

INTERIM FINANCIAL STATEMENTS Q3 2016

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

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 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.

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

The Lupatech Group opposed the requests for clarification to pre-questioning purposes to Judgements, aimed at preparing future special appeal to the Superior Court of Justice.

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

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

On November 8, 2016, at the Lupatech Group's General Meeting of Creditors, the New Judicial Recovery Plan was approved.

In order for a New Plan to take effect with regard to the novation of the Lupatech Group's debt, it is necessary for it to be ratified by the 1st Bankruptcy Court, Judicial Recoveries and Arbitration-Related Disputes of the Capital of São Paulo.

The Company still defend the maintenance of the plan approved in a court of first instance on December 11, 2015 and annulled by decision of the 2nd Reserved Chamber of Business Law of the Court of Justice of the State of São Paulo originally presented.

Financial and Economic Performance

Net Revenue

Net Revenue (R\$ thd)	3Q15	3Q16	Chg. %	2Q16	3Q16	Chg. %	9M15	9M16	Chg. %
Products	1,646	7,805	374.2%	6,562	7,805	18.9%	25,030	20,115	-19.6%
Oil&Gas Valves	1,248	2,108	68.9%	587	2,108	259.1%	7,504	3,500	-53.4%
Industrial Valves	4,937	5,697	15.4%	5,975	5,697	-4.7%	10,995	16,615	51.1%
Anchoring Ropes	-	4,539	n/a	-	-	n/a	6,531	-	-100.0%
Services	65,093	23,589	-63.8%	22,770	23,589	3.6%	190,856	87,299	-54.3%
Oilfield Services Brazil	33,072	16,242	-50.9%	17,031	16,242	-4.6%	105,232	58,051	-44.8%
Oilfield Services Colombia	24,788	7,001	-71.8%	5,739	7,001	22.0%	66,433	23,732	-64.3%
Tubular Services & Coating	7,233	346	-95.2%	-	346	-100.0%	19,191	5,516	-71.3%
Total	66,739	31,394	-53.0%	29,332	31,394	7.0%	215,886	107,414	-50.2%

The Consolidated Net Revenue in the 3Q16 reached R\$ 31.4 million, versus R\$ 66.7 million in the 3Q15 and R\$ 29.3 million in the 2Q16, reduction of 53.0% and increase of 7.0%, respectively. In the accumulated result for the year, the Consolidated Net Revenue reached in the 9M16 R\$ 107.4 million versus R\$ 215.9 million in 9M15, decrease of 50.2%.

The Products Segment presented increase of 374.2% on Consolidated Net Revenue in comparative of 3Q16 versus 3Q15 and a reduction of 19.6% in comparative of 9M16 versus 9M15, from R\$ 1.6 million in 3Q15 to R\$ 7.8 million in 3Q16 and R\$ 25.0 million in 9M15 to R\$ 20.1 million in 9M16. This decrease was mainly due to the crisis in the Oil&Gas segment and a consequent reduction in demand, especially in the Oil&Gas and Anchors Valves divisions, and the recovery of the order book is slow.

Compared to the 3Q16 and 2Q16, the Product Segment increased by 18.9% on Consolidated Net Revenue, from R\$ 6.6 million in the 2Q16 to R\$ 7.8 million in the 3Q16, due to the performance of the Oil&Gas Valves Division, which presented increase of 259.1%. In the accumulated period, the Consolidated Net Revenue of the Industrial Valves division increased 51.1% in comparative of the 9M15.

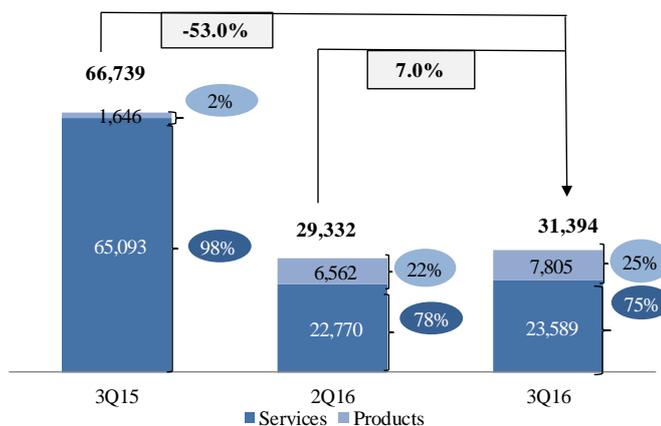
The Services Segment registered a reduction of 63.8% in Consolidated Net Revenue and 54.3% in the comparison of the 3Q16 versus 3Q15 and in the 9M16 versus 9M15, respectively; and an increase of 3.6% in the 3Q16 compared to the 2Q16, from R\$ 22.8 million in the 2Q16 to R\$ 23.6 million in the 3Q16.

