4Q19 Highlights

Strong cash generation and increased margins

Earnings Conference Call

Date: Mar 04th 2020

English / Portuguese

09:00 a.m. (EST) / **11:00 a.m.** (BRT)

Dial in Brazil: +55 11 2820-4080
Dial in Brazil: +55 11 3193-1080
Dial in the USA: +1 646 828-8246
Toll free (USA): +1 800 492-3904
Code: Tupy
Website: www.tupy.com.br/ri

Investor Relations

Thiago Fontoura Struminski
Vice President of Finance and Administration
Investor Relations Officer

Hugo Zierth
IR Manager

Renan Oliveira
IR Analyst

dri@tupy.com.br
+55 (11) 2763-7844

- **Operating cash flow:** R$342.0 million in 4Q19, up 63.7% from the R$209.0 million posted in 4Q18;

- **High value-added products:** growth in sales of machined and CGI goods, which **accounted for 23% and 24% of the volume, respectively (vs. 20% and 16% in the previous year)**;

- **Gross margin:** 15.3% vs. 15.1% in 4Q18, chiefly due to lower costs with raw materials, resulting, among other factors, **in efficiency gains and other initiatives implemented by the new organizational structure;**

- **EBITDA and adjusted EBITDA:** R$193.9 million (+27.4%) and R$152.2 million (+0.7%), with the result impacted by non-recurring revenues. **Annual record results for the Company: R$682.6 million and R$700.1 million, respectively;**

- **EBITDA (as per CVM) and adjusted EBITDA margins:** Despite the lower volumes, EBITDA margin (EBITDA CVM) grew to 17.0% (470 bps) and adjusted EBITDA margin to 13.4% (120 bps) over 4Q18, **due to productivity gain projects, better product mix and quick adaptation to volume variations (defense approach);**

- **Indebtedness:** net debt/adjusted EBITDA ratio was 0.91x, with maturities for 2024.

Note: Except when otherwise recorded, comparisons expressed by percentage changes are based on the same period of 2018.

MAIN INDICATORS

Consolidated (R$ thousand)

SUMMARY	4Q19	4Q18	Var. [%]	2019	2018	Var. [%]
Revenues	**1,138,309**	**1,235,022**	**-7.8%**	**5,163,585**	**4,828,216**	**6.9%**
Cost of goods sold	(963,908)	(1,048,692)	-8.1%	(4,328,633)	(4,032,290)	7.3%
Gross profit	**174,401**	**186,330**	**-6.4%**	**834,952**	**795,926**	**4.9%**
% of revenues	*15.3%*	*15.1%*		*16.2%*	*16.5%*	
Operating expenses	(92,012)	(95,436)	-3.6%	(397,172)	(348,444)	14.0%
Other operating expenses	70,703	(45,533)	-	(34,785)	(111,230)	-68.7%
Impairment expenses	(45,484)	33,631	-	(46,404)	33,631	-
Income before financial results	**107,608**	**78,992**	**36.2%**	**356,591**	**369,883**	**-3.6%**
% of revenues	*9.5%*	*6.4%*		*6.9%*	*7.7%*	
Net financial result	(32,485)	44,985	-	(18,021)	(12,615)	42.9%
Income before tax effects	**75,123**	**123,977**	**-39.4%**	**338,570**	**357,268**	**-5.2%**
% of revenues	*6.6%*	*10.0%*		*6.6%*	*7.4%*	
Income tax and social contribution	(2,562)	(46,063)	-94.4%	(59,638)	(85,547)	-30.3%
Net income	**72,561**	**77,914**	**-6.9%**	**278,932**	**271,721**	**2.7%**
% of revenues	*6.4%*	*6.3%*		*5.4%*	*5.6%*	
EBITDA (CVM Instruction 527/12)	**193,882**	**152,205**	**27.4%**	**682,642**	**649,260**	**5.1%**
% of revenues	*17.0%*	*12.3%*		*13.2%*	*13.4%*	
Adjusted EBITDA	**152,202**	**151,171**	**0.7%**	**700,144**	**677,065**	**3.4%**
% of revenues	*13.4%*	*12.2%*		*13.6%*	*14.0%*	
Average exchange rate (USD/BRL)	4.12	3.81	8.1%	3.95	3.66	7.9%
Average exchange rate (EUR/BRL)	4.56	4.35	4.8%	4.42	4.31	2.5%

SALES VOLUME

Consolidated (ton)

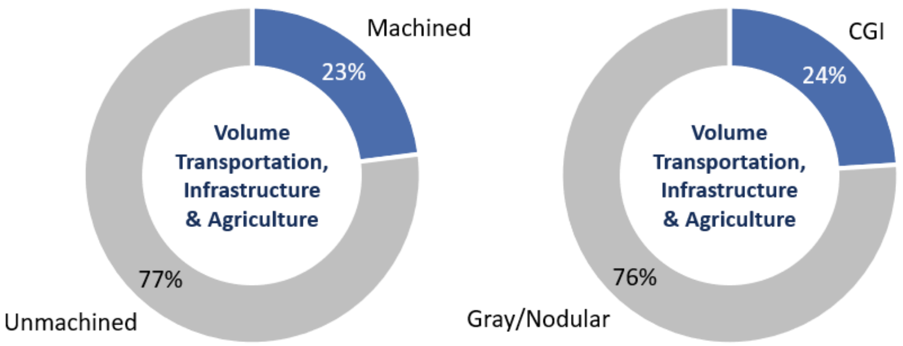
	4Q19	4Q18	Var. [%]	2019	2018	Var. [%]
Domestic market	**20,156**	**25,874**	**-22.1%**	**110,557**	**112,417**	**-1.7%**
Transportation, Infrastructure & Agriculture	17,200	22,820	-24.6%	96,555	98,645	-2.1%
Hydraulics	2,956	3,054	-3.2%	14,002	13,772	1.7%
Foreign market	**98,399**	**117,355**	**-16.2%**	**455,615**	**485,933**	**-6.2%**
Transportation, Infrastructure & Agriculture	94,558	112,708	-16.1%	441,463	467,853	-5.6%
Hydraulics	3,841	4,647	-17.3%	14,152	18,080	-21.7%
Total sales volume	**118,555**	**143,229**	**-17.2%**	**566,172**	**598,350**	**-5.4%**

Sales volume in 4Q19 decreased by 17.2% from 4Q18, mainly due to the following factors:

- Sales of the Transportation, Infrastructure & Agriculture segment in the domestic market decreased by 24.6%, mainly due to one-off adjustments to inventory made by our clients in the quarter, as well as to lower indirect exports.
- Sales of the Transportation, Infrastructure & Agriculture segment in the foreign market fell 16.1%, mainly due to the performance of applications in the off-road segment, as a result of postponed investments due to political uncertainties (especially the U.S.-China trade dispute), thus impacting the demand for machinery and equipment.
- The Hydraulics segment decreased by 17.3% in the domestic market, due to the price recovery strategy and lower sales to the United States and Latin American countries, as a result of political crises.

