(A free translation of the original in Portuguese)

# Financial Statements

## December 31, 2021

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Management

TUPY
TUPY3 NOVO MERCADO

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## MESSAGE FROM MANAGEMENT

2021 has been marked by significant developments for Tupy's growth and strategic positioning. By combining plants acquired in Brazil and Portugal, we reinforce our global leadership in structural cast iron components dedicated to capital goods.

Our customer base has been expanded and now we supply all truck, agricultural, construction machinery, and engine manufacturers in the West. These two plants expand our production capacity nearly 40%.

Integrating the new units has been occurring as planned. The team was preserved, and this process has been considerably facilitated. Eventually, plants will benefit from identified synergies and shared best practices, which will contribute to increased margins in these operations.

**Robust results and resilience to external factors**

In 2021, the Company has been prepared to meet demand for capital goods compatible with strong economic indicators. However, restricted semiconductor supply, led to comparatively low sales and sudden production stoppages. In addition, instability in the power and gas supply in Mexico has led to additional shutdowns.

This year has also been affected by unprecedented material and energy inflation, which has been fully offset by cost pass-throughs. However, most of these transfers are made in total values and, therefore, we notice margin reductions. Nonetheless, we have made progress in total EBITDA and have increased ROIC from 5.2% in 2020 to 10.6% in 2021.

Our business model's resilience and the implementation of several efficiency-oriented initiatives have contributed to achieve solid results. Company’s highest net revenue and EBITDA ever. By comparing last year with 2018, Tupy (without recently acquired plants), in a higher macroeconomic indicator scenario in 2021, sold 15% less and achieved 30% more EBITDA. That demand, which will not be met in 2021, is held back. Fleet has achieved a high occupancy rate, matured, and will be replaced over the next few quarters.

**Sustainability integrated into the Company's strategy**

Also last year, we published our first Sustainability Report, prepared following the guidelines of the Global Reporting Initiative (GRI) and our materiality matrix. We have thus defined key indicators aligned with the Company’s environmental, social and governance (ESG) aspects. The report is published annually and is used as a management tool. Bringing exposure to the initiatives taken has also contributed to becoming even more aware about our processes and has resulted in us being upgraded by some major ESG ratings in the market.

## SUMMARIZED RESULTS

**Consolidated (R$ thousand)**

| SUMMARY | 2021 | 2020 | Chg. [%] |
|---|---|---|---|
| **Revenues** | **7,082,535** | **4,257,596** | **66.4%** |
| Cost of goods sold | (5,958,810) | (3,572,596) | 66.8% |
| **Gross Profit** | **1,123,725** | **685,000** | **64.0%** |
| *% on Revenues* | *15.9%* | *16.1%* | |
| Operating expenses | (554,053) | (384,025) | 44.3% |
| Other operating expenses | (134,448) | (64,810) | 107.4% |
| Impairments | - | (19,354) | |
| **Income before Financial Result** | **435,224** | **216,811** | **100.7%** |
| *% on Revenues* | *6.1%* | *5.1%* | |
| Net financial income (loss) | (147,197) | (340,937) | -56.8% |
| **Income (Loss) before Tax Effects** | **288,027** | **(124,126)** | |
| *% on Revenues* | *4.1%* | *-2.9%* | |
| Income tax and social contribution | (85,115) | 47,916 | |
| **Net Income (Loss)** | **202,912** | **(76,210)** | |
| *% on Revenues* | *2.9%* | *-1.8%* | |
| | | | |
| **EBITDA (CVM Inst. 527/12)** | **802,892** | **566,951** | **41.6%** |
| *% on Revenues* | *11.3%* | *13.3%* | |
| **Adjusted EBITDA** | **877,640** | **605,215** | **45.0%** |
| *% on Revenues* | *12.4%* | *14.2%* | |
| | | | |
| Average exchange rate (R$/US$) | **5.40** | **5.16** | **4.6%** |
| Average exchange rate (R$/€) | 6.38 | 5.90 | 8.1% |

## PHYSICAL SALES VOLUME

Sales had a recovery compared to 2020, the most intense period of the Covid-19 pandemic, especially in the commercial and off-road vehicle categories, as well as in the domestic market. In addition to macroeconomic factors and new contracts, the acquisition of plants located in Betim-Brazil and Aveiro-Portugal in October also contributed to the performance, adding 31,000 tons. The year was also marked by disruptions in our customers' global supply chains, leading to downtime that impacted volumes starting in the second quarter. Thus, strong economic indicators have not been realized in sales, which on the same basis of comparison, are improving, but remain below the levels of 2018 (-15%) and 2019 (-10%).

**Consolidated (metric tons)**

| | 2021 | 2020 | Chg. [%] |
|---|---|---|---|
| **Domestic Market** | **132,192** | **73,587** | **79.6%** |
| Transportation, Infrastructure, and Agriculture | 119,193 | 62,723 | 90.0% |
| Hydraulics | 12,999 | 10,864 | 19.7% |
| **Foreign Market** | **405,401** | **318,622** | **27.2%** |
| Transportation, Infrastructure, and Agriculture | 392,406 | 310,625 | 26.3% |
| Hydraulics | 12,995 | 7,997 | 62.5% |
| **Total Physical Sales** | **537,593** | **392,209** | **37.1%** |

The transportation, infrastructure and agriculture segment accounted for 95% of the Company's portfolio and the Hydraulic segment (pipe fittings and iron bars) accounted for 5%. Partially or fully machined goods accounted for approximately 24% of the transportation, infrastructure and agriculture segment portfolio. The breakdown of iron alloy among the automotive products was 22% in Compacted Graphite Iron - CGI, with the remaining composed of gray or nodular iron products.

## REVENUES

Revenues totaled R$7,083 million in 2021, up 66% compared to 2020, with revenue /kg increasing 21% over the period. Revenue growth reflects, in addition to volumes, costs pass-throughs, price adjustments, and the effect of the exchange rate devaluation on our revenues in foreign currency. Revenues from the operations acquired in October were R$302 million.

**Consolidated (R$ thousand)**

| | 2021 | 2020 | Chg. [%] |
|---|---|---|---|
| **Revenues** | **7,082,535** | **4,257,596** | **66.4%** |
| Domestic market | 1,600,201 | 678,154 | 136.0% |
| *Share (%)* | *22.6%* | *15.9%* | |
| Foreign market | 5,482,334 | 3,579,442 | 53.2% |
| *Share (%)* | *77.4%* | *84.1%* | |
| | | | |
| **Revenues by segment** | **7,082,535** | **4,257,596** | **66.4%** |
| Transportation, Infrastructure, and Agriculture | 6,748,877 | 4,061,866 | 66.2% |
| *Share (%)* | *95.3%* | *95.4%* | |
| Hydraulics | 333,658 | 195,730 | 70.5% |
| *Share (%)* | *4.7%* | *4.6%* | |

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

In 2021, 58% of Tupy's revenues came from North America. The South and Central Americas accounted for 23%, and Europe for 14% of the total. The remaining 5% came from Asia, Africa and Oceania.

Revenues from the domestic market increased 136%, affected by the sales performance of applications for commercial vehicles and off-road machinery and equipment, stimulated mainly by agribusiness and indirect export opportunities, and also by the product mix of the recently acquired operations, which have a larger share of the Brazilian market. In the foreign market, revenues were 53% higher than in 2020, especially in applications for medium and heavy commercial vehicles, machinery and equipment.

## COST OF GOODS SOLD AND OPERATING EXPENSES

The cost of goods sold (COGS) in 2021 amounted to R$5,959 million, up 67% from 2020.

**Consolidated (R$ thousand)**

| | 2021 | 2020 | Chg. [%] |
|---|---|---|---|
| **Revenues** | **7,082,535** | **4,257,596** | **66.4%** |
| | | | |
| **Cost of goods sold** | **(5,958,810)** | **(3,572,596)** | **66.8%** |
| Raw material | (3,526,875) | (1,793,957) | 96.6% |
| Labor, profit sharing and social benefits | (1,285,113) | (882,151) | 45.7% |
| Maintenance materials and third parties | (417,228) | (339,199) | 23.0% |
| Energy | (340,786) | (222,272) | 53.3% |
| Depreciation | (294,766) | (291,992) | 1.0% |
| Other | (94,041) | (43,025) | 118.6% |
| **Gross profit** | **1,123,725** | **685,000** | **64.0%** |
| *% on Revenues* | *15.9%* | *16.1%* | |
| | | | |
| **Operating expenses** | **554,053** | **(384,025)** | **44.3%** |
| *% on Revenues* | *7.8%* | *9.0%* | |

Over 2021, several initiatives were implemented to mitigate price increases and material shortages experienced throughout the year, such as the transfer of production to more efficient lines, supplier renegotiations, and process improvements. Meanwhile, the Covid-19 pandemic effects also impacted our costs through high absenteeism and supply chain shutdowns, which impacted volumes and led to lower dilution of fixed costs. Exchange depreciation also contributed to an increase in costs denominated directly or indirectly in foreign currency.

Operating expenses increased 44% over the previous year, mainly due to increased volumes and higher freight prices.

## OTHER OPERATING INCOME (EXPENSES)

Other net operating income (expenses) totaled R$134 million in 2021, versus R$65 million in 2020.

**Consolidated (R$ thousand)**

| | 2021 | 2020 | Chg. [%] |
|---|---|---|---|
| Depreciation of non-operating assets | (2,440) | (649) | 276.0% |
| Amortization of intangible assets | (57,260) | (45,251) | 26.5% |
| Land sale | - | 20,135 | |
| Gain on bargain purchase | 48,804 | - | |
| Other | (123,552) | (39,045) | 216.4% |
| **Other operating expenses, net** | **134,448** | **(64,810)** | **107.4%** |
| Impairment of property, plant and equipment | - | (3,404) | |
| Impairment of intangible assets | - | (15,950) | |
| **Total impairment adjustments** | - | **(19,354)** | |

The item "Others" was impacted due to:

(i) Results arising from the sale of scrap and other costs, totaling R$86 million;

(ii) Constitution/updating of contingencies, in the amount of R$34 million;

(iii) Write-off of Property, Plant & Equipment, totaling R$4 million.

Besides the impacts mentioned above, the other net operational expenses line was affected by the revenue of R$49 million resulting from gains of bargain purchase (accounting effect) of the Betim and Aveiro plants. It is measured as the surplus between the net fair value, on the acquisition date, of the assets acquired and liabilities assumed in relation to the acquisition value.

## NET FINANCIAL RESULTS

The Company recorded net financial loss of R$147 million in 2021, versus a financial loss of R$341 million in 2020.

In February, the Company concluded the issuance of debt securities totaling US$375 million, at a coupon of 4.5% p.a. and amortization in 2031. The funds were used mainly to repurchase the Senior Notes due in 2024 and coupon of 6.625% p.a., resulting in lower cost of debt. Meanwhile, the exchange devaluation (average rate of R$5.40 in 2021 vs R$5.16 in 2020) contributed to the increase in financial expenses in foreign currency.

The restatement of the derivative instrument used to adjust Eletrobras' receivable credits to present value (with no cash effect) accounted for R$9 million in net revenue in 2021.

Expenses from net monetary and exchange variations totaled R$12 million due to (i) a positive variation of R$13 million in the balance sheet accounts and (ii) the result of hedge operations based on the zero-cost collar instrument, corresponding to an expense of R$1 million in the period.

**Consolidated (R$ thousand)**

| | 2021 | 2020 | Chg. [%] |
|---|---|---|---|
| Financial expenses | (207,021) | (235,529) | -12.1% |
| Financial income | 47,982 | 39,612 | 21.1% |
| Monetary and exchange variations, net | 11,842 | (145,020) | |
| **Net Financial Result** | **147,197** | **(340,937)** | -56.8% |

## EARNINGS BEFORE TAXES AND NET INCOME

Due to the abovementioned factors, the tax effect of permanent additions/exclusions, and exchange rate effects on the tax base, the net income was R$203 million in the period, compared to a loss of R$76 million in 2020.

**Consolidated (R$ thousand)**

| | 2021 | 2020 | Chg. [%] |
|---|---|---|---|
| **Income (Loss) before Tax Effects** | **288,027** | **(124,126)** | |
| Tax effects before currency impacts | (82,321) | 44,001 | |
| **Income (loss) before the currency effects on the tax base** | **205,706** | **(80,125)** | |
| Currency effects on the tax base | (2,794) | 3,915 | |
| **Net Income (Loss)** | **202,912** | **(76,210)** | |

## EBITDA

The combination of the aforementioned factors resulted in CVM EBITDA of R$803 million, and Adjusted EBITDA of R$878 million with a margin of 12% over net revenue.

**Consolidated (R$ thousand)**

| RECONCILIATION OF NET INCOME TO EBITDA | 2021 | 2020 | Chg. [%] |
|---|---|---|---|
| **Net Income (Loss) for the Year** | **202,912** | **(76,210)** | |
| (+) Net financial income (loss) | 147,197 | 340,937 | -56.8% |
| (+) Income tax and social contribution | 85,115 | (47,916) | |
| (+) Depreciation and amortization | 367,668 | 350,140 | 5.0% |
| **EBITDA (CVM Instruction 527/12)** | **802,892** | **566,951** | **41.6%** |
| *% on revenues* | *11.3%* | *13.3%* | |
| (+/-) Other Net Operating Expenses | 74,748 | 18,910 | 295.3% |
| (+) Impairments | - | 19,354 | |
| **Adjusted EBITDA** | **877,640** | **605,215** | **45.0%** |
| *% on revenues* | *12.4%* | *14.2%* | |

2021 Adjusted EBITDA comprised, in addition to the revenue with bargain purchase in the amount of R$49 million from the acquisition of the Betim and Aveiro plants, the following factors: (i) result from the sale of unserviceable and other costs, totaling an expense of R$86 million; (ii) constitution/update of contingencies, in the amount of R$34 million; (iii) write-off of property, plant and equipment, totaling R$4 million.

The result was impacted by the slowdown in the customer supply chain, due to the shortage of semiconductors and other inputs. Thus, the strong economic indicators did not materialize in sales, which were lower than observed in 2018 and 2019. These stoppages have affected our processes and resulted in efficiency losses, as well as lower cost dilution, since our structure is sized to meet a volume that has not yet materialized.

Raw material costs increased significantly over the year and were passed-through to prices, according to contractual clauses. Despite the EBITDA neutral effect, this mechanism negatively impacts the margins, due to the increase in revenues.

The last quarter's result was also affected by the newly acquired transactions, which reported EBITDA of R$7 million and a margin of 2.2% on net revenues, impacted by non-recurring effects. We have begun several initiatives in the operational, commercial, and procurement areas that will contribute to the increase in margins over 2022.

Despite these effects, we delivered the highest total and per kg Adjusted EBITDA in the Company's history, growing of 24% and 39%, respectively, vs 2019 (pre-pandemic) on the same comparison basis, evidencing the resilience of the business model and several management initiatives.

## INVESTIMENTS

Total investments in property, plant and equipment and intangible assets were R$257 million in 2021, up 88% from 2020, accounting for 4% of the net revenue in the period.

**Consolidated (R$ thousand)**

| | 2021 | 2020 | Chg. [%] |
|---|---|---|---|
| ***Property, Plant and Equipment*** | | | |
| Strategic investments | 106,296 | 41,713 | 154.8% |
| Maintenance and renovation | 120,990 | 75,114 | 61.1% |
| Environment | 13,501 | 4,310 | 213.2% |
| Interest and financial charges | 2,446 | 1,617 | 51.3% |
| ***Intangible assets*** | | | |
| Software | 10,823 | 10,266 | 5.4% |
| Projects under development | 3,118 | 3,592 | -13.2% |
| **Total** | **257,174** | **136,612** | **88.3%** |
| *% on Revenues* | *3.6%* | *3.2%* | |

This change is explained by the resumption of projects postponed in 2020, in addition to new foundry and machining programs, and investments in information and automation systems, safety and the environment.

The list of investments in affiliated and/or controlled companies, with changes that occurred during the year, is available in Explanatory Note 13 (Investments) to the Financial Statements for the 2021 Fiscal Year, which is an integral part of this document.

## INDEBTEDNESS

The Company ended 2021 with net debt of R$1,340 million and a net debt/LTM Adjusted EBITDA ratio of 1.53x.

Liabilities in foreign currency represented 82% of the total amount (0.5% short-term and 99.5% long-term debt), while 18% of total debt was denominated in BRL (98.5% short-term and 1.5% long-term debt). As for the Company's cash balance, 53% of the total amount is denominated in Brazilian reais and 47% in foreign currency.

**Consolidated (R$ thousand)**

| DEBT | 2021 | 2020 |
|---|---|---|
| Short term* | 508,889 | 403,629 |
| Long-term | 2,103,738 | 1,823,618 |
| **Gross debt** | **2,612,627** | **2,227,247** |
| | | |
| Cash and cash equivalents* | 1,272,445 | 1,425,113 |
| **Net debt** | **1,339,504** | **800,898** |
| | | |
| Gross debt/adjusted EBITDA | 2.98x | 3.68x |
| **Net debt/Adjusted EBITDA** | **1.53x** | **1.32x** |

* Includes derivative financial instruments

## WORKING CAPITAL

**Consolidated (R$ thousand)**

| | 2021 | 2020 |
|---|---|---|
| **Balance sheet** | | |
| Accounts receivable | 1,251,097 | 683,404 |
| Inventories | 1,487,934 | 754,486 |
| Accounts payable | 1,239,828 | 616,194 |
| | | |
| Sales outstanding [days] | 58 | 59 |
| Inventories [days] | 81 | 77 |
| Payables outstanding [days] | 63 | 62 |
| **Cash conversion cycle [days]** | **76** | **74** |

Average inventory maturity increased by 4 days compared to the previous year, due to the exchange rate depreciation of inventories in foreign currency, which corresponded to 61% of the total. Stoppages in production at customers due to a shortage of semiconductors contributed to an inventory increase of finished products, as well as the replacement of inventories of Betim and Aveiro plants customers located in Europe.

Average payment term increased by 1 day, as a result of several initiatives promoted to extend the terms with the suppliers

## CASH FLOW

Consolidated (R$ thousand)

| CASH FLOW SUMMARY | 2021 | 2020 | Chg. [%] |
|---|---|---|---|
| **Cash and cash equivalents at the beginning of the period** | **1,425,113** | **840,030** | **69.7%** |
| Cash from operating activities | 324,266 | 291,659 | 11.2% |
| Cash used in investing activities | (171,011) | (122,768) | 39.3% |
| Cash from financing activities | (383,312) | 289,717 | |
| Currency effect on the cash for the year | 77,389 | 126,475 | -38.8% |
| **Increase (decrease) in cash and cash equivalents** | **152,668** | **585,083** | |
| **Cash and cash equivalents at the end of the period** | **1,272,445** | **1,425,113** | **-10.7%** |

Cash generated from operating activities in 2021 totaled R$324 million, with the higher change in working capital offset by the increase in net income for the period and receivables of R$79 million from Eletrobrás.

Investment activities totaled R$171 million, an increase of 39% in the year-on-year comparison, due to the resumption of investments related to new products, machining, safety, and the environment. The indicator was also affected by R$60 million cash position receipt and other adjustments related to the acquisition of Teksid's iron foundry business in Brazil and Portugal.

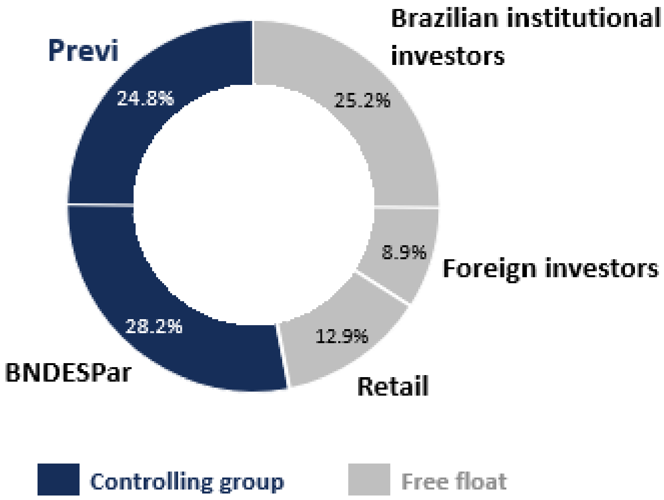
During 2021, financing activities registered a consumption of R$383 million, versus a R$290 million consumption in the previous year. This impact refers to the amortization of intercompany loans of the acquired units of Betim and Aveiro held with Teksid do Brasil and Teksid SpA respectively, both settled on the closing day of the transaction as provided for in the agreement between the parties, and the payment of interest on own capital, in the amount of R$40 million.

The comparison basis was affected by bank loans of R$494 million in March 2020, due to the unknown scenario regarding Covid-19's duration and pandemic impacts on the demand for the Company's products.

The combination of these factors with the exchange rate effect on cash, led to lower cash equivalents, in the amount of R$153 million. Therefore, the cash balance in the end of the year was R$1,272 million.

## OWNERSHIP STRUCTURE

Tupy's ownership structure as of December 31, 2021 was as follows:




The Company is subject to the rules of the Novo Mercado Arbitration Chamber, pursuant to article 60 of its Bylaws.

## RELATIONSHIP WITH THE INDEPENDENT AUDITOR

Pursuant to CVM Instruction 381/03, of January 14, 2003, and it's internal policies, Tupy S.A. preserves the independence of the auditor, in accordance with applicable regulations, for the hiring of services not related to the external audit. In the fiscal year ended December 31, 2021, the independent auditors only rendered services related to external audit, issuance of the comfort letter issued on February 16, 2021 for the Offering Memorandum and revision of the ancillary obligation related to the ECF (Tax Accounting Bookkeeping).

## EXECUTIVE OFFICERS' STATEMENT

Pursuant to article 25 of CVM Instruction 480, of December 7, 2009, the Board of Executive Officers of Tupy S.A. declares that it has reviewed, discussed and agreed with the opinion expressed in the Independent Auditor's Report on the Financial Statements issued on this date, and the Financial Statements related to the fiscal year ended December 31, 2021.

