# Financial and Economic Performance

# 3Q 2017


## Message from the Administration

A few important milestones in the restructuring of Lupatech were again achieved during 3Q17. Important measures were taken towards the divestment of the Services business.

In Brazil, the contracts with Petrobras rendered from Macaé were finalized, with nearly all the employees of that unit dismissed. The equipment used in the services were stored and are now destined for sale.

In Colombia, on August 25, 2017, 19.6% of the equity interest of the indirect subsidiary Lupatech OFS S.A.S. was sold to Petroalianza International Ltd. in the amount of US$ 2 million. The sale agreement provided for a capitalization of another US$ 2 million in the OFS SAS subsidiary, with the new partner reaching a stake of 36%, whereas Lupatech remained with 64% of the subsidiary. Petroalianza holds an option to acquire the remaining equity interest until November 2017.

The publication of provisional measures 783/2017 and 807/2017, which culminated with the promulgation of tax amnesty Law 1396/2017 (PERT - Special Program for Tax Regularization), will allow a substantial reduction of the tax contingencies of the Company. It is expected that the total of contingencies and debits object of the adhesion to the program reach the amount of about R$ 88 million, with the disbursement of only R$ 4 million:

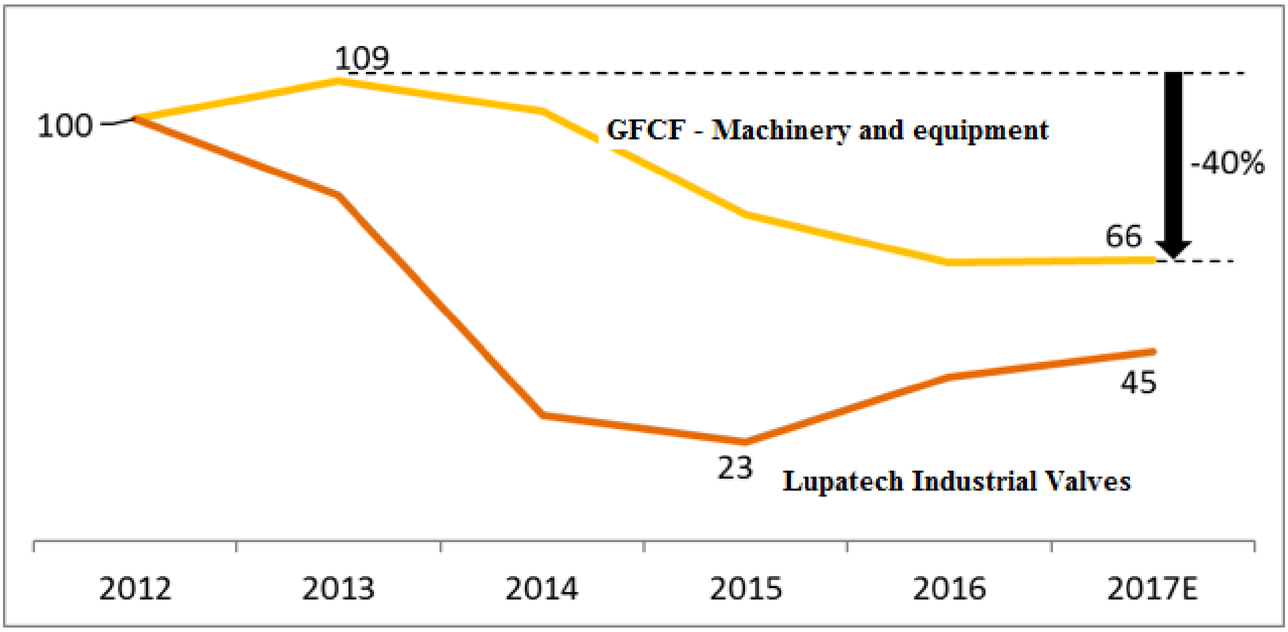
| | R$ million | |
|---|---|---|
| Adhesion | 08/31/2017<br>MP 783/2017 | 11/14/2017<br>Law 13.496/2017 |
| Value of contingencies - Object of adhesion | 54 | 88 |
| Disbursement (Toll) | 4 | 4 |
| Use of tax loss | 24 | 42 |
| Reductions and discounts on interest and fines contained in Law | 25 | 41 |

Note: *The figures presented represent the management best estimates, and may undergo changes after verification and consolidation of the debt by the Brazilian Federal Revenue Office. On September 30, 2017, our books contained the records corresponding only to the liabilities associated with the adhesion by MP 783/2017. It was also recorded the expectation of the use of tax losses. However, the benefits of the program were not recorded, since the entitlement is achieved only after the payment of the initial installments.*

The Company's business in industrial activities followed its recovery path. The reaction is still modest, since the macroeconomic and microeconomic environments remain unfavorable, even though there are signals that we are going through a moment of inflection both in the level of general activity of the economy and in the oil activity. Our business is directly influenced by these factors.

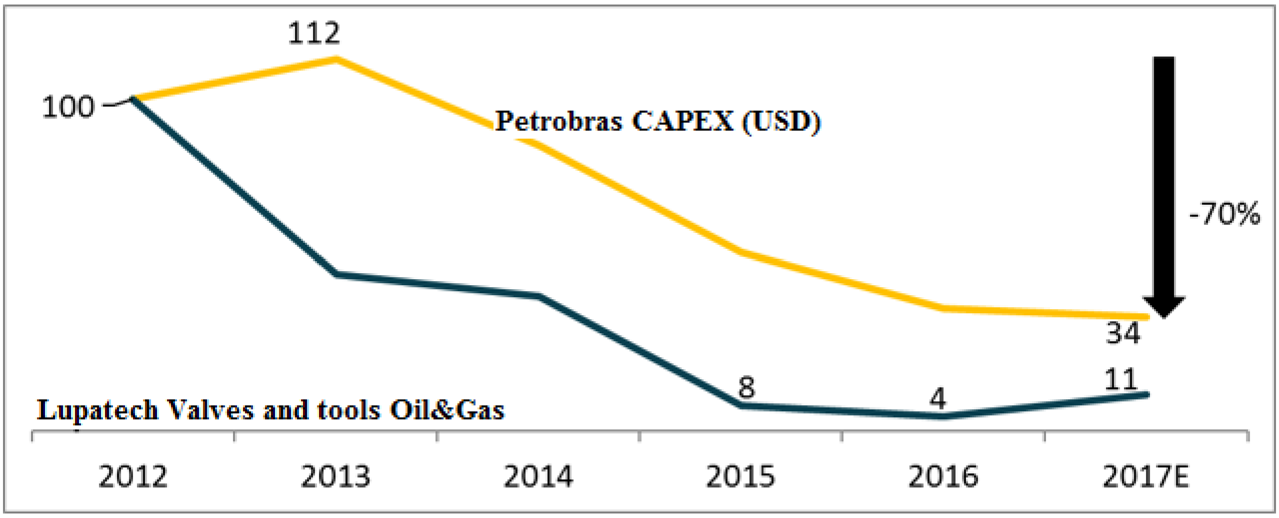
The demand for industrial valves is typically aligned with the general demand for machinery and equipment, as measured by the Gross Fixed Capital Formation (GFCF) in the economy. Historically, in a relevant period, GFCF correlates with Gross Domestic Product (GDP) growth by 3.7 times. This means that annualized GDP growth of 3% per year tends to result in an increase in demand for machinery and equipment of 12% per year. Given the long-awaited recovery of the level of economic activity, we should expect a more favorable environment for our business in the near future.

The graphic below illustrates the recent evolution of our industrial valve sales compared to GFCF's performance (machinery and equipment). While the severity of the crisis that began in 2014 caused the contraction of the demand for machinery and equipment by around 40%, on the other hand a recovery of the economy tends to promote a significant recovery of our future demand. In this context, Lupatech could find fertile ground for its recovery, which will also depend naturally on factors other than the external environment. Note that Lupatech's performance shows a recovery even as demand has been deteriorating, a positive result of the Company's recovery efforts since 2015, after the Judicial Recovery.




*Source: Ipeadata and Lupatech, 2012 = 100*

On the businesses more closely linked to the oil industry, the effect of the crisis was even more dramatic. The drop in investment in the sector is even more impressive, Homeric 70%, if measured by the level of investments of Petrobras in dollars. Considering a typical valve content of 3 to 7% of the industry’s investments, one can infer the devastating impact of the contraction on our business. In 2015, in addition to the sectoral cataclysm, we had our certificate of supply for Petrobras revoked, which, recovered soon later, made possible the resumption of sales growth. The downturns in the sector's busines and in the company's activity hints us about the size of the opportunity that can result from the recovery of Petrobrás activity and the entry of new players in Brazil, contracted at the recent auctions of National Petroleum Agency (ANP).




