TUPY - Worldwide reference in casting

Earnings conference call

Date: August 08, 2018

Portuguese/English

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2Q18 Highlights

Strong operating cash generation and significant growth of return on invested capital

- **Revenue:** R$1,218.2 million, Tupy's highest quarterly amount. Increase of 32.3% against 2Q17, due to volume growth, pass through of costs, improved mix of products and BRL depreciation.

- **Adjusted EBITDA** of R$180.8 million, up 70.9% (capture of benefits from cost reduction projects) compared to the same period of the previous year and equivalent to 14.8% of revenue in 2Q18. **Excluding the effect of the truck drivers' strike, Adjusted EBITDA margin was 16.0%.**

- **Operating cash generation:** R$162.4 million, Tupy's best result for a second quarter, up 110.5% against 2Q17.

- **Net income:** R$48.3 million, three times higher than the R$15.9 million registered in 2Q17.

- **ROIC**: Return on invested capital was 10.2%, reflecting the improved operating performance and efficiency gains in the use of assets and capital.

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

Note: Unless otherwise stated, the comparisons shown in percentage variations are based on the same period of 2017.

MAIN INDICATORS

Consolidated (R$ thousand)

SUMMARY	2Q18	2Q17	Var. [%]	1H18	1H17	Var.[%]
Revenue	**1,218,179**	**921,063**	**32.3%**	**2,277,375**	**1,776,187**	**28.2%**
Cost of goods sold	(1,009,798)	(788,198)	28.1%	(1,897,393)	(1,509,095)	25.7%
Gross profit	**208,381**	**132,865**	**56.8%**	**379,982**	**267,092**	**42.3%**
% on revenue	*17.1%*	*14.4%*		*16.7%*	*15.0%*	
Operating expenses	(84,010)	(80,920)	3.8%	(160,876)	(151,470)	6.2%
Other operating expenses	(24,239)	(52,540)	-53.9%	(38,448)	(70,338)	-45.3%
Income before financial results	**100,132**	**(595)**	**-**	**180,658**	**45,284**	**298.9%**
% on revenue	*8.2%*	*-*		*7.9%*	*2.5%*	
Net financial result	(13,177)	(4,355)	202.6%	(38,361)	(26,549)	44.5%
Income before taxes	**86,955**	**(4,950)**	**-**	**142,297**	**18,735**	**659.5%**
% on revenue	*7.1%*	*-*		*6.2%*	*1.1%*	
Income tax and social contribution	(38,677)	20,875	-	(37,127)	44,372	-
Net income	**48,278**	**15,925**	**203.2%**	**105,170**	**63,107**	**66.7%**
% on revenue	*4.0%*	*1.7%*		*4.6%*	*3.6%*	
EBITDA (acc. Instr. CVM 527/12)	**169,072**	**63,872**	**164.7%**	**314,122**	**176,133**	**78.3%**
% on revenue	*13.9%*	*6.9%*		*13.8%*	*9.9%*	
Adjusted EBITDA	**180,830**	**105,795**	**70.9%**	**329,102**	**225,466**	**46.0%**
% on revenue	*14.8%*	*11.5%*		*14.5%*	*12.7%*	
Average exchange rate (USD/BRL)	3.61	3.22	12.1%	3.43	3.18	7.8%
Average exchange rate (EUR/BRL)	4.29	3.55	21.0%	4.14	3.45	20.2%

SALES VOLUME

Consolidated (ton)

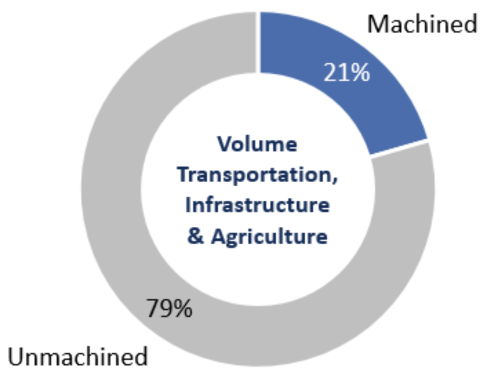
	2Q18	2Q17	Var. [%]	1H18	1H17	Var. [%]
Domestic market	**28,401**	**28,500**	**-0.3%**	**56,289**	**53,499**	**5.2%**
Transportation, Infrastructure & Agriculture	24,899	23,560	5.7%	49,330	43,622	13.1%
Hydraulics	3,502	4,940	-29.1%	6,959	9,877	-29.5%
Foreign market	**123,295**	**111,454**	**10.6%**	**246,205**	**221,523**	**11.1%**
Transportation, Infrastructure & Agriculture	118,462	107,080	10.6%	236,783	214,376	10.5%
Hydraulics	4,833	4,374	10.5%	9,422	7,147	31.8%
Vendas Físicas Totais	**151,696**	**139,954**	**8.4%**	**302,494**	**275,023**	**10.0%**

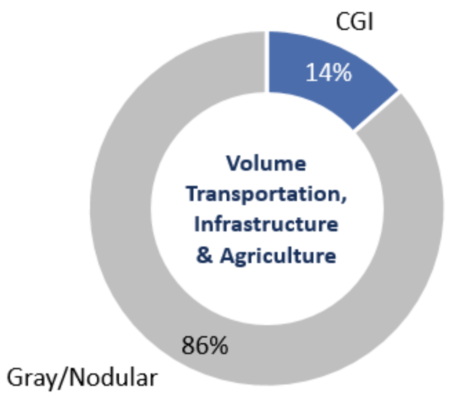
Sales volume in 2Q18 increased by 8.4% against 2Q17, chiefly due to the following factors:

- 5.7% increase in sales to the transportation, infrastructure and agriculture segment in the domestic market. Despite the truck drivers' strike in May, we observed the resumption of commercial vehicles sales in the country. The foreign market grew 10.6%, mainly due the growth of the North American market and global investments, resulting in the increase in demand for commercial vehicles and off road machinery and equipment used in markets such as mining, oil & gas and agriculture, among others.

- 10.5% increase in hydraulics segment in the foreign market, chiefly due the performance of North America. On the other hand, sales in domestic market dropped 29.1%, related to the disinvestment of the steel shots unit in 3Q17.