Increased share of CGI (Compacted Graphite Iron) and machined goods:

- Partially or fully machined goods accounted for **23% of the portfolio of the Transportation, Infrastructure & Agriculture segment (vs. 20% in 4Q18)**. The distribution of goods by type of material shows that **CGI goods accounted for 24% of sales volume (vs. 16% in 4Q18).** This increase is the result of the launch of products and their respective acceleration curve in 2019.



- The lower share of machined goods compared to 3Q19 (when it accounted for 26% of the volume) was due to the one-off reduction of goods that use this service, especially application in the off-road and light commercial vehicle segments.

REVENUES

Revenues decreased by 7.8%, and **revenue/kilo rose by 11.4% from 4Q18**, mainly due to the improved product mix and the depreciation of the BRL.

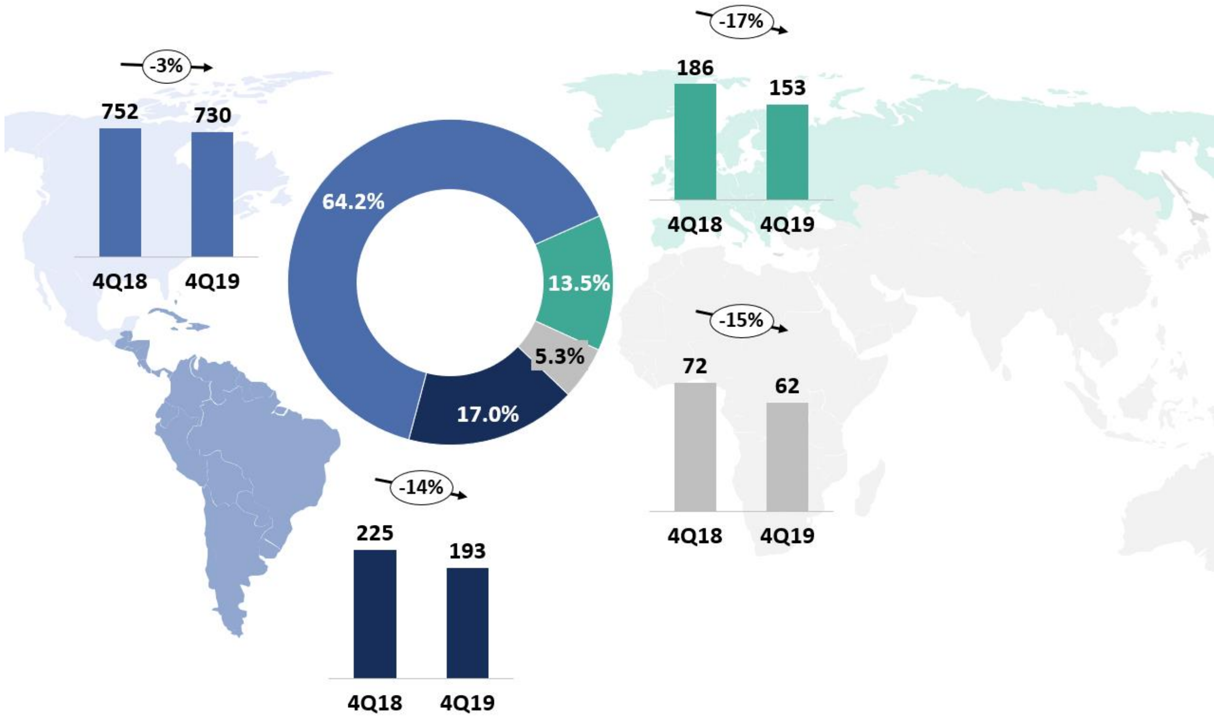
Consolidated (R$ thousand)

	4Q19	4Q18	Var.[%]	2019	2018	Var.[%]
Revenues	**1,138,309**	**1,235,022**	**-7.8%**	**5,163,585**	**4,828,216**	**6.9%**
Domestic market	183,467	217,230	-15.5%	932,396	832,714	12.0%
Share %	*16.1%*	*17.6%*		*18.1%*	*17.2%*	
Foreign market	954,842	1,017,792	-6.2%	4,231,189	3,995,502	5.9%
Share %	*83.9%*	*82.4%*		*81.9%*	*82.8%*	
Revenues per segment	**1,138,309**	**1,235,022**	**-7.8%**	**5,163,585**	**4,828,216**	**6.9%**
Transportation, Infrastructure & Agriculture	1,074,633	1,172,231	-8.3%	4,922,909	4,596,219	7.1%
Share %	*94.4%*	*94.9%*		*95.3%*	*95.2%*	
Hydraulics	63,676	62,791	1.4%	240,676	231,997	3.7%
Share %	*5.6%*	*5.1%*		*4.7%*	*4.8%*	

Revenues by market and performance in the period

In 4Q19, 64.2% of revenues came from North America; 17.0%, from South and Central America; 13.5%, from Europe; and the remaining 5.3%, from Asia, Africa and Oceania.

It is worth noting that multiple clients in the U.S. export their goods to other countries. Therefore, a substantial portion of sales to this region meets the global demand for commercial vehicles, machinery and equipment.



