STANDARD FINANCIAL STATEMENTS
2020

LUPATECH S.A. – IN JUDICIAL RECOVERY
CNPJ/MF nº 89.463.822/0001-12
NIRE 35.3.0045756-1
Publicly-Held Company with Authorized Capital –
New Market

Management Report

THIS IS A FREE TRANSLATION OF THE ORIGINAL TEXT IN PORTUGUESE
IN CASE OF DIVERGENCE OF INTERPRETATION, THE PORTUGUESE TEXT WILL PREVAIL

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.

Valves

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.

Ropes and Composites

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

Serviçes

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

Financial Revenue

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.

Financial Expenses

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.

Net Exchange Variation

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.

LUPATECH S.A. - IN JUDICIAL RECOVERY

BALANCE SHEET
(In R$ Thousands)

ASSETS	Note	Parent 12/31/2020	Parent 12/31/2019	Consolidated 12/31/2020	Consolidated 12/31/2019
CURRENT					
Cash and cash equivalents	6	161	176	21,015	5,834
Accounts receivables	7	13,258	5,427	19,222	10,795
Inventories	7	26,980	25,385	31,932	30,436
Recoverable taxes	9	7,343	1,371	29,884	38,271
Advances to suppliers		1,261	929	5,813	7,826
Other accounts receivable	10	5,011	6,153	14,947	21,203
Prepaid expenses		96	1,134	127	1,165
Accounts receivable - related parties	17.1	21,348	48,478	-	-
Assets classified as held for sale	33	3,236	3,236	73,887	68,670
Total current assets		78,694	92,289	196,827	184,200
NON-CURRENT					
Other Credits		1	1	1	1
Judicial deposits	20.3	1,654	1,694	12,175	24,986
Securities-restricted	6.2	44	1,788	44	1,788
Recoverable taxes	9	33,157	39,713	34,494	55,136
Accounts receivable - related parties	17.1	28,310	21,930	-	-
Other accounts receivable	10	163	7,098	6,091	13,026
Assets classified as held for sale	33	2,022	3,092	2,022	3,287
Investments					
Direct and indirect associated companies	11.1	320,610	210,283	-	-
Other investments		1	1	1	587
Investment property	11.3	6,428	28,510	28,370	50,452
Fixed assets	12	26,314	57,014	126,799	84,155
Intangibles					
Goodwill	13	61,479	55,414	82,166	82,166
Other intangíbles	13	3,352	4,535	3,619	4,844
Total Non-current assets		483,535	431,073	295,782	320,428
TOTAL ASSETS		562,229	523,362	492,609	504,628

The notes are an integral part of the financial statements.

LUPATECH S.A. - IN JUDICIAL RECOVERY

BALANCE SHEET
(In R$ Thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Parent 12/31/2020	Parent 12/31/2019	Consolidated 12/31/2020	Consolidated 12/31/2019
CURRENT					
Suppliers - not subject to Judicial Recovery	14	3,445	3,569	7,085	7,627
Suppliers - subject to Judicial Recovery Class I	14	366	737	366	737
Suppliers - subject to Judicial Recovery	14	3,853	3,274	3,853	3,274
Loans and financing - not subject to Judicial Recovery	15	21,190	9,589	26,247	14,509
Loans and financing - subject to Judicial Recovery	15	1,956	2,429	2,710	3,685
Debenture	16	1,037	5,187	1,037	5,187
Provisions payroll and payroll payable		8,780	5,673	9,183	7,997
Commissions payable		282	409	292	410
Taxes payable	21	7,577	8,757	12,888	13,846
Obligations for labor risks and creditors- subject to Judicial Recovery		2,239	94	2,239	94
Advances from customers		1,003	2,027	6,623	5,171
Provision contratual fines		847	759	1,006	918
Other accounts payable	19	2,500	3,787	3,552	4,909
Related Parties - mutual and loans	17.1	7,647	40,657	-	-
Total current liabilities		62,722	86,948	77,081	68,364
NON-CURRENT					
Suppliers - subject to Judicial Recovery	14	50,358	56,689	50,358	56,689
Loans and financing - subject to Judicial Recovery	15	53,052	65,398	96,377	125,395
Deferred income tax and social contribution	18	34,872	36,374	57,192	67,056
Taxes payable	21	19,724	13,092	25,405	17,294
Provision for contigencies	20.1	4,166	8,854	34,900	58,013
Obligations and provisions labor risks - subject to judicial Recovery		2,345	7,040	2,345	7,040
Other accounts payable	19	2,026	1,572	4,471	4,179
Related Parties - mutual and loans	17.1	188,484	146,797	-	-
Provision for negative equity in subsidiaries	11.2	4,280	1,033	4,280	1,033
Total non-current liabilities		359,307	336,849	275,328	336,699
SHAREHOLDERS' EQUITY	23				
Capital stock		1,893,163	1,885,266	1,893,163	1,885,266
Capital reserve to be realized		3,606	2,875	3,606	2,875
Capital transaction reserve		136,183	136,183	136,183	136,183
Stock options		-	13,600	-	13,600
Equity valuation adjustments		162,651	151,261	162,651	151,261
Retained earnings / Accumulated losses		(2,055,403)	(2,089,620)	(2,055,403)	(2,089,620)
Parents company's interest		140,200	99,565	140,200	99,565
Non-controlling interests		-	-	-	-
Total shareholders' equity		140,200	99,565	140,200	99,565
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		562,229	523,362	492,609	504,628

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT OF INCOME
ON DECEMBER 31, 2020 AND 2019
(In thousands of Reais except Loss per share, or when indicated)

		Parent		Consolidated	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019
NET REVENUE FROM SALES	27	52,320	31,458	54,586	32,676
COST OF GOODS AND SERVICES SOLD	31	(38,224)	(26,047)	(42,136)	(32,656)
Profit (loss) gross		14,096	5,411	12,450	20
OPERATING INCOME/EXPENSES					
Selling	31	(6,546)	(5,262)	(6,805)	(6,162)
General and administrative	31	(12,990)	(9,436)	(22,616)	(22,481)
Management compensation	17.2 / 31	(3,196)	(3,440)	(6,346)	(3,440)
Equity pick-up	11.1	(10,350)	(30,018)	(1,855)	2,194
Other operating income (expenses)	30	19,772	25,684	31,129	9,200
OPERATING LOSS BEFORE FINANCIAL RESULTS		786	(17,061)	5,957	(20,669)
FINANCIAL RESULTS					
Financial income	29	61,725	15,647	59,441	19,691
Financial expenses	29	(9,059)	(17,453)	(9,989)	(19,061)
Exchange variation, net	29	(28,411)	(7,677)	(31,256)	(10,244)
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		25,041	(26,544)	24,153	(30,283)
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	18	-	-	(160)	(23)
Deferred	18	(4,463)	366	(3,415)	(108)
LOSS FOR THE PERIOD		20,578	(26,178)	20,578	(30,414)
PROFIT FROM DISCONTINUED OPERATIONS	34	-	-	-	4,236
LOSS FOR THE PERIOD		20,578	(26,178)	20,578	(26,178)
NET INCOME (LOSS) PER SHARE (In Reais)					
Parent company's interest		20,578	(26,178)	20,578	(26,178)
Non-controlling interest		-	-	-	-
LOSS PER SHARE (In Reais)					
BASIC earnings per share	28	0.89544	(10.64114)	0.89544	(10.64114)
Diluted per share	28	0.89544	(10.64114)	0.89544	(10.64114)

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATMENT OF COMPREHENSIVE INCOME
ON DECEMBER 31,2020 AND 2019
(In R$ Thousands)

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
LOSS FOR THE PERIOD	20,578	(26,178)	20,578	(26,178)
OTHER COMPREHENSIVE INCOME				
Exchange variation on investments abroad	37,168	5,326	37,168	5,326
Implementation of the equity valuation adjustment	(25,778)	24,254	(25,778)	24,254
COMPREHENSIVE INCOME OF THE PERIOD	31,968	3,402	31,968	3,402
TOTAL COMPREHENSIVE INCOME ALLOCATED TO:				
Participation of controlling shareholders	31,968	3,402	31,968	3,402
Non-controlling interests	-	-		-

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT CASH FLOW - INDIRECT METHOD
ON DECEMBER 31,2020 AND 2019
(In R$ Thousands)

		Parent		Consolidated	
	Note	12/31/2020	12/31/2019	12/31/2020	12/31/2019
CASH FLOW FROM OPERATING ACTIVITIES					
Loss for the period		20,578	(26,178)	20,578	(26,178)
Depreciation and amortization	11 e 12	5,731	6,487	6,403	7,264
Reversal (Provision) for losses by non-recoverability of assets	11 e 12	-	7,027	(7,711)	9,009
Equity pick-up	11.1	10,350	30,018	1,855	(2,194)
Result on sale of fixed assets		(42,198)	132	15,307	22,667
(Gain) loss on disposal of investment		-	-	-	-
Financial expenses, net		38,403	22,200	33,624	25,721
Extraordinary losses and adjustment to market value with inventories		-	14,120	-	-
Deferred income tax and social contribution		4,463	(366)	(9,864)	16,506
Deferred income tax and social contribution		-	5,848	-	6,276
Inventory Obsolescence		(789)	(487)	432	1,065
(Reversal) Estimated losses for doubtful accounts	7	(617)	(59)	(636)	(692)
Effective losses with doubtful accounts	7	386	-	386	-
Adjust to present value	29	(6,696)	5,994	(14,349)	(455)
Options granted and fair value adjustment		(9,123)	13,385	(40,214)	(18,222)
(Increase) reduction in operating assets					
Accounts receivable		(7,600)	1,322	(8,177)	21,262
Inventories		(806)	(19,975)	(1,928)	7,449
Recoverable taxes		(5,381)	(17,699)	31,694	(15,678)
Other assets		9,008	505	29,770	13,133
(Increase) decrease in operating liabilities:					
Suppliers		(5,103)	(10,528)	(211)	(23,648)
Taxes payable		5,209	6,252	6,650	(3,498)
Others accounts payable		(6,027)	62	(42,544)	(8,326)
Cash flow from operating activities		**9,788**	**38,060**	**21,065**	**31,461**
CASH FLOW FROM INVESTING ACTIVITIES					
Cash from discontinued operations		-	-	-	38,449
Overdue Liabilities		(1,855)	-	1,392	-
Payment of capital in subsidiary		(24,231)	(37,840)	-	-
Sale of interest in subsidiary and return		-	-	-	-
Investment property	11.3	22,082	(28,510)	22,668	(50,452)
Resource from the sale of investments		-	-	-	-
Securities - restricted account	6.2	1,761	79	1,996	245
Resources from the sale of property, plant and equipment		2	-	2,290	12,679
Acquisition of fixed assets	12	(782)	(3,402)	(47,034)	(3,618)
Additions to intangible assets	13	(6,102)	(51)	(37)	(51)
Net cash provided by (used in) investment activities		**(9,125)**	**(69,724)**	**(18,725)**	**(2,748)**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from loans and financing		26,910	(3,328)	39,707	(15,819)
Proceeds from loans and financing - Related parties		(1,336)	51,712	-	-
Capital Increase (Reduction)	23	7,897	11,505	7,897	11,505
Payments of loans and financing		(30,000)	(24,035)	(30,613)	(15,661)
Convertible debentures in share	16	(4,149)	(4,149)	(4,150)	(4,149)
Net cash provided by (used in) financing activities		**(678)**	**31,705**	**12,841**	**(24,124)**
(REDUCTION) NET INCREASE OF CASH AND CASH EQUIVALENTS		**(15)**	**41**	**15,181**	**4,589**
Cash and cash equivalents at the beginning of period		176	135	5,834	1,245
Cash and cash equivalents at the end of period		161	176	21,015	5,834

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY
CONSOLIDATED STATEMENT OF CHANGES SHAREHOLDER'S EQUITY
ON DECEMBER 31,2020 AND 2019

(In R$ Thousands)

	Capital stock	Capital reserves, options granted	Accumulated profit/loss	Equity valuation adjustments	Parents company's interest	Non-controlling interest	Total shareholders' equity
BALANCE ADJUSTMENT IN DECEMBER 31, 2018 (restated)	**1,873,761**	**152,607**	**(2,063,442)**	**121,681**	**84,607**	**48,588**	**133,195**
Capital increase	11,505	-	-	-	11,505	-	11,505
Loss of period	-	-	(26,178)	-	(26,178)	-	(26,178)
Exchange variation on investments abroad	-	-	-	5,326	5,326	-	5,326
Non-controlling interest	-	-	-	-	-	(48,588)	(48,588)
Carrying out equity valuation adjustment	-	-	-	24,254	24,254	-	24,254
Options Granted	-	51	-	-	51	-	51
BALANCE ADJUSTMENT IN DECEMBER 31, 2019	**1,885,266**	**152,658**	**(2,089,620)**	**151,261**	**99,565**	**-**	**99,565**
BALANCE ADJUSTMENT IN DECEMBER 31, 2019	**1,885,266**	**152,658**	**(2,089,620)**	**151,261**	**99,565**	**-**	**99,565**
Capital increase	7,897	-	-	-	7,897	-	7,897
Profit for the year	-	-	20,578	-	20,578	-	20,578
Adjustments from previous years	-	-	90	-	90	-	90
Exchange variation on investments abroad	-	-	-	37,168	37,168	-	37,168
Carrying out equity valuation adjustment	-	-		(25,778)	(25,778)	-	(25,778)
Carrying out equity valuation adjustment	-	731	-	-	731	-	731
Options Granted	-	(13,600)	13,549	-	(51)	-	(51)
BALANCE ADJUSTMENT IN DECEMBER 31, 2020	**1,893,163**	**139,789**	**(2,055,403)**	**162,651**	**140,200**	**-**	**140,200**

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT OF ADDED VALUE
ON DECEMBER 31,2020 AND 2019
(In R$ Thousands)

	Note	Parent		Consolidated	
		12/31/2020	12/31/2019	12/31/2020	12/31/2019
REVENUE					
Sales of goods, products and services (IPI including)	27	63,220	37,863	66,089	113,701
Revenue on sale of investments	30	-	28,343	-	28,343
Revenue from the sale of property, plant and equipment		70,144	-	93,944	1,469
Other revenues	30	5,446	44,543	37,850	74,315
Reversal (estimated) of losses on doubtful accounts	7	(13)	59	(46)	(726)
		138,797	**110,808**	**197,837**	**217,102**
ACQUIRED FROM THIRD PARTIES					
Cost of products, goods and services sold		(18,169)	(5,543)	(26,119)	(16,299)
Materials, energy, and other outsourced services		(12,795)	(8,530)	(16,031)	(37,241)
Loss on disposal of property, plant and equipment		(27,945)	(132)	(43,789)	(27,872)
Provision for impairment of assets		-	(7,027)	(10,671)	(9,609)
Low investment for sale	30	-	(21,584)	-	(21,584)
Other expenses	30	(27,873)	(18,459)	(46,204)	(39,946)
		(86,782)	**(61,275)**	**(142,814)**	**(152,551)**
GROSS ADDED VALUE		52,015	49,533	55,023	64,551
DEPRECIATION AND AMORTIZATION	11 e 12	(5,731)	(6,487)	(6,403)	(10,982)
NET ADDED VALUE GENERATED BY THE COMPANY		**46,284**	**43,046**	**48,620**	**53,569**
ADDED VALUE RECEIVED IN TRANSFER					
Equity pick-up	11.1	(10,350)	(30,018)	(1,855)	2,194
Financial income	29	145,526	60,122	171,802	67,931
		135,176	**30,104**	**169,947**	**70,125**
TOTAL ADDED VALUE TO BE DISTRIBUTED		**181,460**	**73,150**	**218,567**	**123,694**
DISTRIBUTION OF ADDED VALUE		**181,460**	**73,150**	**218,567**	**123,694**
Staff:		**21,888**	**20,835**	**25,098**	**53,791**
Direct compensation		16,442	15,515	18,633	40,680
Benefits		3,994	4,020	4,705	8,690
FGTS		1,452	1,300	1,760	4,421
Taxes and contributions:		**17,527**	**8,718**	**18,960**	**15,606**
Federal		11,735	5,337	12,708	11,300
States		5,665	3,253	6,041	4,171
Municipal		127	128	211	135
Remuneration of third party capital:		**121,467**	**69,775**	**153,931**	**80,475**
Interest and other financial expenses	29	121,271	69,605	153,605	79,919
Rent		196	170	326	556
Remuneration (loss) from equity:		**20,578**	**(26,178)**	**20,578**	**(26,178)**
Loss for the period		20,578	(26,178)	20,578	(26,178)
Non-controlling interests		-	-	-	-

The notes are an integral part of the financial statements.

Lupatech S/A – In Judicial Recovery
Notes to the individual and consolidated financial statements for the years ended December 31, 2020 and 2019

(In thousands of Reais, except net Loss per share, or when indicated)

1 Operational context

Lupatech S/A – In Judicial Recovery ("Company") and its subsidiaries and associates (jointly "Group") is an anonymous society with headquarters in Nova Odessa, State of São Paulo, with shares negotiated at the stock market of São Paulo ("B3" LUPA3) and at the counter market on USA by means of its ADR (LUPAQ). The group, which has 272 employees, operates in manufacturing **(Products segment**) producing mainly industrial valves; valves for oil and gas; ropes for anchoring oil platforms; valves and equipment for well completion; fiberglass artifacts, including, but not limited to, tubes for coating oil pipelines, generally marketed together with associated inspection and repair services.

Until September 11, 2019, the company operated in the oil services business **(Services segment)**, a business from which various assets remain in the process of demobilization, as well as the legacy associated with it.

1.1 Operational continuity

The Lupatech Group seeks to overcome the economic-financial crisis and restructure its business through the process of judicial recovery, according to the plan of judicial recovery presented to its creditors, with the goal of preserving its entrepreneurial activity, recover its position of prominence as one of the most relevant economic groups on Brazil related to the sector of oil and gas, as well as to keep itself as a source of generation of riches, tributes and jobs.

The Company was successful in certain measures since the filing of the request of Judicial Recovery which rendered viable the injection of substantial resources in its operations. Between such measures, is highlighted the receipt of substantial amounts of its main customer, the sale of equity participations and sales of property, plant and equipment.

Also, relevant to the recovery process were the creation of a Specific Purpose Company and the issue of debentures in the first quarter of 2018 (R$29,313) for the primary purpose of effecting the payment of Class I creditors, and the issuance of subscription warrants (R$340,453) in the last quarter of 2018, to promote the payment of Class II, III and IV creditors of the Judicial Reorganization.

In the scenarios developed by management, estimates indicate the need to obtain additional financial resources to raise working capital levels to support the resumption of operations. Such resources could come from, for example, and not limited to, new credit lines, capital increase with or without conversion of debt, sale of assets or equity interests, restitution of tax credits and re profiling of liabilities. Management pursues all these options.

Accordingly, during 2019, the Company made a capital call in a private offering to its shareholders and concluded the negotiation of the remaining equity interest of Lupatech Holandês, which controlled the Colombian Services company in the amount of US $ 5,500 in cash and US $ 1,098 equipment.

The Company has litigations and initiatives to reduce its liabilities. In the year of 2019, it obtained favorable movements in relation to the dispute with the BNDES over extra-bankruptcy credits, which led to the remeasurement of the liability by the legal advisors in charge. There was a favorable decision to contest contest credits and release of guarantee, both listed in class III, resulting in a reduction of liabilities in that class in the amount of R$ 18,766.

During 2020, the Company made it possible to receive the following credits:

(i) R$ 1,800, referring to the guarantee deposit for payment of any indemnifiable liabilities, according to the contractual clause for the purchase and sale of the Metalúrgica Ipê unit to Duratex, called Escrow Account, invested in CDB. Upon agreement between the parties, establishing contractual guarantees on remaining contingencies, the Company made the withdrawal of said resources.

(ii) R$ 19,012 for the reimbursement of IRPJ and CSLL credits corresponding to Sotep Sociedade Técnica de Perfuração S / A - In Judicial Recovery.

(iii) R$ 8,711 and R$ 822 referring to additional refunds of IRPJ and CSLL of subsidiaries Prest Perfurações Ltda - In Judicial Recovery and Lochness Participações S / A - In Judicial Recovery.

On August 18, 2020, the Company became aware of the final decision issued in Arbitration Procedure No. 2/73/2014-CAF, pending before the Federasul Arbitration Chamber (CAF), filed by the Company against Cordoaria São Leopoldo Ltda ., whose control is held by Mr. José Teófilo Abu-Jamra aiming at the application of contractual penalties for breach of a non-competition agreement resulting from the acquisition of the Anchoring Ropes unit. The Company was the winner in the aforementioned arbitration procedure, and Mr. José Teófilo Abu Jamra and his companies failed to comply with the non-compete clause, for which they were ordered to reimburse Lupatech in approximately R$ 19 million (Note 20.2).

On February 22, 2021, the company became aware of a partial sentence in an arbitration proceeding with the Market Arbitration Chamber, filed against GP Investimentos, San Antonio Internacional and its vehicles, which substantially upheld the claims made by the Company. The proceeding continues in the settlement of a sentence that will determine the amounts effectively owed to Lupatech as a result of violations of the Investment Agreement for the incorporation of Brazilian San Antonio companies in 2012 (Note 20.2).

Lupatech S / A had the right to reimbursement of PIS and COFINS on ICMS, related to taxes collected from December 2001 to December 2014, which can be offset against future debts or refunded to the company, after administrative and administrative measures have been taken. / or applicable lawsuits, measures that take due time to take effect. The partial unappealable decision of said decision took place in October 2019, and the Company continues to litigate for the right to reimburse overpaid taxes from 2015 onwards.

The aforementioned fundraising measures, if carried out as expected, will provide the working capital necessary to raise the level of activity and service the debt in the short term. In the longer term, the Company may require additional resources to finance its resumption, in amounts that will depend on the speed of the resumption. To meet this need, the Company takes measures that could have a substantial effect in the medium term.

Certain business units have had their operations substantially affected by the oil and gas market conditions, the economic crisis in Brazil and the repercussions of the Judicial Reorganization process, with their level of activity and limited operational performance. In the Company's assessment, these units will return to operating at higher levels as the business environment normalizes, whenever the resources necessary for their working capital are conferred.

From the end of 2019 and the beginning of the year 2020, Petrobras and other customers demanded bids of substantial value for the Oil and Gas Valves and Anchoring ropes business units. In the course of 2020, Lupatech signed supply contracts for valves and anchoring ropes, with no purchase obligation, in the total amount of R$ 83 million. Such events are important indicators of the expected resumption of activity in the industry and of its benefits for Lupatech. Such events are important indicators of the expected resumption of activity in the industry.

Strategic opportunities to accelerate the resumption of activity and / or mitigate continuity risks through mergers and acquisitions are continuously monitored by Management.

During the year ended December 31, 2020, the Company incurred earnings before income tax and social contribution of R$ 25,041 in the parent company and R$ 24,153 in the consolidated (loss before income tax and social contribution of R$ 26,544 in the parent company and R$ 30,283 in the consolidated for the year ended December 31, 2019) and on December 31, 2020, the total current assets of the Company exceeded the current liabilities by R$ 15,972 in the parent company, and in the consolidated the total current assets exceeded the total current liabilities by R$ 119,746 (As of December 31, 2019 the total current assets exceeded the total current liabilities by R$ 5,341 at the parent company, and in the consolidated the total current assets exceeded the total current liabilities by R$ 115,836). Despite the improvement in results, continuity depends not only on improving performance, but also on the Company's success in obtaining additional resources necessary to supply working capital and debt service.

