



**Financial &
Economic
Performance
1Q20**



Message from the Administration

Context

As of the date of this report, the GDP performance of 1Q20 had not yet been released by IBGE, but the preliminary indicators produced by the Central Bank and FGV indicate the persistence of the stagnant economic environment or even a retraction.

In this quarter, however, Lupatech's performance detached itself from the scenario of economic stagnation. The numbers speak for themselves:

- **Net revenue growth over 70% over the same quarter last year and 50% over the previous quarter.**
- Sales were significantly more profitable, with a Gross Margin of 27%, compared to 15% in the previous quarter.
- **Positive adjusted EBITDA of the Valves business, at R\$ 680 thousand, or 5% of net revenue.**
- Growth in total Adjusted EBITDA, with a significant reduction in losses. The loss of R\$ 0.8 million represents 5% of net revenue. In 4Q19 the loss was R\$ 2.6 million or 28% of revenue. In the same quarter of the previous year, losses of R\$ 7.2 million represented 85% of revenue.

Note that in terms of Adjusted EBITDA, we are very close to the “break even” of this metric.

This superior performance was rooted in the work we have been doing both on the commercial front, with smarter and more aggressive pricing, and in improving our operations, with the relentless pursuit of better supply costs in Asia. It is the result of a virtuous cycle: more sales, more competitive costs, more sales, more competitive costs.

It must be mentioned that the company's adequate capitalization contributed to the results. Throughout 2019, and especially after 3Q19, we maintained better liquidity levels, which allowed us to dare and enjoy the results.

Ahead of this long-cultivated performance improvement, it is particularly frustrating to have to deal with the consequences of the Covid-19 pandemic, which will inevitably lead to some setback, especially in industrial businesses. On the other hand, considering the volumes for which Petrobras requested proposals in 1Q20, the Oil&Gas business can counter this setback - in the medium term and if Petrobras actually proceeds with the purchases.

As mentioned in the previous quarter's report, Petrobras bid a significant volume of valves and anchoring ropes. **During the year, the company tendered around R\$ 305 million and was able to achieve the best price on items equivalent to approximately R\$ 203 million.** Most of the tenders refers to contracts with no purchase obligation by Petrobras. To date, the company has signed contracts in the amount of R\$ 35 million, and for other cases, the bidding procedures are ongoing.

Coronavirus (COVID-19)

It is not yet possible to measure all the financial and economic effects of the Coronavirus pandemic (COVID-19), nor the full extent of its impact on the company's activities. However, it is already possible to report important impacts observed and make prognoses, without the intention of exhausting all possibilities.

With regard to supplies, we face delays in the manufacture and transportation of imported products, but these have gradually been regularized and will not have a material impact on business. As for domestic supplies, there was an impact both in manufacturing and in the logistics of raw materials and components - but due to the assortment of existing stocks, the impact on delivery times has been mild.

As of the 2nd half of March, there was a slight reduction in the inflow of inquiries and orders from industrial valve customers, which intensified in April. Consultations fell by approximately 60%. The order backlog took a little longer to be affected and has been decreasing more gradually - this is because there is typically a gap of 1 to 3 months between issuing a quote and receiving the corresponding order.

In the businesses directed to the oil market, there was no substantial change in commercial activity that can be attributed to Covid-19. On the contrary, the period was marked by high activity by Petrobras, which has been quoting substantial values since the beginning of the year. Petrobras and some relevant customers have requested postponement of receipt of orders due to measures taken by the authorities in the locations where their deposits are located or for other logistical and financial issues.

No order cancellation movements attributable to Covid-19 have been observed so far.

The fall in the price of oil has not caused customers to request modifications of existing contracts. However, it is believed that, if the decline persists for a prolonged period, the postponement of large projects linked to the pre-salt may affect demand.

Administrative and production activities. As of March 16, the company has taken several preventive measures aimed at producing the “social distancing” recommended by the authorities. Most of the administrative employees started to work on a home-office basis, and the production teams were divided into work shifts, when possible, in order to mitigate the odds of a total interruption of activities. All conduct recommendations for removal of people with symptoms are being implemented. As the company has been working with idleness, it is likely that part of the delays resulting from the introduced inefficiencies will be mitigated, but there are manufacturing sectors that can constitute relevant bottlenecks if they have to be stopped.

