



**Financial &
Economic
Performance
2Q24**



Message from the Administration

Net Revenues for the 2Q24 reached R\$ 33.9 million, reflecting a 73% increase compared to the same quarter of the previous year. For the semester, an accumulated growth of 68% was achieved compared to 2023. In the 2Q24, the Company successfully maintained the revenue levels observed in the 1Q24.

Gross Revenues for the semester totaled R\$ 83.1 million, indicating an annualized gross revenue level of approximately R\$ 170 million.

The backlog of firm orders closed the quarter at R\$ 67.4 million, stable compared to the 1Q24 (R\$ 66.8 million). Meanwhile, the backlog of contracts without purchase obligations ended the quarter at R\$ 143 million, representing a 13% increase compared to the 1Q24 (R\$ 127 million).

The results were achieved despite the challenges posed by the climatic disaster that affected the state of Rio Grande do Sul, where we operate with three industrial plants. Our Composites plant, located in the city of Feliz, was submerged under nearly 3 meters of water. Nonetheless, we managed to resume production in just over a month, thanks to the intensive repair efforts of our team. While the plants in São Leopoldo (ropes) and Veranópolis (valves and foundry) did not suffer any physical damages, they faced significant logistical challenges in the transportation of materials and personnel - some employees experienced severe damages on their homes due to the flood.

Gross Profit for the semester was R\$ 15.0 million, compared to R\$ 9.4 million in the previous year. The gross margin for the 2Q24 was slightly lower than that of the 1st quarter of 2024, due to the increase in costs for imported materials, primarily due to the sudden currency devaluation. These cost increases have not yet been passed on to prices, as contracts have fixed prices (firm orders) or annual adjustment clauses (supply contracts).

In the reported quarter, the Company experienced several non-recurring effects that are worth noting. We sold a significant amount (R\$ 9.4 million) of remaining equipment from the Services business unit, offering a volume discount on the book value. Additionally, the Company was booked the effects of a significant tax settlement with the State of São Paulo, which allowed us to resolve long-standing disputes. We also faced effects from production idleness, primarily due to the operational impacts of the floods in the state of Rio Grande do Sul.

Accounting for the non-recurring effects, we maintained a positive adjusted EBITDA of R\$ 340 thousand in the 2Q24 and R\$ 1.6 million for the semester, compared to negative values of R\$ 2.6 million and R\$ 1.3 million for the same periods in the previous year. These figures demonstrate the consistency of the Company's operational improvement.

Rafael Gorenstein
CEO and Investor Relations Officer

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)	2Q23	2Q24	1Q24	2Q24	1S24	1S23
Products	19,626	33,783	34,866	33,783	68,649	40,950
Valves	17,615	31,966	31,260	31,966	63,226	38,238
Ropes and Composites	2,011	1,817	3,606	1,817	5,423	2,712
Services	46	153	139	153	292	114
Oilfield Services	46	153	139	153	292	114
Total	19,672	33,936	35,005	33,936	68,941	41,064

In the first semester of 2024, consolidated net revenue reached R\$ 68.6 million, a significant growth of 67.6% compared to the first semester of 2023.

Products

The increase in net revenue between 2Q24 and 2Q23 was driven by the success of the commercial efforts made during the period. However, the drop in 2Q24 compared to 1Q24 is due to the effects of the weather events that hit the state of Rio Grande do Sul, where some of the plants are located.

Services

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

Order Backlog

As of June 30, 2024, the Company's order backlog in Brazil totaled R\$ 67.4 million. On the same date, the Company had a balance of R\$ 143 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)	2Q23	2Q24	1Q24	2Q24	1S24	1S23
Products	4,175	7,008	7,980	7,008	14,988	9,380
Gross Margin - Products	21.3%	20.7%	22.9%	20.7%	21.8%	22.9%
Services	7	0	48	0	48	22
Gross Margin - Services	n/a	n/a	n/a	n/a	n/a	n/a
Total	4,182	7,008	8,028	7,008	15,036	9,402
Gross Margin - Total	21.3%	20.6%	22.9%	20.6%	21.9%	22.9%
Depreciation	1,212	850	924	850	1,774	2,513
Depreciation Products	858	728	804	728	1,532	1,742
Depreciation Services	354	122	120	122	242	771
Gross Profit without depreciation	5,394	7,858	8,952	7,858	16,810	11,915
Gross Profit without depreciation Products	5,033	7,736	8,784	7,736	16,520	11,122

*n/a - not applied

Products

Gross profit in 1S24 reached R\$ 15.0 million, with a margin of 21.8%, compared to R\$ 9.4 million with a margin of 22.9% in 1S23.

