Financial & Economic Performance

4Q20

Message from the Administration

Goodbye 2020, Hello 2021

102% Revenue Growth (4Q20 YoY)

Positive EBITDA

Contract backlog R$ 167 million

Net Profit R$ 20,5 million (FY 2020)

Cash R$ 21 million

R$ 95 million reduction of restructured liabilities (4Q20)

Yes, that's Lupatech's balance sheet.

2020 was a year of enormous challenges, from which we came out stronger, fortunately. It is a year to be remembered for its adversity, but for the Lupatech community it will also be a year remembered for our important advances.

We started the year with good business results, the net revenue of 1Q20 was 53% higher than that of the previous quarter, fruit of the success of our strategies and efforts.

But in mid-March, we began to feel the effects of the Pandemic. Quotations and orders plummeted brutally, various problems in the supply chain made it difficult to purchase raw materials and deliver products to customers. Financial losses and a huge impact on the company's ability to finance its working capital. Sales collapsed in 2Q20.

Hercules must have been a happy man, as he had only 12 jobs and did not have to make them from his home-office.

The Lupatech team was committed to overcoming the challenges, and the momentum gained catapulted us beyond the crisis. Even with all the operational difficulties and restrictions, in 3Q20 we were able to recover the sales levels of the 1Q20 and closed the 4Q20 with sales 29% higher than the 3Q20 and 102% higher than those of 4Q19.

But it wasn't just in the year's sales that success was notorious. Just as important, were the seeds planted for future harvest. Throughout 2020 we captured a series of relevant supply contracts for valves and anchoring ropes with Petrobras. We had ended 2019 with R$ 16 million of orders in our backlog and without any contracts. 2020 ended with R$ 22 million of firm orders and R$ 145 million in contracts. As a reference, this backlog is equivalent to 3 times the net revenue for 2020.

The growth in revenue geared our results. The gross margin of Products went from 10.8% in 2019 to 23.1% in 2020. It is important to mention that in 2020 our margins, although much better, were punctually affected by cost inflation caused by the exchange rate devaluation and operational difficulties imposed by Covid-19. Contractual inflation adjustments to Petrobras contracts should contribute to the future recovery of margins. The adjustments corresponding to valve contracts, whose balance amounts to R$ 59 million, will have an average price adjustment of 24%, effective from March 2021. The ropes contract will also have a price adjustment, but the percentage was not yet available on the date of publication of this report.

Still with regard to profitability, very relevant to observe the performance measured by EBITDA. Adjusted EBITDA in the Products segment started the year positive, suffered from the pandemic, and finally, driven by revenue growth, ended again positive in 4Q20 at R$2.2 million and a margin of 11.8%. This result was sufficient to ensure that the company also had a positive result as a whole. The Company has not achieved a quarter of positive EBITDA since 2016.

In 2020 we also recorded important advances on the equity front. Part of our challenge has been the recovery of the company's contingent assets. During the course of the year we managed to monetize almost R$ 30 million in tax credits from our controlled entities, which came to strengthen the consolidated cash. There still remain about R$ 9 million in similar credits whose restitution in cash we continue chasing.

We won an arbitration procedure against of Cordoaria São Leopoldo, seller of anchoring ropes operations, whose accumulated debt with the company has already accumulated to about R$ 20 million and is the subject of judicial measures for collection. More recently, already in 2021, we obtained a substantially favorable verdict in another arbitration, this one filed against GP Investiments, San Antonio International and other vehicles, whose value still pends court calculations.

Due to the adversities brought by Covid-19, we were obliged to summon creditors to a new assembly, where we proposed changes to the judicial recovery plan to reestablish its original balance. The company's claims got broad support from creditors, who supported the administration by approving by a large majority: (a) the deferral of payments of class III credits to address the immediate impact of the pandemic, (b) the adjustment of the payment method of creditors in foreign currency, in view of the maxi devaluation of the Real, and (c) adjustments to the form of payment of class I credits. The plan’s ammendment, approved at the end of 2020, had significant effects on the company's balance sheet, and was mainly reflected in the calculation of judicial recovery debt (R$ 236 was adjusted to R$ 162 million at present value) and the probable labor contingencies (from R$ 44 went down to R$ 23 million).

