

QUARTERLY INFORMATION 2Q2023

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

During the 2nd quarter of 2023 and until the date of publication of the interim results, we had the following important events for the Company.

The first of these was the final and unappealable conclusion of the Judicial Recovery decreed on March 14, 2023. The recovery request was made on May 25, 2015, so that 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 situation imposed on these partners.

In addition to opening 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 upliftment, in particular access to the capital market.

The investment agreement with BPS Capital Gestão de Ativos S.A. ("BPS") was implemented, in accordance with the material fact publications dated February 7 and March 24, 2023. BPS and other investors subscribed and paid in R\$ 10.1 million in debentures, which will be entitled to 17,735,600 Subscription Warrants. Each bonus gives the right to subscribe for one share with credits at 333.33% of the prevailing market price (average of 10 trading sessions) subject to a floor of R\$4.03 per share. This implies that at the floor price, up to BRL 238 million in debt can be converted into capital, which would provide the converted credits with a maximum participation of 36.4% of the capital (considering the share capital at the end of 1Q23 of 31,040,244 shares). Should the stock trade above the floor, a larger amount of debt can be reached for conversion, but in this scenario, the same amount of debt would have a smaller share of equity.

The operation brings two benefits to the Company: the immediate injection of new resources to reinforce the capital structure and the possibility of a significant debt reduction in the medium run, through the exercise of the Subscription Warrants.

On June 28 the Company received an investment proposal, led by the Chief Executive Officer and the Chairman of the Board and their vehicles and co-investors (Proponents), for the acquisition of Subscription Warrants. Upon acceptance of the proposal, the Company started the 4th Issue of Subscription Warrants, with the potential to increase the capital by 6.92 million shares, worth approximately R\$ 20 million at the current share prices, with the commitment of a minimum investment of R\$ 8 million by the Proponents.

The proposal ratifies the confidence in the Company's trajectory and will allow the reinforcement of the capital structure by means of the investment of the Proponents and the shareholders who follow through the exercise of their preemptive rights.

Also worth mentioning the completion of the long arbitration procedure filed 2017 by Lupatech against San Antonio International (SAI), GP Investments and its investment vehicles that participated in the Investment Agreement for the acquisition of San Antonio's Brazilian operations in 2012. In short, the controversy focused on Lupatech's right to indemnities related to non-compliance with contractual obligations by sellers.

Among the main reimbursements determined by the arbitration court were: (1) certain expenses paid by the acquired companies which were responsibility of the sellers, and (2) expenses with the payment of contingencies not declared in the investment agreement, especially civil and labor claims.

The conviction amounted to BRL 37 million, of which BRL 5 million were paid in 2021 against a partial ruling, and the remaining BRL 32 million, approximately, must be paid in 30 days by SAI and the vehicles. The arbitration court determined that in the event of default, the elements required to claim payment from GP Investments in judicial court are present.

The final sentence only covered reimbursement of expenses effectively disbursed until July 2021. Everything that Lupatech spend after this date on liabilities whose responsibility falls on the sellers, as was determined by the court's expert, is also subject to future reimbursement claims – up to the indemnity ceiling of R\$ 115 million.

Regarding the results of the 2nd quarter, we had a small revenue reduction in relation to the 1st quarter and a more expressive reduction in comparison to the same period of the previous year, when we had an FPSO supply contract in progress. The lower performance was due to a tail of operational delays still resulting from the effects of the pandemic, some financial delays by customers that affected the progress of activities, and above all a larger contract which schedule was postponed due to technical changes requested by the client. Such lower revenues caused lesser dilution of fixed costs, with effects on Gross Margin and EBITDA.

The Company's backlog of orders and contracts with purchase obligations (“Order Backlog”) totaled R\$79.1 million. On the same date, the Company had a balance in supply contracts, with no obligation to purchase, of R\$125 million.

Rafael Gorenstein

CEO and IRO

Economic and Financial Performance

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

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

Net Revenue

Net Revenue (R\$ thd)	2Q22	2Q23	1Q23	2Q23	1S22	1S23
Products	25,389	19,626	21,324	19,626	55,107	40,950
Valves	24,445	17,615	20,623	17,615	53,901	38,238
Ropes and Composites	944	2,011	701	2,011	1,206	2,712
Services	84	46	68	46	480	114
Oilfield Services	84	46	68	46	480	114
Total	25,473	19,672	21,392	19,672	55,587	41,064

Products

The reduction observed in net revenue compared to previous periods was substantially due to changes in valve delivery schedules, motivated by: technical changes at the customer's request, operational delays due to the pandemic and payment delays.

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 June 30, 2023, the Company's order backlog in Brazil totaled R\$ 79.1 million. On the same date, the Company had a balance of R\$ 125 million in supply contracts, with no purchase obligation. (Note: the figures do not include bids for which the respective orders or contracts have not yet been issued).

Gross Profit and Gross Margin

Gross Profit (R\$ thd)	2Q22	2Q23	1Q23	2Q23	1S22	1S23
Products	6,808	4,175	5,205	4,175	13,537	9,380
<i>Gross Margin - Products</i>	<i>26.8%</i>	<i>21.3%</i>	<i>24.4%</i>	<i>21.3%</i>	<i>24.6%</i>	<i>22.9%</i>
Services	8	7	15	7	33	22
<i>Gross Margin - Services</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>	<i>n/a</i>
Total	6,816	4,182	5,220	4,182	13,570	9,402
<i>Gross Margin - Total</i>	<i>26.8%</i>	<i>21.3%</i>	<i>24.4%</i>	<i>21.3%</i>	<i>24.4%</i>	<i>22.9%</i>
Depreciation	1,244	1,212	1,301	1,212	2,551	2,513
Depreciation Products	953	858	884	858	1,941	1,742
Depreciation Services	291	354	417	354	610	771
Gross Profit without depreciation	8,060	5,394	6,521	5,394	16,121	11,915
Gross Profit without depreciation Products	7,761	5,033	6,089	5,033	15,478	11,122

*n/a - not applied

Products

The gross profit of 1S23 reached R\$ 9.4 million, with a margin of 22.9% against 13.6 million with a margin of 24.6% in 1S22, the decrease of 1.7 percentage points is mainly a reflection of lower revenue, with the lower dilution of fixed costs.

Services

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

Expenses

Expenses (R\$ thd)	2Q22	2Q23	1Q23	2Q23	1S22	1S23
Total Sales Expenses	2,571	2,368	2,470	2,368	5,057	4,838
Sales Expenses - Products	2,571	2,368	2,470	2,368	5,057	4,838
Sales Expenses - Services	-	-	-	-	-	-
Total Administrative Expenses	5,426	6,223	5,554	6,223	10,949	11,777
Administrative Expenses - Products	2,864	3,067	3,071	3,067	5,605	6,138
Administrative Expenses - Services	2,562	3,156	2,483	3,156	5,344	5,639
Management Fees	720	828	898	828	1,592	1,726
Total Expenses	8,717	9,419	8,922	9,419	17,598	18,341

Sales Expenses

The Company's Sales Expenses are predominantly variable in the form of freight and commissions. In 2Q23, the Company's commercial expenses remained at levels similar to the comparative periods.

Administrative Expense

In 2Q23, the Company recognized R\$ 6.2 million in administrative expenses, 14.7% higher than the amount recognized in 2Q22, and 7.6% higher in the half-yearly comparison. Such variations are mainly due to legal expenses (arbitration and observance of corporate obligations) and retroactive salary adjustments from union agreements.

Management Compensation

The amount presented is composed of fixed and variable remuneration.

Other Revenues and Operational (Expenses)

Other Operating (Expenses) (R\$ thd)	2Q22	2Q23	1Q23	2Q23	1S22	1S23
Products	(721)	(483)	(75)	(483)	(626)	(558)
Expenses with Idleness - Products	(5,029)	(4,489)	(5,547)	(4,489)	(7,982)	(10,036)
Services	(1,152)	(180)	3,899	(180)	(746)	3,719
Expenses with Idleness - Services	(6)	-	-	-	(25)	-
Total	(6,908)	(5,152)	(1,723)	(5,152)	(9,379)	(6,875)

In 2Q23, R\$ 1.1 million was booked in "Other Operating Income" against R\$ 6.3 million in "Other Operating Expenses", totaling a net effect of R\$ 5.2 million. Highlighting the following factors:

- I. R\$ 4,5 millions of expenses with idle production;
- II. R\$ 0.6 thousand from the recognition of taxes, recovery of taxes and depreciation of real estate as investment property;

- III. R\$ 0.5 thousand with inventory obsolescence and inventory adjustments;
 IV. R\$ 0.4 thousand corresponds to the positive net effect from updates of contingent liabilities according to the analysis of the legal advisors;

Financial Result

Financial Results (R\$ thd)	2Q22	2Q23	1Q23	2Q23	1S22	1S23
Financial Revenue*	11,001	770	2,393	770	13,499	3,163
Financial Expense*	(5,138)	(14,125)	(12,225)	(14,125)	(24,758)	(26,350)
Net Financial Results*	5,863	(13,355)	(9,832)	(13,355)	(11,259)	(23,187)
Net Exchange Variance	(19,885)	10,277	5,103	10,277	13,286	15,380
Net Financial Results - Total	(14,022)	(3,078)	(4,729)	(3,078)	2,027	(7,807)

* Excluding Exchange Variance

The Company's total net financial result in 2Q23 was negative by R\$ 3.1 million, mainly due to the updates of charges on taxes, suppliers, loans and adjustment to present value referring to the debt under Judicial Reorganization. In addition, the 2Q23 result, compared to 2Q22, was impacted by the valuation of the Real against the US Dollar.

It is important to remember that exchange rate variations are predominantly the result of their incidence on balances between companies of the group abroad. The exchange rate oscillation affects in the opposite direction the translation into Brazilian Reais (BRL) of the equity of 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)	2Q22	2Q23	1Q23	2Q23	1S22	1S23
Products	2,767	(95)	649	(95)	4,880	554
Margin	10.9%	-0.5%	3.0%	-0.5%	8.9%	1.4%
Services	(2,807)	(2,525)	(1,945)	(2,525)	(5,220)	(4,470)
Margin	n/a	n/a	n/a	n/a	n/a	n/a
Total	(40)	(2,620)	(1,296)	(2,620)	(340)	(3,916)
Margin	-0.2%	-13.3%	-6.1%	-13.3%	-0.6%	-9.5%

The variation in Adjusted EBITDA of Products in 2Q23 compared to the periods compared is mainly due to the reduction in sales margin.

Adjusted EBITDA from Services comprises legacy management costs.

Adjusted Ebitda Reconciliation (R\$ thd)	2Q22	2Q23	1Q23	2Q23	1S22	1S23
Gross Profit	6,816	4,182	5,220	4,182	13,570	9,402
SG&A	(7,997)	(8,591)	(8,024)	(8,591)	(16,006)	(16,615)
Management Compensation	(720)	(828)	(898)	(828)	(1,592)	(1,726)
Depreciation and Amortization	1,244	1,212	1,301	1,212	2,551	2,513
Other Operating Expenses	(6,909)	(5,152)	(1,723)	(5,152)	(9,379)	(6,875)
Ebitda	(7,566)	(9,177)	(4,124)	(9,177)	(10,856)	(13,301)
Result of disposal or write-off of assets	2,111	(33)	(93)	(33)	2,436	(126)
Provisions for Legal Proceedings	(593)	(387)	(5,195)	(387)	(1,193)	(5,582)
Idle expenses	5,231	4,489	5,547	4,489	7,868	10,036
Expenses with Restructuring and	777	2,488	2,569	2,488	1,405	5,057
Extraordinary Expenses						
Adjusted EBITDA	(40)	(2,620)	(1,296)	(2,620)	(340)	(3,916)

2Q23

Reconciliation of Adjusted Ebitda (R\$ thd)	Products	Services	Total
Gross Profit	4,175	7	4,182
SG&A	(5,435)	(3,156)	(8,591)
Management Compensation	(580)	(248)	(828)
Depreciation and Amortization	858	354	1,212
Other Operating Expenses	(4,972)	(180)	(5,152)
Ebitda	(5,954)	(3,223)	(9,177)
Result of disposal or write-off of assets	-	(33)	(33)
Provisions for Legal Proceedings	(109)	(278)	(387)
Idle expenses	4,489	-	4,489
Restructuring Process and Extraordinary Expenses	1,479	1,009	2,488
Adjusted EBITDA	(95)	(2,525)	(2,620)

Non-recurring expenses in 2Q23 refer mainly to production idleness, obsolescence and extraordinary losses with inventories and expenses related to judicial reorganization.

Net Result

Net Result (R\$ thd)	2Q22	2Q23	1Q23	2Q23	1S22	1S23
Result Before Income Tax and Social Contribution	(22,832)	(13,467)	(10,154)	(13,467)	(11,380)	(23,621)
Income Tax and Social Contribution - Current	-	-	(1)	-	(6)	(1)
Income Tax and Social Contribution - Deferred	(822)	(1,044)	75	(1,044)	2,648	(969)
Net Profit for the Period	(23,654)	(14,511)	(10,080)	(14,511)	(8,738)	(24,591)
Profit (Loss) per 1,000 Shares	0.40	(1.43)	(0.32)	(1.43)	(0.30)	(0.45)

Contributing to the negative result in 2Q23, in addition to current revenues and expenses, was the adjustment to present value referring to the debt under Judicial Reorganization and the net effect of other operating revenues and expenses.

Working Capital

Working Capital (R\$ thd)	1Q23	2Q23
Accounts Receivable	19,202	19,645
Inventories	36,933	36,877
Advances of suppliers	4,106	4,541
Recoverable taxes	44,603	44,167
Other Accounts Receivable	4,574	3,456
Total Asset	109,418	108,686
Suppliers	15,736	16,614
Advances from Customers	8,272	8,220
Taxes payable	24,101	24,292
Other Accounts Payable/Other Obligations	8,028	7,856
Payroll and charges	5,530	6,728
Total Liabilities	61,667	63,710
Working Capital Employed	47,751	44,976
Working Capital Variation	(18,784)	(2,774)

When comparing 2Q23 with 1Q23, there is a reduction in working capital employed. This reduction is mainly due to: (i) variation in other accounts receivable due to the conversion of debentures for settlement of creditors of Class I of the Judicial Reorganization, and (ii) reduction in recoverable taxes resulting from the offset of tax credits.

Cash and Financial Investments

Cash and cash equivalents (R\$ thd)	1Q23	2Q23
Cash and Cash Equivalents	3,881	3,493
Total	3,881	3,493

The Company's consolidated cash position and financial investments in 2Q23 reached R\$ 3.5 million.

