



**Financial &  
Economic  
Performance  
3Q23**



## Message from the Administration

In the 3rd quarter of 2023, the company's net revenue was higher than in the previous quarter, due to our efforts to accelerate operations, which are still suffering from a few remaining effects of the pandemic, occasional delays in client payments (which have now been settled) and, above all, changes to the scope and schedule of a relevant contract underway at the client's request.

Revenues of R\$25.2 million were 28.1% higher than in 2Q23. For the year, accumulated revenues are down on the previous year, due to the fact that we had an ongoing supply contract for the construction of an FPSO last year, and that this year we faced some operational difficulties.

In line with revenue, gross profit also grew, and was 48% higher than in the previous quarter. The corresponding gross margin expanded by 3.2 percentage points. The increase in profitability is due both to the dilution of fixed costs due to the higher volumes and to the recovery of prices after the inflationary cycle of raw materials that affected international markets after the pandemic.

Adjusted EBITDA also improved significantly, standing R\$ 2 million higher than the previous quarter. A highlight was the Products result, which returned to positive territory, closing at R\$1.9 million with a margin of 7.4%.

At the end of 3Q23, the company's order backlog in Brazil totaled R\$73.8 million. On the same date, the company had a balance of supply contracts with no purchase obligation of R\$132 million. Compared to the previous quarter, there was a slight reduction in the firm portfolio and an increase in the volume of contracts.

On June 28th, the company received an investment proposal for the acquisition of warrants. Upon acceptance of the proposal, the 4th Issue of Subscription Warrants took place, with the potential to increase capital by 6.92 million shares. At the end of 3Q23, the company had already received an injection of R\$ 12 million from 5,481 warrants subscribed and 4,861 paid in, as well as a further R\$ 2.2 million advanced by investors and not yet capitalized.

Rafael Gorenstein

CEO and IRO

## Economic and Financial Performance

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

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

### Net Revenue

Net Revenue (R\$ thd)	3Q22	3Q23	2Q23	3Q23	9M22	9M23
<b>Products</b>	<b>29,264</b>	<b>25,136</b>	<b>19,626</b>	<b>25,136</b>	<b>84,371</b>	<b>66,086</b>
Valves	27,676	23,265	17,615	23,265	81,577	61,503
Ropes and Composites	1,588	1,872	2,011	1,872	2,794	4,583
<b>Services</b>	<b>14</b>	<b>57</b>	<b>46</b>	<b>57</b>	<b>494</b>	<b>171</b>
Oilfield Services	14	57	46	57	494	171
<b>Total</b>	<b>29,278</b>	<b>25,193</b>	<b>19,672</b>	<b>25,193</b>	<b>84,865</b>	<b>66,257</b>

### Products

Net revenue in 3Q23 was 28.1% higher than that of 2Q23, a result of efforts undertaken in the period to accelerate operations.

### Services

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

### Order Backlog

As of September 30, 2023, the Company's order backlog in Brazil totaled R\$ 73.8 million. On the same date, the Company had a balance of R\$ 132 million in supply contracts, with no purchase obligation. (Note: the figures do not include bids for which the respective orders or contracts have not yet been issued).

### Gross Profit and Gross Margin

Gross Profit (R\$ thd)	3Q22	3Q23	2Q23	3Q23	9M22	9M23
<b>Products</b>	<b>6,485</b>	<b>6,288</b>	<b>4,175</b>	<b>6,288</b>	<b>20,022</b>	<b>15,668</b>
<i>Gross Margin - Products</i>	22.2%	25.0%	21.3%	25.0%	23.7%	23.7%
<b>Services</b>	<b>5</b>	<b>(117)</b>	<b>7</b>	<b>(117)</b>	<b>38</b>	<b>(95)</b>
<i>Gross Margin - Services</i>	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total</b>	<b>6,490</b>	<b>6,171</b>	<b>4,182</b>	<b>6,171</b>	<b>20,060</b>	<b>15,573</b>
<i>Gross Margin - Total</i>	22.2%	24.5%	21.3%	24.5%	23.6%	23.5%
<b>Depreciation</b>	<b>1,569</b>	<b>946</b>	<b>1,212</b>	<b>946</b>	<b>4,120</b>	<b>3,459</b>
Depreciation Products	1,141	825	858	825	3,082	2,567
Depreciation Services	428	121	354	121	1,038	892
<b>Gross Profit without depreciation</b>	<b>8,059</b>	<b>7,118</b>	<b>5,394</b>	<b>7,118</b>	<b>24,180</b>	<b>19,033</b>
<b>Gross Profit without depreciation Products</b>	<b>7,626</b>	<b>7,113</b>	<b>5,033</b>	<b>7,113</b>	<b>23,104</b>	<b>18,235</b>

\* n/a - not applied

## Products

The gross profit of 3Q23 reached R\$ 6.3 million, with a margin of 25.0% against R\$ 4.2 million with a margin of 21.3% in 2Q23. The increase of 3.7 percentage points in gross margin is mainly a reflection of the dilution of fixed costs due to the higher sales volume and price increases.

