(A free translation of the original in Portuguese)



Financial Statements

December 31, 2015

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Management

TUPY. Referência mundial em fundição.

TUPY

TUPY3 NOVO MERCADO BM&FBOVESPA

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MESSAGE FROM MANAGEMENT

To the Stockholders,

The performance of Tupy in 2015 strengthens our belief in the risk management strategy that the Company has designed and adopted to guide its business conducts, based on the diversification of markets, products, customers and basing a manufacturing base abroad, which was achieved with the acquisition of the Mexican units in 2012.

The strength in sales of light vehicles, pick-ups and trucks in foreign markets, as well as the progress in terms of operations have provided the necessary tools to resist the adverse effects of the downturn of the Brazilian economy and the slowdown in China's growth rate - with substantial impact on demand for vehicles in general in Brazil and abroad for off-road vehicles.

This year has set forth many initiatives related to operational excellence, advances in the development of an unique manufacturing system - the Tupy Production System (SPT) -, all aimed at continuous improvement of the efficiency and utilization of the asset base. Noteworthy, too, is the progress of the plants in Mexico, which not only answered positively to the measures put in place in this direction, but also were successful in launching highly complex products. The Company is also currently implementing its very first machining operations in that country.

The achievement of positive results in the year was also done through structural adjustments, tight control of costs and expenses, capital expenditure discipline and commitment to the reduction of investments in working capital. Thus, despite the magnitude of the challenges faced, the Company obtained a reward synthesized by the following elements:

- EBITDA margin of 17.4%, the highest annual margin since 2008;
- the best free cash flow in its history;
- significant dividend payout of R$107.0 million.

Efforts in the coming years will have the purpose to add and consolidate benefits from the operations to our sound structural conditions, made possible by the risk management policy referred to in the opening paragraph of this message, and also to strengthen the other essential foundations for the future success of the Company - people development, attraction of new talent, systems infrastructure, among others.

The beginning of 2016 foreshadows challenges of equal or possibly greater extension than those faced in 2015. We are confident in the soundness of the Company's fundamentals, but as mentioned above, we can not ignore essential actions related to the maintenance of current business portfolio and adding others, to costs and expense control, the effective management of investments in fixed and working, in addition to other initiatives that in the end will benefit the shareholders of Tupy, its employees and other stakeholders. We believe in our ability to execute these steps and we are fully committed to doing so.

Yours faithfully,
Luiz Tarquinio Sardinha Ferro
CEO

PERFORMANCE HIGHLIGHTS

	Consolidated (thousands of R$)		
SUMMARY	**2015**	**2014**	**Var. [%]**
Revenues	**3,426,996**	**3,114,661**	**10.0%**
Cost of goods sold	(2,776,855)	(2,547,808)	9.0%
Gross profit	**650,141**	**566,853**	**14.7%**
% over revenues	19.0%	18.2%	
Operating expenses	(255,720)	(225,884)	13.2%
Other net operating expenses	(72,200)	(136,067)	-46.9%
Income before financial result	**322,221**	**204,902**	**57.3%**
% over revenues	9.4%	6.6%	
Net financial result	14,583	(37,697)	
Net income before income taxes	**336,804**	**167,205**	**101.4%**
% over revenues	9.8%	5.4%	
Income tax and social contribution	(116,678)	(77,993)	49.6%
Profit	**220,126**	**89,212**	**146.7%**
% over revenues	6.4%	2.9%	
EBITDA (according to CVM Instruction 527/12)	**598,201**	**503,043**	**18.9%**
% over revenues	17.5%	16.2%	
Adjusted EBITDA	**596,113**	**507,209**	**17.5%**
% over revenues	17.4%	16.3%	
Average exchange rate (R$/US$)	**3.388**	**2.360**	**43.6%**
Average exchange rate (R$/EUR)	**3.736**	**3.111**	**20.1%**

SALES VOLUME

The sales volume declined 13.2% when comparing to the prior year.

Consolidated (Tons)

	2015	2014	Var. [%]
Domestic market	**118,646**	**161,850**	**-26.7%**
Automotive	99,613	136,788	-27.2%
Hydraulics	19,033	25,062	-24.1%
Foreign market	**390,572**	**424,815**	**-8.1%**
Automotive	375,566	405,362	-7.4%
Hydraulics	15,006	19,453	-22.9%
Total sales volume	**509,218**	**586,665**	**-13.2%**

With a 26.7% reduction, the domestic market was highly impacted by the Brazilian economic circumstances and their effect on the production of vehicles and capital goods. In turn, sales volume to the foreign market fell 8.1%, due to weak sales to heavy agricultural and mining machinery sector. In 2015, 76.7% of sales volume was directed to the foreign market and 23.3% to the domestic.

Our portfolio was comprised of 93.3% of automotive products, in addition to 6.7% hydraulics products. As for the automotive segment, the portfolio was comprised of approximately 17% partly/fully machined products (16% in 2014) and 82% non-machined products (84% in 2014). The distribution per alloy type of automotive products is comprised of 15% sales volume of compacted graphite iron (CGI) (10% in 2014) and 85% other iron alloys (90% in 2014).

REVENUES

Revenues totaled R$3.4 billion in 2015, 10.0% growth versus 2014.

Consolidated (thousands of R$)

REVENUES BY MARKET AND APPLICATION	2015	2014	Var. [%]
Revenues	**3,426,997**	**3,114,661**	**10.0%**
Domestic market	**621,655**	**852,732**	**-27.1%**
Automotive	**494,998**	**687,286**	**-28.0%**
Passenger cars	181,908	247,778	-26.6%
Commercial vehicles	260,953	374,299	-30.3%
Off-road	52,137	65,209	-20.0%
Hydraulics	**126,657**	**165,446**	**-23.4%**
Foreign market	**2,805,342**	**2,261,929**	**24.0%**
Automotive	**2,721,497**	**2,179,356**	**24.9%**
Passenger cars	472,406	317,678	48.7%
Light commercial vehicles	964,006	673,157	43.2%
Medium and heavy commercial vehicles	536,063	398,210	34.6%
Off-road	749,022	790,311	-5.2%
Hydraulics	**83,845**	**82,573**	**1.5%**

Note: in some cases, the same Tupy product is used both in light and commercial vehicles or both in commercial and off-road vehicles, and, consequently, the application of these products cannot be accurately measured. Therefore, application distinction assumptions are adopted based on our best inference.

In 2015, North America was responsible for 59.7% of Tupy's revenues. South and Central America were responsible for 19.2% of the revenues, Europe represented 15.8%. The remaining 5.3% were generated by Asia, Africa and Oceania.

The revenues generated in the foreign market increased by 24.0% in comparison to the previous year, while the domestic market revenues decreased by 27.1%. The main factors that led to this result are:

- Increased revenues from passenger car and light commercial vehicle applications, due to the ramp up of high complexity and CGI products to North America and Europe;
- Weak performance of the global off-road machinery market, due to anticipated sales in 2014, decline in commodity prices and deceleration of emerging economies;
- Decreased revenues in the domestic market, which were affected by the reduced sales and production of vehicles in all segments in Brazil;
- Depreciation of 43.5% of the average foreign exchange rate in 2015 (3.388 R$/US$) against 2014 (2.360 R$/US$), positively impacting revenues from foreign sales.

COST OF GOODS SOLD AND OPERATING EXPENSES

The costs of goods sold (COGS) in 2015 reached R$2,776.9 million, 9.0% more than in 2014. Consequently, a gross margin of 19.0% was recorded, 0.8p.p. higher than 2014.

Consolidated (thousands of R$)

	2015	2014	Var. [%]
Revenues	**3,426,996**	**3,114,661**	**10.0%**
Cost of goods sold	**(2,776,855)**	**(2,547,808)**	**9.0%**
Raw materials	(1,439,475)	(1,404,351)	2.5%
Labor	(598,189)	(531,613)	12.5%
Energy	(162,982)	(106,069)	53.7%
Maintenance materials	(211,344)	(198,947)	6.2%
Profit sharing program	(50,989)	(36,806)	38.5%
Depreciation	(194,764)	(163,011)	19.5%
Others	(119,112)	(107,011)	11.3%
Gross profit	**650,141**	**566,853**	**14.7%**
% over revenues	*19.0%*	*18.2%*	
Operating expenses	**(255,720)**	**(225,884)**	**13.2%**

The 9.0% increase in the Company's COGS mainly results from the FX effect on the cost structure of the Mexican units, which are Dollar denominated. In addition, there was an increase in costs related to energy generation and distribution and reduced sales of the excess capacity of this input in the spot market, also, provisions for the profit sharing program were increased due to a better operating result.

Aside from the effect of FX variation on the expenses from the foreign units, and considering its mostly fixed nature, there was no significant change in the level of operating expenses in 2015.

OTHER NET OPERATING EXPENSES

Other net operating expenses amounted to R$72.2 million in 2015, compared to R$136.1 million in 2014.

Consolidated (thousands of R$)

	2015	2014	Var. [%]
Depreciation of non-operating assets	(2,099)	(1,952)	7.5%
Amortization of intangibles assets	(72,189)	(129,949)	-44.4%
Other	2,088	(4,166)	
Other net operating expenses	**(72,200)**	**(136,067)**	**-46.9%**

In 2014, the Company carried out an impairment of intangible assets relating to contractual customer relationship amounting to R$ 71.1 million, due to decrease in the demand for products used in mining and agricultural machinery, which are produced in Mexico. The 2015 annual impairment test did not detect the need for further write down, resulting in a non-recurrence of this expense.

NET FINANCIAL RESULT

The net financial result consisted of a R$14.6 million net revenue in 2015, versus net expense of R$37.7 million in 2014, mainly due to improved net foreign exchange variation, related to the effect of the depreciation of the Real versus the Dollar on the net balance sheet exposure to such effects.

Consolidated (thousands of R$)

	2015	2014	Var. [%]
Finance expenses	(149,248)	(131,443)	13.5%
Finance income	107,858	86,601	24.5%
Net foreign exchange variations	55,973	7,145	683.4%
Net financial result	**14,583**	**(37,697)**	

NET INCOME BEFORE TAXES AND NET INCOME FOR THE YEAR

As result of the factors mentioned above, the net income before taxes in 2015 amounted to R$336.8 million, 101.4% increase compared to 2014.

Consolidated (thousands of R$)

	2015	2014	Var. [%]
Net income before taxes	**336,804**	**167,205**	**101.4%**
Tax effects before foreign exchange impacts	(83,772)	(49,521)	69.2%
Tax rates before foreign exchange effects	*-25%*	*-30%*	
Net income before foreign exchange effects on tax base	**253,032**	**117,684**	**115.0%**
Foreign exchange effects on tax base	(32,906)	(28,472)	15.6%
Net income	**220,126**	**89,212**	**146.7%**
% over revenues	*6.4%*	*2.9%*	

The expenses with income tax and social contribution before foreign exchange variation on the tax base amounted to R$83.8 million, which represents a tax rate of 25% on the net income before taxes.

The deferred income tax of the Mexican plants is calculated in Mexican pesos. In the translation into the functional currency (U.S. dollar), a decrease of R$32.9 million was recorded due to the 17.9% depreciation of the Mexican peso against the U.S. dollar (going from MXN 14.742/US$ in Dec/2014 to MXN 17.362/US$ in Dec/2015).

The net income for the year, arising from the previously mentioned effects, amounted to a profit of R$220.1 million, which is 146.7% higher than 2014 and represents a margin of 6.4% on revenues.

ADJUSTED EBITDA

The combination of these factors resulted in an adjusted EBITDA of R$ 596.1 million in 2015, which corresponds to a 17.5% increase compared to 2014 and a margin of 17.4% on revenues in 2015. This is the Company's best EBITDA margin since 2008.

	Consolidated (thousands of R$)		
RECONCILIATION OF NET INCOME AND EBITDA	**2015**	**2014**	**Var. [%]**
Net income	**220,126**	**89,212**	**146.7%**
(+) Net financial result	(14,583)	37,697	-138.7%
(+) Income tax and social contribution	116,678	77,993	49.6%
(+) Depreciation and amortization	275,980	298,141	-7.4%
EBITDA (according to CVM Instruction 527/12)	**598,201**	**503,043**	**18.9%**
% on revenue	17.5%	16.2%	
(+) Other net operating expenses *	(2,088)	4,166	-150.1%
Adjusted EBITDA	**596,113**	**507,209**	**17.5%**
% on revenues	17.4%	16.3%	

(*) The balance of other net operating expenses, is presented excluding amortization and depreciation expenses.

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Total investment in PP&E and intangible assets was R$155.7 million in 2015, a 28.7% reduction when compared to 2014.

	Consolidated (thousands of R$)		
	2015	**2014**	**Var. [%]**
Property, plant and equipment			
Strategic investments	42,931	84,364	-49.1%
Maintenance and modernization of the operating capacity	79,364	85,311	-7.0%
Environment	11,718	21,173	-44.7%
Interest and financial expenses	3,388	1,043	224.8%
Intangible assets			
Software	18,344	26,545	-30.9%
Total	**155,745**	**218,436**	**-28.7%**

During 2015, the Company made key investments that have helped position it for the future, with highlights to: finishing the implementation of the new ERP, advancements in transfer and expansion of machining capacity in Mexico, sand regeneration and workplace safety.

After finishing its investment cycle (2008-14), the reduction of capital expenditure is in line with the Company's strategy to rationalize the use of its asset base e improve profitability. The Company believes in maintaining the capital discipline in 2016.

INDEBTEDNESS

The Company ended 2015 with a net debt of R$ 962.1 million, which results in a 1.51x net debt/adjusted EBITDA indicator. Concerning the composition by currency, 71% of the debt is in foreign currency (13% in the short term, 87% in the long term), and 29% is denominated in Brazilian Real (35% in the short term and 65% in the long term).

Consolidated (thousands of R$)

INDEBTEDNESS	2015	2014
Short-term debt	485,101	428,559
Long-term debt	2,013,145	1,706,082
Gross debt	**2,498,246**	**2,134,641**
Cash and cash equivalents	1,524,622	1,336,916
Financial investments	11,484	10,365
Net debt	**962,140**	**787,360**
Gross debt/adjusted EBITDA	4.19x	4.21x
Net debt/adjusted EBITDA	**1.61x**	**1.55x**

WORKING CAPITAL

Consolidated (thousands of R$)

	2015	2014
Balance Sheet		
Accounts receivable	542,099	423,815
Inventories	388,248	379,221
Accounts payable	295,080	256,057
Cash Flow variation		
Accounts receivable	(6,054)	(11,887)
Inventories	24,314	(86,686)
Accounts payable	3,189	(12,217)
Average collection term [days]	58	50
Inventory time [days]	51	54
Average payment term [days]	40	36
Cash conversion cycle [days]	**69**	**68**

The increase in the accounts receivable position mainly results from the foreign exchange variation, which impacted the accounting of foreign market receivables, as well as the increasing share of these markets in the Company's sales, since they have longer receivable cycle than the domestic market. Inventories remained stable on a yearly basis, due to the beginning of the destocking process (2H15) that follow the end of the ERP implementation. The increase in accounts payable is also due to FX depreciation.

