - Eletrobras		93,753	87,919	93,753	87,919
Investments in equity instruments		631	666	5,532	3,953
Impact on the result		*7,246*	*6,929*	*7,246*	*6,929*
Financial liabilities at amortized cost		**2,010,205**	**2,052,903**	**2,150,072**	**2,179,220**
Trade payables		125,773	145,966	248,879	254,539
Borrowings	15	1,799,669	1,827,661	1,799,669	1,827,661
Financing of taxes and social security charges		9,575	7,491	9,575	7,491
Dividends and interest on shareholder's equity		24,119	18,916	24,119	18,916
Notes payable and other financial liabilities		51,069	52,869	67,830	70,613
Impact on the result		*(106,354)*	*(107,935)*	*(106,355)*	*(107,941)*
Derivative financial instruments		**3,258**	**13,034**	**3,258**	**13,034**
Derivative financial instruments	33	3,258	13,034	3,258	13,034
Impact on the result		*21,906*	*(32,082)*	*21,906*	*(32,082)*

(*) Includes the provision for impaired receivables

33. FINANCIAL RISK MANAGEMENT

33.1 Financial risk factors

The Company is exposed to financial risks arising from its operations, related to credit, liquidity, market and operating risks. This exposure is monitored by internal controls and may require the contracting of derivative financial instruments to mitigate risks.

Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and financial investments, as well as from credit exposures to customers, including outstanding trade receivables.

The Company sets exposure limits for each customer to limit the credit risk of trade receivables and risks are managed according to specific credit rating criteria, which include an analysis of customers in accordance with their payment ability, indebtedness level, market behavior and history with the Company. The Company performs quantitative and qualitative analyses of its portfolio of trade receivables in order to determine the provision for probable losses with receivables. At December 31, 2013, estimated losses on trade receivables amounted to R$ 2,333 (R$ 3,068 at December 31, 2012), representing 0.6% of the consolidated balance of outstanding receivables at that date (1.2% at December 31, 2012).

The Company does not hold any credit guarantee to cover credit risks related to its financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will have difficulty complying with its obligations associated with financial liabilities that are settled in cash or other financial assets. The Company's approach to managing this risk is to ensure that it has sufficient liquidity to settle its obligations without incurring losses or affecting its operations.

At December 31, 2013, the Company had cash and cash equivalents representing 378.5% of its short-term bank commitments. Moreover, the Company manages its investment portfolio using criteria for concentration in financial institutions, in addition to global ratings.

The contractual maturities of financial liabilities are as follows:

Consolidated	Contractual cash flows					
FINANCIAL LIABILITIES	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total flow
Borrowings	78,839	217,233	631,216	1,058,575	9,643	1,995,506
Derivative financial instruments	313	962	2,544	-	-	3,819
Trade payables and notes and other payables	305,735	-	-	-	-	305,735
Dividends payable	24,119	-	-	-	-	24,119
Financing of taxes and social security charges	318	324	648	1,945	6,429	9,664
	409,324	**218,519**	**634,408**	**1,060,520**	**16,072**	**2,338,843**

The Company does not expect that the cash outflows, included in its maturity analyses, will occur significantly sooner or in amounts significantly different. Moreover, the Company generates sufficient cash to cover future payment obligations.

Market risk

Market risk is the risk of changes in the value of the Company's financial instruments as a result of changes in interest and foreign exchange rates and market prices. The objective of market risk management is to maintain exposures to market risks within acceptable levels, while optimizing returns.

Currency risk

The Company and its subsidiaries, except the operations in Mexico, are exposed to currency risk on sales, purchases and borrowings denominated in currencies other than the Company's functional currency, the Brazilian Real. The main currency in which these transactions are denominated is the U.S. dollar.

The Company manages its exposure to exchange rates through a combination of debts, financial investments, accounts receivable and export revenues in foreign currency and derivative transactions. The Company has as policy the exposure to exchange risk of at most the equivalent to an average of four months of exports, and the effectiveness is tested monthly.

