



## 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. [%]
<b>Revenues</b>	<b>1,339,132</b>	<b>1,315,819</b>	<b>1.8%</b>	<b>4,025,276</b>	<b>3,593,194</b>	<b>12.0%</b>
Cost of goods sold	(1,095,829)	(1,086,205)	0.9%	(3,364,725)	(2,983,598)	12.8%
<b>Gross profit</b>	<b>243,303</b>	<b>229,614</b>	<b>6.0%</b>	<b>660,551</b>	<b>609,596</b>	<b>8.4%</b>
<i>% of revenues</i>	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%
<b>Income before financial results</b>	<b>106,341</b>	<b>110,233</b>	<b>-3.5%</b>	<b>248,983</b>	<b>290,891</b>	<b>-14.4%</b>
<i>% of revenues</i>	7.9%	8.4%		6.2%	8.1%	
Net financial result	8,023	(19,239)	-	14,464	(57,600)	-
<b>Income before taxes</b>	<b>114,364</b>	<b>90,994</b>	<b>25.7%</b>	<b>263,447</b>	<b>233,291</b>	<b>12.9%</b>
<i>% of revenues</i>	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%
<b>Net income</b>	<b>66,481</b>	<b>88,637</b>	<b>-25.0%</b>	<b>206,371</b>	<b>193,807</b>	<b>6.5%</b>
<i>% of revenues</i>	5.0%	6.7%		5.1%	5.4%	
<b>EBITDA (CVM Inst. 527/12)</b>	<b>188,663</b>	<b>182,933</b>	<b>3.1%</b>	<b>489,680</b>	<b>497,055</b>	<b>-1.5%</b>
<i>% of revenues</i>	14.1%	13.9%		12.2%	13.8%	
<b>Adjusted EBITDA</b>	<b>206,598</b>	<b>196,791</b>	<b>5.0%</b>	<b>547,942</b>	<b>525,893</b>	<b>4.2%</b>
<i>% of revenues</i>	15.4%	15.0%		13.6%	14.6%	
Average exchange rate (USD/BRL)	3.97	3.95	0.5%	3.89	3.61	7.8%
Average exchange rate (EUR/BRL)	4.41	4.59	-4.0%	4.37	4.30	1.7%

## SALES VOLUME

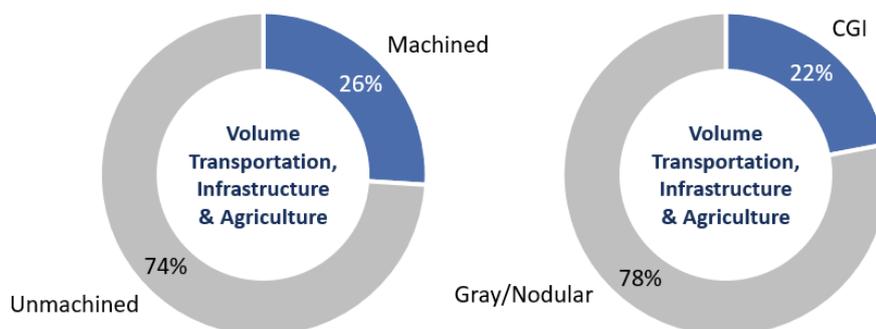
Consolidated (ton)						
	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]
<b>Domestic market</b>	<b>29,877</b>	<b>30,253</b>	<b>-1.2%</b>	<b>90,401</b>	<b>86,543</b>	<b>4.5%</b>
Transportation, Infrastructure & Agriculture	25,756	26,493	-2.8%	79,354	75,825	4.7%
Hydraulics	4,120	3,760	9.6%	11,047	10,718	3.1%
<b>Foreign market</b>	<b>116,837</b>	<b>122,372</b>	<b>-4.5%</b>	<b>357,217</b>	<b>368,578</b>	<b>-3.1%</b>
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%
<b>Total sales volume</b>	<b>146,714</b>	<b>152,625</b>	<b>-3.9%</b>	<b>447,618</b>	<b>455,121</b>	<b>-1.6%</b>

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 off-road 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

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.

