TUPY. Global reference in castings

TUPY3 NOVO MERCADO BM&FBOVESPA



Quarterly Financial Report

March 31, 2017

TUPY

Release
Financial Information
Explanatory Notes
Independent auditor's report

www.tupy.com.br

TUPY - Worldwide reference in casting



1Q17 Highlights

- **Sales Volume:** 135.1 tons, or a 13.0% increase against 1Q16, due to strong growth in applications for commercial and off-road vehicles in the foreign market, offsetting a 4% decline in the domestic market.
- **Revenues:** R$855.1 million, a decrease of 0.5% against 1Q16. Despite the strong growth in volume, revenues were impacted by an 18.9% appreciation of the Real against the Dollar compared to the same period of the previous year.
- **Gross profit:** R$134.2 million, down by 7.8% against 1Q16, representing 15.7% of net revenues for the period.
- **Adjusted EBITDA:** R$119.7 million, or a decrease of 10.1% compared to the same period of the previous year, equivalent to 14.0% of revenues in 1Q17, or a drop of 1.5 percentage points against 1Q16.
- **Net income:** R$47.2 million in 1Q17, representing 5.5% of net revenues for the period.
- **Investments:** R$18.3 million, down by 36.3% against 1Q16, representing 2.1% of net revenues for the period.

Earnings conference call

Date: May 16, 2017

Portuguese/English

10 a.m. (Brasília time) / **9 a.m.** (EST)

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Note: Except when registered otherwise, the comparisons shown in percentage variations are based on the same period of 2016.

MAIN INDICATORS

	Consolidated (R$ thousand)		
SUMMARY	**1Q17**	**1Q16**	**Var. [%]**
Revenues	**855,124**	**859,840**	**-0.5%**
Cost of goods sold	(720,897)	(714,222)	0.9%
Gross profit	**134,227**	**145,618**	**-7.8%**
% on revenues	15.7%	16.9%	
Operating expenses	(70,550)	(68,385)	3.2%
Other operating expenses	(17,798)	(26,799)	-33.6%
Income before financial results	**45,879**	**50,434**	**-9.0%**
% on revenues	5.4%	5.9%	
Net financial result	(22,194)	(18,627)	19.1%
Income before taxes	**23,685**	**31,807**	**-25.5%**
% on revenues	2.8%	3.7%	
Income tax and social contribution	23,497	(14,497)	-
Net income	**47,182**	**17,310**	**-**
% on revenues	5.5%	2.0%	
EBITDA (acc. Inst. CVM 527/12)	**112,261**	**127,387**	**-11.9%**
% on revenues	13.1%	14.8%	
Adjusted EBITDA	**119,671**	**133,155**	**-10.1%**
% on revenues	14.0%	15.5%	
Average exchange rate (BRL/USD)	**3.13**	**3.86**	**-18.9%**
Average exchange rate (BRL/EUR)	**3.35**	**4.25**	**-21.3%**

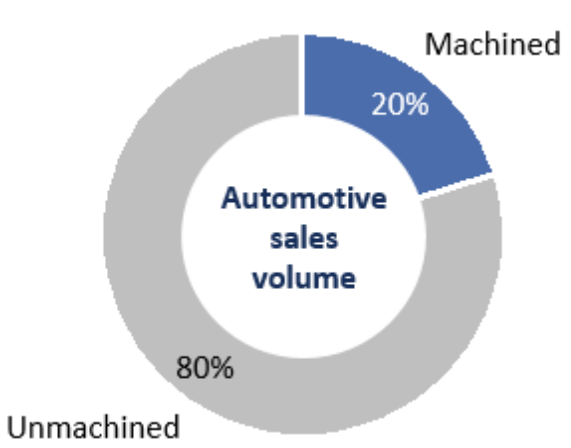
SALES VOLUME

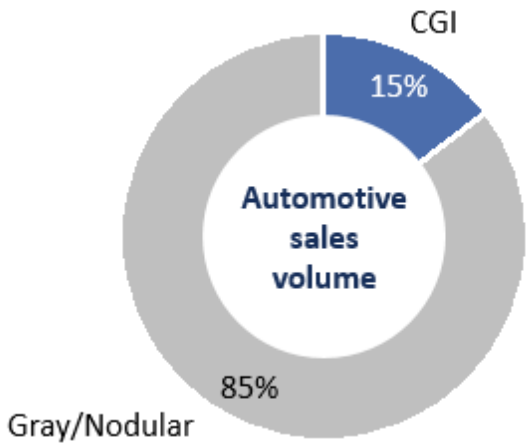
	Consolidated (tons)		
	1Q17	1Q16	Var. [%]
Domestic market	**24,999**	**25,711**	**-2.8%**
Automotive	20,062	20,891	-4.0%
Hydraulics	4,937	4,820	2.4%
Foreign market	**110,070**	**93,861**	**17.3%**
Automotive	107,297	91,290	17.5%
Hydraulics	2,773	2,571	7.9%
Total sales volume	**135,069**	**119,572**	**13.0%**

Sales volume in 1Q17 increased by 13.0% against 1Q16, chiefly due to the following factors:

- Increase of 17.5% in sales to the automotive segment in the foreign market, due to growth in demand for applications in passenger and off-road vehicles, and ramp-up of new projects;
- Reduction of 4.0% in the volume of sales to the automotive segment in the domestic market, due to a downturn in the market for commercial vehicles compared to the same period of the previous year.

The automotive segment portfolio comprised 20% of listed, partially or fully machined products (vs. 19% in 1Q16). The breakdown of automotive products by type of material shows that Compacted Graphite Iron – CGI accounted for 15% of total sales (vs. 16% in 1Q16). The fall in the annual comparison was due to a proportionally higher growth in the volume of products made of gray or nodular iron, due to the build-up of inventories on the part of customers.





REVENUE

Revenues dropped by 0.5% compared to 1Q16.

In the domestic market, the 0.2% growth was due to the increase in revenues from products for passenger and off-road vehicles, offset by a 16.4% fall in revenues from sales of components for commercial vehicles.

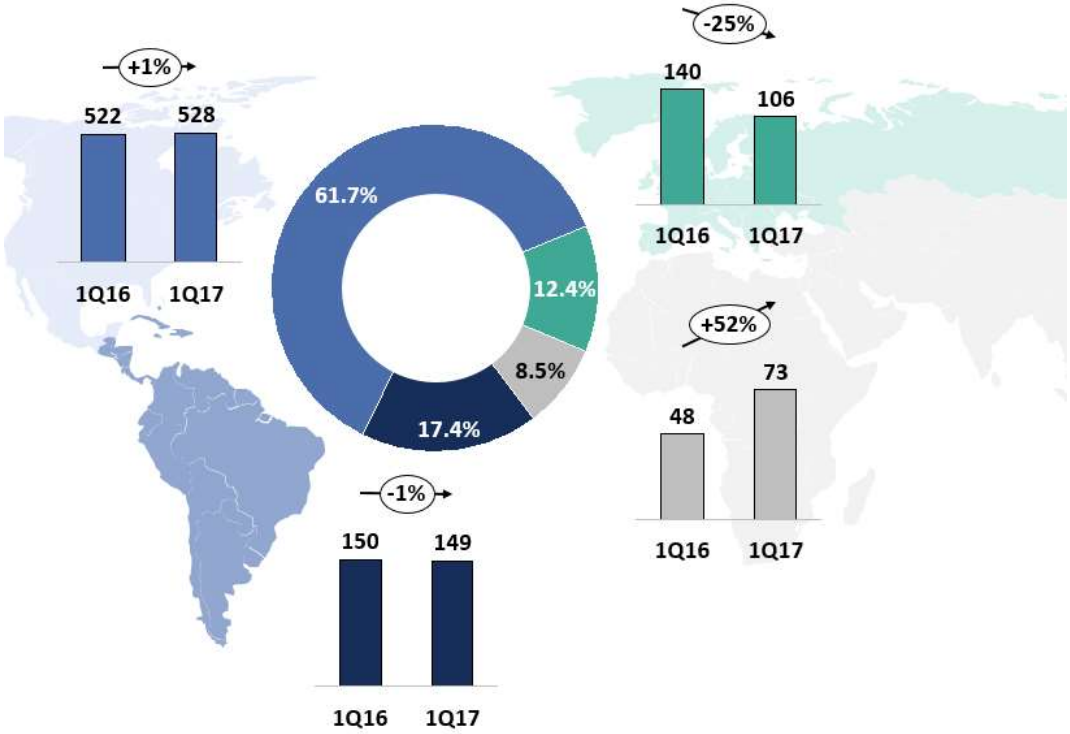
In the foreign market, net revenues fell by 0.7%. Despite the 17.5% growth in the volume (tons) of sales to the automotive segment, the result was impacted by an 18.9% appreciation of the Real against the Dollar (average exchange rate of R$3.13 in 1Q17 vs. R$3.86 in 1Q16).

Consolidated (R$ thousand)

	1Q17	1Q16	Var. [%]
Revenues by market	**855,124**	**859,840**	**-0.5%**
Domestic market	141,976	141,636	0.2%
% share	*16.6%*	*16.5%*	
Foreign market	713,148	718,204	-0.7%
% share	*83.4%*	*83.5%*	
Revenues by segment	**855,124**	**859,840**	**-0.5%**
Automotive	811,281	814,090	-0.3%
% share	*94.9%*	*94.7%*	
Hydraulics	43,843	45,750	-4.2%
% share	*5.1%*	*5.3%*	

Revenues by market of operation and changes in the period

During the period in question, 61.7% of revenues came from North America. In turn, South and Central America accounted for 17.4% of revenues, while Europe accounted for 12.4%. The remaining 8.5% came from Asia, Africa and Oceania.



	1Q17	1Q16	Var. [%]
Revenues	**855,124**	**859,840**	**-0.5%**
Domestic market	**141,976**	**141,636**	**0.2%**
Automotive	**112,793**	**109,795**	**2.7%**
Passenger cars	44,005	35,391	24.3%
Commercial vehicles	51,349	61,435	-16.4%
Off-road	17,439	12,968	34.5%
Hydraulics	**29,183**	**31,841**	**-8.3%**
Foreign market	**713,148**	**718,204**	**-0.7%**
Automotive	**698,472**	**704,295**	**-0.8%**
Passenger cars	96,818	145,751	-33.6%
Light commercial vehicles	274,576	252,574	8.7%
Medium and heavy commercial vehicles	147,144	115,696	27.2%
Off-road	179,934	190,274	-5.4%
Hydraulics	**14,676**	**13,909**	**5.5%**

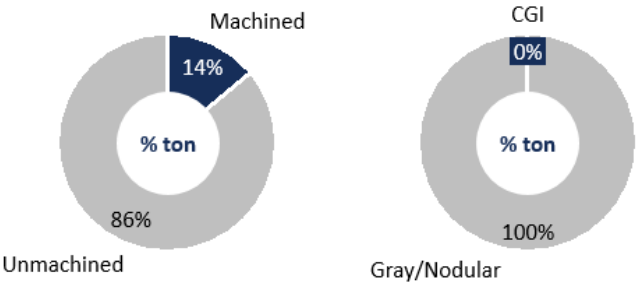
Note: The division between commercial and off-road vehicles takes into account our best assumptions on the same product for these two applications.

DOMESTIC MARKET (DM)

Passenger Cars



Δ % Revenues	% Revenues	% Revenues DM
24.3% ▲	5.1%	31.0%

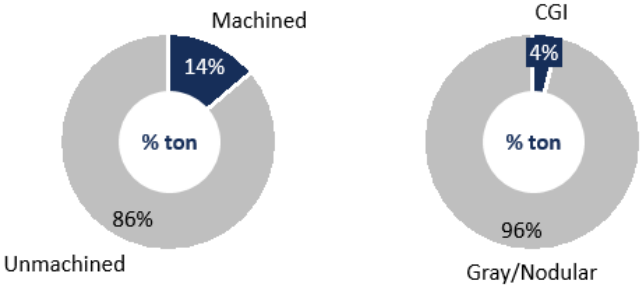


Despite the retraction of the automotive market in Brazil, revenues from sales of components for passenger cars increased by 24.3% in 1Q17 compared to the same period of the previous year. This was due to the opportunities arising from a more favorable product mix and phase-in of auto parts.

