

TUPY – Worldwide reference in casting



Highlights

Revenue growth, margin recovery and asset utilization efficiency

Earnings conference call

Date: March 14, 2018

Portuguese/English

10:00 a.m. (EST) / 11:00 a.m.
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- **Sales Volume:** 137.8 thousand tons, up 12.3% from 4Q16, due to sales growth in domestic and foreign markets.
- **Revenue:** R\$967.3 million, a 23.7% increase against 4Q16 due to volume growth and the improved mix of products.
- **Adjusted EBITDA:** R\$132.3 million, up 49.9% from the same period of the previous year and equivalent to 13.7% of revenues in 4Q17, corresponding to 2.4 percentage points increase against 4Q16.
- **Net income:** R\$13.9 million in 4Q17, compared to a loss of R\$179.0 million in 4Q16.
- **Investments:** R\$31.9 million, up 5.1% from 4Q16. Investments in 2017 totaled R\$124.1 million, a 5.7% reduction compared to the previous year. This amount resulted in 3.3% on net revenues for the period, against 4.0% in 2016.
- **Working capital:** Significant reduction in the cash conversion cycle (from 62 days in 4Q16 to 52 days).
- **Total Return to Shareholder:** Return of 59.4% in 2017 (vs. 26.9% of the IBOVESPA index), due to share appreciation of 52% and dividend yield* of 7.4%.

*Gross amount, considering interest on equity and dividends effectively paid in the period (R\$166.0 million) and the average closing price of trading sessions held in 2017.

Note: Unless otherwise stated, the comparisons shown in percentage variations are based on the same period of 2016.

MAIN INDICATORS

Consolidated (R\$ thousand)

SUMMARY	4Q17	4Q16	Var. [%]	2017	2016	Var. [%]
Revenue	967,300	781,739	23.7%	3,706,151	3,255,310	13.8%
Cost of goods sold	(812,659)	(681,581)	19.2%	(3,099,966)	(2,790,511)	11.1%
Gross profit	154,641	100,158	54.4%	606,185	464,799	30.4%
<i>% on revenue</i>	<i>16.0%</i>	<i>12.8%</i>		<i>16.4%</i>	<i>14.3%</i>	
Operating expenses	(75,768)	(68,079)	11.3%	(300,434)	(266,959)	12.5%
Other operating expenses	(39,594)	(68,496)	-42.2%	(123,907)	(154,017)	-19.5%
Reversion (constitution) of impairment	8,301	(228,486)	-	8,301	(228,486)	-
Income before financial results	47,580	(264,903)	-	190,145	(184,663)	-
<i>% on revenue</i>	<i>4.9%</i>	<i>-33.9%</i>		<i>5.1%</i>	<i>-5.7%</i>	
Net financial result	(16,244)	(6,656)	144.1%	(56,208)	(52,333)	7.4%
Income before taxes	31,336	(271,559)	-	133,937	(236,996)	-
<i>% on revenue</i>	<i>3.2%</i>	<i>-34.7%</i>		<i>3.6%</i>	<i>-7.3%</i>	
Income tax and social contribution	(17,402)	92,575	-	19,464	55,541	65.0%
Net income	13,934	(178,984)	-	153,401	(181,455)	-
<i>% on revenue</i>	<i>1.4%</i>	<i>-22.9%</i>		<i>4.1%</i>	<i>-5.6%</i>	
EBITDA (acc. Inst. CVM 527/12)	103,345	37,397	176.3%	439,105	339,128	29.5%
<i>% on revenue</i>	<i>10.7%</i>	<i>4.8%</i>		<i>11.8%</i>	<i>10.4%</i>	
Adjusted EBITDA	132,299	88,244	49.9%	521,149	418,420	24.6%
<i>% on revenue</i>	<i>13.7%</i>	<i>11.3%</i>		<i>14.1%</i>	<i>12.9%</i>	
Average Exchange rate (USD/BRL)	3.25	3.30	-1.5%	3.19	3.48	-8.3%
Average Exchange rate (EUR/BRL)	3.82	3.55	7.8%	3.61	3.85	-6.4%

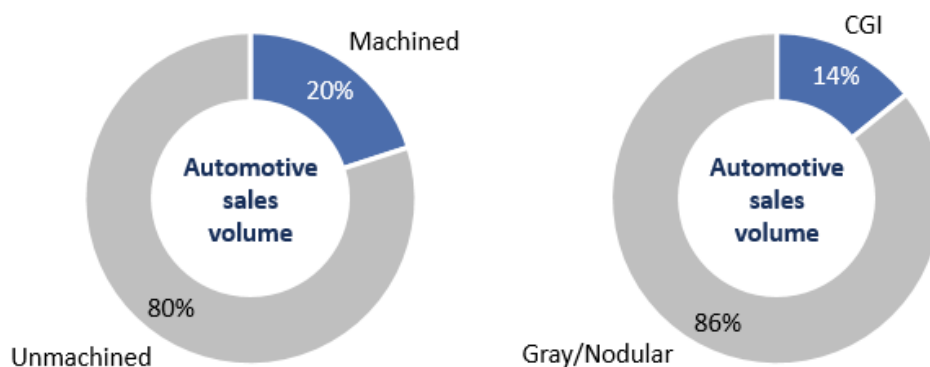
SALES VOLUME

Consolidated (ton)						
	4Q17	4Q16	Var. [%]	2017	2016	Var. [%]
Domestic market	25,655	22,277	15.2%	109,805	98,525	11.4%
Automotive	22,085	17,726	24.6%	91,306	80,724	13.1%
Hydraulics	3,570	4,551	-21.6%	18,499	17,801	3.9%
Foreign market	112,141	100,408	11.7%	444,674	391,979	13.4%
Automotive	107,342	96,282	11.5%	427,564	377,632	13.2%
Hydraulics	4,799	4,126	16.3%	17,110	14,347	19.3%
Total sales volume	137,796	122,685	12.3%	554,479	490,504	13.0%

Sales volume increased by 12.3% against 4Q17, chiefly due to the following factors:

- 24.6% increase in sales to the automotive segment in the domestic market, primarily due to sales growth of applications for commercial and off road vehicles, highlighting indirect exports and, recently, due to sales growth of Brazils' automotive segment.
- 11.5% increase in the volume of sales to the automotive segment in the foreign market, reflecting the increase in applications for light commercial and off road vehicles compared to the same period of the previous year.
- Significant growth in the hydraulics segment in the foreign market, due to the US performance.

The automotive segment portfolio comprised of 20% partially or fully machined products (vs. 20.5% in 4Q16). The breakdown of automotive products by type of material shows that CGI (Compacted Graphite Iron) accounted for a sales volume of 14%, stable in relation to 4Q16.



REVENUES

Revenues increased by 23.7% compared to 4Q16, mainly due to volume growth, improved mix of products and pass through of raw material costs.