Indebtedness

Debt (R\$ thd)	1Q23	2Q23
Short Term	39,897	41,580
Credits subject to Judicial Recovery	4,326	5,157
Credits not subject to Judicial Recovery	35,571	36,423
Long Term	103,871	103,532
Credits subject to Judicial Recovery	97,197	97,917
Credits not subject to Judicial Recovery	6,674	5,615
Total Debt	143,768	145,112
Cash and Cash Equivalents	3,881	3,493
Net Debt	139,887	141,619

The increase in financial indebtedness in the comparison between 2Q23 and 1Q23 is mainly associated with the updating of interest on debt.

Investment

Investments (R\$ thd)	1Q23	2Q23
Others Investments	21,942	21,942
Fixed Assets	136,989	135,533
Intangible Assets	83,510	83,331
Total	242,441	240,806

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

Annexes

Annex I - Income Statements (R\$ Thousand)

	1Q23	2Q23
Net Revenue From Sales	21,392	19,672
Cost of Goods and Services Sold	(16,172)	(15,490)
Gross Profit	5,220	4,182
Operating Income/Expenses	(10,645)	(14,571)
Selling	(2,470)	(2,368)
General and Administrative	(5,554)	(6,223)
Management Fees	(898)	(828)
Other Operation Income (Expenses)	(1,723)	(5,152)
Net Financial Result	(4,729)	(3,078)
Financial Income	2,393	770
Financial Expenses	(12,225)	(14,125)
Net Exchange Variance	5,103	10,277
<u>Loss Before Income Tax and Social Contribution</u>	<u>(10,154)</u>	<u>(13,467)</u>
Provision Income Tax and Social Contribution - Current	(1)	-
<u>Provision Income Tax and Social Contribution - Deferred</u>	<u>75</u>	<u>(1,044)</u>
Loss for the Period	(10,080)	(14,511)

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

	1Q23	2Q23
Adjusted EBITDA from Operations	(1,296)	(2,620)
Expenses with Restructuring and Extraordinary Expenses	(2,569)	(2,488)
Provisions for Losses, Impairment and Net Result on Disposal of Assets	5,288	420
EBITDA from Operations	1,423	(4,688)
Depreciation and amortization	(1,301)	(1,212)
Net Financial Result	(4,729)	(3,078)
Income Tax and Social Contribution - Current and Deferred	74	(1,044)
Idleness Expenses	(5,547)	(4,489)
Net Loss	(10,080)	(14,511)

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

	1Q23	2Q23
Total Asset	546,421	494,157
Current Assets	152,031	148,963
Cash and Cash Equivalents	3,881	3,493
Accounts Receivable	19,202	19,645
Inventories	36,933	36,877
Recoverable Taxes	44,603	44,167
Other Accounts Receivable	4,574	3,456
Prepaid Expenses	985	684
Advances to Suppliers	4,106	4,541
Assets Classified as Held for Sale	37,747	36,100
Non-Current Assets	394,390	345,194
Other Credits	1	1
Securities-restricted	44	44
Judicial Deposits	7,612	7,570
Recoverable Taxes	5,241	5,242
Deferred Income Tax and Social Contribution	103,000	55,823
Other Accounts Receivable	36,051	35,708
Investments	21,942	21,942
Property, Plant and Equipment	136,989	135,533
Intangible Assets	83,510	83,331
Total Liabilities and Shareholders Equity	546,421	494,157
Current Liabilities	103,684	111,849
Suppliers - Not Subject to Judicial Recovery	10,931	11,547
Suppliers -Subject to Judicial Recovery	4,805	5,067
Loans and Financing - Not Subject to Judicial Recovery	35,571	36,423
Loans and Financing - Subject to Judicial Recovery	4,326	5,157
Debentures Convertible into Shares	-	5,939
Provisions Payroll and Payroll Payable	5,530	6,728
Commissions Payable	213	-
Taxes Payable	24,101	24,292
Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	1,286	620
Advances from Customers	8,272	8,220
Other Accounts Payable	6,473	6,107
Other obligations - subject to judicial recovery	1,555	1,749
Provision for Contractual Fines	621	-
Non-Current Liabilities	268,215	225,402
Suppliers - Subject to Judicial Recovery	26,555	26,442
Loans and Financing - Subject to Judicial Recovery	97,197	97,917
Loans and Financing - Not Subject to Judicial Recovery	6,674	5,615
Taxes Payable	23,898	26,289
Deferred Income Tax and Social Contribution	46,133	-
Provision for Contingencies	27,980	27,069
Obligations and Provisions Labor Risks - Subject to Judicial Reorganization	2,287	2,264
Other Accounts Payable	3,105	4,829
Other obligations - subject to judicial recovery	34,386	34,977
Shareholders' Equity	174,522	156,906
Capital Stock	1,899,892	1,904,586
Capital reserve	2,967	2,967
Capital Transaction Reserve	136,183	136,183
Equity Valuation Adjustment	187,437	179,638
Accumulated Losses	(2,051,957)	(2,066,468)

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

	1Q23	2Q23
Cash Flow from Operating Activities		
Loss for the periods	(10,080)	(14,511)
Adjustments:		
Depreciation and Amortization	1,831	1,742
Income from sale of property, plant and equipment	324	(32)
Financial charges and exchange variation on financing	1,706	(7,430)
Reversal (Provision) for loss due to non-recoverability of assets	(418)	-
Inventory obsolescence	(321)	(123)
(Reversal) Estimated losses for doubtful accounts	31	(62)
Actual losses with doubtful accounts	-	91
Adjust to present value	3,552	7,846
Fair value adjustment	(4,125)	(7,798)
Changes in Assets & Liabilities		
(Increase) Decrease in Accounts Receivable	7,782	(366)
(Increase) Decrease in Inventories	2,635	179
(Increase) Decrease in Recoverable Taxes	3,147	435
(Increase) Decrease in Other Assets	1,472	1,303
(Increase) Decrease in Suppliers	(388)	(2,146)
(Increase) Decrease in Taxes Payable	(422)	2,580
(Increase) Decrease in Others Accounts Payable	(644)	9,701
Net Cash Flow from Operating Activities	6,082	(7,622)
Cash Flow from Investment Activities		
Securities - restricted account	60	51
Resources from the sale of fixed assets	101	33
Aquisition of Property, Plant and Equipment	(197)	(100)
Net Cash Flow from (Used in) Investment Activities	(36)	(16)
Cash Flow from Financing Activities		
Borrowing and financing	18,748	20,189
Capital increase (decrease)	1,021	4,694
Debentures Convertible into Shares	-	5,939
Payment of loans and financing	(35,105)	(23,572)
Net Cash Flow from Financing Activities	(15,336)	7,250
Net Increase (Decrease) in Cash and Cash Equivalents	(9,290)	(388)
At the Beginning of the Period	13,171	-
At the End of the Period	3,881	(388)

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.

BALANCE SHEET

(In R\$ Thousands)

<u>ASSETS</u>	Note	Parent		Consolidated	
		<u>06/30/2023</u>	<u>12/31/2022</u>	<u>06/30/2023</u>	<u>12/31/2022</u>
CURRENT					
Cash and cash equivalents	3	2,916	2,734	3,493	13,171
Accounts receivables	4	13,742	18,227	19,645	27,128
Inventories	5	24,922	26,460	36,877	39,247
Recoverable taxes	6	29,746	35,791	44,167	51,160
Deferred income tax and social contribution	17	-	-	-	-
Advances to suppliers		1,999	3,074	4,541	6,703
Other accounts receivable	7	2,634	3,730	3,456	4,549
Prepaid expenses		631	629	684	716
Accounts receivable - related parties	15.1	20,698	19,619	-	-
Assets classified as held for sale	8	3,236	3,236	36,100	38,614
Total current assets		<u>100,524</u>	<u>113,500</u>	<u>148,963</u>	<u>181,288</u>
NON-CURRENT ASSETS					
Other Credits		1	1	1	1
Judicial deposits	19.1	2,002	1,897	7,570	7,639
Securities-restricted	3	44	44	44	44
Recoverable taxes	6	4,527	1,115	5,242	1,831
Deferred income tax and social contribution	17	59,562	62,164	55,823	56,792
Accounts receivable - related parties	15.1	9,673	12,644	-	-
Other accounts receivable	7	33,335	32,848	35,708	35,222
Investments					
Direct and indirect associated companies	9.1	287,158	305,036	-	-
Investment property	9.2	-	-	21,942	21,942
Fixed assets	10	21,104	22,544	135,533	138,386
Intangibles					
Goodwill	11	61,479	61,479	82,166	82,166
Other intangibles	11	878	1,292	1,165	1,583
Total Non-current assets		<u>479,763</u>	<u>501,064</u>	<u>345,194</u>	<u>345,606</u>
TOTAL ASSETS		<u><u>580,287</u></u>	<u><u>614,564</u></u>	<u><u>494,157</u></u>	<u><u>526,894</u></u>

The notes are an integral part of the financial statements.

LUPATECH S.A.

BALANCE SHEET

(In R\$ Thousands)

	Note	Parent		Consolidated	
		06/30/2023	12/31/2022	06/30/2023	12/31/2022
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT LIABILITIES					
Suppliers - not subject to Judicial Recovery	12	7,521	7,274	11,547	10,748
Suppliers - subject to Judicial Recovery	12	5,067	4,731	5,067	4,731
Loans and financing - not subject to Judicial Recovery	13	30,318	32,194	36,423	49,977
Loans and financing - subject to Judicial Recovery	13	3,933	3,311	5,157	4,331
Debentures	14	5,939	-	5,939	-
Provisions payroll and payroll payable		5,480	4,516	6,728	5,603
Commissions payable		-	241	-	326
Taxes payable	20	14,479	16,215	24,292	25,977
Obligations for labor risks and creditors- subject to Judicial Recovery		620	1,144	620	1,144
Advances from customers		519	332	8,220	8,037
Provision contratual fines		-	621	-	621
Other accounts payable	18	5,268	4,952	6,107	5,698
Other obligations - subject to judicial recovery	18	1,749	1,457	1,749	1,457
Related Parties - mutual and loans	15.1	30,954	32,559	-	-
Total current liabilities		<u>111,847</u>	<u>109,547</u>	<u>111,849</u>	<u>118,650</u>
NON-CURRENT LIABILITIES					
Suppliers - subject to Judicial Recovery	12	26,442	26,162	26,442	26,162
Loans and financing - not subject to Judicial Recovery	13	5,615	5,820	5,615	5,820
Loans and financing - subject to Judicial Recovery	13	63,904	61,830	97,917	95,526
Taxes payable	20	12,009	8,815	26,289	20,522
Provision for contingencies	19.2	3,958	3,928	27,069	32,915
Obligations and provisions labor risks - subject to judicial Recovery		2,264	2,836	2,264	2,836
Other accounts payable	18	1,750	-	4,829	3,131
Other obligations - subject to judicial recovery	18	34,977	33,626	34,977	33,626
Related Parties - mutual and loans	15.1	160,615	174,294	-	-
Total non-current liabilities		<u>311,534</u>	<u>317,311</u>	<u>225,402</u>	<u>220,538</u>
SHAREHOLDERS' EQUITY					
Capital stock	21	1,904,586	1,898,871	1,904,586	1,898,871
Capital reserve to be realized		2,967	2,967	2,967	2,967
Capital transaction reserve		136,183	136,183	136,183	136,183
Equity valuation adjustments		179,638	191,562	179,638	191,562
Retained earnings / Accumulated losses		(2,066,468)	(2,041,877)	(2,066,468)	(2,041,877)
Attributed to the participation of the Company's shareholders		156,906	187,706	156,906	187,706
Total shareholders' equity		<u>156,906</u>	<u>187,706</u>	<u>156,906</u>	<u>187,706</u>
		<u>580,287</u>	<u>614,564</u>	<u>494,157</u>	<u>526,894</u>

The notes are an integral part of the financial statements.

LUPATECH S/A

STATEMENT OF INCOME
FOR THE PERIODS ENDED ON JUNE 30, 2023 AND 2022
(In thousands of Reais except loss per share, or when indicated)

	Note	Parent		Consolidated	
		06/30/2023	06/30/2022	06/30/2023	06/30/2022
NET REVENUE FROM SALES	25	33,447	50,145	41,064	55,587
COST OF GOODS AND SERVICES SOLD	29	(24,832)	(36,508)	(31,662)	(42,017)
Profit gross		8,615	13,637	9,402	13,570
OPERATING INCOME/EXPENSES					
Selling	29	(4,429)	(4,780)	(4,838)	(5,057)
General and administrative	29	(7,087)	(7,405)	(11,777)	(10,949)
Management compensation	16 / 29	(1,726)	(1,592)	(1,726)	(1,592)
Equity pick-up	9.1	(7,746)	(8,334)	-	-
Other operating income (expenses)	27	(8,806)	(9,087)	(6,875)	(9,379)
OPERATING PROFIT (LOSS) BEFORE FINANCIAL RESULT		(21,179)	(17,561)	(15,814)	(13,407)
FINANCIAL RESULTS					
Financial income	28	1,784	7,173	3,163	7,705
Financial expenses	28	(16,437)	(11,435)	(26,350)	(18,964)
Exchange variation, net	28	13,843	11,852	15,380	13,286
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(21,989)	(9,971)	(23,621)	(11,380)
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	17	-	-	(1)	(6)
Deferred	17	(2,602)	1,233	(969)	2,648
LOSS FOR THE PERIOD		<u>(24,591)</u>	<u>(8,738)</u>	<u>(24,591)</u>	<u>(8,738)</u>
LOSS ATTRIBUTABLE TO					
Parent company's interest		(24,591)	(8,738)	(24,591)	(8,738)
LOSS PER SHARE (In Reais)					
BASIC earnings per share		(0.44681)	(0.29585)	(0.44681)	(0.29585)
Diluted per share	26	(0.44681)	(0.29585)	(0.44681)	(0.29585)

The notes are an integral part of the financial statements.

LUPATECH S/A

STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIODS ENDED ON JUNE 30, 2023 AND 2022
(In R\$ Thousands)

	Parent		Consolidated	
	<u>06/30/2023</u>	<u>06/30/2022</u>	<u>06/30/2023</u>	<u>06/30/2022</u>
PROFIT (LOSS) FOR THE PERIOD	(24,591)	(8,738)	(24,591)	(8,738)
OTHER COMPREHENSIVE INCOME				
Exchange variation on investments abroad	(11,924)	(11,474)	(11,924)	(11,474)
COMPREHENSIVE INCOME OF THE PERIOD	<u>(36,515)</u>	<u>(20,212)</u>	<u>(36,515)</u>	<u>(20,212)</u>
TOTAL COMPREHENSIVE INCOME ALLOCATED TO:				
Participation of controlling shareholders	(36,515)	(20,212)	(36,515)	(20,212)

The notes are an integral part of the financial statements.