Commercial Vehicles



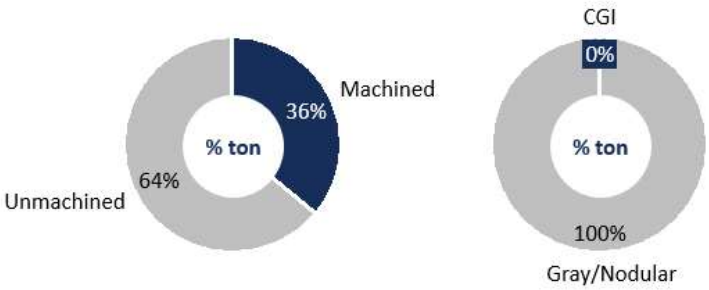
Δ % Revenues	% Revenues	% Revenues DM
-16.4% ▼	6.0%	36.2%



The lower performance of major sectors with a high demand for freight (retail, manufacturing, construction and agriculture) had an adverse impact on the sale of commercial vehicles in Brazil. This scenario resulted in a retraction of 16.4% in revenues from this application in 1Q17.

Off-road

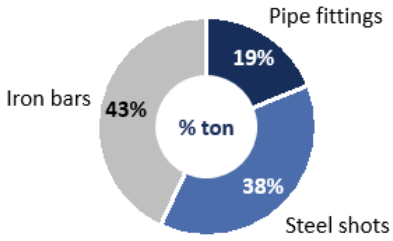
Δ % Revenues	% Revenues	% Revenues DM
34.5% ▲	2.0%	12.3%



Brazil's farming machinery market is recovering. Following this trend, Tupy's revenues from sales relating to this application rose by 34.5% in 1Q17, driven by the phase-in of new products and a lower comparison base in 1Q16.

Hydraulics

Δ % Revenues	% Revenues	% Revenues DM
-8.3% ▼	3.4%	20.6%

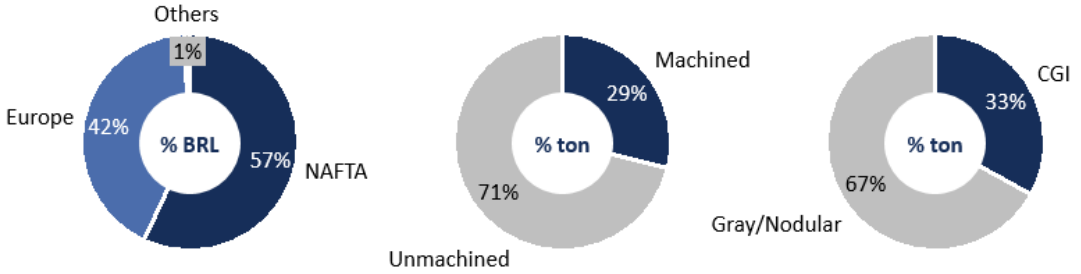


In the first quarter of 2017, revenues from sales in the hydraulics segment, consisting of pipefittings, shots and continuous cast bars fell by 8.3% against the same period in 2016

FOREIGN MARKET (FM)

Passenger Cars

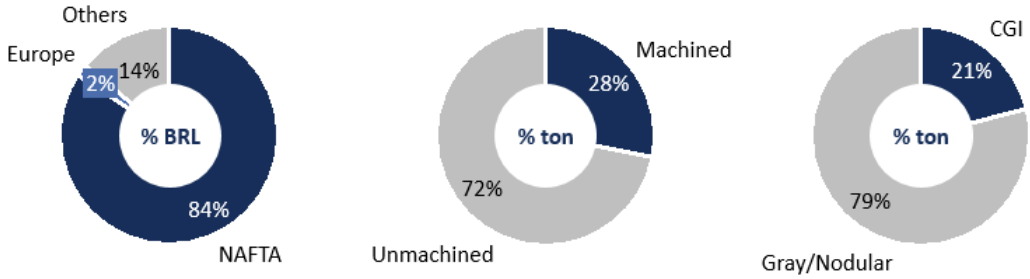
Δ % Revenues	% Revenues	% Revenues FM
-33.6% ▼	11.3%	13.6%



Revenues from products for passenger cars decreased by 33.6% due to the strong appreciation of the Real compared to the same period of the previous year, as well as to the phase-out of products.

Light commercial vehicles

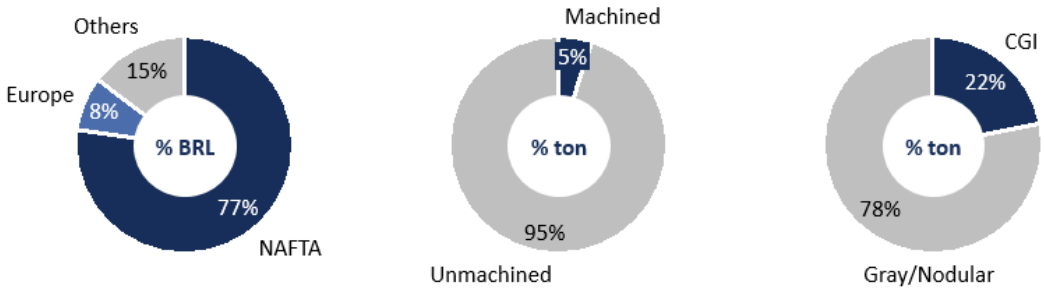
Δ % Revenues	% Revenues	% Revenues FM
8.7% ▲	32.1%	38.5%



Sales for this application were positively impacted in the period due to the increase in demand from the US market, phase-in of projects, and build-up of inventories on the part of one customer, which reduced the adverse effects of the appreciation of the Real in the period.

Medium and heavy commercial vehicles

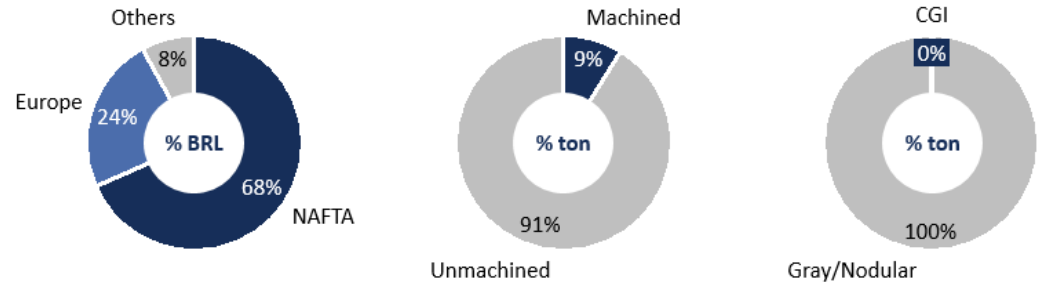
Δ % Revenues	% Revenues	% Revenues FM
27.2% ▲	17.2%	20.6%



The increase of 27.2% in revenues is due to early sales for build-up of inventories; increasing market share within the portfolio of a customer; and recovery in the volume of sales to the Chinese market, which reduced the impact of the appreciation of the Real.

Off-road

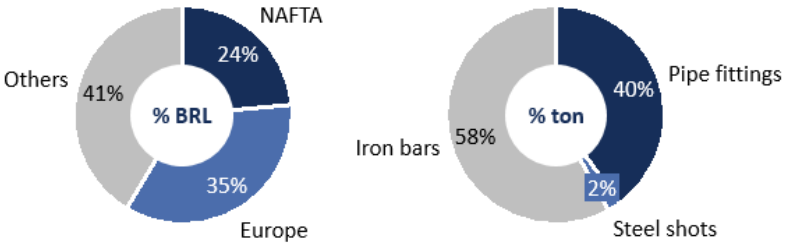
Δ % Revenues	% Revenues	% Revenues FM
-5.4% ▼	21.0%	25.2%



Sales of off-road applications in 1Q17 recorded growth in comparison to the same period of 2016, due to the recovery in the demand against reduced bases in 2016. However, revenues were affected by the appreciation of the Real in 1Q17, which caused a 5.4% fall in the annual comparison.

Hydraulics

Δ % Revenues	% Revenues	% Revenues FM
5.5% ▲	1.7%	2.1%



In 1Q17, net revenues from pipefittings, shots and continuous cast bars increased by 5.5%.

COST OF GOODS SOLD AND OPERATING EXPENSES

The cost of goods sold (COGS) in 1Q17 amounted to R$720.9 million, up by 0.9% compared to 1Q16, resulting in a gross margin of 15.7%. Operating expenses amounted to R$70.6 million, increasing by 3.2% compared to 1Q16.

	1Q17	1Q16	Var. [%]
Revenues	**855,124**	**859,840**	**-0.5%**
Cost of goods sold	**(720,897)**	**(714,222)**	**0.9%**
Raw-material	(364,486)	(342,351)	6.5%
Labor	(168,936)	(195,855)	-13.7%
Energy	(51,157)	(54,542)	-6.2%
Maintenance and third parties	(79,467)	(67,622)	17.5%
Depreciation	(52,831)	(52,810)	-
Others	(4,020)	(1,042)	285.8%
Gross profit	**134,227**	**145,618**	**-7.8%**
% on revenues	*15.7%*	*16.9%*	
Operating expenses	**(70,550)**	**(68,385)**	**3.2%**

COGS variation in 1Q17 against the same period of 2016 was chiefly due to the following factors:

- Increase of 6.5% in raw material costs as a result of the increase in production volumes, which was offset by efficiency gains and the appreciation of the Real against the Dollar.
- Decrease of 13.7% in labor costs and profit sharing as a result of structure optimization, changes in hiring policies, reduction in healthcare costs, and devaluation of the Mexican Peso.
- Reduction of 6.2% in energy costs due to increased efficiency and devaluation of the Mexican Peso.

- The costs of maintenance materials and third parties increased by 17.5%, chiefly due to the increase in production of more complex blocks in Mexico, which required us to make specific adjustments in the performance of finishing and core making equipment, and increase the volume of third party services.

Operating expenses grew by 3.2% due to higher personnel expenses (collective bargaining agreement), and mitigated by the renegotiation of agreements with suppliers.

ADJUSTMENTS IN MAUÁ PLANT

Due to the decreasing demand in domestic market, Company decided to apply production adjustments in its plant located in Mauá (São Paulo state), which has more than 50% of idle capacity. In 1Q17 there were no material costs related to this initiative, and Company will keep its shareholders and other market participants aware of the next movements.

OTHER NET OPERATING EXPENSES

Other net operating expenses amounted to R$17.8 million in 1Q17, against R$26.8 million in 1Q16, or a decrease by 33.6%. This drop was due to lower amortization expenses, as a result of the impairment of intangible assets in 4Q16.

	1Q17	1Q16	Var. [%]
Depreciation of non-operating assets	(178)	(466)	-61.8%
Amortization of intangibles assets	(10,210)	(20,565)	-50.4%
Others*	(7,410)	(5,768)	28.5%
Other net operating expenses	**(17,798)**	**(26,799)**	**-33.6%**

** This includes the recording/adjustment of provisions, write-off of property, plant and equipment, and income from the sale of unserviceable assets.*

NET FINANCIAL INCOME

In 1Q17, the Company recorded net financial expenses of R$22.2 million, compared to expenses of R$18.6 million in 1Q16.

	1Q17	1Q16	Var. [%]
Financial expenses	(37,435)	(46,954)	-20.3%
Financial income	24,150	34,367	-29.7%
Net monetary and Exchange variation	(8,909)	(6,040)	47.5%
Net financial income	**(22,194)**	**(18,627)**	19.1%

The reduction in financial expenses is chiefly due to net amortizations in the past twelve months totaling of R$314.5 million, and appreciation of the Real against the Dollar (average exchange rate of R$3.13 in 1Q17 vs. R$3.86 in 1Q16), which affected the recognition of interest on borrowings denominated in dollars.

The variation in financial revenues resulted from the reduction of 27% in the balance of financial investments in Brazil (R$734.6 million in 1Q17 vs. R$1,000.4 million in 1Q16), and lower earnings due to lower interest rates, with an equivalent average of 12.97% p.a. in 1Q17 vs. 14.45% p.a. in 1Q16.

Net exchange rate variations were due to the appreciation of the Real and the Mexican Peso against the Dollar in 1Q17.

EARNINGS BEFORE TAXES AND NET INCOME

	1Q17	1Q16	Var. [%]
Net income before income taxes	**23,685**	**31,807**	**-25.5%**
Tax effects before foreign exchange impacts	7,291	(11,845)	-
% on profit before foreign exchange effects	*31%*	*-37%*	
Income before foreign exchange effects on tax base	**30,976**	**19,962**	**55.2%**
Foreign exchange effects on tax base	16,206	(2,652)	-
Net income	**47,182**	**17,310**	**-**
% on revenues	*5.5%*	*2.0%*	

Company recorded favorable tax effects before foreign exchange impacts amounting to R$7.3 million, resulting from the difference between the regular tax rate (34%) and the effects of permanent additions/exclusions, highlighting the effect of appreciation of Mexican Peso on the balance sheet.

The effect of exchange rates on the tax base (deferred income tax of Mexican units) is calculated in Mexican Pesos. The translation into the functional currency, the US Dollar, resulted in earnings of R$16.2 million due to the appreciation of the Mexican Peso against the Dollar in 1Q17.

