

2nd Quarter 2020

Results

Investor Relations

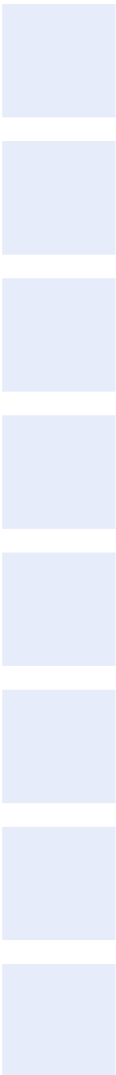
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This presentation contains forward-looking statements, which are subject to risks and uncertainties and reflect the beliefs and expectations of the Company's management based on available information. Forward-looking statements include statements regarding our management's current intentions or expectations with respect to a number of matters, including Brazil's economic, political, and business environment, and especially the geographic markets in which we operate, the level of indebtedness and other financial obligations, and our ability to contract financing, when necessary and on reasonable terms, our ability to implement our investment plans, inflation and devaluation of the Brazilian real, as well as fluctuations in interest rates, existing and future laws and regulations, increased costs, our ability to uninterruptedly obtain materials and services from suppliers, at reasonable prices and with economies of scale, our ability to acquire other companies and integrate them in a satisfactory way, growth expectations of the automotive and hydraulic industries and success in implementing our strategic plans.

The reader should be aware that the factors mentioned above, in addition to others discussed in this Presentation, may affect our future results which may differ from those expressed in the forward-looking statements we make herein. We do not assume responsibilities for updating such statements.

The words "anticipates," "wishes," "expects," "estimates," "intends," "forecasts," "plans," "predicts," "projects," "targets" and similar words are intended to identify these statements.

Forward-looking statements involve risks, uncertainties and assumptions as they relate to future events and therefore depend on circumstances that may or may not occur. The future condition of our financial condition and operational results, market share and our competitive market position may materially differ from what is expressed or implied by these forward-looking statements. Many of the factors that will determine these results and values are beyond our ability to control or predict. The reader is cautioned not to place undue confidence on these forward-looking statements.

1 Employees

Protection and sustainability
measures

Decision Center

Key indicators and general
action strategy

Institutional relations &
public policies

2 Clients

Inventory management

3 Production scenarios

Flexibility, stoppage and
resumption measures

4 Supply chain

Assessment of critical suppliers

6 Social impact

5 Income protection

Cash and margin
management

› Initiatives aimed at protecting employees and reducing the effects of stoppages in the production process, in addition to preparing the Company for resumption

1

Protection of employees

- Initiatives for mitigating impacts of pandemics and preserving jobs
- Adjustment of production environments and living spaces
- Continuous communication: Sense of urgency in the face of the magnitude of the crisis

2

Protection of clients

- Customer focused view: supply risks
 - Inventories by part number
- Risks of mismatch of resumption by geography (supply vs. demand)

3

Production system

- Production plans for possible scenarios and temporary suspensions for stock adjustment
- Critical management of absenteeism and productivity by area
- Transfer of products among production lines

4

Supply chain

- Stabilization of supply chain in face of possible disruptions
- Contingency plan for most critical areas

5

Financial protection

- Immediate reduction: OPEX / CAPEX
- Flexibility of working hours and payroll (PM -936) and headcount adjustments
- Strict cash control & consumption of materials available in inventory

6

Communities

- Implementation of a screening center at Tupy's facilities, development of epidemiological data collection software and other actions

Result impacted by customer's stoppage in April and May, with gradual recovery as of June.

1 Revenues

- R\$644.9 million, **down 54.1% compared to 2Q19 (down 32% in June when compared to the same period last year).**

2 Products Mix

- **Share of CGI and machined products reached 17%**, since the stoppages affected more customers that use these programs (mix effect). **There was no loss of contracts**

3 Adjusted EBITDA

- Negative by R\$2.3 million, due to the lower dilution of fixed costs and expenses in the period. **Return to pre-crisis levels in July***

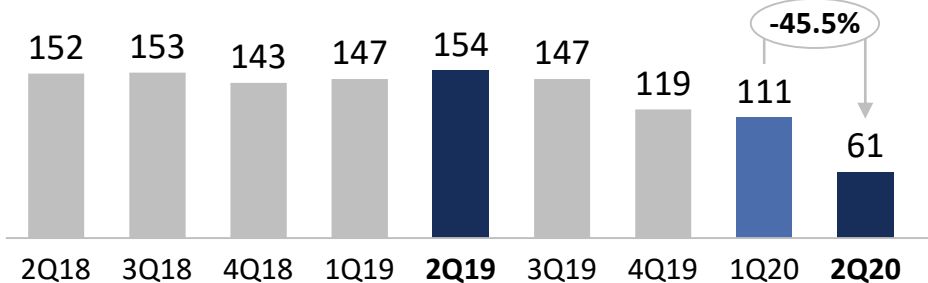
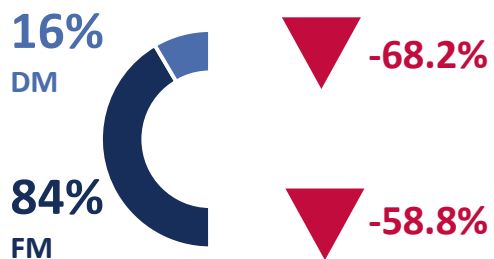
4 Net Income

- Loss of R\$82.8 million due to operating results. The combined result of the mark to market of derivatives (zero cost collar) and accounts receivables from Eletrobrás was **positive in R\$2.0 million.**

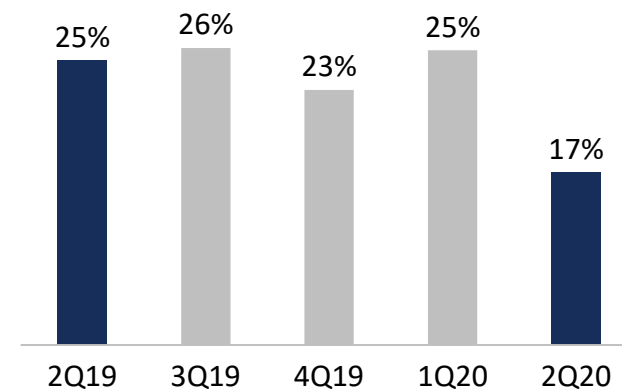
5 Cash Position

- **R\$1,282.0 million, consumption of R\$83.0 vs. Mar/2020**, with the impact of the decrease in volumes and increase in working capital offset by several management initiatives.

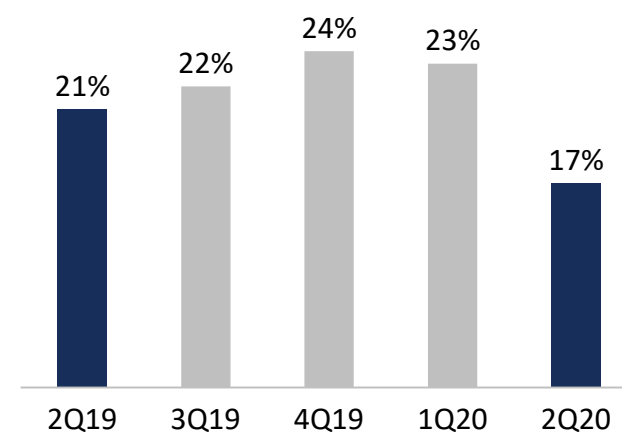
Volume [kton]



