

TUPY - Worldwide reference in casting



4Q18 Highlights

Strong cash generation and payment of dividends and interest on equity in the amount of R\$137.0 million

Earnings conference call

Date: March 15, 2019

Portuguese/English

11:00 a.m. (BRT)/10:00 a.m. (EST)

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- **Revenue:** R\$1,235.0 million, up 27.7% on 4Q17, due to volume growth, pass-through of costs, improved product mix and BRL depreciation.
- **EBITDA and Adjusted EBITDA:** R\$118.6 million and R\$151.2 million respectively, growth of 14.7% and 14.3% year-over-year.
- **Operating cash generation:** R\$209.0 million, an increase of 92.3% compared to 4Q17 due to, among other factors, a significant improvement in the cash conversion cycle (9 days).
- **Return on invested capital (ROIC):** 11.4%, increase of 390 bps vs the previous year (7.5%), resulting from improved operating income, working capital management and capital allocation.
- **Payment of proceeds:** Payment in March, 2019 of dividends amounting to R\$37,5 million, related to the year 2018, in addition to interest on equity in the amount of R\$100 million, as anticipation of the proceeds that will be distributed during the fiscal year of 2019. Other values distributed throughout the year will be approved quarterly.

MAIN INDICATORS

Consolidated (R\$ thousand)

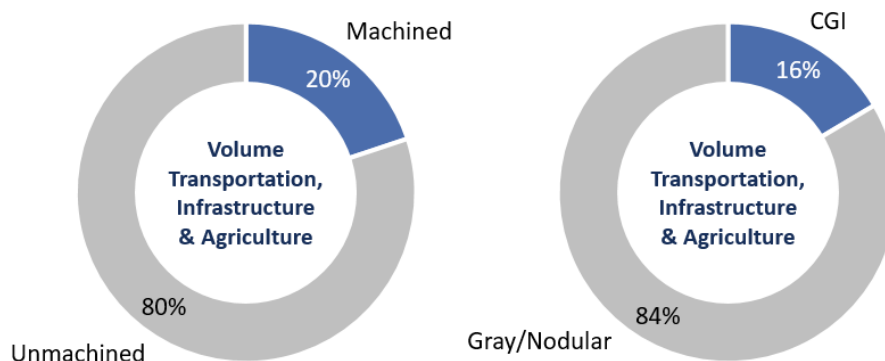
SUMMARY	4Q18	4Q17	Var. [%]	2018	2017	Var. [%]
Revenue	1,235,022	967,300	27.7%	4,828,216	3,706,151	30.3%
Cost of goods sold	(1,048,692)	(812,659)	29.0%	(4,032,290)	(3,099,966)	30.1%
Gross profit	186,330	154,641	20.5%	795,926	606,185	31.3%
% on revenue	15.1%	16.0%		16.5%	16.4%	
Operating expenses	(95,436)	(75,768)	26.0%	(348,444)	(300,434)	16.0%
Other operating expenses	(45,533)	(39,594)	15.0%	(111,230)	(123,907)	-10.2%
Impairment expenses	33,631	8,301	305.1%	33,631	8,301	305.1%
Income before financial results	78,992	47,580	66.0%	369,883	190,145	94.5%
% on revenue	6.4%	4.9%		7.7%	5.1%	
Net financial result	44,985	(16,244)	-	(12,615)	(56,208)	-77.6%
Income before taxes	123,977	31,336	295.6%	357,268	133,937	166.7%
% on revenue	10.0%	3.2%		7.4%	3.6%	
Income tax and social contribution	(46,063)	(17,402)	164.7%	(85,547)	19,464	-
Net income	77,914	13,934	459.2%	271,721	153,401	77.1%
% on revenue	6.3%	1.4%		5.6%	4.1%	
EBITDA (Inst. CVM 527/12)	118,573	103,345	14.7%	615,629	439,105	42.0%
% on revenue	9.6%	10.7%		12.8%	11.8%	
Adjusted EBITDA	151,171	132,299	14.3%	677,065	521,149	29.9%
% on revenue	12.2%	13.7%		14.0%	14.1%	
Average exchange rate (BRL/USD)	3.81	3.25	17.3%	3.66	3.19	14.5%
Average exchange rate (BRL/EUR)	4.35	3.82	13.7%	4.31	3.61	19.4%

SALES VOLUME

Consolidated (ton)						
	4Q18	4Q17	Var. [%]	2018	2017	Var. [%]
Domestic Market	25,874	25,655	0.9%	112,417	109,805	2.4%
Transportation, Infrastructure & Agriculture	22,820	22,085	3.3%	98,645	91,306	8.0%
Hydraulics	3,054	3,570	-14.5%	13,772	18,499	-25.6%
Foreign Market	117,355	112,141	4.6%	485,933	444,675	9.3%
Transportation, Infrastructure & Agriculture	112,708	107,342	5.0%	467,853	427,564	9.4%
Hydraulics	4,647	4,799	-3.2%	18,080	17,110	5.7%
Total sales volume	143,229	137,796	3.9%	598,350	554,479	7.9%

In 4Q18, sales volume increased 3.9% compared to 4Q17, primarily driven by the following factors:

- Increase of 5.0% in sales of the Transportation, Infrastructure & Agriculture segment in the foreign market, reflecting growth in all applications. In turn, the domestic market grew by 3.3%, especially for commercial vehicles and agricultural machinery;
- In the hydraulic segment, we observed decreases of 14.5% and 3.2% in the domestic and foreign markets, respectively, reflecting the sale of the steel shots unit in 2017;
- The Transportation, Infrastructure & Agriculture segment portfolio comprised 20% of partially or fully machined products (vs. 19% in 4Q17). The breakdown of products by type of material points to 16% of sales volume in compacted graphite iron (CGI), which stood at 14% in 4Q17;
- The increase in the share of machined and CGI products is due to the ramp-up of projects and new contracts, contributing to the development of a product mix with higher added value.



REVENUES

Revenues increased by 27.7% compared to 4Q17, mainly due to volume growth, devaluation of the BRL and pass through of raw material costs.

In the domestic market, we saw a 32.5% increase due to revenue growth in the Transportation, Infrastructure & Agriculture segments. Particularly noteworthy were commercial and off-road vehicles, whose sales grew by 54.3% and 96.5%, respectively.

