TUPY. Worldwide reference in castings





Quarterly Financial Report June 30, 2019

Release
Financial Information
Explanatory Notes
Independent auditor's report



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TUPY – World Reference in Casting





Earnings Conference Call

Date: August 15, 2019

Portuguese/English

11:00 a.m. (Brasília) / **10:00 a.m.** (EST)

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2Q19 Highlights

Highest Net Revenues and Adjusted EBITDA in the Company's history

- **Revenues:** R\$1,404.6 million, up 15.3% over 2Q18, due to the improved product mix, depreciation of the exchange rate and price adjustments.
- High value-added products: Significant growth in sales of machined and CGI goods, which accounted for 25% and 21% of the volume, respectively (vs. 21% and 14% in the previous year).
- Gross margin: 17.5% vs. 17.1% in 2Q18 and 13.4% in 1Q19.
- Adjusted EBITDA: R\$204.4 million, up 13.0% compared to the same period of the previous year and equivalent to 14.6% of net revenues (vs. 14.8% in 2Q18 and 10.7% in 1Q19).
- Net Profit: R\$59.5 million, up 23.1% over 2Q18, with a net margin of 4.2%.
- Cash Conversion Cycle: 52 days, an 8-day reduction year-over-year.

MAIN INDICATORS

Consolidated (R\$ thousand)

SUMMARY	2Q19	2Q18	Var. [%]	1H19	1H18	Var.[%]
Revenues	1,404,615	1,218,179	15.3%	2,686,144	2,277,375	17.9%
Cost of goods sold	(1,158,456)	(1,009,798)	14.7%	(2,268,896)	(1,897,393)	19.6%
Gross profit	246,159	208,381	18.1%	417,248	379,982	9.8%
% on revenues	17.5%	17.1%		15.5%	16.7%	
Operating expenses	(106,192)	(84,010)	26.4%	(203,275)	(160,876)	26.4%
Other operating expenses	(44,547)	(24,239)	83.8%	(71,331)	(38,448)	85.5%
Income before financial results	95,420	100,132	-4.7%	142,642	180,658	-21.0%
% on revenues	6.8%	8.2%		5.3%	7.9%	
Net financial result	(6,805)	(13,177)	-48.4%	6,441	(38,361)	-
Income before taxes	88,615	86,955	1.9%	149,083	142,297	4.8%
% on revenues	6.3%	7.1%		5.6%	6.2%	
Income tax and social contribution	(29,167)	(38,677)	-24.6%	(9,193)	(37,127)	-75.2%
Net income	59,448	48,278	23.1%	139,890	105,170	33.0%
% on revenues	4.2%	4.0%		5.2%	4.6%	
EBITDA (Inst. CVM 527/12)	175,639	169,072	3.9%	301,017	314,122	-4.2%
% on revenues	12.5%	13.9%		11.2%	13.8%	
Adjusted EBITDA	204,397	180,830	13.0%	341,344	329,102	3.7%
% on revenues	14.6%	14.8%		12.7%	14.5%	
Average Exchange rate (USD/BRL)	3.92	3.61	8.6%	3.85	3.43	12.2%
Average Exchange rate (EUR/BRL)	4.41	4.29	2.8%	4.34	4.14	4.8%



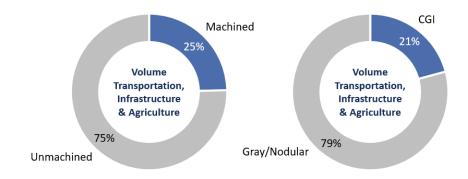
Co	nsolidated ((ton)				
	2Q19	2Q18	Var. [%]	1H19	1H18	Var. [%]
Domestic market	30,865	28,401	8.7%	60,525	56,289	7.5%
Transportation, Infrastructure & Agriculture	27,324	24,899	9.7%	53,598	49,330	8.7%
Hydraulics	3,541	3,502	1.1%	6,927	6,959	-0.5%
Foreign market	123,407	123,295	0.1%	240,380	246,205	-2.4%
Transportation, Infrastruture & Agriculture	119,105	118,462	0.5%	233,701	236,783	-1.3%
Hydraulics	4,302	4,833	-11.0%	6,679	9,422	-29.1%
Total Sales Volume	154,272	151,696	1.7%	300,905	302,494	-0.5%

Sales volume in 2Q19 increased by 1.7% over 2Q18, mainly affected by the following factors:

- 9.7% increase in the sales of the Transportation, Infrastructure & Agriculture segment to the
 domestic market, especially applications used in commercial vehicles. In turn, the foreign
 market increased by 0.5%, mainly due to sales in the off road segment;
- The Hydraulics segment had an increase of 1.1% in the domestic market and a decrease of 11.0% in foreign market, due to, among others, a strong comparison base, as well as temporary stops in 1Q19 for the anticipation of security projects foreseen for the next five years.

Increased share of CGI (Compacted Graphite Iron) and machined goods:

25% of the portfolio of the Transportation, Infrastructure & Agriculture segment is comprised of partially or fully machined goods (vs. 21% in 2Q18 and 23% in 1Q19). According to the distribution of goods by type of material, CGI products accounted for 21% of sales volume (vs. 14% in 2Q18 and 20% in 1Q19).



REVENUES

Revenues increased by 15.3% over 2Q18, mainly due to the improved product mix, devaluation of the BRL, pass through of raw material costs throughout 2018 and volume growth.

In the domestic market, we recorded an expressive increase of 26.8% due to the revenues growth in commercial vehicles and hydraulic applications, up 50.8% and 14.8%, respectively, mainly due to higher volume and price adjustments.

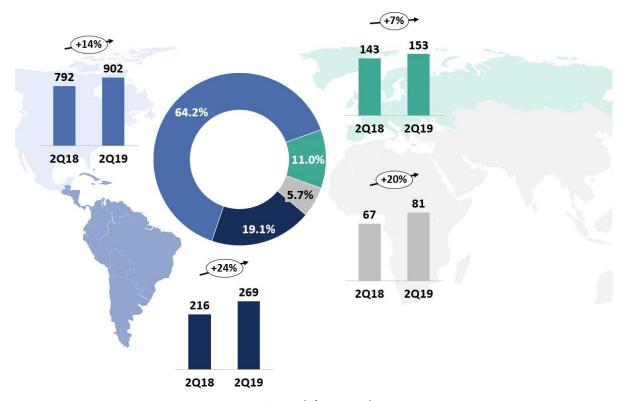
In the foreign market, net revenues increased by 13.0%, due to the revenues growth in all Transportation, Infrastructure & Agriculture segments, caused, among other factors, by the depreciation of the BRL against the USD and the Euro in the period (average exchange rates of BRL/USD 3.92 and BRL/EUR 4.41 in 1Q19 vs. BRL/USD 3.61 and BRL/EUR 4.29 in 2Q18)

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	2Q19	2Q18	Var.[%]	1H19	1H18	Var.[%]
Revenues	1,404,615	1,218,179	15.3%	2,686,144	2,277,375	17.9%
Domestic Market	258,942	204,153	26.8%	496,210	389,254	27.5%
Share %	18.4%	16.8%		18.5%	17.1%	
Foreign Market	1,145,673	1,014,026	13.0%	2,189,934	1,888,121	16.0%
Share %	81.6%	83.2%		81.5%	82.9%	
Revenues per Segment	1,404,615	1,218,179	15.3%	2,686,144	2,277,375	17.9%
Transportation, Infrastructure & Agriculture	1,340,235	1,159,689	15.6%	2,573,930	2,166,828	18.8%
Share %	95.4%	95.2%		95.8%	95.1%	
Hydraulics	64,380	58,490	10.1%	112,214	110,547	1.5%
Share %	4.6%	4.8%		4.2%	4.9%	

Revenues by market and performance in the period

In 2Q19, 64.2% of revenues came from North America. In turn, South and Central America represented 19.1% and Europe 11.0%. The remaining 5.7% came from Asia, Africa and Oceania.

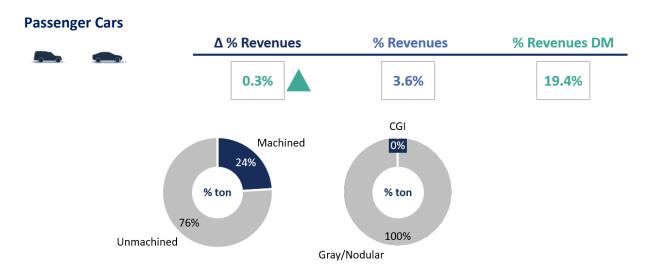
It should be noted that several clients in the US export their goods to other countries. Therefore, a significant part of the sales to this region meets the global demand for commercial vehicles, machinery and equipments.



	2Q19	2Q18	Var. [%]	1H19	1H18	Var. [%]
Revenues	1,404,615	1,218,179	15.3%	2,686,144	2,277,375	17.9%
Domestic Market	258,942	204,153	26.8%	496,210	389,254	27.5%
Transportation, Infrastructure & Agriculture	224,544	174,184	28.9%	430,916	330,986	30.2%
Passenger Cars	50,221	50,087	0.3%	95,939	97,679	-1.8%
Commercial Vehicles	150,427	99,752	50.8%	287,499	188,846	52.2%
Off road	23,897	24,345	-1.8%	47,478	44,461	6.8%
Hydraulics	34,398	29,969	14.8%	65,294	58,268	12.1%
Mercado Externo	1,145,673	1,014,026	13.0%	2,189,934	1,888,121	16.0%
Transportation, Infrastructure & Agriculture	1,115,691	985,505	13.2%	2,143,014	1,835,842	16.7%
Passenger Cars	138,225	115,945	19.2%	254,278	213,117	19.3%
Light Commercial Vehicles	461,795	399,012	15.7%	896,333	744,914	20.3%
Medium and Heavy Commercial Vehicles	212,926	176,417	20.7%	409,604	327,488	25.1%
Off road	302,746	294,131	2.9%	582,799	550,324	5.9%
Hydraulics	29,982	28,521	5.1%	46,920	52,279	-10.3%

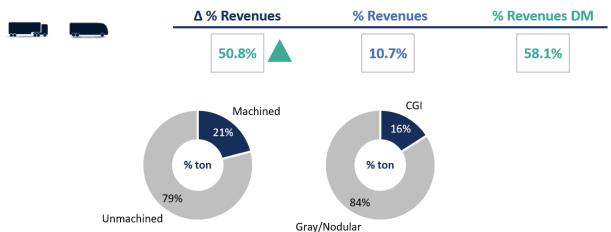
Note: The division between commercial and off road vehicles considers our best inference of the same product for these two applications.

DOMESTIC MARKET (DM)



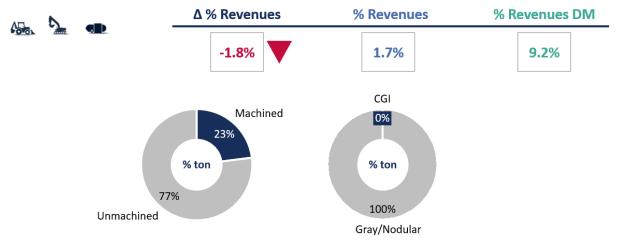
Revenues from sales of applications for passenger cars increased by 0.3% year-over-year, due to the phase out of goods already included in the Company's plan.

Commercial Vehicles



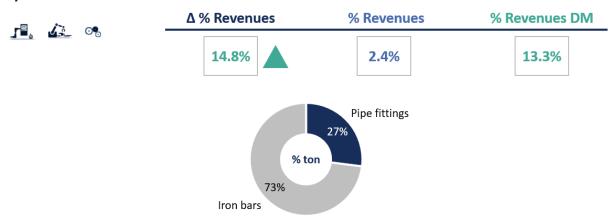
Revenues from commercial vehicle applications increased by 50.8% year-over-year. We highlight indirect exports opportunities, the increased demand for heavy vehicles in the domestic market, as well as the gain in market share of clients served by the Company.





Tupy's revenues from sales of machinery and off road vehicles decreased by 1.8% in 2Q19, mainly due to the lower production of such equipments in the Brazilian market.

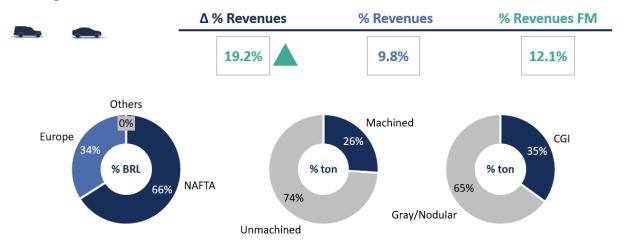
Hydraulics



In the second quarter of 2019, revenues from sales in the Hydraulics segment rose by 14.8% over the same period of 2018. In addition to the increase in volumes, we observed an improvement in product mix in recent months, which had a higher share of pipe fittings.

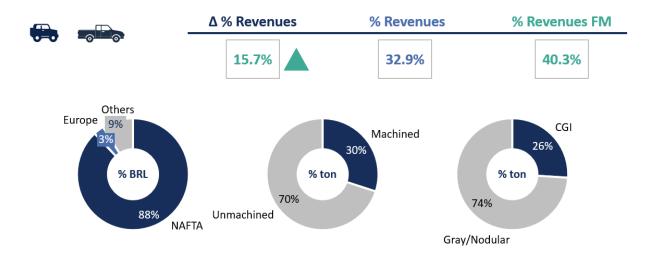
FOREIGN MARKET (FM)

Passenger cars



Revenues from passenger cars increased by 19.2% over 2Q18. In addition to the increased demand and the favorable exchange rate scenario due to the devaluation of the BRL, the variation was due to product phase-in and ramp-up in the period, as well as recovery of delivery backlog.

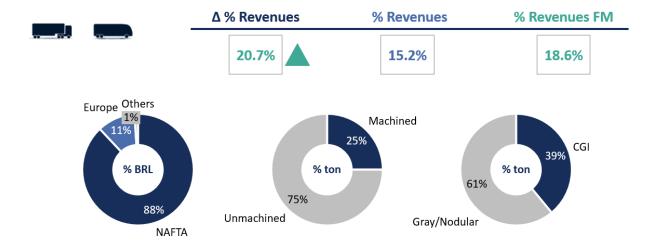
Light Commercial Vehicles



As in previous quarters, we observed a high share of pick-ups and SUVs in the US sales of "light vehicles" (70% vs. 68% in 2Q18).

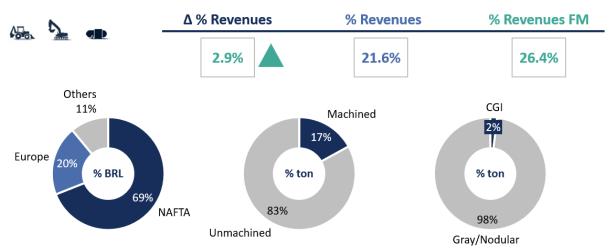
Sales for this application were positively affected in the period due to the devaluation of the BRL, as well as the increased share of machined goods (30% vs 28% in 2Q18) and CGI goods (26% vs 18% in 2Q18), both resulting from new programs.

Medium and Heavy Commercial Vehicles



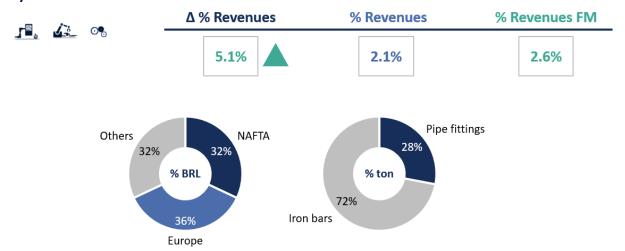
The increase in revenues from medium and heavy commercial vehicles is mainly due to the positive performance of the US and European markets, especially in heavy vehicle applications. As observed in light commercial vehicles, revenue growth was affected by the higher share of high value-added goods, such as machined goods (25% vs. 12% in 2Q18) and CGI goods (39% vs. 28% in 2Q18), ramp-up of new products and the devaluation of the BRL year-over-year.

Off road



Sales for off road applications in 2Q19 grew by 2.9% over the same period of 2018, as volume performance was affected by a slight decrease in the demand for applications used in the agriculture, construction and oil & gas segments.

Hydraulics



In the second quarter of 2019, we observed a 5.1% increase in net sales from pipe fittings and iron bars, despite the decrease in sales volume of these products, which was offset by the devaluation of the BRL and price adjustments.



COST OF GOODS SOLD AND OPERATING EXPENSES

Cost of goods sold (COGS) in 2Q19 totaled R\$1,158.5 million, up 14.7% over 2Q18. Operating expenses reached R\$106.2 million, representing 7.6% of the net revenue in the quarter.

