



LUPATECH

**Financial &
Economic
Performance
1Q24**



Message from the Administration

In the first quarter of 2024 we saw a significant acceleration in activities, made possible mainly by the reinforcement of working capital provided by the capital increase and indemnity received at the end of 2023.

Gross revenue for the period was R\$ 42.2 million, corresponding to a benchmark annualized revenue level of R\$170 million. As a basis for comparison, gross revenue was R\$ 23 million in 4Q23.

Net revenue for the quarter, at R\$ 35 million, was 75% higher than the R\$ 20 million of the previous quarter. The composition of revenue included R\$ 31.3 million from valves, up 88%, with R\$ 3.6 million remaining from Ropes and Composites, up 7% on 4Q23. In 1Q23, net revenue from Ropes and Composites was R\$ 701 thousand – the increase was more than 4 times in the space of one year.

Gross margin, at 22.9%, remained at a level comparable to 4Q23. Gross profit, however, grew 74% against 4Q23, in line with the expansion in revenue, closing at R\$ 8 million.

It is worth mentioning that at the level of activity at which the company operated in 1Q24, it was able to substantially suppress factory idleness: only R\$ 317 thousand was recorded in idleness expenses, compared to R\$ 3.6 million in 4Q23. As idle expenses are eminently fixed costs (necessary to keep a certain capacity available), absorbing the surplus opens up room for improving margins, as incremental revenues contribute more to results.

Administrative and commercial expenses in 1Q24 were significantly lower than in 4Q23 and 1Q23. These reductions stem from progressive efforts to streamline administration and improve efficiency.

The significantly better performance in 1Q24 resulted in a positive EBITDA of R\$ 1.9 million, equivalent to a positive margin of 5.3% of net revenue. EBITDA Adjusted for non-recurring events was also positive, at R\$1.3 million. EBITDA from Products was R\$4 million, corresponding to a margin of 11.7% on net revenue.

The net loss of R\$7.4 million was negatively impacted by the negative financial result of R\$ 9.3 million, including a negative exchange variation of R\$ 4 million, most of which has no economic effect, as it results from a variation in loans taken out from subsidiaries abroad, which has an identical counterpart in shareholders' equity due to the exchange rate update of the equity balances in dollars of these subsidiaries.

Our firm order book ended the quarter with R\$ 67 million in orders. The decrease compared to the R\$ 81 million of 4Q23 was only transitory, given the firm purchase orders received from Petrobras in the amount of R\$ 19 million, announced days before the publication of these results.

The portfolio of contracts without purchase obligations ended the quarter at R\$ 127 million, the same level as the previous quarter. After the end of the quarter, a substantial part of the supply contracts that were due to expire at the beginning of May were renewed for one year, shortly before these results were released.

Among the achievements of the period, we highlight the completion of the first stage of an operational improvement program, comprising the adoption of lean manufacturing strategies in the valve plants. The results achieved in this stage, which had the advisory support of SENAI in the Rota 2030 program, included a significant 46% increase in the productivity of the workforce at the industrial valves plant (Veranópolis). The project identified numerous opportunities for operational improvement, which should translate into better product profitability.

The results for the quarter are the result of efforts to increase revenues and improve the company's operational efficiency. Our challenge now is to reach new heights.

Rafael Gorenstein
CEO and Investor Relations Officer

Economic and Financial Performance

Lupatech mainly manufactures (Products segment) industrial valves; valves for oil and gas; ropes for deepwater mooring of oil platforms, naval use and cargo lifting; artifacts of composite materials, mainly electricity poles and tubes for lining oil pipelines.

The Company used to operate in the oilfield services business (Services segment), of which remain various assets in the process of liquidation and several legacy matters associated with it.

Net Revenue

Net Revenue (R\$ thd)	1Q23	1Q24	4Q23	1Q24
Products	21,324	34,866	19,960	34,866
Valves	20,623	31,260	16,577	31,260
Ropes and Composites	701	3,606	3,383	3,606
Services	68	139	52	139
Oilfield Services	68	139	52	139
Total	21,392	35,005	20,012	35,005

In 1Q24, consolidated net revenue reached R\$ 35.0 million, an increase of 63.6% compared to 1Q23 and a significant 74.9% compared to 4Q23.

