STANDARD FINANCIAL STATEMENTS 2015

LUPATECH S/A – IN JUDICIAL RECOVERY
CNPJ/MF nº 89.463.822/0001-12
NIRE 43300028534

Management report

THIS IS A FREE TRANSLATION OF THE ORIGINAL TEXT IN PORTUGUESE IN CASE OF DIVERGENCE OF INTERPRETATION, THE PORTUGUESE TEXT WILL PREVAIL

Judicial Recovery

On May 25, 2015, as disclosed in the Relevant 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 Courts on June 23, 2015 and all information relating to the process are available on the website of Brazilian Securities Exchange Commission and of Investor Relations of Lupatech S/A - In Judicial Recovery.

On August 24, 2015, the Company presented the judicial recovery plan with the description of the recovery means to be employed, as well the report with appraisals of property and assets of the Company. The Company also presented the list of creditors to be paid under the terms and conditions set forth in the plan.

The notice containing the list of creditors was published on October 16, 2015. On October 26, 2015, the Company published notice calling on creditors to gathered General Meeting of Creditors or (GMC) to vote the Judicial Recovery Plan, with completion in first call on November 11, 2015, and in second call on November 18, 2015.

On November 11, 2015, the court-appointed administrator verified that the present creditors did not reach the minimum quorum required by the Law 11.101/2005 for the installation of General Meeting of Creditors in first call and, thus, communicated to creditors its no installation, summoning them to appear on November 18, 2015, to carry out the General Meeting of Creditors in second call, opportunity that the meeting will be installed with any numbers of present creditors.

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

Financial and Economic Performance

Net Revenue

Net Revenue (R$ thd)	1Q15	2Q15	3Q15	4Q15	Chg. %	2014	2015	Chg. %
Products	**13,700**	**9,684**	**1,646**	**4,889**	**197.0%**	**106,359**	**29,919**	**-71.9%**
Oil&Gas Valves	3,072	3,184	1,248	973	-22.0%	41,161	8,477	-79.4%
Industrial Valves	3,261	2,797	4,937	3,916	-20.7%	18,318	14,911	-18.6%
Anchoring Ropes	6,724	3,221	- 4,539	-	n/a	39,055	5,406	-86.2%
Others Products	643	482	-	-	n/a	7,825	1,125	-85.6%
Services	**69,513**	**56,250**	**65,093**	**47,519**	**-27.0%**	**277,928**	**238,375**	**-14.2%**
Oilfield Services Brazil	39,804	32,356	33,072	21,991	-33.5%	157,652	127,223	-19.3%
Oilfield Services Colombia	21,666	19,979	24,788	20,653	-16.7%	98,384	87,086	-11.5%
Tubular Services & Coating	8,043	3,915	7,233	4,875	-32.6%	21,892	24,066	9.9%
Total	**83,213**	**65,934**	**66,739**	**52,408**	**-21.5%**	**384,287**	**268,294**	**-30.2%**

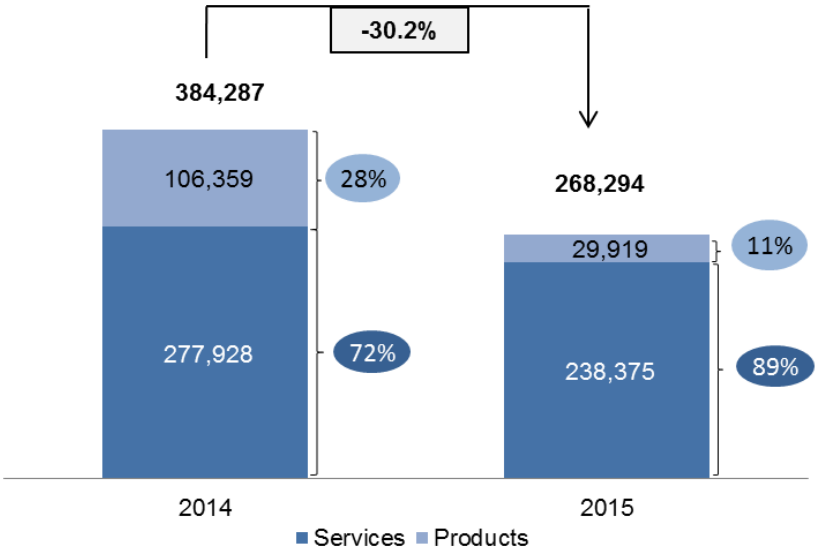
The Consolidated Net Revenue in the 2015 reached R$ 268.3 million versus R$ 384.3 million in the 2014, a reduction of 30.2%.

The Products Segment presented strong decrease of 71.9% in Consolidated Net Revenue of 2015 compared to 2014, from R$ 106.4 million in 2014 to R$ 29.9 million in 2015. This reduction was primarily consequence of cash restrictions that drastically limited the Oil&Gas Valves and Anchoring Ropes operations during 2015, leading to cancellation of orders by customers. Additionally, as a result of financial crisis, the Company had suspended the CRCC (Certificate of Registration and Cadastral Classification) by Petrobras in the third quarter of 2015, preventing the Company to capture new revenue related to Petrobras. In the fourth quarter of 2015, the CRCC was reactivated, however, due to the crisis of Oil Gas segment, there was a relevant reduction in the segment demand, so that the resumption of the backlog has been slow.

The Services Segment also presented a reduction in Consolidated Net Revenue, from R$ 277.9 million in 2014 to R$ 238.4 million in 2015, a decrease of 14.2%. The Tubular Services & Coating division presented a growth of 9.9% in Net Revenue of this period due to priorization of resources to contract conclusion. The operations of Oilfield Services Brazil division presented a reduction in Net Revenue of 19.3%, especially due cash restrictions for acquisition of materials and supplies for maintenance, which limited the Company's capacity to provide equipment and comply with demand of existing contracts, enhanced by reduction of Petrobras' services demand. The operations in Colombia were affected by decrease of oil price in 2015, with the consequent retraction of exploration on that market, presenting a reduction of 11.5%.

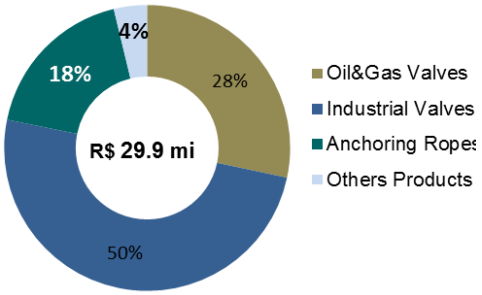
The Consolidated Net Revenue in the 4Q15 presented a reduction of 21.5% compared to the 3Q15, reaching R$ 52.4 million versus R$ 66.7 million. The decrease of 27.0% in Net Revenue of Services Segment was largely responsible for the reduction in Consolidated Net Revenue in the 4T15, due to cash restrictions that limited the availability of equipment and services, as well as to reduction of Petrobras' demand with the finalizing of contracts and to the performance of unit in Colombia by retraction in market demand. The Net Revenue of Products Segment was from R$ 1.6 million in the 3Q15 to R$ 4.9 million in the 4Q15. In the 3Q15 there was a reversal of canceled income of R$ 4.5 million that affects the comparative period. The Oil&Gas Valves and Industrial Valves Segments presented a decrease of 22.0% and 20.7%, respectively, as result of working capital constraint for replenishment of supplies, materials and finished products, as well as the impact of the restrictions resulting from the CRCC suspension by Petrobras and the reduction of the segment demand.

Net Operating Revenue (R$ thd)

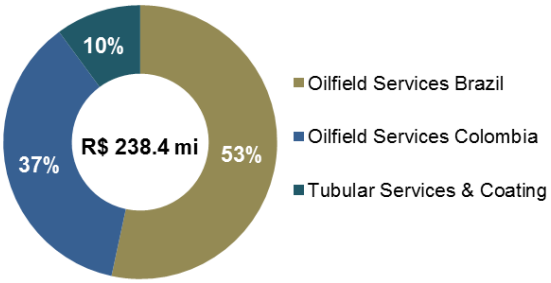


Revenue Distribution – 2015

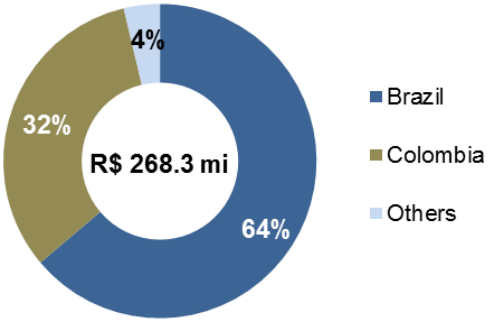
Products



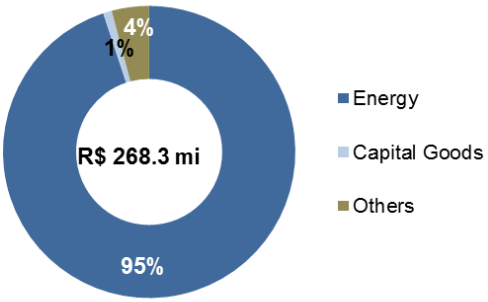
Services



By Region



By Industrial Sector



The suspension of Petrobras CRCC (Certificate of Registration and Cadastral Classification), reinstated in the 4Q15, and the difficulty in obtaining greater availability of resources for execution of hired investments and for acquisition of materials and supplies, added to reduction of Oil&Gas segment demand, significantly limited the potential for utilization of the plant's capacity and services provision, which generated longer delivery Backlog, with negative impacts on the generation of the Group Net Revenue.

As a result, our Backlog of firm orders on December 31, 2015, amounted R$ 0.5 billion. The conversion of this Backlog is concentrated in the next eighteen months and may be limited in the amount of R$ 0.3 billion. This amount represents the balance provided in signed contracts, even without warranty of consumption, discounting the amounts already billed.

Costs on Goods Sold – COGS

COGS (R$ thd)	1Q15	2Q15	3Q15	4Q15	Chg. %	2014	2015	Chg. %
Products	11,533	6,876	4,778	7,179	50.3%	98,287	30,366	-69.1%
Services	64,753	54,878	73,862	54,670	-26.0%	249,361	248,163	-0.5%
Total	**76,286**	**61,754**	**78,640**	**61,849**	**-21.4%**	**347,648**	**278,529**	**-19.9%**

The Consolidated Costs on Goods Sold (COGS) presented a reduction of 19.9% in 2015 compared to 2014, reaching R$ 278.5 million in 2015 versus R$ 347.6 million in 2014, lower than the reduction of Consolidated Net Revenue that was of 30.2%.

In Products Segment, the decrease of COGS was of 69.1% in 2015 compared to 2014, in line with the reduction of Net Revenue of this Segment in the same period.

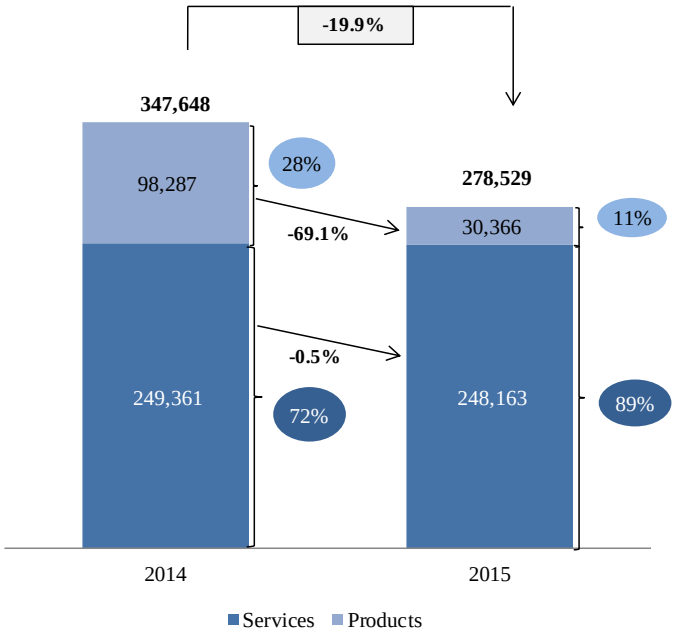
In the Services Segment, the reduction of COGS was of 0.5% in 2015 compared to 2014, versus a reduction of 14.2% in Net Revenue of this Segment in the same period, primarily due to the increase of non-recurring storage costs of R$ 16.1 million that burdened the Oilfield Services Brazil division in 2015.

The Consolidated COGS presented a decrease of 21.4% comparing the 4Q15 with the 3Q15, from R$ 78.6 million in the 3Q15 to R$ 61.8 million in the 4Q15.

In the Products Segment, the COGS increased 50.3% in the 4Q15 compared to the 3Q15, due to the impact of cancellation of orders in execution process that affected the Anchoring Ropes division in the 3Q15 and due to the registration of inventory adjustment of R$ 0.4 million in the 4Q15.

In the Services Segment, the COGS presented a reduction of 26.0% in the 4Q15 compared to the 3Q15, primarily due to the decrease of non-recurring storage costs in the Oilfield Services Brazil division in the amount of R$ 16.1 million that occurred in the 3Q15.

COGS (R$ thd)



Gross Profit and Gross Margin

Gross Profit (R$ thd)	1Q15	2Q15	3Q15	4Q15	Chg. %	2014	2015	Chg. %
Products	**2,167**	**2,808**	**-3,132**	**-2,290**	**-26.9%**	**8,072**	**-447**	**n/a**
Gross Margin - Products	15.8%	29.0%	-190.3%	-46.8%	143.5%	7.6%	-1.5%	-9,1 p.p.
Services	**4,760**	**1,372**	**-8,769**	**-7,151**	**-18.5%**	**28,567**	**-9,788**	**n/a**
Gross Margin - Services	6.8%	2.4%	-13.5%	-15.0%	-1.5%	10.3%	-4.1%	-14,4 p.p.
Total	**6,927**	**4,180**	**-11,901**	**-9,441**	**-20.7%**	**36,639**	**-10,235**	**n/a**
Gross Margin - Total	8.3%	6.3%	-17.8%	-18.0%	-0.2%	9.5%	-3.8%	-13,3 p.p.

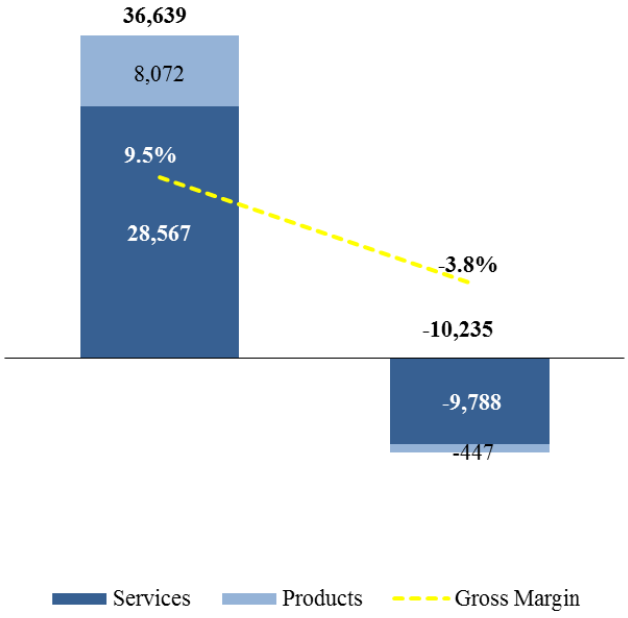
Due to reduction of Consolidated Net Revenue of R$ 116.0 million (30.2%), dismissal costs that totaled R$ 11.2 million and storage costs in the amount of R$ 16.1 million, the Total Gross Profit was negative in R$ 10.2 million in 2015 compared to the positive amount of R$ 36.6 million in 2014. The Total Gross Margin presented a decrease of 13.3 percentage points in 2015 when compared to the 2014.

In the 4Q15, the Total Gross Profit was negative of R$ 9.4 million and the Total Gross Margin was negative of 18.0% comparing with the negative Gross Profit of R$ 11.9 million and negative Gross Margin of 17.8% in the 3Q15.

In the Products Segment, the Gross Profit was negative of R$ 2.3 million in the 4Q15 and the Gross Margin negative of 46.8%, as primarily result of decrease in revenue as mentioned above, as well as due to inventory adjustment of R$ 0.4 million.

In the Services Segment, the Gross Profit was negative of R$ 7.2 million in the 4Q15 and the Gross Margin was negative of 15.0%, as primarily result of decrease in revenue as mentioned above, as well as due to dismissal costs of R$ 7.5 million and storage costs of R$ 16.1 million.

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



Expenses

Expenses (R$ thd)	1Q15	2Q15	3Q15	4Q15	Chg. %	2014	2015	Chg. %
Total Sales Expenses	4,458	3,161	2,839	-1,647	n/a	24,482	8,811	-64.0%
Total Administrative Expenses	12,746	11,668	13,861	9,419	-32.0%	56,934	47,694	-16.2%
Products	**6,711**	**5,099**	**4,511**	**4,075**	**-9.7%**	**32,159**	**20,396**	**-36.6%**
Total Sales Expenses - Products	2,864	1,491	2,031	1,566	-22.9%	14,619	7,952	-45.6%
Total Administrative Expenses - Products	3,847	3,608	2,480	2,509	1.2%	17,540	12,444	-29.1%
Services	**10,493**	**9,730**	**12,189**	**3,697**	**-69.7%**	**49,257**	**36,109**	**-26.7%**
Total Sales Expenses - Services	1,594	1,670	808	-3,213	n/a	9,863	859	-91.3%
Total Administrative Expenses - Services	8,899	8,060	11,381	6,910	-39.3%	39,394	35,250	-10.5%
Total Sales and Administratives	**17,204**	**14,829**	**16,700**	**7,772**	**-53.5%**	**81,416**	**56,505**	**-30.6%**
Management Compensation	1,293	2,848	1,096	1,110	1.3%	6,081	6,347	4.4%
Total Sales, Administratives and Management Compensation	**18,497**	**17,677**	**17,796**	**8,882**	**-50.1%**	**87,497**	**62,852**	**-28.2%**

The Consolidated Sales and Administrative Expenses and the Management Salary presented a decrease of 28.2% in the comparative period of 2015 with 2014 and reduction of 50.1% comparing the 4Q15 with the 3Q15, from R$ 87.5 million in 2014 to R$ 62.9 million in 2015 and from R$ 17.8 million in the 3Q15 to R$ 8.9 million in the 4Q15.

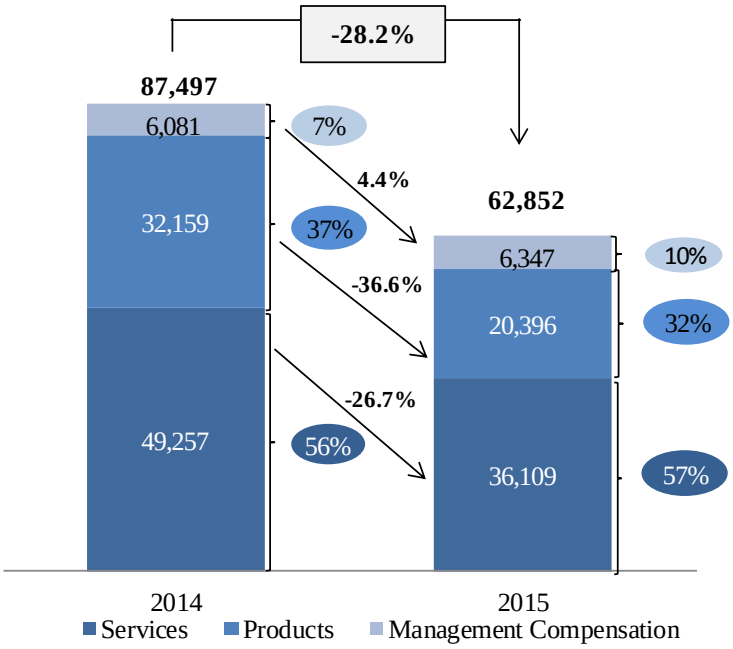
The Sales Expenses reduced 64.0% in 2015 compared to 2014, from R$ 24.5 million in 2014 to R$ 8.8 million in 2015. In the Products Segment, the Sales Expenses decreased 45.6% in 2015 compared to 2014, primarily due to reduction of expenses with commissions, freights, fines with customers and allowance for doubtful accounts in the total amount of about R$ 5.3 million, consequence related to the reduction in Net Revenue also. In the Services Segment, the Sales Expenses decreased 91.3% compared to 2014, especially due to reduction in expenses with fines with customers, salaries and allowance for doubtful accounts, in the total amount of about R$ 8.0 million.

The Sales Expenses went from R$ 2.8 million of expense in the 3Q15 to R$ 1.6 million of revenue in the 4Q15, primarily due to reversal of fines with customers in the amount of R$ 4.7 million.

The Administrative Expenses reduced 16.2% in 2015 compared to 2014 (from R$ 56.9 million in 2014 to R$ 47.7 million in 2015), and 32.0% in the 4Q15 compared to the 3Q15 (from R$ 13.9 million in the 3Q15 to R$ 9.4 million in the 4Q15). The decrease in salary expenses and consulting and advisory services in the Services Segment, in the amount of R$ 3.5 million approximately, was the main reason to reduction of Administrative Expenses in the comparative period of 4Q15 with the 3Q15. In 2015, the reduction of Administrative Expenses both in Products Segments and Services Segment especially occurred due to decrease in salary expenses comparing with the year of 2014 in the amount of R$ 12.5 million approximately.

The Management Salary remained stable both in the quarter, R$ 1.1 million in the 3Q15 and in the 4Q15, and in the comparative period of 2015 (R$ 6.3 million) with 2014 (R$ 6.1 million).

Operating Expenses (R$ thd)



Other Operating (Revenues) and Expenses

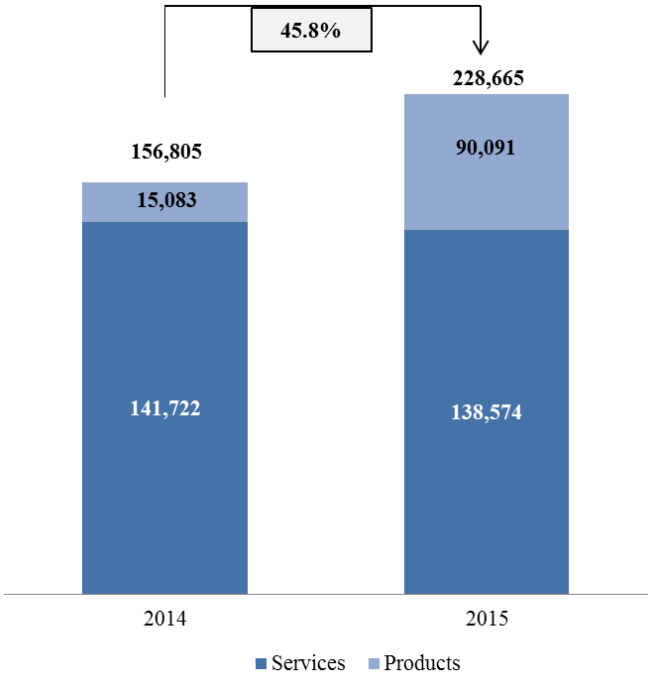
Other Expenses (Income) (R$ thd)	1Q15	2Q15	3Q15	4Q15	Chg. %	2014	2015	Chg. %
Products	6,806	71,002	6,386	5,897	-7.7%	15,083	90,091	497.3%
Services	1,190	18,950	110,540	7,894	-92.9%	141,722	138,574	-2.2%
Total	**7,996**	**89,952**	**116,926**	**13,791**	**-88.2%**	**156,805**	**228,665**	**45.8%**

The Other Operating Expenses increased from R$ 156.8 million in 2014 to R$ 228.7 million in 2015, a growth of 45.8%, and they are primarily related to the follow factors: (i) R$ 85.2 million of impairment provision of fixed assets, according to the evaluation report prepared in

accordance with the demand of Judicial Recovery process; (ii) R$ 60.0 million of loss by the non-recoverability of goodwill; (iii) R$ 40.7 million of provision for loss of lawsuit (R$ 13.2 million in 2014); (iv) R$ 13.3 million of provision for losses on inventory obsolescence and (v) R$ 26.1 million of cost of idle production (R$ 13.2 million in 2014).

Comparing the 4Q15 with the 3Q15, the Other Operating Expenses reduced from R$ 116.9 million in the 3Q15 to R$ 13.8 million in the 4Q15. While the 3Q15 was primarily affected by the registration of R$ 84.4 million of impairment provision of fixed assets, R$ 26.0 million of provision for loss of lawsuit and R$ 5.2 million of cost of idle production, the 4Q15 was especially impacted by the registration of R$ 4.6 million of reversal of provision for loss of lawsuit against R$ 8.8 million of provision for losses on inventory obsolescence, R$ 4.5 million of loss of non-recoverable taxes and contributions and R$ 3.8 million of cost of idle production.

