



**Financial and  
Economic  
Performance  
1Q 2017**



## Administration Message

The first quarter of 2017 was marked by some events especially important for the Company. The main one was the final homologation of the New Judicial Recovery Plan, restated by determination of the TJ-SP in replacement of the Original Plan. Even though the issuance of a court certificate is pending, there is no possibility of appeal. Thus, from the date on which the homologation became definitive, all the creditors subject to the Judicial Recovery became bound by the Plan, and the deadlines for the fulfillment of the obligations contracted were set.

Another important event was the capture of orders from a major international customer of the Oil&Gas Valves business, which made it possible to significantly increase the level of activity of the Nova Odessa unit, albeit modestly. As a result of this event, the proportion of sales to Petrobras was much lower than usual.

Our Industrial Valves unit has again received the Certificate of Supply for Petrobras, which brings the prospect of incremental sales of various products that are also used in the Oil&Gas Industry.

In the Anchoring Ropes unit, practically concluded the remodeling of the installations and a relevant preventive maintenance in the equipment's. The unit began to manufacture test bodies to update quality and supply certificates. We continue to participate in international competitions for the supply to large foreign Companies, processes that have been moving slowly due to the low attractiveness of the price of petroleum to the offshore industry.

Our Colombian Company left behind challenging moments, brought about by the fall of oil activity in that country when the barrel touched 30 dollars. The activity intensified and the company began a process of recovery, after having restructured and renegotiated its liabilities.

The Brazil Services unit has contracts until July of this year. Activities were initiated to divest from the unit, including negotiations aimed at the sale of equipment.

The Tubular business remained idle in the quarter, but we were invited to participate in a new bid by Petrobras, already in April.

Also, subsequent to the end of the quarter, there were changes to the Company's leadership, with the hiring of a new CEO and a new Chief Operating Officer. The move aimed to focus efforts on recovering Valve Operations and optimizing management costs. Both executives have significant experience -the new CEO has served in the past two years as Lupatech's financial advisor, with significant contribution to the reorganization process, and our new COO has vast experience in the Valve and engineering business.

Anyway, there are still big challenges ahead, but we have hoisted sails and crew ready, motivated and optimistic about our future!

Rafael Gorenstein  
Chief Executive Officer and Investor Relations Officer

## Financial and Economic Performance

### Net Revenue

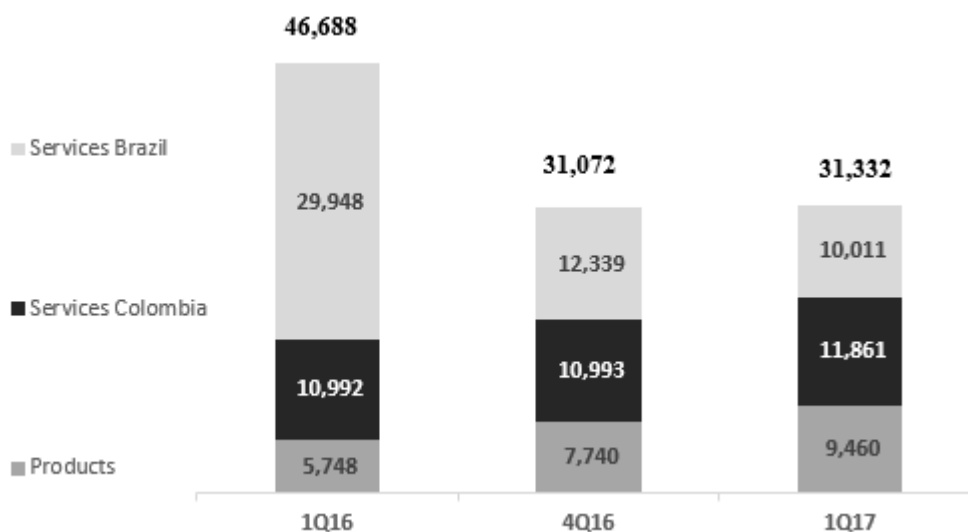
Net Revenue (R\$ thd)	1Q16	1Q17	Chg. R\$	4Q16	1Q17	Chg. R\$
<b>Products</b>	<b>5,748</b>	<b>9,460</b>	<b>3,712</b>	<b>7,740</b>	<b>9,460</b>	<b>1,720</b>
Oil&Gas Valves	806	4,472	3,666	2,248	4,472	2,224
Industrial Valves	4,942	4,986	44	5,492	4,986	-506
Others	-	2	2	-	2	2
<b>Services</b>	<b>40,940</b>	<b>21,872</b>	<b>-19,068</b>	<b>23,332</b>	<b>21,872</b>	<b>-1,460</b>
Oilfield Services Brazil	24,778	10,011	-14,767	12,339	10,011	-2,328
Oilfield Services Colombia	10,992	11,861	869	10,993	11,861	868
Tubular Services & Coating	5,170	-	-5,170	-	-	-
<b>Total</b>	<b>46,688</b>	<b>31,332</b>	<b>-15,356</b>	<b>31,072</b>	<b>31,332</b>	<b>260</b>

The Consolidated Net Revenue in 1Q17 reached R\$ 31.3 million, versus R\$ 31.1 million in 4Q16 and R\$ 46.7 million in 1Q16. Such reduction compared to 1Q16 was mainly a consequence of the crisis in the Oil&Gas Segment and consequent reduction in demand, as well as the fall in petroleum prices and the Petrobras scenario.

The Products Segment increased by 64.6% when compared to 1Q16 and 22.2% when compared to 4Q16. This increase was due to the growth in sales of Oil&Gas Valves, where the company adopted new strategies for its recovery seeking new customers mainly in the foreign markets. In the Industrial Valves division, revenue remained constant when compared to 1Q16, with a small reduction compared to 4Q16, which is reasonable due to the seasonality.

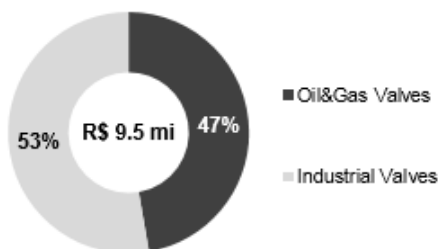
The Services Segment registered a reduction of Net Revenue of 46.6% in 1Q17 compared to the 1Q16, as well as 6.3% in 1Q17 compared to the 4Q16. The Oilfield Services Brazil division was the most affected where it presented a reduction in its revenue due to the reduction of Petrobras' activities and the termination of the Lifting Frame contract. The Oilfield Services Colombia division showed a 7.9% improvement in its revenue due to the improvement in activity and recovery of the Colombian market due to the increase in the price of petroleum.

### Net Operating Revenue (R\$ thd)

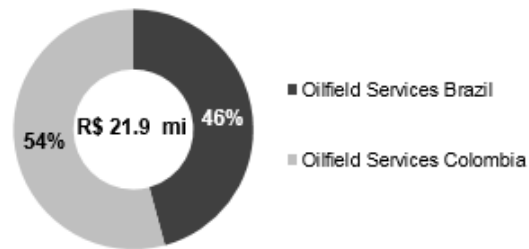


### Revenue Distribution – 1Q17

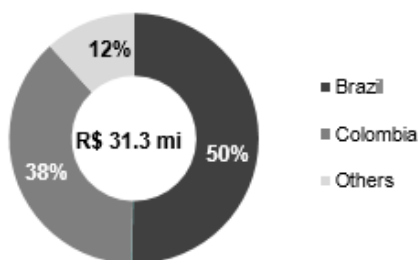
#### Products



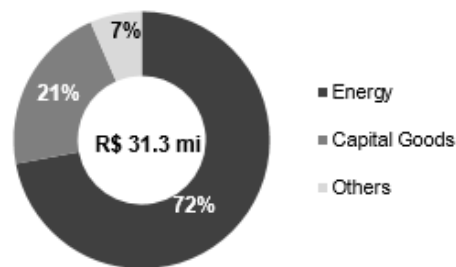
#### Services



#### By Region



#### By Industrial Sector



On March 31, 2017, the Company's Backlog order portfolio totaled approximately R\$ 149.6 million, of which R\$ 11.5 million was concentrated in the next six months. The amount represents the balance provided for in the contracts entered into discounted from the amounts already billed, and do not represent guarantee of Consumption.