The decline on Consolidated Net Revenue from activities in Colombia was 71.8% in 3Q16 compared to 3Q15, 64.3% in the 9M16 compared to the 9M15, affected by the decrease in petroleum prices, which Demand for services by customers was one of the relevant reduction factors in the Consolidated Net Revenue of the Services Segment in these comparative periods. Compared to 3Q16 and 2Q16, the activities in Colombia increased significantly by 22.0% due to a recovery in contract demand.

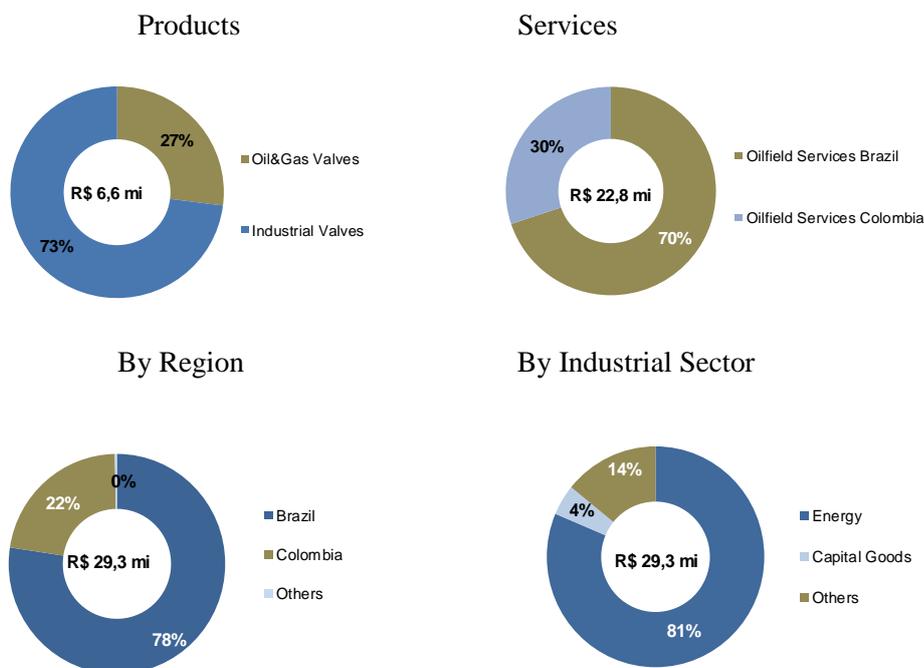
The operations of Oilfield Services Brazil presented a reduction on Consolidates Net Revenue of 50.9% and 4.6% in comparative 3Q16 versus 3Q15 and 3Q16 versus 2Q16, respectively, and a reduction of 44.8% in the period Compared to 9M15, due to the reduction in demand for Petrobras services and the concluded of existing contracts.

The operations of the Tubular Services & Coating division increased Net Revenue by R\$ 346 thousand in the 3Q16 compared to 2Q16. This increase refers to the balance billing of contracts closed with Petrobras. However, this division presented a reduction in the comparison of 3Q16 with 3Q15 and 9M16 accumulated 9M15 versus of 95.2% and 71.3%, respectively, due to the concluded of existing contracts, from R\$ 7.2 million in the 3Q15 to R\$ 346 thousand in the 3Q16 and R\$ 19.2 million in the cumulative period from 9M15 to R\$ 5.5 million in 9M16.

Net Operating Revenue (R\$ thd)



Revenue Distribution – 3Q16



On September 30, 2016, the Company's Backlog of firm orders amounted R\$ 0.3 billion. The conversion of this Backlog is concentrated in the next ten months and this amount represents the balance provided in signed contracts, even without warranty of consumption, discounting the amounts already billed.

Costs on Goods Sold – COGS

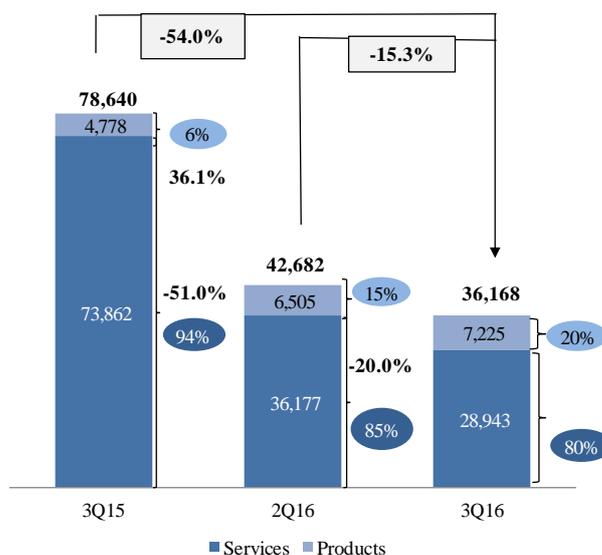
COGS (R\$ thd)	3Q15	3Q16	Chg. %	2Q16	3Q16	Chg. %	9M15	9M16	Chg. %
Products	4,778	7,225	51.2%	6,505	7,225	11.1%	23,187	20,070	-13.4%
Services	73,862	28,943	-60.8%	36,177	28,943	-20.0%	193,493	114,034	-41.1%
Total	78,640	36,168	-54.0%	42,682	36,168	-15.3%	216,680	134,104	-38.1%

