TUPY - Worldwide reference in casting

1Q17 Highlights

- **Sales Volume:** 135.1 tons, or a 13.0% increase against 1Q16, due to strong growth in applications for commercial and off-road vehicles in the foreign market, offsetting a 4% decline in the domestic market.

- **Revenues:** R$855.1 million, a decrease of 0.5% against 1Q16. Despite the strong growth in volume, revenues were impacted by an 18.9% appreciation of the Real against the Dollar compared to the same period of the previous year.

- **Gross profit:** R$134.2 million, down by 7.8% against 1Q16, representing 15.7% of net revenues for the period.

- **Adjusted EBITDA:** R$119.7 million, or a decrease of 10.1% compared to the same period of the previous year, equivalent to 14.0% of revenues in 1Q17, or a drop of 1.5 percentage points against 1Q16.

- **Net income:** R$47.2 million in 1Q17, representing 5.5% of net revenues for the period.

- **Investments:** R$18.3 million, down by 36.3% against 1Q16, representing 2.1% of net revenues for the period.

Earnings conference call

Date: May 16, 2017

Portuguese/English

10 a.m. (Brasília time) / **9 a.m.** (EST)

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The comparisons shown in percentage variations are based on the same period of 2016.

MAIN INDICATORS

Consolidated (R$ thousand)

SUMMARY	1Q17	1Q16	Var. [%]
Revenues	**855,124**	**859,840**	**-0.5%**
Cost of goods sold	(720,897)	(714,222)	0.9%
Gross profit	**134,227**	**145,618**	**-7.8%**
% on revenues	15.7%	16.9%	
Operating expenses	(70,550)	(68,385)	3.2%
Other operating expenses	(17,798)	(26,799)	-33.6%
Income before financial results	**45,879**	**50,434**	**-9.0%**
% on revenues	5.4%	5.9%	
Net financial result	(22,194)	(18,627)	19.1%
Income before taxes	**23,685**	**31,807**	**-25.5%**
% on revenues	2.8%	3.7%	
Income tax and social contribution	23,497	(14,497)	-
Net income	**47,182**	**17,310**	**-**
% on revenues	5.5%	2.0%	
EBITDA (acc. Inst. CVM 527/12)	**112,261**	**127,387**	**-11.9%**
% on revenues	13.1%	14.8%	
Adjusted EBITDA	**119,671**	**133,155**	**-10.1%**
% on revenues	14.0%	15.5%	
Average exchange rate (BRL/USD)	**3.13**	**3.86**	**-18.9%**
Average exchange rate (BRL/EUR)	**3.35**	**4.25**	**-21.3%**

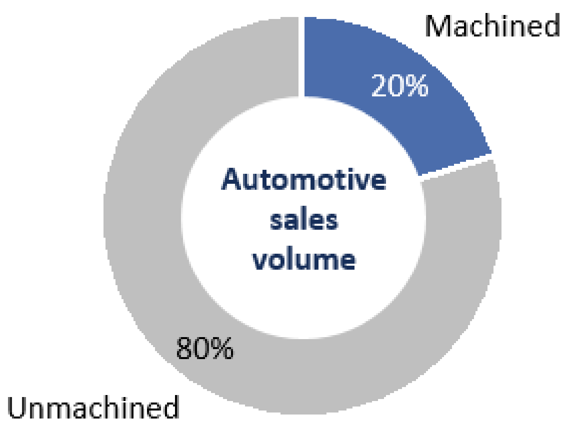
SALES VOLUME

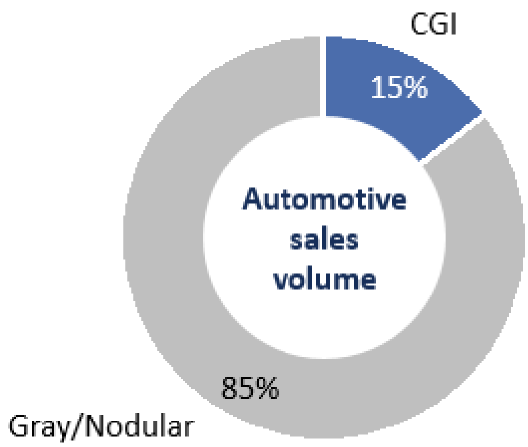
Consolidated (tons)	1Q17	1Q16	Var. [%]
Domestic market	**24,999**	**25,711**	**-2.8%**
Automotive	20,062	20,891	-4.0%
Hydraulics	4,937	4,820	2.4%
Foreign market	**110,070**	**93,861**	**17.3%**
Automotive	107,297	91,290	17.5%
Hydraulics	2,773	2,571	7.9%
Total sales volume	**135,069**	**119,572**	**13.0%**

Sales volume in 1Q17 increased by 13.0% against 1Q16, chiefly due to the following factors:

- Increase of 17.5% in sales to the automotive segment in the foreign market, due to growth in demand for applications in passenger and off-road vehicles, and ramp-up of new projects;
- Reduction of 4.0% in the volume of sales to the automotive segment in the domestic market, due to a downturn in the market for commercial vehicles compared to the same period of the previous year.