### Gross Profit and Gross Margin

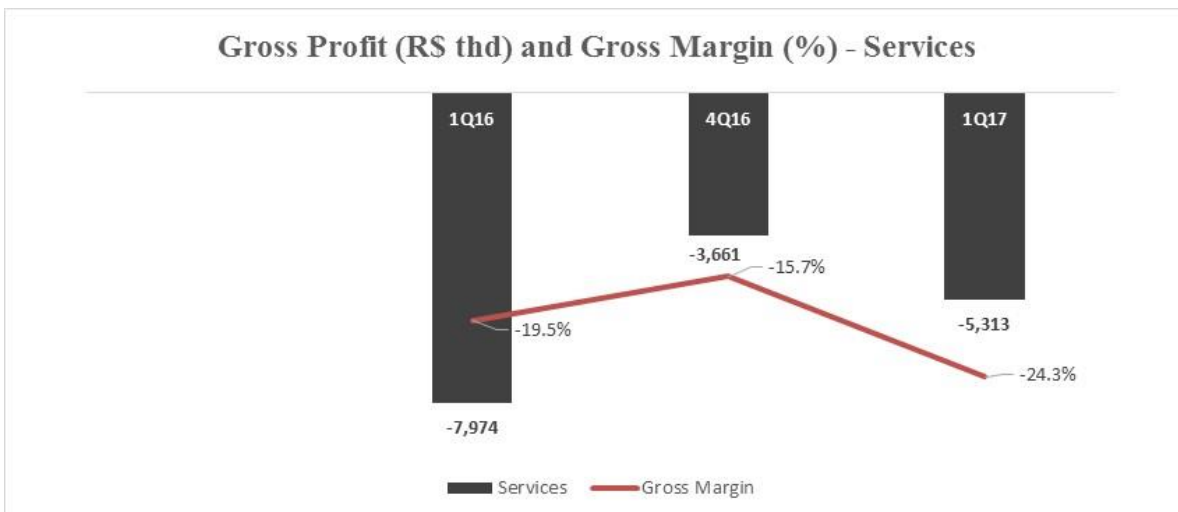
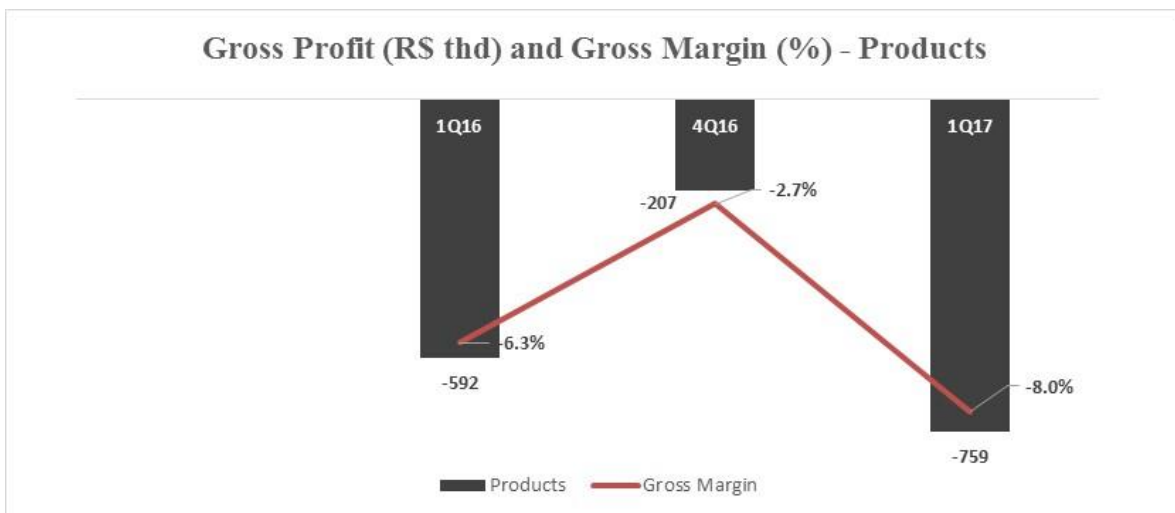
Gross Profit (R\$ thd)	1Q16	1Q17	Chg. R\$/p.p.	4Q16	1Q17	Chg. R\$/p.p.
<b>Products</b>	<b>-592</b>	<b>-759</b>	<b>-167</b>	<b>-207</b>	<b>-759</b>	<b>-552</b>
Gross Margin - Products	-6.3%	-8.0%	1,8 p.p.	-2.7%	-8.0%	-5,4 p.p.
<b>Services</b>	<b>-7,974</b>	<b>-5,313</b>	<b>2,661</b>	<b>-3,661</b>	<b>-5,313</b>	<b>(1,652)</b>
Gross Margin - Services	-19.5%	-24.3%	-4,8 p.p.	-15.7%	-24.3%	-8,6 p.p.
<b>Total</b>	<b>-8,566</b>	<b>-6,072</b>	<b>2,494</b>	<b>-3,868</b>	<b>-6,072</b>	<b>(2,204)</b>
Gross Margin - Total	-18.3%	-19.4%	-1,0 p.p.	-12.4%	-19.4%	-6,9 p.p.
<b>Depreciation</b>	<b>12,579</b>	<b>10,389</b>	<b>-2,190</b>	<b>11,429</b>	<b>10,389</b>	<b>-1,040</b>
Products	1,910	1,738	-172	1,762	1,738	-24
Services	10,669	8,651	-2,018	9,667	8,651	-1,016
<b>Gross Profit without Depreciation</b>	<b>4,013</b>	<b>4,317</b>	<b>304</b>	<b>7,561</b>	<b>4,317</b>	<b>-3,244</b>
Gross Margin without Depreciation	8.6%	13.8%	5.2 p.p.	24.3%	13.8%	10.6 p.p.

The Total Gross Margin decreased by 1.0 percentage points in 1Q17 when compared to 1Q16 and 6.9 percentage points lower than in 4Q16 due to a reduction of Consolidated Net Revenue of R\$ 15.4 million (32.9%), to personnel costs that totaled R\$ 16.7 million (R\$ 16.5 related to the Services Segment and R\$ 0.2 million related to the Products Segment), and to the impact of fixed costs. The Total Gross Profit was a negative R\$ 6.1 million in 1Q17 compared to a negative R\$ 8.6 million in 1Q16, and a negative R\$ 3.9 million in 4Q16.

In the Products Segment, the Gross Profit was a negative R\$ 0.8 million in 1Q17 and the Gross Margin was 8.0%, also negative. In the Oil&Gas Valves Segment, profitability, in value, was practically constant over the three periods, and revenue growth in 1Q17 contributed to the reduction of plant idleness, as will be observed in this report.

In the Services Segment, the Gross Profit was negative of R\$ 5.3 million in 1Q17 and the Gross Profit was negative of 24.3%. The biggest impact factor was the reduction of Petrobras' activities affecting the Oilfield Services Brazil division, and in this period, there were rescissions of R\$ 1.1 million in this unit. In contrast to this scenario in Brazil, Oilfield Services Colombia posted a Gross Profit of R\$ 2.2 million, representing an increase of 278.8% in relation to 1Q16 and 25.6% in relation to 4Q16. This improvement is due to the recovery of the Colombian market due to the partial recovery of the petroleum price and to the work of reorganization and renegotiation of the liabilities promoted by our team.