The Consolidated Cost on Goods Sold (COGS) presented a reduction in the three comparative periods: 54.0% in the 3Q16 compared to the 3Q15 (R\$ 36.2 million in the 3Q16 versus R\$ 78.6 million in the 3Q15), 15.3% in the 3Q16 compared to the 2Q16 (R\$ 36.2 million in the 3Q16 versus R\$ 42.7 million in the 2Q16) and 38.1% in the first nine months of 2016 compared to the same period in 2015 (R\$ 134.1 million in the 9M16 versus R\$ 216.7 million in the 9M15).

Both in Products Segment and Services Segment, the reduction of COGS occurred primarily due to the decrease of operating costs as result of Company's restructuring process to fit the revenue level, being the personnel costs the highest of these reductions (R\$ 17.1 million of personnel costs reduction in the comparative period of 3Q16 with the 3Q15, R\$ 36.4 million comparing 3Q16 with 2Q16 and R\$ 46.9 million of reduction in the 9M16 compared to the 9M15).

The COGS of Products Segment increased 11.1% in the 3Q16 compared to the 2Q16, from R\$ 6.5 million in the 2Q16 to R\$ 7.2 million in the 3Q16, due to the growth of Net Revenue in Oil&Gas Valves division in this comparative period.

COGS (R\$ thd)



Gross Profit and Gross Margin

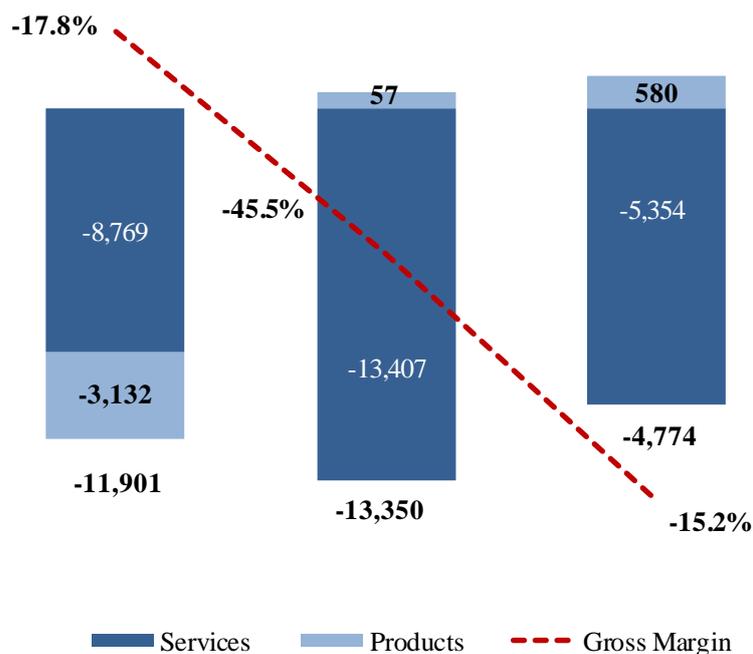
Gross Profit (R\$ thd)	3Q15	3Q16	Chg. %	2Q16	3Q16	Chg. %	9M15	9M16	Chg. %
Products	-3,132	580	-118.5%	57	580	n/a	1,843	45	n/a
Gross Margin - Products	-190.3%	7.4%	-197,7 p.p.	0.9%	7.4%	6,5 p.p.	7.4%	0.2%	-7,2 p.p.
Services	-8,769	-5,354	n/a	-13,407	-5,354	-60.1%	-2,637	-26,735	n/a
Gross Margin - Services	-13.5%	-22.7%	-9,2 p.p.	-58.9%	-22.7%	-36,2 p.p.	-1.4%	-30.6%	-29,2 p.p.
Total	-11,901	-4,774	n/a	-13,350	-4,774	-64.2%	-794	-26,690	n/a
Gross Margin - Total	-17.8%	-15.2%	-2,6 p.p.	-45.5%	-15.2%	-30,3 p.p.	-0.4%	-24.8%	-24,4 p.p.

Due to reduction of Consolidated Net Revenue of R\$ 35.3 million (53.0%), dismissal costs that totaled R\$ 3.2 million (R\$ 2.5 million refer to Services Segment and R\$ 0.7 million to Products Segments) and impact of fixed costs, the Total Gross Profit was negative in R\$ 4.8 million in the 3Q16 compared to the negative amount of R\$ 11.9 million in the 3Q15.