The net income from these effects amounted to R$47.2 million in 1Q17, or 5.5% of revenues.

EBITDA

The combination of the factors mentioned above resulted in adjusted EBITDA of R$119.7 million in 1Q17, with a 14.0% margin on revenues.

Reconciliation of net income to EBITDA	1Q17	1Q16	Var. [%]
Net income	**47,182**	**17,310**	**172.6%**
(+) Net financial result	22,194	18,627	19.1%
(+) Income tax and social contribution	(23,497)	14,497	-262.1%
(+) Depreciation and amortization	66,382	76,953	-13.7%
EBITDA (acc. to Inst. CVM 527/12)	**112,261**	**127,387**	**-11.9%**
% on revenues	13.1%	14.8%	
(+) Other net operating expenses(*)	7,410	5,768	28.5%
Adjusted EBITDA	**119,671**	**133,155**	**-10.1%**
% on revenues	14.0%	15.5%	

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

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

Total investment in property, plant and equipment and intangible assets was R$18.3 million in 1Q17, down 36.3% against 1Q16. The reduction in investments is in line with our strategy to optimize our operations and increase the return on invested capital.

	1Q17	1Q16	Var. [%]
PP&E			
Strategic investments	2,481	7,737	-67.9%
Maintenance and sustenance	11,778	16,116	-26.9%
Environment	1,745	1,720	1.5%
Interest and financial expenses	549	648	-15.3%
Intangible assets			
Software	1,723	2,460	-30.0%
	18,276	**28,681**	**-36.3%**

WORKING CAPITAL

	1Q17	4Q16	3Q16
Balance sheet			
Accounts receivable	533,036	418,963	455,013
Inventories	373,649	409,713	371,830
Accounts payable	324,696	302,497	301,855
Sales outstanding [days]	60	47	50
Inventories outstanding [days]	49	54	48
Payables outstanding [days]	43	39	38
Cash conversion cycle [days]	**66**	**62**	**60**

The main components of working capital performed as follows in relation to 4Q16:

- Increase of R$114.1 million (corresponding to 13 sales days in accounts receivable). This increase was chiefly due to the effect of negotiation of agreements with customers, since the extension of maturities had price adjustments as counterparts.

- Inventories decreased by R$36.1 million (corresponding to 5 days of cost of goods sold). This drop is due to a more favorable comparison basis, due to the build-up of safety inventories in 4Q16.

- Increase of four days in the terms of payment to suppliers, as a result of the establishment of a new payment policy.

CASH FLOW

CASH FLOW SUMMARY	1Q17	1Q16	Var.[%]
Cash at the beginning of period	**1,203,940**	**1,524,622**	**-21.0%**
Cash flow from operating activities	(21,774)	67,008	-
Cash flow from investing activities	(20,182)	(26,291)	-23.2%
Cash flow from financing activities	(13,037)	(19,725)	-33.9%
Effect of exchange variation on cash	(9,222)	(33,655)	-72.6%
Increase (decrease) in cash	**(64,215)**	**(12,663)**	**407.1%**
Cash at the end of period	**1,139,725**	**1,511,959**	**-24.6%**

In 1Q17, cash consumed in operating acitivities totaled R$21.8 million against cash generation of R$67.0 million in 1Q16. This performance was chiefly due to the reduction in operating income as a result of the appreciation of the Real against the Dollar (average receipt rate of R$3.15 in 1Q17 vs. R$3.89 in 1Q16), as well as the stretching of maturities of accounting receivables, which resulted in price increases as counterpart.

Investment activities totaled R$20.2 million in 1Q17, down 23.2% against investments recorded in 1Q16.

Financing activities in 1Q17 totaled R$13.0 million, basically consisting of payment of loans and financing, in accordance with contractual flows.

The combination of these factors and the effect of negative exchange rate variation on cash resulted in a decrease of R$64.2 million in cash and cash equivalents in the period, which amounted to R$1,139.7 million in 1Q17.

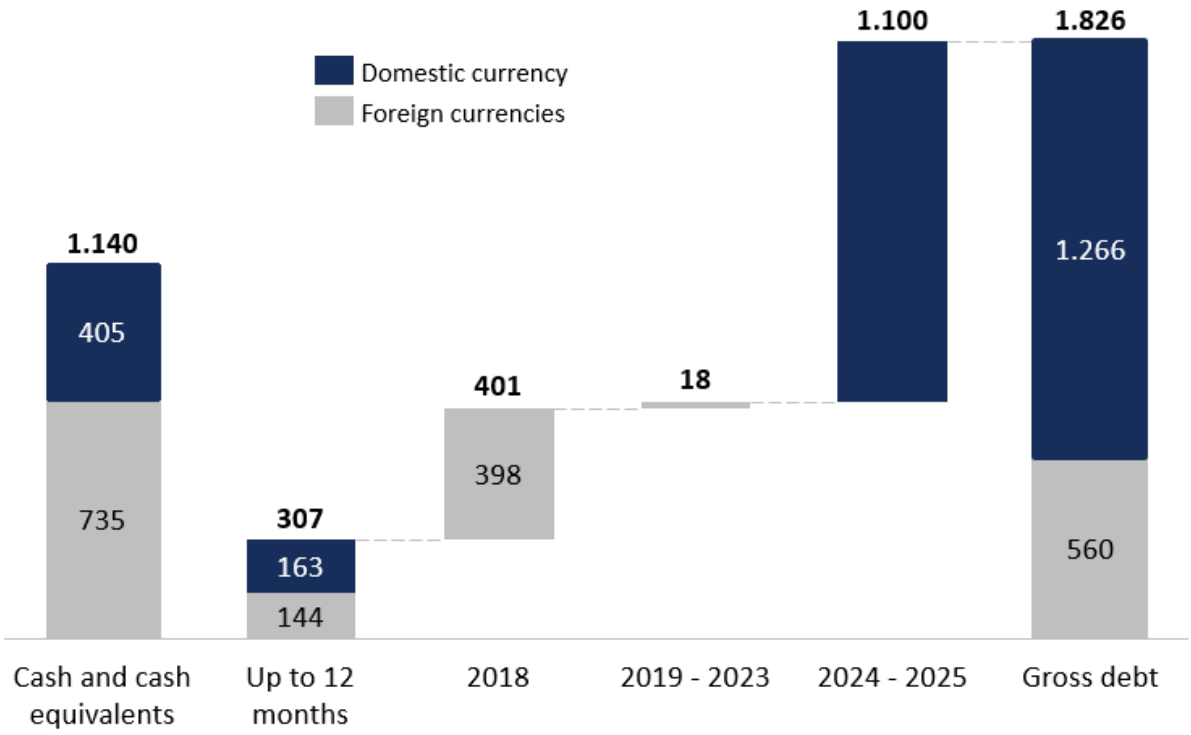
INDEBTEDNESS

At the close of 1Q17, the Company's net debt amounted to R$686.4 million, i.e., the net debt/adjusted EBITDA ratio for the previous 12-month period was 1.70.

Obligations in foreign currency accounted for 69% of total obligations (13% short-term debt and 87% long-term debt), while 31% of debt is denominated in Reais (26% short-term debt and 74% long-term debt). Regarding the cash balance, 64% is denominated in Reais, and 36% is denominated in foreign currencies.

	Consolidado (R$ Mil)		
INDEBTEDNESS	**1Q17**	**4Q16**	**3Q16**
Short term	306,567	328,377	284,989
Long term	1,519,607	1,563,179	1,619,571
Gross debt	**1,826,174**	**1,891,556**	**1,904,560**
Cash and equivalents	1,139,725	1,203,940	1,189,883
Net debt	**686,449**	**687,616**	**714,677**
Gross debt/Adjusted EBITDA	4.51x	4.52x	4.05x
Net debt/Adjusted EBITDA	**1.70x**	**1.64x**	**1.52x**

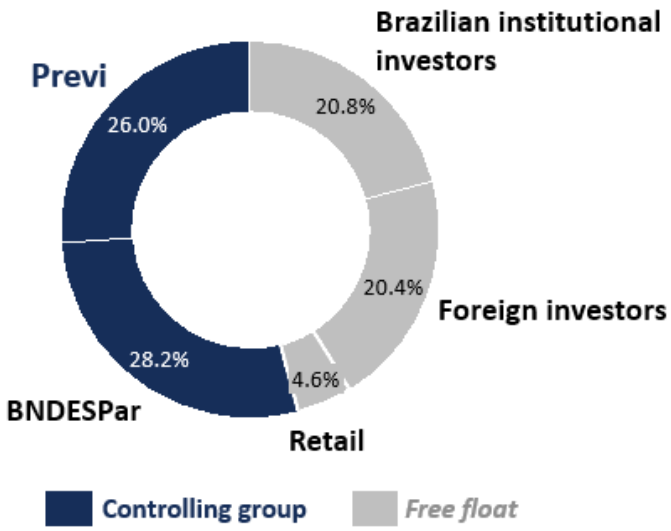
The Company’s debt profile is as follows:



Amounts in R$ million.

OWNERSHIP STRUCTURE

On March 31, 2017, Tupy's ownership structure was as follows:



The Company is subject to the rules of the *Novo Mercado* Arbitration Chamber, in accordance with article 60 of the By-laws.

* * *

Attachment I – Light vehicles production and sales in Brazil

(Units)

	1Q17	1Q16	Var. (%)
Production			
Passenger cars	518,517	410,567	26.3%
Light commercial	71,466	61,664	15.9%
Light vehicles	**589,983**	**472,231**	**24.9%**
Sales			
Passenger cars	357,363	346,576	3.1%
Light commercial	53,835	46,569	15.6%
Veículos leves	**411,198**	**393,145**	**4.6%**
Exports			
Passenger cars	140,288	82,074	70.9%
Light commercial	24,925	14,037	77.6%
Light vehicles	**165,213**	**96,111**	**71.9%**

Source: ANFAVEA

Attachment II – Commercial vehicles production and sales in Brazil

(Units)

	1Q17	1Q16	Var. (%)
Production			
Trucks			
Semi-light	550	749	-26.6%
Light	3,710	4,015	-7.6%
Medium	1,077	992	8.6%
Semi-heavy	4,602	4,378	5.1%
Heavy	5,809	5,002	16.1%
Total trucks	**15,748**	**15,136**	**4.0%**
Buses	4,113	4,339	-5.2%
Commercial vehicles	**19,861**	**19,475**	**2.0%**
Sales			
Trucks			
Semi-light	355	382	-7.1%
Light	2,227	3,247	-31.4%
Medium	783	1,089	-28.1%
Semi-heavy	2,547	3,716	-31.5%
Heavy	3,361	4,205	-20.1%
Total trucks	**9,273**	**12,639**	**-26.6%**
Buses	1,789	2,719	-34.2%
Commercial vehicles	**11,062**	**15,358**	**-28.0%**
Export			
Trucks			
Semi-light	147	111	32.4%
Light	1,309	910	43.8%
Medium	319	182	75.3%
Semi-heavy	1,963	1,245	57.7%
Heavy	2,106	1,656	27.2%
Total trucks	**5,844**	**4,104**	**42.4%**
Buses	1,636	1,574	3.9%
Commercial vehicles	**7,480**	**5,678**	**31.7%**

Source: ANFAVEA

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

(Units)

	1Q17	1Q16	Var. (%)
North America			
Procution/Factory Shipments			
Passenger cars	1,665,739	1,706,419	-2.4%
Light commercial vehicles – Class 1-3	2,956,901	2,747,932	7.6%
Light Duty – Class 4-5	21,538	18,399	17.1%
Medium Duty – Class 6-7	37,534	38,341	-2.1%
Heavy Duty – Class 8	48,787	60,676	-19.6%
Medium & Heavy Duty[1]	**107,859**	**117,416**	**-8.1%**
United States			
Sales			
Passenger cars	1,489,978	1,698,563	-12.3%
Light commercial vehicles – Class 1-3	2,540,615	2,395,502	6.1%
Light Duty – Class 4-5	27,733	28,911	-4.1%
Medium Duty – Class 6-7	31,205	30,985	0.7%
Heavy Duty – Class 8	36,995	51,893	-28.7%
Medium & Heavy Duty[1]	**95,933**	**111,789**	**-14.2%**
Europe			
Sales			
Passenger cars	4,141,269	3,820,261	8.4%

Source: Automotive News; Bloomberg; ACEA

[1]Note: The amount of medium and heavy commercial vehicles comprises the vehicles of classes 4-8.