From a financial perspective, with regard to inflows of funds, the company observed delays and requests for payment extensions by several customers. Transactions involving assets were postponed and may eventually be cancelled by the interested parties.

The substantial depreciation of the Real generated short-term effects, with the increase in the cost of purchasing imported inputs, to be used in the manufacturing of products already ordered at contracted prices. On the other hand, national manufactures become more competitive. In the long run, high exchange rates substantially burdens the company's liabilities.

Judicial Recovery

In spite of the fact that we are making every effort to conclude the necessary measures to survey the Judicial Recovery, the situation imposed by the Covid-19 pandemic produced imbalances in the face of the premises on which the recovery plan was based.

In the first moments of the crisis, the combination of all the effects described generated a liquidity shrinkage, in an environment where banks and other entities withdrew. Several mitigating measures have made it possible to regularize liquidity. Short- and probably medium-term business plans will be affected. In this sense, the company has been taking steps to recalibrate the conditions of its judicial reorganization plan in the face of new premises and to protect itself from unforeseen situations. On April 15, the court of the 1st bankruptcy and judicial recoveries court in São Paulo granted the company the possibility of offering creditors an amendment to the approved judicial recovery plan. Despite the company not being in default with any of its obligations arising from the current judicial reorganization plan, the same decision ruled out the possibility of bankruptcy in the event that a future default occurs during the pandemic period, until new offered terms have been appreciated by the creditors' general meeting.

In this sense, the company plans to call its creditors once again discuss the impact of the crisis and evaluate the proposed adjustment to the terms of the plan, focusing mainly on preserving short-term liquidity and re-balancing foreign currency debts.

Asset recovery and recapitalization

Our efforts to recover assets and recapitalize the company will not escape unscathed from the current pandemic, given the liquidity contraction and the cooling of oil investments. It will be fatally harder and slower to sell assets. Some advanced efforts were in fact suspended or postponed by stakeholders.

However, some other measures that we have been seeking to ensure liquidity have paid off. The company was successful in an agreement to release a balance of R\$ 1.8 million in escrow account with the acquirer of Metalúrgica Ipê. It was also possible to conclude part of the federal tax refund process for one of the subsidiaries, in the updated amount of R \$ 19 million. These resources have been able to overcome the strong initial impacts of the crisis and will contribute to the execution of the contracts that are likely to arise from ongoing tenders.

Rafael Gorenstein
Director President and of Investor Relations

Financial-Economic Performance

Net Revenue (R\$ thd)	1Q19	1Q20	4Q19	1Q20
Products	8,393	14,240	9,330	14,240
Valves	8,352	14,231	9,321	14,231
Ropes and Composites	42	9	10	9
Services	31	55	34	55
Oilfield Services	31	55	34	55
Total	8,424	14,294	9,364	14,294

For comparison purposes, as from 1Q20, we changed the composition of the Products business segment:

- Valves: encompasses the Industrial Valves and Oil and Gas Valves businesses, as well as other ancillary equipment such as filters, joints and connections, metal-mechanical components cast and/or machined for third parties in our units and downhole oil tools.
- Ropes and Composites: includes products made from advanced materials such as high-strength synthetic fibers and composites, and associated services. The main product is high resistance polyester ropes used in offshore applications, mainly deep water mooring. We also manufacture artifacts from composite materials – fiber reinforced plastic (glass, carbon, aramid fibers), mainly tubular elements.

Valves

We had an increase in sales of 70% in 1Q20 compared to 1Q19 and an increase of 53% compared to 4Q19, which reflects the resumption of the Company's volumes and the success in its growth efforts undertaken in the period.

The result of the sales would have been better had it not been for the deliveries that were postponed at the request of some customers due to difficulties imposed by the Covid-19 pandemic.

Ropes and Composites

The revenues presented result from the sale of waste and inventories, as the plants did not operate in the compared periods.

