



Quarterly Financial Report September 30, 2019

Release
Financial Information
Explanatory Notes
Independent auditor's report



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3Q19 Highlights

Highest EBITDA in the Company's History and Margin Recovery

Earnings Conference Call

Date: November 12, 2019

Portuguese/English

11:00 a.m. (Brasília) / **09:00 a.m.** (EST)

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- Revenues: R\$1,339.1 million, up 1.8% over 3Q18, due to the improved product mix (machined and CGI goods and engineering services), depreciation of the exchange rate and price adjustments;
- High value-added products: significant growth in sales of machined and CGI goods, which accounted for 26% and 22% of the volume, respectively (vs. 19% and 13% in the previous year);
- Gross margin: 18.2% (vs. 17.5% in 3Q18 and 2Q19). The increase in labor and energy costs year on year was offset by efficiency gains and other initiatives implemented by the new organizational structure;
- EBITDA and adjusted EBITDA: R\$188.7 million and R\$206.6 million, respectively, the highest EBITDA and adjusted EBITDA in the Company's history;
- EBITDA and adjusted EBITDA margins: 14.1% (vs. 13.9% in 3Q18 and 12.5% in 2Q19) and 15.4% (vs. 15.0% in 3Q18 and 14.6% in 2Q19), respectively, despite the decrease in volume. Margins grew due to productivity gain projects, better product mix and quick adaptation to volume variations (defensive approach);
- Operating cash flow: R\$155.3 million, up 105.6% over 2Q19;
- Indebtedness: net debt/adjusted EBITDA ratio was 1.29x, with maturities concentrated in 2024.

MAIN INDICATORS

Consolidated (R\$ thousand)

SUMMARY	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]
Revenues	1,339,132	1,315,819	1.8%	4,025,276	3,593,194	12.0%
Cost of goods sold	(1,095,829)	(1,086,205)	0.9%	(3,364,725)	(2,983,598)	12.8%
Gross profit	243,303	229,614	6.0%	660,551	609,596	8.4%
% of revenues	18.2%	17.5%		16.4%	17.0%	
Operating expenses	(101,885)	(92,132)	10.6%	(305,160)	(253,008)	20.6%
Other operating expenses	(35,077)	(27,249)	28.7%	(106,408)	(65,697)	62.0%
Income before financial results	106,341	110,233	-3.5%	248,983	290,891	-14.4%
% of revenues	7.9%	8.4%		6.2%	8.1%	
Net financial result	8,023	(19,239)	-	14,464	(57,600)	-
Income before taxes	114,364	90,994	25.7%	263,447	233,291	12.9%
% of revenues	8.5%	6.9%		6.5%	6.5%	
Income tax and social contribution	(47,883)	(2,357)	1931.5%	(57,076)	(39,484)	44.6%
Net income	66,481	88,637	-25.0%	206,371	193,807	6.5%
% of revenues	5.0%	6.7%		5.1%	5.4%	
EBITDA (CVM Inst. 527/12)	188,663	182,933	3.1%	489,680	497,055	-1.5%
% of revenues	14.1%	13.9%		12.2%	13.8%	
Adjusted EBITDA	206,598	196,791	5.0%	547,942	525,893	4.2%
% of revenues	15.4%	15.0%		13.6%	14.6%	
Avorago evehango rato (LICD/DDL)	3.97	3.95	0.5%	3.89	3.61	7 00/
Average exchange rate (USD/BRL)						7.8%
Average exchange rate (EUR/BRL)	4.41	4.59	-4.0%	4.37	4.30	1.7%



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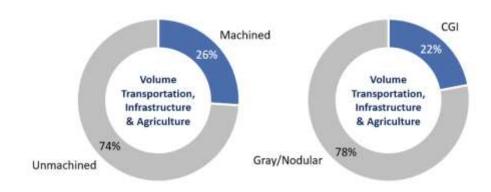
	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]
Domestic market	29,877	30,253	-1.2%	90,401	86,543	4.5%
Transportation, Infrastructure & Agriculture	25,756	26,493	-2.8%	79,354	75,825	4.7%
Hydraulics	4,120	3,760	9.6%	11,047	10,718	3.1%
Foreign market	116,837	122,372	-4.5%	357,217	368,578	-3.1%
Transportation, Infrastructure & Agriculture	113,204	118,361	-4.4%	346,906	355,145	-2.3%
Hydraulics	3,632	4,011	-9.4%	10,311	13,433	-23.2%
Total sales volume	146,714	152,625	-3.9%	447,618	455,121	-1.6%

Sales volume in 3Q19 decreased by 3.9% from 3Q18, mainly affected by the following factors:

- The sales of the Transportation, Infrastructure & Agriculture segment decreased by 2.8% and 4.4% in the foreign and domestic markets, respectively, mainly due to the performance of offroad applications.
- The Hydraulics segment increased by 9.6% in the domestic market, due to commercial opportunities, but fell by 9.4% in the foreign market, as a result of the price recovery strategy.

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

Partially or fully machined goods (vs. 19% in 3Q18 and 25% in 2Q19) accounted for 26% of the portfolio of the Transportation, Infrastructure & Agriculture segment. The distribution of goods by type of material shows CGI goods accounted for 22% of sales volume (vs. 13% in 3Q18 and 21% in 2Q19).





Revenues increased by 1.8% over 3Q18, mainly due to the improved product mix, revenues from engineering services, devaluation of the BRL and pass-through of higher raw material costs throughout 2018.

In the domestic market, we recorded an increase of 11.7%, due to revenue growth in commercial vehicle applications and in the Hydraulics segment, up 32.6% and 15.4%, respectively, mainly due to higher volume, the improved product mix and price adjustments.

In the foreign market, net revenues decreased by 0.3%, affected by the volume of off-road applications.

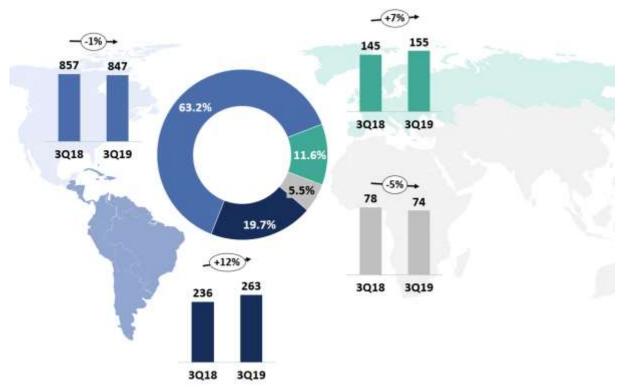
Consolidated (R\$ thousand)

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	3Q19	3T18	Var. [%]	9M19	9M18	Var. [%]
Revenues	1,339,132	1,315,819	1.8%	4,025,276	3,593,194	12.0%
Domestic market	252,719	226,230	11.7%	748,929	615,484	21.7%
Share %	18.9%	17.2%		18.6%	17.1%	
Foreign market	1,086,413	1,089,589	-0.3%	3,276,347	2,977,710	10.0%
Share %	81.1%	82.8%		81.4%	82.9%	
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Revenues per segment	1,339,132	1,315,819	1.8%	4,025,276	3,593,194	12.0%
Transportation, Infrastructure & Agriculture	1,274,346	1,257,160	1.4%	3,848,276	3,423,988	12.4%
Share %	95.2%	95.5%		95.6%	95.3%	
Hydraulics	64,786	58,659	10.4%	177,000	169,206	4.6%
Share %	4.8%	4.5%		4.4%	4.7%	

Revenues by market and performance in the period

In 3Q19, 63.2% of revenues came from North America; 19.7%, from South and Central America; 11.6%, from Europe; and the remaining 5.5%, from Asia, Africa and Oceania.

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

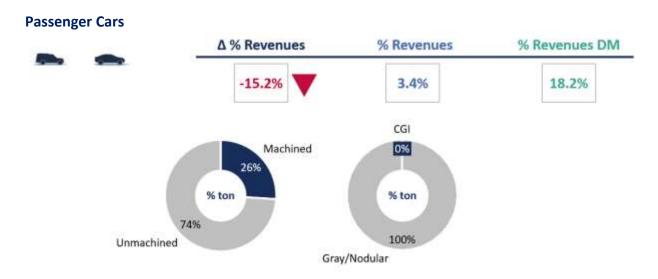


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	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]
Revenues	1,339,132	1,315,819	1.8%	4,025,276	3,593,194	12.0%
Domestic market	252,719	226,230	11.7%	748,929	615,484	21.7%
Transportation, Infrastructure & Agriculture	216,673	195,001	11.1%	647,589	525,987	23.1%
Passenger cars	45,999	54,216	-15.2%	141,938	151,895	-6.6%
Commercial vehicles	148,557	112,032	32.6%	436,056	300,879	44.9%
Off road	22,117	28,752	-23.1%	69,595	73,213	-4.9%
Hydraulics	36,046	31,229	15.4%	101,340	89,497	13.2%
Foreign market	1,086,413	1,089,589	-0.3%	3,276,347	2,977,710	10.0%
Transportation, Infrastructure & Agriculture	1,057,673	1,062,159	-0.4%	3,200,687	2,898,001	10.4%
Passenger cars	128,162	124,439	3.0%	382,440	337,556	13.3%
Light commercial vehicles	443,209	421,564	5.1%	1,339,542	1,166,477	14.8%
Medium and heavy commercial vehicles	203,202	183,551	10.7%	612,806	511,038	19.9%
Off road	283,100	332,605	-14.9%	865,899	882,929	-1.9%
Hydraulics	28,740	27,430	4.8%	75,660	79,709	-5.1%

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

DOMESTIC MARKET (DM)



Revenues from sales of passenger car applications decreased by 15.2% year over year, due to the phase out of goods, which was already included in the Company's plan, and the reduction in indirect exports.



Revenues from commercial vehicle applications increased by 32.6% year over year. We highlight indirect export opportunities, increased demand for heavy vehicles in the domestic market and the gain in market share of clients served by the Company.

Off road



Tupy's revenues from sales of machinery and off-road vehicles decreased by 23.1% in 3Q19, mainly due to the lower production of such equipment in the Brazilian market and the reduction in indirect exports.

Hydraulics



In the third quarter of 2019, revenues from sales in the Hydraulics segment rose by 15.4% over the same period of 2018, due to the increase in volumes and price adjustments.

FOREIGN MARKET (FM)

Passenger Cars



Revenues from products for passenger cars increased by 3.0% over 3Q18. In addition to the favorable exchange rate scenario, due to the devaluation of the BRL, we recorded a product ramp-up for these applications.

Light Commercial Vehicles



As in previous quarters, we observed a high share of pick-ups and SUVs in the US sales of light commercial vehicles (72% vs. 70% in 3Q18).

Sales for this application were positively affected in the period due to the devaluation of the BRL, product ramp-up and the increased share of machined goods (30% vs. 26% in 3Q18) and CGI goods (27% vs. 16% in 3Q18), both resulting from new programs.

Medium and Heavy Commercial Vehicles



The increase in revenues from medium and heavy commercial vehicles was mainly due to the positive performance of the North American markets. As observed in light commercial vehicles, revenue growth was affected by a larger share of high value-added goods, such as machined goods (24% vs. 8% in 3Q18) and CGI goods (42% vs. 31% in 3Q18), the ramp-up of new products and the depreciation of the exchange rate year over year.





Sales for off road applications in 3Q19 fell by 14.9% over the same period of 2018, due to the decrease in demand for applications for segments such as Oil & Gas, Agriculture and Construction. However, we observed a significant increase in the percentage of machined goods, which totaled 19% (vs. 11% in 3Q18).





In the third quarter of 2019, we observed a 4.8% increase in net revenues from pipe fittings and iron bars, despite the decrease in sales volume of these products, which was offset by the devaluation of the BRL and price adjustments.



COST OF GOODS SOLD AND OPERATING EXPENSES

The cost of goods sold (COGS) in 3Q19 totaled R\$1,095.8 million, up 0.9% over 3Q18. Operating expenses reached R\$101.9 million, representing 7.6% of net revenues in the quarter.

Consolidated (R\$ thousand)

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	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]
Revenues	1,339,132	1,315,819	1.8%	4,025,276	3,593,194	12.0%
Cost of goods sold	(1,095,829)	(1,086,205)	0.9%	(3,364,725)	(2,983,598)	12.8%
Raw material	(595,652)	(625,565)	-4.8%	(1,877,924)	(1,698,090)	10.6%
Labor, profit sharing and social benefits	(263,333)	(239,014)	10.2%	(781,422)	(666,473)	17.2%
Maintenance and third parties	(94,623)	(97,096)	-2.5%	(294,263)	(257,475)	14.3%
Energy	(64,157)	(57,263)	12.0%	(190,227)	(163,982)	16.0%
Depreciation	(62,150)	(56,342)	10.3%	(183,441)	(160,272)	14.5%
Others	(15,914)	(10,925)	45.7%	(37,448)	(37,306)	0.4%
Gross profit	243,303	229,614	6.0%	660,551	609,596	8.4%
% of revenues	18.2%	17.5%		16.4%	17.0%	
Operating expenses	(101,885)	(92,132)	10.6%	(305,160)	(253,008)	20.6%
% of revenues	7.6%	7.0%		7.6%	7.0%	

Gross margin was 18.2% in the period, an improvement of 0.7 percentage point compared to 3Q18 and 2Q19, primarily driven by the following factors:

- A 4.8% decrease in raw material costs, driven by a decline in the price of materials and the implementation of efficiency gain projects, despite the increased share of CGI and machined goods (which require more noble materials);
- A 10.2% rise in labor costs, mainly due to an increase in headcount, especially related to the new programs, the effect of the collective bargaining agreement and provisions for profit-sharing programs. Compared to 2Q19, we observed a decrease of 2.7% in this line, due to operational improvement initiatives and a reduction in overtime;
- A 2.5% decrease in maintenance and third-party costs, mainly due to lower volumes and the recognition of tax credits (PIS/COFINS) from prior periods; and
- A 12.0% increase in energy costs, due to the increased volume of CGI (electricity intensive) and machined goods, the exchange rate depreciation and the tariff increase in the annual comparison.

It is worth noting that the annual comparison was also impacted by the effect of the social security tax on payroll, effective as of September 2018, with an additional impact of R\$7.1 million in 3Q19.

Despite this effect and higher labor and energy costs, the substantial rise in gross margin reflects the impacts of the new management structure on several fronts, with an increase of high value-added products, operational efficiency gains and actions along with suppliers.

Operating expenses, including selling and administrative expenses, represented 7.6% of net revenues, totaling R\$101.9 million, a 10.6% increase over 3Q18. This variation was mainly due to higher labor, freight and third-party services expenses. **Compared to 2Q19**, these expenses fell by 4.1%.



OTHER OPERATING INCOME (EXPENSES)

Other net operating expenses reached R\$34.2 million in 3Q19, up 25.4% over R\$27.2 million in 3Q18.

