

# **INTERIM FINANCIAL STATEMENTS Q1 2017**

**LUPATECH S/A – IN JUDICIAL RECOVERY  
CNPJ/MF nº 89.463.822/0001-12  
NIRE 35.3.0045756-1**

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IN CASE OF DIVERGENCE OF INTERPRETATION, THE PORTUGUESE TEXT  
WILL PREVAIL**

## Management report

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### 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

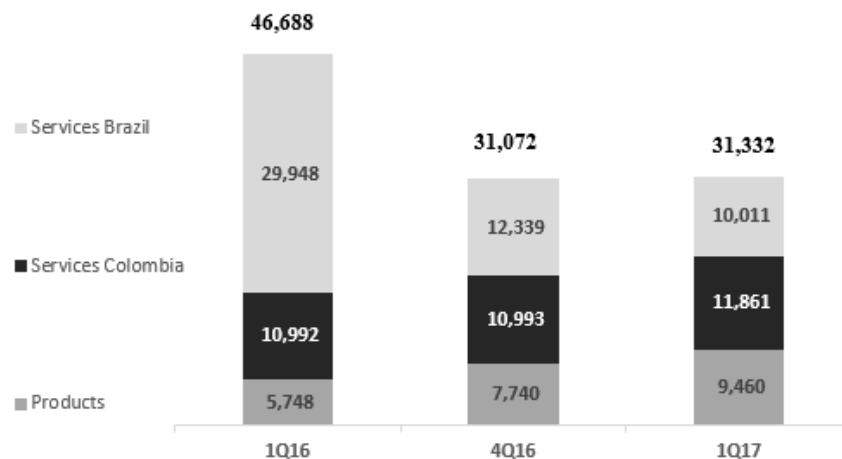
Net Revenue (R\$ thd)	1Q16	1Q17	Chg. R\$	4Q16	1Q17	Chg. R\$
<b>Products</b>	<b>5,748</b>	<b>9,460</b>	<b>3,712</b>	<b>7,740</b>	<b>9,460</b>	<b>1,720</b>
Oil&Gas Valves	806	4,472	3,666	2,248	4,472	2,224
Industrial Valves	4,942	4,986	44	5,492	4,986	-506
Others	-	2	2	-	2	2
<b>Services</b>	<b>40,940</b>	<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.

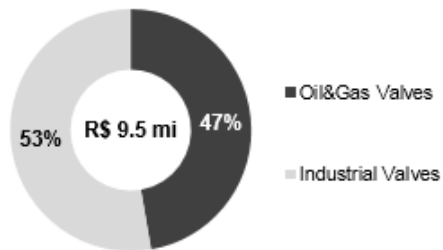
The Services Segment registered a reduction of Net Revenue of 46.6% in 1Q17 compared to the 1Q16, as well as 6.3% in 1Q17 compared to the 4Q16. The Oilfield Services Brazil division was the most affected where it presented a reduction in its revenue due to the reduction of Petrobras' activities and the termination of the Lifiting 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)

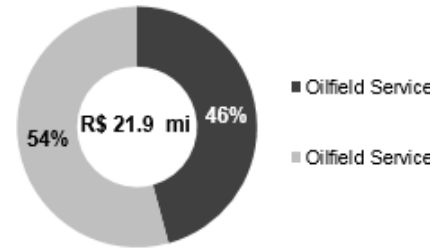


### Revenue Distribution – 1Q17

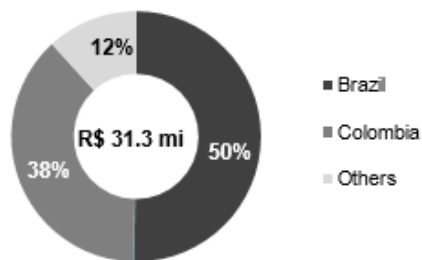
Products



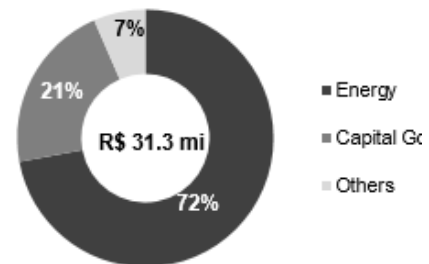
Services



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

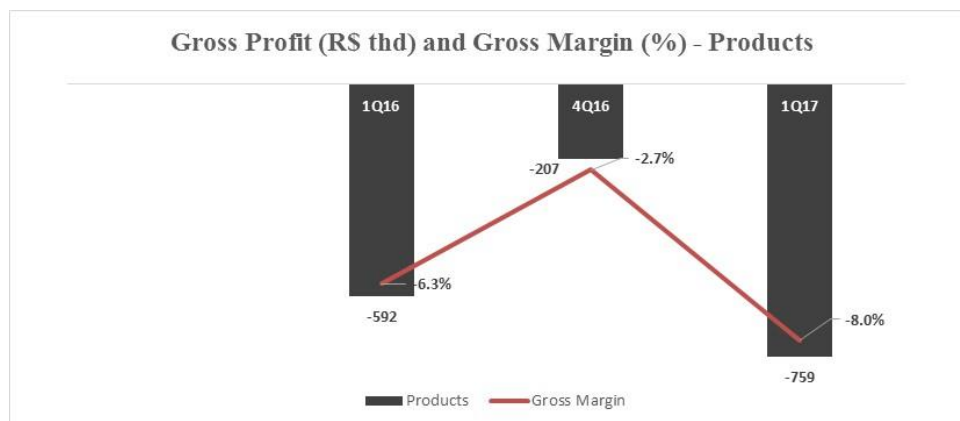
Gross Profit (R\$ thd)	1Q16	1Q17	Chg. R\$/p.p.	4Q16	1Q17	Chg. R\$/p.p.
<b>Products</b>	<b>-592</b>	<b>-759</b>	<b>-167</b>	<b>-207</b>	<b>-759</b>	<b>-552</b>
Gross Margin - Products	-6.3%	-8.0%	1,8 p.p.	-2.7%	-8.0%	-5,4 p.p.
<b>Services</b>	<b>-7,974</b>	<b>-5,313</b>	<b>2,661</b>	<b>-3,661</b>	<b>-5,313</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.

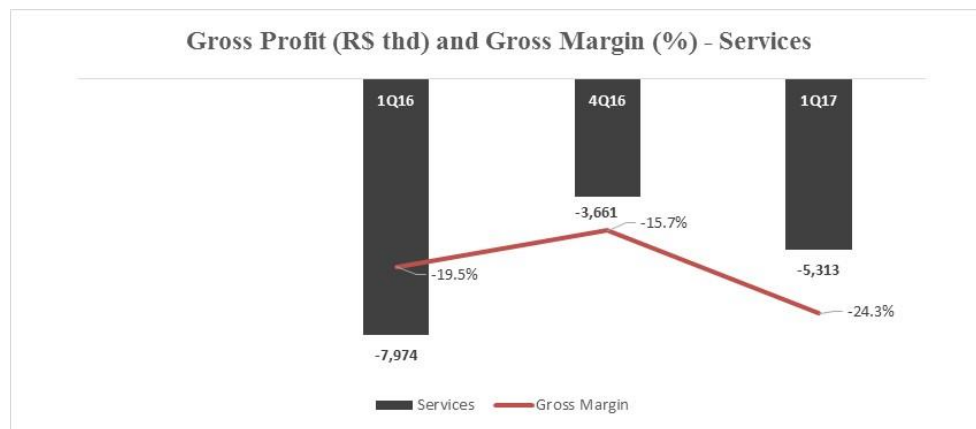
The Total Gross Margin decreased by 1.0 percentage points in 1Q17 when compared to 1Q16 and 6.9 percentage points lower than in 4Q16 due to a reduction of Consolidated Net Revenue of R\$ 15.4 million (32.9%), to personnel costs that totaled R\$ 16.7 million (R\$ 16.5 related to the Services Segment and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





## 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.

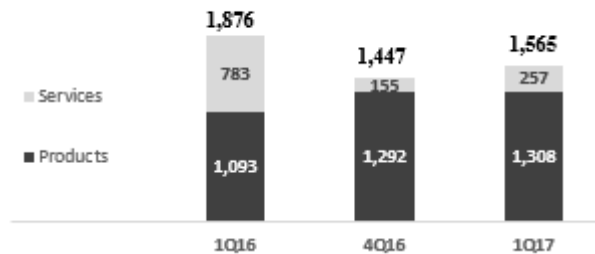
The Sales Expenses decreased by 16.6% in 1Q17 compared to 1Q16, and increased by 8.2% compared to 4Q16. In the Products Segment, we had a small increase in Sales Expenses in relation to 4Q16 due to the increase in Net Revenue in the Oil&Gas Valves division, while in the Services Segment we had a small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

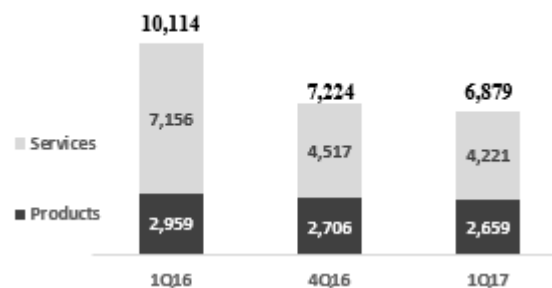
Regarding Management Compensation, we had a reduction of 18.3% compared to 1Q16, and 65% compared to 4Q16, from R\$ 1.1 million in 1Q16 and R\$ 2.5 million in 4Q16 to R\$ 0.9 million in 1Q17.

### Operating Expenses (R\$ thd)

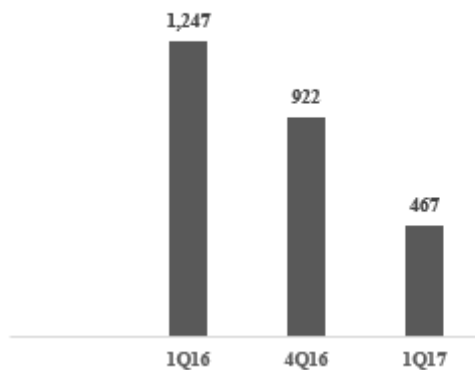
#### Sales Expenses



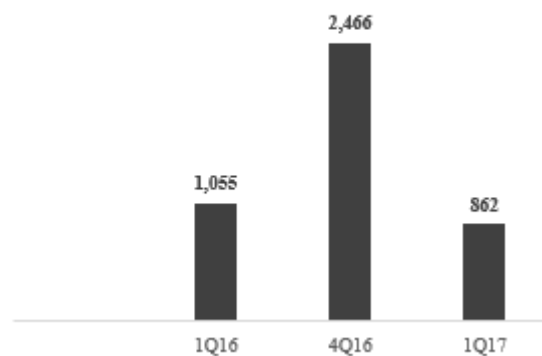
#### Administrative Expenses



#### 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



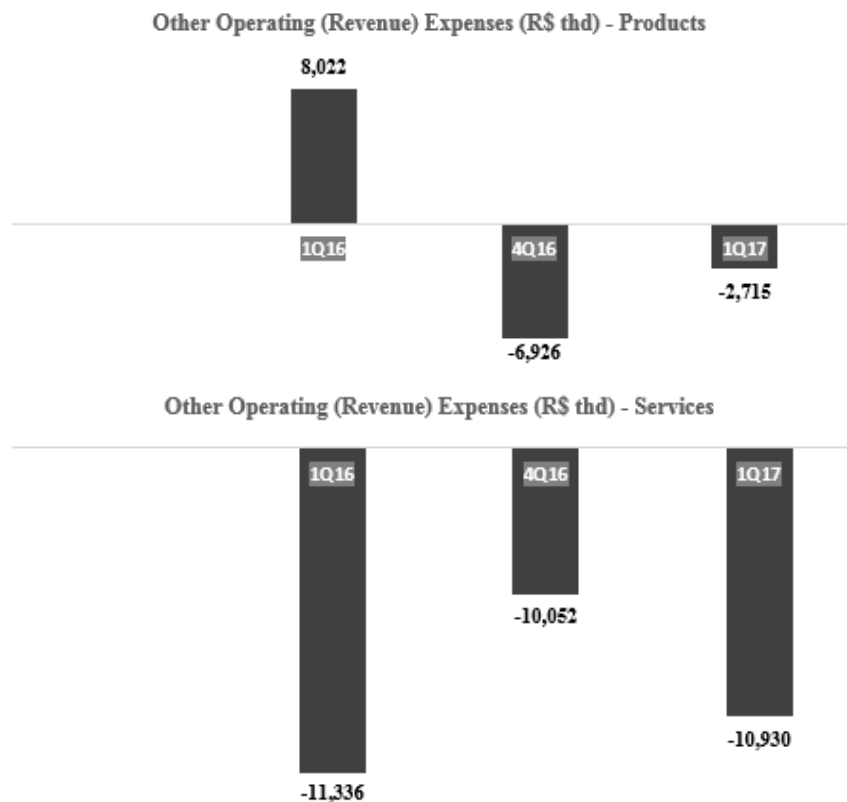
and a reduction of 19.6% compared to 4Q16. On the Other Operating Expenses accounts they are mainly related to the following factors:

- (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 provisions for losses on lawsuits.

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

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

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



## 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).

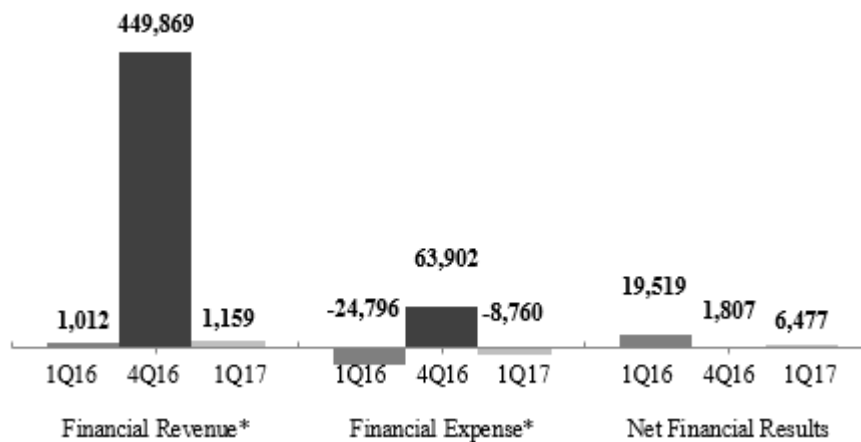
Compared to the 4Q16, Total Financial Revenue (excluding Exchange Variation) decreased from R\$ 449.9 million in 4Q16 to R\$ 1.2 million, due to the registration in 2016 of suppliers' present value adjustment of loans, fines, debentures and bonds in the amount of R\$ 157.1 million, and to the fair value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

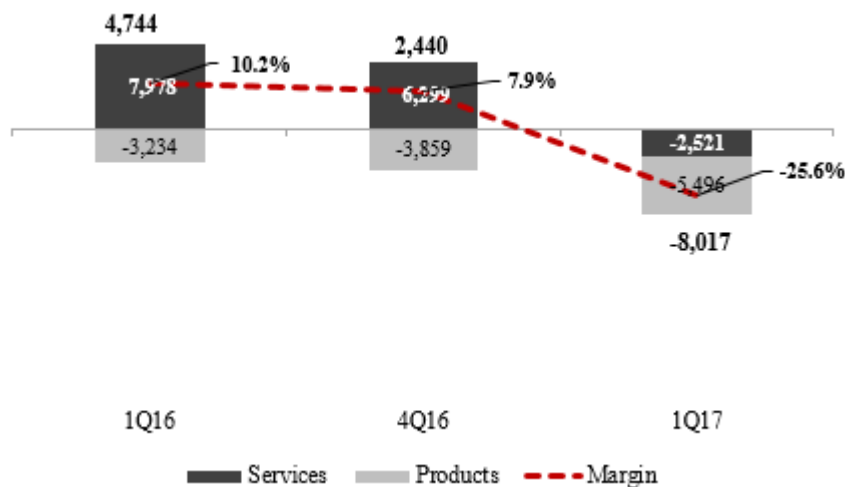
Adjusted EBITDA (R\$ thd)	1Q16	1Q17	Chg. R\$ / p.p.	4Q16	1Q17	Chg. R\$ / p.p.
<b>Products</b>	- 3,234	- 5,496	- 2,262	- 3,859	- 5,496	- 1,637
Margin	-56.3%	-58.1%	-1,8 p.p.	-49.9%	-58.1%	-8,2 p.p.
<b>Services</b>	7,978	2,521	10,499	6,299	2,521	8,820
Margin	19,5%	-11,5%	-31 p.p.	27,0%	-11,5%	-38,5 p.p.
<b>Total</b>	<b>4,744</b>	<b>8,017</b>	<b>12,761</b>	<b>2,440</b>	<b>8,017</b>	<b>10,457</b>
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 reversals of provision for loss of tax recovery and R\$ 16.1 million reversals of provision for losses due to non-recoverability of assets.

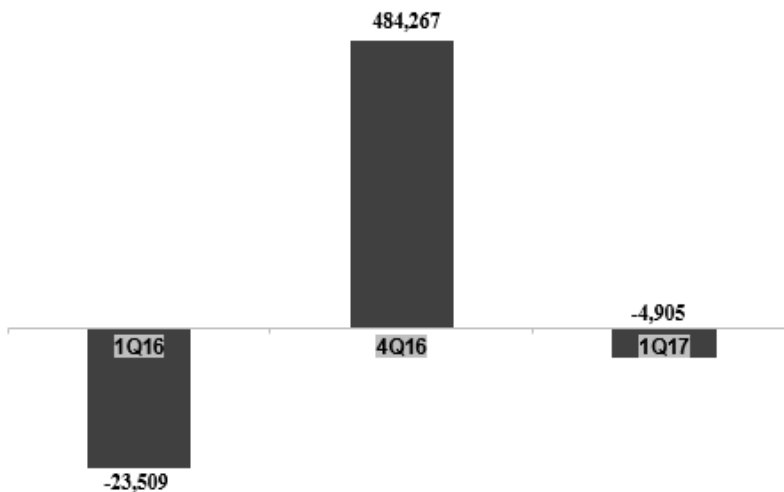
## Net Result

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)



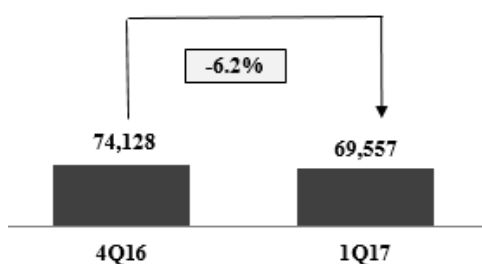
### Working Capital

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%		

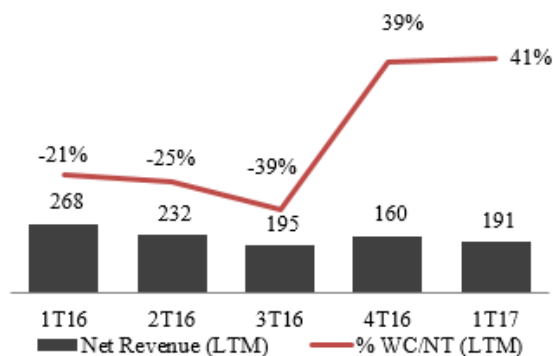
\*LTM: last 12 months

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)

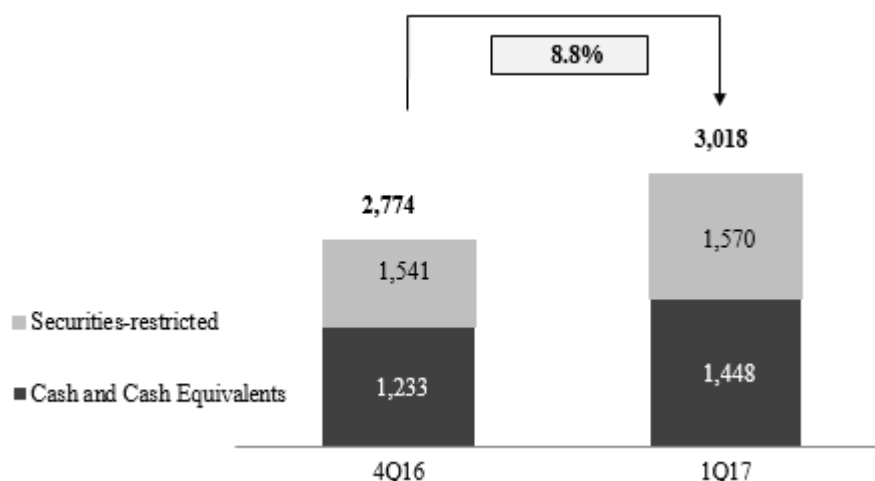


There was a reduction of 6.3% (R\$ 3.6 million) in the Inventory balance in 1Q16 compared to 4Q16, mainly due to the obsolescence of inventories in the amount of R\$ 1.1 million, and reduction of finished goods held.

