

QUARTERLY INFORMATION 3Q2023

LUPATECH S.A.
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

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

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

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

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

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

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

Rafael Gorenstein

CEO and IRO

Economic and Financial Performance

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

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

Net Revenue

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

Products

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

Services

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

Order Backlog

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

Gross Profit and Gross Margin

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

* n/a - not applied

Products

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

Services

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

Expenses

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

Sales Expenses

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

Administrative Expense

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

Management Compensation

The amount presented is composed of fixed and variable remuneration.

Other Revenues and Operational (Expenses)

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

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

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

Financial Result

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

* Excluding Exchange Variance

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

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

Adjusted EBITDA from Operations

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

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

Adjusted EBITDA from Services comprises legacy management costs.

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

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

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

Net Result

Net Result (R\$ thd)	3Q22	3Q23	2Q23	3Q23	9M22	9M23
Result Before Income Tax and Social Contribution	(18,098)	(22.770)	(13.467)	(22.770)	(29.478)	(46.391)
Income Tax and Social Contribution - Current	-	-	-	-	(6)	(1)
Income Tax and Social Contribution - Deferred	13	1.533	(1.044)	1.533	2.661	564
Net Profit for the Period	(18,085)	(21,237)	(14,511)	(21,237)	(26,823)	(45,828)
Profit (Loss) per 1,000 Shares	(2,51)	(0,09)	(1,43)	(0,09)	(2,80)	(0,54)

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

Working Capital

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

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

Cash and Financial Investments

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

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

Indebtedness

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

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

Investment

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

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)

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

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

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

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

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

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

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

About Lupatech

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

LUPATECH S.A.

BALANCE SHEET
(In R\$ Thousands)

<u>ASSETS</u>	Note	Parent		Consolidated	
		<u>09/30/2023</u>	<u>12/31/2022</u>	<u>09/30/2023</u>	<u>12/31/2022</u>
CURRENT					
Cash and cash equivalents	3	3,146	2,734	4,450	13,171
Accounts receivables	4	22,072	18,227	25,084	27,128
Inventories	5	22,395	26,460	33,745	39,247
Recoverable taxes	6	30,922	35,791	45,204	51,160
Advances to suppliers		1,387	3,074	3,993	6,703
Other accounts receivable	7	1,900	3,730	5,685	4,549
Prepaid expenses		456	629	474	716
Accounts receivable - related parties	15.1	19,608	19,619	-	-
Assets classified as held for sale	8	3,236	3,236	37,280	38,614
Total current assets		<u>105,122</u>	<u>113,500</u>	<u>155,915</u>	<u>181,288</u>
NON-CURRENT ASSETS					
Other Credits		1	1	1	1
Judicial deposits		1,856	1,897	7,310	7,639
Securities-restricted		44	44	44	44
Recoverable taxes		4,530	1,115	5,246	1,831
Deferred income tax and social contribution		61,681	62,164	57,356	56,792
Accounts receivable - related parties		10,064	12,644	-	-
Other accounts receivable		32,977	32,848	34,055	35,222
Investments					
Direct and indirect associated companies		289,156	305,036	-	-
Investment property		-	-	21,942	21,942
Fixed assets		20,436	22,544	132,778	138,386
Intangibles					
Goodwill		61,479	61,479	82,166	82,166
Other intangibles		819	1,292	1,104	1,583
Total Non-current assets		<u>483,043</u>	<u>501,064</u>	<u>342,002</u>	<u>345,606</u>
TOTAL ASSETS		<u><u>588,165</u></u>	<u><u>614,564</u></u>	<u><u>497,917</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	
		09/30/2023	12/31/2022	09/30/2023	12/31/2022
PASSIVO E PATRIMÔNIO LÍQUIDO					
CURRENT LIABILITIES					
Suppliers - not subject to Judicial Recovery	12	7,561	7,515	11,218	11,074
Suppliers - subject to Judicial Recovery	12	5,189	4,731	5,189	4,731
Loans and financing - not subject to Judicial Recovery	13	32,632	32,194	38,089	49,977
Loans and financing - subject to Judicial Recovery	13	4,551	3,311	5,911	4,331
Provisions payroll and payroll payable		6,024	4,516	7,370	5,603
Taxes payable	20	13,244	16,215	22,851	25,977
Obligations for labor risks and creditors- subject to Judicial Recovery		314	1,144	314	1,144
Advances from customers		4,135	332	12,155	8,037
Provision contractual fines		-	621	-	621
Other accounts payable	18	3,338	4,952	4,129	5,698
Other obligations - subject to judicial recovery	18	1,943	1,457	1,943	1,457
Related Parties - mutual and loans	15.1	29,761	32,559	-	-
Total current liabilities		108,692	109,547	109,169	118,650
NON-CURRENT LIABILITIES					
Suppliers - subject to Judicial Recovery		27,124	26,162	27,124	26,162
Loans and financing - not subject to Judicial Recovery					
Loans and financing - subject to Judicial Recovery	13	4,993	5,820	4,993	5,820
Deferred income tax and social contribution	13	65,013	61,830	99,120	95,526
Provision for contingencies	20	12,212	8,815	28,577	20,522
Obligations and provisions labor risks - subject to judicial Recovery	19.2	3,949	3,928	26,436	32,915
Other accounts payable		2,235	2,836	2,235	2,836
Other obligations - subject to judicial recovery	18	2,202	-	5,251	3,131
Related Parties - mutual and loans	18	35,804	33,626	35,804	33,626
		166,733	174,294	-	-
Total non-current liabilities		320,265	317,311	229,540	220,538
SHAREHOLDERS' EQUITY					
Capital stock	21	1,918,106	1,898,871	1,918,106	1,898,871
Capital reserve to be realized		7,406	2,967	7,406	2,967
Capital transaction reserve		136,183	136,183	136,183	136,183
Equity valuation adjustments		185,218	191,562	185,218	191,562
Retained earnings / Accumulated losses		(2,087,705)	(2,041,877)	(2,087,705)	(2,041,877)
Attributed to the participation of the Company's shareholders		159,208	187,706	159,208	187,706
Total shareholders' equity		159,208	187,706	159,208	187,706
		588,165	614,564	497,917	526,894

The notes are an integral part of the financial statements.

LUPATECH S/A

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

	Note	Parent		Consolidated	
		09/30/2023	09/30/2022	09/30/2023	09/30/2022
NET REVENUE FROM SALES	25	55,276	76,027	66,257	84,865
COST OF GOODS AND SERVICES SOLD	29	(40,679)	(55,883)	(50,684)	(64,805)
Profit gross		14,597	20,144	15,573	20,060
OPERATING INCOME/EXPENSES					
Selling	29	(7,688)	(7,194)	(8,347)	(7,653)
General and administrative	29	(11,495)	(11,591)	(16,516)	(16,976)
Management compensation	16 / 29	(2,493)	(3,416)	(2,493)	(3,416)
Equity pick-up	9.1	(12,276)	(11,087)	-	-
Other operating income (expenses)	27	(11,921)	(14,460)	(13,378)	(15,207)
LOSS BEFORE FINANCIAL RESULT		(31,276)	(27,604)	(25,161)	(23,192)
FINANCIAL RESULTS					
Financial income	28	3,442	9,051	5,080	10,022
Financial expenses	28	(24,766)	(17,749)	(34,274)	(24,849)
Exchange variation, net	28	7,255	7,866	7,964	8,541
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(45,345)	(28,436)	(46,391)	(29,478)
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	17	-	-	(1)	(6)
Deferred	17	(483)	1,613	564	2,661
LOSS FOR THE PERIOD		(45,828)	(26,823)	(45,828)	(26,823)
LOSS ATTRIBUTABLE TO Parent company's interest		(45,828)	(26,823)	(45,828)	(26,823)
LOSS PER SHARE (In Reais)					
BASIC earnings per share		(0.54072)	(2.80263)	(0.54072)	(2.80263)
Diluted per share	26	(0.54072)	(2.80263)	(0.54072)	(2.80263)

The notes are an integral part of the financial statements.