Consolidated (R\$ thousand)										
	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]				
Depreciation of non-operating assets	(193)	(175)	10.3%	(641)	(523)	22.6%				
Amortization of intangible assets	(16,029)	(13,216)	21.3%	(46,585)	(36,336)	28.2%				
Others	(17,935)	(13,858)	29.4%	(58,262)	(28,838)	102.0%				
Other net operating expenses	(34,157)	(27,249)	25.4%	(105,488)	(65,697)	60.6%				

Expenses related to the amortization of intangible assets rose by 21.3%, due to an increase in the asset base, as a result of the exchange rate depreciation and the partial reversal of impairment in 4Q18, in the amount of R\$33.6 million.

The "Others" line consists of (i) R\$13.8 million in restatement/constitution of provisions (vs. R\$8.1 million in 3Q18) and (ii) R\$12.2 million related to the write-off of property, plant and equipment items, the sale of unserviceable assets (vs. R\$3.4 million in 3Q18) and revenues of R\$8.1 million from engineering services (tooling development).



NET FINANCIAL INCOME

In 3Q19, the Company recorded net financial income of R\$8.0 million, versus an expense of R\$19.2 million in 3Q18.

Consolidated (R\$ thousand)

	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]
Financial expenses	(38,841)	(29,542)	31.5%	(90,462)	(89,485)	1.1%
Financial revenues	34,136	10,320	230.8%	79,779	31,201	155.7%
Net monetary and exchange rate	12,728	(17)	-	25,147	684	-
Net Earnings	8,023	(19,239)	-141.7%	14,464	(57,600)	-

The reduction in financial expenses was chiefly due to net amortizations in the last twelve months, which amounted to R\$108.2 million and the reversal of recoverable tax credits. The year-over-year comparison was also impacted by the devaluation of the BRL against the USD (average exchange rate of R\$3.97 in 3Q19 vs. R\$3.95 in 3Q18), which affected the recognition of interest on borrowings denominated in USD.

Financial revenues increased by 230.8%, to R\$34.1 million in the period. Of this amount, R\$29.7 million refers to the restatement of the derivative instrument used to adjust Eletrobras' receivable credits to present value, with no cash effect.

The result of net monetary and exchange variations, in the amount of R\$12.7 million, was due to (i) monetary and exchange variations in the balance sheet accounts, with a positive impact of R\$16.8 million, and (ii) the result of hedging operations (settlement of contracts and mark-to-market), corresponding to a expense of R\$4.1 million in the period.



EARNINGS BEFORE TAXES AND NET INCOME

Consolidated (R\$ thousand)

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	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]
Income before tax effects	114,364	90,994	25.7%	263,447	233,291	12.9%
Tax effects before foreign exchange impacts	(42,652)	(13,571)	214.3%	(59,917)	(52,680)	13.7%
Gains before exchange effects on the tax base	71,712	77,423	-7.4%	203,530	180,611	12.7%
Exchange effects on the tax base	(5,231)	11,214	-	2,841	13,196	-78.5%
Net income	66,481	88,637	-25.0%	206,371	193,807	6.5%
% on Revenues	5.0%	6.7%		5.1%	5.4%	

The Company recorded tax effects before foreign exchange impacts in the amount of R\$42.7 million, resulting from the difference in expenses at the rate of 34% on profit before tax effects and the effects of permanent additions/exclusions. The 3Q18 figure was impacted by a tax benefit in the amount of R\$12.7 million from the payment of interest on equity during the period, which did not occur in 3Q19.

The effect of exchange rates on the tax base (deferred income tax in Mexican operations) is calculated in Mexican Pesos. The conversion from the functional currency, the USD, resulted in a reduction of R\$5.2 million, due to the devaluation of the Mexican Peso against the USD in 3Q19.

Net income from these effects amounted to R\$66.5 million in 3Q19, down 25.0% from 3Q18.



The combination of the above-mentioned factors resulted in EBITDA of R\$188.7 million, an increase of 3.1% over the same period of the previous year. EBITDA adjusted for the restatement/constitution of provisions, the write-off of property, plant and equipment items and the sale of unserviceable assets and tooling totaled R\$206.6 million, with a margin of 15.4%, an increase of 5.0% over 3Q18.

Consolidated ((R\$ thousand)
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RECONCILIATION OF NET INCOME TO EBITDA	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]
Net Income	66,481	88,637	-25.0%	206,371	193,807	6.5%
(+) Net financial results	(8,023)	19,239	-141.7%	(14,464)	57,600	-125.1%
(+) Income tax and social contribution	47,883	2,357	1931.5%	57,076	39,484	44.6%
(+) Depreciation and amortization	82,322	72,700	13.2%	240,697	206,164	16.8%
EBITDA (CVM Instr. 527/12)	188,663	182,933	3.1%	489,680	497,055	-1.5%
% on Revenues	14.1%	13.9%		12.2%	13.8%	
(+) Other net operating expenses*	17,935	13,858	29.4%	58,262	28,838	102.0%
Adjusted EBITDA	206,598	196,791	5.0%	547,942	525,893	4.2%
% on Revenues	15.4%	15.0%		13.6%	14.2%	

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

In absolute terms, we observed the highest EBITDA and adjusted EBITDA in the Company's history.

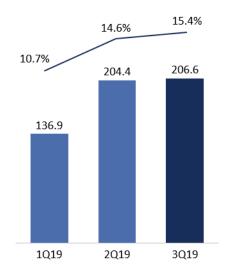
The margin of 15.4% represents a substantial increase compared to 2Q19 (14.6%), mainly due to the internal initiatives to increase operational efficiency, including new projects in Brazil and the ramp-up of operations Mexico.

Defensive approach (defense rings)

Given our exposure to several geographic regions and market segments, as well as its respective cycles, we have developed several initiatives to **quickly adapt the operations to demand oscillations**, mitigating the effect on our margins, highlighting:

- (i) Reallocation of the production between lines (Mexican and Brazilian);
- (ii) Change of work hours, reduction of overtime limit and turnover without replacements;
- (iii) Reduction of fixed costs in all areas.

Adjusted EBITDA and net revenue trends



The adjustments made to EBITDA have the purpose of offsetting the effect of items that present less correlation with the Company's business, are non-recurring or have no cash effect. These expenses amounted to R\$17.9 million in 3Q19 and comprise (i) R\$13.8 million related to the restatement/constitution of provisions (vs. R\$8.1 million in 3Q18), and (ii) R\$12.2 million related to the write-off of property, plant and equipment items, the sale of unserviceable assets (vs. R\$3.4 million in 3Q18) and revenues of R\$8.1 million from engineering services (tooling development).

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



INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Investments in property, plant and equipment and intangible assets totaled R\$58.5 million in 3Q19.

Consolidated (R\$ thousand)								
	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]		
PP&E								
Strategic investments	33,505	10,348	223.8%	94,446	20,858	352.8%		
Maintenance and sustenance	21,610	33,144	-34.8%	73,399	80,959	-9.3%		
Environment	1,050	1,058	-0.8%	2,277	4,151	-45.2%		
Interest and financial expenses	459	442	3.8%	1,244	1,525	-18.4%		
Intangible assets								
Software	822	2,332	-64.8%	5,702	4,296	32.7%		
Research and development	1,055	551	91.5%	1,967	1,992	-1.3%		
Total	58,501	47,875	22.2%	179,035	113,781	57.4%		
% on Revenues	4.4%	3.6%		4.4%	3.2%			

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

WORKING CAPITAL

	Consolidated (R\$ thousand)						
	3Q19	2Q19	1Q19	4Q18	3Q18		
Balance sheet							
Accounts receivables	909,148	890,013	813,127	688,495	754,026		
Inventories	584,464	522,374	513,142	523,623	486,753		
Accounts payable	642,209	643,790	677,581	621,292	576,245		
Sales outstanding [days]	63	62	59	52	60		
Inventories outstanding [days]	48	43	44	47	47		
Payables outstanding [days]	52	53	58	56	55		
Cash conversion cycle [days]	59	52	45	43	52		

There was a seven-day increase in working capital in the period compared to the previous quarter (2Q19). The main working capital lines presented the following variations:

- An increase of R\$19.1 million in the accounts receivable line, with a one-day increase in sales, due to the tooling development and exchange variation;
- Inventories rose totaling R\$62.1 million, with a five-day increase in relation to the cost of goods sold. This upturn reflects, among other factors, our initiatives to make production more flexible, thus mitigating volume reduction. Therefore, we transferred, from Mexico to Brazil, the production of some products that will continue to be machined in Mexico or directly delivered to the USA, causing the inventory of finished goods in transit to increase, which was offset by the maintenance of margins despite of decrease of volumes.
- A reduction of R\$1.6 million in the accounts payable line, with a one-day reduction, due to the inventory variation.



Consolidated (R\$	thousand)
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CASH FLOW SUMMARY	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]
Cash at the beginning of period	492,259	614,101	-19.8%	713,733	865,368	-17.5%
Cash from operating activities	155,276	199,998	-22.4%	224,640	368,432	-39.0%
Cash used in investments	(52,226)	(45,749)	14.2%	(167,684)	(103,704)	61.7%
Cash used in financing activities	(4,202)	(41,805)	-89.9%	(174,454)	(443,743)	-60.7%
Effect of the exchange rate on cash	20,079	16,068	25.0%	14,951	56,260	-73.4%
Increase (decrease) in cash	118,927	128,512	-7.5%	(102,547)	(122,755)	-16.5%
Cash at the end of period	611,186	742,613	-17.7%	611,186	742,613	-17.7%

In 3Q19, the Company generated R\$155.3 million in cash from operating activities, compared to a generation of R\$200.0 million in 3Q18. This comparison was impacted by the increase in the cash conversion cycle, as well as the high volume of tooling received in 3Q18.

Investment activities consumed R\$52.2 million in 3Q19, an increase of 14.2% over the same period of the previous year, due to the development and implementation of new programs in high value-added goods and operational efficiency projects.

Financing activities consumed R\$4.2 million in 3Q19, down 89.9% from 3Q18. The basis of comparison was affected by the payment of interest on equity made in 3Q18.

The combination between these factors and the exchange rate variation resulted in an increase of R\$118.9 million in cash and cash equivalents in the period. Therefore, we ended the third quarter of 2019 with a cash balance of R\$611.2 million.



INDEBTEDNESS

The Company closed 3Q19 with net debt of R\$898.8 million and a net debt/LTM adjusted EBITDA ratio of 1.29.

Foreign currency liabilities represented 98.5% of the total (2.0% short-term and 98.0% long-term debt), while 1.5% of the debt is denominated in BRL (42.7% short-term and 57.3% long-term debt). Regarding the cash balance, 44.4% is denominated in BRL and 55.6% in foreign currency.

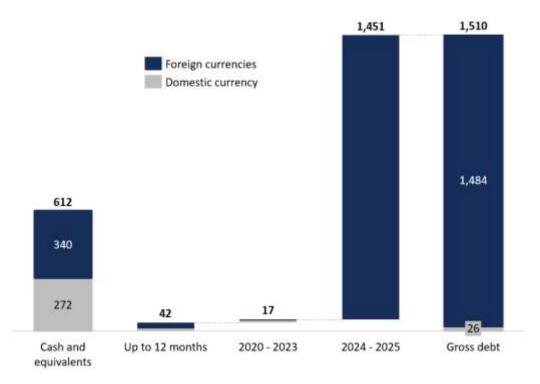
Consolidated (R\$ thousand)

INDEBTEDNESS	3Q19	2Q19	1Q19	4Q18	3Q18
Short-term*	41,557	59,589	31,008	47,591	123,278
Long-term	1,468,802	1,356,083	1,391,251	1,359,492	1,405,145
Gross debt	1,510,359	1,415,672	1,422,259	1,407,083	1,528,423
Cash and cash equivalents**	611,594	494,550	532,520	724,545	746,592
Net debt	898,765	921,122	889,739	682,538	781,831
Gross debt/adjusted EBITDA	2.16x	2.05x	2.14x	2.08x	2.32x
Net debt/adjusted EBITDA	1.29x	1.34x	1.34x	1.01x	1.19x

^{*} Includes derivative financial instruments

[†] Includes financial investments

The Company's debt profile is as follows:



All amounts in R\$ million.

OWNERSHIP STRUCTURE

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





EXECUTIVE OFFICERS' STATEMENT

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

* * *

Attachment I – Commercial vehicle production and sales in Brazil

3Q19	2010			(Units)						
	3Q18	Var. (%)	9M19	9M18	Var. (%)					
277	368	-24.7%	803	1,362	-41.0%					
4,247	5,310	-20.0%	13,313	14,971	-11.1%					
1,819	1,920	-5.3%	4,580	4,972	-7.9%					
8,028	7,897	1.7%	20,438	21,270	-3.9%					
17,685	12,172	45.3%	48,318	34,679	39.3%					
32,056	27,667	15.9%	87,452	77,254	13.2%					
7,719	8,096	-4.7%	21,783	23,051	-5.5%					
39,775	35,763	11.2%	109,235	100,305	8.9%					
	4,247 1,819 8,028 17,685 32,056 7,719	4,247 5,310 1,819 1,920 8,028 7,897 17,685 12,172 32,056 27,667 7,719 8,096	4,247 5,310 -20.0% 1,819 1,920 -5.3% 8,028 7,897 1.7% 17,685 12,172 45.3% 32,056 27,667 15.9% 7,719 8,096 -4.7%	4,247 5,310 -20.0% 13,313 1,819 1,920 -5.3% 4,580 8,028 7,897 1.7% 20,438 17,685 12,172 45.3% 48,318 32,056 27,667 15.9% 87,452 7,719 8,096 -4.7% 21,783	4,247 5,310 -20.0% 13,313 14,971 1,819 1,920 -5.3% 4,580 4,972 8,028 7,897 1.7% 20,438 21,270 17,685 12,172 45.3% 48,318 34,679 32,056 27,667 15.9% 87,452 77,254 7,719 8,096 -4.7% 21,783 23,051					

Sales						
Trucks						
Semi-lights	533	1,077	-50.5%	1,676	2,892	-42.0%
Light	2,804	2,841	-1.3%	8,190	8,508	-3.7%
Medium	2,749	2,238	22.8%	7,418	5,224	42.0%
Semi-heavy	6,565	5,061	29.7%	16,600	12,429	33.6%
Heavy	14,178	9,537	48.7%	38,213	23,726	61.1%
Total trucks	26,829	20,754	29.3%	72,097	52,779	36.6%
Buses	5,577	4,910	13.6%	15,196	23,726	-36.0%
Commercial vehicles	32,406	25,664	26.3%	87,293	76,505	14.1%