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(A free translation of the original in Portuguese)

**TUPY S.A. AND SUBSIDIARIES**

**BALANCE SHEETS AT DECEMBER 31, 2021 AND DECEMBER 31, 2020**
**(All amounts in thousands of reais)**

**A S S E T S**

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | 12/31/21 | 12/31/20 | 12/31/21 | 12/31/20 |
| **CURRENT ASSETS** | | | | | |
| Cash and cash equivalents | 3 | 712,364 | 832,175 | 1,272,445 | 1,425,113 |
| Derivative financial instruments | 35 | 386 | 1,103 | 678 | 1,236 |
| Trade account receivables | 4 | 684,487 | 499,141 | 1,251,097 | 683,404 |
| Inventories | 5 | 436,420 | 262,446 | 1,487,934 | 754,486 |
| Tooling | 6 | 59,192 | 43,973 | 141,703 | 183,146 |
| Income tax and social contribution recoverable | 7 | 56,084 | 50,332 | 108,334 | 94,171 |
| Other taxes recoverable | 8 | 100,320 | 44,978 | 214,887 | 132,267 |
| Other assets | 16 | 59,162 | 46,024 | 106,869 | 55,999 |
| **Total current assets** | | 2,108,415 | 1,780,172 | 4,583,947 | 3,329,822 |
| **NON-CURRENT ASSETS** | | | | | |
| Income tax and social contribution recoverable | 7 | 18,245 | 76,636 | 18,245 | 76,636 |
| Other taxes recoverable | 8 | 80,980 | 231,247 | 85,115 | 231,247 |
| Deferred income tax and social contribution | 9 | 307,452 | 316,080 | 533,900 | 428,733 |
| Credits - Eletrobrás | 11 | - | 81,446 | - | 81,446 |
| Related parties | 10 | 125,198 | - | - | - |
| Judicial deposits and other | 16 | 11,985 | 47,738 | 13,350 | 48,824 |
| Investments in equity instruments | | 2,097 | 2,350 | 12,434 | 11,645 |
| Investments properties | | - | - | 5,716 | 6,363 |
| Investments | 13 | 2,402,961 | 2,307,818 | - | - |
| Property, plant and equipment | 14 | 633,824 | 621,083 | 2,132,529 | 1,726,857 |
| Intangible assets | 15 | 48,606 | 52,890 | 125,392 | 171,746 |
| **Total non-current assets** | | 3,631,348 | 3,737,288 | 2,926,681 | 2,783,497 |
| **Total assets** | | 5,739,763 | 5,517,460 | 7,510,628 | 6,113,319 |

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)

**TUPY S.A. AND SUBSIDIARIES**

**BALANCE SHEETS AT DECEMBER 31, 2021 AND DECEMBER 31, 2020**
**(All amounts in thousands of reais)**

**L I A B I L I T I E S**

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | 12/31/21 | 12/31/20 | 12/31/21 | 12/31/20 |
| **CURRENT LIABILITIES** | | | | | |
| Trade accounts payables | 17 | 502,076 | 336,604 | 1,239,828 | 616,194 |
| Loans and financing | 18 | 69,161 | 397,495 | 507,486 | 401,924 |
| Derivative financial instruments | 35 | 1,220 | 1,468 | 1,403 | 1,705 |
| Income taxes payable | | - | - | 39,340 | 2,403 |
| Other taxes payable | | 8,181 | 2,254 | 33,103 | 40,559 |
| Salaries, social security charges and profit sharing | 19 | 149,881 | 116,778 | 271,469 | 159,924 |
| Advances from customers | 20 | 24,359 | 27,366 | 125,821 | 169,689 |
| Related parties | 10 | 5,086 | 3,008 | - | - |
| Dividends and interest on shareholders' equity | 24f | 22,312 | 135 | 22,312 | 135 |
| Provision for tax, civil, social security and labor proceedings | 22 | 34,064 | 37,016 | 34,064 | 37,016 |
| Other liabilities | 23 | 67,412 | 66,534 | 118,276 | 84,509 |
| **Total current liabilities** | | 883,752 | 988,658 | 2,393,102 | 1,514,058 |
| | | | | | |
| **NON-CURRENT LIABILITIES** | | | | | |
| Loans and financing | 18 | 1,950,540 | 1,821,422 | 2,103,738 | 1,823,618 |
| Provision for tax, civil, social security and labor proceedings | 23 | 149,895 | 149,451 | 183,144 | 151,818 |
| Retirement benefit obligations | 21 | - | - | 72,803 | 65,446 |
| Other long term liabilities | | 3,032 | 4,472 | 4,627 | 4,922 |
| **Total non-current liabilities** | | 2,103,467 | 1,975,345 | 2,364,312 | 2,045,804 |
| | | | | | |
| **EQUITY** | | | | | |
| Share capital | 24 | 1,060,301 | 1,060,301 | 1,060,301 | 1,060,301 |
| Share issuance costs | | (6,541) | (6,541) | (6,541) | (6,541) |
| Share-based payments | | 8,680 | 5,245 | 8,680 | 5,245 |
| Treasury shares | | (5) | (374) | (5) | (374) |
| Carrying value adjustments | 13b | 897,489 | 849,634 | 897,489 | 849,634 |
| Income reserves | 24e | 792,620 | 645,192 | 792,620 | 645,192 |
| Non-controlling interest | | - | - | 670 | - |
| **Total equity** | | 2,752,544 | 2,553,457 | 2,753,214 | 2,553,457 |
| | | | | | |
| **Total liabilities and equity** | | 5,739,763 | 5,517,460 | 7,510,628 | 6,113,319 |

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)

**TUPY S.A. AND SUBSIDIARIES**

**STATEMENTS OF INCOME**
**PERIOD ENDED DECEMBER 31, 2021 AND 2020**
**(All amounts in thousands of reais, except earnings per share)**

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | 12/31/21 | 12/31/20 | 12/31/21 | 12/31/20 |
| NET REVENUE | 25 | 3,971,845 | 2,370,529 | 7,082,535 | 4,257,596 |
| Cost of products sold | 26 | (3,122,443) | (1,847,886) | (5,958,810) | (3,572,596) |
| GROSS PROFIT | | 849,402 | 522,643 | 1,123,725 | 685,000 |
| Selling expenses | 26 | (143,095) | (100,865) | (300,616) | (194,307) |
| Administrative expenses | 26 | (162,233) | (123,044) | (236,237) | (175,018) |
| Management fees | 10 | (17,200) | (14,700) | (17,200) | (14,700) |
| Other operating expenses, net | 28 | (80,406) | (22,577) | (134,448) | (64,810) |
| Share of results of subsidiaries | 13 | (44,469) | (74,710) | - | - |
| PROFIT BEFORE IMPAIRMENTS | | 401,999 | 186,747 | 435,224 | 236,165 |
| Impairment | 28 | - | (3,404) | - | (19,354) |
| PROFIT BEFORE FINANCE RESULTS AND INCOME TAXES | | 401,999 | 183,343 | 435,224 | 216,811 |
| Finance costs | 27 | (158,607) | (228,204) | (207,021) | (235,529) |
| Finance income | 27 | 49,986 | 36,301 | 47,982 | 39,612 |
| Monetary and foreign exchange variations, net | 27 | 22,529 | (93,503) | 11,842 | (145,020) |
| | | (86,092) | (285,406) | (147,197) | (340,937) |
| PROFIT (LOSS) BEFORE INCOME TAXES | | 315,907 | (102,063) | 288,027 | (124,126) |
| Income tax and social contribution | 29 | (111,699) | 25,853 | (85,115) | 47,916 |
| NET INCOME (LOSS) FOR THE PERIOD | | 204,208 | (76,210) | 202,912 | (76,210) |
| TUPY SHAREHOLDERS NET INCOME (LOSS) | | 204,208 | (76,210) | 204,208 | (76,210) |
| NON-CONTROLLING NET INCOME (LOSS) | | - | - | (1,296) | - |
| EARNINGS PER SHARE | | | | | |
| Basic earnings (loss) per share | 30 | 1.41642 | (0.52903) | 1.41642 | (0.52903) |
| Diluted earnings (loss) per share | 30 | 1.40766 | (0.52629) | 1.40766 | (0.52629) |

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)

**TUPY S.A. AND SUBSIDIARIES**

**STATEMENTS OF COMPREHENSIVE INCOME**
**PERIOD ENDED DECEMBER 31, 2021 AND 2020**
**(All amounts in thousands of reais, except earnings per share)**

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | 12/31/21 | 12/31/20 | 12/31/21 | 12/31/20 |
| **NET INCOME (LOSS) FOR THE YEAR** | | 204,208 | (76,210) | 202,912 | (76,210) |
| **Components of other comprehensive income to be reclassified to the results** | | | | | |
| Foreign exchange variation of investees located abroad | 13 | 137,835 | 509,764 | 137,835 | 509,764 |
| Hedge of net investment abroad | 35b | (127,966) | (403,692) | (127,966) | (403,692) |
| Tax effect on hedge of net investment abroad | 35b | 43,506 | 137,255 | 43,506 | 137,255 |
| **TOTAL COMPREHENSIVE INCOME FOR THE PERIOD** | | 257,583 | 167,117 | 256,287 | 167,117 |

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)

**TUPY S.A. AND SUBSIDIARIES**

**STATEMENT OF CHANGES IN EQUITY**
**(All amounts in thousands of reais)**

| | | | | | | Carrying value adjustments | | Revenue reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Note | Share capital | Share issue cost | Shared based payments | Treasury stock | Exchange variation of investees | Deemed cost of fixed assets | legal reserve | Reserve for investments | Retained earnings (losses) | Total controlling shareholders | Non-controlling shareholders | Total |
| **AT DECEMBER 31, 2019** | | **1,060,301** | **(6,541)** | **7,968** | **-** | **580,123** | **33,129** | **95,756** | **616,667** | **-** | **2,387,403** | **-** | **2,387,403** |
| **Comprehensive income for the period** | | | | | | | | | | | | | |
| Profit for the period | | - | - | - | - | - | - | - | - | (76,210) | (76,210) | - | (76,210) |
| Realization of carrying value adjustments | | - | - | - | - | - | (6,945) | - | - | 6,945 | - | - | - |
| Foreign exchange variation of investees located abroad | | - | - | - | - | 509,764 | - | - | - | - | 509,764 | - | 509,764 |
| Hedge of net investment abroad | | - | - | - | - | (403,692) | - | - | - | - | (403,692) | - | (403,692) |
| Tax impact on hedge of net investment abroad | | - | - | - | - | 137,255 | - | - | - | - | 137,255 | - | 137,255 |
| Total comprehensive income for the period | | - | - | - | - | 243,327 | (6,945) | - | - | (69,265) | 167,117 | - | 167,117 |
| **Contributions from shareholders and distributions to shareholders** | | | | | | | | | | | | | |
| Management stock option plan | | - | - | 2,105 | - | - | - | - | - | - | 2,105 | - | 2,105 |
| Realization of management stock option plan | | - | - | (2,034) | - | - | - | - | - | 2,034 | - | - | - |
| (-) Shares in treasury acquired | | - | - | - | (3,168) | - | - | - | - | - | (3,168) | - | (3,168) |
| (-) Stock options exercised | | - | - | (2,794) | 2,794 | - | - | - | - | - | - | - | - |
| Allocation of profit: | | | | | | | | | | | | | |
| Investment reserve | | - | - | - | - | - | - | - | (67,231) | 67,231 | - | | - |
| Total contributions from shareholders and distributions to shareholders | | - | - | (2,723) | (374) | - | - | - | (67,231) | 69,265 | (1,063) | - | (1,063) |
| **AT DECEMBER 31, 2020** | | **1,060,301** | **(6,541)** | **5,245** | **(374)** | **823,450** | **26,184** | **95,756** | **549,436** | **-** | **2,553,457** | **-** | **2,553,457** |
| **AT DECEMBER 31, 2020** | | **1,060,301** | **(6,541)** | **5,245** | **(374)** | **823,450** | **26,184** | **95,756** | **549,436** | **-** | **2,553,457** | **-** | **2,553,457** |
| **Comprehensive income for the period** | | | | | | | | | | | | | |
| Loss for the period | | - | - | - | - | - | - | - | - | 204,208 | 204,208 | (1,296) | 202,912 |
| Realization of carrying value adjustments | | - | - | - | - | - | (5,520) | - | - | 5,520 | - | - | - |
| Foreign exchange variation of investees located abroad | 13 | - | - | - | - | 137,835 | - | - | - | - | 137,835 | - | 137,835 |
| Hedge of net investment abroad | 35b | - | - | - | - | (127,966) | - | - | - | - | (127,966) | - | (127,966) |
| Tax impact on hedge of net investment abroad | 35b | - | - | - | - | 43,506 | - | - | - | - | 43,506 | - | 43,506 |
| Total comprehensive income for the year | | - | - | - | - | 53,375 | (5,520) | - | - | 209,728 | 257,583 | (1,296) | 256,287 |
| **Contributions from shareholders and distributions to shareholders** | | | | | | | | | | | | | |
| Management stock option plan | | - | - | 3,809 | - | - | - | - | - | - | 3,809 | - | 3,809 |
| (-) Treasury stock | | - | - | - | (5) | - | - | - | - | - | (5) | - | (5) |
| (-) Stock options exercised | | - | - | (374) | 374 | - | - | - | - | - | - | - | - |
| | | - | - | - | - | - | - | - | - | - | - | 1,966 | 1,966 |
| Allocation of loss: | | | | | | | | | | | | | |
| Investment reserve | | - | - | - | | - | - | 10,210 | - | (10,210) | - | - | - |
| Investment reserve | | - | - | - | - | - | - | - | 199,518 | (199,518) | - | - | - |
| Interest on capital | | - | - | - | - | - | - | - | (62,300) | - | (62,300) | - | (62,300) |
| Total contributions from shareholders and distributions to shareholders | | - | - | 3,435 | 369 | - | - | 10,210 | 137,218 | (209,728) | (58,496) | 1,966 | (56,530) |
| **AT DECEMBER 31, 2021** | | **1,060,301** | **(6,541)** | **8,680** | **(5)** | **876,825** | **20,664** | **105,966** | **686,654** | **-** | **2,752,544** | **670** | **2,753,214** |

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)

**TUPY S.A. AND SUBSIDIARIES**

**STATEMENTS OF CASH FLOW**
**PERIOD ENDED DECEMBER 31, 2021 AND 2020**
**(All amounts in thousands of reais, except earnings per share)**

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| **Cash flow from operating activities:** | Note | 12/31/21 | 12/31/20 | 12/31/21 | 12/31/20 |
| Profit (loss) for the period before income tax and social contribution | | 315,907 | (102,063) | 288,027 | (124,126) |
| Adjustment to reconcile profit (losses) with cash provided by operating activities: | | | | | |
| Depreciation and amortization | 14 and 15 | 141,192 | 141,859 | 367,668 | 350,140 |
| Impairment | 14 and 15 | - | 3,404 | - | 19,354 |
| Share of results of subsidiaries | 13 | 44,469 | 74,710 | - | - |
| Disposals of property, plant and equipment | | 611 | 2,040 | 5,535 | 8,688 |
| Interest accrued and foreign exchange variations | | 112,219 | 80,032 | 154,659 | 142,021 |
| Provision for impairment of trade receivables | | (6,939) | 8,183 | (5,834) | 7,816 |
| Provision for losses on inventory | | (605) | 10,512 | 21,970 | 21,394 |
| Provision for contingencies | 22 | 33,695 | 37,004 | 33,958 | 38,067 |
| Stock option plan | | 3,809 | 2,105 | 3,809 | 2,105 |
| Change in Eletrobrás credit | 11 | (8,771) | 70,782 | (8,771) | 70,782 |
| Bargain purchase | 28 | (48,804) | - | (48,804) | - |
| | | 586,783 | 328,568 | 812,217 | 536,241 |
| **Changes in operating assets and liabilities:** | | | | | |
| Trade accounts receivables | | (144,692) | (11,586) | (330,272) | 69,748 |
| Inventories | | (173,369) | (18,802) | (480,939) | (29,952) |
| Tooling | | (15,219) | (5,921) | 66,370 | (12,597) |
| Other taxes recoverable | | 87,999 | 10,065 | 87,612 | 9,227 |
| Other assets | | (2,236) | 1,809 | (24,324) | 1,656 |
| Eletrobras | | 90,470 | - | 90,470 | - |
| Judicial deposits and other | 22 | 35,753 | (6,563) | 35,474 | (6,563) |
| Trade payables | | 161,521 | 50,719 | 304,134 | (115,360) |
| Other taxes payable | | 5,927 | (4,950) | (16,338) | (22,068) |
| Salaries, social security charges and profit sharing | | 33,103 | (12,417) | 63,627 | (19,508) |
| Advances from customers | | (3,007) | 6,046 | (84,574) | 16,175 |
| Notes and other payables | | 878 | 27,924 | 8,264 | 36,624 |
| Retirement benefit obligations | | - | - | 2,274 | 9,595 |
| Payment of contingencies other liabitilies | | (37,643) | (30,025) | (51,057) | (29,986) |
| **Cash generated by operations** | | **626,268** | **334,867** | **482,938** | **443,232** |
| Interest paid | | (150,521) | (123,376) | (146,311) | (121,772) |
| Income tax and social contribution paid | | - | - | (12,361) | (29,801) |
| **Net cash generated from operating activities** | | **475,747** | **211,491** | **324,266** | **291,659** |
| **Cash flow from investing activities:** | | | | | |
| Cash received by company acquisition | | 34,025 | - | 22,306 | - |
| Cash and cash equivalents acquired in a business combination | | - | - | 37,679 | - |
| Additions to fixed assets or intangibles | 14 and 15 | (146,308) | (53,098) | (233,096) | (128,993) |
| Cash generated on property sales | | - | - | - | 5,000 |
| Cash generated on PPE disposals | | 3,218 | 1,225 | 2,100 | 1,225 |
| Subsidiaries and associates | | (123,120) | 3,709 | - | - |
| **Net cash used in investing activities** | | **(232,185)** | **(48,164)** | **(171,011)** | **(122,768)** |
| **Cash flow from financing activities:** | | | | | |
| Payment of loans | 18 | (318,967) | (184,153) | (2,343,289) | (184,153) |
| Loans and financing raised | 18 | - | 494,412 | 2,018,062 | 494,412 |
| Lease payment from right of use | | (6,202) | (6,011) | (16,309) | (17,318) |
| Forfaiting operation | | - | - | (1,648) | - |
| Interest on capital and dividends paid | | (43,309) | (56) | (43,309) | (56) |
| Income tax of interest on capital and dividends paid | | 3,186 | - | 3,186 | - |
| Treasury stock | | (5) | (3,168) | (5) | (3,168) |
| **Net cash from (used) in financing activities** | | **(365,297)** | **301,024** | **(383,312)** | **289,717** |
| Effect of exchange rate differences on cash for the period | | 1,924 | 5,224 | 77,389 | 126,475 |
| **Increase in cash and cash equivalents** | | **(119,811)** | **469,575** | **(152,668)** | **585,083** |
| Cash and cash equivalents at the beginning of the year | | 832,175 | 362,600 | 1,425,113 | 840,030 |
| **Cash and cash equivalents at the end of the year** | | **712,364** | **832,175** | **1,272,445** | **1,425,113** |

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)

**TUPY S.A. AND SUBSIDIARIES**

**STATEMENT OF VALUE ADDED**
**PERIOD ENDED DECEMBER 31, 2021 AND 2020**
**(All amounts in thousands of reais, except earnings per share)**

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | 12/31/21 | 12/31/20 | 12/31/21 | 12/31/20 |
| **Origination of value added** | | 4,375,675 | 2,539,445 | 7,522,694 | 4,426,879 |
| Sale of products, net of returns and rebates | 25 | 4,319,932 | 2,547,628 | 7,468,056 | 4,434,695 |
| Other revenue, net | 28 | 48,804 | - | 48,804 | |
| Provision for impairment of trade receivables | | 6,939 | (8,183) | 5,834 | (7,816) |
| | | | | | |
| **(-) Inputs acquired from third parties** | | (2,866,399) | (1,456,326) | (5,087,378) | (2,741,973) |
| Raw materials and processing material consumed | | (2,297,528) | (1,022,549) | (3,318,759) | (1,367,171) |
| Materials, energy, third party services and other | | (568,871) | (433,777) | (1,768,619) | (1,374,802) |
| | | | | | |
| **GROSS VALUE ADDED** | | 1,509,276 | 1,083,119 | 2,435,316 | 1,684,906 |
| | | | | | |
| **Retentions:** | | (141,192) | (145,263) | (367,668) | (369,494) |
| Depreciation and amortization | 12 and 13 | (141,192) | (141,859) | (367,668) | (350,140) |
| Impairment | | - | (3,404) | - | (19,354) |
| | | | | | |
| **Net value added generated by the Company** | | 1,368,084 | 937,856 | 2,067,648 | 1,315,412 |
| | | | | | |
| **Value added received through transfer** | | 5,517 | (38,409) | 47,982 | 39,612 |
| Share of results of subsidiaries | 13 | (44,469) | (74,710) | - | - |
| Finance income | 27 | 49,986 | 36,301 | 47,982 | 39,612 |
| | | | | | |
| **VALUE ADDED TO DISTRIBUTE** | | **1,373,601** | **899,447** | **2,115,630** | **1,355,024** |
| | | | | | |
| **Distribution of value added** | | | | | |
| **Personnel** | | 742,966 | 516,783 | 1,398,707 | 934,024 |
| Employees | | 548,964 | 365,365 | 1,181,332 | 763,080 |
| Social charges - Government Severance Indemnity Fund for Employees (FGTS) | | 36,838 | 25,193 | 36,838 | 25,193 |
| Profit sharing | | 48,392 | 30,530 | 65,781 | 47,876 |
| Management fees | | 17,200 | 14,700 | 17,200 | 14,700 |
| Workplace healthcare and safety | | 55,183 | 58,619 | 55,183 | 58,619 |
| Food | | 14,124 | 8,362 | 14,124 | 8,362 |
| Professional education, qualification and development | | 1,496 | 630 | 2,139 | 1,450 |
| Other amounts | | 20,769 | 13,384 | 26,110 | 14,744 |
| | | | | | |
| **Government** | | 290,349 | 137,167 | 318,832 | 116,661 |
| Federal taxes and contributions | | 213,172 | 71,443 | 221,217 | 50,929 |
| State taxes and rates | | 68,236 | 55,466 | 88,362 | 55,466 |
| Municipal taxes, rates and other | | 8,941 | 10,258 | 9,253 | 10,266 |
| | | | | | |
| **Third party capital** | | 136,078 | 321,707 | 195,179 | 380,549 |
| Finance costs | 27 | 158,607 | 228,204 | 207,021 | 235,529 |
| Monetary and foreign exchange variations, net | 27 | (22,529) | 93,503 | (11,842) | 145,020 |
| | | | | | |
| **Own capital** | | 204,208 | (76,210) | 202,912 | (76,210) |
| Retained earnings (losses) | | 204,208 | (76,210) | 202,912 | (76,210) |
| | | | | | |
| **TOTAL VALUE ADDED** | | **1,373,601** | **899,447** | **2,115,630** | **1,355,024** |

The accompanying notes are an integral part of these financial statements.

(A free translation of the original in Portuguese)

**NOTES**

(A free translation from Portuguese into English)

## 1. GENERAL INFORMATION

Tupy S.A. (the "Parent company") and its subsidiaries (together the "Company" or "Consolidated") have domestic and foreign operations in the iron casting markets, especially engine blocks and cylinder heads. The Company also operates in the transportation, infrastructure and agriculture (blocks, cylinder heads and parts) and hydraulics (steel shots and iron bar) segments. With a diversified customer base in the Americas, Europe and Asia. The Company has plants in Brazil, at Joinville – Santa Catarina, in Betim – Minas Gerais and Maua – São Paulo, in Mexico, at Saltillo and Ramos Arizpe and Portugal at Aveiro. In addition, the Parent company has investments in companies abroad a holding at Netherlands which coordinate the Companys foreign trading and commercial offices that operate in logistics, trading, technical assistance and issuance of bonds in the international market.

### 1.1 Industrial plants acquisition in Brazil and Portugal

On October 1 of this year, the Company concluded the acquisition, thus obtaining control of Teksid SpA's Brazilian and Portuguese operations of iron components, through the acquisition of Teksid's interest in the subsidiaries Tupy Minas Gerais Ltda (former Teksid Iron do Brasil Ltda.) and Funfrap-Fundição Portuguesa S.A. as informed at Business combination (note 37)

### 1.2 Impacts of the COVID-19 pandemic

The Company monitors the risks of the COVID-19 pandemic and the effects on the local and global economies, as well as the impact on its employees, operations, supply chain, demand for its products and the community.

The Company has been carrying out tests of recoverability of its relevant assets, which until now have not resulted in the need to recognize significant losses in its financial statements.

The projections of operating income and cash flows indicate full conditions for the continuity of operations. The evolution of the entire economic context in the world is being monitored, as well as its implication in profitability and financial position, aiming to adapt the Company's operations to the evolving circumstances triggered by government regulations and market dynamics in the face of the COVID-19 pandemic. The profits achieved in the third quarter of 2020 demonstrate that the Company is successfully managing the crisis.

Tupy S.A. is a publicly-held corporation headquartered in Joinville, State of Santa Catarina, listed on the São Paulo Stock Exchange (ticker TUPY3) and in the Novo Mercado segment of B3 S.A. – Brasil, Bolsa e Balcão.

The issuance of these financial statements was approved by the Board of Directors on March 29, 2022.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Statement of compliance and basis of preparation

The Company's financial statements which have been prepared in accordance with the accounting practices adopted in Brazil, including the pronouncements, interpretations and orientations, issued by the Brazilian Accounting Pronouncements Committee (CPC), as well as in accordance with the International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (IASB), and all financial statements' material information, and only material information, is being disclosed, which are consistent with those used by management.

The presentation of statements of value added, for the Parent company and consolidated statements, is required by the Brazilian corporate legislation for listed companies. These statements were not required by IFRS. As a result, for IFRS, those statements are considered supplementary information, without any impact for the financial statements.

The financial statements have been prepared under historical cost, except for certain financial instruments measured at their fair values, as described in the accounting policies. The historical cost is generally based on the fair value of the consideration paid in exchange for assets.

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 2.4.

### 2.2 Consolidation

Subsidiaries are all entities over which the Company has control. Subsidiaries are fully consolidated from the date on which control is obtained. Control is obtained when the Company is exposed or entitled to variable returns based on its investment with the subsidiary and has the capacity to affect those returns through the power exercised in relation to the subsidiary. They are deconsolidated from the date that control ceases. In this situation, at the date of loss of control, the corresponding assets (including goodwill), liabilities, non-controlling interest and other equity components are written off, while any resulting gain or loss is recorded in the statement of income. The consolidated subsidiaries at December 31, 2021 are:

| | | Interest* (%) | Functional currency | Headquarters |
|---|---|---|---|---|
| **Direct subsidiaries** | | | | |
| Tupy Materials & Components B.V | (a) | 100,00 | Real | Netherlands |
| Tupy American Foundry Corporation | (b) | 100,00 | U.S. dollar | USA |
| Tupy Europe GmbH | (b) | 100,00 | EURO | Germany |
| Tupy Overseas S.A. | (c) | 100,00 | U.S. dollar | Luxembourg |
| Tupy Agroenergética Ltda. | (d) | 100,00 | Real | Brazil |
| Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation" | (e) | 100,00 | Real | Brazil |
| Tupy Minas Gerais Ltda | (f) | 100,00 | Real | Brazil |
| **Indirect subsidiary** | | | | |
| Tupy Mexico Saltillo, S.A. de C.V. | (f) | 100,00 | U.S. dollar | Mexico |
| Technocast, S.A. de C.V. | (f) | 100,00 | U.S. dollar | Mexico |
| Diesel Servicios Industriales, S.A. de C.V. | (g) | 100,00 | U.S. dollar | Mexico |
| Servicios Industriales Technocast, S.A. de C.V. | (g) | 100,00 | U.S. dollar | Mexico |
| FUNFRAP – Fundição Portuguesa, S.A | (f) | 83,60 | EURO | Portugal |

*(*) Interest in capital and in voting capital.*

The main subsidiaries' activities:

(a) Company incorporated with the purpose of concentrating corporate activities abroad.

(b) Companies abroad, which operate as an extension of the activities in Brazil in logistics, trading and technical assistance for the transportation, infrastructure and agriculture segment.

(c) Company abroad, which was established for the purpose of issuing bonds in the international market.

(d) A company that has acted with reforestation activities and is currently without activity.

(e) Company in liquidation process, with no current activity.

(f) Industrial plants for the transportation, infrastructure and agriculture segment.

(g) Rendering of industrial services for subsidiaries in Mexico.

Transactions, balances and unrealized gains on transactions between the Group companies are eliminated. Unrealized losses are also eliminated, unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Parent company.

## 2.3 Business combination

Business combinations are recognized using the acquisition method. The cost of an acquisition is measured by the sum of the consideration transferred, which is evaluated based on the fair value on the acquisition date, and the value of any non-controlling interest in the acquiree. For each business combination, the Company measures the non-controlling interest in the acquiree based on their interest in the net assets identified in the acquiree. Costs directly attributable to the acquisition are expensed when incurred.

