



**Financial and
Economic
Performance
2Q 2017**



Message from the Administration

During 2Q17, Lupatech Group saw its efforts for recovering industrial activities prosper once more.

There was a gradual progress on valve sales for both industrial and Oil&Gas, although we noticed a loss of momentum after the accusations against the President of the Republic and the resulting political crisis.

On July, our valve plant for Oil&Gas received again the CRCC certification of Petrobras, for what we expect a greater influx of orders from the most important client, which should reflect also on the industrial valve plant, since several biddings have a broader scope.

Also in July, we were able to conclude the certification ISO 9000 of CSL, an important requirement to make it able to recover the CRCC certification and facilitate supply to Petrobras.

We had the opportunity to participate in two biddings in the piping area, for the supply of inner fiberglass sleeves for production piping and cleaning, inspection and maintenance services of those pipes. We won one of the bidding processes, even though there has not been contracting yet, which depends on Petrobras exclusive decision. The other process is still on course, we were classified, but the prices were still not disclosed. Both processes are important to ensure this business resumption, which is paralyzed since 1S16.

However, a major part of the efforts recently undertaken were applied to a thankless mission, to deactivate our offshore services unit of Macaé, as planned in our restructuring plans. The activities happened as expected, with the termination of over 160 employees. On the date of publication of this report, nearly all equipment was already demobilized and being prepared for sale, under the terms of the Judicial Recovery Plan and through authorization issued by the recovery judgment.

Rafael Gorenstein

CEO and Investor Relations Director

Financial-Economic Performance

Net Revenue

Net Revenue (R\$ thd)	2Q16	2Q17	Chg. R\$	1Q17	2Q17	Chg. R\$	1S16	1S17	Chg. R\$
Products	6,562	7,618	1,056	9,460	7,618	- 1,842	12,310	17,078	4,768
Oil&Gas Valves	587	2,084	1,497	4,472	2,084	- 2,388	1,393	6,556	5,163
Industrial Valves	5,975	5,534	- 441	4,986	5,534	548	10,917	10,520	- 397
Others	-	-	-	2	-	- 2	-	2	2
Services	22,770	21,054	- 1,716	21,872	21,054	- 818	63,710	42,926	- 20,784
Oilfield Services Brazil	17,031	8,489	- 8,542	10,011	8,489	- 1,522	41,809	18,500	- 23,309
Oilfield Services Colombia	5,739	12,565	6,826	11,861	12,565	704	16,731	24,426	7,695
Tubular Services & Coating	-	-	-	-	-	-	5,170	-	- 5,170
Total	29,332	28,672	- 660	31,332	28,672	- 2,660	76,020	60,004	- 16,016

PRODUCTS SEGMENT

On 2Q17 compared to 1Q17, the reduction on Net Revenue is justified by the good performance on the external market which the Oil&Gas Valves division presented on 1Q17. On that quarter, there were exports on the value of R\$ 3.6 million which did not happen again on 2Q17.

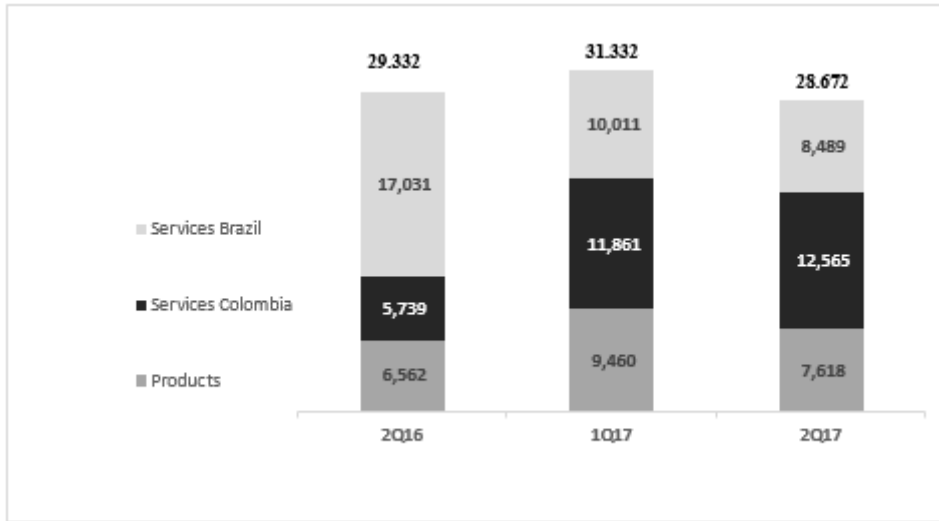
Comparing the Net Revenue of 2Q17 and 1S17 with 2Q16 and 1S16, however, the improvement is justified by the sales increase on the internal market, result of the recovery effort undertaken by the Company, as well as the already mentioned performance of exports of 1Q17.

SERVICES SEGMENT

On 2Q17 compared to 1Q17, the Net Revenue had a discrete reduction. The growth of Oilfield Services Colombia division did not exceed the reduction on activities in Brazil. This reduction on Brazil's income was due to the termination of the Lifting Frames contract with Petrobras in February 2017 and to the reduction of demand of the Power Tongs contract.

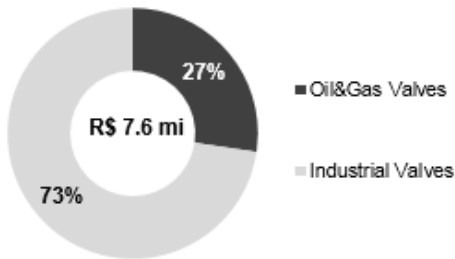
The same effects are observed on the comparisons of 2Q17 and 1S17 with 2Q16 and 1S16, more significant with a highlight for the considerable recovery of Colombian market. It is highlighted that in 2016 the onshore Workover Services business and some piping supplies were still active in Northeast.

Operational Net Revenue (R\$ thousand)

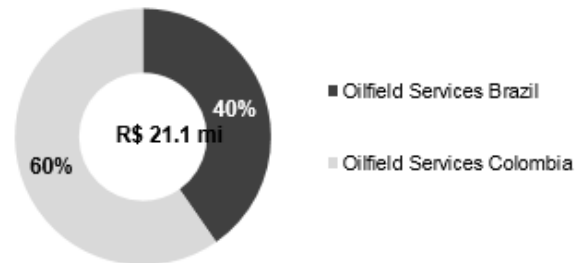


Revenue Distribution - 2Q17

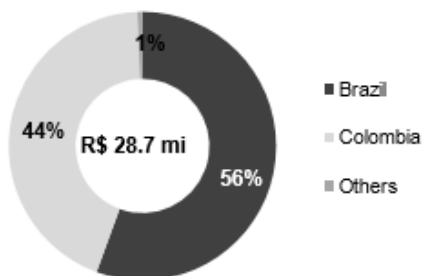
Products



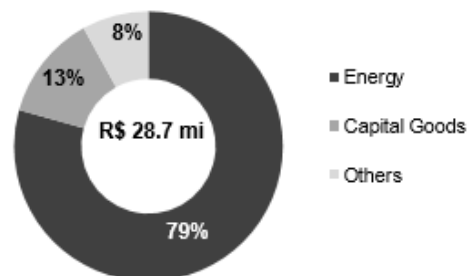
Services



By Region



By Industrial Sector



On June 30, 2017, the Backlog order portfolio of the Company amounted to approximately R\$ 144.7 million. Of these, R\$ 6.1 million corresponded to the order portfolio of valves and R\$ 138.6 million to the balance of services contracts with Petrobras. On the date of publication of this report, it is already known the termination of the services contracts which only had short prorogations with small demanded amounts.

