STANDARD FINANCIAL STATEMENTS
2022

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

We started 2022 very optimistic, anticipating the easing of the operational restrictions imposed by the Pandemic, resumption of activity in the oil industry, and economic recovery.

But this scenario did not materialize. As reported over the course of the year, the consequences of the outbreak of the Covid Omicron variant between the end of 2021 and the beginning of 2022 were remarkable, and soon afterwards the enormous problems brought about by the Covid outbreaks in China, with the imposition of draconian lockdowns in important parts of that country. Not enough, we also had the war in Ukraine starting in February 2022.

These events had very relevant effects on our supply chain, greatly affecting manufacturing and transport times, the working capital used in operations, the costs of acquiring materials and services.

Although the normalization of production and transport chains has been taking place gradually, a large part of the industry still faces delays, unforeseen costs and others.

The political and economic landscape for the country, which was positive at the beginning of the year, evolved into an institutional crisis that has not yet dissipated. The medium-term macroeconomic outlook remains uncertain, and it is now clear that the short term will be quite restrictive from a monetary point of view.

But even in a weak economy, there are winners and losers. Furthermore, each sector of activity has its own dynamics of growth and competition, which allows some to perform better than others and the economy in general.

It is the case. In 2022, despite the setbacks, Lupatech grew its net revenue by 18%. There were 15% in Valves and practically 100% in Ropes and Composites. These are expressive percentages, but they still do not reflect the full demand potential of our markets.

In Valves, there is a lot of demand to be generated by offshore pre-salt investments, the resumption of onshore production and investments in infrastructure for gas distribution and consumption. The outlook for the water and sewage utilities sector is one of political hesitation, but it also brings opportunities, which we have been following closely.

In Ropes and Composites, we have room for even more aggressive growth. We were able to start our supply of naval ropes, and we will chase a significant market share in this market of tens of millions per year. We have not yet resumed the supply of deepwater mooring ropes, which could represent a significant increase in revenue, considering that each mooring project represents sales in the range of US$ 10 million. Our sales of fiberglass lining tubes have been growing consistently. We were also able to enter the business of supplying fiberglass poles, with contracts already in place with 3 energy utilities.

Our firm order backlog ended 2022 at BRL 74 million, compared to BRL 55 million in the previous year – a 35% jump. This portfolio represents a relevant proportion in relation to the revenues of 2022, so that if we consider that the year 2023 starts with this portfolio plus a balance of contracts without purchase obligation of BRL 88 million, there is a positive perspective of growth for 2023.

The return on sales for the year, measured by the gross margin, was 23%, representing a drop in relation to the previous year (27.1%). The main reason for the lower margin in the period was the higher cost of purchasing inputs, resulting from the sudden rise in international inflation and the decision to purchase locally, at a higher cost, certain components and materials, avoiding longer and more uncertain terms import, in order to mitigate delays in deliveries to customers. We understand that both effects are transitory, being opposed in the short and medium term by the pass-through of costs to prices in new contracts and by periodic contractual readjustments.

Adjusted EBITDA was affected by the decline in sales profitability, explained above. Product Adjusted EBITDA, although lower, remained in positive territory.

In the year, a net income of R$ 55 million was recorded, which had the positive contribution of the recognition of tax credits from income tax and contribution that can be used for future profitability.

Lupatech and its subsidiaries have rights to offset tax losses and negative base of social contribution of R$ 1.9 billion, almost half of which in Lupatech S.A. This use is limited to offsetting 30% of taxable income for each year. At the current rate of 34%, this credit could represent tax savings of around R$ 630 million. For accounting purposes, the recording of the right to the deferred tax account in the Company's assets respects parameters of technical estimates and accounting standards, so that a balance of R$ 103 million was reestablished in the current balance sheet. However, the credit rights that effectively exist is much higher than the amount booked.

The Company had informed about negotiations with the federal tax authorities aimed at negotiating an Individual Transaction under the terms of Law 14,375/2022. In the meantime, the Company submitted a request to adhere to the Program for Early Settlement of Transactions and Enrollment of Active Debt of the Union of the Attorney General of the National Treasury - QuitaPGFN, established by Ordinance PGFN 8.798/2022 ("QuitaPGFN"). QuitaPGFN allows, among others, the early settlement of transaction agreement balances combining payments in cash and credits for income tax losses and CSLL negative basis. The use of said credits covers up to 70% (seventy percent) of the outstanding balance of the transaction agreements included in the request, providing a benefit of reduction in the balance of tax liabilities of R$ 20.9 million which would otherwise be paid in cash installments. After deduction with tax credits, R$ 8.5 million must be paid in cash divided into 12 (twelve) monthly installments. The Company's adhesion requests were substantially deferred.

In January 2023, the Company filed a request for termination of its court-supervised reorganization process. On March 14, 2023, a sentence was issued declaring the end of the judicial reorganization.

The end of the judicial reorganization is a relevant milestone in the company's history. The request was made on May 25, 2015, so the effort to restructure the company's liabilities and operations lasted almost 8 years. It is expected, naturally, that the end of the process will have a positive impact on the company's relationship with its customers, suppliers, investors and financiers, in view of the limitations that the company's status imposed on these partners.

In addition to widening horizons in commercial relations, the end of the judicial reorganization will also provide the necessary environment for the company to advance on other fronts relevant to its recovery, in particular access to capital markets.

On this last front, an investment agreement was announced and implemented with BPS Capital Gestão de Ativos S.A. ("BPS"), as per material facts dated February 7 and March 24, 2023. The operation aims to improve the company's capital structure, through the injection of new resources to support the business plan and the conversion debt into equity. Under the agreement, BPS will subscribe up to BRL 10 million reais from a private offering of debentures totaling BRL 25 million, combined with the issue of warrants that allow the capitalization of outstanding debt.

Rafael Gorenstein

CEO and IRO

Economic-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)	1Q22	2Q22	3Q22	4Q22	2021	2022
Products	**29,718**	**25,389**	**29,264**	**25,258**	**93,439**	**109,629**
Valves	29,456	24,445	27,677	22,489	90,653	104,067
Ropes and Composites	262	944	1,587	2,769	2,786	5,562
Services	**396**	**84**	**14**	**267**	**114**	**761**
Oilfield Services	396	84	14	267	114	761
Total	**30,114**	**25,473**	**29,278**	**25,525**	**93,553**	**110,390**

Consolidated Net Revenue reached R$ 110.4 million in the course of 2022, 18% higher than the R$ 93.5 million in 2021.

Valves

Comparing 2022 with 2021, there was a 15% growth in net revenue. The retraction observed in 4Q22 compared to 3Q22 is due to logistical difficulties faced, which undermined the production plan.

Ropes and Composites

The 100% year-on-year growth in revenue mainly reflects the resumption of the composites unit, with the supply of casings and oil production tubes. In the period there was also the beginning of the offer of naval cables in the market, with sales and deliveries completed.

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 December 31, 2022, the Company's order backlog in Brazil totaled R$ 73.7 million. On the same date, the Company had a balance of R$ 88.2 million in supply contracts, with no purchase obligation. (Note: the figures do not include overdue bids for which the respective orders or contracts have not yet been issued).

Gross Profit and Gross Margin

Gross Profit (R$ thd)	1Q22	2Q22	3Q22	4Q22	2021	2022
Products	**6,729**	**6,808**	**6,485**	**5,197**	**25,301**	**25,219**
Gross Margin - Products	*22.6%*	*26.8%*	*25.7%*	*20.6%*	*27.1%*	*23.0%*
Services	**25**	**8**	**5**	**(10)**	**(58)**	**28**
Gross Margin - Services	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*	*n/a*
Total	**6,754**	**6,816**	**6,490**	**5,187**	**25,243**	**25,247**
Gross Margin - Total	*22.4%*	*26.8%*	*22.2%*	*20.3%*	*27.0%*	*22.9%*
Depreciation	**1,307**	**1,244**	**1,569**	**5,392**	**5,431**	**9,512**
Depreciation Products	988	953	1,141	930	3,966	4,012
Depreciation Services	319	291	428	4,462	1,465	5,500
Gross Profit without depreciation	**8,061**	**8,060**	**8,059**	**10,578**	**30,674**	**34,759**
Gross Profit without depreciation Products	**7,717**	**7,761**	**7,626**	**6,128**	**29,267**	**29,232**

**n/a - não aplicado*

Products

Gross Profit in 4Q22 reached R$ 5.2 million, with a margin of 20.6% against R$ 6.5 million with a margin of 25.7% in 3Q22.

Comparing the year 2022 with 2021, there is a decrease in the gross margin of 4.1 percentage points.

The drop in margins during 2022 is a reflection of the post-pandemic inflationary surge and higher costs with international logistics and productive arrangements to mitigate delays.

Services

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

Expenses

Expenses (R$ thd)	1Q22	2Q22	3Q22	4Q22	2021	2022
Total Sales Expenses	**2,486**	**2,571**	**2,596**	**2,579**	**9,217**	**10,232**
Sales Expenses - Products	2,486	2,571	2,596	2,579	9,216	10,232
Sales Expenses - Services	-	-	-	-	1	-
Total Administrative Expenses	**5,523**	**5,426**	**6,027**	**5,789**	**21,946**	**22,765**
Administrative Expenses - Products	2,741	2,864	3,381	3,091	9,654	12,077
Administrative Expenses - Services	2,782	2,562	2,646	2,698	12,292	10,688
Management Fees	**872**	**720**	**1,824**	**1,335**	**3,842**	**4,751**
Total Expenses	**8,881**	**8,717**	**10,447**	**9,702**	**35,005**	**37,747**

Sales Expenses

In 2022, the Company's business expenses totaled R$ 10.2 million versus R$ 9.2 million in 2021. The increase was mainly to support sales growth and the evolution of logistics costs and commissions.

Administrative Expense

Administrative expenses totaled R$ 22.8 million in 2022. The increase of 3.7% compared to the year 2021 is due, substantially, to expenses with municipal taxes previously exempted.

Management Compensation

The amount presented is composed of fixed and variable remuneration. In 2022, variable compensation was calculated and credited for the year 2021 and the 2020 Long-Term Incentive Plan.

Other Revenues and Operational (Expenses)

Other Operating (Expenses) (R$ thd)	1Q22	2Q22	3Q22	4Q22	2021	2022
Products	95	(721)	(933)	(4,722)	(3,779)	(6,281)
Expenses with Idleness - Products	(2,953)	(5,029)	(4,708)	(5,870)	(13,325)	(18,560)
Services	406	(1,152)	(182)	(20,888)	(21,992)	(21,816)
Expenses with Idleness - Services	(19)	(6)	(5)	-	(187)	(31)
Total	**(2,471)**	**(6,908)**	**(5,828)**	**(31,480)**	**(39,283)**	**(46,687)**

In 4Q22, R$ 7.8 million were recorded as "Other Operating Income" against R$ 39.3 million as "Other Operating Expenses", totaling a net effect of R$ 31.5 million. The following factors stand out:

I. R$ 4.2 million of negative net effect on the disposal of fixed assets;

II. R$ 4.1 million of recognition of depreciation of real estate as investment property to meet business combination accounting standards;

III. R$ 11.9 million from the recognition of impairment on other assets;

IV. R$ 5.8 million in idle production expenses;

V. R$ 1.0 million corresponding to the negative net effect arising from the recognition of taxes and recovery of taxes, and adjustments of credit balances with the client;

VI. R$ 4.8 million with obsolescence and extraordinary losses with inventories;

VII. R$ 0.3 million corresponds to the positive net effect by updates of contingent processes according to the analysis of the legal advisors.

Financial Result

Financial Results (R$ thd)	1Q22	2Q22	3Q22	4Q22	2021	2022
Financial Revenue*	2,498	11,001	2,885	3,139	44,486	19,523
Financial Expense*	(19,620)	(5,138)	(6,453)	(14,448)	(23,310)	(45,659)
Net Financial Results*	(17,122)	5,863	(3,568)	(11,309)	21,176	(26,136)
Net Exchange Variance	33,171	(19,885)	(4,745)	7,298	(14,101)	15,839
Net Financial Results - Total	16,049	(14,022)	(8,313)	(4,011)	7,075	(10,297)

* Excluding Exchange Variance

The Company's total net financial result in 4Q22 was negative by R$ 4.0 million and has as main effect the updating of interest and fines on taxes, suppliers and loans. Comparing to 3Q22, the net financial result was 48% lower than in 3Q22 due to the fact that the exchange rate variation was positive in 4Q22.

In the year-on-year comparison, in 2022 the total financial result was negative in R$ 10.3 million versus a positive result of R$ 7.1 million in 2021. It is important to mention that on the previous year was recorded the gain on the legal arbitration for the breach of non-competition agreement signed at the time of the acquisition of the Mooring Ropes unit.

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 these entities, so that there are exchange rate variations recorded directly in the company's equity, without going through profit and loss accounts.

Adjusted EBITDA from Operations

EBITDA Adjusted (R$ thd)	1Q22	2Q22	3Q22	4Q22	2021	2022
Products	**2,113**	**2,767**	**1,201**	**(150)**	**8,923**	**5,931**
Margin	7.1%	10.9%	4.1%	-0.6%	9.6%	5.4%
Services	**(2,413)**	**(2,807)**	**(1,976)**	**(2,085)**	**(9,692)**	**(9,281)**
Margin	n/a	n/a	n/a	n/a	n/a	n/a
Total	**(300)**	**(40)**	**(775)**	**(2,235)**	**(770)**	**(3,349)**
Margin	-1.0%	-0.2%	-2.6%	-8.8%	-0.8%	-3.0%

Adjusted EBITDA for Products in the quarterly comparison decreased, mainly due to the decline in sales margins.

In the year-on-year comparison, although the volume of sales increased, there was a reduction in the margins of the period. This reduction is a consequence of the increase in raw material costs and logistics due to the post-pandemic inflationary surge.

Services Adjusted EBITDA is composed of legacy management costs.

Adjusted Ebitda Reconciliation (R$ thd)	1Q22	2Q22	3Q22	4Q22	2021	2022
Gross Profit	6,754	6,816	6,490	5,187	25,243	25,247
SG&A	(8,009)	(7,997)	(8,623)	(8,368)	(31,163)	(32,997)
Management Compensation	(872)	(720)	(1,824)	(1,335)	(3,842)	(4,751)
Depreciation and Amortization	1,307	1,244	1,569	5,392	5,431	9,512
Other Operating Expenses	(2,470)	(6,909)	(5,828)	(31,480)	(39,283)	(46,687)
Ebitda	**(3,290)**	**(7,566)**	**(8,216)**	**(30,604)**	**(43,614)**	**(49,676)**
Result of disposal or write-off of assets	325	2,111	(1,189)	16,079	7,926	17,326
Provisions for Legal Proceedings	(600)	(593)	1,652	(337)	(948)	122
Idle expenses	2,637	5,231	4,200	5,870	11,190	17,938
Expenses with Restructuring and Other Extraordinary Expenses	628	777	2,778	6,757	24,677	10,940
Adjusted EBITDA	**(300)**	**(40)**	**(775)**	**(2,235)**	**(770)**	**(3,349)**

Reconciliation of Adjusted Ebitda (R$ thd)	4Q22 Products	4Q22 Services	4Q22 Total
Gross Profit	5,197	(10)	5,187
SG&A	(5,670)	(2,698)	(8,368)
Management Compensation	(934)	(401)	(1,335)
Depreciation and Amortization	930	4,462	5,392
Other Operating Expenses	(10,592)	(20,888)	(31,480)
Ebitda	**(11,069)**	**(19,535)**	**(30,604)**
Result of disposal or write-off of assets	(24)	16,103	16,079
Provisions for Legal Proceedings	(11)	(326)	(337)
Idle expenses	5,870	-	5,870
Restructuring Process and Other Extraordinary Expenses	5,084	1,673	6,757
Adjusted EBITDA	**(150)**	**(2,085)**	**(2,235)**

Non-recurring expenses in 4Q22 refer mainly to the disposal of assets, update of contingent processes, idle production and extraordinary expenses related to judicial reorganization.

Net Result

Net Result (R$ thd)	1Q22	2Q22	3Q22	4Q22	2021	2022
Result Before Income Tax and Social Contribution	11,452	(22,832)	(18,098)	(40,007)	(41,971)	(69,485)
Income Tax and Social Contribution - Current	(6)	-	-	6	(4)	-
Income Tax and Social Contribution - Deferred	3,470	(822)	13	121,690	635	124,351
Net Profit for the Period	**14,916**	**(23,654)**	**(18,085)**	**81,689**	**(41,340)**	**54,866**
Profit (Loss) per 1,000 Shares	1.15	0.40	0.05	4.61	(1.42)	1.81

The positive net result obtained in 4Q22 and in fiscal year 2022 is mainly influenced by the registration to the deferred income tax and social contribution account of credits arising from estimated recoverability of tax carryforwards subject to offsetting with future estimated taxable income, in the amount of R$ 103,000.

Working Capital

Working Capital (R$ thd)	2021	2022
Accounts Receivable	20,943	27,128
Inventories	41,127	39,247
Advances of suppliers	5,669	6,703
Recoverable taxes	64,608	51,160
Other Accounts Receivable	33,377	4,549
Total Asset	**165,724**	**128,787**
Suppliers	11,171	16,936
Advances from Customers	9,237	8,037
Taxes payable	17,793	25,977
Other Accounts Payable	2,792	5,698
Payroll and charges	4,519	5,603
Total Liabilities	**45,513**	**62,251**
Working Capital Employed	**120,211**	**66,536**
Working Capital Variation	61,964	(53,675)

In the comparison of 2022 with 2021, there is a reduction in working capital employed. Such reduction is mainly due to: (i) variation in taxes to be recovered, due to the estimate of loss due to non-recoverability - (impairment) on collection and recovery of credit, (ii) classification for the long term of the amount receivable related to the arbitration procedure of Cordoaria São Leopoldo Ltda (value classified in the account – Other Accounts Receivable), and (iii) the increase in taxes to be collected due to the re classification to the short term, following the adhesion to the "QuitaPGFN" amnesty.

Cash and Financial Investments

Cash and cash equivalents (R$ thd)	2021	2022
Cash and Cash Equivalents	19,176	13,171
Total	**19,176**	**13,171**

The Company's consolidated Cash position and Financial Investments in 2022 reached R$ 13.2 million compared to R$ 19.2 million in 2021.

Indebtedness

Debts (R$ thd)	2021	2022
Short Term	**38,231**	**54,308**
Credits subject to Judicial Recovery	3,361	4,331
Credits not subject to Judicial Recovery	34,870	49,977
Long Term	**90,587**	**101,346**
Credits subject to Judicial Recovery	90,587	95,526
Credits not subject to Judicial Recovery	-	5,820
Total Debts	**128,818**	**155,654**
Cash and Cash Equivalents	19,176	13,171
Net Debt	**109,642**	**142,483**

The increase in financial indebtedness between 2022 and 2021 is due to the raising of funds from financial institutions to finance the expansion of activity.