The Company's exposure to foreign currency risk is as follows:

Consolidated

ASSETS	Note	2013	2012
Cash and cash equivalents abroad (*)		321,980	183,753
Customers in the foreign market (*)		163,448	106,032
Derivative financial instruments - notional	33	468,520	449,570
		953,948	**739,355**

LIABILITIES	Note	2013	2012
Borrowing in foreign currency	15	(1,042,477)	(920,059)
Other amounts		(34,432)	(22,549)
		(1,076,909)	**(942,608)**

Net exposure impacting profit (loss)	2013	2012
In thousands of R$	(122,961)	(203,253)
In thousands of US$	(52,489)	(99,463)

(*) Net of cash and cash equivalents and accounts receivable from operations in Mexico.

The Company's net liability exposure in foreign currency, whose impacts of exchange variations are allocated to profit (loss), amounted to US$ 52,489 thousand, or R$ 122,961, at December 31, 2013, lower than four months of the Parent's exports, in accordance with the Company's foreign exchange exposure policy.

In addition, the functional currency of the Company's operations in Mexico is the U.S. Dollar, and these operations have a limited exposure to the Mexican Peso. For purposes of presentation of the Company's consolidated position, the financial assets and liabilities of subsidiaries in Mexico are not

considered to reduce or increase the Company's exposure, since the exchange variation impacts of these assets and liabilities are recorded in other comprehensive income (equity), not in the statement of income. The Company's policy is to hedge against impacts of exchange variations on profit (loss).

Consolidated

Net exposure impacting comprehensive income	2013	2012
In thousands of R$	1,179,589	980,184
In thousands of US$	503,538	479,659

Total net exposure	2013	2012
In thousands of R$	1,056,628	776,931
In thousands of US$	451,049	380,196

Sensitivity analysis of foreign exchange exposure

This analysis is based on the foreign exchange rate fluctuation, pursuant to CVM Normative Instruction 475, in which the risk variable is stressed with a 25 and 50 percent fluctuation as compared to the probable scenario estimated by the Company. This analysis assumes that all other variables, especially the interest rates, will remain constant.

Consolidated			Scenarios - CVM Normative Instruction 475			
	Disclosed	Probable	+25%	+50%	-25%	-50%
U.S. Dollar exchange rate	**2.3426**	**2.40**	**3.00**	**3.60**	**1.80**	**1.20**
Asset position	953,948	977,322	1,221,653	1,465,983	732,992	488,661
Liability position	(1,076,909)	(1,103,296)	(1,379,120)	(1,654,944)	(827,472)	(551,648)
Net exposure (thousands of R$)	(122,961)	(125,974)	(157,467)	(188,961)	(94,480)	(62,987)
Net exposure (thousands of US$)	(52,489)	(52,489)	(52,489)	(52,489)	(52,489)	(52,489)
Potential impact (thousands of R$)	**-**	**(3,013)**	**(34,506)**	**(66,000)**	**28,481**	**59,974**

The simulation considered a devaluation of the Brazilian Real in relation to the U.S. Dollar compared to the probable scenario indicated by the Company.

Interest rate risk

This risk refers to the Company's exposure to changes in the interest rates on its investments and bank borrowings with a direct impact on profit or loss. To mitigate this risk, the Company seeks to diversify its borrowings and allocation of funds, as follows:

Consolidated

	Note	2013	2012
Floating-rate instruments		**(652,551)**	**(852,610)**
Financial assets		543,504	304,328
Financial liabilities	15	(1,196,055)	(1,156,938)
Fixed-rate instruments		**183,792**	**(296,574)**
Financial assets		587,406	374,149
Financial liabilities	15	(603,614)	(670,723)
Derivative financial instruments - notional	33	200,000	-

The Company's interest rate risk arises from long-term borrowings. Borrowings at variable rates expose the Company to cash flow interest rate risk. Borrowings at fixed rates expose the Company to fair value interest rate risk. The Company may use interest rate swaps, as presented in Note 33.2.