Gross Profit and Gross Margin

Gross Profit (R\$ thd)	2Q16	2Q17	Chg. R\$/p.p.	1Q17	2Q17	Chg. R\$/p.p.	1S16	1S17	Chg. R\$/p.p.
Products	57	51	- 108	- 759	51	708	- 535	810	- 275
Gross Margin - Products	0.9%	-0.7%	-1.5 p.p.	-8.0%	-0.7%	7.4 p.p.	-4.3%	-4.7%	-0.4 p.p.
Services	- 13,407	- 607	12,800	- 5,313	- 607	4,706	- 21,381	- 5,920	15,461
Gross Margin - Services	-58.9%	-2.9%	56.0 p.p.	-24.3%	-2.9%	21.4 p.p.	-33.6%	-13.8%	19.8 p.p.
Total	- 13,350	- 658	12,692	- 6,072	- 658	5,414	- 21,916	- 6,730	15,186
Gross Margin - Total	-45.5%	-2.3%	43.2 p.p.	-19.4%	-2.3%	17.1 p.p.	-28.8%	-11.2%	17.6 p.p.
Depreciation	12,637	6,478	- 6,159	10,389	6,478	- 3,911	25,216	16,867	- 8,349
Products	1,848	1,687	- 161	1,738	1,687	- 51	3,758	3,425	- 333
Services	10,789	4,791	- 5,998	8,651	4,791	- 3,860	21,458	13,442	- 8,016
Gross Profit without Depreciation	- 713	5,820	6,533	4,317	5,820	1,503	3,300	10,137	6,837
Products	1,905	1,636	- 269	979	1,636	657	3,223	2,615	- 608
Services	- 2,618	4,184	6,802	3,338	4,184	846	77	7,522	7,445
Gross Margin without Depreciation	-2.4%	20.3%	22.7 p.p.	13.8%	20.3%	6.5 p.p.	4.3%	16.9%	12.6 p.p.

PRODUCTS SEGMENT

On the comparison of 2Q17 to 1Q17, there was an increase of R\$ 0.7 million in Gross Profit, as a result of the management effort employed to reduce production costs. Excluding the depreciation, the effect is similar, only highlighting that in this simulation the result is positive - the analysis is intended to evidence the weight of depreciation on the results in view of the low level of activity, especially on the Oil&Gas valve segment in which the immobilized capital and the suffering are both greater.

Observing the variations between years, there was an increase of Net Revenue, however, there was a significant increase on the costs, especially on the cost with raw matter, direct matters and subcontracting, which concealed a positive result on the Gross Margin of this segment.

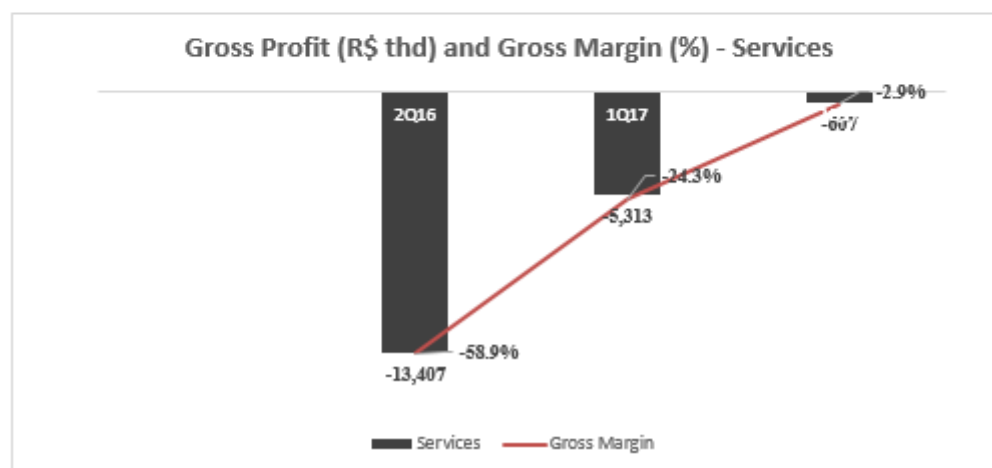
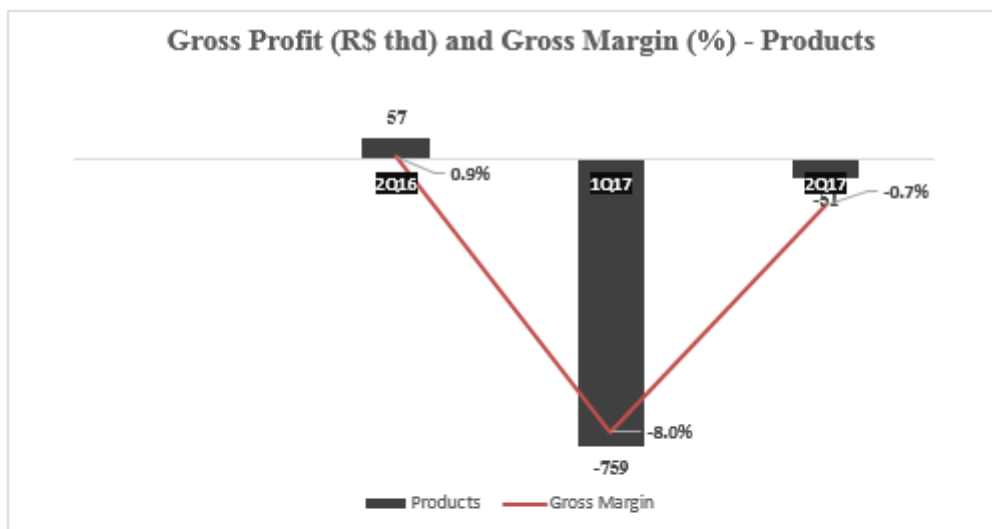
SERVICES SEGMENT

On the course of the year, an improvement on Gross Profit was observed from 1Q17 to 2Q17, consistent with the reduction of services costs, mainly with staff costs.

