TUPY. Worldwide reference in castings

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Quarterly Financial Report

March 31, 2018

TUPY

Release
Financial Information
Explanatory Notes
Independent auditor's report

www.tupy.com.br

TUPY - Worldwide reference in casting



1Q18 Highlights

- **Net revenue over R$1.0 billion: Best result in the Company's history**
- **Strong EBITDA growth, despite increase in raw materials costs**

- **Sales Volume:** 150.8 thousand tons, up 11.6% over 1Q17, due to strong economic activity in Brazil and worldwide.

- **Revenue:** R$1,059.2 million, a 23.9% increase against 1Q17, due to volume growth, pass through of costs, improved mix of products and BRL depreciation.

- **Adjusted EBITDA:** R$148.3 million, up 23.9% from the same period of the previous year and equivalent to 14.0% of revenues in 1Q18. Cost control initiatives and efficient capital allocation offset the significant increase in raw material costs.

- **Net income:** R$56.9 million in 1Q18, up 20.6% over 1Q17, and representing 5.4% of net revenue for the period.

- **Investments:** R$29.7 million, representing 2.8% of net revenue in the period.

- **Working capital:** Significant reduction in the cash conversion cycle compared to the same period of the previous year: from 66 days to 56 days.

- **Payment of proceeds:** Distribution of interest on equity in the amount of R$37.5 million to be paid in May 2018.

Earnings conference call

Date: May 09, 2018

Portuguese/English

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

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MAIN INDICATORS

Consolidated (R$ thousand)

SUMMARY	1Q18	1Q17	Var. [%]
Revenue	**1,059,196**	**855,124**	**23.9%**
Cost of goods sold	(887,595)	(720,897)	23.1%
Gross profit	**171,601**	**134,227**	**27.8%**
% on revenue	*16.2%*	*15.7%*	
Operating expenses	(76,866)	(70,550)	9.0%
Other operating expenses	(14,209)	(17,798)	-20.2%
Income before financial results	**80,526**	**45,879**	**75.5%**
% on revenue	*7.6%*	*5.4%*	
Net financial result	(25,184)	(22,194)	13.5%
Income before taxes	**55,342**	**23,685**	**133.7%**
% on revenue	*5.2%*	*2.8%*	
Income tax and social contribution	1,550	23,497	-93.4%
Net income	**56,892**	**47,182**	**20.6%**
% on revenue	*5.4%*	*5.5%*	
EBITDA (acc. Inst. CVM 527/12)	**145,050**	**112,261**	**29.2%**
% on revenue	*13.7%*	*13.1%*	
Adjusted EBITDA	**148,272**	**119,671**	**23.9%**
% on revenue	*14.0%*	*14.0%*	
Average Exchange rate (BRL/USD)	3.24	3.15	3.1%
Average Exchange rate (BRL/EUR)	3.99	3.35	19.0%

SALES VOLUME

Consolidated (ton)

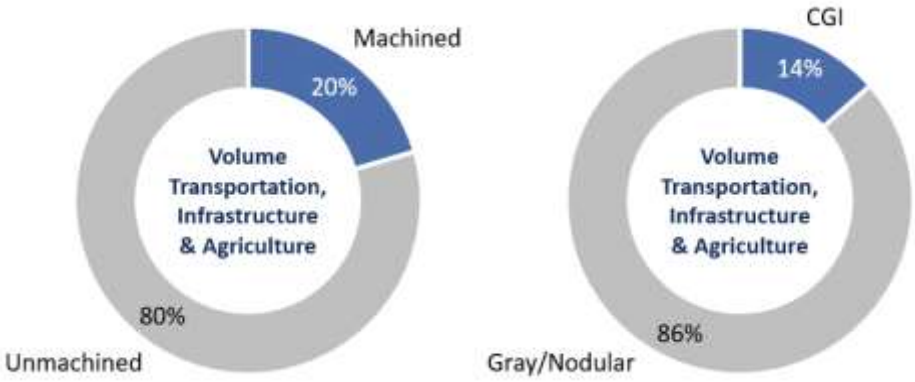
	1Q18	1Q17	Var. [%]
Domestic market	**27,888**	**24,999**	**11.6%**
Transportation, Infrastructure & Agriculture	24,431	20,062	21.8%
Hydraulics	3,457	4,937	-30.0%
Foreign market	**122,911**	**110,070**	**11.7%**
Transportation, Infrastructure & Agriculture	118,322	107,297	10.3%
Hydraulics	4,589	2,773	65.5%
Total sales volume	**150,799**	**135,069**	**11.6%**

Sales volume in 1Q18 increased by 11.6% against 1Q17, chiefly due to the following factors:

- 21.8% increase in sales to the transportation, infrastructure and agriculture segment in the domestic market, primarily due to the strong resumption of truck sales in the country. In its turn, foreign market grew 10.3% mainly due to increasing demand for off road applications applied in markets such as mining, oil & gas and agriculture, among others.

- 65.5% increase in hydraulics segment in the foreign market, chiefly due the performance of North America. On the other hand, sales in domestic market dropped 30.0%, related to the disinvestment of steel shots unit in 3Q17.

- The transportation, infrastructure and agriculture segment portfolio comprised of 20.5% partially or fully machined products (vs. 20.3% in 1Q17). The breakdown of products by type of material shows that Compacted Graphite Iron – CGI accounted for a sales volume of 14% (stable in relation to 1Q17).



REVENUES

Revenues increased by 23.9% compared to 1Q17, mainly due to volume growth, devaluation of the Real and pass through of raw material costs since 4Q17.

In the domestic market, the 30.4% growth was due to the increase in revenues from all transportation, infrastructure and agriculture segments, highlighting commercial vehicles, which increased by 73.5% in the period.

In the foreign market, net revenues increased by 22.6%, particularly due to the applications for light commercial and off road vehicles, as well as the depreciation of the Real against the US Dollar and the Euro in the period (average exchange rate of BRL/USD 3.24 and BRL/EUR 3.99 in 1Q18 vs. BRL/USD 3.15 and BRL/EUR 3.35 in 1Q17).

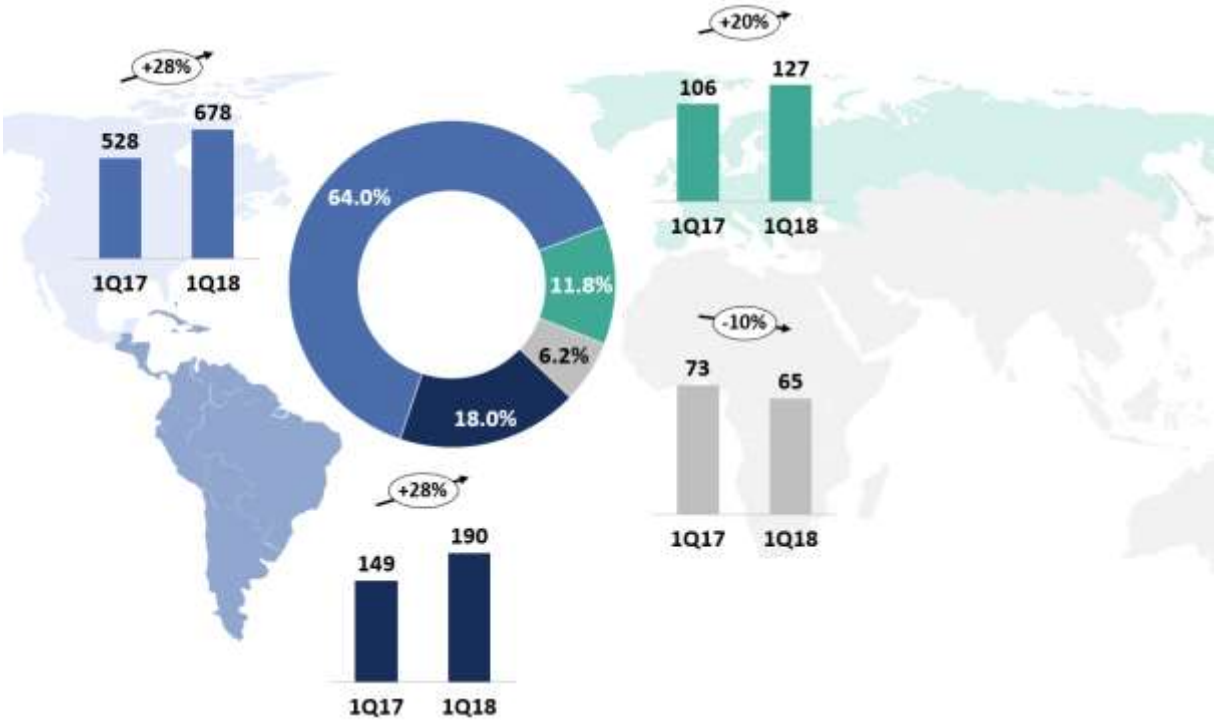
Consolidated (R$ thousand)

	1Q18	1Q17	Var.[%]
Revenue by market	**1,059,196**	**855,124**	**23.9%**
Domestic market	185,101	141,976	30.4%
% share	*17.5%*	*16.6%*	
Foreign market	874,095	713,148	22.6%
% share	*82.5%*	*83.4%*	
Revenue by segment	**1,059,196**	**855,124**	**23.9%**
Transportation, Infrastructure & Agriculture	1,007,139	811,281	24.1%
% share	*95.1%*	*94.9%*	
Hydraulics	52,057	43,843	18.7%
% share	*4.9%*	*5.1%*	

Revenues by market and performance in the period

In 1Q18, 64.0% of revenues came from North America. In turn, South and Central America accounted for 18.0%, and Europe for 11.8% of total revenues. The remaining 6.2% came from Asia, Africa and Oceania.

It is worth to mention the several clients with plants in North America export their products worldwide. Therefore, our sales to this region were also driven by global demand for machines and equipments.



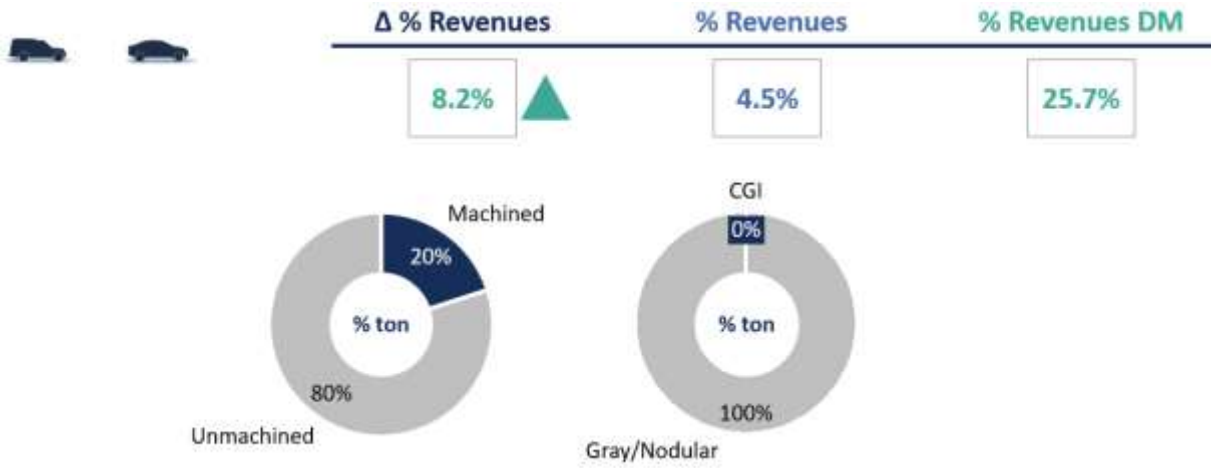
Consolidated (R$ thousand)

	1Q18	1Q17	Var. [%]
Revenue	**1,059,196**	**855,124**	**23.9%**
Domestic market	**185,101**	**141,976**	**30.4%**
Transportation, Infrastructura & Agriculture	**156,802**	**112,793**	**39.0%**
Passenger cars	47,592	44,005	8.2%
Commercial vehicles	89,095	51,349	73.5%
Off road	20,115	17,439	15.3%
Hydraulics	**28,299**	**29,183**	**-3.0%**
Foreign market	**874,095**	**713,148**	**22.6%**
Transportation, Infrastructura & Agriculture	**850,337**	**698,472**	**21.7%**
Passenger cars	97,172	96,818	0.4%
Light commercial vehicles	345,902	274,576	26.0%
Medium and heavy commercial vehicles	151,071	147,144	2.7%
Off road	256,193	179,934	42.4%
Hydraulics	**23,758**	**14,676**	**61.9%**

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

DOMESTIC MARKET (DM)

Passenger Cars



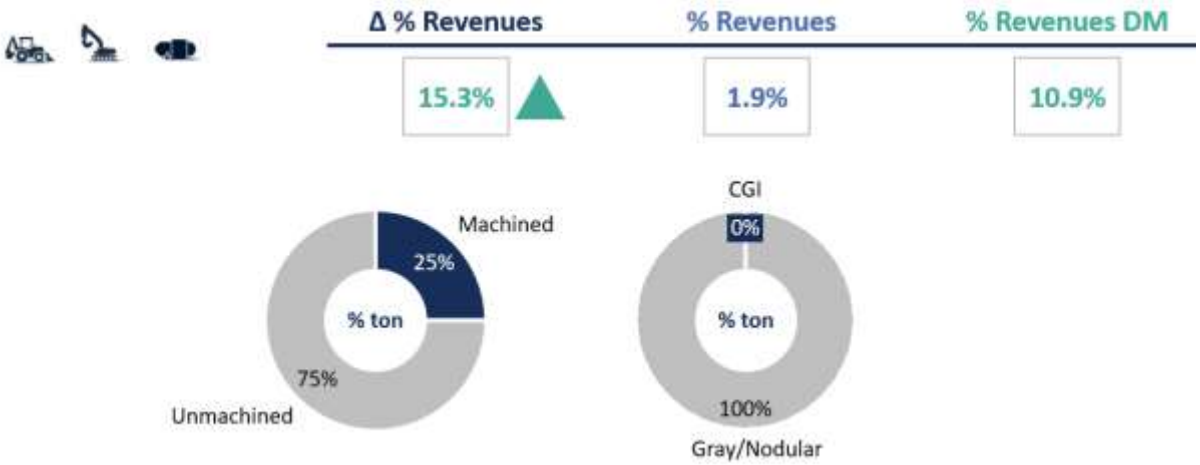
Revenues from sales of components for passenger cars increased by 8.2% in 1Q18 compared to the same period of the previous year, particularly due to the resumption of licensing in the country and the increase in sales of products that will be exported from Brazil by our customers (indirect exports).