Compared to the 2Q16, despite of growth in the Gross Profit of Products Segment and the increase of 6.5 percentage points in the Gross Margin due to performance of Oil&Gas Valves division in the 3Q16, the Total Gross Profit was from a negative amount of R\$ 13.4 million and negative Total Gross Margin of 45.5% in the 2Q16 to a negative Gross Profit of R\$ 4.8 million and negative Gross Margin of 15.2% in the 3Q16 due to the performance of Services Segment, that had a negative Gross Profit of R\$ 5.3 million, and a negative Gross Margin of 22.7%.

In the nine months of 2016, the Total Gross Profit was negative of R\$ 26.7 million and the Gross Margin was negative of 24.8%, due to a reduction of R\$ 108.5 million in Net Revenue and of dismissal costs in the amount R\$ 11.5 million.

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



Expenses

Expenses (R\$ thd)	3Q15	3Q16	Chg. %	2Q16	3Q16	Chg. %	9M15	9M16	Chg. %
Total Sales Expenses	2,839	2,147	-24.4%	2,121	2,147	1.2%	10,458	6,144	-41.3%
Sales Expenses - Products	2,031	1,416	-30.3%	818	1,416	73.1%	6,386	3,327	-47.9%
Sales Expenses - Services	808	731	-9.5%	1,303	731	-43.9%	4,072	2,817	-30.8%
Total Administrative Expenses	13,861	8,849	-36.2%	9,806	8,849	-9.8%	38,275	30,016	-21.6%
Administrative Expenses - Products	2,480	3,246	30.9%	3,321	3,246	-2.3%	9,935	9,687	-2.5%
Administrative Expenses - Services	11,381	5,603	-50.8%	6,485	5,603	-13.6%	28,340	20,329	-28.3%
Management Compensation	1,096	1,000	-8.8%	1,055	1,000	-5.2%	5,237	3,110	-40.6%
Total Sales, Administratives and Management Compensation	17,796	11,996	-32.6%	12,982	11,996	-7.6%	53,970	39,270	-27.2%

The Consolidated Sales and Administrative Expenses and the Management Salary presented a decrease in the three comparative periods: 32.6% in the 3Q16 compared to the 3Q15 (R\$ 12.0 million in the 3Q16 versus R\$ 17.8 million in the 3Q15), 7.6% in the 3Q16 compared to the 2Q16 (R\$ 12.0 million in the 3Q16 versus R\$ 13.0 million in the 2Q16) and 27.2% comparing 9M16 that reached R\$ 39.3 million versus R\$ 54.0 million in the 9M15.

The Sales Expenses decreased 24.4% in the 3Q16 compared to the 3Q15 (from R\$ 2.8 million in the 3Q15 to R\$ 2.1 million in the 3Q16), primarily due to the reduction of Net Revenue. In the nine months of the 2016, the Sales Expenses reduced 41.3% (from R\$ 10.5 million in the 9M15 to R\$ 6.1 million in the 9M16), having as main reason the reduction of the Net Revenue of R\$ 108.5 million.

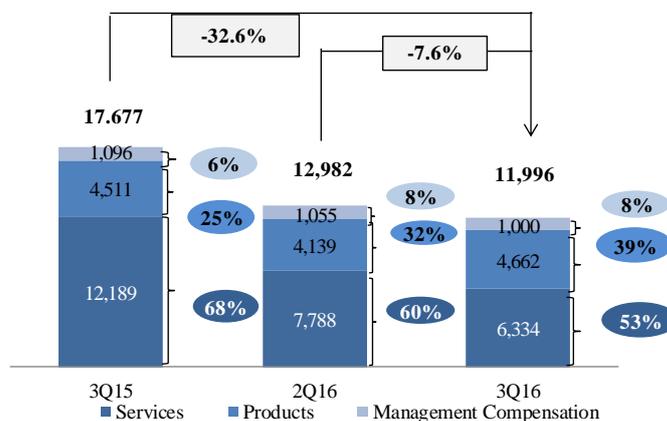
Comparing the 3Q16 with 2Q16, the Sales Expenses remained stable at R\$ 2.1 million. On the other hand, the Sales Expenses in the Services Segment decreased by 43.9% in the 3Q16 compared to 2Q16, mainly due to the reversal of R\$ 0.6 million in receivables in the 3Q16 in the Oilfield Services Brazil division. At the Product Segment, Sales Expenses increased from R\$ 0.8 million in the 2Q16 to R\$ 1.4 million in the 3Q16, such increase occurred mainly because in the 2Q16 there was a reversal of R\$ 0.9 million of losses with non-recurring receivables in the 3Q16.