LUPATECH S/A

STATEMENT CASH FLOW - INDIRECT METHOD
FOR THE PERIODS ENDED ON JUNE 30, 2023 AND 2022
(In R\$ Thousands)

	Note	Parent		Consolidated	
		06/30/2023	06/30/2022	06/30/2023	06/30/2022
CASH FLOW FROM OPERATING ACTIVITIES					
Loss for the period		(24.591)	(8.738)	(24.591)	(8.738)
Depreciation and amortization	10 e 11	2.091	2.109	3.573	2.550
Reversal (Estimated) for losses by non-recoverability of assets	10 e 11	-	-	(418)	(3.516)
Equity pick-up	9.1	7.746	8.334	-	-
Result on sale of fixed assets		(98)	(20)	292	3.473
Financial charges and exchange variation on financing		(562)	(1.515)	(5.724)	(5.959)
Deferred income tax and social contribution		2.602	(1.233)	969	(2.688)
Inventory Obsolescence		(448)	-	(444)	(883)
(Reversal) Estimated losses for doubtful accounts	4	43	(22)	(31)	(131)
Actual losses with doubtful accounts	4	8	25	91	121
Adjustment to present value	28	4.538	3.993	11.398	9.939
Adjustment to fair value		-	11	(11.923)	(11.474)
(Increase) decrease in operating assets:					
Accounts receivable		4.435	(4.832)	7.416	(5.477)
Inventories		1.986	(1.248)	2.814	(4.362)
Recoverable taxes		2.634	955	3.582	997
Other assets		1.576	(6.420)	2.775	(5.391)
(Increase) decrease in operating liabilities:					
Suppliers		(2.773)	846	(2.534)	2.941
Taxes payable		(1.001)	191	2.158	529
Others accounts payable		2.639	4.585	9.057	16.958
Cash flow from operating activities		825	(2.979)	(1.540)	(11.111)
CASH FLOW FROM INVESTING ACTIVITIES					
Capital payment in subsidiary		(1.792)	(334)	-	-
Bonds and securities - restricted account	3	76	8	111	216
Proceeds from the sale of property		101	20	134	3.866
Acquisition of fixed assets	10	(240)	(1.028)	(297)	(1.086)
Adições ao intangível	10	-	(4)	-	(4)
Net cash from (invested) in investment activities		(1.855)	(1.338)	(52)	2.992
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from loans and financing		32.239	38.235	38.937	65.020
Proceeds (Payment) from loans and financing - Related parties		(3.195)	282	-	-
Capital Increase (Reduction)	21	5.715	83	5.715	83
Payments of loans and financing		(39.486)	(34.567)	(58.677)	(64.811)
Debêntures conversíveis em ação		5.939	-	5.939	-
Net cash provided by financing activities		1.212	4.033	(8.086)	292
(REDUCTION) NET INCREASE OF CASH AND CASH EQUIVALENTS					
		182	(284)	(9.678)	(7.827)
Cash and cash equivalents at the beginning of period		2.734	1.098	13.171	19.176
Cash and cash equivalents at the end of period		2.916	814	3.493	11.349

The notes are an integral part of the financial statements.

LUPATECH S.A.
CONSOLIDATED STATEMENT OF CHANGES SHAREHOLDER'S EQUITY
FOR THE PERIODS ENDED ON JUNE 30, 2023 AND 2022

(In R\$ Thousands)

	Capital stock	Capital reserves, options granted	Accumulated profit/loss	Equity valuation adjustments	Total participation of the Company's shareholders	Total shareholders' equity
BALANCE ADJUSTMENT IN DECEMBER 31, 2021	1,897,348	139,795	(2,096,743)	204,671	145,071	145,071
Capital increase	83	-	-	-	83	83
Loss for the year	-	-	(8,738)	-	(8,738)	(8,738)
Exchange variation on investments abroad	-	-	-	(11,474)	(11,474)	(11,474)
BALANCE ADJUSTMENT IN JUNE 30, 2022	1,897,431	139,795	(2,105,481)	193,197	124,942	124,942
BALANCE ADJUSTMENT IN DECEMBER 31, 2022	1,898,871	139,150	(2,041,877)	191,562	187,706	187,706
Capital increase	5,715	-	-	-	5,715	5,715
Loss for the year	-	-	(24,591)	-	(24,591)	(24,591)
Exchange variation on investments abroad	-	-	-	(11,924)	(11,924)	(11,924)
BALANCE ADJUSTMENT IN JUNE 30, 2023	1,904,586	139,150	(2,066,469)	179,638	156,906	156,906

The notes are an integral part of the financial statements.

LUPATECH S.A.

STATEMENT OF ADDED VALUE
FOR THE PERIODS ENDED ON JUNE 30, 2023 AND 2022
(In R\$ Thousands)

	Note	Parent		06/30/2023	06/30/2022
		06/30/2023	06/30/2022		
REVENUES					
Sales of goods, products and services (IPI including)	25	40,488	57,025	49,876	63,566
Gain on disposal of fixed assets		-	20	-	3,866
Reversal of loss estimate due to non-recoverability of assets		-	-	-	5,899
Other revenues	27	568	272	7,370	4,380
Reversal (estimated) of losses on doubtful accounts	4	(43)	22	31	120
Actual losses with doubtful accounts	4	(8)	(25)	(91)	(121)
		41,005	57,314	57,186	77,710
ACQUIRED FROM THIRD PARTIES					
Cost of products, goods and services sold		(10,342)	(24,367)	(6,128)	(19,973)
Materials, energy, and other outsourced services		(6,755)	(4,773)	(14,807)	(11,999)
Loss on disposal of fixed assets		-	-	-	(7,284)
Other expenses	27	(9,374)	(9,377)	(14,245)	(16,240)
		(26,471)	(38,517)	(35,180)	(55,496)
GROSS ADDED VALUE		14,534	18,797	22,006	22,214
DEPRECIATION AND AMORTIZATION	10 e 11	(2,091)	(2,109)	(3,573)	(2,550)
NET ADDED VALUE GENERATED BY THE COMPANY		12,443	16,688	18,433	19,664
ADDED VALUE RECEIVED IN TRANSFER					
Equity pick-up	9.1	(7,746)	(8,334)	-	-
Financial income	28	24,798	48,370	28,336	58,058
		17,052	40,036	28,336	58,058
TOTAL ADDED VALUE TO BE DISTRIBUTED		29,495	56,724	46,769	77,722
DISTRIBUTION OF ADDED VALUE					
Staff:		17,249	16,814	21,167	20,866
Direct compensation		12,697	12,554	15,482	15,487
Benefits		3,651	3,413	4,550	4,300
FGTS		901	847	1,135	1,079
Taxes and contributions:		11,068	7,704	13,816	9,313
Federal		7,151	4,074	8,790	4,951
States		3,718	3,457	4,782	4,156
Municipal		199	173	244	206
Remuneration of third party capital:		25,769	40,944	36,377	56,281
Interest and other financial expenses	28	25,608	40,780	36,142	56,031
Rent		161	164	235	250
Remuneration (loss) from equity:		(24,591)	(8,738)	(24,591)	(8,738)
Loss for the year		(24,591)	(8,738)	(24,591)	(8,738)

The notes are an integral part of the financial statements.

Lupatech S.A – In Judicial Recovery

Explanatory notes to the individual and consolidated interim financial information for the quarter ended June 30, 2023.

(In thousands of Reais, unless otherwise indicated)

1. General Information

Lupatech S.A (“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 operates in manufacturing (Products segment) 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.

The Company operated until 2017, 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. Such assets are classified as assets held for sale and represent R\$36,100.

1.1 Reorganization ended on March 14, 2023

In order to equate the effects of a prolonged financial crisis in which it was immersed, Lupatech S.A and its direct and indirect subsidiaries (“Grupo Lupatech”) filed a request for Judicial Reorganization on May 25, 2015, which was processed before the Court of the 1st Bankruptcy and Judicial Recovery Court of the Judicial District of São Paulo and granted on June 22, 2015.

The Judicial Recovery Plan (“Plan”) was approved by the General Meeting of Creditors on November 8, 2016 and subsequently ratified by the Judgment of the 1st Court of Bankruptcy, Judicial Reorganizations and Disputes Related to Arbitration of the Capital of São Paulo on February 19 from 2017.

The Plan was subject to two amendments, approved and ratified in court on November 30, 2018 and November 26, 2020, respectively.

On March 14, 2023, a decision was handed down determining the end of the Judicial Reorganization. As from the closure, the monitoring of activities by the Court ceases, as well as the decisions regarding the disposal of permanent assets. The payment of the subject credits, whether they have been qualified or are subject to judicial controversy, must be carried out under the terms of the Plan.

On June 21, 2023, the decision to terminate the Judicial Reorganization of Lupatech became final, and its certificate was issued by the Board of Trade of São Paulo, on August 4, 2023.

The main objectives of the court-supervised reorganization were to resolve the claims subject to the Plan, which were partially settled with the payment of Subscription Warrants and partially paid or rescheduled, as detailed in the table below:

Class of Creditors	Payment terms	Interest rate*	Time
I - Labor	Cash or Special Purpose Entity (SPE) shares up to the limit of 150 minimum wages in force in May 2015; the surplus in Subscription Bonuses	Not applicable	12 months from credit activation

II - Real Guarantee	35% in Sign-up Bonus, 65% in cash	TR + 3% p.a.	January 2032
III - Unsecured creditors	Local currency: 50% in Subscription Bonus, 50% in cash	National currency: TR + 3.3% p.a.	January 2033**
	Foreign currency: 70% Signing Bonus, 30% cash	National currency: TR + 3.3% p.a.	
IV - Micro and Small Companies	% in Sign-up Bonus, 50% in cash	TR + 3% p.a.	January 2032

*TR=Referential Rate

**Loans that become eligible for payment late are subject to the payment schedule of 180 months from the date on which they become eligible. Depending on the exchange variation, the payment of exchange variation and interest on loans in foreign currency may exceed the indicated term.

The principal is paid in fixed quarterly installments in reais according to the growth gradient established in the Plan. Interest and exchange variation are paid: (a) Classes II and IV: in one installment 30 days after the maturity of the principal or; (b) Class III: in 4 quarterly installments after the maturity of the principal, for credits in local currency, or as many installments as the value of the last installment of the corresponding principal, in the case of credits in foreign currency.

The portion to be paid in cash, which corresponds to 65% of Class II credits, 50% of Class III and IV credits in national currency, and 30% of foreign currency credits listed in Class III, bear interest and exchange variation at the rates indicated in the table above.

The table below details the flow of payments due to creditors within the scope of the judicial reorganization:

	Class I Suppliers, Obligations and labor provisions	Class II Loans and financing - National Currency	Class III Suppliers, Loans and financing - National Currency	Class III Suppliers, Loans and financing - Foreign Currency	Class IV Suppliers - National Currency	TOTAL 06/30/2023	TOTAL 12/31/2022
Accounting Balance Liabilities RJ	5,436	40,376	193,845	81,679	13,373	334,709	339,539
Adjustment to Present Value *	-	(17,361)	(95,425)	(41,060)	(4,482)	(158,328)	(169,726)
Net Accounting Balance	5,436	23,015	98,420	40,619	8,891	176,380	169,813
Maturities of the accounting balance:							
2023	984	747	2,429	614	291	5,065	8,886
2024	-	2,616	6,294	1,686	835	11,431	11,338
2025	-	2,990	8,194	2,295	909	14,388	14,264
2026	-	2,990	10,098	2,904	894	16,886	16,823
2027	-	3,861	12,110	3,514	1,126	20,611	20,558
2028	-	4,485	16,068	4,683	1,294	26,530	26,468
2029	-	4,485	19,510	5,700	1,275	30,970	30,902
2030	-	4,485	24,694	7,226	1,243	37,648	37,572
2031	-	4,485	26,404	7,733	1,191	39,813	39,734
2032	-	9,232	33,568	9,864	1,824	54,488	56,268
2033	-	-	28,152	27,230	-	55,382	58,105
From 2034 onwards	-	-	6,620	8,255	-	14,875	18,622
Total	984	40,376	194,141	81,704	10,882	328,087	339,539
Litigation (dates and amounts undetermined)	14,317	-	1,585	-	1,456	17,358	23,737

*The accounting balances related to credits in Classes II, III, and IV include present value adjustments considering discount rates of 13.65% per annum for credits in local currency and 5.85% per annum for foreign currency.

The portion paid in Subscription Warrants corresponds to 35% of Class II credits, 50% of Class III and IV credits in local currency, and 70% of foreign currency credits listed in Class III. The Subscription Warrants necessary for the fulfillment of the obligation were issued by the Company, having been registered in favor of the creditors or held in treasury by court order in the case of creditors whose registration information was incomplete or irregular. The Subscription Bonuses were given in payment at the rate of 1 (one) Bonus for each R\$100 (one hundred reais) of listed credits. Each Bonus gives the holder the right, but not the obligation, to subscribe for one share at the price of R\$0.88 per share, until October 28, 2025.

A total of 4,352,503 Subscription Warrants were issued, of which 2,292,758 were registered in the name of the respective creditors 1,482,487 are in treasury as collateral for the Subscription Warrants issued in the US by Lupatech Finance and 577,258 are in the Company's treasury for delivery to creditors who did not submit registration information required for bookkeeping or reserved to meet contingent claims.

Information related to Judicial Recovery is available for consultation at the electronic address www.lupatech.com.br/ri.

1.2 Operational continuity

The interim financial information for the period ended June 30, 2023, was prepared assuming the normal continuity of the Company's business.

The Lupatech Group seeks to recover its prominent position as one of the most important industrial groups in Brazil related to the oil and gas sector, as well as to maintain itself as 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. The volume of resources needed to finance the recovery depends on the speed of the recovery, and said resources could come, for example, and not be limited to, new credit lines, capital increase with or without debt conversion, sale of assets or equity interests, refund of tax credits and reprofiling of liabilities. Management pursues all these options.

2. Base of preparation

2.1 Declaration of conformity

The individual and consolidated interim financial information was prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and in accordance with the accounting practices adopted in Brazil (BR GAAP), prepared in accordance with the Technical Pronouncement CPC 21 (R1) – Interim Financial Statements, equivalent to IAS 34 – “Interim Financial Reporting”.

The Company's Management affirms that all relevant information specific to the financial information, and only these, are being evidenced, and that they correspond to those used by it in its management.

In compliance with CVM Circular Letter No. 003/2011, below we present the explanatory notes included in the most recent annual financial statements (year ended December 31, 2022), which, in view of the absence of material changes in this period ended as of June 30, 2023, are not being repeated or included in full in these interim financial statements:

Notes not included in the six-month period ended June 30, 2023	Location of the complete note in the 2022 annual statement
Business Combination	Note nº 2.4.3
Main accounting practices	Note nº 3
Critical accounting estimates and judgments	Note nº 4

The issuance of the Company's interim accounting information for the period ended June 30, 2023, was authorized by the Board of Directors on August 14, 2023.

2.2 Functional currency and presentation currency

This individual and consolidated interim financial information is presented in Reais, which is the Company's functional currency. All balances have been rounded to the nearest thousand, unless otherwise noted.