*Source: Ipeadata and Lupatech, 2012 = 100*

In this vein, the businesses of Industrial Valves and Oil & Gas Valves had an increase in sales of 20% compared to the previous quarter, which was accompanied by an improvement in gross profitability.

Another important step for the company was the ISO 9000 recertification of the Anchoring Ropes factory, a necessary element to make it fit for Petrobras' CRCC supplier certification. This unit, which was very profitable in the past and which sales and production cycle may reach years, has remained inactive since 2015, although commercial efforts have generated good prospects for future business in Brazil and abroad.

Rafael Gorenstein

CEO and Investor Relations Director

## Financial-Economic Performance

### Net Revenue

| Net Revenue (R$ thd) | 3Q16 | 3Q17 | Chg. R$ | 2Q17 | 3Q17 | Chg. R$ | 9M16 | 9M17 | Chg. % |
|---|---|---|---|---|---|---|---|---|---|
| **Products** | **7,805** | **9,428** | **1,623** | **7,618** | **9,428** | **1,810** | **20,115** | **26,505** | **6,390** |
| Oil&Gas Valves | 2,108 | 2,529 | 421 | 2,084 | 2,529 | 445 | 3,501 | 9,085 | 5,584 |
| Industrial Valves | 5,697 | 6,899 | 1,202 | 5,534 | 6,899 | 1,365 | 16,614 | 17,418 | 804 |
| Others | - | - | - | - | - | - | - | 2 | 2 |
| **Services** | **23,589** | **17,085** | **- 6,504** | **21,054** | **17,085** | **- 3,969** | **87,299** | **60,012** | **- 27,286** |
| Oilfield Services Brazil | 16,242 | 1,167 | - 15,075 | 8,489 | 1,167 | - 7,322 | 58,051 | 19,670 | - 38,381 |
| Oilfield Services Colombia | 7,001 | 15,918 | 8,917 | 12,565 | 15,918 | 3,353 | 23,732 | 40,343 | 16,611 |
| Tubular Services & Coating | 346 | - | - 346 | - | - | - | 5,516 | - | - 5,516 |
| **Total** | **31,394** | **26,513** | **- 4,881** | **28,672** | **26,513** | **- 2,159** | **107,414** | **86,517** | **- 20,896** |

Products Segment

In 3Q17, compared to 2Q17, the increase in Net Revenue in the Industrial Valves division is justified by the reactivation of old customers and increased sales to active customers due to a more stable economic scenario, where we have seen a modest resumption of investments and maintenance in the industrial segment. Same applies to the comparison of 3Q17 with 3Q16.

Comparing the Net Revenues of 9M17 and 9M16, the improvement is justified by the good performance in the Oil&Gas Valves division exports, in the amount of R$ 3.6 million on 1Q17. Also contributed to the result the increase in domestic sales.

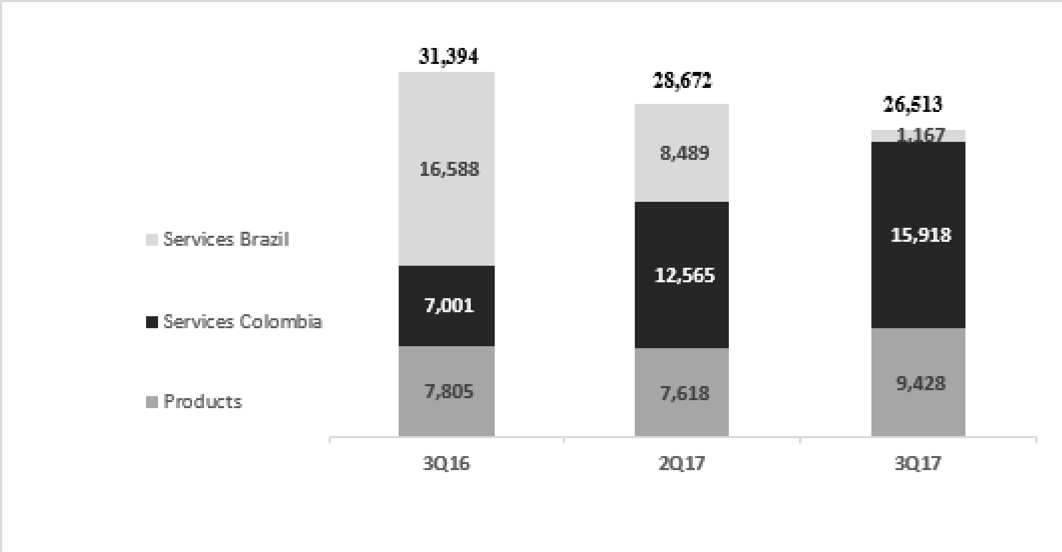
Services Segment

In 3Q17, compared to 2Q17 and 3Q16, Net Revenue in Brazil had a significant reduction due to the conclusion of the Power Tongs and Coiled Tubing contracts with Petrobrás in July 2017.

On the other hand, the Oilfield Services Colombia division in 3Q17 compared to 3Q16 and 9M17 versus 9M16 had a significant increase due to the highlight for the Colombian market recovery.

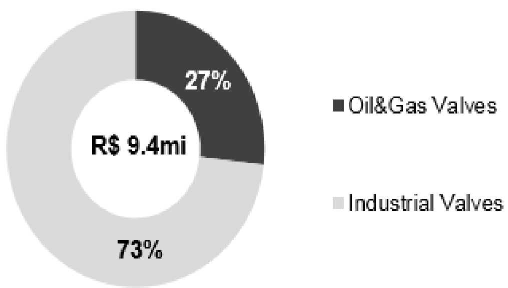
The same effects are observed in the comparison of 9M17 and 9M16. It should be noted that in the period of 9M16 the services of onshore workover in the Northeast of Brazil were active and there was still demand in the Tubular Services & Coating division.

***Net Operational Revenue (R$ thousand)***

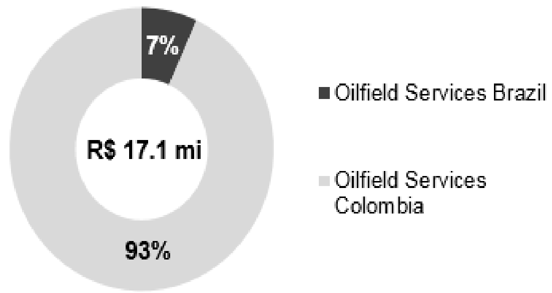



***Revenue Distribution - 3Q17***

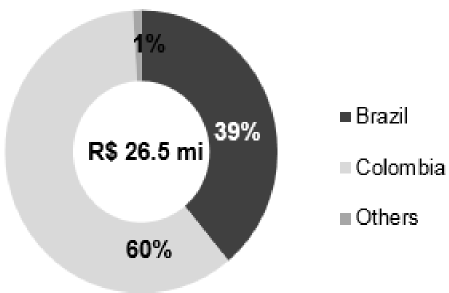
***Products***



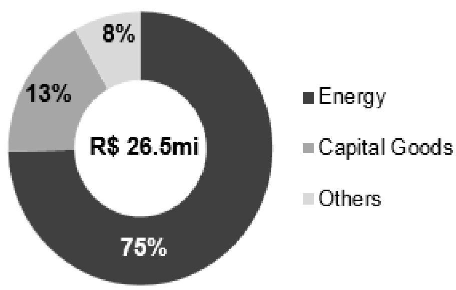

***Services***




***By Region***




***By Industrial Sector***



On September 30, 2017, the Company's order backlog totaled R$ 5.8 million, which consisted of valve orders. As mentioned in the previous report, the Service contracts had short extensions during 3Q17 and with small volume demanded, after what were finalized.