**Gross Profit (R\$ thd) and Gross Margin (%)**



## Expenses

Expenses (R\$ thd)	1Q16	1Q17	Chg. R\$	4Q16	1Q17	Chg. R\$
<b>Total Sales Expenses</b>	<b>1,876</b>	<b>1,565</b>	<b>-311</b>	<b>1,447</b>	<b>1,565</b>	<b>118</b>
Sales Expenses - Products	1,093	1,308	215	1,292	1,308	16
Sales Expenses - Services	783	257	-526	155	257	102
<b>Total Administrative Expenses</b>	<b>11,361</b>	<b>7,346</b>	<b>-4,015</b>	<b>8,146</b>	<b>7,346</b>	<b>-800</b>
Administrative Expenses - Products	2,959	2,659	-300	2,706	2,659	-48
Administrative Expenses - Services	7,156	4,221	-2,935	4,517	4,221	-297
Administrative Expenses - Corporate	1,247	467	-780	922	467	-455
<b>Management Compensation</b>	<b>1,055</b>	<b>862</b>	<b>-193</b>	<b>2,466</b>	<b>862</b>	<b>-1,604</b>
<b>Total Sales, Administratives and Management Compensation</b>	<b>14,292</b>	<b>9,773</b>	<b>-4,519</b>	<b>12,059</b>	<b>9,773</b>	<b>-2,286</b>

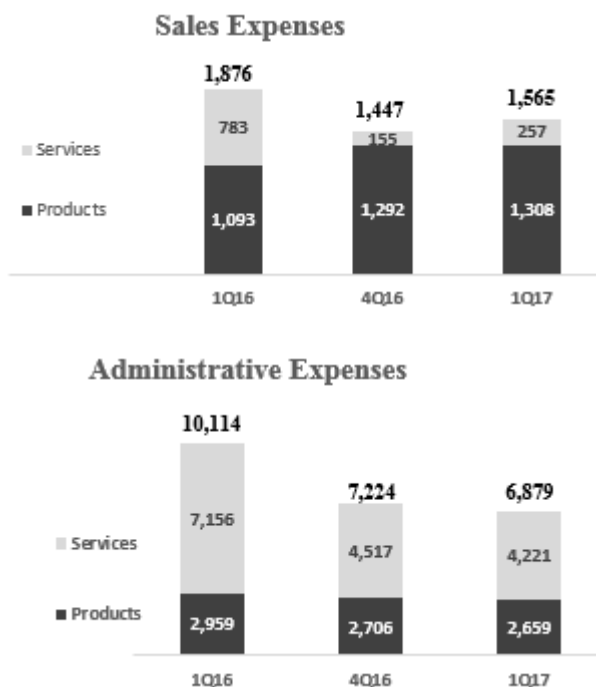
The Sales Expenses, Administrative Expenses and Management Compensation decreased by 31.6% in 1Q17 compared to 1Q16, and 19% in 1Q17 compared to 4Q16, from R\$ 14.3 million in 1Q16 and 12.1 million in 4Q16 to R\$ 9.8 million in 1Q17.

The Sales Expenses decreased by 16.6% in 1Q17 compared to 1Q16, and increased by 8.2% compared to 4Q16. In the Products Segment, we had a small increase in Sales Expenses in relation to 4Q16 due to the increase in Net Revenue in the Oil&Gas Valves division, while in the Services Segment we had a small increase compared to 4Q16, mainly due to contractual fines and adjustments on credits in the Oilfield Services Brazil division.

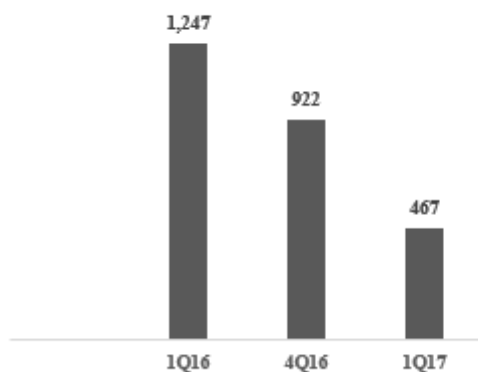
The Administrative Expenses decreased 35.3% in 1Q17 compared to 1Q16, and 9.8% compared to 4Q16, from R\$ 11.4 million in 1Q16 and R\$ 8.1 million in 4Q16 to R\$ 7.3 million in 1Q17. Such reduction is due to the restructuring work that the company has been doing to reduce costs and expenses, mainly the corporate ones.

Regarding Management Compensation, we had a reduction of 18.3% compared to 1Q16, and 65% compared to 4Q16, from R\$ 1.1 million in 1Q16 and R\$ 2.5 million in 4Q16 to R\$ 0.9 million in 1Q17.

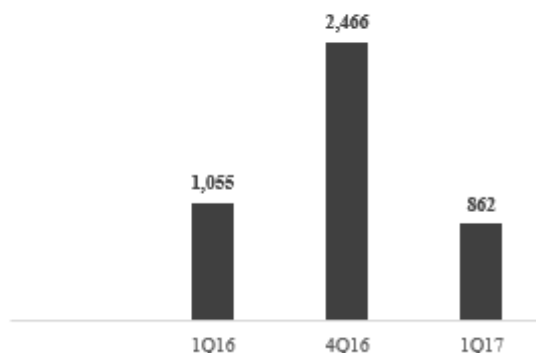
### Operating Expenses (R\$ thd)



### Corporate Expenses



### Management Compensation



### Other Operating (Revenue) and Expenses

Other Operating (Revenue) and Expenses (R\$ thd)	1Q16	1Q17	Chg. R\$	4Q16	1Q17	Chg. R\$
Products	10,656	-1,488	-12,144	-5,420	-1,488	3,932
Expenses with idleness - Products	-2,634	-1,227	1,407	-1,506	-1,227	279
Services	-10,436	-10,391	45	-9,627	-10,391	-764
Expenses with idleness - Services	-900	-539	361	-425	-539	-114
<b>Total</b>	<b>-3,314</b>	<b>-13,645</b>	<b>-10,331</b>	<b>-16,978</b>	<b>-13,645</b>	<b>3,333</b>

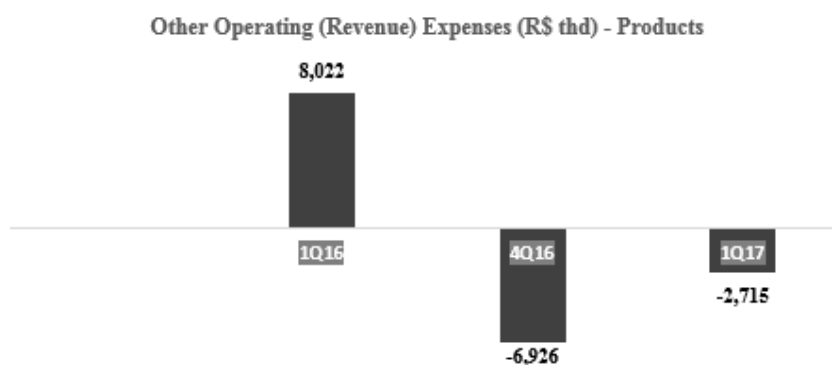
The Other Operating Expenses and Revenue increased from a revenue of R\$ 3.3 million in 1Q16 and R\$ 17 million in 4Q16 to R\$ 13.6 million in 1Q17, an increase of 311.8% compared to 1Q16 and a reduction of 19.6% compared to 4Q16. On the Other Operating Expenses accounts they are mainly related to the following factors:

- (i) R\$ 1.3 million provisions for losses with inventory obsolescence;
- (ii) R\$ 1.8 million of idle production expenses;
- (iii) R\$ 9.5 million provision for losses on lawsuits.