1.2 Judicial Recovery

I. Process of Judicial Recovery of the Lupatech Group

On May 25, 2015, Lupatech S / A and its direct and indirect subsidiaries (Lupatech Group) obtained the approval of the Board of Directors for the judicial reorganization of the Company, pursuant to Article 122, sole paragraph, of Law 6.404/76.

On that same date, Lupatech S/A and its subsidiaries: Lupatech Finance Limited; Amper Amazonas Perfurações Ltda; Itacau Agenciamentos Marítimos Ltda; Lochness Participações S/A; Lupatech – Equipamentos e Serviços para Petróleo Ltda; Lupatech – Perfuração e Completação Ltda; Matep S/A Máquinas e Equipamentos; Mipel Indústria e Comércio de Válvulas Ltda; Prest Perfurações Ltda; Sotep Sociedade Técnica de Perfuração S/A, have brought, in the district of São Paulo, the request for judicial recovery before the judgment of the 1st Court of Bankruptcy and Judicial Recoveries of the district of São Paulo, which was granted on June 22, 2015. Alta Administração Judicial Ltda was appointed as the judicial administrator.

Initially, the Lupatech Group filed a Judicial Recovery Plan, approved by the creditors at the General Meeting and ratified by Judgment of the 1st Court of Bankruptcy, Judicial Recovery and Arbitration Related Disputes of the Capital of São Paulo on December 11, 2015. Subsequently, in June 27, 2016, the 2nd Reserved Chamber of Business Law of the Court of Justice of the State of São Paulo granted court injunctions filed by two creditors, annulling the approval decision of the Lupatech Group's Judicial Recovery Plan.

The Company continues to pursue, by special appeal, the cancellation of a fine for delaying litigation improperly applied by the São Paulo Court of Justice, which annulled the Judicial Recovery Plan previously presented.

On September 5, 2016, a new Lupatech Group Judicial Reorganization plan was submitted to the court of origin, meeting the criteria established in the judgments of the 2nd Chamber of Business Law of the São Paulo State Court of Justice, which had been approved. on November 8, 2016, by the Lupatech Group General Meeting of Creditors, having been ratified by the Court of First Instance, Judicial Reorganization and Arbitral Conflicts of the State of São Paulo, without reservations, on February 15, 2017. In view of the final approval of the court, the indemnity period against the approval of the plan expired on March 13, 2017. The Group Management assessed that the absence of subsequent damages fully confirmed the legality of the plan and its effects from the approval of the sovereign decision of the Company. Therefore, the Lupatech Group and all creditors subject to compliance with the plan and legally bound to comply with the plan as of this date.

On July 2, 2019, the Lupatech Group Judicial Administrator submitted the General Table of Credits to the Court, to which the Lupatech Group filed a list of labor and civil creditors illiquid by ongoing lawsuits, which was upheld with subsequent court decision that such credits, insofar as they originate before the application for Judicial Reorganization, are subject to the terms of the Plan.

The Company used three strategies to settle commitments with Class I creditors. The first, corresponding to up to five minimum wages related to strictly salary credits maturing in the three months preceding the date of the request, was paid in cash to the respective labor creditors. duly complied with article 54, sole paragraph, of the Bankruptcy Law. The second, without attribution of relevance, was the payment of creditors through the conversion of credit into debentures of Lupatech S/A, and the third occurred through the awarding of the shares of the special purpose company (SPE), in the form of art. 50 XVI of Law No. 11,101.

In this context, on November 28, 2017, the Company announced the 3rd issue of mandatorily convertible debentures of Lupatech S / A in the amount of up to R$30,000. The issue was completed on January 31, 2018 with a subscription of R$29,313. The charge was directed to Class I creditors and creditors not subject to Judicial Reorganization, and the preemptive right was granted to shareholders.

On October 29, 2018, the Lupatech Group submitted a proposal for adjustments to the payment flow of the Class III unsecured creditors, which consisted in deferring part of the initial payments in exchange for a 0.3% increase in the interest rate. RT + 3.3% per year). The General Meeting of Creditors met on November 30, 2018 and approved the company's proposal. The AGC's decision was submitted to the appellate court and it was ratified, with the respective approval decision being final and without any appeal being filed within the term.

On that same date, the Board of Directors approved the issuance of three million, four hundred and four thousand, five hundred and twenty-eight (3,404,528) Subscription Warrants for payment of 50%

of Class III and IV creditors' debt and 35% of Class II creditors. The Bonds were issued and registered in the name of the creditors entitled to such, and the Judicial Recovery Judgment authorizing the Company to hold in treasury the securities corresponding to the creditors who, due to lack of information, due to operational impossibility or lack of liquidity in their could not have their Bonus book entry.

On August 28, 2020, in remedy for the consequences of the COVID-19 Pandemic, the Lupatech Group submitted to the General Meeting of Creditors a proposal to adjust the terms of payment of Classes I and III of creditors of the Judicial Recovery. The envisaged changes include changes in the form and flow of payments to creditors in these classes. The proposed additive comprised, in summary:

(i) adjustments to the payment method of Class I creditors, so that the credits that exceed the limit stipulated in art. 83 item I of Law 11,101 are paid in full as provided for in clause 6.2.2 of the Plan;
(ii) adjust the payment method of Class III creditors to reschedule payments during the period affected by the pandemic, increase the portion of the payment in subscription bonus of creditors in foreign currency, define the payment schedule for late creditors and;
(iii) approve an incentive scheme for prepayments that are made before December 2025.

The company's proposal was duly approved by the creditors at the Creditors' General Meeting and ratified in court on November 26, 2020, and the approval decision was not aggravated by any creditor, so the amendment to the plan became binding on class I creditors. and III.

The effects of the Plan Addendum on the Company's public debt are summarized below:

	Balance before Addendum 09/30/2020	Balance after Addendum 12/31/2020	Variation
Current Liabilities			
Suppliers - subject to judicial reorganization - class I	365	366	1
Suppliers - subject to judicial reorganization	4,222	3,853	(369)
Loans and financing - subject to judicial reorganization	5,871	2,710	(3,161)
Obligations and provisions for labor risks - subject to judicial reorganization	3,767	6,308	2,542
Non-current liabilities			
Suppliers - subject to judicial reorganization	63,957	50,358	(13,599)
Loans and financing - subject to judicial reorganization	152,078	96,377	(55,701)
Obligations and provisions for labor risks - subject to judicial reorganization	6,271	2,345	(3,926)
Total Debt	236,531	162,317	(74,213)

II. About the Judicial Reorganization Plan, approved by the creditors at a general meeting held on November 8, 2016, and ratified on February 15, 2017, by the court of the 1st Bankruptcy Court, Judicial Reorganizations and Conflicts Related to the Arbitration of the Capital of São Paulo , subject to amendments on November 30, 2018 and August 28, 2020.

The adoption of the specific recovery measures set forth below by the Plan has the following objectives: (i) to reschedule the Lupatech Group's liabilities, allowing their future settlement; (ii) allow cash flow to maintain and foster the activities of the Lupatech Group; (iii) dispose of certain assets considered not essential to the economic activities of the Lupatech Group; (iv) obtain new resources from the capital market to accelerate the recovery; and (v) by raising the Lupatech Group, allowing the generation of jobs and the payment of taxes.

a. Recovery measures

The Plan uses the following means of recovery, pursuant to Article 50 of the Bankruptcy Law: (i) granting of special terms and conditions for the payment of the Lupatech Group's obligations, with the equalization of financial charges, with the initial date of the date of distribution of the application for judicial reorganization; (ii) capital increase through the issuance of securities, with possible change in corporate control; (iii) partial sale, transfer or lease of assets of the Lupatech Group; (iv) creation of a special purpose company for the transfer of assets destined to the payment of creditors; and (v) other measures to be eventually submitted to the prior approval of the Reorganization Court.

Capital increase: In order to allow the injection of new capital, at any time after the judicial approval of the Plan, the Lupatech Group may make one or more calls to increase the capital of Lupatech, which may be destined to creditors subject to the Plan, creditors not subject to the Plan, and / or third party investors, as the case may be.

The Plan provides for the delivery of subscription bonuses to Class I, II, III and IV creditors. Up to the present date, 3,404,528 (three million, four hundred and four thousand, five hundred and twenty-eight) were issued by Lupatech, which, if exercised, will be converted into an equal number of shares, part of which remains in treasury awaiting the credits that they will pay become liquid or that their delivery is operationally possible. Credits are exchanged through the granting of a subscription bonus for every one hundred reais of credit - a ratio that can be proportionally altered in the event of a reverse split, split or bonus of the shareholder base. The exercise price of the Bonds issued is R$ 0.88 per share.

In the event of any capital increase allowing the capitalization of credits subject to the Plan, the exercise of the right to participate in said capital increase will be, always, optional to the creditors, and will always be granted in an equal manner to each of the classes of creditors subject to the plan or the whole basis of creditors under the Plan. In the event of a capital increase contemplating both creditors subject to the Plan and third party investors, the conditions of the subscription of shares offered should be the same for both.

Warranties: To ensure the acquisition of new resources, preserved the rights of creditors with real warranty, the Group Company may, in addition to giving personal guarantees, constitute real and fiduciary warranties: (i) from the consolidation of ownership in favor of the Lupatech Group, over the property located in São Leopoldo; and (ii) from the eventual elimination of warranties given to Creditors with Real Warranty, over any of the unencumbered assets.

Sale of assets: The Lupatech Group, upon the judicial approval of the Plan, may dispose of the permanent assets described in the Plan, through (i) competitive procedure; (ii) private contract signed at a price not lower than that stated in appraisal reports prepared by a specialized company; or (iii) private auction, to be held by a company specializing in the valuation and sale of assets through face-to-face auctions or via the Internet. The net proceeds from such disposals will be used to pay obligations arising from labor law, tax and social security charges, and obligations set forth in the Plan.

Disposal of Isolated Productive Units (UPIs): The Lupatech Group, from the Judicial homologation of the Plan, may sell the UPIs described in the Plan. The sale of UPIs may be made jointly or separately, through a competitive procedure including, including, one or more UPIs or permanent assets. The net proceeds from such disposals will be used to pay obligations arising from labor law, tax and social security charges, and obligations set forth in the Plan.

Any alienation of UPIs by means of competitive procedure shall be carried out respecting the provisions of the respective notices, in accordance with the Bankruptcy Law, and met the other conditions provided for in this Plan. It is at the discretion of the Lupatech Group opt for any of the modalities of competitive procedure provided for in articles 142 to 145 of the Bankruptcy Law.

The UPIs that are sold by competitive procedure will be free of any liens, and their respective purchasers will not respond to any debt or contingency of the Lupatech Group, including those of tax and labor nature, in accordance with Article 60 and 141 of the Bankruptcy Law.

In the event of disposal of any of UPIs envisaged in the Plan by means of a competitive procedure, the Lupatech Group may include, as an integral part of the IPU, accession of any rights of use, costly and temporary in nature, about the buildings in which are located the equipment which constitute the UPIs alienated.

Disposal of assets of businesses not rehabilitating: The Lupatech Group may also divest assets owned by foreign societies in which holds participation or control, not members of the Judicial Recovery. The net proceeds arising from such disposals will join in the cash of those rehabilitating, and shall be used for the payment of obligations arising out of labor legislation, tax burden and social welfare, and obligations laid down in the Plan.

Disposal of assets given in real or fiduciary warranty: Upon the prior consent of the creditor holding the collateral and / or in accordance with the law or the Plan, the Lupatech Group may sell to third parties goods given in real or fiduciary warranty. The resources arising from the alienation of such goods will be used for the discharge of credits held by the creditor with real warranty or by the creditor with fiduciary warranty. Eventual surplus values shall be used for the payment of obligations arising out of labor legislation, tax burden and social welfare, and obligations laid down in the Plan.

Constitution of SPEs: In order to enable or facilitate the sale of any goods of the permanent asset or of the UPIs described in the Plan, as the case may be, the Lupatech Group may, individually or jointly, transfer one or more of these assets or UPIs to societies of specific purpose constituted by the Lupatech Group.

Approval for alienation of assets: Without prejudice to the hypotheses of alienation of assets and alienation of assets given in real guarantee or fiduciary, will be permitted any other modality of alienation, replacement or encumbrance of goods upon authorization of Judgment of Recovery or approval by the General Meeting of Creditors, complied with the terms of the laws and contracts applicable to such assets. Closed the Judicial Recovery, the Lupatech Group may freely alienate any goods of its circulating or permanent asset, observed the charges borne on such goods, not being applicable anymore the restrictions provided for in this Plan or in art. 66 of the Bankruptcy Law, being, however, subject to the usual restrictions contained in the social contracts and statutes of the societies in the Lupatech Group and new debt instruments, as the case may be.

Termination of Judicial Reorganization: Upon completion of the Judicial Reorganization, Lupatech Group may dispose of its assets and resources without imposing the restrictions and limitations set forth in the Plan**.**

b. *Retructuring of credits subject to the Plan*

Observing the provisions in Article 61 of the Bankruptcy Law, all Credits Subject to the Plan, which will be paid by Lupatech and by Lupatech Finance as main debtors, as the case may be, in solidarity with the other societies in the Lupatech Group, which remain as co-obligated and debtors in solidarity, with express waiver of any benefit of order.

The credits subject to the Plan shall be paid within the time limits and forms set out in the Plan, for each class of Creditors Subject to the Plan, even if the contracts which gave rise to Credits Subject to the Plan have laid down in a different way. With the referred novation, all obligations, covenants, financial indexes, hypotheses of netting, fines, as well as any other contractual obligations that are incompatible with the conditions of this Plan, shall cease from being applicable.

The credits not subject to the Plan would be paid in the form originally contracted or in the form that is agreed between the Lupatech Group and its respective creditor, additionally, if applicable, through the implementation of measures envisaged in the Plan.

In order to reduce payment administration costs, a minimum amount of payment to creditors subject to the Plan of two hundred and fifty reais per creditor subject to the Plan qualified in the list of creditors in classes III and IV, limited to the balance shall be respected. of their respective credit subject to the Plan.

The payment methods provided to creditors of Classes II, III, and IV are intended not only to reschedule a substantial part of the credit to be made in cash; but also, allow lenders to benefit from the economic uplift pursued by the Lupatech Group through the exercise of the subscription bonuses offered in exchange for part of their credit.

Credits that have their rating contested by the Lupatech Group or any interested party under the Bankruptcy Law can only be paid after the judgment determining the qualification of the disputed claim has been finalized, subject to the terms of the Bankruptcy Law, the deadlines for payment start only after the final decision has been passed.

In the event of an increase in any credit, or the inclusion of new credit as a result of any credit challenge or judgment of any lawsuit, the respective amount (in case of inclusion) or additional amount (in case of increase) will be paid through proportional distribution of the value in future installments. Any increase or inclusion of any Credit in the list of creditors during the payment term will not give the creditor whose credits are increased any right to retroactive or proportional payment of installments already paid.

c. *Restruturing of Labor Credits*

The disputed labor credits that may be the subject of an agreement in the Labor Court must be paid in the manner established in the respective agreements duly ratified by the Labor Court in a final decision. In no event will the disputed labor claims be treated more beneficially than that given to uncontroversial labor claims.

d. Restructuring of credits with real warranty

In addition to the payment provided for above, the Lupatech Group may, at any time and upon the consent of the respective collateralised creditor, make the total or partial payment of the balance of the respective collateralised credit through: (i) the payment in kind any of the assets pledged as collateral in favor of the collateralised creditor; (ii) the payment of credits held by the Lupatech Group, in an amount sufficient to cover the balance of the respective collateralised Credit; or (iii) the delivery of proceeds from the disposal of any of the assets pledged as collateral to the creditor with collateral, either under the Plan, upon court authorization, or under Article 60 of the Bankruptcy Law.

In the event that the alternative payment occurs only partially, the respective collateralised creditor shall release excessive collateral in favor of the Lupatech Group under the Plan.

e. Restructuring of unsecured credits

Unsecured credits denominated in foreign currencies will be calculated in reais based on the exchange rate on the date of the request and will be paid under conditions similar to those provided for in the Plan, subject to the variation of the Central Bank's official exchange rate on the business of the day prior to the exchange. payment. Exchange variation will be calculated as the difference between the original amount of the foreign currency unsecured credit and the amounts actually paid in foreign currency.

The Lupatech Group will ensure the payment, in cash, of at least two thousand reais per unsecured creditor, both in domestic and foreign currency, up to the limit of the value of their respective unsecured credit. In the event that such minimum amount exceeds 50% of unsecured credit, only the remaining balance of unsecured credit will be paid for the delivery of Subscription Bonus

Cancellation of the current Notes: After the Plan's judicial ratification, and after obtaining a judicial decision in Chapter 15 recognizing the Plan's effectiveness in North American territory, the Notes currently held by the Noteholders will be deemed to be fully canceled. which will be replaced by the New Notes, to be issued within 180 days from the date of obtaining the court decision in Chapter 15.

f. ***Restructuring of Credits from Micro Enterprises (ME) and Small Businesses (SB)***

The Lupatech Group will guarantee the payment, in cash, of at least two thousand reais per ME and EPP lender, up to the amount of its respective ME and EPP credit. In the event that such minimum amount exceeds 50% of the ME and EPP credit, only the remaining balance of the ME and EPP credit will be paid for the delivery of the Subscription Bonuses.

1.3 Pandemic (Covid-19)

In mid-March, the Company began to face the consequences of the COVID-19 Pandemic. In a nutshell, Pandemia imposed a drop in sales in the previous quarter to levels that were only comparable to those in the second quarter of last year, and much lower than in the first quarter of this year.

While several difficulties persist, especially in terms of logistics and various limitations to operate the factories normally, it seems that the worst is behind us.

The gradual recovery of industrial demand together with the orders received under the scope of supply contracts recently signed with Petrobras, allowed revenues to improve in the 3rd and 4th quarters even though they were impacted by the pandemic.

The Company's management is monitoring the possible impacts of Covid-19 on its business. On the date of issue of these financial statements, the Company does not foresee any risks to the continuity of its business, nor to the accounting estimates and judgments.

2 Basis of preparation

2.1 Declaration of conformity (with repect to the IFRS and CPC Standards)

The consolidated financial statements were prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with accounting practices adopted in Brazil (BR GAAP).

The parent company's individual financial statements have been prepared in accordance with BR GAAP.

The Management of the Company states that all the relevant information proper for the financial statements, and only these, are being demonstrated, and that they correspond to those used in management.

The issuance of the Company's individual and consolidated financial statements, for the year ended December 31, 2020, was authorized by the Board of Directors on March 19, 2021.

2.1.1 Income statement previously disclosed

In view of the existence of discontinued operations for the 2019 financial year, due to the negotiation of the remaining equity interest of Lupatech OFS Coöperatief U.A. and Lupatech OFS S.A.S, the Company is presenting in the note 34 the statement of income for the year of 2019, to classify the result of discontinued operations separately.

2.2 Functional currency and presentation currency

These financial statements are presented in Real, which is the Company's functional currency. All balances have been rounded to the nearest thousand, except where otherwise indicated.

2.3 Measurement basics

The financial statements were prepared based on the historical cost, except for certain financial instruments measured at their fair values.

2.4 Basis of consolidation and investments in subsidiaaries

The consolidated financial statements include the financial statements of Lupatech S / A - In Judicial Recovery and its subsidiaries.

2.4.1 Controlled companies

The Group controls an entity when it is exposed to, or has rights over, the variable returns arising from their involvement with the entity and has the ability to affect those returns by exerting its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control until the date that the control ceases to exist.

In the individual financial statements of the parent company, the financial information of subsidiaries are recognized by means of the equity method.

The consolidated financial statements include the financial statements of Lupatech S/A - In Judicial Recovery and its direct or indirect subsidiaries, as shown below:

	Direct and Indirect participation (%)	
Direct and indirect subsidiaries	**12/31/2020**	**12/31/2019**
Direct participation		
Mipel Comércio e Indústria de Peças Técnicas Ltda- (Brazil)	100.00	100.00
Lupatech Equipamentos e Serviços para Petróleo Ltda.- In Judicial Recovery - (Brazil)	100.00	100.00
Lupatech Finance Limited - In Judicial Recovery - (Cayman)	100.00	100.00
Recu S.A. - (Argentina)	95.00	95.00
Lupatech Oil&Gas Coöperatief U.A. - (Netherlands)	5.00	5.00
Lochness Participações S/A - In Judicial Recovery - (Brazil)	100.00	100.00
Ilno Administradora de Bens e Direitos Ltda - (Brazil)*	100.00	-
Indirect participation		
Recu S.A. - (Argentina)	5.00	5.00
Lupatech Oil&Gas Coöperatief U.A. - (Netherlands)	95.00	95.00
Lupatech Perfuração e Completação Ltda.- In Judicial Recovery - (Brazil)	100.00	100.00
Sotep Sociedade Técnica de Perfuração S/A - In Judicial Recovery - (Brazil)	100.00	100.00
Prest Perfurações Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
Itacau Agenciamentos Maritimos Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
Matep S.A. Máquinas e Equipamentos - In Judicial Recovery - (Brazil)	100.00	100.00
Amper Amazonas Perfurações Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
UNAP International Ltd. - (Cayman)	100.00	100.00
Ciaval II Administração de Bens e Direitos SPE S.A**	100.00	-

* Constituted on November 19, 2020.
** Constituted on January 9, 2020.

The company Ciaval II Administração de Bens e Direitos SPE SA was incorporated on January 9, 2020, to achieve its specific purpose, adjudication of assets, goods and rights of the Lupatech Group - in Judicial Recovery in payment of class I creditors, a The Company's object will be the management of assets and rights, whether these are movable or immovable, present or future, corporeal or not, within the limitations of the Bylaws, and with the primary purpose of being the assets and rights, or their liquidity derivative, shared proportionately to the shareholders.

On November 19, 2020, the Company called Ilno Administradora de Bens e Direitos Ltda was created, with the purpose of exploring the economic activity of managing assets and rights, expanding the possibilities of fundraising by the Company and creating value for the best. economic use of its assets.

Transactions deleted on consolidation

Intra-group balances and transactions, and any unrealized income or expenses arising from intra-group transactions, are eliminated. Unrealized gains arising from transactions with investees recorded under the equity method are eliminated against the investment in proportion to the Group's interest in the investee. Unrealized losses are eliminated in the same way as unrealized gains, but only to the extent that there is no evidence of impairment.

2.4.2 Companies jointly controlled

Jointly-controlled entities are all entities whose financial and operating policies can be conducted by the Group, together with other shareholder (s), normally operated through shareholder agreements. In the parent company's financial statements and in the consolidated, interests in jointly controlled entities are recognized using the equity method.

The Company holds interests in the following jointly controlled companies: Luxxon Participações Ltda. and Aspro do Brasil Sistemas de Compression Ltda., as shown below, on December 31, 2020:

	Direct and indirect participation (%	
Jointly-owned subsidiaries	**12/31/2020**	**12/31/2019**
Direct participations		
Luxxon Participações Ltda. - (Brazil) (*)	45.20	45.20
Indirect participation		
Aspro do Brasil Sistemas de Compressão Ltda. - (Brazil) (*)	45.20	45.20

(*) Joint Venture

According to the Board of Directors' Meeting held on June 8, 2020, the Directors approved the exercise of the right to withdraw the Company from the company Luxxon Participações Ltda., Due to the sale of control by the other partners of Luxxon. The measures necessary to exercise this right are being taken by the company.

2.4.3 Business Combination

Business combinations are recorded using the acquisition method when control is transferred to the Group. The consideration transferred is generally measured at fair value, as well as the identifiable net assets acquired. Any goodwill arising in the transaction is tested annually for impairment. Gains on an advantageous purchase are immediately recognized in the income statement. Transaction costs are recorded in the income statement as incurred, except for costs related to the issuance of debt or equity instruments.

The consideration transferred does not include amounts related to the payment of pre-existing relationships. These amounts are generally recognized in the income for the year.