When acquiring a business, the Company evaluates the financial assets and liabilities assumed with the objective of classifying and allocating them according to the contractual terms, economic circumstances and relevant conditions on the acquisition date, which includes the segregation, on the part of the acquiree, of embedded derivatives existing in host contracts in the acquiree.

All amounts in thousands of reais unless otherwise stated

Any contingent consideration to be transferred by the acquirer will be recognized at fair value on the acquisition date. Subsequent changes in the fair value of the contingent consideration considered as an asset or a liability must be recognized in accordance with CPC 48 in the income statement.

Initially, the bargain purchase is measured as the excess between the net value, on the acquisition date, of the assets acquired and the liabilities assumed in relation to the consideration transferred. The difference must be recognized as a gain in the income statement.

## 2.4 Foreign currency translation

### a. Functional and presentation currency

Items included in the financial statements of each of the consolidated entities are measured using the currency of the primary economic environment in which the entity operates ("functional currency").

The Parent company and Consolidated financial statements are presented in Brazilian Real (R$), which is the Parent company's functional currency.

### b. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or the dates of valuation when items are remeasured.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of income.

Foreign exchange gains and losses on loans and financing and cash and cash equivalents are presented in the statement of income within "Monetary and foreign exchange variations, net". All other foreign exchange gains and losses are presented in the statement of income within "Other operating income (expenses), net".

Translation differences on monetary securities denominated in foreign currency carried at amortized cost are recorded in the statement of income. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognized in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets are included in the "Carrying value adjustments" account, within equity until the write off of the net investment, when they are recognized in the statement of income. Charges and tax effects attributed to exchange variation on these loans are also recognized in equity.

### c. Subsidiaries with a different functional currency

The results and financial position of all the Consolidated entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet.
- Income and expenses for each statement of income are translated at the average exchange rate.
- All resulting exchange differences are recognized as a separate component of equity, in the account "Carrying value adjustments".

On consolidation, foreign exchange differences arising from the translation of the net investment in foreign operations, and of loans and financing and other foreign currency instruments designated as hedges of such investments, are taken to equity. When a foreign operation is partially disposed of or sold, foreign exchange differences that were recorded in equity are recognized in the statement of income as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

## 2.5 Use of critical accounting estimates and judgments

The preparation of Parent Company and Consolidated annual financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the amounts reported for assets, liabilities, revenue and expenses. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. The effects arising from revised accounting estimates are recognized in the period when the estimates are revised if the revision affects only this period, or also in subsequent periods, when the revision impacts both the current and future periods. The main estimates and judgments are presented below:

### a. Deferred income tax and social contribution

The Company recognizes in its financial statements the effect of deferred income tax and social contribution arising from tax losses and/or temporary differences. A provision for impairment of tax assets is recognized when it is not probable that these assets will be recovered.

The recognition of a provision for tax assets and liabilities or deferred tax, and provisions for tax losses, requires the Company's management to make estimates. For each future tax credit, the Company assesses the likelihood of a portion or the totality of the tax asset not being recovered. The amount of the valuation allowance depends on the evaluation of the likelihood of generation of taxable profit based on the production and planning of sales, prices, operating costs and other expenditures.

### b. Useful life of property, plant and equipment

The Company recognizes the depreciation of its property, plant and equipment based on their estimated useful lives, which is reviewed in an annual basis, which is in accordance with the industry practices, as well as previous experiences, reflecting the economic useful lives of property, plant and equipment. However, actual useful lives may differ depending on the technological update of each plant. Useful lives of property, plant and equipment also affect recoverability tests, when necessary.

The Company does not believe that there is evidence of material changes in the estimates and assumptions.

### c. Impairment of assets

The Company tests annually its intangible assets and other long-term assets whenever events and circumstances indicate that the estimated discounted cash flows to be generated by such assets are lower than the book value of these items.

Cash flow estimates are based on historical results adjusted to reflect the best market estimate and the Company's operating conditions. The estimates of actual amounts used by the Company to calculate impairment losses, if any, represent the Company's best estimate based on expected cash flows, industry tendencies and reference to rates and market operations. Impairment losses may arise also from the disposal of assets.

**d. Provision for tax, civil, social security and labor proceedings**

Provisions for tax, civil, social security and labor proceedings are recognized only when the legal advisors consider that the likelihood of loss or obligation to payment is probable. Provisions are recorded when the amount of loss can be reasonably estimated. By their nature, proceedings will be settled when one or more future events happen or not. Typically, the Company does not have influence over whether these events happen or not, thus making it difficult to make accurate estimates about when these events will happen. The evaluation of these liabilities, but also in other jurisdictions, requires Management to use significant estimates and judgments concerning the results of future events.

## 2.6 Company-specific accounting policies

### a. Cash and cash equivalents

Cash equivalents are held for the purpose of attended short-term cash commitments, not for investment or other purposes. The Company considers investments as cash equivalents considering these investments are immediately convertible in cash and there is no significant risk of change in value. Therefore, an investment typically qualifies as cash equivalent when it has a short-term maturity, for example three months or less, from the transaction date. The conditions of these investments are presented in Note 3.

### b. Inventories

Inventories are carried at the average acquisition and/or production cost, considering the full manufacturing costs absorption method, adjusted to the net realizable value, when applicable.

The analysis for recording a provision is based on the inventory applicability, recoverability, expected realization and evidence of obsolescence. This provision is reviewed and adjusted at each reporting date.

### c. Tooling

Refer to tools used in production to complete contracts with customers. They are carried at the acquisition and production cost, less the provision for adjustment to probable realizable values, when applicable. When completed, the tools are billed to customers and remain in the Company under free-lease agreements, to be used in the production process.

### d. Financial assets

The Company classifies its financial assets in the following categories: at amortized cost, fair value through other comprehensive income or fair value through profit or loss. The classification depends on the purpose for which the financial assets were acquired.

#### (i) Recognition and measurement

Classifications of financial assets are based on the Company's business model for the management of these assets in the characteristics of contractual cash flows, and are classified as follows:

- Debt instruments measured at amortized cost
- Debt instruments measured at fair value through other comprehensive income
- Debt instruments, derivatives, equity instruments and debt instruments measured at fair value through profit or loss

The Company determines the classification of financial assets at the time of its initial recognition, when it becomes part of the contractual provisions of the instrument.

Financial assets are initially recognized at fair value, plus, in the case of investments not designated at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of financial assets.

The Company's financial assets include cash and cash equivalents, trade accounts receivable, other assets, other loans and receivables and mutuos are classified as financial assets at amortized cost. Investment properties and derivative financial instruments are classified as fair value at profit and loss.

**(ii) Subsequent measurement**

Subsequent measurement of financial assets depends on their classification, which can be as follows:

- At amortized cost

They should be measured at amortized cost if both of the following conditions are met:

(a) the financial asset is maintained within a business model whose objective is to maintain financial assets in order to receive contractual cash flows; and

(b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that exclusively comprise payments of principal and interest on the principal amount outstanding.

- Fair value through other comprehensive income

Financial assets should be measured at fair value through other comprehensive income if both of the following conditions are met:

(a) the financial asset is maintained within a business model whose objective is achieved by both the receipt of contractual cash flows and the sale of financial assets; and

(b) the contractual terms of the financial asset give rise, on specified dates, to cash flows that exclusively comprise principal and interest payments on the principal amount outstanding.

- Fair value through profit or loss

Financial assets must be measured at fair value through profit or loss, unless measured at amortized cost or at fair value through other comprehensive income.

**(iii) Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount presented in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

**(iv) Impairment of financial assets**

The Company evaluates at the balance sheet dates whether there is any objective evidence that determines whether the financial asset or group of financial assets is not recoverable. A financial asset or group of financial assets is considered to be non-recoverable if, and only if, there is objective evidence of non-recoverability as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and this loss event has an impact on the estimated future cash flow of the financial asset or the Company from financial assets that can be reasonably estimated. Evidence of impairment may include indicators that borrowing parties are experiencing a time of significant financial hardship.

**(v) Derecognition**

Derecognition of a financial asset occurs only when the contractual rights on the cash flow of the asset are realized or when the Company transfers the financial asset and substantially all its risks and returns to third parties. In transactions where such financial assets are transferred to third parties, but without the actual transfer of the respective risks and returns, the asset is not derecognized.

**(vi) Derivative financial instruments and hedge of net investment abroad**

In order to mitigate its exposure to exchange rates, the Company uses derivative financial instruments such as zero cost collar and net investment hedges.

***Derivative financial instruments***

In order to mitigate its exposure to exchange rates in net revenue, the Company uses derivative financial instruments such as zero cost collar and net investment hedges.

Adjustments (gain or losses) from derivative financial instruments are recognized at fair value thought profit and loss and are recognized as financial results.

The derivative financial instrument fair value is classified as current assets or liabilities if the due date are less than 12 months.

***Hedge of net investment abroad***

The Company designates loans and financing in foreign currency as hedging instruments against the foreign exchange variation risk arising from investments that the Company maintains abroad, resulting from the translation of those investments into the Company's financial statement presentation currency.

At the beginning of each transaction, the Company documents:

- the relationship between the hedging instruments and the hedged items;
- the risk management objectives;
- the hedge accounting strategy;
- the appraisal that the hedging instruments used in the transactions are highly effective in offsetting changes in the fair value of the hedged items.

The effective portion of gains or losses of a hedging instrument designated and qualified as hedge of net investment abroad is recognized in equity within the "Carrying value adjustments" account. The gain or loss relating to the ineffective portion is recognized immediately in the Company's finance result. Changes in the hedging amounts classified in "Carrying value adjustments" within equity are shown in Note 35.

Gains and losses accumulated in equity are included in the statement of income when the foreign operation is partially or fully disposed of or sold.

### e. Loans and financing

Loans and financing are recognized initially at fair value, net of transaction costs incurred, and are subsequently carried at amortized cost. Any difference between the proceeds (net of transaction costs) and the total amount payable is recognized in the statement of income over the term of loans and financing using the effective interest method (Note 17).

### f. Financial liabilities

They are classified, as initial recognition, as financial liabilities at amortized cost or fair value through profit or loss, or derivatives classified as hedging instrument, as applicable. The classification depends on the purpose of the financial liabilities were acquired.

#### (i) Initial recognition and measurement

Financial liabilities are initially measured at fair value, net of transaction costs and are subsequently measured at amortized cost using the effective interest method to calculate interest expenses. The effective interest method calculates the amortized cost of a liability and allocates interest expense during the relevant period. These are classified as balances of trade accounts payable, loans and financing, related parties and other liabilities.

#### (ii) Derecognition

A financial liability is derecognized when the obligation is revoked, canceled or expired. When an existing financial liability is replaced by another of the same lender with substantially different terms, or the terms of an existing liability are significantly changed, such replacement or modification is treated as write-off of the original liability and recognition of a new liability, the difference between those accounting values are recognized in the statement of income.

### g. Forfaiting operations

The Company implements a fortfaitng program with financial institutions in order to facilitate administrative procedures for suppliers receive in advanced to purchases from the Parent Company and the Betim unit.

In the Parent Company's operations, the financial institution offers separately to prepay our supplier in exchange for a discount and, when contracted between the bank and the supplier (the decision to join this transaction is solely and exclusively of the supplier), the Company pays to the financial institution, on the original payment date, the full face value of the original obligation. This operation does not change the amounts and passive nature and does not affect the Company with the financial charges practiced by the financial institution. The terms are not significantly changed and there is no guarantee given by the Company. Additionally, the payments made by the Company represent purchases of goods and services, are directly related to supplier invoices and do not substantially change the Company's cash flows, not even the economic-financial essence of being operational transactions of supply and purchase. of goods or services for the Company in non-relevant amounts in the years 2021 and 2020. Considering these characteristics and the essence of these transactions, the Company's accounting practice is to recognize the respective financial liabilities arising from these transactions under Suppliers. (Note 17)

In the operation performed by Betim unit, by decision of the subsidiary, the financial institution makes the payment to the supplier on the original maturity of the transaction and the subsidiary pays the financial institution in a period longer than the original contracted, incurring financial charges. Therefore, for such operations, the Company's accounting practice is to recognize such financial liabilities under of Financing and loans. (Note 18)

## h. Employee benefits

The Company has defined benefit plans for Mexicans employees, which are funded through payments to funds, determined by periodic actuarial calculations. The Company also has a defined contribution plan for its operations in Brazil.

The liability recognized in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date minus the fair value of plan assets. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market interest rates that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating the terms of the related pension obligation.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognized immediately in the statement of income.

For defined contribution plans, in Brasil, the Company pays contributions to privately administered pension insurance plans on a contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in the future payments is available.

## i. Advances from customers

This account refers to advances of funds to build the tools that will be used in the production process. Advances from customers are recorded at the contractual amounts and adjusted for foreign exchange differences when applicable, and settled upon the billing of the object of the transaction; the resulting revenue is recorded when the construction of tools is concluded and approved by the customer.

## j. Share-based payments

The Company offers a share-based compensation plan to its management. The variable portion of management compensation is settled through the issuance of equity instruments. The fair value of the services received in exchange for the grant of the options is recognized as an expense. The total amount to be expensed is determined with reference to the fair value of the options granted.

The total expense is recognized over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

### k. General provisions

Provisions are recognized when the Company has a present obligation (legal or non-formalized) as a consequence of a past event, it is probable that economic benefits are required to settle the obligation and a reliable estimate of the value of the obligation can be made. When the Company expects the value of a provision to be totally paid or in part, for example, under an insurance contract, the reimbursement is recognized as a separate asset, but only when the reimbursement is practically certain.

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

### l. Revenues

Revenues are presented net of taxes and discounts. Taxes on sales are recognized when sales are billed and discounts are recognized when granted. Revenue from sales of products is recognized when the sales amount can be measured reliably, the Company no longer controls the products sold or has any other responsibility related to the ownership of the products and costs incurred or to be incurred in respect of the transaction can be measured reliably, it is probable that the economic benefits associated with the transaction will flow to the Company, and the Company has transferred to the buyer all the risks and rewards of ownership of the product.

### m. Indirect Taxes

Revenues are recognized net of taxes. Likewise, purchases of products, services, assets and expenses are also recognized net of taxes, except in situations where, in acquisitions, taxes are not liable to credit, in which case such taxes are recognized as a party of the cost of purchasing the products, service, assets and expenses, as the case may be.

The amount of taxes levied on sales and purchases are included as a component of the amounts receivable or payable in the Company's balance sheet.

The value of taxes, after being determined, (as opposed to credits for acquisitions and debits for sales), will present a recoverable or payable balance, and are presented, respectively, in the balance sheet as assets or liabilities,.

These charges are deducted from income in the statement of income. The credits arising from non-cumulative PIS / COFINS and ICMS are deducted in the income statement from the cost of services rendered.

### n. Information by segment

For management purposes, the Company is divided into business units, based on the products, considering two operating segments subject to the disclosure of information:

- Transportation, infrastructure & agriculture
- Hydraulic

Management monitors the operational results of the business units separately, in order to be able to make decisions on resource allocation and to evaluate performance. Segment performance is assessed based on EBITDA in conjunction with operating profit or loss, which in some cases is measured differently from operating income or loss in the consolidated financial statements. The

Company's financing (including income and expenses from financing) and taxes on profits are managed within the Company and are not allocated to operating segments.

Financial income and financial costs, as well as gains and losses at fair value over financial assets, are not allocated to individual segments, since the underlying instruments are managed at consolidated level.

Current taxes, deferred taxes and certain financial assets and liabilities are not allocated to these segments, since they are also managed at consolidated level.

Capital expenditures consist of additions of property, plant and equipment, intangible assets and investment properties, including assets arising from the acquisition of subsidiaries.

## 2.7 New standards, amendments and interpretations of standards issued by the IASB and CPC

### a. New standards

The Company decided not to adopt in advance any other norms, interpretations or changes that have been issued, but are not yet in force.

**IFRS 17 – Insurance contracts**

In May 2017, the IASB issue IFRS 17 – insurance contracts (the standard was not issued in Brasil yet, but the equivalent number will be CPC 50 – Insurance contracts and it will replace the CPC 11 – Insurance contracts). The IFRS 17 and CPC 50 are valid for periods beginning in January 1, 2023. This standard does not impact the Company.

**Amendments to IAS 1: Classification of liabilities as current or non-current**

In January 2020, IASB issued amendments do IAS 1 in paragraphs 69 to 76, corresponding to CPC 26, to clarify that a liability is classified as current or non-current.
The amendments clarify:

- should be based on rights that are in existence at the end of the reporting period;
- make explicit that only rights in place "at the end of the reporting period";
- that classification is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability; and
- that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services does not affect the classification.

The changes are valid for periods beginning in January 1, 2023 and e that should be applied retrospectively.
During the year 2022, the Company will assess if those modification will impact or not the existing loan agreements

**Amendments in IAS 8: Definition of accounting estimates**In February 2021, the IASB issued amendments to IAS 8 (standard related to CPC 23), in which it introduces the definition of 'accounting estimates. The amendments clarify the distinction between changes in accounting estimates and changes in accounting policies and correction of errors. In addition, they clarify how entities use measurement and input techniques to develop accounting estimates.
The changes will be effective for periods beginning on or after January 1, 2023 and will apply

for changes in accounting policies and estimates that occur on or after the beginning of that period. Early adoption is permitted if disclosed.

The changes are not expected to have a significant impact on the Company's financial statements.

**Amendments to IAS 1: Disclosure of Accounting Policies**In February 2021, the IASB issued amendments to IAS 1 (standard related to CPC 26 (R1), in which it provides guides and examples to help entities apply materiality judgment to the disclosure of accounting policies. The amendments are to assist entities in disclosing accounting policies that are most useful by replacing the requirement for disclosure of significant accounting policies to material accounting policies and adding guidance for how entities should apply the concept of materiality in making decisions about disclosure of policies. accounting.

The amendments to IAS 1 are applicable for periods beginning on or after January 1, 2023 with early adoption permitted.

The Company is evaluating the impacts of these changes on the accounting policies disclosed.

## b. Modifications

The Company evaluated changes in standards that are valid for annual periods beginning on January 1, 2021 or after that date as follows:

Amendments at CPC 06 (R2), CPC 11, CPC 38, CPC 40 (R1) and CPC 48: Reference Interest Rate Reform.

The amendments to CPC Standards 38 and 48 provide temporary exceptions that address the financial statement effects when an interbank certificate of deposit rate is replaced with an alternative to an almost risk-free rate. The changes include the following practical expedients:

 A practical expedient that requires contractual changes, or changes in cash flows that are directly required by the reform, to be treated as changes in a floating interest rate, equivalent to a movement in a market rate.

 Allows reform-required changes to be made to hedging designations and documentation, without the hedging relationship being discontinued.

 Provides a temporary exception for entities to comply with the identifiable requirement when a risk-free rate instrument is designated as a hedge of a risk component.

These changes did not impact the Company's individual and consolidated financial statements. Such practical expedients will be used in future periods if they become applicable.

# 3. CASH AND CASH EQUIVALENTS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| Cash and banks | 9,817 | 19,215 | 14,692 | 19,401 |
| Financial investments in Brazil | 642,678 | 753,293 | 665,273 | 753,533 |
| Financial investments abroad | 59,869 | 59,667 | 592,480 | 652,179 |
| | **712,364** | **832,175** | **1,272,445** | **1,425,113** |

The financial investments disclosed as cash and cash equivalents are highly-liquid securities with an insignificant risk of changes in value. Those investments in Brazil are remunerated based on variation of Interbank Deposit Certificate (CDI) rate, with an average rate equivalent to 4.56% per annum (2.86% - December 31, 2020). The investments abroad are denominated mostly in U.S. dollars (US$) at the average rate of 0.21% per annum (0.42% per annum - December 31, 2020) designed as time deposit and overnight.

All amounts in thousands of reais unless otherwise stated

The decrease occurred in cash and cash equivalents is mainly due payments occurred since the acquisition of Tupy Minas Gerais Ltda (former: Teksid Iron do Brasil Ltda) and Funfrap – Fundição Portuguesa S.A.

The Company operates with first line banks as detailed in Note 36.1.

## 4. TRADE ACCOUNT RECEIVABLES

The composition of trade account receivables from client by market is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| Domestic market | 156,108 | 93,459 | 275,975 | 93,459 |
| Foreign market | 532,818 | 414,918 | 986,378 | 600,445 |
| Provision for impairment of trade receivables | (4,439) | (9,236) | (11,256) | (10,500) |
| | **684,487** | **499,141** | **1,251,097** | **683,404** |

Trade account receivables in the domestic market are denominated in Brazilian Real and in the foreign market primarily in U.S. dollars and also in Euro.

The variation in trade account receivable is mainly due to the increase in the amount of sales for the period, the devaluation of the Real in relation to the U.S. dollar which was R$5.1967 to US$1.00 on December 31, 2020 and achieved R$5.5805 to US$1.00 on December 31, 2021, reflects the cost price increase in the period, specially at salles pricing and business combination effect.

The Company's trade accounts receivables in the foreign market include related-party amounts which are eliminated upon consolidation, amounting R$392,066 (R$324,028 on December 31, 2020) (Note 10).

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| Falling due in up to 30 days | 261,683 | 193,181 | 596,940 | 388,920 |
| Falling due within 31 to 60 days | 169,236 | 194,531 | 342,979 | 204,138 |
| Falling due in more than 61 days | 214,979 | 87,918 | 202,151 | 29,235 |
| **Total falling due** | **645,898** | **475,630** | **1,142,070** | **622,293** |
| Overdue for up to 30 days | 31,266 | 18,963 | 86,562 | 47,281 |
| Overdue for 31 to 60 days | 2,858 | 3,097 | 9,467 | 11,240 |
| Overdue for more than 61 days | 8,904 | 10,687 | 24,254 | 13,090 |
| **Total overdue** | **43,028** | **32,747** | **120,283** | **71,611** |
| Provision for impairment of trade receivables | (4,439) | (9,236) | (11,256) | (10,500) |
| **Total** | **684,487** | **499,141** | **1,251,097** | **683,404** |

The Company performs quantitative and qualitative analyses of its portfolio of trade accounts receivables in order to determine the allowance for expected losses with receivables, which changed as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| **Opening balance** | **(9,236)** | **(113)** | **(10,500)** | **(1,389)** |
| Business combination | - | - | (2,574) | - |
| Additions | (5,613) | (9,074) | (6,718) | (10,375) |
| Reversals | 12,552 | 891 | 12,552 | 2,559 |
| Write-offs (*) | (2,142) | (940) | (4,016) | (1,295) |
| **Closing balance** | **(4,439)** | **(9,236)** | **(11,256)** | **(10,500)** |

*(*) Receivables written off during the year as uncollectible*

## 5. INVENTORIES

All amounts in thousands of reais unless otherwise stated

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| Finished products | 189,643 | 99,099 | 482,219 | 230,758 |
| Work in progress | 99,455 | 76,299 | 564,642 | 297,785 |
| Raw materials | 128,691 | 75,435 | 356,566 | 181,355 |
| Maintenance and other materials | 34,308 | 27,895 | 163,600 | 81,586 |
| Provision for losses | (15,677) | (16,282) | (79,093) | (36,998) |
| | **436,420** | **262,446** | **1,487,934** | **754,486** |

Inventories are carried at the average acquisition and/or production cost, considering the full manufacturing costs absorption method, adjusted to the net realizable value, when applicable.

The growth in the amount of inventories reflects the price increase at raw materials in the period, the business combination effect (note 37) and the devaluation of the Real against the U.S. dollars, which went from R$5.1967 on December 31, 2020 to R$5.5802 on December 31, 2021. This variation reflects the increase of the inventories of the subsidiaries located abroad which has the U.S. dollar as functional currency.

The changes in the provision for losses during the year were as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| **Opening balance** | **(16,282)** | **(5,770)** | **(36,998)** | **(15,604)** |
| Business combination | - | - | (36,741) | - |
| Additions | (1,116) | (11,163) | (7,075) | (22,045) |
| Write-off as loss | 1,721 | 651 | 1,721 | 651 |
| **Closing balance** | **(15,677)** | **(16,282)** | **(79,093)** | **(36,998)** |

On December 31, 2021, the Company offered finished product inventory as collateral for labor and social security proceedings amounting to R$10,559 (R$9,584 on December 31, 2020) in the Parent company and Consolidated. Currently, the Company adopts guarantee insurance.

## 6. TOOLING

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| Domestic market | 23,055 | 14,183 | 39,320 | 14,183 |
| Foreign market | 36,137 | 29,790 | 102,383 | 168,963 |
| | **59,192** | **43,973** | **141,703** | **183,146** |

The reduction in the period is because the closing of projects and sales for clients.

All amounts in thousands of reais unless otherwise stated

## 7. INCOME TAX AND SOCIAL CONTRIBUTION RECOVERABLE

Since January 2019, the Parent company selected the quarterly calculation of income tax and social contribution, previously made on an annual basis. In some periods the Company overpaid them. These amounts will be used to offset federal tax from Company. Based on the Company's projections, they will be realized during the next three years.

| | Dec/21 | | | Dec/20 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| **Parent Company** | **56,084** | **18,245** | **74,329** | **50,332** | **76,636** | **126,968** |
| Income tax | 56,084 | 2,947 | 59,031 | 50,332 | 45,482 | 95,814 |
| Social contribution | - | 15,298 | 15,298 | - | 31,154 | 31,154 |
| **Subsidiaries** | **52,250** | **-** | **52,250** | **43,839** | **-** | **43,839** |
| Income tax | 52,250 | - | 52,250 | 43,839 | - | 43,839 |
| **Consolidated** | **108,334** | **18,245** | **126,579** | **94,171** | **76,636** | **170,807** |

During 2021 the amounting of R$59,563 of income tax and social contribution credits was used to settle payable taxes (R$11,750 in 2020).