Exports						
Trucks						
Semi-lights	148	51	190.2%	369	271	36.2%
Light	667	1,287	-48.2%	1,866	4,236	-55.9%
Medium	364	360	1.1%	595	1,097	-45.8%
Semi-heavy	777	2,145	-63.8%	2,410	7,436	-67.6%
Heavy	1,891	2,260	-16.3%	4,598	7,424	-38.1%
Total trucks	3,847	6,103	-37.0%	9,838	20,464	-51.9%
Buses	1,422	1,732	-17.9%	5,219	6,466	-19.3%
Commercial vehicles	5,269	7,835	-32.8%	15,057	26,930	-44.1%

Source: ANFAVEA

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

(Units)

	3Q19	3Q18	Var. (%)	9M19	9M18	Var. (%)
North America						
Production						
Passenger cars	1,036,511	2,642,845	-60.8%	3,417,199	3,806,695	-10.2%
Light commercial vehicles – Class 1-3	2,902,068	2,858,188	1.5%	9,055,978	8,958,810	1.1%
% Light commercial vehicles	73,7%	52,0%	+21.7p.p.	72,6%	70,2%	+2.4p.p.
Light Duty – Class 4-5	20,239	17,072	18.6%	61,937	54,177	14.3%
Medium Duty – Class 6-7	37,201	37,585	-1.0%	119,843	113,070	6.0%
Heavy Duty – Class 8	92,538	92,021	0.6%	279,445	238,575	17.1%
Medium & Heavy Duty ¹	149,978	146,678	2.2%	461,225	405,822	13.7%
United States						
Sales						
Passenger cars	1,151,365	1,307,713	-12.0%	3,625,834	4,074,840	-11.0%
Light commercial vehicles – Class 1-3	3,160,914	3,006,213	5.1%	9,104,249	8,867,625	2.7%
% Light commercial vehicles	73,3%	69,7%	+3.6p.p.	71,5%	68,5%	+3.0p.p.
Light Duty – Class 4-5	31,789	32,120	-1.0%	93,968	98,259	-4.4%
Medium Duty – Class 6-7	42,591	36,088	18.0%	108,546	102,043	6.4%
Heavy Duty – Class 8	76,942	68,267	12.7%	211,833	178,321	18.8%
Medium & Heavy Duty ¹	151,322	136,475	10.9%	414,347	378,623	9.4%
Europe						
Sales						
Passenger cars	3,585,613	3,505,753	2.3%	11,769,175	11,955,442	-1.6%

Source: Automotive News; Bloomberg; ACEA

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

			(Units)			
	3Q19	3Q18	Var. (%)	9M19	9M18	Var. (%)
Production						
Americas						
Brazil	16,541	19,273	-14.2%	41,265	46,173	-10.6%
Sales						
Americas						
Brazil	12,763	14,688	-13.1%	32,584	34,551	-5.7%
United States and Canada	69,283	65,938	5.1%	212,145	204,739	3.6%
Europe						
Germany	11,639	10,415	11.8%	34,977	30,058	16.4%
United Kingdom	3,346	3,177	5.3%	10,312	9,706	6.2%

Source: ANFAVEA; Bloomberg; AEM

TUPY S.A. AND SUBSIDIARIES

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

<u>ASSETS</u>

	Parent co		ompany	Consoli	dated
	Note	9/30/19	12/31/18	9/30/19	12/31/18
CURRENT ASSETS					
Cash and cash equivalents	3	283,184	328,350	611,186	713,733
Derivative financial instruments	25	29	6,781	408	10,812
Trade account receivables	4	370,190	329,043	909,148	688,495
Inventories	5	248,479	234,188	584,465	523,623
Tooling		45,295	37,280	184,474	162,445
Income tax and social contribution recoverable	6	52,712	49,919	67,450	61,534
Other taxes recoverable	7	128,090	86,081	171,939	137,980
Related parties	9	1,662	5,982	-	-
Notes and other receivables		27,649	26,997	46,198	52,125
Total current assets		1,157,290	1,104,621	2,575,268	2,350,747
NON-CURRENT ASSETS		_			
Income tax and social contribution recoverable	6	105,164	166,857	105,164	166,857
Other taxes recoverable	7	126,075	157,979	126,075	157,979
Deferred income tax and social contribution	8	179,091	170,452	194,118	143,668
Credits - Eletrobrás	10	228,211	170,974	228,211	170,974
Judicial deposits and other		42,379	40,076	43,474	41,171
Investments in equity instruments		2,669	1,789	9,850	8,303
Properties for investments		-		6,363	6,363
Investments	11	1,950,227	1,793,940	-	-
Property, plant and equipment	12	692,595	734,611	1,637,902	1,557,292
Intangible assets	13	52,378	54,842	269,839	304,837
Total non-current assets		3,378,789	3,291,520	2,620,996	2,557,444
Total assets		4,536,079	4,396,141	5,196,264	4,908,191

TUPY S.A. AND SUBSIDIARIES

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

LIABILITIES

		Parent company		Consoli	Consolidated	
	Note	9/30/19	12/31/18	9/30/19	12/31/18	
CURRENT LIABILITIES						
Trade accounts payables		280,673	260,607	642,209	621,292	
Loans and financing	14	30,534	49,792	38,776	47,431	
Derivative financial instruments	25	2,704	-	2,781	160	
Income taxes payable		-	-	28,023	8,992	
Other taxes payable		1,514	2,810	31,218	30,012	
Salaries, social security charges and profit sharing		154,495	125,084	203,623	163,959	
Advances from customers		33,196	37,064	167,144	159,724	
Related parties	9	1,203	1,239	-	-	
Dividends and interest on capital		192	37,624	192	37,624	
Provision for tax, civil, social security and labor contingencies	15	41,934	28,043	41,934	28,043	
Notes and other payables		34,339	149,504	40,799	77,526	
Total current liabilities		580,784	691,767	1,196,699	1,174,763	
NON-CURRENT LIABILITIES						
Borrowings	14	1,466,074	1,363,887	1,468,802	1,359,492	
Provision for tax, civil, social security and labor contingencies	15	146,987	136,204	1,408,802	136,215	
Retirement benefit obligations	13		130,204	39,821	32,965	
Other long term liabilities		3,240	4,320	3,657	4,793	
Total non-current liabilities		1,616,301	1,504,411	1,660,571	1,533,465	
				, ,	· · · ·	
EQUITY						
Share capital	16	1,060,301	1,060,301	1,060,301	1,060,301	
Share issuance costs		(6,541)	(6,541)	(6,541)	(6,541)	
Share-based payments		9,604	8,564	9,604	8,564	
Treasury shares			(292)	-	(292)	
Carrying value adjustments		639,449	589,910	639,449	589,910	
Income reserves	9 d	423,021	548,021	423,021	548,021	
Retained earnings		213,160	-	213,160	-	
Total equity		2,338,994	2,199,963	2,338,994	2,199,963	
Total liabilities and equity		4,536,079	4,396,141	5,196,264	4,908,191	

TUPY S.A. AND SUBSIDIARIES

STATEMENTS OF INCOME QUARTERS ENDED SEPTEMBER 30, 2019 AND 2018

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

		Parent co	mpany	Consolidated		
		7/1/19	7/1/18	7/1/19	7/1/18	
	Note	9/30/19	9/30/18	9/30/19	9/30/18	
NET REVENUE	17	776,524	701,181	1,339,132	1,315,819	
Cost of products sold	18	(583,017)	(552,735)	(1,095,829)	(1,086,205)	
GROSS PROFIT		193,507	148,446	243,303	229,614	
Selling expenses	18	(28,344)	(29,457)	(51,463)	(47,996)	
Administrative expenses	18	(36,652)	(30,428)	(47,418)	(41,714)	
Management fees	18	(3,004)	(2,422)	(3,004)	(2,422)	
Other operating expenses, net	20	(18,921)	(16,230)	(35,077)	(27,249)	
Share of results of subsidiaries	11	(8,331)	37,060	-	-	
PROFIT BEFORE FINANCE RESULTS						
AND TAXES		98,255	106,969	106,341	110,233	
Finance costs	19	(38,476)	(28,589)	(38,841)	(29,542)	
Finance income	19	32,308	9,204	34,136	10,320	
Monetary and foreign exchange variations, net	19	13,014	7,684	12,728	(17)	
PROFIT BEFORE TAXATION		105,101	95,268	114,364	90,994	
Income tax and social contribution	21	(38,620)	(6,631)	(47,883)	(2,357)	
NET INCOME FOR THE PERIOD		66,481	88,637	66,481	88,637	
EARNINGS PER SHARE						
Basic earnings per share	22	0.46111	0.61478	0.46111	0.61478	
Diluted earnings per share	22	0.45969	0.61224	0.45969	0.61224	

TUPY S.A. AND SUBSIDIARIES

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

		Parent company		Consoli	dated	
	Note	9/30/19	9/30/18	9/30/19	9/30/18	
NET REVENUE	17	2,182,303	1,914,133	4,025,276	3,593,194	
Cost of products sold	18	(1,724,826)	(1,562,875)	(3,364,725)	(2,983,598)	
GROSS PROFIT		457,477	351,258	660,551	609,596	
Selling expenses	18	(89,740)	(81,286)	(160,780)	(133,583)	
Administrative expenses	18	(105,666)	(89,043)	(135,913)	(111,086)	
Management fees	18	(8,467)	(8,339)	(8,467)	(8,339)	
Other operating expenses, net	20	(57,783)	(34,953)	(106,408)	(65,697)	
Share of results of subsidiaries	11	33,254	111,392	-	-	
PROFIT BEFORE FINANCE RESULTS AND TAXES		229,075	249,029	248,983	290,891	
Finance costs	19	(87,853)	(85,978)	(90,462)	(89,485)	
Finance income	19	75,211	27,235	79,779	31,201	
Monetary and foreign exchange variations, net	19	28,167	4,849	25,147	684	
		15,525	(53,894)	14,464	(57,600)	
PROFIT BEFORE TAXATION		244,600	195,135	263,447	233,291	
Income tax and social contribution	21	(38,229)	(1,328)	(57,076)	(39,484)	
NET INCOME FOR THE PERIOD		206,371	193,807	206,371	193,807	
EARNINGS PER SHARE						
Basic earnings per share	22	1.43137	1.34423	1.43137	1.34423	
Diluted earnings per share	22	1.42697	1.33871	1.42697	1.33871	

TUPY S.A. AND SUBSIDIARIES

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

	Parent co	Consolidated			
	7/1/19	7/1/18	7/1/19	7/1/18	
	9/30/19	9/30/18	9/30/19	9/30/18	
NET INCOME FOR THE PERIOD	66,481	88,637	66,481	88,637	
Components of other comprehensive income					
to be reclassified to the results					
Foreign exchange variation of investees located abroad	143,413	63,456	143,413	63,456	
Hedge of net investment abroad	(115,937)	(51,686)	(115,937)	(51,686)	
Tax effect on hedge of net investment abroad	39,419	17,573	39,419	17,573	
	66,895	29,343	66,895	29,343	
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD	133,376	117,980	133,376	117,980	

TUPY S.A. AND SUBSIDIARIES

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

		Parent co	mpany	Consoli	dated
	Note	9/30/19	9/30/18	9/30/19	9/30/18
NET INCOME (LOSS) FOR THE YEAR		206,371	193,807	206,371	193,807
Components of other comprehensive income					
to be reclassified to the results					
Foreign exchange variation of investees located abroad	11	123,033	297,275	123,033	297,275
Hedge of net investment abroad		(101,069)	(242,867)	(101,069)	(242,867
Tax effect on hedge of net investment abroad		34,364	82,575	34,364	82,575
		56,328	136,983	56,328	136,983
TOTAL COMPREHENSIVE INCOME (LOSS) FOR THE YEAR		262.699	330.790	262.699	330.790

TUPY S.A. AND SUBSIDIARIES

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

						Carrying val	ue adjustments	Revenue	reserves		
			Share	Shared		Exchange	Deemed			Retained	
		Share	issue	based	Treasury	variation of	cost of	legal	Reserve for	earnings	
	Note	capital	cost	payments	stock	investees	fixed assets	reserve	investments	(losses)	Total
AT DECEMBER 31, 2017		1.060.301	(6,541)	9.172	-	440,932	51.467	68.223	359,764		1,983,318
=====, ===			(-)	-,		,		,	,		_,,,,,,,,,,
Comprehensive income for the period											
Profit for the period		-	-	-	-	-	-	-	-	193,807	193,807
Realization of carrying value adjustments		-	-	-	-	-	(7,049)		-	7,049	-
Foreign exchange variation of investees located abroad		-	-	-	-	297,275	-		-	-	297,275
Hedge of net investment abroad		-	-	-	-	(242,867)	-		-	-	(242,867)
Tax impact on hedge of net investment abroad		-		-		82,575	-		-	-	82,575
Total comprehensive income for the período		-	-	-	-	136,983	(7,049)	-	-	200,856	330,790
Contributions from stockholders and distributions to stockholders											
Management stock option plan		-	-	2,240	-	-			-	-	2,240
Realization of management stock option plan		-		(330)		-	-		-	-	(330)
Allocation of profit:											
Interest on capital		-		-		-	-		(75,000)	-	(75,000)
		-									
Total contributions from stockholders and distributions to stockholders		-	-	1,910	-	-	-	-	(75,000)	-	(73,090)
AT SEPTEMBER 30, 2018		1,060,301	(6,541)	11,082	-	577,915	44,418	68,223	284,764	200,856	2,241,018
						.,	,				
AT DECEMBER 31, 2018		1,060,301	(6,541)	8,564	(292	548,092	41,818	81,809	466,212	-	2,199,963
Comprehensive income for the period											
Profit for the period					-					206,371	206,371
Realization of carrying value adjustments		-	-	-	-	-	(6,789)		-	6,789	-
Foreign exchange variation of investees located abroad	11					123,033		-	-	-	123,033
Hedge of net investment abroad			-	-	-	(101,069)	-		-	-	(101,069)
Tax impact on hedge of net investment abroad		-	-	-	-	34,364	-		-	-	34,364
Total comprehensive income for the year		-	-	-	-	56,328	(6,789)	-	-	213,160	262,699
Contributions from stockholders and distributions to stockholders											
Management stock option plan		-		1.332		-			-	-	1,332
Realization of management stock option plan		-	-	(292)	292	-	-	-	-	-	-
Allocation of profit (loss):				(/							
Interest on capital	9 d			-		-			(125,000)	-	(125,000)
Total contributions from stockholders and distributions to stockholders		-	-	1,040	292			-	(125,000)	-	(123,668)
AT SEPTEMBER 30, 2019		1,060,301	(6,541)	9,604		604,420	35,029	81,809	341,212	213,160	2,338,994