Energy Transition x Ropes and Composites

It is said in our industry: "where there are fluids there are valves". And as the fossil energy industry moves fluids, it is globally the major consumer of valves. International estimates indicate that it consumes more than 60% of the valves produced in the world. And this proportion is not much different in the commercial scope of Lupatech.

Brazil is today the great frontier of offshore oil exploration and production, attracting about 70% of the expenditure of the offshore industry. And it is also a boiling market for gas, produced in increasing volumes. The investments that will take place here are likely to ensure a lot of demand for local manufacturers. As noted, Lupatech is well positioned to benefit from this phase, which today is a tangible reality.

While consolidating the resumption of the valve business, we have a lot of work to do in the Ropes and Composites business. This is the business with the best prospects of leveraging opportunities for a world in Energy Transition.

The Ropes and Composites businesses did not make revenues in 2020, but were not inert. Not at all.
We strengthened Lupatech Ropes' technical team and completed a major maintenance and improvement plan to prepare the plant for the resumption of the offshore industry and for the

fulfillment of the contract signed with Petrobras. Among the improvements, we have several measures aimed at increasing productivity and equipment capacity, which should allow the increase of total production capacity and potential revenue.

At the end of 2020, Lupatech Fiberware positioned itself to resume supplies of liners for oil production pipes. Supplies have already started in 2021. The volumes are modest in view of the transition which the onshore exploration industry goes through due to the privatisations.

Recently we have completed the development of a new product – poles of fiberglass reinforced plastic. Adaptations at the Feliz-RS plant are ongoing and should be completed early 2021, when we shall submit it for certification from potential customers. Initially the focus will be on the energy distribution market, but later they can be addressed to the transmission and public lighting markets. It is a new product for a market that is still young and growing, but no less promising.

The electricity sector is expected to soon offer interesting opportunities for Lupatech Ropes as well. Offshore wind farms are already a reality, and the industry's prognosis is that they gradually move into deeper waters, where winds are more productive. Deeper waters require floating equipment anchored with flexible lines, rather than rigid structures fixed to the seabed. It is an opportunity of great potential and one that is not in the very distant future.

Judicial Recovery and Restructuring

As described, in 2020 we had significant advances in the restructuring of the company. But there were directions we couldn't advance much.

The divestment of assets, for example, was practically paralyzed in the period. We estimate that between US$ 5 million and US$ 7 million of assets remains to be monetized. Only recently, in 2021, with the increase in the price of oil, demand for these assets was resumed and negotiations began.

There are R$ 9 million tax credits still to be monetized and we are currently pursuing the homologation of credits from the PIS and COFINS on ICMS cause to enable offsetting of future taxes. We have R$ 29.8 million of credits from decisions *res judicata*. Enabling these credits will contribute to the preservation of cash, especially as sales volumes rise.

We are taking final steps to obtain the certificates of fiscal regularity, from which we are exempted by the protection conferred by law 11.101.

Also in place are the necessary steps to recognize the judicial recovery plan added in Chapter 15 in the U.S. From this, it will be possible to exchange the Notes of issuance of Lupatech Finance for new instruments aligned with the conditions agreed in RJ.

In the same direction, the company is issuing subscription warrants, aiming at the complying with the adjusted terms of the judicial recovery plan, which require a larger number of securities than those of the previous issue.

The three above measures are relevant and may require reliefs from the judicial recovery court, therefore they precede any request for the termination of the proceedings.

Rafael Gorenstein
Chief Executive Officer and Investor Relations Officer

Financial-Economic Performance

Net Revenue

Net Revenue (R$ thd)	1Q20	2Q20	3Q20	4Q20	2019	2020
Products	**14,239**	**6,685**	**14,688**	**18,728**	**32,484**	**54,341**
Valves	14,230	6,666	14,687	18,728	32,442	54,312
Ropes and Composites	9	19	1	-	42	29
Services	**55**	**-**	**-**	**191**	**192**	**246**
Oilfield Services	55	-	-	191	192	246
Total	**14,294**	**6,685**	**14,688**	**18,920**	**32,676**	**54,586**

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 similar equipment such as filters, joints and connections, cast-and / or machined metal-mechanical components for third parties and tooling for oil wells.