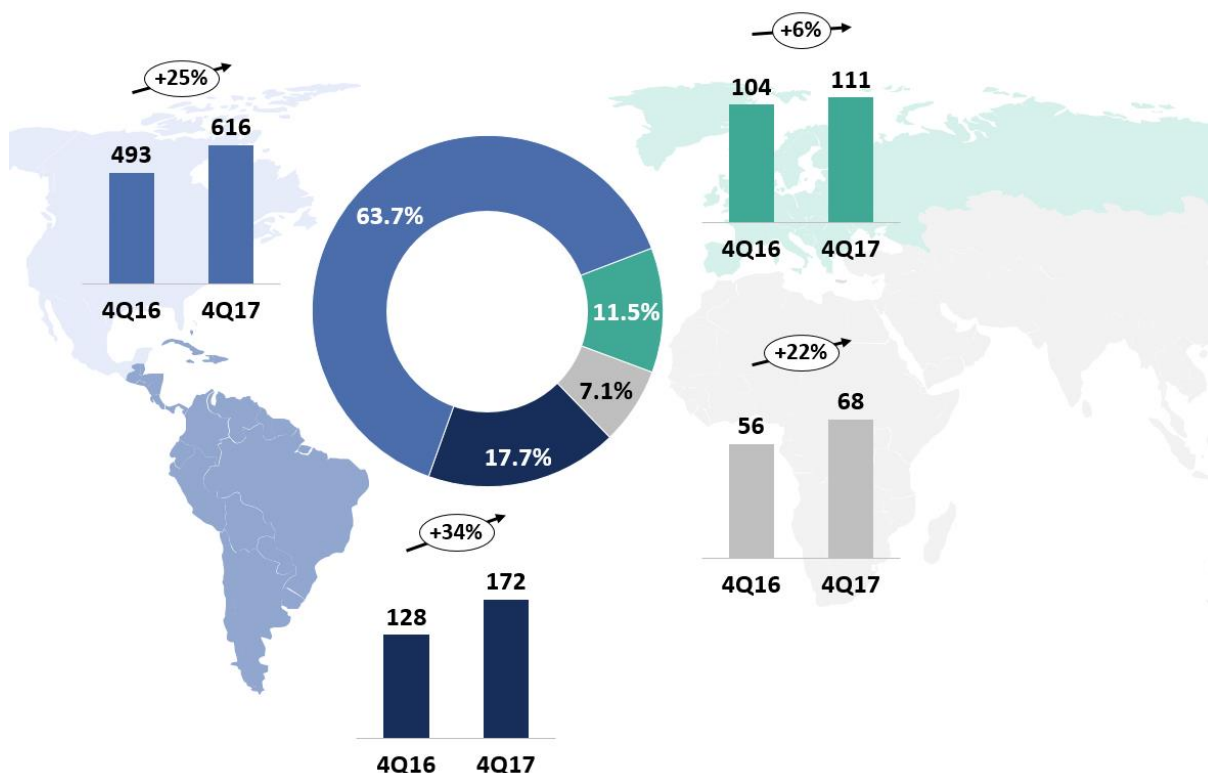
In the domestic market, the 35.6% growth was due to the increase in revenues from all automotive segment, highlighting commercial vehicles, which increased by 75.5% in the period.

In the foreign market, net revenues increased by 21.6%, particularly due to the applications for light commercial as well as off road vehicles. The appreciation of the Real against the US Dollar in the period (average exchange rate of approximately R\$3.25 in 4Q17 against R\$3.30 in 4Q16) was offset by a more favorable mix of products.

Consolidated (R\$ thousand)						
	4Q17	4Q16	Var.[%]	2017	2016	Var.[%]
Revenue by market	967,300	781,739	23.7%	3,706,151	3,255,310	13.8%
Domestic market	163,904	120,881	35.6%	653,451	544,777	19.9%
<i>% share</i>	<i>16.9%</i>	<i>15.5%</i>		<i>17.6%</i>	<i>16.7%</i>	
Foreign market	803,396	660,858	21.6%	3,052,700	2,710,533	12.6%
<i>% share</i>	<i>83.1%</i>	<i>84.5%</i>		<i>82.4%</i>	<i>83.3%</i>	
Revenue by segment	967,300	781,739	23.7%	3,706,151	3,255,310	13.8%
Automotive	914,511	732,298	24.9%	3,499,328	3,056,651	14.5%
<i>% share</i>	<i>94.5%</i>	<i>93.7%</i>		<i>94.4%</i>	<i>93.9%</i>	
Hydraulics	52,789	49,441	6.8%	206,823	198,659	4.1%
<i>% share</i>	<i>5.5%</i>	<i>6.3%</i>		<i>5.6%</i>	<i>6.1%</i>	

Revenues by market and performance in the period

In the reporting period, 63.7% of revenues came from North America. In turn, South and Central America accounted for 17.7%, and Europe for 11.5% of total revenues. The remaining 7.1% came from Asia, Africa and Oceania.



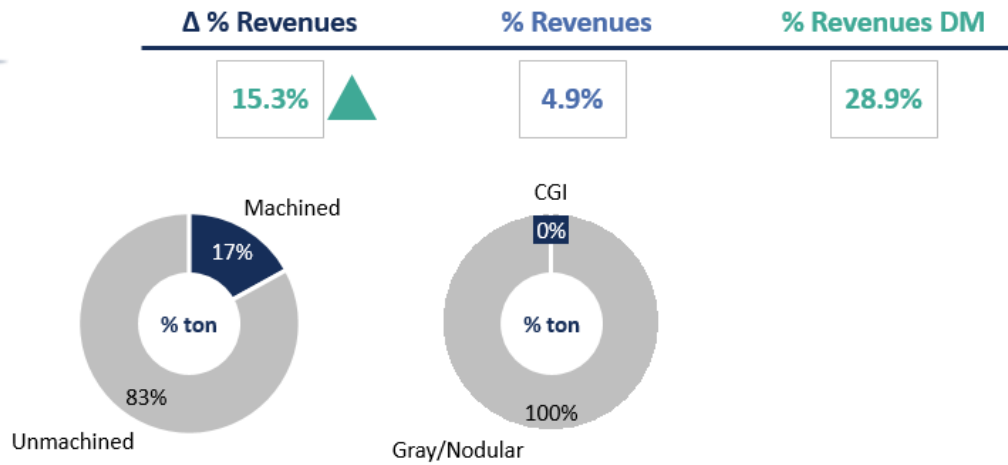
Consolidated (R\$ thousand)

	4Q17	4Q16	Var. [%]	2017	2016	Var. [%]
Revenues	967,300	781,739	23.7%	3,706,151	3,255,310	13.8%
Domestic market	163,904	120,881	35.6%	653,451	544,776	19.9%
Automotive	135,645	91,845	47.7%	535,331	424,402	26.1%
Passenger cars	47,369	41,093	15.3%	189,019	159,714	18.3%
Commercial vehicles	73,241	41,727	75.5%	273,462	212,268	28.8%
Off road	15,035	9,025	66.6%	72,851	52,420	39.0%
Hydraulics	28,259	29,036	-2.7%	118,120	120,374	-1.9%
Foreign market	803,396	660,858	21.6%	3,052,700	2,710,535	12.6%
Automotive	778,866	640,453	21.6%	2,963,997	2,632,250	12.6%
Passenger cars	101,643	104,420	-2.7%	391,098	510,608	-23.4%
Light commercial vehicles	307,932	241,288	27.6%	1,161,129	958,955	21.1%
Medium and heavy commercial vehicles	139,502	133,952	4.1%	548,549	486,045	12.9%
Off road	229,788	160,793	42.9%	863,221	676,642	27.6%
Hydraulics	24,530	20,405	20.2%	88,703	78,285	13.3%