## 8. OTHER TAXES RECOVERABLE

**Parent company**

| | Dec/21 | | | Dec/20 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| ICMS recoverable - São Paulo (a) | 1,337 | 2 | 1,339 | 5,697 | 8,138 | 13,835 |
| ICMS recoverable - Santa Catarina (a) | 29,988 | 21,457 | 51,445 | 29,982 | 53,528 | 83,510 |
| Reintegra benefit (b) | 678 | 52,744 | 53,422 | 463 | 52,744 | 53,207 |
| COFINS, PIS and IPI recoverable (c) | 68,317 | 6,777 | 75,094 | 8,836 | 116,837 | 125,673 |
| | **100,320** | **80,980** | **181,300** | **44,978** | **231,247** | **276,225** |

**Consolidated**

| | Dec/21 | | | Dec/20 | | |
|---|---|---|---|---|---|---|
| | Current | Non-current | Total | Current | Non-current | Total |
| ICMS recoverable - São Paulo (a) | 1,337 | 2 | 1,339 | 5,697 | 8,138 | 13,835 |
| ICMS recoverable - Santa Catarina (a) | 29,988 | 21,457 | 51,445 | 29,982 | 53,528 | 83,510 |
| ICMS recoverable - Minas Gerais (a) | 8,167 | 853 | 9,020 | - | - | - |
| Reintegra benefit (b) | 910 | 52,744 | 53,654 | 463 | 52,744 | 53,207 |
| COFINS, PIS and IPI recoverable (c) | 79,395 | 10,059 | 89,454 | 8,836 | 116,837 | 125,673 |
| Value-added tax (VAT) (d) | 95,090 | - | 95,090 | 87,289 | - | 87,289 |
| | **214,887** | **85,115** | **300,002** | **132,267** | **231,247** | **363,514** |

The mentioned credits originate as follows:

### a. Value-added Tax on Sales and Services (ICMS) recoverable in São Paulo, in Santa Catarina and in Minas Gerais

Credits arising from the purchase of raw materials used in the process of constructing and purchasing property, plant and equipment assets, originally realizable in 48 installments, according to applicable state legislation. The decrease in the Company's sales in the Brazilian market, observed in recent years as a result of the economic crisis, contributed to the increase in the credit balance.

In Santa Catarina, the Company was accomplishing the credit balance by transfer to third parties and with a special regim “pro-emprego”, which deferrs the payment of ICMS.

In São Paulo, realization takes place in normal sales operations.

All amounts in thousands of reais unless otherwise stated

In Minas Gerais, the amouting of Tupy Minas Gerais Ltda, realization takes place in normal sales operations.

The Company's projections identify the realization of credits in up to 4 years.

### b. Special System for Refund of Tax Amounts to Exporting Companies (Reintegra) benefit

Credits arising from the benefit established by Provisional Measure 540 of August 2, 2011, reestablished by Law 13,043/14, and regulated by Decree 8,415/15, with modification 8,543/15. The amount is existence of tax residue in the production chain which could be monetized after procedures to be initiated with the tax authorities.

### c. Social Contribution on Revenues (COFINS), Social Integration Program (PIS) and Excise Tax (IPI) recoverable

These are credits generated mainly the right to exclude the ICMS from the calculation basis of the contribution to PIS and COFINS, according with 2 (two) writ of mandamus, one at the judicial subsection of the Federal Justice in São Paulo/SP and another filed in the judicial subsection of Joinville/SC. Those credits were recognized after the final decision in 2019 and 2020. . According with financial statements of year end of December 31, 2020. (note 8, letter c).

The Company will realize the credit offsetting federal tax values, for the portion related to foreign sales. The credit from domestic sales will be compensated in the account.

The Company projections indicate the credit will be realized up to 3 years.

### d. Value-added tax (VAT)

These are credits generated on the acquisition of inputs used in the production process of the subsidiaries in Mexico and are regularly reimbursed by the local tax authorities.

## 9. DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION

The composition of deferred tax assets and liabilities relating to income tax and social contribution, presented in the balance sheet accounts, is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| **Deferred assets** | | | | |
| Income tax and social contribution losses | 223,308 | 208,208 | 326,403 | 244,180 |
| Provisions for contingencies | 60,489 | 65,608 | 75,069 | 65,608 |
| Taxes and contribution recoverable | 39,760 | 39,629 | 39,760 | 39,629 |
| Credits – Eletrobrás | - | 10,881 | - | 10,881 |
| Property, plant and equipment - impairment | 30,288 | 30,288 | 30,332 | 30,288 |
| Salaries, social security charges and profit sharing | 4,563 | 10,066 | 51,108 | 39,870 |
| Provision for impairment of trade receivables | 9,371 | 11,206 | 16,879 | 11,206 |
| Provision for inventory losses | 7,057 | 5,989 | 13,211 | 5,989 |
| Share-based payments | 2,950 | 1,783 | 2,950 | 1,783 |
| Tooling | - | - | 13,030 | 40,051 |
| Financial derivative instruments | 284 | 124 | 284 | 124 |
| Other items | 14,077 | 14,324 | 32,907 | 29,961 |
| Property, plant and equipment - tax base (México) | - | - | 10,982 | 463 |
| Unrealized profits in subsidiaries | - | - | 16,078 | 12,738 |
| **Subtotal** | **392,147** | **398,106** | **628,993** | **532,771** |
| | | | | |
| **Deferred liabilities** | | | | |
| Depreciation rate differences | 57,457 | 68,537 | 60,622 | 68,537 |
| Business combination effect | 16,593 | - | 16,593 | - |
| Property, plant and equipment - carrying value adjustments | 10,645 | 13,489 | 11,969 | 13,489 |
| Deferred tax on intangible assets | - | - | 5,909 | 22,012 |
| **Subtotal** | **84,695** | **82,026** | **95,093** | **104,038** |
| **Total deferred liabilities, net** | **307,452** | **316,080** | **533,900** | **428,733** |

The Mexican tax legislation allows the depreciation of property, plant and equipment on a tax bases, and accordingly, the Company records the temporary difference of the depreciation between the tax and the accounting bases. The tax amount of temporary difference at December 31, 2021 was R$10,982 (R$463 at December 31, 2020). The change in the year is due to the foreign exchange difference between the currency in which the taxes are charged in Mexico (Mexican pesos) and the functional currency (U.S. dollar) of the subsidiaries in Mexico.

For deferred income tax and social contribution assets, the Company carried out an assessment of the realization of outstanding amounts, which indicates the full recovery of these deferred taxes. Expected future realization, based on the Company's profit projections and the expectation of effective realization of temporary differences, is as follows

| | Parent company | Consolidated |
|---|---|---|
| Years | Dec/21 | Dec/21 |
| 2022 | 77,755 | 142,028 |
| 2023 | 88,782 | 127,071 |
| 2024 | 59,265 | 94,313 |
| 2025 | 59,905 | 94,742 |
| 2026 | 49,401 | 42,430 |
| Thereafter | 57,039 | 128,409 |
| | **392,147** | **628,993** |

All amounts in thousands of reais unless otherwise stated

During the year ended December 31, 2021, changes in deferred tax assets and liabilities were as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| Opening balance | 316,080 | 139,304 | 428,733 | 195,887 |
| **Recognized in profit (loss)** | | | | |
| Recognized in profit (loss) for the year | (52,134) | 39,521 | 7,585 | 67,011 |
| Recognized in comprehensive income for the year | 43,506 | 137,255 | 43,506 | 137,255 |
| Effects of currency translation into presentation currency | - | - | 18,990 | 28,580 |
| **Recognized in assets** | | | | |
| Business combination | - | - | 35,086 | - |
| **Closing balance** | **307,452** | **316,080** | **533,900** | **428,733** |

## 10. RELATED-PARTY TRANSACTIONS

The main transactions of the Company with related parties are summarized as follows:

### a. Subsidiaries:

| Assets | Dec/21 | Dec/20 |
|---|---|---|
| **Trade account receivables** | **392,066** | **324,208** |
| Tupy Mexico Saltillo, S.A. de C.V | 198,706 | 180,357 |
| Tupy American Foundry Corporation | 164,967 | 132,771 |
| Tupy Europe GmbH | 21,257 | 10,438 |
| Technocast, S.A. de C.V. | 3,799 | 642 |
| Funfrap Fundição Portuguesa | 2,760 | - |
| Technocast, S.A. de C.V. | 577 | - |
| **Related parties – loans** | **125,198** | **-** |
| Tupy Minas Gerais Ltda. | 125,198 | - |
| | **517,264** | **324,208** |

| Liabilities | Dec/21 | Dec/20 |
|---|---|---|
| **Loans and financing** | **2,009,584** | **1,871,373** |
| Tupy Overseas S.A | 2,009,584 | 1,871,373 |
| **Advances from customers** | **-** | **6,469** |
| Tupy American Foundry Co. | - | 4,652 |
| Tupy Europe GmbH | - | 1,817 |
| **Other liabilities** | **16,771** | **19,677** |
| Tupy México Saltillo S.A. de CV | 2,103 | 10,126 |
| Tupy Europe GmbH | 9,910 | 3,843 |
| Tupy American Foundry Co. | 3,911 | 5,708 |
| Tupy Minas Gerais Ltda. | 847 | - |
| **Related parties – loans** | **5,086** | **3,008** |
| Tupy Agroenergética Ltda. | 3,909 | 1,823 |
| Gerais S.A. - Sofunge "em liquidação" | 1,177 | 1,185 |
| | **2,031,441** | **1,900,527** |

All amounts in thousands of reais unless otherwise stated

| Statement of income | 2021 | 2020 |
|---|---|---|
| **Revenues** | **1,472,720** | **1,111,720** |
| Tupy American Foundry Corporation | 871,642 | 508,035 |
| Tupy Europe GmbH | 223,500 | 137,068 |
| Tupy Mexico Saltillo, S.A. de C.V | 377,578 | 466,617 |
| **Other operating expenses, net** | **7,526** | **522** |
| Technocast, S.A. de C.V. | 3,413 | 496 |
| Tupy Mexico Saltillo, S.A. de C.V | 79 | 26 |
| Tupy Minas Gerais Ltda. | 1,229 | - |
| FUNFRAP – Fundição Portuguesa, S.A | 2,805 | - |
| **Finance costs** | **(126,407)** | **(126,178)** |
| Tupy Overseas S.A. | (129,604) | (126,178) |
| Tupy Minas Gerais Ltda. | 3,197 | - |
| | **1,353,839** | **986,064** |

Information from operations of the subsidiaries is provided in Note 2.2.

The receivables (Note 4) and sales revenue of the Company with its subsidiaries mainly represent sales of products from the transportation, infrastructure and agriculture segment. Prices charged are in compliance with the Company's price lists, and terms range from 60 to 90 days, as established by the parties. At December 31, 2021, the Company's related parties had no overdue receivables, because of deb loss, and, therefore, the Company did not record a provision for the impairment of these receivables.

The loan operations receivable were carried out with the subsidiary in Brazil Tupy Minas Gerais Ltda and have an average maturity term of 2 years and are remunerated at a rate of 11.83% p.a.

Advances from customers correspond to amounts sent by the subsidiaries abroad for the future delivery of products.

Notes and other payables to subsidiaries abroad represent a current account between the subsidiaries and the Parent company, with an unspecified maturity. Refers mainly, to quality assistance for transportation, infrastructure & agriculture products, with 30 and 60 maturity days.

The loan conditions granted by Tupy Overseas S.A. to the Parent company are disclosed in Note 18.

The other operations refer to loan agreements between the subsidiaries in Brazil and the Company, with no defined maturities, which bear interest equivalent to the Referential Rate (TR).

Other operations expenses, net, refer to transfer by sale of fixed assets of the machining line to Technocast S.A. de C.V. and Tupy México Saltillo, S.A. de C.V. subsidiaries.

### b. Main shareholders:

The Company's main shareholders are BNDES Participações S.A. – BNDESPAR and PREVI - Caixa de Previdência dos Funcionários do Banco do Brasil.

All amounts in thousands of reais unless otherwise stated

### c. Management remuneration:

| | Board of Directors | | Board of Officers | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Fixed remuneration | 4,353 | 3,561 | 6,851 | 4,870 | 11,204 | 8,431 |
| Variable remuneration | - | - | 2,726 | 4,279 | 2,726 | 4,279 |
| Stock option plan | 473 | 537 | 2,797 | 1,453 | 3,270 | 1,990 |
| | **4,826** | **4,098** | **12,374** | **10,602** | **17,200** | **14,700** |

The overall amount of the annual remuneration, net of taxes, approved at the Ordinary General Meeting for Board of Directors and Bord of officers for the year of 2021is up to R$37,239 (R$21,085 for the year ended at December 31, 2020). Since 2021 the amount of R$11,645 has been integrated at annual remuneration, as termination accruals.

The statutory management remuneration is paid only at the Parent Company level and, therefore, no management remuneration has been recorded in subsidiaries.

The amounts recorded as variable remuneration of the Executive Board are considered as a provision, based on to the goals established for the year.

Considering the stock option plan, the information about the Stock option plan approved by November 2014 and April 2019, are provided in Note 24.

Officers receive additional corporate benefits, such as corporate vehicles, reimbursement of vehicle-related expenses, health and life insurance, fixed contribution type pension plan and severance pay. At December 31, 2020, these benefits totaled R$1,402 (R$1,083 in the same previous-year period).

The Company does not offer its officers a post-employment benefit plan.

### d. Other related parties:

The Parent company sponsors the Associação Atlética Tupy (Tupy Athletic Association), a not-for-profit foundation that offers leisure activities and sports to the Company's employees. During the year ended December 31, 2021, the Company recognized sponsorship expenses of R$271 (R$454 - December 31, 2020).

## 11. CREDITS - ELETROBRAS

Refiring to credits arising from the right to additional inflation adjustment of the Eletrobrás compulsory loan and related interest, based on Law n° 4.156/62.

In 2003, the right was recognized in a lawsuit moved by the Company, and in 2005, started the execution toward the Judicial Subsection from Joinville/SC.

In 2008, a technical inspection report was issued, which indicated the credit amount due in favor of the Company. The report has been ratified by the Judicial Subsection from Joinville/SC and by the Federal Regional Court of the fourth Region (“TRF4”), in 2011, when the cumulation of the interests was ratified.

In October 2016, the guarantee towards Eletrobrás assets, was specified in the amount of R$224,000, and after, the referred amount was transferred to a bank account related to the lawsuit.

Eletrobrás was in disagreement with the amount being charged from the Company and claims that the amount due is of R$72,470. In December 2019, the Judicial Subsection from Joinville/SC determined the payment of the undisputed amount in favor of the Company, being deducted the amount of the legal fees that resulted in a net amount of R$63,049.

All amounts in thousands of reais unless otherwise stated

Despite the low probability of Eletrobrás following with the payment through shares, the credits were influenced by a derivative, which was valued at its realization value on the balance sheet date by the black-sholes criterion reflecting the lowest and highest probable realization value in favor of the Company. During the processual period the derivative had been actualized monthly, and the variation substantially reflects the change in market value of Eletrobrás shares and the decrease in the estimated credit realization term.

In December 2020, the ruling determined that the Judicial Accounting Office present a definitive update of the credit.

In August 2021, the expert assigned to the case presented the updated amounts of Eletrobrás in favor of the Company.

In December 2021, after manifestations from both parties, the magistrate determined that the undisputed amounts should be paid in favor of the Company (remaining balance), in the amount of R$90,470. Respective receipt, represented the write-off of the right that was kept recorded in the Company's assets, however, it will continue to claim the disputed portion still pending in court.

**Parent Company and Consolidated**

| | Credits | Realizable value adjustment | Net realizable value |
|---|---|---|---|
| **AT DECEMBER 31, 2019** | **185,505** | **(33,356)** | **152,149** |
| Adjustment (note 27) | (72,056) | - | (72,056) |
| Change in fair value of derivative (nota 26) | - | 1,353 | 1,353 |
| **AT DECEMBER 31, 2020** | **113,449** | **(32,003)** | **81,446** |
| Adjustment (nota 27) | 345 | - | 345 |
| Received | (90,470) | | (90,470) |
| Write off | (23,324) | 32,003 | 8,679 |
| **AT DECEMBER 31, 2021** | - | - | - |

## 12. INVESTMENT PROPERTIES

The Company has assets classified as investment properties, mainly land and forests, belonging to the subsidiary Tupy Agroenergética Ltda. At December 31, 2021, their carrying value was R$5,716 (R$6,363 in 2020), considering the historical cost as the accounting basis. The expected possible result, according an appraisal by a specialized company, in the realization of these assets indicate a range between R$49,923 (minimum) and R$91,524 (expected), there are no indications this amount could be significant different to 2021.

All amounts in thousands of reais unless otherwise stated

# 13. INVESTMENTS

## a. Composition of investments

| Parent company | Total assets | Equity | Goodwill | Profit (loss) for the period | Interest in capital (%) | Share in the results of subsidiaries (*) | Book value (*) |
|---|---|---|---|---|---|---|---|
| **AT DECEMBER 31, 2021** | | | | | | | |
| investment in subsidiary company | | | | | | | |
| Tupy Materials & Components B.V(**) | 2,174,224 | 1,933,207 | 41,226 | (39,246) | 100,00 | (30,681) | 1,965,518 |
| Tupy Overseas | 2,116,761 | 1,759 | - | (26,360) | 100,00 | (26,360) | 1,759 |
| Tupy American Foundry Co. | 388,311 | 205,115 | - | 16,439 | 100,00 | 14,877 | 194,552 |
| Tupy Europe GmbH | 375,048 | 252,141 | - | 17,062 | 100,00 | 15,808 | 244,164 |
| Tupy Minas Gerais Ltda. | 778,866 | (15,114) | - | (11,720) | 100,00 | (17,950) | (15,440) |
| Tupy Agroenergética Ltda. | 14,322 | 12,579 | - | 149 | 100,00 | 149 | 12,579 |
| Gerais SA. - Sofunge "in liquidation" | 2,514 | (171) | - | (312) | 100,00 | (312) | (171) |
| | | | | | | **(44,469)** | **2,402,961** |

*(*) Adjusted by unrealized profits*
*(**) Tupy S.A. 99% and Tupy Agroenergética 1%*

| Parent company | Total assets | Equity | Goodwill | Profit (loss) for the period | Interest in capital (%) | Share in the results of subsidiaries (*) | Book value (*) |
|---|---|---|---|---|---|---|---|
| **AT DECEMBER 31, 2020** | | | | | | | |
| investment in subsidiary company | | | | | | | |
| Tupy Materials & Components B.V(**) | 2,875,152 | 1,840,257 | 41,226 | (123,758) | 100.00 | (110,099) | 1,870,202 |
| Tupy Overseas | 1,893,239 | 25,970 | - | 1,595 | 100.00 | 1,595 | 25,970 |
| Tupy American Foundry Co. | 320,893 | 175,272 | - | 5,329 | 100.00 | 13,554 | 169,494 |
| Tupy Europe GmbH | 259,537 | 237,245 | - | 1,865 | 100.00 | 12,583 | 229,580 |
| Tupy Agroenergética Ltda. | 12,444 | 12,431 | - | 8,714 | 100.00 | 8,714 | 12,431 |
| Sociedade Técnica de Fundições Gerais SA. - Sofunge "em liquidação" | 2,511 | 141 | - | (1,057) | 100.00 | (1,057) | 141 |
| | | | | | | **(74,710)** | **2,307,818** |

*(*) Adjusted by unrealized profits*
*(**) Tupy S.A. 99% and Tupy Agroenergética 1%*

## b. Changes in investments

| Parent company | |
|---|---|
| **AT DECEMBER 31, 2019** | **1,872,764** |
| Share in the results of subsidiaries | (74,710) |
| Exchange variations of investees located abroa | 509,764 |
| **AT DECEMBER 31, 2020** | **2,307,818** |
| Share in the results of subsidiaries | (44,469) |
| Exchange variations of investees located abroa | 137,835 |
| Business combination (note 36) | 1,777 |
| **AT DECEMBER 31, 2021** | **2,402,961** |

Share in the results is recognized in income for the year and the exchange variation of investees located abroad is recognized in comprehensive income and are recognize in the equity valuation adjustment account in equity.

All amounts in thousands of reais unless otherwise stated

# 14. PROPERTY, PLANT AND EQUIPMENT

## a. Changes in property, plant and equipment

| Parent company | Machinery, facilities and equipment | Buildings | Land | Vehicles | Furniture, fittings and other | Right of use | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **AT DECEMBER 31, 2019** | **1,678,452** | **356,362** | **8,956** | **21,641** | **5,934** | **14,099** | **38,644** | **2,124,088** |
| Addition | - | - | - | - | - | 5,625 | 54,682 | 60,307 |
| Transfer to property, plant and equipment in use | 50,722 | 8,187 | - | 885 | 161 | - | (64,293) | (4,338) |
| Impairment | (3,404) | - | - | - | - | - | - | (3,404) |
| Disposal | (7,286) | (1,683) | (8) | (682) | (32) | - | - | (9,691) |
| **AT DECEMBER 31, 2020** | **1,718,484** | **362,866** | **8,948** | **21,844** | **6,063** | **19,724** | **29,033** | **2,166,962** |
| Addition | - | - | - | - | - | 2,277 | 142,001 | 144,278 |
| Transfer to property, plant and equipment in use | 72,962 | 6,550 | - | 3,667 | 620 | - | (83,799) | - |
| Disposal | (16,827) | (104) | - | (1,230) | (1) | - | - | (18,162) |
| **AT DECEMBER 31, 2021** | **1,774,619** | **369,312** | **8,948** | **24,281** | **6,682** | **22,001** | **87,235** | **2,293,078** |
| | | | | | | | | |
| **Depreciation** | | | | | | | | |
| **AT DECEMBER 31, 2019** | **(1,229,016)** | **(168,930)** | **-** | **(14,691)** | **(3,833)** | **(4,786)** | **-** | **(1,421,256)** |
| Depreciation in the year | (109,866) | (14,031) | - | (1,842) | (392) | (6,143) | - | (132,274) |
| Disposal | 5,987 | 1,104 | - | 535 | 25 | - | - | 7,651 |
| **AT DECEMBER 31, 2020** | **(1,332,895)** | **(181,857)** | **-** | **(15,998)** | **(4,200)** | **(10,929)** | **-** | **(1,545,879)** |
| Depreciation in the year | (109,926) | (11,319) | - | (1,741) | (398) | (6,424) | - | (129,808) |
| Disposal | 15,308 | 104 | - | 1,020 | 1 | - | - | 16,433 |
| **AT DECEMBER 31, 2021** | **(1,427,513)** | **(193,072)** | **-** | **(16,719)** | **(4,597)** | **(17,353)** | **-** | **(1,659,254)** |
| | | | | | | | | |
| **Carrying amount** | | | | | | | | |
| AT DECEMBER 31, 2020 | 385,589 | 181,009 | 8,948 | 5,846 | 1,863 | 8,795 | 29,033 | 621,083 |
| AT DECEMBER 31, 2021 | 347,106 | 176,240 | 8,948 | 7,562 | 2,085 | 4,648 | 87,235 | 633,824 |

| Consolidated | Machinery, facilities and equipment | Buildings | Land | Vehicles | Furniture, fittings and other | Right of use | Construction in progress | Total |
|---|---|---|---|---|---|---|---|---|
| **Cost** | | | | | | | | |
| **AT DECEMBER 31, 2019** | **3,754,325** | **826,173** | **69,182** | **23,644** | **30,987** | **37,620** | **186,622** | **4,928,553** |
| Addition | - | - | - | - | - | 9,198 | 122,754 | 131,952 |
| Transfer to property, plant and equipment in use | 199,241 | 19,623 | - | 1,475 | 1,276 | - | (225,953) | (4,338) |
| Exchange variation | 601,039 | 136,053 | 17,305 | 556 | 6,319 | 7,182 | 45,046 | 813,500 |
| Impairment | (3,404) | - | - | - | - | - | - | (3,404) |
| Disposal | (23,777) | (1,957) | (8) | (682) | (32) | (158) | - | (26,614) |
| **AT DECEMBER 31, 2020** | **4,527,425** | **979,892** | **86,479** | **24,993** | **38,550** | **53,842** | **128,469** | **5,839,649** |
| Business combination (note 36) | 906,147 | 451,061 | 51,501 | 4,426 | 52,893 | 6,035 | 20,159 | 1,492,222 |
| Addition | - | - | - | - | - | 29,172 | 243,232 | 272,404 |
| Transfer to property, plant and equipment in use | 134,432 | 16,188 | - | 3,686 | 1,322 | - | (155,628) | - |
| Exchange variation | 192,411 | 40,985 | 5,696 | 210 | 1,389 | 2,974 | 6,878 | 250,543 |
| Disposal | (150,741) | (104) | - | (1,265) | (1) | - | - | (152,111) |
| **AT DECEMBER 31, 2021** | **5,609,674** | **1,488,022** | **143,676** | **32,050** | **94,153** | **92,023** | **243,110** | **7,702,707** |
| | | | | | | | | |
| **Depreciation** | | | | | | | | |
| **AT DECEMBER 31, 2019** | **(2,806,036)** | **(438,405)** | **-** | **(16,072)** | **(19,976)** | **(13,728)** | **-** | **(3,294,217)** |
| Depreciation in the year | (242,106) | (28,661) | - | (2,008) | (2,748) | (17,781) | - | (293,304) |
| Exchange variation | (457,465) | (78,019) | - | (403) | (4,691) | (2,619) | - | (543,197) |
| Disposal | 16,262 | 1,104 | - | 535 | 25 | - | - | 17,926 |
| **AT DECEMBER 31, 2020** | **(3,489,345)** | **(543,981)** | **-** | **(17,948)** | **(27,390)** | **(34,128)** | **-** | **(4,112,792)** |
| Business combination (note 36) | (757,599) | (325,030) | - | (2,981) | (46,536) | - | | (1,132,146) |
| Depreciation in the year | (247,872) | (29,583) | - | (2,053) | (2,738) | (14,532) | - | (296,778) |
| Exchange variation | (149,061) | (22,896) | - | (127) | (1,008) | (1,977) | - | (175,069) |
| Disposal | 145,447 | 104 | - | 1,055 | 1 | - | - | 146,607 |
| **AT DECEMBER 31, 2021** | **(4,498,430)** | **(921,386)** | **-** | **(22,054)** | **(77,671)** | **(50,637)** | **-** | **(5,570,178)** |
| | | | | | | | | |
| **Carrying amount** | | | | | | | | |
| AT DECEMBER 31, 2020 | 1,038,080 | 435,911 | 86,479 | 7,045 | 11,160 | 19,714 | 128,469 | 1,726,857 |
| AT DECEMBER 31, 2021 | 1,111,244 | 566,636 | 143,676 | 9,996 | 16,482 | 41,386 | 243,110 | 2,132,529 |

The group of construction in progress mainly comprises investments in the support of capacity, environment, safety, projects in order to expansion of machining capacity in Mexico plants and strategic projects development.