The automotive segment portfolio comprised 20% of listed, partially or fully machined products (vs. 19% in 1Q16). The breakdown of automotive products by type of material shows that Compacted Graphite Iron – CGI accounted for 15% of total sales (vs. 16% in 1Q16). The fall in the annual comparison was due to a proportionally higher growth in the volume of products made of gray or nodular iron, due to the build-up of inventories on the part of customers.





REVENUE

Revenues dropped by 0.5% compared to 1Q16.

In the domestic market, the 0.2% growth was due to the increase in revenues from products for passenger and off-road vehicles, offset by a 16.4% fall in revenues from sales of components for commercial vehicles.

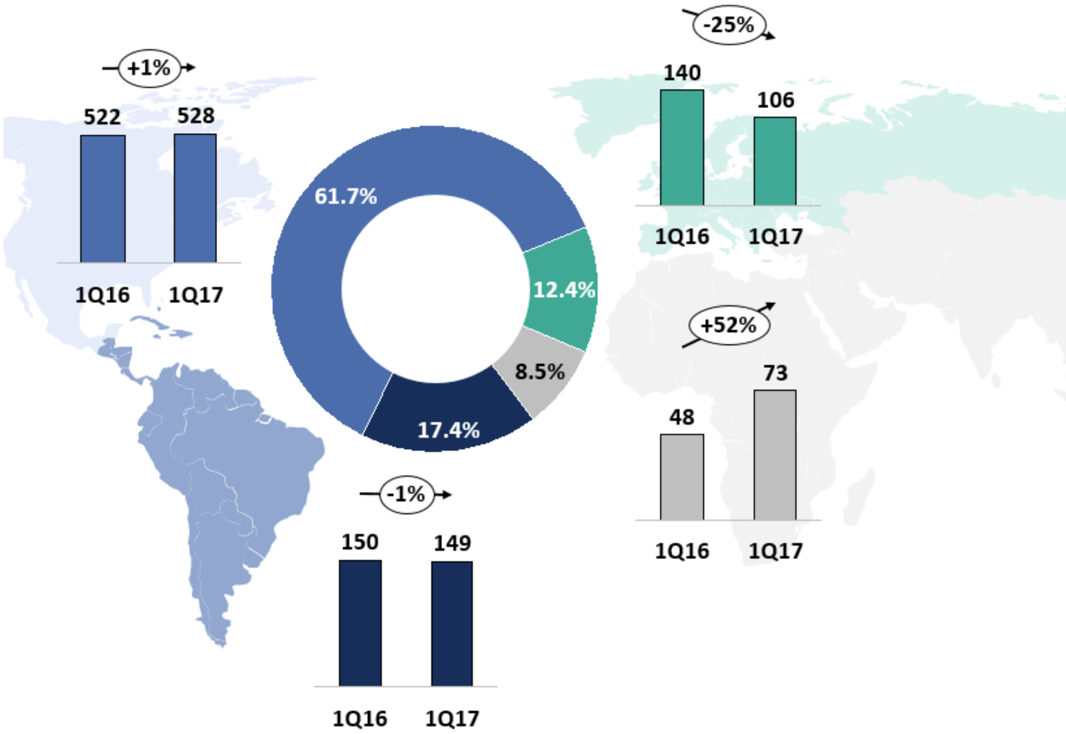
In the foreign market, net revenues fell by 0.7%. Despite the 17.5% growth in the volume (tons) of sales to the automotive segment, the result was impacted by an 18.9% appreciation of the Real against the Dollar (average exchange rate of R$3.13 in 1Q17 vs. R$3.86 in 1Q16).

Consolidated (R$ thousand)

	1Q17	1Q16	Var. [%]
Revenues by market	**855,124**	**859,840**	**-0.5%**
Domestic market	141,976	141,636	0.2%
% share	*16.6%*	*16.5%*	
Foreign market	713,148	718,204	-0.7%
% share	*83.4%*	*83.5%*	
Revenues by segment	**855,124**	**859,840**	**-0.5%**
Automotive	811,281	814,090	-0.3%
% share	*94.9%*	*94.7%*	
Hydraulics	43,843	45,750	-4.2%
% share	*5.1%*	*5.3%*	

Revenues by market of operation and changes in the period

During the period in question, 61.7% of revenues came from North America. In turn, South and Central America accounted for 17.4% of revenues, while Europe accounted for 12.4%. The remaining 8.5% came from Asia, Africa and Oceania.