- 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 fiber ropes used in offshore applications, mainly anchoring oil platforms in deep waters. We also manufacture artifacts from composite materials of plastic resins and fibers (glass, carbon, aramid), mainly tubular elements.

<u>Valves</u>

We had an increase in sales of 30% in the comparison between 4Q20 and 3Q20 and an increase of 69% in the interannual comparison. These results reflect the resumption of the Company's volumes and the success of its growth efforts undertaken in the period.

<u>Ropes and Composites</u>

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

<u>Serviçes</u>

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

Order Backlog

As of December 31, 2020, the Company's order backlog and contracts with an obligation to purchase (“Order Backlog”) in Brazil totaled R$ 22 million. On the same date, the Company had a balance in supply contracts with no purchase obligation in the amount of R$ 145 million (nominal value, without inflation adjustments). Expired bids for which the respective orders have not been issued are not included in this figure.

Gross Profit and Gross Margin

Gross Profit (R$ thd)	1Q20	2Q20	3Q20	4Q20	2019	2020
Products	**3,909**	**836**	**2,817**	**4,983**	**3,498**	**12,545**
Gross Margin - Products	*27.5%*	*12.5%*	*19.2%*	*26.6%*	*10.8%*	*23.1%*
Services	**(14)**	**(4)**	**(4)**	**(72)**	**(3,478)**	**(94)**
Gross Margin - Services	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
Total	**3,895**	**831**	**2,813**	**4,911**	**20**	**12,450**
Gross Margin - Total	*27.2%*	*12.4%*	*19.2%*	*26.0%*	*0.1%*	*22.8%*
Depreciation Products	1,382	1,354	1,312	1,115	**7,129**	**5,163**
Lucro Bruto s/ depreciação	**5,601**	**2,503**	**4,434**	**6,318**	**7,273**	**18,855**
Gross Profit without Depreciation	**5,291**	**2,190**	**4,129**	**6,098**	**10,626**	**17,708**
Gross Margin without Depreciation Produ	*37%*	*33%*	*28%*	*33%*	*33%*	*35%*

**n/a - not applied*

<u>Products</u>

When comparing 4Q20 compared to 3Q20 and 2020 with 2019, there is an improvement in gross margins (with and without depreciation), as a result of the Company's progressive efforts to improve sales profitability.

Depreciation expense has a large weight on our margins, due to the high fixed assets in a scenario of low activity level. Excluding the depreciation that does not matter in the disbursement of cash the margin in 4Q20 compared to 3Q20 increased by 4 percentage points. In the interannual comparison, the increase was 1 percentage point.

<u>Services</u>

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

Expenses

Expenses (R$ thd)	1Q20	2Q20	3Q20	4Q20	2019	2020
Total Sales Expenses	**1,952**	**2,007**	**1,722**	**1,124**	**6,165**	**6,805**
Sales Expenses - Products	1,951	2,007	1,722	1,124	5,343	6,804
Sales Expenses - Services	1	0	0	0	822	1
Total Administrative Expenses	**4,580**	**5,946**	**4,199**	**7,891**	**22,481**	**22,616**
Administrative Expenses - Products	2,389	2,365	2,366	2,240	9,117	9,361
Administrative Expenses - Services	2,191	3,581	1,833	5,651	13,364	13,255
Management Fees	**2,173**	**422**	**686**	**3,065**	**3,440**	**6,346**
Total Sales, Administratives and Management Fees	**8,705**	**8,375**	**6,607**	**12,080**	**32,086**	**35,767**

<u>Selling Expenses</u>

In the comparison of 4Q20 versus 3Q20, in the Valve Segment the variation is justified due to the recovery of credits in the amount of R$ 598. In the year-over-year comparison, expenses increased in line with revenue growth.

The amount recorded in 2019 in the Services Segment refers to the estimate of losses on customer credits. In 2020, we did not have accounting records of this nature.

