2nd Quarter 2018

Results

Investor Relations
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August / 2018



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Strong cash flow and return on capital

1 Revenues	▪ R$1,218.2 million, the largest in company history, **with strong growth across all segments.**
2 Adjusted EBITDA	▪ R$180.8 million, up 70.9% vs. 2Q17 and margin of 14.8%. **Excluding the effect of truck driver´strike, margin achieved 16%.**
3 Cash flow from operations	▪ **R$162.4 million, second largest in company history**, up 110.5% vs. 2Q17.
4 Return on invested capital	▪ **10.2%**, driven by several actions aimed at improving operational efficiency and capital allocation
5 Interest on Equity	▪ R$37.5 million, second tranch of **value estimated for 2018 (R$150.0 million).**

DEMAND DRIVEN BY FREIGHT, INFRASTRUCTURE AND AGRICULTURE

Freight




Utility vehicles
(Small businesses, residential constructions, refurbishment, etc.)




Mid-heavy Trucks

Infrastructure & Investments



Mining

Heavy Construction





Light Construction



Oil & Gas



Port operations

Agriculture



Combine harvesters



Tractors



Grain transportation



Others

Non-exhaustive

Stationary engines







Lifting platforms



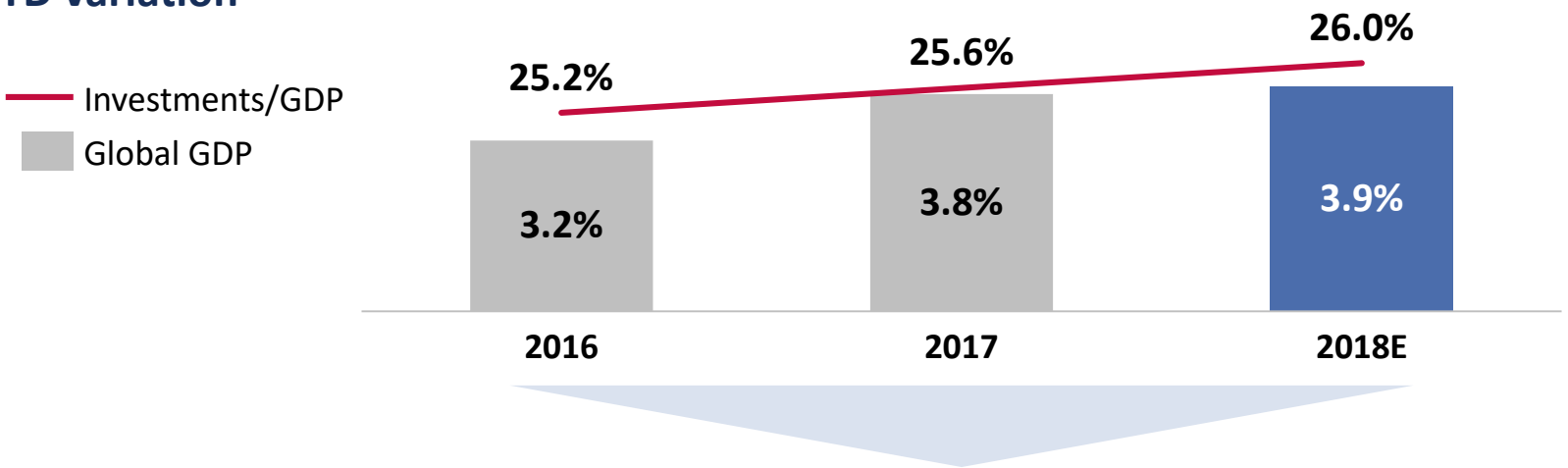
Marine



Defense

GLOBAL ECONOMY INDICATORS

YTD variation



US

+4.1% GDP growth in Q2, **highest** since 2014

Production :

Light Commercial (1-3) : **+2.5%** (share **65%**)
Medium-duty (4-7) : **-1.0%**
Heavy-duty (8) : **+29%**

Onshore Oil & Gas :

Rig Count : **+11%** | Well Starts : **+28%**

Construction :

Residential[1] : **+11%** | Non residential[2] : **+28%**

Other Markets

Brazil Q2 GDP : **+0.2%**

Commercial Vehicle Production Brazil : **+40%**

Europe Q2 GDP : **+0.3%**

Commercial Vehicle Sales Europe : **+5%**

Excavators (10 ton or more) China : **+70%**

Top 10 Miners 2018 CapEx :

+18% (*vs* +5% forecast @2017H2)

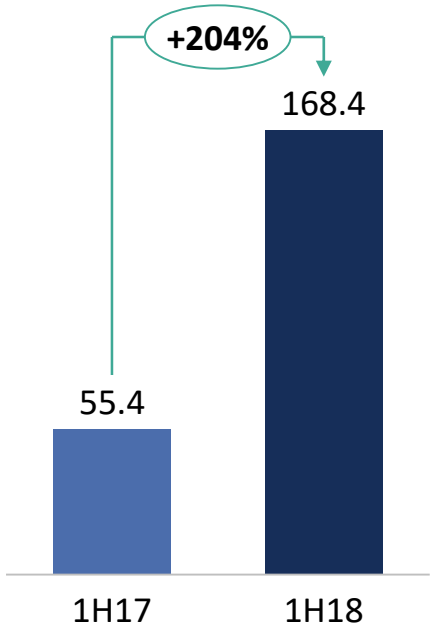
› Strong economic growth boosted demand for our products

1) Housing Starts
2) Dodge Momentum Index

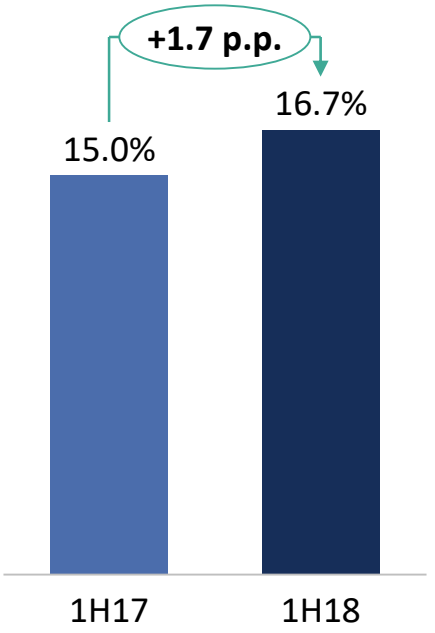
Source: ACEA; ACT Research; Anfavea; Baker Hughes; Bloomberg; Caterpillar (Q2 results webcast); CNN Money; Dodge Data & Analytics; Financial Times; FMI; IHS-Markit; Sindipeças; S&P Global Platts; Tendências; Tupy analysis

