



# Financial Statements

## December 31, 2020

Annual report

Financial statements

Notes

Independent auditor's report

Opinion of the Statutory Audit and Risks Committee

Opinion of the Statutory Audit Board

Management

(A free translation of the original in Portuguese)

**MESSAGE FROM MANAGEMENT**

Dear shareholders, customers, suppliers and colleagues,

We began 2020 discussing the Company's expansion after the announcement of the important step taken with the acquisition of Teksid and many other initiatives that were underway. Throughout the year, we advanced in these actions, even amidst the pandemic, which led us to revise our priorities. We geared our efforts towards preserving the health and safety of people and our business, while maintaining the Company's solid financial position and supplying our customers.

At Tupy, we faced the pandemic by sustaining ourselves on three fundamental pillars: planning, agility in decision-making processes and team engagement. These three points had already been enhanced over the past few years in our search for operational excellence and developing an organizational culture that is even more focused on results, but the Company was put to the test in an unprecedented way over the course of its history.

The Company's solid governance structure, backed by adequate risk management processes, enabled a Crisis Committee to be quickly assembled, in addition to the execution of a set of pre-defined actions that allowed us to take more agile and safe decisions. We call these initiatives our “defense rings” and they are triggered in response to sudden drops in demand to reduce fixed and variable costs. Our defense rings are comprised by the following:

- **Production flexibility:** products are transferred between production lines located in Brazil and Mexico. This way, we concentrated our production efforts on the most efficient lines, allowing margins to be maintained despite the drop in volumes;
- **Operational efficiency:** stoppage of less efficient units and readjustment of working hours;
- **Cost control:** renegotiation of contracts, suspension of non-essential expenses and investments.

The second half of the year was marked by the gradual recovery in volumes and a significant increase in margins, which resulted from a series of projects and initiatives developed and implemented by a high performance team comprised by new managers and executives with experience at the Company and its key processes. Tupy has become a much more agile Company and is able to adapt to various scenarios, such as the one experienced in the fourth quarter in which volumes fluctuated and raw material costs increased.

This resilience was reflected in the results recorded for 2020. Despite the decrease of approximately 31% in physical sales volumes, we showed a rapid recovery in important indicators, which achieved the best result for the second half in the Company's history. In its turn, the EBITDA margin was higher than in 2019 and operational cash generation, reached R\$292 million (R\$411 million in the second half of 2020, offsetting the cash consumption recorded for the first months of the year). The net debt/LTM Adjusted EBITDA ratio ended the year at 1.32x, a substantial reduction in relation to the peak of the pandemic, when this indicator reached 2.65x. This performance is even more impressive when considering that accumulated EBITDA includes the results for 2Q20, when this number was negative. Cash and cash equivalents ended December 31, 2020 at R\$1.4 billion, higher than before the pandemic.

Our revenues and cash generation remain strong, demonstrating that the execution of our strategy was important for the Company to achieve solid results. We operate in perennial and fundamental sectors of society, such as all modalities of cargo transportation, infrastructure, construction, agriculture, and energy. For all these sectors, our technological leadership has been our differential.

### **People: the great foundation and competitive advantage**

We were among the first companies to suspend operations and this allowed us to understand the situation and adapt our structures to comply with sanitary protocols, in addition to seeking the preservation of the physical and psychological health of our employees and their families. Throughout the quarters, we shared with you the initiatives carried out by employees and how we sought to extend them to the community, but what really made us proud is that we concluded the year of 2020 with a very united and committed team. Either at home or at the Company, exercising their duties or on leave of absence, everyone contributed with resilience and this was proved in the results we recorded at the end of the cycle.

### **Acting with the community**

In addition to sponsoring the dissemination of safe information to promote awareness among the population, we immersed ourselves with the needs of communities in Brazil and Mexico, donating Personal Protective Equipment (PPE), food baskets and our knowledge and labor for the maintenance of hospital equipment, production of stretchers and even the development of software used to manage epidemiological data. The volunteers from the *Transformadores Tupy* group also mobilized and participated in these actions. The partnership with our headquarters in Joinville, Santa Catarina, and the municipal government gave rise to the COVID-19 Screening and Testing Center. Over 40,000 people were served held from April to December 2020. Initiatives will continue in 2021 and we will support vaccination and plasma donation, once again, in partnership with local governments.

### **Our vision of the future**

The sectors in which we operate will benefit from the growth and enrichment of the population and urbanization, and the consequent increase this will bring in demand for construction, infrastructure, hydraulic maintenance, energy and food, as well as global trade. The stimulus packages adopted by several countries will also reflect the growth of the economy and demand for our products.

The Company's future is based on the strength of our engineering, always attentive to market conditions and the possibilities that our acquired knowledge can provide us. For such, we will continue to increase our presence in our customers' value chain by offering services such as machining and assembling. We will also play an increasingly strategic role in their decarbonization journey by developing complex materials and geometries that will be used in engines powered by fuels such as natural gas, biofuels, and hydrogen, among others.

Throughout its history, Tupy has displayed pioneering spirit and innovation, characteristics that are essential to develop solutions for an even more sustainable life cycle of the new economy, within and outside the markets we are currently part of.

With this objective in mind, we intensified our ecosystem performance, both in terms of our relationship with universities, research institutes and technological partners, as well as with startups that give us the opportunity to learn and teach.

These actions will be detailed and presented throughout 2021 and they are part of Tupy's Sustainability Vision on how we believe we can expand our contribution to building a more social, environmental, and economically sustainable world.

Sincerely,

Fernando Cestari de Rizzo



## MAIN INDICATORS

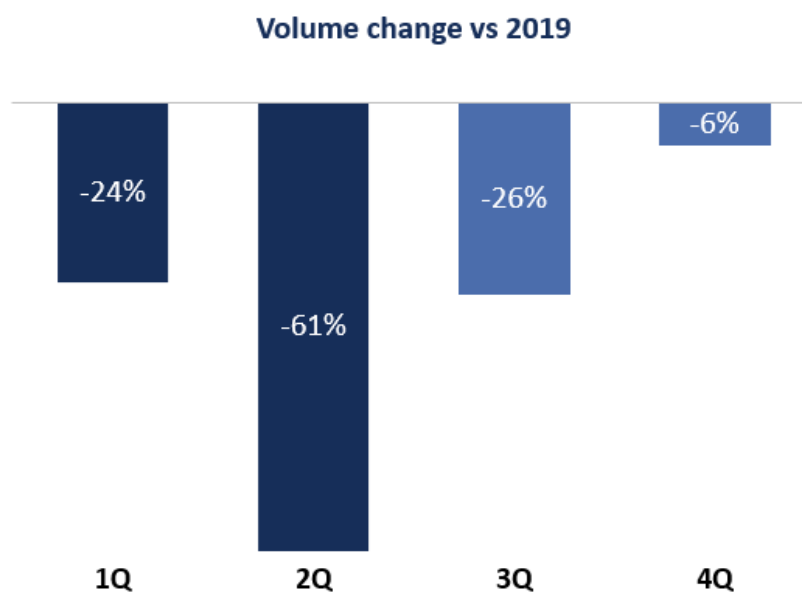
### Consolidated (R\$ Thousand)

SUMMARY	2020	2019	Var.[%]
<b>Revenues</b>	<b>4,257,596</b>	<b>5,163,585</b>	<b>-17.5%</b>
Cost of goods sold	(3,572,596)	(4,328,633)	-17.5%
<b>Gross Profit</b>	<b>685,000</b>	<b>834,952</b>	<b>-18.0%</b>
% of Revenues	16.1%	16.2%	
Operating expenses	(384,025)	(397,172)	-3.3%
Other operating expenses	(64,810)	(34,785)	86.3%
Impairments	(19,354)	(46,404)	-58.3%
<b>Income before financial results</b>	<b>216,811</b>	<b>356,591</b>	<b>-39.2%</b>
% of Revenues	5.1%	6.9%	
Net financial result	(340,937)	(18,021)	-
<b>Income (loss) before tax effects</b>	<b>(124,126)</b>	<b>338,570</b>	<b>-</b>
% of Revenues	-2.9%	6.6%	
Income tax and social contribution	47,916	(59,638)	-
<b>Net income (loss)</b>	<b>(76,210)</b>	<b>278,932</b>	<b>-</b>
% of Revenues	-1.8%	5.4%	
<b>EBITDA (CVM Instruction 527/12)</b>	<b>566,951</b>	<b>682,642</b>	<b>-16.9%</b>
% of Revenues	13.3%	13.2%	
<b>Adjusted EBITDA</b>	<b>605,215</b>	<b>700,144</b>	<b>-13.6%</b>
% of Revenues	14.2%	13.6%	
Average exchange rate (BRL/USD)	5.16	3.95	30.7%
Average exchange rate (BRL/EUR)	5.90	4.42	33.6%

## SALES VOLUME

Sales were impacted by the COVID-19 pandemic, with the partial or total stoppage of our customers during the months of March, April, and May. Despite the gradual recovery observed since June, mainly in equipment for commercial vehicles, sales volumes in 2020 were 30.7% lower than the previous year.

Consolidated (ton)			
	2020	2019	Var. [%]
<b>Domestic market</b>	<b>73,587</b>	<b>110,557</b>	<b>-33.4%</b>
Transportation, Infrastructure and Agriculture	62,723	96,555	-35.0%
Hydraulics	10,864	14,002	-22.4%
<b>Foreign market</b>	<b>318,622</b>	<b>455,615</b>	<b>-30.1%</b>
Transportation, Infrastructure and Agriculture	310,625	441,463	-29.6%
Hydraulics	7,997	14,152	-43.5%
<b>Total Sales</b>	<b>392,209</b>	<b>566,172</b>	<b>-30.7%</b>



The transportation, infrastructure and agriculture segments accounted for 95.4% of the Company's portfolio and the Hydraulic segment (pipe fittings and iron bars) accounted for 4.6%. Partially or fully machined goods accounted for approximately 24.6% of the transportation, infrastructure, and agriculture segment portfolio (vs. 24.1% in 2019). The breakdown of iron alloy among the automotive products increased by 23.5% in Compacted Graphite Iron - CGI (vs. 21.5% in 2019), with the remainder composed of gray or nodular iron products.

## REVENUES

Revenues totaled R\$4,257.6 million in 2020, decreasing 17.5% in comparison to 2019, with the reduction in physical sales volumes partially offset by a product mix with greater added value products, reflecting the Company's strategy to gain market share in the production chain in which it operates and the depreciation of the Real throughout the year.

Consolidated (R\$ Thousand)			
	2020	2019	Var.[%]
<b>Revenues</b>	<b>4,257,596</b>	<b>5,163,585</b>	<b>-17.5%</b>
Domestic Market	678,154	932,396	-27.3%
Share %	15.9%	18.1%	
Foreign Market	3,579,442	4,231,189	-15.4%
Share %	84.1%	81.9%	
<b>Revenues per segment</b>	<b>4,257,596</b>	<b>5,163,585</b>	<b>-17.5%</b>
Transportation, Infrastructure and Agriculture	4,061,866	4,922,909	-17.5%
Share %	95.4%	95.3%	
Hydraulics	195,730	240,676	-18.7%
Share %	4.6%	4.7%	

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

In 2020, 67.5% of Tupy's revenues came from North America. South and Central America accounted for 16.6% and Europe 12.1%. The remaining 3.8% came from Asia, Africa and Oceania.

Revenues from the domestic market dropped by 27.3% compared to the previous year, affected by the performance of the light and commercial vehicles segments. In the foreign market, revenues reduced 15.4% over 2019.



## COST OF GOODS SOLD AND OPERATING EXPENSES

The cost of goods sold (COGS) in 2020 amounted to R\$3,572.6 million, down 17.5% over 2019.

Consolidated (R\$ Thousand)			
	2020	2019	Var.[%]
<b>Revenues</b>	<b>4,257,596</b>	<b>5,163,585</b>	<b>-17.5%</b>
<b>Cost of goods sold</b>	<b>(3,572,596)</b>	<b>(4,328,633)</b>	<b>-17.5%</b>
Raw material	(1,793,957)	(2,358,982)	-24.0%
Labor, profit sharing and social benefits	(882,151)	(1,031,405)	-14.5%
Maintenance materials and third parties	(339,199)	(384,569)	-11.8%
Electricity	(222,272)	(245,178)	-9.3%
Depreciation	(291,992)	(250,187)	16.7%
Others	(43,025)	(58,312)	-26.2%
<b>Gross Profit</b>	<b>685,000</b>	<b>834,952</b>	<b>-18.0%</b>
<i>% of Revenues</i>	<i>16.1%</i>	<i>16.2%</i>	
<b>Operating expenses</b>	<b>(384,025)</b>	<b>(397,172)</b>	<b>-3.3%</b>
<i>% of Revenues</i>	<i>9.0%</i>	<i>7.7%</i>	

Throughout 2020, we implemented several initiatives that led to gains in operational efficiencies, such as the transferring of products to more efficient production lines, mathematical models to optimize the use and costs of materials, reduction in waste, stoppage of less efficient equipment and the renegotiation of many supply and service contracts, among others. In addition to these initiatives, we carried out actions to mitigate the effects of the pandemic on our operations, such as the reduction of fixed costs and expenses, change in the production processes in Brazil and Mexico and the adoption of legal provisions that allow the relaxation of working hours. These initiatives mitigated the impact caused by the drop in sales volume in the dilution of fixed costs, as well as the increase in raw material costs throughout the year, contributing to the significant increase in gross margin in the second half of 2020.

Depreciation costs were mainly affected by the currency depreciation on foreign assets.

In turn, operating expenses reduced 3.3% over the previous year, mainly due to lower sales and freight expenses and the adoption of flexible working hours.



## OTHER OPERATING INCOME (EXPENSES)

Other net operating income (expenses) totaled R\$64.8 million in 2020, versus R\$34.8 million in 2019.

Consolidated (R\$ Thousand)			
	2020	2019	Var.[%]
Depreciation of non-operating assets	(649)	(819)	-20.8%
Amortization of intangible assets	(45,251)	(62,868)	-28.0%
Land sale	20,135	-	-
Others	(39,045)	28,902	-
<b>Other operating expenses, net</b>	<b>(64,810)</b>	<b>(34,785)</b>	<b>86.3%</b>
Impairment of property, plant and equipment	(3,404)	(920)	270.0%
Impairment loss of intangible assets	(15,950)	(45,484)	-64.9%
<b>Total impairment adjustments</b>	<b>(19,354)</b>	<b>(46,404)</b>	<b>-58.3%</b>

The item “Others” was impacted due to:

- (i) Final and unappealable decision of a lawsuit discussing the exclusion of ICMS tax from the PIS/COFINS tax base in the amount of R\$58.1 million;
- (ii) Recognition of tax credit from Reintegra, due to remaining taxes totaling R\$17.2 million from 2015 to June 2018.
- (iii) Results arising from the sale of scrap and other costs, totaled an expense of R\$58.6 million;
- (iv) Constitution/updating of contingencies, in the amount of R\$38.0 million;
- (v) Provision for the devaluation of maintenance parts, causing an impact of R\$9.1 million, and
- (vi) Write-off of Property, Plant & Equipment, totaling R\$8.6 million.

## NET FINANCIAL INCOME (LOSS)

The Company recorded net financial loss of R\$340.9 million in 2020, versus a net financial loss of R\$18.0 million in 2019.

The 96.0% increase in financial expenses was mainly due to the depreciation of the BRL against the USD (average exchange rate of R\$5.16 in 2020 vs. R\$3.95 in 2019) in the period, which affected the recognition of interest on loans denominated in USD, as well as from the payment of interest, in Reais, of loans contracted in March, in the amount of R\$494.4 million. The restatement of the derivative instrument effect used to adjust Eletrobras’ receivable credits to present value (non-cash effect) accounted for R\$70.7 million in expenses in 2020.

Expenses from net monetary and exchange variations, in the amount of R\$145.0 million, was due to (i) positive variation in the balance sheet accounts, in the amount of R\$68.6 million and (ii) the result of hedge operations based on the zero-cost collar instrument, corresponding to an expense of R\$213.6

million in the period, which was partially offset by the positive effect of the currency devaluation on the operating result.

Consolidated (R\$ Thousand)			
	2020	2019	Var. [%]
Financial expenses	(235,529)	(120,179)	96.0%
Financial income	39,612	90,086	-56.0%
Net monetary and exchange rate variations	(145,020)	12,072	-
<b>Net Financial Result</b>	<b>(340,937)</b>	<b>(18,021)</b>	<b>-</b>

## EARNINGS BEFORE TAXES AND NET INCOME

Due to the aforementioned factors, the permanent tax effect of additions/exclusions and exchange rate effects on the tax base, the annual result for 2020 came in as a net loss of R\$76.2 million, versus net income of R\$278.9 million in 2019.

Consolidated (R\$ Thousand)			
	2020	2019	Var. [%]
<b>Income (loss) before tax effects</b>	<b>(124,126)</b>	<b>338,570</b>	<b>-</b>
Tax effects before foreign exchange impacts	44,001	(74,856)	-
<b>Income (loss) before tax effects on the tax base</b>	<b>(80,125)</b>	<b>263,714</b>	<b>-</b>
Exchange effects on the tax base	3,915	15,218	-74.3%
<b>Net Income (loss)</b>	<b>(76,210)</b>	<b>278,932</b>	<b>-</b>
% of Revenues	-1.8%	5.4%	

## EBITDA

The combination of the aforementioned factors resulted in EBITDA (CVM) of R\$567.0 million, with a margin of 13.3%, and an Adjusted EBITDA of R\$605.2 million, with a margin of 14.2% in 2020.