## Gross Profit and Gross Margin

| Gross Profit (R$ thd) | 3Q16 | 3Q17 | Chg. R$/p.p. | 2Q17 | 3Q17 | Chg. R$/p.p. | 9M16 | 9M17 | Chg. R$/p.p. |
|---|---|---|---|---|---|---|---|---|---|
| **Products** | **580** | **376** | **-204** | **-51** | **376** | **427** | **45** | **-435** | **-480** |
| Gross Margin - Products | 7.4% | 4.0% | -3.4 p.p. | -0.7% | 4.0% | 4.7 p.p. | 0.2% | -1.6% | -1.9 p.p. |
| **Services** | **-5,354** | **-1,723** | **3,631** | **-607** | **-1,723** | **-1,116** | **-26,735** | **-7,642** | **19,093** |
| Gross Margin - Services | -22.7% | -10.1% | 12.6 p.p. | -2.9% | -10.1% | -7.2 p.p. | -30.6% | -12.7% | 17.9 p.p. |
| **Total** | **-4,774** | **-1,347** | **3,427** | **-658** | **-1,347** | **-689** | **-26,690** | **-8,077** | **18,613** |
| Gross Margin - Total | -15.2% | -5.1% | 10.1 p.p. | -2.3% | -5.1% | -2,8 p.p. | -24.8% | -9.3% | 15.5 p.p. |
| **Depreciation** | **11,823** | **3,404** | **-8,419** | **6,478** | **3,404** | **-3,074** | **37,039** | **20,271** | **-16,768** |
| Products | 1,795 | 1,660 | -135 | 1,687 | 1,660 | -27 | 5,553 | 5,085 | -468 |
| Services | 10,028 | 1,744 | -8,284 | 4,791 | 1,744 | -3,047 | 31,486 | 15,186 | -16,300 |
| **Gross Profit without Depreciation** | **7,049** | **2,057** | **-4,992** | **5,820** | **2,057** | **-3,763** | **10,349** | **12,194** | **1,845** |
| Products | 2,375 | 2,036 | -339 | 1,636 | 2,036 | 400 | 5,598 | 4,650 | -948 |
| Services | 4,674 | 21 | -4,653 | 4,184 | 21 | -4,163 | 4,751 | 7,544 | 2,793 |
| Gross Margin without Depreciation | 22.5% | 7.8% | -14.7 p.p. | 20.3% | 7.8% | -12.5 p.p. | 9.6% | 14.1% | 4.5 p.p. |

Products Segment

In the comparison between 3Q17 and 2Q17, there was an increase of R$ 0.4 million in Gross Profit, result of the realignment efforts of costs and margins.

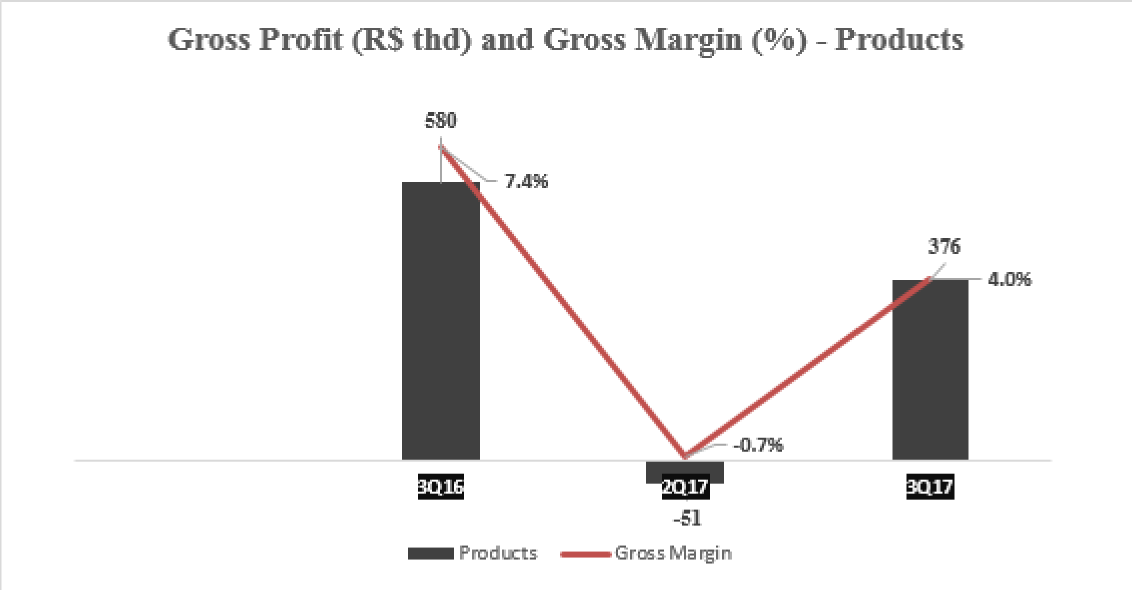
Gross margin that turned positive again. Excluding depreciation, that has weigthed in excess due to the low activity, a margin of 22% was recorded, with a most positive cash contribution.

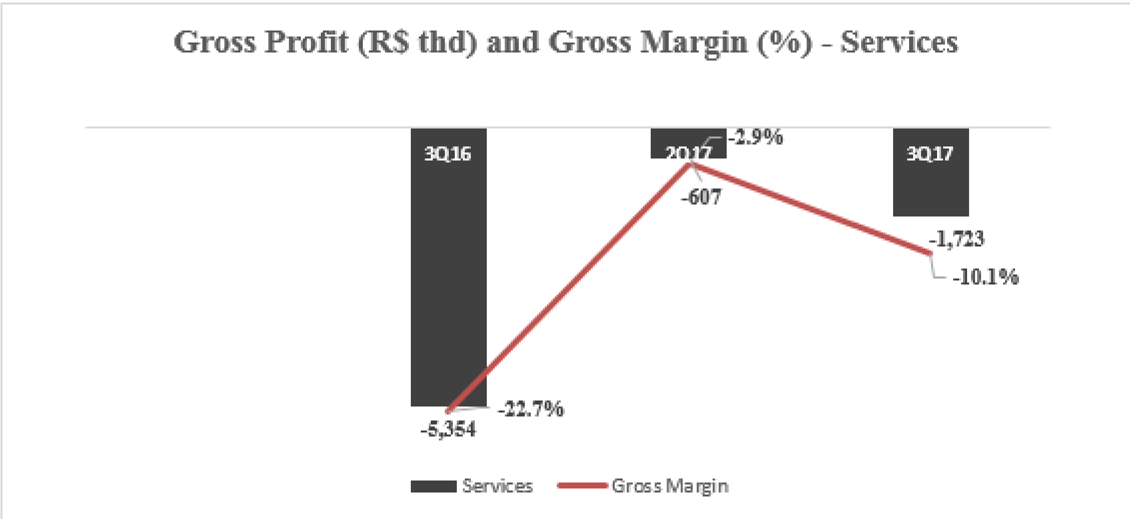
Observing the variations between 9M17 and 9M16, there was an increase in Net Revenue, however, there was no corresponding expansion of profitability. This is mainly due to the effect of the export business, that was most representative in 2017 carrying lower margins.

Services Segment

During the quarter we had a decrease in Gross Profit from 2Q17 to 3Q17. The significant reduction is mainly due to the decrease in revenues and costs with the finalization of the contracts with Petrobras.

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




## Expenses

| Expenses (R$ thd) | 3Q16 | 3Q17 | Chg. R$ | 2Q17 | 3Q17 | Chg. R$ | 9M16 | 9M17 | Chg. R$ |
|---|---|---|---|---|---|---|---|---|---|
| **Total Sales Expenses** | **2,147** | **1,394** | **-753** | **1,534** | **1,394** | **-140** | **6,144** | **4,493** | **-1,651** |
| Sales Expenses - Products | 1,416 | 1,540 | 124 | 1,305 | 1,540 | 235 | 3,327 | 4,153 | 826 |
| Sales Expenses - Services | 731 | -146 | -877 | 229 | -146 | -375 | 2,817 | 340 | -2,477 |
| **Total Administrative Expenses** | **8,849** | **6,627** | **-2,222** | **6,980** | **6,627** | **-353** | **30,016** | **20,952** | **-9,064** |
| Administrative Expenses - Products | 2,916 | 2,207 | -709 | 2,350 | 2,207 | -143 | 8,871 | 7,216 | -1,655 |
| Administrative Expenses - Services | 4,351 | 3,827 | -525 | 4,171 | 3,827 | -345 | 16,882 | 12,219 | -4,663 |
| Administrative Expenses - Corporate | 1,581 | 593 | -988 | 458 | 593 | 135 | 4,262 | 1,518 | -2,744 |
| **Management Fees** | **1,000** | **766** | **-234** | **1,151** | **766** | **-385** | **3,110** | **2,779** | **-331** |
| **Total Sales, Administratives and Management Fees** | **11,996** | **8,787** | **-3,209** | **9,665** | **8,787** | **-878** | **39,270** | **28,225** | **-11,045** |

Sales Expenses

Total Sales Expenses in 3Q17 decreased compared to 2Q17. In the comparison between years there was a significant reduction in both 3Q16 and 9M17.

In the Product Segment, 3Q17 compared to 3Q16 and 2Q17, there was an increase associated with the expansion in Net Revenue. Analyzing the nine-month period of 2017 versus 2016, there was also an increase in selling expenses, mainly due to the reversal of provision for credit losses in the amount of R$ 0.6 million in the Oil&Gas Valves division in 9M16.

In the Services Segment, there was a reduction in 3Q17 compared to 2Q17, as there was a reversal of credit losses in 3Q17 in the amount of R$ 0.3 million in the Oilfield Services Brazil division. Comparing the periods of 9M17 and 9M16, the reduction was significant, mainly due to the cut of sales personnel and the recognition of R$ 1.0 million of customer penalties in the Tubular Services & Coating division in 9M16.

