
Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

Parent company and consolidated financial statements at December 31, 2021 and independent auditor's report



(A free translation of the original in Portuguese)

Independent auditor's report

To the Board of Directors and Stockholders
Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

Opinion

We have audited the accompanying parent company financial statements of Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A. ("Company"), which comprise the balance sheet as at December 31, 2021 and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as the accompanying consolidated financial statements of Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A. and its subsidiary ("Consolidated"), which comprise the consolidated balance sheet as at December 31, 2021 and the consolidated statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including significant accounting policies and other explanatory information.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A. and Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A. and its subsidiary as at December 31, 2021, and the financial performance and the cash flows for the year then ended, as well as the consolidated financial performance and the cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Basis for opinion

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Parent Company and Consolidated Financial Statements section of our report. We are independent of the Company and its subsidiaries in accordance with the ethical requirements established in the Code of Professional Ethics and Professional Standards issued by the Brazilian Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

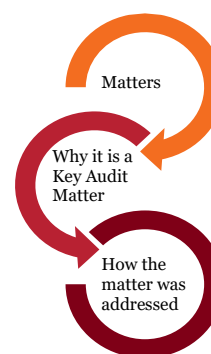


Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the parent company and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our audit for the year ended December 31, 2021 was planned and performed considering that the operations of the Company and its subsidiaries did not present significant changes in relation to the previous year. In this context, Key Audit Matters, as well as our audit approach, remained substantially in line with those of the previous year.



Why it is a Key Audit Matter

How the matter was addressed in the audit

Revenue recognition - customer contracts

As detailed in Note “3.9 - Revenue recognition” and “14 - Net operating revenue” to the financial statements, revenue is recognized upon acceptance of products by customers, having confirmed that they are in accordance with the contract technical specifications.

We focused on this area in our audit as, according to the Company’s business model, the main source of revenue is the production and sale of wind turbine blades, based on medium and long-term contracts with customers.

In response to this matter, we carried out the following key audit procedures:

Understanding the control environment for the management of contracts with customers, sales and receipts.

Reading of the main contracts in effect during the year, focusing on sales terms and conditions, amounts and other obligations and rights.

Examining sales transactions documents, on a sample basis, before and after the year end, to assure revenue was recognized in the proper period, considering the date of final acceptance of the product by the customers, according to the criteria defined in each contract.

Comparing, on a test basis, the sales accounting entries with the respective client orders, invoices and sales collections, verifying sequential invoice numbering.

The result of these procedures provided us with sufficient and appropriate audit evidence and did not



Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

Why it is a Key Audit Matter	How the matter was addressed in the audit
Tax credits - Value-added Tax on Sales and Services (ICMS)	reveal inconsistencies in relation to the Company's accounting practices.
As mentioned on Note 8, the Company has ICMS state tax credits of R\$ 125,423 thousand, at December 31, 2021, arising from incentivized outflows in sales to the foreign market and outflows exempt in the internal market .	With the support of our tax specialists, we carried out the following procedures, among others: Understanding the Company's internal controls over the processes of generation, recording and offsetting of ICMS credits.
Management seeks to realize these credits by: (i) offsetting against other state taxes, pursuant to applicable tax legislation; (ii) development of new businesses that have credit at outflows in sales and (iii) requesting reimbursement, in cash, from the tax authorities.	Inspection, on a test basis, of the invoices that gave rise to the tax credits. Discussion of management's plans for the future realization of the credits.
We focused on this area in our audit due to the level of judgment involved in the analysis of the recovery of these tax credits.	Obtaining legal opinions and confirmation letters from external legal advisors addressing the state of reimbursement of ICMS credits from the Government of the State of Ceará. Reading of the disclosures made in the notes to financial statements. Our audit procedures indicated that the judgment used by management was reasonable and that disclosures were consistent with the data and information obtained.

Other matters

Statements of Value Added

The parent company and consolidated Statements of Value Added for the year ended December 31, 20x1, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements. For the purposes of forming our opinion, we evaluated whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these Statements of Value Added have been properly prepared in all material respects, in accordance with the criteria established in the



Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

Technical Pronouncement, and are consistent with the parent company and consolidated financial statements taken as a whole.

Other information accompanying the parent company and consolidated financial statements and the auditor's report

The Company's management is responsible for the other information that comprises the Management Report.

Our opinion on the parent company and consolidated financial statements does not cover the Management Report, and we do not express any form of audit conclusion thereon.

In connection with the audit of the parent company and consolidated financial statements, our responsibility is to read the Management Report and, in doing so, consider whether this report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement in the Management Report, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the parent company and consolidated financial statements

Management is responsible for the preparation and fair presentation of the parent company and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the parent company and consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the Company and its subsidiaries.

Auditor's responsibilities for the audit of the parent company and consolidated financial statements



Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

Our objectives are to obtain reasonable assurance about whether the parent company and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the parent company and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the Company and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the parent company and consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the parent company and consolidated financial statements, including the disclosures, and whether these financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the parent company and consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.



Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Recife, February 17, 2022

PricewaterhouseCoopers
Auditores Independentes Ltda.
(current name of PricewaterhouseCoopers
Auditores Independentes)
CRC 2SP000160/O-5

Helena de Petribu Fraga Rocha
Accountant CRC PE-020549/O-6

Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

Financial Statements as of December 31

In thousands of reais

(A free translation of the original in Portuguese)

Assets	Parent Company		Consolidated		Liabilities and equity	Parent Company		Consolidated	
	2021	2020	2021	2020		2021	2020	2021	2020
Current					Current				
Cash and cash equivalents (Note 4)	884,114	683,412	892,933	684,554	Trade accounts payable (Note 11)	442,427	205,022	445,286	205,304
Financial assets (Note 5)	-	16,059	-	16,059	Borrowings, financings and debentures (Note 12)	91,688	690,291	91,688	690,291
Trade receivables (Note 6)	119,499	206,005	126,877	220,132	Derivative financial instruments (Note 19)	790	-	790	-
Inventories (Note 7)	800,288	617,289	801,396	617,582	Salaries and payroll charges	34,745	30,997	34,771	31,009
Recoverable taxes (Note 8)	144,144	80,862	144,200	80,862	Taxes payable	10,324	2,533	11,323	3,453
Related parties (Note 21)	3,233	-	-	-	Advances from customers (Note 6)	105,570	6,124	105,701	6,300
Other receivables	18,528	39,511	19,359	39,823	Dividends payable	15,782	-	15,782	-
Derivative financial instruments (Note 19)	1,271	8,812	1,271	8,812	Other accounts payable	3,942	7,013	4,192	6,967
Total current assets	1,971,077	1,651,950	1,986,036	1,667,824	Total current liabilities	705,268	941,980	709,533	943,324
Noncurrent					Noncurrent				
Recoverable taxes (Note 8)	125,423	80,006	125,423	80,006	Borrowings, financings and debentures (Note 12)	1,367,056	452,711	1,367,056	452,711
Other receivables	-	1,205	-	1,205	Derivative financial instruments (Note 19)	-	4,644	-	4,644
Related parties (Note 21)	2,421	9,730	-	-	Advances from customers (Note 6)	-	3,890	-	3,890
Investments (Note 22)	10,667	5,934	-	-	Deferred income tax and social contribution (Note 9)	11,998	753	11,998	753
Property, plant and equipment (Note 10)	971,730	619,172	974,124	620,306	Total non-current liabilities	1,379,054	461,998	1,379,054	461,998
Intangible assets	2,596	1,288	2,596	1,288	Total liabilities	2,084,322	1,403,978	2,088,587	1,405,322
Total non-current assets	1,112,837	717,335	1,102,143	702,805	Equity (Note 13)				
					Share capital	815,102	815,102	815,102	815,102
					Capital Reserve	396	-	396	-
					Profit reserve	202,882	149,471	202,882	149,471
					Equity valuation adjustment	1,531	734	1,531	734
					(-) Treasury Shares	(20,319)	-	(20,319)	-
					Total shareholders' equity	999,592	965,307	999,592	965,307
Total assets	3,083,914	2,369,285	3,088,179	2,370,629	Total liabilities and equity	3,083,914	2,369,285	3,088,179	2,370,629

The Notes are an integral part of the financial statements.

Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

Income Statement

Years ended on December 31

In thousands of Brazilian reais, unless otherwise stated

(A free translation of the original in Portuguese)

	Parent Company		Consolidated	
	2021	2020	2021	2020
Continued operations				
Net operating revenue (Note 14)	2,436,833	2,174,858	2,486,150	2,208,702
Cost of products sold (Note 15)	<u>(2,162,512)</u>	<u>(1,938,550)</u>	<u>(2,199,175)</u>	<u>(1,962,843)</u>
Gross profit	<u>274,321</u>	<u>236,308</u>	<u>286,975</u>	<u>245,859</u>
Operating revenues (expenses):				
Selling, general and administrative expenses (Note 16)	(82,861)	(69,308)	(90,720)	(75,609)
Other operating income (expenses), net (Note 17)	10,443	35,188	11,638	35,206
Results from equity-accounted investees (Note 23)	<u>4,079</u>	<u>2,663</u>	<u>-</u>	<u>-</u>
Result before financial income and expenses	<u>205,982</u>	<u>204,851</u>	<u>207,893</u>	<u>205,456</u>
Financial expenses (Note 18)	(277,105)	(233,482)	(277,818)	(235,462)
Financial income (Note 18)	148,819	148,011	148,863	150,097
	<u>(128,286)</u>	<u>(85,471)</u>	<u>(128,955)</u>	<u>(85,365)</u>
Result before income tax and social contribution	<u>77,696</u>	<u>119,380</u>	<u>78,938</u>	<u>120,091</u>
Current income tax and social contribution (Note 9)	2,743	(5,428)	1,501	(6,139)
Deferred income tax and social contribution (Note 9)	(11,246)	(753)	(11,246)	(753)
Net income for the year	<u>69,193</u>	<u>113,199</u>	<u>69,193</u>	<u>113,199</u>
Profit attributable to shareholders and controllers	69,193	113,199	69,193	113,199
Number of shares at the end of the year	766,213	766,213	766,213	766,213
ON - Registered common shares	766,213	766,213	766,213	766,213
Basic earnings per share - R\$ (Note 25)	<u>0.09</u>	<u>0.15</u>	<u>0.09</u>	<u>0.15</u>
Diluted earnings per share - R\$ (Note 25)	<u>0.09</u>	<u>0.18</u>	<u>0.09</u>	<u>0.18</u>

The Notes are an integral part of the financial statements

Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

Statement of comprehensive income Years ended on December 31

In thousands of reais

(A free translation of the original in Portuguese)

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Net income for the year	69,193	113,199	69,193	113,199
Other Comprehensive Income (Loss)				
Exchange gains/losses from foreign investees (Note 22)	<u>797</u>	<u>734</u>	<u>797</u>	<u>734</u>
Total comprehensive income	<u>69,990</u>	<u>113,933</u>	<u>69,990</u>	<u>113,933</u>

The Notes are an integral part of the financial statements

Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

Statements of changes in equity (Parent Company and Consolidated)

Years ended on December 31

In thousands of reais

(A free translation of the original in Portuguese)

	Share capital	Capital reserve	Profit reserves			Unearned income	Treasury Shares	Equity valuation adjustment	Total
			Legal reserve	Profit reserve	Retained profit				
Balances as of December 31, 2019	36,183	-	7,237	69,330	-	61,460	-	-	174,210
Increase in Capital	778,919								778,919
Net income for the period						113,199			113,199
Dividends distribution (Note 13)				(69,330)		(32,425)			(101,755)
Constitution of Reserves (Note 13)			5,660		61,056	14,058	(80,774)		-
Exchange gains/losses from foreign investees (Note 22)								734	734
Balances as of December 31, 2020	815,102	-	12,897	-	61,056	75,518	-	734	965,307
Net income for the period						69,193			69,193
Dividends distribution (Note 13)						(15,782)			(15,782)
Constitution of Reserves (Note 13)			3,322	47,346		2,743	(53,411)		-
Acquisition of treasury shares (Note 13)							(20,319)		(20,319)
Third Party Stock Option Plan (Note 13)		396							396
Exchange gains/losses from foreign investees (Note 22)								797	797
Balance as of December 31, 2021	815,102	396	16,219	47,346	61,056	78,261	-	1,531	999,592