All amounts in thousands of reais unless otherwise stated

## b. Impairment of non-financial assets

In 2016 in order to optimizing the manufacturing plant and consequently reducing operating costs, due to the reduction of demand in the domestic market, in the automotive segment, and revision of the future plans of the operation, the Company deactivated part of the industrial park, in Mauá-SP, for an indefinite period. In 2020, due the Covid-19 pandemic the Company deactivated the finishing area of the same unit. Those actions resulting in R$84,760 and R$3,404 recognized as impairment adjustments, respectively.

On December 31, 2021, the Company assessed the indicators of impairment of its assets and assessed the recoverable values and does not identified the need for impairment adjustments.

## c. Depreciation

The Company depreciates property, plant and equipment on a straight-line basis, according with , using the following useful lives:

| | Average useful lives |
|---|---|
| Machinery, facilities and equipment | 15 years |
| Buildings | 35 years |
| Vehicles | 6 years |
| Furniture, fittings and other | 10 years |

## d. Capitalization of interest and financial charges

The Company recognizes interest and financial charges incurred during the period of construction of the qualifying assets as asset formation cost.

The amount recorded in the year ended December 31, 2021 totals R$2,446 (R$1,617 in 2020).

## e. Guarantees

The Company pledged property, plant and equipment items as collateral for loans and financing of R$5,821 (R$10,594 at the same period prior year) with maturity date in January, 2025. And R$5,895 (R$5,895 at December 31, 2019) as a collateral for tax litigation in the Parent Company and Consolidated.

## f. Insured amounts

Property, plant and equipment are insured for fire, electrical damage and explosion. Insurance coverage is determined based on the amounts and the level of risk involved (Note 32).

## g. Non-cash transactions

The Company carried out investment transactions that did not affect cash and which, therefore, were not recorded in the statements of cash flows. These transactions totaled R$38,661 in the year ended December 31, 2021 (R$17,030 in the year ended December 31, 2020).

All amounts in thousands of reais unless otherwise stated

## 15. INTANGIBLE ASSETS

| Parent company | Software | Internal projects | Projects in progress | Total |
|---|---|---|---|---|
| **AT DECEMBER 31, 2019** | **41,743** | **1,121** | **9,246** | **52,110** |
| Acquisition/costs | 3,096 | 961 | 1,970 | 6,027 |
| Transfers | 6,019 | 661 | (2,342) | 4,338 |
| Amortization | (8,968) | (617) | - | (9,585) |
| **AT DECEMBER 31, 2020** | **41,890** | **2,126** | **8,874** | **52,890** |
| Acquisition/costs | 1,754 | 2,228 | 3,118 | 7,100 |
| Transfers | - | 1,261 | (1,261) | - |
| Amortization | (9,665) | (1,719) | - | (11,384) |
| **AT DECEMBER 31, 2021** | **33,979** | **3,896** | **10,731** | **48,606** |

| Consolidated | Software | Contractual customer relationships | Goodwill | Internal projects | Projects in progress | Total |
|---|---|---|---|---|---|---|
| **AT DECEMBER 31, 2019** | **45,547** | **104,420** | **41,226** | **1,121** | **9,246** | **201,560** |
| Acquisition/costs | 4,247 | - | - | 961 | 1,970 | 7,178 |
| Transfers | 6,019 | - | - | 661 | (2,342) | 4,338 |
| Exchange variation | 1,303 | 30,153 | - | - | - | 31,456 |
| Disposal | (10,968) | (45,251) | - | (617) | - | (56,836) |
| *Impairment* | - | (15,950) | - | - | - | (15,950) |
| **AT DECEMBER 31, 2020** | **46,148** | **73,372** | **41,226** | **2,126** | **8,874** | **171,746** |
| Business combination (note | 6,767 | - | - | - | - | 6,767 |
| Acquisition/costs | 8,595 | - | - | 2,228 | 3,118 | 13,941 |
| Transfers | - | - | - | 1,261 | (1,261) | - |
| Disposal | (31) | - | - | - | | (31) |
| Exchange variation | 274 | 3,585 | - | - | - | 3,859 |
| Amortization | (11,911) | (57,260) | - | (1,719) | - | (70,890) |
| **AT DECEMBER 31, 2021** | **49,842** | **19,697** | **41,226** | **3,896** | **10,731** | **125,392** |

### a. Computer software

It basically consists of a license for an enterprise management system (ERP) acquired in 2013. This ERP was developed in 2013 and 2014 and it was implemented in 2015. The amortization is being carried out, in a linear way, in 10 years.

### b. Contractual customer relationships

The contractual relationship arises from the acquisition of Tupy México S.A. de C.V. and Technocast S.A. de C.V. on April 16, 2012 and was calculated based on the minimum estimate of customer portfolio maintenance, taking the sales volumes of periods prior to the acquisition and the market perspectives existing at the time into consideration.

The calculation used the Multi-period Excess Earnings Method (MEEM), which covers ten-year period, equivalent to the minimum term estimated for the maintenance of the commercial relationship with the customers. These intangible assets will be amortized on a straight-line basis.

The aggregate of the customer portfolios that compose the contractual relationship presents, and projects in the long term, volumes and profitability significantly higher than the initial recognition of the asset, which make the profitability of the plants reach the appropriate level.

Considering that the intangible asset was recognized by each portfolio, and according to IFRS is not allowed compensation between them, at the end of 2020, individual analysis was made and the

All amounts in thousands of reais unless otherwise stated

Company identify a reduction in the demand of some customers when compared with the projections of previously year. Because of that, an impairment test was necessary.

The methodology used in order to determine the fair value for the remain period of 1.5 years, was the value in use, considering the MEEM (*"Multi-period excess earnings methods"*) methodology.

The assumptions used by management at December 31, 2021 was the value in use, were as follows:

- Revenues were defined based on projections of demand by customer in the next 4 months (remaining period).
- Operating margins were determined based on historical performance and on expectations arising from investments and operational improvements.
- Discount rate in real terms, before tax effects, of 5.31% p.y., which reflects the Company's specific risks.

The amount recognized in the year ended December 31, 2021 is the better estimation of realization.

In the year ended December 31, 2020 the result of the test determined an impairment recorded in prior years in the amount of R$15,950, net of taxes of R$11,165 (Note 27).

### c. Goodwill

Intangible assets represented by the excess of the cost of an acquisition over the net fair value of assets and liabilities of the subsidiaries, Tupy Mexico S.A. de C.V. and Technocast S.A. de C.V., substantially generated by expected synergies.

Goodwill is allocated to the subsidiaries Tupy Mexico S.A., de C.V. and Technocast S.A., de C.V., which are considered as cash-generating units and operate in the automotive business.

At the moment, there is goodwill impairment, which is recorded by calculation of the cash-generating unit's recoverable amount.

The recoverable amount was determined based on value-in-use calculations. These calculations utilize discounted cash flow projections, post-tax profit and capital expenses based on financial budgets in real terms (i.e., without considering inflation) approved by management and covering a five-year period. Cash flows beyond the five-year period are extrapolated using the cash flows for the 5th year. The key assumptions used for value-in-use calculations at December 31, 2021 are as follows:

- Revenues were defined based on projections of demand by customer in the next five years.
- Management determined the operating margins based on past performance and its expectations of market development.
- Discount rate in real terms of 5.31% p.y., before tax effects, which reflects the Company's specific risks.

Made sensitivity analysis to determine the impact on the change of its main variable, discount rate, considering an increase of 1p.p. and no lower value was found than the accounting cost of the investments, so that the Company did not identify the need for impairment adjustment on the recorded goodwill.

## 16. JUDICIAL DEPOSITS AND OTHER ASSETS

| | Parent company | | Cosolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| **CURRENT ASSETS** | **59,162** | **46,024** | **106,869** | **55,999** |
| Other assets | 59,162 | 46,024 | 106,869 | 55,999 |
| **NON-CURRENT ASSETS** | **11,985** | **47,738** | **13,350** | **48,824** |
| Judicial deposits and other | 11,985 | 47,738 | 13,350 | 48,824 |

Other assets comprise advances to employees, expenses paid in advance and other receivables not related to the operation. The variation in the period substantially reflects the balances assumed in the business combination for the acquisition of the Betim and Aveiro units.

The reduction presented in the balances of judicial deposits and others is due to redemptions made in the period due to the replacement of the judicial deposit by letters of guarantee insurance.

## 17. SUPPLIERS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| Domestic suppliers | 358,695 | 244,981 | 480,115 | 244,982 |
| Foreign suppliers | 52,049 | 24,789 | 668,381 | 304,378 |
| **Subtotal** | **410,744** | **269,770** | **1,148,496** | **549,360** |
| Forfaiting operation | 91,332 | 66,834 | 91,332 | 66,834 |
| **Total** | **502,076** | **336,604** | **1,239,828** | **616,194** |

The variations in the period reflect the balances assumed in the business combination for the acquisition of the Betim and Aveiro units, in the amount of R$224,313, the highest level of activity in relation to the closing of 2020, the inflation of materials accumulated in the period and the devaluation of the Real against the US Dollar (US$) which changed from R$5.1967 on December 31, 2020 to R$5.5805 on December 31, 2021.

The Company has contracts signed with Banco do Brasil S.A., Banco Itaú Unibanco S.A. and Banco Santander S.A. to structure, with its main suppliers, the operation called “fortfaiting”. In this operation, the suppliers transfer the right to receive the invoice to the financial institutions, which, in turn, become creditors of the operation. Further details on these transactions are included in Note 2.6(g).

All amounts in thousands of reais unless otherwise stated

## 18. LOANS AND FINANCING

**Parent company**

| | Maturity | Effective rate | Dec/21 | Dec/20 |
|---|---|---|---|---|
| **Local currency** | | | **10,117** | **347,544** |
| (a) 4131 operation | Sep/2021 | CDI+4.5% p.a. | - | 225,903 |
| (b) Export credit notes | Mar/2021 | 198% CDI | - | 103,621 |
| FINAME | Jan/2025 | 5.59% p.a. | 4,851 | 8,828 |
| Leasing from right of use | | | 5,266 | 9,192 |
| **Foreign currency** | | | **2,009,584** | **1,871,373** |
| (c) Export prepayment - Tupy Overseas | Jul/2024 | VC + 6.78% p.a. | 2,009,584 | 1,871,373 |
| | | | | |
| Current portion | | | 69,161 | 397,495 |
| Non-current portion | | | 1,950,540 | 1,821,422 |
| | | | **2,019,701** | **2,218,917** |

VC – Foreign exchange variation
CDI – Interbank deposit certificate
FINAME - Special Industrial Financing Agency of the BNDES

**Consolidated**

| | Maturity | Effective rate | Dec/21 | Dec/20 |
|---|---|---|---|---|
| **Local currency** | | | **464,177** | **347,544** |
| (a) 4131 operation | Sep/2021 | CDI+4.5% p.a. | - | 225,903 |
| (b) Export credit notes | Mar/2021 | 198% CDI | - | 103,621 |
| FINAME | Jan/2025 | 6.3% p.a. | 5,485 | 8,828 |
| (b) Export credit notes - TMG | Jul/2022 | CDI+1,87% | 398,456 | - |
| (d) Forfaiting operation | Apr/2022 | 12,54% p.a. | 54,970 | - |
| Leasing from right of use | | | 5,266 | 9,192 |
| **Foreign currency** | | | **2,147,047** | **1,877,998** |
| (e) Senior unsecured Notes - US$350.000 | Jul/2024 | VC + 6.63% p.a. | - | 1,865,843 |
| (f) Senior unsecured Notes - US$375.000 | Fev/2031 | VC + 4.5% p.a. | 2,110,005 | - |
| Leasing from right of use | | | 37,042 | 12,155 |
| | | | | |
| Current portion | | | 507,486 | 401,924 |
| Non-current portion | | | 2,103,738 | 1,823,618 |
| | | | **2,611,224** | **2,225,542** |

VC – Foreign exchange variation
CDI – Interbank deposit certificate
FINAME - Special Industrial Financing Agency of the BNDES

On December 31, 2021, the Company was in compliance with the covenant terms, as presented below.

### a) 4131 operation

In March 2020, 4131 operations were contracted in the amount of R$215,000 with Banco Santander, with an average term of 15 months, CDI rate + 4.5% per year and amortization at the end of the contracts.

In March 25 and September 22, 2021 occurred the payment of R$95,000 and R$120,000, respectively from Banco Santander

### b) Export credit notes – NCE

In March 2020, NCE operations were contracted in the amount of R$178,000 with Banco Itaú BBA, maturing in march 2021, with a weighted rate of 192% CDI and amortization at the end of the contract.

All amounts in thousands of reais unless otherwise stated

Those contracts ware paid in November 30, 2020 amounting of R$78,000 and R$100,00 in March 25, 2021 from Banco Itaú BBA.

In the business combination (Note 37) concluded, the Company assumed an export credit note agreements from Tupy Minas Gerais Ltda (former Teksid Iron Ltd.) in the amount of R$390,166 firmed with Banco Bradesco S.A. maturing until July 2022 and average rate of CDI + 1.87% p.a.

### c) Export prepayment - Tupy Overseas S.A.

In January and July 2021, the Parent Company paid an interest of R$125,773 (R$113,942 in 2020). The impact of the exchange variation on the Tupy Overseas export prepayment amount in the period was an expense of R$133,946 . (in the year ended at December 31, 2020 was a loss of 406,934)

### d) Forfaithing operation

Term extension operations carried out by Tupy Minas Gerais Ltda (formerly Teksid Iron Ltda.) with Banco Daycoval S.A. and Banco Fidis S.A. The operations are contracted with a maximum due of 120 days and a rate of 12.54% p.a.

### e) Senior Unsecured Notes – US$ 350,000

In February of 2021 the Company announced the repurchase of the senior unsecured notes due in July, 2024, the payment of this operation was R$58,009 referring to the premium and pro-rata interest.

In January 2021 the Company paid interest of R$61,003 and e foreign exchange variations reduction recognized between December 31, 2020 until the repurchase in March 03, 2021 was loss of R$120,762. During the year of 2020 (january and July, summed) the Company payed interestes in the amoung of R$113,942 and the Exchange rate variation impact was a loss of R$407,485.

The Issuance includes covenants, the main financial indicator of which is the net debt/ adjusted EBITDA, and, up to March 03, 2021, the Company is in compliance with the covenant terms. According with financial statements of year end of December 31, 2020. (note 16).

### f) Senior Unsecured Notes - US$ 375,000

In February 2021, the Company completed the issuance of bonds ("issuance") in the international market, through its subsidiary Tupy Overseas S.A. These bonds are guaranteed by the Parent company and amount to US$375,000 (R$2,018,063), with single amortization in February of 2031. Interest, at the coupon of 4.50% p.a., are paid on a semiannual basis, in February and August. The funds provided by the Issuance are being used to pay Senior unsecured notes USD 350,000, issue by Tupy Overseas in 2014, with maturity in 2024 and coupon of 6.625%, costs related to the issuance amounting US$3,256, about R$18,048 and the premium of repurchase of US$7,728, about R$42,822 and as well as for ordinary business management. The Senior Unsecured Notes are fully and jointly guaranteed by the Company.

In August of 2021 interests were paid amounting of R$44,171. The variation occurred in the period between the Issuance and December 31, 2021 was a loss of R$52,617.

The Issuance includes covenants in annual basis, the main financial indicator of which is the net debt/ adjusted EBITDA, and, on December 31, 2021, the Company is in compliance with the covenant terms. In the case on non-compliance by the Company, they would result in prohibition to: (i) obtaining new loans and financing; (ii) distributing dividends in excess of the minimum amount provided by law; (iii) making investments that are not related to the maintenance of production activities; and (iv) repurchasing shares issued by the Company.

Furthermore, the Issuance also includes non-financial Covenants. The main non-financial measure that could cause the early termination of the Issuance is the change in the Company's controlling interest in such a way that it decreases the external risk rating.

### g) Fair value of loans and financing

The fair value of the Company's loans and financing (classified in Level 2 of the fair value hierarchy) is calculated through the discount of future flows of their payments at the curves, interest rates and currencies observable in the financial market. At December 31, 2021, the fair value of loans and financing was R$2,459,977 (R$2,224,947 at December 31, 2020).

### h) Long-term maturities

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| Year | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| 2022-2023 | 2,433 | 28,745 | 22,239 | 28,745 |
| 2024 | 1,948,076 | 1,792,646 | 481 | 1,794,842 |
| 2025 - 2030 | 31 | 31 | 31 | 31 |
| 2031 | - | - | 2,080,987 | - |
| | **1,950,540** | **1,821,422** | **2,103,738** | **1,823,618** |

## 19. SALARIES, SOCIAL SECURITY CHARGES AND PROFIT SHARING

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| Salaries | 24,395 | 20,220 | 37,540 | 27,550 |
| Provision for vacation pay and 13th month salary | 67,992 | 47,749 | 108,740 | 57,126 |
| Social charges | 15,728 | 15,822 | 56,867 | 31,547 |
| Profit sharing | 41,207 | 29,606 | 67,763 | 40,320 |
| Private pension plan | 559 | 3,381 | 559 | 3,381 |
| | **149,881** | **116,778** | **271,469** | **159,924** |

The increase substantially reflects the assuming liabilities in business combination process of adquiring the Betim and Aveiro units amounting of R$56,069, the vacation accruals and profit sharing impacted by profit of the year.

The Company's profit-sharing program applies proportionately according to time in service and is based on financial and operating indicators and individual performance goals. The Company introduced an optional private pension plan for all employees in Brazil. It is a defined contribution plan, for which the amount contributed by the employee, limited to an established percentage on the payroll, is matched with the same amount by the Company.

## 20. ADVANCES FROM CUSTOMERS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| Domestic market | 22,313 | 13,953 | 51,440 | 13,953 |
| Foreign market | 2,046 | 13,413 | 74,381 | 155,736 |
| | **24,359** | **27,366** | **125,821** | **169,689** |

They refer to advances of funds for the construction of customer tools that will be used in the production process.

The variation in the period arises substantially from closing projects during the year.

All amounts in thousands of reais unless otherwise stated

## 21. RETIREMENT BENEFIT OBLIGATIONS

The operations in Mexico have defined benefit obligations. The purpose of these plans is to offer employees retirement benefits, in addition to and complementing those provided by other retirement or pension plans, whether public or private. In addition, the Mexican legislation also establishes other defined benefits such as age premium and legal indemnity.

**Consolidated**

| Obligations recorded in the balance sheet | Dec/21 | Dec/20 |
|---|---|---|
| ***Social security plan benefits*** | | |
| Pension plan | 15,440 | 17,814 |
| ***Other employee benefits*** | | |
| Seniority premium | 24,565 | 15,408 |
| Legal indemnity | 32,798 | 32,224 |
| | **72,803** | **65,446** |

The increment observed in the period is mainly due to the devaluation of the Real against the US Dollar, which went from R$5.1967 on December 31, 2020 to R$5.5805 on December 31, 2021.

## 22. PROVISION FOR TAX, CIVIL, SOCIAL SECURITY AND LABOR PROCEEDINGS

The Company and the subsidiaries are a party to ongoing proceedings arising in the normal course of its business and for which provisions for probable losses were recorded based on estimates made by its legal counsel.

The changes in the provisions for tax, civil, social security and labor proceedings in the year ended December 31, 2021 and the related judicial deposits were as follows:

**Parent company**

| | Civil | Tax | Labor | Social security | Judicial deposits | Total |
|---|---|---|---|---|---|---|
| **AT DECEMBER 31, 2019** | **52,949** | **71,267** | **77,342** | **11,139** | **(31,617)** | **181,080** |
| Additions | 901 | - | 93 | - | (2,050) | (1,056) |
| Restatements | (5,410) | 2,236 | 38,728 | 456 | - | 36,010 |
| Remuneration | - | - | - | - | (537) | (537) |
| Payments | (12) | (68) | (42,341) | (568) | - | (42,989) |
| Deposit Redemption | - | - | - | - | 13,959 | 13,959 |
| **AT DECEMBER 31, 2020** | **48,428** | **73,435** | **73,822** | **11,027** | **(20,245)** | **186,467** |
| Additions | - | 1 | 13 | - | (108) | (94) |
| Restatements | 4,621 | (283) | 24,853 | 4,490 | - | 33,681 |
| Remuneration | - | - | - | - | (385) | (385) |
| Payments | (11,761) | - | (27,818) | (7,176) | - | (46,755) |
| Deposit Redemption | - | - | - | - | 11,045 | 11,045 |
| **AT DECEMBER 31, 2021** | **41,288** | **73,153** | **70,870** | **8,341** | **(9,693)** | **183,959** |

| | |
|---|---|
| Current | 34,064 |
| Non-current | 149,895 |
| | **183,959** |

All amounts in thousands of reais unless otherwise stated

**Consolidated**

| | Civil | Tax | Labor | Social security | Judicial deposits | Total |
|---|---|---|---|---|---|---|
| **AT DECEMBER 31, 2019** | **54,253** | **71,267** | **77,342** | **11,139** | **(31,617)** | **182,384** |
| Additions | 901 | - | 93 | - | (2,050) | (1,056) |
| Restatements | (4,347) | 2,236 | 38,728 | 456 | - | 37,073 |
| Remuneration | - | - | - | - | (537) | (537) |
| Payments | (12) | (68) | (42,341) | (568) | - | (42,989) |
| Deposit Redemption | - | - | - | - | 13,959 | 13,959 |
| **AT DECEMBER 31, 2020** | **50,795** | **73,435** | **73,822** | **11,027** | **(20,245)** | **188,834** |
| Business combination (note 36) | - | 2,163 | 41,808 | - | (14,003) | 29,968 |
| Additions | - | 1 | 584 | - | (714) | (129) |
| Restatements | 5,966 | (277) | 23,194 | 4,490 | - | 33,373 |
| Remuneration | - | - | - | - | (385) | (385) |
| Payments | (11,761) | - | (27,818) | (7,176) | - | (46,755) |
| Deposit Redemption | - | - | - | - | 12,302 | 12,302 |
| **AT DECEMBER 31, 2021** | **45,000** | **75,322** | **111,590** | **8,341** | **(23,045)** | **217,208** |

| | |
|---|---|
| Current | 34,064 |
| Non-current | 183,144 |
| | **217,208** |

Generally, the Company's provisions for legal proceedings are long-term provisions. Considering the formalities of the judicial and administrative proceedings in the Brazilian judicial system, there is difficulties in to making accurate estimates about limit of conclusion of those contingencies, and because of this the Company does not disclose the settlement flow of these liabilities.

The aforementioned provisions are adjusted mainly based on the Special System for Settlement and Custody (SELIC) rate and the General Market Price Index (IGPM), except for labor claims whose indicator is the Special National Consumer Price Index (IPCA-e ), the impact of which on profit or loss for the period is described in Note 28.

### a. Civil

Provisions for civil proceedings at December 31, 2021 amounted to R$45,000. The residual amount is mainly related to attorney's fees in successful lawsuits.

### b. Tax

Provisions related to tax administrative proceedings involving certain credits taken by the Company in the calculation of ICMS, PIS, COFINS, Corporate Income Tax (IRPJ) and social Contribution on Net Income (CSLL) and tax over intercompany operation.

The changes occurred during 2021, reflects substantially the amount acquired during business combination settled on October 1, 2021. (note 37)

### c. Labor

Lawsuits filed by former employees, by themselves or claimed by the Union of the category, in progress at the Labor Courts, claiming compensation and payroll charges allegedly owed by the Company.

Significant amount of variation for the year is attributed to the business combination carried out on October 1, 2021. (note 37)

All amounts in thousands of reais unless otherwise stated

### d. Social security

Social security provisions relate to alleged debits resulting from differences between the social security contribution form (GFIP) and the respective payment (GPS). These differences arise from amounts challenged by the Company for which judicial deposits were made.

**Proceedings involving possible losses**

The proceedings involving a risk of loss deemed "possible", according to the assessment made by Management and the Company's outside legal counsel, are described in the table below.

