

Operator:

Good morning, ladies and gentlemen. Welcome to the earnings conference call of Tupy S.A. for the 1Q25.

This conference is being recorded, and the replay can be accessed on the Company's website at ri.tupy.com.br. The presentation is also available for download on the IR platform and website.

Please be advised that all participants will be in listen-only mode during the presentation, and later we will begin the Q&A session, when further instructions will be given.

This presentation is being recorded and translated simultaneously. Translation is available by clicking on the 'interpretation' button. For those listening to the video conference in English, there is the option to mute the original Portuguese audio by clicking on 'mute original audio'.

Before proceeding, I would like to enforce that forward-looking statements are based on the beliefs and assumptions of Tupy's management and on information currently available to the Company. Such statements may involve risks and uncertainties as they refer to future events and therefore, depend on circumstances that may or may not occur. Investors, analysts and journalists should take into account that events related to the macroeconomic environment, the industry and other factors may cause results to differ materially from those expressed in such forward-looking statements.

The following executives are present at this conference call: Rafael Lucchesi, CEO; Rodrigo Périco, CFO; Ricardo Fioramonte, Vice-President of Sales; Gueitiro Genso, Vice-President of New Business and Innovation and IRO; and the Tupy's Investor Relations team.

Now I would like to give the floor to Mr. Lucchesi, who will start the presentation.

Rafael Lucchesi:

Good morning, and thank you for participating in this conference call. The beginning of the year was marked by a scenario of uncertainty and reduced demand, reflecting the trade tariffs imposed by the United States, with significant impact on global economic activity.

This adverse environment is expected to persist throughout the 2Q, maintaining pressure on the commercial vehicles market. As a result, transport companies continue to postpone the renewal of their fleets, waiting for more consistent signs of economic recovery and a more favorable outlook for freight prices, factors that continue to limit demand in the sector.

We are executing with focus and discipline the necessary actions to make the Company more efficient and prepared for this new cycle. Cost reduction, increased operational flexibility and careful allocation of funds are already beginning to be reflected in our results, partially offsetting the effect of the drop in volumes. We remain firm in rebuilding margins and generating consistent returns with a leaner and more resilient structure to capture the opportunities of recovery.

Tupy's fundamentals remain solid, supported by a diversified portfolio and operations in sectors that are critical to infrastructure and mobility.

We remain dedicated to executing our strategic agenda, advancing in capturing new contracts and technological differentiation of our products and in the expansion in markets where our competencies generate superior value.

I now hand over to Rodrigo, our CFO, who will comment on the 1Q results.

Rodrigo Périco:

Good morning, everyone. Revenues fell by 4% compared to the same period of the previous year, reaching R\$2.5 billion as follows: 42% originated in South and Central America, 39% in North America, 16% in Europe and the remaining 3% in Asia, Africa and Oceania.

In the composition of revenue, 85% originated from structural components and manufacturing contract segment, which includes cast iron products and high value-added services such as machining and component assembly; 8% came from distribution, which includes the sale of MWM spare parts and hydraulic products; the Energy and Decarbonization segment accounted for 7% of revenue with emphasis on generator sets, self-manufactured engines, maritime applications, lighting towers, products and services related to decarbonization.

On the next slide, in the domestic market, revenues from the structural components manufacturing contracts were impacted by the drop in sales for commercial vehicles resulting from the lower volume of indirect exports, partially offset by an increase in sales of off-road applications.

Revenues from the foreign market fell due to lower demand for commercial vehicles, mainly in the United States, a reflection of uncertainties about the macroeconomic scenario that caused potential buyers to postpone the acquisition of equipment and products with higher added value accounted for 40% of this unit.

Continuing, we highlight the distribution unit, which includes spare parts and hydraulic products. Sales from this unit accounted for 16% of domestic market revenue, up 25%, driven by growth in spare parts unit. In the foreign market, sales fell by 14%. In both markets, performance was impacted by lower demand for hydraulic products resulting from the economic scenario.

