TUPY – Worldwide reference in casting

3Q18 Highlights

Operating cash generation of R$ 200.0 million and payment of extraordinary dividends

Earnings conference call

Date: November 08, 2018

Portuguese/English

1:00 p.m. (Brasília) / **10:00 a.m.** (EST)

Dial in USA: +1 646 828-8246
Toll free USA: + 1 800 492-3904
Dial in Brazil: +55 11 3193-1001
Dial in Brazil: +55 11 2820-4001
Code: Tupy
Website: http://www.tupy.com.br/ir

Investor Relations

Thiago Fontoura Struminski
CFO & Investor Relations Officer

Hugo Zierth
IR Manager

Renan Oliveira
IR Analyst

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

- **Revenue:** R$1,315.8 million, Tupy's highest quarterly amount. Increase of 36.7% against 3Q17, due to volume growth, pass through of costs, improved mix of products and BRL depreciation.

- **Adjusted EBITDA:** R$196.8 million, up 20.4% compared to the same period of the previous year and equivalent to 15.0% of revenue in 3Q18.

- **Operating cash generation:** R$200.0 million, Tupy's best result for a third quarter, up 107.6% against 3Q17.

- **Net Income:** R$88.6 million, up 16.1% compared to the same period of the previous year.

- **Payment of proceeds:** distribution of dividends and interest on equity in the amount of R$50.0 million to be paid in November 2018, of which R$12.5 million as extraordinary dividends (additional amount to what was previously disclosed to the market).

- **Sale of non-strategic assets:** long-term partnership for the development of allotment in one of the Company's lands. The net present value for Tupy is approximately R$58.0 million, with R$10.0 million down payment to be received by June, 2019.

Note: Unless otherwise stated, the comparisons shown in percentage variations are based on the same period of 2017.

MAIN INDICATORS

Consolidated (R$ thousand)

SUMMARY	3Q18	3Q17	Var. [%]	9M18	9M17	Var.[%]
Revenue	**1,315,819**	**962,664**	**36.7%**	**3,593,194**	**2,738,851**	**31.2%**
Cost of goods sold	(1,086,205)	(778,212)	39.6%	(2,983,598)	(2,287,307)	30.4%
Gross profit	**229,614**	**184,452**	**24.5%**	**609,596**	**451,544**	**35.0%**
% on revenue	*17.5%*	*19.2%*		*17.0%*	*16.5%*	
Operating expenses	(92,132)	(73,196)	25.9%	(253,008)	(224,666)	12.6%
Other operating expenses	(27,249)	(13,975)	95.0%	(65,697)	(84,313)	-22.1%
Income before financial results	**110,233**	**97,281**	**13.3%**	**290,891**	**142,565**	**104.0%**
% on revenue	*8.4%*	*10.1%*		*8.1%*	*5.2%*	
Net financial result	(19,239)	(13,415)	43.4%	(57,600)	(39,964)	44.1%
Income before taxes	**90,994**	**83,866**	**8.5%**	**233,291**	**102,601**	**127.4%**
% on revenue	*6.9%*	*8.7%*		*6.5%*	*3.7%*	
Income tax and social contribution	(2,357)	(7,506)	-68.6%	(39,484)	36,866	-
Net income	**88,637**	**76,360**	**16.1%**	**193,807**	**139,467**	**39.0%**
% on revenue	*6.7%*	*7.9%*		*5.4%*	*5.1%*	
EBITDA (Inst. CVM 527/12)	**182,933**	**159,627**	**14.6%**	**497,055**	**335,760**	**48.0%**
% on revenue	*13.9%*	*16.6%*		*13.8%*	*12.3%*	
Adjusted EBITDA	**196,791**	**163,384**	**20.4%**	**525,893**	**388,850**	**35.2%**
% on revenue	*15.0%*	*17.0%*		*14.6%*	*14.2%*	
Average exchange rate (BRL/USD)	3.95	3.16	24.9%	3.61	3.18	13.6%
Average exchange rate (BRL/EUR)	4.59	3.72	23.6%	4.30	3.54	21.4%

SALES VOLUME

Consolidated (ton)

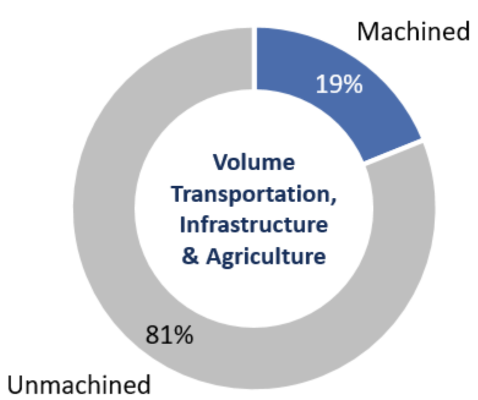
	3Q18	3Q17	Var. [%]	9M18	9M17	Var. [%]
Domestic market	**30,253**	**30,651**	**-1.3%**	**86,543**	**84,150**	**2.8%**
Transportation, Infrastructure & Agriculture	26,493	25,599	3.5%	75,825	69,221	9.5%
Hydraulics	3,760	5,052	-25.6%	10,718	14,929	-28.2%
Foreign market	**122,372**	**111,010**	**10.2%**	**368,578**	**332,534**	**10.8%**
Transportation, Infrastructure & Agriculture	118,361	105,846	11.8%	355,145	320,222	10.9%
Hydraulics	4,011	5,164	-22.3%	13,433	12,312	9.1%
Total sales volume	**152,625**	**141,661**	**7.7%**	**455,121**	**416,684**	**9.2%**

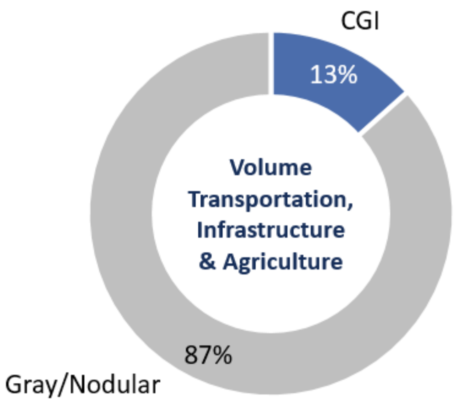
Sales volume in 3Q18 increased by 7.7% against 3Q17, chiefly due to the following factors:

- 11.8% increase in sales to the transportation, infrastructure and agriculture segment in the foreign market, mainly reflecting the growth of commercial vehicles in the North American market. The domestic market presented growth of 3.5%, especially the applications for commercial vehicles and agricultural machinery.