Administrative Expenses

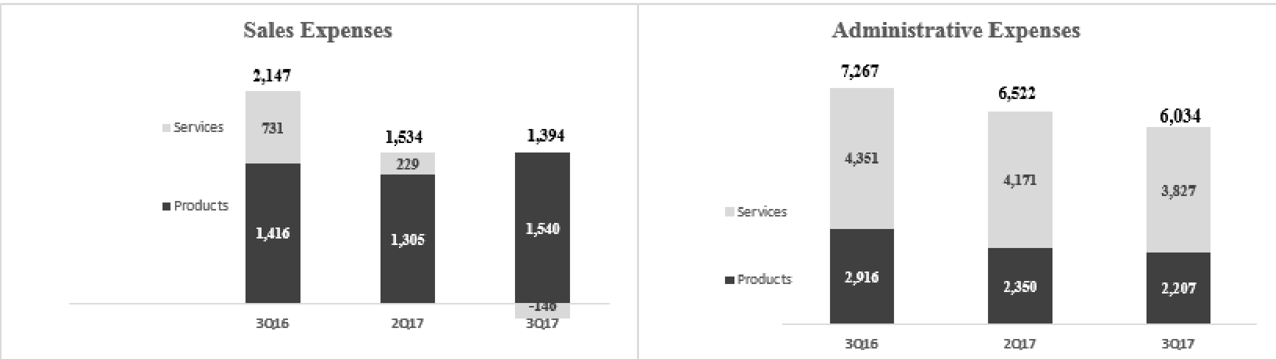
As a consequence of the administrative personnel reduction, in 3Q17 Administrative Expenses of both Product and Services Segments decreased compared to 2Q17 and 3Q16. In 9M17 versus 9M16 there was also a significant reduction for the same reason.

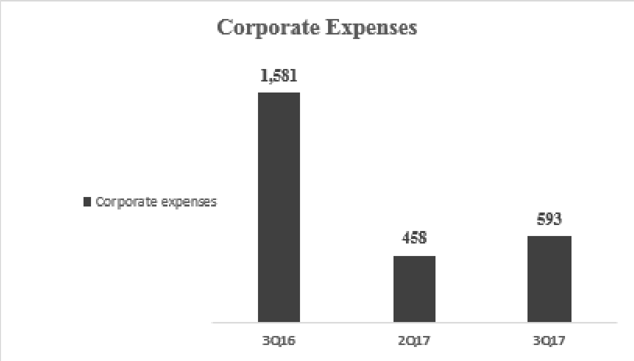
Management Pay

The total of Management pay in 3Q17 decreased compared to both 2Q17 and 3Q16.

This reduction was mainly due to one off expenses with directors' redundancies in 2Q17.

***Operating Expenses (R$ thousand)***







## Other Operating (Revenues) and Expenses

| Other Operating (Revenue) and Expenses (R$ thd) | 3Q16 | 3Q17 | Chg. R$ | 2Q17 | 3Q17 | Chg. R$ | 9M16 | 9M17 | Chg. R$ |
|---|---|---|---|---|---|---|---|---|---|
| Products | -226 | -742 | -516 | 1,145 | -742 | -1,886 | -10,400 | 4,346 | 14,746 |
| Expenses with idleness - Products | -2,446 | -1,999 | 447 | -2,840 | -1,999 | 840 | -7,672 | -6,066 | 1,606 |
| Services | 3,946 | 46,320 | 42,374 | 6,370 | 46,320 | 39,950 | 5,745 | 64,159 | 58,414 |
| Expenses with idleness - Services | -565 | -330 | 235 | -517 | -330 | 187 | -2,101 | -1,387 | 714 |
| **Total** | **709** | **43,249** | **42,540** | **4,158** | **43,249** | **39,091** | **-14,428** | **61,052** | **75,480** |

The following factors stand out in 3Q17:

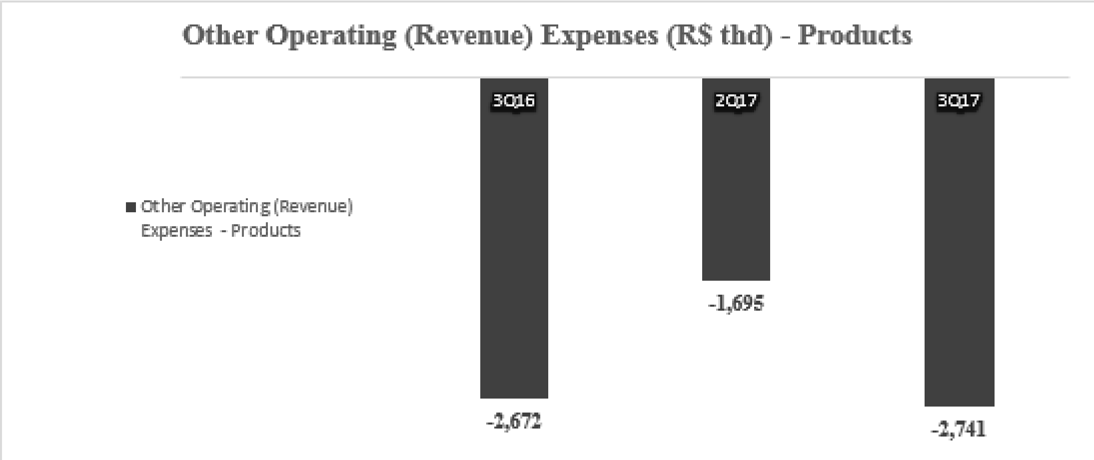
(i) R$ 2.0 million of provision for losses on lawsuits;

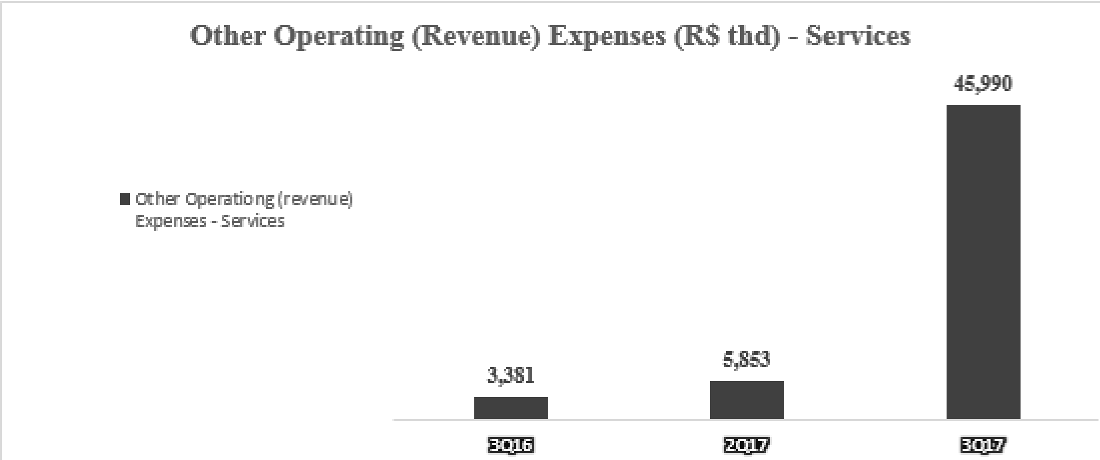
(ii) R$ 2.3 million of expenses with production idleness;

(iii) R$ 2.9 million loss on the divestment of a 19.6% equity interest in Lupatech OFS S.A.S.;

(iv) R$ 54.6 million fair value adjustment of contingencies assumed in the business combination of San Antonio Brasil S/A in August 2012 (Note 9.1.1).