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

(Units)

	1Q17	1Q16	Var. (%)
Prodcution			
Americas			
Brazil	13,127	7,623	72.2%
Sales			
Americas			
Brazil	9,752	6,912	41.1%
United States and Canada	47,367	44,396	6.7%
Europe			
Germany	8,749	7,949	10.1%
United Kingdom	3,024	2,382	27.0%

Source: ANFAVEA; Bloomberg; AEM; AXEMA

(A free translation of the original in Portuguese)

TUPY S.A. AND SUBSIDIARIES

BALANCE SHEETS AT MARCH 31, 2017 AND DECEMBER 31, 2016
(All amounts in thousands of reais)

A S S E T S

		Parent company		Consolidated	
	Note	3/31/17	12/31/16	3/31/17	12/31/16
CURRENT ASSETS					
Cash and cash equivalents	3	817,737	809,037	1,139,725	1,203,940
Derivative financial instruments	24	200	-	1,659	-
Trade account receivables	4	241,017	260,326	533,036	418,963
Inventories	5	236,360	251,226	373,649	409,713
Tooling		22,473	21,035	112,888	139,089
Income tax and social contribution recoverable	6	-	-	435	441
Other taxes recoverable	7	59,137	53,263	82,766	72,726
Related parties	8	4,970	4,826	-	-
Notes and other receivables		23,589	29,443	33,914	32,325
Total current assets		1,405,483	1,429,156	2,278,072	2,277,197
NON-CURRENT ASSETS					
Income tax and social contribution recoverable	6	192,657	194,631	192,657	194,631
Other taxes recoverable	7	165,798	160,004	165,798	160,004
Deferred income tax and social contribution	14	99,853	101,399	66,099	44,353
Credits - Eletrobrás	9	102,170	102,170	102,170	102,170
Judicial deposits and other		46,906	46,506	47,911	47,511
Investments in equity instruments		1,402	1,645	6,401	6,753
Properties for investments		-	-	6,544	6,544
Investments	10	1,469,817	1,454,691	-	-
Property, plant and equipment	11	909,494	943,701	1,545,479	1,600,394
Intangible assets	11	59,549	59,836	312,236	330,249
Total non-current assets		3,047,646	3,064,583	2,445,295	2,492,609
Total assets		4,453,129	4,493,739	4,723,367	4,769,806

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

TUPY S.A. AND SUBSIDIARIES

BALANCE SHEETS AT MARCH 31, 2017 AND DECEMBER 31, 2016
(All amounts in thousands of reais)

L I A B I L I T I E S

	Note	Parent company		Consolidated	
		3/31/17	12/31/16	3/31/17	12/31/16
CURRENT LIABILITIES					
Trade accounts payables		186,012	190,469	324,696	302,497
Loans and financing	12	307,289	330,362	306,567	328,377
Derivative financial instruments	24	1,008	-	1,008	-
Income taxes payable		-	-	18,358	30,777
Other taxes payable		3,363	2,495	19,464	17,985
Salaries, social security charges and profit sharing		85,835	90,720	110,061	109,841
Advances from customers		25,128	22,838	88,452	110,016
Related parties	8	999	997	-	-
Dividends and interest on capital		15,372	16,049	15,372	16,049
Provision for tax, civil, social security and labor contingencies	13	24,284	20,826	24,447	21,038
Notes and other payables		111,978	113,884	99,831	107,982
Total current liabilities		761,268	788,640	1,008,256	1,044,562
NON-CURRENT LIABILITIES					
Borrowings	12	1,524,861	1,568,811	1,519,607	1,563,179
Provision for tax, civil, social security and labor contingencies	13	123,782	125,913	126,444	128,575
Retirement benefit obligations		-	-	25,842	23,115
Other long term liabilities		2,739	3,243	2,739	3,243
Total non-current liabilities		1,651,382	1,697,967	1,674,632	1,718,112
EQUITY					
Share capital	15	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		8,654	7,580	8,654	7,580
Carrying value adjustments		464,657	482,126	464,657	482,126
Income reserves		463,666	463,666	463,666	463,666
Retained earnings		49,742	-	49,742	-
Total equity		2,040,479	2,007,132	2,040,479	2,007,132
Total liabilities and equity		4,453,129	4,493,739	4,723,367	4,769,806

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, 2017 AND 2016
(All amounts in thousands of reais, except earnings per share)

		Parent company		Consolidated	
	Note	1/1/17 3/31/17	1/1/16 3/31/16	1/1/17 3/31/17	1/1/16 3/31/16
NET REVENUE	16	512,769	536,818	855,124	859,840
Cost of products sold	17	(446,719)	(457,337)	(720,897)	(714,222)
GROSS PROFIT		66,050	79,481	134,227	145,618
Selling expenses	17	(23,846)	(21,413)	(36,531)	(35,272)
Administrative expenses	17	(25,584)	(21,970)	(30,882)	(29,979)
Management fees	8	(3,137)	(3,134)	(3,137)	(3,134)
Other operating expenses, net	19	(8,213)	(5,172)	(17,798)	(26,799)
Share of results of subsidiaries	10	51,871	10,199	-	-
PROFIT BEFORE FINANCE RESULTS AND TAXES		57,141	37,991	45,879	50,434
Finance costs	18	(36,489)	(46,821)	(37,435)	(46,954)
Finance income	18	22,882	36,815	24,150	34,367
Monetary and foreign exchange variations, net	18	(1,318)	(4,936)	(8,909)	(6,040)
PROFIT BEFORE TAXATION		42,216	23,049	23,685	31,807
Income tax and social contribution	20	4,966	(5,739)	23,497	(14,497)
NET INCOME FOR THE PERIOD		47,182	17,310	47,182	17,310
EARNINGS PER SHARE					
Basic earnings per share	21	0.32725	0.12006	0.32725	0.12006
Diluted earnings per share	21	0.32569	0.11967	0.32569	0.11967

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, 2017 AND 2016
(All amounts in thousands of reais, except earnings per share)

	Note	Parent company		Consolidated	
		1/1/17 3/31/17	1/1/16 3/31/16	1/1/17 3/31/17	1/1/16 3/31/16
NET INCOME FOR THE PERIOD		47,182	17,310	47,182	17,310
Components of other comprehensive income to be reclassified to the results					
Foreign exchange variation of investees located abroad	10	(36,745)	(152,941)	(36,745)	(152,941)
Hedge of net investment abroad	24	33,088	141,392	33,088	141,392
Tax effect on hedge of net investment abroad	14	(11,252)	(48,073)	(11,252)	(48,073)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		32,273	(42,312)	32,273	(42,312)

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	Exchange variation of investees	Deemed cost of fixed assets	legal reserve	Reserve for investments	Retained earnings (losses)	Total
AT JANUARY 1, 2016		**1,060,301**	**(6,541)**	**3,745**	**545,466**	**73,295**	**60,553**	**672,846**	**-**	**2,409,665**
Comprehensive income for the period										
Profit for the period		-	-	-	-	-	-	-	17,310	17,310
Realization of carrying value adjustments		-	-	-	-	(2,725)	-	-	2,725	-
Foreign exchange variation of investees located abroad		-	-	-	(152,941)	-	-	-	-	(152,941)
Hedge of net investment abroad	24	-	-	-	141,392	-	-	-	-	141,392
Tax impact on hedge of net investment abroad		-	-	-	(48,073)	-	-	-	-	(48,073)
Total comprehensive income for the year		-	-	-	(59,622)	(2,725)	-	-	20,035	(42,312)
Contributions from stockholders and distributions to stockholders										
Management stock option plan	15	-	-	771	-	-	-	-	-	771
Total contributions from stockholders and distributions to stockholders		-	-	771	-	-	-	-	-	771
AT MARCH 31, 2016		**1,060,301**	**(6,541)**	**4,516**	**485,844**	**70,570**	**60,553**	**672,846**	**20,035**	**2,368,124**
AT DECEMBER 31, 2016		**1,060,301**	**(6,541)**	**7,580**	**420,911**	**61,215**	**60,553**	**403,113**	**-**	**2,007,132**
Comprehensive income for the period										
Profit for the period		-	-	-	-	-	-	-	47,182	47,182
Realization of carrying value adjustments		-	-	-	-	(2,560)	-	-	2,560	-
Foreign exchange variation of investees located abroad		-	-	-	(36,745)	-	-	-	-	(36,745)
Hedge of net investment abroad	24	-	-	-	33,088	-	-	-	-	33,088
Tax impact on hedge of net investment abroad		-	-	-	(11,252)	-	-	-	-	(11,252)
Total comprehensive income for the year		-	-	-	(14,909)	(2,560)	-	-	49,742	32,273
Contributions from stockholders and distributions to stockholders										
Management stock option plan	8	-	-	1,074	-	-	-	-	-	1,074
Total contributions from stockholders and distributions to stockholders		-	-	1,074	-	-	-	-	-	1,074
AT MARCH 31, 2017		**1,060,301**	**(6,541)**	**8,654**	**406,002**	**58,655**	**60,553**	**403,113**	**49,742**	**2,040,479**

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, 2017 AND 2016
(All amounts in thousands of reais, except earnings per share)

		Parent company		Consolidated	
Cash flow from operating activities:	Note	3/31/17	3/31/16	3/31/17	3/31/16
Profit for the year before income tax and social contribution		42,216	23,049	23,685	31,807
Adjustment to reconcile profit (losses) with cash provided by operating activities:					
Depreciation, amortization and impairment	11	40,463	37,819	66,382	76,953
Share of results of subsidiaries	10	(51,871)	(10,199)	-	-
Disposals of property, plant and equipment		4,230	7,043	(177)	7,862
Interest accrued and foreign exchange variations		34,716	50,425	42,264	51,068
Provision for impairment of trade receivables		38	591	1,582	454
Provision for losses on inventory		1,216	(132)	321	(997)
Provision for contingencies	13	7,873	8,808	7,876	10,972
Stock option plan		1,074	771	1,074	771
Change in monetary exchange - IPI premium credit		610	4,671	610	8,887
Change in monetary exchange - Eletrobrás credit		243	(4)	243	(4)
		80,808	122,842	143,860	187,773
Changes in operating assets and liabilities:					
Trade accounts receivables		13,360	26,991	(132,219)	44,697
Inventories		13,650	24,546	32,050	31,394
Tooling		(1,438)	5,439	22,935	(21,187)
Other taxes recoverable		(15,044)	(15,869)	3,289	(14,795)
Notes and other receivables		5,854	9,061	(1,633)	(10,846)
Judicial deposits and other		(400)	809	(400)	809
Trade payables		26	1,377	31,116	18,155
Other taxes payable		868	598	1,908	(12,965)
Salaries, social security charges and profit sharing		(4,885)	(14,652)	622	(11,076)
Advances from customers		2,290	7,626	(19,570)	(4,422)
Notes and other payables		(1,173)	12,060	(6,262)	(25,579)
Retirement benefit obligations		-	-	2,116	(4,403)
Other long term liabilities		(7,050)	(1,386)	(7,102)	(1,387)
Cash provided by operations		**86,866**	**179,442**	**70,710**	**176,168**
Interest paid		(52,330)	(62,723)	(50,908)	(60,890)
Income tax and social contribution paid		-	-	(41,576)	(48,270)
Net cash generated from operating activities		**34,536**	**116,719**	**(21,774)**	**67,008**
Cash flow from investment activities:					
Additions to fixed assets or intangibles		(11,590)	(17,737)	(20,447)	(25,992)
Cash generated on PPE disposals		-	(564)	265	(299)
Subsidiaries and associates		(142)	(231)	-	-
Cash used in investment activities		**(11,732)**	**(18,532)**	**(20,182)**	**(26,291)**
Cash flow from financing activities:					
Payment of loans		(12,360)	(19,725)	(12,360)	(19,725)
Interest on capital and dividends paid		(677)	-	(677)	-
Cash used in financing activities		**(13,037)**	**(19,725)**	**(13,037)**	**(19,725)**
Effect of exchange rate differences on cash for the period		(1,067)	(16,477)	(9,222)	(33,655)
Increase (decrease) in cash and cash equivalents		**8,700**	**61,985**	**(64,215)**	**(12,663)**
Cash and cash equivalents at the beginning of the period		809,037	1,139,653	1,203,940	1,524,622
Cash and cash equivalents at the end of the period		**817,737**	**1,201,638**	**1,139,725**	**1,511,959**

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, 2017 AND 2016
(All amounts in thousands of reais, except earnings per share)

