3rd Quarter 2017

Results

Investor Relations
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November / 2017



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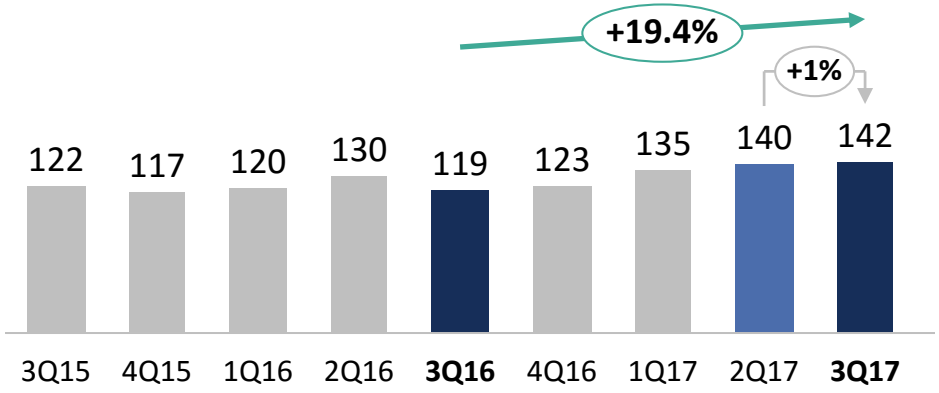
Consistent growth and margin recovery

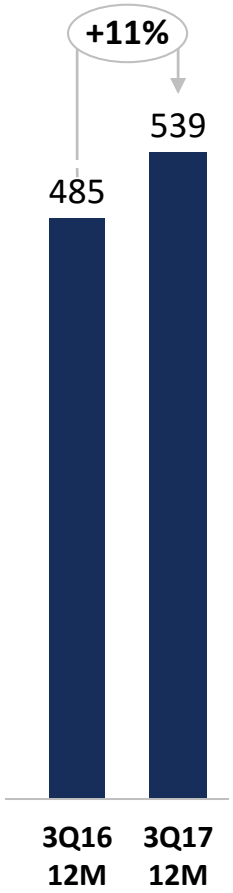
1 Sales Volume	▪ 141.7 Thousand tonnes, **up 19.4%** against 3Q16 due to higher sales in the domestic and foreign markets.
2 Revenues	▪ R$962.7 million, **26.2% up to 3Q16.**
3 Adjusted EBITDA	▪ R$163.4 million, up **64.0% on 3Q16** and equivalent to 17.0% of 3Q17 total revenues.
4 Operacional Cash Flow	▪ **Generation of R$96.3 million** in 3Q17, against consumption of R$9.2 million in 3Q16.
5 Net Income	▪ **R$76.4 million in 3Q17,** significant increase against 3Q16 (R$9.0 million).
6 Interest on Equity	▪ **R$50.0 million** to be paid in November 2017, totalling R$150.0 million in 9M17, corresponding to a **dividend yield of 6.5%.**

SALES VOLUME

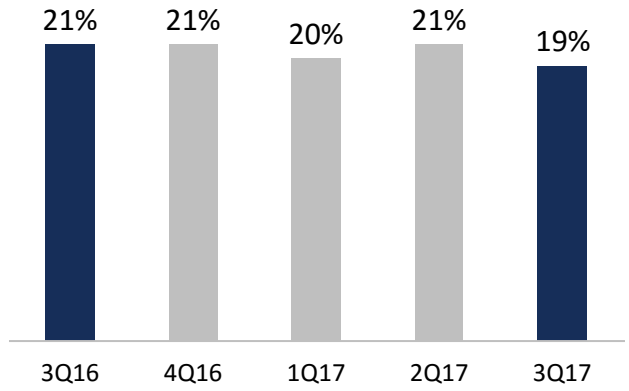
Volume [kton]



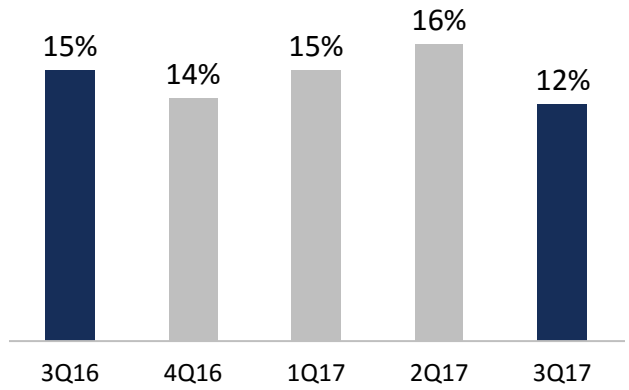




Machining [% automotive volume]

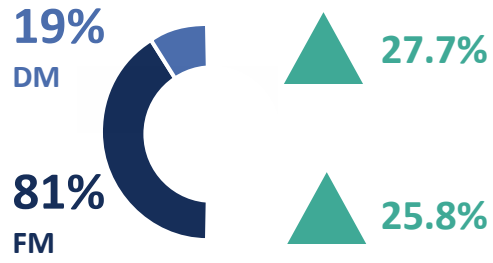


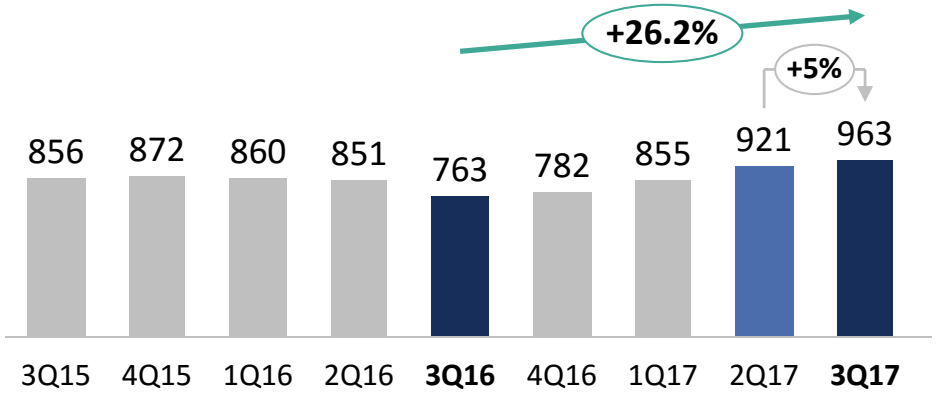
CGI [% automotive volume]