On the next slide, we have the performance of the Energy and Decarbonization unit, a segment that includes generator sets, in-house manufactured engines, maritime applications, lighting towers and products and services related to decarbonization.

This segment recorded a 7% increase in Brazil, driven by strong growth in sales of generator sets. On the other hand, the drop in sales of in-house manufactured engines influenced by performance of agribusiness negatively impacted the unit's results in the domestic and foreign markets. This unit accounted for 14% of domestic market revenue and 2% of foreign market revenue.

Continuing the presentation, there was a 1% reduction in the cost of products sold. This result was achieved despite the negative impacts of the drop in volume and inflation of labor and services, which were offset by cost reduction initiatives, productivity gains and the devaluation of the Mexican peso. Operating expenses fell by 6% compared to the 1Q24, mainly due to the reduction in freight costs and efficiency gains.

Next, we highlight at the top the adjusted EBITDA, which totaled R\$247 million in the 1Q25. The quarter's result reflected the drop in sales volumes and inflationary pressure impacts that were partially offset by gains in operational efficiency and negotiations with customers and suppliers, resulting in a margin of 10%. Year-on-year performance was influenced by

nonrecurring effects in 2024, such as insurance reimbursement and price adjustments. We continue to capture synergies from acquisitions with results above expectations set out in the business plan.

Initiatives to reduce and pass on costs, combined with contractual renegotiations with customers and suppliers were key to mitigate the effects of falling volumes and inflation on services and labor. In the graph below, we highlight the net profit performance. The 1Q25, the result was impacted by the exchange rate variation effect on balance sheet accounts in foreign currency and the appreciation of Mexican peso and the tax rates.

Moving on to the financial results for the period, the increase in financial expenses was mainly influenced by the greater disbursement of interest and depreciation of the BRL against the USD, which increased the provision for interest and debt linked to the corporate bond. On the other hand, financial revenues totaled R\$34 million, exceeding the amount recorded in the same period of the previous year, driven by increase in interest rates and financial investments.

In the result with the exchange rate variations, we recorded an expense of R\$48 million, which was explained by 2 main factors: negative variations of R\$62 million resulting from appreciation of the BRL on balance sheet accounts in foreign currency and positive result from hedge operations with a revenue of R\$14 million, of which R\$22 million was mark-to-market and gains and expense of R\$8 million with cash impact.

Below, we have the variations of the main working capital accounts using 4Q24 as a basis for comparison. Accounts receivable balance increased by R\$191 million in the period, increasing the average collection period by 7 days. This movement was mainly influenced by the seasonality of the period, with a greater concentration of sales at the end of the period.

In inventories, there was a reduction of R\$63 million, reflecting appreciation of the USD and advances in operational flexibility projects, including reallocation of products between production units. And in accounts payable, we highlight the progress in management initiatives with suppliers which contributed to extend the average period by 8 days.

On the next slide, we present the operating cash generation for the period, which reached R\$68 million. Seasonally, the 1Q is characterized by operating cash burn. Working capital management initiatives led to a 4-day drop in the cash conversion cycle compared to the 4Q24. MWM's business model characterized by high cash generation and return on invested capital also contributed to the period's results.

And finally, net debt at the end of the 1Q25 was R\$2.5 billion, corresponding to twice the adjusted EBITDA of the last 12 months. Foreign currency obligations accounted for 62% of the debt. Cash, 59% was denominated in foreign currency. Thus, we ended March 2025 with a cash position of R\$1.8 billion.

Now I hand over to Ricardo, Vice-President of Sales.

Ricardo Fioramonte:

Good morning, and thank you for attending the call. Well, as Rodrigo mentioned, the uncertainties related to tariffs and their impacts on the global economy have affected activity in some sectors that are important to us.

This scenario is already reflected in the performance of our clients who are relevant players in the transport, infrastructure and agriculture sectors, whose recent quarterly results indicate revenue drops between 3% and 30%. In the United States, we are mainly concerned about

the deterioration of several economic and sectoral indicators, such as the drop in consumer confidence, indexes and the drop in freight costs observed since the end of 2024.