Other Operating Expenses (R$ thd)



Financial Result

Financial Result (R$ thd)	1Q15	2Q15	3Q15	4Q15	Chg. %	2014	2015	Chg. %
Income from financial investments	199	207	247	307	24.3%	771	960	24.5%
Present value adjustment	-	-	-	394,788	n/a	412	394,788	95722.3%
Embedded Derivatives - Debentures	-	-	-	-	n/a	9,442	-	n/a
Reversal of Premium on Non-Conversion of Debentures	-	-	-	-	n/a	41,540	-	n/a
Gain for Non-Conversion of Part of the Bonds	-	-	-	-	n/a	36,244	-	n/a
Monetary Variation	172	62	493	431	-12.6%	1,353	1,158	-14.4%
Interest on Receivables	303	564	309	310	0.3%	2,486	1,486	-40.2%
Others	104	459	153	78	-49.0%	1,339	794	-40.7%
Financial Revenue*	**778**	**1,292**	**1,202**	**395,914**	**32837.9%**	**93,587**	**399,186**	**326.5%**
Interest Expense and Fines on Loans and Financing	-6,796	-9,265	-18,830	12,284	n/a	-170,929	-22,607	-86.8%
Losses on Fair Value	-	-	-	-	n/a	-139,587	-	n/a
Embedded Derivatives - Debentures	-	-	-	-	n/a	-8,623	-	n/a
Provision for Interest on Suppliers	-567	-944	-2,051	12,146	n.a	-9,495	8,584	n/a
Banking Expenses, Taxes and Others	-3,357	-2,132	-2,921	-2,090	-28.4%	-16,377	-10,500	-35.9%
Financial Expense*	**-10,720**	**-12,341**	**-23,802**	**22,340**	**n/a**	**-345,011**	**-24,523**	**-92.9%**
Net Financial Result*	**-9,942**	**-11,049**	**-22,600**	**418,254**	**n/a**	**-251,424**	**374,663**	**n/a**
Exchange Variance Revenue	151,904	173,318	261,858	58,014	-77.8%	197,321	645,094	226.9%
Exchange Variance Expense	-179,194	-177,531	-322,972	-20,381	-93.7%	-178,702	-700,078	291.8%
Net Exchange Variance	**-27,290**	**-4,213**	**-61,114**	**37,633**	**n/a**	**18,619**	**-54,984**	**n/a**
Net Financial Result - Total	**-37,232**	**-15,262**	**-83,714**	**455,887**	**n/a**	**-232,805**	**319,679**	**n/a**

* Excluding Exchange Variance

The Total Financial Income (excluding Exchange Variance) in 2015 reached R$ 399.2 million versus R$ 93.6 million in 2014, an increase of 326.5%, primarily due to the registration in 2015 of revenue for present value adjustment of suppliers, loans, fines, debentures and Bonds in the amount of R$ 394.8 million.

The Total Financial Income (excluding Exchange Variance) in the 4Q15 increased from R$ 1.2 million in the 3Q15 to R$ 395.9 million due to the registration of present value adjustment of Company's obligations as mentioned above.

The Total Financial Expense (excluding Exchange Variance) reduced 92.9% in 2015 compared to 2014, reaching R$ 24.5 million versus R$ 345.0 million in 2014 primarily due to recognition in 2014 of losses on share's fair value in the amount of R$ 139.6 million and loss with embedded derivatives of Debentures in the amount of R$ 8.6 million not occurred in 2015, as well as due to reduction of interest expenses on loans and financial debts, Bonds and on Debentures, as result of Company's Debt reduction ended in the third quarter of 2014, and the reversal of R$ 8.6 million of provision for interest on suppliers in 2015.

In the quarter, the Total Financial Expense (excluding Exchange Variance) decreased from R$ 23.8 million of expense in the 3Q15 to R$ 22.3 million of revenue in the 4T15. This reduction was primarily consequence of reversal in provision for interest on suppliers in the amount of R$ 12.1 million and of reversal of interest expense on loans, financing and debentures in the amount of R$ 12.3 million to establish the Company's obligations under the Judicial Recovery Plan approved in November 18, 2015, at the General Meeting of Creditors.

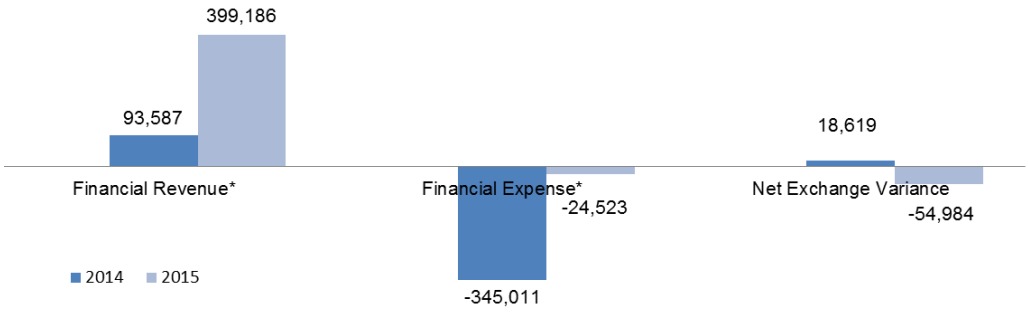
The Net Exchange Variance in 2015 resulted in expense of R$ 55.0 million versus a revenue of R$ 18.6 million in 2014 affected by valuation of 47.0% in U.S. dollar against Brazilian Real in 2015. In the 4Q15, the Net Exchange Variance resulted in revenue of R$ 37.6 million versus an expense of R$ 61.1 million in the 3Q15 affected by devaluation of 1.7% in U.S. dollar against Brazilian Real in the 4Q15 versus a valuation of 28.0% in U.S. dollar in the 3Q15.

The Total Net Financial Result in 2015 resulted in revenue of R$ 319.7 million versus an expense of R$ 232.8 million in 2014 primarily due to the registration of present value

adjustment of suppliers, loans, fines, debentures and Bonds in the amount of R$ 394.8 million in 2015.

The Total Net Financial Result went from an expense of R$ 83.7 million in the 3Q15 to a revenue of R$ 455.9 million in the 4Q15, especially due to the registration of revenue for present value adjustment, already mentioned, and due to positive effect of net exchange variance in the 4Q15.

Financial Result Breakdown (R$ thd)



* Excluindo Variação Cambial

Adjusted EBITDA from Continuing Operations[1]

The Consolidated Adjusted EBITDA from Continuing Operations was negative in R$ 20.4 million in 2015 versus negative result of R$ 6.9 million in 2014. The EBITDA Margin was negative of 7.6% in 2015, with negative variance of 5.8 percentage points compared to the Margin presented in 2014.

Adjusted EBITDA (R$ thd)	1Q15	2Q15	3Q15	4Q15	Chg. R$	Chg. %	2014	2015	Chg. R$	Chg. %
Products	**- 7,869**	**- 5,710**	**- 9,563**	**- 7,537**	**2,026**	**-21.2%**	**- 24,532**	**- 30,678**	**- 6,146**	**25.1%**
Margin	-57.4%	-59.0%	-581.0%	-154.2%		426,8p.p.	-23.1%	-102.5%		-79,4 p.p.
Services	**3,749**	**4,259**	**8,702**	**- 6,460**	**- 15,162**	**n/a**	**17,599**	**10,250**	**- 7,349**	**-41.8%**
Margin	5.4%	7.6%	13.4%	-13.6%		-27,0 p.p.	6.3%	4.3%		-2,0 p.p.
Total	**- 4,119**	**- 1,451**	**- 861**	**- 13,997**	**- 13,136**	**1525.7%**	**- 6,933**	**- 20,428**	**- 13,496**	**194.7%**
Margin	-5.0%	-2.2%	-1.3%	-26.7%		-25,4 p.p.	-1.8%	-7.6%		-5,8 p.p.
% Products	191%	394%	1111%	54%			354%	150%		
% Services	-91%	-294%	-1011%	46%			-254%	-50%		

Both the Consolidated Adjusted EBITDA of Products Segment and of Services Segment presented reduction in 2015 compared to 2014, primarily consequence of cash restrictions for acquisition of materials and suppliers, creating high limitations to operations, leading to loss of revenue, including the cancellation of orders. Additionally, the Company was affected by reduction in demand of products and services, as result of crisis in the Oil&Gas segment, as well

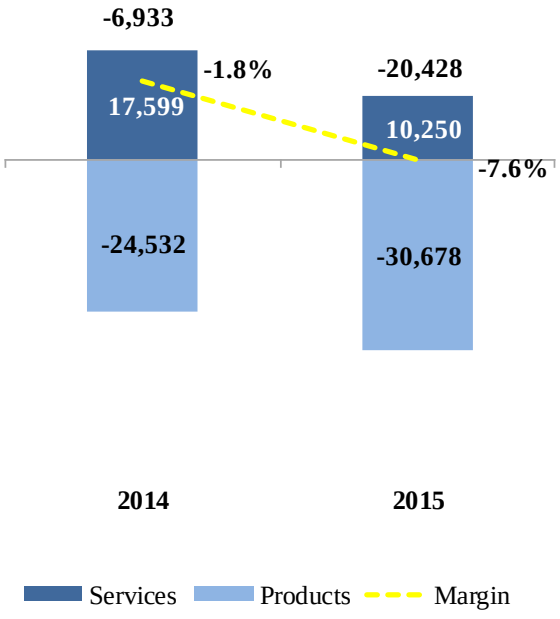
[1] ***EBITDA from continuing operations*** *is calculated as the net income (loss) before income tax and social contribution, financial income (expense), Equity Pick-up Result and depreciation and amortization. The Adjusted EBITDA from continuing operations reflects the EBITDA from continuing operations, 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.*

as by suspension, even temporary, of CRCC with Petrobras, as a result of Lupatech's financial crisis, creating limitations to capture new revenue.

Adjusted Ebitda Reconciliation (R$ thd)	1Q15	2Q15	3Q15	4Q15	2015
Gross Profit	6,927	4,180	-11,901	-9,441	-10,235
SG&A	-17,204	-14,829	-16,700	-7,772	-56,505
Management Compensation	-1,293	-2,848	-1,096	-1,110	-6,347
Depreciation and Amortization	12,392	12,581	12,820	13,247	51,040
Operational Revenues/Expenses	-7,996	-89,952	-116,926	-13,791	-228,665
Ebitda from Continuing Operations	**-7,174**	**-90,868**	**-133,803**	**-18,867**	**-250,712**
Provision for Variable Compensation	-21	175	218	4,243	4,615
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets	934	80,456	112,749	5,069	199,208
Fines (Reversion of Fines) with Customers	1,352	408	-17	-3,316	-1,573
Restructuring Process and Other Extraordinary Expenses	790	8,378	19,992	-1,126	28,034
Adjusted EBITDA from Continuing Operations	**-4,119**	**-1,451**	**-861**	**-13,997**	**-20,428**

The Consolidated Adjusted EBITDA from Continuing Operations in the 4Q15 comparatively to 3Q15 reduced from negative R$ 0.9 million in the 3Q15 to negative R$ 14.0 million in the 4Q15. The Consolidated EBITDA Margin decreased 25.4 percentage points, from negative 1.3% in the 3Q15 to negative 26.7% in the 4Q15.

Adjusted EBITDA (R$ thd)



	2015		
Adjusted Ebitda Reconciliation (R$ thd)	**Products**	**Services**	**Total**
Gross Profit	-447	-9,788	-10,235
SG&A	-20,396	-36,109	-56,505
Management Compensation	-639	-5,708	-6,347
Depreciation and Amortization	8,073	42,967	51,040
Operational Revenues/Expenses	-90,091	-138,574	-228,665
Ebitda from Continuing Operations	**-103,500**	**-147,212**	**-250,712**
Provision for Variable Compensation	899	3,716	4,615
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets	67,341	131,868	199,208
Fines (Reversion of Fines) with Customers	1,037	-2,610	-1,573
Restructuring Process and Other Extraordinary Expenses	3,545	24,489	28,034
Adjusted EBITDA from Continuing Operations	**-30,678**	**10,250**	**-20,428**

The non-recurring expenses that totaled R$ 199.2 million primarily refers to impairment provision of fixed assets in the amount of R$ 85.2 million, loss by the non-recoverability of goodwill in the amount of R$ 60.0 million, provision for loss of lawsuit in the amount of R$ 40.7 million and provision for losses on inventory obsolescence in the amount of R$ 13.3 million.

Net Result

Net Result (R$ thd)	1Q15	2Q15	3Q15	4Q15	Chg. %	2014	2015	Chg. %
Result Before Income Tax and Social Contribution	-56,798	-119,082	-227,756	443,509	n/a	-457,587	39,873	n/a
Income Tax and Social Contribution - Current	-612	-612	-1,623	181	n/a	-2,264	-2,666	17.8%
Income Tax and Social Contribution - Deferred	689	601	-655	-91,016	13795.6%	-1,044	-90,381	8557.2%
Result of Discontinued Operation	-22,054	91	-	-	n/a	-170,113	-21,963	-87.1%
Net Result	**-78,775**	**-119,002**	**-230,034**	**352,674**	**n/a**	**-631,008**	**-75,137**	**-88.1%**
Net Result per 1000 Shares	-0.50	-0.76	-1.47	2.25	n/a	-4.02	-0.48	-88.1%

The Net Result in 2015 was a loss of R$ 75.1 million, compared to a loss of R$ 631.0 million in 2014. The main extraordinary events that contributed for that performance in 2015 were: (i) R$ 85.2 million of impairment provision of fixed assets; (ii) R$ 60.0 million of loss by the non-recoverability of goodwill; (iii) R$ 40.7 million of provision for loss of lawsuit; (iv) R$ 16.1 million of storage costs; (v) R$ 26.1 million of costs of idle production; (vi) R$ 22.0 million of expenses with low of investment in discontinued operations -Jefferson units and (vii) R$ 13.3 million of provision for losses on inventory obsolescence. Were it not for these extraordinary events, the accumulated result in 2015 would be a profit of R$ 188.3 million.

In the quarter, the Net Result went from a loss of R$ 230.0 million in the 3Q15 to a profit of R$ 352.7 million in the 4Q15. This performance in the 4Q15 is primarily due to positive financial result impacted by the registration of revenue for present value adjustment of suppliers, loans, fines, debentures and Bonds in the amount of R$ 394.8 million. The 3Q15, however, was primarily affected by the extraordinary events: (i) R$ 84.4 million of impairment provision of fixed assets; (ii) R$ 26.0 million of provision for loss of lawsuit and (iii) R$ 16.1 million of storage costs.

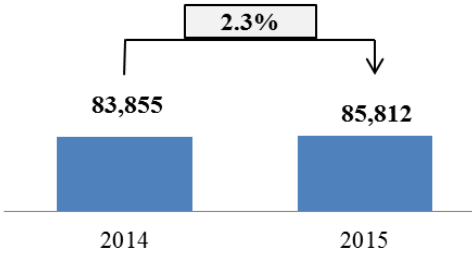
Working Capital

Working Capital (R$ thd)	2014	2015	Chg. %	Chg. R$
Accounts Receivable	115,483	62,330	-46.0%	-53,153
Inventories	69,644	56,349	-19.1%	-13,295
Accounts Payable	98,389	29,084	-70.4%	-69,305
Advances from Clients	2,883	3,783	31.2%	900
Employed Working Capital	**83,855**	**85,812**	**2.3%**	**1,957**
Employed Working Capital Variance	- 45,263	1,957		
% Working Capital/Net Revenues*	21.8%	32.0%		

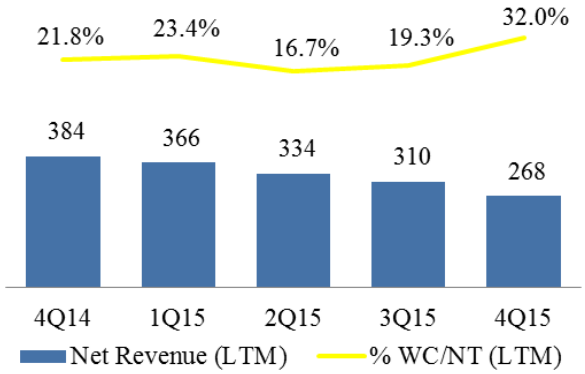
**LTM: last 12 months*

The rate of Working Capital Needs upon accumulated Net Revenue (12 months) in 2015 reached 32.0%, an increase of 10.2 percentage points when compared to the rate of 2014.

Working Capital (R$ thd)



Net Revenue vs. Working Capital (R$ thd)



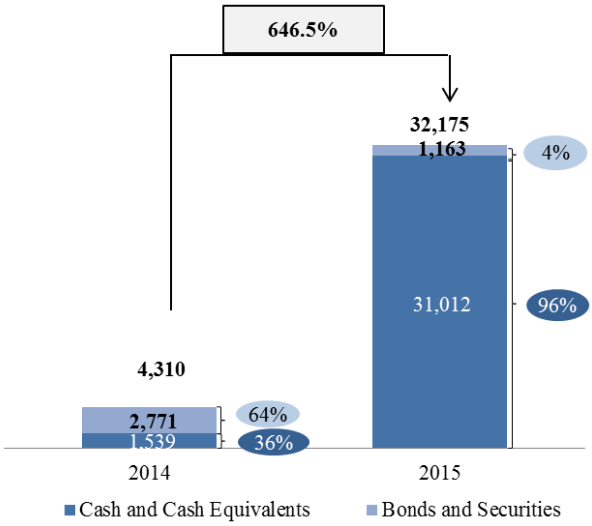
The reception of accrued revenue of approximately two years resulting from Hydraulic Key, Lifting Frame and Flexitubo projects in the Services Segment was the main factor that resulted in the decrease of 46.0% of the Accounts Receivable balance.

Additionally, there was a reduction of 70.4% of Accounts Payable balance in 2015 compared to 2014, as consequence of Company's Judicial Recovery process and of the registration of revenue for present value adjustment with impact in the amount of R$ 156.9 million. The balance of R$ 72.0 million of Accounts Payable has become chargeable in the long term.

Cash and Cash Equivalents

The consolidated position in Company's Cash and Cash Equivalents in 2015 reached R$ 32.2 million compared to the amount of R$ 4.3 million in 2014, due to the reception of revenues from Hydraulic Key, Lifting Frame and Flexitubo projects in the Services Segment.

Cash and Cash Equivalents Balances (R$ thd)



The Company will make use of such availability of resources for the acquisition of materials and supplies that contribute to higher operating cash flow, increasing the utilization of the units' industrial capacity and the ability to provide services.

Debt

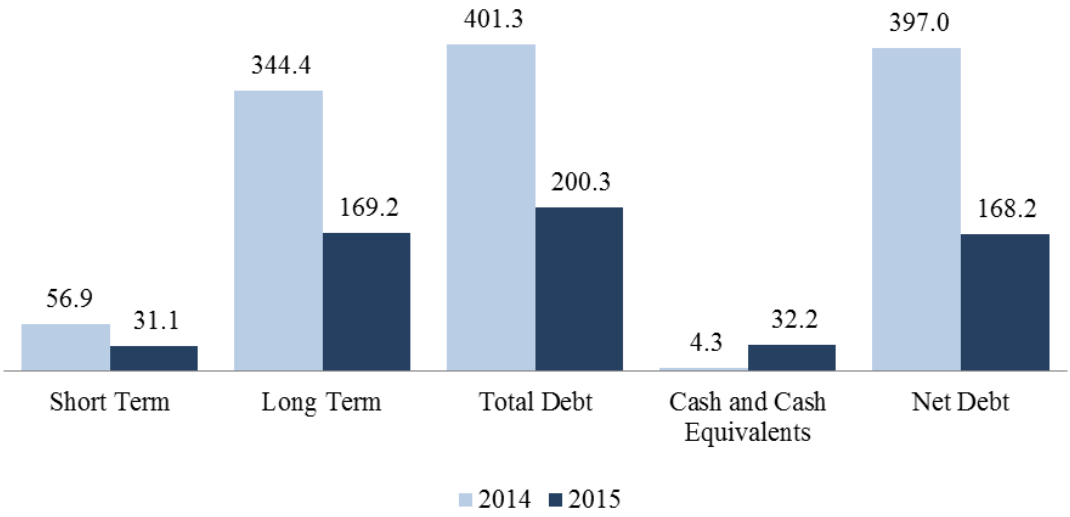
Company's Gross Debt ended the year 2015 in R$ 200.3 million, 50.1% lower than reported in 2014.

Debt (R$ thd)	2014	2015	Chg. %	Chg. R$
Short Term	**56,884**	**31,145**	**-45.2%**	**- 25,739**
Financing Lines	56,884	31,145	-45.2%	- 25,739
Long Term	**344,425**	**169,203**	**-50.9%**	**- 175,222**
Financing Lines	144,742	169,203	16.9%	24,461
Debentures	71,715	-	n/a	- 71,715
Bonds	127,968	-	n/a	- 127,968
Total Debt	**401,309**	**200,348**	**-50.1%**	**- 200,961**
Cash and Cash Equivalents	4,310	32,175	646.5%	27,865
Net Debt	**396,999**	**168,173**	**-57.6%**	**- 228,826**

This reduction is primarily consequence of registration of revenue for present value adjustment of loans, debentures and Bonds that decreased these obligations in about R$ 237.9 million in the 4Q15.

Combined Cash and Cash Equivalents, the Company's Net Debt ended the year 2015 in R$ 168.2 million, a reduction of 57.6% versus the amount in 2014.

Debt Breakdown (R$ million)



Investment Balances

Company's Investment Balances in 2015 totaled R$ 476.5 million, a reduction of 26.2% compared to the R$ 645.6 million presented in 2014.

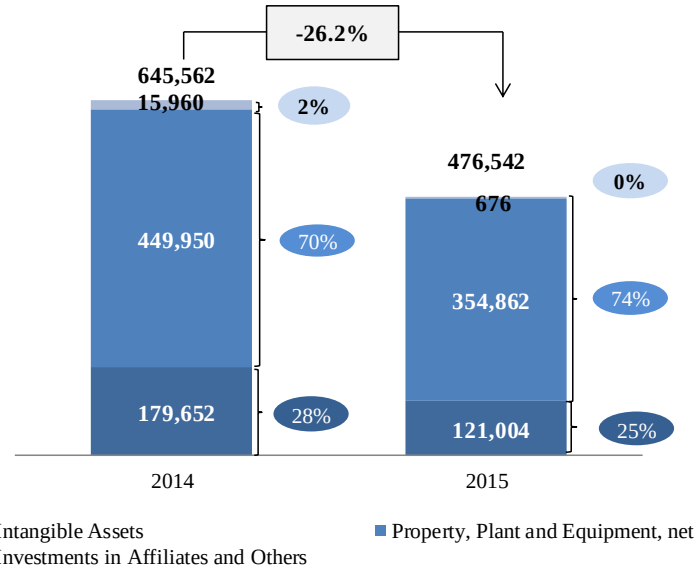
Investments (R$ thd)	2014	2015	Chg. %	Chg. R$
Investments in Affiliates and Others	15,960	676	-95.8%	-15,284
Property, Plant and Equipment, net	449,950	354,862	-21.1%	-95,088
Intangible Assets	179,652	121,004	-32.6%	-58,648
Total	**645,562**	**476,542**	**-26.2%**	**-169,020**

The Property, Plant and Equipment, presented a decrease of 21.1% in 2015 especially due to the recognition of R$ 85.2 million of impairment provision of fixed assets, according to the evaluation report prepared in accordance with the demand of Judicial Recovery process, as well as due to the recognition of R$ 28.4 million of Machines and Equipment deemed cost disposal in the Services Segment.

Intangible Assets reduced 32.6% in 2015 primarily due to the recognition of R$ 60.0 million of loss by the non-recoverability of goodwill.

The Investments in Affiliates and Others decreased 95.8% due to reclassification of R$ 15.3 million of Vicinay Marine S.L. Investment as assets held for sale, due to negotiation of sale of share's participation held by the Company in the society, as disclosed to the market in the Relevant Fact on January 6, 2016, being such negotiations conditioned to approval by the judge responsible for handling the Company's judicial recovery.

Investment Balances (R$ thd)



Capex was R$ 6.6 million in 2015 primarily invested in the Services Segment units. Capex has been applied in investments needed to improve production efficiency and execute Company's Backlog, however the amount applied is still significantly lower than that required.