CASH FLOW

Consolidated (thousands of R$)

SUMMARY OF CASH FLOWS	2015	2014	Variação
Cash and cash equivalents at the beginning of the year	**1,336,916**	**1,123,446**	**19.0%**
Cash provided by operating activities	490,825	300,500	63.3%
Cash used in investing activities	(158,542)	(210,109)	-24.5%
Cash provided by financing activities	(338,216)	96,598	
Foreign exchange effect on cash for the year	193,639	26,481	631.2%
Increase (decrease) in cash and cash equivalents	**187,706**	**213,470**	**-12.1%**
Cash and cash equivalents at the end of the year	**1,524,622**	**1,336,916**	**14.0%**

The Company generated R$490.8 million from operating activities in 2015, which corresponds to about 82.3% of the adjusted EBITDA for the year, compared to R$300.5 million in 2014. The improvement is due to a better operating result and reduction in working capital.

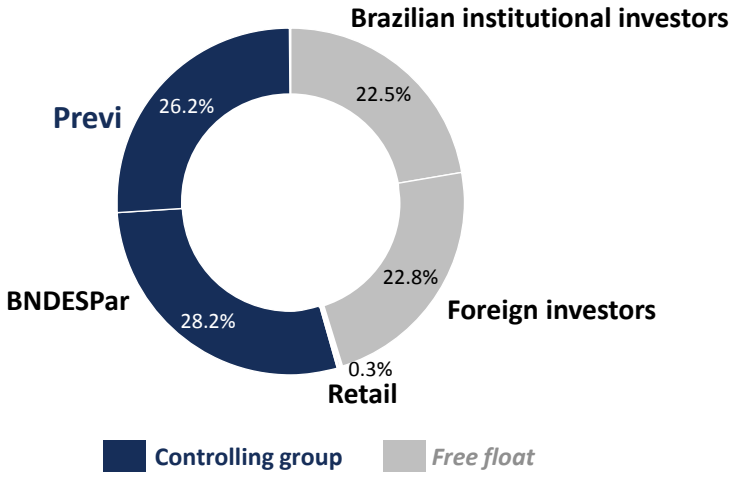
To what concerns investing activities, a total of R$158.5 million was consumed in purchases of property, plant and equipment assets and additions to intangible assets, as previously mentioned.

Related to financing activities, a total of R$388.2 million was consumed, due to: amortization of short term debt and a R$107.0 million distribution of Interest on Capital. The consumption was partly offset by the raising of domestic currency financing lines.

These factors, combined, resulted in increased cash and cash equivalents amounting to R$187.7 million in the year, which made it possible for the Company to end the year with a balance of cash and cash equivalents of R$1,524.6 million, 14.0% higher than the amount recorded at the end of 2014.

SHAREHOLDER STRUCTURE

The shareholding structure at December 31, 2015 was distributed as follows:



According to article 60 of the bylaws, the Company is bound to the decisions of the Market Arbitration Chamber.

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, 2015, the independent auditor's reviewed Company's internal controls with the purposes of implementing the integrated system (ERP). This review, which was not related to the external audit, represented 5% 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

In compliance with the provisions established under Article 25 of CVM Instruction 480, of December 7, 2009, the Executive Board of Tupy S.A. declares that it has reviewed, discussed and agreed with the opinion presented in the Independent Auditor's Report about the financial statements, issued on this date, and with the financial statements for the year ended December 31, 2015.

Joinville, March 03, 2016

Management

* * *

(A free translation of the original in Portuguese)

TUPY S.A. AND SUBSIDIARIES

BALANCE SHEET AT DECEMBER 31, 2015 AND DECEMBER 31, 2014
All amounts in thousands of Reais

ASSETS

		Parent company		Consolidated	
	Note	12/31/2015	12/31/2014	12/31/2015	12/31/2014
CURRENT ASSETS					
Cash and cash equivalents	3	1,139,653	948,978	1,524,622	1,336,916
Trade receivables	5	299,791	264,175	542,099	423,815
Inventory	6	247,718	236,006	388,248	379,221
Tools		34,202	52,234	160,294	121,849
Income tax and social contribution recoverable	7	13,795	80,418	15,105	81,356
Other taxes recoverable	8	52,231	30,392	82,890	56,916
Related parties	9	4,128	3,055	-	-
Notes and other receivables		36,130	28,988	28,055	35,007
Total current assets		1,827,648	1,644,246	2,741,313	2,435,080
NON-CURRENT ASSETS					
Financial investments	4	11,484	10,365	11,484	10,365
Income tax and social contribution recoverable	7	93,829	-	93,829	-
Other taxes recoverable	8	162,778	124,651	162,778	124,651
Deferred income tax and social contribution	19	146,523	-	18,715	-
Credits - Eletrobrás	10	102,170	99,327	102,170	99,327
Judicial deposits and other		44,204	38,917	45,202	39,914
Investments in equity instruments		663	520	6,656	4,526
Investment properties	11	-	-	6,544	6,544
Investments	12	1,845,339	1,482,728	-	-
Property, plant and equipment	13	1,121,151	1,195,619	1,921,632	1,728,694
Intangible assets	14	60,674	48,515	640,857	513,829
Total non-current assets		3,588,815	3,000,642	3,009,867	2,527,850
Total assets		5,416,463	4,644,888	5,751,180	4,962,930

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

(A free translation of the original in Portuguese)

TUPY S.A. AND SUBSIDIARIES

BALANCE SHEET AT DECEMBER 31, 2015 AND DECEMBER 31, 2014
All amounts in thousands of Reais

LIABILITIES

		Parent company		Consolidated	
	Note	12/31/2015	12/31/2014	12/31/2015	12/31/2014
CURRENT LIABILITIES					
Trade payables		155,614	157,892	295,080	256,057
Borrowing	15	487,480	426,515	485,101	425,420
Derivative financial instruments	32	-	3,139	-	3,139
Income tax and social contribution payable		-	-	56,542	14,441
Other taxes payable		1,822	6,380	32,538	39,314
Salaries, social security charges and profit sharing	16	96,651	97,358	121,429	116,610
Advances from customers		26,489	27,097	130,891	95,949
Related parties	9	922	995	-	-
Dividends and interest on capital		158	139	158	139
Provision for tax, civil, social security and labor contingencies	18	11,386	9,514	11,487	10,025
Notes and other payables		119,550	62,539	76,179	55,535
Total current liabilities		900,072	791,568	1,209,405	1,016,629
NON-CURRENT LIABILITIES					
Borrowing	15	2,020,939	1,712,077	2,013,145	1,706,082
Provision for tax, civil, social security and labor contingencies	18	79,195	74,899	79,693	75,662
Deferred income tax and social contribution	19	-	22,790	-	99,060
Retirement benefit obligations	17	-	-	32,680	21,367
Other long term liabilities		6,592	11,180	6,592	11,756
Total non-current liabilities		2,106,726	1,820,946	2,132,110	1,913,927
EQUITY					
Share capital	20	1,060,301	1,060,301	1,060,301	1,060,301
Share issued costs		(6,541)	(6,541)	(6,541)	(6,541)
Share-based payments		3,745	1,196	3,745	1,196
Carrying value adjustments		618,761	373,176	618,761	373,176
Revenue reserves		733,399	604,242	733,399	604,242
Total equity		2,409,665	2,032,374	2,409,665	2,032,374
Total liabilities and equity		5,416,463	4,644,888	5,751,180	4,962,930

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

(A free translation of the original in Portuguese)

TUPY S.A. AND SUBSIDIARIES

STATEMENT OF INCOME
YEARS ENDED DECEMBER 31, 2015 AND 2014
(All amounts in thousands of Reais unless otherwise stated)

		Parent company		Consolidated	
	Note	12/31/2015	12/31/2014	12/31/2015	12/31/2014
REVENUE	21	2,115,189	2,087,024	3,426,996	3,114,661
Cost of products sold	22	(1,763,524)	(1,705,861)	(2,776,855)	(2,547,808)
GROSS PROFIT		351,665	381,163	650,141	566,853
Selling expenses	22	(74,476)	(76,799)	(131,226)	(124,058)
Administrative expenses	22	(78,942)	(65,277)	(111,530)	(92,322)
Management fees		(12,964)	(9,504)	(12,964)	(9,504)
Other operating expenses, net	24	(5,546)	(8,425)	(72,200)	(136,067)
Share of results of subsidiaries	12	50,305	(40,065)	-	-
NET INCOME BEFORE FINANCE RESULT AND TAXES		230,042	181,093	322,221	204,902
Finance costs	23	(148,627)	(125,923)	(149,248)	(131,443)
Finance income	23	106,911	78,589	107,858	86,601
Foreign exchange variations, net	23	50,052	10,752	55,973	7,145
NET INCOME BEFORE TAXATION		238,378	144,511	336,804	167,205
Income tax and social contribution	25	(18,252)	(55,299)	(116,678)	(77,993)
NET INCOME FOR THE YEAR		220,126	89,212	220,126	89,212
EARNINGS PER SHARE					
Basic earnings per share	26	1.52677	0.61877	1.52677	0.61877
Diluted earnings per share	26	1.52237	0.61799	1.52237	0.61799

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

(A free translation of the original in Portuguese)

TUPY S.A. AND SUBSIDIARIES

STATEMENT OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2015 AND 2014
All amounts in thousands of Reais

	Note	Parent company		Consolidated	
		12/31/2015	12/31/2014	12/31/2015	12/31/2014
NET INCOME FOR THE YEAR		220,126	89,212	220,126	89,212
Components of other comprehensive income to be subsequently reclassified to profit or loss					
Foreign exchange variations of investees located abroad	12	640,313	175,919	640,313	175,919
Hedge of net investment abroad	32	(573,769)	(165,810)	(573,769)	(165,810)
Tax effect of hedge of net investment abroad	19	195,082	56,375	195,082	56,375
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		481,752	155,696	481,752	155,696

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

(A free translation of the original in Portuguese)

TUPY S.A. AND SUBSIDIARIES

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

					Carrying value adjustments		Revenue reserves				
	Note	Share capital	Shares issued costs	Share-based payments	Foreign exchange variation of investees	Deemed cost of property, plant and equipment	Legal reserve	Investment reserve	Proposed additional dividends	Retained earnings	Total
AT DECEMBER 31, 2013		**1,060,301**	**(6,541)**	**-**	**217,356**	**103,862**	**45,087**	**480,808**	**1,028**	**-**	**1,901,901**
Comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	-	-	89,212	89,212
Realization of carrying value adjustments		-	-	-	-	(14,526)	-	-	-	14,526	-
Foreign exchange variations of investees located abroad	12	-	-	-	175,919	-	-	-	-	-	175,919
Hedge of net investment abroad	32	-	-	-	(165,810)	-	-	-	-	-	(165,810)
Tax effect of hedge of net investment abroad	19	-	-	-	56,375	-	-	-	-	-	56,375
Total comprehensive income for the year		-	-	-	66,484	(14,526)	-	-	-	103,738	155,696
Contributions by and distributions to owners of the Company											
Management share option plan	20	-	-	1,196	-	-	-	-	-	-	1,196
Approval of 2013 additional dividends		-	-	-	-	-	-	-	(1,028)	-	(1,028)
Allocation of profit:											
Legal reserve		-	-	-	-	-	4,460	-	-	(4,460)	-
Investment reserve		-	-	-	-	-	-	73,887	-	(73,887)	-
Dividends and interest on capital		-	-	-	-	-	-	-	-	(25,391)	(25,391)
Total contributions by and distributions to owners of the parent		-	-	1,196	-	-	4,460	73,887	(1,028)	(103,738)	(25,223)
AT DECEMBER 31, 2014		**1,060,301**	**(6,541)**	**1,196**	**283,840**	**89,336**	**49,547**	**554,695**	**-**	**-**	**2,032,374**
AT DECEMBER 31, 2014		**1,060,301**	**(6,541)**	**1,196**	**283,840**	**89,336**	**49,547**	**554,695**	**-**	**-**	**2,032,374**
Comprehensive income for the year											
Profit for the year		-	-	-	-	-	-	-	-	220,126	220,126
Realization of carrying value adjustments		-	-	-	-	(16,041)	-	-	-	16,041	-
Foreign exchange variations of investees located abroad	12	-	-	-	640,313	-	-	-	-	-	640,313
Hedge of net investment abroad	32	-	-	-	(573,769)	-	-	-	-	-	(573,769)
Tax effect of hedge of net investment abroad	19	-	-	-	195,082	-	-	-	-	-	195,082
Total comprehensive income for the year		-	-	-	261,626	(16,041)	-	-	-	236,167	481,752
Contributions by and distributions to owners of the Company											
Management share option plan	20	-	-	2,549	-	-	-	-	-	-	2,549
Allocation of profit:											
Legal reserve		-	-	-	-	-	11,006	-	-	(11,006)	-
Investment reserve		-	-	-	-	-	-	118,151	-	(118,151)	-
Dividends and interest on capital	20	-	-	-	-	-	-	-	-	(107,010)	(107,010)
Total contributions by and distributions to owners of the parent		-	-	2,549	-	-	11,006	118,151	-)	(236,167)	(104,461)
AT DECEMBER 31, 2015		**1,060,301**	**(6,541)**	**3,745**	**545,466**	**73,295**	**60,553**	**672,846**	**-**	**-**	**2,409,665**

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

(A free translation of the original in Portuguese)

TUPY S.A. AND SUBSIDIARIES

STATEMENT OF CASH FLOW
YEARS ENDED DECEMBER 31, 2015 AND 2014
(All amounts in thousands of Reais)