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

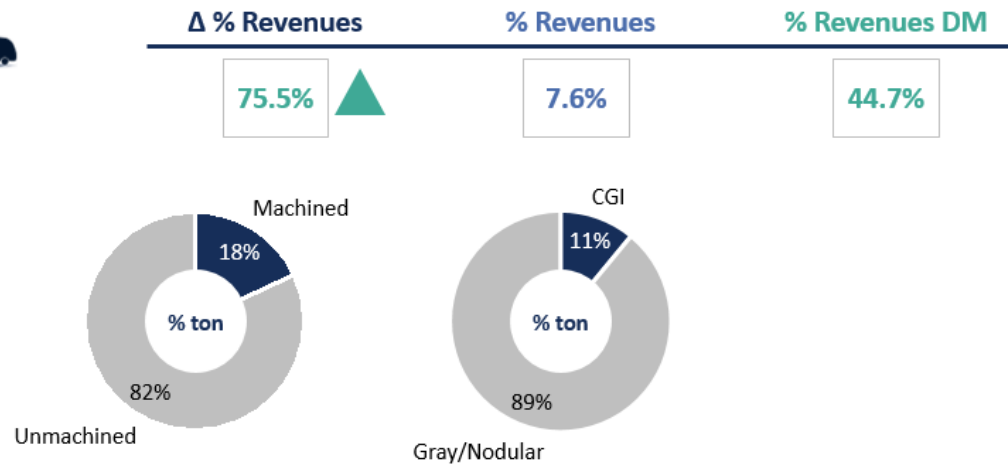
DOMESTIC MARKET (DM)

Passenger Cars



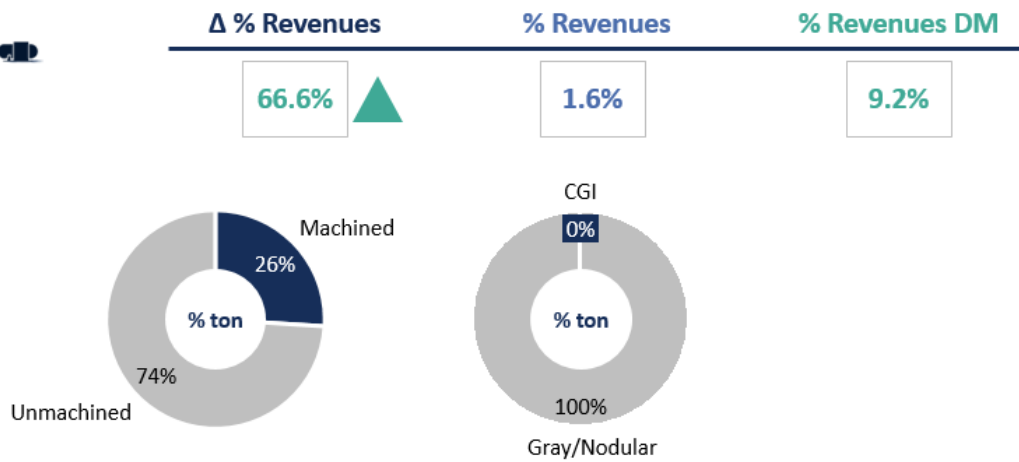
Revenues from sales of components for passenger cars increased by 15.3% in 4Q17 compared to the same period of the previous year, particularly due to the increase in sales of products that will be exported from Brazil by our customers (indirect exports), as well as for the ramp up of projects related to structural automotive parts.

Commercial Vehicles



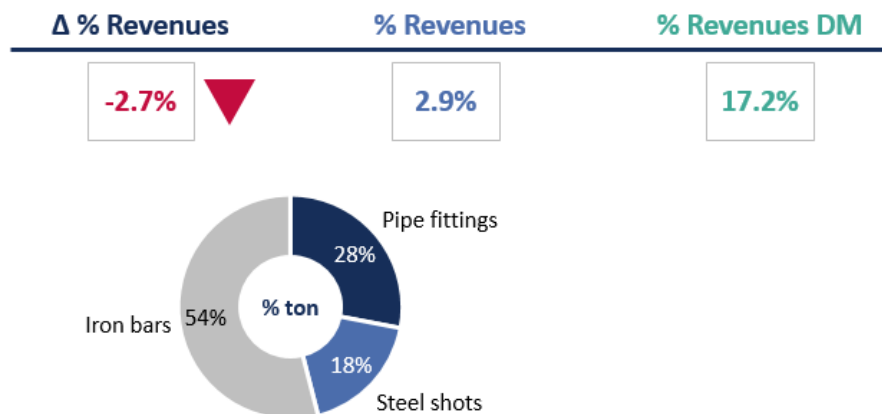
Revenues from applications for commercial vehicles rose by 75.5% compared to the same period of the previous year, due to the increased production of trucks in Brazil. We highlight indirect exports opportunities, as well as the increased number of licensed vehicles in the country.

Off road



Tupy's revenues from machinery and off road vehicles rose by 66.6% in 4Q17 (higher than the market growth), driven by the strong volume of applications produced by our customers, as well as ramp up of parts.

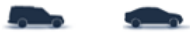
Hydraulics



In 4Q17, revenues from the hydraulics segment decreased by 2.7% against the same period in 2016. This reduction was due to the sale of the steel shots business occurred in 3Q17 – sales in this quarter are due to remaining inventories.

FOREIGN MARKET (FM)

Passenger Cars



Δ % Revenues

% Revenues

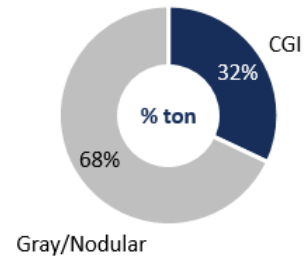
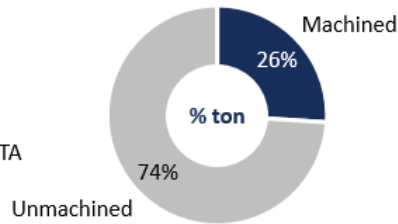
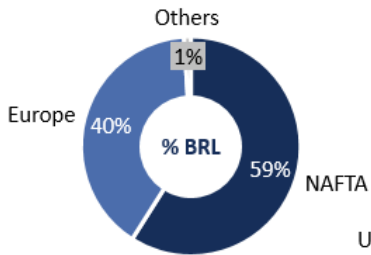
% Revenues FM

-2.7%



10.5%

12.7%



Revenues from passenger cars decreased by 2.7% compared to 4Q16, due to the phase-out of products, as well as to the appreciation of the Real compared to the same period of the previous year.