Consolidated (R\$ Thousand)			
RECONCILIATION OF NET INCOME TO EBITDA	2020	2019	Var. [%]
<b>Net Income (Loss) for the Year</b>	<b>(76,210)</b>	<b>278,932</b>	<b>-</b>
(+) Net financial result	340,937	18,021	1,791.9%
(+) Income tax and social contribution	(47,916)	59,638	-
(+) Depreciation and amortization	350,140	326,051	7.4%
<b>EBITDA (CVM Instruction 527/12)</b>	<b>566,951</b>	<b>682,642</b>	<b>-16.9%</b>
% of Revenues	13.3%	13.2%	
(+/-) Other Operating Expenses Net	18,910	(28,902)	-31.9%
(+) Impairments	19,354	46,404	-58.3%
<b>Adjusted EBITDA</b>	<b>605,215</b>	<b>700,144</b>	<b>-13.6%</b>
% of Revenues	14.2%	13.6%	

Despite the effects from the pandemic, especially during the first and second quarters and the significant reduction in volumes, 2020 was marked by having the best second half results in the Company's history, contributing to a growth in annual margins when compared to 2019. This was due to the several initiatives of operational efficiency gains and cost reduction that were implemented throughout the year, as well as a product mix with higher added value products (CGI and machined goods) and currency devaluation.

Adjusted EBITDA in 2020 affected, in addition to the effect of the constitution of impairments, in the amount of R\$19.3 million, due to following factors: (i) a favorable decision of a lawsuit to exclude ICMS from the PIS/COFINS calculation base, in the amount of R\$58.1 million; (ii) revenue of R\$20.1 million from the sale of land properties; (iii) recognition of reinstatement credit, due to remaining tax credits from 2015 to June 2018, in the amount of R\$17.2 million; (iv) sale of unusable assets and other costs, totaling an expense of R\$58.6 million; (v) constitution/updating of contingencies, in the amount of R\$38.0 million; (vi) provision for the devaluation of maintenance parts, causing an impact of R\$9.1 million and (vii) write-off of property, plant and equipment, totaling R\$8.6 million.

## INVESTMENTS

Total investments in property, plant and equipment and intangible assets were R\$136.6 million in 2020, down 49.5% over 2019, and accounted for 3.2% of the net revenue in the period.

Consolidated (R\$ Thousand)			
	2020	2019	Var. [%]
<b>PP&amp;E</b>			
Strategic investments	41,713	130,083	-67.9%
Maintenance and sustenance	75,114	122,583	-38.1%
Environment	4,310	6,537	-34.1%
Interest and financial expenses	1,617	1,739	-7.0%
<b>Intangible assets</b>			
Software	10,266	5,999	71.1%
Projects under development	3,592	3,633	-1.1%
<b>Total</b>	<b>136,612</b>	<b>270,574</b>	<b>-49.5%</b>
% of Revenues	3.2%	5.2%	

The decrease was related by the suspension/renewal of projects arising from the Company's strategy to preserve cash and prioritize investments related to maintenance, workplace safety and the environment. Environmental investments decreased by 34.1%, lower than global fall in investments observed in the period.

The list of investments in affiliated and/or controlled companies, with changes that occurred during the year, is available in Explanatory Note 12 (Investments) to the Financial Statements for the 2020 Fiscal Year, which is an integral part of this document.

## INDEBTEDNESS

The Company ended 2020 with net debt of R\$800.9 million and a net debt/LTM Adjusted EBITDA ratio of 1.32x.

Foreign currency liabilities represented 84.4% of the total (3.4% short-term and 96.6% long-term debt), while 15.6% of the debt is denominated in BRL (97.8% short-term and 2.2% long-term debt). As for the Company's cash balance, 54.2% of the total amount is denominated in BRL and 45.8% in foreign currency.

Consolidated (R\$ Thousand)		
DEBT	2020	2019
Short term*	403,629	62,920
Long term	1,823,618	1,421,061
<b>Gross debt</b>	<b>2,227,247</b>	<b>1,483,981</b>
Cash and cash equivalents*	1,425,113	844,781
<b>Net debt</b>	<b>800,898</b>	<b>639,200</b>
Gross debt/Adjusted EBITDA	3.68x	2.12x
<b>Net debt/Adjusted EBITDA</b>	<b>1.32x</b>	<b>0.91x</b>

\* Includes derivative financial instruments

## WORKING CAPITAL

Consolidated (R\$ Thousand)		
	2020	2019
<b>Balance Sheet</b>		
Accounts receivables	683,404	672,356
Inventories	754,486	654,107
Accounts payable	616,194	627,565
Sales outstanding [days]	59	48
Inventories [days]	77	55
Payables outstanding [days]	62	52
<b>Cash conversion cycle [days]</b>	<b>74</b>	<b>51</b>

The 11-day increase in the average receivable days was mainly due to the depreciation of the Real against the US Dollar (exchange rate of R\$5.20 in 2020 vs R\$4.03 in 2019), with effect on foreign currency accounts, which corresponded to 88% of the total amount, as well as the balance receivable from sales made in 3Q20, which had a significant recovery compared to previous months.

Inventories had a 22-day increase, resulting in initiatives to make production more flexible, to mitigate volume reduction. Therefore, the transfer from Mexico to Brazil, of the production of some products that will continue to be machined in Mexico or directly delivered to the USA, causing the inventory of finished goods in transit to increase, however protecting the margins. Throughout the pandemic, the

Company also increased its inventory levels in order to mitigate any risks related to the shortage in its customer supply due to their importance in the supply chain, a situation that is expected to normalize throughout 2021. The exchange rate variation also impacted inventories in foreign currency, which corresponded to 65% of the total amount in the period;

Average payable days increased by 11 days, reflecting the impact of the increase in raw material prices in the last months of 2020 and the exchange rate variation on accounts payable in foreign currency, which accounted to 49% of the total amount. This indicator was also impacted by the gradual increase in production during the last months of the year, leading to an increase in input purchase volumes.

The combination of the above-mentioned factors led to a cash conversion cycle of 74 days, increasing by 23 days in relation to 2019.

## CASH FLOW

Consolidated (R\$ Thousand)			
CASH FLOW SUMMARY	2020	2019	Var.[%]
<b>Cash and equivalents at the beginning of the period</b>	<b>840,030</b>	<b>713,733</b>	<b>17.7%</b>
Cash from operating activities	291,659	566,656	-48.5%
Cash used in investments	(122,768)	(268,547)	-54.3%
Cash from financing activities	289,717	(179,609)	-
Effects of exchange rate on cash for the period	126,475	7,797	1522.2%
<b>Increase (decrease) in cash and cash equivalents</b>	<b>585,083</b>	<b>126,297</b>	<b>363.3%</b>
<b>Cash and cash equivalents at the end of period</b>	<b>1,425,113</b>	<b>840,030</b>	<b>69.7%</b>

The Company generated R\$291.7 million in cash from operating activities in 2020, with the annual comparison impacted by the effects arising from the pandemic, especially during the second quarter.

Investment activities consumed R\$122.8 million in the year, 54.3% lower than in 2019, due to the strategy to postpone and reevaluate investments.

In 2020, financing activities corresponded to an entry of R\$289.7 million, versus a consumption of R\$179.6 million in the previous year. Given the uncertainty of how long the pandemic will last, and how deeply it will impact the global economy and demand for the Company's products, bank loans were raised in the first quarter of 2020, in the amount of R\$494.4 million, with the objective of increasing liquidity, of which R\$179.4 million were settled in 2020.

The combination of these factors, combined with the exchange rate effect on cash, led to higher cash and cash equivalents, in the amount of R\$585.1 million in the period and a cash balance of R\$1,425.1 million at the end of the year.

## OWNERSHIP STRUCTURE

Tupy's ownership structure as of December 31, 2020 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 in 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, 2020, the independent auditors only rendered services related to external audit, the issuance of a comfort letter, dated February 16, 2021, for the Offering Memorandum and review the obligations 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, 2020.

\* \* \*



**TUPY S.A. AND SUBSIDIARIES****BALANCE SHEETS AT DECEMBER 31, 2020 AND DECEMBER 31, 2019****(All amounts in thousands of reais)****ASSETS**

		Parent company		Consolidated	
	Note	12/31/20	12/31/19	12/31/20	12/31/19
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	3	832,175	362,600	1,425,113	840,030
Derivative financial instruments	33	1,103	2,635	1,236	4,751
Trade account receivables	4	499,141	422,012	683,404	672,356
Inventories	5	262,446	254,156	754,486	654,107
Tooling	6	43,973	38,052	183,146	141,128
Income tax and social contribution recoverable	7	50,332	50,118	94,171	65,004
Other taxes recoverable	8	44,978	94,000	132,267	162,854
Related parties	10	-	1,904	-	-
Other assets		46,024	49,058	55,999	59,112
<b>Total current assets</b>		<b>1,780,172</b>	<b>1,274,535</b>	<b>3,329,822</b>	<b>2,599,342</b>
<b>NON-CURRENT ASSETS</b>					
Income tax and social contribution recoverable	7	76,636	88,349	76,636	88,349
Other taxes recoverable	8	231,247	194,459	231,247	194,459
Deferred income tax and social contribution	9	316,080	139,304	428,733	195,887
Credits - Eletrobrás	11	81,446	152,149	81,446	152,149
Judicial deposits and other		47,738	41,175	48,824	42,261
Investments in equity instruments		2,350	2,429	11,645	9,461
Investments properties	12	-	-	6,363	6,363
Investments	13	2,307,818	1,872,764	-	-
Property, plant and equipment	14	621,083	702,832	1,726,857	1,634,336
Intangible assets	15	52,890	52,110	171,746	201,560
<b>Total non-current assets</b>		<b>3,737,288</b>	<b>3,245,571</b>	<b>2,783,497</b>	<b>2,524,825</b>
<b>Total assets</b>					
		<b>5,517,460</b>	<b>4,520,106</b>	<b>6,113,319</b>	<b>5,124,167</b>

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

**TUPY S.A. AND SUBSIDIARIES****BALANCE SHEETS AT DECEMBER 31, 2020 AND DECEMBER 31, 2019****(All amounts in thousands of reais)****LIABILITIES**

	Note	Parent company		Consolidated	
		12/31/20	12/31/19	12/31/20	12/31/19
<b>CURRENT LIABILITIES</b>					
Trade accounts payables		336,604	276,374	616,194	627,565
Loans and financing	16	397,495	55,595	401,924	62,920
Derivative financial instruments	33	1,468	-	1,705	-
Income taxes payable		-	-	2,403	6,162
Other taxes payable		2,254	7,204	40,559	53,261
Salaries, social security charges and profit sharing	17	116,778	129,195	159,924	168,544
Advances from customers	18	27,366	21,320	169,689	121,687
Related parties	10	3,008	1,203	-	-
Dividends and interest on shareholders' equity		135	191	135	191
Provision for tax, civil, social security and labor proceedings	20	37,016	40,536	37,016	40,536
Other liabilities	21	66,534	38,610	84,509	45,629
<b>Total current liabilities</b>		<b>988,658</b>	<b>570,228</b>	<b>1,514,058</b>	<b>1,126,495</b>
<b>NON-CURRENT LIABILITIES</b>					
Loans and financing	16	1,821,422	1,419,051	1,823,618	1,421,061
Provision for tax, civil, social security and labor proceedings	20	149,451	140,544	151,818	141,848
Retirement benefit obligations	19	-	-	65,446	44,069
Other long term liabilities		4,472	2,880	4,922	3,291
<b>Total non-current liabilities</b>		<b>1,975,345</b>	<b>1,562,475</b>	<b>2,045,804</b>	<b>1,610,269</b>
<b>EQUITY</b>					
Share capital	21	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		5,245	7,968	5,245	7,968
Treasury shares		(374)	-	(374)	-
Carrying value adjustments	13b	849,634	613,252	849,634	613,252
Income reserves		645,192	712,423	645,192	712,423
<b>Total equity</b>		<b>2,553,457</b>	<b>2,387,403</b>	<b>2,553,457</b>	<b>2,387,403</b>
<b>Total liabilities and equity</b>					
		<b>5,517,460</b>	<b>4,520,106</b>	<b>6,113,319</b>	<b>5,124,167</b>

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

**TUPY S.A. AND SUBSIDIARIES****STATEMENTS OF INCOME****PERIOD ENDED DECEMBER 31, 2020 AND 2019****(All amounts in thousands of reais, except earnings per share)**

	Note	Parent company		Consolidated	
		12/31/20	12/31/19	12/31/20	12/31/19
NET REVENUE	24	2,370,529	2,824,206	4,257,596	5,163,585
Cost of products sold	25	(1,847,886)	(2,231,237)	(3,572,596)	(4,328,633)
GROSS PROFIT		522,643	592,969	685,000	834,952
Selling expenses	25	(100,865)	(114,622)	(194,307)	(208,698)
Administrative expenses	25	(123,044)	(136,432)	(175,018)	(178,307)
Management fees	10	(14,700)	(10,167)	(14,700)	(10,167)
Other operating expenses, net	27	(22,577)	32,849	(64,810)	(34,785)
Share of results of subsidiaries	13	(74,710)	4,831	-	-
PROFIT BEFORE IMPAIRMENTS		186,747	369,428	236,165	402,995
Impairment	27	(3,404)	(920)	(19,354)	(46,404)
PROFIT BEFORE FINANCE RESULTS AND INCOME TAXES		183,343	368,508	216,811	356,591
Finance costs	26	(228,204)	(115,935)	(235,529)	(120,179)
Finance income	26	36,301	85,807	39,612	90,086
Monetary and foreign exchange variations, net	26	(93,503)	24,490	(145,020)	12,072
		(285,406)	(5,638)	(340,937)	(18,021)
PROFIT (LOSS) BEFORE INCOME TAXES		(102,063)	362,870	(124,126)	338,570
Income tax and social contribution	28	25,853	(83,938)	47,916	(59,638)
NET INCOME (LOSS) FOR THE YEAR		(76,210)	278,932	(76,210)	278,932
EARNINGS PER SHARE					
Basic earnings (loss) per share	29	(0.52903)	1.93464	(0.52903)	1.93464
Diluted earnings (loss) per share	29	(0.52629)	1.92889	(0.52629)	1.92889

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

**TUPY S.A. AND SUBSIDIARIES****STATEMENTS OF COMPREHENSIVE INCOME****YEAR ENDED DECEMBER 31, 2020 AND 2019****(All amounts in thousands of reais)**

	Note	Parent company		Consolidated	
		12/31/20	12/31/19	12/31/20	12/31/19
<b>NET INCOME (LOSS) FOR THE YEAR</b>		(76,210)	278,932	(76,210)	278,932
<b>Components of other comprehensive income to be reclassified to the results</b>					
Foreign exchange variation of investees located abroad	13	509,764	67,940	509,764	67,940
Hedge of net investment abroad		(403,692)	(54,408)	(403,692)	(54,408)
Tax effect on hedge of net investment abroad		137,255	18,499	137,255	18,499
		243,327	32,031	243,327	32,031
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		167,117	310,963	167,117	310,963

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

## TUPY S.A. AND SUBSIDIARIES

STATEMENT 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
					Exchange variation of investees	Deemed cost of fixed assets	legal reserve	Reserve for investments		
AT DECEMBER 31, 2018	1,060,301	(6,541)	8,564	(292)	548,092	41,818	81,809	466,212	-	2,199,963
<b>Comprehensive income for the period</b>										
Profit for the period	-	-	-	-	-	-	-	-	278,932	278,932
Realization of carrying value adjustments	-	-	-	-	-	(8,689)	-	-	8,689	-
Foreign exchange variation of investees located abroad	-	-	-	-	67,940	-	-	-	-	67,940
Hedge of net investment abroad	-	-	-	-	(54,408)	-	-	-	-	(54,408)
Tax impact on hedge of net investment abroad	-	-	-	-	18,499	-	-	-	-	18,499
Total comprehensive income for the period	-	-	-	-	32,031	(8,689)	-	-	287,621	310,963
<b>Contributions from shareholders and distributions to shareholders</b>										
Management stock option plan	-	-	1,477	-	-	-	-	-	-	1,477
Realization of management stock option plan	-	-	(1,781)	-	-	-	-	-	1,781	-
(-) Stock options exercised	-	-	(292)	292	-	-	-	-	-	-
Allocation of profit:	-	-	-	-	-	-	-	-	-	-
Legal reserve	-	-	-	-	-	-	13,947	-	(13,947)	-
Investment reserve	-	-	-	-	-	-	-	275,455	(275,455)	-
Interest on shareholders' equity	-	-	-	-	-	-	-	(125,000)	-	(125,000)
Total contributions from shareholders and distributions to shareholders	-	-	(596)	292	-	-	13,947	150,455	(287,621)	(123,523)
AT DECEMBER 31, 2019	1,060,301	(6,541)	7,968	-	580,123	33,129	95,756	616,667	-	2,387,403
AT DECEMBER 31, 2019	1,060,301	(6,541)	7,968	-	580,123	33,129	95,756	616,667	-	2,387,403
<b>Comprehensive income for the period</b>										
Loss for the period	-	-	-	-	-	-	-	-	(76,210)	(76,210)
Realization of carrying value adjustments	-	-	-	-	-	(6,945)	-	-	6,945	-
Foreign exchange variation of investees located abroad	13	-	-	-	509,764	-	-	-	-	509,764
Hedge of net investment abroad	-	-	-	-	(403,692)	-	-	-	-	(403,692)
Tax impact on hedge of net investment abroad	-	-	-	-	137,255	-	-	-	-	137,255
Total comprehensive income for the year	-	-	-	-	243,327	(6,945)	-	-	(69,265)	167,117
<b>Contributions from shareholders and distributions to shareholders</b>										
Management stock option plan	-	-	2,105	-	-	-	-	-	-	2,105
Realization of management stock option plan	-	-	(2,034)	-	-	-	-	-	2,034	-
(-) Treasury stock	-	-	-	(3,168)	-	-	-	-	-	(3,168)
(-) Stock options exercised	-	-	(2,794)	2,794	-	-	-	-	-	-
Allocation of loss:	-	-	-	-	-	-	-	-	-	-
Investment reserve	-	-	-	-	-	-	-	(67,231)	67,231	-
Total contributions from shareholders and distributions to shareholders	-	-	(2,723)	(374)	-	-	-	(67,231)	69,265	(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