Consolidated (R$ thousand)

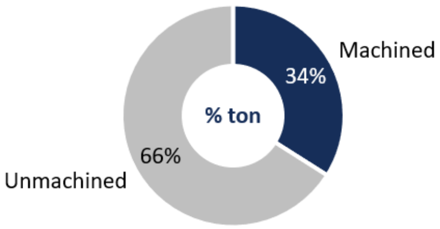
	4Q19	4Q18	Var. [%]	2019	2018	Var. [%]
Revenues	**1,138,309**	**1,235,022**	**-7.8%**	**5,163,585**	**4,828,216**	**6.9%**
Domestic market	**183,467**	**217,230**	**-15.5%**	**932,396**	**832,714**	**12.0%**
Transportation, Infrastructure & Agriculture	**149,683**	**185,003**	**-19.1%**	**797,272**	**710,990**	**12.1%**
Passenger Cars	31,393	42,431	-26.0%	173,330	194,327	-10.8%
Commercial vehicles	104,117	113,023	-7.9%	540,173	413,902	30.5%
Off road	14,174	29,549	-52.0%	83,769	102,761	-18.5%
Hydraulics	**33,784**	**32,227**	**4.8%**	**135,124**	**121,724**	**11.0%**
Foreign market	**954,842**	**1,017,792**	**-6.2%**	**4,231,189**	**3,995,502**	**5.9%**
Transportation, Infrastructure & Agriculture	**924,950**	**987,228**	**-6.3%**	**4,125,637**	**3,885,229**	**6.2%**
Passenger Cars	126,686	137,025	-7.5%	509,127	474,581	7.3%
Light Commercial Vehicles	381,110	387,476	-1.6%	1,720,652	1,553,954	10.7%
Medium and Heavy Commercial Vehicles	179,189	171,353	4.6%	791,995	682,391	16.1%
Off road	237,964	291,374	-18.3%	1,103,863	1,174,303	-6.0%
Hydraulics	**29,892**	**30,564**	**-2.2%**	**105,552**	**110,273**	**-4.3%**

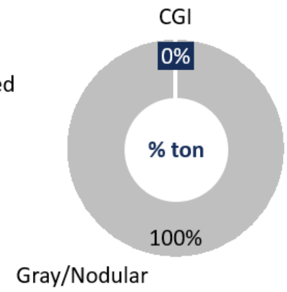
Note: The division between commercial and off-road vehicles considers our best inference of the same product for these two applications.

DOMESTIC MARKET (DM)

Passenger Cars

Δ % Revenues	% Revenues	% Revenues DM
-26.0% ▼	2.8%	17.1%

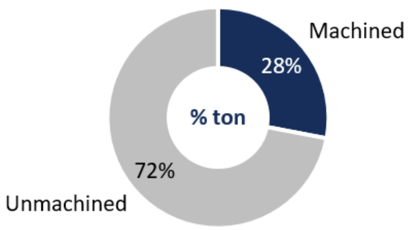


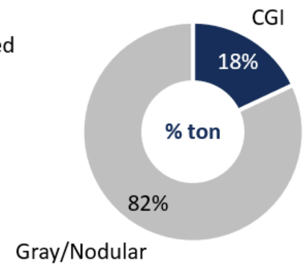


Revenues from sales of passenger car applications decreased by 26.0% year on year in 4Q19, due to the phase out of goods, which was already included in the Company's plan, and the lower indirect exports.

Commercial Vehicles

Δ % Revenues	% Revenues	% Revenues DM
-7.9% ▼	9.1%	56.7%

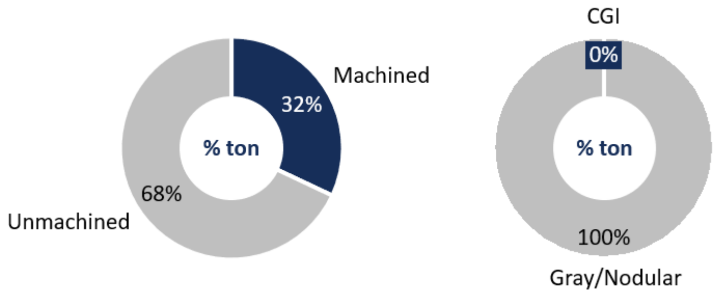




Revenues from commercial vehicles fell 7.9% year on year in 4Q19, chiefly due to the inventory reduction strategy adopted by our clients, as well as lower indirect exports.

Off road

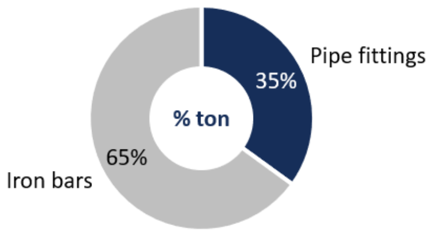
Δ % Revenues	% Revenues	% Revenues DM
-52.0% ▼	1.2%	7.7%



Tupy's revenues from sales of machinery and off-road vehicles decreased by 52.0% in 4Q19, mainly due to the lower production of such equipment in the Brazilian market, which was caused, among other factors, by the inventory reduction strategy adopted by our clients, as well as lower indirect exports.

Hydraulics

Δ % Revenues	% Revenues	% Revenues DM
4.8% ▲	3.0%	18.4%

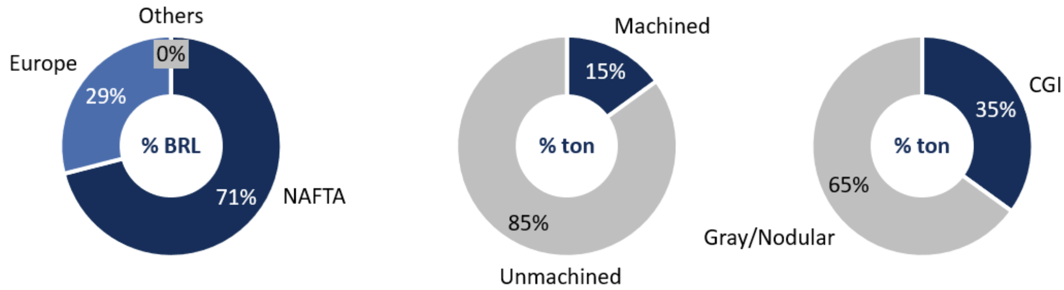


Sales revenues from the Hydraulics segment increased by 4.8% year on year in 4Q19, due to better product mix and price adjustments.

FOREIGN MARKET (FM)

Passenger Cars

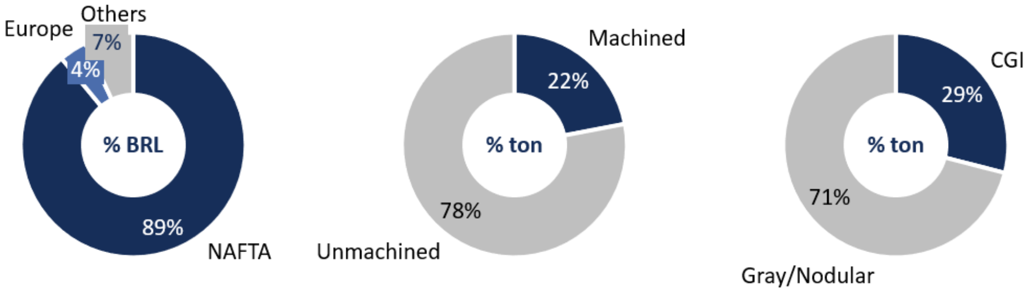
Δ % Revenues	% Revenues	% Revenues FM
-7.5%	11.1%	13.3%



Revenues from products for passenger cars decreased by 7.5% year on year in 4Q19, due to market conditions, product mix (sharp fall in machined goods) and product phase out. In turn, the comparison base was affected by additional volumes (backlog recovery) demanded by a client in 4Q18.

