

# TUPY - Global reference in castings

A free translation of the original in Portuguese



## 4Q14 Highlights

**Record EBITDA margin in a still challenging domestic scenario.**

### Conference Call

**Date:** 02/27/2014

**English/Portuguese**

**09:00 AM (ET) / 11:00 AM (BRT)**

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- **Sales volume:** 129.2 thousand tons – 15.9% lower than 4Q13. In 2014, sales volume reached 586.7 thousand tons.
- **Revenues:** R\$746.1 million – 4.4% decrease compared to same quarter in 2013. In 2014, revenues were R\$3.1 billion.
- **Gross Profit:** R\$152.9 million – 20.5% margin over revenues – 3.5 p.p. higher than 4Q13. In 2014, gross profit hit R\$566.9 million, 18.2% margin over revenues.
- **Adjusted EBITDA:** R\$140.1 million – 59.3% increase compared to 4Q13 and equivalent to 18.8% of revenues in 4Q14, best margin for the 4Q since 2008. In 2014, EBITDA was R\$507.2 million – 16.3% margin over revenues.
- **Net income:** R\$9.6 million – 1.3% over revenues. In 2014, net income reached R\$89.2 million, 2.9% over revenues.
- **Investments:** R\$218.4 million in 2014 – 3.8% increase compared to 2013.

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SUMMARY OF RESULTS

Consolidated (R\$ Thousands)						
SUMMARY	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>Revenues</b>	<b>746,148</b>	<b>780,446</b>	<b>-4.4%</b>	<b>3,114,661</b>	<b>3,122,984</b>	<b>-0.3%</b>
Cost of goods sold	(593,262)	(647,755)	-8.4%	(2,547,808)	(2,554,117)	-0.2%
<b>Gross profit</b>	<b>152,886</b>	<b>132,691</b>	<b>15.2%</b>	<b>566,853</b>	<b>568,867</b>	<b>-0.4%</b>
<i>% over revenues</i>	20.5%	17.0%		18.2%	18.2%	
Operating expenses	(56,859)	(56,304)	1.0%	(225,884)	(225,080)	0.4%
Other net operating expenses	(64,451)	(28,374)	127.1%	(136,067)	(85,110)	59.9%
<b>Income before financial result</b>	<b>31,576</b>	<b>48,013</b>	<b>-34.2%</b>	<b>204,902</b>	<b>258,677</b>	<b>-20.8%</b>
<i>% over revenues</i>	4.2%	6.2%		6.6%	8.3%	
Net financial result	(8,687)	(27,074)	-67.9%	(37,697)	(135,660)	-72.2%
<b>Net income before income taxes</b>	<b>22,889</b>	<b>20,939</b>	<b>9.3%</b>	<b>167,205</b>	<b>123,017</b>	<b>35.9%</b>
<i>% over revenues</i>	3.1%	2.7%		5.4%	3.9%	
Income tax and social contribution	(13,278)	(4,793)	177.0%	(77,993)	(36,696)	112.5%
<b>Net income</b>	<b>9,611</b>	<b>16,146</b>	<b>-40.5%</b>	<b>89,212</b>	<b>86,321</b>	<b>3.3%</b>
<i>% over revenues</i>	1.3%	2.1%		2.9%	2.8%	
<b>EBITDA (according to CVM 527/12 inst.)</b>	<b>163,200</b>	<b>102,458</b>	<b>59.3%</b>	<b>503,043</b>	<b>463,966</b>	<b>8.4%</b>
<i>% over revenues</i>	21.9%	13.1%		16.2%	14.9%	
<b>Adjusted EBITDA</b>	<b>140,066</b>	<b>114,995</b>	<b>21.8%</b>	<b>507,209</b>	<b>490,129</b>	<b>3.5%</b>
<i>% over revenues</i>	18.8%	14.7%		16.3%	15.7%	
<b>Average exchange rate (R\$/US\$)</b>	<b>2.554</b>	<b>2.290</b>	<b>11.5%</b>	<b>2.360</b>	<b>2.174</b>	<b>8.6%</b>

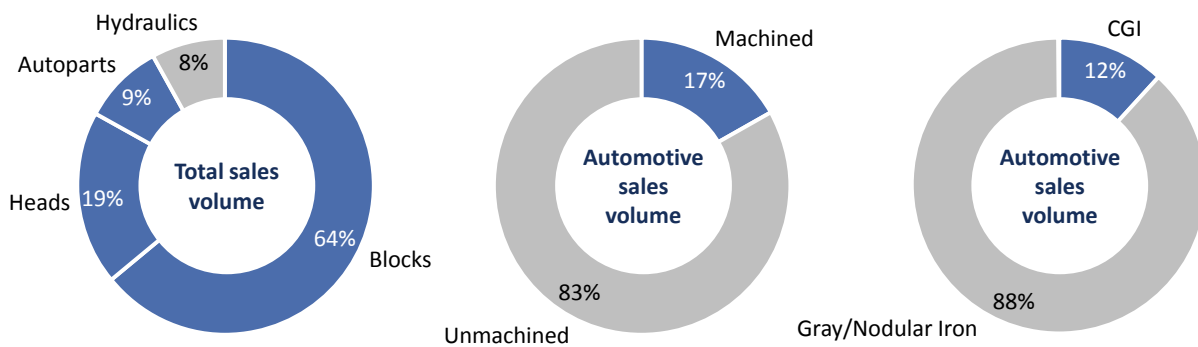
 SALES VOLUME

Consolidated (Tonnes)						
	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>Domestic market</b>	<b>34,158</b>	<b>46,519</b>	<b>-26.6%</b>	<b>161,850</b>	<b>210,701</b>	<b>-23.2%</b>
Automotive	28,145	38,997	-27.8%	136,788	179,623	-23.8%
Hydraulics	6,013	7,522	-20.1%	25,062	31,078	-19.4%
<b>Foreign market</b>	<b>95,080</b>	<b>107,198</b>	<b>-11.3%</b>	<b>424,815</b>	<b>424,105</b>	<b>0.2%</b>
Automotive	90,515	102,247	-11.5%	405,362	406,594	-0.3%
Hydraulics	4,565	4,951	-7.8%	19,453	17,511	11.1%
<b>Total sales volume</b>	<b>129,238</b>	<b>153,717</b>	<b>-15.9%</b>	<b>586,665</b>	<b>634,806</b>	<b>-7.6%</b>

The sales volume decreased 15.9% compared to 4Q13 (in 2014, -7.6% vs. 2013) due to the 26.6% retraction in sales to the domestic market in the period (in 2014, -23.2% vs. 2013), reflecting the decline in sales and production of vehicles in all segments in Brazil. On its turn, foreign markets presented 11.3% decline (in 2014, +0.2% vs. 2013) following the retraction of the off-road market and substitution of product lines for commercial vehicles.

In relation to Tupy’s business segmentation, 91.8% of the sales volume came from the automotive segment, especially iron engine blocks and heads. The remaining 8.2% came from the hydraulic products.

The automotive product portfolio was composed by approximately 17% of machined products (vs. 13% in 4Q13), and 83% of unmachined products (vs. 87% in 4Q13). The distribution by alloy points to 12% of sales volume in CGI (*Compacted Graphite Iron*) (vs. 9% in 4Q13), and 88% in other alloys (vs. 91% in 4Q13).



## REVENUES

Revenues presented a 4.4% decrease in comparison with 4Q13 (in 2014, -0.3% vs. 2013). As a result of the sales volumes performance, revenues from the domestic market dropped 20.1% (in 2014, -17.6% vs. 2013), being partially offset by a 2.3% growth in the foreign market revenues (in 2014, +8.3% vs. 2013).

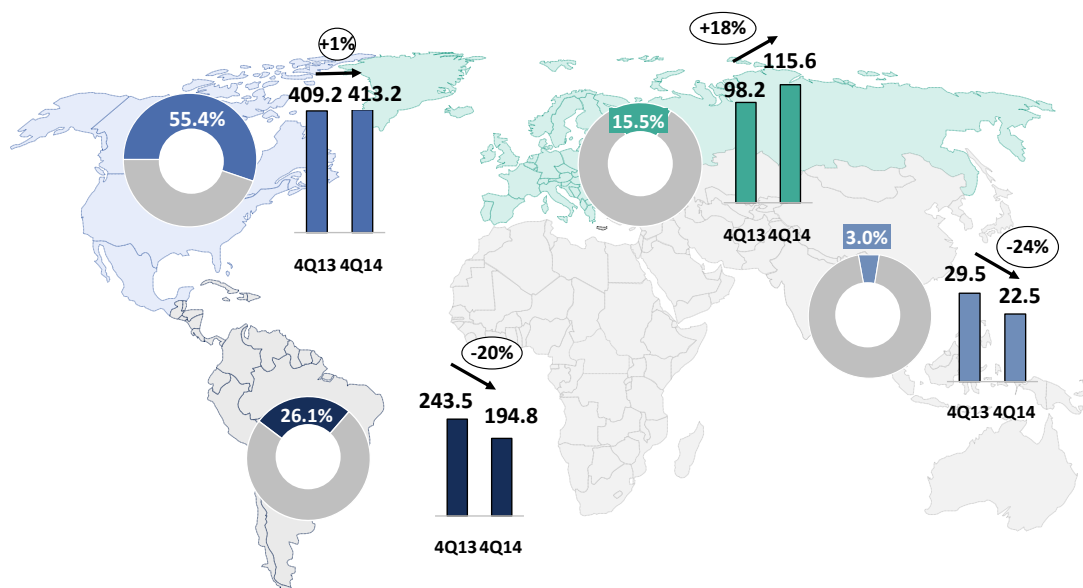
We positively highlight in 4Q14 revenues from the application of our products on the light vehicles segment in the foreign market. On the other hand, performance was negatively affected by all revenue sources in the domestic market.