## Services

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

## Expenses

<b>Expenses (R\$ thd)</b>	<b>3Q22</b>	<b>3Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>9M22</b>	<b>9M23</b>
<b>Total Sales Expenses</b>	<b>2,596</b>	<b>3,509</b>	<b>2,368</b>	<b>3,509</b>	<b>7,653</b>	<b>8,347</b>
Sales Expenses - Products	2,596	3,509	2,368	3,509	7,653	8,347
Sales Expenses - Services	-	-	-	-	-	-
<b>Total Administrative Expenses</b>	<b>6,027</b>	<b>4,739</b>	<b>6,223</b>	<b>4,739</b>	<b>16,976</b>	<b>16,516</b>
Administrative Expenses - Products	3,381	2,548	3,067	2,548	8,986	8,686
Administrative Expenses - Services	2,646	2,191	3,156	2,191	7,990	7,830
<b>Management Fees</b>	<b>1,824</b>	<b>767</b>	<b>828</b>	<b>767</b>	<b>3,416</b>	<b>2,493</b>
<b>Total Expenses</b>	<b>10,447</b>	<b>9,015</b>	<b>9,419</b>	<b>9,015</b>	<b>28,045</b>	<b>27,356</b>

## Sales Expenses

The Company's Sales Expenses are predominantly variable in the form of freight and sales commissions. In 3Q23 they totaled R\$ 3.5 million compared to R\$ 2.6 million in 3Q22 and R\$ 2.4 million compared to 2Q23. The increase in revenue proportion is affected by the specific characteristics of the contracts prevailing in the period.

## Administrative Expense

In 3Q23, the Company recognized R\$ 4.7 million in administrative expenses, 21.4% lower than the amount recognized in 3Q22, and 23.8% lower than 2Q23. Such reductions are mainly due to non-recurring expenses included in the results of previous periods.

## Management Compensation

The amount presented is composed of fixed and variable remuneration.

## Other Revenues and Operational (Expenses)

<b>Other Operating (Expenses) (R\$ thd)</b>	<b>3Q22</b>	<b>3Q23</b>	<b>2Q23</b>	<b>3Q23</b>	<b>9M22</b>	<b>9M23</b>
Products	(933)	(100)	(483)	(100)	(1,559)	(658)
Expenses with Idleness - Products	(4,708)	(5,105)	(4,489)	(5,105)	(12,690)	(15,141)
Services	(182)	(1,298)	(180)	(1,298)	(927)	2,421
Expenses with Idleness - Services	(5)	-	-	-	(29)	-
<b>Total</b>	<b>(5,828)</b>	<b>(6,503)</b>	<b>(5,152)</b>	<b>(6,503)</b>	<b>(15,207)</b>	<b>(13,378)</b>

In 3Q23, R\$ 2.2 million were booked in "Other Operating Income" against R\$ 8.7 million in "Other Operating Expenses", totaling a net effect of R\$ 6.5 million. The following factors are worth of noting:

- I. R\$ 5.1 millions of expenses with idle production;
- II. R\$ 1.4 million from the recognition of possible losses on the realization of credit assets.

## Financial Result

Financial Results (R\$ thd)	3Q22	3Q23	2Q23	3Q23	9M22	9M23
Financial Revenue*	2,885	1,917	770	1,917	16,384	5,080
Financial Expense*	(6,453)	(7,924)	(14,125)	(7,924)	(31,211)	(34,274)
<b>Net Financial Results*</b>	<b>(3,568)</b>	<b>(6,007)</b>	<b>(13,355)</b>	<b>(6,007)</b>	<b>(14,827)</b>	<b>(29,194)</b>
Net Exchange Variance	(4,745)	(7,416)	10,277	(7,416)	8,541	7,964
<b>Net Financial Results - Total</b>	<b>(8,313)</b>	<b>(13,423)</b>	<b>(3,078)</b>	<b>(13,423)</b>	<b>(6,286)</b>	<b>(21,230)</b>

\* Excluding Exchange Variance

The Company's total net financial result in 3Q23 was negative by R\$ 13.4 million, mainly due to the updates of interest charges on taxes, suppliers, loans and adjustment to present value of the the debt subject to Judicial Reorganization. In addition, the 3Q23 result, compared to 3Q22, was impacted by the devaluation of the Real against the US Dollar.