Growth accompanied by cash flow, margins and return on invested capital

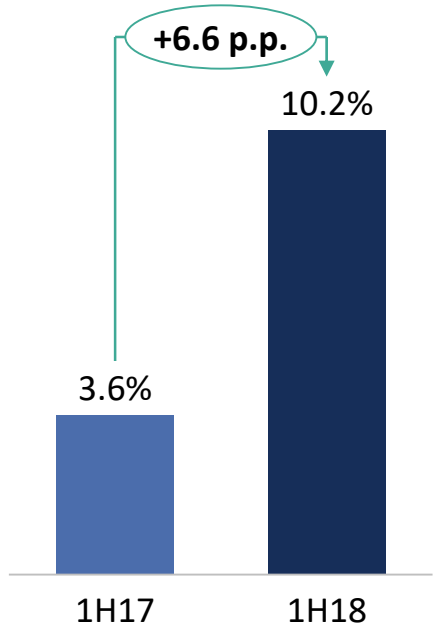
Operating cash flow



Gross Margin



ROIC*



Adjustments in Mauá plant

Disposal of steel shots unit

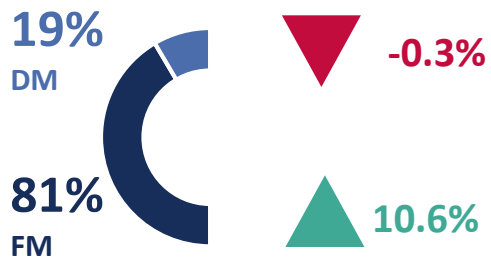
Cost management

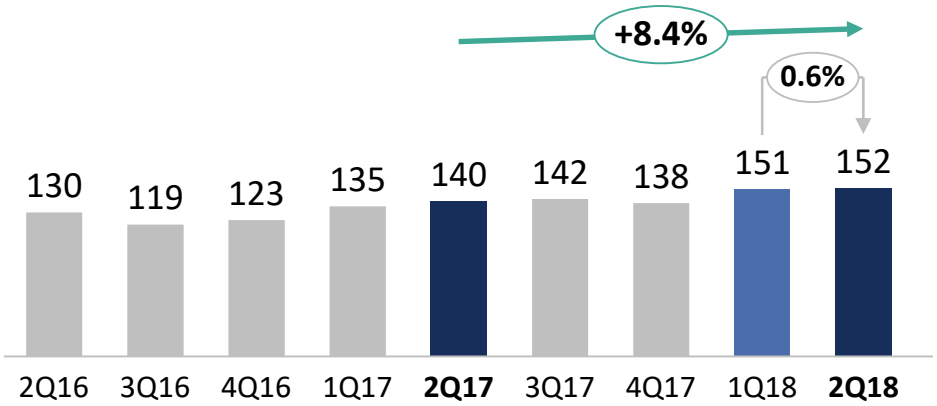
Capital allocation

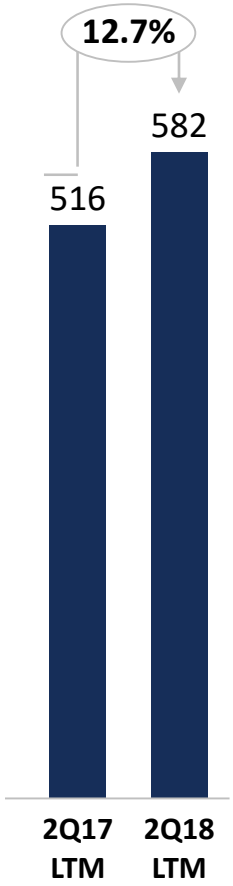
* Adjusted operating profit after tax/fixed assets, intangibles and working capital. 2Q17 adjusted by impairment expenses.

SALES VOLUME

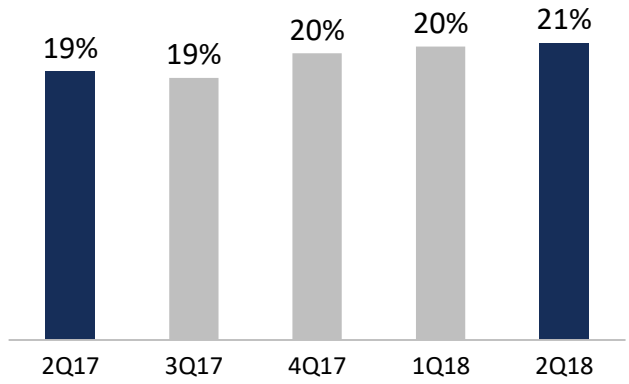
Sales volume [kton]



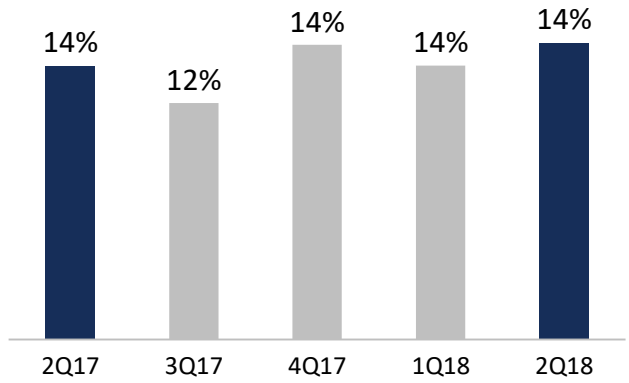




Machining [% automotive volume]



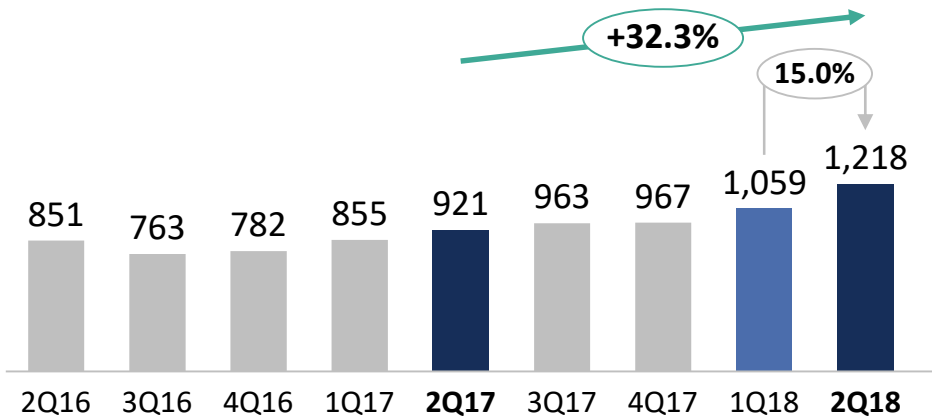
CGI [% automotive volume]

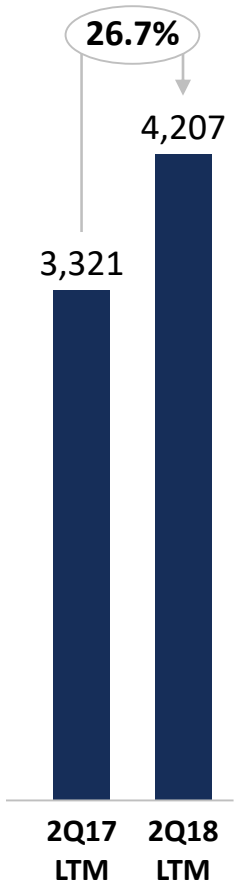


REVENUE

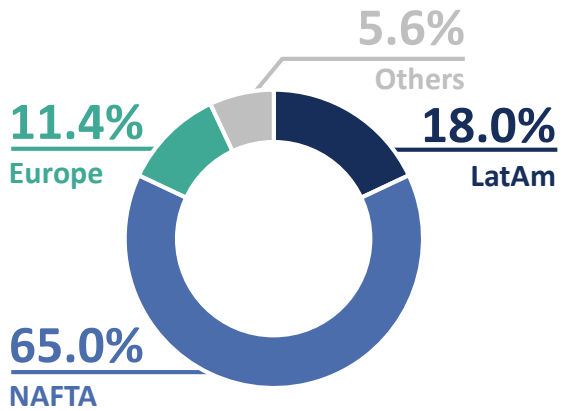
Revenue [M BRL]



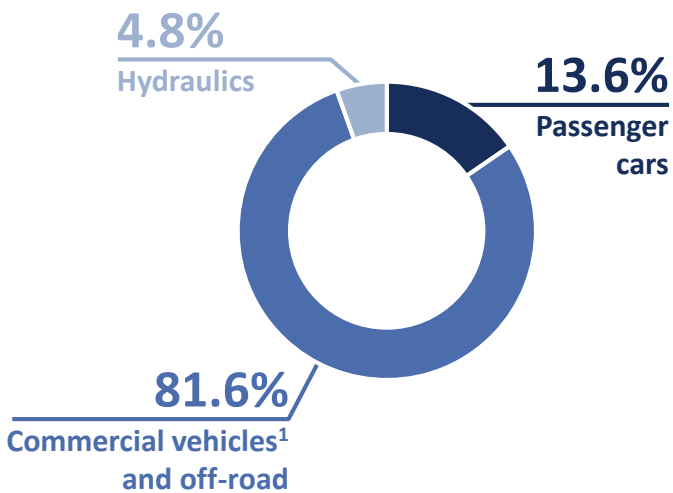




Origin [% revenue]



Application [% revenue]