		Parent company		Consolidated	
Cash flow from operating activities:	Note	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Net income for the year before income tax and social contribution		238,378	144,511	336,804	167,205
Adjustment to reconcile profit with cash provided by operating activities:					
Depreciation, amortization and impairment	13 and 14	142,984	130,434	275,980	298,141
Share of results of subsidiaries	12	(50,305)	40,065	-	-
Disposals of property, plant and equipment		(3,092)	9,872	(3,357)	10,584
Interest accrued and foreign exchange variations		96,250	111,178	95,524	113,961
Provision for impairment of trade receivables		487	205	1,065	-
Provision for inventory losses		4,495	224	6,826	1,531
Provisions for contingencies	18	25,957	(2,328)	26,115	(424)
Share-based payments		2,549	1,196	2,549	1,196
Change in fair value - IPI premium credit		8,887	15,288	8,887	15,288
Change in fair value - Eletrobrás credit		(2,986)	(5,463)	(2,986)	(5,463)
		463,604	445,182	747,407	602,019
Changes in operating assets and liabilities:					
Trade receivables		44,916	(38,852)	(6,054)	(11,887)
Inventory		(16,207)	(67,617)	24,314	(86,686)
Tools		18,032	(19,255)	(5,909)	(33,862)
Other taxes recoverable		(88,542)	(46,269)	(77,084)	(33,352)
Notes and other receivables		(7,142)	(10,744)	6,831	(4,569)
Judicial deposits and other		(5,287)	(19,595)	(5,288)	(19,586)
Trade payables		4,980	25,838	3,189	(12,217)
Other taxes payable		(4,558)	2,862	(20,900)	6,587
Salaries, social security charges and profit sharing		(707)	(3,895)	(3,727)	(9,153)
Advances from customers		(608)	4,485	13,972	15,727
Notes and other payables		28,734	13,589	9,853	(3,151)
Retirement benefit obligations		-	-	21,514	7,188
Other long term liabilities		(24,377)	(15,636)	(25,786)	(17,775)
Cash from operations		**412,838**	**270,093**	**682,332**	**399,283**
Interest paid		(142,406)	(97,616)	(139,530)	(97,616)
Income tax and social contribution paid		-	-	(51,977)	(1,167)
Net cash provided by operating activities		**270,432**	**172,477**	**490,825**	**300,500**
Cash flow from investment activities:					
Additions to investments		-	(6,214)	-	-
Cash from capital reductions in subsidiaries		328,007	-	-	-
Purchases of property, plant and equipment and additions to intangible assets		(93,982)	(137,524)	(162,531)	(211,112)
Cash generated on disposals of property, plant and equipment		9,613	738	3,989	1,003
Subsidiaries and associates		(1,146)	(2,647)	-	-
Cash used in investment activities		**242,492**	**(145,647)**	**(158,542)**	**(210,109)**
Cash flow from financing activities:					
Payment of borrowing		(547,398)	(758,364)	(547,398)	(758,364)
Repayment of tax financing		-	(10,468)	-	(10,468)
New borrowing		316,173	915,395	316,173	910,179
Interest on capital and dividends paid		(106,991)	(50,399)	(106,991)	(50,399)
Long term financial investments		-	5,650	-	5,650
Cash provided by financing activities		**(338,216)**	**101,814**	**(338,216)**	**96,598**
Effect of foreign exchange rate differences on cash for the year		15,967	(10,165)	193,639	26,481
Increase in cash and cash equivalents		**190,675**	**118,479**	**187,706**	**213,470**
Cash and cash equivalents at the beginning of the year		948,978	830,499	1,336,916	1,123,446
Cash and cash equivalents at the end of the year		**1,139,653**	**948,978**	**1,524,622**	**1,336,916**

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

(A free translation of the original in Portuguese)

TUPY S.A. AND SUBSIDIARIES

STATEMENT OF VALUE ADDED
YEARS ENDED DECEMBER 31, 2015 AND 2014
(All amounts in thousands of Reais)

		Parent company		Consolidated	
	Note	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Origination of value added		2,285,381	2,302,658	3,596,610	3,330,500
Sales of products, net of returns and rebates	21	2,285,868	2,302,863	3,597,675	3,330,500
Provision for impairment of trade receivables		(487)	(205)	(1,065)	-
(-) Inputs acquired from third parties		1,397,479	1,384,532	2,210,401	2,090,816
Raw materials and processing materials consumed		1,101,762	1,193,936	1,715,745	1,742,483
Materials, energy, third party services and other		295,717	190,596	494,656	348,333
GROSS VALUE ADDED		887,902	918,126	1,386,209	1,239,684
Retentions:		142,984	130,434	275,980	298,141
Depreciation and amortization	13 and 14	142,984	130,434	275,980	298,141
Net value added generated by the Company		744,918	787,692	1,110,229	941,543
Value added received through transfers		160,354	38,524	115,126	86,601
Share of results of subsidiaries	12	50,305	(40,065)	-	-
Finance income	23	110,049	78,589	115,126	86,601
VALUE ADDED TO DISTRIBUTE		**905,272**	**826,216**	**1,225,355**	**1,028,144**
Distribution of value added					
Personnel		575,586	556,595	799,055	725,770
Employees		349,578	370,089	558,521	534,141
Social charges - Government Severance Indemnity Fund for Employees (FGTS)		51,322	33,761	51,322	33,761
Profit sharing		50,259	40,417	59,726	41,496
Management fees		12,965	9,504	12,965	9,504
Workplace health and safety		88,444	74,922	88,444	74,922
Food		10,223	13,141	13,150	15,395
Professional education, qualifications and development		1,713	2,509	2,057	2,775
Other amounts		11,082	12,252	12,870	13,776
Government		7,847	65,238	105,631	88,864
Federal taxes and contributions		33,460	82,866	130,231	105,570
State taxes and rates		(29,480)	(21,376)	(29,480)	(21,376)
Municipal taxes, rates and other		3,867	3,748	4,880	4,670
Third party capital		101,713	115,171	100,543	124,298
Finance costs	23	148,627	125,923	149,248	131,443
Monetary and foreign exchange variations, net	23	(46,914)	(10,752)	(48,705)	(7,145)
Own capital		220,126	89,212	220,126	89,212
Stockholders (interest on capital)	20	107,010	25,391	107,010	25,391
Retained earnings		113,116	63,821	113,116	63,821
TOTAL VALUE ADDED		**905,272**	**826,216**	**1,225,355**	**1,028,144**

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

(A free translation of the original in Portuguese)

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(A free translation of the original in Portuguese)

1. GENERAL INFORMATION

Tupy S.A. (the “Parent company”) and its subsidiaries (together the “Company” or “Consolidated”) have strong position in the domestic and foreign iron casting markets, being the largest foundry in the Western Hemisphere, manufacturing cast-iron engine blocks and cylinder heads, with a diversified customer base in the Americas, Europe and Asia. The Company also operates in the Automotive (blocks, cylinder heads and parts) and Hydraulics (pipe fittings, steel shots and iron bar) segments. The Company has plants in Brazil, at Joinville, and Mauá, and Mexico at Saltillo and Ramos Arizpe. In addition to its plants, the Parent Company has investments in companies abroad that operate 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 issue of these financial statements was approved by the Board of Directors on March 3, 2016.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Statement of compliance and basis of preparation

The Company's financial statements which have been prepared 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), and all material information in the financial statements, and only material information, is being disclosed, which is consistent with that used by management.

The presentation of statements of value added (DVA), for the parent company and consolidated statements, is required by the Brazilian corporate legislation for listed companies. These statements were not required by IFRS. As a result, for IFRS, those statements are considered supplementary information, without any impact on the financial statements.

The financial statements have been prepared under the historical costs 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 preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.4.

Changes in and interpretations of standards effective for the financial year started on January 1, 2015 are not material to the Company.

2.2 Consolidation

Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is transferred. They are deconsolidated from the date that control ceases. The consolidated subsidiaries at December 31, 2015 are:

		Interest* (%)	Functional currency	Headquarters
Direct subsidiaries				
Tupy Mexico Saltillo, S.A. de C.V.	(a)	100.00	US Dollar	Mexico
Technocast, S.A. de C.V.	(a)	100.00	US Dollar	Mexico
Servicios Industriales Technocast, S.A. de C.V.	(b)	100.00	US Dollar	Mexico
Tupy American Foundry Corporation	(c)	100.00	US Dollar	USA
Tupy American Iron & Alloys Corporation	(d)	100.00	US Dollar	USA
Tupy Europe GmbH	(c)	100.00	euro	Germany
Tupy Overseas S.A.	(e)	100.00	US Dollar	Luxembourg
Tupy Argentina S.R.L.		100.00	Real	Argentina
Tupy Agroenergética Ltda.		100.00	Real	Brazil
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation"		100.00	Real	Brazil
Indirect subsidiary				
Diesel Servicios Industriales, S.A. de C.V.	(b)	100.00	US Dollar	Mexico

(*) Interest in capital and in voting capital.

The main subsidiaries' activities are as follow:

(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.

(e) Company abroad, which was established for the purpose of issuing bonds in the international market.

Transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset being transferred. The accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Company.

2.3 Foreign currency translation

a. Functional and presentation currency

Items included in the financial statements of each of the Consolidated entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The parent company and consolidated financial statements are presented in Brazilian Reais (R$), which is the Company's functional currency, and also the Company's presentation currency.

b. Transactions and balances

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 borrowing and cash and cash equivalents are presented in the statement of income within "Foreign exchange variations, net". All other foreign exchange gains and losses are presented in the statement of income within "Other operating income (expenses), net".

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 "Carrying value adjustments" account, within equity.

c. Subsidiaries with a different functional currency

The results and financial position of all the Consolidated entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are 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".

On consolidation, foreign exchange differences arising from the translation of the net investment in foreign operations, and of borrowing and other foreign currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, foreign exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on the sale.

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.

2.4 Use of critical accounting estimates and judgments

The preparation of Parent Company and Consolidated annual financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported for assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. The actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects arising from revised accounting estimates are recognized in the period when the estimates are revised if the revision affects only this period, or also in subsequent periods, when the revision impacts both the current and future periods. The main judgments are presented below:

a. 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 the 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 expenditure.

b. Useful lives 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 industry practices, as well as historical experience, reflecting the economic useful lives of property, plant and equipment. However, actual useful lives may differ depending on the technological updates to each plant. Useful lives of property, plant and equipment also affect recoverability testing, 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 flow and the fair values of assets, the Company may be exposed to potential material losses.

c. Impairment of assets

The Company annually tests its intangible assets and other long term assets whenever events and circumstances indicate that the estimated discounted cash flow 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 the actual amounts used by the Company to calculate impairment losses, if any, represent the Company's best estimate based on expected cash flow, industry tendencies and reference to rates and market operations. Impairment losses may arise also from the disposal of assets.

d. 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 happens or does 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.

e. Eletrobrás

The credit against Eletrobrás is registered and valued by the Company, and is supported by a report signed by a professional expert, and adjusted by the provision for losses in order to reflect the minimum amount estimated to be received by the Company.

2.5 Company-specific accounting policies

a. Tools

Refer to tools used in production to complete contracts with customers. They are carried at the acquisition and production cost, less the provision for adjustments to probable realizable values, when applicable. When completed, the tools are billed to customers and remain in possession of the Company under free-lease agreements, to be used in the production process.

b. Financial assets

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.

(i) 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 flow have expired or have been transferred, and the Company has transferred substantially all of the 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 rate 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 profit or loss in the year 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 the fair value 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 to the minimum extent possible on entity-specific inputs.

(ii) Offsetting of financial instruments

Financial assets and liabilities are offset and a net amount is presented 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.

(iii) 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 flow of the financial asset or group of financial assets that can be reliably estimated.

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 flow 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.

(iv) Derivative financial instruments and hedge of net investment abroad

The Company uses derivative financial instruments, such as foreign exchange contracts and interest rate swaps, as well as the hedge of the net investment abroad to manage its exposure to interest and foreign exchange rates.

Derivative financial instruments

Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value (Note 33).

Derivative financial instruments contracted by the Company do not qualify for hedge accounting and are classified as derivatives measured at fair value through profit or loss. Therefore, all changes in the fair values of any of these derivative financial instruments are immediately recognized in the finance result (Note 33).

The total fair value of a derivative financial instrument is classified as non-current when its maturity date exceeds 12 months.

Hedge of net investment abroad

The Company designates borrowing items in foreign currency as hedging instruments against the foreign exchange variation risk arising from investments that the Company maintains abroad, resulting from the translation of those investments into the Company's financial statement presentation currency.

At the beginning of each transaction, the Company documents:

- The relationship between the hedging instruments and the hedged items;
- The risk management objectives;
- The hedge accounting strategy;
- The appraisal that the hedging instruments used in the transactions are highly effective in offsetting changes in the fair values of the hedged items.

The effective portion of gains or losses of a hedging instrument designated and qualified as a hedge of the net investment abroad is recognized in equity within the "Carrying value adjustments" account. The gain or loss relating to the ineffective portion is recognized immediately in the Company's finance result. Changes in the hedging amounts classified in "Carrying value adjustments" within equity are shown in Note 32.

Gains and losses accumulated in equity are included in the statement of income when the foreign operation is partially or fully disposed of or sold.

c. Borrowing

Borrowing is recognized initially at fair value, net of transaction costs incurred, and 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 borrowing using the effective interest method. (Note 15)

d. Employee benefits

The Company has defined benefit plans for its operations in Mexico, which are funded through payments to trustee-administered funds, determined based on periodic actuarial calculations. The Company also has a defined contribution plan for its operations in Brazil.

The liability recognized in the balance sheet in respect of defined benefit pension plans represents the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets. 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 charged or credited to equity in other comprehensive income in the period in which they arise. Past service costs are recognized immediately in the statement of income.

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

e. Share-based payments

The Company offers a share-based remuneration plan to its management. The variable portion of management remuneration is settled through the issuance of equity instruments. The fair value of the services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined with reference to the fair values of the options granted.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

f. Advances from customers

This account refers to advances of funds from customers 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 revenue is recorded when the construction of tools is concluded and approved by the customer.

g. Revenue

Revenue is presented net of taxes and discounts. Taxes on sales are recognized when sales are billed and discounts are recognized when granted. Revenue from sales of goods is recognized when the sales amount can be measured reliably, the Company no longer controls the goods sold and has no other responsibility related to the ownership of the goods, and the 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 goods (Note 21)

3. CASH AND CASH EQUIVALENTS

	Parent company		Consolidated	
	2015	2014	2015	2014
Cash and banks in Brazil	998	3,090	1,221	3,387
Financial investments in Brazil	1,074,229	915,058	1,074,229	915,058
Financial investments abroad	64,426	30,830	449,172	418,471
	1,139,653	**948,978**	**1,524,622**	**1,336,916**

The financial investments disclosed as cash and cash equivalents are highly-liquid securities with an immaterial risk of changes in value. Those investments in Brazil are remunerated based on the variations of Interbank Deposit Certificate (CDI) rate, with an average rate equivalent to 13.63% per annum (11.13% in December 31, 2014). The investments abroad are denominated mostly in US Dollars (US$) at the average rate of 0.52 % per annum (0. 33% per annum in December 31, 2014).

4. FINANCIAL INVESTMENTS

Parent company and consolidated		
	2015	2014
Opening balance	**10,365**	**14,900**
Redemptions	-	(5,650)
Changes in fair value	1,119	1,115
Closing balance	**11,484**	**10,365**

These financial investments earn interest at the CDI rate, with an average rate equivalent to 13.27% p.a. (average rate of 11.00% p.a. at December 31, 2014) and are restricted to transactions entered into with the National Bank for Economic and Social Development (BNDES). (Note 15)

5. TRADE RECEIVABLES

The composition of trade receivables from client by market is as follows:

	Parent company		Consolidated	
	2015	2014	2015	2014
Domestic market	81,119	93,717	81,119	93,717
Foreign market	219,647	171,489	463,362	332,083
Provision for impairment of trade receivables	(975)	(1,031)	(2,382)	(1,985)
	299,791	**264,175**	**542,099**	**423,815**

Trade receivable in the domestic market are denominated in Brazilian Reais and in the foreign market primarily in US Dollars.

