TUPY. Worldwide reference in castings

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Quarterly Financial Report

March 31, 2019

TUPY

Release
Financial Information
Explanatory Notes
Independent auditor´s report

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TUPY - World Reference in Casting

1Q19 Highlights

Strong growth of the revenue and net profit and start of the operations of high value-added goods

Earnings Conference Call

Date: May 15, 2019

Portuguese/English

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

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- **Revenues:** R$1,281.5 million, up 21.0% over 1Q18, due to the better product mix, depreciation of the exchange rate, and price adjustments.
- **Portfolio renewal:** Significant growth in sales of high value-added goods (machined and CGI), **representing 23% and 20% of the volume, respectively (vs. 20% and 14% in the previous year).**
- **Adjusted EBITDA and EBITDA:** R$136.9 million and R$125.4 million, respectively, down 7.6% and 13.6% year-over-year. The decrease was due to **one-off events in January,** such as the start of the operations of new high value-added goods in Mexico and extension of scheduled maintenance in Brazil, resulting in the postponement of volumes, increased costs and lower operating efficiency.
- **Net Profit:** R$80.4 million, up 41.4% over 1Q18, with a net margin of 6.3%.
- **Cash Conversion Cycle:** 45 days, down 11 days year-over-year.

Note: Except when otherwise recorded, comparisons expressed by percentage changes are based on the same period of 2018.

MAIN INDICATORS

Consolidated (R$ thousand)

SUMMARY	1Q19	1Q18	Var. [%]
Revenues	**1,281,529**	**1,059,196**	**21.0%**
Cost of Goods Sold	(1,110,440)	(887,595)	25.1%
Gross Profit	**171,089**	**171,601**	**-0.3%**
% on Revenues	*13.4%*	*16.2%*	
Operating Expenses	(97,083)	(76,866)	26.3%
Other Operating Expenses	(26,784)	(14,209)	88.5%
Income before financial results	**47,222**	**80,526**	**-41.4%**
% on Revenues	*3.7%*	*7.6%*	
Financial results	13,246	(25,184)	-
Income before taxes	**60,468**	**55,342**	**9.3%**
% on Revenues	*4.7%*	*5.2%*	
Income tax and social contribution	19,974	1,550	1,188.6%
Net income	**80,442**	**56,892**	**41.4%**
% on Revenues	*6.3%*	*5.4%*	
EBITDA (CVM Inst. 527/12)	**125,378**	**145,050**	**-13.6%**
% on Revenues	*9.8%*	*13.7%*	
Adjusted EBITDA	**136,947**	**148,272**	**7.6%**
% on Revenues	*10.7%*	*14.0%*	
Average Exchange Rate (USD/BRL)	3.77	3.24	16.2%
Average Exchange Rate (EUR/BRL)	4.28	3.99	7.4%

SALES VOLUME

Consolidated (ton)

	1Q19	1Q18	Var. [%]
Domestic Market	**29,660**	**27,888**	**6.4%**
Transportation, Infrastructure & Agriculture	26,274	24,431	7.5%
Hydraulics	3,386	3,457	-2.0%
Foreign Market	**116,972**	**122,911**	**-4.8%**
Transportation, Infrastructure & Agriculture	114,596	118,322	-3.1%
Hydraulics	2,377	4,589	-48.2%
Total Sales Volume	**146,632**	**150,799**	**-2.8%**

Despite the robust performance of our markets and high client demand, sales volume in 1Q19 was negatively affected by operational issues during January and February, resulting in lower production volumes, which fell by 2.8% over 1Q18.

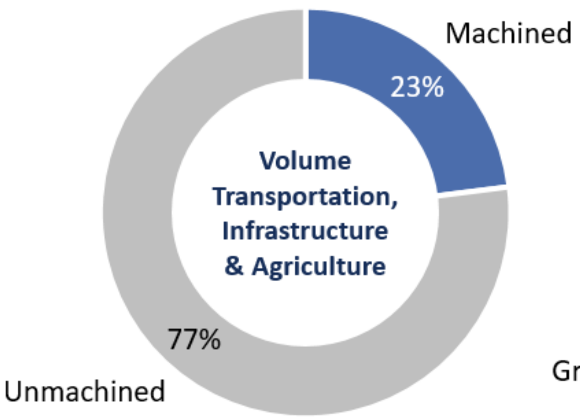
- 7.5% increase in the sales of the Transportation, Infrastructure & Agriculture segment to the domestic market, especially applications used in commercial vehicles. In turn, the foreign market decreased by 3.1%, mainly due to sales in the off-road segment.

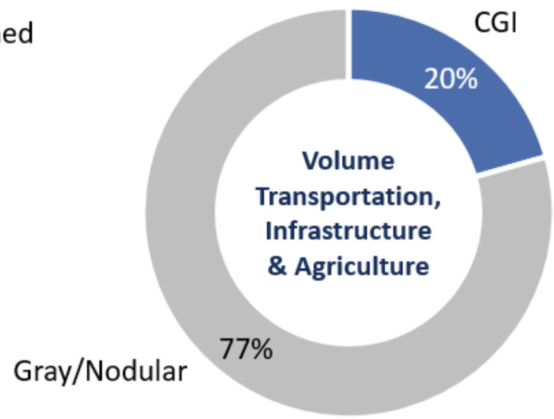
- The hydraulics segment decreased by 2.0% and 48.2% in the domestic and foreign markets, respectively, due to, among others, the reallocation of resources for the block and head operations in January, as well as temporary stops for the anticipation of security projects foreseen for the next five years.

Increased Share of CGI (Compacted Graphite Iron) and Machining

- The portfolio of the Transportation, Infrastructure & Agriculture segment had **23% of partially or fully machined goods (vs. 20% in 1Q18)**. The distribution of goods, by type of material, shows a **sales volume in vermicular iron (CGI) of 20% (14% in 1Q18);**

- The increased share of machined and CGI goods is due to the ramp-up of projects in 2018.





REVENUES

Despite the operational issues that impacted our portfolio during the months of January and February, revenues increased by 21.0% over 1Q18, mainly due to the improved product mix, the BRL depreciation and the transfer of cost increases in raw materials over 2018.

In the domestic market, we recorded an expressive increase of 28.2% due to the revenue growth in commercial vehicles, off-road and hydraulic applications, up 53.9%, 17.2% and 9.2% respectively, mainly due to increases in volume and price adjustments.

In the foreign market, net revenue increased by 19.5%, due to the revenue growth in all Transportation, Infrastructure & Agriculture segments, caused, among other factors, by the depreciation of the USD and EUR against the BRL (average exchange rates of USD/BRL 3.77 and EUR/BRL 4.28 in 1Q19 vs. USD/BRL 3.24 and EUR/BRL 3.99 in 1Q18).

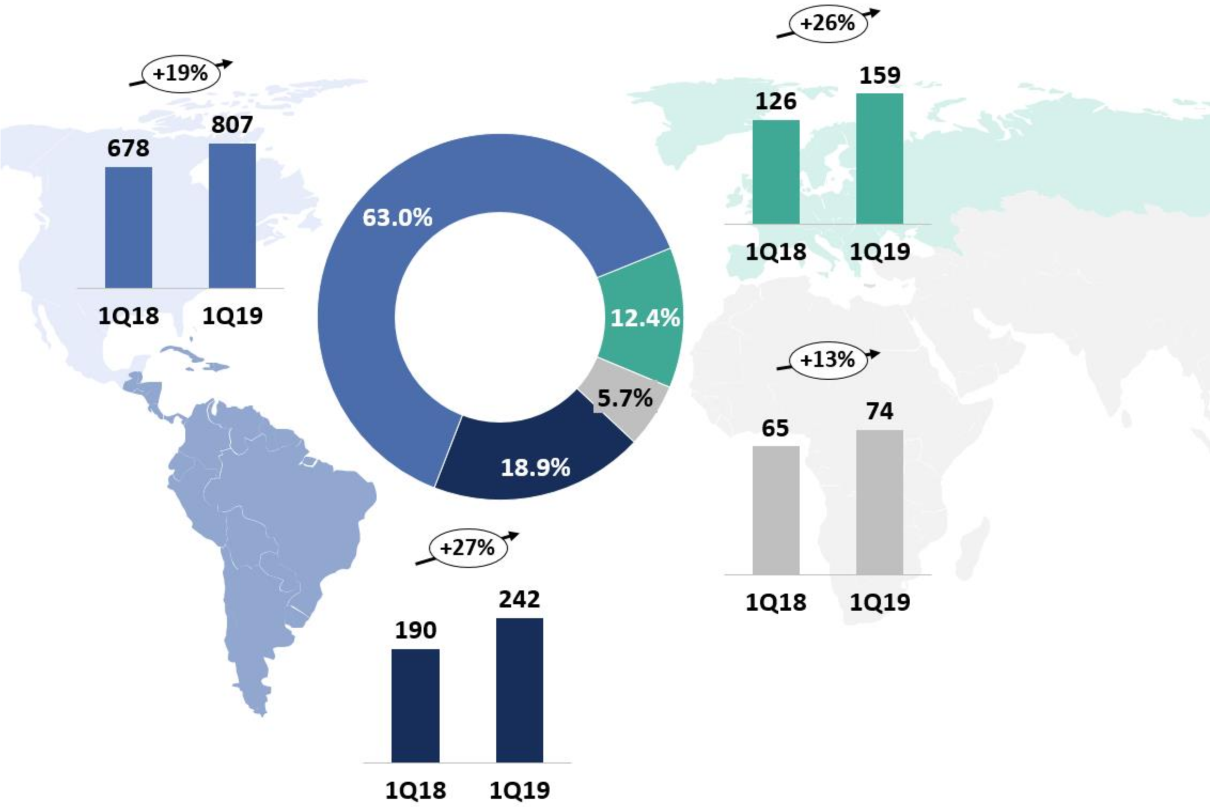
Consolidated (R$ thousand)

	1Q19	1Q18	Var. [%]
Revenues	**1,281,529**	**1,059,196**	**21.0%**
Domestic Market	237,268	185,101	28.2%
Share (%)	*18.5%*	*17.5%*	
Foreign Market	1,044,261	874,095	19.5%
Share (%)	*81.5%*	*82.5%*	
Revenue per Segment	**1,281,529**	**1,059,196**	**21.0%**
Transportation, Infrastructure & Agriculture	1,233,695	1,007,139	22.5%
Share (%)	*96.3%*	*95.1%*	
Hydraulics	47,834	52,057	-8.1%
Share (%)	*3.7%*	*4.9%*	

Revenues by market and performance in the period

In 1Q19, 63.0% of revenues came from North America. In turn, South and Central America represented 18.9% and Europe 12.4%. The remaining 5.7% came from Asia, Africa and Oceania.

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



Consolidated (R$ thousand)

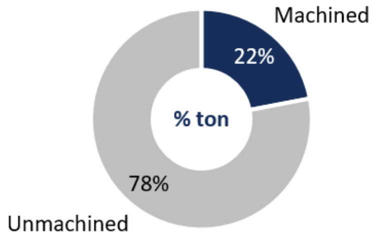
	1Q19	1Q18	Var. [%]
Revenues	**1,281,529**	**1,059,196**	**21.0%**
Domestic Market	**237,268**	**185,101**	**28.2%**
Transportation, Infrastructure & Agriculture	**206,372**	**156,802**	**31.6%**
Passenger Cars	45,718	47,592	-3.9%
Commercial Vehicles	137,073	89,095	53.9%
Off road	23,581	20,115	17.2%
Hydraulics	**30,896**	**28,299**	**9.2%**
Foreign Market	**1,044,261**	**874,095**	**19.5%**
Transportation, Infrastructure & Agriculture	**1,027,323**	**850,337**	**20.8%**
Passenger Cars	116,053	97,172	19.4%
Light Commercial Vehicles	434,538	345,902	25.6%
Medium and Heavy Commercial Vehicles	196,679	151,071	30.2%
Off road	280,053	256,193	9.3%
Hydraulics	**16,938**	**23,758**	**-28.7%**

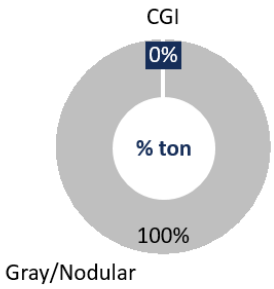
Note: The division between commercial and off-road vehicles considers our best inference of the same product for these two applications

DOMESTIC MARKET (DM)

Passenger Cars

Δ % Revenues	% Revenues	% Revenues DM
-3.9% ▼	3.6%	19.3%

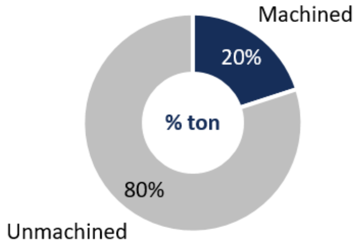


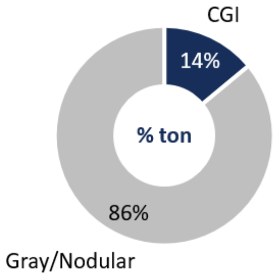


Revenues with sales for this application decreased by 3.9% year-over-year, due to the phase out of goods already included in the Company's plan.