LUPATECH S/A

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

	Parent		Consolidated	
	<u>09/30/2023</u>	<u>09/30/2022</u>	<u>09/30/2023</u>	<u>09/30/2022</u>
LOSS FOR THE PERIOD	(45,828)	(26,823)	(45,828)	(26,823)
OTHER COMPREHENSIVE INCOME				
Exchange variation on investments abroad	(6,344)	(6,025)	(6,344)	(6,025)
COMPREHENSIVE INCOME OF THE PERIOD	<u>(52,172)</u>	<u>(32,848)</u>	<u>(52,172)</u>	<u>(32,848)</u>
TOTAL COMPREHENSIVE INCOME ALLOCATED TO:				
Participation of controlling shareholders	(52,172)	(32,848)	(52,172)	(32,848)

The notes are an integral part of the financial statements.

LUPATECH S/A

STATEMENT CASH FLOW - INDIRECT METHOD
FOR THE PERIODS ENDED ON SEPTEMBER 30, 2023 AND 2022

(In R\$ Thousands)

	Note	Parent		Consolidated	
		09/30/2023	09/30/2022	09/30/2023	09/30/2022
CASH FLOW FROM OPERATING ACTIVITIES					
Loss for the period		(45,828)	(26,823)	(45,828)	(26,823)
Depreciation and amortization	10 e 11	2,820	3,346	5,049	4,120
Reversal (Estimated) for losses by non-recoverability of assets	10 e 11	-	-	(597)	(4,696)
Equity pick-up	9.1	12,276	11,087	-	-
Result on sale of fixed assets		(134)	(20)	1,768	3,433
Financial charges and exchange variation on financing		9,073	7,743	6,835	3,938
Deferred income tax and social contribution		483	(1,233)	(564)	(2,553)
Inventory Obsolescence		(482)	-	924	(1,063)
(Reversal) Estimated losses for doubtful accounts	4	(1,285)	(882)	(1,245)	(999)
Actual losses with doubtful accounts	4	1,188	25	1,271	972
Adjustment to present value	28	7,357	5,587	11,758	9,371
Adjustment to fair value		4,439	89	(1,905)	(5,903)
Accounts receivable		(3,748)	(2,782)	2,011	(4,302)
Inventories		4,547	1,043	4,578	(3,340)
Recoverable taxes		1,454	(800)	2,541	9,087
Other assets		3,602	(7,219)	3,266	(16,354)
(Increase) decrease in operating liabilities:					
Suppliers		(3,977)	1,235	(4,321)	4,452
Taxes payable		(3,110)	761	1,365	2,212
Others accounts payable		5,805	2,137	6,358	11,451
Cash flow from operating activities		(5,520)	(6,706)	(6,736)	(16,997)
CASH FLOW FROM INVESTING ACTIVITIES					
Capital payment in subsidiary		(2,740)	(2,416)	-	-
Bonds and securities - restricted account	3	121	18	165	295
Proceeds from the sale of property		227	20	347	3,964
Acquisition of fixed assets	10	(332)	(1,403)	(464)	(1,523)
Additions to the intangible	10	-	(4)	-	(4)
Net cash from (invested) from investing activities		(2,724)	(3,785)	48	2,732
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from loans and financing		49,768	65,297	59,743	105,120
Proceeds (Payment) from loans and financing - Related parties		(2,872)	(770)	-	-
Capital Increase (Reduction)	21	19,235	1,523	19,235	1,523
Payments of loans and financing		(57,475)	(54,171)	(81,011)	(98,948)
Net cash provided by financing activities		8,656	11,879	(2,033)	7,695
(REDUCTION) NET INCREASE OF CASH AND CASH EQUIVALENTS		412	1,388	(8,721)	(6,570)
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		3,146	2,486	4,450	12,606

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 SEPTEMBER 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	1,523	-	-	-	1,523	1,523
Loss for the year	-	-	(26,823)	-	(26,823)	(26,823)
Exchange variation on investments abroad	-	-	-	(6,025)	(6,025)	(6,025)
BALANCE ADJUSTMENT IN SEPTEMBER 30, 2022	1,898,871	139,795	(2,123,566)	198,646	113,746	113,746
BALANCE ADJUSTMENT IN DECEMBER 31, 2022	1,898,871	139,150	(2,041,877)	191,562	187,706	187,706
Capital increase	19,235	-	-	-	19,235	19,235
Loss for the year	-	-	(45,828)	-	(45,828)	(45,828)
Exchange variation on investments abroad	-	-	-	(6,344)	(6,344)	(6,344)
BALANCE ADJUSTMENT IN SEPTEMBER 30, 2023	1,918,106	143,589	(2,087,705)	185,218	159,208	159,208

The notes are an integral part of the financial statements.

LUPATECH S.A.

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

	Note	Parent		Consolidated	
		09/30/2023	09/30/2022	09/30/2023	09/30/2022
REVENUES					
Sales of goods, products and services (IPI including)	25	66,799	88,303	80,342	99,076
Reversal of estimated losses due to non-recoverability of assets		-	-	-	7,045
Other revenues	27	1,735	2,139	9,543	10,989
Reversal (estimated) of losses on doubtful accounts	4	1,285	882	1,245	999
Actual losses with doubtful accounts	4	(1,188)	(865)	(1,271)	(972)
		68,631	90,459	89,859	117,137
ACQUIRED FROM THIRD PARTIES					
Cost of products, goods and services sold		(20,819)	(34,012)	(16,445)	(27,751)
Materials, energy, and other outsourced services		(10,701)	(11,972)	(18,674)	(22,619)
Loss on disposal of fixed assets		-	-	-	(7,349)
Other expenses	27	(13,656)	(16,599)	(22,921)	(25,892)
		(45,176)	(62,583)	(58,040)	(83,611)
GROSS ADDED VALUE		23,455	27,876	31,819	33,526
DEPRECIATION AND AMORTIZATION	10 e 11	(2,820)	(3,346)	(5,049)	(4,120)
NET ADDED VALUE GENERATED BY THE COMPANY		20,635	24,530	26,770	29,406
ADDED VALUE RECEIVED IN TRANSFER					
Equity pick-up	9.1	(12,276)	(11,087)	-	-
Financial income	28	29,965	55,069	38,019	68,877
		17,689	43,982	38,019	68,877
TOTAL ADDED VALUE TO BE DISTRIBUTED		38,324	68,512	64,789	98,283
DISTRIBUTION OF ADDED VALUE					
Staff:		25,867	26,066	31,673	32,394
Direct compensation		18,926	19,203	23,028	23,780
Benefits		5,562	5,549	6,921	6,932
FGTS		1,379	1,314	1,724	1,682
Taxes and contributions:		14,017	13,129	19,350	17,185
Federal		7,591	6,554	11,320	9,358
States		6,130	6,318	7,671	7,519
Municipal		296	257	359	308
Remuneration of third party capital:		44,268	56,140	59,594	75,527
Interest and other financial expenses	28	44,034	55,901	59,249	75,163
Rent		234	239	345	364
Remuneration (loss) from equity:		(45,828)	(26,823)	(45,828)	(26,823)
Loss for the year		(45,828)	(26,823)	(45,828)	(26,823)

The notes are an integral part of the financial statements.

Lupatech S.A

Explanatory notes to the individual and consolidated interim financial information for the quarter ended September 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\$ 37,280.