Commercial Vehicles



Revenues from applications for commercial vehicles rose by 73.5% compared to the same period of the previous year, due to the increased production of trucks in Brazil. We highlight indirect exports opportunities, as well as the increased number of licensed vehicles in the country caused by economic growth and increasing entrepreneur confidence, that together with lower interest rates increased demand for this type of vehicles.

Off road



Tupy's revenues from machinery and off road vehicles rose by 15.3% in 1Q18 (higher than the market growth), driven by the strong volume of applications produced by our customers. The segment was also positively impacted by the devaluation of the Real, since part of the contracts are priced in US Dollar.

Hydraulics



In 1Q18, revenues from the hydraulics segment decreased by 3.0% against the same period in 2017. This reduction was due to the sale of the steel shots business in 3Q17.

FOREIGN MARKET (FM)

Passenger Cars



Revenues from passenger cars increased by 0.4% compared to 1Q17, due to the performance of the US market and the favorable exchange rate scenario resulting from the devaluation of the Real.

Light Commercial Vehicles



Sales for this application were positively impacted in the period by the increase in demand from the US market and phase in of projects. In 1Q18, the segment consisting of pick-ups, SUVs and crossovers accounted for 68% of sales in the “light vehicles” category in the US, compared to 63% in 1Q17. We continue to observe solid growth in this market, due to lower fuel prices and the demand for utility vehicles used by independent professionals and small & medium sized companies.

Medium and Heavy Commercial Vehicles



The 2.7% increase in revenues is mainly due to the positive performance of the US market in vehicles in the 4-7 class, which is related to the growth of US economy. On the other hand, the year over year comparison was negatively affected by a strong sales volume in 1Q17 caused by early sales for build-up of inventory by a customer in that period.

Off road



Sales of off road applications in 1Q18 increased by 42.4% compared to the same period in 2017, due to the positive performance of the market, especially in the oil & gas, mining, agriculture and infrastructure segments, among others.

Hydraulics



In 1Q18, net revenues from sales of pipe fittings and iron bars increased by 61.9%. This growth was chiefly due to the performance of the US market and the devaluation of the Real.

COST OF GOODS SOLD AND OPERATING EXPENSES

The cost of goods sold (COGS) in 1Q18 amounted to R$887.6 million, up by 23.1% compared to 1Q17. Operating expenses amounted to R$76.9 million, up 9.0% from 1Q17.

	Consolidated (R$ thousand)		
	1Q18	1Q17	Var. [%]
Revenue	**1,059,196**	**855,124**	**23.9%**
Cost of goods sold	**(887,595)**	**(720,897)**	**23.1%**
Raw-material	(498,155)	(364,486)	36.7%
Labor, profit sharing and social benefits	(204,263)	(168,936)	20.9%
Maintenance and third parties	(73,077)	(79,467)	-8.0%
Energy	(50,354)	(51,157)	-1.6%
Depreciation	(50,482)	(52,831)	-4.4%
Others	(11,264)	(4,020)	180.2%
Gross profit	**171,601**	**134,227**	**27.8%**
% on revenue	*16.2%*	*15.7%*	
Operating expenses	**(76,866)**	**(70,550)**	**9.0%**
% on revenue	*7.3%*	*8.3%*	

Gross margin was 16.2% in the period, representing an improvement of 0.5 percentage point compared to the same period of the previous year.

The changes in COGS between 1Q18 and 1Q17 were mainly due to the following factors:

- 36.7% rise in raw material costs, driven by increased production volumes and higher raw material prices in the period, especially in Brazil. It is worth to mention that several measures under Company´s management offset this impact, leading to increase in gross margin.
- 20.9% labor cost increase due to higher headcount in Mexico and overtime caused by volume growth in operations. Year over year comparison was also affected by collective bargain agreement and the appreciation of the Mexican peso.
- 8.0% reduction in maintenance materials and third parties, due to the closure of the casting activities at the Mauá plant and the development of several cost reduction initiatives, including the implementation of a new process of budget control.
- 1.6% rise in energy costs. The increased volume produced was offset by the closure of the casting activities at the Mauá plant, the sale of the steel shots unit and the reduction of energy prices in part of the contracts in Mexico.
- R$7.2 million increase in other costs, chiefly due to reclassification among lines (R$5.0 million previously allocated as maintenance and third parties services).

Operating expenses, which include administrative and commercial expenses, grew by 9.0%, chiefly due to higher labor expenses, freight expenses and commissions on sales from increasing sales volume, and the development of research projects.

Despite these effects, operating expenses had a significant reduction in relation to net revenue in 1Q18 (7.3% vs. 8.3% in 1Q17).

OTHER OPERATING EXPENSES

Other net operating expenses amounted to R$14.2 million in 1Q18, against R$17.8 million in 1Q17, **corresponding to a 20.2% decrease**.

	Consolidated (R$ thousand)		
	1Q18	1Q17	Var. [%]
Depreciation of non-operating assets	(173)	(178)	-2.8%
Amortization of intangibles assets	(10,814)	(10,210)	5.9%
Others*	(3,222)	(7,410)	-56.5%
Other net operating expenses	**(14,209)**	**(17,798)**	**-20.2%**

**Includes legal provisions, PP&E write offs, and income from the sale of unserviceable assets*

This drop was chiefly due to R$3.0 million reduction in contingencies in comparison with the same period of the previous year and R$1.2 million increase in income from the sale of unserviceable assets.

NET FINANCIAL INCOME

In 1Q18, the Company recorded net financial expenses of R$25.2 million, compared to expenses of R$22.2 million in 1Q17.

	Consolidated (R$ thousand)		
	1Q18	1Q17	Var. [%]
Financial expenses	(29,275)	(37,435)	-21.8%
Financial income	11,663	24,150	-51.7%
Net monetary and Exchange variation	(7,572)	(8,909)	-15.0%
Net financial income	**(25,184)**	**(22,194)**	**13.5%**

The reduction in financial expenses is chiefly due to net amortizations in the last twelve months, which amounted R$574.0 million. The comparison with the same period of the previous year was also impacted by the appreciation of the Real against the US Dollar (average exchange rate of R$3.25 in 1Q18 vs. R$3.13 in 1Q17), which affected the recognition of interest on borrowings denominated in dollars.

Financial revenues fell by 51.7%, mainly because of the 55% decrease in the balance of cash & equivalents in Brazil (R$331.2 million in 1Q18 vs. R$734.6 million in 1Q17), and lower financial earnings due to lower interest rates in the country (our financial investments were remunerated at an average interest rate of 6.91% p.a. in 1Q18 vs. 12.97% p.a. in 1Q17).

It is important to note that in January 2018, the Company anticipated the payment of debts in local currency maturing this year, amounting to R$291.1 million. This operation was driven by the decline in interest rates, with the consequent reduction in the remuneration of our cash reserves, while these debts had average interest rate of 10.8% p.a.

The reduction in expenses from net monetary and net exchange variations mainly resulted from marking to market of hedge transactions (zero cost collar).

EARNINGS BEFORE TAXES AND NET INCOME

	Consolidated (R$ thousand)		
	1Q18	1Q17	Var. [%]
Net income before income taxes	**55,342**	**23,685**	**133.7%**
Tax effects before foreign Exchange impacts	(11,907)	7,291	-
Tax rates before foreign Exchange effects	*-21.5%*	*30.8%*	
Net income before foreign Exchange effects on tax base	**43,435**	**30,976**	**40.2%**
Foreign Exchange effects on tax base	13,457	16,206	-17.0%
Net income	**56,892**	**47,182**	**20.6%**
% on revenue	*5.4%*	*5.5%*	

Tax effects before exchange impacts came to R$11.9 million, as a result of the difference in expenses at the rate of (34%) on profit before tax effects and the effects of permanent additions/exclusions

The effect of exchange rates on the tax base (deferred income tax in Mexican operations) is calculated in Mexican Pesos. The translation into the functional currency, the US Dollar, resulted in an increase of R$13.5 million due to the appreciation of the Mexican Peso against the US Dollar in 1Q18.

The net income from these effects amounted to R$56.9 million in 1Q18, up 20.6% from 1Q17.

EBITDA

The combination of the factors mentioned above resulted in an adjusted EBITDA of R$148.3 million in 1Q18, with margin of 14.0% on revenues.

	Consolidated (R$ thousand)		
RECONCILIATION OF NET INCOME TO EBITDA	1Q18	1Q17	Var. [%]
Net income (loss) for the period	**56,892**	**47,182**	**20.6%**
(+) Net financial result	25,184	22,194	13.5%
(+) Income tax and social contribution	(1,550)	(23,497)	-93.4%
(+) Depreciation and amortization	64,524	66,382	-2.8%
EBITDA (acc. Instr. CVM 527/12)	**145,050**	**112,261**	**29.2%**
% on revenue	*13.7%*	*13.1%*	
(+) Other net operating expenses*	3,222	7,410	-56.5%
Adjusted EBITDA	**148,272**	**119,671**	**23.9%**
% on revenue	*14.0%*	*14.0%*	

**Includes legal provisions, PP&E write offs, and income from the sale of unserviceable assets*

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

Total investment in property, plant and equipment and intangible assets was R$29.7 million in 1Q18, up 62.3% against 1Q17.

	Consolidated (R$ thousand)		
	1Q18	1Q17	Var. [%]
PP&E			
Strategic investments	4,490	2,481	81.0%
Maintenance and sustenance	20,742	11,778	76.1%
Environment	1,682	1,745	-3.6%
Interest and financial expenses	548	549	-0.2%
Intangible assets			
Software	1,475	505	192.1%
Research and development	727	1,218	-40.3%
Total	**29,664**	**18,276**	**62.3%**
% on revenue	*2.8%*	*2.1%*	

The increase in investments is mainly due to the execution of projects aimed at increasing productivity, as well as the development of new CGI and machined products.

Investments in 1Q18 represented 2.8% of net revenues in the period, lower than previous years and in accordance with Company 'strategy of asset optimization and focus on return on invested capital.

WORKING CAPITAL

	Consolidated (R$ thousand)				
	1Q18	4Q17	3Q17	2Q17	1Q17
Balance sheet					
Accounts receivable	689,706	573,093	549,627	571,454	533,036
Inventories	426,933	419,492	354,009	338,776	373,649
Accounts payable	504,302	462,465	389,578	369,959	324,696
Sales outstanding [days]	64	56	57	63	60
Inventories outstanding [days]	48	49	44	43	49
Payables outstanding [days]	56	53	48	48	43
Cash conversion cycle [days]	**56**	**52**	**53**	**58**	**66**

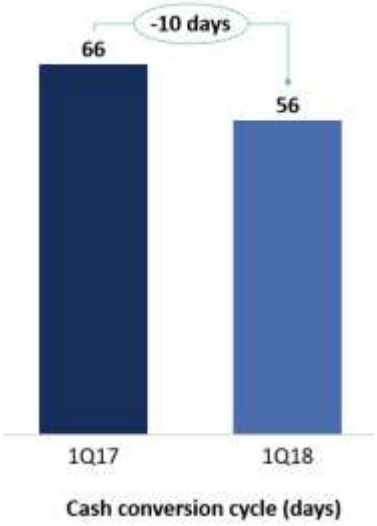
Main working capital lines recorded the following variations against the previous quarter (4Q17):

- Increase of R$116.6 million in accounts receivable, corresponding to an increase of 8 sale days, which is mainly due to the strong sales growth in the period.
- Inventories increased by R$7.4 million, corresponding, however, to a 1-day reduction (relating to the cost of goods sold).