Attachments

Attachment I – Consolidated Income Statement (R$ thd)

	2014	2015	% Change
Net Revenue From Sales	384.287	268.294	-30%
Cost of Goods and Services Sold	(347.648)	(278.529)	-20%
Gross Profit	36.639	(10.235)	n/a
Operating Income/Expenses	(261.421)	(269.571)	3%
Selling	(24.482)	(8.811)	-64%
General and Administrative	(56.934)	(47.694)	-16%
Management Compensation	(6.081)	(6.347)	4%
Equity Pick-up	(17.119)	21.946	n/a
Other Operation Income (Expenses)	(156.805)	(228.665)	46%
Net Financial Result	(232.805)	319.679	n/a
Financial Income	93.587	399.186	327%
Financial Expenses	(345.011)	(24.523)	-93%
Net Exchange Variance	18.619	(54.984)	n/a
Earnings (Loss) Before Income Tax and Social Contribution	(457.587)	39.873	n/a
Provision Income Tax and Social Contribution - Current	(2.264)	(2.666)	18%
Provision Income Tax and Social Contribution - Deferred	(1.044)	(90.381)	8557%
Loss from Discontinued Operations	(170.113)	(21.963)	-87%
Loss for the Period from Continued and Discontinued Operations	(631.008)	(75.137)	-88%

Attachment II – Reconciliation of Adjusted EBITDA from Continuing Operations (R$ thd)

	2014	2015	% Change
Adjusted EBITDA from Continuing Operations	(6,933)	(20,428)	195%
Provision for Variable Remuneration	(1,275)	(4,615)	262%
Provision for Losses, Impairment and Net Result on Disposal of Assets	(46,362)	(199,208)	330%
Fines (Reversion of Fines) with Costumers	(99,084)	1,573	n/a
Reestructuring Process and Other Extraordinary Expenses	(3,948)	(28,034)	610%
EBITDA from Continuing Operations	(157,602)	(250,712)	59%
Depreciation and Amortization	(50,061)	(51,040)	2%
Equity Pick-up Result	(17,119)	21,946	n/a
Net Financial Result	(232,805)	319,679	n/a
Income Tax and Social Contribution - Current and Deferred	(3,308)	(93,047)	2713%
Result from Discontinued Operations	(170,113)	(21,963)	-87%
Net Loss from Continuing and Discontinued Operations	(631,008)	(75,137)	-88%

Attachment III – Consolidated Balance Sheet (R$ thd)

	2014	2015	% Change
Total Asset	**1.022.629**	**814.031**	**-20%**
Current Assets	**277.799**	**235.735**	**-15%**
Cash and Cash Equivalents	1.539	31.012	1915%
Securities-restricted	2.771	1.163	-58%
Accounts Receivable	115.483	62.330	-46%
Inventories	69.644	56.349	-19%
Recoverable Taxes	24.686	30.976	25%
Other Accounts Receivable	5.145	7.715	50%
Antecipated Expenses	10.970	4.672	-57%
Advances to Suppliers	25.139	26.234	4%
Assets Classified as Held for Sale	22.422	15.284	-32%
Non-Current Assets	**744.830**	**578.296**	**-22%**
Securities-restricted	4.500	5.640	25%
Judicial Deposits	25.295	22.275	-12%
Recoverable Taxes	47.452	40.455	-15%
Deferred Income Tax and Social Contribution	489	-	n/a
Other Accounts Receivable	21.532	33.384	55%
Investments	15.960	676	-96%
Property, Plant and Equipment	449.950	354.862	-21%
Intangible Assets	179.652	121.004	-33%
Total Liabilities and Shareholders´Equity	**1.022.629**	**814.031**	**-20%**
Current Liabilities	**305.378**	**211.624**	**-31%**
Suppliers - Not Subject to Judicial Recovery	98.389	29.084	-70%
Loans and Financing	56.884	31.145	-45%
Provisions Payroll and Payroll Payable	29.479	23.005	-22%
Commissions Payable	3.182	1.131	-64%
Taxes Payable	57.652	61.448	7%
Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	-	39.979	n/a
Advances from Customers	2.883	3.783	31%
Employee's Profit Sharing	655	767	17%
Other Accounts Payable	20.101	19.259	-4%
Provision Contratual Fines	30.068	2.023	-93%
Liabilities Directly Associated with Assets Held for Sale	6.085	-	n/a
Non-Current Liabilities	**621.893**	**509.094**	**-18%**
Suppliers - Subject to Judicial Recovery	-	72.018	n/a
Loans and Financing - Subject to Judicial Recovery	-	161.026	n/a
Loans and Financing - Not Subject to Judicial Recovery	144.742	8.177	-94%
Debentures	71.715	-	n/a
Bonds	127.968	-	n/a
Taxes Payable	6.443	9.000	40%
Deferred Income Tax and Social Contribution	33.780	120.947	258%
Provision for Contigencies	107.948	125.301	16%
Other Accounts Payable	6.453	8.965	39%
Provision Contratual Fines	103.052	-	n/a
Provision for Unfunded Liabilities in Subsidiaries	19.792	3.660	-82%
Shareholders' Equity	**95.358**	**93.313**	**-2%**
Capital Stock	1.853.684	1.853.684	0%
Capital Transaction Reserve	136.183	136.183	0%
Stock Options	13.549	13.549	0%
Equity Valuation Adjustment	(8.119)	64.973	n/a
Accumulated Losses	(1.899.939)	(1.975.076)	4%

Attachment IV – Consolidated Cash Flow (R$ thd)

	2014	2015	% Change
CASH FLOW FROM OPERATING ACTIVITIES			
Net Result for the Period	(631.008)	(75.137)	-88%
Depreciation and Amortization	51.316	51.066	0%
Provision for Losses by Non-Recoverability of Assets	121.407	145.200	20%
Equity Pick-Up	17.119	(21.946)	n/a
Result on Sale of Fixed Assets	28.595	(1.319)	n/a
Loss (Gain) on Sale of Investments	73.333	21.788	-70%
Financial Charges and Exchange Variance on Financing, Bonds and Debentures	232.805	75.146	-68%
Deferred Income Tax and Social Contribution	274	90.381	32886%
Losses on Inventory Obsolescence	(69)	13.282	n/a
Provision of Contractual Fines	105.438	(1.742)	n/a
Allowance for Doubtful Accounts	(585)	1.707	n/a
Present Value Adjustment	-	(394.788)	n/a
Changes in Assets & Liabilities			
(Increase) Decrease in Accounts Receivable	(32.938)	62.042	n/a
(Increase) Decrease in Inventories	23.917	647	-97%
(Increase) Decrease in Recoverable Taxes	19.504	(608)	n/a
(Increase) Decrease in Other Assets	(2.410)	(1.010)	-58%
(Increase) Decrease in Suppliers	(13.636)	50.064	n/a
(Increase) Decrease in Taxes Payable	540	2.361	337%
(Increase) Decrease in Others Accounts Payable	(48.571)	24.401	-150%
Cash Flow from Operating Activities	**(54.969)**	**41.535**	**n/a**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Payment for Acquisition of Investment	(200)	-	n/a
Securities - Restricted	972	1.428	47%
Disposal of Discontinued Operations Net of Cash	49.547	11.922	-76%
Proceeds from Sales of Property, Plant and Equipment	35.593	3.664	-90%
Aquisition of Property, Plant and Equipment	(14.741)	(4.324)	-71%
Aquisition of Intangible Assets	(3.265)	(2.253)	-31%
Cash Flow from Investment Activities	**67.906**	**10.437**	**-85%**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Loans and Financings	163.662	174.471	7%
Payment of Loans and Financings - Principal	(183.978)	(191.609)	4%
Payment of Loans and Financings - Interest	(11.759)	(7.422)	-37%
Cash Flow from Financing Activities	**(32.075)**	**(24.560)**	**-23%**
Exchange Variation on Cash and Cash Equivalents for Subsidiaries Abroad	1	19	1800%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(19.137)**	**27.431**	**n/a**
At the Beginning of the Period	20.676	3.581	-83%
At the End of the Period	1.539	31.012	1915%

About Lupatech S/A – In Judicial Recovery

Lupatech S/A - In Judicial Recovery is one of Brazilian suppliers of products and services with high value added with focus in the oil and gas sector. Our businesses are organized in two Segments: Products and Services. The Products Segment offers mainly to the oil and gas sector, anchoring ropes for production platforms, valves and equipment for well completion, and significant participation in company of compressors segment for natural vehicular gas. The Services Segment offers services as workover, well intervention, coating and inspection of pipes.

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 - IN JUDICIAL RECOVERY

BALANCE SHEET ON DECEMBER 31, 2015 AND DECEMBER 31, 2014
(In R$ Thousands)

		Parent		Consolidated	
ASSETS	Note	12/31/2015	12/31/2014	12/31/2015	12/31/2014
CURRENT ASSETS					
Cash and cash equivalents	6	3,125	137	31,012	1,539
Securities-restricted	6	1,163	2,771	1,163	2,771
Accounts receivable	7	17,883	43,968	62,330	115,483
Inventories	8	31,351	31,925	56,349	69,644
Recoverable taxes	9	5,869	6,728	30,976	24,686
Advances to suppliers		2,313	2,706	26,234	25,139
Other accounts receivable	10.1	1,260	616	7,715	5,145
Antecipated expenses		1,198	1,549	4,672	10,970
Accounts receivable - Related parties	16.1	4,608	20,773	-	-
Assets classified as held for sale	30.1	15,284	1,393	15,284	22,422
Total current assets		84,054	112,566	235,735	277,799
NON-CURRENT ASSETS					
Judicial deposits	18.3	857	1,817	22,275	25,295
Securities-restricted	6	5,640	4,500	5,640	4,500
Recoverable taxes	9	6,150	6,996	40,455	47,452
Deferred income tax and social contribution	17	-	-	-	489
Accounts receivable - Related parties	16.1	31,073	25,073	-	-
Other accounts receivable	10.2	6,130	5,360	33,384	21,532
Investments					
Direct and indirect associated companies	11.1	455,056	157,190	-	-
Other investments	11.3	90	15,374	676	15,960
Property, plant and equipment	12	88,497	95,253	354,862	449,950
Intangibles					
Goodwill	13	55,414	115,414	103,459	161,385
Other intangibles	13	16,242	16,685	17,545	18,267
Total Non-current assets		665,149	443,662	578,296	744,830
TOTAL ASSETS		749,203	556,228	814,031	1,022,629

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

BALANCE SHEET ON DECEMBER 31, 2015 AND DECEMBER 31, 2014
(In R$ Thousands)

		Parent		Consolidated	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	12/31/2015	12/31/2014	12/31/2015	12/31/2014
CURRENT LIABILITIES					
Suppliers - not subject to Judicial Recovery	14	5,894	39,147	29,084	98,389
Loans and financing	15A	9,229	9,644	31,145	56,884
Provisions payroll and payroll payable		7,983	10,896	23,005	29,479
Commissions payable		1,118	3,152	1,131	3,182
Taxes payable		31,413	31,461	61,448	57,652
Obligations and provisions for labor risks - subject to Judicial Recovery		39,979	-	39,979	-
Advances from customers		3,045	1,937	3,783	2,883
Employee's profit sharing	23	-	-	767	655
Provision contratual fines		2,023	6,806	2,023	30,068
Other accounts payable		2,743	11,989	19,259	20,101
Related Parties - mutual and loans	16.1	86,881	39,168	-	-
Liabilities directly associated with assets held for sale	30.1	-	-	-	6,085
Total current liabilities		190,308	154,200	211,624	305,378
NON-CURRENT LIABILITIES					
Suppliers - subject to Judicial Recovery	14	72,018	-	72,018	-
Loans and financing - subject to Judicial Recovery	15A	81,581	-	161,026	-
Loans and financing - not subject to Judicial Recovery	15A	-	58,142	8,177	144,742
Debentures		-	71,715	-	71,715
Bonds		-	-	-	127,968
Deferred income tax and social contribution	17	73,943	-	120,947	33,780
Taxes payable	19	4,602	4,526	9,000	6,443
Provision for contigencies	18.1	4,381	5,239	125,301	107,948
Other accounts payable		1,096	1,080	8,965	6,453
Provision contratual fines		-	-	-	103,052
Related Parties - mutual and loans	16.1	224,301	95,781	-	-
Provision for unfunded liabilities in subsidiaries	11.1	3,660	70,187	3,660	19,792
Total non-current liabilities		465,582	306,670	509,094	621,893
SHAREHOLDERS' EQUITY	20				
Capital stock		1,853,684	1,853,684	1,853,684	1,853,684
Capital transaction reserve		136,183	136,183	136,183	136,183
Stock options		13,549	13,549	13,549	13,549
Equity valuation adjustments		64,973	(8,119)	64,973	(8,119)
Retained earnings / Accumulated losses		(1,975,076)	(1,899,939)	(1,975,076)	(1,899,939)
Parents company's interest		93,313	95,358	93,313	95,358
TOTL LIABILITIES AND SHAREHOLDERS' EQUITY		749,203	556,228	814,031	1,022,629

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT OF INCOME
ON DECEMBER 31, 2015 AND DECEMBER 31, 2014
(In thousands of Reais except net income (Loss) per share, or otherwise indicated)

		Parent		Consolidated	
	Note	12/31/2015	12/31/2014	12/31/2015	12/31/2014
NET REVENUE FROM SALES	24	25,678	95,124	268,294	384,287
COST OF GOODS AND SERVICES SOLD		(26,250)	(89,913)	(278,529)	(347,648)
GROSS PROFIT		(572)	5,211	(10,235)	36,639
OPERATING INCOME/EXPENSES					
Selling		(7,048)	(13,222)	(8,811)	(24,482)
General and administrative		(16,346)	(17,332)	(47,694)	(56,934)
Management compensation	16.2	(6,347)	(6,081)	(6,347)	(6,081)
Equity pick-up	11.1	(49,009)	(167,156)	21,946	(17,119)
Other operating income (expenses)	27	(82,948)	(17,702)	(228,665)	(156,805)
OPERATING EXPENSES BEFORE FINANCIAL RESULTS		(162,270)	(216,282)	(279,806)	(224,782)
FINANCIAL RESULTS					
Financial income	26	312,839	54,451	399,186	93,587
Financial expenses	26	(92,987)	(325,322)	(24,523)	(345,011)
Exchange variation, net	26	(59,124)	21,617	(54,984)	18,619
EARNING (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(1,542)	(465,536)	39,873	(457,587)
PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION					
Current	17	-	-	(2,666)	(2,264)
Deferred	17	(73,745)	-	(90,381)	(1,044)
LOSS OF CONTINUED OPERATIONS		(75,287)	(465,536)	(53,174)	(460,895)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	30.2	150	(165,472)	(21,963)	(170,113)
LOSS FOR THE PERIOD FROM CONTINUED AND DISCONTINUED OPERATIONS		(75,137)	(631,008)	(75,137)	(631,008)
Attributed to:					
Parent company's interest		(75,137)	(631,008)	(75,137)	(631,008)
EARNINGS PER SHARE (In Reais)					
Coming from continuing and discontinued operations					
BASIC EARNINGS PER SHARE	25	(0.04)	(0.48)	(0.04)	(0.48)
DILUTED PER SHARE	25	(0.04)	(0.48)	(0.04)	(0.48)
Coming from continuing operations					
BASIC EARNINGS PER SHARE	25	(0.04)	(0.35)	(0.03)	(0.35)
DILUTED PER SHARE	25	(0.04)	(0.35)	(0.03)	(0.35)

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATMENT OF COMPREHENSIVE INCOME
ON DECEMBER 31, 2015 AND DECEMBER 31, 2014
(In R$ Thousands)

		Parent		Consolidated	
	Note	12/31/2015	12/31/2014	12/31/2015	12/31/2014
LOSS FOR THE PERIOD		(75,137)	(631,008)	(75,137)	(631,008)
OTHER COMPREHENSIVE INCOME					
Exchange variation on investments abroad	11.1	73,092	42,428	73,092	42,428
COMPREHENSIVE INCOME OF THE PERIOD		(2,045)	(588,580)	(2,045)	(588,580)
TOTAL COMPREHENSIVE INCOME ALLOCATED TO:					
Participation of controlling shareholders		(2,045)	(588,580)	(2,045)	(588,580)

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY
CONSOLIDATED STATEMENT OF CHANGES SHAREHOLDER'S EQUITY
ON DECEMBER 31, 2015 AND DECEMBER 31, 2014

(In R$ Thousands)

	Note	Capital Stock	Capital Reserves, Options Granted	Accumulated Profit/Loss	Patrimonial Evaluation Adjustments	Total Shareholders' Equity
BALANCE ADJUSTMENT IN DECEMBER 31, 2013		**742,438**	**13,549**	**(1,268,931)**	**(50,547)**	**(563,491)**
Capital increase	20	1,111,246	-	-	-	1,111,246
Loss of year		-	-	(631,008)	-	(631,008)
Exchange variation on investments abroad	11.1	-	-	-	42,428	42,428
Capital transaction reserve	20	-	136,183	-	-	136,183
BALANCE ADJUSTMENT IN DECEMBER 31, 2014		**1,853,684**	**149,732**	**(1,899,939)**	**(8,119)**	**95,358**
Capital increase	20	-	-	-	-	-
Loss of year		-	-	(75,137)	-	(75,137)
Exchange variation on investments abroad	11.1	-	-	-	73,092	73,092
BALANCE ADJUSTMENT IN DECEMBER 31, 2015		**1,853,684**	**149,732**	**(1,975,076)**	**64,973**	**93,313**

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT CASH FLOW - INDIRECT METHOD
ON DECEMBER 31, 2015 AND DECEMBER 31, 2014
(In R$ Thousands)

		Parent		Consolidated	
	Note	12/31/2015	12/31/2014	12/31/2015	12/31/2014
CASH FLOW FROM OPERATION					
Net results for the period		(75,137)	(631,008)	(75,137)	(631,008)
Depreciation and amortization	12 e 13	8,981	9,514	51,066	51,316
Provision for losses by non-recoverability of assets	12 e 13	60,000	95,500	145,200	121,407
Equity pick-up	11.1	49,009	167,156	(21,946)	17,119
Result on sale of fixed assets		(10)	349	(1,319)	28,595
Loss (Gain) on sale of investment		(149)	69,972	21,788	73,333
Financial charges and expenses variance on financing, bond and debentures		149,835	232,843	75,146	232,805
Deferred income tax and social contribution		73,745	-	90,381	274
Losses on inventory obsolescence	8	2,647	(2,037)	13,282	(69)
Provision of contractual fines		-	4,311	(1,742)	105,438
Allowance for doubtful accounts	7	1,494	(1,190)	1,707	(585)
Present value adjustment		(310,683)	-	(394,788)	-
(Increase) decrease in operating assets:					
Accounts receivable		24,517	(16,519)	62,042	(32,938)
Inventories		(2,073)	31,475	647	23,917
Recoverable taxes		1,903	6,197	(608)	19,504
Other assets		681	(2,374)	(1,010)	(2,410)
(Increase) decrease in operating liabilities:					
Suppliers		(1,442)	636	50,064	(13,636)
Taxes payable		11	3,490	2,361	540
Others accounts payable		(9,203)	10,625	24,401	(48,571)
Cash flow from operating activities		**(25,874)**	**(21,060)**	**41,535**	**(54,969)**
CASH FLOW FROM INVESTING ACTIVITIES					
Payment of capital in subsidiaries		(13,021)	(70,309)	-	-
Payment for acquisition of investment		-	(200)	-	(200)
Securities-restricted		1,250	950	1,428	972
Disposal of discontinued operations net of cash		(764)	52,420	11,922	49,547
Proceeds from the sale of fixed assets		10	3,000	3,664	35,593
Acquisition of property, plant and equipment	12	(192)	(305)	(4,324)	(14,741)
Acquisition to intangibles assets	13	(1,980)	(2,392)	(2,253)	(3,265)
Cash flow from investing activities		**(14,697)**	**(16,836)**	**10,437**	**67,906**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from loans and financing		2,002	18,601	174,471	163,662
Proceeds from loans and financing - Related parties		46,880	25,794	-	-
Payments of loans and financing - Principal		(4,958)	(6,590)	(191,609)	(183,978)
Payments of loans and financing - Interest		(365)	(682)	(7,422)	(11,759)
Cash flow from financing activities		**43,559**	**37,123**	**(24,560)**	**(32,075)**
EXCHANGE VARIATION ON CASH AND CASH EQUIVALENTS FOR SUBSIDIARIES ABROAD		-	-	19	1
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**2,988**	**(773)**	**27,431**	**(19,137)**
Cash and cash equivalents at the beginning of period		137	910	3,581	20,676
Cash and cash equivalents at the end of period		3,125	137	31,012	1,539

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT OF ADDED VALUE
ON DECEMBER 31, 2015 AND DECEMBER 31, 2014
(In R$ Thousands)

	Note	Parent		Consolidated	
		12/31/2015	12/31/2014	12/31/2015	12/31/2014
REVENUE					
Sales of goods, products and services (IPI including)	24	28,718	109,644	301,554	546,994
Revenue from sale of investments		4,991	-	28,665	-
Other revenues		150	63,040	15,477	102,711
Allowance for doubtful accounts - Reversal (recognition)	7	(2,501)	1,223	(3,712)	(33)
		31,358	**173,907**	**341,984**	**649,672**
ACQUIRED FROM THIRD PARTIES					
Cost of products, goods and services sold		1,340	(37,729)	(18,004)	(193,086)
Materials, energy, and other outsourced services		(5,210)	(32,699)	(86,397)	(41,954)
Loss/Recovery of assets	12 and 13	(60,000)	(95,500)	(144,360)	(121,407)
Low investment for sale		-	(122,392)	(37,260)	(128,450)
Other expenses	27	(27,939)	(28,322)	(112,975)	(198,630)
		(91,809)	**(316,642)**	**(398,996)**	**(683,527)**
GROSS ADDED VALUE		(60,451)	(142,735)	(57,012)	(33,855)
DEPRECIATION AND AMORTIZATION	12 e 13	(8,981)	(9,514)	(51,066)	(51,316)
NET ADDED VALUE GENERATED BY THE COMPANY		**(69,432)**	**(152,249)**	**(108,078)**	**(85,171)**
ADDED VALUE RECEIVED IN TRANSFER					
Equity pick-up	11.1	(49,009)	(167,156)	21,946	(17,119)
Financial income	26	881,228	250,143	1,044,355	296,979
		832,219	**82,987**	**1,066,301**	**279,860**
TOTAL ADDED VALUE TO BE DISTRIBUTED		**762,787**	**(69,262)**	**958,223**	**194,689**
DISTRIBUTION OF ADDED VALUE		**762,787**	**(69,262)**	**958,223**	**194,689**
Staff:		**36,639**	**42,539**	**160,283**	**219,634**
Direct compensation		27,594	32,793	117,297	172,401
Benefits		4,507	6,277	26,753	30,424
FGTS		4,538	3,469	16,233	16,809
Taxes and contributions:		**79,985**	**18,737**	**143,501**	**71,832**
Federal		78,403	11,036	129,083	52,575
States		1,477	7,596	11,186	14,710
Municipal		105	105	3,232	4,547
Payment of debt		**721,300**	**500,470**	**729,576**	**534,231**
Interest and other financial expenses	26	720,500	499,397	724,790	530,352
Rent		800	1,073	4,786	3,879
Income (loss) on equity		**(75,137)**	**(631,008)**	**(75,137)**	**(631,008)**
Income/Loss for the period		(75,137)	(631,008)	(75,137)	(631,008)

The notes are an integral part of the financial statements.

Explanatory notes to financial statements for the fiscal year ended on December 31, 2015 and 2014.

(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 1,545 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 55.9% of the Company's net revenues in 2015 (62.8% in 2014). Both segments of the Company (Products and Services) are affected by revenue originating from Petrobras.

1.1 Judicial Recovery

I. Judicial Recovery process of Lupatech Group

On May 25, 2015, Lupatech S/A and its direct and indirect subsidiaries (Lupatech Group), due to the unfavorable economic climate in the oil and gas sector, especially after the sharp fall in oil barrel price in the market international, and the crisis brought on Petrobras, the Company's main customer, has been negatively impacted on the whole industry supply chain. Despite the Administration's efforts in negotiating with creditors and the search for potential investors to balance the demands of working capital and CAPEX, the Board of Directors decided to approve the request of Judicial Recovery of the Company, in accordance with Article 122, paragraph one, of Law nº 6.404/76.

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; Mipel 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 before the 1st Court of Bankruptcy and Judicial Recovery of São Paulo, which was granted on June 22, 2015. As trustee was named the Alta Administração Judicial Ltda.

On August 24, 2015, the Company and its subsidiaries (In Judicial Recovery) presented a breakdown of details of the Judicial Recovery Plan, the appraisal report of the Company's

assets and its subsidiaries and the relationship of the members creditors to be paid under the terms and conditions specified in the Plan.

The call for bid containing the list of creditors was published on October 16, 2015 and presented to the interested trustee their qualifications or disagreements related to credits.

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, without any reservations .

II. Judicial Recovery Plan

In summary, the Plan of Lupatech Group uses the following recovery means in order to carry out the reorganization of the credit structure and other obligations of the Plan:

- Grant terms and conditions, including the capitalization of credits for the payment of obligations of Lupatech Group;
- Corporate reorganization of Lupatech Group;
- Partial sale of assets of Lupatech Group, including equity investments, payment in kind, lease assets and issuance of securities.

a. Restructuring of loans subject to the Plan

Subject to the provisions of Article 61 of the Bankruptcy Act, all subject to the Plan credits will be paid by the Lupatech Group to its creditors under the terms and forms set out in the Plan, independently if contracts giving rise to the credits provided with differently. With said novation, all obligations, covenants, financial ratios, chances of early maturity, fines and any other obligations or guarantees that are incompatible with the conditions of this Plan no longer apply.