The Notes are an integral part of the financial statements

Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

Statement of cash flows Years ended on December 31

In thousands of reais

(A free translation of the original in Portuguese)

	Parent Company		Consolidated	
	2021	2020 (Restated)	2021	2020 (Restated)
Cash flow from operating activities				
Profit before income tax	77,696	119,380	78,938	120,091
Adjustments to reconcile net income to cash (used in) generated by operating activities:				
Depreciation and amortization	32,738	23,484	33,039	23,610
Net result from the sale of property and equipment (Note 10)	6,315	(4,432)	6,327	(4,432)
Results from equity-accounted investees (Note 22)	(4,079)	(2,663)	-	-
Share-based payment plan (Note 26)	396	-	396	-
Exchange variation of loans and financing	8,909	18,582	7,799	18,387
Exchange variation of financial instruments	3,687	-	3,687	-
Financial expenses – net	103,656	53,398	103,666	55,871
Earnings from financial assets	(160)	(244)	(160)	(244)
	229,158	207,505	233,692	213,283
Changes in assets and liabilities				
Trade receivables	86,506	(110,391)	95,003	(120,875)
Inventories	(183,000)	(450,029)	(183,813)	(450,323)
Taxes recoverable	(108,699)	(69,011)	(108,706)	(69,011)
Other receivables	22,188	(22,298)	21,654	(22,281)
Suppliers	237,406	88,442	239,980	88,661
Labor and social security obligations	3,747	10,512	3,755	10,403
Taxes payable	10,535	9,608	9,276	9,817
Advances from customers	95,557	(92,557)	95,543	(92,381)
Other Accounts Payable	(2,127)	1,647	(1,959)	1,490
Cash (used in) generated by operating activities	391,271	(426,572)	404,425	(431,217)
Income tax and social contribution paid	-	(14,807)	-	(14,807)
Interest paid on borrowings and financing (Note 12)	(69,497)	(46,612)	(69,507)	(49,085)
Net cash (used in) generated by operating activities	321,774	(487,991)	334,918	(495,109)
Cash flows from investing activities				
Acquisition of property, plant and equipment (Note 10)	(401,295)	(303,733)	(402,763)	(304,529)
Proceeds from the sale of property and equipment (Note 10)	10,303	9,353	10,303	9,353
Acquisition of intangible assets	(1,928)	(984)	(1,928)	(984)
Net cash used in investing activities	(392,920)	(295,364)	(394,388)	(296,160)
Cash flows from financing activities				
Acquisition of financial assets	-	(2,718)	-	(2,718)
Redemption of financial assets	16,219	-	16,219	-
Proceeds from borrowings (Note 12)	120,000	1,150,038	122,561	1,227,989
Repayment of borrowings (Note 12)	(1,147,183)	(411,957)	(1,149,903)	(489,908)
Proceeds from issues of Debentures (Note 12)	1,300,000	-	1,300,000	-
Dividends paid	-	(106,513)	-	(106,513)
Capital contribution (Note 13)	-	1,157	-	1,157
Net proceeds raised with the IPO	-	778,706	-	778,706
Share issue expenses	(945)	-	(945)	-
Payments for shares bought back (Note 13)	(20,319)	-	(20,319)	-
Related parties	4,076	(5,553)	-	1,408
Net cash generated by financing activities	271,848	1,403,160	267,613	1,410,121
Net increase in cash and cash equivalents	200,702	619,805	208,143	618,852
Cash and cash equivalents at beginning of period	683,412	63,607	684,554	65,702
Exchange gain on cash and secured accounts	-	-	236	-
Cash and cash equivalents at the end of period	884,114	683,412	892,933	684,554
Net increase in cash and cash equivalents	200,702	619,805	208,143	618,852

The Notes are an integral part of the financial statements

Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

Statement of value added Years ended on December 31

In thousands of reais

(A free translation of the original in Portuguese)

	Parent Company		Consolidated	
	2021	2020	2021	2020
Revenues				
Sale of goods, products and services	2,609,088	2,329,063	2,658,734	2,363,116
Other revenues	15,826	41,231	16,372	41,250
	2,624,914	2,370,294	2,675,106	2,404,366
Inputs acquired from third parties				
Costs of products and goods sold, and services rendered	(1,891,468)	(1,682,406)	(1,914,522)	(1,701,152)
Materials, electricity, outsourced services, and others	(163,098)	(182,101)	(170,237)	(186,188)
	(2,054,566)	(1,864,507)	(2,084,759)	(1,887,340)
Gross value added	570,348	505,787	590,347	517,026
Retentions				
Depreciation and amortization	(32,738)	(23,484)	(33,039)	(23,610)
Net value added produced	537,610	482,303	557,308	493,416
Value added received in transfer				
Results from equity-accounted investees	4,079	2,663	-	-
Financial incomes	150,677	148,429	150,720	150,514
Total value added to distribute	692,366	633,395	708,028	643,930
Value added distribution				
Personnel and charges	244,583	218,416	250,385	223,492
Direct compensation	171,447	155,496	176,196	159,847
Benefits	59,607	51,537	60,660	52,262
FGTS	13,529	11,383	13,529	11,383
Taxes, fees and contributions	74,614	71,721	76,503	72,841
Federal	71,239	69,812	73,090	70,922
State	3,156	1,869	3,194	1,879
Municipal	219	40	219	40
Remuneration of third-party capital	303,976	230,059	311,947	234,398
Interest	277,105	216,623	277,818	218,603
Rentals	26,871	13,436	34,129	15,795
Value distributed to shareholders	69,193	113,199	69,193	113,199
Dividends and interest on equity	15,782	32,425	15,782	32,425
Tax Incentive	2,743	14,059	2,743	14,059
Retained earnings	50,668	66,715	50,668	66,715
	692,366	633,395	708,028	643,930

The Notes are an integral part of the financial statements.

Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

Notes to the parent company and consolidated financial statements as of December 31, 2021

All amounts in thousands of reais unless otherwise stated
(Portuguese)

(A free translation of the original in

1. Operational context

Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A. is a Brazilian publicly held corporation created in August 2010, headquartered at Rodovia CE 155, Km 02 - Pecém Industrial and Port Complex, in the city of Caucaia, state of Ceará, with strategic location. The plant was constructed in this region due to lower logistics costs, as nearly 50% of Brazil's wind potential is less than 500 km from the plant, and because it is close to the Pecém Port, which is used both for the export of wind blades and receipt of inputs via import or cabotage. The Company's purpose is the construction and sale of rotor blades of turbines for wind power generation, the rendering of services related to its business purpose to third parties and holding equity interest in other companies as shareholder or member of a limited-liability company.

The Company's controlling shareholders are listed in Note 13.

Complementing the offer of blades for wind turbines, the Company expanded its services with Aeris Service LLC. With a specialized operation and engineering team, the Company provides blade maintenance services in the United States and has operations in other markets within the Americas.

COVID -19 Pandemic

At the end of 2019, the World Health Organization (WHO) globally reported limited cases of contamination by a previously unknown virus. Later, in January 2020, the virus (COVID-19) was identified and found to be transmitted from human to human. In mid-March 2020, WHO declared a global pandemic alert of the novel coronavirus, which globally affected the routine of population and global economic activity.

The Company has created a crisis committee composed of managers from several areas to address the measures adopted by the Company to quickly respond to this situation in an agile way.

In this sense, the Company has been monitoring the coronavirus outbreak in Brazil and worldwide to preserve the safety of its employees, maintain production, fulfill its contractual commitments to its clients and map the impacts of this pandemic on its business. The Company has implemented the following initiatives since the beginning of the pandemic.

Main initiatives:

- The intensification of cleaning of facilities, reorganization of spaces and delimitation of distance between people;
- Installation of physical barriers, supply of masks and gel-based hand sanitizer;
- Internal awareness campaigns and exclusive communication channels offering 24/7 access to our medical teams;
- Preference to meetings via video conference or telephone. Only meetings that are essential to operations shall be held in person. In these cases, the number of participants shall be limited as much as possible, prioritizing a distance of two meters between attendees;
- The windows and/or doors of all meeting rooms must be kept open;
- Face-to-face meetings should take place with at least 1 empty chair between participants and there should be no more than 15 people in the room;

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- The Company will only provide mandatory training, following a new format in terms of number of participants and distribution in the rooms, with a distance of at least two meters between participants. It is necessary to follow the call notice sent by the People department;
- Adoption of remote work for administrative staff; and
- Psychological care;
- Providing information about vaccination registration and scheduling;
- Incentive for the vaccination of employees with the distribution of gifts when 80% of personnel is reached;
- Incentive to the employees' vaccination with advance payment of the 1st installment of Christmas bonus for those who receive 2 doses or a single dose of the vaccine;
- Provision of buses to transport employees to the vaccination areas.

The Committee is careful to ensure that the Company's decisions are constantly updated in accordance with judicial, administrative, legislative and regulatory decisions currently in effect. Finally, aware its social role, the Company has increased donations to the communities surrounding its industrial units, in accordance with the Company's donation policy.

The Company believes that its statements of financial position, income, cash flow and value added were not materially affected in fiscal year 2021 and 2020. In addition, Management ratifies that, to date, it has not observed significant impacts of COVID-19 on its operations that would result in changes to its adopted accounting estimates when preparing the financial statements.

2. Basis of preparation

2.1 Compliance statement

The Company's financial statements were prepared pursuant to the accounting practices adopted in Brazil, including the pronouncements of the Accounting Pronouncements Committee (CPC) and International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB)), and present all the relevant information required by the financial statements, and only those, which are consistent with the information used by the board in its management.

The Company's Management authorized the issue of this financial statements on February 17, 2022, including subsequent events that occurred to date that could affect these financial statements, when required.

2.2 Functional and presentation currency

The financial statements are presented in Brazilian reais, which is the Company's functional currency. All financial statements presented in Brazilian reais, the amounts were rounded to the nearest thousand, unless otherwise indicated.

i. Foreign operations

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The foreign subsidiary's assets and liabilities are translated into reais at the exchange rate on the reporting date, and the corresponding income statement amounts are translated at the exchange rate on the date of the transactions. The exchange rate differences resulting from this translation are accounted for separately in equity. At the moment of sale of a foreign subsidiary, the accumulated deferred amount recognized in equity related to this subsidiary is recorded in the income statement.

2.3 Significant accounting judgments, estimates and assumptions

The preparation of the financial statements in compliance with CPCs and IFRSs requires the use of certain critical accounting estimates and the judgment of the Company's Management and its subsidiary in the process of applying the accounting policies. Accordingly, actual results may differ from such estimates.

Estimates and assumptions are continuously reviewed, and such reviews are recognized in the periods in which they are reviewed and in any future periods affected.

Assets and liabilities subject to critical estimates and assumptions are described in Note 3.15.

2.4 Statement of value added

The parent company and consolidated Statements of Value Added (DVA) are mandatory under the Brazilian Corporate Law and Brazilian accounting practices applicable to publicly held companies. The DVA was prepared within the criteria defined in the Accounting Pronouncement CPC 09 - "Statement of Value Added". IFRS does not require the presentation of this statement. Therefore, under IFRS, this statement is presented as an additional information, without prejudice to the financial statements.