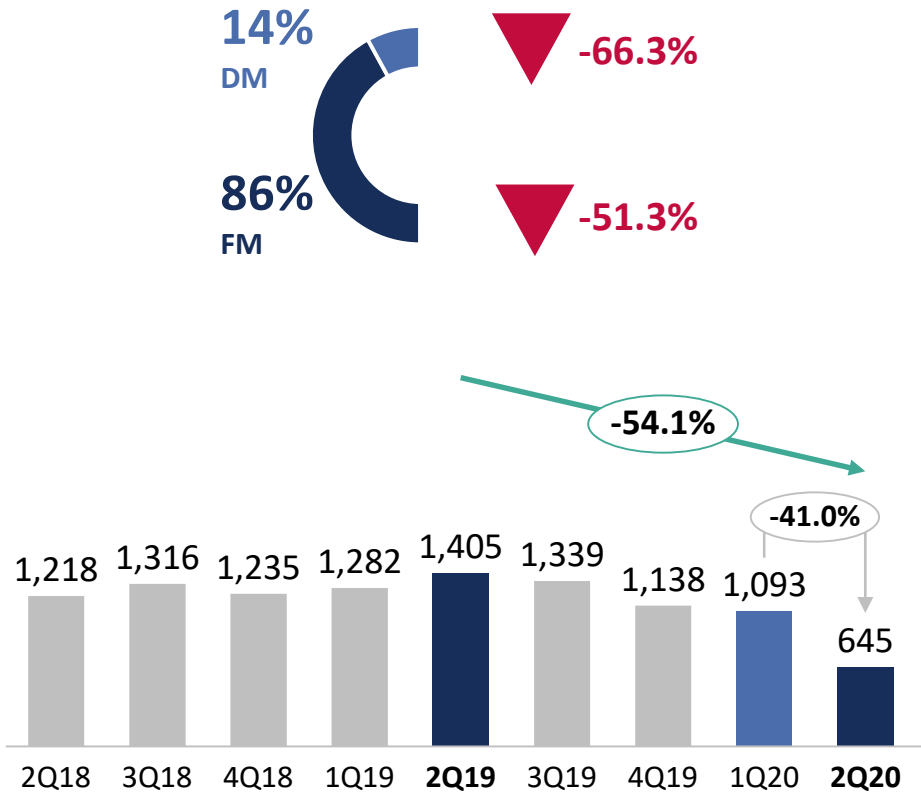
Machining [% automotive volume]



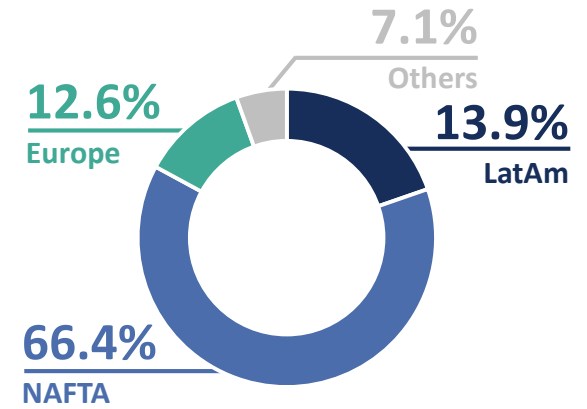
CGI [% automotive volume]



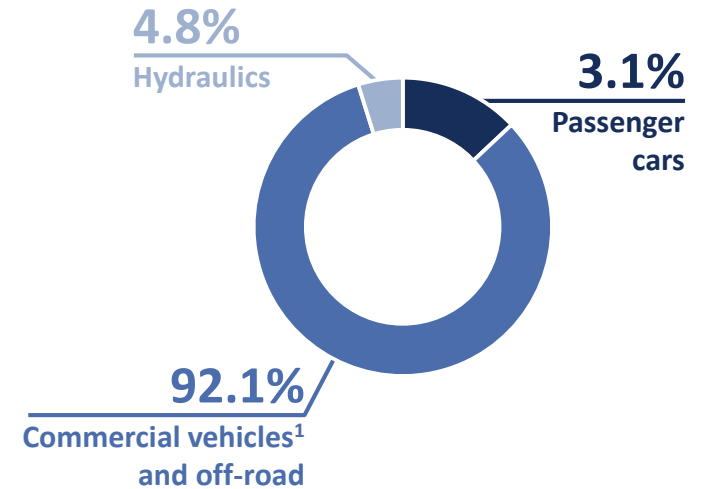
Revenues [M BRL]



Origin [% revenue]



Application [% revenue]

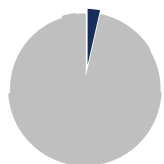


1) Includes light, medium and heavy commercial vehicles

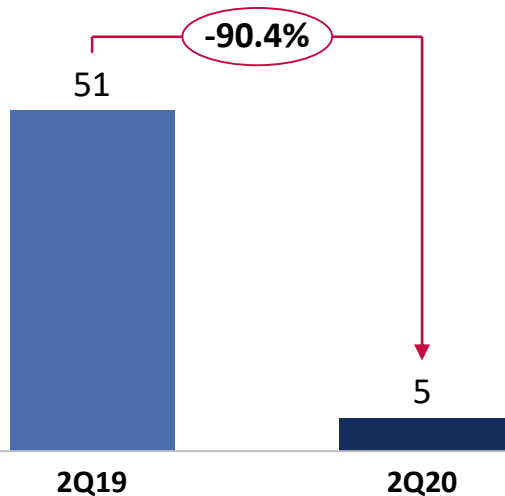


Domestic Market

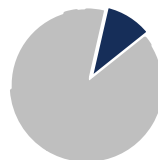
Passenger cars [M BRL]



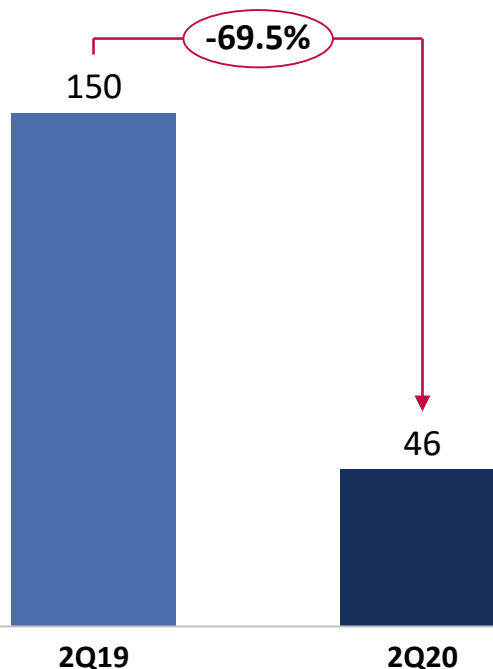
0.8%
of revenue



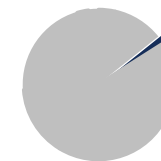
Commercial vehicles [M BRL]



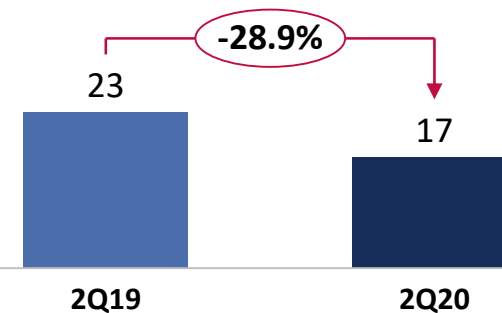
7.1%
of revenue



Off-road [M BRL]

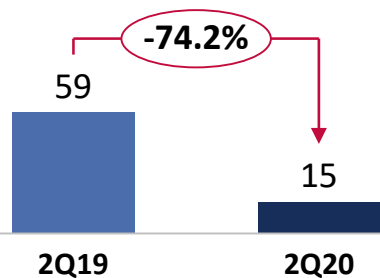
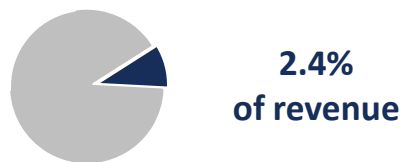


2.6%
of revenue

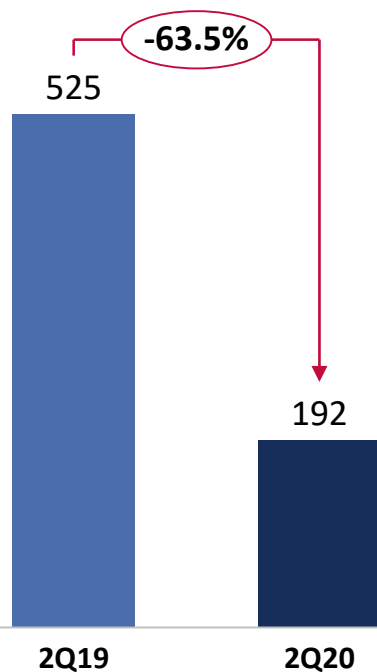


Foreign Market

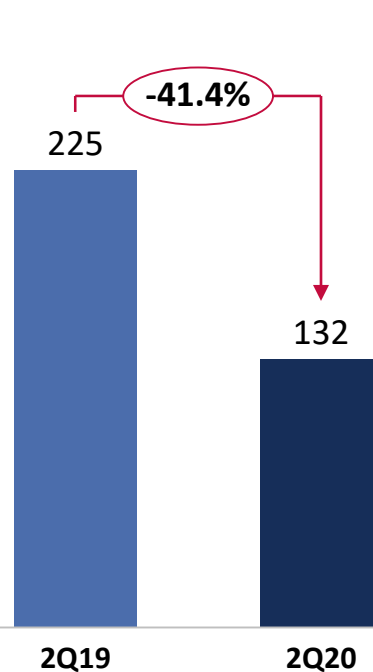
Passenger cars [M BRL]