The Administrative Expenses presented reduction in the three comparative periods: 36.2% and 9.8% comparing 3Q16 with 3Q15 and with 2Q16, respectively, and 21.6% in 9M16 with 9M15, primarily due to decrease in salary expenses in the Services Segment.

The Administrative Expenses of Products Segment increased 30.9% comparing 3Q16 with 3Q15, primarily due to expenses of R\$ 0.7 million with re-export of yarns in the Anchoring Ropes division.

The Management Salary remained stable in the amount of R\$ 1.1 million in the 2Q16 and R\$ 1.0 million in the 3Q16. Comparing the 3Q16 with 3Q15, the Management Salary reduced 8.8% and comparing 9M16 with 9M15 they reduced 40.6%, from R\$ 5.2 million in the 9M15 to R\$ 3.1 million in the 9M16.

Operating Expenses (R\$ thd)



Other Operating (Revenues) and Expenses

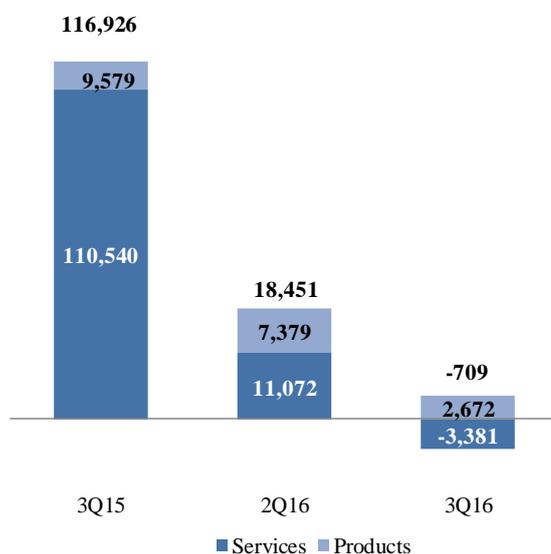
Other Expenses (Income) (R\$ thd)	3Q15	3Q16	Chg. %	2Q16	3Q16	Chg. %	9M15	9M16	Chg. %
Products	6,386	2,672	-58.2%	7,379	2,672	-63.8%	84,194	18,072	-78.5%
Services	110,540	-3,381	-103.1%	11,072	-3,381	-130.5%	130,680	-3,644	-102.8%
Total	116,926	-709	-100.6%	18,451	-709	-103.8%	214,874	14,428	-93.3%

The Other Operating Expenses in the negative amount of R\$ 0.7 million in the 3Q16, are primarily related to the following factors: (i) R\$ 3.0 million of cost of idle production (R\$ 5.2 million in the 3Q15 and R\$ 3.3 million in the 2Q16); (ii) R\$ 0.9 million of provision for losses on inventory obsolescence (R\$ 2.4 million in the 3Q15 and R\$ 2.0 million in the 2Q16); (iii) R\$ 4.0 million of provision for loss of lawsuit (R\$ 26.0 million in the 3Q15 and R\$ 0.7 million in the 2Q16) and R\$ 0.5 million of fine applied to customers in the Services Segment.

Comparing the 3Q16 with the 3Q15, the Other Operating Expenses reduced 100.6% primarily due to the recognition in the 3Q15 of R\$ 84.4 million of provision for loss due to the non-recoverability of fixed assets, according to the appraisal report prepared in accordance with the demand for the Judicial Recovery process, non-recurring in 3Q16.

In the 9M16, the Other Operating Expenses decreased 93.3%, from R\$ 214.9 million in the 9M15 to R\$ 14.4 million in the 9M16, primarily due to the recognition in the 9M15 of R\$ 84.4 million of provision for loss due to the non-recoverability of fixed assets, and goodwill impairment of R\$ 60.0 million, both non-recurring records in 9M16.

Other Operating Expenses (R\$ thd)