2.3 Measurement basis

The interim financial information was prepared based on historical cost, except for certain financial instruments measured at fair value.

2.4 Basis of consolidation and investments in subsidiaries

The consolidated financial information includes the financial information of Lupatech S.A and its subsidiaries.

Controlled companies

The financial information of subsidiaries is recognized using the equity method and is included in the consolidated financial statements from the date on which the Group obtains control until the date on which control ceases to exist.

The consolidated interim financial statements include the financial information of Lupatech S.A and its direct and indirect subsidiaries, as shown below:

Direct and indirect subsidiaries	Direct and Indirect participation (%)	
	06/30/2023	12/31/2022
<u>Direct participation</u>		
Mípel Comércio e Indústria de Peças Técnicas Ltda. - (Brazil)	100.00	100.00
Lupatech Equipamentos e Serviços para Petróleo Ltda. - (Brazil)	100.00	100.00
Lupatech Finance Limited . - (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. - (Brazil)	100.00	100.00
Ilnu Administradora de Bens e Direitos Ltda. - (Brazil)	100.00	100.00
<u>Indirect participation</u>		
Recu S.A. - (Argentina)	5.00	5.00
Lupatech Oil&Gas Coöperatief U.A. - (Netherlands)	95.00	95.00
Lupatech Perfuração e Completação Ltda. - (Brazil)	100.00	100.00
Sotep Sociedade Técnica de Perfuração S.A. - (Brazil)	100.00	100.00
Prest Perfurações Ltda. - (Brazil)	100.00	100.00
Itacau Agenciamentos Marítimos Ltda. - (Brazil)	100.00	100.00
Matep S.A. Máquinas e Equipamentos - (Brazil)	100.00	100.00
Amper Amazonas Perfurações Ltda. - (Brazil)	100.00	100.00
UNAP International Ltd. - (Cayman)	100.00	100.00
Ciaval II Administração de Bens e Direitos SPE S.A. - (Brazil)	100.00	100.00

3. Cash and cash equivalents and marketable securities

	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Cash and cash equivalents				
<u>Cash and banks</u>				
Brazil	2,346	2,115	2,697	2,340
Abroad	-	-	2	14
<u>Financial Investments - BDC</u>				
Bank deposit certificate	570	619	794	10,817
Total	2,916	2,734	3,493	13,171
Marketable securities	44	44	44	44

The amounts of cash equivalents refer to investments in fixed income and bank deposit certificates, with immediate liquidity, except when they constitute guarantee of obligations contracted by the Company.

In the comparative period, the reduction in financial investments is mainly associated with the payment of loans and financing with financial institutions.

4. Accounts receivable from customers

	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Local market	13,801	18,089	19,871	25,127
Export	1,964	2,118	2,089	4,347
	15,765	20,207	21,960	29,474
Less: allowance for doubtful accounts	(2,023)	(1,980)	(2,315)	(2,346)
	13,742	18,227	19,645	27,129
Current	13,742	18,227	19,645	27,128
Non-Current	-	-	-	-

The value of the risk of possible losses is presented as an estimate for losses on doubtful debts. Such estimates are prepared taking into account the Company's credit policy, the time elapsed since default and the specific situation of the credit or the customer.

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	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
To profit	4,557	423	6,780	2,669
To win	6,388	14,296	8,141	18,983
Due to 30 days	440	1,035	696	1,223
Due from 31 to 90 days	55	1,444	55	1,444
Due from 91 to 180 days	147	590	147	623
Due more than 180 days	4,178	2,419	6,141	4,532
	<u>15,765</u>	<u>20,207</u>	<u>21,960</u>	<u>29,474</u>

As part of its financing means, the Company anticipates credit rights with or without co-obligation. When co-obligation remains, a corresponding obligation remains in liabilities, as presented in Note 13 under the caption “Securities discounted with co-obligation”.

5. Inventory

	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Finished goods	3,640	3,927	5,089	5,392
Goods for resale	1,131	1,691	2,927	3,487
Products in development	14,501	12,018	27,833	25,595
Raw material	13,946	16,672	27,732	31,033
Losses on inventory obsolescence	(8,296)	(7,848)	(26,704)	(26,260)
Total	<u>24,922</u>	<u>26,460</u>	<u>36,877</u>	<u>39,247</u>

Inventory Obsolescence Losses consist of management estimates based on inventory turnover, the backlog and the perspective of future demand for inventory items, normally the loss is accrued gradually after 1 year of non-use. Items evaluated as obsolete may have their status changed if there is a change in the prospects for their use.

Inventories are not linked to guarantees.

Movement of losses with inventories:

	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Opening balance for the period	(7,848)	(6,983)	(26,260)	(24,029)
Loss estimate	(448)	(867)	(518)	(2,354)
Reversal	-	2	74	123
Final balance	<u>(8,296)</u>	<u>(7,848)</u>	<u>(26,704)</u>	<u>(26,260)</u>

6. Taxes to be recovered

Recoverable Taxes	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
ICMS recoverable	10,221	11,031	10,371	11,182
ICMS about PIS and COFINS	21,503	23,311	25,852	28,842
IPI to be recovered	1,255	1,371	1,419	1,599
PIS to be recovered	34	61	97	118
COFINS recoverable	157	281	277	398
IRRF to be recovered	55	11	400	407
IRPJ to be recovered	550	507	8,687	8,351
CSLL to be recovered	431	333	2,222	2,079
Others	67	-	84	15
Total	34,273	36,906	49,409	52,991
Current	29,746	35,791	44,167	51,160
Non Current	4,527	1,115	5,242	1,831

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 s/ PIS and COFINS** – refers to the amount calculated 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 through their consumption in the operation, compensation with debts or cash refunds. On June 19, 2023, the refund request was made, with a period of 365 days for analysis by the Federal Revenue Service.

- **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** – taxes withheld at source on financial transactions and services provided by third parties. These taxes have been offset against taxes payable of the same nature or object of a refund request, when applicable.

7. Other receivable accounts

Other accounts receivable - Current	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Debentures convertible into shares	2,486	3,590	2,881	3,983
Other accounts receivable	148	140	575	566
Total	2,634	3,730	3,456	4,549
Other accounts receivable - Non-current				
Arbitration Procedure CSL	33,270	32,783	33,270	32,783
Amounts receivable from Luxxon	65	65	2,436	2,436
Other accounts receivable	-	-	2	3
Total	33,335	32,848	35,708	35,222

"Debentures convertible into shares" consist of rights transmutable into shares of Ciaval Administradora de Bens e Direitos SPE S.A., a special purpose company incorporated under the terms of item XVI of Article 50 of Law 11,101/2005, to effect the payment of assets and rights to Class I creditors of the judicial recovery of the Lupatech group.

The "Arbitration Proceedings – CSL" represents the execution of a legal title that the Company promotes against Cordoaria São Leopoldo Ltda. and its successor Cordoaria São Leopoldo Original Ltda.

The "Amounts receivable from Luxxon" arise from credit rights arising from loans made to the company Luxxon Participações Ltda., in which the Company ceased to participate in the company in January 2021.

8. Assets classified as held for sale

The Company has assets classified as held for sale in current assets, which mainly comprise property, plant and equipment in the services segment, in which they are not in operation and are in the process of being negotiated for sale.

The book value of the assets recorded in the Company's balance sheet is consistent with the reports of independent appraisers.

The balance of assets held for sale is shown below:

Assets classified as held for sale	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Machinery and equipment	3,236	3,236	34,683	37,198
Industrial tools	-	-	1,412	1,412
Furniture and utensils	-	-	2	2
Vehicles	-	-	2	2
Total	3,236	3,236	36,100	38,614

Summary of movements in assets held for sale:

Cost of Assets – Net of Impairment	Parent				
	Machinery and equipment	Industrial Tools	Furniture and utensils	Vehicles	Total
Balance on December 31, 2022	3,236	-	-	-	3,236
Additions	-	-	-	-	-
Disposal	-	-	-	-	-
Balance on June 30, 2023	3,236	-	-	-	3,236

Cost of Assets – Net of Impairment	Consolidated				
	Machinery and equipment	Industrial Tools	Furniture and utensils	Vehicles	Total
Balance on December 31, 2022	37,198	1,412	2	2	38,614
Disposal	(5)	-	-	-	(5)
Effect of converting foreign subsidiaries	(2,500)	-	-	-	(2,500)
Capitalized financial effect	(9)	-	-	-	(9)
Balance on June 30, 2023	34,684	1,412	2	2	36,100

9. Investments

9.1 Investments in subsidiaries and affiliates

	Mipel	Recu	LESP	Finance	LO&G	Lochness	Ilnó	Parent	
								06/30/2023	12/31/2022
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									
Income for the period	(6,513)	-	2,842	92	(110)	2,165	-		
Unrealized profits	(588)	-	-	-	-	-	-		
Movement of investments									
Opening balance in the period	9,106	126	15,301	102,725	280	83,783	93,715	305,036	341,227
Advance for future capital increase	1,390	-	178	-	-	-	-	1,568	-
Aumento de capital	-	-	224	-	-	-	-	224	4,088
Equity in earnings	(6,552)	-	2,842	(5,135)	(5)	2,164	(1,060)	(7,746)	(27,172)
Equity valuation adjustment	-	(46)	(405)	(5,227)	(21)	(6,225)	-	(11,924)	(13,107)
Final balance in the period	3,944	80	18,140	92,363	254	79,722	92,655	287,157	305,036

*Advance for future capital increase

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

9.2 Investment Property

It currently consists of land and built area, located in Macaé in Rio de Janeiro, where there are no operational activities. The property is owned by the company Ciaval II Administração de Bens e Direitos SPE S.A, constituted to effect the payment of the property to the Class I creditors of the judicial recovery of the Lupatech group, pursuant to item XVI of Art.50 of Law 11.101 /2005, pursuant to court authorization granted within the scope of the court-supervised reorganization process. The measurement of investment property is at fair value.

	Consolidated		
	Land	Building and construction	Total
Balance on December 31, 2022	20,302	1,640	21,942
Additions	-	-	-
Disposal	-	-	-
Balance on June 30, 2023	20,302	1,640	21,942

10. Fixed Assets

	Weighted average rate of depreciation % p.p.	Parent		Consolidated	
		06/30/2023	12/31/2022	06/30/2023	12/31/2022
		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%	5,584	5,672	98,923	100,279
Machinery and equipment	12%	8,654	9,731	12,003	13,187
Molds and matrixes	19%	890	870	960	947
Industrial facilities	6%	101	383	1,422	1,729
Furniture and fixtures	12%	562	581	760	796
Date processing equipments	34%	237	253	397	416
Improvements	6%	308	340	885	912
Vehicles	19%	6	7	6	7
Advances for fixed assets acquisitions	-	100	100	5,453	5,452
Construction in progress	-	911	856	994	931
Total		21,104	22,544	135,533	138,386

Synthesis of asset movement:

	Parent								
	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
Gross Cost									
Balance on December 31, 2022	3,751	8,269	89,224	2,058	3,923	4,201	856	558	112,840
Additions	-	-	158	-	-	14	68	-	240
Disposal	-	-	(53)	-	(1)	-	-	-	(54)
Transfer	-	-	12	-	-	-	(13)	1	-
Balance on June 30, 2023	3,751	8,269	89,341	2,058	3,922	4,215	911	559	113,026
Accumulated depreciation									
Balance on December 31, 2022	-	(2,597)	(78,623)	(1,335)	(3,343)	(3,947)	-	(451)	(90,296)
Additions	-	(88)	(1,225)	(314)	(18)	(31)	-	(1)	(1,677)
Disposal	-	-	50	-	1	-	-	-	51
Balance on June 30, 2023	-	(2,685)	(79,798)	(1,649)	(3,360)	(3,978)	-	(452)	(91,922)
Net fixed assets									
Balance on December 31, 2022	3,751	5,672	10,601	723	580	254	856	107	22,544
Balance on June 30, 2023	3,751	5,584	9,543	409	562	237	911	107	21,104

Consolidated

	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
Gross Cost									
Balance on December 31, 2022	13,730	113,152	102,487	5,757	5,734	7,891	931	13,863	263,545
Additions	-	-	186	-	4	14	93	-	297
Disposal	-	-	(700)	-	(14)	(748)	(274)	(673)	(2,409)
Transfer	-	-	15	15	-	-	(30)	-	-
Reversal/estimate for non-recoverability of assets	-	-	143	-	1	-	274	-	418
Effect of the conversion of subsidiaries abroad	-	-	(4,283)	-	-	-	-	-	(4,283)
Assets held for sale	-	-	5,446	-	(2)	-	-	50	5,494
Balance on June 30, 2023	13,730	113,152	103,294	5,772	5,723	7,157	994	13,240	263,062
Accumulated depreciation									
Balance on December 31, 2022	-	(12,873)	(88,353)	(3,116)	(4,938)	(7,475)	-	(8,404)	(125,159)
Additions	-	(1,356)	(1,377)	(349)	(39)	(33)	-	(1)	(3,155)
Disposal	-	-	549	-	12	748	-	674	1,983
Effect of the conversion of subsidiaries abroad	-	-	1,782	-	-	-	-	-	1,782
Assets held for sale	-	-	(2,932)	-	2	-	-	(50)	(2,980)
Balance on June 30, 2023	-	(14,229)	(90,331)	(3,465)	(4,963)	(6,760)	-	(7,781)	(127,529)
Net fixed assets									
Balance on December 31, 2022	13,730	100,279	14,134	2,641	796	416	931	5,459	138,386
Balance on June 30, 2023	13,730	98,923	12,963	2,307	760	397	994	5,459	135,533

There are liens constituted on certain property, plant and equipment items, which guarantee with mortgages loans contracted by the Company, or with pledge of certain tax contingencies. The following table shows the amounts of encumbered assets, according to the current book value:

Guaranteed liabilities	Fixed assets	
	Parent	Consolidated
Taxation (Tax executions)	7,376	7,408
Loans and financing	3,553	98,849
Total	10,929	106,257

11. Intangibles

	Weighted amortization rate % per year	Parent		Consolidated	
		06/30/2023	12/31/2022	06/30/2023	12/31/2022
		net		net	
Goodwill on acquisition of investments (*)	-	61,479	61,479	82,166	82,166
Software and other licenses	20% p.a.	-	319	-	353
Development of new products	20% p.a.	-	973	-	1,230
Total		61,479	62,771	82,166	83,749

(*) In the Parent Company, it represents the balance of the goodwill of the subsidiaries incorporated.