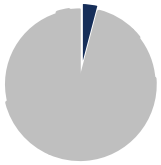


1) Includes light, medium and heavy commercial vehicles

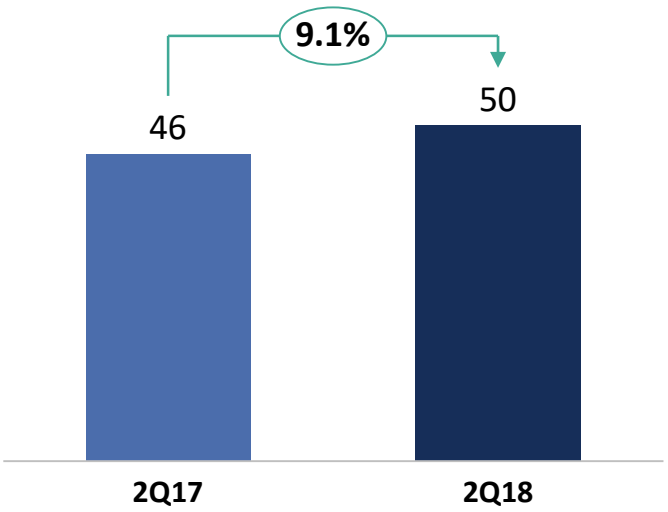
TRANSPORTATION, INFRASTRUCTURE & AGRICULTURE

Domestic Market

Passenger cars [M BRL]



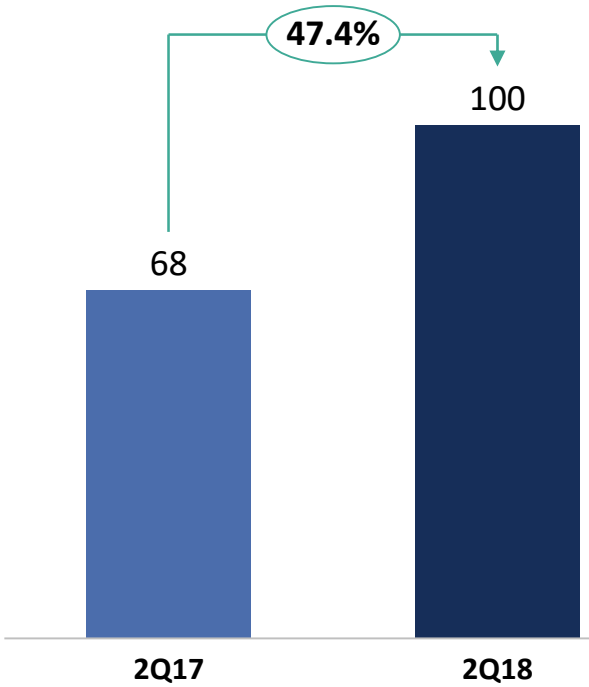
4.1%
of revenue



Commercial vehicles [M BRL]



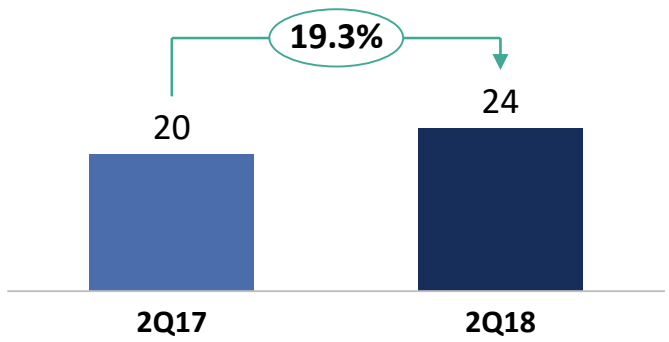
8.2%
of revenue



Off road [M BRL]



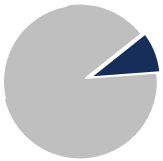
2.0%
of revenue



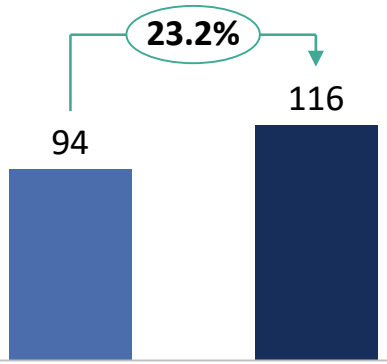
TRANSPORTATION, INFRASTRUCTURE & AGRICULTURE

Foreign Markets

Passenger cars [M BRL]



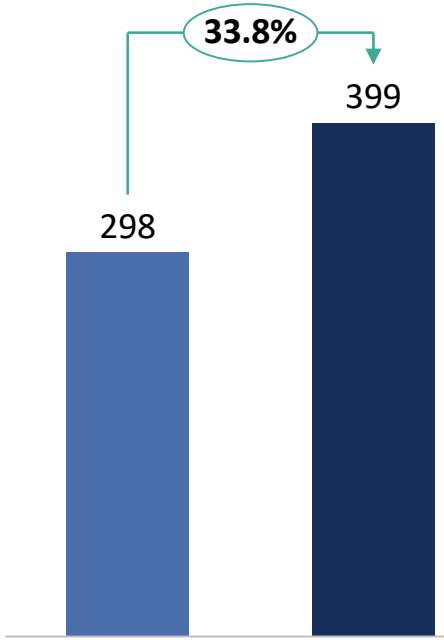
9.5% of revenue



Light commercial [M BRL]



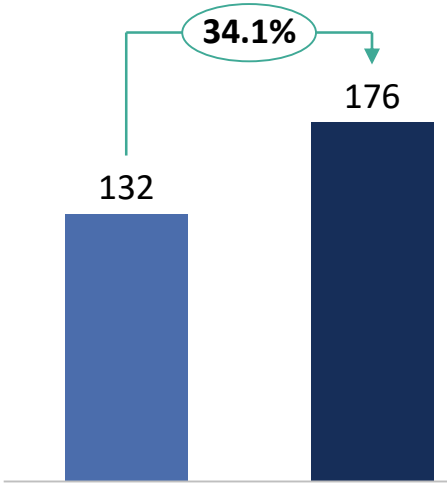
32.8% of revenue



Med. & heavy commercial [M BRL]



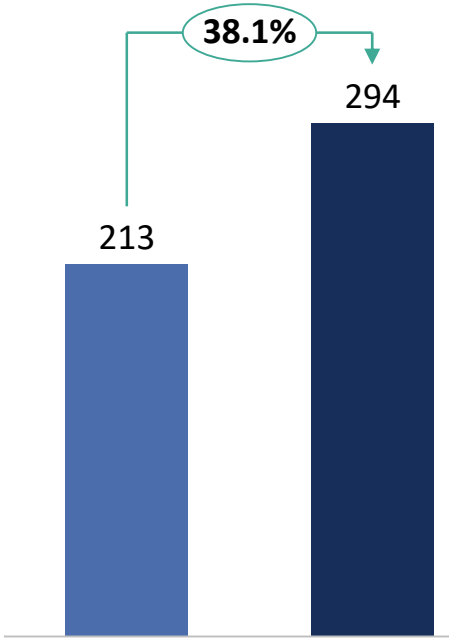
14.5% of revenue



Off road [M BRL]