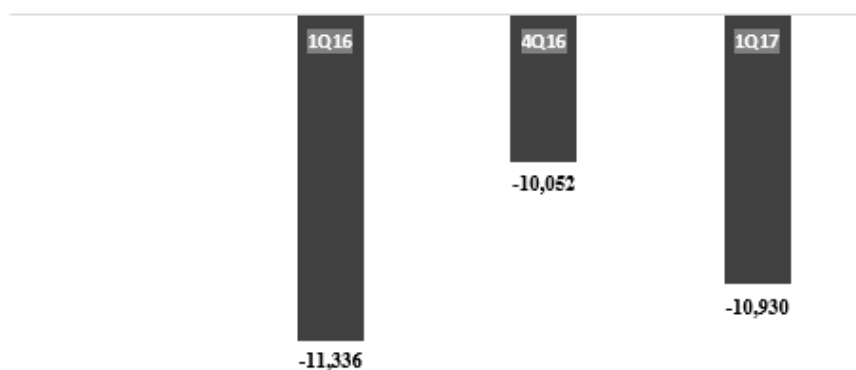
And, to the following factors related to the Other Operating Revenue:

- (i) R\$ 17.3 million reversal of the provision for losses due to non-recoverability of assets;
- (ii) R\$ 3.1 million gain on disposal of property, plant and equipment;
- (iii) R\$ 7.8 million reversal of the provision for losses due to non-recoverability of taxes (ICMS/SP).

### Other Operating (Revenue) and Expenses (R\$ thd)



### Other Operating (Revenue) Expenses (R\$ thd) - Services



### Financial Result

Financial Results (R\$ thd)	1Q16	1Q17	Chg. R\$	4Q16	1Q17	Chg. R\$
Income from Financial Investments	411	82	-329	153	82	-71
Monetary Variation	178	653	475	601	653	52
Present Value Adjustment	-	-	-	157,062	-	-157,062
Adjustment to Fair Value	-	-	-	292,152	-	-292,152
Interest on Receivables	308	310	2	313	310	-3
Others	115	114	-1	-412	114	526
<b>Financial Revenue*</b>	<b>1,012</b>	<b>1,159</b>	<b>147</b>	<b>449,869</b>	<b>1,159</b>	<b>-448,710</b>
(Expense) Reversal of Interest Expenses	-3,901	-3,679	222	50,242	-3,679	-53,921
Present Value Adjustment	-996	-1,418	-422	-	-1,418	-1,418
Discount Granted	-765	-	765	-1	-	1
(Provision) Reversal of Provision for Interest on Suppliers	-2,300	-1,423	877	21,262	-1,423	-22,685
Fines and Interest on Taxes	-15,455	-1,559	13,896	-2,187	-1,559	628
IOF, Banking Expenses and Others	-1,379	-681	698	-5,414	-681	4,733
<b>Financial Expense*</b>	<b>-24,796</b>	<b>-8,760</b>	<b>16,036</b>	<b>63,902</b>	<b>-8,760</b>	<b>-72,662</b>
<b>Net Financial Results*</b>	<b>-23,784</b>	<b>-7,601</b>	<b>16,183</b>	<b>513,771</b>	<b>-7,601</b>	<b>-521,372</b>
Exchange Variance Revenue	189,814	73,439	-116,375	134,923	73,439	-61,484
Exchange Variance Expenses	-170,295	-66,962	103,333	-133,116	-66,962	66,154
<b>Net Exchange Variance</b>	<b>19,519</b>	<b>6,477</b>	<b>-13,042</b>	<b>1,807</b>	<b>6,477</b>	<b>4,670</b>
<b>Net Financial Results - Total</b>	<b>-4,265</b>	<b>-1,124</b>	<b>3,141</b>	<b>515,578</b>	<b>-1,124</b>	<b>-516,702</b>

\* Excluding Exchange Variance

The Total Net Financial Result in 1Q17 resulted in an expense of R\$ 1.1 million versus an expense of R\$ 4.3 million in 1Q16, mainly due to recognition of foreign exchange variation income of R\$ 19.5 million in 1Q16 versus R\$ 6.5 million in exchange variation revenue in 1Q17. Comparing 1Q17 versus 4Q16, the Total Net Financial Result had a considerable variation, an expense of R\$ 1.2 million in 1Q17 versus revenue of R\$ 515.6 million in 4Q16, resulting from the effects of the recognition of the Judicial Recovery Plan.

The Total Financial Revenue (excluding Exchange Variation) in 1Q17 reached R\$ 1.2 million versus R\$ 1.0 million in 1Q16, an increase of 14.5%, mainly due to the monetary variation on electronic reimbursement request, Reimbursement or Repayment and Declaration of Compensation (PER/DCOMP).

Compared to the 4Q16, Total Financial Revenue (excluding Exchange Variation) decreased from R\$ 449.9 million in 4Q16 to R\$ 1.2 million, due to the registration in 2016 of suppliers' present value adjustment of loans, fines, debentures and bonds in the amount of R\$ 157.1 million, and to the fair value adjustment in the amount of R\$ 292.2 million referring to the warrants to be issued under the New Judicial Recovery Plan.

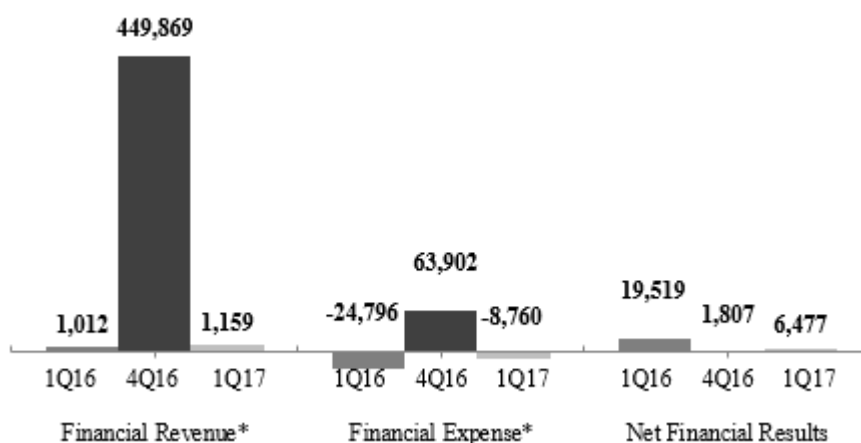


The Total Financial Expenses (excluding Exchange Variation) decreased by 64.7% in 1Q17 compared to 1Q16, reaching R\$ 8.8 million versus R\$ 24.8 million in 1Q16, mainly due to the booking of fines and interest on taxes, contingencies and non-recurring tax debts.

Compared to 4Q16, the Total Financial Expenses (excluding Exchange Variations) went from a positive amount of R\$ 63.9 million in 4Q16 to a negative amount of R\$ 8.8 million in 1Q17. This variation was mainly due to the reversal of interest on suppliers in the amount of R\$ 21.3 million in 4Q16 versus a provision of R\$ 1.4 million in 1Q17 and reversal of interest expenses in the amount of R\$ 50,2 million in 4Q16 versus a provision of R\$ 3.7 million in 1Q17. Such reversals occurred in 2016 were necessary to adjust the books to the obligations under the New Judicial Recovery Plan.

Net Exchange Variation in 1Q17 resulted in revenue of R\$ 6.5 million versus revenue of R\$ 19.5 million in 4Q16, affected by the 2.9% appreciation of the U.S. dollar against Brazilian Real in 1Q17 versus an appreciation of 12.3% of the U.S. dollar against the Brazilian Real in 1Q16. In 4Q16, the Net Exchange Variation resulted in revenue of R\$ 1.8 million versus revenue of R\$ 6.5 million in 1Q17, affected by the 0.4% depreciation of the U.S. dollar against the Brazilian Real in 4Q16.