Services

The revenues that make up this segment are derived from the settlement of inventory balances, not referring to regular operations.

Order Backlog

As of March 31, 2020, the Company's order backlog and contracts with an obligation to purchase ("Order Backlog") in Brazil totaled R\$ 12.3 million. On the same date, the company had a balance in supply contracts with no purchase obligation in the amount of R\$ 8.3 million. Bids for which the respective orders have not been issued are not included in this figure.

Relevant to mention that the balance of contracts with no purchase obligation on the date of publication of this report amounted to R\$ 42.9 million.

Gross Profit and Gross Margin

Gross Profit (R\$ thd)	1T19	1T20	4T19	1T20
Products	(1,055)	3,911	1,561	3,911
Gross Margin - Products	-12.6%	27.5%	16.7%	27.5%
Services	13	(15)	(165)	(15)
Gross Margin - Services	n/a	n/a	n/a	n/a
Total	(1,041)	3,896	1,396	3,896
Gross Margin - Total	-12.4%	27.3%	14.9%	27.3%
Depreciation Products	1,611	1,455	1,491	1,455
Gross Profit without Depreciation	556	5,366	3,052	5,366
Gross Margin without Depreciation Products	7%	38%	33%	38%

*n/a - not applied

Products

When comparing 1Q20 compared to 4Q19 and 1Q19, there is an important improvement in gross margins (with and without depreciation), as a result of the company's progressive efforts to increase sales and to improve its profitability of sales,

Depreciation expense has a high weight on our margins due to the high fixed capital in a scenario of low activity level. Excluding depreciation that does not matter in disbursement of resources, the margin in 1Q20 compared to 4Q19 increased by 5% and in the 1Q20 x 1Q19 comparison, the margin increased by 31%.

Services

The service segment margins do not come from productive activities, only from the sale of remaining stocks.

Expenses

Expenses (R\$ thd)	1Q19	1Q20	4Q19	1Q20
Total Sales Expenses	1,393	1,952	2,299	1,952
Sales Expenses - Products	1,390	1,951	2,264	1,951
Sales Expenses - Services	3	1	36	1
Total Administrative Expenses	5,891	4,581	6,711	4,581
Administrative Expenses - Products	3,214	2,592	3,973	2,592
Administrative Expenses - Services	2,200	1,989	2,138	1,989
Administrative Expenses - Corporate	477	0	600	0
Management Fees	720	2,173	1,305	2,173
Total Sales, Administratives and Management Fees	8,004	8,705	10,316	8,705

Selling Expenses

In the comparison 1Q20 versus 4Q19 in the Valve Segment, expenses increased due to revenue growth. The same can be said in the 1Q20 x 1Q19 comparison. In proportion to Net Revenue, there was a slight dilution of selling expenses.

In the Ropes and Composites business, selling expenses remained at the same low level, due to inactivity.

In the Services Segment, the amount recorded in 4Q19 refers to the recording of a provision for losses on customer credits. In 1Q20, we did not have any accounting records of this nature.

Administrative Expenses

In this quarter there was a reclassification of administrative expenses between the company's businesses. However, it can be seen in the general comparison that expenses in 1Q20 are lower than in 4Q19, mainly due to the reduction in expenses with services and attorney fees. In comparison with 1Q19, the reduction mainly refers to terminations, resulting from the process of terminating various sites that occurred in 2019.

Management Compensation

The increase in 1Q20 refers to the approval by the Board of Directors of variable remuneration for the years 2017 and 2018. The associated credits were used by the executives for the subscription of shares through the exercise of options under the 2019 Plan.