- Increase of R$41.8 million in accounts payable, corresponding to a 3-day improvement. **We highlight the significant improvement of this indicator compared to 1Q17 (13 days)**, due to several actions aimed at stretching payment terms with the current suppliers.

  Company keeps improving its working capital, particularly inventories and accounts payables.

  In line with the Company's strategy to increase return on invested capital, the cash conversion cycle has improved significantly, as shown below:



CASH FLOW

Consolidated (R$ thousand)

CASH FLOW SUMMARY	1Q18	1Q17	Var.[%]
Cash at the beginning of period	**865,368**	**1,203,940**	**-28.1%**
Cash flow from operating activities	6,013	(21,774)	-
Cash flow from investing activities	(25,107)	(20,182)	24.4%
Cash flow from financing activities	(354,084)	(13,037)	-
Effect of Exchange variation on cash	2,505	(9,222)	-
Increase (decrease) in cash	**(370,673)**	**(64,215)**	**477.2%**
Cash at the end of period	**494,695**	**1,139,725**	**-56.6%**

In 1Q18, cash from operating activities amounted to R$6.0 million, compared to a cash consumption of R$21.8 million in 1Q17.

Investment activities totaled R$25.1 million in 1Q18, 24.4% higher compared to the same period of the previous year.

In 1Q18, financing activities totaled R$354.1 million, chiefly driven by the payment of loans in the amount of R$303.8 million in the quarter, of which R$291.1 million refers to the early payment of debts, in addition to the distribution of dividends of R$50.0 million to shareholders.

The combination between these factors and the exchange rate variation on cash resulted in a decrease of R$370.7 million in cash and cash equivalents in the period, which amounted to R$494.7 million in 1Q18.

INDEBTEDNESS

At the close of 1Q18, Company's net debt amounted to R$806.3 million, i.e., the net debt/adjusted EBITDA ratio for the previous 12-month period was 1.47.

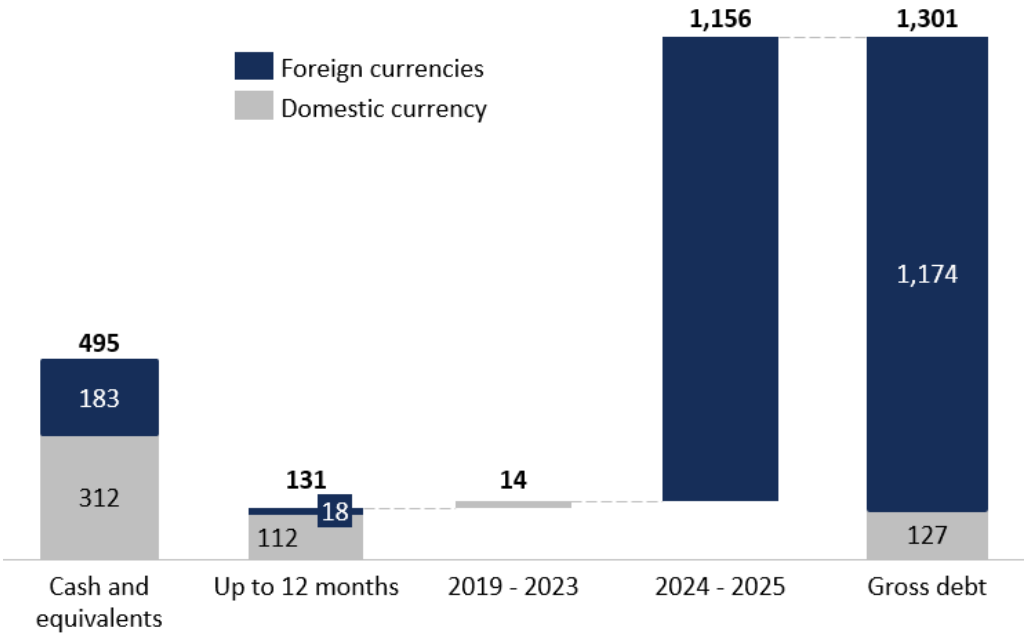
Obligations in foreign currency accounted for 90% of total obligations (2% short-term debt and 98% long-term debt), while 10% of debt is denominated in Reais (88% short-term debt and 12% long-term debt). Regarding cash balance, 63% is denominated in Reais, and 37% is denominated in foreign currency.

	Consolidated (R$ thousand)		
INDEBTEDNESS	**1Q18**	**4Q17**	**3Q17**
Short term*	131,021	458,472	201,435
Long term	1,170,223	1,165,541	1,458,223
Gross debt	**1,301,244**	**1,624,013**	**1,659,658**
Cash and equivalents*†	494,909	866,463	948,436
Net debt	**806,335**	**757,550**	**711,222**
Gross debt/Adjusted EBITDA	2.37x	3.12x	3.48x
Net debt/Adjusted EBITDA	**1.47x**	**1.45x**	**1.49x**

* Includes derivatives

† Includes financial investments

The Company's debt profile is as follows:



All amounts in R$ million.

PAYMENT OF DIVIDENDS AND INTEREST ON EQUITY

On May 25, 2018, Company will pay interest on equity to its shareholders in the amount of R$37.5 million. As previously approved by the Board of Directors, the Company will distribute dividends in the minimum amount of R$150.0 million related to the 2018 fiscal year. This amount will be distributed quarterly as interest on equity (until the limit permitted by law) and dividends.

OWNERSHIP STRUCTURE

On March 31, 2018, 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 Bylaws.

* * *

Attachment I – Commercial vehicle production and sales in Brazil

(Units)

	1Q18	1Q17	Var. (%)
Production			
Trucks			
Semi-light	431	550	-21.6%
Light	4,779	3,596	32.9%
Medium	1,407	1,133	24.2%
Semi-heavy	7,019	4,644	51.1%
Heavy	10,791	5,825	85.3%
Total trucks	**24,427**	**15,748**	**55.1%**
Buses	6,886	4,113	67.4%
Commercial vehicles	**31,313**	**19,861**	**57.7%**
Sales			
Trucks			
Semi-light	540	354	52.5%
Light	2,794	2,227	25.5%
Medium	1,303	783	66.4%
Semi-heavy	3,194	2,547	25.4%
Heavy	6,397	3,361	90.3%
Total trucks	**14,228**	**9,272**	**53.5%**
Buses	2,758	1,789	54.2%
Commercial vehicles	**16,986**	**11,061**	**53.6%**
Exports			
Trucks			
Semi-light	165	147	12.2%
Light	1,451	1,223	18.6%
Medium	341	331	3.0%
Semi-heavy	2,902	2,013	44.2%
Heavy	2,465	2,130	15.7%
Total trucks	**7,324**	**5,844**	**25.3%**
Buses	2,473	1,636	51.2%
Commercial vehicles	**9,797**	**7,480**	**31.0%**

Source: ANFAVEA

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

(Units)

	1Q18	1Q17	Var. (%)
North America			
Production/Factory Shipments			
Passenger cars	1,352,436	1,663,262	-18.7%
Light commercial vehicles – Class 1-3	3,089,654	2,979,946	3.7%
% Light commercial vehicles	**69.6%**	**64.2%**	**+5.4pp**
Light Duty – Class 4-5	18,684	20,856	-10.4%
Medium Duty – Class 6-7	36,430	34,898	4.4%
Heavy Duty – Class 8	73,056	48,787	49.7%
Medium & Heavy Duty[1]	**128,170**	**104,541**	**22.6%**
United States			
Sales			
Passenger cars	539,584	592,037	-8.9%
Light commercial vehicles – Class 1-3	1,116,280	964,444	15.7%
% Light commercial vehicles	**67.4%**	**62.0%**	**+5.5pp**
Light Duty – Class 4-5	30,892	27,733	11.4%
Medium Duty – Class 6-7	32,672	31,205	4.7%
Heavy Duty – Class 8	50,561	36,995	36.7%
Medium & Heavy Duty[1]	**114,125**	**95,933**	**19.0%**
Europe			
Sales			
Passenger cars	4,171,628	4,140,974	0.7%

Source: Automotive News; Bloomberg; ACEA
Note[1]: The amount of medium and heavy comercial vehicles comprises the vehicles of classes 4-8.

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

(Units)

	1Q18	1Q17	Var. (%)
Production			
Americas			
Brazil	11,989	11,884	0.9%
Sales			
Americas			
Brazil	10,308	12,726	-19.0%
United States and Canada	47,532	47,204	0.7%
Europe			
Germany	7,229	8,749	-17.4%
United Kingdom	2,932	3,024	-3.0%

Source: ANFAVEA; Bloomberg; AEM

(A free translation of the original in Portuguese)

TUPY S.A. AND SUBSIDIARIES

BALANCE SHEETS AT MARCH 31, 2018 AND DECEMBER 31, 2017
(All amounts in thousands of reais)

A S S E T S

	Note	Parent company		Consolidated	
		03/31/18	12/31/17	03/31/18	12/31/17
CURRENT ASSETS					
Cash and cash equivalents	3	329,831	667,827	494,695	865,368
Financial investments	4	-	1,077	-	1,077
Derivative financial instruments	25	25	18	214	18
Trade account receivables	5	281,650	280,213	689,706	573,093
Inventories	6	222,429	216,609	426,933	419,492
Tooling		28,074	25,694	112,943	102,000
Income tax and social contribution recoverable	7	-	-	8,937	7,943
Other taxes recoverable	8	64,854	55,364	112,265	119,486
Related parties	10	5,614	5,540	-	-
Notes and other receivables		17,102	32,062	31,153	44,286
Total current assets		949,579	1,284,404	1,876,846	2,132,763
NON-CURRENT ASSETS					
Income tax and social contribution recoverable	7	263,054	260,547	263,054	260,547
Other taxes recoverable	8	170,735	167,516	170,735	167,516
Deferred income tax and social contribution	9	114,858	113,978	90,515	76,243
Credits - Eletrobrás	11	102,170	102,170	102,170	102,170
Judicial deposits and other		50,644	50,139	51,739	51,234
Investments in equity instruments		1,531	1,442	6,916	6,762
Properties for investments		-	-	6,544	6,544
Investments	12	1,502,802	1,441,790	-	-
Property, plant and equipment	13	805,891	827,588	1,489,562	1,509,236
Intangible assets	13	57,408	58,277	285,477	296,141
Total non-current assets		3,069,093	3,023,447	2,466,712	2,476,393
Total assets		4,018,672	4,307,851	4,343,558	4,609,156

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

TUPY S.A. AND SUBSIDIARIES

BALANCE SHEETS AT MARCH 31, 2018 AND DECEMBER 31, 2017
(All amounts in thousands of reais)

L I A B I L I T I E S

		Parent company		Consolidated	
	Note	03/31/18	12/31/17	03/31/18	12/31/17
CURRENT LIABILITIES					
Trade accounts payables		239,472	216,687	504,302	462,465
Loans and financing	14	131,456	458,031	130,699	456,015
Derivative financial instruments	25	313	404	322	2,457
Income taxes payable		-	-	5,219	7,318
Other taxes payable		3,889	2,695	28,606	23,930
Salaries, social security charges and profit sharing		96,092	111,009	125,902	137,735
Advances from customers		21,695	22,898	68,346	63,997
Related parties	10	998	998	-	-
Dividends and interest on capital		89	50,076	89	50,076
Provision for tax, civil, social security and labor contingencies	15	14,452	16,115	14,584	16,247
Notes and other payables		145,549	133,924	73,572	70,300
Total current liabilities		654,005	1,012,837	951,641	1,290,540
NON-CURRENT LIABILITIES					
Borrowings	14	1,174,764	1,170,308	1,170,223	1,165,541
Provision for tax, civil, social security and labor contingencies	15	135,960	134,401	135,970	134,411
Retirement benefit obligations		-	-	31,323	27,927
Other long term liabilities		6,124	6,987	6,582	7,419
Total non-current liabilities		1,316,848	1,311,696	1,344,098	1,335,298
EQUITY					
Share capital	16	1,060,301	1,060,301	1,060,301	1,060,301
Share issuance costs		(6,541)	(6,541)	(6,541)	(6,541)
Share-based payments		9,754	9,172	9,754	9,172
Treasury shares		(26)	-	(26)	-
Carrying value adjustments		497,009	492,399	497,009	492,399
Income reserves		427,987	427,987	427,987	427,987
Retained earnings		59,335	-	59,335	-
Total equity		2,047,819	1,983,318	2,047,819	1,983,318
Total liabilities and equity		4,018,672	4,307,851	4,343,558	4,609,156