### 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.

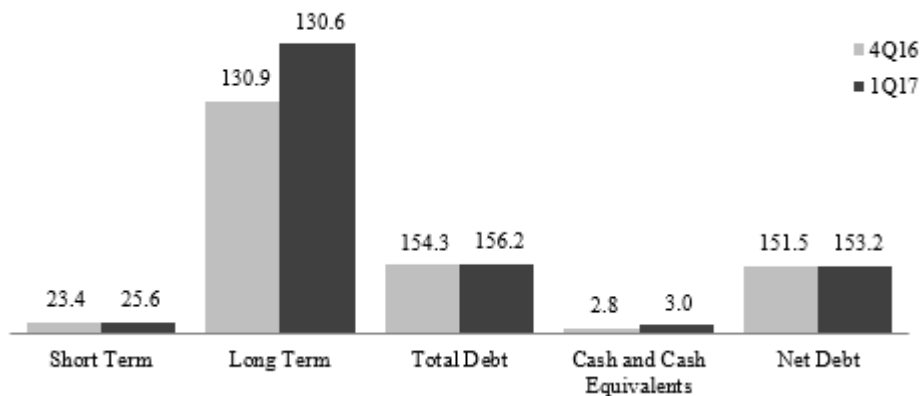
Debts (R\$ ths)	4Q16	1Q17	Chg. %	Chg. R\$
<b>Short Term</b>	<b>23,411</b>	<b>25,641</b>	<b>9.5%</b>	<b>2,230</b>
Financing Lines not Subject to Judicial Recovery	23,411	25,641	9.5%	2,230
<b>Long Term</b>	<b>130,855</b>	<b>130,559</b>	<b>-0.2%</b>	<b>296</b>
Financing Lines not Subject to Judicial Recovery	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)



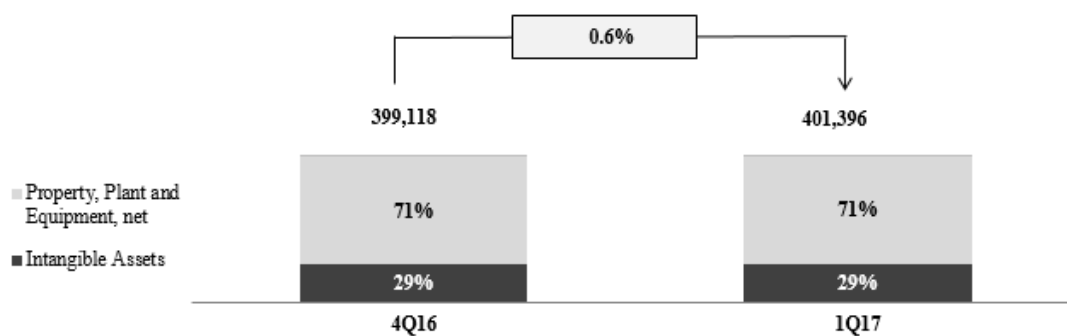
### Investment Balance

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%
<b>Loss Before Income Tax and Social Contribution</b>	<b>(23,809)</b>	<b>(4,817)</b>	<b>-80%</b>
Provision Income Tax and Social Contribution - Current	(298)	(919)	208%
Provision Income Tax and Social Contribution - Deferred	598	831	39%
<b>Loss for the Period</b>	<b>(23,509)</b>	<b>(4,905)</b>	<b>-79%</b>

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%
<b>EBITDA from Continuing Operations</b>	<b>(20,280)</b>	<b>8,189</b>	<b>-140%</b>
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
<b>Net Loss from Continuing and Discontinued Operations</b>	<b>(23,509)</b>	<b>(4,905)</b>	<b>-79%</b>

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

	<u>4Q16</u>	<u>1Q17</u>	% Change
<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.*

LUPATECH S.A. AND ASSOCIATED COMPANIES

BALANCE SHEET ON MARCH 31, 2017 AND DECEMBER 31, 2016  
(In R\$ Thousands)

ASSETS	Note	Parent		Consolidated	
		03/31/2017	12/31/2016	03/31/2017	12/31/2016
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	4	133	123	1,448	1,233
Securities-restricted	4	1,570	1,541	1,570	1,541
Clients	5	18,465	16,818	44,408	44,912
Inventories	6	28,539	30,595	53,133	56,691
Recoverable taxes	7	5,874	5,650	30,748	29,603
Advances to suppliers		1,027	820	14,265	14,095
Other accounts receivable	8	3,727	3,813	6,182	6,394
Prepaid expenses		1,474	1,368	3,097	3,285
Accounts receivable - Related parties	14.1	79,730	84,809	-	-
Assets classified as held for sale		-	-	-	4,790
Total current assets		140,539	145,537	154,851	162,544
<b>NON-CURRENT ASSETS</b>					
Judicial deposits	16.3	1,692	1,663	24,837	24,657
Securities-restricted	4	2,085	2,046	2,085	2,046
Recoverable taxes	7	13,772	6,101	44,897	37,040
Accounts receivable - Related parties	14.1	25,088	25,804	-	-
Other accounts receivable	8	6,874	6,724	17,048	16,885
Investments					
Direct and indirect associated companies	9.1	363,489	356,588	-	-
Other investments		90	90	676	676
Fixed assets	10	81,279	82,786	284,153	281,730
Intangibles					
Goodwill	11	55,414	55,414	101,161	100,936
Other intangibles	11	14,507	14,798	15,406	15,776
Total Non-current assets		564,290	552,014	490,263	479,746
<b>TOTAL ASSETS</b>		<b>704,829</b>	<b>697,551</b>	<b>645,114</b>	<b>642,290</b>

The notes are an integral part of the financial statements.

LUPATECH S.A. AND ASSOCIATED COMPANIES

BALANCE SHEET ON MARCH 31, 2017 AND DECEMBER 31, 2016  
(In R\$ Thousands)

<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>	Note	Parent		Consolidated	
		03/31/2017	12/31/2016	03/31/2017	12/31/2016
<b>CURRENT LIABILITIES</b>					
Suppliers - not subject to Judicial Recovery	12	5,483	5,517	18,193	18,506
Suppliers - subject to Judicial Recovery	12	6,517	6,517	6,517	6,517
Loans and financing - not subject to Judicial Recovery	13	13,691	11,343	25,641	23,411
Provisions payroll and payroll payable		4,294	4,201	8,638	8,272
Commissions payable		841	869	867	897
Taxes payable		46,280	45,117	63,145	60,062
Obligations for labor risks and creditors class I - subject to Judicial Recovery		31,847	32,628	31,847	32,628
Advances from customers		1,808	1,905	3,274	2,452
Provision contractual fines		1,118	1,105	1,118	1,105
Other accounts payable		1,885	1,542	25,701	23,372
Related Parties - mutual and loans	14.1	70,271	69,993	-	-
Total current liabilities		184,035	180,737	184,941	177,222
<b>NON-CURRENT LIABILITIES</b>					
Suppliers - subject to Judicial Recovery	12	67,129	65,862	67,129	65,862
Loans and financing - subject to Judicial Recovery	13	71,433	69,149	118,369	118,189
Loans and financing - not subject to Judicial Recovery	13	-	-	12,190	12,666
Deferred income tax and social contribution	15	29,702	30,018	53,935	56,526
Taxes payable		5,687	5,734	9,948	10,047
Provision for contingencies	16.1	14,735	10,820	134,212	123,977
Other accounts payable		1,096	1,096	7,487	7,669
Related Parties - mutual and loans	14.1	274,109	264,003	-	-
Provision for negative equity in subsidiaries	9.2	18,811	19,180	18,811	19,180
Total non-current liabilities		482,702	465,862	422,081	414,116
<b>SHAREHOLDERS' EQUITY</b>					
Capital stock	17	1,853,684	1,853,684	1,853,684	1,853,684
Capital reserve to be realized		6,341	6,341	6,341	6,341
Capital transaction reserve		136,183	136,183	136,183	136,183
Stock options		13,549	13,549	13,549	13,549
Equity valuation adjustments		56,582	65,617	56,582	65,617
Retained earnings / Accumulated losses		(2,028,247)	(2,024,422)	(2,028,247)	(2,024,422)
Parents company's interest		38,092	50,952	38,092	50,952
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		704,829	697,551	645,114	642,290

The notes are an integral part of the financial statements.



LUPATECH S.A. AND ASSOCIATED COMPANIES

STATEMENT OF INCOME  
ON MARCH 31, 2017 AND 2016  
(In R\$ Thousands)

	Note	Parent		Consolidated	
		03/31/2017	03/31/2016	03/31/2017	03/31/2016
NET REVENUE FROM SALES	20	7,504	4,092	31,332	46,688
COST OF GOODS AND SERVICES SOLD		(8,246)	(4,579)	(37,404)	(55,254)
GROSS LOSS		(742)	(487)	(6,072)	(8,566)
OPERATING INCOME/EXPENSES					
Selling		(1,058)	(922)	(1,565)	(1,876)
General and administrative		(2,294)	(3,426)	(7,346)	(11,361)
Management compensation	14.2	(862)	(1,055)	(862)	(1,055)
Equity pick-up	9.1	16,338	(2,008)	(1,493)	-
Other operating income (expenses)	23	1,906	2,945	13,645	3,314
OPERATING INCOME (EXPENSES) BEFORE FINANCIAL RESULTS		13,288	(4,953)	(3,693)	(19,544)
FINANCIAL RESULTS					
Financial income	22	337	494	1,159	1,012
Financial expenses	22	(25,484)	(44,851)	(8,760)	(24,796)
Exchange variation, net	22	6,638	25,801	6,477	19,519
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(5,221)	(23,509)	(4,817)	(23,809)
PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION					
Current	15	-	-	(919)	(298)
Deferred	15	316	-	831	598
LOSS FOR THE PERIOD		(4,905)	(23,509)	(4,905)	(23,509)
Attributed to:					
Parent company's interest		(4,905)	(23,509)	(4,905)	(23,509)
LOSS PER SHARE (In Reais)					
BASIC EARNINGS PER SHARE	21	(0.52)	(2.50)	(0.52)	(2.50)
DILUTED PER SHARE	21	(0.52)	(2.50)	(0.52)	(2.50)

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT OF COMPREHENSIVE INCOME  
ON MARCH 31, 2017 AND 2016  
(In R\$ Thousands)

	Note	Parent		Consolidated	
		03/31/2017	03/31/2016	03/31/2017	03/31/2016
LOSS FOR THE PERIOD		(4,905)	(23,509)	(4,905)	(23,509)
OTHER COMPREHENSIVE INCOME					
Exchange variation on investments abroad	9.1	(7,955)	(32,002)	(7,955)	(32,002)
COMPREHENSIVE INCOME OF THE PERIOD		<u>(12,860)</u>	<u>(55,511)</u>	<u>(12,860)</u>	<u>(55,511)</u>
TOTAL COMPREHENSIVE INCOME ALLOCATED TO:					
Participation of controlling shareholders		(12,860)	(55,511)	(12,860)	(55,511)

The notes are an integral part of the financial statements.

LUPATECH S.A. AND ASSOCIATED COMPANIES  
CONSOLIDATED STATEMENT OF CHANGES SHAREHOLDER'S EQUITY  
ON MARCH 31, 2017 AND 2016

(Em milhares de Reais)

	Note	Capital Stock	Capital Reserves, Options Granted	Accumulated Profit/Loss	Equity valuation adjustments	Total Shareholders' Equity
<b>BALANCE ADJUSTMENT IN DECEMBER 31, 2015</b>		<b>1,853,684</b>	<b>149,732</b>	<b>(2,036,774)</b>	<b>126,671</b>	<b>93,313</b>
Loss of period		-	-	(23,509)	-	(23,509)
Exchange variation on investments abroad	9.1	-	-	-	(32,002)	(32,002)
Achievement of the valuation adjustment	9.1	-	-	1,080	(1,080)	-
<b>BALANCE ADJUSTMENT IN MARCH 31, 2016</b>		<b>1,853,684</b>	<b>149,732</b>	<b>(2,059,203)</b>	<b>93,589</b>	<b>37,802</b>
<b>BALANCE ADJUSTMENT IN DECEMBER 31, 2016</b>		<b>1,853,684</b>	<b>156,073</b>	<b>(2,024,422)</b>	<b>65,617</b>	<b>50,952</b>
Loss of period		-	-	(4,905)	-	(4,905)
Exchange variation on investments abroad	9.1	-	-	-	(7,955)	(7,955)
Achievement of the valuation adjustment		-	-	1,080	(1,080)	-
<b>BALANCE ADJUSTMENT IN MARCH 31, 2017</b>		<b>1,853,684</b>	<b>156,073</b>	<b>(2,028,247)</b>	<b>56,582</b>	<b>38,092</b>

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT CASH FLOW - INDIRECT METHOD

ON MARCH 31, 2017 AND 2016

(In R\$ Thousands)

	Note	Parent		Consolidated	
		03/31/2017	03/31/2016	03/31/2017	03/31/2016
<b>CASH FLOW FROM OPERATION</b>					
Net results		(4,905)	(23,509)	(4,905)	(23,509)
Depreciation and amortization	10 and 11	1,854	2,150	10,389	12,579
Reversal (Provision) for losses by non-recoverability of assets	10 and 11	-	-	(16,058)	-
Equity pick-up	9.1	(16,338)	2,008	1,493	-
Result on sale of fixed assets		10	-	(2,309)	-
Gain (Loss) on sale of investment		-	(13,315)	-	(13,315)
Financial expenses, net		17,233	17,736	(208)	2,183
Deferred income tax and social contribution		(316)	-	88	(598)
Losses on inventory obsolescence	6	1,265	6,763	1,126	7,103
Provision of contractual fines		25	7	1,623	129
Allowance for doubtful accounts	5	77	38	124	175
Effective losses on doubtful accounts	5	-	-	6	-
Present value adjustment	22	1,374	822	1,418	996
(Increase) decrease in operating assets:					
Accounts receivable		(3,468)	781	(1,284)	2,187
Inventories		791	(759)	2,529	(13)
Recoverable taxes		(7,895)	(133)	(11,716)	(156)
Other assets		(242)	(234)	5,513	(572)
(Increase) decrease in operating liabilities:					
Suppliers		(4,462)	(1,585)	(1,037)	(1,290)
Taxes payable		256	418	1,322	(3,891)
Others accounts payable		7,116	(2,944)	9,575	(5,578)
<b>Cash flow from operating activities</b>		<b>(7,625)</b>	<b>(11,756)</b>	<b>(2,311)</b>	<b>(23,570)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>					
Payment of capital in subsidiaries		1,114	(14,205)	-	-
Payment for acquisition of investment		-	28,599	-	28,599
Securities-restricted	4	6	40	14	212
Proceeds from the sale of fixed assets		-	-	3,125	-
Acquisition of property, plant and equipment	10	(66)	(50)	(138)	(422)
Acquisition to intangibles assets	11	-	(24)	-	(24)
<b>Cash flow from investing activities</b>		<b>1,054</b>	<b>14,360</b>	<b>3,001</b>	<b>28,365</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>					
Proceeds from loans and financing		5,198	3,005	21,344	19,257
Proceeds from loans and financing - Related parties		4,979	(5,263)	-	-
Payments of loans and financing - Principal		(3,568)	(3,332)	(21,249)	(22,649)
Payments of loans and financing - Interest		(28)	(1)	(568)	(1,023)
<b>Cash flow from financing activities</b>		<b>6,581</b>	<b>(5,591)</b>	<b>(473)</b>	<b>(4,415)</b>
EXCHANGE VARIATION ON CASH AND CASH EQUIVALENTS FOR SUBSIDIARIES ABROAD					
		-	-	(2)	19
<b>INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS</b>					
		<b>10</b>	<b>(2,987)</b>	<b>215</b>	<b>399</b>
Cash and cash equivalents at the beginning of period		123	3,125	1,233	31,012
Cash and cash equivalents at the end of period		133	138	1,448	31,411

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT OF ADDED VALUE  
ON MARCH 31, 2017 AND 2016  
(In R\$ Thousands)

	Note	Parent		Consolidated	
		03/31/2017	03/31/2016	03/31/2017	03/31/2016
<b>REVENUE</b>					
Sales of goods, products and services (IPI including)	20	8,351	4,926	33,786	51,737
Revenue from sale of investments	23	-	28,599	-	28,599
Other revenues	23	7,760	238	28,386	4,652
Allowance for doubtful accounts - Reversal (recognition)		(77)	(39)	(124)	(195)
		<b>16,034</b>	<b>33,724</b>	<b>62,048</b>	<b>84,793</b>
<b>ACQUIRED FROM THIRD PARTIES</b>					
Cost of products, goods and services sold		(2,700)	170	(8,021)	(4,764)
Materials, energy, and other outsourced services		(2,660)	(1,263)	(5,893)	(14,414)
Loss/Recovery of assets	10	-	-	15,841	-
Other expenses	23	(5,854)	(25,892)	(30,582)	(29,937)
		<b>(11,214)</b>	<b>(26,985)</b>	<b>(28,655)</b>	<b>(49,115)</b>
<b>GROSS ADDED VALUE</b>		<b>4,820</b>	<b>6,739</b>	<b>33,393</b>	<b>35,678</b>
<b>DEPRECIATION AND AMORTIZATION</b>	10 and 11	<b>(1,854)</b>	<b>(2,150)</b>	<b>(10,389)</b>	<b>(12,579)</b>
<b>NET ADDED VALUE GENERATED BY THE COMPANY</b>		<b>2,966</b>	<b>4,589</b>	<b>23,004</b>	<b>23,099</b>
<b>ADDED VALUE RECEIVED IN TRANSFER</b>					
Equity pick-up	9.1	16,338	(2,008)	(1,493)	-
Financial income	22	78,007	198,585	74,598	190,826
		<b>94,345</b>	<b>196,577</b>	<b>73,105</b>	<b>190,826</b>
<b>TOTAL ADDED VALUE TO BE DISTRIBUTED</b>		<b>97,311</b>	<b>201,166</b>	<b>96,109</b>	<b>213,925</b>
<b>DISTRIBUTION OF ADDED VALUE</b>					
<b>Staff:</b>		<b>4,659</b>	<b>5,901</b>	<b>19,946</b>	<b>32,375</b>
Direct compensation		3,536	4,452	14,445	22,210
Benefits		806	781	3,522	5,199
FGTS		317	668	1,979	4,966
<b>Taxes and contributions:</b>		<b>990</b>	<b>1,424</b>	<b>4,608</b>	<b>8,867</b>
Federal		545	978	3,734	7,893
States		428	426	793	398
Municipal		17	20	81	576
<b>Payment of debt</b>		<b>96,567</b>	<b>217,350</b>	<b>76,460</b>	<b>196,193</b>
Interest and other financial expenses	22	96,516	217,141	75,722	195,091
Rent		51	209	738	1,102
<b>Income (loss) on equity</b>		<b>(4,905)</b>	<b>(23,509)</b>	<b>(4,905)</b>	<b>(23,510)</b>
Income/Loss for the period		(4,905)	(23,509)	(4,905)	(23,510)

The notes are an integral part of the financial statements.

# Explanatory notes to interim financial statements as of March 31, 2017.

*(In thousands of Reais except net Income (Loss) per share, or otherwise indicated)*

## 1 Operating context

Lupatech S/A – In Judicial Recovery (the “Company”) and its subsidiaries and associate companies (jointly, the “Group”), is a group comprised of 18 units that currently has two business segments: **Products** and **Services** and has 713 employees.