Other Revenues and Operational (Expenses)

Other Operating (Expenses) (R\$ thd)	1Q19	1Q20	4Q19	1Q20
Products	1,560	167	(8,588)	167
Expenses with Idleness - Products	(2,266)	(3,118)	(3,676)	(3,118)
Services	(3,965)	(9,486)	1,140	(9,486)
Expenses with Idleness - Services	(874)	(101)	(263)	(101)
Total	(5,545)	(12,538)	(11,387)	(12,538)

In 1Q20, the following factors stand out:

- (i) R\$ 3.2 million in expenses with production idleness;
- (ii) R\$ 4.5 million corresponding to the negative net effect of adjustments for impairment and the result of the sale of assets;
- (iii) R\$ 2.9 million increase due to updates to contingent processes (mainly labor) according to the analysis of legal advisors;
- (iv) R\$ 1.9 million in expenses with judicial deposits and write-off of advances from suppliers;

Financial Result

Financial Results (R\$ thd)	1Q19	1Q20	4Q19	1Q20
Income from Financial Investments	21	43	130	43
Monetary Variation	295	356	542	356
Present value adjustment	-	14,734	1,995	14,734
Interest on Receivables	3	1	3	1
Others	1,266	1	145	1
Financial Revenue*	1,585	15,135	2,815	15,135
(Expense) Reversal of Interest Expenses	(3,414)	(1,392)	(1,407)	(1,392)
Fair value adjustment	(2,120)	-	(162)	-
Discount Granted	-	-	(1)	-
(Provision) Reversal of Provision for Interest on Suppliers	1,099	(931)	(413)	(931)
Fines and Interest on Taxes	(205)	(101)	(655)	(101)
IOF, Banking Expenses and Others	(1,757)	(382)	(1,060)	(382)
Financial Expense*	(6,397)	(2,806)	(3,698)	(2,806)
Net Financial Results*	(4,812)	12,329	(883)	12,329
Exchange Variance Revenue	9,955	28,762	17,293	28,762
Exchange Variance Expenses	(12,147)	(84,373)	(10,639)	(84,373)
Net Exchange Variance	(2,192)	(55,611)	6,654	(55,611)
Net Financial Results - Total	(7,004)	(43,282)	5,771	(43,282)

* Excluding Exchange Variance

Financial Revenue

The variations in Financial Revenue in the comparison between 1Q20 versus 4Q19 and versus 1Q19 are mainly due to the recognition of Present Value Adjustment revenue recognized in the quarter.

Financial Expenses

When comparing 1Q20 compared to 4Q19, financial expenses decreased mainly due to the reduction in bank expenses, iof and interest on taxes paid in the period. In the comparison between 1Q20 versus 1Q19, the reduction is justified by the lower incidence of interest paid in the quarter and the absence of adjustment expenses to present value that in the current quarter resulted in financial income.

Net Exchange Variation

In 1Q20 versus 4Q19, the Net Exchange Variation resulted in expenses due to the 29.0% appreciation of the dollar. In the 1Q20 x 1Q19 comparison, the dollar appreciated 33.4%. Note that exchange rate variations on the equity of companies controlled abroad have a counterpart directly in Shareholders' Equity.

Adjusted EBITDA from Operations

EBITDA Adjusted (R\$ thd)	1Q19	1Q20	4Q19	1Q20
Products	(2,838)	680	(373)	680
Margin	-33.8%	4.8%	-4.0%	4.8%
Services	(4,315)	(1,526)	(2,240)	(1,526)
Margin	n/a	n/a	n/a	n/a
Total	(7,153)	(846)	(2,612)	(846)
Margin	-84.9%	-5.9%	-27.9%	-5.9%

note: net service values for minority interests

Adjusted Ebitda Reconciliation (R\$ thd)	1Q19	4Q19	1Q20
Gross Profit	(1,041)	1,396	3,896
SG&A	(7,284)	(9,011)	(6,533)
Management Fees	(720)	(1,304)	(2,173)
Depreciation and Amortization	1,900	1,756	1,706
Other Operating Expenses	(5,545)	(11,386)	(12,538)
Ebitda	(12,690)	(18,548)	(15,642)
Result of disposal or write-off of assets	-	18,531	3,389
Provisions for Losses, Impairment, Net Result on Disposal of Assets,	987	2,124	3,080
Idle expenses	3,140	3,939	2,461
Expenses with Restructuring and Other Extraordinary Expenses	1,410	(8,659)	5,865
Adjusted EBITDA	(7,153)	(2,612)	(846)

Adjusted EBITDA for Products in 1Q20 improved compared to 4Q19 mainly due to the better performance in Valve sales, followed by greater profitability. The same goes for the 1Q20 x 1Q19 comparison. In Ropes and Composites, there was no revenue from operations in the period.