### Financial Result Breakdown (R\$ thd)



\*Excluding Exchange Variance

### Adjusted EBITDA from Continued Operations <sup>1</sup>

The Consolidated Adjusted EBITDA from Continued Operations was a negative R\$ 8.0 million in 1Q17, a positive R\$ 4.7 million in 1Q16, and a positive R\$ 2.4 million in 4Q16. EBITDA Margin were a negative 25.6% in 1Q17, with a negative variation of 33.4 percentage points compared to 4Q16 and negative variation of 35.7 percentage points when compared to 1Q16.

<sup>1</sup> **EBITDA from continuing operations** is calculated as the net income (loss) before income tax and social contribution, financial income (expense), Equity Pick-up Result and depreciation and amortization. The Adjusted EBITDA from continuing operations reflects the EBITDA from continuing operations, adjusted to exclude the expenses with employees and management participation in the profits and results, provisions for inventory losses, net result on sold assets, provisions for lawsuits, provisions for fines with customers and expenses related to the Company's restructuring process. EBITDA is not a measure used in Brazilian accounting practices and does not represent cash flow for the periods under review. It should not be considered as an alternative for net income, as an indicator of operational performance or as an alternative for cash flow in the form of an indicator of liquidity. EBITDA does not have a standardized meaning and the Company's definition of EBITDA may not be comparable with the EBITDA or adjusted EBITDA of other companies. While in accordance with accounting practices used in Brazil EBITDA does not provide a measure of operational cash flow, management uses it to measure operational performance. In addition, the Company understands that certain investors and financial analysts use EBITDA as an indicator of the operational performance of a company and/or its cash flow. The EBITDA reconciliation as calculated by the Company can be found in Attachment II of this report.

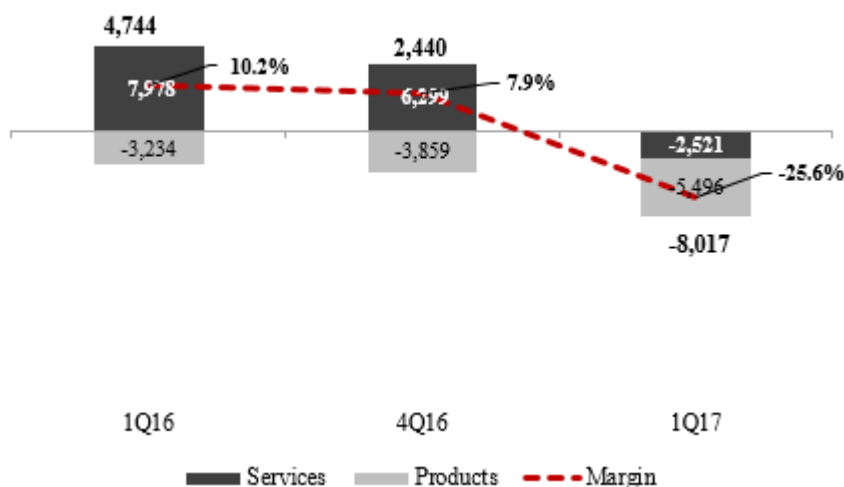
Adjusted EBITDA (R\$ thd)	1Q16	1Q17	Chg. R\$ / p.p.	4Q16	1Q17	Chg. R\$ / p.p.
<b>Products</b>	- 3,234	- 5,496	- 2,262	- 3,859	- 5,496	- 1,637
Margin	-56.3%	-58.1%	-1,8 p.p.	-49.9%	-58.1%	-8,2 p.p.
<b>Services</b>	7,978	2,521	10,499	6,299	2,521	8,820
Margin	19.5%	-11.5%	-31 p.p.	27.0%	-11.5%	-38,5 p.p.
<b>Total</b>	4,744	8,017	12,761	2,440	8,017	10,457
Margin	10.2%	-25.6%	-35,7 p.p.	7.9%	-25.6%	-33,4 p.p.
% Products	-68%	69%		-158%	69%	
% Services	168%	31%		258%	31%	

The Consolidated Adjusted EBITDA for the Products Segment were a negative R\$5.5 million in 1Q17 compared to a negative R\$ 3.9 million in 4Q16.

The Adjusted EBITDA of the Services Segment were a negative R\$ 2.5 million in 1Q17, compared to a positive 6.3 million in 4Q16.

Adjusted Ebitda Reconciliation (R\$ thd)	1Q16	4Q16	1Q17
Gross Profit	-8,566	-3,868	-6,072
SG&A	-13,237	-9,593	-8,911
Management Compensation	-1,055	-2,466	-862
Depreciation and Amortization	12,579	11,429	10,389
Other Operating Expenses/Revenue	3,314	16,978	13,645
<b>Ebitda from Continued Operating</b>	<b>-6,965</b>	<b>12,480</b>	<b>8,189</b>
Provisions/Reversals for Losses, Impairment, Net Result on Disposal of Assets, Reversals with Legal Proceedings, and Reversal of Provision for Taxes to be Recovered (ICMS).	6,438	-11,573	-15,453
Fines with Customers	129	35	70
Restructuring Process and Other Extraordinary Expenses	5,142	1,498	-823
<b>Adjusted EBITDA from Continued Operations</b>	<b>4,744</b>	<b>2,440</b>	<b>-8,017</b>

Adjusted EBITDA (R\$ thd)



1Q17

Adjusted Ebitda Reconciliation (R\$ thd)	Products	Services	Total
Gross Profit	-759	-5,313	-6,072
SG&A	-4,110	-4,801	-8,911
Management Compensation	-260	-602	-862
Depreciation and Amortization	1,738	8,651	10,389
Other Operating Expenses/Revenue	2,715	10,930	13,645
<b>Ebitda from Continued Operating</b>	<b>-676</b>	<b>8,865</b>	<b>8,189</b>
Provisions/Reversals for Losses, Impairment, Net Result on Disposal of Assets, Reversals with Legal Proceedings and Reversal of Provision for Taxes to be Recovered (ICMS).	-4,761	-10,692	-15,453
Fines with Customers	25	45	70
Restructuring Process and Other Extraordinary Expenses	-84	-739	-823
<b>Adjusted EBITDA from Continued Operations</b>	<b>-5,496</b>	<b>-2,521</b>	<b>-8,017</b>

The non-recurring expenses totaling R\$ 16.6 million relate mainly to the provision for inventory obsolescence in the amount of R\$ 1.1 million, provisions for losses on lawsuits in the amount of R\$ 9.5 million, R\$ 7.7 million reversal of provision for loss of tax recovery and R\$ 16.1 million reversal of provision for losses due to non-recoverability of assets.