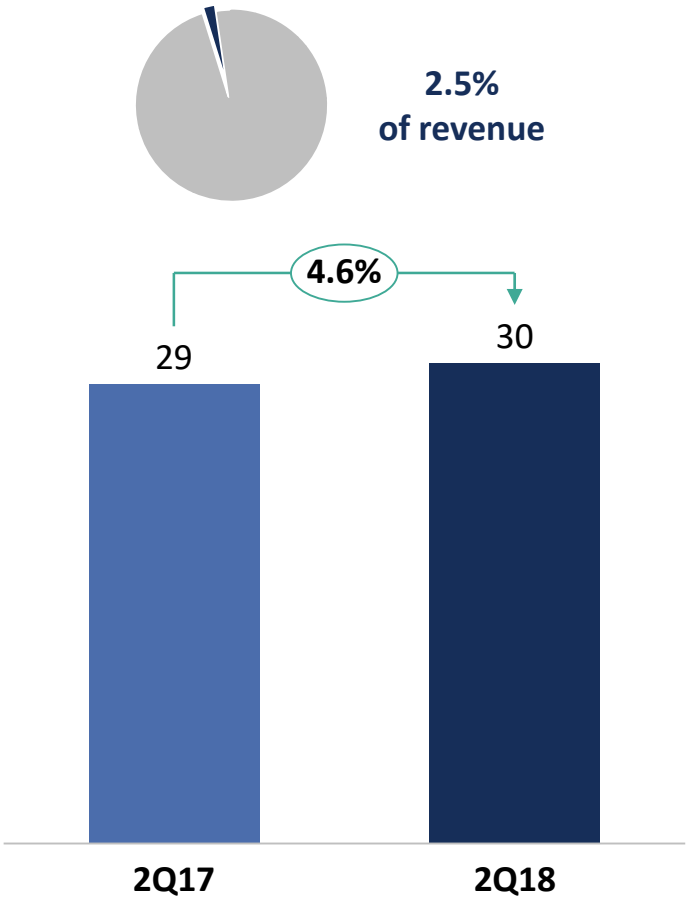
24.1% of revenue



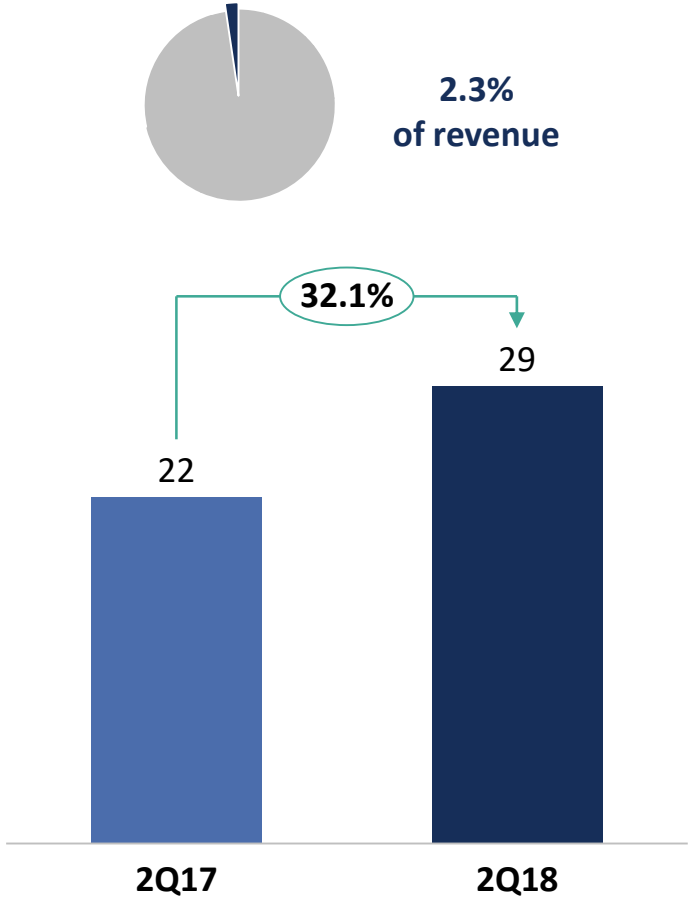
HYDRAULICS

Domestic & Foreign Markets [M BRL]

Domestic market

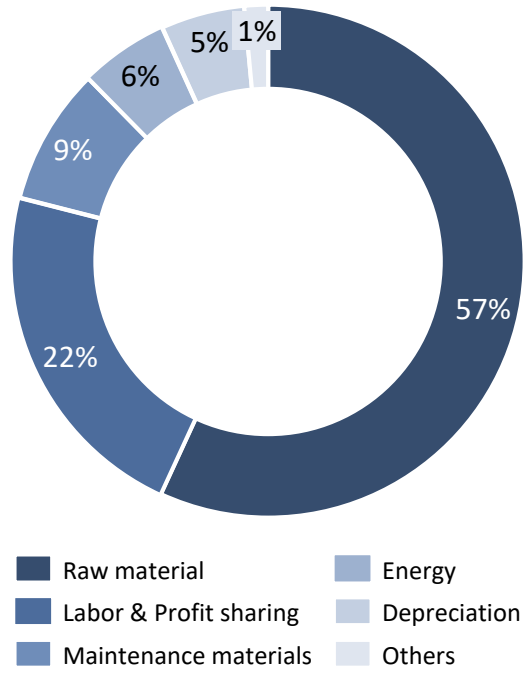


Foreign market

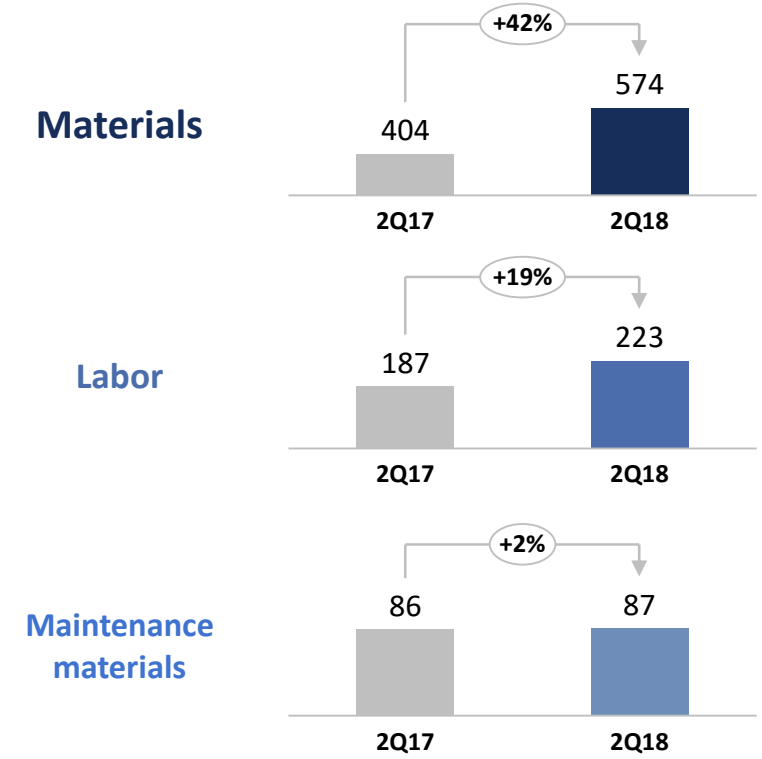


COGS AND SG&A

COGS by nature 2Q18 [%]



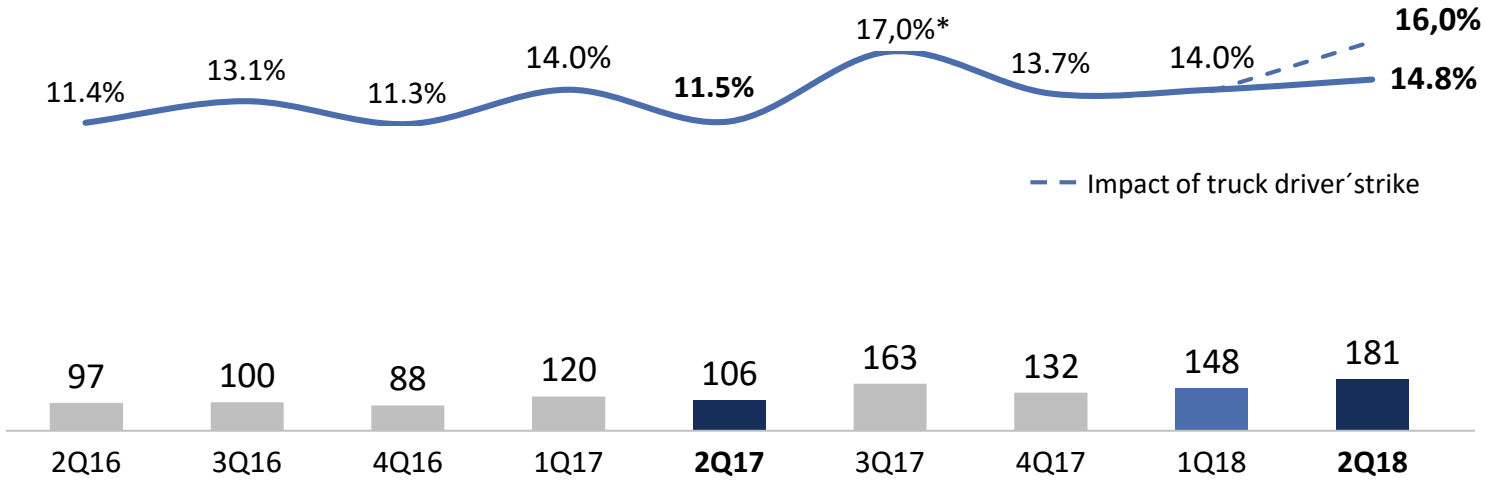
Variation of main cost inputs by nature [%]