Investment

Investments (R$ thd)	2021	2022
Others Investments	21,942	21,942
Fixed Assets	147,474	138,386
Intangible Assets	84,745	83,749
Total	**254,161**	**244,077**

The variation presented in the balances of investments refers mainly to the disposal and impairment of fixed assets, recognition of depreciation, amortization, and the effect of exchange variations on the fixed assets of foreign subsidiaries.

Annexes

Annex I - Income Statements (R$ Thousand)

	2021	2022
Net Revenue From Sales	93,553	110,390
Cost of Goods and Services Sold	(68,310)	(85,143)
Gross Profit	25,243	25,247
Operating Income/Expenses	(74,288)	(84,435)
Selling	(9,217)	(10,232)
General and Administrative	(21,946)	(22,765)
Management Fees	(3,842)	(4,751)
Other Operation Income (Expenses)	(39,283)	(46,687)
Net Financial Result	7,075	(10,297)
Financial Income	44,486	13,161
Financial Expenses	(23,310)	(39,297)
Net Exchange Variance	(14,101)	15,839
Loss Before Income Tax and Social Contribution	(41,970)	(69,485)
Provision Income Tax and Social Contribution - Current	(4)	-
Provision Income Tax and Social Contribution - Deferred	634	124,351
Gain (Loss) for the Period	(41,340)	54,866

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

	2021	2022
Adjusted EBITDA from Operations	(770)	(3,349)
Expenses with Restructuring and Other Extraordinary Expenses	(24,675)	(10,940)
Provisions for Losses, Impairment and Net Result on Disposal of Assets	(6,978)	(17,448)
EBITDA from Operations	(32,424)	(31,738)
Depreciation and amortization	(5,431)	(9,512)
Net Financial Result	7,075	(10,297)
Income Tax and Social Contribution - Current and Deferred	630	124,351
Idleness Expenses	(11,190)	(17,938)
Net Income (Loss)	(41,340)	54,866

Annex III – Consolidated Balance Sheets (R$ Thousand)

	2021	2022
Total Asset	**503,026**	**573,102**
Current Assets	**231,140**	**181,288**
Cash and Cash Equivalents	19,176	13,171
Accounts Receivable	20,943	27,128
Inventories	41,127	39,247
Recoverable Taxes	64,608	51,160
Other Accounts Receivable	33,377	4,549
Prepaid Expenses	278	716
Advances to Suppliers	5,669	6,703
Assets Classified as Held for Sale	45,962	38,614
Non-Current Assets	**271,886**	**391,814**
Securities-restricted	44	44
Judicial Deposits	10,457	7,640
Impostos a Recuperar	1,133	1,831
Deferred Income Tax and Social Contribution	-	103,000
Other Accounts Receivable	6,091	35,222
Investments	21,942	21,942
Property, Plant and Equipment	147,474	138,386
Intangible Assets	84,745	83,749
Total Liabilities and Shareholders Equity	**503,026**	**573,102**
Current Liabilities	**85,303**	**118,650**
Suppliers - Not Subject to Judicial Recovery	6,047	10,748
Suppliers - Subject to Judicial Recovery - Class I	365	364
Suppliers -Subject to Judicial Recovery	4,759	5,824
Loans and Financing - Not Subject to Judicial Recovery	34,870	49,977
Loans and Financing - Subject to Judicial Recovery	3,361	4,331
Provisions Payroll and Payroll Payable	4,519	5,603
Commissions Payable	364	326
Taxes Payable	17,793	25,977
Obligations and Provisions for Labor Risks - Subject to Judicial	395	1,144
Advances from Customers	9,237	8,037
Other Accounts Payable	2,792	5,698
Provision for Contratual Fines	801	621
Non-Current Liabilities	**272,652**	**266,746**
Suppliers - Subject to Judicial Recovery	55,524	59,788
Loans and Financing - Subject to Judicial Recovery	90,587	95,526
Loans and Financing - Not Subject to Judicial Recovery	-	5,820
Taxes Payable	36,067	20,522
Deferred Income Tax and Social Contribution	46,984	46,208
Provision for Contigencies	33,786	32,915
Obligations and Provisions Labor Risks - Subject to Judicial	4,510	2,836
Other Accounts Payable	5,194	3,131
Shareholders' Equity	**145,071**	**187,706**
Capital Stock	1,897,348	1,898,871
Capital reserve	3,612	2,967
Capital Transaction Reserve	136,183	136,183
Equity Valuation Adjustment	204,671	191,562
Accumulated Losses	(2,096,743)	(2,041,877)

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

	2021	2022
Cash Flow from Operating Activities		
Profit (loss) for the periods	(41,340)	54,866
Adjustments:		
Depreciation and Amortization	5,432	9,512
Income from sale of property, plant and equipment	(10,524)	7,675
Financial charges and exchange variation on financing	28,272	8,913
Reversal (Provision) for loss due to non-recoverability of assets	16,222	(7,614)
Deferred Income Tax and Social Contribution	(10,208)	(103,000)
Inventory obsolescence	17	(2,231)
(Reversal) Estimated losses for doubtful accounts	(156)	(1,685)
Actual losses with doubtful accounts	9	1,034
Adjust to present value	(10,755)	10,669
Fair value adjustment	43,605	(13,605)
Changes in Assets & Liabilities		
(Increase) Decrease in Accounts Receivable	(1,574)	(5,683)
(Increase) Decrease in Inventories	(9,212)	4,111
(Increase) Decrease in Recoverable Taxes	(486)	11,966
(Increase) Decrease in Other Assets	(16,588)	967
(Increase) Decrease in Suppliers	(96)	2,728
(Increase) Decrease in Taxes Payable	9,967	(15,762)
(Increase) Decrease in Others Accounts Payable	(17,217)	12,622
Net Cash Flow from Operating Activities	**(14,632)**	**(24,517)**
Cash Flow from Investment Activities		
Short Liabilities	(4,280)	-
Investment property	6,428	-
Securities - restricted account	309	383
Resources from the sale of fixed assets	27,329	6,399
Aquisition of Property, Plant and Equipment	(25,796)	(1,847)
Aquisition of Intangible Assets	(76)	(62)
Net Cash Flow from (Used in) Investment Activities	**3,914**	**4,873**
Cash Flow from Financing Activities		
Borrowing and financing	108,752	144,710
Capital increase (decrease)	4,185	1,523
Debentures Convertible into Shares	(1,037)	-
Payment of loans and financing	(103,021)	(132,594)
Net Cash Flow from Financing Activities	**8,879**	**13,639**
Net Increase (Decrease) in Cash and Cash Equivalents	**(1,839)**	**(6,005)**
At the Beginning of the Period	21,015	19,176
At the End of the Period	19,176	13,171

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 power poles and tubes for coating oil pipelines.

LUPATECH S.A. - IN JUDICIAL RECOVERY

BALANCE SHEET
(In R$ Thousands)

		Parent		Consolidated	
ASSETS	Note	12/31/2022	12/31/2021	12/31/2022	12/31/2021
CURRENT					
Cash and cash equivalents	5	2,734	1,098	13,171	19,176
Accounts receivables	6	18,227	15,301	27,128	20,943
Inventories	7	26,460	30,745	39,247	41,127
Recoverable taxes	8	35,791	37,564	51,160	64,608
Advances to suppliers		3,074	1,763	6,703	5,669
Other accounts receivable	9	3,730	30,562	4,549	33,377
Prepaid expenses		629	242	716	278
Accounts receivable - related parties	16.1	19,619	19,613	-	-
Assets classified as held for sale	10	3,236	3,236	38,614	45,962
Total current assets		113,500	140,124	181,288	231,140
NON-CURRENT ASSETS					
Other Credits		1	1	1	1
Judicial deposits	19.3	1,897	1,915	7,639	10,456
Securities-restricted	5.2	44	44	44	44
Recoverable taxes	8	1,115	1,124	1,831	1,133
Deferred income tax and social contribution	17	95,200	-	103,000	-
Accounts receivable - related parties	16.1	12,644	15,983	-	-
Other accounts receivable	9	32,848	163	35,222	6,091
Investments					
Direct and indirect associated companies	11.1	305,036	341,227	-	-
Investment property	11.2	-	-	21,942	21,942
Fixed assets	12	22,544	24,471	138,386	147,474
Intangibles					
Goodwill	13	61,479	61,479	82,166	82,166
Other intangíbles	13	1,292	2,274	1,583	2,579
Total Non-current assets		534,100	448,681	391,814	271,886
TOTAL ASSETS		647,600	588,805	573,102	503,026

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 12/31/2022	Parent 12/31/2021	Consolidated 12/31/2022	Consolidated 12/31/2021
CURRENT LIABILITIES					
Suppliers - not subject to Judicial Recovery	14	7,274	3,671	10,748	6,047
Suppliers - subject to Judicial Recovery Class I	14	364	365	364	365
Suppliers - subject to Judicial Recovery	14	5,824	4,759	5,824	4,759
Loans and financing - not subject to Judicial Recovery	15	32,194	14,762	49,977	34,870
Loans and financing - subject to Judicial Recovery	15	3,311	2,613	4,331	3,361
Provisions payroll and payroll payable		4,516	3,731	5,603	4,519
Commissions payable		241	321	326	364
Taxes payable	20	16,215	11,032	25,977	17,793
Obligations for labor risks and creditors- subject to Judicial Recovery		1,144	395	1,144	395
Advances from customers		332	1,630	8,037	9,237
Provision contratual fines		621	801	621	801
Other accounts payable	18	4,952	2,001	5,698	2,792
Related Parties - mutual and loans	16.1	32,559	31,857	-	-
Total current liabilities		109,547	77,938	118,650	85,303
NON-CURRENT LIABILITIES					
Suppliers - subject to Judicial Recovery	14	59,788	55,524	59,788	55,524
Loans and financing - not subject to Judicial Recovery	15	5,820	-	5,820	-
Loans and financing - subject to Judicial Recovery	15	61,830	57,813	95,526	90,587
Deferred income tax and social contribution	17	33,036	31,945	46,208	46,984
Taxes payable	20	8,815	23,148	20,522	36,067
Provision for contigencies	19.1	3,928	4,140	32,915	33,786
Obligations and provisions labor risks - subject to judicial Recovery		2,836	4,510	2,836	4,510
Other accounts payable	18	-	2,176	3,131	5,194
Related Parties - mutual and loans	16.1	174,294	186,540	-	-
Total non-current liabilities		350,347	365,796	266,746	272,652
SHAREHOLDERS' EQUITY	21				
Capital stock		1,898,871	1,897,348	1,898,871	1,897,348
Capital reserve to be realized		2,967	3,612	2,967	3,612
Capital transaction reserve		136,183	136,183	136,183	136,183
Equity valuation adjustments		191,562	204,671	191,562	204,671
Retained earnings / Accumulated losses		(2,041,877)	(2,096,743)	(2,041,877)	(2,096,743)
Parents company's interest		187,706	145,071	187,706	145,071
Non-controlling interests		-	-	-	-
Total shareholders' equity		187,706	145,071	187,706	145,071
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		647,600	588,805	573,102	503,026

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT OF INCOME
FOR THE PERIODS ENDED ON DECEMBER 31, 2021 AND 2022
(In thousands of Reais except Loss per share, or when indicated)

		Parent		Consolidated	
	Note	31/12/2022	31/12/2021	31/12/2022	31/12/2021
NET REVENUE FROM SALES	25	96,873	85,591	110,390	93,553
COST OF GOODS AND SERVICES SOLD	29	(71,472)	(60,083)	(85,143)	(68,310)
Profit gross		25,401	25,508	25,247	25,243
OPERATING INCOME/EXPENSES					
Selling	29	(9,552)	(8,812)	(10,232)	(9,217)
General and administrative	29	(15,240)	(13,035)	(22,765)	(21,946)
Management compensation	16.2/29	(3,032)	37	(4,751)	(3,842)
Equity pick-up	11.1	(27,172)	(33,648)	-	-
Other operating income (expenses)	27	(23,407)	(6,048)	(46,687)	(39,283)
OPERATING PROFIT (LOSS) BEFORE FINANCIAL RESULT		(53,002)	(35,998)	(59,188)	(49,045)
FINANCIAL RESULTS					
Financial income	28	10,567	22,253	13,161	44,486
Financial expenses	28	(26,431)	(18,461)	(39,297)	(23,310)
Exchange variation, net	28	14,317	(12,881)	15,839	(14,101)
PROFIT (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(54,549)	(45,087)	(69,485)	(41,970)
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	17	-	-	-	(4)
Deferred	17	109,415	3,747	124,351	634
PROFIT (LOSS) FOR THE PERIOD		54,866	(41,340)	54,866	(41,340)
PROFIT (LOSS) ATTRIBUTABLE TO					
Parent company's interest		54,866	(41,340)	54,866	(41,340)
Non-controlling interest		-	-	-	-
PROFIT (LOSS) PER SHARE (In Reais)					
Basic earnings per share	26	1.80758	(1.42487)	1.80758	(1.42487)
Diluted per share	26	1.80758	(1.42487)	1.80758	(1.42487)

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATMENT OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED ON DECEMBER 31, 2021 AND 2022
(In R$ Thousands)

	Parent		Consolidated	
	12/31/2022	31/12/2021	12/31/2022	31/12/2021
PROFIT (LOSS) FOR THE PERIOD	54,866	(41,340)	54,866	(41,340)
OTHER COMPREHENSIVE INCOME				
Exchange variation on investments abroad	(13,109)	-	(13,109)	-
COMPREHENSIVE INCOME OF THE PERIOD	41,757	(41,340)	41,757	(41,340)
TOTAL COMPREHENSIVE INCOME ALLOCATED TO:				
Participation of controlling shareholders	41,757	(41,340)	41,757	(41,340)
Non-controlling interests	-	-	-	-

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY
CONSOLIDATED STATEMENT OF CHANGES SHAREHOLDER'S EQUITY
FOR THE PERIODS ENDED ON DECEMBER 31, 2021 AND 2022

(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, 2020	**1,893,163**	**139,789**	**(2,055,403)**	**173,961**	**151,510**	**-**	**151,510**
Capital increase	4,185	-	-	-	4,185	-	4,185
Loss of period	-	-	(41,340)	-	(41,340)	-	(41,340)
Exchange variation on investments abroad	-	-	-	34,088	34,088	-	34,088
Implementation of the equity valuation adjustment	-	-	-	(3,378)	(3,378)	-	(3,378)
Capital reserve	-	6	-	-	6	-	6
BALANCE ADJUSTMENT IN DECEMBER 31, 2021	**1,897,348**	**139,795**	**(2,096,743)**	**204,671**	**145,071**	**-**	**145,071**
Capital increase	1,523	-	-	-	1,523	-	1,523
Profit of period	-	-	54,866	-	54,866	-	54,866
Exchange variation on investments abroad	-	-	-	(13,109)	(13,109)	-	(13,109)
Capital reserve	-	(645)	-	-	(645)	-	(645)
BALANCE ADJUSTMENT IN DECEMBER 31, 2022	**1,898,871**	**139,150**	**(2,041,877)**	**191,562**	**187,706**	**-**	**187,706**

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT CASH FLOW - INDIRECT METHOD
FOR THE PERIODS ENDED ON DECEMBER 31, 2021 AND 2022
(In R$ Thousands)

	Note	Parent		Consolidated	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
CASH FLOW FROM OPERATING ACTIVITIES					
Profit (Loss) for the period		54,866	(41,340)	54,866	(41,340)
Depreciation and amortization	12 e 13	4,482	4,420	9,512	5,432
Reversal (Estimated) for losses by non-recoverability of assets	12 e 13	-	-	(7,614)	16,222
Equity pick-up	11.1	27,172	33,648	-	-
Result on sale of fixed assets		(45)	(19,868)	7,675	(10,524)
Financial charges and exchange variation on financing		9,770	8,704	8,913	28,272
Deferred income tax and social contribution		(95,200)	(3,747)	(103,000)	(10,208)
Inventory Obsolescence		-	72	(2,231)	17
(Reversal) Estimated losses for doubtful accounts	6	(1,553)	(107)	(1,685)	(156)
Actual losses with doubtful accounts	6	918	-	1,034	9
Adjustment to present value	28	6,378	6,173	10,669	(10,755)
Adjustment to fair value		(554)	12,439	(13,605)	43,605
(Increase) decrease in operating assets:					
Accounts receivable		(2,430)	(1,936)	(5,683)	(1,574)
Inventories		4,285	(3,837)	4,111	(9,212)
Recoverable taxes		1,782	2,632	11,966	(486)
Other assets		(7,533)	(26,424)	967	(16,588)
(Increase) decrease in operating liabilities:					
Suppliers		1,652	126	2,728	(96)
Taxes payable		(13,793)	3,771	(15,762)	9,967
Others accounts payable		(1,134)	(37,225)	12,622	(17,217)
Cash flow from operating activities		**(10,937)**	**(62,499)**	**(24,517)**	**(14,632)**
CASH FLOW FROM INVESTING ACTIVITIES					
Overdue Liabilities		-	-	-	(4,280)
Payment of capital in subsidiaries		(4,088)	(30,344)	-	-
Property for investments	11.2	-	6,428	-	6,428
Securities-restricted	5.2	43	6	383	309
Resources from sale of fixed assets		108	23,490	6,399	27,329
Asset Acquisition	12	(1,666)	(1,721)	(1,847)	(25,796)
Additions to the intangible	12	(63)	(28)	(62)	(76)
Cash Flow from (Used in) Investment Activities		**(5,666)**	**(2,169)**	**4,873**	**3,914**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from loans and financing		89,787	76,021	144,710	108,752
Proceeds (Payment) from loans and financing - Related parties		653	71,691	-	-
Capital Increase	21	1,523	4,185	1,523	4,185
Payments of loans and financing		(73,724)	(85,255)	(132,594)	(103,021)
Convertible debentures in share		-	(1,037)	-	(1,037)
Net cash provided by financing activities		**18,239**	**65,605**	**13,639**	**8,879**
(REDUCTION) NET INCREASE OF CASH AND CASH EQUIVALENTS		**1,636**	**937**	**(6,005)**	**(1,839)**
Cash and cash equivalents at the beginning of period		1,098	161	19,176	21,015
Cash and cash equivalents at the end of period		2,734	1,098	13,171	19,176

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT OF ADDED VALUE
FOR THE PERIODS ENDED ON DECEMBER 31, 2021 AND 2022
(In R$ Thousands)