The Services business improved in 1Q20 due to the reduction in legacy management costs.

	1Q20		
Reconciliação do Ebitda Ajustado (R\$ mil)	Products	Services	Total
Gross Profit	3,911	(15)	3,896
SG&A	(4,543)	(1,989)	(6,533)
Management Fees		(2,173)	(2,173)
Depreciation and Amortization	1,455	251	1,706
Other Operating Expenses	(2,951)	(9,587)	(12,538)
Ebitda	(2,128)	(13,513)	(15,642)
Result of disposal or write-off of assets	(8)	3,397	3,389
Provisions for Legal Proceedings	(163)	3,243	3,080
Idle expenses	2,359	102	2,461
Restructuring Process and Other Extraordinary Expenses	620	5,245	5,865
Adjusted EBITDA	680	(1,526)	(846)

Non-recurring expenses in 1Q20 refer mainly to provisions for losses due to the non-recoverability of assets and updating of contingent processes, and extraordinary expenses related to judicial recovery.

Net Result

Net Result (R\$ thd)	1Q19	1Q20	4Q19	1Q20
Result Before Income Tax and Social Contribution	(18,558)	(60,256)	(12,237)	(60,256)
Income Tax and Social Contribution - Current	(1,543)	(109)	(19)	(109)
Income Tax and Social Contribution - Deferred	505	(3,507)	(436)	(3,507)
Result of Discontinued Operations	-	-	-	-
Net Result	(19,596)	(63,872)	(12,692)	(63,872)
Net Result per 1,000 shares	(2.00)	(22.33)	(10.64)	(22.33)

Predominantly competed for the negative result of 1Q20 of R\$ 63.9 million, the R\$ 55.6 of negative exchange variation resulting from the appreciation of the dollar in the quarter.

Operating Working Capital

Working Capital (R\$ thd)	4Q19	1Q20
Accounts Receivable	10,795	13,295
Inventories	30,436	29,923
Advances of suppliers	7,826	7,783
Recoverable taxes	38,271	43,496
Suppliers	11,638	12,268
Advances from Customers	5,171	5,122
Taxes payable	13,846	16,100
Payroll and charges	7,997	6,167
Employed Working Applied	48,676	54,840
Working Capital Variance	7,995	6,164

When comparing 1Q20 with 4Q19, we note an increase in working capital employed. This increase is mainly due to the increase in our accounts receivable, due to higher sales, and the tax recoverable account.

Cash and cash equivalents

Cash and cash equivalents (R\$ tl)	4Q19	1Q20
Cash and Cash Equivalents	5,834	2,129
Securities-restricted	-	1,800
Total	5,834	3,929

The reduction in 1Q20 x 4Q19 refers to working capital employed to fulfill the order book and replenish stocks. The amount of bonds and securities is due to reclassification for the short term.

Debts

Debts (R\$ thd)	4Q19	1Q20
Short Term	23,381	23,005
Credits subject to Judicial Recovery	3,685	4,058
Credits not subject to Judicial Recovery	14,509	14,798
Debentures Convertible into Shares	5,187	4,149
Long Term	125,395	142,368
Credits subject to Judicial Recovery	125,395	142,368
Total Debts	148,776	165,373
Cash and Cash Equivalents	5,834	2,129
Securities-restricted	-	1,800
Net Debt	142,942	161,444

The increase in indebtedness in 1Q20 x 4Q19, mainly refers to the update of the debt of judicial recovery both in the short and long term.

Investment Balances

Investments (R\$ thd)	4Q19	1Q20	Var. %	Var. (R\$)
Others Investments	51,039	51,039	0.0%	-
Fixed Assets	84,155	81,678	-2.9%	(2,477)
Intangible Assets	87,010	86,705	-0.4%	- 305
Total	222,204	219,422	-1.3%	(2,782)

The reduction presented in 1Q20 compared to 4Q19 is justified by the demobilization of equipment from the service units.