Any contingent consideration payable is measured at fair value on the acquisition date. If the contingent consideration is classified as an equity instrument, then it is not remeasured and settlement is recorded within equity. The other contingent payments are remeasured at fair value on each reporting date and subsequent changes to fair value are recorded in the income for the year.

If any business combination event or other similar transaction or corporate event affecting the Options with the dilution of the shareholding position to which the Beneficiary would be entitled, the Board of Directors must amend the Common Stock Option Agreement, within 30 days the date of said event, to ensure that the Beneficiaries remain with sufficient Options to acquire the stipulated percentage of the Company's shares contracted, according to the new shareholding structure, where the Options exercise schedule provided for in the contract is preserved, maintaining the percentages and terms of exercise defined therein.

3 Main accounting pratices

The summary of main accounting practices adopted by the Group is a follow:

3.1 Financial instruments

The category depends on the purpose for which the financial assets and liabilities were acquired or contracted and is determined on initial recognition of the financial instruments.

The Company classifies non-derivative financial assets and liabilities in the following categories: financial assets measured at fair value through profit or loss, at fair value through other comprehensive income and at amortized cost.

3.1.1 Assets and non-derivative financial liabilities - recognition and derecognition

The Company recognizes loans and receivables and debt instruments on the date they originated. All other assets and liabilities are recognized on the trade date when the entity becomes party to the contractual provisions of the instrument.

The Company derecognise a financial asset when the contractual rights to the asset's cash flows expire or it transfers the rights to receive the contractual cash flows of a financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest that is created or retained by the Company in such transferred financial assets is recognized as an asset or liability separately.

The Company recognizes a financial liability when its contractual obligations are withdrawn, canceled or expired.

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.1.2 Assets and non-derivative financial liabilities – measurement

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Transaction costs are recognized in income as incurred. It's measured at fair value and changes in fair value, including earnings from interest and dividends are recognized in the income statement.

Financial assets held to maturity
These assets are initially recognized at value plus any directly attributable transaction costs. After initial recognition, financial assets held to maturity are measured at amortized cost using the effective interest method.

Cash and cash equivalents
Cash and cash equivalents include cash, bank deposits and financial investments with immediate liquidity and insignificant risk of change in value. Financial investments are recorded at nominal values plus income earned through the balance sheet date, not exceeding market value, according to the rates agreed with financial institutions.

Marketable securities
The securities are classified into the following categories: held to maturity, available for sale and trading securities at fair value recognized through profit or loss (trading securities). The classification depends on the purpose for which the investment was acquired. When the purpose of the acquisition is the investment of funds for short-term gains, which are classified as trading securities; when the intention is to make use of resources to hold the investment until maturity, they are classified as held to maturity, provided that management intends and has the financial ability to hold the investment to maturity. When the intention at the time of making the application, is none of the above, investments are classified as available for sale. Where applicable, the incremental costs directly attributable to the acquisition of a financial asset are added to the amount originally recognized, except for trading securities, which are recorded at fair value against income.

The securities held to maturity are measured at amortized cost-plus interest, monetary restatement, exchange variation, less impairment losses, when applicable accrued to the date of the financial statements. The securities classified as trading securities are measured at fair value. Interest, monetary correction and exchange variation, when applicable, as well as variations arising from measurement at fair value are recognized in income when incurred. The securities available for sale are measured at fair value. Interest, monetary correction and exchange variation, when applicable, are recognized in income when incurred. Changes arising from measurement at fair value, with the exception of impairment losses are recognized in other comprehensive income as incurred. The accumulated gains and losses recorded in equity are reclassified to the income statement at the time that these investments are sold in disposable or considered.

Accounts receivable
They are stated at the nominal value of the securities, plus exchange variation and adjusted to present value to the balance sheet date, when applicable. The allowance for doubtful accounts is recognized when necessary, based on the analysis of the customer portfolio in an amount considered sufficient by management to cover losses on the realization of credits.

3.1.3 No derivative financial libiates - measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Transaction costs are recognized in income as incurred. Financial liabilities measured at fair value through profit or loss are measured at fair value and changes in fair value of these liabilities, including interest earnings and dividends are recognized in the income statement.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Loans, financing and debentures

Loans, financing and debentures (portion related to debt instruments) are stated at amortized cost. They are stated at the amount raised, net of transaction costs incurred and are subsequently measured at amortized cost using the method of effective interest rate.

Costs incurred directly related to issuance of debt transactions were allocated as a reduction of the corresponding current and non-current liabilities. These costs are expensed on the financing period as a supplement funding costs, thus adjusting the effective interest rate of the operation.

3.2 Present value adjustment

On transactions that give rise to an asset, liability, revenue or expense or other changes in equity whose counterpart is an asset or a non-current liabilities, receivables or liabilities, or short-term when relevant effect is recognized to adjust the value this based on discount rates that reflect the best market assessments of the value of money over time and the specific risks of assets and liabilities on their original dates.

The adjustment to present value is presented as allowance account of receivables and payables and is allocated to income as income or interest expense on an accrual basis, at the effective interest rate.

3.3 Adjustement to fair value

For financial assets and liabilities without public quotation, the Company establishes the fair value through valuation techniques.

The adjustment to fair value is presented in a specific account, determined as an adjustment to fair value and its variation is allocated to income as financial income or expenses on an accrual basis.

3.4 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the principle average cost of purchase or production, taking into account the total absorption method of manufacturing costs, lower realizable value.

In the case of manufactured inventories and work in progress, cost includes a portion of general manufacturing costs based on normal operating capacity.

3.5 Intangibles

a. Goodwill

The goodwill resulting from a business combination is demonstrated at cost on the date of the business combination, net in the accumulated loss of the recoverable value, if any.

According to ICPC 9, the goodwill from acquisition of subsidiaries reasoned by future profitability is recorded in the individual financial statements (parent) as "investments" and in the consolidated financial statements as "intangible asset". The instalment reasoned as the most valuable of the fixed assets is classified, in the balance sheet of parent, as "investments" and in the consolidated balance sheet, the balance of the corresponding asset.

Goodwill is tested annually, or within a shorter period, when there is indication of impairment of investment, to verify probable losses.

The Goodwill is allocated in Cash Generating Units (CGU) for impairment testing purposes. The allocation is made for the Cash Generation Units or to the Cash Generating Units groups that should benefit from the business combination, from which the goodwill originated, properly segregated, according to the operating segment.

b. Softwares and product and process development

Acquired software licenses are capitalized based on incurred costs to acquire software and make it ready to be used. These costs are amortized during their estimated useful life of 5 years. The amortization of these values is mainly recorded in cost of products sold, in the statement of income.

Costs of development, maintenance or improvement of new products and processes, which objectively present the generation of future economic benefits through the formation of new income or due to cost reduction, are activated in a specific account and amortized by the defined useful life in which the benefits to be generated were estimated.

3.6 Fixed assets

Recognition and measurement

Fixed asset items are measured at historical cost of acquisition or construction, less accumulated depreciation and reduced impairment losses accumulated.

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of assets built by the Company includes:

- The cost of materials and direct labor;
- Any other costs to bring the asset to the location and condition necessary for them to be able to operate in the manner intended by Management;
- Costs of dismantling and restoring the site where they are located;
- Costs of loans on qualifying assets.

When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of property.

Any gains and losses on the disposal of an asset item are recognized in income.

Reclassification for assets classified as held for sale

When the identification of assets that meet the criteria for classification of "assets held for sale", ie whose book value of the asset will be recovered through a sale operation rather than being used in the Company's own operation, the assets will be classified for current assets and measured at the lower of book value and fair value less costs to sell. The depreciation of these assets should cease.

The values of the assets classified as held for sale will be presented separately in the balance sheet, as well as the results of discontinued operations will also be presented separately in the statement of income.

Reclassification to investment property
When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain resulting from this remeasurement is recognized in income to the extent the gain reverses a previous impairment loss impairment in specific property, any remaining gain is recognized as other comprehensive income in equity as a valuation adjustment reserve. Any loss is recognized immediately in income.

Subsequent costs
Subsequent expenditure is capitalized to the extent that it is probable that future benefits associated with the expenditure will flow to the Company. Upkeep and recurrent repairs are charged to income.

Depreciation
Fixed asset items are depreciated using the straight-line method in the income statement based on the estimated useful lives of each component. Leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, unless it is reasonably certain that the Company will obtain ownership of the asset at the end of the lease term. Land is not depreciated.

Fixed asset items are depreciated from the date they are installed and available for use, or in case of assets constructed internally, the day when the construction is completed, and the asset is available for use.

The estimated useful lives for the current and comparative year are as follows:

	Weighted avarage rate of depreciation % p.p.
Land	-
Building and construction	2%
Machinery and equipment	11%
Molds and matrixes	20%
Industrial facilities	6%
Furniture and fixtures	14%
Date processing equipments	12%
Improvements	6%
Vehicles	19%

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if appropriate.

3.7 Estimate for impairment of assets (Impairment)

a. Derivative financial assets (including receivables)

Financial assets not classified as financial assets at fair value through profit or loss, including investments accounted for under the equity method, are valued at each balance sheet date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets have value loss includes:

- default or delay of the debtor;
- restructuring of an amount due to the Company on terms that would not be accepted under normal conditions;
- indications that the debtor or issuer will enter bankruptcy/judicial recovery;
- negative changes in the payment status of borrowers or issuers
- disappearance of an active market for the instrument because of financial difficulties;
- observable data indicating that there was a decline in the measurement of cash flows of a group of financial assets

b. *Financial assets measured at amortized cost*

The Company considered evidence of impairment of assets measured at amortized cost both individually as collectively. All individually significant assets are assessed for loss on impairment. Those who have not suffered loss individually are then tested collectively for any impairment that may have occurred but have not yet been identified. Assets that are not individually significant are collectively evaluated for impairment based on the group of assets with similar risk characteristics.

In assessing the loss for impairment collectively the Company uses historical trends of the period of recovery and the amount of loss incurred, adjusted to reflect management's judgment as to whether current economic and credit conditions are such that losses real will be higher or lower than those suggested by historical trends.

An impairment loss is calculated as the difference between the book value and the present value of the estimated future cash flows discounted at the original effective interest rate of the asset. Losses are recognized in the income statement and reflected in a reduction account of the respective asset. When the Company considers that there are no reasonable expectations of recovery, the amounts are written off. When a subsequent event indicates a reduction of the loss of value, the reduction by loss of value is reversed through the result.

c. *Assets classified as held for sale*

Losses from impairment of financial assets available for sale are recognized by reclassifying the cumulative loss recognized in equity valuation adjustments in equity for the result. The reclassified loss is the difference between the acquisition cost, net of any reimbursement and amortization of the principal, and current fair value, less any reduction for impairment loss previously recognized in income. If the fair value of a debt security for which has been recognized a loss on impairment, present increase and the increase can be objectively related to an event occurring after the impairment loss on impairment was recognized, then the loss is reversed, and the amount of the reversal is recognized in income. Otherwise, the reversal is recognized in other comprehensive income.

d. *Investees accounted for under the equity method*

A loss for impairment related to a charge assessed by the equity method is measured by comparing the recoverable amount of the investment with its carrying amount. A loss for impairment is recognized in income and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

e. *Non-financial assets*

The carrying amounts of non-financial assets of the Company, other than inventories and income tax and social contribution deferred assets, are reviewed at each reporting date to determine whether there is loss of indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful life, the recoverable amount is tested annually.

Losses from impairment are recognized in income. Recognized losses relating to cash generating units (CGU) are initially allocated to reduce any goodwill allocated to this CGU (or CGU group), and then to reduce the carrying value of other assets of the CGU (or group of CGUs) in order pro rata.

A loss for impairment related to goodwill is not reversed. As for other assets, impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment had not been recognized.

3.8 Income tax and social contribution

The current and deferred income tax and social contribution are calculated based on the current rates, as detailed in note 18.

The expense for income tax and social contribution comprises current and deferred income taxes. Current tax and deferred tax are recognized in income unless they are related to a business combination, or items recognized directly in equity or in other comprehensive income.

a. Income tax and social contribution - current

The current tax expense is the tax payable or receivable on the estimated taxable income or loss for the year and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is recognized in the balance sheet as an asset or tax liability for the best estimate of the expected amount of taxes to be paid or received reflecting the uncertainties related to its calculation, if any. It is measured based on the tax rates enacted at the balance sheet date.

The current tax assets and liabilities are offset only if certain criteria are met.

b. Income tax and social contribution - Deferred

Deferred tax assets and liabilities are recognized in relation to temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and used for tax purposes. The changes in deferred tax assets and liabilities for the year are recognized as income tax expense and deferred social contribution. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets and liabilities in a transaction other than a business combination and that affects neither the taxable profit or loss nor the accounting result;
- temporary differences related to investments in subsidiaries, associates and joint ventures, to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future; and
- taxable temporary differences arising from the initial recognition of goodwill.

A deferred tax asset is recognized in relation to tax loss carryforwards and deductible temporary differences not used, to the extent that it is probable that future taxable profits will be available against which will be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that their realization is no longer probable.

Deferred tax assets and liabilities are measured based on tax rates expected to apply to temporary differences when they are reversed, based on tax rates that have been enacted at the balance sheet date.
The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the way in which the Company expects to recover or liquidate its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3.9 Employee and management benefits

a. Share-based compensation
The Company offers a Stock Option Plan to professionals to be selected at the sole discretion of the Board of Directors among the managers, executives, employees and service providers and our subsidiaries. The granting of options is a commercial transaction between the company and the beneficiary through which it is given the opportunity to acquire shares with its own resources. The fair value of the options granted is calculated mainly due to the difference between the market price of the shares and the exercise price of the option, and is calculated on the grant date and recognized as an expense during the period to which the right is acquired, by skillful methodology to calculate the value of options. The total amount to be debited is determined by reference to the fair value of the options granted. The total amount of the expense recognized during the period in which the right is acquired; period during which the specific conditions for the acquisition of rights must be met. The impact of the revision of the initial estimates, if any, will be recognized in the income statement, with a corresponding adjustment to equity, in the account “Capital Reserve - Options Granted”.

b. Employees and management profit sharing
The Company recognizes a liability and a profit sharing expense based on Profit Sharing Plans and Variable Compensation Plan, when applicable, which takes into account individualized and corporate goals.

3.10 Provision

A provision is recognized, due to a past event, if the Company has a legal or constructive obligation that can be estimated reliably, and it is likely that an economic resource is required to settle the obligation. Provisions are determined by discounting the future expected cash flows at a pre-tax rate that reflects current market assessments of the value of money over time and risks specific to the liability. The financial costs incurred are recorded in income.

Provisions for tax, labor and civil contingencies are recorded based on the best estimates of the risk (Note 20). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, an asset is recognized if, and only if, the reimbursement is virtually certain, and the value can be measured reliably.

3.11 Other rights and obligations

Stated at realizable values (assets) and the recognized amounts or estimated, plus, when applicable, related charges and monetary adjustments (liabilities).

3.12 Statement of income

Income and expenses are recorded on an accrual basis. Revenue from the sale is recognized at the time of physical delivery of the goods and services, transfer of ownership and when all of the following conditions have been met: a) the customer assumes the significant risks and benefits arising from ownership of the goods; b) the Group does not maintain continuous involvement in the management of the goods sold to a degree normally associated with ownership or effective control over such goods; c) the value of the revenue can be reliably measured; d) the receipt of accounts receivable is probable; e) the costs incurred or to be incurred related to the transactions can be safely measured.

3.13 Conversion of balances into foreign currency

a. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate at the transaction date. Gains and losses resulting from the difference between the conversion of assets and liabilities in foreign currency at year end, and the conversion of the transaction amounts are recognized in the income statement.

The functional currency of each entity is listed below:

Direct and indirect subsidiaries	Functional Currency	Country
Direct participation		
Mipel Com. e Ind. de Peças Técnicas Ltda - In Judicial Recovery	Reais	Brazil
Lupatech Equipamentos e Serviços para Petróleo Ltda.- In Judicial Recovery	Reais	Brazil
Lupatech Finance Limited - In Judicial Recovery	Dólar Americano	Cayman Islands
Recu S.A.	Peso Argentino	Argentina
Lochness Participações S/A - In Judicial Recovery	Reais	Brazil
Lupatech Oil&Gas Coöperatief U.A.	Dólar Americano	Holanda
Ilno Administradora de Bens e Direitos Ltda	Reais	Brazil
Indirect participation		
Recu S.A.	Peso Argentino	Argentina
Lupatech Oil&Gas Coöperatief U.A.	Dólar Americano	Netherlands
Lupatech Perfuração e Completação Ltda. - In Judicial Recovery	Reais	Brazil
Sotep Sociedade Técnica de Perfuração S/A - In Judicial Recovery	Reais	Brazil
Prest Perfurações Ltda. - In Judicial Recovery	Reais	Brazil
Itacau Agenciamentos Maritimos Ltda. - In Judicial Recovery	Reais	Brazil
Matep S.A. Máquinas e Equipamentos - In Judicial Recovery	Reais	Brazil
Amper Amazonas Perfurações Ltda. - In Judicial Recovery	Reais	Brazil
UNAP International Ltd.	Dólar Americano	Cayman Islands
Ciaval II Administração de Bens e Direitos SPE S.A	Reais	Brazil

Jointly-owned subsidiaries	Functional Currency	Country
Direct participations		
Luxxon Participações Ltda.	Reais	Brazil
Direct participations		
Aspro do Brasil Sistemas de Compressão Ltda.	Reais	Brazil

b. Group companies

The results and financial position of all the Group companies used as the basis for valuation of investments under the equity method, which have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities balances are translated at the exchange rate prevailing on the date of the balance sheet;
(ii) Income and expense accounts are translated at the average monthly exchange rate;

(iii) The goodwill balances for expected future profitability arising from the acquisition of entities abroad, held after the adoption of CPCs/IFRS, and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of that foreign entity are treated as assets and liabilities of the entity abroad. Thus, they are expressed in the functional currency of the entity acquired abroad and are translated at the closing exchange rate on the respective balance sheet date; and

(iv) All differences resulting from exchange rate translation are recognized in equity, in the Statement of Comprehensive Income, under "Cumulative Translation Adjustments" sub group "Valuation Adjustments.

3.14 Gain (Loss) per share

Basic earnings (loss) per share is calculated by dividing the profit (loss) attributable to the Company's shareholders, by the weighted average number of common shares outstanding during the year.

Diluted earnings (loss) per share are calculated by adjusting the weighted average number of common shares outstanding assuming the conversion of all potential common shares that would cause dilution.

3.15 Investments in subsidiaries (Parent Company)

In the parent company's financial statements, investments in subsidiaries are accounted for using the equity method and the result of this assessment is offset against an operating result account, except for exchange variations on investments abroad (subsidiaries that have their own operation), which they are recorded in a specific equity account, to be recognized in income and expenses when the investment is sold or written off.

According to ICPC 9, goodwill paid for expected future profitability (goodwill), represented by the positive difference between the amount paid (or amounts payable) and the proportional net amount acquired from the fair value of the acquired entity's assets and liabilities is recorded in the statements. individual financial statements (parent company) as "investments" and in the consolidated financial statements as "intangible assets".

3.16 Operating segment report

The operating segments report is consistent with the internal report used for operating decision-making. The key operating decision-maker, in charge of allocating resources and evaluating the operating segments performance, is the Board of Executive Officers. The Board of Directors is responsible for the Group's strategic decision-making.

3.17 Value added statement

The Company prepared statements of value added (DVA) and consolidated in accordance with the CPC - 09 - Statement of Added Value, which are presented as an integral part of the financial statements according to BR GAAP applicable to public companies, while for IFRS represent information additional financial.

4 Critical accounting estimates and judgments

In preparing the individual and consolidated financial statements, management used judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed continuously. Revisions of estimates are recognized prospectively.

The information about judgments made in applying accounting policies and uncertainty about assumptions and estimates that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 12 - Fixed Assets;
- Note 13 - Intangible;
- Note 18 - Income and social contribution taxes;
- Note 20 - Contingent processes and judicial deposits;
- Note 22 - Liabilities at fair value.

In order to provide an understanding of how the Company forms its judgments about future events, including the variables and assumptions underlying the estimates, we included comments related to each critical accounting policy described below:

a. Deferred income tax

The amount of deferred tax assets is reviewed at each financial statement date and reduced by the amount that is not achievable by estimate of future taxable income. It is calculated using tax rates applicable to taxable income in the years in which those temporary differences should be realized. The future taxable income may be higher or lower than estimates made when determining the need to register, and the amount to be recorded, the tax asset.

The recognized credits on tax losses and negative social contribution bases are supported by projections of taxable income based on technical feasibility studies submitted annually to the bodies of the Group. These studies consider the historical profitability of the Company and its subsidiaries and the expectation of continuous profitability and estimated the recovery of credits in future years. The other credits based on temporary differences, mainly provision for tax liabilities and provision for losses, were recognized according to their expected realization, also taking into account the projections of future taxable income.

b. Useful life of long-lived assets

The Company recognizes the depreciation of its long-lived assets based on the estimated useful life, and significantly reflects the economic life of long-lived assets. However, the service lives may vary based on the technological update of each unit. The useful lives of long-lived assets also affect cost recovery tests of long-lived assets, when necessary.

c. Test of reduction of the recoverable value of long-lived assets

In 2012 and in previous years, as described in note 11, the Company carried out some business combinations. Pursuant to IFRS 3, applied for acquisitions occurred after the transition date to IFRS, the Company must allocate the acquired entity cost to assets acquired and liabilities assumed, based on their fair values estimated on the acquisition date. Any difference between the acquired entity cost and the fair value of assets acquired and liabilities assumed is recorded as goodwill. The Company uses significant judgments in the identification process of tangible and intangible assets and liabilities, evaluating such assets and liabilities and in the determination of their remaining useful life. The Company usually hires external valuation companies to assist in the valuation of assets and liabilities, particularly when this valuation requires high technical qualification. The valuation of these assets and liabilities is based on assumptions and criteria which can include estimates of future cash flows discounted by the appropriated rates. The use of the assumptions used for valuation includes estimates of discounted cash flow or discount rates and may result in estimated values different from assets acquired and liabilities assumed.

d. Test of reduction of the recoverable value of long-lived assets

There are specific rules to assess the recoverability of long lived assets, especially fixed assets, goodwill and other intangible assets. The date of each financial statement, the Company performs an analysis to determine whether there is evidence that the amount of long-lived assets is not recoverable. If such evidence is identified, the recoverable amount of assets is estimated by the Company.

The recoverable amount of an asset is determined by the higher of: (a) fair value less estimated costs of sale and (b) its value in use. The value in use is measured based on discounted cash flow (before taxes) derived by the continued use of an asset until the end of its useful life.

Not matter if there is or not any indication that the value of an asset may not be recovered, the goodwill balances originating from business combination and intangible assets with indefinite useful life are tested for measurement of recoverability at least once a year, or a shorter period of time when there are circumstances that require more frequent analyses. When the residual value of an asset exceeds its recoverable amount, the Company recognizes a reduction in the amount recorded for these assets.

If the recoverable amount of the asset cannot be determined independently, the recoverable amount of business segments for which the asset belongs is analyzed.

Except for a loss of recoverability of goodwill, a reversal of loss on the recoverability of assets is allowed. The reversal in these circumstances is limited to the amount of the balance of the loss of the corresponding asset.

The recoverability of goodwill is evaluated based on the analysis and identification of facts and circumstances which may result in the need to anticipate the test performed annually. If any facts or circumstances indicate that the recoverability of goodwill is impaired, then the test is anticipated. The Company made the goodwill impairment test to all its Cash Generating Unit, which represent the lowest level at which goodwill is monitored by management and are based on expectations of projected discounted cash flows and take into account the following assumptions: cost of capital, growth rate and settings used for the perpetuity of cash flows, methodology for determining the capital and financial forecasts economic long term.