## *Other Operating (Revenues) Expenses (R$ thousand)*




## Financial Results

| Financial Results (R$ thd) | 3Q16 | 3Q17 | Chg. R$ | 2T17 | 3T17 | Chg. R$ | 9M16 | 9M17 | Chg. R$ |
|---|---|---|---|---|---|---|---|---|---|
| Income from Financial Investments | 244 | 53 | -191 | 62 | 53 | -9 | 1,135 | 197 | -938 |
| Monetary Variation | 555 | 105 | -450 | 673 | 105 | -568 | 1,306 | 1,431 | 125 |
| Interest on Receivables | 1,942 | 202 | -1,740 | 311 | 202 | -109 | 2,560 | 823 | -1,737 |
| Others | 17 | 86 | 69 | 24 | 86 | 62 | 1,552 | 224 | -1,328 |
| **Financial Revenue*** | **2,758** | **446** | **-2,312** | **1,070** | **446** | **-624** | **6,553** | **2,675** | **-3,878** |
| (Expense) Reversal of Interest Expenses | -14,831 | -3,340 | 11,491 | -3,427 | -3,340 | 87 | -91,533 | -10,446 | 81,087 |
| Present Value Adjustment | - | -1,439 | -1,439 | -1,362 | -1,439 | -77 | -394,788 | -4,219 | 390,569 |
| Discount Granted | -1 | -1 | - | -226 | -1 | 225 | -766 | -227 | 539 |
| (Provision) Reversal of Provision for Interest on Suppliers | -8,672 | -1,409 | 7,263 | -970 | -1,409 | -439 | -27,447 | -3,802 | 23,645 |
| Fines and Interest on Taxes | -1,991 | -16,350 | -14,359 | -1,773 | -16,350 | -14,577 | -19,248 | -19,682 | -434 |
| IOF, Banking Expenses and Others | -889 | -3,987 | -3,098 | -1,007 | -3,987 | -2,980 | -4,253 | -5,675 | -1,422 |
| **Financial Expense*** | **-26,384** | **-26,526** | **-142** | **-8,765** | **-26,526** | **-17,761** | **-538,035** | **-44,051** | **493,984** |
| **Net Financial Results*** | **-23,626** | **-26,080** | **-2,454** | **-7,695** | **-26,080** | **-18,385** | **-531,482** | **-41,376** | **490,106** |
| Exchange Vaciance Revenue | 11,476 | 67,935 | 56,459 | 46,581 | 67,935 | 21,354 | 392,226 | 187,954 | -204,272 |
| Exchange Variance Expenses | -14,707 | -55,618 | -40,911 | -59,387 | -55,618 | 3,769 | -341,492 | -181,966 | 159,526 |
| **Net Exchange Variance** | **-3,231** | **12,317** | **15,548** | **-12,806** | **12,317** | **25,123** | **50,734** | **5,988** | **-44,746** |
| **Net Financial Results - Total** | **-26,857** | **-13,763** | **13,094** | **-20,501** | **-13,763** | **6,738** | **-480,748** | **-35,388** | **445,360** |

* Excluding Exchange Variance

The Total Net Financial Result resulted in expense, both on 3Q17 and 2Q17 and 3Q16. The same happened on the 9M17 and 9M16.

Financial Revenue

Total Financial Revenue (excluding Foreign Exchange Variation) in 3Q17 decreased R$ 2.3 million compared to 3Q16, mainly due to the 3Q16 interest received in connection with Petrobras' contractual withholdings in the amount of R$ 1.6 million. Same effect is observed when comparing 9M17 and 9M16, with a reduction of R$ 3.9 million, combined with the recovery of taxes and contributions in the amount of R$ 1.4 million in 9M17.

Compared to 2Q17, Total Financial Revenue (excluding Exchange Variation) decreased by R$ 0.6 million mainly due to monetary variation on recoverable taxes.

Financial Expense

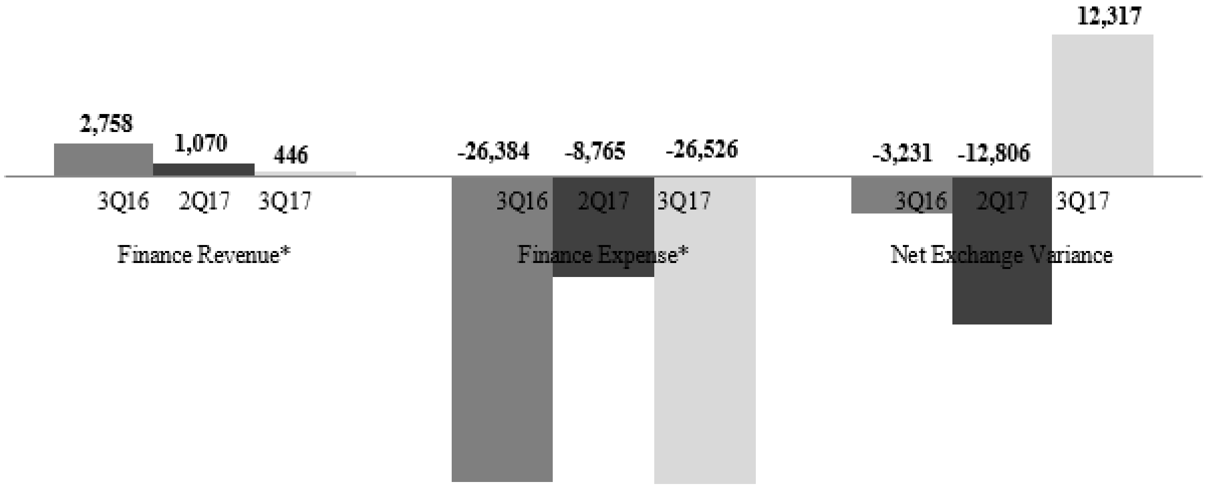
Total Financial Expenses (excluding Foreign Exchange Variation) in 3Q17, compared to 3Q16, remained stable. Comparing 9M17 to 9M16, there is a variation of R$ 494.0 million, due to the reversals of R$ 80.2 million of interest on loans, financing, fines, debentures and suppliers subject to Judicial Recovery, and the recognition of R$ 393.8 million present value adjustment on credits subject to judicial recovery, resulting from the annulment of the judicial recovery plan in 9M16.

Compared to 2Q17, Total Financial Expenses (excluding Exchange Variation) increased R$ 17.8 million mainly due to the recognition of contingencies and associated interests and fines in connection with the adhesion on the Special Tax Regularization Program (PERT), established by Provisional Measure nº. 783/2017 (Note 27).

Net Exchange Rate Variance

Net Exchange Rate Variance in 3Q17 resulted in revenue of R$ 12.3 million versus a R$ 3.2 million expense in 3Q16 and an expense of R$ 12.8 million in 2Q17, affected by North American currency depreciation against Real in 3Q17.

*Composition of Financial Result (R$ thousand)*




* Excluding Exchange Variance

## EBITDA Adjusted of Continued Activities [1]

| Adjusted EBITDA (R$ thd) | 3Q16 | 3Q17 | Chg. R$/p.p. | 2Q17 | 3Q17 | Chg. R$/p.p. | 9M16 | 9M17 | Chg. R$/p.p. |
|---|---|---|---|---|---|---|---|---|---|
| **Products** | **- 4,102** | **- 4,499** | **- 397** | **- 4,614** | **- 4,499** | **115** | **- 11,711** | **- 14,323** | **- 2,612** |
| Margin | -52.6% | -47.7% | 4.8 p.p. | -60.6% | -47.7% | 12.9 p.p. | -58.2% | -54.0% | 4.2 p.p. |
| **Services** | **1,213** | **- 4,713** | **- 5,926** | **882** | **- 4,713** | **- 5,595** | **2,098** | **- 2,275** | **- 4,373** |
| Margin | 5.1% | -27.6% | -32.7 p.p. | 4.2% | -27.6% | -31.8p.p. | 2.4% | -3.8% | -6.2 p.p. |
| **Total** | **- 2,889** | **- 9,212** | **- 6,323** | **- 3,732** | **- 9,212** | **- 5,480** | **- 9,613** | **- 16,599** | **- 6,985** |
| Margin | -9.2% | -34.7% | -25.5 p.p. | -13.0% | -34.7% | -21.7 p.p. | -8.9% | -19.2% | -10.2 p.p. |
| *% Products* | 142% | 49% | | 124% | 49% | | 122% | 86% | |
| *% Services* | -42% | 51% | | -24% | 51% | | -22% | 14% | |

The Total Consolidated Adjusted EBITDA in 3Q17 decreased compared to 3Q16 and 2Q17.