- The transportation, infrastructure and agriculture segment portfolio comprised of 21% partially or fully machined products. The breakdown of products by type of material shows that Compacted Graphite Iron – CGI accounted for a sales volume of 14%.





REVENUES

Revenues increased by 32.3% compared to 2Q17, mainly due to volume growth, devaluation of the Real and pass through of raw material costs since 4Q17.

In the domestic market, the 25.5% growth was due to the increase in revenues from all transportation, infrastructure and agriculture segments, highlighting commercial vehicles, which increased by 47.4% in the period.

In the foreign market, net revenues increased by 33.7%, due to 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 rate of USD/BRL 3.61 and EUR/BRL 4.29 in 2Q18 vs. USD/BRL 3.22 and EUR/BRL 3.55 in 2Q17).

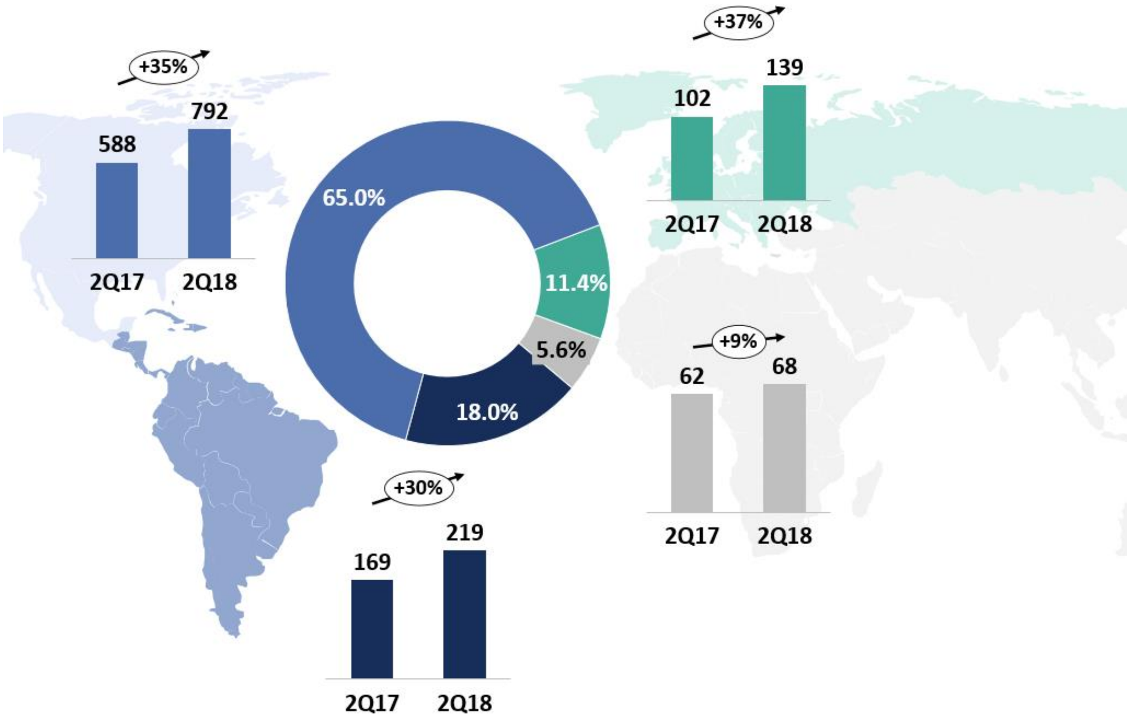
Consolidated (R$ thousand)

	2Q18	2Q17	Var.[%]	1H18	1H17	Var.[%]
Revenue by market	**1,218,179**	**921,063**	**32.3%**	**2,277,375**	**1,776,187**	**28.2%**
Domestic market	204,153	162,638	25.5%	389,254	304,614	27.8%
% share	*16.8%*	*17.7%*		*17.1%*	*17.1%*	
Foreign market	1,014,026	758,425	33.7%	1,888,121	1,471,573	28.3%
% share	*83.2%*	*82.3%*		*82.9%*	*82.9%*	
Revenue by segment	**1,218,179**	**921,063**	**32.3%**	**2,277,375**	**1,776,187**	**28.2%**
Transportation, Infrastructure & Agriculture	1,159,689	870,824	33.2%	2,166,828	1,682,105	28.8%
% share	*95.2%*	*94.5%*		*95.1%*	*94.7%*	
Hydraulics	58,490	50,239	16.4%	110,547	94,082	17.5%
% share	*4.8%*	*5.5%*		*4.9%*	*5.3%*	

Revenues by market and performance in the period

In 2Q18, 65.0% of revenues came from North America. In turn, South and Central America accounted for 18.0%, and Europe for 11.4% of total revenues. The remaining 5.6% came from Asia, Africa and Oceania.

It is worth mentioning that several customers with plants in the United States export their products worldwide. Therefore, our sales to this region are also driven by global demand for commercial vehicles, machinery and equipments.



Consolidated (R$ thousand)

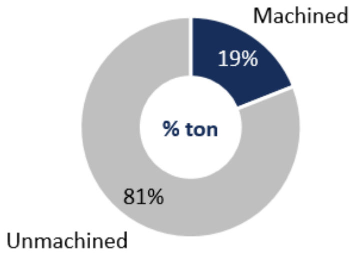
	2Q18	2Q17	Var. [%]	1H18	1H17	Var. [%]
Revenue	**1,218,179**	**921,063**	**32.3%**	**2,277,375**	**1,776,187**	**28.2%**
Domestic market	**204,153**	**162,638**	**25.5%**	**389,254**	**304,614**	**27.8%**
Transportation, Infrastructure & Agriculture	**174,184**	**133,990**	**30.0%**	**330,986**	**246,799**	**34.1%**
Passenger cars	50,087	45,907	9.1%	97,679	89,918	8.6%
Commercial vehicles	99,752	67,676	47.4%	188,846	119,033	58.7%
Off road	24,345	20,406	19.3%	44,461	37,848	17.5%
Hydraulics	**29,969**	**28,648**	**4.6%**	**58,268**	**57,815**	**0.8%**
Foreign market	**1,014,026**	**758,425**	**33.7%**	**1,888,121**	**1,471,573**	**28.3%**
Transportation, Infrastructure & Agriculture	**985,505**	**736,834**	**33.7%**	**1,835,842**	**1,435,306**	**27.9%**
Passenger cars	115,945	94,147	23.2%	213,117	190,965	11.6%
Light commercial vehicles	399,012	298,113	33.8%	744,914	572,690	30.1%
Medium and heavy commercial vehicles	176,417	131,570	34.1%	327,488	278,715	17.5%
Off road	294,131	213,003	38.1%	550,324	392,937	40.1%
Hydraulics	**28,521**	**21,591**	**32.1%**	**52,279**	**36,267**	**44.2%**