		Parent company		Consolidated	
	Note	3/31/17	3/31/16	3/31/17	3/31/16
Origination of value added		548,843	581,280	889,654	904,439
Sale of products, net of returns and rebates	16	548,881	581,871	891,236	904,893
Provision for impairment of trade receivables		(38)	(591)	(1,582)	(454)
(-) Inputs acquired from third parties		397,563	339,765	620,492	530,941
Raw materials and processing material consumed		294,192	233,617	446,995	362,908
Materials, energy, third party services and other		103,371	106,148	173,497	168,033
GROSS VALUE ADDED		151,280	241,515	269,162	373,498
Retentions:		40,463	37,819	66,382	76,953
Depreciation, amortization and impairment	11	40,463	37,819	66,382	76,953
Net value added generated by the Company		110,817	203,696	202,780	296,545
Value added received through transfer		74,753	47,014	24,150	34,367
Share of results of subsidiaries	10	51,871	10,199	-	-
Finance income	18	22,882	36,815	24,150	34,367
VALUE ADDED TO DISTRIBUTE		**185,570**	**250,710**	**226,930**	**330,912**
Distribution of value added					
Personnel		135,725	149,224	186,980	219,349
Employees		93,671	89,457	142,700	158,426
Social charges - Government Severance Indemnity Fund for Employees (FGTS)		7,211	11,286	7,211	11,286
Profit sharing		8,500	12,089	10,377	12,593
Management fees		3,137	3,134	3,137	3,134
Workplace healthcare and safety		17,156	28,145	17,156	28,145
Food		2,763	2,119	2,763	2,119
Professional education, qualification and development		103	285	158	447
Other amounts		3,184	2,709	3,478	3,199
Government		(35,144)	32,419	(53,576)	41,259
Federal taxes and contributions		(19,649)	27,745	(38,081)	36,585
State taxes and rates		(17,080)	3,299	(17,080)	3,299
Municipal taxes, rates and other		1,585	1,375	1,585	1,375
Third party capital		37,807	51,757	46,344	52,994
Finance costs	18	36,489	46,821	37,435	46,954
Monetary and foreign exchange variations, net	18	1,318	4,936	8,909	6,040
Own capital		47,182	17,310	47,182	17,310
Retained earnings (losses)		47,182	17,310	47,182	17,310
TOTAL VALUE ADDED		**185,570**	**250,710**	**226,930**	**330,912**

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

(A free translation of the original in Portuguese)

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1. GENERAL INFORMATION

Tupy S.A. (the "Parent company") and its subsidiaries (together the "Company" or "Consolidated") have significant position in the domestic and foreign iron casting markets, the largest foundry in the West, manufacturing cast-iron engine blocks and cylinder heads, with a diversified customer base in the Americas, Europe and Asia. The Company also operate in the automotive (blocks, cylinder heads and parts) and hydraulics (pipe fittings, steel shots and iron bar) segments. The Company has plants in Brazil, at Joinville and 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 BM&FBOVESPA.

This quarterly information was approved for issue by the Company's Board of Directors on May 15, 2017.

2. PRESENTATION AND PREPARATION OF THE QUARTERLY INFORMATION

The parent company and consolidated quarterly information, has been prepared in accordance with accounting practices adopted in Brazil, including the pronouncements issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB).

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, 2016.

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, 2017:

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, 2016.

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, 2016. 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, 2017 are consistent with those used to prepare the annual financial statements for the year ended December 31, 2016. In the annual financial statements, these policies are disclosed in Note 2.

3. CASH AND CASH EQUIVALENTS

	Parent company		Consolidated	
	Mar/17	Dec/16	Mar/17	Dec/16
Cash and banks	515	1,265	564	1,320
Financial investments in Brazil	734,409	757,833	734,609	758,033
Financial investments abroad	82,813	49,939	404,552	444,587
	817,737	**809,037**	**1,139,725**	**1,203,940**

Those investments in Brazil are remunerated based on the variation of the Interbank Deposit Certificate (CDI) rate, with an average rate equivalent to 12.97% per annum (14.37% at December 31, 2016). The investments abroad are denominated mostly in US Dollars (US$) at the average rate of 0.88% per annum (0.82% per annum in December 2016). The financial investments disclosed as cash and cash equivalents are highly-liquid securities with an immaterial risk of changes in value.

4. TRADE ACCOUNT RECEIVABLES

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

	Parent company		Consolidated	
	Mar/17	Dec/16	Mar/17	Dec/16
Domestic market	79,053	55,798	79,053	55,798
Foreign market	162,026	204,623	456,986	364,656
Provision for impairment of trade receivables	(62)	(95)	(3,003)	(1,491)
	241,017	**260,326**	**533,036**	**418,963**

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 2016, 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$56,688 (R$92,456 in December 31, 2016). (Note 8)

	Parent company		Consolidated	
	Mar/17	Dec/16	Mar/17	Dec/16
Falling due in up to 30 days	101,796	122,995	273,926	247,888
Falling due within 31 to 60 days	69,171	73,567	180,353	111,267
Falling due in more than 61 days	57,728	53,495	19,162	9,421
Total falling due	**228,695**	**250,056**	**473,441**	**368,576**
Overdue for up to 30 days	8,460	8,862	56,180	46,160
Overdue for 31 to 60 days	409	385	797	2,891
Overdue for more than 61 days	3,515	1,118	5,621	2,827
Total overdue	**12,384**	**10,365**	**62,598**	**51,878**
Provision for impairment of trade receivables	(62)	(95)	(3,003)	(1,491)
Total	**241,017**	**260,326**	**533,036**	**418,963**

5. INVENTORIES

	Parent company		Consolidated	
	Mar/17	Dec/16	Mar/17	Dec/16
Finished products	80,983	94,195	129,123	156,300
Work in progress	83,264	68,163	118,042	102,046
Raw materials	45,444	60,682	107,646	131,907
Maintenance and other materials	35,064	35,365	35,064	35,365
Provision for losses	(8,395)	(7,179)	(16,226)	(15,905)
	236,360	**251,226**	**373,649**	**409,713**

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

In March 31, 2017 the Company offered finished product inventory as collateral for labor and social security litigation amounting to R$5,658 (R$5,570 as at December 31, 2016) in the Parent company and Consolidated.

6. INCOME TAX AND SOCIAL CONTRIBUTION RECOVERABLE

	Mar/17			Dec/16		
	Current	Non-current	Total	Current	Non-current	Total
Parent Company	**-**	**192,657**	**192,657**	**-**	**194,631**	**194,631**
Income tax	-	94,835	94,835	-	98,423	98,423
Social contribution	-	20,218	20,218	-	18,604	18,604
Subsidiaries income tax	-	77,604	77,604	-	77,604	77,604
Subsidiaries	**435**	**-**	**435**	**441**	**-**	**441**
Income tax	435	-	435	441	-	441
Consolidated	**435**	**192,657**	**193,092**	**441**	**194,631**	**195,072**

7. OTHER TAXES RECOVERABLE

	Mar/17			Dec/16		
	Current	Non-current	Total	Current	Non-current	Total
Parent company	**59,137**	**165,798**	**224,935**	**53,263**	**160,004**	**213,267**
1988/1990 IPI premium credit	-	30,864	30,864	-	30,756	30,756
ICMS recoverable - São Paulo	14,233	13,856	28,089	13,331	19,774	33,105
ICMS recoverable - Santa Catarina	32,400	70,571	102,971	33,848	64,200	98,048
Reintegra benefit	9,203	-	9,203	4,200	-	4,200
COFINS, PIS and IPI recoverable	3,301	50,507	53,808	1,884	45,274	47,158
Subsidiaries	**23,629**	**-**	**23,629**	**19,463**	**-**	**19,463**
Value-added tax (VAT)	23,629	-	23,629	19,463	-	19,463
Consolidated	**82,766**	**165,798**	**248,564**	**72,726**	**160,004**	**232,730**

8. RELATED PARTY TRANSACTIONS

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

a. Subsidiaries:

Assets	Mar/17	Dec/16
Trade account receivables	**56,688**	**92,456**
Tupy American Foundry Corporation	28,513	51,837
Tupy Mexico Saltillo, S.A. de C.V	11,222	22,622
Tupy Europe GmbH	12,512	17,961
Technocast, S.A. de C.V.	4,441	36
Related parties – loans	**4,970**	**4,826**
Tupy Agroenergética Ltda.	4,970	4,826
	61,658	**97,282**

Liabilities	Mar/17	Dec/16
Loans and financing	**1,121,391**	**1,173,628**
Tupy Overseas S.A	1,121,391	1,173,628
Advances from customers	**2,836**	**2,917**
Tupy American Iron & Alloys Corporation	2,836	2,917
Notes and other payables	**75,488**	**81,716**
Tupy American Foundry Co.	18,841	26,393
Tupy Europe GmbH	54,798	53,445
Tupy American Iron & Alloys Corporation	1,184	1,218
Tupy México Saltillo S.A. de CV	665	660
Related parties – loans	**999**	**997**
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation"	999	997
	1,200,714	**1,259,258**

Statement of income	1Q17	1Q16
Revenues	**173,876**	**173,152**
Tupy American Foundry Corporation	144,120	143,850
Tupy Europe GmbH	19,394	29,302
Tupy Mexico Saltillo, S.A. de C.V	10,361	-
Other operating expenses, net	**5,105**	**564**
Technocast, S.A. de C.V.	5,105	564
Finance costs	**(18,547)**	**(23,058)**
Tupy Overseas S.A.	(18,560)	(23,073)
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation"	(4)	(4)
Tupy Agroenergética Ltda.	17	19
	160,434	**150,658**

The receivables and sales revenue of the Company with its subsidiaries mainly represent sales of products from the automotive 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, 2017, 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 automotive products. With an unspecified maturity.

The loan conditions granted by Tupy Overseas S.A. to the Parent company are disclosed in Note 12 to the annual financial statements for the year ended December 31, 2016.

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.

The Parent company had a financing agreement with BNDES (the controlling shareholder of BNDES Participações S.A. - BNDESPAR), the residual amount as at March 31, 2017 is R$47,076, as detailed in Note 12.

c. Management remuneration:

	Board of Directors		Board of Officers		Total	
	1Q17	1Q16	1Q17	1Q16	1Q17	1Q16
Fixed remuneration	501	416	861	1,107	1,362	1,523
Variable remuneration	-	-	701	840	701	840
Stock option plan	322	228	752	543	1,074	771
	823	**644**	**2,314**	**2,490**	**3,137**	**3,134**

The overall amount of the annual remuneration for the current year approved by the Extraordinary and Ordinary General Meeting was R$19,373.

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, 2016. (Note 20). 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, 2017, these benefits totaled R$597 (R$397 in the same period of the previous year).

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

d. Other related parties:

The Parent company sponsors the Associação Atlética Tupy (Tupy Athletic Association), a not-for-profit foundation that offers leisure activities and sports to the Company's employees. During the period ended March 31, 2017, the Company recognized sponsorship expenses of R$213 (R$303 in the same period of the previous year).

9. CREDITS – ELETROBRÁS

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

In December 2011, the Federal Regional Court of the 4th Region (“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 Eletrobrás lodged appeals with the Superior Court of Justice (“STJ”) and the Federal Supreme Court (“STF”).

While the special resource of Eletrobrás, at the STJ, was not admitted (decision which is the subject of another resource of Eletrobrás), the extraordinary appeal of the Company, at the STF, was returned to TRF4 for consideration of the admissibility requirement (existence of "general repercussion") according with the court.

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 Eletrobrás is summoned to deposit the executed value with the court or submitted a defense about the amount calculated by the Company.

In March 2016, the 6th Federal Court in Joinville Subsection summoned Eletrobrás to deposit the executed value or submitted a defense about the amount calculated by the Company (Eletrobrás did not submit a defense).

In September 2016, the 6th Civil Court in Joinville retained monies, on Eletrobrás 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 guarantee the Company´s credit.

Since the initial recognition of the assets in 2003, there are just pro Company effects in the Court, including a receive of a small part in 2008 and the Company has the right of receive this amount (TRF4 decision at December 2011) and the blocking of the total amount of the Company´s right, in September 2016.

The Company estimates that the credit will be effectively received in a period between 24 to 36 months.