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, 2018 AND 2017
(All amounts in thousands of reais, except earnings per share)

	Note	Parent company 1/1/18 03/31/18	Parent company 1/1/17 03/31/17	Consolidated 1/1/18 03/31/18	Consolidated 1/1/17 03/31/17
NET REVENUE	17	575,996	512,769	1,059,196	855,124
Cost of products sold	18	(487,167)	(446,719)	(887,595)	(720,897)
GROSS PROFIT		88,829	66,050	171,601	134,227
Selling expenses	18	(25,468)	(23,846)	(40,534)	(36,531)
Administrative expenses	18	(26,713)	(25,584)	(33,145)	(30,882)
Management fees	10	(3,187)	(3,137)	(3,187)	(3,137)
Other operating expenses, net	20	(6,685)	(8,213)	(14,209)	(17,798)
Share of results of subsidiaries	12	50,321	51,871	-	-
PROFIT BEFORE FINANCE RESULTS AND TAXES		77,097	57,141	80,526	45,879
Finance costs	19	(27,984)	(36,489)	(29,275)	(37,435)
Finance income	19	10,511	22,882	11,663	24,150
Monetary and foreign exchange variations, net	19	(1,737)	(1,318)	(7,572)	(8,909)
PROFIT BEFORE TAXATION		57,887	42,216	55,342	23,685
Income tax and social contribution	21	(995)	4,966	1,550	23,497
NET INCOME FOR THE PERIOD		56,892	47,182	56,892	47,182
EARNINGS PER SHARE					
Basic earnings per share	22	0.39460	0.32725	0.39460	0.32725
Diluted earnings per share	22	0.39296	0.32569	0.39296	0.32569

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, 2018 AND 2017
(All amounts in thousands of reais, except earnings per share)

		Parent company		Consolidated	
		1/1/18 03/31/18	1/1/17 03/31/17	1/1/18 03/31/18	1/1/17 03/31/17
NET INCOME FOR THE PERIOD		56,892	47,182	56,892	47,182
Components of other comprehensive income to be reclassified to the results					
Foreign exchange variation of investees located abroad	12	10,691	(36,745)	10,691	(36,745)
Hedge of net investment abroad	25	(5,513)	33,088	(5,513)	33,088
Tax effect on hedge of net investment abroad	9	1,875	(11,252)	1,875	(11,252)
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		63,945	32,273	63,945	32,273

TUPY S.A. AND SUBSIDIARIES

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

						Carrying value adjustments		Revenue reserves			
	Note	Share capital	Share issue cost	Shared based payments	Treasury stock	Exchange variation of investees	Deemed cost of fixed assets	legal reserve	Reserve for investments	Retained earnings (losses)	Total
AT DECEMBER 31, 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	25	-	-	-	-	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	16	-	-	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**
AT DECEMBER 31, 2017		**1,060,301**	**(6,541)**	**9,172**	**-**	**440,932**	**51,467**	**68,223**	**359,764**	**-**	**1,983,318**
Comprehensive income for the period											
Profit for the period		-	-	-	-	-	-	-	-	56,892	56,892
Realization of carrying value adjustments		-	-	-	-	-	(2,443)	-	-	2,443	-
Foreign exchange variation of investees located abroad		-	-	-	-	10,691	-	-	-	-	10,691
Hedge of net investment abroad	25	-	-	-	-	(5,513)	-	-	-	-	(5,513)
Tax impact on hedge of net investment abroad		-	-	-	-	1,875	-	-	-	-	1,875
Total comprehensive income for the year		-	-	-	-	7,053	(2,443)	-	-	59,335	63,945
Contributions from stockholders and distributions to stockholders											
Management stock option plan		-	-	887	-	-	-	-	-	-	887
(-) treasury shares adquired		-	-	-	(331)	-	-	-	-	-	(331)
Transfer for stock options beneficiaries		-	-	(305)	305	-	-	-	-	-	-
Total contributions from stockholders and distributions to stockholders		-	-	582	(26)	-	-	-	-	-	556
AT MARCH 31, 2018		**1,060,301**	**(6,541)**	**9,754**	**(26)**	**447,985**	**49,024**	**68,223**	**359,764**	**59,335**	**2,047,819**

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

(A free translation of the original in Portuguese)

STATEMENTS OF CASH FLOW
QUARTERS ENDED MARCH 31, 2018 AND 2017
(All amounts in thousands of reais, except earnings per share)

		Parent company		Consolidated	
Cash flow from operating activities:	Note	3/31/18	3/31/17	3/31/18	3/31/17
Profit for the period before income tax and social contribution		57,887	42,216	55,342	23,685
Adjustment to reconcile profit (losses) with cash provided by operating activities:					
Depreciation and amortization	13	35,180	40,463	64,524	66,382
Share of results of subsidiaries	12	(50,321)	(51,871)	-	-
Disposals of property, plant and equipment		(1,264)	4,230	(109)	(177)
Interest accrued and foreign exchange variations		24,103	34,716	29,806	42,264
Provision for impairment of trade receivables	5	116	38	116	1,582
Provision for losses on inventory		620	1,216	457	321
Provision for contingencies	15	4,890	7,873	4,890	7,876
Stock option plan		887	1,074	887	1,074
Change in monetary exchange - IPI premium credit	11	207	610	207	610
Change in monetary exchange - Eletrobrás credit		(89)	243	(89)	243
		72,216	80,808	156,031	143,860
Changes in operating assets and liabilities:					
Trade accounts receivables		(507)	13,360	(120,797)	(132,219)
Inventories		(6,440)	13,650	(8,136)	32,050
Tooling		(2,380)	(1,438)	(10,251)	22,935
Other taxes recoverable		(15,423)	(15,044)	(5,774)	3,289
Notes and other receivables		14,960	5,854	13,094	(1,633)
Judicial deposits and other		(505)	(400)	(505)	(400)
Trade payables		20,537	26	35,509	30,530
Other taxes payable		1,194	868	4,665	1,908
Salaries, social security charges and profit sharing		(14,917)	(4,885)	(12,188)	622
Advances from customers		(1,203)	2,290	3,998	(19,570)
Notes and other payables		10,232	(1,173)	1,721	(5,676)
Retirement benefit obligations		-	-	3,628	2,116
Other long term liabilities		(5,857)	(7,050)	(5,831)	(7,102)
Cash generated by operations		**71,907**	**86,866**	**55,164**	**70,710**
Interest paid		(46,205)	(52,330)	(44,494)	(50,908)
Income tax and social contribution paid		-	-	(4,657)	(41,576)
Net cash generated (used) from operating activities		**25,702**	**34,536**	**6,013**	**(21,774)**
Cash flow from investment activities:					
Additions to fixed assets or intangibles	13	(11,942)	(11,590)	(26,184)	(20,447)
Cash generated on PPE disposals		933	-	-	265
Financial investment		1,077	-	1,077	-
Subsidiaries and associates		(74)	(142)	-	-
Cash used in investment activities		**(10,006)**	**(11,732)**	**(25,107)**	**(20,182)**
Cash flow from financing activities:					
Payment of loans		(303,766)	(12,360)	(303,766)	(12,360)
Interest on capital and dividends paid		(49,987)	(677)	(49,987)	(677)
Treasury stock		(331)	-	(331)	-
Cash used in financing activities		**(354,084)**	**(13,037)**	**(354,084)**	**(13,037)**
Effect of exchange rate differences on cash for the period		392	(1,067)	2,505	(9,222)
Increase (decrease) in cash and cash equivalents		**(337,996)**	**8,700**	**(370,673)**	**(64,214)**
Cash and cash equivalents at the beginning of the period		667,827	809,037	865,368	1,203,940
Cash and cash equivalents at the end of the period		**329,831**	**817,737**	**494,695**	**1,139,726**

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, 2018 AND 2017
(All amounts in thousands of reais, except earnings per share)

	Note	Parent company		Consolidated	
		3/31/18	3/31/17	3/31/18	3/31/17
Origination of value added		626,514	548,843	1,109,714	889,654
Sale of products, net of returns and rebates	17	626,630	548,881	1,109,830	891,236
Provision for impairment of trade receivables		(116)	(38)	(116)	(1,582)
(-) Inputs acquired from third parties		(408,921)	(397,563)	(708,423)	(620,492)
Raw materials and processing material consumed		(298,482)	(294,192)	(509,090)	(446,995)
Materials, energy, third party services and other		(110,439)	(103,371)	(199,333)	(173,497)
GROSS VALUE ADDED		217,593	151,280	401,291	269,162
Retentions:		(35,180)	(40,463)	(64,524)	(66,382)
Depreciation and amortization	13	(35,180)	(40,463)	(64,524)	(66,382)
Net value added generated by the Company		182,413	110,817	336,767	202,780
Value added received through transfer		60,832	74,753	11,663	24,150
Share of results of subsidiaries	12	50,321	51,871	-	-
Finance income	18	10,511	22,882	11,663	24,150
VALUE ADDED TO DISTRIBUTE		**243,245**	**185,570**	**348,430**	**226,930**
Distribution of value added					
Personnel		140,033	135,725	240,127	186,980
Employees		96,659	93,671	193,610	142,700
Social charges - Government Severance Indemnity Fund for Emplo		7,072	7,211	7,072	7,211
Profit sharing		11,342	8,500	14,193	10,377
Management fees		3,187	3,137	3,187	3,137
Workplace healthcare and safety		16,887	17,156	16,887	17,156
Food		2,342	2,763	2,342	2,763
Professional education, qualification and development		109	103	177	158
Other amounts		2,435	3,184	2,659	3,478
Government		16,599	(35,144)	14,564	(53,576)
Federal taxes and contributions		11,094	(19,649)	9,049	(38,081)
State taxes and rates		3,801	(17,080)	3,801	(17,080)
Municipal taxes, rates and other		1,704	1,585	1,714	1,585
Third party capital		29,721	37,807	36,847	46,344
Finance costs	18	27,984	36,489	29,275	37,435
Monetary and foreign exchange variations, net	18	1,737	1,318	7,572	8,909
Own capital		56,892	47,182	56,892	47,182
Retained earnings (losses)		56,892	47,182	56,892	47,182
TOTAL VALUE ADDED		**243,245**	**185,570**	**348,430**	**226,930**

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

(A free translation of the original in Portuguese)

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(A free translation of the original in Portuguese)

1. GENERAL INFORMATION

Tupy S.A. (the "Parent company") and its subsidiaries (together the "Company" or "Consolidated") have significant position in the domestic and foreign iron casting markets, the largest foundry in the West, manufacturing cast-iron engine blocks and cylinder heads, with a diversified customer base in the Americas, Europe and Asia. The Company also operate in the transportation, infrastructure and agriculture (blocks, cylinder heads and parts) and hydraulics (steel shots and iron bar) segments. The Company has plants in Brazil, at Joinville and Maua, and Mexico, at Saltillo and Ramos Arizpe. In addition to its plants, the Parent Company has investments in companies abroad that operate in logistics, trading and technical assistance.

Tupy S.A. is a publicly-held corporation headquartered in Joinville, State of Santa Catarina, listed on the São Paulo Stock Exchange (BOVESPA: ticker TUPY3) and in the Novo Mercado segment of B3 (former BM&FBOVESPA).

On March 13, 2018 the Company released a material fact about the succession of the Chief Executive Officer.

This quarterly information was approved for issue by the Company's Board of Directors on May 07, 2018.

2. PRESENTATION AND PREPARATION OF THE QUARTERLY INFORMATION

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

Circular Letter CVM/SNC/SEP 003, of April 28, 2011, permits entities to present selected explanatory notes in cases of redundancy or duplication relative to the information already presented in the Company's annual financial statements. The quarterly information does not include all of the disclosures required in a complete set of financial statements, and should be read together with the annual financial statements for the year ended December 31, 2017.

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, 2018:

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, 2017.

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, 2017. 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, 2018 are consistent with those used to prepare the annual financial statements for the year ended December 31, 2017, these policies are disclosed in Note 2 in the annual financial statements, except for the new standards, which are:

a. IFRS 9 - Financial Instruments (CPC 48 - Financial Instruments)

Financial assets

(i) Initial recognition and measurement

Classifications of financial assets are based on the Company's business model for the management of these assets in the characteristics of contractual cash flows, and are classified as follows:

- Debt instruments measured at amortized cost ("CA");

- Debt instruments measured at fair value through other comprehensive income ("VJORA");

- Debt instruments, derivatives, equity instruments and debt instruments measured at fair value through profit or loss ("VJR");

The Company determines the classification of financial assets at the time of its initial recognition, when it becomes part of the contractual provisions of the instrument.

Financial assets are initially recognized at fair value, plus, in the case of investments not designated at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of financial assets.

The Company's financial assets include cash and cash equivalents, trade accounts receivable and other accounts receivable, other loans and receivables are classified as financial assets at amortized cost.