With that, as our customers in the commercial vehicle segment have already announced, truck sales suffered a significant decline in the 1Q25, as a result of the wait-and-see stance on the part of large fleet operators.

With the agreement between the United States and China to temporarily reduce tariffs, it's possible that activity in this sector will show some recovery over the next few months. In Europe, where several countries entered in the interest rate reduction cycle, performance in this segment will be less impacted with several of our clients revising their projections for the year upwards. Additionally, greater willingness of major uniform to strengthen fiscal policies and the prospects of an end of the war in Ukraine could boost investment in infrastructure, benefiting the off-road segment.

We also expect positive impact on our indirect exports carried out by customers based in Brazil. In the off-road segment, stock normalization movement had a negative impact on sales during 2024. However, our stocks are in the chain adjusted, we can already see that our customers' activity is beginning to reflect demand at the end, benefiting our portfolios.

Among the regions where we operate, Brazil had the best performance at the beginning of the year. Truck production grew 4% in the first 4 months of the year compared to the same period of last year. However, we expect to see some impact from rising interest rates. In the machine market, ABMA projects growth of 8% of this year.

Despite short-term uncertainties, we continue to execute our strategy rigorously and are optimistic about the future. Even in markets where we observe a drop in volumes in the 1Q, we know that demand only shifts to future periods. We have signed contracts to supply blocks and heads for the next generation of engines for several heavy truck manufacturers in the United States and Brazil, also including machining and assembly services.

These projects will go into production in the 2H25, both sales volumes and revenue. It is worth highlighting that our plants in Brazil and Mexico are important attributes of value to our customers, which uniquely positions us to meet the growing demand for localization and outsourcing services, trends that are increasingly relevant in our industry. Finally, the light commercial vehicle segment from the second half of the year, we expect an increase in demand for blocks produced by Tupy in Mexico for use in one of our best-selling pickup trucks in the North American market.

Although uncertainties still require a cautious stance on our part, we view agreement between United States and China to reduce tariffs positively. Even though the agreement is temporary, the reduction in tension should have a positive impact on the sentiment of sectors in which we operate.

Now, I hand it over to Gueitiro.

Gueitiro Genso:

Thank you, Ricardo. When we talk about new businesses, we are dealing with operations that present different levels of maturity. In some segments, we have a consolidated position. We are the most recognized engine brand in the country, which also drives spare parts business. We are leaders in the generator set market, offering energy security and options with a lower level of environmental impact.

Other businesses are newer and are in an intermediate or early stages. Here, we apply our expertise in engines, biofuels and circular economy to projects focused on energy for promoting efficiency and feasible decarbonization.

What these segments have in common is a high growth potential and profitability higher than traditional businesses. Some of these initiatives still generate costs without immediate revenue. Even so, we have expanded our margins due to economies of scale and the implementation of several operational efficiency actions.

On the next slide, I bring an update on the diesel engine spare parts segment, focusing on applications for heavy vehicles. The addressable market in Brazil is approximately R\$4 billion, and we currently have a 10% share approximately with expectations of significant growth in coming years.

We rely on the strength of MWM brand and a robust pipeline of launches. There will be more than 1,000 new items in 2025, mainly parts for engines from other brands and for our line of options. These products offer excellent value for money, especially for vehicles with longer usage times, such as the case with the Brazilian truck fleet.

Other important levers include opportunities for cross-selling, meeting replacement demands for both the traditional business and marine engines, generators and biofuels in addition to expanding sales to markets such as the U.S. and Argentina. Revenue in this business unit grew 30% compared to the previous year, reaching the highest revenue in its history in March. The EBITDA margin in turn remains between 25% and 30%.

Next, I talk about the generator segment, which we started offering in 2019 and in which we became national leaders in a few years. Revenues grew 25% year-on-year, driven primarily by a mix of more favorable products. The EBITDA margin, which was 7% in 2024 has reached double digits, reflecting efficiency gains in manufacturing. The demand for energy stability continues to rise, covering urban centers, applications off road, data centers and agribusiness. Our strategy includes expanding the portfolio for these markets, increasing exports and launching a lower cost line.