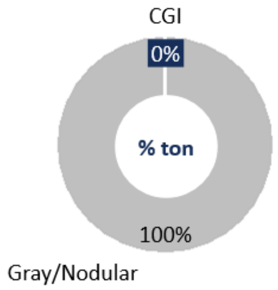
Note: The division between commercial and off road vehicles takes into account our best assumptions on the same product for these applications.

DOMESTIC MARKET (DM)

Passenger Cars

Δ % Revenues	% Revenues	% Revenues DM
9.1% ▲	4.1%	24.5%

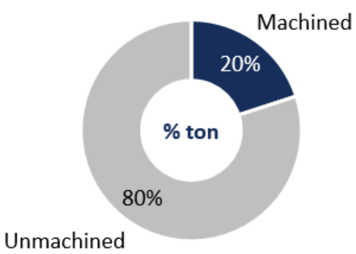


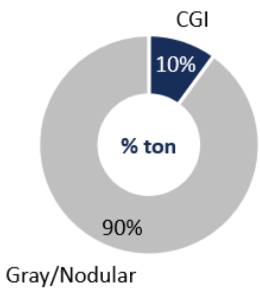


Despite the truck drivers' strike in May, revenues from sales of components for passenger cars increased by 9.1% in 2Q18 compared to the same period of the previous year, particularly due to the resumption of licensing in the country and the increase in sales of products exported from Brazil by our customers (indirect exports).

Commercial Vehicles

Δ % Revenues	% Revenues	% Revenues DM
47.4% ▲	8.2%	48.9%

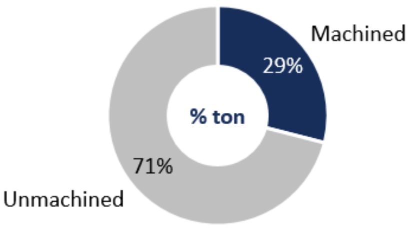


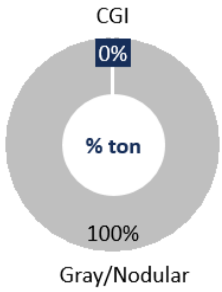


Revenues from applications for commercial vehicles rose by 47.4% compared to the same period of the previous year, due to the increased production of trucks in Brazil. We highlight indirect exports opportunities (especially for the European market), as well as higher demand for heavy vehicles, due to the expected increase in the harvest, among other factors.

Off road

Δ % Revenues	% Revenues	% Revenues DM
19.3% ▲	2.0%	11.9%

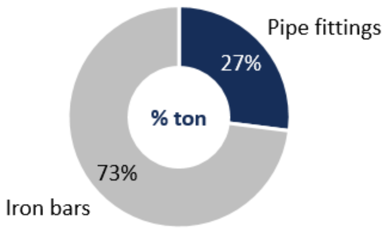




Tupy’s revenues from machinery and off road vehicles rose by 19.3% in 2Q18 (higher than the market’s growth), driven by the strong volume of applications produced by our customers in order to serve the domestic and foreign markets. The segment was also positively impacted by the devaluation of the Real, since part of the contracts are priced in US Dollar.

Hydraulics

Δ % Revenues	% Revenues	% Revenues DM
4.6% ▲	2.5%	14.7%

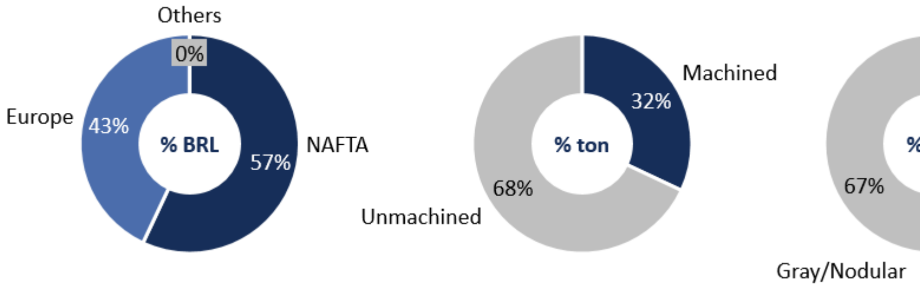


In 2Q18, sales revenues from the hydraulics segment increased by 4.6% compared to the same period in 2017. The reduction in volume due to the disposal of the steel shots unit in 2017 was offset by the increase in pipe fittings and iron bars, including new product lines.

FOREIGN MARKET (FM)

Passenger Cars

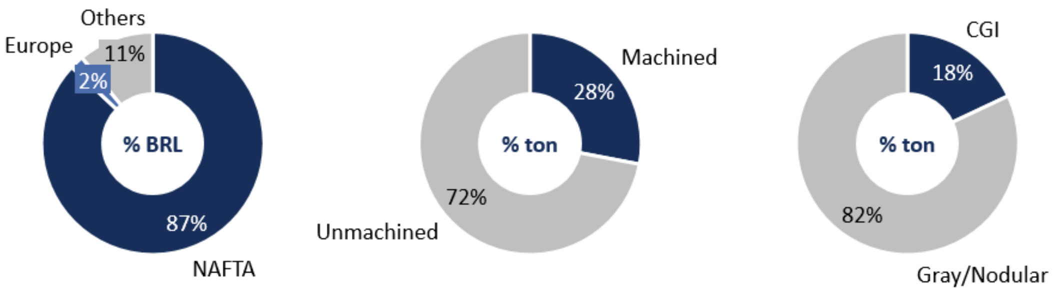
Δ % Revenues	% Revenues	% Revenues FM
23.2% ▲	9.5%	11.4%



Revenues from passenger cars increased by 23.2% compared to 2Q17. In addition to the favorable exchange rate scenario resulting from the devaluation of the Real, the Company gained share in a high volume product in the period.