(ii) Subsequent measurement

Subsequent measurement of financial assets depends on their classification, which can be as follows:

- At amortized cost

They should be measured at amortized cost if both of the following conditions are met:

(a) the financial asset is maintained within a business model whose objective is to maintain financial assets in order to receive contractual cash flows; and

(b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that exclusively comprise payments of principal and interest on the principal amount outstanding.

- Fair value through other comprehensive income

Financial assets should be measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is maintained within a business model whose objective is achieved by both the receipt of contractual cash flows and the sale of financial assets; and

(b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that exclusively comprise principal and interest payments on the principal amount outstanding.

- Fair value through profit or loss

Financial assets must be measured at fair value through profit or loss, unless measured at amortized cost or at fair value through other comprehensive income.

(iii) Impairment of financial assets

The Company evaluates at the balance sheet dates whether there is any objective evidence that determines whether the financial asset or group of financial assets is not recoverable. A financial asset or group of financial assets is considered to be non-recoverable if, and only if, there is objective evidence of non-recoverability as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and this loss event has an impact on the estimated future cash flow of the financial asset or the Company from financial assets that can be reasonably estimated. Evidence of impairment may include indicators that borrowing parties are experiencing a time of significant financial hardship. The likelihood that they will go into bankruptcy or other financial reorganization, default or late payment of interest or principal and when there are indicators of a measurable fall in estimated future cash flow, such as changes in maturity or economic condition related to defaults.

(iv) Derecognition (write-off) of financial assets

Derecognition of a financial asset occurs only when the contractual rights on the cash flow of the asset are realized or when the Company transfers the financial asset and substantially all its risks and returns to third parties. In transactions where such financial assets are transferred to third parties, but without the actual transfer of the respective risks and returns, the asset is not derecognised.

Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method to calculate interest expenses. The effective interest method calculates the amortized cost of a liability and allocates interest expense during the relevant period. These are classified as balances of suppliers, loans and financing, related parties and notes payable and others.

(ii) Derecognition (write-off) of financial liabilities

A financial liability is written off when the obligation is revoked, canceled or expired. When an existing financial liability is replaced by another of the same lender with substantially different terms, or the terms of an existing liability are significantly changed, such replacement or change is treated as write-off of the original liability and recognition of a new liability, the difference being accounting values recognized in the statement of income.

b. IFRS 15 - Revenues from contracts with customers

Revenues are presented net of taxes and discounts. Sales taxes are recognized when sales are billed, and sales discounts when granted. Revenues from sales of products are recognized when the sales value is reliably measurable, the Company has no control over the merchandise sold or any other responsibility related to its ownership, costs

incurred or that will be incurred in respect of the transaction may be measured reliably, it is probable that the economic benefits will be received by the Company and the control and benefits of the products have been fully transferred to the buyer. (note 17)

3. CASH AND CASH EQUIVALENTS

	Parent company		Consolidated	
	Mar/18	Dec/17	Mar/18	Dec/17
Cash and banks	3,125	5,791	3,170	6,138
Financial investments in Brazil	308,626	637,502	308,844	637,502
Financial investments abroad	18,080	24,534	182,681	221,728
	329,831	**667,827**	**494,695**	**865,368**

The financial investments disclosed as cash and cash equivalents are highly-liquid securities with an immaterial risk of changes in value. Those investments in Brazil are remunerated based on the variation of the Interbank Deposit Certificate (CDI) rate, with an average rate equivalent to 6.57% per annum (10.20% at December 31, 2017). The investments abroad are denominated mostly in US Dollars (US$) at the average rate of 1.15% per annum (1.17% per annum in December 2017).

4. FINANCIAL INVESTMENTS

Consolidated		
	Mar/18	Dec/17
Opening balance	**1,077**	**-**
Financial Investments	-	1,059
Redemptions	(1,089)	-
Changes in fair value	12	18
Closing balance	**-**	**1,077**

5. TRADE ACCOUNT RECEIVABLES

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

	Parent company		Consolidated	
	Mar/18	Dec/17	Mar/18	Dec/17
Domestic market	112,784	89,596	112,784	89,596
Foreign market	169,360	191,010	579,341	485,856
Provision for impairment of trade receivables	(494)	(393)	(2,419)	(2,359)
	281,650	**280,213**	**689,706**	**573,093**

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 2017, 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$54,887 (R$77,213 in December 31, 2017). (Note 10)

	Parent company		Consolidated	
	Mar/18	Dec/17	Mar/18	Dec/17
Falling due in up to 30 days	127,254	110,765	378,181	295,935
Falling due within 31 to 60 days	80,224	72,313	212,524	174,621
Falling due in more than 61 days	52,880	77,293	29,574	45,550
Total falling due	**260,358**	**260,371**	**620,279**	**516,106**
Overdue for up to 30 days	12,586	9,104	45,969	39,632
Overdue for 31 to 60 days	1,073	1,772	5,230	3,762
Overdue for more than 61 days	8,127	9,359	20,647	15,952
Total overdue	**21,786**	**20,236**	**71,846**	**59,346**
Provision for impairment of trade receivables	(494)	(393)	(2,419)	(2,359)
Total	**281,650**	**280,213**	**689,706**	**573,093**

6. INVENTORIES

	Parent company		Consolidated	
	Mar/18	Dec/17	Mar/18	Dec/17
Finished products	78,492	79,390	152,601	152,241
Work in progress	59,829	59,937	115,356	105,354
Raw materials	61,135	54,444	107,085	118,890
Maintenance and other materials	38,510	37,755	77,211	67,870
Provision for losses	(15,537)	(14,917)	(25,320)	(24,863)
	222,429	**216,609**	**426,933**	**419,492**

On March 31, 2018 the Company offered finished product inventory as collateral for labor and social security litigation amounting to R$6,503 (R$5,514 as at December 31, 2017) in the Parent company and Consolidated.

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

7. INCOME TAX AND SOCIAL CONTRIBUTION RECOVERABLE

	Mar/18			Dec/17		
	Current	Non-current	Total	Current	Non-current	Total
Parent Company	**-**	**263,054**	**263,054**	**-**	**260,547**	**260,547**
Income tax	-	202,911	202,911	-	204,586	204,586
Social contribution	-	60,143	60,143	-	55,961	55,961
Subsidiaries	**8,937**	**-**	**8,937**	**7,943**	**-**	**7,943**
Income tax	8,937	-	8,937	7,943	-	7,943
Consolidated	**8,937**	**263,054**	**271,991**	**7,943**	**260,547**	**268,490**

8. OTHER TAXES RECOVERABLE

	Mar/18			Dec/17		
	Current	Non-current	Total	Current	Non-current	Total
Parent company	**64,854**	**170,735**	**235,589**	**55,364**	**167,516**	**222,880**
1988/1990 IPI premium credit	-	31,451	31,451	-	30,940	30,940
ICMS recoverable - São Paulo	6,320	31,057	37,377	631	37,707	38,338
ICMS recoverable - Santa Catarina	21,113	69,307	90,420	22,776	59,950	82,726
Reintegra benefit	8,659	-	8,659	8,333	-	8,333
COFINS, PIS and IPI recoverable	28,762	38,920	67,682	23,624	38,919	62,543
Subsidiaries	**47,411**	**-**	**47,411**	**64,122**	**-**	**64,122**
Value-added tax (VAT)	47,411	-	47,411	64,122	-	64,122
Consolidated	**112,265**	**170,735**	**283,000**	**119,486**	**167,516**	**287,002**

9. 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/18	Dec/17	Mar/18	Dec/17
Deferred assets				
Income tax and social contribution losses	57,871	48,080	59,250	52,433
Provisions for contingencies (*)	62,586	62,838	72,597	71,694
Property, plant and equipment - impairment	28,818	28,818	28,818	28,818
Taxes and contribution recoverable	26,721	26,733	26,721	26,733
Salaries, social security charges and profit sharing	7,081	13,761	26,755	32,929
Credits – Eletrobrás	6,653	6,653	6,653	6,653
Provision for inventory losses	5,283	5,072	5,283	5,072
Provision for impairment of trade receivables	2,290	2,863	2,290	2,863
Tools	233	198	233	198
Other items	14,015	16,534	16,295	20,600
Unrealized profits in subsidiaries	-	-	3,413	3,445
Subtotal	**211,551**	**211,550**	**248,308**	**251,439**
Deferred liabilities				
Depreciation rate differences (*)	71,438	71,059	71,438	71,059
Property, plant and equipment - carrying value adjustments	25,255	26,513	25,255	26,513
Deferred tax on intangible assets	-	-	54,296	57,346
Property, plant and equipment - tax base (México)*	-	-	6,804	20,278
Subtotal	**96,693**	**97,572**	**157,793**	**175,196**
Total deferred liabilities, net	**114,858**	**113,978**	**90,515**	**76,243**

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, 2018 was R$6,804 (R$20,278 at December 31, 2017). 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, 2018, relating to deferred tax assets, will be recovered through future income tax.

During the period ended March 31, 2018, the changes in deferred tax assets and liabilities were as follow:

	Parent company		Consolidated	
	Mar/18	Dec/17	Mar/18	Dec/17
Opening balance	**113,978**	**101,399**	**76,243**	**44,353**
Recognized in profit (loss)				
Recognized in profit (loss) for the year	(995)	13,140	10,043	35,384
Recognized in comprehensive income for the year	1,875	4,388	1,875	4,388
Effects of currency translation into presentation currency			2,354	(2,933)
Recognized in assets				
Compensations with other taxes	-	(4,949)	-	(4,949)
Closing balance	**114,858**	**113,978**	**90,515**	**76,243**

10. RELATED PARTY TRANSACTIONS

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

a. Subsidiaries:

Assets	Mar/18	Dec/17
Trade account receivables	**54,887**	**77,213**
Tupy American Foundry Corporation	27,046	49,899
Tupy Mexico Saltillo, S.A. de C.V	4,654	10,121
Tupy Europe GmbH	22,326	16,732
Technocast, S.A. de C.V.	861	461
Related parties – loans	**5,614**	**5,540**
Tupy Agroenergética Ltda.	5,614	5,540
	60,501	**82,753**

Liabilities	Mar/18	Dec/17
Loans and financing	**1,176,391**	**1,191,238**
Tupy Overseas S.A	1,176,391	1,191,238
Advances from customers	**3,133**	**2,961**
Tupy American Iron & Alloys Corporation	2,975	2,961
Tupy American Foundry Corporation	158	-
Notes and other payables	**99,519**	**89,435**
Tupy American Foundry Co.	31,174	24,854
Tupy Europe GmbH	67,103	63,345
Tupy American Iron & Alloys Corporation	1,242	1,236
Related parties – loans	**998**	**998**
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation"	998	998
	1,280,041	**1,284,632**

Statement of income	1Q18	1Q17
Revenues	**201,738**	**173,876**
Tupy American Foundry Corporation	152,568	144,120
Tupy Europe GmbH	42,478	19,394
Tupy Mexico Saltillo, S.A. de C.V	6,692	10,361
Other operating expenses, net	**1,047**	**5,105**
Technocast, S.A. de C.V.	308	4,381
Tupy Mexico Saltillo, S.A. de C.V	739	724
Finance costs	**(19,228)**	**(18,547)**
Tupy Overseas S.A.	(19,228)	(18,560)
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation"	-	(4)
Tupy Agroenergética Ltda.	-	17
	183,557	**160,434**

The receivables and sales revenue of the Company with its subsidiaries mainly represent sales of products from the transportation, infrastructure & agriculture and hydraulic segments. Prices charged are in compliance with the Company's price lists, and terms range from 60 to 90 days, as established by the parties. At March 31, 2018, the Company's related

parties had no overdue receivables and, therefore, the Company did not record a provision for the impairment of these receivables.

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

Notes and other payables to subsidiaries abroad represent the current accounts between the subsidiaries and the Parent company. Refers mainly, to quality assistance for transportation, infrastructure & agriculture products. With an unspecified maturity.

The loan conditions granted by Tupy Overseas S.A. to the Parent company are disclosed in Note 16 to the annual financial statements for the year ended December 31, 2017.

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, 2018 is R$11,990, as detailed in Note 14.

c. Management remuneration:

	Board of Directors		Board of Officers		Total	
	1Q18	1Q17	1Q18	1Q17	1Q18	1Q17
Fixed remuneration	533	501	922	861	1,455	1,362
Variable remuneration	-	-	845	701	845	701
Stock option plan	240	322	647	752	887	1,074
	773	**823**	**2,414**	**2,314**	**3,187**	**3,137**

The overall amount of the annual remuneration, net of taxes, for the current year approved by the Extraordinary and Ordinary General Meeting was R$21,684.

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, 2017. (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, 2018, these benefits totaled R$200 (R$597 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 of 3 months ended at March 31, 2018, the Company recognized sponsorship expenses of R$277 (R$213 in the same period of the previous year).

11. 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 2003.