Products

The increase in net revenue was driven by successful commercial efforts in the period.

Services

Transactions carried out in this segment result from the liquidation of inventory balances and other activities related to plants that were demobilized, i.e., they do not arise from ongoing operations.

Order Backlog

As of March 31, 2024, the Company's order backlog in Brazil totaled R\$ 66.8 million. On the same date, the Company had a balance of R\$ 127 million in supply contracts, with no purchase obligation. (Note: the figures do not include bids for which the respective orders or contracts have not yet been issued).

Gross Profit and Gross Margin

Gross Profit (R\$ thd)	1Q23	1Q24	4Q23	1Q24
Products	5,205	7,980	4,615	7,980
<i>Gross Margin - Products</i>	24.4%	22.9%	23.1%	22.9%
Services	15	48	(11)	48
<i>Gross Margin - Services</i>	n/a	n/a	n/a	n/a
Total	5,220	8,028	4,604	8,028
<i>Gross Margin - Total</i>	24.4%	22.9%	23.0%	22.9%
Depreciation	1,301	924	919	924
Depreciation Products	884	804	803	804
Depreciation Services	417	120	116	120
Gross Profit without depreciation	6,521	8,952	5,523	8,952
Gross Profit without depreciation Products	6,089	8,784	5,418	8,784

*n/a - not applied

Products

In the comparison of 1Q24 with 1Q23 and 4Q23, there was an improvement in results reflecting the growth in sales.

Services

The results of the services segment do not come from production activities, only from the sale of remaining inventories.

Expenses

Expenses (R\$ thd)	1Q23	1Q24	4Q23	1Q24
Total Sales Expenses	2,470	1,972	4,331	1,972
Sales Expenses - Products	2,470	1,972	4,331	1,972
Sales Expenses - Services	-	-	-	-
Total Administrative Expenses	5,554	5,112	4,711	5,112
Administrative Expenses - Products	3,071	1,918	2,589	1,918
Administrative Expenses - Services	2,483	3,194	2,122	3,194
Management Fees	898	750	2,070	750
Total Expenses	8,922	7,834	11,112	7,834

Sales and Administrative Expenses

In 1Q24, the company recognized R\$ 2.0 million in sales expenses and R\$ 5.1 million in administrative expenses. The fluctuations are substantially due to the non-recurring expenses included in the result for the periods compared.

Management Compensation

The amount presented is composed of fixed and variable remuneration.

Other Revenues and Operational (Expenses)

Other Operating (Expenses) (R\$ thd)	1Q23	1Q24	4Q23	1Q24
Products	(75)	471	(4,321)	471
Expenses with Idleness - Products	(5,547)	(317)	(3,589)	(317)
Services	3,899	597	9,225	597
Expenses with Idleness - Services	-	-	-	-
Total	(1,723)	751	1,315	751

In 1Q24, R\$ 2.6 million was recorded in "Other Operating Income" against R\$ 1.9 million in "Other Operating Expenses", totaling a net effect of R\$ 0.7 thousand. The following factors stand out:

- I. R\$ 1.4 million corresponds to the net positive effect of updating contingent processes according to the analysis of the legal advisors;
- II. R\$ 0.3 million in idle production expenses;
- III. R\$ 0.4 million from the recognition of taxes, obsolescence and extraordinary inventory losses.

Financial Result

Financial Results (R\$ thd)	1Q23	1Q24	4Q23	1Q24
Financial Revenue*	2,393	1,133	16,174	1,133
Financial Expense*	(12,225)	(6,426)	(22,846)	(6,426)
Net Financial Results*	(9,832)	(5,293)	(6,672)	(5,293)
Net Exchange Variance	5,103	(4,053)	111,517	(4,053)
Net Financial Results - Total	(4,729)	(9,346)	104,845	(9,346)

* Excluding Exchange Variance

The company's net financial result was negative by R\$ 5.3 million and its main effect is the restatement of interest and fines on taxes, suppliers and loans. The total net financial result is influenced by the exchange rate variation.