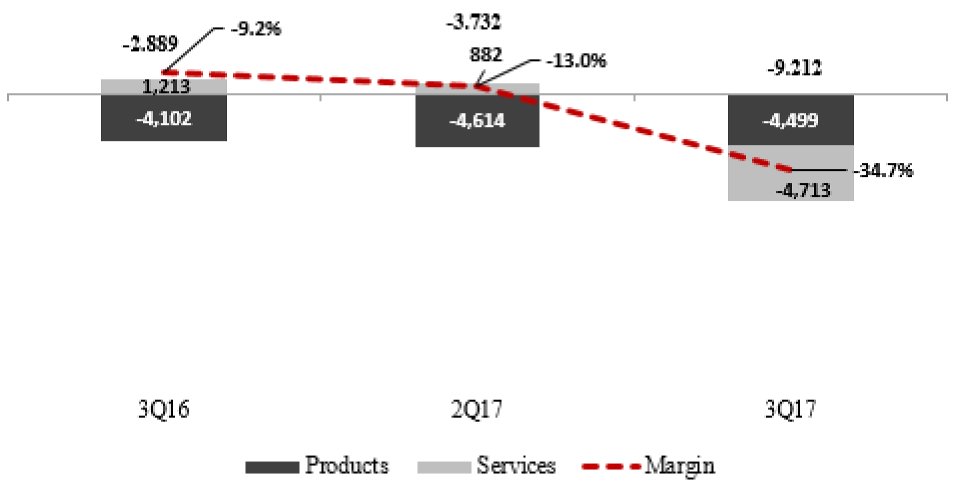
In the Product Segment, a slight improvement occurred in 3Q17 compared to 2Q17. In the Services Segment, there is a significant reduction, which is explained by the decrease in revenues and costs with the termination

[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.*

of the contracts with Petrobras, as well as the costs with redundancies in the amount of R$ 2.6 million. Another factor that impacted this result was the shutdown of the Macaé unit, generating an extraordinary expense of R$ 1.3 million with rental of handling equipmen, own and outsourced labour for packaging and transportation to other facility.

| Adjusted Ebitda Reconciliation (R$ thd) | 3Q16 | 2Q17 | 3Q17 |
|---|---|---|---|
| Gross Profit | - 4,774 | - 658 | - 1,347 |
| SG&A | - 10,996 | - 8,514 | - 8,021 |
| Management Fees | - 1,000 | - 1,151 | - 766 |
| Depreciation and Amortization | 11,823 | 6,478 | 3,404 |
| Other Operating Expenses | 709 | 4,158 | 43,249 |
| Minority Interest | - | - | - 1,556 |
| **Ebitda** | **- 4,238** | **313** | **34,963** |
| Provision for Variable Remuneration | - | 164 | - 90 |
| Provisions/Reversals for Losses, Impairment, Net Result on Disposal of Assets, Reversals with Legal Proceedings | - 3,064 | - 5,873 | - 48,725 |
| Fines with Customers | 69 | 31 | 55 |
| Restructuring Process and Other Extraordinary Expenses | 4,344 | 1,632 | 3,238 |
| Expenses with Demobilization Macaé Unit | - | | 1,347 |
| **Adjusted EBITDA** | **- 2,889** | **- 3,732** | **- 9,212** |

*EBITDA Adjusted (R$ thousand)*



| Adjusted Ebitda Reconciliation (R$ thd) | 3Q17 Products | 3Q17 Services | 3Q17 Total |
|---|---|---|---|
| Gross Profit | 376 | -1,723 | -1,347 |
| SG&A | -3,958 | -4,063 | -8,021 |
| Management Fees | -270 | -496 | -766 |
| Depreciation and Amortization | 1,660 | 1,744 | 3,404 |
| Other Operating Expenses | -2,741 | 45,990 | 43,249 |
| Minority Interest | | -1,556 | -1,556 |
| **Ebitda** | **-4,933** | **39,896** | **34,963** |
| Provision for Variable Remuneration | - | -90 | -90 |
| Provisions/Reversals for Losses, Impairment, Net Result on Disposal of Assets, Reversals with Legal Proceedings | 65 | -48,790 | -48,725 |
| Fines with Customers | 55 | - | 55 |
| Restructuring Process and Other Extraordinary Expenses | 314 | 2,924 | 3,238 |
| Expenses with Demobilization Macaé Unit | | 1,347 | 1,347 |
| **Adjusted EBITDA** | **-4,499** | **-4,713** | **-9,212** |

Non-recurring Expenses (Provisions /Reversals for Losses, Impairment, Net Result on Disposal of Assets and Reversals with Legal Proceedings) in the Services Segment, which totaled R$ 48.7 million, refer mainly to the following:

(i) 54.6 million reversal of fair value adjustments of contingencies assumed in the business combination of San Antonio Brasil S/A in August 2012 (Note 9.1.1);

(ii) R$ 2.3 million of provision for losses with lawsuits;

(iii) R$ 0.5 million provision for inventory obsolescence;

(iv) R$ 2.9 million loss on the divestment of a 19.6% equity interest in Lupatech OFS S.A.S.

## Net Result

| Net Result (R$ thd) | 3Q16 | 3Q17 | Chg. R$ | 2Q17 | 3Q17 | Chg. R$ | 9M16 | 9M17 | Chg. R$ |
|---|---|---|---|---|---|---|---|---|---|
| Minority Interest | - | 986 | 986 | - | 986 | | - | 986.00 | 986 |
| Result Before Income Tax and Social Contribution | -52,840 | 19,703 | 72,543 | -26,952 | 19,703 | 46,655 | -571,058 | -12,066 | 558,992 |
| Income Tax and Social Contribution - Current | -171 | -4,346 | -4,175 | -595 | -4,346 | -3,751 | -2,288 | -5,860 | -3,572 |
| Income Tax and Social Contribution - Deferred | 1,377 | 27,825 | 26,448 | 829 | 27,825 | 26,996 | 96,449 | 29,485 | -66,964 |
| **Net Result** | **-51,634** | **44,168** | **95,802** | **-26,718** | **44,168** | **70,886** | **-476,897** | **12,545** | **489,442** |
| Net Result per 1,000 shares | -5.50 | 4.70 | 10.20 | -2.84 | 4.70 | 7.55 | -50.77 | 1.34 | 52.10 |

The Net Profit for the period was a profit in 3Q17, versus a loss in 2Q17 and 3Q16. The main events that contributed to this result in 3Q17 were:

(i) R$ 2.3 million of idle production;

(ii) R$ 2.0 million of provision for losses with lawsuits;

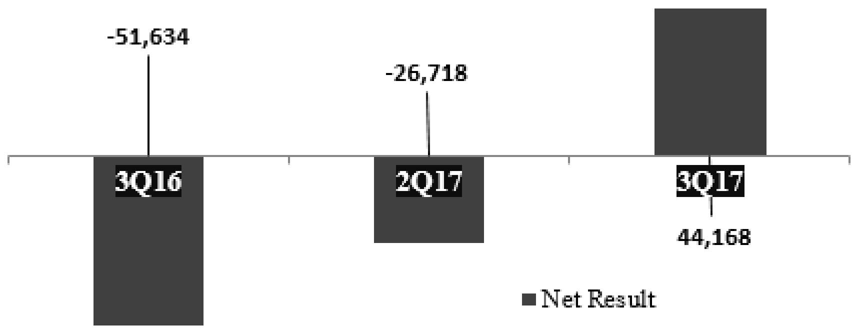
(iii) R$ 54.6 million reversal of fair value adjustments of contingencies assumed in the business combination of San Antonio Brasil S/A in August 2012 (Note 9.1.1);

(iv) R$ 24.0 million of deferred income tax and social contribution related to the recognition of the use of tax loss carry forwards related to taxes administered by the Brazilian Federal Revenue Service, as per the adhesion to the Special Tax Regularization Program (PERT);

(v) R$ 16.1 million referring to the recognition of contingencies and respective interest and fines for adhesion of the Tax Regularization Program (PERT), established by Provisional Measure nº. 783/2017 (Note 27).

The Net Profit in the 9M17 period was a profit of R$ 12.5 million against a loss of R$ 476.9 million in 9M16. The main event that contributed to this variation was the reversal of R$ 394.8 million present value adjustment of credits subject to Judicial Recovery in 9M16.

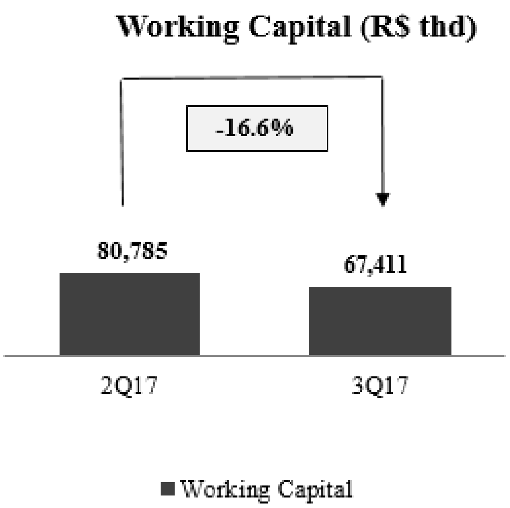
***Composition of Net Result (R$ thousand)***