On the next slide, I present our solutions for the Marine segment. We offer onboard engines and generators specifically designed for work vessels, which operate up to 20x more than leisure vessels and require robust and reliable solutions. This is an addressable market of approximately R\$20 billion.

We recently delivered the first marine engine unit for passenger ferries on the coast of Sao Paulo. The partnership with the waterway Department for the State Secretariat for the environment, infrastructure and logistics foresee the delivery of more than 50 engines by the end of 2025.

On the next slide, we highlight opportunities in agribusiness, where we have strong brands and a complete portfolio of products and services. We are the only player to offer complete solutions with all the technical skills necessary to promote the viable decarbonization of the sector and increase productivity, essential to serve markets such as animal protein, which is expected to grow 24% by 2033.

As I mentioned last week, our solutions with biomethane engines generators, water pumps and ethanol engines were highlighted in Agrishow with sales and prospecting results above expectations, the best among all the additions we participated in. Our market goes beyond agribusiness.

We are in advanced talks with urban transport bus and waste collection companies. These sectors represent an addressable market of 180,000 vehicles for our solutions with natural gas, biomethane and ethanol engines. Several states and municipalities in addition to the federal government have encouraged investments in the adoption of these fuels. These are solutions for viable decarbonization. They do not depend on public subsidies and are technically and economically superior to other technological routes.

Thank you all for your attention. And let's move on to the Q&A session.

Gabriel Rezende, Itaú:

Good morning. You touched on the expectation for the 2Q for the foreign market and domestic market, showing this change in the scenario that we have seen. I would just like to confirm that this slowdown in tariff disputes should lead to a better scenario. But the 2Q is mostly similar to this 1Q. And also, you mentioned the interest rates in the domestic market. But if you could also talk about the car manufacturers, the OEM manufacturers with the peak of interest rates that also impacts on credit facilities and investment decisions by end users, which impacts the automotive industry and therefore, Tupy. Thank you.

Ricardo Fioramonte:

Thank you, Gabriel. About your first question, the simple answer is yes, we expect the behavior in the 2Q similar to the 1Q, especially in the U.S. market. Regarding Brazil, as mentioned during this conference call, we see an impact in our customers' activities, and mostly, we attribute such impact to high interest rates.

As Gueitiro said, we had the best Agrishow in history, showing that the agribusiness industry is resuming its activities and it boosts the purchase of trucks. So that's a positive side for the industry.

Gueitiro Genso:

I would like to add comments on the domestic market. We have a strategy of diversification of our revenues. We have MWM and the aftermarket and distribution. So we noticed that as we have shown, the market, we are making the most of the market's opportunities. This is a business unit that's grown 30% a year, and it delivers EBITDA margin above 20%.

So despite this domestic scenario with high interest rates, we continue to pursue our strategy to diversify the portfolio and to be present in industries and units that are anticyclical in terms of economic growth.

Fernanda Urbano, XP:

Good morning. Thank you for the question. I have 2 questions. You have talked a lot about the uncertainties of the scenario due to tariffs. But just a follow-up on the potential volumes on the heavy-duty vehicles industry, given the scenario. You mentioned that some customers are postponing the renewal of their fleets. How have the negotiation been with these customers? Do you notice any difference in sentiment from customers of heavy-duty industry for vehicles in the U.S. and Europe?

And the second question, I understand Tupy has some idle capacity currently. How do you expect this to happen? Do you plan to use that idle capacity with new contracts, or to continue to operate with idle capacity given the current market scenario?

Ricardo Fioramonte:

Thank you, Fernanda. I will start answering your question about the commercial vehicles in the U.S. The damage is done, and this 1Q shows that buyers, as mentioned here, are very cautious. They are waiting to see what will happen. And this will certainly continue during this quarter. If we look at the outlooks and projections disclosed for our customers, all of them talk about a market slowdown for 2025, a market of 275,000 trucks Class 8 this year compared to 310,000 last year. So that's a 2-digit drop as of now.