The 11.5% depreciation of the average exchange rate in 4Q14 (2.55 R\$/US\$) against 4Q13 (2.29 R\$/US\$) benefitted revenues from foreign sources for all applications.

Consolidated (R\$ Thousands)						
	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>Revenues by market</b>	<b>746,148</b>	<b>780,446</b>	<b>-4.4%</b>	<b>3,114,661</b>	<b>3,122,984</b>	<b>-0.3%</b>
Domestic market	186,480	232,528	-20.1%	852,732	1,035,353	-17.6%
% Share	25,0%	29,8%		27,4%	33,2%	
Foreign market	559,668	547,918	2.3%	2,261,929	2,087,631	8.3%
% Share	75,0%	70,2%		72,6%	66,8%	
<b>Revenues by segment</b>						
Automotive	681,555	715,525	-4.7%	2,866,642	2,870,063	-0.1%
% Share	91,3%	91,7%		92,0%	91,9%	
Hydraulics	64,593	64,921	-0.5%	248,019	252,921	-1.9%
% Share	8,7%	8,3%		8,0%	8,1%	

### Revenues by market and performance in the period

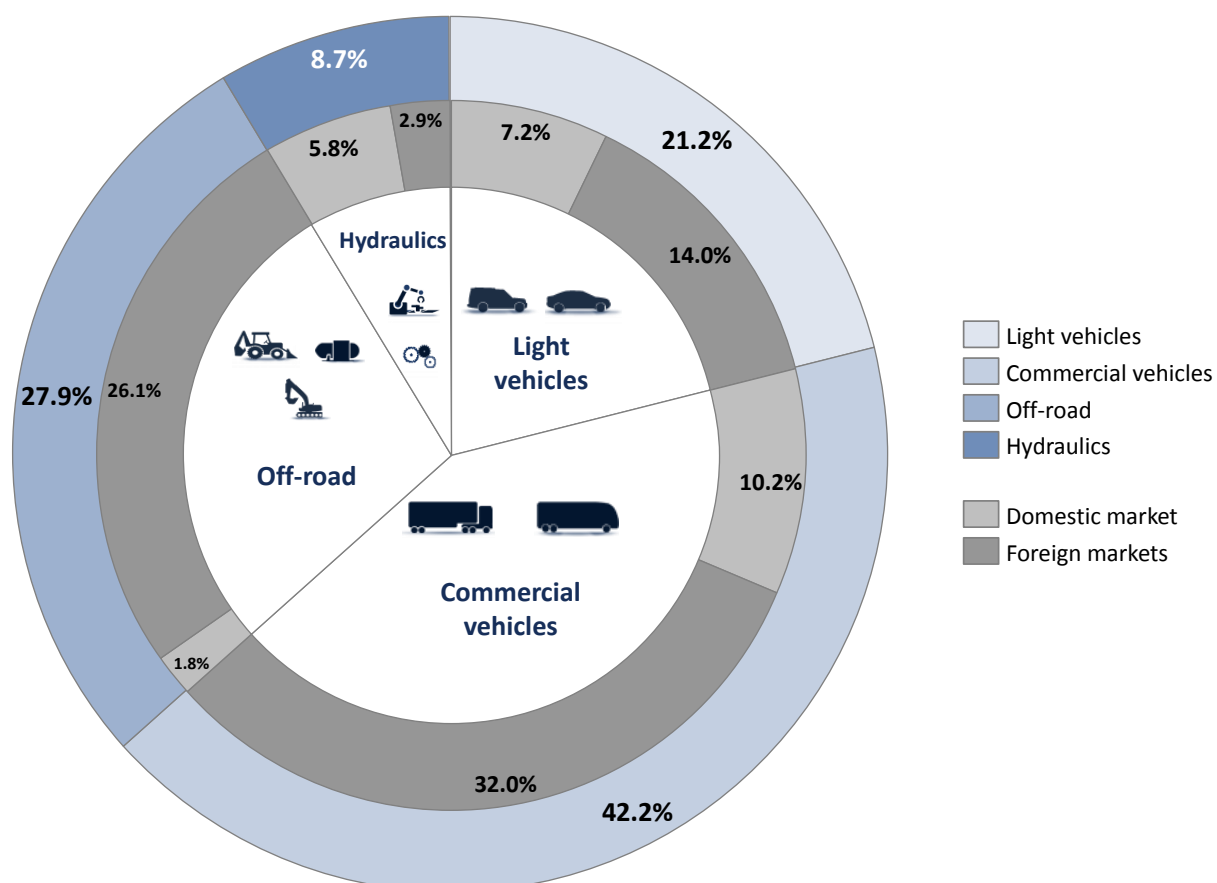
During 4Q14, North America was responsible for 55.4% of Tupy's revenues. In turn, South and Central America represented 26.1%, Europe accounted for 15.5% and the remaining 3.0% came from Asia, Africa and Oceania.



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Consolidated (R\$ Thousands)

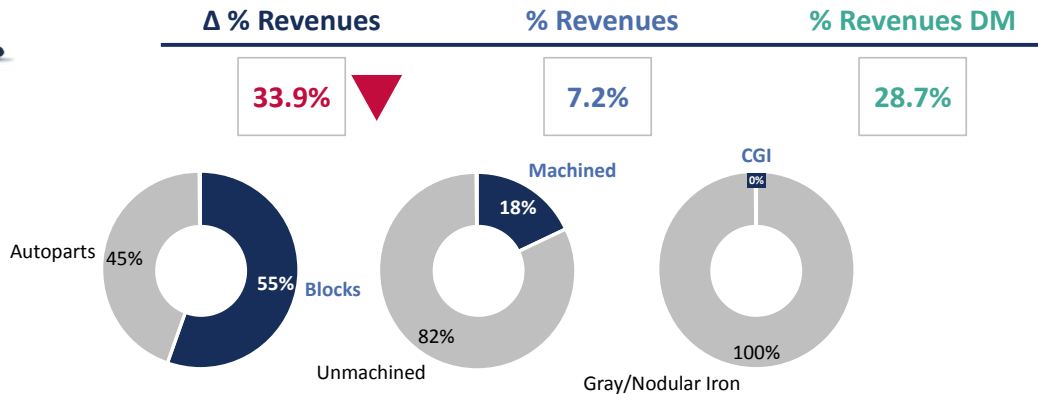
REVENUES BY MARKET AND APPLICATION	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>Revenues</b>	<b>746,148</b>	<b>780,446</b>	<b>-4.4%</b>	<b>3,114,661</b>	<b>3,122,984</b>	<b>-0.3%</b>
<b>Domestic market</b>	<b>186,480</b>	<b>232,528</b>	<b>-19.8%</b>	<b>852,732</b>	<b>1,035,353</b>	<b>-17.6%</b>
<b>Automotive</b>	<b>143,061</b>	<b>187,902</b>	<b>-23.9%</b>	<b>687,286</b>	<b>850,235</b>	<b>-19.2%</b>
Light vehicles	53,548	80,955	-33.9%	247,673	354,036	-30.0%
Commercial vehicles	75,841	91,292	-16.9%	374,361	420,983	-11.1%
Off-road	13,672	15,655	-12.7%	65,252	75,216	-13.2%
<b>Hydraulics</b>	<b>43,419</b>	<b>44,626</b>	<b>-2.7%</b>	<b>165,446</b>	<b>185,118</b>	<b>-10.6%</b>
<b>Foreign market</b>	<b>559,668</b>	<b>547,918</b>	<b>2.1%</b>	<b>2,261,929</b>	<b>2,087,631</b>	<b>8.3%</b>
<b>Automotive</b>	<b>538,494</b>	<b>527,623</b>	<b>2.1%</b>	<b>2,179,356</b>	<b>2,019,828</b>	<b>7.9%</b>
Light vehicles	104,466	98,478	6.1%	407,316	388,221	4.9%
Commercial vehicles	239,070	246,804	-3.1%	973,619	923,533	5.4%
Off-road	194,958	182,341	6.9%	798,421	708,074	12.8%
<b>Hydraulics</b>	<b>21,174</b>	<b>20,295</b>	<b>4.3%</b>	<b>82,573</b>	<b>67,803</b>	<b>21.8%</b>



In some cases, the same product is used in passenger and commercial vehicles, or off-road; therefore, it is not possible to measure their application precisely. Thus, we adopt assumptions of division between applications, considering our best inference.