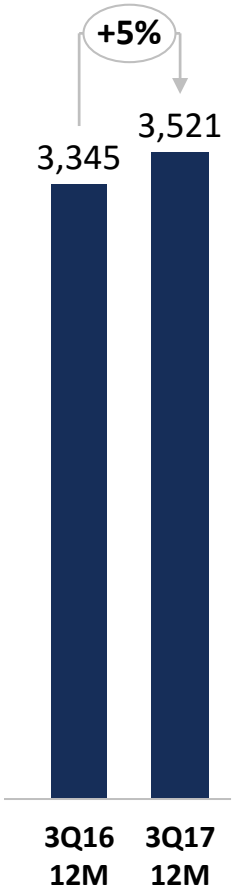


REVENUES

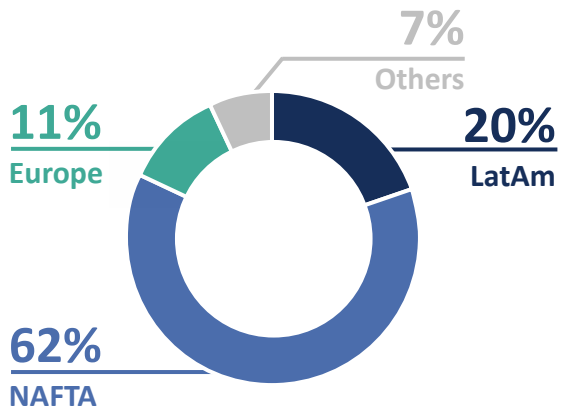
Revenues [M BRL]



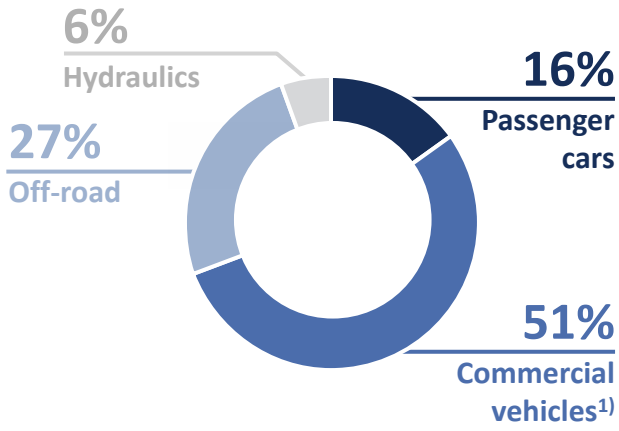




Origin [% revenues]



Application [% revenues]



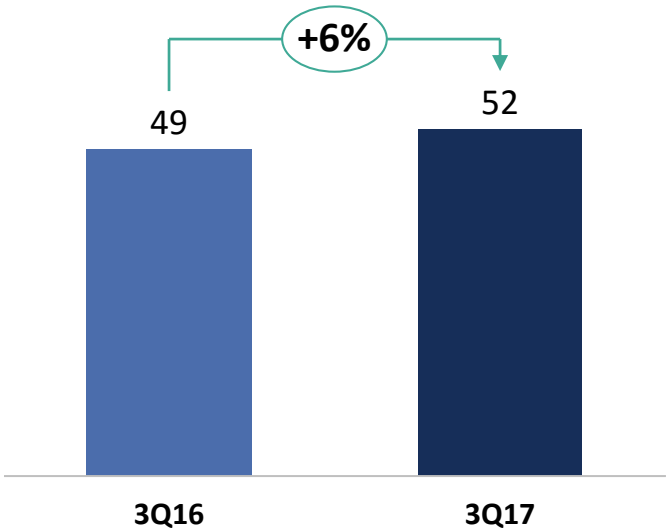
1) Includes light, medium and heavy commercial vehicles

AUTOMOTIVE DOMESTIC MARKET

Passenger cars [M BRL]



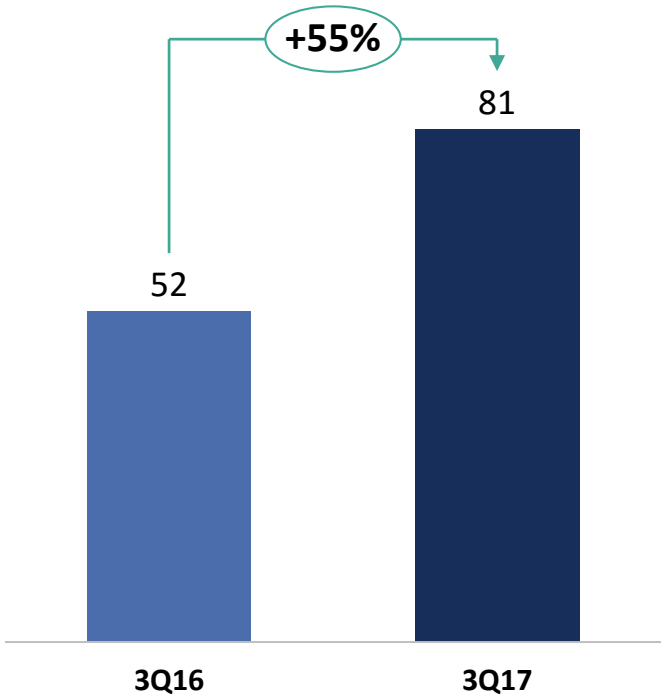
5.4%
of revenues



Commercial vehicles [M BRL]



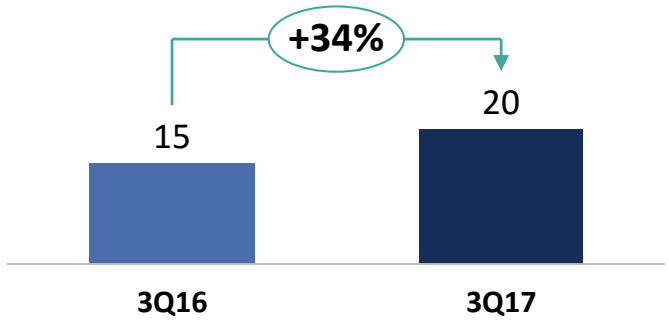
8.4%
of revenues



Off-road [M BRL]

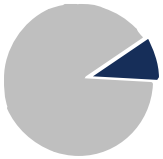


2.1%
of revenues

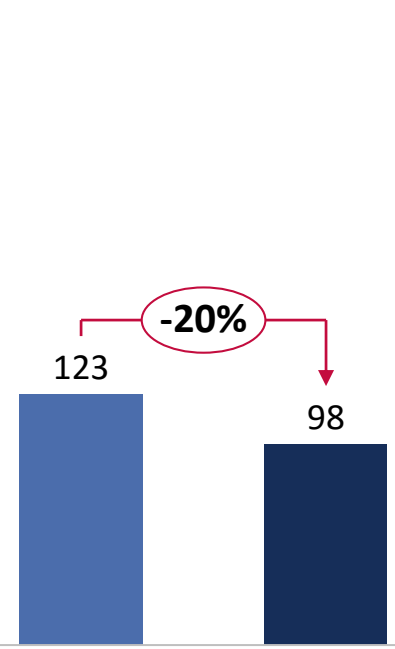


AUTOMOTIVE FOREIGN MARKET

Passenger cars [M BRL]