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

**TUPY S.A. AND SUBSIDIARIES****STATEMENTS OF CASH FLOW****PERIOD ENDED DECEMBER 31, 2020 AND 2019****(All amounts in thousands of reais, except earnings per share)**

		Parent company		Consolidated	
	Note	12/31/20	12/31/19	12/31/20	12/31/19
<b>Cash flow from operating activities:</b>					
Profit for the period before income tax and social contribution		(102,063)	362,870	(124,126)	338,570
Adjustment to reconcile profit (losses) with cash provided by operating activities:					
Depreciation and amortization	14 e 15	141,859	140,740	350,140	326,051
Impairment	14 e 15	3,404	920	19,354	46,404
Share of results of subsidiaries	13	74,710	(4,831)	-	-
Disposals of property, plant and equipment		2,040	(3,778)	8,688	2,880
Interest accrued and foreign exchange variations		80,032	71,120	142,021	81,645
Provision for impairment of trade receivables		8,183	7	7,816	(333)
Provision for losses on inventory		10,512	(3,947)	21,394	(5,781)
Provision for contingencies	21	37,004	58,812	38,067	60,116
Stock option plan		2,105	1,477	2,105	1,477
Change in Eletrobrás credit		70,782	(54,285)	70,782	(54,285)
		328,568	569,105	536,241	796,744
<b>Changes in operating assets and liabilities:</b>					
Trade accounts receivables		(11,586)	(94,248)	69,748	27,854
Inventories		(18,802)	(16,021)	(29,952)	(117,182)
Tooling		(5,921)	(772)	(12,597)	26,504
Other taxes recoverable		10,065	(381)	9,227	(14,038)
Other assets		1,809	(22,061)	1,656	(7,239)
Eletrobras		-	72,470	-	72,470
Judicial deposits and other		(6,563)	(1,099)	(6,563)	(1,090)
Trade payables		50,719	16,315	(115,360)	(6,350)
Other taxes payable		(4,950)	4,394	(22,068)	22,035
Salaries, social security charges and profit sharing		(12,417)	4,111	(19,508)	2,342
Advances from customers		6,046	(15,744)	16,175	(43,757)
Notes and other payables		27,924	(86,371)	36,624	(7,319)
Retirement benefit obligations		-	-	9,595	13,205
Other liabilities		(30,025)	(43,419)	(29,986)	(43,492)
<b>Cash generated by operations</b>		<b>334,867</b>	<b>386,279</b>	<b>443,232</b>	<b>720,687</b>
Interest paid		(123,376)	(92,382)	(121,772)	(92,019)
Income tax and social contribution paid		-	-	(29,801)	(62,012)
<b>Net cash generated from operating activities</b>		<b>211,491</b>	<b>293,897</b>	<b>291,659</b>	<b>566,656</b>
<b>Cash flow from investing activities:</b>					
Additions to investments		-	(6,053)	-	-
Additions to fixed assets or intangibles	14 e 15	(53,098)	(95,158)	(128,993)	(273,706)
Advances from investment property sales		-	-	5,000	5,000
Cash generated on PPE disposals		1,225	6,295	1,225	159
Subsidiaries and associates		3,709	4,042	-	-
<b>Net cash used in investing activities</b>		<b>(48,164)</b>	<b>(90,874)</b>	<b>(122,768)</b>	<b>(268,547)</b>
<b>Cash flow from financing activities:</b>					
Payment of loans	3	(184,153)	(4,739)	(184,153)	(4,739)
Loans and financing raised	3	494,412	-	494,412	-
Lease payment from right of use		(6,011)	(4,075)	(17,318)	(12,437)
Interest on capital and dividends paid		(56)	(152,666)	(56)	(152,666)
Income tax of interest on capital and dividends paid		-	(9,767)	-	(9,767)
Treasury stock		(3,168)	-	(3,168)	-
<b>Net cash from (used) in financing activities</b>		<b>301,024</b>	<b>(171,247)</b>	<b>289,717</b>	<b>(179,609)</b>
Effect of exchange rate differences on cash for the period		5,224	2,474	126,475	7,797
<b>Increase in cash and cash equivalents</b>		<b>469,575</b>	<b>34,250</b>	<b>585,083</b>	<b>126,297</b>
Cash and cash equivalents at the beginning of the year		362,600	328,350	840,030	713,733
<b>Cash and cash equivalents at the end of the year</b>		<b>832,175</b>	<b>362,600</b>	<b>1,425,113</b>	<b>840,030</b>

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



**TUPY S.A. AND SUBSIDIARIES**

**STATEMENT OF VALUE ADDED**  
**YEAR ENDED DECEMBER 31, 2020 AND 2019**  
**(All amounts in thousands of reais)**

	Note	Parent company		Consolidated	
		12/31/20	12/31/19	12/31/20	12/31/19
<b>Origination of value added</b>		2,539,445	3,080,065	4,426,879	5,419,784
Sale of products, net of returns and rebates	24	2,547,628	3,080,072	4,434,695	5,419,451
Provision for impairment of trade receivables		(8,183)	(7)	(7,816)	333
<b>(-) Inputs acquired from third parties</b>		(1,456,326)	(1,756,443)	(2,741,973)	(3,279,394)
Raw materials and processing material consumed		(1,022,549)	(1,462,878)	(1,367,171)	(2,412,672)
Materials, energy, third party services and other		(433,777)	(293,565)	(1,374,802)	(866,722)
<b>GROSS VALUE ADDED</b>		1,083,119	1,323,622	1,684,906	2,140,390
<b>Retentions:</b>		(145,263)	(141,660)	(369,494)	(372,455)
Depreciation and amortization	13 and 14	(141,859)	(140,740)	(350,140)	(326,051)
Impairment		(3,404)	(920)	(19,354)	(46,404)
<b>Net value added generated by the Company</b>		937,856	1,181,962	1,315,412	1,767,935
<b>Value added received through transfer</b>		(38,409)	90,638	39,612	90,086
Share of results of subsidiaries	13	(74,710)	4,831	-	-
Finance income	26	36,301	85,807	39,612	90,086
<b>VALUE ADDED TO DISTRIBUTE</b>		<b>899,447</b>	<b>1,272,600</b>	<b>1,355,024</b>	<b>1,858,021</b>
<b>Distribution of value added</b>					
<b>Personnel</b>		516,783	620,286	934,024	1,211,989
Employees		365,365	446,554	763,080	1,024,866
Social charges - Government Severance Indemnity Fund for Employees (FGTS)		25,193	31,464	25,193	31,464
Profit sharing		30,530	45,750	47,876	57,825
Management fees		14,700	10,167	14,700	10,167
Workplace healthcare and safety		58,619	60,598	58,619	60,598
Food		8,362	11,941	8,362	11,941
Professional education, qualification and development		630	787	1,450	1,449
Other amounts		13,384	13,025	14,744	13,679
<b>Government</b>		137,167	281,937	116,661	258,993
Federal taxes and contributions		71,443	305,541	50,929	282,595
State taxes and rates		55,466	(34,885)	55,466	(34,884)
Municipal taxes, rates and other		10,258	11,281	10,266	11,282
<b>Third party capital</b>		321,707	91,445	380,549	108,107
Finance costs	26	228,204	115,935	235,529	120,179
Monetary and foreign exchange variations, net	26	93,503	(24,490)	145,020	(12,072)
<b>Own capital</b>		(76,210)	278,932	(76,210)	278,932
Retained earnings (losses)		(76,210)	278,932	(76,210)	278,932
<b>TOTAL VALUE ADDED</b>		<b>899,447</b>	<b>1,272,600</b>	<b>1,355,024</b>	<b>1,858,021</b>

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 and Maua, and Mexico, at Saltillo and Ramos Arizpe. In addition, the Parent company has investments in companies abroad that operate in logistics, trading, technical assistance and centralization of foreign corporate operations.

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.

On December 19, 2019, the Company entered into a Share Purchase Agreement with Fiat Chrysler Automobiles NV, for the acquisition of 100% of Teksid's iron castings 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. The acquisition price (Enterprise Value) is €210,000,000 (two hundred and ten million euros), which will be subject to price adjustments common to this type of operation and will be paid at the time of closing of the deal. The transaction is subject to approval by antitrust authorities in the competent jurisdictions, as well as to the verification of other certain suspensive conditions usual for similar operations.

In December 08, 2020, the General Superintendence of CADE (Administrative Council for Economic Defense), issued initial technical opinion unfavorable to the acquisition of the Brazilian subsidiary. The process, with the mentioned recommendation, will be submitted to Administrative Tribunal of Economic Defense, when the parties will re-submit all the evidence that indicates that the transaction does not offer any competitive damage to the Brazilian market. The Company will continue to collaborate with CADE and taking all necessary measures in order to obtain full approval of the transaction and will keep the market and its shareholders informed of any relevant updates regarding the subject matter. Finally, the Company hereby informs that it has obtained the approvals of the antitrust agencies of the competent European jurisdictions and is expecting the approvals of the US and Mexican authorities.

The issuance of these financial statements was approved by the Board of Directors on March 4, 2021.

**1.1 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. A Crisis Committee was created, which monitors daily the evolution of the pandemic and implements contingency plans in order to act quickly.

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, in addition to those reported in notes 14 and 15.

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.

In view of the scenarios being monitored, the indicators for 2020 are expected to change in terms of orders and deliveries in the face of the impacts caused by the global pandemic. To mitigate these effects, the Company reinforced its inventory levels, moving its products to geographical positions close to its customers in order to avoid shortages due to geographic mismatches and different recovery cycles. This has allowed, until then, to keep regular delivery of orders to customers. At this moment, the contracts signed with clients do not present risks of being terminated and the receivables of not being paid.

## **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, 2020 are:

		Interest* (%)	Functional currency	Headquarters
<b>Direct subsidiaries</b>				
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
<b>Indirect subsidiary</b>				
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

(\*) 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 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.

## **2.4 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.

**e. Eletrobras**

The credit against Eletrobras is registered and valued at the amount updated at December 31, 2018 in accordance with criteria and assumptions determined in an irrevocable court decision. This credit has embedded derivative derived from the option to realize, the partial or total credit, in cash or in shares of Eletrobras, at their choice. Those credits are adjusted to fair value, in order to reflect the lower and more probable realization value in favor of Company.

**2.5 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 and other assets and are classified as financial assets at amortized cost.

**(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 through 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 33.

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 16).

#### **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. 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.

#### **h. 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.

**i. 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.

**j. 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.

**k. 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.

**l. 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, as assets or liabilities, in the balance sheet.

Sales revenues from operations are subject to the following taxes and contributions at the following basic rates:



Taxes		Percent (%)
PIS	Social integration program	1.65
COFINS	Social contribution on Revenues	7.60
ICMS	Value added tax on sales and services	0 to 17
ISS	Tax over services	5.00
IPI	Excise tax	0 to 15
IVA	Value-added tax	16.00

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

#### m. 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.

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

### a. New standards

#### 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). 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 2021, the Company will assess if those modification will impact or not the existing loan agreements

### b. Modifications

The Company evaluated changes in standards that are valid for annual periods beginning on January 1, 2020 or after that date as follows:

- CPC 15 (R1): Business definition, had no impact on the Company's financial statements, but may impact future periods in which business combinations occur.
- CPC 38, CPC 40 (R1) and CPC 48: Reference Interest Rate Reform, had no impact on the Company's financial statements, as the Company does not have hedge of interest rate
- CPC 26 (R1) and CPC 23: Definition of material; CPC 00 (R2): Conceptual Framework for Financial Reporting, and CPC 06 (R2): Benefits Related to Covid-19 Granted to Leaseholders in Lease Contracts had no impact on the Company's individual and consolidated financial statements.

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

## 3. CASH AND CASH EQUIVALENTS

	Parent company		Consolidated	
	Dec/20	Dec/19	Dec/20	Dec/19
Cash and banks	19,215	1,723	19,401	1,754
Financial investments in Brazil	753,293	332,878	753,533	333,096
Financial investments abroad	59,667	27,999	652,179	505,180
	<b>832,175</b>	<b>362,600</b>	<b>1,425,113</b>	<b>840,030</b>

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 2.86% per annum (5.97% - December 31, 2019). The investments abroad are denominated mostly in U.S. dollars (US\$) at the average rate of 0.42% per annum (2.55% per annum - December 31, 2019) designed as time deposit and overnight.

The increase occurred in the period is mainly due to generation of cash from operating activities, and due to the funding that took place during the first quarter, in the net amount of R\$310,285, to form a liquidity cushion, to face the pandemic.

The Company operates with first line banks as detailed in Note 34.1.

#### 4. TRADE ACCOUNT RECEIVABLES

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

	Parent company		Consolidated	
	Dec/20	Dec/19	Dec/20	Dec/19
Domestic market	93,459	71,121	93,459	71,121
Foreign market	414,918	351,004	600,445	602,624
Provision for impairment of trade receivables	(9,236)	(113)	(10,500)	(1,389)
	<b>499,141</b>	<b>422,012</b>	<b>683,404</b>	<b>672,356</b>

	Parent company		Consolidated	
	Dec/20	Dec/19	Dec/20	Dec/19
Falling due in up to 30 days	193,181	157,563	388,920	364,727
Falling due within 31 to 60 days	194,531	101,510	204,138	182,037
Falling due in more than 61 days	87,918	111,354	29,235	50,079
<b>Total falling due</b>	<b>475,630</b>	<b>370,427</b>	<b>622,293</b>	<b>596,843</b>
Overdue for up to 30 days	18,963	36,920	47,281	42,750
Overdue for 31 to 60 days	3,097	8,736	11,240	21,016
Overdue for more than 61 days	10,687	6,042	13,090	13,136
<b>Total overdue</b>	<b>32,747</b>	<b>51,698</b>	<b>71,611</b>	<b>76,902</b>
Provision for impairment of trade receivables	(9,236)	(113)	(10,500)	(1,389)
<b>Total</b>	<b>499,141</b>	<b>422,012</b>	<b>683,404</b>	<b>672,356</b>

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

The variation in trade account receivable is mainly due to the reduction in the amount of sales for the period, as opposed to the devaluation of the Real in relation to the U.S. dollar which was R\$4.0307 to US\$1.00 on December 31, 2019 and achieved R\$5.1967 to US\$1.00 on December 31, 2020.

The Company's trade accounts receivables in the foreign market include related-party amounts which are eliminated upon consolidation, amounting R\$324,028 (R\$209,164 on December 31, 2019) (Note 10).

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/20	Dec/19	Dec/20	Dec/19
Opening balance	(113)	(296)	(1,389)	(1,941)
Additions	(9,074)	(272)	(10,375)	(3,407)
Reversals	891	265	2,559	3,740
Write-offs (*)	(940)	190	(1,295)	219
<b>Closing balance</b>	<b>(9,236)</b>	<b>(113)</b>	<b>(10,500)</b>	<b>(1,389)</b>

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

The increase is mainly due to the recognition of a provision for expected losses due to the impacts caused by the COVID-19 pandemic, exclusively in the hydraulics segment.

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

## 5. INVENTORIES

	Parent company		Consolidated	
	Dec/20	Dec/19	Dec/20	Dec/19
Finished products	99,099	96,971	230,758	200,172
Work in progress	76,299	72,579	297,785	269,547
Raw materials	75,435	65,655	181,355	124,860
Maintenance and other materials	27,895	24,721	81,586	75,132
Provision for losses	(16,282)	(5,770)	(36,998)	(15,604)
	<b>262,446</b>	<b>254,156</b>	<b>754,486</b>	<b>654,107</b>

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 increase is due, in large part, to the exchange devaluation of the Brazilian Real against the U.S. dollar and, also, by the production to stock aiming at eliminating supply risks to our customers and preparing the factories for the post-pandemic resumption.

On June 30, 2020 as a result of the indefinite suspension of the finishing line at Mauá-SP unit (Note 13), the Company recorded a provision for the devaluation of certain items of maintenance material stock intrinsically related to that unit in the amount of R\$9,146, which now no longer have expectation of recoverability. The Company did not observe other indicators additional losses due to COVID-19.

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

	Parent company		Consolidated	
	Dec/20	Dec/19	Dec/20	Dec/19
Opening balance	(5,770)	(9,717)	(15,604)	(21,385)
Additions	(11,163)	242	(22,045)	2,076
Write-off as loss	651	3,705	651	3,705
Closing balance	<b>(16,282)</b>	<b>(5,770)</b>	<b>(36,998)</b>	<b>(15,604)</b>

On December 31, 2020, the Company offered finished product inventory as collateral for labor and social security proceedings amounting to R\$9,584 (R\$7,770 on December 31, 2019) in the Parent company and Consolidated. Currently, the Company adopts guarantee insurance.