Light Commercial Vehicles

Δ % Revenues	% Revenues	% Revenues FM
-1.6%	33.5%	39.9%

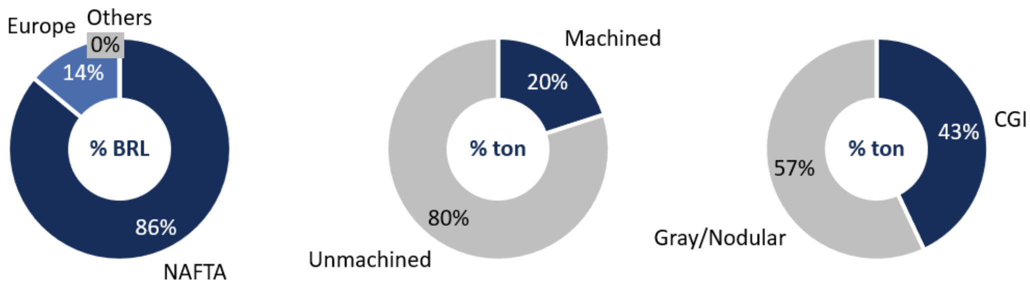


As in previous quarters, we observed a high share of pick-ups and SUVs in the U.S. sales of light commercial vehicles (73% vs. 72% in 4Q18).

Despite the solid performance of these applications, the annual comparison was affected by the lower demand in Asia and Europe, the phase out of some goods, inventory build-up and the consequent increase in demand from a client in 4Q18.

Medium and Heavy Commercial Vehicles

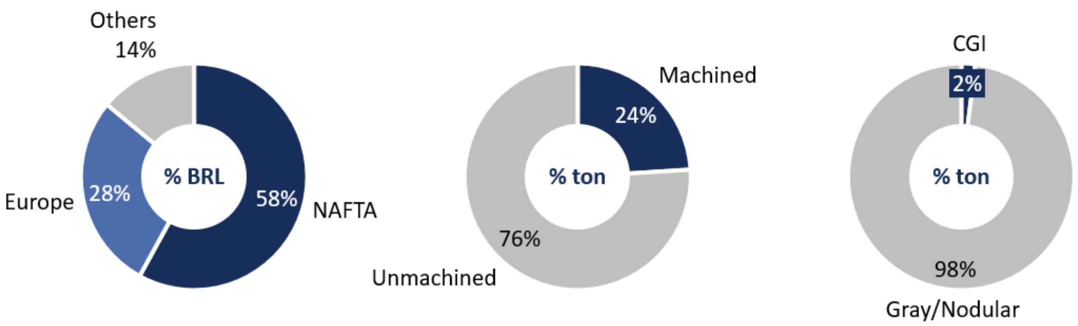
Δ % Revenues	% Revenues	% Revenues FM
4.6% ▲	15.7%	18.8%



Despite de lower volume of heavier applications (classes 7 and 8), the period revenue was positively impacted by the higher share of machined and CGI goods, as well as by the currency depreciation.

Off road

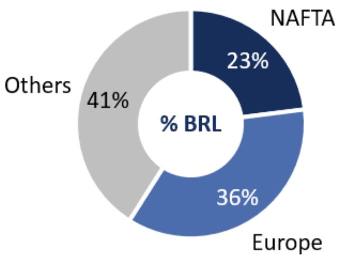
Δ % Revenues	% Revenues	% Revenues FM
-18.3% ▼	20.9%	24.9%

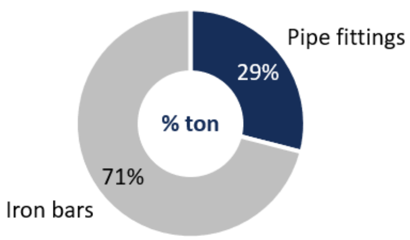


Sales from applications in the off-road segment declined by 18.3% year on year in 4Q19, due to factors related to the U.S.-China trade dispute, causing investments to be postponed. However, we observed a substantial increase in the percentage of machined goods, which totaled 24% (vs. 13% in 4Q18).

Hydraulics

Δ % Revenues	% Revenues	% Revenues FM
-2.2%	2.6%	3.1%





Despite the volume reduction of 17.3% in 4Q19, revenues decreased by 2.2%, which was offset by the devaluation of the BRL and the price adjustment.

COST OF GOODS SOLD AND OPERATING EXPENSES

The cost of goods sold (COGS) in 4Q19 totaled R$963.9 million, down 8.1% over 4Q18. Operating expenses reached R$92.0 million, representing 8.1% of net revenues in the quarter.

Consolidated (R$ thousand)

	4Q19	4Q18	Var. [%]	2019	2018	Var.[%]
Revenues	**1,138,309**	**1,235,022**	**-7.8%**	**5,163,585**	**4,828,216**	**6.9%**
Cost of goods sold	**(963,908)**	**(1,048,692)**	**-8.1%**	**(4,328,633)**	**(4,032,290)**	**7.3%**
Raw material	(481,058)	(594,234)	-19.0%	(2,358,982)	(2,292,324)	2.9%
Labor, profit sharing and social benefits	(249,983)	(242,219)	3.2%	(1,031,405)	(908,692)	13.5%
Maintenance and third parties	(90,306)	(84,190)	7.3%	(384,569)	(341,665)	12.6%
Energy	(54,951)	(55,603)	-1.2%	(245,178)	(219,585)	11.7%
Depreciation	(66,746)	(57,345)	16.4%	(250,187)	(217,617)	15.0%
Other	(20,864)	(15,101)	38.2%	(58,312)	(52,407)	11.3%
Gross profit	**174,401**	**186,330**	**-6.4%**	**834,952**	**795,926**	**4.9%**
% of revenues	*15.3%*	*15.1%*		*16.2%*	*16.5%*	
Operating expenses	**(92,012)**	**(95,436)**	**-3.6%**	**(397,172)**	**(348,444)**	**14.0%**
% of revenues	*8.1%*	*7.7%*		*7.7%*	*7.2%*	

Gross margin was 15.3% in the period, an increase of 0.2 percentage point compared to 4Q18, driven by the following factors:

- 19.0% reduction in raw material costs. In addition to lower volumes, the performance is due to the decline in material prices and the implementation of efficiency gain projects, despite the increased share of CGI and machined goods, which require more noble materials;

- A 3.2% increase in labor costs, chiefly due to higher headcount, especially to carry out the new projects, the effect of the collective bargaining agreeent and the exchange rate variation. **Compared to 3Q19, we observed a 5.1% decrease in this line**, due to operational improvement initiatives and a reduction in overtime;

- A 7.3% increase in maintenance supply and third-party costs. The comparison base was affected by the receipt of R$8.5 million in 4Q18 related to the recognition of tax credits (PIS/COFINS); and

- A 1.2% decrease in energy costs. Despite the lower volume produced, the annual comparison was affected by higher revenue from the sale of energy in 4Q18, as well as by the increase in distribution and generation tariffs, the exchange rate variation and higher utilization rates of induction furnaces.