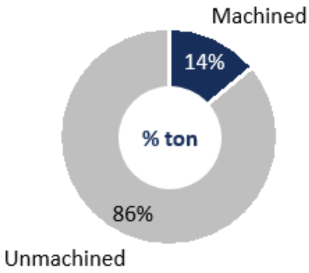
	1Q17	1Q16	Var. [%]
Revenues	**855,124**	**859,840**	**-0.5%**
Domestic market	**141,976**	**141,636**	**0.2%**
Automotive	**112,793**	**109,795**	**2.7%**
Passenger cars	44,005	35,391	24.3%
Commercial vehicles	51,349	61,435	-16.4%
Off-road	17,439	12,968	34.5%
Hydraulics	**29,183**	**31,841**	**-8.3%**
Foreign market	**713,148**	**718,204**	**-0.7%**
Automotive	**698,472**	**704,295**	**-0.8%**
Passenger cars	96,818	145,751	-33.6%
Light commercial vehicles	274,576	252,574	8.7%
Medium and heavy commercial vehicles	147,144	115,696	27.2%
Off-road	179,934	190,274	-5.4%
Hydraulics	**14,676**	**13,909**	**5.5%**

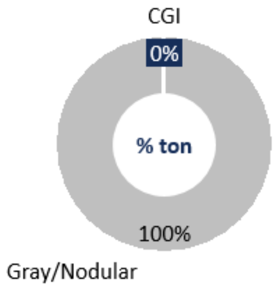
Note: The division between commercial and off-road vehicles takes into account our best assumptions on the same product for these two applications.

DOMESTIC MARKET (DM)

Passenger Cars

Δ % Revenues	% Revenues	% Revenues DM
24.3%	5.1%	31.0%

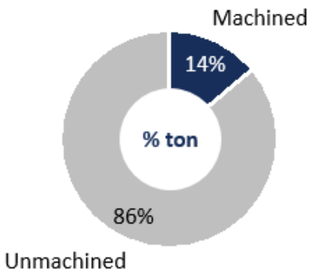


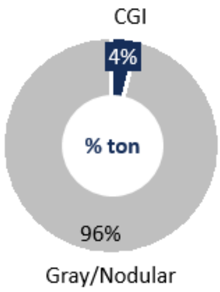


Despite the retraction of the automotive market in Brazil, revenues from sales of components for passenger cars increased by 24.3% in 1Q17 compared to the same period of the previous year. This was due to the opportunities arising from a more favorable product mix and phase-in of auto parts.

Commercial Vehicles

Δ % Revenues	% Revenues	% Revenues DM
-16.4%	6.0%	36.2%

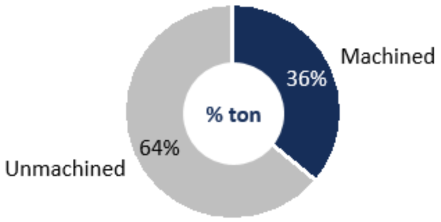


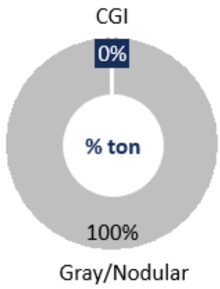


The lower performance of major sectors with a high demand for freight (retail, manufacturing, construction and agriculture) had an adverse impact on the sale of commercial vehicles in Brazil. This scenario resulted in a retraction of 16.4% in revenues from this application in 1Q17.

Off-road

Δ % Revenues	% Revenues	% Revenues DM
34.5%	2.0%	12.3%

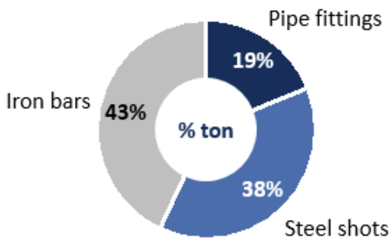




Brazil's farming machinery market is recovering. Following this trend, Tupy's revenues from sales relating to this application rose by 34.5% in 1Q17, driven by the phase-in of new products and a lower comparison base in 1Q16.

Hydraulics

Δ % Revenues	% Revenues	% Revenues DM
-8.3%	3.4%	20.6%

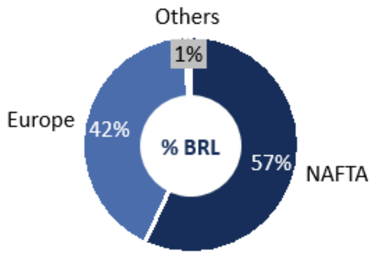


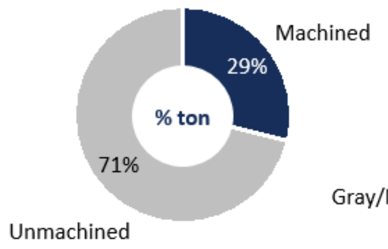
In the first quarter of 2017, revenues from sales in the hydraulics segment, consisting of pipefittings, shots and continuous cast bars fell by 8.3% against the same period in 2016