Synthesis of movement of intangible assets:

	Parent			
	Goodwill on acquisition of investments	Software and other licenses	Development of new products	Total
Gross intangible cost				
Balance on December 31, 2022	61,479	13,270	10,233	84,982
Additions	-	-	-	-
Balance on June 30, 2023	61,479	13,270	10,233	84,982
Accumulated Amortization				
Balance on December 31, 2022	-	(12,951)	(9,260)	(22,211)
Additions	-	(300)	(114)	(414)
Balance on June 30, 2023	-	(13,251)	(9,374)	(22,625)
Net Intangible Assets				
Balance on December 31, 2022	61,479	319	973	62,771
Balance on June 30, 2023	61,479	19	859	62,357

Consolidated

	Goodwill on acquisition of investments	Software and other licenses	Development of new products	Total
Gross intangible cost				
Balance on December 31, 2022	79,890	16,356	11,581	107,827
Additions	-	-	-	-
Balance on June 30, 2023	79,890	16,356	11,581	107,827
Accumulated Amortization				
Balance on December 31, 2022	2,276	(16,003)	(10,351)	(24,078)
Additions	-	(304)	(114)	(418)
Balance on June 30, 2023	2,276	(16,307)	(10,465)	(24,496)
Net Intangible Assets				
Balance on December 31, 2022	82,166	353	1,230	83,749
Balance on June 30, 2023	82,166	49	1,116	83,331

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

CGUs	Goodwill on acquisition of investments			
	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Products Segment				
Mipel Comércio e Indústria de Peças Técnicas Ltda	6,065	6,065	6,065	6,065
Unit Lupatech Ropes	55,414	55,414	55,414	55,414
Lupatech Equipamentos e Serviços para Petróleo – Unit Fiberware	-	-	20,687	20,687
Total	<u>61,479</u>	<u>61,479</u>	<u>82,166</u>	<u>82,166</u>
Investment Intangible	-	-	-	-
	61,479	61,479	82,166	82,166

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

During the six-month period ended June 30, 2023, no reversal or estimated losses due to the non-recoverability of goodwill were recognized.

12. Suppliers

	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												
National Suppliers	5,067	40,814	45,881	5,067	40,814	45,881	4,731	41,035	45,766	4,731	41,035	45,766
Export Suppliers	-	8,241	8,241	-	8,241	8,241	-	8,933	8,933	-	8,933	8,933
(-) Adjustment to present value	-	(22,613)	(22,613)	-	(22,613)	(22,613)	-	(23,806)	(23,806)	-	(23,806)	(23,806)
	5,067	26,442	31,509	5,067	26,442	31,509	4,731	26,162	30,893	4,731	26,162	30,893
Suppliers												
Not Subject to Judicial Recovery												
National Suppliers	7,483	-	7,483	11,508	-	11,508	7,153	-	7,153	10,627	-	10,627
Export Suppliers	39	-	39	39	-	39	121	-	121	121	-	121
	7,522	-	7,522	11,547	-	11,547	7,274	-	7,274	10,748	-	10,748
Total of Suppliers	12,589	26,442	39,031	16,614	26,442	43,056	12,005	26,162	38,167	15,479	26,162	41,641

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

Parent and Consolidated	
Maturity	06/30/2023
2024	1,028
2025	1,402
2026	1,775
2027	2,149
From 2028	20,088
	26,442

The table below shows the movement of suppliers subject to judicial recovery in 2023:

Parent and Consolidated	
Current and Non-current	
Suppliers - Subject to Judicial Recovery	Total domestic and export suppliers
Balance on December 31, 2022	30,894
Interest update	347
Exchange rate variation update	(478)
Payments	(447)
(-) Adjustment to present value	1,193
Balance on June 30, 2023	31,509

13. Loans and financing

Description	Indexer	Fees weighted interest	06/30/2023						12/31/2022					
			Parent			Consolidated			Parent			Consolidated		
			Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Subject to Judicial Recovery														
Local currency														
Creditors with collateral (Class II)	FIXED	3,00% p.a. + TR	1,869	38,508	40,377	1,869	38,508	40,377	1,495	39,001	40,496	1,495	39,001	40,496
(-) Adjustment to present value			-	(17,787)	(17,787)	-	(17,787)	(17,787)	-	(18,200)	(18,200)	-	(18,200)	(18,200)
Unsecured creditors (Class III)	FIXED	3,3% p.a. + TR	2,064	86,650	88,714	2,064	86,650	88,714	1,816	86,340	88,156	1,816	86,340	88,156
(-) Adjustment to present value			-	(43,467)	(43,467)	-	(43,467)	(43,467)	-	(45,311)	(45,311)	-	(45,311)	(45,311)
Foreign currency														
Unsecured creditors (Class III)	FIXED	0,4% p.a	-	-	-	1,224	72,215	73,439	-	-	-	1,020	78,759	79,779
(-) Adjustment to present value			-	-	-	-	(38,202)	(38,202)	-	-	-	-	(45,063)	(45,063)
			3,933	63,904	67,837	5,157	97,917	103,074	3,311	61,830	65,141	4,331	95,526	99,857
Not subject to Judicial Recovery														
Local currency														
Working capital / expansion	TJLP	7,28% p.a.	5,034	-	5,034	8,648	-	8,648	5,034	-	5,034	8,648	-	8,648
Securities discounted with co-obligation	FIXED	1,92% p.m.	6,525	-	6,525	7,642	-	7,642	10,107	-	10,107	10,826	-	10,826
FGI	FIXED	1,83% p.m	5,579	5,615	11,194	5,579	5,615	11,194	4,763	5,820	10,583	4,763	5,820	10,583
Fiduciary assignment of receivables	FIXED	2,04% p.m	11,555	-	11,555	11,555	-	11,555	10,877	-	10,877	10,877	-	10,877
Credits with fiduciary guarantee of credit rights	FIXED	2,01% p.m	-	-	-	-	-	-	-	-	-	2,083	-	2,083
Working capital	FIXED	1,90% p.m	410	-	410	481	-	481	199	-	199	10,261	-	10,260
Foreign currency														
Working capital / expansion			1,214	-	1,214	2,519	-	2,519	1,214	-	1,214	2,519	-	2,519
		7,48% p.a.	30,317	5,615	35,932	36,424	5,615	42,039	32,194	5,820	38,014	49,977	5,820	55,797
			34,250	69,519	103,769	41,581	103,532	145,113	35,505	67,650	103,155	54,308	101,346	155,654

The maturities of the non-current installments of the financing are detailed below:

Maturity	Parent		Consolidated	
	06/30/2023		06/30/2023	
2024		3,477		4,640
2025		4,209		5,794
2026		4,592		6,600
2027		5,776		8,207
From 2028		51,465		78,291
		<u>69,519</u>		<u>103,532</u>

Below, the movement of loans subject to judicial recovery in 2023:

Loans and financing Subject to Judicial Reorganization	Current and Non-current	
	Total National and Foreign	
	Parent	Consolidated
Balance on December 31, 2022	65,141	99,857
Interest update	1,843	2,055
Payments	(1,404)	(1,880)
Equity valuation adjustment*	-	(6,077)
Asset valuation adjustments	2,257	9,118
Balance on June 30, 2023	67,837	103,074

* Amount of balance sheet conversion in foreign currency.

The guarantees contracted on loans and financing are detailed below:

Subject and not subject to Judicial Recovery	Local currency	Garantee	06/30/2023		12/31/2022	
			Value of the guarantee		Value of the guarantee	
			Parent	Consolidated	Parent	Consolidated
			Book value	Book value	Book value	Book value
		Mortgage / Buildings	2,683	95,340	33,281	33,906
		Machinery and equipment	870	3,509	2,639	3,653
		FGI	6,726	6,726	6,862	6,862
			<u>3,553</u>	<u>98,849</u>	<u>35,920</u>	<u>37,559</u>

According to independent appraisal reports, dated from 2018 to 2022, the market value corresponding to mortgage balances, buildings, machinery and equipment add up to R\$122,170.

14. Debentures

Fourth Issue of Debentures in the Company's shares

At a meeting held on March 24, 2023, the Board of Directors approved the 4th issue of Debentures Convertible into Shares of the Company. 250 Debentures were issued in a single series, for the nominal value of R\$100,000, in the amount of up to R\$25 million, with a Subscription Bonus as an additional advantage. The final ratification of the Company's 4th Issue of Debentures reached the amount of R\$10,100 million, with a total of 101 Debentures being issued, within the limit of the Company's authorized capital, the remaining 149, unsubscribed, were cancelled, under the terms of the 4th Issue.

The details regarding the 4th issue of Debentures Convertible into Shares of the Company are presented below:

Series:	4th Issue
Approval date:	03/24/2023
Final due date:	03/24/2024
Authorized quantity:	250
Canceled quantity:	149
Remaining quantity:	101
Unit value R\$:	100,000
Total in R\$:	10,100,000

<u>Date</u>	<u>RCA</u>	<u>Event</u>	<u>Number of debentures</u>	<u>Number of shares</u>	<u>Value</u>
06/14/2023	021/2023	Final Homologation	101	-	10,100,000
05/05/2023	014/2023	Voluntary conversion of debentures into Company shares (*)	42	1,255,980	4,200,000
		Remaining balance on June 30, 2023	59		5,900,000

(*) Debenture holder "Enki Fundo de Investimento", Investment Fund under the management of BPS Capital Gestora de Recursos Ltda

The restated balance of convertible debentures corresponds to R\$5,939.

Third Issue of Subscription Warrants - (Additional Advantage of the 4th Issue of Debentures)

As resolved at a meeting held on March 24, 2023, for each debenture subscribed and paid up in the Issuance, 175,600 Warrants will be delivered free of charge as an additional advantage, which will grant their holders the right to subscribe and pay up shares, in the proportion of a Share for each Warrant exercised, under the terms and conditions of the respective issue of Subscription Warrants, carried out together with the 4th Issue of Debentures. In the final homologation, 17,735,600 Subscription Warrants were issued.

The details regarding the 3rd issue of the Company's Subscription Warrants are presented below:

Series:	3th Issue
Approval date:	03/24/2023
Final due date:	(*)
Authorized quantity:	43,900,000
Canceled quantity:	26,164,400
Remaining quantity:	17,735,600
Unit value R\$:	(**)

(*) The Subscription Warrants are, as a rule, exercisable until March 24, 2025 and may be extended until March 24, 2026.

(**) There is no issue price for the Subscription Warrants, since they were issued free of charge, as an additional advantage within the scope of the Issuance of Debentures.

<u>Date</u>	<u>RCA</u>	<u>Event</u>	<u>Amount of Subscription Bonuses</u>
06/14/2023	021/2023	Final Homologation	17,735,600
05/05/2023	014/2023	Additional advantage of issuing debentures	8,780,000
		Remaining amount on June 30, 2023	8,955,600

15. Related parties

15.1 Parent Company

Balances and transactions between the Company and its subsidiaries, which are related parties, were eliminated in the consolidation. The details regarding the transactions between the parent company and its subsidiaries are presented below:

	<u>Lochness</u>	<u>Mipel</u>	<u>Lupatech Finance</u>	<u>Lupatech Equipamentos</u>	<u>06/30/2023</u>	<u>12/31/2022</u>
Current						
Accounts receivable	-	22	-	-	22	-
Accounts receivable	2	1,083	-	19,591	20,676	19,619
Non-current						
Mutual and loans	9,673	-	-	-	9,673	12,644
	<u>9,675</u>	<u>1,105</u>	<u>-</u>	<u>19,591</u>	<u>30,371</u>	<u>32,263</u>
Current						
Mutual and loans	11,607	-	-	-	11,607	12,154
Other accounts payable	16,892	-	1,251	1,204	19,347	20,405
Non-current						
Mutual and loans	-	-	130,250	-	130,250	141,418
Other bills to pay	30,365	-	-	-	30,365	32,876
	<u>58,864</u>	<u>-</u>	<u>131,501</u>	<u>1,204</u>	<u>191,569</u>	<u>206,853</u>
Result for the year						
Product purchases	-	3,602	-	-	3,602	3,495
Financial income	24	-	-	-	24	21
Financial expenses	404	-	315	-	719	340
Exchange variation	-	-	14,086	-	14,086	11,086
	<u>428</u>	<u>3,602</u>	<u>14,401</u>	<u>-</u>	<u>18,431</u>	<u>14,942</u>

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

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.

16. Key Personnel of the Administration

Remuneration of the Administration

Annually, the shareholders meeting in the Assembly determine the remuneration limits for the management bodies. Management remuneration is made up of a fixed portion, and, in the case of the Board of Executive Officers, it also includes a variable portion.

The following table details the remuneration of the Management bodies:

Management compensation	Parent Company and Consolidated			Parent Company and Consolidated		
	Fixed	Variable	06/30/2023	Fixed	Variable	06/30/2022
Direction	(930)	(269)	(1,199)	(1,082)	-	(1,082)
Board of Directors	(527)	-	(527)	(510)	-	(510)
Supervisory Board	-	-	-	-	-	-
Total	(1,457)	(269)	(1,726)	(1,592)	-	(1,592)

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 balances of R\$824,452 and R\$945,743 respectively, of accumulated tax losses totaling R\$1,770,195 until December 2022.

a) Deferred Income Tax and Social Contribution - Assets

The Company has tax losses that can be offset against future taxable income, having been constituted a deferred tax credit on December 31, 2022. According to the technical analyzes carried out, the Company estimates the realization of tax credits as follows:

IRPJ and CSLL - Tax Credits	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Estimated completion - 2023	700	700	757	757
Estimated completion - 2024	3,962	3,962	4,286	4,286
Estimated completion - 2025	8,513	8,513	9,210	9,210
Estimated completion - 2026	11,462	11,462	12,401	12,401
From in 2027	70,564	70,564	76,346	76,346
Total	95,200	95,200	103,000	103,000

The Company recognizes deferred income and social contribution taxes on temporary differences arising from adjustments to accounting income, as shown below:

IRPJ and CSLL - Temporary Differences	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Adjustment to present value of suppliers, fines, loans and debentures	(28,590)	(29,670)	(37,682)	(40,395)
Assigned Cost	-	-	(2,447)	(2,447)
Others	(7,048)	(3,366)	(7,048)	(3,366)
	(35,638)	(33,036)	(47,177)	(46,208)

The amounts compounded above are presented net in the balance sheet, as follows:

IRPJ and CSLL - Non-Current Assets	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Tax Credits	95,200	95,200	103,000	103,000
Temporary Differences	(35,638)	(33,036)	(47,177)	(46,208)
	59,562	62,164	55,823	56,792

b) Reconciliation of income tax and social contribution expense

	Parent			
	Three-month period ended		Six-month period ended	
	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022	01/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Profit (Loss) before taxes	(12,425)	(24,536)	(21,989)	(9,971)
Addition and Exclusions				
Equity	6,470	516	(7,746)	(8,334)
Stock obsolescence	(8,296)	106	(8,296)	(25)
(Reversal) Estimate of losses for bad debts	13	(2)	43	22
Estimates for losses from lawsuits	(10,560)	240	(50)	742
Non deductible expenses	41	-	-	2
Present value adjustment	4,538	1,363	4,538	3,993
Provision of interest on suppliers	(136)	97	(102)	126
Provision for exchange rate variation	4,792	17,481	(13,843)	(11,686)
Others	3,284	5,804	22,832	20,153
Calculation basis	(12,279)	1,069	(24,613)	(4,978)
Current income tax and social contribution	-	-	-	-
Deferred income tax and social contribution	(2,086)	882	(2,602)	1,233

	Consolidated			
	Three-month period ended		Six-month period ended	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	01/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Profit (Loss) before taxes	(13,467)	(22,832)	(23,621)	(11,380)
Addition and Exclusions				
Stock obsolescence	(662)	(626)	(444)	-
(Reversal) Estimate of losses due to non-recoverability of assets	-	(1,738)	418	-
(Reversal) Estimate of losses for bad debts	(62)	(53)	(31)	-
Estimates for losses from lawsuits	4,505	(30)	5,582	545
Non deductible expenses	(14)	3,173	(41)	3,212
Present value adjustment	2,360	(15,733)	4,538	-
Provision of interest on suppliers	(136)	-	(102)	46
Provision for exchange rate variation	20,172	19,652	(15,380)	(13,193)
Others	(29,180)	15,567	(4,181)	9,002
Calculation basis	(16,484)	(2,620)	(33,262)	(11,768)
Current income tax and social contribution	-	-	(1)	(6)
Deferred income tax and social contribution	(1,044)	(822)	(969)	2,648

18. Other accounts payable

	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Others payable - Current Liabilities				
Electricity provision	12	329	12	329
Provision of fees	2,292	1,655	2,342	1,655
Labor contingencies payable	474	504	648	608
Miscellaneous provisions	306	664	548	952
Other obligations - subject to Judicial Recovery	1,749	1,457	1,749	1,457
Other bills to pay	2,184	1,800	2,557	2,154
Total	7,017	6,409	7,856	7,155

	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Others payable - Non-current				
Labor contingencies payable	-	-	1,960	2,060
Other obligations - subject to Judicial Recovery	34,977	33,626	34,977	33,626
Advance for future capital increase	1,750	-	1,750	-
Other bills to pay	-	-	1,119	1,071
Total	36,727	33,626	39,806	36,757

The "Advance for future capital increase" represents contributions from the non-controlling shareholder Arara Azul Gestão de Bens e Direitos S.A, according to the "Binding Proposal" of June 27, 2023.