Financial Result

Financial Result (R\$ thd)	3Q15	3Q16	Chg. %	2Q16	3Q16	Chg. %	9M15	9M16	Chg. %
Income from Financial Investments	247	244	-1.2%	480	244	-49.2%	653	1,135	73.8%
Monetary Variation	493	555	12.6%	573	555	-3.1%	991	1,306	31.8%
Interest on Receivables	309	1,942	528.5%	310	1,942	526.5%	1,177	2,560	117.5%
Others	153	17	-88.9%	1,420	17	-98.8%	451	1,552	244.1%
Financial Revenue*	1,202	2,758	129.5%	2,783	2,758	-0.9%	3,272	6,553	100.3%
(Expense) Reversal of Interest Expenses	-18,830	-14,831	-21.2%	-72,801	-14,831	-79.6%	-34,891	-91,533	162.3%
Present Value Adjustment	-	0	n/a	-393,792	0	-100.0%	-	-394,788	n/a
Discount Granted	-	-1	n/a	-	-1	n/a	-	-766	n/a
(Provision) Reversal of Provision for Interest on Suppliers	-2,051	-8,672	322.8%	-16,475	-8,672	-47.4%	-3,562	-27,447	670.6%
Fines and Interest on Taxes	-	-1,991	-100.0%	-1,802	-1,991	10.5%	0	-19,248	-100.0%
Banking Expenses, Taxes and Others	-2,921	-889	-69.6%	-1,985	-889	-55.2%	-8,410	-4,253	-49.4%
Financial Expense*	-23,802	-26,384	10.8%	-486,855	-26,384	-94.6%	-46,863	-538,035	1048.1%
Net Financial Result*	-22,600	-23,626	4.5%	-484,072	-23,626	-95.1%	-43,591	-531,482	1119.2%
Exchange Variance Revenue	261,858	11,476	-95.6%	190,936	11,476	-94.0%	587,080	392,226	-33.2%
Exchange Variance Expense	-322,972	-14,707	-95.4%	-156,490	-14,707	-90.6%	-679,697	-341,492	-49.8%
Net Exchange Variance	-61,114	-3,231	n/a	34,446	-3,231	-109.4%	-92,617	50,734	n/a
Net Financial Result - Total	-83,714	-26,857	-67.9%	-449,626	-26,857	-94.0%	-136,208	-480,748	253.0%

* Excluding Exchange Variance

The Total Financial Income (excluding Exchange Variance) in the 3Q16 reached R\$ 2.8 million versus R\$ 1.2 million in the 3Q15, a increase of 129.5%, primarily due to the receipt of contractual withholdings contracted by Petrobras client in the amount of R\$ 1.6 million. Compared to 2Q16, Total Financial Income (excluding Exchange Variance) remained stable reaching R\$ 2.8 million in the 3Q16 versus R\$ 2.8 million in the 2Q16.

Compared to the 9M15, Total Financial Income (excluding Exchange Variation) increased from R\$ 3.3 million in the 9M15 to R\$ 6.6 million in the 9M16, mainly due to the recovery of taxes and contributions in the amount of R\$ 1.4 million in addition to the receipt of interest related to contractual withholdings of Petrobras in the amount of R\$ 1.6 million, an increase of R\$ 0.3 million in monetary variation on taxes to be offset and an increase of R\$ 0,5 million rents of financial investments.

Total Financial Expenses (excluding Foreign Exchange Variation) in the 3Q16 compared to 3Q15 reached R\$ 26.4 million in the 3Q16 versus R\$ 23.9 million in the 3Q15. Compared to 2Q16 and 3Q16, Total Financial Expenses (excluding Exchange Variation) decreased by 94.6%, from R\$ 486.9 million to R\$ 26.4 million, respectively, mainly due to the reversal in the 2Q16 of R\$ 393.8 million of adjustment to present value of suppliers, loans, fines, Bonds, debentures and R\$ 80.2 million of interest on loans, financing, debentures and suppliers as a result of the cancellation of the Company's Judicial Recovery Plan.

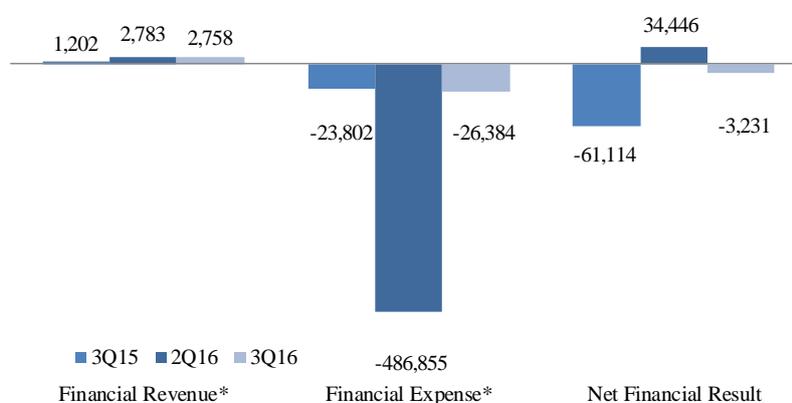
In the first nine months of 2016, Total Financial Expenses (excluding Foreign Exchange Variation) reached R\$ 538.0 million versus R\$ 46.9 million in the 9M15. This increase was mainly due to the reversal of R\$ 394.8 million of adjustment to the present value of suppliers, loans, fines, Bonds, debentures and R\$ 80.2 million interest on loans, financing, debentures and suppliers as a result of annulment of the Company's Judicial Recovery Plan, as well as due to the registration of R\$ 19.2 million of fines and interest on arrears on contingencies and tax debts.