Light Commercial Vehicles

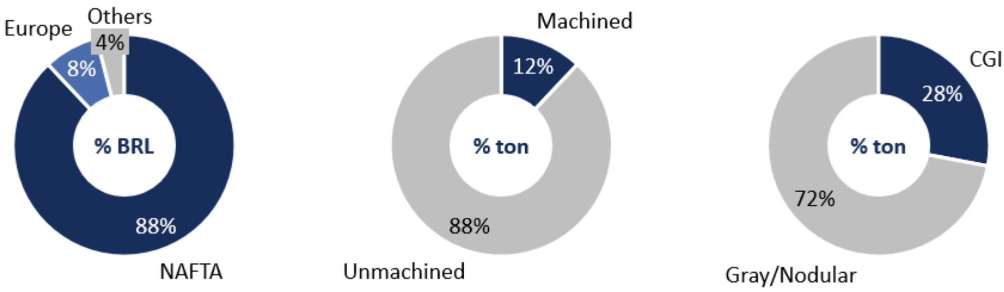
Δ % Revenues	% Revenues	% Revenues FM
33.8% ▲	32.8%	39.3%



Sales for this application were positively impacted in the period by the increase in demand from the US market and phase in of projects. In 2Q18, the segment consisting of pick-ups, SUVs and crossovers accounted for 68% of sales in the "light vehicles" category in the US, compared to 63% in 2Q17. We continue to observe solid growth in this market, due to lower usage costs and the demand for utility vehicles used by independent professionals and small & medium sized companies in a large number of applications.

Medium and Heavy Commercial Vehicles

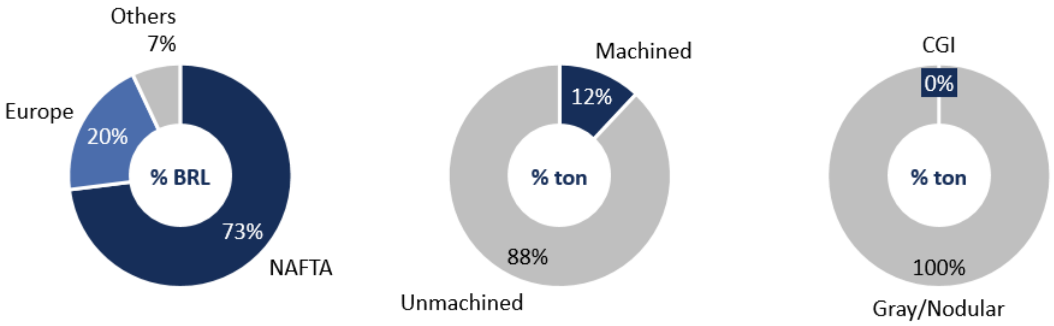
Δ % Revenues	% Revenues	% Revenues FM
34.1% ▲	14.5%	17.4%



Revenues from medium and heavy commercial vehicles is mainly due to the positive performance of the US market, especially in heavy vehicle applications (class 8), and is related to the growth of the US economy and the demand for cargo transportation and infrastructure.

Off road

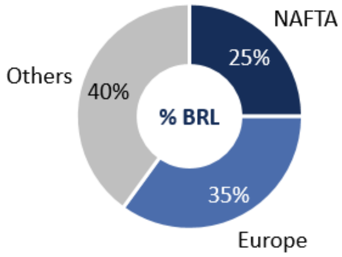
Δ % Revenues	% Revenues	% Revenues FM
38.1% ▲	24.1%	29.0%

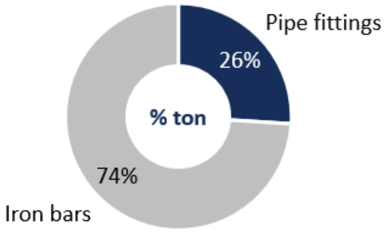


Sales of off road applications in 2Q18 increased by 38.1% compared to the same period in 2017, due to the positive performance of the market, especially investments in the oil & gas, mining and infrastructure segments, among others.

Hydraulics

Δ % Revenues	% Revenues	% Revenues FM
32.1%	2.3%	2.8%





In 2Q18, net revenues from sales of pipe fittings and iron bars increased by 32.1%. This growth was chiefly due to the performance of the US market and the devaluation of the Real.

COST OF GOODS SOLD AND OPERATING EXPENSES

The cost of goods sold (COGS) in 2Q18 amounted to R$1,009.8 million, up by 28.1% compared to 2Q17. Operating expenses amounted to R$84.0 million, up 3.8% from 2Q17.

Consolidated (R$ thousand)

	2Q18	2Q17	Var. [%]	1H18	1H17	Var.[%]
Revenue	**1,218,179**	**921,063**	**32.3%**	**2,277,375**	**1,776,187**	**28,2%**
Cost of goods sold	**(1,009,798)**	**(788,198)**	**28.1%**	**(1,897,393)**	**(1,509,095)**	**25,7%**
Raw material	(574,370)	(403,595)	42.3%	(1,072,525)	(768,081)	39,6%
Labor, profit sharing and social benefits	(223,195)	(187,025)	19.3%	(427,459)	(355,961)	20,1%
Maintenance and third parties	(87,302)	(85,614)	2.0%	(160,379)	(165,081)	-2,8%
Energy	(56,365)	(55,039)	2.4%	(106,719)	(106,196)	0,5%
Depreciation	(53,448)	(50,744)	5.3%	(103,930)	(103,575)	0,3%
Others	(15,118)	(6,181)	144.5%	(26,381)	(10,201)	158,6%
Gross profit	**208,381**	**132,865**	**56.8%**	**379,982**	**267,092**	**42,3%**
% on revenue	*17.1%*	*14.4%*		*16.7%*	*15.0%*	
Operating expenses	**(84,010)**	**(80,920)**	**3.8%**	**(160,876)**	**(151,470)**	**6,2%**
% on revenue	*6.9%*	*8.8%*		*7.1%*	*8.5%*	

Gross margin was 17.1% in the period, representing an improvement of 2.7 percentage point compared to 2Q17.