Light Commercial Vehicles



Δ % Revenues

% Revenues

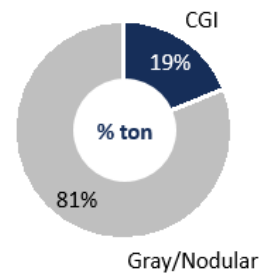
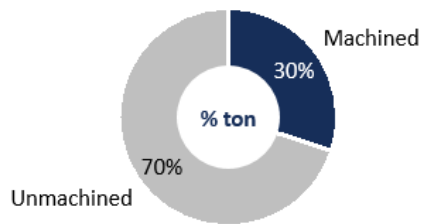
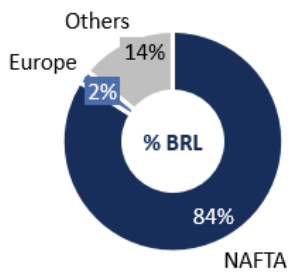
% Revenues FM

27.6%



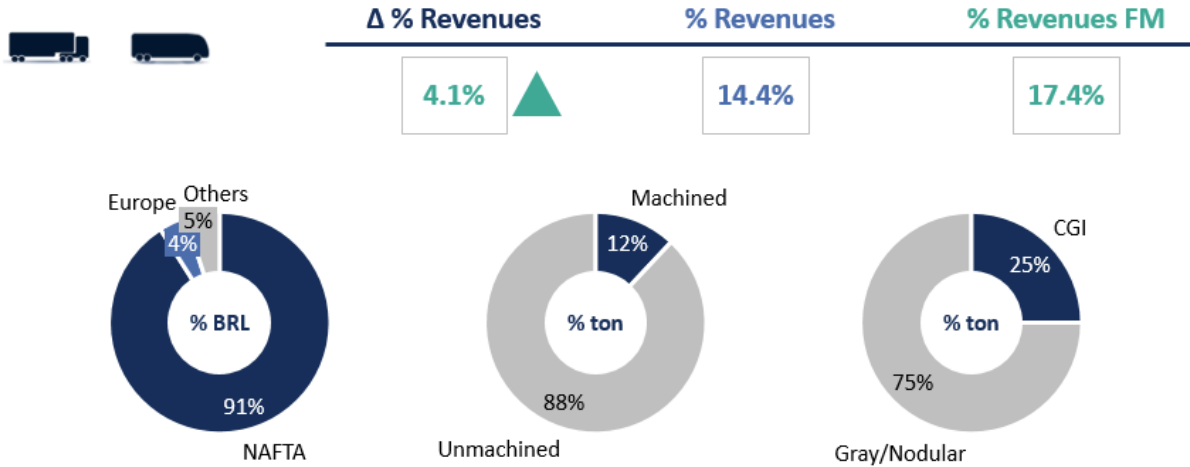
31.8%

38.3%



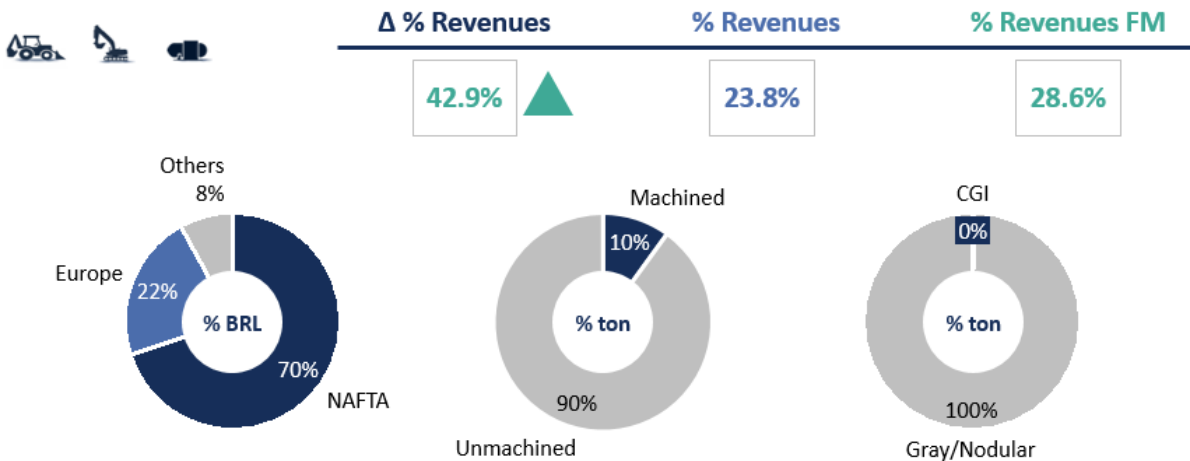
Sales for this application were positively impacted in the period by the increase in demand from the US market and phase in of projects, which reduced the adverse effect of the appreciation of the Real in the period.

Medium and Heavy Commercial Vehicles



The 4.1% increase in revenues is mainly due to the performance of the US market. In 4Q17, we had the stoppage of one of our clients, negatively impacting the annual comparison.

Off road



Sales for off road applications in 4Q17 increased by 42.9% compared to the same period in 2016 due to the positive performance of the market and the phase-in of a client. A general recovery in the main regions and industries was observed, especially the construction and oil and gas segments in North America and mining in the main regions.

Hydraulics



Δ % Revenues

% Revenues

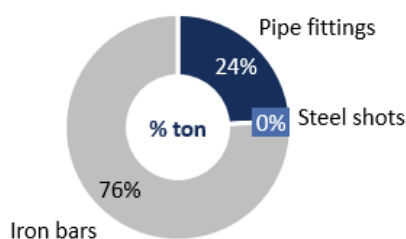
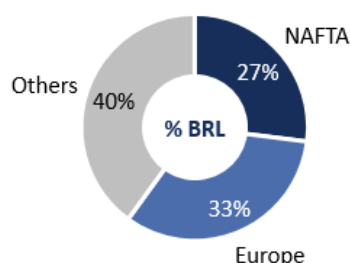
% Revenues FM

20.2%



2.5%

3.1%



In 4Q17, net revenues from sales of pipe fittings and iron bars increased by 20.2%. This growth was chiefly due to the performance of the US market.

▽ COST OF GOODS SOLD AND OPERATING EXPENSES

The cost of goods sold (COGS) in 4Q17 amounted to R\$812.7 million, up by 19.2% compared to 4Q16. Operating expenses amounted to R\$75.8 million, up 11.3% from 4Q16.