TUPY S.A. AND SUBSIDIARIES

STATEMENTS OF CASH FLOW NINE MONTHS ENDED SEPTEMBER 30, 2019 AND 2018

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

		Parent co	mpany	Consoli	dated
Cash flow from operating activities:	Note	9/30/19	9/30/18	9/30/19	9/30/18
Profit for the period before income tax and social contribution		244,600	195,135	263,447	233,291
Adjustment to reconcile profit (losses) with cash provided by operating					
activities:					
Depreciation and amortization	12 e 13	104,570	104,571	239,777	206,164
Impairment	12 e 13	920	-	920	-
Share of results of subsidiaries	11	(33,254)	(111,392)	-	-
Disposals of property, plant and equipment		(4,552)	11,220	1,692	17,086
Interest accrued and foreign exchange variations		42,491	56,606	44,287	71,215
Provision for impairment of trade receivables		(40)	51	(318)	(609)
Provision for losses on inventory		(4,306)	(2,198)	(3,636)	122
Provision for contingencies	15	47,777	21,953	49,081	21,822
Stock option plan		1,332	2,240	1,332	2,240
Change in monetary exchange - IPI premium credit			3,394		3,394
Change in Eletrobrás credit		/EO 117\	259	(58,117)	
Change in Eletiopias cleuit		(58,117)		, ,	259
Changes in annualization and linking		341,421	281,839	538,465	554,984
Changes in operating assets and liabilities:		(22.042)	(5.447)	(475 670)	(75.742)
Trade accounts receivables		(32,042)	(5,117)	(175,678)	(75,742)
Inventories		(9,985)	(10,233)	(41,602)	(39,684)
Tooling		(8,015)	(9,337)	(12,119)	(38,394)
Other taxes recoverable		36,291	(1,822)	55,177	15,399
Notes and other receivables		(652)	11,291	5,758	(1,269)
Judicial deposits and other		(2,303)	(1,780)	(2,303)	(1,780)
Trade payables		21,448	17,812	(12,678)	23,102
Other taxes payable		(1,296)	(468)	(817)	(516)
Salaries, social security charges and profit sharing		29,411	29,302	36,056	37,410
Advances from customers		(3,868)	15,262	(2,816)	52,717
Notes and other payables		(90,787)	8,353	(12,257)	(4,694)
Retirement benefit obligations		-	-	10,382	18,260
Other long term liabilities		(24,183)	(34,231)	(24,250)	(34,146)
Cash generated by operations		255,440	300,871	361,318	505,647
Interest paid		(91,634)	(97,595)	(91,013)	(93,713)
Income tax and social contribution paid		-	-	(45,665)	(43,502)
Net cash generated (used) from operating activities		163,806	203,276	224,640	368,432
Cash flow from investment activities:					
Cash from capital reduction in subsidiaries		-	40,386	-	-
Additions to fixed assets or intangibles	12 e 13	(54,129)	(41,652)	(172,843)	(105,676)
Advances from investment property sales		-	-	5,000	-
Cash generated on PPE disposals		6,295	3,643	159	895
Financial investment			1,077	-	1,077
Subsidiaries and associates		4,284	(377)	-	-,
Cash used in investment activities		(43,550)	3,077	(167,684)	(103,704)
Cash flow from financing activities:					
Payment of loans		(3,554)	(318,442)	(3,554)	(318,442)
Lease payment from right of use		(2,172)	-	(8,468)	-
Interest on capital and dividends paid		(152,665)	(118,400)	(152,665)	(118,400)
Income tax of interest on capital and dividends paid		(9,767)	(6,571)	(9,767)	(6,571)
Treasury stock		- (5). 5.)	(330)	-	(330)
Cash used in financing activities		(168,158)	(443,743)	(174,454)	(443,743)
Effect of exchange rate differences on cash for the period		2,736	7,452	14,951	56,260
Increase (decrease) in cash and cash equivalents		(45,166)	(229,938)	(102,547)	(122,755)
Cash and cash equivalents at the beginning of the period		328,350	667,827	713,733	865,368
Cash and cash equivalents at the end of the period		283,184	437,889	611,186	742,613
cash and cash equivalents at the end of the period		203,104	437,007	011,100	742,013

TUPY S.A. AND SUBSIDIARIES

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

		Parent co	mpany	Consolidated		
	Note	9/30/19	9/30/18	9/30/19	9/30/18	
Origination of value added		2,387,735	2,088,489	4,230,986	3,768,210	
Sale of products, net of returns and rebates	17	2,387,695	2,088,540	4,230,668	3,767,601	
Provision for impairment of trade receivables		40	(51)	318	609	
(-) Inputs acquired from third parties		(1,449,737)	(1,362,887)	(2,657,137)	(2,437,901)	
Raw materials and processing material consumed		(1,135,375)	(1,010,974)	(1,906,816)	(1,764,461)	
Materials, energy, third party services and other		(314,362)	(351,913)	(750,321)	(673,440)	
GROSS VALUE ADDED		937,998	725,602	1,573,849	1,330,309	
Retentions:		(105,490)	(104,571)	(240,697)	(206,164)	
Depreciation and amortization	12 and 13	(104,570)	(104,571)	(239,777)	(206,164)	
Impairment		(920)	-	(920)	-	
Net value added generated by the Company		832,508	621,031	1,333,152	1,124,145	
Value added received through transfer		108,465	138,627	79,779	31,201	
Share of results of subsidiaries	11	33,254	111,392	-	-	
Finance income	19	75,211	27,235	79,779	31,201	
VALUE ADDED TO DISTRIBUTE		940,973	759,658	1,412,931	1,155,346	
Distribution of value added						
Personnel		469,616	441,109	915,996	790,239	
Employees		340,872	310,054	775,286	649,749	
Social charges - Government Severance Indemnity Fund for Employees (FGTS)		23,445	22,195	23,445	22,195	
Profit sharing		32,546	30,636	43,438	39,046	
Management fees		8,467	8,339	8,467	8,339	
Workplace healthcare and safety		46,205	52,298	46,205	52,298	
Food		9,230	7,751	9,230	7,751	
Professional education, qualification and development		625	632	1,030	881	
Other a mounts		8,226	9,204	8,895	9,980	
Government		205,300	43,613	225,249	82,499	
Federal taxes and contributions		196,727	39,582	216,674	78,457	
State taxes and rates		3,414	(859)	3,415	(858)	
Municipal taxes, rates and other		5,159	4,890	5,160	4,900	
Third party capital		59,686	81,129	65,315	88,801	
Finance costs	19	87,853	85,978	90,462	89,485	
Monetary and foreign exchange variations, net	19	(28,167)	(4,849)	(25,147)	(684)	
Own capital		206,371	193,807	206,371	193,807	
Retained earnings (losses)		206,371	193,807	206,371	193,807	
TOTAL VALUE ADDED		940,973	759,658	1,412,931	1,155,346	

(A free translation of the original in Portuguese) NOTES TO THE FINANCIAL STATEMENTS

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1. GENERAL INFORMATION

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

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

This quarterly information was approved for issue by the Company's Board of Directors on November 08, 2019.

2. PRESENTATION AND PREPARATION OF THE QUARTERLY INFORMATION

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

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

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

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

2.1. Basis of preparation

The quarterly information has been prepared based on the historical cost convention, except for certain financial instruments, which are measured at their fair values, as described in the accounting policies. The historical cost is generally based on the fair value of the consideration paid in exchange for assets. The functional and presentation currency are with the same as those for the annual financial statements for the year ended December 31, 2018.

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

2.2. Use of critical accounting estimates and judgments

The preparation of Parent Company and Consolidated quarterly information requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported for assets, liabilities, revenue and expenses.

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

2.3. Significant accounting policies

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

a. CPC 06 (R2) - Leases

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

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

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

	Parent company	Consolidated
Depreciation in costs	(2,642)	(9,193)
Depreciation in general expenses	(166)	(166)
Leasing in general expenses	3,833	10,832
PROFIT BEFORE FINANCE RESULTS AND TAXES	1,025	1,472
Finance costs	(1,213)	(2,006)
Income tax and social contribution	64	181
NET INCOME FOR THE PERIOD	(124)	(352)

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

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

b. IFRIC 23 - Uncertainty over income tax treatments

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

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

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

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

3. CASH AND CASH EQUIVALENTS

	Parent co	Parent company		idated
	sep/19	dec/18	sep/19	dec/18
Cash and banks	730	2,412	816	2,455
Financial investments in Brazil	267,407	282,533	267,625	282,751
Financial investments abroad	15,047	43,405	342,745	428,527
	283,184	328,350	611,186	713,733

The financial investments disclosed as cash and cash equivalents are highly-liquid securities with an immaterial risk of changes in value. Those investments in Brazil are remunerated based on the variation of the Interbank Deposit Certificate (CDI) rate, with an average rate equivalent to 6.32% per annum (6.48% at December 31, 2018). The investments abroad are denominated mostly in US Dollars (US\$) at the average rate of 2.69% per annum (1.62% per annum in December 2018) designed as time deposit and overnight.

4. TRADE ACCOUNT RECEIVABLES

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

	Parent company		Consolida	ted
	sep/19	dec/18	sep/19	dec/18
Domestic market	118,953	99,015	118,953	99,015
Foreign market	251,485	230,324	791,851	591,421
Provision for impairment of trade receivables	(248)	(296)	(1,656)	(1,941)
	370.190	329.043	909.148	688.495

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

The variation in trade account receivable is mainly due to the resumption of sales volume in the period when compared to the last quarter of 2018, combined with tooling sales due in last quarter of 2019.

The Company's trade receivable in the foreign market include related party amounts which are eliminated upon consolidation, amounting of R\$108,368 (R\$118,980 in December 31, 2018). (Note 9)

	Parent company		Consolida	ated
	sep/19	dec/18	sep/19	dec/18
Falling due in up to 30 days	153,926	151,664	423,655	386,231
Falling due within 31 to 60 days	105,313	93,397	299,075	159,461
Falling due in more than 61 days	91,255	64,896	95,898	35,751
Total falling due	350,494	309,957	818,628	581,443
Overdue for up to 30 days	14,391	4,660	79,329	79,286
Overdue for 31 to 60 days	2,064	1,949	4,572	16,960
Overdue for more than 61 days	3,489	12,773	8,275	12,747
Total overdue	19,944	19,382	92,176	108,993
Provision for impairment of trade receivables	(248)	(296)	(1,656)	(1,941)
Total	370,190	329,043	909,148	688,495

5. INVENTORIES

	Parent company		Consolidated	
	sep/19	dec/18	sep/19	dec/18
Finished products	79,772	74,713	157,369	167,520
Work in progress	73,725	63,929	226,480	127,034
Raw materials	70,310	73,519	135,119	173,888
Maintenance and other materials	30,083	31,744	83,246	76,566
Provision for losses	(5,411)	(9,717)	(17,749)	(21,385)
	248,479	234,188	584,465	523,623

On September 30, 2019 the Company offered finished product inventory as collateral for labor and social security litigation amounting to R\$7,668 (R\$5,514 as at December 31, 2018) in the Parent company and Consolidated.

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

6. INCOME TAX AND SOCIAL CONTRIBUTION RECOVERABLE

		sep/19			dec/18			
	Current	Non-current	Total	Current	Non-current	Total		
Parent Company	52,712	105,164	157,876	49,919	166,857	216,776		
Income tax	52,712	53,999	106,711	49,919	112,611	162,530		
Social contribution	-	51,165	51,165	-	54,246	54,246		
Subsidiaries	14,738	-	14,738	11,615	-	11,615		
Income tax	14,738	-	14,738	11,615	-	11,615		
Consolidated	67,450	105,164	172,614	61,534	166,857	228,391		

In line with the expected realization reported in the financial statements at December 31, 2018 (note 6), the Company used, in the nine months of 2019, R\$49,803 to offset federal taxes, especially withholding taxes.

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

7. OTHER TAXES RECOVERABLE

	sep/19			dec/18		
	Current	Non-current	Total	Current	Non-current	Total
Parent company	128,090	126,075	254,165	86,081	157,979	244,060
ICMS recoverable - São Paulo	12,768	12,688	25,456	7,037	26,166	33,203
ICMS recoverable - Santa Catarina	15,075	62,952	78,027	20,806	40,610	61,416
Reintegra benefit	1,610	-	1,610	13,458	-	13,458
COFINS, PIS and IPI recoverable	98,637	50,435	149,072	44,780	91,203	135,983
Subsidiaries	43,849	-	43,849	51,899	-	51,899
Value-added tax (VAT)	43,849	-	43,849	51,899	-	51,899
Consolidated	171,939	126,075	298,014	137,980	157,979	295,959

a. Social Contribution on Revenues (COFINS), Social Integration Program (PIS) and Excise Tax (IPI) recoverable

These are credits generated on the acquisition of inputs used in the production process net of taxes levied on the sale of products in domestic market.

In 2019 the Company registered the amounting of R\$8,874 from extemporaneous credits corresponding to the period from 2018 and 2019.

COFINS and PIS credits can be offset other federal taxes, and, since 2019 to used offset with social security contributions are allowed. Those credits also may be subject to monetary reimbursement, in proportion to foreign sales over net revenue. The Company estimates to realize such credits up to 5 years.

Exclusion of ICMS from the PIS and COFINS calculation base

The Company is discussing the subject, in order to declaring its right to exclude from ICMS calculation basis of the contribution of PIS and Cofins through two (2) writ of mandamus, one was filed before the Federal Court in São Paulo / SP, which is awaiting the return of the case after a ruling by the Federal Regional Court of the 3rd region to the lower court, and another filed in the subsection of Joinville / SC. The most recent lawsuit was filed as a result of Law No. 12,973/2014, which amended the legislation of the basis for calculation of contributions. The Company is in the process of calculating the amounts involved and awaits the STF's manifestation, although it has issued a favorable decision to the Company's thesis, which can still: (a) modulate the effects of its own decision; (b) must also express its opinion on how these credits are calculated, since there are divergent understandings on this point.

8. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION, NET

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

	Parent company		Consolida	ated
	sep/19	dec/18	sep/19	dec/18
Deferred assets				
Income tax and social contribution losses	62,999	45,822	75,963	45,822
Provisions for contingencies	74,341	68,143	74,341	68,143
Taxes and contribution recoverable	54,200	53,910	54,200	53,910
Credits – Eletrobrás	12,992	27,030	12,992	27,030
Property, plant and equipment - impairment	29,131	28,818	29,131	28,818
Salaries, social security charges and profit sharing	10,681	15,492	31,865	34,500
Provision for impairment of trade receivables	5,900	7,233	5,900	7,233
Provision for inventory losses	2,600	4,334	2,600	4,334
Share-based payments	3,265	2,911	3,265	2,911
Tools	-	-	19,752	16,840
Otheritems	14,221	12,407	23,487	20,571
Unrealized profits in subsidiaries	-	-	13,688	4,313
Subtotal	270,330	266,100	347,184	314,425
Deferred liabilities				
Depreciation rate differences	73,194	74,106	73,194	74,106
Property, plant and equipment - carrying value adjustments	18,045	21,542	18,045	21,542
Deferred tax on intangible assets	-	-	51,441	61,760
Property, plant and equipment - tax base (México)	-	-	10,386	13,349
Subtotal	91,239	95,648	153,066	170,757
Total deferred liabilities, net	179,091	170,452	194,118	143,668

The Mexican tax legislation allows the depreciation of property, plant and equipment on a tax basis, and the Company accordingly records the temporary difference in the depreciation between the tax and the accounting bases. The temporary difference at September 30, 2019 was R\$10,386 (R\$13,349 at December 31, 2018). The change in the year is due to the foreign exchange difference between the currency in which the taxes are charged in Mexico (Mexican pesos) and the functional currency (US Dollar) of the subsidiaries in Mexico.

