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Financial Statements

December 31, 2021

Annual report

Financial statements

Notes

Independent auditor's report

Opinion of the Statutory Audit and Risks Committee

Opinion of the Statutory Audit Board

Management



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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%
<i>% on Revenues</i>	<i>15.9%</i>	<i>16.1%</i>	
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%
<i>% on Revenues</i>	<i>6.1%</i>	<i>5.1%</i>	
Net financial income (loss)	(147,197)	(340,937)	-56.8%
Income (Loss) before Tax Effects	288,027	(124,126)	
<i>% on Revenues</i>	<i>4.1%</i>	<i>-2.9%</i>	
Income tax and social contribution	(85,115)	47,916	
Net Income (Loss)	202,912	(76,210)	
<i>% on Revenues</i>	<i>2.9%</i>	<i>-1.8%</i>	
EBITDA (CVM Inst. 527/12)	802,892	566,951	41.6%
<i>% on Revenues</i>	<i>11.3%</i>	<i>13.3%</i>	
Adjusted EBITDA	877,640	605,215	45.0%
<i>% on Revenues</i>	<i>12.4%</i>	<i>14.2%</i>	
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%
<i>% on Revenues</i>	<i>15.9%</i>	<i>16.1%</i>	
Operating expenses	554,053	(384,025)	44.3%
<i>% on Revenues</i>	<i>7.8%</i>	<i>9.0%</i>	

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%
<i>% on revenues</i>	<i>11.3%</i>	<i>13.3%</i>	
(+/-) Other Net Operating Expenses	74,748	18,910	295.3%
(+) Impairments	-	19,354	
Adjusted EBITDA	877,640	605,215	45.0%
<i>% on revenues</i>	<i>12.4%</i>	<i>14.2%</i>	

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.

INVESTMENTS

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. [%]
<i>Property, Plant and Equipment</i>			
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%
<i>Intangible assets</i>			
Software	10,823	10,266	5.4%
Projects under development	3,118	3,592	-13.2%
Total	257,174	136,612	88.3%
<i>% on Revenues</i>	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.

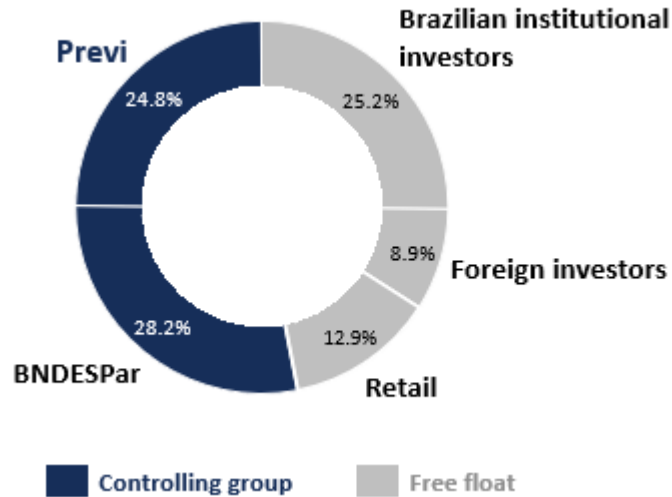
During 2021, financing activities registered a consumption of R\$383 million, versus a R\$290 million consumption in the previous year. This impact refers to the amortization of intercompany loans of the acquired units of Betim and Aveiro held with Teksid do Brasil and Teksid SpA respectively, both settled 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 its 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)****ASSETS**

	Note	Parent company		Consolidated	
		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.