Credits not subject to the Plan will be paid in the originally contracted form or in the form agreed upon by the Lupatech Group and its lender, including, if applicable, through the implementation of measures contained in the plan.

In order to facilitate the achievement of certain Lupatech Group restructuring operations in the Plan, including the conversion of shares in loans, all loans subject to the Plan shall, from the date of the judicial homologation of Plan, Lupatech S/A as the only debtor, except for the Notes Type A and Type B Notes, which will have as main debtor Lupatech Finance Limited, and as guarantor Lupatech S/A. The credits of that assumption of debt between Lupatech S/A and other companies in Judicial Recovery, may be offset, capitalized repaid, assigned or forgiven.

The Plan gives certain creditors subject to the Plan the right to choose among a number of options offered, receiving alternative of its credits subject to the Plan as may seem more attractive and that best meets their credit interests.

The deadlines for payment of claims subject to the Plan and any grace periods provided for in the Plan, will start from the court approval of the plan.

b. Restructuring of labor credits

The labor credits shall be paid to each labor creditor not later than 1 year as of Judicial Approval of the Plan, as follows:

- Initial payment: The amount corresponding to up to 5 minimum wages, relative to the credits of strictly salary nature and matured in the 3 months prior to the Request Date, when any, shall be paid not later than 30 days from the Judicial Approval of the Plan; and

- Payments flow: The balance of the remaining labor credits, net of amounts paid initially, shall be paid to the respective Labor Creditors not later than 1 from the Judicial Approval of the Plan.

The labor credits claims must be paid as set forth above, after determining the values in the final or homologating convictions agreement, as applicable.

The Lupatech Group may advance payments of labor credits, since proportionally and covering all of the relevant class creditors, except for labor claims which are in dispute labor credits, which will be paid in accordance with the payment of the disputed labor claims as established in the Plan.

c. ***Restructuring of secured credits***

Secured Credits shall be paid through any of the following options, at the discretion of the Secured Creditor, as follows:

- **Option A for payment of secured credit (Payment in installments) –** Payment of 100% of the value of the respective Secured Credit which shall be done in 72 successive quarterly installments, according to the flow of payments, maturing the first 63 months after Judicial Approval of the Plan. The value of the Secured Credits to be paid in terms of this Option A shall suffer the incurrence of interests and monetary restatement equivalent to a fixed rate of 3% per annum, as the flow of payments established in the Plan.

- **Option B for payment of secured credit (Capitalization of credits)**- Payment of the value of the Secured Credit, observing the provision of the capitalization constraint clause to the principal amount, through subscription of Shares upon capitalization of the respective Secured Credits, in the manner of article 171, paragraph 2, of the Joint Stock Company Act. The Shares shall be issued by the Issue Price, being that the Shares must be fully paid up with their respective Secured Credits, under the Plan, for procedures to increase the capital of Lupatech S/A through capitalization of credits in capital increase;

Each Secured Creditor may freely opt for distribution of its Secured Credits in Option A and Option B.

In addition to the payment options provided for in Options A and B Grupo Lupatech may, at any time and upon consent by the respective secured creditor, make full or partial payment of the balance of the respective secured credit through payment in kind of: (i) any of the assets

given as real security in favor of the secured creditor; (ii) any assets listed in the Plan; and (iii) credits held by Grupo Lupatech with sufficient value to cover the balance of the respective secured credit.

d. Restructuring of unsecured credits

The unsecured credits shall be paid through one of the following options, at the choice of each unsecured creditor, as follows:

- **Option A for payment of unsecured credit (Payment in installments)** – Payment of 100% of the value of the respective unsecured credit duly and individually authorized in the List of Creditors, as follows: (i) 1 initial installment in the fixed amount of R$0.5 (five hundred BRL) for each unsecured creditor, to be paid in up to 12 months counted from Judicial Approval of the Plan; (ii) 4 annual installments in the fixed amount of R$1 (one thousand BRL) each for each unsecured creditor, the first falling due 24 months after Judicial Approval of the Plan; (iii) 72 successive quarterly installments, calculated as of the outstanding debt balance in the 60th month after Judicial Approval of the Plan, according to the flow of expected payments in the Plan, the first of said installments falling due 63 months after Judicial Approval of the Plan. The value of the unsecured credits to be paid in terms of Option A shall suffer the incurrence of fines and monetary restatement equivalent to a fixed rate of 3% per annum, as the flow of payments provided for in the Plan;

- **Option B for payment of unsecured credit (Payment in installments with liquidity event)** – Payment of 100% of the value of the respective unsecured credit duly and individually authorized in the List of Creditors, as follows: (i) 1 initial installment in the fixed amount of R$0.5 (five hundred BRL) for each unsecured creditor, to be paid in up to 12 months counted from Judicial Approval of the Plan; (ii) 4 annual installments in the fixed amount of R$1 (one thousand BRL) each for each unsecured creditor, the first falling due 24 months after Judicial Approval of the Plan; (iii) 80 successive quarterly installments, calculated in function of the outstanding debt balance in the 60th month after Judicial Approval of the Plan, according to the flow of expected payments in the Plan, the first of said installments falling due 63 months after Judicial Approval of the Plan. In this case, the value of unsecured credits to be paid in terms of Option B shall suffer the incurrence of fines and monetary restatement equivalent to a fixed rate of 3% per annum, already included in the flow of payments referred in the Plan;

- **Option C for payment of Unsecured Credit (Capitalization of Credits)** – Payment of 100% of the value of the Unsecured Credit, through the subscription of Shares upon capitalization of the respective unsecured credits, in the manner of article 171, paragraph 2, of the Joint Stock Company Act. The Shares shall be issued by the Issue Price, being that the Shares must be fully paid up with their respective unsecured credits, the terms contained in the Plan;

- **Option D for payment of unsecured credit (Payment of amounts resulting from sale in stock exchange of shares resulting from capitalization of credits)** – Receipt in cash of the amounts resulting from the sale, in BM&FBOVESPA (Securities, Commodities & Futures Exchange), of the subscribed as Option C above. Sale of the Shares foreseen in this Clause shall be done by the Commissioner, not later than 24 months after issuance of the Shares.

During the implementation of the commission structure concerning the choice of payment by Option D, described above, it was found the impracticability commission structure raised by the Company's legal counsel, where unsecured creditors and/or whith tangible garantee that have chosen that option or who fail to act, receive their credits according to the option under the Plan.

The deadline for exercise of the receipt by unsecured creditors and creditors with tangible garantee option was closed on March 10, 2016.

Noteholders are assured the right exercise of the option, the Noteholders may opt for any of the three forms of receipt granted to other unsecured creditors, respecting the form of receipt established by the provisions of the Plan.

If all or part of the unsecured credits of unsecured creditors who opt for Option A or the payment Option B is originally denominated in foreign currency, the rate to be applied to final conversion purposes of your unsecured credit in Reais, and subsequent settlement agreement the Plan, will be the conversion rate of reference of the Central Bank of Brazil in force closure to the sale of foreign currency on the date of application for Judicial Recovery, away from any conversion rate in effect on any other date.

The increase in the event of any unsecured credit, or inclusion of new unsecured credit as a result of any dispute credit or judgment of any court action, the value (in the case of inclusion) or additional value (in case of increase) will be paid under Option B.

Unsecured credits who have their classification contested by any interested party can only be paid after the final and unappealable judgment to determine the classification of the claims credit, or with a deposit comply with the terms of the Bankruptcy Law.

e. ***Restructuring of microenterprise and small enterprise credits***

The payment of 100% (one hundred percent) of the value of the respective microenterprise and small enterprise credit shall be made to each microenterprise and small enterprise creditor as follows: (i) 1 initial installment in the fixed amount of R$0.5 (five hundred BRL), to be paid in up to 12 months counted from Judicial Approval of the Plan; (ii) 4 annual installments in the fixed amount of R$1 (one thousand BRL) each, the first falling due 24 months after Judicial Approval of the Plan; (iii) 40 equal and successive quarterly installments, calculated in function of the outstanding debt balance in the 60th month after Judicial Approval of the Plan, according to the flow of payments referred to in the Plan, the first falling due 63 months after Judicial Approval of the Plan. The value of the microenterprise and small enterprise credits shall suffer the incurrence of fines and monetary restatement equivalent to a fixed rate of 3% per annum, already included in the flow of payments foreseen in the Plan.

Each microenterprise and small enterprise creditor may, at its free choice, and within the term, opt to receive its microenterprise and small enterprise credit through any of the options A, B, C or D foreseen for Unsecured. The option made in such terms by the microenterprise and small enterprise creditor must be formalized by completing and sending the Lupatech Group form contained in an annex to the Plan within 30 days after the judicial homologation of Plan.

In case of increase of any microenterprise and small enterprise credit, or inclusion of new microenterprise and small enterprise credit, as a result of eventual challenge of claim or judgment of any lawsuit, the respective value (in case of inclusion) or additional value (in case

of increase) shall be paid by proportional distribution of the value in the future installments. The eventual increase or inclusion of any microenterprise and small enterprise Credit in the List of creditors during the payment term shall not generate for the microenterprise and small enterprise Creditor whose credits were increased any right to retroactive or proportional receipt of installments already paid.

Microenterprise and small enterprise credits that have their classification contested by any interested party, may only be paid after final decision of the sentence that determines qualification of the controversial credit, or through pledge, respecting the terms of Bankruptcy Law.

f. Manner of obtaining new resources

The new resources may be obtained by any means deemed convenient by Grupo Lupatech, including through (i) issuance of shares representing the capital of by any company of Grupo Lupatech; (ii) issuance of debentures, including those convertible into shares representing the capital of by any company of Grupo Lupatech; (iii) issuance of subscription bonus by any company of Grupo Lupatech; (iv) issuance of deeds representing debts abroad, whether by any company of Grupo Lupatech or by any company, in Brazil or abroad, including controlled by any company of Grupo Lupatech, and that can be converted into capital of the issuing company; (v) sale of assets, including IPUs, of Grupo Lupatech; (vi) rental and lease of assets; (vii) contracting of loans or other forms of financing; (viii) conduction of operations involving split, merger, incorporation, transformation of companies, assignment of quotas or shares, change in controlling interest, drop down of assets, increase of capital stock, constitution of SPEs, or any other corporate operation.

After Judicial Approval of the Plan, Grupo Lupatech may use the new resources for (a) recomposition of the working capital; (b) conduction of its business plan; (c) payment of expenses of the Judicial Recovery; (d) payment of the Creditors Subject to the Plan; and (e) advance payment of creditors subject to the Plan.

The raising of new resources may constitute real and fiduciary securities on any assets from its permanent or current assets, except on those assets already encumbered to the secured creditors, in addition to grant personal securities, to guarantee the obtainment of new resources, preserving the rights of the secured creditors.

g. Disposal of assets and Isolated Productive Units (UPIs)

Grupo Lupatech may, as of Judicial Approval of the Plan, encumber, substitute or sell the following assets from its permanent assets, without the need for prior judicial authorization or authorization from the General Meeting of Creditors, without detriment to other sales of assets or other transactions foreseen in the Plan, respecting the contractual rights, encumbrances and other restrictions applicable to such assets: (i) Assets encumbered with real security or fiduciary security, provided there is authorization of the respective secured creditor holding the respective real security, or of the respective creditor not subject to the Plan holding the respective fiduciary security, where applicable; (ii) Assets to be offered as security for obtainment of new resources, provided such assets are free of any burden or there is agreement of the secured creditors or of the creditors not subject to the Plan holding securities over such assets; (iii) Bens that have suffered natural wear resulting from regular activity or that, for any reason, have become unserviceable for the intended use; (iv) Bens that have become outdated or unnecessary for Grupo Lupatech's activities; (v) Bens whose value, individual or joint, does not exceed the sum

of R$20,000 per annum; and (vi) Bens that are not essential for conduction of Grupo Lupatech's core of activities, according to forecast of the demobilization of assets contained in the Economic-Financial Feasibility Analysis.

Without detriment to the cases cited above, as of Judicial Approval of the Plan, any other modality of sales, substitution or encumbrance of assets will be allowed, in terms of the Plan, or upon authorization of the Recovery Court or approval by the General Meeting of Creditors, respecting the terms of the Plan and of the contracts applicable to said assets. After the term of 2 years after Judicial Approval of the Plan, Grupo Lupatech may freely sell any assets from its current or permanent assets that are not encumbered, the restrictions foreseen in this Plan or in article 66 of the Bankruptcy Law not applying, however being subject to the usual restrictions contained in the articles of incorporation and bylaws of companies of Grupo Lupatech and of new debt instruments, where applicable.

The IPUs sold in terms above shall be free of any burden and their respective buyers shall not answer fro any debt or contingency of Grupo Lupatech, including those of tax and labor nature, in terms of article 60 and 141 of the Bankruptcy Law

Any sales of IPUs shall be made through competitive proceeding. In any case, the sale shall be made to the bidder that offers the best conditions to meet the Plan, in terms of Bankruptcy Law, meeting the other conditions foreseen in this Plan. Grupo Lupatech may, at its discretion, opt of any modalities of Competitive Proceeding.

1.2 Going concern

Management constantly monitors the short-term funding needs of the Company to evaluate risks to continuity of normal business and actions to be taken in this context.

However, in any scenario developed by Management, estimates indicate the need to obtain additional financial resources to maintain the required levels of working capital and investments to support operations. Certain business units have been affected its operations and its limited operational performance due to the constraints of working capital currently observed and at the Company's evaluation, will again operate as expected as the resources necessary for their working capital are obtained. Management has conducted some actions and negotiations, with the support of its financial advisors, which may include capital transactions and/or divestiture of assets, among others, in order to obtain the necessary financial resources. During 2015, management continued the negotiations that were already under way and considering the progress and current status of these actions, Management expects that further resources will be obtained in the course of 2016.

On January 6, 2016 the Company executed a memorandum of understanding for the sale of the quity interest held by the Company in Spanish company Vicinay Marine, SL, relating to 55,135 shares, representing 4.28% Vicinay's capital stock, for the amount R$28,000. The transaction is the repurchase of such equity interest by Vicinay and its completion is subject to, among other events, the approval by the judge of the 1st Court of Bankruptcy, Judicial Recoveries and Conflicts related to Arbitration of Capital, where the judicial recovery of the Company is being processed.

Company Management seeks to overcome the economic and financial crisis of the Lupatech Group and restructure its business in order to preserve its business activity, maintaining its

leading position as one of the most important economic groups in Brazil related to the oil and gas sector ; remain a source of wealth creation, taxes and jobs; and establish the payment of its creditors, always with a view to meet their best interests.

2 Basis of presentation

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

The consolidated 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 financial statements have 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.

The issue of individual and consolidated financial statements has been approved by the Board of Directors on March 28, 2016.

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

2.4.1 Subsidiaries

The Group controls an entity when it is exposed to, or has rights to, variable returns arising from their involvement with the organization and has the ability to affect those returns exercising their power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control until the date that control ceases.
In the individual financial statements of the Company, the financial information of subsidiaries are recognized using the equity method.

The consolidated financial statements include the financial statements of Lupatech S/A – In Judicial Recovery and its direct and indirect subsidiaries, as follows:

Direct and indirect subsidiaries	Direct and indirect participation (%) 12/31/2015	12/31/2014
Direct participation		
Mipel Ind. e Com. de Válvulas Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
Lupatech Equipamentos de 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
Indirect participation		
Recu S.A. - (Argentina)	5.00	5.00
Jefferson Sudamericana S.A. - (Argentina) (*)	-	100.00
Jefferson Solenoid Valves U.S.A., Inc. - (USA) (*)	-	100.00
Valjeff, S.A. de C.V. - (Mexico) (*)	-	100.00
Jefferson Solenoidbras Ltda. - (Brazil) (*)	-	100.00
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

(*) Company sold in 2015.

Transactions eliminated on consolidation

Balances and intra-group transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated. Unrealized gains arising from transactions with investees recorded by the equity method are eliminated against the investment in proportion to the Group's interest in the investee. Unrealized losses are eliminated in the same way that unrealized gains, but only to the extent that there is no evidence of loss due to impairment.

2.4.2 Jointly-owned subsidiaries

Jointly-owned subsidiaries are all entities whose financial and operational policies may be carried out by the Group, jointly with other shareholder(s), usually operated through shareholders' agreements. The jointly-owned subsidiaries are consolidated at the ratio of the Group's interest as of the date on which the shared control is verified to the Group and are no longer consolidated as of the date on which the shared control ends. In the individual financial statements of the parent company, participation in jointly-owned subsidiaries is recognized by the method of equity accounting.

The Company holds indirect participation in the following jointly-owned subsidiaries: Luxxon Participações S/A, Aspro do Brasil Sistemas de Compressão p/ GNV Ltda., Compressores Panamericanos S.R.L, Delta Compresión S.R.L., Aspro Serviços Ltda., Sinergás GNV do Brasil Ltda, and Aspro Instalações e Montagem Ltda.

Jointly-owned subsidiaries	Direct and indirect participation (%) 12/31/2015	12/31/2014
Direct participation		
Luxxon Participações S.A. - (Brazil) (*)	43.71	43.71
Indirect participation		
Aspro do Brasil Sistemas de Compressão p/GNV Ltda. - (Brazil) (*)	43.71	43.71
Aspro Serviços Centro Ltda. - (Brazil) (*)	43.71	43.71
Compressores Panamericanos S.R.L. - (Argentina) (*)	43.71	43.71
Delta Compresión S.R.L. - (Argentina) (*)	43.71	43.71
Sinergás GNV do Brasil Ltda. - (Brazil) (*)	43.71	43.71

(*) Joint Venture

2.4.3 Business combination

Business combinations are recorded using the acquisition method when control is transferred to the Group. The consideration transferred is generally measured at fair value, as well as the identifiable net assets acquired. Any goodwill arising on the transaction is tested annually to assess loss impairment. Gains on a bargain purchase is recognized immediately in income. Transaction costs are charged to income as incurred, except for costs related to the issuance of debt or equity.

The consideration transferred does not include amounts relating to the payment of pre-existing relationships. These amounts are generally recognized in the income statement.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as an equity instrument, then it is not remeasured and settlement is recorded within equity. The other contingent considerations are remeasured at fair value at each reporting date and subsequent changes in fair value are recorded in income.

If the payment plans based on shares held by the acquiree's employees need to be replaced (replacement plans), all or part of the new amount of the substitution plan issued by the acquirer is included in measuring the consideration transferred in the business combination. This determination is based on the market value of the replacement plan compared to the market value of the acquiree's share-based payment plan and to the extent that this replacement plan refers to services provided before the combination.

3 Main accounting practices

The summary of main accounting practices adopted by the Group is a follows:

3.1 Financial Instruments

The Company classify non-derivative financial assets in the following categories: financial assets at fair value through profit or loss, financial assets held to maturity, loans and receivables and financial assets available for sale.

The Company classifies non derivative financial liabilities in the following categories: financial liabilities measured at fair value through profit or loss and other financial liabilities.

3.1.1 Assets and non-derivative financial liabilities - recognition and derecognition

The Company recognizes loans and receivables and debt instruments on the date they originated. All other assets and liabilities are recognized on the trade date when the entity becomes party to the contractual provisions of the instrument.

The Company derecognise a financial asset when the contractual rights to the asset's cash flows expire or it transfers the rights to receive the contractual cash flows of a financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest that is created or retained by the Company in such transferred financial assets is recognized as an asset or liability separately.

The Company recognizes a financial liability when its contractual obligations are withdrawn, canceled or expired.

Financial assets and liabilities are offset and the net amount reported in the balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.1.2 Assets and non-derivative financial liabilities – measurement

Financial assets at fair value through profit

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Transaction costs are recognized in income as incurred. It's measured at fair value and changes in fair value, including earnings from interest and dividends are recognized in the income statement.

Financial assets held to maturity

These assets are initially recognized at value plus any directly attributable transaction costs. After initial recognition, financial assets held to maturity are measured at amortized cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and financial investments with immediate liquidity and insignificant risk of change in value. Financial investments are recorded at nominal values plus income earned through the balance sheet date, not exceeding market value, according to the rates agreed with financial institutions.

Marketable securities

The securities are classified into the following categories: held to maturity, available for sale and trading securities at fair value recognized through profit or loss (trading securities). The classification depends on the purpose for which the investment was acquired. When the purpose of the acquisition is the investment of funds for short-term gains, which are classified as trading securities; when the intention is to make use of resources to hold the investment until maturity, they are classified as held to maturity, provided that management intends and has the financial ability to hold the investment to maturity. When the intention at the time of making the application, is none of the above, investments are classified as available for sale. Where applicable, the incremental costs directly attributable to the acquisition of a financial asset are added to the amount originally recognized, except for trading securities, which are recorded at fair value against income.

The securities held to maturity are measured at amortized cost plus interest, monetary restatement, exchange variation, less impairment losses, when applicable accrued to the date of

the financial statements. The securities classified as trading securities are measured at fair value. Interest, monetary correction and exchange variation, when applicable, as well as variations arising from measurement at fair value are recognized in income when incurred. The securities available for sale are measured at fair value. Interest, monetary correction and exchange variation, when applicable, are recognized in income when incurred. Changes arising from measurement at fair value, with the exception of impairment losses are recognized in other comprehensive income as incurred. The accumulated gains and losses recorded in equity are reclassified to the income statement at the time that these investments are sold in disposable or considered.

Accounts receivable

They are stated at the nominal value of the securities, plus exchange variation and adjusted to present value to the balance sheet date, when applicable. The allowance for doubtful accounts is recognized when necessary, based on the analysis of the customer portfolio in an amount considered sufficient by management to cover losses on the realization of credits.

3.1.3 Non derivative financial liabilities – measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Transaction costs are recognized in income as incurred. Financial liabilities measured at fair value through profit or loss are measured at fair value and changes in fair value of these liabilities, including interest earnings and dividends are recognized in the income statement.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Loans, financing and debentures

Loans, financing and debentures (portion related to debt instruments) are stated at amortized cost. They are stated at the amount raised, net of transaction costs incurred and are subsequently measured at amortized cost using the method of effective interest rate.

Costs incurred directly related to issuance of debt transactions were allocated as a reduction of the corresponding current and non-current liabilities. These costs are expensed on the financing period as a supplement funding costs, thus adjusting the effective interest rate of the operation.

3.2 Present value adjustment

On transactions that give rise to an asset, liability, revenue or expense or other changes in equity whose counterpart is an asset or a non-current liabilities, receivables or liabilities, or short-term when relevant effect is recognized to adjust the value this based on discount rates that reflect the best market assessments of the value of money over time and the specific risks of assets and liabilities on their original dates.

The adjustment to present value is presented as allowance account of receivables and payables and is allocated to income as income or interest expense on an accrual basis, at the effective interest rate.

3.3 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the principle average cost of purchase or production, taking into account the total absorption method of manufacturing costs, lower realizable value.

In the case of manufactured inventories and work in progress, cost includes a portion of general manufacturing costs based on normal operating capacity.

3.4 Intangibles

a. Goodwill

The goodwill resulting from a business combination is demonstrated at cost on the date of the business combination, net in the accumulated loss of the recoverable value, if any.

According to ICPC 9, the goodwill from acquisition of subsidiaries reasoned by future profitability is recorded in the individual financial statements (parent) as "investments" and in the consolidated financial statements as "intangible asset". The instalment reasoned as the most valuable of the fixed assets is classified, in the balance sheet of parent, as "investments" and in the consolidated balance sheet, the balance of the corresponding asset.

Goodwill is tested annually, or within a shorter period, when there is indication of impairment of investment, to verify probable losses.

The Goodwill is allocated in Cash Generating Units (CGU) for impairment testing purposes. The allocation is made for the Cash Generation Units or to the Cash Generating Units groups that should benefit from the business combination, from which the goodwill originated, properly segregated, according to the operating segment.

b. Software and product and process development

Acquired software licenses are capitalized based on incurred costs to acquire software and make it ready to be used. These costs are amortized during their estimated useful life of 5 years. The amortization of these values is mainly recorded in cost of products sold, in the statement of income.

Costs of development, maintenance or improvement of new products and processes, which objectively present the generation of future economic benefits through the formation of new income or due to cost reduction, are activated in a specific account and amortized by the defined useful life in which the benefits to be generated were estimated.

3.5 Fixed assets

Recognition and measurement

Fixed asset items are measured at historical cost of acquisition or construction, less accumulated depreciation and reduced impairment losses accumulated.

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of assets built by the Company includes:

- The cost of materials and direct labor;

- Any other costs to bring the asset to the location and condition necessary for them to be able to operate in the manner intended by Management;
- Costs of dismantling and restoring the site where they are located;
- Costs of loans on qualifying assets.

When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of property.

Any gains and losses on the disposal of an asset item are recognized in income.

Reclassification to investment property

When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain resulting from this remeasurement is recognized in income to the extent the gain reverses a previous impairment loss impairment in specific property, any remaining gain is recognized as other comprehensive income in equity as a valuation adjustment reserve. Any loss is recognized immediately in income.

Subsequent costs

Subsequent expenditure is capitalized to the extent that it is probable that future benefits associated with the expenditure will flow to the Company. Upkeep and recurrent repairs are charged to income.