The comparison between 2Q24 and 1Q24 reflect a drop in the gross margin, mainly due to the lower dilution of fixed costs as a result of the lower sales volume.

Services

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

Expenses

Expenses (R\$ thd)	2Q23	2Q24	1Q24	2Q24	1S24	1S23
Total Sales Expenses	2,368	3,514	1,972	3,514	5,486	4,838
Sales Expenses - Products	2,368	3,514	1,972	3,514	5,486	4,838
Sales Expenses - Services	-	-	-	-	-	-
Total Administrative Expenses	6,223	5,445	5,112	5,445	10,557	11,777
Administrative Expenses - Products	3,067	2,630	1,918	2,630	4,548	6,138
Administrative Expenses - Services	3,156	2,815	3,194	2,815	6,009	5,639
Management Fees	828	750	750	750	1,500	1,726
Total Expenses	9,419	9,709	7,834	9,709	17,543	18,341

Sales expenses

Sales expenses are predominantly variable in the form of freight and commissions.

Administrative Expenses

In 2Q24, the company recorded R\$ 5.4 million in administrative expenses, 6.5% higher than the amount recognized in 1Q24. This variation is mainly due to the transfer of wage settlements.

Management Compensation

The amount presented is composed of fixed and variable remuneration.

Other Revenues and Operational (Expenses)

Other Operating (Expenses) (R\$ thd)	2Q23	2Q24	1Q24	2Q24	1S24	1S23
Products	(483)	(3,140)	471	(3,140)	(2,669)	(558)
Expenses with Idleness - Products	(4,489)	(2,802)	(317)	(2,802)	(3,119)	(10,036)
Services	(180)	(4,175)	597	(4,175)	(3,578)	3,719
Expenses with Idleness - Services	-	-	-	-	-	-
Total	(5,152)	(10,117)	751	(10,117)	(9,366)	(6,875)

In 2Q24, R\$ 33.6 million of “Other Operating Income” was recorded against R\$ 43.7 million of “Other Operating Expenses”, totaling a net effect of R\$ 10.1 million. The following factors stand out:

- I. R\$ 3.5 million net negative effect resulting mainly from the ICMS tax transaction with the State of São Paulo, with installment payments and recognition of taxes and contributions;
- II. R\$ 2.8 million in idle production costs (impact of stoppages and other logistical disruptions resulting from the weather catastrophe in Rio Grande do Sul);

- III. R\$ 2.0 million negative result from the sale of part of the remaining assets of the service units;
- IV. R\$ 1.1 million from estimates of obsolescence and extraordinary inventory losses;
- V. R\$ 0.5 thousand recognition of depreciation of real estate as investment property in compliance with accounting standards;
- VI. R\$ 0.2 thousand corresponding to direct losses resulting from the weather event that hit the Feliz unit, located in Rio Grande do Sul.

Financial Result

Financial Results (R\$ thd)	2Q23	2Q24	1Q24	2Q24	1S24	1S23
Financial Revenue*	770	4,691	1,133	4,691	5,825	3,163
Financial Expense*	(14,125)	(10,975)	(6,426)	(10,975)	(17,402)	(26,350)
Net Financial Results*	(13,355)	(6,284)	(5,293)	(6,284)	(11,577)	(23,187)
Net Exchange Variance	10,277	(6,606)	(4,053)	(6,606)	(10,659)	15,380
Net Financial Results - Total	(3,078)	(12,890)	(9,346)	(12,890)	(22,236)	(7,807)

* Excluding Exchange Variance

The net financial result for 2Q24 was negative by R\$ 6.3 million, and its main effect is the restatement of interest and fines on taxes, suppliers and loans. The total net financial result is influenced by the exchange rate variation.

According to the Material Fact disclosed on May 28, 2024, the Company negotiated contingent liabilities with the State of São Paulo, the amount of which under discussion was R\$ 35,512 thousand, which was reduced to R\$ 7,544 with the success of the negotiation. The impact on results of this tax transaction was recorded in the Taxes and Contributions (Other operating expenses) and Fines and Interest on Taxes (Financial expenses) accounts.