Administrative Expenses

When comparing 4Q20 versus 3Q20, the variation is due to the exceptional expense of legal fees successfully in 4Q20 and legal expenses related to the judicial reorganization process. Comparing 2020 with 2019, the increase is explained substantially for the same reason.

Management Compensation

In the comparison of 4Q20 compared to 3Q20, the variation is justified by the recording of provisions related to estimates for variable compensation in the amount of R$ 2.4 million, whose confirmation and credit in favor of the beneficiaries depends on future approval by the Board of Directors .

In the annual comparison, the increase is due to the variable remuneration in 1Q20.

Other Revenues and Operational (Expenses)

Other Operating (Expenses) (R$ thd)	1Q20	2Q20	3Q20	4Q20	2019	2020
Products	(1,844)	(3,399)	129	2,415	6,984	(2,699)
Expenses with Idleness - Products	(3,118)	(2,443)	(3,184)	(3,297)	(11,701)	(12,042)
Services	(7,475)	(1,176)	(3,984)	59,321	16,337	46,686
Expenses with Idleness - Services	(101)	(289)	(259)	(167)	(2,420)	(816)
Total	**(12,538)**	**(7,307)**	**(7,298)**	**58,272**	**9,200**	**31,129**

In 4Q20, the following factors stand out:

(i) R$ 3.5 million in expenses with production idleness;

(ii) R$ 23.3 million reduction due to updates to contingent processes according to the analysis of legal advisors;

(iii) R$ 60.6 million corresponding to the positive net effect of the impairment adjustments and the result of the sale of the assets, mainly due to the properties transferred to the company Ilno Administradora de Bens e Direitos Ltda and Ciaval II Administração de Bens e Direitos SPE S.A;

(iv) R$ 8.6 million of impairment recognition on judicial deposits;

(v) R$ 8.0 million related to the loss of amounts receivable from the company Unifit - Unidade de Fios Industriais de Timbaúba Ltda.

(vi) R$ 5.1 million expense with tax credits without recoverability and write-off of advances to suppliers.

Financial Result

Financial Results (R$ thd)	1Q20	2Q20	3Q20	4Q20	2019	2020
Income from Financial Investments	43	75	67	67	225	252
Monetary Variation	356	82	36	187	16,151	661
Present value adjustment	14,734	1,257	-	-	4,432	15,991
Ajuste a Valor Justo	-	-	-	40,135	-	40,135
Interest on Receivables	1	2	3	305	11	311
Others	1	2	741	2,991	3,122	3,734
Financial Revenue*	**15,135**	**1,418**	**847**	**43,685**	**23,941**	**61,084**
(Expense) Reversal of Interest Expenses	(1,392)	(1,456)	(1,576)	1,400	(10,367)	(3,024)
Fair value adjustment	-	-	(623)	(1,020)	(3,978)	(1,643)
(Provision) Reversal of Provision for Interest on Suppliers	(931)	691	120	83	(4,203)	(37)
Fines and Interest on Taxes	(101)	(75)	(104)	(223)	(1,479)	(503)
IOF, Banking Expenses and Others	(382)	(1,915)	(1,057)	(3,071)	(3,285)	(6,425)
Financial Expense*	**(2,806)**	**(2,755)**	**(3,240)**	**(2,831)**	**(23,312)**	**(11,632)**
Net Financial Results*	**12,329**	**(1,337)**	**(2,393)**	**40,854**	**629**	**49,452**
Exchange Vaciance Revenue	28,762	6,692	21,740	55,167	47,246	112,361
Exchange Variance Expenses	(84,373)	(20,100)	(29,494)	(9,650)	(57,490)	(143,617)
Net Exchange Variance	**(55,611)**	**(13,408)**	**(7,754)**	**45,517**	**(10,244)**	**(31,256)**
Net Financial Results - Total	**(43,282)**	**(14,745)**	**(10,147)**	**86,371**	**(9,615)**	**18,196**

* Excluding Exchange Variance

<u>Financial Revenue</u>

The variation in Financial Revenue in the comparison of 4Q20 versus 3Q20 is mainly due to the accounting for revenue from Adjustment at Fair Value and Adjustment to Present Value due to the Amendment to the Judicial Recovery Plan approved on November 26, 2020. When comparing 2020 with 2019, the increase is explained substantially for the same reason.