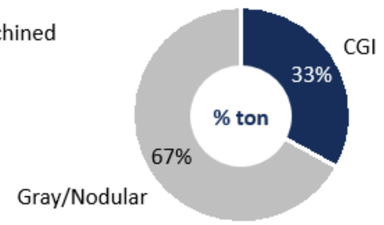
FOREIGN MARKET (FM)

Passenger Cars

Δ % Revenues	% Revenues	% Revenues FM
-33.6% ▼	11.3%	13.6%



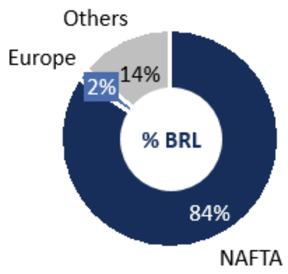


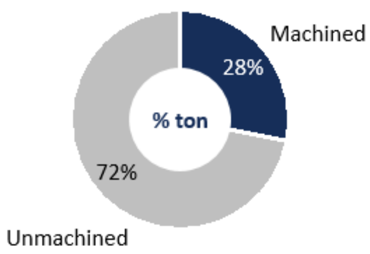


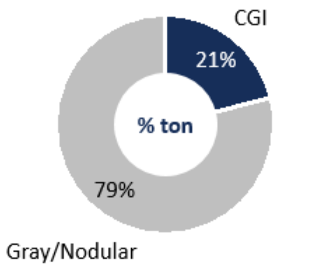
Revenues from products for passenger cars decreased by 33.6% due to the strong appreciation of the Real compared to the same period of the previous year, as well as to the phase-out of products.

Light commercial vehicles

Δ % Revenues	% Revenues	% Revenues FM
8.7% ▲	32.1%	38.5%



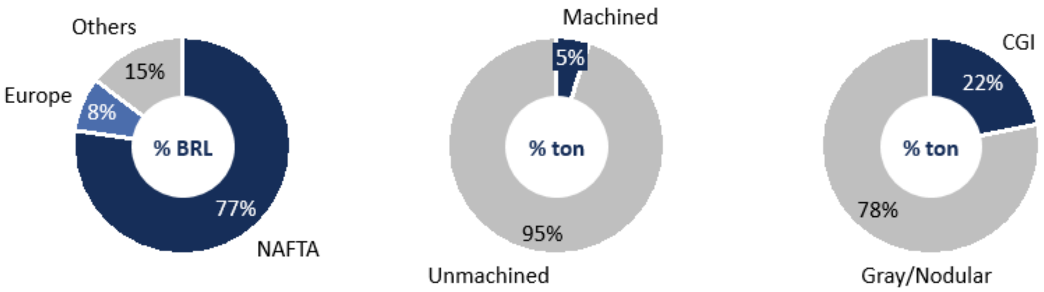




Sales for this application were positively impacted in the period due to the increase in demand from the US market, phase-in of projects, and build-up of inventories on the part of one customer, which reduced the adverse effects of the appreciation of the Real in the period.

Medium and heavy commercial vehicles

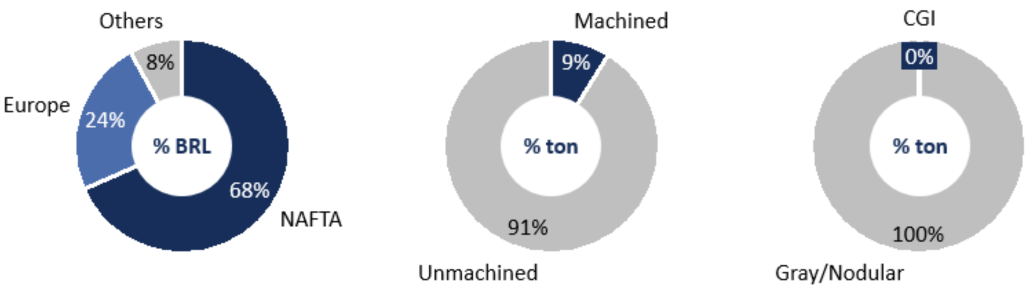
Δ % Revenues	% Revenues	% Revenues FM
27.2% ▲	17.2%	20.6%



The increase of 27.2% in revenues is due to early sales for build-up of inventories; increasing market share within the portfolio of a customer; and recovery in the volume of sales to the Chinese market, which reduced the impact of the appreciation of the Real.