		Parent		Consolidated	
	Note	12/31/2022	12/31/2021	12/31/2022	12/31/2021
REVENUES					
Sales of goods, products and services (IPI including)	25	113,661	102,890	130,211	112,624
Gain on disposal of fixed assets		108	27,329	6,399	27,329
Reversal (estimated) for losses by non-recoverability of assets		-	-	-	7,001
Other revenues	27	2,956	13,517	19,459	25,946
Reversal (estimated) of losses on doubtful accounts	6	1,553	107	1,685	156
Actual losses with doubtful accounts	6	(918)	-	(1,034)	(9)
		117,360	**143,843**	**156,720**	**173,047**
ACQUIRED FROM THIRD PARTIES					
Cost of products, goods and services sold		(43,611)	(32,401)	(35,719)	(32,210)
Materials, energy, and other outsourced services		(13,028)	(13,557)	(25,936)	(24,688)
Loss on disposal of fixed assets		-	-	(13,145)	(17,173)
Estimated for losses due to non-recoverability of assets		(2,048)	-	(15,589)	(22,684)
Capital losses on investment		-	(17,197)	-	(17,197)
Other expenses	27	(24,423)	(29,697)	(43,811)	(42,506)
		(83,110)	**(92,852)**	**(134,200)**	**(156,458)**
GROSS ADDED VALUE		34,250	50,991	22,520	16,589
DEPRECIATION AND AMORTIZATION	11 e 12	(4,482)	(4,420)	(9,512)	(5,432)
NET ADDED VALUE GENERATED BY THE COMPANY		**29,768**	**46,571**	**13,008**	**11,157**
ADDED VALUE RECEIVED IN TRANSFER					
Equity pick-up	10.1	(27,172)	(33,648)	-	-
Financial income	28	65,036	56,348	80,541	102,613
		37,864	**22,700**	**80,541**	**102,613**
TOTAL ADDED VALUE TO BE DISTRIBUTED		**67,632**	**69,271**	**93,549**	**113,770**
DISTRIBUTION OF ADDED VALUE		**67,632**	**69,271**	**93,549**	**113,770**
Staff:		**35,245**	**28,402**	**43,841**	**33,910**
Direct compensation		25,894	21,120	32,073	25,080
Benefits		7,580	5,694	9,500	6,933
FGTS		1,771	1,588	2,268	1,897
Taxes and contributions:		**(89,386)**	**16,471**	**(96,482)**	**25,173**
Federal		(98,450)	16,345	(107,497)	24,930
States		8,716	-	10,598	-
Municipal		348	126	417	243
Remuneration of third party capital:		**66,907**	**65,738**	**91,324**	**96,027**
Interest and other financial expenses	28	66,583	65,437	90,839	95,537
Rent		324	301	485	490
Remuneration (loss) from equity:		**54,866**	**(41,340)**	**54,866**	**(41,340)**
Profit (Loss) of period		54,866	(41,340)	54,866	(41,340)
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, 2022 and 2021

(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 the "Group") is a corporation headquartered in Nova Odessa, São Paulo State, with shares traded on the São Paulo stock exchange ("B3" LUPA3).

The group, which has 448 employees, operates in manufacturing **(Products segment)** producing mainly industrial valves; valves for oil and gas; synthetic fiber ropes for anchoring oil platforms and various other applications; and composite material artifacts, such as tubular poles and jackets for coating oil pipes.

The Company operated in the oil services business **(Services segment)**, of which several assets remain in the process of demobilization, as well as the legacy associated with it.

1.1 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 had a favorable decision regarding a special appeal, determining the removal of a fine previously imposed on the company for delaying litigation improperly applied by the São Paulo Court of Justice that 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 creditors at the Creditors' General Meeting and ratified in court on November 26, 2020, and the ratification decision was not aggravated by any creditor, so the amendment to the plan became binding on class I creditors and III. The Addendum to the Plan had significant effects on the Company's Public Debt, reflecting the reduction of R$ 74,000 in the debt on December 31, 2020.

The company provided all the necessary information to the receiver so that he could produce the required documents so that the responsible Court can evaluate the closure of the process. This time, the receiver presented in the file the updated General Provisional Creditors Framework and a detailed report, in which he submits the facts to the Court with a view to closing the process.

II. About theJudicial 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.

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. Restructuring 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 I, 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. ***Restructuring 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.

As per the Notice to the Market of October 18, 2021, the Company has completed the mandatory replacement of the Notes issued on October 8, 2014. The Depository Trust Company ("DTC") has replaced US$ 49,302 in principal amount currently held by DTC by (a) US$ 14,628 in aggregate principal amount of 0.4% of the Company's Secured Fixed Rate Notes and 1,482,487 "Warrants" which are exercisable for an equal number of warrants. Each subscription warrant is converted into one Lupatech common share at an exercise price of R$ 0.88. The Deed dated October 18, 2021, in which the "New Notes" are issued by Lupatech Finance Limited, has Lupatech as Guarantor, and Wilmington Savings Fund Society, FSB "New Notes Trustee", as trustee, paying agent , registrar and transfer agent.

On October 28, 2021, the Company became aware of the judicial decision issued by the New York Bankruptcy Court, which, due to the conclusion of the issuance of the New Notes and Subscription Warrants, determined the termination of Chapter 15 in the United States of America.

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.

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, II, 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, II , III and IV of the Company 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 Issue, 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 up under the terms of article 171, paragraphs 2 and 3, Brazilian Corporate Law.

Termination of Judicial Reorganization

On March 14, 2023, the Company became aware that the end of the judicial recovery of Lupatech S.A. and subsidiaries (“Grupo Lupatech”), pursuant to the sentence handed down in the Judicial Reorganization process of the Lupatech Group, which is being processed under number 1050924-67.2015.8.26.0100, with the 1st Bankruptcy and Judicial Reorganization Court of São Paulo.

1.2 Operational continuity

During the year ended December 31, 2022, the Company incurred a loss before income tax and social contribution of R$ 54,549 in the parent company and R$ 69,485 in the consolidated (loss before income tax and social contribution of R$ 45,087 in the parent company and R$ 41,970 in the consolidated for the year ended December 31, 2021) and on December 31, 2022, the Company's total current assets exceeded current liabilities by R$ 3,953 in the parent company, and in the consolidated, total assets current assets exceeded total current liabilities by R$ 62,638 (on December 31, 2021, total current assets exceeded total current liabilities by R$ 62,186 in the parent company, and in the consolidated, total current assets exceeded total current liabilities by R$ 145,837).

The Lupatech Group seeks to overcome the economic and financial crisis and restructure its business through the judicial reorganization process, according to the judicial reorganization plan presented to its creditors, with the objective of preserving its business activity, recovering its prominent position as one of the most relevant economic groups in Brazil related to the oil and gas sector, as well as to remain a source of wealth generation, taxes and jobs. Despite the improvement in results, continuity depends not only on improved performance, but also on the Company's success in obtaining additional resources needed to supply working capital and service debt.

In the scenarios developed by Management, the estimates indicate the need to obtain additional financial resources to raise working capital levels to support the resumption of operations. Such resources could come, for example, and without being limited to, from new lines of credit, capital increase with or without conversion of debts, sale of assets or equity interests, refund of tax credits and reprofiling of liabilities. Management pursues all of these options.

The Company has been successful in certain measures implemented since the filing of the Judicial Reorganization request, which made it possible to inject substantial resources into its operations. Among such measures, it is worth mentioning the receipt of relevant amounts from its main client, sale of equity interests, sale of fixed assets and refund of tax credits.

Several measures to obtain resources are pursued with the purpose of providing the necessary working capital for raising the level of activity and servicing the debt. The amount of capital needed to finance the resumption depends on the speed of the resumption itself.

In August 2020, the Company became aware of the final decision rendered in the Arbitration Proceeding, pending before the Federasul Arbitration Chamber (CAF), filed by the Company against

Cordoaria São Leopoldo Ltda., aiming at the application of contractual penalties for breach of non-compete agreement arising from the acquisition of the Anchoring Ropes unit. The Company was victorious in the referred arbitration proceeding, having been recognized the non-compliance with the non-compete clause, resulting in the sentence to pay a contractual fine to Lupatech. On September 23, 2021, in view of a new favorable decision, the Company recognized in the balance sheet the process gain in the amount of R$ 22,738. As of December 31, 2022, the updated amount of the lawsuit is R$ 32.783.

On February 22, 2021, the company became aware of a partial award in an arbitration proceeding with the Market Arbitration Chamber, filed against GP Investimentos, San Antonio Internacional and its vehicles, which substantially granted the claims made by the Company. On the date of publication of these financial statements, the process was awaiting the delivery of the final judgment (Explanatory Note 19.2). On March 26, 2021, the Company received reimbursements in the amount of R$ 5,222 as a result of voluntary compliance with the partial sentence.

On August 18, 2021, the Brazilian Federal Revenue Service complied with the preliminary injunction in the context of a writ of mandamus filed by Lupatech S/A determining the authorization to offset the PIS and COFINS credits levied on ICMS, resulting from a court decision with partial transit in res judicata, whose effectiveness had not been recognized. As a result of compliance with the court decision, Lupatech S.A. is now able to offset credits in the amount of R$ 29,465 with current federal taxes due, except for social security. In the same period of 2021, the credit of Mipel Comércio e Industria de Peças Técnicas Ltda was enabled in the amount of R$ 1,327.

In November 2021, the final and unappealable judgment in favor of the affiliate Lupatech Equipamentos e Serviços para Petróleo Ltda was certified in the records of the Writ of Mandamus filed by the Company, which discusses the exclusion of ICMS from the calculation base of PIS and COFINS. As a result of compliance with the court decision, Lupatech Equipamentos is now able to enjoy this credit in the amount of R$ 3,634, subject to offsetting or reimbursement.

In August 2022, there was a final and unappealable decision in favor of Lupatech S/A, guaranteeing the right to reimbursement or compensation of ICMS levied on PIS and COFINS, collected in the period from January 2015 to July 2021 updated by SELIC, the amount of said credit on December 31, 2022 is R$ 2,836. In 2022, due to Ibracon Circular Letter 07/2021 and final and unappealable decision in favor of the affiliate Mipel Comércio e Industria de Peças Técnicas Ltda, the amounts of R$ 715 thousand related to taxes paid on March 15, 2017 were recognized until July 4, 2021 and R$ 1,181 corresponding to taxes collected from 2002 to 2008.

The Board of Directors, in meetings held in August and September 2022, approved the contracting of loans and financing by the Company with financial institutions. As well as issuing bank credit notes, export credit notes, signing foreign exchange contracts, derivatives and respective amendments, including all their renegotiations and renegotiations, in the amount of R$ 7,500. The constitution of the aforementioned guarantees for a period greater than or equal to thirty-six months was also approved.

On December 29, 2022, the Company submitted a request to join the Program for Early Settlement of Transactions and Enrollment of Active Debt of the Union of the General Attorney of the National Treasury - “QuitaPGFN”, established by Ordinance PGFN 8.798/2022. The Program allows, among others, the early settlement of transaction agreement balances combining payments in cash and with IRPJ tax loss credits and CSLL negative basis. The use of said credits covers up to 70% of the outstanding balance of the transaction agreements included in the request, generating a direct benefit to Grupo Lupatech in the reduction of the balance of tax liabilities of R$ 20,955, which in the Financial Statements of September 30, 2022 were found- if paid in cash in installments. After deduction with tax credits, the remaining balance must be paid in cash (Explanatory Note No. 20), divided into 12 monthly installments.

Lupatech signed supply contracts, with no purchase obligation. The readjusted value of the contracts in force on the date of the financial statements is R$ 88 million. Such events are important indicators of the expected resumption of activity in the industry and its benefits for Lupatech.

Certain business units have had their operations substantially affected by the Oil and Gas market conditions, by the economic crisis in Brazil and by 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 necessary resources for their working capital are provided.

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

1.3 Pandemic (Covid-19) and War in Ukraine

In mid-March 2020, the Company began to face the consequences of the COVID-19 Pandemic. From the second quarter of 2021 onwards, a reheating of commercial activity was observed, which had suffered again in early 2021 with the outbreak of the second wave of the pandemic. At the end of the first quarter of 2022, outbreaks of the disease in China has led to new lockdowns and the shutdown of factories and ports in that country, which once again exacerbated the already existing disruptions in global supply chains, including those in which the Company operates.

In February 2022, a war between Russia and Ukraine began with relevant international repercussions, both in the financial systems and in the global flow of a series of raw materials and products that have Russia as a major producer. There were immediate repercussions on the prices of a series of raw materials, such as nickel, a metal used in the production of various steel alloys.

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

2 Preparation basis

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

The consolidated financial statements was 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 Company's Management states that all relevant information specific to the financial information, and only it, is being disclosed, and that it corresponds to that used by it in its management.

The issuance of the Company's information for the period ended December 31, 2022 was authorized by the Board of Directors on March 28, 2023.

2.2 Functional currency and presentation currency

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

2.3 Basis of measurement

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

2.4 Basis of consolidation and investments in subsidiaries

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

2.4.1 Controlled companies

The Group controls an entity when it is exposed to, or is entitled to, the variable returns arising from its involvement with the entity and has the ability to affect those returns by exercising 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 on which the control ceases to exist.

In the individual financial statements, the financial information of subsidiaries is recognized using the equity method.

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

	Direct and Indirect participation (%)	
Direct and indirect subsidiaries	**12/31/2022**	**12/31/2021**
Direct participation		
Mipel Comércio e Indústria de Peças Técnicas Ltda- In Judicial Recovery - (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	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 Marítimos 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	100.00

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.

3 Main accounting practices

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 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 derecognize 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 derecognises a financial liability when its contractual obligation is withdrawn, canceled or expired.

Financial assets or liabilities are offset and the net amount presented 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

Financial assets measured at fair value through profit or loss
A financial asset is classified as measured 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 profit

or loss as incurred, are measured at fair value and changes in fair value, including interest and dividend gains are recognized in profit or loss for the year.

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 equivalentes
Cash and cash equivalents include cash, bank deposits and short-term investments. 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: securities held to maturity, securities available for sale and securities held for trading. The classification depends on the purpose for which the investment was acquired. When the purpose of acquiring the investment is to apply resources to obtain short-term gains, these are classified as trading securities; when the intention is to invest funds to hold the investments to maturity, these are classified as securities held to maturity, provided that Management intends and has the financial conditions to maintain the financial investment until 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, bonds and securities classified as trading securities and bonds and securities available for sale are measured at fair value. All are plus interest, monetary restatement, exchange variation, less impairment losses, when applicable, incurred up to the date of the financial statements.

Variations arising from the fair value measurement, with the exception of impairment losses, are recognized in other comprehensive income, when 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 to be non-recoverable.

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 liabilities - 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.

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 an adjustment account for receivables and liabilities and is allocated to income as financial income or expenses on an accrual basis, using the effective interest rate method.

3.3 Adjustement to fair value

For financial assets and liabilities not publicly quoted, the Company establishes the fair value using valuation techniques. The adjustment to fair value is presented in a specific account, determined as adjustment to fair value and its variation is allocated to profit or loss 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

An 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.

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 identifying assets that meet the classification criteria of "assets held for sale", that is, whose book value of the asset will be recovered through a sale operation instead of being used in the Company's own operation, they will be classified to current assets and measured at the lower of carrying amount and fair value less costs to sell. Depreciation of these assets must cease. The values of assets classified as held for sale are presented separately in the balance sheet.

Reclassification to investment property

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

Subsequent costs
Subsequent expenditures are capitalized to the extent that it is probable that future benefits associated with the expenditures will be accrued by the Company. Recurring maintenance and repair expenses are recorded in 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	12%
Molds and matrixes	19%
Industrial facilities	6%
Furniture and fixtures	12%
Date processing equipments	34%
Improvements	6%
Vehicles	19%

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 fair value through profit or loss

Losses from the impairment of available-for-sale financial assets are recognized by reclassifying the accumulated loss recognized in equity valuation adjustments in equity to profit or loss. The reclassified loss is the difference between the acquisition cost, net of any repayments and amortization of principal, and the current fair value, less any impairment previously recognized in profit or loss. If the fair value of a debt security, for which an impairment loss has been recognized, increases and this increase can be objectively related to an event that occurred after the impairment loss was recognised, then the impairment loss is reversed and the reversal amount is recognized in profit or loss. 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 17.

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.

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 those used for tax purposes. Changes in deferred tax assets and liabilities in the year are recognized as deferred income tax and social contribution expense. Deferred tax is not recognized for:

- emporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither taxable profit or loss nor accounting result;
- temporary differences relating to investments in subsidiaries, affiliates 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; It is
- taxable temporary differences arising from the initial recognition of goodwill.

A deferred tax asset is recognized in relation to unused tax losses and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they will be used. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that their realization is no longer probable.

Deferred tax assets and liabilities are measured based on the rates that are expected to apply to temporary differences when they are reversed, based on the rates that were in effect up to the balance sheet date. The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the manner in which the Company expects to recover or settle its assets and liabilities.

3.9 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 19). 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.

3.10 Other rights and obligations

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

3.11 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.

3.12 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 Comércio e Indústria de Peças Técnicas Ltda- In Judicial Recovery	Real	Brazil
Lupatech Equipamentos e Serviços para Petróleo Ltda.- In Judicial Recovery	Real	Brazil
Lupatech Finance Limited - In Judicial Recovery	American dollar	Cayman Islands
Recu S.A.	Argentinian peso	Argentina
Lochness Participações S/A - In Judicial Recovery	Real	Brazil
Lupatech Oil&Gas Coöperatief U.A.	American dollar	Netherlands
Ilno Administradora de Bens e Direitos Ltda	Real	Brazil
Indirect participation		
Recu S.A.	Argentinian peso	Argentina
Lupatech Oil&Gas Coöperatief U.A.	American dollar	Netherlands
Lupatech Perfuração e Completação Ltda.- In Judicial Recovery	Real	Brazil
Sotep Sociedade Técnica de Perfuração S/A - In Judicial Recovery	Real	Brazil
Prest Perfurações Ltda. - In Judicial Recovery	Real	Brazil
Itacau Agenciamentos Marítimos Ltda. - In Judicial Recovery	Real	Brazil
Matep S.A. Máquinas e Equipamentos - In Judicial Recovery	Real	Brazil
Amper Amazonas Perfurações Ltda. - In Judicial Recovery	Real	Brazil
UNAP International Ltd.	American dollar	Cayman Islands
Ciaval II Administração de Bens e Direitos SPE S.A	Real	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

All differences resulting from exchange rate translation are recognized in equity, in the Statement of Comprehensive Income, under "Cumulative Translation Adjustments" subgroup "Valuation Adjustments”.

3.13 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.