**DOMESTIC MARKET (DM)**

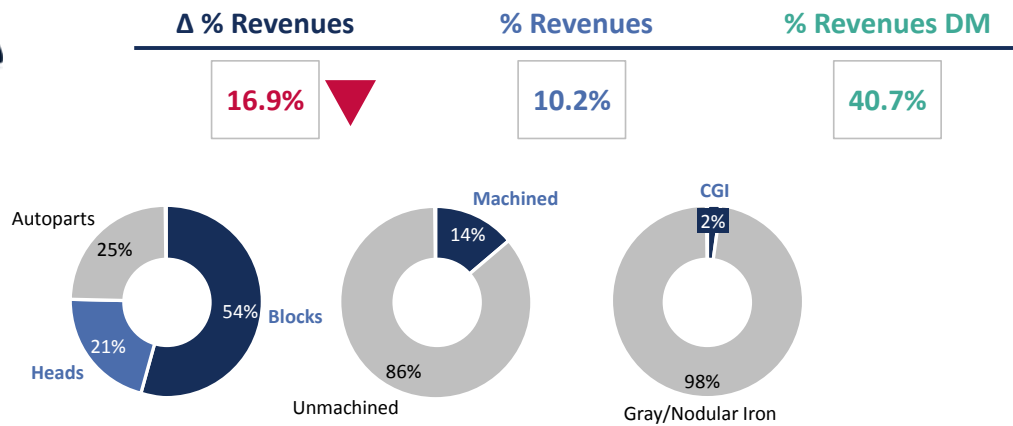
**Light Vehicles**



The demand anticipation due to the full resumption of IPI compensated, albeit partially, the effects of the decrease in consumers' confidence, leading to a 1.4% reduction in light vehicle sales in the period. In this sensitive macroeconomic context, OEMs have anticipated year end furloughs, which led to a decrease in production (-8.6% vs. 4Q13).

As a consequence of the negative scenario of light vehicles production, revenues from the sales of Tupy's automotive products for this application fell 33.9% in the quarter (in 2014, -30.0% vs. 2013). In addition to market factors, light vehicles applications suffered an impact from the phase-out of certain projects due to the migration to aluminum. The loss of market share due to the material substitution represented 56% of the revenues decrease in 4Q14, in line with the Company's expectations.

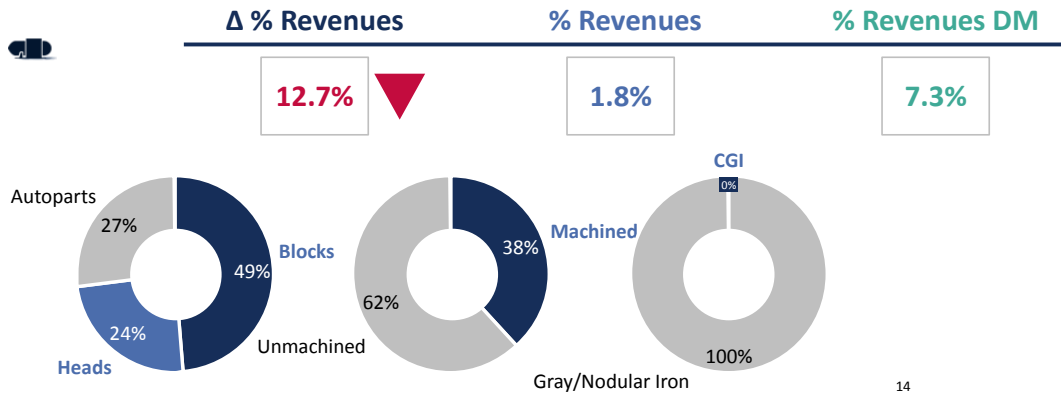
**Commercial Vehicles**



The demand anticipation due to the uncertainties regarding the new rules of FINAME compensated, albeit partially, the effects of the slower rhythm of macroeconomic activity and a slower growth of agricultural income, leading to a 3.6% reduction of commercial vehicle sales throughout 4Q14 against the same period in the previous year (see attachment II). In turn, the reduction in industry confidence indexes and new inventory adjustment measures reduced production by 28.8% against 4Q13.

In this scenario, revenues from automotive products with commercial vehicle applications in the domestic market fell 16.9% in 4Q14 (in 2014, -11.1% vs. 2013).

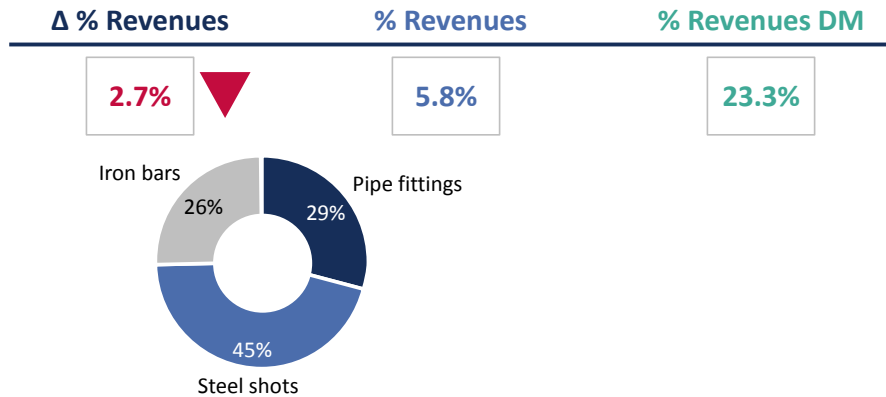
Off-road



Following the performance of national economic activity and the global reduction of commodities' prices, sales and production of agricultural machinery in Brazil suffered a decrease in 4Q14 of 15.7% and 24.3%, respectively, when compared to 4Q13 (see attachment III).

As result, revenues from the sales of automotive products for off-road applications decreased 12.7% in comparison to 4Q13 (in 2014, -13.2% vs. 2013).

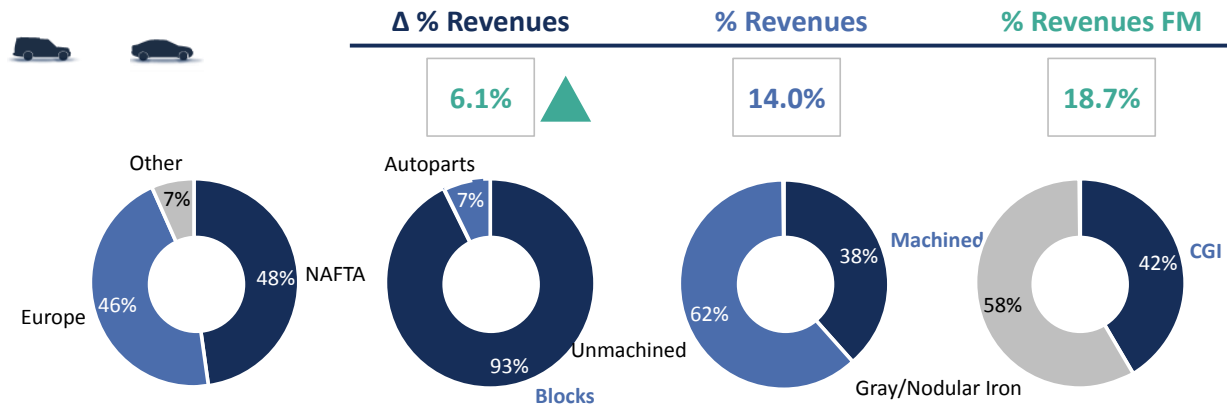
Hydraulics



Still reflecting the national macroeconomic situation, coupled with the reduction on the sales of civil construction materials, revenues from the sales of pipe fittings, steel shots and iron bars in the domestic market fell 2.7% in 4Q14 against the same period in 2013 (in 2014, -10.6% vs. 2013).