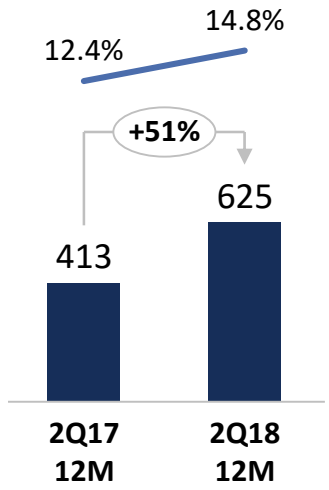


	2Q17		2Q18
COGS	788.2 M BRL	+28.1%	1.009.8 M BRL
Gross Margin	14.4 %	+2.7pp	17.1 %
SG&A	80.9 M BRL	+3.8%	84.0 M BRL

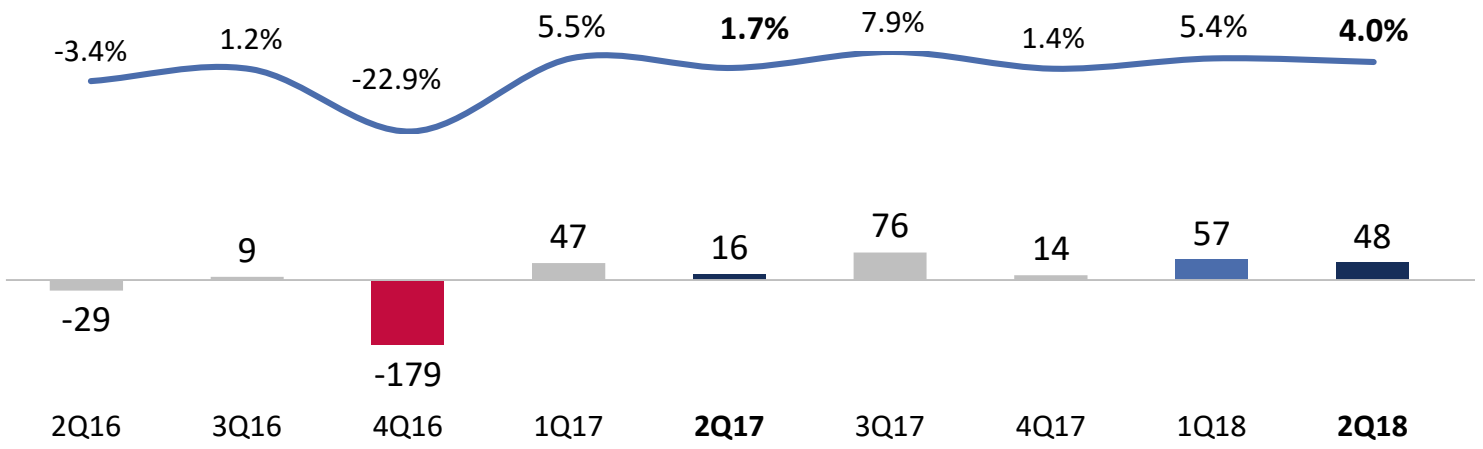
ADJUSTED EBITDA AND NET INCOME

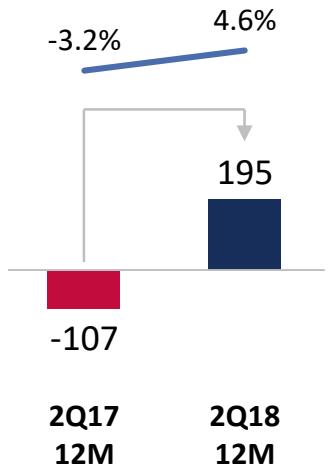
Adjusted EBITDA [M BRL] and EBITDA Margin [%]





Net income [M BRL] and net margin [%]

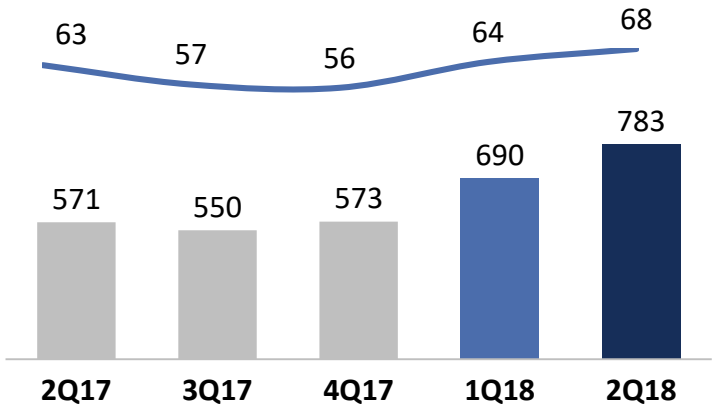




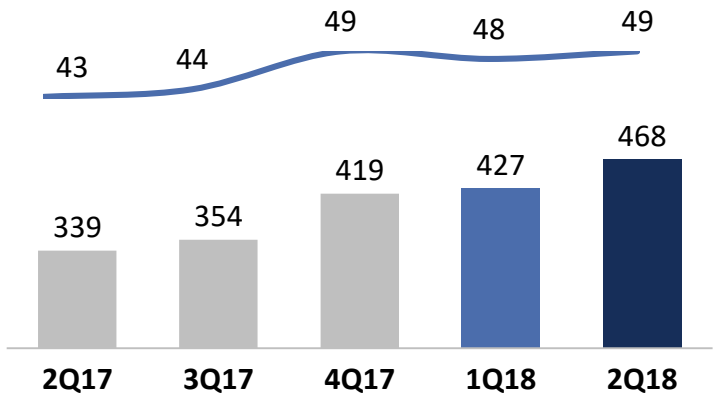
- Adjusted EBITDA was positively affected by non-recurring revenues amounting to R$11.0 million

WORKING CAPITAL

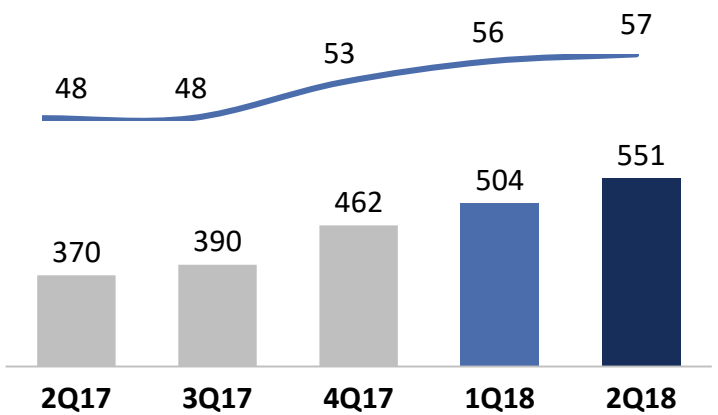
Accounts receivable [M BRL] and DSO [days]



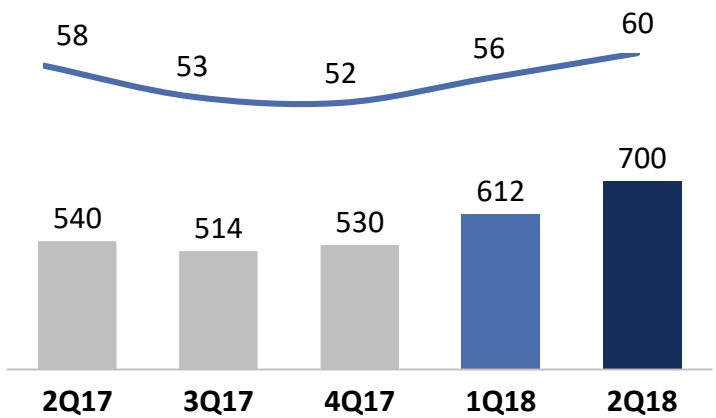
Inventories [M BRL] and DIO [days]