Sensitivity analysis of the variations in fixed and floating interest rates

In Reais, the Company has cash and cash equivalents exposed to the Interbank Deposit Certificate (CDI) rate, as well as borrowings linked to the Long-term Interest Rate (TJLP). The Company also has borrowings exposed to the changes in the U.S. dollar exchange rate mainly indexed to Libor variations.

The fluctuation in the interest rate may affect the Company's future results. Presented below are the impacts that would have been generated by changes in interest rates to which the Company is exposed.

Interest rate risk							**Consolidated**
			Scenarios - CVM Normative Instruction 475				
Floating-rate instruments	**Risk**	**Disclosed**	**Probable**	**+25%**	**+50%**	**-25%**	**-50%**
In BR Reais							
Investments	**Interest rate (CDI - % p.a.)**	**9.77**	**10.35**	**12.94**	**15.53**	**7.76**	**5.18**
Financial assets		543,504	543,504	543,504	543,504	543,504	543,504
Potential impact		-	-	12,744	25,488	(13,050)	(26,742)
Borrowings	**Interest rate (TJLP - % p.a.)**	**5.00**	**5.00**	**6.25**	**7.50**	**3.75**	**2.50**
Financial liabilities		202,917	202,917	202,917	202,917	202,917	202,917
Potential impact		-	-	(2,416)	(4,831)	2,445	4,949
In US dollars							
Borrowings	**Interest rate (Libor - %)**	**0.35**	**0.35**	**0.44**	**0.53**	**0.26**	**0.18**
Financial liabilities		993,138	993,138	993,138	993,138	993,138	993,138
Potential impact		-	-	(866)	(1,732)	867	1,735

Price risk

This risk relates to the possibility of fluctuations in the market prices of the inputs used in the manufacturing process, especially scrap, pig iron, metal alloys, coke and electricity. These price fluctuations could have an impact on the Company's costs. The Company has a policy of monitoring these prices to pass on to customers any changes in its input prices.

Operating risk

This risk arises from all of the Company's operations and can cause direct or indirect losses associated with a variety of factors, such as processes, personnel, technology, infrastructure and external factors.

The Company's objective is to manage the operating risk to avoid losses and damages to its reputation, and to seek cost efficiency.

The primary responsibility for developing and implementing operating risk controls is with a centralized area of internal controls reporting to senior management.

33.2 Derivative financial instruments

The Company operates with financial instruments and monitors its financial obligations to manage market risks. All of these transactions are carried out in accordance with the guidelines established under the risk management structure.

The Company and its subsidiaries do not enter into speculative financial transactions, but they do use some derivative financial instruments to hedge certain assets and/or liabilities against fluctuations, mainly exchange rate fluctuations and financial indexes.

Parent and consolidated

	Characteristic of the transaction				Fair value	
Identification	Exposure of the principal	Hedge	Market reference	Maturity	2013	2012
Financial liabilities at fair value through profit or loss						
Non Deliverable Forward (NDF)	US dollar	Real	468,520	Jan/14	561	(13,034)
Interest rate swaps	Fixed rate (contractual)	Interbank Deposit Certificate (CDI)	200,000	Jul/15	(3,819)	-
					(3,258)	**(13,034)**
Current assets					561	-
Current liabilities					(1,275)	(13,034)
Non-current liabilities					(2,544)	-
					(3,258)	**(13,034)**

Aiming to maintain its foreign exchange exposure within the limit established in the currency risk policy, the Company contracted NDF purchase transactions of U.S. Dollars, whose notional value totaled US$ 200,000 thousand, equivalent to R$ 468,520, maturing on January 6, 2014. At December 31, 2013, the fair value receivable was R$ 561 (R$ 13,034 payable at December 31, 2012). These operations were settled on January 6, 2014, for R$ 6,160.