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2.5 Restatement of the comparative figures

a) Statements of cash flows

Some lines of the Statement of cash flows for the period ended December 31, 2020 have been reclassified for the purpose of improving the presentation and comparability of the information with the criteria applied in the current year.

In the fiscal year ended December 31, 2020, cash flow was presented on the basis of "net income for the fiscal year", while on December 31, 2021, the Company is presenting Parent Company and Consolidated on the basis of earnings before income tax and social contribution (Pretax income).

	Parent Company			Consolidated		
	Amounts originally presented	Reclassification	Restated amounts	Amounts originally presented	Reclassification	Restated amounts
Net Income before Income Tax and Social Contribution (a)	113,199	6,181	119,380	113,199	6,892	120,091
Deferred income tax and social contribution(a)	753	(753)	-	753	(753)	-
Operating activities						
Taxes payable (a)	15,036	(5,428)	9,608	15,956	(6,139)	9,817

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3. Main accounting policies

The accounting policies adopted by the Company are described in specific Notes related to the items presented. Those generally applicable in different aspects of the financial statements are described below.

It is worth noting that such accounting policies have been consistently applied to all periods presented in these financial statements.

3.1 Foreign-currency transactions

Foreign-currency transactions are initially recorded at the exchange rate of the functional currency effective on the transaction date.

Monetary assets and liabilities denominated in foreign currency are translated into the exchange rate of the functional currency effective on the reporting date.

All differences are recoded in the income statement. Non-monetary items measured based on the historical cost in foreign currency are translated using the exchange rate effective on the initial transaction dates. Non-monetary items measured at fair value in foreign currency are translated using the exchange rate effective on the date on which the fair value was determined.

3.2 Financial Instruments

Financial instruments are only recognized from the date on which the Company becomes a party to the contractual provisions of the financial instruments. When recognized, financial instruments are initially recorded at fair value plus transaction costs directly attributable to their acquisition or issue, except in the case of financial assets and liabilities classified as fair value through profit or loss, as said costs are directly recorded in profit and loss for the period.

The Company's main financial assets include cash and cash equivalents, financial investments and trade receivables. Financial liabilities include trade payables; borrowings, financing and debentures; and advances from customers.

The Company classifies its financial assets and liabilities under the following categories:

- . Measured at amortized cost.
- . Measured at fair value through profit or loss.

i. Measured at amortized cost

Assets and liabilities held to collect contractual cash flows when such cash flows represent only payments of principal and interest are measured at amortized cost. Interest income and expenses arising from these financial assets and liabilities are recorded under financial income (expenses) using the effective interest rate method. Any gains or losses due to the asset write-off are directly recorded in profit or loss and presented under other gains/(losses) together with foreign exchange gains and losses. Impairment losses, when applicable, are recorded in a separate account in the income statement.

ii. Measured at fair value through profit or loss

For financial assets measured at fair value, gains and losses will be recorded in profit or loss. For investments in debt instruments, this will depend on the business model in which the investment is held.

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The classification depends on the Company's business model for managing financial assets and the contractual terms of cash flows.

Derivative financial instruments

The Company uses derivative financial instruments, such as currency swaps and NDFs, to hedge against the exchange rate risk. The derivative financial instruments to hedge the Company are recognized at fair value.

3.3 Cash and cash equivalents

Cash equivalents are maintained for the purpose of meeting short-term cash commitments, and not as investments or for other purposes. The Company and its subsidiary consider as cash equivalents any financial investment that can be immediately translated into a known cash amount and that is subject to an insignificant risk of change in value. Consequently, an investment usually qualifies as cash equivalent when it has a short-term maturity of, for example, three months or less from its contractual date.

3.4 Trade receivables

Trade receivables correspond to amounts receivable from the sale of products and services in the normal course of the Company's and its subsidiary activities, being recognized at the billed amount, adjusted for the provision for realizable value, if necessary.

The Company and its subsidiary assess, on a prospective basis, expected credit losses associated with debt securities recorded at amortized cost. The impairment methodology depends on whether there was a significant increase in credit risk.

The Company and its subsidiary recognize expected losses over the term of these receivables, starting from their initial recognition.

3.5 Inventories

Inventories are assets held for sale in the normal course of business, in the process of production for sale or in the form of materials or supplies to be consumed or transformed in the production process or the rendering of services.

Inventories are measured at cost or net realizable value, whichever is lower. The cost value of inventories include all acquisition costs, which comprise purchase prices, import duties and other taxes (except for recoverable taxes), as well as costs related to transport, insurance, handling and others directly attributable to the acquisition of finished products, materials and services. Trade discounts, rebates and other similar items must be deducted in determining the acquisition cost and transformation cost that include the costs directly related to the units produced, such as direct labor, systematic allocation of indirect fixed and variable production costs, incurred to transform the materials into finished products.

Fixed production costs are those that remain relatively constant regardless of production volume, such as depreciation and maintenance of factory buildings and facilities, machinery and equipment and factory administration costs.

Indirect variable production costs are those that vary directly, or almost directly, with production volume, such as indirect materials and certain types of indirect labor.

Provisions are set up for obsolete or low turnover inventories when deemed necessary by Management.

3.6 Property, plant and equipment

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Property, plant and equipment is stated at cost net of accumulated depreciation and/or accumulated impairment losses, if applicable. This cost includes the replacement cost of property, plant and equipment items, borrowing costs for long-term construction projects and costs related to asset testing periods when the recognition criteria are met. When significant property, plant and equipment items are replaced, the Company recognizes these items as individual assets with specific useful lives and depreciation. Likewise, when a relevant inspection is carried out, its cost is recognized in the book value of the property, plant and equipment item, if the recognition criteria are met. All other repair and maintenance costs are recognized in the income statement when they are incurred.

Depreciation is calculated on a straight-line basis over the useful life of the asset, based on rates that take into consideration the estimated useful life of the assets, which are shown below.

	Annual depreciation rate - %
Machinery and equipment	9.53%
Furniture	10%
Hardware	20%
Vehicles	20%
Buildings and leasehold improvements	1.82%
Facilities	16.15%
Tools	20%
Aircraft	10%

A property, plant and equipment item are written off when it is sold or when no future economic benefit is expected from its use or sale. Any gain or loss resulting from the write-off of the asset (calculated as the difference between the asset's net sale value and its net book value) is included in the income statement for the fiscal year in which the asset was written off.

The residual value and useful lives of the assets and the depreciation methods are reviewed at the end of each year and adjusted prospectively, when applicable.

3.7 Investment in subsidiary

Investments in subsidiaries are accounted for in the parent company under the equity method and are, initially, recorded at cost.

3.8 Borrowings, financing and debentures

Borrowings, financing and debentures are classified as financial liabilities measured at amortized cost and are recorded at their restated amounts based on the contracted rates. The market values of these borrowings are equivalent to their book values because they are financial instruments with unique characteristics, deriving from specific funding sources.

Borrowings, financing and debentures are classified as current liabilities, unless the Company has an unconditional right to defer settlement of the liability for a period longer than 12 months after the reporting date.

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The costs of general and specific loans and debt securities that are directly attributable to the acquisition, construction or production of a qualifying asset, which necessarily requires a substantial period of time to be ready for its intended use or sale, are capitalized as part of the cost of the asset when it is probable that they will result in future economic benefits to the entity and such costs can be measured reliably. Other costs are recognized under expenses in the period when they are incurred.

3.9 Revenue recognition

Revenue is recognized to the extent it is probable that economic benefits will flow to the Company and its subsidiary their amount be reliably measured. Upon customer's final acceptance of the product, according to the established contract conditions. Revenue is measured by applying the fair value of the consideration received, excluding discounts, rebates and taxes or charges on sales.

Costs directly related to contracts, which generate resources used in the fulfillment of the contract and are expected to be recovered, are capitalized as cost to fulfill a contract and are included in contract assets.

The Company and its subsidiary records revenue when the "control" of the blade is transferred to customers or when services are rendered. The Company and its subsidiary evaluate revenue transactions in accordance with specific criteria to determine whether it is acting as an agent or principal, and it ultimately concluded that it is acting as principal in all its revenue agreements. The specific criteria below must also be met before revenue is recognized:

Sale of products

The operating revenue from the sale of goods on the normal course of activities is measured at the fair value of the consideration received or receivable. Operating revenue is recognized when the performance obligation is met by the Company and all technical aspects of the product are approved by the customer (formal acceptance), for purposes of transfer of control.

Service rendering

Aeris has a special division (Aeris Service) that uses knowledge and infrastructure in the manufacturing of blades, which was created to offer the turbine O&M market a distinguished service. Revenue recognition is based on the provision of services to customers.

Sale of tools

The Company foresees one more business area, developing tools used in the blade manufacturing process and internal logistics. Operating revenue from the sale of goods during regular business is measured at the fair value of the received or receivable amount, recognized when: (i) there is plausible evidence that control of a good or service is transferred to the customer, which generally is upon delivery; (ii) for the amount the entity expects to be entitled to receive in exchange for transferring the good or service; and (iii) the associated costs and possible return of goods can be reliably estimated.

It is worth noting that delivery occurs when the products are sent to the specified location, the customer accepts the products, according to the sales contract, and the acceptance provisions have been specified or the Company is provided with objective evidence that all criteria for product acceptance have been met.

Other revenue

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The amounts recoded as “Other revenue” mainly refer to the recognition of scrap sale and revenue from contract initiation, referring to the development of projects.

3.10 Taxes

Current income tax and social contribution

Current tax assets and liabilities from the last fiscal year and previous years are measured at the expected recoverable amounts, or payable amounts, to the tax authorities. The rates and tax laws used to calculate taxes are those in force or substantially in force on the reporting date. Taxes on income are recognized in the income statement, except in cases they are directly related to items directly recorded in equity or reserve of equity valuation adjustments, net of such tax effects. Taxes on income include income tax and social contribution. Income tax is calculated on taxable income at 15% plus a surcharge of 10% for income exceeding R\$240 in 12 months, while social contribution is calculated at 9% on taxable income. They are recognized on the accrual basis but, where applicable, the inclusion of expenses to the accounting income, temporarily non-deductible, or the exclusion of revenue, temporarily non-taxable, for the calculation of current taxable income generate deferred credits or debits.

Deferred income tax and social contribution

Current and deferred income tax and social contribution charges are calculated based on tax laws that have been enacted, or substantially enacted, on the reporting date. Management periodically evaluates the positions taken by the Company in the calculation of taxes on income regarding the situations in which the applicable tax regulation is subject to interpretations, and creates provisions, where applicable, based on the estimated amounts payable to the tax authorities.

Deferred income tax and social contribution are recognized using the liability method on temporary differences arising from differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred Income Tax and Social Contribution are not accounted for if they result from the initial recognition of an asset or liability in a transaction other than a business combination, which, at the time of the transaction, affects neither the accounting profit nor the taxable profit (tax loss).

Deferred income tax and social contribution assets are recognized only to the extent that it is probable that future taxable profit will be available and against which the temporary differences can be used.

Deferred income tax assets and liabilities are shown net in the statement of financial position when there is a legal right and intention to offset them against current taxes, generally related to the same legal entity and the same tax authority. Accordingly, deferred tax assets and liabilities in different entities or in different countries are usually presented separately, and not at the net value.

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Taxes on purchases:

Purchases, expenses and assets are recognized net of taxes on purchases, except:

- When the taxes incurred in the purchase of goods or services are not recoverable with the tax authorities, in which case the tax on purchases is recognized as part of the acquisition cost of the asset or expense item, as applicable.

Taxes on sales:

- The net value of taxes on sales, recoverable or payable, is included as an item of the amounts recoverable or payable in the statement of financial position.