**FOREIGN MARKETS (FM)**

**Light Vehicles**

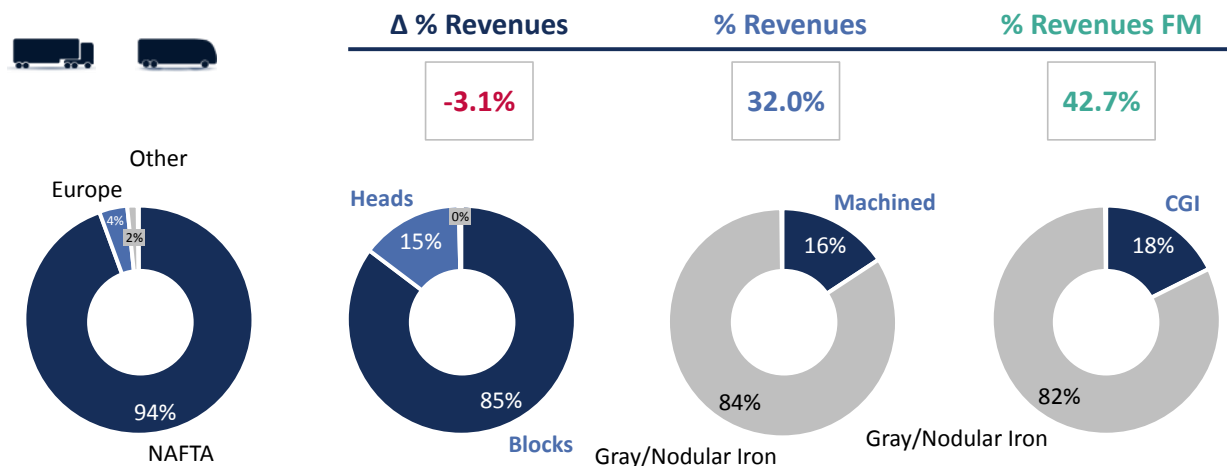


The increase in consumer confidence indicators led to a 3.5% growth in light vehicles sales in 4Q14 in the United States (see attachment IV). In turn, production fell 6.6% over the same period, led by the loss of market share of passenger vehicles against light commercial vehicles, which showed a 6.3% growth in the period.

The European market maintained its positive performance, benefiting from the continent’s gradual economic recovery. In this scenario, passenger car sales grew 7.4% against 4Q13.

In face of the above mentioned conditions, revenues from the sales of automotive products with light vehicle applications in foreign markets grew by 6.1% in 4Q14 (in 2014, +4.9% vs. 2013). The segment’s product portfolio was once again positively affected by the ramp-up of a new product for the premium segment in Europe. On the other hand, there was a negative impact from the reduction of exports to Thailand and Argentina.

**Commercial Vehicles**



Supported by the increase in consumption spending, commercial vehicle sales in the United States grew 10.9% in 4Q14, benefiting the production of vehicles in this category, which grew 6.3% in North America against 4Q13 (see attachment V).

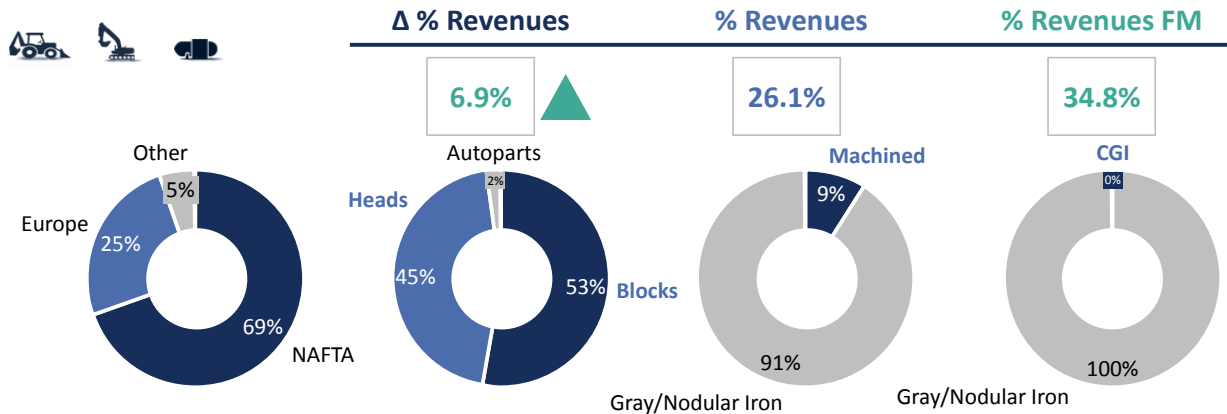
Despite the market performance, Tupy’s revenues from automotive products for commercial vehicles in foreign markets decreased 3.1% in 4Q14 (in 2014, +5.4% vs. 2013). The performance below market indicators is an essential consequence of the high comparison base, given that in 4Q13 revenues from



this application grew 26.8% against the same period in 2012, besides the change in the product portfolio for heavy pick-up trucks with phase-out of old products, in a process of substitution by the new generation of engines.

It is important to highlight that the vehicle segment classification in the market data does not necessarily resemble the classification adopted by Tupy, which may compromise analyses.

**Off-road**



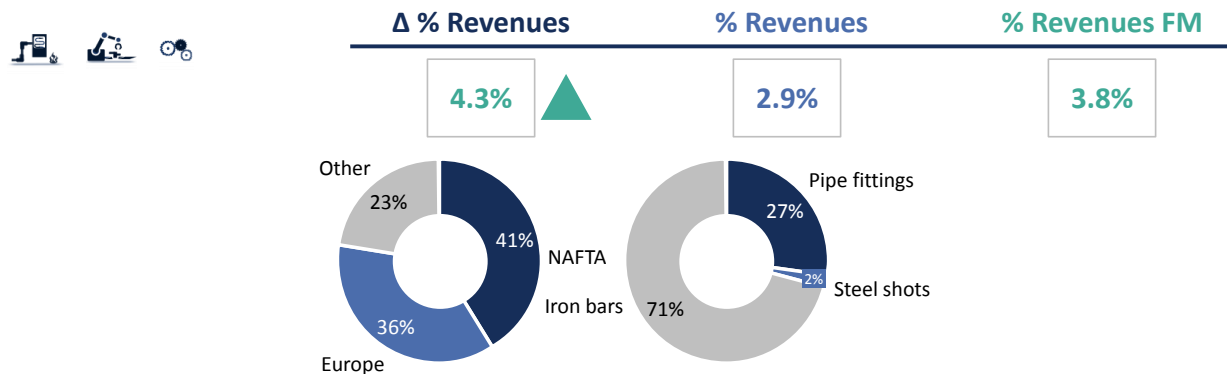
As a result of declining commodities prices, and due to the renewed fleet, the global agricultural machinery market showed a decrease in the quarter.

The civil construction market had a positive performance, driven by the maintenance of the good level of housing starts and by the increased spending on non-residential construction in the United States, as well as an improvement in civil construction confidence indicators in Europe.

Still pressured by the decrease in global iron ore prices, mining companies have been reducing their investments in fixed assets and expansion activities, therefore causing a reduction on the demand for mining machinery.

Due to the irregular performance of target markets, Tupy saw a 6.9% increase in revenues from sales of off-road products against 4Q13 (in 2014, +12.8% vs. 2013). The performance of this application is being thwarted by the post-buy driven by the change in emissions regulations, initiated in 4Q14.

**Hydraulics**



The revenues from the utilization of our products in the hydraulics segment in foreign markets represented 2.9% of 4Q14 revenues, and showed a 4.3% growth against 4Q13 (in 2014, +21.8% vs. 2013).

## ▽ COST OF GOODS SOLD AND OPERATING EXPENSES

The cost of goods sold (COGS) in 4Q14 added up to R\$593.3 million, 8.4% lower than 4Q13 (in 2014, -0.2% vs. 2013). Consequently, the quarter registered a gross margin of 20.5%, a reduction of 3.5 percentage points in comparison with 4Q13 (in 2014, margin of 18.2%). Operating expenses reached R\$56.9 million, 1.0% higher than 4Q13 (in 2014, +0.4% vs. 2013).