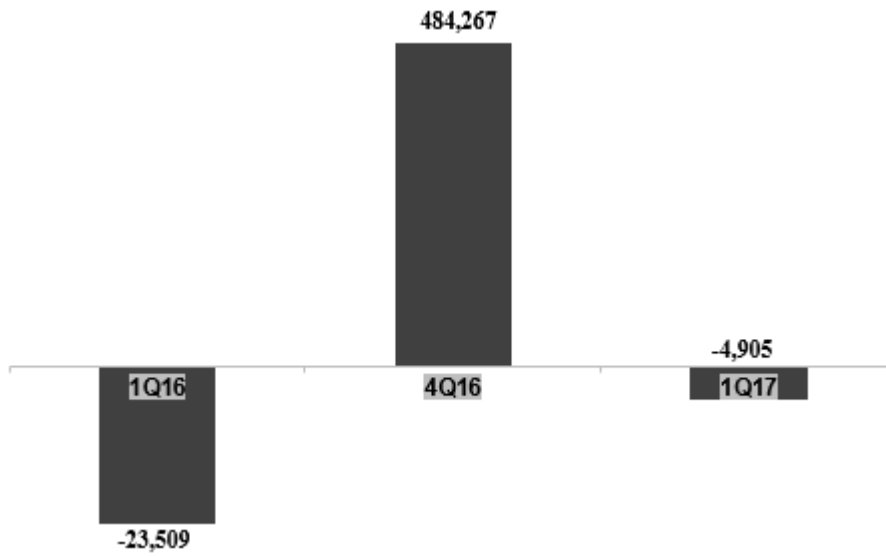
### Net Result

Net Result (R\$ thd)	1Q16	1Q17	Chg. R\$	4Q16	1Q17	Chg. R\$
Result Before Income Tax and Social Contribution	-37,124	-4,817	32,307	515,864	-4,817	-520,681
Income Tax and Social Contribution - Corrente	-298	-919	-621	52	-919	-971
Income Tax and Social Contribution - Deferred	598	831	233	-31,649	831	32,480
Result of Discontinued Operation	13,315	0	-13,315	0	0	0
<b>Net Result</b>	<b>-23,509</b>	<b>-4,905</b>	<b>18,604</b>	<b>484,267</b>	<b>-4,905</b>	<b>-489,172</b>
Net Result per 1.000 shares	-0.15	-0.52	-0.37	51.55	-0.52	-52.07

The Net Income in 1Q17 was a loss of R\$ 4.9 million, compared to a loss of R\$ 23.5 million in 1Q16.

The Net Income increased from a profit of R\$ 484.3 million in 4Q16 to a loss of R\$ 4.9 million in 1Q17. The performance in 4Q16 is mainly due to the positive financial result impacted by the booking, as of December 31, 2016, of fair value and present value adjustments of suppliers, loans, fines, debentures and bonds balances, and the reversal of interest provision on suppliers.

*Net Income Breakdown (R\$ thd)*



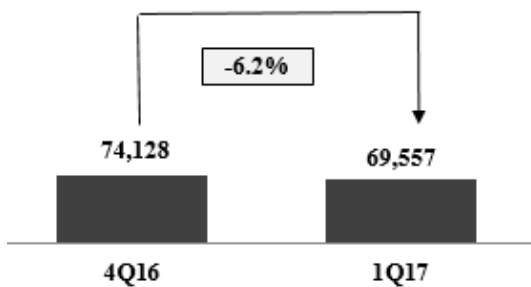
**Working Capital**

Working Capital (R\$ thd)	4Q16	1Q17	Chg. %	Chg. R\$
Accounts Receivable	44,912	44,408	-1.1%	-504
Inventories	56,691	53,133	-6.3%	-3,558
Suppliers	25,023	24,710	-1.3%	-313
Avances from Clients	2,452	3,274	33.5%	822
<b>Employed Working Capital</b>	<b>74,128</b>	<b>69,557</b>	<b>-6.2%</b>	<b>-4,571</b>
Employed Working Capital Variance	- 5,167	- 4,571		
% Working Capital/Net Revenue*	38.8%	41.0%		

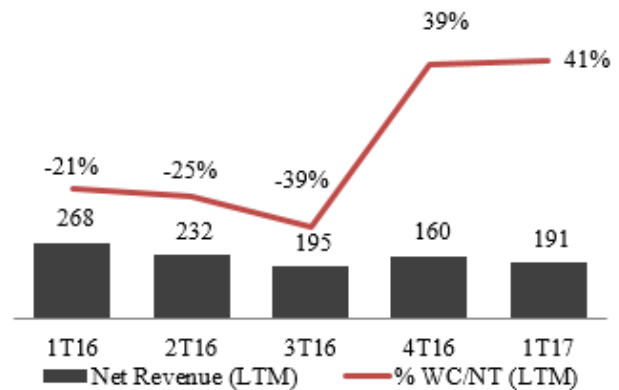
\*LTM: last 12 months

The ratio of Working Capital to 12 months. accumulated Net Revenue reached the percentage of 41.0% in 1Q17, an increase of 6.8 percentage points when compared to 4Q16.

*Working Capital (R\$ thd)*



*Net Revenue vs. Working Capital (R\$ thd)*

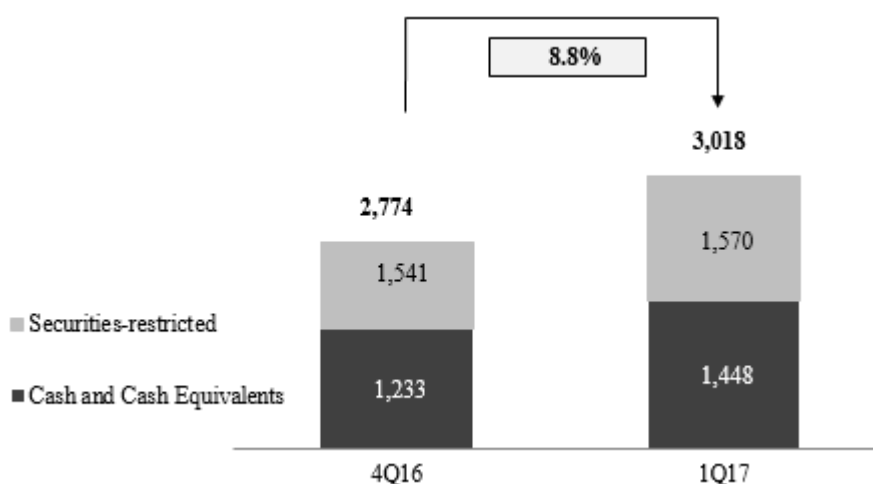


There was a reduction of 6.3% (R\$ 3.6 million) in the Inventory balance in 1Q16 compared to 4Q16, mainly due to the obsolescence of inventories in the amount of R\$ 1.1 million, and reduction of finished goods held.

### Cash and Cash Equivalents

The Company's consolidated cash and cash equivalents position in 1Q17 reached R\$ 3.0 million, compared to R\$ 2.8 million in 4Q16. Such increase results from the sale of assets in the Services Segment.

*Cash and Cash Equivalents Balances (R\$ thd)*



### Debt

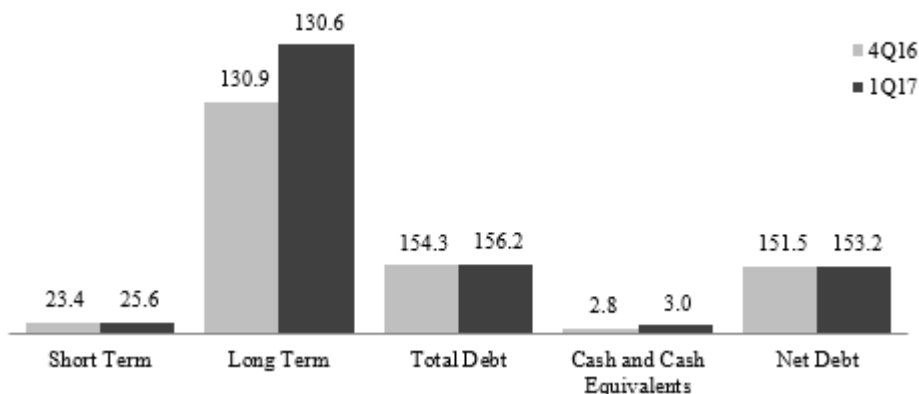
The Company's Gross Debt ended 1Q17 at R\$ 156.2 million, 1.3% higher than on 4Q16.