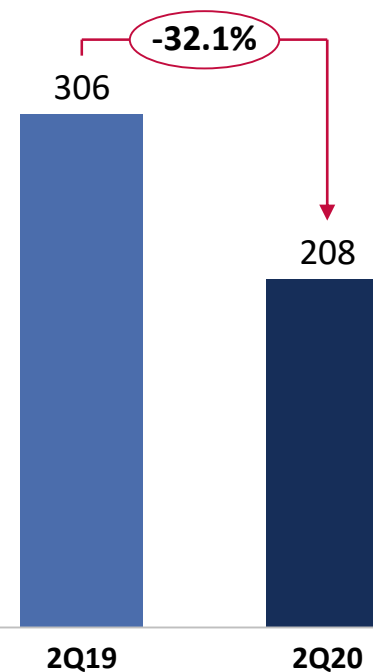
Commercial vehicles [M BRL]



Med. & heavy commercial [M BRL]

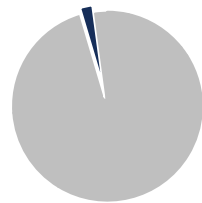


Off-road [M BRL]

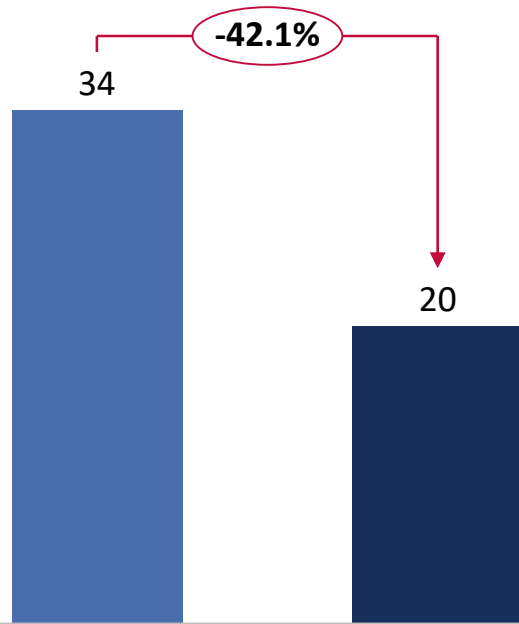


Domestic & Foreign Markets [M BRL]

Domestic Market



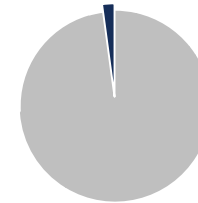
3.1%
of revenue



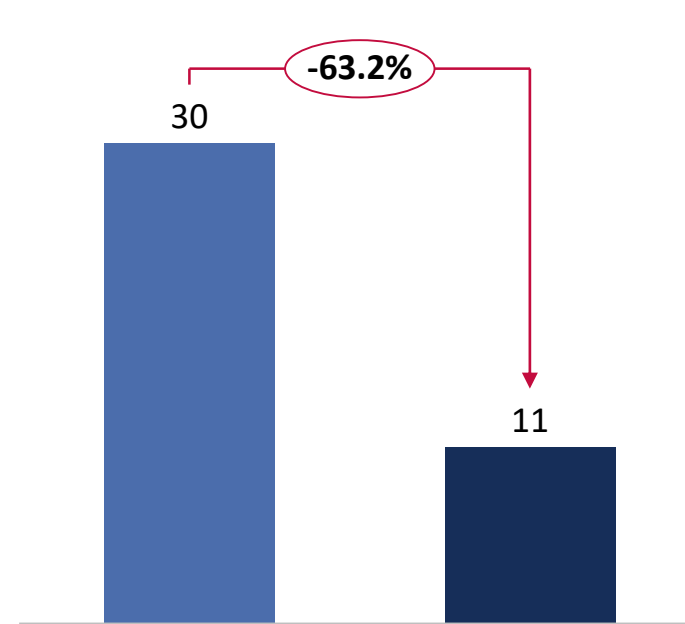
2Q19

2Q20

Foreign Market



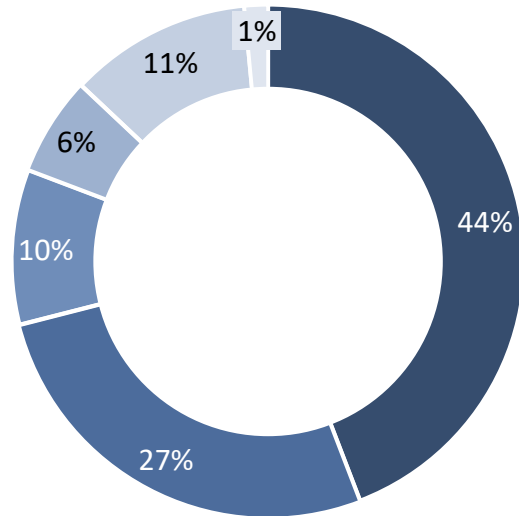
1.7%
of revenue



2Q19

2Q20

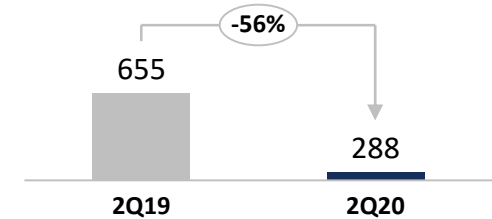
COGS Breakdown 2Q20 [%]



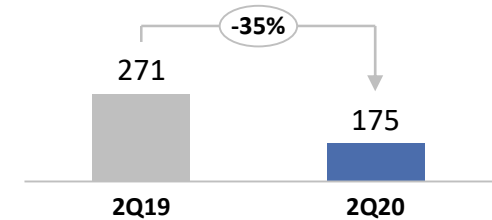
- Raw Material
- Labor & Profit Sharing
- Maintenance Materials
- Energy
- Depreciation
- Others

Variation of main cost inputs by nature [%]

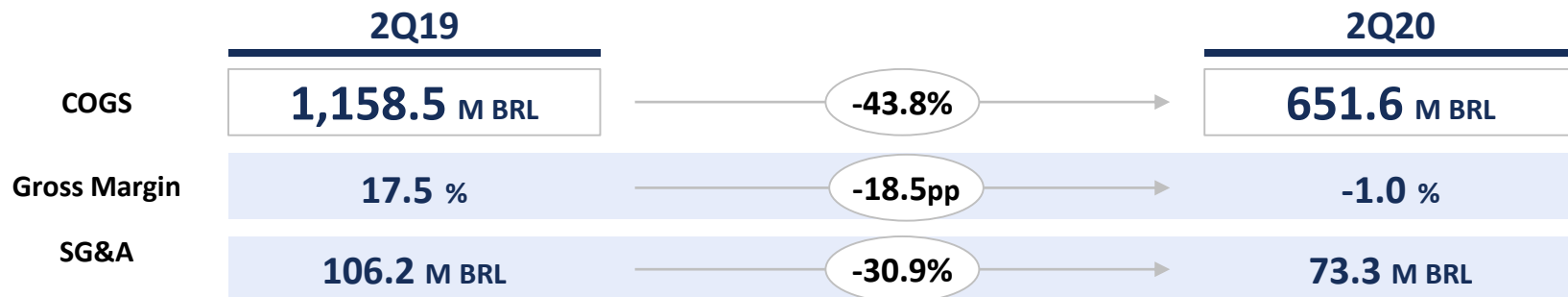
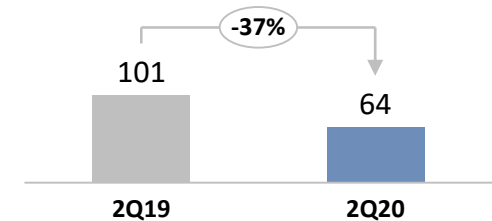
Materials