The Net Exchange Variance in the 3Q16 resulted in expense of R\$ 3.2 million versus an expense of R\$ 61.1 million in the 3Q15 affected by valuation of 1.1% in U.S. dollar against Brazilian Real in the 3Q16 versus a devaluation of 8.8% in U.S. dollar in the 3Q15. In the 2Q16, the Net Exchange Variance resulted in revenue of R\$ 34.4 million affected by devaluation of 19.2% in U.S. dollar against Brazilian Real in the 3Q15. In the 9M16, the Net Exchange Variance resulted in revenue of R\$ 50.7 million versus expense of R\$ 92.7 million in the 9M15, affected by devaluation of 16.9% in U.S. dollar against Brazilian Real in the 9M16 versus a valuation of 49.6% in U.S. dollar in the 9M15.

The Total Net Financial Result in the 3Q16 resulted in expense of R\$ 26.9 million versus a expense of R\$ 449.6 million in the 2Q16. This reduction due to the recognition of expense for present value adjustment of Company's obligations in the amount of R\$ 393.8 million in the 2Q16 non-recurring records in 3Q16.

The Total Net Financial Result was from an expense of R\$ 136.2 million in the 9M15 to R\$ 480.7 million in the 9M16, especially due to the recognition of expense for present value adjustment of Company's obligations in the amount of R\$ 394.8 million recorded in the 9M16.

Financial Result Breakdown (R\$ thd)



* Excluding Exchange Variance

Adjusted EBITDA from Continuing Operations ¹

The Consolidated Adjusted EBITDA from Continuing Operations was negative in R\$ 2,9 million in the 3Q16 versus negative result of R\$ 0.9 million in the 3Q15, and negative result of R\$ 11.5 million in the 2Q16. The EBITDA Margin was negative of 9.2% in the 3Q16, with negative variance of 7.9 percentage points compared to the presented in the 3Q15 and 29.9 percentage points compared to the presented in the 2Q16.

Adjusted EBITDA (R\$ thd)	3Q15	3Q16	Chg. R\$	Chg. %	2Q16	3Q16	Chg. R\$	Chg. %	9M15	9M16	Chg. R\$	Chg. %
Products	9,563	4,102	5,461	-57.1%	4,375	4,102	273	-6.2%	-23,142	8,477	14,665	-63.4%
Margin	-581.0%	-52.6%	528.4 p.p		-66.7%	-52.6%	-	14.1 p.p	-92.5%	-42.1%	-	50.3 p.p
Services	8,702	1,213	7,489	n/a	7,093	1,213	8,306	-117.1%	16,710	5,880	22,591	n/a
Margin	13.4%	5.1%	-8.2 p.p		-31.2%	5.1%	-	36.2 p.p	8.8%	-6.7%	-	-15.5 p.p
Total	861	2,889	2,028	235.5%	11,468	2,889	8,579	-74.8%	6,431	14,357	7,926	123.2%
Margin	-1.3%	-9.2%	-7.9 p.p		-39.1%	-9.2%	-	29.9 p.p	-3.0%	-13.4%	-	-10.4 p.p
% Products	1111%	142%			38%	142%			360%	59%		
% Services	-1011%	-42%			62%	-42%			-260%	41%		

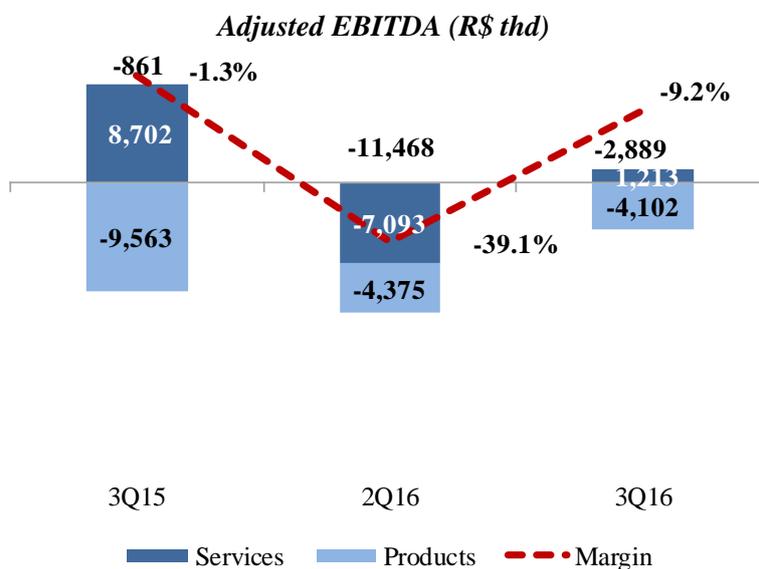
Both the Consolidated Adjusted EBITDA from Products Segment and from Services Segment presented negative amounts in the 3Q16, primarily consequence of reduction in products and services demand, as result of the crisis in the Oil&Gas segment. The positive variance of R\$ 5.5 million in the Products Segment EBITDA in the 3Q16 compared to the 3Q15 was mainly due to the increase in net margin of 7.4 percentage points and a reduction of R\$ 2.2 million in idle expenses of production in the 3Q16.