- Drop of 25.6% and 22.3% in the hydraulics segment in the domestic and foreign markets, respectively. The reduction in volume reflects the disinvestment of the steel shots unit in 3Q17, as well as the strong comparison base due to the increase in pipe fittings and iron bars in that period, in addition to the commercial repositioning of certain products.

- The transportation, infrastructure and agriculture segment portfolio comprised of 19% partially or fully machined products. The breakdown of products by type of material shows that Compacted Graphite Iron – CGI accounted for a sales volume of 13%.





REVENUES

Revenues increased by 32.3% compared to 3Q17, mainly due to volume growth, devaluation of the BRL and pass through of raw material costs.

In the domestic market, the 22.3% growth was due to the increase in revenues from all transportation, infrastructure and agriculture segments, highlighting commercial and off road vehicles, which increased by 38.0% and 44.0%, respectively.

In the foreign market, net revenues increased by 40.1%, due to the significant growth in all applications, as well as the depreciation of the BRL against the US Dollar and the Euro in the period (average exchange rate of BRL/USD 3.95 and BRL/EUR 4.59 in 3Q18 vs. BRL/USD 3.16 and BRL/EUR 3.72 in 3Q17).

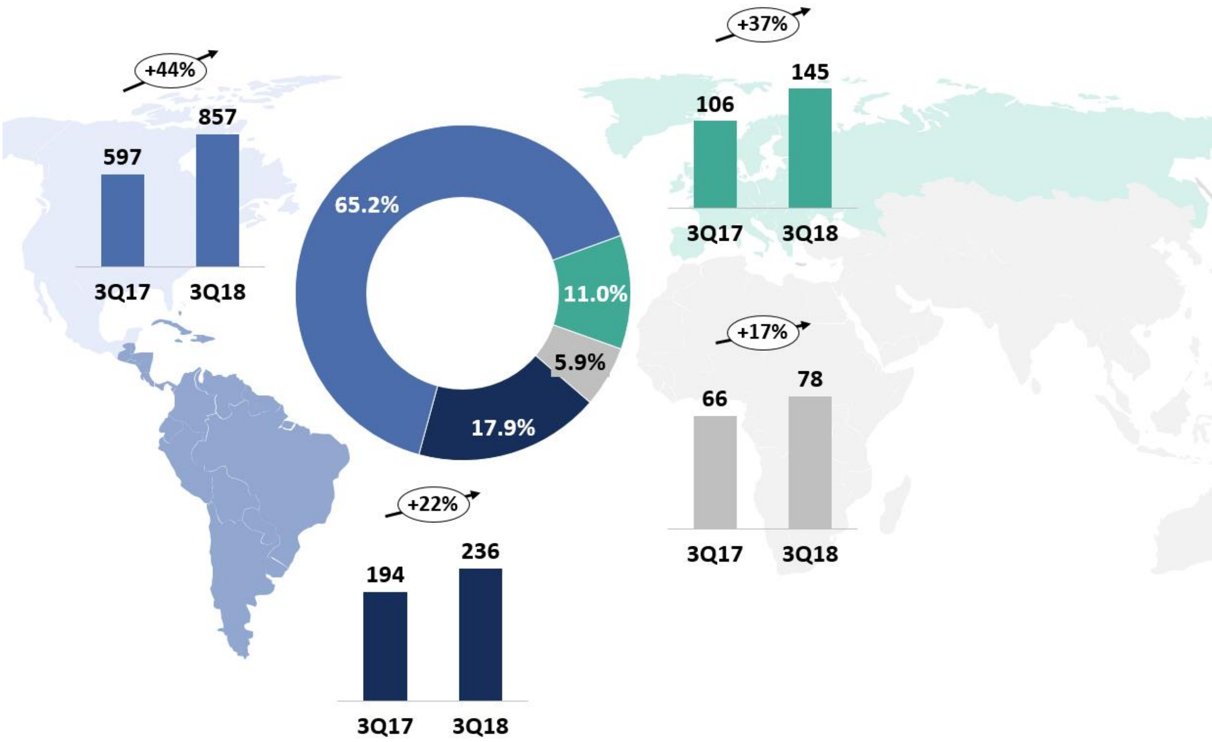
Consolidated (R$ thousand)

	3Q18	3Q17	Var.[%]	9M18	9M17	Var.[%]
Revenue by market	**1,315,819**	**962,664**	**36.7%**	**3,593,194**	**2,738,851**	**31.2%**
Domestic market	226,230	184,933	22.3%	615,484	489,547	25.7%
% share	*17.2%*	*19.2%*		*17.1%*	*17.9%*	
Foreign market	1,089,589	777,731	40.1%	2,977,710	2,249,304	32.4%
% share	*82.8%*	*80.8%*		*82.9%*	*82.1%*	
Revenue by market	**1,315,819**	**962,664**	**36.7%**	**3,593,194**	**2,738,851**	**31.2%**
Transportation, Infrastructure & Agriculture	1,257,160	902,712	39.3%	3,423,988	2,584,817	32.5%
% share	*95.5%*	*93.8%*		*95.3%*	*94.4%*	
Hydraulics	58,659	59,952	-2.2%	169,206	154,034	9.8%
% share	*4.5%*	*6.2%*		*4.7%*	*5.6%*	

Revenues by market and performance in the period

In 3Q18, 65.2% of revenues came from North America. In turn, South and Central America accounted for 17.9%, and Europe was 11.0% of total revenues. The remaining 5.9% came from Asia, Africa and Oceania.

It is worth mentioning that several customers with plants in the United States export their products worldwide. Therefore, a significant portion of our sales to this region is also driven by global demand for commercial vehicles, machinery and equipment.