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	2Q19	2Q18	Var. [%]	1H19	1H18	Var.[%]
Revenues	1,404,615	1,218,179	15.3%	2,686,144	2,277,375	17.9%
Cost of Goods Sold	(1,158,456)	(1,009,798)	14.7%	(2,268,896)	(1,897,393)	19.6%
Raw material	(655,269)	(574,370)	14.1%	(1,282,273)	(1,072,525)	19.6%
Labor, profit sharing and social benefits	(270,745)	(223,195)	21.3%	(518,088)	(427,459)	21.2%
Maintenance and third parties	(100,666)	(87,302)	15.3%	(199,639)	(160,379)	24.5%
Energy	(64,260)	(56,365)	14.0%	(126,071)	(106,719)	18.1%
Depreciation	(61,370)	(53,448)	14.8%	(121,292)	(103,930)	16.7%
Others	(6,146)	(15,118)	-59.3%	(21,533)	(26,381)	-18.4%
Gross Profit	246,159	208,381	18.1%	417,248	379,982	9.8%
% on Revenues	17.5%	17.1%		15.5%	16.7%	
	(405.400)	(04.040)	26.49/	(222.27)	(4.50.075)	26.49/
Operating Expenses	(106,192)	(84,010)	26.4%	(203,275)	(160,876)	26.4%
% on Revenues	7.6%	6.9%		7.6%	7.1%	

Gross margin was 17.5% in the period, an improvement of 0.4 percentage point compared to 2Q18. The variation in the year-on-year comparison was affected by factors related to the truck drivers' strike last year, such as the end of payroll tax exemption, reduced tax benefit for exporters – REINTEGRA and

increased freight, with an impact of approximately R\$22.7 million in the period. Regarding the 2Q19 results, the following factors stand out:

- 14.1% rise in raw material costs, driven by the increase in prices year-over-year, as well as the
 devaluation of the BRL, since the raw material costs of Mexican operations are denominated
 in USD. There was also growth in the consumption of more noble materials, due to the
 increased share of CGI and machined goods;
- 21.3% rise in labor costs, mainly due to the increase in headcount, in order to meet the demands from the new programs, as well as the effect resulting from the collective bargain agreement in the annual comparison and exchange rate depreciation. Payroll tax exemption also impacted the result in the period and its effect was observed from September 2018;
- 15.3% increase in maintenance materials and third-party costs due to the start of new operations in Mexico and specific maintenance activities at the Joinville plant;
- 14.0% increase in energy costs, due to the increased volume of CGI (electric power intensive) and machined goods, as well as exchange rate depreciation and the tariff increase in the annual comparison.

Operating expenses, including administrative and commercial expenses, represented 7.6% of net revenues, totaling R\$106.2 million, a 26.4% increase over 2Q18. This variation is mainly due to higher labor and freight expenses and exchange rate depreciation. The application of the freight price table on the transportation of finished and semi-finished goods, as well as the payroll tax exemption, also had an impact in this figure.



OTHER OPERATING INCOME (EXPENSES)

Other net operating expenses reached R\$44.5 million in 2Q19, compared to R\$24.2 million in 2Q18, up 83.8%.

Consolidated (R\$ thousand)								
	2Q19	2Q18	Var. [%]	1H19	1H18	Var.[%]		
Depreciation of Non-Operating Assets	(225)	(175)	28.6%	(448)	(348)	28.7%		
Amortization of Intangible Assets	(15,564)	(12,306)	26.5%	(30,556)	(23,120)	32.2%		
Others	(28,758)	(11,758)	144.6%	(40,327)	(14,980)	169.2%		
Other Net Operating Expenses	(44,547)	(24,239)	83.8%	(71,331)	(38,448)	85.5%		

Expenses related to the amortization of intangible assets increased by 26.5%, due to the increase in the asset base, as a result of exchange rate depreciation and partial reversal of impairment in 4Q18, in the amount of R\$33.6 million.

The "Other" line consists of (i) R\$25.8 million in restatement/constitution of provisions (vs. R\$8.8 million in 2Q18) and (ii) R\$2.9 million related to write-off of property, plant and equipment, the sale of unserviceable assets and third party tooling (vs. R\$2.9 million in 2Q18).

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NET FINANCIAL INCOME

In 2Q19, the Company recorded net financial expenses of R\$6.8 million, compared to expenses of R\$13.2 million in 2Q18.

Consolidated (R\$ thousand)

	2Q19	2Q18	Var. [%]	1H19	1H18	Var. [%]
Financial Expenses	(26,641)	(30,668)	-13.1%	(51,621)	(59,943)	-13.9%
Financial Revenues	20,499	9,218	122.4%	45,643	20,881	118.6%
Net Monetary and Exchange Rate	(663)	8,273	-	12,419	701	-
Net Earnings	(6,805)	(13,177)	-48.4%	6,441	(38,361)	-

The reduction in financial expenses is chiefly due to net amortizations in the last twelve months, which amounted to R\$102.9 million. The comparison with the same period of the previous year was also impacted by the devaluation of the BRL against the USD (average exchange rate of R\$3.92 in 2Q19 vs. R\$3.61 in 2Q18), which affected the recognition of interest on borrowings denominated in USD.

Increase of 122.4% in financial revenues, which reached R\$20.5 million in the period. Of this amount, R\$14.6 million is due to the restatement of the derivative instrument used to adjust Eletrobrás' receivable credits to present value, with no cash effect.

The result of net monetary and exchange variations, in the amount of R\$0.7 million, is due to (i) gains with hedge operations (settlement of contracts and mark-to-market), corresponding to a revenue of R\$3.9 million in the period, and (ii) monetary and exchange variations in the balance sheet accounts, with a negative impact of R\$4.6 million.



EARNINGS BEFORE TAXES AND NET INCOME

	2Q19	2Q18	Var. [%]	1H19	1H18	Var. [%]
Income before tax effects	88,615	86,955	1.9%	149,083	142,297	4.8%
Tax effects before foreign Exchange impacts	(28,632)	(27,202)	5.3%	(17,265)	(39,109)	-55.9%
Gains before Exchange effects on the tax base	59,983	59,753	0.4%	131,818	103,188	27.7%
Exchange effects on the tax base	(535)	(11,475)	-95.3%	8,072	1,982	307.3%
Net Income	59,448	48,278	23.1%	139,890	105,170	33.0%
% on Revenues	4.2%	4.0%		5.2%	4.6%	

The Company recorded tax effects before foreign exchange impacts in the amount of R\$28.6 million, resulting from the difference in expenses at the rate of 34% on profit before tax effects and the effects of permanent additions/exclusions.

The effect of exchange rates on the tax base (deferred income tax in Mexican operations) is calculated in Mexican Pesos. The conversion from the functional currency, the USD, resulted in a reduction of R\$0.5 million due to the appreciation of the Mexican Peso against the USD in 2Q19.

Net income from these effects amounted to R\$59.4 million in 2Q19, up 23.1% over 2Q18.

EBITDA

The combination of the above-mentioned factors resulted in EBITDA of R\$175.6 million, an increase of 3.9% over the same period of the previous year. EBITDA adjusted by the restatement/constitution of provisions, write-off of property, plant and equipment, and the sale of unserviceable assets totaled R\$204.4 million, with a margin of 14.6% and an increase of 13.0% over 2Q18, representing the highest value in the Company's history, despite the end of payroll tax exemption and the reduced tax benefit for exporters – REINTEGRA, with impact of R\$22.7 million in the quarter.

	Consolidated (N2 thousand)					
RECONCILIATION OF NET INCOME TO EBITDA	2Q19	2Q18	Var. [%]	1H19	1H18	Var. [%]
Net Income	59,448	48,278	23.1%	139,890	105,170	33.0%
(+) Net financial results	6,805	13,177	-48.4%	(6,441)	38,361	-116.8%
(+) Income tax and social contribution	29,167	38,677	-24.6%	9,193	37,127	-75.2%
(+) Depreciation and amortization	80,219	68,940	16.4%	158,375	133,464	18.7%
EBITDA (Instr. CVM 527/12)	175,639	169,072	3.9%	301,017	314,122	-4.2%
% on Revenues	12.5%	13.9%		11.2%	13.8%	
(+) Other net operating expenses*	28,758	11,758	-	40,327	14,980	-
Adjusted EBITDA	204,397	180,830	13.0%	341,344	329,102	3.7%
% on Revenues	14.6%	14.8%		12.7%	14.5%	

^{*}Includes the restatement/constitution of provisions, write-off of property, plant and equipment and the sale of unserviceable assets

The margin of 14.6% represents a substantial increase compared to 1Q19 (10.7%), when we observed unscheduled shutdowns in the Joinville operations and start of operations of high value-added goods in Mexico.

The adjustments made to EBITDA have the purpose of offsetting the effect of items that present less correlation with the Company's business, have no cash or non-recurring effect. These expenses amounted to R\$28.8 million in 2Q19 and comprise of (i) R\$25.8 million related to the restatement/constitution of provisions (vs. R\$8.8 million in 2Q18), and (ii) R\$2.9 million related to write-off of property, plant and equipment and the sale of unserviceable assets (vs. R\$2.9 million in 2Q18).

The provisions are mainly related to labor issues and the development of lawsuits filed in the period immediately preceding the new labor legislation coming into effect, chiefly related to the suspension of activities of the plant located in Mauá-SP in 2017, aimed at efficiency gains and higher return on invested capital.



$^{\prime}$ INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Investments in property, plant and equipment and intangible assets totaled R\$73.9 million in 2Q19.

Consolidated (R\$ thousand)							
	2Q19	2Q18	Var. [%]	1H19	1H18	Var. [%]	
PP&E							
Strategic investments	44,261	6,020	-	60,941	10,510	-	
Maintenance and sustenance	27,463	27,073	1.4%	51,789	47,815	8.3%	
Environment	214	1,411	-84.8%	1,227	3,093	-60.3%	
Interest and financial expenses	396	535	26.0%	785	1,083	-27.5%	
Intangible Assets							
Software	1,262	345	265.8%	4,880	1,964	148.5%	
Research and development	260	858	-69.7%	912	1,441	-36.7%	
Total	73,856	36,242	103.8%	120,534	65,906	82.9%	
% on Revenues	5.3%	3.0%		4.5%	2.9%		

The increase in investments is due to development and launching of CGI and machining projects and to initiatives to increase productivity (including automation / Industry 4.0 projects), as well as renovations and projects related to the environment and occupational safety.



WORKING CAPITAL

Consolidated	(R\$ thousand)

	2Q19	1Q19	4Q18	3Q18	2Q18
Balance Sheet					
Accounts Receivables	890,013	813,127	688,495	754,026	783,072
Inventories	522,374	513,142	523,623	486,753	467,613
Accounts Payable	643,790	677,581	621,292	576,245	550,562
Sales outstanding [days]	62	59	52	60	68
Inventories outstanding [days]	43	44	47	47	49
Payables outstanding [days]	53	58	56	55	57
Cash Conversion Cycle [days]	52	45	43	52	60

There was a significant improvement (8 days) in working capital in the period compared to the same quarter of the previous year (2Q18). The main working capital lines presented the following variations:

- Increase of R\$106.9 million in the accounts receivable line, with a 6-day reduction in sales. This increase is mainly due to higher revenue in the period;
- Increase in inventories in the amount of R\$54.8 million, with a 6-day reduction in relation to the cost of goods sold, due to the greater efficiency of operations;
- Increase of R\$93.2 million in the accounts payable line, with a 4-day reduction.



Consolidated (R\$ thousand)									
CASH FLOW SUMMARY	2Q19	2Q18	Var.[%]	1H19	1H18	Var.[%]			
Cash at the beginning of period	532,389	494,695	7.6%	713,733	865,368	-17.5%			
Cash from Operating Activities	75,525	162,421	-53.5%	69,364	168,434	58.8%			
Cash used in Investments	(74,062)	(32,848)	125.5%	(115,458)	(57,955)	99.2%			
Cash used in Financing Activities	(38,896)	(47,854)	-18.7%	(170,252)	(401,938)	57.6%			
Effect of the Exchange Rate on Cash	(2,697)	37,687	-	(5,128)	40,192	-			
Increase (decrease) in cash	(40,130)	119,406	-	(221,474)	(251,267)	-			
Cash at the end of period	492,259	614,101	-19.8%	492,259	614,101	-19.8%			

In 2Q19, the Company generated R\$75.5 million in cash from operating activities, compared to a generation of R\$162.4 million in 2Q18. Cash generation was mainly impacted by the increase in working capital consumption and the cash conversion cycle compared to the immediately previous quarter (1Q19), given the strong revenue growth.

Regarding investment activities, R\$74.1 million were consumed in 2Q19, an increase of 125.5% over the same period of the previous year, due to the development and implementation of new programs in high value-added goods and operational efficiency projects.

Regarding financing activities, during 2Q19, we recorded the consumption of R\$38.9 million, mainly due to the payment of dividends totaling R\$25.0 million.

The combination between these factors and the exchange rate variation resulted in a reduction in cash availability of R\$40.1 million in the period. Therefore, we ended the second quarter of 2019 with a cash balance of R\$492.2 million.

◯ INDEBTEDNESS

The Company closed 2Q19 with net debt of R\$921.1 million and net debt/Adjusted EBITDA ratio for the LTM was 1.34.

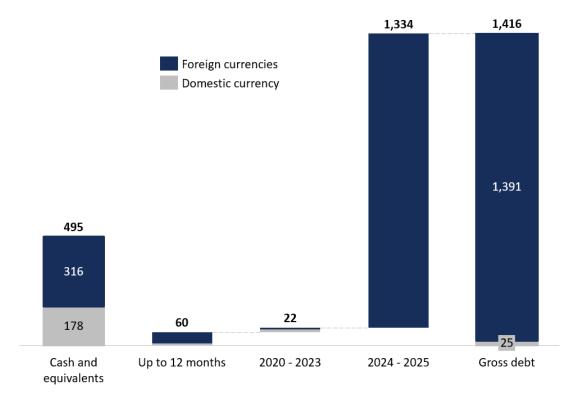
Foreign currency liabilities represent 98.3% of the total (4.2% short-term and 95.8% long-term debt), while 1.7% of the debt is denominated in BRL (40.5% short-term and 59.5% long-term debt). Regarding the cash balance, 35.9% is denominated in BRL and 64.1% in foreign currency.

Consolidated (R\$ thousand)

INDEBTEDNESS	2Q19	1Q19	4Q18	3Q18	2Q18
Short-Term*	59,589	31,008	47,591	123,278	156,912
Long-Term	1,356,083	1,391,251	1,359,492	1,405,145	1,354,399
Gross debt	1,415,672	1,422,259	1,407,083	1,528,423	1,511,311
Cash and Cash Equivalents**	494,550	532,520	724,545	746,592	614,105
Net debt	921,122	889,739	682,538	781,831	897,206
Gross Debt/Adjusted EBITDA	2.05x	2.14x	2.08x	2.32x	2.42x
Net Debt/Adjusted EBITDA	1.34x	1.34x	1.01x	1.19x	1.44x

^{*} Includes derivative financial instruments

The Company's debt profile is as follows:



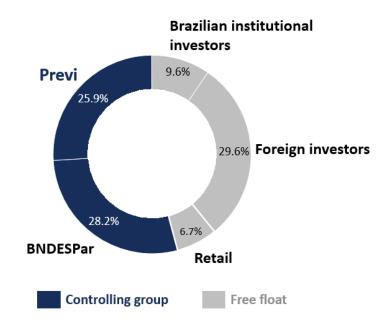
All amounts in R\$ million.

[†] Includes financial investments

∇

OWNERSHIP STRUCTURE

Tupy's ownership structure as of June 30, 2019 was as follows:



∇

EXECUTIVE OFFICER'S STATEMENT

In compliance with the provisions established under Article 25 of CVM Instruction No. 480, of December 7, 2009, Tupy S.A.'s Board of Executive Officers declares that it has reviewed, discussed and agreed with the opinion presented in the Independent Auditor's Report on the Quarterly Financial Report, issued on this date, and with the Quarterly Financial Report of June 30, 2019.

* * *

Attachment I – Commercial vehicle production and sales in Brazil

		(Units)					
	2Q19	2Q18	Var. (%)	1H19	1H18	Var. (%)	
Production							
Trucks							
Semi-lights	279	556	-49.8%	526	994	-47.1%	
Light	4,433	4,882	-9.2%	9,066	9,661	-6.2%	
Medium	1,640	1,645	-0.3%	2,761	3,052	-9.5%	
Semi-heavy	6,717	6,443	4.3%	12,410	13,373	-7.2%	
Heavy	17,566	11,627	51.1%	30,633	22,507	36.1%	
Total trucks	30,635	25,153	21.8%	55,396	49,587	11.7%	
Buses	7,948	8,069	-1.5%	14,064	14,955	-6.0%	
Commercial vehicles	38,583	33,222	16.1%	69,460	64,542	7.6%	
Sales							
Trucks							
Semi-lights	484	576	-16.0%	1,143	1,116	2.4%	
Light	2,808	2,872	-2.2%	5,383	5,666	-5.0%	
Medium	2,479	1,676	47.9%	4,669	2,979	56.7%	
Semi-heavy	5,409	4,165	29.9%	10,035	7,359	36.4%	
Heavy	13,353	7,783	71.6%	24,035	14,180	69.5%	
Total trucks	24,533	17,072	43.7%	45,265	31,300	44.6%	
Buses	4,939	2,812	75.6%	9,619	5,570	72.7%	
Commercial vehicles	29,472	19,884	48.2%	54,884	36,870	48.9%	
Exports							
Trucks							
Semi-lights	197	48	310.4%	221	220	0.5%	
Light	588	1,498	-60.7%	1,199	2,949	-59.3%	
Medium	70	396	-82.3%	231	737	-68.7%	

788

1,829

3,472

1,717

5,189

2,437

2,651

7,030

2,261

9,291

-67.7%

-31,0%

-50.6%

-24.1%

-44.2%

1,633

2,707

5,991

3,797

9,788

5,291

5,164

14,361

4,734

19,095

-69.1%

-47.6%

-58.3%

-19.8%

-48.7%

Source: ANFAVEA

Commercial vehicles

Semi-heavy

Total trucks

Heavy

Buses

Attachment II – Production and sales of light and comercial vehicles in foreign markets