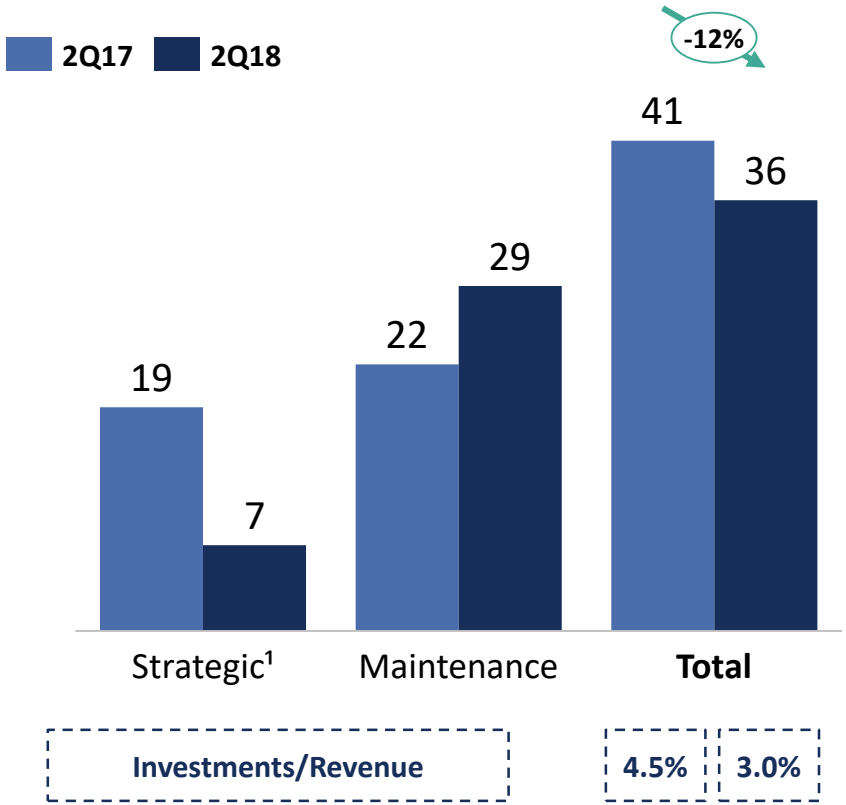
Accounts payable [M BRL] and DPO [days]



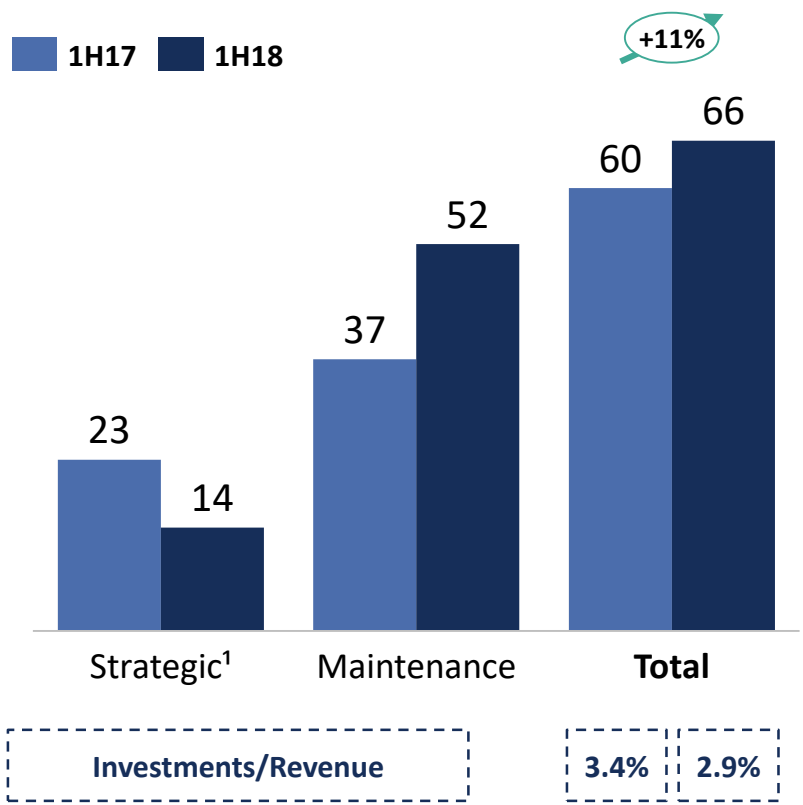
Working capital [M BRL] and CCC [days]



Investments 2Q18 vs. 2Q17 [M BRL]



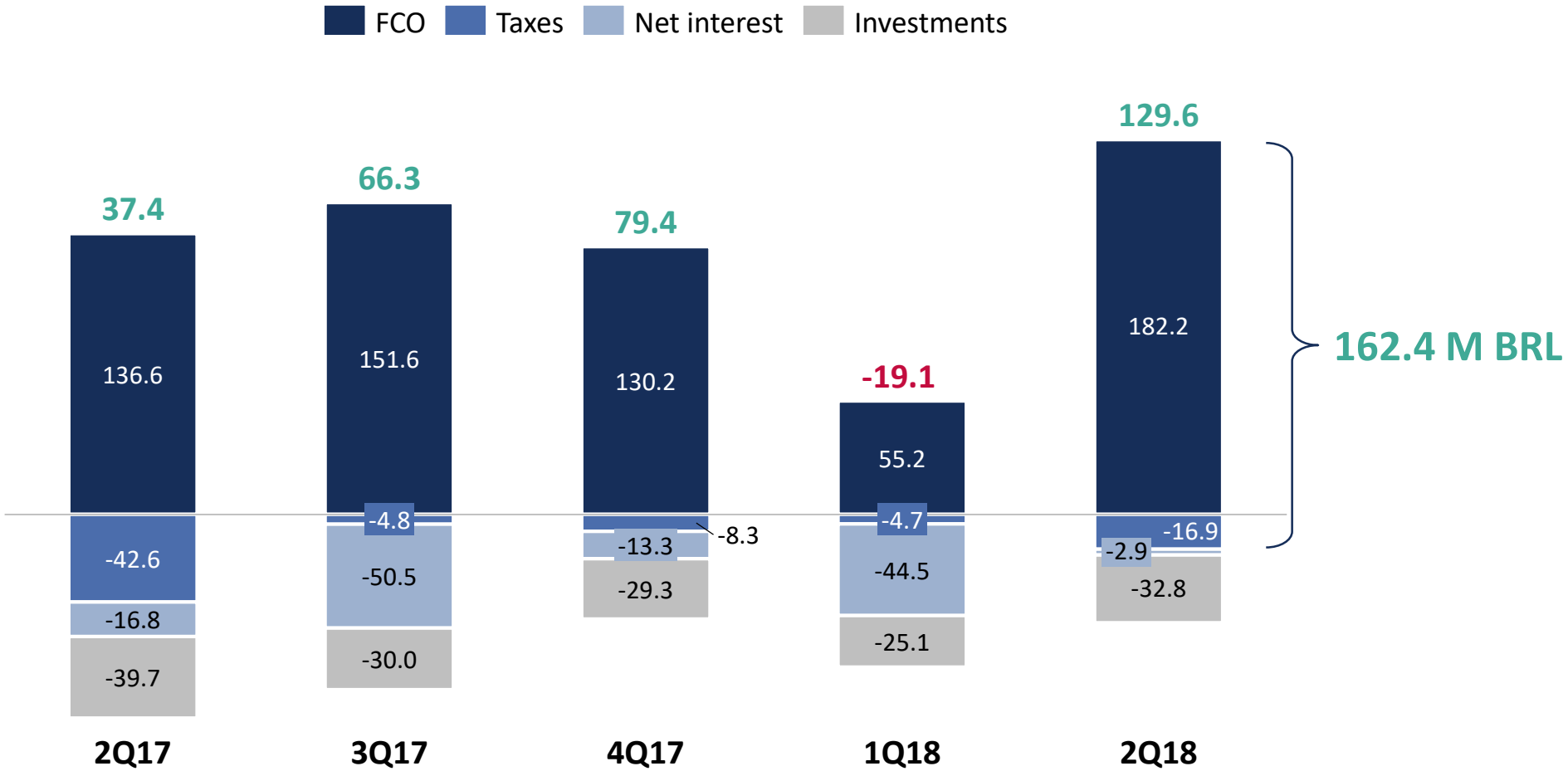
Investments 1H18 vs. 1H17 [M BRL]