Consolidated (R$ thousand)

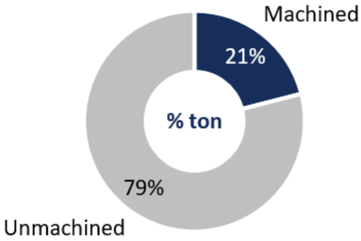
	3Q18	3Q17	Var. [%]	9M18	9M17	Var. [%]
Revenue	**1,315,819**	**962,664**	**36.7%**	**3,593,194**	**2,738,851**	**31.2%**
Domestic market	**226,230**	**184,933**	**22.3%**	**615,484**	**489,547**	**25.7%**
Transportation, Infrastructure & Agriculture	**195,001**	**152,887**	**27.5%**	**525,987**	**399,686**	**31.6%**
Passenger cars	54,216	51,731	4.8%	151,895	141,649	7.2%
Commercial vehicles	112,032	81,188	38.0%	300,879	200,221	50.3%
Off road	28,752	19,968	44.0%	73,213	57,816	26.6%
Hydraulics	**31,229**	**32,046**	**-2.5%**	**89,497**	**89,861**	**-0.4%**
Foreign market	**1,089,589**	**777,731**	**40.1%**	**2,977,710**	**2,249,304**	**32.4%**
Transportation, Infrastructure & Agriculture	**1,062,159**	**749,825**	**41.7%**	**2,898,001**	**2,185,131**	**32.6%**
Passenger cars	124,439	98,490	26.3%	337,556	289,455	16.6%
Light commercial vehicles	421,564	280,507	50.3%	1,166,477	853,196	36.7%
Medium and heavy commercial vehicles	183,551	130,332	40.8%	511,038	409,047	24.9%
Off road	332,605	240,496	38.3%	882,929	633,433	39.4%
Hydraulics	**27,430**	**27,906**	**-1.7%**	**79,709**	**64,173**	**24.2%**

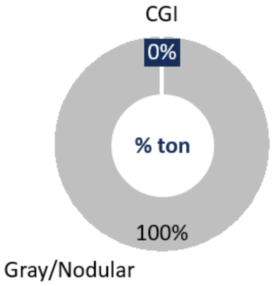
Note: The division between commercial and off road vehicles takes into account our best assumptions on the same product for these

DOMESTIC MARKET (DM)

Passenger Cars

Δ % Revenues	% Revenues	% Revenues DM
4.8% ▲	4.1%	24.0%

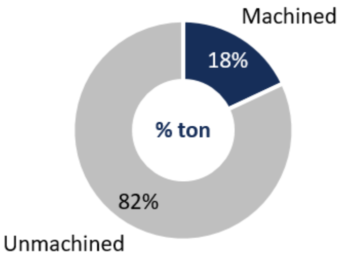


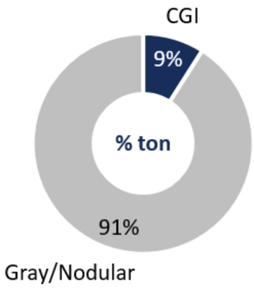


Revenues from sales of this application increased by 4.8% in 3Q18 compared to the same period of the previous year, mainly due to the resumption of licensing in the country.

Commercial Vehicles

Δ % Revenues	% Revenues	% Revenues DM
38.0% ▲	8.5%	49.5%

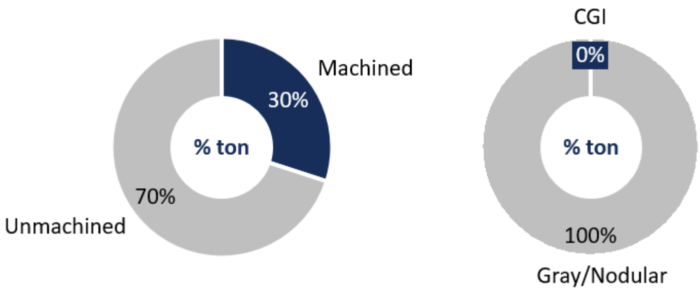




Despite the uncertainties arising from the economic and electoral scenarios, revenues from applications for commercial vehicles rose by 38.0% compared to the same period of the previous year, due to the increased production of trucks in Brazil. We highlight indirect exports opportunities (especially for the European market), as well as increased demand for heavy vehicles.

Off road

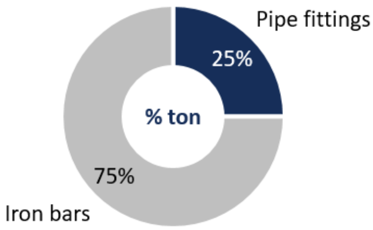
Δ % Revenues	% Revenues	% Revenues DM
44.0% ▲	2.2%	12.7%



Tupy’s revenues from machinery and off road vehicles rose by 44.0% in 3Q18 (higher than the market’s growth) driven by the strong volume of applications produced in order to serve the domestic and foreign markets (indirect export).

Hydraulics

Δ % Revenues	% Revenues	% Revenues DM
-2.5% ▼	2.4%	13.8%

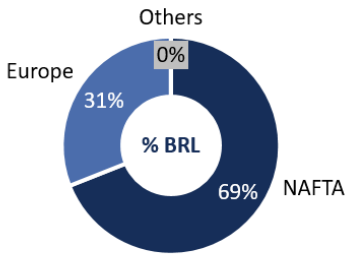


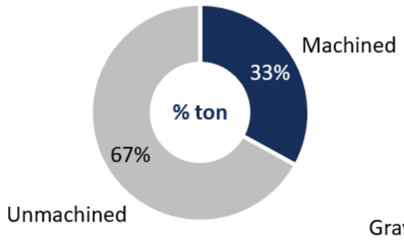
In 3Q18, sales revenues from the hydraulics segment decreased by 2.5% compared to the same period in 2017. The reduction is mainly due to the disposal of the steel shots unit in 3Q17.

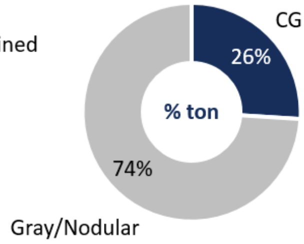
FOREIGN MARKET (FM)

Passenger Cars

Δ % Revenues	% Revenues	% Revenues FM
26.3% ▲	9.5%	11.4%



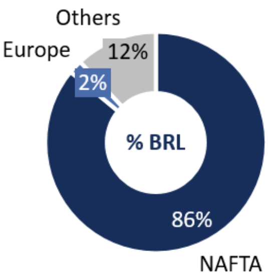


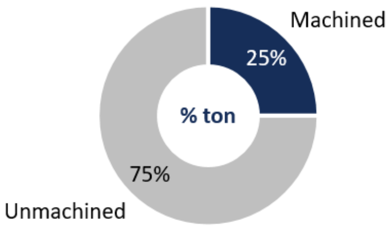


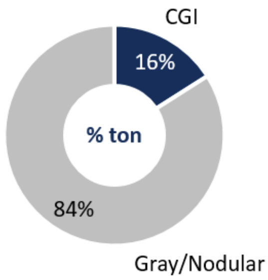
Revenues from passenger cars increased by 26.3% compared to 3Q17. In addition to the favorable exchange rate scenario resulting from the devaluation of the BRL, the Company gained share in a high volume product in the period.