On the comparison between years, both on 2Q17 versus 2Q16 and on 1S17 versus 1S16, a massive improvement of results was observed, due to the termination of deficit contracts and the Herculean task of restructuring undertaken.

The restructuring effect is more evidenced when the depreciation of the Gross Profit calculations is excluded - on 2Q16, the number was even negative!

Gross Profit (R\$ thousand) and Gross Margin (%)



Expenses

Expenses (R\$ thd)	2Q16	2Q17	Chg. R\$	1Q17	2Q17	Chg. R\$	1S16	1S17	Chg. R\$
Total Sales Expenses	2,121	1,534	- 587	1,565	1,534	- 31	3,997	3,099	- 898
Sales Expenses - Products	818	1,305	487	1,308	1,305	- 3	1,911	2,613	702
Sales Expenses - Services	1,303	229	- 1,074	257	229	- 28	2,086	486	- 1,600
Total Administrative Expenses	9,806	6,980	- 2,826	7,346	6,980	- 367	21,167	14,326	- 6,841
Administrative Expenses - Products	2,997	2,351	- 646	2,659	2,351	- 308	5,955	5,009	- 945
Administrative Expenses - Services	5,374	4,171	- 1,203	4,221	4,171	- 50	12,530	8,391	- 4,139
Administrative Expenses - Corporate	1,435	458	- 977	467	458	- 9	2,682	925	- 1,757
Management Compensation	1,055	1,151	96	862	1,151	289	2,110	2,013	- 97
Total Sales, Administratives and Management Fees	12,982	9,665	- 3,317	9,773	9,665	- 108	27,274	19,438	- 7,836

EXPENSES ON SALES

Total Expenses with Sales on 2Q17 was kept constant if compared to 1Q17, both on the Products Segment and the Services one. In the comparison between years there was a reduction in total both against 2Q16 and 1S16.

On the Products Segment, there was an increase of 59.5% on 2Q17 compared 2Q16, mainly due to the reversion of R\$ 0.6 million of provision for effective losses with clients on the Oil&Gas Valves division

occurred on 2Q16 which did not happen again on 2Q17. On 2Q16 also occurred the recognition of R\$ 1.0 million fines with clients on the Tubular Services & Coating division on the Services Segment, which justifies the reduction of Sales Expenses of 82.4% on 2Q17 compared to 2Q16. Comparing 2Q17 with 1Q17, on the Services segment, the reduction of expenses is due to the reduction of staff on the commercial sector.

ADMINISTRATIVE EXPENSES

Total Administrative Expenses on 2Q17 has a reduction if compared to 1Q17, both on the Products Segment and the Services one. In the comparison between years there was a reduction in total against 2Q16 in relation to 1S16.

On the Products segment, the reduction was due to the expenses which occurred on the demobilization of assets in one of the units of 1Q17. On the Services segment, however, comparing 2Q17 to 1Q17, the reduction of expenses is due to the staff reduction on the administrative sector.

MANAGEMENT FEES

The total Management cost on 2Q17, increased if compared both to 1Q17 and to 2Q16.

The increase occurred on 2Q17 in comparison to 1Q17 is a result of the hiring of a new CEO and a new Director of Operations aiming to focus on the recovery of valve operations and optimizing costs with the management.

Operating Expenses (R\$ thousand)



Other Operating (Revenues) and Expenses

Other Operating (Revenue) and Expenses (R\$ thd)	2Q16	2Q17	Chg. R\$	1Q17	2Q17	Chg. R\$	1S16	1S17	Chg. R\$
Products	- 4,787	1,145	5,932	3,942	1,145	- 2,798	- 10,175	5,087	15,262
Expenses with idleness - Products	- 2,592	- 2,840	- 248	- 1,227	- 2,840	- 1,612	- 5,225	- 4,067	1,158
Services	- 10,436	6,370	16,806	11,469	6,370	- 5,099	1,799	17,840	16,040
Expenses with idleness - Services	- 636	- 517	119	- 539	- 517	22	- 1,536	- 1,057	480
Total	- 18,451	4,158	22,609	13,645	4,158	- 9,487	- 15,137	17,803	32,940

The total of Other Operating Expenses and Revenues surpassed Expense on the period of 2Q16 for Revenue on periods 1Q17 and 2Q17.

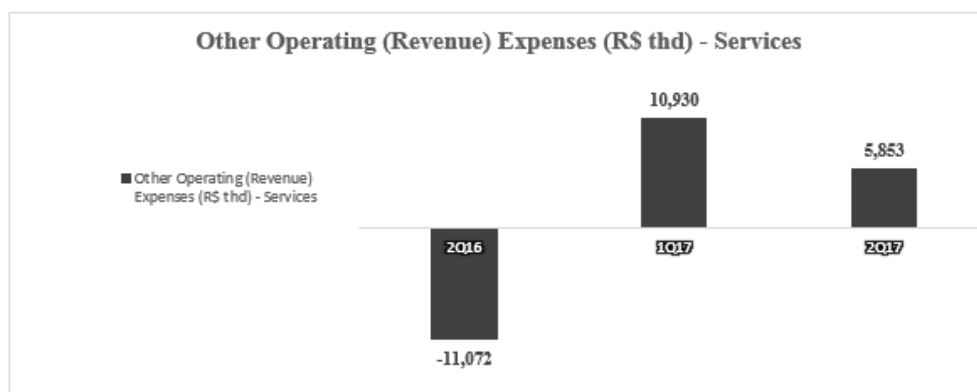
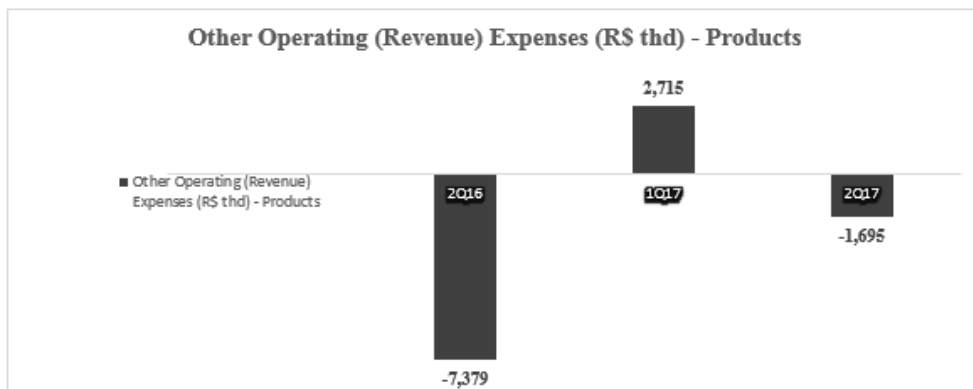
On 2Q17 it is related mainly to the following factors related to operating expenses:

- (i) R\$ 2.1 million of residual value on fixed asset retirement;
- (ii) R\$ 3.4 million of expenses with production idleness.