10. 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, 2017							
Investimentos em Controladas							
Tupy Mexico Saltillo, S.A. de C.V.	1,055,710	715,520	30,513	27,792	100,00	27,450	745,691
Technocast, S.A. de C.V.	614,536	499,864	10,713	20,193	100,00	20,193	510,577
Servicios Industriales Technocast, S.A. de C.V.	10,182	8,667	-	749	100,00	749	8,667
Tupy Overseas	1,128,304	11,864	-	93	100,00	93	11,864
Tupy American Foundry Co.	169,788	84,834	-	1,114	100,00	524	82,441
Tupy American Iron & Alloys Co.	4,401	4,375	-	(30)	100,00	(30)	4,375
Tupy Europe GmbH	123,361	102,647	-	1,951	100,00	2,978	101,197
Tupy Argentina S.R.L.	-	-	-	-	100,00	-	-
Tupy Agroenergética Ltda.	10,595	5,505	-	(138)	100,00	(138)	5,505
Sociedade Técnica de Fundições Gerais SA. - Sofunge "in liquidation"	2,211	(500)	-	52	100,00	52	(500)
						51,871	**1,469,817**

(*) Adjusted by unrealized profits

b. Changes in investments

Parent company	
AT DECEMBER 31, 2015	**1,845,339**
Share in the results of subsidiaries	(93,701)
Exchange variations of investees located abroad	(296,947)
AT DECEMBER 31, 2016	**1,454,691**
Share in the results of subsidiaries	51,871
Exchange variations of investees located abroad	(36,745)
AT MARCH 31, 2017	**1,469,817**

11. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Parent company

	Dec/16	Additions	Disposals	Transfers	Depreciation/ Amortization	Exchange variation	Mar/17	Historical Cost	Accumulated Depreciation
Property, plant and equipment	**943,701**	**8,476**	**(4,230)**	**-**	**(38,453)**	**-**	**909,494**	**2,045,132**	**(1,135,638)**
Machinery, facilities and equipment	677,910	-	(3,939)	7,265	(33,922)	-	647,314	1,635,729	(988,415)
Buildings	201,994	-	(290)	3,459	(3,754)	-	201,409	331,053	(129,644)
Land	8,956	-	-	-	-	-	8,956	8,956	-
Vehicles	11,694	-	-	342	(646)	-	11,390	25,609	(14,219)
Furniture, fittings and other	2,460	-	(1)	5	(131)	-	2,333	5,693	(3,360)
Construction in progress	40,687	8,476	-	(11,071)	-	-	38,092	38,092	-
Intangible assets	**59,836**	**1,723**	**-**	**-**	**(2,010)**	**-**	**59,549**	**72,687**	**(13,138)**
Software	59,836	1,723	-	-	(2,010)	-	59,549	72,687	(13,138)

Consolidated

	Dec/16	Additions	Disposals	Transfers	Amortization	Exchange variation	Mar/17	Historical Cost	Accumulated Depreciation
Property, plant and equipment	**1,600,394**	**16,553**	**(88)**	**-**	**(53,156)**	**(18,224)**	**1,545,479**	**3,984,833**	**(2,439,354)**
Machinery, facilities and equipment	1,043,042	-	203	8,254	(46,521)	(10,252)	994,726	3,088,798	(2,094,072)
Buildings	360,593	-	(290)	3,955	(5,583)	(4,425)	354,250	672,527	(318,277)
Land	57,735	-	-	-	-	(1,347)	56,388	56,388	-
Vehicles	11,965	-	-	342	(661)	(8)	11,638	26,715	(15,077)
Furniture, fittings and other	8,279	-	(1)	123	(391)	(76)	7,934	19,862	(11,928)
Construction in progress	118,780	16,553	-	(12,674)	-	(2,116)	120,543	120,543	-
Intangible assets	**330,249**	**1,723**	**-**	**-**	**(13,226)**	**(6,510)**	**312,236**	**943,536**	**(631,300)**
Contractual customer relationships	221,722	-	-	-	(9,987)	(6,288)	205,447	804,098	(598,651)
Non-competition agreement	310	-	-	-	(223)	(11)	76	4,644	(4,568)
Goodwill	41,226	-	-	-	-	-	41,226	41,226	-
Software	66,991	1,723	-	-	(3,016)	(211)	65,487	93,568	(28,081)

The Company offered property, plant and equipment items as collateral for borrowing amounting to R$149,819 (R$160,789 as at December 31, 2016) and R$4,356 (R$5,895 as at December 31, 2016) as collateral for tax litigation (Parent Company and Consolidated).

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

During the period, interest of loans and financing was capitalized on property, plant and equipment in the amount of R$ 549 (R$ 2,960 on December 31, 2016).

During the period, the Company did not observe impaiment indicators of its assets, thus maintaining the calculation made on December 31, 2016.

12. LOANS AND FINANCING

Parent company

	Maturity	Effective rate	Mar/17	Dec/16
Local currency			**560,293**	**570,426**
(a) Expansion project of Tupy S.A. - BNDES	Jul/2018	TJLP* + 2.46% p.a.	35,753	42,307
BNDES Exim - Pre-shipment of the Investment Sus	Sep/2018	8%p.a. / TJLP* + 3.3%pa	192,130	191,876
(b) Export credit notes	Dec/2018	10.85% p.a.	305,671	308,384
Government Agency for Machinery and Equipment	Jan/2025	6.02% p.a.	26,739	27,859
Foreign currency			**1,271,857**	**1,328,747**
(a) Expansion project of Tupy S.A. - BNDES	Jul/2018	VC* + 6.64% p.a.	11,323	13,830
Export prepayment	Sep/2017	VC* + Libor + 4% p.a.	139,143	141,289
(c) Export prepayment - Tupy Overseas	Jul/2024	VC* +6.78% p.a.	1,121,391	1,173,628
Current portion			307,289	330,362
Non-current portion			1,524,861	1,568,811
			1,832,150	**1,899,173**

**VC = Foreign exchange variation*
**TJLP = Long-term Interest Rate*

Consolidated

	Maturity	Effective rate	Mar/17	Dec/16
Local currency			**560,293**	**570,426**
(a) Expansion project of Tupy S.A. - BNDES	Jul/2018	TJLP* + 2.46% p.a.	35,753	42,307
BNDES Exim - Pre-shipment of the Investment Sus	Sep/2018	8%p.a. / TJLP* + 3.3%pa	192,130	191,876
(b) Export credit notes	Dec/2018	10.85% p.a.	305,671	308,384
Government Agency for Machinery and Equipment	Jan/2025	6.02% p.a.	26,739	27,859
Foreign currency			**1,265,881**	**1,321,130**
(a) Expansion project of Tupy S.A. - BNDES	Jul/2018	VC* + 6.64% p.a.	11,323	13,830
Export prepayment	Sep/2017	VC* + Libor + 4% p.a.	139,143	141,289
(d) *Senior Unsecured Notes* - US$350.000	Jul/2024	VC+6,76% a.a.	1,115,415	1,166,011
Current portion			306,567	328,377
Non-current portion			1,519,607	1,563,179
			1,826,174	**1,891,556**

**VC = Foreign exchange variation*
**TJLP = Long-term Interest Rate*

Long term maturities are as follow:

	Parent company		Consolidated	
Ano	Mar/17	Dec/16	Mar/17	Dec/16
2018	400,798	413,093	400,798	413,093
2019-2023	17,709	17,709	17,709	17,709
2024	1,106,317	1,137,972	1,101,063	1,132,340
2025	37	37	37	37
	1,524,861	**1,568,811**	**1,519,607**	**1,563,179**

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, 2017, the fair value of borrowings was R$1,820,237 (R$1,884,596 at December 31, 2016).

In March 31, 2017, The Company is in compliance with the Covenant terms. These are presented in annual financial statements for the year ended December 31, 2016, Note 15.

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

The variations in the period are substantially due to the amortization of R$6,668 in Finem modality in Brazilian Reais during the period. In US Dollars the decrease was, substantially, because the amortization of R$2,109.

b. Export prepayments notes

The variation in the period reflects the amortization of R$2,500.

c. Export Prepayments – Tupy Overseas S.A.

In January, was payed interest of R$38,793. The impact of foreign exchange variations on the export prepayment amount with Tupy Overseas S.A. was a reduction of R$32,056.

d. Senior Unsecured Notes

The foreign exchange variations reduction recognized in the period from senior unsecured notes in the period amounted to R$31,712. In January, was payed interest of R$37,371.

13. 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 ended March 31, 2017 and the related judicial deposits were as follows:

Parent company

	Civil	Tax	Labor	Social security	Judicial deposits	Total
AT JANUARY 1, 2016	**52,129**	**16,613**	**29,372**	**8,558**	**(16,091)**	**90,581**
Additions	-	31,727	34,577	8,734	(5,796)	69,242
Restatements	(5,090)	(19)	-	697	2,093	(2,319)
Payments	(398)	(3,396)	(6,971)	-	-	(10,765)
AT DECEMBER 31, 2016	**46,641**	**44,925**	**56,978**	**17,989**	**(19,794)**	**146,739**
Additions	-	497	6,906	-	(2,898)	4,505
Restatements	225	-	-	245	(110)	360
Payments	-	(653)	(2,794)	(91)	-	(3,538)
AT MARCH 31, 2017	**46,866**	**44,769**	**61,090**	**18,143**	**(22,802)**	**148,066**

Current	24,284
Non-current	123,782
	148,066

Consolidated

	Civil	Tax	Labor	Social security	Judicial deposits	Total
AT JANUARY 1, 2016	**52,588**	**16,656**	**29,678**	**8,558**	**(16,300)**	**91,180**
Additions	-	31,727	36,963	8,734	(5,753)	71,671
Restatements	(5,090)	(62)	-	697	2,093	(2,362)
Payments	(398)	(3,396)	(7,082)	-	-	(10,876)
AT DECEMBER 31, 2016	**47,100**	**44,925**	**59,559**	**17,989**	**(19,960)**	**149,613**
Additions	-	497	6,909	-	(2,898)	4,508
Restatements	225	-	-	245	(110)	360
Payments	-	(653)	(2,846)	(91)	-	(3,590)
AT MARCH 31, 2017	**47,325**	**44,769**	**63,622**	**18,143**	**(22,968)**	**150,891**

Current	24,447
Non-current	126,444
	150,891

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 18.

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/17	Dec/16	Mar/17	Dec/16
IRPJ and CSLL processes	170,874	167,588	171,792	168,500
PIS, COFINS and IPI credits	119,016	120,256	119,016	120,256
ICMS credits	113,365	113,091	113,365	113,091
Expired tax debts	138,652	137,295	138,652	137,295
Customs	56,178	54,565	56,178	54,565
Social security (b)	82,211	94,470	95,908	108,023
Labor lawsuits	98,555	81,873	99,944	83,417
Civil and other	34,892	33,588	37,412	36,108
	813,744	**802,727**	**832,268**	**821,256**

The contingencies involving a risk of loss deemed "possible" are, substantially, the same as those disclosed in Nota 18 to the annual financial statements for the year ended in December 31, 2016.

14. 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/17	Dec/16	Mar/17	Dec/16
Deferred assets				
Income tax and social contribution losses	50,426	52,498	50,426	52,498
Provisions for contingencies (*)	58,095	56,621	81,724	80,809
Property, plant and equipment - impairment	28,818	28,818	28,818	28,818
Taxes and contribution recoverable	27,068	26,883	27,068	26,883
Salaries, social security charges and profit sharing	5,968	8,705	24,405	26,395
Credits – Eletrobrás	6,653	6,653	6,653	6,653
Provision for inventory losses	2,854	2,441	2,854	2,441
Provision for impairment of trade receivables	2,480	1,834	2,480	1,834
Tools	1,010	2,062	1,010	2,062
Other items	11,976	10,430	11,976	10,430
Unrealized profits in subsidiaries	-	-	2,157	2,519
Subtotal	**195,348**	**196,945**	**239,571**	**241,342**
Deferred liabilities				
Depreciation rate differences (*)	65,278	64,010	65,278	64,010
Property, plant and equipment - carrying value adjustments	30,217	31,536	30,217	31,536
Deferred tax on intangible assets	-	-	61,657	66,610
Property, plant and equipment - tax base (México)*	-	-	16,320	34,833
Subtotal	**95,495**	**95,546**	**173,472**	**196,989**
Total deferred liabilities, net	**99,853**	**101,399**	**66,099**	**44,353**

(*) In order to a better presentation, the Company reclassified between deferred assets and deferred liabilities the amount of property, plant and equipment - tax base (Mexico) that were presented in provisions for contingencies as of December 31, 2016.

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, 2017 was R$16,320 (R$34,833 at December 31, 2016). 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, 2017, relating to deferred tax assets, will be recovered through future income tax.