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

	Parent company		Consolidated	
	2015	2014	2015	2014
Falling due in up to 30 days	105,637	82,700	309,834	235,773
Falling due within 31 to 60 days	91,170	76,442	98,481	83,789
Falling due in more than 61 days	52,711	74,856	9,124	13,048
Total falling due	**249,518**	**233,998**	**417,439**	**332,610**
Overdue for up to 30 days	19,113	16,112	71,654	67,293
Overdue for 31 to 60 days	10,796	4,202	15,354	5,217
Overdue for more than 61 days	21,339	10,894	40,034	20,680
Total overdue	**51,248**	**31,208**	**127,042**	**93,190**
Provision for impairment of trade receivables	(975)	(1,031)	(2,382)	(1,985)
Total	**299,791**	**264,175**	**542,099**	**423,815**

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	
	2015	2014	2015	2014
Opening balance	**1,031**	**1,174**	**1,985**	**2,333**
Additions	1,489	316	2,802	1,037
Reversals	(1,002)	(111)	(1,737)	(1,037)
Write-offs (*)	(543)	(348)	(668)	(348)
Closing balance	**975**	**1,031**	**2,382**	**1,985**

(*) Receivables written off during the year as uncollectible

6. INVENTORY

	Parent company		Consolidated	
	2015	2014	2015	2014
Finished products	114,939	121,213	176,441	212,520
Work in progress	40,714	40,379	60,500	52,409
Raw materials	66,563	43,574	133,254	88,570
Maintenance and other materials	33,954	34,797	33,954	34,797
Provision for losses	(8,452)	(3,957)	(15,901)	(9,075)
	247,718	**236,006**	**388,248**	**379,221**

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

In December 31, 2015 the Company offered finished product inventory as collateral for labor and social security litigation amounting to R$10,689 in the Parent company.

The analysis for recording a provision is based on the inventory applicability, recoverability, expected realization and evidence of obsolescence. The changes in the provision for losses during the year were as follow:

	Parent company		Consolidated	
	2015	2014	2015	2014
Opening balance	**3,957**	**3,733**	**9,075**	**7,544**
Additions	6,317	1,345	8,648	2,652
Write-off as loss	(1,822)	(1,121)	(1,822)	(1,121)
Closing balance	**8,452**	**3,957**	**15,901**	**9,075**

7. INCOME TAX AND SOCIAL CONTRIBUTION RECOVERABLE

The Company pays these taxes monthly based on the estimated taxable income and, according to the annual tax returns for 2011, 2012 and 2014, 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 during the next four years.

8. OTHER TAXES RECOVERABLE

	2015			2014		
	Current	Non-current	Total	Current	Non-current	Total
Parent company	**52,231**	**162,778**	**215,009**	**30,392**	**124,651**	**155,043**
1988/1990 IPI premium credit (a)	-	51,710	51,710	-	57,723	57,723
ICMS recoverable - São Paulo (b)	16,878	25,341	42,219	-	41,837	41,837
ICMS recoverable - Santa Catarina (b)	3,600	63,501	67,101	9,816	25,091	34,907
Reintegra benefit (c)	28,671	-	28,671	10,579	-	10,579
COFINS, PIS and IPI recoverable (d)	3,082	22,226	25,308	9,997	-	9,997
Subsidiaries	**30,659**	**-**	**30,659**	**26,524**	**-**	**26,524**
Value-added tax (VAT) (e)	30,659	-	30,659	26,524	-	26,524
Consolidated	**82,890**	**162,778**	**245,668**	**56,916**	**124,651**	**181,567**

The aforementioned credits originated as follows:

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

This credit relates to a tax benefit arising from the exports carried out by the Company from 1988 to 1990. The right to utilize this credit was recognized by a final and unappealable court decision in 2009. In 2012, the Company filed a request for enforcement of the decision, approving the conduction of evidence examination.

In 2014, a professional expert designated by Federal Court evaluated the Company´s credit amount to be sufficient to support the balance registered. In the same year, the Brazilian Federal Revenue Services issues a report which declares that it does not identify any evidence to contest the professional expert report.

The balance of the principal amount is adjusted at the rate of 1% p.m. and totals R$100,495 at December 31, 2015 (R$97.620 at December 31, 2014). Taking into consideration the estimated realization, the Company adjusts the amount to its present value, discounting the future value of the credit based on the future Interbank Deposit rate for the corresponding term. At December 31, 2015. The credit, adjusted to present value, amounts to R$ 48,785 (R$39,898 at December 31, 2014).

The Company expected to realize this credit upon issuance of court-ordered debts up to December 31, 2017.

b. Value-added Tax on Sales and Services (ICMS) recoverable in São Paulo and Santa Catarina

Credits arising from the purchase of raw materials used in the manufacture of exported products and purchasing property, plant and equipment assets, originally realizable in 48 installments, according to the applicable state legislation. With a reduction in domestic sales, motivated by Brazilian economic circumstances, increases the Company's tax credit balance. Based on long term projections and the negotiation of these credits, the Company expected to realize this credit within seven years.

A discount provision of R$3,439 was made based on the amount the Company had already asked for authorization to trade.

c. Special System for Refunding of Tax Amounts to Exporting Companies (Reintegra) benefit

Credits arising from the benefit established by Provisional Measure 540 of August 2, 2011, reestablished by Law 13,043/14 and regulated by Decree 8,415/15, with modifications introduced by Decree 8,543/15, and used to offset federal taxes.

d. Social Contribution on Revenue (COFINS), Social Integration Program (PIS) and Excise Tax (IPI) recoverable

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

e. 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 main transactions of the Company with related parties are summarized as follows:

a. Subsidiaries:

Assets	2015	2014
Trade receivables	**64,389**	**74,756**
Tupy American Foundry Corporation	63,173	47,643
Technocast, S.A. de C.V.	1,043	-
Tupy Mexico Saltillo, S.A. de C.V.	173	-
Tupy Europe GmbH	-	27,113
Related parties - loans	**4,128**	**3,055**
Tupy Agroenergética Ltda.	4,128	3,055
	68,517	**77,811**

Liabilities	2015	2014
Borrowing	**1,406,150**	**955,996**
Tupy Overseas S.A.	1,406,150	955,996
Advances from customers	**4,646**	**2,378**
Tupy American Iron & Alloys Corporation	3,495	2,378
Tupy Europe GmbH	1,151	-
Notes and other payables	**76,023**	**40,455**
Tupy American Foundry Co.	15,505	8,401
Tupy American Iron & Alloys Corporation	1,460	1,037
Tupy Europe GmbH	59,058	31,017
Related parties - loans	**922**	**995**
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation"	922	995
	1,487,741	**999,824**

Statement of income	2015	2014
Revenue	**717,074**	**638,537**
Tupy American Foundry Corporation	561,413	487,136
Tupy Europe GmbH	155,648	151,221
Tupy American Iron & Alloys Corporation	13	162
Tupy Agroenergética Ltda.	-	18
Purchases		**(388)**
Tupy Mexico Saltillo, S.A. de C.V.		(388)
Other operating expenses, net	7,298	-
Technocast, S.A. de C.V.	7,298	-
Finance costs	**(81,105)**	**(26,783)**
Tupy Overseas S.A.	(81,156)	(26,774)
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation"	(17)	(9)
Tupy Agroenergética Ltda.	68	-
	643,267	**611,366**

Information relating to the operations of the subsidiaries is provided in Note 2.2. The receivables and sales revenue of the Company with its subsidiaries mainly represent sales of products from the Automotive and Hydraulics segments. Prices charged are in compliance with the Company's price lists, and terms range from 60 to 90 days, as established by the parties. At December 31, 2015, the Company's related parties had no overdue receivables and, therefore, the Company did not record a provision for the impairment of these receivables.

Advances from customers correspond to amounts sent by the subsidiaries abroad for the future delivery of goods.

Notes and other payables to subsidiaries abroad represent a current accounts between the subsidiaries and the Parent company, with an unspecified maturity.

The loan conditions granted by Tupy Overseas S.A. to the Parent company are disclosed in Note 15.

The other operations refer to loan agreements between the subsidiaries in Brazil and the Company, with no defined maturities, which bear interest at the Referential Rate (TR).

Other operations expenses, net, refer to transfer by sale of fixed assets of the machining line to the subsidiary Technocast S.A. de C.V., in cash, amounting to R$7,298.

b. Main stockholders:

The Company's main stockholders are BNDES Participações S.A. (BNDESPAR) and Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI).

The Parent company had a financing agreement (expansion project of Tupy S.A.) with BNDES (the controlling shareholder of BNDES Participações S.A. – BNDESPAR), the residual amount as at December 31, 2015, is R$117,630, as detailed in Note 15.

c. Management remuneration:

	Board of Directors		Executive Board		Total	
	2015	2014	2015	2014	2015	2014
Fixed remuneration	1,321	864	4,612	5,133	5,933	5,997
Variable remuneration	720	422	6,311	3,085	7,031	3,507
	2,041	**1,286**	**10,923**	**8,218**	**12,964**	**9,504**

The overall amount of the annual remuneration for the current year approved for the Board of Directors, the Executive Board and the Statutory Audit Board at the Extraordinary and Ordinary General Meeting for the year ended December 31, 2015 was R$19,952.

Statutory management remuneration is paid only at the Parent Company level and, therefore, no management remuneration has been recorded in subsidiaries.

The amounts recorded as variable remuneration of the Executive Board are considered as provisions, based on to the goals established for the year. Information about the Stock option plan is provided in Note 25.

Officers receive additional corporate benefits, such as company vehicles, reimbursement of vehicle-related expenses, health insurance, pension plan and severance pay. At December 31, 2015, these benefits totaled R$1,027 (R$951 in the same previous-year period).

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

d. 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, 2015, the Company recognized sponsorship expenses of R$1,220 (R$1,292 at December 31, 2014).

10. CREDITS - ELETROBRÁS

Refers to credits arising from the right to additional inflation adjustments of the Eletrobrás compulsory loan and related interest, based on a final and unappealable court decision.

In December 2011, the Federal Regional Court of the 4th Region confirmed the calculation made by the Company, based on a report signed by a professional expert, in relation to the enforcement of the sentence. The Company and Eletrobrás lodged appeals with the Superior Court of Justice (STJ) and the Federal Supreme Court (STF), which have not yet been judged.

In October 2015, the Company filed petition with the 6th Federal Court in the Joinville Subsection, requiring compliance with the verdict, meaning that Eletrobrás is summoned to deposit the executed value with the court.

The amount recorded by the Company also includes the legal provision that allows Eletrobrás to pay for a portion of the debt in shares, a criterion that is being challenged by the Company in higher courts, but which, for now, requires that a provision for losses amounting to R$19,567 (R$18,294 in 2014) be recorded.

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

Since the initial recognition of the assets in 2003, there are just pro Company effects in the Court, including a receive of a small part in 2008 and the Company has the right of receive this amount. The Company estimates that the credit will be effectively received in a period between 12 and 24 months.

The table below shows the balance of this account:

Parent company and Consolidated

	Credits - Eletrobrás	Provision for losses	Total, net
At January 1, 2014	**110,484**	**(16,731)**	**93,753**
Monetary restatement	7,137	-	7,137
Provision for losses	-	(1,563)	(1,563)
At December 31, 2014	**117,621**	**(18,294)**	**99,327**
Monetary restatement	4,116	-	4,116
Provision for losses	-	(1,273)	(1,273)
At December 31, 2015	**121,737**	**(19,567)**	**102,170**

11. INVESTMENT PROPERTY

The Company has assets classified as investment properties, mainly land and forests, belonging to the subsidiary Tupy Agroenergética Ltda. At December 31, 2015, their carrying value was R$6,544 (R$6,544 in 2014), considering the historical cost as the accounting basis.

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

12. INVESTMENTS

a. Composition 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, 2015							
Investments in subsidiaries							
Tupy Mexico Saltillo, S.A. de C.V.	1,264,907	820,791	30,513	39,252	100,00	39,252	851,304
Technocast, S.A. de C.V.	878,205	744,714	10,713	(24,862)	100,00	(24,862)	755,427
Servicios Industriales Technocast, S.A. de C.V.	24,116	8,606	-	(69)	100,00	(69)	8,606
Tupy Overseas	1,409,785	12,950	-	1,132	100,00	1,132	12,950
Tupy American Foundry Co.	229,052	97,318	-	6,032	100,00	20,183	94,304
Tupy American Iron & Alloys Co.	5,673	5,594	-	(113)	100,00	(113)	5,594
Tupy Europe GmbH	145,693	114,848	-	13,330	100,00	15,366	109,274
Tupy Argentina S.R.L.	1	1	-	(28)	100,00	(29)	1
Tupy Agroenergética Ltda.	10,558	6,247	-	(751)	100,00	(751)	6,247
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation"	2,130	1,632	-	196	100,00	196	1,632
						50,305	**1,845,339**

(*) 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, 2014							
Investments in direct subsidiaries							
Tupy Mexico Saltillo, S.A. de C.V.	935,835	667,025	30,513	(15,069)	100.00	(15,069)	697,538
Technocast, S.A. de C.V.	709,931	618,262	10,713	(34,445)	100.00	(34,445)	628,975
Servicios Industriales Technocast, S.A. de C.V.	16,965	6,034	-	(72)	100.00	(72)	6,034
Tupy Overseas	957,090	7,947	-	451	100.00	451	7,947
Tupy American Foundry Co.	142,899	61,318	-	3,100	100.00	606	56,318
Tupy American Iron & Alloys Co.	4,037	3,934	-	(148)	100.00	(148)	3,934
Tupy Europe GmbH	114,991	74,849	-	6,301	100.00	10,103	73,518
Tupy Argentina S.R.L.	30	30	-	623	100.00	623	30
Tupy Agroenergética Ltda.	10,590	6,998	-	(2,030)	100.00	(2,030)	6,998
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation"	2,199	1,436	-	(84)	100.00	(84)	1,436
						(40,065)	**1,482,728**

(*) Adjusted by unrealized profits

b. Changes in investments

Parent company	
At January 1, 2014	**1,340,660**
Equity in the results of investees	(40,065)
Additions to investments in subsidiaries	6,214
Foreign exchange variations of investees located abroad	175,919
At December 31, 2014	**1,482,728**
Equity in the results of investees	50,305
Additions to investments in subsidiaries	640,313
Capital reduction	(328,007)
At December 31, 2015December 31, 2015	**1,845,339**

c. Capital reduction in México subsidiaries

In September, 2015 the Board of Directors approved the capital reductions in the Mexican subsidiaries Tupy México Saltillo S.A. de C.V. and Technocast, S.A. de C.V., amounting to USD50,000 (R$192,945) and USD35,000(R$135,062) respectively. This operation results in a balanced exposure to foreign currency. This operation occurred on November 2, 2015.

d. Tupy Overseas S.A.

On July 1, 2014, the Company established Tupy Overseas S.A. in Luxembourg through payment of capital amounting to US$ 50 (R$ 110) and, on July 14, 2014, the Company made a capital increase of US$ 2,750 (R$ 6,214).

Tupy Overseas S.A. was established for the purpose of issuing bonds in the international market.