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

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 September 2016, the 6th Civil Court in Joinville retained monies, on Eletrobras´ checking accounts (online seizure), in the full amount claimed by the Company in the respective lawsuit. Until the court final decision is published, such amount will remain retained, by the judicial authority, in order to 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) a receive of a small part in 2008 for Eletrobrás, (b) the Company has the right of receive this amount (TRF4 decision at December 2011), (c) the blocking of the total amount of the Company´s right, in September 2016.

The Company estimates that the credit will be effectively received in a period between 24 to 30 months.

12. 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 DECEMBER 31, 2017							
investment in subsidiary company							
Tupy Mexico Saltillo, S.A. de C.V	1,027,862	666,401	30,513	64,277	100,00	64,087	696,190
Technocast, S.A. de C.V.	674,913	492,778	10,713	53,302	100,00	53,302	503,491
Servicios Industriales Technocast, S.A. de C.V.	10,621	8,927	-	1,026	100,00	1,026	8,927
Tupy Overseas	1,199,357	13,430	-	1,111	100,00	1,111	13,430
Tupy American Foundry Co.	192,084	91,977	-	4,450	100,00	3,289	88,302
Tupy American Iron & Alloys Co.	4,530	4,530	-	(66)	100,00	(66)	4,530
Tupy Europe GmbH	145,527	121,927	-	3,605	100,00	5,597	119,639
Tupy Agroenergética Ltda.	10,697	4,985	-	(658)	100,00	(658)	4,985
Sociedade Técnica de Fundições Gerais SA. - Sofunge "em liquidação"	2,298	2,296	-	2,848	100,00	2,848	2,296
						130,536	**1,441,790**

(*) Adjusted by unrealized profits

Parent company	Total assets	Equity	Goodwill	Profit (loss) for the period	Interest in capital (%)	Share in the results of subsidiaries (*)	Book value (*)
AT MARCH 31, 2018							
investment in subsidiary company							
Tupy Mexico Saltillo, S.A. de C.V.	1,082,197	696,602	30,513	26,283	100,00	26,508	726,683
Technocast, S.A. de C.V.	702,683	516,345	10,713	19,600	100,00	19,600	527,058
Servicios Industriales Technocast, S.A. de C.V.	10,621	8,927	-	1,026	100,00	1,026	8,927
Tupy Overseas	1,186,093	13,511	-	13	100,00	13	13,511
Tupy American Foundry Co.	172,230	94,774	-	2,301	100,00	3,205	92,151
Tupy American Iron & Alloys Co.	4,551	4,550	-	-	100,00	-	4,550
Tupy Europe GmbH	151,967	126,347	-	872	100,00	109	122,781
Tupy Agroenergética Ltda.	10,605	4,846	-	(139)	100,00	(139)	4,846
Sociedade Técnica de Fundições Gerais SA. - Sofunge "in liquidation"	2,298	2,295	-	(1)	100,00	(1)	2,295
						50,321	**1,502,802**

(*) Adjusted by unrealized profits

Changes in investments

Parent company	
AT DECEMBER 31, 2016	**1,454,691**
Share in the results of subsidiaries	130,536
Exchange variations of investees located abroad	28,543
Dividends Received	(171,980)
AT DECEMBER 31, 2017	**1,441,790**
Share in the results of subsidiaries	50,321
Exchange variations of investees located abroad	10,691
AT MARCH 31, 2018	**1,502,802**

13. PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Parent company

	Dec/17	Additions	Disposals	Transfers	Depreciation/ Amortization	Exchange variation	Mar/18	Historical Cost	Accumulated Depreciation
Property, plant and equipment	**827,588**	**11,056**	**331**	**-**	**(33,084)**	**-**	**805,891**	**2,054,803**	**(1,248,912)**
Machinery, facilities and equipment	572,436	-	331	6,285	(28,852)	-	550,200	1,636,723	(1,086,523)
Buildings	201,370	-	-	681	(3,622)	-	198,429	342,753	(144,324)
Land	8,956	-	-	-	-	-	8,956	8,956	-
Vehicles	9,089	-	-	121	(495)	-	8,715	22,982	(14,267)
Furniture, fittings and other	2,244	-	-	103	(115)	-	2,232	6,030	(3,798)
Construction in progress	33,493	11,056	-	(7,190)	-	-	37,359	37,359	-
Intangible assets	**58,277**	**1,227**	**-**	**-**	**(2,096)**	**-**	**57,408**	**92,454**	**(35,046)**
Software	54,185	500	-	(120)	(2,085)	-	52,480	87,515	(35,035)
Research and development costs	4,092	727	-	120	(11)	-	4,928	4,939	(11)

Consolidated

	Dec/17	Additions	Disposals	Transfers	Amortization	Exchange variation	Mar/18	Historical Cost	Accumulated Depreciation
Property, plant and equipment	**1,509,236**	**27,462**	**109**	**-**	**(50,979)**	**3,734**	**1,489,562**	**4,170,493**	**(2,680,931)**
Machinery, facilities and equipment	935,401	-	109	27,431	(43,812)	2,426	921,555	3,222,474	(2,300,919)
Buildings	357,499	-	-	3,866	(6,232)	753	355,886	706,758	(350,872)
Land	58,461	-	-	(5)	-	234	58,690	58,690	-
Vehicles	9,297	-	-	115	(514)	(2)	8,896	24,134	(15,238)
Furniture, fittings and other	8,981	-	-	1,644	(421)	53	10,257	24,159	(13,902)
Construction in progress	139,597	27,462	-	(33,051)	-	270	134,278	134,278	-
Intangible assets	**296,141**	**2,202**	**-**	**-**	**(13,545)**	**679**	**285,477**	**979,833**	**(694,356)**
Contractual customer relationships	191,153	-	-	-	(10,814)	646	180,985	820,062	(639,077)
Goodwill	41,226	-	-	-	-	-	41,226	41,226	-
Software	59,670	1,475	-	(120)	(2,720)	33	58,338	108,870	(50,532)
Research and development costs	4,092	727	-	120	(11)	-	4,928	4,939	(11)

The Company offered property, plant and equipment items as collateral for borrowing amounting to R$123,857 (R$130,548 as at December 31, 2017) and R$2,765 (R$5,895 as at December 31, 2017) 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$ 548 (R$ 549 on March 31, 2017). The Company carried out investment transactions that did not affect cash and which, amounting of R$3,480.

During the period, the Company did not observe impairment indicators of its assets, thus maintaining the calculation made on December 31, 2017.

14. LOANS AND FINANCING

Parent company

	Maturity	Effective rate	Mar/18	Dec/17
Local currency			**126,859**	**431,934**
(a) Expansion project of Tupy S.A. - BNDES	Jul/2018	TJLP* + 2.46% p.a.	9,019	15,755
(b) BNDES Exim - Pre-shipment of the Investment Sustainability Program	Sep/2018	8%p.a. / TJLP* + 3.3%pa	-	92,149
(c) Export credit notes	Dec/2018	10.85% p.a.	95,873	300,828
Government Agency for Machinery and Equipment Financing (FINAME)	Jan/2025	6.04% p.a.	21,967	23,202
Foreign currency			**1,179,361**	**1,196,405**
(a) Expansion project of Tupy S.A. - BNDES	Jul/2018	VC* + 6.6% p.a.	2,970	5,167
(e) Export prepayment - Tupy Overseas	Jul/2024	VC* +6.78% p.a.	1,176,391	1,191,238
Current portion			131,456	458,031
Non-current portion			1,174,764	1,170,308
			1,306,220	**1,628,339**

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

Consolidated

	Maturity	Effective rate	Mar/18	Dec/17
Local currency			**126,859**	**431,934**
(a) Expansion project of Tupy S.A. - BNDES	Jul/2018	TJLP* + 2.46% p.a.	9,019	15,755
(b) BNDES Exim - Pre-shipment of the Investment Sustainability Program	Sep/2018	8%p.a. / TJLP* + 3.3%pa	-	92,149
(c) Export credit notes	Dec/2018	10.85% p.a.	95,873	300,828
Government Agency for Machinery and Equipment Financing (FINAME)	Jan/2025	6.04% p.a.	21,967	23,202
Foreign currency			**1,174,063**	**1,189,622**
(a) Expansion project of Tupy S.A. - BNDES	Jul/2018	VC* + 6.6% p.a.	2,970	5,167
(f) *Senior Unsecured Notes* - US$350.000	Jul/2024	VC+6,76% a.a.	1,171,093	1,184,455
Current portion			130,699	456,015
Non-current portion			1,170,223	1,165,541
			1,300,922	**1,621,556**

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

Long term maturities are as follow:

	Parent company		Consolidated	
Year	**Mar/18**	**Dec/17**	**Mar/18**	**Dec/17**
2019	3,174	4,233	3,174	4,233
2020-2023	11,072	11,072	11,072	11,072
2024	1,160,487	1,154,972	1,155,946	1,150,205
2025	31	31	31	31
	1,174,764	**1,170,308**	**1,170,223**	**1,165,541**

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, 2018, the fair value of borrowings was R$1,349,983 (R$1,664,536 at December 31, 2017).

On March 31, 2018, The Company is in compliance with the Covenant terms. These are presented in annual financial statements for the year ended December 31, 2017, Note 16.

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

The variations in the period are substantially due to the amortization of R$8,901.

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

In January, the Company settled in advanced the amount of R$91,132 in short-term loans and financing contracts.

c. Export prepayments notes

In January 2018, the Company settled in advanced the amount of R$200,000 in short-term loans contracted in December 2015.

d. Export Prepayments – Tupy Overseas S.A.

In January, was payed interest of R$39,065. The impact of foreign exchange variations on the export prepayment amount with Tupy Overseas S.A. was a lost of R$4,964.

e. Senior Unsecured Notes

The foreign exchange variations reduction recognized in the period from senior unsecured notes in the period amounted to R$4,870. In January, was payed interest of R$37,354.

15. PROVISIONS FOR TAX, CIVIL, SOCIAL SECURITY AND LABOR CONTINGENCIES

The Company is a party to ongoing litigation arising in the normal course of its business and for which provisions (in the case of probable losses) were constituted based on estimates made by its legal counsel.

The changes in the provisions for tax, civil, social security and labor contingencies in the period of 3 months ended March 31, 2018 and the related judicial deposits were as follows:

Parent company

	Civil	Tax	Labor	Social security	Judicial deposits	Total
AT DECEMBER 31, 2016	**46,641**	**44,925**	**56,978**	**17,989**	**(19,794)**	**146,739**
Additions	-	26,572	33,391	6,213	(31,162)	35,014
Restatements	188	1	(13,339)	(926)	(677)	(14,753)
Payments	(2)	(3,430)	(24,109)	(6,274)	-	(33,815)
Deposit Redemption	-	-	-	-	17,331	17,331
AT DECEMBER 31, 2017	**46,827**	**68,068**	**52,921**	**17,002**	**(34,302)**	**150,516**
Additions	-	4	470	-	(3,868)	(3,394)
Restatements	463	245	3,498	210	(210)	4,206
Payments	-	-	(5,631)	-	-	(5,631)
Deposit Redemption	-	-	-	-	4,715	4,715
AT MARCH 31, 2018	**47,290**	**68,317**	**51,258**	**17,212**	**(33,665)**	**150,412**

Current	14,452
Non-current	135,960
	150,412

Consolidated

	Civil	Tax	Labor	Social security	Judicial deposits	Total
AT DECEMBER 31, 2016	**47,100**	**44,925**	**59,559**	**17,989**	**(19,960)**	**149,613**
Additions	-	26,584	30,942	6,213	(30,996)	32,743
Restatements	(271)	1	(13,339)	(926)	(677)	(15,212)
Payments	(2)	(3,432)	(24,109)	(6,274)	-	(33,817)
Deposit Redemption	-	-	-	-	17,331	17,331
AT DECEMBER 31, 2017	**46,827**	**68,078**	**53,053**	**17,002**	**(34,302)**	**150,658**
Additions	-	4	470	-	(3,868)	(3,394)
Restatements	463	245	3,498	210	(210)	4,206
Payments	-	-	(5,631)	-	-	(5,631)
Deposit Redemption					4,715	4,715
AT MARCH 31, 2018	**47,290**	**68,327**	**51,390**	**17,212**	**(33,665)**	**150,554**

Current	14,584
Non-current	135,970
	150,554

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

Generally, the Company's provisions for contingencies are long term provisions. Considering the period necessary to conclude judicial proceedings in the Brazilian judicial system, making accurate estimates about the specific year in which a certain lawsuit will be concluded is difficult. For this reason, the Company does not disclose the settlement flows of these liabilities.