The maturities of installments of other obligations - subject to Judicial Reorganization allocated in non-current are as follows:

Parent and Consolidated		06/30/2023
Maturity		
2024		1,212
2025		1,653
2026		2,093
2027		2,534
From 2028		27,485
		34,977

The table below shows the movement of other obligations subject to judicial recovery in 2023:

Current Liabilities and non-current		Parent and Consolidated
Other obligations - subject to Judicial Recovery		
Balance on December 31, 2022		35,083
Interest update		1,239
Payments		(682)
(-) Adjustment to present value		1,084
Balance on June 30, 2023		36,724

19. Contingent process and judicial deposits

19.1 Judicial deposits

The Company presents the following balances of escrow deposits, which are linked to contingent liabilities:

	Judicial deposits	
	Parent	Consolidated
Tax contingencies	111	346
Labor contingencies	1,492	5,788
Civil contingencies	399	1,436
Total on June 30, 2023	2,002	7,570
Total on December 31, 2022	1,897	7,639

19.2 Provision for tax, labor and civil risks

The Company discusses tax, labor and civil matters in the judicial sphere. The provision for tax, labor and civil risks was calculated 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 losses considered probable that may occur due to court 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)	89,969	-	91,813	-
CSLL - Social Contribution on Net Income		2,233	-	7,226	-
IRPJ - Corporate Income Tax	(i.2)	20,726	-	69,018	-
INSS - National Institute of Social Security	(i.3)	-	-	6,852	-
IRRF - Withholding Income Tax	(i.4)	47,866	-	47,866	-
IPI - Excise Tax		920	-	920	-
COFINS - Tax for Social Security Financing		-	-	536	-
ISS - Services Tax	(i.5)	-	-	8,155	180
CIDE - Contribution for Intervention in the Economic Domain		-	-	2,316	-
Other tax provisions	(i.6)	2,057	-	55,841	93
		163,771	-	290,543	273
Labor (ii)		268	2,460	4,859	21,313
Civil (iii)		8,158	1,498	19,235	5,483
Total on June 30, 2023		172,197	3,958	314,637	27,069
Total on December 31, 2022		171,011	3,928	309,589	32,915

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 funds involved in lawsuits in the amounts set out above and referring to the spheres listed below, takes into account the probability of probable loss, which is configured when an outflow of economic

benefits is presumable in view of the matter discussed, the judgments given in each demand and the jurisprudential understanding of each case. Claims with a possible likelihood of loss are excluded from the provision.

The movement in the provision balance is as follows:

	Parent				Consolidated			
	Tax	Labor	Civil	Total	Tax	Labor	Civil	Total
Balance on December 31, 2022	-	2,884	1,044	3,928	264	23,097	9,554	32,915
Additions	-	121	523	644	-	729	636	1,365
Write-offs	-	(545)	(69)	(614)	9	(2,513)	(4,707)	(7,211)
Balance on June 30, 2023	-	2,460	1,498	3,958	273	21,313	5,483	27,069

Judicial demands are divided into three spheres, namely:

(i) *Tax Contingences*

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 proceedings in the parent company classified as a possible loss on June 30, 2023:

(i.1) Action for annulment of the State of Rio Grande do Sul that aims to deconstitute ICMS tax credit. Proceeding distributed on April 28, 2017, subject to possible loss of R\$72,006.

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\$8,037.

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\$4,261.

(i.2) Manifestation of non-compliance presented to have the negative IRPJ balance recognized. Proceeding filed on May 30, 2014, subject to possible loss of R\$8,587.

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\$6,551.

Tax assessment notice issued by the Federal Revenue Service of Brazil, drawn up as a result of a Manifestation of Non-compliance filed against the decision-making order. Proceeding filed on July 23, 2014, subject to possible loss of R\$5,588.

(i.4) 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\$47,866.

Main contingent proceedings in subsidiaries classified as a possible loss on June 30, 2023.

(i.2) Tax 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.

Infraction notice issued by the Federal Revenue 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\$16,108.

(i.3) 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.5) 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\$3,848.

(i.6) 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 possible loss of R\$19,574.

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\$14,729.

Tax enforcement, filed for the collection of taxes levied on imports. Process distributed on August 31, 2021, subject to possible loss of R\$4,268.

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\$3,102.

(ii) *Labor contingencies*

The Company and its subsidiaries are parties to lawsuits of a labor nature referring to discussions that mainly involve overtime claims, property and moral damages, unhealthy and dangerous conditions, among others.

The following table details the Company's labor liabilities and contingencies, as well as the assets associated with it:

Obligations linked to labor contingencies	Balance Sheet	Subject to Judicial Reorganization	Not Subject to Judicial Reorganization	Total on 06/30/2023
Labor obligations and provisions	Current Liabilities	620	-	620
Labor obligations and provisions	Long-Term Liabilities	2,264	-	2,264
Provision for labor risks	Long-Term Liabilities	14,317	6,996	21,313
Labor contingencies assessed as possible	Not provisioned in the balance sheet	56	4,803	4,859

Obligations linked to labor contingencies	Balance Sheet	Total on 06/30/2023
Other Accounts Receivable/Convertible Debentures (Note 7)	Current assets	2,881
Judicial Deposits - Labor Contingencies	Non-Current Assets	5,788
Property for Investment (Note 9.2)	Non-Current Assets	21,942

At the time of the judicial reorganization, the Company took measures aiming at the payment of all contingent labor claims subject to the judicial reorganization. Such measures include: (i) the payment of shares of a Special Purpose Entity to which assets and rights were contributed for disposal and subsequent distribution of capital to former creditor shareholders. (ii) the issuance of Subscription Warrants for the payment of credits exceeding the amount of 150 minimum wages in force on the date of the request for judicial recovery, and (iii) the necessary measures for the contribution of supplementary assets to the SPE.

A substantial part of existing labor contingencies originated from companies acquired in 2012 through an investment agreement between Lupatech S.A., San Antonio Internacional, GP Investments and others. By virtue of said instrument, Lupatech S.A. has the right to be reimbursed for amounts spent related to contingencies unknown at the time of acquisition. In this sense, the Company installed an arbitration procedure against the sellers (note 19.3) through which it recognized the right to reimbursement of expenses already incurred, as well as pursuing the future reimbursement of whatever comes.

(iii) Civil contingencies

The main discussions in this area, classified as a possible loss in the parent company on June 30, 2023, are related to:

(iii.1) Search and seizure action filed on October 20, 2015 by the National Bank for Economic Development (“BNDES”) against Lupatech S.A. and Lupatech - Equipamentos e Serviços para Petróleo Ltda, aiming 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 Group companies. Updated claim amount of R\$32,514. 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 action is being processed, determined the suspension of all expropriation acts and submitted to the judicial reorganization court the analysis about of the essentiality of said machines and equipment for Grupo Lupatech's operations.

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 search and seizure. Subsequently, once the appeal deadlines were exceeded, the BNDES again demanded the resumption of the search and seizure of assets in the Judicial Reorganization. The BNDES' new request, although accepted in the first and second instances, was blocked by the Superior Court of Justice, which determined the indication of other means, other than the seizure of assets, to satisfy the BNDES credit.

The BNDES filed an appeal against the decision handed down by the Minister of the STJ, which is awaiting judgment. On July 12, 2023, the BNDES presented a statement informing that the court-supervised reorganization closing sentence had been issued and reiterating the request for the granting of its internal grievance. Appraisal of the appeals by the STJ is awaited.

In addition, in December 2021, the Court of Justice of São Paulo determined that the value of the BNDES extra-bankruptcy credit, that arising from the fiduciary guarantee - object of the search and seizure, is limited to the liquidation value of the guarantees provided which, according to the report appraisal of assets dated 2018, the amount is R\$5,005, which is the amount subject to possible loss.

The main discussions in this area, classified as a possible loss in subsidiaries on June 30, 2023, are related to:

(iii.1) Common lawsuit filed by Weatherford Indústria e Comércio Ltda. and Weus Holding INC on July 14, 2008 against Lupatech – Equipamentos e Serviços para Petróleo Ltda., involving discussion in the sphere of industrial and intellectual property. The process has risk classification as probable loss of approximately R\$624, as possible loss of R\$2,080 and remote of R\$52,024.

(iii.2) Lawsuit filed by Petrobras against Sotep Sociedade Técnica de Perfuração S.A. for the recognition and collection of contractual penalties. The discussion involved the illegality of the penalty applied by the contracting party. The collection is subject to Sotep's Judicial Recovery. The sentencing of the process is awaited. Process subject to possible loss of R\$4,304.

19.3 Contingent Assets

The statement containing information on unrecorded active contingencies, according to the opinion of its legal advisors, is detailed below with the possibility of gain:

	Parent		Consolidated	
	Gain expectation		Gain expectation	
	Possible	Probable	Possible	Probable
Tax	684	3,178	1,689	3,484
Civil	15,563	36,762	24,105	39,304
Total on June 30, 2023	16,247	39,940	25,794	42,788
Total on December 31, 2022	5,411	48,437	11,367	59,526

(i) *Tax Contingent Assets*

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 basis, is set out in explanatory note No. 6.

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 are present to recognize the corresponding tax credits.

(ii) *Civil Contingent Assets*

- Arbitration proceeding against San Antonio Internacional and its vehicles:

On April 4, 2017, the Company submitted an application to the Market Arbitration Chamber to initiate arbitration against San Antonio International, GP Investments and its vehicles seeking reimbursement for the losses incurred by the Company and arising from (i) unknown contingencies das Sociedades San Antonio, and (ii) breach of obligations and breach of declarations and guarantees, pursuant to the indemnity clause provided for in the Investment Agreement that regulated the acquisition by the Company of Sociedades San Antonio.

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 claims and (iii) accepted the request to increase the nominal limit of R\$50 million. On 03.25.2021, the Company received the amount of R\$5,222 as a result of voluntary compliance with the partial judgment rendered.

After the liquidation procedure, on July 6, 2023, the Company was informed of the Final Judgment issued by the Arbitration Court, which was the subject of a request for clarification answered on August 7, 2023, with adjustment of material error. A judgment of R\$31,661 was then set, readjustable by the IGPM as of the base date of February 2022, against San Antonio Internacional and GP Investments vehicles, with the Arbitration Court also determining that in case of default the necessary elements are present for GP Investments to be legally sued for the payment. The Final Judgment only covered the indemnity claims materialized until July 31, 2021, and amounts paid by Lupatech after this date, and subject to reimbursement under the terms of the Investment Agreement, are subject to future indemnities. (Explanatory Note No. 31).

- Arbitration proceeding filed 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 arbitration 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. There was no opening of the liquidation phase because CIM Componentes had not brought the documents relating to its request to the file, as well as because it had not paid the costs of the procedure. A final decision is awaited by the Arbitration Court on Lupatech's request to establish the initial terms of monetary restatement and interest on arrears.

20. Taxes payable

	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Taxes payable - Current				
Ordinary Installment Payment (PIS / COFINS / Social Security Contribution)	3,365	2,499	5,713	4,169
Exceptional Transaction PGFN 8.798/2022 "QuitaPGFN"	4,646	6,231	6,266	8,572
Judicial Recovery Installment	421	654	1,024	1,314
INSS installment	18	21	18	39
INSS installment	515	1,555	735	2,068
IRRF installment	441	714	479	817
CSLL installment	10	13	22	17
COFINS installment	603	738	1,052	1,296
PIS installment	99	127	217	268
IPI installment	-	-	665	975
FGTS installment	4,019	3,513	5,306	4,731
ICMS installment	55	73	1,971	1,109
Other miscellaneous taxes	287	77	824	602
Total	14,479	16,215	24,292	25,977

	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Taxes payable - Non-current				
ICMS installment	-	-	3,302	3,298
Ordinary Installment	10,859	7,733	18,960	13,077
Judicial Recovery Installment	987	969	2,833	2,839
ISS installment	71	1	400	353
SESI/SENAI installment	47	55	69	82
Other miscellaneous taxes	45	57	725	873
Total	12,009	8,815	26,289	20,522

21. Net equity

	06/30/2023	12/31/2022
Share capital	1,904,586	1,898,871
capital reserve	2,967	2,967
Capital reserves and transactions	136,183	136,183
Asset valuation adjustments	179,638	191,562
Accumulated losses	(2,066,468)	(2,041,877)
Total equity	156,906	187,706

a) Capital stock

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

	Parent Company and Consolidated	
	Number of Shares	Share capital
	Thousand	R\$
Total on December 31, 2022	(30,353)	(1,898,871)
Meeting Minutes 003/2023 of February 8, 2023	(0.1)	(0.1)
Meeting Minutes 005/2023 of March 02, 2023	(0.1)	(0.1)
Meeting Minutes 011/2023 of April 27, 2023	(0.9)	(0.8)
Issuance of new shares - exercise of subscription bonus	(1.1)	(1.0)
Meeting Minutes 005/2023 of March 02, 2023	(687)	(1,021)
Meeting Minutes 022/2023 of June 16, 2023	(180)	(493)
Issuance of new shares - exercise of options granted	(866.8)	(1,514.4)
Meeting Minutes 014/2023 of May 05, 2023	(1,256)	(4,200)
Issuance of new shares - 4th issue of Debentures	(1,256)	(4,200)
Total on June 30, 2023	(32,477)	(1,904,586)

b) Capital reserve to be realized

	06/30/2023	12/31/2022
Issuance of Subscription Warrants (*)	(297,319)	(297,319)
Adjustment to fair value - Subscription Bonus	294,352	294,352
Capital Reserve	(2,967)	(2,967)
Fair value of shares - Extrajudicial Recovery	136,183	136,183
Reserve and capital transactions	136,183	136,183

(*) to comply with the Judicial Reorganization Plan

c) Asset 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 is subject to reversal to income for the year as a gain or loss only in the event of disposal or write-off of the investment.

d) 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 accumulated losses, realized results and its financial situation, the Company has not determined dividends payable.