It is important to remember that exchange rate variations predominantly result from their impact on balances between group companies abroad. Exchange rate fluctuations affect the translation of the equity of these entities into Reais in the opposite direction, so there are counterparts to the exchange rate variations accounted for directly in the company's equity, without any records in profit and loss accounts. Refer to the pro forma statement below:

	1Q24	2Q24	1S24
Total Exchange Variation Revenue	402	12,123	12,525
Realized on exchange closing	11	763	774
Provision for outstanding securities	80	121	201
Provision on loan	311	11,239	11,550
Total Exchange Variation Expense	(4,455)	(18,729)	(23,184)
Realized on exchange closing	(20)	(302)	(322)
Provision on loan	(4,173)	(15,182)	(19,355)
Realized on loan payment	-	(2,292)	(2,292)
Provision for unsecured suppliers	(262)	(953)	(1,215)
Net Exchange Variance	(4,053)	(6,606)	(10,659)
Counterpart in Shareholders' Equity	(3,862)	(6,235)	(10,097)
Net Economic Effect of Exchange Variation	(191)	(371)	(562)

Adjusted EBITDA from Operations

EBITDA Adjusted (R\$ thd)	2Q23	2Q24	1Q24	2Q24	1S24	1S23
Products	(95)	2,714	3,526	2,714	6,240	649
Margin	-0.5%	8.0%	10.1%	8.0%	9.1%	1.6%
Services	(2,525)	(2,374)	(2,220)	(2,374)	(4,594)	(1,945)
Margin	n/a	n/a	n/a	n/a	n/a	n/a
Total	(2,620)	340	1,306	340	1,646	(1,296)
Margin	-13.3%	1.0%	3.7%	1.0%	2.4%	-3.2%

Product Adjusted EBITDA in 2Q24 increased compared to 2Q23, reflecting better sales performance. In comparison with 1Q24, the slight reduction is due to the lower volume of revenues and the slightly lower sales margin.

Services Adjusted EBITDA is made up of legacy management costs.

The EBITDA for the period was strongly impacted by extraordinary results: the result of the sale of Services assets, idle expenses resulting mainly from the floods in Rio Grande do Sul, and extraordinary expenses, especially the recognition of taxes and contributions for adherence to installment plans.

Adjusted Ebitda Reconciliation (R\$ thd)	2Q23	2Q24	1Q24	2Q24	1S24	1S23
Gross Profit	4,182	7,008	8,028	7,008	15,036	9,402
SG&A	(8,591)	(8,959)	(7,084)	(8,959)	(16,043)	(16,615)
Management Compensation	(828)	(750)	(750)	(750)	(1,500)	(1,726)
Depreciation and Amortization	1,212	850	924	850	1,774	2,513
Other Operating Expenses	(5,152)	(10,117)	751	(10,117)	(9,366)	(6,875)
Ebitda	(9,177)	(11,968)	1,869	(11,968)	(10,099)	(13,301)
Result of disposal or write-off of assets	(33)	1,978	4	1,978	1,982	(126)
Provisions for Legal Proceedings	(387)	(238)	(1,434)	(238)	(1,672)	(5,582)
Idle expenses	4,489	2,802	317	2,802	3,119	10,036
Extraordinary Expenses	2,488	7,766	550	7,766	8,316	5,057
Adjusted EBITDA	(2,620)	340	1,306	340	1,646	(3,916)

Reconciliation of Adjusted Ebitda (R\$ thd)	2Q24		
	Products	Services	Total
Gross Profit	7,008	-	7,008
SG&A	(6,144)	(2,815)	(8,959)
Management Compensation	-	(750)	(750)
Depreciation and Amortization	728	122	850
Other Operating Expenses	(5,942)	(4,175)	(10,117)
Ebitda	(4,350)	(7,618)	(11,968)
Result of disposal or write-off of assets	(224)	2,202	1,978
Provisions for Legal Proceedings	(177)	(61)	(238)
Idle expenses	2,802	-	2,802
Extraordinary Expenses	4,663	3,103	7,766
Adjusted EBITDA	2,714	(2,374)	340

Net Result

Net Result (R\$ thd)	2Q23	2Q24	1Q24	2Q24	1S24	1S23
Result Before Income Tax and Social Contribution	(13,467)	(25,708)	(8,401)	(25,708)	(34,109)	(23,621)
Income Tax and Social Contribution - Current	-	(2)	-	(2)	(2)	(1)
Income Tax and Social Contribution - Deferred	(1,044)	2,451	1,002	2,451	3,453	(969)
Net Profit for the Period	(14,511)	(23,259)	(7,399)	(23,259)	(30,658)	(24,591)
Profit (Loss) per Share	(0.45)	(0.56)	(0.18)	(0.56)	(0.74)	(0.76)

The negative net result obtained in 2Q24 of R\$ 23.3 million is mainly influenced by:

- i) Exchange variation: negative R\$ 6.6 million;
- ii) Other Operating Income and Expenses: a negative R\$ 10.1 million, mainly due to the recognition of taxes and contributions for payment in installments, production idleness, inventory obsolescence, the result of the sale of Services assets, and idleness expenses resulting mainly from the floods in Rio Grande do Sul.