	Consolidated (R\$ Thousands)					
	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>Revenues</b>	<b>746,148</b>	<b>780,446</b>	<b>-4.4%</b>	<b>3,114,661</b>	<b>3,122,984</b>	<b>-0.3%</b>
<b>Cost of goods sold</b>	<b>(593,262)</b>	<b>(647,755)</b>	<b>-8.4%</b>	<b>(2,547,808)</b>	<b>(2,554,117)</b>	<b>-0.2%</b>
Raw material	(326,833)	(356,337)	-8.3%	(1,404,351)	(1,418,019)	-1.0%
Labor	(117,385)	(132,251)	-11.2%	(531,613)	(538,341)	-1.2%
Energy	(17,614)	(34,993)	-49.7%	(106,069)	(138,908)	-23.6%
Maintenance materials	(50,674)	(52,239)	-3.0%	(198,947)	(190,918)	4.2%
Profit sharing program	(12,413)	(10,576)	17.4%	(36,806)	(37,396)	-1.6%
Depreciation	(43,189)	(37,837)	14.1%	(163,011)	(143,505)	13.6%
Others	(25,154)	(23,522)	6.9%	(107,011)	(87,030)	23.0%
<b>Gross profit</b>	<b>152,886</b>	<b>132,691</b>	<b>15.2%</b>	<b>566,853</b>	<b>568,867</b>	<b>-0.4%</b>
<i>% over revenues</i>	<i>20.5%</i>	<i>17.0%</i>		<i>18.2%</i>	<i>18.2%</i>	
<b>Operating expenses</b>	<b>(56,859)</b>	<b>(56,304)</b>	<b>1.0%</b>	<b>(225,884)</b>	<b>(225,080)</b>	<b>0.4%</b>

The 8.4% COGS reduction was due mainly to the decrease in sales volume, with direct impact on the variable cost structure of raw materials and labor, not to mention the commercialization of excess capacity of electricity in the spot market. On the other hand, the COGS reduction was softened by the devaluation of the Real versus the US Dollar, with effect on imports and currency translation of the costs of our Mexican units, as well as inflation of raw material prices and salary increase due to collective bargaining, and growth in depreciation expenses from a larger fixed asset base.

Operating expenses remained in the same level as 4Q13.

## ▽ OTHER NET OPERATING EXPENSES

Net operating expenses were R\$64.5 million in 4Q14, 127.1% growth compared to 4Q13 (in 2014, +59.9% vs. 2013)

	Consolidated (R\$ Thousands)					
	4Q14	4Q13	% Δ	2014	2013	% Δ
Other net operating expenses	(64,451)	(28,374)	127.1%	(136,067)	(85,110)	59.9%

The increase is due to:

- Depreciation of Real, increasing the amortization of intangibles of the acquisition of the Mexican units;
- Impairment of intangible assets relating to contractual customer relationship amounting to R\$ 71.1 million. The years following the acquisition of the Mexican plants presented a decrease in the demand for products used in the mining market, due to the slowdown in the emerging economies, which caused an impact on the price of commodities, especially iron ore. At the

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moment, there is no evidence of recovery of the levels experienced at the time of acquisition, and, therefore, the recognition of impairment is necessary. Due to this change, there will be a decrease in the annual amount of intangible asset amortization in the years after 2014, which will go down from US\$ 25.0 million to US\$ 21.1. million per annum;

- On the other hand, net operating expenses result was attenuated by the reversion of provisions for a contingency in the amount of R\$23.9 million.

### NET FINANCIAL RESULT

Net financial result of 4Q14 was an expense of R\$8.7 million, an 67.9% reduction compared to 4Q13, due, as in previous quarters, mainly to the improvement in net exchange variation through the adoption of the net investment hedge, which reduced the foreign exchange exposure in the financial result (in 2014, 72.2% vs. 2013).

Consolidated (R\$ Thousands)						
	4Q14	4Q13	% Δ	2014	2013	% Δ
Financial expenses	(35,509)	(27,497)	29.1%	(131,443)	(116,263)	13.1%
Financial income	19,238	16,516	16.5%	86,601	49,153	76.2%
Net exchange variation	7,584	(16,093)		7,145	(68,550)	
<b>Net financial result</b>	<b>(8,687)</b>	<b>(27,074)</b>	<b>-67.9%</b>	<b>(37,697)</b>	<b>(135,660)</b>	<b>-72.2%</b>

### NET INCOME BEFORE TAXES AND NET INCOME

Due to the aforementioned factors, the net income before taxes in 4Q14 was R\$22.9 million, 9.3% increase over 4Q13 (in 2014, +35.9% vs. 2013).

Consolidated (R\$ Thousands)						
	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>Net income before income taxes</b>	<b>22,889</b>	<b>20,939</b>	<b>9.3%</b>	<b>167,205</b>	<b>123,017</b>	<b>35.9%</b>
Tax effects before foreign exchange impacts	9,452	(2,970)		(49,521)	(34,268)	44.5%
<i>Tax rates before foreign exchange effects</i>	<i>-41%</i>	<i>14%</i>		<i>30%</i>	<i>28%</i>	
<b>Net income before foreign exchange effects on tax base</b>	<b>32,341</b>	<b>17,969</b>	<b>80.0%</b>	<b>117,684</b>	<b>88,749</b>	<b>32.6%</b>
Foreign exchange effects on tax base	(22,730)	(1,823)	1146.8%	(28,472)	(2,428)	1072.7%
<b>Net income</b>	<b>9,611</b>	<b>16,146</b>	<b>-40.5%</b>	<b>89,212</b>	<b>86,321</b>	<b>3.3%</b>
<i>% over Revenues</i>	<i>1.3%</i>	<i>2.1%</i>		<i>2.9%</i>	<i>2.8%</i>	

The company recorded R\$9.5 million in revenues from income tax and social contribution before foreign exchange variation on the tax base in 4Q14, versus expense of R\$3.0 million in 4Q13. The tax result is due to the use of tax losses of subsidiaries to settle federal tax debts, as well as deductibility generated by the payment of dividends in the form of interest on shareholder's equity.

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\$22.7 million was recorded due to the 12.8% depreciation of the Mexican peso against the U.S. dollar (going from MXN 13.065/US\$ in December 2013 to MXN 14.735/US\$ in December 2014).

Because recurring tax credits were used, there was no cash outflow related to tax payments in the quarter.

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The net income arising from the previously mentioned effects amounted to a profit of R\$9.6 million, 40.5% lower than that recorded in 4Q13 (in 2014, +3.3% vs. 2013), and represents a margin of 1.3% over revenues.

Eliminating the effect of the impairment of the intangibles, the net income would have reached R\$59.3 million in 4Q14 (in 2014, R\$138.9 million), 8.0% margin over revenues (in 2014, 4.5% margin).

### ADJUSTED EBITDA

The combination of the aforementioned factors resulted in an adjusted EBITDA of R\$140.1 million in 4Q14, equivalent to a 21.8% increase when compared to 4Q13 (in 2014, +3.5% vs. 2013) and a 18.8% margin over revenues, 4.1 percentage points higher than 4Q13 (in 2014, 16.3% margin). This is the best EBITDA margin for a fourth quarter since 2008.

Consolidated (R\$ Thousands)						
RECONCILIATION OF NET INCOME TO ADJUSTED EBITDA	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>Net income</b>	<b>9,611</b>	<b>16,146</b>	<b>-40.5%</b>	<b>89,212</b>	<b>86,321</b>	<b>3.3%</b>
(+) Net financial result	8,687	27,074	-67.9%	37,697	135,660	-72.2%
(+) Income tax and social contribution	13,278	4,793	177.0%	77,993	36,696	112.5%
(+) Depreciation and amortization	131,624	54,445	141.8%	298,141	205,289	45.2%
<b>EBITDA (according to CVM 527/12)</b>	<b>163,200</b>	<b>102,458</b>	<b>59.3%</b>	<b>503,043</b>	<b>463,966</b>	<b>8.4%</b>
% over revenues	21.9%	13.1%		16.2%	14.9%	
(+) Net operating expenses*	(23,134)	12,537		4,166	26,163	-84.1%
<b>Adjusted EBITDA</b>	<b>140,066</b>	<b>114,995</b>	<b>21.8%</b>	<b>507,209</b>	<b>490,129</b>	<b>3.5%</b>
% over revenues	18.8%	14.7%		16.3%	15.7%	

(\*) Other net operating expenses are presented net of amortization and depreciation expenses.

### INVESTMENTS IN PP&E AND INTANGIBLE ASSETS

Total investments in PP&E and intangible assets in 4Q14 reached R\$57.3 million (in 2014, R\$218.4 million). The main investments during the quarter were the automation of the finishing lines, sand regeneration in Mexico and Brazil, adaptation of one of the production lines in Brazil to CGI and the continuity of the ERP implementation project.