13. PROPERTY, PLANT AND EQUIPMENT

a. Changes in property, plant and equipment

Parent company	Machinery, facilities and equipment	Buildings	Land	Vehicles	Furniture, fittings and others	Construction in progress	Total
Cost							
At January 1, 2014	**1,701,062**	**219,157**	**8,748**	**29,563**	**9,320**	**129,743**	**2,097,593**
Additions	-	-	-	-	-	120,704	120,704
Transfers to property, plant and equipment in use	123,909	25,070	-	2,451	914	(152,344)	-
Disposals	(18,038)	(1,968)	-	(151)	(9)	-	(20,166)
At December 31, 2014	**1,806,933**	**242,259**	**8,748**	**31,863**	**10,225**	**98,103**	**2,198,131**
Additions	-	-	-	-	-	71,961	71,961
Transfers to property, plant and equipment in use	(109,283)	59,473	208	(7,620)	(4,812)	(94,345)	(156,379)
Disposals	(13,780)	(31)	-	-	(3)	-	(13,814)
At December 31, 2015	**1,683,870**	**301,701**	**8,956**	**24,243**	**5,410**	**75,719**	**2,099,899**
Depreciation							
At January 1, 2014	**(763,522)**	**(94,846)**		**(15,728)**	**(7,538)**		**(881,634)**
Depreciation during the year	(120,926)	(6,705)		(2,533)	(270)		(130,434)
Disposals	9,442	-		107	7		9,556
At December 31, 2014	**(875,006)**	**(101,551)**		**(18,154)**	**(7,801)**		**(1,002,512)**
Depreciation during the year	(126,652)	(10,271)		(2,542)	(443)		(139,908)
Disposals	142,468	(764)		9,164	5,511		156,379
At December 31, 2015	7,271	19		-	3		7,293
Carrying amount							
At December 31, 2014	931,927	140,708	8,748	13,709	2,424	98,103	1,195,619
At December 31, 2015	831,951	189,134	8,956	12,711	2,680	75,719	1,121,151

Consolidated	Machinery, facilities and equipment	Buildings	Land	Vehicles	Furniture, fittings and other	Construction in progress	Total
Cost							
At January 1, 2014	**2,700,578**	**456,742**	**43,923**	**30,465**	**18,746**	**170,132**	**3,420,586**
Additions	-	-	-	-	-	191,891	191,891
Transfers to property, plant and equipment in use	153,506	27,994	-	2,451	1,606	(185,557)	-
Exchange variations	136,079	32,100	4,655	107	916	11,499	185,356
Disposals	(28,618)	(1,968)	-	(198)	(9)	-	(30,793)
At December 31, 2014	**2,961,545**	**514,868**	**48,578**	**32,825**	**21,259**	**187,965**	**3,767,040**
Additions	-	-	-	-	-	137,401	137,401
Transfers to property, plant and equipment in use	(59,778)	67,202	208	(7,654)	(4,138)	(153,240)	(157,400)
Exchange variations	542,323	128,177	18,533	539	3,246	50,955	743,773
Disposals	(3,887)	(31)	-	(147)	(3)	-	(4,068)
At December 31, 2015	**3,440,203**	**710,216**	**67,319**	**25,563**	**20,364**	**223,081**	**4,486,746**
Depreciation							
At January 1, 2014	**(1,521,383)**	**(218,156)**		**(16,593)**	**(11,885)**		**(1,768,017)**
Depreciation in the year	(153,120)	(11,650)		(2,567)	(855)		(168,192)
Exchange variations	(103,485)	(17,104)		(107)	(649)		(121,345)
Disposals	19,057	-		144	7		19,208
At December 31, 2014	**(1,758,931)**	**(246,910)**		**(19,123)**	**(13,382)**		**(2,038,346)**
Depreciation in the year	(175,377)	(17,528)		(2,578)	(1,257)		(196,740)
Transfers to property, plant and equipment in use	143,375	(764)		9,207	5,582		157,400
Exchange variations	(418,511)	(69,355)		(429)	(2,569)		(490,864)
Disposals	3,267	19		147	3		3,436
At December 31, 2015	**(2,206,177)**	**(334,538)**		**(12,776)**	**(11,623)**		**(2,565,114)**
Carrying amount							
At December 31, 2014	1,202,614	267,958	48,578	13,702	7,877	187,965	1,728,694
At December 31, 2015	1,234,026	375,678	67,319	12,787	8,741	223,081	1,921,632

The group of construction in progress mainly represents transfers and expansions of machining capacity in the Mexico plants, sand regeneration, and workplace safety.

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, 2015 totals R$3,338 (R$1,043 in 2014).

d. Guarantees

The Company pledged property, plant and equipment items as collateral for borrowing amounting to R$225,691 in the Parent Company and Consolidated and R$3,520 as a collateral for tax litigation in the Parent Company and Consolidated.

e. Insured amounts

Property, plant and equipment items are insured for fire, electrical damage and explosion. Insurance coverage is determined based on the amounts and the level of risk involved. (Note 30)

14. INTANGIBLE ASSETS

Parent Company	Computer software	Total
At January 1, 2014	**24,371-**	**514,318**
Acquisition/costs of software	24,144	34,619
At December 31, 2014	**48,515**	**559,717**
Acquisition/costs of software	15,235	26,545
Amortization	(3,076)	57,516
At December 31, 2015	**60,674**	**513,829**

Consolidated	Computer software	Contractual customer relationships	Non-competition agreement	Goodwill	Total
At January 1, 2014	**34,619**	**481,646**	**2,226**	**41,226**	**559,717**
Acquisition costs of software	26,545	-	-	-	26,545
Foreign exchange variations	138	57,165	213	-	57,516
Amortization	-	(58,223)	(673)	-	(58,896)
Impairment	-	(71,053)	-	-	(71,053)
At December 31, 2014	**61,302**	**409,535**	**1,766**	**41,226**	**513,829**
Acquisition costs of software	18,344	-	-	-	18,344
Foreign exchange variations	5,603	181,638	683	-	187,924
Amortization	(7,051)	(71,224)	(965)	-	(79,240)
At December 31, 2015	**78,198**	**519,949**	**1,484**	**41,226**	**640,857**

a. Computer software

In January 2013, the Parent company acquired a license for an enterprise management system (ERP). On July 1, 2015 the system was implemented, and is being amortized in line for a ten year period.

b. Contractual customer relationships

The contractual relationships arise from the acquisition of Tupy México S.A. de C.V. and Technocast S.A. de C.V. on April 16, 2012 and was calculated based on the minimum estimate of customer portfolio retention, taking the sales volumes of periods prior to the acquisition and the market perspectives existing at the time into consideration.

The calculation used the Multi-period Excess Earnings Method (MEEM), which covers a ten year period, equivalent to the minimum term estimated for the maintenance of the commercial relationship with the customers. These intangible assets will be amortized on a straight line basis.

In the years following the acquisition, we experienced a slight decrease in the demand for products used in the mining market, compared with the volumes originally projected at the time of acquisition. At the moment, there is no evidence of recovery of the levels experienced at the time of acquisition, and, therefore, impairment testing is necessary.

Therefore, the Company established a new recoverable amount for the contractual customer relationship, based on the calculation of value in use, which covered a remaining period of seven years.

The key assumptions used by management for value-in-use calculations at December 31, 2014 were as follow:

- Revenue was defined based on projections of demand by customer in the next seven years.
- Operating margins were determined based on historical performance and on expectations arising from investments and operational improvements.
- Discount rate in real terms of 7.7% p.a., which reflects the Company's specific risks.

Calculated based on the methodology and assumptions described above, resulted in recognition of impairment of R$71,053 in December 31, 2014.

In December 31, 2015 after the valuation of external indicators (market value declines, negative changes in technology/markets and the economy/ laws and internal indicators (obsolescence or physical damage, asset being idle, part of a restructuring or held for disposal and worse economic performance than expected) the Company did not identify any impairment indications.

c. Non-competition agreement

Intangible assets relating to the agreement entered into by the parties (purchaser and sellers), through which the sellers make a commitment not to invest for five years in any business related to the products manufactured by the companies involved in the transaction (Tupy Mexico S.A. de C.V. and Technocast S.A. de C.V.). The amount was calculated based on a methodology which evaluates the business in markets with possible competition, compared to markets with no competition, and then assesses the likelihood that this competition will occur or not. These intangible assets will be amortized on a straight line basis over the relevant periods.

d. Goodwill

Intangible assets represented by the excess of the cost of an acquisition over the net fair value of assets and liabilities of the subsidiaries, Tupy Mexico S.A. de C.V. and Technocast S.A. de C.V., substantially generated by expected synergies.

Goodwill is allocated to the subsidiaries Tupy Mexico 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.

At the moment, there is goodwill impairment, which is recorded through the calculation of the cash-generating unit's recoverable amount.

The recoverable amount was 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 flow beyond the five-year period is extrapolated using the cash flow for the fifth year. The key assumptions used for value-in-use calculations at December 31, 2015 are as follows:

- Revenue was 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 7.7% p.a., which reflects the Company's specific risks.

Performed sensitivity analysis to determine the impact of the Company´s main indicator, the discounted cash flow rate. Considering an increase of 1p.p., the value of the enterprise is greater than the book value. For these reasons, the Company did not identify the need for impairment adjustments on the recorded goodwill.

15. BORROWING

			Parent company	
	Maturity	Effective rate	2015	2014
Local currency			**732,796**	**803,434**
(a) Expansion project of Tupy S.A. - BNDES	Jul/2018	Long Term Interest Rate (TJLP) + 2.51% p.a.	86,180	143,028
(b) BNDES Exim - Pre-shipment of the Investment Sustainability Program (PSI)	Nov/2017	6.33% p.a.	302,980	506,220
(c) Export credit notes	Dec/2018	10.86% p.a.	311,807	125,431
(d) Government Agency for Machinery and Equipment Financing (FINAME) (PSI)	Jan/2025	5.97% p.a.	31,829	28,755
Foreign currency			**1,775,623**	**1,335,158**
(a) Expansion project of Tupy S.A. - BNDES	Jul/2016	Foreign exchange variation (VC) +6.37% p.a.	31,450	34,453
(e) Export prepayment	Sep/2017	VC + Libor + 4.00% p.a.	338,023	344,708
(f) Export prepayment - Tupy Overseas	Jul/2024	VC +6.78% p.a.	1,406,150	955,997
Current portion			487,480	426,515
Non-current portion			2,020,939	1,712,077
			2,508,419	**2,138,592**

			Consolidated	
	Maturity	Effective rate	2015	2014
Local currency			**732,796**	**803,434**
(a) Expansion project of Tupy S.A. - BNDES	Jul/2018	Long Term Interest Rate (TJLP) + 2.51% p.a.	86,180	143,028
(b) BNDES Exim - Pre-shipment of the Investment Sustainability Program (PSI)	Nov/2017	6.33% p.a.	302,980	506,220
(c) Export credit notes	Dec/2018	10.86% p.a.	311,807	125,431
(d) FINAME (PSI)	Jan/2025	5.97% p.a.	31,829	28,755
Foreign currency			**1,765,450**	**1,328,068**
(a) Expansion project of Tupy S.A. - BNDES	Jul/2016	Foreign exchange variation (VC) +6.37% p.a.	31,450	34,453
(e) Export prepayment	Sep/2017	VC + LIBOR + 4.00% p.a.	338,023	344,709
(g) Senior Unsecured Notes - US$ 350,000	Jul/2024	VC +6.76% p.a.	1,395,977	948,906
Current portion			485,101	425,420
Non-current portion			2,013,145	1,706,082
			2,498,246	**2,131,502**

As at December 31, 2015, the Company was in compliance with the Covenant terms, as presented below.

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, 89% of which will be funded with costs in Brazilian Reais and the remaining 11% will be funded in US Dollars. Collateral is comprised of industrial equipment, mortgages, bank guarantees, and a guarantee deposits 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.

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

The agreements include covenants (the "Covenants") which, in case of non-compliance by the Company, would result in the mandatory hiring of the bank guarantees. The Covenants applicable to these agreements are represented by the following financial indicators: (i) Net debt/EBITDA; (ii) equity/total assets; and (iii) current assets/current liabilities.

The debt balance at December 31, 2015 is R$117,630 (R$177.481 at December 31, 2014). The change mainly results from the amortization of R$73,145 occurring during the period and foreign exchange variations of R$13,113 which occurred during the period.

b) BNDES Exim – Pre-shipment of the Investment Sustainability Program (PSI)

In the year ended December 31, 2015, the debt balance is R$302,980 (R$506,221 at December 31, 2014). The change in the current year substantially results from repayment of the contracts signed in 2012, amounting to R$200,000.

c) Export credit note

In September 2014, the Company settled R$25,000 and obtained new borrowing of R$ 25,000, maturing in August 2017, with a rate of 6.5%p.a.

In March and November 2015, borrowing was obtained from Citibank and Santander, amounting to R$65,000, with principal repayment in March and November, 2018, with a rate of 11% p.a.

In December 2015, the Company repayment in advanced contracts from Banco do Brasil and Itaú amounting, R$125,000 and obtained new borrowing from the same banks, amounting to R$245,000 and principal repayment at November and December, 2018, with a rate of 11% p.a. and 10% p.a. respectively

d) FINAME (PSI)

During 2015, the Company entered into new FINAME transactions for the purchase of machinery and equipment, amounting to R$6,174 (R$7,795 in 2014), with an average maturity of four years with monthly payments, with a two-year grace period. There was amortization during the period of R$3,148.

e) Export prepayments

The variation in the period reflects the devaluation of the foreign exchange variations, resulting in R$140,780 and amortization in the period of R$146,104.

The remaining agreement includes a Net debt/EBITDA-related Covenant, which, in the event of con-compliance by the Company, would result in the early termination of the agreement.

f) Export prepayment - Tupy Overseas S.A.

In July 2014, the subsidiary Tupy Overseas S.A. carried out an export prepayment transaction with the Parent company, amounting to US$ 349,000 (R$ 781,865). Interest is paid on a semiannual basis, in January and July, and the principal amount matures in 10 years. The impact of foreign exchange variations amounted to R$438,551.

g) Senior Unsecured Notes

In July 2014, the Company completed the issuance of bonds (the "Issuance") in the international market, through its subsidiary Tupy Overseas S.A. These bonds are guaranteed by the Parent company and amount to US$ 350,000 (R$ 776,649), with single amortization in 2024. Interest, at the coupon of 6.625% p.a., is paid on a semiannual basis, in January and July. The impact of foreign exchange variations amounted to R$434,599.

The funds provided by the Issuance are being used to pay the Company's debts maturing from 2014 to 2017.

The Issuance includes Covenants, the main financial indicator of which is the net debt/EBITDA, and, in case of non-compliance by the Company, they would result in prohibitions against: (i) obtaining new borrowing; (ii) distributing dividends in excess of the minimum amount provided by law; (iii) making investments that are not related to the maintenance of production activities; and (iv) repurchasing shares issued by the Company.