As mentioned in the previous call, a potential prebuy would decrease this drop and favor activity of this industry, but that's no longer in the horizon.

Despite the performance of the market, we have several new projects becoming operational in the second half of the year. Customers also starting to operate with engines that were no longer being manufactured and that have engine blocks manufactured by us. So the market will drop. The performance will be worse than last year, but we do have actions to mitigate the situation.

Rafael Lucchesi:

Fernanda, adding on what Ricardo said, we are facing a very challenging scenario, a global slowdown in demand. We are part of a B2B OEM chain in which our operations are part of that chain with a smaller reduction when you consider market average. And why is that? Because of our capacity of resilience and our operational flexibility, both among plants, we are located in the U.S. We have 2 plants in Mexico, and we are also in Brazil and Portugal. And with that, we have a certain flexibility to maintain our operation at a more adequate level. And in the plants, we also have some flexibility among plants, which allows us to optimize processes and reduce costs.

As you very well said, we did the acquisition. We have some idle capacity, and that's part of our strategy of the Company to progressively use our assets. These are strategic valuable assets such as we have in Mexico, and we have a very important positioning for the strategic market, which is the United States. And we have an agenda that aims to optimize such assets in order to obtain the best performance for the Company.

This 1Q shows that we had a huge resilience capacity faced with all the data that are being announced by the companies, both in Brazil and globally. These are publicly available information showing how much Tupy is being able to operate with resilience and a very focused strategy for adaptation.

As Gueitiro mentioned, we are capturing opportunities for new businesses in the green economy, energy transition and sustainability, with very attractive offerings showing our diversification strategy in the B2C segment, where we have a solid market positioning, our own brand and very attractive margin for our investors.

Gueitiro Genso:

I would also like to add on your second question. Our operational efficiency agenda and capacity optimization remains strong, even stronger in the current environment where the demand from our customers is uncertain. So on one hand, we are doing our homework, optimizing our structure and capturing on the flexibility of plants. And also on the other hand, new contracts that are being negotiated and which are not generating revenue yet, they are based on new terms, so based on this strategy on flexibility and on our differentiation of having plants present in every continent.

André Mazini, Citi:

Welcome, Rafael. I think this is your first conference call. So welcome. I have 2 questions. First is about the paragraph you added in the letter from management saying that in the light vehicle segment, you expect an increase in demand in the 2H25 for most popular engines in Brazil. So if you could give some disclosure of the OEM that will ramp up, or what model, do you have any visibility on that? How could we expect that to ramp up in the second half of the year?

And the second question is a follow-up on what you just answered about idle capacity in Mexico and Brazil. If you could give us some color, maybe a rate like 50%, 60% of maximum capacity, is that what we should think about? And when that idle capacity is reduced, is it positive for margin because a plant that has more production and less idle capacity has a more positive effect on the margin?

Ricardo Fioramonte:

I will answer the first part of your question. Just a brief clarification first. This opportunity you mentioned is not in Brazil, it is in the United States. It's about an engine that used to equip pickup trucks that are of one of the leading trucks in the U.S. market, and that was discontinued in the end of 2023.

And now, given the demand from consumers, this OEM decided to bring this engine back. We started supplying in the 2Q and the product will be available in the market. It's a VA engine and it will be in the market for sale in the 2H25, but we cannot disclose the model or the customer name because we have signed a confidentiality agreement. But that's a product that used to be sold in the past and it will be sold as of the 2H25, again in the U.S.

Rodrigo Périco:

So you are correct. The process of restructuring of our production capacity is ongoing. So that's the message the Company always gives in its conference calls. And our efforts are dedicated to optimize each plant, which reflects the context we have given the USMCA in Mexico.

And as the volume starts to return, the Company is much lighter and more efficient. So this is a work to rebuild margins. Often, that is not so clearly seen in earnings release because we have a drop in volume, reduction in production, but in-house, we are always with ongoing efforts. We have made investments and expenses, which translate into better earnings than that R\$150 million that was mentioned in the previous calls.