<u>Financial Expenses</u>

When comparing 4Q20 versus 3Q20, financial expenses decreased due to the reduction in expenses for updating interest on suppliers and Judicial Recovery loans and financing.

Comparing the 2020 result with 2019, financial expenses decreased, mainly due to: (i) updating of fines and late payment interest on tax debts, (ii) recognition of the adjustment to present value of the debt subject to Judicial Recovery and (iii) reduction of expense for updating interest on suppliers and loans under Judicial Recovery.

<u>Net Exchange Variation</u>

In 4Q20, the significant amount of the net exchange variation arises from the effects of the amendment to the judicial recovery plan approved by the court on November 26, 2020.

Comparing the year of 2020 with 2019, the Net Exchange Variation resulted in expenses, due to the appreciation of the dollar. Note that, while the exchange rate variation on the company's liabilities with its foreign subsidiaries affects the results, the exchange rate variations on the equity of the respective subsidiaries abroad have a counterpart directly in the Shareholders' Equity.

Adjusted EBITDA from Operations

EBITDA Adjusted (R$ thd)	1Q20	2QT20	3Q20	4Q20	2019	2020
Products	**680**	**(2,182)**	**(590)**	**2,204**	**(10,961)**	**112**
Margin	4.8%	-32.6%	-4.0%	11.8%	-33.7%	0.2%
Services	**(1,526)**	**(953)**	**(1,376)**	**(2,050)**	**(9,166)**	**(5,905)**
Margin	n/a	n/a	n/a	n/a	n/a	n/a
Total	**(846)**	**(3,135)**	**(1,966)**	**154**	**(20,127)**	**(5,793)**
Margin	-5.9%	-46.9%	-13.4%	0.8%	-61.6%	-10.6%
% Products	-80%	70%	30%	1435%	54%	-2%
% Services	180%	30%	70%	-1335%	46%	102%

obs: valores de Serviços líquidos de participações minoritárias

Adjusted EBITDA for Products in 4Q20 increased compared to 3Q20 mainly due to the higher sales volume. In the comparison between 2020 and 2019 there was also an improvement in sales performance and also in the expansion of margins. This EBITDA, which had a significant increase, was sufficient to cover losses in Services, resulting in a positive result for the Company as a whole, the first positive result since 2016.

	4Q20		
Reconciliation of Adjusted Ebitda (R$ thd)	**Products**	**Services**	**Total**
Gross Profit	4,983	(72)	4,911
SG&A	(3,364)	(5,651)	(9,015)
Management Fees	-	(3,065)	(3,065)
Depreciation and Amortization	1,115	290	1,405
Other Operating Expenses	(882)	59,153	58,271
Ebitda	**1,852**	**50,656**	**52,507**
Result of disposal or write-off of assets	-	(52,085)	(52,085)
Provisions for Legal Proceedings	-	(19,977)	(19,977)
Idle expenses	2,730	20	2,750
Restructuring Process and Other Extraordinary Expenses	(2,378)	19,337	16,959
Adjusted EBITDA	**2,204**	**(2,050)**	**154**

Adjusted Ebitda Reconciliation (R$ thd)	1Q20	2QT20	3Q20	4Q20	2019	2020
Gross Profit	3,895	831	2,813	4,911	20	12,450
SG&A	(6,532)	(7,953)	(5,921)	(9,015)	(28,646)	(29,421)
Management Fees	(2,173)	(422)	(686)	(3,065)	(3,440)	(6,346)
Depreciation and Amortization	1,706	1,672	1,621	1,405	7,264	6,404
Other Operating Expenses	(12,538)	(7,307)	(7,298)	58,271	9,199	31,128
Ebitda	**(15,642)**	**(13,179)**	**(9,471)**	**52,507**	**(15,603)**	**14,215**
Result of disposal or write-off of assets	3,389	762	598	(52,085)	10,438	(47,336)
Provisions for Legal Proceedings	3,080	3,499	3,073	(19,977)	7,462	(10,325)
Idle expenses	2,461	2,364	2,685	2,750	14,120	10,260
Expenses with Restructuring and Other Extraordinary Expenses	5,866	3,419	1,149	16,959	(36,544)	27,393
Adjusted EBITDA	**(846)**	**(3,135)**	**(1,966)**	**154**	**(20,127)**	**(5,793)**

In 2020, Adjusted EBITDA had a significant expansion compared to 2019. Losses were concentrated in 2Q20 and 3Q20, when the effects of the Pandemic were felt most strongly.