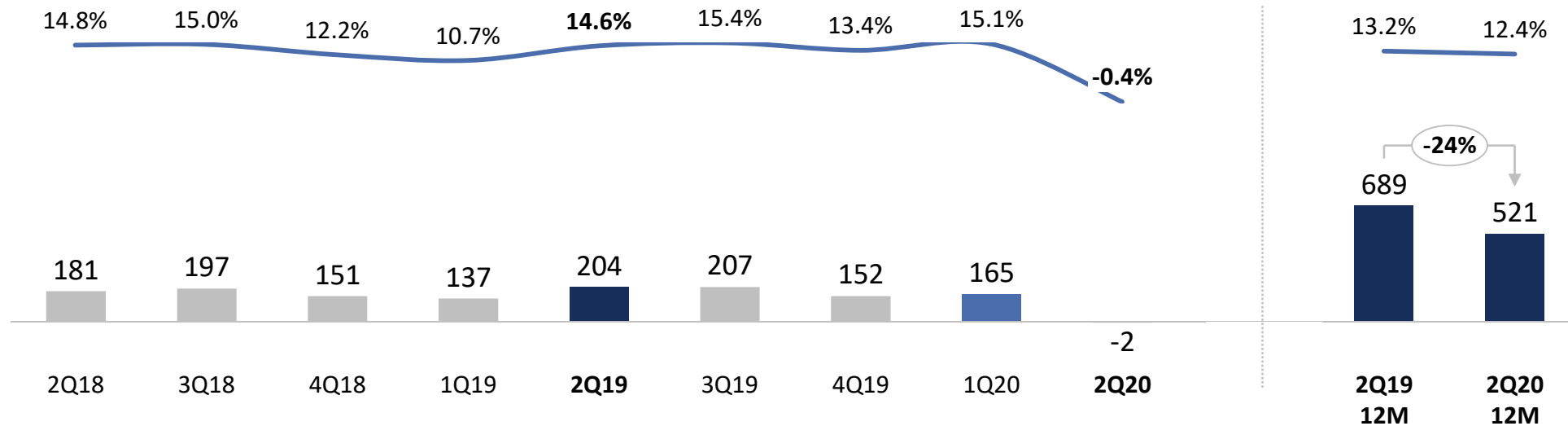
Labor



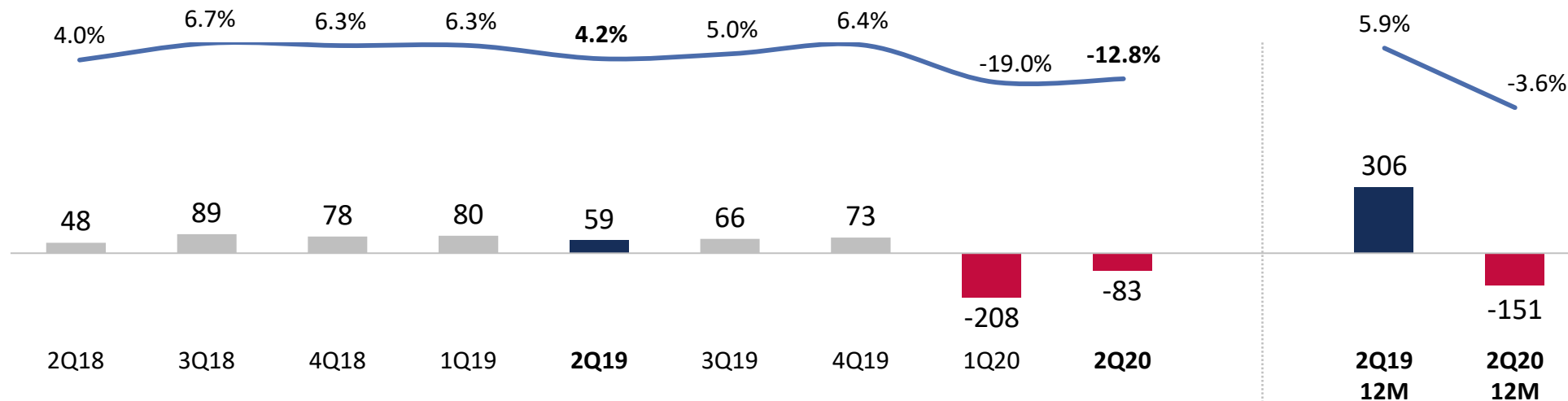
Maintenance materials & third-parties



Adjusted EBITDA [M BRL] and Adjusted EBITDA Margin [%]



Net Income [M BRL] and Net Margin [%]



Financial Result – BRL MM

		2Q20	2Q19
Financial expenses ¹		-43.7	-26.6
Financial revenues ²		11.5	5.9
Monetary and exchange rate variations		4.4	-4.6
MtM Eletrobrás Credits		18.6	14.6
MtM Hedge Operations ³		-16.6	3.9
TOTAL		-25.8	-6.8

¹ Increased indebtedness due to new loans taken in March (liquidity cushion) and exchange depreciation (coupon bond).

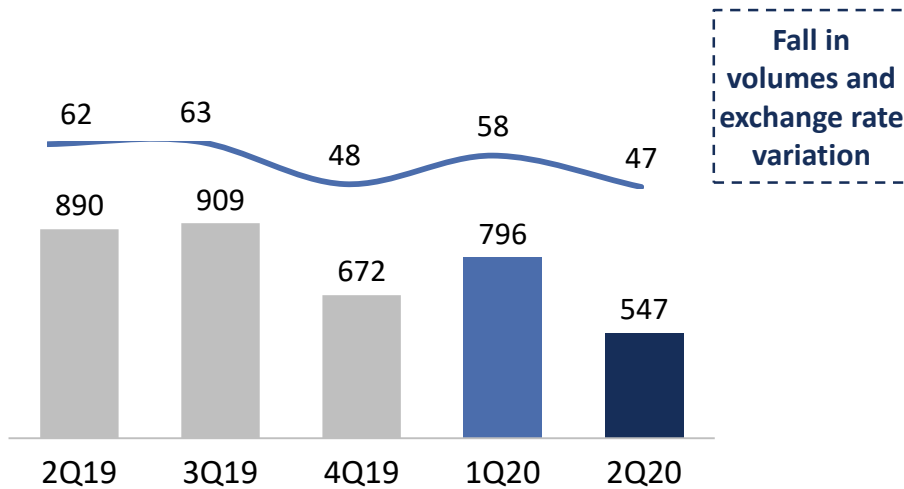
² Higher cash position and interest.

² Cash flow hedge (zero cost collar)

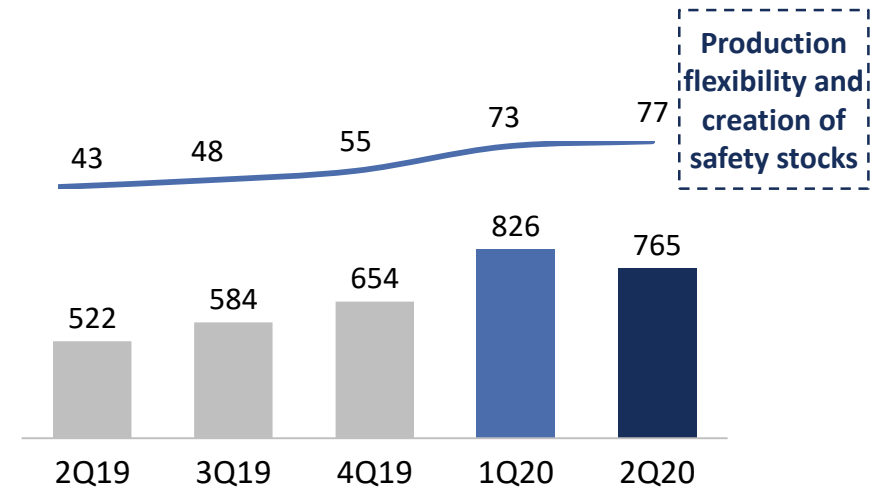
- Mark to market: + R\$73.4 million

- Adjustments (cash effect): - R\$90.0 million, partially offset by the positive effect of exchange depreciation on operating income and cash position in foreign currency.