The process of review of the recoverability is subjective and requires significant judgments by performing analysis. The evaluation of the business segments based on the Company's projected cash flows may be negatively impacted if the economic recovery and growth rates happen in a planned to lower speed as well as the plans of the Adminstration for the Company's business as described in Note 1 did not materialize as expected in the future.

The evaluations and test of recoverability of cash-generating units are based on the operational continuity of the Company and its subsidiaries.

5 Standards, amendments and interpretation of standards

In force

The following new standards were approved and issued by the IASB, in effect since January 1, 2019. The Company adopted the new standards and management evaluated the impacts of their adoption, not identifying adjustments for disclosure.

(i) IFRS 16 Leases (CPC 06 R2 - Leases)

The new standard replaces IAS 17 - "Leasing Operations" and corresponding interpretations and determines that lessees will now have to recognize the liability for future payments and the right to use the leased asset for practically all lease agreements, including the operational ones, and certain short-term contracts or small amounts may be outside the scope of this new standard. The criteria for recognition and measurement of leases in the lessors' financial statements are substantially maintained.

Management evaluated the new pronouncement and, considering its quarterly transactions, did not identify changes that could have an impact on the Company's financial statements.

The following technical interpretation was approved by the Accounting Pronouncements Committee: ICPC 22 / IFRIC 23 - Uncertainties in relation to Tax Treatments

This interpretation clarifies how to apply the recognition and measurement requirements of CPC 32 Taxes on Profit (IAS 12 Income Taxes) when there is uncertainty about the treatment of income tax. In these circumstances, the entity must recognize and measure its current or deferred tax asset or liability, applying the requirements of CPC 32 / IAS 12 based on taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates, determined based on this interpretation.

This interpretation came into effect as of annual periods beginning on or after January 1, 2019 and its impacts were assessed by the Company's Management, with no material impact on the financial statements.

There are no other standards, changes and interpretations of standards issued and not yet adopted that may, in the opinion of the Management, have a significant impact on the result or on the shareholders' equity disclosed by the Company.

6 Cash and cash equivalents and titles and restricted securities

6.1 Cash and cash equivalents

The balances of cash and cash equivalents are composed as follows:

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Cash and banks				
Brazil	28	47	45	180
Total	28	47	45	180
Financial Investments				
Bank deposit certificate	133	129	20,970	5,654
Total	133	129	20,970	5,654
Cash and cash equivalents	161	176	21,015	5,834

The amounts of cash equivalents refer to investments with immediate liquidity, with an insignificant risk of changes in the value and refer to funds invested in fixed income and bank deposit certificates. The remuneration rates for bank deposit certificate financial investments have the Interbank Deposit Certificate - CDI as a parameter.

6.2 Securities – Restricted

On December 31, 2019, the Company contained the amount of R $ 1,788 in non-current assets, in the parent company and in the consolidated, referring to the guarantee deposit for the payment of any indemnifiable liabilities, according to the contractual clause for the purchase and sale of the Metalúrgica Ipê unit to Duratex , called Escrow Account, applied in CDB. In April 2020, through an agreement between the parties establishing contractual guarantees on remaining contingencies, the Company made the withdrawal of these resources. The amount of R $ 44 in non-current assets as of December 31, 2020, refers to the lease guarantee.

7 Accounts receivable from customers

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Local market	16,191	9,087	22,666	14,823
Export	707	597	743	795
	16,898	9,684	23,409	15,618
Less: allowance for doubtful accounts	(3,640)	(4,257)	(4,187)	(4,823)
	13,258	5,427	19,222	10,795
Current	13,258	5,427	19,222	10,795
Non-Current	-	-	-	-

The composition of the customer portfolio by maturity is as follows:

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Not due	11,046	3,302	13,866	4,703
Due to 30 days	355	468	430	483
Due from 31 to 90 days	364	307	587	1,264
Due from 91 to 180 days	279	56	281	618
Due more than 180 days	4,854	5,551	8,245	8,550
	16,898	9,684	23,409	15,618

The amount of the risk of possible losses is presented as an estimate for losses on doubtful debts.

The credit risk of accounts receivable arises from the possibility that the Company will not receive amounts arising from sales operations. In order to mitigate this risk, the Company adopts as a practice the detailed analysis of its clients' equity and financial situation, establishing a credit limit and permanently monitoring its debit balance. The provision for credit risks was calculated based on the credit risk analysis, which includes the history of losses, the individual situation of customers, the situation of the economic group to which they belong, the real guarantees for debts and the assessment of consultants and it is considered sufficient by its management to cover possible losses on the amounts receivable.

The estimate of losses on allowance for loan losses had the following changes:

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Balance at the beginning of the year	4,257	4,316	4,823	5,515
Constitution	705	60	730	138
Write-off by loss	(895)	-	(930)	(14)
Recovery	(427)	(119)	(436)	(321)
Effect of conversion of balance	-	-	-	(495)
Balance at the end of the year	3,640	4,257	4,187	4,823

In the year ended December 31, 2020, an estimated loss of doubtful loans was recognized in the net amount of R$ 617 in the parent company and R$ 636 in the consolidated (in the year of 2019 there was a reversal in the result of R $59 in the parent company R$ 692 in the consolidated).

Credit quality of accounts receivable from customers

The quality of accounts receivable credits from customers that are not past due or impaired can be assessed by reference to external credit ratings (if any) or historical information on counterparty default rates. Below is the breakdown of credits according to the Group's internal classification:

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Group 1	1,760	202	1,775	817
Group 2	6,396	3,525	8,145	6,224
Group 3	4,948	1,700	9,302	3,754
	13,258	5,427	19,222	10,795

Subtitle:

- Group 1 - New customers (less than 6 months of relationship with the Group).
- Group 2 - Existing customers (more than 6 months without a history of default).
- Group 3 - Existing customers (more than 6 months with some history of default. All default has been recovered).

8 Inventory

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Finished goods	5,084	4,639	6,552	6,073
Goods for resale	3,034	1,604	4,875	3,408
Work in progress	8,577	7,733	13,617	12,109
Raw material	17,340	17,675	33,924	45,427
Losses on inventory obsolescence	(7,055)	(6,266)	(27,036)	(36,581)
Total	26,980	25,385	31,932	30,436

In the year ended December 31, 2020, there was an estimated loss from obsolescence of inventories, in the amount of R$ 789 in the parent company and a reversal of R$ 9,545 in the consolidated (as of December 31, 2019, there was a reversal in the result of R$ 487 in the parent company and estimate for loss of R$ 1,065 in the consolidated), as shown in the movement below:

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Opening balance for the period	(6,266)	(6,753)	(36,581)	(35,516)
Loss estimate	(789)	(153)	(1,151)	(2,078)
Reversal	-	640	10,696	1,013
Final balance	(7,055)	(6,266)	(27,036)	(36,581)

9 Taxes to be recovered

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
ICMS recoverable	9,779	10,612	9,935	10,995
PIS and COFINS without ICMS	28,484	28,485	29,812	29,812
IPI to be recovered	1,557	1,403	1,793	1,657
PIS to be recovered	28	28	188	412
COFINS recoverable	129	128	708	1,778
IRF and IRPJ to be recovered	288	224	19,156	41,355
CSLL to be recovered	230	88	2,736	6,986
Others	5	116	50	412
Total	40,500	41,084	64,378	93,407
Current	7,343	1,371	29,884	38,271
Non-Current	33,157	39,713	34,494	55,136

The origin of the credits listed above is as follows:

- **COFINS, PIS and IPI to be recovered -** basically result from credits on purchases of raw materials used in exported products and sale of taxed products at zero rate. These credits have been realized through offset against other federal taxes.

- **Income tax and social contribution recoverable -** arising from taxes on profit, overpaid over previous years, or as an advance in the current year, and taxes withheld at source on financial operations and services provided by third parties. These taxes have been offset against taxes payable of the same nature or subject to a refund request, when applicable.

- **ICMS** - refers to credits on purchases of inputs used in the manufacture of products whose sale is subject to the reduced ICMS calculation base, as well as credits on purchases of inputs used in the manufacture of products intended for export.

- **PIS e COFINS s/ ICMS** – refers to the amount determined by the Company as a result of the final unappealable decision favoring the exclusion of ICMS from the PIS and COFINS calculation basis.

Actions have been taken to use these accumulated tax credits, either for their consumption in the operation, compensation with debts or cash refund.

10 Other receivable accounts

As of December 31, 2020, the Company has the following balances recorded as other accounts receivable in current and non-current assets, as shown below:

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Other accounts receivable - Current				
Advances to employees	301	316	305	340
Profits and dividends receivable	-	-	1,664	1,664
Other accounts receivable	151	1,278	43	1,839
Debentures convertible into shares	4,559	4,559	12,935	17,360
Total	5,011	6,153	14,947	21,203
Other accounts receivable - Non-current				
Loans receivable from related Unifit	-	6,935	-	6,935
Loans receivable from related Luxxon	163	163	6,091	6,091
Total	163	7,098	6,091	13,026

11 Investments

11.1 Investments in subsidiares and affiliates

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
In affiliates	320,610	204,218	-	-
Joint venture	-	-	-	-
In subsidiares	-	-	-	-
Total	320,610	204,218	-	-
Goodwill on acquisition of investments	-	6,065	-	-
Total	320,610	210,283	-	-

	Mipel	Recu	LESP	Finance	LO&G	Lochness	Ilno	Parent 12/31/2020	Parent 12/31/2019
Investment									
Amount of share or quotas									
Ordinary shares (thd)	-	3,000	-	-	734,613	734,613	74,343		
Capital stock quotas (thd)	27,980	-	391,430	50	-	-	-		
Participation %	100	95	100	100	5	100	100		
Shareholders' equity	**5,067**	**278**	**25,895**	**95,402**	**3,039**	**118,289**	**74,343**		
Income for the period	(3,337)	-	(9,855)	414	(538)	7,690	-		
Changes in investments									
Opening balance in the period	1,539	287	34,354	82,836	141	85,061	-	204,218	184,022
Advance for future capital increase	1,327	-	206	-	-	-	-	1,533	1,292
Capital increase	6,555	-	688	-	-	17,318	74,343	98,904	55,211
Sale of interest in subsidiary	-	-	-	-	-	-	-	-	(18,662)
Equity in earnings	(3,362)	-	(9,854)	(2,942)	(27)	7,690	-	(8,495)	(32,212)
Reclassification of unsecured liabilities	-	-	-	-	-	-	-	-	-
Equity valuation adjustment	-	(23)	707	15,508	38	8,220	-	24,450	14,567
Final balance in the period	**6,059**	**264**	**26,101**	**95,402**	**152**	**118,289**	**74,343**	**320,610**	**204,218**

The corporate reasons of subsidiaries and affiliates are as follows: Mipel - Mipel Comércio e Indústria de Peças Técnica Ltda. - In Judicial Recovery; Recu - S/A; LESP - Lupatech – Equipamentos e Serviços para Petróleo Ltda. - In Judicial Recovery; Finance - Lupatech Finance Limited - In Judicial Reorganization; LO&G - Lupatech Oil & Gas Coöperatief U.A. and Lochness Participações S/A - In Judicial Reorganization.

The equity in earnings is comprised as follows:

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
In affiliates	(8,495)	(32,212)	-	-
In joint venture	(1,855)	2,194	(1,855)	2,194
Total	(10,350)	(30,018)	(1,855)	2,194

11.2 Investments in jointly controlled (*joint venture*)

On December 31, 2020, the Company recognized investments in a jointly-owned subsidiary (Joint Venture) related to Luxxon Participações Ltda, as a provision for unsecured liabilities, in the amount of R$ 4,280 (R$ 1,033 on December 31, 2019).

Jointly controlled investments are measured using the equity method.

11.3 Investment Property

It currently consists of land and built area, located in Macaé in Rio de Janeiro, where there are no operational activities; and Caxias do Sul in Rio Grande do Sul, which is partially occupied by administrative activities. These unused portions are reserved for another destination that may be more profitable and efficient for the Company, namely, leasing, real estate development or long-term sale.

According to a technical report made in 2019 by an independent company, the total fair value calculated for properties and portions of properties intended for investment is R$ 50,452 on December 31, 2019.

As of December 31, 2020, the balance of investment properties is R$ 6,428 in the parent company and R$ 28,370 in the consolidated. The movement of R$ 22,082 refers to the property in Nova Odessa - SP transferred to the company Ilno Administradora de Bens e Direitos Ltda for its constitution as approved in a meeting of the Board of Directors held on November 12, 2020.

	Parent			Consolidated		
	Land	Building and construction	Total	Land	Building and construction	Total
Balance on December 31, 2019	26,477	2,033	28,510	46,779	3,673	50,452
Additions	-	-	-	-	-	-
Write-offs	(22,082)	-	(22,082)	-	-	-
Reclassification to Property, Plant and Equipment	-	-	-	(22,082)	-	(22,082)
Balance on December 31, 2020	4,395	2,033	6,428	24,697	3,673	28,370

12 Fixed Assets

	Weighted avarage rate of depreciation % p.p.	Parent		Consolidated	
		12/31/2020 net	12/31/2019 net	12/31/2020 net	12/31/2019 net
Land	-	3,751	5,969	3,884	5,903
Building and construction	2%	6,024	26,485	88,794	35,191
Machinery and equipment	11%	14,361	17,412	14,050	16,187
Molds and matrixes	20%	338	392	416	491
Industrial facilities	6%	474	5,469	2,100	7,118
Furniture and fixtures	14%	629	690	790	477
Date processing equipments	12%	94	74	-	18
Improvements	6%	249	146	857	774
Vehicles	19%	18	46	120	1
Casks	-	-	-	1	2
Advances for fixed assets acquisitions	-	9	-	8,687	8,396
Construction in progress	-	367	331	7,100	9,597
Total		26,314	57,014	126,799	84,155

Synthesis of asset movement:

	Parent								
Gross Cost	**Land**	**Building and construction**	**Machinery and equipment, molds and matrixes**	**Industrial facilities and improvements**	**Furniture and fixtures**	**Date processing equipments**	**Construction in progress**	**Others**	**Total**
Balance on December 31, 2019	**5,969**	**35,031**	**89,663**	**11,717**	**3,848**	**3,913**	**331**	**488**	**150,960**
Additions	-	213	235	21	24	55	217	17	782
Transfers	-	37	6	128	2	-	(173)	-	-
Disposal	(3,024)	(27,760)	(2,262)	(9,672)	(3)	(11)	(8)	-	(42,740)
Reclassification for assets held for sale	806	421	-	-	-	-		-	1,227
Reclassification to investment property	-	-	-	-	-	-	-	(9)	(9)
Balance on December 31, 2020	**3,751**	**7,942**	**87,642**	**2,194**	**3,871**	**3,957**	**367**	**496**	**110,220**

	Parent								
Acculated depreciation	**Land**	**Building and construction**	**Machinery and equipment, molds and matrixes**	**facilities and improvements**	**and fixtures**	**Date processing equipments**	**Construction in progress**	**Others**	**Total**
Balance on December 31, 2019	**-**	**(8,546)**	**(71,859)**	**(6,102)**	**(3,158)**	**(3,839)**	**-**	**(442)**	**(93,946)**
Additions	-	(782)	(3,205)	(460)	(86)	(35)	-	(27)	(4,595)
Disposal	-	7,570	2,121	5,091	2	11	-	-	14,795
Reclassification for assets held for sale	-	(160)	-	-	-	-	-	-	(160)
Balance on December 31, 2020	**-**	**(1,918)**	**(72,943)**	**(1,471)**	**(3,242)**	**(3,863)**	**-**	**(469)**	**(83,906)**

	Parent								
Net fixed assets	**Land**	**Building and construction**	**Machinery and equipment, molds and matrixes**	**Industrial facilities and improvements**	**Furniture and fixtures**	**Date processing equipments**	**Construction in progress**	**Others**	**Total**
Balance on December 31, 2019	**5,969**	**26,485**	**17,804**	**5,615**	**690**	**74**	**331**	**46**	**57,014**
Balance on December 31, 2020	**3,751**	**6,024**	**14,699**	**723**	**629**	**94**	**367**	**27**	**26,314**

	Consolidated								
Gross Cost	**Land**	**Building and construction**	**Machinery and equipment, molds and matrixes**	**Industrial facilities and improvements**	**Furniture and fixtures**	**Date processing equipments**	**Construction in progress**	**Others**	**Total**
Balance on December 31, 2019	**5,903**	**48,270**	**101,109**	**15,713**	**4,551**	**5,486**	**9,597**	**8,725**	**199,354**
Additions	-	74,556	403	21	26	34	217	(103)	75,154
Disposal	(3,024)	(28,120)	(34,394)	(9,693)	(1,355)	(1,120)	(3,444)	(2,093)	(83,243)
Transfer	-	37	(381)	128	2	39	175	-	-
Effect of the conversion of subsidiaries abroad	-	-	-	-	-	-	-	354	354
Reversal of provision for impairment of assets	-	-	7,351	-	255	(70)	36	139	7,711
Reclassification for assets held for sale	1,005	1,382	9,306	-	1,478	1,129	(4,002)	2,020	12,318
Effect of the conversion of subsidiaries abroad	-	-	16,758	-	-	-	4,521	-	21,279
Balance on December 31, 2020	**3,884**	**96,125**	**100,152**	**6,169**	**4,957**	**5,498**	**7,100**	**9,042**	**232,927**

	Consolidated								
Gross Cost	**Land**	**Building and construction**	**Machinery and equipment, molds and matrixes**	**Industrial facilities and improvements**	**Furniture and fixtures**	**Date processing equipments**	**Construction in progress**	**Others**	**Total**
Balance on December 31, 2019	**-**	**(13,079)**	**(84,431)**	**(7,821)**	**(4,074)**	**(5,468)**	**-**	**(326)**	**(115,199)**
Additions	-	(1,201)	(3,353)	(503)	(93)	(40)	-	(33)	(5,223)
Disposal	-	7,678	20,586	5,112	1,034	1,126	-	1,990	37,526
Effect of the conversion of subsidiaries abroad	-	-	(6,962)	-	-	-	-	-	(6,962)
Reclassification for assets held for sale	-	(729)	(11,526)	-	(1,034)	(1,116)	-	(1,865)	(16,270)
Balance on December 31, 2020	**-**	**(7,331)**	**(85,686)**	**(3,212)**	**(4,167)**	**(5,498)**	**-**	**(234)**	**(106,128)**

	Consolidated								
Net property, plant and equipment	**Land**	**Building and construction**	**Machinery and equipment, molds and matrixes**	**Industrial facilities and improvements**	**Furniture and fixtures**	**Date processing equipments**	**Construction in progress**	**Others**	**Total**
Balance on December 31, 2019	**5,903**	**35,191**	**16,678**	**7,892**	**477**	**18**	**9,597**	**8,399**	**84,155**
Balance on December 31, 2020	**3,884**	**88,794**	**14,466**	**2,957**	**790**	**-**	**7,100**	**8,808**	**126,799**

Property, plant and equipment are subject to liability guarantees as of December 31, 2020, liabilities assessed at the time of attachment, in the following amounts:

	Fixed assets	
Garanteed liabilities	**Parent**	**Consolidated**
Taxation (Tax executions)	14,791	14,949
Loans and financing	35,936	38,690
Total	50,727	53,639

* Values according to Evaluation

13 Intangibles

	Weighted depreciation rate% per year	Parent		Consolidated	
		12/31/2020 net	12/31/2019 net	12/31/2020 net	12/31/2019 net
Goodwill on acquisition of investments (*)	-	61,479	55,414	82,166	82,166
Software and other licenses	20%	1,751	2,553	1,761	2,606
Development of new products	20%	1,601	1,982	1,858	2,238
Total		64,831	59,949	85,785	87,010

(*) In the Parent Company represents the balance of the goodwill of the merged subsidiaries.

Synthesis of movement of intangible assets:

	Parent			
Gross Cost	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2019	**55,414**	**13,245**	**10,304**	**78,963**
Additions	6,065	-	37	6,102
Disposals	-	-	(84)	(84)
Balance on December 31, 2020	**61,479**	**13,245**	**10,257**	**84,981**

	Parent			
Acculated Amortization	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2019	-	**(10,692)**	**(8,322)**	**(19,014)**
Additions	-	(802)	(334)	(1,136)
Balance on December 31, 2020	-	**(11,494)**	**(8,656)**	**(20,150)**

	Parent			
Net Intangible Assets	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2019	**55,414**	**2,553**	**1,982**	**59,949**
Balance on December 31, 2020	**61,479**	**1,751**	**1,601**	**64,831**

Gross Cost	Consolidated: Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Balance on December 31, 2019	**79,890**	**16,306**	**11,652**	**107,848**
Additions	-	-	37	37
Disposals	-	-	(83)	(83)
Balance on December 31, 2020	**79,890**	**16,306**	**11,606**	**107,802**

Acculated Amortization	Consolidated: Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Balance on December 31, 2019	**2,276**	**(13,700)**	**(9,414)**	**(20,838)**
Additions	-	(845)	(334)	(1,179)
Disposals	-	-	-	-
Balance on December 31, 2020	**2,276**	**(14,545)**	**(9,748)**	**(22,017)**

Net Intangible Assets	Consolidated: Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Balance on December 31, 2019	**82,166**	**2,606**	**2,238**	**87,010**
Balance on December 31, 2020	**82,166**	**1,761**	**1,858**	**85,785**

a. Development of new products

It refers to the costs with the development of new products, processes and equipment realized.

The amortization of these projects, whose term does not exceed 5 years, is recorded as debit in the result of the fiscal year, in the account for the cost of sold products.

b. Software and other licenses

It includes all the data processing systems and usage license, which are registered by the acquisition cost and are amortized linearly.

The amortization of software is recorded as debit in the result of the fiscal year, in the cost of products sold and operating expenses account, for a 5-year term.

c. Goodwill on acquisitions

Goodwill is allocated to business segments for which cash flows may be identified Cash Generating Units – "UGC".

The recoverable amount of a CGU is determined based on calculations of the value in use and / or the sale value less expenses for the sale. These calculations use cash flow projections, before calculating income tax and social contribution, based on financial budgets approved by Management.

The goodwill balance is not amortized, being subject to impairment tests annually or whenever there are signs of possible loss of value. On December 31, 2020, the Company assessed the recoverability of goodwill per cash-generating unit (CGU).

The assumptions used to determine fair value using the discounted cash flow method for impairment testing include: cash flow projections based on Management's estimates for future cash flows, discount rates and growth rates. Perpetuity growth rates and inflation rates were not considered. Whenever possible, Management makes a comparison between the values in use and the estimated sales values of the CGUs in order to identify any distortions in the calculations.

The discount rates used were prepared taking into account market information available on the test date. The discount rate used was 10.60% p.a., based on the weighted cost of capital of the business segment to which it belongs, considering inflation according to the CAPM methodology for the 2020 closing scenario.

The goodwill balance is not amortized, being tested for impairment annually or whenever there is evidence of possible loss of value. In 2020 and 2019, no signs of loss of value were identified in the recoverability of goodwill.

It should be noted that events or significant changes in the outlook can lead to significant losses due to goodwill recoverability. As main risks, we can highlight eventual deterioration of the steel market, significant drop in demand from the automotive and construction sectors, shutdown of the Company's industrial plant activities or significant changes in the economy or financial market that lead to an increase in the perception of liquidity risk and refinancing capacity.