Off-road

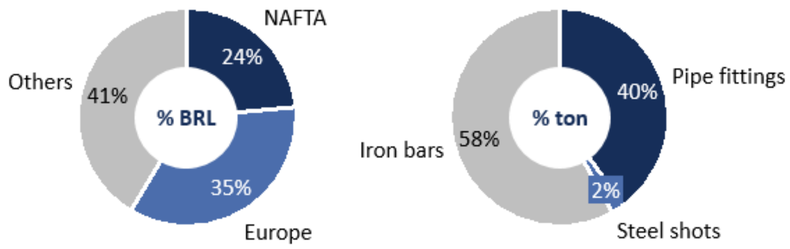
Δ % Revenues	% Revenues	% Revenues FM
-5.4% ▼	21.0%	25.2%



Sales of off-road applications in 1Q17 recorded growth in comparison to the same period of 2016, due to the recovery in the demand against reduced bases in 2016. However, revenues were affected by the appreciation of the Real in 1Q17, which caused a 5.4% fall in the annual comparison.

Hydraulics

Δ % Revenues	% Revenues	% Revenues FM
5.5% ▲	1.7%	2.1%



In 1Q17, net revenues from pipefittings, shots and continuous cast bars increased by 5.5%.

COST OF GOODS SOLD AND OPERATING EXPENSES

The cost of goods sold (COGS) in 1Q17 amounted to R$720.9 million, up by 0.9% compared to 1Q16, resulting in a gross margin of 15.7%. Operating expenses amounted to R$70.6 million, increasing by 3.2% compared to 1Q16.

	1Q17	1Q16	Var. [%]
Revenues	**855,124**	**859,840**	**-0.5%**
Cost of goods sold	**(720,897)**	**(714,222)**	**0.9%**
Raw-material	(364,486)	(342,351)	6.5%
Labor	(168,936)	(195,855)	-13.7%
Energy	(51,157)	(54,542)	-6.2%
Maintenance and third parties	(79,467)	(67,622)	17.5%
Depreciation	(52,831)	(52,810)	-
Others	(4,020)	(1,042)	285.8%
Gross profit	**134,227**	**145,618**	**-7.8%**
% on revenues	*15.7%*	*16.9%*	
Operating expenses	**(70,550)**	**(68,385)**	**3.2%**

COGS variation in 1Q17 against the same period of 2016 was chiefly due to the following factors:

- Increase of 6.5% in raw material costs as a result of the increase in production volumes, which was offset by efficiency gains and the appreciation of the Real against the Dollar.
- Decrease of 13.7% in labor costs and profit sharing as a result of structure optimization, changes in hiring policies, reduction in healthcare costs, and devaluation of the Mexican Peso.
- Reduction of 6.2% in energy costs due to increased efficiency and devaluation of the Mexican Peso.

- The costs of maintenance materials and third parties increased by 17.5%, chiefly due to the increase in production of more complex blocks in Mexico, which required us to make specific adjustments in the performance of finishing and core making equipment, and increase the volume of third party services.

Operating expenses grew by 3.2% due to higher personnel expenses (collective bargaining agreement), and mitigated by the renegotiation of agreements with suppliers.

ADJUSTMENTS IN MAUÁ PLANT

Due to the decreasing demand in domestic market, Company decided to apply production adjustments in its plant located in Mauá (São Paulo state), which has more than 50% of idle capacity. In 1Q17 there were no material costs related to this initiative, and Company will keep its shareholders and other market participants aware of the next movements.

OTHER NET OPERATING EXPENSES

Other net operating expenses amounted to R$17.8 million in 1Q17, against R$26.8 million in 1Q16, or a decrease by 33.6%. This drop was due to lower amortization expenses, as a result of the impairment of intangible assets in 4Q16.

	1Q17	1Q16	Var. [%]
Depreciation of non-operating assets	(178)	(466)	-61.8%
Amortization of intangibles assets	(10,210)	(20,565)	-50.4%
Others*	(7,410)	(5,768)	28.5%
Other net operating expenses	**(17,798)**	**(26,799)**	**-33.6%**

** This includes the recording/adjustment of provisions, write-off of property, plant and equipment, and income from the sale of unserviceable assets.*

NET FINANCIAL INCOME

In 1Q17, the Company recorded net financial expenses of R$22.2 million, compared to expenses of R$18.6 million in 1Q16.

	1Q17	1Q16	Var. [%]
Financial expenses	(37,435)	(46,954)	-20.3%
Financial income	24,150	34,367	-29.7%
Net monetary and Exchange variation	(8,909)	(6,040)	47.5%
Net financial income	**(22,194)**	**(18,627)**	19.1%

The reduction in financial expenses is chiefly due to net amortizations in the past twelve months totaling of R$314.5 million, and appreciation of the Real against the Dollar (average exchange rate of R$3.13 in 1Q17 vs. R$3.86 in 1Q16), which affected the recognition of interest on borrowings denominated in dollars.