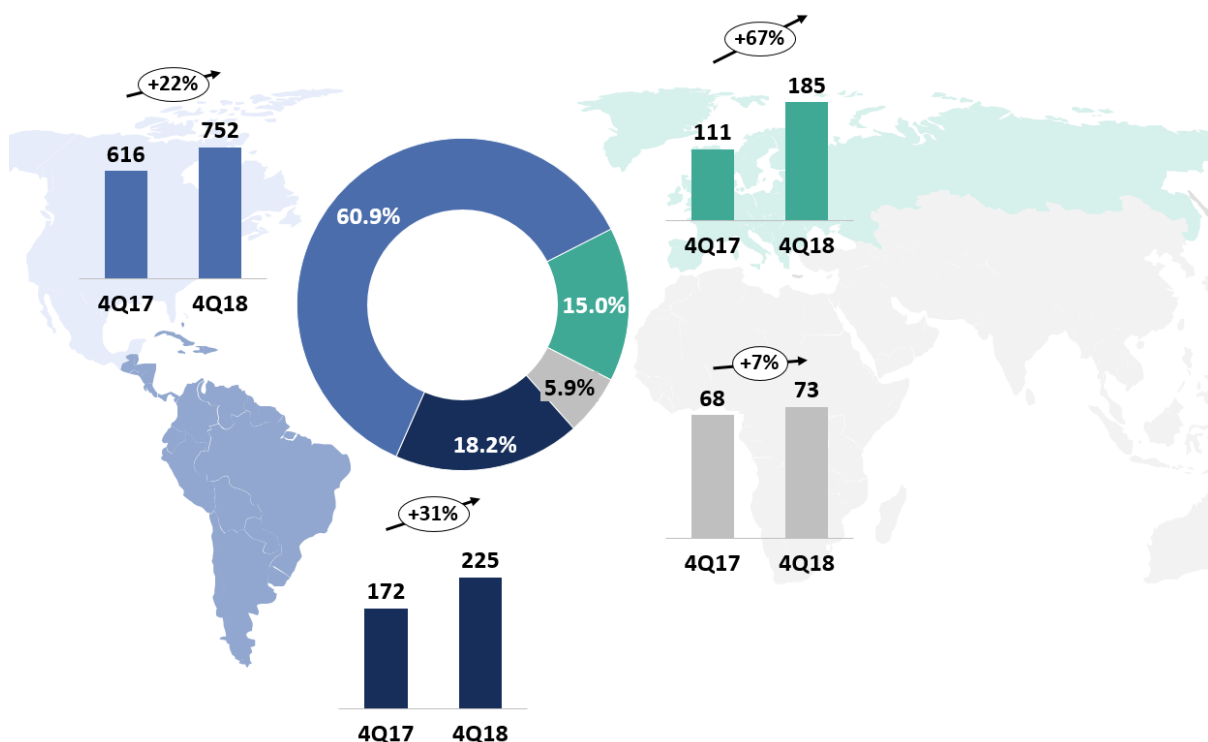
In the foreign market, net revenues increased by 26.7% as a result from the significant growth in all applications, as well as the depreciation of the real against the US dollar and the euro in the period (average exchange rates of BRL/USD 3.81 and BRL/EUR 4.35 in 4Q18 vs. BRL/USD 3.25 and BRL/EUR 3.82 in 4Q17).

Consolidated (R\$ thousand)						
	4Q18	4Q17	Var.[%]	2018	2017	Var.[%]
Revenue	1,235,022	967,300	27.7%	4,828,216	3,706,151	30.3%
Domestic Market	217,230	163,904	32.5%	832,714	653,451	27.4%
<i>% share</i>	17.6%	16.9%		17.2%	17.6%	
Foreign Market	1,017,792	803,396	26.7%	3,995,502	3,052,700	30.9%
<i>% share</i>	82.4%	83.1%		82.8%	82.4%	
Revenue by market	1,235,022	967,300	27.7%	4,828,216	3,706,151	30.3%
Transportation, Infrastructure & Agriculture	1,172,231	914,511	28.2%	4,596,219	3,499,328	31.3%
<i>% share</i>	94.9%	94.5%		95.2%	94.4%	
Hydraulics	62,791	52,789	18.9%	231,997	206,823	12.2%
<i>% share</i>	5.1%	5.5%		4.8%	5.6%	

Revenues by market and performance in the period

In 4Q18, 60.9% of revenues came from North America. In turn, South and Central America accounted for 18.2% and Europe, 15.0%. The remaining 5.9% came from Asia, Africa and Oceania.

It is important to note that several customers with plants in the United States export their products worldwide. Therefore, global demand for commercial vehicles, machinery and equipment also drives a significant portion of our sales to this region.



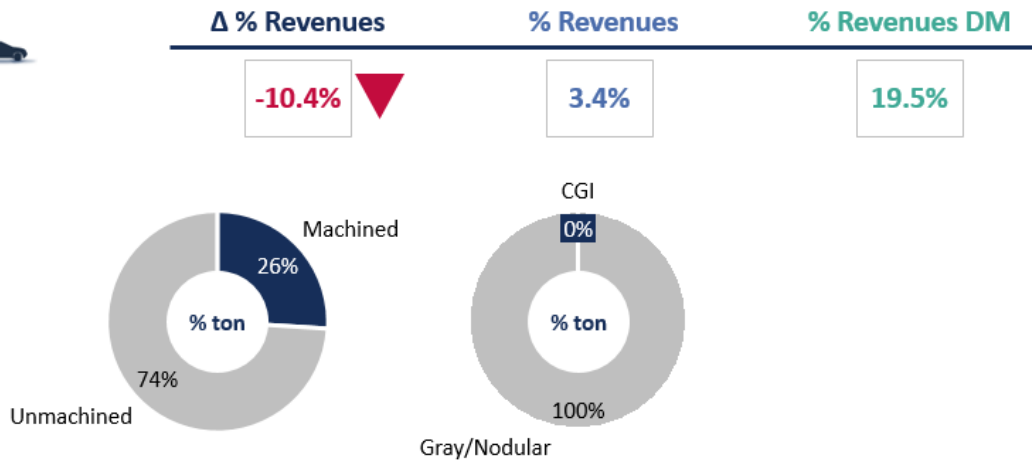
Consolidated (R\$ thousand)

	4Q18	4Q17	Var. [%]	2018	2017	Var. [%]
Revenue	1,235,022	967,300	27.7%	4,828,216	3,706,151	30.3%
Domestic market	217,230	163,904	32.5%	832,714	653,451	27.4%
Transportation, Infrastructure & Agriculture	185,003	135,645	36.4%	710,990	535,331	32.8%
Passenger cars	42,431	47,369	-10.4%	194,327	189,019	2.8%
Commercial vehicles	113,023	73,241	54.3 %	413,902	273,462	51.4%
Off road	29,549	15,035	96.5%	102,761	72,851	41.1%
Hydraulics	32,227	28,259	14.0%	121,724	118,120	3.1%
Foreign market	1,017,792	803,396	26.7%	3,995,502	3,052,700	30.9%
Transportation, Infrastructure & Agriculture	987,228	778,866	26.8%	3,885,229	2,963,997	31.1%
Passenger cars	137,025	101,643	34.8%	474,581	391,098	21.3%
Light commercial vehicles	387,476	307,932	25.8%	1,553,954	1,161,129	33.8%
Medium and heavy commercial vehicles	171,353	139,502	22.8%	682,391	548,549	24.4%
Off road	291,374	229,788	26.8%	1,174,303	863,221	36.0%
Hydraulics	30,564	24,530	24.6%	110,273	88,703	24.3%

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

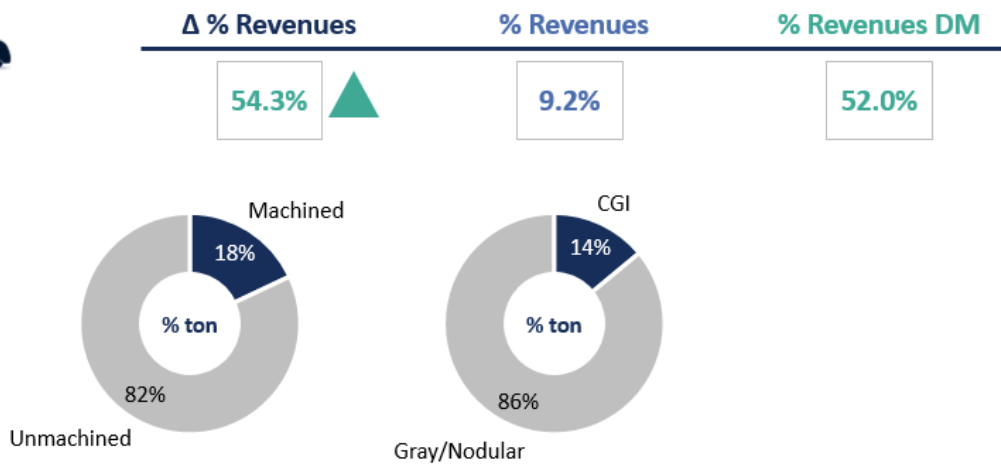
DOMESTIC MARKET (DM)