Below is a summary of the allocation of the goodwill balance by cash-generating unit level:

UGCs	Goodwill on acquisition of investments			
	Intangible		Intangible	
	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Products Segment				
Mipel Comércio e Indústria de Peças Técnicas Ltda	6,065	6,065	6,065	6,065
Unidade Lupatech Ropes	55,414	55,414	55,414	55,414
Lupatech – Equipamentos e Serviços para Petróleo – Unidade Fiberware	-	-	20,687	20,687
Total	61,479	61,479	82,166	82,166
Investment	-	6,065	-	-
Intangible	61,479	55,414	82,166	82,166

Goodwill is allocated to cash-generating units for which they can be identified in the cash flows of the Cash-Generating Units - "CGU".

The goodwill allocated to the Carbonox and Valmicro group of units is not relevant in comparison with the total book value of the goodwill, which is why individual information from these CGUs is not being presented.

Below is a summary of the amounts recorded as a loss due to the non-recoverability of goodwill per Cash-Generating Unit:

UGCs	Goodwill on acquisition of investments	Impairment	Net Goodwill
Products Segment			
Mipel Comércio e Indústria de Peças Técnicas Ltda	6,065	-	6,065
Unidade Lupatech Ropes	125,414	(70,000)	55,414
Lupatech - Equipamentos e Serviços para Petróleo - Unidade Oil Tools	9,149	(9,149)	-
Unidade Tecval	55,680	(55,680)	-
Lupatech - Equipamentos de Serviços para Petróleo - Unidade Monitoring Systems	9,884	(9,884)	-
Lupatech – Equipamentos de Serviços para Petróleo – Unidade Fiberware	20,687	-	20,687
Services Segment			
Lupatech – Equipamentos de Serviços para Petróleo - Unidade Oil & Gas	59,227	(59,227)	-
Total	286,106	(203,940)	82,166

14 Suppliers

	12/31/2020						12/31/2019					
	Parent			Consolidated			Parent			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Suppliers												
Subject to Judicial Recovery												
Domestic Suppliers	4,082	99,993	**104,075**	4,082	99,993	**104,075**	3,874	99,628	**103,502**	3,874	99,628	**103,502**
Export Suppliers	137	16,901	**17,038**	137	16,901	**17,038**	137	16,901	**17,038**	137	16,901	**17,038**
(-) Present value adjustment	-	(66,536)	**(66,536)**	-	(66,536)	**(66,536)**	-	(59,840)	**(59,840)**	-	(59,840)	**(59,840)**
	4,219	**50,358**	**54,577**	**4,219**	**50,358**	**54,577**	**4,011**	**56,689**	**60,700**	**4,011**	**56,689**	**60,700**
Not Subject to Judicial Recovery												
Domestic Suppliers	3,784	-	**3,784**	7,422	-	**7,422**	3,492	-	**3,492**	7,549	-	**7,549**
Export Suppliers	(339)	-	**(339)**	(337)	-	**(337)**	77	-	**77**	78	-	**78**
	3,445	-	**3,445**	**7,085**	-	**7,085**	**3,569**	-	**3,569**	**7,627**	-	**7,627**
Total suppliers	**7,664**	**50,358**	**58,022**	**11,304**	**50,358**	**61,662**	**7,580**	**56,689**	**64,269**	**11,638**	**56,689**	**68,327**

According to the Judicial Reorganization plan in force, 50% of unsecured credits from suppliers in reais and 70% of unsecured credits from suppliers in foreign currency will be paid through the payment of subscription bonus and the remaining 50% and 30% will be paid in cash within 15 years, plus interest and monetary restatement at a variable rate equivalent to TR + 3% per annum for Class IV in reais and TR + 3.3% per annum for Class III in reais, 0 , 4% for foreign currency creditors to be paid respectively 30 days or in four quarterly installments after the maturity of the last installment of the principal, as proposed under the terms of payments by the unsecured creditors of the new Plan.

As of December 31, 2020, an adjustment to present value was made on suppliers subject to judicial reorganization in the amount of R$ 6,696 (R$ 3,097 on December 31, 2019).

The balance of adjustment to present value on suppliers subject to judicial recovery on December 31, 2020 is R$ 66,536 (R$ 59,840 on December 31, 2019) in the parent company and in the consolidated, considering the discount rate of 13.65% per year.

15 Loans and financing

			12/31/2020						12/31/2019					
			Parent			Consolidated			Parent			Consolidated		
Description	Index	Weighted interest rates	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Subject to Judicial Recovery														
Local currency														
Secured creditors	FIXO	3,00% a.a. + TR	1,495	41,363	**42,858**	1,495	41,363	**42,858**	1,495	39,650	**41,145**	1,495	39,650	**41,145**
Working capital / expansion			1,495	41,363	**42,858**	1,495	41,363	**42,858**	1,495	39,650	**41,145**	1,495	39,650	**41,145**
(-) Present value adjustment			-	(22,678)	**(22,678)**	-	(22,678)	**(22,678)**	-	(17,798)	**(17,798)**	-	(17,798)	**(17,798)**
Unsecured creditors	FIXO	3,3% a.a. + TR	461	84,360	**84,821**	461	84,360	**84,821**	934	86,364	**87,298**	934	86,364	**87,298**
Working capital / expansion			76	13,541	**13,617**	76	13,541	**13,617**	130	13,580	**13,710**	130	13,580	**13,710**
Working capital / expansion			64	11,924	**11,988**	64	11,924	**11,988**	111	11,624	**11,735**	111	11,624	**11,735**
Working capital / expansion			86	14,144	**14,230**	86	14,144	**14,230**	235	15,475	**15,710**	235	15,475	**15,710**
Research and development funding			31	5,577	**5,608**	31	5,577	**5,608**	55	5,696	**5,751**	55	5,696	**5,751**
Guarantee provided by guarantee letter			-	-	-	-	-	-	-	-	-	-	-	-
Debentures			204	39,174	**39,378**	204	39,174	**39,378**	403	39,989	**40,392**	403	39,989	**40,392**
(-) Adjustment to present value			-	(49,993)	**(49,993)**	-	(49,993)	**(49,993)**	-	(42,818)	**(42,818)**	-	(42,818)	**(42,818)**
Foreign currency														
Unsecured creditors	FIXO	3,3% a.a. + TR	-	-	-	754	77,089	**77,843**						
Noteholders			-	-	-	754	77,089	**77,843**	-	-	-	1,256	98,164	**99,420**
(-) Adjustment to present value			-	-	-	-	(33,764)	**(33,764)**	-	-	-	-	(38,167)	**(38,167)**
			1,956	**53,052**	**55,008**	**2,710**	**96,377**	**99,087**	**2,429**	**65,398**	**67,827**	**3,685**	**125,395**	**129,080**
Not subject to Judicial Recovery														
Local currency														
Working capital / expansion	CDI	6,80% a.m.	2,958	-	**2,958**	2,958	-	**2,958**	2,692	-	**2,692**	2,692	-	**2,692**
Working capital / expansion	TJLP	4,86% a.m.	5,034	-	**5,034**	8,648	-	**8,648**	5,034	-	**5,034**	8,648	-	**8,648**
Discounted titles	-	1,20% a.m.	11,983	-	**11,983**	12,119	-	**12,119**	648	-	**648**	648	-	**648**
Credit limit	FIXO	6,00% a.m.	1	-	**1**	3	-	**3**	-	-	-	1	-	**1**
Foreign currency														
Working capital / expansion	DÓLAR	7,48% a.a.	1,214	-	**1,214**	2,519	-	**2,519**	1,215	-	**1,215**	2,520	-	**2,520**
Working capital / expansion			**21,190**	-	**21,190**	**26,247**	-	**26,247**	**9,589**	-	**9,589**	**14,509**	-	**14,509**
			23,146	**53,052**	**76,198**	**28,957**	**96,377**	**125,334**	**12,018**	**65,398**	**77,416**	**18,194**	**125,395**	**143,589**

According to the Judicial Reorganization plan in force, 35% of credits with real guarantee subject to Judicial Reorganization must be paid by means of a donation in payment of the subscription bonus and the remaining 65% will be paid in cash within 15 years, with accrual of interest and monetary restatement at a variable rate equivalent to TR + 3% per year, to be paid 30 days after the maturity of the last installment of the principal, as proposed under the terms of payments by creditors with real guarantee of the new Plan.

In the case of unsecured loans and financing credits listed in reais, according to the Judicial Reorganization plan in force, 50% will be paid through the payment of subscription bonus and the remaining 50% will be paid in cash within 15 days. years, plus interest and monetary restatement at a variable rate equivalent to TR + 3.3% per year, to be paid in 30 days or four quarterly installments after the maturity of the last installment of the principal, as approved under the terms of payments from unsecured creditors. of the new Plan.

The payment of the Noteholders' unsecured credits will be made under conditions similar to those provided for in the Plan, respecting the exchange rate variation, upon payment of 30% of the value of the respective unsecured credit, including principal, interest and charges incurred updated at the rate of 0.4%, by through the delivery of New Notes, and payment of 70% of the value of the respective unsecured credit, equivalent to the remaining balance of the principal, through the payment of Warrants.

As of December 31, 2020, there was an adjustment to the present value of loans and financing subject to judicial reorganization in the amount of R $ 12,055 in the parent company (R$ 4,637 as of December 31, 2019) and R$ 7,652 in the consolidated (R$ 2,644 in 31 December 2019).

The balance at present value adjustment on loans and financing subject to judicial recovery on December 31, 2020 is R$ 72,671 (R$ 60,616 on December 31, 2019) at the parent company and R$ 106,435 (R$ 98,783 on December 31, 2019) in the consolidated, considering the discount rate of 13.65% per year.

The maturities of non-current financing installments are as follows:

	Parent		Consolidated	
Maturity	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
2021	1,232	2,806	1,497	4,062
2022	1,519	3,282	2,247	4,995
2023	1,683	4,116	2,675	6,628
2024	2,770	6,785	4,225	10,780
2025	3,367	7,955	5,350	12,711
From 2026	42,481	40,454	80,383	86,219
	53,052	65,398	96,377	125,395

Loan and financing guarantees were granted as follows, with a position on December 31, 2020:

		Value of the guarantee			
		Parent		Consolidated	
		Book value*	Appraisal report value**	Book value*	Appraisal report value**
Subject and not subject to Judicial Recovery					
Local currency	**Garantee**				
Working capital / expansion	Mortage / Buildings	33,340	112,207	33,965	134,149
Working capital / expansion	Machinery and equipment	2,596	2,540	4,725	5,005
		35,936	114,747	38,690	139,154

Due to the Judicial Recovery Plan, the Notes and Debentures started to be treated and registered with the loans subject to judicial recovery, in non-current liabilities, due to their classification as unsecured creditors of the Plan, where they incur interest and monetary restatement. at a variable rate equivalent to TR + 3.3% per year in reais, as determined by the payment of these creditors in the New Judicial Recovery Plan.

16 Debentures

Third Issuance of Debentures

Aiming the payment of part of the credits of labor nature, and other credits not subject to the Plan of Judicial Recovery, the Board has approved, in a meeting held in November 28 of 2017, the 3rd issuance of debentures convertible into ordinary stocks of issuing of the Company, in a single series, of the unsecured kind, for private placement, within the limit of the authorized capital, in the amount of thirty million reais, upon issuance of 30.000.000 of Debentures.

The Issuance respected the preemptive right of the Company's shareholders and was directed to the payment of Class I Judicial Reorganization credits and to holders of other credits.

On February 5 of 2018, was held at RCA, the partial approval of the 3rd Issuance of Debentures of the Company, as approved in the meeting of the Administrative Council held on November 28 of 2017, in the amount of R$29,313, upon the issuance of 29,313,394 Debentures, within the limit of the authorized capital of the Company.

Considering the total amount of the issuance of 30,000,000 of Debentures, still remained 686,606 unsubscribed Debentures, which were canceled by the Company, in accordance with the Issuance.

The conclusions of the Company's stock conversion processes were as follows:

Event	Conversion Date	Common shares (units)	Conversion of Debentures into R$
Completion of the process of converting debentures into shares of the Company	February 28, 2018	5,265,949	15,482
1st Mandatory Conversion of Debentures into Company Shares	February 28, 2018	470,456	1,383
2nd Mandatory Conversion of Debentures into Company Shares	June 18, 2018	358,682	1,055
3rd Mandatory Conversion of Debentures into Company Shares	August 20, 2018	364,282	1,070
4th Mandatory Conversion of Debentures into Company Shares	November 21, 2018	369,542	1,087
5th Mandatory Conversion of Debentures into Company Shares	February 27, 2019	375,225	1,103
6th Mandatory Conversion of Debentures into Company Shares	May 29,2019	380,467	1,119
7th Mandatory Conversion of Debentures into Company Shares	August 30,2019	386,318	1,136
8th Mandatory Conversion of Debentures into Company Shares	November 22, 2019	392,168	1,153
9th Mandatory Conversion of Debentures into Company Shares	March 2, 2020	397,923	1,170
10th Mandatory Conversion of Debentures into Company Shares	June 24, 2020	403,441	1,186
11th Mandatory Conversion of Debentures into Company Shares	August 18, 2020	409,686	1,204
12th Mandatory Conversion of Debentures into Company Shares	November 24, 2020	415,698	1,222

The balance of Debentures remaining on December 31, 2020 recorded in Current Liabilities is R$ 1,037 (R$ 5,187 on December 31, 2019).

The main characteristics of the 3rd issuance of debentures are:

Series: Only
Date of issue: 12/18/2017 (for all legal purposes)
Expiration Date: Without time of expiration
Quantity issued: 29.313.394
Par value: R$1.00
Value of the issue: R$29.313

Convertibility:

The Debentures are mandatorily convertible into ordinary shares issued by the Company, at the discretion of the debenture holders, in accordance with the conditions and options below:

a) in up to 10 working days counted from the Date of Payment of Debentures, the debenture holders could request the conversion of up to 100% of the Debentures held by them in shares, of R$2.94 per share. The calculation for conversion of Debentures resulted from the division between (i) the nominal unit value of the Debentures, plus the remuneration and (ii) the conversion price of $2.94 per ordinary share issued by the Company. Any fractions resulting from the calculation for conversion were disregarded; or

b) within 10 working days from the date of payment of Debentures, if the debenture holders have not requested the convertibility of its Debentures pursuant to the terms and conditions set forth in the item (a) above, the Debentures will be mandatorily converted into Shares, according to the periodicity, percentage and price indicated below:

Conversion Dates	Percentage to be converted from Debentures of each of Debenturist	Price per share in R$
February 15, 2018	10%	2.94
May 15, 2018	7.5%	2.94
August 15, 2018	7.5%	2.94
November 15, 2018	7.5%	2.94
February 15, 2019	7.5%	2.94
May 15, 2019	7.5%	2.94
August 15, 2019	7.5%	2.94
November 15, 2019	7.5%	2.94
February 15, 2020	7.5%	2.94
May 15, 2020	7.5%	2.94
August 15, 2020	7.5%	2.94
November 15, 2020	7.5%	2.94
February 15, 2021	7.5%	2.94

In the event that the Share completes 22 consecutive trading sessions with closing prices higher than the price of the last conversion carried out, the debenture holder may, at its sole discretion, during the following 10 consecutive days, anticipate the last conversion planned according to the above schedule. After the period of 10 consecutive days to exercise the option of early conversion has ended, if the conditions for early conversion are determined again, the debenture holders may, at their sole discretion, make new anticipated conversions under the same terms. In such cases, the Debentures will be converted according to the schedule, with the remuneration calculated pro rata temporis until the date of the anticipated conversion.

The debenture holder who holds more than one Debenture may group the fractions of shares to which he is entitled, in order to reach a whole number, in order to receive the largest number of shares possible. After the fractions of shares resulting from the conversion of the Debentures of each debenture holder have been grouped, only entire quantities of shares will be delivered to the said debenture holder, disregarding any fraction.

The number of shares to be delivered by the Debenture will be simultaneous and proportionally adjusted to the capital increases by bonus, splits or groupings of common and / or preferred shares issued by the Company, in any capacity, that may occur from the date of issue , without any burden for the holders of the Debentures and in the same proportion established for such events.

Subscription and payment:

The subscribed Debentures were paid in on January 31, 2018 (“Subscription Date”), at the subscription price corresponding to their nominal unit value, without monetary restatement, interest or other charges. The Debentures were paid in cash, upon subscription (“Payment Date”), outside the scope of B3, with unquestionable labor credits, as defined in the Judicial Recovery Plan, or credits held by a special purpose company as a result of the assumption labor credits, or with other credits, in all cases held against the Company, upon payment with the corresponding credits. The sums paid by holders of preemptive rights, pursuant to article 171, paragraph 2 and paragraph 3, of the Brazilian Corporation Law, must be paid proportionally to the holders of the paid-in credits.

For each R$ 1.00 (one real) in uncontroversial labor credits, credits held by the SPE, or other credits, R$ 1.00 (one real) of the nominal value of the Debenture was subscribed and paid, regardless of fractions of reais in a that the payment of the entire number of debentures immediately below the amount of the credit.

Debentures that were not subscribed, as well as subscribed Debentures that were not paid in under the terms and conditions established in the Deed of Issue, were canceled.

Remuneration interest:

Each Debenture is entitled to remuneration, as of the payment date, calculated at the reference rate, calculated and disclosed by the Central Bank of Brazil (“TR”), plus an exponential spread or surcharge of 6% per year, calculated on the basis of 252 business days, calculated on a yearly basis, pro rata temporis per day, on the unit face value of the Debentures, from the date of payment (inclusive) until the date of notice to shareholders, which must occur at the end of each capitalization period. , to be calculated under the terms of the Issue Deed.

The remuneration pro rata temporis will be fully added to the percentage of the unit face value of the Debentures for conversion purposes on each conversion date, as described in the table above, with the last payment occurring on February 15, 2021, the date on which, mandatorily, the entire remaining balance will be converted into shares. This provision also applies to early conversion.

Full or partial optional early redemption and partial optional amortization:

The Company may, at its sole discretion and regardless of the will of the debenture holders, carry out, at any time, (i) the total early redemption; and / or (ii) the partial early amortization of the Debentures, limited to 98% of the balance of the unit face value of the Debentures.

On the occasion of the optional early redemption or optional early amortization, Debenture Holders will be entitled to receive the unit face value of the Debentures, plus the Debentures remuneration, calculated pro rata temporis from the date of payment until the date of the effective payment of the optional early redemption. or optional early amortization. There will be no payment of prizes.

Optional early redemption or optional early redemption can only occur by sending a communication from the Company to the debenture holders, at least 5 business days before the date for the optional early redemption or optional early redemption, informing (i) the amount to be paid for the Debentures to be redeemed or amortized, as applicable; (ii) the date of the optional early redemption or optional early redemption; and (iii) other information necessary for the operationalization of the redemption or amortization of the Debentures.

In the event of an optional early redemption or optional early redemption, the Company may offset any credits it holds against the Debenture Holders, under the terms of article 368 and following of the Civil Code, outside the scope of B3.

Dilution:

As the current shareholders of the Company were guaranteed their preemptive right under the terms of article 57, paragraph 1, and article 171, paragraph 3, of the Brazilian Corporation Law, only dilution occurred due to the non-exercise of the preemptive right. Otherwise, the shareholders maintained their respective interests in the share capital. The conversion price of the Debentures into shares issued by the Company within the scope of the Issue was fixed without undue dilution for the current shareholders of the Company, pursuant to item III of paragraph 1 of article 170 of the Brazilian Corporation Law.

17 Related parties

17.1 Parent Company

The balances and transactions between the Company and its subsidiaries, which are its related parties, have been eliminated in the consolidation. The details in regards to transactions between the parent company and its subsidiaries are presented below:

	Parent					
	SABR	Mipel Sul	Lupatech Finance	LESP	12/31/2020	12/31/2019
Assets						
Current						
Accounts receivable	-	8	-	-	8	1,012
Other accounts receivable	962	4,134	-	16,244	21,340	47,466
Non-current						
Mutual and loans	28,310	-	-	-	28,310	21,930
	29,272	4,142	-	16,244	49,658	70,408
Liabilities						
Current						
Accounts payable	-	70	-	-	70	55
Other accounts payable	1,511	4	1,251	1,205	3,971	2,473
Mutual and loans	3,606	-	-	-	3,606	38,129
Non-current						
Mutual and loans	-	-	141,306	14,434	155,740	146,797
Other bills to pay	-	-	-	32,744	32,744	-
	5,117	74	142,557	48,383	196,131	187,454
					12/31/2020	12/31/2019
Result for the year						
Product purchases	-	28	-	-	28	5,273
Financial income	36	-	-	-	36	24
Financial expenses	-	-	725	41	766	547
	36	28	725	41	830	5,844

	Parent						
	Transaction date	Duration	Interest rate	Amount R$	Balance US$	12/31/2020	12/31/2019
Assets mutual							
Foreign currency							
Contract 1	14 - July	Indeterminate	105% do DI-Cetip	20,992	5,387	27,995	21,714
Contract 2	14 - December	Indeterminate	12,000% a.a.	288	61	315	216
				21,280	**5,448**	**28,310**	**21,930**
Liabilities mutual							
Foreign currency							
Contract 3	15 - December	Indeterminate	-	36,951	3,159	14,434	38,129
Contract 4	18 - January	Indeterminate	0,4%a.a	225,416	26,810	141,306	146,797
				262,367	**29,969**	**155,740**	**184,926**
National currency							
Contract 5	20 - August	Indeterminate	105% do DI-Cetip	3,556	-	3,606	-
				3,556	-	**3,606**	-
				265,923	**29,969**	**159,346**	**184,926**

The transactions are carried out in accordance with the conditions agreed between the parties.

The foreign currency loan and loan contracts between Parent and Lupatech Finance are presented on December 31, 2020 for the net amount of R$ 141,306 (remaining balance of R$ 146,797 on December 31, 2019) in the parent company's liabilities.

On December 31, 2019, the Company had a loan agreement with Unifit - Unidade de Fios Industriais de Timbaúba Ltda in the amount of R$ 6,935, recorded in other accounts receivable in non-current assets. In the fourth quarter of 2020, the amount was reduced to loss due to the bankruptcy decree of the company Unifit - Unidade de Fios Industriais de Timbaúba Ltda.

The Company has a loan agreement with the jointly-owned subsidiary Luxxon Participações Ltda in the amount of R$ 6,091 on December 31, 2020, the same balance was presented on December 31, 2019. This amount is recorded in other accounts receivable in the non-current assets.

a. Guarantees granted

The transactions with related parties do not have guarantees linked to the operation, being limited to ordinary commercial transactions (purchase and sale of inputs), which are not backed by guarantees, as well as loan operations with Group companies, which also do not present guarantees in its composition.

b. Pricing and charges conditions

Loan agreements between companies in Brazil are monetarily restated at the monthly DI-Cetip rate of funding in the market.

17.2 Key Personnel of the Administration

a. Remuneration of the Administration

The amount of R$ 3,196 in the parent company and R$ 6,346 in the consolidated (R$ 3,440 in the same period of 2019) comprises fixed remuneration and amounts corresponding to variable remuneration. This variable remuneration recorded in the period refers to amounts originally contracted in the remunerations for the years 2017 and 2018, which were partially provisioned in the results of the respective years, and whose credit in favor of the beneficiaries was determined and authorized by the Board of Directors in January 2020.

At the Annual and Extraordinary Shareholders' Meeting, held on August 18, 2020, the annual fixed and variable global remuneration of the Company's managers for the year of 2020 was approved in the amount of up to R$ 5,373, being distributed as follows: (i) up to R$ 2,416 for the overall fixed compensation of the Executive Board, including benefits and charges; (ii) up to R$ 1,814 for the global variable compensation of the Executive Board; and (iii) up to R$ 1,142 for the global fixed compensation of the Board of Directors. The same meeting also approved the Long-Term Incentive Plan for the Company's Chief Executive Officer, contemplating the possibility of additional awards within 5 years, according to objectives and terms at the discretion of the Board of Directors.