The variation in financial revenues resulted from the reduction of 27% in the balance of financial investments in Brazil (R$734.6 million in 1Q17 vs. R$1,000.4 million in 1Q16), and lower earnings due to lower interest rates, with an equivalent average of 12.97% p.a. in 1Q17 vs. 14.45% p.a. in 1Q16.

Net exchange rate variations were due to the appreciation of the Real and the Mexican Peso against the Dollar in 1Q17.

EARNINGS BEFORE TAXES AND NET INCOME

	1Q17	1Q16	Var. [%]
Net income before income taxes	**23,685**	**31,807**	**-25.5%**
Tax effects before foreign exchange impacts	7,291	(11,845)	-
% on profit before foreign exchange effects	*31%*	*-37%*	
Income before foreign exchange effects on tax base	**30,976**	**19,962**	**55.2%**
Foreign exchange effects on tax base	16,206	(2,652)	-
Net income	**47,182**	**17,310**	**-**
% on revenues	*5.5%*	*2.0%*	

Company recorded favorable tax effects before foreign exchange impacts amounting to R$7.3 million, resulting from the difference between the regular tax rate (34%) and the effects of permanent additions/exclusions, highlighting the effect of appreciation of Mexican Peso on the balance sheet.

The effect of exchange rates on the tax base (deferred income tax of Mexican units) is calculated in Mexican Pesos. The translation into the functional currency, the US Dollar, resulted in earnings of R$16.2 million due to the appreciation of the Mexican Peso against the Dollar in 1Q17.

The net income from these effects amounted to R$47.2 million in 1Q17, or 5.5% of revenues.

EBITDA

The combination of the factors mentioned above resulted in adjusted EBITDA of R$119.7 million in 1Q17, with a 14.0% margin on revenues.

Reconciliation of net income to EBITDA	1Q17	1Q16	Var. [%]
Net income	**47,182**	**17,310**	**172.6%**
(+) Net financial result	22,194	18,627	19.1%
(+) Income tax and social contribution	(23,497)	14,497	-262.1%
(+) Depreciation and amortization	66,382	76,953	-13.7%
EBITDA (acc. to Inst. CVM 527/12)	**112,261**	**127,387**	**-11.9%**
% on revenues	13.1%	14.8%	
(+) Other net operating expenses(*)	7,410	5,768	28.5%
Adjusted EBITDA	**119,671**	**133,155**	**-10.1%**
% on revenues	14.0%	15.5%	

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

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

Total investment in property, plant and equipment and intangible assets was R$18.3 million in 1Q17, down 36.3% against 1Q16. The reduction in investments is in line with our strategy to optimize our operations and increase the return on invested capital.

	1Q17	1Q16	Var. [%]
PP&E			
Strategic investments	2,481	7,737	-67.9%
Maintenance and sustenance	11,778	16,116	-26.9%
Environment	1,745	1,720	1.5%
Interest and financial expenses	549	648	-15.3%
Intangible assets			
Software	1,723	2,460	-30.0%
	18,276	**28,681**	**-36.3%**

WORKING CAPITAL

	1Q17	4Q16	3Q16
Balance sheet			
Accounts receivable	533,036	418,963	455,013
Inventories	373,649	409,713	371,830
Accounts payable	324,696	302,497	301,855
Sales outstanding [days]	60	47	50
Inventories outstanding [days]	49	54	48
Payables outstanding [days]	43	39	38
Cash conversion cycle [days]	**66**	**62**	**60**

The main components of working capital performed as follows in relation to 4Q16:

- Increase of R$114.1 million (corresponding to 13 sales days in accounts receivable). This increase was chiefly due to the effect of negotiation of agreements with customers, since the extension of maturities had price adjustments as counterparts.
- Inventories decreased by R$36.1 million (corresponding to 5 days of cost of goods sold). This drop is due to a more favorable comparison basis, due to the build-up of safety inventories in 4Q16.
- Increase of four days in the terms of payment to suppliers, as a result of the establishment of a new payment policy.

CASH FLOW

CASH FLOW SUMMARY	1Q17	1Q16	Var.[%]
Cash at the beginning of period	**1,203,940**	**1,524,622**	**-21.0%**
Cash flow from operating activities	(21,774)	67,008	-
Cash flow from investing activities	(20,182)	(26,291)	-23.2%
Cash flow from financing activities	(13,037)	(19,725)	-33.9%
Effect of exchange variation on cash	(9,222)	(33,655)	-72.6%
Increase (decrease) in cash	**(64,215)**	**(12,663)**	**407.1%**
Cash at the end of period	**1,139,725**	**1,511,959**	**-24.6%**

In 1Q17, cash consumed in operating acitivities totaled R$21.8 million against cash generation of R$67.0 million in 1Q16. This performance was chiefly due to the reduction in operating income as a result of the appreciation of the Real against the Dollar (average receipt rate of R$3.15 in 1Q17 vs. R$3.89 in 1Q16), as well as the stretching of maturities of accounting receivables, which resulted in price increases as counterpart.