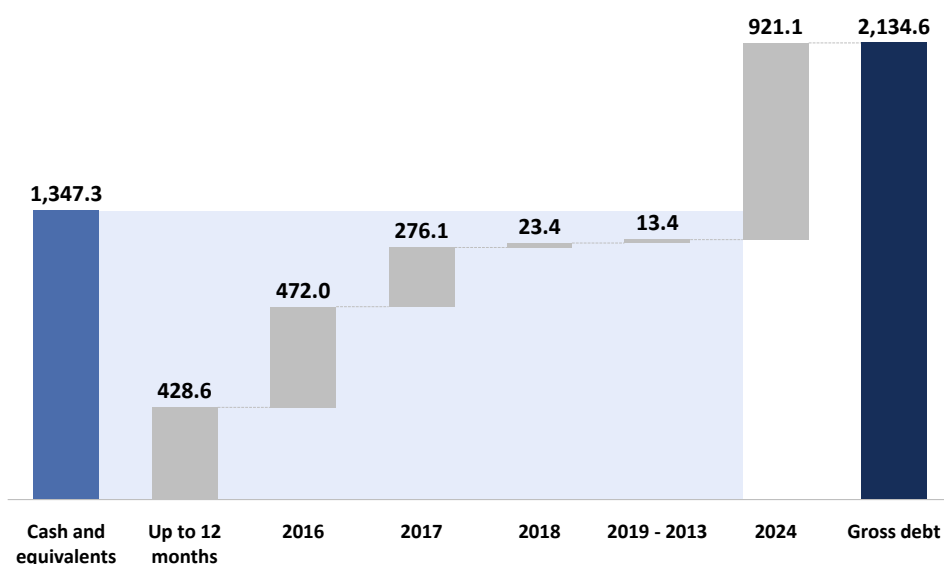
Consolidated (R\$ Thousands)						
	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>PP&amp;E</b>						
Strategic investments (in expansion)	15,278	56,999	-73.2%	84,364	93,427	-9.7%
Maintenance and modernization of operating capacity	29,023	5,059	473.7%	85,311	60,125	41.9%
Environment	6,132	10,956	-44.0%	21,173	19,875	6.5%
Interest and financial expenses	218	292	-25.3%	1,043	2,340	-55.4%
<b>Intangible assets</b>						
Software	6,620	19,730	-66.4%	26,545	34,619	-23.3%
<b>TOTAL</b>	<b>57,271</b>	<b>93,036</b>	<b>-38.4%</b>	<b>218,436</b>	<b>210,386</b>	<b>3.8%</b>

## INDEBTEDNESS

The Company ended 2014 with a net debt of R\$787.4 million, which results in an index of 1.55x net debt/adjusted EBITDA. Regarding the currency breakdown, 38% of the debt is BRL denominated and 62% is in foreign currencies. In terms of maturity, 20% is short-term debt and 80% long-term debt.

Consolidated (R\$ Thousands)		
INDEBTEDNESS	2014	2013
Debt – short term	428,559	222,768
Debt – long term	1,706,082	1,580,720
<b>Gross debt</b>	<b>2,134,641</b>	<b>1,803,488</b>
Cash and cash equivalents	1,336,916	1,123,446
Financial investments	10,365	15,461
<b>Net debt</b>	<b>787,360</b>	<b>664,581</b>
Gross debt/LTM adjusted EBITDA	4.21x	3.68x
<b>Net debt/LTM adjusted EBITDA</b>	<b>1.55x</b>	<b>1.36x</b>

The current indebtedness profile is as follows:



All amounts in R\$ million.

## WORKING CAPITAL

Consolidated (R\$ Thousands)		
	2014	2013
Accounts receivable	423,815	379,664
Inventories	379,221	277,766
Accounts payable	256,057	248,879
Days Sales Outstanding [days]	50	44
Days Inventories Outstanding [days]	54	40
Days Payable Outstanding [days]	36	36
<b>Cash conversion cycle [days]</b>	<b>68</b>	<b>48</b>

The increase in accounts receivable is due mainly to the foreign exchange rate variation, with impact on the receivables from foreign markets, as well as increase in the share of revenues from those markets, which have a longer receivable cycle than domestic market revenues. The growth in inventories is part of the ERP implementation process, which as mentioned in previous quarters, demands higher than usual levels of inventories, which should be concluded in 2015.

## CASH FLOW

Consolidated (R\$ Thousands)						
CASH FLOW SUMMARY	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>Cash and cash equivalents at the end of the period</b>	<b>1,336,916</b>	<b>1,123,446</b>	<b>19.0%</b>	<b>1,336,916</b>	<b>1,123,446</b>	<b>19.0%</b>
Cash flow from operating activities	102,319	160,150	-36.1%	300,500	298,281	0.7%
Cash flow from investment activities	(45,830)	(90,288)	-49.2%	(210,109)	(197,074)	6.6%
Cash flow from financing activities	(81,783)	502,219		96,598	319,551	-69.8%
Effect of exchange variation on cash	26,655	21,623	23.3%	26,481	42,251	-37.3%
<b>Increase (decrease) in cash</b>	<b>1,361</b>	<b>593,704</b>	<b>-99.8%</b>	<b>213,470</b>	<b>463,009</b>	<b>-53.9%</b>

The Company generated R\$102.3 million of cash from operations in 4Q14, 73.1% of the EBITDA of the period, versus R\$160.2 million in 4Q13. In 2014, the cash generation from operating activities was R\$300.5 million.

As for the investment activities, R\$45.8 million were applied in additions to PP&E and intangible assets during 3Q14, as previously mentioned. In 2014, the cash applied to investment activities was R\$210.1 million.

As for the financing activities, during 4Q14 R\$81.8 million were applied, related to amortization of Export Prepayment contracts, that were replaced by a 10-year Bond issued in July/2014, as well as the payment of dividends in the form of interest on shareholder's equity on December 30, 2014. In 2014, the Company generated R\$96.6 million from financing activities.

The combination of these factors resulted in an R\$1.4 million increase in cash and cash equivalents in the period (in 2014, R\$213.5 million), reaching R\$1,336.9 million in 4Q14, 19.0% higher than the end of 4Q13.

**DIVIDENDS**

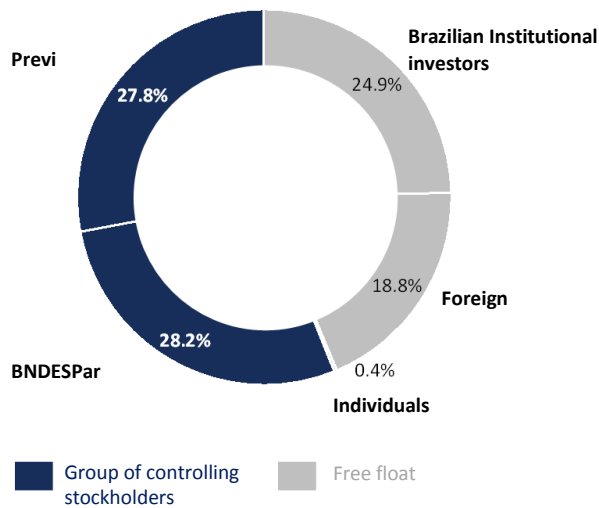
On December 17, 2014, the Board of Directors approved the payment of dividends in the form of interest on shareholder’s equity in the gross amount of R\$25.4 million, which is 1.0% higher than 2013.

Consolidate (R\$ Thousands)			
	2014	2013	% Δ
Interest on shareholder’s equity	25,391	25,147	1.0%

On December 30, 2014, the Company announced the start of the payment of the dividends, which net value distributed, after taxes, was R\$21.6 million. The importance represents 25% of the net income after legal deductions for the year ended on December 31, 2014.

**SHAREHOLDER STRUCTURE**

The shareholding structure at December 31, 2014 is distributed as follows:



Our Company is subject to the rules of the Market Arbitration Panel of the Novo Mercado, pursuant to article 60 of our Bylaws.

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RELEASE

Attachment I – Light vehicles production and sales in Brazil

	(Units)					
	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>Production</b>						
Passenger cars	571.929	615.923	-7.1%	2.314.789	2.722.979	-15.0%
Light commercial	156.929	181.805	-13.7%	658.426	762.201	-13.6%
<b>Light vehicles</b>	<b>728.858</b>	<b>797.728</b>	<b>-8.6%</b>	<b>2.973.215</b>	<b>3.485.180</b>	<b>-14.7%</b>
<b>Sales</b>						
Passenger cars	701.137	722.549	-3.0%	2.504.161	2.763.718	-9.4%
Light commercial	224.818	216.100	4.0%	829.236	816.185	1.6%
<b>Light vehicles</b>	<b>925.955</b>	<b>938.649</b>	<b>-1.4%</b>	<b>3.333.397</b>	<b>3.579.903</b>	<b>-6.9%</b>
<b>Exports</b>						
Passenger cars	46.412	95.106	-51.2%	222.334	397.218	-44.0%
Light commercial	21.260	35.493	-40.1%	87.822	134.294	-34.6%
<b>Light vehicles</b>	<b>67.672</b>	<b>130.599</b>	<b>-48.2%</b>	<b>310.156</b>	<b>531.512</b>	<b>-41.6%</b>

Source: ANFAVEA.