Contingencies involving possible losses

	Parent company		Consolidated	
	Mar/18	Dec/17	Mar/18	Dec/17
IRPJ and CSLL processes	188,089	188,963	188,454	189,895
PIS, COFINS and IPI credits	135,049	129,536	135,049	129,536
ICMS credits	133,533	123,257	133,533	123,257
Expired tax debts	142,450	141,749	142,450	141,749
Customs	57,700	57,700	57,700	57,700
Social security (b)	95,217	89,110	95,217	89,110
Labor lawsuits	134,056	133,631	135,062	134,636
Civil and other	47,218	48,657	49,916	50,102
	933,312	**912,602**	**937,380**	**915,985**

The contingencies involving a risk of loss deemed “possible” are, substantially, the same as those disclosed in Note 19 to the annual financial statements for the year ended in December 31, 2017.

16. SHARE CAPITAL

	Mar/18		Dec/17	
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%	37,536,454	26.0%
Officers	48,161	0.0%	41,589	0.0%
Non-controlling interests				
Pioneer Investments Management LTDA	8,243,273	5.7%	7,625,500	5.3%
Fundação Embratel de Seguridade Social - TELOS	7,709,756	5.3%	7,744,156	5.4%
Other stockholders	49,994,486	34.7%	50,584,431	35.1%
Total outstanding shares	**144,177,500**	**100.0%**	**144,177,500**	**100.0%**

17. REVENUE

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

	Parent company		Consolidated	
	1Q18	1Q17	1Q18	1Q17
Gross revenue	637,002	559,003	1,139,450	908,280
Returns and rebates	(10,372)	(10,122)	(29,620)	(17,044)
Revenue net of returns and rebates	**626,630**	**548,881**	**1,109,830**	**891,236**
Sales taxes	(50,634)	(36,112)	(50,634)	(36,112)
Net revenue	**575,996**	**512,769**	**1,059,196**	**855,124**
Net revenue				
Domestic market	185,101	141,976	185,101	141,976
Foreign market	390,895	370,793	874,095	713,148
	575,996	**512,769**	**1,059,196**	**855,124**

18. COSTS AND EXPENSES BY NATURE

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

	Parent company		Consolidated	
	1Q18	1Q17	1Q18	1Q17
Raw and processing materials	(257,644)	(211,683)	(498,155)	(364,486)
Maintenance and consumption materials	(41,813)	(48,914)	(82,323)	(85,595)
Salaries, payroll taxes and profit sharing	(127,175)	(115,496)	(205,815)	(166,403)
Social benefits	(21,773)	(23,206)	(22,070)	(25,671)
Electricity	(30,659)	(33,518)	(50,650)	(51,412)
Freight and commission on sales	(18,511)	(17,886)	(29,458)	(26,541)
Management fees	(3,187)	(3,137)	(3,187)	(3,137)
Other costs	(6,765)	(5,161)	(19,266)	(12,208)
	(507,527)	***(459,001)***	***(910,924)***	***(735,453)***
Depreciation	(35,008)	(40,285)	(53,537)	(55,994)
	(542,535)	**(499,286)**	**(964,461)**	**(791,447)**
Cost of products sold	(487,167)	(446,719)	(887,595)	(720,897)
Selling expenses	(25,468)	(23,846)	(40,534)	(36,531)
Administrative expenses	(26,713)	(25,584)	(33,145)	(30,882)
Management fees	(3,187)	(3,137)	(3,187)	(3,137)
	(542,535)	**(499,286)**	**(964,461)**	**(791,447)**

19. FINANCE RESULTS

	Parent company		Consolidated	
Finance results	**1Q18**	**1Q17**	**1Q18**	**1Q17**
Financial liabilities at amortized cost	***(22,523)***	***(33,427)***	***(22,391)***	***(33,384)***
Borrowing	(22,366)	(33,398)	(22,234)	(33,355)
Notes payable and other financial liabilities	(157)	(29)	(157)	(29)
Financial assets at fair value through profit or loss	***511***	***108***	***511***	***108***
IPI - premium credit (note 8)	511	108	511	108
Other finance costs	***(5,972)***	***(3,170)***	***(7,395)***	***(4,159)***
Finance costs	**(27,984)**	**(36,489)**	**(29,275)**	**(37,435)**
Financial assets at fair value through profit or loss	***89***	***(243)***	***89***	***(243)***
Investments in equity instruments	89	(243)	89	(243)
Amortized cost	***5,378***	***21,064***	***5,378***	***21,064***
Cash and cash equivalents	5,378	21,064	5,378	21,064
Tax credits and other finance income	***5,044***	***2,061***	***6,196***	***3,329***
Finance income	**10,511**	**22,882**	**11,663**	**24,150**
Derivative financial instruments				
Foreign exchange variations	(2,181)	(847)	(10,079)	(10,336)
Derivative financial instruments	444	(471)	2,507	1,427
Foreign exchange variations, net	**(1,737)**	**(1,318)**	**(7,572)**	**(8,909)**
Finance results	**(19,210)**	**(14,925)**	**(25,184)**	**(22,194)**

In accordance of the IFRS 9 since January 1, 2018 the Company started on to recognize the cash and cash equivalents as an Amortized Cost. Previously it was considered as a Loans and Receivables.

20. OTHER OPERATING INCOME (EXPENSES)

	Parent company		Consolidated	
	1Q18	**1Q17**	**1Q18**	**1Q17**
Constitution and restatement of provision	(4,890)	(7,873)	(4,890)	(7,876)
Disposals of property, plant and equipment	2,238	875	2,016	5,017
Loss on the sale of unusable assets and write-off of third party tools and other assets	(3,861)	(1,037)	(348)	(4,551)
	(6,513)	***(8,035)***	***(3,222)***	***(7,410)***
Depreciation of non-operating assets	(172)	(178)	(173)	(178)
Amortization of intangible assets	-	-	(10,814)	(10,210)
Total other operating expenses, net	**(6,685)**	**(8,213)**	**(14,209)**	**(17,798)**

21. INCOME TAX AND SOCIAL CONTRIBUTION IN THE RESULTS

	Parent company		Consolidated	
	1Q18	1Q17	1Q18	1Q17
Net income (loss) before tax effects	**57,887**	**42,216**	**55,342**	**23,685**
Statutory tax rate	34%	34%	34%	34%
Expenses at statutory rate	(19,682)	(14,353)	(18,816)	(8,053)
Tax effect of permanent (additions) exclusions:				
Share of results of subsidiaries	17,109	17,636	-	-
Depreciation of non-operating assets	(58)	(61)	(58)	(61)
Additional income tax (Services Companies – Mexico)	-	-	(1,832)	(934)
Effect of correction of fixed assets	-	-	987	2,923
Reintegra – benefit	2,602	2,341	2,602	2,341
Finance income from monetary assets			4,506	10,153
Other permanent (additions) exclusions*	(966)	(597)	(3,802)	922
Effects of different rates in subsidiaries	-	-	4,506	-
Tax effects recorded in the statement of income before exchange effects	**(995)**	**4,966**	**(11,907)**	**7,291**
Effective rate of income tax before exchange effects	**2%**	**-12%**	**22%**	**-31%**
Effect of functional currency on tax base (a)	-	-	13,457	16,206
Tax effects recorded in the statement of income	**(995)**	**4,966**	**1,550**	**23,497**
Effective rate of income tax	**2%**	**-12%**	**-3%**	**-99%**

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	
	1Q18	1Q17	1Q18	1Q17
Tax effects recorded in the statement of income				
Current income tax and social contribution	-	(4,740)	(8,493)	(10,923)
Deferred income tax and social contribution	(995)	9,706	10,043	34,420
	(995)	**4,966**	**1,550**	**23,497**

22. EARNINGS PER SHARE

a) Basic:

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

	1Q18	1Q17
Profit attributable to the stockholders of the Company	56,892	47,182
Outstanding shares	144,177,500	144,177,500
Basic earnings (loss) per share - R$	**0.39460**	**0.32725**

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.

	1Q18	1Q17
Profit attributable to the stockholders of the Company	56,892	47,182
Outstanding shares	144,777,209	144,866,540
Diluted earnings (loss) per share - R$	**0.39296**	**0.32569**

23. SEGMENT REPORTING

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

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

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

The following is the information on each reported segment:

a) Reconciliation of revenue, costs, expenses and profit

Consolidated	Transportation, infrastructure & agriculture		Hydraulics		Total	
	1Q18	1Q17	1Q18	1Q17	1Q18	1Q17
Net revenue (Note 16)	1,007,139	811,281	52,057	43,843	1,059,196	855,124
Costs and expenses, except depreciation (Note 17)	(859,576)	(693,475)	(51,348)	(41,978)	(910,924)	(735,453)
Other operating expenses, net, except amortization of intangible assets and depreciation (Note 19)	(3,043)	(7,571)	(179)	161	(3,222)	(7,410)
Depreciation and amortization	(62,373)	(63,704)	(2,151)	(2,678)	(64,524)	(66,382)
Profit (loss) before finance results	**82,147**	**46,531**	**(1,621)**	**(652)**	**80,526**	**45,879**
Finance results (Note 18)					(25,184)	(22,194)
Profit (loss) before taxation					**55,342**	**23,685**
Income tax and social contribution (Note 20)					1,550	23,497
Profit (loss) for the period					**56,892**	**47,182**

b) Reconciliation of costs and expenses by segment

Consolidated	Transportation, infrastructure & agriculture		Hydraulics		Total	
	1Q18	1Q17	1Q18	1Q17	1Q18	1Q17
Raw and processing materials	(474,846)	(347,545)	(23,309)	(16,941)	(498,155)	(364,486)
Maintenance and consumption materials	(78,907)	(81,533)	(3,416)	(4,062)	(82,323)	(85,595)
Salaries and payroll taxes	(192,068)	(156,756)	(13,748)	(9,647)	(205,816)	(166,403)
Social benefits	(21,577)	(23,606)	(493)	(2,065)	(22,070)	(25,671)
Electricity	(46,313)	(47,073)	(4,338)	(4,339)	(50,651)	(51,412)
Depreciation	(51,386)	(53,316)	(2,151)	(2,678)	(53,537)	(55,994)
Freight and commissions on sales	(25,074)	(22,464)	(4,462)	(4,077)	(29,536)	(26,541)
Management fees	(2,932)	(2,867)	(255)	(270)	(3,187)	(3,137)
Other costs	(17,859)	(11,631)	(1,327)	(577)	(19,186)	(12,208)
	(910,962)	**(746,791)**	**(53,499)**	**(44,656)**	**(964,461)**	**(791,447)**

c) Reconciliation of assets and liabilities

Consolidated	Transportation, infrastructure & agriculture		Hydraulics		Total	
ASSETS	Mar/18	Dec/17	Mar/18	Dec/17	Mar/18	Dec/17
Trade account receivables (Note 5)	646,206	524,707	43,500	48,386	689,706	573,093
Inventories (Note 6)	371,822	363,814	55,111	55,678	426,933	419,492
Tooling	112,943	102,000	-	-	112,943	102,000
Notes and other receivables	29,410	41,016	1,744	3,270	31,154	44,286
Property, plant and equipment (Note 13)	1,454,779	1,472,024	34,783	37,212	1,489,562	1,509,236
Intangible assets (Note 13)	285,477	296,141	-	-	285,477	296,141
Other assets not allocated	-	-	-	-	1,307,784	1,664,908
Total assets	**2,900,637**	**2,799,702**	**135,138**	**144,546**	**4,343,559**	**4,609,156**

Consolidated	Transportation, infrastructure & agriculture		Hydraulics		Total	
LIABILITIES	Mar/18	Dec/17	Mar/18	Dec/17	Mar/18	Dec/17
Trade accounts payables	473,389	433,705	30,913	28,760	504,302	462,465
Income taxes payable	28,178	23,634	428	296	28,606	23,930
Salaries, social security charges and profit sharing	118,215	128,854	7,687	8,881	125,902	137,735
Advances from customers	61,555	54,899	6,791	9,098	68,346	63,997
Notes and other payables	67,435	64,298	6,138	6,002	73,573	70,300
Deferred tax on intangible assets (Note 9)	54,296	57,346	-	-	54,296	57,346
Other liabilities not allocated	-	-	-	-	1,440,715	1,810,065
Equity (Note 16)	-	-	-	-	2,047,819	1,983,318
Total liabilities and equity	**803,068**	**762,736**	**51,957**	**53,037**	**4,343,559**	**4,609,156**

Segment-specific assets and liabilities are allocated directly to each segment, and criteria relating to the applicability and origin are used for common assets and liabilities. The Company does not allocate cash and cash equivalents, recoverable and deferred taxes, judicial and other deposits, and investments in companies to the reporting segments, as they are not directly related to the operations. For the same reason, borrowing, dividends, provisions, deferred taxes and other long-term liabilities are also not allocated to the segments.