And to the following factors relating to operational revenues:

- (i) R\$ 7.3 million of reversion of provision of loss by the non-recoverability of assets;
- (ii) R\$ 2.8 million of profit on disposal of fixed asset;

Other Operating (Revenues) Expenses (R\$ thousand)



Financial Results

Financial Results (R\$ thd)	2Q16	2Q17	Chg. R\$	1Q17	2Q17	Chg. R\$	1S16	1S17	Chg. R\$
Income from Financial Investments	480	62	- 418	82	62	- 20	891	144	- 747
Monetary Variation	573	673	100	653	673	20	751	1,326	575
Interest on Receivables	310	311	1	310	311	1	618	621	3
Others	1,420	24	- 1,396	114	24	- 90	1,535	138	- 1,397
Financial Revenue*	2,783	1,070	- 1,713	1,159	1,070	- 89	3,795	2,229	- 1,566
(Expense) Reversal of Interest Expenses	- 72,801	- 3,427	69,374	- 3,679	- 3,427	252	- 76,702	- 7,106	69,596
Present Value Adjustment	- 393,792	- 1,362	392,430	- 1,418	- 1,362	56	- 394,788	- 2,780	392,008
Discount Granted	-	- 226	226	-	- 226	226	- 765	- 226	539
(Provision) Reversal of Provision for Interest on Suppliers	- 16,475	- 970	15,505	- 1,423	- 970	453	- 18,775	- 2,393	16,382
Fines and Interest on Taxes	- 1,802	- 1,773	29	- 1,559	- 1,773	214	- 17,257	- 3,332	13,925
IOF, Banking Expenses and Others	- 1,985	- 1,007	978	- 681	- 1,007	326	- 3,364	- 1,688	1,676
Financial Expense*	- 486,855	- 8,765	478,090	- 8,760	- 8,765	5	- 511,651	- 17,525	494,126
Net Financial Results*	- 484,072	- 7,695	476,377	- 7,601	- 7,695	94	- 507,856	- 15,296	492,560
Exchange Variance Revenue	190,936	46,581	- 144,355	73,439	46,581	- 26,858	380,750	120,020	- 260,730
Exchange Variance Expenses	- 156,490	- 59,387	97,103	- 66,962	- 59,387	7,575	- 326,785	- 126,349	200,436
Net Exchange Variance	34,446	- 12,806	- 47,252	6,477	- 12,806	- 19,283	53,965	- 6,329	- 60,294
Net Financial Results - Total	- 449,626	- 20,501	429,125	- 1,124	- 20,501	- 19,377	- 453,891	- 21,625	432,266

* Excluding Exchange Variance

The Total Net Financial Result resulted in expense, both on 2Q17 and 1Q17 and 2Q16. The same happened among the years, resulting in expense both on 1S16 and 1S17.

FINANCIAL REVENUE

The total Financial Revenue (excluding Exchange Variance) on 2Q17 reduced R\$ 1.7 million compared to 2Q16, mainly due to monetary variation on recoverable taxes and recovery of taxes and contributions, on the amount of R\$ 1.4 million, recognized on 2Q16, which also justifies the variation from 1S16 to 1S27.

In comparison to 1Q17, Total Financial Revenue (excluding Exchange Variance) presented a small reduction.

FINANCIAL EXPENSE

Total Financial Expense (excluding Exchange Variance) on 2Q17 reduced R\$ 478 million in comparison to 2Q16, mainly due to the recognition of R\$ 393.8 million of expense with adjustment to present value of suppliers, loans, fines, debentures and bonds, on 2Q16, which also justifies the variation from 1S16 to 1S17.

In comparison to 1Q17, Total Financial Revenue (excluding Exchange Variance) remained stable.

NET EXCHANGE VARIANCE

Net Exchange Variance on 2Q17 resulted in expense of R\$ 12.8 million versus a revenue of R\$ 34.4 million on 2Q16 and a revenue of R\$ 6.5 million on 1Q17 affected by North American currency appreciation against Real on 2Q17.

Composition of Financial Result (R\$ thousand)

	2,783	1,159	1,070		-486,855	-8,760	-8,765		34,446	6,477	-12,806
	2Q16	1Q17	2Q17		2Q16	1Q17	2Q17		2Q16	1Q17	2Q17
Finance Revenue*											
Finance Expenses*											
Net Exchange Variance											

* Excluding Exchange Variance

EBITDA Adjusted of Continued Activities¹

Adjusted EBITDA (R\$ thd)	2Q16	2Q17	Chg. R\$ / p.p.	1Q17	2Q17	Chg. R\$ / p.p.	1S16	1S17	Chg. R\$ / p.p.
Products	- 4,375	- 4,614	- 239	- 5,210	- 4,614	- 596	- 7,608	- 9,824	- 2,216
Margin	-66.7%	-60.6%	0.6 p.p.	-55.1%	-60.6%	-5.5 p.p.	-61.8%	-57.5%	4.3 p.p.
Services	- 7,093	- 882	- 7,975	- 1,556	- 882	- 674	- 884	- 2,438	- 1,554
Margin	-31.2%	4.2%	35.3 p.p.	7.1%	4.2%	-2.9 p.p.	1.4%	5.7%	4.3 p.p.
Total	- 11,468	- 3,732	- 7,736	- 3,654	- 3,732	- 78	- 6,724	- 7,386	- 662
Margin	-39.1%	-13.0%	26.1 p.p.	-11.7%	-13.0%	-1.4 p.p.	-8.8%	-12.3%	-3.5 p.p.
% Products	38%	124%		143%	124%		113%	133%	
% Services	62%	-24%		-43%	-24%		-13%	-33%	

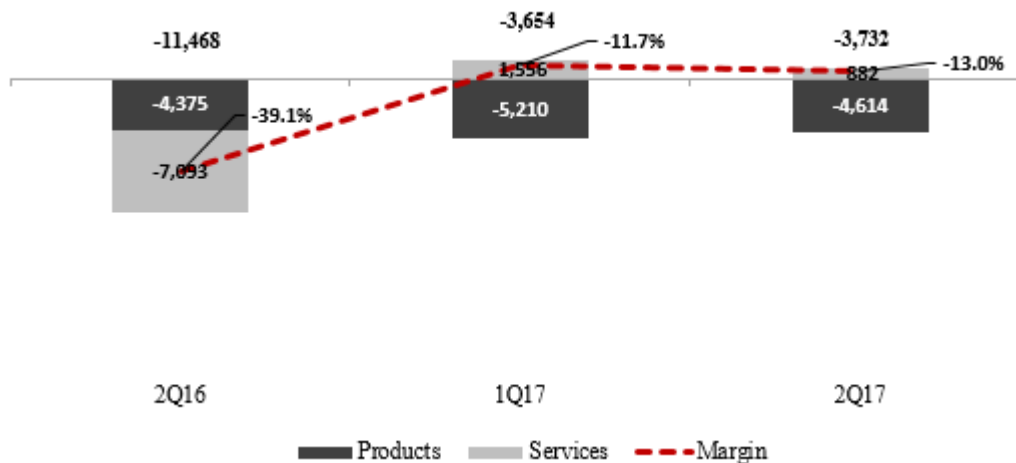
The Total of EBITDA Adjusted Consolidated on 2Q17 presented an increase in comparison with 2Q16 and a small reduction in comparison with 1Q17.