Depreciation

Fixed asset items are depreciated using the straight line method in the income statement based on the estimated useful lives of each component. Leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, unless it is reasonably certain that the Company will obtain ownership of the asset at the end of the lease term. Land is not depreciated.

Fixed asset items are depreciated from the date they are installed and available for use, or in case of assets constructed internally, the day when the construction is completed and the asset is available for use.

The estimated useful lives for the current and comparative year are as follows:

	Weighted avarage rate of depreciation % p.a.
Land	-
Building and construction	2%
Machinery and equipment	9%
Molds and matrixes	15%
Industrial facilities	5%
Furniture and fixtures	9%
Data processing equipments	14%
Improvements	2%
Vehicles	19%

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if appropriate.

3.6 Provision for impairment on asset

a. Derivative financial assets (including receivables)

Financial assets not classified as financial assets at fair value through profit or loss, including investments accounted for under the equity method, are assessed at each reporting date to determine whether there is objective evidence of impairment for impairment.

Objective evidence that financial assets have value loss includes:

- default or delay of the debtor;
- restructuring of an amount due to the Company on terms that would not be accepted under normal conditions;
- indications that the debtor or issuer will enter bankruptcy/judicial recovery;
- negative changes in the payment status of borrowers or issuers;
- disappearance of an active market for the instrument because of financial difficulties; or
- observable data indicating that there was a decline in the measurement of cash flows of a group of financial assets.

b. Financial assets measured at amortized cost

The Company considered evidence of impairment of assets measured at amortized cost both individually as collectively. All individually significant assets are assessed for loss on impairment. Those who have not suffered loss individually are then tested collectively for any impairment that may have occurred but have not yet been identified. Assets that are not individually significant are collectively evaluated for impairment based on the group of assets with similar risk characteristics.

In assessing the loss for impairment collectively the Company uses historical trends of the period of recovery and the amount of loss incurred, adjusted to reflect management's judgment as to whether current economic and credit conditions are such that losses real will be higher or lower than those suggested by historical trends.

A loss for impairment is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognized in the income statement and reflected in an allowance account. When the Company considers that there is no reasonable expectation of recovery, the values are downloaded. When a subsequent event indicates a reduction in the amount of loss, reduced by the impairment loss is reversed through profit or loss.

c. Assets classified as held for sale

Losses from impairment of financial assets available for sale are recognized by reclassifying the cumulative loss recognized in equity valuation adjustments in equity for the result. The reclassified loss is the difference between the acquisition cost, net of any reimbursement and amortization of the principal, and current fair value, less any reduction for impairment loss previously recognized in income. If the fair value of a debt security for which has been recognized a loss on impairment, present increase and the increase can be objectively related to

an event occurring after the impairment loss on impairment was recognized, then the loss is reversed and the amount of the reversal is recognized in income. Otherwise, the reversal is recognized in other comprehensive income.

d. Investees accounted for under the equity method

A loss for impairment related to a charge assessed by the equity method is measured by comparing the recoverable amount of the investment with its carrying amount. A loss for impairment is recognized in income and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

e. Non-financial assets

The carrying amounts of non-financial assets of the Company, other than inventories and income tax and social contribution deferred assets, are reviewed at each reporting date to determine whether there is loss of indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful life, the recoverable amount is tested annually.

Losses from impairment are recognized in income. Recognized losses relating to cash generating units (CGU) are initially allocated to reduce any goodwill allocated to this CGU (or CGU group), and then to reduce the carrying value of other assets of the CGU (or group of CGU) in order pro rata.

A loss for impairment related to goodwill is not reversed. As for other assets, impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment had not been recognized.

3.7 Income tax and social contribution

Income tax and social contribution Current and deferred, are calculated based on rates of 15% plus a surcharge of 10% on taxable income in excess of R$240 for income tax and 9% on taxable income for social contribution on net income for the year, and consider the offsetting of tax losses and negative base of social contribution limited to 30% of taxable income.

The expense for income tax and social contribution comprises current and deferred income taxes. Current tax and deferred tax are recognized in income unless they are related to a business combination, or items recognized directly in equity or in other comprehensive income.

a. Income tax and social contribution - current

The current tax expense is the tax payable or receivable on the estimated taxable income or loss for the year and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is recognized in the balance sheet as an asset or tax liability for the best estimate of the expected amount of taxes to be paid or received reflecting the uncertainties related to its calculation, if any. It is measured based on the tax rates enacted at the balance sheet date.

The current tax assets and liabilities are offset only if certain criteria are met.

b. Income tax and social contribution - Deferred

Deferred tax assets and liabilities are recognized in relation to temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and used for tax purposes. The changes in deferred tax assets and liabilities for the year are recognized as income tax expense and deferred social contribution. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets and liabilities in a transaction other than a business combination and that affects neither the taxable profit or loss nor the accounting result;
- temporary differences related to investments in subsidiaries, associates and joint ventures, to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future; and
- taxable temporary differences arising from the initial recognition of goodwill.

A deferred tax asset is recognized in relation to tax loss carryforwards and deductible temporary differences not used, to the extent that it is probable that future taxable profits will be available against which will be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that their realization is no longer probable.

Deferred tax assets and liabilities are measured based on tax rates expected to apply to temporary differences when they are reversed, based on tax rates that have been enacted at the balance sheet date.

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the way in which the Company expects to recover or liquidate its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3.8 Employee and management benefits

a. Share-based compensation

The Company offered to certain employees and executives a share-based compensation plan, settled with shares, pursuant to which the entity receives services as consideration for the Company' instruments of shareholders' equity (options). The fair value of the employee's services, received in exchange for the granting of options was calculated on the grantee date and recognized as expense during the period when the rights was acquired. The total value to be debited was determined by means of the reference to the fair value of options granted. The conditions of right acquisition which were not the markets were included in the assumptions on the amount of options which should be purchased. The total value of the expense was recognized during the period in which the right was acquired; period during which the specific conditions right of acquisition were to be met. On the balance sheet date, the Management was reviewing the estimateded of the amount of options whose rights must be acquired based on the conditions of right acquisition which are not of the market. The impact of the review of initial estimates, if any, was recognized in the statement of income, with a corresponding adjustment in the shareholders' equity, under "Capital Reserve – Options Granted". The plan expired on the base date June 30, 2013.

b. Employees and Management profit sharing

The Company recognizes a profit sharing expense and liability based on the Profit Sharing Plans and Variable Remuneration Plan, which take into account individual and corporate targets.

3.9 Provision

A provision is recognized, due to a past event, if the Company has a legal or constructive obligation that can be estimated reliably, and it is likely that an economic resource is required to settle the obligation. Provisions are determined by discounting the future expected cash flows at a pre-tax rate that reflects current market assessments of the value of money over time and risks specific to the liability. The financial costs incurred are recorded in income.

Provisions for tax, labor and civil contingencies are recorded based on the best estimates of the risk (Note 18). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, an asset is recognized if, and only if, the reimbursement is virtually certain and the value can be measured reliably.

3.10 Other rights and obligations

Stated at realizable values (assets) and the recognized amounts or estimated, plus, when applicable, related charges and monetary adjustments (liabilities).

3.11 Statement of income

Revenues and expenses are recorded by the accrual basis of accounting. The revenue is recognized at the moment of the delivery of goods and services, property transfer and when all the following conditions have been reached: a) the clients take the significant risks and benefits of the property of the goods; b) the Group has not retains continuing managerial goods sold in degree usually associated with ownership nor effective control over the goods involved; c) the amount of the revenue can be measured for sure; d) account receivable is probable and; e) the incurred costs or to be incurred related to the transaction can be measured for sure.

In the Cordoaria São Leopoldo Offshore plant unit., the criteria adopted for recognition of revenues and related costs is the method known as “Conclusion Percentage or POC” due to the characteristics of the activities and product trading, whose average production time is higher than the period in which the accounting information are disclosed (quarterly). These acknowledgement criteria for the revenue and the respective production costs are based on the production level. The technical specifications of the products are determined by the customer and are specific for each project and the production process is directly supervised by the customer or by customer certified organs.

The Company has chosen to present the consolidated statement of income by function.

3.12 Translation into foreign currency

a. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate at the transaction date. Gains and losses resulting from the difference between the conversion of assets and liabilities in foreign currency at year end, and the conversion of the transaction amounts are recognized in the income statement.

The functional currency of each entity is listed below:

Direct and indirect subsidiaries	Functional Currency	Country
Direct participation		
Mipel Ind. e Com. de Válvulas Ltda. - In Judicial Recovery	Real	Brazil
Lupatech Equipamentos de Serviços para Petróleo Ltda.- In Judicial Recovery	Real	Brazil
Lupatech Finance Limited - In Judicial Recovery	US Dollar	Cayman
Lupatech II Finance Limited	US Dollar	Cayman
Recu S.A.	Peso ARS	Argentina
Lupatech OFS Coöperatief U.A.	US Dollar	Netherlands
Lupatech Netherlands Coöperatief U.A.	US Dollar	Netherlands
Lochness Participações S/A - In Judicial Recovery	Real	Brazil
Indirect participation		
Recu S.A.	Peso ARS	Argentina
Lupatech Netherlands Coöperatief U.A.	US Dollar	Netherlands
Lupatech OFS S.A.S.	Peso Cop	Colômbia
Lupatech Perfuração e Completação Ltda.- In Judicial Recovery	Real	Brazil
Sotep Sociedade Técnica de Perfurações S/A - In Judicial Recovery	Real	Brazil
Prest Perfurações Ltda. - In Judicial Recovery	Real	Brazil
Itacau Agenciamentos Marítimos Ltda. - In Judicial Recovery	Real	Brazil
Matep S.A. Máquinas e Equipamentos - In Judicial Recovery	Real	Brazil
Amper Amazonas Perfurações Ltda. - In Judicial Recovery	Real	Brazil
UNAP International Ltd.	US Dollar	Ilhas Cayman

Jointly-owned subsidiaries	Moeda Funcional	País
Direct participation		
Luxxon Participações S.A.	Real	Brazil
Indirect participation		
Aspro do Brasil Sistemas de Compressão para GNV Ltda.	Real	Brazil
Aspro Serviços Centro Ltda.	Real	Brazil
Compressores Panamericanos S.R.L.	Peso ARS	Argentina
Delta Compresión S.R.L.	Peso ARS	Argentina
Sinergás GNV do Brasil Ltda.	Real	Brazil

b. Group companies

The results and financial position of all the Group companies used as the basis for valuation of investments under the equity method, which have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities balances are translated at the exchange rate prevailing on the date of the balance sheet;

(ii) Income and expense accounts are translated at the average monthly exchange rate;

(iii) The goodwill balances for expected future profitability arising from the acquisition of entities abroad, held after the adoption of CPCs/IFRS, and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of that foreign entity are treated as assets and liabilities of the entity abroad. Thus, they are expressed in the functional currency of the entity acquired abroad and are translated at the closing exchange rate on the respective balance sheet date; and

(iv) All differences resulting from exchange rate translation are recognized in equity, in the Statement of Comprehensive Income, under "Cumulative Translation Adjustments" sub group "Valuation Adjustments".

3.13 Gain (Loss) per share

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

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.

3.14 Investments in subsidiaries (Parent Company)

In the parent company's financial statements, the investments on subsidiaries are evaluated by the equity method and the result of this evaluation has as a counterpart an account of operational income, with the exception of exchange rate variations on investments abroad (subsidiaries that have own operation) which are not registered in a specific account of the shareholder' equity in order to be recognized in income and expenses at the decrease or sale of the investment.

According to ICPC 9, the goodwill paid by expectation of future profitability, represented by the positive difference between the value paid (or values to be paid) and the proportional liquid amount acquired from the fair value of the assets and liabilities of the acquired entity is registered in the individual financial statements (parent) as "investments".

3.15 Operating segment report

The operating segments report is consistent with the internal report used for operating decision-making. The key operating decision-maker, in charge of allocating resources and evaluating the operating segments performance, is the Board of Executive Officers. The Board of Directors is responsible for the Group's strategic decision-making.

3.16 Value added statement

The Company prepared statements of value added (DVA) and consolidated in accordance with the CPC - 09 - Statement of Added Value, which are presented as an integral part of the financial statements according to BR GAAP applicable to public companies, while for IFRS represent information additional financial.

4 Critical accounting estimates and judgments

In preparing the individual and consolidated financial statements, management used judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed continuously. Revisions of estimates are recognized prospectively.

The information about judgments made in applying accounting policies and uncertainty about assumptions and estimates that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 12 - Fixed Assets;
- Note 13 - Intangible;
- Note 17 - Income tax and social contribution;
- Note 18 - Contingent processes and judicial deposits.

In order to provide an understanding of how the Company forms its judgments about future events, including the variables and assumptions underlying the estimates, we included comments related to each critical accounting policy described below:

a. Deferred income tax

The amount of deferred tax assets is reviewed at each financial statement date and reduced by the amount that is not achievable by estimate of future taxable income. It is calculated using tax rates applicable to taxable income in the years in which those temporary differences should be realized. The future taxable income may be higher or lower than estimates made when determining the need to register, and the amount to be recorded, the tax asset.

The recognized credits on tax losses and negative social contribution bases are supported by projections of taxable income based on technical feasibility studies submitted annually to the bodies of the Group. These studies consider the historical profitability of the Company and its subsidiaries and the expectation of continuous profitability and estimated the recovery of credits in future years. The other credits based on temporary differences, mainly provision for tax liabilities and provision for losses, were recognized according to their expected realization, also taking into account the projections of future taxable income.

b. Useful life of long-lived assets

The Company recognizes the depreciation of its long-lived assets based on the estimated useful life, and significantly reflects the economic life of long-lived assets. However, the service lives may vary based on the technological update of each unit. The useful lives of long-lived assets also affect cost recovery tests of long-lived assets, when necessary.

c. Valuation of assets acquired and liabilities assumed in business combinations

In 2012 and in previous years, as described in note 11, the Company carried out some business combinations. Pursuant to IFRS 3, applied for acquisitions occurred after the transition date to IFRS, the Company must allocate the acquired entity cost to assets acquired and liabilities assumed, based on their fair values estimated on the acquisition date. Any difference between the acquired entity cost and the fair value of assets acquired and liabilities assumed is recorded as goodwill. The Company uses significant judgments in the identification process of tangible and intangible assets and liabilities, evaluating such assets and liabilities and in the determination of their remaining useful life. The Company usually hires external valuation companies to assist in the valuation of assets and liabilities, particularly when this valuation requires high technical qualification. The valuation of these assets and liabilities is based on assumptions and criteria which can include estimates of future cash flows discounted by the appropriated rates. The use of the assumptions used for valuation includes estimates of discounted cash flow or discount rates and may result in estimated values different from assets acquired and liabilities assumed.

The Company does not believe that there are indicative of a material change in estimates and assumptions used to complete the allocation of the purchase price and estimate the fair value of

assets acquired and liabilities assumed. However, if current results are not consistent with the estimates and assumptions used, the Company may be exposed to losses that may be material.

d. Test of reduction of the recoverable value of long-lived assets

There are specific rules to assess the recoverability of long lived assets, especially fixed assets, goodwill and other intangible assets. The date of each financial statement, the Company performs an analysis to determine whether there is evidence that the amount of long-lived assets is not recoverable. If such evidence is identified, the recoverable amount of assets is estimated by the Company.

The recoverable amount of an asset is determined by the higher of: (a) fair value less estimated costs of sale and (b) its value in use. The value in use is measured based on discounted cash flow (before taxes) derived by the continued use of an asset until the end of its useful life.

Not matter if there is or not any indication that the value of an asset may not be recovered, the goodwill balances originating from business combination and intangible assets with indefinite useful life are tested for measurement of recoverability at least once a year, or a shorter period of time when there are circumstances that require more frequent analyses. When the residual value of an asset exceeds its recoverable amount, the Company recognizes a reduction in the amount recorded for these assets.

If the recoverable amount of the asset cannot be determined independently, the recoverable amount of business segments for which the asset belongs is analyzed.

Except for a loss of recoverability of goodwill, a reversal of loss on the recoverability of assets is allowed. The reversal in these circumstances is limited to the amount of the balance of the loss of the corresponding asset.

The recoverability of goodwill is evaluated based on the analysis and identification of facts and circumstances which may result in the need to anticipate the test performed annually. If any facts or circumstances indicate that the recoverability of goodwill is impaired, then the test is anticipated. The Company made the goodwill impairment test to all its Cash Generating Unit, which represent the lowest level at which goodwill is monitored by management and are based on expectations of projected discounted cash flows and take into account the following assumptions: cost of capital, growth rate and settings used for the perpetuity of cash flows, methodology for determining the capital and financial forecasts economic long term.

The process of review of the recoverability is subjective and requires significant judgments by performing analysis. The evaluation of the business segments based on the Company's projected cash flows may be negatively impacted if the economic recovery and growth rates happen in a planned to lower speed as well as the plans of the Adminstration for the Company's business as described in Note 1 did not materialize as expected in the future.

5 Standards, amendments and interpretations to Standards

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

A series of new accounting standards, alterations to standards and interpretation were to have taken effect fot reporting periods beginning after January 1, 2016, but have not been adopted in

preparation of these financial statements. Those that may be relevant for the Company are explained below. The Company does not plan to adopt such standards on an early basis.

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 Aquisitions 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.

6 Cash and cash equivalents and Securities

Cash and cash equivalents
Cash and cash equivalents are broken down as follows:

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Cash and banks				
Brazil	63	80	22,726	323
Abroad	-	-	5,207	1,030
	63	80	27,933	1,353
Financial Investments				
Bank deposit certificate	3,062	57	3,079	74
Investiment fund	-	-	-	112
	3,062	57	3,079	186
Cash and cash equivalents	3,125	137	31,012	1,539

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 December 31, 2015 the Company owned a balance of R$1,163, registered as "Marketable securities - restricted" in current assets, and R$5,640 in the non-current assets (R$2,771 in current assets, and R$4,500 in the non-current assets on December 31, 2014), 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.

7 Trade receivables

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Local market	18,856	38,092	56,326	86,770
Export	3,805	9,160	12,440	33,442
	22,661	47,252	68,766	120,212
Less: allowance for doubtful accounts	(4,778)	(3,284)	(6,436)	(4,729)
	17,883	43,968	62,330	115,483

The accounts receivables by maturity are detailed as follow:

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Not due	14,064	12,575	46,474	74,258
Due to 30 days	470	2,235	1,214	5,487
Due from 31 to 90 days	192	3,764	453	4,181
Due from 91 to 180 days	75	20,856	897	21,856
Due more than 180 days	7,860	7,822	14,373	10,056
Amounts retained by PETROBRAS (*)	-	-	5,092	4,374
	22,661	47,252	68,503	120,212

(*) Contractual deductions made by Petroleo Brasileiro S/A on revenues, with receipts, scheduled for the end of the contract, according to contractual clauses.

The value of the risk of possible losses is presented as provision for doubtful accounts.

The credit risk of accounts receivable arises from the possibility of not receiving amounts arising from sales. To mitigate this risk, the Company adopts the analyzing in detail the equity and financial position of its customers, establishing a credit limit and constantly monitors their balances. The provision for credit risk was calculated on the basis of risk analysis of credits, which includes the history of losses, the individual situation of customers, the situation of the economic group to which they belong, the collateral for the debts and legal consultant's opinion, and is considered sufficient by its Administration to cover possible losses on accounts receivable.

The allowance for doubtful accounts had the following changes:

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Balance at the beginning of the year	3,284	4,474	4,729	5,314
Constitution	4,726	325	6,681	2,208
Write-off by loss	(653)	(426)	(2,155)	(733)
Recovery	(2,579)	(1,089)	(2,830)	(1,706)
Effect of conversion of balance	-	-	11	(6)
Balance of companies sold	-	-	-	(348)
Balance at the end of the year	4,778	3,284	6,436	4,729

Credit quality of accounts receivables

The credit quality of accounts receivables that are not overdue or impaired may be valued by checking the external credit ratings (if any) or background information on counterparties' delinquency ratios. Below, the opening of credits as per Group's internal rating:

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Group 1	882	20	13,806	391
Group 2	13,816	5,796	38,114	72,468
Group 3	7,048	39,204	15,931	45,121
Group 4	915	2,232	915	2,232
	22,661	47,252	68,766	120,212

Note:

- Group 1 – New clients (less than 6 months of relationship with the group).
- Group 2 – Current clients (over 6 months with no delinquency track record).
- Group 3 – Current clients (over 6 months with any delinquency track record. All delinquency was recovered).
- Group 4 – Current clients (over 6 months with any delinquency track record. Any or all delinquency was not recovered).

8 Inventories

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Finished goods	8,161	5,729	17,016	11,345
Goods for resale	323	298	3,502	4,743
Work in progress	8,975	12,008	15,199	18,455
Raw material	21,760	19,111	52,073	53,260
Losses on inventory obsolescence	(7,868)	(5,221)	(31,441)	(18,159)
Total	31,351	31,925	56,349	69,644

In the year 2015 were recognized in the result, losses on inventories obsolescence in the amount of R$2,647 in parent and R$13,282 in consolidated (reversal of losses on inventory obsolescence of R$2,037 in parent and R$69 in the consolidated, in 2014).

9 Recoverable taxes

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Value-added Tax on Sales and Services (ICMS) recoverable	13,806	14,581	14,632	16,245
Excise Tax (IPI) recoverable	1,484	1,822	1,854	2,158
Social Integration Program (PIS) recoverable	658	703	1,253	2,060
Social Contribution on Revenues (COFINS) recoverable	3,247	3,316	5,816	9,151
Corporate Income Tax (IRPJ) advances	-	-	19,829	11,629
Withholding tax (IRRF) recoverable	851	1,216	27,877	29,577
CSLL recoverable	281	392	6,647	7,066
National Institute of Social Security (INSS) Contribution recoverable	41	41	1,183	1,405
Service tax (ISS) recoverable	-	2	463	717
Other	-	-	226	479
Provision for non-recovery of taxes	(8,349)	(8,349)	(8,349)	(8,349)
Total	12,019	13,724	71,431	72,138
Current	5,869	6,728	30,976	24,686
Non-Current	6,150	6,996	40,455	47,452

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.
- **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, the main ones being:
  - Operation corporate restructuring through mergers and transformation into branches;
  - Input acquisition strategy and logistics;

- Use of drawback program; and
- Specific investment studies that may include the use of part of the credits.

On December 31, 2015 the Company recognized an expense of R$8,349 related to ICMS low loan without expectation of realization. This value represents in this date, the management's best estimate regarding the amount of ICMS recoverable difficult to perform.

10 Other receivables

10.1 Other receivables – Current

On December 31, 2015 the Company had amounts recorded as other receivables in current assets in the amount of R$1,260 (R$616 at December 31, 2014) in parent and R$7,715 (R$5,145 at December 31, 2014) in consolidated, which is composed as follows:

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Travel advances	4	10	106	164
Advances to employees	850	273	1,487	546
Profits and dividends receivable	-	-	1,664	1,664
Receiving insurance and accident	174	174	174	174
Other receivables	232	159	4,284	2,597
Total	1,260	616	7,715	5,145

10.2 Other receivables – Current

On December 31, 2015 the Company has the balance recorded as other receivables in non-current assets in the amount of R$6,130 (R$5,360 at December 31, 2014) in parent and R$33,384 (R$21,532 on December 31, 2014) in consolidated, which are composed as follows:

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Loans receivable from related Unifit	5,992	5,319	5,992	5,319
Loans receivable from related Luxxon	138	-	5,144	4,615
Receivables from San Antonio International	-	-	16,791	11,422
Accounts receivable related to investment sale	-	-	4,979	-
Other receivables	-	41	478	176
Total	6,130	5,360	33,384	21,532

On December 31, 2015 the Company had accounts receivable from San Antonio International related to the sale of fixed assets in the amount of R$16,791 (R$11,422 at December 31, 2014), and part of that amount may be offset by amounts related to services provided by the San Antonio International to the Company.

11 Investments

11.1 Investments in subsidiaries and associated companies

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
In affiliates	448,991	151,125	-	-
Goodwill on acquisition of investments (Note 13)	6,065	6,065	-	-
Total	455,056	157,190	-	-

	Mipel	Recu	LESP	Finance	Finance II	LNC	LOFS	Lochness	Parent 12/31/2015	Parent 12/31/2014
Investment data										
Amount of share or quotas										
Ordinary shares (thd)	-	3,000	-	-	-	-	-	698,695		
Capital stock quotas (thd)	18,717	-	379,174	50	1	-	-	-		
Participation %	100	95	100	100	100	2.29	100	100		
Shareholders' equity (Unfunded liabilities)	**15,766**	**1,355**	**100,062**	**104,457**	**3**	**33,358**	**54,792**	**63,718**		
Income (Loss) for the year	(4,213)	(44)	(45,092)	106,269	-	69	5,439	(197,401)		
Unrealized profits	(347)	-	-	-	-	-	-	-		
Changes in investments										
Beginning balance	19,702	-	81,932	-	2	468	49,021	-	151,125	322,285
Increase / Subscription of capital	-	-	21,742	-	-	-	33	178,490	200,265	68,893
Future capital increase	-	-	44,400	-	-	-	-	93,339	137,739	-
Equity pick-up result	(4,283)	(44)	(45,092)	170,357	-	69	5,439	(197,401)	(70,955)	(150,037)
Reclassification of unfunded liabilities	-	-	-	(10,235)	-	-	-	(40,158)	(50,393)	(15,045)
Equity evaluation adjustments	-	(62)	41,480	8,424	1	227	299	29,448	79,817	(3,662)
Dividends and interest on equity reserve	-	-	-	-	-	-	-	-	-	(5,577)
Changes from disinvestment	-	1,393	-	-	-	-	-	-	1,393	(64,338)
Assets held for sales	-	-	-	-	-	-	-	-	-	(1,394)
Final balance	15,419	1,287	144,462	168,546	3	764	54,792	63,718	448,991	151,125

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.