Non-recurring expenses in 4Q20 refer mainly to provisions for losses due to the non-recoverability of assets (impairment), updating of contingent processes and extraordinary expenses related to judicial recovery.

Net Result

Net Result (R$ thd)	1Q20	2Q20	3Q20	4Q20	2019	2020
Result Before Income Tax and Social Contribution	(60,256)	(30,292)	(22,479)	137,180	(30,283)	24,153
Income Tax and Social Contribution - Current	(109)	(11)	(7)	(33)	(23)	(160)
Income Tax and Social Contribution - Deferred	(3,507)	(299)	148	243	(108)	(3,415)
Result of Discontinued Operations	-	-	-	-	4,236	-
Net Result	**(63,872)**	**(30,602)**	**(22,338)**	**137,390**	**(26,178)**	**20,578**
Net Result per 1,000 shares	(22.33)	(2.62)	(4.90)	1.61	(10.64)	0.90

The positive result for 4Q20 of R$ 137.4 million, in addition to current revenues and expenses, contributed: (i) R$ 45.5 of positive exchange rate variation due to the effects of conversion into subscription bonus of part of the Company's debt in currency foreign, according to the amendment to the plan ratified in court on November 26, 2020; (ii) R$ 40.1 of adjustment to fair value due to the approval of the amendment to the Judicial Recovery Plan; (iii) R$ 23.3 million reduction in civil, tax and labor contingencies (iv) R$ 52 million corresponding to the positive net effect of the impairment adjustments and the result of the sale of assets, mainly due to the properties transferred to the company Ilno Administradora de Bens e Direitos Ltda and Ciaval II Administration of Goods and Rights SPE SA; (v) R$ 8.0 million related to the loss of amounts receivable from the company Unifit - Unidade de Fios Industriais de Timbaúba Ltda; (vi) R$ 3.5 million in expenses with production idleness; and (vii) R$ 5.1 million in expenses with tax credits without recoverability and write-off of advances to suppliers.

Working Capital

Working Capital (R$ thd)	2019	2020
Accounts Receivable	10,795	19,222
Inventories	30,436	31,932
Advances of suppliers	7,826	5,813
Recoverable taxes	38,271	29,884
Suppliers	11,638	11,304
Advances from Customers	5,171	6,623
Taxes payable	13,846	12,888
Payroll and charges	7,997	9,183
Working Capital Employed	**48,676**	**46,853**
Working Capital Variation	7,995	(1,823)

In the comparison of 2020 with 2019, we noticed a reduction in working capital employed. This reduction is mainly due to the taxes to be recovered due to the successful application for the refund of IRPJ and CSLL with the Federal Revenue of Brazil, in April and October 2020.

Cash and cash equivalentes

Cash and cash equivalents (R$ thd)	2019	2020
Cash and Cash Equivalents	5,834	21,015
Total	**5,834**	**21,015**

The increase in 2020 x 2019, refers to the monetization of credits that occurred during 2020 (Note 1.1).

Indebtedness

Debts (R$ thd)	2019	2020
Short Term	**23,381**	**29,994**
Credits subject to Judicial Recovery	3,685	2,710
Credits not subject to Judicial Recovery	14,509	26,247
Debentures Convertible into Shares	5,187	1,037
Long Term	**125,395**	**96,377**
Credits subject to Judicial Recovery	125,395	96,377
Total Debts	**148,776**	**126,371**
Cash and Cash Equivalents	5,834	21,015
Net Debt	**142,942**	**105,356**

The reduction of the debt of 2020 compared to 2019, mainly refers to the updating of the Judicial Recovery debt in both the short and long term, due to the amendment to the Plan approved on November 26, 2020.