Passenger cars



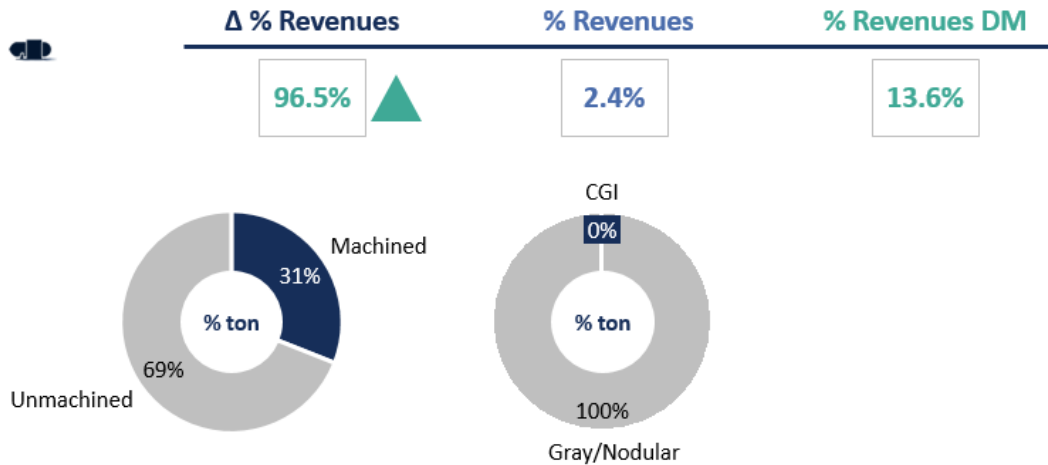
Revenues from sales for this application decreased by 10.4% year-over-year due to the decline in the number of light vehicles produced in the country and the phase out of products already contemplated in the Company's planning.

Commercial vehicles



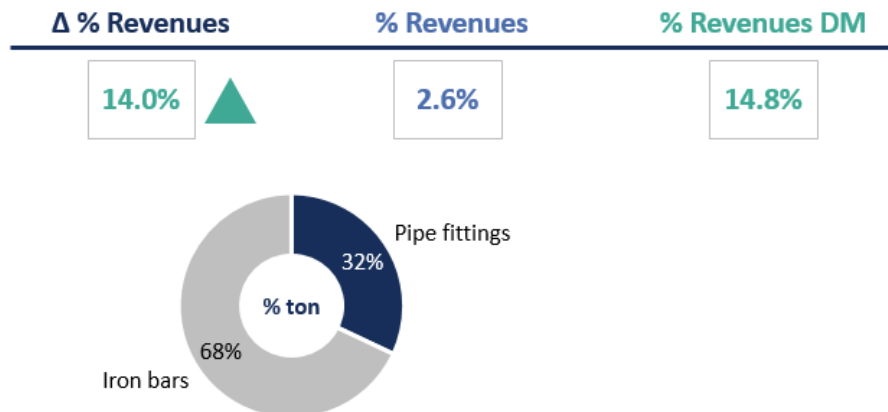
Revenues from commercial vehicle applications grew 54.3% compared to the same period last year, due to the increased production of trucks in Brazil. We highlight indirect exports opportunities as well as an increased demand for heavy vehicles.

Off road



Tupy's revenues from machinery and off road vehicles rose 96.5% in 4Q18 (higher than the market's growth) driven by the strong volume of applications produced in order to serve the domestic and foreign markets (indirect export).

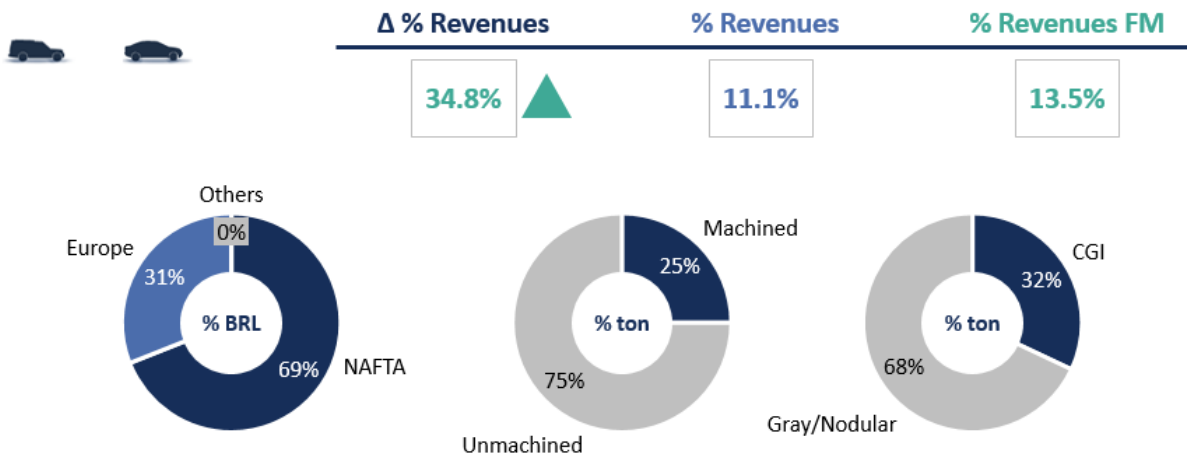
Hydraulics



In 4Q18, sales revenues from the hydraulics segment increased by 14.0% over the same period in 2017. The reduction in volume due to the disposal of the steel shots unit in 2017 was offset by the increase in sales of iron bars, including new product lines, and the pass through of raw material costs.

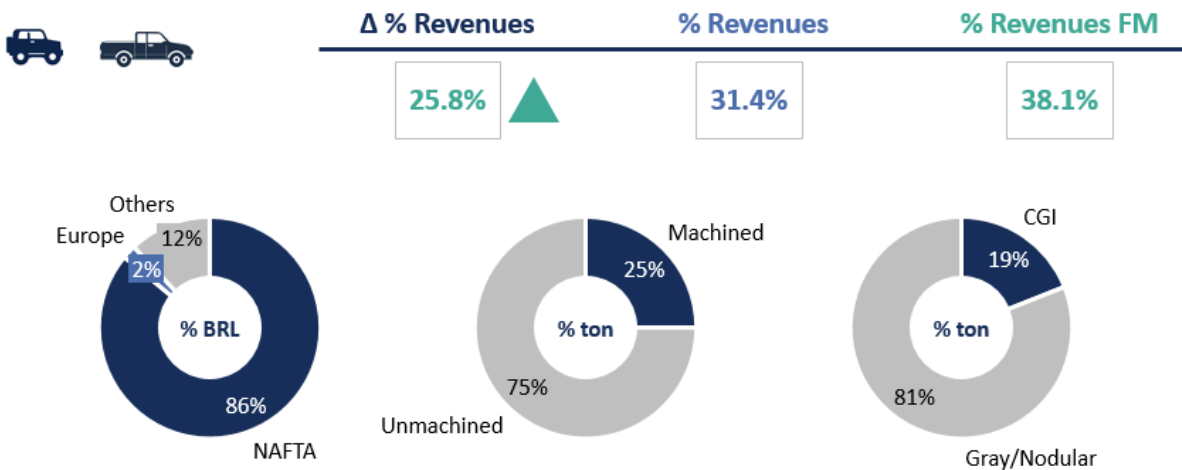
FOREIGN MARKET (FM)