The Company has loans from BNDES (Note 15) with a fixed rate of 8% p.a. To mitigate the risk due to the fixed rates, the Company contracted on June 15, 2013 a swap transaction, through which it receives 8% p.a. and pays the equivalent to 86.55% of the CDI rate. The notional value of the transaction is R$ 200,000, with maturity on July 15, 2015. At December 31, 2013 the referred transaction presented a fair value (Level 2) payable of R$ 3,819.

Derivative transactions have no guarantee.

33.3 Capital management

The Company's objectives when managing capital are to safeguard the ability to continue as a going concern in order to provide returns for shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, management can make, or may propose to the shareholders when their approval is required, adjustments to the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce, for example, debt.

The Company's management monitors the relation between the Company's own capital (equity) and third-party capital that the Company uses to finance its operations. To mitigate liquidity risks and optimize the average cost of capital, the Company monitors the compliance with financial ratios required under its borrowing agreements.

The relation of own capital versus third-party capital, at the end of each year, is as follows:

Consolidated

	2013	2012
Own capital	**1,901,901**	**1,185,855**
Equity	1,901,901	1,185,855
Third party capital	**1,481,663**	**1,954,962**
Total current and non-current liabilities	2,605,109	2,615,399
Cash and cash equivalents	(1,123,446)	(660,437)
Own capital versus third-party capital ratio	**1.28**	**0.61**

33.4 Fair value

The carrying values of cash and cash equivalents, trade receivables and payables, less impairment provision in the case of trade receivables, are assumed to approximate their fair values.

The fair value of financial liabilities for disclosure purposes and the recorded amount of derivative financial instruments is calculated by discounting the future contractual cash flows at the current market interest rate that is available to the Company for similar financial instruments.

The Company adopted CPC 40/IFRS 7 for financial instruments that are measured in the balance sheet at fair value. This standard requires the disclosure of fair value measurements according to the following hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1).
- Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (Level 3).

The carrying values of the financial instruments recorded in the financial statements are substantially similar to those that would have been obtained if traded in the market. However, since they do not have an active market, variations could occur if the Company and its subsidiaries were to decide to realize them in advance of their maturity.

The financial investments, derivative financial instruments and borrowings disclosed are measured at fair value according to Level 2.

The fair value of financial instruments that are not traded in an active market (Level 2) is determined by using valuation techniques. These valuation techniques maximize the use of observable market

data where it is available and rely as little as possible on the Company's specific estimates. Specific valuation techniques used to value financial instruments include:

- Quoted market prices or dealer quotes for similar instruments.
- The fair value of interest rate swaps is calculated as the present value of the estimated future cash flows based on observable yield curves.
- The fair value of forward foreign exchange contracts is determined using forward exchange rates at the balance sheet date, with the resulting value discounted back to present value.
- Other techniques, such as discounted cash flow analysis, are used to determine fair value for the remaining financial instruments.

33.5 Credit quality of financial assets

The credit quality of financial assets is assessed by reference to external credit ratings (if available) or to historical information about counterparty default rates:

	Parent company		Consolidated	
	2013	2012	2013	2012
Counterparties without external credit rating(*)				
Cash and cash equivalents				
AAA	578,441	54,014	768,958	248,152
AA+	252,058	385,211	305,341	410,612
A+			19,244	
A-			28,899	
Other		-	1,004	1,673
	830,499	439,225	1,123,446	660,437
Financial investments				
AA+	14,900	20,437	14,900	20,437
Derivative financial assets				
AAA	421	-	421	-
AA+	140		140	
	561	-	561	-
Credits - Eletrobras				
A-	94,384	88,585	94,384	88,585
Counterparties without external credit rating				
Trade receivables				
Low risk	191,581	116,310	359,876	228,760
Moderate risk	13,224	14,678	18,614	14,678
High risk	1,174	1,249	1,174	1,249
	205,979	132,237	379,664	244,687
Other financial assets	37,566	36,003	54,270	43,336
Total	**1,183,889**	**716,487**	**1,667,225**	**1,057,482**

(*) For the purposes of risk classification, management considers the lowest classification provided by risk rating agencies.