The changes in COGS between 2Q18 and 2Q17 were mainly due to the following factors:

- 42.3% rise in raw material costs, driven by increased production volumes and higher raw material in the period, as well as the devaluation of the Real, since raw material costs of our Mexican operations are denominated in US Dollars. It is worth highlighting that several measures under the Company's management offset these impacts, leading to increased gross margin.

- 19.3% labor cost increase due to higher headcount and overtime caused by volume growth in operations. Year over year comparison was also affected by collective bargain agreement and the appreciation of the Mexican peso.

- 2.0% increase in maintenance materials and third parties, distinctly lower than revenue growth, due to the closure of the casting activities at the Mauá plant and the development of several cost reduction initiatives, including the implementation of a new budget control process.

- 2.4% rise in energy costs. The increased volume produced was offset by the closure of the casting activities at the Mauá plant and the sale of the steel shots unit, as well as the reduction of the price energy prices in part of the contracts in Mexico.

- R$8.9 million increase in other costs, chiefly due to reclassification among lines (amounts that were previously allocated as maintenance and third parties services).

Operating expenses, which include administrative and commercial expenses, grew by 3.8%, mainly due to higher labor and freight expenses, as well as commissions on sales, as a result of the increased sales volume.

OTHER OPERATING EXPENSES

Other net operating expenses amounted to R$24.2 million in 2Q18, against R$52.5 million in 2Q17, corresponding to a 53.9% decrease. The comparison basis was affected by expenses related to the readjustment of the Mauá unit activities, aimed at optimizing the productive structure and providing better asset management.

Consolidated (R$ thousand)

	2Q18	2Q17	Var. [%]	1H18	1H17	Var.[%]
Depreciation of non-operating assets	(175)	(178)	-1.7%	(348)	(356)	-2.2%
Amortization of intangibles assets	(12,306)	(10,439)	17.9%	(23,120)	(20,649)	12.0%
Restructuring of the Mauá plant	-	(45,658)	-	-	(45,658)	-
Others	(11,758)	3,735	-	(14,980)	(3,675)	307.6%
Other net operating expenses	**(24,239)**	**(52,540)**	**-53.9%**	**(38,448)**	**(70,338)**	**-45.3%**

The “other net operating expenses” item includes constitution and updates of provisions, PP&E write-offs and income from the sale of unserviceable assets.

NET FINANCIAL INCOME

In 2Q18, the Company recorded net financial expenses of R$13.2 million, compared to expenses of R$4.4 million in 2Q17.

Consolidated (R$ thousand)

	2Q18	2Q17	Var. [%]	1H18	1H17	Var. [%]
Financial expenses	(30,668)	(40,321)	-23.9%	(59,943)	(77,756)	-22.9%
Financial income	9,218	40,509	-77.2%	20,881	64,659	-67.7%
Net monetary and Exchange variation	8,273	(4,543)	-	701	(13,452)	-
Net financial income	**(13,177)**	**(4,355)**	**202.6%**	**(38,361)**	**(26,549)**	**44.5%**

The reduction in financial expenses is chiefly due to net amortizations in the last twelve months, which amounted R$505.1 million, of which R$291.1 million refers to early payment of debts in 1Q18. The comparison with the same period of the previous year was also impacted by the devaluation of the Real against the US Dollar (average exchange rate of R$3.61 in 2Q18 vs. R$3.22 in 2Q17), which affected the recognition of interest on borrowings denominated in dollars.

Financial revenues fell by 77.2%, mainly because of the 65% decrease in the balance of cash & cash equivalents in Brazil (R$262.1 million in 2Q18 vs. R$756.6 million in 2Q17), and lower financial earnings due to lower interest rates in the country (our financial investments were remunerated at an average interest rate of 6.44% p.a. in 2Q18 vs. 11.12% p.a. in 2Q17). The annual comparison was also impacted by the retroactive updating of tax credits in 2Q17.

The result of the net monetary and net exchange variations resulted from the impact of the depreciation of the Real on the balance sheet and the effect of the mark-to-market of zero cost collar operations.

EARNINGS BEFORE TAXES AND NET INCOME

Consolidated (R$ thousand)

	2Q18	2Q17	Var. [%]	1H18	1H17	Var. [%]
Net income before income taxes	**86,955**	**(4,950)**	**-**	**142,297**	**18,735**	**659.5%**
Tax effects before foreign Exchange impacts	(27,202)	13,284	-	(39,109)	20,575	-
Tax rates before foreign Exchange effects	*-*	*-*		*-*	*109.8%*	
Net income before foreign Exchange effects on tax base	**59,753**	**8,334**	**617.0%**	**103,188**	**39,310**	**162.5%**
Foreign Exchange effects on tax base	(11,475)	7,591	-	1,982	23,797	-91.7%
Net income	**48,278**	**15,925**	**203.2%**	**105,170**	**63,107**	**66.7%**
% on revenue	*4.0%*	*1.7%*		*4.6%*	*3.6%*	

Tax effects before exchange impacts came to R$27.2 million, as a result of the difference in expenses at the rate of (34%) on profit before tax effects and the effects of permanent additions/exclusions.

The effect of exchange rates on the tax base (deferred income tax in Mexican operations) is calculated in Mexican Pesos. The conversion from the functional currency, the US Dollar, resulted in a decrease of R$11.5 million due to the devaluation of the Mexican Peso against the US Dollar in 2Q18.

The net income from these effects amounted to R$48.3 million in 2Q18, up 203.2% compared to 2Q17.

EBITDA

The combination of the factors mentioned above resulted in an EBITDA of R$169.1 million in 2Q18, up 164.7% over the same period of the previous year, with margin of 13.9% on revenues, an increase of 7.0 percentage points over 2Q17.