As of December 31, 2020, provisions related to estimates for variable compensation and executive awards were recorded in the amount of R$ 2,360, the calculation and credit of which in favor of the beneficiaries depends on future approval by the Board of Directors.

17.3 Loans with shareholders

As of December 31, 2020, the loan amount with GPCM, LLC (Affiliate of the shareholder Oilfield Services Holdco LLC) is R$ 8,911 (R$ 7,766 as of December 31, 2019), and is recorded in non-current liabilities with the subject loans judicial recovery.

18 Income tax and social contribution

For companies based in Brazil, depending on the situation of each company, if taxed by taxable income, the provision for income tax is calculated and recorded at the rate of 15% on taxable income, plus an additional 10%, and social contribution at the rate of 9%, calculated and recorded on profit before income tax, adjusted in accordance with tax legislation. Companies taxed based on presumed profit calculate income tax at the rate of 15%, plus an additional 10%, and social contribution at the rate of 9%, on an estimated profit of 8% to 32% for income tax and 12%. % for social contribution applied on the gross sales of sales and services of the subsidiaries, in compliance with the tax rules in force.

The parent company Lupatech S / A - In Judicial Reorganization has R$ 819,546 of accumulated tax loss up to December 2020.

a. Deferred income and social contribution taxes

As of December 31, 2020 at the parent company and in the consolidated the existing non-current deferred income tax and social contribution balances are presented as shown in the table below:

	Parent		Consolidated	
NON-CURRENT LIABILITIES	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Adjustment to present value of suppliers, fines, loans and debentures	(33,132)	(28,669)	(41,168)	(37,752)
Assigned Cost	-	-	(14,284)	(14,284)
Others	(1,740)	(7,705)	(1,740)	(15,020)
Deferred income tax and social contribution	**(34,872)**	**(36,374)**	**(57,192)**	**(67,056)**

Deferred income and social contribution taxes are recorded in the income statement on December 31, 2020, referring to the 2020 income, in the amounts of R$ 4,463 (expense) in the parent company and R$ 3,415 (expense) in the consolidated (R$ 366 (income)) in the parent company and R$ 131 (expense) in the consolidated for the year 2019).

b. Conciliation of the expenditure of income tax and social contribution

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Income (loss) before taxes from continuing operations	25,041	(26,544)	24,153	(30,283)
Pre-tax loss from discontinued operations	-	-	-	8,526
Loss before tax	**25,041**	**(26,544)**	**24,153**	**(21,757)**
Additions and exclusions				
Equity pick-up	(10,350)	30,018	1,855	(2,194)
Provision for losses due to non-recoverability of assets	-	-	(4,532)	11,246
(Reversal) Estimated losses for doubtful accounts	617	(692)	636	(692)
Provision for contingency losses	(4,689)	-	(17,262)	-
Non deductable expenses	6	7	8,174	3,051
Adjust to present value	(18,752)	1,540	(14,348)	(454)
Fair value adjustment	(40,135)	-	(40,135)	-
Investment valued at equity value	(3,600)	(29,401)	(3,600)	(29,401)
Provision for interest on suppliers	20	3,957	37	4,203
Exchange variation provision	25,622	7,565	27,423	12,515
Others	18,834	(2,069)	(18,012)	(31,009)
Calculation basis	**(7,386)**	**(15,619)**	**(35,611)**	**(54,492)**
Combined Tax Rate	34%	34%	34%	34%
Current income and social contribution taxes of subsidiaries	**-**	**-**	**(160)**	**(23)**
Deferred income tax and social contribution	**(4,463)**	**366**	**(3,415)**	**(108)**

19 Other accounts payable

As of December 31, 2020, the Company has the following balances recorded as other accounts payable in current and non-current liabilities, according to composition:

	Parent		Consolidated	
Others payable - Current assets	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Electricity provision	357	357	357	357
Provision of fees	937	354	937	354
Labor contingencies payable	454	420	563	528
Miscellaneous provisions	47	552	412	1,003
Other bills to pay	705	2,104	1,283	2,667
Total	2,500	3,787	3,552	4,909

	Parent		Consolidated	
Others payable - Noncurrent	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Labor contingencies payable	-	-	2,446	2,607
Other accounts payable - Ciaval	2,026	1,572	2,025	1,572
Total	2,026	1,572	4,471	4,179

20 Contingent process and judicial deposits

20.1 Provision for tax, labor and civil risks

The Company, through its lawyers, has been discussing some tax, labor and civil matters in the judicial sphere. The provision for tax, labor and civil risks was determined by Management based on available information and supported by the opinion of its lawyers regarding the expected outcome, in an amount considered sufficient to cover the losses considered probable that may occur due to judicial decisions unfavorable.

		Parent		Consolidated	
		Expectation of loss		Expectation of loss	
		Possible	Probable	Possible	Probable
Tax (i)					
ICMS - Tax on Circulation of Goods and Services	(i.1)	83,159	-	84,878	-
CSLL - Social Contribution on Net Income	(i.2)	-	-	8,229	-
IRPJ - Corporate Income Tax	(i.3)	19,039	-	82,045	-
INSS - National Institute of Social Security	(i.4)	-	-	1,759	-
IRRF - Withholding Income Tax	(i.5)	51,249	-	51,249	-
IPI - Excise Tax		798	-	798	-
PIS - Social Integration Program		-	-	-	-
COFINS - Tax for Social Security Financing		-	-	244	-
ISS - Services Tax	(i.6)	-	-	7,150	160
CIDE - Contribution for Intervention in the Economic Domain		-	-	1,124	-
Other tax provisions	(i.7)	1,006	1,088	38,917	3,241
		155,251	1,088	276,393	3,401
Labor (ii)		4,903	2,547	40,273	23,267
Civil (iii)		21,758	531	45,609	8,232
Total on December 31, 2020		181,912	4,166	362,275	34,900
Total on December 31, 2019		155,887	8,854	357,296	58,013

The provision for resources involved in the lawsuits in the amounts set out above (R $ 4,166 in the parent company and R$ 34,900 in the consolidated as of December 31, 2020 and R$ 8,854 in the parent and R$ 58,013 in the consolidated as of December 31, 2019) and referring to the spheres below listed takes into account the probability of probable loss, which is configured when an outflow of economic benefits is presumed in view of the matter discussed, the judgments in each case and the jurisprudential understanding of each case.

Claims with a probable chance of loss are excluded from the provision.

The lawsuits are divided into three spheres, namely:

(i) Tax contingencies

Discussions involving taxes at the state and federal levels, including IRPJ, PIS, COFINS, INSS, ICMS and IPI. There are processes in all procedural stages, from the initial instance to the Superior Courts, STJ and STF. The main processes and values are as follows:

Main contingent lawsuits classified as possible loss on December 31, 2020

(i.1) Annulment action that aims to destroy ICMS tax credit, launched due to the fact that Lupatech S / A - In Judicial Reorganization did not collect the tax at the time of the factual export of goods under REPETRO, since such operation is immune to its incidence. The lower court decision was unfavorable to the Company. Her appeal to the Court was dismissed. As a result, Special and Extraordinary Appeals were filed. The first was admitted and the second, inadmissible. An interlocutory appeal was filed against the decision that did not admit the Extraordinary Appeal of the Company. The Superior Courts are currently awaiting a decision. Process subject to possible loss of R$ 65,492.

Tax foreclosure against Lupatech S / A - In Judicial Reorganization distributed on October 22, 2015, through which the State of São Paulo aims to collect ICMS on imports. The Court accepted the defense presented, which motivated the appeal by the State Treasury. Process subject to possible loss of R$ 8,551.

Annulment action filed by Lupatech S / A - In Judicial Reorganization against the State of São Paulo, distributed on October 22, 2015, with the objective of deconstructing ICMS debt. It is argued, in summary, that the inspection ignored the fact that the incoming invoices were issued to cancel improperly issued outgoing invoices. Judgment was given partially judging the action to exclude the interest charged above SELIC, which will be the subject of an Appeal. Process subject to possible loss of R$ 3,828.

Tax Foreclosure of the São Paulo State Treasury against Lupatech S / A - In Judicial Reorganization for collection of ICMS debt and fine, resulting from the notice of infraction no. , and the process has since been halted. Process subject to possible loss of R$ 1,882.

(i.2) This is an Ordinary Action of the Federal Union against Lupatech Perfuração e Completação Ltda - In Judicial Recovery distributed on December 14, 2011, which aims at recognizing the extinction of several debts duly offset at the administrative level through the transmission of PER / DCOMPs. The lower court decision was unfavorable to the Company. The appeal filed by it is awaiting judgment. Process subject to possible loss of R$ 2,987.

Infraction notice drawn up by the Federal Revenue of Brazil against Sotep - Sociedade Técnica de Perfuração S / A - In Judicial Recovery, distributed on July 13, 2011, related to the collection of social contributions levied on the payroll, as well as incidents on the remuneration paid, due or credited, to individual taxpayers for the services provided. The administrative defense argues, in summary, that the entry is null, since it was not considered in the calculation of contributions the amounts that were subject to withholdings made by the service borrowers. The judgment of the First Administrative Instance was unfavorable to the Company. The Voluntary Appeal filed by it is awaiting judgment. Process subject to possible loss of R$ 2,083.

Tax foreclosure filed against Lupatech Perfuração e Completação Ltda - In Judicial Reorganization, through which the Federal Government aims to collect CSLL and IRPJ credits, resulting from the arbitration of profit and disallowance of unproven expenses. A substantial portion of the debt was canceled (profit arbitration) at the time of the new administrative judgment, due to a favorable decision obtained in a writ of mandamus that annulled the first judgments. Process subject to possible loss of R$ 2,299.

(i.3) Infringement notice of the Federal Revenue of Brazil, drawn up as a result of the arbitration of the profit of the company Lupatech Perfuração e Completação Ltda - In Judicial Recovery in the calendar year 2010. The arbitration was due to deficiencies in the transmission of the Digital Accounting Bookkeeping (ECD). The administrative defense proved that the arbitration was wrong, as the irregularities pointed out in the ECD were remedied. Currently, the Voluntary Appeal presented by the Company to CARF is awaiting judgment. Process subject to possible loss of R$ 14,986.

Infraction notice drawn up by the Federal Revenue Service of Brazil against Lupatech Perfuração e Completação Ltda - In Judicial Recovery, aiming at the collection of social security contributions and contributions to third parties referring to the period of 2012. In addition to the nullity issues, the possibility of taxation of incentive bonuses, whether they were paid or only provisioned. Defense partially accepted in the administrative sphere to reduce the fine qualifies from 150% to 75%. An annulment action is awaited to discuss the amounts maintained by the Administrative Court. Process subject to possible loss of R$ 6,141.

Infraction notice drawn up by the Federal Revenue of Brazil against Perst Perfurações Ltda - In Judicial Reorganization to demand a fine resulting from the non-approval of DCOMP's related to administrative proceedings. The unconstitutionality of the fine is defended. Process subject to possible loss of R$ 1,772.

Administrative proceeding of the Federal Revenue of Brazil, requesting tax offset by Sotep - Sociedade Técnica de Perfuração S / A - In Judicial Recovery. Process subject to possible loss of R$ 3,400.

Annulment action aiming at the decommissioning of the tax credit arising from IRPJ and CSLL referring to the calendar years of 2009 and 2010, due to the alleged irregularity in the anticipation of exclusions resulting from the amortization of goodwill, specifically in relation to the portion of the aggravation of the 75% fine to 150%. Waiting for the sentence to be delivered. Process subject to possible loss of R$ 4,742.

Annulment action aiming at the decommissioning of the tax credit arising from IRPJ and CSLL referring to the calendar years of 2009 and 2010, due to the alleged irregularity in the anticipation of exclusions resulting from the amortization of goodwill, specifically in relation to the portion of the aggravation of the 75% fine to 150%. Waiting for the sentence to be delivered. Process subject to possible loss of R$ 14,223.

Infraction notice drawn up by the Federal Revenue of Brazil against Lupatech Perfuração e Completação Ltda - In Judicial Recovery, due to alleged irregularities in the calculation of IRPJ, CSLL, PIS and COFINS in fiscal year 2013. The administrative challenge presented by the Company addressed nullity issues by restricting the right of defense and, in relation to the PIS and COFINS launches related to the “Sales of Services - National Market” revenues, in the amount of R $ 2,965, he defended that these were mere provisions that were part of the January invoicing 2013, not being subject to taxable revenue. The judgment of the First Administrative Instance was partially favorable to the Company. The Voluntary Appeal filed by it is awaiting judgment. Process subject to possible loss of R$ 26,476.

(i.4) Notice of Infraction issued for collection related to the conversion of an advisory obligation into a principal obligation, consistent with the lack of declaration in GFIP of the contributions due in the period between January 1999 and June 2007, of the company Sotep - Sociedade Técnica de Perfuração S / A - In Judicial Recovery. It defends the partial decay of the entry, the nullity of defective reasoning and the need to reduce the fine. Process subject to possible loss of R$ 1,759.

(i.5) Tax Foreclosure of the National Treasury against Lupatech S / A - In Judicial Recovery, related to the collection of IRRF debt. The discussion on the merits is held in the writ of mandamus, in which a sentence was handed down recognizing that a substantial portion of the tax credits arising from the administrative proceeding is unfounded. Process subject to possible loss of R$ 51,249.

(i.6) Tax Foreclosure of the Municipality of Três Rios - RJ, against Sotep - Sociedade Técnica de Perfuração S / A- In Judicial Recovery to collect ISS for the periods 2013 and 2014. Process subject to possible loss of R$ 3,339.

(i.7) Infraction notice drawn up by the Federal Revenue of Brazil against Lupatech Perfuração e Completação Ltda - In Judicial Recovery to collect fines due to the alleged non-compliance with the special customs regime for temporary admission. It is argued that the legal liturgy was not respected, that the 75% fine could not be applied due to the fact that the entry in question is due to ratification, that the tax credit was fully paid under the PERT and, in the alternative, that it is impossible the cumulation of a fine of different fines for the same infraction. Process subject to possible loss of R$ 12,578.

Infraction notice drawn up by the Federal Revenue of Brazil against Sotep - Sociedade Técnica de Perfuração S / A - In Judicial Recovery to collect fines due to the alleged non-compliance with the special customs regime for temporary admission. It is argued that the legal liturgy has not been respected, that the 75% fine is not possible due to the fact that the entry in question is due to ratification, that the tax credit has been fully paid under the PERT and, in the alternative, that it is impossible the cumulation of a fine of different fines for the same infraction. Process subject to possible loss of R$ 3,497.

Infraction notice drawn up by the Federal Revenue of Brazil against Lupatech Perfuração e Completação Ltda - In Judicial Recovery to collect the remaining balance of II, IPI, PIS and COFINS levied on declared imports. A challenge was filed demonstrating the inclusion of these debts in PERT. Process subject to possible loss of R$ 2,233.

Infraction notice drawn up by the Federal Revenue of Brazil against Sotep - Sociedade Técnica de Perfuração S / A - In Recovery to collect the remaining balance of II, IPI, PIS and COFINS levied on declared imports. A challenge was filed demonstrating the inclusion of these debts in PERT. Process subject to possible loss of R$ 12,902.

(ii) *Labor contingences*

The Company and its subsidiaries are parties to labor lawsuits related to disputes that mainly involve overtime claims, material and moral damages, unhealthy and dangerous work, among others. None of the complaints refer to individually significant amounts.

(iii) *Civel Contingences*

The main discussions in this area, classified as a possible loss on December 31, 2020 are related to:

(iii.1) Ordinary bond action filed by Weatherford Indústria e Comércio Ltda. and Weus Holding INC in which they claim misappropriation of confidential technical drawings owned by them. The lawsuit is classified as a probable loss of approximately R$ 624, a possible loss of R$ 2,080 and a remote loss of R$ 52,024. It is currently in the execution / settlement phase of the sentence, pending the conclusion of the works of the engineering expert.

(iii.2) Return action for losses and damages filed by Aeróleo Táxi Aéreo S / A, subject to possible loss of R$ 7,964. The return lawsuit was dismissed without resolution of the merits in favor of Lupatech, however, it depends on the expiration of an appeal period. The indemnity action is in the process of being enforced by the company Aeróleo.

(iii.3) Execution of Extrajudicial Title filed by STMS Manutenção Comércio e Serviços de Máquinas Ltda-ME against Lupatech S / A - In Judicial Recovery. Subject to possible loss of R$ 3,096. The process involves the execution of invoices for maintenance services performed. On May 2, 2017, embargoes on enforcement were filed and are still pending judgment. Constrictive acts of execution are suspended by a court decision dated August 2020.

(iii.4) Search and Seizure lawsuit filed by BNDES - National Bank for Economic Development against Lupatech S.A. - In Judicial Recovery and Lupatech - Equipamentos e Serviços para Petróleo Ltda. - In Judicial Recovery. Process in the knowledge stage, subject to possible loss of R$ 19,129.

This is an action that aims to promote the search and seizure of machines and equipment offered in chattel mortgage on the occasion of financing granted by BNDES to the referred companies of the Lupatech Group.

Due to the judicial reorganization of the Lupatech Group, on February 1, 2017, the court of the 5th Federal Court of São Paulo, in which the search and seizure action is proceeding, determined the suspension of all expropriating acts and submitted it to the judicial recovery the analysis of the essentiality of said machines and equipment for the operations of the Lupatech Group. The assets belong to the Macaé, Pojuca and Nova Odessa units. The search and seizure action has remained in such a situation ever since.

In the judicial reorganization records, with the exception of the assets belonging to the Macaé unit, the others were declared by the court as essential for the operations of the Lupatech Group. Despite this position, in a decision handed down on July 29, 2019, and after an intense judicial debate on the matter, the judicial reorganization court decided for the possibility of the resumption of the search and seizure action by the BNDES considering the exhaustion of the term of "stay period", foreseen in the legislation. Said decision was appealed, and its understanding was maintained by the São Paulo Court of Justice.

Notwithstanding, the Lupatech Group also questions in the judicial reorganization records (i) the soundness of the guarantee, due to the existence of defects in its constitution, as well as (ii) the effective value of the BNDES credit, which must be considered as extra-bankrupt, that is, covered by the fiduciary alienation (if any) of said machines and equipment.
There is still no judicial position regarding these questions, however the Judicial Administrator has already expressed a favorable opinion on the Company's position in the sense that the credit to be considered as extra-bankruptcy in favor of BNDES is equivalent to the forced liquidation value of the machines and equipment, estimated approximately R$ 3.5 million. The Public Prosecutor's Office, on the merits, opted for not implementing the preceding condition for the constitution of the fiduciary alienation guarantee.

The main discussions in this area classified as probable loss on December 31, 2020 are related to:

(iii.6) Indemnity action of Meio dia Refeições Industriais Ltda - EPP, against Lupatech Perfuração e Completação Ltda - In Judicial Recovery. Process subject to probable loss of R$ 5,773. Process is in the execution phase. Expert report presented on February 28, 2020 to determine the amount to be settled. We filed a challenge to the report on April 23, 2020. The Expert's statement is awaited.

(iii.7) Execution of an Extrajudicial Title made by Banco Pine S / A against Lupatech S / A - In Judicial Recovery. Process subject to probable loss of R$ 3,356. The case was referred to the Superior Court of Justice on October 21, 2019 for judgment of the interlocutory appeal in a special appeal filed by Lupatech. On December 2, 2020, Banco Pine assigned its credit to the company FASA Investimentos Ltda., Through an agreement duly filed in the records of the executive process. On December 9, 2020, Lupatech and FASA Investimentos Ltda. entered into an agreement to submit the credit discussed in the lawsuit to the tender for creditors of the Judicial Recovery of Lupatech S.A., in the class of unsecured, and its payment will be made under the terms of the approved Plan. The approval of the agreement by the Court and the termination of the execution process are awaited.

The change in the provision balance, as of December 31, 2020, is as follows:

	Parent				Consolidated			
	Tax	Labor	Civil	Total	Tax	Labor	Civil	Total
Balance on December 31, 2019	**1,051**	**7,613**	**190**	**8,854**	**2,278**	**46,317**	**9,418**	**58,013**
Additions	37	1,159	425	1,621	1,116	6,303	2,728	10,147
Write-offs	-	(6,225)	(84)	(6,309)	7	(29,353)	(3,914)	(33,260)
Balance on December 31, 2020	**1,088**	**2,547**	**531**	**4,166**	**3,401**	**23,267**	**8,232**	**34,900**

20.2 Contingent Assets

The statement containing information on contingent assets, according to the opinion of its legal advisors, is detailed below with the possibility of gain.

	Probability of probable gain	
	Parent	Consolidated
Tax (i)	4,472	8,432
Civil (ii)	69,591	69,654
Balance on December 31, 2020	**74,063**	**78,086**
Balance on December 31, 2019	**18,544**	**73,054**

(i) Tax Contingencies

The Company is the author of several lawsuits at the state and federal levels, in which the following matters are discussed:

Main active contingent proceedings refer to:

- The Lupatech Group has lawsuits seeking recognition of the exclusion of ICMS from the PIS and COFINS calculation basis. The matter was decided by the STF in general repercussion, reason why the company expects that these processes deal with favorable decisions. Because they are still subject to dispute, subject to effects of possible modulation in response to opposing tax liens by the Treasury, the accounting treatment of contingent assets is maintained until the elements are present to recognize the corresponding tax credits.

(ii) Civel Contingences

Main active contingent proceedings refer to:

- Arbitral proceedings filed against Cordoaria São Leopoldo S.A:

On August 18, 2020, the Company became aware of the final decision handed down in the Arbitration Procedure, pending before the Federasul Arbitration Chamber (CAF), filed by the Company against Cordoaria São Leopoldo Ltda., Whose control is held by Mr. José Teófilo Abu-Jamra.

In 2007, on the occasion of the purchase of the Cordoaria São Leopoldo S.A marine platform anchoring rope business, Lupatech entered into a non-competition agreement with Mr. Abu-Jamra and its companies for a period of 10 years.

Mr. Abu-Jamra was vice president of Lupatech from 2007 to 2011 and, after leaving office, Mr. Abu-Jamra and his Companies started to violate the non-competition agreement, a fact against which Lupatech protested with the establishment of the referred Arbitration Procedure.

Mr. Abu-Jamra and his companies' failure to comply with the non-competition agreement was duly proven in the Arbitration Procedure, resulting in the condemnation of the payment of a contractual fine to Lupatech, whose updated value is approximately R$ 19.2 million.

- The Company is entitled to be reimbursed to the nominal limit of R$ 50,000 referring to losses that it may incur as a result of possible contingencies not known, according to the indemnity clause provided for in the Investment Agreement. On April 4, 2017, the Company filed with the Market Arbitration Chamber a request to initiate arbitration against GP Investments and its vehicles seeking compensation for the losses incurred by the Company and arising from (i) contingencies not known to the San Antonio Companies , and (ii) breach of obligations and breach of representations and warranties. It is also claimed in the arbitration to increase the nominal limit of R$ 50,000 for indemnities.

- On February 22, 2021, the Company was informed of the Partial Judgment issued by the Arbitral Tribunal, which provided a substantial part of the claims formulated in the Arbitration, and specifically (i) determined responsibilities, (ii) settled part of the orders and (iii) accepted the request to increase the nominal limit of R$ 50 million. The Arbitration will proceed to the settlement of the sentence to determine the amounts of the remaining convictions. Once sentenced and settled, the amounts constitute a judicial enforcement order.