## 6. TOOLING

	Parent company		Consolidated	
	Dec/20	Dec/19	Dec/20	Dec/19
Domestic market	14,183	8,262	14,183	8,262
Foreign market	29,790	29,790	168,963	132,866
	<b>43,973</b>	<b>38,052</b>	<b>183,146</b>	<b>141,128</b>

The variation in the period is mainly due the devaluation of the Real against the US Dollar (US\$), which went from 4.0307 on December 31, 2019 to 5.1967 on December 31, 2020 and the development of new projects with customers.

## 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 five years.

	Dec/20			Dec/19		
	Current	Non-current	Total	Current	Non-current	Total
<b>Parent Company</b>	<b>50,332</b>	<b>76,636</b>	<b>126,968</b>	<b>50,118</b>	<b>88,349</b>	<b>138,467</b>
Income tax	50,332	45,482	95,814	50,118	50,821	100,939
Social contribution	-	31,154	31,154	-	37,528	37,528
<b>Subsidiaries</b>	<b>43,839</b>	<b>-</b>	<b>43,839</b>	<b>14,886</b>	<b>-</b>	<b>14,886</b>
Income tax	43,839	-	43,839	14,886	-	14,886
<b>Consolidated</b>	<b>94,171</b>	<b>76,636</b>	<b>170,807</b>	<b>65,004</b>	<b>88,349</b>	<b>153,353</b>

## 8. OTHER TAXES RECOVERABLE

	Dec/20			Dec/19		
	Current	Non-current	Total	Current	Non-current	Total
<b>Parent company</b>	<b>44,978</b>	<b>231,247</b>	<b>276,225</b>	<b>94,000</b>	<b>194,459</b>	<b>288,459</b>
ICMS recoverable - São Paulo	5,697	8,138	13,835	10,143	12,777	22,920
ICMS recoverable - Santa Catarina	29,982	53,528	83,510	29,981	89,683	119,664
Reintegra benefit (a)	463	52,744	53,207	2,047	27,952	29,999
COFINS, PIS and IPI recoverable (b)	8,836	116,837	125,673	51,829	64,047	115,876
<b>Subsidiaries</b>	<b>87,289</b>	<b>-</b>	<b>87,289</b>	<b>68,854</b>	<b>-</b>	<b>68,854</b>
Value-added tax (VAT)	87,289	-	87,289	68,854	-	68,854
<b>Consolidated</b>	<b>132,267</b>	<b>231,247</b>	<b>363,514</b>	<b>162,854</b>	<b>194,459</b>	<b>357,313</b>

The mentioned credits originate as follows:

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

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, for those supplies which are not in the program by December 31, 2019. These actions provided a reduction in the credit balance in 2020 in the amount of R\$36,154.

In São Paulo, 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 8,304/14. The legislation allows an increase of up to 2% percentage points in the benefit, provided that the existence of tax residue in the production chain.

The Company prepared reports that prove the existence of tax residue in the production chain and recognized in 2020 the amount of R\$32,732, which will 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 on the acquisition of inputs used in the production process net of taxes levied on the sale of products in domestic market.

COFINS and PIS credits can be offset other federal taxes and, since 2019, also to offset social security contributions. They can also be reimbursed in cash in proportion to export revenue over total revenue. In this modality, the Company received R\$36,000 during 2020.

The Company expects to realize such credits in up to five years.

**Exclusion of ICMS from the PIS and COFINS calculation base**

The Company is discussing the right to exclude the ICMS from the calculation basis of the contribution to PIS and COFINS, filed 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.

Considering the final decision of the process in the federal court of the third region, the Company have the right to exclude ICMS from the calculation basis of the PIS and COFINS contribution. In December 2019, the amount of R\$46,567 was recognized. Of which R\$36,827 in other operating income and expenses and the amount referring to the update of R\$9,740 as financial income.

In 2020 considering the final decision of the writ of mandamus that was being processed at the Federal Regional Court of the 4th region, the Company recognized the right to exclude ICMS from the calculation basis for the contribution of PIS and COFINS, the value of which was determined in December 2020, represents R\$58,120, being recorded in other operating income and expenses.

In order to use the PIS and COFINS credits, the Company must submit, through administrative procedure, the credit for validation by the Federal Revenue of Brazil.

**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/20	Dec/19	Dec/20	Dec/19
<b>Deferred assets</b>				
Income tax and social contribution losses	208,208	53,745	244,180	71,262
Provisions for contingencies	65,608	67,643	65,608	67,643
Taxes and contribution recoverable	39,629	39,472	39,629	39,472
Credits – Eletrobrás	10,881	11,341	10,881	11,341
Property, plant and equipment - impairment	30,288	29,131	30,288	29,131
Salaries, social security charges and profit sharing	10,066	14,525	39,870	34,890
Provision for impairment of trade receivables	11,206	3,544	11,206	3,544
Provision for inventory losses	5,989	2,348	5,989	2,348
Share-based payments	1,783	2,708	1,783	2,708
Tooling	-	-	40,051	24,946
Financial derivative instruments	124	(896)	124	(896)
Other items	14,324	5,404	29,961	13,885
Property, plant and equipment - tax base (México)	-	-	463	4,889
Unrealized profits in subsidiaries	-	-	12,738	11,711
<b>Subtotal</b>	<b>398,106</b>	<b>228,965</b>	<b>532,771</b>	<b>316,874</b>
<b>Deferred liabilities</b>				
Depreciation rate differences	68,537	72,595	68,537	72,595
Property, plant and equipment - carrying value adjustments	13,489	17,066	13,489	17,066
Deferred tax on intangible assets	-	-	22,012	31,326
<b>Subtotal</b>	<b>82,026</b>	<b>89,661</b>	<b>104,038</b>	<b>120,987</b>
<b>Total deferred liabilities, net</b>	<b>316,080</b>	<b>139,304</b>	<b>428,733</b>	<b>195,887</b>

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, 2020 was R\$463 (R\$4,889 at December 31, 2019). 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/20	Dec/19	Dec/20	Dec/19
2020	-	62,542	-	109,684
2021	64,851	58,622	118,799	65,924
2022	62,057	32,478	63,215	33,568
2023	31,082	13,819	32,445	15,124
2024	35,083	10,272	36,661	11,584
Thereafter	205,033	51,232	281,651	80,990
	<b>398,106</b>	<b>228,965</b>	<b>532,771</b>	<b>316,874</b>

During the year ended December 31, 2020, changes in deferred tax assets and liabilities were as follows:

	Parent company		Consolidated	
	Dec/20	Dec/19	Dec/20	Dec/19
<b>Opening balance</b>	<b>139,304</b>	<b>170,452</b>	<b>195,887</b>	<b>143,668</b>
<b>Recognized in profit (loss)</b>				
Recognized in profit (loss) for the year	39,521	(49,647)	67,011	32,278
Recognized in comprehensive income for the year	137,255	18,499	137,255	18,499
Effects of currency translation into presentation currency	-	-	28,580	1,442
<b>Closing balance</b>	<b>316,080</b>	<b>139,304</b>	<b>428,733</b>	<b>195,887</b>

All amounts in thousands of reais unless otherwise stated



## 10. RELATED-PARTY TRANSACTIONS

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

### a. Subsidiaries:

Assets	Dec/20	Dec/19
<b>Trade account receivables</b>	<b>324,208</b>	<b>209,164</b>
Tupy Mexico Saltillo, S.A. de C.V	180,357	110,257
Tupy American Foundry Corporation	132,771	76,178
Tupy Europe GmbH	10,438	22,297
Technocast, S.A. de C.V.	642	432
<b>Related parties – loans</b>	<b>-</b>	<b>1,904</b>
Tupy Agroenergética Ltda.	-	1,904
	<b>324,208</b>	<b>211,068</b>

Liabilities	Dec/20	Dec/19
<b>Loans and financing</b>	<b>1,871,373</b>	<b>1,451,487</b>
Tupy Overseas S.A	1,871,373	1,451,487
<b>Advances from customers</b>	<b>6,469</b>	<b>4,756</b>
Tupy American Iron & Alloys Corporation	4,652	3,608
Tupy Europe GmbH	1,817	1,148
<b>Other liabilities</b>	<b>19,677</b>	<b>11,068</b>
Tupy México Saltillo S.A. de CV	10,126	4,789
Tupy Europe GmbH	3,843	3,435
Tupy American Foundry Co.	5,708	1,337
Tupy American Iron & Alloys Corporation	-	1,507
<b>Related parties – loans</b>	<b>3,008</b>	<b>1,203</b>
Tupy Agroenergética Ltda.	1,823	-
Sociedade Técnica de Fundições Gerais S.A. - Sofunge "in liquidation"	1,185	1,203
	<b>1,900,527</b>	<b>1,468,514</b>

Statement of income	Dec/20	Dec/19
<b>Revenues</b>	<b>1,111,720</b>	<b>1,012,767</b>
Tupy American Foundry Corporation	508,035	606,563
Tupy Europe GmbH	137,068	227,447
Tupy Mexico Saltillo, S.A. de C.V	466,617	178,709
Technocast, S.A. de C.V.	-	48
<b>Other operating expenses, net</b>	<b>522</b>	<b>100</b>
Technocast, S.A. de C.V.	496	1
Tupy Mexico Saltillo, S.A. de C.V	26	99
<b>Finance costs</b>	<b>(126,178)</b>	<b>(94,023)</b>
Tupy Overseas S.A.	(126,178)	(94,023)
	<b>986,064</b>	<b>918,844</b>

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, 2020, 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.

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 16.

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	
	2020	2019	2020	2019	2020	2019
Fixed remuneration	3,561	2,402	4,870	4,268	8,431	6,670
Variable remuneration	-	-	4,279	1,613	4,279	1,613
Stock option plan (Note 19)	537	610	1,453	1,274	1,990	1,884
	<b>4,098</b>	<b>3,012</b>	<b>10,602</b>	<b>7,155</b>	<b>14,700</b>	<b>10,167</b>

The overall amount of the annual remuneration for the current year approved for the Board of Directors, the Executive Board and the Statutory Audit Board at the Extraordinary and Ordinary General Meeting for the year ended December 31, 2020 was R\$21,085 (R\$17,661 in the year ended December 31, 2019).

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

The amounts recorded as variable remuneration of the Executive Board are considered as a provision, based on to the goals established for the year. Information about the Stock option plan is provided in Note 22.

Officers receive additional corporate benefits, such as corporate vehicles, reimbursement of vehicle-related expenses, health insurance, pension plan and severance pay. At December 31, 2020, these benefits totaled R\$1,083 (R\$765 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, 2020, the Company recognized sponsorship expenses of R\$454 (R\$1,250 - December 31, 2019).

## 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 are 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. The derivative has been actualized monthly, and the variation in the provision 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.

Currently, the credits registered by the Company correspond to the last update which is mentioned on the records issued by the Judicial Accounting Office. This update determined a difference regarding the estimative, made in December 31st 2020, of R\$72,056.

The credit recognition of the updated amount and the variation regarding the fair value from the derivative instrument is recognized in the finance results.

### Parent Company and Consolidated

	Credits	Realizable value adjustment	Net realizable value
<b>AT DECEMBER 31, 2018</b>	<b>250,473</b>	<b>(79,499)</b>	<b>170,974</b>
Monetary adjustment (nota 25)	7,502	-	7,502
Change in fair value of derivative (nota 25)	-	46,143	46,143
Received	(72,470)	-	(72,470)
<b>AT DECEMBER 31, 2019</b>	<b>185,505</b>	<b>(33,356)</b>	<b>152,149</b>
Adjustment (nota 25)	(72,056)	-	(72,056)
Change in fair value of derivative (nota 25)	-	1,353	1,353
<b>AT DECEMBER 31, 2020</b>	<b>113,449</b>	<b>(32,003)</b>	<b>81,446</b>

## 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, 2020, their carrying value was R\$6,363 (R\$6,363 in 2019), 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 from 2018.

### 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 (*)
<b>AT DECEMBER 31, 2020</b>							
<b>Investment in subsidiary company</b>							
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 "in liquidation"	2,511	141	-	(1,057)	100,00	(1,057)	141
						<b>(74,710)</b>	<b>2,307,818</b>

(\*) 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 (*)
<b>AT DECEMBER 31, 2019</b>							
<b>Investment in subsidiary company</b>							
Tupy Mexico Saltillo, S.A. de C.V.	1,561,537	964,093	30,513	65,328	100.00	53,854	983,008
Technocast, S.A. de C.V.	859,803	561,104	10,713	(68,055)	100.00	(68,055)	571,817
Servicios Industriales Technocast, S.A. de C.V.	1,054	657	-	(120)	100.00	(120)	657
Tupy Overseas	1,465,720	18,943	-	1,233	100.00	1,233	18,943
Tupy American Foundry Co.	213,462	126,200	-	7,766	100.00	6,257	120,636
Tupy American Iron & Alloys Co.	5,513	5,514	-	1	100.00	1	5,514
Tupy Europe GmbH	200,187	166,858	-	13,339	100.00	13,898	161,289
Tupy Materials & Components B.V(**)	6,046	5,985	-	-	100.00	-	5,985
Tupy Agroenergética Ltda.	10,640	3,717	-	(899)	100.00	(899)	3,717
Sociedade Técnica de Fundições Gerais SA. - Sofunge "em liquidação"	2,502	1,198	-	(1,338)	100.00	(1,338)	1,198
						<b>4,831</b>	<b>1,872,764</b>

(\*) Adjusted by unrealized profits

(\*\*) Tupy S.A. 99% and Tupy Agroenergética 1%

#### b. Changes in investments

<b>Parent company</b>	
<b>AT DECEMBER 31, 2018</b>	
Share in the results of subsidiaries	4,831
Additions to investments	6,053
Exchange variations of investees located abroad	67,940
<b>AT DECEMBER 31, 2019</b>	<b>1,872,764</b>
Share in the results of subsidiaries	(74,710)
Exchange variations of investees located abroad	509,764
<b>AT DECEMBER 31, 2020</b>	<b>2,307,818</b>

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.

#### c. Tupy Materials & Components B.V.

As part of the Company's organizational restructuring plan, during the year of 2020 the participation in Mexican subsidiaries, Tupy Mexico Saltillo S.A. de C.V., Tecnocast S.A. de C.V. and Diesel Servicios Industriales S.A. de C.V. were fully contributed up in the Tupy Materials & Components. B.V. located in the Netherlands.

#### d. Tupy American Foundry Co.

According with the Company's organizational restructuring plan, the subsidiary Tupy American Iron & Alloys Corporation was fully incorporated by Tupy American Foundry Co.

#### e. Impairment

During the year of 2020, was recognized an impairment of R\$15,950, R\$11,165 after legal appropriation of 30% in Mexico. In the year ended December 31, 2019, was recognized a impairment of R\$45,484, R\$31,839 after legal appropriation of 30% (Note 15).