3.14 Investments in subsidiaries (Parent Company)

In the parent company's financial statements, investments in subsidiaries are valued using the equity method and the result of this valuation has an operating income account as a contra entry, with the exception of exchange variations on investments abroad, which are recorded in a specific equity account net, to be recognized in income and expenses upon sale or write-off of the investment.

3.15 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.

3.16 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.

3.17 New standards, amendments and interpretations:

The following amendments to standards were issued by the IASB but are not effective for the 2022 financial year. Early adoption of standards, although encouraged by the IASB, is not permitted in Brazil by the Accounting Pronouncements Committee (CPC).

• **Amendment to IAS 1 "Presentation of Financial Statements: in accordance with IAS 1 -** "Presentation of financial statements", for an entity to classify liabilities as non-current in its financial statements, it must have the right to avoid the settlement of liabilities by at least twelve months from the balance sheet date. In January 2020, the IASB issued an amendment to IAS 1 "Classification of liabilities as current or non-current", whose application date was for years beginning on or after January 1, 2023, which determined that the entity would not have the right to avoid the settlement of a liability for at least twelve months, if, on the balance sheet date, it had not complied with the indices provided for in restrictive clauses (eg covenants), even if the contractual measurement of the covenant was only required after the balance sheet date within twelve months.

• Subsequently, in October 2022, a new amendment was issued to clarify that liabilities that contain restrictive contractual clauses requiring the achievement of ratios under covenants only after the balance sheet date, do not affect the classification as current or non-current. Only covenants that the entity is required to comply with by the balance sheet date affect the classification of the liability, even if the measurement only takes place after that date.

• The 2022 amendment introduces additional disclosure requirements that allow users of financial statements to understand the risk of the liability being settled within twelve months after the balance sheet date. The 2022 amendment changed the date of application of the 2020 amendment. Accordingly, both amendments apply for fiscal years beginning on or after January 1, 2024.

• **Amendment to IAS 1 and IFRS Practice Statement 2 - Disclosure of accounting policies**: in February 2021, the IASB issued a new amendment to IAS 1 on disclosure of "material" accounting policies instead of "significant" accounting policies. The amendments define what is "material accounting policy information" and explain how to identify it. It also clarifies that immaterial accounting policy information does not need to be disclosed, but if it is, that it should not obscure the relevant accounting information. To support this amendment, the IASB also amended "IFRS Practice Statement 2 Making Materiality Judgments" to provide guidance on how to apply the concept of materiality to accounting policy disclosures. Said amendment is effective as of January 1, 2023.

• **Amendment to IAS 8 - Accounting Policies, Changes in Estimates and Correction of Errors:** the amendment issued in February 2021 clarifies how entities should distinguish changes in accounting policies from changes in accounting estimates, as changes in accounting estimates are applied prospectively to future transactions and other future events, but changes in accounting policies are generally applied retrospectively to past transactions and other past events, as well as to the current period. Said amendment is effective as of January 1, 2023.

• **Amendment to IAS 12 - Income Taxes:** the amendment issued in May 2021 requires entities to recognize deferred tax on transactions that, upon initial recognition, give rise to equal amounts of taxable and deductible temporary differences. This typically applies to lease transactions (right-of-use assets and lease liabilities) and decommissioning and restoration obligations, as an example, and will require the recognition of additional deferred tax assets and liabilities. Said amendment is effective as of January 1, 2023.

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

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 10 – Assets held for sale;
- Note 12 – Fixed Assets;
- Note 13 – Intangible;
- Note 17 – Income and social contribution taxes;
- Note 19 – Contingent processes and judicial deposits;

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 income tax assets is reviewed at each financial statement date and reduced by the amount that is no longer achievable through estimated future taxable income. It is calculated using the tax rates applicable to taxable income in the years in which these temporary differences are expected to be realized. Future taxable income may be greater or less than the estimates considered when defining the need to record, and the amount to be recorded, of 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 Group's Management bodies. These studies consider the profitability history of the Company and its subsidiaries and the prospect of maintaining profitability, allowing an estimate of credit recovery in future years. The other credits, which are based on temporary differences, mainly the provision for tax liabilities, as well as the 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

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.

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 Cash, financial investments and titles and restricted securities

5.1 Cash and financial investments

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Cash and banks				
Brazil	2,115	961	2,340	1,278
Abroad	-	-	14	-
Total	2,115	961	2,354	1,278
Financial Investments - CDB (*)				
Bank deposit certificate	619	137	10,817	17,898
Total	619	137	10,817	17,898
Cash, Banks and Financial Investments	2,734	1,098	13,171	19,176

(*) Remunerated at rates ranging between 31.75% and 100% CDI, resulting in a weighted average of approximately 76.99% of the CDI as of December 31, 2022.

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

5.2 Securities – Restricted

On December 31, 2022, the Company has R$ 44 in non-current assets related to the lease guarantee, both in the parent company and in the consolidated.

6 Accounts receivable from customers

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Local market	18,089	16,172	25,127	22,312
Export	2,118	2,662	4,347	2,662
	20,207	18,834	29,474	24,974
Less: allowance for doubtful accounts	(1,980)	(3,533)	(2,346)	(4,031)
	18,227	15,301	27,128	20,943
Current	18,227	15,301	27,128	20,943
Non-Current	-	-	-	-

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

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
To profit	423	1,963	2,669	3,305
To win	14,296	10,771	18,983	12,402
Due to 30 days	1,035	1,493	1,223	1,506
Due from 31 to 90 days	1,444	131	1,444	473
Due from 91 to 180 days	590	86	623	86
Due more than 180 days	2,419	4,390	4,532	7,202
	20,207	18,834	29,474	24,974

The value of the risk of possible losses is presented as an estimate for losses on doubtful debts. The constitution of these estimates is considered for amounts overdue for more than 360 days and follows the following criteria:

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

The write-off for loss complies with the parameters of the legislation and the recovery refers to the corresponding income from the recovery of the credit previously estimated as a loss, resulting from the effective receipt.

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Balance at the beginning of the year	3,533	3,640	4,031	4,187
Constitution	81	(15)	81	(33)
Write-off by loss	(1,543)	142	(1,675)	112
Recovery	(91)	(234)	(91)	(235)
Balance at the end of the year	1,980	3,533	2,346	4,031

Credit quality of accounts receivable from customers

The quality of receivables 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	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Group 1	1,243	3,583	3,443	4,266
Group 2	1,599	4,134	3,835	6,091
Group 3	15,385	7,584	19,850	10,586
	18,227	15,301	27,128	20,943

Subtitle:

Group 1 – New customers (less than 6 months of relationship with the Group).
Group 2 – Existing customers (more than 6 months with no default history).
Group 3 – Existing customers (more than 6 months with some default history. All defaults were recovered).

The Company has receivables pledged as collateral for loans, as shown in Note 15 under the caption "Securities discounted with co-obligation".

7 Inventory

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Finished goods	3,927	6,325	5,392	7,800
Goods for resale	1,691	4,645	3,487	6,453
Products in development	12,018	10,292	25,595	20,374
Raw material	16,672	16,466	31,033	30,529
Losses on inventory obsolescence	(7,848)	(6,983)	(26,260)	(24,029)
Total	26,460	30,745	39,247	41,127

The estimates for constitution of loss with obsolescence of inventories are based on the most reliable evidence at the time they are constituted, for items that have no future demand and that remain without turnover in the Company's inventory.

Below, movement of losses with inventories:

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Opening balance for the period	(6,983)	(7,055)	(24,029)	(24,046)
Loss estimate	(867)	(213)	(2,354)	(418)
Reversal	2	285	123	435
Final balance	(7,848)	(6,983)	(26,260)	(24,029)

8 Taxes to be recovered

	Parent		Consolidated	
Recoverable Taxes	**12/31/2022**	**12/31/2021**	**12/31/2022**	**12/31/2021**
ICMS recoverable	11,031	10,296	11,182	10,453
ICMS about PIS and COFINS	23,311	25,993	28,842	29,627
IPI to be recovered	1,371	1,454	1,599	1,681
PIS to be recovered	61	40	118	95
COFINS recoverable	281	184	398	331
IRRF to be recovered	11	11	407	434
IRPJ to be recovered	507	383	8,351	20,506
CSLL to be recovered	333	326	2,079	2,607
Others	-	1	15	7
Total	36,906	38,688	52,991	65,741
Current	35,791	37,564	51,160	64,608
Non Current	1,115	1,124	1,831	1,133

The origin of the credits listed above is as follows:

- **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.

- **ICMS about PIS and COFINS**– refers to the amount determined by the Company due to the final and unappealable decision favorable to the exclusion of ICMS from the PIS and COFINS calculation basis and as provided for in Ibracon Circular No. 07/2021.

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

- **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.

9 Other receivable accounts

As of December 31, 2022, the Company has the following balances recorded as other accounts receivable in current and non-current assets, as shown below:

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Other accounts receivable - Current				
Other accounts receivable	140	976	566	1,522
Arbitration Procedure CSL	-	25,227	-	25,227
Debentures convertible into shares	3,590	4,359	3,983	6,628
Total	3,730	30,562	4,549	33,377
Other accounts receivable - Non-current				
Arbitration Procedure CSL	32,783	-	32,783	-
Loans receivable from related Luxxon (*)	65	163	2,436	6,091
Other accounts receivable	-	-	3	-
Total	32,848	163	35,222	6,091

(*) The Company has a loan agreement with Luxxon Participações Ltda, and in the year 2022 an estimate of loss due to non-recoverability in the amount of R$ 3,655 was recognized.

10 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.

In the context of actions to restructure the Company's operations, Management has carried out actions and negotiations that may result in the sale of certain assets. The disposal of such assets is only considered highly probable to the extent that there is a prior understanding between the parties.

The Company hired the company Appraisal Evaluations and Engineering, to prepare valuation reports with the purpose of determining the market value of the assets held for sale, with base date December 31, 2022. The book value of the assets recorded in the Company's balance sheet is consistent with the independent appraisers' reports.

As of December 31, 2022, the balance of assets held for sale is shown as follows:

	Parent		Consolidated	
Assets classified as held for sale - Current assets	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Machinery and equipment	3,236	3,236	37,198	43,517
Industrial tools	-	-	1,412	2,329
Furniture and fixtures	-	-	2	3
Date processing equipments	-	-	-	111
Vehicles	-	-	2	2
Total	3,236	3,236	38,614	45,962

	Parent		Consolidated	
Assets classified as held for sale - Non-Current	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Total	-	-	-	-

Synthesis of assets held for sale:

	Parent							
Gross Cost	Land	Buildings and constructions	Machinery and equipment	Industrial Tools	Furniture and fixtures	Date processing equipments	Vehicles	Total
Balance on December 31, 2021	-	-	3,236	-	-	-	-	3,236
Additions	-	-	-	-	-	-	-	-
Disposal	-	-	-	-	-	-	-	-
Balance on December 31, 2022	-	-	3,236	-	-	-	-	3,236

	Consolidated							
Gross Cost	Land	Buildings and constructions	Machinery and equipment	Industrial Tools	Furniture and fixtures	Date processing equipments	Vehicles	Total
Balance on December 31, 2021	-	-	43,517	2,329	3	111	2	45,962
Disposal	-	-	(12,886)	(917)	(1)	(111)	-	(13,915)
Reversal/Estimation for non-recoverability of assets	-	-	8,902	-	-	-	-	8,902
Effect of the conversion of subsidiaries abroad	-	-	(2,335)	-	-	-	-	(2,335)
Balance on December 31, 2022	-	-	37,198	1,412	2	-	2	38,614

11 Investments

11.1 Investments in subsidiaries and affiliates

	Mipel	Recu	LESP	Finance	LO&G	Lochness	Ilno	Parent 12/31/2022	Parent 12/31/2021
Investment									
Amount of share or quotas									
Ordinary shares (thd)	-	3,000	-	-	-	-	97,765		
Capital stock quotas (thd)	38,113	-	-	50	-	-	-		
Participation %	100%	95%	100%	100%	5%	100%	100%		
Shareholders' equity	**9,655**	**133**	**15,301**	**102,725**	**5,611**	**83,783**	**97,764**		
Income for the period	(974)	-	(17,464)	(788)	(12,075)	1,191	-		
Unrealized profits	(549)	-	-	-	-	-	-		
Changes in investments									
Opening balance in the period	6,925	232	33,157	112,631	943	89,575	97,764	341,227	331,920
Advance for future capital increase	-	-	-	-	-	-	-	-	3,588
Capital increase	3,350	-	738	-	-	-	-	4,088	26,757
Equity in earnings	(1,169)	-	(17,464)	(5,078)	(603)	1,191	(4,049)	(27,172)	(33,648)
Equity valuation adjustment	-	(106)	(1,130)	(4,828)	(59)	(6,984)	-	(13,107)	12,610
Final balance in the period	**9,106**	**126**	**15,301**	**102,725**	**281**	**83,783**	**93,715**	**305,036**	**341,227**

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

11.2 Investment Property

It currently consists of land and built area, located in Macaé in Rio de Janeiro, where there are no operational 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.

As of December 31, 2022 and December 31, 2021, the balance of investment properties is R$ 21,942 in the consolidated. Balance measured at fair value, according to a technical report prepared by an independent company.

12 Fixed Assets

	Weighted avarage rate of depreciation % p.p.	Parent		Consolidated	
		12/31/2022	12/31/2021	12/31/2022	12/31/2021
		net fixed assets	net fixed assets	net fixed assets	net fixed assets
Land	-	3,751	3,751	13,730	13,730
Building and construction	2%	5,672	5,851	100,279	101,782
Machinery and equipment	12%	9,731	12,084	13,187	15,103
Molds and matrixes	19%	870	470	947	560
Industrial facilities	6%	383	79	1,729	1,606
Furniture and fixtures	12%	581	623	796	856
Date processing equipments	34%	253	198	416	115
Improvements	6%	340	328	912	939
Vehicles	19%	7	7	7	119
Advances for fixed assets acquisitions	-	100	113	5,452	11,331
Construction in progress	-	856	967	931	1,333
Total		22,544	24,471	138,386	147,474

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, 2021	**3,751**	**8,269**	**88,345**	**1,373**	**3,921**	**4,090**	**967**	**600**	**111,316**
Additions	-	-	397	53	11	116	1,060	29	1,666
Disposal	-	-	(8)	-	-	(5)	(58)	(31)	(102)
Transfer	-	-	490	632	(9)	-	(1,113)	-	-
Capitalized financial effect	-	-	-	-	-	-	-	(40)	(40)
Balance on December 31, 2022	**3,751**	**8,269**	**89,224**	**2,058**	**3,923**	**4,201**	**856**	**558**	**112,840**

	Parent								
Accumulated depreciation	**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, 2021	**-**	**(2,418)**	**(75,791)**	**(966)**	**(3,298)**	**(3,892)**	**-**	**(480)**	**(86,845)**
Additions	-	(179)	(2,841)	(369)	(43)	(56)	-	(2)	(3,490)
Disposal	-	-	7	-	-	1	-	31	39
Transfer	-	-	2	-	(2)	-	-	-	-
Balance on December 31, 2022	**-**	**(2,597)**	**(78,623)**	**(1,335)**	**(3,343)**	**(3,947)**	**-**	**(451)**	**(90,296)**

	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, 2021	**3,751**	**5,851**	**12,554**	**407**	**623**	**198**	**967**	**120**	**24,471**
Balance on December 31, 2022	**3,751**	**5,672**	**10,601**	**723**	**580**	**254**	**856**	**107**	**22,544**

	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, 2021	**13,730**	**110,032**	**113,560**	**5,280**	**6,743**	**7,428**	**1,333**	**21,572**	**279,678**
Additions	-	-	544	53	34	122	1,065	29	1,847
Disposal	-	-	(20,028)	(189)	(1,335)	(24)	(679)	(342)	(22,597)
Transfer	-	3,144	998	613	21	141	(29)	(4,888)	-
Reversal/estimate for non-recoverability of assets	-	-	9,226	-	54	-	(760)	(906)	7,614
Effect of the conversion of subsidiaries abroad	-	-	(4,575)	-	-	-	1	-	(4,574)
Assets held for sale	-	-	3,026	-	403	274	-	(1,538)	2,165
Capitalized financial effect	-	(24)	(264)	-	(186)	(50)	-	(64)	(588)
Balance on December 31, 2022	**13,730**	**113,152**	**102,487**	**5,757**	**5,734**	**7,891**	**931**	**13,863**	**263,545**

	Consolidated								
Accumulated depreciation	**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, 2021	**-**	**(8,250)**	**(97,897)**	**(2,735)**	**(5,887)**	**(7,313)**	**-**	**(10,122)**	**(132,204)**
Additions	-	(4,647)	(3,293)	(406)	(92)	(63)	-	(6)	(8,507)
Disposal	-	-	6,534	25	1,258	15	-	164	7,996
Transfer	-	-	2	-	(2)	-	-	-	-
Effect of the conversion of subsidiaries abroad	-	-	1,828	-	-	-	-	-	1,828
Assets held for sale	-	-	4,209	-	(401)	(164)	-	1,538	5,182
Capitalized financial effect	-	24	264	-	186	50	-	22	546
Balance on December 31, 2022	**-**	**(12,873)**	**(88,353)**	**(3,116)**	**(4,938)**	**(7,475)**	**-**	**(8,404)**	**(125,159)**

	Consolidated								
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, 2021	**13,730**	**101,782**	**15,663**	**2,545**	**856**	**115**	**1,333**	**11,450**	**147,474**
Balance on December 31, 2022	**13,730**	**100,279**	**14,134**	**2,641**	**796**	**416**	**931**	**5,459**	**138,386**

There are property, plant and equipment items linked to liability guarantees as of December 31, 2022, liabilities assessed at the time of attachment, in the following amounts:

Guaranted liabilities	Fixed Assets Parent	Fixed Assets Consolidated
Tax (tax foreclosures)	14,791	14,863
Loans and financing	35,920	37,559
Total	50,711	52,422

* Values according to Evaluation

13 Intangibles

	Weighted depreciation rate% per year	Parent 12/31/2022 net	Parent 12/31/2021 net	Consolidated 12/31/2022 net	Consolidated 12/31/2021 net
Goodwill on acquisition of investments	-	61,479	61,479	82,166	82,166
Software and other licenses	20%	319	1,037	353	1,085
Development of new products	20%	973	1,237	1,230	1,494
Total		62,771	63,753	83,749	84,745

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

Synthesis of movement of intangible assets:

	Parent			
Gross intangible cost	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2021	**61,479**	**13,265**	**10,228**	**84,972**
Additions	-	5	58	63
Capitalized financial effect	-	-	(53)	(53)
Balance on December 31, 2022	**61,479**	**13,270**	**10,233**	**84,982**

	Parent			
Accumulated Amortization	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2021	**-**	**(12,228)**	**(8,991)**	**(21,219)**
Additions	-	(723)	(269)	(992)
Balance on December 31, 2022	**-**	**(12,951)**	**(9,260)**	**(22,211)**

	Parent			
Net Intangible Assets	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2021	**61,479**	**1,037**	**1,237**	**63,753**
Balance on December 31, 2022	**61,479**	**319**	**973**	**62,771**

Gross intangible cost	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
	Consolidated			
Balance on December 31, 2021	**79,890**	**16,352**	**11,576**	**107,818**
Additions	-	4	58	62
Capitalized financial effect	-	-	(53)	(53)
Balance on December 31, 2022	**79,890**	**16,356**	**11,581**	**107,827**

Accumulated Amortization	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
	Consolidated			
Balance on December 31, 2021	**2,276**	**(15,267)**	**(10,082)**	**(23,073)**
Additions	-	(736)	(269)	(1,005)
Balance on December 31, 2022	**2,276**	**(16,003)**	**(10,351)**	**(24,078)**

Net Intangible Assets	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
	Consolidated			
Balance on December 31, 2021	**82,166**	**1,085**	**1,494**	**84,745**
Balance on December 31, 2022	**82,166**	**353**	**1,230**	**83,749**

a. Development of new products

Refers to costs with the development of new products, processes and equipment carried out. The amortization of these projects, whose term does not exceed 5 years, is charged to income for the year.

b. Software and other licenses

Includes all data processing systems and licenses for use, which are recorded at acquisition cost and amortized on a straight-line basis. The amortization of software is charged to income for the year, for a period of 5 years.

c. Goodwill on the acquisition of investments

Goodwill is allocated to the cash generating units for which it can be identified in the cash flows of the Cash Generating Units – "CGU". The goodwill balance is not amortized, being subject to impairment tests annually or whenever there are signs of a possible loss in value. In 2022, no signs of impairment of goodwill were identified.