Attachment II – Commercial vehicles production and sales in Brazil

	(Units)					
	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>Production</b>						
<b>Trucks</b>						
Semi-light	498	906	-45.0%	2.225	4.059	-45.2%
Light	5.168	4.679	10.5%	27.875	32.093	-13.1%
Medium	1.528	2.398	-36.3%	8.291	12.340	-32.8%
Semi-heavy	10.088	13.074	-22.8%	50.474	70.917	-28.8%
Heavy	10.619	16.890	-37.1%	51.100	67.680	-24.5%
<b>Total trucks</b>	<b>27.901</b>	<b>37.947</b>	<b>-26.5%</b>	<b>139.965</b>	<b>187.089</b>	<b>-25.2%</b>
Buses	5.145	8.444	-39.1%	32.938	40.111	-17.9%
<b>Commercial vehicles</b>	<b>33.046</b>	<b>46.391</b>	<b>-28.8%</b>	<b>172.903</b>	<b>227.200</b>	<b>-23.9%</b>
<b>Sales</b>						
<b>Trucks</b>						
Semi-light	1.162	1.312	-11.4%	3.985	5.493	-27.5%
Light	9.039	8.194	10.3%	28.726	34.091	-15.7%
Medium	3.154	2.632	19.8%	11.698	11.136	5.0%
Semi-heavy	12.305	12.242	0.5%	45.236	47.943	-5.6%
Heavy	12.366	15.072	-18.0%	47.428	55.886	-15.1%
<b>Total trucks</b>	<b>38.026</b>	<b>39.452</b>	<b>-3.6%</b>	<b>137.073</b>	<b>154.549</b>	<b>-11.3%</b>
Buses	7.557	8.884	-14.9%	27.542	32.918	-16.3%
<b>Commercial vehicles</b>	<b>45.583</b>	<b>48.336</b>	<b>-5.7%</b>	<b>257.279</b>	<b>291.296</b>	<b>-11.7%</b>

Source: ANFAVEA.



## Attachment III – Agricultural machinery production and sales in Brazil

	(Units)					
	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>Production</b>						
Wheeled tractors	14,539	18,294	-20.5%	64,794	77,570	-16.5%
Crawler tractors	524	684	-23.4%	2,743	2,337	17.4%
Motorized planters	434	457	-5.0%	1,618	1,595	1.4%
Harvesters	2,147	3,178	-32.4%	7,623	9,948	-23.4%
Backhoes	955	1,963	-51.3%	5,636	8,950	-37.0%
<b>Agricultural machinery</b>	<b>18,599</b>	<b>24,576</b>	<b>-24.3%</b>	<b>82,414</b>	<b>100,400</b>	<b>-17.9%</b>
<b>Sales</b>						
Wheeled tractors	12,646	14,184	-10.8%	55,623	65,089	-14.5%
Crawler tractors	168	213	-21.1%	835	942	-11.4%
Motorized planters	372	428	-13.1%	1,567	1,618	-3.2%
Harvesters	1,966	2,886	-31.9%	6,330	8,539	-25.9%
Backhoes	915	1,355	-32.5%	4,161	6,804	-38.8%
<b>Agricultural machinery</b>	<b>16,067</b>	<b>19,066</b>	<b>-15.7%</b>	<b>68,516</b>	<b>82,992</b>	<b>-17.4%</b>

Source: ANFAVEA.

## Attachment IV – Light vehicles production and sales in international markets

	(Units)					
	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>North America</b>						
<b>Production</b>						
Passenger cars	1,036,699	1,109,773	-6.6%	4,291,242	4,566,010	-6.0%
<b>United States</b>						
<b>Sales</b>						
Passenger cars	1,875,863	1,811,825	3.5%	7,934,814	7,810,515	1.6%
<b>Europe</b>						
<b>Sales</b>						
Passenger cars	4,094,215	3,813,341	7.4%	12,550,771	11,879,573	5.7%

Sources: Automotive News (USA); ACEA (Europe).

## Attachment V – Commercial vehicles production and sales in international markets

	(Units)					
	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>North America</b>						
<b>Production</b>						
Light commercial – class 1-3	2,501,833	2,354,277	6.3%	10,411,879	9,290,000	12.1%
Medium and heavy commercial – class 4-8	98,951	93,071	6.3%	431,433	400,592	7.7%
<b>United States</b>						
<b>Sales</b>						
Light commercial – class 1-3	2,218,352	2,001,516	10.8%	8,596,256	7,793,163	10.3%
Medium commercial – class 4-6	41,179	38,575	6.8%	160,216	145,373	10.2%
Heavy commercial – class 7-8	75,916	65,022	16.8%	274,583	232,308	18.2%

Sources: Automotive News (USA); ACEA (Europe).

## Attachment VI – Sales of agricultural machinery in international markets

	(Units)					
	4Q14	4Q13	% Δ	2014	2013	% Δ
<b>North America</b>						
<b>Sales</b>						
2WD Farm tractors   <40HP	24,933	22,913	8.8%	123,610	114,211	8.2%
2WD Farm tractors   40<100HP	18,812	17,461	7.7%	68,519	63,702	7.6%
2WD Farm tractors   100+HP	10,569	13,503	-21.7%	37,943	42,932	-11.6%
4WD Farm tractors	1,602	2,828	-43.4%	6,346	8,470	-25.1%
Self-prop combines	2,375	4,100	-42.1%	10,263	13,696	-25.1%
<b>Agricultural machinery</b>	<b>58,291</b>	<b>60,805</b>	<b>-4.1%</b>	<b>246,681</b>	<b>243,011</b>	<b>1.5%</b>
<b>Europe</b>						
<b>Sales</b>						
Germany	8,395	9,693	-13.4%	36,657	38,819	-5.6%
France	9,080	12,227	-25.7%	28,905	38,370	-24.7%
Italy	5,989	6,622	-9.6%	28,871	30,112	-4.1%
United Kingdom	1,880	2,306	-18.5%	12,433	12,498	-0.5%
Russia*	8,421	10,693	-21.2%	39,632	41,669	-4.9%
<b>Asia</b>						
<b>Sales</b>						
India	59,714	78,419	-23.9%	250,795	261,924	-4.2%

Sources: AEM; AXEMA; AEA; FEDERUNACOMA; Bloomberg. (\*) Numbers related to July and August of 2013 and 2014.

RELEASE

Attachment VII – Income Statement

[BRL thousands]	4Q14	4Q13	% Change	2014	2013	% Change
<b>Sales volume [kton]</b>	<b>129,238</b>	<b>153,717</b>	<b>-16%</b>	<b>586,665</b>	<b>634,806</b>	<b>-8%</b>
Domestic market	34,158	46,519	-27%	161,850	210,701	-23%
Foreign market	95,080	107,198	-11%	424,815	424,105	0%
<b>Revenues</b>	<b>746,148</b>	<b>780,446</b>	<b>-4%</b>	<b>3,114,661</b>	<b>3,122,984</b>	<b>0%</b>
Domestic market	186,480	232,528	-20%	852,732	1,035,353	-18%
Foreign market	559,668	547,918	2%	2,261,929	2,087,631	8%
<b>COGS</b>	<b>(593,262)</b>	<b>(647,755)</b>	<b>-8%</b>	<b>(2,547,808)</b>	<b>(2,554,117)</b>	<b>0%</b>
<b>Gross profit</b>	<b>152,886</b>	<b>132,691</b>	<b>15%</b>	<b>566,853</b>	<b>568,867</b>	<b>0%</b>
<i>% over Revenues</i>	<i>20.5%</i>	<i>17.0%</i>	<i>3.5 p.p.</i>	<i>18.2%</i>	<i>18.2%</i>	<i>0.0 p.p.</i>
Sales expenses	(30,058)	(29,397)	2%	(124,058)	(123,342)	1%
Administrative expenses	(24,332)	(24,245)	0%	(92,322)	(92,623)	0%
Management compensation	(2,469)	(2,662)	-7%	(9,504)	(9,115)	4%
Other net operating expenses	(64,451)	(28,374)	127%	(136,067)	(85,110)	60%
<b>Net income before financial results and income taxes</b>	<b>31,576</b>	<b>48,013</b>	<b>-34%</b>	<b>204,902</b>	<b>258,677</b>	<b>-21%</b>
<i>% over Revenues</i>	<i>4.2%</i>	<i>6.2%</i>	<i>-1.9 p.p.</i>	<i>6.6%</i>	<i>8.3%</i>	<i>-1.7 p.p.</i>
Financial expenses	(34,286)	(30,602)	12%	(131,443)	(116,263)	13%
Financial revenues	19,238	22,651	-15%	86,601	49,153	76%
Net exchange variation	6,361	(19,123)	-133%	7,145	(68,550)	-110%
<b>Net income before income taxes</b>	<b>22,889</b>	<b>20,939</b>	<b>9%</b>	<b>167,205</b>	<b>123,017</b>	<b>36%</b>
<i>% over Revenues</i>	<i>3.1%</i>	<i>2.7%</i>	<i>0.4 p.p.</i>	<i>5.4%</i>	<i>3.9%</i>	<i>1.4 p.p.</i>
Income tax and social contribution	(13,278)	(4,793)	177%	(77,993)	(36,696)	113%
<b>Net income</b>	<b>9,611</b>	<b>16,146</b>	<b>-40%</b>	<b>89,212</b>	<b>86,321</b>	<b>3%</b>
<i>% over Revenues</i>	<i>1.3%</i>	<i>2.1%</i>	<i>-0.8 p.p.</i>	<i>2.9%</i>	<i>2.8%</i>	<i>0.1 p.p.</i>