### 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
<b>Cost</b>								
<b>AT DECEMBER 31, 2018</b>	<b>1,612,990</b>	<b>346,950</b>	<b>8,956</b>	<b>22,308</b>	<b>5,563</b>	<b>-</b>	<b>36,710</b>	<b>2,033,477</b>
Addition	5,409	-	-	-	-	14,099	84,164	103,672
Transfer to property, plant and equipment in use	70,749	10,093	-	1,017	371	-	(82,230)	-
Impairment	(920)	-	-	-	-	-	-	(920)
Disposal	(9,776)	(681)	-	(1,684)	-	-	-	(12,141)
<b>AT DECEMBER 31, 2019</b>	<b>1,678,452</b>	<b>356,362</b>	<b>8,956</b>	<b>21,641</b>	<b>5,934</b>	<b>14,099</b>	<b>38,644</b>	<b>2,124,088</b>
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)
<b>AT DECEMBER 31, 2020</b>	<b>1,718,484</b>	<b>362,866</b>	<b>8,948</b>	<b>21,844</b>	<b>6,063</b>	<b>19,724</b>	<b>29,033</b>	<b>2,166,962</b>
<b>Depreciation</b>								
<b>AT DECEMBER 31, 2018</b>	<b>(1,126,279)</b>	<b>(155,075)</b>	<b>-</b>	<b>(14,075)</b>	<b>(3,437)</b>	<b>-</b>	<b>-</b>	<b>(1,298,866)</b>
Depreciation in the year	(111,115)	(13,858)	-	(1,859)	(396)	(4,786)	-	(132,014)
Disposal	8,378	3	-	1,243	-	-	-	9,624
<b>AT DECEMBER 31, 2019</b>	<b>(1,229,016)</b>	<b>(168,930)</b>	<b>-</b>	<b>(14,691)</b>	<b>(3,833)</b>	<b>(4,786)</b>	<b>-</b>	<b>(1,421,256)</b>
Depreciation in the year	(109,866)	(14,031)	-	(1,842)	(392)	(6,143)	-	(132,274)
Disposal	5,987	1,104	-	535	25	-	-	7,651
<b>AT DECEMBER 31, 2020</b>	<b>(1,332,895)</b>	<b>(181,857)</b>	<b>-</b>	<b>(15,998)</b>	<b>(4,200)</b>	<b>(10,929)</b>	<b>-</b>	<b>(1,545,879)</b>
<b>Carrying amount</b>								
<b>AT DECEMBER 31, 2019</b>	<b>449,436</b>	<b>187,432</b>	<b>8,956</b>	<b>6,950</b>	<b>2,101</b>	<b>9,313</b>	<b>38,644</b>	<b>702,832</b>
<b>AT DECEMBER 31, 2020</b>	<b>385,589</b>	<b>181,009</b>	<b>8,948</b>	<b>5,846</b>	<b>1,863</b>	<b>8,795</b>	<b>29,033</b>	<b>621,083</b>

Consolidated	Machinery, facilities and equipment	Buildings	Land	Vehicles	Furniture, fittings and other	Right of use	Construction in progress	Total
<b>Cost</b>								
<b>AT DECEMBER 31, 2018</b>	<b>3,472,185</b>	<b>783,267</b>	<b>66,868</b>	<b>24,233</b>	<b>27,859</b>	<b>-</b>	<b>167,579</b>	<b>4,541,991</b>
Addition	5,409	-	-	-	-	36,965	255,533	297,907
Transfer to property, plant and equipment in use	215,454	26,209	-	821	2,363	-	(244,847)	-
Exchange variation	74,872	17,378	2,314	274	765	663	8,357	104,624
Impairment	(920)	-	-	-	-	-	-	(920)
Disposal	(12,675)	(681)	-	(1,684)	-	(8)	-	(15,048)
<b>AT DECEMBER 31, 2019</b>	<b>3,754,325</b>	<b>826,173</b>	<b>69,182</b>	<b>23,644</b>	<b>30,987</b>	<b>37,620</b>	<b>186,622</b>	<b>4,928,553</b>
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)
<b>AT DECEMBER 31, 2020</b>	<b>4,527,425</b>	<b>979,892</b>	<b>86,479</b>	<b>24,993</b>	<b>38,550</b>	<b>53,842</b>	<b>128,469</b>	<b>5,839,649</b>
<b>Depreciation</b>								
<b>AT DECEMBER 31, 2018</b>	<b>(2,549,057)</b>	<b>(403,420)</b>	<b>-</b>	<b>(15,290)</b>	<b>(16,932)</b>	<b>-</b>	<b>-</b>	<b>(2,984,699)</b>
Depreciation in the year	(208,813)	(24,769)	-	(1,974)	(2,450)	(13,574)	-	(251,580)
Exchange variation	(59,031)	(10,219)	-	(51)	(596)	(154)	-	(70,051)
Disposal	10,865	3	-	1,243	2	-	-	12,113
<b>AT DECEMBER 31, 2019</b>	<b>(2,806,036)</b>	<b>(438,405)</b>	<b>-</b>	<b>(16,072)</b>	<b>(19,976)</b>	<b>(13,728)</b>	<b>-</b>	<b>(3,294,217)</b>
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
<b>AT DECEMBER 31, 2020</b>	<b>(3,489,345)</b>	<b>(543,981)</b>	<b>-</b>	<b>(17,948)</b>	<b>(27,390)</b>	<b>(34,128)</b>	<b>-</b>	<b>(4,112,792)</b>
<b>Carrying amount</b>								
<b>AT DECEMBER 31, 2019</b>	<b>948,289</b>	<b>387,768</b>	<b>69,182</b>	<b>7,572</b>	<b>11,011</b>	<b>23,892</b>	<b>186,622</b>	<b>1,634,336</b>
<b>AT DECEMBER 31, 2020</b>	<b>1,038,080</b>	<b>435,911</b>	<b>86,479</b>	<b>7,045</b>	<b>11,160</b>	<b>19,714</b>	<b>128,469</b>	<b>1,726,857</b>

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.

The impacted plant is part of the unit that generates a blocks and heads, a component of the automotive segment of the Brazilian plant.

To determine the residual value of deferred operating assets, the Company used the fair value model of selling expenses, considering the level 3 hierarchy of fair value, which includes non-observable market information.

The measurement of the adjustment considered:

- Land, buildings and improvements, due to higher realization values per sale than those in use, were not subject to impairment;
- Assets that would be used in other plants, or kept in operation in the object plant, were identified and not computed in the adjustment. Costs for reallocation of these assets were measured and considered;
- Assets that would be "disconnected" and thus remain indefinitely were subject to impairment. In these cases, achievement values using as parts in other plants or as raw material (scrap) were estimated.

On December 31, 2016, the model showed that the recoverable value of the correspondent part of the assets from Mauá is lower than its book value. As a result, the Company recorded an impairment of these assets in the amount of R\$84,760, under other operating expenses, net.

During 2020, due to the impacts of COVID-19, the Company assessed the indicators of impairment of its assets and assessed the recoverable values and identified the need for impairment adjustments of R\$3,404. This adjustment is due to the indefinite suspension of finishing activities at Mauá - SP unit.

### c. Depreciation

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

	Average useful lives
Machinery, facilities and equipment	18 years
Buildings	35 years
Vehicles	5 years
Furniture, fittings and other	14 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, 2020 totals R\$1,617 (R\$1,739 in 2019).

### e. Guarantees

The Company pledged property, plant and equipment items as collateral for loans and financing of R\$10,594 (R\$16,297 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 30).

### 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\$17,030 in the year ended December 31, 2020 (R\$17,705 in the year ended December 31, 2019).

## 15. INTANGIBLE ASSETS

Parent company	Software	Internal projects	Projects in progress	Total
<b>AT DECEMBER 31, 2018</b>	<b>47,744</b>	<b>879</b>	<b>6,219</b>	<b>54,842</b>
Acquisition/costs	2,361	606	3,027	5,994
Amortization	(8,362)	(364)	-	(8,726)
<b>AT DECEMBER 31, 2019</b>	<b>41,743</b>	<b>1,121</b>	<b>9,246</b>	<b>52,110</b>
Acquisition/costs	3,096	961	1,970	6,027
Transfers	6,019	661	(2,342)	4,338
Amortization	(8,968)	(617)	-	(9,585)
<b>AT DECEMBER 31, 2020</b>	<b>41,890</b>	<b>2,126</b>	<b>8,874</b>	<b>52,890</b>



Consolidated	Software	Contractual customer relationships	Goodwill	Internal projects	Projects in progress	Total
<b>AT DECEMBER 31, 2018</b>	<b>50,647</b>	<b>205,866</b>	<b>41,226</b>	<b>879</b>	<b>6,219</b>	<b>304,837</b>
Acquisition/costs	5,999	-	-	606	3,027	9,632
Disposal	(104)	-	-	-	-	(104)
Exchange variation	244	6,906	-	-	-	7,150
Disposal	(11,239)	(62,868)	-	(364)	-	(74,471)
Impairment	-	(45,484)	-	-	-	(45,484)
<b>AT DECEMBER 31, 2019</b>	<b>45,547</b>	<b>104,420</b>	<b>41,226</b>	<b>1,121</b>	<b>9,246</b>	<b>201,560</b>
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
Amortization	(10,968)	(45,251)	-	(617)	-	(56,836)
Impairment	-	(15,950)	-	-	-	(15,950)
<b>AT DECEMBER 31, 2020</b>	<b>46,148</b>	<b>73,372</b>	<b>41,226</b>	<b>2,126</b>	<b>8,874</b>	<b>171,746</b>

#### 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 2019, 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, 2020 was the value in use, were as follows:

- Revenues were defined based on projections of demand by customer in the next 1.5 years.
- 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 6.97% p.y., which reflects the Company's specific risks.

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 26).

In the year ended December 31, 2019 the result of the test determined an impairment recorded in prior years in the amount of R\$45,484, net of taxes of R\$31,839 (Note 26).

### 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, 2020 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 6.97% 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. LOANS AND FINANCING

Parent company				
	Maturity	Effective rate	Dec/20	Dec/19
<b>Local currency</b>			<b>347,544</b>	<b>23,159</b>
(a) 4131 operation	Sep/2021	CDI+4.5% p.a.	225,903	-
(b) Export credit notes	Mar/2021	198% CDI	103,621	-
Sustainability	Jan/2025	5.89% p.a.	8,828	13,581
Leasing from right of use			9,192	9,578
<b>Foreign currency</b>			<b>1,871,373</b>	<b>1,451,487</b>
(d) Export prepayment - Tupy Overseas	Jul/2024	VC + 6.78% p.a.	1,871,373	1,451,487
Current portion			397,495	55,595
Non-current portion			1,821,422	1,419,051
			<b>2,218,917</b>	<b>1,474,646</b>

VC = Foreign exchange variation

CDI = Interbank deposit certificate

Consolidated				
	Maturity	Effective rate	Dec/20	Dec/19
<b>Local currency</b>			<b>347,544</b>	<b>23,159</b>
(a) 4131 operation	Sep/2021	CDI+4.5% p.a.	225,903	-
(b) Export credit notes	Mar/2021	198% CDI	103,621	-
Sustainability	Jan/2025	5.89% p.a.	8,828	13,581
Leasing from right of use			9,192	9,578
<b>Foreign currency</b>			<b>1,877,998</b>	<b>1,460,822</b>
(c) Senior unsecured Notes - US\$350.000	Jul/2024	VC + 6.63% a.a.	1,865,843	1,445,782
Leasing from right of use			12,155	15,040
Current portion			401,924	62,920
Non-current portion			1,823,618	1,421,061
			<b>2,225,542</b>	<b>1,483,981</b>

VC = Foreign exchange variation  
CDI = Interbank deposit certificate

On December 31, 2020, 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.

**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 198% CDI and amortization at the end of the contract.

In November 30, 2020 there is a payment of R\$78,000 from Banco Itaú BBA.

**c) Senior Unsecured Notes**

In July 2014, 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\$350,000 (R\$776,649), with single amortization in 2024. Interest, at the coupon of 6.625% p.a., are paid on a semiannual basis, in January and July, the payment during 2020 of R\$110,988 (R\$86,481 in the same period in 2019). The loss registered by the impact of foreign exchange variations in 2020 was R\$407,485 (R\$50,851 of loss in 2019).

The Issuance includes covenants, the main financial indicator of which is the net debt/ adjusted EBITDA, and, on December 31, 2020, the Company is in compliance with the covenant terms. In the case of 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.

**d) Export prepayment - Tupy Overseas S.A.**

Corresponds to the amount of Senior Unsecured Notes sent from the subsidiary Tupy Overseas to the parent company. The increase of R\$406,934 in the outstanding amount reflects the loss in foreign exchange variation. In January and July 2020, the Parent Company paid an interest of R\$113,942 (R\$89,241 in 2019).

**e) 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, 2020, the fair value of loans and financing was R\$2,224,947 (R\$1,481,359 at December 31, 2019).

**f) Long-term maturities**

Year	Parent company		Consolidated	
	Dec/20	Dec/19	Dec/20	Dec/19
2020	-	705	-	705
2021-2023	28,745	17,085	28,745	17,085
2024	1,792,646	1,401,230	1,794,842	1,403,240
2025	31	31	31	31
	<b>1,821,422</b>	<b>1,419,051</b>	<b>1,823,618</b>	<b>1,421,061</b>

**17. SALARIES, SOCIAL SECURITY CHARGES AND PROFIT SHARING**

	Parent company		Consolidated	
	Dec/20	Dec/19	Dec/20	Dec/19
Salaries	20,220	14,080	27,550	22,382
Provision for vacation pay and 13th month salary	47,749	53,139	57,126	61,797
Social charges	15,822	18,299	31,547	33,724
Profit sharing	29,606	42,722	40,320	49,686
Private pension plan	3,381	955	3,381	955
	<b>116,778</b>	<b>129,195</b>	<b>159,924</b>	<b>168,544</b>

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.

**18. ADVANCES FROM CUSTOMERS**

	Parent company		Consolidated	
	dez/20	dez/19	dez/20	dez/19
Domestic market	13,953	14,401	13,953	14,401
Foreign market	13,413	6,919	155,736	107,286
	<b>27,366</b>	<b>21,320</b>	<b>169,689</b>	<b>121,687</b>

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 the devaluation of the Real against the US Dollar (US \$), which went from R\$4.0307 on December 31, 2019 to R\$5.1967 on December 31, 2020 and from new advances to finance new projects with customers.

**19. 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/20	Dec/19
<i>Social security plan benefits</i>		
Pension plan	17,814	12,834
<i>Other employee benefits</i>		
Seniority premium	15,408	8,132
Legal indemnity	32,224	23,103
	<b>65,446</b>	<b>44,069</b>

## 20. 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, 2020 and the related judicial deposits were as follows:

Parent company						
	Civil	Tax	Labor	Social security	Judicial deposits	Total
<b>AT DECEMBER 31, 2018</b>	<b>57,349</b>	<b>60,305</b>	<b>64,849</b>	<b>17,918</b>	<b>(36,174)</b>	<b>164,247</b>
Additions	-	13,746	560	-	(27,059)	(12,753)
Restatements	5,855	(2,668)	41,128	191	-	44,506
Remuneration	-	-	-	-	(994)	(994)
Payments	(10,255)	(116)	(29,195)	(6,970)	-	(46,536)
Deposit Redemption	-	-	-	-	32,610	32,610
<b>AT DECEMBER 31, 2019</b>	<b>52,949</b>	<b>71,267</b>	<b>77,342</b>	<b>11,139</b>	<b>(31,617)</b>	<b>181,080</b>
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
<b>AT DECEMBER 31, 2020</b>	<b>48,428</b>	<b>73,435</b>	<b>73,822</b>	<b>11,027</b>	<b>(20,245)</b>	<b>186,467</b>
Current						37,016
Non-current						149,451
						<b>186,467</b>
Consolidated						
	Civil	Tax	Labor	Social security	Judicial deposits	Total
<b>AT DECEMBER 31, 2018</b>	<b>57,360</b>	<b>60,305</b>	<b>64,849</b>	<b>17,918</b>	<b>(36,174)</b>	<b>164,258</b>
Additions	-	13,746	560	-	(27,059)	(12,753)
Restatements	7,159	(2,668)	41,128	191	-	45,810
Remuneration	-	-	-	-	(994)	(994)
Payments	(10,266)	(116)	(29,195)	(6,970)	-	(46,547)
Deposit Redemption	-	-	-	-	32,610	32,610
<b>AT DECEMBER 31, 2019</b>	<b>54,253</b>	<b>71,267</b>	<b>77,342</b>	<b>11,139</b>	<b>(31,617)</b>	<b>182,384</b>
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)
Transfer	-	-	-	-	-	-
Deposit Redemption	-	-	-	-	13,959	13,959
<b>AT DECEMBER 31, 2020</b>	<b>50,795</b>	<b>73,435</b>	<b>73,822</b>	<b>11,027</b>	<b>(20,245)</b>	<b>188,834</b>
Current						37,016
Non-current						151,818
						<b>188,834</b>

All amounts in thousands of reais unless otherwise stated

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 26.

#### a. Civil

Provisions for civil proceedings at December 31, 2020 amounted to R\$50,795. 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 2020, in addition are related to monetary update. Considering also, the modification of the probability of loss of tax proceedings related to federal taxes. According with the position from the judges and payments occurred during 2019.

#### 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.

#### 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/20	Dec/19	Dec/20	Dec/19
IRPJ and CSLL processes	173,473	173,961	173,845	174,333
PIS, COFINS and IPI credits	152,403	135,031	152,403	135,031
ICMS credits	165,667	163,417	165,667	163,417
Expired tax debts	144,977	143,750	144,977	143,750
Reintegra credits	40,056	-	40,056	81,457
Social security	82,193	81,457	82,193	81,457
Labor lawsuits	67,386	71,888	67,457	71,957
Civil and other	42,332	54,054	42,723	54,944
	<b>868,487</b>	<b>823,558</b>	<b>869,321</b>	<b>906,346</b>

Except when describe in a different way, all the variance between 2020 and 2019 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 debts 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.

## 21. OTHER LIABILITIES

	Parent company		Consolidated	
	Dec/20	Dec/19	Dec/20	Dec/19
Domestic market	18,298	15,161	18,299	15,162
Foreign market	48,236	23,449	66,210	30,467
	<b>66,534</b>	<b>38,610</b>	<b>84,509</b>	<b>45,629</b>

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 and contracting of third party services and, the devaluation of the Real against to the North American Dollar (US\$), which went from R\$4.0307 on December 31, 2019 to R\$5.1967 on December 31, 2020.

## 22. EQUITY

### a) Share capital

Share capital breakdown in number of shares	Dec/20		Dec/19	
	Number	%	Number	%
<b>Controlling stockholders</b>				
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%	37,314,154	25.9%
<b>Officers</b>	170,482	0.1%	86,274	0.1%
<b>Treasury stock</b>	24,656	0.0%	-	0.0%
<b>Non-controlling interests</b>				
Other stockholders	67,522,838	46.9%	66,131,702	45.8%
<b>Total outstanding shares</b>	<b>144,177,500</b>	<b>100.0%</b>	<b>144,177,500</b>	<b>100.0%</b>

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 to deliver to beneficiaries which exercise the option of the Stock Option Plan. This operation was carried out in accordance with rules approved by the Board of Directors at a meeting held on January 22, 2020. On this date it was defined that the repurchase program would be effective until December 30, 2020 and would be for the acquisition of up to 233,000 common shares.



	Value (R\$ thousand)	Quantity	Share value (R\$)
<b>AT DECEMBER 31, 2018</b>	<b>292</b>	<b>13,527</b>	<b>21.56</b>
Shares used ofr stock option plan (ii)	(292)	(13,527)	21.56
<b>AT DECEMBER 31, 2019</b>	<b>-</b>	<b>-</b>	<b>-</b>
Shares repurchase (i)	3,169	150,406	21.07
Shares used ofr stock option plan (ii)	(2,794)	(125,750)	22.22
<b>AT DECEMBER 31, 2020</b>	<b>374</b>	<b>24,656</b>	<b>15.17</b>

(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".