On the Products Segment, on 2Q17 in comparison with 1Q17, there was a reduction on the margin due to production idleness increase. On the Services Segment however, the positive value, both on 2Q17 and 1Q17 is mainly due to the registration on provision reversal of fixed asset impairment as amount of R\$ 7.3 million on 2Q17 and R\$ 17.3 million on 1Q17.

Adjusted Ebitda Reconciliation (R\$ thd)	2Q16	1Q17	2Q17
Gross Profit	- 13,350	- 6,072	- 658
SG&A	- 11,927	- 8,911	- 8,514
Management Fees	- 1,055	- 862	- 1,151
Depreciation and Amortization	12,637	10,389	6,478
Other Operating Expenses/Revenue	- 18,451	13,645	4,158
Ebitda	- 32,146	- 8,189	- 313
Provision for Variable Remuneration	- 394	-	164
Provisions/Reversals for Losses, Impairment, Net Result on Disposal of Assets, Reversals with Legal Proceedings	14,403	- 13,540	- 5,873
Fines with Customers	1,391	70	31
Restructuring Process and Other Extraordinary Expenses	5,278	1,627	1,632
Adjusted EBITDA	- 11,468	- 3,654	- 3,732

¹ *Ebitda of Continued Activities* is calculated as the net profit (loss) of continued activities, before income tax and social contribution, of financial revenues (expenses), of equity equivalence results in affiliated companies and depreciation and amortization. Ebitda Adjusted of Continued Activities reflects Ebitda of Continued Activities, adjusted to exclude the expenses with participation of employees and administrators on profits and results, provision for loss in inventories, net result on disposal of assets, contingency provisions, provision of fines with clients and expenses related to the restructuring process and other extraordinary expenses of the Company. Ebitda Adjusted of Continued Activities is not a measure used on the accounting practices adopted in Brazil, not representing the cash flow for the periods presented and should not be considered as an alternative to the net profit on the quality of operating performance indicator or as an alternative to the cash flow on the quality of liquidity indicator. Ebitda Adjusted of Continued Activities does not have a standardized meaning and the definition of Ebitda Adjusted of Continued Activities of the Company may not be comparable to Ebitda Adjusted of Continued Activities as defined by other Companies. Even if Ebitda Adjusted of Continued Activities does not provide, according to the accounting practices used in Brazil a measure of the operating cash flow, the Administration uses it to measure its operating performance. Additionally, the Company understands that certain investors and financial analysts use Ebitda Adjusted of Continued Activities as an operating performance indicator of a Company and/or its cash flow. The reconciliation of Ebitda Adjusted of Continued Activities as calculated by the Company may be found on Annex II of this report.

EBITDA Adjusted (R\$ thousand)



2Q17

Adjusted Ebitda Reconciliation (R\$ thd)	Products	Services	Total
Gross Profit	51	607	658
SG&A	3,778	4,735	8,514
Management Fees	302	849	1,151
Depreciation and Amortization	1,687	4,791	6,478
Other Operating Expenses/Revenue	1,695	5,853	4,158
Ebitda	4,139	4,453	313
Provision for Variable Remuneration	-	164	164
Provisions/Reversals for Losses, Impairment, Net Result on Disposal of Assets, Reversals with Legal Proceedings	640	5,233	5,873
Fines with Customers	31	-	31
Restructuring Process and Other Extraordinary Expenses	134	1,498	1,632
Adjusted EBITDA	4,614	882	3,732

The non-recurring expenses which amounted to R\$ 5.9 million negatives refer mainly to the booking of residual value on retirement of assets on the amount of R\$ 2.1 million, provision for obsolescence of inventories on the amount of R\$ 0.4 million, reversion of provisions for loss with law suits on the amount of R\$ 1.0 million and reversion of provision of loss by the non-recoverability of assets of R\$ 7.3 million.

Net Result

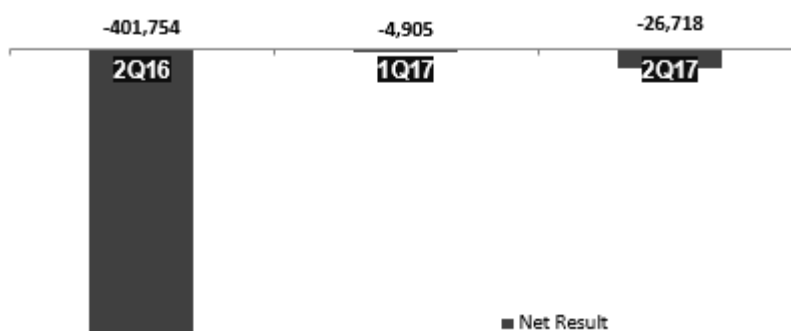
Net Result (R\$ thd)	2Q16	2Q17	Chg. R\$	1Q17	2Q17	Chg. R\$	1S16	1S17	Chg. R\$
Result Before Income Tax and Social Contribution	- 494,409	- 26,952	467,457	- 4,817	- 26,952	- 22,135	- 518,218	- 31,769	486,449
Income Tax and Social Contribution - Current	- 1,819	- 595	1,224	- 919	- 595	324	- 2,117	- 1,514	603
Income Tax and Social Contribution - Deferred	94,474	829	- 93,645	831	829	2	95,072	1,660	- 93,412
Result of Discontinued Operation	-	-	-	-	-	-	-	-	-
Net Result	- 401,754	- 26,718	375,036	- 4,905	- 26,718	- 21,813	- 425,263	- 31,623	393,640
Net Result per 1.000 shares	- 2.56	- 2.84	0.29	- 0.52	- 2.84	2.32	- 2.71	- 3.37	0.66

The Period Net Result was of loss, both on 2Q17 and 2Q16 and 1Q17. The main events which contributed for such result on 2Q17 were:

- (i) R\$ 3.4 million of idleness of production;
- (ii) R\$ 2.1 million of residual on fixed asset retirement;
- (iii) R\$ 0.4 million of provision for loss and obsolescence of inventories.

The Net Result on the semester's accrued amount was of loss of R\$ 31.6 million on 1S17 against loss of R\$ 425.3 million on 1S16. The main event which contributed to this variation was the launch of R\$ 394.8 million of expense with adjustment to present value of the suppliers, loans, fines, debentures and bonds recognized on 1S16.