Light Commercial Vehicles

Δ % Revenues	% Revenues	% Revenues FM
50.3% ▲	32.0%	38.7%

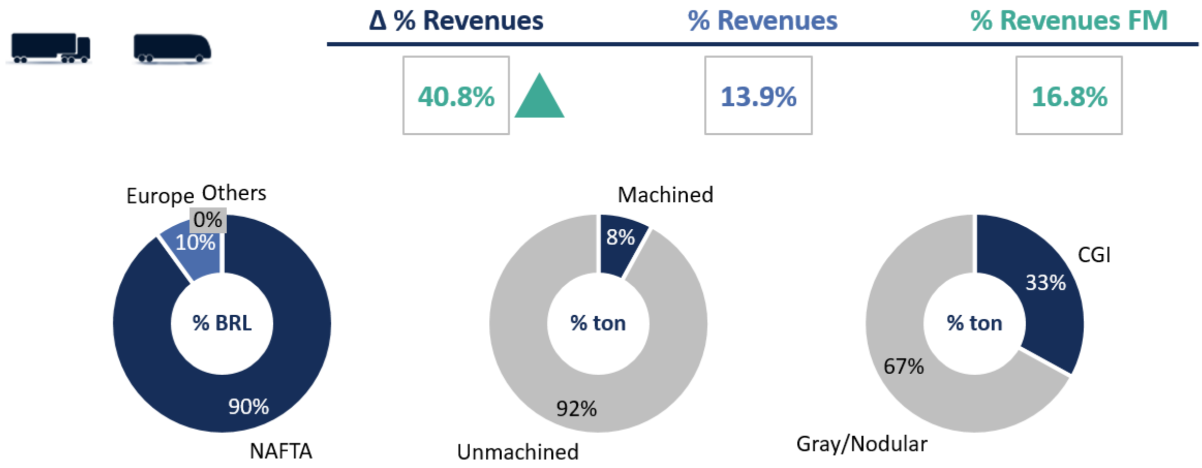






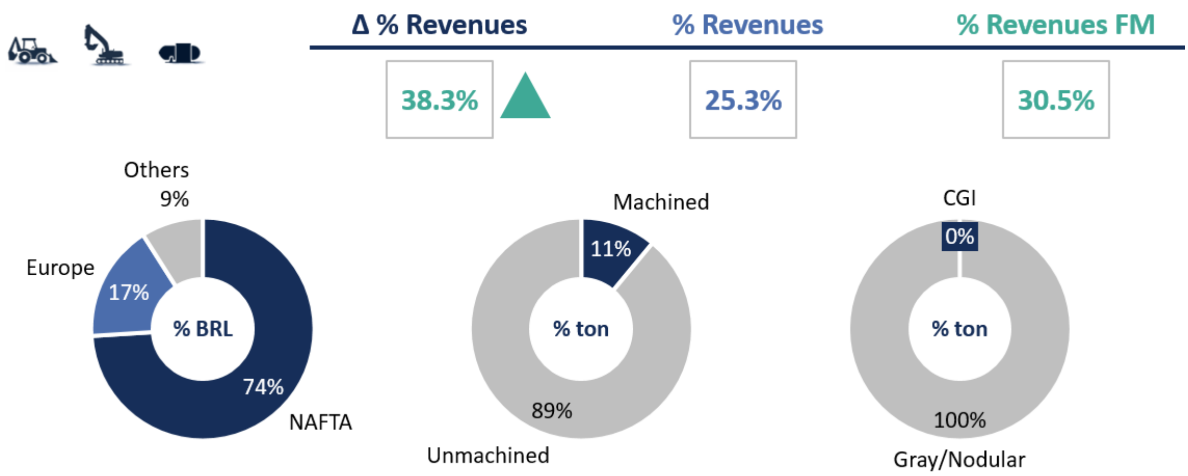
Sales for this application were positively impacted in the period by the performance of the US market, due to the demand for utility vehicles used by independent professionals and small & medium sized companies in a large number of applications, as well as phase in of projects. In 3Q18, the segment consisting of pick-ups and SUVs accounted for 70% of sales in the "light vehicles" category in the US, compared to 65% in 3Q17.

Medium and Heavy Commercial Vehicles



Revenues from medium and heavy commercial vehicles is mainly due to the positive performance of the US and European markets, especially in heavy vehicle applications (class 8), and is related to the growth of the economy and, consequently, the demand for cargo transportation and infrastructure. A gain in market share was also observed in this period.

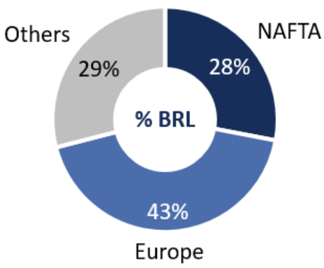
Off road

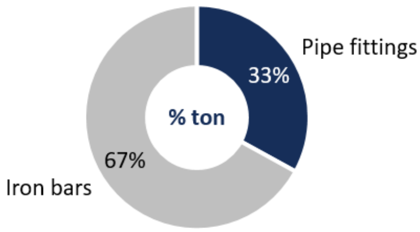


Sales of off road applications in 3Q18 increased by 38.3% compared to the same period in 2017, due to the positive performance of the market, especially investments in the oil & gas, mining and infrastructure segments, among others.

Hydraulics

Δ % Revenues	% Revenues	% Revenues FM
-1.7% ▼	2.1%	2.5%





In 3Q18, net revenues from sales of pipe fittings and iron bars decreased by 1.7%.

COST OF GOODS SOLD AND OPERATING EXPENSES

The cost of goods sold (COGS) in 3Q18 amounted to R$1,086.2 million, up by 39.6% compared to 3Q17. Operating expenses amounted to R$92.1 million, up 25.9% over 3Q17.