The Company estimates that the balance as at September 30, 2019, relating to deferred tax assets, will be recovered through future income tax.

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

	Parent company		Consolid	ated
	sep/19	dec/18	sep/19	dec/18
Opening balance	170,452	113,978	143,668	76,243
Recognized in profit (loss)				
Recognized in profit (loss) for the year	(25,725)	(11,227)	13,100	(127)
Recognized in comprehensive income for the year	34,364	67,255	34,364	67,255
Effects of currency translation into presentation currency	-	-	2,986	(149)
Recognized in assets				
Transfer to income tax and social contribution recoverable	-	1,334	-	1,334
Compensations with other taxes	-	(888)	-	(888)
Closing balance	179,091	170,452	194,118	143,668

9. RELATED PARTY TRANSACTIONS

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

a. Subsidiaries:

Assets	sep/19	dec/18
Trade account receivables	108,368	118,980
Tupy Mexico Saltillo, S.A. de C.V	70,752	13,963
Tupy Europe GmbH	15,351	60,939
Tupy American Foundry Corporation	21,819	39,012
Technocast, S.A. de C.V.	446	5,066
Related parties – loans	1,662	5,982
Tupy Agroenergética Ltda.	1,662	5,982
	110,030	124,962

Liabilities	sep/19	dec/18
Loans and financing	1,474,452	1,395,346
Tupy Overseas S.A	1,474,452	1,395,346
Advances from customers	4,914	3,468
Tupy American Iron & Alloys Corporation	3,728	3,468
Tupy Europe GmbH	1,186	-
Notes and other payables	9,254	101,641
Tupy Europe GmbH	4,241	70,876
Tupy American Foundry Co.	3,290	29,283
Tupy American Iron & Alloys Corporation	1,557	1,448
Tupy México Saltillo S.A. de CV	166	34
Related parties – loans	1,203	1,239
Sociedade Técnica de Fundições		
Gerais S.A Sofunge "in liquidation"	1,203	1,239
	1,489,823	1,501,694

Statement of income	3Q19	3Q18	sep/19	dec/18
Revenues	286,504	260,328	769,530	696,383
Tupy American Foundry Corporation	166,638	192,228	500,578	517,941
Tupy Europe GmbH	60,215	58,865	172,678	150,477
Tupy Mexico Saltillo, S.A. de C.V	59,651	9,235	96,226	27,965
Other operating expenses, net	-	2,519	100	11,985
Technocast, S.A. de C.V.	-	1,436	1	6,350
Tupy Mexico Saltillo, S.A. de C.V	-	1,083	99	5,635
Finance costs	(24,048)	(23,995)	(69,354)	(64,843)
Tupy Overseas S.A.	(24,048)	(23,995)	(69,354)	(64,843)
	262,456	238,852	700,276	643,525

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 September 30, 2019, the Company's related parties had no overdue receivables and, therefore, the Company did not record a provision for the impairment of these receivables.

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

Notes and other payables to subsidiaries abroad represent the current accounts between the subsidiaries and the Parent company. Refers mainly, to quality assistance for transportation, infrastructure & agriculture products. With an 30 and 60 maturity days.

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

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

b. Main stockholders:

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

c. Management remuneration:

Management remuneration.						
	Board of Directors		Board	of Officers	Total	
	3Q19	3Q18	3Q19	3Q18	3Q19	3Q18
Fixed remuneration	626	549	1,159	638	1,785	1,187
Variable remuneration	-	-	928	600	928	600
Stock option plan (Note 19)	79	172	212	463	291	635
	705	721	2,299	1,701	3,004	2,422
	Board o	of Directors	Board of Officers		Total	
	sep/19	dec/18	sep/19	dec/18	sep/19	dec/18
Fixed remuneration	1,776	1,631	3,099	2,208	4,875	3,839
Variable remuneration	-	-	2,261	2,260	2,261	2,260
Stock option plan (Note 19)	361	606	970	1,634	1,331	2,240
	2,137	2,237	6,330	6,102	8,467	8,339

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

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

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

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

Officers receive additional corporate benefits, such as company vehicles, reimbursement of vehicle-related expenses, health insurance, pension plan and severance pay. In the nine months of 2019, these benefits totaled R\$528 (R\$2,234 in the same period of the previous year).

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

d. Dividends and interest on capital

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

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

e. Other related parties:

The Parent company sponsors the Associação Atlética Tupy (Tupy Athletic Association), a not-for-profit foundation that offers leisure activities and sports to the Company's employees. During the period of 9 months ended at September 30, 2019, the Company recognized sponsorship expenses of R\$656 (R\$898 in the same period of the previous year).

10. CREDITS - ELETROBRÁS

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

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

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

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

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

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

In regarding of the procedural acts listed above, in the last quarter of 2018, in addition to the right to full monetary restatement (which was already subject to final judge in 2003), the criteria for calculating the credit

held by the Company were definitively established. Accordingly, based on a decision made in October 2018, the Company updated and recorded the full entitlement of the compulsory deposit credits, according to criteria and assumptions determined in an irrevocable judicial decision. In addition, an embedded derivative was identified from the option of realizing credit, partial or total, in cash or in shares of Eletrobras, which was valued at its realization value on the balance sheet date by the Black-Scholes criterion reflecting the lowest and highest probable realization value in favor of the Company at recognition (final and unappealable court decision on October 1, 2018) and is being updated monthly. During the nine months of 2019, the variation in the provision substantially reflects the change in market value of Eletrobras share and the decrease in the estimated credit realization term.

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

In August 2019, the process was sent to the accounting office for updating to date for payment. After completion of the accounting update, the parties may comment and respectively, the process will proceed to deliberation on the amounts to be released.

Consolidated			
	Credits	Realizable value adjustment	Net realizable value
AT DECEMBER 31, 2017	121,737	(19,567)	102,170
Monetary adjustment	128,736	-	128,736
Registration of the embedded derivative	-	(104,862)	(104,862)
Change in fair value of derivative	-	44,930	44,930
AT DECEMBER 31, 2018	250,473	(79,499)	170,974
Monetary adjustment	15,947	-	15,947
Change in fair value of derivative	-	41,290	41,290
AT JUNE 30, 2019	266,420	(38,209)	228,211

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

11. INVESTMENTS

a. Composition of investments

						Share in the	
				Profit (loss)	Interest in	results of	
Parent company	Total assets	Equity	Goodwill	for the period	capital (%)	subsidiaries (*)	Book value (*)
AT SEPTEMBER 30, 2019							
investment in subsidiary company							
Tupy Mexico Saltillo, S.A. de C.V.	1,637,626	995,776	30,513	64,842	100.00	56,561	1,016,783
Technocast, S.A. de C.V.	904,492	616,536	10,713	(32,164)	100.00	(32,164)	627,249
Servicios Industriales Technocast, S.A. de C.V.	1,024	633	-	(73)	100.00	(73)	633
Tupy Overseas	1,489,764	19,212	-	881	100.00	881	19,212
Tupy American Foundry Co.	162,147	128,508	-	5,906	100.00	1,887	119,504
Tupy American Iron & Alloys Co.	5,696	5,696	-	1	100.00	1	5,696
Tupy Europe GmbH	187,868	163,859	-	9,881	100.00	7,953	155,790
Tupy Agroenergética Ltda.	10,829	4,162	-	(454)	100.00	(454)	4,162
Sociedade Técnica de Fundições							
Gerais SA Sofunge "in liquidation"	2,502	1,198	-	(1,338)	100.00	(1,338)	1,198
<u> </u>						33 254	1 950 227

^(*) Adjusted by unrealized profits

					Share in the			
				Profit (loss)	Interest in	results of		
Parent company	Total assets	Equity	Goodwill	for the period	capital (%)	subsidiaries (*)	Book value (*)	
AT DECEMBER 31, 2018								
investment in subsidiary company								
Tupy Mexico Saltillo, S.A. de C.V	1,416,806	879,034	30,513	93,322	100.00	94,290	909,191	
Technocast, S.A. de C.V.	847,898	580,674	10,713	34,643	100.00	34,643	591,387	
Servicios Industriales Technocast, S.A. de C.V.	10,035	8,131	-	(101)	100.00	(101)	8,131	
Tupy Overseas	1,406,540	17,002	-	1,260	100.00	1,260	17,002	
Tupy American Foundry Co.	210,685	113,679	-	5,307	100.00	8,809	110,344	
Tupy American Iron & Alloys Co.	5,299	5,299	-	(3)	100.00	(3)	5,299	
Tupy Europe GmbH	220,382	150,108	-	13,548	100.00	16,053	145,435	
Tupy Agroenergética Ltda.	10,613	4,616	-	(369)	100.00	(369)	4,616	
Sociedade Técnica de Fundições								
Gerais SA Sofunge "em liquidação"	2,538	2,535	-	239	100.00	239	2,535	
						154,821	1,793,940	

^(*) Adjusted by unrealized profits

Changes in investments

Parent company	
AT DECEMBER 31, 2017	1,441,790
Share in the results of subsidiaries	154,821
Exchange variations of investees located abroad	237,715
Dividends	(40,386)
AT DECEMBER 31, 2018	1,793,940
Share in the results of subsidiaries	33,254
Exchange variations of investees located abroad	123,033
AT SEPTEMBER 30, 2019	1,950,227

12. PROPERTY, PLANT AND EQUIPMENT

Parent company	Machinery, facilities and equipment	Buildings	Land	Vehicles	Furniture, fittings and other	Right of use	Construction in progress	Total
Cost								
AT DECEMBER 31, 2017	1,644,798	342,072	8,956	22,861	5,928	-	33,493	2,058,108
Addition	3,596	-	-	-	-	-	60,374	63,970
Transfer to property, plant and equipment in use	50,109	4,968	-	1,672	408	-	(57,157)	-
Disposal	(85,513)	(90)	-	(2,225)	(773)	-	-	(88,601)
AT DECEMBER 31, 2018	1,612,990	346,950	8,956	22,308	5,563	-	36,710	2,033,477
Addition		-	-	-	-	10,007	48,715	58,722
Transfer to property, plant and equipment in use	43,949	7,641	-	1,038	273	-	(52,901)	-
Impairment	(920)	-	-	-	-	-	-	(920)
Disposal	(5,073)	(681)	-	(1,684)	-	-	-	(7,438)
AT SEPTEMBER 30, 2019	1,650,946	353,910	8,956	21,662	5,836	10,007	32,524	2,083,841
Depreciation								
AT DECEMBER 31, 2017	(1,072,362)	(140,702)	-	(13,772)	(3,684)	-	-	(1,230,520)
Depreciation in the year	(113,434)	(14,405)	-	(1,948)	(459)	-	-	(130,246)
Disposal	59,517	32	-	1,645	706	-	-	61,900
AT DECEMBER 31, 2018	(1,126,279)	(155,075)	-	(14,075)	(3,437)	-	-	(1,298,866)
Depreciation in the year	(83,141)	(10,348)	-	(1,479)	(299)	(2,808)	-	(98,075)
Disposal	4,449	3	-	1,243	-	-	-	5,695
AT SEPTEMBER 30, 2019	(1,204,971)	(165,420)	-	(14,311)	(3,736)	(2,808)	-	(1,391,246)
Carrying amount								
AT DECEMBER 31, 2018	486,711	191,875	8,956	8,233	2,126	-	36,710	734,611
AT SEPTEMBER 30, 2019	445,975	188,490	8,956	7,351	2,100	7,199	32,524	692,595

Consolidated	Machinery, facilities and equipment	Buildings	Land	Vehicles	Furniture, fittings and other	Right of use	Construction in progress	Total
Cost		gu					p. og. co.	
AT DECEMBER 31, 2017	3,201,812	701,113	58,461	24,015	22,411	-	139,597	4,147,409
Addition	3,596	-	-	-	-	-	173,240	176,836
Transfer to property, plant and equipment in use	134,754	20,741	(5)	2,226	3,617	-	(161,333)	-
Exchange variation	271,162	62,013	8,412	217	2,605	-	16,075	360,484
Disposal	(139,139)	(600)	-	(2,225)	(774)	-	-	(142,738)
AT DECEMBER 31, 2018	3,472,185	783,267	66,868	24,233	27,859	-	167,579	4,541,991
Addition	-	-	-	-	-	31,449	171,366	202,815
Transfer to property, plant and equipment in use	141,174	12,631	-	842	2,071	-	(156,718)	-
Exchange variation	142,952	32,751	4,298	340	1,486	1,388	13,692	196,907
Impairment	(920)	-	-	-	-		-	(920)
Disposal	(7,557)	(681)	-	(1,684)	-	-	-	(9,922)
AT SEPTEMBER 30, 2019	3,747,834	827,968	71,166	23,731	31,416	32,837	195,919	4,930,871
Depreciation								
AT DECEMBER 31, 2017	(2,266,411)	(343,614)	-	(14,718)	(13,430)	-	-	(2,638,173)
Depreciation in the year	(188,911)	(24,513)	-	(2,048)	(2,437)	-	-	(217,909)
Exchange variation	(206,694)	(35,393)	-	(169)	(1,771)	-	-	(244,027)
Disposal	112,959	100	-	1,645	706	-	-	115,410
AT DECEMBER 31, 2018	(2,549,057)	(403,420)	-	(15,290)	(16,932)	-	-	(2,984,699)
Depreciation in the year	(153,467)	(18,345)	-	(1,564)	(1,863)	(9,406)	-	(184,645)
Exchange variation	(111,031)	(19,118)	-	(97)	(1,127)	(427)	-	(131,800)
Disposal	6,929	3	-	1,243	-	-	-	8,175
AT SEPTEMBER 30, 2019	(2,806,626)	(440,880)	-	(15,708)	(19,922)	(9,833)	-	(3,292,969)
Carrying amount								
AT DECEMBER 31, 2018	923,128	379,847	66,868	8,943	10,927	-	167,579	1,557,292
AT SEPTEMBER 30, 2019	941.208	387.088	71.166	8.023	11.494	23.004	195.919	1.637.902

The Company offered property, plant and equipment items as collateral for borrowing amounting to R\$17,720 (R\$21.922 as at December 31, 2018) and R\$5,895 (R\$5,895 as at December 31, 2018) as collateral for tax litigation.