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	Class II	Class III	Class III	Class IV	TOTAL	TOTAL
	Suppliers, Obligations and labor provisions	Loans and financing - National Currency	Suppliers, Loans and financing - National Currency	Suppliers, Loans and financing - Foreign Currency	Suppliers - National Currency	09/30/2023	12/31/2022
Accounting Balance Liabilities RJ	2,912	40,315	194,376	84,684	13,324	335,611	339,539
Adjustment to Present Value *	-	(16,815)	(93,279)	(43,566)	(4,310)	(157,970)	(169,726)
Net Accounting Balance	2,912	23,500	101,097	41,118	9,014	177,641	169,813
Maturities of the accounting balance:	-	-	-	¥0	-	-	-
2023	677	374	900	287	63	2,301	8,886
2024	-	2,616	6,350	1,687	835	11,488	11,338
2025	-	2,990	8,252	2,296	909	14,447	14,264
2026	-	2,990	10,124	2,905	894	16,913	16,823
2027	-	3,861	12,132	3,516	1,126	20,635	20,558
2028	-	4,485	16,088	4,686	1,294	26,553	26,468
2029	-	4,485	19,533	5,703	1,275	30,996	30,902
2030	-	4,485	24,722	7,230	1,243	37,680	37,572
2031	-	4,485	26,430	7,738	1,191	39,844	39,734
2032	-	9,546	33,605	9,869	4,497	57,517	56,268
2033	-	-	29,248	29,696	-	58,944	58,105
From 2034 onwards	2,235	-	6,981	9,077	-	18,293	18,622
Total	2,912	40,317	194,365	84,690	13,327	335,611	339,539
Litigation (dates and amounts undetermined)	16,690	-	1,606	-	1,476	19,773	23,737

*Os saldos contábeis relativos aos créditos das Classes II, III, e IV incluem ajustes a valor presente considerando taxas de desconto de 13,65% ao ano para os créditos em moeda nacional e de 5,85% ao ano para moeda estrangeira.

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 Operacional continuity

The interim financial information for the period ended September 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 September 30, 2023, are not being repeated or included in full in these interim financial statements:

Notes not included in the nine-month period ended September 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 interim accounting information was authorized by the Board of Directors on November 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 (%)	
	09/30/2023	12/31/2022
<u>Direct participation</u>		
Mipel 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
Ilno 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	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
Cash and cash equivalents				
<u>Cash and banks</u>				
Brazil	2,599	2,115	2,879	2,340
Abroad	-	-	16	14
<u>Financial Investments - BDC</u>				
Bank deposit certificate	547	619	1,555	10,817
Total	3,146	2,734	4,450	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	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
Local market	20,502	18,089	23,919	25,127
Export	2,266	2,118	2,266	4,347
	22,768	20,207	26,185	29,474
Less: allowance for doubtful accounts	(696)	(1,980)	(1,101)	(2,346)
	22,072	18,227	25,084	27,128
Current	22,072	18,227	25,084	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	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
To profit	7,065	423	7,065	2,669
To win	11,797	14,296	13,175	18,983
Due to 30 days	901	1,035	1,091	1,223
Due from 31 to 90 days	1,976	1,444	1,976	1,444
Due from 91 to 180 days	44	590	44	623
Due from 181 a 360 days	50	439	192	2,186
Due more than 180 days	935	1,980	2,642	2,346
	<u>22,768</u>	<u>20,207</u>	<u>26,185</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	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
Finished goods	5,041	3,927	6,343	5,392
Goods for resale	905	1,691	2,343	3,487
Products in development	13,838	12,018	25,879	25,595
Raw material	10,941	16,672	24,516	31,033
Losses on inventory obsolescence	(8,330)	(7,848)	(25,336)	(26,260)
Total	<u>22,395</u>	<u>26,460</u>	<u>33,745</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	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
Opening balance for the period	(7,848)	(6,983)	(26,260)	(24,029)
Loss estimate	(482)	(867)	(481)	(2,354)
Reversal	-	2	1,405	123
Final balance	<u>(8,330)</u>	<u>(7,848)</u>	<u>(25,336)</u>	<u>(26,260)</u>

6. Taxes to be recovered

Recoverable Taxes	Parent		Consolidated	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
ICMS recoverable	9,512	11,031	9,669	11,182
ICMS about PIS and COFINS	22,791	23,311	27,140	28,842
IPI to be recovered	1,326	1,371	1,489	1,599
PIS to be recovered	91	61	157	118
COFINS recoverable	415	281	542	398

IRRF to be recovered	71	11	75	407
IRPJ to be recovered	668	507	8,946	8,351
CSLL to be recovered	528	333	2,352	2,079
Others	50	-	80	15
Total	<u>35,452</u>	<u>36,906</u>	<u>50,450</u>	<u>52,991</u>
Current	30,922	35,791	45,204	51,160
Non Current	4,530	1,115	5,246	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

	Parent		Consolidated	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
Other accounts receivable - Current				
Debentures convertible into shares	1,674	3,590	2,067	3,983
Other accounts receivable	226	140	3,618	566
Total	<u>1,900</u>	<u>3,730</u>	<u>5,685</u>	<u>4,549</u>
Other accounts receivable - Non-current				
Arbitration Procedure CSL	32,977	32,783	32,977	32,783
Amounts receivable from Luxxon	-	65	1,075	2,436
Other accounts receivable	-	-	3	3
Total	<u>32,977</u>	<u>32,848</u>	<u>34,055</u>	<u>35,222</u>

"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	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
Machinery and equipment	3,236	3,236	35,866	37,198
Industrial tools	-	-	1,412	1,412
Furniture and utensils	-	-	-	2
Vehicles	-	-	2	2
Total	3,236	3,236	37,280	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 September 30, 2023	3,236	-	-	-	3,236

Cost of Assets – Net of Impairment	Consolidated				
	37,198	1,412	2	2	38,614
Balance on December 31, 2022	37,198	1,412	2	2	38,614
Disposal	(5)	-	(2)	-	(7)
Effect of converting foreign subsidiaries	(1,318)	-	-	-	(1,318)
Capitalized financial effect	(9)	-	-	-	(9)
Balance on September 30, 2023	35,866	1,412	-	2	37,280

9. Investments

9.1 Investments in subsidiaries and affiliates

	Mipel	Recu	LESP	Finance	LO&G	Lochness	Ilnó	Parent	
								09/30/2023	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	1,255	64	14,754	96,759	5,251	82,318	97,761	-	-
Income for the period	(8,400)	-	(917)	140	(135)	1,833	(2)	-	-
Unrealized profits	(530)	-	-	-	-	-	-	-	-
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	2,093	-	59	-	-	-	-	2,152	-
Capital increase	-	-	588	-	-	-	-	588	4,088
Equity in earnings	(8,380)	-	(917)	(3,213)	(7)	1,833	(1,592)	(12,276)	(27,172)
Equity valuation adjustment	-	(65)	(218)	(2,753)	(10)	(3,298)	-	(6,344)	(13,107)
Final balance in the period	2,819	61	14,813	96,759	263	82,318	92,123	289,156	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 September 30, 2023	20,302	1,640	21,942

10. Fixed Assets

	Weighted average rate of depreciation % p.p.	Parent		Consolidated	
		09/30/2023	12/31/2022	09/30/2023	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%	5,540	5,672	98,245	100,279
Machinery and equipment	12%	8,132	9,731	10,062	13,187
Molds and matrixes	19%	838	870	906	947
Industrial facilities	6%	89	383	1,396	1,729
Furniture and fixtures	12%	553	581	747	796
Date processing equipments	34%	220	253	370	416
Improvements	6%	301	340	872	912
Vehicles	19%	5	7	5	7
Advances for fixed assets acquisitions	-	100	100	5,420	5,452
Construction in progress	-	907	856	1,025	931
Total		20,436	22,544	132,778	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	-	-	232	9	-	13	-	-	253
Disposal	-	-	(272)	-	(1)	(58)	-	-	(331)
Transfer	-	-	26	-	-	-	-	-	26
Balance on September 30, 2023	3,751	8,269	89,210	2,067	3,922	4,156	856	558	112,789
Accumulated depreciation									
Balance on December 31, 2022	-	(2,597)	(78,623)	(1,335)	(3,343)	(3,947)	-	(451)	(90,296)
Additions	-	(132)	(1,799)	(342)	(28)	(44)	-	-	(2,346)
Disposal	-	-	182	-	2	55	-	-	239
Balance on September 30, 2023	-	(2,729)	(80,240)	(1,677)	(3,369)	(3,936)	-	(451)	(92,403)
Net fixed assets									
Balance on December 31, 2022	3,751	5,672	10,601	723	580	254	856	107	22,544
Balance on September 30, 2023	3,751	5,540	8,970	390	553	220	856	108	20,386