Composition of Net Result (R\$ thousand)

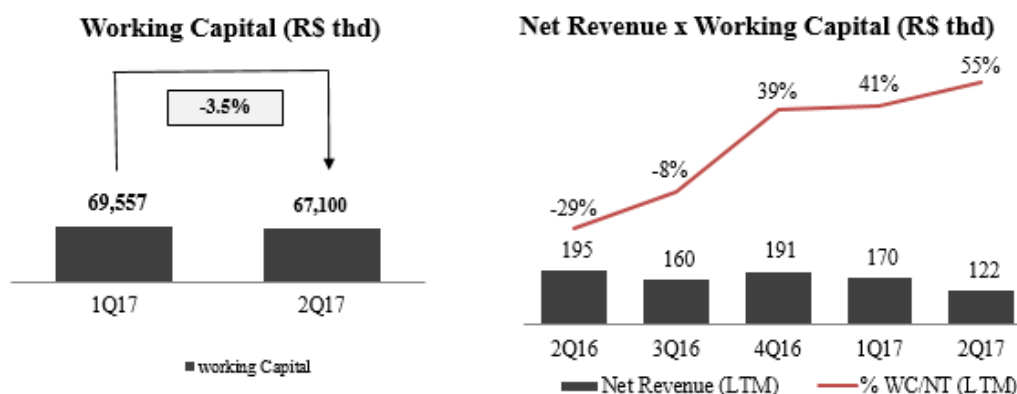


Operating Working Capital

Working Capital (R\$ thd)	1Q17	2Q17	Chg. %	Chg. R\$
Accounts Receivable	44,408	43,635	-1.7%	773
Inventories	53,133	52,428	-1.3%	705
Suppliers	24,710	26,208	6.1%	1,498
Advances from Customers	3,274	2,755	-15.9%	519
Employed Working Capital	69,557	67,100	-3.5%	2,457
Employed Working Capital Variance	- 4,571	- 2,457		
% Working Capital/Net Revenue*	41.0%	54.8%		

*LTM: last 12 months

The index of need of Working Capital on Net Revenue accrued (12 months) on 2Q17 reached a percentage of 54.8%, increase of 13.8 percentage points when compared to the indicator of 1Q17.



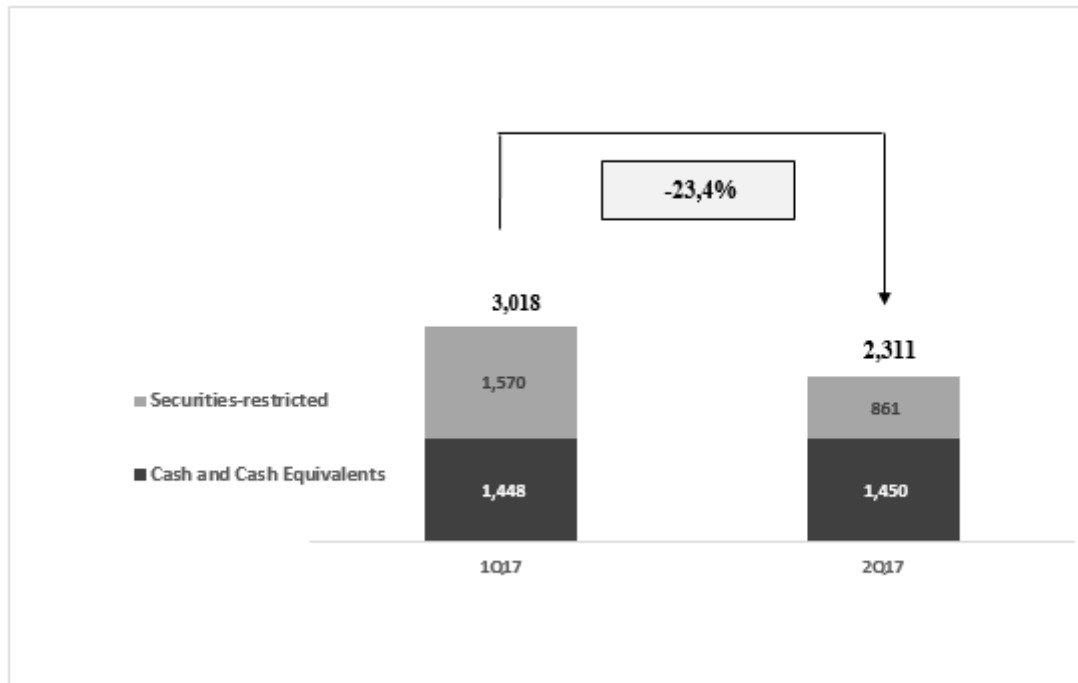
There was a reduction on the Advancement from customers on 2Q17 in comparison with 1Q17, as a consequence mainly of the reduction of Net Revenue. Regarding the balance of suppliers the increase on 2Q17 compared to 1Q17 is due to the effect of annulment of the Company's Judicial Recovery Plan on June 27, 2016.

Cash and Cash Equivalents

Cash and cash equivalents (R\$ thd)	1Q17	2Q17	Chg. %	Chg. R\$
Cash and Cash Equivalents	1,448	1,450	0.1%	2
Securities-restricted	1,570	861	-45.2%	709
Total	3,018	2,311	-23.4%	707

The consolidated position of Cash and Cash Equivalents of the Company on 2Q17 achieved R\$ 2.3 million in comparison with the amount of R\$ 3.0 million on 1Q17. Such reduction regards the release of withdraw of the registered value such as Securities - restricted account, called "Escrow Account".

Balances of Cash and Cash Equivalents (R\$ thousand)



Debt

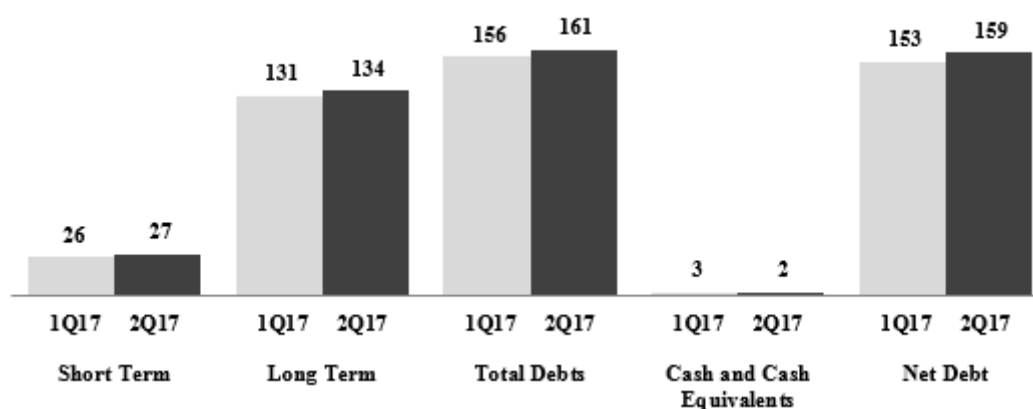
The Company's Gross Debt ended 2Q17 in R\$ 160.9 million, 3.0% over the computed on 1Q17.