Passenger cars



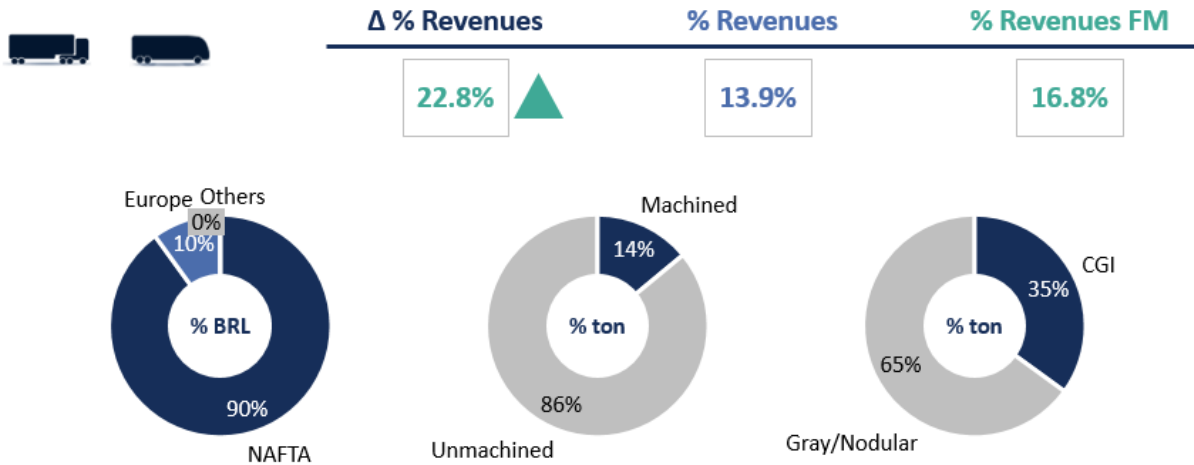
Revenues from passenger car products grew by 34.8% compared to 4Q17. In addition to the increase in demand and the favorable exchange rate scenario stemming from the devaluation of the BRL, the Company gained share in the period.

Light commercial vehicles



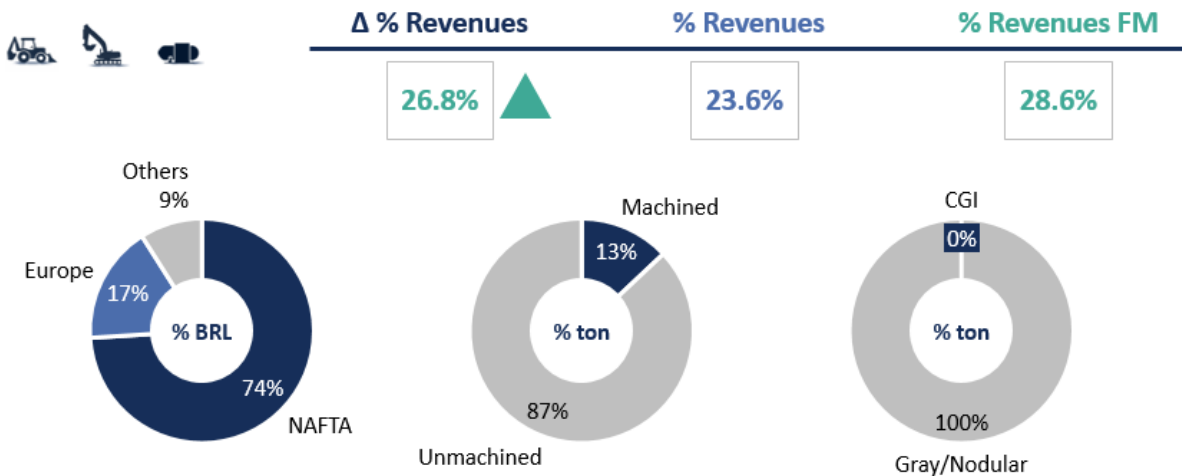
Sales for this application were positively impacted in the period by the performance of the North American market, due to the demand for utility vehicles used by independent professionals and small & medium sized companies in a large number of applications. In 4Q18, the segment comprised of pick-ups and SUVs accounted for 70% of sales in the "light vehicles" category in the US, compared to 66% in 4Q17.

Medium and heavy commercial vehicles



Revenue from medium and heavy commercial vehicles is mainly due to the positive performance of the US and European markets, especially in the heavy vehicle applications, and is related to the growth of the economy and, consequently, the demand for cargo transportation and infrastructure. In the period, there was also a gain of additional volumes and a ramp-up of products.

Off road



Sales for off-road applications in 4Q18 recorded a 26.8% growth year-over-year, due to the positive performance of the market, especially investments in several segments such as oil & gas, mining, construction and infrastructure, among others.

Hydraulics



Δ % Revenues

% Revenues

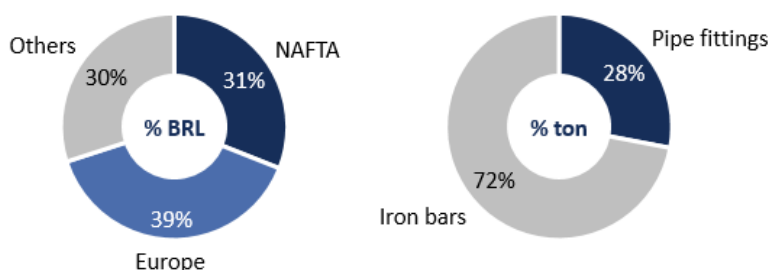
% Revenues FM

24.6%



2.5%

3.0%



During the fourth quarter of 2018, we observed a 24.6% increase in net sales revenue from pipe fittings and iron bars. This increase was chiefly influenced by the performance of the European market.

▽ COST OF GOODS SOLD AND OPERATING EXPENSES

Cost of goods sold (COGS) in 4Q18 totaled R\$1,048.7 million, up 29.0% compared to 4Q17. Operating expenses reached R\$95.4 million, 26.0% higher than the same period of the previous year.

Consolidated (R\$ thousand)

	4Q18	4Q17	Var. [%]	2018	2017	Var. [%]
Revenue	1,235,022	967,300	27.7%	4,828,216	3,706,151	30.3%
Cost of goods sold	(1,048,692)	(812,659)	29.0%	(4,032,290)	(3,099,966)	30.1%
Raw-material	(594,234)	(422,978)	40.5%	(2,292,324)	(1,590,434)	44.1%
Labor, profit sharing and social benefits	(242,219)	(201,750)	20.1%	(908,692)	(744,419)	22.1%
Maintenance and third parties	(84,190)	(86,486)	-2.7%	(341,665)	(338,092)	1.1%
Energy	(55,603)	(48,038)	15.7%	(219,585)	(209,382)	4.9%
Depreciation	(57,345)	(50,360)	13.9%	(217,617)	(202,926)	7.2%
Others*	(15,101)	(3,047)	395.6%	(52,407)	(14,713)	256.2%
Gross profit	186,330	154,641	20.5%	795,926	606,185	31.3%
<i>% on revenue</i>	<i>15.1%</i>	<i>16.0%</i>		<i>16.5%</i>	<i>16.4%</i>	
Operating Expenses	(95,436)	(75,768)	26.0%	(348,444)	(300,434)	16.0%
<i>% on revenue</i>	<i>7.7%</i>	<i>7.8%</i>		<i>7.2%</i>	<i>8.1%</i>	