It is important to remember that exchange rate variations are predominantly the result of their incidence on balances between companies of the group abroad. The exchange rate oscillation affects in the opposite direction the translation into Brazilian Reais (BRL) of the equity of those entities, so that there are exchange rate variations booked directly to the company's equity, without going through profit and loss accounts.

Adjusted EBITDA from Operations

EBITDA Adjusted (R\$ thd)	1Q23	1Q24	4Q23	1Q24
Products	649	3,526	277	3,526
Margin	3.0%	10.1%	1.4%	10.1%
Services	(1,945)	(2,220)	(2,116)	(2,220)
Margin	n/a	n/a	n/a	n/a
Total	(1,296)	1,306	(1,839)	1,306
Margin	-6.1%	3.7%	-9.2%	3.7%

The variation in Adjusted EBITDA for Products in 1Q24 compared to the previous periods is mainly due to improved sales performance.

Services Adjusted EBITDA is made up of legacy management costs.

Adjusted Ebitda Reconciliation (R\$ thd)	1Q23	1Q24	4Q23	1Q24
Gross Profit	5,220	8,028	4,604	8,028
SG&A	(8,024)	(7,084)	(9,042)	(7,084)
Management Compensation	(898)	(750)	(2,070)	(750)
Depreciation and Amortization	1,301	924	919	924
Other Operating Expenses	(1,723)	751	1,315	751
Ebitda	(4,124)	1,869	(4,274)	1,869
Result of disposal or write-off of assets	(93)	4	10,706	4
Provisions for Legal Proceedings	(5,195)	(1,434)	3,082	(1,434)
Idle expenses	5,547	317	3,589	317
Extraordinary Expenses	2,569	550	(14,942)	550
Adjusted EBITDA	(1,296)	1,306	(1,839)	1,306

	1Q24		
Reconciliation of Adjusted Ebitda (R\$ thd)	Products	Services	Total
Gross Profit	7,980	48	8,028
SG&A	(4,405)	(2,679)	(7,084)
Management Compensation	(450)	(300)	(750)
Depreciation and Amortization	804	120	924
Other Operating Expenses	154	597	751
Ebitda	4,083	(2,214)	1,869

Result of disposal or write-off of assets	4	-	4
Provisions for Legal Proceedings	(65)	(1,369)	(1,434)
Idle expenses	317	-	317
Extraordinary Expenses	(813)	1,363	550
Adjusted EBITDA	3,526	(2,220)	1,306

Non-recurring expenses in 1Q24 refer mainly to the updating of contingent processes, production idleness and other extraordinary expenses.

Net Result

Net Result (R\$ thd)	1Q23	1Q24	4Q23	1Q24
Result Before Income Tax and Social Contribution	(10,154)	(8,401)	99,652	(8,401)
Income Tax and Social Contribution - Current	(1)	-	1	-
Income Tax and Social Contribution - Deferred	75	1,002	(1,176)	1,002
Net Profit for the Period	(10,080)	(7,399)	98,477	(7,399)
Profit (Loss) per Share	(0.32)	(0.18)	1.82	(0.18)

The negative net result obtained in 1Q24 is mainly influenced, in addition to current income and expenses, by the financial result and the net effect of other operating income and expenses.

Working Capital

Working Capital (R\$ thd)	03/31/2024	12/31/2023
Accounts Receivable	32,635	18,140
Inventories	33,475	32,678
Advances of suppliers	7,331	7,522
Recoverable taxes	40,469	40,701
Other Accounts Receivable	5,601	5,612
Total Asset	119,511	104,653
Suppliers	16,530	15,072
Advances from Customers	2,684	1,161
Taxes payable	20,326	22,323
Other Accounts Payable/Other Obligations	5,623	5,783
Payroll and charges	6,153	5,493
Total Liabilities	51,316	49,832
Working Capital Employed	68,195	54,821
Working Capital Variation	13,374	(12,846)

When comparing the balances at March 31, 2024 with the balance at December 31, 2023, there is an increase in working capital employed. This increase is mainly due to the variation in accounts receivable as a result of the higher volume of sales.