Investment activities totaled R$20.2 million in 1Q17, down 23.2% against investments recorded in 1Q16.

Financing activities in 1Q17 totaled R$13.0 million, basically consisting of payment of loans and financing, in accordance with contractual flows.

The combination of these factors and the effect of negative exchange rate variation on cash resulted in a decrease of R$64.2 million in cash and cash equivalents in the period, which amounted to R$1,139.7 million in 1Q17.

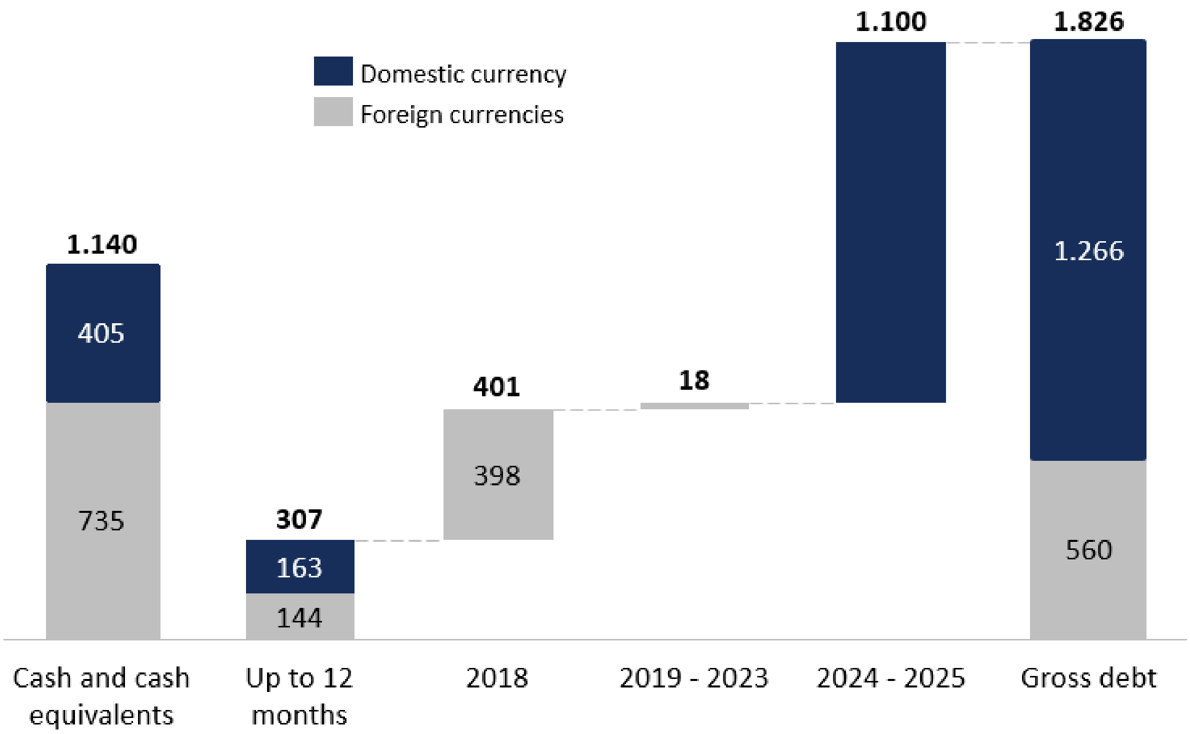
INDEBTEDNESS

At the close of 1Q17, the Company's net debt amounted to R$686.4 million, i.e., the net debt/adjusted EBITDA ratio for the previous 12-month period was 1.70.

Obligations in foreign currency accounted for 69% of total obligations (13% short-term debt and 87% long-term debt), while 31% of debt is denominated in Reais (26% short-term debt and 74% long-term debt). Regarding the cash balance, 64% is denominated in Reais, and 36% is denominated in foreign currencies.

	Consolidado (R$ Mil)		
INDEBTEDNESS	**1Q17**	**4Q16**	**3Q16**
Short term	306,567	328,377	284,989
Long term	1,519,607	1,563,179	1,619,571
Gross debt	**1,826,174**	**1,891,556**	**1,904,560**
Cash and equivalents	1,139,725	1,203,940	1,189,883
Net debt	**686,449**	**687,616**	**714,677**
Gross debt/Adjusted EBITDA	4.51x	4.52x	4.05x
Net debt/Adjusted EBITDA	**1.70x**	**1.64x**	**1.52x**