Furthermore, the Issuance also includes non-financial Covenants. The main non-financial measure that could cause the early termination of the Issuance is the change in the Company's controlling interest in such a way that it decreases the external risk rating.

h) Fair value of borrowing

The fair value of the Company's borrowing (classified at Level 2 of the fair value hierarchy) is calculated through the discounting of future flow from their payment based on the curves, interest rates and currencies observable in the financial market. At December 31, 2015, the fair value of borrowing was R$2,338,453 (R$2,131,436 at December 31, 2014).

i) Long term maturities

	Parent company		Consolidated	
Years	2015	2014	2015	2014
2016	-	472,016	-	472,016
2017	316,124	276,131	316,124	276,131
2018	323,748	23,364	323,748	23,364
2019-2023	17,709	13,444	17,709	13,444
2024	1,363,321	927,122	1,355,527	921,127
2025	37	-	37	-
	2,020,939	**1,712,077**	**2,013,145**	**1,706,082**

16. SALARIES, SOCIAL SECURITY CHARGES AND PROFIT SHARING

	Parent company		Consolidated	
	2015	2014	2015	2014
Salaries	10,119	10,659	14,421	14,978
Provision for vacation pay and 13th month salary	18,665	41,101	25,178	46,073
Social charges	10,606	8,569	18,343	13,406
Profit sharing	56,129	35,553	62,355	40,677
Private pension plan	1,132	1,476	1,132	1,476
	96,651	**97,358**	**121,429**	**116,610**

The Company's profit-sharing program applies proportionately to the 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 of the payroll, is matched by the same amount from the Company.

17. RETIREMENT 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.

Consolidated		
Obligations recorded in the balance sheet	**2015**	**2014**
Social security plan benefits		
Pension plan	7,083	3,685
Other employee benefits		
Age premium	6,387	4,374
Legal indemnity	19,210	13,308
	32,680	**21,367**

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

The Company is a party to ongoing litigation arising in the normal course of its business and for which provisions (in the case of probable losses) were constituted based on the 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, 2015 and the related judicial deposits were as follow:

Parent company						
	Civil (a)	Tax (b)	Labor (c)	Social security (d)	Judicial deposits	Total
At January 1, 2014	**80,559**	**8,069**	**18,430**	**7,020**	**(10,888)**	**103,190**
Additions	-	7,122	18,450	-	(792)	24,780
Restatements	(26,347)	(1,553)	-	-	(377)	(28,277)
Payments	(2,885)	(1,012)	(11,383)	-	-	(15,280)
At December 31, 2014	**51,327**	**12,626**	**25,497**	**7,020**	**(12,057)**	**84,413**
Additions	466	7,475	15,425	-	(3,580)	19,786
Restatements/reversals	516	537	-	1,538	(454)	2,137
Payments	(180)	(4,025)	(11,550)	-	-	(15,755)
At December 31, 2015	**52,129**	**16,613**	**29,372**	**8,558**	**(16,091)**	**90,581**
Current portion						11,386
Non-current portion						79,195
						90,581

Consolidated

	Civil (a)	Tax (b)	Labor (c)	Social security (d)	Judicial deposits	Total
At January 1, 2014	**81,018**	**8,112**	**19,615**	**7,020**	**(11,097)**	**104,668**
Additions	-	7,122	20,354	-	(792)	26,684
Restatements	(26,347)	(1,553)	-	-	(377)	(28,277)
Payments	(2,885)	(1,012)	(13,491)	-	-	(17,388)
At December 31, 2014	**51,786**	**12,669**	**26,478**	**7,020**	**(12,266)**	**85,687**
Additions	466	7,475	15,583	-	(3,580)	19,944
Restatements/reversals	516	537	-	1,538	(454)	2,137
Payments	(180)	(4,025)	(12,383)	-	-	(16,588)
At December 31, 2015	**52,588**	**16,656**	**29,678**	**8,558**	**(16,300)**	**91,180**

Current portion	11,487
Non-current portion	79,693
	91,180

Generally, the Company's provisions for contingencies are long term provisions. Considering the formalities of the judicial and administrative proceedings in the Brazilian judicial system, there are difficulties making accurate estimates about limit of conclusion of those contingencies, 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 the General Market Price Index (IGPM).

a. Civil

Provisions for civil contingencies at December 31, 2015 amounted to R$52,588. The residual amount is mainly related to attorney's fees on successful lawsuits.

b. Tax

Provisions related to tax administrative proceedings involving certain credits taken by the Company in the calculation of ICMS, PIS, COFINS, Corporate Income Tax (IRPJ) and social Contribution on Net Income (CSLL).

c. Labor

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

d. 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 a risk of loss deemed "possible", according to the assessment made by Management and the Company's outside legal counsel, are described in the table below:

	Parent company		Consolidated	
	2015	2014	2015	2014
IRPJ and CSLL	143,504	116,689	144,101	117,288
PIS, COFINS and IPI credits	61,483	61,614	61,483	61,704
Debts settled through tax amnesty	99,424	95,054	99,424	95,054
ICMS credits	131,415	125,604	131,415	125,604
Expired tax debts	52,489	47,028	52,489	47,028
Customs	79,133	73,142	92,527	85,694
Social security	33,993	24,489	35,320	24,630
Labor	29,966	26,569	32,868	29,448
Civil and other	**631,407**	**570,189**	**649,627**	**586,450**

Except when described in a different way, all the variances between the 2014 and 2015 periods are a consequence of the restatement of the amounts.

e. IRPJ and CSLL

Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL): administrative proceedings of 1994 and 2006 in which the Brazilian Federal Revenue 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.

Further of restatement of the amount, the main changes in the year ended December 31, 2015 corresponding to new proceedings claimed by Brazilian Federal Revenue Service.

f. PIS and COFINS credits

Social Integration Program (PIS) and Social Contribution on Revenue (COFINS): Administrative and judicial proceedings in which the Brazilian Federal Revenue Service challenged the Company, in most of the procedures, regarding (i) the use of credits generated in the acquisition of inputs from 2004 to 2011; and (ii) appropriation of backdated tax credits. The Company submitted administrative and judicial defenses showing the eligibility for the use of credits in accordance with the applicable tax legislation.

g. ICMS credits

Administrative and legal proceeding filed by the tax authorities of the states of São Paulo and Santa Catarina for the years 2008 to 2013, based on which the use of certain ICMS credits by the Mauá and Joinville plants are challenged. In all the cases, the Company has demonstrated the eligibility for the utilization of credits in accordance with the applicable tax legislation.

h. Expired tax debts

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

i. Customs

Administrative proceeding filed in 2006 in which the Brazilian Federal Revenue Service requires from the Company a fine corresponding to the customs value of merchandise related to import of inputs. In its defense, the Company asserts and evidences that the transactions are legal and also demonstrates that some of the merchandise listed in the tax assessment was not even sold to the Company.

j. Social security

Administrative and legal proceedings filed by the Brazilian Federal Revenue Service 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 argues the procedures adopted are in full compliance with the applicable tax legislation.

k. Labor

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

The variations in the year ended December 31, 2015 were due to increase of new labor claims against the Company.

l. Civil

In general, the civil lawsuits relate to controversies involving former suppliers of the Company.

19. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION, NET

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

	Parent company		Consolidated	
	2015	2014	2015	2014
Deferred assets				
Income tax and social contribution losses	111,089	-	111,089	-
Provisions for contingencies	36,266	32,799	41,068	43,721
Salaries, social security charges and profit sharing	19,008	12,089	38,404	24,264
Taxes and contribution recoverable	17,819	14,515	17,819	14,515
Credits – Eletrobrás	6,653	6,220	6,653	6,220
Provision for inventory losses	5,580	1,346	5,580	1,346
Provision for impairment of trade receivables	2,663	2,274	2,663	2,274
Tools	1,280	1,687	1,280	1,687
Other items	7,143	7,450	7,143	7,450
Property, plant and equipment - tax basis (Mexico)	-	-	-	20,732
Unrealized profits in subsidiaries	-	-	4,424	3,289
Subtotal	**207,501**	**78,380**	**236,123**	**125,498**
Deferred liabilities				
Property, plant and equipment - carrying value adjustments	37,759	46,021	37,759	46,021
Depreciation rate differences	23,219	55,149	23,219	55,149
Deferred tax on intangible assets	-	-	156,430	123,388
Subtotal	**60,978**	**101,170**	**217,408**	**224,558**
Total deferred liabilities, net	**146,523**	**(22,790)**	**18,715**	**(99,060)**

The Mexican tax legislation allows the depreciation of property, plant and equipment on a tax basis, and the Company accordingly records the temporary difference in the depreciation between the tax and the accounting bases. The temporary difference at December 31, 2015 was R$7,322 (R$20,732 at December 31, 2014). The change in the year is due to the foreign exchange difference between the currency in which the taxes are charged in Mexico (Mexican pesos) and the functional currency (US Dollar) of the subsidiaries in Mexico.

The Company estimates that the balance as at December 31, 2015, relating to deferred tax assets, will be recovered through future income tax. The 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	2015	2014	2015	2014
2015	-	28,081	-	49,785
2016	51,841	10,907	70,659	12,635
2017	32,995	4,687	32,995	6,415
2018	20,488	4,687	20,488	6,415
2019	18,417	4,687	18,417	6,415
2020	16,829	4,687	16,829	6,415
Thereafter	66,931	20,644	76,735	37,418
	207,501	**78,380**	**236,123**	**125,498**

The subsidiary Sociedade Técnica de Fundições Gerais S.A. (Sofunge), which is in liquidation, had income tax losses of R$5,954 at December 31, 2015 (R$37,224 at December 31, 2014) and social contribution losses of R$42,525 at December 31, 2015 (R$ 42,456 at December 31, 2014). The reduction is due to the utilization of a portion of the credits, in compliance with Provisional Measure 685/2015. At the moment, management does not envisage any form of realization of the remaining balance and, therefore, the related credits are not recorded. In 2014, the Company, used of a portion of the credits, amounting to R$19,055, in order to settled this installment payment in advance, in compliance with the terms of Provisional Measure 651 (later converted into Law 13,043/14).

During the year ended December 31, 2015, the changes in deferred tax assets and liabilities were as follow:

	Parent company		Consolidated	
Expense (income)	2015	2014	2015	2014
Opening balance	**22,790**	**21,840**	**99,060**	**101,632**
Recognized in profit (loss) for the year	25,769	57,325	39,352	42,354
Recognized in comprehensive income for the year	(195,082)	(56,375)	(195,082)	(56,375)
Effects of currency translation into presentation currency			**75,385**	11,449
Closing balance	**(146,523)**	**22,790**	**18,715**	**99,060**

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

a) Share capital

	2015		2014	
Share capital breakdown by number of shares	Number	%	Number	%
Controlling stockholders				
BNDES Participações S.A. – BNDESPAR	40,645,370	28.2%	40,645,370	28.2%
Caixa de Previdência dos Funcionários do Banco do Brasil – PREVI	37,758,154	26.2%	40,061,154	27.8%
Officers	4	0.0%	6	0.0%
Non-controlling interests				
Fundação Embratel de Seguridade Social - TELOS	9,816,056	6.8%	15,109,156	10.5%
Other stockholders	55,957,916	38.8%	48,361,814	33.5%
Total outstanding shares	**144,177,500**	**100.0%**	**144,177,500**	**100.0%**

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

The Company, its stockholders, 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, in addition to those included in the Regulations of the New Market, the Market Arbitration Chamber , the Sanctions Regulation and the Contract for Participation in the New Market.

b) Stock option plan

On November 24, 2014, the Annual General Meeting approved the stock option plan to the Company's statutory board members and the current Chairman of the Board of Directors (Beneficiaries), as Long Term Incentive Plan (ILP). The long term incentive plan's main purposes are: (i) to align the interests of the Plan Beneficiaries with the Company's Shareholders, (ii) to motivate and incentive the participants, (iii) attract, and specially, retain talents. Besides the Annual stock option plan, the Additional stock option plan could also be approved.

The options are granted to the Beneficiaries at a purchase or exercise price equivalent to the average price quotations at Stock Exchanges (weighted by the volume) of the last 30 days prior to the option-granting date, except for: (i) the exercise price established for the 1st Annual Program, (which was established based on the average price quotations in Stock Exchanges (weighted by the volume) of the last 30 days prior to April 11, 2014); and (ii) the exercise price established for the 1st Additional Program, calculated as the sum of (a) the average price quotations in Stock Exchanges (weighted by the volume) over the last 30 days prior to April 11, 20-14, and (b) the price quotation of the Company's shares on May 26, 2009, divided by 2.

The Beneficiaries will be able to exercise their options three years after the grant date (vesting period), except when it comes to the 1st Annual Program, under which the options can be exercised three years after April 11, 2014. The stock options: (i) will be exercised on a progressive basis, that is: 33% in the third year, 33% in the fourth year and 34% in the fifth year, and (ii) must be exercised within up to eight months after the acquisition of each exercise right or no later than December 31 (or the previous business day, in the event that December 31 falls on a non-business day), in the year when the right was acquired, whichever comes first (the "Exercise Term"). In case of restrictions regarding the trading of the Company's shares during the Exercise Term, the final date of the Exercise Term will be postponed for the same number of days of the restriction.

The stock options (purchase or subscription) resulting from the Additional Program will abide by the same criteria and term as those of the Annual Program, except for the 1st Additional Program, in which the options can be exercised from April 30, 2017 to December 31, 2017.

		Shares quantities					Year Average price (R$)
		Granted option	Exercised options	Canceled Options(*)	Share option in market	Share option to exercise	
(a)	Granted in 04/11/2014	574,416	-	(45,031)	-	-	17.56
(b)	Granted in 04/11/2014	213,644	-	-	-	-	12.03
(a)	Granted in 04/11/2015	788,060	-	-	-	-	16.75
Position as at December 31, 2015		**1,576,120**	**-**	**(45,031)**	**-**	**-**	

(*) The canceled options refers to granted options to beneficiaries resigned

(a) Annual program.
(b) Additional program.

c) Carrying value adjustments

Includes the balance of asset revaluations made in 1990 for the Land and buildings accounts and, in 2005, for the Machinery and equipment account, with a residual balance at December 31, 2015 amounting to R$12,241 (R$ 13,811 in 2014) and R$61,052 (R$ 75,525 in 2014), respectively, 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.

The remaining balance of the "Carrying value adjustments" account refers to the effects arising from translating the balance of subsidiaries operating with a functional currency other than the currency in which these financial statements are presented, as disclosed in Note 2.

d) Revenue reserves

- **Legal reserve**

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

- **Investment reserve**

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

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
2014	73,887	-	554,695	84,364
2015	118,151	-	672,846	42,931
			672,846	**671,610**

(*) Refer to strategic investment in property, plant and equipment for expansion of the production capacity.

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

e) Allocation of profits

Stockholders are entitled to receive a minimum dividend of 25% of the net income for the year, adjusted in accordance with the provisions of Article 202 of Law 6,406/76.

The change in the allocation of profit for 2015 compared to 2014, which is subject to the approval of the stockholders at the General Meeting, is as follows:

Dividend calculation basis	2015	2014
Net income for the year	220,126	89,212
Transfer to legal reserve (5%)	11,006	4,461
	209,120	**84,751**
Proposal for allocation (*)		
Interest on capital, gross	107,010	25,391
	107,010	**25,391**

(*) For shares outstanding at the reporting date

Unit amount per share	2015	2014
Interest on capital, gross	0.74221	0.17611
Total proposed for distribution	**0.74221**	**0.17611**

The proposed dividends, paid as interest on capital, net of tax effects (15% of Withholding Income Tax (IRRF), correspond to 43% of profit (25% at December 31, 2014) after legal appropriations.