Discontinued Operations:

On September 12, 2019, the entities that comprised the Oilfield Services Colombia division ceased to be part of the society. For analysis purposes, all the results obtained by it previously are no longer included in this report.

Attachments

Annex I - Income Statements (R\$ Thousand)

	1Q19	1Q20	% Change
Net Revenue From Sales	8,424	14,294	70%
Cost of Goods and Services Sold	(9,465)	(10,398)	10%
Gross Profit	(1,041)	3,896	-474%
Operating Income/Expenses	(13,561)	(20,870)	54%
Selling	(1,393)	(1,952)	40%
General and Administrative	(5,891)	(4,581)	-22%
Management Fees	(720)	(2,173)	202%
Equity pick-up	(12)	374	-3217%
Other Operation Income (Expenses)	(5,545)	(12,538)	126%
Net Financial Result	(7,004)	(43,282)	518%
Financial Income	1,585	15,135	855%
Financial Expenses	(6,397)	(2,806)	-56%
Net Exchange Variance	(2,192)	(55,611)	2437%
Loss Before Income Tax and Social Contribution	(21,606)	(60,256)	179%
Provision Income Tax and Social Contribution - Current	(2)	(109)	5350%
Provision Income Tax and Social Contribution - Deferred	505	(3,507)	-794%
Loss from Discontinued Operations	1,507	-	n/a
Gain (Loss) for the Period	(19,596)	(63,872)	226%

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

	1Q19	1Q20	% Change
Adjusted EBITDA from Continuing Operations	(7,153)	(846)	-88%
Expenses with Restructuring and Other Extraordinary Expenses	(1,410)	(5,865)	316%
Provisions for Losses, Impairment and Net Result on Disposal of Assets	(987)	(6,470)	556%
EBITDA from Operations	(9,550)	(13,181)	38%
Depreciation and Amortization	(1,900)	(1,706)	-10%
Equity Pick-up	(12)	374	-3217%
Net Financial Result	(7,004)	(43,282)	518%
Income Tax and Social Contribution - Current and Deferred	503	(3,616)	-819%
Idleness Expenses	(3,140)	(2,461)	-22%
Result Discontinued Operations	1,507	-	n/a
Net Income (Loss)	(19,596)	(63,872)	226%

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

	4Q19	1Q20	% Change
Total Asset	504,628	507,785	1%
Current Assets	184,200	197,043	7%
Cash and Cash Equivalents	5,834	2,129	-64%
Securities-restricted	-	1,800	n/a
Accounts Receivable	10,795	13,295	23%
Inventories	30,436	29,923	-2%
Recoverable Taxes	38,271	43,496	14%
Other Accounts Receivable	21,203	16,524	-22%
Prepaid Expenses	1,165	1,531	31%
Advances to Suppliers	7,826	7,783	-1%
Assets Classified as Held for Sale	68,670	80,562	17%
Non-Current Assets	320,428	310,742	-3%
Securities-restricted	1,788	-	-100%
Judicial Deposits	24,987	23,570	-6%
Recoverable Taxes	55,136	51,447	-7%
Other Accounts Receivable	13,026	13,026	0%
Assets Classified as Held for Sale	3,287	3,277	0%
Investments	51,039	51,039	0%
Property, Plant and Equipment	84,155	81,678	-3%
Intangible Assets	87,010	86,705	0%
Total Liabilities and Shareholders' Equity	504,628	507,785	1%
Current Liabilities	68,364	67,649	-1%
Suppliers - Not Subject to Judicial Recovery	7,627	8,493	11%
Suppliers - Subject to Judicial Recovery - Class I	737	366	-50%
Suppliers - Subject to Judicial Recovery	3,274	3,409	4%
Loans and Financing - Not Subject to Judicial Recovery	14,509	14,798	2%
Loans and Financing - Subject to Judicial Recovery	3,685	4,058	10%
Debentures Convertible into Shares	5,187	4,149	-20%
Provisions Payroll and Payroll Payable	7,997	6,167	-23%
Commissions Payable	410	542	32%
Taxes Payable	13,846	16,100	16%
Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	94	94	0%
Advances from Customers	5,171	5,122	-1%
Other Accounts Payable	4,909	3,402	-31%
Provision for Contractual Fines	918	949	3%
Non-Current Liabilities	336,699	364,535	8%
Suppliers - Subject to Judicial Recovery	56,689	60,882	7%
Loans and Financing - Subject to Judicial Recovery	125,395	142,368	14%
Taxes Payable	17,294	17,571	2%
Deferred Income Tax and Social Contribution	67,056	70,563	5%
Provision for Contingencies	58,013	58,679	1%
Obligations and Provisions Labor Risks - Subject to Judicial Reorganization	7,040	6,271	-11%
Other Accounts Payable	4,179	4,589	10%
Provision for Negative Equity in Subsidiaries	1,033	3,612	250%
Shareholders' Equity	99,565	75,601	-24%
Capital Stock	1,885,266	1,889,550	0%
Capital reserve	2,875	2,875	0%
Capital Transaction Reserve	136,183	136,183	0%
Stock Options	13,600	13,549	0%
Equity Valuation Adjustment	151,261	186,936	24%
Accumulated Losses	(2,089,620)	(2,153,492)	3%