Consolidated (R\$ thousand)

	4Q17	4Q16	Var. [%]	2017	2016	Var. [%]
Revenue	967,300	781,739	23.7%	3,706,151	3,255,310	13.8%
Cost of goods sold	(812,659)	(681,581)	19.2%	(3,099,966)	(2,790,511)	11.1%
Raw-material	(422,978)	(330,227)	28.1%	(1,590,434)	(1,365,240)	16.5%
Labor, profit sharing and social benefits	(201,750)	(173,224)	16.5%	(744,419)	(710,941)	4.7%
Maintenance and third parties	(86,486)	(66,111)	30.8%	(338,092)	(280,684)	20.5%
Energy	(48,038)	(45,561)	5.4%	(209,382)	(199,520)	4.9%
Depreciation	(50,360)	(53,182)	-5.3%	(202,926)	(208,583)	-2.7%
Others*	(3,047)	(13,276)	-77.0%	(14,713)	(25,543)	-42.4%
Gross profit	154,641	100,158	54.4%	606,185	464,799	30.4%
<i>% on revenue</i>	<i>16.0%</i>	<i>12.8%</i>		<i>16.4%</i>	<i>14.3%</i>	
Operating expenses	(75,768)	(68,079)	11.3%	(300,434)	(266,959)	12.5%
<i>% on revenue</i>	<i>7.8%</i>	<i>8.7%</i>		<i>8.1%</i>	<i>8.2%</i>	

*In 2017 reclassifications of costs were made among labor, maintenance and third parties to reflect better accuracy about productive process.

Gross margin was 16.0% in the period, representing a significant improvement (3.2 percentage points) compared to the same period of the previous year.

The changes in COGS between 4Q17 and 4Q16 were mainly due to the following factors:

- 28.1% rise in raw material costs, driven by increased production volumes and higher raw material prices in the period.
- 16.5% labor cost increase due to higher headcount and overtime caused by volume growth in operations (especially in Mexico). Year over year comparison was also affected by collective bargain agreement and the appreciation of the Mexican peso.
- 30.8% increase in maintenance materials and third parties, due to the growth in volume produced and increase in outsourced services. Despite the variation in the annual comparison, this line of costs is stable in relation to the previous quarter (3Q17).
- 5.4% rise in energy costs. The increased volume produced was offset by the closure of the casting activities at the Mauá plant, the sale of the steel shots unit and the reduction of energy prices in part of the contracts in Mexico.

Operating expenses, which include administrative and commercial expenses, grew by 11.3%, chiefly due to higher labor expenses, freight expenses and commissions on sales from increasing sales volume, and the development of research projects. Additionally, as from January 2017, the Company started to record research & development expenses, final shipments, and technical assistance services, among others, as operating expenses, rather than cost of goods sold.

Despite these effects, operating expenses had a significant reduction in relation to net revenue in 4Q17 (7.8% vs. 8.7% in 4Q16).

OTHER OPERATING EXPENSES

Other net operating expenses amounted to R\$39.6 million in 4Q17, against R\$68.5 million in 4Q16, corresponding to a **42.2% decrease**.

Consolidated (R\$ thousand)						
	4Q17	4Q16	Var. [%]	2017	2016	Var. [%]
Depreciation of non-operating assets	(174)	(181)	-3.9%	(706)	(1,208)	-41.6%
Amortization of intangibles assets	(10,466)	(17,468)	-40.1%	(41,157)	(73,517)	-44.0%
Restructuring of the Mauá plant	-	-		(44,141)	-	
Others*	(28,954)	(50,847)	-43.1%	(37,903)	(79,292)	-52.2%
Other net operating expenses	(39,594)	(68,496)	-42.2%	(123,907)	(154,017)	-19.5%
PP&E impairment	-	(84,760)	-	-	(84,760)	-
Reversal (constitution) impairment of intangibles	8,301	(143,726)	-	8,301	(143,726)	-
Total impairment adjusts	8,301	(228,486)	-	8,301	(228,486)	-

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

This drop was chiefly due to lower amortization expenses, because of the impairment of intangible assets in 4Q16, as well as the reduction in contingencies in comparison with the same period of the previous year.

NET FINANCIAL INCOME

In 4Q17, the Company recorded net financial expenses of R\$16.2 million, compared to expenses of R\$6.7 million in 4Q16.

Consolidated (R\$ thousand)						
	4Q17	4Q16	Var. [%]	2017	2016	Var. [%]
Financial expenses	(35,056)	(44,417)	-21.1%	(149,629)	(179,379)	-16.6%
Financial income	17,082	32,305	-47.1%	105,586	136,118	-22.4%
Net monetary and Exchange variation	1,730	5,456	-68.3%	(12,165)	(9,072)	34.1%
Net financial income	(16,244)	(6,656)	144.1%	(56,208)	(52,333)	7.4%

The reduction in financial expenses is chiefly due to net amortizations in the last twelve months, which amounted R\$282.6 million, and to the appreciation of the BRL against the US Dollar (average exchange rate of R\$3.25 in 4Q17 vs. R\$3.30 in 4Q16), which affected the recognition of interest on borrowings denominated in dollars.

47.1% drop in financial revenues, mainly because of the 14% decrease in the balance of cash, cash equivalents and investments in Brazil (R\$681.9 million in 4Q17 vs. R\$791.1 million in 4Q16), and lower financial earnings due to lower interest rates, with an average equivalent to 7.43% p.a. in 4Q17 vs. 14.13% p.a. in 4Q16.

The reduction in expenses from net monetary and net exchange variations mainly resulted from marking to market of hedge transactions (zero cost collar).

EARNINGS BEFORE TAXES AND NET INCOME

Consolidated (R\$ thousand)						
	4Q17	4Q16	Var. [%]	2017	2016	Var. [%]
Net income before income taxes	31,336	(271,559)	-	133,937	(236,996)	-
Tax effects before foreign Exchange impacts	(4,927)	102,084	-	9,158	84,419	-89.2%
<i>Tax rates before foreign Exchange effects</i>	<i>-15,7%</i>	<i>-37,6%</i>		<i>6,8%</i>	<i>-35,6%</i>	
Net income before foreign Exchange effects on tax base	26,409	(169,475)	-	143,095	(152,577)	-
Foreign Exchange effects on tax base	(12,475)	(9,509)	31.2%	10,306	(28,878)	-
Net income	13,934	(178,984)	-	153,401	(181,455)	-
<i>% on revenue</i>	<i>1.4%</i>	<i>-22.9%</i>		<i>4.1%</i>	<i>-5.6%</i>	

Tax effects before exchange impacts came to R\$4.9 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, highlighting the effects of the payment of interest on shareholders' equity and higher tax benefits from "reintegra" (from 0.1% in 2016 to 2% in 2017).

The effect of exchange rates on the tax base (deferred income tax in Mexican operations) is calculated in Mexican Pesos. The translation into the functional currency, the US Dollar, resulted in a reduction of R\$12.5 million due to the devaluation of the Mexican Peso against the US Dollar in 4Q17.

The net income from these effects amounted to R\$13.9 million in 4Q17, corresponding to 1.4% of net revenues in the period.

EBITDA

The combination of the factors mentioned above resulted in an adjusted EBITDA of R\$132.3 million in 4Q17, with margin of 13.7% on revenues.