Debts (R\$ ths)	1Q17	2Q17	Chg. %	Chg. R\$
Short Term	25,641	26,992	5.3%	1,351
Financing Lines not Subject to Judicial Recovery	25,641	26,992	5.3%	1,351
Long Term	130,559	133,871	2.5%	3,312
Financing Lines Subject to Judicial Recovery	118,369	123,895	4.7%	5,526
Financing Lines not Subject to Judicial Recovery	12,190	9,976	-18.2%	-2,214
Total Debts	156,200	160,863	3.0%	4,663
Cash and Cash Equivalents	3,018	2,311	-23.4%	-707
Net Debt	153,182	158,552	3.5%	5,370

Such increase is mainly a consequence of the exchange variance on loans maintained on foreign currency, due to the North American currency appreciation against Real on 2Q17.

With the availabilities of Cash and Cash Equivalents being summed, the Company's Net Debt subtracted ended 2Q17 on R\$ 158.6 million, increase of 3.5% against the value on 1Q17.

Composition of Debt (R\$ million)



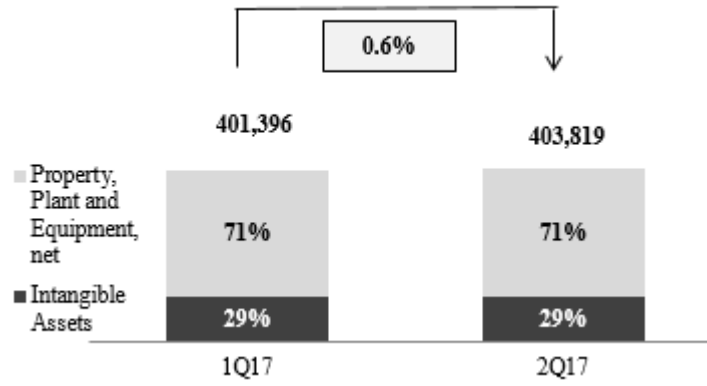
Investment Balances

The Company's Investment Balances on 2Q17 remained constant compared to 1Q17.

The Fixed Asset presented an increase of 1.1% on 2Q17 specially due to the recognition of depreciation on the amount of R\$ 6.1 million and the effect of exchange variance on the fixed asset of the controlled companies abroad on the amount of R\$ 1.7 million, based on the 4.2% appreciation on the North American currency against Real on 2Q17.

Investments (R\$ thd)	1Q17	2Q17	Chg. %	Chg. R\$
Others Investments	676	676	0.0%	-
Property, Plant and Equipment, net	284,153	287,210	1.1%	3,057
Intangible Assets	116,567	115,933	-0.5%	634
Total	401,396	403,819	0.6%	2,423

Investment Balances (R\$ thousand)



Capex was of R\$ 0.9 million on 2Q17 mainly directed to the units of the Products Segment and the Oilfield Services Colombia division.

Judicial Recovery

On May 25, 2015, as disclosed by Material Facts, the Company filed, together with other companies of the Lupatech Group, a request for Judicial Recovery. The requested was approved by justice on June 23, 2015. All information related to the process is available on CVM website and of investor relations of Lupatech S.A. - In Judicial Recovery.

On November 18, 2015, the General Meeting of Creditors approved the Judicial Recovery Plan, with it being validated on December 11, 2015, by the judgment of the 1st Court of Bankruptcy, Judicial Recovery and Conflicts Related to the Arbitration of the Capital of São Paulo, without any reservations.

On June 27, 2016, the 2nd Chamber Dedicated to Corporate Law of the Court of Law of the State of São Paulo provisioned interlocutory appeals filed by two creditors in order to annul the validation decision of the Judicial Recovery Plan of the Lupatech Group, stated by Judgment of the 1st Court of Bankruptcy, Judicial Recovery and Conflicts Related to the Arbitration of the District of São Paulo.

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

The New Judicial Recovery Plan establishes the terms and conditions for the restructuring of debts of the Lupatech Group and attends to the criteria established on decisions of the 2nd Chamber Dedicated to Corporate Law of the Court of Law of the State of São Paulo.

On November 08, 2016, the General Meeting of Creditors of the Lupatech Group approved the New Judicial Recovery Plan, validated on December 01, 2016, by the judgment of the 1st Court of Bankruptcy, Judicial Recovery and Conflicts Related to the Arbitration of the Capital of São Paulo, without any reservations. Lupatech S/A presented motions for clarification and on February 15, 2017, the judgment corrected its validation order. Before the final validation of judgment, the term for appeals against validation of the plan ended on March 13, 2017. Since until said date there has not been presentation of any appeal against the validation of the plan, it binds the Lupatech group and its creditors subject to the Plan.

The Company awaits certification of the final and binding decision of the ratification award of its New Judicial Recovery Plan to evaluate the continuity of special appeal, filed against the decision of the court of Justice of São Paulo which annulled the Judicial Recovery Plan previously presented.

Annexes

Annex I – Consolidated Income Statement (R\$ thousand)

	1Q17	2Q17	% Change
Net Revenue From Sales	31,332	28,672	-8%
Cost of Goods and Services Sold	- 37,404	- 29,330	-22%
Gross Profit	- 6,072	- 658	-89%
Operating Income/Expenses	2,379	5,793	-344%
Selling	- 1,565	- 1,534	-2%
General and Administrative	- 7,346	- 6,980	-5%
Management Compensation	- 862	- 1,151	34%
Equity pick-up	- 1,493	- 286	-81%
Other Operation Income (Expenses)	13,645	4,158	-70%
Net Financial Result	- 1,124	20,501	1724%
Financial Income	1,159	1,070	-8%
Financial Expenses	- 8,760	- 8,765	0%
Net Exchange Variance	6,477	12,806	-298%
Loss Before Income Tax and Social Contribution	- 4,817	- 26,952	460%
Provision Income Tax and Social Contribution - Current	- 919	- 595	-35%
Provision Income Tax and Social Contribution - Deferred	831	829	0%
Loss for the Period	- 4,905	- 26,718	445%

Annex II - Reconciliation of EBITDA Adjusted (R\$ thousand)