The Company is a corporation with headquarters in Nova Odessa, State of São Paulo, and is listed in the São Paulo Stock Exchange (“BOVESPA”).

The **Products segment**, the Company produces industrial valves, valves for oil and gas, anchoring ropes for production platforms, valves, completion tools, compressors for vehicular natural gas (through company with significant participation).

The **Services segment**, the Company offers drilling rigs and workover services, well intervention, coating and inspection of pipes, equipment for well completion.

Petrobras is the Company’s main client and represents approximately 32.48% of the Company’s net revenues for the period of three months ended on March 31, 2017 (73.38% for the period of three months ended on March 31, 2016). Both segments of the Company (Products and Services) are affected by revenue originating from Petrobras.

### 1.1 Going concern

The Company’s Management seeks to overcome the Group’s economic and financial crisis and restructure its business through the judicial recovery process, in accordance with the judicial recovery plan submitted to its creditors, with the objective of preserving its business activity, maintaining its position as one of the most important economic 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.

The Company has succeeded in certain measures implemented since the filing of the request for Judicial Recovery which enabled the injection of substantial resources into its operations. Among these measures, we highlight the receipt of substantial amounts from its main customer (R\$36,951 in December 2015 and the sale of equity interests (R\$28,599 in March 2016). Other measures contained in the plan that were executed refer to sales of some property, plant and equipment of the company and the concentration of debt subject to the court supervised restructuring of the Brazilian entities in Lupatech S/A, as the principal payer, remaining the solidarity of the other companies.

During the year, the Company was able to inject working capital and execute investments required by its operations. However, every scenario developed by the Management indicates the need to obtain additional financial resources to raise working capital levels to support the resumption of operations. Certain business units have had their operations substantially affected by the oil and gas market conditions and the repercussions of the judicial recovery process, with their level of activity and operational performance capped. In the Company’s evaluation, these units shall

operate as according to expectations once the business environment normalizes, as long as the resources required for its working capital are obtained.

Management has conducted actions and negotiations, with the support of its financial advisors, which may include capital transactions and / or asset divestments, among others, in order to obtain financial resources. During 2016, Management continued the negotiations and considering the progress and current status of these actions, Management expects that additional resources will be obtained during the course of 2017.

During the quarter ended on March 31, 2017, the Company incurred loss before income and social contribution taxes of R\$5,221 in the parent company, and R\$4,817 in the consolidated statements (loss before income tax and social contribution of R\$23,509 in parent company and R\$23,809 in the consolidated statements for the three months ended on March 31, 2016). As of March 31, 2017, the Company's current liabilities exceeded the total current assets by R\$ 43,496 in the parent company and by R\$30,090 in the consolidated (R\$35,200 in the parent company and R\$14,678 in the consolidated-on December 31, 2016). Despite the improvement in results, continuity depends not only on performance improvement, but also on the Company's ability to obtain additional resources, whether from third parties, from the sale of assets.

## 1.2 Judicial Recovery

### I. *Judicial Recovery process of Lupatech Group*

On May 25, 2015, the Board of Directors of Lupatech S/A approved the filing for Judicial Recovery of Lupatech S.A. and its direct and indirect subsidiaries (Lupatech Group), in accordance with Article 122, paragraph one, of Law 6.404/76, despite the Administration's efforts in negotiating with creditors and the search for potential investors to balance the demands of working capital and CAPEX, and also, due to the unfavorable economic climate in the oil and gas sector, especially after the sharp fall in Oil price in the international market, and the crisis brought on Petrobras, the Company's main customer, which has been negatively impacted on the whole industry supply chain.

On the same date, Lupatech S/A and its subsidiaries: Lupatech Finance Limited; Amper Amazonas Perfurações Ltda; Itacau Agenciamentos Marítimos; Lochness Participações S/A; Lupatech - Equipment e Serviços para Petróleo Ltda; Lupatech – Perfuração e Completação Ltda; Matep S/A Máquinas e Equipamentos; Mípel Indústria e Comércio de Válvulas Ltda; Prest Perfurações; Sotep Sociedade Técnica de Perfuração S/A, filed in the District of São Paulo, the request for court-supervised reorganization ahead of the 1st Court of Bankruptcy and Judicial Recovery of São Paulo, which was granted on June 22, 2015. Alta Administração Judicial Ltda was designated as the judicial administrator.

On August 24, 2015, the Company and its subsidiaries (In Judicial Recovery) presented their Judicial Recovery Plan, along with the appraisal of the Company's assets and and the list of creditors subject to the Plan.

The list of creditors was published on October 16, 2015 and subjected to the judicial administrator for review.



The Plan was approved by the creditors at the General Meeting held on November 18, 2015, having been approved by the Judge of the 1st Court of Bankruptcies, Judicial Recoveries and related conflicts to the Arbitration Capital of São Paulo on December 11, 2015.

The deadline for secured and unsecured creditors electing the options offered in the Plan was March 10, 2016.

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 July 14, 2016, the Lupatech Group pleaded the extension of the "stay period", in view of the annulment of the Plan. The plead was granted on July 18, 2016 for a term of 90 days.

The Lupatech Group filed requests for clarification for pre-questioning purposes to the State Court of São Paulo, aiming at a special appeal to the Superior Court of Justice.

On September 5, 2016, in view of the decision handed down by the 2nd Chamber of Business Law of the Court of Justice of the State of São Paulo, annulling the decision of first instance of the plan originally presented and approved, a new Recovery Plan was presented to the court of origin.

The New Judicial Recovery Plan establishes the terms and conditions for the restructuring of Lupatech Group's debts and meets the criteria established by the 2nd Restricted Chamber of Business Law of the Court of Justice of the State of São Paulo.

On November 8, 2016, the New Judicial Recovery Plan was approved by the General Meeting of Creditors of the Lupatech Group, and such plan was homologated by the 1st Bankruptcy Court, Judicial Recovery and Arbitration-related Disputes of the Capital of São Paulo, without any safeguards, on December 1, 2016

Lupatech S/A filed a petition for clarification as the approval order did not mention one of the Group company's judicial reorganization. On February 15, 2017, the court corrected its approval order, including the company not mentioned. The deadline for filing claims against 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 claims fully confirms the legality of the plan and its effects as from the award decision of the sovereign decision of the creditors' meeting, and therefore the Lupatech Group and all creditors are bound by the plan of that date.

**II. *On the New Judicial Recovery Plan, approved by the creditors at a general meeting held on November 8, 2016, end homologated on December 01, 2016, within the scope of the judicial reorganization process that is filed before the 1st Bankruptcy Court, Judicial Regeneration and Conflicts Related to Arbitration of the County of São Paulo, in compliance with the determination of the 2nd Restricted Chamber of Business Law of the Court of Justice of the State of São Paulo, at the trial of the aggravations of instrument nº 2011357-84.2016.8.26.0000 and 2011783-96.2016.8.26.0000, which annulled the homologation decision of the plan previously approved by the creditors In assembly.***

The purpose of the adoption of the specific reorganization measures provided for below by the Plan is: (i) to renegotiate Lupatech Group's liabilities allowing the future release thereof; (ii) to



allow the entering of cash flow to keep and develop Lupatech Group's activities; (iii) to dispose of certain assets considered not essential to Lupatech Group's economic activities; (iv) to obtain new funds from capital market to expedite the reorganization; and (v) by raising Lupatech Group, to allow the creation of jobs and the payment of taxes.

**a. *Reorganization measures***

The Plan uses the following reorganization measures, as set forth in Article 50 of the Bankruptcy Law: (i) grant of special deadlines and conditions to pay the obligations of the Lupatech Group, with equalized financial charges, starting on the date of filing of the motion for court reorganization; (ii) increase of the capital stock by issuing securities, and change in the corporate control; (iii) partial sale, transfer or lease of assets of the Lupatech Group; (iv) organization of a specific purpose company to transfer assets to be used to pay creditors; and (v) other actions that may be submitted to prior approval of the Reorganization Court.

**Capital increase:** In order to allow injection of new capital, at any time after Judicial Ratification of the Plan, the Lupatech Group may make one or more Lupatech calls which may be intended for Creditors Subject to the Plan, Creditors Not Subject to the Plan and/or third party investors, as the case may be.

The delivery of Warrants to the Creditors Subject to the Plan shall give the Creditors Subject to the Plan the opportunity to purchase Shares at lower prices than those fixed upon issuance of the Warrants, and, in the absence of interest in becoming a shareholder, the Creditor may capture the amount of the benefit by selling such Warrants to third parties in BOVESPA. The economic results of the vesting or sale of the Warrants are subject to market variations and future performance of the Lupatech Group.

The warrants will have the security issued pursuant to art. 75 Of the Brazilian Corporation Law, and which shall contain the following characteristics: (i) each warrant will give its holder the right, but not the obligation, to subscribe for a share, at a price 50% lower than the price resulting from the average closing in the 30 trading sessions prior to the issue date of the warrants; (ii) the warrants will be exercisable within 7 years after its issuance; (iii) the exercise price of the warrants must be proportionally adjusted in the event of bonus, splits or reverse splits of Lupatech shares; And (iv) the non-exercise of the warrant under the conditions established therein will imply the decay of the right set forth therein.

Lupatech shall issue approximately three million warrants, which, if vested, shall be converted into three million shares equal to approximately 34% of the current capital stock of Lupatech, which percentage may vary as a result of any capital increases, and consolidation of the general list of creditors. The total Warrants to be issued is the result of converting 50% of the total indebtedness of the Unsecured Creditors and ME and EPP Creditors of the Lupatech Group (approximately R\$305 million), and 35% of the total indebtedness of the Collateral Creditors (approximately R\$21 million), by granting one Warrant to each one hundred reais of Credit – ratio that may be proportionally changed in the event of grouping, split or bonus of the shareholder base.

In the event that any capital increase allows for the capitalization of credits Subject to the Plan, the exercise of the right to participate in such capital increase shall always be optional for the Creditors, and shall always be granted equally to each class of Creditors Subject to the Plan or to the entire base of Creditors Subject to the Plan. In case the same capital increase contemplates

both the Creditors Subject to the Plan and third-party investors, the underwriting conditions of the Shares offered shall be the same to both of them.

Noteholders electing to participate in any capital increases allowing them to capitalize their Claims Subject to the Plan shall receive ADRs representing the Shares to be delivered by the Trustee.

The capitalization of credits represents an opportunity for the creditor to capture any improvement of the value of the Lupatech Group as a result of its recovery. The decision of the creditors subject to the Plan to convert their credits into shares will be the result of their free judgment, and will take into account the analysis of each creditor herself. The economic results of the capitalization of credits are subject to market variations and future performance of the Lupatech Group.

**Guarantees:** In order to secure the raising of new funds and preserving the rights of the Collateral Creditors, the Lupatech Group may, in addition to granting personal guarantees, create collateral and fiduciary guarantees: (i) on properties located in Maruim, Catú and São Mateus owned by the Lupatech Group; (ii) from the consolidation of the ownership for the benefit of the Lupatech Group on the property located in São Leopoldo; and (iii) from occasional release of the guarantees given to the Collateral Creditors on any of such released assets.

**Disposal of assets:** The Lupatech Group shall, as of the Judicial Ratification of the Plan, use their best efforts to dispose of the fixed assets described in the Plan, by means of a (i) Auction; (ii) private agreement executed for a price not below the price stated in valuation reports prepared by a specialized company; or (iii) private auction to be held by a company specializing in the valuation and sale of assets by means of actual or online auctions. The net proceeds from such disposals shall be used to pay labor, tax, social security and obligations set forth in the Plan.

**Disposal of UPIs (Isolated Production Units).** The Lupatech Group shall, as of the Judicial Ratification of the Plan, use its best efforts in order to dispose of the UPIs described in the Plan. The disposal of the UPIs may be made jointly or alone, by means of Bidding, including one or more UPIs of fixed assets. The net proceeds arising from such disposals shall be used to pay labor, tax, social security and obligations set forth in the Plan.

Any disposals of UPIs by means of Bidding shall be performed in accordance with the provisions of the respective notices, as set forth in the Bankruptcy Law, in compliance with all other conditions set forth in this Plan. The Lupatech Group may at its sole discretion elect any of the Bidding types set forth in Articles 142 through 145 of the Bankruptcy Law.

The UPIs that are disposed of by the Bidding shall be free from any liens, and the respective purchasers shall not be liable for any debts or liabilities of the Lupatech Group, including those of a tax and labor nature, as set forth in Articles 60 and 141 of the Bankruptcy Law.

In the event of disposal of any of the UPIs described in the Plan, by means of Bidding, the Lupatech Group may include, as an integral part of the UPI, the assignment of any rights to use for a fee and temporarily any properties where the equipment forming the disposed UPIs are located.

**Disposal of assets of non-reorganizing companies:** The Lupatech Group may further dispose of assets owned by foreign companies in which it holds an equity interest or control which are not part of the Judicial Reorganization. The net proceeds from such disposals shall be transferred to

the Reorganizing Parties, and used to pay labor, tax, social security and obligations set forth in the Plan.

**Disposal of assets given as collateral or fiduciary guarantee:** With the prior consent of the Creditor holding the respective guarantee, the Lupatech Group may dispose of assets to third parties given as collateral or fiduciary guarantee. The proceeds from the disposal of such assets shall be used to pay the Claims held by the Collateral Creditor or the Creditor with a fiduciary guarantee. Any excess shall be used to pay labor, tax, social security and obligations set forth in the Plan.

**Organization of SPEs:** In order to enable or facilitate the sale of any fixed assets or UPIs described in the Plan, as the case may be, the Lupatech Group may, jointly or individually, transfer one or more of such assets or UPIs to specific purpose companies organized by the Lupatech Group.

**Approval for disposal of assets:** In addition to the events of disposal of assets and Disposal of assets given as collateral or fiduciary guarantee, any other type of disposal, replacement or burdening of assets shall be authorized upon ruling of the Reorganization Court or approval by the Creditors Meeting, in accordance with the terms of the law and contracts applicable to such assets. Upon completion of the Judicial Reorganization, the Lupatech Group may freely dispose of any fixed or current assets observing the liens applicable to such assets, and the restrictions set forth in this Plan or Article 66 of the Bankruptcy Law shall no longer be applicable, but subject to usual restrictions set forth in bylaws and articles of association of the companies of the Lupatech Group and new debt instruments, as the case may be.

**b. *Restructuring of the claims subject to the plan***

With due regard for the provisions in article 61 of the Bankruptcy Law, novates all Claims Subject to the Plan, which shall be paid by Lupatech and by Lupatech Finance as principal debtors, as the case may be, in joint liability with the other companies of the Lupatech Group, which remain as co-obligors and joint debtors, expressly waiving any benefit of order.

The Claims Subject to the Plan shall be paid within the terms and in the manner established in the Plan, for each class of Creditors Subject to the Plan, even if the agreements that gave rise to the Claims Subject to the Plan provides otherwise. Upon such novation, all obligations, covenants, financial indexes, events of acceleration, fines, as well as any other contractual obligations that are incompatible with the conditions of this Plan shall be no longer applicable.

Credits not subject to the Plan would be paid in the form originally contracted or in the manner agreed between the Lupatech Group and the respective creditor, including, if applicable, through the implementation of the measures set forth in the Plan.

The terms foreseen for the payment of the credits subject to the Plan, as well as any grace periods provided for in the Plan, will start as from the judicial approval of the Plan.

In order to reduce costs in the administration of payments, a minimum amount of payment will be respected for creditors subject to the Plan of two hundred and fifty reais per creditor subject to the Plan authorized in the list of creditors, limited to the balance of their respective credit subject to the Plan.

**c. Restructuring of the labor claims**

Labor claims will be paid to each labor creditor within one year from the Judicial Approval of the Plan, as follows:

- **Initial payment:** The amount corresponding to up to five minimum salaries relating to claims of a strictly salary nature overdue within three months before the Filing Date was already paid by the Lupatech Group to the respective Labor Creditors, in compliance with the previous judicial reorganization plan, ratified by the Reorganization Court on December 16, 2015, resulting in proper compliance with article 54, sole paragraph of the Bankruptcy Law.
- **Payments flow:** The balance of the amount of Labor Claims, after deduction of the amounts paid in the initial payments, shall be paid to the respective Labor Creditors within up to one year as from the Judicial Ratification of the Plan, or, in case of Disputed Labor Claims, after their proper inclusion in the List of Creditors. If any partial payments are made, the first payment shall be made up to the limit of twenty-five minimum salaries per Labor Creditor, and the balance thereof shall be subsequently paid, in proportion to each Labor Creditor.

The payments shall be made in cash, and the Lupatech Group may resort to the payment method set forth in article 50, item XVI of the Bankruptcy Law.

Any Disputed Labor Claims that may be the subject-matter of settlement before the Labor Courts shall be paid as established in the respective settlements duly ratified by the Labor Courts in a final judgment. The Disputed Labor Claims shall not receive a more beneficial treatment than that given to the Undisputed Labor Claims in any event whatsoever.

Any Labor Claims the classification of which is objected to by any interested party under the Bankruptcy Law shall be regarded as Disputed Labor Claims and shall be solely paid after the final and non-appealable judgment determining the classification of the disputed claim, or upon guarantee, with due regard for the provisions of the Bankruptcy Law.

**d. Restructuring of the Secured Debt**

The provisions of this Chapter apply to secured debt only, regardless of their amount, nature or the amount of their guarantee. The payment measures established for Secured Creditors are intended to (i) proceed with settlement of a substantial portion of the Collateral Claim by means of payment in cash; and, additionally, (ii) enable the Collateral Creditor to benefit from the economic recovery pursued by the Lupatech Group by means of exercise of the Warrants offered in exchange of a portion of their Claim.

The Collateral Claims shall be paid by means of the following conditions:

- **Payment in cash:** Payment of 65% of the amount of the respective Collateral Claim, including principal and interest and charges incurred, in 15 years, in accordance with the payments flow established in the Plan, with the first installment of principal maturing 23 months as from the Judicial Ratification of the Plan. The amount of the Collateral Claims shall be accrued by interest and monetary restatement equivalent to a variable fee equivalent to the Reference Rate (TR) + 3% per annum, to be paid thirty (30) days after maturity of the first installment of the principal.

- **Warrants:** Payment of 35% of the amount of the respective Secured Debt, equivalent to the outstanding balance of principal, by means of Warrants, being understood that, for each one hundred Reais of Secured Debt, a Warrant shall be delivered with the characteristics described in the Plan. The Warrants shall be issued and made available to the Secured Creditor within 24 months as from the Judicial Ratification of the Plan, and may be disposed of by the Collateral Creditor to any third parties in the BOVESPA exchange. The quantity of Warrants to be delivered shall be adjusted proportionally, in minor or in excess, upon occurrence of bonus, splitting or grouping of the shares of Lupatech.

In addition to the payment above, the Lupatech Group may, at any time and with the consent of the respective Collateral Creditor, make full or partial payment of the balance of the respective Collateral Claim by means of: (i) giving in payment of any of the assets given as Collateral to the respective Creditor; (ii) giving in payment credits held by the Lupatech Group, in a sufficient amount to cover the balance of the respective Collateral Claim; or (iii) delivery of the funds obtained from the disposal of any of the assets given as Collateral in favor of the Collateral Creditor, whether under the Plan, court order, or article 60 of the Bankruptcy Law.

If the alternative payment takes place partially only, the respective Collateral Creditor shall proportionally release Collaterals in favor of the Lupatech Group.

*e. Restructuring of the Unsecured Debt*

The payment measures established for Unsecured Creditors are intended to (i) proceed with settlement of a substantial portion of the Unsecured Claim by means of payment in cash; and (ii) enable the Unsecured Creditor to benefit from the economic recovery pursued by the Lupatech Group by means of exercise of the Warrants offered in exchange of a portion of their Claim.