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

	1Q19	1Q20	% Change
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year	(19,596)	(63,872)	226%
Adjustments:			
Depreciation and Amortization	3,269	1,706	-48%
Equity Pick-up	12	(374)	-3217%
Income from sale of property, plant and equipment	13,010	5,235	-60%
Financial charges and exchange variation on financing	5,043	57,872	1048%
Reversal (Provision) for loss due to non-recoverability of assets	(3,808)	(1,848)	-51%
Deferred Income Tax and Social Contribution	(2,234)	3,507	-257%
Losses on Inventory Obsolescence	(2,086)	(1,589)	-24%
(Reversal) Allowance for doubtful accounts	43	303	605%
Adjustment to present value	2,121	(14,733)	-795%
	(1,946)	38,214	-3784%
Changes in Assets & Liabilities			
(Increase) Decrease in Accounts Receivable	(2,962)	(2,817)	-5%
(Increase) Decrease in Inventories	2,480	2,102	-15%
(Increase) Decrease in Recoverable Taxes	(3,092)	1,134	-137%
(Increase) Decrease in Other Assets	5,088	6,091	20%
(Increase) Decrease in Suppliers	(1,000)	6,271	-727%
(Increase) Decrease in Taxes Payable	4,435	2,430	-45%
(Increase) Decrease in Others Accounts Payable	148	(46,731)	-31675%
Cash Flow from Operating Activities	(1,075)	(7,099)	560%
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payment of capital in subsidiaries	1,103	-	n/a
Securities-restricted	-	-	n/a
Securities - restricted account	91	31	-66%
Proceeds from the sale of fixed assets	7,377	626	-92%
Aquisition of Property, Plant and Equipment	(311)	(207)	-33%
Aquisition of Intangible Assets	(42)	(2)	-95%
Fluxo de Caixa Proveniente das (Utilizado nas) Atividades de Investimento	8,218	448	-95%
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing and financing	24,009	2,709	-89%
Payment of loans and financing - Related Parties	(27,053)	(3,009)	-89%
Convertible Debentures in Stocks	(1,037)	(1,038)	0%
Payment of loans and financing	(446)	-	n/a
Cash Flow from Financing Activities	(4,527)	2,946	-165%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,616	(3,705)	-242%
At the Beginning of the Period	1,245	5,834	369%
At the End of the Period	3,861	2,129	-45%

About Lupatech – In Judicial Recovery

Lupatech S.A. - In Judicial Recovery is a Brazilian company of products and services of high added value focusing the oil and gas sector. The businesses are organized in two segments: Products and Services. The Products Segment offers, mainly for the oil and gas sector, valves, anchoring cables for production platforms, industrial valves and equipment for well completion and pipe coating, as well as a relevant participation in the gas compressor segment company natural vehicle. The Service Segment offers services, workover, well intervention, inspection and repair.