On August 12, 2015, the Board of Directors, according to CVM Instruction 358/2002, approved the payment of interest on capital, with a gross amount of R$107,010 (R$0.74 per share). The interest on capital will be included in the dividend relating to the year ended December 31, 2015 at the net amount of R$99,092. The Company paid this interest on capital on August 25, 2015.

On December 17, 2014, the Board of Directors approved the payment of interest on capital at the gross amount of R$ 25,391 (R$ 0.18 per share). The interest on capital was included in the dividend relating to the year ended December 31, 2015 at the net amount of R$ 21,582 (R$ 0.15 per share). The Company paid this interest on capital on December 30, 2014.

The balance transferred to the investment reserve includes the portion of the profit for the year which was not allocated, in the amount of R$102,108 (R$ 59,361 in 2014), plus the realized portion of carrying value adjustment of R$16,043 (R$ 14,526 in 2014).

21. REVENUE

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

	Parent company		Consolidated	
	2015	2014	2015	2014
Gross revenue	2,333,427	2,341,423	3,673,284	3,389,852
Returns and rebates	(47,559)	(38,560)	(75,609)	(59,352)
Revenue net of returns and rebates	**2,285,868**	**2,302,863**	**3,597,675**	**3,330,500**
Taxes on sales and services	(170,679)	(215,839)	(170,679)	(215,839)
Revenue	**2,115,189**	**2,087,024**	**3,426,996**	**3,114,661**
Revenue				
Domestic market	621,655	852,732	621,655	852,732
Foreign market	1,493,534	1,234,292	2,805,341	2,261,929
	2,115,189	**2,087,024**	**3,426,996**	**3,114,661**

22. COSTS AND EXPENSES BY NATURE

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

	Parent company		Consolidated	
	2015	2014	2015	2014
Raw materials and processing materials	842,870	895,159	1,439,475	1,404,351
Maintenance and consumption materials	131,979	129,459	237,002	218,521
Salaries and social charges	445,730	418,535	654,673	582,587
Profit sharing	50,259	40,417	59,727	41,496
Social benefits	110,747	102,824	115,808	106,868
Electrical power	109,070	46,076	163,495	106,402
Freight and commission on sales	54,985	58,806	93,699	91,713
Management fees	12,964	9,504	12,964	9,504
Other costs	30,411	28,169	54,040	46,010
	1,789,015	***1,728,949***	***2,830,883***	***2,607,452***
Depreciation	140,891	128,492	201,692	166,240
Total costs and expenses	**1,929,906**	**1,857,441**	**3,032,575**	**2,773,692**
Cost of products sold	1,763,524	1,705,861	2,776,855	2,547,808
Selling expenses	74,476	76,799	131,226	124,058
Administrative expenses	78,942	65,277	111,530	92,322
Management fees	12,964	9,504	12,964	9,504
Total costs and expenses	**1,929,906**	**1,857,441**	**3,032,575**	**2,773,692**

23. FINANCE RESULT

	Parent company		Consolidated	
Finance result	**2015**	**2014**	**2015**	**2014**
Financial liabilities at amortized cost	***(147,443)***	***(122,302)***	***(145,370)***	***(121,480)***
Borrowing	(147,309)	(121,285)	(145,236)	(120,463)
Financing of taxes and social security charges	-	(893)	-	(893)
Notes payable and other financial liabilities	(134)	(124)	(134)	(124)
Derivative financial instruments	***(112)***	***(865)***	***(112)***	***(865)***
Interest rate swaps	(112)	(865)	(112)	(865)
Other finance costs	***(1,072)***	***(2,756)***	***(3,766)***	***(9,098)***
Total finance costs	**(148,627)**	**(125,923)**	**(149,248)**	**(131,443)**
Financial assets at fair value through profit or loss	***5,378***	***8,141***	***5,378***	***8,141***
Credits - Eletrobrás	4,116	7,137	4,116	7,137
Financial investments	1,119	1,115	1,119	1,115
Investments in equity instruments	143	(111)	143	(111)
Loans and receivables	***97,507***	***73,029***	***99,714***	***73,029***
Cash and cash equivalents	97,507	73,029	99,714	73,029
Tax credits and other finance income	***4,026***	***(2,581)***	***2,766***	***5,431***
Total finance income	**106,911**	**78,589**	**107,858**	**86,601**
Derivative financial instruments	***-***	***5,598***	***-***	***5,598***
Non Deliverable Forward (NDF)	-	5,598	-	5,598
Foreign exchange differences	***50,052***	***5,154***	***55,973***	***1,547***
Foreign exchange variations, net	**50,052**	**10,752**	**55,973**	**7,145**
Net finance result	**8,336**	**(36,582)**	**14,583**	**(37,697)**

24. OTHER OPERATING INCOME (EXPENSES)

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Constitution and restatement of provision	(20,929)	2,328	(21,087)	424
Disposals of property, plant and equipment	3,092	(9,872)	3,357	(10,584)
PIS/COFINS credits - Law 9,718/98	-	3,849	-	3,849
Gain (loss) on the sale of unusable assets and write-off of third party tools and other assets	14,384	(2,788)	19,818	2,145
	(3,453)	***(6,483)***	***2,088***	***(4,166)***
Depreciation of non-operating assets	(2,093)	(1,942)	(2,099)	(1,952)
Amortization of intangible assets (Note 14)	-	-	(72,189)	(129,949)
Total other operating expenses, net	**(5,546)**	**(8,425)**	**(72,200)**	**(136,067)**

25. INCOME TAX AND SOCIAL CONTRIBUTION ON THE RESULTS

	Parent company		Consolidated	
	2015	**2014**	**2015**	**2014**
Net income (loss) before tax effects	**238,378**	**144,511**	**336,804**	**167,205**
Income tax rate	34%	34%	34%	34%
Expenses at standard rate	(81,049)	(49,134)	(114,513)	(56,850)
Tax effect of permanent (additions)/exclusions:				
Equity in the results of investees	17,104	(13,622)	-	-
Depreciation of non-operating assets	(712)	(660)	(712)	(660)
Interest on capital	36,384	8,633	36,384	8,633
Tax surcharges on service-providing companies - Mexico	-	-	(4,750)	(3,029)
Effects of property, plant and equipment adjustments	-	-	(3,851)	8,581
Reintegra benefits	5,368	6,935	5,368	6,935
Other permanent (additions) exclusions	4,653	(2,544)	(1,698)	3,918
Effects of different rate in subsidiaries	-	(4,907)	-	(17,049)
Tax effects recorded in the statement of income before foreign exchange impacts	**(18,252)**	**(55,299)**	**(83,772)**	**(49,521)**
Income tax rate before foreign exchange impacts	**8%**	**38%**	**25%**	**30%**
Effect of the functional currency on tax base (a)	-	-	(32,906)	(28,472)
Tax effects recorded in the statement of income	**(18,252)**	**(55,299)**	**(116,678)**	**(77,993)**
Income tax rate - effective	**8%**	**38%**	**35%**	**47%**

a) Effect of the functional currency on tax base

The tax bases of the assets and liabilities of the companies located in Mexico, where the functional currency is the US Dollar, are maintained at their historical amounts, in Mexican Pesos. Because the

changes in the foreign exchange rates impact the tax bases, the foreign exchange effects are recognized as "Deferred tax income and/or expenses".

b) Composition of the tax effects recorded in the statement of income:

	Parent company		Consolidated	
	2015	2014	2015	2014
Tax effects recorded in the statement of income				
Current income tax and social contribution	7,517	2,026	(77,326)	(35,639)
Deferred income tax and social contribution	(25,769)	(57,325)	(39,352)	(42,354)
	(18,252)	**(55,299)**	**(116,678)**	**(77,993)**

26. EARNINGS PER SHARE

	2015	2014
Profit attributable to stockholders of the Company	220,126	89,212
Weighted average number of outstanding shares	144,177,500	144,177,500
Basic earnings per share - R$	**1.52677**	**0.61877**

	2015	2014
Profit attributable to stockholders of the Company	220,126	89,212
Weighted average number of outstanding shares	144,594,622	144,358,658
Diluted earnings per share - R$	**1.52237**	**0.61799**

27. SEGMENT REPORTING

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

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

Hydraulics (formerly industrial products) - manufacturing 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 the information on each reported segment:

a) Reconciliation of revenue, costs and expenses and profit

Consolidated	Automotive		Hydraulics		Total	
	2015	2014	2015	2014	2015	2014
Revenue (Note 21)	3,216,494	2,866,642	210,502	248,019	3,426,996	3,114,661
Costs and expenses, except depreciation (Note 22)	(2,668,901)	(2,421,955)	(161,982)	(185,497)	(2,830,883)	(2,607,452)
Other operating expenses, net, excludes amortization of intangible assets and depreciation (Note 24)	1,970	(3,874)	118	(292)	2,088	(4,166)
EBITDA (according to the methodology of CVM Instruction 527/12)	**549,563**	**440,813**	**48,638**	**62,230**	**598,201**	**503,043**
Depreciation and amortization	(266,196)	(289,344)	(9,784)	(8,797)	(275,980)	(298,141)
Profit before finance result	**283,367**	**151,469**	**38,854**	**53,433**	**322,221**	**204,902**
Finance result, net (Note 23)					14,583	(37,697)
Profit before taxation					**336,803**	**167,205**
Income tax and social contribution (Note 25)					(116,678)	(77,993)
Profit for the year					**220,126**	**89,212**

b) Reconciliation of costs and expenses by segment

Consolidated	Automotive		Hydraulics		Total	
	2015	2014	2015	2014	2015	2014
Raw materials and processing materials	1,371,788	1,321,570	67,687	82,781	1,439,475	1,404,351
Maintenance and consumption materials	223,578	203,214	13,424	15,307	237,002	218,521
Salaries and social charges	616,097	541,777	38,576	40,810	654,673	582,587
Profit sharing	54,052	37,339	5,675	4,157	59,727	41,496
Social benefits	108,756	99,382	7,052	7,486	115,808	106,868
Electrical power	153,271	95,561	10,224	10,841	163,495	106,402
Depreciation	191,908	157,443	9,784	8,797	201,692	166,240
Freight and commission on sales	78,594	71,487	15,105	20,226	93,699	91,713
Management fees	12,165	8,838	799	666	12,964	9,504
Other costs	50,600	42,787	3,440	3,223	54,040	46,010
	2,860,809	**2,579,398**	**171,766**	**194,294**	**3,032,575**	**2,773,692**

c) Reconciliation of assets and liabilities

Consolidated	Automotive		Hydraulics		Total	
ASSETS	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Accounts receivables, net (Note 5)	507,528	380,656	34,571	43,159	542,099	423,815
Inventory (Note 6)	323,395	321,291	64,853	57,930	388,248	379,221
Tools	160,294	120,762	-	1,087	160,294	121,849
Notes and other receivables	24,398	29,910	3,657	5,097	28,055	35,007
Property, plant and equipment (Note 13)	1,873,229	1,681,743	48,403	46,951	1,921,632	1,728,694
Intangible assets (Note 14)	640,857	513,829	-	-	640,857	513,829
Other assets not allocated	-	-	-	-	2,069,995	1,760,515
Total consolidated assets	**3,529,701**	**3,048,191**	**151,484**	**154,224**	**5,751,180**	**4,962,930**

Consolidated	Automotive		Hydraulics		Total	
LIABILITIES	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Accounts payables	270,040	232,827	25,040	23,230	295,080	256,057
Taxes and contributions	32,338	37,041	200	2,273	32,538	39,314
Salaries, social security charges and profit sharing	113,697	107,814	7,732	8,796	121,429	116,610
Advances from customers	123,328	89,181	7,563	6,768	130,891	95,949
Notes and other payables	72,556	51,973	3,623	3,562	76,179	55,535
Deferred tax on intangible assets (Note 19)	156,430	123,388	-	-	156,430	123,388
Other liabilities not allocated	-	-	-	-	2,528,968	2,243,703
Equity	-	-	-	-	2,409,665	2,032,374
Total consolidated liabilities	**768,389**	**642,224**	**44,158**	**44,629**	**5,751,180**	**4,962,930**

Segment specific assets and liabilities are allocated directly to each segment, and criteria relating to applicability and origin are used for common assets and liabilities. 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, borrowing, dividends, provisions, deferred taxes and other long term liabilities are also not allocated to the segments.

d) 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 revenue, as follows:

Consolidated - R$ thousand				
Revenue	**2015**	**%**	**2014**	**%**
Automotive	**3,216,494**	**93.8**	**2,866,642**	**92.0**
Customer A	755,440	22.0	504,642	16.2
Customer B	643,437	18.8	458,249	14.7
Other customers - automotive segment	1,817,617	53.0	1,903,751	61.1
Hydraulics	**210,502**	**6.1**	**248,019**	**8.0**
Total revenue	**3,426,996**	**100**	**3,114,661**	**100**

The sales in the Hydraulics segment are diversified.

e) Information on the countries from which the Company derives revenue

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

Consolidated				
	2015	%	2014	%
North America	**2,046,487**	**59.7**	**1,628,272**	**52.3**
USA	1,253,529	36.6	952,627	30.6
Mexico	716,903	20.9	589,223	18.9
Canada	76,055	2.2	86,422	2.8
South and Central America	**657,975**	**19.2**	**893,449**	**28.7**
Brazil - head office	621,655	18.1	852,732	27.4
Other countries	36,320	1.1	40,717	1.3
Europe	**546,152**	**15.8**	**458,005**	**14.7**
United Kingdom	186,157	5.4	187,581	6.0
Hungary	155,648	4.5	77,108	2.5
Italy	96,612	2.8	62,295	2.0
France	28,569	0.8	40,986	1.3
Netherlands	31,056	0.9	40,892	1.3
Other countries	48,110	1.4	49,143	1.6
Asia, Africa and Oceania	**176,382**	**5.3**	**134,935**	**4.3**
South Africa	73,297	2.1	42,064	1.4
Japan	31,512	0.9	36,321	1.2
Other countries	71,573	2.3	56,550	1.7
Total	**3,426,996**	**100.0**	**3,114,661**	**100.0**

28. 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 flow. These transactions totaled R$7,870 at December 31, 2015 (R$8,938 at December 31, 2014).

29. 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:

	2015	2014
Buildings	422,620	322,693
Machinery and equipment, furniture and fittings	2,827,349	2,280,369
Inventory	385,999	304,254
Loss of profit	839,513	819,745
General civil liability	196,704	128,706
Civil liability - management	63,905	60,000

30. COMMITTMENTS

The Company has commitments for the acquisition of long-lived assets, that is, expenditure contracted at the reporting date but not yet incurred, at a consolidated amount of R$38,612 (R$60,437 at December 31, 2014), which will be settled with the company's own resources.