The rise in gross margin reflects the impacts of the new management structure on several fronts, with an increase of high value-added products, operational efficiency gains and actions along with suppliers.

Operating expenses, including selling and administrative expenses, accounted for 8.1% of net revenues, totaling R$92.0 million, a 3.6% decrease over 4Q18, mainly due to freight expenses. **Compared to 3Q19, these expenses fell 10.7%.**

OTHER OPERATING INCOME (EXPENSES)

Other net operating expenses totaled R$70.7 million in 4Q19, versus an expense of R$45.5 million in 4Q18.

Consolidated (R$ thousand)

	4Q19	4Q18	Var. [%]	2019	2018	Var.[%]
Depreciation of non-operating assets	(178)	(205)	-13.2%	(819)	(728)	12.5%
Amortization of intangible assets	(16,283)	(12,730)	27.9%	(62,868)	(49,066)	28.1%
Others	87,164	(32,598)	-	28,902	(61,436)	-
Other net operating expenses	**70,703**	**(45,533)**	**-**	**(34,785)**	**(111,230)**	**-68,7%**
PP&E impairment	-	-	-	(920)	-	-
Reversion (constituion) of impairment	(45,484)	33,631	-	(45,484)	33,631	-
Total impairment adjustments	**(45,484)**	**33,631**	**-**	**(46,404)**	**33,631**	**-**

Expenses related to the amortization of intangible assets rose by 27.9%, chiefly due to the exchange rate variation and increased asset base.

The "Other" line was positively impacted by tax effects, due to initiatives carried out by the Company in the year, especially:

(i) Reversal of impairment of ICMS tax recoverable in SC State in the amount of R$45.6 million, given the expectation of consuming the remaining balance.

(ii) Final and unappealable decision of a lawsuit discussing the exclusion of ICMS tax from the PIS/COFINS tax base in the amount of R$36.8 million; and

(iii) Recognition of tax credit from Reintegra, due to remaining taxes totaling R$28.0 million between 2015 and 2018.

The line was also impacted by expenses of R$11.0 million from the restatement/constitution of provisions and R$12.1 million related to the write-off of property, plant and equipment items, and the sale of unserviceable assets.

Eletrobrás Credits

On August 2019, the 6th Federal Court of Joinville determined the updating, by the Legal Accounting Office, of the value informed in the expert report, in order to indicate the amount to be paid for the Company.

After the updating by the Legal Accounting Office, the parties issued their opinions. In December 2019, the Company raised an undisputed amount of R$72.5 million, of which R$63.0 million was effectively received by it in 2019.

After the payment of said amount, the lawsuit was once again forwarded to the Legal Accounting Office, in order for it to analyze the parties' opinions on the updating of the calculation and, after the analysis is concluded, the 6th Federal Court will determine the payment of the remaining amount, of which the Company expects to receive in 2020.

Impairment of intangible assets

The Company recognizes as intangible asset the contractual relationship with clients, arising from the acquisition of Mexican operations in 2012, which was appreciated based on the minimum expectation of maintenance of the client portfolio, considering the sales volume in periods prior to the acquisition, as well as the market prospects available at the time. The aggregate of the portfolios that make up the asset presents and projects, in the long term, volumes and profitability substantially higher than those that sustained the initial recognition of the asset, which make the profitability of the plants reach an appropriate level. However, since the intangible asset was recognized per portfolio and the rule does not allow compensation among them, at the end of 2019, we carried out an individual analysis and observed a decline in the demand of some portfolios, resulting in the recognition of impairment in the amount of R$45.5 million.

NET FINANCIAL INCOME (LOSS)

In 4Q19, the Company recorded net financial loss of R$32.5 million, versus revenue of R$45.0 million in 4Q18.

Consolidated (R$ thousand)

	4Q19	4Q18	Var. [%]	2019	2018	Var. [%]
Financial expenses	(29,717)	(24,836)	19.7%	(120,179)	(114,321)	5.1%
Financial revenues	10,307	58,440	-82.4%	90,086	89,641	0.5%
Net monetary and exchange rate variations	(13,075)	11,381	-	12,072	12,065	0.1%
Net financial income/loss	**(32,485)**	**44,985**	**-**	**(18,021)**	**(12,615)**	**42.9%**

Financial expenses increased by 19.7%, mainly due to the depreciation of the BRL against the USD (average exchange rate of R$4.12 in 4Q19 vs. R$3.81 in 4Q18) in the period, which affected the recognition of interest on borrowings denominated in USD.

Financial revenues fell 82.4%, to R$10.3 million in the period. In addition to the decline in the interest rates that remunerates our financial investments, the year-on-year comparison in 4Q19 was impacted by the restatement of the amount related to the derivative instrument used to adjust the accounts receivable from Eletrobrás at present value, without cash effect.

The result of net monetary and exchange variations, in the amount of R$13.1 million, was due to (i) monetary and exchange variations in the balance sheet accounts, with a negative impact of R$20.3 million in the period, and (ii) the result of hedging operations (settlement of contracts and mark-to-market), corresponding to revenue of R$7.2 million in the period.

EARNINGS BEFORE TAXES AND NET INCOME

Consolidated (R$ thousand)

	4Q19	4Q18	Var. [%]	2019	2018	Var. [%]
Income before tax effects	**75,123**	**123,977**	**-39.4%**	**338,570**	**357,268**	**-5.2%**
Tax effects before foreign exchange impacts	(14,939)	(39,191)	-61.9%	(74,856)	(91,871)	-18.5%
Gains before exchange effects on the tax base	**60,184**	**84,786**	**-29.0%**	**263,714**	**265,397**	**-0.6%**
Exchange effects on the tax base	12,377	(6,872)	-	15,218	6,324	140.6%
Net income	**72,561**	**77,914**	**-6.9%**	**278,932**	**271,721**	**2.7%**
% of revenues	*6.4%*	*6.3%*		*5.4%*	*5.6%*	

The Company recorded tax effects before foreign exchange impacts in the amount of R$14.9 million, resulting from the difference in expenses at the rate of 34% on profit before tax effects and the effects of permanent additions/exclusions. The year-on-year decrease was mainly due to the recognition of the tax benefit of Reintegra, and the financial revenue on monetary assets, caused by the appreciation of the Mexican peso in certain asset lines.