Debts (R\$ ths)	4Q16	1Q17	Chg. %	Chg. R\$
<b>Short Term</b>	<b>23,411</b>	<b>25,641</b>	<b>9.5%</b>	<b>2,230</b>
Financing Lines not Subject to Judicial Recovery	23,411	25,641	9.5%	2,230
<b>Long Term</b>	<b>130,855</b>	<b>130,559</b>	<b>-0.2%</b>	<b>296</b>
Financing Lines not Subject to Judicial Recovery	118,189	118,369	0.2%	180
Financing Lines Subject to Judicial Recovery	12,666	12,190	-3.8%	476
<b>Total Debts</b>	<b>154,266</b>	<b>156,200</b>	<b>1.3%</b>	<b>1,934</b>
Cash and Cash Equivalents	2,774	3,018	8.8%	244
<b>Net Debt</b>	<b>151,492</b>	<b>153,182</b>	<b>1.1%</b>	<b>1,690</b>

This increase is mainly a consequence of the exchange variation on loans denominated in foreign currency due to the 2.9% appreciation of the U.S. dollar against the Brazilian Real during 1Q17.

The Net Debt ended 1Q17 at R\$ 153.2 million, up 1.1% compared to the 4Q16.

### Debt Breakdown (R\$ million)



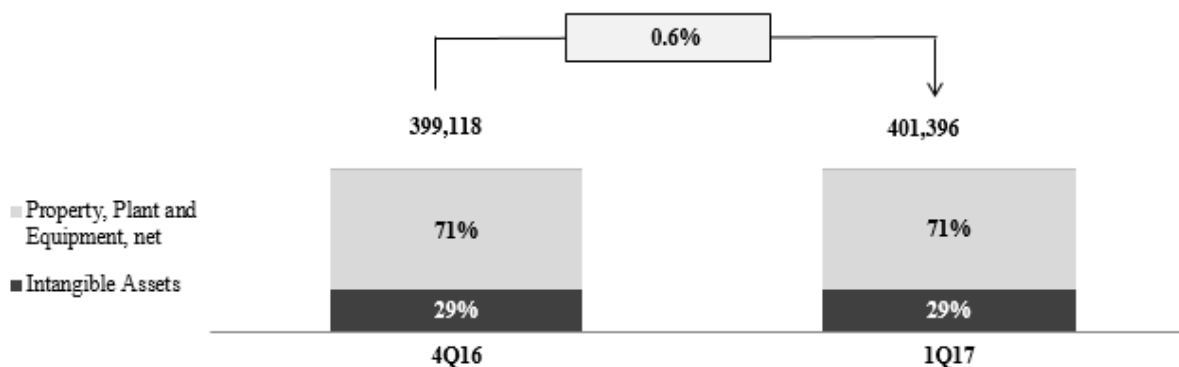
### Investment Balance

The Company's Investment Balance in 1Q17 totaled R\$ 401.4 million, an increase of 0.6% compared to the R\$ 399.1 million presented in 4Q16.

Property, plant and equipment increased by 0.9% in 1Q17, mainly due to the recognition of depreciation in the amount of R\$ 36.5 million against R\$ 46.5 million in 4Q16, and the effect of exchange rate variation on property, plant and equipment of subsidiaries abroad of R\$ 20.8 million, consequence of the appreciation of 2.9% of the U.S. dollar against the Brazilian Real during 1Q17.

Investments (R\$ thd)	4Q16	1Q17	Chg. %	Chg. R\$
Others Investments	676	676	0.0%	0
Property, Plant and Equipment, net	281,730	284,153	0.9%	2,423
Intangible Assets	116,712	116,567	-0.1%	-145
<b>Total</b>	<b>399,118</b>	<b>401,396</b>	<b>0.6%</b>	<b>2,278</b>

### Investment Balances (R\$ thd)



Capex was R\$ 0.1 million in 1Q17, mainly, directed to the units of the Products Segment and Oilfield Services Colombia division.

## Judicial Recovery

On May 25, 2015, as disclosed in the Material Fact, the Company filed, together with the other companies in the Lupatech Group, the request for judicial recovery. The request has been approved by the Court on June 23, 2015 and all information relating to the process is available on the websites of the Brazilian Securities Exchange Commission and of Lupatech S/A - In Judicial Recovery – Investor Relations.

On November 18, 2015, the General Meeting of Creditors approved the Judicial Recovery Plan, which was homologated on December 11, 2015 by the First Court of Bankruptcies, Judicial Recoveries and Conflicts Related to Arbitration of São Paulo, without any restrictions.

On June 27, 2016, the 2nd Reserved Chamber of Business Law of the São Paulo State Court of Justice upheld the interlocutory appeals filed by two creditors, to cancel the homologation decision of the Judicial Recovery Plan of Lupatech Group, given by D. Judge of the 1st Court of Bankruptcies, Judicial Recoveries and Conflict-Related Arbitration of the District of São Paulo.

On September 5, 2016, a New Judicial Recovery Plan of the Lupatech Group was filed in the scope of the judicial recovery process, which annulled the approval decision of the plan previously approved by the creditors in the meeting.

The New Judicial Recovery Plan establishes the terms and conditions for the restructuring of the Lupatech Group's debt and meets the criteria established by the Second Chamber of Business Law of the Court of Justice of the State of São Paulo.

On November 8, 2016, at the Lupatech Group's General Meeting of Creditors, the New Judicial Recovery Plan was approved, and homologated on December 01, 2016, by the 1st Bankruptcy Court, Judicial Recoveries and Conflicts Related to Arbitration of the Capital of São Paulo, without any safeguards. The Company presented an appeal requesting clarification, as the issuance of the homologation did not mention one of the Group companies under judicial reorganization. On February 15, 2017, the court corrected its approval order, including the company not mentioned. Ahead of the final homologation of the court, the deadline for appeals against the approval of the plan was March 13, 2017. Until that date, no grievance was filed against the approval of the plan. The group's management considers that the absence of subsequent grievances fully confirms the legality of the plan and its effects as from the award decision of the sovereign decision of the creditors' meeting.

The Company awaits the certification of the unappeasable passing of the judgment of its New Judicial Recovery Plan to evaluate the continuity of the special appeal filed against the judgment of the Court of Justice of São Paulo that annulled the previously presented Judicial Recovery Plan.

## Attachments

### Attachment I – Consolidated Income Statement (R\$ thd)

	1Q16	1Q17	% Change
Net Revenue From Sales	46,688	31,332	-33%
Cost of Goods and Services Sold	(55,254)	(37,404)	-32%
Gross Profit	(8,566)	(6,072)	-29%
Operating Income/Expenses	(10,978)	2,379	-122%
Selling	(1,876)	(1,565)	-17%
General and Administrative	(11,361)	(7,346)	-35%
Management Compensation	(1,055)	(862)	-18%
Equity pick-up	-	(1,493)	n/a
Other Operation Income (Expenses)	3,314	13,645	312%
Net Financial Result	(4,265)	(1,124)	-74%
Financial Income	1,012	1,159	15%
Financial Expenses	(24,796)	(8,760)	-65%
Net Exchange Variance	19,519	6,477	-67%
<u>Loss Before Income Tax and Social Contribution</u>	<u>(23,809)</u>	<u>(4,817)</u>	<u>-80%</u>
Provision Income Tax and Social Contribution - Current	(298)	(919)	208%
Provision Income Tax and Social Contribution - Deferred	598	831	39%
<u>Loss for the Period</u>	<u>(23,509)</u>	<u>(4,905)</u>	<u>-79%</u>



Attachment II – Reconciliation of Adjusted EBITDA (R\$ thd)

	1Q16	1Q17	% Change
Adjusted EBITDA from Continuing Operations	(8,571)	(8,017)	-6%
Provision for Variable Remuneration	-	-	n/a
Restructuring Process	(129)	823	-738%
Provisions/Reversals for Losses, Impairment, Net Result on Disposal of Assets, Reversals with Legal Proceedings, and Reversal of Provision for Taxes to be Recovered (ICMS).	(5,142)	15,453	-401%
Fines with Costumers	(6,438)	(70)	-99%
EBITDA from Continuing Operations	(20,280)	8,189	-140%
Depreciation and Amortization	(12,579)	(10,389)	-17%
Equity Pick-up	-	(1,493)	n/a
Net Financial Result	(4,265)	(1,124)	-74%
Income Tax and Social Contribution - Current and Deferred	300	(88)	-129%
Result Discontinued Operations	13,315	-	n/a
Net Loss from Continuing and Discontinued Operations	(23,509)	(4,905)	-79%