(Un	iits)
-----	-------

	2Q19	2Q18	Var. (%)	1H19	1H18	Var. (%)
North America						
Production						
Passenger cars	1,158,236	1,293,935	-10.5%	2,380,688	2,642,845	-9.9%
Light commercial vehicles – Class 1-3	3,140,292	3,027,110	3.7%	6,153,910	6,100,622	0.9%
% Light commercial vehicles	73.1%	70.1%	+3.0p.p.	72.1%	69.8%	+2.3p.p.
Light Duty – Class 4-5	23,388	11,580	102.0%	41,698	30,264	37.8%
Medium Duty – Class 6-7	41,941	26,177	60.2%	82,642	62,607	32.0%
Heavy Duty – Class 8	96,354	45,376	112.3%	186,907	117,736	58.8%
Medium & Heavy Duty ¹	161,683	83,133	94.5%	311,247	210,607	47.8%
United States						
Sales						
Passenger cars	1,279,518	1,427,599	-10.4%	2,474,469	2,767,127	-10.6%
Light commercial vehicles – Class 1-3	3,148,818	3,077,883	2.3%	5,943,335	5,861,412	1.4%
% Light commercial vehicles	71.1%	68.3%	+2.8p.p.	70.6%	67.9%	+2.7p.p.
Light Duty – Class 4-5	34,343	35,247	-2.6%	62,179	66,139	-6.0%
Medium Duty – Class 6-7	36,398	33,283	9.4%	70,956	65,955	7.6%
Heavy Duty – Class 8	71,980	59,493	21.0%	134,891	110,054	22.6%
Medium & Heavy Duty ¹	142,721	128,023	11.5%	268,026	242,148	10.7%
Europe						

Europe						
Sales						
Passenger cars	4,150,681	4,277,748	-3.0%	8,183,562	8,449,689	-3.1%

Source: Automotive News; Bloomberg; ACEA

Attachment III – Production and sales of agricultural machinery in global marktets

			(Units)			
	2Q19	2Q18	Var. (%)	1H19	1H18	Var. (%)
Production						
Americas						
Brazil	13,908	14,900	-6.7%	24,724	26,900	-8.1%
Sales						
Americas						
Brazil	10,537	12,340	-14.6%	19,830	19,863	-0.2%
United States and Canada	92,953	91,207	1.9%	142,862	138,801	2.9%
Europe						
Germany	13,763	12,414	10.9%	23,338	19,643	18.8%

3,597

-1.9%

6,197

6,529

-5.1%

3,530

Source: ANFAVEA; Bloomberg; AEM

United Kingdom

TUPY S.A. AND SUBSIDIARIES

BALANCE SHEETS AT JUNE 30, 2019 AND DECEMBER 31, 2018 (All amounts in thousands of reais)

<u>ASSETS</u>

		Parent company		Consolidated	
	Note	6/30/19	12/31/18	6/30/19	12/31/18
CURRENT ASSETS	_				
Cash and cash equivalents	3	202,906	328,350	492,259	713,733
Derivative financial instruments	25	1,887	6,781	2,291	10,812
Trade account receivables	4	369,974	329,043	890,013	688,495
Inventories	5	246,182	234,188	522,374	523,623
Tooling		42,310	37,280	168,301	162,445
Income tax and social contribution recoverable	6	51,616	49,919	65,843	61,534
Other taxes recoverable	7	93,107	86,081	157,185	137,980
Related parties	9	1,508	5,982	-	-
Notes and other receivables		22,313	26,997	36,449	52,125
Total current assets		1,031,803	1,104,621	2,334,715	2,350,747
NON-CURRENT ASSETS Income tax and social contribution recoverable	6	113,321	166,857	113,321	166,857
Income tax and social contribution recoverable	6	113,321	166,857	113,321	166,857
Other taxes recoverable	7	164,696	157,979	164,696	157,979
Deferred income tax and social contribution	8	184,230	170,452	183,020	143,668
Credits - Eletrobrás	10	198,521	170,974	198,521	170,974
Judicial deposits and other		41,963	40,076	43,058	41,171
Investments in equity instruments		2,287	1,789	8,833	8,303
Properties for investments		-		6,363	6,363
Investments	11	1,815,145	1,793,940	-	-
Property, plant and equipment	12	712,746	734,611	1,570,511	1,557,292
Intangible assets	13	53,033	54,842	272,042	304,837
Total non-current assets		3,285,942	3,291,520	2,560,365	2,557,444
Tabel courts		4 247 745	4 200 141	4.805.080	4 000 101
Total assets		4,317,745	4,396,141	4,895,080	4,908,191

TUPY S.A. AND SUBSIDIARIES

BALANCE SHEETS AT JUNE 30, 2019 AND DECEMBER 31, 2018 (All amounts in thousands of reais)

LIABILITIES

		Parent co	mpany	Consoli	dated
	Note	6/30/19	12/31/18	6/30/19	12/31/18
CURRENT LIABILITIES		-			
Trade accounts payables		288,920	260,607	643,790	621,292
Loans and financing	14	51,622	49,792	59,003	47,431
Derivative financial instruments	25	476	-	586	160
Income taxes payable		-	-	21,142	8,992
Other taxes payable		1,414	2,810	29,438	30,012
Salaries, social security charges and profit sharing		127,932	125,084	170,267	163,959
Advances from customers		41,353	37,064	134,656	159,724
Related parties	9	1,210	1,239	-	_
Dividends and interest on capital		193	37,624	193	37,624
Provision for tax, civil, social security and labor contingencies	15	42,966	28,043	42,966	28,043
Notes and other payables		58,038	149,504	47,240	77,526
Total current liabilities		614,124	691,767	1,149,281	1,174,763
NON-CURRENT LIABILITIES					
Borrowings	14	1,351,840	1,363,887	1,356,083	1,359,492
Provision for tax, civil, social security and labor contingencies	15	142,854	136,204	144,158	136,215
Retirement benefit obligations		-	-	36,227	32,965
Other long term liabilities		3,600	4,320	4,004	4,793
Total non-current liabilities		1,498,294	1,504,411	1,540,472	1,533,465
EQUITY					
Share capital	16	1,060,301	1,060,301	1,060,301	1,060,301
Share issuance costs		(6,541)	(6,541)	(6,541)	(6,541)
Share-based payments		9,313	8,564	9,313	8,564
Treasury shares		-	(292)	-	(292)
Carrying value adjustments		574,480	589,910	574,480	589,910
Income reserves	9 d	423,021	548,021	423,021	548,021
Retained earnings		144,753	-	144,753	-
Total equity		2,205,327	2,199,963	2,205,327	2,199,963
Total liabilities and equity		4,317,745	4,396,141	4,895,080	4,908,191

TUPY S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME QUARTERS ENDED JUNE 30, 2019 AND 2018

(All amounts in thousands of reais, except earnings per share)

		Parent company		Consolidated		
		4/1/19	4/1/18	4/1/19	4/1/18	
	Note	6/30/19	6/30/18	6/30/19	6/30/18	
NET REVENUE	17	746,316	636,956	1,404,615	1,218,179	
Cost of products sold	18	(589,679)	(522,973)	(1,158,456)	(1,009,798)	
GROSS PROFIT		156,637	113,983	246,159	208,381	
Selling expenses	18	(30,889)	(26,361)	(56,065)	(45,053)	
Administrative expenses	18	(36,736)	(31,902)	(47,038)	(36,227)	
Management fees	18	(3,089)	(2,730)	(3,089)	(2,730)	
Other operating expenses, net	20	(25,766)	(12,038)	(44,547)	(24,239)	
Share of results of subsidiaries	11	23,274	24,011	-	-	
PROFIT BEFORE FINANCE RESULTS						
AND TAXES		83,431	64,963	95,420	100,132	
Finance costs	19	(24,904)	(29,405)	(26,641)	(30,668)	
Finance income	19	19,985	7,520	20,499	9,218	
Monetary and foreign exchange variations, net	19	(346)	(1,098)	(663)	8,273	
PROFIT BEFORE TAXATION		78,166	41,980	88,615	86,955	
Income tax and social contribution	21	(18,718)	6,298	(29,167)	(38,677)	
NET INCOME FOR THE PERIOD		59,448	48,278	59,448	48,278	
EARNINGS PER SHARE						
Basic earnings per share	22	0.41233	0.33485	0.41233	0.33485	
Diluted earnings per share	22	0.41106	0.33351	0.41106	0.33351	

TUPY S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(All amounts in thousands of reais, except earnings per share)

NET REVENUE Cost of products sold GROSS PROFIT	Note 17 18	6/30/19 1,405,779	6/30/18	6/30/19 2,686,144	6/30/18
Cost of products sold			1,212,952	2,686,144	2,277,375
·	18	(1 141 000)			
GROSS PROFIT		(1,141,809)	(1,010,140)	(2,268,896)	(1,897,393)
3.033 TROTTI		263,970	202,812	417,248	379,982
Selling expenses	18	(61,396)	(51,829)	(109,317)	(85,587)
Administrative expenses	18	(69,014)	(58,615)	(88,495)	(69,372)
Management fees	18	(5,463)	(5,917)	(5,463)	(5,917)
Other operating expenses, net	20	(38,862)	(18,723)	(71,331)	(38,448)
Share of results of subsidiaries	11	41,585	74,332	-	-
PROFIT BEFORE FINANCE RESULTS AND TAXES		130,820	142,060	142,642	180,658
Finance costs	19	(49,377)	(57,389)	(51,621)	(59,943)
Finance income	19	42,903	18,031	45,643	20,881
Monetary and foreign exchange variations, net	19	15,153	(2,835)	12,419	701
PROFIT BEFORE TAXATION		139,499	99,867	149,083	142,297
Income tax and social contribution	21	391	5,303	(9,193)	(37,127)
NET INCOME FOR THE PERIOD		139,890	105,170	139,890	105,170
EARNINGS PER SHARE					
Basic earnings per share	22	0.97026	0.72945	0.97026	0.72945
Diluted earnings per share	22	0.96728	0.72656	0.96728	0.72656

TUPY S.A. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME QUARTERS ENDED JUNE 30, 2019 AND 2018

(All amounts in thousands of reais, except earnings per share)

		Parent co	mpany	Consoli	dated	
		4/1/19	4/1/18	4/1/19	4/1/18	
		6/30/19	6/30/18	6/30/19	6/30/18	
NET INCOME FOR THE PERIOD		59,448	48,278	59,448	48,278	
Components of other comprehensive income						
to be reclassified to the results						
Foreign exchange variation of investees located abroad	11	(27,356)	223,128	(27,356)	223,128	
Hedge of net investment abroad	25	22,513	(185,668)	22,513	(185,668)	
Tax effect on hedge of net investment abroad		(7,654)	63,127	(7,654)	63,127	

TUPY S.A. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (All amounts in thousands of reais, except earnings per share)

		Parent co	mpany	Consoli	dated
	Note	6/30/19	6/30/18	6/30/19	6/30/18
NET INCOME (LOSS) FOR THE YEAR		139,890	105,170	139,890	105,170
Components of other comprehensive income					
to be reclassified to the results					
Foreign exchange variation of investees located abroad	11	(20,380)	233,819	(20,380)	233,819
Hedge of net investment abroad	25	14,868	(191,181)	14,868	(191,181)
Tax effect on hedge of net investment abroad		(5,055)	65,002	(5,055)	65,002
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		129,323	212,810	129,323	212,810

TUPY S.A. AND SUBSIDIARIES

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

			Share	Shared		Carrying val	ue adjustments Deemed	Revenu	e reserves	Retained	
		Share	issue	based	Treasury	variation of	cost of	legal	Reserve for	earnings	
	Note	capital	cost	payments	stock	investees	fixed assets	reserve	investments	(losses)	Total
AT DECEMBER 31, 2017		1,060,301	(6,541)	9,172		440,932	51,467	68,223	359,764	-	1,983,318
Comprehensive income for the period											
Profit for the period		-		-		-	-			105,170	105,170
Realization of carrying value adjustments				-			(4,750)			4,750	103,170
Foreign exchange variation of investees located abroad	11			-	-	233.819	(1,100)	-	-		233.819
Hedge of net investment abroad	25					(191,181)					(191,181)
Tax impact on hedge of net investment abroad						65,002					65,002
Total comprehensive income for the período		-	-		-	107,640	(4,750)	-	-	109,920	212,810
Contributions from stockholders and distributions to stockholders											
Management stock option plan				1,605							1,605
Realization of management stock option plan				(330)							(330)
Interest on capital				(330)					(37,500)		(37,500)
Total contributions from stockholders and distributions to stockholders			-	1,275				-	(37,500)		(36,225)
Total contributions from stockholders and distributions to stockholders				1,273					(37,300)		(30,223)
AT JUNE 30, 2018		1,060,301	(6,541)	10,447		548,572	46,717	68,223	322,264	109,920	2,159,903
AT DECEMBER 31, 2018		1,060,301	(6,541)	8,564	(292) 548,092	41,818	81,809	466,212	-	2,199,963
Comprehensive income for the period											
Profit for the period					-			-		139,890	139,890
Realization of carrying value adjustments		-		-	-	-	(4,863)	-	-	4,863	-
Foreign exchange variation of investees located abroad	11	-		-	-	(20,380)		-	-	-	(20,380)
Hedge of net investment abroad	25	-		-		14,868	-		-	-	14,868
Tax impact on hedge of net investment abroad		-		-	-	(5,055)		-	-	-	(5,055)
Total comprehensive income for the year		-	-	-	-	(10,567)	(4,863)	-	-	144,753	129,323
Contributions from stockholders and distributions to stockholders											
Management stock option plan		-	-	1,041					-	-	1,041
Realization of management stock option plan		-	-	(292)	292	-		-	-	-	
Allocation of profit (loss):				, , ,							
Interest on capital	9 d	-		-		-			(125,000)	-	(125,000)
Total contributions from stockholders and distributions to stockholders		-	-	749	292	-	-	-	(125,000)	-	(123,959)

TUPY S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOW SIX MONTHS ENDED JUNE 30, 2019 AND 2018

(All amounts in thousands of reais, except earnings per share)

		Parent co	mpany	Consoli	dated
Cash flow from operating activities:	Note	6/30/19	6/30/18	6/30/19	6/30/18
Profit for the period before income tax and social contribution		139,499	99,867	149,083	142,297
Adjustment to reconcile profit (losses) with cash provided by operating					
activities:					
Depreciation and amortization	12 e 13	69,679	69,870	158,375	133,464
Share of results of subsidiaries	11	(41,585)	(74,332)	-	-
Disposals of property, plant and equipment		(2,841)	5,719	1,254	9,037
Interest accrued and foreign exchange variations		31,060	49,634	33,224	45,564
Provision for impairment of trade receivables		(34)	(33)	(596)	(16
Provision for losses on inventory		(4,269)	(986)	(4,583)	753
Provision for contingencies	15	33,944	13,847	35,248	13,716
Stock option plan		1,041	1,605	1,041	1,605
Change in monetary exchange - IPI premium credit		-	3,041	-	3,041
Change in Eletrobrás credit		(28,045)	581	(28,045)	581
		198,449	168,813	345,001	350,042
Changes in operating assets and liabilities:					
Trade accounts receivables		(48,469)	(47,171)	(211,234)	(104,652)
Inventories		(7,725)	(7,237)	4,163	(28,336
Tooling		(5,030)	(5,423)	(7,250)	(39,671
Other taxes recoverable		19,654	(4,113)	10,998	7,944
Notes and other receivables		4,684	15,553	15,572	2,695
Judicial deposits and other		(1,887)	(1,223)	(1,887)	(1,223
Trade payables		30,352	7,327	27,664	19,710
Other taxes payable		(1,396)	2,425	(104)	1,402
Salaries, social security charges and profit sharing		2,848	4,074	6,283	6,389
Advances from customers		4,289	9,102	(28,704)	48,860
Notes and other payables		(67,796)	10,321	(6,437)	
Retirement benefit obligations		(07,790)	10,321	2,971	(13,274 12,024
Other long term liabilities		(13,091)	(24,576)	(13,171)	
Cash generated by operations		114,882	127,872	143,865	(24,527) 237,383
Interest paid		(46,381)	(49,113)	(46,497)	(47,402
Income tax and social contribution paid		(40,301)	(43,113)	(28,004)	(21,547
Net cash generated (used) from operating activities		68,501	78,759	69,364	168,434
Cash flow from investment activities:					
Additions to fixed assets or intangibles	12 e 13	(36,453)	(27,174)	(120,578)	(59,927
Advances from investment property sales		-	-	5,000	- ` -
Cash generated on PPE disposals		4,107	1,987	120	895
Financial investment		-	1,077	-	1,077
Subsidiaries and associates		4,445	(195)	-	-
Cash used in investment activities		(27,901)	(24,305)	(115,458)	(57,955)
Cash flow from financing activities:					
Payment of loans		(2,369)	(314,129)	(2,369)	(314,129
Lease payment from right of use		(1,304)	-	(5,452)	-
Interest on capital and dividends paid		(152,664)	(84,254)	(152,664)	(84,254
Income tax of interest on capital and dividends paid		(9,767)	(3,225)	(9,767)	(3,225
Treasury stock			(330)	-	(330
Cash used in financing activities		(166,104)	(401,938)	(170,252)	(401,938
Effect of exchange rate differences on cash for the period		60	6,912	(5,128)	40,192
Increase (decrease) in cash and cash equivalents		(125,444)	(340,572)	(221,474)	(251,267
Cash and cash equivalents at the beginning of the period		328,350	667,827	713,733	865,368

TUPY S.A. AND SUBSIDIARIES

STATEMENT OF VALUE ADDED SIX MONTHS ENDED JUNE 30, 2019 AND 2018 (All amounts in thousands of reais, except earnings per share)

		Parent co	mpany	Consoli	dated
	Note	6/30/19	6/30/18	6/30/19	6/30/18
Origination of value added	_	1,541,172	1,321,681	2,822,099	2,386,087
Sale of products, net of returns and rebates	17	1,541,138	1,321,648	2,821,503	2,386,071
Provision for impairment of trade receivables		34	33	596	16
(-) Inputs acquired from third parties		(1,010,060)	(861,868)	(1,850,357)	(1,536,282)
Raw materials and processing material consumed		(796,527)	(633,949)	(1,343,490)	(1,105,703)
Materials, energy, third party services and other		(213,533)	(227,919)	(506,867)	(430,579)
GROSS VALUE ADDED		531,112	459,813	971,742	849,805
Retentions:		(69,679)	(69,870)	(158,375)	(133,464)
Depreciation and amortization	12 and 13	(69,679)	(69,870)	(158,375)	(133,464)
Net value added generated by the Company		461,433	389,943	813,367	716,341
Value added received through transfer		84,488	92,363	45,643	20,881
Share of results of subsidiaries	11	41,585	74,332	-	-
Finance income	19	42,903	18,031	45,643	20,881
VALUE ADDED TO DISTRIBUTE		545,921	482,306	859,010	737,222
Distribution of value added					
Personnel		308,578	299,607	606,210	512,531
Employees		226,417	206,503	515,755	413,109
Social charges - Government Severance Indemnity Fund for Employees (FGTS)		15,463	14,626	15,463	14,626
Profit sharing		18,040	25,370	25,488	31,086
Management fees		5,860	5,917	5,860	5,917
Workplace healthcare and safety		31,294	35,066	31,294	35,066
Food		6,090	4,931	6,090	4,931
Professional education, qualification and development		346	374	664	484
Other amounts		5,068	6,820	5,596	7,312
Government		63,229	17,305	73,709	60,279
Federal taxes and contributions		54,298	13,307	64,777	56,270
State taxes and rates		5,359	729	5,360	730
Municipal taxes, rates and other		3,572	3,269	3,572	3,279
Third party capital		34,224	60,224	39,202	59,242
Finance costs	19	49,377	57,389	51,621	59,943
Monetary and foreign exchange variations, net	19	(15,153)	2,835	(12,419)	(701)
Own capital		139,890	105,170	139,890	105,170
Retained earnings (losses)		139,890	105,170	139,890	105,170
TOTAL VALUE ADDED		545,921	482,306	859,011	737,222
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(A free translation of the original in Portuguese) NOTES TO THE FINANCIAL STATEMENTS

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1. GENERAL INFORMATION

Tupy S.A. (the "Parent company") and its subsidiaries (together the "Company" or "Consolidated") have significant position in the domestic and foreign iron casting markets, the largest foundry in the West, manufacturing cast-iron engine blocks and cylinder heads, with a diversified customer base in the Americas, Europe and Asia. The Company also operate in the transportation, infrastructure and agriculture (blocks, cylinder heads and parts) and hydraulics (steel shots and iron bar) segments. The Company has plants in Brazil, at Joinville and Maua, 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 São Paulo Stock Exchange (BOVESPA: ticker TUPY3) and in the Novo Mercado segment of B3 (former BM&FBOVESPA).