<u>Description</u>	<u>Tax rates</u>
PIS	1.65%
COFINS	7.60%
ICMS	Exempt
IPI	0%
Tax on services (ISS)	2%

The ICMS tax on the sale of blades, through NCM 8503.00.90, is exempt by the Confaz Agreement 101/97.

The accumulation of tax credits in the Company results from sales to foreign markets and exempt sales in the domestic market.

Taxes (PIS and COFINS) are presented as sales deductions in the income statement and the credits resulting from the non-cumulativeness of PIS/COFINS are deducted from the cost of goods sold in the income statement.

The IPI on the sale of blades is 0% according to its NCM 8503.00.90 in the TIPI table.

Exports are exempt from taxes (PIS and COFINS) and are not subject to IPI and ICMS taxes.

3.11 Government grants and assistance

Government grants are recognized in profit or loss when there is reasonable assurance that the grant will be received and that the conditions established for the benefit will be fulfilled by the Company. Subsequently, they are allocated to the tax incentive reserves in equity.

The Company has tax benefits granted by the Superintendence for the Development of the Northeast (SUDENE), consisting of a reduction of 75% in income tax on the operating profit. During the use of the benefits, the Company is obliged to record a tax incentive reserve at an amount equivalent to the income tax not paid. The effect of the benefit in the period is recorded in profit or loss under grant revenue, less the current income tax generated.

The Company also has a tax benefit granted by the Ceará State Government, through ADECE – FDI (Industrial Development Fund), with 75% of ICMS tax paid monthly and 100% of ICMS levied on input and raw material imports for use in the industrial process.

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3.12 Borrowing cost for own capital

The transaction costs incurred in fundraising through the issue of equity securities are recorded, separately, as a reduction account of equity, less any tax effects, and the premiums received are recognized in a capital reserve account.

3.13 Provisions

Provisions are recognized when the Company and its subsidiaries has a present obligation (legal or constructive) as a result of a past event, it is probable that economic benefits will be required to settle the obligation and the amount of the obligation can be reliably estimated. When the Company and its subsidiaries expects the amount of a provision to be refunded, in whole or in part, for example under an insurance contract, the refund is recognized as a separate asset, but only when the refund is virtually certain.

The expense related to any provision is presented in the income statement, net of any refund.

3.14 New standards, interpretations and amendments effectively applied as of January 1, 2021

We have adopted the following changes to standards for the first time for the fiscal year beginning January 1, 2021:

- **IBOR Reform** - Phase 2: amendments to IFRS 9/CPC 48, IAS 39/CPC 38 and IFRS 7/CPC 40 - “Financial Instruments”, IFRS 16/CPC 06(R2) - Leases, IFRS 4/CPC 11 “Insurance Agreements”. IBOR Reform Phase 2 introduces the following temporary exceptions to the application of these standards, which have been adopted by the Group, regarding:
 - (i) **Financial assets and liabilities based on contractual cash flows:** it is allowed to change the basis for determining the contractual cash flows without causing any contract derecognition, and consequently without any direct effect of gain or loss on the result for the year, provided that it is directly related to the reference interest rate adjustment and interest rate change, and that the new basis is considered economically equivalent to the previous one.
 - (ii) **Hedging relationships:** the formal designation of the hedging relationship should be changed only to designate the alternative reference rate as a hedged risk, change the description of the hedged item, and/or change the description of the hedging instrument. This change in the formal designation of the hedging relationship does not constitute a discontinuation of the hedging relationship, nor a new hedging relationship, and therefore has no immediate effect on the result for the year.
- **Covid-19 Related Benefits Granted to Lessees under Lease Agreements:** amendments to IFRS 16/CPC 06(R2) “Leases”: extension of the implementation to the practical arrangement of recognizing discounts obtained by the Company on lease payments directly in the income statement, instead of as a covenant amendment, until June 30, 2022.

There are no CPC/IFRS standards or ICPC/IFRIC interpretations that became effective in fiscal 2021 that would significantly impact the financial statements of the Company and its subsidiary.

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3.15 Significant accounting judgments, estimates and assumptions

Judgments

The preparation of the Company's financial statements requires management to use opinion and estimates and apply assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, as well as the disclosure of contingent liabilities, at the date of the financial statements.

In the process of applying the Company's accounting policies, Management has made the following judgments, which have a more material impact on the amounts recognized in the financial statements:

Estimates and assumptions

The main assumptions concerning sources of uncertainty in future estimates and other important sources of uncertainty in estimates on the reporting date, involving a significant risk of causing a material adjustment to the carrying amount of assets and liabilities in the next fiscal year, are discussed below:

Tax credit impairment losses

Current tax assets and liabilities for the current and prior fiscal year are measured at the amount expected to be recovered from or paid to the tax authorities, using the tax rates enacted at the end of the reporting fiscal year. The Company has accumulated tax credits recorded in the assets, arising from incentivized sales to foreign markets and exempt sales in the domestic market.

Management has plans for the future realization of said ICMS credits, with some alternatives for realization that include, but are not limited to: (i) offsetting with other state taxes, according to the tax legislation in effect; (ii) development of new businesses with outgoing credit; (iii) request for approval and reimbursement, in kind, of said tax credits, by the tax authorities.

Useful life of property, plant and equipment

The economic useful life of the Company's property, plant and equipment items was established by its internal technical team, defined specifically by the professionals responsible for the production and maintenance of the Company's facilities.

The following assumptions have been used:

- Planning of property, plant and equipment expenses: machine replacement policy, technological lag of the assets and comparisons with the technology used by competitors, level of obsolescence, etc;
- Technical or commercial obsolescence arising from changes or improvements in production, or from changes in market demand for the product derived from the asset;
- Conditions of use: facilities, humidity in the environment, heat, dust, dirt;
- Historical and comparative evaluation of similar assets, including comparisons with companies in the same industry; and
- The Company's maintenance policy – aiming to safeguard the assets.

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3.16 Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The subsidiaries are fully consolidated from the date on which control is transferred to the Group. Consolidation is interrupted from the date on which the Group ceases to have control.

Identifiable assets acquired and liabilities and contingent liabilities assumed in the acquisition of subsidiaries in a business combination are initially measured at fair values on the acquisition date. The Group recognizes the non-controlling interest in the acquired company both at fair value and at the proportionate share of the non-controlling interest in the acquired company's net assets. The measurement of the non-controlling interest is determined at each acquisition made. Acquisition-related costs are accounted for as incurred.

Transactions, balances and unrealized gains on intra-group transactions are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. The accounting policies of subsidiaries are changed, when necessary, to ensure consistency with the policies adopted by the Group.

4. Cash and cash equivalents

	Parent Company		Consolidated	
	2021	2020	2021	2020
Cash	78	64	78	64
Banks	1,826	225	10,645	1,367
Financial investments	882,210	683,123	882,210	683,123
	884,114	683,412	892,933	684,554

Financial investments refer to short-term, highly liquid financial instruments, classified as amortized cost, which are readily convertible into a known cash amount and which are subject to an insignificant risk of change in value.

These financial investments refer to Bank Deposit Certificates and repurchase agreements indexed at an average rate of 106.25% of CDI as of December 31, 2021 (100% of CDI as of December 31, 2020). These investments are held for immediate negotiation and are available to be used by the Company.

5. Financial assets – parent company and consolidated

	2021	2020
Banco do Nordeste	-	16,059
	-	16,059

Current assets' financial investments refer to financial instruments classified as measured at amortized cost. As of December 31, 2020, these financial investments mainly refer to Bank Deposit Certificates yielding the average rate of 100% of the CDI. As described in Note 12, these investments were held as collateral to some borrowings and, because they were renewed on an annual basis, were held in current assets but separated from cash equivalents for having a realization period of more than 90 days.

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On August 17, 2021, the Company settled the Financing Agreements (FNE), with Banco do Nordeste and by liquidating the contract linked to this investment, the obligation of the guarantee was terminated.

6. Trade receivables and advances from customers

	Parent Company		Consolidated	
	2021	2020	2021	2020
Sale of blades	105,995	183,651	105,994	183,651
Rendering of services	13,504	22,354	20,883	36,481
	119,499	206,005	126,877	220,132

The aging list of trade receivables is as follows:

	Parent Company		Consolidated	
	2021	2020	2021	2020
To be Due	112,527	197,553	119,463	210,499
Overdue:				
Up to 30 days	1,815	2,410	2,089	3,343
From 31 to 60 days	2,867	645	3,035	893
From 61 to 90 days	1,803	487	1,803	487
More than 91 days	487	4,910	487	4,910
	119,499	206,005	126,877	220,132

The Company did not record allowance for doubtful accounts as the entire balance receivable was created in the last 12 months and the overdue balances of customers have no track record or any expectation of loss and are expected to be received in the next few months.

As of December 31, 2021, the Company presents a balance of R\$105,570 in the parent company and R\$105,701 in the consolidated (As of December 31, 2020 - R\$10,014 in the parent company and R\$ 10,190 in the consolidated) of advances from customers. These amounts will be offset in sales until the end of the next quarter, with the remaining balance classified as current liabilities.

7. Inventories

Inventory volume grew 29.64% in the parent company and 29.76% in the consolidated, compared to the end of fiscal year 2020, because of the new production lines being ramped up.

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	Parent Company		Consolidated	
	12/31/2021	December 31, 2020	12/31/2021	December 31, 2020
Raw material	235,668	264,383	235,668	264,383
Products being prepared	287,141	98,287	287,141	98,287
Supplemental material	45,410	38,180	45,520	38,300
Finished product	18,250	21,504	18,250	21,504
Maintenance material	29,741	8,746	29,741	8,746
Safety material	838	1,065	838	1,065
Advances to suppliers for inventory acquisition (i)	175,809	180,454	176,807	180,627
Other	7,431	4,670	7,431	4,670
	800,288	617,289	801,396	617,582

The position remains in line with the production volume, due to the projects have carbon fiber components that are not found in the local market. Average receipt term for foreign raw materials remained between 90 and 100 days and the main suppliers are located at Europe and Asia.

All inventory groups grew, especially in inventory of products in progress resulting from the items that are ramped up. This inventory performance is due to the volume of demolded blades being higher than that of finished blades, which is a natural behavior for the company's business model.

The increased number of maintenance materials is due to the growth of the manufacturing park as a result of the expansions carried out during the year, and also due to the decision to maintain strategic inventories due to the shortage of supplies caused by the Covid-19 pandemic.

The cost of inventories is based on the weighted average cost and include all expenses related to transportation, storage, irrecoverable taxes and other costs incurred from transfer to existing inventory location and conditions. For products being prepared and finished products, in addition to labor and direct material costs, inventories include general manufacturing expenses based on normal production capacity.

The cost of inventories recorded in profit (loss) and included in "Sales Cost" totaled R\$2,162,512 and R\$2,199,175 as of fiscal year 2021 in the parent company and consolidated, respectively (R\$1,938,550 and R\$1,962,843 as of 2020 in the parent company and consolidated, respectively).

It is a policy of the Company and its subsidiary to assess inventory obsolescence by controlling the expiration date of the items and analyzing items that have not been sold. Based on the best estimates, the Company has not identified obsolete items on its inventory as of December 31, 2021 and 2020. Mainly because it operates under a Make to Order (MTO) demand system, i.e., when items are exclusively manufactured for each customer, together with thorough 'phase in' and 'phase out' product monitoring process.