The Unsecured Debt shall be paid by means of the following conditions:

- **Payment in cash:** Payment of 50% of the amount of the respective Unsecured Debt, including principal and interest and charges incurred, in 15 years, in accordance with the payments flow established in the Plan, which covers an initial fixed installment of five hundred Reais per Unsecured Creditor qualified in the List of Creditors, to be paid 13 months as from the Judicial Ratification of the Plan, and proportional installments of the principal, with the first installment maturing 23 months as from the Judicial Ratification of the Plan. The amount of the Unsecured Debt shall accrue interest and monetary restatement at a variable rate equivalent to the TR + 3% per annum, to be paid 30 days after maturity of the first installment of the principal.
- **Warrants:** Payment of 50% of the amount of the respective Unsecured Debt, equivalent to the outstanding balance of principal, by means of Warrants, being understood that, for each one hundred Reais of Unsecured Claim, a Warrant shall be delivered with the characteristics described in the Plan. The Warrants shall be issued and made available to the Unsecured Creditor within 24 months as from the Judicial Ratification of the Plan, and may be disposed of by the Unsecured Creditor to any third parties in the BOVESPA exchange. The quantity of Warrants to be delivered shall be adjusted proportionally, in minor or in excess, upon occurrence of bonus, splitting or grouping of the shares of Lupatech.



Any Unsecured Claims that are denominated in foreign currency shall be ascertained in Reais based on the foreign exchange as of the Filing Date, and paid in conditions similar to the plan, in compliance with the exchange variation, by means of the following conditions:

- **Payment in cash:** Payment of 50% of the amount of the respective Unsecured Debt, including principal and interest and charges incurred, in 15 years, in accordance with the payments flow established in the Plan, which covers an initial fixed installment of five hundred Reais per Unsecured Creditor qualified in the List of Creditors, to be paid 13 months as from the Judicial Ratification of the Plan, and proportional installments of the principal, with the first installment maturing 23 months as from the Judicial Ratification of the Plan. The installments ascertained in Reais as set forth in the Plan shall be exchanged to the foreign currency on the payment date by the official foreign exchange rate of the Central Bank for the previous Business Day. The amount of Unsecured Debt shall accrue interest at a fixed rate of 0.4% per annum, to be paid 30 days after the last installment of principal, together with the exchange rate variation, if any. The exchange variation shall be ascertained by the difference between the original amount of the Unsecured Claim denominated in foreign currency and the amounts actually paid in foreign currency.
- **Warrants:** Payment of 50% of the amount of the respective Unsecured Debt, equivalent to the outstanding balance of principal, by means of Warrants, being understood that, for each one hundred Reais of Unsecured Claim, a Warrant shall be delivered with the characteristics described in the Plan. The Warrants shall be issued and made available to the Unsecured Creditor within 24 months as from the Judicial Ratification of the Plan, and may be disposed of by the Unsecured Creditor to any third parties in the BOVESPA exchange. The quantity of Warrants to be delivered shall be adjusted proportionally, in minor or in excess, upon occurrence of bonus, splitting or grouping of the shares of Lupatech.

The Lupatech Group shall ensure payment in cash, of at least two thousand Reais per Unsecured Creditor, up to the limit of the amount of their Unsecured Claim. In the event that said minimum amount exceeds the proportion of 50% of the Unsecured Claims, the amount in excess shall be deducted from the installment to be paid as Warrants.

Payment of the Noteholders Unsecured Claims. The Noteholders' Unsecured Claims, shall be paid in conditions similar to those provided in the Plan, with due regard for foreign exchange variation, under the following conditions:

- **Payment in cash:** Payment of 50% of the amount of the respective Unsecured Claim, including the principal amount and interest and charges incurred, by means of delivery of New Notes, which shall provide for the payment of their par value within a term of 15 years according to the payment flow provided in the Plan, which comprises an initial fixed installment of five hundred Reais per Unsecured Creditor qualified under the Creditors List to be paid 13 months after the Judicial Ratification of the Plan and the proportional installments of the principal amount, the first one to be due 23 months after Judicial Ratification of the Plan. The installments ascertained in Reais provided in the Plan shall be converted into foreign currency on the payment date by the official foreign exchange rate of the Central Bank of the previous Business Day. The amount of the

Unsecured Claims shall be levied with interest equivalent to a fixed rate corresponding to 0.4% per year, to be paid 30 days after the maturity of the last installment of the principal amount, jointly with the foreign exchange variation, if any. The foreign exchange variation shall be ascertained based on the difference between the original amount of the Unsecured Claim referred to in foreign currency and the amounts actually paid in foreign currency.

- **Warrants:** Payment of 50% of the amount of the respective Unsecured Claim, equivalent to the remaining balance of the principal amount, by means of delivery in payment of Warrants, and for each one hundred Reais of Unsecured Debt, a Warrant shall be delivered with the characteristics described in the Plan. The Warrants shall be issued and made available to the Unsecured Creditor within up to 24 months after the Judicial Ratification of the Plan, and may be disposed of at any time by the Unsecured Creditor to any third parties in the environment of BOVESPA. The number of Warrants to be delivered shall be proportionally adjusted up or down in case of the existence of stock dividend, split or combination of Lupatech's shares.

**Cancellation of the current Notes:** After the Judicial Ratification of the Plan and after obtaining a court decision under Chapter 15 acknowledging the efficacy of the Plan in the US territory, the Notes currently held by the Noteholders shall be cancelled by operation of law and replaced by the New Notes to be issued within up to 180 days as from the obtainment of the court decision under Chapter 15.

In case Lupatech Group, calls for a capital increase comprising the Unsecured Creditors, the Unsecured Creditors shall be guaranteed the right to subscribe the Shares and pay them up, whether wholly or in part, with their Claim Subject to the Plan remaining at the time, with due regard, at all times, for the rights of first refusal legally granted to the shareholders. In case of partial capitalization only, the remaining balance of the Unsecured Claim shall continue to be paid, upon proportional redistribution thereof in the remaining installments.

In case of increase of any Unsecured Claim, or inclusion of a new Unsecured Claim, as a result of any objection of claim or judgment of any lawsuit, the respective amount (in case of inclusion) or additional amount (in case of increase) shall be paid under the terms of the Plan, by means of proportional distribution of the amount into the future installments. Any increase or inclusion of any Unsecured Claim in the Creditors List during the payment term shall not create to the Unsecured Creditor whose claims are increased any right to the retroactive or proportional receipt of installments already paid.

Unsecured Claims whose classification is objected by Lupatech Group or any interested party under the terms of the Bankruptcy Law may only be paid after the judgment determining the qualification of the disputed claim becomes final and unappealable, with due regard for the terms of the Bankruptcy Law, and the terms for payment shall only start after such judgment becomes final and unappealable.

- f.* **Restructuring of Micro Business Company (ME) and Small Business Company (EPP) Debt**  
The purpose of the payment measures provided for ME and EPP Creditors is (i) to release a substantial portion of the ME and EPP Debt by means of payment in currency; and (ii) to allow the ME and EPP Creditor to benefit from the economic raising sought by Lupatech Group upon exercise of the Warrants offered in exchange for a portion of the Debt thereof.

The ME and EPP Debt shall be paid by means of the following conditions:

- **Payment in cash:** Payment of 50% of the amount of the respective ME and EPP Claim, including the main amount and interest and charges incurred, within a term of 15 years according to the payment flow provided in the Plan, which comprises an initial fixed installment of five hundred Reais per Unsecured Creditor qualified under the Creditors List to be paid 13 months after the Judicial Ratification of the Plan and the proportional installments of the main amount, the first one to be due 23 months after Judicial Ratification of the Plan. The amount of the Unsecured Debt shall accrue interest and monetary restatement equivalent to a variable rate corresponding to TR (Referential Rate) + 3% per year, to be paid within 30 days after the maturity of the last installment of the principal amount.
- **Warrants:** Payment of 50% of the amount of the respective ME and EPP Debt, equivalent to the remaining balance of the principal amount, by means of delivery in payment of Warrants, and for each one hundred Reais of ME and EPP Debt, a Warrant shall be delivered with the characteristics described in the Plan. The Warrants shall be issued and made available to the Unsecured Creditor within up to 24 months after the Judicial Ratification of the Plan, and may be disposed of at any time by the ME and EPP Creditor to any third parties in the BOVESPA exchange. The number of Warrants to be delivered shall be proportionally adjusted up or down in case of the existence of stock dividend, split or combination of Lupatech's shares.

Lupatech Group shall guarantee the payment in cash of at least two thousand Reais per ME and EPP Creditor, up to the limit of the amount of their respective ME and EPP Debt. In case such minimum amount exceeds the proportion of 50% of the ME and EPP Claims, the excess shall be reduced from the installment to be paid in Warrants.

In case Lupatech Group calls for a capital increase comprising ME and EPP Creditors, the ME and EPP Creditors shall be guaranteed the right to subscribe the Shares and pay them up, whether wholly or in part, with their Claim Subject to the Plan remaining at the time, with due regard, at all times, for the rights of first refusal legally granted to the shareholders. In case of partial capitalization only, the remaining balance of the ME and EPP Debt shall continue to be paid under the terms of the Plan, upon proportional redistribution thereof into the remaining installments.

In case of increase of any ME and EPP Debt, or inclusion of a new ME and EPP Debt, as a result of any objection of claim or judgment of any lawsuit, the respective amount (in case of inclusion) or additional amount (in case of increase) shall be paid under the terms of Plan, by means of proportional distribution of the amount into the future installments. Any increase or inclusion of any ME and EPP Claim in the Creditors List during the payment term shall not create to the ME and EPP Creditor whose claims are increased any right to the retroactive or proportional receipt of installments already paid.

ME and EPP Claims whose classification is objected by Lupatech Group or any interested party under the terms of the Bankruptcy Law may only be paid after the judgment determining the qualification of the disputed claim becomes final and unappealable, with due regard for the terms



of the Bankruptcy Law, and the terms for payment shall only start after such judgment becomes final and unappealable.

**III. *Annulment process of Judicial Recovery Plan of Lupatech Group approved and homologated on December 11, 2015 by D. Judge of the 1st Bankruptcy Court, Judicial Recovery and Conflicts Relating to Arbitration of the County of São Paulo and subsequently annulled by decision of the 2nd Chamber of Business Law Courts of the Court of Justice of the State of São Paulo.***

Aiming to reform decision of approval of the Reorganization Plan, were filed two interlocutory appeals before the Court of Justice of the State of São Paulo. In a judgment session held on June 27, 2016, the 2nd Reserved Chamber of Business Law of the São Paulo State Court of Justice upheld both interlocutory appeals, determining the annulment of the ratification decision of the Judicial Recovery Plan and presentation New Judicial Recovery Plan in the case of origin.

By understanding unreasonable judgments, the Lupatech Group on July 21, 2016, requested reconsideration for prequestionamento purposes, in order to subsequently bring special appeal before the Superior Court of Justice and that reform those decisions. However, the special features contain requests for suspensive effect of granting to the Lupatech Group resume full implementation of the Judicial Recovery Plan.

The Lupatech Group understands, based on the opinion of its legal advisors, that the Judicial Recovery Plan is fully valid and fully disagrees with the terms of the judgments rendered. However, in compliance with the current judicial decision, filed, on September 5, 2016, a New Judicial Recovery Plan, in the records of origin. The new Plan, prepared in accordance with parameters determined by the 2nd Restricted Chamber of Business Law of the Court of Justice of the State of São Paulo, was approved at the General Meeting of Creditors of the Lupatech Group on November 8, 2016, and homologated on December 1, 2016, by the judgment of the 1st Bankruptcy Court, Judicial Recoveries and Arbitration-Related Disputes of the Capital of São Paulo, without any reservations.

The Company awaits the certification of the unappealable 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.

## **2 Basis of presentation**

### **2.1 Declaration of conformity (with respect to IFRS and CPC standards)**

The consolidated interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices generally accepted in Brazil (BR GAAP).

The individual interim financial statements has been prepared in accordance with accounting practices generally accepted in Brazil (BR GAAP).

The Company's management says that all relevant information from its own financial statements, and they alone, are being highlighted, and which correspond to those used by it in its management. In compliance with CVM Circular Letter nº 003/2011, of April 28, 2011, below are presented the explanatory notes included in the most recent annual financial statements (fiscal year ended in December 31, 2016), which, in view of the absence of significant changes for the period of three

months ended on March 31, 2017, are not included in full form in these interim financial statements:

<b>Explanatory notes not included for the period of three months ended March 31, 2017</b>	<b>Location of the note in full annual financial statements for the fiscal year 2016</b>
Main accounting practices	Note n° 3
Other accounts payable	Note n° 18
Taxes payable - Non-current	Note n° 20

The issue of individual and consolidated financial statements has been approved by the Board of Directors on May 15, 2017.

*2.1.1 Restatement of the quarterly information previously disclosed*

**a. Restatement of the balance sheets (individual and consolidated) as of December 31, 2016**

In compliance with the requirements of Technical Pronouncement CPC 23 - Accounting Policies, Changes in Estimates and Rectification of Errors, approved by Resolution n° 1979/09 of the Federal Accounting Council, the Company prepared a retrospective re-statement and reclassification of the accounting information as of December 31, 2016, which are identified by the nomenclature "Reclassification".

According to ICPC 16, when equity instruments issued to the creditor to extinguish all or part of a financial liability are initially recognized, the entity shall measure them at the fair value of the equity instruments issued. Accordingly, the difference between the book value of the financial liability and the fair value of the equity instruments issued must be recognized in the income statement for the period. The Company recognized this adjustment in the year ended December 31, 2016.

The acceptance of the judicial recovery plan by the creditors implies that it is impossible to pay the part of the debt to be converted into warrants other than by the delivery of the respective equity instruments, thus representing the extinction of the financial liability. Considering that, in addition to the impossibility of returning the amounts, the balance of the financial liability corresponding to the fair value of the warrants meets the criteria established in item 16 of CPC 39, in compliance with item 39 of CPC 38, the corresponding balance must be booked as equity, as it no longer meets the criteria for financial liabilities, at the date of effectiveness.

Such an understanding, which was duly appraised in a similar situation in CVM ruling RJ2011/7085, was not properly observed, which is why the Company restates the Fair Value Adjustment (Non-Current Liabilities) and Capital Reserves (Shareholders' Equity), Which were included in the balance sheets (individual and consolidated) as of December 31, 2016, as follows:

	Parent			Consolidated		
	Original balances presented on 12/31/2016	Reclassification	Balances reclassified on 12/31/2016	Original balances presented on 12/31/2016	Reclassification	Balances reclassified on 12/31/2016
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>						
<b>NON-CURRENT LIABILITIES</b>						
Liabilities at fair value	6,341	(6,341)	-	6,341	(6,341)	-
Total non-current liabilities	472,203	(6,341)	465,862	420,457	(6,341)	414,116
<b>SHAREHOLDERS' EQUITY</b>						
Capital reserve to be realized	-	6,341	6,341	-	6,341	6,341
Parents company's interest	44,611	6,341	50,952	44,611	6,341	50,952
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>697,551</b>	<b>-</b>	<b>697,551</b>	<b>642,290</b>	<b>-</b>	<b>642,290</b>

## 2.2 Functional and reporting currency

These financial statements are presented in Brazilian Reais, which is the Company's functional currency. All balances are rounded to the nearest thousand, except when otherwise indicated.

## 2.3 Basis of preparation

The interim financial statements were 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 interim financial statements include the financial statements of Lupatech S/A – In Judicial Recovery and its subsidiaries.

### 2.4.1 Subsidiaries

The company did not have changes of participation in subsidiaries during the period of three months ended on March 31, 2017.

### 2.4.2 Jointly-owned subsidiaries

On January 18, 2017, the subsidiaries Luxxon Participações S.A. and Aspro do Brasil Sistemas de Compressão Ltda., concluded the sale of the 53.23% interest held jointly by Delta Compresión SRL, a limited liability company located in Argentina, for the amount of one hundred thousand United States dollars, to investors linked to the Inverlat Group, also located in Argentina.

This is the only change in jointly-controlled company joint ventures in the three-month period ended March 31, 2017, as shown below:

<b>Jointly-owned subsidiaries</b>	<b>Direct and indirect participation (%)</b>	
	<b>03/31/2017</b>	<b>12/31/2016</b>
<b><u>Direct participation</u></b>		
Luxxon Participações S.A. - (Brazil) (*)	43.71	43.71
<b><u>Indirect participation</u></b>		
Aspro do Brasil Sistemas de Compressão p/GNV Ltda. - (Brazil) (*)	43.71	43.71
Delta Compresión S.R.L. - (Argentina) (*) (**)	-	43.71

(\*) Joint Venture

(\*\*) Company sold

### 2.4.3 Companies comprising the consolidated statements

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

Direct and indirect subsidiaries	Direct and indirect participation (%)	
	03/31/2017	12/31/2016
<b>Direct participation</b>		
Mipel Ind. e Com. de Válvulas Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
Lupatech Equipamentos e Serviços para Petróleo Ltda.- In Judicial Recovery - (Brazil)	100.00	100.00
Lupatech Finance Limited - In Judicial Recovery - (Cayman)	100.00	100.00
Lupatech II Finance Limited - (Cayman)	100.00	100.00
Recu S.A. - (Argentina)	95.00	95.00
Lupatech OFS Coöperatief U.A. - (Netherlands)	100.00	100.00
Lupatech Netherlands Coöperatief U.A. - (Netherlands)	2.29	2.29
Lochness Participações S/A - In Judicial Recovery - (Brazil)	100.00	100.00
<b>Indirect participation</b>		
Recu S.A. - (Argentina)	5.00	5.00
Lupatech Netherlands Coöperatief U.A. - (Netherlands)	97.71	97.71
Lupatech OFS S.A.S. - (Colombia)	100.00	100.00
Lupatech Perfuração e Completação Ltda.- In Judicial Recovery - (Brazil)	100.00	100.00
Sotep Sociedade Técnica de Perfurações S/A - In Judicial Recovery - (Brazil)	100.00	100.00
Prest Perfurações Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
Itacau Agenciamentos Marítimos Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
Matep S.A. Máquinas e Equipamentos - In Judicial Recovery - (Brazil)	100.00	100.00
Amper Amazonas Perfurações Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
UNAP International Ltd. - (Cayman)	100.00	100.00

## 3 Standards, amendments and interpretations to Standards

### *Standards, amendments and interpretations to existing standards those are not yet effective*

A series of standards, amendments and interpretations of standards issued, and were not adopted in the preparation of this financial information. Those that may be relevant to the Company are mentioned below.

The Company does not plan to adopt these standards in advance, it intends to adopt them when they come into force.

#### *IFRS 9 Financial Instruments*

Published on July 2014, IFRS 9 replaced the guidelines in IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 includes a logical model for classification and measurement of financial instruments, including a new model of expected credit loss for the calculation of the impairment of financial assets, and new requirements for hedge accounting. The standard retains the existing guidance on the recognition and derecognition of financial instruments IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the effects that IFRS 9 will have on its financial statements and disclosures.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 requires an entity to recognize the amount of revenue reflecting the consideration that it expects to receive in exchange for control of such goods or services. When it is adopted, the new

standard will replace most of the detailed guidelines on the recognition of revenues presently existing under IFRS and US GAAP. It is applicable as from or after January 1, 2018, with earlier application permitted by IFRS. The standard may be adopted retrospectively using an approach of cumulative effects. The Company is evaluating the effects that IFRS 15 will have on its financial statements and disclosures.

Additionally, it is not expected that the following new standards or modifications can have a significant impact on the Company's consolidated financial statements:

- Accounting for Acquisitions of Interests in Joint Operations (alteration of IFRS 11);
- Acceptable Methods of Depreciation and Amortisation (alteration of CPC 27/IAS 16 and CPC 04/IAS 38);
- Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (alteration of CPC 36/IFRS 10 and CPC 18/IAS 28);
- Disclosure Initiative (Alteration of CPC 26/IAS 1).

The Accounting Pronouncements Committee has not yet issued accounting pronouncement or changes in existing pronouncements corresponding to all new IFRS. Therefore, the early adoption of these IFRS is not permitted for entities to disclose their financial statements in accordance with accounting practices adopted in Brazil.

## 4 Cash and cash equivalents and Securities

### Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

	Parent		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
<u>Cash and banks</u>				
Brazil	17	7	100	107
Abroad	44	46	1,276	1,056
	<u>61</u>	<u>53</u>	<u>1,376</u>	<u>1,163</u>
<u>Financial Investments</u>				
Bank deposit certificate	72	70	72	70
	<u>72</u>	<u>70</u>	<u>72</u>	<u>70</u>
Cash and cash equivalents	<u>133</u>	<u>123</u>	<u>1,448</u>	<u>1,233</u>

The financial investments are highly liquid and with insignificant risk of change in the value and relate to funds invested in fixed income fund and bank certificates of deposit. The yield rates of financial investments in bank deposit certificate are in accordance with the characteristics of the financial application with CDI's, parameter.