The risk assessment of trade receivables is as follows:

- Low risk - automotive segment customers, except those customers with a history of losses.
- Moderate risk - hydraulics segment customers, except those who already have a history of losses.
- High risk - customers with provisioned balances and historical losses.

The other financial assets held by the Company are considered of high quality and do not present indications of losses.

34. BUSINESS COMBINATIONS

On April 16, 2012, the Company acquired 100% of the capital of Cifunsa Diesel, S.A. de C.V. (subsequently Tupy México Saltillo, S.A. de C.V.) and Technocast, S.A. de C.V. and related service providers, located in the cities of Saltillo and Ramos Arizpe, in Mexico, to produce cast-iron blocks and cylinder heads used in the production of engines for passenger and commercial vehicles, agricultural and construction machines, engines for the generation of electric power and other foundry products.

The transaction was concluded for US$ 497.9 million (R$ 913.9 million), divided as follows:

- US$ 439.00 million for the companies, without cash and debts.
- US$ 56.2 million for the cash balance at the acquisition date.
- US$ 2.7 million for the adjustment of the acquisition price (September 2012).

The intangible assets identified in the business combination totaled R$ 360,216, net of deferred tax, and are attributable to the acquired customer base, non-competition agreements and expectation of future profitability (goodwill).

The Company's consolidated statement of income for the year ended December 31, 2012 included the amount of R$ 633,611 related to revenues generated by Tupy México Saltillo, S.A. de C.V. and Technocast, S.A. de C.V. These companies also contributed with a profit of R$ 10,203 in the same period.

The pro forma consolidated statement of income for December 31, 2012 would disclose pro forma revenues and profit of R$ 2,911,632 and R$ 58,189, respectively. Revenues and profit information was obtained with adjustments made as from the consolidated statement of income, in order to reflect the impacts of the acquisition as if had been carried out on January 1, 2012, whose details will be reflected in the pro forma consolidated financial information of Tupy S.A. (unaudited).

The following table summarizes the consideration paid for the acquisition of the companies as well as the amounts of assets acquired and liabilities assumed at fair value recognized definitely due to the business combination.

	Saltillo, S.A. de C.V.	Technocast, S.A. de C.V.	TOTAL
At April 16, 2012			
Cash in thousands of US$ (transaction amount)	222,000	217,000	439,000
Cash in thousands of US$ (cash balance at date of transaction)	27,554	28,636	56,190
At September 17, 2012			
Acquisition price adjustment	5,717	(2,984)	2,733
Total consideration in thousands of US$	**255,271**	**242,652**	**497,923**
Translation rate on April 16, 2012	1.8344	1.8344	1.8344
Translation rate on September 17, 2012	2.0139	2.0139	2.0139
Total consideration in thousands of R$	**469,287**	**444,579**	**913,866**
Recognized amounts of identifiable assets acquired and liabilities assumed			
Cash and cash equivalents	54,880	55,640	110,520
Trade receivables	71,714	19,221	90,935
Inventories	43,331	14,656	57,987
Third-party tools	28,636	-	28,636
Taxes and contributions recoverable	18,785	13,217	32,002
Notes and other receivables	1,308	1,044	2,352
Deferred income tax and social contribution	34,252	18,887	53,139
Property, plant and equipment	128,155	202,336	330,491
Other investments	3,185	-	3,185
Trade payables	(64,576)	(22,545)	(87,121)
Taxes and contributions	(11,897)	(1,337)	(13,234)
Advances from customers	(16,846)	(2,210)	(19,056)
Salaries, social security charges and profit sharing	(9,922)	(2,338)	(12,260)
Notes and other payables - Current	(2,398)	(7,938)	(10,336)
Retirement benefit obligations (Note 18)	(7,953)	(1,410)	(9,363)
Notes and other payables - Non-current	(3,672)	(555)	(4,227)
Total identifiable net assets	**266,982**	**286,668**	**553,650**
Intangible assets identified			
(a) Contractual customer relationships	242,801	210,282	453,083
(b) Non-competition agreement	2,617	-	2,617
Deferred tax on intangible assets identified	(73,625)	(63,085)	(136,710)
Subtotal	**171,793**	**147,197**	**318,990**
Goodwill			
(c) Expected future profitability (included in intangible assets)	30,513	10,713	41,226
Total intangible assets	**202,306**	**157,910**	**360,216**
TOTAL	**469,288**	**444,578**	**913,866**