Investments

Investments (R$ thd)	2019	2020
Others Investments	51,039	28,371
Fixed Assets	84,155	126,799
Intangible Assets	87,010	85,785
Total	**222,204**	**240,955**

The variation shown in the investment balance refers to the effect of the exchange variation on the fixed assets of the foreign subsidiaries and the properties transferred to the subsidiary Ilno Administradora de Bens e Direitos Ltda.

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.

Annexes

Annex I - Income Statements (R$ Thousand)

	2019	2020	% Change
Net Revenue From Sales	32,676	54,586	67%
Cost of Goods and Services Sold	(32,656)	(42,136)	29%
Gross Profit	20	12,450	62150%
Operating Income/Expenses	(20,689)	(6,493)	-69%
Selling	(6,162)	(6,805)	10%
General and Administrative	(22,481)	(22,616)	1%
Management Fees	(3,440)	(6,346)	84%
Equity pick-up	2,194	(1,855)	-185%
Other Operation Income (Expenses)	9,200	31,129	238%
Net Financial Result	(9,614)	18,196	-289%
Financial Income	19,691	59,441	202%
Financial Expenses	(19,061)	(9,989)	-48%
Net Exchange Variance	(10,244)	(31,256)	205%
Loss Before Income Tax and Social Contribution	(30,283)	24,153	-180%
Provision Income Tax and Social Contribution - Current	(23)	(160)	596%
Provision Income Tax and Social Contribution - Deferred	(108)	(3,415)	3062%
Loss from Discontinued Operations	4,236	-	n/a
Gain (Loss) for the Period	(26,178)	20,578	-179%

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

	2019	2020
Adjusted EBITDA from Continuing Operations	(20,127)	(5,793)
Expenses with Restructuring and Other Extraordinary Expenses	36,549	(27,393)
Provisions for Losses, Impairment and Net Result on Disposal of Assets	(17,901)	57,661
EBITDA from Operations	(1,479)	24,476
Depreciation and Amortization	(7,264)	(6,404)
Equity Pick-up	2,194	(1,855)
Net Financial Result	(9,614)	18,196
Income Tax and Social Contribution - Current and Deferred	(131)	(3,575)
Idleness Expenses	(14,120)	(10,260)
Result Discontinued Operations	4,236	-
Net Income (Loss)	(26,178)	20,578

Annex III - Consolidated Balance Sheets (R$ Thousand)

	2019	2020	% Change
Total Asset	**504,628**	**492,609**	**-2%**
Current Assets	**184,200**	**196,827**	**7%**
Cash and Cash Equivalents	5,834	21,015	260%
Accounts Receivable	10,795	19,222	78%
Inventories	30,436	31,932	5%
Recoverable Taxes	38,271	29,884	-22%
Other Accounts Receivable	21,203	14,947	-30%
Prepaid Expenses	1,165	127	-89%
Advances to Suppliers	7,826	5,813	-26%
Assets Classified as Held for Sale	68,670	73,887	8%
Non-Current Assets	**320,428**	**295,782**	**-8%**
Securities-restricted	1,788	44	-98%
Judicial Deposits	24,987	12,176	-51%
Recoverable Taxes	55,136	34,494	-37%
Deferred Income Tax and Social Contribution	-	-	n/a
Other Accounts Receivable	13,026	6,091	-53%
Assets Classified as Held for Sale	3,287	2,022	-38%
Investments	51,039	28,371	-44%
Property, Plant and Equipment	84,155	126,799	51%
Intangible Assets	87,010	85,785	-1%
Total Liabilities and Shareholders Equity	**504,628**	**492,609**	**-2%**
Current Liabilities	**68,364**	**77,081**	**13%**
Suppliers - Not Subject to Judicial Recovery	7,627	7,085	-7%
Suppliers - Subject to Judicial Recovery - Class I	737	366	-50%
Suppliers -Subject to Judicial Recovery	3,274	3,853	18%
Loans and Financing - Not Subject to Judicial Recovery	14,509	26,247	81%
Loans and Financing - Subject to Judicial Recovery	3,685	2,710	-26%
Debentures Convertible into Shares	5,187	1,037	-80%
Provisions Payroll and Payroll Payable	7,997	9,183	15%
Commissions Payable	410	292	-29%
Taxes Payable	13,846	12,888	-7%
Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	94	2,239	2282%
Advances from Customers	5,171	6,623	28%
Other Accounts Payable	4,909	3,552	-28%
Provision for Contratual Fines	918	1,006	10%
Non-Current Liabilities	**336,699**	**275,328**	**-18%**
Suppliers - Subject to Judicial Recovery	56,689	50,358	-11%
Loans and Financing - Subject to Judicial Recovery	125,395	96,377	-23%
Taxes Payable	17,294	25,405	47%
Deferred Income Tax and Social Contribution	67,056	57,192	-15%
Provision for Contigencies	58,013	34,900	-40%
Obligations and Provisions Labor Risks - Subject to Judicial	7,040	2,345	-67%
Other Accounts Payable	4,179	4,471	7%
Provision for Negative Equity in Subsidiaries	1,033	4,280	314%
Shareholders' Equity	**99,565**	**140,200**	**41%**
Capital Stock	1,885,266	1,893,163	0%
Capital reserve	2,875	3,606	25%
Capital Transaction Reserve	136,183	136,183	0%
Stock Options	13,600	-	-100%
Equity Valuation Adjustment	151,261	162,651	8%
Accumulated Losses	(2,089,620)	(2,055,403)	-2%