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

## Adjusted EBITDA from Operations

EBITDA Adjusted (R\$ thd)	3Q22	3Q23	2Q23	3Q23	9M22	9M23
<b>Products</b>	<b>1,201</b>	<b>1,861</b>	<b>(95)</b>	<b>1,861</b>	<b>6,081</b>	<b>2,416</b>
Margin	4.1%	7.4%	-0.5%	7.4%	7.2%	3.7%
<b>Services</b>	<b>(1,976)</b>	<b>(2,439)</b>	<b>(2,525)</b>	<b>(2,439)</b>	<b>(7,196)</b>	<b>(6,909)</b>
Margin	n/a	n/a	n/a	n/a	n/a	n/a
<b>Total</b>	<b>(775)</b>	<b>(578)</b>	<b>(2,620)</b>	<b>(578)</b>	<b>(1,115)</b>	<b>(4,494)</b>
<b>Margin</b>	<b>-2.6%</b>	<b>-2.3%</b>	<b>-13.3%</b>	<b>-2.3%</b>	<b>-1.3%</b>	<b>-6.8%</b>

The variation in Adjusted EBITDA of Products in 3Q23 compared to the compared periods is mainly due to the improvement in sales performance - volume and margin.

Adjusted EBITDA from Services comprises legacy management costs.

Adjusted Ebitda Reconciliation (R\$ thd)	3Q22	3Q23	2Q23	3Q23	9M22	9M23
Gross Profit	6,490	6,171	4,182	6,171	20,060	15,573
SG&A	(8,623)	(8,248)	(8,591)	(8,248)	(24,629)	(24,863)
Management Compensation	(1,824)	(767)	(828)	(767)	(3,416)	(2,493)
Depreciation and Amortization	1,569	946	1,212	946	4,120	3,459
Other Operating Expenses	(5,828)	(6,503)	(5,152)	(6,503)	(15,207)	(13,378)
<b>Ebitda</b>	<b>(8,216)</b>	<b>(8,401)</b>	<b>(9,177)</b>	<b>(8,401)</b>	<b>(19,072)</b>	<b>(21,701)</b>
Result of disposal or write-off of assets	(1,189)	1,295	(33)	1,295	1,247	1,169
Provisions for Legal Proceedings	1,652	(101)	(387)	(101)	458	(5,683)
Idle expenses	4,200	5,105	4,489	5,105	12,068	15,141
Expenses with Restructuring and Extraordinary Expenses	2,778	1,524	2,488	1,524	4,184	6,580
<b>Adjusted EBITDA</b>	<b>(775)</b>	<b>(578)</b>	<b>(2,620)</b>	<b>(578)</b>	<b>(1,115)</b>	<b>(4,494)</b>

Reconciliation of Adjusted Ebitda (R\$ thd)	3Q23		
	Products	Services	Total
Gross Profit	6,288	(117)	6,171
SG&A	(6,057)	(2,191)	(8,248)
Management Compensation	(537)	(230)	(767)
Depreciation and Amortization	825	121	946
Other Operating Expenses	(5,205)	(1,298)	(6,503)
<b>Ebitda</b>	<b>(4,686)</b>	<b>(3,715)</b>	<b>(8,401)</b>
Result of disposal or write-off of assets	(70)	1,365	1,295
Provisions for Legal Proceedings	33	(134)	(101)
Idle expenses	5,105	-	5,105
Restructuring Process and Extraordinary Expenses	1,479	44	1,524
<b>Adjusted EBITDA</b>	<b>1,861</b>	<b>(2,439)</b>	<b>(578)</b>

Non-recurring expenses in 3Q23 mainly refer to production idleness, resulting in the sale or write-off of assets and expenses related to judicial reorganization.

### Net Result

Net Result (R\$ thd)	3Q22	3Q23	2Q23	3Q23	9M22	9M23
Result Before Income Tax and Social Contribution	(18,098)	(22.770)	(13.467)	(22.770)	(29.478)	(46.391)
Income Tax and Social Contribution - Current	-	-	-	-	(6)	(1)
Income Tax and Social Contribution - Deferred	13	1.533	(1.044)	1.533	2.661	564
<b>Net Profit for the Period</b>	<b>(18,085)</b>	<b>(21.237)</b>	<b>(14.511)</b>	<b>(21.237)</b>	<b>(26.823)</b>	<b>(45.828)</b>
Profit (Loss) per 1,000 Shares	(2,51)	(0,09)	(1,43)	(0,09)	(2,80)	(0,54)

Contributing to the negative result in 3Q23, in addition to current revenues and expenses, was the adjustment to present value referring to the debt under Judicial Reorganization and the net effect of other operating revenues and expenses.