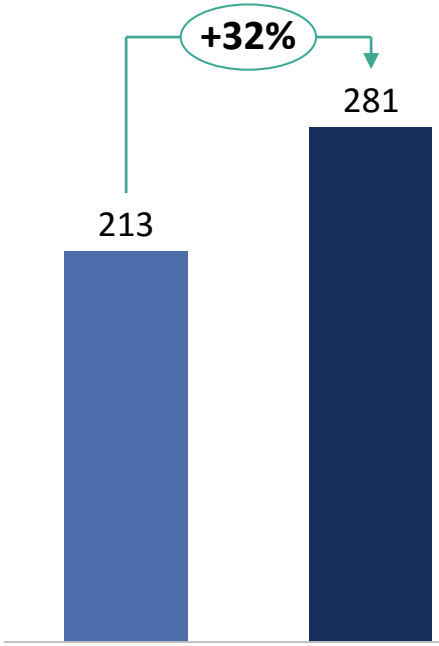
10.2% of revenues



Light commercial [M BRL]



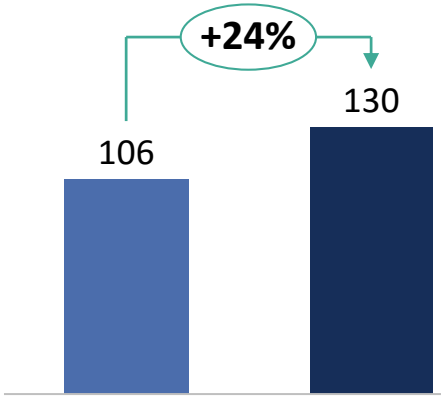
29.1% of revenues



Med. & heavy comercial [M BRL]



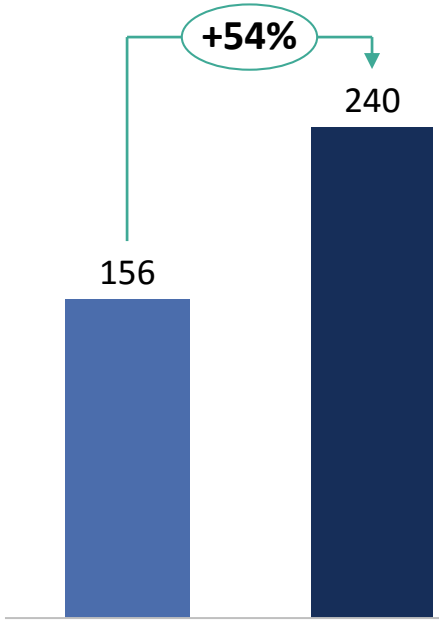
13.5% of revenues



Off-road [M BRL]



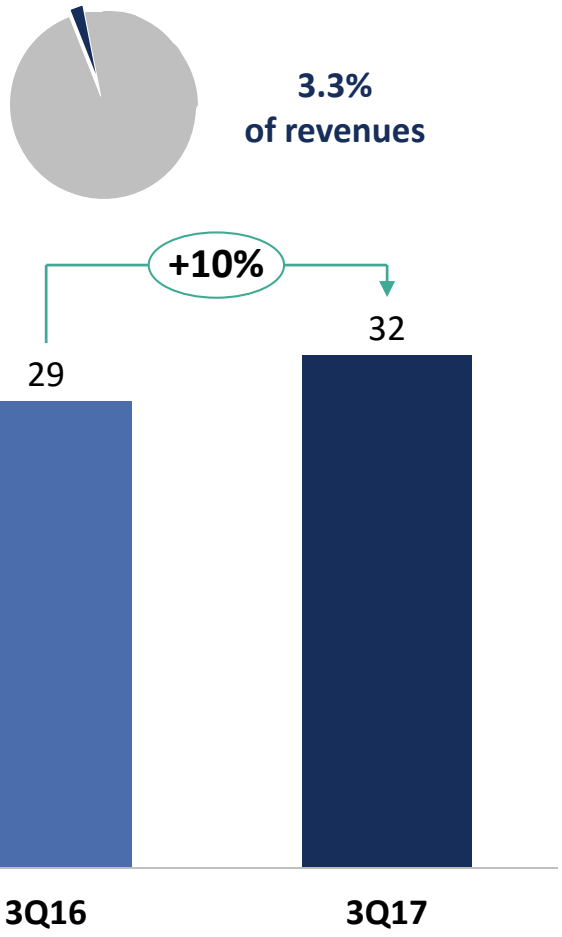
25.0% of revenues



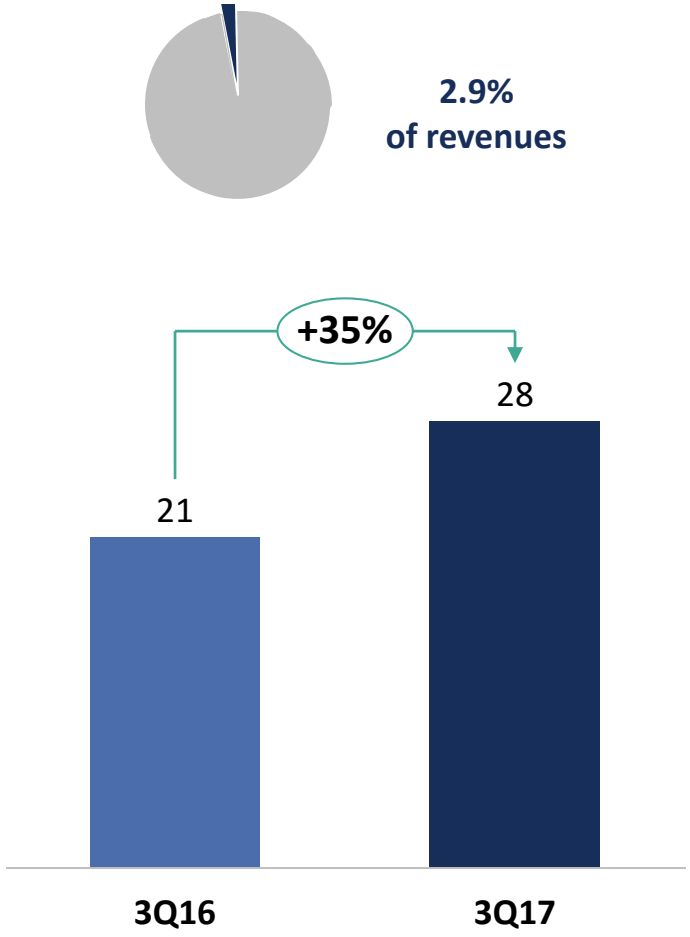
HYDRAULICS

Domestic and Foreign Markets [M BRL]