This quarterly information was approved for issue by the Company's Board of Directors on August 13, 2019.

2. PRESENTATION AND PREPARATION OF THE QUARTERLY INFORMATION

The Company presents the Parent company quarterly information prepared in accordance with Technical Pronouncement CPC 21 - "Interim Financial Reporting" and the Consolidated quarterly information in accordance with Technical Pronouncement CPC 21 and International Accounting Standard IAS 34 - "Interim Financial Reporting" issued by the International Accounting Standards Board (IASB), and presented in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of the Quarterly Information (ITR), and are identified as "Parent company" and "Consolidated", respectively.

Circular Letter CVM/SNC/SEP 003, of April 28, 2011, permits entities to present selected explanatory notes in cases of redundancy or duplication relative to the information already presented in the Company's annual financial statements. The quarterly information does not include all of the disclosures required in a complete set of financial statements, and should be read together with the annual financial statements for the year ended December 31, 2018.

Accordingly, the Company discloses below a list of the explanatory notes that are not partially or completely repeated in the quarterly information at June 30, 2019:

Not completely repeated	Not partially repeated
Financial investments	Trade receivables
Investment properties	Income tax and social contribution recoverable
Salaries, social security charges and profit sharing	Other taxes recoverable
Defined benefit obligations	Property, plant and equipment
Insurance	Intangible assets
Business combination	Borrowings
Commitments	Provision for tax, civil, social security and labor
	contingencies
	Share capital

2.1. Basis of preparation

The quarterly information has been prepared based on the historical cost convention, except for certain financial instruments, which are 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 functional and presentation currency are with the same as those for the annual financial statements for the year ended December 31, 2018.

The management consider the company's operations are not impacted by seasonal effects, because of that is not require disclosures or additional information in the explanatory notes.

2.2. Use of critical accounting estimates and judgments

The preparation of Parent Company and Consolidated quarterly information 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.

In the preparation of this quarterly information, the decisions made by the Company regarding the application of accounting policies and the main sources of uncertainty in estimates were the same as those for the annual financial statements for the year ended December 31, 2018. In the annual financial statements, these critical accounting estimates and judgments are disclosed in Note 2.4.

2.3. Significant accounting policies

The accounting policies used in the preparation of this quarterly information for the period ended June 30, 2019 are consistent with those used to prepare the annual financial statements for the year ended December 31, 2018, these policies are disclosed in Note 2 in the annual financial statements, except for the new standards, which are:

a. CPC 06 (R2) - Leases

Effective since January 1, 2019, the CPC 06 (R2) Leasing operations, issue by CPC is equivalent to the international standard IFRS 16 – Leases. CPC 06 establishes the principles for recognition, measurement, presentation and disclosure of leasing operations and requires tenants to account for all leases according to a single model balance sheet.

The standard includes two exemptions from recognition for tenants - leases of "low-value" assets (eg personal computers) and short-term leases (ie leases with maturity of 12 months or less). At the commencement date of a lease, the lessee recognizes at fair value a liability to make the payments (a lease liability) and an asset representing the right to use the asset subject during the lease term (a right of use asset).

The amounts recognized by the Company and the impacts in the quarter are as follows:

	Parent company	Consolidated
Depreciation in costs	(1,776)	(6,099)
Depreciation in general expense	(123)	(123)
Leasing in general expenses	2,591	7,206
PROFIT BEFORE FINANCE RESULTS	692	984
Finance costs	(841)	(1,372)
Income tax and social contributi	51	132
NET INCOME FOR THE PERIOD	(98)	(256)

For comparison, the accumulated initial effects are considered irrelevant by the Company for the Financial Statements taken as a whole.

Due to the adoption of CPC 06 (R2), the Company's earnings before interest and financial expenses were positively impacted in the semester, and interest expenses increased financially. This is due to the change in accounting for lease expenses.

b. IFRIC 23 - Uncertainty over income tax treatments

The Interpretation (equivalent to ICPC 22) clarifies the accounting of income taxes in cases where tax treatments involve uncertainty that affects the application of IAS 12 (CPC 32 - Taxes on income) and impacted systems does not apply to taxes outside the scope of IAS 12 nor specifically includes the requirements relating to interest and fines associated with uncertain tax treatment.

Uncertain tax treatment is any accounting or tax procedure, adopted by the Company in the calculation of taxes on profit that if questioned by the tax authorities, may suffer changes in value.

In this circumstance, the company must measure and recognize current and deferred income and social contribution taxes, which refers to the amount that can be questioned by the tax authorities.

In the Company's assessment, all transactions were adequately taxed, ie, reflecting the impacts of taxes on profits as well as the recording of deferred effects for applicable cases, therefore the adoption of the standard does not impact the equity and financial position and in the result.

3. CASH AND CASH EQUIVALENTS

	Parent con	npany	Consolidated		
	Jun/19	dec/18	Jun/19	dec/18	
Cash and banks	609	2,412	676	2,455	
Financial investments in Brazil	175,664	282,533	175,882	282,751	
Financial investments abroad	26,633	43,405	315,701	428,527	
	202,906	328,350	492,259	713,733	

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 variation of the Interbank Deposit Certificate (CDI) rate, with an average rate equivalent to 6.29% per annum (6.48% at December 31, 2018). The investments abroad are denominated mostly in US Dollars (US\$) at the average rate of 2.70% per annum (1.62% per annum in December 2018) designed as time deposit and overnight.

4. TRADE ACCOUNT RECEIVABLES

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

	Parent company		Consolidated	
	Jun/19	dec/18	Jun/19	dec/18
Domestic market	131,486	99,015	131,486	99,015
Foreign market	238,730	230,324	759,807	591,421
Provision for impairment of trade receivables	(242)	(296)	(1,280)	(1,941)
	369,974	329,043	890,013	688,495

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

The variation in trade account receivable is mainly due to the resumption of sales volume in the period when compared to the last quarter of 2018, which was substantially impacted by the seasonality due to vacations of the main customers and, also, commercial renegotiations with lengthening of term.

The Company's trade receivable in the foreign market include related party amounts which are eliminated upon consolidation, amounting of R\$100,523 (R\$118,980 in December 31, 2018). (Note 9)

	Parent company		Consolidated	
	Jun/19	dec/18	Jun/19	dec/18
Falling due in up to 30 days	143,315	151,664	437,066	386,231
Falling due within 31 to 60 days	128,126	93,397	312,064	159,461
Falling due in more than 61 days	83,216	64,896	90,229	35,751
Total falling due	354,657	309,957	839,359	581,443
Overdue for up to 30 days	8,157	4,660	39,789	79,286
Overdue for 31 to 60 days	1,779	1,949	4,899	16,960
Overdue for more than 61 days	5,623	12,773	7,246	12,747
Total overdue	15,559	19,382	51,934	108,993
Provision for impairment of trade receivables	(242)	(296)	(1,280)	(1,941)
Total	369,974	329,043	890,013	688,495

5. INVENTORIES

	Parent com	pany	Consolida	Consolidated		
	Jun/19	dec/18	Jun/19	dec/18		
Finished products	73,163	74,713	157,476	167,520		
Work in progress	82,045	63,929	172,362	127,034		
Raw materials	65,832	73,519	134,049	173,888		
Maintenance and other materials	30,590	31,744	75,289	76,566		
Provision for losses	(5,448)	(9,717)	(16,802)	(21,385)		
	246.182	234.188	522.374	523.623		

On June 30, 2019 the Company offered finished product inventory as collateral for labor and social security litigation amounting to R\$7,799 (R\$5,514 as at December 31, 2018) in the Parent company and Consolidated.

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.

6. INCOME TAX AND SOCIAL CONTRIBUTION RECOVERABLE

		Jun/19			dec/18		
	Current	Non-current	Total	Current	Non-current	Total	
Parent Company	51,616	113,321	164,937	49,919	166,857	216,776	
Income tax	51,616	62,985	114,601	49,919	112,611	162,530	
Social contribution	-	50,336	50,336	-	54,246	54,246	
Subsidiaries	14,227	-	14,227	11,615	-	11,615	
Income tax	14,227	-	14,227	11,615	-	11,615	
Consolidated	65,843	113,321	179,164	61,534	166,857	228,391	

In line with the expected realization reported in the financial statements at December 31, 2018 (note 6), the Company used, in the first half of 2019, R\$38,702 to offset federal taxes, especially withholding taxes.

Since January 2019, the parent company selected the quarterly calculation of income tax and social contribution, previously made on an annual basis.

7. OTHER TAXES RECOVERABLE

	Jun/19			dec/18		
	Current	Non-current	Total	Current	Non-current	Total
Parent company	93,107	164,696	257,803	86,081	157,979	244,060
ICMS recoverable - São Paulo	11,190	17,459	28,649	7,037	26,166	33,203
ICMS recoverable - Santa Catarina	16,653	56,034	72,687	20,806	40,610	61,416
Reintegra benefit	14,366	-	14,366	13,458	-	13,458
COFINS, PIS and IPI recoverable	50,898	91,203	142,101	44,780	91,203	135,983
Subsidiaries	64,078	-	64,078	51,899	-	51,899
Value-added tax (VAT)	64,078	-	64,078	51,899	-	51,899
Consolidated	157,185	164,696	321,881	137,980	157,979	295,959

Exclusion of ICMS from the PIS and COFINS calculation base

The Company is discussing the subject, in order to declaring its right to exclude from ICMS calculation basis of the contribution of PIS and Cofins through two writ of mandamus, filed before the Federal Court in São Paulo / SP and another filed in the subsection of Joinville / SC. The most recent lawsuit was filed as a result of Law No. 12,973/2014, which amended the legislation of the basis for calculation of contributions. The Company is in the process of calculating the amounts involved and awaits the STF's manifestation, which can still modulate the effects of its own decision in order to define the beginning of validity. Nevertheless, the STF must also express its opinion on how these credits are calculated, since there are divergent understandings on this point.

8. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION, NET

The composition of deferred tax assets and liabilities relating to income tax and social contribution, is as follows:

	Parent company		Consolid	ated
	Jun/19	dec/18	Jun/19	dec/18
Deferred assets				
Income tax and social contribution losses	78,039	45,822	85,251	45,822
Provisions for contingencies	73,130	68,143	73,130	68,143
Taxes and contribution recoverable	54,205	53,910	54,205	53,910
Credits – Eletrobrás	21,885	27,030	21,885	27,030
Property, plant and equipment - impairment	28,818	28,818	28,818	28,818
Salaries, social security charges and profit sharing	6,214	15,492	23,957	34,500
Provision for impairment of trade receivables	3,917	7,233	3,917	7,233
Provision for inventory losses	2,261	4,334	2,261	4,334
Share-based payments	3,166	2,911	3,166	2,911
Tools	-	-	16,904	16,840
Otheritems	5,298	12,407	16,185	20,571
Unrealized profits in subsidiaries	-	-	3,554	4,313
Subtotal	276,933	266,100	333,233	314,425
Deferred liabilities				
Depreciation rate differences	73,665	74,106	73,665	74,106
Property, plant and equipment - carrying value adjustments	19,038	21,542	19,038	21,542
Deferred tax on intangible assets	-	-	51,919	61,760
Property, plant and equipment - tax base (México)	<u>-</u>	-	5,591	13,349
Subtotal	92,703	95,648	150,213	170,757
Total deferred liabilities, net	184,230	170,452	183,020	143,668

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 June 30, 2019 was R\$5,591 (R\$13,349 at December 31, 2018). 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 June 30, 2019, relating to deferred tax assets, will be recovered through future income tax.

During the period ended June 30, 2019, the changes in deferred tax assets and liabilities were as follow:

	Parent company		Consolidated	
	Jun/19	dec/18	Jun/19	dec/18
Opening balance	170,452	113,978	143,668	76,243
Recognized in profit (loss)				
Recognized in profit (loss) for the year	18,833	(11,227)	42,920	(127)
Recognized in comprehensive income for the year	(5,055)	67,255	(5,055)	67,255
Effects of currency translation into presentation currency	-	-	1,487	(149)
Recognized in assets				
Transfer to income tax and social contribution recoverable	-	1,334	-	1,334
Compensations with other taxes	-	(888)	-	(888)
Closing balance	184,230	170,452	183,020	143,668

9. RELATED PARTY TRANSACTIONS

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

a. Subsidiaries:

Assets	Jun/19	dec/18
Trade account receivables	100,523	118,980
Tupy Mexico Saltillo, S.A. de C.V	21,308	13,963
Tupy Europe GmbH	3,929	60,939
Tupy American Foundry Corporation	72,553	39,012
Technocast, S.A. de C.V.	2,733	5,066
Related parties – loans	1,508	5,982
Tupy Agroenergética Ltda.	1,508	5,982
	102,031	124,962
Liabilities	jun/19	dec/18
Loans and financing	1,379,251	1,395,346
Tupy Overseas S.A	1,379,251	1,395,346
Advances from customers	3,430	3,468
Tupy American Iron & Alloys Corporation	3,430	3,468
Notes and other payables	31,348	101,641
Tupy Europe GmbH	25,488	70,876
Tupy American Foundry Co.	4,426	29,283
Tupy American Iron & Alloys Corporation	1,432	1,448
Tupy México Saltillo S.A. de CV	2	34
Related parties – loans	1,210	1,239
Sociedade Técnica de Fundições		
Gerais S.A Sofunge "in liquidation"	1,210	1,239
	1,415,239	1,501,694

Statement of income	2Q19	2Q18	2S2019	2S2018
Revenues	261,595	234,317	483,026	436,055
Tupy American Foundry Corporation	184,244	173,145	333,940	325,713
Tupy Europe GmbH	55,867	49,134	112,463	91,612
Tupy Mexico Saltillo, S.A. de C.V	21,436	12,038	36,575	18,730
Other operating expenses, net	-	8,419	100	9,466
Technocast, S.A. de C.V.	-	4,606	1	4,914
Tupy Mexico Saltillo, S.A. de C.V	-	3,813	99	4,552
Finance costs	(22,960)	(21,620)	(45,306)	(40,848)
Tupy Overseas S.A.	(22,960)	(21,620)	(45,306)	(40,848)
	238,635	221,116	437,820	404,673

The receivables and sales revenue of the Company with its subsidiaries mainly represent sales of products from the transportation, infrastructure & agriculture and hydraulic 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 June 30, 2019, 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 the current accounts between the subsidiaries and the Parent company. Refers mainly, to quality assistance for transportation, infrastructure & agriculture products. With an unspecified maturity.

The loan conditions granted by Tupy Overseas S.A. to the Parent company are disclosed in Note 15 to the annual financial statements for the year ended December 31, 2018.

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

b. Main stockholders:

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

c. Management remuneration:

	Board	Board of Directors		Board of Officers		al
	2Q19	2Q18	2Q19	2Q18	2Q19	2Q18
Fixed remuneration	601	549	1,154	648	1,755	1,197
Variable remuneration	-	-	928	815	928	815
Stock option plan (Note 19)	110	194	296	524	406	718
	711	743	2,378	1,987	3,089	2,730
	Board	d of Directors	Boa	rd of Officers	Tot	al
	1519	1518	1519	1518	1519	1518
Fixed remuneration	1,150	1,082	1,939	1,570	3,089	2,652
Variable remuneration	-	-	1,333	1,660	1,333	1,660
Variable remuneration Stock option plan (Note 19)	- 282	434	1,333 759	1,660 1,171	1,333 1,041	1,660 1,605

The overall amount of the annual remuneration, net of taxes, for the current year approved by the Extraordinary and Ordinary General Meeting was R\$17,661.