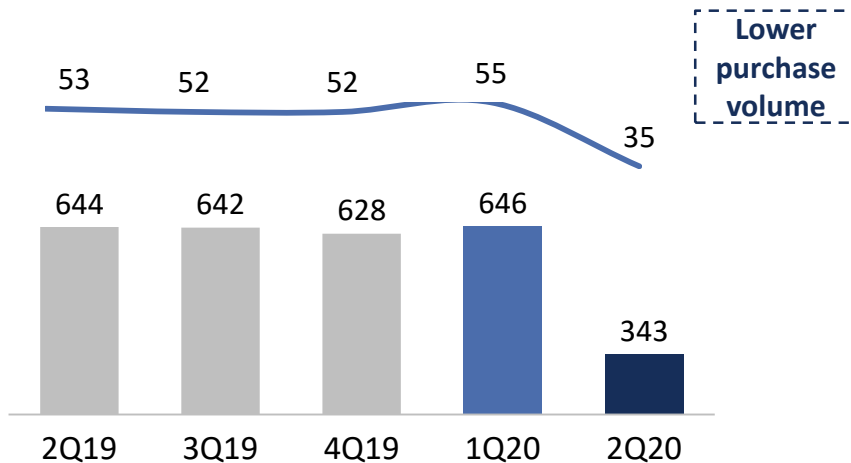
Accounts receivable [M BRL] and DSO [days]



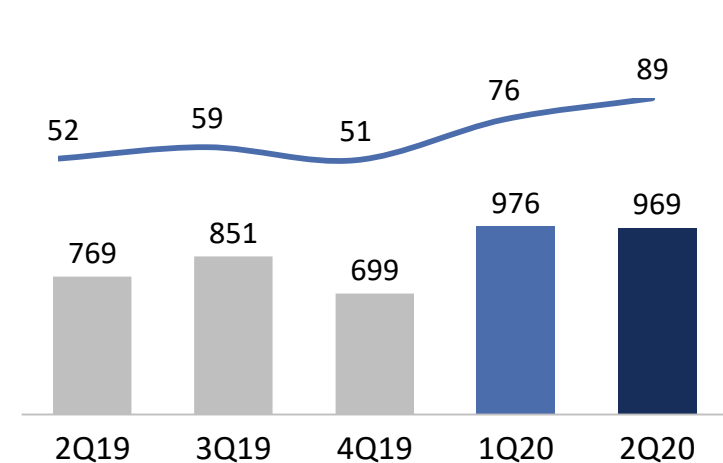
Inventories [M BRL] and DIO [days]



Accounts payable [M BRL] and DPO [days]

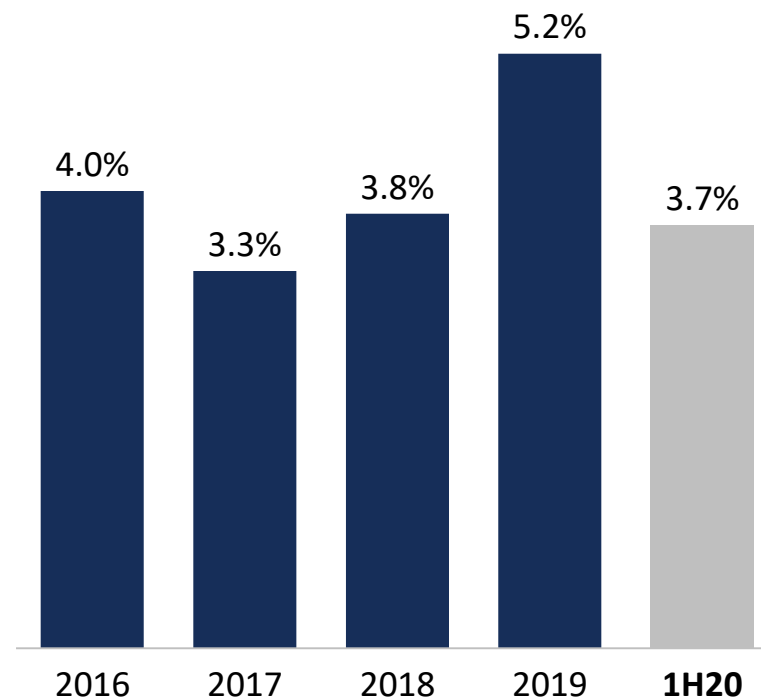
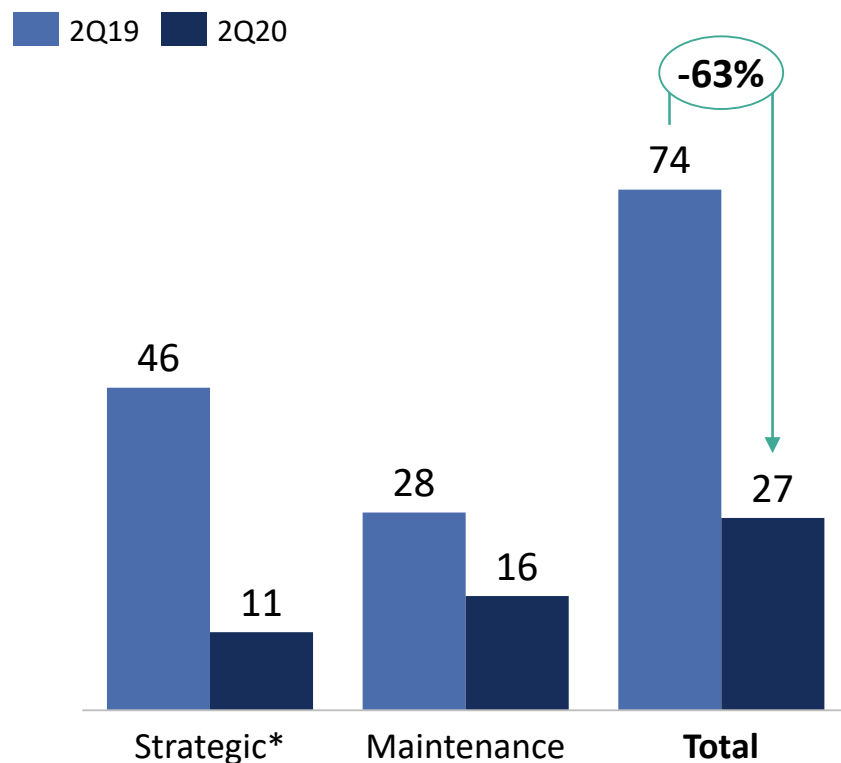


Working capital [M BRL] and CCC [days]



Investments 2Q20 vs 2Q19 [M BRL]