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 considered in the projection. Whenever possible, Management makes a comparison between the values in use and the estimated sales values of the UGCs in order to identify possible 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 10.64% 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 year-end 2022 scenario.Cabe destacar que eventos ou mudanças significativas no panorama podem levar a estimação de perdas significativas por recuperabilidade de ágio.

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	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
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 – Unit Fiberware	-	-	20,687	20,687
Total	61,479	61,479	82,166	82,166
Investment	-	-	-	-
Intangible	61,479	61,479	82,166	82,166

	Products Segment						Services Segment	Consolidated
UGCs	Mipel Comércio e Indústria de Peças Técnicas Ltda	Unidade Lupatech Ropes	Lupatech - Equipamentos e Serviços para Petróleo - Unit Oil Tools	Unidade Tecval	Lupatech - Equipamentos de Serviços para Petróleo - Unit Monitoring Systems	Lupatech – Equipamentos de Serviços para Petróleo – Unit Fiberware	Lupatech – Equipamentos de Serviços para Petróleo - Unit Oil & Gas	Total
Goodwill on acquisition of investments	6,065	125,414	9,149	55,680	9,884	20,687	59,227	286,106
Impairment due to non-recoverability	-	(70,000)	(9,149)	(55,680)	(9,884)	-	(59,227)	(203,940)
Net Goodwill	6,065	55,414	-	-	-	20,687	-	82,166
Balance on December 31, 2021	6,065	55,414	-	-	-	20,687	-	82,166
Reversal of losses due to non-recoverability	-	-	-	-	-	-	-	-
Estimated losses due to non-recoverability	-	-	-	-	-	-	-	-
Balance on December 31, 2022	6,065	55,414	-	-	-	20,687	-	82,166

14 Suppliers

	12/31/2022						12/31/2021					
	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	6,188	100,039	**106,227**	6,188	100,039	**106,227**	5,124	98,802	**103,926**	5,124	98,802	**103,926**
Export Suppliers	-	20,901	**20,901**	-	20,901	**20,901**	-	21,289	**21,289**	-	21,289	**21,289**
(-) Present value adjustment	-	(61,152)	**(61,152)**	-	(61,152)	**(61,152)**	-	(64,567)	**(64,567)**	-	(64,567)	**(64,567)**
	6,188	**59,788**	**65,976**	**6,188**	**59,788**	**65,976**	**5,124**	**55,524**	**60,648**	**5,124**	**55,524**	**60,648**
Suppliers Not Subject to Judicial Recovery												
Domestic Suppliers	7,153	-	**7,153**	10,627	-	**10,627**	3,624	-	**3,624**	6,000	-	**6,000**
Export Suppliers	121	-	**121**	121	-	**121**	47	-	**47**	47	-	**47**
	7,274	**-**	**7,274**	**10,748**	**-**	**10,748**	**3,671**	**-**	**3,671**	**6,047**	**-**	**6,047**
Total of Suppliers	**13,462**	**59,788**	**73,250**	**16,936**	**59,788**	**76,724**	**8,795**	**55,524**	**64,319**	**11,171**	**55,524**	**66,695**

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.

The table below shows the movement of suppliers subject to judicial recovery in 2022:

	Parent and Consolidated
	Current and Non-current
Suppliers Subject to Judicial Recovery	**Total domestic and export suppliers**
Balance on December 31, 2021	**60,648**
Interest update	3,836
Exchange rate variation update	(90)
Payments	(1,833)
(-) Adjustment to present value	3,415
Balance on December 31, 2022	**65,976**

The present value adjustment balance on suppliers subject to judicial recovery on December 31, 2022 is R$ 61,152 (R$ 64,567 on December 31, 2021) in the parent company and consolidated, considering the discount rate of 13.65% per year.

The maturities of non-current installments from suppliers are as follows:

Maturity	12/31/2022	12/31/2021
2024	2,165	1,989
2025	2,953	2,713
2026	3,740	3,436
2027	4,527	4,160
From 2028	46,403	43,226
	59,788	55,524

15 Loans and financing

			12/31/2022						12/31/2021					
			Parent			Consolidated			Parent			Consolidated		
Description	Indexer	Fees weighted interest	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	39,001	**40,496**	1,495	39,001	**40,496**	1,495	40,657	**42,152**	1,495	40,657	**42,152**
Working capital / expansion			1,495	39,001	**40,496**	1,495	39,001	**40,496**	1,495	40,657	**42,152**	1,495	40,657	**42,152**
(-) Adjustment to present value			-	(18,200)	**(18,200)**	-	(18,200)	**(18,200)**	-	(20,647)	**(20,647)**	-	(20,647)	**(20,647)**
Unsecured creditors	FIXO	3,3% a.a. + TR	1,816	86,340	**88,156**	1,816	86,340	**88,156**	1,118	85,624	**86,742**	1,118	85,624	**86,742**
Working capital / expansion			284	13,974	**14,258**	284	13,974	**14,258**	208	13,782	**13,990**	208	13,782	**13,990**
Working capital / expansion			240	12,457	**12,697**	240	12,457	**12,697**	176	12,202	**12,378**	176	12,202	**12,378**
Working capital / expansion			243	13,988	**14,231**	243	13,988	**14,231**	87	14,144	**14,231**	87	14,144	**14,231**
Research and development funding			284	5,588	**5,872**	284	5,588	**5,872**	86	5,676	**5,762**	86	5,676	**5,762**
Debentures			765	40,333	**41,098**	765	40,333	**41,098**	561	39,820	**40,381**	561	39,820	**40,381**
(-) Adjustment to present value			-	(45,311)	**(45,311)**	-	(45,311)	**(45,311)**	-	(47,821)	**(47,821)**	-	(47,821)	**(47,821)**
Foreign currency														
Unsecured creditors	FIXO	0,4% a.a	-	-	-	1,020	78,759	**79,779**	-	-	-	748	83,466	**84,214**
Noteholders			-	-	-	1,020	78,759	**79,779**	-	-	-	748	83,466	**84,214**
(-) Adjustment to present value			-	-	-	-	(45,063)	**(45,063)**	-	-	-	-	(50,692)	**(50,692)**
			3,311	**61,830**	**65,141**	**4,331**	**95,526**	**99,857**	**2,613**	**57,813**	**60,426**	**3,361**	**90,587**	**93,948**
Not subject to Judicial Recovery														
Local currency														
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	FIXO	1,92% a.m.	10,107	-	**10,107**	10,826	-	**10,826**	6,313	-	**6,313**	6,501	-	**6,501**
Credit titles	FIXO	2,05% a.m	15,640	5,820	**21,460**	27,714	5,820	**33,534**	2,000	-	**2,000**	17,000	-	**17,000**
Credit limit	FIXO	11,90% a.m.	199	-	**199**	270	-	**270**	201	-	**201**	202	-	**202**
Foreign currency														
Working capital / expansion	DOLLAR	7,48% a.a.	1,214	-	**1,214**	2,519	-	**2,519**	1,214	-	**1,214**	2,519	-	**2,519**
			32,194	**5,820**	**38,014**	**49,977**	**5,820**	**55,797**	**14,762**	**-**	**14,762**	**34,870**	**-**	**34,870**
			35,505	**67,650**	**103,155**	**54,308**	**101,346**	**155,654**	**17,375**	**57,813**	**75,188**	**38,231**	**90,587**	**128,818**

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 increase in 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 the payments of the principals. 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 variation, upon payment of 30% of the value of the respective unsecured credit, including principal, interest and charges incurred updated at a rate of 0.4% , 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, 2022, there was an adjustment to the present value of loans and financing subject to judicial reorganization in the amount of R$ 4,957 at the parent company (R$ 4.203 at December 31, 2021) and R$ 10,586 in the consolidated (R$ 12,725 at 31 December 2021).

The balance of adjustment to present value on loans and financing subject to judicial recovery on December 31, 2022 is R$ 63,511 (R$ 68,468 on December 31, 2021) at the parent company and R$ 108,574 (R$ 119,160 on December 31, 2021) in the consolidated, considering the discount rate of 13.65% per year.

Below, the movement of loans subject to judicial recovery on December 31, 2022:

Current and Non-current		
	Total domestic and export suppliers	
Loans and financing Subject to Judicial Reorganization	**Controladora**	**Consolidado**
Balance on December 31, 2021	**60,426**	**93,948**
Interest update	2,341	4,139
Payments	(2,583)	(3,333)
Exchange rate variation update	-	(5,483)
(-) Adjustment to present value	4,957	10,586
Balance on December 31, 2022	**65,141**	**99,857**

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

Maturity	Parent 12/31/2022	Consolidated 12/31/2022
2024	7,070	8,215
2025	6,118	7,681
2026	4,406	6,384
2027	5,540	7,936
From 2028	44,516	71,130
	67,650	101,346

The guarantees for loans and financing were granted as follows, as of December 31, 2022 and December 31, 2021:

		12/31/2022				12/31/2021			
		Value of the guarantee				Value of the guarantee			
		Parent		Consolidated		Parent		Consolidated	
		Book value(*)	Appraisal report value(**)	Book value(*)	Appraisal report value(**)	Book value(*)	Appraisal report value(**)	Book value(*)	Appraisal report value(**)
Subject and not subject to Judicial Recovery									
Local currency	**Garantee**								
Working capital / expansion	Mortgage / Buildings	33,281	117,165	33,906	139,107	33,288	117,165	33,913	139,107
Working capital / expansion	Machinery and equipment	2,639	2,540	3,653	5,005	2,639	2,540	4,171	5,005
		35,920	119,705	37,559	144,112	35,927	119,705	38,084	144,112

(*) Net values of depreciation.
(**) Appraisal according to reports prepared by Appraisal Evaluations and Engineering Ltda.

The Notes and Debentures are treated as loans subject to judicial recovery, in non-current liabilities, in which they bear interest and monetary restatement at a variable rate equivalent to TR + 3.3% per year in reais, as determined for the payment of these creditors in the New Judicial Recovery Plan.

16 Related parties

16.1 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 regard to transactions between the parent company and its subsidiaries are presented below:

	Parent					
	Lochness	Mipel Sul	Lupatech Finance	LESP	12/31/2022	12/31/2021
Assets						
Current						
Accounts receivable	-	-	-	-	-	25
Other accounts receivable	17	336	-	19,266	19,619	19,588
Non-current						
Mutual and loans	12,644	-	-	-	12,644	15,983
	12,661	336	-	19,266	32,263	35,596
Liabilities						
Current						
Accounts payable	-	-	-	-	-	881
Other accounts payable	10,197	-	1,251	8,957	20,405	17,977
Mutual and loans	12,154	-	-	-	12,154	12,999
Non-current						
Mutual and loans	-	-	141,418	-	141,418	151,377
Other bills to pay	32,876	-	-	-	32,876	35,163
	55,227	-	142,669	8,957	206,853	218,397

					12/31/2022	12/31/2021
Result for the year						
Product purchases	-	8,672	-	-	8,672	6,517
Financial income	45	-	-	-	45	42
Financial expenses	-	-	651	-	651	768
Exchange variation	-	-	9,952	-	9,952	4,684
	45	8,672	10,603	-	19,320	12,011

	Parent						
	Transaction date	Duration	Interest rate	Amount R$	Balance US$	12/31/2022	12/31/2021
Assets mutual							
Foreign currency							
Contract 1	Jul-14	Undetermined	105% do DI-Cetip	19,820	2,346	12,241	15,601
Contract 2	Dec-14	Undetermined	12,000% a.a.	288	77	403	382
				20,108	**2,423**	**12,644**	**15,983**
Liabilities mutual							
Foreign currency							
Contract 3	Jan-18	Undetermined	0,4%a.a	227,331	27,103	141,418	151,377
Contract 4	Dec-21	Undetermined	-	12,332	2,329	12,154	12,999
				239,663	**29,432**	**153,572**	**164,376**
National currency							
				239,663	**29,432**	**153,572**	**164,376**

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

The loan agreements and loans in foreign currency between the Parent Company and Lupatech Finance are presented on December 31, 2022 for the net amount of R$ 141,418 (remaining balance of R$ 151,377 on December 31, 2021) in the Parent Company's liabilities.

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.

16.2 Key Personnel of the Administration

a. ***Remuneration of the Administration***

At the Annual and Extraordinary Shareholders' Meeting held on May 19, 2022, the annual global fixed and variable compensation of the Company's managers for the year 2022 in the amount of up to R$ 6,335 was approved, distributed as follows: (i) up to R$ 3,029 for the overall fixed compensation of the Executive Board, including benefits and charges; (ii) up to R$ 2,123 for the global variable compensation of the Executive Board; and (iii) up to R$ 1,183 for the overall fixed compensation of the Board of Directors.

The amount on December 31, 2022 is R$ 3,032 in the parent company and R$ 4,751 in the consolidated, (R$ 37 in the parent company and R$ 3,842 in the consolidated in the same period of 2021) comprises fixed remuneration and amounts corresponding to variable remuneration. The Company does not offer key people compensation benefits in the categories of: (i) post-employment benefit, (ii) long-term benefit, (iii) employment contract termination benefit and (iv) share-based compensation.

The Company offers its managers and key employees the possibility of participating in plans to grant options for the purchase of shares issued by it. Such plans grant beneficiaries the right, but not the obligation, to acquire shares at a previously agreed price within defined terms, upon payment of the price. It is, therefore, a commercial transaction between the parties.

17 Income tax and social contribution

Lupatech S / A and its subsidiaries and affiliates have R$ 1,850,662 of tax loss accumulated up to December 2022.

a. Deferred Tax Asset

The Company has tax losses that can be offset against future taxable income, having recorded a deferred tax credit on December 31, 2022 of R$ 95,200 in the parent company and R$ 103,000 in the consolidated. Realization of deferred income tax and social contribution is supported by technical feasibility studies. The Company estimates the realization of tax credits in the following years:

	Parent and Consolidated
	12/31/2022
From 1 to 12 months	757
From 13 to 24 months	4,286
From 25 to 36 months	9,210
From 37 to 48 months	12,401
Over 48 months	76,346
Total	**103,000**

b. Deferred income and social contribution taxes

Deferred income tax and social contribution are recorded in income on December 31, 2022, in the amounts of R$ 109,415 in the parent company and R$ 124,351 in the consolidated (R$ 3,747 in the parent company and R$ 634 in the consolidated for the year 2021).

	Parent		Consolidated	
NON-CURRENT LIABILITIES	**12/31/2022**	**12/31/2021**	**12/31/2022**	**12/31/2021**
Adjustment to present value of suppliers, fines, loans and debentures	(29,670)	(31,662)	(40,395)	(43,727)
Assigned Cost	-	-	(2,447)	(2,975)
Others	(3,366)	(283)	(3,366)	(282)
Deferred income tax and social contribution	**(33,036)**	**(31,945)**	**(46,208)**	**(46,984)**

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

	Parent		Consolidated	
	12/31/2022	**12/31/2021**	**12/31/2022**	**12/31/2021**
Profit (loss) before taxes from continuing operations	**(54,549)**	**(45,087)**	**(69,485)**	**(41,970)**
Additions and exclusions				
Equity pick-up	27,172	(33,648)	-	-
Estimated losses for doubtful accounts	(865)	(72)	(2,231)	(17)
(Reversal) Provision for losses due to non-recoverability of assets	-	-	(5,674)	(15,683)
(Reversal) Allowance for doubtful accounts	(1,553)	107	(1,685)	156
Provision for contingency losses	(212)	747	(2,365)	(425)
Non-deductible expenses	832	3,642	(3,905)	33,787
Adjust to present value	8,371	6,174	-	(10,755)
Adjustment at fair value	645	(651)	-	(651)
Investment valued at equity value	-	(50,055)	-	(50,055)
Provision for interest on suppliers	27	-	(60)	(90)
Exchange variation provision	13,534	12,379	(15,839)	24,391
Others	(7,122)	63,466	69,277	4,176
Calculation basis	**(13,720)**	**(42,998)**	**(31,967)**	**(57,135)**
Current income tax and social contribution	-	-	-	**(4)**
Deferred income tax and social contribution	**109,415**	**3,747**	**124,351**	**634**

18 Other accounts payable

As of December 31, 2022, 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 Liabilities	**12/31/2022**	**12/31/2021**	**12/31/2022**	**12/31/2021**
Eletricity provision	329	332	329	332
Provision of fees	1,655	350	1,655	350
Labor contingencies payable	504	513	608	608
Miscellaneous provisions	664	144	952	489
Other bills to pay	1,800	662	2,154	1,013
Total	4,952	2,001	5,698	2,792

	Parent		Consolidated	
Others payable - Non-current	**12/31/2022**	**12/31/2021**	**12/31/2022**	**12/31/2021**
Labor contingencies payable	-	-	2,060	2,058
Other accounts payable	-	2,176	1,071	3,136
Total	-	2,176	3,131	5,194

19 Contingent process and judicial deposits

19.1 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)	91,326	-	93,075	-
CSLL - Social Contribution on Net Income	(i.2)	2,171	-	7,013	-
IRPJ - Corporate Income Tax	(i.3)	20,170	-	67,882	-
INSS - National Institute of Social Security	(i.4)	-	-	6,803	-
IRRF - Withholding Income Tax	(i.5)	46,738	-	46,738	-
IPI - Excise Tax		884	-	884	-
COFINS - Tax for Social Security Financing		-	-	519	-
ISS - Services Tax	(i.6)	-	-	7,869	174
CIDE - Contribution for Intervention in the Economic Domain		-	-	2,253	-
Other tax provisions	(i.7)	1,980	-	53,798	90
		163,269	-	286,834	264
Labor (ii)		180	2,884	4,233	23,097
Civil (iii)		7,562	1,044	18,522	9,554
Total on December 31, 2022		171,011	3,928	309,589	32,915
Total on December 31, 2021		190,089	4,140	332,277	33,786

These amounts cover the totality of the Group's companies and include amounts under judicial and administrative discussion as well as situations incurred where, even without the existence of launches or formal questioning by the authorities, they may give rise to risks of future losses.