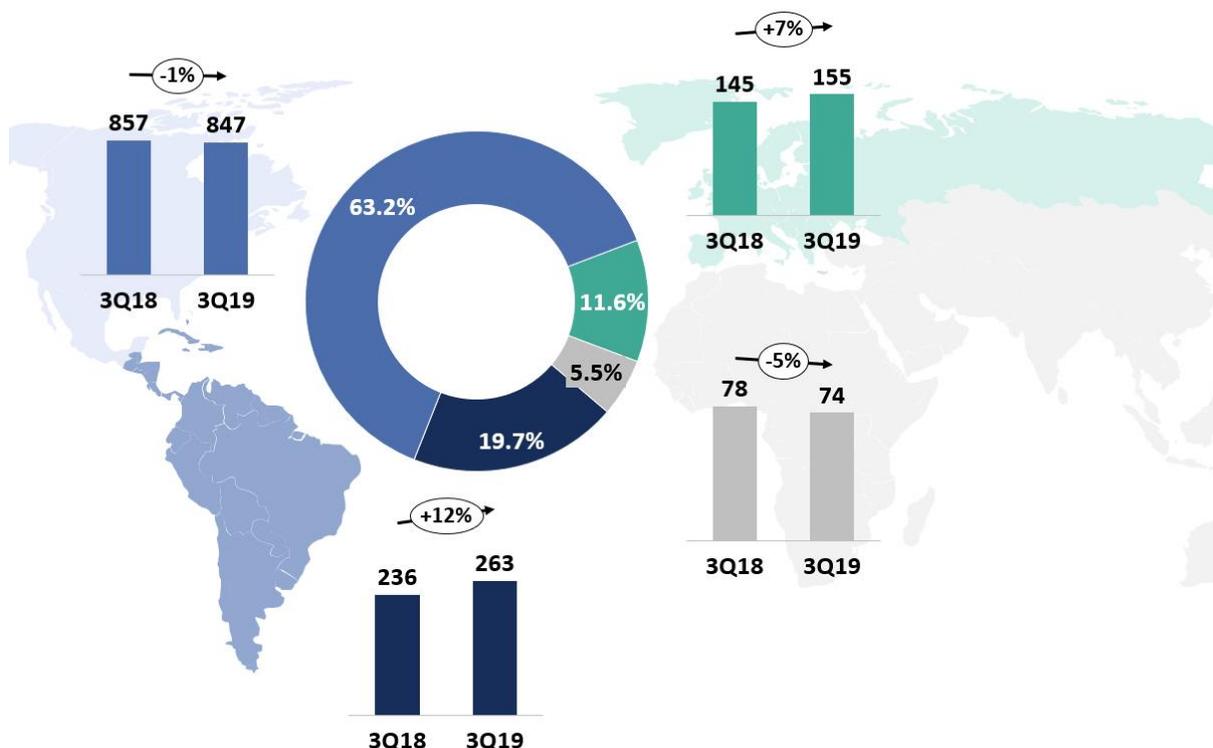
### Consolidated (R\$ thousand)

	3Q19	3T18	Var. [%]	9M19	9M18	Var. [%]
<b>Revenues</b>	<b>1,339,132</b>	<b>1,315,819</b>	<b>1.8%</b>	<b>4,025,276</b>	<b>3,593,194</b>	<b>12.0%</b>
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%	
<b>Revenues per segment</b>	<b>1,339,132</b>	<b>1,315,819</b>	<b>1.8%</b>	<b>4,025,276</b>	<b>3,593,194</b>	<b>12.0%</b>
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.



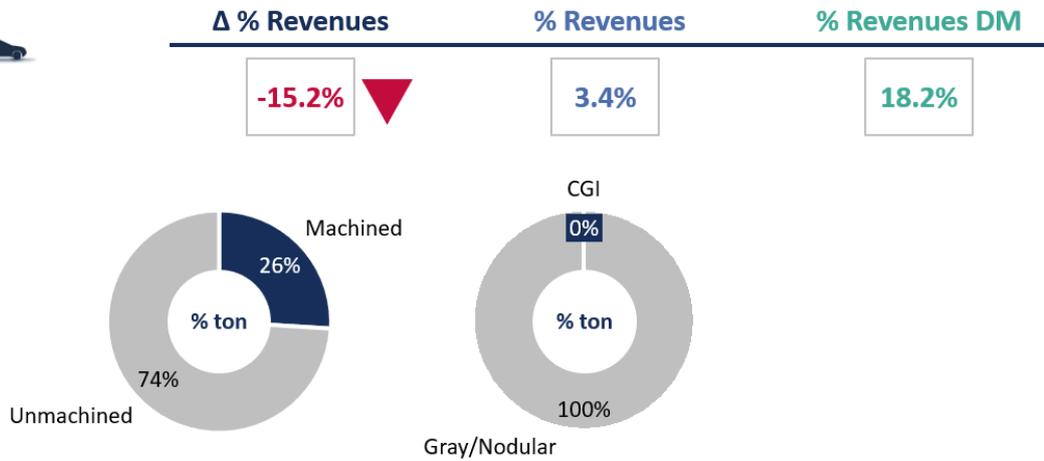
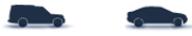
Consolidated (R\$ thousand)