Consolidated (R$ thousand)

	3Q18	3Q17	Var. [%]	9M18	9M17	Var.[%]
Revenue	**1,315,819**	**962,664**	**36.7%**	**3,593,194**	**2,738,851**	**31.2%**
Cost of goods sold	**(1,086,205)**	**(778,212)**	**39.6%**	**(2,983,598)**	**(2,287,307)**	**30.4%**
Raw material	(625,565)	(399,375)	56.6%	(1,698,090)	(1,167,456)	45.5%
Labor, profit sharing and social benefits	(239,014)	(186,708)	28.0%	(666,473)	(542,669)	22.8%
Maintenance and third parties	(97,096)	(86,525)	12.2%	(257,475)	(251,606)	2.3%
Energy	(57,263)	(55,149)	3.8%	(163,982)	(161,344)	1.6%
Depreciation	(56,342)	(48,991)	15.0%	(160,272)	(152,566)	5.1%
Others	(10,925)	(1,464)	646.2%	(37,306)	(11,666)	219.8%
Gross profit	**229,614**	**184,452**	**24.5%**	**609,596**	**451,544**	**35.0%**
% on revenue	*17.5%*	*19.2%*		*17.0%*	*16.5%*	
Operating expenses	**(92,132)**	**(73,196)**	**25.9%**	**(253,008)**	**(224,666)**	**12.6%**
% on revenue	*7.0%*	*7.6%*		*7.0%*	*8.2%*	

Gross margin was 17.5% in the period, against 19.2% in 3Q17. **However, there is a consistent improvement of this indicator throughout the year, which increased 1.3 e and 0.4 percentage points in relation to the gross margin presented in 1Q18 and 2Q18 (16.2% and 17.1%, respectively)** due to several actions taken to increase operational efficiency.

The COGS variation in 3Q18 compared to the same period in 2017 was impacted by specific factors such as the readjustment of the working hours in Joinville (with a positive effect from 2019) and the ramp up of new products, as well as a mix of more products complex. We also observed effects related to the truck stoppage that occurred in May, such as freight increase, and end of payroll tax exemption and incentives for export companies (“reintegra”), which will be compensated according to established commercial conditions and cost reduction initiatives. In relation to 3Q18 results, we highlight the following factors:

- 56.6% rise in raw material costs, driven by increased production volumes and higher raw material in the period (including the effect of the minimum freight rate, resulting from the truck drivers' strike in 2Q18), as well as the devaluation of the BRL, since raw material costs of our Mexican operations are denominated in US Dollars.

- 28.0% labor cost increase mainly due to higher headcount and overtime required to meet a higher volume of operations, as well as the collective bargain agreement and currency depreciation. The impact of the payroll taxes was also observed as of September.

- 12.2% increase in maintenance materials and third parties, mainly due to increased production volumes.

- 3.8% rise in energy costs. The increased volume produced was offset by the sale of the steel shots unit and efficiency measures.

- R$9.5 million increase in other costs, chiefly due to reclassification among lines (amounts that were previously allocated as maintenance and third parties services). In addition, the annual comparison was affected by reversals of provisions made in 3Q17.

Operating expenses, which include administrative and commercial expenses, accounted for 7.0% of net revenues, reduction of 0.6 percentage point compared to the same period of the previous year, reaching R$92.1 million. This figure represented an increase of 25.9% in relation to 3Q17, mainly due to higher labor and freight expenses, as well as commissions on sales, as a result of the increased sales volume and currency depreciation. The impact of the application of the freight table on the transportation of the finished and semi-finished products was also a factor.

OTHER OPERATING EXPENSES

Other net operating expenses amounted to R$27.2 million in 3Q18, against R$14.0 million in 3Q17, corresponding to a 95.0% increase.

Consolidated (R$ thousand)

	3Q18	3Q17	Var. [%]	9M18	9M17	Var.[%]
Depreciation of non-operating assets	(175)	(176)	-0.6%	(523)	(532)	-1.7%
Amortization of intangibles assets	(13,216)	(10,042)	31.6%	(36,336)	(30,691)	18.4%
Restructuring of the Mauá plant	-	1,517	-	-	(44,141)	-
Others	(13,858)	(5,274)	162.8%	(28,838)	(8,949)	222.2%
Other net operating expenses	**(27,249)**	**(13,975)**	**95.0%**	**(65,697)**	**(84,313)**	**-22.1%**

Expenses related to the amortization of intangible assets increased by 31.6%, mainly due to the exchange variation on the contractual relationship with customers, arising from the acquisition of operations in Mexico in 2012.

The “Others” item mainly includes constitution and updates of provisions, PP&E write-offs and income from the sale of unserviceable assets. The variation in relation to the previous year is mainly due to the difference between the value of the sale/write-off of assets and their residual value in the quarters.

NET FINANCIAL INCOME

In 3Q18, the Company recorded net financial expenses of R$19.2 million, compared to R$13.4 million in 3Q17.

Consolidated (R$ thousand)

	3Q18	3Q17	Var. [%]	9M18	9M17	Var. [%]
Financial expenses	(29,542)	(36,817)	-19.8%	(89,485)	(114,573)	-21.9%
Financial income	10,320	23,845	-56.7%	31,201	88,504	-64.7%
Net monetary and Exchange variation	(17)	(443)	-96.2%	684	(13,895)	-
Net financial income	**(19,239)**	**(13,415)**	**43.4%**	**(57,600)**	**(39,964)**	**44.1%**

The reduction in financial expenses is chiefly due to net amortizations in the last twelve months, which amounted R$423.2 million, of which R$291.1 million refers to early payment of debts in 1Q18. The comparison with the same period of the previous year was also impacted by the devaluation of the BRL against the US Dollar (average exchange rate of R$3.95 in 3Q18 vs. R$3.16 in 3Q17), which affected the recognition of interest on borrowings denominated in dollars.

Financial revenues fell by 56.7%, mainly because of the 57% decrease in the balance of cash & cash equivalents in Brazil (R$311.3 million in 3Q18 vs. R$735.7 million in 3Q17), and lower financial earnings due to lower interest rates in the country (our financial investments were remunerated at an average interest rate of 6.40% p.a. in 3Q18 vs. 9.34% p.a. in 3Q17).

The result of the net monetary and net exchange variations resulted from the impact of the depreciation of the BRL on the balance sheet and the effect of the mark-to-market of zero cost collar operations.