Commercial Vehicles

Δ % Revenues	% Revenues	% Revenues DM
53.9% ▲	10.7%	57.8%

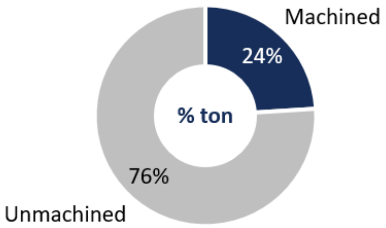


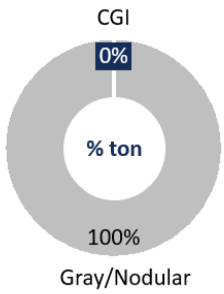


Revenues from commercial vehicle applications increased 53.9% year-over-year We highlight indirect exports opportunities as well as an increased demand for heavy vehicles.

Off road

Δ % Revenues	% Revenues	% Revenues DM
17.2% ▲	1.8%	9.9%

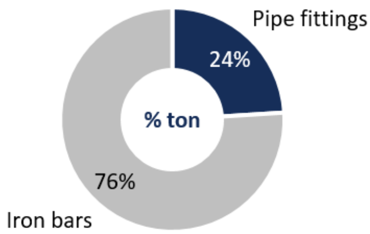




Tupy's revenues with sales for machinery and off-road vehicles increased 17.2% in 4Q18 due to the project phase in and opportunities in indirect exports.

Hydraulics

Δ % Revenues	% Revenues	% Revenues DM
9.2% ▲	2.4%	13.0%

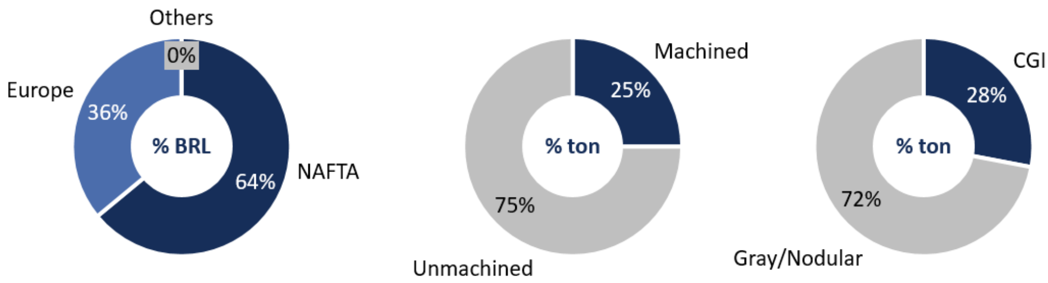


In 1Q 2019, revenues with sales in the hydraulics segment increased by 9.2% over 1Q 2018. The decrease in volumes due to the temporary suspension of the production of iron bars to anticipate security projects that were expected to be carried out over the next 5 years and the reallocation of productive resources to blocks and heads business was offset by the improvement in mix over the past months.

FOREIGN MARKET (FM)

Passenger cars

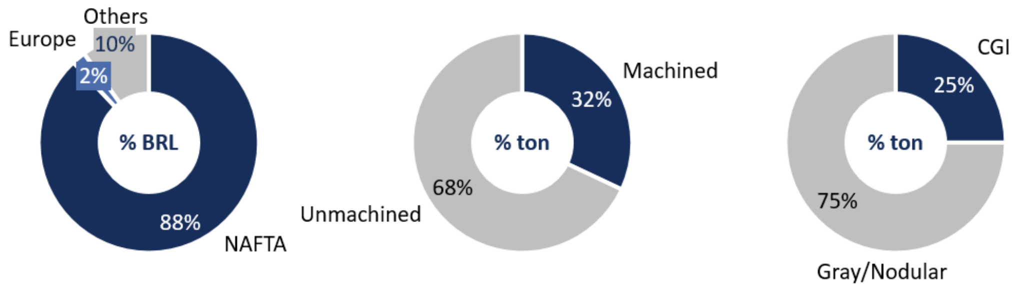
Δ % Revenues	% Revenues	% Revenues FM
19.4% ▲	9.1%	11.1%



Revenues from car goods increased by 19.4% over 1Q18. In addition to the increased demand and the favorable exchange rate due to the BRL depreciation, there was a product ramp-up in the period.

Light Commercial Vehicles

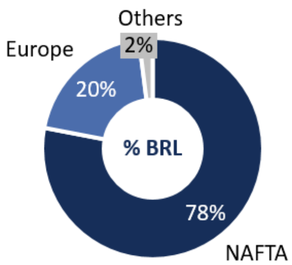
Δ % Revenues	% Revenues	% Revenues FM
25.6% ▲	33.9%	41.6%

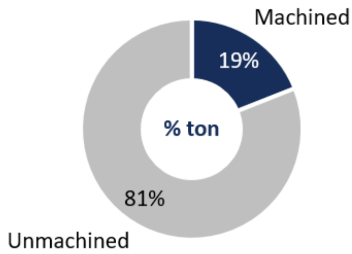


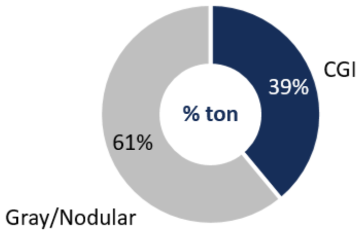
Sales for this application were positively affected in the period due to BRL depreciation, as well as the increased share of machined goods (32% vs 28% in 1Q18) and CGI goods (25% vs 18% in 1Q18), both resulting from new programs. As in previous quarters, there was a high share of pick-ups and SUVs in the US sales of "light vehicles" (70% vs. 68% in 1Q18).

Medium and Heavy Commercial Vehicles

Δ % Revenues	% Revenues	% Revenues FM
30.2% ▲	15.3%	18.8%



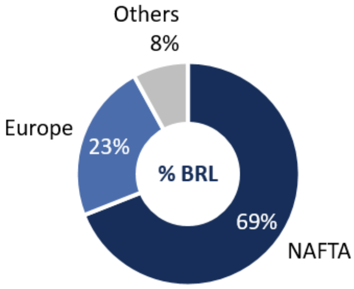


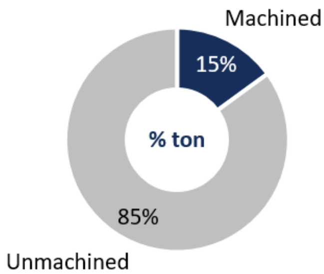


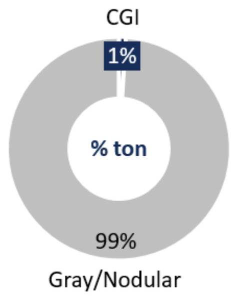
Revenue from medium and heavy commercial vehicles is mainly due to the positive performance of the US and European markets, especially in heavy vehicle applications. As observed in light commercial vehicles, revenue growth was affected by the higher share of high value-added goods, such as machined (19% vs. 11% in 1Q18) and CGI (39% vs. 24% in 1Q18), as well as the BRL devaluation year-over-year.

Off road

Δ % Revenues	% Revenues	% Revenues FM
9.3% ▲	21.9%	26.8%



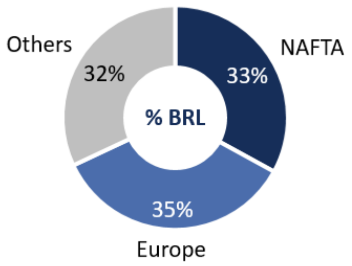


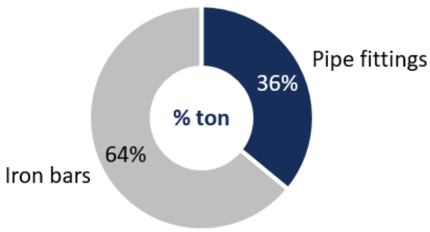


Sales for off-road applications in 1Q19 grew 9.3% over 1Q 2018, and volume performance was affected by the quarter's decrease in the demand for applications used in the oil & gas and agriculture segments.

Hydraulics

Δ % Revenues	% Revenues	% Revenues FM
-28.7%	1.3%	1.6%





In 1Q 2019, we noticed a 28.7% decrease in net sales from pipe fittings and iron bars, due to the decreased volumes. As observed in the domestic market, this decrease was mainly due to the temporary suspension of the production of iron bars to implement security projects and the reallocation of productive resources to operate blocks and heads. In addition, the annual comparison was affected by the introduction of import quotas applied since 2018.

COST OF GOODS SOLD AND OPERATING EXPENSES

Cost of goods sold (COGS) in 1Q19 totaled R$1,110.4 million, up 25.1% over 1Q18. Operating expenses reached R$97.1 million, representing 7.6% of the net revenue in the quarter.

	Consolidated (R$ thousand)		
	1Q19	**1Q18**	**Var. [%]**
Revenues	**1,281,529**	**1,059,196**	**21.0%**
Cost of Goods Sold	**(1,110,440)**	**(887,595)**	**25.1%**
Raw material	(627,004)	(498,155)	25.9%
Labor, profit sharing and social benefits	(247,343)	(204,263)	21.1%
Maintenance and third parties	(98,973)	(73,077)	35.4%
Energy	(61,811)	(50,354)	22.8%
Depreciation	(59,922)	(50,482)	18.7%
Others	(15,387)	(11,264)	36.6%
Gross Profit	**171,089**	**171,601**	**-0.3%**
% on Revenues	*13.4%*	*16.2%*	
Operating Expenses	**(97,083)**	**(76,866)**	**26.3%**
% on Revenues	*7.6%*	*7.3%*	

COGS change from 1Q19 to 1Q18 was affected by the **delay of the new CGI and machining programs in Mexico**, resulting in a lower productivity (dilution of fixed costs, increased scrap and consumption of materials). The normalization of these activities, as of March, already resulted in new operating levels in Mexico.

Regarding Brazilian operations, in January we noticed the extension of the scheduled maintenance in one of our furnaces, leading to production stops and several changes in the production process, necessary to meet the strong demand from our clients. Therefore, this resulted in higher costs with materials and logistics, as well as a lower dilution of fixed cost, given the volume losses.

These operational issues were solved within the quarter itself; the margins recorded in March margins were already in line with the Company's expectations.

The annual comparison was also affected by last year's truck-drivers' strike, such as the end of payroll tax exemption, with an impact of R$12.0 million in the quarter. Concerning the 1Q19 results, the following can be highlighted:

- 25.9% increase in raw material costs, due to the increased prices year-over-year (including the effect of the minimum freight rate), as well as the BRL depreciation, since the raw material costs of our Mexican operations are in USD. There was also an increased consumption of more noble materials, due to the increased share of CGI and machined goods. Finally, the quarter's earnings were affected by the productivity loss in January and in part of February, due to the reasons mentioned above (new goods launched and operations readjusted);

- 21.1% increase in labor costs, mainly due to the increased headcount, especially to meet the new programs, as well as the effect of the collective bargain agreement in the annual comparison and the exchange rate change. The quarter's earnings were also affected by the end of payroll tax exemption as of September 2018;

- 35.4% increase in maintenance and third-party costs due to the start of new operations in Mexico and the maintenances at the Joinville plant, which also led to higher costs with outsourced services (temporary labor, logistics and rework);

- Increase by 22.8% in the electric power cost, due to the increased volume of CGI (electric power intensive) and machining goods, as well as the exchange rate change and the tariff increase in the annual comparison. In Brazil, we also notice a greater use of induction furnaces, given the one-time changes in the production process in January.

- R$4.1 million increase in other costs, mainly related to investments in security and environmental matters.

  Operating expenses, including administrative and commercial expenses, represented 7.6% of net revenues, reaching R$97.1 million. This number represented a 26.3% increase over 1Q18, mainly due to higher expenses with labor, freight and exchange rate. It was also noticed the impact of the freight price table on handling finished and semi-finished goods, as were payroll taxes.

OTHER OPERATING INCOME (EXPENSES)

Other net operating expenses reached R$26.8 million in 1Q19, over R$14.2 million in 1Q18, up 88.5%.