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

During the period, interest of loans and financing was capitalized on property, plant and equipment in the amount of R\$1,244 (R\$1,525 on September 30, 2018).

During the period, the Company record a provision for impairment in the amount of R\$920 thousand, related to the deactivated of some finishing area assets indefinitely. To determine the impairment value, the residual value of the decommissioned operating assets was considered. No other indicators of impairment of its assets were observed.

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

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

13. INTANGIBLE ASSETS

	Research and					
Parent company	Software	development costs	Total			
AT DECEMBER 31, 2017	54,185	4,092	58,277			
Acquisition/costs of software	2,660	2,360	5,020			
Transfers	(783)	783	-			
Disposal	(61)	-	(61)			
Amortization	(8,257)	(137)	(8,394)			
AT DECEMBER 31, 2018	47,744	7,098	54,842			
Acquisition/costs of software	2,064	1,967	4,031			
Transfers	(419)	419	-			
Amortization	(6,241)	(254)	(6,495)			
AT SEPTEMBER 30, 2019	43,148	9,230	52,378			

		Contractual customer		Research and development	
Consolidated	Software	relationships	Goodwill	costs	Total
AT DECEMBER 31, 2017	59,670	191,153	41,226	4,092	296,141
Acquisition/costs of software	5,707	-	-	2,360	8,067
Transfers	(783)	-	-	783	-
Disposal	(2,552)	-	-	-	(2,552)
Exchange variation	870	30,148	-	-	31,018
Disposal	(12,265)	(49,066)	-	(137)	(61,468)
Impairment	-	33,631	-	-	33,631
AT DECEMBER 31, 2018	50,647	205,866	41,226	7,098	304,837
Acquisition/costs of software	5,702	-	-	1,967	7,669
Transfers	(419)	-	-	419	-
Disposal	(104)	-	-	-	(104)
Exchange variation	379	12,190	-	-	12,569
Amortization	(8,293)	(46,585)	-	(254)	(55,132)
AT SEPTEMBER 30, 2019	47,912	171,471	41,226	9,230	269,839

14. LOANS AND FINANCING

Maturity	Effective rate	sep/19	dec/18
		22,156	18,333
Jan/2025	5.97% p.a.	14,767	18,333
		7,389	-
		1,474,452	1,395,346
Jul/2024	VC + 6.78% p.a.	1,474,452	1,395,346
		30,534	49,792
		1,466,074	1,363,887
		1,496,608	1,413,679
	Jan/2025	Jan/2025 5.97% p.a.	22,156 Jan/2025 5.97% p.a. 14,767 7,389 1,474,452 Jul/2024 VC + 6.78% p.a. 1,474,452 30,534 1,466,074

^{*}VC = Foreign exchange variation

Conso	lid	at	ec

Consolidated				
	Maturity	Effective rate	sep/19	dec/18
Local currency			22,156	18,333
Sustainability	Jan/2025	5.97% p.a.	14,767	18,333
(a) Leasing from right of use			7,389	-
Foreign currency			1,485,422	1,388,590
(c) Senior Unsecured Notes - US\$350.000	Jul/2024	VC + 6.63% p.a.	1,469,249	1,388,590
(a) Leasing from right of use			16,173	-
Current portion			38,776	47,431
Non-current portion			1,468,802	1,359,492
			1,507,578	1,406,923

^{*}VC = Foreign exchange variation

Long term maturities are as follow:

Year	sep/19	dec/18	sep/19	dec/18
2020	1,058	4,233	1,058	4,233
2021-2023	17,565	6,839	17,565	6,839
2024	1,447,420	1,352,784	1,450,148	1,348,389
2025	31	31	31	31
	1,466,074	1,363,887	1,468,802	1,359,492

The fair value of the Company's borrowing (classified at Level 2 of the fair value hierarchy) is calculated through the discounting of the future payment flows based on the curves, interest rates and currencies observable in the financial market. At September 30, 2019, the fair value of borrowings was R\$1,526,420 (R\$1,403,817 at December 31, 2018).

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

Leasing from right of use

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

The table below shows the segregation of such obligation:

	Parent company	Consolidated
Current portion	3,099	12,836
Non-current portion	4,290	10,726
	7,389	23,563

Export Prepayments - Tupy Overseas S.A.

During the period was payed interests of R\$89,241. The impact of foreign exchange variations on the export prepayment amount with Tupy Overseas S.A. was a loss of R\$98,382.

Senior Unsecured Notes C.

The foreign exchange variations recognized in the period from senior unsecured notes in the period was lossamounted to R\$98,350. During 2019, was payed interests of R\$86,481.

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 9 months ended September 30, 2019 and the related judicial deposits were as follows:

Parent company						
				Social	Judicial	
	Civil	Tax	Labor	security	deposits	Total
AT DECEMBER 31, 2017	46,827	68,068	52,921	17,002	(34,302)	150,516
Additions	2,606	6,938	2,964	-	(16,034)	(3,526)
Restatements	7,916	(2,085)	35,125	1,315	(1,152)	41,119
Payments	-	(12,616)	(26,161)	(399)	-	(39,176)
Deposit Redemption	-	-	-	-	15,314	15,314
AT DECEMBER 31, 2018	57,349	60,305	64,849	17,918	(36,174)	164,247
Additions	-	-	437	-	(19,970)	(19,533)
Restatements	8,858	2,473	35,915	94	(748)	46,592
Payments	-	(116)	(22,462)	(6,970)	-	(29,548)
Deposit Redemption	-	-	-	-	27,163	27,163
AT SEPTEMBER 30, 2019	66,207	62,662	78,739	11,042	(29,729)	188,921
Current						41,934
Non-current						146,987
						188,921

Consolidated						
				Social	Judicial	
	Civil	Tax	Labor	security	deposits	Total
AT DECEMBER 31, 2017	46,827	68,078	53,053	17,002	(34,302)	150,658
Additions	2,617	6,927	2,964	-	(16,034)	(3,526)
Restatements	7,916	(2,084)	34,993	1,315	(1,152)	40,988
Payments	-	(12,616)	(26,161)	(399)	-	(39,176)
Deposit Redemption	-	-	-	-	15,314	15,314
AT DECEMBER 31, 2018	57,360	60,305	64,849	17,918	(36,174)	164,258
Additions	-	-	437	-	(19,970)	(19,533)
Restatements	10,162	2,473	35,915	94	(748)	47,896
Payments	(11)	(116)	(22,462)	(6,970)	-	(29,559)
Deposit Redemption	-	-	-	-	27,163	27,163
AT SEPTEMBER 30, 2019	67,511	62,662	78,739	11,042	(29,729)	190,225
Current						41,934
Non-current						148,291
						190,225

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

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

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

Contingencies involving possible losses

	Parent cor	Parent company		dated
	sep/19	dec/18	sep/19	dec/18
IRPJ and CSLL processes	179,670	164,765	180,042	165,133
PIS, COFINS and IPI credits	136,369	133,682	136,369	133,682
ICMS credits	151,312	137,632	151,312	137,632
Expired tax debts	143,750	144,520	143,750	144,520
Customs	-	59,661	-	59,661
Social security	81,457	80,368	81,457	80,368
Labor laws uits	73,963	84,429	74,033	84,498
Civil and other	56,335	55,111	58,101	55,331
	822,856	860,168	825,064	860,825

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

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

16. SHARE CAPITAL

	sep/19		dec/18	
Share capital breakdown in number of shares	Number	%	Number	%
Controlling stockholders				
BNDES Participações S.A. – BNDESPAR	40,645,370	28.2%	40,645,370	28.2%
Caixa de Previdência dos Funcionários do Banco do Brasil — PREVI	37,314,154	25.9%	37,314,154	25.9%
Officers	86,276	0.1%	85,744	0.1%
Treasury stock	-	0.0%	13,527	0.0%
Non-controlling interests				
Amundi AM London Branch (Antiga Pioneer Funds)	-	0.0%	-	0.0%
Fundação Embratel de Seguridade Social - TELOS	-	0.0%	-	0.0%
Other stockholders	66,131,700	45.8%	66,118,705	45.8%
Total outstanding shares	144,177,500	100.0%	144,177,500	100.0%

^{*}The company has changed the name from Pioneer Funds to Amundi AM London Branch.

17. REVENUE

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

	Parent com	ompany Consolidated		
	3Q19	3Q18	3Q19	3Q18
Gross revenue	855,407	776,462	1,441,856	1,408,685
Returns and rebates	(8,850)	(9,570)	(32,691)	(27,155)
Revenue net of returns and rebates	846,557	766,892	1,409,165	1,381,530
Sales taxes	(70,033)	(65,711)	(70,033)	(65,711)
Net revenue	776,524	701,181	1,339,132	1,315,819
				_
Net revenue				
Domestic market	252,719	226,230	252,719	226,230
Foreign market	523,805	474,951	1,086,413	1,089,589
	776.524	701.181	1.339.132	1.315.819

	Parent cor	arent company Consolidated		
	9M19	9M18	9M19	9M18
Gross revenue	2,412,371	2,118,265	4,321,451	3,847,188
Returns and rebates	(24,676)	(29,725)	(90,783)	(79,587)
Revenue net of returns and rebates	2,387,695	2,088,540	4,230,668	3,767,601
Sales taxes	(205,392)	(174,407)	(205,392)	(174,407)
Net revenue	2,182,303	1,914,133	4,025,276	3,593,194
Net revenue				
Domestic market	748,929	615,484	748.929	615,484
	•	•	-,-	•
Foreign market	1,433,374	1,298,649	3,276,347	2,977,710
	2,182,303	1,914,133	4,025,276	3,593,194

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 cor	Parent company		dated
	3Q19	3Q18	3Q19	3Q18
Raw and processing materials	(324,904)	(304,362)	(595,652)	(625,565)
Maintenance and consumption materials	(45,960)	(47,479)	(109,436)	(107,840)
Salaries, payroll taxes and profit sharing	(164,246)	(145,681)	(278,915)	(244,392)
Social benefits	(18,249)	(22,693)	(18,485)	(23,120)
Electricity	(36,225)	(28,600)	(64,465)	(57,565)
Freight and commission on sales	(20,050)	(21,068)	(38,086)	(34,516)
Management fees	(3,004)	(2,422)	(3,004)	(2,422)
Other costs	(3,680)	(8,210)	(24,491)	(23,608)
	(616,318)	(580,515)	(1,132,534)	(1,119,028)
Depreciation	(34,699)	(34,527)	(65,180)	(59,309)
Costs and expenses total	(651,017)	(615,042)	(1,197,714)	(1,178,337)
Cost of products sold	(583,017)	(552,735)	(1,095,829)	(1,086,205)
Selling expenses	(28,344)	(29,457)	(51,463)	(47,996)
Administrative expenses	(36,652)	(30,428)	(47,418)	(41,714)
Management fees	(3,004)	(2,422)	(3,004)	(2,422)
Costs and expenses total	(651,017)	(615,042)	(1,197,714)	(1,178,337)

	Parent co	Parent company		dated
	9M19	9M18	9M19	9M18
Raw and processing materials	(950,103)	(838,445)	(1,877,924)	(1,698,090)
Maintenance and consumption materials	(145,935)	(133,865)	(333,928)	(287,384)
Salaries, payroll taxes and profit sharing	(475,893)	(413,527)	(802,390)	(678,068)
Social benefits	(61,047)	(69,884)	(78,936)	(70,803)
Electricity	(103,680)	(90,356)	(191,237)	(164,879)
Freight and commission on sales	(64,834)	(57,627)	(120,826)	(96,300)
Management fees	(8,467)	(8,339)	(8,467)	(8,339)
Other costs	(14,808)	(25,449)	(63,626)	(63,438)
	(1,824,767)	(1,637,492)	(3,477,334)	(3,067,301)
Depreciation	(103,932)	(104,051)	(192,551)	(169,305)
Costs and expenses total	(1,928,699)	(1,741,543)	(3,669,885)	(3,236,606)
Cost of products sold	(1,724,826)	(1,562,875)	(3,364,725)	(2,983,598)
Selling expenses	(89,740)	(81,286)	(160,780)	(133,583)
Administrative expenses	(105,666)	(89,043)	(135,913)	(111,086)
Management fees	(8,467)	(8,339)	(8,467)	(8,339)
Costs and expenses total	(1.928.699)	(1.741.543)	(3.669.885)	(3.236.606)

Since September 2018, the Company is adopting the procedure established in Law 13,670/18, which provides for the reoneration of payroll. The approximate impact in the quarter related to this adoption is R\$14,400 and accumulated in 2019 R\$52,028 in nine months.

19. FINANCE RESULTS

	Parent company		Consolidated		
Finance results	3Q19	3Q18	3Q19	3Q18	
Financial liabilities at amortized cost	(24,462)	(26,455)	(23,808)	(25,687)	
Borrowing	(24,445)	(26,403)	(23,791)	(25,635)	
Notes payable and other financial liabilities	(17)	(52)	(17)	(52)	
Financial assets at fair value through profit or loss	-	366	-	366	
IPI - premium credit (note 8)	-	366	-	366	
Other finance costs	(14,014)	(2,500)	(15,033)	(4,221)	
Finance costs	(38,476)	(28,589)	(38,841)	(29,542)	
Financial assets at fair value through profit or loss	30,073	322	30,073	322	
Credits - Eletrobrás	29,690	-	29,690	-	
Investments in equity instruments	383	322	383	322	
Amortized cost	2,694	4,954	2,694	4,954	
Cash and cash equivalents	2,694	4,954	2,694	4,954	
Tax credits and other finance income	(459)	3,928	1,369	5,044	
Finance income	32,308	9,204	34,136	10,320	
Derivative financial instruments					
Foreign exchange variations	17,060	5,876	16,784	(2,823)	
Derivative financial instruments	(4,046)	1,808	(4,056)	2,806	
Foreign exchange variations, net	13,014	7,684	12,728	(17)	
Finance results	6,846	(11,701)	8,023	(19,239)	
	0,040	(==,,0=,	3,023	(=3)=33/	

Parent company		Consolida	Consolidated		
Finance results	9M19	9M18	9M19	9M18	
Financial liabilities at amortized cost	(70,767)	(73,477)	(69,543)	(72,175)	
Borrowing	(70,658)	(73,202)	(69,434)	(71,900)	
Notes payable and other financial liabilities	(109)	(275)	(109)	(275)	
Financial assets at fair value through profit or loss	-	(1,238)	-	(1,238)	
IPI - premium credit (note 8)	-	(1,238)	-	(1,238)	
Other finance costs	(17,086)	(11,263)	(20,919)	(16,072)	
Finance costs	(87,853)	(85,978)	(90,462)	(89,485)	
Financial assets at fair value through profit or loss	58,117	(259)	58,117	(259)	
Credits - Eletrobrás	57,237	-	57,237	-	
Investments in equity instruments	880	(259)	880	(259)	
Amortized cost	9,288	14,484	9,288	14,484	
Cash and cash equivalents	9,288	14,484	9,288	14,484	
Tax credits and other finance income	7,806	13,010	12,374	16,976	
Finance income	75,211	27,235	79,779	31,201	
Derivative financial instruments					
Foreign exchange variations	15,765	18,562	7,881	12,710	
Derivative financial instruments	12,402	(13,713)	17,266	(12,026)	
Foreign exchange variations, net	28,167	4,849	25,147	684	
Finance results	15,525	(53,894)	14,464	(57,600)	