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8. Recoverable taxes – parent company and consolidated

	Parent Company		Consolidated	
	2021	2020	2021	2020
ICMS (a)	125,423	90,110	125,423	90,110
IPI (b)	85,116	43,046	85,116	43,046
PIS (c)	7,904	2,421	7,904	2,421
COFINS (c)	35,417	10,741	35,417	10,741
REINTEGRA (d)	149	443	149	443
IRPJ AND CSLL (e)	11,099	13,051	11,099	13,051
Others taxes	4,459	1,056	4,515	1,056
	269,567	160,868	269,623	160,868
Current	144,144	80,862	144,200	80,862
Noncurrent	125,423	80,006	125,423	80,006

- (a) ICMS credits refer basically to credits arising from ICMS payment on the acquisition of raw materials for production, in a volume higher than the debts generated, considering that sales to foreign markets are encouraged and sales in the domestic market are exempt from such taxation.

The Company expects to fully recover such credits, either to offset sales taxes in the domestic market, selling to third parties or through request for reimbursement in kind to the Ceará State Government, given that the credits do not expire.

An alternative to recoverability for the ICMS credits accumulated as a result of foreign operations, is through the participation in an electronic bidding process. In 2021, the Secretary of Finance of Ceará (Sefaz-CE) called on taxpayers to file the processes related to the recognition and use of accumulated ICMS credits of this nature in order to be included in the public tender to be held pursuant to article 55-B of Law 12,670, of December 27, 1996.2, and the amendments made to it by Law 17,440, of April 9, 2021. The Company has filed an interest in participating in the aforementioned trading session and is constantly following the developments on the subject.

Domestic market sales credits require greater effort to be realized by the company, since they do not present the same predictability as foreign market credits. Thus, Management has been working throughout FY 2021 on strategic options to the credit accumulation scenario, focusing on the following scenarios:

- i) Revenue generation in the transportation of wind turbine blades to customers:

The Company may generate ICMS debits at the exit when it provides the freight service to its final customer. Management's estimates show a capacity to realize a significant part of the current receivables over the next 3 years (until 2024), based on current blade supply agreements with customers WEG and Vestas.

- ii) Aeris establishes another business unit:

In addition to the increase in energy demand, there has been an increase in the tool and logistical devices area. Thus, the Company foresees the implementation of one more business area, which, in addition to the new revenue generation, will also contribute with the consumption of ICMS credit in the assets.

The Company estimates that such credits will be realized within at the most nine (9) years.

- (b) IPI credits refer basically to credits arising from IPI payment on the acquisition of raw materials for production and are being realized on a straight-line basis according to the Company's operations. The Company expects to settle part of these credits during fiscal year 2022. Additionally, during the 2022 fiscal year, the Company will claim refund of the remaining balances to the Brazilian Internal Revenue Service.
- (c) The PIS and COFINS credit is originated from the purchase of raw materials and inputs used in the Company's production process. Due to high export rates in 2019, approximately 70% of revenue, the Company accumulated credits at the end of the year. Its realization started in 2020, due to higher

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revenue of product “V150” in the domestic market, generating PIS and COFINS debit in the non-cumulative calculation. With the start of Siemens Gamesa operations, with production aimed at the domestic market, such credit is expected to be realized in the second semester of 2022.

During 2021, the Company invested strongly in the expansion of its facilities and installed production capacity, which resulted in an increase in PIS and COFINS credits when of these assets' conclusion (transfer from assets under construction to the corresponding fixed asset accounts).

- (d) Reintegra (Special Regime of Reintegration of Tax Amounts to Exporting Companies) is a program created by the government to encourage the export of manufactured products. It aims at partially or fully refunding the tax remainder existing in the exports production chain.
- (e) IR/CSLL credits refer to the negative tax base created in 2021. These will be used with federal tax offsets.

9. Taxes and social contributions

Reconciliation of Income Tax (IR) and Social Contribution (CS) revenues and expenses and the actual rate in force on such taxes:

	Parent Company		Consolidated	
	12/31/2021	December 31, 2020	12/31/2021	December 31, 2020
Accounting profit before income tax and social contributions	77,696	119,380	78,938	120,091
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution based on the combined tax rate	<u>(26,417)</u>	<u>(40,589)</u>	<u>(26,839)</u>	<u>(40,831)</u>
Permanent additions:	<u>(1,545)</u>	<u>(837)</u>	<u>(1,545)</u>	<u>(837)</u>
Non-deductible expenses	(1,545)	(837)	(1,545)	(837)
Permanent exclusions:	<u>29,820</u>	<u>20,920</u>	<u>29,820</u>	<u>20,920</u>
Exclusions	29,820	20,920	29,820	20,920
Incentives (d)	-	14,059	-	14,059
Benefit granted on tax losses, negative basis and temporary differences	(13,104)	(753)	(13,105)	(753)
Others Adjustments:	-	1,019	(819)	550
(Current) and deferred income tax and social contribution recorded in profit (loss) for the period after additions/exclusions *34%	<u>(11,246)</u>	<u>(6,181)</u>	<u>(12,488)</u>	<u>(6,892)</u>
Effective rate	14.47%	5.18%	15.82%	5.74%

a) Deferred taxes

	Parent Company and Consolidated	
	2021	2020
Deferred Asset		
Deferred IR/CSLL - tax loss	1,858	-
Non-deductible estimated provisions	547	-
	<u>2,405</u>	<u>-</u>
Deferred Liabilities		
Depreciation differences (tax rates x useful life)	3,091	753
Gross revenue adjustment - CPC 47	11,312	-
	<u>14,403</u>	<u>753</u>
Net Liabilities - Deferred	<u>11,998</u>	<u>753</u>

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b) Income Tax and Social Contribution Expenses effect on the Results for the Fiscal Year:

Income tax and social contribution recorded in the profit (loss) of the fiscal year are as follows:

	<u>Parent Company</u>		<u>Consolidated</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Current				
Income tax	-	(14,059)	(1,242)	(14,769)
Tax incentive	-	14,059	-	14,059
Social contribution	-	(5,428)	-	(5,428)
	-	(5,428)	(1,242)	(6,139)
Income tax credit recovery (d)	2,743	-	2,743	-
Total	2,743	(5,428)	1,501	(6,139)
Deferred				
Income tax	(4,588)	(554)	(4,588)	(554)
Social contribution	(6,658)	(199)	(6,658)	(199)
	(11,246)	(753)	(11,246)	(753)

c) Incentives

As described in Note 3.11, the Company has tax benefits granted by the Superintendence for the Development of the Northeast (SUDENE), which grant a reduction of 75% of Income Tax on the operating profit.

d) Income tax credit recovery

Income tax credit recovery originated from the recalculation of prior years' operating income.

e) Uncertainties

The Company has not identified any effects from the evaluation of the guidance provided for in IFRIC 23 (ICPC 22) - Uncertainty over Income Tax Treatments.

10. Property, plant and equipment

	<u>Parent Company</u>			
	<u>2021</u>		<u>2020</u>	
	<u>Cost</u>	<u>Depreciation Accumulated</u>	<u>Net</u>	<u>Net</u>
Construction in progress	216,824	-	216,824	197,880
Machinery and equipment	190,263	(34,137)	156,126	91,327
Furniture	20,477	(5,403)	15,074	9,455
Hardware	9,309	(4,837)	4,472	2,588
Land	68,912	-	68,912	68,912
Vehicles	6,308	(1,811)	4,497	1,964
Buildings and leasehold improvements	459,735	(21,688)	438,047	190,383
Facilities	89,692	(35,746)	53,946	45,671
Tools	2,778	(1,501)	1,277	1,099
Aircraft	10,891	1,664	12,555	9,893
	1,075,189	(103,459)	971,730	619,172

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	Consolidated			
	2021			2020
	Cost	Depreciation Accumulated	Net	Net
Construction in progress	216,824	-	216,824	197,880
Machinery and equipment	191,705	(34,314)	157,391	91,723
Furniture	20,477	(5,403)	15,074	9,455
Hardware	9,332	(4,844)	4,488	2,600
Land	68,912	-	68,912	68,912
Vehicles	6,399	(1,836)	4,563	2,043
Buildings and leasehold improvements	459,735	(21,688)	438,047	190,383
Facilities	89,692	(35,746)	53,946	45,671
Tools	4,098	(1,774)	2,324	1,746
Aircraft	10,891	1,664	12,555	9,893
	<u>1,078,065</u>	<u>(103,941)</u>	<u>974,124</u>	<u>620,306</u>

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The changes in the balances of property, plant and equipment are as follows:

	Parent Company										
	Property, plant and equipment in progress (a)	Machinery and equipment	Furniture	Hardware	Lands	Vehicles	Buildings and leasehold improvements	Facilities	Tools	Aircraft	Total
As of December 31, 2019	37,514	74,658	6,183	1,991	21,789	1,325	169,196	30,129	840	-	343,625
Additions	165,285	25,451	4,108	1,453	47,123	1,526	26,071	21,257	568	10,891	303,733
Depreciation	-	(7,681)	(1,170)	(867)	-	(293)	(5,328)	(6,590)	(338)	(998)	(23,265)
Write-offs	(118)	(4,090)	(119)	-	-	(594)	-	-	-	-	(4,921)
Transfers	(4,801)	2,989	453	11	-	-	444	875	29	-	-
As of December 31, 2020	197,880	91,327	9,455	2,588	68,912	1,964	190,383	45,671	1,099	9,893	619,172
Additions	386,934	8,357	800	1,251	-	3,634	-	209	110	-	401,295
Depreciation	-	(9,453)	(1,481)	(1,293)	-	(1,013)	(5,286)	(12,064)	(440)	(1,089)	(32,119)
Write-offs	(5,813)	(9,750)	(967)	-	-	(88)	-	-	-	-	(16,618)
Transfers	(364,919)	79,838	7,267	1,926	-	-	255,250	20,130	508	-	-
As of December 31, 2021	214,082	160,319	15,074	4,472	68,912	4,497	440,347	53,946	1,277	8,804	971,730

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Consolidated

	Property, plant and equipment in progress (a)	Machinery and equipment	Furniture	Hardware	Lands	Vehicles	Buildings and leasehold improvements	Facilities	Tools	Aircraft	Total
As of December 31, 2019	37,514	74,694	6,183	1,997	21,789	1,325	169,196	30,129	1,158	-	343,985
Exchange differences	-	10	-	1	-	-	-	-	92	-	103
Additions	165,285	25,840	4,108	1,460	47,123	1,611	26,071	21,257	883	10,891	304,529
Depreciation	-	(7,720)	(1,170)	(869)	-	(299)	(5,328)	(6,590)	(416)	(998)	(23,390)
Write-offs	(118)	(4,090)	(119)	-	-	(594)	-	-	-	-	(4,921)
Transfers	(4,801)	2,989	453	11	-	-	444	875	29	-	-
As of December 31, 2020	197,880	91,723	9,455	2,600	68,912	2,043	190,383	45,671	1,746	9,893	620,306
Exchange differences	-	60	-	1	-	5	-	-	48	-	114
Additions	386,934	9,296	800	1,258	-	3,634	-	209	632	-	402,763
Depreciation	-	(9,583)	(1,481)	(1,297)	-	(1,031)	(5,286)	(12,064)	(598)	(1,089)	(32,429)
Write-offs	(5,813)	(9,750)	(967)	-	-	(88)	-	-	(12)	-	(16,630)
Transfers	(364,919)	79,838	7,267	1,926	-	-	255,250	20,130	508	-	-
As of December 31, 2021	214,082	161,584	15,074	4,488	68,912	4,563	440,347	53,946	2,324	8,804	974,124

- (a) The increase in additions to Property, plant and equipment in progress refers mainly to the execution of the manufacturing expansion plan that includes the creation of the distribution center, the construction of new warehouses and the acquisition of machinery to meet the requirements of new projects.
- (b) The write offs in Property, plant and equipment refer to the sale of fixed assets.

Depreciation is calculated on a straight-line basis over the useful life of the assets, based on rates that take into consideration the estimated useful life of the assets.

After analysis by internal sources, the Company's fixed assets did not present any indication of loss, devaluation or physical damage that could compromise their future cash flow.