	Consolidated (R$ thousand)		
	1Q19	**1Q18**	**Var. [%]**
Depreciation of Non-Operating Assets	(223)	(173)	28.9%
Amortization of Intangible Assets	(14,992)	(10,814)	38.6%
Others	(11,569)	(3,222)	259.1%
Other Net Operating Expenses	**(26,784)**	**(14,209)**	**88.5%**

Expenses with intangible assets amortization increased by 38.6% due to the increased base of assets, resulting from the exchange rate and the partial impairment reversal in 4Q18, totaling R$33.6 million.

“Others” include (i) R$9.4 million to update/incorporate provisions (vs. R$4.9 million in 1Q18) and (ii) R$2.1 million to write-off property, plant and equipment and sale of useless assets (vs. revenue of R$1.7 million in 1Q18).

The provisions are mainly related to labor matters regarding the development of lawsuits filed in the period immediately preceding the new labor law coming into effect.

NET FINANCIAL INCOME

In 1Q19, net financial income reached R$13.2 million, over R$25.2 million loss in 1Q18.

	Consolidated (R$ thousand)		
	1Q19	**1Q18**	**Var. [%]**
Financial Expenses	(24,980)	(29,275)	-14.7%
Financial Revenues	25,144	11,663	115.6%
Net Monetary and Exchange Rate	13,082	(7,572)	-
Net Earnings	**13,246**	**(25,184)**	**-**

The decrease in financial expenses was mainly due to net amortizations in the last twelve months, totaling R$112.0 million. In 1Q18, financial expenses were also affected by the break funding cost of the pre-payment of debts (R$4.0 million). The year-over-year comparison was also affected by the BRL vs. USD depreciation (average exchange rate of 3.77 in 1Q19 vs. 3.24 in 1Q18), with effect on the recognition of interest of USD loans.

Increase of 115.6% in financial revenues, which reached R$25.1 million in the quarter, with R$13.0 million from the update of the derivative instrument used to adjust the present value of receivables from Eletrobrás, with no cash effect.

The result of the net monetary and exchange variations, totaling R$13.1 million, are due to (i) gains with hedge operations (settlement of derivatives and mark-to-market), corresponding to revenues of R$17.4 million in the quarter and (ii) exchange rate changes in the balance sheet accounts, with a negative impact of R$4.3 million.

EARNINGS BEFORE TAX EFFECTS AND NET PROFIT

	Consolidated (R$ thousand)		
	1Q19	1Q18	Var. [%]
Income before tax effects	**60,468**	**55,342**	**9.3%**
Tax effects before foreign exchange impacts	11,367	(11,907)	-
Gains before exchange effects on the tax base	**71,835**	**43,435**	**65.4%**
Exchange effects on the tax base	8,607	13,457	-36.0%
Net Income	**80,442**	**56,892**	**41.4%**
% on Revenues	*6.3%*	*5.4%*	

The Company's tax effects before foreign exchange impacts reached R$11.4 million, resulting from the difference of the expense at the rate (34%) on the earnings before tax effects and the effects of permanent additions/exclusions, highlighting the benefit of R$34.0 million regarding the payment of interest on shareholders' equity.

The foreign exchange effect on the tax base (deferred income tax of Mexican units) is calculated in Mexican Pesos, converted from the functional currency - US Dollar -, leading to a decreased of R$8.6 million given the Mexican Peso vs. US Dollar depreciation over 1Q19.

The net earnings from these effects reached R$80.4 million in 1Q19, up 41.4% year-over-year.

EBITDA

The above-mentioned elements combined led to an EBITDA of R$125.4 million, down 13.6% year-over-year. EBITDA adjusted by the incorporation/ update of provisions, write-off of property, plant and equipment and sale of useless assets reached R$136.9 million, with a 10.7% margin and a 7.6% decrease over 1Q18.

	Consolidated (R$ thousand)		
RECONCILIATION OF NET INCOME TO EBITDA	1Q19	1Q18	Var. [%]
Net income	**80,442**	**56,892**	**41.4%**
(+) Net financial results	(13,246)	25,184	-
(+) Income tax and social contribution	(19,974)	(1,550)	-
(+) Depreciation and amortization	78,156	64,524	21.1%
EBITDA (CVM Inst. 527/12)	**125,378**	**145,050**	**-13.6%**
% on Revenues	*9.8%*	*13.7%*	
(+) Other net operating expenses*	11,569	3,222	259.1%
Adjusted EBITDA	**136,947**	**148,272**	**-7.6%**
% on Revenues	*10.7%*	*14.0%*	

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

The adjustments made to EBITDA have the purpose of removing the effect of items with less relation with the Company's business, no cash impact or non-recurring. These expenses totaled R$11.6 million in 1Q19 and include (i) R$9.5 million to update/incorporate provisions (vs. R$4.9 million in 1Q18) and

(ii) R$2.1 million to write-off property, plant and equipment and sale of useless assets (vs. revenue of R$1.7 million in 1Q18).

Despite the strong revenue growth, EBITDA margin in 1Q19 was affected by non-recurring or beyond the control factors, mainly:

- Start of the large-scale production of high complexity and high value-added goods (CGI and machined), as well as unscheduled stops at Joinville's operation and the resulting losses of volume and operational efficiency (described in the section "Cost of Goods Sales and Operating Expenses" of this document);
- Impact of the end of payroll exemptions and reduction of incentive to export companies (Reintegra), with impact of R$19.9 million in the quarter.

We estimate that these combined effects impacted the quarter's margin by 460 basis points, that is, EBITDA and Adjusted EBITDA margins would have been 14.4% and 15.3%, respectively. **It is important to emphasize that the Company's margins were affected mainly in January but returned to historical levels in March.**

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Investments in property, plant and equipment, and intangible assets totaled R$46.7 million in 1Q19.

	Consolidated (R$ thousand)		
	1Q19	1Q18	Var. [%]
PP&E			
Strategic investments	16,680	4,490	271.5%
Maintenance and sustenance	24,326	20,742	17.3%
Environment	1,012	1,682	-39.8%
Interest and financial expenses	389	548	-29.0%
Intangible Assets			
Software	3,618	1,475	145.3%
Research and development	652	727	-10.3%
Total	**46,678**	**29,664**	**57.4%**
% on Revenues	*3.6%*	*2.8%*	

The increase in investments is due to development and launching of CGI and machining projects, and to initiatives to increase productivity; as well as renovations and projects related to the environment and safety at work.

WORKING CAPITAL

Consolidated (R$ thousand)

	1Q19	4Q18	3Q18	2Q18	1Q18
Balance Sheet					
Accounts Receivables	813,127	688,495	754,026	783,072	689,706
Inventories	513,142	523,623	486,753	467,613	426,933
Accounts Payable	677,581	621,292	576,245	550,562	504,302
Sales outstanding [days]	59	52	60	68	64
Inventories outstanding [days]	44	47	47	49	48
Payables outstanding [days]	58	56	55	57	56
Cash Conversion Cycle [days]	**45**	**43**	**52**	**60**	**56**

There was a significant improvement (11 days) in working capital year-over-year (1Q18). The main working capital lines had the following changes:

- R$123.4 million increase in accounts receivable, down 5 days for sales. This increase is mainly due to the change in the payment term of clients.
- R$86.2 million increase in inventories, down 4 days (over the cost of goods sold);
- R$173.3 million in accounts payable, up 2 days, due to several actions promoted to extend the payment term with the current suppliers.

CASH FLOW

Consolidated (R$ thousand)

CASH FLOW SUMMARY	1Q19	1Q18	Var. [%]
Cash at the beginning of period	**713,733**	**865,368**	**-17.5%**
Cash from Operating Activities	(6,161)	6,013	-
Cash used in Investments	(41,396)	(25,107)	64.9%
Cash used in Financing Activities	(131,356)	(354,084)	-62.9%
Effect of the Exchange Rate on Cash	(2,431)	2,505	-
Increase (decrease) in cash	**(181,344)**	**(370,673)**	**-51.1%**
Cash at the end of period	**532,389**	**494,695**	**7.6%**

In 1Q19, the Company used R$6.2 million from operating activities, vs R$6.0 million generation in 1Q18. It should be noted that the result in the previous year was positively affected by the tax refund of the Mexican subsidiary (VAT), which will occur in the 2Q19, as well as the receipt of tooling values from our customers.

Regarding investment activities, R$41.4 million was used in 1Q19, up 64.9% year-over-year, due to new programs developed and implemented in high value-added products and operational efficiency.

Regarding financing activities, in 1Q19 the Company used R$131.4 million, due to the payment of dividends and interest on shareholders' equity, totaling R$127.7 million. The 62.3% decrease in cash consumption year-over-year is due to the pre-payment of debts, totaling R$291.1 million, in 1Q18.

These factors combined, plus the exchange rate change on the cash position, led to R$181.3 decrease in cash and equivalents in the quarter. Thus, we closed the 1Q 2019 with a balance of R$532.4 million.

INDEBTEDNESS

The Company closed the 1Q19 with net indebtedness of R$889.7 million, i.e., the net debt/Adjusted EBITDA ratio for the LTM was 1.34.

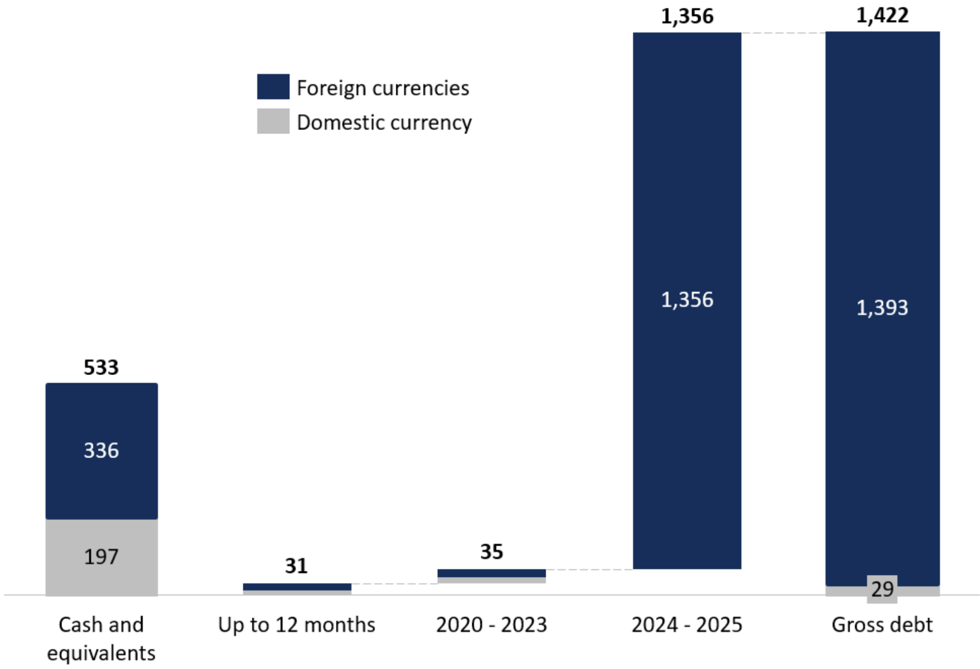
Liabilities in foreign currency represent 98.2% of the total (2% of the short-term and 98% of the long-term), and 1.8% of the indebtedness is in BRL (39% of the short-term and 61% of the long-term). Regarding the cash balance, 36.9% are in BRL and 63.1% in foreign currency.

	Consolidated (R$ thousand)				
INDEBTEDNESS	**1Q19**	**4Q18**	**3Q18**	**2Q18**	**1Q18**
Short-Term*	31,008	47,591	123,278	156,912	131,021
Long-Term	1,391,251	1,359,492	1,405,145	1,354,399	1,170,223
Gross debt	**1,422,259**	**1,407,083**	**1,528,423**	**1,511,311**	**1,301,244**
Cash and Cash Equivalents*ᵻ	532,520	724,545	746,592	614,105	494,909
Net debt	**889,739**	**682,538**	**781,831**	**897,206**	**806,335**
Gross Debt/Adjusted EBITDA	2.14x	2.08x	2.32x	2.42x	2.37x
Net Debt/Adjusted EBITDA	**1.34x**	**1.01x**	**1.19x**	**1.44x**	**1.47x**

* Includes Derivative Financial Instruments

ᵻ Includes investments

The Company's indebtedness profile is as follows:



All amounts in R$ million.