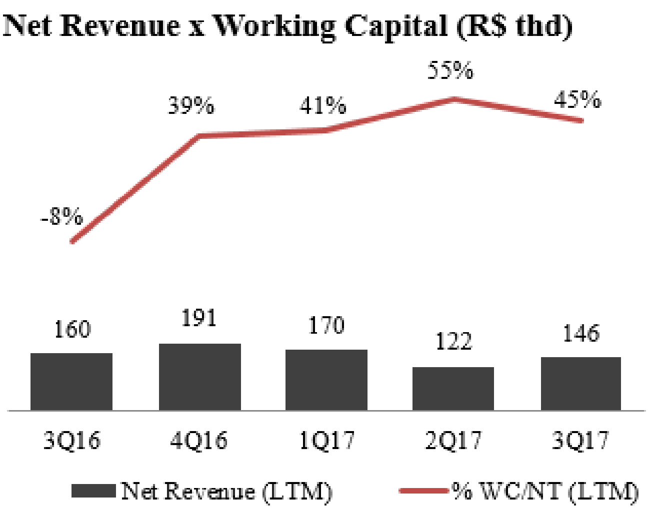


**Operating Working Capital**

| Working Capital (R$ thd) | 2Q17 | 3Q17 | Chg. % | Chg. R$ |
|---|---|---|---|---|
| Accounts Receivable | 43,635 | 38,917 | -10.8% | - 4,718 |
| Inventories | 52,428 | 49,152 | -6.2% | - 3,276 |
| Suppliers | 26,208 | 31,740 | 21.1% | 5,532 |
| Advances from Customers | 2,755 | 2,489 | -9.7% | - 266 |
| Advances of suppliers | 13,685 | 13,571 | -0.8% | - 114 |
| **Employed Working Applied** | **80,785** | **67,411** | **-16.6%** | **- 13,374** |
| Working Capital Variance | - 2,457 | - 13,374 | | |
| % Working Capital/Net Revenue* | 54.8% | 45.2% | | |
| **LTM: last 12 months* | | | | |

The ratio of Working Capital to Net Revenue (12 months) on 3Q17 was 45.2%, a reduction of 9.6 percentage points when compared to the indicator of 2Q17.




There was a reduction of 10.8% (R$ 4.7 million) in Accounts Receivable in 3Q17 compared to 2Q17, mainly as a result of the reduction in sales in the Services Segment due to the termination of contracts with Petrobras, and further collections from the Lifting Frame contractual balances in Brazil and from the Oilfield Services Colombia division.

## Cash and Cash Equivalents

| Cash and cash equivalents (R$ t | 2Q17 | 3Q17 | Chg. % | Chg. R$ |
|---|---|---|---|---|
| Cash and Cash Equivalents | 1,450 | 6,381 | 340.1% | 4,931 |
| Securities-restricted | 861 | 874 | 1.5% | 13 |
| **Total** | **2,311** | **7,255** | **213.9%** | **4,944** |
| | 63% | 88% | | |
| | 37% | 12% | | |

The consolidated position of Cash and Cash Equivalents of the Company in 3Q17 reached R$ 7.2 million, compared to R$ 2.3 million in 2Q17. This increase comes mainly from funds related to the sale of a 19.6% interest in Lupatech OFS S.A.S, Colombian subsidiary of the Company and its subsequent capitalization by the new partner.

## Debt

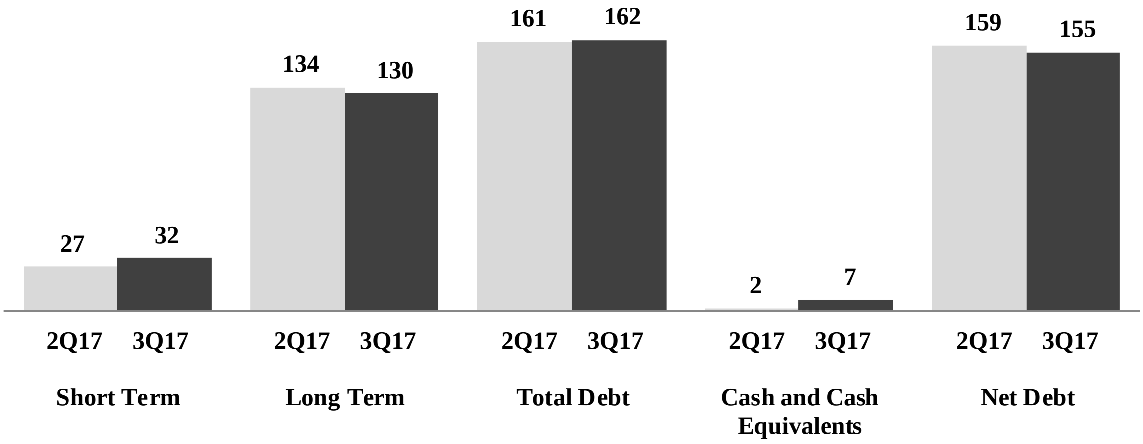
The Company’s Gross Debt ended 3Q17 in R$ 162.0 million, 0.7% less than in 2Q17.

| Debts (R$ ths) | 2Q17 | 3Q17 | Chg. % | Chg. R$ |
|---|---|---|---|---|
| **Short Term** | **26,992** | **31,957** | **18.4%** | **4,965** |
| Financing Lines not Subject to Judicial Recovery | 26,992 | 31,957 | 18.4% | 4,965 |
| **Long Term** | **133,871** | **130,067** | **-2.8%** | **- 3,804** |
| Financing Lines Subject to Judicial Recovery | 123,895 | 122,568 | -1.1% | - 1,327 |
| Financing Lines not Subject to Judicial Recovery | 9,976 | 7,499 | -24.8% | - 2,477 |
| **Total Debts** | **160,863** | **162,024** | **0.7%** | **1,161** |
| Cash and Cash Equivalents | 2,311 | 7,255 | 213.9% | 4,944 |
| **Net Debt** | **158,552** | **154,769** | **-2.4%** | **- 3,783** |

This reduction is mainly a consequence of the exchange variation on loans denominated in foreign currency, due to the North American currency devaluation against Real on 3Q17.

Net Debt subtracted ended 3Q17 at R$ 154.8 million, a decrease of 2.4% against 2Q17.

*Composition of Debt (R$ million)*



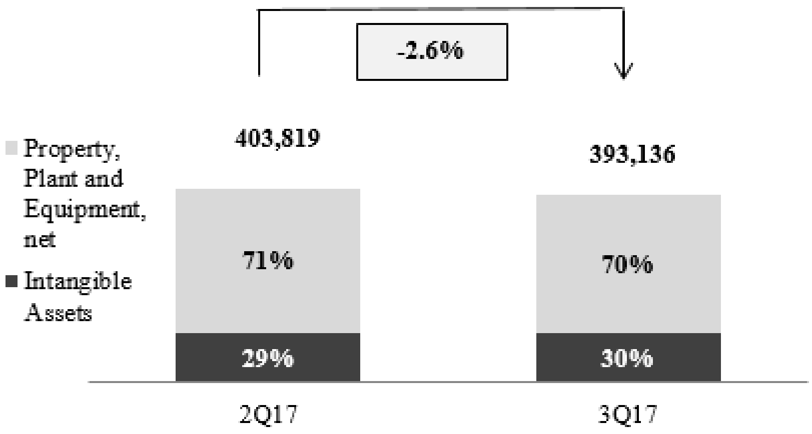

**Investment balances**

The Company's Investment Balance on 3Q17 ammounted to R$ 393.1 million, a 2.6% decrease compared to the R$ 403.8 million reported in 2Q17.

The Fixed Asset presented decreased by 3.6% on 3Q17 and Intangible assets by 0.4%, mainly due to the recognition of depreciation in the amount of R$ 3.1 million and the effect of exchange variation on fixed assets of subsidiaries abroad in the amount of R$ 2.6 million, as a result of the 4.2% North American currency depreciation against Real in 3Q17. This reduction is also justified by the discontinuation of the Brazilian services unit.

| Investments (R$ thd) | 2Q17 | 3Q17 | Chg. % | Chg. R$ |
|---|---|---|---|---|
| Others Investments | 676 | 676 | 0.0% | - |
| Property, Plant and Equipment, net | 287,210 | 276,948 | -3.6% | - 10,262 |
| Intangible Assets | 115,933 | 115,512 | -0.4% | - 421 |
| **Total** | **403,819** | **393,136** | **-2.6%** | **- 10,683** |

***Investment balances (R$ thousand)***




*Capex* was of R$ 0.4 million on 3Q17 mainly directed to the units of the Products Segment.