% Investments / Net Revenue

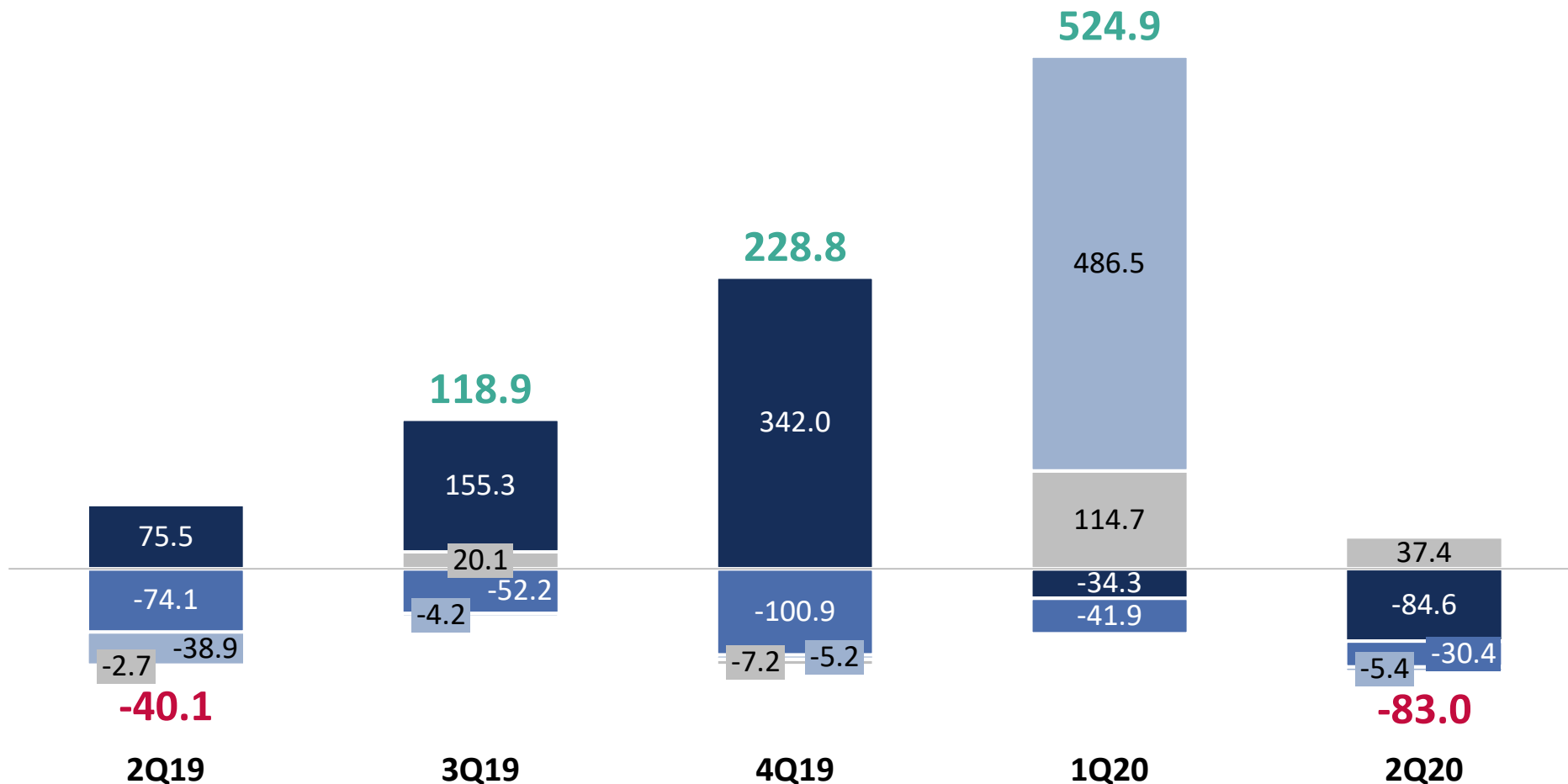


› CapEx reduction of 63%, due to cash strategy

*Includes intangibles

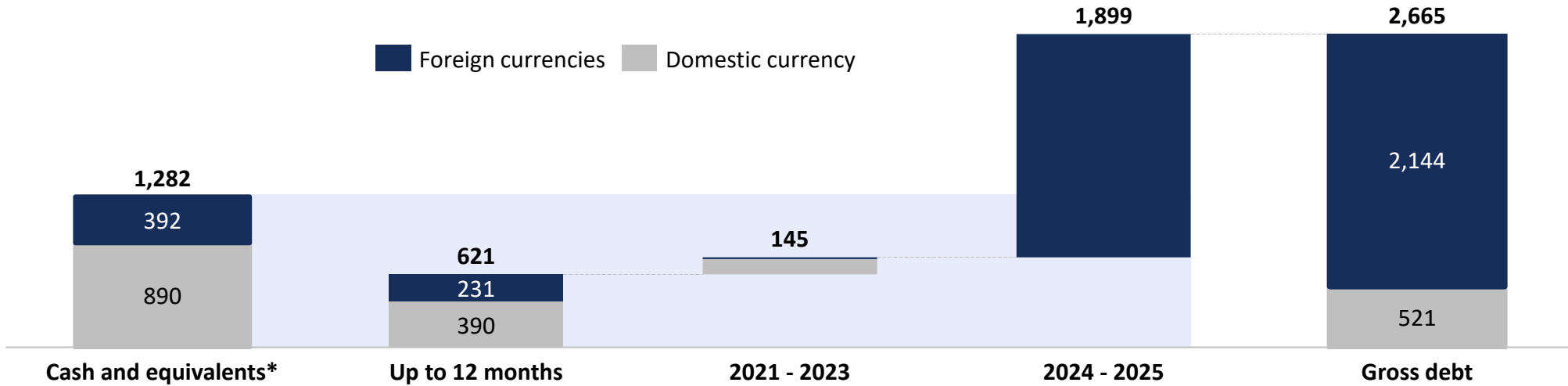
Amounts in M BRL

■ CF Operating
 ■ CF Investments
 ■ CF Financing
 ■ Exchange Rate

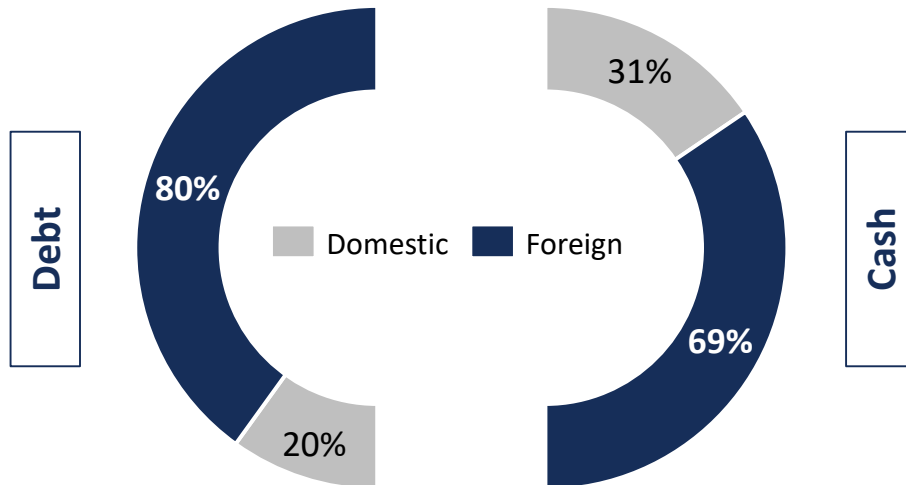


› Results impacted by drop in volumes, increase in working capital and derivative adjustments, mitigated by several measures adopted by the management

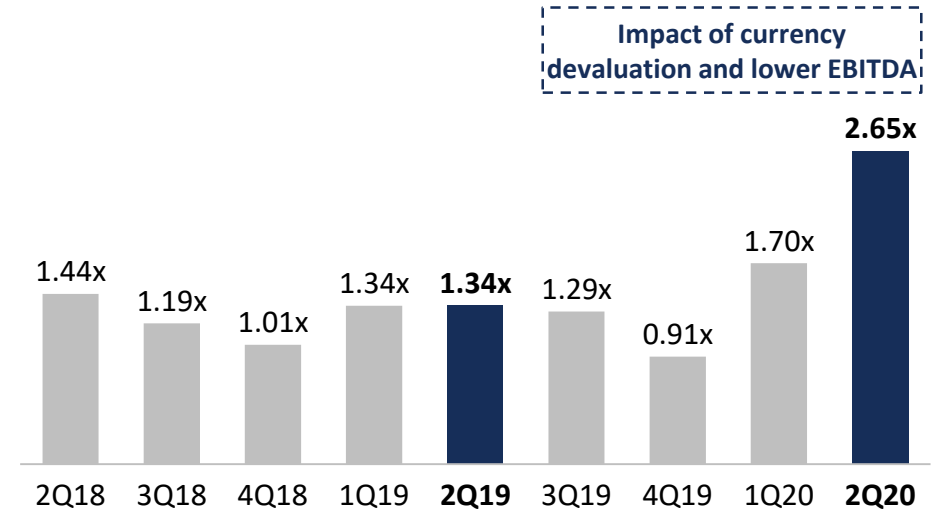
Debt [M BRL]



Currency breakdown [% total]