Domestic Market

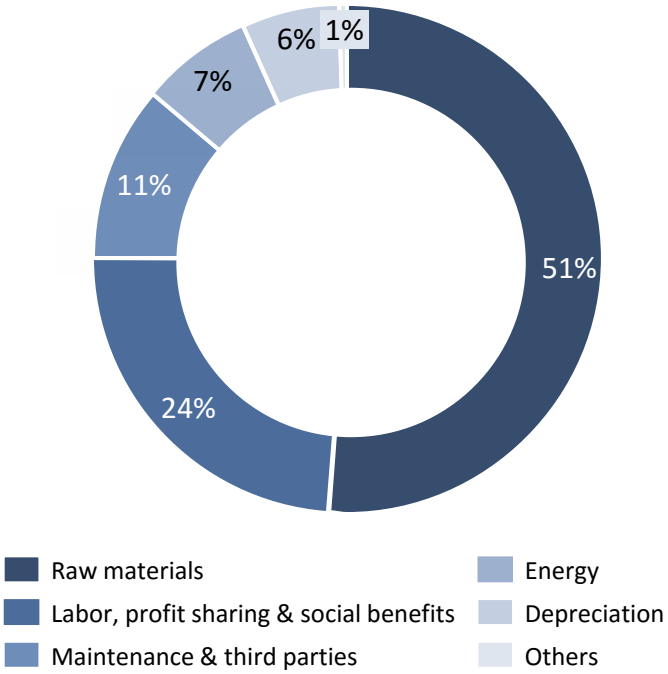


Foreign Markets

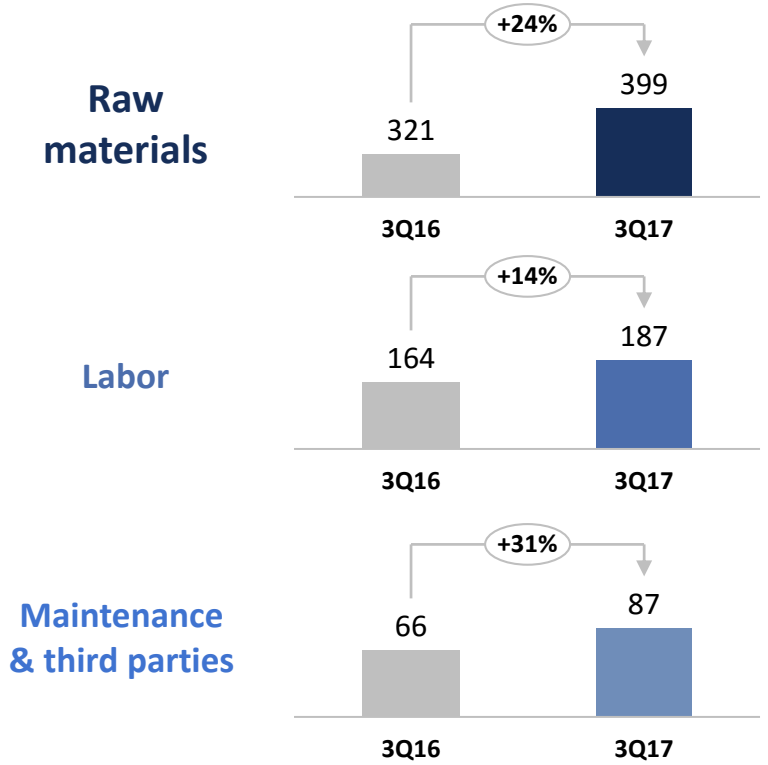


COGS AND SG&A

COGS by nature 3Q17 [%]



Variation of main costs by nature [%]

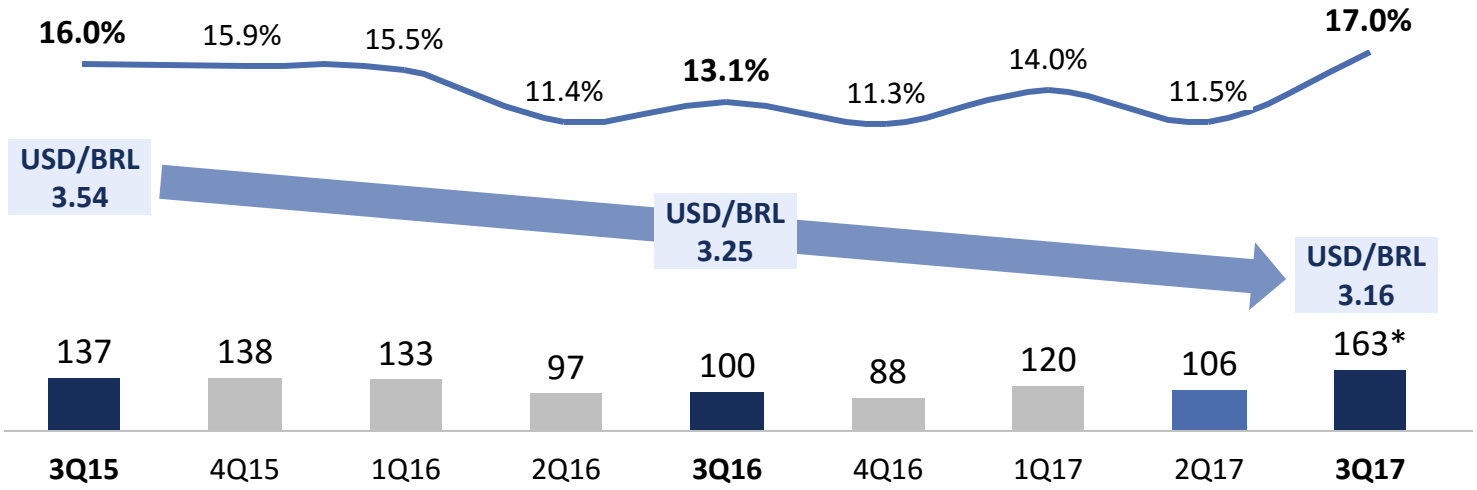


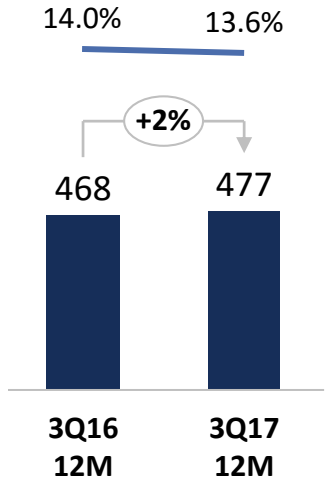
	3Q16		3Q17
COGS	655.9 M BRL	+18.6%	778.2 M BRL
Gross Margin	14.0 %	+5.2pp	19.2 %
SG&A	61.8 M BRL	+18.4%	73.2 M BRL