DIVIDEND PAYMENT

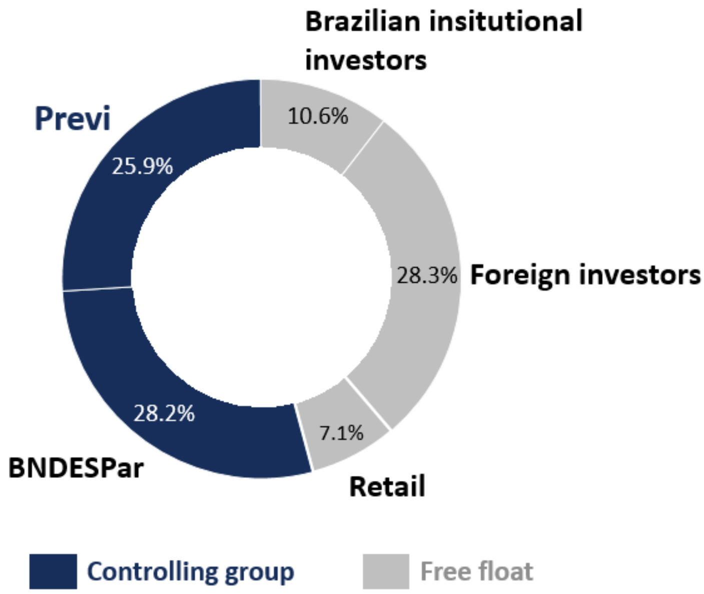
The distribution of dividends was approved today, in the amount of R$25.0 million with payment to be made on June 18, 2019.

This amount, added to the R$100.0 million paid as interest on equity on March 28, 2019, corresponds to a dividend yield of 4.9%, based on the share prices on May 13, 2019.

Distribution of additional amounts throughout the year will be analyzed on a quarterly basis, taking into consideration a series of financial and operational indicators, such as: (i) current and expected leverage in the period; (ii) expected cash flow generation; (iii) debt profile and cash position; and (iv) minimum cash policy, in addition to opportunities the execution of strategic projects and M&A transactions, once we are actively seeking for business opportunities.

OWNERSHIP STRUCTURE

Tupy's ownership structure as of March 31, 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 Executive Board 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 March 31, 2019.

Attachment I – Commercial vehicle production and sales in Brazil

	(Units)		
	1Q19	1Q18	Var. (%)
Production			
Trucks			
Semi-light	247	438	-43.6%
Light	4,633	4,779	-3.1%
Medium	1,121	1,407	-20.3%
Semi-heavy	5,693	6,930	-17.8%
Heavy	13,067	10,880	20.1%
Total trucks	**24,761**	**24,434**	**1.3%**
Buses	6,116	6,886	-11.2%
Commercial vehicles	**30,877**	**31,320**	**-1.4%**
Sales			
Trucks			
Semi-light	659	540	22.0%
Light	2,575	2,794	-7.8%
Medium	2,190	1,303	68.1%
Semi-heavy	4,626	3,194	44.8%
Heavy	10,682	6,397	67.0%
Total trucks	**20,732**	**14,228**	**45.7%**
Buses	4,680	2,758	69.7%
Commercial vehicles	**25,412**	**16,986**	**49.6%**
Exports			
Trucks			
Semi-light	24	172	-86.0%
Light	611	1,451	-57.9%
Medium	161	341	-52.8%
Semi-heavy	845	2,854	-70.4%
Heavy	878	2,513	-65.1%
Total trucks	**2,519**	**7,331**	**-65.6%**
Buses	2,080	2,473	-15.9%
Commercial vehicles	**4,599**	**9,804**	**-53.1%**

Source: ANFAVEA

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

	(Units)		
	1Q19	1Q18	Var. (%)
North America			
Production			
Passenger cars	1,222,452	1,348,910	-9.4%
Light commercial vehicles – Class 1-3	3,013,618	3,073,512	-1.9%
% Light commercial vehicles	**71.1%**	**69.5%**	**+1.6p.p.**
Light Duty – Class 4-5*	11,463	12,679	-9.6%
Medium Duty – Class 6-7*	26,277	23,053	14.0%
Heavy Duty – Class 8	89,305	73,056	22.2%
Medium & Heavy Duty[1]	**127,045**	**108,788**	**16.8%**
United States			
Sales			
Passenger cars	1,194,951	1,339,528	-10.8%
Light commercial vehicles – Class 1-3	2,794,517	2,783,529	0.4%
% Light commercial vehicles	**70.0%**	**67.5%**	**+2.5p.p.**
Light Duty – Class 4-5	11,146	12,109	-8.0%
Medium Duty – Class 6-7	11,696	12,226	-4.3%
Heavy Duty – Class 8	22,845	19,398	17.8%
Medium & Heavy Duty[1]	**45,687**	**43,733**	**4.5%**
Europe			
Sales			
Passenger cars	4,032,881	4,171,941	-3.3%

Source: Automotive News; Bloomberg; ACEA

**Note: data for march had not been released until the publication of this document.*

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

	(Units)		
	1Q19	**1Q18**	**Var. (%)**
Production			
Americas			
Brazil	10,816	12,000	-9.9%
Sales			
Americas			
Brazil	9,293	7,523	23.5%
United States and Canada	49,909	47,594	4.9%
Europe			
Germany	9,575	7,229	32.5%
United Kingdom	2,667	2,932	-9.0%

Source: ANFAVEA; Bloomberg; AEM

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TUPY S.A. AND SUBSIDIARIES

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

A S S E T S

		Parent company		Consolidated	
	Note	03/31/19	12/31/18	03/31/19	12/31/18
CURRENT ASSETS					
Cash and cash equivalents	3	297,041	328,350	532,389	713,733
Derivative financial instruments	25	86	6,781	131	10,812
Trade account receivables	4	287,517	329,043	813,127	688,495
Inventories	5	220,911	234,188	513,142	523,623
Tooling		38,384	37,280	172,561	162,445
Income tax and social contribution recoverable	6	51,616	49,919	56,228	61,534
Other taxes recoverable	7	88,225	86,081	173,875	137,980
Related parties	9	1,152	5,982	-	-
Notes and other receivables		21,510	26,997	40,428	52,125
Total current assets		1,006,442	1,104,621	2,301,881	2,350,747
NON-CURRENT ASSETS					
Income tax and social contribution recoverable	6	154,746	166,857	154,746	166,857
Other taxes recoverable	7	155,213	157,979	155,213	157,979
Deferred income tax and social contribution	8	192,160	170,452	185,040	143,668
Credits - Eletrobrás	10	183,937	170,974	183,937	170,974
Judicial deposits and other		38,805	40,076	39,900	41,171
Investments in equity instruments		2,405	1,789	9,005	8,303
Properties for investments		-	-	6,363	6,363
Investments	11	1,819,227	1,793,940	-	-
Property, plant and equipment	12	724,533	734,611	1,574,569	1,557,292
Intangible assets	13	54,457	54,842	291,903	304,837
Total non-current assets		3,325,483	3,291,520	2,600,676	2,557,444
Total assets		4,331,925	4,396,141	4,902,557	4,908,191

All amounts in thousands of Reais unless otherwise stated.
See accompanying notes

TUPY S.A. AND SUBSIDIARIES

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

L I A B I L I T I E S

		Parent company		Consolidated	
	Note	03/31/19	12/31/18	03/31/19	12/31/18
CURRENT LIABILITIES					
Trade accounts payables		272,126	260,607	677,581	621,292
Loans and financing	14	29,375	49,792	28,488	47,431
Derivative financial instruments	25	1,791	-	2,520	160
Income taxes payable		-	-	20,827	8,992
Other taxes payable		1,686	2,810	30,208	30,012
Salaries, social security charges and profit sharing	16	109,473	125,084	155,330	163,959
Advances from customers		39,313	37,064	147,397	159,724
Related parties	9	1,236	1,239	-	-
Dividends and interest on capital		9,949	37,624	9,949	37,624
Provision for tax, civil, social security and labor contingencies	15	32,295	28,043	32,295	28,043
Notes and other payables		131,876	149,504	44,459	77,526
Total current liabilities		629,120	691,767	1,149,054	1,174,763
NON-CURRENT LIABILITIES					
Borrowings	14	1,376,057	1,363,887	1,391,251	1,359,492
Provision for tax, civil, social security and labor contingencies	15	139,818	136,204	139,818	136,215
Retirement benefit obligations		-	-	35,031	32,965
Other long term liabilities		3,960	4,320	4,433	4,793
Total non-current liabilities		1,519,835	1,504,411	1,570,533	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		8,908	8,564	8,908	8,564
Treasury shares		(1)	(292)	(1)	(292)
Carrying value adjustments		589,614	589,910	589,614	589,910
Income reserves		448,021	548,021	448,021	548,021
Retained earnings		82,668	-	82,668	-
Total equity		2,182,970	2,199,963	2,182,970	2,199,963

All amounts in thousands of Reais unless otherwise stated.
See accompanying notes

(A free translation of the original in Portuguese)

TUPY S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME
QUARTERS ENDED MARCH 31, 2019 AND 2018
(All amounts in thousands of reais, except earnings per share)

		Parent company		Consolidated	
		1/1/19	1/1/18	1/1/19	1/1/18
	Note	3/31/19	3/31/18	3/31/19	3/31/18
NET REVENUE	17	659,463	575,996	1,281,529	1,059,196
Cost of products sold	18	(552,130)	(487,167)	(1,110,440)	(887,595)
GROSS PROFIT		107,333	88,829	171,089	171,601
Selling expenses	18	(30,507)	(25,468)	(53,252)	(40,534)
Administrative expenses	18	(32,278)	(26,713)	(41,457)	(33,145)
Management fees	18	(2,374)	(3,187)	(2,374)	(3,187)
Other operating expenses, net	20	(13,096)	(6,685)	(26,784)	(14,209)
Share of results of subsidiaries	11	18,311	50,321	-	-
PROFIT BEFORE FINANCE RESULTS AND TAXES		47,389	77,097	47,222	80,526
Finance costs	19	(24,473)	(27,984)	(24,980)	(29,275)
Finance income	19	22,918	10,511	25,144	11,663
Monetary and foreign exchange variations, net	19	15,499	(1,737)	13,082	(7,572)
PROFIT BEFORE TAXATION		61,333	57,887	60,468	55,342
Income tax and social contribution	21	19,109	(995)	19,974	1,550
NET INCOME FOR THE PERIOD		80,442	56,892	80,442	56,892
EARNINGS PER SHARE					
Basic earnings per share	22	0.55794	0.39460	0.55794	0.39460
Diluted earnings per share	22	0.55622	0.39296	0.55622	0.39296

All amounts in thousands of Reais unless otherwise stated.
See accompanying notes

(A free translation of the original in Portuguese)

TUPY S.A. AND SUBSIDIARIES

STATEMENTS OF COMPREHENSIVE INCOME
QUARTERS ENDED MARCH 31, 2019 AND 2018
(All amounts in thousands of reais, except earnings per share)

		Parent company		Consolidated	
		1/1/19 3/31/19	1/1/18 3/31/18	1/1/19 3/31/19	1/1/18 3/31/18
NET INCOME FOR THE PERIOD		80,442	56,892	80,442	56,892
Components of other comprehensive income to be reclassified to the results					
Foreign exchange variation of investees located abroad	11	6,976	10,691	6,976	10,691
Hedge of net investment abroad	25	(7,645)	(5,513)	(7,645)	(5,513)
Tax effect on hedge of net investment abroad		2,599	1,875	2,599	1,875
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		82,372	63,945	82,372	63,945

All amounts in thousands of Reais unless otherwise stated.
See accompanying notes

(A free translation of the original in Portuguese)

TUPY S.A. AND SUBSIDIARIES

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

						Carrying value adjustments		Revenue reserves			
	Note	Share capital	Share issue cost	Shared based payments	Treasury stock	Exchange variation of investees	Deemed cost of fixed assets	legal reserve	Reserve for investments	Retained earnings (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		-	-	-	-	-	-	-	-	56,892	56,892
Realization of carrying value adjustments		-	-	-	-	-	(2,443)	-	-	2,443	-
Foreign exchange variation of investees located abroad	11	-	-	-	-	10,691	-	-	-	-	10,691
Hedge of net investment abroad	25	-	-	-	-	(5,513)	-	-	-	-	(5,513)
Tax impact on hedge of net investment abroad		-	-	-	-	1,875	-	-	-	-	1,875
Total comprehensive income for the período		-	-	-	-	7,053	(2,443)	-	-	59,335	63,945
Contributions from stockholders and distributions to stockholders											
Management stock option plan	9	-	-	887	-	-	-	-	-	-	887
Realization of management stock option plan		-	-	(305)	305	-	-	-	-	-	-
(-) Shares in treasury acquired		-	-	-	(331)	-	-	-	-	-	(331)
Total contributions from stockholders and distributions to stockholders		-	-	582	(26)	-	-	-	-	-	556
AT MARCH 31, 2018		**1,060,301**	**(6,541)**	**9,754**	**(26)**	**447,985**	**49,024**	**68,223**	**359,764**	**59,335**	**2,047,819**
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		-	-	-	-	-	-	-	-	80,442	80,442
Realization of carrying value adjustments		-	-	-	-	-	(2,226)	-	-	2,226	-
Foreign exchange variation of investees located abroad	11	-	-	-	-	6,976	-	-	-	-	6,976
Hedge of net investment abroad	25	-	-	-	-	(7,645)	-	-	-	-	(7,645)
Tax impact on hedge of net investment abroad		-	-	-	-	2,599	-	-	-	-	2,599
Total comprehensive income for the year		-	-	-	-	1,930	(2,226)	-	-	82,668	82,372
Contributions from stockholders and distributions to stockholders											
Management stock option plan		-	-	635	-	-	-	-	-	-	635
Realization of management stock option plan		-	-	(291)	291	-	-	-	-	-	-
Interest on capital		-	-	-	-	-	-	-	(100,000)	-	(100,000)
Total contributions from stockholders and distributions to stockholders		-	-	344	291	-	-	-	(100,000)	-	(99,365)
AT MARCH 31, 2019		**1,060,301**	**(6,541)**	**8,908**	**(1)**	**550,022**	**39,592**	**81,809**	**366,212**	**82,668**	**2,182,970**