In the individual financial statements, the share of the value of unsecured liabilities of Lupatech Finance Limited - In Judicial Recovery of R$10,235 and Lochness Participações S/A – In Judicial recovery of R$40,158 at December 31, 2015, are presented in the non-current liabilities as a provision for negative equity in subsidiaries.

The capital increase in subsidiaries stems from the transfer of debt from the bankruptcy process, undertaken by the Company.

The equity pick-up result is composed as follow:

	Parent		Consolidated	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
In affiliates	(70,955)	(150,037)	-	-
In joint venture	21,946	(17,119)	21,946	(17,119)
	(49,009)	(167,156)	21,946	(17,119)

11.2 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 December 31, 2015, the Company recognized investments in joint ventures related to Luxxon Participações S/A, as a provision for unfunded liabilities in the amount of R$3,660 (R$19,792 on December 31, 2014).

Investments in jointly controlled are measured by the equity method.

The following summary of financial information used recognition of equivalence sheet:

	Jointly controlled entities	
	12/31/2015	12/31/2014
ASSETS		
CURRENT ASSETS	**114,282**	**100,381**
Cash and cash equivalents	7,879	9,125
Clients	28,593	24,328
Inventories	37,988	24,807
Recoverable taxes	32,226	31,432
Other assets	7,596	10,689
NON-CURRENT ASSETS	**78,928**	**83,460**
Fixed assets	22,036	31,903
Other assets	56,892	51,557
TOTAL ASSETS	**193,210**	**183,841**
LIABILITIES		
CURRENT LIABILITIES	**101,866**	**105,316**
Suppliers	33,261	23,142
Loans and financing	7,348	27,363
Advances from customers	29,897	26,179
Taxes payable	3,754	3,163
Other obligations	27,606	25,469
NON-CURRENT LIABILITIES	**57,787**	**72,497**
Loans and financing	38,891	54,143
Deferred income tax and social contribution	7,664	6,104
Provision for contingencies	8,666	8,104
Other obligations	2,566	4,146
SHAREHOLDER'S EQUITY	33,557	**6,028**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**193,210**	**183,841**

11.3 Other investments

Investment in company Vicinay Marine S.L.

In the year 2014 there was a minority stake change in the company Vicinay Marine S.L. from 6.77% to 4.28%. Derating of participation occurred in counterpart to the cancellation of the Company's obligation to settle accounts payable for acquisition of investment in Vicinay Marine S.L. In 2015, there were not changes in participation.

On January 6, 2016 the Company executed a memorandum of understanding for the sale of the quity interest held by the Company in Spanish company Vicinay Marine, SL, for the amount R$28,000. The transaction is the repurchase of such equity interest by Vicinay and was approved on March 7, 2016 by the judge of the 1st Court of Bankruptcies, Judicial Recoveries and related conflicts to the capital of Arbitration.

12 Property, plant and equipment

	Weighted avarage rate of depreciation % p.a.	Parent		Consolidated	
		12/31/2015	12/31/2014	12/31/2015	12/31/2014
		Net	Net	Net	Net
Land	-	12,336	12,336	13,057	14,758
Building and construction	2%	32,081	32,942	43,479	53,159
Machinery and equipment	9%	32,884	37,095	188,257	290,326
Molds and matrixes	15%	1,024	1,567	1,187	1,764
Industrial facilities	5%	7,719	8,314	9,604	10,293
Furniture and fixtures	9%	1,404	1,672	2,825	3,557
Data processing equipments	14%	333	546	767	1,216
Improvements	2%	250	314	1,680	2,717
Vehicles	19%	148	185	2,377	4,917
Casks	-	2	2	9	13
Advances for fixed assets acquisitions	-	10	-	10,767	5,314
Construction in progress	-	306	280	80,853	61,916
Total		88,497	95,253	354,862	449,950

Bellow is the breakdown of property, plants and equipments:

	Parent								
Gross Cost	**Land**	**Building and construction**	**Machinery and equipment, Molds and matrixes**	**Industrial facilities and improvements**	**Furniture and fixtures**	**Data processing equipments**	**Construction in progress**	**Others**	**Total**
Balance on December 31, 2013	**12,336**	**42,447**	**93,918**	**13,836**	**4,058**	**3,818**	**826**	**737**	**171,976**
Additions	-	-	51	-	4	143	107	-	305
Transfers	-	-	(504)	505	11	3	(653)	-	(638)
Disposal	-	(3,219)	(3,050)	(2,629)	(169)	(95)	-	(265)	(9,427)
Balance on December 31, 2014	**12,336**	**39,228**	**90,415**	**11,712**	**3,904**	**3,869**	**280**	**472**	**162,216**
Additions	-	-	67	-	1	31	82	11	192
Transfers	-	29	(61)	-	(6)	(3)	(29)	-	(70)
Disposal	-	-	(70)	-	(11)	(1)	(27)	-	(109)
Balance on December 31, 2015	**12,336**	**39,257**	**90,351**	**11,712**	**3,888**	**3,896**	**306**	**483**	**162,229**

	Parent								
Acculated depreciation	**Land**	**Building and construction**	**Machinery and equipment, Molds and matrixes**	**Industrial facilities and improvements**	**Furniture and fixtures**	**Data processing equipments**	**Construction in progress**	**Others**	**Total**
Balance on December 31, 2013	**-**	**(5,977)**	**(49,470)**	**(4,202)**	**(2,046)**	**(3,089)**	**-**	**(467)**	**(65,251)**
Additions	-	(953)	(5,183)	(702)	(279)	(301)	-	(46)	(7,464)
Transfers	-	-	640	-	(1)	(1)	-	-	638
Disposal	-	644	2,260	1,820	94	68	-	228	5,114
Balance on December 31, 2014	**-**	**(6,286)**	**(51,753)**	**(3,084)**	**(2,232)**	**(3,323)**	**-**	**(285)**	**(66,963)**
Additions	-	(890)	(4,831)	(659)	(262)	(251)	-	(38)	(6,931)
Transfers	-	-	59	-	-	11	-	-	70
Disposal	-	-	82	-	10	-	-	-	92
Balance on December 31, 2015	**-**	**(7,176)**	**(56,443)**	**(3,743)**	**(2,484)**	**(3,563)**	**-**	**(323)**	**(73,732)**

	Parent								
Net property, plant and equipment	**Land**	**Building and construction**	**Machinery and equipment, Molds and matrixes**	**Industrial facilities and improvements**	**Furniture and fixtures**	**Data processing equipments**	**Construction in progress**	**Others**	**Total**
Balance on December 31, 2013	**12,336**	**36,470**	**44,448**	**9,634**	**2,012**	**729**	**826**	**270**	**106,725**
Balance on December 31, 2014	**12,336**	**32,942**	**38,662**	**8,628**	**1,672**	**546**	**280**	**187**	**95,253**
Balance on December 31, 2015	**12,336**	**32,081**	**33,908**	**7,969**	**1,404**	**333**	**306**	**160**	**88,497**

	Consolidated								
Gross Cost	**Land**	**Building and construction**	**Machinery and equipment, Molds and matrixes**	**Industrial facilities and improvements**	**Furniture and fixtures**	**Data processing equipments**	**Construction in progress**	**Others**	**Total**
Balance on December 31, 2013	**23,625**	**90,782**	**526,148**	**24,378**	**11,067**	**10,981**	**60,179**	**59,070**	**806,230**
Additions	-	-	11,531	7	1,045	487	186	852	14,108
Disposal	(7,992)	(24,364)	(45,732)	(4,858)	(913)	(793)	(10,857)	(3,665)	(99,174)
Transfers	-	-	(20)	263	(890)	1	(11,776)	(7,544)	(19,966)
Effect of exchange variance	(873)	(374)	5,292	(46)	(12)	(86)	24,174	(18,751)	9,324
Assets held for sales	-	(506)	(2,208)	(222)	(310)	(170)	-	(237)	(3,653)
Balance on December 31, 2014	**14,760**	**65,538**	**495,011**	**19,522**	**9,987**	**10,420**	**61,906**	**29,725**	**706,869**
Additions	-	-	3,764	3	17	371	46	123	4,324
Disposal	(1,933)	(1,395)	(40,401)	(34)	(22)	(93)	-	118	(43,760)
Transfers	125	(1,213)	191	(88)	62	(39)	7,815	125	6,978
Effect of exchange variance	105	187	70,828	-	48	133	18,937	6,041	96,279
Impairmet	-	(6,770)	(76,552)	(503)	-	(109)	-	(1,266)	(85,200)
Balance on December 31, 2015	**13,057**	**56,347**	**452,841**	**18,900**	**10,092**	**10,683**	**88,704**	**34,866**	**685,490**

	Consolidated								
Acculated depreciation	**Land**	**Building and construction**	**Machinery and equipment, Molds and matrixes**	**Industrial facilities and improvements**	**Furniture and fixtures**	**Data processing equipments**	**Construction in progress**	**Others**	**Total**
Balance on December 31, 2013	**-**	**(13,627)**	**(177,527)**	**(8,230)**	**(6,572)**	**(8,913)**	**-**	**(20,619)**	**(235,488)**
Additions	-	(2,318)	(39,992)	(1,315)	(830)	(1,054)	-	(2,004)	(47,513)
Disposal	-	2,842	6,756	2,355	114	94	-	2,131	14,292
Transfers	-	(41)	659	(14)	(4)	(9)	2	-	593
Effect of exchange variance	-	65	(1,062)	-	12	60	-	259	(666)
Assets held for sales	(2)	700	8,245	692	850	618	8	752	11,863
Balance on December 31, 2014	**(2)**	**(12,379)**	**(202,921)**	**(6,512)**	**(6,430)**	**(9,204)**	**10**	**(19,481)**	**(256,919)**
Additions	-	(1,885)	(42,171)	(1,216)	(756)	(719)	-	(1,759)	(48,506)
Disposal	-	515	10,183	26	19	80	-	(118)	10,705
Transfers	-	1,005	(147)	86	(79)	17	(7,861)	1	(6,978)
Effect of exchange variance	2	(124)	(28,341)	-	(21)	(90)	-	(356)	(28,930)
Saldo em 31 de dezembro de 2015	**-**	**(12,868)**	**(263,397)**	**(7,616)**	**(7,267)**	**(9,916)**	**(7,851)**	**(21,713)**	**(330,628)**

	Consolidated								
Net property, plant and equipment	**Land**	**Building and construction**	**Machinery and equipment, Molds and matrixes**	**Industrial facilities and improvements**	**Furniture and fixtures**	**Data processing equipments**	**Construction in progress**	**Others**	**Total**
Balance on December 31, 2013	**23,625**	**77,155**	**348,621**	**16,148**	**4,495**	**2,068**	**60,179**	**38,451**	**570,742**
Balance on December 31, 2014	**14,758**	**53,159**	**292,090**	**13,010**	**3,557**	**1,216**	**61,916**	**10,244**	**449,950**
Balance on December 31, 2015	**13,057**	**43,479**	**189,444**	**11,284**	**2,825**	**767**	**80,853**	**13,153**	**354,862**

The value attributed to property, plants and equipments in guarantee of liabilities on December 31, 2015 is as follows:

	Fixed Assets	
Garanteed liabilities	**Parent**	**Consolidated**
Taxation (Tax executions)	11,498	11,498
Borrowing and financing (Note 15)	73,461	90,668
Total	84,959	102,166

Commercial Lease

On December, 31, 2015, 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$13,304 (R$16,022 on December 31, 2014).

Impairment tests

The Company prepared impairment analysis and testing to all material fixed assets in 2015, based on discounted cash flow projections and sales values less costs to sell when available. When the projections of cash flows were used, the following assumptions were used:

Discount rate (WACC): 14.25% p.a.
Growth in perpetuity: 0
Maximum projection horizon: 13 years
Projected inflation: 5.5% p.a.
Projected GDP: 0.9% p.a.

Based on reports made to property assessment have been identified and recorded values of impairment losses of R$85,200 in consolidated.

13 Intangible Assets

	Weighted rates of amortization	Parent		Consolidated	
		12/31/2015	12/31/2014	12/31/2015	12/31/2014
	% p.a.	Net	Net	Net	Net
Goodwill (*)	-	55,414	115,414	103,459	161,385
Software and other licenses	20%	2,707	3,527	2,650	3,695
New projects developments	20%	13,535	13,158	14,895	14,572
Total		71,656	132,099	121,004	179,652

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

Bellow is the breakdown of intangible Assets:

	Parent			
Gross cost	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2013	**115,414**	**10,293**	**16,726**	**142,433**
Additions	-	1	2,391	2,392
Alienações	-	-	(18)	(18)
Transfers	-	466	(466)	-
Balance on December 31, 2014	**115,414**	**10,760**	**18,633**	**144,807**
Additions	-	420	1,560	1,980
Alienações	-	(738)	-	(738)
Transfers	-	170	(195)	(25)
Loss by goodwill impairment	(60,000)	-	-	(60,000)
Balance on December 31, 2015	**55,414**	**10,612**	**19,998**	**86,024**

	Parent			
Acculated amortization	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2013	**-**	**(6,078)**	**(4,580)**	**(10,658)**
Additions	-	(1,155)	(895)	(2,050)
Balance on December 31, 2014	**-**	**(7,233)**	**(5,475)**	**(12,708)**
Additions	-	(1,053)	(997)	(2,050)
Alienações	-	357	8	365
Transfers	-	24	1	25
Balance on December 31, 2015	**-**	**(7,905)**	**(6,463)**	**(14,368)**

	Parent			
Net Intangible Assets	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2013	**115,414**	**4,215**	**12,146**	**131,775**
Balance on December 31, 2014	**115,414**	**3,527**	**13,158**	**132,099**
Balance on December 31, 2015	**55,414**	**2,707**	**13,535**	**71,656**

	Consolidated			
Gross cost	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2013	**289,300**	**11,322**	**20,490**	**321,112**
Additions	-	1	2,391	2,392
Alienações	-	(758)	(600)	(1,358)
Transfers	-	1,559	(1,559)	-
Effect of exchange variance	(2,263)	-	-	(2,263)
Loss by goodwill impairment	(99,532)	-	-	(99,532)
Assets held for sales	(26,120)	(585)	-	(26,705)
Balance on December 31, 2014	**161,385**	**11,539**	**20,722**	**193,646**
Additions	-	700	1,560	2,260
Alienações	-	(918)	-	(918)
Transfers	-	170	(195)	(25)
Effect of exchange variance	2,074	-	-	2,074
Loss by goodwill impairment	(60,000)	-	-	(60,000)
Balance on December 31, 2015	**103,459**	**11,491**	**22,087**	**137,037**

	Consolidated			
Acculated amortization	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2013	**-**	**(7,016)**	**(5,257)**	**(12,273)**
Additions	-	(1,598)	(950)	(2,548)
Alienações	-	537	57	594
Assets held for sales	-	233	-	233
Balance on December 31, 2014	**-**	**(7,844)**	**(6,150)**	**(13,994)**
Additions	-	(1,482)	(1,052)	(2,534)
Alienações	-	461	9	470
Transfers	-	24	1	25
Balance on December 31, 2015	**-**	**(8,841)**	**(7,192)**	**(16,033)**

	Consolidated			
Net Intangible Assets	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2013	**289,300**	**4,306**	**15,233**	**308,839**
Balance on December 31, 2014	**161,385**	**3,695**	**14,572**	**179,652**
Balance on December 31, 2015	**103,459**	**2,650**	**14,895**	**121,004**

a. Development of new products

It refers to the costs with the development of new products, processes and equipment realized.

The amortization of these projects, whose term does not exceed 5 years, is recorded as debit in the result of the fiscal year, in the account for the cost of sold products.

***b.* Software and other licenses**

It includes all the data processing systems and usage license, which are registered by the acquisition cost and are amortized linearly.

The amortization of software is recorded as debit in the result of the fiscal year, in the cost of products sold and operating expenses account, for a 5-year term.

c. Goodwill on acquisitions

Goodwill is allocated to business segments for which cash flows may be identified Cash Generating Units – "UGC".

The recoverable value of a UGC is determined based on calculations of the asset in use. These calculations use cash flow projections before the calculation of income tax and social contribution based on financial budgets approved by the Administration.

The goodwill balance is not amortized and is subject to impairment tests annually or when there is indication of eventual loss of value. In December 2015, the Company measured recoverability of goodwill of its segments.

The premises used to determine the fair value through the method of cash flow discounted for the test of impairment include: cash flow projections based on estimations of the administration for future cash flow, discount rates and growth rates for determination of perpetuity. The perpetuity growth rates or inflation rates, has been not considered in the projection.

Whenever possible, the Directors shall compare the values in use and the estimated values of sale of the CGU to identify possible distortions in the calculations.

The discount rates used were developed taking into consideration market information available on the test date. The discount rate used was 14.25% per annum, based on the cost of the Group's weighted capital and business segment to which it belongs considering the 2015 year-end scenario, without considering inflation and adjusted when necessary, to reflect market assessments of the specific risks of the asset.

The goodwill balance is not amortized and is subject to test "impairment" annually or whenever there are indications of loss of value. At December 31, 2015, the tests for all segments showed loss by non-recoverability of the goodwill of the unit Cordoaria São Leopoldo, recognized in the financial statements in the Company and consolidated in the amount of R$60,000.

It should be highlighted that events or significant changes in the overview can cause significant loss because of goodwill recovery. As main risks we can highlight eventual deterioration of the metallurgical market, significant decrease in the demand of the automotive and construction sectors, paralysation of activities in industry plants of the Company or relevant changes in the economy or financial market that cause an increase in the perception of risk of reduction of liquidity and capacity to refinance.

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

	Goodwill on acquisition of investments			
	Investments (Note 11)		Intangible	
	Parent		Consolidated	
UGCs	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Products Segment				
Carbonox and Valmicro (Group of units)	6,065	6,065	6,065	6,065
Lupatech S/A - CSL unit	55,414	115,414	55,414	115,414
Services Segment				
Fiberware Unit	-	-	20,687	20,687
Lupatech OFS Coöperatief U.A. Unit	-	-	21,293	19,219
Total	61,479	121,479	103,459	161,385
Investment	6,065	6,065	-	-
Intangible Assets	55,414	115,414	103,459	161,385

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 are 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
Products Segment			
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)	-
Services Segment			
Lupatech – Equipamentos de serviços para petróleo Unit	59,227	(59,227)	-
Fiberware Unit	20,687	-	20,687
Lupatech OFS Coöperatief U.A. Unit	21,293	-	21,293
Total	307,399	(203,940)	103,459

Sensitivity Analysis

The recoverable amount exceeds the carrying amount of the asset, but adverse changes in assumptions could result in impairment. Management identified two main premises reasonably possible changes which may result in the fact that the carrying amount exceeds the recoverable amount. The table below shows the amount by which individual changes in two basic assumptions could result in the recoverable value is equal to book value.

UGC	Grow in the discount rate before taxes	Average reduction in projected revenue
Valmicro and Carbonox	+33.01 p.p.	-26.57 p.p.
Unidade Lupatech OFS Coöperatief U.A. unit	+2.79 p.p.	-3.91 p.p.
Lupatech S/A - CSL unit	+3.15 p.p.	-6.62 p.p.
Fiberware Unit	+24.8 p.p.	-24.81 p.p.

The values used in the key assumptions represent management's best estimate of the future cash generating units mentioned above and were based on internal sources (historical data) and external.

14 Suppliers

	12/31/2014					
	Parent			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total
Domestic Suppliers	38,712	-	38,712	87,242	-	87,242
Export Suppliers	435	-	435	11,147	-	11,147
Total	**39,147**	**-**	**39,147**	**98,389**	**-**	**98,389**

	12/31/2015					
	Parent			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total
Suppliers - subject to Judicial Recovery						
Domestic Suppliers	-	67,944	67,944	-	67,944	67,944
Export Suppliers	-	4,074	4,074	-	4,074	4,074
	-	**72,018**	**72,018**	**-**	**72,018**	**72,018**
Suppliers - not subject to Judicial Recovery						
Domestic Suppliers	5,356	-	5,356	26,664	-	26,664
Export Suppliers	538	-	538	2,420	-	2,420
	5,894	**-**	**5,894**	**29,084**	**-**	**29,084**
Total	**5,894**	**72,018**	**77,912**	**29,084**	**72,018**	**101,102**

On 31 December 2015 the balance of suppliers subject to judicial recovery has incidence of interest and monetary adjustment equivalent to a fixed rate of 3% per year, as proposed in terms of payment of unsecured creditors determined in the Judicial Recovery Plan.

On December 31, 2015 was no record of this value adjustment income on suppliers subject to bankruptcy in the amount of R$156,933 in the parent company and consolidated.

15 Loans and financing

		12/31/2014							
		Parent				Consolidated			
Description	Index	Weighted interest rates	Current	Non-Current	Total	Weighted interest rates	Current	Non-Current	Total
Local currency									
Working capital / expansion	CDI	5,26% p.a.	4,135	-	4,135	5,26% a.a.	37,615	716	38,331
Working capital / expansion	TJLP	4,93% p.a.	2,194	27,796	29,990	7,48% a.a.	3,991	50,387	54,378
Working capital / expansion	FIX	-	-	-	-	2,70% a.a.	-	25,210	25,210
Working capital / expansion	CDI	-	-	2,801	2,801	-	-	2,801	2,801
Financing of property, plant and equipment	TJLP	6,57% p.a.	191	22	213	6,57% a.a.	191	22	213
Financing of property, plant and equipment	FIX	4,50% p.a.	39	-	39	4,50% a.a.	113	-	113
Financing of research and development	TJLP	4,68% p.a.	2,464	6,291	8,755	4,68% a.a.	2,464	6,291	8,755
Guarantee provided - Guaranteed by a letter of guarantee	FIX	3,00% p.a.	-	16,212	16,212	3,00% a.a.	-	16,212	16,212
Discounted titles	-	13,95% p.a.	213	-	213	13,95% a.a.	3,203	19,987	23,190
			9,236	**53,122**	**62,358**		**47,577**	**121,626**	**169,203**
Foreign currency									
Working capital / expansion									
Working capital / expansion	US DOLAR	7,47% p.a.	408	5,020	5,428	15,25% a.a.	775	8,363	9,138
Working capital / expansion	PESO COP	-	-	-	-	9,89% a.a.	7,952	14,753	22,705
Working capital / expansion	UMBNDES 590	-	-	-	-	8,86% a.a.	580	-	580
			408	**5,020**	**5,428**		**9,307**	**23,116**	**32,423**
Total			**9,644**	**58,142**	**67,786**		**56,884**	**144,742**	**201,626**

		12/31/2015							
		Parent				Consolidated			
Description	Index	Weighted interest rates	Current	Non-Current	Total	Weighted interest rates	Current	Non-Current	Total
Subject to Judicial Recovery									
Local currency									
Secured creditors	FIX	3,00% p.a.	-	59,700	59,700	3,00% p.a.	-	59,700	59,700
Unsecured creditors	FIX	3,00% p.a.	-	175,632	175,632	3,00% p.a.	-	339,183	339,183
Present value adjustment			-	(153,751)	(153,751)		-	(237,857)	(237,857)
			-	**81,581**	**81,581**		-	**161,026**	**161,026**
Not subject to Judicial Recovery									
Local currency									
Working capital / expansion	CDI	6,80% p.a.	1,458	-	1,458	8,84% p.a.	3,962	-	3,962
Working capital / expansion	TJLP	4,76% p.a.	5,915	-	5,915	4,82% p.a.	10,724	-	10,724
Discounted titles	-	31,86% p.a.	327	-	327	33,45% p.a.	504	-	504
Credit limit	FIX	-	-	-	-	9,11% p.a.	4	-	4
Foreign currency									
Working capital / expansion	US DOLAR	7,48% p.a.	1,529	-	1,529	7,48% p.a.	2,543	-	2,543
Working capital / expansion	PESO COP	-	-	-	-	10,55% p.a.	13,408	8,177	21,585
			9,229	-	**9,229**		**31,145**	**8,177**	**39,322**
Total			**9,229**	**81,581**	**90,810**		**31,145**	**169,203**	**200,348**

Loans and financing subject to Judicial Recovery, secured creditors as unsecured creditors, have interest accrual and indexation equivalent to a fixed rate of 3% per year, as determined in the Judicial Recovery Plan.