The Company has no assets pledged as collateral for borrowings.

Borrowing costs

Capitalized borrowing costs totaled R\$7,505 as of December 31, 2021 (R\$2,942 on December 31, 2020). The average capitalization rate used was 3.42% p.a.

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Property, plant and equipment disposal

The result from the sale of fixed assets is described in the cash flow statement:

	Parent Company		Consolidated	
	2021	2020	2021	2020
Net book value	16,618	4,921	16,630	4,921
Gain (loss) from disposal of fixed assets	(6,315)	4,432	(6,327)	4,432
Amounts from disposal of fixed assets	10,303	9,353	10,303	9,353

11. Suppliers

	Parent Company		Consolidated	
	2021	2020	2021	2020
In Brazil	164,234	109,466	164,234	109,466
Abroad	278,193	95,556	281,052	95,838
	442,427	205,022	445,286	205,304

The balance payable as of December 31, 2021 and 2020 refers mainly to the purchase of raw materials and supplemental production materials.

Increases in the supplier status are mainly due to organic business growth and an increase in the average payment term.

12. Borrowings, financing and debentures

Description	Index	Interest (% p.a.)*	Maturity**	Parent Company		Consolidated	
				2021	2020	2021	2020
Domestic Currency							
Working capital	CDI	1.50%	3/19/2024	120,440	461,011	120,440	461,011
Financing	IPCA	2.13%	8/15/2027	-	296,477	-	296,477
Debentures	CDI	2.00%	7/31/2026	1,338,304	-	1,338,304	-
Total				1,458,744	757,488	1,458,744	757,488
Foreign currency							
Working capital	US\$***	5.70%	6/13/2022	-	385,514	-	385,514
				-	385,514	-	385,514
Total				1,458,744	1,143,002	1,458,744	1,143,002
Current				91,688	690,291	91,688	690,291
Non-current				1,367,056	452,711	1,367,056	452,711
Total				1,458,744	1,143,002	1,458,744	1,143,002

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(*) Interest rate of the last funding

(**) Latest maturity of the contract group

(***) The transactions with currency exposure are hedged through financial instruments, such as SWAPs and NDFs.

Debentures

On January 15, 2021, the Company carried out the 1st issue of simple debentures, in the amount of R\$600,000 with face value of R\$1 thousand ("Face Value") on the issue date, maturing on January 15, 2026, yielding the variation of the CDI + 2.90% p.a.

On July 15, 2021, the Company issued the 2nd issue of simple debentures, not convertible into shares, in the amount of R\$700,000, with a face value of R\$1 thousand ("Face Value"), on the issue date with maturity on July 31, 2026, with CDI variation + 2.00% p.a. The debentures are not convertible into shares, unsecured, in a single series, for public distribution with restricted distribution efforts, under the terms of the Brazilian Securities and Exchange Commission ("CVM") Instruction 476. This Debenture Issue proceeds were used to refinance the Company's debts and generate cash.

The balance of the face value will be amortized in 2 (two) annual and consecutive installments, beginning on July 31, 2025. The Face Value of the Debentures will not be adjusted for inflation. The Face Value or the balance of the Face Value of the Debentures, as the case may be, will be subject to a remuneration interest corresponding to 100% of the accumulated variation of the average daily rates of Interbank Deposits (DI), over extra-group, calculated and disclosed daily by B3 S.A. - Brasil, Bolsa, Balcão ("B3"), in percentage basis 252 (two hundred and fifty-two) working days, in the daily newsletter available on its website (<http://www.b3.com.br>) ("DI Over Rate"), plus a surcharge of two whole (2,00%) per year, base two hundred and fifty-two (252) Business Days ("Remuneratory Interest"), and the payment of the remuneration will be made annually, on the 31st (thirtieth) of July.

Changes

The changes of borrowings and financing in the fiscal year are as follows:

	Parent Company		
	Current	Noncurrent	Total
Balances as of December 31, 2019	184,650	191,827	376,477
Funding	715,571	434,467	1,150,038
Interest and exchange variation	70,344	4,712	75,056
Principal amortization	(348,561)	(63,396)	(411,957)
Interest amortization	(46,612)	-	(46,612)
Transfer	114,899	(114,899)	-
Balances as of December 31, 2020	690,291	452,711	1,143,002
Borrowings	-	1,420,000	1,420,000
Interest and exchange variation	107,898	4,524	112,422
Principal amortization	(879,474)	(267,709)	(1,147,183)
Interest amortization	(69,169)	(328)	(69,497)
Transfer	242,142	(242,142)	-
Balance as of December 31, 2021	91,688	1,367,056	1,458,744

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	Consolidated		
	Current	Noncurrent	Total
Balances as of December 31, 2019	184,650	191,827	376,477
Borrowings	793,522	434,467	1,227,989
Interest and exchange variation	72,817	4,712	77,529
Principal amortization	(426,512)	(63,396)	(489,908)
Interest amortization	(49,085)	-	(49,085)
Transfer	114,899	(114,899)	-
Balances as of December 31, 2020	690,291	452,711	1,143,002
Borrowings	2,561	1,420,000	1,422,561
Interest and exchange variation	108,067	4,524	112,591
Principal amortization	(882,194)	(267,709)	(1,149,903)
Interest amortization	(69,179)	(328)	(69,507)
Transfer	242,142	(242,142)	-
Balance as of December 31, 2021	91,688	1,367,056	1,458,744

The financial disbursement schedule is as follows:

	Parent Company		Consolidated	
	2021	2020	2021	2020
2021	-	690,291	-	690,291
2022	91,688	295,332	91,688	295,332
2023	59,653	44,484	59,653	44,484
2024	213,758	60,736	213,758	60,736
2025 onwards	1,093,645	52,159	1,093,645	52,159
Total	1,458,744	1,143,002	1,458,744	1,143,002

Financial guarantees

The guarantees of borrowings and financing in effect are as follows:

	2020
Type of guarantee	
Personal accommodation	171,868
Financial investments	16,059
Letter of guarantee	154,931
	342,858

Covenants

The Company holds some financing contracts, as well as debenture agreements, which provide for early debt maturity clauses in case of non-compliance with certain contract requirements.

As of December 31, 2021, the Company has complied with all of these requirements, and there are no restrictions in its agreements.

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13. Equity

Share capital

As of December 31, 2021 and 2020, the share capital was R\$815,102, comprised as follows (in units):

	<u>2021</u>	<u>2020</u>
ON - Registered common shares	766,213,456	766,213,456
	<u>766,213,456</u>	<u>766,213,456</u>

<u>Number of Shares</u>			
<u>Shareholder</u>	<u>Common Shares</u>	<u>Common Shares %</u>	
Alexandre Funari Negrão	384,495,624	50.18%	
Alexandre Sarnes Negrão	27,077,156	3.53%	
Vera Sarnes Negrão	27,077,156	3.53%	
Bruno Vilela Cunha	16,246,293	2.12%	
Bruno Lolli	12,184,721	1.59%	
Cássio Cancela e Penna	12,184,721	1.59%	
Daniel Henrique da Costa Mello	12,184,721	1.59%	
Vitor de Araujo Santos	12,184,721	1.59%	
Gisela Sarnes Negrão Assis	10,830,863	1.41%	
Fernanda Sarnes Negrão	10,830,863	1.41%	
Marcio José Marzola	10,830,862	1.41%	
Luiz Henrique Thonon	5,465,937	0.71%	
Other	6,158,288	0.80%	
Free Float	215,461,530	28.12%	
Treasury Shares	3,000,000	0.39%	
Total	<u>766,213,456</u>	<u>100.00%</u>	

The shares are classified as follows:

ON - Common shares: Regarding the Company, the shares are indivisible, and each common share entitles its holder to one vote in the corporate resolutions. Shares have no par value.

The Company is authorized to increase its share capital, regardless of amendments to the Bylaws, up to the limit of two billion and two hundred million reais (R\$2,200,000,000.00), upon resolution of the Board of Directors. The share capital may be increased through the subscription of new common shares or capitalization of profits or reserves without the issue of new shares. The Board of Directors will establish the number, price and payment term, as well as other share issue conditions, and define whether the subscription will be public or private. The Company may, within the limit of authorized stock capital, upon resolution of the Board of Directors: (i) issue debentures convertible into shares; (ii) issue subscription warrants; and (iii) grant stock or subscription options of Company shares in favor of the management, employees or individual service providers of the Company or its subsidiaries, directly or indirectly, as per a plan approved by the Annual Shareholders' Meeting.

According to the Company's Bylaws, shareholders will be entitled to minimum mandatory dividend corresponding to twenty-five percent (25%) of the remaining balance after the following deductions and reversals: five percent (5%) of net income for the creation of the legal reserve; part of the net income for the

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year arising from donations or government subsidies; part of the reserve for contingencies created in previous years and corresponding to losses actually incurred or not materialized must be reversed. A portion or the entire remaining balance, as per Management proposal, may be retained for implementation of the capital budget approved by the General Meeting and the remaining balance, if any, must be distributed to shareholders as additional dividend, as per article 45 of the Bylaws.

Capital reserve

At a Board of Directors meeting held on November 29, 2021, the Company approved the signing of a consulting services agreement between the Company and Falconi Consultores S.A (“Contractor”) (“Agreement - Consulting Services”), in addition to the sale of common shares issued by the Company to the Contractor as payment under the terms of the Agreement - Consulting Services.

Our service provision has among its purposes, to improve and consolidate the operational excellence program and the company's management system in order to strengthen its processes and internal manufacturing procedures, including the mapping of routines and procedures, results control, and the continuous improvement of the business. Due to the long-term culture change involving the whole company and the consolidation of progressive improvement processes, a mixed remuneration was negotiated with the contractor, both through cash payments (fifty percent (50%)) and also in shares. The Company may dispose of up to one million, six hundred thousand (1,600,000) of its common shares, corresponding to approximately 0.8% of the total outstanding Company's shares, as of the date of approval of this agreement.

The Agreement - Consulting Services provides that the disposals of the Company's shares to the Contractor will be made according to a weighted average of the price of the Company's common shares calculated over the last 20 trading sessions prior to the acceptance date of the proposal by the Contractor. Under no circumstances, at the effective transfer date of the shares, may the share sale price be lower than the sale price established in article 3, item II, of ICVM 567. It should also be mentioned that the Agreement - Consulting Services provides for the effective transfer of shares in 6 equal semi-annual installments, as of the project's first month, scheduled for December 2021. The Company's share sales to the Contractor will be executed by means of private negotiations, without intermediary institutions.

In the fiscal year ended December 31, 2021, the amount of R\$772 was reported under the item “Selling, general, and administrative expenses”, representing the fair value measured based on the value of the services received until that date, of which R\$396 refers to the shares granted to the counterparty (registered in shareholders' equity), and R\$376 refers to the payable liability in cash (of which R\$376 is registered in current liabilities).

The Company emphasizes, however, that pursuant to article 6 of ICVM 567, the Company's Board of Directors must timely and periodically review the terms and conditions of this Consulting Agreement, as well as ratify the approval of the sales of Company-issued shares, in order to ensure that no transfers are made later than eighteen (18) months after its prior approval, in compliance with the applicable regulations, including those relating to the applicable disclosures.

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Tax incentive reserve

Created annually based on the portion of profit arising from investment subsidies received by the Company.

Retained Profits Reserve

The profit retention reserve was created as per article 196 of Law 6,404/76, to be used in future investments. Retention accumulated until December 31, 2021 was R\$61,056.

As per article 199 of Law 6,404/76, the balance of this reserve, plus the other profit reserves, cannot exceed the Company's share capital.