### Securities – restricted account

On March 31, 2017, the Company owned a balance of R\$1,570, registered as "Marketable securities - restricted" in current assets, and R\$2,085 in the non-current assets (R\$1,541 in current assets, and R\$2,046 in the non-current assets on December 31, 2016), relating to security deposit

the payment of any liabilities compensable as clause contract of sale of the unit Metallurgical Ipe for Duratex, called "Escrow Account", applied to the CBD.

## 5 Trade receivables

	Parent		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Local market	16,745	16,526	38,304	40,353
Export	5,916	4,411	11,468	9,793
	<u>22,661</u>	<u>20,937</u>	<u>49,772</u>	<u>50,146</u>
Less: allowance for doubtful accounts	(4,196)	(4,119)	(5,364)	(5,234)
	<u>18,465</u>	<u>16,818</u>	<u>44,408</u>	<u>44,912</u>

In the three-month ended on March 31, 2017, were recognized in the result, losses with a provision for doubtful accounts in the amount of R\$77 in the parent and R\$124 in the consolidated, and an effective loss with bad debtors of R\$6 in the Consolidated.

In the three-month ended on March 31, 2016, were recognized in the result, losses with a provision for doubtful accounts in the amount of R\$38 in the parent and R\$175 in the consolidated.

## 6 Inventories

	Parent		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Finished goods	3,620	3,499	8,958	9,276
Goods for resale	1,343	1,536	4,447	5,046
Work in progress	9,046	9,263	15,498	15,756
Raw material	21,340	21,842	56,002	57,259
Losses on inventory obsolescence	(6,810)	(5,545)	(31,772)	(30,646)
Total	<u>28,539</u>	<u>30,595</u>	<u>53,133</u>	<u>56,691</u>

In the three-month ended on March 31, 2017 were recognized in the result, losses on inventories obsolescence in the amount of R\$1,265 in parent and R\$1.126 in consolidated.

In the three-month ended on March 31, 2016 were recognized in the result, losses on inventories obsolescence in the amount of R\$6.763 in parent and R\$7.103 in consolidated.



## 7 Recoverable taxes

	Parent		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Value-added Tax on Sales and Services (ICMS) recoverable	13,462	13,666	13,915	14,142
Excise Tax (IPI) recoverable	1,569	1,523	1,956	1,907
Social Integration Program (PIS) recoverable	645	627	1,007	1,240
Social Contribution on Revenues (COFINS) recoverable	3,192	3,112	4,909	5,240
Corporate Income Tax (IRPJ) advances	-	-	13,793	12,488
IRF and IRPJ recoverable	627	880	33,334	33,122
CSLL recoverable	35	54	5,422	5,682
National Institute of Social Security (INSS) Contribution recoverable	44	44	1,084	824
Service tax (ISS) recoverable	-	-	36	36
Other	72	72	189	189
Provision for non-recovery of taxes	-	(8,227)	-	(8,227)
<b>Total</b>	<b>19,646</b>	<b>11,751</b>	<b>75,645</b>	<b>66,643</b>
Current	5,874	5,650	30,748	29,603
Non-Current	13,772	6,101	44,897	37,040

The source of the aforementioned credits is the following:

- **Recoverable COFINS, PIS and IPI** – these are basically a result of credits on purchase of inputs used in exported products and sale of products taxed at zero rate. The realization of these credits has been conducted by offsetting other federal taxes.
- **Recoverable income tax and social contribution** – these results from taxes on income overpaid throughout previous years or in the form of advance payment during the current year, and from taxes on financial operations withheld at source. The Company provides services to Petrobras, a state-owned company that performs withholding taxes on sales. These taxes have been offset against taxes payable of the same nature.
- **ICMS** – refers to credits on acquisitions of inputs used in the manufacture of products whose sale is subject to ICMS reduced calculation basis, as well as credits on acquisitions of inputs used in the manufacture of products to be exported.

Actions have been taken to use these accumulated tax credits, mainly involving strategies and logistics for the acquisition of inputs.

On December 31, 2016, the Company had a provision in the amount of R \$ 8,227 relating to ICMS credits over which it had no expectation of realization. The Company has been able to recover the said credits (R\$122 recovered in 2016 and R\$482 in previous years), and thus, on March 31, 2017, this provision was reversed.

## 8 Other receivables

As of March 31, 2017, the Company has the following balances recorded as other accounts receivable in current and non-current assets, as shown below:

	Parent		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
<b>Other accounts receivable - Current</b>				
Travel advances	3	3	48	48
Advances to employees	466	554	727	944
Profits and dividends receivable	2,913	2,913	4,577	4,577
Receiving insurance and accident	138	138	138	138
Other receivables	207	205	692	687
<b>Total</b>	<b>3,727</b>	<b>3,813</b>	<b>6,182</b>	<b>6,394</b>

	Parent		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
<b>Other accounts receivable - Non-current</b>				
Loans receivable from related Unifit	6,716	6,570	6,716	6,570
Loans receivable from related Luxxon	158	154	5,814	5,681
Accounts receivable related to investment sale	-	-	4,040	4,155
Other receivables	-	-	478	479
<b>Total</b>	<b>6,874</b>	<b>6,724</b>	<b>17,048</b>	<b>16,885</b>

## 9 Investments

### 9.1 Investments in subsidiaries and associated companies

	Parent		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
In affiliates	357,424	350,523	-	-
Goodwill on acquisition of investments (Note 11)	6,065	6,065	-	-
<b>Total</b>	<b>363,489</b>	<b>356,588</b>	<b>-</b>	<b>-</b>

	Mipel	Recu	LESP	Finance	Finance II	LNC	LOFS	Lochness	Parent	
									03/31/2017	12/31/2016
<b>Investment</b>										
<b>Amount of share or quotas</b>										
Ordinary shares (thd)	-	3,000	-	-	-	-	-	619,895		
Capital stock quotas (thd)	18,717	-	379,174	50	1	-	-	-		
Participation %	100	95	100	100	100	2	100	100		
<b>Shareholders' equity (Unfunded liabilities)</b>	<b>12,775</b>	<b>925</b>	<b>30,720</b>	<b>184,909</b>	<b>-</b>	<b>12,851</b>	<b>42,858</b>	<b>15,010</b>		
Income (Loss) for the year	(1,084)	-	2,794	19,567	-	(639)	101	(3,441)		
Unrealized profits	(412)	-	-	-	-	-	-	-		
<b>Changes in investments</b>										
Beginning balance	16,374	877	72,853	169,298	-	318	41,994	48,809	350,523	448,991
Advance for future capital increase	(167)	-	2,661	-	-	-	-	(3,608)	(1,114)	(11,699)
<b>Equity pick-up result</b>	<b>(1,143)</b>	<b>-</b>	<b>2,794</b>	<b>19,535</b>	<b>-</b>	<b>(15)</b>	<b>101</b>	<b>(3,441)</b>	<b>17,831</b>	<b>(32,616)</b>
Reclassification of unfunded liabilities	-	-	-	-	-	-	-	-	-	-
Equity evaluation adjustments	-	2	(262)	(3,923)	-	(9)	763	(6,387)	(9,816)	(54,153)
<b>Final balance</b>	<b>15,064</b>	<b>879</b>	<b>78,046</b>	<b>184,910</b>	<b>-</b>	<b>294</b>	<b>42,858</b>	<b>35,373</b>	<b>357,424</b>	<b>350,523</b>

The corporate names of the subsidiaries and associated companies are the following: Mipel - Mipel Ind. Com. Válvulas Ltda. - In Judicial Recovery; LESP – Lupatech – Equipamentos e Serviços para Petróleo Ltda. - In Judicial Recovery; Lupatech Finance Limited – In Judicial Recovery; Finance II - Lupatech II Finance Limited; LNC – Lupatech Netherlands Coöperatief U.A.; LOFS – Lupatech OFS Coöperatief U.A. and Lochness Participações S/A – In Judicial Recovery.

The equity pick-up result is composed as follow:



	Parent		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
In affiliates	17,831	(2,008)	-	-
In joint venture	(1,493)	-	(1,493)	-
Total	16,338	(2,008)	(1,493)	-

## 9.2 Investments in jointly controlled entities (joint venture)

Luxxon Participações S/A is a jointly controlled entity of the Lupatech Group with Axxon Group. The Company shares with the other members of the joint administration of relevant activities of that entity.

On March 31, 2017, the Company recognized investments in joint ventures related to Luxxon Participações S/A, as a provision for unfunded liabilities in the amount of R\$18,811 (R\$19,180 on December 31, 2016).

Investments in jointly controlled are measured by the equity method.

## 10 Property, plant and equipment

	Weighted average rate of depreciation % p.p.	Parent		Consolidated	
		03/31/2017	12/31/2016	03/31/2017	12/31/2016
		Net	Net	Net	Net
Land	-	12,336	12,336	13,916	13,035
Building and construction	2%	30,966	31,190	41,728	42,069
Machinery and equipment	9%	27,725	28,764	157,511	153,917
Molds and matrixes	15%	717	763	847	900
Industrial facilities	5%	6,990	7,138	8,783	8,952
Furniture and fixtures	9%	1,114	1,170	2,102	2,238
Data processing equipments	14%	189	204	378	429
Improvements	2%	177	185	1,483	1,506
Vehicles	19%	122	130	135	448
Casks	-	-	1	6	6
Advances for fixed assets acquisitions	-	11	11	9,819	9,857
Construction in progress	-	932	894	47,445	48,373
Total		81,279	82,786	284,153	281,730

Bellow is the breakdown of property, plants and equipments:

Parent									
Gross Cost	Land	Building and construction	Machinery and equipment, molds and matrices	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2016	12,336	39,257	90,491	11,725	3,861	3,951	894	497	163,012
Additions	-	-	17	-	-	11	38	-	66
Disposal	-	-	(30)	-	-	(21)	-	-	(51)
Balance on March 31, 2017	12,336	39,257	90,478	11,725	3,861	3,941	932	497	163,027

Parent									
Accumulated depreciation	Land	Building and construction	Machinery and equipment, molds and matrices	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2016	-	(8,067)	(60,964)	(4,402)	(2,691)	(3,747)	-	(355)	(80,226)
Additions	-	(224)	(1,092)	(156)	(56)	(26)	-	(9)	(1,563)
Disposal	-	-	20	-	-	21	-	-	41
Balance on March 31, 2017	-	(8,291)	(62,036)	(4,558)	(2,747)	(3,752)	-	(364)	(81,748)

Parent									
Net property, plant and equipment	Land	Building and construction	Machinery and equipment, molds and matrices	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2016	12,336	31,190	29,527	7,323	1,170	204	894	142	82,786
Balance on March 31, 2017	12,336	30,966	28,442	7,167	1,114	189	932	133	81,279

Consolidated									
Gross Cost	Land	Building and construction	Machinery and equipment, molds and matrices	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2016	13,035	56,302	430,071	18,934	10,088	10,727	48,373	33,225	620,755
Additions	-	-	65	-	20	11	38	4	138
Disposal	851	-	(13,783)	-	(2)	(34)	(158)	(1,910)	(15,026)
Effect of exchange variance	30	4	(2,869)	-	6	17	(308)	30	(3,590)
Reversal of provision for impairment of assets	-	-	16,058	-	-	-	-	-	16,058
Reclassification for assets held for sale	-	-	8,247	-	-	-	-	-	8,247
Balance on March 31, 2017	13,916	56,306	437,789	18,934	10,112	10,731	47,445	31,349	626,582

Consolidated									
Accumulated depreciation	Land	Building and construction	Machinery and equipment, molds and matrices	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2016	-	(14,233)	(275,254)	(8,476)	(7,850)	(10,298)	-	(22,914)	(339,025)
Additions	-	(343)	(8,940)	(192)	(157)	(63)	-	(324)	(10,019)
Disposal	-	-	7,083	-	2	24	-	1,911	9,020
Effect of exchange variance	-	(2)	1,138	-	(5)	(16)	-	(62)	1,053
Reclassification for assets held for sale	-	-	(3,458)	-	-	-	-	-	(3,458)
Balance on March 31, 2017	-	(14,578)	(279,431)	(8,668)	(8,010)	(10,353)	-	(21,389)	(342,429)

Consolidated									
Net property, plant and equipment	Land	Building and construction	Machinery and equipment, molds and matrices	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2016	13,035	42,069	154,817	10,458	2,238	429	48,373	10,311	281,730
Balance on March 31, 2017	13,916	41,728	158,358	10,266	2,102	378	47,445	9,960	284,153

The value attributed to property, plants and equipments in guarantee of liabilities on March 31, 2017 is as follows:

Guaranteed liabilities	Fixed assets	
	Parent	Consolidated
Taxation (Tax executions)	14,791	14,949
Borrowing and financing (Note 13)	39,046	55,431
Total	53,837	70,380

### Commercial Lease

On March 31, 2017, the Company has through its subsidiary Lupatech OFS S.A.S. commitment of fixed assets acquisition that are in the phase of production through financial leasing in the amount of R\$8,622 (R\$8,854 on December 31, 2016).

### Impairment tests

In 2016, based on the appraisal reports of property, plant and equipment, impairment tests were performed, and a provision for impairment loss of R\$28,387 was identified in the consolidated.

In the quarter ended March 31, 2017, after a new analysis, impairment provision for prior years

was recognized and recorded in the amount of R\$17,270 and loss recording in the amount of R\$1,212, consolidated, resulting in an adjustment Net of R\$16,058 in property, plant and equipment (zero in the quarter ended March 31, 2016).

## 11 Intangible Assets

	Weighted rates of amortization % p.p.	Parent		Consolidated	
		03/31/2017	12/31/2016	03/31/2017	12/31/2016
		Net	Net	Net	Net
Goodwill (*)	-	55,414	55,414	101,161	100,936
Software and other licenses	20%	930	1,061	1,474	1,670
New projects developments	20%	13,577	13,737	13,932	14,106
Total		69,921	70,212	116,567	116,712

(\*) In Parent represents the balance of goodwill of subsidiaries incorporated

Bellow is the breakdown of intangible Assets:

	Parent			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
<b>Gross Cost</b>				
Balance on December 31, 2016	55,414	9,665	20,792	85,871
Balance on March 31, 2017	55,414	9,665	20,792	85,871
	Parent			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
<b>Acculated Amortization</b>				
Balance on December 31, 2016	-	(8,604)	(7,055)	(15,659)
Additions	-	(131)	(160)	(291)
Balance on March 31, 2017	-	(8,735)	(7,215)	(15,950)
	Parent			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
<b>Net Intangible Assets</b>				
Balance on December 31, 2016	55,414	1,061	13,737	70,212
Balance on March 31, 2017	55,414	930	13,577	69,921

	Consolidated			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
<b>Gross Cost</b>				
Balance on December 31, 2016	100,936	12,725	22,139	135,800
Effect of the conversion of subsidiaries abroad	225	-	-	225
<b>Balance on March 31, 2017</b>	<b>101,161</b>	<b>12,725</b>	<b>22,139</b>	<b>136,025</b>

	Consolidated			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
<b>Acculated Amortization</b>				
Balance on December 31, 2016	-	(11,055)	(8,033)	(19,088)
Additions	-	(196)	(174)	(370)
<b>Balance on March 31, 2017</b>	<b>-</b>	<b>(11,251)</b>	<b>(8,207)</b>	<b>(19,458)</b>

	Consolidated			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
<b>Net Intangible Assets</b>				
Balance on December 31, 2016	100,936	1,670	14,106	116,712
<b>Balance on March 31, 2017</b>	<b>101,161</b>	<b>1,474</b>	<b>13,932</b>	<b>116,567</b>

Below is a summary of the allocation of goodwill by level of Cash Generating Unit:

UGCs	Goodwill on acquisition of investments			
	Investments (Note 9)		Intangible	
	Parent		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Products Segment				
Carbonox and Valmicro (Group of units)	6,065	6,065	6,065	6,065
Lupatech S/A - CSL unit	55,414	55,414	55,414	55,414
Services Segment				
Fiberware Unit	-	-	20,687	20,687
Lupatech OFS Coöperatief U.A. Unit (Netherlands)	-	-	18,995	18,770
<b>Total</b>	<b>61,479</b>	<b>61,479</b>	<b>101,161</b>	<b>100,936</b>
Investment	6,065	6,065	-	-
Intangible Assets	55,414	55,414	101,161	100,936

Goodwill is allocated to cash-generating units for which can be identified in the cash flows of cash-generating units - CGU.

The goodwill allocated to the group of Carbonox and Valmicro units is not relevant in the comparison with the goodwill's total book value, why not individual information of these CGUs is presented.

Below is a summary of amounts recorded as a loss for the non-recoverability of goodwill by level Cash Generating Unit:

UGCs	Goodwill on acquisition of investments	Impairment	Net Goodwill
<b>Products Segment</b>			
Carbonox and Valmicro (Group of units)	6,065	-	6,065
Lupatech S/A - CSL unit	125,414	(70,000)	55,414
Lupatech – Equipamentos de serviços para Petróleo – Oil Tools Unit	9,149	(9,149)	-
Tecval Unit	55,680	(55,680)	-
Lupatech - Equipamentos de serviços para petróleo - Monitoring Systems Unit	9,884	(9,884)	-
<b>Services Segment</b>			
Lupatech – Equipamentos de serviços para petróleo Unit	59,227	(59,227)	-
Fiberware Unit	20,687	-	20,687
Lupatech OFS Coöperatief U.A. Unit (Netherlands)	18,995	-	18,995
<b>Total</b>	<b>305,101</b>	<b>(203,940)</b>	<b>101,161</b>

## 12 Suppliers

	12/31/2016						03/31/2017					
	Parent			Consolidated			Parent			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
<b>Suppliers</b>												
<b>Subject to Judicial Recovery</b>												
Domestic Suppliers	5,646	60,660	66,306	5,646	60,660	66,306	5,646	61,921	67,567	5,646	61,921	67,567
Export Suppliers	871	5,202	6,073	871	5,202	6,073	871	5,208	6,079	871	5,208	6,079
<b>Total</b>	<b>6,517</b>	<b>65,862</b>	<b>72,379</b>	<b>6,517</b>	<b>65,862</b>	<b>72,379</b>	<b>6,517</b>	<b>67,129</b>	<b>73,646</b>	<b>6,517</b>	<b>67,129</b>	<b>73,646</b>
<b>Not Subject to Judicial Recovery</b>												
Domestic Suppliers	5,420	-	5,420	17,392	-	17,392	5,389	-	5,389	17,066	-	17,066
Export Suppliers	97	-	97	1,114	-	1,114	94	-	94	1,127	-	1,127
<b>Total</b>	<b>5,517</b>	<b>-</b>	<b>5,517</b>	<b>18,506</b>	<b>-</b>	<b>18,506</b>	<b>5,483</b>	<b>-</b>	<b>5,483</b>	<b>18,193</b>	<b>-</b>	<b>18,193</b>
<b>Total</b>	<b>12,034</b>	<b>65,862</b>	<b>77,896</b>	<b>25,023</b>	<b>65,862</b>	<b>90,885</b>	<b>12,000</b>	<b>67,129</b>	<b>79,129</b>	<b>24,710</b>	<b>67,129</b>	<b>91,839</b>

According to the current Judicial Recovery plan, 50% of the unsecured credits of suppliers will be paid through the payment of Warrants, and the remaining 50% will be paid in cash within 15 years, with interest and monetary restatement at a variable rate equivalent to TR + 3% per annum, to be paid 30 days after the last installment of the principal, as proposed in the terms of payments of the unsecured creditors of the New Plan.

In the quarter ended on March 31, 2017, there was recording revenue of present value adjustment on supplier's subject to judicial recovery in the amount of R\$589 (R\$431 in the quarter ended on March 31, 2016) in the parent and consolidated.

The balance of adjustment to present value on supplier's subject to judicial recovery, recognized on March 31, 2017 was R\$57,540 (R\$58,129 on December 31, 2016) in the parent and consolidated, considering the discount rate of 13.65% per year.