During the period ended March 31, 2017, the changes in deferred tax assets and liabilities were as follow:

	Parent company		Consolidated	
	Mar/17	Dec/16	Mar/17	Dec/16
Opening balance	**(101,399)**	**(146,523)**	**(44,353)**	**(18,715)**
Recognized in profit (loss)				
Recognized in profit (loss) for the year	(9,706)	(121,288)	(34,420)	(174,075)
Recognized in comprehensive income for the year	11,252	88,808	11,252	88,808
Effects of currency translation into presentation currency			1,422	(17,975)
Recognized in assets				
Transfer to income tax and social contribution recoverable	-	77,604	-	77,604
Closing balance	**(99,853)**	**(101,399)**	**(66,099)**	**(44,353)**

15. SHARE CAPITAL

	Mar/17		Dec/16	
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	37,536,454	26.0%	37,758,154	26.2%
Officers	4	0.0%	4	0.0%
Non-controlling interests				
Fundação Embratel de Seguridade Social - TELOS	9,816,056	6.8%	9,816,056	6.8%
Pioneer Investments Management LTDA	8,739,505	6.1%	7,464,228	5.2%
Other stockholders	47,440,111	32.9%	48,493,688	33.6%
Total outstanding shares	**144,177,500**	**100.0%**	**144,177,500**	**100.0%**

16. REVENUE

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

	Parent company		Consolidated	
	2017	2016	2017	2016
Gross revenue	559,003	596,393	908,280	929,193
Returns and rebates	(10,122)	(14,522)	(17,044)	(24,300)
Revenue net of returns and rebates	**548,881**	**581,871**	**891,236**	**904,893**
Sales taxes	(36,112)	(45,053)	(36,112)	(45,053)
Net revenue	**512,769**	**536,818**	**855,124**	**859,840**
Net revenue				
Domestic market	141,976	141,636	141,976	141,636
Foreign market	370,793	395,182	713,148	718,204
	512,769	**536,818**	**855,124**	**859,840**

17. 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	
	1Q17	1Q16	1Q17	1Q16
Raw and processing materials(*)	211,683	198,442	364,486	342,351
Maintenance and consumption materials	48,914	42,294	85,595	72,897
Salaries, payroll taxes and profit sharing(*)	115,496	128,047	166,402	182,902
Social benefits	23,206	33,258	25,671	33,822
Electricity	33,518	39,585	51,412	54,697
Freight and commission on sales	17,886	16,375	26,541	25,825
Management fees	3,137	3,134	3,137	3,134
Other costs	5,161	5,366	12,209	11,057
	459,001	***466,501***	***735,453***	***726,685***
Depreciation	40,285	37,353	55,994	55,922
	499,286	**503,854**	**791,447**	**782,607**
Cost of products sold	446,719	457,337	720,897	714,222
Selling expenses	23,846	21,413	36,531	35,272
Administrative expenses	25,584	21,970	30,882	29,979
Management fees	3,137	3,134	3,137	3,134
	499,286	**503,854**	**791,447**	**782,607**

* For a better presentation of the balances and comparability, the Company reclassified some amount from the raw and processing materials accounts to salaries, payroll taxes and profit sharing in the 2016 information.

18. FINANCE RESULTS

	Parent company		Consolidated	
Finance results	**1Q17**	**1Q16**	**1Q17**	**1Q16**
Financial liabilities at amortized cost	***(33,427)***	***(41,894)***	***(33,384)***	***(41,433)***
Borrowing	(33,398)	(41,852)	(33,355)	(41,391)
Notes payable and other financial liabilities	(29)	(42)	(29)	(42)
Financial assets at fair value through profit or loss	***108***	***(3,952)***	***108***	***(3,952)***
IPI - premium credit (note 8)*	108	(3,952)	108	(3,952)
Other finance costs	***(3,170)***	***(975)***	***(4,159)***	***(1,569)***
Finance costs	**(36,489)**	**(46,821)**	**(37,435)**	**(46,954)**
Financial assets at fair value through profit or loss	***(243)***	***319***	***(243)***	***319***
Financial investments	-	315	-	315
Investments in equity instruments	(243)	4	(243)	4
Loans and receivables	***21,064***	***33,871***	***21,064***	***33,871***
Cash and cash equivalents	21,064	33,871	21,064	33,871
Tax credits and other finance income	***2,061***	***2,625***	***3,329***	***177***
Finance income	**22,882**	**36,815**	**24,150**	**34,367**
Derivative financial instruments				
Foreign exchange variations*	(847)	(4,936)	(10,336)	(6,040)
Derivative financial instruments	(471)	-	1,427	-
Foreign exchange variations, net	**(1,318)**	**(4,936)**	**(8,909)**	**(6,040)**
Finance results	**(14,925)**	**(14,942)**	**(22,194)**	**(18,627)**

* For a better presentation, the amount related to the adjustment of the fair value of the IPI premium credit that was classified as monetary and exchange variations was reclassified to financial expenses.

19. OTHER OPERATING INCOME (EXPENSES)

	Parent company		Consolidated	
	1Q17	**1Q16**	**1Q17**	**1Q16**
Constitution and restatement of provision	(7,873)	(8,808)	(7,876)	(10,972)
Disposals of property, plant and equipment	875	(7,043)	5,017	(7,862)
Loss on the sale of unusable assets and write-off of third party tools and other assets	(1,037)	11,145	(4,551)	13,066
	(8,035)	***(4,706)***	***(7,410)***	***(5,768)***
Depreciation of non-operating assets	(178)	(466)	(178)	(466)
Amortization of intangible assets	-	-	(10,210)	(20,565)
Total other operating expenses, net	**(8,213)**	**(5,172)**	**(17,798)**	**(26,799)**

20. INCOME TAX AND SOCIAL CONTRIBUTION IN THE RESULTS

	Parent company		Consolidated	
	1Q17	1Q16	1Q17	1Q16
Net income (loss) before tax effects	**42,216**	**23,049**	**23,685**	**31,807**
Statutory tax rate	34%	34%	34%	34%
Expenses at statutory rate	(14,353)	(7,837)	(8,053)	(10,814)
Tax effect of permanent (additions) exclusions:				
Share of results of subsidiaries	17,636	3,468	-	-
Depreciation of non-operating assets	(61)	(158)	(61)	(158)
Additional income tax (Services Companies – Mexico)*	-	-	(934)	(3,136)
Effect of correction of fixed assets	-	-	2,923	(278)
Reintegra – benefit	2,341	281	2,341	281
Finance income from monetary assets*			10,153	1,181
Other permanent (additions) exclusions*	(597)	(1,493)	922	1,079
Tax effects recorded in the statement of income before exchange effects	**4,966**	**(5,739)**	**7,291**	**(11,845)**
Effective rate of income tax before exchange effects	**-12%**	**25%**	**-31%**	**37%**
Effect of functional currency on tax base (a)	-	-	16,206	(2,652)
Tax effects recorded in the statement of income	**4,966**	**(5,739)**	**23,497**	**(14,497)**
Effective rate of income tax	**-12%**	**25%**	**-99%**	**46%**

* For better presentation and comparability, the Company made reclassifications, in the information of 2016, from additional "income tax (services companies – Mexico)" and "Reintegra – benefit", "Finance income from monetary assets" offsetting in the account of "other permanent (additions) exclusions".

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	
	1Q17	1Q16	1Q17	1Q16
Tax effects recorded in the statement of income				
Current income tax and social contribution	(4,740)	(35,956)	(10,923)	(51,972)
Deferred income tax and social contribution	9,706	30,217	34,420	37,475
	4,966	**(5,739)**	**23,497**	**(14,497)**

21. 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.

	1Q17	1Q16
Profit attributable to the stockholders of the Company	47,182	17,310
Outstanding shares	144,177,500	144,177,500
Basic earnings (loss) per share - R$	**0.32725**	**0.12006**

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. The number of ordinary shares are compare with outstanding shares considering the potential dilutive shares would be exercised.

	1Q17	1Q16
Profit attributable to the stockholders of the Company	47,182	17,310
Outstanding shares	144,866,540	144,652,069
Diluted earnings (loss) per share - R$	**0.32569**	**0.11967**

22. SEGMENT REPORTING

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

Automotive - 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, iron and steel grits for the marble and granite processing industry and cast-iron shapes for general use.

The following is the information on each reported segment:

a) Reconciliation of revenue, costs, expenses and profit

Consolidated	Automotive		Hydraulics		Total	
	1Q17	1Q16	1Q17	1Q16	1Q17	1Q16
Net revenue (Note 16)	811,281	814,090	43,843	45,750	855,124	859,840
Costs and expenses, except depreciation (Note 17)	(693,469)	(686,629)	(41,984)	(40,056)	(735,453)	(726,685)
Other operating expenses, net, except amortization of intangible assets and depreciation (Note 19)	(7,571)	(5,453)	161	(315)	(7,410)	(5,768)
EBITDA (according to the methodology of CVM Instruction (527/12)	**110,241**	**122,008**	**2,020**	**5,379**	**112,261**	**127,387**
Depreciation and amortization	(63,704)	(74,323)	(2,678)	(2,630)	(66,382)	(76,953)
Profit (loss) before finance results	**46,537**	**47,685**	**(658)**	**2,749**	**45,879**	**50,434**
Finance results (Note 18)					(22,194)	(18,627)
Profit (loss) before taxation					**23,685**	**31,807**
Income tax and social contribution (Note 20)					23,497	(14,497)
Profit (loss) for the period					**47,182**	**17,310**

b) Reconciliation of costs and expenses by segment

Consolidated	Automotive		Hydraulics		Total	
	1Q17	1Q16	1Q17	1Q16	1Q17	1Q16
Raw and processing materials	347,545	328,306	16,941	14,045	364,486	342,351
Maintenance and consumption materials	81,243	68,921	4,352	3,976	85,595	72,897
Salaries and payroll taxes	147,189	160,222	8,836	10,087	156,025	170,309
Profit sharing	9,566	11,359	811	1,234	10,377	12,593
Social benefits	23,606	31,977	2,065	1,845	25,671	33,822
Electricity	47,073	51,714	4,339	2,983	51,412	54,697
Depreciation	53,316	53,292	2,678	2,630	55,994	55,922
Freight and commissions on sales	22,464	20,738	4,077	5,087	26,541	25,825
Management fees	2,861	2,963	276	171	3,137	3,134
Other costs	11,922	10,429	287	628	12,209	11,057
	746,785	**739,921**	**44,662**	**42,686**	**791,447**	**782,607**

* For a better presentation of the balances and comparability, the Company reclassified some amount between “raw and processing materials” and “salaries and payroll taxes”, in the 2016 information.

c) Reconciliation of assets and liabilities

Consolidated	Automotive		Hydraulics		Total	
ASSETS	Mar/17	Dec/16	Mar/17	Dec/16	Mar/17	Dec/16
Trade account receivables (Note 4)	503,924	386,249	29,112	32,714	533,036	418,963
Inventories (Note 5)	325,598	353,482	48,051	56,231	373,649	409,713
Tooling	112,888	139,089	-	-	112,888	139,089
Notes and other receivables	31,508	29,322	2,406	3,003	33,914	32,325
Property, plant and equipment (Note 11)	1,500,565	1,555,480	44,914	44,914	1,545,479	1,600,394
Intangible assets (Note 11)	312,236	330,249	-	-	312,236	330,249
Other assets not allocated	-	-	-	-	1,812,165	1,839,073
Total assets	**2,786,719**	**2,793,871**	**124,483**	**136,862**	**4,723,367**	**4,769,806**

Consolidated	Automotive		Hydraulics		Total	
LIABILITIES	Mar/17	Dec/16	Mar/17	Dec/16	Mar/17	Dec/16
Trade accounts payables	300,775	276,356	23,921	26,141	324,696	302,497
Income taxes payable	19,094	17,711	370	274	19,464	17,985
Salaries, social security charges and profit sharing	103,194	102,583	6,867	7,258	110,061	109,841
Advances from customers	88,289	109,853	163	163	88,452	110,016
Notes and other payables	94,722	103,479	5,109	4,503	99,831	107,982
Deferred tax on intangible assets (Note 14)	61,657	66,610	-	-	61,657	66,610
Other liabilities not allocated	-	-	-	-	1,978,727	2,047,743
Equity (Note 15)	-	-	-	-	2,040,479	2,007,132
Total liabilities and equity	**667,731**	**676,592**	**36,430**	**38,339**	**4,723,367**	**4,769,806**

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 automotive segment has customers that individually account for more than 10% of consolidated revenue, as follows:

Consolidated

Revenue	1Q17	%	1Q16	%
Automotive	**811,281**	**94.9**	**814,090**	**94.7**
Customer A	190,471	22.3	208,092	24.2
Customer B	160,186	18.7	115,785	13.5
Customer C	85,680	10.0	99,521	11.6
Other customers	374,944	43.8	390,692	45.4
Hydraulics	**43,843**	**5.1**	**45,750**	**5.3**
Total Revenue	**855,124**	**100.0**	**859,840**	**100.0**

The sales in the Hydraulics segment are diversified.