## 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

| | 2Q17 | 3Q17 | % Change |
|---|---|---|---|
| Net Revenue From Sales | 28,672 | 26,513 | -8% |
| Cost of Goods and Services Sold | - 29,330 | - 27,860 | -5% |
| Gross Profit | - 658 | - 1,347 | 105% |
| Receitas/Despesas Operacionais | - 5,793 | 35,799 | -718% |
| Selling | - 1,534 | - 1,394 | -9% |
| General and Administrative | - 6,980 | - 6,627 | -5% |
| Management Fees | - 1,151 | - 766 | -33% |
| Equity pick-up | - 286 | 1,337 | -567% |
| Other Operation Income (Expenses) | 4,158 | 43,249 | 940% |
| Net Financial Result | - 20,501 | - 13,763 | -33% |
| Financial Income | 1,070 | 446 | -58% |
| Financial Expenses | - 8,765 | - 26,526 | 203% |
| Net Exchange Variance | - 12,806 | 12,317 | -196% |
| Gain (Loss) Before Income Tax and Social Contribution | - 26,952 | 20,689 | -177% |
| Provision Income Tax and Social Contribution - Current | - 595 | - 4,346 | 630% |
| Provision Income Tax and Social Contribution - Deferred | 829 | 27,825 | 3256% |
| Gain (Loss) for the Period | - 26,718 | 44,168 | -265% |

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

| | 2Q17 | 3Q17 | % Change |
|---|---|---|---|
| Adjusted EBITDA from Continuing Operations | - 3,732 | - 9,212 | 147% |
| Provision for Variable Remuneration | - 164 | 90 | n/a |
| Reestructuring Process | - 1,632 | - 3,238 | 98% |
| Provisions for Losses, Impairment and Net Result on Disposal of Assets | 5,873 | 48,725 | 730% |
| Fines with Costumers | - 31 | - 55 | 77% |
| Expenses with Demobilization Macaé Unit | | - 1,347 | n/a |
| EBITDA from Continuing Operations | 313 | 34,963 | 11057% |
| Depreciation and Amortization | - 6,478 | - 3,404 | -47% |
| Equity Pick-up | - 286 | 1,337 | -567% |
| Minority Interest | - | 1,556 | n/a |
| Net Financial Result | - 20,501 | - 13,763 | -33% |
| Income Tax and Social Contribution - Current and Deferred | 234 | 23,479 | 9934% |
| Net Loss from Continuing and Discontinued Operations | - 26,718 | 44,168 | -265% |

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

| | 2Q17 | 3Q17 | % Change |
|---|---|---|---|
| **Total Asset** | **640,025** | **651,294** | **2%** |
| **Current Assets** | **151,314** | **167,288** | **11%** |
| Cash and Cash Equivalents | 1,450 | 6,381 | 340% |
| Securities-restricted | 861 | 874 | 2% |
| Accounts Receivable | 43,635 | 38,917 | -11% |
| Inventories | 52,428 | 49,152 | -6% |
| Recoverable Taxes | 32,586 | 27,339 | -16% |
| Deferred Income Tax and Social Contribution | - | 24,046 | n/a |
| Other Accounts Receivable | 3,740 | 4,101 | 10% |
| Prepaid Expenses | 2,929 | 2,907 | -1% |
| Advances to Suppliers | 13,685 | 13,571 | -1% |
| **Non-Current Assets** | **488,711** | **484,006** | **-1%** |
| Securities-restricted | 2,287 | 2,321 | 1% |
| Judicial Deposits | 25,274 | 31,556 | 25% |
| Recoverable Taxes | 44,041 | 43,488 | -1% |
| Other Accounts Receivable | 13,290 | 13,505 | 2% |
| Investments | 676 | 676 | 0% |
| Property, Plant and Equipment | 287,210 | 276,948 | -4% |
| Intangible Assets | 115,933 | 115,512 | 0% |
| **Total Liabilities and Shareholders´Equity** | **640,025** | **651,294** | **2%** |
| **Current Liabilities** | **193,282** | **239,178** | **24%** |
| Suppliers - Not Subject to Judicial Recovery | 19,691 | 25,223 | 28% |
| Suppliers - Subject to Judicial Recovery - Class I | 6,517 | 6,517 | 0% |
| Loans and Financing - Not Subject to Judicial Recovery | 26,992 | 31,957 | 18% |
| Provisions Payroll and Payroll Payable | 9,127 | 12,465 | 37% |
| Commissions Payable | 871 | 938 | 8% |
| Taxes Payable | 67,072 | 115,463 | 72% |
| Obligations and Provisions for Labor Risks - Subject to Judicial Recovery | 31,784 | 36,113 | 14% |
| Advances from Customers | 2,755 | 2,489 | -10% |
| Employee's Profit Sharing | 164 | 479 | 192% |
| Other Accounts Payable | 27,180 | 6,212 | -77% |
| Provision for Contratual Fines | 1,129 | 1,322 | 17% |
| **Non-Current Liabilities** | **423,851** | **341,343** | **-19%** |
| Suppliers - Subject to Judicial Recovery | 69,488 | 70,296 | 1% |
| Loans and Financing - Subject to Judicial Recovery | 123,895 | 122,568 | -1% |
| Loans and Financing - Not Subject to Judicial Recovery | 9,976 | 7,499 | -25% |
| Taxes Payable | 10,726 | 4,290 | -60% |
| Deferred Income Tax and Social Contribution | 52,910 | 49,120 | -7% |
| Provision for Contigencies | 133,233 | 68,207 | -49% |
| Other Accounts Payable | 7,769 | 4,305 | -45% |
| Provision for Negative Equity in Subsidiaries | 15,854 | 15,058 | -5% |
| **Shareholders' Equity** | **22,892** | **70,773** | **209%** |
| Non-Controlling Interests | - | 18,764 | n/a |
| 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 | 67,020 | 51,610 | -23% |
| Accumulated Losses | - 2,053,885 | - 2,009,358 | -2% |

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

| | 2Q17 | 3Q17 | % Change |
|---|---|---|---|
| **CASH FLOW FROM OPERATING ACTIVITIES** | | | |
| Net Result for the Period | -26,718 | 44,168 | -265% |
| | | | |
| Adjustments: | | | |
| Depreciation and Amortization | 6,478 | 3,404 | -47% |
| Equity Pick-up | 286 | -1,337 | -567% |
| Result on Sale of Fixed Assets | -712 | -52 | -93% |
| Loss (Gain) on Sale of Investments | - | -2,941 | n/a |
| Financial expenses, net | 18,829 | 8,528 | -55% |
| Reversal (Provision) for losses by non-recoverability of assets | -7,343 | -129 | -98% |
| Deferred Income Tax and Social Contribution | -234 | -32,776 | 13907% |
| Reversal of fair value adjustment of business combination SABR | - | -54,536 | n/a |
| Losses on Inventory Obsolescence | 376 | 901 | 140% |
| Provision of Contractual Fines | -1,521 | 55 | -104% |
| Allowance for Doubtful Accounts | -19 | -241 | 1168% |
| Effective Losses on Doubtful Accounts | -6 | -3 | -50% |
| Present Value Adjustment | 1,362 | 1,439 | 6% |
| Changes in Assets & Liabilities | | | |
| *(Increase) Decrease in Accounts Receivable* | 2,220 | 4,742 | 114% |
| *(Increase) Decrease in Inventories* | 228 | 2,320 | 918% |
| *(Increase) Decrease in Recoverable Taxes* | -1,634 | 11,399 | -798% |
| *(Increase) Decrease in Other Assets* | 4,454 | 12,384 | 178% |
| *(Increase) Decrease in Suppliers* | 2,237 | 482 | -78% |
| *(Increase) Decrease in Taxes Payable* | 3,041 | 25,698 | 745% |
| *(Increase) Decrease in Others Accounts Payable* | -1,073 | -21,063 | 1863% |
| **Cash Flow from Operating Activities** | **251** | **2,442** | **873%** |
| | | | |
| **CASH FLOW FROM INVESTMENT ACTIVITIES** | | | |
| Proceeds from Sale of Investments | - | 6,302 | n/a |
| Securities - Restricted | 569 | 6 | -99% |
| Sending of Proceeds from the Sale of Investment to its Investors | - | -3,168 | n/a |
| Proceeds from the sale of fixed assets | 2,793 | 105 | -96% |
| Aquisition of Property, Plant and Equipment | -731 | -1,428 | 95% |
| **Cash Flow from Investment Activities** | **2,631** | **1,817** | **-31%** |
| | | | |
| **CASH FLOW FROM FINANCING ACTIVITIES** | | | |
| Proceeds from Loans and Financings | 19,398 | 20,901 | 8% |
| Payment of Loans and Financings - Principal | -21,671 | -19,691 | -9% |
| Payment of Loans and Financings - Interest | -609 | -538 | -12% |
| **Cash Flow from Financing Activities** | **-2,882** | **672** | **-123%** |
| | | | |
| **Exchange Variation on Cash and Cash Equivalents of Subsidiaries Abroad** | 2 | - | -100% |
| | | | |
| **NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS** | **2** | **4,931** | **246450%** |
| At the Beginning of the Period | 1,448 | 1,450 | 0% |
| At the End of the Period | 1,450 | 6,381 | 340% |

## 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.*