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

	2019	2020	% Change
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the year	(26,178)	20,578	-179%
Adjustments:			
Depreciation and Amortization	7,264	6,403	-12%
Equity Pick-up	(2,194)	1,855	-185%
Income from sale of property, plant and equipment	22,667	15,307	-32%
Financial charges and exchange variation on financing	25,721	33,624	31%
Reversal (Provision) for loss due to non-recoverability of assets	9,009	(7,711)	-186%
Deferred Income Tax and Social Contribution	16,506	(9,864)	-160%
Reversão de ajuste a valor justo combinação de negócio SABR	6,276	-	n/a
(Reversal) Estimated losses for doubtful accounts	(692)	(636)	-8%
Actual losses with doubtful accounts	-	386	n/a
Adjust to present value	(455)	(14,349)	3054%
Fair value adjustment	(18,222)	(40,214)	869%
Changes in Assets & Liabilities			
(Increase) Decrease in Accounts Receivable	21,262	(8,177)	-138%
(Increase) Decrease in Inventories	7,449	(1,928)	-126%
(Increase) Decrease in Recoverable Taxes	(15,678)	31,694	-302%
(Increase) Decrease in Other Assets	13,133	29,770	127%
(Increase) Decrease in Suppliers	(23,648)	(211)	-99%
(Increase) Decrease in Taxes Payable	(3,498)	6,650	-290%
(Increase) Decrease in Others Accounts Payable	(8,326)	(42,544)	411%
Cash Flow from Operating Activities	**31,461**	**21,065**	**-33%**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Overdue Liabilities	-	1,392	n/a
Investment property	(50,452)	22,668	n/a
Cash from discontinued operations	38,449	-	n/a
Securities - restricted account	245	1,996	715%
Resources from the sale of fixed assets	12,679	2,290	-82%
Aquisition of Property, Plant and Equipment	(3,618)	(47,034)	1200%
Aquisition of Intangible Assets	(51)	(37)	n/a
Cash Flow from (Used in) Investment Activities	**(2,748)**	**(18,725)**	**581%**
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing and financing	(15,819)	39,707	-351%
Capital increase (decrease)	11,505	7,897	-31%
Convertible Debentures in Stocks	(4,149)	(4,150)	0%
Payment of loans and financing	(15,661)	(30,613)	n/a
Cash Flow from Financing Activities	**(24,124)**	**12,841**	**-153%**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**4,589**	**15,181**	**231%**
At the Beginning of the Period	1,245	5,834	n/a
At the End of the Period	5,834	21,015	260%

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.