The gross contractual amount of the receivables acquired on April 16, 2012 was R$ 91,794, for which the estimate of impairment loss was R$ 814 and whose fair value amounted to R$ 90,935.

The consideration includes the amount of R$ 203.6 million (US$ 110.9 million) as advance for future capital increase. On July 31, 2012, the aforementioned advance was converted into capital in the Mexican companies.

The goodwill recorded will not be deductible for income tax and social contribution.

a. Contractual customer relationships

Intangible assets identified referring to the customer portfolio acquired. The amount was calculated based on the minimum estimate of maintenance of this portfolio, using the Multi-period excess earnings method (MEEM), considering a ten-year period, equivalent to the minimum term estimated for the maintenance of the commercial relationship with the customers, and a discount rate of 13%. These intangible assets will be amortized on a straight-line basis, and fully written off should any of the customer relationships be terminated during this period.

b. Non-competition agreement

Intangible assets referring to the agreement entered into by the parties (purchaser and sellers), through which the sellers assume the commitment not to invest for five years in any business related to the products manufactured by the companies involved in the transaction. The amount was calculated based on a methodology which assesses the business in markets with possible competition, compared to markets with no competition, and then assesses the likelihood of this competition to occur or not. These intangible assets will be amortized on a straight-line basis, in the relevant period.

c. Goodwill

Intangible assets represented by the excess of the cost of an acquisition over the net fair value of assets and liabilities of the acquired subsidiary, substantially generated by expected synergies. Goodwill is tested annually for impairment. If impairment losses are identified, the amounts will be recorded as an expense. The goodwill generated in this business combination is fully allocated to the automotive segment.

35. EVENTS AFTER THE REPORTING PERIOD

a. Adoption of hedge accounting

On January 10, 2014, the Company adopted the net foreign investment hedge in replacement of the derivative financial instruments, which were fully settled on January 6, 2014.

The adoption of this practice, which is regulated by CPC 38 Financial Instruments: Recognition and Measurement, allows that debts denominated in foreign currency be designated as hedge instruments, with the objective of hedging the investments abroad against the foreign exchange risk.

Through the application of net investment hedge abroad, the portion of foreign exchange gains or losses on debts in foreign currency designated for hedging purposes will be presented in the Company's comprehensive income, against gains or losses arising from the translation of investments abroad into the presentation currency of the consolidated financial statements.

The Company has designated as a hedge instrument a portion of its debt in foreign currency, in the amount of US$300,000 thousand, equivalent to R$ 714,570.

Management believes that this practice will provide better alignment between the Company's accounting results and its operational reality.

* * *

Independent auditor's report

To the Management and Shareholders
Tupy S.A.

We have audited the accompanying financial statements of Tupy S.A. ("Company" or "Parent Company"), which comprise the balance sheet as at 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.

We have also audited the accompanying consolidated financial statements of Tupy S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2013 and the consolidated 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 parent company financial statements in accordance with accounting practices adopted in Brazil, and for the consolidated financial statements in accordance with the 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 misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity'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 audit opinion.

Opinion on the parent company financial statements

In our opinion, the parent company financial statements referred to above present fairly, in all material respects, the financial position of Tupy S.A. as at December 31, 2013, and its financial performance and 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 referred to above present fairly, in all material respects, the financial position of Tupy S.A. and its subsidiaries as at December 31, 2013, and their financial performance and their cash flows for the year then ended, in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and the accounting practices adopted in Brazil.