20. OTHER OPERATING INCOME (EXPENSES)

	Parent con	Parent company		ited
	3Q19	3Q18	3Q19	3Q18
Constitution and restatement of provision	(13,833)	(8,106)	(13,833)	(8,106)
Disposals of property, plant and equipment	(435)	(2,346)	(435)	(6,202)
Result on the sale of unusable and other assets	(3,541)	(5,604)	(3,667)	450
	(17,809)	(16,056)	(17,935)	(13,858)
Depreciation of non-operating assets	(192)	(174)	(193)	(175)
Fixed assets impairment	(920)	-	(920)	-
Amortization of intangible assets	-	-	(16,029)	(13,216)
Total other operating expenses, net	(18,921)	(16,230)	(35,077)	(27,249)

	Parent company		Consolidated	
	9M19	9M18	9M19	9M18
Constitution and restatement of provision	(47,777)	(21,953)	(49,081)	(21,822)
Disposals of property, plant and equipment	(1,580)	274	(1,688)	(5,808)
Result on the sale of unusable and other assets	(6,868)	(12,754)	(7,493)	(1,208)
	(56,225)	(34,433)	(58,262)	(28,838)
Depreciation of non-operating assets	(638)	(520)	(641)	(523)
Fixed assets impairment	(920)	-	(920)	-
Amortization of intangible assets	-	-	(46,585)	(36,336)
Total other operating expenses, net	(57,783)	(34,953)	(106,408)	(65,697)

21. INCOME TAX AND SOCIAL CONTRIBUTION IN THE RESULTS

	Parent co	Parent company		lated
	3Q19	3Q18	3Q19	3Q18
Net income (loss) before tax effects	105,101	95,268	114,364	90,994
Statutory tax rate	34%	34%	34%	34%
Expenses at statutory rate	(35,734)	(32,391)	(38,884)	(30,938)
Tax effect of permanent (additions) exclusions:				
Share of results of subsidiaries	(2,833)	12,600	-	-
Depreciation of non-operating assets	(65)	(59)	(65)	(59)
Interests on capital	-	12,750	-	12,750
Additional income tax (Services Companies – Mexico)	-	-	(2,973)	(6,100)
Effect of correction of fixed assets	-	-	(2,610)	(2,160)
Reintegra – benefit	180	163	180	163
Finance income from monetary assets	-	-	(1,259)	5,531
Other permanent (additions) exclusions	(168)	306	2,959	7,242
Tax effects recorded in the statement of income before exchange effects	(38,620)	(6,631)	(42,652)	(13,571)
Effective rate of income tax before exchange effects	37%	7%	37%	15%
Effect of functional currency on tax base (a)	-	-	(5,231)	11,214
Tax effects recorded in the statement of income	(38,620)	(6,631)	(47,883)	(2,357)
Effective rate of income tax	37%	7%	42%	3%

	Parent co	mpany	Consolid	dated
	9M19	9M18	9M19	9M18
Net income (loss) before tax effects	244,600	195,135	263,447	233,291
Statutory tax rate	34%	34%	34%	34%
Expenses at statutory rate	(83,164)	(66,346)	(89,572)	(79,319)
Tax effect of permanent (additions) exclusions:				
Share of results of subsidiaries	(217)	(177)	(217)	(177)
Depreciation of non-operating assets	11,306	37,873	-	-
Interests on capital	34,000	25,500	34,000	25,500
Additional income tax (Services Companies – Mexico)	489	4,527	489	4,527
Effect of correction of fixed assets	-	-	(10,301)	(12,244)
Reintegra – benefit	-	-	795	(383)
Finance income from monetary assets	-	-	(915)	5,242
Effects of different rates in subsidiaries	(643)	(2,705)	5,804	4,174
Tax effects recorded in the statement of income before exchange effects	(38,229)	(1,328)	(59,917)	(52,680)
Effective rate of income tax before exchange effects	16%	1%	23%	23%
Effect of functional currency on tax base (a)	-	-	2,841	13,196
Tax effects recorded in the statement of income	(38,229)	(1,328)	(57,076)	(39,484)
Effective rate of income tax	16%	1%	22%	17%

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 cor	Parent company		ated
	3Q19	3Q18	3Q19	3Q18
Tax effects recorded in the statement of income				
Current income tax and social contribution	5,938	783	(18,063)	(9,724)
Deferred income tax and social contribution	(44,558)	(7,414)	(29,820)	7,367
	(38,620)	(6,631)	(47,883)	(2,357)

	Parent cor	npany	Consolic	lated
	9M19	9M18	9M19	9M18
Tax effects recorded in the statement of income				
Tax effects recorded in the statement of income	(12,504)	-	(70,176)	(51,619)
Current income tax and social contribution	(25,725)	(1,328)	13,100	12,135
Deferred income tax and social contribution	(38,229)	(1,328)	(57,076)	(39,484)

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.

	3Q19	3Q18	9M19	9M18
Profit attributable to the stockholders of the Company	66,481	88,637	206,371	193,807
Outstanding shares	144,177,500	144,177,500	144,177,500	144,177,500
Basic earnings per share - R\$	0.46111	0.61478	1.43137	1.34423

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.

	3Q19	3Q18	9M19	9M18
Profit attributable to the stockholders of the Company	66,481	88,637	206,371	193,807
Outstanding shares	144,622,019	144,771,368	144,622,019	144,771,368
Diluted earnings per share - R\$	0.45969	0.61226	1.42697	1.33871

23. SEGMENT REPORTING

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

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

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

The following is the information on each reported segment:

a) Reconciliation of revenue, costs, expenses and profit

Tranportation, i	infrastructure
------------------	----------------

Consolidated	& agricu	ılture	Hydraul	ics	Total		
	3Q19	3Q18	3Q19	3Q18	3Q19	3Q18	
Net revenue (Note 17)	1,274,346	1,257,161	64,786	58,658	1,339,132	1,315,819	
Costs and expenses, except depreciation (Note 18)	(1,087,341)	(1,063,952)	(45,193)	(55,076)	(1,132,534)	(1,119,028)	
Other operating expenses, net, except amortization of							
intangible assets and depreciation (Note 20)	(17,053)	(13,173)	(882)	(685)	(17,935)	(13,858)	
Depreciation and amortization	(79,382)	(70,677)	(2,020)	(2,023)	(81,402)	(72,700)	
Impairment (note 14)	-	-	-	-	(920)	-	
Profit before finance results	90,570	109,359	16,691	874	106,341	110,233	
Finance results (Note 19)					8,023	(19,239)	
Profit before taxation					114,364	90,994	
Income tax and social contribution (Note 21)					(47,883)	(2,357)	
Profit for the period		•			66,481	88,637	

Tranportation, infrastructure

Consolidated	& agricı	ılture	Hydrau	lics	Total	
	9M19	9M18	9M19	9M18	9M19	9M18
Net revenue (Note 17)	3,848,276	3,423,990	177,000	169,204	4,025,276	3,593,194
Costs and expenses, except depreciation (Note 18)	(3,316,615)	(2,908,287)	(160,719)	(159,014)	(3,477,334)	(3,067,301)
Other operating expenses, net, except amortization of						
intangible assets and depreciation (Note 20)	(55,617)	(27,366)	(2,645)	(1,472)	(58,262)	(28,838)
Depreciation and amortization	(233,901)	(199,951)	(5,876)	(6,213)	(239,777)	(206,164)
Impairment (note 14)	-	-	-	-	(920)	-
Profit before finance results	242,143	288,386	7,760	2,505	248,983	290,891
Finance results (Note 19)					14,464	(57,600)
Profit before taxation					263,447	233,291
Income tax and social contribution (Note 21)					(57,076)	(39,484)
Profit for the period					206.371	193.807

b) Reconciliation of costs and expenses by segment

Tranportation, infrastructure

tranportation, intrastructure									
Consolidated	& agriculture		Hydraul	ics	Total				
	3Q19	3Q18	3Q19	3Q18	3Q19	3Q18			
Raw and processing materials	(568,359)	(599,766)	(27,293)	(25,799)	(595,652)	(625,565)			
Maintenance and consumption materials	(106,354)	(103,961)	(3,082)	(3,879)	(109,436)	(107,840)			
Salaries and payroll taxes	(263,079)	(229,751)	(15,836)	(14,641)	(278,915)	(244,392)			
Social benefits	(17,990)	(22,617)	(495)	(503)	(18,485)	(23,120)			
Electricity	(60,375)	(53,112)	(4,090)	(4,453)	(64,465)	(57,565)			
Depreciation	(63,249)	(57,286)	(1,931)	(2,023)	(65,180)	(59,309)			
Freight and commissions on sales	(33,382)	(30,472)	(4,704)	(4,044)	(38,086)	(34,516)			
Management fees	(2,796)	(2,227)	(208)	(195)	(3,004)	(2,422)			
Other costs	(23,613)	(22,046)	(878)	(1,562)	(24,491)	(23,608)			
	(1,139,197)	(1,121,238)	(58,517)	(57,099)	(1,197,714)	(1,178,337)			

Tranportation, infrastructure

Consolidated	& agriculture		Hydraul	ics	Total		
	9M19	9M18	9M19	9M18	9M19	9M18	
Raw and processing materials	(1,801,575)	(1,623,787)	(76,349)	(74,303)	(1,877,924)	(1,698,090)	
Maintenance and consumption materials	(324,373)	(276,586)	(9,555)	(10,798)	(333,928)	(287,384)	
Salaries and payroll taxes	(756,611)	(635,143)	(45,779)	(42,925)	(802,390)	(678,068)	
Social benefits	(77,514)	(69,307)	(1,422)	(1,496)	(78,936)	(70,803)	
Electricity	(179,815)	(151,933)	(11,422)	(12,946)	(191,237)	(164,879)	
Depreciation	(186,675)	(163,092)	(5,876)	(6,213)	(192,551)	(169,305)	
Freight and commissions on sales	(107,936)	(83,760)	(12,890)	(12,540)	(120,826)	(96,300)	
Management fees	(7,790)	(7,630)	(677)	(709)	(8,467)	(8,339)	
Other costs	(61,000)	(60,141)	(2,626)	(3,297)	(63,626)	(63,438)	
	(3,503,290)	(3,071,379)	(166,595)	(165,227)	(3,669,885)	(3,236,606)	

c) Reconciliation of assets and liabilities

Tranportation, in	frastructure				
& agricul	& agriculture			Tota	l
sep/19	dec/18	sep/19	dec/18	sep/19	dec/18
869,413	649,134	39,735	39,361	909,148	688,495
523,361	463,688	61,104	59,935	584,465	523,623
184,474	162,445	-	-	184,474	162,445
43,378	49,371	2,820	2,754	46,198	52,125
1,603,557	1,499,084	34,345	58,208	1,637,902	1,557,292
269,839	304,837	-	-	269,839	304,837
-	-	-	-	1,564,238	1,619,374
3,494,022	3,128,559	138,004	160,258	5,196,264	4,908,191
	& agricul sep/19 869,413 523,361 184,474 43,378 1,603,557 269,839	sep/19 dec/18 869,413 649,134 523,361 463,688 184,474 162,445 43,378 49,371 1,603,557 1,499,084 269,839 304,837	& agriculture Hydrauli sep/19 dec/18 sep/19 869,413 649,134 39,735 523,361 463,688 61,104 184,474 162,445 - 43,378 49,371 2,820 1,603,557 1,499,084 34,345 269,839 304,837 - - - -	8 agriculture Hydraulics sep/19 dec/18 sep/19 dec/18 869,413 649,134 39,735 39,361 523,361 463,688 61,104 59,935 184,474 162,445 - - 43,378 49,371 2,820 2,754 1,603,557 1,499,084 34,345 58,208 269,839 304,837 - - - - - -	Regriculture Hydraulics Tota sep/19 dec/18 sep/19 dec/18 sep/19 869,413 649,134 39,735 39,361 909,148 523,361 463,688 61,104 59,935 584,465 184,474 162,445 - - - 184,474 43,378 49,371 2,820 2,754 46,198 1,603,557 1,499,084 34,345 58,208 1,637,902 269,839 304,837 - - 269,839 - - - - 1,564,238

	Tranportation, in	frastructure				
Consolidated	& agricul	ture	Hydrauli	cs	Total	l
LIABILITIES	sep/19	dec/18	sep/19	dec/18	sep/19	dec/18
Trade accounts payables	612,865	591,463	29,344	29,829	642,209	621,292
Income taxes payable	31,051	29,703	167	309	31,218	30,012
Salaries, social security charges and profit sharing	191,263	153,952	12,360	10,007	203,623	163,959
Advances from customers	158,471	146,685	8,673	13,039	167,144	159,724
Notes and other payables	37,287	71,013	3,512	6,513	40,799	77,526
Deferred tax on intangible assets (Note 8)	51,441	61,760	-	-	51,441	61,760
Income and social contribution tax	28,023	8,992	-	-	28,023	8,992
Other liabilities not allocated	-	-	-	-	1,692,813	1,584,963
Equity (Note 16)	-	-	-	-	2,338,994	2,199,963
Total liabilities and equity	1,110,401	1,063,568	54,056	59,697	5,196,264	4,908,191

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

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

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

Consolidated								
Revenue	3Q19	%	3Q18	%	9M19	%	9M18	%
Tranportation, infrastructure & agriculture	1,274,346	95.2	1,257,161	95.5	3,848,276	95.6	3,423,990	95.3
Customer A	274,023	20.5	235,431	17.9	824,104	20.5	695,636	19.4
Customer B	232,158	17.3	213,624	16.2	700,630	17.4	612,426	17.0
Customer C	118,403	8.8	127,721	9.7	370,507	9.2	333,968	9.3
Other customers	649,762	48.5	680,386	51.7	1,953,035	48.5	1,781,961	49.6
Hydraulics	64,786	4.8	58,658	4.5	177,000	4.4	169,204	4.7
Total Revenue	1,339,132	100.0	1,315,819	100.0	4,025,276	100	3,593,194	100

The sales in the Hydraulics segment are diversified.