Adjusted EBITDA in 2017 was R\$521.1 million, an increase of 24.6% against the same period of the previous year, corresponding to 14.1% of revenues in the period, and **an increase of 1.20 percentage points over 2016.**

Consolidated (R\$ thousand)						
RECONCILIATION OF NET INCOME TO EBITDA	4Q17	4Q16	Var. [%]	2017	2016	Var. [%]
Net income (loss) for the period	13,934	(178,984)	-	153,401	(181,455)	-
(+) Net financial result	16,244	6,656	144.1%	56,208	52,333	7.4%
(+) Income tax and social contribution	17,402	(92,575)	-	(19,464)	(55,541)	-65.0%
(+) Depreciation, amortization and impairment	55,765	302,300	-81.6%	248,960	523,791	-52.5%
EBITDA (according to CVM 527/12)	103,345	37,397	176.3%	439,105	339,128	29.5%
<i>% on revenue</i>	<i>10.7%</i>	<i>4.8%</i>		<i>11.8%</i>	<i>10.4%</i>	
(+) Other net operating expenses*	28,954	50,847	-43.1%	82,044	79,292	3.5%
Adjusted EBITDA	132,299	88,244	49.9%	521,149	418,420	24.6%
<i>% on revenue</i>	<i>13.7%</i>	<i>11.3%</i>		<i>14.1%</i>	<i>12.9%</i>	

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

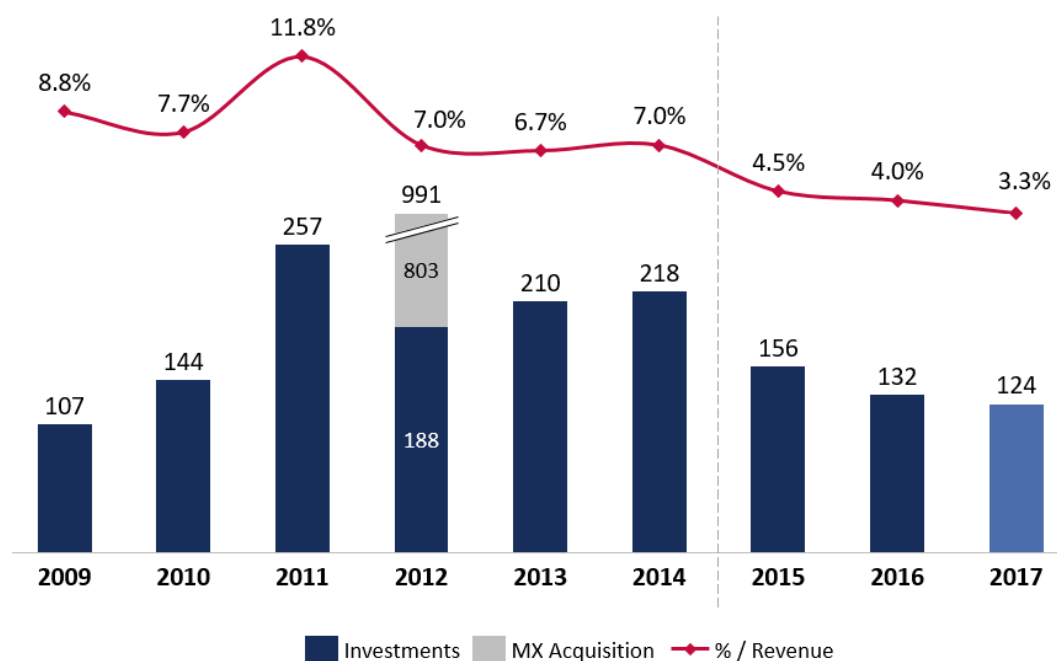
INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

Total investment in property, plant and equipment and intangible assets was R\$31.9 million in 4Q17, up 5.1% against 4Q16. Investments in 2017 amounted to R\$124.1 million, a 5.7% reduction against the same period of the previous year.

Consolidated (R\$ thousand)						
	4Q17	4Q16	Var. [%]	2017	2016	Var. [%]
PP&E						
Strategic investments	6,307	4,497	40.2%	36,052	20,046	79.8%
Maintenance and sustenance	21,301	20,493	3.9%	71,133	97,829	-27.3%
Environment	1,709	546	213.0%	7,154	3,343	114.0%
Interest and financial expenses	490	643	-23.8%	1,606	2,960	-45.7%
Intangible assets						
Software	1,443	4,215	-65.8%	4,060	7,368	-44.9%
Research and development	689	-	-	4,092	-	-
Total	31,939	30,394	5.1%	124,097	131,546	-5.7%
% on revenue	3.3%	3.9%		3.3%	4.0%	

Investments in 2017 totaled 3.3% of net revenues in the period, a reduction of 0.7 percentage points over the previous year.

The Company has made efforts to optimize its investments and return on assets, as shown below:



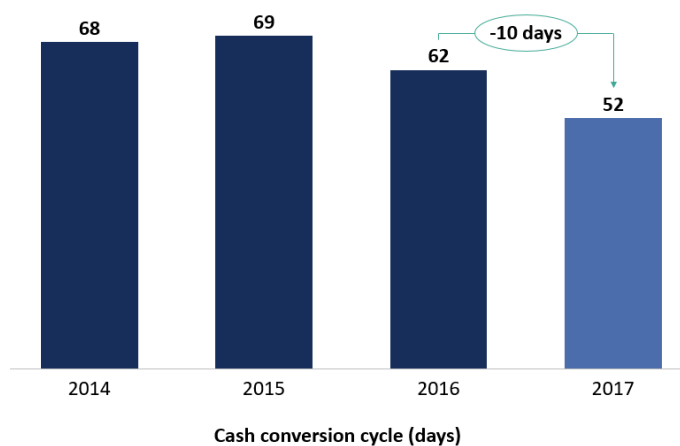
WORKING CAPITAL

Consolidated (R\$ thousand)					
	4Q17	3Q17	2Q17	1Q17	4Q16
Balance sheet					
Accounts receivable	573,093	549,627	571,454	533,036	418,963
Inventories	419,492	354,009	338,776	373,649	409,713
Accounts payable	462,465	389,578	369,959	324,696	302,497
Sales outstanding [days]	56	57	63	60	47
Inventories outstanding [days]	49	44	43	49	54
Payables outstanding [days]	53	48	48	43	39
Cash conversion cycle [days]	52	53	58	66	62

Main working capital lines recorded the following variations against the previous quarter (3Q17):

- Increase of R\$23.5 million in accounts receivable, corresponding to a reduction of 1 sales day;
- Inventories increased by R\$65.5 million, corresponding to a 5-day increase (relating to the cost of goods sold) due to the seasonality of the period. **However, this indicator had a significant improvement compared to 4Q16 (reduction of 5 days)**, caused by the development of reserve inventories in that period, as a result of the closure of the casting activities in the Mauá plant;
- Increase of R\$72.9 million in accounts payable, due to production volume growth in the period. **We highlight the significant improvement of this indicator compared to 3Q17 and 4Q16 (5 and 14 days, respectively)**, due to several actions intended to stretch payment terms with the current suppliers.