22. Financial instruments

22.1 Financial Risk Management

Financial risk factors

The Company's activities expose it to various financial risks that are grouped into three main segments, without prejudice to other supervening factors:

- (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 fulfillment of obligations by counterparties, especially the receipt of amounts or the delivery of acquired goods, either as a result of their economic and financial 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 arises from commercial and financial operations, recognized assets and liabilities and net investments in operations abroad. Due to its international operations, the Company is exposed to the exchange risk of certain currencies, mainly the US dollar.

The Company and its subsidiaries have assets and liabilities denominated in US dollars, as shown in the tables below:

Items	Amounts in US dollar thousands			
	Parent		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Cash and cash equivalents	-	69	-	3
Accounts receivable	377	305	378	726
Other assets	-	-	7,434	7,623
Related parties - Assets	2,007	2,423	-	-
Loans	(252)	(233)	(15,762)	(15,773)
Related parties - Liabilities	(29,436)	(29,432)	-	-
Other liabilities	-	-	(59)	(80)
Net exposure in US dollars	(27,304)	(26,868)	(8,009)	(7,501)

Interest rate fluctuations also pose risks to the Company, directly due to fluctuations in the value of assets or liabilities, especially debts subject to post-fixed rates, such as the TR, TJLP and CDI.

Sensitivity analysis of changes in foreign currency and changes in interest rates:

The analysis takes into account 3 fluctuation scenarios in these variables, with their respective probability assessments. These assumptions are judgmental exercises made by Management for the purposes of this simulation, and which may vary significantly in relation to actual results.

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: 12%

US\$: 5,14

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 15%

US\$: 6,42

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

Interest rate for the year of 2023: Increase to 18%

US\$: 7,71

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

Operating	Risk	Scenario as defined above					
		Parent			Consolidated		
		Probable	Possible	Remote	Probable	Possible	Remote
Loans and financing	US\$ hike	(86)	434	782	2,535	(12,757)	(22,979)
Loans and financing	Interest rate hike	(323)	55	66	76	94	113
Mutual contracts	US\$ hike	(9,412)	47,360	85,308	-	-	-
Total (gain) loss		(9,821)	47,849	86,156	2,611	(12,663)	(22,866)

The credit and availability restrictions faced by the Company limit the possibilities of managing market risk.

Credit risk

The following are typically exposed to credit risk: cash and cash equivalents, derivative financial instruments, deposits with banks and financial institutions and credit granted to customers for payment and to suppliers for advances.

Credit limits are regularly monitored by concession opportunity. When there is default, the applicability of the allowance for doubtful accounts is assessed.

Our revenues show amounts involving the client Petrobrás, directly and indirectly, which accounted for approximately 42% in the first half of 2023 (51% in the same period of 2022) of the Company's total revenues.

Liquidity Risk

Management monitors the Company's liquidity level through projections and raising funds through committed credit lines, when contracting is feasible, given that liquidity limitations are a reality imposed by the Company's situation.

22.2 Fair Value Estimate

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

The fair value of other financial assets and liabilities (with the exception of derivative instruments) is determined in accordance with pricing models based on estimated discounted cash flows, based on the prices of similar instruments practiced in transactions carried out in a current market observable.

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

The Company's main asset and liability financial instruments are described below, as well as the criteria for their valuation/assessment:

a) Cash, cash equivalents and marketable securities – restricted

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:

Items	Parent		Consolidated	
	Book value	Value of market	Book value	Value of market
Cash and cash equivalents	2,916	2,916	3,493	3,493
Marketable securities	44	44	44	44

b) Loans and financing

The market value was estimated based on the present value of future cash disbursements, using interest rates that are available to the Company, as follows:

Items	Parent		Consolidated	
	Book value	Value of market	Book value	Value of market
Loans and financing not judicial recovery	6,658	6,570	11,648	12,142
Securities discounted with co-obligation	6,525	6,525	7,642	6,811
FGI/Fiduciary Receivables and Credits with fiduciary guarantee of credit rights	22,749	22,773	22,749	22,773
Loans and financing RJ	67,837	67,837	103,074	103,074
Total	103,769	103,705	145,113	144,800

22.3 Financial Instruments by Category

	Parent					
	06/30/2023			12/31/2022		
	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	13,742	-	13,742	18,227	-	18,227
Cash and cash equivalents	2,916	-	2,916	2,734	-	2,734
Related parties	30,371	-	30,371	32,263	-	32,263
Total	47,029	44	47,073	53,224	44	53,268
Financial Liabilities						
Loans and financing	-	103,770	103,770	-	103,155	103,155
Suppliers	39,030	-	39,030	38,166	-	38,166
Related parties	191,569	-	191,569	206,853	-	206,853
Total	230,599	103,770	334,369	245,019	103,155	348,174

	Consolidated					
	06/30/2023			12/31/2022		
	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	19,645	-	19,645	27,128	-	27,128
Cash and cash equivalents	3,493	-	3,493	13,171	-	13,171
Total	23,138	44	23,182	40,299	44	40,343
Financial Liabilities						
Loans and financing	-	145,112	145,112	-	155,654	155,654
Suppliers	43,056	-	43,056	41,640	-	41,640
Total	43,056	145,112	188,168	41,640	155,654	197,294

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	
	06/30/2023	
- Comprehensive business insurance	R\$	80,765
- Life insurance	R\$	61,951
- General civil responsibility 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 whose main objectives are to stimulate the Company's performance and retain its key professionals. There are two Granting Plans in effect:

- (i) 2017 Incentive Plan, approved by the AGE of April 12, 2017: All grants provided for under this plan have already been carried out, with pending exercises.
- (ii) 2020 Incentive Plan, approved by the EGM of August 18, 2020: It has balances to be granted as well as pending exercises.
- (iii) 2023 Incentive Plan, approved by the AGE of May 18, 2023: It has balances to be granted as well as pending exercises.

The options granted and not exercised are shown in the table below:

Grants	2017 Plan			2020 Plan			2023 Plan		
	Amount	Strike Price	Maximum Exercise Term	Amount	Strike Price	Maximum Exercise Term	Amount	Strike Price	Maximum Exercise Term
Board Members	641,419	1.18	4/26/2024	-	1.78	9/2/2025	-	2.57	2/9/2027
	-	1.35	6/24/2027	348,250	2.57	6/9/2025	125,000	2.57	11/30/2026
				100,000	2.74	11/30/2026	384,629	2.57	6/9/2025
Other Beneficiaries				382,500	2.19	11/30/2025	178,750	2.57	11/30/2026
				441,250	2.74	11/30/2026			
Total	1,096,848			2,034,868			1,805,000		
- Exercisable	502,526			907,868			-		
- Non-Exercisable	192,073			1,127,000			1,625,000		
- Conditioned	402,249			-			180,000		

Obtaining the right to exercise the Options is regulated in the respective Plans and Board Meetings that authorized the grants. The Options indicated as “not yet exercisable” correspond to those whose contractual term for the beginning of the exercise (vesting) has not yet been exceeded. Those indicated as “conditioned”, in turn, are subordinated to the occurrence of certain corporate events that increase the share capital.

25. Demonstration of net revenue

	Parent			
	Three-month period ending in		Six-month period ending in	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	01/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Gross sales and/or services				
In Brazil	18,990	20,863	39,967	42,134
Export	315	5,435	521	14,891
	19,305	26,298	40,488	57,025
Deductions for gross sales				
Taxes on sales	(3,359)	(3,374)	(7,041)	(6,880)
Net sales and/or services	15,946	22,924	33,447	50,145

	Consolidated			
	Three-month period ending in		Six-month period ending in	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	01/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Gross sales and/or services				
In Brazil	23,161	23,967	48,784	48,102
Export	716	5,468	1,092	15,463
	23,877	29,435	49,876	63,565
Deductions for gross sales				
Taxes on sales	(4,205)	(3,962)	(8,812)	(7,978)
Net sales and/or services	19,672	25,473	41,064	55,587

26. Loss per share

Basic

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

Items	Parent Company and Consolidated			
	Three-month period ending in		Six-month period ending in	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	01/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Net profit (loss) for the year	(14,511)	(23,654)	(24,591)	(8,738)
Profit (Loss) attributable to the Company's shareholders	(14,511)	(23,654)	(24,591)	(8,738)
Weighted average number of common shares issued (thousands)	32,477	16,550	32,477	29,536
Basic profit (loss) per share R\$	(0.4468)	(1.4293)	(0.7572)	(0.2958)

27. Other operating income and (expenses)

Items	Parent			
	Three-month period ending in		Six-month period ending in	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	01/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Others operating income				
Estimate reversal with lawsuits	186	20	417	31
Others	42	(1)	151	261
Total other operating income	228	19	568	292
Others operating expenses				
Estimates for losses from lawsuits	(462)	(66)	(467)	(547)
Production idle expense	(3,377)	(5,029)	(7,869)	(7,983)
Others	(692)	(321)	(1,038)	(849)
Total other operating expenses	(4,531)	(5,416)	(9,374)	(9,379)
Other net operating expenses	(4,303)	(5,397)	(8,806)	(9,087)

Items	Consolidated			
	Three-month period ending in		Six-month period ending in	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	01/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Others operating income				
Estimate reversal with lawsuits	1,012	596	6,683	1,987
Revenue from the sale of fixed assets	33	3,387	134	3,866
Reversal of estimated losses due to non-recoverability of assets	-	4,161	418	5,899
Others	122	12	135	2,393
Total other operating income	1,167	8,156	7,370	14,145
Others operating expenses				
Estimates for losses from lawsuits	(625)	(348)	(1,101)	(2,333)
Cost on sale of fixed assets	-	(6,453)	(427)	(7,284)
Production idle expense	(4,489)	(5,687)	(10,038)	(8,658)
Others	(1,205)	(2,577)	(2,679)	(5,249)
Total other operating expenses	(6,319)	(15,065)	(14,245)	(23,524)
Other net operating expenses	(5,152)	(6,909)	(6,875)	(9,379)

28. Financial result

Items	Parent			
	Three-month period ending in		Six-month period ending in	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	01/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Financial Income				
Income from financial investments	40	4	76	8
Related-party interest income (mutual contract)	12	10	24	21
Monetary variance	680	507	1,152	721
Arbitration Procedure CSL	(343)	4,379	486	6,386
Other financial income	9	22	46	37
Total financial Income	398	4,922	1,784	7,173
Financial Expenses				
Interest on loans and financing	(2,014)	(1,540)	(3,760)	(1,985)
Interest on loans and financing*	(920)	(922)	(1,843)	(1,881)
Adjustment to present value	(2,360)	(1,363)	(4,538)	(3,993)
Interest of mutual contract	(155)	(155)	(719)	(340)
Interest on suppliers	(30)	(126)	(64)	(154)
Interest on suppliers and other obligations*	(814)	(654)	(1,585)	(1,483)
Fines, interest and monetary restatement	(1,285)	(385)	(2,459)	(747)
Outras despesas financeiras	(669)	(441)	(1,469)	(852)
Total financial Income	(8,247)	(5,586)	(16,437)	(11,435)
Net exchange variation	9,095	(17,621)	13,843	11,852

(*) Debts subject to Judicial Recovery

Items	Consolidated			
	Three-month period ending in		Six-month period ending in	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	01/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Financial Income				
Income from financial investments	51	114	111	216
Adjustment to present value	-	5,794	-	-
Monetary variance	1,044	691	1,707	1,062
Arbitration Procedure CSL	(343)	4,379	486	6,386
Procedimento Arbitral - GP	-	-	-	-
Other financial income	18	23	859	41
Total financial Income	770	11,001	3,163	7,705
Financial Expenses				
Interest on loans and financing	(2,155)	(1,778)	(4,100)	(2,445)
Interest on loans and financing*	(920)	(922)	(1,843)	(1,881)
Interest on bonds*	(103)	(114)	(212)	(195)
Juros sobre debêntures	(39)	-	(39)	-
Adjustment to present value	(6,737)	-	(11,398)	(9,939)
Interest on suppliers	(43)	(133)	(102)	(179)
Interest on suppliers and other obligations*	(814)	(654)	(1,585)	(1,483)
Fines, interest and monetary restatement	(806)	(730)	(1,924)	(1,360)
Other financial expenses	(2,508)	(807)	(5,147)	(1,482)
Total financial Income	(14,125)	(5,138)	(26,350)	(18,964)
Active exchange variation	14,399	20,296	25,173	50,353
Passive exchange variation	(4,122)	(40,181)	(9,793)	(37,066)
Net exchange variation	10,277	(19,885)	15,380	13,286

(*) Debts subject to Judicial Recovery

29. Expenditure by nature

Items	Parent			
	Three-month period ending in		Six-month period ending in	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	01/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
<u>Cost of goods sold</u>	(12,211)	(16,221)	(24,832)	(36,508)
Raw material, materials for use and consumption, labor and third-party services	(11,778)	(15,613)	(23,889)	(35,282)
Depreciation and amortization	(706)	(807)	(1,436)	(1,647)
Others	273	199	493	421
<u>Selling expenses</u>	(2,156)	(2,415)	(4,429)	(4,780)
Third-party labor and services	(1,334)	(1,505)	(2,627)	(3,006)
Depreciation and amortization	(3)	(4)	(6)	(8)
Other commercial expenses	(819)	(906)	(1,796)	(1,766)
<u>General and Administrative Expenses</u>	(3,649)	(3,906)	(7,087)	(7,405)
Third-party labor and services	(3,028)	(2,678)	(5,580)	(5,184)
Depreciation and amortization	(294)	(228)	(648)	(454)
Other administrative expenses	(327)	(1,000)	(859)	(1,767)
<u>Remuneration of directors</u>	(828)	(720)	(1,726)	(1,592)

Items	Consolidated			
	Three-month period ending in		Six-month period ending in	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	01/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
<u>Cost of goods sold</u>	(15,490)	(18,657)	(31,662)	(42,017)
Raw material, materials for use and consumption, labor and third-party services	(14,791)	(17,744)	(30,199)	(40,209)
Depreciation and amortization	(809)	(905)	(1,644)	(1,843)
Others	110	(8)	181	35
<u>Selling expenses</u>	(2,368)	(2,571)	(4,838)	(5,057)
Third-party labor and services	(1,010)	(956)	(1,951)	(1,924)
Depreciation and amortization	(3)	(4)	(6)	(7)
Other commercial expenses	(1,355)	(1,611)	(2,881)	(3,126)
<u>General and Administrative Expenses</u>	(6,223)	(5,426)	(11,777)	(10,949)
Third-party labor and services	(4,707)	(4,132)	(8,793)	(8,175)
Depreciation and amortization	(400)	(335)	(862)	(700)
Other administrative expenses	(1,116)	(959)	(2,122)	(2,074)
<u>Remuneration of directors</u>	(828)	(720)	(1,726)	(1,592)

30. Information by business segment and geographic region

The Company has defined the Group's operating segments as follows:

- a) **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 proceeds with the demobilization of activities through the sale of equipment, as well as the associated legacy. The revenues that make up this segment arise from the liquidation of inventory balances, not referring to regular operations.