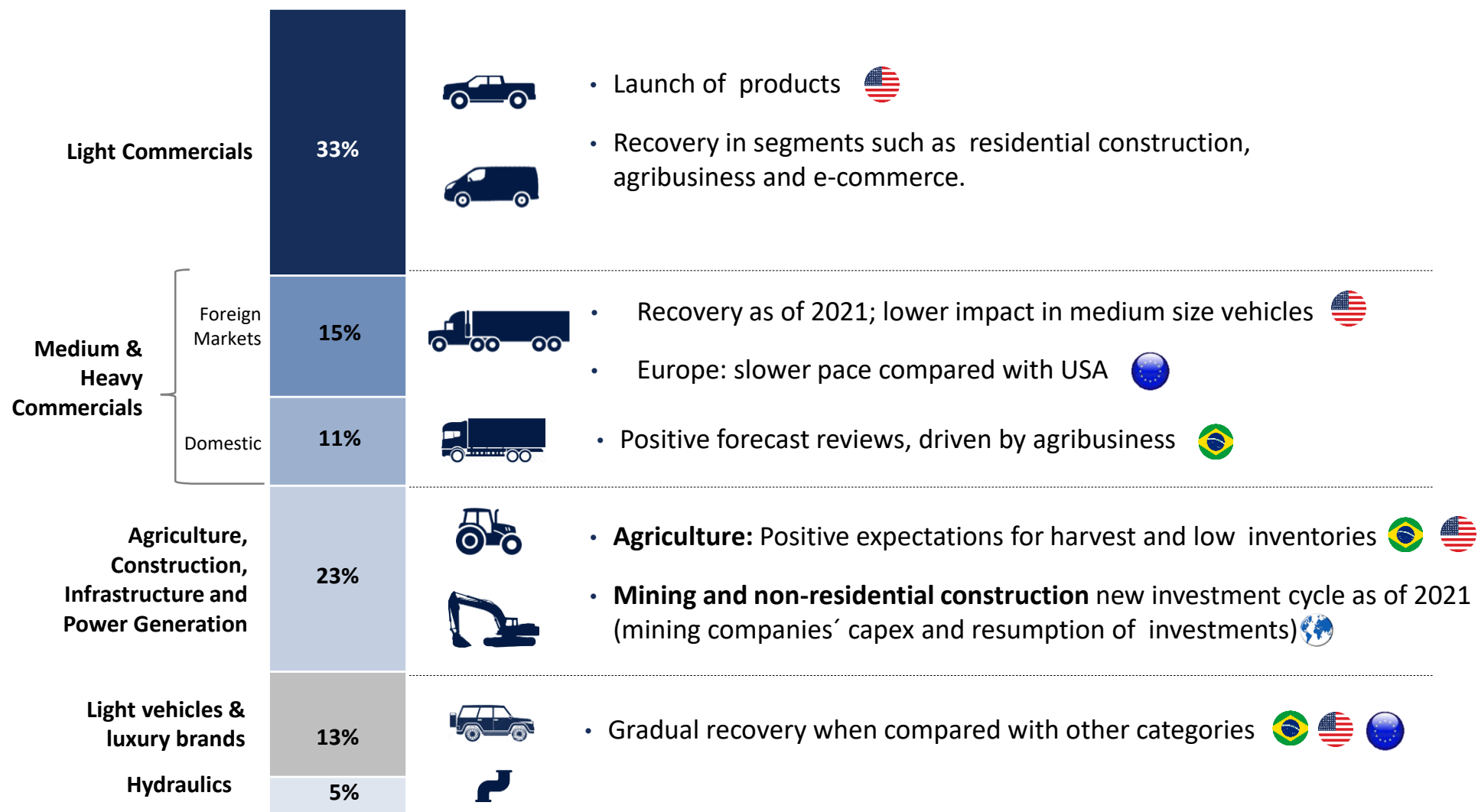


Net debt/Adjusted EBITDA LTM



*Includes derivatives

Net Revenues 2019



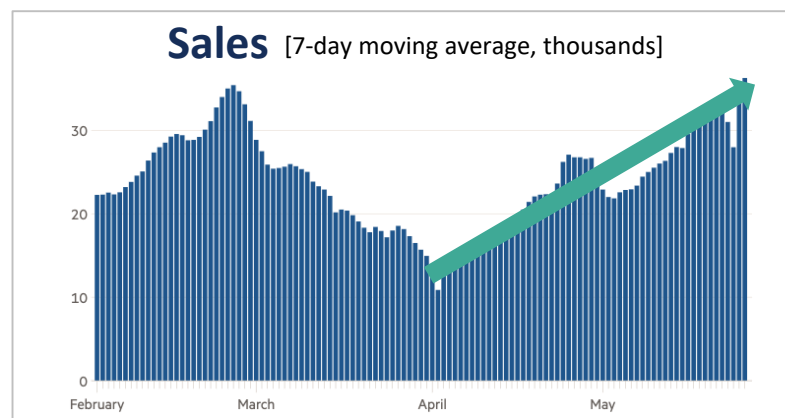
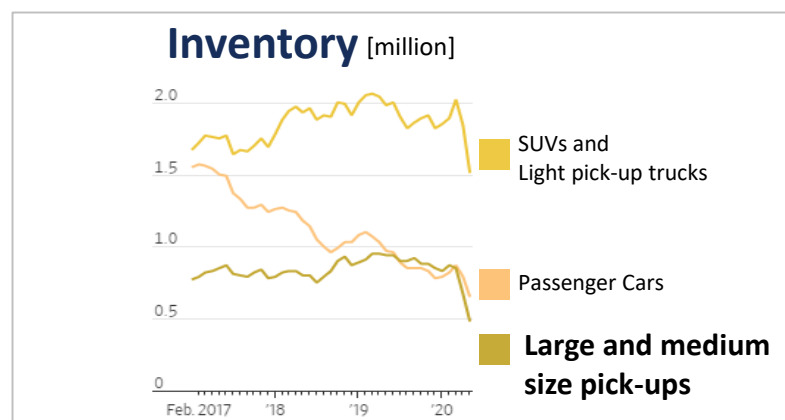
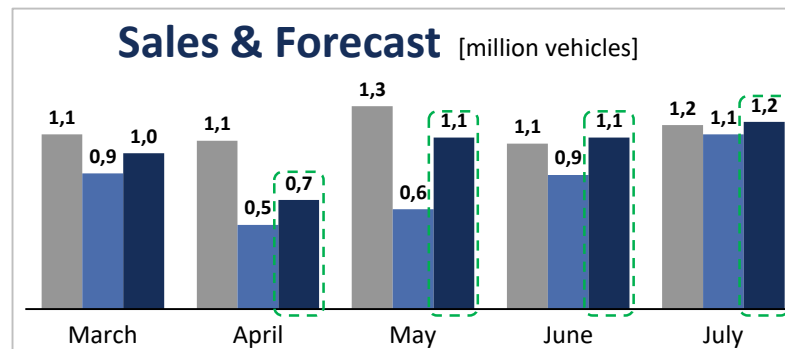
› Diversification mitigates cyclicity; some segments are strong despite the short term scenario



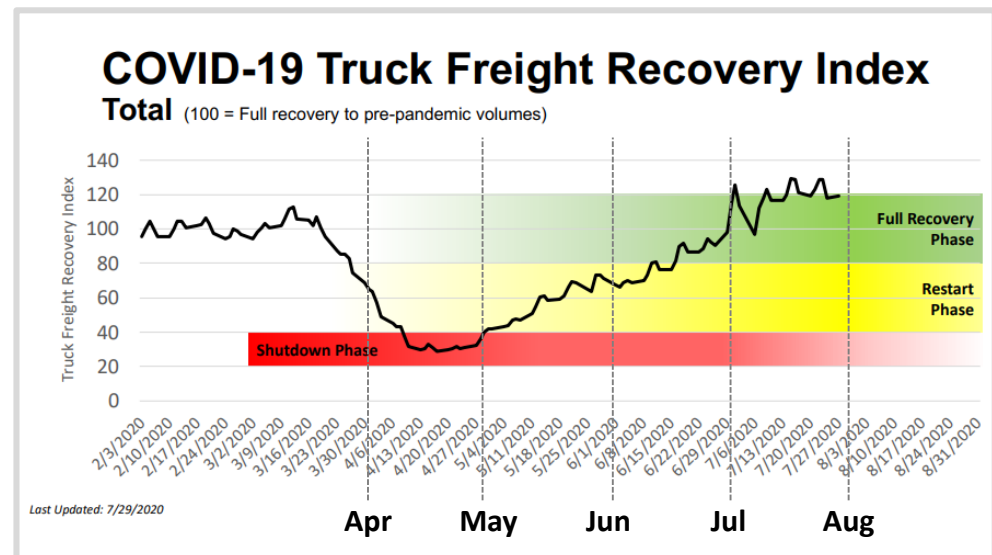
1 Pick-up sales considerably **better than expectations**. Total sales drop of 34% in 2019 (47% in passenger cars and **28% in pick-ups and SUVs**)

2 Due to production stoppages, **inventories decrease to the lowest level in several years**

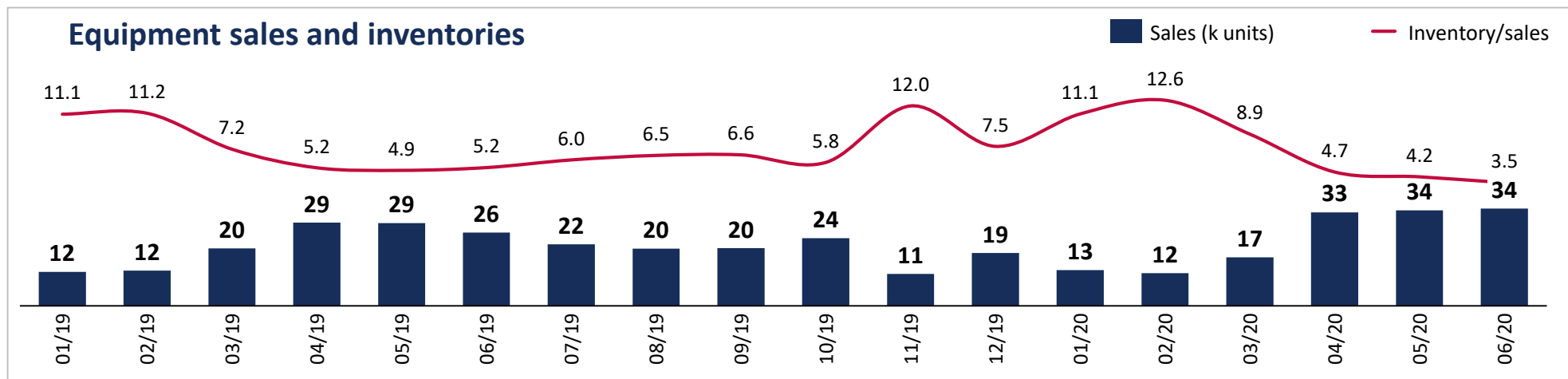
3 Increase in production driven by sales performance and inventories build-up