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| IRPJ and CSLL processes | 165,334 | 173,473 | 165,706 | 173,845 |
| PIS, COFINS and IPI credits | 165,134 | 152,403 | 165,134 | 152,403 |
| ICMS credits | 168,509 | 165,667 | 168,509 | 165,667 |
| Expired tax debts | 143,679 | 144,977 | 143,679 | 144,977 |
| Reintegra credits | 36,358 | 40,056 | 36,358 | 40,056 |
| Social security | 76,791 | 82,193 | 76,791 | 82,193 |
| Labor lawsuits | 68,710 | 67,386 | 68,782 | 67,457 |
| Civil and other | 67,492 | 42,332 | 67,818 | 42,723 |
| | **892,007** | **868,487** | **892,777** | **869,321** |

Except when describe in a different way, all the variance between 2021 and 2020 periods are consequence of monetary update of the amounts.

### a. IRPJ and CSLL

Corporate Income Tax (IRPJ) and Social Contribution on Net Income (CSLL): administrative proceedings of 1994 and 2006 in which the Brazilian Federal Revenue Service challenges, respectively, the calculation of taxable income and the use of estimated IRPJ. The Company submitted a defense stating that the tax calculation was correct.

### b. PIS and COFINS credits

Social Integration Program (PIS) and Social Contribution on Revenues (COFINS): Administrative and judicial proceedings in which the Brazilian Federal Revenue Service challenged the Company, in the most of the procedures, as to (i) the use of credits generated in the acquisition of inputs from 2004 to 2011; and (ii) appropriation of backdated tax credits. The Company submitted an administrative and a judicial defenses showing the eligibility for the use of credits in accordance with the applicable tax legislation.

### c. ICMS credits

Administrative and legal proceeding filed by the tax authorities of the states of São Paulo and Santa Catarina for the years 2008 to 2019, in which the use of certain ICMS credits by the Mauá and Joinville plants are challenged. In all the cases, the Company has shown the eligibility for the use of credits in accordance with the applicable tax legislation.

### d. Expired tax debts

Administrative and judicial tax demands made by the Federal Government related to alleged offsets of debits with IPI premium credit. In its defense, the Company claims that, in administrative and judicial form, the statute of limitation period of said debts has expired, in compliance with case law of higher courts.

All amounts in thousands of reais unless otherwise stated

### e. Reintegra credits

They include administrative proceedings in which the Federal Revenue of Brazil questions the use of credits from the Reintegra, from the period between 2015 to 2018, to offset other debts determined during the year 2020.

### f. Social security

Administrative and legal proceedings filed by the Brazilian Federal Revenue Service for 1998 and 2008 concerning alleged debts related to social security contributions on payroll and owed by service providers (joint responsibility). In all the cases, the Company's defense has shown that the procedures adopted are in full compliance with tax legislation.

The variation, in addition to the effect of the monetary variation, refers to social security debts excluded from tax amnesty by the federal tax authorities.

### g. Labor

Lawsuits filed by former employees and a former sales representative in progress at the Labor Courts, claiming compensation and payroll charges allegedly owed by the Company.

The variations were due to increase of new labor claims against the Company, from exchange of loss probability and reflecting the causes status and updates of contingence values.

### h. Civil

In general, the civil lawsuits relate to controversies involving former suppliers of the Company.

## 23. OTHER LIABILITIES

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| Domestic market | 20,130 | 18,298 | 39,378 | 18,299 |
| Foreign market | 47,282 | 48,236 | 78,898 | 66,210 |
| | **67,412** | **66,534** | **118,276** | **84,509** |

Others liabilities are provisions for operating costs and expenses and the variation in the period is due, substantially, to the recognition of costs with quality problems in Companys products and contracting of third party services and, the devaluation of the Real against to the North American Dollar (US$), which went from R$5.1967 on December 31, 2020 to R$5.5803 on December 31, 2021.

All amounts in thousands of reais unless otherwise stated

## 24. EQUITY

### a) Share capital

| | Dec/21 | | Dec/20 | |
|---|---|---|---|---|
| Share capital breakdown in number of shares | Number | % | Number | % |
| **Controlling stockholders** | | | | |
| BNDES Participações S.A. – BNDESPAR | 40,645,370 | 28.2% | 40,645,370 | 28.2% |
| Caixa de Previdência dos Funcionários do Banco do Brasil – PREVI | 35,814,154 | 24.8% | 35,814,154 | 24.8% |
| **Officers** | 194,482 | 0.1% | 170,482 | 0.1% |
| **Treasury stock** | 300 | 0.0% | 24,656 | 0.0% |
| **Non-controlling interests** | | | | |
| Trígono Capital Ltda | 14,477,100 | 10.0% | - | 0.0% |
| Other stockholders | 53,046,094 | 36.9% | 67,522,838 | 46.9% |
| **Total outstanding shares** | **144,177,500** | **100.0%** | **144,177,500** | **100.0%** |

The authorized capital is limited to R$ 1,200,000, represented by registered book-entry common shares with no par value.

The Company, its shareholders, management and members of the Statutory Audit Board are committed to resolve, through arbitration at the Market Arbitration Chamber, any dispute that may arise between them, relating to or originating, especially, from the application, validity, efficacy, interpretation, violation, and their effects, of the provisions of Brazilian Corporation Law, of the Company's bylaws, the regulations issued by the National Monetary Council, the Brazilian Central Bank and the Brazilian Securities Commission, as well as other regulations applicable to the functioning of capital markets in general, besides those comprised in the Regulations of the New Market, the Market Arbitration Chamber , the Sanctions Regulation and the Contract for Participation in the New Market.

### b) Treasury stock

The common shares acquired in 2020 to deliver to beneficiaries which exercise the option of the Stock Option Plan in treasury stock at December 30, 2020 were transferred for beneficiaries in March and April, 2021.

| | | Share quantity | | |
|---|---|---|---|---|
| | Value (R$ thousand) | Quantity | Share value (R$) | Resultado líquido das utilizações |
| **AT DECEMBER 31, 2019** | - | - | - | - |
| Shares repurchase (i) | 3,168 | 150,406 | 21.07 | |
| Shares used of stock option plan (ii) | (2,794) | (125,750) | 22.22 | |
| **AT DECEMBER 31, 2020** | **374** | **24,656** | **15.17** | - |
| Recompra de ações no exercício (i) | 5 | 300 | 17.71 | |
| Shares used of stock option plan (ii) | (374) | (24,656) | 15.21 | |
| **AT DECEMBER 31, 2021** | **5** | **300** | **17.71** | - |

(i) Corresponds to repurchases made in the period in order to deliver common shares to Long-Term Incentive Plan (ILP) beneficiaries. The repurchases were made in accordance with rules approved by the Board of Directors, whose lowest and highest prices were R$14.10 and R$26.49, respectively.

(ii) Shares used in the granting exercise provided for in the "Program for granting stock options".

All amounts in thousands of reais unless otherwise stated

(iii) Regarding the business combination (note 37) according to the appraisal report prepared pursuant to §1 of art. 256 of the Brazilian Corporation Law, shareholders were entitled to withdraw from the Company upon reimbursement of the value of their shares calculated based on the Company's book equity as of December 31, 2020. There was reimbursement of the totality of the participation of one shareholder corresponding to 300 shares for the total amount of R$5,313.00. The shares will be held in treasury.

As of December 31, 2021, the market value of treasury shares was R$5,985.00.

### c) Stock option plans

The Company has two stock option plans. The long term incentive plan mainly purpose are (i) to ensure the competitiveness of the levels of total remuneration practiced; (ii) to support the alignment of the beneficiaries' interests with those of the Company's shareholders, (ii) to motivate and recognize the participants, (iii) to increase the levels of commitment of the executives with the generation of sustainable results; and (iv) reinforcing the retention power of the Company's main leaders.

**2014 a 2018 plan:**

On November 24, 2014, the Annual General Meeting approved the stock option plan to the Company's statutory board members and the current Chairman of the Board of Directors (Beneficiaries), as Long-Term Incentive Plan (ILP).

The options are granted to the Beneficiaries at a purchase or exercise price equivalent to the average price quotations at Stock Exchanges (weighted by the volume) of the last 30 days prior to the option-grant date.

The Beneficiaries will be able to exercise their options three years after the grant date (vesting period). The stock options (i) will be exercised on a progressive basis, that is: 33% in the third year, 33% in the fourth year and 34% in the fifth year, and (ii) must be exercised in up to eight months after acquisition of each exercise right or by no later than December 31 (or the previous business day, in case December 31 falls on a non-business day), in the year when the right was acquired, whichever comes first (Exercise Term). In case of restrictions regarding the trading of the Company's shares during the Exercise Term, the final date of the Exercise Term will be postponed for the same number of days of the restriction.

All beneficiaries have been exercised their options during the period of exercise.

| | Shares quantities | | | |
|---|---|---|---|---|
| | Granted option | Exercised options | Share option in market | Share option to exercise |
| Granted in 04/11/2015 | 788,060 | (788,060) | - | - |
| Granted in 04/11/2016 | 737,416 | (514,987) | 222,429 | - |
| **AT DECEMBER 31, 2021** | **1,525,476** | **(1,303,047)** | **222,429** | **-** |

**2019 a 2022 plan:**

In April 2019, the General Meeting approved the stock option plan at the level of the president, vice-president or director of the Company (Beneficiaries), provided that certain performance and permanence conditions, such as Long Term Incentives (ILP), are met.

The number of units granted will be the result between the gross amount in Real converted by the average of quotations on the Stock Exchange (weighted by volume) for the month of March prior to the concession.

The number of units to be effectively converted into Shares held by the beneficiary at the end of the grace period (3 years) will depend on two performance criteria:

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- Absolute: 50% of the units, based on the Company's real TSR, that is, incremental to the IPCA;
- Relative: 50% of the units, is based on the Company's TSR compared to a group of selected companies.

The Beneficiaries will be entitled to the shares granted to them, after 3 years from the granting date (Vesting), observing the fulfillment of the above criteria.

| | Shares quantities | | | |
|---|---|---|---|---|
| | Granted option | Exercised options | Share option in market | Share option to exercise |
| Granted in 04/11/2019 | 288,029 | - | 288,029 | - |
| Granted in 04/11/2020 | 221,020 | - | 221,020 | - |
| **AT DECEMBER 31, 2021** | **509,049** | **-** | **509,049** | **-** |

## d) Carrying value adjustments

The remaining balance of the "Carrying value adjustment" account refers to the effects arising from translating the balance of subsidiaries operating with a functional currency other than the currency in which these financial statements are presented, as disclosed in Note 2.3 and the impacts reported in Note 13, with the result of the net investment hedge (Note 35 b).

Includes the balance of asset revaluations made in 1990 for the Land and buildings accounts and, in 2005, for the Machinery and equipment account, with residual balance at December 31, 2021 of R$9,140 (R$9,555 in 2020) and R$11,524 (R$16,629 in 2020), respectively, which were included as an integral part of the costs of the assets. Realization against the Retained earnings account is proportional to the corresponding assets' depreciation, when applicable.

## e) Profit reserves

- **Legal reserve**

The reserve is recorded at the rate of 5% of the net income for each year, in compliance with Article 193 of Law 6,404/76, up to the limit of 20% of the share capital.

- **Investment reserve**

This reserve is recorded in an amount not less than 5% of annual profit, up to the limit of 50% of capital, calculated by year. The balance, together with the other revenue reserves, except for those relating to contingencies, tax incentives and unrealized profits, cannot exceed the amount of capital.

All amounts in thousands of reais unless otherwise stated

**Investment reserve**

| | Constitution | Distribution | Capital increase | Balance | Expansion (*) |
|---|---|---|---|---|---|
| 2007 | 46,963 | - | - | 46,963 | - |
| 2008 | 131,295 | - | - | 178,258 | 79,864 |
| 2009 | 98,886 | - | - | 277,144 | 65,776 |
| 2010 | 97,440 | - | - | 374,584 | 61,080 |
| 2011 | 125,014 | - | - | 499,598 | 135,133 |
| 2012 | 48,220 | - | (138,656) | 409,162 | 109,035 |
| 2013 | 71,646 | - | - | 480,808 | 93,427 |
| 2014 | 73,887 | - | - | 554,695 | 84,364 |
| 2015 | 118,151 | - | - | 672,846 | 42,931 |
| 2016 | (169,375) | (100,358) | - | 403,113 | 20,046 |
| 2017 | 156,651 | (200,000) | - | 359,764 | 36,052 |
| 2018 | 268,948 | (162,500) | - | 466,212 | 43,200 |
| 2019 | 275,455 | (125,000) | - | 616,667 | 130,083 |
| 2020 | (67,231) | - | - | 549,436 | 41,713 |
| 2021 | 199,518 | (62,300) | - | 686,654 | 106,296 |
| | | | | **686,654** | **1,049,001** |

(*) Refer to strategic investment in property, plant and equipment for expansion of the production capacity.

## f) Allocation of profits

Shareholders are entitled to receive a minimum dividend of 25% of the net income for the year, according the Company´s by-laws, adjusted in accordance with the provisions of Article 202 of Law 6,406/76.

In 2021, R$199,518 was allocated to the investments reserve account, incorporating the base used for the distribution of dividends of the year. In 2020, R$67,231 was reverted to the investments reserve account.

The distributions made in 2021 were supported by profit reserves of the subgroup of investment reserves and were allocated to the minimum dividend in accordance with the Company's by-laws in the form of art. 202 of Law 6404/76. The values distributed are greater than the mandatory minimum dividend.

The following tables present the form used (Interest on shareholders' equity or Dividends), the dates of the Board of Directors' deliberations, the dates of payments, the gross and net values of IRRF and the values per share.

All amounts in thousands of reais unless otherwise stated

Dividend calculation table for the 2021 dividends:

| | Dec/21 |
|---|---|
| **Dividend calculation basis** | |
| Net income for the year | 204,208 |
| Transfer to the legal reserve (5%) | 10,210 |
| | **193,998** |
| **Proposal for allocation (*)** | |
| Interet on capital, gross | 62,300 |
| Dividends | - |
| | **62,300** |

*(*) For shares outstanding at the balance sheet date*

| Unit amount per share | Dec/21 |
|---|---|
| Interet on capital, gross | 0.43211 |
| **Total proposed for distribution** | **0.43211** |

The approvals and the payments of dividends occurred in 2021 are as follow:

Dividends of 2021

| Approved date | Form | Gross amount | per share | Net amount | Payment date |
|---|---|---|---|---|---|
| 16.07.21 | Interest on capital | 19.641 | 0,1362 | 17.426 | 08.26.21 |
| 09.30.21 | Interest on capital | 20.493 | 0,1421 | 18.723 | 11.25.21 |
| 22.12.21 | Interest on capital | 22.166 | 0,1537 | 20.484 | 27.01.22 |
| | | **62.300** | **0,4321** | **56.633** | |

## 25. REVENUES

The reconciliation between gross and net revenue for is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Gross revenue | 4,376,505 | 2,596,508 | 7,632,376 | 4,563,988 |
| Returns and rebates | (56,573) | (48,880) | (164,320) | (129,293) |
| **Revenue net of returns and rebates** | **4,319,932** | **2,547,628** | **7,468,056** | **4,434,695** |
| Sales taxes | (348,087) | (177,099) | (385,521) | (177,099) |
| **Net revenue** | **3,971,845** | **2,370,529** | **7,082,535** | **4,257,596** |
| | | | | |
| **Net revenue** | | | | |
| Domestic market | 1,412,338 | 678,154 | 1,600,201 | 678,154 |
| Foreign market | 2,559,507 | 1,692,375 | 5,482,334 | 3,579,442 |
| | **3,971,845** | **2,370,529** | **7,082,535** | **4,257,596** |

All amounts in thousands of reais unless otherwise stated

## 26. COSTS AND EXPENSES BY NATURE

The breakdown of costs and expenses by nature, reconciled with costs and expenses by function presented in the statement of income, is as follows:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 |
| Raw and processing materials | (1,946,830) | (938,748) | (3,526,875) | (1,793,957) |
| Maintenance and consumption materials | (213,268) | (206,575) | (489,516) | (391,955) |
| Salaries, payroll taxes and profit sharing | (716,386) | (492,685) | (1,349,943) | (915,882) |
| Social benefits | (90,986) | (84,417) | (95,847) | (86,023) |
| Electricity | (158,950) | (119,145) | (343,919) | (224,244) |
| Freight and commission on sales | (116,472) | (67,563) | (241,341) | (136,525) |
| Management fees | (17,200) | (14,700) | (17,200) | (14,700) |
| Other costs | (44,304) | (21,449) | (140,254) | (89,095) |
| | ***(3,304,396)*** | ***(1,945,282)*** | ***(6,204,895)*** | ***(3,652,381)*** |
| Depreciation | (140,575) | (141,213) | (307,968) | (304,240) |
| **Costs and expenses total** | **(3,444,971)** | **(2,086,495)** | **(6,512,863)** | **(3,956,621)** |
| | | | | |
| Cost of products sold | (3,122,443) | (1,847,886) | (5,958,810) | (3,572,596) |
| Selling expenses | (143,095) | (100,865) | (300,616) | (194,307) |
| Administrative expenses | (162,233) | (123,044) | (236,237) | (175,018) |
| Management fees | (17,200) | (14,700) | (17,200) | (14,700) |
| **Costs and expenses total** | **(3,444,971)** | **(2,086,495)** | **(6,512,863)** | **(3,956,621)** |

All amounts in thousands of reais unless otherwise stated

# 27. FINANCE RESULTS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| **Finance results** | **Dec/21** | **Dec/20** | **Dec/21** | **Dec/20** |
| ***Financial liabilities at amortized cost*** | ***(138,581)*** | ***(144,222)*** | ***(169,412)*** | ***(141,608)*** |
| Borrowing | (138,294) | (143,890) | (169,125) | (141,276) |
| Notes payable and other financial liabilities | (287) | (332) | (287) | (332) |
| ***Financial liabilities at fair value through profit or loss*** | - | ***(4,458)*** | - | ***(4,458)*** |
| Borrowing | - | (4,458) | - | (4,458) |
| ***Financial assets at fair value through profit or loss*** | ***(10,605)*** | ***(70,703)*** | ***(10,605)*** | ***(70,703)*** |
| Credits - Eletrobrás (note 11) | (10,605) | (70,703) | (10,605) | (70,703) |
| ***Other finance costs*** | ***(9,421)*** | ***(8,821)*** | ***(27,004)*** | ***(18,760)*** |
| **Finance costs** | **(158,607)** | **(228,204)** | **(207,021)** | **(235,529)** |
| | | | | |
| ***Financial assets at fair value through profit or loss*** | ***19,376*** | ***(79)*** | ***19,376*** | ***(79)*** |
| Credits - Eletrobrás (note 11) | 19,629 | - | 19,629 | - |
| Investments in equity instruments | (253) | (79) | (253) | (79) |
| ***Amortized cost*** | ***25,344*** | ***18,585*** | ***22,146*** | ***18,585*** |
| Cash and cash equivalents | 22,146 | 18,585 | 22,146 | 18,585 |
| Mútuo | 3,198 | - | - | - |
| ***Tax credits and other finance income*** | ***5,266*** | ***17,795*** | ***6,460*** | ***21,106*** |
| **Finance income** | **49,986** | **36,301** | **47,982** | **39,612** |
| | | | | |
| ***Monetary and foreign exchange variations, net*** | | | | |
| Foreign exchange variations | 23,905 | 70,635 | 12,763 | 68,588 |
| Derivative financial instruments | (1,376) | (164,138) | (921) | (213,608) |
| **Foreign exchange variations, net** | **22,529** | **(93,503)** | **11,842** | **(145,020)** |
| | | | | |
| **Finance results, net** | **(86,092)** | **(285,406)** | **(147,197)** | **(340,937)** |

# 28. OTHER OPERATING INCOME (EXPENSES)

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **2021** | **2020** | **2021** | **2020** |
| Bargain purchase (note 37) | 48,804 | - | 48,804 | - |
| Exclusion of ICMS from the PIS and COFINS calculation | - | 58,123 | - | 58,123 |
| Recognition of Reintegra (note 7) | - | 17,155 | - | 17,155 |
| Disposals of property, plant and equipment | (35) | 8,600 | (3,841) | 1,952 |
| Provision for devaluation of maintenance parts | - | (9,146) | - | (9,146) |
| Constitution and restatement of provision | (33,695) | (37,004) | (33,958) | (38,067) |
| Property sale | - | - | - | 9,635 |
| Result on the sale of unusable and other assets | (94,863) | (59,659) | (85,753) | (58,562) |
| | ***(79,789)*** | ***(21,931)*** | ***(74,748)*** | ***(18,910)*** |
| Depreciation of non-operating assets | (617) | (646) | (2,440) | (649) |
| Amortization of intangible assets (note 15) | - | - | (57,260) | (45,251) |
| **Total other operating expenses, net** | **(80,406)** | **(22,577)** | **(134,448)** | **(64,810)** |
| | | | | |
| Fixed assets impairment (note 14) | - | (3,404) | - | (3,404) |
| Intangible asset mpairments (note 15) | - | - | - | (15,950) |
| **Total impairment adjustments** | **-** | **(3,404)** | **-** | **(19,354)** |

All amounts in thousands of reais unless otherwise stated

## 29. INCOME TAX AND SOCIAL CONTRIBUTION IN THE RESULTS

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| **Net income (loss) before tax effects** | **315,907** | **(102,063)** | **288,027** | **(124,126)** |
| Statutory tax rate | 34% | 34% | 34% | 34% |
| Expenses at statutory rate | (107,409) | 34,701 | (97,929) | 42,203 |
| **Tax effect of permanent (additions) exclusions:** | | | | |
| Additional income tax (Services Companies – Mexico) | - | - | (7,918) | (8,179) |
| Finance income from monetary assets | - | - | 6,464 | (7,271) |
| Reintegra – benefit | 834 | 17,616 | 834 | 17,616 |
| Depreciation of non-operating assets | (210) | (220) | (210) | (220) |
| Additional income tax (Subsidiaries) | - | - | - | (638) |
| Effect of correction of fixed assets | - | - | 2,498 | (236) |
| Interests on capital | 21,182 | - | 21,182 | - |
| Share of results of subsidiaries | (15,119) | (25,401) | - | - |
| Other permanent (additions) exclusions | (10,977) | (843) | (7,242) | 726 |
| **Tax effects recorded in the statement of income before** | **(111,699)** | **25,853** | **(82,321)** | **44,001** |
| **Effective rate of income tax before exchange effects** | **35%** | **25%** | **29%** | **35%** |
| Effect of functional currency on tax base (a) | - | - | (2,794) | 3,915 |
| **Tax effects recorded in the statement of income** | **(111,699)** | **25,853** | **(85,115)** | **47,916** |
| **Effective rate of income tax** | **35%** | **25%** | **30%** | **39%** |

### a) Effect of the functional currency on tax base

The tax bases of the assets and liabilities of the companies located in Mexico, where the functional currency is the U.S. dollar, are maintained at their historical amounts, in Mexican pesos. Because the changes in the foreign exchange rates impact the tax bases, the foreign exchange effects are recognized as "Deferred tax income and/or expenses".

### b) Composition of the tax effects recorded in the statement of income:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| **Tax effects recorded in the statement of income** | | | | |
| Current income tax and social contribution | (59,565) | (13,668) | (92,700) | (19,095) |
| Deferred income tax and social contribution | (52,134) | 39,521 | 7,585 | 67,011 |
| | **(111,699)** | **25,853** | **(85,115)** | **47,916** |

## 30. EARNINGS PER SHARE

### a) Basic

Basic earnings per share is calculated by dividing profit or loss attributable to the Parent company's shareholders by the weighted average number of common shares outstanding during the period.

| | Dec/21 | Dec/20 |
|---|---|---|
| Profit attributable to the stockholders of the Company | 204,208 | (76,210) |
| Outstanding shares | 144,172,491 | 144,056,263 |
| **Basic results per share - R$** | **1.41642** | **(0.52903)** |

### b) Diluted

All amounts in thousands of reais unless otherwise stated

Diluted earnings per share is measured by the weighted average number of common shares outstanding, with the addition of the weighted average number of common shares that would be issued on conversion of all the dilutive potential common shares. The Company issue a potential convertible stock option plan. The number of common shares that would be issued is determined from fair value, based on market price.

| | Dec/21 | Dec/20 |
|---|---|---|
| Profit attributable to the stockholders of the Company | 204,208 | (76,210) |
| Outstanding shares | 145,069,660 | 144,806,191 |
| **Diluted results per share - R$** | **1.40766** | **(0.52629)** |

## 31. SEGMENT REPORTING

The Company discloses information by operating segment based on the information reported to management and utilized in decision-making, in order to allocate funds to the segments and to assess their performance, as described below:

**Transportation, infrastructure & agriculture** - manufacture, to order, of cast and machined products, with significant technological content, such as powertrain (blocks and cylinder heads), brake, transmission, steering, axle and suspension components for global manufacturers of engines, passenger vehicles, commercial vehicles (trucks, buses, etc.), construction machines, tractors, agricultural machines and power generators.