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	-	-	300	9	4	14	138	-	465
Disposal	-	-	(3,541)	-	(142)	(865)	-	(1,320)	(5,868)
Transfer	-	-	155	15	(126)	-	(44)	-	-
Reversal/estimate for non-recoverability of assets	-	-	418	-	179	-	-	-	597
Effect of the conversion of subsidiaries abroad	-	-	(2,258)	-	-	-	-	-	(2,258)
Assets held for sale	-	-	3,332	-	73	-	-	50	3,455
Balance on September 30, 2023	13,730	113,152	100,893	5,781	5,722	7,040	1,025	12,593	259,936
Accumulated depreciation									
Balance on December 31, 2022	-	(12,873)	(88,353)	(3,116)	(4,938)	(7,475)	-	(8,404)	(125,159)
Additions	-	(2,034)	(2,034)	(397)	(55)	(49)	-	(1)	(4,570)
Disposal	-	-	1,522	-	90	854	-	1,287	3,753
Effect of the conversion of subsidiaries abroad	-	-	940	-	-	-	-	-	940
Assets held for sale	-	-	(2,000)	-	(72)	-	-	(50)	(2,122)
Balance on September 30, 2023	-	(14,907)	(89,925)	(3,513)	(4,975)	(6,670)	-	(7,168)	(127,158)
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 September 30, 2023	13,730	98,245	10,968	2,268	747	370	1,025	5,425	132,778

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:

Garanteed liabilities	Fixed assets	
	Parent	Consolidated
Taxation (Tax executions)	7,293	7,325
Loans and financing	9,031	103,799
Total	16,324	111,124

According to valuation reports prepared by independent appraisers, the market value of the balance of properties and machinery and equipment totals R\$ 170,840.

11. Intangibles

	Weighted amortization rate % per year	Parent		Consolidated	
		09/30/2023	12/31/2022	09/30/2023	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.	17	319	45	353
Development of new products	20% p.a.	802	973	1,059	1,230
Total		62,298	62,771	83,270	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 September 30, 2023	61,479	13,270	10,233	84,982
Accumulated Amortization				
Balance on December 31, 2022	-	(12,951)	(9,260)	(22,211)
Additions	-	(302)	(171)	(473)
Balance on September 30, 2023	-	(13,253)	(9,431)	(22,684)
Net Intangible Assets				
Balance on December 31, 2022	61,479	319	973	62,771
Balance on September 30, 2023	61,479	17	802	62,298

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 September 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	-	(308)	(171)	(479)
Balance on September 30, 2023	2,276	(16,311)	(10,522)	(24,557)
Net Intangible Assets				
Balance on December 31, 2022	82,166	353	1,230	83,749
Balance on September 30, 2023	82,166	45	1,059	83,270

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

CGUs	Goodwill on acquisition of investments			
	Parent		Consolidated	
	09/30/2023	12/31/2022	09/30/2023	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 nine-month period ended September 30, 2023, no reversal or estimated losses due to the non-recoverability of goodwill were recognized.

12. Suppliers

	09/30/2023						12/31/2022					
	Parent			Consolidated			Parent			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Suppliers Subject to Judicial Recovery												
National Suppliers	5,189	40,704	45,893	5,189	40,704	45,893	4,731	41,035	45,766	4,731	41,035	45,766
Export Suppliers	-	8,556	8,556	-	8,556	8,556	-	8,933	8,933	-	8,933	8,933
(-) Adjustment to present value	-	(22,136)	(22,136)	-	(22,136)	(22,136)	-	(23,806)	(23,806)	-	(23,806)	(23,806)
	5,189	27,124	32,313	5,189	27,124	32,313	4,731	26,162	30,893	4,731	26,162	30,893
Suppliers Not Subject to Judicial Recovery												
National Suppliers	7,421	-	7,421	11,078	-	11,078	7,394	-	7,394	10,953	-	10,953
Export Suppliers	140	-	140	140	-	140	121	-	121	121	-	121
	7,561	-	7,561	11,218	-	11,218	7,515	-	7,515	11,074	-	11,074
Total of Suppliers	12,750	27,124	39,874	16,407	27,124	43,531	12,246	26,162	38,408	15,805	26,162	41,967

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

Parent and Consolidated	
Maturity	09/30/2023
2024	1,054
2025	1,438
2026	1,821
2027	2,204
From 2028	20,607
	27,124

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	30,893
Interest update	722
Exchange rate variation update	(157)
Payments	(815)
(-) Adjustment to present value	1,670
Balance on September 30, 2023	32,313

13. Loans and financing

Description	Indexer	Fees weighted interest	09/30/2023						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% a.a. + TR	2,242	38,073	40,315	2,242	38,073	40,315	1,495	39,001	40,496	1,495	39,001	40,496
(-) Adjustment to present value			-	(16,815)	(16,815)	-	(16,815)	(16,815)	-	(18,200)	(18,200)	-	(18,200)	(18,200)
Unsecured creditors (Class III)	FIXED	3,30% a.a. + TR	2,309	86,641	88,950	2,309	86,641	88,950	1,816	86,340	88,156	1,816	86,340	88,156
(-) Adjustment to present value			-	(42,886)	(42,886)	-	(42,886)	(42,886)	-	(45,311)	(45,311)	-	(45,311)	(45,311)
Foreign currency														
Unsecured creditors (Class III)	FIXED	0,40% a.a.	-	-	-	1,360	74,769	76,129	-	-	-	1,020	78,759	79,779
(-) Adjustment to present value			-	-	-	-	(40,662)	(40,662)	-	-	-	-	(45,063)	(45,063)
			4,551	65,013	69,564	5,911	99,120	105,031	3,311	61,830	65,141	4,331	95,526	99,857
Not subject to Judicial Recovery														
Local currency														
Working capital / expansion - BNDES	TJLP	7,00% a.a.	5,034	-	5,034	8,648	-	8,648	5,034	-	5,034	8,648	-	8,648
Securities discounted with co-obligation, fiduciary assignment of receivables and credits with fiduciary guarantee	FIXED	1,86% a.m.	21,455	-	21,455	21,992	-	21,992	20,984	-	20,984	23,786	-	23,786
Working Capital and FGI	FIXED	1,85% a.m.	4,929	4,993	9,922	4,930	4,993	9,923	4,962	5,820	10,782	15,024	5,820	20,843
Foreign currency														
Working capital / expansion - BNDES		7,48% a.a.	1,214	-	1,214	2,519	-	2,519	1,214	-	1,214	2,519	-	2,519
			32,632	4,993	37,625	38,089	4,993	43,082	32,194	5,820	38,014	49,977	5,820	55,797
			37,183	70,006	107,189	44,000	104,113	148,113	35,505	67,650	103,155	54,308	101,346	155,654

*The credits for “Working Capital/Expansion” granted by BNDES are the subject of litigation (Note 19) which involves, among others, the classification of credits. The values indicated in the table correspond to the total value under discussion, and are subdivided into a part subject to Judicial Reorganization and a part not subject to it. The non-subject part is limited to the value of the assets subject to fiduciary sale, a value that could only be assessed at auction according to the decision of the TJ-SP – according to valuation reports contracted by the Company, the assets had a value of R\$ 5,005 in 2018.

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

Maturity	Parent	Consolidated
	09/30/2023	12/31/2022
2024	3,569	4,739
2025	4,319	5,915
2026	4,711	6,732
2027	5,926	8,373
From 2028	51,481	78,354
	<u>70,006</u>	<u>104,113</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	2,765	3,076
Payments	(2,152)	(2,900)
Equity valuation adjustment*	-	(3,213)
Asset valuation adjustments	3,810	8,211
Balance on September 30, 2023	69,564	105,031

* 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	Value of the guarantee			
			Parent	Consolidated	Parent	Consolidated
			Book value	Book value	Book value	Book value
Working capital / expansion		Mortgage / Buildings	2,683	94,811	33,281	33,906
		Machinery and equipment	832	3,472	2,639	3,653
		FGI	5,516	5,516	6,862	6,862
			<u>9,031</u>	<u>103,799</u>	<u>42,782</u>	<u>44,421</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\$ 141,855.

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 voluntary conversions regarding the 4th issue of Debentures Convertible into Shares of the Company were carried out in accordance with the minutes of the Board of Directors' Meeting disclosed to the market from June to August 2023.