Fixed Costs Mauá
-10.5 M BRL
+1.1 %

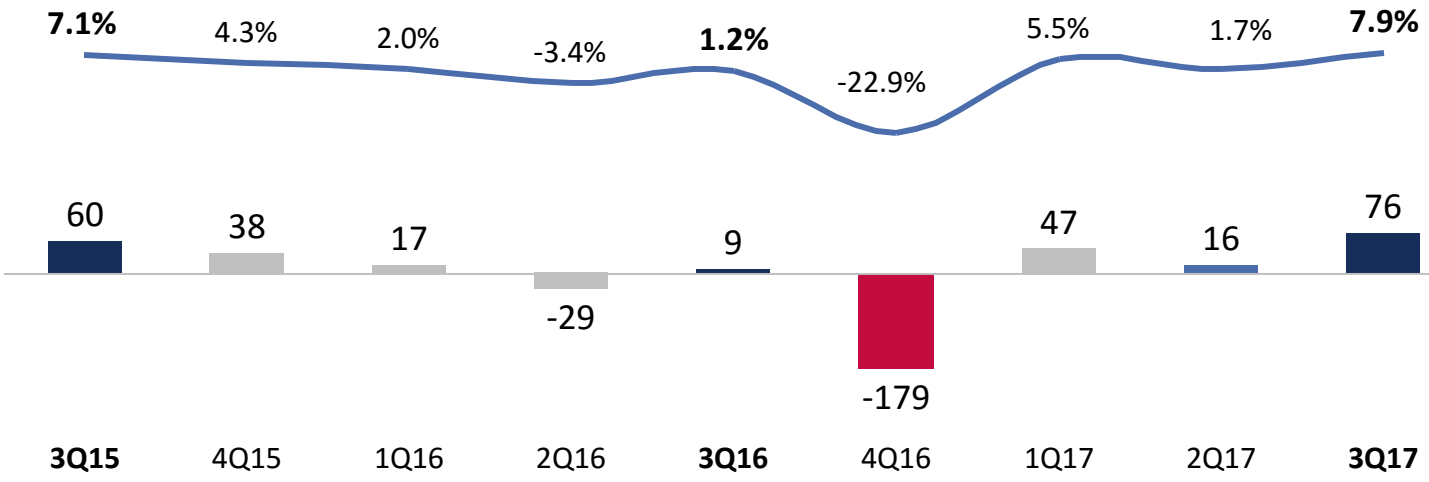
ADJUSTED EBITDA AND NET INCOME

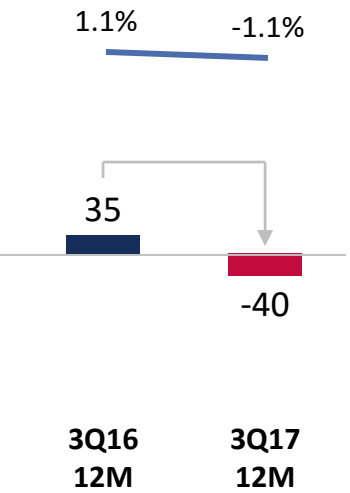
Adjusted EBITDA [M BRL] and EBITDA margin [%]





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

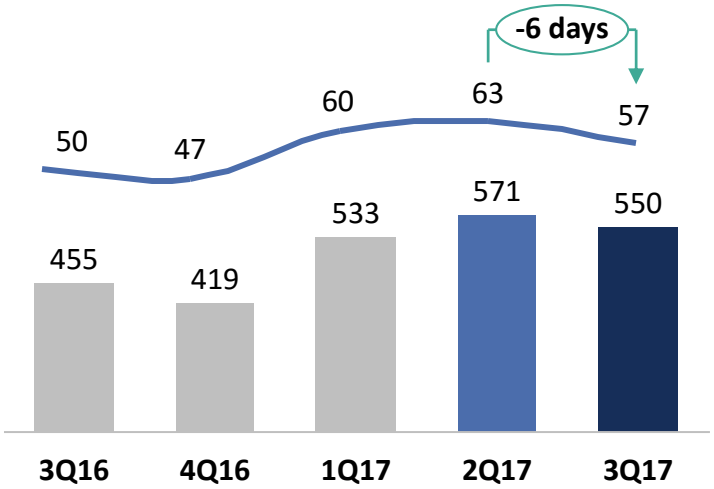




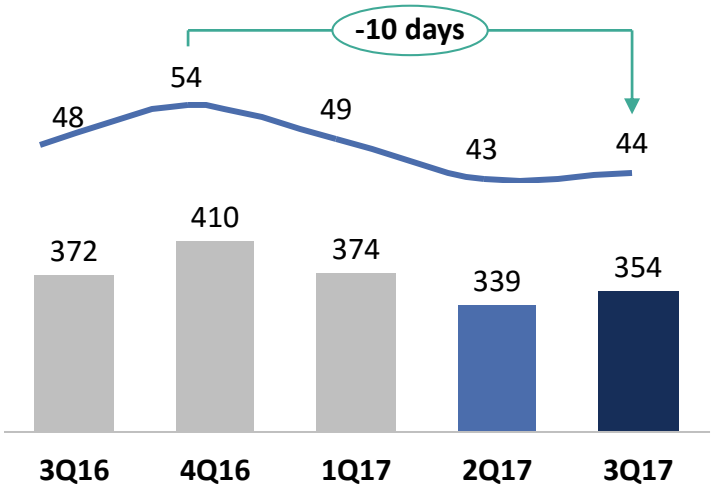
* The adjusted EBITDA was positively impacted by the non recurring revenues amounting to R$11,0 million. Excluding this effect, adjusted EBITDA margin would be 16.0%.