**Hydraulics** - manufacture of flexible iron connections for the construction industry and cast-iron shapes for general use

The following is the information on each reported segment:

### a) Reconciliation of revenues, costs,expenses and net income (loss)

| Consolidated | Tranportation, infrastructure & agriculture | | Hydraulics | | Total | |
|---|---|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| Net revenue (Note 25) | 6,748,877 | 4,061,866 | 333,658 | 195,730 | 7,082,535 | 4,257,596 |
| Costs and expenses, except depreciation (Note 26) | (5,935,546) | (3,474,991) | (269,349) | (177,390) | (6,204,895) | (3,652,381) |
| Other operating expenses, net, except amortization of intangible assets and depreciation (Note 28) | (69,480) | (17,703) | (5,268) | (1,207) | (74,748) | (18,910) |
| Depreciation and amortization | (359,348) | (341,735) | (8,320) | (8,405) | (367,668) | (350,140) |
| Impairment (notes 14 and 15) | - | (19,354) | - | - | - | (19,354) |
| **Profit before finance results** | **384,503** | **208,082** | **50,721** | **8,728** | **435,224** | **216,811** |
| Finance results (Note 27) | | | | | (147,197) | (340,937) |
| **Profit before taxation** | | | | | **288,027** | **(124,126)** |
| Income tax and social contribution (Note 29) | | | | | (85,115) | 47,916 |
| **Profit (loss) for the period** | | | | | **202,912** | **(76,210)** |

### b) Reconciliation of costs and expenses by segment

| Consolidated | Tranportation, infrastructure & agriculture | | Hydraulics | | Total | |
|---|---|---|---|---|---|---|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| Raw and processing materials | (3,382,705) | (1,727,062) | (144,170) | (66,895) | (3,526,875) | (1,793,957) |
| Maintenance and consumption materials | (474,732) | (377,700) | (14,784) | (14,255) | (489,516) | (391,955) |
| Salaries and payroll taxes | (1,281,854) | (863,351) | (68,089) | (52,531) | (1,349,943) | (915,882) |
| Social benefits | (93,996) | (84,371) | (1,851) | (1,652) | (95,847) | (86,023) |
| Electricity | (323,802) | (209,026) | (20,117) | (15,218) | (343,919) | (224,244) |
| Depreciation | (299,648) | (295,835) | (8,320) | (8,405) | (307,968) | (304,240) |
| Freight and commissions on sales | (219,494) | (122,598) | (21,847) | (13,927) | (241,341) | (136,525) |
| Management fees | (15,867) | (13,525) | (1,333) | (1,175) | (17,200) | (14,700) |
| Other costs | (143,096) | (77,358) | 2,842 | (11,737) | (140,254) | (89,095) |
| | **(6,235,194)** | **(3,770,826)** | **(277,669)** | **(185,795)** | **(6,512,863)** | **(3,956,621)** |

All amounts in thousands of reais unless otherwise stated

## c) Reconciliation of assets and liabilities

| Consolidated | Tranportation, infrastructure & agriculture | | Hydraulics | | Total | |
|---|---|---|---|---|---|---|
| ASSETS | Dec/21 | Dec/20 | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| Trade account receivables (Note 4) | 1,208,792 | 646,023 | 42,305 | 37,381 | 1,251,097 | 683,404 |
| Inventories (Note 5) | 1,400,448 | 702,987 | 87,486 | 51,499 | 1,487,934 | 754,486 |
| Tooling (Note 6) | 141,703 | 183,146 | - | - | 141,703 | 183,146 |
| Other assets (Note 16) | 100,834 | 51,305 | 6,035 | 4,694 | 106,869 | 55,999 |
| Property, plant and equipment (Note 14) | 2,088,032 | 1,676,661 | 44,497 | 50,196 | 2,132,529 | 1,726,857 |
| Intangible assets (Note 15) | 125,392 | 171,746 | - | - | 125,392 | 171,746 |
| Other assets not allocated (Note 16) | - | - | - | - | 2,265,104 | 2,537,681 |
| **Total assets** | **5,065,201** | **3,431,868** | **180,323** | **143,770** | **7,510,628** | **6,113,319** |

| Consolidated | Tranportation, infrastructure & agriculture | | Hydraulics | | Total | |
|---|---|---|---|---|---|---|
| LIABILITIES | Dec/21 | Dec/20 | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| Trade accounts payables (Note 17) | 1,210,308 | 593,218 | 29,520 | 22,976 | 1,239,828 | 616,194 |
| Income taxes payable | 32,203 | 40,311 | 900 | 248 | 33,103 | 40,559 |
| Salaries, social security charges and profit sharin | 259,479 | 150,582 | 11,990 | 9,342 | 271,469 | 159,924 |
| Advances from customers (Note 20) | 113,191 | 167,324 | 12,630 | 2,365 | 125,821 | 169,689 |
| Other liabilities (Note 23) | 111,027 | 84,509 | 7,249 | - | 118,276 | 84,509 |
| Deferred tax on intangible assets (Note 9) | 5,909 | 22,012 | - | - | 5,909 | 22,012 |
| Income and social contribution tax | 39,340 | 2,403 | - | - | 39,340 | 2,403 |
| Other liabilities not allocated | - | - | - | - | 2,923,668 | 2,464,572 |
| Equity (Note 24) | - | - | - | - | 2,753,214 | 2,553,457 |
| **Total liabilities and equity** | **1,771,457** | **1,060,359** | **62,289** | **34,931** | **7,510,628** | **6,113,319** |

Segment specific assets and liabilities are allocated directly to each segment, and criteria relating to applicability and origin are used for common assets and liabilities. The Company does not allocate cash and cash equivalents, recoverable and deferred taxes, judicial and other deposits, and investments in companies to the reporting segments, as they are not directly related to the operations. For the same reason, loans and financing, dividends, provisions, deferred taxes and other long-term liabilities are also not allocated to the segments.

## d) Major customers accounting for over 10% of the Company's total revenues

The Company has a diversified portfolio of local and foreign customers. The transportation, infrastructure & agriculture segment has customers that individually account for more than 10% of consolidated revenues, as follows:

| Consolidated | | | | |
|---|---|---|---|---|
| Revenue | Dec/21 | % | Dec/20 | % |
| **Tranportation, infrastructure & agricultur** | **6,748,877** | **95.3** | **4,061,866** | **95.4** |
| Customer A | 1,371,808 | 19.4 | 540,765 | 12.7 |
| Customer B | 1,223,992 | 17.3 | 657,405 | 15.4 |
| Customer C | 672,511 | 9.5 | 443,700 | 10.4 |
| Other customers | 3,480,566 | 49.1 | 2,419,996 | 56.8 |
| **Hydraulics** | **333,658** | **4.7** | **195,730** | **4.6** |
| **Total Revenue** | **7,082,535** | **100.0** | **4,257,596** | **100.0** |

The sales in the Hydraulics segment are diversified.

All amounts in thousands of reais unless otherwise stated

### e) Information on the countries from which the Company derives revenue

The revenue derived from customers in Brazil and from customers in each foreign country, and their respective shares in the Company's total revenue for the year, are as follow:

**Consolidated**

| | 2021 | % | 2020 | % |
|---|---|---|---|---|
| **North America** | **4,140,553** | **58.5** | **2,872,776** | **67.5** |
| United States | 2,477,716 | 35.0 | 1,530,737 | 36.0 |
| Mexico | 1,623,754 | 22.9 | 1,324,625 | 31.1 |
| Canada | 39,083 | 0.6 | 17,414 | 0.4 |
| **South and Central Americas** | **1,656,341** | **23.4** | **707,397** | **16.6** |
| Brazil - head office | 1,600,201 | 22.6 | 678,154 | 15.9 |
| *Other countries* | 56,140 | 0.8 | 29,243 | 0.7 |
| **Europe** | **964,753** | **13.7** | **510,912** | **12.1** |
| United Kingdom | 317,084 | 4.5 | 182,450 | 4.3 |
| Sweden | 183,574 | 2.6 | 114,235 | 2.7 |
| Italy | 149,887 | 2.1 | 42,175 | 1.0 |
| Netherlands | 138,832 | 2.0 | 56,723 | 1.3 |
| Germany | 60,660 | 0.9 | 36,915 | 0.9 |
| Hungary | 56,504 | 0.8 | 63,502 | 1.5 |
| *Other countries* | 58,212 | 0.8 | 14,912 | 0.4 |
| **Asia, Africa and Oceania** | **320,888** | **4.4** | **166,511** | **3.8** |
| Japan | 150,324 | 2.1 | 42,599 | 1.0 |
| South Africa | 90,600 | 1.3 | 38,900 | 0.9 |
| China | 57,772 | 0.8 | 44,351 | 1.0 |
| *Other countries* | 22,192 | 0.2 | 40,661 | 0.9 |
| **Total** | **7,082,535** | **100.0** | **4,257,596** | **100.0** |

### f) Non-current assets

Non-current assets in this case correspond to investments in equity instruments, investment properties, property, plant and equipment and intangible assets and their participation in the Company's non-current assets for the year are as follows:

| Non-Circulant Assets | 2021 | 2020 |
|---|---|---|
| Brazil - head office | 1,085,981 | 801,047 |
| Mexico | 1,142,207 | 1,115,165 |
| Portugal | 47,473 | - |
| *Other countries(*)* | 410 | 399 |
| **Total** | **2,276,071** | **1,916,611** |

(*) United States and Germany

## 32. INSURANCE COVERAGE

The Company contracts insurance taking into account the nature and level of risks involved, according to the guidance of its insurance advisors, and at amounts considered adequate by management.

The sufficiency of insurance coverage is the responsibility of the Company´s Management, which considers it adequate to cover eventual claims.

The covered risks include the following items and corresponding amounts:

All amounts in thousands of reais unless otherwise stated

| | Dec/21 | Dec/20 |
|---|---|---|
| Buildings | 859,225 | 610,461 |
| Machinery and equipment, furniture and fittings | 4,603,110 | 3,732,178 |
| Inventories | 676,525 | 410,265 |
| Loss of profit | 1,615,524 | 942,779 |
| General civil liability | 330,625 | 75,590 |
| Civil liability - management | 181,386 | 58,197 |
| Environmental Civil Liability* | 63,210 | - |
| Data and cyber protection | 50,000 | - |

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## 33. COMMITTMENTS

The Company has commitments for the acquisition of long-lived operational assets, that is, expenditure contracted at the reporting date but not yet incurred, in the consolidated amount of R$100,158 (R$66,652 at December 31, 2020), which will be settled with its own resources.

## 34. FINANCIAL INSTRUMENTS

| | | Parent company | | Consolidated | |
|---|---|---|---|---|---|
| | Note | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| **Financial assets at amortized cost** | | **1,593,196** | **1,425,078** | **2,643,761** | **2,213,340** |
| Cash and cash equivalents | 3 | 712,364 | 832,175 | 1,272,445 | 1,425,113 |
| Trade account receivables(*) | 4 | 684,487 | 499,141 | 1,251,097 | 683,404 |
| Mutuo | 10 | 125,198 | - | - | - |
| Notes and other financial assets | | 71,147 | 93,762 | 120,219 | 104,823 |
| *Effect on the Income Statement* | | *32,283* | *10,402* | *27,980* | *10,769* |
| | | | | | |
| **Financial assets at fair value through profit or loss** | | **2,483** | **84,899** | **13,112** | **94,327** |
| Credits - Eletrobrás | | - | 81,446 | - | 81,446 |
| Investments in equity instruments | | 2,097 | 2,350 | 12,434 | 11,645 |
| Derivative financial instruments | 35 | 386 | 1,103 | 678 | 1,236 |
| *Effect on the Income Statement* | | *19,091* | *(1,611)* | *19,440* | *(2,737)* |
| | | | | | |
| **Financial liabilities at amortized cost** | | **2,614,533** | **2,626,662** | **3,996,267** | **2,931,302** |
| Trade accounts payables | | 502,076 | 336,604 | 1,239,828 | 616,194 |
| Loans and financing | 18 | 2,019,701 | 2,218,917 | 2,611,224 | 2,225,542 |
| Dividends and interest on capital | | 22,312 | 135 | 22,312 | 135 |
| Notes payable and other financial liabilities | | 70,444 | 71,006 | 122,903 | 89,431 |
| *Effect on the Income Statement* | | *(138,581)* | *(144,222)* | *(169,412)* | *(141,608)* |
| **Financial liabilities at fair value through profit or loss** | | - | - | - | - |
| Loans and financing | 18 | - | - | - | - |
| *Effect on the Income Statement* | | - | *(4,458)* | - | *(4,458)* |
| **Financial liabilities at fair value through profit or loss** | | **1,220** | **1,468** | **1,403** | **1,705** |
| Derivative financial instruments | 25 | 1,220 | 1,468 | 1,403 | 1,705 |
| *Effect on the Income Statement* | | *(1,091)* | *(3,991)* | *(985)* | *(3,991)* |

*(*) Includes the provision for impaired receivables*

## 35. DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE OF NET INVESTMENT ABROAD

### a) Derivative financial instruments

In order to minimize the impact of foreign exchange rate on future cash flows, the Company contracted derivative financial instruments such as ZCC - zero-cost collar, which consists of purchasing a “PUT” option and the sale of a “CALL” option. Those operations have the same notional value, same counterparty, same maturity and there is no net premium. The fair value of this instrument is determined by observable market pricing model (through market information providers) and widely used by market participants to measure similar instruments.

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All amounts in thousands of reais unless otherwise stated

The inflationary persistence has increased the expectation of higher interest rate trajectories worldwide. In this scenario, the dynamics of emerging currencies continues to be influenced by the different magnitudes of monetary shrinkage between countries, in addition to changes in the perception of endogenous and exogenous risk-return to these countries. In the comparison between December 31, 2020 and December 31, 2021, the real depreciated by 7.4% against the US Dollar, and the Mexican Peso depreciated by 2.8%.

i. Parent company

On December 31, 2021, financial instruments totaled the amount of US$57,000 in zero-cost collar operations, consisting of: purchase of PUT with average exercise price of R$5.1787 and sales of CALL with average price average of R$6.3620, maturing up to October 17, 2022.

In the year ended at December 31, 2021, the Company recognized in financial results as net loss of R$1,376, of which R$907 was paid from settlement of contracts in the period and a loss of R$469 due to the mark-to-market of these instruments. In the same period in 2020, the Company recognized in financial results as net loss of R$164,138, of which R$161,124 was paid from settlement of contracts in the period and a loss of R$3,000 due to the mark-to-market of these instruments.

ii. Subsidiaries

At December 31, 2021, the subsidiaries have derivative financial instruments of US$41,500. The financial instruments in operations of zero-cost collar which were made purchasing the sale option “PUT” with an average weighted price of exercise of MXN19.5727 and sales “CALL” with an average weighted price of exercise of MXN23.1905, due October 21, 2022.

On December 31, 2021, the Mexican subsidiaries recognized in their finance results as net gain the amount of R$455. Considering, due to the mark to market of these instruments. In the same period of 2020 the Mexican subsidiaries recognized in their finance results as net loss the amount of R$49,470. Considering, loss of R$61,277 from the payment of contracts in the period and gain of R$11,807 due to the mark to market of these instruments..

iii - Consolidated

In the period ended December 31, 2021, net loss of R$921 was recognized in the Consolidated financial result, with loss of R$907 from the settlement of contracts in the period and loss of R$14 for the mark-to-market of these instruments.  In the period ended December 31, 2020, net loss of R$213,608 was recognized in the Consolidated financial result, with loss of R$222,401 from the settlement of contracts in the period and gain of R$8,793 for the mark-to-market of these instruments.

The financial derivative instruments net position in December 31, 2021 and 2020 are presented as follow:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | **Dec/21** | **Dec/20** | **Dec/21** | **Dec/20** |
| **Financial derivative instruments** | | | | |
| Liabilities | (1,220) | (1,468) | (1,403) | (1,705) |
| Assets | 386 | 1,103 | 678 | 1,236 |
| **Financial derivative instruments, net** | **(834)** | **(365)** | **(725)** | **(469)** |

All amounts in thousands of reais unless otherwise stated

Below are the demonstrate the variation in the period and the due position at December 31, 2021:

| | Parent company | Subsidiaries | Consolidated |
|---|---|---|---|
| Recognized in financial results | (1,376) | 455 | (921) |
| Settlement | 907 | - | 907 |
| Market to market | (469) | 455 | (14) |
| Foreign exchange impact | - | (242) | (242) |
| AT December 31, 2020 | (365) | (104) | (469) |
| **AT December 31, 2021** | **(834)** | **109** | **(725)** |
| **Maturity date** | | | |
| Due March 31, 2022 | (303) | 4 | (299) |
| Due June 30, 2022 | (482) | (110) | (592) |
| Due September 30, 2022 | (84) | (15) | (99) |
| Due December 31, 2022 | 35 | 230 | 265 |
| **AT December 31, 2021** | **(834)** | **109** | **(725)** |

### b) Hedges of net investments abroad

With the objective of mitigating the effects of foreign exchange volatility on the results, the Company started adopting the hedge of net investment abroad (net investment hedge) on January 10, 2014.

On July 22, 2014, the Company designated the export prepayment contract - Tupy Overseas S.A. (Note 17), amounting to US$349,000, equivalent to R$772,302, as a hedging instrument for the investments in subsidiaries in Mexico.

At December 31, 2021, the Company has export prepayment contracts amounting to US$349,000, equivalent to R$1,947,594, designated as hedging instruments for the investments in subsidiaries in Mexico, Tupy México Saltillo, S.A. de C.V. and Technocast, S.A. de C.V., whose functional currency is the U.S. dollar and whose net assets amount to US$328,692, equivalent to R$1,834,267, representing a 106.2% effectiveness.

In the year ended December 31, 2021, the Company recognized a gross loss of R$127,966 in "Carrying value adjustments", in equity. This loss results from the foreign currency translation of the export prepayment contracts designated as hedging instruments. In the year ended December 31, 2020, the Company recognized a gross loss of R$403,692 in "Carrying value adjustments", in equity. This loss results from the foreign currency translation of the export prepayment contracts designated as hedging instruments.

## 36. FINANCIAL RISK MANAGEMENT

The Company has a financial management policy and internal procedures monitored by Risk and internal controlling area, which determines practices to identify, monitoring and controlling the exposure to financial risk.

### 36.1 Credit risk

Credit risk arises from cash and cash equivalents, derivative financial instruments and financial investments, as well from credit exposure to customers, including outstanding trade receivables.

All amounts in thousands of reais unless otherwise stated

The Company sets exposure limits for each customer to limit the credit risk on trade receivables and risks are managed according to specific credit rating criteria, which include an analysis of customers in based on their payment ability, indebtedness level, market behavior and history with the Company. Furthermore, the Company carries out quantitative and qualitative analyses of its portfolio of trade receivables in order to determine the estimate of expected losses on receivables. As at December 31, 2021, expected losses on trade accounts receivables amounted to R$11,256 (R$10,500 as at December 31, 2020), representing 0.9% of the consolidated balance of outstanding receivables at that date (1.5% as at December 31, 2020).

The Company does not expect material adjustments due to the impacts caused by the COVID-19 pandemic.

Considering the assets nature and historical indicators, the Company does not hold credit guarantee to cover credit risks related to its financial assets.

### Credit quality of financial assets

The credit quality of financial assets is assessed by reference to external credit ratings (if available) or based on historical information about counterparty default rates:

| | Parent company | | Consolidated | |
|---|---|---|---|---|
| | Dec/21 | Dec/20 | Dec/21 | Dec/20 |
| **Counterparties with external credit ratings*** | | | | |
| **Cash and cash equivalents** | **712,364** | **832,175** | **1,272,445** | **1,425,113** |
| AAA | 385,275 | 190,102 | 443,614 | 195,550 |
| AA+ / AA / AA- | 267,220 | 495,005 | 361,614 | 662,992 |
| A+ / A / A- | 59,869 | 147,068 | 467,217 | 566,571 |
| **Derivative financial** | **386** | **1,103** | **678** | **1,236** |
| AA+ / AA / AA- | 264 | 1,103 | 264 | 1,236 |
| AA+ | 25 | - | 25 | - |
| Outros | 97 | - | 389 | - |
| **Credits - Eletrobrás** | **-** | **81,446** | **-** | **81,446** |
| AA | - | 81,446 | - | 81,446 |
| **Counterparties without external credit rating** | | | | |
| **Trade receivables** | **684,487** | **499,141** | **1,251,097** | **683,404** |
| Low risk | 642,364 | 468,408 | 1,208,974 | 646,185 |
| Moderate risk | 42,123 | 29,569 | 42,123 | 35,261 |
| High risk | 4,439 | 10,400 | 11,197 | 12,458 |
| Provision for impairment of trade receivables | (4,439) | (9,236) | (11,197) | (10,500) |
| **Other financial assets** | **73,244** | **96,112** | **132,653** | **116,468** |
| **Total** | **1,470,481** | **1,509,977** | **2,656,873** | **2,307,667** |

*(*) The Company considers, for the classification of risk, the lowest rating between the rating agencies.*

The risk assessment of trade receivables is as follows:

- Low risk – transportation, infrastructure and agriculture segment customers, except those customers with a history of losses.
- Moderate risk - hydraulics segment customers, except those who already have a history of losses.
- High risk - customers with provisioned balances and historical losses.

The other financial assets held by the Company are considered of high quality and do not present indications of losses.

### 36.2 Liquidity risk

Liquidity risk is the risk that the Company will have difficulty complying with its obligations associated with financial liabilities that are to be settled in cash or other financial assets. The Company's approach to managing this risk is the maintenance of a minimum cash.

All amounts in thousands of reais unless otherwise stated

The Company is a counterparty to some financial agreements, which require the maintenance of financial ratios, or compliance with other specific clauses. The main operation, the Senior Unsecured Notes issued in 2021 require the Company to meet the Financial Debt / EBITDA financial index, if not complied with, may impose restrictions, which are detailed in Note 18.

Conform is determined in the financial management policy, which aims at ensuring that the Company has sufficient liquidity to settle its obligations without incurring losses or affecting its operations. This minimum cash amount corresponds to the projection of two-month of payments to trade accounts, salaries and social security, tax payments, deducted 50% discount for the same period, plus the balance of the short-term loans and financing, net of derivative instruments. Moreover, the Company manages its investment portfolio using criteria for maximum concentration in financial institutions, in addition to global and local ratings.

The contractual maturities of financial liabilities are as follow:

| Consolidated | | Contractual cash flow | | | | | |
|---|---|---|---|---|---|---|---|
| FINANCIAL LIABILITIES | Carrying amount | 6 months or less | 6 to 12 months | 1 to 2 years | 2 to 5 years | Over 5 years | Total flow |
| Borrowings | 2,611,224 | 454,751 | 56,000 | 116,849 | 283,114 | 2,516,456 | 3,427,170 |
| Financial derivative instruments | 1,403 | 1,569 | (166) | - | - | - | 1,403 |
| Trade payables and notes and other | 1,358,104 | 1,358,104 | - | - | - | - | 1,358,104 |
| Dividends payable | 22,312 | 22,312 | - | - | - | - | 22,312 |
| | **3,993,043** | **1,836,736** | **55,834** | **116,849** | **283,114** | **2,516,456** | **4,808,989** |

The Company does not expect that the cash outflows, included in its maturity analyses, will occur significantly sooner or at amounts which are significantly different. Furthermore, the Company generates sufficient cash to cover future payment obligations.

## 36.3 Market risk

The Brazilian Federal Government's economic policies can have important effects on Brazilian companies, including the Company, as well as market conditions and the prices of securities of Brazilian companies. Considering the nature of the Company's business and operations, the main market risk factors to which it is exposed are related to: Exchange Rate, Interest Rate, Inflation in the main inputs, Credit Risk and Liquidity Risk. The objective of market risk management is to maintain exposure to market risks within acceptable levels, while optimizing returns.

### Interest rate risk

This risk refers to the Company's financial investments and loans and financing. The financial instruments with floating rates expose the Company to cash flow variation risk, whereas the financial instruments with fixed rates expose the Company to fair value risk. The Company uses derivative financial instruments, as follow:

| Consolidated | Note | 2021 | 2020 |
|---|---|---|---|
| **Floating-rate instruments** | | **244,221** | **425,401** |
| Financial assets | | 642,678 | 754,925 |
| Financial liabilities | 18 | (398,457) | (329,524) |
| **Fixed-rate instruments** | | **(1,583,000)** | **(1,225,830)** |
| Financial assets | | 629,767 | 670,188 |
| Financial liabilities | 18 | (2,212,767) | (1,896,018) |

All amounts in thousands of reais unless otherwise stated

## Sensitivity analysis of variations in floating interest rates

The Company has financial investments exposed to the CDI (Interbank Deposit Certificate) rate variation. The fluctuations in interest rates may affect the Company's future results. Presented below are the impacts that would have been generated by changes in interest rates to which the Company is exposed.

Interest rate risk — Consolidated

| Floating rate instruments | Risk | Disclosed | Scenarios Probable | +25% | +50% | -25% | -50% |
|---|---|---|---|---|---|---|---|
| **In Brazilian reais** | | | | | | | |
| **Investments** | **Interest rate (CDI - % p.a.)** | **9.15** | **11.65** | **14.56** | **17.48** | **8.74** | **5.83** |
| Financial assets | | 642,678 | 642,678 | 642,678 | 642,678 | 642,678 | 642,678 |
| Potential impact | | - | 14,720 | 16,765 | 33,530 | (17,214) | (35,375) |
| **Borrowings** | **Taxa de Juros (CDI - % a.a)** | **9.15** | **11.65** | **14.56** | **17.48** | **8.74** | **5.83** |
| Financial liabilities | | 398,457 | 398,457 | 398,457 | 398,457 | 398,457 | 398,457 |
| Potential impact | | - | (9,126) | (10,394) | (20,788) | 10,673 | 21,933 |
| **Borrowings** | **Taxa de Juros (SELIC - % a.a)** | **9.25** | **11.75** | **14.69** | **17.63** | **8.81** | **5.88** |
| Financial liabilities | | 298 | 298 | 298 | 298 | 298 | 298 |
| Potential impact | | - | (7) | (8) | (16) | 8 | 17 |

Foreign currency risk

The Company is exposed to foreign currency risk on sales, purchases and loans and financing denominated in currencies other than the Company´s functional currency, the Brazilian Real, while the Mexican subsidiary is exposed to foreign currency risk on costs and expenses denominated in a currency other than its functional currency, the US Dollar. Considering the Brazilian subsidiary, Tupy Minas Gerais Ltda, which has the Brazilian Real as functional currency, the main in risk is trading operation in Euro. Transactions of the Company are carried out in foreign currency are mainly denominated is U.S. dollar and the transactions in Mexican subsidiaries are mainly denominated in Mexican Peso.