As of December 31, 2020, the market value of treasury shares was R\$517.

### 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. In order to meet the exercise of the options, the Company has opened a share repurchase program to settle such obligation.

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	-
<b>AT DECEMBER 31, 2020</b>	<b>1,525,476</b>	<b>(1,303,047)</b>	<b>222,429</b>	<b>-</b>

**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	369,483	-	369,483	-
<b>AT DECEMBER 31, 2020</b>	<b>657,512</b>	-	<b>657,512</b>	-

**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 33 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, 2020 of R\$9,555 (R\$10,279 in 2019) and R\$16,629 (R\$22,850 in 2019), 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
				<b>549,436</b>	<b>942,704</b>

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

### f) Allocation of profits

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

In 2020, R\$67,231 was reverted to the investments reserve account.

The distributions made in 2019 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 2019 dividends:

Dec/19	
<b>Dividend calculation basis</b>	
Investment reserve	466,212
Net income for the year	278,932
Equity valuation adjustment	8,689
Reverse of the share option	1,781
Transfer to the legal reserve (5%)	(13,947)
	<b>741,667</b>
<b>Proposal for allocation (*)</b>	
Interet on capital, gross	100,000
Dividends	25,000
	<b>125,000</b>
<b>Ordinary</b>	
<b>Unit amount per share</b>	
Interet on capital, gross	0.86699
	<b>0.86699</b>

The approvals and the payments of dividends occurred in 2019 are as follow:

Dividends of 2019

Approved date	Form	Gross amount	per share	Net amount	Payment date
03.14.2019	Interes on capital	100,000	0.69359	90,233	03.28.2019
05.14.2019	Dividends	25,000	0.17340	25,000	06.18.2019
		<b>125,000</b>	<b>0.86699</b>	<b>115,233</b>	

## 23. REVENUES

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

	Parent company		Consolidated	
	2020	2019	2020	2019
Gross revenue	2,596,508	3,118,907	4,563,988	5,544,622
Returns and rebates	(48,880)	(38,835)	(129,293)	(125,171)
<b>Revenue net of returns and rebates</b>	<b>2,547,628</b>	<b>3,080,072</b>	<b>4,434,695</b>	<b>5,419,451</b>
Sales taxes	(177,099)	(255,866)	(177,099)	(255,866)
<b>Net revenue</b>	<b>2,370,529</b>	<b>2,824,206</b>	<b>4,257,596</b>	<b>5,163,585</b>
<b>Net revenue</b>				
Domestic market	678,154	932,396	678,154	932,396
Foreign market	1,692,375	1,891,810	3,579,442	4,231,189
	<b>2,370,529</b>	<b>2,824,206</b>	<b>4,257,596</b>	<b>5,163,585</b>

## 24. 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	
	2020	2019	2020	2019
Raw and processing materials	(938,748)	(1,208,896)	(1,793,957)	(2,358,982)
Maintenance and consumption materials	(206,575)	(190,237)	(391,955)	(434,411)
Salaries, payroll taxes and profit sharing	(492,685)	(622,232)	(915,882)	(1,078,461)
Social benefits	(84,417)	(82,190)	(86,023)	(83,614)
Electricity	(119,145)	(132,868)	(224,244)	(246,470)
Freight and commission on sales	(67,563)	(81,861)	(136,525)	(155,976)
Management fees	(14,700)	(10,167)	(14,700)	(10,167)
Other costs	(21,449)	(24,083)	(89,095)	(95,360)
	<b>(1,945,282)</b>	<b>(2,352,534)</b>	<b>(3,652,381)</b>	<b>(4,463,441)</b>
Depreciation	(141,213)	(139,924)	(304,240)	(262,364)
<b>Costs and expenses total</b>	<b>(2,086,495)</b>	<b>(2,492,458)</b>	<b>(3,956,621)</b>	<b>(4,725,805)</b>
Cost of products sold	(1,847,886)	(2,231,237)	(3,572,596)	(4,328,633)
Selling expenses	(100,865)	(114,622)	(194,307)	(208,698)
Administrative expenses	(123,044)	(136,432)	(175,018)	(178,307)
Management fees	(14,700)	(10,167)	(14,700)	(10,167)
<b>Costs and expenses total</b>	<b>(2,086,495)</b>	<b>(2,492,458)</b>	<b>(3,956,621)</b>	<b>(4,725,805)</b>

In the composition of costs and expenses in the period, there are extraordinary expenses amounting of R\$56,562, related to the COVID-19, especially with employees who had their contracts temporarily suspended or reduced hours and the amount of the order of R\$142,502 for idleness due to low activity level. These values were not included in the valuation of inventories produced in the period.

## 25. FINANCE RESULTS

Finance results	Parent company		Consolidated	
	2020	2019	2020	2019
<b>Financial liabilities at amortized cost</b>	<b>(144,222)</b>	<b>(95,775)</b>	<b>(141,608)</b>	<b>(93,883)</b>
Borrowing	(143,890)	(95,610)	(141,276)	(93,718)
Notes payable and other financial liabilities	(332)	(165)	(332)	(165)
<b>Financial liabilities at fair value through profit or loss</b>	<b>(4,458)</b>	<b>-</b>	<b>(4,458)</b>	<b>-</b>
Borrowing	(4,458)	-	(4,458)	-
<b>Financial assets at fair value through profit or loss</b>	<b>(70,703)</b>	<b>-</b>	<b>(70,703)</b>	<b>-</b>
Credits - Eletrobrás (note 11)	(70,703)	-	(70,703)	-
<b>Other finance costs</b>	<b>(8,821)</b>	<b>(20,160)</b>	<b>(18,760)</b>	<b>(26,296)</b>
<b>Finance costs</b>	<b>(228,204)</b>	<b>(115,935)</b>	<b>(235,529)</b>	<b>(120,179)</b>
<b>Financial assets at fair value through profit or loss</b>	<b>(79)</b>	<b>54,285</b>	<b>(79)</b>	<b>54,285</b>
Credits - Eletrobrás (note 11)	-	53,645	-	53,645
Investments in equity instruments	(79)	640	(79)	640
<b>Amortized cost</b>	<b>18,585</b>	<b>12,947</b>	<b>18,585</b>	<b>12,947</b>
Cash and cash equivalents	18,585	12,947	18,585	12,947
<b>Tax credits and other finance income</b>	<b>17,795</b>	<b>18,575</b>	<b>21,106</b>	<b>22,854</b>
<b>Finance income</b>	<b>36,301</b>	<b>85,807</b>	<b>39,612</b>	<b>90,086</b>
<b>Derivative financial instruments</b>				
Foreign exchange variations	70,635	6,778	68,588	(12,411)
Derivative financial instruments	(164,138)	17,712	(213,608)	24,483
<b>Foreign exchange variations, net</b>	<b>(93,503)</b>	<b>24,490</b>	<b>(145,020)</b>	<b>12,072</b>
<b>Finance results</b>	<b>(285,406)</b>	<b>(5,638)</b>	<b>(340,937)</b>	<b>(18,021)</b>

## 26. OTHER OPERATING INCOME (EXPENSES)

	Parent company		Consolidated	
	2020	2019	2020	2019
Exclusion of ICMS from the PIS and COFINS calculation base (note 8)	58,123	36,827	58,123	36,827
Recognition of Reintegra	17,155	27,952	17,155	27,952
Disposals of property, plant and equipment	8,600	(2,336)	1,952	(2,858)
Provision for devaluation of maintenance parts	(9,146)	-	(9,146)	-
Impairment ICMS SC tax (note 8)	-	45,567	-	45,567
Constitution and restatement of provision	(37,004)	(58,812)	(38,067)	(60,116)
Property sale	-	-	9,635	-
Result on the sale of unusable and other assets	(59,659)	(15,533)	(58,562)	(18,470)
	<b>(80,054)</b>	<b>(3,162)</b>	<b>(77,033)</b>	<b>(7,925)</b>
Depreciation of non-operating assets	(646)	(816)	(649)	(819)
Amortization of intangible assets (note 15)	-	-	(45,251)	(62,868)
<b>Total other operating expenses, net</b>	<b>(80,700)</b>	<b>(3,978)</b>	<b>(122,933)</b>	<b>(71,612)</b>
Fixed assets impairment (note 14)	(3,404)	(920)	(3,404)	(920)
Intangible asset impairment (note 15)	-	-	(15,950)	(45,484)
<b>Total impairment adjustments</b>	<b>(3,404)</b>	<b>(920)</b>	<b>(19,354)</b>	<b>(46,404)</b>

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

	Parent company		Consolidated	
	2020	2019	2020	2019
<b>Net income (loss) before tax effects</b>	<b>(102,063)</b>	<b>362,870</b>	<b>(124,126)</b>	<b>338,570</b>
Statutory tax rate	34%	34%	34%	34%
Expenses at statutory rate	34,701	(123,376)	42,203	(115,114)
<b>Tax effect of permanent (additions) exclusions:</b>				
Reintegra – benefit	17,616	10,142	17,616	10,142
Effect of correction of fixed assets	-	-	(236)	(2,139)
Depreciation of non-operating assets	(220)	(277)	(220)	(277)
Additional income tax (Subsidiaries)	-	-	(638)	(1,819)
Finance income from monetary assets	-	-	(7,271)	7,766
Interests on capital	-	34,000	-	34,000
Additional income tax (Services Companies – Mexico)	-	-	(8,179)	(13,882)
Share of results of subsidiaries	(25,401)	1,643	-	-
Other permanent (additions) exclusions	(843)	(6,070)	726	6,467
<b>Tax effects recorded in the statement of income before exchange effects</b>	<b>25,853</b>	<b>(83,938)</b>	<b>44,001</b>	<b>(74,856)</b>
<b>Effective rate of income tax before exchange effects</b>	<b>25%</b>	<b>23%</b>	<b>35%</b>	<b>22%</b>
Effect of functional currency on tax base (a)	-	-	3,915	15,218
<b>Tax effects recorded in the statement of income</b>	<b>25,853</b>	<b>(83,938)</b>	<b>47,916</b>	<b>(59,638)</b>
<b>Effective rate of income tax</b>	<b>25%</b>	<b>23%</b>	<b>39%</b>	<b>18%</b>

### 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	
	2020	2019	2020	2019
<b>Tax effects recorded in the statement of income</b>				
Current income tax and social contribution	(13,668)	(34,291)	(19,095)	(91,916)
Deferred income tax and social contribution	39,521	(49,647)	67,011	32,278
	<b>25,853</b>	<b>(83,938)</b>	<b>47,916</b>	<b>(59,638)</b>

## 28. 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.

	2020	2019
Profit attributable to the stockholders of the Company	(76,210)	278,932
Outstanding shares	144,056,263	144,177,500
<b>Basic results per share - R\$</b>	<b>(0.52903)</b>	<b>1.93464</b>

### 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.

	2020	2019
Profit attributable to the stockholders of the Company	(76,210)	278,932
Outstanding shares	144,806,191	144,607,278
<b>Diluted results per share - R\$</b>	<b>(0.52629)</b>	<b>1.92889</b>

## 29. 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	
	2020	2019	2020	2019	2020	2019
Net revenue (Note 24)	4,061,866	4,922,909	195,730	240,676	4,257,596	5,163,585
Costs and expenses, except depreciation (Note 25)	(3,474,991)	(4,248,771)	(177,390)	(214,670)	(3,652,381)	(4,463,441)
Other operating expenses, net, except amortization of intangible assets and depreciation (Note 27)	(17,703)	27,540	(1,207)	1,362	(18,910)	28,902
Depreciation and amortization	(341,735)	(318,058)	(8,405)	(7,993)	(350,140)	(326,051)
Impairment (note 14 and 15)	(19,354)	(46,404)	-	-	(19,354)	(46,404)
<b>Profit before finance results</b>	<b>208,083</b>	<b>337,216</b>	<b>8,728</b>	<b>19,375</b>	<b>216,811</b>	<b>356,591</b>
Finance results (Note 27)					(340,937)	(18,021)
<b>Profit before taxation</b>					<b>(124,126)</b>	<b>338,570</b>
Income tax and social contribution (Note 26)					47,916	(59,638)
<b>Profit (loss) for the period</b>					<b>(76,210)</b>	<b>278,932</b>

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

Consolidated	Transportation, infrastructure & agriculture		Hydraulics		Total	
	2020	2019	2020	2019	2020	2019
Raw and processing materials	(1,727,062)	(2,258,035)	(66,895)	(100,947)	(1,793,957)	(2,358,982)
Maintenance and consumption materials	(377,700)	(421,384)	(14,255)	(13,027)	(391,955)	(434,411)
Salaries and payroll taxes	(863,351)	(1,017,062)	(52,531)	(61,399)	(915,882)	(1,078,461)
Social benefits	(84,371)	(81,705)	(1,652)	(1,909)	(86,023)	(83,614)
Electricity	(209,026)	(230,935)	(15,218)	(15,535)	(224,244)	(246,470)
Depreciation	(295,835)	(254,371)	(8,405)	(7,993)	(304,240)	(262,364)
Freight and commissions on sales	(122,598)	(138,892)	(13,927)	(17,084)	(136,525)	(155,976)
Management fees	(13,525)	(9,304)	(1,175)	(863)	(14,700)	(10,167)
Other costs	(77,358)	(91,453)	(11,737)	(3,907)	(89,095)	(95,360)
	<b>(3,770,826)</b>	<b>(4,503,142)</b>	<b>(185,795)</b>	<b>(222,663)</b>	<b>(3,956,621)</b>	<b>(4,725,805)</b>



### c) Reconciliation of assets and liabilities

Consolidated	Tranportation, infrastructure & agriculture		Hydraulics		Total	
	Dec/20	Dec/19	Dec/20	Dec/19	Dec/20	Dec/19
<b>ASSETS</b>						
Trade account receivables (Note 4)	646,023	632,258	37,381	40,098	683,404	672,356
Inventories (Note 5)	702,987	593,900	51,499	60,207	754,486	654,107
Tooling (Note 6)	183,146	141,128	-	-	183,146	141,128
Other assets	51,305	54,108	4,694	5,004	55,999	59,112
Property, plant and equipment (Note 14)	1,676,661	1,578,106	50,196	56,230	1,726,857	1,634,336
Intangible assets (Note 15)	171,746	201,560	-	-	171,746	201,560
Other assets not allocated	-	-	-	-	2,537,681	1,761,568
<b>Total assets</b>	<b>3,431,868</b>	<b>3,201,060</b>	<b>143,770</b>	<b>161,539</b>	<b>6,113,319</b>	<b>5,124,167</b>
Consolidated	Tranportation, infrastructure & agriculture		Hydraulics		Total	
	Dec/20	Dec/19	Dec/20	Dec/19	Dec/20	Dec/19
<b>LIABILITIES</b>						
Trade accounts payables	593,218	602,126	22,976	25,439	616,194	627,565
Income taxes payable	40,311	52,469	248	792	40,559	53,261
Salaries, social security charges and profit sharing (Note 17)	150,582	158,208	9,342	10,336	159,924	168,544
Advances from customers (Note 18)	167,324	119,230	2,365	2,457	169,689	121,687
Other liabilities (Note 21)	84,509	42,043	-	3,586	84,509	45,629
Deferred tax on intangible assets (Note 9)	22,012	31,326	-	-	22,012	31,326
Income and social contribution tax	2,403	6,162	-	-	2,403	6,162
Other liabilities not allocated	-	-	-	-	2,464,572	1,682,590
Equity (Note 21)	-	-	-	-	2,553,457	2,387,403
<b>Total liabilities and equity</b>	<b>1,060,359</b>	<b>1,011,564</b>	<b>34,931</b>	<b>42,610</b>	<b>6,113,319</b>	<b>5,124,167</b>

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	2020	%	2019	%
<b>Tranportation, infrastructure &amp; agriculture</b>	<b>4,061,866</b>	<b>95.4</b>	<b>4,922,909</b>	<b>95.3</b>
Customer A	927,688	21.8	1,095,656	21.2
Customer B	787,511	18.5	876,698	17.0
Customer C	452,670	10.6	492,568	9.5
Customer d	443,700	10.4	444,595	8.6
Other customers	1,450,297	34.1	2,013,392	39.0
<b>Hydraulics</b>	<b>195,730</b>	<b>4.6</b>	<b>240,676</b>	<b>4.7</b>
<b>Total Revenue</b>	<b>4,257,596</b>	<b>100</b>	<b>5,163,585</b>	<b>100</b>

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	2020	%	2019	%
<b>North America</b>	<b>2,872,776</b>	<b>67.5</b>	<b>3,286,896</b>	<b>63.6</b>
United States	1,530,737	36.0	1,710,383	33.1
Mexico	1,324,625	31.1	1,540,210	29.8
Canada	17,414	0.4	36,303	0.7
<b>South and Central Americas</b>	<b>707,397</b>	<b>16.6</b>	<b>967,239</b>	<b>18.8</b>
Brazil - head office	678,154	15.9	932,396	18.1
Other countries	29,243	0.7	34,843	0.7
<b>Europe</b>	<b>510,912</b>	<b>12.1</b>	<b>620,022</b>	<b>12.0</b>
United Kingdom	182,450	4.3	310,938	6.0
Hungary	63,502	1.5	94,111	1.8
Italy	42,175	1.0	52,267	1.0
Netherlands	56,723	1.3	64,571	1.3
Sweden	114,235	2.7	47,921	0.9
Germany	36,915	0.9	18,167	0.4
Other countries	14,912	0.4	32,047	0.6
<b>Asia, Africa and Oceania</b>	<b>166,511</b>	<b>3.8</b>	<b>289,428</b>	<b>5.6</b>
South Africa	38,900	0.9	89,386	1.7
Thailand	24,346	0.6	62,507	1.2
Japan	42,599	1.0	76,858	1.5
China	44,351	1.0	43,986	0.9
Other countries	16,315	0.3	16,691	0.3
<b>Total</b>	<b>4,257,596</b>	<b>100.0</b>	<b>5,163,585</b>	<b>100.0</b>

### 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	Dec/20	Dec/19
Brazil - head office	801,047	913,146
Mexico	1,115,165	938,299
Other countries(*)	399	275
<b>Total</b>	<b>1,916,611</b>	<b>1,851,720</b>

(\*) United States and Germany

## 30. 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/20	Dec/19
Buildings	610,461	495,274
Machinery and equipment, furniture and fittings	3,732,178	3,312,640
Inventories	410,265	308,439
Loss of profit	942,779	1,026,409
General civil liability	75,590	185,921
Civil liability - management	58,197	64,031

### 31. COMMITMENTS

The Company has commitments for the acquisition of long-lived assets, that is, expenditure contracted at the reporting date but not yet incurred, in the consolidated amount of R\$66,652 (R\$37,236 at December 31, 2019), which will be settled with its own resources.