Gross margin was 15.1% in the period, against 16.0% in 4Q17. The COGS variation in 4Q18 compared to the same period in 2017 was impacted by specific factors such as the readjustment of the working hours in Joinville (with a positive effect from 2019) and the ramp-up of new products, in addition to a more complex product mix. We also observed effects related to the truckers' strike that occurred in May, such as increased freight and end of payroll tax exemption (impact of R\$19.9 million in the

quarter), which will be offset by several initiatives to reduce costs and increase productivity. Regarding the 4Q18 results, the following factors stand out:

- A 40.5% rise in raw material costs, driven by the growth of the volume produced and the increased price of the raw material in the period (including the effect of the minimum freight rate) as well as the devaluation of the BRL, since the raw material costs of our Mexican operations are denominated in USD. There was also a growth in the consumption of more noble materials, due to the increased participation of CGI and machined products. Finally, the result in the period was impacted by the ramp-up of new products;
- A 20.1% increase in the labor cost line, mainly due to the increase in headcount and overtime, which are necessary to cover a larger volume of operations, as well as the effect resulting from the collective bargain agreement and currency depreciation. Payroll taxes also impacted the result in the period and its effect was observed from September 2018;
- Reduction of 2.7% in maintenance materials and third parties, due to numerous cost reduction initiatives, including the implementation of a new budget control process, as well as the reclassification of amounts that have been allocated in the other costs line.
- Increase of 15.7% in energy costs, due to the increase in volume produced and in the CGI and machining share, as well as the exchange rate depreciation;
- Increase of R\$12.1 million in other costs, mainly resulting from the reclassification among lines (amounts that were previously allocated as maintenance and third parties services).

Operating expenses, including administrative and commercial expenses, accounted for 7.7% of net revenues, representing a reduction of 0.1 percentage point year-over-year and reaching R\$95.4 million. This figure represented an increase of 26.0% over 4Q17, mainly due to higher expenses with labor, freight and commissions on sales, related to the increase in volume and currency depreciation. The impact of the application of the freight table on the transportation of finished and semi-finished products was also a factor, as were payroll taxes.

OTHER OPERATING EXPENSES

Other net operating expenses amounted to R\$45.5 million in 4Q18, compared to R\$39.6 million in 4Q17, corresponding increase of 15.0%.

	Consolidated (R\$ thousand)					
	4Q18	4Q17	Var. [%]	2018	2017	Var. [%]
Depreciation of non-operating assets	(205)	(174)	17.8%	(728)	(706)	3.1%
Amortization of intangibles assets	(12,730)	(10,466)	21.6%	(49,066)	(41,157)	19.2%
Restructuring of the Mauá plant	-	-	-	-	(44,141)	-
Others	(32,598)	28,954	12.6%	(61,436)	(37,903)	62.1%
Other net operating expenses	(45,533)	(39,594)	15.0%	(111,230)	(123,907)	-10.2%
Reversal (constitution) impairment of intangibles	33,631	8,301	305.1%	33,631	8,301	305.1%
Total impairment adjustments	33,631	8,301	305.1%	31,631	8,301	305.1%

Expenses related to the amortization of intangible assets increased by 21.6%, mainly due to the exchange variation on the contractual relationship with customers, arising from the acquisition of operations in Mexico in 2012.

Update credits from Eletrobrás

The Company holds in its noncurrent assets credits arising from the right to complement the indexation of Eletrobrás' compulsory loan and the respective interest, according to a decision passed and judged in 2003. During this process, the Company also received several favorable decisions. In October 2018, an appeal filed by Eletrobrás passed in favor of the Company, which resulted in the closing of proceedings for which Eletrobrás would still be able to discuss the criteria for calculating the appraisal report approved by the court. As a result, in 4Q18, the Company updated the amount of the compulsory credit, from R\$121.7 million to R\$250.5 million.

Based on current jurisprudence adopted by higher courts, the Company considers it possible to receive the credits through the delivery of shares issued by Eletrobrás in the amount based on its equity value. The asset value, adjusted to present value on December 31, 2018, is R\$171.0 million, and the adjustment is calculated based on an instrument similar to a derivative.

The impact of the restatement of the credits with Eletrobrás in the item "Others" was a revenue of R\$23.9 million, due to the difference between the adjustment of the compulsory credit and the variation of the derivative instrument (adjustment to present value). This line also includes recognition and impairment of tax credits, constitution and updating of provisions, write-off of property, plant and equipment, and sales of non-material items.

In 4Q18 we had the partial reversal of impairment performed in December 2016 related to the contractual portfolio with customers (intangible assets) arising from the acquisition of Tupy México S.A., C.V. and Technocast S.A., and C.V. on April 16, 2012. The reversal was due to the volume of sales observed from these plants, when compared to volumes originally projected at the time of acquisition.

NET FINANCIAL INCOME

In 4Q18, net financial income was R\$45.0 million, compared to R\$16.2 million in 4Q17.

	Consolidated (R\$ thousand)					
	4Q18	4Q17	Var. [%]	2018	2017	Var. [%]
Financial expenses	(24,836)	(35,056)	-29.2%	(114,321)	(149,629)	-23.6%
Financial income	58,440	17,082	242.1%	89,641	105,586	-15.1%
Net monetary and Exchange variation	11,381	1,730	557.9%	12,065	(12,165)	-
Net financial income	44,985	(16,244)	-	(12,615)	(56,208)	-77.6%

The reduction in financial expenses is mainly due to net amortizations of the last twelve months, which amounted to R\$414.6 million. The year-over-year comparison was also impacted by the devaluation of the BRL against the US Dollar (average exchange rate of 3.81 in 4Q18 vs. 3.25 in 4Q17), which affected the recognition of interest on borrowings denominated in dollars.

Increase of 242.1% in financial revenues, which reached R\$58.4 million in the period. Of this amount, R\$44.9 million is due to the restatement of the derivative instrument used to adjust Eletrobrás' receivable credits to present value.

The financial income was also impacted by the reduction in the cash balance, cash equivalents and financial investments in Brazil (averaging R\$340.1 million in 4Q18. R\$681.9 million in 4Q17) and lower financial earnings due to lower interest rates in the country (our financial investments were remunerated at an average interest rate of 6.49% p.a. in 4Q18 vs. 7.43% p.a. in 4Q17).

The result of the net monetary and exchange variations resulted from the impact of the exchange rate appreciation on the mark-to-market of zero cost collar, an instrument used to minimize the risks arising from the exchange variation on operating income.

EARNINGS BEFORE TAXES AND NET INCOME

	Consolidated (R\$ thousand)					
	4Q18	4Q17	Var. [%]	2018	2017	Var. [%]
Net income before income taxes	123,977	31,336	295.5%	357,268	133,937	166.7%
Tax effects before foreign Exchange impacts	(39,191)	(4,927)	695.4%	(91,781)	9,158	-
Net income before foreign Exchange effects on tax base	84,786	26,409	221.0%	265,397	143,095	85.5%
Foreign Exchange effects on tax base	(6,872)	(12,475)	-44.9%	6,324	10,306	-38.6%
Net income	77,914	13,934	459.2%	271,721	153,401	77.1%
<i>% on revenue</i>	<i>6.3%</i>	<i>1.4%</i>		<i>5.6%</i>	<i>4.1%</i>	

The Company recorded tax effects before foreign exchange impacts in the amount of R\$39.2 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 variation in relation to 4Q17, in the amount of R\$34.3 million, was mainly due to the strong growth in operating and financial results, which had an impact of R\$31.5 million on this account.

The effect of exchange rates on the tax base (deferred income tax in Mexican operations) is determined in Mexican Pesos. In the conversion from the functional currency, the US Dollar, a reduction of R\$6.9 million was recorded because of the depreciation of the Mexican Peso against the US Dollar in 4Q18.