The effect of the exchange rate on the tax base (deferred income tax of Mexican operations) is calculated in Mexican Pesos. Based on the conversion from the functional currency, the USD, the Company recorded an increase of R$12.4 million, due to the appreciation of the Mexican Peso against the USD in 4Q19.

Net income from these effects amounted to R$72.6 million in 4Q19, down 6.9% year on year.

EBITDA

The combination of the above-mentioned factors resulted in EBITDA of R$193.9 million, an increase of 27.4% over the same period of the previous year. The result of the period was impacted by non-recurring revenues related to the recognition of tax credits, the reversal of impairment of ICMS tax and the exclusion of ICMS from the PIS/COFINS tax which combined with the impairment of intangible assets, totaled R$64.9 million (vs R$40.6 million in 4T18).

The EBITDA adjusted by these effects and the impairment of intangible assets amounted to R$45.5 million, and the restatement/creation of provisions, the write-off of property, plant and equipment, the sale of unserviceable assets and tooling totaled R$152.2 million, accompanied by a margin of 13.4%, a 0.7% increase over 4Q18.

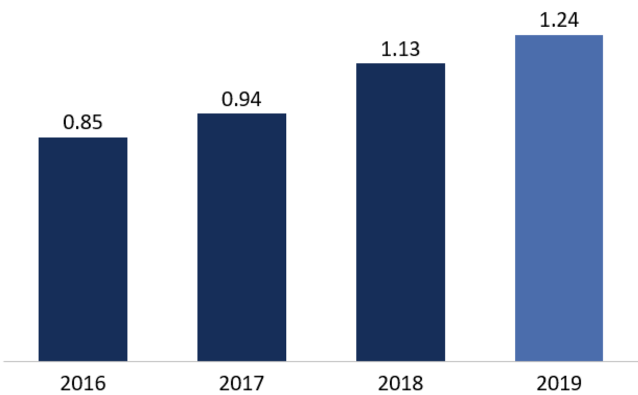
Consolidated (R$ thousand)

RECONCILIATION OF NET INCOME TO EBITDA	4Q19	4Q18	Var. [%]	2019	2018	Var. [%]
Net Income (Loss) for the Period	**72,561**	**77,914**	**-6.9%**	**278,932**	**271,721**	**2.7%**
(+) Net financial results	32,485	(44,985)	-	18,021	12,615	42.9%
(+) Income and social contribution taxes	2,562	46,063	-94.4%	59,638	85,547	-30.3%
(+) Depreciation and amortization	86,274	73,213	17.9%	326,051	279,377	16.7%
EBITDA (CVM Instruction 527/12)	**193,882**	**152,205**	**27.4%**	**682,642**	**649,260**	**5.1%**
% of revenues	*17.0%*	*12.3%*		*13.2%*	*13.4%*	
(+/-) Other net operating expenses*	(87,164)	32,598	-	(28,902)	61,436	-
(+/-) Impairment	45,484	(33,631)	-	46,404	(33,631)	
Adjusted EBITDA	**152,202**	**151,172**	**0.7%**	**700,144**	**677,065**	**3.4%**
% of revenues	*13.4%*	*12.2%*		*13.6%*	*14.0%*	

**Includes the restatement/constitution of provisions, the write-off of property, plant and equipment items and the sale of unserviceable assets and tooling,as well non recurring revenues/expenses.*

Despite the strong decline in volumes, we substantially increased the margins in relation to 4Q18, due to several internal initiatives to improve operational efficiency and gain market share with products with higher value added. In addition, we are successfully implementing our defense approach, which corresponds to a number of strategies used to mitigate the impact of fluctuations in demand, including, among others, product reallocation across production lines, readjustment of working hours and reduction of fixed costs.

The focus on efficiency and value creation, which also includes efficient capital allocation and disinvestment of unprofitable assets, has resulted in higher EBITDA per kilo sold, as shown in the graph below:



INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT AND INTANGIBLE ASSETS

Investments in property, plant and equipment and intangible assets totaled R$91.5 million in 4Q19.

Consolidated (R$ thousand)

	4Q19	4Q18	Var. [%]	2019	2018	Var. [%]
PP&E						
Strategic investments	35,637	22,342	59.5%	130,083	43,200	201.1%
Sustenance and modernization	49,184	41,701	17.9%	122,583	122,660	-0.1%
Environment	4,260	4,858	-12.3%	6,537	9,009	-27.4%
Interest and financial expenses	495	442	12.0%	1,739	1,967	-11.6%
Intangible assets						
Software	297	628	-52.7%	5,999	4,924	21.8%
Projects under development	1,666	1,151	44.7%	3,633	3,143	15.6%
Total	**91,539**	**71,122**	**28.7%**	**270,574**	**184,903**	**46.3%**
% of revenues	*8.0%*	*5.8%*		*5.2%*	*3.8%*	

The increase in investments was due to the development and launch of CGI and machining projects and initiatives to increase productivity (including automation processes related to Industry 4.0), and renovations and environmental and occupational safety projects.

WORKING CAPITAL

Consolidated (R$ thousand)

	4Q19	3Q19	2Q19	1Q19	4Q18
Balance sheet					
Accounts receivables	672,356	909,148	890,013	813,127	688,495
Inventories	654,107	584,464	522,374	513,142	523,623
Accounts payable	627,565	642,209	643,790	677,581	621,292
Sales outstanding [days]	48	63	62	59	52
Inventories outstanding [days]	55	48	43	44	47
Payables outstanding [days]	52	52	53	58	56
Cash conversion cycle [days]	**51**	**59**	**52**	**45**	**43**

There was an 8-day decrease in working capital in the period compared to the previous quarter (3Q19). The main working capital lines presented the following variations:

- A decrease of R$236.8 million in accounts receivables, with a decline of 15 days of sales, mainly due to seasonality (lower sales volume in 4Q19) and the receipt of amounts related to tool production;

- An increase of R$69.6 million in inventory, with a 7-day rise in relation to the cost of goods sold. This upturn reflects, among other factors, our initiatives to make production more flexible, thus mitigating volume reduction. Therefore, we transferred, from Mexico to Brazil, the production of some products that will continue to be machined in Mexico or directly delivered to the USA, causing the inventory of finished goods in transit to increase , in exchange for margin protection.