Adjusted EBITDA was R$180.8 million in 2Q18, with margin of 14.8%.

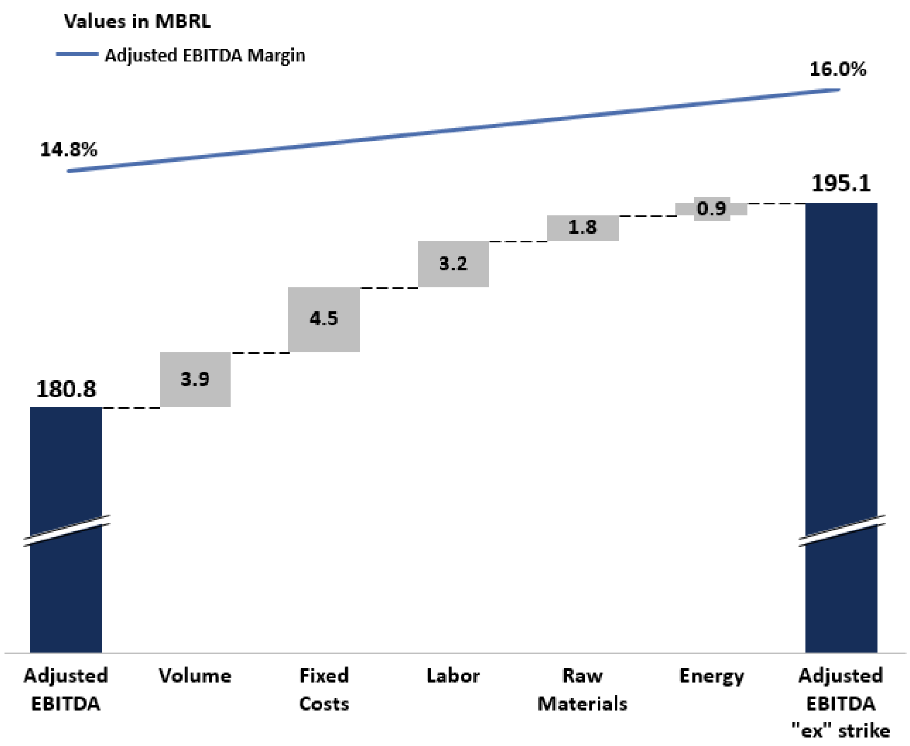
	Consolidated (R$ thousand)					
RECONCILIATION OF NET INCOME TO EBITDA	**2Q18**	**2Q17**	**Var. [%]**	**1H18**	**1H17**	**Var. [%]**
Net income (loss) for the period	**48,278**	**15,925**	**203.2%**	**105,170**	**63,107**	**66.7%**
(+) Net financial result	13,177	4,355	202.6%	38,361	26,549	44.5%
(+) Income tax and social contribution	38,677	(20,875)	-	37,127	(44,372)	-
(+) Depreciation and amortization	68,940	64,467	6.9%	133,464	130,849	2.0%
EBITDA (acc. Instr. CVM 527/12)	**169,072**	**63,872**	**164.7%**	**314,122**	**176,133**	**78.3%**
% on revenue	*13.9%*	*6.9%*		*13.8%*	*9.9%*	
(+) Other net operation expenses*	11,758	41,923	-72.0%	14,980	49,333	-69.6%
Adjusted EBITDA	**180,830**	**105,795**	**70.9%**	**329,102**	**225,466**	**46.0%**
% on revenue	*14.8%*	*11.5%*		*14.5%*	*12.7%*	

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

Impact caused by the truck drivers' strike

Despite the strong operating result, the Company was impacted by the truck drivers' strike in May. We estimate that it had a negative effect of R$14.3 million on the 2Q18 EBITDA, consisting of: (i) R$3.9 million from the volume of sales not recovered in the domestic market and (ii) R$10.4 million in costs of products sold, related to lower dilution of fixed costs and productivity loss.

The impact on the Adjusted EBITDA margin was 1.2 percentage points, as shown below:



INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

Total investment in property, plant and equipment and intangible assets was R$36.2 million in 2Q18, down 12.2% against 2Q17.

Consolidated (R$ thousand)

	2Q18	2Q17	Var. [%]	1H18	1H17	Var. [%]
PP&E						
Strategic investments	6,020	17,165	-64.9%	10,510	19,646	-46.5%
Maintenance and sustenance	27,073	20,204	34.0%	47,815	31,982	49.5%
Environment	1,411	2,083	-32.3%	3,093	3,828	-19.2%
Interest and financial expenses	535	158	238.6%	1,083	707	53.2%
Intangible assets						
Software	345	467	-26.1%	1,964	972	102.1%
Research and development	858	1,184	-27.5%	1,441	2,402	-40.0%
Total	**36,242**	**41,261**	**-12.2%**	**65,906**	**59,537**	**10.7%**
% on revenue	*3.0%*	*4.5%*		*2.9%*	*3.4%*	

The increase in investments is mainly due to the execution of projects aimed at increasing productivity.

Investments in 2Q18 represented 3.0% of net revenues in the period, lower than previous years and in line with Company's strategy of asset optimization and focus on return on invested capital.

WORKING CAPITAL

Consolidated (R$ thousand)

	2Q18	1Q18	4Q17	3Q17	2Q17
Balance sheet					
Accounts receivable	783,072	689,706	573,093	549,627	571,454
Inventories	467,613	426,933	419,492	354,009	338,776
Accounts payable	550,562	504,302	462,465	389,578	369,959
Sales outstanding [days]	68	64	56	57	63
Inventories outstanding [days]	49	48	49	44	43
Payables outstanding [days]	57	56	53	48	48
Cash conversion cycle [days]	**60**	**56**	**52**	**53**	**58**

Main working capital lines recorded the following variations against the previous quarter (1Q18):

- Increase of R$93.4 million in accounts receivable, corresponding to 4 sale days, which is due to the strong sales growth and the devaluation of the Real, with an impact on the accounts receivable in foreign currency (85% of the total).

- Inventories increased by R$40.7 million, corresponding to a 1-day increase (relating to the cost of goods sold).