In line with the Company's strategy to increase return on invested capital, the cash conversion cycle has been significantly improved, as shown below:



CASH FLOW

Consolidated (R\$ thousand)

CASH FLOW SUMMARY	4Q17	4Q16	Var.[%]	2017	2016	Var.[%]
Cash at the beginning of period	944,800	1,189,883	-20.6%	1,203,940	1,524,622	-21.0%
Cash flow from operating activities	108,674	118,295	-8.1%	260,369	280,299	-7.1%
Cash flow from investing activities	(29,291)	(29,367)	-0.3%	(119,193)	(124,582)	-4.3%
Cash flow from financing activities	(154,790)	(75,973)	103.7%	(448,591)	(394,271)	13.8%
Effect of Exchange variation on cash	(4,025)	1,102	-	(31,157)	(82,128)	-62.1%
Increase (decrease) in cash	(79,432)	14,057	-	(338,572)	(320,682)	5.6%
Cash at the end of period	865,368	1,203,940	-28.1%	865,368	1,203,940	-28.1%

In 4Q17, cash from operating activities amounted to R\$108.7 million, against R\$118.3 million in 4Q16. The drop in operating cash generation is mainly due to the greater variation in working capital compared to the previous quarters (4Q17 vs 3Q17 and 4Q16 vs 3Q16).

Investment activities totaled R\$29.3 million in 4Q17, down 0.3% against investments recorded in 4Q16.

In 4Q17, financing activities totaled R\$154.8 million, chiefly driven by the payment of loans in the amounting to R\$104.8 million in the quarter, in addition to the distribution of dividends and interest on equity of R\$50.0 million to our shareholders.

The combination between these factors and the exchange rate variation on cash resulted in a decrease of R\$79.4 million in cash and cash equivalents in the period, which amounted to R\$865.4 million in 4Q17.

INDEBTEDNESS

At the close of 4Q17, the Company's net debt amounted to R\$757.6 million, i.e., the net debt/adjusted EBITDA ratio for the previous 12-month period was 1.45.

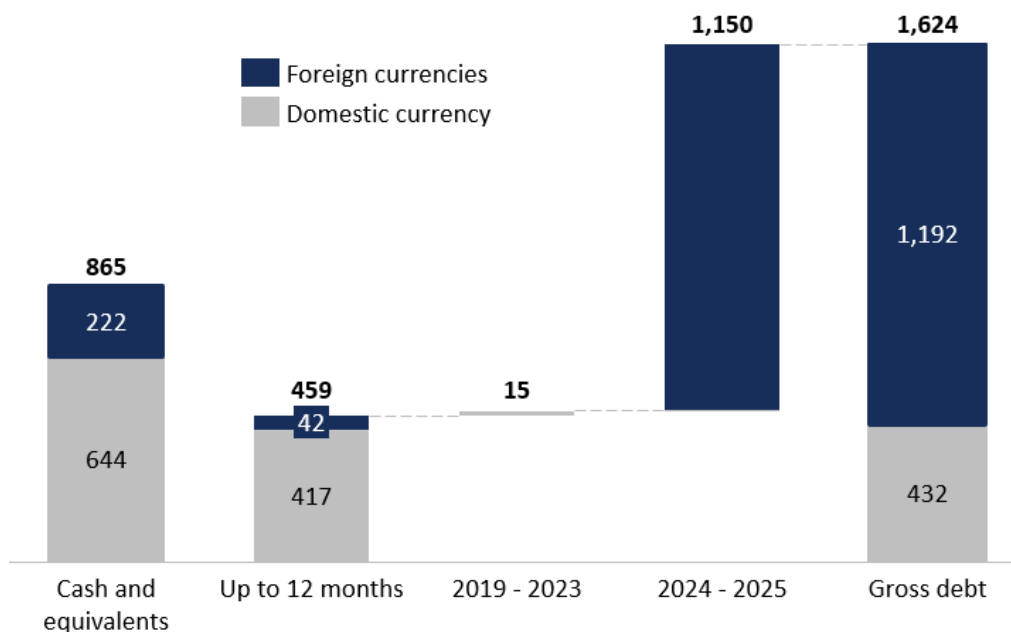
Obligations in foreign currency accounted for 73% of total obligations (3% short-term debt and 97% long-term debt), while 27% of debt is denominated in BRL (96% short-term debt and 4% long-term debt). Regarding cash balance, 74% is denominated in BRL, and 26% is denominated in foreign currency.

Consolidated (R\$ thousand)			
INDEBTEDNESS	4Q17	3Q17	2Q17
Short term*	458,472	201,435	262,848
Long term	1,165,541	1,458,223	1,555,896
Gross debt	1,624,013	1,659,658	1,818,744
Cash and equivalents**	866,463	948,436	1,047,820
Net debt	757,550	711,222	770,924
Gross debt/Adjusted EBITDA	3.12x	3.48x	4.40x
Net debt/Adjusted EBITDA	1.45x	1.49x	1.87x

* Includes derivatives

† Includes financial investments

The Company's debt profile is as follows:



All amounts in R\$ million.

ADVANCED PAYMENT OF DEBT

In January 2018, Company paid in advance debts in local currency maturing this year, amounting to R\$291.1 million. This operation was driven by the decline in interest rates, with the consequent reduction in the remuneration of our cash reserves, while these debts had average interest rate of 10.8% p.a.

The present value of the operation, consisting of the spread between expenses and financial income (which is derived from the remuneration of cash reserves used to pay the debt), is a positive R\$8.0 million.

PAYMENT OF DIVIDENDS AND INTEREST ON EQUITY

In 2017, the Company distributed dividends and interest on equity in the amount of R\$166.0 million to our shareholders. Of this amount, R\$16.0 million is related to the 2016 Fiscal Year, and R\$150.0 million remaining is related to the 2017 Fiscal Year.

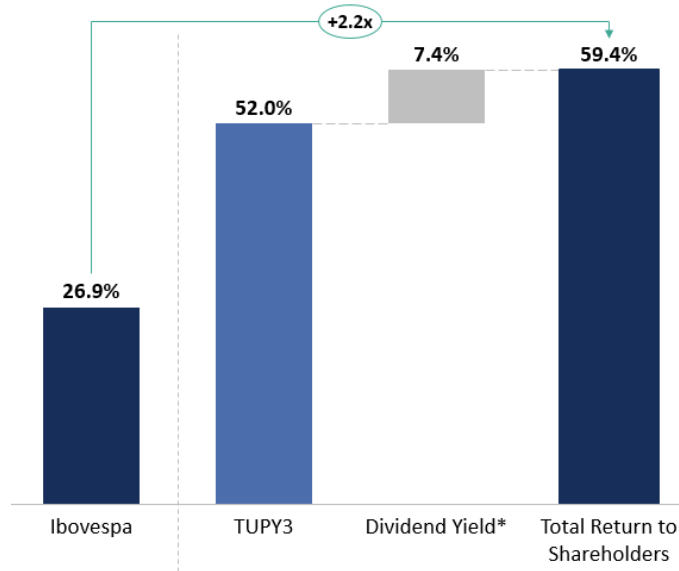
Still regarding the 2017 Fiscal Year, today was approved an additional payment of R\$50.0 million will be made on March 28, 2018, totaling the amount of R\$200.0 million, as approved at the Board of Directors' meeting held on March 28, 2017.