Attachment III – Consolidated Balance Sheet (R\$ thd)

	<b>4Q16</b>	<b>1Q17</b>	<b>% Change</b>
<b>Total Asset</b>	<b>642,290</b>	<b>645,114</b>	<b>0%</b>
<b>Current Assets</b>	<b>162,544</b>	<b>154,851</b>	<b>-5%</b>
Cash and Cash Equivalents	1,233	1,448	17%
Securities-restricted	1,541	1,570	2%
Accounts Receivable	44,912	44,408	-1%
Inventories	56,691	53,133	-6%
Recoverable Taxes	29,603	30,748	4%
Other Accounts Receivable	6,394	6,182	-3%
Anticipated Expenses	3,285	3,097	-6%
Advances to Suppliers	14,095	14,265	1%
Assets Classified as Held for Sale	4,790	-	-100%
<b>Non-Current Assets</b>	<b>479,746</b>	<b>490,263</b>	<b>2%</b>
Securities-restricted	2,046	2,085	2%
Judicial Deposits	24,657	24,837	1%
Recoverable Taxes	37,040	44,897	21%
Other Accounts Receivable	16,885	17,048	1%
Investments	676	676	0%
Property, Plant and Equipment	281,730	284,153	1%
Intangible Assets	116,712	116,567	0%
<b>Total Liabilities and Shareholders' Equity</b>	<b>642,290</b>	<b>645,114</b>	<b>0%</b>
<b>Current Liabilities</b>	<b>177,222</b>	<b>184,941</b>	<b>4%</b>
Suppliers - Not Subject to Judicial Recovery	18,506	18,193	-2%
Suppliers - Subject to Judicial Recovery - Class I	6,517	6,517	0%
Loans and Financing - Not Subject to Judicial Recovery	23,411	25,641	10%
Provisions Payroll and Payroll Payable	8,272	8,638	4%
Commissions Payable	897	867	-3%
Taxes Payable	60,062	63,145	5%
Obligations and Provisions for Labor Risks and Creditors Class I - Subject to Judicial Recovery	32,628	31,847	-2%
Advances from Customers	2,452	3,274	34%
Other Accounts Payable	23,372	25,701	10%
Provision for Contratual Fines	1,105	1,118	1%
<b>Non-Current Liabilities</b>	<b>414,116</b>	<b>422,081</b>	<b>2%</b>
Suppliers - Subject to Judicial Recovery	65,862	67,129	2%
Loans and Financing - Subject to Judicial Recovery	118,189	118,369	0%
Loans and Financing - Not Subject to Judicial Recovery	12,666	12,190	-4%
Taxes Payable	10,047	9,948	-1%
Deferred Income Tax and Social Contribution	56,526	53,935	-5%
Provision for Contingencies	123,977	134,212	8%
Other Accounts Payable	7,669	7,487	-2%
Provision for Unfunded Liabilities in Subsidiaries	19,180	18,811	-2%
<b>Shareholders' Equity</b>	<b>50,952</b>	<b>38,092</b>	<b>-25%</b>
Capital Stock	1,853,684	1,853,684	0%
Capital reserve to be realized	6,341	6,341	0%
Capital Transaction Reserve	136,183	136,183	0%
Stock Options	13,549	13,549	0%
Equity Valuation Adjustment	65,617	56,582	-14%
Accumulated Losses	(2,024,422)	(2,028,247)	0%

Attachment IV – Consolidated Cash Flow (R\$ thd)

	1Q16	1Q17	% Change
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Result for the Period	(23,509)	(4,905)	-79%
Adjustments:			
Depreciation and Amortization	12,579	10,389	-17%
Equity Pick-up	-	1,493	n/a
Result on Sale of Fixed Assets	-	(2,309)	n/a
Loss (Gain) on Sale of Investments	(13,315)	-	-100%
Financial expenses, net	2,183	(208)	-110%
Reversal (Provision) for losses by non-recoverability of assets	-	(16,058)	n/a
Deferred Income Tax and Social Contribution	(598)	88	-115%
Losses on Inventory Obsolescence	7,103	1,126	-84%
Provision of Contractual Fines	129	1,623	1158%
Allowance for Doubtful Accounts	175	124	-29%
Effective Losses on Doubtful Accounts	-	6	n/a
Present Value Adjustment	996	1,418	42%
Changes in Assets & Liabilities			
<i>(Increase) Decrease in Accounts Receivable</i>	2,187	(1,284)	-159%
<i>(Increase) Decrease in Inventories</i>	(13)	2,529	-19554%
<i>(Increase) Decrease in Recoverable Taxes</i>	(156)	(11,716)	7410%
<i>(Increase) Decrease in Other Assets</i>	(572)	5,513	-1064%
<i>(Increase) Decrease in Suppliers</i>	(1,290)	(1,037)	-20%
<i>(Increase) Decrease in Taxes Payable</i>	(3,891)	1,322	-134%
<i>(Increase) Decrease in Others Accounts Payable</i>	(5,578)	9,575	-272%
<b>Cash Flow from Operating Activities</b>	<b>(23,570)</b>	<b>(2,311)</b>	<b>-90%</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Proceeds from Sales of Investments	28,599	-	n/a
Securities - Restricted	212	14	-93%
Proceeds from Sales of Property, Plant and Equipment	-	3,125	n/a
Aquisition of Property, Plant and Equipment	(422)	(138)	-67%
Aquisition of Intangible Assets	(24)	-	-100%
<b>Cash Flow from Investment Activities</b>	<b>28,365</b>	<b>3,001</b>	<b>-89%</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Loans and Financings	19,257	21,344	11%
Payment of Loans and Financings - Principal	(22,649)	(21,249)	-6%
Payment of Loans and Financings - Interest	(1,023)	(568)	-44%
<b>Cash Flow from Financing Activities</b>	<b>(4,415)</b>	<b>(473)</b>	<b>-89%</b>
<b>Exchange Variation on Cash and Cash Equivalents of Subsidiaries Abroad</b>	<b>19</b>	<b>(2)</b>	<b>-111%</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>399</b>	<b>215</b>	<b>-46%</b>
At the Beginning of the Period	31,012	1,233	-96%
At the End of the Period	31,411	1,448	-95%

## About Lupatech S/A – In Judicial Recovery

Lupatech S.A. - In Recovering Judicial is a Brazilian company of products and services of high added value focused on the oil and gas sector. Its businesses are organized into two segments: Products and Services. The Products Segment offers, principally for the oil and gas industry, anchoring cables for production platforms, valves and equipment for completion of wells, as well as a relevant participation in the segment of compressors for natural gas. The Services Segment offers drilling, workover, well intervention, coating and pipe inspection services.

*This release contains forward-looking statements subject to risks and uncertainties. Such forward-looking statements are based on the management's beliefs and assumptions and information currently available to the Company. Forward-looking statements include information on our intentions, beliefs or current expectations, as well as on those of the Company's Board of Directors and Officers. The reservations as to forward-looking statements and information also include information on possible or presumed operating results, as well as any statements preceded, followed or including words such as "believes", "may", "will", "expects", "intends", "plans", "estimates" or similar expressions. Forward-looking statements are not performance guarantees; they involve risks, uncertainties and assumptions because they refer to future events and, therefore, depend on circumstances which may or may not occur. Future results may differ materially from those expressed or suggested by forward-looking statements. Many of the factors which will determine these results and figures are beyond Lupatech S/A – In Judicial Recovery' control or prediction capacity.*