Emphasis of matter

As discussed in Note 2 to these financial statements, the parent company financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of Tupy S.A., these practices differ from IFRS applicable to separate financial statements only in relation to the measurement of investments in subsidiaries, associates and jointly-controlled entities based on equity accounting, while IFRS requires measurement based on cost or fair value. Our opinion is not qualified in respect of this matter.

Other matters

Supplementary information - statement of value added

We have also audited the parent company and consolidated statements of value added for the year ended December 31, 2013, which are the responsibility of the Company's management. The presentation of this statement is required by the Brazilian corporate legislation for listed companies, but it is considered supplementary information for IFRS. These statements were subject to the same audit procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Florianópolis, February 25, 2014

PricewaterhouseCoopers
Auditores Independentes
CRC 2SP000160/O-5 "F" SC

Carlos Biedermann
Contador

OPINION OF THE FISCAL COUNCIL

The Fiscal Council of **Tupy S.A.**, in the course of its legal and statutory activities, have analyzed the Company's management report and the financial statements for the year ended December 31, 2013, which comprise the balance sheet and the statements of income, comprehensive income, changes in equity, cash flows and value added for the year then ended, in addition to the notes and management's proposals related to the allocation of Net Income. Subsequently, we have also analyzed documents and, substantially, information and clarifications provided by the external auditors and the Company's management during the year.

Therefore, based on these analyses, on the opinion of the Audit Committee and on the independent auditor's report issued by PricewaterhouseCoopers Auditores Independentes on February 25, 2014, with an unqualified opinion, the Fiscal Council unanimously states that the documents mentioned above as well as management proposals are adequate to be submitted to the Annual General Meeting of Shareholders.

Joinville, State of Santa Catarina, February 25, 2014

João Augusto Monteiro
President

Claudio Moraes Machado

Luis Antônio Aleixo

OPINION OF THE AUDIT AND RISKS COMMITTEE

The Audit and Risks Committee of Tupy S.A., a Board of Directors' non-statutory assistant body, whose scope was expanded to include the Risks area as from October 30, 2013, in conformity with its Internal Regulations, is responsible for, in addition to other tasks established by the applicable legislation or by the Board of Directors, the assessment of the Company's accounting and internal control systems, internal and external audit, and the risk management process and structure. It also reviews and states its opinion on the financial statements prior to their disclosure, in conformity with Article 9, paragraph 1, item 3, of CVM Instruction 481/2009.

This committee, in the course of its activities and following its annual work schedule, had 17 meetings during the year, including common meetings and meetings held with internal and external auditors, both in Brazil and in Mexico, and with the main individuals responsible for the business and control areas.

When meeting with internal auditors, this committee verified the works developed in the period, in addition to the major verifications, action plans and recommendations. With external auditors, the audit and risks committee monitored and verified the performance of the tasks scheduled for the year, considering the common special interim reviews and two additional audits made during the fiscal year.

These activities are based on the analysis of documents and minutes held by the Company and of information disclosed to the Board of Directors and the shareholders, as well as on the analyses of the Management Report, together with the parent company and consolidated financial statements and the accompanying notes for the year ended December 31, 2013, presented in compliance with the Brazilian legislation and with the International Financial Reporting Standards (IFRS), respectively, supported by the independent auditor's report issued by PricewaterhouseCoopers Auditores Independentes on February 25, 2014, with an unqualified opinion.

Based on the activities carried out in the period and considering its duties and limitations inherent to its scope of activities, the Audit and Risks Committee, considering that it has not found evidence that could jeopardize the quality and integrity of the information to be disclosed, recommends that the Board of Directors approve and disclose the financial statements of Tupy S.A. for 2013.

Joinville, February 25, 2014

João Verner Juenemann
Coordinator

Maria Carmen Westerlund Montera Arthur Prado Silva

MANAGEMENT

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Vice-president
Francisco Claudio Duda

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Vice-presidents
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Luís Carlos Guedes
Wellington Donizetti Silverio

Accountant
Pedro Henrique Eyng
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