### Working Capital

Working Capital (R\$ thd)	2Q23	3Q23
Accounts Receivable	19,645	25,084
Inventories	36,877	33,745
Advances of suppliers	4,541	3,993
Recoverable taxes	44,167	45,204
Other Accounts Receivable	3,456	5,685
<b>Total Asset</b>	<b>108,686</b>	<b>113,711</b>
Suppliers	16,614	16,407
Advances from Customers	8,220	12,155
Taxes payable	24,292	22,851
Other Accounts Payable/Other Obligations	7,856	6,072
Payroll and charges	6,728	7,370
<b>Total Liabilities</b>	<b>63,710</b>	<b>64,855</b>
<b>Working Capital Employed</b>	<b>44,976</b>	<b>48,856</b>
Working Capital Variation	(2,774)	3,880

When comparing 3Q23 with 2Q23, there is an increase in working capital employed. This increase is mainly due to: (i) variation in other accounts receivable and inventory due to the higher sales volume, and (ii) taxes to be recovered mainly due to the homologation of credits arising from ICMS included on the Pis and Cofins taxation.

## Cash and Financial Investments

Cash and cash equivalents (R\$ thd)	2Q23	3Q23
Cash and Cash Equivalents	3,493	4,450
<b>Total</b>	<b>3,493</b>	<b>4,450</b>

The Company's consolidated cash position and financial investments in 3Q23 reached R\$ 4.4 million.

## Indebtedness

Debt (R\$ thd)	2Q23	3Q23
<b>Short Term</b>	<b>41,580</b>	<b>44,000</b>
Debt subject to Judicial Recovery	5,157	5,911
Debt not subject to Judicial Recovery	36,423	38,089
<b>Long Term</b>	<b>103,532</b>	<b>104,113</b>
Debt subject to Judicial Recovery	97,917	99,120
Debt not subject to Judicial Recovery	5,615	4,993
<b>Total Debt</b>	<b>145,112</b>	<b>148,113</b>
Cash and Cash Equivalents	3,493	4,450
<b>Net Debt</b>	<b>141,619</b>	<b>143,663</b>

The increase in financial indebtedness in the comparison between 3Q23 and 2Q23 is mainly associated with the updating of interest on debt.

## Investment

Investments (R\$ thd)	2Q23	3Q23
Others Investments	21,942	21,942
Fixed Assets	135,533	132,778
Intangible Assets	83,331	83,270
<b>Total</b>	<b>240,806</b>	<b>237,989</b>

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

## Annexes

### Annex I - Income Statements (R\$ Thousand)

	<b>2Q23</b>	<b>3Q23</b>
Net Revenue From Sales	19,672	25,193
Cost of Goods and Services Sold	(15,490)	(19,022)
Gross Profit	4,182	6,171
Operating Income/Expenses	(14,571)	(15,518)
Selling	(2,368)	(3,509)
General and Administrative	(6,223)	(4,739)
Management Fees	(828)	(767)
Other Operation Income (Expenses)	(5,152)	(6,503)
Net Financial Result	(3,078)	(13,423)
Financial Income	770	1,917
Financial Expenses	(14,125)	(7,924)
Net Exchange Variance	10,277	(7,416)
<b>Loss Before Income Tax and Social Contribution</b>	<b>(13,467)</b>	<b>(22,770)</b>
<b>Provision Income Tax and Social Contribution - Deferred</b>	<b>(1,044)</b>	<b>1,533</b>
<b>Loss for the Period</b>	<b>(14,511)</b>	<b>(21,237)</b>



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

	<b>2Q23</b>	<b>3Q23</b>
Adjusted EBITDA from Operations	(2,620)	(578)
Expenses with Restructuring and Extraordinary Expenses	(2,488)	(1,524)
Provisions for Losses, Impairment and Net Result on Disposal of Assets	420	(1,194)
EBITDA from Operations	(4,688)	(3,296)
Depreciation and amortization	(1,212)	(946)
Net Financial Result	(3,078)	(13,423)
Income Tax and Social Contribution - Current and Deferred	(1,044)	1,533
Idleness Expenses	(4,489)	(5,105)
Net Loss	(14,511)	(21,237)