The net income from these effects amounted to R\$77.9 million in 4Q18, an increase of 459.2% over the same period of the previous year. Of this amount, approximately R\$56.5 million refers to non-recurring accounting entries made in the quarter, which had a low cash effect in this quarter (approximately R\$17.0 million), such as the reversal of impairments, recognition of tax credits and credits receivable from Eletrobrás.

EBITDA

The combination of the above-mentioned factors resulted in EBITDA of R\$118.6 million, an increase of 14.7% over the same period of the previous year. EBITDA adjusted by the constitution/update of provisions, write-off of property, plant and equipment, and sale of unserviceable assets totaled R\$151.2 million, with a 12.2% margin and an increase of 14.3% over 4Q17.

Consolidated (R\$ thousand)						
RECONCILIATION OF NET INCOME TO EBITDA	4Q18	4Q17	Var. [%]	2018	2017	Var. [%]
Net income (loss) for the period	77,914	13,934	459.2%	271,721	153,401	77.1%
(+) Net financial result	(44,985)	16,244	-	12,615	56,208	-77.6%
(+) Income tax and social contribution	46,063	17,402	164.7%	85,547	(19,464)	-
(+) Depreciation and amortization	39,581	55,765	-29.0%	245,746	248,960	-1.3%
EBITDA (Instr. CVM 527/12)	118,573	103,345	14.7%	615,629	439,105	40.2%
<i>% on revenue</i>	<i>9.6%</i>	<i>10.7%</i>		<i>12.8%</i>	<i>11.8%</i>	
(+) Other net operating expenses*	32,598	28,954	12.6%	61,436	37,903	62.1%
(+/-) Restructuring of the Mauá plant	-	-	-	-	44,141	-
Adjusted EBITDA	151,171	132,299	14.3%	677,065	521,149	29.9%
<i>% on revenue</i>	<i>12.2%</i>	<i>13.7%</i>		<i>14.0%</i>	<i>14.1%</i>	

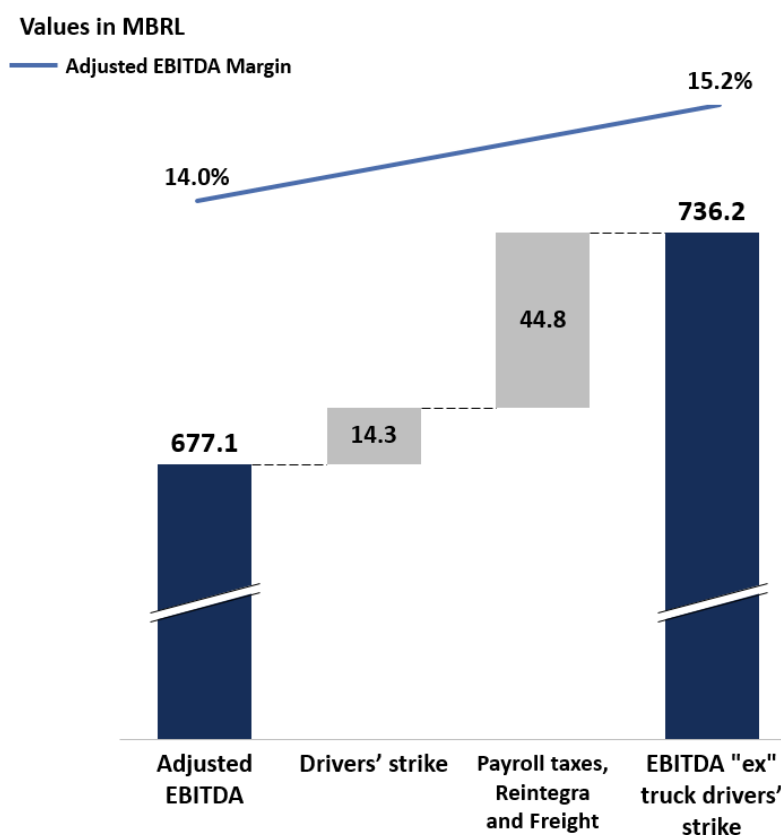
(* Other net operating expenses are presented net of amortization and depreciation expenses.

The adjustments made to EBITDA have the purpose of eliminating the effect of items that present less correlation with the Company's business, have no cash or non-recurring effect. These expenses amounted to R\$32.6 million in 4Q18 and are comprised of (i) R\$32.8 million of constitution/updates of provisions (vs. R\$29.3 million in 4Q17); (ii) R\$6.8 million related to write-off of property, plant and equipment and sale of unserviceable assets (vs. revenue of R\$0.4 million in 4Q17) and (iii) R\$7.0 million in revenues arising from the net balance of recognition and impairment of tax credits and the restatement of the balance of receivable credits from Eletrobrás.

In spite of the strong operating result, due to the increase in revenue and the implementation of several cost reduction initiatives, the EBITDA margin for 2018 was impacted by factors beyond the control of the Company, particularly:

- A 34% increase in raw material cost (cost per kilo). It is important to note that our contracts contain clauses allowing for 100% pass through of this product price variation. In these cases, although revenue and cash flow were preserved, we noticed the impact on our margins;
- One-off effects due to the readjustment of the work hours in Joinville;
- Impact of the truckers' strike that occurred in May 2018, consisting of (i) direct impact in the amount of R\$14.3 million, caused by unrecovered sales, loss of productivity and lower dilution of fixed costs, and (ii) impact of government measures (payroll taxes, reduction of benefits to exporting companies - REINTEGRA, and application of the minimum freight rate).

Regarding the truckers' strike, we estimate that the impact on the margin was 1.2% in 2018, as shown in the chart below:



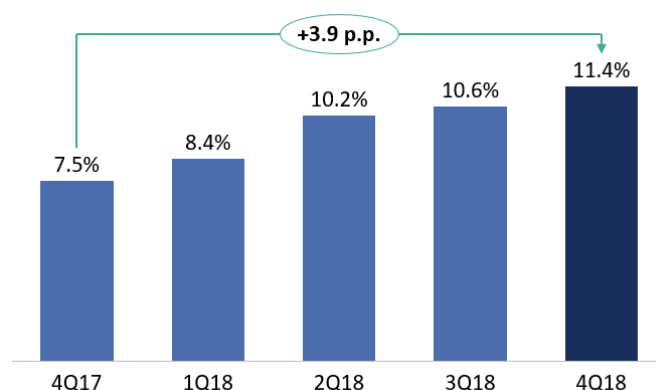
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

Investments in property, plant and equipment, and intangible assets totaled R\$71.1 million in 4Q18.

	Consolidated (R\$ thousand)			2018	2017	Var. [%]
	4Q18	4Q17	Var. [%]			
PP&E						
Strategic investments	22,342	6,307	254.2%	43,200	36,052	19.8%
Maintenance and sustenance	41,701	21,301	95.8%	122,660	71,133	72.4%
Environment	4,858	1,709	184.3%	9,009	7,154	25.9%
Interest and financial expenses	442	490	-9.8%	1,967	1,606	22.5%
Intangible assets						
Software	1,411	1,443	-2.2%	5,707	4,060	40.6%
Research and development	368	689	-46.6%	2,360	4,092	-42.3%
Total	71,122	31,939	122.7%	184,903	124,097	49.0%
<i>% on revenue</i>	5.8%	3.3%		3.8%	3.3%	

The increase in investments is mainly due to the execution of projects aimed at improving productivity (including a new sand regenerator); the development of new products; as well as renovations and projects related to the environment and occupational safety.