EARNINGS BEFORE TAXES AND NET INCOME

	Consolidated (R$ thousand)					
	3Q18	3Q17	Var. [%]	1S18	1S17	Var. [%]
Net income before income taxes	**90,994**	**83,866**	**8.5%**	**233,291**	**102,601**	**127.4%**
Tax effects before foreign Exchange impacts	(13,571)	(6,490)	109.1%	(52,680)	14,085	-
Net income before foreign Exchange effects on tax base	**77,423**	**77,376**	**0.1%**	**180,611**	**116,686**	**54.8%**
Foreign Exchange effects on tax base	11,214	(1,016)	-	13,196	22,781	-42.1%
Net income	**88,637**	**76,360**	**16.1%**	**193,807**	**139,467**	**39.0%**
% on revenue	*6.7%*	*7.9%*		*5.4%*	*5.1%*	

Tax effects before exchange impacts came to R$13.6 million, as a result of the difference in expenses at the rate of (34%) on profit before tax effects and the effects of permanent additions/exclusions.

The effect of exchange rates on the tax base (deferred income tax in Mexican operations) is calculated in Mexican Pesos. The conversion from the functional currency, the US Dollar, resulted in an increase of R$11.2 million due to the appreciation of the Mexican Peso against the US Dollar in 3Q18.

The net income from these effects amounted to R$88.6 million in 3Q18, up 16.1% compared to 3Q17.

EBITDA

The combination of the factors mentioned above resulted in an adjusted EBITDA of R$196.8 million, with margin of 15.0% and up to 20.4% over 3Q17.

	Consolidated (R$ thousand)					
RECONCILIATION OF NET INCOME TO EBITDA	3Q18	3Q17	Var. [%]	9M18	9M17	Var. [%]
Net income (loss) for the period	**88,637**	**76,360**	**16.1%**	**193,807**	**139,467**	**39.0%**
(+) Net financial result	19,239	13,415	43.4%	57,600	39,964	44.1%
(+) Income tax and social contribution	2,357	7,506	-	39,484	(36,866)	-
(+) Depreciation and amortization	72,700	62,346	16.6%	206,164	193,195	6.7%
EBITDA (Instr. CVM 527/12)	**182,933**	**159,627**	**14.6%**	**497,055**	**335,760**	**48.0%**
% on revenue	*13.9%*	*16.6%*		*13.8%*	*12.3%*	
(+) Other net operation expenses*	13,858	5,274	162.7%	28,838	8,949	222.2%
(+/-) Restructuring of the Mauá plant	-	(1,517)		-	44,141	
Adjusted EBITDA	**196,791**	**163,384**	**20.4%**	**525,893**	**388,850**	**35.2%**
% on revenue	*15.0%*	*17.0%*		*14.6%*	*14.2%*	

**Includes legal provisions, PP&E write-offs, and income from the sale of unserviceable assets.*

Regarding the annual comparison, the 3Q17 EBITDA was positively impacted by non-recurring revenues in the amount of R$11.0 million from services provided in past periods. Excluding this amount, the Company's Adjusted EBITDA in that period was R$152.4 million, or 16.0% of adjusted revenues of R$951.7 million.

Impacts caused by the truck drivers' strike

The margin in 3Q18 was impacted by factors related to the truck drivers' strike in the second quarter:

(i) Reduction of the benefit to exporting companies (Reintegra): impact of approximately R$9.2 million in net revenue;

(ii) Re-calculation of payroll taxes: impact of approximately R$8.5 million in the quarter, of which R$4.5 million is related to adjustments of provisions for vacation pay and payment of 13th salary (non-recurring);

(iii) Application of the minimum freight rate, with an impact on EBITDA of approximately R$6.0 million in the quarter.

It is important to emphasize that the Company has been acting on several fronts with the purpose of offsetting these effects in the coming quarters.

INVESTMENTS IN PROPERTY, PLANT AND EQUIPMENT, AND INTANGIBLE ASSETS

Total investment in property, plant and equipment and intangible assets was R$47.9 million in 3Q18.

Consolidated (R$ thousand)

	3Q18	3Q17	Var. [%]	9M18	9M17	Var. [%]
PP&E						
Strategic investments	10,348	10,099	2.5%	20,858	29,745	-29.9%
Maintenance and sustenance	33,144	17,850	85.7%	80,959	49,832	62.5%
Environment	1,058	1,617	-34.6%	4,151	5,445	-23.8%
Interest and financial expenses	442	409	8.1%	1,525	1,116	36.6%
Intangible assets						
Software	2,332	1,646	41.8%	4,296	2,617	64.2%
Research and development	551	1,001	-45.0%	1,992	3,403	-41.5%
Total	**47,875**	**32,621**	**46.8%**	**113,781**	**92,158**	**23.5%**
% on revenue	*3.6%*	*3.4%*		*3.2%*	*3.4%*	

The increase in investments is mainly due to the execution of projects aimed at increasing productivity.

Investments in 3Q18 represented 3.6% of net revenues and 65.9% of depreciation and amortization in the period, lower than previous years and in line with Company's strategy of asset optimization and focus on return on invested capital, which reached 10.6% in the period, showing improvement over 2Q18 and 3Q17.

WORKING CAPITAL

Consolidated (R$ thousand)	3Q18	2T18	1T18	4T17	3Q17
Balance sheet					
Accounts receivable	754,026	783,072	689,706	573,093	549,627
Inventories	486,753	467,613	426,933	419,492	354,009
Accounts payable	576,245	550,562	504,302	462,465	389,578
Sales outstanding [days]	60	68	64	56	57
Inventories outstanding [days]	47	49	48	49	44
Payables outstanding [days]	55	57	56	53	48
Cash conversion cycle [days]	**52**	**60**	**56**	**52**	**53**

Main working capital lines recorded the following variations against the previous quarter (2Q18):

- Reduction of R$29.0 million in accounts receivable, corresponding to 8 sale days, which is mainly due to the change in the period of receipt of payments from customers and receipt of payments from tools sales.
- Inventories increased by R$19.1 million, however corresponding to a 2-day reduction (relating to the cost of goods sold) despite growing volumes, COGS and FX depreciation.
- Increase of R$25.7 million in accounts payable, corresponding to a 2-day reduction. **We highlight the significant improvement of this indicator compared to 3Q17 (7 days)**, due to several actions aimed at stretching payment terms with the current suppliers.