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TUPY S.A. AND SUBSIDIARIES**BALANCE SHEETS AT DECEMBER 31, 2021 AND DECEMBER 31, 2020****(All amounts in thousands of reais)****LIABILITIES**

	Note	Parent company		Consolidated	
		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)**

	Note	Parent company		Consolidated	
		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)**

	Note	Parent company		Consolidated	
		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 SUBSIDIARIESSTATEMENT OF CHANGES IN EQUITY(All amounts in thousands of reais)

Note	Share capital	Share issue cost	Shared based payments	Treasury stock	Carrying value adjustments		Revenue reserves		Retained earnings (losses)	Total controlling shareholders	Non-controlling shareholders	Total
					Exchange variation of investees	Deemed cost of fixed assets	legal reserve	Reserve for investments				
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	-	-	-	-	-	-	-	-
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)**

	Note	Parent company		Consolidated	
		12/31/21	12/31/20	12/31/21	12/31/20
Cash flow from operating activities:					
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 liabilities		(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)
Forfeiting 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)**

	Note	Parent company		Consolidated	
		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)

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(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 Company's 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 – Fundação 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.

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. Forfeiting operations

The Company implements a forfeiting 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.

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 – Fundação 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 sales 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

	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.

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 defers the payment of ICMS.

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

In Minas Gerais, the amounting 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

Years	Parent company	Consolidated
	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

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 Fundação 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

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 – Fundação 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.

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 Board of officers for the year of 2021 is 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 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

Referring 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.

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.

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.

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.

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).

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

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		Consolidated	
	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 “forfaiting”. 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).

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.

Those contracts were 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) Forfeiting 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 amount 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

Year	Parent company		Consolidated	
	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 acquiring 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.

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

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)

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.

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 contingency 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.

24. EQUITY

a) Share capital

Share capital breakdown in number of shares	Dec/21		Dec/20	
	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			Resultado líquido das utilizações
	Value (R\$ thousand)	Quantity	Share value (R\$)	
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".

(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:

- 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.

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 to 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.

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

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)

27. FINANCE RESULTS

Finance results	Parent company		Consolidated	
	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 impairments (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

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	Transportation, 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	Transportation, 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	Transportation, infrastructure & agriculture		Hydraulics		Total	
	Dec/21	Dec/20	Dec/21	Dec/20	Dec/21	Dec/20
ASSETS						
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	Transportation, infrastructure & agriculture		Hydraulics		Total	
	Dec/21	Dec/20	Dec/21	Dec/20	Dec/21	Dec/20
LIABILITIES						
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 sharing	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	%
Transportation, 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.

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
<i>Other countries</i>	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
<i>Other countries</i>	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
<i>Other countries</i>	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	-
<i>Other countries(*)</i>	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:

	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	-

*Only for Funfrap - Fundação Portuguesa S.A.

33. COMMITMENTS

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

	Note	Parent company		Consolidated	
		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
<i>Effect on the Income Statement</i>		<i>32,283</i>	<i>10,402</i>	<i>27,980</i>	<i>10,769</i>
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
<i>Effect on the Income Statement</i>		<i>19,091</i>	<i>(1,611)</i>	<i>19,440</i>	<i>(2,737)</i>
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
<i>Effect on the Income Statement</i>		<i>(138,581)</i>	<i>(144,222)</i>	<i>(169,412)</i>	<i>(141,608)</i>
Financial liabilities at fair value through profit or loss		-	-	-	-
Loans and financing	18	-	-	-	-
<i>Effect on the Income Statement</i>		<i>-</i>	<i>(4,458)</i>	<i>-</i>	<i>(4,458)</i>
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
<i>Effect on the Income Statement</i>		<i>(1,091)</i>	<i>(3,991)</i>	<i>(985)</i>	<i>(3,991)</i>

(*) 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.

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.

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.

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						
	Carrying amount	6 months or less	6 to 12 months	1 to 2 years	2 to 5 years	Over 5 years	Total flow
FINANCIAL LIABILITIES							
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)

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 in 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

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

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.

Parent company	Scenarios					
	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

Subsidiaries	Scenarios					
	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.

37. BUSINESS COMBINATION

On December 19, 2019, the Company signed 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)

Funfrap – Fundação Portuguesa S.A.

Funfrap - Fundação 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 – Fundação 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 – Fundação 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.

* * *

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(I) 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 (I) 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 Fundação 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