As of September 30, 2023, there is no remaining balance of debentures convertible into shares.

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 issues of the Company's 3rd issue of Subscription Bonuses were carried out according to the minutes of the Board of Directors' Meeting from June to August 2023, as an additional advantage within the scope of the Issuance of the 4th issue of Debentures.

Subscription Bonuses are, as a rule, exercisable until March 24, 2025 and the exercise may be extended until March 24, 2026.

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>09/30/2023</u>	<u>12/31/2022</u>
Current						
Accounts receivable	-	3	-	-	3	-
Accounts receivable	59	267	-	19,279	19,605	19,619
Non-current						
Mutual and loans	10,064	-	-	-	10,064	12,644
	<u>10,123</u>	<u>270</u>	<u>-</u>	<u>19,279</u>	<u>29,672</u>	<u>32,263</u>
Current Liabilities						
Mutual and loans	12,061	-	-	-	12,061	12,154
Other accounts payable	15,245	-	1,251	1,204	17,700	20,405
Non-current						
Mutual and loans	-	-	135,180	-	135,180	141,418
Other bills to pay	31,553	-	-	-	31,553	32,876
	<u>58,859</u>	<u>-</u>	<u>136,431</u>	<u>1,204</u>	<u>196,494</u>	<u>206,853</u>
Result for the year			<u>Lupatech Finance</u>	<u>Lupatech Equipamentos</u>	<u>09/30/2023</u>	<u>09/30/2022</u>
Product purchases	-	4,544	-	-	4,544	5,730
Financial income	37	-	-	-	37	33
Financial expenses	404	-	469	-	873	483
Exchange variation	-	-	7,739	-	7,739	5,464
	<u>441</u>	<u>4,544</u>	<u>8,208</u>	<u>-</u>	<u>13,193</u>	<u>11,710</u>

	Transaction date	Duration	Interest rate	Parent		09/30/2023	12/31/2022
				Amount R\$	Balance US\$		
Assets mutual							
Foreign currency							
Contract 1	jul-14	Undetermined	105% do DI-Cetip	19,820	1,925	9,641	12,241
Contract 2	dez-14	Undetermined	12% p.a.	288	84	423	403
				20,108	2,010	10,064	12,644
Liabilities mutual							
Foreign currency							
Contract 3	jan-18	Undetermined	0,4% p.a.	227,331	26,995	135,180	141,418
Contract 4	dez-21	Undetermined	-	11,855	2,409	12,061	12,154
				239,186	29,404	147,242	153,572

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:

	Parent Company and Consolidated			Parent Company and Consolidated		
	Fixed	Variable	09/30/2023	Fixed	Variable	09/30/2022
Direction	(1,395)	(290)	(1,685)	(1,845)	(806)	(2,651)
Board of Directors	(808)	-	(808)	(765)	-	(765)
Total	(2,203)	(290)	(2,493)	(2,610)	(806)	(3,416)

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\$ 824,472 and R\$ 994,745 respectively, of accumulated tax losses totaling R\$ 1,819,217 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	
	09/30/2023	12/31/2022	09/30/2023	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	70,563	70,563	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	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
Adjustment to present value of suppliers, fines and loans	(27,919)	(29,670)	(37,597)	(40,395)
Assigned Cost	-	-	(2,447)	(2,447)
Others	(5,600)	(3,366)	(5,600)	(3,366)
	(33,519)	(33,036)	(45,644)	(46,208)

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

IRPJ and CSLL - Non-Current Assets	Parent		Consolidated	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
Tax Credits	95,200	95,200	103,000	103,000
Temporary Differences	(33,519)	(33,036)	(45,644)	(46,208)
	61,681	62,164	57,356	56,792

b) Reconciliation of income tax and social contribution expense

	Parent			
	Three-month period ended		Nine-month period ended	
	07/01/2023 to 09/30/2023	07/01/2022 to 09/30/2022	01/01/2023 to 09/30/2023	01/01/2022 to 09/30/2022
Loss before taxes	(23,356)	(18,465)	(45,345)	(28,436)
Addition and Exclusions				
Equity	4,530	2,753	(12,276)	11,087
Stock obsolescence	(34)	109	(8,330)	83
(Reversal) Estimate of losses for bad debts	(1,327)	(860)	(1,284)	882
Estimates for losses from lawsuits	(520)	97	(570)	633

Non deductible expenses	-	1	-	4
Present value adjustment	2,819	1,594	7,357	5,587
Provision of interest on suppliers	20	5	(44)	62
Provision for exchange rate variation	6,588	4,721	(7,255)	(7,412)
Others	(578)	(795)	31,277	1,691
Calculation basis	(11,858)	(10,840)	(36,470)	(15,819)
Current income tax and social contribution	-	-	-	-
Deferred income tax and social contribution	2,119	380	(483)	1,613

	Consolidated			
	Three-month period ended		Nine-month period ended	
	07/01/2023 to 09/30/2023	07/01/2022 to 09/30/2022	01/01/2023 to 09/30/2023	01/01/2022 to 09/30/2022
Loss before taxes	(22,770)	(18,098)	(46,391)	(29,478)
Addition and Exclusions				
Stock obsolescence	1,368	(180)	924	(1,063)
(Reversal) Estimate of losses due to non-recoverability of assets	180	1,146	598	7,045
(Reversal) Estimate of losses for bad debts	(1,214)	868	(1,245)	(999)
Estimates for losses from lawsuits	63	(3,213)	5,645	(2,668)
Non deductible expenses	2	(6,288)	(39)	(3,076)
Present value adjustment	2,819	1,594	7,357	5,587
Provision of interest on suppliers	10	(77)	(92)	(103)
Provision for exchange rate variation	7,416	4,745	(7,964)	(8,541)
Others	(13,026)	4,177	(17,206)	(12,085)
Calculation basis	(25,152)	(15,326)	(58,413)	(27,095)
Current income tax and social contribution	-	-	(1)	(6)
Deferred income tax and social contribution	1,533	13	564	2,661

18. Other accounts payable

	Parent		Consolidated	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
Others payable - Current Liabilities				
Electricity provision	-	329	-	329
Provision of fees	366	1,655	416	1,655
Labor contingencies payable	459	504	609	608
Miscellaneous provisions	290	664	531	952
Other obligations - subject to Judicial Recovery	1,943	1,457	1,943	1,457
Other bills to pay	2,223	1,800	2,573	2,154
Total	5,281	6,409	6,072	7,155

	Parent		Consolidated	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
Others payable - Non-current				
Labor contingencies payable	-	-	1,909	2,060
Other obligations - subject to Judicial Recovery	35,804	33,626	35,804	33,626
Advance for future capital increase	2,202	-	2,202	-
Other bills to pay	-	-	1,140	1,071
Total	38,006	33,626	41,055	36,757

The balance of “Advance for future capital increase” comes from advance contributions by Proponent investors within the scope of the Fourth issuance of Subscription Bonuses (Note 21), according to the “Binding Proposal” of June 27, 2023, which can be used in the payment or exercise of subscribed subscription bonuses.