All amounts in thousands of Reais unless otherwise stated.
See accompanying notes

(A free translation of the original in Portuguese)

TUPY S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOW
QUARTERS ENDED MARCH 31, 2019 AND 2018
(All amounts in thousands of reais, except earnings per share)

		Parent company		Consolidated	
Cash flow from operating activities:	Note	3/31/19	3/31/18	3/31/19	3/31/18
Profit for the period before income tax and social contribution		61,333	57,887	60,468	55,342
Adjustment to reconcile profit (losses) with cash provided by operating activities:					
Depreciation and amortization	12 e 13	34,680	35,180	78,156	64,524
Share of results of subsidiaries	11	(18,311)	(50,321)	-	-
Disposals of property, plant and equipment		1,195	(1,264)	1,193	(109)
Interest accrued and foreign exchange variations		7,097	24,103	9,350	29,806
Provision for impairment of trade receivables		(32)	116	(694)	116
Provision for losses on inventory		(2,634)	620	(2,568)	457
Provision for contingencies	15	9,427	4,890	9,427	4,890
Stock option plan		635	887	635	887
Change in monetary exchange - IPI premium credit		-	207	-	207
Change in Eletrobrás credit		(13,579)	(89)	(13,579)	(89)
		79,811	72,216	142,388	156,031
Changes in operating assets and liabilities:					
Trade accounts receivables		38,994	(507)	(118,781)	(120,797)
Inventories		15,911	(6,440)	14,147	(8,136)
Tooling		(1,104)	(2,380)	(9,453)	(10,251)
Other taxes recoverable		11,036	(15,423)	615	(5,774)
Notes and other receivables		5,487	14,960	11,649	13,094
Judicial deposits and other		1,271	(505)	1,271	(505)
Trade payables		15,923	20,537	54,316	35,509
Other taxes payable		(1,124)	1,194	95	4,665
Salaries, social security charges and profit sharing		(15,611)	(14,917)	(9,223)	(12,188)
Advances from customers		2,249	(1,203)	(17,112)	3,998
Notes and other payables		5,547	10,232	(9,762)	1,721
Retirement benefit obligations		-	-	2,351	3,628
Other long term liabilities		(1,921)	(5,857)	(1,932)	(5,831)
Cash generated by operations		**156,469**	**71,907**	**60,569**	**55,164**
Interest paid		(45,724)	(46,205)	(45,582)	(44,494)
Income tax and social contribution paid		-	-	(21,148)	(4,657)
Net cash generated (used) from operating activities		**110,745**	**25,702**	**(6,161)**	**6,013**
Cash flow from investment activities:					
Additions to fixed assets or intangibles	12 e 13	(17,895)	(11,942)	(46,449)	(26,184)
Advances from investment property sales		-	-	5,000	-
Cash generated on PPE disposals		53	933	53	-
Financial investment		-	1,077	-	1,077
Subsidiaries and associates		4,827	(74)	-	-
Cash used in investment activities		**(13,015)**	**(10,006)**	**(41,396)**	**(25,107)**
Cash flow from financing activities:					
Payment of loans		(1,184)	(303,766)	(1,184)	(303,766)
Lease payment from right of use		(435)	-	(2,497)	-
Interest on capital and dividends paid		(127,675)	(49,987)	(127,675)	(49,987)
Treasury stock		-	(331)	-	(331)
Cash used in financing activities		**(129,294)**	**(354,084)**	**(131,356)**	**(354,084)**
Effect of exchange rate differences on cash for the period		255	392	(2,431)	2,505
Increase (decrease) in cash and cash equivalents		**(31,309)**	**(337,996)**	**(181,344)**	**(370,673)**
Cash and cash equivalents at the beginning of the period		328,350	667,827	713,733	865,368
Cash and cash equivalents at the end of the period		**297,041**	**329,831**	**532,389**	**494,695**

All amounts in thousands of Reais unless otherwise stated.
See accompanying notes

(A free translation of the original in Portuguese)

TUPY S.A. AND SUBSIDIARIES

STATEMENT OF VALUE ADDED
QUARTERS ENDED MARCH 31, 2019 AND 2018
(All amounts in thousands of reais, except earnings per share)

		Parent company		Consolidated	
	Note	3/31/19	3/31/18	3/31/19	3/31/18
Origination of value added		724,831	626,514	1,347,559	1,109,714
Sale of products, net of returns and rebates	17	724,799	626,630	1,346,865	1,109,830
Provision for impairment of trade receivables		32	(116)	694	(116)
(-) Inputs acquired from third parties		(472,848)	(408,921)	(889,638)	(708,423)
Raw materials and processing material consumed		(364,713)	(298,482)	(643,115)	(509,090)
Materials, energy, third party services and other		(108,135)	(110,439)	(246,523)	(199,333)
GROSS VALUE ADDED		251,983	217,593	457,921	401,291
Retentions:		(34,680)	(35,180)	(78,156)	(64,524)
Depreciation and amortization	12 and 13	(34,680)	(35,180)	(78,156)	(64,524)
Net value added generated by the Company		217,303	182,413	379,765	336,767
Value added received through transfer		41,229	60,832	25,144	11,663
Share of results of subsidiaries	11	18,311	50,321	-	-
Finance income	19	22,918	10,511	25,144	11,663
VALUE ADDED TO DISTRIBUTE		**258,532**	**243,245**	**404,909**	**348,430**
Distribution of value added					
Personnel		142,392	140,033	285,656	240,127
Employees		103,943	96,659	243,084	193,610
Social charges - Government Severance Indemnity Fund for Employees (FGTS)		7,284	7,072	7,284	7,072
Profit sharing		6,533	11,342	10,039	14,193
Management fees		2,374	3,187	2,374	3,187
Workplace healthcare and safety		16,731	16,887	16,731	16,887
Food		2,909	2,342	2,909	2,342
Professional education, qualification and development		59	109	462	177
Other amounts		2,559	2,435	2,773	2,659
Government		26,724	16,599	26,913	14,564
Federal taxes and contributions		11,322	11,094	11,511	9,049
State taxes and rates		13,556	3,801	13,556	3,801
Municipal taxes, rates and other		1,846	1,704	1,846	1,714
Third party capital		8,974	29,721	11,898	36,847
Finance costs	19	24,473	27,984	24,980	29,275
Monetary and foreign exchange variations, net	19	(15,499)	1,737	(13,082)	7,572
Own capital		80,442	56,892	80,442	56,892
Retained earnings (losses)		80,442	56,892	80,442	56,892
TOTAL VALUE ADDED		**258,532**	**243,245**	**404,909**	**348,430**

All amounts in thousands of Reais unless otherwise stated.
See accompanying notes

(A free translation of the original in Portuguese)

NOTES TO THE FINANCIAL STATEMENTS

(A free translation of the original in Portuguese)

1. GENERAL INFORMATION

Tupy S.A. (the "Parent company") and its subsidiaries (together the "Company" or "Consolidated") have 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 May 14, 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 March 31, 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.

All amounts in thousands of Reais unless otherwise stated.

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 March 31, 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 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
Assets		
Right to use	10,007	31,449
AT MARCH 31, 2019	**10,007**	**31,449**
Liabilities		
Lease liability	10,007	31,449
AT MARCH 31, 2019	**10,007**	**31,449**

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

	Parent company	Consolidated
Efeito demonstração do resultadodo trimestre		
Depreciation in costs	(888)	(2,585)
Depreciation in general expenses	(65)	(638)
Leasing in general expenses	1,318	3,736
PROFIT BEFORE FINANCE RESULTS AND TAXES	**365**	**513**
Finance costs	(435)	(715)
Income tax and social contribution	24	69
NET INCOME FOR THE PERIOD	**(46)**	**(133)**

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

All amounts in thousands of Reais unless otherwise stated.

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.

On March 31, 2019, the Company assessed the aspects of the standard and did not identify any significant impacts on its financial position and results.

3. CASH AND CASH EQUIVALENTS

	Parent company		Consolidated	
	mar/19	dec/18	mar/19	dec/18
Cash and banks	1,960	2,412	2,008	2,455
Financial investments in Brazil	194,063	282,533	194,281	282,751
Financial investments abroad	101,018	43,405	336,100	428,527
	297,041	**328,350**	**532,389**	**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 6.45% per annum (6.48% at December 31, 2018). The investments abroad are denominated mostly in US Dollars (US$) at the average rate of 2.00% 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	
	mar/19	dec/18	mar/19	dec/18
Domestic market	132,166	99,015	132,166	99,015
Foreign market	155,610	230,324	682,171	591,421
Provision for impairment of trade receivables	(259)	(296)	(1,210)	(1,941)
	287,517	**329,043**	**813,127**	**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$36,586 (R$118,980 in December 31, 2018). (Note 9)

All amounts in thousands of Reais unless otherwise stated.

	Parent company		Consolidated	
	mar/19	dec/18	mar/19	dec/18
Falling due in up to 30 days	129,314	151,664	376,822	386,231
Falling due within 31 to 60 days	98,639	93,397	307,303	159,461
Falling due in more than 61 days	43,470	64,896	55,466	35,751
Total falling due	**271,423**	**309,957**	**739,591**	**581,443**
Overdue for up to 30 days	2,309	4,660	38,655	79,286
Overdue for 31 to 60 days	2,871	1,949	20,672	16,960
Overdue for more than 61 days	11,173	12,773	15,419	12,747
Total overdue	**16,353**	**19,382**	**74,746**	**108,993**
Provision for impairment of trade receivables	(259)	(296)	(1,210)	(1,941)
Total	**287,517**	**329,043**	**813,127**	**688,495**

5. INVENTORIES

	Parent company		Consolidated	
	mar/19	dec/18	mar/19	dec/18
Finished products	67,576	74,713	156,658	167,520
Work in progress	70,165	63,929	151,712	127,034
Raw materials	60,184	73,519	147,986	173,888
Maintenance and other materials	30,069	31,744	75,603	76,566
Provision for losses	(7,083)	(9,717)	(18,817)	(21,385)
	220,911	**234,188**	**513,142**	**523,623**

On March 31, 2019 the Company offered finished product inventory as collateral for labor and social security litigation amounting to R$6,503 (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

	mar/19			dec/18		
	Current	Non-current	Total	Current	Non-current	Total
Parent Company	**51,616**	**154,746**	**206,362**	**49,919**	**166,857**	**216,776**
Income tax	51,616	100,010	151,626	49,919	112,611	162,530
Social contribution	-	54,736	54,736	-	54,246	54,246
Subsidiaries	**4,612**	**-**	**4,612**	**11,615**	**-**	**11,615**
Income tax	4,612	-	4,612	11,615	-	11,615
Consolidated	**56,228**	**154,746**	**210,974**	**61,534**	**166,857**	**228,391**

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

	mar/19			dec/18		
	Current	Non-current	Total	Current	Non-current	Total
Parent company	**88,225**	**155,213**	**243,438**	**86,081**	**157,979**	**244,060**
ICMS recoverable - São Paulo	12,457	18,181	30,638	7,037	26,166	33,203
ICMS recoverable - Santa Catarina	15,386	45,830	61,216	20,806	40,610	61,416
Reintegra benefit	13,869	-	13,869	13,458	-	13,458
COFINS, PIS and IPI recoverable	46,513	91,202	137,715	44,780	91,203	135,983
Subsidiaries	**85,650**	**-**	**85,650**	**51,899**	**-**	**51,899**
Value-added tax (VAT)	85,650	-	85,650	51,899	-	51,899
Consolidated	**173,875**	**155,213**	**329,088**	**137,980**	**157,979**	**295,959**

All amounts in thousands of Reais unless otherwise stated.