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

The amounts recorded as variable remuneration of the Board of Officers are considered as a provision, based on to the goals established for the period.

Information about the Stock option plan for the Company's statutory board members and the current Chairman of the Board of Directors (the "Plan"), approved in November 24, 2014, are presented in the annual financial statements from the year ended December 31, 2018. (Note 19).

Officers receive additional corporate benefits, such as company vehicles, reimbursement of vehicle-related expenses, health insurance, pension plan and severance pay. In the quarter ended June 30, 2019, these benefits totaled R\$290 (R\$2.159 in the same period of the previous year).

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

d. Dividends and interest on capital

The Board of Directors, approved the payment of interest on capital and dividends. The approved amount is support by revenue reserves. The approvals and the payments of dividend and interest on capital occurred in 2019 as follow:

Approved date	Form	Gross amount	per share	Net amount	Payment date
03.14.19	Interest on capital	100,000	0.6936	90,233	03.28.19
05.14.19	Dividends	25,000	0.1734	25,000	06.18.19
		125,000	0.8670	115,233	

e. 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 period of 6 months ended at June 30, 2019, the Company recognized sponsorship expenses of R\$647 (R\$565 in the same period of the previous year).

10. CREDITS - ELETROBRÁS

Refer to credits arising from the right to additional inflation adjustment of the Eletrobras compulsory loan and related interest, based on a final and unappealable court decision in 2003.

In December 2011, the Federal Regional Court of the 4th Region ("TRF4") confirmed the calculation made by the Company, based on a report signed by a professional expert, regarding the enforcement of the sentence. The Company and Eletrobras lodged appeals with the Superior Court of Justice ("STJ") and the Federal Supreme Court ("STF").

In October 2015, considering the pending proceedings (STJ/STF) does not suspending the proceeding progress. The Company filed petition, requiring compliance with the verdict, meaning that Eletrobras is summoned to deposit the executed value with the court or submitted a defense about the amount calculated by the Company.

In September 2016, the 6th Civil Court in Joinville retained monies, on Eletrobras checking accounts (online seizure), in the full amount claimed by the Company in the respective lawsuit. Until the court final decision is published, such amount will remain retained, by the judicial authority, in order to garantee the Company's credit.

Since the initial recognition of the assets in 2003, there are just pro Company effects in the Court, including (a) a receive of a small part in 2008 for Eletrobras, (b) the Company has the right of receive this amount (TRF4 decision at December 2011), (c) the blocking of the total amount of the Company's right, in September 2016; and (d) a appealed by Eletrobras already judged to the STF, through which it was still sought to contest the calculation criteria.

In October 2018, an appeal filed by Eletrobras was judged considering the decision of the TRF4 of December 2011 (above mentioned), which closing of the legal proceedings for which Eletrobras could still discuss the criteria for calculating the appraisal report approved in court.

In regarding of the procedural acts listed above, in the last quarter of 2018, in addition to the right to full monetary restatement (which was already subject to final judge in 2003), the criteria for calculating the credit held by the Company were definitively established. Accordingly, based on a decision made in October 2018, the Company updated and recorded the full entitlement of the compulsory deposit credits, according to criteria and assumptions determined in an irrevocable judicial decision. In addition, an embedded derivative was identified from the option of realizing credit, partial or total, in cash or in shares of Eletrobras, which was valued at its realization value on the balance sheet date by the Black-Scholes criterion reflecting the lowest and highest probable realization value in favor of the Company at recognition (final and unappealable court decision on October 1, 2018) and for the year-end.

During the second quarter of 2019 there were no relevant change, in the legal area, in the process status, currently being finalized for dispatch.

Consolidated		Realizable	
	Credits	value adjustment	Net realizable value
AT DECEMBER 31, 2017	121,737	(19,567)	102,170
Monetary adjustment	128,736	-	128,736
Registration of the embedded derivative	-	(104,862)	(104,862)
Change in fair value of derivative	-	44,930	44,930
AT DECEMBER 31, 2018	250,473	(79,499)	170,974
Monetary adjustment	12,415	-	12,415
Change in fair value of derivative	-	15,132	15,132
AT JUNE 30, 2019	262,888	(64,367)	198,521

The Company, based on a legal opinion that describes the remaining procedural steps, estimates that the credit will be effectively received in a period up to 18 months.

11. INVESTMENTS

a. Composition of investments

				Profit (loss)	Interest in	results of	
Parent company	Total assets	Equity	Goodwill	for the period	capital (%)	subsidiaries (*)	Book value (*)
AT JUNE 30, 2019							
investment in subsidiary company							
Tupy Mexico Saltillo, S.A. de C.V.	1,404,068	902,251	30,513	50,174	100.00	50,203	932,479
Technocast, S.A. de C.V.	869,178	573,508	10,713	(17,934)	100.00	(17,934)	584,221
Servicios Industriales Technocast, S.A. de C.V.	10,035	8,131	-	(67)	100.00	(67)	8,131
Tupy Overseas	1,392,219	17,211	-	400	100.00	400	17,211
Tupy American Foundry Co.	209,363	115,690	-	3,288	100.00	2,940	111,872
Tupy American Iron & Alloys Co.	5,242	5,242	-	1	100.00	1	5,242
Tupy Europe GmbH	164,682	153,284	-	5,882	100.00	7,691	150,486
Tupy Agroenergética Ltda.	10,812	4,301	-	(315)	100.00	(315)	4,301
Sociedade Técnica de Fundições							
Gerais SA Sofunge "in liquidation"	2,510	1,202	-	(1,334)	100.00	(1,334)	1,202
			•	·		41,585	1,815,145

^(*) Adjusted by unrealized profits

				Profit (loss)	Interest in	Share in the results of	
Parent company	Total assets	Equity	Goodwill	for the period	capital (%)	subsidiaries (*)	Book value (*)
AT DECEMBER 31, 2018							
investment in subsidiary company							
Tupy Mexico Saltillo, S.A. de C.V	1,416,806	879,034	30,513	93,322	100.00	94,290	909,191
Technocast, S.A. de C.V.	847,898	580,674	10,713	34,643	100.00	34,643	591,387
Servicios Industriales Technocast, S.A. de C.V.	10,035	8,131	-	(101)	100.00	(101)	8,131
Tupy Overseas	1,406,540	17,002	-	1,260	100.00	1,260	17,002
Tupy American Foundry Co.	210,685	113,679	-	5,307	100.00	8,809	110,344
Tupy American Iron & Alloys Co.	5,299	5,299	-	(3)	100.00	(3)	5,299
Tupy Europe GmbH	220,382	150,108	-	13,548	100.00	16,053	145,435
Tupy Agroenergética Ltda.	10,613	4,616	-	(369)	100.00	(369)	4,616
Sociedade Técnica de Fundições							
Gerais SA Sofunge "em liquidação"	2,538	2,535	-	239	100.00	239	2,535
						154.821	1.793.940

^(*) Adjusted by unrealized profits

Changes in investments

Parent company	
AT DECEMBER 31, 2017	1,441,790
Share in the results of subsidiaries	154,821
Exchange variations of investees located abroad	237,715
Dividends	(40,386)
AT DECEMBER 31, 2018	1,793,940
Share in the results of subsidiaries	41,585
Exchange variations of investees located abroad	(20,380)
AT JUNE 30, 2019	1,815,145

12. PROPERTY, PLANT AND EQUIPMENT

Parent company	Machinery, facilities and equipment	Buildings	Land	Vehicles	Furniture, fittings and other	Right of use	Construction in progress	Total
Cost								
AT DECEMBER 31, 2017	1,644,798	342,072	8,956	22,861	5,928	-	33,493	2,058,108
Addition	3,596	-	-	-	-	-	60,374	63,970
Transfer to property, plant and equipment in use	50,109	4,968	-	1,672	408	-	(57,157)	-
Disposal	(85,513)	(90)	-	(2,225)	(773)	-	-	(88,601)
AT DECEMBER 31, 2018	1,612,990	346,950	8,956	22,308	5,563	-	36,710	2,033,477
Addition	-	-	-	-	-	10,007	34,771	44,778
Transfer to property, plant and equipment in use	30,729	3,206	-	454	194	-	(34,583)	-
Disposal	(4,754)	(681)	-	(156)	-	-	-	(5,591)
AT JUNE 30, 2019	1,638,965	349,475	8,956	22,606	5,757	10,007	36,898	2,072,664
Depreciation								
AT DECEMBER 31, 2017	(1,072,362)	(140,702)	-	(13,772)	(3,684)	-		(1,230,520)
Depreciation in the year	(113,434)	(14,405)	-	(1,948)	(459)	-	-	(130,246)
Disposal	59,517	32	_	1,645	706	-	-	61,900
AT DECEMBER 31, 2018	(1,126,279)	(155,075)	-	(14,075)	(3,437)	_	_	(1,298,866)
Depreciation in the year	(55,381)	(6,895)	-	(1,001)	(201)	(1,899)	-	(65,377)
Disposal	4,182	3	_	140	(201)	(1,055)		4,325
AT JUNE 30, 2019	(1,177,478)	(161,967)		(14,936)	(3,638)	(1,899)		(1,359,918)
AT 30NE 30, 2013	(1,117,410)	(101,507)		(14,550)	(3,030)	(1,033)		(1,333,310)
Carrying amount	406 711	101 075	9.056	0 222	2,126		26 710	724 611
AT UNIS 30, 2010	486,711 461,487	191,875	8,956 8,956	8,233		8,108	36,710	734,611
AT JUNE 30, 2019	461,487	187,508	8,956	7,670	2,119	8,108	36,898	712,746
	Machinery, facilities				Furniture, fittings and	Right	Construction in	
Consolidated	and equipment	Buildings	Land	Vehicles	other	of use	progress	Total
Cost								
AT DECEMBER 31, 2017	3,201,812	701,113	58,461	24,015	22,411	-	139,597	4,147,409
Addition	3,596	-	-	-	-	-	173,240	176,836
Transfer to property, plant and equipment in use								
	134,754	20,741	(5)	2,226	3,617	-	(161,333)	-
			(5) 8,412	2,226 217		-		360,484
Exchange variation	271,162	62,013			2,605	- - -	(161,333) 16,075	360,484 (142,738)
Exchange variation Disposal	271,162 (139,139)	62,013 (600)	8,412	217 (2,225)	2,605 (774)	- - -	16,075	(142,738)
Exchange variation Disposal AT DECEMBER 31, 2018	271,162	62,013		217	2,605		16,075 - 167,579	(142,738) 4,541,991
Exchange variation Disposal AT DECEMBER 31, 2018 Addition	271,162 (139,139) 3,472,185	62,013 (600) 783,267	8,412	217 (2,225) 24,233	2,605 (774) 27,859	31,449	16,075 167,579 114,742	(142,738)
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use	271,162 (139,139) 3,472,185 - 63,485	62,013 (600) 783,267 - 5,514	8,412 - 66,868 - -	217 (2,225) 24,233 - 258	2,605 (774) 27,859	31,449	16,075 	(142,738) 4,541,991 146,191
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation	271,162 (139,139) 3,472,185 - 63,485 (20,535)	62,013 (600) 783,267 - 5,514 (4,871)	8,412	217 (2,225) 24,233 - 258 176	2,605 (774) 27,859		16,075 167,579 114,742	(142,738) 4,541,991 146,191 (28,314)
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use	271,162 (139,139) 3,472,185 - 63,485	62,013 (600) 783,267 - 5,514	8,412 - 66,868 - -	217 (2,225) 24,233 - 258	2,605 (774) 27,859	31,449	16,075 	(142,738) 4,541,991 146,191
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation Disposal AT JUNE 30, 2019	271,162 (139,139) 3,472,185 - - - 63,485 (20,535) (7,238)	62,013 (600) 783,267 - 5,514 (4,871) (681)	8,412 - 66,868 - - (633)	217 (2,225) 24,233 - 258 176 (156)	2,605 (774) 27,859 - 587 (201)	31,449 - (433) -	16,075 167,579 114,742 (69,844) (1,817)	(142,738) 4,541,991 146,191 - (28,314) (8,075)
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation Disposal AT JUNE 30, 2019 Depreciation	271,162 (139,139) 3,472,185 - 63,485 (20,535) (7,238) 3,507,897	62,013 (600) 783,267 - 5,514 (4,871) (681) 783,229	8,412 - 66,868 - - (633)	217 (2,225) 24,233 	2,605 (774) 27,859 - 587 (201) - 28,245	31,449 - (433) - 31,016	16,075 167,579 114,742 (69,844) (1,817)	(142,738) 4,541,991 146,191 - (28,314) (8,075) 4,651,793
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation Disposal AT JUNE 30, 2019 Depreciation AT DECEMBER 31, 2017	271,162 (139,139) 3,472,185 - 63,485 (20,535) (7,238) 3,507,897	62,013 (600) 783,267 - 5,514 (4,871) (681) 783,229	8,412 - 66,868 - - (633)	217 (2,225) 24,233 - 258 176 (156) 24,511	2,605 (774) 27,859 587 (201) 28,245	31,449 - (433) -	16,075 167,579 114,742 (69,844) (1,817)	(142,738) 4,541,991 146,191 - (28,314) (8,075) 4,651,793 (2,638,173)
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation Disposal AT JUNE 30, 2019 Depreciation AT DECEMBER 31, 2017 Depreciation in the year	271,162 (139,139) 3,472,185 	62,013 (600) 783,267 5,514 (4,871) (681) 783,229 (343,614) (24,513)	8,412 - 66,868 - - (633)	217 (2,225) 24,233 258 176 (156) 24,511 (14,718) (2,048)	2,605 (774) 27,859 587 (201) - 28,245 (13,430) (2,437)	31,449 - (433) - 31,016	16,075 167,579 114,742 (69,844) (1,817)	(142,738) 4,541,991 146,191 - (28,314) (8,075) 4,651,793 (2,638,173) (217,909)
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation Disposal AT JUNE 30, 2019 Depreciation AT DECEMBER 31, 2017 Depreciation in the year Exchange variation	271,162 (139,139) 3,472,185 - 63,485 (20,535) (7,238) 3,507,897 (2,266,411) (188,911) (206,694)	62,013 (600) 783,267 - 5,514 (4,871) (681) 783,229 (343,614) (24,513) (35,393)	8,412 - 66,868 - (633) - 66,235	217 (2,225) 24,233 258 176 (156) 24,511 (14,718) (2,048) (169)	2,605 (774) 27,859 - 587 (201) - 28,245 (13,430) (2,437) (1,771)	31,449 - (433) - 31,016	16,075 167,579 114,742 (69,844) (1,817)	(142,738) 4,541,991 146,191 - (28,314) (8,075) 4,651,793 (2,638,173) (217,909) (244,027)
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation Disposal AT JUNE 30, 2019 Depreciation AT DECEMBER 31, 2017 Depreciation in the year Exchange variation Disposal	271,162 (139,139) 3,472,185 - 63,485 (20,535) (7,238) 3,507,897 (2,266,411) (188,911) (206,694) 112,959	62,013 (600) 783,267 5,514 (4,871) (681) 783,229 (343,614) (24,513) (35,393) 100	8,412 - 66,868 - - (633)	217 (2,225) 24,233 - 258 176 (156) 24,511 (14,718) (2,048) (169) 1,645	2,605 (774) 27,859 - 587 (201) - 28,245 (13,430) (2,437) (1,771) 706	31,449 - (433) - 31,016	16,075 167,579 114,742 (69,844) (1,817)	(142,738) 4,541,991 146,191 (28,314) (8,075) 4,651,793 (2,638,173) (217,909) (244,027) 115,410
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation Disposal AT JUNE 30, 2019 Depreciation AT DECEMBER 31, 2017 Depreciation in the year Exchange variation Disposal AT DECEMBER 31, 2018	271,162 (139,139) 3,472,185 - 63,485 (20,535) (7,238) 3,507,897 (2,266,411) (188,911) (206,694) 112,959 (2,549,057)	62,013 (600) 783,267 5,514 (4,871) (681) 783,229 (343,614) (24,513) (35,393) 100 (403,420)	8,412 - 66,868 - (633) - 66,235	217 (2,225) 24,233 258 176 (156) 24,511 (14,718) (2,048) (169) 1,645 (15,290)	2,605 (774) 27,859 587 (201) - 28,245 (13,430) (2,437) (1,771) 706 (16,932)	31,449 - (433) - 31,016	16,075 167,579 114,742 (69,844) (1,817)	(142,738) 4,541,991 146,191 (28,314) (8,075) 4,651,793 (217,909) (244,027) 115,410 (2,984,699)
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation Disposal AT JUNE 30, 2019 Depreciation AT DECEMBER 31, 2017 Depreciation in the year Exchange variation Disposal AT DECEMBER 31, 2018 Depreciation in the year	271,162 (139,139) 3,472,185 - 63,485 (20,535) (7,238) 3,507,897 (2,266,411) (188,911) (206,694) 112,959 (2,549,057) (101,339)	62,013 (600) 783,267 5,514 (4,871) (681) 783,229 (343,614) (24,513) (35,393) 100 (403,420) (12,199)	8,412 - 66,868 - (633) - 66,235	217 (2,225) 24,233 258 176 (156) 24,511 (14,718) (2,048) (169) 1,645 (15,290) (1,058)	2,605 (774) 27,859 587 (201) 	31,449 - (433) - 31,016	16,075 167,579 114,742 (69,844) (1,817)	(142,738) 4,541,991 146,191 (28,314) (8,075) 4,651,793 (2,638,173) (217,909) (244,027) 115,410 (2,984,699) (122,158)
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation Disposal AT JUNE 30, 2019 Depreciation AT DECEMBER 31, 2017 Depreciation in the year Exchange variation Disposal AT DECEMBER 31, 2018 DEPRECIATION IN THE YEAR STATE OF	271,162 (139,139) 3,472,185 	62,013 (600) 783,267 5,514 (4,871) (681) 783,229 (343,614) (24,513) (35,393) 100 (403,420) (12,199) 2,745	8,412 - 66,868 - (633) - 66,235	217 (2,225) 24,233 - 258 176 (156) 24,511 (14,718) (2,048) (169) 1,645 (15,290) (1,058)	2,605 (774) 27,859 587 (201) - 28,245 (13,430) (2,437) (1,771) 706 (16,932)	31,449 - (433) - 31,016	16,075 167,579 114,742 (69,844) (1,817)	(142,738) 4,541,991 146,191 - (28,314) (8,075) 4,651,793 (217,909) (244,027) 115,410 (2,984,699) (122,158) 18,770
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation Disposal AT JUNE 30, 2019 Depreciation AT DECEMBER 31, 2017 Depreciation in the year Exchange variation Disposal AT DECEMBER 31, 2018 Depreciation in the year Exchange variation Disposal	271,162 (139,139) 3,472,185 	62,013 (600) 783,267 - 5,514 (4,871) (681) 783,229 (343,614) (24,513) (35,393) 100 (403,420) (12,199) 2,745 3	8,412 - 66,868 - (633) - 66,235	217 (2,225) 24,233 - 258 176 (156) 24,511 (14,718) (2,048) (169) 1,645 (15,290) (1,058) 13 140	2,605 (774) 27,859 587 (201) 28,245 (13,430) (2,437) (1,771) 706 (16,932) (1,298) 149	31,449 - (433) - 31,016 - - - - (6,264) 56	16,075 167,579 114,742 (69,844) (1,817)	(142,738) 4,541,991 146,191 - (28,314) (8,075) 4,651,793 (217,909) (244,027) 115,410 (2,984,699) (122,158) 18,770 6,805
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation Disposal AT JUNE 30, 2019 Depreciation AT DECEMBER 31, 2017 Depreciation in the year Exchange variation Disposal AT DECEMBER 31, 2018 DEPRECIATION IN THE YEAR STATE OF	271,162 (139,139) 3,472,185 	62,013 (600) 783,267 5,514 (4,871) (681) 783,229 (343,614) (24,513) (35,393) 100 (403,420) (12,199) 2,745	8,412 - 66,868 - (633) - 66,235	217 (2,225) 24,233 - 258 176 (156) 24,511 (14,718) (2,048) (169) 1,645 (15,290) (1,058)	2,605 (774) 27,859 587 (201) 	31,449 - (433) - 31,016	16,075 167,579 114,742 (69,844) (1,817)	(142,738) 4,541,991 146,191 - (28,314) (8,075) 4,651,793 (217,909) (244,027) 115,410 (2,984,699) (122,158) 18,770
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation Disposal AT JUNE 30, 2019 Depreciation AT DECEMBER 31, 2017 Depreciation in the year Exchange variation Disposal AT DECEMBER 31, 2018 Depreciation in the year Exchange variation Disposal	271,162 (139,139) 3,472,185 	62,013 (600) 783,267 - 5,514 (4,871) (681) 783,229 (343,614) (24,513) (35,393) 100 (403,420) (12,199) 2,745 3	8,412 - 66,868 - (633) - 66,235	217 (2,225) 24,233 - 258 176 (156) 24,511 (14,718) (2,048) (169) 1,645 (15,290) (1,058) 13 140	2,605 (774) 27,859 587 (201) 28,245 (13,430) (2,437) (1,771) 706 (16,932) (1,298) 149	31,449 - (433) - 31,016 - - - - (6,264) 56	16,075 167,579 114,742 (69,844) (1,817)	(142,738) 4,541,991 146,191 - (28,314) (8,075) 4,651,793 (217,909) (244,027) 115,410 (2,984,699) (122,158) 18,770 6,805
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation Disposal AT JUNE 30, 2019 Depreciation AT DECEMBER 31, 2017 Depreciation in the year Exchange variation Disposal AT DECEMBER 31, 2018 Depreciation in the year Exchange variation Disposal AT DECEMBER 31, 2018 Depreciation in the year Exchange variation Disposal AT JUNE 30, 2019	271,162 (139,139) 3,472,185 	62,013 (600) 783,267 - 5,514 (4,871) (681) 783,229 (343,614) (24,513) (35,393) 100 (403,420) (12,199) 2,745 3	8,412 - 66,868 - (633) - 66,235	217 (2,225) 24,233 - 258 176 (156) 24,511 (14,718) (2,048) (169) 1,645 (15,290) (1,058) 13 140	2,605 (774) 27,859 587 (201) 28,245 (13,430) (2,437) (1,771) 706 (16,932) (1,298) 149	31,449 - (433) - 31,016 - - - - (6,264) 56	16,075 167,579 114,742 (69,844) (1,817)	(142,738) 4,541,991 146,191 - (28,314) (8,075) 4,651,793 (217,909) (244,027) 115,410 (2,984,699) (122,158) 18,770 6,805
Exchange variation Disposal AT DECEMBER 31, 2018 Addition Transfer to property, plant and equipment in use Exchange variation Disposal AT JUNE 30, 2019 Depreciation AT DECEMBER 31, 2017 Depreciation in the year Exchange variation Disposal AT DECEMBER 31, 2018 Depreciation in the year Exchange variation Disposal AT DECEMBER 31, 2018 Depreciation in the year Exchange variation Disposal AT JUNE 30, 2019 Carrying amount	271,162 (139,139) 3,472,185 - 63,485 (20,535) (7,238) 3,507,897 (2,266,411) (188,911) (206,694) 112,959 (2,549,057) (101,339) 15,807 6,662 (2,627,927)	62,013 (600) 783,267 5,514 (4,871) (681) 783,229 (343,614) (24,513) (35,393) 100 (403,420) (12,199) 2,745 3 (412,871)	66,868 - (633) - 66,235	217 (2,225) 24,233 258 176 (156) 24,511 (14,718) (2,048) (169) 1,645 (15,290) (1,058) 13 140 (16,195)	2,605 (774) 27,859 587 (201) - 28,245 (13,430) (2,437) (1,771) 706 (16,932) (1,298) 149 - (18,081)	31,449 - (433) - 31,016 - - - - (6,264) 56	16,075 167,579 114,742 (69,844) (1,817) - 210,660	(142,738) 4,541,991 146,191 (28,314) (8,075) 4,651,793 (217,909) (244,027) 115,410 (2,984,699) (122,158) 18,770 6,805 (3,081,282)