31. FINANCIAL INSTRUMENTS

		Parent company		Consolidated	
	Note	2015	2014	2015	2014
Loans and receivables		**1,519,778**	**1,281,058**	**2,139,978**	**1,835,652**
Cash and cash equivalents	3	1,139,653	948,978	1,524,622	1,336,916
Accounts receivables	5	299,791	264,175	542,099	423,815
Notes and other financial assets		80,334	67,905	73,257	74,921
Impact on the result (*)		*97,020*	*72,824*	*96,442*	*73,029*
Financial assets at fair value through profit or loss		**114,317**	**110,212**	**120,310**	**114,218**
Financial investments		11,484	10,365	11,484	10,365
Credits - Eletrobrás		102,170	99,327	102,170	99,327
Investments in equity instruments		663	520	6,656	4,526
Impact on the result		*5,378*	*8,141*	*5,378*	*8,141*
Financial liabilities at amortized cost		**2,790,333**	**2,370,342**	**2,876,255**	**2,454,989**
Accounts payables		155,614	157,892	295,080	256,057
Borrowing	15	2,508,419	2,138,592	2,498,246	2,131,502
Dividends and interest on capital		158	139	158	139
Notes payable and other financial liabilities		126,142	73,719	82,771	67,291
Impact on the result		*(147,443)*	*(122,302)*	*(145,370)*	*(121,480)*
Financial liabilities at fair value through profit or loss		**-**	**3,139**	**-**	**3,139**
Derivative financial instruments	32	-	3,139	-	3,139
Impact on the result		*(112)*	*4,733*	*(112)*	*4,733*

(*) Includes the provision for impaired receivables

32. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE OF NET INVESTMENT ABROAD

a) Derivative financial instruments

Parent company and Consolidated

	Characteristic of the transaction		Notional		Fair value	
Identification	Exposure of the principal	Hedge	value	Maturity	2015	2014
Transactions at fair value through profit or loss						
Interest rate swaps	Fixed rate (contractual)	Interbank Deposit Certificate (CDI)	200,000	Jul/15	-	(3,139)
					-	**(3,139)**
Current liabilities					-	(3,139)
					-	**(3,139)**

To mitigate the fixed interest rate risks of BNDES EXIM PSI contracts (Note 10), the Company contracted an interest rate swap transaction on June 15, 2013, 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. This operation was paid in July 15, 2015.

Derivative transactions have no guarantee.

b) Hedges of net investments abroad

With the objective of mitigating the effects of foreign exchange volatility on the results, the Company started adopting the hedge of net investment abroad (net investment hedge) on January 10, 2014.

The Company designated a portion of the export prepayment contracts (Note 15) amounting to US$ 300,000, equivalent to R$ 660,750 (R$ 714,570 on January 6, 2014) as hedging instruments for its investments in subsidiaries in Mexico, Tupy México Saltillo, S.A. de C.V. and Technocast, S.A. de C.V., whose functional currency is the US Dollar. On July 17, 2014, the Company settled an export prepayment contract of US$ 150,000, equivalent to R$ 332,895, which was designated as a hedging instrument for the investments in subsidiaries in Mexico.

On July 22, 2014, the Company designated the export prepayment contract - Tupy Overseas S.A. (Note 15), amounting to US$ 349,000, equivalent to R$ 772,302, as a hedging instrument for the residual portion of the investments in subsidiaries in Mexico.

Consequently, at December 31, 2015, the Company has export prepayment contracts amounting to US$434,714, equivalent to R$1,697,472, designated as hedging instruments for the investments in subsidiaries in Mexico, Tupy México Saltillo, S.A. de C.V. and Technocast, S.A. de C.V., whose functional currency is the US Dollar and whose net assets amount to US$403,122, equivalent to R$1,574,112, representing a 107.8% effectiveness.

In the year ended December 31, 2015, the Company recognized a loss of R$573,769 in "Carrying value adjustments", in equity. This loss results from the foreign currency translation of the export prepayment contracts designated as hedging instruments.

33. FINANCIAL RISK MANAGEMENT

33.1 Financial risk factors

The Company has a financial management policy, which determines limits on exposure to financial risk factors (credit, liquidity and market) and provides guidance on the mechanisms that the Company can use to mitigate them, including the contracting of derivative financial instruments and the utilization of hedge accounting, as well as the forms of monitoring used by management to verify the proper application of the financial management policy.

33.2 Credit risk

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

The Company sets exposure limits for each customer to limit the credit risk on trade receivables, and risks are managed according to specific credit rating criteria, which include an analysis of customers based on their payment ability, indebtedness level, market behavior and history with the Company. Furthermore, the Company carries out quantitative and qualitative analyses of its portfolio of trade receivables in order to determine the provision for probable losses on receivables. As at December 31, 2015, estimated losses on trade receivables amounted to R$2,382 (R$1,985 as at December 31, 2014), representing 0.4% of the consolidated balance of outstanding receivables at that date (0.5% as at December 31, 2014).

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

33.3 Liquidity risk

Liquidity risk is the risk that the Company will have difficulty complying with its obligations associated with financial liabilities that are to be settled in cash or other financial assets. The Company's approach to managing this risk is the maintenance of a minimum cash. In compliance with the financial management policy, which is aimed at ensuring that the Company has sufficient liquidity to settle its obligations without incurring losses or affecting its operations. This minimum cash amount corresponds to a three month projection of: operating cash generation and investments in property, plant and equipment and intangible assets, plus the balance of the short term borrowing, net of derivative instruments. Moreover, the Company manages its investment portfolio using limits on concentration on individual financial institutions, in addition to global and local ratings.

The contractual maturities of financial liabilities are as follow:

Consolidated	Contractual cash flow					
FINANCIAL LIABILITIES	6 month or less	6 to 12 months	1 to 2 years	2 to 5 years	More than 5 years	Total flow
Borrowing	406,374	185,154	455,386	639,502	1,739,075	3,425,491
Trade payables and notes and other payables	371,259	-	-	-	-	371,259
Dividends payable	158	-	-	-	-	158
	777,791	**185,154**	**455,386**	**639,502**	**1,739,075**	**3,796,908**

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

33.4 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 exposure to market risks within acceptable limits, while optimizing returns.

Interest rate risk

This risk refers to the Company's financial investments and borrowing. The financial instruments with floating rates expose the Company to cash flow variation risk, whereas the financial instruments with fixed rates expose the Company to fair value risk. The Company uses derivative financial instruments, as follow:

Consolidated			
	Note	2014	2013
Floating rate instruments		**661,510**	**237,686**
Financial assets		1,085,713	925,423
Financial liabilities	15	(424,203)	(487,737)
Derivative financial instruments - notional	32	-	(200,000)
Fixed rate instruments		**(1,624,871)**	**(1,025,294)**
Financial assets		449,172	418,471
Financial liabilities	15	(2,074,043)	(1,643,765)
Derivative financial instruments - notional	32	-	200,000

Sensitivity analysis of variations in floating interest rates

The Company has financial investments exposed to the CDI rate variation, as well as borrowing linked to the TJLP and LIBOR rates.

The fluctuations in interest rates 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 - Normative Instruction 475				
Floating rate instruments	Risk	Disclosed	Probable	+25%	+50%	-25%	-50%
In Brazilian Reais							
Investments	**Interest rate (CDI - % p.a.)**	**14.14**	**15.25**	**19.06**	**22.88**	**11.44**	**7.63**
Financial assets		1,085,713	1,085,713	1,085,713	1,085,713	1,085,713	1,085,713
Potential impact		-	-	35,916	71,831	(37,144)	(76,920)
Borrowing	**Interest rate (TJLP - % p.a.)**	**7.25**	**8.00**	**10.00**	**12.00**	**6.00**	**4.00**
Financial liabilities		86,180	86,180	86,180	86,180	86,180	86,180
Potential impact		-	-	(1,596)	(3,192)	1,626	3,315
In US Dollars							
Borrowing	**Interest rate (Libor - %)**	**0.85**	**1.46**	**1.83**	**2.19**	**1.10**	**0.73**
Financial liabilities		338,023	338,023	338,023	338,023	338,023	338,023
Potential impact		-	-	(1,216)	(2,432)	1,220	2,450

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowing denominated in currencies other than the Company´s functional currency, the Brazilian Real. Transactions carried out in foreign currency are mainly denominated is US Dollars.

The Company manages its exposure to foreign exchange rates through a combination of debts, financial investments, accounts receivable and export revenue in foreign currency, and the hedge of the net investment abroad. The Company's exposure to foreign currency risk, considering the subsidiaries that use the Brazilian Real (R$) as their functional currency, is as follows:

Consolidated			
Net exposure impacting profit	**Note**	**2015**	**2014**
Assets		**284,073**	**202,313**
Cash and cash equivalents abroad		64,426	30,830
Customers in the foreign market		219,647	171,489
Liabilities		**(301,919)**	**(137,020)**
Borrowing in foreign currency	15	(1,775,623)	(1,335,158)
Hedge of net investment abroad	32	1,579,806	1,268,525
Other amounts		(106,101)	(70,387)
Net exposure impacting profit			
In thousands of R$		(17,845)	65,299
In thousands of US$		(4,570)	24,584

Subsidiaries that use a functional currency other than the Brazilian Real have limited exposure to the Mexican Peso and the Euro.

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 variables are evaluated with a 25% and 50% fluctuation 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 - Normative Instruction 475			
	Disclosed	**Probable**	**+25%**	**+50%**	**-25%**	**-50%**
US Dollar rate	**3.9048**	**4.14**	**5.18**	**6.21**	**3.11**	**2.07**
Asset position	284,073	301,184	376,844	451,776	226,252	150,592
Liability position	(301,919)	(320,104)	(400,517)	(480,156)	(240,465)	(160,052)
Net exposure (R$ thousand)	(17,845)	(18,920)	(23,673)	(28,380)	(14,213)	(9,460)
Net exposure (US$ thousand)	(4,570)	(4,570)	(4,570)	(4,570)	(4,570)	(4,570)
Potential impact (R$ thousand)	**-**	**(1,075)**	**(5,828)**	**(10,535)**	**3,632**	**8,385**

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 monitors these prices, in order to pass on to customers any changes in its input prices.

33.5 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 its operating risk to avoid losses and damage to its reputation, and to seek cost efficiencies.

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

33.6 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for its stockholders and benefits for 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 can propose to the stockholders, when their approval is required) adjustments to the amount of dividends paid to stockholders, return capital to stockholders, issue new shares or sell assets to reduce, for example, debt.

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

The relationship between own capital versus third party capital, at the end of each year, was as follows:

Consolidated		
	2015	2014
Own capital		
Equity	2,409,665	2,032,374
Third party capital		
Total current and non-current liabilities	3,341,515	2,930,556
Cash and cash equivalents	(1,524,622)	(1,336,916)
Own capital versus third party capital ratio	**1.33**	**1.28**

33.7 Fair value

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

All financial instruments classified as financial assets and financial liabilities at fair value through profit or loss (Note 32) and the fair value of the borrowing disclosed in Note 15 are calculated by discounting the future contractual cash flow at the current market interest rate that is available to the Company for similar financial instruments.

The valuation techniques used by the Company are classified at Level 2 of the fair value hierarchy. The fair values of financial instruments that are not traded in an active market (Level 2) are determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely to the minimum extent possible on Company-specific estimates.

33.8 Credit quality of financial assets

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

	Parent company		Consolidated	
	2015	2014	2015	2014
Counterparties with external credit ratings*				
Cash and cash equivalents	**1,139,653**	**948,978**	**1,524,622**	**1,336,916**
AAA	209,892	695,110	363,092	1,035,482
AA+	929,754	253,868	1,129,049	285,592
A+/A/A-	7	0	25,455	13,966
Other	-	-	7,026	1,876
Financial investments				
AA+	11,484	10,365	11,484	10,365
Credits - Eletrobrás				
AA-	102,170	99,327	102,170	99,327
Counterparties without external credit rating				
Trade receivables	**299,791**	**264,175**	**542,099**	**423,815**
Low risk	286,822	244,568	524,269	402,616
Moderate risk	10,815	18,421	15,676	20,013
High risk	2,154	1,186	2,154	1,186
Other financial assets	**80,997**	**68,425**	**79,913**	**79,447**
Total	**1,634,095**	**1,391,270**	**2,260,288**	**1,949,870**

(*) The Company considers, for the classification of risk, the lowest rating between the 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.

* * *



Independent auditor's report

To the Board of Directors and Shareholders
Tupy S.A.

We have audited the accompanying financial statements of Tupy S.A. ("Parent Company"), which comprise the balance sheet as at December 31, 2015 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Tupy S.A. and its subsidiaries ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2015 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 these financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB), 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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Tupy S.A and of Tupy S.A. and its subsidiaries as at December 31, 2015, and the parent company and consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the

International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Other matters

Supplementary information - statements of value added

We also have audited the parent company and consolidated statements of value added for the year ended December 31, 2015, which are the responsibility of the Company's management. The presentation of these statements is required by the Brazilian corporate legislation for listed companies, but they are 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, March 3, 2016

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

Maurício Colombari
Contador CRC 1SP195838/O-3 "S" SC

OPINION OF THE FISCAL COUNCIL

The Fiscal Council of **TUPY S.A.**, in the course of its legal and statutory activities, has analyzed the Company's management report and the financial statements for the year ended December 31, 2015, which comprise the balance sheet and the statements of income, comprehensive income, changes in equity, cash flow 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 all of the 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 March 3, 2016, 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, March 3, 2016

João Augusto Monteiro
President

Claudio Morais Machado

Denise Lopes Vianna

OPINION OF THE AUDIT AND RISKS COMMITTEE

The Audit and Risks Committee of Tupy S.A., a Board of Directors' non-statutory body, in conformity with Article 9, paragraph 1, item 3, of CVM Instruction 481/2009, is responsible for supporting the Board of Directors, ensuring for the quality and integrity on the financial statements, in compliance with the legal and regulatory requirements in terms of the procedures, independence and quality for external and internal audit activities, and also for the quality and effectiveness of the risk management and internal control systems of the Company.

This Committee consists of three members, one of whom is also a Board of Directors member and the others are external.

During the year of 2015 the committee had fifteen meetings, with the assistance of directors and managers from areas, external audit, also with the main individuals responsible for the Company's controls and risk areas.

During their activities, they analyzed: scoping, issues reported and the efficiency of external audit reporting; the internal audit annual plan and execution; examining internal control systems and risk management, and the external audit review of quarterly information, two additional audits made during the fiscal year and the annual exam from financial statements.

In addition, the committee monitors the ERP system implementation, the maintenance of provisions and contingent assets and liabilities, the internal hotline reports, and monitoring the progress of action plans based on the external and internal audit recommendations.

Based on the activities carried out in the period and considering that all relevant issues were mentioned by the Board of Directors, as well as on the analyses of the Management Report, together with the parent company and consolidated financial statements and the accompanying notes issued on March 3, 2016 by PricewaterhouseCoopers Auditores Independentes, recommends that the Board of Directors approve and disclose the financial statements of Tupy S.A. for 2015.

Joinville, March 3, 2016

João Verner Juenemann
Coordinator

Maria Carmen Westerlund Montera Renê Sanda

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