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		Consolidated	
	mar/19	dec/18	mar/19	dec/18
Deferred assets				
Income tax and social contribution losses	86,090	45,822	93,151	45,822
Provisions for contingencies	69,677	68,143	69,677	68,143
Taxes and contribution recoverable	54,219	53,910	54,219	53,910
Credits – Eletrobrás	24,499	27,030	24,499	27,030
Property, plant and equipment - impairment	28,818	28,818	28,818	28,818
Salaries, social security charges and profit sharing	7,235	15,492	28,626	34,500
Provision for impairment of trade receivables	1,519	7,233	1,519	7,233
Provision for inventory losses	3,445	4,334	3,445	4,334
Share-based payments	3,028	2,911	3,028	2,911
Tools	-	-	16,717	16,840
Other items	8,299	12,407	18,797	20,571
Unrealized profits in subsidiaries	-	-	3,545	4,313
Subtotal	**286,829**	**266,100**	**346,041**	**314,425**
Deferred liabilities				
Depreciation rate differences	74,273	74,106	74,273	74,106
Property, plant and equipment - carrying value adjustments	20,396	21,542	20,396	21,542
Deferred tax on intangible assets	-	-	57,451	61,760
Property, plant and equipment - tax base (México)	-	-	8,881	13,349
Subtotal	**94,669**	**95,648**	**161,001**	**170,757**
Total deferred liabilities, net	**192,160**	**170,452**	**185,040**	**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 March 31, 2019 was R$8,881 (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 March 31, 2019, relating to deferred tax assets, will be recovered through future income tax.

During the period ended March 31, 2019, the changes in deferred tax assets and liabilities were as follow:

	Parent company		Consolidated	
	mar/19	dec/18	mar/19	dec/18
Opening balance	170,452	113,978	143,668	76,243
Recognized in profit (loss)				
Recognized in profit (loss) for the year	19,109	(11,227)	37,333	(127)
Recognized in comprehensive income for the year	2,599	67,255	2,599	67,255
Effects of currency translation into presentation currency	-	-	1,440	(149)
Recognized in assets				
Transfer to income tax and social contribution recoverable	-	1,334	-	1,334
Compensations with other taxes	-	(888)	-	(888)
Closing balance	**192,160**	**170,452**	**185,040**	**143,668**

All amounts in thousands of Reais unless otherwise stated.

9. RELATED PARTY TRANSACTIONS

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

a. Subsidiaries:

Assets	mar/19	dec/18
Trade account receivables	**36,586**	**118,980**
Tupy Mexico Saltillo, S.A. de C.V	22,303	13,963
Tupy Europe GmbH	8,467	60,939
Tupy American Foundry Corporation	3,085	39,012
Technocast, S.A. de C.V.	2,731	5,066
Related parties – loans	**1,152**	**5,982**
Tupy Agroenergética Ltda.	1,152	5,982
	37,738	**124,962**

Liabilities	mar/19	dec/18
Loans and financing	**1,379,157**	**1,395,346**
Tupy Overseas S.A	1,379,157	1,395,346
Advances from customers	**3,488**	**3,468**
Tupy American Iron & Alloys Corporation	3,488	3,468
Notes and other payables	**96,211**	**101,641**
Tupy Europe GmbH	67,768	70,876
Tupy American Foundry Co.	26,986	29,283
Tupy American Iron & Alloys Corporation	1,457	1,448
Tupy México Saltillo S.A. de CV	-	34
Related parties – loans	**1,236**	**1,239**
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation"	1,236	1,239
	1,480,092	**1,501,694**

Statement of income	1Q19	1Q18
Revenues	**221,431**	**201,738**
Tupy American Foundry Corporation	149,696	152,568
Tupy Europe GmbH	56,596	42,478
Tupy Mexico Saltillo, S.A. de C.V	15,139	6,692
Other operating expenses, net	**100**	**1,047**
Technocast, S.A. de C.V.	1	308
Tupy Mexico Saltillo, S.A. de C.V	99	739
Finance costs	**(22,346)**	**(19,228)**
Tupy Overseas S.A.	(22,346)	(19,228)
	199,185	**183,557**

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 March 31, 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.

All amounts in thousands of Reais unless otherwise stated.

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 of Directors		Board of Officers		Total	
	mar/19	dec/18	mar/19	dec/18	mar/19	dec/18
Fixed remuneration	549	533	785	922	1,334	1,455
Variable remuneration	-	-	405	845	405	845
Stock option plan (Note 19)	172	240	463	647	635	887
	721	**773**	**1,653**	**2,414**	**2,374**	**3,187**

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 March 31, 2019, these benefits totaled R$95 (R$200 in the same period of the previous year).

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

d. JSCP

The Board of Directors, approved on March 14, 2019 the payment of interest on capital at the gross amount of R$100,000 (R$0.69 per share), which occurred in March 28, 2019, in the amount of R$90,233 net of taxes. The approved amount is support by revenue reserves.

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 3 months ended at March 31, 2019, the Company recognized sponsorship expenses of R$350 (R$277 in the same period of the previous year).

All amounts in thousands of Reais unless otherwise stated.

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.

During the first quarter of 2019 there were no relevant change, in the legal area, in the process status.

Consolidated

	Credits	Realizable 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	5,519	-	5,519
Change in fair value of derivative	-	7,444	7,444
AT MARCH 31, 2019	**255,992**	**(72,055)**	**183,937**

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 21 months.

All amounts in thousands of Reais unless otherwise stated.

11. INVESTMENTS

a. Composition of investments

Parent company	Total assets	Equity	Goodwill	Profit (loss) for the period	Interest in capital (%)	Share in the results of subsidiaries (*)	Book value (*)
AT MARCH 31, 2019							
investment in subsidiary company							
Tupy Mexico Saltillo, S.A. de C.V.	1,467,698	890,379	30,513	23,203	100,00	23,512	920,846
Technocast, S.A. de C.V.	859,448	590,587	10,713	(10,524)	100,00	(10,524)	601,300
Servicios Industriales Technocast, S.A. de C.V.	10,035	8,131	-	(101)	100,00	(101)	8,131
Tupy Overseas	1,392,405	17,203	-	97	100,00	97	17,203
Tupy American Foundry Co.	173,850	115,315	-	953	100,00	1,634	112,228
Tupy American Iron & Alloys Co.	5,329	5,329	-	-	100,00	-	5,329
Tupy Europe GmbH	164,913	150,943	-	2,908	100,00	3,847	147,192
Tupy Agroenergética Ltda.	10,616	4,463	-	(153)	100,00	(153)	4,463
Sociedade Técnica de Fundições Gerais SA. - Sofunge "in liquidation"	2,535	2,535	-	(1)	100,00	(1)	2,535
						18,311	**1,819,227**

(*) Adjusted by unrealized profits

Parent company	Total assets	Equity	Goodwill	Profit (loss) for the period	Interest in capital (%)	Share in the results of 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	18,311
Exchange variations of investees located abroad	6,976
AT MARCH 31, 2019	**1,819,227**

All amounts in thousands of Reais unless otherwise stated.

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)	-
Impairment	-	-	-	-	-	-	-	-
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	13,722	23,729
Transfer to property, plant and equipment in use	17,902	1,829	-	165	83	-	(19,979)	-
Impairment	-	-	-	-	-	-	-	-
Disposal	(1,690)	-	-	(76)	-	-	-	(1,766)
AT MARCH 31, 2019	**1,629,202**	**348,779**	**8,956**	**22,397**	**5,646**	**10,007**	**30,453**	**2,055,440**
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)
Transfers	-	-	-	-	-	-	-	-
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	(27,555)	(3,447)	-	(501)	(104)	(952)	-	(32,559)
Transfers	-	-	-	-	-	-	-	-
Disposal	442	-	-	76	-	-	-	518
AT MARCH 31, 2019	**(1,153,392)**	**(158,522)**	**-**	**(14,500)**	**(3,541)**	**(952)**	**-**	**(1,330,907)**
Carrying amount								
AT DECEMBER 31, 2018	486,711	191,875	8,956	8,233	2,126	-	36,710	734,611
AT MARCH 31, 2019	475,810	190,257	8,956	7,897	2,105	9,055	30,453	724,533

Consolidated	Machinery, facilities and equipment	Buildings	Land	Vehicles	Furniture, fittings and other	Right of use	Construction in 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)	-
Exchange variation	271,162	62,013	8,412	217	2,605	-	16,075	360,484
Disposal	(139,139)	(600)	-	(2,225)	(774)	-	-	(142,738)
AT DECEMBER 31, 2018	**3,472,185**	**783,267**	**66,868**	**24,233**	**27,859**	**-**	**167,579**	**4,541,991**
Addition	-	-	-	-	-	31,449	42,487	73,936
Transfer to property, plant and equipment in use	34,590	1,829	-	(31)	476	-	(36,864)	-
Exchange variation	11,092	2,465	325	208	122	-	1,083	15,295
Disposal	(3,776)	-	-	(76)	-	-	-	(3,852)
AT MARCH 31, 2019	**3,514,091**	**787,561**	**67,193**	**24,334**	**28,457**	**31,449**	**174,285**	**4,627,370**
Depreciation								
AT DECEMBER 31, 2017	**(2,266,411)**	**(343,614)**	**-**	**(14,718)**	**(13,430)**	**-**	**-**	**(2,638,173)**
Depreciation in the year	(188,911)	(24,513)	-	(2,048)	(2,437)	-	-	(217,909)
Exchange variation	(206,694)	(35,393)	-	(169)	(1,771)	-	-	(244,027)
Disposal	112,959	100	-	1,645	706	-	-	115,410
AT DECEMBER 31, 2018	**(2,549,057)**	**(403,420)**	**-**	**(15,290)**	**(16,932)**	**-**	**-**	**(2,984,699)**
Depreciation in the year	(49,836)	(6,038)	-	(528)	(660)	(3,194)	-	(60,256)
Exchange variation	(8,824)	(1,491)	-	(10)	(95)	(29)	-	(10,449)
Disposal	2,527	-	-	76	-	-	-	2,603
AT MARCH 31, 2019	**(2,605,190)**	**(410,949)**	**-**	**(15,752)**	**(17,687)**	**(3,223)**	**-**	**(3,052,801)**
Carrying amount								
AT DECEMBER 31, 2018	923,128	379,847	66,868	8,943	10,927	-	167,579	1,557,292
AT MARCH 31, 2019	908,901	376,612	67,193	8,582	10,770	28,226	174,285	1,574,569

The Company offered property, plant and equipment items as collateral for borrowing amounting to R$21,999 (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.

All amounts in thousands of Reais unless otherwise stated.

During the period, interest of loans and financing was capitalized on property, plant and equipment in the amount of R$389 (R$548 on March 31, 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$31,369 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	Research and development 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	1,084	652	1,736
Transfers	(76)	76	-
Amortization	(2,048)	(73)	(2,121)
AT MARCH 31, 2019	**46,704**	**7,753**	**54,457**

Consolidated	Software	Contractual customer relationships	Goodwill	Research and development 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
Amortization	(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	3,618	-	-	652	4,270
Transfers	(76)	-	-	76	-
Disposal	3	-	-	-	3
Exchange variation	65	628	-	-	693
Amortization	(2,835)	(14,992)	-	(73)	(17,900)
AT MARCH 31, 2019	**51,422**	**191,502**	**41,226**	**7,753**	**291,903**

All amounts in thousands of Reais unless otherwise stated.

14. LOANS AND FINANCING

Parent company

	Maturity	Effective rate	mar/19	dec/18
Local currency			**26,275**	**18,333**
BNDES Exim - Pre-shipment of the Investment Sustainability Program (PSI)	Jan/2025	6.00% p.a.	17,150	18,333
(a) Leasing from right of use			9,125	-
Foreign currency			**1,379,157**	**1,395,346**
(b) Export prepayment - Tupy Overseas	Jul/2024	VC + 6.78% p.a.	1,379,157	1,395,346
Current portion			29,375	49,792
Non-current portion			1,376,057	1,363,887
			1,405,432	**1,413,679**

**VC = Foreign exchange variation*

Consolidated

	Maturity	Effective rate	mar/19	dec/18
Local currency			**17,150**	**18,333**
BNDES Exim - Pre-shipment of the Investment Sustainability Program (PSI)	Jan/2025	6.00% p.a.	17,150	18,333
(a) Leasing from right of use			9,125	-
Foreign currency			**1,393,464**	**1,388,590**
(c) *Senior Unsecured Notes* - US$350.000	Jul/2024	VC + 6.78% p.a.	1,374,162	1,388,590
(a) Leasing from right of use			19,302	-
Current portion			28,488	47,431
Non-current portion			1,391,251	1,359,492
			1,419,739	**1,406,923**

**VC = Foreign exchange variation*

Long term maturities are as follow:

	Parent company		Consolidated	
Year	mar/19	dec/18	mar/19	dec/18
2020	3,174	4,233	3,174	4,233
2021-2023	31,725	6,839	31,725	6,839
2024	1,341,127	1,352,784	1,356,321	1,348,389
2025	31	31	31	31
	1,376,057	**1,363,887**	**1,391,251**	**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 March 31, 2019, the fair value of borrowings was R$1,434,697 (R$1,403,817 at December 31, 2018).