Additionally, regarding the 2018 Fiscal Year, the Board of Directors approved the distribution of dividends and interest on equity **in the amount of at least R\$150.0 million, corresponding to approximately R\$1.04/share.**

The value proposed by management considers several financial and operational indicators, such as: (i) current and expected leverage for the period; (ii) estimated cash generation; (iii) debt profile and cash position; (iv) execution of investment projects and (v) minimum cash policy. The Company will continuously evaluate the performance of the indicators mentioned above, and the proposed value may be changed in a timely manner, as in the case of any M&A event.

▽ TOTAL RETURN TO SHAREHOLDERS

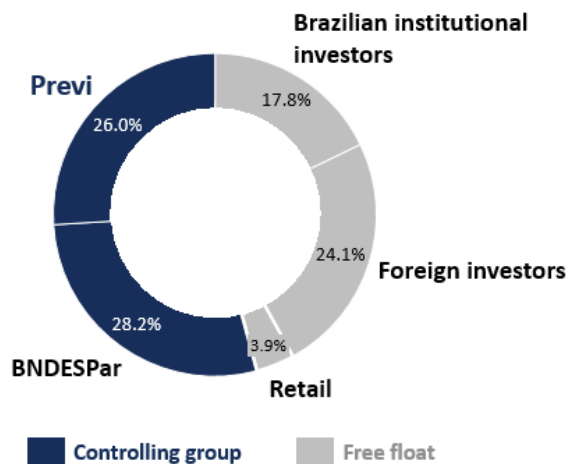
Total return to shareholders in 2017 was 59.4% (vs. 26.9% of IBOVESPA), comprising share appreciation of 52.0% and dividend yield of 7.4%.



*Gross amounts, considering interest on equity and dividends effectively paid in the period, calculated in relation to the average share price in 2017.

▽ OWNERSHIP STRUCTURE

On December 31, 2017, 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 By-Laws.

* * *

Attachment I – Light vehicles production and sales in Brazil

	(Units)					
	4Q17	4Q16	Var. (%)	2017	2016	Var. (%)
Production						
Passenger cars	598,578	497,878	20.2%	2,269,468	1,778,464	27.6%
Light commercial	85,778	75,671	13.4%	326,647	298,705	9.4%
Light vehicles	684,356	573,549	19.3%	2,596,115	2,077,169	25.0%
Sales						
Passenger cars	464,164	407,521	13.9%	1,691,350	1,490,903	13.4%
Light commercial	67,981	59,151	14.9%	242,312	232,229	4.3%
Veículos leves	532,145	466,672	14.0%	1,933,662	1,723,132	12.2%
Exports						
Passenger cars	160,735	127,120	26.4%	619,121	411,692	50.4%
Light commercial	25,837	20,261	27.5%	105,487	77,132	36.8%
Light vehicles	186,572	147,381	26.6%	724,608	488,824	48.2%

Source: ANFAVEA

Attachment II – Commercial vehicle production and sales in Brazil

(Units)						
	4Q17	4Q16	Var. (%)	2017	2016	Var. (%)
Production						
Trucks						
Semi-light	387	369	4.9%	2,311	2,239	3.2%
Light	6,092	4,189	45.4%	17,842	16,634	7.3%
Medium	1,519	410	270.5%	6,588	3,228	104.1%
Semi-heavy	6,094	3,910	55.9%	23,717	17,095	38.7%
Heavy	9,751	5,221	86.8%	32,429	21,286	52.3%
Total trucks	23,843	14,099	69.1%	82,887	60,482	37.0%
Buses	4,515	4,223	6.9%	20,670	18,705	10.5%
Commercial vehicles	28,358	18,322	54.8%	103,557	79,187	30.8%
Sales						
Trucks						
Semi-light	543	488	11.3%	1,808	1,984	-8.9%
Light	3,588	3,020	18.8%	11,661	13,100	-11.0%
Medium	1,494	994	50.3%	4,439	4,218	5.2%
Semi-heavy	4,249	3,483	22.0%	13,533	14,473	-6.5%
Heavy	6,197	3,271	89.5%	18,717	14,971	25.0%
Total trucks	16,071	11,256	42.8%	50,158	48,746	2.9%
Buses	3,192	1,859	71.7%	11,754	11,154	5.4%
Commercial vehicles	19,263	13,115	46.9%	61,912	59,900	3.4%
Exports						
Trucks						
Semi-light	116	185	-37.3%	622	692	-10.1%
Light	1,197	1,420	-15.7%	5,315	5,274	0.8%
Medium	360	280	28.6%	1,805	952	89.6%
Semi-heavy	2,526	2,002	26.2%	10,444	6,198	68.5%
Heavy	2,599	2,404	8.1%	10,102	8,432	19.8%
Total trucks	6,798	6,291	8.1%	28,288	21,548	31.3%
Buses	2,397	2,781	-13.8%	9,137	9,765	-6.4%
Commercial vehicles	9,195	9,072	1.4%	37,425	31,313	19.5%

Source: ANFAVEA

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

(Units)

	4Q17	4Q16	Var. (%)	2017	2016	Var. (%)
North America						
Production/Factory Shipments						
Passenger cars	1,319,590	1,627,543	-18.9%	5,876,509	6,777,906	-13.3%
Light commercial vehicles – Class 1-3	2,776,738	2,772,043	0.2%	11,280,909	11,133,333	1.3%
Light Duty – Class 4-5	19,337	16,896	14.4%	81,628	66,192	23.3%
Medium Duty – Class 6-7	30,445	29,078	4.7%	133,953	133,161	0.6%
Heavy Duty – Class 8	65,376	47,311	38.2%	248,906	225,961	10.2%
Medium & Heavy Duty¹	115,158	93,285	23.4%	464,487	425,314	9.2%
United States						
Sales						
Passenger cars	1,428,936	1,620,418	-11.8%	6,120,774	6,895,771	-11.2%
Light commercial vehicles – Class 1-3	2,933,019	2,820,905	4.0%	11,125,098	10,657,658	4.4%
Light Duty – Class 4-5	34,458	32,919	4.7%	130,601	124,928	4.5%
Medium Duty – Class 6-7	31,687	28,783	10.1%	124,882	121,093	3.1%
Heavy Duty – Class 8	57,818	43,218	33.8%	192,438	192,775	-0.2%
Medium & Heavy Duty¹	123,963	104,920	18.2%	447,921	438,796	2.1%
Europe						
Sales						
Passenger cars	3,477,611	3,397,379	2.4%	15,137,732	14,641,415	3.4%

Source: Automotive News; Bloomberg; ACEA

¹Note: The amount of medium and heavy commercial vehicles comprises the vehicles of classes 4-8.

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

(Units)						
	4Q17	4Q16	Var. (%)	2017	2016	Var. (%)
Production						
Americas						
Brazil	11,149	17,470	-36.2%	54,988	54,032	1.8%
Sales						
Americas						
Brazil	10,785	12,726	-15.3%	44,362	43,701	1.5%
United States and Canada	61,757	56,746	8.8%	251,925	239,073	5.4%
Europe						
Germany	14,364	6,855	109.5%	43,765	37,722	16.0%
United Kingdom	2,975	2,217	34.2%	12,033	10,602	13.5%

Source: ANFAVEA; Bloomberg; AEM