### 32. FINANCIAL INSTRUMENTS

	Note	Parent company		Consolidated	
		Dec/20	Dec/19	Dec/20	Dec/19
<b>Financial assets at amortized cost</b>		<b>1,425,078</b>	<b>874,845</b>	<b>2,213,340</b>	<b>1,613,759</b>
Cash and cash equivalents	3	832,175	362,600	1,425,113	840,030
Trade account receivables(*)	4	499,141	422,012	683,404	672,356
Notes and other financial assets		93,762	90,233	104,823	101,373
<i>Effect on the Income Statement</i>		<i>10,402</i>	<i>12,940</i>	<i>10,769</i>	<i>13,280</i>
<b>Financial assets at fair value through profit or loss</b>		<b>84,899</b>	<b>157,213</b>	<b>94,327</b>	<b>166,361</b>
Credits - Eletrobrás		81,446	152,149	81,446	152,149
Investments in equity instruments		2,350	2,429	11,645	9,461
Derivative financial instruments	34	1,103	2,635	1,236	4,751
<i>Effect on the Income Statement</i>		<i>(1,611)</i>	<i>74,228</i>	<i>(2,737)</i>	<i>80,842</i>
<b>Financial liabilities at amortized cost</b>		<b>2,626,662</b>	<b>1,792,701</b>	<b>2,931,302</b>	<b>2,160,657</b>
Trade accounts payables		336,604	276,374	616,194	627,565
Loans and financing	17	2,218,917	1,474,646	2,225,542	1,483,981
Dividends and interest on capital		135	191	135	191
Notes payable and other financial liabilities		71,006	41,490	89,431	48,920
<i>Effect on the Income Statement</i>		<i>(144,222)</i>	<i>(95,775)</i>	<i>(141,608)</i>	<i>(93,883)</i>
<b>Financial liabilities at fair value through profit or loss</b>		<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<i>Effect on the Income Statement</i>		<i>(4,458)</i>	<i>-</i>	<i>(4,458)</i>	<i>-</i>

(\*) Includes the provision for impaired receivables

### 33. 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 COVID-19 pandemic caused great volatility in the global financial markets, with a strong increase in risk aversion, which led to a depreciation of 29% of the Brazilian Real and 6% of the Mexican Peso against the U.S. dollar in the comparison between December 31, 2019 and December 31, 2020.

The calculation of the fair value of derivatives (MTM) is performed using the closing rate for the quarter, (Ptax-Bacen for Brazilian operations, and FIX-Banxico for Mexican operations), which, due to the strong devaluation, had a negative impact on the result of the contracted position by marking to market.

#### i. Parent company

On December 31, 2020, financial instruments totaled the amount of US\$79,000 in zero-cost collar operations, consisting of: purchase of PUT with average exercise price of R\$4.6886 and sales of CALL with average price average of R\$5.9999, maturing up to November 17, 2021.

During 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\$3,014 due to the mark-to-market of these instruments. In the same period in previously year, the Company recognized in financial results as net gain of R\$17,712, of which R\$21,858 was received from settlement of contracts in the period and a loss of R\$4,146 due to the mark-to-market of these instruments.

## ii. Subsidiaries

At December 31, 2020, the subsidiaries have derivative financial instruments of US\$50,500. 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 MXN18.9859 and sales "CALL" with an average weighted price of exercise of MXN22.2729, due October 22, 2021.

On December 31, 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. In the same period of 2019 the Mexican subsidiaries recognized in their finance results as net profit the amount of R\$6,711. Considering, gain of R\$8,552 from the settlement of contracts in the period (and loss R\$1,781 due to the mark to market of these instruments).

## iii - Consolidated

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. In the period ended December 31, 2019, net income of R\$24,483 was recognized in the Consolidated financial result, with R\$30,410 from the settlement of contracts in the period, loss of R\$5,927 for the mark-to-market of these instruments.

The financial derivative instruments net position in December 31, 2020 and 2019 are presented as follow:

	Parent company	Subsidiaries	Consolidated
Recognized in financial results	(164,124)	(49,474)	(213,598)
Settlement	161,124	61,277	222,401
Market to market	(3,000)	11,803	8,803
Foreign exchange impact	-	(14,023)	(14,023)
AT December 31, 2019	2,635	2,116	4,751
<b>AT December 31, 2020</b>	<b>(365)</b>	<b>(104)</b>	<b>(469)</b>
<b>Maturity date</b>			
Due March 31, 2021	607	(74)	533
Due June 30, 2021	(459)	(7)	(466)
Due September 30, 2021	(380)	(16)	(396)
Due December 31, 2021	(133)	(7)	(140)
<b>AT December 31, 2020</b>	<b>(365)</b>	<b>(104)</b>	<b>(469)</b>

	Parent company		Consolidated	
	Dec/20	Dec/19	Dec/20	Dec/19
<b>Financial derivative instruments</b>				
Liabilities	(1,468)	-	(1,705)	-
Assets	1,103	2,635	1,236	4,751
<b>Financial derivative instruments, net</b>	<b>(365)</b>	<b>2,635</b>	<b>(469)</b>	<b>4,751</b>

**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 15), amounting to US\$349,000, equivalent to R\$772,302, as a hedging instrument for the investments in subsidiaries in Mexico.

At December 31, 2020, the Company has export prepayment contracts amounting to US\$349,000, equivalent to R\$1,813,648, 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\$353,150, equivalent to R\$1,835,215, representing a 98.8% effectiveness.

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. In the year ended December 31, 2019, the Company recognized a gross loss of R\$54,408 in "Carrying value adjustments", in equity. This loss results from the foreign currency translation of the export prepayment contracts designated as hedging instruments.

**34. 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.

**34.1 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, 2020, expected losses on trade accounts receivables amounted to R\$10,500 (R\$1,389 as at December 31, 2019), representing 1.5% of the consolidated balance of outstanding receivables at that date (0.2% as at December 31, 2019).

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/20	Dec/19	Dec/20	Dec/19
<b>Counterparties with external credit ratings*</b>				
<b>Cash and cash equivalents</b>	<b>832,175</b>	<b>362,600</b>	<b>1,425,113</b>	<b>840,030</b>
AAA	190,102	15,447	195,550	97,105
AA+ / AA / AA-	495,005	319,380	662,992	487,023
A+ / A / A-	147,068	27,773	566,571	255,902
<b>Derivative financial</b>	<b>1,103</b>	<b>2,635</b>	<b>1,236</b>	<b>4,751</b>
AA+ / AA / AA-	1,103	2,635	1,236	4,751
<b>Credits - Eletrobrás</b>	<b>81,446</b>	<b>152,149</b>	<b>81,446</b>	<b>152,149</b>
AA	81,446	152,149	81,446	152,149
<b>Counterparties without external credit rating</b>				
<b>Trade receivables(**)</b>	<b>499,141</b>	<b>422,012</b>	<b>683,404</b>	<b>672,356</b>
Low risk	459,172	400,680	635,685	638,795
Moderate risk	29,569	21,204	35,261	22,393
High risk	10,400	128	12,458	11,168
<b>Other financial assets</b>	<b>96,112</b>	<b>92,662</b>	<b>116,468</b>	<b>110,834</b>
<b>Total</b>	<b>1,509,977</b>	<b>1,032,058</b>	<b>2,307,667</b>	<b>1,780,120</b>

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

(\*\*) It does not consider provision for impairment of trade receivables

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.

### 34.2 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 2014 require the Company to meet the Financial Debt / EBITDA financial index, if not complied with, may impose restrictions, which are detailed in Note 16.

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, deducted 50% discount, 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	Total flow
<b>FINANCIAL LIABILITIES</b>						
Borrowings	2,225,542	275,166	200,832	131,760	2,062,148	2,669,906
Financial derivative instruments	1,705	1,705	-	-	-	1,705
Trade payables and notes and other payables	700,703	700,703	-	-	-	700,703
Dividends payable	135	135	-	-	-	135
	<b>2,928,085</b>	<b>977,709</b>	<b>200,832</b>	<b>131,760</b>	<b>2,062,148</b>	<b>3,372,449</b>

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.

### 34.3 Market risk

The Brazilian Federal Government's economic policies can have important effects on Brazilian companies, including on Tupy, 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	Dec/20	Dec/19
<b>Floating-rate instruments</b>		<b>425,401</b>	<b>333,052</b>
Financial assets		754,925	333,052
Financial liabilities	16	(329,524)	-
<b>Fixed-rate instruments</b>		<b>(1,225,830)</b>	<b>(977,003)</b>
Financial assets		670,188	506,978
Financial liabilities	16	(1,896,018)	(1,483,981)

#### 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 - Normative Instruction 475				
			Probable	+25%	+50%	-25%	-50%
In Brazilian reais							
Investments	Interest rate (CDI - % p.a.)	1.90	1.90	2.38	2.85	1.43	0.95
Financial assets		754,925	754,925	754,925	754,925	754,925	754,925
Potential impact		-	-	3,519	7,038	(3,536)	(7,104)
Borrowings	Interest rate (TJLP - % p.a.)	1.90	1.90	2.38	2.85	1.43	0.95
Financial liabilities		329,524	329,524	329,524	329,524	329,524	329,524
Potential impact		-	-	(1,536)	(3,073)	1,543	3,102

### 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. 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 27

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/20	Dec/19
<b>Assets</b>		<b>474,585</b>	<b>379,003</b>
Cash and cash equivalents abroad	3	59,667	27,999
Customers in the foreign market	4	414,918	351,004
<b>Liabilities</b>		<b>(119,555)</b>	<b>(92,871)</b>
Borrowings in foreign currency	16	(1,871,373)	(1,451,487)
Hedge of net investment abroad	33	1,813,648	1,406,714
Other amounts		(61,830)	(48,098)
<b>Net exposure impacting profit</b>			
In thousands of R\$		355,030	286,132
In thousands of US\$		68,318	70,988

The exposure of subsidiaries that use the U.S. dollar as functional currency is demonstrated below:

Subsidiaries		
Net exposure impacting profit	Dec/20	Dec/19
<b>Assets</b>	<b>105,763</b>	<b>107,983</b>
Cash and cash equivalents abroad	7,627	15,669
Customers in the foreign market	7,793	23,391
Tax return	90,343	68,923
<b>Liabilities</b>	<b>(214,441)</b>	<b>(253,169)</b>
Trade accounts payables	(83,191)	(93,397)
Other amounts	(131,250)	(159,772)
<b>Net exposure impacting profit</b>		
In thousands of R\$	(108,678)	(145,186)
In thousands of MXN	(416,391)	(680,347)

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

This analysis is based on the foreign exchange rate fluctuation, pursuant to the CVM Normative Instruction 475, 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 - Normative Instruction 475					
	Disclosed	Probable	+25%	+50%	-25%	-50%
<b>U.S. Dollar rate</b>	<b>5.1967</b>	<b>5.2800</b>	<b>6.60</b>	<b>7.92</b>	<b>3.96</b>	<b>2.64</b>
Asset position	474,585	482,192	602,740	723,288	361,644	241,096
Liability position	(119,555)	(121,471)	(151,839)	(182,207)	(91,103)	(60,736)
Net exposure (R\$ thousand)	355,030	360,721	450,901	541,081	270,541	180,360
Net exposure (US\$ thousand)	68,318	68,318	68,318	68,318	68,318	68,318
<b>Potential impact (R\$ thousand)</b>	<b>-</b>	<b>5,691</b>	<b>95,871</b>	<b>186,051</b>	<b>(84,489)</b>	<b>(174,670)</b>

### Sensitivity analysis of foreign currency exposure of derivatives

This analysis is based on the foreign exchange rate fluctuation against “CALL” and “PUT”, pursuant to CVM Normative Instruction 475, 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 - Normative Instruction 475					
	Disclosed	Probable	+25%	+50%	-25%	-50%
<b>U.S. Dollar rate</b>	<b>5.1967</b>	<b>5.28</b>	<b>6.60</b>	<b>7.92</b>	<b>3.96</b>	<b>2.64</b>
MTM Controladora	(366)	(1,914)	(57,679)	(154,169)	57,325	160,592
<b>Potential impact (R\$ thousand)</b>		<b>(1,549)</b>	<b>(57,313)</b>	<b>(153,804)</b>	<b>57,691</b>	<b>160,957</b>

Subsidiaries	Scenarios - Normative Instruction 475					
	Disclosed	Probable	+25%	+50%	-25%	-50%
<b>U.S. Dollar rate vs. Mexican peso</b>	<b>19.9087</b>	<b>21.95</b>	<b>27.44</b>	<b>32.93</b>	<b>16.46</b>	<b>10.98</b>
MTM Subsidiaries (US\$ mil)	(20)	(1,821)	(10,551)	(16,756)	7,150	35,786
MTM Subsidiaries (R\$ mil)	(104)	(9,616)	(69,639)	(132,705)	28,314	94,475
<b>Potential impact (R\$ thousand)</b>		<b>(9,512)</b>	<b>(69,535)</b>	<b>(132,601)</b>	<b>28,418</b>	<b>94,579</b>
<b>Consolidated potential impact (R\$ thousand)</b>		<b>(11,061)</b>	<b>(126,848)</b>	<b>(286,404)</b>	<b>86,109</b>	<b>255,536</b>

### 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.

### 34.4 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.

### 34.5 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/20	Dec/19
<b>Own capital</b>		<b>2,553,457</b>	<b>2,387,403</b>
Equity	22	2,553,457	2,387,403
<b>Third party capital</b>		<b>2,134,749</b>	<b>1,896,734</b>
Total current and non-current liabilities		3,559,862	2,736,764
Cash and cash equivalents	3	(1,425,113)	(840,030)
<b>Own capital versus third-party capital ratio</b>		<b>1.20</b>	<b>1.26</b>

### 34.6 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 32) and the fair value of loans and financing disclosed in Note 16 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.

Specifically, for the case of the embedded credit derivative of Eletrobras (convertibility into shares), a valuation technique is used with inputs classified as level 3 of the fair value hierarchy. The effect of the option of conversion into shares is measured based on a stock pricing model (Black-Scholes) by including unobservable data, such as the historical volatility and equity value of the share. Unobservable data are used to measure fair value to the extent that relevant observable data are not available, thus admitting situations in which there is little or no market activity for the asset or liability on the measurement date. These unobservable data, however, reflect the assumptions that market participants would use when pricing the asset or liability, including assumptions about risk.

### Sensitivity analysis of the fair value of embedded derivatives

The Company performed a sensitivity analysis considering the receipt of equity shares in Eletrobras. Varying the share value and volatility and keeping all other variables in the model constant. In this context, share value scenarios between R\$18.50 and R\$55.50 and volatility between 24.1% and 85.7% per year were used, resulting in estimates of minimum and maximum receipts between R\$43,062 and R\$100,758, respectively.

### 35. SUBSEQUENT EVENT

Tupy Overseas S.A., a subsidiary of the Company organized under the laws of Luxembourg, settled, its issuance of senior notes, placed in the international market, and offered to qualified institutional investors, resident and domiciled in the United States of America, based on the regulations issued by the Securities and Exchange Commission, specifically, “Rule 144A” and, in other countries, except in Brazil and the United States of America, based on “Regulation S”, which was priced in the aggregate amount of U.S.\$ 375,000,000.00, issued with a coupon of 4.5% per year, which is payable semi-annually in arrears (“Senior Notes” and “Offer”, respectively).

The proceeds from the Offer shall be used to pay debts, Corporate Bond issued by the subsidiary Tupy Overseas in 2014 to mature in 2024 with a coupon of 6.625% per year (note 16), expenses related to the issue, as well as for general corporate purposes. The Senior Notes shall be fully guaranteed by the Company.

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## INDEPENDENT AUDITOR'S REPORT

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(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, 2020, 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, 2020, 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 management. The revenues earned by the Company and the criteria for recognition in P&L are disclosed in Notes 2.5(k) and 21 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. As a result of these procedures, we identified an audit adjustment indicating the need to supplement the provision for revenue recognition at the parent company. This adjustment was duly recorded by management.