	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]
<b>Revenues</b>	<b>1,339,132</b>	<b>1,315,819</b>	<b>1.8%</b>	<b>4,025,276</b>	<b>3,593,194</b>	<b>12.0%</b>
<b>Domestic market</b>	<b>252,719</b>	<b>226,230</b>	<b>11.7%</b>	<b>748,929</b>	<b>615,484</b>	<b>21.7%</b>
<b>Transportation, Infrastructure &amp; Agriculture</b>	<b>216,673</b>	<b>195,001</b>	<b>11.1%</b>	<b>647,589</b>	<b>525,987</b>	<b>23.1%</b>
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%
<b>Hydraulics</b>	<b>36,046</b>	<b>31,229</b>	<b>15.4%</b>	<b>101,340</b>	<b>89,497</b>	<b>13.2%</b>
<b>Foreign market</b>	<b>1,086,413</b>	<b>1,089,589</b>	<b>-0.3%</b>	<b>3,276,347</b>	<b>2,977,710</b>	<b>10.0%</b>
<b>Transportation, Infrastructure &amp; Agriculture</b>	<b>1,057,673</b>	<b>1,062,159</b>	<b>-0.4%</b>	<b>3,200,687</b>	<b>2,898,001</b>	<b>10.4%</b>
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%
<b>Hydraulics</b>	<b>28,740</b>	<b>27,430</b>	<b>4.8%</b>	<b>75,660</b>	<b>79,709</b>	<b>-5.1%</b>

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

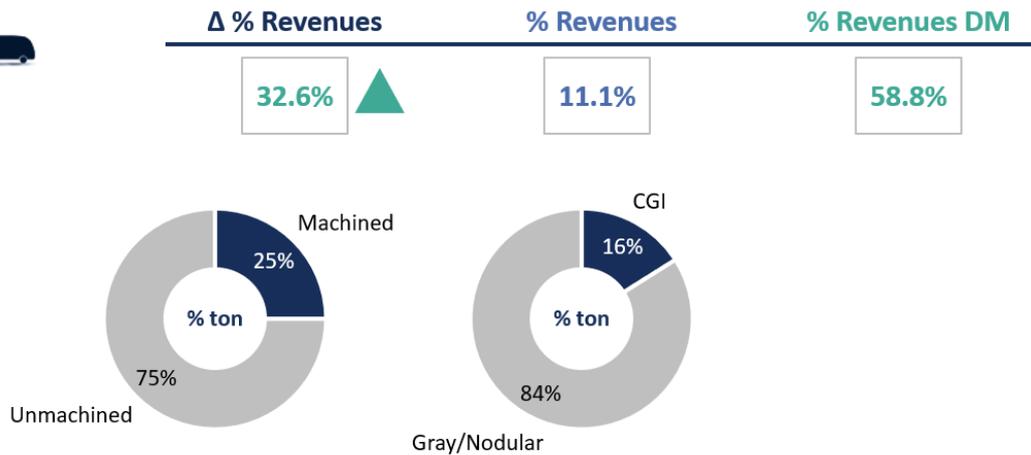
## DOMESTIC MARKET (DM)

### Passenger Cars



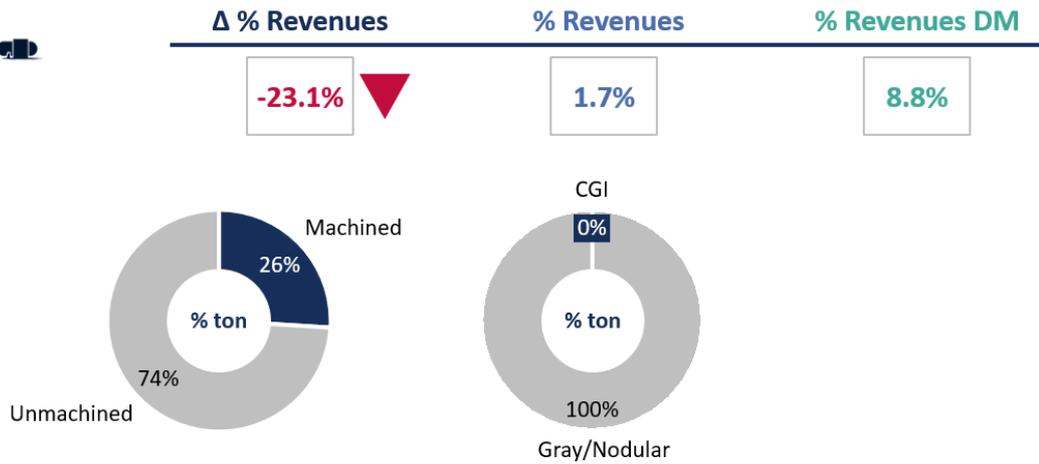
Revenues from sales of passenger car applications decreased by 15.2% year over year, due to the phase out of goods, which was already included in the Company's plan, and the reduction in indirect exports.