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

	<u>06/30/23</u>	<u>09/30/23</u>
<b>Total Asset</b>	<b>494,157</b>	<b>497,917</b>
<b>Current Assets</b>	<b>148,963</b>	<b>155,915</b>
Cash and Cash Equivalents	3,493	4,450
Accounts Receivable	19,645	25,084
Inventories	36,877	33,745
Recoverable Taxes	44,167	45,204
Other Accounts Receivable	3,456	5,685
Prepaid Expenses	684	474
Advances to Suppliers	4,541	3,993
Assets Classified as Held for Sale	36,100	37,280
<b>Non-Current Assets</b>	<b>345,194</b>	<b>342,002</b>
Other Credits	1	1
Securities-restricted	44	44
Judicial Deposits	7,570	7,310
Recoverable Taxes	5,242	5,246
Deferred Income Tax and Social Contribution	55,823	57,356
Other Accounts Receivable	35,708	34,055
Investments	21,942	21,942
Property, Plant and Equipment	135,533	132,778
Intangible Assets	83,331	83,270
<b>Total Liabilities and Shareholders' Equity</b>	<b>494,157</b>	<b>497,917</b>
<b>Current Liabilities</b>	<b>111,849</b>	<b>109,169</b>
Suppliers - Not Subject to Judicial Recovery	11,547	11,218
Suppliers -Subject to Judicial Recovery	5,067	5,189
Loans and Financing - Not Subject to Judicial Recovery	36,423	38,089
Loans and Financing - Subject to Judicial Recovery	5,157	5,911
Debentures Convertible into Shares	5,939	-
Provisions Payroll and Payroll Payable	6,728	7,370
Taxes Payable	24,292	22,851
Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	620	314
Advances from Customers	8,220	12,155
Other Accounts Payable	6,107	4,129
Other obligations - subject to judicial recovery	1,749	1,943
<b>Non-Current Liabilities</b>	<b>225,402</b>	<b>229,540</b>
Suppliers - Subject to Judicial Recovery	26,442	27,124
Loans and Financing - Subject to Judicial Recovery	97,917	99,120
Loans and Financing - Not Subject to Judicial Recovery	5,615	4,993
Taxes Payable	26,289	28,577
Provision for Contingencies	27,069	26,436
Obligations and Provisions Labor Risks - Subject to Judicial Reorganization	2,264	2,235
Other Accounts Payable	4,829	5,251
Other obligations - subject to judicial recovery	34,977	35,804
<b>Shareholders' Equity</b>	<b>156,906</b>	<b>159,208</b>
Capital Stock	1,904,586	1,918,106
Capital reserve	2,967	7,406
Capital Transaction Reserve	136,183	136,183
Equity Valuation Adjustment	179,638	185,218
Accumulated Losses	(2,066,468)	(2,087,705)

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

	<b>2Q23</b>	<b>3Q23</b>
<b>Cash Flow from Operating Activities</b>		
Profit (loss) for the periods	(14,511)	(21,237)
Adjustments:		
Depreciation and Amortization	1,742	1,476
Income from sale of property, plant and equipment	(32)	1,476
Financial charges and exchange variation on financing	(7,430)	12,559
Reversal (Provision) for loss due to non-recoverability of assets	-	(179)
Deferred Income Tax and Social Contribution	969	(1,533)
Inventory obsolescence	(123)	1,368
(Reversal) Estimated losses for doubtful accounts	(62)	(1,214)
Actual losses with doubtful accounts	91	1,180
Adjust to present value	7,846	360
Fair value adjustment	(7,798)	10,018
Changes in Assets & Liabilities		
(Increase) Decrease in Accounts Receivable	(366)	(5,405)
(Increase) Decrease in Inventories	179	1,764
(Increase) Decrease in Recoverable Taxes	435	(1,041)
(Increase) Decrease in Other Assets	1,303	491
(Increase) Decrease in Suppliers	(2,146)	(1,787)
(Increase) Decrease in Taxes Payable	2,580	(793)
(Increase) Decrease in Others Accounts Payable	9,701	(2,699)
<b>Net Cash Flow from Operating Activities</b>	<b>(7,622)</b>	<b>(5,196)</b>
<b>Cash Flow from Investment Activities</b>		
Securities - restricted account	51	54
Resources from the sale of fixed assets	33	213
Aquisition of Property, Plant and Equipment	(100)	(167)
<b>Net Cash Flow from (Used in) Investment Activities</b>	<b>(16)</b>	<b>100</b>
<b>Cash Flow from Financing Activities</b>		
Borrowing and financing	20,189	20,806
Capital increase (decrease)	4,694	13,520
Debentures Convertible into Shares	5,939	(5,939)
Payment of loans and financing	(23,572)	(22,334)
<b>Net Cash Flow from Financing Activities</b>	<b>7,250</b>	<b>6,053</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(388)</b>	<b>957</b>
At the Beginning of the Period	-	-
At the End of the Period	(388)	957

## About Lupatech

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