## Attachment VIII – Balance Sheet

[BRL thousands]	4Q14	4Q13	% Change
<b>Assets</b>	<b>4,962,930</b>	<b>4,507,010</b>	<b>10%</b>
Cash and cash equivalents	1,336,916	1,123,446	19%
Derivatives	-	561	-100%
Accounts receivables	423,815	379,664	12%
Inventories	379,221	277,766	37%
Third-party tools	121,849	80,658	51%
Recoverable income tax and social contribution assets	81,356	54,928	48%
Other recoverable tax assets	56,916	90,943	-37%
Assets held for sale	-	-	n.a.
Notes and other receivables	35,007	29,041	21%
<b>Current assets</b>	<b>2,435,080</b>	<b>2,037,007</b>	<b>20%</b>
Financial investments	10,365	14,900	-30%
Other recoverable tax assets	124,651	116,658	7%
Deferred income tax and social contribution	-	-	n.a.
Eletrobrás credits	99,327	93,753	6%
Legal deposits and other	39,914	20,328	96%
Equity investments	4,526	5,532	-18%
Investment properties	6,544	6,546	0%
PP&E	1,728,694	1,652,569	5%
Intangible assets	513,829	559,717	-8%
<b>Long-term assets</b>	<b>2,527,850</b>	<b>2,470,003</b>	<b>2%</b>
<b>Liabilities</b>	<b>2,930,556</b>	<b>2,605,109</b>	<b>12%</b>
Accounts payables	256,057	248,879	3%
Loans	425,420	221,493	92%
Derivatives	3,139	1,275	146%
Debentures	-	-	n.a.
Financing of taxes and social security charges	-	642	-100%
Income tax and social contributions payable	14,441	-	n.a.
Other taxes payable	39,314	29,714	32%
Payroll, related charges and profit sharing program	116,610	122,845	-5%
Unearned revenues	95,949	75,610	27%
Related parties	-	-	n.a.
Dividends and interest on shareholders's equity	139	24,119	-99%
Provision for tax, civil, social security and labor contingencies	10,025	7,274	38%
Notes and others payable	55,535	56,856	-2%
<b>Current liabilities</b>	<b>1,016,629</b>	<b>788,707</b>	<b>29%</b>
Loans	1,706,082	1,578,176	8%
Derivatives	-	2,544	-100%
Debentures	-	-	n.a.
Financing of taxes and social security charges	-	8,933	-100%
Provision for tax, civil, social security and labor contingencies	75,662	97,394	-22%
Deferred income tax and social contribution	99,060	101,632	-3%
Retirement benefit obligations	21,367	16,749	28%
Other long-term liabilities	11,756	10,974	7%
<b>Long-term liabilities</b>	<b>1,913,927</b>	<b>1,816,402</b>	<b>5%</b>
<b>Equity</b>	<b>2,032,374</b>	<b>1,901,901</b>	<b>7%</b>
Paid in capital	1,060,301	1,060,301	0%
Expenses with issue of shares	(6,541)	(6,541)	0%
Stock option plan	1,196	-	n.a.
Equity valuation adjustments	373,176	321,218	16%
Profit reserves	604,242	526,923	15%

RELEASE

Attachment IX – Cash Flow Statement

[BRL thousands]	4Q14	4Q13	% Change	2014	2013	% Change
<b>Cash flow from operating activities</b>	<b>102,319</b>	<b>160,150</b>	<b>-36%</b>	<b>300,500</b>	<b>298,281</b>	<b>1%</b>
<b>Net income before income taxes</b>	<b>22,889</b>	<b>20,939</b>	<b>9%</b>	<b>167,205</b>	<b>123,017</b>	<b>36%</b>
D&A and impairment	131,624	54,445	142%	298,141	205,289	45%
Disposal of property, plant and equipment	7,539	84	8875%	10,584	2,459	330%
Interest and exchange variations	25,473	37,851	-33%	113,961	177,067	-36%
Provision for impairment of trade receivables	453	(690)	-166%	-	(119)	-100%
Provision for inventory losses	1,636	1,419	15%	1,531	2,152	-29%
Provision for tax, civil, social security and labor contingencies	(20,538)	5,415	-479%	(424)	16,552	-103%
Adhesion to REFIS	-	9,628	-100%	-	9,628	-100%
Stock option plan	1,196	-	n.a.	1,196	-	n.a.
Provision for a portion of IPI credit premium	16,482	1,914	761%	15,288	10,956	40%
Variation of Eletrobrás credit fair value	(734)	(1,624)	-55%	(5,463)	(5,834)	-6%
<b>Changes in operating assets and liabilities</b>						
Trade receivables	70,129	78,331	n.a.	(11,887)	(109,139)	n.a.
Inventories	(26,115)	16,917	-254%	(86,686)	10,917	-894%
Third-party tools	(16,192)	(15,512)	4%	(33,862)	(21,724)	56%
Other taxes recoverable	(25,586)	(18,258)	n.a.	(33,352)	(24,299)	n.a.
Notes and others receivable	2,207	(1,106)	n.a.	(4,569)	3,329	n.a.
Legal deposits and other	(943)	3,414	n.a.	(19,586)	(12,649)	n.a.
Trade payables	(43,464)	(3,320)	1209%	(12,217)	(12,465)	-2%
Other taxes payable	2,711	(4,665)	n.a.	6,587	13,055	n.a.
Payroll, related charges and profit sharing program	(27,838)	(15,367)	81%	(9,153)	24,523	-137%
Advances from clients	6,583	5,129	28%	15,727	1,842	754%
Notes and other payable	3,434	(2,491)	n.a.	(3,151)	(2,284)	n.a.
Retirement benefit obligations	3,907	(237)	-1749%	7,188	2,537	183%
Other long term liabilities	(10,229)	(3,153)	224%	(17,775)	(14,667)	21%
Interest paid	(22,305)	(6,620)	237%	(97,616)	(92,669)	5%
Income tax and social contribution paid	-	(2,293)	-100%	(1,167)	(9,193)	-87%
<b>Cash flow from investing activities</b>	<b>(45,830)</b>	<b>(90,288)</b>	<b>-49%</b>	<b>(210,109)</b>	<b>(197,074)</b>	<b>7%</b>
Investment increase	-	-	n.a.	-	-	n.a.
Acquisition of mexican subsidiaries - net of acquired cash	-	-	n.a.	-	-	n.a.
Capital increase of mexican subsidiaries	-	-	n.a.	-	-	n.a.
Purchase of property, plant and equipment, and intangible increase	(46,340)	(90,396)	-49%	(211,112)	(198,112)	7%
Sale of other investments	-	-	n.a.	-	-	n.a.
Disposal of property, plant and equipment	510	108	372%	1,003	1,038	-3%
Investments financed by clients	-	-	n.a.	-	-	n.a.
<b>Cash flow from financing activities</b>	<b>(81,783)</b>	<b>502,219</b>	<b>-116%</b>	<b>96,598</b>	<b>319,551</b>	<b>-70%</b>
Loan paydown	(71,426)	(14,400)	396%	(758,364)	(561,017)	35%
Debentures paydown	-	-	n.a.	-	-	n.a.
Amortization of tax financing	(9,966)	(53)	18704%	(10,468)	(5,063)	107%
New loans	25,000	98	25410%	910,179	390,580	133%
Subsidiaries and affiliates	-	-	n.a.	-	-	n.a.
Collection of a portion of Eletrobrás credits	-	-	n.a.	-	-	n.a.
Increase in capital, net of share issue expenses	-	516,709	-100%	-	516,709	-100%
Dividends and interest on shareholder's equity paid	(25,391)	(135)	18708%	(50,399)	(28,372)	78%
Long term financial investments	-	-	n.a.	5,650	6,714	-16%
Effect of exchange rate changes on cash and cash equivalents	26,655	21,623	n.a.	26,481	42,251	n.a.
<b>Increase (decrease) of cash and cash equivalents</b>	<b>1,361</b>	<b>593,704</b>	<b>n.a.</b>	<b>213,470</b>	<b>463,009</b>	<b>n.a.</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>1,335,555</b>	<b>529,742</b>	<b>152%</b>	<b>1,123,446</b>	<b>660,437</b>	<b>70%</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>1,336,916</b>	<b>1,123,446</b>	<b>19%</b>	<b>1,336,916</b>	<b>1,123,446</b>	<b>19%</b>