Cash and Financial Investments

Cash and cash equivalents (R\$ thd)	03/31/2024	12/31/2023
Cash and Cash Equivalents	15,598	19,907
Total	15,598	19,907

The consolidated position of cash and financial investments on March 31 amounted to R\$ 15.6 million.

Indebtedness

Debts (R\$ thd)	03/31/2024	12/31/2023
Short Term	61,469	50,633
Credits subject to Judicial Recovery	6,954	6,266
Credits not subject to Judicial Recovery	54,515	44,367
Long Term	96,379	95,027
Credits subject to Judicial Recovery	93,081	92,262
Credits not subject to Judicial Recovery	3,298	2,765
Total Debts	157,848	145,660
Cash and Cash Equivalents	15,598	19,907
Net Debt	142,250	125,753

The increase in financial indebtedness in the comparison of the balances at March 31, 2024 with the balances at December 31, 2023 is mainly associated with raising funds from financial institutions to finance the expansion of the business and the updating of the Judicial Reorganization debt.

Investment

Investments (R\$ thd)	03/31/2024	12/31/2023
Others Investments	19,685	19,685
Fixed Assets	130,147	131,405
Intangible Assets	83,149	83,210
Total	232,981	234,300

The variation presented in the investment balances refers mainly to the recognition of depreciation, amortization, and the effect of balance sheet conversion on the fixed assets of foreign subsidiaries.

Annexes

Annex I - Income Statements (R\$ Thousand)

	1Q23	1Q24
Net Revenue From Sales	21,392	35,005
Cost of Goods and Services Sold	(16,172)	(26,977)
Gross Profit	5,220	8,028
Operating Income/Expenses	(10,645)	(7,083)
Selling	(2,470)	(1,972)
General and Administrative	(5,554)	(5,112)
Management Fees	(898)	(750)
Other Operation Income (Expenses)	(1,723)	751
Net Financial Result	(4,729)	(9,346)
Financial Income	2,393	1,134
Financial Expenses	(12,225)	(6,427)
Net Exchange Variance	5,103	(4,053)
Loss Before Income Tax and Social Contribution	(10,154)	(8,401)
Provision Income Tax and Social Contribution - Current	(1)	-
Provision Income Tax and Social Contribution - Deferred	75	1,002
Net Loss for the Period	(10,080)	(7,399)

Annex II – Reconciliation of EBITDA Adjusted (R\$ Thousand)

	1Q23	1Q24
Adjusted EBITDA from Operations	(1,296)	1,306
Idleness Expenses	(5,547)	(317)
Extraordinary expenses	(2,569)	(550)
Provisions for Losses, Impairment and Net Result on Disposal of Assets	5,288	1,430
EBITDA from Operations	(4,124)	1,869
Depreciation and amortization	(1,301)	(924)
Equity	-	-
Net Financial Result	(4,729)	(9,346)
Income Tax and Social Contribution - Current and Deferred	74	1,002
Net Loss	(10,080)	(7,399)

Annex III – Consolidated Balance Sheets (R\$ Thousand)