## 13 Loans and financing

Description	Index	Weighted interest rates	12/31/2016						03/31/2017					
			Parent			Consolidated			Parent			Consolidated		
			Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
<b>Subject to Judicial Recovery</b>														
<b>Local currency</b>														
Secured creditors	FIX	3,00% p.p. + TR	-	42,023	42,023	-	42,023	42,023	-	42,482	42,482	-	42,482	42,482
(-) Present value adjustment			-	(20,835)	(20,835)	-	(20,835)	(20,835)	-	(20,608)	(20,608)	-	(20,608)	(20,608)
Unsecured creditors	FIX	3,00% p.p. + TR	-	95,124	95,124	-	175,100	175,100	-	96,164	96,164	-	173,991	173,991
(-) Present value adjustment			-	(47,163)	(47,163)	-	(78,099)	(78,099)	-	(46,605)	(46,605)	-	(77,496)	(77,496)
			-	69,149	69,149	-	118,189	118,189	-	71,433	71,433	-	118,369	118,369
<b>Not subject to Judicial Recovery</b>														
<b>Local currency</b>														
Working capital / expansion	CDI	6,80% p.p.	1,778	-	1,778	1,778	-	1,778	1,862	-	1,862	1,862	-	1,862
Working capital / expansion	TJLP	5,94% p.p.	7,466	-	7,466	13,529	-	13,529	7,905	-	7,905	14,327	-	14,327
Discounted titles	-	23,83% p.p.	555	-	555	1,564	-	1,564	2,350	-	2,350	2,575	-	2,575
Credit limit	FIX	213,4% p.p.	-	-	-	-	-	-	-	-	-	-	-	-
<b>Foreign currency</b>														
Working capital / expansion	US DOLAR	7,48% p.p.	1,544	-	1,544	2,569	-	2,569	1,574	-	1,574	2,618	-	2,618
Working capital / expansion	PESO COP	13,83% p.p.	-	-	-	3,971	12,666	16,637	-	-	-	4,259	12,190	16,449
			11,343	-	11,343	23,411	12,666	36,077	13,691	-	13,691	25,641	12,190	37,831
			11,343	69,149	80,492	23,411	130,855	154,266	13,691	71,433	85,124	25,641	136,559	156,200

According to the plan of Judicial Recovery in force, 35% of the credits secured by the Judicial Recovery will be paid through the payment of Warrants, and the remaining 65% will be paid in cash within 15 years, with interest and correction at a variable rate equivalent to TR + 3% per annum, to be paid 30 days after the maturity of the last installment of the principal, as proposed in the terms of payments of the secured creditors of the New Plan.

In the case of unsecured loans and financing, in accordance with the Judicial Recovery Plan in force, 50% will be paid through the payment of Warrants and the remaining 50% will be paid in cash within 15 years, with Interest increase and monetary restatement at a variable rate equivalent to TR + 3% per annum, to be paid 30 days after the last installment of the principal, as proposed in the terms of payments of the unsecured creditors of the New Plan.

In the quarter ended on March 31, 2017, there was a recording of the adjustment to present value of loans and financing subject to judicial recovery in the amount of R\$785 in the parent and R\$829 in the consolidated.

The balance of adjustment to present value on loans and financing subject to judicial recovery, recognized on March 31, 2017 is R\$67,213 (R\$67,998 on December 31, 2016) at the parent and R\$98,104 (R\$98,934 on December 31, 2016) in the consolidated, considering the discount rate of 13.65% per year.

Maturities for non-current financing installments are distributed as follow:

Maturity	Parent		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
2018	-	-	5,469	7,138
2019	-	-	5,933	5,105
from 2020	71,433	69,149	119,157	118,612
	71,433	69,149	130,559	130,855

The guarantees for loans and financings were granted as follows:

		Value of the guarantee			
		Parent		Consolidated	
		Book value*	Appraisal report value**	Book value*	Appraisal report value**
<b>Sujeito à Recuperação Judicial</b>					
<b>Moeda nacional</b>		<b>Garante</b>			
Working capital/ expansion	Mortgage / Buildings	36,445	103,220	36,445	103,220
Working capital/ expansion	Machinery and equipment	2,601	2,624	2,601	2,624
		<u>39,046</u>	<u>105,844</u>	<u>39,046</u>	<u>105,844</u>
<b>Não Sujeito à Recuperação Judicial</b>					
<b>Moeda Estrangeira</b>		<b>Garantia</b>			
Working capital/ expansion	Own financed asset	-	-	16,385	-
		-	-	16,385	-
		<u>39,046</u>	<u>105,844</u>	<u>55,431</u>	<u>105,844</u>

\* Net values of depreciation.

\*\* Evaluation according to the reports prepared by Appraisal Avaliações e Engenharia Limitada, in July 2015, presented to the Judicial Recovery Court, shown in the table above for reference.

The indirect subsidiary, OFS SAS, has covenants related to financial leasing agreement with Bancolombia which require the maintenance of (a) EBITDA 2x more than interest expense paid (b) Debt / EBITDA until 3x. On March 31, 2017, the indirect subsidiary Lupatech OFS SAS attended to the condition of financial covenants. The total amount of this loan is R\$4,194, recorded in current liabilities in the amount of R\$549 and R\$3,645 in non-current liabilities (total amount of R\$4,145 on December 31, 2016 recorded R\$41 in current liabilities and R\$4,104 in non-current liabilities).

On March 31, 2017, the Company has a balance of R\$4,245 (R\$4,256 on December 31, 2016) of billing notification by Votorantim S/A bank relating to the Guarantee provided - Guaranteed by a letter of guarantee requested by Nordeste do Brasil S/A bank for repayment of loan from Unifit – Unidade de Fios Industriais de Timbaúba S/A and BNB, totaling R\$31,180 of which the Company was a guarantor on 50%.

Due to the Judicial Recovery Plan, Bonds and Debentures are treated and registered with loans subject to judicial recovery in noncurrent liabilities, due to their classification as unsecured creditors of the Plan, where they have interest and monetary restatement at a variable rate equivalent to TR + 3% per year, as determined for the payment of these creditors in the new Judicial Recovery Plan.

## 14 Related parties

### 14.1 Subsidiary

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



	Parent				03/31/2017	12/31/2016
	SABR	Mipel Sul	Lupatech Finance	LESP		
<b>Assets</b>						
<b>Current</b>						
Accounts receivable	-	7	-	-	7	-
Other accounts receivable	2,023	106	77,247	347	79,723	84,809
<b>Non-current</b>						
Mutual and loans	25,088	-	803,967	-	829,055	852,786
	<u>27,111</u>	<u>113</u>	<u>881,214</u>	<u>347</u>	<u>908,785</u>	<u>937,595</u>
<b>Liabilities</b>						
<b>Current</b>						
Accounts payable	-	173	-	-	173	130
Other accounts payable	-	112	-	1,204	1,316	1,459
Mutual and loans	-	-	38,811	29,972	68,783	68,404
<b>Non-current</b>						
Mutual and loans	-	-	1,078,075	-	1,078,075	1,090,985
	<u>-</u>	<u>285</u>	<u>1,116,886</u>	<u>31,176</u>	<u>1,148,347</u>	<u>1,160,978</u>
					<b>03/31/2017</b>	<b>03/31/2016</b>
<b>Income</b>						
Sales	-	7	-	-	7	4
Purchases	-	981	-	-	981	982
Financial income	1	-	-	-	1	93
Financial expenses	-	-	19,517	-	19,517	23,806
Exchange variance	-	-	57,157	-	57,157	57,128
Total	<u>1</u>	<u>988</u>	<u>76,674</u>	<u>-</u>	<u>77,663</u>	<u>82,013</u>

	Parent						
	Transaction date	Time	Interest rate	Amount R\$	Balance US\$	03/31/2017	12/31/2016
<b>Assets mutual</b>							
<b>Foreign currency</b>							
Contract 1	July-14	Indeterminated	105% do DI-Cetip	627,226	253,745	803,967	826,982
Contract 2	July-14	Indeterminated	105% do DI-Cetip	20,992	7,683	25,039	25,755
Contract 3	December-14	Indeterminated	12,000% p.p.	288	15	49	49
				<u>648,506</u>	<u>261,443</u>	<u>829,055</u>	<u>852,786</u>
<b>Liabilities mutual</b>							
<b>Foreign currency</b>							
Contract 1	July-07	13 years	9,875% p.p.	28,025	15,784	50,009	50,857
Contract 2	July-07	13 years	9,875% p.p.	65,391	37,931	120,180	122,188
Contract 3	May-09	11 years	12,000% p.p.	40,736	29,536	93,582	94,354
Contract 4	May-09	11 years	12,000% p.p.	117,249	85,125	269,710	271,907
Contract 5	July-09	11 years	12,000% p.p.	50,618	39,381	124,776	125,806
Contract 6	September-09	11 years	10,100% p.p.	134,378	107,488	340,566	344,143
Contract 7	October-09	11 years	10,000% p.p.	46,231	37,263	118,063	119,303
Contract 8	December-15	Indeterminated	-	36,951	9,460	29,972	30,831
				<u>519,579</u>	<u>361,968</u>	<u>1,146,858</u>	<u>1,159,389</u>
				<b>519,579</b>	<b>361,968</b>	<b>1,146,858</b>	<b>1,159,389</b>

Loan agreements and foreign currency loans between Lupatech Finance Company and are presented net amount of R\$312,919 (R\$301,576 on December 31,2016) in liabilities of the parent, due to come from the same transaction related to perpetual bonds.

The transactions are made according to the conditions agreed among the parts.

On March 31, 2017, the Company has a loan agreement with the Unifit – Unidade de fios Industriais de Timbaúba S/A in the amount of R\$6,716 (R\$6,570 on December 31, 2016). This amount is recorded in other receivables as non-current assets.

The Company has, on March 31, 2017, a loan agreement with the jointly Luxxon Participações S/A amounting to R\$5,814 (R\$5,681 on December 31, 2016). This amount is recorded in other receivables in non-current assets.

**a. *Guarantees granted***

The transactions with related parties are not backed by any guarantees, and are nothing but either ordinary commercial transactions (purchase and sale of materials), or intercompany loans.

**b. *Conditions of price and interests***

Intercompany loan in Brazil are monetarily restated according to the DI-Cetip monthly rate for funds raised in the market.

## **14.2 Key management staff**

**a. *Management compensation***

Lupatech S/A - In Judicial Recovery registered a total of R\$862 in the quarter ended March 31, 2017 related to management compensation (R\$1,055 in the quarter ended March 31, 2016). At the Annual and Extraordinary General Meeting held on May 12, 2017, the fixed remuneration and annual global variable of the Company's management was approved for the year in the amount up to R\$7,962, and so divided: up to R\$3,552 for the global fixed remuneration; including benefits and charges; up to R\$3,276 to the overall variable remuneration; and up to R\$1.134 for the fixed remuneration of the Board of Directors.

On March 31, 2017, the Company has the amount of R\$4,397, booked as current liabilities, related to variable compensation from the financial debt restructuring plan of the Company (R\$4,397 on December 31, 2016).

In the period of three months ended on March 31, 2017, the Company did not pay a variable compensation related to the retention plan for executives and key personnel in the Company (payment of R\$1,193 in the period of three months ended on March 31, 2016).

## **14.3 Loans e debentures with Shareholders**

On March 31, 2017, the amount of loans with GPCM, LLC. (A subsidiary of Oilfield Services Holdco LLC) is R\$7,304 (R\$7,323 on December 31, 2016), and are booked in non-current liabilities, with loans subject to judicial recovery.

## **15 Income taxes and social contribution**

For companies with headquarters in Brazil, depending on the situation of each company, if levied by taxable profit, the provision for income tax is calculated and accounted at the 15% rate over the taxable income, plus an additional 10%, and the social contribution at the 9% rate, calculated and accounted over the income before income tax, adjusted pursuant to tax laws. The companies levied based on presumed profit calculate their income tax at the rate of 15%, plus an additional 10%, and social contribution at the rate of 9%, over presumed profits from 8% to 32% for income tax and 12% for social contribution on subsidiaries' gross income from selling and services, pursuant to the fiscal rules in force.

The operations of subsidiaries located in Argentina are taxed at a 35% rate on adjusted profit for tax purposes. Operation of subsidiary located in Colombia is taxed at a 33% rate on adjusted profit for tax purposes.

#### a. Deferred income tax and social contribution

On March 31, 2017, in the parent and consolidated, all active balances were recognized in the proportionality of the existing liabilities. The existing deferred income and social contribution tax balances are presented as follows:

	Parent		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Adjustment to present value of suppliers, fines, loans and debentures	(29,702)	(30,018)	(37,054)	(37,381)
Assigned Cost	-	-	(17,507)	(19,764)
Others	-	-	626	619
<b>Deferred income tax and social contribution - Non-current</b>	<b>(29,702)</b>	<b>(30,018)</b>	<b>(53,935)</b>	<b>(56,526)</b>

On March 31, 2017, the balance of deferred income tax and social contribution liabilities is R\$29,702 in the parent company and R\$53,935 in the consolidated (R\$30,018 on December 31, 2016 in the parent and R\$56,526 in the consolidated), and are recorded in the results of period of three month ended on March 31, 2017, the amounts of R\$316 in the parent and R\$831 in the consolidated (zero in the parent and R\$598 in the consolidated in the period of three months ended on March 31, 2016). The effects of results arise mainly from the variation in the adjustment to present value and attributed cost.

#### b. Conciliation of income tax and social contribution

	Parent		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Loss before tax	(5,221)	(23,509)	(4,817)	(23,809)
<b>Adição e exclusões</b>				
Equity pick-up	(16,338)	2,008	1,493	-
Allowance for doubtful accounts	77	38	124	175
Non-deductible interest	17,208	21,160	17,208	21,160
Provision for loss contingencies	3,154	986	9,538	3,964
Present value adjustment	1,374	822	1,418	996
Tax amortization of goodwill on investment	(3,446)	(3,398)	(7,221)	(6,843)
Provision of interest on suppliers	1,303	2,300	1,423	2,300
Other	(5,072)	(14,912)	(26,127)	(19,521)
<b>Calculation basis</b>	<b>(6,961)</b>	<b>(14,505)</b>	<b>(6,961)</b>	<b>(21,578)</b>
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution at the combined tax rate	-	-	-	-
<b>Current Income tax and social contribution of subsidiaries with taxable income</b>	<b>-</b>	<b>-</b>	<b>(919)</b>	<b>(298)</b>
<b>Deferred tax and social contribution</b>	<b>316</b>	<b>-</b>	<b>831</b>	<b>598</b>

## 16 Contingent liabilities and Judicial Deposits

### 16.1 Provision for tax, labor and civil risks

The Company, through its attorneys, has been discussing some tax, labor and civil issues in court. The provision for tax, labor and civil risks was determined by the Management based on available information and supported by the opinion of the Company's attorneys as to the expected decision, in an amount deemed sufficient to cover losses considered likely to occur, which may occur in view of unfavorable court decisions.

		Parent		Consolidated	
		Expectation of loss		Expectation of loss	
		Possible	Probable	Possible	Probable
Tax (i)					
VAT	(i.1)	112,255	-	71,035	-
CSLL - Social Contribution on Net Income	(i.2)	69,875	-	5,630	-
IRPJ - Corporate Income Tax	(i.3)	-	-	123,803	16,876
INSS - National Institute of Social Security	(i.4)	40,703	4,299	1,690	19,735
IPI - Excise Tax	(i.5)	-	-	1,524	-
PIS - Employees' Profit Participation Program	(i.6)	1,524	-	-	206
COFINS - Tax for Social Security Financing	(i.7)	-	-	-	672
ISS - Services Tax	(i.8)	-	-	4,331	5,423
CIDE - Contribution for Intervention in the Economic Domain	(i.9)	-	-	1,038	-
Other	(i.10)	-	-	60	9,013
		224,357	4,299	209,111	51,925
Labor (ii)		154	10,145	40,525	71,482
Civil (iii)		8,403	291	32,055	10,805
Total on March 31, 2017		232,914	14,735	281,691	134,212
Total on December 31, 2016		117,711	10,820	205,684	123,977

These figures cover the whole of the Group companies to include figures under litigation and administrative as well as situations where incurred even without the existence of release or formal questioning by the authorities, give rise to risks of future losses.

The provision for resources involved in legal disputes in the amounts above (R\$14,735 in parent and R\$134,212 in consolidated as on March 31, 2017 and R\$10,820 in parent and R\$123,977 in consolidated on December 31, 2016) and referring to the spheres listed below takes into account the probable loss, and this set when an outflow of economic benefits is presumed on the matter discussed, the trials accruing in each demand and the jurisprudential understanding of each case.

In turn, the demands with probability of possible loss are excluded from the provision.

### ***Indemnity assets***

The Company is entitled to be reimbursed to the limit of R\$50,000 related to losses it may incur arising from any known contingencies not as guarantee clause in the Investment Agreement signed with GP Investments and other parties. Contingencies not known at the time of the transaction may result this warranty to be triggered in the future.

On April 4, 2017, the Company filed a petition with the Market Arbitration Chamber to institute arbitration against GP Investments and its vehicles seeking reimbursement for losses incurred by the Company and arising from (i) contingencies not known to San Antonio Brasil S/A, and (ii) breach of obligations and breach of declarations and warranties.

The lawsuits are divided into three levels, namely:

#### ***(i) Tax provision***

Issues regarding state and federal taxes, among these IRPJ (corporate income tax), PIS (social integration program), COFINS (contribution for social security financing), INSS (Brazilian Social Security Institute), ICMS (value-added tax) and IPI (tax on manufactured products). There are legal proceedings in all phases, from lower courts to higher courts, STJ (Higher Court of Justice) and STF (Higher Federal Court). The main processes and values are as follows:

**Contingent lawsuits classified as possible loss:**

- (i.1) Infraction notices by the Finance Department of the State of Rio Grande do Sul (SEFAZ/RS) due to lack of payment - fictitious export of VAT. Process subject to possible loss of R\$52,553 and is waiting for judgment of the extraordinary appeal.

Execution tax of the State of São Paulo against Lupatech S/A- In Judicial Recovery, for the purpose of collection of VAT due on imports, not including additional freight for renewal of the merchant navy (AFRMM) on the basis of calculation of tax due. The process is in distribution stage, and on November 26, 2015 the Company filed a petition requesting that any act of constriction be referred to the universal judgment (Bankruptcy stick and Judicial Recoveries), and December 10, 2015, there ordinatório act performed, intimating the State to science. On January 13, 2016, was filed Exception of pre-executivity and, on April 04, 2016, filed impugnation by the State of São Paulo. Process subject to possible loss of R\$7,669.

Annulment action against tax debt Lupatech S/A - In Judicial Recovery, by the State of São Paulo. In May 17, 2016 granted the emergency protection to suspend the payment of claims. On May 24, 2016, the Company filed a motion stating that it made the payment of official warrant rate of justice, and the first installment of judicial rate. Process subject to possible loss of R\$3,231.

Tax enforcement of São Paulo State Treasury regarding the collection of VAT and fine debt, the notice of violation with a fine of imposition nº 3149008 against Lupatech S/A – In Judicial Recovery in the amount of R\$1,679, subject to possible loss. On April 17, 2015, it was certified the filing of the Instrument of Appeal filed against a decision that granted the online attachment and reported the filing of a Special Appeal. On April 22, 2015, an order was issued determining the manifestation of the parties about the certificate issued informing that a Special Appeal is being processed before the 9th Chamber of the TJSP. On October 23, 2015, the Special Appeal was inadmissible and directed to the processing of Resources. On June 13, 2016, together with the petition filed by the Company, informing about the filing of the Appeal.

Fiscal Execution of the National Treasury against Lupatech S/A - MNA Nova Odessa Unit. On June 22, 2016, process sent to the State, this being the last update. Process subject to possible loss of R\$1,189.

- (i.2) Federal Action against Lupatech Perfuração e Completação Ltda. - In Judicial Recovery, referring to federal taxes, where on September 14, 2016, a petition for a document document was filed. Process subject to possible loss of R\$2,214.