### Commercial Vehicles



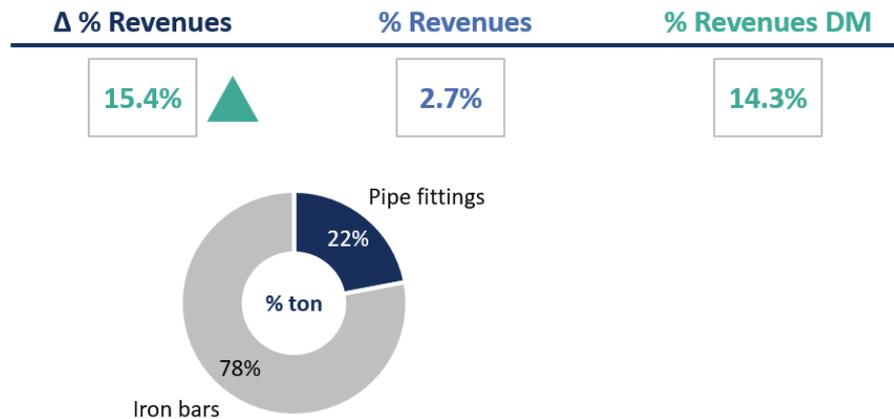
Revenues from commercial vehicle applications increased by 32.6% year over year. We highlight indirect export opportunities, increased demand for heavy vehicles in the domestic market and the gain in market share of clients served by the Company.

## 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.

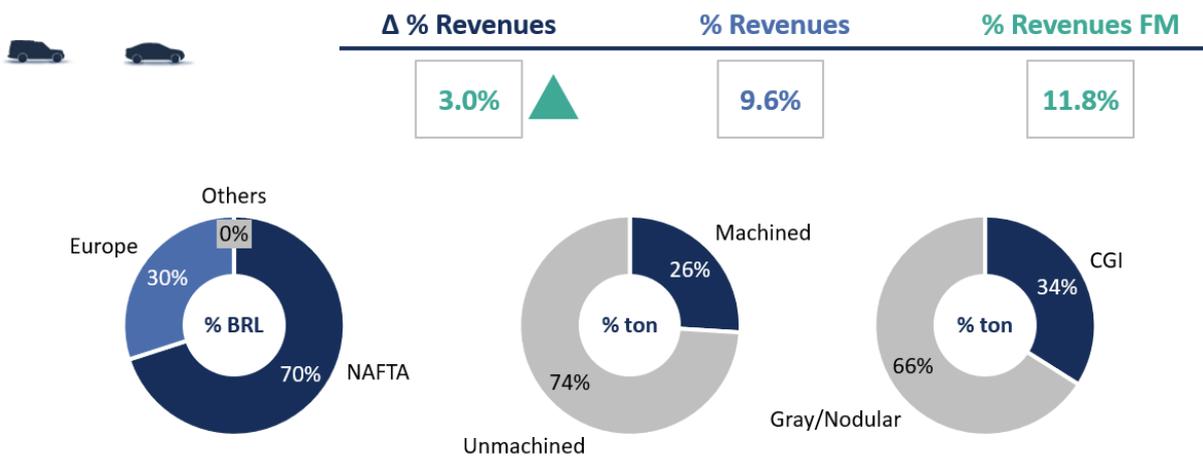
## Hydraulics



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.

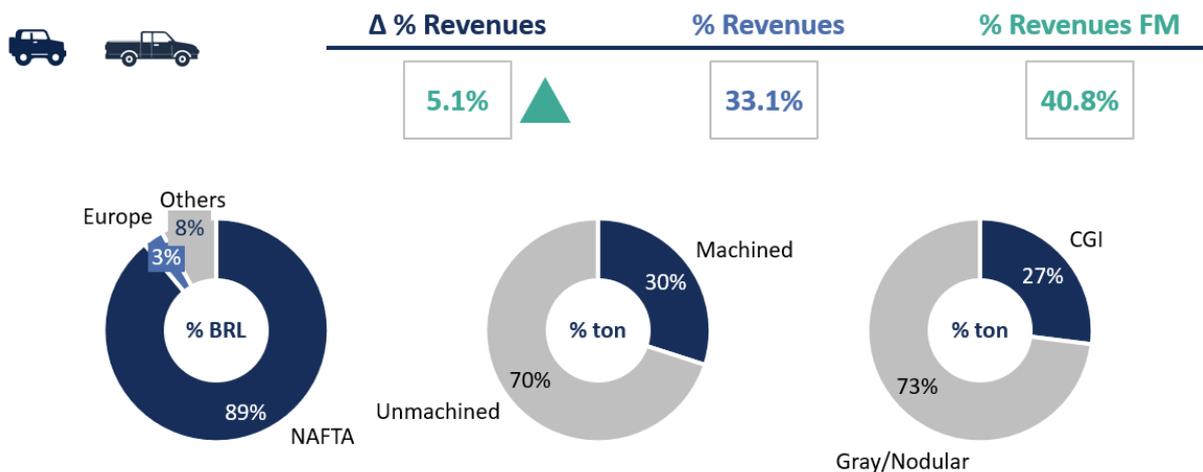
## FOREIGN MARKET (FM)