On December 31, 2015 were recorded income of present value adjustment from loans and financing in the amount of R$153,751 in parent and R$237,857 in consolidated, considering the discount rate of 14.25% p.a.

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

	Parent		Consolidated	
Maturity	**12/31/2015**	**12/31/2014**	**12/31/2015**	**12/31/2014**
2016	-	1,155	-	27,089
2017	-	6,530	5,518	19,096
2018	-	8,219	2,509	18,392
2019	-	11,480	82	22,478
from 2020	81,581	30,758	161,094	57,687
	81,581	58,142	169,203	144,742

The guarantees for loans and financings were granted as follows:

		Parent	Consolidated
Local currency	**Garantee**	**Amount**	**Amount**
Working capital / expansion	Mortage / Buildings	73,124	73,124
Working capital / expansion	Contracts signed	25,015	29,325
Financing of property, plant and equipment	Own financed asset	337	337
Financing of research and development	Bank guarantee	15,606	15,606
		114,082	118,392
Foreign currency	**Garantee**		
Working capital / expansion	Own financed asset	-	17,207
		-	17,207
		114,082	135,599

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 December 31, 2015 the indirect subsidiary Lupatech OFS SAS attended to the condition of financial covenants.The total amount of this loan is R$6,311, recorded in current liabilities in the amount of R$3,440 and R$2,871 in non-current liabilities (total amount of R$7,678 on December 31, 2014 recorded R$2,158 in current liabilities and R$5,520 in non-current liabilities).

On December 31, 2015 the Company has a balance of R$4,830 (R$16,612 on December 31, 2014) 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%.

The Company presented on December 31, 2014 balances with debentures of R$71,715 and R$127,968 Bonds, both recorded in non-current liabilities.

On December 31, 2015 due to the Judicial Recovery Plan, Bonds and Debentures were treated and registered with the loans subject to judicial recovery in non-current liabilities due to its classification as unsecured creditors of the Plan, which have incidence interest and monetary adjustment equivalent to a fixed rate of 3% per year, as determined for payment of creditors in the Judicial Recovery Plan.

16 Related parties

16.1 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					
	SABR	Mipel Sul	Lupatech Finance	LESP	12/31/2015	12/31/2014
Assets						
Accounts receivable	-	132	-	26	158	1,372
Other accounts receivable	1,965	2,078	-	407	4,450	19,401
Mutual and loans	31,073	-	990,825	-	1,021,898	699,072
Total	33,038	2,210	990,825	433	1,026,506	719,845
Liabilities						
Accounts payable	6	3,815	-	77	3,898	12,030
Other accounts payable	1,742	32	-	4,651	6,425	7,843
Mutual and loans	-	-	1,254,745	36,938	1,291,683	789,075
Total	1,748	3,847	1,254,745	41,666	1,302,006	808,948
Income						
Sales	-	163	-	2,720	2,883	2,119
Purchases	-	2,718	-	-	2,718	3,006
Financial income	20	387	-	1	408	426
Financial expenses	-	-	82,444	928	83,372	56,938
Exchange variance	-	-	(57,874)	-	(57,874)	185,125
Total	20	3,268	24,570	3,649	31,507	247,614

	Transaction date	Time	Interest rate	Parent Garantee and insurance	Amount R$	Balance US$	12/31/2015	12/31/2014
Assets mutual								
Local currency								
Contract 1	July-14	Indeterminated	105% do DI-Cetip	N/A	29,489	-	-	4,057
Contract 2	November-14	Indeterminated	105% do DI-Cetip	N/A	8,139	-	-	25
					37,628	-	-	4,082
Foreign currency								
Contract 1	July-14	Indeterminated	105% do DI-Cetip	N/A	627,226	253,745	990,825	673,998
Contract 2	July-14	Indeterminated	105% do DI-Cetip	N/A	20,992	16,948	30,859	20,992
Contract 3	December-14	Indeterminated	12.000% p.a.	N/A	288	55	214	-
					648,506	270,748	1,021,898	694,990
					686,134	**270,748**	**1,021,898**	**699,072**
Liabilities mutual								
Foreign currency								
Contract 1	July-07	13 Years	9.875% p.a.	N/A	28,025	14,990	58,533	38,674
Contract 2	July-07	13 Years	9.875% p.a.	N/A	65,391	35,970	140,455	92,643
Contract 3	May-09	11 years	12.000% p.a.	N/A	40,736	26,572	103,758	64,279
Contract 4	May-09	11 years	12.000% p.a.	N/A	117,249	76,543	298,885	185,081
Contract 5	July-09	11 years	12.000% p.a.	N/A	50,618	35,429	138,344	85,705
Contract 6	September-09	11 years	10.100% p.a.	N/A	134,378	97,893	382,254	239,623
Contract 7	October-09	11 years	10.000% p.a.	N/A	46,231	33,936	132,515	83,070
Contract 8	December-15	Indeterminated	-	N/A	36,951	9,460	36,939	-
					519,579	330,793	1,291,683	789,075
					519,579	**330,793**	**1,291,683**	**789,075**

Loan agreements and foreign currency loans between Lupatech Finance Company and are presented net amount of R$263,919 (R$115,077 on December 31,2014) 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 December 31, 2015, the Company has a loan agreement with the Unifit – Unidade de fios Industriais de Timbaúba S/A in the amount of R$5,992 (R$5,319 on December 31, 2014). This amount is recorded in other receivables as non-current assets.

The Company has, on December 31, 2015, a loan agreement with the jointly Luxxon Participações S/A amounting to R$5,144 (R$4,615 on December 31, 2014). This amount is recorded in other receivables in non-current assets.

a. Garanties granted

The operations with related parts do not have guarantees included in the operation, and are summed up in commercial ordinary transactions (purchase and sale of inputs) which are not grounded in guarantees, as well as operations of mutuals with companies of the Group which also do not present guarantees in its composition.

On December 31, 2015, the Company has a balance of R$4,830 (R$16,212 on December 31, 2014), 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%.

The amount of R$4,830 is recorded as loans and financing in non-current liabilities (R$16,212 on December 31, 2014), as mentioned in note 15.

b. Conditions of price and duties

Loan contracts among companies in Brazil are monetarily restated according to the DI-Cetip monthly rate for funds obtained in the market.

The sales and purchases of products are made in market conditions and deadlines, with price discounts that vary on an average of 10%.

16.2 Key management staff

a. Management compensation

Lupatech S/A – In Judicial Recovery paid its managers, fixed between wages and fixed compensation, a total amount of R$6,347 in 2015 (R$6,081 in 2014), it was approved at the Annual and Extraordinary General Meeting held on April 30, 2015, the fixed remuneration and annual global variable of the Company's management for the year in the amount up to R$13,398, and so divided: up to R$5,349 for the global fixed remuneration; up to R$8,049 to the overall variable remuneration.

On December 31, 2015, the Company has the amount of R$6,156, recorded in current liabilities as variable compensation of the financial debt restructuring plan of the Company (R$4,437 on December 31, 2014).

The benefits of Directors and participation of employees and managers in profits and results are disclosed in the note 23.

On March 10, 2016 was confirmed through the material fact disclosed to its shareholders and the market in general the acquisition individually claims against the Company and some of its subsidiaries, its Chief Executive Officer and and Investor Relations Officer Mr. Ricardo Doebeli, and consultant Mr. Rafael Gorenstein, in the amounts respectively of R$15,654 and R$12,808, which are subject to the Lupatech Group's Judicial Recovery Plan pending before the 1st Court of Bankruptcy, Judicial Restructuring and Disputes Relating to Arbitration of São Paulo.

16.3 Loans e debentures with Shareholdes

As disclosed in note 15, the Company has credit lines FINEM of BNDES, in direct mode, which balance on December 31, 2015 is R$37,578 (R$63,409 on December 31,2014). Additionally, a representative portion of convertible debentures, as presented which are being presented together with the loans subject to judicial recovery, with a balance of R$21,158 at December 31, 2015, they were acquired by the BNDES.

On December 31, 2015 the Company owned the balance of accounts payable to GP Investments Ltd. recorded in non-current liabilities in the amount of R$8,366 (R$28,011 on December 31, 2014) recorded in non-current liabilities, as mentioned in note 15.

On December 31, 2015 the Company has no outstanding loans with Itaú Unibanco Holding S/A (R$230 on December 31, 2014 in current liabilities).

17 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

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Provision for tax, labor and civil risks	1,489	1,781	21,514	16,003
Tax loss	35,833	11,379	49,733	25,120
Provision for losses on inventories	2,559	2,141	10,540	6,543
Negative base of social contribution (CSLL)	12,590	3,998	17,474	8,826
Amortization of goodwill for tax purposes	(55,778)	(51,255)	(86,939)	(77,231)
Impairment of goodwill	42,731	22,331	74,110	53,710
Impairment of fixed assets	-	-	30,874	7,181
Present value adjustment of suppliers, fines, loans and debentures	(105,632)	-	(134,228)	-
Other provisions	48,548	9,625	48,936	(40,152)
Provision for non-recoverability of deferred income tax and social contribution assets	(56,283)	-	(110,955)	-
Deferred tax on deemed cost	-	-	(42,006)	(33,780)
Deferred income tax and social contribution - Non-current	(73,943)	-	(120,947)	(33,780)

On December 31, 2015, the parent and consolidated possessed tax losses and temporary differences, which can be offset against future taxable income for which no deferred tax asset has been recognized due to the fact that there is at the moment, sufficient security for their recovery.

On 31 December 2015 the balance of deferred income tax and social contribution liabilities is R$73,943 in parent and R$120,947 in consolidated (R$33,780 on December 31, 2014 in the consolidated and zero in parent), and the balance of deferred income tax and social contribution assets is zero in parent and consolidated (R$489 on December 31, 2014 in consolidated and zero in parent).

b. Conciliation of income tax and social contribution

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Loss before tax from continuing operations	(1,542)	(465,536)	39,873	(457,587)
Loss before tax from discontinued operation	150	(165,472)	(21,963)	(170,113)
	(1,392)	(631,008)	17,910	(627,700)
Additions and exclusions				
Equity pick-up	49,009	167,156	(21,946)	17,119
Profits abroad	115,077	89,872	129,125	115,800
Allowance for doubtful accounts	(1,494)	(1,190)	(1,707)	(585)
Non-deductible interest	75,974	52,298	75,974	52,298
Provision for loss contingencies	3,329	4,046	61,401	16,384
Provision Award for non-conversion of debentures	-	(37,248)	-	(37,248)
Change in fair value of embedded derivative of debentures	-	8,623	-	8,623
Impairment	60,000	-	145,200	-
Present value adjustment	(310,683)	-	(394,788)	-
Tax amortization of goodwill on investment	(13,303)	(13,021)	(28,554)	(31,031)
Provision of interest on suppliers	(1,841)	2,752	(8,584)	9,495
Other	(1,249)	220,661	(176,873)	(32,359)
Calculation basis	(26,573)	(137,059)	(202,842)	(509,204)
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution by the combined tax rate	-	-	-	-
Current Income tax and social contribution of subsidiaries with taxable income	-	-	**(2,666)**	**(2,264)**
Deferred tax and social contribution	**(73,745)**	-	**(90,381)**	**(1,044)**

18 Contingencies Processes

18.1 Provision for tax, labor and civil risks

The Company, through its attorneys, has been discussing some tax, labor and civil issues in courts. 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)	59,202	-	64,768	-
CSLL - Social Contribution on Net Income	(i.2)	-	-	6,709	392
IRPJ - Corporate Income Tax	(i.3)	19,794	-	44,816	14,559
INSS - National Institute of Social Security	(i.4)	-	-	91,391	15,436
IPI - Excise Tax	(i.5)	2,898	-	2,898	-
PIS - Employees' Profit Participation Program	(i.6)	-	403	-	609
COFINS - Tax for Social Security Financing	(i.7)	-	-	3	672
ISS - Services Tax	(i.8)	107	-	621	5,291
CIDE - Contribution for Intervention in the Economic Domain	(i.9)	-	-	1,458	-
Other	(i.10)	157	103	258	12,260
		82,158	506	212,922	49,219
Labor (ii)		10,606	3,584	52,798	65,306
Civil (iii)		8,604	291	71,687	10,776
Total on December 31, 2015		101,368	4,381	337,407	125,301
Total on December 31, 2014		75,671	5,239	232,118	107,948

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$4,381 in parent and R$125,301 in consolidated as on December 31, 2015 and R$5,239 in parent and R$107,948 in consolidated on December 31, 2014) 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.

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$47,239 and is waiting for perish the Procurator of Finance since May 8, 2015.

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 farm to science. Process subject to possible loss of R$6,767.

Assessment Notice issued against the VAT Lupatech – Equipamentos e Serviços para Petróleo Ltda. – In Judicial Recovery, Aiming to charge a fine of R$5,027, for failing to submit the statutory deadline, the file on the magnetic records of transactions and tax benefits made at certain times. Currently, waiting trial for Voluntary Action.

Tax assessment relating to undue tax credits VAT and failure to submit tax documents, the Treasury of the State of São Paulo against Lupatech S/A- In Judicial Recovery. The spontaneous appeal filed the Company was dismissed. Considering the lack of jurisprudential divergence could not bring special appeal. the company assesses annulment action aiming at deconstitution the tax credit. Process subject to possible loss of R$2,758.

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$1,507, subject to possible loss. On April 22, 2015, it was published order determining the manifestation of the parties on the certificate issued informing have special appeal being processed before the 9th Chamber of TJLP. On October 23, 2015, it was inadmitido the Special Appeal and referred to the Resource processing.

(i.2) Administrative process of the Federal Revenue of Brazil against Lupatech Perfuração e Completação Ltda. – In Judicial Recovery, referring to federal taxes, classified as possible loss in the total of R$3,777, where they are awaiting continuation.

Assessment notice from 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. Possible loss of R$1,269.

(i.3) Tax assessment and enforcement and fines, by the Federal Revenue of Brazil against Lupatech S/A with the purpose of collecting debts in respect of income tax and social 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$9,532.

Tax enforcement of 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$8,435. 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.

Tax assessment of 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$1,221.

Tax assessment of the Internal Revenue Service of Brazil against Lupatech Perfuração e Completação Ltda. - In Judicial Recovery, for the collection of income tax arising from profit arbitration. On August 26, 2014, the voluntary appeal filed by the Company had dismissed denied by CARF, which the company requested reconsideration. On February 11, 2015 the case was referred to the CARF. Possible loss of R$18,515.

Tax Foreclosure charging income tax for 1998, against the Lupatech Perfuração e Completação Ltda. – In Judicial Recovery, R$4,877, subject to possible loss. On March 12, 2014, appeal sent to the judge's office called Roberto Carvalho Veloso, to vote, this being the last update.

(i.4) Administrative process for collection of contributions allegedly due to the INSS, against the Lupatech Perfuração e Completação Ltda. – In Judicial Recovery, in R$37,185, subject to possible loss. Payment of this debt was suspended on account of the decision in Writ of Mandamus n. 2004.33.00.016130-1, which was later reformed on August 2007. Because of this, the INSS probably return to collect this debt.

Infraction notices against the Lupatech Perfuração e Completação Ltda. – In Judicial Recovery, for the collection of contributions allegedly owed to the INSS. On February 05, 2010 the case was remitted to the Board of Tax Appeals-MF/DF. Process subject to possible loss of R$32,742.

Debts allegedly confessed in GFIP but not collected by the company's Lupatech Perfuração e Completação Ltda. – In Judicial Recovery. Possible loss of R$16,348.

Infraction notices for alleged charges due contributions to the INSS totaling R$3,2266 against the Lupatech Perfuração e Completação Ltda. – In Judicial Recovery. The collection of such debt is suspended. Possible loss.

Tax delinquency notice served for collection of DEBCAD nº. 37142030-0 on the conversion of accessory obligations in primary obligation, consistent lack of statement GFIP the contributions due in the period between January 1999 and June 2007 in Sotep Sociedade Técnica de Perfurações S/A – In Judicial Recovery. Proceedings on possible loss of R$1,555. On April 29, 2011, the process was received CARF for trial of the action voluntary appeal, with distribution on August 6, 2015.

(i.5) Tax Enforcement against Lupatech S/A - In Judicial Recovery resulting from the administrative process which is about the allegation of revenue omission, having as ground documents obtained in an illicit and incorrect way by the Federal Revenue Service. The act of violation originally recorded was decided on first administrative authority where it achieved success; the tax requirement 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$2,898. Currently, the process is awaiting Amendment of Judgment with infringing effects for modifying Decision, taking into consideration the material error existing in the embargoed Decision and as a consequence, restores the Decision that denied continuation to the Extraordinary Remedy filed by the Union for recognizing the unconstitutionality of the breach of bank secrecy.

(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. Process subject to possible loss of R$1,458.

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$12,735.

(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.

Administrative actions of the Federal Revenue of Brazil against Prest Perfuração Ltda - In Judicial Recovery. Processes subject to probable loss of R$3,240.

(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 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$1,401 and as possible loss of R$51,008. It is currently in the execution stage/final award, pending forensic accounting.

(iii.2) Collection action of Rioflux Representações Ltda, Subject to possible loss of R$2,360.

(iii.3) Collection action of Smith International Brazil Ltda. Process subjecting the possible loss of R$1,839.

(iii.4) Collection action of Grupo Engenharia Ltda., subject the possible loss of R$1.416.

(iii.5) Indemnity lawsuit filed by Maurina dos Santos Gussão, subject to possible loss of R$1,154.

(iii.6) Indemnity action of company Aeróleo Taxi Aereo S/A. Proceedings on possible loss of R$1,015.

(iii.7) Return action for damages where the plaintiff requested reimbursement of amounts blocked in the records of the grievance filed by Bergson Rosa against the San Antonio International do Brasil Serviços de Petróleo Ltda., the plaintiff, UNAP International Ltda., Delba Marítima Navegações Ltda, and Cia Batsco Ltda. Process with probable loss of R$3,782.

(iii.8) Compensation action of Meio Dia Refeições Industria Ltda, against Lupatech Perfuração e Completação Ltda. – In judicial Recovery. Proceedings on probable loss of R$3,563.

The changes in provision balance on December 31, 2015 are as follows:

	Parent				Consolidated			
	Tax	Labor	Civil	Total	Tax	Labor	Civil	Total
Balance on December 31, 2014	**506**	**2,094**	**2,639**	**5,239**	**36,285**	**61,563**	**10,100**	**107,948**
Net additions	-	4,847	466	5,313	16,497	35,548	4,024	56,069
Net write-offs	-	(3,357)	(2,814)	(6,171)	(3,563)	(31,805)	(3,348)	(38,716)
Balance on December 31, 2015	**506**	**3,584**	**291**	**4,381**	**49,219**	**65,306**	**10,776**	**125,301**

18.2 Contingent assets

	Probability of probable gain	
	Parent	**Consolidated**
Tax (i)	2,973	9,319
Civil (ii)	-	5,948
Balance on December 31, 2015	**2,973**	**15,267**
Balance on December 31, 2014	**3,966**	**15,879**

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) Process of VAT, in Lupatech OFS S.A.S. of R$5,639.

(i.2) Lawsuit filed against the Federal Government for recognition and declaration of the right of Lupatech S/A – In Judicial Recovery the use and ownership of IPI credits in the amount of R$1,774.

(i.3) Challenge to the Tax Enforcement Collection of IVA due to the transfer of goods between the company's own stores, in reliance on the Certificate of Debt No. 1092569630 (AIIM nº3158871). Probable gain of R$1,198.

(ii) **Civil provision**
Main processes contingent civil assets with probable gain:

(ii.1) Compensation action for moral damages against SEPE – Serviços Especializados e Perfurações Ltda. Amount of probable gain of R$4,459.

(ii.2) Action about reintegration of possession against ETX Drilling Serviços de Perfuração e Sondagem de Petróleo Ltda. Amount of probable gain of R$1,418.

18.3 Judicial deposits

The Company has the following balances of judicial deposits on December 31, 2015, which are inked to contingent liabilities:

	Judicial deposits	
	Parent	**Consolidated**
Tax contingencies	15	3,025
Labor contingencies	667	18,085
Civil contingencies	175	1,165
Balance on December 31, 2015	**857**	**22,275**
Balance on December 31, 2014	**1,817**	**25,295**

19 Tax payable – Non-current

	Parent		Consolidated	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
REFIS installment	4,602	4,476	8,124	4,759
Other taxes	-	50	876	1,684
	4,602	4,526	9,000	6,443

Refers to INSS, IRPJ, CSLL, COFINS, PIS, FGTS and other, declared in October 2009 in the program split the tax debts administered by the Internal Revenue Service in Brazil - RFB and the Brazilian Social Security Institute - INSS, according to Law nº. 11.941/09, as follows:

	Parent		Consolidated	
	12/31/2015	**12/31/2014**	**12/31/2015**	**12/31/2014**
INSS REFIS installment	2,516	2,191	2,708	2,274
IRPJ REFIS installment	3,672	3,825	3,672	3,825
CSLL REFIS installment	1,329	1,329	1,329	1,329
COFINS REFIS installment	643	643	643	643
Law nº 12.996/14 REFIS installment	209	-	3,583	-
Monetary variation	6,692	5,513	6,648	5,513
Other	-	235	876	2,069
	15,061	13,736	19,459	15,653
Judicial deposits linked to REFIS installment	(10,459)	(9,210)	(10,459)	(9,210)
	4,602	4,526	9,000	6,443

20 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	Capital stock
	Thousand	R$
Balance on December 31, 2013	**157,605**	**742,438**
Mandatory conversion of debentures	106,783	26,696
Capital increase	4,432,666	1,108,166
Cost capitalization process	-	(23,616)
Balance on December 31, 2014	**4,697,054**	**1,853,684**
*Correction of a capital increase of 09/30/2014	(137)	-
	4,696,917	**1,853,684**
Reverse split 500:1	9,394	-
Balance on December 31, 2015	**9,394**	**1,853,684**

At the Board of Directors held on March 31, 2015, was approved the rectification of the number of common shares issued as a result of the capital increase approved by the Board of Directors held on September 30, 2014, considering that, because of the individual calculation of capitalized loans and therefore necessary to rounding, the correct number of issued shares, excluding the shares issued as a result of mandatory conversion of debentures series B, was 4,432,528,832 common shares at instead of 4,432,666,217 common shares consisted in the minutes of that meeting. Thus, considering this rectification, 137,385 shares are disregarded and the amount of the Company's common shares after the capital increase and the mandatory conversion of debentures series B, increased to 4,696,917,000.

On May 15, 2015, the Extraordinary General Meeting approved the reverse split of all common shares issued by the Company pursuant to article 12 of Law nº 6.404/76, in the ratio of 500:1, so that each batch of 500 common shares is Grouped into one common share. Aside from changing the amount of the Company's common shares, the approval of the reverse stock split did not result in the modification of the total amount of capital or rights conferred by the Company's common shares to their holders.

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 December 31, 2015, the balance of equity evaluation adjustment is R$64,973 (R$8,119 negative on December 31, 2014).

d. Options granted

There was no balance of R$13,549 to change without notice options granted in 2015.

21 Financial instruments

21.1 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 December 31, 2015 and 2014, the Company and its subsidiaries had assets and liabilities denominated in US dollars, as shown in the table below:

	Amounts in US dollar thousands			
	Parent		Consolidated	
Items	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Cash and cash equivalents	-	-	3	44
Accounts receivable	1,108	3,142	3,421	11,139
Related parties	253,745	263,185	41,107	45,319
Loans and financing	(392)	(2,044)	(651)	(3,440)
Related parties	(330,793)	(297,070)	-	-
Other obligations	(775)	(2,491)	(4,970)	(8,816)
Net exposure in Dollar	(77,107)	(35,278)	38,910	44,246

On December 31, 2015 the US dollar rate in relation to the Brazilian Real was US$1.00 = R$3.9048 (on December 31, 2014 US$1.00 = R$2,6562). 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$19,872 in parent and R$2,765 in consolidated.

Analysis of the sensitivity of foreign currency, variation of interest rate and riscks involving derivative transactions
As presented in the note 21.1, 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 2016: 14.3%
US$: 4.70

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 2016: Increase of 17.8%
US$: 5.09

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 2016: Increase of 21.4%
US$: 6.11

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

		Scenario as per description above					
		Parent			Consolidated		
Operating	Risk	Probable	Possible	Remote	Probable	Possible	Remote
Loans, financing and bonds	US$ hike	-	-	-	5,181	37,090	68,999
Loans, financing and bonds	Interest rate hike	61	76	91	182	227	272
Mutual contracts	US$ hike	60,829	435,489	810,149	-	-	-
Total (gain) loss		60,890	435,565	810,240	5,363	37,317	69,271

(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 December 31, 2015, 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$24 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 in 2015 approximately 55.9% (62.8% in 2014) 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.