- A reduction of R$14.6 million in accounts payable, due to the seasonal downturn in the purchase volume in the fourth quarter.

CASH FLOW

Consolidated (R$ thousand)

CASH FLOW SUMMARY	4Q19	4Q18	Var.[%]	2019	2018	Var.[%]
Cash and equivalents at the beginning of the period	**611,186**	**742,613**	**-17.7%**	**713,733**	**865,368**	**-17.5%**
Cash from operating activities	342,016	208,960	63.7%	566,656	577,392	-1.9%
Cash used in investments	(100,863)	(62,884)	60.4%	(268,547)	(166,588)	61.2%
Cash used in financing activities	(5,155)	(147,645)	-96.5%	(179,609)	(591,388)	-69.6%
Effect of the exchange rate on cash for the period	(7,154)	(27,311)	-73.8%	7,797	28,949	-73.1%
Increase (decrease) in cash and equivalents	**228,844**	**(28,880)**	**-**	**126,297**	**(151,635)**	**-**
Cash and equivalents at the end of the period	**840,030**	**713,733**	**17.7%**	**840,030**	**713,733**	**17.7%**

In 4Q19, the Company generated R$342.0 million in cash from operating activities, compared to a generation of R$209.0 million in 4Q18. The result of the period was impacted by the refund of PIS/COFINS tax credits in the amount of R$64.9 million and the receipt of R$63.0 million related to Eletrobrás tax credits. Additionally, there was an increase of R$30.4 million year on year in 2019 related to the receipt of tools.

Investment activities consumed R$100.9 million in 4Q19, a 60.4% increase over the same period of the previous year, due to the development and implementation of new programs for high value-added goods and operational efficiency projects.

Financing activities fell from R$147.6 million in 4Q18 to R$5.2 million in 4Q19. The year-on-year comparison base was affected by the payment of loans and interest on equity in 4Q18.

The combination between these factors and the exchange rate variation resulted in an increase of R$228.8 million in cash and cash equivalents in the period. Therefore, we ended the fourth quarter of 2019 with a cash balance of R$840.0 million.

INDEBTEDNESS

The Company closed 4Q19 with net debt of R$639.2 million and a net debt/LTM adjusted EBITDA ratio of 0.91x.

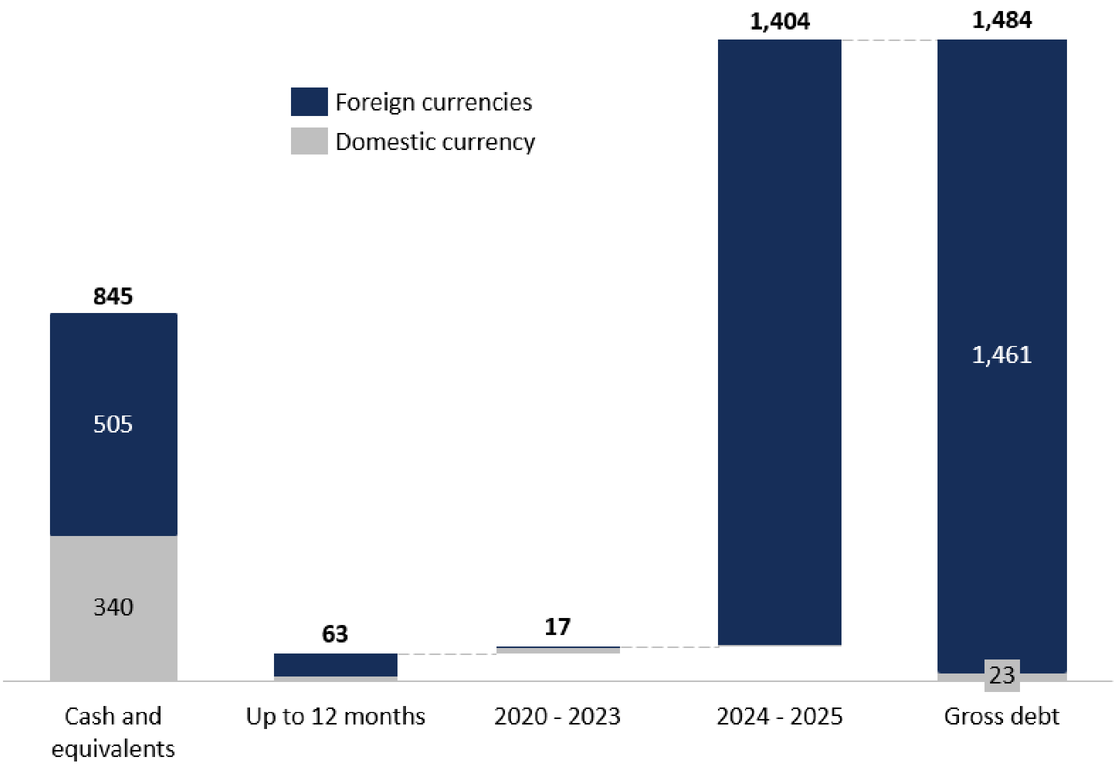
Foreign currency liabilities represented 98.4% of the total (3.6% short-term and 96.4% long-term debt), while 1.6% of the debt is denominated in BRL (46.7% short-term and 53.3% long-term debt). Regarding the cash balance, 39.9% is denominated in BRL and 60.1% in foreign currency.