WORKING CAPITAL

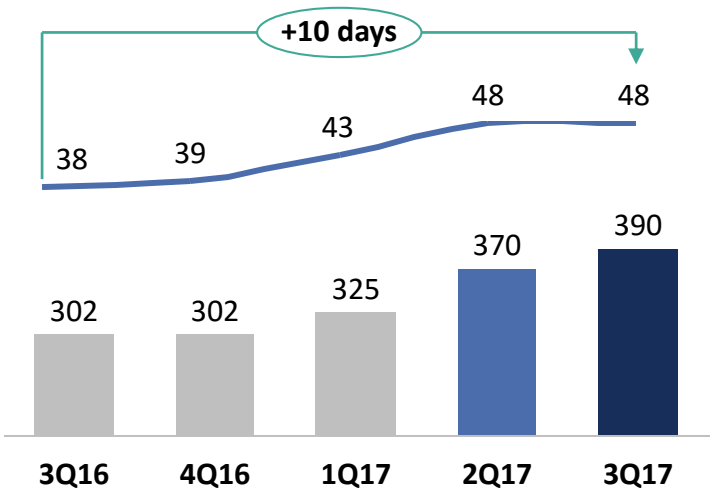
Accounts receivable [M BRL] and DSO [days]



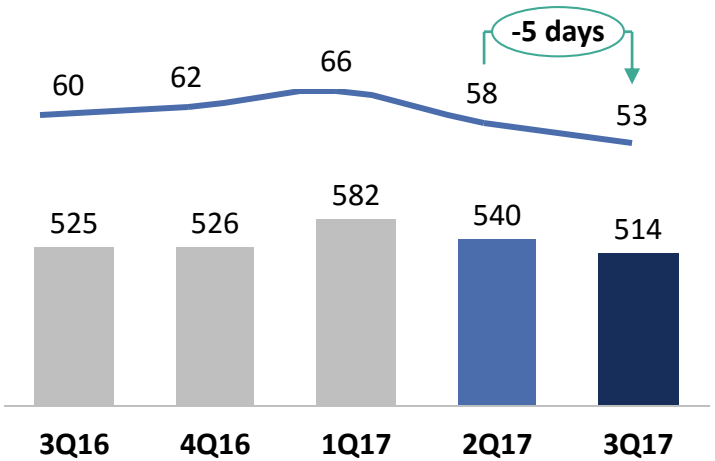
Inventories [M BRL] and DIO [days]



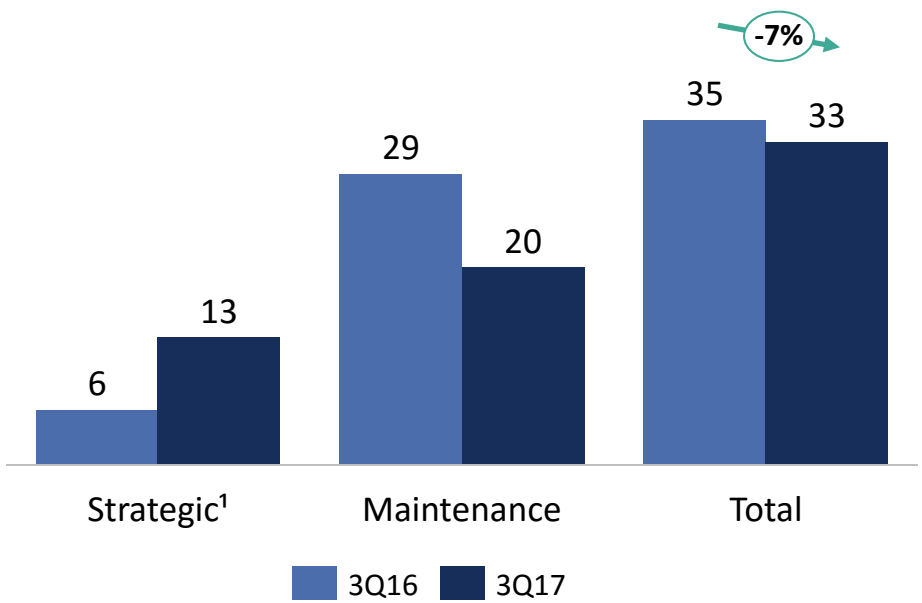
Accounts payable [M BRL] and DPO [days]



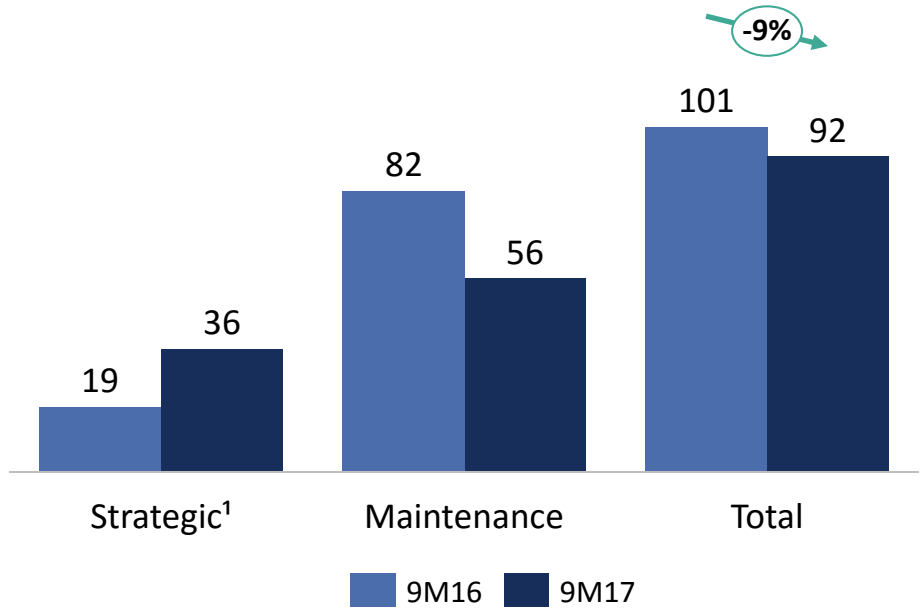
Working capital [M BRL] and CCC [days]



Investments 3Q17 vs. 3Q16 [M BRL]