21.2 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:

	Parent		Consolidated	
Items	**Book value**	**Fair Value**	**Book value**	**Fair Value**
Cash and cash equivalents	3,125	3,125	31,012	31,012
Marketable securities	6,803	6,803	6,803	6,803

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:

	Parent		Consolidated	
Items	**Book value**	**Fair Value**	**Book value**	**Fair Value**
Loans and financing	90,810	88,607	200,348	193,762

21.3 Financial instruments by category

Summary of financial instruments by category:

	Parent					
	12/31/2015			12/31/2014		
	Loans and receivables	**Held to maturity**	**Total**	**Loans and receivables**	**Held to maturity**	**Total**
Assets, according to balance sheet						
Securities-restricted	-	6,803	6,803	-	7,271	7,271
Accounts receivable	17,883	-	17,883	43,968	-	43,968
Cash and cash equivalents	3,125	-	3,125	137	-	137
Related Parties	35,681	-	35,681	45,846	-	45,846
Total	56,689	6,803	63,492	89,951	7,271	97,222

	Parent				
	12/31/2015			12/31/2014	
	Judicial Recovery	**Not subject to Judicial Recovery**		**Not subject to Judicial Recovery**	
	Creditors list	**Financial liabilities at amortized cost**	**Total**	**Financial liabilities at amortized cost**	**Total**
Liabilities, according to balance sheet					
Loans and financing	81,581	9,229	90,810	67,786	67,786
Debentures	-	-	-	71,715	71,715
Suppliers	72,018	5,894	77,912	39,147	39,147
Related parties	-	311,182	311,182	134,949	134,949
Total	153,599	326,305	479,904	313,597	313,597

	Consolidated					
	12/31/2015			12/31/2014		
	Loans and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet						
Securities-restricted	-	6,803	6,803	-	7,271	7,271
Accounts receivable	62,330	-	62,330	115,483	-	115,483
Cash and cash equivalents	31,012	-	31,012	1,539	-	1,539
Total	93,342	6,803	100,145	117,022	7,271	124,293

	Consolidated				
	12/31/2015			12/31/2014	
	Judicial Recovery	Not subject to Judicial Recovery		Not subject to Judicial Recovery	
	Creditors list	Financial liabilities at amortized cost	Total	Financial liabilities at amortized cost	Total
Liabilities, according to balance sheet					
Loans and financing	161,026	39,322	200,348	201,626	201,626
Bonds	-	-	-	127,968	127,968
Debentures	-	-	-	71,715	71,715
Suppliers	72,018	29,084	101,102	98,389	98,389
Total	233,044	68,406	301,450	499,698	499,698

22 Insurance coverage (unaudited independent auditors)

Management chose not to make insurance assets for the year ended in 2015.

In 2014 maintained insurance coverage for fixed assets and inventories subject to risks, in the "Business Understanding" mode, insurance coverage of general liability as well as the Company's management. In the oil segment owned coverage of national transportation and risks in oil equipment, as follows:

	Amout Secured	
Insurance purpose	**12/31/2015**	**12/31/2014**
- Corporative understanding insurance	-	R$ 45,525
- General civil responsability insurance	-	R$ 10,000
- Management D&O responsability insurance	-	R$ 63,000
- Oil risk insurance	-	US$ 11,757

23 Profit sharing program

In compliance with the profit sharing program duly ratified by the workers' union, the amounts related to employee and management profit sharing for 2015, recognized in the income of the parent is zero and R$596 in consolidated (zero in parent and R$621 in consolidated in 2014). The profit sharing program for employees and managers is based on individual and corporate operating and financial targets previously established, which are determined at the end of the year to ascertain how far they have been met and the consequent distribution of the amounts due.

On December 31, 2015, the balance of participations of employees and administrators in the results, recorded in current liabilities is zero in parent and R$767 in consolidated (zero and R$655, parent and consolidated, respectively, on December 31, 2014).

24 Statement of net Sales

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Gross sales and/or services				
In Brazil	18,725	80,884	268,013	375,699
Export	9,993	28,760	30,791	50,467
	28,718	109,644	298,804	426,166
Deductions for gross sales				
Taxes on sales	(3,040)	(14,520)	(30,510)	(41,879)
Net sales and/or services	25,678	95,124	268,294	384,287

25 Gain (Loss) per Share

- **Basic**

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

	Parent		Consolidated	
Items	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Loss attributable to shareholders of the company from continuing operations	(75,287)	(465,536)	(53,174)	(460,895)
Weighted average quantity of common shares outstanding (thousands)	1,730,326	1,326,668	1,730,326	1,326,668
Basic loss per share - R$	**(0.04)**	**(0.35)**	**(0.03)**	**(0.35)**

	Parent		Consolidated	
Items	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Loss attributable to shareholders of the company from continuing and discontinued operations	(75,137)	(631,008)	(75,137)	(631,008)
Weighted average quantity of common shares outstanding (thousands)	1,730,326	1,326,668	1,730,326	1,326,668
Basic loss per share from continuing and discontinued operations - R$	**(0.04)**	**(0.48)**	**(0.04)**	**(0.48)**

- **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 subscription 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.

	Parent		Consolidated	
Items	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Loss attributable to shareholders of the company from continuing operations	(75,287)	(465,536)	(53,174)	(460,895)
Weighted average quantity of common shares outstanding (thousands)	1,730,326	1,326,668	1,730,326	1,326,668
Basic loss per share - R$	**(0.04)**	**(0.35)**	**(0.03)**	**(0.35)**

	Parent		Consolidated	
Items	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Loss attributable to shareholders of the company from continuing and discontinued operations	(75,137)	(631,008)	(75,137)	(631,008)
Weighted average quantity of common shares outstanding (thousands)	1,730,326	1,326,668	1,730,326	1,326,668
Basic loss per share from continuing and discontinued operations - R$	**(0.04)**	**(0.48)**	**(0.04)**	**(0.48)**

26 Financial result

Items	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Financial Income				
Income from financial investments	782	749	960	771
Related-party interest income (mutual contract)	408	426	-	-
Present value adjustment	310,683	412	394,788	412
Embedded derivative instrument - Debentures	-	9,442	-	9,442
Reversal of premium on non-conversion of debentures	-	41,540	-	41,540
Gain by part of non-converting of perpetual bonds in capital	-	-	-	36,244
Monetary variance	28	115	1,158	1,353
Interest on receivables	895	1,592	1,486	2,486
Other financial income	43	175	794	1,339
Total financial Income	312,839	54,451	399,186	93,587
Financial Expenses				
Interest on loans and financing	(6,598)	(26,236)	(18,994)	(50,099)
Interest on perpetual bond	-	-	(1,653)	(39,118)
Interest and charges on debentures	(1,960)	(81,712)	(1,960)	(81,712)
Loss on fair value	-	(136,183)	-	(139,587)
Embedded derivative - debentures	-	(8,623)	-	(8,623)
Interest of mutual contract	(83,372)	(56,938)	-	-
(Provision) reversal of interest on suppliers	1,841	(2,752)	8,584	(9,495)
IOF, banking expenses and others	(2,898)	(12,878)	(10,500)	(16,377)
Total financial expenses	(92,987)	(325,322)	(24,523)	(345,011)
Gain on exchange variance	568,389	195,692	645,094	197,321
Loss on exchange variance	(627,513)	(174,075)	(700,078)	(178,702)
Exchange variance, net	(59,124)	21,617	(54,984)	18,619

On December 31, 2015 were recorded the adjustment to present value of the Company's liabilities to suppliers, loans, fines, debentures and bonds in the amount of R$310,683 in the parent company and R$394,788 in consolidated, due to the judicial homologation of Plan.

27 Other operating expenses (income)

Items	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Provision for loss of lawsuit	(325)	(1,952)	(40,726)	(13,208)
Provision for Loss by goodwill impairment	(60,000)	-	(145,200)	-
(Provision) Reversal of losses on inventory obsolescence	(2,647)	2,037	(13,282)	69
Gain (Loss) on disposal of fixed assets	10	(270)	1,319	(28,595)
Contratual fines	-	-	-	(95,649)
Cost of idle production	(19,577)	(12,659)	(26,089)	(13,243)
Expenses on corporate restructuring	(375)	(196)	(375)	(196)
Other	(34)	(4,662)	(4,312)	(5,983)
Total	(82,948)	(17,702)	(228,665)	(156,805)

28 Expenses by type

	Parent		Consolidated	
Items	**12/31/2015**	**12/31/2014**	**12/31/2015**	**12/31/2014**
Depreciation and amortization	(8,981)	(9,514)	(51,040)	(50,061)
Salaries, social charges and benefits	(20,065)	(51,364)	(191,965)	(209,728)
Raw material	(15,427)	(52,311)	(32,848)	(135,817)
Commissions	(969)	(4,106)	(1,088)	(4,275)
Freights	704	(1,120)	508	(1,392)
Legal advice and tax	(6,998)	(4,675)	(11,728)	(7,726)
Traveling expenses	(450)	(1,207)	(716)	(1,707)
Provision for loss of lawsuit	(3,329)	(4,046)	(61,401)	(16,384)
Impairment of assets	(60,000)	-	(145,200)	-
Residual value on disposal of fixed assets	(10)	(4,311)	(2,903)	(58,675)
Provision (Reversal) of contractual fines	(810)	-	1,742	(105,438)
Losses on inventory obsolescence	(3,863)	(740)	(14,668)	(4,150)
Cost of idle production	(19,577)	(12,659)	(26,089)	(13,243)
Inventory adjustment	(1,750)	-	(4,079)	(3,177)
Customs expenses	(324)	-	(29,588)	-
Other expenses	(2,081)	(8,817)	(27,648)	(17,797)
	(143,930)	(154,870)	(598,711)	(629,570)
Classified as:				
Cost of sales	(26,250)	(89,913)	(278,529)	(347,648)
Selling expenses	(7,048)	(13,222)	(8,811)	(24,482)
General and administrative expenses	(16,346)	(17,332)	(47,694)	(56,934)
Management fees	(6,347)	(6,081)	(6,347)	(6,081)
Other operating expenses	(87,939)	(28,322)	(257,330)	(194,425)
	(143,930)	(154,870)	(598,711)	(629,570)

29 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 year 2015 by approximately 55.9% (62.8% for the year 2014) of the total revenue of the Company and its subsidiaries.

The information by segment is as follows:

	Products		Services		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Net sales	**29,919**	**106,359**	**238,375**	**277,928**	**268,294**	**384,287**
Cost of sales	(30,366)	(98,287)	(248,163)	(249,361)	**(278,529)**	**(347,648)**
Gross profit	**(447)**	**8,072**	**(9,788)**	**28,567**	**(10,235)**	**36,639**
Selling expenses	(7,952)	(14,619)	(859)	(9,863)	**(8,811)**	**(24,482)**
General and administrative expenses	(12,444)	(17,540)	(35,250)	(39,394)	**(47,694)**	**(56,934)**
Management fees	(631)	(1,610)	(5,716)	(4,471)	**(6,347)**	**(6,081)**
Equity pick-up	21,946	(17,119)	-	-	**21,946**	**(17,119)**
Other operating income (expenses), net	(90,091)	(15,083)	(138,574)	(141,722)	**(228,665)**	**(156,805)**
Income before financial results	**(89,619)**	**(57,899)**	**(190,187)**	**(166,883)**	**(279,806)**	**(224,782)**

	Products		Services		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Identifiable assets (1)	**226,815**	**327,150**	**428,419**	**548,721**	**655,234**	**875,871**
Identifiable liabilities (2)	**22,705**	**53,163**	**278,745**	**246,852**	**301,450**	**300,015**

	Products		Services		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Depreciation and amortization	**(8,072)**	**(9,283)**	**(42,968)**	**(40,778)**	**(51,040)**	**(50,061)**
Acquisition of Property, plants and equipment	**243**	**170**	**4,081**	**13,938**	**4,324**	**14,108**

1 - Identificable assets: accounts payable; inventories; property, plants and equipments, and goodwill; recoverable income taxes; marketable securities
2 - Identificable liabilities: accounts payable and loans and financing

Information by geographic region is as follows:

	Brazil		South America		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Net sales	**181,207**	**285,903**	**87,087**	**98,384**	**268,294**	**384,287**
Cost of sales	(209,828)	(270,155)	(68,701)	(77,493)	**(278,529)**	**(347,648)**
Gross profit	**(28,621)**	**15,748**	**18,386**	**20,891**	**(10,235)**	**36,639**
Selling expenses	(7,960)	(23,601)	(851)	(881)	**(8,811)**	**(24,482)**
General and administrative expenses	(42,632)	(52,572)	(5,062)	(4,362)	**(47,694)**	**(56,934)**
Management fees	(6,347)	(6,081)	-	-	**(6,347)**	**(6,081)**
Equity pick-up	21,946	(60)	-	(17,059)	**21,946**	**(17,119)**
Other operating income (expenses), net	(229,054)	(157,243)	389	438	**(228,665)**	**(156,805)**
Income before financial results	**(292,668)**	**(223,809)**	**12,862**	**(973)**	**(279,806)**	**(224,782)**

	Brazil		South America		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Identifiable assets (1)	**548,438**	**803,015**	**106,796**	**72,856**	**655,234**	**875,871**
Identifiable liabilities (2)	**273,357**	**261,047**	**28,093**	**38,968**	**301,450**	**300,015**

	Brazil		South America		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014	12/31/2015	12/31/2014
Depreciation and amortization	**(41,024)**	**(40,306)**	**(10,016)**	**(9,755)**	**(51,040)**	**(50,061)**
Acquisition of Property, plants and equipment	**1,681**	**14,062**	**2,643**	**46**	**4,324**	**14,108**

1 - Identificable assets: accounts payable; inventories; property, plants and equipments, and goodwill; recoverable income taxes; marketable securities
2 - Identificable liabilities: accounts payable and loans and financing

30 Assets and liabilities held for sale

On the date of December 31, 2014, the Company recorded its indirect subsidiary Jefferson Sudamericana S/A, and units Jefferson Solenoid Valves U.S.A., Inc., Valjeff S/A C.V. and Jefferson Solenoidbras Ltda as operations available for sale.

Continuing the process of divestments of non-core assets, with the cash booster goal, on January 29, 2015 were sold the subsidiary Jefferson Sudamericana S/A, and units Jefferson Solenoid Valves USA, Inc., Valjeff S/A CV and Jefferson Solenoidbras Ltda., for Argentine businessmen Ricardo and Felipe Menendez, through its Jikur S/A and Jatdery S/A operations, located in Uruguay. The final purchase price was US$5,7 million, of which US$4,3 million was paid at closing and US$1,3 million will be paid within 3 years from the date of completion of the sale, not materializing any contingencies identified by the buyer, as well as checking if the recovery of retained export credits.

At the base date of December 31, 2015, as the material fact disclosed to its shareholders and the market in general, the Company considers its stake in Spanish company Vicinay Marine, SL, as operation available for sale, being that this operation was approved by the judge of the 1st court of Bankruptcies, Judicial Recoveries and related conflicts to the capital of Arbitration in March 7, 2016, with the proceeds of sale be allocated fully to implement the Judicial Recovery Plan.

In the context of actions for restructuring of operations, management has conducted actions and negotiations that may result in the disposal of certain assets. The sale of these assets will only be considered highly probable as there is a prior agreement between the parties and, especially, there is legal authorization for the deal, since such authorization is an essential requirement in the bankruptcy process.

30.1 Assets and liabilities held for sale

The amount of R$15,284, filed on December 31, 2015 as assets matidos for sale, both in the parent company and consolidated, refers to the equity interest in Vicinay Marine, S.L.

On December 31, 2014, assets and liabilities held for sale of the unit Jefferson Sudamericana S/A and its units and Recu S/A, are presented below:

	Parent
ASSETS CLASSIFIED AS HELD FOR SALE	**12/31/2014**
NON-CURRENT ASSETS	
Investments	1,393
	1,393

	Consolidated		
ASSETS CLASSIFIED AS HELD FOR SALE	12/31/2014	LIABILITIES CLASSIFIED AS HELD FOR SALE	12/31/2014
CURRENT ASSETS		CURRENT LIABILITIES	
Cash and cash equivalents	2,042	Suppliers	2,778
Clients	4,827	Loans and financing	437
Inventories	10,048	Provisions payroll and payroll payable	955
Recoverable taxes	65	Commissions payable	1
Other accounts receivable	3,074	Taxes payable	832
Prepaid expenses	15	Advances from customers	31
		Employee's profit sharing	458
		Other accounts payable	341
Total current assets	20,071	Total current liabilities	5,833
NON-CURRENT ASSETS		NON-CURRENT LIABILITIES	
Judicial deposits	18	Taxes payable	21
Other accounts receivable	123	Deferred income tax and social contribution	156
Fixed assets	1,887	Other accounts payable	75
Intangibles			
Other intangíbles	323		
Total Non-current assets	2,351	Total non-current liabilities	252
TOTAL ASSETS CLASSIFIED AS HELD FOR SALE	22,422	TOTAL LIABILITIES CLASSIFIED AS HELD FOR SALE	6,085

30.2 Income from discontinued operations

In 2015 the Company recorded as a result of operations resulting discontinuance of disinvestment plan, the result of the indirect Jefferson Sudamericana S/A, and its Jefferson Solenoid Valves units U.S.A. Inc., Valjeff S/A CV and Jefferson Solenoidbras Ltda.

In 2014 the Company presents as a result of discontinued operations, the result of the following units: Tubular Services - Rio das Ostras, Jefferson Sudamericana S/A, and units, Válvulas Worcester Argentina S/A, Esferomatic S/A, Norpatagonica S/A, and Industria Y Teconologia em Aceros S/A, as follows:

	Parent		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
NET REVENUE FROM SALES	-	-	2,642	117,559
COST OF GOODS SOLD	-	-	(1,724)	(68,132)
GROSS PROFIT	-	-	918	49,427
OPERATING INCOME/EXPENSES				
Selling	-	-	(449)	(12,694)
General and administrative	-	-	(505)	(6,965)
Other operating expenses (income), net	150	(165,472)	(21,788)	(188,970)
OPERATING INCOME/EXPENSES BEFORE FINANCIAL RESULTS	150	(165,472)	(21,824)	(159,202)
FINANCIAL RESULTS				
Financial income	-	-	-	452
Financial expenses	-	-	(128)	(4,006)
Exchange variation, net	-	-	14	2,985
GAIN (LOSS) BEFORE TAX / HOLDING	150	(165,472)	(21,938)	(159,771)
PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION				
Current	-	-	(25)	(10,022)
Deferred	-	-	-	(320)
GAIN (LOSS) OF DISCONTINUED OPERATIONS	150	(165,472)	(21,963)	(170,113)

30.3 Cash flow of discontinued operations

On December 31, 2015 the Company presented as cash flows from assets held for sale, the flow of the indirect Jefferson Sudamericana S/A, and units.

On December 31, 2014 the Company presented as cash flows from assets held for sale, the flow of the following units: Tubular Services - Rio das Ostras, Jefferson Sudamericana S/A, and units, Válvulas Worcester de Argentina S/A, Esferomatic S/A, Norpatagonica S/A and Industria Y Teconologia em Aceros S/A, as follows:

	Consolidated	
	12/31/2015	12/31/2014
Cash flow from operating activities	(807)	1,283
Cash flow from investing activities	(4)	(174)
Cash flow from financing activities	521	81
Increase in cash and cash equivalents	290	(1,190)

31 Subsequent event

Sale of the corporate interest

On March 7, 2016 was granted the sale of the interest held by the Company in Spanish society Vicinay Marine, S.L., of 55,135 shares, for the amount R$28,000, with the proceeds of sale be allocated fully to implement the Judicial Recovery Plan.

The operation is the repurchase of such equity interest by the Vicinay and was approved by the judge of the 1st Court of Bankruptcies, Judicial Recoveries and related conflicts to the capital of Arbitration.

Judicial Recovery Plan of Lupatech Group

- In relevant fact published on February 10, 2016 it was reported the unfeasibility commission structure before impediments raised by the legal advisors of the Company and the implementation of the commission structure (Option D) provided for in the Judicial Recovery Plan of Lupatech Group, where unsecured and/or secured creditors that have chosen this option, or fail to act, receive their credits according to the Option A on the terms proposed in the Judicial Recovery Plan.

  Due to this modification, and also request certain creditors, the Company by mere deliberidade, decided to extend the deadline given to unsecured creditors and secured creditors subject to judicial recovery of Lupatech Group to exercise the discretion as to receive their credits.

  The new deadline for receipt of the exercise of option or modification by unsecured creditors and secured creditors ended on March 10, 2016.

- On March 10, 2016 was confirmed through the material fact disclosed to its shareholders and the market in general the acquisition individually claims against the Company and certain of its subsidiaries, its Chief Executive Officer and Investor Relations Officer Mr. Ricardo Doebeli, and its administrative and financial consultant, Mr. Rafael Gorenstein in the respective amounts of R$15,654 and R$12,808, which are subject to the Judicial Recovery Plan of Lupatech Group, pending before the 1st Court of Bankruptcies, Judicial recoveries and Conflict-Related Arbitration of the District of São Paulo.

  Mr. Ricardo Doebeli and Mr. Rafael Gorenstein also informed the company the choice of receiving the credits acquired through the conversion into capital of the Company, according the proposed of Judicial Recovery Plan.

Independet auditor's report on the financial statements

To the Board of Directors and Supervisory Board of
Lupatech S/A – In Judicial Recovery
Nova Odessa – SP

Introduction
We examined the individual and consolidated financial statements of Lupatech S/A ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2015 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board - IASB, and in accordance with accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit conducted in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements by auditors and that the audit is planned and performed in order to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement in the financial statements, whether due to fraud or error. In this risk assessment, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal controls Company. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements taken as a whole.

We believe that the audit evidence obtained is sufficient and appropriate for expressing our opinion.

Opinion on the Individual Financial Statements
In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Lupatech S/A – In Judicial Recovery as at December 31, 2015, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Lupatech S/A – In Judicial Recovery as at December 31, 2015, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB and accounting practices adopted in Brazil.

Emphasis

Judicial Recovery

As mentioned in note 1.1 to the financial statements, on May 25, 2015, Lupatech S/A and its direct and indirect subsidiaries, related in the same note, filed in the District of São Paulo, the request for bankruptcy protection before the Judgment the 1st Court of Bankruptcies and Judicial Recoveries of the District of São Paulo, with the request granted on June 22, 2015. The Company and its subsidiaries presented on August 24, 2015, the breakdown of the details of the Judicial Recovery Plan, the report of assessment of the Company's assets and the list of creditors to be paid under the terms and conditions set forth in the plan. 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, without any provisos. Our opinion does not contain caveat related to this issue.

Going Concern

During the year ended December 31, 2015, the Company and its subsidiaries incurred loss of R$75,137 thousand (R$631,008 in 2014) and have not generated cash in an amount sufficient for the settlement of its obligations. These conditions, along with the fact that the Company and its subsidiaries have entered in the bankruptcy process, indicate the existence of significant uncertainty that may cast significant doubt about the ability of the Company's business continuity and its subsidiaries. The reversal of this situation recurring losses and difficulty in its cash flow depends on the success of the re-adaptation plans of financial and equity structure of the Company and its subsidiaries, as well as the fulfillment of the judicial recovery plan, described in Note 1.1 and 1.2 to financial statements. Our opinion does not contain caveat related to this issue.

Other Matter

Statement of value added

We have also audited the individual and consolidated statements of value added ("DVA"), for the year ended December 31, 2015, prepared under the responsibility of the Company's management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies, and as supplemental information for IFRS that does not require a presentation of DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Porto Alegre, March 28, 2016.

KPMG Auditores Independentes
CRC SP-014428/F-7

Cristiano Jardim Seguecio
Accountant CRC SP-244525/O-9 T-RS

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 fiscal year 2015.

Nova Odessa, March 28, 2016.

Ricardo Doebeli - Chief Executive Officer
Carlos Mario Calad Serrano - Chief Service Officer
Edson Antônio Foltran - Chief Supply Chain Officer

Management's declaration of the independent auditor's report

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 fiscal year 2015.

Nova Odessa, March 28, 2016.

Ricardo Doebeli - Chief Executive Officer
Carlos Mario Calad Serrano - Chief Service Officer
Edson Antônio Foltran - Chief Supply Chain Officer

Capital budget proposed by management

The Company has presenting below, the capital budget for the year 2016, in compliance with Instruction 480/09, published by the CVM on the date of December 7, 2009.

The Directors has reviewed all projects in which Lupatech is involved, seeking to ensure attractive rates of return and create value for its shareholders.

Therefore, they were not included investments in capex for the year 2016 were only considered operating expenses with maintenance of some equipment.

If the Company to add new projects to its backlog during the 2016 exercise that require additional investments, inform its shareholders and the market in general.

Board of Directors

Celso Fernando Lucchesi
Caio Marcelo de Medeiros Melo
Cesar Guilherme Gonzalez Neuman
Ricardo Doebeli
Simone Anhaia Melo

Directors

Ricardo Doebeli - Chief Executive Officer
Carlos Mario Calad Serrano - Chief Service Officer
Edson Antônio Foltran - Chief Supply Chain Officer