The provision for resources involved in the lawsuits in the amounts set out above (R$ 3,928 in the parent company and R$ 32,915 in the consolidated as of December 31, 2022 and R$ 4,140 in the parent and R$ 33,786 in the consolidated as of December 31, 2021) 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 change in the balance of the provision, on December 31, 2022, is as follows:

	Parent				Consolidated			
	Tax	Labor	Civil	Total	Tax	Labor	Civil	Total
Balance on December 31, 2021	**758**	**2,885**	**497**	**4,140**	**1,160**	**24,336**	**8,290**	**33,786**
Additions	-	-	-	-	16	944	442	1,402
Write-offs	(758)	(1)	547	(212)	(912)	(2,183)	822	(2,273)
Balance on December 31, 2022	**-**	**2,884**	**1,044**	**3,928**	**264**	**23,097**	**9,554**	**32,915**

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, 2022:

(i.1) Action for annulment of the State of Rio Grande do Sul that aims to deconstitute ICMS tax credit. Proceeding filed on April 28, 2017, subject to possible loss of R$ 73,569.

Tax foreclosure by the Public Treasury of the State of São Paulo with the aim of charging ICMS on imports. Proceeding distributed on October 22, 2015, subject to possible loss of R$ 8,089.

Action for annulment filed against the State of São Paulo, distributed on October 22, 2015, with the objective of deconstituting the ICMS debt. Process subject to possible loss of R$ 4,130.

(i.2) Notice of infraction drawn up by the Federal Revenue Service of Brazil, as a result of Manifestation of Non-compliance. Proceeding filed on July 23, 2014, subject to possible loss of R$ 2,107.

(i.3) Annulment aimed at deconstitution of the tax credit (IRPJ and CSLL referring to calendar years 2009 and 2010. Process distributed on April 15, 2020, subject to possible loss of R$ 6,375.

Tax assessment notice issued by the Federal Revenue Service of Brazil, issued as a result of the Manifestation of Non-compliance presented against the decision-making order. Proceeding filed on July 23, 2014, subject to possible loss of R$ 5,436.

Manifestation of non-compliance presented to have the negative IRPJ balance recognized. Proceeding filed on May 30, 2014, subject to possible loss of R$ 8,359.

(i.5) Fiscal Execution of the National Treasury, referring to the collection of IRRF debt. Proceeding filed on January 21, 2016, subject to possible loss of R$ 46,738.

Main contingent proceedings in subsidiaries classified as a possible loss on December 31, 2022

(i.2) Infraction notice drawn up by the Federal Revenue Service of Brazil, distributed on July 13, 2011, referring to the collection of social contributions levied on the payroll. Process subject to possible loss of R$ 2,286.

Infraction notice drawn up by the Federal Government, distributed on December 14, 2018, referring to the collection of fines imposed as a result of the alleged non-compliance with the special customs regime for temporary admission. Process subject to possible loss of R$ 2,796.

(i.3) Infraction notice issued by the Federal Revenue Service of Brazil, issued as a result of arbitration of profit in calendar year 2010. Proceeding distributed on November 10, 2014, subject to possible loss of R$ 15,616.

Assessment notice drawn up by the Federal Revenue of Brazil, due to alleged irregularities in the calculation of IRPJ, CSLL, PIS and COFINS in the 2013 fiscal year. Process distributed on October 6, 2016, subject to possible loss of R$ 29,927.

(i.4) Tax assessment notice issued by the Federal Revenue of Brazil, drawn up for the collection of Social Security Contribution credits. Proceeding filed on December 20, 2007, subject to possible loss of R$ 4,980.

(i.6) Tax Foreclosure of the Municipality of Três Rios – RJ, for the collection of ISS referring to the periods of 2013 and 2014. Process distributed on December 10, 2015, subject to possible loss of R$ 3,700.

(i.7) Tax assessment notice drawn up by the Federal Revenue of Brazil for the collection of the remaining balance of II, IPI, PIS and COFINS levied on declared imports. Proceeding distributed on January 23, 2020, subject to possible loss of R$ 2,854.

Infraction notices drawn up by the Federal Revenue Service of Brazil, for the collection of fines due to the alleged non-compliance with the special customs regime for temporary admission. Proceedings subject to a possible loss of R$ 18,422.

Infraction notices drawn up by the Federal Revenue of Brazil for the collection of the remaining balance of II, IPI, PIS and COFINS levied on declared imports. Proceedings subject to possible loss of R$ 14,422.

Writ of Mandamus filed, to see the recognized prescription of customs taxes resulting from operations under the special regime of temporary admission. Process distributed on May 9, 2022, subject to possible loss of R$ 2,851

Tax enforcement, filed for the collection of taxes levied on imports. Proceeding filed on August 31, 2021, subject to possible loss of R$ 4,110.

(ii) Labor contingencies

The Company and its subsidiaries are parties to lawsuits of a labor nature relating to discussions that mainly involve claims for overtime, material and moral damages, unhealthy work and hazardous work, among others.

(iii) Civil contingencies

The main discussions in this area, classified as possible loss as of December 31, 2022 are related to:

(iii.3) Petrobrás appeal actions, aiming at reducing the contractual penalty applied by the contracting party. Proceedings distributed on March 14, 2014 and June 21, 2017, subject to a possible loss of R$ 4,158.

(iii.5) Search and seizure action filed by BNDES -Banco Nacional do Desenvolvimento Econômico contra Lupatech S.A. - Em Recuperação Judicial e Lupatech - Equipamentos e Serviços para Petróleo Ltda. - Em Recuperação Judicial. Lawsuit distributed on October 20, 2015 with updated claim amount of R$ 32,514. In a judgment handed down by the Court of Justice of São Paulo, in the case file on 12.14.2021, it was decided that the value of the BNDES credit arising from the fiduciary guarantee - object of the search and seizure, will be limited to the value of the guarantees provided which, according to the report of appraisal of assets dated 2018, the market value of these assets is R$ 5,005, which is the amount subject to possible loss.

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

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

In the records of the judicial reorganization, 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, preventing their removal. Subsequently, once the appeal deadlines were exceeded, the BNDES again demanded that the search and seizure be resumed. The BNDES' new request was accepted by the Reorganization court and subsequently by the São Paulo Court of Justice, but was finally blocked by the Superior Court of Justice, which ordered the Judicial Reorganization court to indicate other means, other than the seizure of the goods, so that the BNDES credit is satisfied.

However, the Lupatech Group also questions in the court-supervised reorganization records (i) the integrity of the guarantee, due to the existence of defects in its constitution, as well as (ii) the effective value of the BNDES credit covered by the fiduciary sale (if any) of machinery and equipment.

The Judicial Administrator expressed a favorable opinion of 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 machinery and equipment, estimated at approximately R$ 3.5 million. The Public Prosecutor's Office, on the merits, opted for the non-implementation of the condition precedent for the constitution of the fiduciary alienation guarantee. Without going into the merits, the Reorganization judgment ruled that the delaying challenge was impossible. For this reason, an appeal for an interlocutory appeal was filed with the 2nd Chamber of Business Law of the Court of Justice of São Paulo, through which the company requested recognition of the possibility of filing delaying credit challenges and, on the merits, that it be recognized the full bankruptcy of the BNDES credit due to the ineffectiveness of the fiduciary guarantee since there was no implementation of the suspensive condition of the contracts entered into with the BNDES or, alternatively, that the non-bankruptcy of the credit was limited to the value of the forced liquidation of the assets object of the fiduciary alienation. Once the appeal was judged, the TJSP decided to judge it partially granted in order to recognize the possibility of filing delayed objections and, on the merits, to recognize that the non-competitive nature of the BNDES credit is limited to the amount obtained with the foreclosure of the assets subject to the fiduciary guarantee . The ruling was subject to a special appeal, which was not admitted by the TJSP, leading to the filing of an appeal in a special appeal.

In judgment of the Special Appeal, the Superior Court of Justice granted the appeal to prevent the continuation of the search and seizure of assets essential to the preservation of the business activities of the Lupatech Group. The BNDES filed an internal grievance against the decision handed down by the Minister Rapporteur of the case. A counter-draft is awaited by Lupatech. Both BNDES and Lupatech filed an internal grievance against the decision handed down by the Minister Rapporteur of the case, with both parties presenting their respective counterarguments. Appraisal of the appeals by the STJ is awaited.

The main discussions in this area, classified as a possible loss in subsidiaries on December 31, 2022, are related to:

(iii.1) Ordinary bond action filed by Weatherford Indústria e Comércio Ltda. and Weus Holding INC in the industrial property sphere. The process has a risk of loss classified as probable of approximately R$ 624, a possible loss of R$ 2,080 and a remote loss of R$ 52,024. Process distributed on July 14, 2008.

The main discussions in this area, classified as probable loss on December 31, 2022 are related to:

Declaratory action filed against Petrobras, aiming at reducing the contractual penalty applied by the contracting party. Proceeding filed on March 14, 2014, subject to probable loss of R$ 3,689.

19.2 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)	3,090	14,111
Civil (ii)	45,347	45,415
Balance on December 31, 2022	**48,437**	**59,526**
Balance on December 31, 2021	**79,913**	**80,683**

(i) **Tax Contingent Asset**

The Lupatech Group has lawsuits claiming the recognition of the exclusion of ICMS from the PIS and COFINS calculation base. The matter was decided by the STF with general repercussions, so the company hopes that these processes will be followed by favorable decisions. As they are still subject to dispute, the accounting treatment of part of the contingent assets is maintained until the elements to recognize the corresponding tax credits are present.

The amount calculated by the Company due to the partial and unappealable decision favorable to the exclusion of ICMS from the PIS and COFINS calculation base, is set out in explanatory note No. 8.

In addition, the Lupatech Group also has lawsuits claiming the refund of the ICMS-Import levied on operations covered by the special regime of temporary admission, in which there was no transfer of ownership of the asset. As they are still subject to dispute, the accounting treatment of part of the contingent assets is maintained until the elements to recognize the corresponding tax credits are present.

(ii) **Civel Contingent Asset**

- Arbitration proceeding against GP Investments / San Antonio Internacional and its vehicles:

The Company is entitled to be reimbursed up to the nominal limit of R$ 50,000 for losses it may incur as a result of any unknown contingencies, pursuant to the indemnity clause provided for in the Investment Agreement. On April 4, 2017, the Company submitted an application to the Market Arbitration Chamber to initiate arbitration against GP Investments and its vehicles seeking reimbursement for the losses incurred by the Company and arising from (i) unknown contingencies of the San Antonio Companies , and (ii) breach of obligations and breach of representations and warranties. An increase in the nominal limit of R$ 50,000 for indemnities was also claimed in the arbitration.

On February 22, 2021, the Company was notified 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 requests and (iii) accepted the request to increase the nominal limit of R$ 50 million. On March 25, 2021, the Company received the amount of R$ 5,222 as a result of the voluntary compliance with the partial judgment issued within the scope of the ongoing arbitration proceeding.

On the date of publication of these financial statements, the process was awaiting the delivery of the final judgment, the amounts having already been calculated by the expert and submitted to the final considerations of the parties, and in a statement on the expert report, the defendants recognized due greater part of the calculated value, with the smaller part still being disputed submitted to the arbitral tribunal.

- Arbitration proceeding against CIM Componentes:

This is an arbitration procedure initiated by Lupatech – Equipamentos e Serviços para Petróleo Ltda. against CIM Componentes, current name Quantum Indústria Metalúrgica Ltda., due to the breach of the Contract for the Purchase and Sale of Cargo Containers for Transport, signed on February 25, 2012, and arbitrary withholding by the latter of the amount advanced by Lupatech throughout the execution of the contract in question, in the historical amount of R$ 4,162 represented by the amount advanced by Lupatech, less the amount of totes delivered by CIM Componentes. On June 8, 2022, the arbitral award was issued confirming the existence of a claim in favor of Lupatech in the aforementioned historical amount, whose criteria for monetary correction and interest on arrears would still be defined in a subsequent liquidation phase. The opening of the liquidation phase by the Arbitration Court is awaited.

19.3 Judicial deposits

The Company presents the following balances of judicial deposits, on December 31, 2022, which are linked to contingent liabilities:

	Judicial deposits	
	Parent	Consolidated
Tax contingencies	111	314
Labor contingencies	1,387	5,896
Civil contingencies	399	1,429
Balance on December 31, 2022	**1,897**	**7,639**
Balance on December 31, 2021	**1,915**	**10,456**

20 Taxes payable

	Parent		Consolidated	
Taxes payable - Current	**12/31/2022**	**12/31/2021**	**12/31/2022**	**12/31/2021**
Ordinary Installment Payment (PIS / COFINS / Social Security Contribution)	2,499	429	4,169	773
Exceptional Transaction Law 13.988/2020 (Ordinance PGFN No. 14.402/2020) and Law 112/2020	-	3,037	-	4,351
Exceptional Transaction PGFN 8.798/2022 "QuitaPGFN"	6,231	-	8,572	-
Judicial Recovery Installment	654	1,025	1,314	1,381
INSS installment	21	-	39	18
INSS	1,555	1,950	2,068	2,448
IRRF	714	715	817	764
CSLL	13	34	17	40
COFINS	738	774	1,296	1,160
PIS	127	322	268	424
IPI	-	-	975	541
FGTS	3,513	2,568	4,731	4,010
ICMS	73	96	1,109	1,184
Other miscellaneous taxes	77	82	602	699
Total	16,215	11,032	25,977	17,793

	Parent		Consolidated	
Taxes payable - Non-current	**12/31/2022**	**12/31/2021**	**12/31/2022**	**12/31/2021**
Installment INSS	-	516	-	580
Installment IRPJ	-	7,691	-	7,691
Installment CSLL	-	2,837	-	2,837
Installment COFINS	-	1,415	-	1,415
Installment ICMS	-	-	3,298	1,586
Installment Ordinário (PIS/COFINS/Contribuição Previdenciária)	7,733	2,718	13,077	3,840
Exceptional Transaction Law 13.988 / 2020 (Ordinance PGFN No. 14.402 / 2020) and Law 14.112/2020	-	18,827	-	24,739
Judicial Recovery Installment	969	1,499	2,839	4,139
Installment ISS	1	6	353	423
Installment SESI/SENAI	55	-	82	16
Other miscellaneous taxes	57	98	873	1,260
	8,815	35,607	20,522	48,526
Judicial deposits linked to installments of IRPJ / CSLL	-	(12,459)	-	(12,459)
Total	8,815	23,148	20,522	36,067

As mentioned in Note 1.2, on December 29, 2022, the Company submitted a request to join the "QuitaPGFN" Program, established by Ordinance PGFN 8.798/2022. The Program allows, among others, the early settlement of transaction agreement balances combining payments in cash and with IRPJ tax loss credits and CSLL negative basis. The use of said credits covers up to 70% of the outstanding balance of the transaction agreements included in the order, providing a reduction benefit in the balance of tax liabilities.

21 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	
	Number of Shares	Capital Stock
	Mil	R$
Balance on December 31, 2021	**29,117**	**1,897,348**
Issuance of new shares - exercise of warrants	100	88
Issuance of new shares - exercise of options granted	1,136	1,435
Balance on December 31, 2022	**30,353**	**1,898,871**

According to the minutes of meetings disclosed in the 2022 fiscal year, the Board of Directors approved the increase in the Company's Capital Stock through the exercise of subscription bonus of 100,344 common shares. The increase made in the period was R$ 88,302.

In 2022, as per the meeting of the Board of Directors, there was an increase in the Capital Stock in the amount of R$ 1,435 (issuance of 1,136 new shares – common and registered), referring to the exercise of options granted to key employees and service providers of the Company.

b. Dividends

Annually, shareholders are expected to distribute mandatory minimum dividends corresponding to 25% of adjusted net income pursuant to corporate law and the bylaws. Due to the accumulated losses and its financial situation, the Company has not been distributing dividends.

c. Equity Valuation Adjustments

The Company recognizes in this item the effect of exchange rate variations on investments in subsidiaries abroad and on goodwill arising from acquisitions of investments abroad, whose functional currency follows that to which the foreign operation is subject. The accumulated effect will be reverted to income for the year as a gain or loss only in the event of disposal or write-off of the investment. On December 31, 2022, the balance of adjustment to equity valuation is R$ 191,562 (R$ 204,671 on December 31, 2021).

d. 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 addendum to the Judicial Reorganization Plan approved in court on November 26, 2020, foreign currency creditors had a change in the percentage of payment in subscription bonuses, from 50% to 70%. Thus, with the sole purpose of complying with accounting standards, the Company applied the provisions of ICPC 16. Thus, the liability amounts exchanged for subscription warrants in the amount of R$ 35,121 and the estimated fair value adjustment of R$ 34,384 were recorded as unrealized capital reserve in the net amount of R$ 736. On December 31, 2022, R$ 645 of fair value adjustment was recognized due to the exercise of the subscription bonus right.

In fiscal year 2022, for the acquisition of 100,344 common shares of the Company, 100,344 Subscription Warrants were exercised.

22 Financial instruments

22.1 Financial Risk Management

Financial risk factors

The risks to which the Company is subject are periodically identified, documented and formalized in a structured manner so that they are known and dealt with. The Company's activities expose it to various financial risks that are divided into three segments:

(i) Market Risks: arising from the possibility of losses that may be caused by changes in the behavior of prices in the economy, such as, but not limited to: interest rates, exchange rates, inflation, stocks and commodities;

(ii) Credit Risks: are characterized by the possibility of loss resulting from uncertainty regarding the receipt of amounts agreed upon with third parties as a result of their financial economic inability or mere contractual breaches;

(iii) Liquidity Risks: consist of the possibility of the Company not being able to effectively honor its obligations, on the due date, or only doing so with high losses.