### 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.

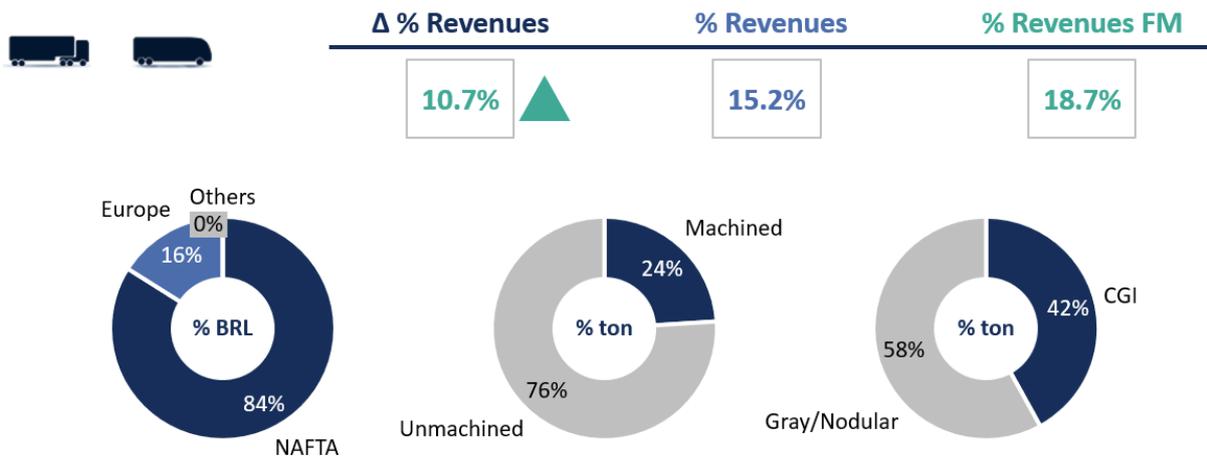
### Light Commercial Vehicles



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).

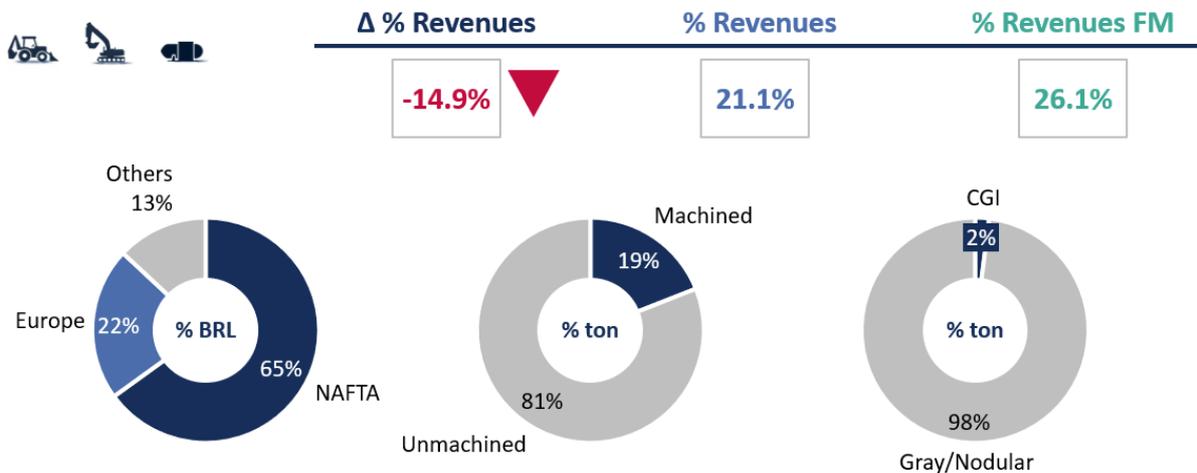
Sales for this application were positively affected in the period due to the devaluation of the BRL, product ramp-up and the increased share of machined goods (30% vs. 26% in 3Q18) and CGI goods (27% vs. 16% in 3Q18), both resulting from new programs.