Gabriel Frazão, Bank of America:

Good morning. Thank you for the opportunity to ask a question. My question is about the revenue from structural components in the domestic market as it applies to vehicles. We see it dropping 7% year-on-year, despite the fact that light and heavy vehicles production has grown in the period. If you could comment on which segments had a lower performance this quarter, and if you expect this mismatch to be smaller from now on.

Ricardo Fioramonte:

Gabriel, thank you for the question. The simple answer in this case is indirect exports. The products that we provide to our customers in Brazil and that are exported by our customers. And due to the drop in European and U.S. markets, especially in commercial vehicles, part of the volume we produce in Brazil was indirectly impacted. That explains this variation. And as the figures show, they are pretty much in line with what happened abroad.

Andressa Varotto, UBS:

Good morning. Thank you for the questions. I have 2 questions. First, regarding margins journey, we see a sequential drop in the gross margin, although we have had some previous quarters with lower volumes. Since you have distribution increasing and also efficiency improving, my question is, there was an acceleration in the drop in volume this quarter when compared to the 4Q24 and the 3Q24. Was there any seasonal effect or more specific impact of costs? And how do you see that going forward?

The second question is about the foreign market and expected recovery. I know you have addressed the prebuy that was expected. We saw some comments from the U.S. President of possibly revoking or changing the regulation of issuance that would be made in 2027. How have your customers positioned themselves regarding that, although we still have a lot of time for that to be decided upon?

Rodrigo Périco:

Vanessa, in fact, there was a reduction in the gross margin quarter-on-quarter, and also a reduction on the EBITDA margin. It's important to highlight that when we compare the 1Q24 with the 1Q25, there was a drop, but there were some unusual factors that contribute to that.

The Company is more resilient. Of course, we have inflation in materials, energy, the workers' compensation agreement that has a rise collective agreement. But what happens is that we know that there are some adjustments to agreements, but they do not happen all at the same time in the same period. First, the Company undergoes this process and then following that, it makes the adjustments.

Ricardo Fioramonte:

Vanessa, I will answer your second question about the prebuy. Start by saying that 3 or 4 months ago, several of our clients indicated in their outlook and even in their orders for our products, an increase in activity in the 2H25 given the prebuy.

This increase is no longer expected, so the prebuy is no longer a reality. Part of that comes from uncertainties in the legislation of EPA 27, and also uncertainty on the economic fundamentals as a whole. The fact is that the prebuy is no longer in the horizon.

Marcelo Motta, JPMorgan:

Good morning. I have 2 questions. First, if you could comment on the aftermarket. You talked about a 30% growth in the strongest margin. I would like to understand what you would be able to do to accelerate that even further. You said something about additional products. So how is that line evolving?

And also, decarbonization, I would like to have some more detail on how that line could grow in time. The idea is to understand how to offset this weakness we have seen in structural components that is likely to last during this year. Maybe these other lines could partially offset revenues and margins.

Gueitiro Genso:

Marcelo, thank you for the question. The priority and strategy for the aftermarket line is to continue to benefit from our strong brand and distribution network for these parts, for MWM

brand, and increase the portfolio of products that have a higher value-added related to engines.

This is not new as a strategy, it has been executed, and the figures show that we are growing at the rate of 30%. So we are accelerating this strategy to include a larger number of parts for several engines available that our customers need. So this is part of revenue diversification, anticyclical and with higher margins. So we are very optimistic about that sector, the segment, both in services and products.

And I thank you for your second question because it's related to the first one. Also in the business of engine building and decarbonization, we are very happy because in this last quarter, this is an area that we made expenses and expenditures to build. An example is the ethanol fuel engine that we took to the Agrishow already installed in a tractor.

So this segment starts to generate revenue with real base cases. We will start the rollout of this engine for tractors of that category. And our plant to produce that produces biomethane and biofuel engines will be operating at the full speed. That could be applied not only in agribusiness, but also to urban transport. So several projects will start to generate revenue now.