Consolidated (R$ thousand)

INDEBTEDNESS	4Q19	3Q19	2Q19	1Q19	4Q18
Short term*	62,920	41,557	59,589	31,008	47,591
Long term	1,421,061	1,468,802	1,356,083	1,391,251	1,359,492
Gross debt	**1,483,981**	**1,510,359**	**1,415,672**	**1,422,259**	**1,407,083**
Cash and cash equivalents*ᵻ	844,781	611,594	494,550	532,520	724,545
Net debt	**639,200**	**898,765**	**921,122**	**889,739**	**682,538**
Gross debt/adjusted EBITDA	2.12x	2.16x	2.05x	2.14x	2.08x
Net debt/adjusted EBITDA	**0.91x**	**1.29x**	**1.34x**	**1.34x**	**1.01x**

* Includes derivative financial instruments
ᵻ Includes financial investments

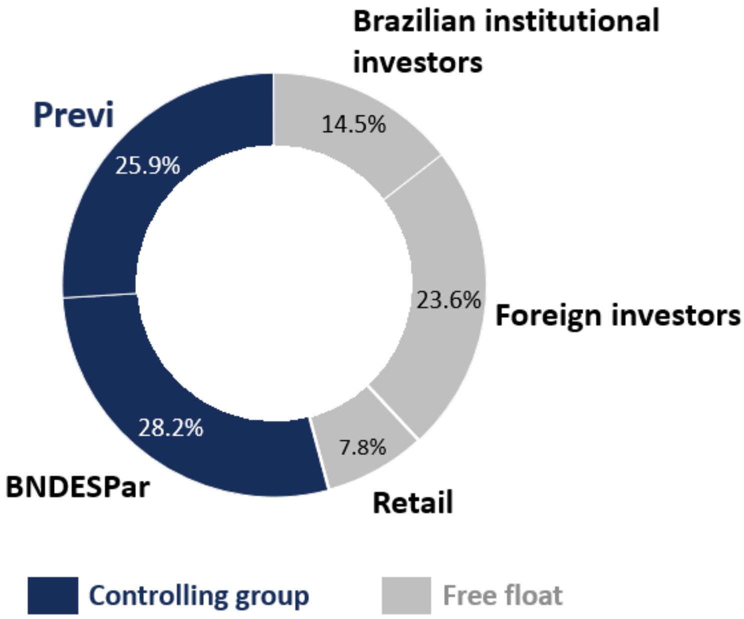
The Company's debt profile is as follows:



All amounts in R$ million.

OWNERSHIP STRUCTURE

Tupy's ownership structure as of December 31, 2019 was as follows:



*   *   *

Attachment I – Commercial vehicle production and sales in Brazil

(Units)

	4Q19	4Q18	Var. (%)	2019	2018	Var. (%)
Production						
Trucks						
Semi-light	165	540	-69.4%	968	1,902	-49.1%
Light	4,726	5,387	-12.3%	18,011	20,358	-11.5%
Medium	1,037	1,411	-26.5%	5,645	6,383	-11.6%
Semi-heavy	6,693	6,244	7.2%	27,138	27,514	-1.4%
Heavy	13,403	14,698	-8.8%	61,714	49,377	25.0%
Total trucks	**26,024**	**28,280**	**-8.0%**	**113,476**	**105,534**	**7.5%**
Buses	5,888	5,485	7.3%	27,671	28,536	-3.0%
Commercial vehicles	**31,912**	**33,765**	**-5.5%**	**141,147**	**134,070**	**5.3%**
Sales						
Trucks						
Semi-light	1,321	1,229	7.5%	5,079	4,121	23.2%
Light	3,035	3,040	-0.2%	11,242	11,555	-2.7%
Medium	2,639	2,451	7.7%	10,069	7,675	31.2%
Semi-heavy	6,592	5,442	21.1%	23,227	17,869	30.0%
Heavy	13,493	11,057	22.0%	51,718	34,785	48.7%
Total trucks	**27,080**	**23,219**	**16.6%**	**101,335**	**76,005**	**33.3%**
Buses	5,736	4,598	24.7%	20,932	15,081	38.8%
Commercial vehicles	**32,816**	**27,817**	**18.0%**	**122,267**	**91,086**	**34.2%**
Exports						
Trucks						
Semi-light	46	62	-25.8%	415	333	24.6%
Light	528	883	-40.2%	2,394	5,119	-53.2%
Medium	206	211	-2.4%	801	1,308	-38.8%
Semi-heavy	1,204	1,199	0.4%	3,614	8,635	-58.1%
Heavy	1,730	1,823	-5.1%	6,328	9,247	-31.6%
Total trucks	**3,714**	**4,178**	**-11.1%**	**13,552**	**24,642**	**-45.0%**
Buses	1,917	2,635	-27.2%	7,136	9,101	-21.6%
Commercial vehicles	**5,631**	**6,813**	**-17.3%**	**20,688**	**33,743**	**-38.7%**

Source: ANFAVEA

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

(Units)

	4Q19	4Q18	Var. (%)	2019	2018	Var. (%)
North America						
Production						
Passenger cars	988,307	1,294,379	-23.6%	4,405,506	5,101,074	-13.6%
Light commercial vehicles – Class 1-3	2,834,405	2,927,357	-3.2%	11,890,383	11,886,167	0.0%
% Light commercial vehicles	**74.1%**	**69.3%**	**4.8%**	**73.0%**	**70.0%**	**3.0%**
Light Duty – Class 4-5	20,138	19,502	3.3%	82,075	73,679	11.4%
Medium Duty – Class 6-7	29,400	35,045	-16.1%	149,243	148,115	0.8%
Heavy Duty – Class 8	68,598	86,006	-20.2%	348,043	324,581	7.2%
Medium & Heavy Duty[1]	**118,136**	**140,553**	**-15.9%**	**579,361**	**546,375**	**6.0%**
United States						
Sales						
Passenger cars	1,165,012	1,267,383	-8.1%	4,790,846	5,342,223	-10.3%
Light commercial vehicles – Class 1-3	3,213,061	3,109,113	3.3%	12,317,310	11,976,738	2.8%
% Light commercial vehicles	**73.4%**	**71.0%**	**2.3%**	**72.0%**	**69.2%**	**2.8%**
Light Duty – Class 4-5	34,032	33,596	1.3%	128,000	131,855	-2.9%
Medium Duty – Class 6-7	33,960	33,159	2.4%	142,506	135,202	5.4%
Heavy Duty – Class 8	64,677	72,409	-10.7%	276,510	250,730	10.3%
Medium & Heavy Duty[1]	**132,669**	**139,164**	**-4.7%**	**547,016**	**517,787**	**5.6%**
Europe						
Sales						
Passenger cars	3,571,013	3,203,894	11.5%	15,340,188	15,159,336	1.2%

Source: Automotive News; Bloomberg; ACEA

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

	(Units)					
	4Q19	4Q18	Var. (%)	2019	2018	Var. (%)
Production						
Americas						
Brazil	11,862	19,483	-39.1%	53,125	65,656	-19.1%
Sales						
Americas						
Brazil	10,860	13,180	-17.6%	43,855	47,731	-8.1%
United States and Canada	63,409	64,544	-1.8%	275,674	269,283	2.4%
Europe						
Germany	9,032	10,639	-15.1%	44,009	40,697	8.1%
United Kingdom	2,021	2,396	-15.7%	12,333	12,102	1.9%

Source: ANFAVEA; Bloomberg; AEM