## Medium and Heavy Commercial Vehicles



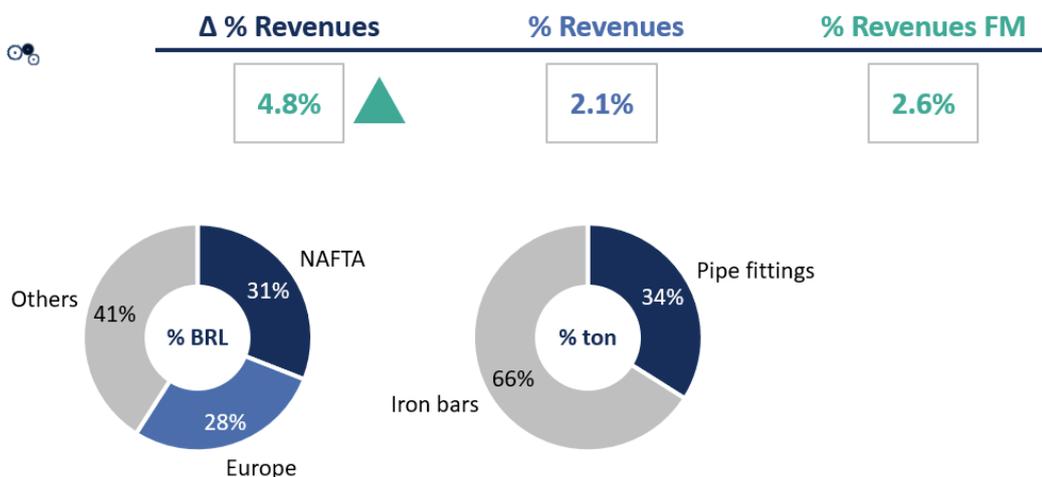
The increase in revenues from medium and heavy commercial vehicles was mainly due to the positive performance of the North American markets. As observed in light commercial vehicles, revenue growth was affected by a larger share of high value-added goods, such as machined goods (24% vs. 8% in 3Q18) and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

## Off road



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).

## Hydraulics



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)

	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]
<b>Revenues</b>	<b>1,339,132</b>	<b>1,315,819</b>	<b>1.8%</b>	<b>4,025,276</b>	<b>3,593,194</b>	<b>12.0%</b>
<b>Cost of goods sold</b>	<b>(1,095,829)</b>	<b>(1,086,205)</b>	<b>0.9%</b>	<b>(3,364,725)</b>	<b>(2,983,598)</b>	<b>12.8%</b>
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%
<b>Gross profit</b>	<b>243,303</b>	<b>229,614</b>	<b>6.0%</b>	<b>660,551</b>	<b>609,596</b>	<b>8.4%</b>
<i>% of revenues</i>	<i>18.2%</i>	<i>17.5%</i>		<i>16.4%</i>	<i>17.0%</i>	
<b>Operating expenses</b>	<b>(101,885)</b>	<b>(92,132)</b>	<b>10.6%</b>	<b>(305,160)</b>	<b>(253,008)</b>	<b>20.6%</b>
<i>% of revenues</i>	<i>7.6%</i>	<i>7.0%</i>		<i>7.6%</i>	<i>7.0%</i>	

**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%
<b>Other net operating expenses</b>	<b>(34,157)</b>	<b>(27,249)</b>	<b>25.4%</b>	<b>(105,488)</b>	<b>(65,697)</b>	<b>60.6%</b>

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	-
<b>Net Earnings</b>	<b>8,023</b>	<b>(19,239)</b>	<b>-141.7%</b>	<b>14,464</b>	<b>(57,600)</b>	<b>-</b>

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 an expense of R\$4.1 million in the period.

## EARNINGS BEFORE TAXES AND NET INCOME

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

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.

## EBITDA

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)						
RECONCILIATION OF NET INCOME TO EBITDA	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]
<b>Net Income</b>	<b>66,481</b>	<b>88,637</b>	<b>-25.0%</b>	<b>206,371</b>	<b>193,807</b>	<b>6.5%</b>
(+) 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%
<b>EBITDA (CVM Instr. 527/12)</b>	<b>188,663</b>	<b>182,933</b>	<b>3.1%</b>	<b>489,680</b>	<b>497,055</b>	<b>-1.5%</b>
<i>% on Revenues</i>	<i>14.1%</i>	<i>13.9%</i>		<i>12.2%</i>	<i>13.8%</i>	
(+) Other net operating expenses*	17,935	13,858	29.4%	58,262	28,838	102.0%
<b>Adjusted EBITDA</b>	<b>206,598</b>	<b>196,791</b>	<b>5.0%</b>	<b>547,942</b>	<b>525,893</b>	<b>4.2%</b>
<i>% on Revenues</i>	<i>15.4%</i>	<i>15.0%</i>		<i>13.6%</i>	<i>14.2%</i>	

\*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.**

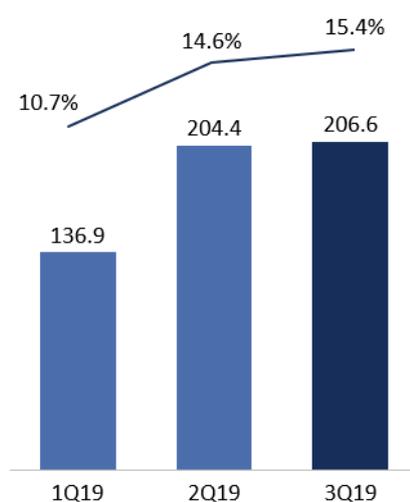
The margin of 15.4% represents a substantial increase compared to 2Q19 (14.6%), mainly due to the internal initiatives to increase operational efficiency, including new projects in Brazil and the ramp-up of operations Mexico.