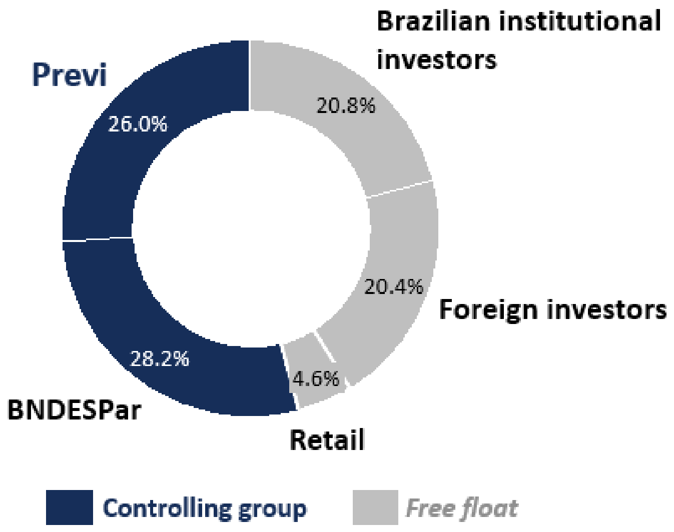
The Company’s debt profile is as follows:



Amounts in R$ million.

OWNERSHIP STRUCTURE

On March 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)		
	1Q17	1Q16	Var. (%)
Production			
Passenger cars	518,517	410,567	26.3%
Light commercial	71,466	61,664	15.9%
Light vehicles	**589,983**	**472,231**	**24.9%**
Sales			
Passenger cars	357,363	346,576	3.1%
Light commercial	53,835	46,569	15.6%
Veículos leves	**411,198**	**393,145**	**4.6%**
Exports			
Passenger cars	140,288	82,074	70.9%
Light commercial	24,925	14,037	77.6%
Light vehicles	**165,213**	**96,111**	**71.9%**

Source: ANFAVEA

Attachment II – Commercial vehicles production and sales in Brazil

		(Units)	
	1Q17	1Q16	Var. (%)
Production			
Trucks			
Semi-light	550	749	-26.6%
Light	3,710	4,015	-7.6%
Medium	1,077	992	8.6%
Semi-heavy	4,602	4,378	5.1%
Heavy	5,809	5,002	16.1%
Total trucks	**15,748**	**15,136**	**4.0%**
Buses	4,113	4,339	-5.2%
Commercial vehicles	**19,861**	**19,475**	**2.0%**
Sales			
Trucks			
Semi-light	355	382	-7.1%
Light	2,227	3,247	-31.4%
Medium	783	1,089	-28.1%
Semi-heavy	2,547	3,716	-31.5%
Heavy	3,361	4,205	-20.1%
Total trucks	**9,273**	**12,639**	**-26.6%**
Buses	1,789	2,719	-34.2%
Commercial vehicles	**11,062**	**15,358**	**-28.0%**
Export			
Trucks			
Semi-light	147	111	32.4%
Light	1,309	910	43.8%
Medium	319	182	75.3%
Semi-heavy	1,963	1,245	57.7%
Heavy	2,106	1,656	27.2%
Total trucks	**5,844**	**4,104**	**42.4%**
Buses	1,636	1,574	3.9%
Commercial vehicles	**7,480**	**5,678**	**31.7%**

Source: ANFAVEA

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

(Units)

	1Q17	1Q16	Var. (%)
North America			
Procution/Factory Shipments			
Passenger cars	1,665,739	1,706,419	-2.4%
Light commercial vehicles – Class 1-3	2,956,901	2,747,932	7.6%
Light Duty – Class 4-5	21,538	18,399	17.1%
Medium Duty – Class 6-7	37,534	38,341	-2.1%
Heavy Duty – Class 8	48,787	60,676	-19.6%
Medium & Heavy Duty[1]	**107,859**	**117,416**	**-8.1%**
United States			
Sales			
Passenger cars	1,489,978	1,698,563	-12.3%
Light commercial vehicles – Class 1-3	2,540,615	2,395,502	6.1%
Light Duty – Class 4-5	27,733	28,911	-4.1%
Medium Duty – Class 6-7	31,205	30,985	0.7%
Heavy Duty – Class 8	36,995	51,893	-28.7%
Medium & Heavy Duty[1]	**95,933**	**111,789**	**-14.2%**
Europe			
Sales			
Passenger cars	4,141,269	3,820,261	8.4%

Source: Automotive News; Bloomberg; ACEA

[1]Note: 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)

	1Q17	1Q16	Var. (%)
Prodcution			
Americas			
Brazil	13,127	7,623	72.2%
Sales			
Americas			
Brazil	9,752	6,912	41.1%
United States and Canada	47,367	44,396	6.7%
Europe			
Germany	8,749	7,949	10.1%
United Kingdom	3,024	2,382	27.0%

Source: ANFAVEA; Bloomberg; AEM; AXEMA