And to wrap up, I like it because your question allows me to tell how these 2 things are related. As we apply these new engines to decarbonization solutions, I increase the aftermarket because these engines will need spare parts all over Brazil. So this is a new business that we are absolutely sure that in the next months, we will describe its growth to you.

Werner Roger, Trígono Capital:

Welcome to Rafael Lucchesi. I wish you success in your new role. Could you give me an update on the new plant project? Three agreements were announced in the past, and there is this new contract, when will they start to generate revenue?

And also the need for batteries, how is that? And is there an outlook of starting to produce or maybe in a pilot plant? Thank you.

Gueitiro Genso:

Werner, thank you for your question. This is also a new business that in the last quarters used up our energy and our funds for us to build the bio-plant concept. We have 3 projects announced. First in Toledo with Primato. It's a mature project, both the biomethane and organic mineral plants are ready. We spent this quarter pursuing the licenses to operate. We have obtained the operational license, also the permit from the fire department, and we are now waiting for the license from the Ministry of Agriculture. So this is the plant that was a case in order to gain scale in this business.

The other 2, one in Divinópolis is also in the construction phase and equipment and civil works are undergoing. And our learning curve in the first biofuel plant will allow us to accelerate this growth.

And the third one is Seara, but our learning curve will also allow us to expedite this project. So it's very likely that in the 2H we will start billing or generating revenue from this segment as soon as we receive the license.

As for recycling of batteries, which is an innovation project by Tupy Tech, we are now building the pilot plant that will operate within IPT. And in addition to validating this technology on a high-scale basis, we are signing a memorandum of understanding with several international

players so that as soon as this project is validated in the pilot plan, we can agree on a higher scale.

Werner Roger

Thank you, Gueitiro, for your updates. Yes, Brazil is a leader in this segment, and the prospect of improving the sustainability area is also very important. So thank you very much for your answer.

John Silva (via webcast):

With regards to ultralight iron, could you give us an update? Are there negotiations ongoing with any OEM?

Ricardo Fioramonte:

John, right now, no commercial negotiation is ongoing. We are still in the technical research phase with 2 important manufacturers in Brazil. with a good prospect to positively prove the proof of concept. But right now, our activities are limited to technical development.

Gueitiro Genso:

John, adding to Ricardo's answer, together with the research and development areas of OEM companies, we are discussing the properties of this material. And we have not reached the commercial phase, but from the research and development point of view, we are very excited because, of course, there is pressure looking at F1 and F2, all the companies are trying to reduce their carbon footprint. And based on this alloy, our product has a great potential to help reduce costs, but also help reduce carbon footprint.

So this is a project that takes time because it's an engineering solution project, but we still believe that it has a very good potential. And that would mean the Company is starting to produce components in a segment that's different from the one we currently operate in.

Operator:

The Q&A session has now ended. I would like to turn the floor over to Mr. Lucchesi for his final remarks.

Rafael Lucchesi:

Thank you all very much. This is my second conference call, I would like to thank you all for your participation. And given the scenario that we presented, the operational efficiency agenda becomes even more strategic for the Company. We are advancing in critical areas of the business such as engineering, quality and inventory management with initiatives that will provide structural gains and positive impact on margins as the volumes return. And that was clearly discussed and presented today.

I reaffirm my commitment and the whole team's commitment to execute this strategy with discipline. We will continue to increase our participation and share in relevant markets in Brazil and abroad, always focusing on adding value to our business and strengthening our leadership and competitiveness.

In addition, our competence in engine engineering and biofuels added to the strength of our brand has diversified our portfolio in segments with high potential. Gueitiro gave a broad proof that the essence of MWM and Tupy is being an engineering company in which innovation is a

pillar. And this combination reinforces our capacity to adapt and capture opportunities despite a challenging environment such as that faced in the 1Q.

We remain confident in the direction of our plan. Thank you very much, and see you in the next conference call.

Operator:

The conference call of Tupy has now ended. We thank you all for attending, and wish you a good day.

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