The Company offered property, plant and equipment items as collateral for borrowing amounting to R\$19,144 (R\$21.922 as at December 31, 2018) and R\$5,895 (R\$5,895 as at December 31, 2018) as collateral for tax litigation.

Construction in progress mainly comprises several investment at capacity, environment, job safety program, and expansion of machining capacity in Mexico plants.

During the period, interest of loans and financing was capitalized on property, plant and equipment in the amount of R\$396 (R\$535 on June 30, 2018).

During the period, the Company did not observe impairment indicators of its assets, thus maintaining the calculation made on December 31, 2018.

With the adoption of IFRS 16 - Leases since January 1, 2019, the Parent Company recorded the amount of R\$10,007 and R\$31,449 in a Consolidated numbers as the right of use assets.

	Machinery, facilities			
	and equipment	Buildings	Vehicles	Total
Cost				
Parent company	4,298	1,930	3,779	10,007
Right of use	4,298	1,930	3,779	10,007
Subsidiaries	-	-	21,442	21,442
Right of use	-	-	21,442	21,442
Consolidated	4,298	1,930	25,221	31,449

13. INTANGIBLE ASSETS

Parent company	Software	costs	Total
AT DECEMBER 31, 2017	54,185	4,092	58,277
Acquisition/costs of software	2,660	2,360	5,020
Transfers	(783)	783	-
Disposal	(61)	-	(61)
Amortization	(8,257)	(137)	(8,394)
AT DECEMBER 31, 2018	47,744	7,098	54,842
Acquisition/costs of software	1,581	912	2,493
Transfers	(318)	318	-
Amortization	(4,146)	(156)	(4,302)
AT JUNE 30, 2019	44,861	8,172	53,033

		Contractual customer		Research and development	
Consolidated	Software	relationships	Goodwill	costs	Total
AT DECEMBER 31, 2017	59,670	191,153	41,226	4,092	296,141
Acquisition/costs of software	5,707	-	-	2,360	8,067
Transfers	(783)	-	-	783	-
Disposal	(2,552)	-	-	-	(2,552)
Exchange variation	870	30,148	-	-	31,018
Disposal	(12,265)	(49,066)	-	(137)	(61,468)
Impairment	-	33,631	-	-	33,631
AT DECEMBER 31, 2018	50,647	205,866	41,226	7,098	304,837
Acquisition/costs of software	4,880	-	-	912	5,792
Transfers	(318)	-	-	318	-
Disposal	(104)	-	-	-	(104)
Exchange variation	(18)	(2,248)	-	-	(2,266)
Amortization	(5,505)	(30,556)	-	(156)	(36,217)
AT JUNE 30, 2019	49,582	173,062	41,226	8,172	272,042

14. LOANS AND FINANCING

Parent c	ompany
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	Maturity	Effective rate	jun/19	dec/18
Local currency			24,211	18,333
Program (PSI)	Jan/2025	5.99% p.a.	15,955	18,333
(a) Leasing from right of use			8,256	-
Foreign currency			1,379,251	1,395,346
(b) Export prepayment - Tupy Overseas	Jul/2024	VC + 6.78% p.a.	1,379,251	1,395,346
Current portion			51,622	49,792
Non-current portion			1,351,840	1,363,887
			1,403,462	1,413,679

^{*}VC = Foreign exchange variation

Consolidated

	Maturity	Effective rate	jun/19	dec/18
Local currency			24,211	18,333
Program (PSI)	Jan/2025	5.99% p.a.	15,955	18,333
(a) Leasing from right of use			8,256	-
Foreign currency			1,390,875	1,388,590
(c) Senior Unsecured Notes - US\$350.000	Jul/2024	VC + 6.63% p.a.	1,373,942	1,388,590
(a) Leasing from right of use			16,933	-
Current portion			59,003	47,431
Non-current portion			1,356,083	1,359,492
			1,415,086	1,406,923

^{*}VC = Foreign exchange variation

Long term maturities are as follow:

	Parent com	npany	Consoli	dated
Year	jun/19	dec/18	jun/19	dec/18
2020	2,116	4,233	2,116	4,233
2021-2023	19,747	6,839	19,747	6,839
2024	1,329,946	1,352,784	1,334,189	1,348,389
2025	31	31	31	31
	1,351,840	1,363,887	1,356,083	1,359,492

The fair value of the Company's borrowing (classified at Level 2 of the fair value hierarchy) is calculated through the discounting of the future payment flows based on the curves, interest rates and currencies observable in the financial market. At June 30, 2019, the fair value of borrowings was R\$1,413,506 (R\$1,403,817 at December 31, 2018).

On June 30, 2019, The Company is in compliance with the Covenant terms. These are presented in annual financial statements for the year ended December 31, 2018, Note 15.

a. Leasing from right of use

Impacts occurred from the adoption of IFRS 16 as of January 1, 2019. (note 2.3)

The table below shows the segregation of such obligation:

	Parent company	Consolidated
Current portion	3,321	12,282
Non-current portion	4,935	12,907
	8,256	25,189

b. Export Prepayments – Tupy Overseas S.A.

In January, was payed interest of R\$44,589. The impact of foreign exchange variations on the export prepayment amount with Tupy Overseas S.A. was a gain of R\$17,168.

c. Senior Unsecured Notes

The foreign exchange variations recognized in the period from senior unsecured notes in the period was a gain amounted to R\$16,749. In January, was payed interest of R\$43,060.

15. PROVISIONS 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 estimates made by its legal counsel.

The changes in the provisions for tax, civil, social security and labor contingencies in the period of 6 months ended June 30, 2019 and the related judicial deposits were as follows:

Parent company						
				Social	Judicial	
	Civil	Tax	Labor	security	deposits	Total
AT DECEMBER 31, 2017	46,827	68,068	52,921	17,002	(34,302)	150,516
Additions	2,606	6,938	2,964	-	(16,034)	(3,526)
Restatements	7,916	(2,085)	35,125	1,315	(1,152)	41,119
Payments	-	(12,616)	(26,161)	(399)	-	(39,176)
Deposit Redemption	-	-	-	-	15,314	15,314
AT DECEMBER 31, 2018	57,349	60,305	64,849	17,918	(36,174)	164,247
Additions	-	-	395	-	(12,412)	(12,017)
Restatements	4,667	1,870	26,717	295	(538)	33,011
Payments	-	(116)	(12,189)	(6,970)	-	(19,275)
Deposit Redemption	-	-	-	-	19,854	19,854
AT JUNE 30, 2019	62,016	62,059	79,772	11,243	(29,270)	185,820
Current						42,966
Non-current						142,854
						185,820

Consolidated						
				Social	Judicial	
	Civil	Tax	Labor	security	deposits	Total
AT DECEMBER 31, 2017	46,827	68,078	53,053	17,002	(34,302)	150,658
Additions	2,617	6,927	2,964	-	(16,034)	(3,526)
Restatements	7,916	(2,084)	34,993	1,315	(1,152)	40,988
Payments	-	(12,616)	(26,161)	(399)	-	(39,176)
Deposit Redemption	-	-	-	-	15,314	15,314
AT DECEMBER 31, 2018	57,360	60,305	64,849	17,918	(36,174)	164,258
Additions	-	-	395	-	(12,412)	(12,017)
Restatements	5,971	1,870	26,717	295	(538)	34,315
Payments	(127)	-	(12,189)	(6,970)	-	(19,286)
Deposit Redemption	-	-	-	-	19,854	19,854
AT JUNE 30, 2019	63,204	62,175	79,772	11,243	(29,270)	187,124
Current						42,966
Non-current						144,158
						187,124

The aforementioned provisions are adjusted mainly based on the Special System for Settlement and Custody (SELIC) rate and the General Market Price Index (IGPM), the impact of which on profit or loss for the period is described in Note 20.

Generally, the Company's provisions for contingencies are long term provisions. Considering the period necessary to conclude judicial proceedings in the Brazilian judicial system, making accurate estimates about the specific year in which a

certain lawsuit will be concluded is difficult. For this reason, the Company does not disclose the settlement flows of these liabilities.

The increase in labor contingencies is due to lawsuits filed by former employees asking for labor indemnities and labor claims, the nature of this claims is overtime, intra-day interval, unhealthiness, dangerousness, stability and occupational disease, allegedly due for the company.

Contingencies involving possible losses

	Parent con	Parent company		ted
	jun/19	dec/18	jun/19	dec/18
IRPJ and CSLL processes	168,704	164,765	169,075	165,133
PIS, COFINS and IPI credits	135,371	133,682	135,371	133,682
ICMS credits	164,047	137,632	164,047	137,632
Expired tax debts	143,173	144,520	143,173	144,520
Customs	-	59,661	-	59,661
Social security	80,891	80,368	80,891	80,368
Laborlawsuits	76,232	84,429	76,301	84,498
Civil and other	56,166	55,111	57,932	55,331
	824,584	860,168	826,790	860,825

The contingencies involving a risk of loss deemed "possible" are, substantially, the same as those disclosed in Note 19 to the annual financial statements for the year ended in December 31, 2018. Except for the customs, detailed below.

The Board of Tax Appeals "CARF" accepted the Company's arguments, which evidenced that Tupy was not the recipient of part of the imported inputs, rejecting the allegation of joint liability and, consequently, the collection of the tax assessment notice in relation to the customs process. In which the Company was jointly and severally liable in an infraction notice issued in 2006 by the Brazilian Internal Revenue Service, which challenged alleged irregularities in import proceedings.

16. SHARE CAPITAL

	jun/19		dec/18	
Share capital breakdown in 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	37,314,154	25.9%	37,314,154	25.9%
Officers	85,744	0.1%	85,744	0.1%
Treasury stock	-	0.0%	13,527	0.0%
Non-controlling interests				
Other stockholders	66,132,232	45.8%	66,118,705	45.8%
Total outstanding shares	144,177,500	100.0%	144,177,500	100.0%

17. REVENUE

The reconciliation between gross and net sales and service revenue for the period is as follows:

	Parent com	pany	Consolidated		
	2Q19	2Q18	2Q19	2Q18	
Gross revenue	827,035	704,801	1,509,717	1,299,053	
Returns and rebates	(10,696)	(9,783)	(35,079)	(22,812)	
Revenue net of returns and rebates	816,339	695,018	1,474,638	1,276,241	
Sales taxes	(70,023)	(58,062)	(70,023)	(58,062)	
Net revenue	746,316	636,956	1,404,615	1,218,179	
Net revenue					
Domestic market	258,942	204,153	258,942	204,153	
Foreign market	487,374	432,803	1,145,673	1,014,026	
	746,316	636,956	1,404,615	1,218,179	

	Parent cor	npany	Consolid	ated
	1519	1518	1519	1518
Gross revenue	1,556,964	1,341,803	2,879,595	2,438,503
Returns and rebates	(15,826)	(20,155)	(58,092)	(52,432)
Revenue net of returns and rebates	1,541,138	1,321,648	2,821,503	2,386,071
Sales taxes	(135,359)	(108,696)	(135,359)	(108,696)
Net revenue	1,405,779	1,212,952	2,686,144	2,277,375
Net revenue				
Domestic market	496,210	389,254	496,210	389,254
Foreign market	909,569	823,698	2,189,934	1,888,121
	1,405,779	1,212,952	2,686,144	2,277,375

Since June 2018, with the reduction of the rate of Reintegra, from 2% to 0.10% over the amount of revenues from exports. The Company did not recognize in the quarter R\$8,354 and accumulated in 2019 amounting of R\$16,299.