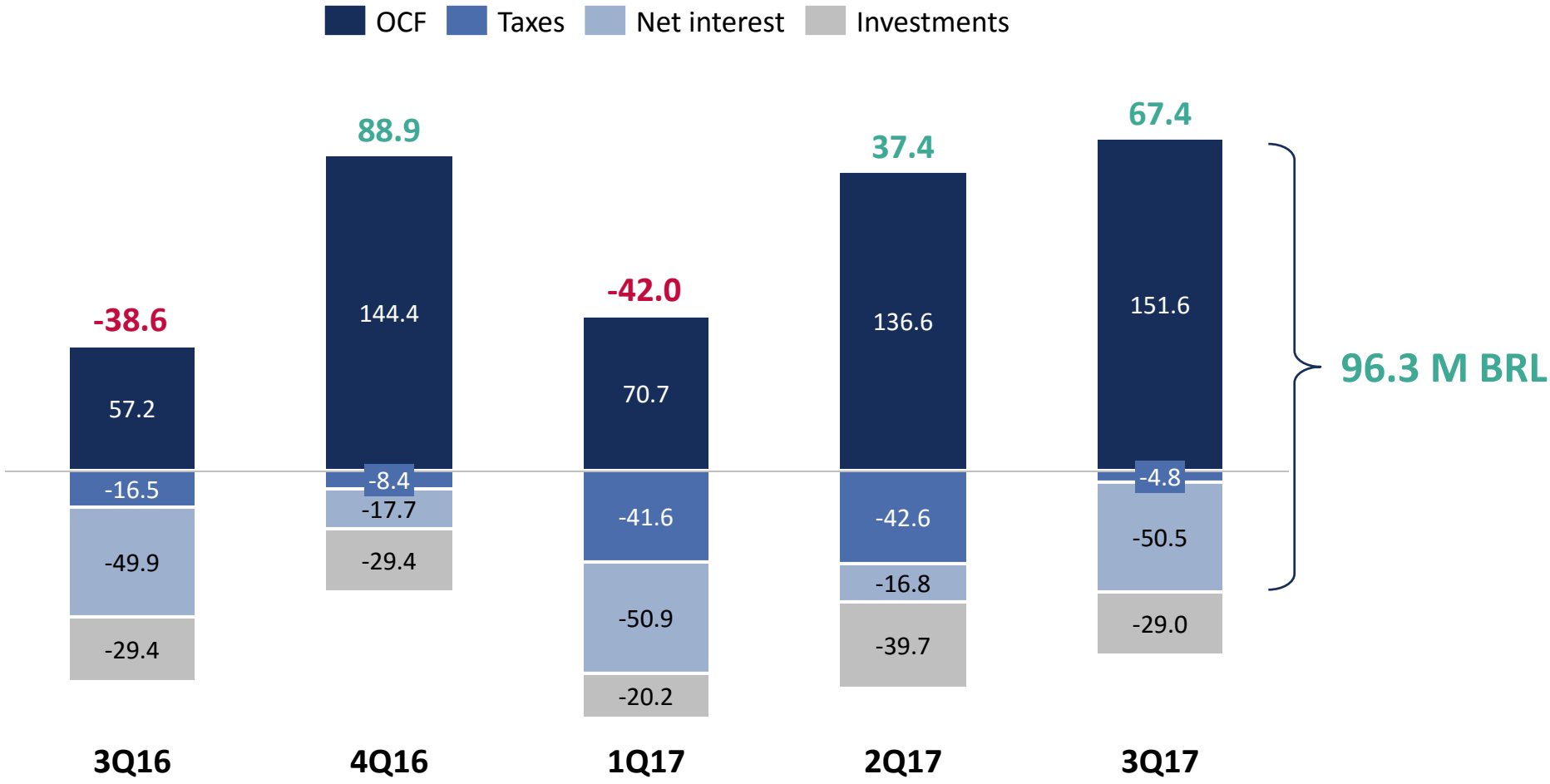
Investments 9M17 vs. 9M16 [M BRL]



› **Strategic investments related to new machining projects**

1) Includes intangibles

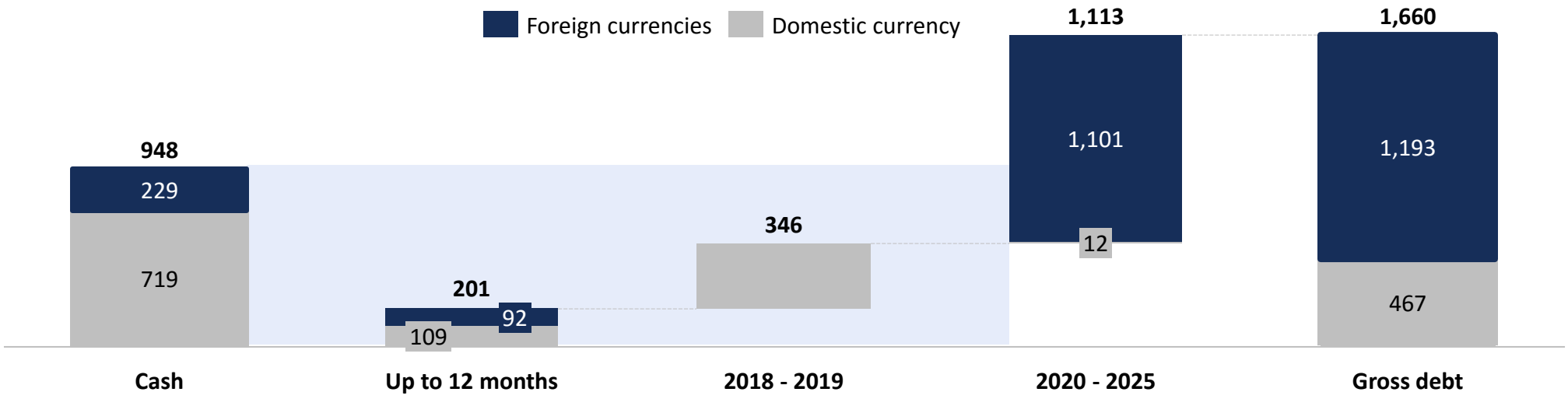
FREE CASH FLOW
[M BRL]



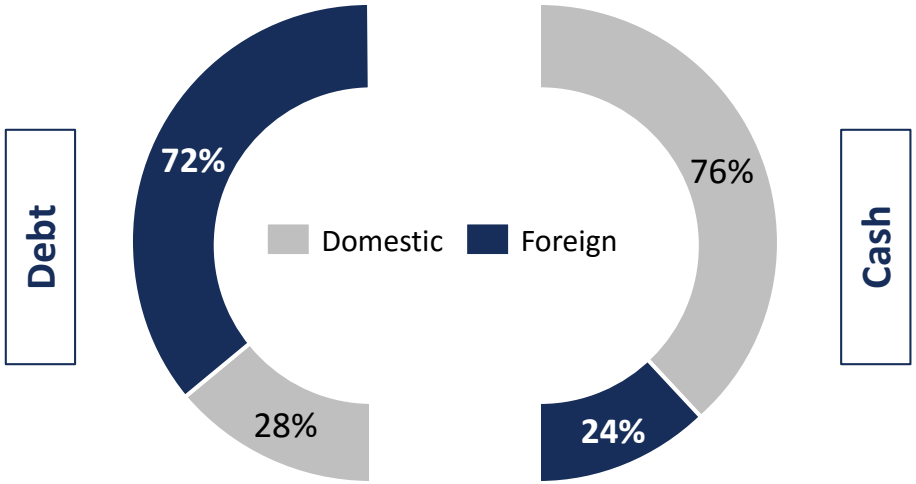
› **Increasing operational results leading to strong cash flow generation**