20.3 Judicial deposits

The Company presents the following balances of judicial deposits, on December 31, 2020, which are linked to contingent liabilities:

	Judicial deposits	
	Parent	**Consolidated**
Tax contingencies	3	800
Labor contingencies	1,517	10,054
Civil contingencies	134	1,321
Balance on December 31, 2020	**1,654**	**12,175**
Balance on December 31, 2019	**1,694**	**24,986**

21 Taxes payable

As of December 31, 2020, the Company has the following balances recorded as taxes payable in current and non-current liabilities, as shown below:

	Parent		Consolidated	
Taxes payable - Current	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Ordinary Installment Payment (PIS / COFINS / Social Security Contribution)	17	1,607	47	2,132
Exceptional Transaction Law 13.988 / 2020 (Ordinance PGFN No. 14.402 / 2020)	1,163	-	1,437	-
INSS installment	-	1,416	282	2,146
Installment SESI/SENAI	-	-	11	11
INSS	1,138	1,391	2,264	1,813
IRRF	1,022	979	1,042	1,020
IRPJ	-	-	4	6
CSLL	68	65	77	98
COFINS	837	629	1,100	865
PIS	336	291	400	349
IPI	-	-	241	-
FGTS	2,837	2,228	4,151	3,521
ICMS	53	23	1,198	1,133
Other miscellaneous taxes	106	128	633	752
Total	7,577	8,757	12,888	13,846

	Parent		Consolidated	
Taxes payable - Non-current	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Installment INSS	2,260	6,489	2,586	8,196
Installment IRPJ	5,723	5,723	5,723	5,723
Installment CSLL	3,380	3,380	3,380	3,380
Installment COFINS	2,695	2,694	2695	2,694
Installment ICMS	-	-	1,175	894
Installment Ordinário (PIS/COFINS/Contribuição Previdenciária)	-	5,140	47	6,074
Exceptional Transaction Law 13.988 / 2020 (Ordinance PGFN No. 14.402 / 2020)	15,988	-	19,619	-
Installment ISS	11	17	496	461
Other miscellaneous taxes	74	56	91	279
	30,131	23,499	35,812	27,701
Judicial deposits linked to installments of IRPJ / CSLL	(10,407)	(10,407)	(10,407)	(10,407)
Total	19,724	13,092	25,405	17,294

On November 14, 2017, the Company joined several Lupatech Group controlled and investee companies in the Special Tax Regularization Program - PERT, instituted by Provisional Measure nº. 783/2017 and by Law no. 13,496 / 2017. On December 28, 2018, at the time of the program's consolidation, the Company recorded R$ 17.9 million in additional amounts of the contingencies adhered to, which reflected discounts in interest, fines and charges in the amount of R$ 6,850.
The Company, through this action, reorganized the amount of R$ 123,000 of its liabilities related to tax contingencies and obligations, which was accompanied by interest discounts, fines and charges totaling R$ 48,000.

The adhesion required payment of R$ 5,288 in cash, and for the settlement of the remainder, R$ 52,084 was used in the Group's accumulated tax losses and an additional R$ 18,000 in tax losses from investees and tax co-obligors, in accordance with the PERT conditions.

Due to operational issues in the PERT adherence process, a significant part (73%) of the adhered liabilities have not yet been consolidated. This arises from an operational / systemic issue of the IRS - liabilities that are not listed in the systems made available for processing by taxpayers have to be handled manually. In the case of the Company, a large number of processes, especially customs, were covered in this context. The company has timely taken the preventive administrative and legal measures indicated by its tax consultants to ensure the right to processing the adhesion.

On December 29, 2020, the Company joined Lupatech Group companies under the Exceptional Transaction Law Law 13,988 / 2020 (Ordinance PGFN No. 14,402 / 2020). The Company, through this action, reorganized the amount of R$ 29.4 of its liabilities related to Social Security and Finance obligations.

This transaction generated a direct benefit to the Lupatech Group with discounts on interest, fines and charges totaling R$ 8,196, in addition to representing another important step by the Company in its restructuring process. Adherence required a toll payment of R$ 98 in cash, and for the settlement of the remainder, up to 84 installments will be paid.

22 Value Libialities

Under the Lupatech Group's Judicial Reorganization Plan, in accordance with an amendment approved on November 26, 2020, the exchange of part of the liabilities subject to the Plan for subscription bonuses was definitively contracted. Thus, with the sole purpose of complying with accounting standards, the Company applied the provisions of ICPC 16. Thus, the difference between the amount of the liability exchanged for bonds (R$ 34,464 on December 31, 2020) and the amount estimated fair value (R$ 731 as of December 31, 2020) in the equity instruments issued, which was accounted for in financial results. In December 2019, there was no change in liabilities at fair value.

23 Net equity

a. Capital stock

The current paid social capital is composed only by ordinary shares, with 100% of right to Tag Along:

	Parent and Consolidated	
	Quantity of share	Capital stock
	Thousand	R$
Balance on December 31, 2019	**22,515**	**1,885,266**
Mandatory conversion of debentures into shares	1,628	4,783
Issuance of new shares	2,120	3,114
Balance on December 31, 2020	**26,263**	**1,893,163**

In accordance with the Judicial Reorganization Plan approved on February 16, 2017, the Group used as one of its strategies to settle its commitments to Class I Creditors the Conversion of credits into debentures of Lupatech S / A. As a result of the conversion of debentures into shares of the Company, the capital increased by R$ 29,370 in the period contemplated between February 28, 2018 until November 24, 2020.

On January 10, 2020 and February 11, 2020, according to the minutes of the meetings disclosed on the respective dates, the Board of Directors ratified the Company's capital increase through partial exercise of the options granted. The increase was R$ 3,114.

b. Dividends

To shareholders is ensured, annually, the mandatory distribution of minimum dividends corresponding to 25% of the adjusted net profit in the terms of corporate legislation.

c. Asset evaluation adjustments

The Company recognizes in this caption the effect of exchange rate variations on investments in subsidiaries abroad and on goodwill arising on acquisitions of investments abroad, whose functional currency follows the one to which the operation abroad is subject. The accumulated effect will be reversed to the income for the year as a gain or loss only in the event of disposal or write-off of the investment. As of December 31, 2020, the balance sheet for the equity appraisal is R$ 162,651 (R$ 151,261 as of December 31, 2019).

d. Option granted

As of December 31, 2019, the Company had a reserve balance of options granted of R$ 13,600. In February 2020, the Company's key professionals exercised options granted in the amount of R$ 51. In the fourth quarter of 2020, the balance of R$ 13,549 was accounted for in accumulated profits and losses, due to the expiry of the exercise of these options.

e. Capital reserve

On October 29, 2018, Lupatech S.A. - In Judicial Reorganization communicated to its shareholders and the general public that its Board of Directors approved the 1st Issuance of Subscription Bonuses in a single and onerous series in the amount of R$ 340,453. The issuance took place within the scope of the Judicial Recovery Plan of the Company and other companies of its group, to promote the payment of the creditors of Classes II, III and IV of the Judicial Recovery whose credits come to pay the Subscription Warrants.

A total of 3,404,528 subscription warrants were issued, at the rate of 1 bonus for each R$ 100.00 (one hundred reais) owed. The bonds were subscribed and paid in on December 11, 2018 (“Subscription Term”).

The Subscription Bonuses may be exercised, during their term, for the fixed price of R$ 0.88 per Share.

Following the Judicial Reorganization Plan, of the total issued, R$ 326,746 was allocated to creditors, part of which remains in the Company's power until operationally delivery to creditors is possible, with an unrealized capital reserve of R$ 2,875 being recorded. The remaining balance of R$ 13,707 refers to the reserve subscribed for gross contingencies subject to Recovery.

Due to the amendment to the Judicial Reorganization Plan ratified in court on November 26, 2020, foreign currency creditors had a change in the percentage of payment in subscription bonus from 50% to 70%. Thus, for the sole purpose of complying with accounting standards, the Company applied the provisions of ICPC 16. Thus, the amounts of liabilities exchanged for subscription bonuses in the amount of R$ 34,464 and the adjustment to an estimated fair value of R$ 33,733 were recorded as an unrealized capital reserve in the net amount of R$ 731.

24 Financial instruments

24.1 Financial Risk Management

Financial risk factors

The Company's activities expose it to several financial risks: market risk (including currency risk, interest rate risk of fair value, interest rate risk of cash flow and price risk), credit risk and liquidity risk. The program of global risk management of the Group focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the financial performance of the Group, through the use of derivative financial instruments to protect certain exposures.

Risk management is performed by the central treasury, according to the established principles, except for the jointly controlled, which are shared with other controlling shareholders. The treasury of the Group identifies and evaluates the Company's position against eventual financial risks in cooperation with the operational units of the Group. The Administrative Council establishes principles for the management of global risk, as well as for specific areas, such as foreign exchange risk, interest rate risk, and usage of derivative and non-derivative financial instruments.

(i) Exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk arising from exposures of some currencies, especially regarding the American dólar.

The exchange rate risk stems from commercial and financial operations, assets and liabilities recognized and liquid investments in operations abroad.

The Administration has established principles of management of exchange rate risk that require the Company to manage its exchange rate risk in relation to its functional currency. To manage its foreign exchange risk arising from commercial operations, the Company seeks to even out its trade balance between purchases and sales in currencies other than the functional currency. The credit availabilities and restrictions faced by the Company, limit significantly the possibilities of hiring foreign exchange derivatives, commonly used in the management of exchange rate risk.

The Company has certain investments in overseas operations, whose net assets are exposed to foreign exchange risk.

As of December 31, 2020 and December 31, 2019, the Company and its subsidiaries had assets and liabilities denominated in US dollars, as shown in the tables below:

	Amounts in US dollar thousands			
	Parent		Consolidated	
Items	**12/31/2020**	**12/31/2019**	**12/31/2020**	**12/31/2019**
Cash and cash equivalents	69	-	69	-
Bills to receive	-	126	-	126
Other assets	-	-	14,363	14,915
Related parties - Assets	5,448	5,441	-	-
Loans	(234)	(301)	(15,464)	(25,291)
Related parties - Liabilities	(29,969)	(45,880)	-	-
Other liabilities	-	(19)	(168)	(201)
Net exposure in US dollars	(24,686)	(40,633)	(1,200)	(10,451)

On December 31, 2020, the quotation of the US dollar against the real was US $ 1.00 = R$ 5.1967 (US $ 1.00 = R$ 4.0307 on December 31, 2019). If the real currency depreciates 10% against the official US dollar at the end of the year, all other variables being maintained, the impact on the result is a loss of approximately R$ 8,490 in the parent company and a gain of R$ 1,433 in the consolidated.

Sensitivity analysis of changes in foreign currency, changes in interest rates and risks involving operations with derivatives

As mentioned above, the Company is exposed to risks of fluctuation of the interest rate and to foreign currencies (different from its functional currency, the "Real"), mainly to the US dollar on their loans and financing. The analysis takes into consideration 3 fluctuation scenarios on these variables. In the definition of the scenarios used, the Administration believes that the following assumptions can be made, with their respective odds, however it should be noted that these assumptions are exercises of judgment made by the Administration and that can generate significant variations in relation to actual results calculated on the basis of market conditions, which cannot be estimated with certainty on this date for the complete profile of the estimates.

As determined by the CVM by means of the Instruction 475, the Administration of the Company presents the sensitivity analysis, considering:

Scenario of interest rate and parity of the North American dollar (US$) in relation to the real (R$) likely, estimated by the Administration:

Interest rate for the year of 2021: 3,5%
US$: 5,17

Scenario of interest rate and parity of the North American dollar (US$) in relation to the real (R$) possible, with deterioration of 25% (twenty five percent) on the risk variable considered as likely:

Interest rate for the year of 2021: Increase to 4,4%
US$: 6,46

Scenario of interest rate and parity of the North American dollar (US$) in relation to the real (R$) remote, with deterioration of 50% (fifty per cent), on the risk variable considered as likely:

Interest rate for the year of 2021: Increase to 5,3%
US$: 7,76
The impact shown in the table below refers to the 1-year projection period:

(ii) Risk of cash flow or fair value associated with interest rate

The Group's interest rate risk arises from long-term loans. Loans taken out at variable rates expose the Group to cash flow interest rate risk. The Group's loans at variable rates are mainly maintained in “Reais”. In order to minimize possible impacts arising from these fluctuations, the Company adopts diversification practices, alternating the contracting of its debts, aiming at adapting them to the market.

The Group analyzes its exposure to interest rate in a dynamic way. Are simulated different scenarios considering refinancing, renovation of existing positions, financing and hedge alternatives. On the basis of these scenarios, the Group defines a reasonable change in the interest rate and calculates the impact over the outcome. For each simulation is used the same change in interest rate for all currencies. The scenarios are designed only for the liabilities that represent the main positions with interest.

Based on the simulations carried out, considering the Group's indebtedness profile on December 31, 2020, the impact on the result, after calculating income tax and social contribution, with a variation of around 0.25 percentage points in variable interest rates, considering that all other variables were kept constant, would correspond to an increase of approximately R$ 106 in the year of interest expense. The simulation is carried out on a quarterly basis to check whether the maximum loss potential is within the limit determined by Management.

The credit and cash restrictions faced by the Company significantly limit the possibilities for managing interest rate risk.

(iii) *Credit risk*

The credit risk is managed corporately. The credit risk arises from cash and cash equivalents, derivative financial instruments, deposits in banks and financial institutions, as well as exposures of credit to customers. For banks and financial institutions are accepted titles of entities classified by the Company's Administration as first line. The individual risk limits are determined based on internal or external ratings in accordance with limits set by the Administration. The use of credit limits is monitored regularly and recorded when applicable provision for credits of dubious settlement.

The selectivity of its clients, as well as the monitoring of sales financing terms by business segment and individual position limits, are procedures adopted in order to minimize any default problems in its accounts receivable. Our revenues show amounts involving the client Petrobras, directly and indirectly, which accounted for 24% (11.8% in 2019) of the total revenues of the Company and its subsidiaries in 2020.

(iv) *Liquidity risk*

The prudent management of liquidity risk implies maintaining cash, bonds and sufficient securities, availabilities of capture by means of revolving credit facilities and the ability to liquidate market positions. Because of the dynamic nature of the Group's businesses, the treasury maintains flexibility in capturing through the maintenance of revolving credit facilities.

The board monitors the level of liquidity of the Group, considering the expected cash flow, which comprehends unused credit lines, cash and cash equivalents. This is typically done at corporate level on the Group, in accordance with the practice and the limits established by the Group. These limits vary by location to take into account the liquidity of the market in which the Company operates. Furthermore, the principles of liquidity management of the Group involve the projection of cash flows in the major currencies and the consideration of the level of liquid assets necessary to achieve these projections, the monitoring of indexes of liquidity of the financial statement in relation to internal and external regulatory requirements and the maintenance of plans for debt financing.

24.2 Fair Value Estimation

The fair value of financial assets and liabilities, which have standard terms and conditions and are traded in active markets, is determined on the basis of observed prices in those markets.

The fair value of other financial assets and liabilities (with the exception of derivative instruments) is determined in accordance with pricing models that use as a basis the estimated discounted cash flows, from the prices of similar instruments practiced on transactions performed in an observable current market.

The fair value of derivative instruments is calculated using quoted prices. When these prices are not available, is used the analysis of discounted cash flow through the yield curve, applicable in accordance with the duration of the instruments for the derivatives without options. For the derivatives containing options, pricing models of options are used.

The main financial assets and liabilities of the Company are described below, as well as the criteria for its appreciation/evaluation:

a. *Cash, cash equivalents and titles and securities – restricted*

The estimated value of the market was calculated based on the present value of future cash disbursement, using interest rates that are available to the Company and the evaluation indicates that the market values, in relation to the accounting balances, are as below, on December 31,2020:

	Parent		Consolidated	
Items	Book value	Fair Value	Book value	Fair Value
Cash and cash equivalents	161	161	21,015	21,015
Marketable securities	44	44	44	44

b. *Loans and financing*

The balances in cash and cash equivalents and in titles and securities have their values similar to accounting balances, considering the swing and liquidity that they present. The table below presents this comparison, on December 31,2020:

	Parent		Consolidated	
Items	Book value	Fair Value	Book value	Fair Value
Loans and financing not judicial recovery	21,190	19,819	26,247	24,560
Loans and financing judicial recovery	55,008	55,008	99,087	99,087
Total	76,198	74,827	125,334	123,647

24.3 Financial Instruments by Category

Synthesis of the financial instruments by category:

	Parent			
	12/31/2020		12/31/2019	
	Amortized cost	Fair Value by Result	Amortized cost	Fair Value by Result
Financial Assets				
Securities-restricted	44	44	1,788	1,788
Accounts receivable	13,258	13,258	5,427	5,427
Cash and cash equivalents	161	161	176	176
Related parties	49,658	49,658	70,408	70,408
Total	63,121	63,121	77,799	77,799

	Parent					
	12/31/2020			12/31/2019		
	Judicial Recovery	Not subject to Judicial Recovery		Judicial Recovery	Not subject to Judicial Recovery	
	Creditors list	Financial liabilities at amortized cost	Fair Value by Result	Creditors list	Financial liabilities at amortized cost	Fair Value by Result
Financial Liabilities						
Loans and financing	55,008	21,190	76,198	67,827	9,589	77,416
Suppliers	54,577	3,445	58,022	60,700	3,569	64,269
Related parties	-	196,131	196,131	-	187,454	187,454
Total	109,585	220,766	330,351	128,527	200,612	329,139

	Consolidated			
	12/31/2020		12/31/2019	
	Amortized cost	Fair Value by Result	Amortized cost	Fair Value by Result
Financial Assets				
Securities-restricted	44	44	1,788	1,788
Accounts receivable	19,222	19,222	10,795	10,795
Cash and cash equivalents	21,015	21,015	5,834	5,834
Total	40,281	40,281	18,417	18,417

	Consolidated					
	12/31/2020			12/31/2019		
	Judicial Recovery	Not subject to Judicial Recovery		Judicial Recovery	Not subject to Judicial Recovery	
	Creditors list	Financial liabilities at amortized cost	Fair Value by Result	Creditors list	Financial liabilities at amortized cost	Fair Value by Result
Financial Liabilities						
Loans and financing	99,087	26,247	125,334	129,080	14,509	143,589
Suppliers	54,577	7,085	61,662	60,700	7,627	68,327
Total	153,664	33,332	186,996	189,780	22,136	211,916

25 Insurance Coverage

Is the principle of the Company, to maintain insurance coverage to for goods of the immovable asset and stocks which are subject to risks, in the "Comprehensive Business" modality. Also, possesses coverage of insurance against general civil liability, as shown below:

Insurance purpose	Amount secured 12/31/2020	
- Comprehensive business insurance	R$	75,150
- General civil responsability insurance	R$	39,000
- International freight insurance *	US$	400

* Amounts in US dollar thousands.

The scope of our auditors' work does not include the issuance of an opinion on the sufficiency of insurance coverage, which was determined by the Company's Management and considers it sufficient to cover eventual claims.

26 Purchase option plan of shares– "Stock option

The Company has Stock Option Plans that have the following main objectives:

- Stimulate the resumption of the historical levels of the Company's operational activity and the fulfillment of the established business goals, by creating incentives to align the interests and objectives of the Company's key professionals with its shareholders, especially the fulfillment of the obligations contained in its Plan Judicial Recovery;

- Enable the Company to obtain and maintain the services of its key professionals, offering them, as an additional advantage, the opportunity to become shareholders of the Company, enabling and encouraging the subscription of shares with credits held against the Company from fixed or fixed remuneration. variable, with the consequent preservation of cash; and

- Promote the good performance of the Company and the interests of shareholders through a long-term commitment on the part of its key professionals; and

There are three Concession Plans in force:

(i) Plan 2017, approved by the AGE of April 12, 2017, which authorized the granting of options equivalent to up to 10% of the Company's capital stock.
(ii) Plan 2019, approved by the AGE of May 13, 2019, which authorized the granting of options of up to 3,000,000 shares.
(iii) Incentive Plan 2020, approved by the Extraordinary General Meeting of August 18, 2020, which decided to grant up to 2,550,000 common shares issued by the Company.

The grants related to the 2017 and 2019 Plans were made as follows, with no new grants to be made:

2017 Plan

	Options Granted	Strike price	Maximum exercise period
Company Officers	2,236,586	1.176	04/26/2024
Company Directors	1,092,764	1.35	06/24/2027
Key professionals	111,555	1.37	04/30/2021

Messrs. Rafael Gorenstein, Paulo Prado da Silva and João Feiteiro are Chief Executive and Investor Relations Officer, Director with no specific designation and Chairman of the Board of Directors of the Company, respectively. The right to exercise the Option will be obtained in successive and annual installments of 20%, the first installment being exercisable from the date of signing the Contract, and the other 80% may be exercised at the end of subsequent years, from the first year inclusive, totaling, therefore, 4 years for the acquisition of the right over the total number of Options.

In the case of Managers, the grant comprises several key professionals and has the following exercise windows: (i) 37,184 options, until October 30, 2019; (ii) 37,186 options, up to April 30, 2020 and (iii) 37,188 options, up to April 30, 2021.

2019 Plan

	Options Granted	Strike price	Maximum exercise period
Rafael Gorenstein	2,687,103	1.47	07/10/2021
Paulo Prado	312,897	1.47	07/10/2021

On August 18, 2020, the Incentive Plan 2020 was approved at the EGM, which decided to grant up to 2,550,000 options to purchase common shares to the Company's key professionals.

On December 28, 2020, through the Board of Directors' Meeting, within the scope of the Incentive Plan 2020 approved at the EGM on August 18, 2020, the granting of up to 390,000 common stock options to the beneficiaries indicated by the Board of Directors was approved. Administration.

All Plans provide for the possibility of adjusting the terms and conditions of the options due to certain subsequent corporate events.

27 Demonstration of net revenues

	Parent		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Gross sales and/or services				
In Brazil	62,665	37,350	65,253	37,945
Export	555	513	836	1,247
	63,220	37,863	66,089	39,192
Deductions for gross sales				
Taxes on sales	(10,900)	(6,405)	(11,503)	(6,516)
Net sales and/or services	52,320	31,458	54,586	32,676

28 Loss per share

a. Basic

Basic loss per share is calculated by dividing the profit attributable to the Company's controlling shareholders by the weighted average number of common shares outstanding during the period.

Items	Parent Company and Consolidated	
	12/31/2020	12/31/2019
Net income (loss) from the exercise of continued and discontinued operations	20,578	(26,178)
Profit (loss) attributable to the Company's controlling shareholders	**20,578**	**(26,178)**
Weighted average number of common shares issued (thousands)	**22,981**	**2,460**
Basic earnings (loss) per share - R$	**0.90**	**(10.64)**

b. Diluted

Diluted earnings (loss) per share are calculated by adjusting the weighted average number of outstanding common shares, to assume the conversion of all potential diluted common shares.

For stock options, a calculation is made to determine the number of shares that could have been acquired, based on the monetary value of the subscription rights linked to the outstanding stock options.

The options for share-based payments are dilutable when they result in the issue of shares for less than the price of the share in exercise to the Company in the future, according to the stock option.

In 2020, no dilution was applied to the number of shares due to earnings per share being lower than the price of the exercise of the call option exercise.