Geographically, Management evaluates the performance of the Brazilian and export markets.

Sales between segments were realized as sales between independent parties. The amounts related to total assets and liabilities are consistent with the balances recorded in the financial statements. These assets or liabilities are allocated based on segment operations and the physical location of the asset.

Segment information is shown below:

	Three-month period ending in					
	Products		Services		Consolidated	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Net sales	19,626	25,389	46	84	19,672	25,473
Cost of sales	(15,451)	(18,581)	(39)	(76)	(15,490)	(18,657)
<u>Gross Profit (Loss)</u>	4,175	6,808	7	8	4,182	6,816
Selling expenses	(2,368)	(2,567)	-	(4)	(2,368)	(2,571)
General and administrative expenses	(4,901)	(4,501)	(1,322)	(925)	(6,223)	(5,426)
Management compensation	-	-	(828)	(720)	(828)	(720)
Reversal of estimated losses due to the non-recoverability of assets	-	-	-	4,161	-	4,161
Other operating income (expenses), net	(4,972)	(5,751)	(180)	(5,319)	(5,152)	(11,070)
<u>Operating profit (loss) before financial result</u>	(8,066)	(6,011)	(2,323)	(2,799)	(10,389)	(8,810)
	Products		Services		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022
<u>Identifiable assets</u>	152,707	163,191	207,067	215,384	359,774	378,575
<u>Identifiable liabilities</u>	17,881	20,475	165,220	172,089	183,101	192,564
	Products		Services		Consolidated	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
<u>Depreciation and amortization</u>	(858)	(1,941)	(353)	(230)	(1,211)	(2,171)
<u>Acquisition of fixed assets</u>	297	1,059	-	28	297	1,087

	Six-month period ending in					
	Products		Services		Consolidated	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Net sales	40,950	55,106	114	481	41,064	55,587
Cost of sales	(31,570)	(41,571)	(92)	(446)	(31,662)	(42,017)
Gross Profit (Loss)	9,380	13,535	22	35	9,402	13,570
Selling expenses	(4,838)	(5,008)	-	(49)	(4,838)	(5,057)
General and administrative expenses	(9,687)	(9,052)	(2,090)	(1,897)	(11,777)	(10,949)
Management compensation	-	-	(1,726)	(1,592)	(1,726)	(1,592)
Reversal of estimated losses due to the non-recoverability of assets	-	-	-	5,899	-	5,899
Other operating income (expenses), net	(10,595)	(8,609)	3,720	(6,669)	(6,875)	(15,278)
<u>Operating profit (loss) before financial result</u>	<u>(15,740)</u>	<u>(9,134)</u>	<u>(74)</u>	<u>(4,273)</u>	<u>(15,814)</u>	<u>(13,407)</u>
	Products		Services		Consolidated	
	06/30/2023	12/31/2022	06/30/2023	12/31/2022	06/30/2023	12/31/2022
Identifiable assets	152,707	163,191	170,968	215,384	323,675	378,574
Identifiable liabilities	17,881	20,475	165,220	172,089	183,101	192,564
	Products		Services		Consolidated	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Depreciation and amortization	(1,742)	(1,941)	(771)	(230)	(2,513)	(2,171)
Acquisition of fixed assets	199	1,059	-	28	199	1,087

Information by geographic region is shown below:

	Three-month period ending in					
	Brazil		Others		Consolidated	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Net sales	19,672	25,473	-	-	19,672	25,473
Cost of sales	(15,490)	(18,657)	-	-	(15,490)	(18,657)
<u>Gross Profit (Loss)</u>	4,182	6,816	-	-	4,182	6,816
Selling expenses	(2,368)	(2,571)	-	-	(2,368)	(2,571)
General and administrative expenses	(6,223)	(5,426)	-	-	(6,223)	(5,426)
Management compensation	(828)	(720)	-	-	(828)	(720)
Reversal of estimated losses due to the non-recoverability of assets	-	4,161	-	-	-	4,161
Other operating income (expenses), net	(5,152)	(11,070)	-	-	(5,152)	(11,070)
<u>Operating profit (loss) before financial result</u>	(10,389)	(8,810)	-	-	(10,389)	(8,810)
	Brazil		Others		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022	06/30/2023	06/30/2022
<u>Identifiable assets</u>	359,774	378,575	-	-	359,774	378,575
<u>Identifiable liabilities</u>	147,865	157,848	35,236	34,716	183,101	192,564
	Brazil		Others		Consolidated	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
<u>Depreciation and amortization</u>	(1,211)	(2,171)	-	-	(1,211)	(2,171)
<u>Acquisition of fixed assets</u>	297	1,087	-	-	297	1,087

	Six-month period ending in					
	Brazil		Others		Consolidated	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Net sales	41,064	55,587	-	-	41,064	55,587
Cost of sales	(31,662)	(42,017)	-	-	(31,662)	(42,017)
Gross Profit (Loss)	9,402	13,570	-	-	9,402	13,570
Selling expenses	(4,838)	(5,057)	-	-	(4,838)	(5,057)
General and administrative expenses	(11,777)	(10,949)	-	-	(11,777)	(10,949)
Management compensation	(1,726)	(1,592)	-	-	(1,726)	(1,592)
Reversal of estimated losses due to the non-recoverability of assets	-	5,899	-	-	-	5,899
Estimate of losses due to the non-recoverability of assets	3,720	-	-	-	3,720	-
Other operating income (expenses), net	(10,596)	(15,278)	-	-	(10,596)	(15,278)
Operating profit (loss) before financial result	(15,814)	(13,407)	-	-	(15,814)	(13,407)
	Brazil		Others		Consolidated	
	06/30/2023	06/30/2022	06/30/2023	06/30/2022	06/30/2023	06/30/2022
Identifiable assets	323,675	378,575	-	-	323,675	378,575
Identifiable liabilities	147,865	157,848	35,236	34,716	183,101	192,564
	Brazil		Others		Consolidated	
	04/01/2023 to 06/30/2023	04/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022	04/01/2023 to 06/30/2023	01/01/2022 to 06/30/2022
Depreciation and amortization	(2,513)	(2,171)	-	-	(2,513)	(2,171)
Acquisition of fixed assets	199	1,087	-	-	199	1,087

31. Subsequent events

Final Judgment of the Arbitration Proceeding filed against San Antonio Internacional and its vehicles:

After the liquidation procedure, on July 6, 2023, the Company was informed of the Final Judgment issued by the Arbitration Court, which was the subject of a request for clarification answered on August 7, 2023, with adjustment of material error. A judgment of R\$31,661 was then set, readjustable by the IGPM as of the base date of February 2022, against San Antonio Internacional and GP Investments vehicles, with the Arbitration Court also determining that in case of default the necessary elements are present for GP Investments to be legally sued for the payment. The Final Judgment only covered the indemnity claims materialized up to 07.31.2021, and amounts paid by Lupatech after this date, and subject to reimbursement under the terms of the Investment Agreement, are subject to future indemnities. (Explanatory Note No. 19.3).

Binding Proposal and Fourth Issue of Warrants:

On June 27, 2023, the Company received an investment proposal led by Messrs. Rafael Gorenstein, Chief Executive Officer and Investor Relations Officer, and João Marcos Cavichioli Feiteiro, Chairman of the Board of Directors, through which, together with their vehicles and/or co-investors (“Bidders”) propose the primary acquisition of securities to be issued by the Company.

The Transaction was approved by the Board of Directors and consists of the acquisition of Subscription Warrants, in a private issue, directed to the Bidders, duly respecting the shareholders' preemptive rights.

On July 6, 2023, the Board of Directors approved the 4th issue of the Company's Subscription Warrants. The Issuance follows the Binding Investment Proposal accepted by the Company.

Comments on the behavior of business projections

In the quarter ended June 30, 2023, revenues were impacted by operational delays remaining from the pandemic, some financial defaults by customers that jeopardized the progress of activities, and above all a larger contract in execution that was subject to technical changes at the request of the client and that required schedule adjustments. The lower dilution of fixed costs due to lower revenues led to lower gross margins and EBITDA in the period.

Consolidated net revenue for the semester ended June 30, 2023 was R\$41.1 million.

The long-term objectives pursued by the Company are as follows:

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 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.

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 information available on the market to date.

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



LUPATECH

LUPATECH S.A.

CNPJ/ME nº 89.463.822/0001-12

NIRE 35.3.0045756-1

Public Company with Authorized Capital – New market

AUDIT COMMITTEE REPORT – 08-07-2023

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. 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 IPF-RJ, 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:

With regard to the current fiscal year 2023, the Committee met on four occasions, namely January 31, 2023; March 27, 2023, May 15, 2023, and August 7, 2023 at this meeting registering the presence of its three members. 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.

In an ordinary meeting held on August 7, 2023, the Audit Committee discussed accounting and tax aspects related to the closure of the interim Financial Statements, for the second quarter of 2023, corresponding to the three-month period, beginning on April 1 and ending on 30 June 2023. Board of Directors will accept the recommendation of this Audit Committee in the sense of approving the Financial Statements now discussed and revised by this same Committee.

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; Monitored the work of the independent accounting audit; Acknowledged the audit report on the financial statements for the 3-month period ended June 30, 2023.

IV – TOPICS DISCUSSED ON June 30, 2023:

- a) Financial / Financial / Accounting Statements: The Company's financial results for the 2st Quarter of 2023 were monitored, with regards to the Financial Statements prepared for this period - Balance Sheet, Income Statement for the 2st Quarter, Statement of Comprehensive Income, Financial Statement of Cash Flow, Statement of

Changes in Shareholders' Equity, and Statement of Added Value, all for the 3-month period ended June 30, 2023.

- b) In addition to the financial statements, their explanatory notes were reviewed. The adopted accounting practices were evaluated; evaluated the process of preparing and disclosing the financial statements for the period; assessed the reasonableness of the criteria for recognizing revenue and realizing expenses that significantly impact the financial statements of the Company and its subsidiaries.
- c) Internal controls and compliance: Follow-up and monitoring of the 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; Analysis and knowledge of the COMPANY's corporate policies; Monitoring of procedures relating to the Prevention and Combat of Money Laundering; Follow-up of procedures relating to the Prevention and Combat of Fraud, as well as being aware of the verification reports and respective results; Monitoring 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; Assessment of risks related to the information technology (IT) environment; Evaluation of the process of monitoring lawsuits, deposits and judicial blocks, as well as the adequacy of the respective estimates of accounting provisions; Monitoring of controls related to the financial area; Monitoring the management of third-party contracting; Monitoring of work related to the implementation of the LGPD; Monitoring and identification and mitigation of the environment and IT and cyber risks.
- d) Irregularities and Denouces: 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 regarding non-compliance with legal and normative provisions applicable to it, in addition to its internal regulations and codes, ensuring that foresee effective mechanisms that protect the information provider and its confidentiality.

V – 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 period of 3 (three) months, corresponding to the 2st Quarter of the year- calendar 2023, ending on 06/30/2023, and its consistency with the procedures adopted at the end of the immediately preceding fiscal year, 2022, are also reflected in the minutes of the Audit Committee Meeting of the aforementioned meetings.

Among the topics discussed, the following stand out: (a) evolution of sales and revenues of Lupatech and its subsidiaries; evolution of operating costs; current position of Inventories and their probable and possible realization in time, constitution of reserves for non-realization of inventories, Accounts Receivable values, and its provisions for possible losses of realization,

other credits against third parties (CSL – Cordoaria São Leopoldo) and Group Guarantee (arbitration in progress), registration of values, deferred IRPJ and CSLL and their realization, goodwill on acquired investments, assets available for sale, and their realization, and finally, fixed assets, and settlement of debts of judicial recovery.

Also discussed were the survey of the Judicial Reorganization, carried out in the first half of 2023, and its registration with the competent bodies (Junta Comercial, CVM, B3 and RFB). Concluding that, henceforth, the mention of the fact is excluded since the Judicial Reorganization was concluded. It is up to record the fact where and how due.

VI – RECOMMENDATION AS TO THE FINANCIAL STATEMENTS AS OF 06/30/2023

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 period of 3 (three) months ended on June 30, 2023, and, based on the information provided by Management, this Committee is in favor of, and thus recommends, to the Board of Directors its approval, of said documents cited.

Nova Odessa (SP) August 07, 2023.

1. **Paulo Pinese**
RG nº 8.138.961-9/CPF/MF nº 921.449.938- 15
CRC SP 134.267/O-6.

2. **Carlos Mario Calad Serrano**
RNE nº V471179-4/CPF/ME nº 060.144.487-64.

3. **Celso Fernando Lucchesi**
RG nº 05220023-5 IFP-RJ/CPF/MF sob o nº 117.047.300-82.



Declaration of directors on the financial statements

The Company's officers, in compliance with the provisions of item VI of article 27 of CVM Instruction No. 80, of March 29, 2022, as amended, declare that they have reviewed, discussed and agreed with the Interim Financial Statements for the period ended June 30, 2023.

Nova Odessa, August 14, 2023.

Rafael Gorenstein – CEO and IRO

Marco Antônio Miola – Director without specific designation



Declaration by the Directors on the Report of the Independent Auditors

The Company's officers, in compliance with the provisions of item V of article 27 of CVM Instruction No. 80, of March 29, 2022, as amended, declare that they have reviewed, discussed and agreed to the independent auditors' report on the Interim Financial Statements for the period ended June 30, 2023.

Nova Odessa, August 14, 2023.

Rafael Gorenstein – CEO and IRO

Marco Antônio Miola – Director without specific designation