In addition, considering the importance of the Company's operations in Mexico, the variation of the Mexican Peso has an impact on the income tax. Since the functional currency of the subsidiaries in Mexico is the U.S. dollar (US$). (Note 28)

The Company manages its exposure to foreign currency risk through a combination of debts, financial investments, accounts receivable and export revenues in foreign currency, hedges of the net investments abroad. The Company's exposure to foreign currency risk, considering the subsidiaries that use the Real (R$) as their functional currency, is as follows:

Parent company

| Net exposure impacting profit | Note | Dec/21 | Dec/20 |
|---|---|---|---|
| **Assets** | | **592,687** | **474,585** |
| Cash and cash equivalents abroad | 3 | 59,869 | 59,667 |
| Customers in the foreign market | 4 | 532,818 | 414,918 |
| **Liabilities** | | **(238,964)** | **(119,555)** |
| Borrowings in foreign currency | 18 | (2,009,584) | (1,871,373) |
| Hedge of net investment abroad | 35 | 1,947,595 | 1,813,648 |
| Other amounts | | (176,974) | (61,830) |
| | | | |
| **Net exposure impacting profit** | | | |
| In thousands of R$ | | 353,724 | 355,030 |
| In thousands of US$ | | 57,028 | 63,318 |
| In thousands of EUR | | 5,071 | 3,921 |

All amounts in thousands of reais unless otherwise stated

The exposure of subsidiaries that use the Brazilian Real, U.S. dollar and EURO as functional currency is demonstrated bellow:

| Subsidiaries | | |
|---|---|---|
| **Net exposure impacting profit** | **Dec/21** | **Dec/20** |
| **Assets** | **213,666** | **105,763** |
| Cash and cash equivalents abroad | 80,181 | 7,627 |
| Customers in the foreign market | 25,421 | 7,793 |
| Tax return | 108,064 | 90,343 |
| **Liabilities** | **(390,248)** | **(214,441)** |
| Trade accounts payables | (193,975) | (83,191) |
| Other amounts | (196,273) | (131,250) |
| | | |
| **Net exposure impacting profit** | | |
| In thousands of R$ | (176,582) | (108,678) |
| In thousands of MXN | (968,830) | (416,391) |
| In thousands of US$ | 7,474 | 4,899 |
| In thousands of EUR | 7,309 | - |

### Sensitivity analysis of foreign currency exposure, except for derivative financial instruments

This analysis is based on the foreign exchange rate fluctuation, , in which the risk variables are evaluated with a 25% and 50% fluctuation compared to the probable scenario estimated by the Company. This analysis assumes that all other variables, especially the interest rates, will remain constant.

| Consolidated | | | Scenarios | | | |
|---|---|---|---|---|---|---|
| | Disclosed | Probable | +25% | +50% | -25% | -50% |
| **U.S. Dollar rate** | **5.5805** | **5.53** | **6.91** | **8.30** | **4.15** | **2.77** |
| Asset position | 592,687 | 587,324 | 733,889 | 881,516 | 440,758 | 294,193 |
| Liability position | (238,964) | (236,801) | (295,894) | (355,416) | (177,708) | (118,615) |
| Net exposure (R$ thousand) | 353,724 | 350,523 | 437,995 | 526,100 | 263,050 | 175,578 |
| Net exposure (US$ thousand) | 63,386 | 63,386 | 63,386 | 63,386 | 63,386 | 63,386 |
| **Potential impact (R$ thousand)** | **-** | **(3,201)** | **84,272** | **172,377** | **(90,674)** | **(178,146)** |

### Sensitivity analysis of foreign currency exposure of derivatives

This analysis is based on the foreign exchange rate fluctuation against “CALL” and ‘PUT”, in which the risk variables are evaluated with a 25% and 50% fluctuation compared to the probable scenario estimated by the Company. This analysis assumes that all other variables will remain constant.

| | | | Scenarios | | | |
|---|---|---|---|---|---|---|
| **Parent company** | **Disclosed** | **Probable** | **+25%** | **+50%** | **-25%** | **-50%** |
| **U.S. Dollar rate** | **5.5805** | **5.53** | **6.91** | **8.30** | **4.15** | **2.77** |
| MTM Controladora | (834) | (247) | (41,589) | (118,801) | 50,562 | 125,322 |
| **Potential impact (R$ thousand)** | | **587** | **(40,755)** | **(117,967)** | **51,396** | **126,156** |

| | | | Scenarios | | | |
|---|---|---|---|---|---|---|
| **Subsidiaries** | **Disclosed** | **Probable** | **+25%** | **+50%** | **-25%** | **-50%** |
| **U.S. Dollar rate vs. Mexican peso** | **20.4672** | **20.74** | **25.93** | **31.11** | **15.56** | **10.37** |
| MTM Subsidiaries (US$ mil) | 19 | (65) | (4,975) | (10,930) | 9,526 | 34,124 |
| MTM Subsidiaries (R$ mil) | 109 | (357) | (34,374) | (90,718) | 39,533 | 94,522 |
| **Potential impact (R$ thousand)** | | **(466)** | **(34,483)** | **(90,826)** | **39,424** | **94,414** |
| **Consolidated potential impact (R$ thousand)** | | **120** | **(75,238)** | **(208,793)** | **90,820** | **220,570** |

### Price risk

This risk relates to the possibility of fluctuations in the market prices of the inputs used in the manufacturing process, especially scrap, pig iron, metal alloys, coke and electricity. These price fluctuations could have an impact on the Company's costs. The Company monitors these prices, in order to pass on to customers any changes in its input prices.

## 36.4 Operating risk

This risk arises from all of the Company's operations and can cause direct or indirect losses associated with a variety of factors, such as processes, personnel, technology, infrastructure and external factors.

The Company's objective is to manage the operating risk to avoid losses and damages to its reputation, and to seek cost efficiencies.

The primary responsibility for developing and implementing operating risk controls lies with a centralized area of internal controls reporting to senior management.

## 36.5 Capital management

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to provide returns for its shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, management can make (or can propose to the shareholders, when their approval is required) adjustments to the amount of dividends paid to shareholders, capital return to shareholders, issue new shares or sell assets to reduce, for example, debt.

The Company's management monitors the relationship between the Company's own capital (equity) and third-party capital that the Company utilizes to finance its operations. To mitigate liquidity risks and optimize the average cost of capital, the Company monitors its compliance with financial ratios required under loans and financing agreements.

The relationship between own capital versus third-party capital, at the end of each year, was as follows:

**Consolidated**

| | Note | Dec/21 | Dec/20 |
|---|---|---|---|
| **Own capital** | | **2,753,214** | **2,553,457** |
| Equity | 24 | 2,753,214 | 2,553,457 |
| **Third party capital** | | **3,484,969** | **2,134,749** |
| Total current and non-current liabilities | | 4,757,414 | 3,559,862 |
| Cash and cash equivalents | 3 | (1,272,445) | (1,425,113) |
| **Own capital versus third-party capital ratio** | | **0.79** | **1.20** |

## 36.6 Fair value

The carrying values of cash and cash equivalents and trade accounts receivables and payables, less impairment in the case of trade accounts receivables, are assumed to approximate their fair values.

All financial instruments classified as financial assets and financial liabilities at fair value through profit or loss (Note 33) and the fair value of loans and financing disclosed in Note 17 are calculated by discounting the future contractual cash flow at the current market interest rate that is available to the Company for similar financial instruments.

The valuations technique used by the Company are classified at Level 2 of the fair value hierarchy. The fair value of financial instruments that are not traded in an active market (Level 2) is determined using valuation techniques. These valuation techniques maximize the use of observable market data where it is available and rely to the minimum extent possible on the Company-specific estimates.

All amounts in thousands of reais unless otherwise stated

## 37. BUSINESS COMBINATION

On December 19, 2019, the Company singned a Share Purchase Agreement with Fiat Chrysler Automobiles NV for the acquisition of 100% of Teksid's iron foundry business, including operations located in Brazil, Mexico, Poland, Portugal and China (the latter, a joint venture in which Teksid holds a 50% stake), as well as offices in the United States and Italy.

Based on the review and comments of the US antitrust authorities, Tupy and Stellantis, successor to Fiat Chrysler Automobiles N.V., agreed to review the transaction. In this new perimeter, the Company opted to acquire the assets with greater strategic alignment, and decided not to proceed with the acquisition of the plants in Mexico, Poland, assuming part of a joint venture in China and the administrative structures located in Italy and the United States.

On July 1,2021 the Company signed with Stellantis NV, and with Teksid SpA, a fully owned subsidiary of Stellantis, the Amendment to the Share Purchase Agreement dated December 19, 2019 for the acquisition of the Brazilian and Portuguese operations of cast iron components, through the acquisition of Teksid's interest in the subsidiaries Teksid Iron do Brasil Ltda. and Funfrap-Fundição Portuguesa S.A. The Transaction was approved by the Company's Board of Directors on that date.

On August 5th, the Transaction was approved by the Extraordinary General Meeting.

On October 1, 2021, the Company concluded the acquisition, thus obtaining control of Teksid SpA's Brazilian and Portuguese operations of iron components, through the acquisition of Teksid's interest in the subsidiaries Teksid Iron do Brasil Ltda. (corporate name changed to Tupy Minas Gerais Ltda) and Funfrap-Fundição Portuguesa S.A.

The enterprise value is €67,500. The purchase price is the result of the enterprise value, plus the working capital balance and cash amount, minus indebtedness and non-controlling interest, based on the estimated closing balance on September 30, 2021. The final adjustment of transaction amount agreed between the parts is a amount to be received by the Company. Considering R$13,002 respect to Tupy Minas Gerais Ltda and R$554 the part of Funfrap – fundição Portuguesa S.A.

In this transaction Tupy S.A. acquired 100% of the share capital of the company Tupy Minas Gerais Ltda (former Teksid Iron do Brasil Ltda), located in the city of Betim, state of Minas Gerais. On the same date, through its fully owned subsidiary Tupy Material & Components B.V., located in the Netherlands, the Company acquired 83.6% of the share capital of the company FUNFRAP – Fundição Portuguesa, S.A. located in the city of Aveiro, Portugal.

Through these acquisitions, the Company will expand its products and customer portfolio, which, together with the increased flexibility and scale of purchases, will generate greater value for shareholders. From an operational point of view, in addition to the combination of assets, there are other opportunities for synergy and gains of scale, expanding the share of machining and assembly services for customers at the Betim and Portugal plants, which will be implemented over time. The Company now has 5 plants on 3 continents with a combined capacity of more than 950,000 tons per year, reinforcing its position with customers as a global partner, including production strategies to address issues of local content and distribution of products more efficiently.

Specialists were hired to assess and determine the fair value of assets acquired and liabilities assumed in the acquisition, including also purchase price allocation, in accordance with CPC 15 (R1) – Business

Combinations (IFRS 3). Intangible assets were not identify and there is any loss estimation in accounts receivables.

The initial assessment of the fair value of property, plant and equipment identified a added value for the Betim plant in the amount of R$285,400 and R$52,400 for the Aveiro plant. When evaluating the acquisitions from the perspective of the economic capacity realization, an impairment was identify by the Company. Which were already considered in the opening balance when measuring the fair value, representing R$240,400 for the Betim plant and R$122,200 for the Aveiro plant.

The impacts of price adjustments in accordance with the provisions of the acquisition agreement and the added value identified in inventories and property, plant and equipment, after application of the adjustment for realization due to economic obsolescence - impairment, are presented below, segregated by plant:

### Tupy Minas Gerais Ltda. (former Teksid Iron Ltda.)

| Tupy Minas Gerais Ltda (former Teksid Iron Ltda.) | Carrying amount | Fair value |
|---|---|---|
| ***Assets acquired*** | ***769,015*** | ***819,385*** |
| Cash and cash equivalents | 20,623 | 20,623 |
| Trade accounts receivables | 215,718 | 215,718 |
| Inventories | 184,454 | 189,625 |
| Other assets | 71,742 | 71,742 |
| Property, plant and equipment | 269,712 | 314,911 |
| Intangible assets | 6,766 | 6,766 |
| ***Liabilities assumed*** | ***(817,608)*** | ***(817,608)*** |
| Suppliers | (281,429) | (281,429) |
| Loans and financing | (390,166) | (390,166) |
| Other liabilities | (102,042) | (102,042) |
| Provision for tax, civil, social security and labor proceedings | (43,971) | (43,971) |
| **Acquired (assumed) net assets** | **(48,593)** | **1,777** |

The fact that Tupy Minas Gerais Ltda, at the acquisition date, had an indebtedness level higher than the enterprise value, makes the Company receive at closing date consideration transferred in order to assume exceed liabilities over the enterprise value. In addition there is the probable adjust to be receive of R$13,002 and considering the assets acquired and liabilities assumed at fair value, the transaction is a gain on a bargain purchase of R$48,804, was recognized as revenue operational and is shown as follows:

| Consideration transferred calculation | EURO | BRL |
|---|---|---|
| Enterprise value | 60,000 | 369,900 |
| Purchase price adjustments | (65,519) | (403,925) |
| **Consideration received - 10.01.2021** | **(5,519)** | **(34,025)** |
| Amount to be receive | - | (13,002) |
| **Total consideration receive** | | **(47,027)** |

| | |
|---|---|
| **Acquired (assumed) net assets** | **1,777** |
| Gain on a bargain purchase (note 28) | 48,804 |
| **Consideration received** | **(47,027)** |

All amounts in thousands of reais unless otherwise stated

### Funfrap – Fundição Portuguesa S.A.

| Funfrap - Fundição Portuguesa S.A. | Carrying amount | Fair value |
|---|---|---|
| ***Assets acquired*** | ***151,969*** | ***152,259*** |
| Cash and cash equivalents | 17,056 | 17,056 |
| Trade accounts receivables | 43,410 | 43,410 |
| Inventories | 41,315 | 41,605 |
| Other assets | 5,023 | 5,023 |
| Property, plant and equipment | 45,165 | 45,165 |
| ***Intangible assets*** | ***(138,795)*** | ***(138,795)*** |
| Suppliers | (44,849) | (44,849) |
| Loans and financing | (6,035) | (6,035) |
| Other liabilities | (86,704) | (86,704) |
| Provision for tax, civil, social security and labor proceedings | (1,207) | (1,207) |
| **Acquired (assumed) net assets** | **13,174** | **13,464** |

The transaction result of Funfrap – Fundição Portuguesa S.A. considering the consideration paid of R$11,719, the most probable consideration to be receive of R$554 and the fair value of the assets acquired and liabilities assumed, and the non-controlling interest was zero, was demonstrated as follows:

| Consideration transferred calculation | EURO | BRL |
|---|---|---|
| Enterprise value | 7,500 | 48,399 |
| Purchase price adjustments | (5,494) | (35,454) |
| Consideration received - 10.01.2021 | (190) | (1,226) |
| **Consideration received - 10.01.2021** | **1,816** | **11,719** |
| Amount to be receive | - | (554) |
| **Total consideration receive** | | **11,165** |
| | | |
| **Acquired (assumed) net assets** | | **13,464** |
| Non-controlling interest at fair value | | (2,299) |
| Operation results | | - |
| **Consideration received** | | **11,165** |

The value of the non-controlling interest in the investee Funfrap – Fundição Portuguesa S.A. on the acquisition date at fair value was R$2,299.

The Company's consolidated income statement includes the amount of R$301,853 of revenue and R$24,840 of net loss generated by the acquired companies during October 01 to December 31, 2021.

The Company estimates a net revenue of R$8,268,286 and net income of R$113,845 if it had occurred on January 1, 2021.

## 38. SUBSEQUENT EVENT

### Loans and financing

In February 11, 2022, Companys subsidiary Tupy Minas Gerais Ltda contracted an Export Credit Note with Banco do Brasil S.A. in the amount of R$450,000 with a rate of CDI + 1.62 p.a. and semestral amortization after February 10, 2023. The operation does not include covenants.

*        *        *

All amounts in thousands of reais unless otherwise stated

## INDEPENDENT AUDITOR´S REPORT

**(A free translation of the original in Portuguese)**

To
Shareholders, Board of Directors and Officers of
**Tupy S.A.**
Joinville - SC

**Opinion**

We have audited the individual and consolidated financial statements of Tupy S.A. ("Company"), identified as Individual and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2021, and the statements of profit or loss, of comprehensive income, of changes in equity, and of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the individual and consolidated financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of the Company as at December 31, 2021, and its individual and consolidated financial performance and cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) 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 individual and consolidated financial statements section of our report. We are independent of the Company and its subsidiaries in accordance with the relevant ethical principles set forth in the Code of Professional Ethics for Accountants and the professional standards issued by Brazil's National Association of State Boards of Accountancy (CFC), 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.

**Key audit matters**

Key audit matters are those that, in our professional judgment, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide an individual opinion on these matters. For each matter below, our description of how our audit addressed the matter, including any commentary on the findings or outcome of our procedures, is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the individual and consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

*Revenue recognition*

The Company recognizes revenue from sales to domestic and international customers under a variety of terms and conditions, and delivery of the product does not necessarily take place on the same date as the invoice is issued. The measurement of the amount of revenue to be recognized, including the determination of the appropriate timing of recognition of this revenue based on the determination of when the customer obtains control of the product for each sales transaction, implies a certain level of judgment by the executive board. The revenues earned by the Company and the criteria for recognition in P&L are disclosed in Notes 2.6(l) and 25 to the individual and consolidated financial statements.

This matter was considered significant for our audit given the materiality of the amounts involved and the risk of revenue recognition in an incorrect accounting period, especially with regard to the monthly accounting closing period (cut-off period), considering the judgment applied in determining when the customer obtains control over the product sold.

*How our audit addressed this matter*

Our procedures included recalculation of the estimates for the reversal of sales billed in the cut-off period for which the control of the products has not been fully transferred to customers, analysis of entries considered unusual, reading and understanding of the contractual terms with customers, and inspection of documentation for a sample of sales recorded during the year with observance of the effective financial realization, among others.

Based on the result of the audit procedures carried out on revenue recognition in the year, which is consistent with the executive board's assessment, we consider that the criteria and assumptions adopted by the executive board to account for revenues, as well as the respective disclosures in Notes 2.6 (l) and 25, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

*Provision for tax, social security, civil and labor contingencies*

The Company is a party to various judicial and administrative proceedings related to tax, civil and labor issues, as disclosed in Note 22. For proceedings whose likelihood of loss was assessed as probable, the Company set up provision for tax, social security, civil and labor contingencies of R$183,959 thousand and R$217,208 thousand in the individual and consolidated financial statements, respectively, as of December 31, 2021.

This is considered a key audit matter due to the potential risk related to certain claims, as well as the fact that assessment of these proceedings requires significant judgment by the executive board, supported by its legal counsel, especially with regard to their classification as a contingent liability or provision.

*How our audit addressed this matter*

Our procedures included obtaining and analyzing confirmation letters from the Company's outside and inside legal counsel in order to compare their assessments of cases in progress with the positions considered by the executive board, among other procedures. We involved our tax specialists, when necessary, to assist in the interpretation and assessment of the risks of the more subjective cases and made inquiries of the executive board and its specialists to discuss the developments of the major suits in progress.

Based on the result of the audit procedures conducted, which is consistent with the executive board's assessment, we consider that the criteria and assumptions adopted by the executive board, as well as the respective disclosures in Note 22, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

*Business combination*

In 2021, the Company obtained control of the Brazilian and Portuguese iron component operations of Teksid S.p.A, through acquisition of interest held by Teksid in the subsidiaries Teksid Iron do Brasil Ltda. ("Teksid Iron") and Fundição Portuguesa S.A. ("Funfrap"). After measuring the assets acquired and liabilities assumed at fair value, a gain on bargain purchase of R$48,804 thousand was determined, as described in Notes 28 and 37.

This was considered an area of focus given the level of judgment involved in identifying and determining the fair value of assets acquired and liabilities assumed. Evaluation and measurement of assets acquired and liabilities assumed at fair value and determination of the acquisition price were conducted by the executive board, in addition to involvement of market specialists. This process involved the use of complex judgments and estimates by the executive board and specialists.

*How our audit addressed this matter*

We obtained an understanding of the processes established by the executive board, including the completeness and integrity of the database and the calculation models for determination of the purchase price allocation. With the support of our specialists, we evaluated the reasonableness of the methodology and discussed the main assumptions adopted in the identification and measurement of the fair value of assets acquired and liabilities assumed in the transaction for acquisition of control of Teksid Iron and Funfrap, making a comparison with available historical information, observable market and/or segment data, and the purchase and sale agreement resulting from the transaction.

We evaluated the competence and objectivity of external specialists engaged by the executive board to issue the purchase price allocation report regarding the business combination, analyzed the accounting and tax impacts of measuring the assets acquired and liabilities assumed in the business combination at fair value determined by the executive board, and read the disclosures made by the executive board in the financial statements.

Based on the result of the audit procedures conducted, which is consistent with the executive board's assessment, we consider that the criteria and assumptions adopted by the executive board, as well as the respective disclosures in Notes 28 and 37, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

**Other matters**

*Statements of value added*

The individual and consolidated statements of value added (SVA) for the year ended December 31, 2021, prepared under the responsibility of the Company's executive board, and presented as supplementary information for IFRS purposes, were submitted to audit procedures conducted jointly with the audit of the Company's financial statements. To form our opinion, we evaluated if these statements are reconciled to the financial statements and accounting records, as applicable, and if their form and content comply with the criteria defined by Accounting Pronouncement NBC TG 09 – Statement of Value Added. In our opinion, these statements of value added were prepared fairly, in all material respects, in accordance with the criteria defined in the abovementioned accounting pronouncement, and are consistent in relation to the individual and consolidated financial statements taken as a whole.

**Other information accompanying the individual and consolidated financial statements and the auditor's report**

The executive board is responsible for such other information, which comprises the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of assurance conclusion thereon.

In connection with our audit of the individual 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 of 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 individual and consolidated financial statements**

Management is responsible for the preparation and fair presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) 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 individual 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 Company's and its subsidiaries' financial reporting process.

**Auditor's responsibilities for the audit of the individual and consolidated financial statements**

Our objectives are to obtain reasonable assurance about whether the individual 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:

- Identified and assessed risks of material misstatements of the individual and consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained 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.

- Obtained 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 Company's and its subsidiaries' internal control.

- Evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluded 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 Company's ability 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 individual 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 report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the individual and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtained sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the individual and consolidated financial statements. We are responsible for the direction, supervision and performance of the Group's audit and, consequently, for the audit opinion.

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, including applicable independence requirements, and communicated 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 determined those matters that were of most significance in the audit of the financial statements of the current year 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.

Blumenau, March 29, 2022.

ERNST & YOUNG
Auditores Independentes S.S.
CRC SC-000048/F-0

Alexandre Rubio
Accountant CRC 1SP223361/O-2

## STATUTORY AUDIT AND RISK COMMITTEE REPORT - CAE

The members of the Audit and Statutory Risks Committee of TUPY S.A., in the exercise of their duties and legal responsibilities, as provided for in its Internal Regulations, reviewed the Financial Statements, accompanied by the report of Ernst & Young Auditores Independentes, issued without reservations in March 29, 2022, of the Management's annual report corresponding to the fiscal year ended December 31, 2021 and, considering the other information provided by the Company's Management and by the Independent Auditors, as well as the proposal for the allocation of income for the year 2021 , unanimously believe that the aforementioned documents adequately reflect, in all material aspects, the equity and financial positions of the Company and its subsidiaries, and recommend the approval of the documents by the Company's Board of Directors for submission to the Annual General Meeting of Shareholders, pursuant to the Brazilian Corporation Law.

Joinville (SC), March 29, 2022.

José Rubens de la Rosa

Independent Board Member - Committee Coordinator

Jaime Luiz Kalsing

External member

Jorge Roberto Manoel

External member

Marcos Alexandre Teixeira

External member

Roger Allan Downey

Board of Directors

## OPINION OF THE FISCAL COUNCIL

The Fiscal Council of TUPY S.A., in the course of its legal and statutory activities, has analyzed the Company's management report and the financial statements for the year ended December 31st, 21, which comprise the balance sheet and the statements of income, comprehensive income, changes in equity, cash flow and value added and the respective explanatory notes, and the management's proposals related to the allocation of net Income. Such analyses has also been followed by the review of documents and substantially by information and clarifications provided by the external auditors and the Company's management during the year.

Therefore, based on such analyses, on the report of the Statutory Audit and Risk Committee and on the independent auditor's report issued by Ernst & Young Auditores Independentes S.S. on March 29th, 2022, with an unqualified opinion, the Fiscal Council unanimously gives the opinion that the documents mentioned in the paragraph above and the management proposal regarding the allocation of net Income are adequate to be submitted to the Annual General Meeting of Shareholders.

Joinville, SC, March 29, 2022.

João Augusto Monteiro

Fiscal council president

Daniela Maluf Pfeiffer

Fiscal council member

Luiz Cláudio Moraes

Fiscal council member

# MANAGEMENT

## BOARD OF DIRECTORS

**President**
Ricardo Doria Durazzo

**Vice-president**
Marcelo Otavio Wagner

**Members**
Claudia Elisa de Pinho Soares
Claudia Silva Araujo de Azeredo Santos
Gabriel Stoliar
José Rubens de La Rosa
Paula Regina Goto
Ricardo Antonio Weiss
Roger Allan Downey

## BOARD OF OFFICERS

**CEO**
Fernando Cestari de Rizzo

**Vice-presidents**
Erodes Berbetz
Fabio Pena Rios
Ricardo Sendim Fioramonte
Thiago Fontoura Struminski (DRI)

**Accountant**
Pedro Henrique Eyng
CRC-SC 16.161 – CPF 537.813.259-20