On March 31, 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 occured from the adoption of IFRS 16 as of January 1, 2019. (note 2.3)

	Parent company	Consolidated
Current portion	3,541	10,511
Non-current portion	5,584	17,916
	9,125	**28,427**

All amounts in thousands of Reais unless otherwise stated.

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 loss of R$6,104.

c. Senior Unsecured Notes

The foreign exchange variations reduction recognized in the period from senior unsecured notes in the period amounted to R$6.431. 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 3 months ended March 31, 2019 and the related judicial deposits were as follows:

Parent company

	Civil	Tax	Labor	Social security	Judicial 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	-	-	304	-	(4,131)	(3,827)
Restatements	282	(126)	8,865	102	(296)	8,827
Payments	-	-	(4,917)	-	-	(4,917)
Deposit Redemption	-	-	-	-	7,783	7,783
AT MARCH 31, 2019	**57,631**	**60,179**	**69,101**	**18,020**	**(32,818)**	**172,113**

Current	32,295
Non-current	139,818
	172,113

Consolidated

	Civil	Tax	Labor	Social security	Judicial 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	-	-	304	-	(4,131)	(3,827)
Restatements	282	(126)	8,865	102	(296)	8,827
Payments	(11)	-	(4,917)	-	-	(4,928)
Deposit Redemption	-	-	-	-	7,783	7,783
AT MARCH 31, 2019	**57,631**	**60,179**	**69,101**	**18,020**	**(32,818)**	**172,113**

Current	32,295
Non-current	139,818
	172,113

All amounts in thousands of Reais unless otherwise stated.

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.

Contingencies involving possible losses

	Parent company		Consolidated	
	mar/19	dec/18	mar/19	dec/18
IRPJ and CSLL processes	168,552	164,765	168,921	165,133
PIS, COFINS and IPI credits	136,605	133,682	136,605	133,682
ICMS credits	162,773	137,632	162,773	137,632
Expired tax debts	146,533	144,520	146,533	144,520
Customs	-	59,661	-	59,661
Social security	81,366	80,368	81,366	80,368
Labor lawsuits	78,930	84,429	78,993	84,498
Civil and other	55,648	55,111	55,648	55,331
	830,407	**860,168**	**830,839**	**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.

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.

16. SHARE CAPITAL

	mar/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	54	0.0%	13,527	0.0%
Non-controlling interests				
Other stockholders	66,132,178	45.8%	66,118,705	45.8%
Total outstanding shares	**144,177,500**	**100.0%**	**144,177,500**	**100.0%**

All amounts in thousands of Reais unless otherwise stated.

17. REVENUE

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

	Parent company		Consolidated	
	1Q19	1Q18	1Q19	1Q18
Gross revenue	729,929	637,002	1,369,878	1,139,450
Returns and rebates	(5,130)	(10,372)	(23,013)	(29,620)
Revenue net of returns and rebates	**724,799**	**626,630**	**1,346,865**	**1,109,830**
Sales taxes	(65,336)	(50,634)	(65,336)	(50,634)
Net revenue	**659,463**	**575,996**	**1,281,529**	**1,059,196**
Net revenue				
Domestic market	237,268	185,101	237,268	185,101
Foreign market	422,195	390,895	1,044,261	874,095
	659,463	**575,996**	**1,281,529**	**1,059,196**

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		Consolidated	
	1Q19	1Q18	1Q19	1Q18
Raw and processing materials	(301,567)	(257,644)	(627,004)	(498,155)
Maintenance and consumption materials	(48,439)	(41,813)	(110,309)	(82,323)
Salaries, payroll taxes and profit sharing	(145,549)	(127,175)	(254,827)	(205,815)
Social benefits	(22,341)	(21,773)	(22,987)	(22,070)
Electricity	(33,776)	(30,659)	(62,177)	(50,650)
Freight and commission on sales	(22,756)	(18,511)	(40,717)	(29,458)
Management fees	(2,374)	(3,187)	(2,374)	(3,187)
Other costs	(6,027)	(6,765)	(24,187)	(19,266)
	(582,829)	***(507,527)***	***(1,144,582)***	***(910,924)***
Depreciation	(34,460)	(35,008)	(62,941)	(53,537)
Costs and expenses total	**(617,289)**	**(542,535)**	**(1,207,523)**	**(964,461)**
Cost of products sold	(552,130)	(487,167)	(1,110,440)	(887,595)
Selling expenses	(30,507)	(25,468)	(53,252)	(40,534)
Administrative expenses	(32,278)	(26,713)	(41,457)	(33,145)
Management fees	(2,374)	(3,187)	(2,374)	(3,187)
Costs and expenses total	**(617,289)**	**(542,535)**	**(1,207,523)**	**(964,461)**

All amounts in thousands of Reais unless otherwise stated.

19. FINANCE RESULTS

	Parent company		Consolidated	
Finance results	**1Q19**	**1Q18**	**1Q19**	**1Q18**
Financial liabilities at amortized cost	***(22,642)***	***(22,523)***	***(22,478)***	***(22,391)***
Borrowing	(22,596)	(22,366)	(22,432)	(22,234)
Notes payable and other financial liabilities	(46)	(157)	(46)	(157)
Financial assets at fair value through profit or loss	***-***	***511***	***-***	***511***
IPI - premium credit (note 8)	-	511	-	511
Other finance costs	***(1,831)***	***(5,972)***	***(2,502)***	***(7,395)***
Finance costs	**(24,473)**	**(27,984)**	**(24,980)**	**(29,275)**
Financial assets at fair value through profit or loss	***13,579***	***89***	***13,579***	***89***
Credits - Eletrobrás	12,963	-	12,963	-
Investments in equity instruments	616	89	616	89
Amortized cost	***4,228***	***5,378***	***4,228***	***5,378***
Cash and cash equivalents	4,228	5,378	4,228	5,378
Tax credits and other finance income	***5,111***	***5,044***	***7,337***	***6,196***
Finance income	**22,918**	**10,511**	**25,144**	**11,663**
Derivative financial instruments				
Foreign exchange variations	1,996	(2,181)	(4,293)	(10,079)
Derivative financial instruments	13,503	444	17,375	2,507
Foreign exchange variations, net	**15,499**	**(1,737)**	**13,082**	**(7,572)**
Finance results	**13,944**	**(19,210)**	**13,246**	**(25,184)**

20. OTHER OPERATING INCOME (EXPENSES)

	Parent company		Consolidated	
	1Q19	**1Q18**	**1Q19**	**1Q18**
Constitution and restatement of provision	(9,427)	(4,890)	(9,427)	(4,890)
Disposals of property, plant and equipment	(1,026)	2,238	(1,024)	2,016
Loss on the sale of unusable assets and write-off of third party tools and other assets	(2,421)	(3,861)	(1,118)	(348)
	(12,874)	***(6,513)***	***(11,569)***	***(3,222)***
Depreciation of non-operating assets	(222)	(172)	(223)	(173)
Amortization of intangible assets	-	-	(14,992)	(10,814)
Total other operating expenses, net	**(13,096)**	**(6,685)**	**(26,784)**	**(14,209)**

All amounts in thousands of Reais unless otherwise stated.

21. INCOME TAX AND SOCIAL CONTRIBUTION IN THE RESULTS

	Parent company		Consolidated	
	1Q19	1Q18	1Q19	1Q18
Net income (loss) before tax effects	**61,333**	**57,887**	**60,468**	**55,342**
Statutory tax rate	34%	34%	34%	34%
Expenses at statutory rate	(20,853)	(19,682)	(20,559)	(18,816)
Tax effect of permanent (additions) exclusions:				
Share of results of subsidiaries	6,226	17,109	-	-
Depreciation of non-operating assets	(75)	(58)	(75)	(58)
Interests on capital	34,000	-	34,000	-
Additional income tax (Services Companies – Mexico)	-	-	(2,862)	(1,832)
Effect of correction of fixed assets	-	-	2,497	987
Reintegra – benefit	140	2,602	140	2,602
Finance income from monetary assets	-	-	1	4,506
Other permanent (additions) exclusions	(329)	(966)	(1,775)	704
Tax effects recorded in the statement of income before exchange effects	**19,109**	**(995)**	**11,367**	**(11,907)**
Effective rate of income tax before exchange effects	**-31%**	**2%**	**-19%**	**22%**
Effect of functional currency on tax base (a)	-	-	8,607	13,457
Tax effects recorded in the statement of income	**19,109**	**(995)**	**19,974**	**1,550**
Effective rate of income tax	**-31%**	**2%**	**-33%**	**-3%**

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 company		Consolidated	
	1Q19	1Q18	1Q19	1Q18
Tax effects recorded in the statement of income				
Current income tax and social contribution	-	-	(17,359)	(8,493)
Deferred income tax and social contribution	19,109	(995)	37,333	10,043
	19,109	**(995)**	**19,974**	**1,550**

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.

	1Q19	1Q18
Profit attributable to the stockholders of the Company	80,442	56,892
Outstanding shares	144,177,500	144,177,500
Basic earnings per share - R$	**0.55794**	**0.39460**

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.

All amounts in thousands of Reais unless otherwise stated.

	1Q19	1Q18
Profit attributable to the stockholders of the Company	80,442	56,892
Outstanding shares	144,622,019	144,777,209
Diluted earnings per share - R$	**0.55622**	**0.39296**

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:

Transportation, infrastructure & agriculture - 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.

Hydraulics - 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

Consolidated	Tranportation, infrastructure & agriculture		Hydraulics		Total	
	1Q19	1Q18	1Q19	1Q18	1Q19	1Q18
Net revenue (Note 17)	1,233,695	1,007,139	47,834	52,057	1,281,529	1,059,196
Costs and expenses, except depreciation (Note 18)	(1,099,389)	(859,576)	(45,193)	(51,348)	(1,144,582)	(910,924)
Other operating expenses, net, except amortization of intangible assets and depreciation (Note 20)	(11,569)	(3,043)	-	(179)	(11,569)	(3,222)
Depreciation and amortization	(76,136)	(62,373)	(2,020)	(2,151)	(78,156)	(64,524)
Profit (loss) before finance results	**46,601**	**82,147**	**621**	**(1,621)**	**47,222**	**80,526**
Finance results (Note 19)					13,246	(25,184)
Profit (loss) before taxation					**60,468**	**55,342**
Income tax and social contribution (Note 21)					19,974	1,550
Profit for the period					**80,442**	**56,892**

b) Reconciliation of costs and expenses by segment

Consolidated	Tranportation, infrastructure & agriculture		Hydraulics		Total	
	1Q19	1Q18	1Q19	1Q18	1Q19	1Q18
Raw and processing materials	(606,045)	(474,846)	(20,959)	(23,309)	(627,004)	(498,155)
Maintenance and consumption materials	(107,326)	(78,907)	(2,983)	(3,416)	(110,309)	(82,323)
Salaries and payroll taxes	(241,641)	(192,067)	(13,186)	(13,748)	(254,827)	(205,815)
Social benefits	(22,548)	(21,577)	(439)	(493)	(22,987)	(22,070)
Electricity	(58,864)	(46,312)	(3,313)	(4,338)	(62,177)	(50,650)
Depreciation	(60,921)	(51,386)	(2,020)	(2,151)	(62,941)	(53,537)
Freight and commissions on sales	(37,181)	(24,996)	(3,536)	(4,462)	(40,717)	(29,458)
Management fees	(2,184)	(2,932)	(190)	(255)	(2,374)	(3,187)
Other costs	(23,600)	(17,939)	(587)	(1,327)	(24,187)	(19,266)
	(1,160,310)	**(910,962)**	**(47,213)**	**(53,499)**	**(1,207,523)**	**(964,461)**

All amounts in thousands of Reais unless otherwise stated.