› Investments related to new contracts and efficiency gains

1) Includes intangibles

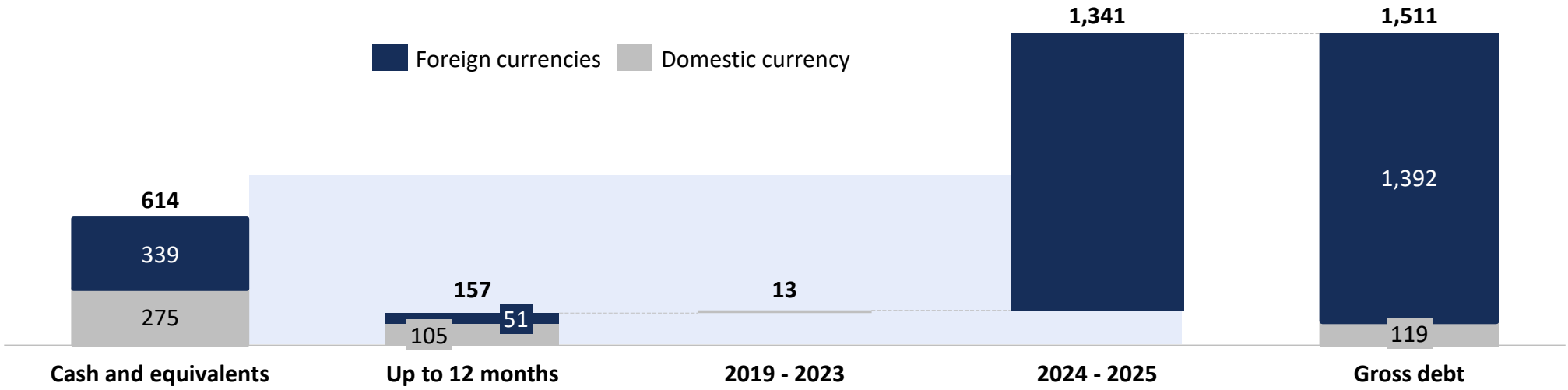
FREE CASH FLOW
[M BRL]



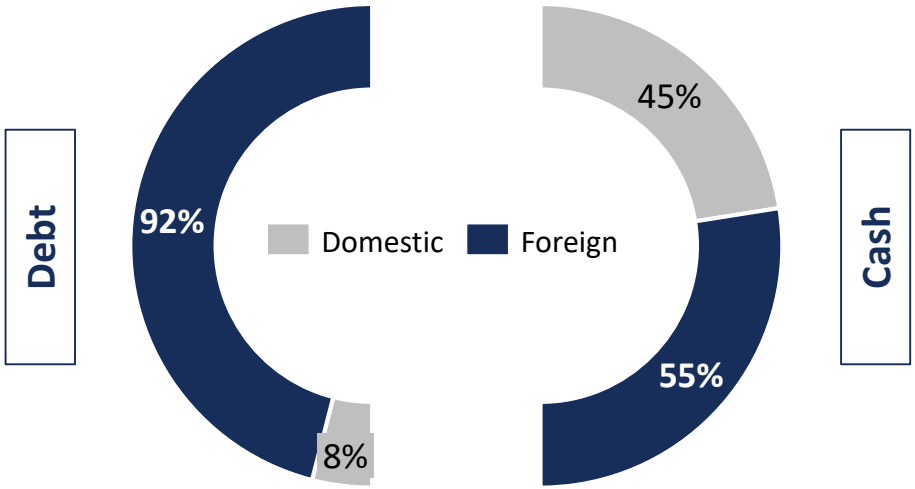
› **Cash flow driven by strong operating results**

DEBT STRUCTURE – JUNE/2018

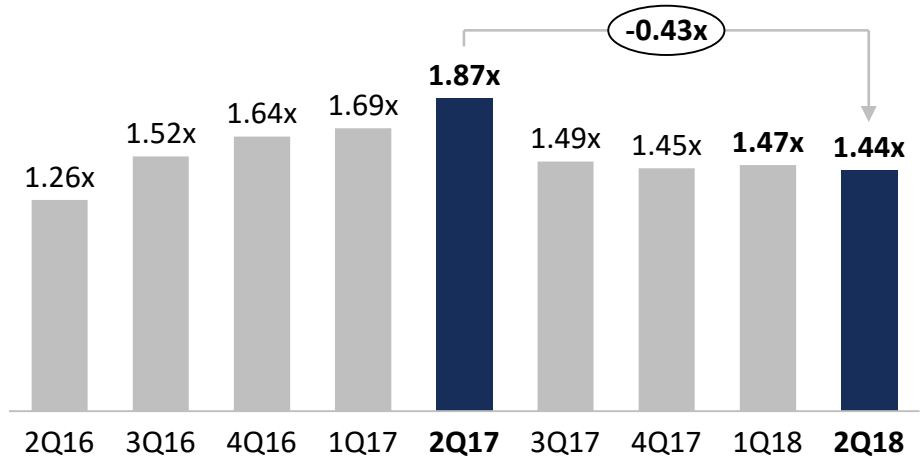
Debt [M BRL]



Currency distribution [% total]