Treasury shares

At a Board of Directors meeting held on November 29, 2021, the Company approved the implementation of a Buyback Program for the Company's common shares ("Buyback Program"). Through the Program, the Company intends to use the available proceeds to acquire its shares, at market price, on the stock exchange, aiming at creating value for shareholders, as Management believes that the current share price does not reflect the Company's actual assets' value, the future profitability prospects and the likelihood of generating results. Additionally, it should be noted that the shares acquired shall be held in treasury and may subsequently be used for the following purposes: (i) to the beneficiaries of share-based incentive plans; and/or (ii) to meet payments under the Agreement - Consulting Services, subject to the provisions of the applicable standards for trading with own-issued shares.

Share purchase transactions will be based on the overall amount of the profit and capital reserves, excluding the legal reserve, the unrealized profit reserve, the special reserve for non-distributed dividends, and the tax incentive reserve; and the result realized in the current fiscal year, excluding the amounts to be allocated to the legal reserve, the unrealized profit reserve, the special reserve for non-distributed dividends, and the tax incentive reserve, and the payment of the mandatory dividend.

The Company may acquire of up to four million (4,000,000) common shares, corresponding to approximately two percent (2%) of the total outstanding Company's shares, as of the date of approval of this Buyback Program. The Buyback Program will have a term of eighteen (18) months, beginning as of November 29, 2021, inclusive, and ending, therefore, on May 29, 2023, already considering the settlement term applicable to stock exchange operations.

On December 31, 2021, the number of treasury shares acquired by the Company totaled 3,000,000 shares, with an average price of R\$6.773 per share unit, representing the amount of R\$20,319.

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14. Net operating revenue

	Parent Company		Consolidated	
	2021	2020	2021	2020
Gross revenue				
Sale of products	2,572,247	2,298,140	2,572,247	2,298,140
Rendering of services	31,862	30,923	81,507	64,976
Sale of products acquired from third parties	4,979	-	4,979	-
	2,609,088	2,329,063	2,658,733	2,363,116
Deductions				
Return of sale of products acquired from third parties	(882)	(2,257)	(882)	(2,257)
Taxes on sales (a)	(168,376)	(148,595)	(168,376)	(148,594)
Service taxes	(2,997)	(3,353)	(3,325)	(3,563)
	(172,255)	(154,205)	(172,583)	(154,414)
Net operating revenue	2,436,833	2,174,858	2,486,150	2,208,702

(a) Sales tax is detailed on item 3.10 of the accounting policies.

15. Cost of Goods Sold

	Parent Company		Consolidated	
	2021	2020	2021	2020
Cost of materials	(1,791,002)	(1,604,305)	(1,793,628)	(1,605,512)
Personnel	(218,399)	(219,428)	(241,128)	(238,269)
Depreciation and amortization	(30,160)	(21,895)	(30,463)	(22,020)
Utilities	(58,215)	(42,504)	(58,456)	(42,686)
Services rendered	(25,811)	(21,684)	(25,817)	(21,750)
Rentals	(21,166)	(11,243)	(24,217)	(12,219)
Other	(17,759)	(17,491)	(25,466)	(20,387)
	(2,162,512)	(1,938,550)	(2,199,175)	(1,962,843)

16. Selling, general and administrative expenses

	Parent Company		Consolidated	
	2021	2020	2021	2020
Personnel	(51,423)	(45,620)	(57,501)	(50,878)
Services rendered	(15,228)	(9,854)	(16,410)	(10,447)
Depreciation and amortization	(3,614)	(2,340)	(3,614)	(2,340)
Travel expenses	(2,397)	(5,326)	(2,397)	(5,326)
Rentals	(1,312)	(667)	(1,602)	(926)
Utilities	(3,597)	(2,325)	(3,597)	(2,325)
Tax expenses	(2,373)	(667)	(2,373)	(667)
Other	(2,917)	(2,509)	(3,226)	(2,700)
	(82,861)	(69,308)	(90,720)	(75,609)

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17. Other operating income (expenses), net

	Parent Company		Consolidated	
	2021	2020	2021	2020
Proceeds from the sale of fixed assets	2,512	4,904	2,512	4,904
Others Revenues (i)	12,847	35,271	13,394	35,289
Expenses with guarantees	(3,386)	(762)	(2,738)	(762)
Donations (ii)	(300)	(1,407)	(300)	(1,407)
Other operating expenses	(1,230)	(2,818)	(1,230)	(2,818)
	10,443	35,188	11,638	35,206

- (i) Revenue from the start of project development contract and customer refund. Due to an expected covenant, in 2021 rump up revenues have been accounted for in gross revenues.
- (ii) Donations for Rouanet Law/FCAD/Elderly/Sports.

18. Financial result

	Parent Company		Consolidated	
	2021	2020	2021	2020
Financial incomes				
Derivative financial instruments	23,812	55,461	23,812	55,461
Exchange variation gains	78,984	81,548	78,984	81,548
Income from short-term investments	24,103	2,866	24,105	3,004
Other	21,920	8,136	21,962	10,084
	148,819	148,011	148,863	150,097
Financial expenses				
Derivative financial instruments	(38,193)	(71,662)	(38,193)	(71,662)
Exchange variation losses	(92,799)	(92,062)	(92,799)	(92,062)
Financial transaction fees	(40,578)	-	(40,578)	-
Interest on borrowings and financing	(104,030)	(67,012)	(104,428)	(68,886)
Other	(1,505)	(2,746)	(1,820)	(2,852)
	(277,105)	(233,482)	(277,818)	(235,462)
Financial result	(128,286)	(85,471)	(128,955)	(85,365)

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19. Financial instruments, objectives and financial risk management policies

The classification of financial instruments by category is as follows:

	Parent Company		Consolidated	
	2021	2020	2021	2020
Measured at amortized cost				
Financial assets	-	16,059	-	16,059
Cash and cash equivalents	884,114	683,412	892,933	684,554
Trade receivables	119,499	206,005	126,877	220,132
Other receivables	18,528	40,716	19,359	41,028
Suppliers	442,427	205,022	445,286	205,304
Loans, Financing and Debentures	1,458,744	1,143,002	1,458,744	1,143,002
Financial assets measured at fair value through profit or loss				
Derivative instruments	481	4,168	481	4,168

Measurement

It is assumed that the balances of account receivable and trade payables at book value, less impairment in the case of accounts receivable, approximate their fair values.

The fair value measurement process for the Company's financial instruments, was established using available market information and appropriate valuation methodologies. The following estimates do not necessarily indicate the amounts that may be realized in the current exchange market.

CPC 40 (R1) - Financial Instruments: Evidence establishes a 3-level hierarchy for fair value, being:

Level 1 - quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 - information, in addition to the quoted prices, included in Level 1, that is observable by the market for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3 - information for assets or liabilities that is not based on data observable by the market (that is, unobservable assumptions).

The specific valuation techniques used to evaluate financial instruments listed as Level 2 include:

. We calculate the fair value of interest rate swaps as the present value of estimated future cash flows based on observable yield curves.

. We determine the fair value of fixed-term exchange contracts using forward exchange rates at the balance sheet date.

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The fair value of financial assets and liabilities are included in the value for which the instrument could be exchanged in a current transaction between counterparties prepared to negotiate, and not in a forced sale or liquidation.

The fair value measurement process for the Company's financial instruments is classified as Level 1. Only derivative financial instruments are classified in Level 2, whose balance as of December 31, 2021 was R\$481 (R\$4,168 as of December 31, 2020) with maturities in the short term. As of December 31, 2021 and 2020, the Company did not identify significant differences between the market values of the financial instruments and the values presented in the financial statements.

The table below sets forth the assets and liabilities measured at fair value on December 31, 2021:

Description	Parent Company					
	Notional value 2021	Book balance 2021	Fair Value 2021	Notional value 2020	Book balance 2020	Fair Value 2020
Financial assets						
Derivative financial instruments (swap contracts/NDF) US\$	16,667	481	481	14,980	8,812	8,812
*Defined rates + exchange variation (US\$)	-	-	-	2.55% p.a.	2.55% p.a.	2.55% p.a.
Index	-	-	-	Libor	Libor	Libor
Financial liabilities						
Derivative financial instruments (swap contracts/NDF)	-	-	-	10,715	4,644	4,644
(Swap contracts/NDF)	-	-	-	2.00%	2.00%	2.00%
Index	-	-	-	CDI	CDI	CDI

* Interest rate of the last funding

Financial risk factors

The Company is exposed to the following risks arising from the use of financial instruments:

- Credit risk;
- Liquidity risk; and
- Exchange risk and interest rate.

This Note presents information about the exposure to each of the aforementioned risks and the Company's objectives.

Risk management is carried out by the Company's finance department, according to the policies approved by the Board of Directors. The finance department, together with its operating units, identifies, assesses and protects the Company against potential financial risks.

Credit risk

This risk arises from the possibility of the Company undergoing losses from the default of its counterparties. To mitigate these risks, the Company adopts the practice of analyzing the financial and equity situations of its counterparties, as well as defining credit limits and permanently monitoring the balances receivable from each customer.

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Liquidity risks

The main sources of financial resources used by the Company come from loans taken out with financial institutions with long-term maturity and from the sale of its products.

The Company's main needs of financial resources arise from the obligation to pay for raw materials for production, operating expenses, salary expenses and other operating disbursements.

The payment schedule of the long-term installments of borrowings, financing and debentures is shown in Note 12.

Market risk

Exchange risk

The Company's results are susceptible to significant changes due to the effects of the exchange rate volatility on liabilities linked to foreign currency, mainly the U.S. dollar.

As of December 31, 2021, the Company ended the fiscal year with almost no exposure to exchange rate risk, considering that it has no transactions in foreign currency with Banks. The payment and receipt groups in dollars and euros are evaluated for natural hedging and strategy in the financial planning area.

The Company's currency exposure is as follows:

Balances indexed to the U.S. dollar	2021 <u>(US\$)</u>	2020 <u>(US\$)</u>
Suppliers abroad	50,363	18,442
Advances to suppliers abroad	(6,787)	(22,780)
Customers abroad	(2,328)	(29,690)
Advances from customers abroad	23	34
Swap contracts/NDF	(16,667)	(74,184)
Net position	<u>24,604</u>	<u>(108,178)</u>

Currency sensitivity analysis

The purpose of the sensitivity analysis is to measure the impact to changes in market variables on each representative financial instrument. However, the settlement of the transactions involving such estimates may result in amounts different from those estimated given the subjectivity contained in the process used in preparing these analyses. Two scenarios are presented, representing the deterioration of the risk variable by 25% (possible) and 50% (remote), defined through assumptions available in the market.

In the financial statements of December 31, 2021, the probable scenario (base scenario) considered the maintenance of the U.S. dollar rate.

The calculations estimated by the Company's Management are reflected in the probable scenario, as shown below:

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2021	Risk Factor	Average rate (p.a.)	Exposed amounts	Probable Scenario		Possible Scenario – 25%		Remote Scenario – 50%	
				Average rate (p.a.)	Effect on profit or loss	Average rate (p.a.)	Effect on profit or loss	Average rate (p.a.)	Effect on profit or loss
Long position	US\$	5.58	143,876	5.58	-	6.98	35,969	8.37	71,938
Short position	US\$	5.58	(281,179)	5.58	-	6.98	(70,295)	8.37	(140,590)
Net exposure			(137,303)		-		(34,326)		(68,652)

2020	Risk Factor	Average rate (p.a.)	Exposed amounts	Probable Scenario		Possible Scenario – 25%		Remote Scenario – 50%	
				Average rate (p.a.)	Effect on profit or loss	Average rate (p.a.)	Effect on profit or loss	Average rate (p.a.)	Effect on profit or loss
Long position	US\$	5.20	658,182	5.22	2,951	6.53	168,235	7.83	333,518
Short position	US\$	5.20	(464,157)	5.22	(2,081)	6.53	(118,641)	7.83	(235,200)
Net exposure			194,025		870		49,594		98,318

Interest rate risks

The Company is mainly exposed to variations in the CDI interest rates on financial investments and borrowings and financing. As of December 31, 2021 and 2020, financial assets and liabilities are as follows:

	2021	2020
Variable rate – CDI		
Financial assets	882,210	699,182
Financial liabilities	(1,458,744)	(595,376)
	(576,534)	103,806

Interest rate sensitivity analysis

The purpose of the sensitivity analysis is to measure the impact to changes in market variables on each representative financial instrument. However, the settlement of the transactions involving such estimates may result in amounts different from those estimated given the subjectivity contained in the process used in preparing these analyses. Two scenarios are presented, representing the deterioration of the risk variable by 25% (possible) and 50% (remote), defined through assumptions available in the market. The probable scenario was defined by means of assumptions available in the market (B3 and BC Focus publications).