The due dates of the installments of other obligations – subject to Judicial Recovery allocated to non-current assets – are as follows:

Parent and Consolidated	
Maturity	09/30/2023
2024	1,246
2025	1,699
2026	2,152
2027	2,605
From 2028	28,102
	35,804

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

Current Liabilities and non-current	
Other obligations - subject to Judicial Recovery	Parent and Consolidated
Balance on December 31, 2022	35,083
Interest update	1,859
Payments	(1,071)
(-) Adjustment to present value	1,876
Balance on September 30, 2023	37,747

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	340
Labor contingencies	1,346	5,534
Civil contingencies	399	1,436
Total on September 30, 2023	1,856	7,310
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)	92,658	-	93,084	-
CSLL - Social Contribution on Net Income		2,233	-	7,118	-
IRPJ - Corporate Income Tax	(i.2)	19,776	-	67,269	-
INSS - National Institute of Social Security	(i.3)	-	-	4,980	-
IRRF - Withholding Income Tax	(i.4)	58,147	-	58,147	-
IPI - Excise Tax		898	-	898	-
COFINS - Tax for Social Security Financing		-	-	272	-
ISS - Services Tax	(i.5)	-	-	8,100	180
CIDE - Contribution for Intervention in the Economic Domain		-	-	1,539	-
Other tax provisions	(i.6)	1,894	-	57,327	-
		<u>175,606</u>	<u>-</u>	<u>298,734</u>	<u>180</u>
Labor (ii)		247	2,433	4,732	20,710
Civil (iii)		8,199	1,516	19,311	5,546
Total on September 30, 2023		<u>184,052</u>	<u>3,949</u>	<u>322,777</u>	<u>26,436</u>
Total on December 31, 2022		<u>171,011</u>	<u>3,928</u>	<u>309,589</u>	<u>32,915</u>

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	-	119	541	660	5	789	(471)	323
Write-offs	-	(570)	(69)	(639)	(89)	(3,176)	(3,537)	(6,803)
Balance on September 30, 2023	-	2,433	1,516	3,949	180	20,710	5,546	26,436

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 September 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\$ 75,936.

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\$ 4,328.

(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\$ 7,726.

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\$ 6,462.

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\$ 58,147.

Main contingent proceedings in subsidiaries classified as a possible loss on September 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\$ 29,913.

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\$ 15,511.

(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\$ 19,164.

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\$ 14,278.

Tax enforcement, filed for the collection of taxes levied on imports. Process distributed on August 31, 2021, subject to possible loss of R\$ 6,951.

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\$ 3,138.

(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 09/30/2023
Labor obligations and provisions	Current Liabilities	314	-	314
Labor obligations and provisions	Long-Term Liabilities	2,235	-	2,235
Provision for labor risks	Long-Term Liabilities	16,690	4,021	20,711
Labor contingencies assessed as possible	Not provisioned in the balance sheet	3,121	1,608	4,729

Obligations linked to labor contingencies	Balance Sheet	Total on 09/30/2023
Other Accounts Receivable/Convertible Debentures (Note 7)	Current assets	2,067
Judicial Deposits - Labor Contingencies	Non-Current Assets	5,534
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 September 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 machines and equipment offered in fiduciary sale on the occasion of financing granted by BNDES to the aforementioned Group companies. Updated case value of R\$ 35,256. Due to the judicial recovery of the Lupatech Group, on February 1, 2017, the court of the 5th Federal Court of São Paulo, in which the action is being processed, ordered the suspension of all expropriation acts and submitted the analysis regarding of the essentiality of said machines and equipment for the operations of the Lupatech Group.

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 December 2021, the São Paulo Court of Justice determined that the value of the BNDES' extra-competitive credit, that arising from the assets that make up the collateral for fiduciary alienation - the object of the search and seizure, is limited to its effective auction settlement value. According to the asset valuation report dated 2018, the value of the assets is R\$ 5,005. The debt is recorded in liabilities (Note 13) for its balance on the date of the request for judicial recovery of R\$ 11,167, which is subdivided into a part subject to Judicial Recovery (class II) and a part not subject (the effective value of the assets).

The main discussions in this area, classified as a possible loss in subsidiaries on September 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	292	314	-	11,357
Civil	15,620	36,608	24,201	39,203
Total on September 30, 2023	15,912	36,922	24,201	50,560
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.

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 settlement procedure, on July 6, 2023, the Company was informed of the Final Award issued by the Arbitration Court, which was the subject of a request for clarification responded to on August 7, 2023, with adjustment for material error. A sentence of R\$ 31,661 was then set, readjustable by the IGPM from the base date of February 2022, against San Antonio International and GP Investments vehicles, with the Arbitration Court also determining that in case of default the necessary elements are present so that GP Investments can be sued in court for payment. The Final Sentence only covered compensation claims made up to 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 compensation.

- Arbitration proceeding filed against CIM Componentes:

This is an arbitration proceeding initiated by Lupatech – Equipamentos e Serviços para Petróleo Ltda. against CIM Componentes, current name Quantum Indústria Metalúrgica Ltda., due to the breach of the Purchase and Sale Agreement for Cargo containers for Transport, signed on February 25, 2012, and arbitrary withholding carried out by the latter of the amount advanced by Lupatech throughout the execution of the contract in question, in the historical amount of R\$ 5,384 represented by the amount advanced by Lupatech, less the amount of containers delivered by CIM Componentes. On June 8, 2022, the arbitration award was issued confirming the existence of a credit in favor of Lupatech in the aforementioned historical value, whose criteria for monetary correction and default interest would still be defined in a subsequent settlement phase. The settlement phase was not opened due to CIM Componentes not having brought the documents relating to its request to the file, as well as not having paid the costs of the procedure. A final deliberation by the Arbitration Court is awaited on Lupatech's request to establish the initial terms of monetary correction and default interest.

20. Taxes payable

Taxes payable - Current	Parent		Consolidated	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
ICMS installment	-	-	63	63
INSS installment	18	21	36	39
Ordinary Installment	3,860	2,499	6,641	4,169
Judicial Recovery Installment	444	654	1,140	1,314
Exceptional Transaction PGFN 8.798/2022	3,018	6,231	4,051	8,572
Municipal Installments	167	5	183	21
ICMS	18	73	2,046	1,109
INSS	1,010	1,555	1,211	2,068
IRRF	489	714	523	817
CSLL	7	13	10	17
COFINS	-	738	349	1,296
PIS	-	127	97	268
IPi	-	-	582	975

FGTS	4,111	3,513	5,280	4,731
Other miscellaneous / taxes	102	72	639	518
Total	13,244	16,215	22,851	25,977

	Parent		Consolidated	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
Taxes payable - Non-current				
ICMS installment	-	-	4,293	3,745
INSS installment	-	-	42	53
Ordinary Installment	11,202	7,733	20,928	13,077
Judicial Recovery Installment	908	969	2,581	2,839
Municipal Installments	22	1	329	353
Other miscellaneous / taxes	80	112	404	455
Total	12,212	8,815	28,577	20,522

21. Net equity

	09/30/2023	12/31/2022
Share capital	1,918,106	1,898,871
capital reserve	7,406	2,967
Capital reserves and transactions	136,183	136,183
Asset valuation adjustments	185,218	191,562
Accumulated losses	(2,087,705)	(2,041,877)
Total equity	159,208	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	1.0
Meeting Minutes 031/2023 of September 05, 2023	28	49
Meeting Minutes 032/2023 of September 13, 2023	4,801	7,434
Meeting Minutes 033/2023 of September 20, 2023	33	51
Issuance of new shares - exercise of subscription bonus	4,863	7,535
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	867	1,514
Meeting Minutes 014/2023 of May 05, 2023	1,256	4,200
Meeting Minutes 026/2023 of July 11, 2023	787	2,524
Meeting Minutes 027/2023 of August 02, 2023	1,117	3,359
Meeting Minutes 028/2023 of August 07, 2023	33	103
Issuance of new shares - 4th issue of debentures	3,193	10,186
Total on September 30, 2023	39,276	1,918,106

b) Capital reserve to be realized

	<u>09/30/2023</u>	<u>12/31/2022</u>
Issuance of Subscription Warrants (*)	(297,319)	(297,319)
Adjustment to fair value – Subscription Bonus	294,352	294,352
Subscription Bonus - 4th issue	(4,439)	-
Capital Reserve	<u>(7,406)</u>	<u>(2,967)</u>
Fair value of shares - Extrajudicial Recovery	<u>136,183</u>	<u>136,183</u>
Reserve and capital transactions	<u>136,183</u>	<u>136,183</u>

(*) for compliance with the Judicial Recovery Plan

Fourth issue of Subscription Bonus:

The Board of Directors approved on July 6, 2023, the 4th issue of the Company's Subscription Bonus. The Issuance is carried out following the Binding Investment Proposal of June 27, 2023.

Details regarding the 4th subscription bonus issue are presented below:

Series:	4th Issue
Approval date:	07/06/2023
Final due date:	08/15/2024(*)
Quantity subscribed:	6,920
Unit value R\$:	810
Total value R\$:	5,605,200

(*) The exercise period can be extended by up to 180 days under the terms of the issuance.