- Increase of R$46.3 million in accounts payable, corresponding to a 1-day improvement. **We highlight the significant improvement of this indicator compared to 2Q17 (9 days)**, due to several actions aimed at stretching payment terms with the current suppliers.

CASH FLOW

Consolidated (R$ thousand)

CASH FLOW SUMMARY	2Q18	2Q17	Var.[%]	1H18	1H17	Var.[%]
Cash at the beginning of period	**494,695**	**1,139,725**	**-56.6%**	**865,368**	**1,203,940**	**-28.1%**
Cash flow from operating activities	162,421	77,143	110.5%	168,434	55,369	204.2%
Cash flow from investing activities	(32,848)	(39,695)	-17.2%	(57,955)	(59,877)	-3.2%
Cash flow from financing activities	(47,854)	(140,622)	-66.0%	(401,938)	(153,659)	161.6%
Effect of Exchange variation on cash	37,687	9,666	289.9%	40,192	444	8952.1%
Increase (decrease) in cash	**119,406**	**(93,508)**	**-**	**(251,267)**	**(157,723)**	**59.3%**
Cash at the end of period	**614,101**	**1,046,217**	**-41.3%**	**614,101**	**1,046,217**	**-41.3%**

In 2Q18, cash from operating activities amounted to R$162.4 million, compared to a cash generation of R$77.1 million in 2Q17. The strong growth in relation to 2Q17 is mainly due to increased revenues and higher margins.

Investment activities totaled R$32.8 million in 2Q18, 17.2% lower compared to the same period of the previous year.

In 2Q18, financing activities totaled R$47.9 million, chiefly driven by the payment of loans in the amount of R$10.3 million (vs. R$79.2 million in 2Q17), in addition to the distribution of interest on equity to shareholders in the amount of R$37.5 million.

The combination between these factors and the exchange rate variation on cash resulted in an increase of R$119.4 million in cash and cash equivalents in the period, which amounted to R$614.1 million in 2Q18.

INDEBTEDNESS

At the close of 2Q18, Company's net debt amounted to R$897.2 million, i.e., the net debt/adjusted EBITDA ratio for the previous 12-month period was 1.44.

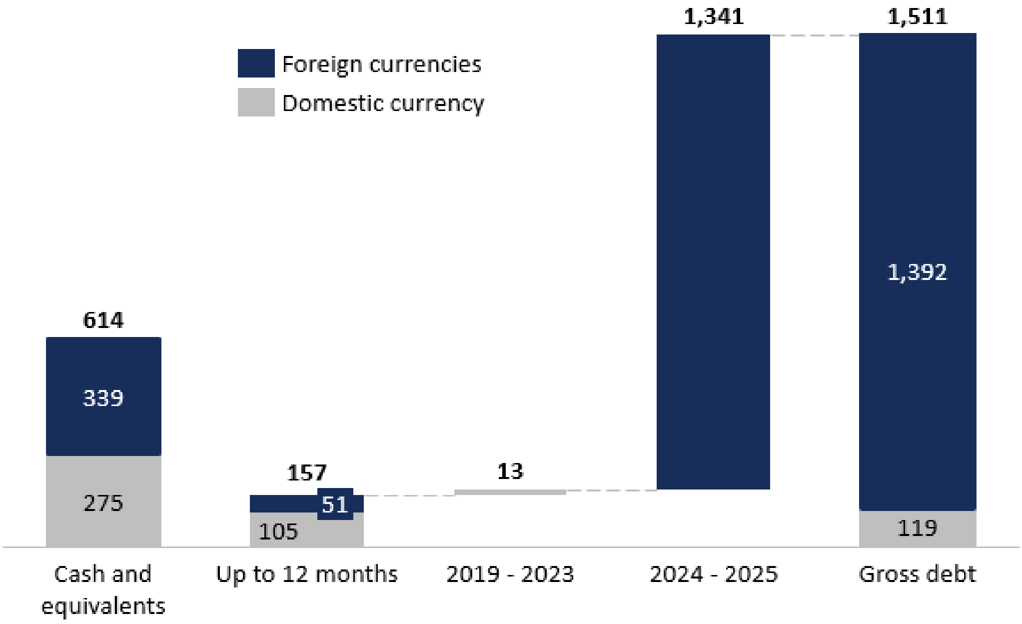
Obligations in foreign currency accounted for 92% of total obligations (3% short-term debt and 97% long-term debt), while 8% of debt is denominated in Reais (88% short-term debt and 12% long-term debt). Regarding cash balance, 45% is denominated in Reais, and 55% is denominated in foreign currency.

	Consolidated (R$ thousand)		
ENDIVIDAMENTO	**2Q18**	**1T18**	**4T17**
Short term*	156,912	131,021	458,472
Long term	1,354,399	1,170,223	1,165,541
Gross debt	**1,511,311**	**1,301,244**	**1,624,013**
Cash and equivalents*ᵻ	614,105	494,909	866,463
Net debt	**897,206**	**806,335**	**757,550**
Gross debt/Adjusted EBITDA	2.42x	2.37x	3.12x
Net debt/Adjusted EBITDA	**1.44x**	**1.47x**	**1.45x**

* Includes derivatives

ᵻ Includes financial investments

The Company's debt profile is as follows:



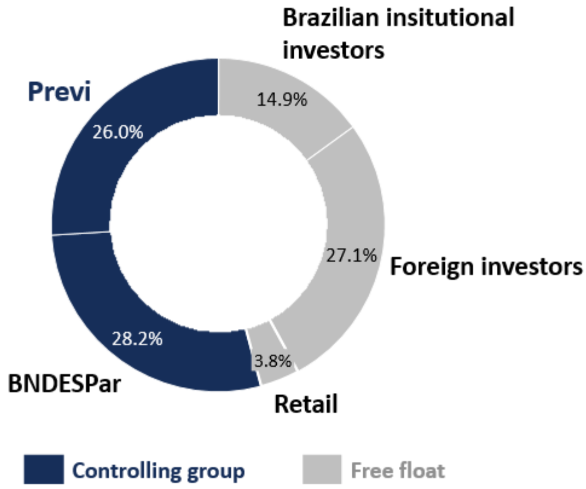
All amounts in R$ million.