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

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

Consolidated								
	3Q19	%	3Q18	%	9M19	%	9M18	%
North America	847,139	63.2	857,304	65.2	2,556,620	63.4	2,326,509	64.8
United States	451,515	33.7	447,572	34.0	1,318,166	32.7	1,217,171	33.9
Mexico	386,209	28.8	394,466	30.0	1,204,506	29.9	1,071,341	29.8
Canada	9,415	0.7	15,266	1.2	33,948	0.8	37,997	1.1
South and Central Americas	263,075	19.7	235,741	17.9	773,853	19.2	642,000	17.8
Brazil - head office	252,719	18.9	226,230	17.2	748,929	18.6	615,484	17.1
Other countries	10,356	0.8	9,511	0.7	24,924	0.6	26,516	0.7
Europe	155,046	11.6	145,188	11.0	466,880	11.6	414,271	11.5
United Kingdom	78,686	5.9	62,920	4.8	230,419	5.7	203,395	5.7
Hungary	21,485	1.6	14,944	1.1	74,712	1.9	42,385	1.2
Italy	15,302	1.1	14,812	1.1	33,778	0.8	48,347	1.3
Netherlands	14,439	1.1	16,640	1.3	49,071	1.2	33,550	0.9
Sweden	15,917	1.2	12,848	1.0	42,170	1.0	16,313	0.5
Germany	4,396	0.3	3,068	0.2	10,281	0.3	15,256	0.4
Other countries	4,821	0.4	19,956	1.5	26,449	0.7	55,024	1.5
Asia, Africa and Oceania	73,872	5.5	77,586	5.9	227,923	5.8	210,415	5.9
South Africa	24,014	1.8	27,197	2.1	73,379	1.8	77,259	2.2
Thailand	11,731	0.9	20,998	1.6	51,651	1.3	50,452	1.4
Japan	24,439	1.8	17,690	1.3	58,113	1.4	39,323	1.1
China	9,812	0.7	8,843	0.7	34,164	0.8	26,294	0.7
Other countries	3,876	0.3	2,858	0.2	10,616	0.5	17,087	0.5
Total	1,339,132	100.0	1,315,819	100.0	4,025,276	100.0	3,593,194	100.0

24. FINANCIAL INSTRUMENTS

	Parent company			ated
Note	sep/19	dec/18	sep/19	dec/18
	723,402	724,466	1,610,006	1,495,524
3	283,184	328,350	611,186	713,733
4	370,190	329,043	909,148	688,495
	70,028	67,073	89,672	93,296
	9,328	14,433	9,606	15,093
	230,909	179,544	238,469	190,089
	228,211	170,974	228,211	170,974
	2,669	1,789	9,850	8,303
25	29	6,781	408	10,812
	75,454	3,392	80,236	7,399
	1,815,052	1,865,734	2,194,435	2,148,158
	280,673	260,607	642,209	621,292
14	1,496,608	1,413,679	1,507,578	1,406,923
	192	37,624	192	37,624
	37,579	153,824	44,456	82,319
	(70,767)	(73,477)	(69,543)	(72,175)
	2,704		2,781	160
25	2,704	-	2,781	160
	(4,935)	(17,364)	(4,853)	(19,684)
	25 14	Note sep/19 723,402 3 283,184 4 370,190 70,028 9,328 230,909 228,211 2,669 25 29 75,454 1,815,052 280,673 14 1,496,608 192 37,579 (70,767) 2,704 25 2,704	Note sep/19 dec/18 723,402 724,466 3 283,184 328,350 4 370,190 329,043 70,028 67,073 9,328 14,433 230,909 179,544 228,211 170,974 2,669 1,789 25 29 6,781 75,454 3,392 1,815,052 1,865,734 280,673 260,607 14 1,496,608 1,413,679 192 37,624 37,579 153,824 (70,767) (73,477) 2,704 - 25 2,704 -	Note sep/19 dec/18 sep/19 723,402 724,466 1,610,006 3 283,184 328,350 611,186 4 370,190 329,043 909,148 70,028 67,073 89,672 9,328 14,433 9,606 230,909 179,544 238,469 228,211 170,974 228,211 2,669 1,789 9,850 25 29 6,781 408 75,454 3,392 80,236 14 1,815,052 1,865,734 2,194,435 280,673 260,607 642,209 14 1,496,608 1,413,679 1,507,578 192 37,624 192 37,579 153,824 44,456 (70,767) (73,477) (69,543) 2,704 - 2,781

^(*) Includes the provision for impaired receivables

25. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE OF NET INVESTMENT ABROAD

a) Derivative financial instruments

In order to minimize the impact of exchange rate on cash flow and financial results, the Company contract derivative financial instruments such as: (i) ZCC - zero-cost collar, which consists of purchasing a "PUT" option

and the sale of a "CALL" option. Those operations have the same notional value, same counterparty, same maturity and there is no net premium, (ii) purchase of sale option "PUT" and, (iii) sale off NDF non-deliverable forward, which consists of the future sale of currency at a pre-defined price. The fair value of this instrument is determined by observable market pricing model (through market information providers) and widely used by market participants to measure similar instruments.

i. Parent company

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

On September 30, 2019, financial instruments totaled the amount of US\$103,000 in zero-cost collar operations, consisting of: purchase of PUT with average exercise price of R\$3.7260 and sales of CALL with average price average of R\$4.4486, maturing up to September 4, 2020.

In the 9-month period ended September 30, 2019, the Company recognized in financial results as net gain of R\$12,402, of which R\$21,858 was received from settlement of contracts in the period and a loss of R\$9,456 due to the mark-to-market of these instruments.

ii. Subsidiaries

In September 30, 2019, the Subsidiaries derivative financial instruments in the zero-cost collar type totaled the amount of US\$55,500. Which were made purchasing "PUT" with an average weighted price of exercise of MXN19.0153 and sales "CALL" with an average weighted price of exercise of MXN21.9189, with a due date at June 11, 2020.

On September 30, 2019, the Mexican subsidiaries recognized in their finance results as net profit the amount of R\$4,864. Considering, gain of R\$8,488 from the settlement of contracts in the period (obtaining in the early settlement received net adjustments of R\$7,089 in March 20, 2019 amounting of US\$81,000, which had average exercise price: PUT of MXN19.3451 and CALL of MXN22.6584); loss R\$3,569 due to the mark to market of these instruments and loss in the amount of R\$55 from the exchange variation.

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

Parent com	Parent company		ited
sep/19	dec/18	sep/19	dec/18
(2,704)	-	(2,781)	(160)
(2,704)	-	(2,781)	(160)
29	6,781	408	10,812
29	C 701	408	40.043
29	6,781	406	10,812
	(2,704) (2,704) (2,704)	sep/19 dec/18 (2,704) - (2,704) - 29 6,781	sep/19 dec/18 sep/19 (2,704) - (2,781) (2,704) - (2,781)

In the 9-month period ended September 30, 2019, net income of R\$17.266 was recognized in the Consolidated financial result, with R\$30,346 from the settlement of contracts in the period, loss of R\$13,025 for the mark-to-market of these instruments and loss of R\$55 for the exchange variation.

b) Hedges of net investments abroad

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

On July 22, 2014, the Company designated the export prepayment contract - Tupy Overseas S.A. (Note 15), amounting to US\$349,000, equivalent to R\$772,302, as a hedging instrument for the investments in subsidiaries in Mexico.

Consequently, in September 30, 2019, the Company has export prepayment contracts amounting to US\$349,000, equivalent to R\$1,453,376 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\$387,317, equivalent to R\$1,612,942, representing 90.1% effectiveness.

In the period of 9 months ended at September 30, 2019, the Company recognized in carrying value adjustments, within equity, a gross loss of R\$101,069 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\$123,033. The net result was a gain of R\$56,328.

26. FINANCIAL RISK MANAGEMENT

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

26.1 Credit risk

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

The Company sets exposure limits for each customer to limit the credit risk on trade receivables and risks are managed according to specific credit rating criteria, which include an analysis of customers in based on their payment ability, indebtedness level, market behavior and history with the Company. Furthermore, the Company carries out quantitative and qualitative analyses of its portfolio of trade receivables, by client, in order to determine the provision for probable losses on receivables. As at September 30, 2019, estimated losses on trade receivables amounted to R\$1,656 (R\$1,941 as at December 31, 2018), representing 0.2% of the consolidated balance of outstanding receivables at that date (0.3% as at December 31, 2018).

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

Credit quality of financial assets

The credit quality of financial assets is assessed by reference to external credit ratings (if available) or based on historical information about counterparty default rates.

	Parent company		Consolidated	
	sep/19	dec/18	sep/19	dec/18
Counterparties with external credit ratings*				
Cash and cash equivalents	283,184	328,350	611,186	713,733
AAA	47,251	41,217	51,386	50,233
AA+ / AA / AA-	220,745	243,938	345,183	445,010
A+ / A / A-	15,188	43,195	214,617	218,400
Outros	-	-	-	90
Derivative financial	29	6,781	408	10,812
AA+ / AA / AA-	29	6,781	408	10,812
Credits - Eletrobrás	228,211	170,974	228,211	170,974
AA	228,211	170,974	228,211	170,974

Counterparties without external credit rating				
Trade receivables	370,190	329,043	909,148	688,495
Low risk	347,411	319,585	869,024	672,140
Moderate risk	22,297	9,160	25,524	16,057
High risk	482	298	14,599	298
Other financial assets	72,697	68,862	99,522	101,599
Total	954,311	904,010	1,848,475	1,685,613

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

The risk assessment of trade receivables is as follows:

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

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

26.2 Liquidity risk

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

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

The contractual maturities of financial liabilities are as follow:

Consolidated	Contractual cash flow					
FINANCIAL LIABILITIES	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total flow
Borrowings	51,052	50,983	101,326	1,753,118	148	1,956,626
Financial derivative instruments	2,781	-	-	-	-	2,781
Trade payables and notes and other payables	683,008	-	-	-	-	683,008
Dividends payable	192	-	-	-	-	192
	737,033	50,983	101,326	1,753,118	148	2,642,607

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	sep/19	dec/18
Floating-rate instruments		267,562	282,751
Financial assets		267,562	282,751
Fixed-rate instruments		(1,164,770)	(978,396)
Financial assets		342,808	428,527
Financial liabilities	14	(1,507,578)	(1,406,923)

Sensitivity analysis of variations in floating interest rates

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

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

Interest rate risk							Consolidated
				Scenarios - N	lormative Instru	ction 475	
Floating rate instruments	Risk	Disclosed	Probable	+25%	+50%	-25%	-50%
In Brazilian reais							
Investments	Interest rate (CDI - % p.a.)	5.40	4.75	5.94	7.13	3.56	2.38
Financial assets		267,562	267,562	267,562	267,562	267,562	267,562
Potential impact		-	-	3,033	6,066	(3,068)	(6,207)

Currency risk

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

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

The Company manages its exposure to exchange rates through a combination of debts, financial investments, accounts receivable and export revenues in foreign currency, derivative transactions and hedges of the net

investments abroad. The Company's exposure to foreign currency risk considering the subsidiaries that use the Real (R\$) as their functional currency, is as follows:

Parent company			
Net exposure impacting profit	Note	sep/19	dec/18
Assets		266,532	273,729
Cash and cash equivalents abroad	3	15,047	43,405
Customers in the foreign market	4	251,485	230,324
Liabilities		(70,453)	(188,722)
Borrowings in foreign currency	14	(1,474,452)	(1,395,346)
Hedge of net investment abroad	25	1,453,376	1,352,305
Other amounts		(49,377)	(145,681)
Net exposure impacting profit			
In thousands of R\$		196,079	85,007
In thousands of US\$		47,084	21,938

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

Subsidiaries		
Net exposure impacting profit	sep/19	dec/18
Assets	81,636	62,128
Cash and cash equivalents abroad	5,347	8,450
Customers in the foreign market	23,519	4,744
Tax return	52,770	48,933
Liabilities	(269,170)	(214,505)
Trade accounts payables	(100,498)	(85,319)
Otheramounts	(168,672)	(129,187)
Net exposure impacting profit		
In thousands of R\$	(187,534)	(152,377)
In thousands of MXN	(888,785)	(772,705)

Sensitivity analysis of foreign exchange exposure

This analysis is based on the foreign exchange rate fluctuation, pursuant to CVM Normative Instruction 475, in which the risk variables are evaluated with a 25% and 50% fluctuation compared to the probable scenario estimated by the Company. This analysis assumes that all other variables, especially the interest rates, will remain constant.

Consolidated	Scenarios - Normative Instruction 475					475
	Disclosed	Probable	+25%	+50%	-25%	-50%
U.S. Dollar rate	4.1644	3.8000	4.75	5.70	2.85	1.90
Asset position	266,532	243,209	304,012	364,814	182,407	121,605
Liability position	(70,453)	(64,288)	(80,361)	(96,433)	(48,216)	(32,144)
Net exposure (R\$ thousand)	196,079	178,921	223,651	268,381	134,191	89,461
Net exposure (US\$ thousand)	47,084	47,084	47,084	47,084	47,085	47,085
Potential impact (R\$ thousand)	-	(17,158)	27,572	72,302	(61,888)	(106,618)

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			
	Note	sep/19	dec/18
Own capital		2,338,994	2,199,963
Equity	16	2,338,994	2,199,963
Third party capital		2,246,084	1,994,495
Total current and non-current liabilities		2,857,270	2,708,228
Cash and cash equivalents	3	(611,186)	(713,733)
Own capital versus third-party capital ratio		1.04	1.10

26.6 Fair value

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

All financial instruments classified as financial assets and financial liabilities at fair value through profit or loss (Note 24) and the fair value of the borrowing disclosed in Note 14 are calculated by discounting the future contractual cash flow at the current market interest rate that is available to the Company for similar financial instruments.

The valuations technique used by the Company are classified at Level 2 of the fair value hierarchy. The fair value of financial instruments that are not traded in an active market (Level 2) is determined using valuation

techniques. These valuation techniques maximize the use of observable market data where it is available and rely to the minimum extent possible on Company-specific estimates.

27. SUBSEQUENT EVENT

On October 16, 2019, the Company received the amount of R\$64,952, related to electronic claims for reimbursement, in cash related to PIS and COFINS recoverable. These are recorded in the Company's current assets (note 7).

* * *



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 individual and consolidated Interim financial information

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

Introduction

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

Management is responsible for the preparation of the individual and consolidated interim financial information in accordance with Accounting Pronouncement NBC TG 21 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 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). 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 individual and consolidated interim financial information

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



Other matters

Statements of value added

The quarterly information referred to above includes the individual and consolidated Statements of Value Added (SVA) for the nine-month period ended September 30, 2019, prepared under the responsibility of the Company management and presented as supplementary information for purposes of IAS 34. These statements have been subject to review procedures performed in conjunction with the review of the quarterly information in order to conclude whether they are reconciled with the interim financial information and accounting records, as applicable, and if their form and content are consistent with the criteria defined in NBC TG 09 - Statement of Added Value. Based on our review, nothing has come to our attention that causes us to believe that these statements of value added were not prepared, in all material respects, in accordance with the criteria defined in the aforementioned Standard and consistently with the overall accompanying individual and consolidated interim financial information.

Curitiba, November 08, 2019.

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

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