	03/31/2024	12/31/2023
Total Asset	491,437	482,769
Current Assets	157,394	145,711
Cash and Cash Equivalents	15,598	19,907
Accounts Receivable	32,635	18,140
Inventories	33,475	32,678
Recoverable Taxes	40,469	40,701
Other Accounts Receivable	5,601	5,612
Prepaid Expenses	1,005	553
Advances to Suppliers	7,331	7,522
Assets Classified as Held for Sale	21,280	20,598
Non-Current Assets	334,043	337,058
Securities-restricted	44	44
Judicial Deposits	5,375	5,079
Recoverable Taxes	4,277	6,953
Deferred Income Tax and Social Contribution	57,182	56,180
Other Accounts Receivable	34,184	34,502
Investments	19,685	19,685
Property, Plant and Equipment	130,147	131,405
Intangible Assets	83,149	83,210
Total Liabilities and Shareholders' Equity	491,437	482,769
Current Liabilities	115,430	102,918
Suppliers - Not Subject to Judicial Recovery	11,131	9,876
Suppliers -Subject to Judicial Recovery	5,399	5,196
Loans and Financing - Not Subject to Judicial Recovery	54,515	44,367
Loans and Financing - Subject to Judicial Recovery	6,954	6,266
Provisions Payroll and Payroll Payable	6,153	5,493
Taxes Payable	20,326	22,323
Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	313	315
Advances from Customers	2,684	1,161
Other Accounts Payable	5,623	5,783
Other obligations - subject to judicial recovery	2,332	2,138
Non-Current Liabilities	221,662	220,288
Suppliers - Subject to Judicial Recovery	27,078	26,649
Loans and Financing - Subject to Judicial Recovery	3,298	2,765
Loans and Financing - Not Subject to Judicial Recovery	93,081	92,262
Taxes Payable	29,995	29,199
Provision for Contingencies	25,930	27,591
Obligations and Provisions Labor Risks - Subject to Judicial Recovery	2,222	2,238
Other Accounts Payable	3,161	3,350
Other obligations - subject to judicial recovery	36,897	36,234
Shareholders' Equity	154,345	159,563
Capital Stock	1,920,888	1,920,820
Reserves and capital transactions	144,754	144,754
Equity Valuation Adjustment	76,792	74,679
Accumulated Losses	(1,988,089)	(1,980,690)

Annex IV – Statements of the Consolidated Cash Flow (R\$ Thousand)

	1Q23	1Q24
Cash Flow from Operating Activities		
Loss for the periods	(10,080)	(7,399)
Adjustments:		
Depreciation and Amortization	1,831	1,455
Income from sale of property, plant and equipment	324	(1)
Financial charges and exchange variation on financing	1,706	8,061
Reversal (Provision) for loss due to non-recoverability of assets	(418)	-
Deferred Income Tax and Social Contribution	-	(1,002)
Inventory obsolescence	(321)	938
(Reversal) Estimated losses for doubtful accounts	31	(97)
Adjust to present value	3,552	184
Fair value adjustment	(4,125)	2,115
Changes in Assets & Liabilities		
(Increase) Decrease in Accounts Receivable	7,782	(14,398)
(Increase) Decrease in Inventories	2,635	(1,735)
(Increase) Decrease in Recoverable Taxes	3,147	2,908
(Increase) Decrease in Other Assets	1,472	(186)
(Increase) Decrease in Suppliers	(388)	12
(Increase) Decrease in Taxes Payable	(422)	(3,158)
(Increase) Decrease in Others Accounts Payable	(644)	414
Net Cash Flow from Operating Activities	6,082	(11,889)
Cash Flow from Investment Activities		
Securities - restricted account	60	150
Resources from the sale of fixed assets	101	-
Aquisition of Property, Plant and Equipment	(197)	(263)
Net Cash Flow from (Used in) Investment Activities	(36)	(113)
Cash Flow from Financing Activities		
Borrowing and financing	18,748	37,105
Capital increase (decrease)	1,021	68
Payment of loans and financing	(35,105)	(29,480)
Net Cash Flow from Financing Activities	(15,336)	7,693
Net Increase (Decrease) in Cash and Cash Equivalents	(9,290)	(4,309)
At the Beginning of the Period	13,171	19,907
At the End of the Period	3,881	15,598

About Lupatech

Lupatech is a Brazilian company with high added value products focused on the oil and gas sector, operating in manufacturing (Products segment) mainly producing industrial valves; valves for oil and gas; ropes for anchoring oil platforms; well completion equipment; artifacts of composite materials, mainly FRP power poles and tubes for lining oil pipelines.