c) Reconciliation of assets and liabilities

Consolidated	Tranportation, infrastructure & agriculture		Hydraulics		Total	
ASSETS	**mar/19**	**dec/18**	**mar/19**	**dec/18**	**mar/19**	**dec/18**
Trade account receivables (Note 4)	776,383	649,134	36,744	39,361	813,127	688,495
Inventories (Note 5)	455,049	463,688	58,093	59,935	513,142	523,623
Tooling	172,561	162,445	-	-	172,561	162,445
Notes and other receivables	38,234	49,371	2,194	2,754	40,428	52,125
Property, plant and equipment (Note 12)	1,517,863	1,499,084	56,706	58,208	1,574,569	1,557,292
Intangible assets (Note 13)	291,903	304,837	-	-	291,903	304,837
Other assets not allocated	-	-	-	-	1,496,827	1,619,374
Total assets	**3,251,993**	**3,128,559**	**153,737**	**160,258**	**4,902,557**	**4,908,191**

Consolidated	Tranportation, infrastructure & agriculture		Hydraulics		Total	
LIABILITIES	**mar/19**	**dec/18**	**mar/19**	**dec/18**	**mar/19**	**dec/18**
Trade accounts payables	646,773	591,463	30,808	29,829	677,581	621,292
Income taxes payable	30,023	29,703	185	309	30,208	30,012
Salaries, social security charges and profit sharing (Note 16)	146,572	153,952	8,758	10,007	155,330	163,959
Advances from customers	137,179	146,685	10,218	13,039	147,397	159,724
Notes and other payables	40,276	71,013	4,183	6,513	44,459	77,526
Deferred tax on intangible assets (Note 8)	57,451	61,760	-	-	57,451	61,760
Income and social contribution tax	20,827	8,992	-		20,827	8,992
Other liabilities not allocated	-	-	-	-	1,586,334	1,584,963
Equity (Note 16)	-	-	-	-	2,182,970	2,199,963
Total liabilities and equity	**1,079,101**	**1,063,568**	**54,152**	**59,697**	**4,902,557**	**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	1Q19	%	1Q18	%
Tranportation, infrastructure & agriculture	**1,233,695**	**96.3**	**1,007,139**	**95.1**
Customer A	251,444	19.6	211,612	20.0
Customer B	212,221	16.6	184,178	17.4
Customer C	128,130	10.0	101,164	9.6
Other customers	641,900	50.1	510,185	48.2
Hydraulics	**47,834**	**3.7**	**52,057**	**4.9**
Total Revenue	**1,281,529**	**100.0**	**1,059,196**	**100.0**

The sales in the Hydraulics segment are diversified.

All amounts in thousands of Reais unless otherwise stated.

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

	1Q19	%	1Q18	%
North America	**807,394**	**63.0**	**677,522**	**64.0**
United States	394,665	30.8	353,405	33.4
Mexico	399,513	31.2	312,145	29.5
Canada	13,216	1.0	11,972	1.1
South and Central Americas	**241,915**	**18.9**	**189,962**	**18.0**
Brazil - head office	237,268	18.5	185,101	17.5
Other countries	4,647	0.4	4,861	0.5
Europe	**158,697**	**12.4**	**126,213**	**11.9**
United Kingdom	70,512	5.5	68,678	6.5
Hungary	25,751	2.0	6,545	0.6
Italy	7,472	0.6	21,480	2.0
Netherlands	18,009	1.4	5,750	0.5
Spain	20,550	1.6	-	-
Spain	8,750	0.7	9,613	0.9
Germany	2,733	0.2	5,298	0.6
Other countries	4,920	0.4	8,849	0.8
Asia, Africa and Oceania	**73,523**	**5.7**	**65,499**	**6.1**
South Africa	20,613	1.6	23,793	2.2
Thailand	25,104	2.0	12,654	1.2
Japan	13,743	1.1	8,125	0.8
China	11,576	0.9	9,365	0.9
Other countries	2,487	0.1	11,562	1.0
Total	**1,281,529**	**100.0**	**1,059,196**	**100.0**

All amounts in thousands of Reais unless otherwise stated.

24. FINANCIAL INSTRUMENTS

		Parent company		Consolidated	
	Note	mar/19	dec/18	mar/19	dec/18
Loans and receivables		**644,873**	**724,466**	**1,425,844**	**1,495,524**
Cash and cash equivalents	3	297,041	328,350	532,389	713,733
Trade account receivables	4	287,517	329,043	813,127	688,495
Notes and other financial assets		60,315	67,073	80,328	93,296
Effect on the results		*4,260*	*5,262*	*4,922*	*5,262*
Financial assets at fair value through profit or loss		**186,428**	**179,544**	**193,073**	**190,089**
Credits - Eletrobrás		183,937	170,974	183,937	170,974
Investments in equity instruments		2,405	1,789	9,005	8,303
Derivative financial instruments	25	86	6,781	131	10,812
Effect on the results		*13,579*	*89*	*13,579*	*89*
Financial liabilities at amortized cost		**1,823,343**	**1,865,734**	**2,156,161**	**2,148,158**
Trade accounts payables		272,126	260,607	677,581	621,292
Loans and financing	14	1,405,432	1,413,679	1,419,739	1,406,923
Dividends and interest on capital		9,949	37,624	9,949	37,624
Notes payable and other financial liabilities		135,836	153,824	48,892	82,319
Effect on the results		*(22,642)*	*(22,523)*	*(22,478)*	*(22,391)*

(*) 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 March 31, 2019, financial instruments totaled the amount of US$164,000 in zero-cost collar operations, consisting of: purchase of PUT with average exercise price of R$3.6155 and sales of CALL with average price average of R$4.2116, maturing up to December 27, 2019.

In the 3-month period ended March 31, 2019, the Company recognized in financial results as net gain of R$13,503, of which R$21,989 was received from settlement of contracts in the period and a loss of R$8,486 due to the mark-to-market of these instruments.

All amounts in thousands of Reais unless otherwise stated.

ii. Subsidiaries

In March 31, 2019, the Subsidiaries derivative financial instruments in the zero-cost collar type totaled the amount of US$57,500. Which were made purchasing “PUT” with an average weighted price of exercise of MXN18.6879 and sales “CALL” with an average weighted price of exercise of MXN21.2007, with a due date at June 28, 2018.

On March 31, 2019, the Mexican subsidiaries recognized in their finance results as net profit the amount of R$3,872. Considering, gain of R$8.415 from the settlement of contracts in the period (including net adjustments of R$7,089 received by early settlement of all zero-cost collar derivative instruments held on March 20, 2019 in the amount of US$81,000, which had the average exercise price: "PUT" of MXN19.3451 and "CALL" of MXN22,6584) and R$4,555 due to the losses for the mark to market of these instruments. There was also a gain in the amount of R$12 from the exchange variation from this mark to market.

The financial derivative instruments net position is presented as follow:

	Parent company		Consolidated	
	mar/19	dec/18	mar/19	dec/18
Current liabilities				
Financial derivative instruments	(1,791)	-	(2,520)	(160)
Current assets				
Financial derivative instruments	86	6,781	131	10,812
Financial derivative instruments, net	**(1,705)**	**6,781**	**(2,389)**	**10,652**

In the 3-month period ended March 31, 2019, net income of R$17,375 was recognized in the Consolidated financial result, with R$30,404 from the settlement of contracts in the period, gain of exchange variation of R$12 and loss of R$13,041 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, as presented in the annual financial statement of year ended December 31, 2017 note 32.b.

In March 31, 2019, the Company has export prepayment contracts amounting to US$349,000, equivalent to R$1,1359,948 as hedges of the investments in the subsidiaries in Mexico, Tupy México Saltillo, S.A. de C.V. and Technocast, S.A. de C.V., the functional currency of which is the US Dollar (US$), and which had net assets of US$380,312, equivalent to R$1,481,960, representing 91.8% effectiveness.

In the period of 3 months ended at March 31, 2019, the Company recognized in carrying value adjustments, within equity, a gross loss of R$7,645 arising from the conversion of the prepayment contracts designated as hedge instruments. As a result, the investments in Mexicans subsidiaries resulted in a gross gain of R$6,976. The net result was a gain of R$1,930.

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.

All amounts in thousands of Reais unless otherwise stated.

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 in order to determine the provision for probable losses on receivables. As at March 31, 2019, estimated losses on trade receivables amounted to R$1,210 (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		Consolidated	
	mar/19	dec/18	mar/19	dec/18
Counterparties with external credit ratings*				
Cash and cash equivalents	**297,041**	**328,350**	**532,389**	**713,733**
AAA	43,356	41,217	48,639	50,233
AA+ / AA / AA-	172,172	243,938	285,030	445,010
A+ / A / A-	81,513	43,195	198,720	218,400
Outros	-	-	-	90
Derivative financial	**86**	**6,781**	**131**	**10,812**
AA+ / AA / AA-	86	6,781	131	10,812
Credits - Eletrobrás	**183,937**	**170,974**	**183,937**	**170,974**
A-	183,937	170,974	183,937	170,974
Counterparties without external credit rating				
Trade receivables	**287,517**	**329,043**	**813,127**	**688,495**
Low risk	262,877	319,585	781,365	672,140
Moderate risk	24,372	9,160	25,182	16,057
High risk	268	298	6,580	298
Other financial assets	**62,720**	**68,862**	**89,333**	**101,599**
Total	**831,301**	**904,010**	**1,618,917**	**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.

All amounts in thousands of Reais unless otherwise stated.

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	46,327	45,668	91,123	265,154	1,338,299	1,786,571
Financial derivative instruments	2,520	-	-	-	-	2,520
Trade payables and notes and other payables	722,040	-	-	-	-	722,040
Dividends payable	9,949	-	-	-	-	9,949
	780,836	**45,668**	**91,123**	**265,154**	**1,338,299**	**2,521,080**

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	mar/19	dec/18
Floating-rate instruments		**194,281**	**282,751**
Financial assets		194,281	282,751
Fixed-rate instruments		**(1,083,639)**	**(978,396)**
Financial assets		336,100	428,527
Financial liabilities	14	(1,419,739)	(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		194,281	194,281	194,281	194,281	194,281	194,281
Potential impact		-	-	2,922	5,843	(2,966)	(6,024)

All amounts in thousands of Reais unless otherwise stated.

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	mar/19	dec/18
Assets		**256,628**	**273,729**
Cash and cash equivalents abroad	3	101,018	43,405
Customers in the foreign market	4	155,610	230,324
Liabilities		**(149,398)**	**(188,722)**
Borrowings in foreign currency	14	(1,379,157)	(1,395,346)
Hedge of net investment abroad	25	1,359,948	1,352,305
Other amounts		(130,189)	(145,681)
Net exposure impacting profit			
In thousands of R$		107,230	85,007
In thousands of US$		27,518	21,938

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

Subsidiaries

Net exposure impacting profit	mar/19	dec/18
Assets	**87,191**	**62,128**
Cash and cash equivalents abroad	4,798	8,450
Customers in the foreign market	5,842	4,744
Tax return	76,551	48,933
Liabilities	**(236,182)**	**(214,505)**
Trade accounts payables	(100,699)	(85,319)
Other amounts	(135,483)	(129,187)
Net exposure impacting profit		
In thousands of R$	(148,991)	(152,377)
In thousands of MXP	(727,139)	(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	**3.8967**	**3.7500**	**4.69**	**5.63**	**2.81**	**1.88**
Asset position	256,628	246,967	308,873	370,779	185,060	123,813
Liability position	(149,398)	(143,773)	(179,812)	(215,852)	(107,734)	(72,078)
Net exposure (R$ thousand)	107,230	103,194	129,061	154,927	77,326	51,735
Net exposure (US$ thousand)	27,518	27,518	27,518	27,518	27,518	27,519
Potential impact (R$ thousand)	**-**	**(4,036)**	**21,831**	**47,697**	**(29,904)**	**(55,495)**

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	mar/19	dec/18
Own capital		**2,182,970**	**2,199,963**
Equity	16	2,182,970	2,199,963
Third party capital		**2,187,198**	**1,994,495**
Total current and non-current liabilities		2,719,587	2,708,228
Cash and cash equivalents	3	(532,389)	(713,733)
Own capital versus third-party capital ratio		**1.00**	**1.10**

All amounts in thousands of Reais unless otherwise stated.

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.

27. SUBSEQUENT EVENTS

On May 14, the Company's Board of Directors approved the distribution to its dividends on shareholders' equity in the amount of R$ 25,000. The payment will be made on June 18, 2019.

* * *

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 March 31, 2019, comprising the statement of financial position at March 31, 2019, and the related statements of profit and loss, comprehensive income, for the three-month period then ended, and the changes in equity and cash flows 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 three-month period ended March 31, 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, May 14, 2019.

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

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