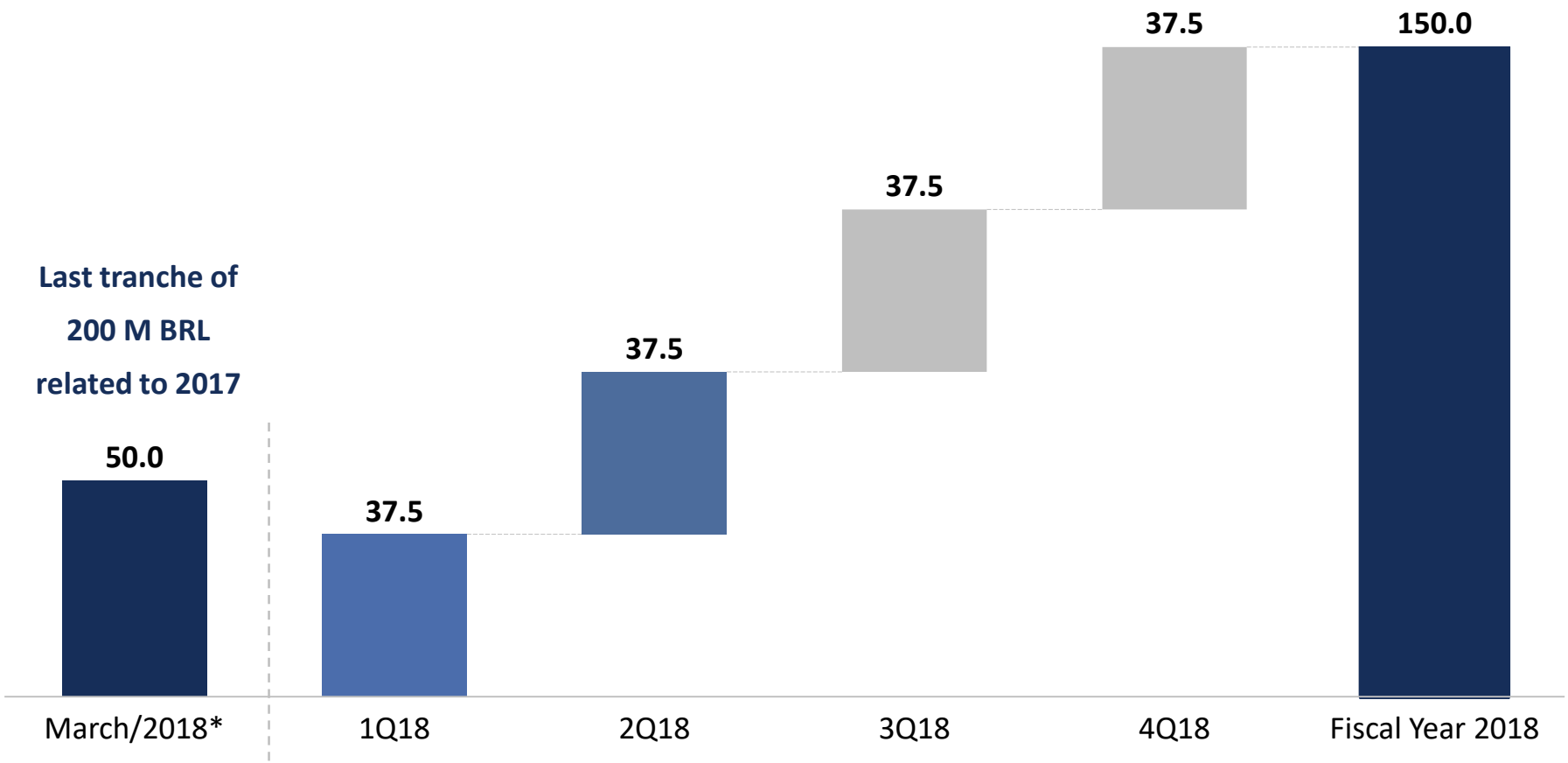


Net debt/Adjusted EBITDA LTM



RETURN TO SHAREHOLDERS: CONSISTENCY AND PREDICTABILITY

Distribution of dividends and interest on equity [M BRL]



*Related to Fiscal Year 2017

Global off road

Global recovery and positive outlook for off-road markets

(construction, oil & gas, mining, power generation systems)

2018 vs 2017[1]	Previous	After 2Q18
Cummins	+ 10-14%	+ 15-17%
Caterpillar	+ 17%[2]	+ 21%
John Deere	+ 29%	+ 30%
CNH Industrial	+ 7%	+ 7%



Strong **construction and infrastructure activity in US and China.**



Onshore oil & gas production in US.



Early recovery stages: **commodity prices** and **demand for parts & replacement.**

1) Estimates presented on 2nd quarter results webcast (Sales & Revenues or Net Sales)
2) Bloomberg consensus (may 2018); Caterpillar did not publish sales guidance before Q2

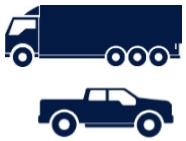
Source: Companies; Tupy analysis

MARKETS RECOVERY OPPORTUNITIES [1]

Demand Level

Recovery

Commercial Vehicles
US
Europe



Construction & Infrastructure
US
China



Onshore Oil & Gas
US



Mining
Global



Commercial Vehicles
Brazil



Power Generation
Global



Offshore Oil & Gas
US



Agriculture
Global



Rail / Locomotives
Global



Construction & Infrastructure
LatAm



Marine
Global



› Relevant markets in early stages of recovery or still operating at low levels of activity

1) For information purpose, cannot be considered as a guidance

Source: Companies; Tupy analysis

POSITIVE OUTLOOK AND FOCUS ON VALUE CREATION

Markets

Positive outlook for our key markets

Demand from indirect exports

Macro Environment

Consistent economic growth

Low GDP growth;

Uncertainties on new government;

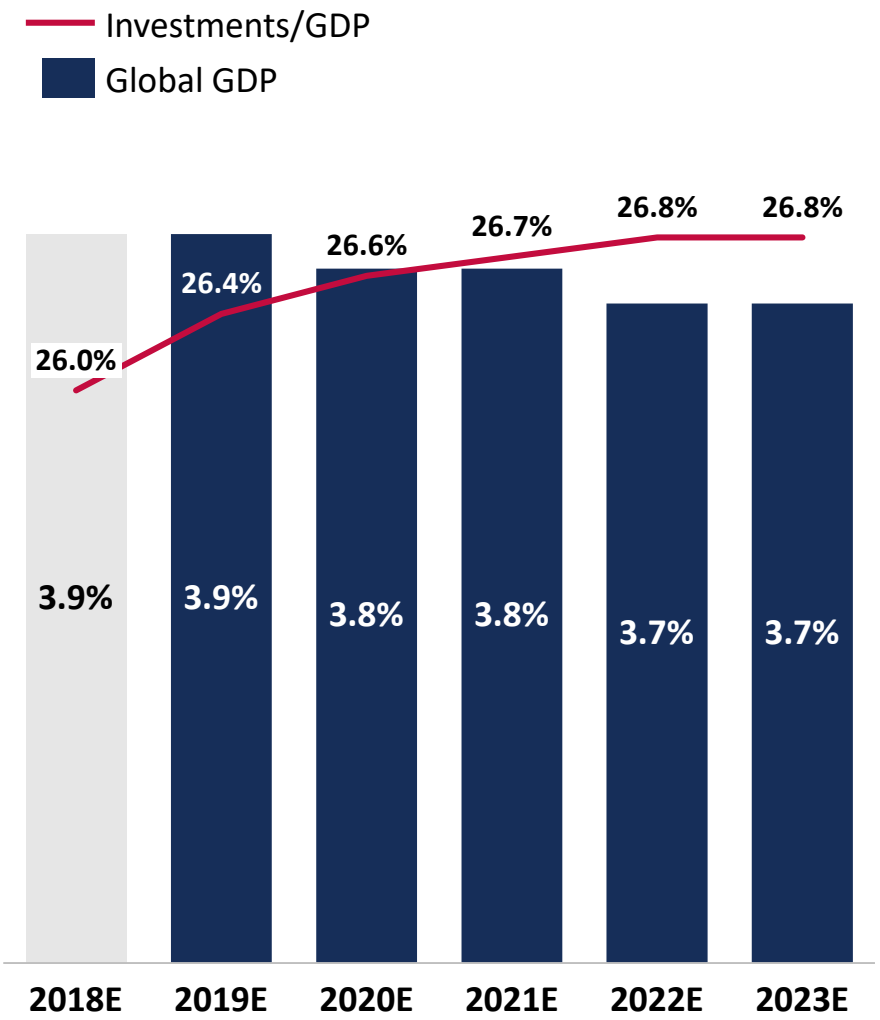
Impact of the truck driver's strike

Tupy Scenario

- **Favorable Demand Indicators:**
  - Tupy's customers performance;
  - New contracts (machining, CGI and market share gains).
- **Margin Growth and Capital Allocation**
  - Operational Efficiency: cost reduction and automation projects;
  - Adjustments in production lines related to domestic markets;
  - Capital allocation & disinvestment.

› Demand growth and efficiency gain projects will contribute to the growth of Revenue, EBITDA and Cash Generation

FUTURE GROWTH RELATED TO NEW INVESTMENTS



The world in the coming decades..

Global population expected **to grow ~30% by 2050**

~70% of the population will live in urban areas, compared to ~ 50% today

Energy demand should **increase ~28% by 2040**, even taking into account efficiency gains

Demand for **food should double** in the first half of the century

GDP *per capita* should grow in all regions **resulting in increased circulation of goods and demand for logistics services**

› Secular demand growth for infrastructure, energy, transport and food

Source: United Nations; IMF; John Deere; Tupy analysis

LONG-TERM GROWTH AND PERENNITY



Secular growth, driven by wealthier population and underlying trade activity and food demand



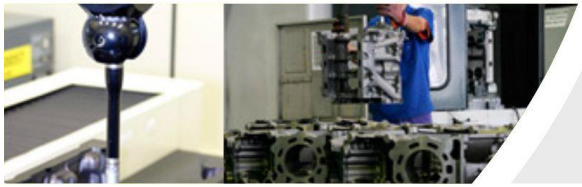
Renewal and new investments in infrastructure



Positive impact of emissions regulations:
complex engineering solutions



Flexible production – ability to adapt to market cycles



Operational Efficiency, automation and 4.0 Industry Solutions



Capital allocation, dividend payments and **shareholder value creation**

TUPY

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