29 Financial result

Items	Parent 12/31/2020	Parent 12/31/2019	Consolidated 12/31/2020	Consolidated 12/31/2019
Financial Income				
Income from financial investments	17	59	252	225
Related-party interest income (mutual contract)	36	24	-	-
Present value adjustment	18,752	-	14,348	1,995
Adjustment to fair value	40,135	-	40,135	-
Monetary variance	-	14,288	661	16,151
Interest on receivables	11	6	311	11
Other financial income	2,774	1,270	3,734	1,309
Total financial Income	61,725	15,647	59,441	19,691
Financial Expenses				
Interest on loans and financing	(1,871)	(7,818)	(1,882)	(9,611)
Interest on bonds	-	-	(509)	(394)
Interest on Debentures	(633)	(361)	(633)	(361)
Present value adjustment	-	(1,540)	-	(1,541)
Interest of mutual contract	(766)	(547)	-	-
Provision of interest on suppliers	(20)	(3,957)	(37)	(4,203)
Fines and interest on taxes	(237)	(804)	(503)	(1,479)
IOF, banking expenses and others	(5,532)	(2,426)	(6,425)	(1,472)
Total financial expenses	(9,059)	(17,453)	(9,989)	(19,061)
Gain on exchange variance	83,801	44,475	112,361	47,246
Loss on exchange variance	(112,212)	(52,152)	(143,617)	(57,490)
Exchange variance, net	(28,411)	(7,677)	(31,256)	(10,244)

30 Other revenues and operational expenses

Items	Parent 12/31/2020	Parent 12/31/2019	Consolidated 12/31/2020	Consolidated 12/31/2019
Other operating income				
Reversal of provision for loss of lawsuit	5,313	34	26,036	3,820
Liabilities remeasurement - challenge of credits	-	18,775	-	19,124
Gain on disposal of fixed assets	-	10,718	-	19,074
Reversal of provision for losses on inventory obsolescence	70,144	-	93,944	12,679
Recovery of taxes and contributions	-	28,343	-	28,343
Reversal of provision for loss of tax recovery	-	14,209	-	14,947
Reversal of provision for losses due to impairment of assets	-	-	9,679	1,469
Others	133	807	2,134	4,671
Total other operating income	75,590	72,886	131,793	104,127
Total other operating income				
Provision for loss of lawsuit	(7,499)	(3,226)	(12,552)	(11,319)
Loss on disposal of fixed assets	(27,945)	(132)	(43,789)	(27,872)
Loss on non-recoverable taxes	-	(2,947)	-	(2,947)
Provision for losses due to impairment of assets	-	(7,027)	(10,670)	(9,609)
Cost of idle production	(10,932)	(10,639)	(12,858)	(14,120)
Investment cost sold	-	(21,584)	-	(21,584)
Expenses with corporate restructuring	(7,966)	-	(7,966)	-
Taxes and contributions	(463)	(735)	(2,357)	(1,241)
Other	(1,013)	(912)	(10,472)	(6,235)
Total other operating expenses	(55,818)	(47,202)	(100,664)	(94,927)
Other net operating expenses	**19,772**	**25,684**	**31,129**	**9,200**

31 Expenditure by nature

Itens	Parent 12/31/2020	Parent 12/31/2019	Consolidated 12/31/2020	Consolidated 12/31/2019
Cost of goods sold	(38,224)	(26,047)	(42,136)	(32,656)
Raw material and materials for use and consumption	(19,476)	(7,957)	(20,249)	(9,760)
Third-party labor and services	(14,635)	(13,065)	(16,807)	(17,027)
Depreciation and amortization	(4,575)	(5,226)	(5,195)	(5,841)
Others	462	201	115	(28)
Selling expenses	(6,546)	(5,262)	(6,805)	(6,162)
Third-party labor and services	(4,975)	(3,291)	(3,653)	(3,320)
Depreciation and amortization	(54)	(63)	(54)	(63)
Other commercial expenses	(1,517)	(1,908)	(3,098)	(2,779)
General and Administrative Expenses	(12,990)	(9,436)	(22,616)	(22,481)
Third-party labor and services	(9,886)	(7,202)	(18,671)	(17,818)
Depreciation and amortization	(1,102)	(1,199)	(1,154)	(1,360)
Other administrative expenses	(2,002)	(1,035)	(2,791)	(3,303)
Remuneration of directors	(3,196)	(3,440)	(6,346)	(3,440)

32 Information by business segment and geographic region

The Administration of the Company has defined the operating segments of the Group, based on the reports used for taking strategic decisions, reviewed by the Administrative Council and considers that the operation markets are segmented on the lines of **Products and Services**, same composition presented in the explanatory note nº 1.

Geographically, the Administration considers the performance of markets in Brazil and South America in general. The distribution by region is considered to be the location of the Group's companies and not the location of the customer.

The revenue generated by the operating segments reported is derived primarily from:

a. **Products:** anchoring ropes for platforms in deep waters, automated and manual valves for use in application, exploration, production, transportation and refining of petroleum and hydrocarbon chain, equipment for completion of petroleum wells, coating and inspection of drilling and production pipes.

b. **Services:** drilling rig and workover services, well intervention and drilling. The Company continues to demobilize its activities through the sale of equipment.

The sales between the segments were performed as sales between independent parties. The revenue from external parties informed the Executive Directorate was measured in a way consistent with that presented in the demonstration of the result.

The figures relating to the total of the asset are consistent with the balances recorded in the financial demonstrations. These assets are allocated on the basis of the operations of the segment and the physical location of the asset.

The figures relating to the total liabilities are consistent with the balances registered in the financial demonstrations. These liabilities are allocated on the basis of the operations of the segment.

The information by segment are demonstrated below:

	Products		Services		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Net sales	**54,332**	**32,443**	**254**	**233**	**54,586**	**32,676**
Cost of sales	(41,794)	(28,961)	(342)	(3,695)	**(42,136)**	**(32,656)**
Gross Profit (Loss)	**12,538**	**3,482**	**(88)**	**(3,462)**	**12,450**	**20**
Selling expenses	(6,786)	(5,340)	(19)	(822)	**(6,805)**	**(6,162)**
General and administrative expenses	(9,360)	(11,038)	(13,256)	(11,443)	**(22,616)**	**(22,481)**
Management fees	(838)	(3,410)	(5,508)	(30)	**(6,346)**	**(3,440)**
Equity pick-up	(1,855)	2,194	-	-	**(1,855)**	**2,194**
Other operating income (expenses), net	(9,164)	24,467	40,293	(15,267)	**31,129**	**9,200**
Operating Profit (Loss) before financial result	**(15,465)**	**10,355**	**21,422**	**(31,024)**	**5,957**	**(20,669)**

	Products		Services		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Identifiable assets (1)	**259,037**	**209,145**	**65,504**	**93,602**	**324,541**	**302,747**
Customers	13,885	6,665	5,337	4,130	**19,222**	**10,795**
Stocks	28,830	25,942	3,102	4,494	**31,932**	**30,436**
Taxes to be recovered	42,472	43,414	21,906	49,993	**64,378**	**93,407**
Restricted application	44	1,788	-	-	**44**	**1,788**
Immobilized	112,327	69,857	14,472	14,298	**126,799**	**84,155**
Agio	61,479	61,479	20,687	20,687	**82,166**	**82,166**
Identifiable liabilities (2)	**105,613**	**69,069**	**77,530**	**139,573**	**183,143**	**208,642**
Supplier	29,990	30,001	27,819	35,052	**57,809**	**65,053**
Loans	75,623	39,068	49,711	104,521	**125,334**	**143,589**

	Products		Services		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Depreciation and amortization	**(6,076)**	**(7,128)**	**(326)**	**(136)**	(6,402)	(7,264)
Acquisition of Property, plants and equipment	**75,083**	**3,430**	**71**	**2**	75,154	3,432

(1) Identifiable Assets: Customers, Inventories, Property, Plant, Goodwill, Recoverable Taxes and Restricted Application
(2) Identifiable Liabilities: Suppliers and Loans

The information by geographic region is shown below:

	Brazil		Others		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Net sales	**54,586**	**32,676**	-	-	**54,586**	**32,676**
Cost of sales	(42,136)	(32,656)	-	-	**(42,136)**	**(32,656)**
Gross Profit (Loss)	**12,450**	**20**	-	-	**12,450**	**20**
Selling expenses	(6,805)	(6,162)	-	-	**(6,805)**	**(6,162)**
Administrative costs	(22,616)	(22,481)	-	-	**(22,616)**	**(22,481)**
Management remuneration	(6,346)	(3,440)	-	-	**(6,346)**	**(3,440)**
Equity	(1,855)	2,194	-	-	**(1,855)**	**2,194**
Other income (expenses), net	31,129	10,255	-	(1,055)	**31,129**	**9,200**
Operating Profit (Loss) before financial result	**5,957**	**(19,614)**	-	**(1,055)**	**5,957**	**(20,669)**

	Brazil		Others		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Identifiable assets (1)	324,541	302,747	-	-	324,541	302,747
Customers	19,222	10,795	-	-	19,222	10,795
Stocks	31,932	30,436	-	-	31,932	30,436
Taxes to be recovered	64,378	93,407	-	-	64,378	93,407
Restricted application	44	1,788	-	-	44	1,788
Immobilized	126,799	84,155	-	-	126,799	84,155
Agio	82,166	82,166	-	-	82,166	82,166
Identifiable liabilities (2)	182,389	207,386	754	1,256	183,143	208,642
Supplier	57,809	65,053	-	-	57,809	65,053
Loans	124,580	142,333	754	1,256	125,334	143,589

	Brazil		Others		Consolidated	
	12/31/2020	12/31/2019	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Depreciation and amortization	(6,402)	(7,264)	-	-	(6,402)	(7,264)
Acquisition of Property, plants and equipment	75,154	3,432	-	-	75,154	3,432

1 - Identifiable assets: Customers, inventories, fixed assets, goodwill, taxes recoverable and restricted application.
2 - Identifiable Liabilities: Suppliers and Loans

33 Assets classified as held for sale

The Company has assets classified as held for sale in current and non-current assets, which mainly comprise fixed assets in the service segment, in which they are not in operation and are in the process of being negotiated for sale.

As of December 31, 2020, the balance of assets held for sale in current and non-current assets is shown as follows:

	Parent		Consolidated	
Assets classified as held for sale - Current assets	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Plots	-	-	-	199
Buildings and facilities	-	-	-	195
Machines and equipment	3,236	3,236	50,311	46,943
Industrial tools	-	-	3,189	4,333
Furniture and utensils	-	-	114	560
Data processing equipment	-	-	111	127
Vehicles	-	-	12	165
Fixed assets in progress	-	-	20,150	16,148
Total	3,236	3,236	73,887	68,670

	Parent		Consolidated	
Assets classified as held for sale - Noncurrent	12/31/2020	12/31/2019	12/31/2020	12/31/2019
Plots	89	896	89	896
Buildings and facilities	1,933	2,196	1,933	2,391
Total	2,022	3,092	2,022	3,287

In the context of actions to restructure the Company's operations, Management has conducted actions and negotiations that may result in the sale of certain assets. The disposal of such assets will only be considered highly probable as long as there is a prior understanding between the parties and, mainly, there is judicial authorization for the business to close, since such authorization is an essential requirement in the judicial reorganization process.

34 Result of discontinued operation

In 2019, the Company presents as a result of discontinued operations the companies Lupatech OFS Coöperatief U.A and Lupatech OFS S.A.S., due to the sale of the remaining equity interest, concluded in September 2019.

	12/31/2019
NET REVENUE FROM SALES	73,662
COST OF GOODS AND SERVICES SOLD	(54,670)
Profit gross	18,992
OPERATING INCOME/EXPENSES	
Selling	(845)
General and administrative	(3,163)
Other operating income (expenses)	-
OPERATING PROFIT BEFORE FINANCIAL RESULTS	14,984
FINANCIAL RESULTS	
Financial income	223
Financial expenses	(2,602)
Exchange variation, net	5
Non-controlling interest	(4,084)
PROFIT BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	8,526
INCOME TAX AND SOCIAL CONTRIBUTION	
Current	(4,290)
Deferred	-
PROFIT FROM DISCONTINUED OPERATIONS	4,236

35 Cash flow from discontinued operations

The cash flow from discontinued operations is shown below:

	Consolidated
	12/31/2019
Cash flow from operating activities	1,895
Cash flow from investing activities	(1,231)
Cash flow from financing activities	(508)
Net increase in the balance of cash and cash equivalents	156

36 Subsequent events

Substantial provision in arbitration proceedings

As stated in Note 20.2, the Company has been pursuing an arbitration proceeding since April 4, 2017 at the Market Arbitration Chamber, initiated against GP Investments and its vehicles San Antonio

International, Oil Field Services and Oil Services, the reimbursement for losses incurred by the Company arising from unrecognized contingencies of the San Antonio Companies, breach of obligations and breach of declarations and guarantees. The Company also pleads in the arbitration to increase the nominal limit of R$ 50 million for indemnities.

On February 22, 2021, the Company was informed of the Partial Judgment issued by the Arbitral Tribunal, which provided a substantial part of the claims formulated in the Arbitration, and specifically (i) determined responsibilities, (ii) settled part of the orders and (iii) accepted the claim to increase the nominal limit of R$ 50 million. The Arbitration will proceed to the settlement of the sentence to determine the amounts of the remaining convictions. Once sentenced and settled, the amounts constitute a judicial enforcement order.

2nd Issuance of the Company's Subscription Bonus

On March 3, 2021, the Company, through a Board of Directors' Meeting, approved the terms and conditions of the 2nd Issue of Subscription Warrants, in a single and onerous series, within the authorized capital limit, to be carried out so that, at the within the scope of the Judicial Recovery Plan of the Company and other companies in its group, promote the payment of credits subject to the Judicial Recovery Plan.

The Subscription Bonuses will be placed privately, without any effort to sell to the general public and without the intermediation of financial institutions that are part of the distribution system, and the Issue will respect the preemptive rights of the Company's shareholders and will be directed to holders of Credits of Classes I, III and IV, under the terms of the Judicial Reorganization Plan, to companies belonging to the Lupatech Group that have credits against it, with the specific purpose of subsequently giving payment to the Creditors of Classes I, III and IV when they become liquid.

In this context, the Issue was approved in the amount of R$ 94,797,500.00 (ninety-four million, seven hundred and ninety-seven thousand and five hundred reais), through the issue of 947,975 (nine hundred and forty-seven thousand nine hundred and seventy-five) subscription bonus issued by the Company.

As a result of the Issuance, the Company will not obtain any funds with a view to dealing with an issue with payment with credits. Thus, in the event of the exercise of the preemptive right by the Company's shareholders, with payment in national currency, the sums paid by them will be delivered proportionally to the credit holders to be paid in accordance with article 171, paragraphs 2 and 3, Brazilian Corporate Law.

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INDEPENDENT AUDITOR'S REPORT ON THE INDIVIDUAL AND CONSOLIDATED FINANCIAL STATEMENTS

To the
Board of Directors and Officers
Lupatech S.A. – Under In-Court Reorganization
Nova Odessa – SP

Opinion

We have audited the individual and consolidated financial statements of Lupatech S.A. – Under In-Court Reorganization ("Company"), identified as Parent and Consolidated, respectively, which comprise the statement of financial position as at December 31, 2020, and the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement 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 accompanying individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of Lupatech S.A. – Under In Court Reorganization as at December 31, 2020, and its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with the 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 requirements in the Code of Ethics for Professional Accountants and the professional standards issued by the Brazilian Federal Accounting Council ("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.

Emphasis of matter

In-court reorganization

As mentioned in Note 1.2 to the financial statements, on November 8, 2016, Lupatech S.A. and its direct and indirect subsidiaries had their new in-court reorganization plan approved by the Lupatech Group's Creditors General Meeting, and the plan was ratified by the Judge of the 1st Bankruptcies and In-Court Reorganizations Court of the State of São Paulo, without any restrictions, on December 1, 2016. The Company filed motions to clarify since the notice of ratification did not mention one of the Group companies under in-court reorganization. On February 15, 2017, the court corrected its notice of ratification including the company not mentioned. During the year ended December 31, 2020, no appeal was filed against the ratified plan. Our opinion is not qualified in respect of this matter. Notwithstanding, on April 15, 2020, the judge of the 1st Bankruptcies and In-Court Reorganizations Court of São Paulo granted the Company the possibility of offering its creditors an amendment to the ratified in-court reorganization plan. On August 28, 2020, a meeting was held for discussion and approval of the amendment by the creditors. After the approval, the proposal for amendment to the in-court reorganization plan was submitted for ratification by the court, and the amendment was ratified by the court on November 26, 2020. Our opinion is not qualified in respect of this matter.

Material uncertainty related to going concern

These individual and consolidated financial statements of Lupatech S.A. – Under In-Court Reorganization ("Company") for the year ended December 31, 2020 have been prepared in accordance with accounting practices applicable to companies operating as going concern, and, as mentioned in note 1.1 to the financial statements, the Company and its subsidiaries have generated recurring losses until the year ended December 31, 2019 and have not generated cash in an amount sufficient to settle their obligations. These conditions, together with the fact that the Company and its subsidiaries filed for in-court reorganization plan, indicate the existence of a material uncertainty that may cast significant doubt about the Company's and its subsidiaries' ability to continue as a going concern. The reversal of this situation of recurring losses and the difficulty in cash generation, as well as the capacity to realize their assets and settle their liabilities in the normal course of the Company's business, depend on the success of the plans of monetization of credits and other assets, on the actions to achieve the projections performed, which include resumption of activities and bidding processes, as well as the compliance with the in-court reorganization plan, described in note 1.2 to the financial statements. Our opinion is not qualified in respect of this matter.

Material uncertainty regarding he adhesion to the Tax Debt Refinancing Program - PERT

As mentioned in note 21, during 2018 the Company carried out the adhesion of several subsidiaries and investees of the Lupatech Group to the Tax Debt Refinancing Program - PERT, established by Provisional Executive Act No. 783/2017 and Law No. 13,496/2017. The Company, through this action, reorganized the amount of R$ 123,000 of its liabilities related to tax contingencies and obligations, which included discounts on interest, fines and charges in the total amount of R$ 48,000. Due to operational issues in the adhesion processes and information processed by Brazilian Federal Revenue Office, until the issue of this report, a significant part (73%) of the adhered liabilities had not been consolidated by the Brazilian Federal Revenue Office. The Company, advised by its legal counselors, timely took the required administrative and legal preventive measures to ensure the right to the adhesion process, considered as probable by the legal counselors. Our opinion is not qualified in respect of this matter.

Restatement of the financial statements previously disclosed

As mentioned in note 2.1.1, the existence of discontinued operations in 2019, due to the negotiation of the remaining equity interest of Lupatech OFS Coöperatief U.A. and Lupatech OFS S.A.S, the Company is presenting in note 34 the statement of profit or loss for the year 2019, to classify separately the result of discontinued operations. Our opinion is not qualified in respect of this matter.

Key audit matters

Key audit matters are those matters 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 a separate opinion on these matters. For each matter below, the description of how the matter was addressed in our audit, including any comments on the results of our procedures, is presented in the context of the financial statements taken as a whole

Impairment of property, plant and equipment and goodwill - Parent and Consolidated

As described in note 1.1 to the financial statements, the Company and its subsidiaries have faced difficulties to generate sufficient profits and cash flows in their operations and are under in-court reorganization process. With the identification of these indicators, the Company assessed the existence of impairment of its cash generating units ("CGUs") to which property, plant and equipment and goodwill are allocated, as mentioned in notes 12 and 13. For the calculation of the recoverable amount, the discounted cash flow method was used, based on economic and financial projections. The determination of future profitability estimates of cash generating units for purpose of assessing the impairment of assets requires the use of significant assumptions and judgments by the Company, which are subject to a high degree of uncertainty about the realization of future business assumptions, on the market indicators used to determine the discount rates, as well as significant uncertainty about the Company’s and its subsidiaries' ability to continue as a going concern, which may impact the value of these assets in the individual and consolidated financial statements and the amount of the investment accounted for under the equity method in the parent’s financial statements. For this reason, we consider this a key audit matter.

How the matter was addressed in the audit

We evaluated the mathematical accuracy and the significant assumptions used in preparing the projected discounted cash flows for each CGU, including also comparing forecasts with past performance, assessing the existence of an active market for the CGUs assessed and other evidences about the determination of the fair value used in determining the recoverable amount, such as market value reports prepared by experts, when applicable, and the evaluation and consistency of these assumptions with the business plans approved by the Board of Directors. We also performed the sensitivity analysis for the main assumptions used in the projection prepared by the Company and its subsidiaries. In addition, we assessed the adequacy of the disclosures related to the matter.

Provisions and contingent liabilities - tax, labor and civil - Parent and Consolidated

As described in note 20, the Company and its subsidiaries are parties to lawsuits and administrative proceedings pending before courts and government agencies, arising from the normal course of their operations, involving tax, labor and civil matters. The Company is required to exercise a significant judgment to determine the appropriate amount of provisions to reflect the probable amounts required to settle these obligations and a significant judgment is also required to determine the risks associated with tax positions taken and disclosures of the causes assessed as possible loss. Changes in the assumptions used by the Company to exercise this significant judgment, or changes in conditions external to the Company, including the positioning of tax, labor and civil authorities, may have a material impact on the level of provisions established for this purpose, as well as on the disclosures required. Due to the degree of uncertainty, materiality, complexity and judgment involved in the assessment, measurement, definition of the timing of recognition and disclosures related to the Provisions and Contingent Liabilities that may impact the individual and consolidated financial statements and the amount of the investment accounted for under the equity method in the financial statements of the parent, we consider this a key audit matter.

How the matter was addressed in the audit

Our audit procedures included, among others, the evaluation of the accounting policies applied by the Company for the measurement of losses, including the evaluation of the significant judgment on the determination of the probabilities and the amounts to be recognized as a provision for tax, civil and labor risks and/or disclosed, and whether the judgment was properly and consistently applied during all periods presented. In order to determine the appropriate use of assumptions in the Company's judgment, we analyzed the positions and opinions of the Company's in-house and outside legal counselors on which their understandings and judgments were based. For the estimates of labor and civil losses, we recalculated the criteria for establishment of provision based on the policy determined by the Company and compared it with data and information. With the assistance of our tax specialists, we obtained an adequate understanding of the exposure to tax risks related to legal requirements imposed on the business and legal opinions obtained by the Company. We also evaluated whether the disclosures are in accordance with applicable rules and provide information on the nature, exposure and amounts accrued or disclosed related to the main tax, labor and civil matters in which the Company is involved.

Other matters

Statements of value added

The individual and consolidated statements of value added for the year ended December 31, 2020, prepared under the responsibility of the Company's management and presented as supplementary information for IFRS purposes, were submitted to audit procedures performed in conjunction with the audit of the Company's financial statements.

For the purpose of forming our opinion, we evaluate whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Value Added". In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria defined in this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

Other information accompanying the individual and consolidated financial statements and the independent auditor's report

The Company's management is responsible for the other information. The other information 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 audit conclusion thereon.

In connection with the 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 in 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 the 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 and its subsidiaries or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's and its subsidiaries financial reporting process.

Auditor's responsibilities for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the individual and consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.
Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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 opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- 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 the 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 ability of the Company and its subsidiaries 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 individual and consolidated 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 regarding independence, and to communicate 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 determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

São Paulo, March 19, 2021.

Crowe Macro Auditores Independentes
CRC-2SP033508/O-1

Diego Del Mastro Monteiro
Accountant – CRC-1SP302957/O-3

Sérgio Ricardo de Oliveira
Accountant – CRC-1SP186070/O-8

Management’s declaration of the financial statements

Pursuant to item VI of article 25 of CVM Instruction 480 of December 7, 2009, the Board of Executive Officers declares that it reviewed, discussed and agreed to the Company's Financial Statements for the year ended December 31, 2020.

Nova Odessa, March 19,2021.

Rafael Gorenstein – Director President and of Investor

Paulo Prado da Silva - Director without specific designation

Management’s declaration of the independent auditor’s report

Pursuant to article 25, paragraph V, of CVM Instruction 480 of December 7, 2009, the Board of Executive Officers declares that it has reviewed, discussed and agreed with the independent auditors' report on the Company's Financial Statements for the year ended December 31, 2020.

Nova Odessa, March 19,2021.

Rafael Gorenstein – Director President and of Investor

Paulo Prado da Silva - Director without specific designation