d) Major customers accounting for over 10% of the Company's total revenue

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

Consolidated				
Revenue	**1Q18**	**%**	**1Q17**	**%**
Transportation, infrastructure & agriculture	**1,007,139**	**95.1**	**811,281**	**94.9**
Customer A	211,538	20.0	190,471	22.3
Customer B	184,178	17.4	160,186	18.7
Customer C	101,164	9.6	85,680	10.0
Other customers	510,259	48.2	374,944	43.8
Hydraulics	**52,057**	**4.9**	**43,843**	**5.1**
Total Revenue	**1,059,196**	**100.0**	**855,124**	**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				
	1Q18	**%**	**1Q17**	**%**
North America	**677,522**	**64.0**	**527,816**	**61.8**
United States	353,405	33.4	276,834	32.4
Mexico	312,145	29.5	241,105	28.2
Canada	11,972	1.1	9,877	1.2
South and Central Americas	**189,962**	**18.0**	**148,796**	**17.4**
Brazil - head office	185,101	17.5	141,976	16.6
Other countries	4,861	0.5	6,820	0.8
Europe	**126,213**	**11.8**	**105,750**	**12.4**
United Kingdom	68,678	6.5	49,500	5.8
Hungary	6,545	0.6	20,969	2.5
Italy	21,480	2.0	8,585	1.0
Germany	5,298	0.5	7,975	1.0
Netherlands	5,750	0.5	12,951	1.5
Spain	9,613	0.9	2,917	0.3
Other countries	8,849	0.8	2,853	0.3
Asia, Africa and Oceania	**65,499**	**6.2**	**72,762**	**8.4**
South Africa	23,793	2.2	19,494	2.3
Thailand	12,654	1.2	18,161	2.1
Japan	8,125	0.8	10,377	1.2
China	9,365	0.9	22,901	2.7
Other countries	11,562	1.1	1,829	0.1
Total	**1,059,196**	**100.0**	**855,124**	**100.0**

24. FINANCIAL INSTRUMENTS

		Parent company		Consolidated	
	Note	Mar/18	Dec/17	Mar/18	Dec/17
Loans and receivables		**679,227**	**1,030,241**	**1,267,293**	**1,533,981**
Cash and cash equivalents	3	329,831	667,827	494,695	865,368
Trade account receivables	5	281,650	280,213	689,706	573,093
Notes and other financial assets		67,746	82,201	82,892	95,520
Effect on the results		*5,262*	*21,026*	*5,262*	*19,482*
Financial assets at fair value through profit or loss		**103,701**	**104,689**	**109,086**	**110,009**
Financial investments		-	1,077	-	1,077
Credits - Eletrobrás		102,170	102,170	102,170	102,170
Investments in equity instruments		1,531	1,442	6,916	6,762
Effect on the results		*89*	*(243)*	*89*	*(243)*
Financial liabilities at amortized cost		**1,697,454**	**2,036,013**	**1,885,467**	**2,211,816**
Trade accounts payables		239,472	216,687	504,302	462,465
Loans and financing	14	1,306,220	1,628,339	1,300,922	1,621,556
Dividends and interest on capital		89	50,076	89	50,076
Notes payable and other financial liabiliti		151,673	140,911	80,154	77,719
Effect on the results		*(22,523)*	*(33,427)*	*(22,391)*	*(33,384)*
Financial liabilities at fair value through profit or loss		**288**	**386**	**108**	**2,439**
Derivative financial instruments	25	288	386	108	2,439
Effect on the results		-	-	-	-

(*) Includes the provision for impaired receivables

In accordance of the IFRS 9 since January 1, 2018 the Company started on to recognize the cash and cash equivalents as an Amortized Cost. Previously it was considered as a Loans and Receivables.

25. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE OF NET INVESTMENT ABROAD

a) Derivative financial instruments

In order to minimize the impact of exchange rate on cash flow and financial results, the Company 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, (ii) purchase of sale option "PUT" and, (iii) sale off NDF non-deliverable forward, which consists of the future sale of currency at a pre-defined 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, 2018, the Company derivative financial instruments in the zero-cost collar type totaled the amount of US$74,900, with a due date at October 15, 2018. Which were made purchasing "PUT" with an average weighted price of exercise of R$3.1473 and sales "CALL" with an average weighted price of exercise of R$3.5571

In the period of 3 months ended at March 31, 2018, the Company recognized in finance results as net gain of R$444. Considering, gain of R$346 from the settlement of contracts in the period and R$98 due to the gains 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, 2018, the Subsidiaries derivative financial instruments in the zero-cost collar type totaled the amount of US$5,951, with a due date at June 28, 2018. Which were made purchasing "PUT" with an average weighted price of exercise of MXN18.2288 and sales "CALL" with an average weighted price of exercise of MXN21.4858.

On March 31, 2018, the Mexican subsidiaries recognized in their finance results as net profit the amount of R$2,063. Considering, gain of R$108 from the settlement of contracts in the period and R$2,233 due to the gains for the mark to market of these instruments. There was also a loss in the amount of R$62 from the exchange variation from this mark to market.

The financial derivative instruments net position is presented as follow:

	Parent company		Consolidated	
	Mar/18	Dec/17	Mar/18	Dec/17
Current liabilities				
Financial derivative instruments	(313)	(404)	(322)	(2,457)
Current assets				
Financial derivative instruments	25	18	214	18
Financial derivative instruments, net	**(288)**	**(386)**	**(108)**	**(2,439)**

b) Hedges of net investments abroad

With the objective of mitigating the effects of foreign exchange volatility on the results, the Company adopted hedges for the net investments abroad on January 10, 2014, as presented in the annual financial statement of year ended December 31, 2017 note 32.b.

In March 31, 2018, the Company has export prepayment contracts amounting to US$349,000, equivalent to R$1,160,006 as hedges of the investments in the subsidiaries in Mexico, Tupy México Saltillo, S.A. de C.V. and Technocast, S.A. de C.V., the functional currency of which is the US Dollar (US$), and which had net assets of US$367,614, equivalent to R$1,221,875, representing 94.9% effectiveness.

In the period of 3 months ended at March 31, 2018, the Company recognized in carrying value adjustments, within equity, a gross loss of R$5,513 arising from the conversion of the prepayment contracts designated as hedge instruments. As a result, the investments in Mexicans subsidiaries resulted in a gross gain of R$36,745. The net result was a gain of R$7,053.

26. FINANCIAL RISK MANAGEMENT

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

26.1 Credit risk

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

The Company sets exposure limits for each customer to limit the credit risk on trade receivables and risks are managed according to specific credit rating criteria, which include an analysis of customers in based on their payment ability, indebtedness level, market behavior and history with the Company. Furthermore, the Company carries out quantitative and qualitative analyses of its portfolio of trade receivables in order to determine the provision for probable losses on receivables. As at March 31, 2018, estimated losses on trade receivables amounted to R$2,419 (R$2,359 as at December 31, 2017), representing 0.3% of the consolidated balance of outstanding receivables at that date (0.4% as at December 31, 2017).

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/18	Dec/17	Mar/18	Dec/17
Counterparties with external credit ratings*				
Cash and cash equivalents	**329,831**	**668,904**	**494,695**	**866,445**
AAA	-	-	890	2,109
AA+ / AA / AA-	304,673	563,813	370,578	694,236
A+ / A / A-	23,471	91,762	113,938	144,865
Outros	1,687	13,329	9,289	25,235
Financial investments				
AAA	-	1,077	-	1,077
Derivative financial				
AA+ / AA / AA-	25	18	214	18
Credits - Eletrobrás				
BB-	102,170	102,170	102,170	102,170
Counterparties without external credit rating				
Trade receivables	**281,650**	**280,213**	**689,706**	**573,093**
Low risk	266,051	266,882	667,573	554,555
Moderate risk	14,772	12,572	21,306	12,572
High risk	827	759	827	5,966
Other financial assets	**69,277**	**83,643**	**89,808**	**102,282**
Total	**782,928**	**1,136,007**	**1,376,379**	**1,645,067**

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

The risk assessment of trade receivables is as follows:

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

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

26.2 Liquidity risk

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

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

The contractual maturities of financial liabilities are as follow:

Consolidated	Contractual cash flow					
FINANCIAL LIABILITIES	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total flow
Borrowings	59,102	139,385	84,234	245,693	1,297,689	1,826,103
Trade payables and notes and other payables	577,874	-	-	-	-	577,874
Dividends payable	89	-	-	-	-	89
	637,378	**139,385**	**84,234**	**245,693**	**1,297,689**	**2,404,379**

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

26.3 Market risk

Market risk is the risk of changes in the value of the Company's financial instruments as a result of changes in interest and foreign exchange rates and market prices. The objective of market risk management is to maintain exposure to market risks within acceptable levels, while optimizing returns.

Interest rate risk

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

Consolidated

	Note	Mar/18	Dec/17
Floating-rate instruments		**202,503**	**526,579**
Financial assets		308,844	639,656
Financial liabilities	12	(106,341)	(113,077)
Fixed-rate instruments		**(914,578)**	**(1,189,429)**
Financial assets		182,681	221,728
Financial liabilities	12	(1,097,259)	(1,411,157)

Sensitivity analysis of variations in floating interest rates

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

The fluctuations in interest rates may affect the Company's future results. Presented below are the impacts that would have been generated by changes in interest rates to which the Company is exposed.

Interest rate risk							Consolidated
			Scenarios - Normative Instruction 475				
Floating rate instruments	Risk	Disclosed	Probable	+25%	+50%	-25%	-50%
In Brazilian reais							
Investments	**Interest rate (CDI - % p.a.)**	**6.39**	**6.22**	**7.78**	**9.33**	**4.67**	**3.11**
Financial assets		308,844	308,844	308,844	308,844	308,844	308,844
Potential impact		-	-	4,521	9,043	(4,588)	(9,315)
Borrowings	**Interest rate (TJLP - % p.a.)**	**6.75**	**6.75**	**8.44**	**10.13**	**5.06**	**3.38**
Financial liabilities		106,341	106,341	106,341	106,341	106,341	106,341
Potential impact		-	-	(1,681)	(3,362)	1,708	3,472

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/18	Dec/17
Assets		**187,440**	**215,544**
Cash and cash equivalents abroad	3	18,080	24,534
Customers in the foreign market	5	169,360	191,010
Liabilities		**(159,250)**	**(172,013)**
Borrowings in foreign currency	12	(1,179,361)	(1,196,405)
Hedge of net investment abroad	24	1,160,006	1,154,492
Other amounts		(139,895)	(130,100)
Net exposure impacting profit			
In thousands of R$		28,190	43,531
In thousands of US$		8,481	13,159

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	**3.3238**	**3.3970**	**4.25**	**5.10**	**2.55**	**1.70**
Asset position	187,440	191,568	239,671	287,605	143,803	95,868
Liability position	(159,250)	(162,757)	(203,626)	(244,351)	(122,176)	(81,450)
Net exposure (R$ thousand)	28,190	28,811	36,045	43,254	21,627	14,418
Net exposure (US$ thousand)	8,481	8,481	8,481	8,481	8,481	8,481
Potential impact (R$ thousand)	**-**	**621**	**7,855**	**15,064**	**(6,563)**	**(13,772)**

Price risk

This risk relates to the possibility of fluctuations in the market prices of the inputs used in the manufacturing process, especially scrap, pig iron, metal alloys, coke and electricity. These price fluctuations could have an impact on the Company's costs. The Company monitors these prices, in order to pass on to customers any changes in its input prices.

26.4 Operating risk

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

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

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

26.5 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for its stockholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, management can make (or can propose to the stockholders, when their approval is required) adjustments to the amount of dividends paid to stockholders, return capital to stockholders, issue new shares or sell assets to reduce, for example, debt.

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

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

Consolidated		
	Mar/18	Dec/17
Own capital	**2,047,819**	**1,983,318**
Equity	2,047,819	1,983,318
Third party capital	**1,801,044**	**1,760,470**
Total current and non-current liabilities	2,295,739	2,625,838
Cash and cash equivalents	(494,695)	(865,368)
Own capital versus third-party capital ratio	**1.14**	**1.13**

26.6 Fair value

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

All financial instruments classified as financial assets and financial liabilities at fair value through profit or loss (Note 25) and the fair value of the borrowing disclosed in Note 14 are calculated by discounting the future contractual cash flow at the current market interest rate that is available to the Company for similar financial instruments.

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

27. SUBSEQUENT EVENTS

On May 8, the Company's Board of Directors approved the distribution to its shareholders of interest on shareholders' equity in the amount of R$ 37,500. The payment will be made on May 25, 2018.

* * *

Building a better working world

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

Independent auditor's review report on quarterly financial information

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

Introduction

We have reviewed the interim individual and consolidated financial information of Tupy S.A. (Company) contained in the Quarterly Information Form (ITR) for the quarter ended March 31, 2018, comprising the statement of financial position at March 31, 2018, and the related statements of profit and loss, comprehensive income, for the three-month period then ended, and the changes in equity and cash flows then ended including the explanatory notes.

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

Scope of review

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

Conclusion on the interim individual and consolidated financial information

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

Other matters

Interim statements of value added

We have also reviewed the individual and consolidated statements of value added (SVA) for the three-month period ended March 31, 2018, prepared under the responsibility of Company

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

Joinville, May 08, 2018.

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

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