Working Capital

Working Capital (R\$ thd)	06/30/2024	12/31/2023
Accounts Receivable	35,533	18,140
Inventories	30,730	32,678
Advances of suppliers	6,627	7,522
Recoverable taxes	37,736	40,701
Other Accounts Receivable	5,244	5,612
Total Asset	115,870	104,653
Suppliers	15,133	15,072
Advances from Customers	2,908	1,161
Taxes payable	20,685	22,323
Other Accounts Payable/Other Obligations	5,456	5,783
Payroll and charges	7,409	5,493
Total Liabilities	51,591	49,832
Working Capital Employed	64,279	54,821
Working Capital Variation	9,458	

When comparing the balances as of June 30, 2024 with the balance as of December 31, 2023, there is an increase in the working capital employed. This increase is mainly due to: (i) a change in accounts receivable due to higher sales volume, and (ii) a reduction in taxes receivable and taxes payable due to the offsetting of tax credits.

Indebtedness

Debts (R\$ thd)	06/30/2024	12/31/2023
Short Term	56,651	50,633
Credits subject to Judicial Recovery	7,287	6,266
Credits not subject to Judicial Recovery	49,364	44,367
Long Term	96,863	95,027
Credits subject to Judicial Recovery	94,239	92,262
Credits not subject to Judicial Recovery	2,624	2,765
Total Debts	153,514	145,660
Cash and Cash Equivalents	9,181	19,907
Net Debt	144,333	125,753

The increase in financial indebtedness when comparing the balances at June 30, 2024 with the balances at December 31, 2023 is mainly associated with the use of cash from the settlement of the “San Antonio” litigation to increase working capital. There was also an increase in indebtedness as a result of new loans taken out in the period and the updating of balances subject to legal recourse.

Short-term indebtedness is detailed in the following tables, which show the breakdown by type and then the coverage of guarantees.

Short-term debt - Credits not subject to Judicial Reorganization	06/30/2024
BNDES - Fiduciary Sale of Machinery	11,167
Co-obligation on discounted securities	11,762
Working Capital (various types)	26,435
Total	49,364

Guarantee Coverage - Working Capital (various types)	06/30/2024
CDB and performing credits	12,918
Other*	13,517
Total	26,435

*Performing receivables, FGI, Intra-group guarantee.

Note that most of the short-term debt corresponds to co-obligation on receivables assigned (R\$ 11.7 million) or to amounts that will be settled by receivables that have already been performed or CDBs (R\$ 12.9 million). Only R\$ 13.5 million relies on the future performance of receivables or are covered by third party endorsement.

Annexes

Annex I - Income Statements (R\$ Thousand)

	1Q24	2Q24
Net Revenue From Sales	35,005	33,936
Cost of Goods and Services Sold	(26,977)	(26,928)
Gross Profit	8,028	7,008
Operating Income/Expenses	(7,083)	(19,826)
Selling	(1,972)	(3,514)
General and Administrative	(5,112)	(5,445)
Management Fees	(750)	(750)
Other Operation Income (Expenses)	751	(10,117)
Net Financial Result	(9,346)	(12,890)
Financial Income	1,134	4,691
Financial Expenses	(6,427)	(10,975)
Net Exchange Variance	(4,053)	(6,606)
<u>Results Before Income Tax and Social Contribution</u>	<u>(8,401)</u>	<u>(25,708)</u>
Provision Income Tax and Social Contribution - Current	-	(2)
Provision Income Tax and Social Contribution - Deferred	1,002	2,451
<u>Net Loss for the Period</u>	<u>(7,399)</u>	<u>(23,259)</u>

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

	1Q24	2Q24
Adjusted EBITDA from Operations	1,306	340
Idleness Expenses	(317)	(2,802)
Extraordinary expenses	(550)	(7,766)
Provisions for Losses, Impairment and Net Result on Disposal of Assets	1,430	(1,740)
EBITDA from Operations	1,869	(11,968)
Depreciation and amortization	(924)	(850)
Net Financial Result	(9,346)	(12,890)
Income Tax and Social Contribution - Current and Deferred	1,002	2,449
Net Loss	(7,399)	(23,259)