Tax assessment by the Federal Revenue of Brazil against Sotep – Sociedade Técnica de Perfuração S/A – In Judicial Recovery, regarding the collection of social contributions on the payroll typified in the art. 22 of Law nº 8.212/91, as well as incidents on the remuneration paid, due or credited to their services to individual taxpayers. In July 22, 2014, autos welcomed the 2nd Trial Section of the CARF to voluntary appeal trial. Possible loss of R\$1,358.

- (i.3) Tax assessment notice issued by the Federal Revenue Service of Brazil against Lupatech Perfuração e Completação Ltda. – In Judicial Recovery. Case subject to possible loss of R\$42,665.



Security order of Lupatech S/A - In Judicial Recovery against Delegate of the Federal Revenue of Brazil, in Piracicaba/SP, for adhesion of debit to the simplified installment - Law nº 10.522/02. Case subject to possible loss of R\$22,138, and is awaiting judgment of the appeal.

Tax assessment notice of the Federal Revenue of Brazil against Lupatech Perfuração e Completação Ltda. - In Judicial Recovery, for collection of IRPJ resulting from the profit arbitration. On August 26, 2014, the voluntary appeal filed by the company was dismissed by CARF, where the company opposed Embargo de Declaration. On February 11, 2015, the case was referred to CARF. On June 15, 2016, opposing Embargoes of Declaration by the Company were denied follow-up. On July 08, 2016, special appeal presented by the taxpayer, which was sent to the 1st Chamber-1st Section of CARF on July 11, 2016. Possible Loss of R\$19,548.

Tax assessment and enforcement and fines, by the Federal Revenue of Brazil against Lupatech S/A – In Judicial Recovery, with the purpose of collecting debts in respect of IRPJ and CSLL calculated in calendar years 2009 and 2010, alleging that the deduction made Tecval improper tax of goodwill paid by TCV, when the acquisition of Tecval. Currently the process is awaiting intimation of Lupatech to appeal. Possible loss (tending to remote) of R\$10,385.

Tax assessment notice issued by the Federal Revenue Service of Brazil against Lupatech Perfuração e Completação Ltda. - In Judicial Recovery. Process subject to possible loss of R\$8,054.

Tax enforcement by the Federal Union against Lupatech S/A – In Judicial Recovery resulting from the administrative process which refers to the allegation of revenue omission, having as basis documents obtained in an illicit and incorrect way by the Federal Revenue. The act of violation originally recorded was decided on first administrative instance where it achieved success; the tax requirements as well as the allegation of omission were excluded. Such decision was confirmed by the Taxpayers Council. The process is subject to classification of possible loss by the legal consultants and totals the updated amount of R\$5,381. Currently, the process is awaiting trial judgment of embargo presented to restore the decision that denied continuation to the Extraordinary Remedy lodged from the Union for recognizing the unconstitutionality of the break of bank secrecy.

Process concerning negative balance of income tax which, on August 19, 2015, was presented expressions of nonconformity. Since August 28, 2015 the process is in the reception and DRJ-RJO RJ-screening. Process subject to possible loss of R\$5,212.

Administrative proceeding of the Federal Revenue of Brazil, request for tax compensation by Prest Perfurações Ltda. Process subject to possible loss of R\$3,149.

Tax assessment notice issued by the Federal Revenue Service of Brazil against Prest Perfurações Ltda. - In Judicial Recovery. Process subject to possible loss of R\$1,436.

Tax assessment by the Internal Revenue Service of Brazil against Lupatech S/A - In Judicial Recovery, through which requires separate fine resulting from the application of the percentage of 50% on the amount of object debts of unapproved compensation as provided in art.74, § 17 of Law nº 9.430/96. On November 6, 2015, presented objection alleging the unconstitutionality of the fine imposed on contesting. Possible loss of R\$1,429.

- (i.4) Notice of Infringement drawn up for collection by DEBCAD No. 37.142.030-0, regarding the conversion of ancillary obligation into main obligation, consisting of the failure to declare in GFIP the contributions due in the period between January 1999 and June 2007 at the company Sotep Sociedade Drilling Technique S/A - In Judicial Recovery. Case subject to possible loss of R\$1,690. On April 29, 2011, a process was received at the CARF for the judgment of the Voluntary Appeal filed by the company, with distribution on August 6, 2015.
- (i.5) Tax Enforcement against Lupatech S/A – In Judicial Recovery consistent in launching IPI debts under omission pretext revenue, with the foundation documents obtained unlawfully. The process is subject to possible loss classification (trending to probable loss) the legal consultants and comes to a total amount of R\$1,524. It is currently awaiting trial Paradigma Appeal.
- (i.8) Fiscal Execution of the Municipality of Três Rios - RJ, against Sotep - Sociedade Técnica de Perfuração S/A - In Judicial Recovery. Case subject to possible loss of R\$3,239.
- (i.9) Fiscal Administrative Procedure of the Federal Revenue Secretariat of Brazil against Lupatech Perfuração e Completação Ltda. – In Judicial Recovery, for charging debits of CIDE resulting from remittances outside Brazil. On February 20, 2015, the Federal Revenue of Brazil partially upheld the appeal lodged by the records of the administrative process. On April 9, 2015, file forwarded to the CARF and given input on July 16, 2015. Process subject to possible loss of R\$1,038.

#### **Contingent processes classified as probable loss**

- (i.3) Assessment notice from the Federal Revenue of Brazil, issued due to the arbitration of the company's profit Lupatech Perfuração e Completação Ltda - In Judicial Recovery in the 2010 calendar year due to shortcomings in the transmission of Digital Bookkeeping (ECD). His last update was on March 6, 2015, when the case was referred to Delagacia Internal Revenue Service of Ribeirão Preto Brazil. Process with probable loss of R\$14,393.
- (i.8) ISS over the provision of services performed on the Brazilian continental shelf, which may be subject to challenge by the tax authorities. Process without lawsuit subject to probable loss if challenged in R\$4,223.
- (i.10) Possible contingent liabilities at fair value assumed in the business combination of San Antonio Brazil S/A pursuant to CPC 15, in the amount of R\$8,794.
- (ii) *Labor provision*  
The Company and its subsidiaries are part of labour lawsuits referring to discussions that are mainly complaints about overtime, insalubrities and dangerousness, among others. None of the lawsuits refers to individually significant values.
- (iii) *Civil provision*  
The main discussions in this area, classified as possible loss are related to:
  - (iii.1) Common share obligation moved by Weatherford Indústria e Comércio Ltda. Weus Holding Inc. and is alleged misappropriation of confidential blueprints of your property. The process has a risk classification as probable loss and approximate value of R\$623, as possible loss of R\$2,080, and



remote loss of R\$42.000. It is currently in the execution stage/final award, pending forensic accounting.

- (iii.2) Search and seizure action filed by BNDES - National Economic Development Bank against Lupatech S/A - In Judicial Recovery. Process in the knowledge stage, subject to a possible loss of R\$11,452.
- (iii.3) Execution of Extrajudicial Title filed by STMS Manutenção Comércio e Serviços de Máquinas Ltda-ME against Lupatech S/A - In Judicial Recovery. Case awaiting service of the Company in Appeal. Subject to possible loss of R\$1,156.
- (iii.4) Execution of extrajudicial title of Valman Indústria Metalúrgica Ltda against Lupatech Serviços de Petróleo Ltda - In Judicial Recovery. Process subject to possible loss of R\$1,089. Classification due to the consignment of the records to the provisional archive and the news of Judicial Recovery frustrating the execution.
- (iii.5) Collection action of Smith International Brazil Ltda. Process subjecting the possible loss of R\$2,066.
- (iii.6) Collection action of Tania Regina dos Santos Mathias Epp. Process subjecting the possible loss of R\$1,292.

The main discussions in this area classified as probable loss are related to:

- (iii.7) Action for return for damages, where the author requests reimbursement of the amounts blocked in the records of the labor claim filed by Bergson Rosa against San Antonio International do Brasil Serviços de Petróleo Ltda., the Author, UNAP International Ltda., Delba Marítima Navegação Ltda. And Cia Batsco Ltda. Process with probable loss of R\$ 3,817.
- (iii.8) Indemnification action of the company Aeróleo Taxi Aéreo S/A. Case subject to probable loss of R\$1,061.

The changes in provision balance on March 31, 2017 are as follows:

	Parent				Consolidated			
	Tax	Labor	Civil	Total	Tax	Labor	Civil	Total
Balance on December 31, 2016	4,199	6,338	283	10,820	51,381	62,288	10,308	123,977
Net additions	100	3,813	8	3,921	544	11,585	495	12,624
Net write-offs	-	(6)	-	(6)	-	(2,391)	2	(2,389)
Balance on March 31, 2017	4,299	10,145	291	14,735	51,925	71,482	10,805	134,212

## 16.2 Contingent assets

	Probability of probable gain	
	Parent	Consolidated
Tax (i)	5,410	84,584
<b>Balance on March 31, 2017</b>	<b>5,410</b>	<b>84,584</b>
<b>Balance on December 31, 2016</b>	<b>5,297</b>	<b>21,296</b>

The Company did not record contingent gains, for it only records them after the claims are final and unappeasable or upon the effective inflow of funds.

(i) **Tax provision**

Tax – discussions related to city, state and federal tax rights.

Main processes contingent tax assets with probable gain:

- (i.1) Security order of Sotep - Sociedade Técnica de de Perfuração S/A - In Judicial Recovery X National Treasury in the State of Bahia. Probable gain amount of R\$72,021.
- (i.2) Tax assessment notice and fine, drawn up by the Federal Revenue Service of Brazil against Lupatech S/A - In Judicial Recovery, with the purpose of collecting IRPJ and CSLL debts ascertained in the calendar years 2009 and 2010, under the Allegation that Tecval made undue tax deduction of goodwill paid by TCV, upon the acquisition of the control of Tecval itself. Amount subject to probable gain for the discussion of the qualified fine in the amount of R\$4,106.
- (i.3) Refutation of fiscal execution about ICMS collection of Lupatech S/A - In Judicial Recovery, due to the transfer of goods between establishments of the company itself, supported by the Certificate of Active Debt No. 1,092,569,630 (AIIM nº3158871). On July 04, 2016, a judgment was handed down ruling the Embargoes to Execution, declaring the unenforceability of the tax, as well as the nullity of the CDA that bases the Fiscal Execution. Probable gain amount of R\$1,303.
- (i.4) Administrative proceeding of request of restitution of taxes in the Federal Revenue of Brazil by Prest Perfurações Ltda. - In Judicial Recovery. Probable process of gain of R\$3,290.
- (i.5) Common action filed by Prest Perforaciones Ltda. - In Judicial Recovery against the State of Rio Grande do Norte. Process subject to probable gain of R\$2,257.
- (i.6) Federal Administrative Proceedings of Prest Perfurações Ltda. - In Judicial Recovery against Federal Revenue of Brazil. Processes in recursal phase subject to a probable gain of R\$3,240.

**16.3 Judicial deposits**

The Company has the following balances of judicial deposits on March 31, 2017, which are inked to contingent liabilities:

	<b>Judicial deposits</b>	
	<b>Parent</b>	<b>Consolidated</b>
Tax contingencies	611	3,622
Labor contingencies	907	20,029
Civil contingencies	174	1,186
<b>Balance on March 31, 2017</b>	<b>1,692</b>	<b>24,837</b>
<b>Balance on December 31, 2016</b>	<b>1,663</b>	<b>24,657</b>

## 17 Shareholders' equity

### a. Capital stock

Current integrated capital stock only comprises common shares with 100% tag-along right, as follows:

	Parent and Consolidated	
	Quantity of share Thousand	Capital stock R\$
Balance on December 31, 2016	9,394	1,853,684
Balance on March 31, 2017	9,394	1,853,684

### b. Dividends

Annually, is ensured to the shareholders, the distribution of a minimum mandatory dividend of 25% of net income adjusted as per corporate legislation.

### c. Equity Evaluation Adjustment

The Company recognizes in this rubric the effects of exchange rate variations on the investments in subsidiaries abroad and on the goodwill originating from acquisitions of investments abroad whose functional currency follows the one that the operation abroad is subject to. The accumulated effect will be reverted for the income statement of the fiscal year as gain or loss only in case of sale or decrease of the investment. On March 31, 2017, the balance of equity evaluation adjustment is R\$56,582 (R\$65,617 on December 31, 2016).

### d. Options granted

In the period of three months ended on March 31, 2017, there weren't changes in the balance of R\$ 13,549 of the reserve of options granted.

### e. Capital reserve to be realized

In the terms of Lupatech Group's Judicial Recovery Plan, the exchange of a portion of the liability subject to the Plan for the Warrants to be issued within two years of the judicial approval of the Plan was contracted on a definitive basis. Accordingly, for the exclusive purpose of complying with accounting regulations, the Company applied the provisions of ICPC 16. Thus, the amounts of liabilities swapped for warrants (R\$298,493 on December 31, 2016) and the adjustment to fair value (R\$292,152 on December 31, 2016) were recorded as capital reserve to be realized in the net amount of R\$6,341.

## 18 Financial instruments

### 18.1 Financial risk management

#### *Financial risk factor*

The Group's activities expose it to several financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's program for global risk management is focused on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance through the use of derivative financial instruments to protect certain exposures.

Risk management is carried out by the Group's treasury according to approved policies, except for jointly-owned subsidiaries, which are shared with the other controlling shareholders. The Group's treasury identifies, evaluates and protects the Company against possible financial risks in cooperation with the Group's operating units. The Board of Directors sets forth principles for global risk management, as well as for specific areas such as foreign exchange risk, interest rate risk, use of derivative and non-derivative financial instruments.

(i) *Exchange risk*

The Company operates internationally and is exposed to foreign exchange risk resulting from exposure to some currencies, mainly the US dollar and the Colombian Peso.

Foreign exchange risk results from trade and financial operations, recorded assets and liabilities and net investments in overseas operations.

The Management has established a policy that requires that the Company manage their foreign exchange risk related to their functional currency. In order to manage their foreign exchange risk resulting from trade operations, the Company seeks to balance their balance of trade between purchases and sales in currencies different from their functional currency.

The Company has certain investments in overseas operations whose net assets are exposed to foreign exchange risk.

On March 31, 2017 and December 31, 2016, the Company and its subsidiaries had assets and liabilities denominated in US dollars, as shown in the table below:

Items	Amounts in US dollar thousands			
	Parent		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016
Cash and cash equivalents	14	14	151	152
Accounts receivable	814	841	2,524	2,477
Other assets	6	6	29,909	35,298
Related parties	261,664	261,663	-	-
Loans and financing	(497)	(474)	(25,390)	(25,328)
Related parties	(361,968)	(355,739)	-	-
Other obligations	(211)	(211)	(1,196)	(1,467)
Net exposure in Dollar	(100,178)	(93,900)	5,998	11,132

On March 31, 2017, the US dollar rate in relation to the Brazilian Real was US\$1.00 = R\$3.1684 (on December 31, 2016 US\$1.00 = R\$3.2591). If the Real depreciates 10% in relation to the official dollar rate at the end of the year and all the other variables remain equal is a loss of approximately R\$20,949 in parent and a gain of R\$1,254 in consolidated.

**Analysis of the sensitivity of foreign currency, variation of interest rate and risks involving derivative transactions**

As presented in the note 18.1, the Company is exposed to risks of fluctuation of interest rates and foreign currencies (other than its functional currency, the "Real"), mainly the U.S. dollar on their loans, financing and perpetual bond. The sensitivity analysis considers 3 scenarios of interest rate fluctuation and exchange rate fluctuation. To define the scenarios used, the Company's

Management believes that the following assumptions may be fulfilled, with their respective likelihoods; however, it is worth pointing out that these assumptions are based on judgments of the Company's Management and that they may vary significantly in relation to the actual results due to market conditions, which cannot be estimated with certainty on this date for the full estimation profile.

As established by CVM Instruction 475 by the Directors of the Company presents the sensitivity analysis, considering:

**Scenario involving a probable interest rate parity of US Dollar in comparison with Brazilian Real estimated by the Management:**

Interest rate for the year 2017: 9.5%

US\$: 3.53

**Scenario involving a possible interest rate parity of US Dollar in comparison with Brazilian Real and a twenty-five percent (25%) impairment in the risk variable considered likely:**

Interest rate for the year 2017: Increase of 11.9%

US\$: 4.41

**Scenario involving a remote interest rate parity of US Dollar in comparison with Brazilian Real and a fifty percent (50%) impairment in the risk variable considered likely:**

Interest rate for the year 2017: Increase of 14.3%

US\$: 5.30

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

Operating	Risk	Scenario as per description above					
		Parent			Consolidated		
		Probable	Possible	Remote	Probable	Possible	Remote
Loans, financing and bonds	US\$ hike	193	664	1,135	2,458	8,457	14,456
Loans, financing and bonds	Interest rate hike	81	102	122	126	158	190
Mutual contracts	US\$ hike	145,118	499,286	853,453	-	-	-
Total (gain) loss		145,392	500,052	854,710	2,584	8,615	14,646

(ii) *Cash flow or fair value associated with interest rate*

The Group's interest rate risk arises from long-term loans. The loans funded at variable rates expose the Group to cash flow interest rate risk. The Group's loans at variable rates were mainly denominated in "Reais". To reduce the possible impacts resulting from these fluctuations, the Company adopts a policy of diversification, alternating the contract of its debts, adjusted to the market.

The Group analyzes its interest rate exposure dynamically. Several scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing and hedge. Based on these scenarios, the Group determines a reasonable change in the interest rate and calculates the impact on income. For each simulation, the same change in interest rate is used for all currencies. The scenarios are prepared only for liabilities representing the main interest-bearing positions.

Based on the simulations and considering the Group's indebtedness profile on March 31, 2017, the impact on income, after the calculation of income tax and social contribution, with a variation of around 0.25 percentage points in variable interest rates and with all the other variables

remaining constant, would correspond to an approximate increase of R\$27 in interest expenses for the year. The simulation is conducted quarterly to ascertain whether the maximum loss potential is within the limits set forth by the Management.

(iii) *Credit risk*

Credit risk is managed within the company. It arises from cash and cash equivalents, derivative financial instruments, deposits in banks and financial institutions and exposure to client credit. For banks and financial institutions, securities from entities classified by the Company's Management as prime are accepted. Individual risk limits are determined based on internal or external classifications, according to limits set forth by the Management. The use of credit limits is monitored regularly and recorded when applicable the allowance for doubtful accounts.

Client selection and the monitoring of the periods for financing sales by business segments and individual position limits are procedures adopted in order to minimize potential default in its accounts receivable. Our revenues are more concentrated, directly and indirectly, on the client Petrobras, which amounted for the period of three months ended on March 31, 2017 approximately 32.48% (73.38% for the period of three months ended on March 31, 2016) of the Company's and its subsidiaries' total revenues.

(iv) *Liquidity risk*

The cautious management of liquidity risk implies keeping enough cash and securities, availability of funding through conditional credit lines and the ability to settle market positions. Due to the dynamic nature of the Group's businesses, the treasury keeps funding flexible by maintaining conditional credit lines.

The Management monitors the level of the Group's liquidity, considering the expected cash flow, which comprises the unused credit lines, cash and cash equivalents. This is generally conducted locally within the Group's operating subsidiaries, according to the practice and the limits set forth by the Group. These limits vary according to the region in order to take into account the liquidity of the market where the organization operates. Additionally, the Group's liquidity management policy involves the projection of cash flows in the main currencies and the consideration of the level of net assets required to achieve these projections, the monitoring of the balance sheet's liquidity index in relation to the internal and external regulatory requirements and the maintenance of debt financing plans.

## 18.2 Fair value estimate

The fair value of financial assets and liabilities that have terms and conditions and traded in active markets is determined on the basis of observed prices in these markets.

The fair value of other assets and liabilities (excluding derivative instruments) is determined by pricing models that use as a base the estimated discounted cash flows from the prices of similar instruments applied to transactions in a current market observable.

The fair value of derivative instruments is calculated using quoted prices. When those prices are not available, is used the analysis of discounted cash flows using the yield curve, apply according to the duration of the derivative instruments to no options. For derivatives containing options models are used models for pricing options.