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

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

Consolidated

	1Q17	%	1Q16	%
North America	**527,816**	**61.8**	**521,782**	**60.7**
United States	276,834	32.4	247,739	28.8
Mexico	241,105	28.2	259,410	30.2
Canada	9,877	1.2	14,633	1.7
South and Central Americas	**148,796**	**17.4**	**149,917**	**17.5**
Brazil - head office	141,976	16.6	141,636	16.5
Other countries	6,820	0.8	8,281	1.0
Europe	**105,750**	**12.3**	**140,177**	**16.3**
United Kingdom	49,500	5.8	68,224	7.9
Hungary	20,969	2.5	41,478	4.8
Italy	8,585	1.0	14,460	1.7
Germany	7,975	0.9	7,648	1.0
Netherlands	12,951	1.5	5,326	0.6
France	2,917	0.3	1,993	0.2
Other countries	2,853	0.3	1,048	0.1
Asia, Africa and Oceania	**72,762**	**8.5**	**47,964**	**5.5**
South Africa	19,494	2.3	16,719	1.9
Thailand	18,161	2.1	12,808	1.5
Japan	10,377	1.2	8,244	1.0
China	22,901	2.7	6,073	0.7
Other countries	1,829	0.2	4,120	0.4
Total	**855,124**	**100.0**	**859,840**	**100.0**

23. FINANCIAL INSTRUMENTS

		Parent company		Consolidated	
	Note	Mar/17	Dec/16	Mar/17	Dec/16
Loans and receivables		**1,129,249**	**1,145,312**	**1,754,586**	**1,702,739**
Cash and cash equivalents	3	817,737	809,037	1,139,725	1,203,940
Trade account receivables	4	241,017	260,326	533,036	418,963
Notes and other financial assets		70,495	75,949	81,825	79,836
Effect on the results for three months		*21,026*	*33,280*	*19,482*	*33,417*
Financial assets at fair value through profit or loss		**103,572**	**103,815**	**108,571**	**108,923**
Financial investments		-	-	-	-
Credits - Eletrobrás		102,170	102,170	102,170	102,170
Investments in equity instruments		1,402	1,645	6,401	6,753
Effect on the results for three months		*(243)*	*319*	*(243)*	*319*
Financial liabilities at amortized cost		**2,148,251**	**2,222,818**	**2,268,812**	**2,321,327**
Trade accounts payables		186,012	190,469	324,696	302,497
Loans and financing	12	1,832,150	1,899,173	1,826,174	1,891,556
Dividends and interest on capital		15,372	16,049	15,372	16,049
Notes payable and other financial liabilities		114,717	117,127	102,570	111,225
Effect on the results for three months		*(33,427)*	*(41,894)*	*(33,384)*	*(41,433)*
Financial liabilities at fair value through profit or loss		**808**	**-**	**(651)**	**-**
Derivative financial instruments	32	808	-	(651)	-
Effect on the results for three months		-	-	-	-

(*) Includes the provision for impaired receivables

24. 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 contracted and remains contracting derivative financial instruments since July 1, 2016. The financial instrument used by the Company in these operation were (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, and, (ii) sale off NDF non deliverable forward, which consists of the future sale of currency at a pre-defined rate. 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

In March 31, 2017, the Company derivative financial instruments in the zero-cost collar type totaled the amount of US$109,550 which were made purchasing "PUT" with an average weighted price of exercise of R$3.0773 and sales "CALL" with an average weighted price of exercise of R$3.3771 for the next six months. The operations of NDF sales amounting of US$5.300 with an average weight price of exercise of R$3.1640, with a due date at May 2017.

At March 31, 2017, the Company recognized in finance results as net loss of R$471. Considering, gain of R$337 from the settlement of contracts in the period and R$808 due to the expense for the mark to market of these instruments.

ii. Subsidiaries

In 2017, the Company contracted derivative financial instruments in their Mexicans subsidiaries, due to their exposure to the Mexican Pesos. In March 31, 2017, the Subsidiaries derivative financial instruments in the zero-cost collar type totaled the amount of US$12,085, which were made purchasing “PUT” with an average weighted price of exercise of MXN19.6630 and sales “CALL” with an average weighted price of exercise of MXN20.6294 for the next two months.

At March 31, 2017, the Consolidated recognized in finance results as net gain of R$1.898. Considering, gain of R$439 from the settlement of contracts in the period and R$1,459 due to the gains for the mark to market of these instruments.

The financial derivative instruments net position is presented as follow:

	Parent company		Consolidated	
	Mar/17	Dec/16	Mar/17	Dec/16
Current liabilities				
Financial derivative instruments	1.008	-	1.008	-
Financial derivative instruments	1.008	-	1.008	-
Current assets				
Financial derivative instruments	200	-	1.659	-
Financial derivative instruments	200	-	1.659	-
Financial derivative instruments, net	**808**	**-**	**(651)**	**-**

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, 2016 note 32.b.

In March 31, 2017, the Company has export prepayment contracts amounting to US$391,857, equivalent to R$1,241,560 as hedges of the investments in the subsidiaries in Mexico, Tupy México Saltillo, S.A. de C.V. and Technocast, S.A. de C.V., the functional currency of which is the US Dollar (US$), and which had net assets of US$386,331, equivalent to R$1,224,051, representing 101.4% effectiveness.

In the period ended March 31, 2017, the Company recognized in carrying value adjustments, within equity, a gross gain of R$33,088 arising from the conversion of the prepayment contracts designated as hedge instruments. As a result, the investments in Mexicans subsidiaries resulted in a gross loss of R$36,745. The net result was a loss of R$14,909.

25. 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.

25.1 Credit risk

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

The Company sets exposure limits for each customer to limit the credit risk on trade receivables and risks are managed according to specific credit rating criteria, which include an analysis of customers in based on their payment ability, indebtedness level, market behavior and history with the Company. Furthermore, the Company carries out quantitative and qualitative analyses of its portfolio of trade receivables in order to determine the provision for probable losses on receivables. As at March 31, 2017, estimated losses on trade receivables amounted to R$3,003 (R$1,491 as at December 31, 2016), representing 0.6% of the consolidated balance of outstanding receivables at that date (0.4% as at December 31, 2016).

The Company does not hold any 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/17	Dec/16	Mar/17	Dec/16
Counterparties with external credit ratings*				
Cash and cash equivalents	**817,737**	**809,037**	**1,139,725**	**1,203,940**
AAA	-	94,209	8,287	262,035
AA+ / AA / AA-	793,535	658,073	1,073,980	853,336
A+ / A / A-	12,494	56,528	45,149	86,846
Outros	11,708	227	12,309	1,723
Credits - Eletrobrás				
BB-	102,170	102,170	102,170	102,170
Counterparties without external credit rating				
Trade receivables	**241,017**	**260,326**	**533,036**	**418,963**
Low risk	230,502	248,758	507,044	394,434
Moderate risk	10,453	11,490	25,930	24,451
High risk	62	78	62	78
Other financial assets	**71,897**	**77,594**	**88,226**	**86,589**
Total	**1,232,821**	**1,249,127**	**1,863,157**	**1,811,662**

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

The risk assessment of trade receivables is as follows:

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

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

25.2 Liquidity risk

Liquidity risk is the risk that the Company will have difficulty complying with its obligations associated with financial liabilities that are to be settled in cash or other financial assets. The Company's approach to managing this risk is the maintenance of a minimum cash.

In order to ensuring that, the Company has sufficient liquidity to settle its obligations without incurring losses or affecting its operations. This minimum cash amount corresponds to a two-month projection of: operating cash generation in in an unfavorable scenery, plus the balance of the short-term borrowing, net of derivative instruments. Moreover, the Company manages its investment portfolio using criteria for concentration in financial institutions, in addition to global and local ratings.

The contractual maturities of financial liabilities are as follow:

Consolidated	Contractual cash flow					
FINANCIAL LIABILITIES	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total flow
Borrowings	232,406	177,928	505,273	235,183	1,296,953	2,447,742
Trade payables and notes and other payables	424,527	-	-	-	-	424,527
Dividends payable	15,372	-	-	-	-	15,372
	673,313	**177,928**	**505,273**	**235,183**	**1,296,953**	**2,888,649**

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.

25.3 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/17	Dec/16
Floating-rate instruments		**468,248**	**483,237**
Financial assets		734,609	758,033
Financial liabilities	12	(266,361)	(274,796)
Fixed-rate instruments		**(1,063,796)**	**(1,080,973)**
Financial assets		404,552	444,587
Financial liabilities	12	(1,468,348)	(1,525,560)

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.)**	**12.13**	**9.89**	**12.36**	**14.84**	**7.42**	**4.95**
Financial assets		734,609	734,609	734,609	734,609	734,609	734,609
Potential impact		-	-	16,529	33,057	(16,909)	(34,615)
Borrowings	**Interest rate (TJLP - % p.a.)**	**7.50**	**7.00**	**8.75**	**10.50**	**5.25**	**3.50**
Financial liabilities		127,218	127,218	127,218	127,218	127,218	127,218
Potential impact		-	-	(2,081)	(4,161)	2,115	4,302
In U.S. dollars							
Borrowings	**Interest rate (Libor - %)**	**1.42**	**1.51**	**1.89**	**2.27**	**1.13**	**0.76**
Financial liabilities		139,143	139,143	139,143	139,143	139,143	139,143
Potential impact		-	-	(517)	(1,035)	519	1,043

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.

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/17	Dec/16
Assets		**244,839**	**254,562**
Cash and cash equivalents abroad	3	82,813	49,939
Customers in the foreign market	4	162,026	204,623
Liabilities		**(159,657)**	**(249,515)**
Borrowings in foreign currency	12	(1,271,857)	(1,328,747)
Hedge of net investment abroad	25	1,224,051	1,208,419
Other amounts		(111,851)	(129,187)
Net exposure impacting profit			
In thousands of R$		85,182	5,047
In thousands of US$		26,885	1,549

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

Sensitivity analysis of foreign exchange exposure

This analysis is based on the foreign exchange rate fluctuation, pursuant to CVM Normative Instruction 475, in which the risk variables are evaluated with a 25% and 50% fluctuation compared to the probable

scenario estimated by the Company. This analysis assumes that all other variables, especially the interest rates, will remain constant.

Consolidated			Scenarios - Normative Instruction 475			
	Disclosed	Probable	+25%	+50%	-25%	-50%
U.S. Dollar rate	**3.1684**	**3.15**	**3.94**	**4.73**	**2.36**	**1.58**
Asset position	244,839	243,417	304,465	365,512	182,370	122,095
Liability position	(159,657)	(158,729)	(198,538)	(238,346)	(118,921)	(79,617)
Net exposure (R$ thousand)	85,182	84,688	105,927	127,166	63,449	42,478
Net exposure (US$ thousand)	26,885	26,885	26,885	26,885	26,885	26,885
Potential impact (R$ thousand)	**-**	**(494)**	**20,745**	**41,984**	**(21,733)**	**(42,704)**

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.

25.4 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.

25.5 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

	Mar/17	Dec/16
Own capital	**2,040,479**	**2,007,132**
Equity	2,040,479	2,007,132
Third party capital	**1,543,163**	**1,558,734**
Total current and non-current liabilities	2,682,888	2,762,674
Cash and cash equivalents	(1,139,725)	(1,203,940)
Own capital versus third-party capital ratio	**1.32**	**1.29**

25.6 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 23) and the fair value of the borrowing disclosed in Note 12 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.

26. SUBSEQUENT EVENTS

a) On April 17, 2017, the Company received from its Mexicans subsidiaries the amount of USD55,000 as dividend, of which USD36,000 refers to Tupy México Saltillo S.A. de C.V. and USD19,000 to Technocast S.A. de C.V.

b) On May 15, 2017, the Company announced the deactivation part of its manufacturing park and communicated the affected parties. The impacts will be recognized in the financial statements for the second quarter of 2017. This decision is related to the recognition of impairment disclosed in note 13, item b. Of the financial statements as of December 31, 2016.

* * *

Building a better working world

A free t ranslation 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, 2017, comprising the statement of financial position at March 31, 2017, and the related statements of profit and loss, comprehensive income, changes in equity and cash flows for the three month period then ended including the explanatory notes.

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

Scope of review

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

Conclusion on the interim individual and consolidated financial information

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

Other matters

Interim statements of value added

We have also reviewed the individual and consolidated statements of value added (SVA) for the three-month period ended March 31, 2017, 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.

Audit and review of prior-year corresponding figures

The individual and consolidated balance sheets at December 31, 2016, and the individual and consolidated statements of profit and loss, comprehensive income, changes in equity, cash flows and value added, for the three-month period ended March 31, 2016, were audited and reviewed by other independent auditors, who issued an auditor's report on March 28, 2017, with an unmodified opinion as well as a review report on the quarterly information on May 11, 2016 with an unmodified conclusion.

Joinville, May 15, 2017.

ERNST & YOUNG

Auditores Independentes S/S

CRC 2SP 015199/O-6 - F - PR

Alexandre Rubio

Accountant CRC-1SP 223.361/O-2