The exercise price of the Subscription Bonuses is defined every two weeks, based on the average price of the company's shares weighted by the volume traded in the previous ten trading sessions. Price fixings follow a calendar published by the company, with the right to exercise the respective price being available in the subsequent fortnightly window.

Until September 30, 2023, 4,861 subscription bonuses had been paid up and exercised.

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	
	09/30/2023	12/31/2022	09/30/2023	12/31/2022
Cash and cash equivalents	-	69	3	3
Accounts receivable	377	305	377	726
Other assets	-	-	-	7,623
Related parties - Assets	2,010	2,423	-	-
Loans	(242)	(233)	(15,706)	(15,773)
Related parties - Liabilities	(29,404)	(29,432)	-	-
Other liabilities	-	-	(32)	(80)
Net exposure in US dollars	<u>(27,259)</u>	<u>(26,868)</u>	<u>(15,358)</u>	<u>(7,501)</u>

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: 11,8%

US\$: 5.01

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 14.7%

US\$: 6.27

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 17.6%

US\$: 7.52

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	(1)	328	654	(1,061)	11,534	22,006
Loans and financing	Interest rate hike	(311)	52	62	71	89	107
Mutual contracts	US\$ hike	(145)	37,127	74,109	-	-	-
Total (gain) loss		(457)	37,507	74,825	(990)	11,623	22,113

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 Petrobras, directly and indirectly, which accounted for approximately 46% (50% in the same period of 2022) of the Company's total revenues on September 30, 2023.

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	3,146	3,146	4,450	4,450
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	6,248	5,997	11,168	10,540
Securities discounted with co-obligation	5,002	5,002	5,019	5,019
FGI/Fiduciary Receivables and Credits with fiduciary guarantee of credit rights	26,375	26,398	26,895	26,918
Loans and financing RJ	69,564	69,564	105,031	105,031
Total	107,189	106,961	148,113	147,508

22.3 Financial Instruments by Category

	Parent					
	09/30/2023			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	22,072	-	22,072	18,227	-	18,227
Cash and cash equivalents	3,146	-	3,146	2,734	-	2,734
Related parties	29,672	-	29,672	32,263	-	32,263
Total	54,890	44	54,934	53,224	44	53,268
Financial Liabilities						
Loans and financing	-	107,189	107,189	-	103,155	103,155
Suppliers	39,874	-	39,874	38,407	-	38,407
Related parties	196,494	-	196,494	206,853	-	206,853
Total	236,368	107,189	343,557	245,260	103,155	348,415

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	
	09/30/2023	
- Comprehensive business insurance	R\$	87,125
- Life insurance	R\$	52,940
- General civil responsibility insurance	R\$	6,023
- International freight insurance (*)	US\$	350

(*) 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	446,953	1.18	4/26/2024	807,868	1.78	9/2/2025	1,626,750	2.57	2/9/2027
	649,895	1.35	6/24/2027	348,250	2.57	6/9/2025			
				100,000	2.74	11/30/2026			
Other Beneficiaries				337,500	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			1,805,500		
- Exercisable	502,526			907,868			-		
- Non-Exercisable	192,073			1,127,000			1,625,500		
- 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		Nine-month period ending in	
	07/01/2023 to 09/30/2023	07/01/2022 to 09/30/2022	01/01/2023 to 09/30/2023	01/01/2022 to 09/30/2022
Gross sales and/or services				
In Brazil	25,872	31,103	65,840	73,237
Export	438	175	959	15,066
	<u>26,310</u>	<u>31,278</u>	<u>66,799</u>	<u>88,303</u>
Deductions for gross sales				
Taxes on sales	(4,481)	(5,396)	(11,523)	(12,276)
Net sales and/or services	<u>21,829</u>	<u>25,882</u>	<u>55,276</u>	<u>76,027</u>

	Consolidated			
	Three-month period ending in		Nine-month period ending in	
	07/01/2023 to 09/30/2023	07/01/2022 to 09/30/2022	01/01/2023 to 09/30/2023	01/01/2022 to 09/30/2022
Gross sales and/or services				
In Brazil	29,823	35,302	78,608	83,404
Export	643	209	1,735	15,672
	<u>30,466</u>	<u>35,511</u>	<u>80,343</u>	<u>99,076</u>
Deductions for gross sales				
Taxes on sales	(5,273)	(6,233)	(14,086)	(14,211)
Net sales and/or services	<u>25,193</u>	<u>29,278</u>	<u>66,257</u>	<u>84,865</u>

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		Nine-month period ending in	
	07/01/2023 to 09/30/2023	07/01/2022 to 09/30/2022	01/01/2023 to 09/30/2023	01/01/2022 to 09/30/2022
Net profit (loss) for the year	(21,237)	(18,085)	(45,828)	(26,823)
Profit (Loss) attributable to the Company's shareholders	(21,237)	(18,085)	(45,828)	(26,823)
Weighted average number of common shares issued (thousands)	39,276	9,571	39,276	9,571
Basic profit (loss) per share R\$	<u>(0.5407)</u>	<u>(1.8896)</u>	<u>(1.1668)</u>	<u>(2.8026)</u>

27. Other operating income and (expenses)

Items	Parent			
	Three-month period ending in		Nine-month period ending in	
	07/01/2023 to 09/30/2023	07/01/2022 to 09/30/2022	01/01/2023 to 09/30/2023	01/01/2022 to 09/30/2022
Others operating income				
Estimate reversal with lawsuits	26	206	443	237
Revenue from the sale of fixed assets	126	-	227	-
Recovery of taxes and contributions	1,014	1,857	1,014	1,857
Others	1	(1)	51	762
Total other operating income	1,167	2,062	1,735	2,856
Others operating expenses				
Estimates for losses from lawsuits	(546)	(1,311)	(1,013)	(1,859)
Cost on sale of fixed assets	(90)	-	(93)	-
Estimates for losses with inventory obsolescence	(481)	(215)	(481)	(716)
Production idle expense	(3,976)	(4,163)	(11,845)	(12,146)
Expenses with eventual losses	(80)	(405)	(80)	(438)
Others	891	(1,341)	(144)	(2,157)
Total other operating expenses	(4,282)	(7,435)	(13,656)	(17,316)
Other net operating expenses	(3,115)	(5,373)	(11,921)	(14,460)

Items	Consolidated			
	Three-month period ending in		Nine-month period ending in	
	07/01/2023 to 09/30/2023	07/01/2022 to 09/30/2022	01/01/2023 to 09/30/2023	01/01/2022 to 09/30/2022
Others operating income				
Estimate reversal with lawsuits	716	437	7,399	2,424
Revenue from the sale of fixed assets	213	98	347	3,964
Reversal of estimated losses due to non-recoverability of assets	180	1,146	598	7,045
Recovery of taxes and contributions	1,014	2,426	1,014	2,426
Others	50	24	185	2,175
Total other operating income	2,173	4,131	9,543	18,035
Others operating expenses				
Estimates for losses from lawsuits	(653)	(2,759)	(1,754)	(5,092)
Cost on sale of fixed assets	(1,688)	(65)	(2,115)	(7,349)
Estimates for losses with inventory obsolescence	(505)	(812)	(505)	(1,694)
Production idle expense	(5,105)	(4,713)	(15,143)	(13,371)
Estimation of inventory obsolescence losses	(1,382)	(409)	(1,382)	(438)
Others	657	(1,200)	(2,022)	(5,297)
Total other operating expenses	(8,676)	(9,958)	(22,921)	(33,242)
Other net operating expenses	(6,503)	(5,828)	(13,378)	(15,207)