The probable scenario considered the maintenance of the CDI rate of December 31, 2021 at 9.15% p.a. The possible and remote scenarios consider increases of 25% (11.44% p.a.) and 50% (13.73% p.a.), respectively, to the rate. The Company's Management understands that the risk of great variations in the CDI rate in 2022 is low, taking into consideration the market's track record and projections.

The table below shows the sensitivity to changes in level, indicating the deterioration in the Company's financial situation through an increase in interest rates on the portion of borrowings and financing affected below:

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	021			Probable Scenario		Possible Scenario - 25%		Remote Scenario - 50%	
	Risk Factor	Average rate (p.a.)	Exposed amounts	Average rate (p.a.)	Effect on profit or loss	Average rate (p.a.)	Effect on profit or loss	Average rate (p.a.)	Effect on profit or loss
Long position	CDI	9.15%	882,210	9.15%	80,722	11.44%	100,903	13.73%	121,083
Short position	CDI	9.15%	(1,458,744)	9.15%	(133,475)	11.44%	(166,844)	13.73%	(200,213)
Net exposure			(576,534)		(52,753)		(65,941)		(79,130)

	2020			Probable Scenario		Possible Scenario - 25%		Remote Scenario - 50%	
	Risk Factor	Average rate (p.a.)	Exposed amounts	Average rate (p.a.)	Effect on profit or loss	Average rate (p.a.)	Effect on profit or loss	Average rate (p.a.)	Effect on profit or loss
Long position	CDI	1.90%	699,182	1.90%	13,284	2.38%	16,606	2.85%	19,927
Short position	CDI	1.90%	(595,376)	1.90%	(11,312)	2.38%	(14,140)	2.85%	(16,968)
Net exposure			103,806		1,972		2,466		2,959

Capital Management

The Company's objectives when managing its capital are to safeguard the Company's and its subsidiaries' ability to continue to offer shareholder returns and benefits to other stakeholders, as well as to maintain an ideal capital structure to reduce these costs.

In order to maintain or adjust the Company's capital structure, Management may review, or propose a review in case of shareholder approval, the dividend payment policy, return capital to shareholders or issue new shares or sell assets to reduce, for example, the level of indebtedness.

Consistent with other companies in the sector, the Company monitors capital based on the financial leverage ratio. This index corresponds to net debt expressed as a percentage of total capital. Net debt, in turn, corresponds to total borrowings (including short- and long-term borrowings, as shown in the consolidated statement of financial position), less cash and cash equivalents. Total capital is calculated as total equity, as shown in the consolidated statement of financial position, plus net debt.

As of December 31, 2021 and 2020, the financial leverage indexes are as follows:

	Consolidated	
	2021	2020
Total Loans (Note 12)	120,440	1,143,002
Debentures (Note 12)	1,338,304	-
(-) Cash and cash equivalents (Note 4)	(892,933)	(684,554)
(-) Financial assets (Note 5)	-	(16,059)
(-) Derivative instruments	(481)	(4,168)
Net debt	565,330	438,221
Total equity - Note 13	999,592	965,307
	1,564,922	1,403,528
Financial leverage ratio - %	0.36	0.31

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Capital is not managed at the Parent Company's level, but at the consolidated level only.

20. Provision for contingencies

The Company is a party to lawsuits and labor claims arising from the normal course of operations. Management periodically assesses contingent risks based on legal and economic fundamentals, in order to classify them as probable, possible, or remote, based on their likelihood of occurrence and enforceability, taking into consideration the analyses of legal advisors sponsoring the Company's cases, as applicable.

As of December 31, 2021, the lawsuits assessed by the legal advisors as possible risk totaled R\$34,475 (R\$31,759 as of December 31, 2020), not provisioned, referring to tax, administrative, and labor claims. The company has no lawsuits assessed as probable loss.

Tax assessment notices – Federal Revenue Office

Among the administrative lawsuits with likelihood of loss are the tax assessment notices issued by the Federal Revenue Office in June 2020 in the amount of R\$26,930, alleging a possible error in the tax classification of a certain raw material imported by the Company. The Company filed a writ of mandamus seeking the annulment of the notices. The Company's legal advisors understand that the assessment is undue, and, for this reason, the amounts are not provisioned as of December 31, 2021.

21. Related parties

The Company has transactions and balances with related parties, of which we highlight:

Assets	Transaction	2021	2020
Current			
Aeris LLC Loan (i)	Loan	3,233	-
Total		3,233	-
Noncurrent			
Aeris LLC Loan (i)	Loan	2,421	9,730
Total		2,421	9,730

(i) Loan with the subsidiary.

Compensation for the key management personnel

Key management personnel include the Executive Board and Board of Directors. The compensation paid or payable to key management personnel for the services provided is as follows:

	<u>2021</u>	<u>2020</u>
Salaries and other short-term benefits	8,289	15,190

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22. Investment in subsidiary

	<u>2021</u>	<u>2020</u>
Investment in subsidiary	10,667	5,934
Total	<u>10,667</u>	<u>5,934</u>

Changes in investments

The Company has investments in the subsidiary - Aeris Service LLC, whose summary of changes are as follows:

	<u>2021</u>	<u>2020</u>
Opening balance on January 1	5,934	2,537
Accumulated currency translation adjustments	797	734
Reclassification of Translation adjustments	(143)	-
Results from equity-accounted investees	4,079	2,663
Closing balance	<u>10,667</u>	<u>5,934</u>

(Summarized) statements of the subsidiary

The table below summarizes the subsidiary's financial statements as of December 31, 2021 and December 31, 2020:

<u>Year</u>	<u>Interest - %</u>	<u>Assets</u>	<u>Liabilities</u>	<u>Equity</u>	<u>Profit/(Loss) for the period</u>
2021	100	20,586	20,586	10,667	4,079
2020	100	17,128	17,128	5,934	2,663

In 2021, the subsidiary reported a significant increase in its revenues of 43% compared to the fiscal year 2020. This variation is mainly due to an increase in customer demand.

23. Business Segment Information

The determination of the Company's operating segments is based on its Corporate Governance structure, which divides the business into: Manufacturing of wind turbine blades and e Maintenance of wind turbine blades. However, the maintenance segment does not have a significant role yet in the context of the Company's business. As of December 31, 2021, this type of transaction accounted for only 3.14% of net revenue (1.3% – on December 31, 2020).

In this context, all decisions are made based on consolidated reports. The decisions related to strategic planning, finance, purchasing, investments, and application of resources are made on a consolidated basis. As a result, the Company has determined that it has only one relevant reportable segment in the financial statements.

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24. Insurance (not audited)

The company has a management program with the objective of limiting risks, seeking coverage in the market that is compatible with its size and operations, by contracting insurance. The coverage was contracted for amounts considered sufficient by the Management to cover any claims, considering the nature of its activity, the risks involved in its operations and the orientation of its insurance consultants.

As of December 31, 2021, the Company had the following main insurance policies with third parties:

<u>Insurance</u>	<u>Coverage</u>
Business	363,000
Civil liability	125,000

The scope of our independent auditors' work does not include expressing an opinion on the sufficiency of the coverage, which has been determined by the Company's Management.

25. Earnings per share

(a) Basic and diluted

Basic earnings per share are calculated by dividing the profit attributable to the Company's shareholders by the weighted average number of common shares outstanding in the fiscal year. Diluted earnings per share is calculated by adjusting the weighted average number of outstanding common shares to assume the conversion of all potential common shares with diluting potential, which have no difference on December 31, 2021 and 2020, as the Company only has one type of share.

	<u>Parent Company and Consolidated</u>	
	<u>2021</u>	<u>2020</u>
Net income for the year	69,193	113,199
Balance as of January 1	766,213	609,671
Effect from the stock split	-	156,542
Company's share repurchase	(3,000)	-
Balance as of December 31	763,213	766,213
Weighted average number of shares for the diluted earnings per share	763,213	635,666
Basic earnings per share	0.09066	0.1477
Diluted earnings per share	0.09066	0.17808

26. Subsequent event

Share-Based Compensation Plan

The Restricted Share Grant Plan ("Plan") was approved at an Extraordinary Shareholders' Meeting held on January 10, 2022. We would also like to emphasize that the proposal approved by the Board of Directors is within the context of updating and improving the Company's incentive-based structure in order to optimize

Aeris Indústria e Comércio de Equipamentos para Geração de Energia S.A.

Notes to the parent company and consolidated financial statements as of December 31, 2021

All amounts in thousands of reais unless otherwise stated

(A free translation of the original in Portuguese)

the strategies for stimulating and retaining professionals, with the following main objectives: (i) stimulate the expansion, progress and achievement of the Company's corporate objectives, as well as the optimization of aspects that may enhance the Company's long-term value; (ii) align the interests of the Company's shareholders with those of the managers, employees and associates of the Company and its subsidiaries, through the collective participation with the other shareholders in the share valuation as well as the risks to which the Company is subject; and (iii) to enable the Company or subsidiaries to attract and to maintain committed to them certain eligible persons (as described below), offering them the possibility, under the terms and conditions foreseen in the Plan, to become Company's shareholders.

Additionally, the Company highlights that the termination of the current share option plan (previously approved in an Extraordinary Shareholders' Meeting on August 20, 2020) was also approved.

Following the restricted stock grant model, the new Plan adopts the dynamics of the Company's capacity to deliver to its participants, subject to certain terms and conditions, including vesting periods, common shares issued by the Company ("Restricted Shares"). Individuals who are considered to be key persons in the development of the Company's and its subsidiaries' business will be eligible to participate in the Plan as participants, as determined by the Board of Directors (or by a Committee appointed by the Board of Directors to advise it).

The Plan will be managed by the Board of Directors, which may nominate a Committee to advise it, and delegate powers for this management. In this context, the Board of Directors or the Committee, as the case may be, under the terms of the Plan and the applicable rules, will be responsible for approving the establishment of programs, determining the participants from among the eligible people, as well as establishing the conditions of each grant and adopting the necessary measures for its implementation.

Under the terms of the Plan, up to two million, four hundred thousand (2,400,000) Restricted Shares may be delivered to the participants, corresponding, on this date, to approximately thirty-one hundredths' percent (0.31%) of the Company's total capital stock, which may be adjusted pursuant to the Plan.

Executive Board

Bruno Vilela Cunha
Chief Executive Officer and Chief
Commercial Officer

Bruno Lolli
Planning and Investor Relations Officer

Cássio Cancela e Penna
Human Resources Manager

Daniel Henrique da Costa Mello
Industrial and Operations Director

Erica Maria Cordeiro
Supplies Officer

Marcio José Marzola
Chief Administrative and Finance Officer

Vitor de Araújo Santos
Chief Technology and Operating Officer

Sandra Karla Rodrigues Coutinho
Account CRC-CE-015141/O-0