Market risks (currency risk)

The Company operates internationally and is exposed to foreign exchange risk arising from exposures to certain currencies, mainly in relation to the US dollar. Currency risk arises from commercial and financial operations, recognized assets and liabilities and net investments in operations abroad.

The Company has certain investments in operations abroad, whose net assets are exposed to currency risk.

As of December 31, 2022 and December 31, 2021, 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	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Cash and cash equivalents	69	69	3	69
Accounts receivable	305	-	726	-
Other assets	-	-	7,623	12,372
Related parties - Assets	2,423	2,864	-	-
Loans	(233)	(218)	(15,773)	(15,542)
Related parties - Liabilities	(29,432)	(29,455)	-	-
Other liabilities	-	-	(80)	(38)
Net exposure in US dollars	(26,868)	(26,740)	(7,501)	(3,139)

On December 31, 2022, the quotation of the US dollar against the real was US$ 1.00 = R$ 5.2177 (US$ 1.00 = R$ 5.5805 on December 31, 2021). If the real currency devalues by 10% against the official US dollar at the end of the period, all other variables being maintained, the impact on income is a loss of approximately R$ 9,289 in the parent company and R$ 1,749 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.

The Company's Management 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 2023: 13,8%
US$: 5,34

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 2023: Increase to 17,2%
US$: 6,68

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 2023: Increase to 20,06%
US$: 8,01

The impact shown in the table below refers to the 1-year projection period:

		Scenario as defined above					
		Parent			Consolidated		
Operating	Risk	Probable	Possible	Remote	Probable	Possible	Remote
Loans and financing	US$ hike	(31)	365	699	1,086	(12,789)	(24,492)
Loans and financing	Interest rate hike	(320)	64	77	-	-	-
Mutual contracts	US$ hike	(3,662)	43,112	82,562	-	-	-
Total (gain) loss		(4,013)	43,541	83,338	1,086	(12,789)	(24,492)

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

Credit risk
Credit risk is managed corporately. Credit risk arises from cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions, as well as credit exposures to customers. For banks and financial institutions, bonds from entities classified by the Company's Management as first class are accepted. Individual risk limits are determined based on internal or external classifications in accordance with limits established by Management. The use of credit limits is monitored regularly and recorded when applicable allowance for doubtful debts.

The selectivity of its customers, as well as the monitoring of sales financing terms by business segment and individual position limits, are procedures adopted in order to minimize any problems of default on its accounts receivable. Our revenues show amounts involving the client Petrobrás, directly and indirectly, which accounted for approximately 48% in 2022 (36% in 2021) of the total revenues of the Company and its subsidiaries.

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. Due to the dynamic nature of the Group's businesses, the treasury seeks to obtain flexibility in funding through committed credit lines when contracting is feasible.

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.

22.2 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 balances in cash and cash equivalents and marketable securities have values similar to the accounting balances, considering their turnover and liquidity. The table below presents this comparison, on December 31, 2022:

	Parent		Consolidated	
Items	Book value	Value of market	Book value	Value of market
Cash and cash equivalents	2,734	2,734	13,171	13,171
Marketable securities	44	44	44	44

b. *Loans and financing*

The estimated market value was calculated based on the present value of the future cash disbursement, using interest rates that are available to the Company and the assessment indicates that the market values, in relation to the book balances, are as follows, on December 31, 2022:

	Parent		Consolidated	
Items	Book value	Value of market	Book value	Value of market
Loans and financing not judicial recovery	6,447	8,031	11,437	22,649
Discounted securities with non-RJ co-obligation	10,107	10,107	10,826	10,826
Credit title	21,460	19,975	33,534	22,058
Loans and financing judicial recovery	65,141	65,140	99,857	99,856
Total	103,155	103,253	155,654	155,389

22.3 Financial Instruments by Category

Summary of financial instruments by category:

	Parent					
	12/31/2022			12/31/2021		
	Amortized cost	Fair Value by Result	Total financial assets	Amortized cost	Fair Value by Result	Total financial assets
Financial Assets						
Securities-restricted	-	44	44	-	44	44
Accounts receivable	18,227	-	18,227	15,301	-	15,301
Cash and cash equivalents	2,734	-	2,734	1,098	-	1,098
Related parties	32,263	-	32,263	35,596	-	35,596
Total	53,224	44	53,268	51,995	44	52,039

	Parent					
	12/31/2022			12/31/2021		
	Amortized cost	Fair Value by Result	Total financial Liabilities	Amortized cost	Fair Value by Result	Total financial Liabilities
Financial Liabilities						
Loans and financing	-	103,155	103,155	-	75,188	75,188
Suppliers	73,250	-	73,250	64,319	-	64,319
Related parties	206,853	-	206,853	218,397	-	218,397
Total	280,103	103,155	383,258	282,715	75,188	357,904

	Consolidated					
	12/31/2022			12/31/2021		
	Amortized cost	Fair Value by Result	Total financial assets	Amortized cost	Fair Value by Result	Total financial assets
Financial Assets						
Securities-restricted	-	44	44	-	44	44
Accounts receivable	27,128	-	27,128	20,943	-	20,943
Cash and cash equivalents	13,171	-	13,171	19,176	-	19,176
Total	40,299	44	40,343	40,119	44	40,163

	Consolidated					
	12/31/2022			12/31/2021		
	Amortized cost	Fair Value by Result	Total financial Liabilities	Amortized cost	Fair Value by Result	Total financial Liabilities
Financial Liabilities						
Loans and financing	-	155,654	155,654	-	128,818	128,818
Suppliers	76,724	-	76,724	66,695	-	66,695
Total	76,724	155,654	232,378	66,694	128,818	195,513

23 Insurance Coverage

It is the Company's principle to maintain insurance coverage for property, plant and equipment and inventories subject to risks, in the "Comprehensive Business" modality. It also has coverage for general liability insurance and life insurance, as shown below:

Insurance Purpose	Amount secured 12/31/2022	
- Comprehensive business insurance	R$	80,765
- Life insurance	R$	63,807
- General civil responsability insurance	R$	6,019
- International freight insurance (*)	US$	600

(*) Amounts in US dollar thousands.

The scope of our auditors' work does not include issuing an opinion on the sufficiency of the insurance coverage, which was contracted by the Company's Management within the prevailing market conditions and the restrictions imposed on the Company, aiming at sufficiency to cover any claims.

24 Stock option plan - "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.

There are two 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) 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 made until December 31, 2022 are shown in the following table:

Grants	2017 Plan			2020 Plan		
	The amoun	Strike Price	Maximum Exercise Term	The amount	Strike Price	Maximum Exercise Term
Board Members	615,121	1.18	4/26/2024	1,068,352	1.78	9/2/2025
	908,034	1.35	6/24/2027	280,000	2.74	11/30/2026
Other Beneficiaries				480,000	3.42	11/30/2025
				51,250	4.44	11/30/2026
				292,500	2.74	11/30/2026

On April 30, 2021 and September 28, 2022, the Board of Directors resolved to adjust the granting of options due to subsequent corporate events and events, as well as accepting the exercise of options by members of the Board of Executive Officers and key employees of the Company.

In accordance with the RCA of February 10, 2022, the Board of Directors approved a new grant of up to 51,250 options to purchase common shares of the Company, within the scope of the 2020 Incentive Plan, for key employees of the Company.

According to RCA of September 28, 2022, there was exercise of options granted to the Board of Executive Officers and service providers, through credits held against the Company, within the scope of the Stock Option Plans "Plano Incentivado 2017" and "Plano Incentivado Encouraged 2020". The total number of options exercised was 1,136,151 for a total of R$ 1,434,398.00 (one million, four hundred and thirty-four thousand, three hundred and ninety-eight reais) and, consequently, 1,136,151 common shares of the Company were issued.

Having computed the changes and exercises, the following options granted and not exercised remain:

Remaining Options	Exercisable	Not yet Exercisable (term)	Conditioned (Corporate Event or Ratification)
Rafael Gorenstein			
Plan 2017 - 1st grant	-	-	201,141
Plan 2017 - 2nd grant	258,130	306,262	100,571
Plan 2020	860,000	-	-
Paulo Prado da Silva			
Plan 2017	353,637	-	60,343
Plan 2020	-	-	-
João Marcos C. Feiteiro			
Plan 2017	124,958	77,884	40,229
Plan 2020 - 1st grant	208,352	-	-
Plan 2017 - 2nd grant	-	-	100,000
Simone Anhaia			
Plan 2017	-	-	-
Plan 2020	-	-	60,000
Celso Lucchesi			
Plan 2017	-	-	-
Plan 2020	-	-	60,000
Carlos Calad			
Plan 2017	-	-	-
Plan 2020	-	-	60,000
Other Beneficiaries			
Plan 2017	-	-	-
Plan 2020	-	823,750	-

Within the scope of the 2017 Plan, the right to exercise the Option was obtained as indicated in the respective Plans and Board Meetings that authorized the grants, so that part of the options granted in the 2017 Plan become exercisable due to (a) the course of of terms established in the grants, which release the options "not yet exercisable", and (b) corporate events that increase the Company's capital stock and release part of the Conditional Options

Within the scope of the 2020 Plan, the right to exercise the Option was obtained as indicated in the respective Plans and Board Meetings that authorized the grants, so that the options granted in the 2020 Plan become exercisable due to (a) the course of deadlines foreseen in the grants, which release the options "not yet exercisable", and/or (b) ratification and homologation in the General Meeting of the grants carried out by the Board of Directors of the Company and released part of the Conditional Options.

25 Demonstration of net revenue

	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Gross sales and/or services				
In Brazil	98,195	98,194	113,859	107,327
Export	15,466	4,696	16,353	5,297
	113,661	102,890	130,212	112,624
Deductions for gross sales				
Taxes on sales	(16,788)	(17,299)	(19,822)	(19,071)
Net sales and/or services	96,873	85,591	110,390	93,553

26 Loss per share

a. Basic

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

Itens	Parent and Consolidated 12/31/2022	12/31/2021
Net income (loss) from the exercise	54,866	(41,340)
Profit (loss) attributable to the Company's controlling shareholders	**54,866**	**(41,340)**
Weighted average number of common shares issued (thousands)	**30,353**	**29,013**
Basic earnings (loss) per share - R$	**1.81**	**(1.42)**

b. Diluted

Diluted loss per share is calculated by adjusting the weighted average number of outstanding common shares to assume the conversion into common shares of instruments that may cause dilution.

Equity instruments have a dilutive effect when they result in the issuance of shares for an amount lower than the current share price.

On December 31, 2022, the dilutive effects related to stock options were verified, as per explanatory note No. 24, to the subscription warrants of creditors subject to Judicial Reorganization as per Explanatory Note No. 1.1.

27 Other operating income and (expenses)

Items	Parent 12/31/2022	Parent 12/31/2021	Consolidated 12/31/2022	Consolidated 12/31/2021
Others operating income				
Reversal of estimate with lawsuit	1,097	8,592	4,325	17,760
Arbitration Procedure CSL	-	7,053	-	7,053
Gain on disposal of fixed assets	108	23,490	6,399	27,329
Reversal of estimated losses due to non-recoverability of assets	-	-	9,915	7,001
Recovery of taxes and contributions	1,857	-	2,898	-
Others	2	1,711	2,321	1,134
Total other operating income	3,064	40,846	25,858	60,277
Others operating expenses				
Provision for loss of lawsuit	(2,698)	(4,020)	(6,690)	(13,697)
Loss on disposal of fixed assets	(62)	(3,622)	(13,145)	(17,173)
Estimate of losses due to non-recoverability of assets	(2,048)	-	(15,589)	(22,684)
Cost of idle production	(17,971)	(13,325)	(19,241)	(13,681)
Capital losses on investment	-	(17,197)	-	(17,197)
Others	(3,692)	(8,730)	(17,880)	(15,128)
Total other operating expenses	(26,471)	(46,894)	(72,545)	(99,560)
Other net operating expenses	**(23,407)**	**(6,048)**	**(46,687)**	**(39,283)**

28 Financial result

Itens	Parent 12/31/2022	Parent 12/31/2021	Consolidated 12/31/2022	Consolidated 12/31/2021
Financial Income				
Income from financial investments	43	6	383	309
Related-party interest income (mutual contract)	45	42	-	-
Adjustment to present value	-	-	-	16,928
Adjustment to fair value	645	651	645	651
Monetary variance	2,125	1,260	3,783	5,012
Arbitration Procedure CSL	7,555	20,227	7,555	20,227
Other financial income	154	67	795	1,359
Total financial Income	10,567	22,253	13,161	44,486
Financial Expenses				
Interest on loans and financing	(4,606)	(934)	(5,477)	(1,021)
Interest on loans and financing (Judicial Reorganization)	(2,341)	(3,086)	(2,341)	(3,086)
Interest on bonds (Judicial Reorganization)	-	-	(1,798)	(1,694)
Adjustment to present value	(8,371)	(6,174)	(14,001)	(6,174)
Interest of mutual contract	(651)	(768)	-	-
Interest on suppliers / Provision of Interest	(28)	-	(59)	-
Interest on suppliers (Judicial Reorganization)	(3,836)	(3,169)	(3,836)	(3,170)
Fines, interest and monetary adjustment	(4,643)	(3,148)	(8,401)	(6,464)
Other financial expenses	(1,955)	(1,182)	(3,384)	(1,701)
Total financial expenses	(26,431)	(18,461)	(39,297)	(23,310)
Gain on exchange variance	54,469	34,095	67,380	58,126
Loss on exchange variance	(40,152)	(46,976)	(51,541)	(72,227)
Exchange variance, net	14,317	(12,881)	15,839	(14,101)

29 Expenditure by nature

Items	Parent		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Cost of goods sold	(71,472)	(60,083)	(85,143)	(68,310)
Raw material, materials for use and consumption, labor and third-party services	(69,518)	(57,173)	(82,022)	(64,276)
Depreciation and amortization	(3,208)	(3,434)	(3,612)	(3,962)
Others	1,255	524	491	(72)
Selling expenses	(9,552)	(8,812)	(10,232)	(9,217)
Third-party labor and services	(6,206)	(6,101)	(4,020)	(3,832)
Depreciation and amortization	(14)	(25)	(14)	(25)
Other commercial expenses	(3,332)	(2,686)	(6,198)	(5,360)
General and Administrative Expenses	(15,240)	(13,035)	(22,765)	(21,946)
Third-party labor and services	(10,685)	(9,557)	(16,800)	(16,738)
Depreciation and amortization	(1,260)	(961)	(1,837)	(1,445)
Other administrative expenses	(3,295)	(2,517)	(4,128)	(3,763)
Remuneration of directors	(3,032)	37	(4,751)	(3,842)

30 Information by business segment and geographic region

The Company's Management defined the operating segments of the Group, based on the reports used for making strategic decisions, reviewed by the Board of Directors and considers that the market in which it operates is segmented in the **Product** line, the same composition presented in note no. 1.

The Company operated in the oil services business **(Services segment),** of which various assets remain in the process of demobilization, as well as the legacy associated with it.

Geographically, Management considers the performance of the Brazilian and South American markets in general. Distribution by region is considered the location of the Group's companies and not the location of the customer.

The revenue generated by the reported operating segments comes mainly from:

a. **The Products:** mainly producing industrial valves; valves for oil and gas; synthetic fiber ropes for anchoring oil platforms and several other applications; and artifacts of composite materials, such as poles and tubular sleeves for coating oil pipelines.

b. **Services:** The Company continues to demobilize its activities through the sale of equipment, as well as the legacy associated with it. The revenues that make up this segment are derived from the settlement of inventory balances, not referring to regular operations.

Sales between segments were made as sales between independent parties. The revenue from external parties reported to the Executive Board was measured in a manner consistent with that presented in the income statement.

The values related to the total assets are consistent with the balances recorded in the financial statements. These assets are allocated based on the segment's operations and the physical location of the asset.

The amounts related to the total liability are consistent with the balances recorded in the financial statements. These liabilities are allocated based on the segment's operations.

The segment information is shown below:

	Products		Services		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Net sales	**109,629**	**93,439**	**761**	**114**	**110,390**	**93,553**
Cost of sales	(84,410)	(68,138)	(733)	(172)	**(85,143)**	**(68,310)**
Gross Profit (Loss)	**25,219**	**25,301**	**28**	**(58)**	**25,247**	**25,243**
Selling expenses	(10,183)	(9,216)	(49)	(1)	**(10,232)**	**(9,217)**
General and administrative expenses	(18,993)	(15,097)	(3,772)	(6,849)	**(22,765)**	**(21,946)**
Management compensation	-	-	(4,751)	(3,842)	**(4,751)**	**(3,842)**
Reversal of estimated losses due to the non-recoverability of assets	-	-	9,915	7,001	**9,915**	**7,001**
Estimate of losses due to the non-recoverability of assets	-	-	(15,589)	(22,684)	**(15,589)**	**(22,684)**
Other operating income (expenses), net	(24,846)	(17,104)	(16,167)	(6,496)	**(41,013)**	**(23,600)**
Operating profit (loss) before financial result	**(28,803)**	**(16,116)**	**(30,385)**	**(32,929)**	**(59,188)**	**(49,045)**

	Products		Services		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Identifiable assets	**163,191**	**160,474**	**215,384**	**197,021**	**378,575**	**357,495**
Customers	20,440	16,056	6,688	4,887	**27,128**	**20,943**
Inventory	36,610	38,406	2,637	2,721	**39,247**	**41,127**
Taxes to be recovered	15,396	12,709	37,594	53,032	**52,990**	**65,741**
Securities-restricted	44	44	-	-	**44**	**44**
Asset	29,222	31,780	147,778	115,694	**177,000**	**147,474**
Goodwill	61,479	61,479	20,687	20,687	**82,166**	**82,166**
Identifiable liabilities	**20,475**	**7,361**	**206,079**	**183,394**	**226,554**	**190,755**
Suppliers	6,813	2,748	64,087	59,189	**70,900**	**61,937**
Loans	13,662	4,613	141,992	124,205	**155,654**	**128,818**

	Products		Services		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Depreciation and amortization	**(4,011)**	**(3,967)**	**(1,451)**	**(1,465)**	**(5,462)**	**(5,432)**
Acquisition of fixed assets	**1,791**	**1,399**	**56**	**105**	**1,847**	**1,504**

The information by geographic region is shown below:

	Brazil		Others		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Net sales	110,390	93,553	-	-	110,390	93,553
Cost of sales	(85,143)	(68,310)	-	-	(85,143)	(68,310)
Gross Profit (Loss)	25,247	25,243	-	-	25,247	25,243
Selling expenses	(10,232)	(9,217)	-	-	(10,232)	(9,217)
General and administrative expenses	(22,765)	(21,946)	-	-	(22,765)	(21,946)
Management compensation	(4,751)	(3,842)	-	-	(4,751)	(3,842)
Reversal of estimated losses due to the non-recoverability of assets	9,915	7,001	-	-	9,915	7,001
Estimate of losses due to the non-recoverability of assets	(15,589)	(22,684)	-	-	(15,589)	(22,684)
Other operating income (expenses), net	(41,013)	(23,600)	-	-	(41,013)	(23,600)
Operating profit (loss) before financial result	(59,188)	(49,045)	-	-	(59,188)	(49,045)

	Brazil		Others		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Identifiable assets	378,575	357,495	-	-	378,575	357,495
Customers	27,128	20,943	-	-	27,128	20,943
Inventory	39,247	41,127	-	-	39,247	41,127
Taxes to be recovered	52,990	65,741	-	-	52,990	65,741
Securities-restricted	44	44	-	-	44	44
Fixed asset	177,000	147,474	-	-	177,000	147,474
Goodwill	82,166	82,166	-	-	82,166	82,166
Identifiable liabilities	191,838	157,233	34,716	33,522	226,554	190,755
Suppliers	70,900	61,937	-	-	70,900	61,937
Loans	120,938	95,296	34,716	33,522	155,654	128,818

	Brazil		Others		Consolidated	
	12/31/2022	12/31/2021	12/31/2022	12/31/2021	12/31/2022	12/31/2021
Depreciation and amortization	(5,462)	(5,432)	-	-	(5,462)	(5,432)
Acquisition of fixed assets	1,847	1,504	-	-	1,847	1,504

31 Subsequent events

Termination of Judicial Reorganization

On January 13, 2023, according to a Material Fact, the Company filed with the 1st Bankruptcy and Judicial Reorganization Court of São Paulo, the request for closure of the Judicial Reorganization process of Lupatech S.A and its subsidiaries, which was decreed on January 14, 2023. March 2023 according to the sentence handed down in the case.