CASH FLOW

Consolidated (R$ thousand)

CASH FLOW SUMMARY	3Q18	3Q17	Var.[%]	9M18	9M17	Var.[%]
Cash at the beginning of period	**614,101**	**1,046,217**	**-41.3%**	**865,368**	**1,203,940**	**-28.1%**
Cash flow from operating activities	199,998	96,326	107.6%	368,432	151,695	142.9%
Cash flow from investing activities	(45,749)	(30,025)	52.4%	(103,704)	(89,902)	15.4%
Cash flow from financing activities	(41,805)	(140,142)	-70.2%	(443,743)	(293,801)	51.0%
Effect of Exchange variation on cash	16,068	(27,576)	-	56,260	(27,132)	-
Increase (decrease) in cash	**128,512**	**(101,417)**	**-**	**(122,755)**	**(259,140)**	**-52.6%**
Cash at the end of period	**742,613**	**944,800**	**-21.4%**	**742,613**	**944,800**	**-21.4%**

In 3Q18, cash from operating activities amounted to R$200.0 million, compared to a cash generation of R$96.3 million in 3Q17. The strong growth in relation to 3Q17 is mainly due to increased revenues and improved working capital.

Investment activities totaled R$45.7 million in 3Q18, up 52.4% compared to the same period of the previous year.

In 3Q18, financing activities totaled R$41.8 million, a reduction of 70.2% in relation to the same period of the previous year, driven by the decrease in payments of loans and financing (R$4.3 million in 3Q18 vs. R$86.2 million in 3Q17).

The combination between these factors and the exchange rate variation on cash resulted in an increase of R$128.5 million in cash and cash equivalents in the period, which amounted to R$742.6 million in 3Q18.

INDEBTEDNESS

At the close of 3Q18, Company's net debt amounted to R$781.8 million, i.e., the net debt/adjusted EBITDA ratio for the previous 12-month period was 1.19.

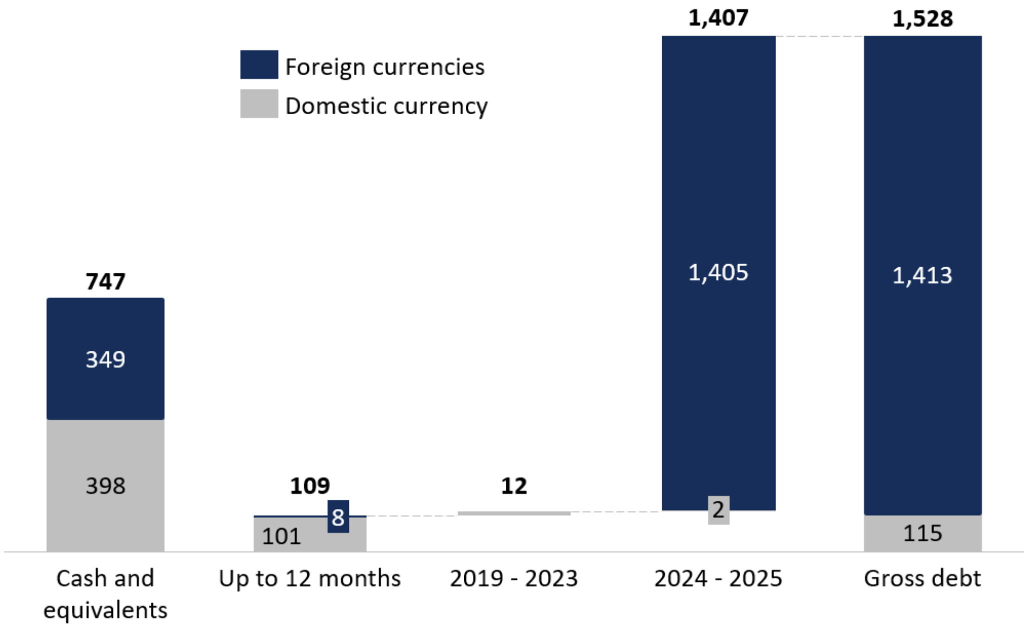
Obligations in foreign currency accounted for 92% of total obligations (1% short-term debt and 99% long-term debt), while 8% of debt is denominated in BRL (88% short-term debt and 12% long-term debt). Regarding cash balance, 53% is denominated in BRL, and 47% is denominated in foreign currency.

	Consolidated (R$ thousand)		
INDEBTEDNESS	**3Q18**	**2T18**	**1T18**
Short term*	123,278	156,912	131,021
Long term	1,405,145	1,354,399	1,170,223
Gross debt	**1,528,423**	**1,511,311**	**1,301,244**
Cash and equivalents*ᵻ	746,592	614,105	494,909
Net debt	**781,831**	**897,206**	**806,335**
Gross debt/Adjusted EBITDA	2.32x	2.42x	2.37x
Net debt/Adjusted EBITDA	**1.19x**	**1.44x**	**1.47x**

* Includes derivatives

ᵻ Includes financial investments

The Company's debt profile is as follows:



All amounts in R$ million.

PAYMENT OF DIVIDENDS AND INTEREST ON EQUITY

On November 26, 2018, the Company will distribute R$ 50.0 million to its shareholders, of which R$ 28.4 million in the form of interest on equity (gross amounts) and R $ 21.6 million as dividends.

Of the total amount, R$ 37.5 million refers to the third installment of the amount previously approved by the Board of Directors for the Fiscal Year of 2018, which is R$ 150.0 million.

The remaining amount of R$ 12.5 million represents extraordinary dividends due to the strong cash generation presented by the Company in the period

DISPOSAL NON-STRATEGIC ASSETS

In line with the strategy of optimizing its assets and increasing the return on invested capital, on November 5, 2018, Tupy signed a memorandum of understanding with the company Irineu Imóveis to enable the implementation of a real estate development in a non-operating property of Tupy located in the municipality of Araquari - SC. The property has an area of about 263 hectares and is located close to several industries, port terminals and highways.