	1Q17	2Q17	% Change
Adjusted EBITDA from Continuing Operations	- 3,654	- 3,732	2%
Provision for Variable Remuneration	- -	164	n/a
Restructuring Process	- 1,627	- 1,632	0%
Provisions for Losses, Impairment and Net Result on Disposal of Assets	13,540	5,873	-57%
Fines with Customers	- 70	- 31	-56%
EBITDA from Continuing Operations	8,189	313	-96%
Depreciation and Amortization	- 10,389	- 6,478	-38%
Equity Pick-up	- 1,493	- 286	-81%
Net Financial Result	- 1,124	- 20,501	1724%
Income Tax and Social Contribution - Current and Deferred	- 88	234	-366%
Net Loss from Continuing and Discontinued Operations	- 4,905	- 26,718	445%

Annex III - Consolidated Balance Sheets (R\$ thousand)

	1Q17	2Q17	% Change
Total Asset	645,114	640,025	-1%
Current Assets	154,851	151,314	-2%
Cash and Cash Equivalents	1,448	1,450	0%
Securities-restricted	1,570	861	-45%
Accounts Receivable	44,408	43,635	-2%
Inventories	53,133	52,428	-1%
Recoverable Taxes	30,748	32,586	6%
Other Accounts Receivable	6,182	3,740	-40%
Anticipated Expenses	3,097	2,929	-5%
Advances to Suppliers	14,265	13,685	-4%
Non-Current Assets	490,263	488,711	0%
Securities-restricted	2,085	2,287	10%
Judicial Deposits	24,837	25,274	2%
Recoverable Taxes	44,897	44,041	-2%
Other Accounts Receivable	17,048	13,290	-22%
Investments	676	676	0%
Property, Plant and Equipment	284,153	287,210	1%
Intangible Assets	116,567	115,933	-1%
Total Liabilities and Shareholders' Equity	645,114	640,025	-1%
Current Liabilities	184,941	193,282	5%
Suppliers - Not Subject to Judicial Recovery	18,193	19,691	8%
Suppliers - Subject to Judicial Recovery - Class I	6,517	6,517	0%
Loans and Financing - Not Subject to Judicial Recovery	25,641	26,992	5%
Provisions Payroll and Payroll Payable	8,638	9,127	6%
Commissions Payable	867	871	0%
Taxes Payable	63,145	67,072	6%
Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	31,847	31,784	0%
Advances from Customers	3,274	2,755	-16%
Employee's Profit Sharing	-	164	n/a
Other Accounts Payable	25,701	27,180	6%
Provision for Contratual Fines	1,118	1,129	1%
Non-Current Liabilities	422,081	423,851	0%
Suppliers - Subject to Judicial Recovery	67,129	69,488	4%
Loans and Financing - Subject to Judicial Recovery	118,369	123,895	5%
Loans and Financing - Not Subject to Judicial Recovery	12,190	9,976	-18%
Taxes Payable	9,948	10,726	8%
Deferred Income Tax and Social Contribution	53,935	52,910	-2%
Provision for Contingencies	134,212	133,233	-1%
Other Accounts Payable	7,487	7,769	4%
Provision for Unfunded Liabilities in Subsidiaries	18,811	15,854	-16%
Shareholders' Equity	38,092	22,892	-40%
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	56,582	67,020	18%
Accumulated Losses	- 2,028,247	- 2,053,885	1%

Annex IV - Consolidated Cash Flows Statements (R\$ thousand)

	1Q17	2Q17	% Change
CASH FLOW FROM OPERATING ACTIVITIES			
Net Result for the Period	- 4,905	- 26,718	445%
Adjustments:			
Depreciation and Amortization	10,389	6,478	-38%
Equity Pick-up	1,493	286	-81%
Result on Sale of Fixed Assets	- 2,309	- 712	-69%
Financial expenses, net	- 208	18,829	-9152%
Reversal (Provision) for losses by non-recoverability of assets	- 16,058	- 7,343	-54%
Deferred Income Tax and Social Contribution	88	234	-366%
Losses on Inventory Obsolescence	1,126	376	-67%
Provision of Contractual Fines	1,623	- 1,521	-194%
Allowance for Doubtful Accounts	124	19	-115%
Effective Losses on Doubtful Accounts	6	6	-200%
Present Value Adjustment	1,418	1,362	-4%
Changes in Assets & Liabilities			
<i>(Increase) Decrease in Accounts Receivable</i>	- 1,284	2,220	-273%
<i>(Increase) Decrease in Inventories</i>	2,529	228	-91%
<i>(Increase) Decrease in Recoverable Taxes</i>	- 11,716	- 1,634	-86%
<i>(Increase) Decrease in Other Assets</i>	5,513	4,454	-19%
<i>(Increase) Decrease in Suppliers</i>	- 1,037	2,237	-316%
<i>(Increase) Decrease in Taxes Payable</i>	1,322	3,041	130%
<i>(Increase) Decrease in Others Accounts Payable</i>	9,575	- 1,073	-111%
Cash Flow from Operating Activities	- 2,311	251	-111%
CASH FLOW FROM INVESTMENT ACTIVITIES			
Securities - Restricted	14	569	3964%
Proceeds from Sales of Property, Plant and Equipment	3,125	2,793	-11%
Aquisition of Property, Plant and Equipment	- 138	- 731	430%
Cash Flow from Investment Activities	3,001	2,631	-12%
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Loans and Financings	21,344	19,398	-9%
Payment of Loans and Financings - Principal	- 21,249	- 21,671	2%
Payment of Loans and Financings - Interest	- 568	- 609	7%
Cash Flow from Financing Activities	- 473	2,882	509%
Exchange Variation on Cash and Cash Equivalents of Subsidiaries Abroad	- 2	2	-200%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	215	2	-99%
At the Beginning of the Period	1,233	1,448	17%
At the End of the Period	1,448	1,450	0%

About Lupatech - In Judicial Recovery

Lupatech S.A. - In Judicial Recovery is a Brazilian company of products and services of high added value with focus on the oil and gas sector. Its businesses are organized in two segments: Products and Services. The Products Segment offers, mainly for the oil and gas sector, cables for anchoring of production platforms, valves and equipment for completion of wells, besides relevant participation in company of the compressors for vehicle natural gas segment. The Services Segment offers services of drilling, workover, intervention in wells, coating and inspection of pipping.

We make statements on future events which are subject to risks and uncertainties. Such statements have as a base estimates and suppositions of our Administration and information to which the Company currently has access. Statements on future events include information on our current intentions, estimates or expectations, as well as those of the Administration Council members and Company Directors. The reservations related to statements and information about the future also include information on possible or assumed operating results, as well as statements which are preceded, followed or which include the words "believe", "may", "will", "continues", "expects", "foresees", "intends", "plans", "estimates" or similar expressions. The statements and information about the future are not performance guarantees. They involve risks, uncertainties and assumptions because they regard future events and therefore depend of circumstances which may or not happen. The future results and the creation of value for the Shareholders may differ significantly of those expressed or estimated by the statements regarding the future. Many of the factors which will determine this results and values are beyond the control or prediction ability of Lupatech - In Judicial Recovery.