DEBT STRUCTURE – SEPTEMBER/2017

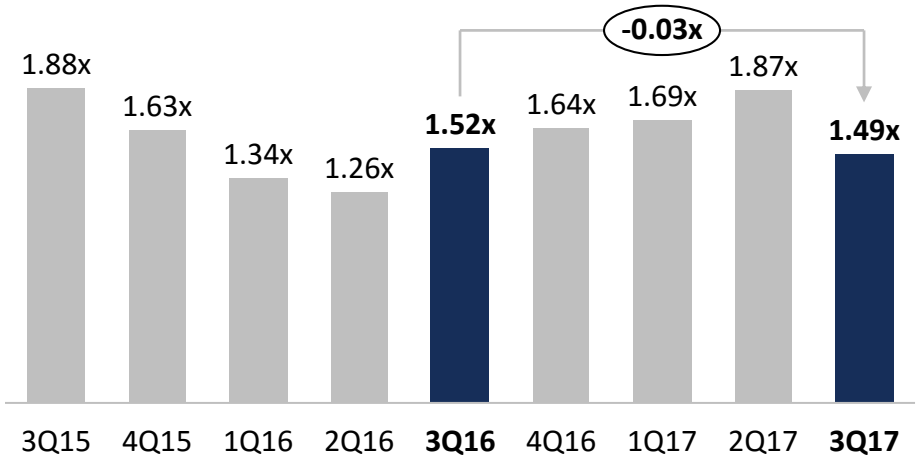
Debt [M BRL]



Currency distribution [% total]



Net debt/Adjusted EBITDA LTM



DISPOSAL OF THE STEEL SHOTS BUSINESS

Motivation for the transaction

- **Low synergies** with other businessess and Company's strategy;
- Product with **low added value;**
- R$30.4* million of net revenue in 2016, corresponding to 0.9% of total Tupy's revenues in the period, **with negative EBITDA of R$0.9* million**.

Conditions

- Deal approved by CADE (antitrust agency) in **August 2017;**
- **2/3 of the transaction value will be paid in kind** as this product is used as raw material.

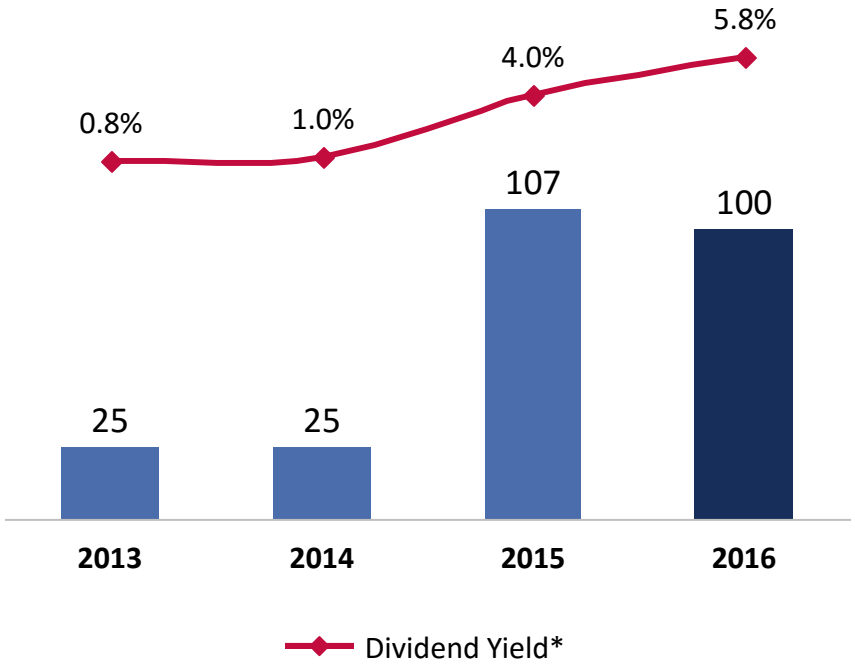


› As in the case of the partial reduction of activities in Mauá, the disposal of this business is aligned to Tupy`s strategy to enhance the rentability and the return on the invested capital

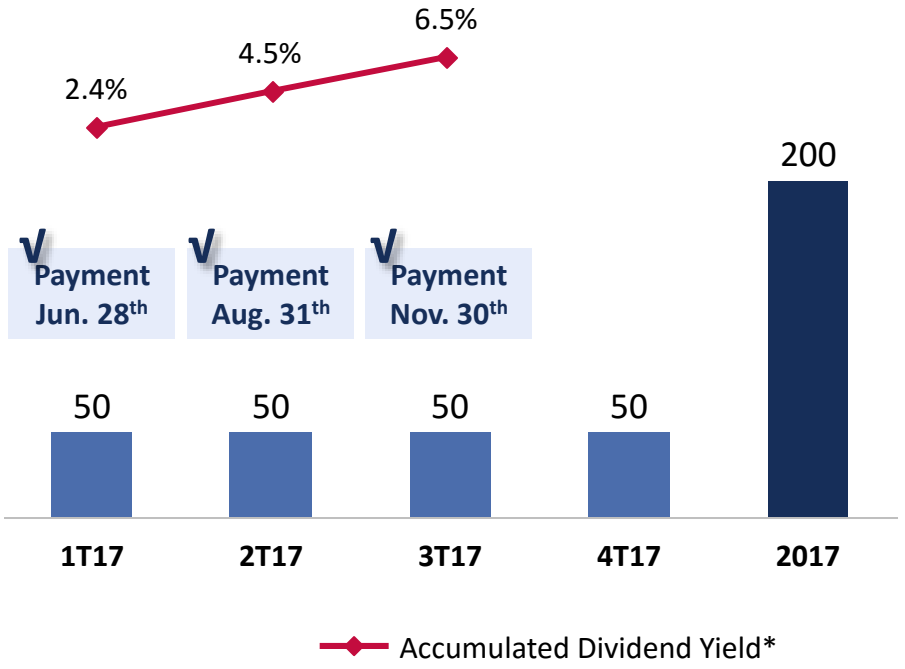
* Including the internal consumption

DISTRIBUTION OF DIVIDENDS & INTEREST ON EQUITY (IOE)

Historical IOE and Dividends [M BRL]



Proposed IOE and Dividends - 2017 [M BRL]



- **Consistent increase in return to shareholders,** despite the incidence of non-recurring costs in 2016
- **257 M BRL paid** between 2013 and 2016

- **Payment of interest on equity and dividends in the amount of 200 M BRL,** related to the fiscal year 2017, with quarterly distribution
- Proposed value considers an optimum structure of capital, minimum cash policy and investment opportunities

* Considering last trading session of each quarter

SUMMARY – GENERATING VALUE TO SHAREHOLDER

1. **Increase** operating margins;
2. **Discipline** on investments;
3. Working capital **management**;
4. Cash **generation**;
5. Efficiency in the **utilization of assets.**
   - Closing of **foundry activities** in Mauá plant
   - Disposal of the **steel shots business**

› **Significative improvement on operational results, despite BRL appreciation**

TUPY

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