Binding agreement of BPS Capital Participações Societárias S.A for Investment in the Company

According to the Material Fact of February 7, 2023, the Company entered into a binding agreement with BPS to carry out an investment to reinforce and adjust the company's capital structure. The operation aims both at injecting new resources to support the business plan and at converting debt into equity.

Concomitantly with negotiations with BPS, the company started a private offering of shares aimed exclusively at its shareholder base.

On March 24, the company signed a definitive agreement with BPS for the subscription of up to BRL 10 million reais in a private offering of debentures worth BRL 25 million, combined with the issue of Subscription Warrants that allow the capitalization of credits. The agreement is subject to the usual suspensive conditions for this type of transaction.

The Federal Supreme Court ("STF") changes its understanding related to res judicata in tax matters

On February 8, 2023, the Federal Supreme Court (STF) ruled on Items 881 – Extraordinary Appeal No. 949,297 and 885 – Extraordinary Appeal No. 955,227. The ministers who participated in these issues unanimously concluded that judicial decisions taken definitively in favor of taxpayers should be annulled if, later, the Supreme Court has a different understanding on the subject. That is, if years ago a company obtained authorization from the Court to stop paying any tax, this permission will automatically expire if, and when, the STF understands that the payment is due.

The Management evaluated with its internal legal advisors the possible impacts of this STF decision and concluded that the decision of the STF does not result, based on management's assessment supported by its legal advisors, and in line with CPC25/IAS37 Provisions, Contingent Liabilities and Contingent Assets, CPC 32/IAS 12 Income Taxes, ICPC 22 / IFRIC 23 Uncertainty about the treatment of income taxes and CPC24/IAS10 Subsequent Events, with significant impacts on its financial statements as of December 31, 2022.

Comments on the behavior of business projections

Throughout 2022, we have seen significant effects related to the outbreak of the Covid Omicron variant, the event of the war in Ukraine, and the outbreak of Covid outbreaks in China, with the imposition of draconian lockdowns in important parts of that country. All these events had very relevant effects on our supply chain, greatly affecting manufacturing and transport times, working capital used in operations, and the costs of acquiring materials and services. Although the normalization of production and transport chains has been taking place gradually, a large part of the industry still faces delays, unforeseen costs and others.

The consolidated net revenue for 2022 was R$ 110.4 million. That said, the company informs that the amount calculated for 2022 was slightly lower than the projected range of the last estimate (R$ 115 to 135 million).

Period	Net Revenue	Ebitda Margin
Between 3 and 5 years **Target**	BRL 550 million (considering the range of BRL 450 million to BRL 650 million)	17% to 23%
Between 5 and 10 years **Target**	BRL 1 billion to BRL 2 billion	NA

The projections, when disclosed, are estimates by the Company's Management and reflect its opinion, taking into account factors that may affect its performance, such as general economic conditions, in addition to the dynamics of its operating markets and operations, in accordance with with the information available on the market to date.

Any projections are, therefore, subject to risks, uncertainties and changes, not constituting a promise of performance.

The informed objectives are strategic targets pursued by the Company's management for horizons of 3 to 5 years and 5 to 10 years, not consisting of projections.

LUPATECH S.A. – IN JUDICIAL RECOVERY
CNPJ/ME number 89.463.822/0001-12
NIRE 35.3.0045756-1
Public Company with Authorized Capital – New market

AUDIT COMMITTEE REPORT - 03/27/2023

I – INTRODUCTION AND COMPOSITION OF THE COMMITTEE::

The AUDIT COMMITTEE, as provided for in the internal regulations, Bylaws and Legislation, in short, is responsible for advising the Company's Board of Directors, with regard to the exercise of its functions of inspection and monitoring of the quality of financial statements, internal controls, compliance, management of the Company's risks, aiming at the reliability of information reflected therein. In 2022, the Audit Committee was constituted on October 26, 2022, and since then, it has been composed of the following members, who are in full exercise of their respective mandates, namely:

1. **Paulo Pinese**, Brazilian, married, business administrator and accountant, bearer of Identity Card number 8.138.961-9, registered with CPF/MF number 921.449.938-15 and CRC SP 134.267/O-6, with business address at Rodovia Anhanguera, km. 119, Industrial District, Nova Odessa (SP), CEP 13388-220, with the role of Coordinator of the Audit Committee,

2. **Carlos Mario Calad Serrano**, Colombian, married, engineer, bearer of Identity Card number V471179-4, registered with the CPF/ME number 060.144.487-64, with business address at Rodovia Anhanguera, km. 119, Industrial District, Nova Odessa (SP), CEP 13388-220.

3. **Celso Fernando Lucchesi**, Brazilian, married, geologist, bearer of Identity Card number 05220023-5, regularly registered with the CPF/MF number 117.047.300-82, with business address at Rodovia Anhanguera, km. 119, Industrial District, Nova Odessa (SP), CEP 13388-220.

II – DUTIES OF THE AUDIT COMMITTEE

It is incumbent upon the Audit Committee, in addition to other attributions assigned to it by law, by regulation or by the Bylaws:

II.1. - Opinion on the hiring and dismissal of an independent auditor; II.2 - supervising the activities of the independent auditors, evaluating their independence, the quality of the services provided and the suitability of such services to the Company's needs; II.3 - supervise the activities carried out in the areas of internal control, internal audit and preparation of the Company's financial statements; II.4 - monitor the quality and integrity of internal control mechanisms, financial statements and information and measurements disclosed by the Company; II.5 - evaluate and monitor the Company's risk exposures, which may require, among others, detailed information on policies and procedures related to: a) management compensation; b) use of Company assets; and, c) expenses incurred on behalf of the Company. II.6 - evaluate and monitor, together with the Company's management and the internal audit area, the adequacy and disclosure of transactions with related parties; II.7 - prepare an annual report with information on activities, results, conclusions and recommendations, recording, if any, significant differences between management, independent auditing and the Audit Committee itself in relation to the financial statements; II.8 - report to the Board of Directors the work carried out by the Committee, communicating the main facts, via registration in the minutes of meetings. II.9 - exercise functions and perform the other acts necessary for the fulfillment of their responsibilities.

III – AUDIT COMMITTEE ACTIVITIES:

The Committee met on two occasions, namely January 31, 2023 and March 27, 2023, recording the presence of the three members (two members at the 1st meeting held on 01/31/23), at the meetings held at said period. During this period, the Audit Committee also met with the external audit, with the Company's president, Mr. Rafael Gorenstein, and with Mrs. Vanessa Melo de Souza, Financial Statements Preparer.

At an ordinary meeting to be held on March 28, 2023, the Board of Directors will accept the recommendation of this Audit Committee in order to approve the Financial Statements discussed and revised by this same Committee.

IV – BI-MONTHLY FOLLOW-UP ACTIVITIES:

During the year, the following points were discussed:

V – TOPICS DISCUSSED IN 2023:

a) Financial / Financial / Accounting Statements: Bimonthly monitoring of the Company's financial results was carried out; Reviewed the financial statements, including explanatory notes, draft management report and independent accounting auditor's report. The adopted accounting practices were evaluated; assessed the process of preparation and disclosure of financial statements; assessed the reasonableness of the criteria for recognizing revenue and realizing expenses that have a material impact on the Company's financial statements.

b) The Independent Accounting Audit: Assessed independence, especially with regard to the provision of other services, and compliance with applicable legal and regulatory provisions; Acknowledged the Independent Auditor's Annual Work Plan; Accompanied and supervised the work of the independent accounting audit; Acknowledged the audit report on the financial statements;

c) Internal controls and compliance: Accompanied and monitored tools used by the COMPANY to assess risks, protect assets and supervise the effectiveness of compliance structures in combating fraud, corruption and preventing money laundering; Became aware of the COMPANY's corporate policies; Monitored the procedures relating to the Prevention and Combat of Money Laundering; It monitored the procedures relating to the Prevention and Combat of Fraud, as well as being aware of the investigation reports and respective results; Monitored the dissemination and actions related to the Anti-Corruption Law (Law 12,846/2013, Decree 8,420/2015 and Ordinance CGU 909), Code of Ethics and Conduct and Compliance Program; Assessed the risks related to the information technology (IT) environment; Evaluated the process of monitoring lawsuits, deposits and judicial blocks, as well as the adequacy of the respective accounting provisions; Monitored the controls related to the financial area; Accompanied the management of third-party contracting; Monitored work related to the implementation of the LGPD; Monitored the identification and mitigation of the IT environment and cyber risks.

d) Irregularities and Denounces: Monitored the development of the process for communication and monitoring of systems and controls implemented by the Administration for the reception and treatment of information about non-compliance with legal and normative provisions applicable to it, in addition to its internal regulations and codes, ensuring that they provide for effective mechanisms that protect the information provider and its confidentiality;

VI – AUDIT COMMITTEE HIGHLIGHTS:

The members of the Audit Committee, in the exercise of their attributions and legal responsibilities, point out that they discussed in detail, the accounting and recording procedures of the most relevant transactions taken to accounting records in the fiscal year ended December 31, 2022, which are reflected in the minutes of the Meeting of the Audit Committee on 01/31/2023 and 03/27/2023.

Additionally, in a preliminary visit on November 28 and 29, 2022, the Coordinator discussed the environment of internal controls and compliance with Management representatives, finding nothing to report regarding internal control risks.

VII – RECOMMENDATION AS TO THE 2022 FINANCIAL STATEMENTS

The members of the Audit Committee of Lupatech S.A. – In Judicial Recovery, in the exercise of their attributions and responsibilities, and in accordance with the Internal Regulations of this Committee, they carried out the analysis of the financial statements – individual and consolidated, and the annual Management report, including Explanatory Notes to the aforementioned financial statements, prepared for the Fiscal Year ended on December 31, 2022, and, based on the information provided by Management, by the External Auditors, this Committee is in favor of, and therefore recommends, to the Board of Directors its approval, of said documents cited.

Nova Odessa (SP), March 27, 2023.

1. **Paulo Pinese**
   RG number 8.138.961-9/CPF/MF number 921.449.938- 15
   CRC SP 134.267/O-6.

2. **Carlos Mario Calad Serrano**
   RNE number V471179-4/CPF/ME number 060.144.487-64.

3. **Celso Fernando Lucchesi**
   RG number 05220023-5/CPF/MF sob o number 117.047.300-82.

(Convenience translation into English from the original previously issued in Portuguese)

LUPATECH S.A.
(Under Court-Ordered Reorganization)

Independent auditor's report

Individual and consolidated financial statements
As at December 31, 2022

LUPATECH S.A.
(Under Court-Ordered Reorganization)

Individual and consolidated financial statements
As at December 31, 2022

Contents

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INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

To the
Shareholders, Board Members and Management of
Lupatech S.A. (Under Court-Ordered Reorganization)
Nova Odessa - SP

Opinion on the individual and consolidated financial statements

We have audited the individual and consolidated financial statements of **Lupatech S.A. ("Company")**, identified as Parent company and Consolidated, which comprise the statement of financial position as at December 31, 2022, and the respective statements of operations, comprehensive income (loss), changes in equity and cash flows for the year then ended, as well as the corresponding 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.** as at December 31, 2022, its individual and consolidated financial performance and its individual and consolidated cash flows for the year then ended in accordance with Brazilian accounting practices and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion on the individual and consolidated financial statements

We conducted our audit in accordance with Brazilian and International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Company in accordance with the relevant ethical principles established in the Code of Ethics for Professional Accountants and in the professional standards issued by the Brazilian Federal Council of Accounting (CFC), and we have fulfilled our other ethical responsibilities in accordance with these standards. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty as to going concern

We draw attention to Note 1.2 to the individual and consolidated financial statements, which describes that the Company incurred losses before Income and Social Contribution Taxes amounting to R$ 54,549 in parent company and R$ 69,485 in consolidated, as well as it has been reporting working capital deficiency and accumulated losses amounting to R$ 2,041,877 thousand as at December 31, 2022. Additionally, the Company has not generated positive operating cash flows in amounts sufficient to settle its obligations. These conditions, together with the fact that the Company and its controlled companies are under court-ordered reorganization, indicate the existence of material uncertainty as to its going concern that may cast doubt on the Company's and its controlled companies' ability to continue as a going concern. Thus, the reversal of accumulated losses, disclosed as at December 31, 2022, and the resumption of the Company's ability to generate positive operating cash flows and, consequently, the recovery of the Company's ability to settle its obligations in the normal course of business and to realize its assets, depend on the success of the monetization plan of credits and other assets, as well as on the actions for achievement of the projections made, which include the resumption of activities and bidding processes, as well as compliance with the court-ordered reorganization plan. Our conclusion 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 financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment test of fixed assets and goodwill - Parent company and Consolidated

As described in Note 1.1 to the financial statements, the Company and its controlled companies have faced difficulties in generating profits and sufficient cash flows from their operations and are under court-ordered reorganization process. In view of these indicators, the Company evaluated the existence of impairment related to its Cash Generating Units ("CGUs"), where fixed assets and goodwill are allocated in accordance with Notes 11 and 12. For the calculation of the recoverable value, the discounted cash flow method was used, based on economic and financial projections. The determination of estimates of future profitability of Cash Generating Units for the purposes of assessing the recoverable value of such assets requires the use of significant judgments and assumptions by the Company that are subject to a high degree of uncertainty about the realization of future business assumptions, on market indicators used to determine discount rates, as well as significant uncertainty about the Company's and its controlled companies' ability to continue as a going concern, which may affect the value of these assets in the individual and consolidated financial statements and the investment value recorded under equity method in the parent company's financial statements. For this reason, we considered this a key audit matter.

Audit response

In our audit procedures:

We evaluated the mathematical integrity and the relevant assumptions used in preparing the projection of discounted cash flows for each CGU, also including the comparison of forecasts with past performance, the assessment of the existence of an active market for the CGUs evaluated and other evidence about the determination of the fair value used in determining the recoverable value, such as reports at market value prepared by specialists, when applicable, and the evaluation and consistency of these assumptions with the business plans approved by the Board of Directors. Also, we conducted the sensitivity analysis for the main assumptions used in the projection made by the Company and its controlled companies.

Based on the result of the audit procedures described above, we concluded that the disclosures in note are adequate, in all material respects, in the context of the financial statements taken as a whole.

Going concern

We draw attention to the matter described in the Section "Emphases" under the item Material uncertainty as to going concern, which is considered a key audit matter but reported in a specific section as required by the Audit Standard "NBC TA 570 Going concern".

Other matters

Statements of value added

The statements of value added, prepared under the responsibility of the Company's Management for the year ended December 31, 2022, and presented as supplementary information for IFRS purposes, were submitted to the same audit procedures followed for the audit of the Company's financial statements. In order to form an opinion, we have checked whether these statements are reconciled with the financial statements and accounting records, as applicable, and whether its form and contents meet the criteria established in CPC 09 - Statement of Value Added. In our opinion, these statements of value added were properly prepared, in all material respects, in accordance with the criteria established in that Technical Pronouncement and are consistent with the financial statements taken as a whole.

Financial statements of the prior year audited by other independent auditor

The financial statements as at December 31, 2021, presented for comparison purposes, were audited by other independent auditors, whose report thereon, dated March 25, 2022, was qualified regarding non-conclusion of the valuation reports of assets held for sale, regularized in the current year.

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

The Company's Management is responsible for the other information that comprises the Management Report.

Our opinion on the financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the Management Report when provided to us and, in doing so, consider whether the 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 of this Management Report; we are required to report that fact to the Company's governance and to its corresponding regulatory body.

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 financial statements in accordance with Brazilian accounting practices and IFRS issued by 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 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 or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's 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 financial statements taken 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 (ISAs) 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 standards and ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the 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 controls;

- Obtain an understanding of internal controls 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 Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and 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 uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability 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 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 to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether they represent the underlying transactions and events in a manner that achieves fair presentation; and
- 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 controls 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.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Goiânia, March 29, 2023.

BDO RCS Auditores Independentes SS Ltda.
CRC 2 GO 001837/F-4 – S - SP

Fernando Eduardo Ramos dos Santos
Accountant CRC 1 GO 014553/O-0 – SP

Management’s declaration of the financial statements

In accordance with item VI of article 27 of CVM Instruction No. 80, of March 29, 2022, as amended, the Executive Board declares that it has reviewed, discussed and agreed to the Company's Financial Statements for the year ended December 31, 2022.

Nova Odessa, March 29, 2023.

Rafael Gorenstein – Director President and of Investor Relations Officer

Paulo Prado da Silva - Director without specific designation

Management’s declaration of the independent auditor’s report

In accordance with V of article 27 of CVM Instruction No. 80, of March 29, 2022, as amended, the Executive Board declares that it has reviewed, discussed and agreed with the independent auditor’s report on the Company's Financial Statements for the year ended December 31, 2022.

Nova Odessa, March 29, 2023.

Rafael Gorenstein – Director President and of Investor Relations Officer

Paulo Prado da Silva - Director without specific designation