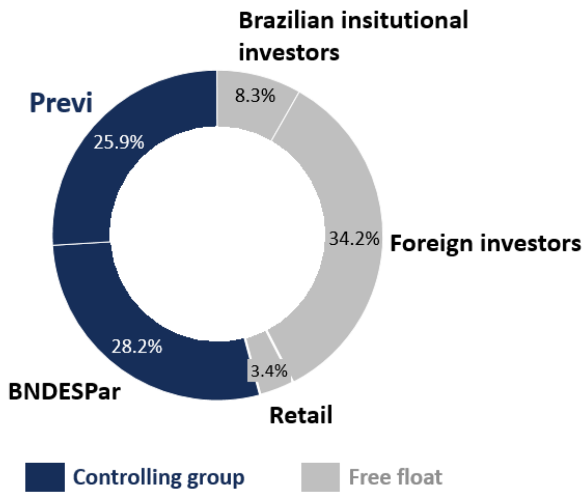
According to the instrument signed by the parties, Tupy will assign the property and Irineu Imóveis will be responsible for the development and costs related to the activities necessary for the approval, implementation and commercialization of the development.

As a result of the operation, Tupy will receive an advance of R $ 10.0 million, which will be paid until June 2019, in addition to the amount equivalent to 34% of the cash flow from sales of the

land and its respective financing portfolio of the lots that will compose the enterprise. The estimated net present value (NPV) of the project for Tupy is approximately R $ 58.0 million.

OWNERSHIP STRUCTURE

On September 30, 2018, Tupy's ownership structure was as follows:



The Company is subject to the rules of the Novo Mercado Arbitration Chamber, in accordance with Article 60 of the Bylaws.

EXECUTIVE OFFICER'S STATEMENT

In compliance with the provisions established under Article 25 of CVM Instruction No. 480, of December 7, 2009, Tupy S.A.'s Executive Board declares that it has reviewed, discussed and agreed with the opinion presented in the Independent Auditor's Report on the Quarterly Financial Report, issued on this date, and with the Quarterly Financial Report of September 30, 2018.

*   *   *

Attachment I – Commercial vehicle production and sales in Brazil

(Units)

	3Q18	3Q17	Var. (%)	9M18	9M17	Var. (%)
Production						
Trucks						
Semi-light	368	776	-52.6%	1,362	2,003	-32.0%
Light	5,329	4,767	11.8%	14,990	11,775	27.3%
Medium	1,958	2,079	-5.8%	5,010	5,040	-0.6%
Semi-heavy	7,826	6,349	23.3%	21,199	17,689	19.8%
Heavy	12,186	9,209	32.3%	34,693	22,694	52.9%
Total trucks	**27,667**	**23,180**	**19.4%**	**77,254**	**59,201**	**30.5%**
Buses	8,096	6,155	31.5%	23,051	16,128	42.9%
Commercial vehicles	**35,763**	**29,335**	**21.9%**	**100,305**	**75,329**	**33.2%**
Sales						
Trucks						
Semi-light	584	486	20.2%	1,700	1,265	34.4%
Light	2,839	3,079	-7.8%	8,505	8,073	5.4%
Medium	2,237	1,151	94.4%	5,216	2,945	77.1%
Semi-heavy	5,059	3,767	34.3%	12,418	9,286	33.7%
Heavy	9,527	4,971	91.7%	23,707	12,522	89.3%
Total trucks	**20,246**	**13,454**	**50.5%**	**51,546**	**34,091**	**51.2%**
Buses	4,910	3,665	34.0%	10,480	8,562	22.4%
Commercial vehicles	**25,156**	**17,119**	**46.9%**	**62,026**	**42,653**	**45.4%**
Exports						
Trucks						
Semi-light	51	207	-75.4%	271	540	-49.8%
Light	1,287	1,470	-12.4%	4,236	4,096	3.4%
Medium	403	464	-13.1%	1,140	1,347	-15.4%
Semi-heavy	2,126	2,947	-27.9%	7,417	7,895	-6.1%
Heavy	2,236	2,703	-17.3%	7,400	7,544	-1.9%
Total trucks	**6,103**	**7,791**	**-21.7%**	**20,464**	**21,422**	**-4.5%**
Buses	1,732	2,601	-33.4%	6,466	6,705	-3.6%
Commercial vehicles	**7,835**	**10,392**	**-24.6%**	**26,930**	**28,127**	**-4.3%**

Source: ANFAVEA

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

(Units)

	3Q18	3Q17	Var. (%)	9M18	9M17	Var. (%)
North America						
Production						
Passenger cars	1,226,828	1,350,054	-9.1%	3,889,251	4,576,453	-15.0%
Light commercial vehicles – Class 1-3	2,842,148	2,725,481	4.3%	8,893,549	8,630,582	3.0%
% Light commercial vehicles	**69.8%**	**66.9%**	**+3.0p.p.**	**69.6%**	**65.3%**	**+4.2p.p.**
Medium & Heavy Duty[1]	**4,068,976**	**4,075,535**	**-0.2%**	**12,782,800**	**13,207,035**	**-3.2%**
United States						
Sales						
Passenger cars	1,320,945	1,571,056	-15.9%	4,074,161	4,694,318	-13.2%
Light commercial vehicles – Class 1-3	3,003,088	2,851,849	5.3%	8,867,527	8,185,281	8.3%
% Light commercial vehicles	**69.5%**	**64.5%**	**+5.0p.p.**	**68.5%**	**63.6%**	**+5.0p.p.**
Light Duty – Class 4-5	32,163	30,568	5.2%	98,259	94,255	4.2%
Medium Duty – Class 6-7	35,653	29,497	20.9%	101,641	90,677	12.1%
Heavy Duty – Class 8	68,231	48,326	41.2%	178,321	132,748	34.3%
Medium & Heavy Duty[1]	**136,047**	**108,391**	**25.5%**	**378,221**	**317,680**	**19.1%**
Europe						
Sales						
Passenger cars	3,502,710	3,447,272	1.6%	11,951,957	11,658,651	2.5%

Source: Automotive News; Bloomberg; ACEA

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

			(Units)			
	3Q18	3Q17	Var. (%)	9M18	9M17	Var. (%)
Production						
Americas						
Brazil	19,297	14,480	33.3%	46,197	42,314	9.2%
Sales						
Americas						
Brazil	14,697	11,759	25.0%	34,564	32,083	7.7%
United States and Canda	65,533	60,265	8.7%	204,087	190,515	7.1%
Europe						
Germany	10,415	9,924	4.9%	30,058	29,401	2.2%
United Kingdom	3,177	2,916	9.0%	9,706	9,058	7.2%

Source: ANFAVEA; Bloomberg; AEM