28. Financial result

Items	Parent			
	Three-month period ending in		Nine-month period ending in	
	07/01/2023 to 09/30/2023	07/01/2022 to 09/30/2022	01/01/2023 to 09/30/2023	01/01/2022 to 09/30/2022
Financial Income				
Income from financial investments	45	10	121	18
Related-party interest income (mutual contract)	13	12	37	33
Monetary variance	1,854	976	3,006	1,697
Arbitration Procedure CSL	(287)	808	199	7,195
Other financial income	33	72	79	108
Total financial Income	1,658	1,878	3,442	9,051
Financial Expenses				
Interest on loans and financing	(1,404)	(687)	(5,164)	(2,672)
Interest on loans and financing*	(922)	(933)	(2,765)	(2,814)
Adjustment to present value	(2,819)	(1,594)	(7,357)	(5,587)
Interest of mutual contract	(154)	(143)	(873)	(483)
Interest on suppliers	20	79	(44)	(76)
Interest on suppliers and other obligations*	(996)	(1,031)	(2,581)	(2,514)
Fines, interest and monetary restatement	(1,077)	(1,196)	(3,536)	(1,943)
Outras despesas financeiras	(977)	(809)	(2,446)	(1,660)
Total financial Income	(8,329)	(6,314)	(24,766)	(17,749)
Net exchange variation	(6,588)	(3,986)	7,255	7,866

(*) Debts subject to Judicial Recovery

Items	Consolidated			
	Three-month period ending in		Nine-month period ending in	
	07/01/2023 to 09/30/2023	07/01/2022 to 09/30/2022	01/01/2023 to 09/30/2023	01/01/2022 to 09/30/2022
Financial Income				
Income from financial investments	54	79	165	295
Adjustment to present value	-	568	-	-
Monetary variance	2,109	1,351	3,816	2,413
Arbitration Procedure CSL	(287)	808	199	7,195
Other financial income	41	79	900	119
Total financial Income	1,917	2,886	5,080	10,022
Financial Expenses				
Interest on loans and financing	(1,552)	(991)	(5,652)	(3,436)
Interest on loans and financing*	(922)	(933)	(2,765)	(2,814)
Interest on bonds*	(99)	(109)	(311)	(304)
Interest on debentures	(46)	-	(85)	-
Adjustment to present value	(360)	-	(11,758)	(9,371)
Interest on suppliers	10	77	(92)	(102)
Interest on suppliers and other obligations*	(996)	(1,031)	(2,581)	(2,514)
Fines, interest and monetary restatement	(1,640)	(2,243)	(3,564)	(3,604)
Other financial expenses	(2,319)	(1,223)	(7,466)	(2,704)
Total financial Income	(7,924)	(6,453)	(34,274)	(24,849)
Net exchange variation	(7,416)	(4,745)	7,964	8,541

(*) Debts subject to Judicial Recovery

29. Expenditure by nature

Items	Parent			
	Three-month period ending in		Nine-month period ending in	
	07/01/2023 to 09/30/2023	07/01/2022 to 09/30/2022	01/01/2023 to 09/30/2023	01/01/2022 to 09/30/2022
Cost of goods sold	(15,847)	(19,375)	(40,679)	(55,883)
Raw material, materials for use and consumption, labor and third-party services	(15,290)	(18,833)	(39,179)	(54,114)
Depreciation and amortization	(680)	(783)	(2,117)	(2,429)
Others	123	241	617	660
<u>Selling expenses</u>	<u>(3,259)</u>	<u>(2,414)</u>	<u>(7,688)</u>	<u>(7,194)</u>
Third-party labor and services	(1,334)	(1,548)	(3,961)	(4,554)
Depreciation and amortization	(3)	(4)	(9)	(11)
Other commercial expenses	(1,922)	(862)	(3,718)	(2,629)
<u>General and Administrative Expenses</u>	<u>(4,408)</u>	<u>(4,186)</u>	<u>(11,495)</u>	<u>(11,591)</u>
Third-party labor and services	(2,608)	(2,761)	(8,189)	(7,945)
Depreciation and amortization	(46)	(452)	(694)	(906)
Other administrative expenses	(1,754)	(973)	(2,612)	(2,740)
Remuneration of directors	(767)	(1,824)	(2,493)	(3,416)

Items	Consolidated			
	Three-month period ending in		Nine-month period ending in	
	07/01/2023 to 09/30/2023	07/01/2022 to 09/30/2022	01/01/2023 to 09/30/2023	01/01/2022 to 09/30/2022
Cost of goods sold	(19,022)	(22,788)	(50,684)	(64,805)
Raw material, materials for use and consumption, labor and third-party services	(18,242)	(21,945)	(48,440)	(62,154)
Depreciation and amortization	(777)	(889)	(2,421)	(2,732)
Others	(3)	46	177	81
<u>Selling expenses</u>	<u>(3,509)</u>	<u>(2,596)</u>	<u>(8,347)</u>	<u>(7,653)</u>
Third-party labor and services	(977)	(1,025)	(2,928)	(2,949)
Depreciation and amortization	(3)	(4)	(9)	(11)
Other commercial expenses	(2,529)	(1,567)	(5,410)	(4,693)
<u>General and Administrative Expenses</u>	<u>(4,739)</u>	<u>(6,027)</u>	<u>(16,516)</u>	<u>(16,976)</u>
Third-party labor and services	(3,504)	(4,323)	(12,297)	(12,498)
Depreciation and amortization	(166)	(676)	(1,029)	(1,376)
Other administrative expenses	(1,069)	(1,028)	(3,190)	(3,102)
Remuneration of directors	(767)	(1,824)	(2,493)	(3,416)

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.

31. Subsequent events

In accordance with Brazilian accounting standards, Management informs that no subsequent events to be disclosed occurred between the base date of the closing of the financial statements and the date of their respective approval.

Comments on the behavior of business projections

In the quarter ended September 30, 2023, the company's net revenue was higher than in the previous quarter, due to efforts to accelerate operations, which are still suffering from a few remaining effects of the pandemic, occasional delays in client payments (which have now been settled) and, above all, changes to the scope and schedule of a relevant contract underway at the client's request. For the year, accumulated revenues are down on the previous year, due to the fact that we had an ongoing supply contract for the construction of an FPSO last year, and that this year we faced some operational difficulties.

Consolidated net revenue for the period ended September 30, 2023 was R\$ 66.3 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 – 11-07-2023

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 regards 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; August 7, 2023, and November 7, 2023. At this last meeting, the presence of its three members was recorded. The Audit Committee, with the Company's president, Mr. Rafael Gorenstein, and with Mrs. Vanessa Melo de Souza, Financial Statements Preparer.

At an ordinary meeting held on November 7, 2023, the Audit Committee discussed accounting and tax aspects related to the closure of the interim Financial Statements for the third quarter of 2023, corresponding to the three-month period, starting on July 1 and ending on the 30 September 2023. The Board of Directors will accept the recommendation of this Audit Committee to approve the quarterly Financial Statements, now discussed and revised, by this same Committee.

Independent Accounting Audit: Assessed independence, especially with regards to the provision of other services, in the course of its work, 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 September 30, 2023.

IV – TOPICS DISCUSSED ON September 30, 2023:

- a) Financial / Financial / Accounting Statements: The Company's financial results for the 3rd Quarter of 2023 were monitored, with regards to the Financial Statements prepared for this period - Balance Sheet, Income Statement for the 3rd 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 September 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 Denounces: Monitored the development of the process for communication and monitoring of systems and controls implemented by the Administration for the reception and treatment of information 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 3st Quarter of the year- calendar 2023, ending on 09/30/2023, 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 of Lupatech and its subsidiaries; provision to cover possible losses with receivables from operations and third parties, the current position of Inventories and their probable and possible realization in time, constitution of reserves for non-carrying out inventories, and their provisions for possible losses of realization, other credits against third parties (CSL – Cordoaria São Leopoldo) and Grupo Garantia (arbitration completed but its execution is under discussion), registration of values and their treatment for the purposes of IRPJ and CSLL, including values of deferred assets and their future realization, goodwill on acquired investments, assets available for sale –

valuation and reserves on their realization, and, finally, recognized liabilities – in the judicial reorganization phase, and outside this regime.

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), process now completed.

VI – RECOMMENDATION AS TO THE FINANCIAL STATEMENTS AS OF 09/30/2023

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 September 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) November 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 September 30, 2023.

Nova Odessa, November 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 September 30, 2023.

Nova Odessa, November 14, 2023.

Rafael Gorenstein – CEO and IRO

Marco Antônio Miola – Director without specific designation