### 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. [%]
<b>PP&amp;E</b>						
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%
<b>Intangible assets</b>						
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%
<b>Total</b>	<b>58,501</b>	<b>47,875</b>	<b>22.2%</b>	<b>179,035</b>	<b>113,781</b>	<b>57.4%</b>
<i>% on Revenues</i>	<i>4.4%</i>	<i>3.6%</i>		<i>4.4%</i>	<i>3.2%</i>	

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
<b>Balance sheet</b>					
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
<b>Cash conversion cycle [days]</b>	<b>59</b>	<b>52</b>	<b>45</b>	<b>43</b>	<b>52</b>

**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.

## ▽ CASH FLOW

Consolidated (R\$ thousand)						
CASH FLOW SUMMARY	3Q19	3Q18	Var. [%]	9M19	9M18	Var. [%]
<b>Cash at the beginning of period</b>	<b>492,259</b>	<b>614,101</b>	<b>-19.8%</b>	<b>713,733</b>	<b>865,368</b>	<b>-17.5%</b>
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%
<b>Increase (decrease) in cash</b>	<b>118,927</b>	<b>128,512</b>	<b>-7.5%</b>	<b>(102,547)</b>	<b>(122,755)</b>	<b>-16.5%</b>
<b>Cash at the end of period</b>	<b>611,186</b>	<b>742,613</b>	<b>-17.7%</b>	<b>611,186</b>	<b>742,613</b>	<b>-17.7%</b>

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.

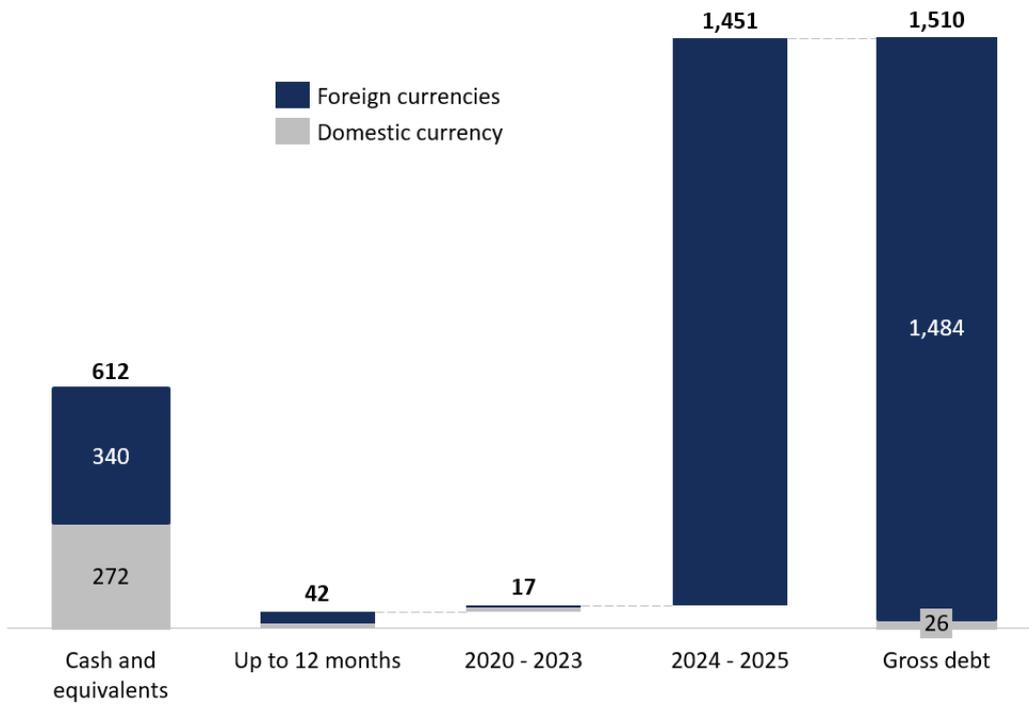
Foreign currency liabilities represented 98.5% of the total (2.0% short-term and 98.0% long-term debt), while 1.5% of the debt is denominated in BRL (42.7% short-term and 57.3% long-term debt). Regarding the cash balance, 44.4% is denominated in BRL and 55.6% in foreign currency.