18. COSTS AND EXPENSES BY NATURE

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

	Parent company		Consoli	dated
	2Q19	2Q18	2Q19	2Q18
Raw and processing materials	(323,632)	(276,439)	(655,268)	(574,370)
Maintenance and consumption materials	(51,536)	(44,573)	(114,183)	(97,221)
Salaries, payroll taxes and profit sharing	(166,098)	(140,671)	(268,648)	(227,861)
Social benefits	(20,457)	(25,418)	(37,464)	(25,613)
Electricity	(33,679)	(31,097)	(64,595)	(56,664)
Freight and commission on sales	(22,028)	(18,048)	(42,023)	(32,326)
Management fees	(3,089)	(2,730)	(3,089)	(2,730)
Other costs	(5,101)	(10,474)	(14,948)	(20,564)
	(625,620)	(549,450)	(1,200,218)	(1,037,349)
Depreciation	(34,773)	(34,516)	(64,430)	(56,459)
Costs and expenses total	(660,393)	(583,966)	(1,264,648)	(1,093,808)
Cost of products sold	(589,679)	(522,973)	(1,158,456)	(1,009,798)
Selling expenses	(30,889)	(26,361)	(56,065)	(45,053)
Administrative expenses	(36,736)	(31,902)	(47,038)	(36,227)
Management fees	(3,089)	(2,730)	(3,089)	(2,730)
Costs and expenses total	(660,393)	(583,966)	(1,264,648)	(1,093,808)

	Parent co	Parent company		dated
	1519	1518	1\$19	1518
Raw and processing materials	(625,199)	(534,083)	(1,282,272)	(1,072,525)
Maintenance and consumption materials	(99,975)	(86,386)	(224,492)	(179,544)
Salaries, payroll taxes and profit sharing	(311,647)	(267,846)	(523,475)	(433,676)
Social benefits	(42,798)	(47,191)	(60,451)	(47,683)
Electricity	(67,455)	(61,756)	(126,772)	(107,314)
Freight and commission on sales	(44,784)	(36,559)	(82,740)	(61,784)
Management fees	(5,463)	(5,917)	(5,463)	(5,917)
Other costs	(11,128)	(17,239)	(39,135)	(39,830)
	(1,208,449)	(1,056,977)	(2,344,800)	(1,948,273)
Depreciation	(69,233)	(69,524)	(127,371)	(109,996)
Costs and expenses total	(1,277,682)	(1,126,501)	(2,472,171)	(2,058,269)
Cost of products sold	(1,141,809)	(1,010,140)	(2,268,896)	(1,897,393)
Selling expenses	(61,396)	(51,829)	(109,317)	(85,587)
Administrative expenses	(69,014)	(58,615)	(88,495)	(69,372)
Management fees	(5,463)	(5,917)	(5,463)	(5,917)
Costs and expenses total	(1,277,682)	(1,126,501)	(2,472,171)	(2,058,269)

Since September 2018, the Company is adopting the procedure established in Law 13,670/18, which provides for the reoneration of payroll. The approximate impact in the quarter related to this adoption is R\$19,986 and accumulated in 2019 R\$37,628 in six months.

19. FINANCE RESULTS

	Parent company		Consolidated	
Finance results	2Q19	2Q18	2Q19	2Q18
Financial liabilities at amortized cost	(23,663)	(24,499)	(23,257)	(24,097)
Borrowing	(23,617)	(24,433)	(23,211)	(24,031)
Notes payable and other financial liabilities	(46)	(66)	(46)	(66)
Financial assets at fair value through profit or loss	-	(2,115)	-	(2,115)
IPI - premium credit (note 8)	-	(2,115)	-	(2,115)
Other finance costs	(1,241)	(2,791)	(3,384)	(4,456)
Finance costs	(24,904)	(29,405)	(26,641)	(30,668)
Financial assets at fair value through profit or loss	14,465	(670)	14,465	(670)
Credits - Eletrobrás	14,584	-	14,584	-
Investments in equity instruments	(119)	(670)	(119)	(670)
Amortized cost	2,366	4,152	2,366	4,152
Cash and cash equivalents	2,366	4,152	2,366	4,152
Tax credits and other finance income	3,154	4,038	3,668	5,736
Finance income	19,985	7,520	20,499	9,218
Derivative financial instruments				
Foreign exchange variations	(3,291)	14,867	(4,610)	25,612
Derivative financial instruments	2,945	(15,965)	3,947	(17,339)
Foreign exchange variations, net	(346)	(1,098)	(663)	8,273
Finance results	(5,265)	(22,983)	(6,805)	(13,177)

	Parent com	npany	Consolidated		
Finance results	1\$19	1518	1519	1518	
Financial liabilities at amortized cost	(46,305)	(47,022)	(45,735)	(46,488)	
Borrowing	(46,213)	(46,799)	(45,643)	(46,265)	
Notes payable and other financial liabilities	(92)	(223)	(92)	(223)	
Financial assets at fair value through profit or loss	-	(1,604)	-	(1,604)	
IPI - premium credit (note 8)	-	(1,604)	-	(1,604)	
Other finance costs	(3,072)	(8,763)	(5,886)	(11,851)	
Finance costs	(49,377)	(57,389)	(51,621)	(59,943)	
Financial assets at fair value through profit or loss	28,044	(581)	28,044	(581)	
Credits - Eletrobrás	27,547	-	27,547	-	
Investments in equity instruments	497	(581)	497	(581)	
Amortized cost	6,594	9,530	6,594	9,530	
Cash and cash equivalents	6,594	9,530	6,594	9,530	
Tax credits and other finance income	8,265	9,082	11,005	11,932	
Finance income	42,903	18,031	45,643	20,881	
Derivative financial instruments					
Foreign exchange variations	(1,295)	12,686	(8,903)	15,533	
Derivative financial instruments	16,448	(15,521)	21,322	(14,832)	
Foreign exchange variations, net	15,153	(2,835)	12,419	701	
Finance results	8,679	(42,193)	6,441	(38,361)	

20. OTHER OPERATING INCOME (EXPENSES)

	Parent com	npany	Consolidated		
	2Q19	2Q18	2Q19	2Q18	
Constitution and restatement of provision	(24,517)	(8,957)	(25,821)	(8,826)	
Disposals of property, plant and equipment	(119)	382	(229)	(1,622)	
Result in the tooling's sale	1,206	(2,622)	(1,086)	(1,067)	
Result on the sale of unusable and other assets	(2,112)	(667)	(1,622)	(243)	
	(25,542)	(11,864)	(28,758)	(11,758)	
Depreciation of non-operating assets	(224)	(174)	(225)	(175)	
Amortization of intangible assets	-	-	(15,564)	(12,306)	
Total other operating expenses, net	(25,766)	(12,038)	(44,547)	(24,239)	

	Parent company		Consolidated	
	1519	1518	1\$19	1518
Constitution and restatement of provision	(33,944)	(13,847)	(35,248)	(13,716)
Disposals of property, plant and equipment	(1,145)	2,620	(1,253)	394
Result in the tooling's sale	6,350	(2,622)	4,876	(273)
Result on the sale of unusable and other assets	(9,677)	(4,528)	(8,702)	(1,385)
	(38,416)	(18,377)	(40,327)	(14,980)
Depreciation of non-operating assets	(446)	(346)	(448)	(348)
Amortization of intangible assets	-	-	(30,556)	(23,120)
Total other operating expenses, net	(38,862)	(18,723)	(71,331)	(38,448)

21. INCOME TAX AND SOCIAL CONTRIBUTION IN THE RESULTS

	Parent co	mpany	Consolio	lated
	2Q19	2Q18	2Q19	2Q18
Net income (loss) before tax effects	78,166	41,980	88,615	86,955
Statutory tax rate	34%	34%	34%	34%
Expenses at statutory rate	(26,576)	(14,273)	(30,129)	(29,565)
Tax effect of permanent (additions) exclusions:				
Share of results of subsidiaries	7,913	8,164	-	-
Depreciation of non-operating assets	(77)	(60)	(77)	(60)
Interests on capital	-	12,750	-	12,750
Additional income tax (Services Companies – Mexico)	-	-	(4,466)	(4,312)
Effect of correction of fixed assets	-	-	908	790
Reintegra – benefit	169	1,762	169	1,762
Finance income from monetary assets	-	-	343	(4,795)
Other permanent (additions) exclusions	(147)	(2,044)	4,620	(3,772)
Tax effects recorded in the statement of income before exchange effects	(18,718)	6,298	(28,632)	(27,202)
Effective rate of income tax before exchange effects	24%	-15%	32%	31%
Effect of functional currency on tax base (a)	-	-	(535)	(11,475)
Tax effects recorded in the statement of income	(18,718)	6,298	(29,167)	(38,677)
Effective rate of income tax	24%	-15%	33%	44%

	Parent co	mpany	Consolid	dated
	1519	1518	1519	1518
Net income (loss) before tax effects	139,499	99,867	149,083	142,297
Statutory tax rate	34%	34%	34%	34%
Expenses at statutory rate	(47,430)	(33,955)	(50,688)	(48,381)
Tax effect of permanent (additions) exclusions:				
Share of results of subsidiaries	(152)	(118)	(152)	(118)
Depreciation of non-operating assets	14,139	25,273	-	-
Interests on capital	34,000	12,750	34,000	12,750
Additional income tax (Services Companies – Mexico)	309	4,364	309	4,364
Effect of correction of fixed assets	-	-	(7,328)	(6,144)
Reintegra – benefit	-	-	3,405	1,777
Finance income from monetary assets	-	-	344	(289)
Effects of different rates in subsidiaries	(475)	(3,011)	2,845	(3,068)
Tax effects recorded in the statement of income before exchange effects	391	5,303	(17,265)	(39,109)
Effective rate of income tax before exchange effects	0%	-5%	12%	27%
Effect of functional currency on tax base (a)	-	-	8,072	1,982
Tax effects recorded in the statement of income	391	5,303	(9,193)	(37,127)
Effective rate of income tax	0%	-5%	6%	26%

a) Effect of Functional currency on tax

The tax bases of assets and liabilities of the companies located in Mexico, where the functional currency is the US Dollars, are held in Mexican Pesos at their historical values. Fluctuations in exchange rates change the tax bases and consequently exchange effects are recognized as revenues and / or expenses for deferred income tax.

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

Parent com	ipany	Consolic	lated
2Q19	2Q18	2Q19	2Q18
(18,442)	(783)	(69,472)	(33,402)
(276)	7,081	5,587	(5,275)
(18,718)	6,298	(63,885)	(38,677)
	2Q19 (18,442) (276)	2Q19 2Q18 (18,442) (783) (276) 7,081	(18,442) (783) (69,472) (276) 7,081 5,587

	Parent cor	Parent company		lated
	1519	1518	1\$19	1518
Tax effects recorded in the statement of income				
Tax effects recorded in the statement of income	(18,442)	(783)	(52,113)	(41,895)
Current income tax and social contribution	18,833	6,086	42,920	4,768
Deferred income tax and social contribution	391	5,303	(9,193)	(37,127)

22. EARNINGS PER SHARE

a) Basic:

Basic earnings per share is calculated by dividing profit or loss attributable to ordinary equity holders by the weighted average number of ordinary shares outstanding during the period.

	2Q19	2Q18	1519	1518
Profit attributable to the stockholders of the Company	59,448	48,278	139,890	105,170
Outstanding shares	144,177,500	144,177,500	144,177,500	144,177,500
Basic earnings per share - R\$	0.41233	0.33485	0.97026	0.72945

b) Diluted:

Diluted earnings per share is measured by the weighted average number of ordinary shares outstanding, with the addition of the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares. The Company issue a potential convertible stock option plan. The number of ordinary shares that would be issued is determined from fair value, based on market price.

	2Q19	2Q18	1519	1518
Profit attributable to the stockholders of the Company	59,448	48,278	139,890	105,170
Outstanding shares	144,622,019	144,771,368	144,622,019	144,771,368
Diluted earnings per share - R\$	0.41106	0.33348	0.96728	0.72646

23. 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:

<u>Transportation, infrastructure & agriculture</u> - Manufacture, to order, of cast and machined products, with significant technological content, such as powertrain (blocks and cylinder heads), brake, transmission, steering, axle and suspension components for global manufacturers of engines, passenger vehicles, commercial vehicles (trucks, buses, etc.), construction machines, tractors, agricultural machines and power generators.

<u>Hydraulics</u> - Manufacture of flexible iron connections for the construction industry, and cast-iron shapes for general use.

The following is the information on each reported segment:

a) Reconciliation of revenue, costs, expenses and profit

	Tranportation, in	frastructure				
Consolidated	& agricul	ture	Hydraulics		Total	
	2Q19	2Q18	2Q19	2Q18	2Q19	2Q18
Net revenue (Note 17)	1,340,235	1,159,689	64,380	58,490	1,404,615	1,218,179
Costs and expenses, except depreciation (Note 18)	(1,155,025)	(984,759)	(45,193)	(52,590)	(1,200,218)	(1,037,349)
Other operating expenses, net, except amortization of						
intangible assets and depreciation (Note 20)	(28,758)	(11,150)	-	(608)	(28,758)	(11,758)
Depreciation and amortization	(78,199)	(66,901)	(2,020)	(2,039)	(80,219)	(68,940)
Profit (loss) before finance results	78,253	96,879	17,167	3,253	95,420	100,132
Finance results (Note 19)					(6,805)	(13,177)
Profit (loss) before taxation					88,615	86,955
Income tax and social contribution (Note 21)					(29,167)	(38,677)
Profit for the period					59,448	48,278

Tuescontestion	:
i ranportation.	infrastructure

Consolidated	& agricu	& agriculture Hydraulics Total		& agriculture		Hydraulics		Hydraulics Total		al
	1519	1518	1519	1518	1519	1518				
Net revenue (Note 17)	2,573,930	2,166,829	112,214	110,546	2,686,144	2,277,375				
Costs and expenses, except depreciation (Note 18)	(2,240,667)	(1,844,335)	(104,133)	(103,938)	(2,344,800)	(1,948,273)				
Other operating expenses, net, except amortization of										
intangible assets and depreciation (Note 20)	(38,564)	(14,193)	(1,763)	(787)	(40,327)	(14,980)				
Depreciation and amortization	(154,430)	(129,274)	(3,945)	(4,190)	(158,375)	(133,464)				
Profit (loss) before finance results	140,269	179,027	2,373	1,631	142,642	180,658				
Finance results (Note 19)					6,441	(38,361)				
Profit (loss) before taxation					149,083	142,297				
Income tax and social contribution (Note 21)					(9,193)	(37,127)				
Profit for the period					139 890	105 170				

b) Reconciliation of costs and expenses by segment

Tranportation, infrastructure

Consolidated	& agricu	ılture	Hydraul	ics	Tota	al
	2Q19	2Q18	2Q19	2Q18	2Q19	2Q18
Raw and processing materials	(627,172)	(549,175)	(28,097)	(25,195)	(655,268)	(574,370)
Maintenance and consumption materials	(110,693)	(93,718)	(3,490)	(3,503)	(114,183)	(97,221)
Salaries and payroll taxes	(251,891)	(213,325)	(16,757)	(14,536)	(268,648)	(227,861)
Social benefits	(36,976)	(25,113)	(488)	(500)	(37,464)	(25,613)
Electricity	(60,576)	(52,509)	(4,019)	(4,155)	(64,595)	(56,664)
Depreciation	(62,505)	(54,420)	(1,925)	(2,039)	(64,430)	(56,459)
Freight and commissions on sales	(37,373)	(28,292)	(4,650)	(4,034)	(42,023)	(32,326)
Management fees	(2,810)	(2,471)	(279)	(259)	(3,089)	(2,730)
Other costs	(13,786)	(20,156)	(1,161)	(408)	(14,948)	(20,564)
	(1,203,783)	(1,039,179)	(60,865)	(54,629)	(1,264,648)	(1,093,808)

Tranportation, infrastructure

Consolidated	& agriculture		Hydraulics		Total	
	1\$19	1518	1\$19	1518	1519	1518
Raw and processing materials	(1,233,216)	(971,064)	(49,056)	(101,461)	(1,282,272)	(1,072,525)
Maintenance and consumption materials	(218,019)	(165,488)	(6,473)	(14,056)	(224,492)	(179,544)
Salaries and payroll taxes	(493,532)	(374,980)	(29,943)	(58,696)	(523,475)	(433,676)
Social benefits	(59,524)	(45,712)	(927)	(1,971)	(60,451)	(47,683)
Electricity	(119,440)	(90,966)	(7,332)	(16,348)	(126,772)	(107,314)
Depreciation	(123,426)	(101,769)	(3,945)	(8,227)	(127,371)	(109,996)
Freight and commissions on sales	(74,554)	(44,717)	(8,186)	(17,067)	(82,740)	(61,784)
Management fees	(4,994)	(5,013)	(469)	(904)	(5,463)	(5,917)
Other costs	(37,387)	(35,133)	(1,748)	(4,697)	(39,135)	(39,830)
	(2,364,093)	(1,834,842)	(108,078)	(223,427)	(2,472,171)	(2,058,269)

c) Reconciliation of assets and liabilities

Tranportation, infrastructure

Consolidated	& agricu	lture	Hydrauli	cs	Tota	<u> </u>
ASSETS	jun/19	dec/18	jun/19	dec/18	jun/19	dec/18
Trade account receivables (Note 4)	844,893	649,134	45,120	39,361	890,013	688,495
Inventories (Note 5)	462,102	463,688	60,272	59,935	522,374	523,623
Tooling	168,301	162,445	-	-	168,301	162,445
Notes and other receivables	34,173	49,371	2,276	2,754	36,449	52,125
Property, plant and equipment (Note 12)	1,514,543	1,499,084	55,968	58,208	1,570,511	1,557,292
Intangible assets (Note 13)	272,042	304,837	-	-	272,042	304,837
Other assets not allocated	-	-	-	-	1,435,390	1,619,374
Total assets	3,296,054	3,128,559	163,636	160,258	4,895,080	4,908,191