Investments in 2018 accounted for 3.8% of revenues and 66.2% of depreciation and amortization for the period, in line with the Company's strategy of investment optimization and **focus on return on invested capital (ROIC), which reached 11.4% in the period, showing an improvement over 3Q18 and 4Q17.**



WORKING CAPITAL

Consolidated (R\$ thousand)					
	4Q18	3Q18	2Q18	1Q18	4Q17
Balance sheet					
Accounts receivable	689,713	754,026	783,072	689,706	573,093
Inventories	523,623	486,753	467,613	426,933	419,492
Accounts payable	621,292	576,245	550,562	504,302	462,465
Operational indicators					
Sales outstanding [days]	52	60	68	64	56
Inventories outstanding [days]	47	47	49	48	49
Payables outstanding [days]	56	55	57	56	53
Cash conversion cycle [days]	43	52	60	56	52

There was a significant improvement (9 days) in working capital in the period when comparing to the immediately previous quarter (3Q18). The main lines of working capital presented the following variations:

- Reduction of R\$65.5 million in the accounts receivable line, corresponding to 8 sale days. This reduction is mainly due to seasonality, exchange rate appreciation in the period and change in customer payment terms;
- Increase in inventories in the amount of R\$36.9 million, with maintenance of the number of days in inventories (in relation to COGS);
- Increase of R\$45.0 million in the accounts payable line, resulting in a one-day increase. It is worth noting the improvement of this indicator in relation to 4Q17 (3 days), due to several actions promoted to lengthen the payment deadline with the current suppliers.

CASH FLOW

CASH FLOW SUMMARY	Consolidated (R\$ thousand)					
	4Q18	4Q17	Var.[%]	2018	2017	Var.[%]
Cash at the beginning of period	742,613	944,800	-21.4%	865,368	1,203,940	-28.1%
Cash flow from operating activities	208,950	108,674	92.3%	577,382	260,369	121.8%
Cash flow from investing activities	(62,884)	(29,291)	114.7%	(166,588)	(119,193)	39.8%
Cash flow from financing activities	(147,645)	(154,790)	-4.6%	(591,388)	(448,591)	31.8%
Effect of exchange variation on cash	(27,301)	(4,025)	578.3%	28,959	(31,157)	-
Increase (decrease) in cash	(28,880)	(79,432)	-63.6%	(151,635)	(338,572)	-55.2%
Cash at the end of period	713,733	865,368	-17.5%	713,733	865,368	-17.5%

In 4Q18, the Company generated R\$209.0 million in cash from operating activities, compared to a generation of R\$108.7 million in 4Q17. The strong growth in relation to 4Q17 is mainly due to increased revenues and improved working capital. In the period, we also recorded the receipt of R\$17.0 million arising from tax credits (PIS/COFINS).

Operating cash generation in 2018 was R\$577.4 million, an increase of 121.8% over 2017, representing the highest value in the Company's history. In addition to the strong operating result, the significant improvement in working capital and the efficient capital allocation contributed to this achievement.

In relation to investment activities, R\$62.9 million were consumed in 4Q18, an increase of 114.7% over the same period of the previous year.

Regarding financing activities, during 4Q18, we recorded the consumption of R\$147.6 million and a 4.6% decrease year-over-year, driven by the decrease in payments of loans and financing (R\$96.2 million in 4Q18 vs. R\$104.8 million in 4Q17).

The combination between these factors and the exchange rate variation on cash resulted in a reduction in the availability of cash in the amount of R\$28.9 million in the period. Thus, we ended the year 2018 with a balance of R\$713.7 million.

INDEBTEDNESS

The Company closed 4Q18 with net indebtedness of R\$682.5 million; the net debt/adjusted EBITDA ratio for the LTM was 1.01.

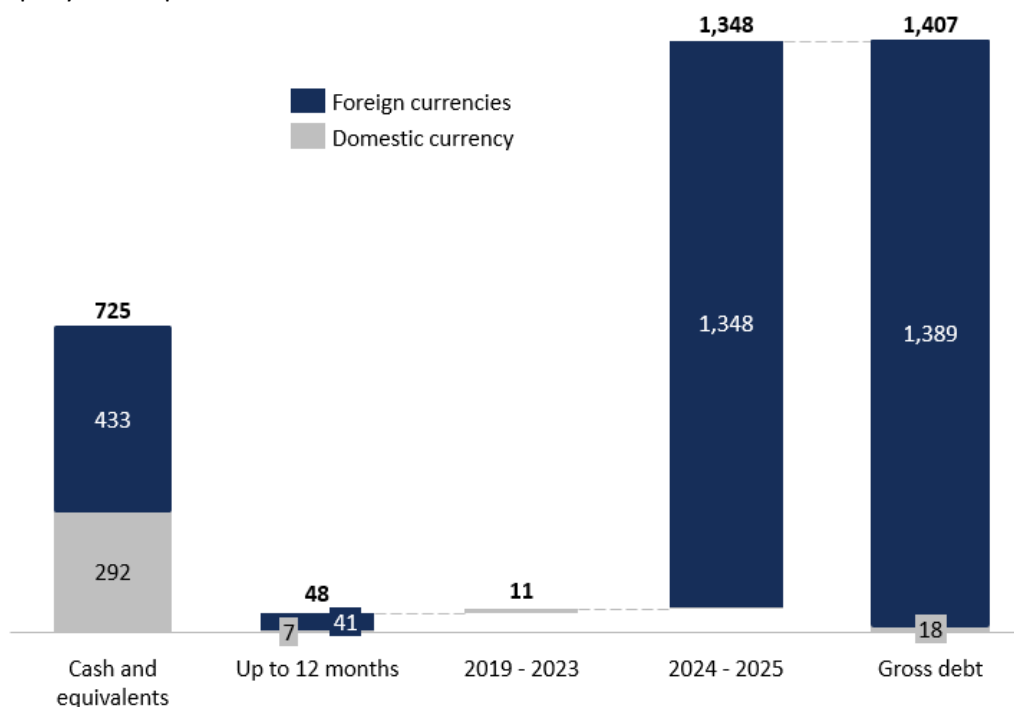
Foreign currency liabilities represent 99% of the total (3% short-term and 97% long-term debt), while 1% of the debt is denominated in BRL (37% short-term and 63% long-term debt). Regarding the cash balance, 40% are denominated in reais and 60% in foreign currency.

Consolidated (R\$ thousand)				
INDEBTEDNESS	4Q18	3Q18	2Q18	1Q18
Short term*	47,591	123,278	156,912	131,021
Long term	1,359,492	1,405,145	1,354,399	1,170,223
Gross debt	1,407,083	1,528,423	1,511,311	1,301,244
Cash and equivalents**	724,545	746,592	614,105	494,909
Net debt	682,538	781,831	897,206	806,335
Gross debt/Adjusted EBITDA	2.08x	2.32x	2.42x	2.37x
Net debt/Adjusted EBITDA	1.01x	1.19x	1.44x	1.47x

* Includes derivative & financial instruments

** Includes financial investments

The Company's debt profile is as follows:



All amounts in R\$ million.