PAYMENT OF DIVIDENDS AND INTEREST ON EQUITY

On August 24, 2018, the Company will pay interest on equity to its shareholders in the amount of R$37.5 million. As previously approved by the Board of Directors, the Company will distribute dividends in the minimum amount of R$150.0 million, related to the 2018 fiscal year. This amount will be distributed quarterly as interest on equity (until the limit permitted by law) and dividends. The amount to be distributed in August corresponds to the second installment, and the first one was paid on May 25, 2018.

OWNERSHIP STRUCTURE

On June 30, 2018, Tupy's ownership structure was as follows:



The Company is subject to the rules of the Novo Mercado Arbitration Chamber, in accordance with Article 60 of the Bylaws.

EXECUTIVE OFFICER'S STATEMENT

In compliance with the provisions established under Article 25 of CVM Instruction 480, dated December 7, 2009, the Executive Board of Tupy S.A. declares that it has reviewed, discussed and agreed with the opinion presented in the Independent Auditor's Report about the quarterly financial report, issued on this date, and with the quarterly financial report of June 30, 2018.

* * *

Attachment I – Commercial vehicle production and sales in Brazil

	(Units)					
	2Q18	**2Q17**	**Var. (%)**	**1H18**	**1H17**	**Var. (%)**
Production						
Trucks						
Semi-light	556	677	-17.9%	994	1,227	-19.0%
Light	4,882	3,412	43.1%	9,661	7,008	37.9%
Medium	1,682	1,828	-8.0%	3,089	2,961	4.3%
Semi-heavy	6,447	6,696	-3.7%	13,377	11,340	18.0%
Heavy	11,586	7,660	51.3%	22,466	13,485	66.6%
Total trucks	**25,153**	**20,273**	**24.1%**	**49,587**	**36,021**	**37.7%**
Buses	8,069	5,860	37.7%	14,933	9,973	49.7%
Commercial vehicles	**33,222**	**26,133**	**27.1%**	**64,520**	**45,994**	**40.3%**
Sales						
Trucks						
Semi-light	576	425	35.5%	1,116	779	43.3%
Light	2,872	2,767	3.8%	5,666	4,994	13.5%
Medium	1,676	1,011	65.8%	2,979	1,794	66.1%
Semi-heavy	4,165	2,972	40.1%	7,359	5,519	33.3%
Heavy	7,783	4,190	85.8%	14,180	7,551	87.8%
Total trucks	**17,072**	**11,365**	**50.2%**	**31,300**	**20,637**	**51.7%**
Buses	2,812	3,108	-9.5%	5,570	4,897	13.7%
Commercial vehicles	**19,884**	**14,473**	**37.4%**	**36,870**	**25,534**	**44.4%**
Exports						
Trucks						
Semi-light	54	186	-71.0%	226	333	-32.1%
Light	1,514	1,403	7.9%	2,965	2,626	12.9%
Medium	417	552	-24.5%	758	883	-14.2%
Semi-heavy	2,465	2,935	-16.0%	5,319	4,948	7.5%
Heavy	2,548	2,711	-6.0%	5,061	4,841	4.5%
Total trucks	**6,998**	**7,787**	**-10.1%**	**14,329**	**13,631**	**5.1%**
Buses	2,271	2,468	-8.0%	4,722	4,104	15.1%
Commercial vehicles	**9,269**	**10,255**	**-9.6%**	**19,051**	**17,735**	**7.4%**

Source: ANFAVEA

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

	(Units)					
	2Q18	2Q17	Var. (%)	1H18	1H17	Var. (%)
North America						
Production/Factory Shipments						
Passenger cars	1,309,987	1,563,137	-16.2%	2,662,423	3,226,399	-17.5%
Light commercial vehicles – Class 1-3	2,961,747	2,925,155	1.3%	6,051,401	5,905,101	2.5%
% Light commercial vehicles	**69,3%**	**65,2%**	**+4.2p.p.**	**69,4%**	**64,7%**	**+4.8p.p.**
Light Duty – Class 4-5	18,421	22,127	-16.7%	37,105	42,983	-13.7%
Medium Duty – Class 6-7	39,055	35,831	9.0%	75,485	70,729	6.7%
Heavy Duty – Class 8	71,132	62,961	13.0%	144,188	111,748	29.0%
Medium & Heavy Duty[1]	**128,608**	**120,919**	**6.4%**	**256,778**	**225,460**	**13.9%**
United States						
Sales						
Passenger cars	1,420,472	1,630,525	-12.9%	2,753,216	3,123,262	-11.8%
Light commercial vehicles – Class 1-3	3,079,417	2,790,985	10.3%	5,864,439	5,333,432	10.0%
% Light commercial vehicles	**68,4%**	**63,1%**	**+5.3p.p.**	**68,1%**	**63,1%**	**+5.0p.p.**
Light Duty – Class 4-5	35,204	35,954	-2.1%	66,096	63,687	3.8%
Medium Duty – Class 6-7	33,316	29,975	11.1%	65,988	61,180	7.9%
Heavy Duty – Class 8	59,529	47,427	25.5%	110,090	84,422	30.4%
Medium & Heavy Duty[1]	**128,049**	**113,356**	**13.0%**	**242,174**	**209,289**	**15.7%**
Europe						
Sales						
Passenger cars	4,277,619	4,070,405	5.1%	8,449,247	8,211,379	2.9%

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

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

	(Units)					
	2Q18	2Q17	Var. (%)	1H18	1H17	Var. (%)
Production						
Americas						
Brazil	14,900	15,950	-6.6%	26,900	27,834	-3.4%
Sales						
Americas						
Brazil	12,347	11,026	12.0%	19,870	20,324	-2.2%
United States and Canada	91,022	83,046	9.6%	138,554	130,250	6.4%
Europe						
Germany	12,414	10,728	15.7%	19,643	19,477	0.9%
United Kingdom	3,597	3,118	15.4%	6,529	6,142	6.3%

Source: ANFAVEA; Bloomberg; AEM