Tranportation, infrastructure						
Consolidated	& agricul	ture	Hydrauli	cs	Tota	
LIABILITIES	jun/19	dec/18	jun/19	dec/18	jun/19	dec/18
Trade accounts payables	610,454	591,463	33,336	29,829	643,790	621,292
Income taxes payable	29,282	29,703	156	309	29,438	30,012
Salaries, social security charges and profit sharing	160,032	153,952	10,235	10,007	170,267	163,959
Advances from customers	126,290	146,685	8,366	13,039	134,656	159,724
Notes and other payables	43,503	71,013	3,737	6,513	47,240	77,526
Deferred tax on intangible assets (Note 8)	51,919	61,760	-	-	51,919	61,760
Income and social contribution tax	21,142	8,992	-	-	21,142	8,992
Other liabilities not allocated	-	-	-	-	1,591,301	1,584,963
Equity (Note 16)	-	-	-	-	2,205,327	2,199,963
Total liabilities and equity	1.042.622	1.063.568	55.830	59.697	4.895.080	4.908.191

Segment-specific assets and liabilities are allocated directly to each segment, and criteria relating to the 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 revenue

The Company has a diversified portfolio of local and foreign customers. The transportation, infrastructure & agriculture segment has customers that individually account for more than 10% of consolidated revenue, as follows:

Consolidated

Revenue	2Q19	%	2Q18	%	1\$19	%	1518	%
Tranportation, infrastructure & agriculture	1,340,235	95.4	1,159,689	95.2	2,573,930	95.8	2,166,829	95.1
Customer A	298,637	21.3	248,667	20.4	550,081	20.5	460,278	20.2
Customer B	256,251	18.2	214,624	17.6	468,472	17.4	398,802	17.5
Customer C	123,974	8.8	105,083	8.6	239,641	8.9	233,035	10.2
Other customers	661,373	47.1	591,315	48.5	1,063,632	39.6	973,549	42.7
Hydraulics	64,380	4.6	58,490	4.8	112,214	4.2	110,546	4.9
Total Revenue	1,404,615	100.0	1,218,179	100.0	2,686,144	100	2,277,375	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 period, are as follow:

Consolidated								
	2Q19	%	2Q18	%	1\$19	%	1518	%
North America	902,087	64.2	791,683	65.0	1,709,481	63.7	1,469,205	64.5
United States	471,986	33.6	416,194	34.2	866,651	32.3	769,599	33.8
Mexico	418,784	29.8	364,730	29.9	818,297	30.5	676,875	29.7
Canada	11,317	0.8	10,759	0.9	24,533	0.9	22,731	1.0
South and Central Americas	268,863	19.1	216,297	17.8	510,778	19.0	406,259	17.8
Brazil - head office	258,942	18.4	204,153	16.8	496,210	18.5	389,254	17.1
Other countries	9,921	0.7	12,144	1.0	14,568	0.5	17,005	0.7
Europe	153,137	11.0	142,869	11.7	311,834	11.6	269,082	11.9
United Kingdom	81,221	5.8	71,797	5.9	151,733	5.6	140,475	6.2
Hungary	27,476	2.0	20,896	1.7	53,227	2.0	27,441	1.2
Italy	11,004	0.8	12,055	1.0	18,476	0.7	33,535	1.5
Netherlands	16,623	1.2	11,160	0.9	34,632	1.3	16,910	0.7
Spain	5,703	0.4	3,465	0.3	26,253	1.0	3,465	0.2
Spain	2,212	0.2	10,117	8.0	10,962	0.4	19,730	0.9
Germany	3,152	0.2	6,890	0.6	5,885	0.2	12,188	0.5
Other countries	5,746	0.4	6,490	0.5	10,666	0.4	15,338	0.7
Asia, Africa and Oceania	80,528	5.7	67,330	5.5	154,051	5.7	132,829	5.8
South Africa	28,752	2.0	26,269	2.2	49,365	1.8	50,062	2.2
Thailand	14,816	1.1	16,799	1.4	39,920	1.5	29,454	1.3
Japan	19,931	1.4	13,508	1.1	33,674	1.3	21,633	0.9
China	12,776	0.9	8,086	0.7	24,352	0.9	17,451	0.8
Other countries	4,253	0.3	2,668	0.1	6,740	0.2	14,229	0.6
Total	1,404,615	100.0	1,218,179	100.0	2,686,144	100.0	2,277,375	100.0

24. FINANCIAL INSTRUMENTS

		Parent cor	Parent company		ated
	Note	jun/19	dec/18	jun/19	dec/18
Loans and receivables		637,156	724,466	1,461,779	1,495,524
Cash and cash equivalents	3	202,906	328,350	492,259	713,733
Trade account receivables (*)	4	369,974	329,043	890,013	688,495
Notes and other financial assets		64,276	67,073	79,507	93,296
Effect on the Income Statement		6,628	9,563	7,190	9,546
Financial assets at fair value through profit or loss		202,695	179,544	209,645	190,089
Credits - Eletrobrás		198,521	170,974	198,521	170,974
Investments in equity instruments		2,287	1,789	8,833	8,303
Derivative financial instruments	25	1,887	6,781	2,291	10,812
Effect on the Income Statement		28,044	(581)	28,044	(581)
Financial liabilities at amortized cost		1,754,213	1,865,734	2,110,313	2,148,158
Trade accounts payables		288,920	260,607	643,790	621,292
Loans and financing	14	1,403,462	1,413,679	1,415,086	1,406,923
Dividends and interest on capital		193	37,624	193	37,624
Notes payable and other financial liabilities		61,638	153,824	51,244	82,319
Effect on the Income Statement		(46,305)	(47,022)	(45,735)	(46,488)

^(*) Includes the provision for impaired receivables

25. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE OF NET INVESTMENT ABROAD

a) Derivative financial instruments

In order to minimize the impact of exchange rate on cash flow and financial results, the Company contract derivative financial instruments such as: (i) ZCC - zero-cost collar, which consists of purchasing a "PUT" option and the sale of a "CALL" option. Those operations have the same notional value, same counterparty, same maturity and there is no net premium, (ii) purchase of sale option "PUT" and, (iii) sale off NDF non-deliverable forward, which consists of the future sale of currency at a pre-defined price. The fair value of this instrument is determined by observable market pricing model (through market information providers) and widely used by market participants to measure similar instruments.

i. Parent company

On January 31, 2019, regarding of exchange rate projections against the Company's budget and political / economic scenario, the parent company settled in advance all of its derivative instruments in the zero-cost collar modality, in the amount of US\$128,400, which had average exercise price: PUT of R\$3.8077 and CALL of R\$4.3450, obtaining in the early settlement received net adjustments of R\$20,466. Beginning in February 2019, the parent company began to recompose the derivatives portfolio to levels closer to the exchange projections of the Focus Market Report for the year 2019.

On June 30, 2019, financial instruments totaled the amount of US\$131,000 in zero-cost collar operations, consisting of: purchase of PUT with average exercise price of R\$3.6498 and sales of CALL with average price average of R\$4.2775, maturing up to December 30, 2019.

In the 6-month period ended June 30, 2019, the Company recognized in financial results as net gain of R\$16,448, of which R\$21,818 was received from settlement of contracts in the period and a loss of R\$5,370 due to the mark-to-market of these instruments.

ii. Subsidiaries

In June 30, 2019, the Subsidiaries derivative financial instruments in the zero-cost collar type totaled the amount of US\$57,000. Which were made purchasing "PUT" with an average weighted price of exercise of MXN18.6469 and sales "CALL" with an average weighted price of exercise of MXN21.3688, with a due date at December 19, 2019.

On June 30, 2019, the Mexican subsidiaries recognized in their finance results as net profit the amount of R\$4,874. Considering, gain of R\$8,488 from the settlement of contracts in the period and R\$3,577 due to the losses for the mark to market of these instruments. There was also a loss in the amount of R\$37 from the exchange variation from this mark to market.

The financial derivative instruments net position as June 30, 2019 is presented as follow:

	Parent com	pany	Consolida	ited
	jun/19	dec/18	jun/19	dec/18
Current liabilities				
Financial derivative instruments	(476)	-	(586)	(160)
Current assets				
Financial derivative instruments	1,887	6,781	2,291	10,812

In the 6-month period ended June 30, 2019, net income of R\$21,322 was recognized in the Consolidated financial result, with R\$30,306 from the settlement of contracts in the period, loss of exchange variation of R\$37 and loss of R\$18,947 for the mark-to-market of these instruments.

b) Hedges of net investments abroad

With the objective of mitigating the effects of foreign exchange volatility on the results, the Company adopted hedges for the net investments abroad on January 10, 2014.

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 investments in subsidiaries in Mexico.

Consequently, in June 30, 2019, the Company has export prepayment contracts amounting to US\$349,000, equivalent to R\$1,337,438 as hedges of the investments in the subsidiaries in Mexico, Tupy México Saltillo, S.A. de C.V. and Technocast, S.A. de C.V., the functional currency of which is the US Dollar (US\$), and which had net assets of US\$384,591, equivalent to R\$1,473,829, representing 90.7% effectiveness.

In the period of 6 months ended at June 30, 2019, the Company recognized in carrying value adjustments, within equity, a gross gain of R\$9,813 arising from the conversion of the prepayment contracts designated as hedge instruments. As a result, the investments in Mexicans subsidiaries resulted in a gross loss of R\$20,310. The net result was a loss of R\$10,497.

26. FINANCIAL RISK MANAGEMENT

The Company has a financial management policy and internal procedures monitored by Risk and internal controlling area, which determines practices to identify, monitoring and controlling the exposure to financial risk.

26.1 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 in 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, by client, in order to determine the provision for probable losses on receivables. As at June 30, 2019, estimated losses on trade receivables amounted to R\$1,280 (R\$1,941 as at December 31, 2018), representing 0.1% of the consolidated balance of outstanding receivables at that date (0.3% as at December 31, 2018).

Considering the assets nature and historical indicators, the Company does not hold credit guarantee to cover credit risks related to its financial assets.

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		Consolida	ted
	jun/19	dec/18	jun/19	dec/18
Counterparties with external credit ratings*				
Cash and cash equivalents	202,906	328,350	492,259	713,733
AAA	17,516	41,217	22,318	50,233
AA+ / AA / AA-	158,590	243,938	277,666	445,010
A+ / A / A-	26,800	43,195	190,681	218,400
Others	-	-	1,594	90
Derivative financial	1,887	6,781	2,291	10,812
AA+ / AA / AA-	1,887	6,781	2,291	10,812
Credits - Eletrobrás	198,521	170,974	198,521	170,974
AA	198,521	170,974	198,521	170,974

Counterparties without external credit rating				
Trade receivables	369,974	329,043	890,013	688,495
Low risk	343,426	319,585	852,635	672,140
Moderate risk	26,299	9,160	29,054	16,057
High risk	250	298	8,324	298
Other financial assets	66,563	68,862	88,340	101,599
Total	839,851	904,010	1,671,424	1,685,613

^(*) 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 transportation, infrastructure & agriculture 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.

26.2 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 order to 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 two-month projection of: operating cash generation in in an unfavorable scenery, plus the balance of the short-term borrowing, net of derivative instruments. Moreover, the Company manages its investment portfolio using criteria for concentration in 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 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total flow	
Borrowings	47,236	47,165	93,905	273,417	1,385,960	1,847,683	
Financial derivative instruments	586	-	-	-	-	586	
Trade payables and notes and other payables	691,030	-	-	-	-	691,030	
Dividends payable	193	-	-	-	-	193	
	739,045	47,165	93,905	273,417	1,385,960	2,539,492	

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.

26.3 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 levels, 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	jun/19	dec/18
Floating-rate instruments		175,882	282,751
Financial assets		175,882	282,751
Fixed-rate instruments		(1,099,385)	(978,396)
Financial assets		315,701	428,527
Financial liabilities	14	(1,415,086)	(1,406,923)

Sensitivity analysis of variations in floating interest rates

The Company has financial investments and derivative financial instruments 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.)	6.40	6.40	8.00	9.60	4.80	3.20
Financial assets		175,882	175,882	175,882	175,882	175,882	175,882
Potential impact		-	-	2,645	5,290	(2,685)	(5,454)

Currency risk

The Company is exposed to currency risk on sales, purchases and borrowings denominated in currencies other than the Company's functional currency, the Brazilian Real. The main currency in which these transactions are denominated is the US Dollar.

In addition, considering the importance of the Company's operations in Mexico, the devaluation of the Mexican Peso has an impact on the income tax. Since the functional currency of the subsidiaries in Mexico is the U.S. Dollars (US\$). Net exchange variation from monetary assets and liabilities has significant impact on the basis for calculating this tax. (Note 21)

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

Parent company			
Net exposure impacting profit	Note	jun/19	dec/18
Assets		265,363	273,729
Cash and cash equivalents abroad	3	26,633	43,405
Customers in the foreign market	4	238,730	230,324
Liabilities		(97,545)	(188,722)
Borrowings in foreign currency	14	(1,379,251)	(1,395,346)
Hedge of net investment abroad	25	1,337,438	1,352,305
Otheramounts		(55,732)	(145,681)
Net exposure impacting profit			
In thousands of R\$		167,818	85,007
In thousands of US\$		43,792	21,938

The exposure of subsidiaries that use a functional currency U.S. Dollars (US\$), is demonstrated bellow:

Subsidiaries			
Net exposure impacting profit	jun/19	dec/18	
Assets	89,902	62,128	
Cash and cash equivalents abroad	4,280	8,450	
Customers in the foreign market	21,852	4,744	
Tax return	63,770	48,933	
Liabilities	(223,845)	(214,505)	
Trade accounts payables	(96,308)	(85,319)	
Otheramounts	(127,538)	(129,187)	
Net exposure impacting profit			
In thousands of R\$	(133,943)	(152,377)	
In thousands of MXP	(671,393)	(772,705)	

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%
U.S. Dollar rate	3.8322	3.8000	4.75	5.70	2.85	1.90
Asset position	265,363	263,133	328,917	394,700	197,350	131,567
Liability position	(97,545)	(96,726)	(120,907)	(145,088)	(72,544)	(48,363)
Net exposure (R\$ thousand)	167,818	166,407	208,010	249,612	124,806	83,204
Net exposure (US\$ thousand)	43,792	43,791	43,792	43,792	43,792	43,792
Potential impact (R\$ thousand)	-	(1,411)	40,192	81,794	(43,012)	(84,614)

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.

26.4 Operating risk

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

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

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

26.5 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 period, was as follows:

Consolidated			
	Notes	jun/19	dec/18
Own capital		2,205,327	2,199,963
Equity	16	2,205,327	2,199,963
Third party capital		2,197,494	1,994,495
Total current and non-current liabilities		2,689,753	2,708,228
Cash and cash equivalents	3	(492,259)	(713,733)
Own capital versus third-party capital ratio		1.00	1.10

26.6 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 24) and the fair value of the borrowing disclosed in Note 14 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 valuations technique used by the Company are classified at Level 2 of the fair value hierarchy. The fair value of financial instruments that are not traded in an active market (Level 2) is 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.

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A free translation from Portuguese into English of Independent Auditor's Review Report on individual and consolidated financial information in accordance with Accounting Pronouncement CPC 21 (R1) and IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board (IASB)

Independent auditor's review report on quarterly financial information

To Shareholders, Board of Directors and Officers **Tupy S.A.** Joinville, Santa Catarina, Brazil

Introduction

We have reviewed the interim individual and consolidated financial information of Tupy S.A. (Company) contained in the Quarterly Information Form (ITR) for the quarter ended June 30, 2019, comprising the statement of financial position at June 30, 2019, and the related statements of profit and loss, comprehensive income, for the three-month and the six-month period then ended, and the changes in equity and cash flows for the six-month period then ended including the explanatory notes.

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of this financial information in accordance with the rules issued by the Brazilian Securities and Exchange Commission (CVM) applicable to the preparation of Quarterly Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 Revisão de Informações Intermediárias Executada pelo Auditor da Entidade and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the interim individual and consolidated financial information

Based on our review, nothing has come to our attention that causes us to believe that the individual and consolidated interim financial information included in the quarterly information referred to above was not fairly presented, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of the Quarterly Information (ITR), and presented consistently with the standards issued by the Brazilian Securities and Exchange Commission (CVM).



Other matters

Interim statements of value added

We have also reviewed the individual and consolidated statements of value added (SVA) for the six-month period ended June 30, 2019, prepared under the responsibility of Company management, whose presentation in the interim financial statements is required by rules issued by the CVM applicable to the preparation of the quarterly information (ITR), and treated as supplementary information by IFRS, under which the presentation of SVA is not required. These statements have been subject to the same review procedures previously described and, based on our review, nothing has come to our attention that causes us to believe that these were not prepared, in all material respects, in a manner consistent with the overall accompanying individual and consolidated interim financial information.

Joinville, August 14, 2019.

ERNST & YOUNG Auditores Independentes S/S CRC 2SP 015199/O-6

Alexandre Rubio Accountant CRC-1SP 223.361/O-2