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

**a. Cash, cash equivalents and securities held to maturity**

Balances in cash and cash equivalents and securities have a similar value to the accounting balances, considering their turnover and liquidity. The table below shows this comparison:

Items	Parent		Consolidated	
	Book value	Fair Value	Book value	Fair Value
Cash and cash equivalents	133	133	1,448	1,448
Marketable securities	3,655	3,655	3,655	3,655

**b. Loans and financing**

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

Items	Parent		Consolidated	
	Book value	Fair Value	Book value	Fair Value
Loans and financing	85,124	85,636	156,200	154,466

### 18.3 Financial instruments by category

Summary of financial instruments by category:

	Parent					
	03/31/2017			12/31/2016		
	Loans and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
<b>Assets, according to balance sheet</b>						
Securities-restricted	-	3,655	3,655	-	3,587	3,587
Accounts receivable	18,465	-	18,465	16,818	-	16,818
Cash and cash equivalents	133	-	133	123	-	123
Related parties	104,818	-	104,818	110,613	-	110,613
Total	123,416	3,655	127,071	127,554	3,587	131,141

	Parent					
	03/31/2017			12/31/2016		
	Judicial Recovery	Not subject to Judicial Recovery		Judicial Recovery	Not subject to Judicial Recovery	
		Creditors list	Financial liabilities at amortized cost		Total	Creditors list
<b>Liabilities, according to balance sheet</b>						
Loans and financing	71,433	13,691	85,124	69,149	11,343	80,492
Suppliers	73,646	5,483	79,129	72,379	5,517	77,896
Related parties	-	344,380	344,380	-	333,996	333,996
Total	145,079	363,554	508,633	141,528	350,856	492,384



	Consolidated					
	03/31/2017			12/31/2016		
	Loans and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
<b>Assets, according to balance sheet</b>						
Securities-restricted	-	3,655	3,655	-	3,587	3,587
Accounts receivable	44,408	-	44,408	44,912	-	44,912
Cash and cash equivalents	1,448	-	1,448	1,233	-	1,233
Total	45,856	3,655	49,511	46,145	3,587	49,732

	Consolidated					
	03/31/2017			12/31/2016		
	Judicial Recovery	Not subject to Judicial Recovery		Judicial Recovery	Not subject to Judicial Recovery	
		Creditors list	Financial liabilities at amortized cost		Creditors list	Financial liabilities at amortized cost
<b>Liabilities, according to balance sheet</b>						
Loans and financing	118,369	37,831	156,200	118,189	36,077	154,266
Suppliers	73,646	18,193	91,839	72,379	18,506	90,885
Total	192,015	56,024	248,039	190,568	54,583	245,151

## 19 Insurance coverage (unaudited independent auditors)

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

Insurance purpose	Amount secured	
	03/31/2017	
- Comprehensive business insurance	R\$	102,633
- General civil responsibility insurance	R\$	12,000

## 20 Statement of net Sales

	Parent		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
<b>Gross sales and/or services</b>				
In Brazil	4,618	4,572	29,774	51,383
Export	3,733	354	4,012	354
	8,351	4,926	33,786	51,737
<b>Deductions for gross sales</b>				
Taxes on sales	(847)	(834)	(2,454)	(5,049)
<b>Net sales and/or services</b>	7,504	4,092	31,332	46,688

## 21 Gain (Loss) per Share

### a. Basic

The basic gain (loss) per share is calculated by dividing the gain or loss attributable to the Company's shareholders by the weighted average number of common shares issued during the year.

Items	Parent		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Loss attributable to shareholders of the company from continuing and discontinued operations	(4,905)	(23,509)	(4,905)	(23,509)
Weighted average quantity of common shares outstanding (thousands)	9,394	9,394	9,394	9,394
<b>Basic loss per share from continuing and discontinued operations - R\$</b>	<b>(0.52)</b>	<b>(2.50)</b>	<b>(0.52)</b>	<b>(2.50)</b>

## b. Diluted

The diluted gain (loss) per share is calculated by adjusting the weighted average number of outstanding common shares to presume the conversion of all potential diluted common shares. Concerning stock options, a calculation is made to determine the number of shares that could have been acquired by fair value (determined as annual market average price of Company share), based on the monetary value of underwriting rights linked to outstanding stock options. The options under share-based payments are dilutive when they result in the issuance of shares at a value below the average market price of shares during the period less the adjusted issue price at the fair value of the services to be provided to the Company in the future according with the option of purchase of the stock.

Items	Parent		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Loss attributable to shareholders of the company from continuing and discontinued operations	(4,905)	(23,509)	(4,905)	(23,509)
Weighted average quantity of common shares outstanding (thousands)	9,394	9,394	9,394	9,394
<b>Diluted loss per share from continuing and discontinued operations - R\$</b>	<b>(0.52)</b>	<b>(2.50)</b>	<b>(0.52)</b>	<b>(2.50)</b>

## 22 Financial result

Items	Parent		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
<b>Financial Income</b>				
Income from financial investments	74	239	82	411
Related-party interest income (mutual contract)	1	93	-	-
Monetary variance	9	1	653	178
Interest on receivables	164	160	310	308
Other financial income	89	1	114	115
<b>Total financial Income</b>	<b>337</b>	<b>494</b>	<b>1,159</b>	<b>1,012</b>
<b>Financial Expenses</b>				
Interest on loans and financing	(2,287)	(2,033)	(3,602)	(3,901)
Interest on bonds	-	-	(77)	-
Present value adjustment	(1,374)	(822)	(1,418)	(996)
Interest of mutual contract	(19,517)	(23,806)	-	-
Discount granted	-	(765)	-	(765)
Provision of interest on suppliers	(1,303)	(2,300)	(1,423)	(2,300)
Fines and interest on taxes	(860)	(14,368)	(1,559)	(15,455)
IOF, banking expenses and others	(143)	(757)	(681)	(1,379)
<b>Total financial expenses</b>	<b>(25,484)</b>	<b>(44,851)</b>	<b>(8,760)</b>	<b>(24,796)</b>
Gain on exchange variance	77,670	198,091	73,439	189,814
Loss on exchange variance	(71,032)	(172,290)	(66,962)	(170,295)
<b>Exchange variance, net</b>	<b>6,638</b>	<b>25,801</b>	<b>6,477</b>	<b>19,519</b>

## 23 Other operating expenses (income)

Items	Parent		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Other operating income				
Reversal of provision for loss of lawsuit	-	234	-	4,628
Gain on disposal of fixed assets	-	-	3,125	-
Reversal of provision for losses on inventory obsolescence	15	2	222	2
Revenue from sale of investments	-	28,599	-	28,599
Reversal of provision for loss of tax recovery	7,745	-	7,745	-
Reversal of provision for losses due to non-recoverability of assets	-	-	17,270	-
Other	-	2	24	22
Total other operating income	7,760	28,837	28,386	33,251
Other operating expenses				
Provision for loss of lawsuit	(3,151)	(986)	(9,538)	(3,964)
Loss on disposal of fixed assets	(11)	-	(816)	-
Provision for losses due to non-recoverability of assets	-	-	(1,212)	-
Provision for losses on inventory obsolescence	(1,280)	(6,765)	(1,348)	(7,105)
Cost of idle production	(1,391)	(2,729)	(1,767)	(3,421)
Cost of investment sold	-	(15,284)	-	(15,284)
Other	(21)	(128)	(60)	(163)
Total other operating expenses	(5,854)	(25,892)	(14,741)	(29,937)
<b>Other operating income (expenses), net</b>	<b>1,906</b>	<b>2,945</b>	<b>13,645</b>	<b>3,314</b>

## 24 Expenses by type

Items	Parent		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Depreciation and amortization	(1,854)	(2,150)	(10,389)	(12,579)
Salaries, social charges and benefits	(3,053)	(2,620)	(18,336)	(38,776)
Raw material	(4,533)	(2,165)	(7,230)	(7,971)
Commissions	(162)	(170)	(220)	(212)
Freights	(99)	(64)	(180)	(507)
Legal advice and tax	(1,753)	(2,259)	(2,108)	(3,384)
Traveling expenses	(81)	(124)	(108)	(183)
Provision for loss of lawsuit	(3,154)	(986)	(9,538)	(3,964)
Impairment of assets	-	-	(1,212)	-
Residual value on disposal of fixed assets	(11)	-	(816)	-
Provision of contractual fines	(25)	(7)	(71)	(129)
Losses on inventory obsolescence	(1,280)	(6,765)	(1,348)	(7,105)
Cost of idle production	(1,391)	(2,729)	(1,767)	(3,421)
Customs expenses	(27)	-	(2,060)	-
Cost of investment sold	-	(15,284)	-	(15,284)
Other expenses	(891)	(551)	(6,535)	(5,968)
	<u>(18,314)</u>	<u>(35,874)</u>	<u>(61,918)</u>	<u>(99,483)</u>
Classified as:				
Cost of sales	(8,246)	(4,579)	(37,404)	(55,254)
Selling expenses	(1,058)	(922)	(1,565)	(1,876)
General and administrative expenses	(2,294)	(3,426)	(7,346)	(11,361)
Management fees	(862)	(1,055)	(862)	(1,055)
Other operating expenses	(5,854)	(25,892)	(14,741)	(29,937)
	<u>(18,314)</u>	<u>(35,874)</u>	<u>(61,918)</u>	<u>(99,483)</u>

## 25 Information by business segment

The Company established the Group's operating segments based on the reports used to make strategic decisions, reviewed by the Board of Directors considers that the target markets are segmented lines of **products** and **services**, same composition presented in note 1.

Geographically, the Management considers the performance of Brazilian and South America markets. The distribution by region takes into account the location of Group's companies and not client's location.

Revenues generated by operating segments mainly derive from:

- a. **Products:** platforms mooring cables in deep waters, manual and automated valves for use in the exploitation, production, transportation and oil refining and hydrocarbon chain, oil well completion equipment, drill pipe coatings and production.
- b. **Services:** services as workover, well intervention, drilling, coating and inspection of pipes.

Inter-segments sales were made as arm's length transactions. Revenues from external parties informed to the Board of Executive Officers were measured consistently with those revenues reported in the statement of income.

The amounts provided to the Board of Executive Officers in relation to total assets are compatible with balances recorded in the financial statements. These assets are allocated based on the segment operations and physical place of assets.

The amounts provided to the Board of Executive Officers in relation total liabilities are compatible with balances recorded in the financial statements. These liabilities are allocated based on the segment operations.

The Company's revenues have higher concentrations involving the customer Petrobras, directly and indirectly, which responded for the period of three months ended on March 31, 2017 by approximately 32.48% (73.38% for the period of three months ended on March 31, 2016) of the total revenue of the Company and its subsidiaries.

The information by segment is as follows:

	Products		Services		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Net sales	9,460	5,748	21,872	40,940	31,332	46,688
Cost of sales	(10,219)	(6,340)	(27,185)	(48,914)	(37,404)	(55,254)
<b>Gross profit</b>	<b>(759)</b>	<b>(592)</b>	<b>(5,313)</b>	<b>(7,974)</b>	<b>(6,072)</b>	<b>(8,566)</b>
Selling expenses	(1,308)	(1,093)	(257)	(783)	(1,565)	(1,876)
General and administrative expenses	(2,802)	(3,120)	(4,544)	(8,241)	(7,346)	(11,361)
Management fees	(261)	(136)	(601)	(919)	(862)	(1,055)
Equity pick-up	(1,493)	-	-	-	(1,493)	-
Other operating income (expenses), net	2,715	(8,021)	10,930	11,335	13,645	3,314
<b>Income before financial results</b>	<b>(3,908)</b>	<b>(12,962)</b>	<b>215</b>	<b>(6,582)</b>	<b>(3,693)</b>	<b>(19,544)</b>

	Products		Services		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016	03/31/2017	12/31/2016
<b>Identifiable assets (1)</b>	<b>224,361</b>	<b>219,219</b>	<b>337,794</b>	<b>335,280</b>	<b>562,155</b>	<b>554,499</b>
<b>Identifiable liabilities (2)</b>	<b>35,024</b>	<b>23,910</b>	<b>213,015</b>	<b>221,241</b>	<b>248,039</b>	<b>245,151</b>

	Products		Services		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016	03/31/2017	03/31/2016
<b>Depreciation and amortization</b>	<b>(1,738)</b>	<b>(1,910)</b>	<b>(8,651)</b>	<b>(10,669)</b>	<b>(10,389)</b>	<b>(12,579)</b>
<b>Acquisition of property, plants and equipment</b>	<b>88</b>	<b>111</b>	<b>50</b>	<b>311</b>	<b>138</b>	<b>422</b>

1 - Identifiable assets: accounts payable; inventories; property, plants and equipments, and goodwill; recoverable income taxes; marketable securities

2 - Identifiable liabilities: accounts payable and loans and financing

Information by geographic region is as follows:

	Brazil		South America		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016	03/31/2017	03/31/2016
Net sales	19,471	35,696	11,861	10,992	31,332	46,688

	Brazil		South America		Consolidated	
	03/31/2017	12/31/2016	03/31/2017	12/31/2016	03/31/2017	12/31/2016
<b>Identifiable assets (1)</b>	<b>483,345</b>	<b>478,163</b>	<b>78,810</b>	<b>76,336</b>	<b>562,155</b>	<b>554,499</b>
<b>Identifiable liabilities (2)</b>	<b>226,397</b>	<b>222,813</b>	<b>21,642</b>	<b>22,338</b>	<b>248,039</b>	<b>245,151</b>

	Brazil		South America		Consolidated	
	03/31/2017	03/31/2016	03/31/2017	03/31/2016	03/31/2017	03/31/2016
<b>Depreciation and amortization</b>	<b>(8,958)</b>	<b>(10,408)</b>	<b>(1,431)</b>	<b>(2,171)</b>	<b>(10,389)</b>	<b>(12,579)</b>
<b>Acquisition of property, plants and equipment</b>	<b>105</b>	<b>242</b>	<b>33</b>	<b>180</b>	<b>138</b>	<b>422</b>

1 - Identifiable assets: accounts payable; inventories; property, plants and equipments, and goodwill; recoverable income taxes; marketable securities

2 - Identifiable liabilities: accounts payable and loans and financing

## 26 Subsequent event

### Approval of stock option plan

In order to stimulate the expansion of the Company and meet the established business goals, enabling the Company to obtain and maintain the services of its executives at a high level, the Company's Board of Directors approved at the Extraordinary General Meeting held on April 12, 2017, the Stock Option Plan.

The Stock Option Plan consists of the granting of Company's share purchase rights, in accordance with pre-established price and time rules, where the exercise price will be determined by the Board of Directors, with a total vesting period of up to five Years for the exercise of the options. The option may be exercised over all or a portion of the shares during the exercise period of the option,

and the exercise period of the option will be seven years, from the date of signature of the option contract.

**Assets of indemnity**

On April 4, 2017, the Company filed a petition with the Market Arbitration Chamber to institute arbitration against GP Investments, seeking reimbursement for losses incurred by the Company and arising from (i) contingencies not known to San Antonio Brasil S/A, and (ii) breach of obligations and breach of declarations and warranties.

# Independet auditor's report

## REPORT ON THE REVIEW OF QUARTERLY INFORMATION - ITR

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To  
Management and Shareholders of  
Lupatech S/A – In Judicial Recovery

Nova Odessa - SP

### Introduction

We have reviewed the individual and consolidated interim financial information of Lupatech S/A - In Judicial Recovery ("Company"), contained in the Interim Financial Information (ITR) for the quarter ended on March 31, 2017, which comprise the balance sheet on March 31, 2017 and the related statements of income, comprehensive income, changes in shareholders' equity and cash flows for the three-month period then ended, including the notes to the financial statements.

The Company's management is responsible for preparing the individual interim financial information in accordance with CPC 21 (R1) - Interim Financial Statements and the consolidated interim financial information in accordance with CPC 21 (R1) and IAS 34 - Interim Financial Reporting, Issued by the International Accounting Standards Board (IASB), as well as for presenting this information in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of the Quarterly Information. Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of Review

We conducted our review in accordance with Brazilian and international standards for review of interim information (NBC TR 2410 - Review of Interim Financial Information Performed by the Entity's Auditor and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of inquiries, mainly to persons responsible for financial and accounting matters, and in the application of analytical procedures and other review procedures. The scope of a review is significantly less than that of an audit conducted in accordance with auditing standards and therefore has not enabled us to obtain assurance that we are aware of all material matters that could be identified in an audit. Therefore, we do not express an audit opinion.

### Conclusion on the individual interim financial information

Based on our review, we are not aware of any fact that would lead us to believe that the individual interim financial information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 (R1) applicable to Quarterly Information (ITR) and presented in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission.

### Conclusion on consolidated interim financial information

Based on our review, we are not aware of any facts that may lead us to believe that the consolidated interim financial information included in the quarterly information referred to above



has not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, issued by the IASB applicable to the preparation of Quarterly Information (ITR) and presented in a manner consistent with the standards issued by the Securities and Exchange Commission.

## **Emphasis**

### **Judicial recovery**

As mentioned in note 1.2 to the interim financial information, on November 8, 2016, Lupatech S/A and its direct and indirect subsidiaries had their New Judicial Recovery Plan approved by the Lupatech Group's General Meeting of Creditors. Judgment of the 1st Bankruptcy and Judicial Recovery Court of the Court of Justice of the State of São Paulo, without any reservations, on December 1, 2016. The Company filed foreclosure of the statement since the issuance of the approval did not mention one of the Group Companies in Judicial Recovery. On February 15, 2017, the court corrected its approval order, including the company not mentioned. During the period ended March 31, 2017, there was no presentation of any grievance against the approved plan. Our conclusion has no qualification related to this subject.

### **Coing Concern**

As mentioned in note 1.1 to the interim financial information, the Company and its subsidiaries have generated recurring losses and during the three-month period ended March 31, 2017 incurred a loss of R\$4,905 and have not generated cash in amount Sufficient to settle its obligations. These conditions, together with the fact that the Company and its subsidiaries entered the judicial recovery process, indicate the existence of significant uncertainty that may raise significant doubt as to the Company's and its subsidiaries' continuing operating capacity. The reversal of this situation of recurring losses and difficulty in generating cash depends on the success of the Company's and its subsidiaries' restructuring and financial restructuring plans, as well as compliance with the judicial recovery plan, described in note 1.2 to the financial statements. Our conclusion has no qualification related to this subject.

## **Other Matter**

### **Statement of value added**

We have also reviewed the individual and consolidated statements of value added (DVA) for the three-month period ended March 31, 2017, prepared under the responsibility of the Company's management, whose presentation in the interim information is required in accordance with The standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of the Quarterly Information (ITR) and considered supplementary information under IFRSs, which do not require the presentation of the VAS. These statements have been subject to the same review procedures described above and, based on our review, we are not aware of any facts that may lead us to believe that they have not been prepared, in all material respects, in a manner consistent with the interim accounting information Individual and consolidated financial statements taken as a whole.

### **Comparative balances**

The amounts corresponding to the year ended December 31, 2016 and the interim information for the three-month period ended March 31, 2016, presented for comparison purposes, were audited and reviewed, respectively, by other independent auditors that issued reports Dated March 28, 2017 and May 13, 2016, respectively, which contained similar emphases as described in the paragraphs above.

São Paulo, May 15, 2017.

Crowe Horwath Macro Auditores Independentes  
CRC-2SP033508/O-1

Sérgio Ricardo de Oliveira  
Accountant – CRC-1SP186070/O-8

## **Management's declaration of the financial statements**

In accordance with section VI of article 25 of CVM Instruction 480, of December 7, 2009, Management declares that reviewed, discussed and agreed with the Company's Financial Statements for the period of three months ended on March 31, 2017.

Nova Odessa, May 15, 2017.

Rafael Gorenstein - Chief Executive Officer and Investor Relations Officer  
Paulo Prado da Silva - Director without specific designation

## **Management's declaration of the independent auditor's report**

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In accordance with section VI of article 25 of CVM Instruction 480, of December 7, 2009, Management states that reviewed, discussed and agreed with independent auditors' report relating to Company's Financial Statements for the period of three months ended on March 31, 2017.

Nova Odessa, May 15, 2017.

Rafael Gorenstein - Chief Executive Officer and Investor Relations Officer  
Paulo Prado da Silva - Director without specific designation