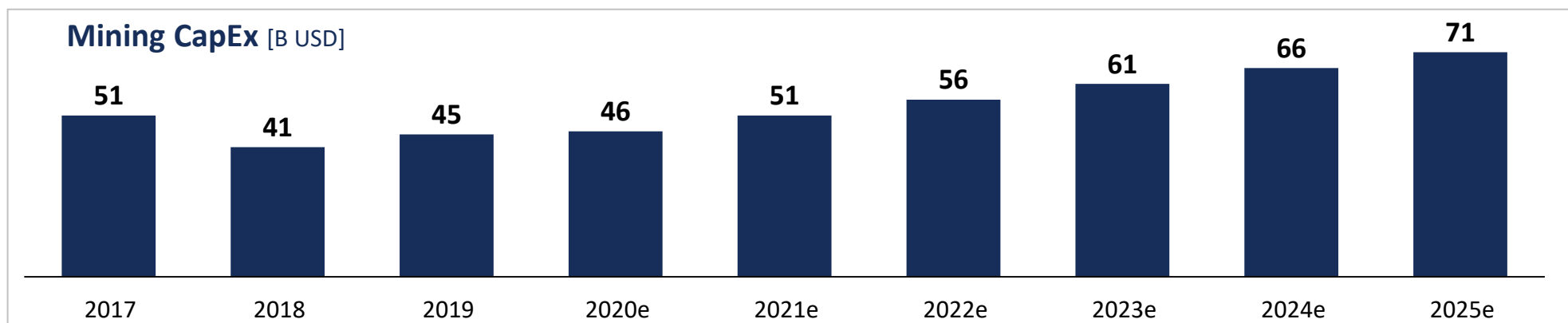
- 1 2019 marked the end of the fleet replacement cycle, with an expected retraction in sales of 31% in 2020 and a new growth cycle in 2021;
- 2 Pandemic worsened the initially expected drop to + 50% drop in 1H2;
- 3 Freight index resuming to **pre-pandemic levels**;
- 4 Decrease of freight prices caused by the crisis leads to a gradual **decrease of older fleets**, (higher operating costs) ;
- 5 Higher utilization rates and economic recover, **together with pent-up demand**, will trigger a **new replacement cycle in 2021**.



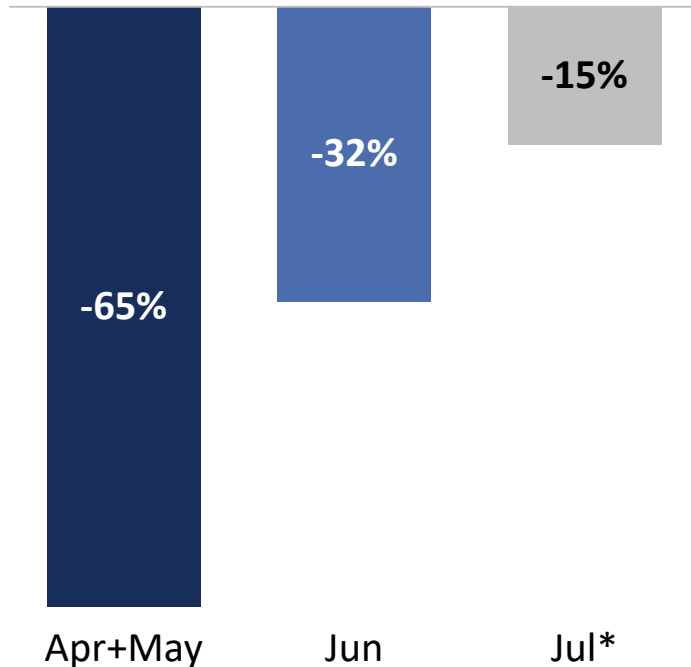
- 1** **Agribusiness: increasing sales** of equipments in 2Q20 over 2Q19 and **inventories at the lowest levels** in three years will sustain production at normal levels in coming months.



- 2** **Mining: after reaching bottom in 2018-2019** due to US-China trade war, **CapEx will resume** in 2021 triggered by growing revenues



Revenues variation vs 2019



*Unaudited value

- Exposure to solid and **necessary sectors for the economic recovery**
- **Return of margins to pre-crisis levels, due to several initiatives taken by the a new team, that will contribute to the results in the coming quarters:**
 - Adjustments in structure;
 - Defense rings: relocation of products, shut-down of less efficient equipments and changes in the production process;
 - Controlling towers (COGS and SG&A reduction).
- **Favorable exchange rate scenario:** operating results and potential for new businesses (nationalization of products, outsourcing, etc.)

➤ **Company prepared for a new growth cycle based on innovation, operational efficiency and new business opportunities**

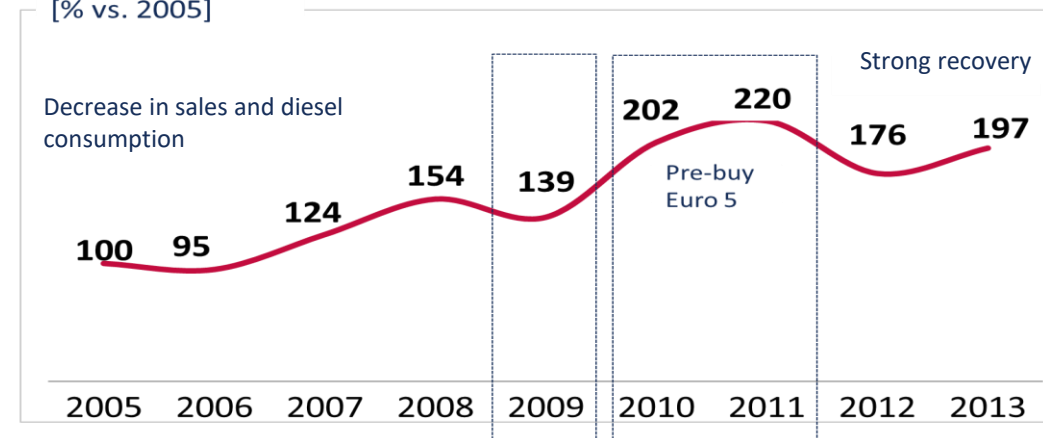
Sales – Heavy duty – Class 8 trucks

[% vs. 2005]



Sales – Trucks

[% vs. 2005]



- Historically, crises lead to mismatches between economic activity and investments:

- Economic recessions impact confidence indicators and credit availability, with postponement of investments;
- Continued use of equipment leads to scrapping of assets;
- Resumption of confidence and need for replacement (**pent-up demand**)

Construction equipment sales

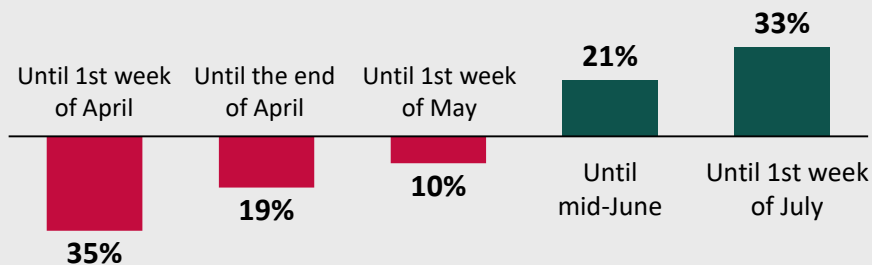
[% vs. 2005]



- Growth can be accelerated by infrastructure stimulus packages and regulatory frameworks

Real estate financing applications

[accumulated in the year vs same period of the previous year]



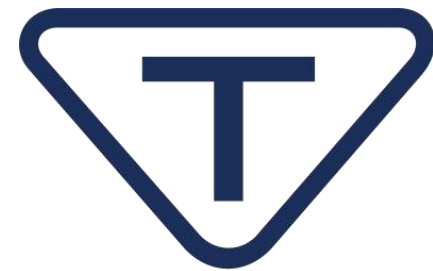
11th week growth in a row (vs previous week)

Highest **volume in the last 11 years**, indicating the potential for an intense recovery in the short-term

With **mortgage rates at record lows**, consumers returned strong as early as May:

Licenses for residential constructions: **+14%** (vs April)

Sales of new properties: **+17%** (vs April)



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