The deficiencies in the internal control design related to revenue recognition at the parent company that resulted in the adjustment identified by the aforementioned audit did not change our assessment as to the nature, timing and extent of our planned substantive procedures to obtain sufficient and appropriate audit evidence regarding the "Revenue" account, given that our audit strategy already considers the application of substantive procedures in nature, extent and timing consistent with our risk assessment. Accordingly, based on the results of the audit procedures performed, which are consistent with management's assessment, we understand that the estimates prepared by management, as well as the respective disclosures in Notes 2.5(k) and 21, are acceptable in the context of the 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 19. 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\$186,467 thousand and R\$188,834 thousand in the individual and consolidated financial statements, respectively, as of December 31, 2020.

This area is significant for our audit process due to the potential risk related to certain claims, as well as the fact that assessment of these proceedings requires significant judgment by management, 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 management.

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 management and its specialists to discuss the progress of the major suits in progress. As a result of these procedures, we identified an audit adjustment indicating the need to reverse the provision for tax contingencies. However, this adjustment was not recorded by management in view of its immateriality in relation to the financial statements taken as a whole.

Based on the result of the audit procedures conducted, which are consistent with management's assessment, we consider that the criteria and assumptions adopted by management, as well as the respective disclosures in Note 19, are acceptable in the context of the individual and consolidated financial statements taken as a whole.

**Credits from Eletrobras**

The compulsory loan for Eletrobras was established with the objective of financing the expansion and improvement of the electrical sector. The tax was levied on industrial consumers with monthly consumption equal to or greater than 2 thousand kilowatts and paid through invoices (electricity bills) issued by energy distributors. From 1977 onwards, the annual amount withheld from these mandatory contributions started to constitute consumer credit as of January 1 of the year following that of the invoiced energy.

In this regard, as disclosed in Note 11, a favorable final decision in the legal proceeding filed against Eletrobras was handed down in 2003, entitling Tupy to receive the difference of the monetary restatement on the compulsory energy loan, occasion when this credit started to be accounted for. As part of the legal dispute, a claim remained at the time regarding the remaining portion of the applicable interest and monetary restatement, which was not recognized in accounting given the inexistence of an irrevocable final decision.

As indicated in Note 11, on October 1, 2018, the decision on the remaining portion of the proceedings became final and unappealable, and all decisions handed down until then regarding the remaining portion of interest and monetary restatement also became final pursuant to decision by the Federal Supreme Court. At this time, the decision validated the criteria for calculation of the monetary restatement and interest used as basis for the court freeze in 2016, and therefore any claims that could modify these calculation criteria are ruled out. Based on this decision, management, together with its lawyers and other Governance bodies, concluded that the entire claim is considered practically certain, leaving only the payment of the amount due after validation of the final and unappealable valuation criteria, which may be in cash or in shares issued by Eletrobrás. In 2020, procedural events occurred as described in Note 11, whereby the Company updated the estimated realization of said credits.

*How our audit addressed this matter*

Our procedures included the review of the procedural history with the assistance of legal specialists for the review and interpretation of the procedural stage, allowing us to assess the adequacy of the information and conclusions reached by management. Our procedures also included the use of internal specialists in financial instruments to assist us in reviewing the calculation of the identified embedded derivative, and review by the audit team of the consistency of the assumptions for updating the calculations used to compute and record the amount of the credit receivable from Eletrobras to determine the best realization estimate.

Based on the result of the audit procedures conducted, which are consistent with management's assessment, we consider that the criteria and assumptions adopted by management, as well as the respective disclosures in Notes 2.4 (e) and 11, 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, 2020, prepared under the responsibility of the Company management, 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**

Management 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 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:

- Identify and assess the risks of material misstatement of the individual and consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than of the one resulting from error, as fraud may involve the circumvention of internal controls, collusion, forgery, intentional omissions or misrepresentation.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of Company and its subsidiaries.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.



- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's and its subsidiaries' 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 auditor's report. However, future events or conditions may cause the Company and its subsidiaries to cease to continue as a going concern.
- Evaluate 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our 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 described 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 4, 2021.

ERNST & YOUNG  
Auditores Independentes S.S  
CRC 2SP 015.199/O-6

Alexandre Rubio  
Accountant CRC 1SP223361/O-2

## STATUTORY AUDIT AND RISK COMMITTEE REPORT - CAE

### PRESENTATION

The Statutory Audit and Risk Committee (Committee or CAE) of TUPY S.A. is a statutory body, created at an Extraordinary General Meeting held on October 23, 2019, and installed at the Board of Directors' meeting on April 30, 2020.

In compliance with CVM's Código Brasileiro de Governança Corporativa (literally translated as: Brazilian Corporate Governance Code) for Publicly-Held Companies (item 4.1.1) and B3's Regulamento do Novo Mercado da B3 (literally translated as New Market Regulation) (article 22, item 'V'), CAE is composed of two members of the board of directors - one of them Independent, who coordinates the Committee - and by three external members, two of whom are independent.

The Committee reports to the Board of Directors, and, as an advisory body, it has no executive attributions and / or deliberative power, acting with autonomy and independence in fulfilling its responsibilities in compliance with legal and statutory attributions, in addition to those defined in its Internal Bylaws.

Within the supervisory function, the Committee's macro responsibility is related to the review and monitoring of the accounting processes for the preparation and publication of the audited financial statements and the resulting letter of recommendations for internal controls.

The Committee's assessments are based on information received from the management, independent auditors, internal auditors, the staff responsible for risk management, internal controls and compliance, and also from the analyzes resulting from its supervisory and monitoring activities.

At the Board of Directors' meeting held on April 30, 2020, Mr. José Rubens de La Rosa (Coordinator), Ivan Luiz Modesto Schara, Jaime Luiz Kalsing, João Verner Juenemann and Ms. Maria Carmen Westerlund were elected as members of the Committee. Ms. Montero was latter replaced by Mr. Jorge Roberto Manoel, elected as member of CAE by the Board of Directors at a meeting held on August 26, 2020. The mandate of the current members of the Committee is due to April 30, 2022.

According to the Internal Bylaws approved by the Board of Directors at a meeting on April 30, 2020, CAE's responsibilities are to:

- (i) propose the rules for its operation, which must be approved by the Board;
- (ii) recommend to the Board the hiring, maintenance and replacement of independent auditors, and the non-audit services that may be provided by them to the Company, subsidiaries and affiliates;
- (iii) review, prior to publication, the financial statements, explanatory notes, including an assessment of legal issues that may have an impact on said statements, management and independent auditors' reports and those required by regulatory bodies, as well as any information relevant to the securities market;
- (iv) to monitor the quality and integrity of the information and measurements disclosed, based on adjusted accounting data and non-accounting data that add elements not foreseen in the structure of the usual reports of the financial statements;
- (v) evaluate and recommend to the Board the approval of the annual internal audit plan;

- (vi) monitor the execution and evaluate the effectiveness and independence of the independent audit work;
- (vii) supervise the activities of the internal audit, evaluate its results and the adequacy of its human and financial resources, in accordance with the internal audit plans approved by the Board;
- (viii) monitor the quality, integrity and effectiveness of the accounting systems, internal controls and compliance;
- (ix) evaluate the compliance, by the Company's management, of the recommendations made by the independent auditors and by the internal audit;
- (x) evaluate the risk management process and structure and the effectiveness of the existing controls for its monitoring, including the adequacy of the human and financial resources destined for this purpose;
- (xi) evaluate the effectiveness of the procedures for receiving and handling information on non-compliance with legal and normative provisions applicable to the Company, internal regulations and codes, and guaranteeing the confidentiality of the information;
- (xii) monitor contingency plans, controls implemented to ensure the security and logic of information systems, protection against fraud and inappropriate use of the Company's assets;
- (xiii) to monitor the effectiveness of the Ethics and Conduct Committee's performance in the management of manifestations / complaints that involve fraud;
- (xiv) evaluate, monitor, and recommend to management the correction or improvement of the Company's internal policies, including the Policy on Transactions between Related Parties and Conflict of Interest Situations; and,
- (xv) issue a recommendation for approval by the Board on transactions with related parties, pursuant to the Policy on Transactions with Related Parties and Conflict of Interest Situations.

This report follows the guidance provided for in article 22, first paragraph, of B3's Novo Mercado Regulation.

## **CAE MEETINGS**

The Committee met ordinarily 14 (fourteen times) and extraordinarily on 4 (four) occasions between April 30, 2020 - date of its installation with statutory status - and February 17, 2021. In this last meeting, the CAE discussed and appreciated the Financial Statements as of December 31, 2020, with the presence of all members.

In view of the health protocols adopted over the period of the Covid-19 pandemic, CAE held virtual meetings, using the Microsoft Teams application, with the staff responsible for the departments of Risks and Internal Controls, Compliance, Accounting, Legal, Human Resources and Environment, Intelligence Technology, Treasury, with the CFO/Investor Relations Officer, Supply Chain Officer, Country Manager of the Company's mexican subsidiaries, CEO, Internal Audit, Reporting Channel , Ethics and Conduct Committee and the Independent Audit.

In addition to the meetings with these areas and auditors, two specific meetings were held, one with the Governance and People Management Committee and the other with the Company's Fiscal Council, both with the objective of aligning the performance between the governance bodies.

At each ordinary meeting of the Board of Directors, the Committee Coordinator reported the Committee's activities of the current month, for discussion with the Directors.

## **ACTIVITIES CARRIED OUT AND TOPICS MANAGED BY CAE**

The Statutory Audit and Risks Committee, at the ordinary and specific meetings listed above, tried to deepen and monitor processes, internal controls, risks, possible deficiencies and possible improvement plans, as well as to issue its recommendations to the Board of Directors and the Executive Board of the Company. The main aspects discussed were:

### **a) Internal Controls, Risk Management, Compliance, Reporting Channel and Ethics and Conduct Committee**

- Monitoring the activities regarding mapping processes, controls and KPI's;
- Evaluation and discussion of the Company's operational and strategic risks map, classified according to their impacts and probability of occurrence, accompanied by the respective actions plans by the risk owners for their execution, for later description of risk factors and for updating the Reference Form (FRE);
- Assessment of risks related to the Covid-19 pandemic;
- Monitoring of actions and schedule for the integration process of Mexican subsidiaries;
- Monitoring of action plans to improve general intelligence technology controls, profiles access's, segregation of functions and mitigation of cyber attacks;
- Evaluation of the planning of activities in the area of Risk Management and Internal Controls and general status for integration with Teksid's operations;
- Examination of the Board's manifestation and action on the Report on the Mexico Mission, held in November 2019;
- Monitoring the activities of the Ethics and Conduct Committee, evaluating the complaints received by the investigations channel and the measures adopted by the Management;
- Monitoring compliance with accessory obligations and intercompanies operations;
- Monitoring of the environmental management system and conditions of the Joinville industrial landfill (SC);
- Monitoring of Workplace Safety and Environment KPI's;
- Monitoring of assessments, notifications and official letters from regulatory and environmental authorities and the resulting measures;
- Monitoring of procedures with the antitrust authorities in the country and abroad; and,
- Monitoring the development and implementation of the Materiality Matrix.

**b) Financial management, provisions, impairment and indicators**

- Monthly monitoring of performance KPI's;
- Discussion for the improvement and subsequent monitoring of the application of the Financial Management Policy, regarding the set of norms resulting from it - Financial Management Norm; Market Risk Management Norm; Transport Credit Norm, Infrastructure and Agriculture; and, Hydraulic Credit Norm;
- Monitoring of financial management, regarding assets, liabilities, mismatches, foreign exchange exposure and interest rates and the contracting of derivative financial instruments;
- Discussion and monitoring of the main lawsuits and the Management's judgment on the outcome forecasts and the indication of provisions and details in the Explanatory Notes to the Financial Statements;
- Monitoring the evolution of the control environment in Legal, related to the management of contingencies of civil, labor, tax and environmental nature;
- Monitoring the management of judicial deposits of closed shares and respective amounts;
- Assessment of the ability to recover taxes credits - state and federal;
- Discussion and monitoring of procedures adopted to review the annual impairment tests and recoverability of tax assets;
- Monitoring the results of Liability Management operations - issuing bonds;
- Recommendation for approval by the Board of Directors of the quarterly, special and annual financial reports; and,
- Analyses and recommendation for approval of proposals for the declaration and distribution of dividends for 2019.

**c) Corporate governance**

- Reading the minutes of the meetings held by the Company's governance bodies, related to the Executive Board, Management Committees and Advisory Committees to the Board of Directors;
- Monitoring the timely fulfillment of pending matters by the different areas of the Company;
- Discussion and monitoring of the updating process of the FRE and the "Apply or Explain" provided for in the Brazilian Code of Corporate Governance for Publicly-Held Companies of CVM;
- Follow-up of the questions presented and Management's responses to the CVM and B3 official letters;
- Discussion and recommendation regarding the approval by the Board of Directors of the revision or alteration of the Financial Management Policies;
- Alteration, discussion and recommendation of approval by the Board of Directors of the structure for the Compliance area and for the Integrity Program;

- Discussion of the effects of the General Data Protection Law and monitoring of the actions and measures taken by the Company;
- Evaluation of the governance aspects of TUPY S.A.'s subsidiaries, monitoring the implementation of a Dutch subsidiary (Tupy Materials and Components);
- Assessment and monitoring of the adequacy of transactions with related parties; and,
- Annual cycle of self-assessment by the Statutory Audit and Risk Committee.

#### **d) Internal Audit**

- Discussion of the risks identified in the current activities of the Internal Audit;
- Analyses of the proposed review, by prioritizing projects, of the 2019/2020 Internal Audit Plan;
- Review and manifestation on the Internal Audit Plan for the 2021/2022 cycle;
- Evaluation and discussion of the Internal Audit reports of audit works on the units located in Brazil and Mexico, including any deficiencies classified into risk levels - high, medium and low -, with the justifications and indication of the responsible for the respective corrective actions;
- Review of high criticality points related to the environmental risk report;
- Monitoring the corrective actions of the audit points identified in the work of the Internal Audit;
- Monitoring compliance with the schedule, scope of hours and results of investigations carried out in special works;
- Monitoring the reporting of the main records in the report channel and the disciplinary treatment of the most relevant / impactful cases; and,
- Annual cycle of evaluation of the area and the performance of the staff responsible for Internal Audit - Brazil and Mexico - concluding with the positive evolution in the year, as well as the establishment of goals for 2021 and additional challenges.

#### **e) Independent Audit**

- Monitoring the process of renewing the Independent Auditors' contract, since the discussion of the required scope, culminating with the Committee's recommendation to the Board of Directors for the renewal;
- Discussion of the planning, scope and main conclusions obtained in the quarterly reviews, in the analysis of the Special Financial Reports (April and October) required by the BNDES shareholder in terms of articles 248 and 249 of Law 6,404/76, and report for the issue the Financial Statements of December 31, 2020;
- Any weaknesses, deficiencies and recommendations for improvement mentioned in the internal controls report, as well as the respective action plans of the internal areas for the correction or improvement of the points;

- Evaluation and recommendation to the Board of Directors regarding the additional services provided by the Independent Auditor, in particular on conditions for issuing a comfort letter for market operations; and,
- Annual cycle for evaluating the performance of the independent audit.

## SUMMARY OF CAE REPORT

### a) Financial Statements for the Financial Year of December 31, 2020

The members of the TUPY S.A. Statutory Audit and Risk Committee, in the course of its legal duties and responsibilities, pursuant to its Internal Bylaws, reviewed the Financial Statements, along with the Independent Auditors' report, issued on March 4, 2021, with an unqualified opinion, and the Management's annual report for the fiscal year ended on December 31, 2020 and, considering the information provided by the Management of the Company and Ernst & Young Auditores Independentes, as well as the proposal for the allocation of net Income of the fiscal year 2020, unanimously opined that such documents properly reflect, in all relevant aspects, the equity and financial positions of the Company and its subsidiaries, and recommended the approval of the documents by the Company's Board of Directors for submission to the Annual Shareholders' Meeting, under the terms of the Brazilian Corporation Law.

Joinville, SC, March 4, 2021.

José Rubens de La Rosa  
Independent Board Member (Coordinator)

Ivan Luiz Modesto Schara  
External member

Jaime Luiz Kalsing  
Board member

João Verner Juenemann  
Independent external member

Jorge Roberto Manoel  
Independent external member

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#### \* MEETINGS HELD:

Ordinary Meetings: May 2020 (19), June (23), July (07 and 22), August (06 and 25), September (15), October (20 and 26), November (24), December (15), January 2021 (22), February (11 and 17)

Extraordinary Meetings: September 2020 (29 - structuring of the Compliance area), October (01 - joint with CGGP -, 13 - benchmark on Compliance with the participation of guest Mr. Osvaldo Schirmer -, and 27 - benchmark on Internal Audit with participation of guest Mr. Rene Andrich).

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## OPINION OF THE FISCAL COUNCIL

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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 31, 20, 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 04, 2021, 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 04, 2021.

João Augusto Monteiro

(coordinator)

Kurt Janos Toth

Nilo José Panazzolo



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## MANAGEMENT

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### BOARD OF DIRECTORS

**President**

Gueitiro Matsuo Genso

**Vice-president**

Ricardo Doria Durazzo

**Members**

Claudia Silva Araujo de Azeredo Santos

Gabriel Stoliar

Jaime Luiz Kalsing

José Gustavo de Souza Costa

José Rubens de La Rosa

Paula Regina Goto

Ricardo Antonio Weiss



### 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