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
<b>Gross debt</b>	<b>1,510,359</b>	<b>1,415,672</b>	<b>1,422,259</b>	<b>1,407,083</b>	<b>1,528,423</b>
Cash and cash equivalents**	611,594	494,550	532,520	724,545	746,592
<b>Net debt</b>	<b>898,765</b>	<b>921,122</b>	<b>889,739</b>	<b>682,538</b>	<b>781,831</b>
Gross debt/adjusted EBITDA	2.16x	2.05x	2.14x	2.08x	2.32x
<b>Net debt/adjusted EBITDA</b>	<b>1.29x</b>	<b>1.34x</b>	<b>1.34x</b>	<b>1.01x</b>	<b>1.19x</b>

\* Includes derivative financial instruments

\*\* Includes financial investments

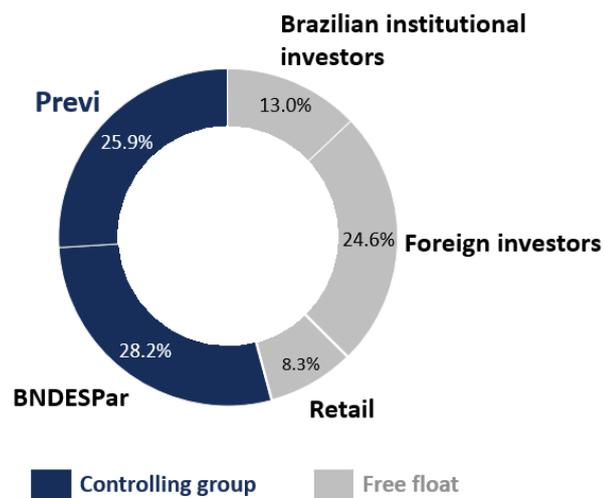
The Company's debt profile is as follows:



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

	(Units)					
	3Q19	3Q18	Var. (%)	9M19	9M18	Var. (%)
<b>Production</b>						
<b>Trucks</b>						
Semi-lights	277	368	-24.7%	803	1,362	-41.0%
Light	4,247	5,310	-20.0%	13,313	14,971	-11.1%
Medium	1,819	1,920	-5.3%	4,580	4,972	-7.9%
Semi-heavy	8,028	7,897	1.7%	20,438	21,270	-3.9%
Heavy	17,685	12,172	45.3%	48,318	34,679	39.3%
<b>Total trucks</b>	<b>32,056</b>	<b>27,667</b>	<b>15.9%</b>	<b>87,452</b>	<b>77,254</b>	<b>13.2%</b>
Buses	7,719	8,096	-4.7%	21,783	23,051	-5.5%
<b>Commercial vehicles</b>	<b>39,775</b>	<b>35,763</b>	<b>11.2%</b>	<b>109,235</b>	<b>100,305</b>	<b>8.9%</b>
<b>Sales</b>						
<b>Trucks</b>						
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%
<b>Total trucks</b>	<b>26,829</b>	<b>20,754</b>	<b>29.3%</b>	<b>72,097</b>	<b>52,779</b>	<b>36.6%</b>
Buses	5,577	4,910	13.6%	15,196	23,726	-36.0%
<b>Commercial vehicles</b>	<b>32,406</b>	<b>25,664</b>	<b>26.3%</b>	<b>87,293</b>	<b>76,505</b>	<b>14.1%</b>
<b>Exports</b>						
<b>Trucks</b>						
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%
<b>Total trucks</b>	<b>3,847</b>	<b>6,103</b>	<b>-37.0%</b>	<b>9,838</b>	<b>20,464</b>	<b>-51.9%</b>
Buses	1,422	1,732	-17.9%	5,219	6,466	-19.3%
<b>Commercial vehicles</b>	<b>5,269</b>	<b>7,835</b>	<b>-32.8%</b>	<b>15,057</b>	<b>26,930</b>	<b>-44.1%</b>

Source: ANFAVEA

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

	(Units)					
	3Q19	3Q18	Var. (%)	9M19	9M18	Var. (%)
<b>North America</b>						
<b>Production</b>						
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%
<b>% Light commercial vehicles</b>	<b>73,7%</b>	<b>52,0%</b>	<b>+21.7p.p.</b>	<b>72,6%</b>	<b>70,2%</b>	<b>+2.4p.p.</b>
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%
<b>Medium &amp; Heavy Duty<sup>1</sup></b>	<b>149,978</b>	<b>146,678</b>	<b>2.2%</b>	<b>461,225</b>	<b>405,822</b>	<b>13.7%</b>
<b>United States</b>						
<b>Sales</b>						
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%
<b>% Light commercial vehicles</b>	<b>73,3%</b>	<b>69,7%</b>	<b>+3.6p.p.</b>	<b>71,5%</b>	<b>68,5%</b>	<b>+3.0p.p.</b>
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%
<b>Medium &amp; Heavy Duty<sup>1</sup></b>	<b>151,322</b>	<b>136,475</b>	<b>10.9%</b>	<b>414,347</b>	<b>378,623</b>	<b>9.4%</b>
<b>Europe</b>						
<b>Sales</b>						
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. (%)
<b>Production</b>						
<b>Americas</b>						
Brazil	16,541	19,273	-14.2%	41,265	46,173	-10.6%
<b>Sales</b>						
<b>Americas</b>						
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%
<b>Europe</b>						
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