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

	06/30/2024	12/31/2023
Total Asset	472,162	482,769
Current Assets	136,092	145,711
Cash and Cash Equivalents	9,181	19,907
Accounts Receivable	35,533	18,140
Inventories	30,730	32,678
Recoverable Taxes	37,736	40,701
Other Accounts Receivable	5,244	5,612
Prepaid Expenses	705	553
Advances to Suppliers	6,627	7,522
Assets Classified as Held for Sale	10,336	20,598
Non-Current Assets	336,070	337,058
Securities-restricted	44	44
Judicial Deposits	5,064	5,079
Recoverable Taxes	3,808	6,953
Deferred Income Tax and Social Contribution	59,633	56,180
Other Accounts Receivable	33,822	34,502
Investments	19,685	19,685
Fixed Assets	130,697	131,405
Intangible Assets	83,317	83,210
Total Liabilities and Shareholders Equity	472,162	482,769
Current Liabilities	110,874	102,918
Suppliers - not subject to Judicial Recovery	9,516	9,876
Suppliers - subject to Judicial Recovery	5,617	5,196
Loans and Financing - not subject to Judicial Recovery	49,364	44,367
Loans and Financing - subject to Judicial Recovery	7,287	6,266
Provisions Payroll and Payroll Payable	7,409	5,493
Taxes Payable	20,685	22,323
Obligations and Provisions for Labor Risks - subject to Judicial Recovery	106	315
Advances from Customers	2,908	1,161
Other Accounts Payable	5,456	5,783
Other obligations - subject to Judicial Recovery	2,526	2,138
Non-Current Liabilities	229,145	220,288
Suppliers - subject to Judicial Recovery	27,909	26,649
Loans and Financing - not Subject to Judicial Recovery	2,624	2,765
Loans and Financing - subject to Judicial Recovery	94,239	92,262
Taxes Payable	38,645	29,199
Provision for Contingencies	24,840	27,591
Obligations and Provisions Labor Risks - subject to Judicial Recovery	1,915	2,238
Other Accounts Payable	1,746	3,350
Other obligations - subject to judicial recovery	37,227	36,234
Shareholders' Equity	132,143	159,563
Capital Stock	1,921,226	1,920,820
Reserves and capital transactions	144,754	144,754
Equity valuation adjustment	77,511	74,679
Accumulated Losses	(2,011,348)	(1,980,690)

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

	1Q24	2Q24
Cash Flow from Operating Activities		
Loss for the periods	(7,399)	(23,259)
Adjustments:		
Depreciation and Amortization	1,455	1,380
Income from sale of property, plant and equipment	(1)	(7,221)
Financial charges and exchange variation on financing	8,061	18,773
Reversal (Provision) for loss due to non-recoverability of assets	-	(8,313)
Deferred Income Tax and Social Contribution	(1,002)	(2,451)
Inventory obsolescence	938	386
(Reversal) Estimated losses for doubtful accounts	(97)	35
Actual losses with doubtful accounts	-	14
Adjust to present value	184	(3,928)
Exchange variation on investments abroad	2,115	1,248
Changes in Assets & Liabilities		
(Increase) Decrease in Accounts Receivable	(14,398)	(2,947)
(Increase) Decrease in Inventories	(1,735)	2,359
(Increase) Decrease in Recoverable Taxes	2,908	3,202
(Increase) Decrease in Other Assets	(186)	2,171
(Increase) Decrease in Suppliers	12	(2,227)
(Increase) Decrease in Taxes Payable	(3,158)	1,547
(Increase) Decrease in Others Accounts Payable	414	(2,107)
Net Cash Flow from Operating Activities	(11,889)	(21,338)
Cash Flow from Investment Activities		
Securities - restricted account	150	117
Resources from the sale of fixed assets	-	25,258
Acquisition of fixed assets	(263)	(388)
Aquisition of Intangible Assets	-	(232)
Net Cash Flow from (Used in) Investment Activities	(113)	24,755
Cash Flow from Financing Activities		
Borrowing and financing	37,105	28,406
Capital increase	68	338
Payment of loans and financing	(29,480)	(38,578)
Net Cash Flow from Financing Activities	7,693	(9,834)
Net Increase (Decrease) in Cash and Cash Equivalents	(4,309)	(6,417)
At the Beginning of the Period	19,907	15,598
At the End of the Period	15,598	9,181

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.