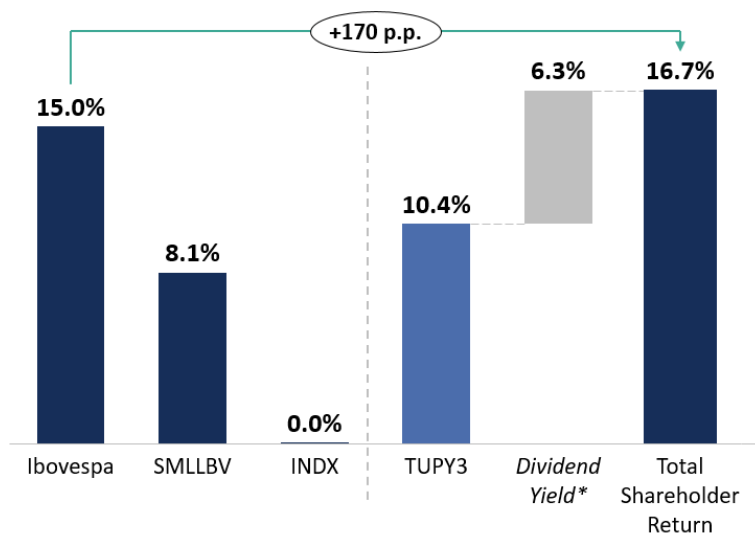
▷ PAYMENT OF DIVIDENDS AND INTEREST ON EQUITY

During the year 2018, the Company distributed to its shareholders R\$175.0 as dividends and interest on equity. Of this amount, R\$50.0 million was related to fiscal year 2017, with the remaining R\$125.0 million referring to the 2018 year. Still in relation to the year 2018, the distribution of dividends in the amount of R\$37.00 million, which will be paid on March 28, 2019, was approved on today's date.

Regarding 2019 fiscal year, the Board of Directors approved the anticipation of the payment of interest on equity amounting to R\$100.0 million. Additional amounts distributed throughout the year will be approved quarterly, taking into account a number of financial and operational indicators such as: (i) current and expected leverage; (ii) estimation of cash generation; (iii) debt profile and cash position; (iv) investments and (v) minimum cash policy.

▷ TOTAL RETURN TO SHAREHOLDERS

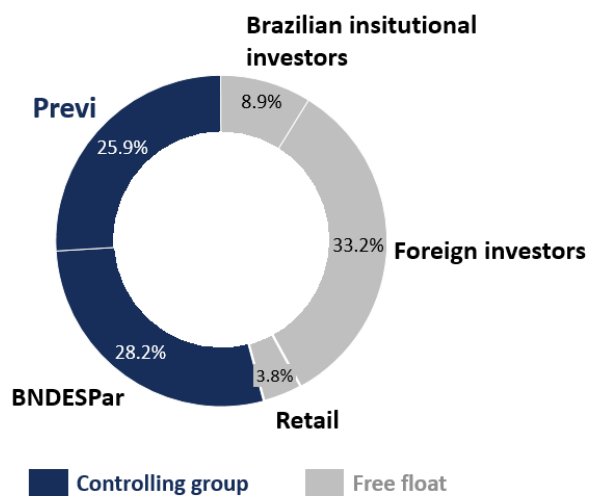
In 2018, the total return to shareholders was 16.7% (vs 15.0% of the IBOVESPA, 8.1% of the Small Caps Index and 0.0% of the Industrial Sector Index - IDX), comprising share appreciation of 10.4% and dividend yield* of 6.3%.



*Gross amounts, considering interest on equity and dividends effectively paid in the period, calculated in relation to the average share price in 2018.

OWNERSHIP STRUCTURE

Tupy's ownership structure as of December 31, 2018 was as follows:



Attachment I – Commercial vehicle production and sales in Brazil

	(Units)					
	4Q18	4Q17	Var. (%)	2018	2017	Var. (%)
Production						
Trucks						
Semi-light	540	387	39.5%	1,902	2,390	-20.4%
Light	5,387	6,092	-11.6%	20,358	17,867	13.9%
Medium	1,411	1,519	-7.1%	6,383	6,559	-2.7%
Semi-heavy	6,244	6,069	2.9%	27,514	23,758	15.8%
Heavy	14,698	9,776	50.3%	49,377	32,470	52.1%
Total trucks	28,280	23,843	18.6%	105,534	83,044	27.1%
Buses	5,485	4,515	21.5%	28,536	20,643	38.2%
Commercial vehicles	33,765	28,358	19.1%	134,070	103,687	29.3%
Sales						
Trucks						
Semi-light	548	543	0.9%	2,248	1,808	24.3%
Light	3,032	3,588	-15.5%	11,537	11,661	-1.1%
Medium	2,447	1,494	63.8%	7,663	4,439	72.6%
Semi-heavy	5,436	4,249	27.9%	17,854	13,535	31.9%
Heavy	11,051	6,197	78.3%	34,759	18,719	85.7%
Total trucks	22,514	16,071	40.1%	74,061	50,162	47.6%
Buses	4,598	3,192	44.0%	15,078	11,754	28.3%
Commercial vehicles	27,112	19,263	40.7%	89,139	61,916	44.0%
Exports						
Trucks						
Semi-light	62	116	-46.6%	333	656	-49.2%
Light	883	1,197	-26.2%	5,119	5,293	-3.3%
Medium	211	360	-46.4%	1,308	1,707	-23.4%
Semi-heavy	1,199	2,475	-51.6%	8,635	10,370	-16.7%
Heavy	1,823	2,650	-31.2%	9,247	10,194	-9.3%
Total trucks	4,178	6,798	-38.5%	24,642	28,220	-12.7%
Buses	2,635	2,397	9.9%	9,101	9,102	0.0%
Commercial vehicles	6,813	9,195	-25.9%	33,743	37,322	-9.6%

Source: ANFAVEA

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

	(Units)					
	4Q18	4Q17	Var. (%)	2018	2017	Var. (%)
North America						
Production						
Passenger cars	1,319,809	1,340,532	-1.5%	5,209,060	5,916,985	-12.0%
Light commercial vehicles – Class 1-3	2,879,468	2,866,867	0.4%	11,773,017	11,497,449	2.4%
% Light commercial vehicles	68,6%	68,1%	+0.5p.p.	69,3%	66,0%	+3.3p.p.
Light Duty – Class 4-5	19,502	19,337	0.9%	73,679	81,628	-9.7%
Medium Duty – Class 6-7	35,045	30,445	15.1%	148,115	133,953	10.6%
Heavy Duty – Class 8	83,111	65,376	27.1%	317,981	248,906	27.8%
Medium & Heavy Duty¹	137,658	115,158	19.5%	539,775	464,487	16.2%
United States						
Sales						
Passenger cars	1,285,290	1,428,732	-10.0%	5,359,451	6,123,050	-12.5%
Light commercial vehicles – Class 1-3	3,107,503	2,930,584	6.0%	11,975,030	11,115,865	7.7%
% Light commercial vehicles	70,7%	67,2%	+3.5p.p.	69,1%	64,5%	+4.6p.p.
Light Duty – Class 4-5	33,596	36,346	-7.6%	131,855	130,601	1.0%
Medium Duty – Class 6-7	33,561	34,205	-1.9%	135,202	124,882	8.3%
Heavy Duty – Class 8	72,409	59,690	21.3%	250,730	192,438	30.3%
Medium & Heavy Duty¹	139,566	130,241	7.2%	517,787	447,921	15.6%
Europe						
Sales						
Passenger cars	3,206,917	3,477,939	-7.8%	15,158,874	15,136,590	0.1%

Source: Automotive News; Bloomberg; ACEA

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

	(Units)			2018	2017	Var. (%)
	4Q18	4Q17	Var. (%)			
Production						
Americas						
Brazil	19,483	10,729	81.6%	65,656	53,043	23.8%
Sales						
Americas						
Brazil	13,180	10,308	27.9%	47,731	42,391	12.6%
United States and Canada	64,244	62,055	3.5%	268,331	252,570	6.2%
Europe						
Germany	10,639	14,364	-25.9%	40,697	43,765	-7.0%
United Kingdom	2,396	2,975	-19.5%	12,102	12,033	0.6%

Source: ANFAVEA; Bloomberg; AEM