Adjusted Ebitda Reconciliation (R\$ thd)	3Q15	2Q16	3Q16
Gross Profit	-11,901	-13,350	-4,774
SG&A	-16,700	-11,927	-10,996
Management Compensation	-1,096	-1,055	-1,000
Depreciation and Amortization	12,820	12,637	11,823
Operational Revenues/Expenses	-116,926	-18,451	709
Ebitda from Continuing Operations	-133,803	-32,146	-4,238
Provision for Variable Compensation	218	-394	0
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets/ Reversal of Judicial Processes	112,749	14,403	-3,064
Fines with Customers	-17	1,391	69
Restructuring Process and Other Extraordinary Expenses	19,992	5,278	4,344
Adjusted EBITDA from Continuing Operations	-861	-11,468	-2,889

The Consolidated Adjusted EBITDA from Continuing Operations in the 9M16 was negative in R\$ 14.4 million versus negative result of R\$ 6.4 million in the 9M15, especially as result of significant reduction in Net Revenue in the 9M16. The Consolidated EBITDA Margin increased 10.4 percentage points, from negative 3.0% in the 9M15 to negative 13.4% in the 9M16. The

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.

positive variation of R\$ 14.7 million in EBITDA of the 9M16 Product Segment compared to the 9M15 is mainly due to the reduction of R\$ 12.2 million in idle production expenses in the 9M16.



3Q16			
Adjusted Ebitda Reconciliation (R\$ thd)	Products	Services	Total
Gross Profit	580	-5,354	-4,774
SG&A	-4,662	-6,334	-10,996
Management Compensation	-240	-760	-1,000
Depreciation and Amortization	1,796	10,027	11,823
Operational Revenues/Expenses	-2,672	3,381	709
Ebitda from Continuing Operations	-5,198	960	-4,238
Provision for Variable Compensation	0	0	0
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets/ Reversal of Judicial Processes	257	-3,321	-3,064
Fines with Customers	55	14	69
Restructuring Process and Other Extraordinary Expenses	784	3,560	4,344
Adjusted EBITDA from Continuing Operations	-4,102	1,213	-2,889

In the 3Q16 Expenses with obsolescence and extraordinary losses of inventories totaled R\$ 1.0, while reversals with lawsuits totaled R\$ 4.0 million.

Net Result

Net Result (R\$ thd)	3Q15	3Q16	Chg. %	2Q16	3Q16	Chg. %	9M15	9M16	Chg. %
Result Before Income Tax and Social Contribution	-227,756	-52,840	-76.8%	-494,409	-52,840	-89.3%	-403,636	-571,058	41.5%
Income Tax and Social Contribution - Current	-1,623	-171	-89.5%	-1,819	-171	-90.6%	-2,847	-2,288	-19.6%
Income Tax and Social Contribution - Deferred	-655	1,377	-310.2%	94,474	1,377	-98.5%	635	96,449	15088.8%
Result of Discontinued Operation	0	0	n/a	0	0	n/a	-21,963	0	n/a
Net Result	-230,034	-51,634	-77.6%	-401,754	-51,634	-87.1%	-427,811	-476,897	11.5%
Net Result per 1000 Shares	-0.10	-5.50	5398.3%	-0.18	-5.50	2899.3%	-0.18	-50.77	27416%

The Net Result in the 3Q16 was a loss of R\$ 51.6 million, compared to the loss of R\$ 230.0 million in the 3Q15 and with the loss of R\$ 401.8 million in the 2Q16. The main extraordinary events that contributed for that performance in the 3Q16 were: (i) R\$ 2.2 million of idle production expenses (R\$ 5.2 million in the 3Q15 and R\$ 3.3 million in the 2Q16); (ii) R\$ 0.9 million of provision for inventory obsolescence and inventory extraordinary loss (R\$ 2.4 million in the 3Q15 and R\$ 2.0 million in the 2Q16); (iii) R\$ 4.0 million of reversal of provision for loss of lawsuit (R\$ 26.0 million in the 3Q15 and R\$ 0.7 million in the 2Q16) and (iv) R\$ 5.4 million of customs expenditures.

The Net Result in the 9M16 was a loss of R\$ 476.9 million versus loss of R\$ 427.8 million in the 9M15. The main extraordinary events that contributed for that performance in the 9M16 were: (i) R\$ 394.8 million of expense with present value adjustment of suppliers, loans, fines, debentures and Bonds; (ii) R\$ 9.8 million of costs of idle production (R\$ 21.9 million in the 9M15); (iii) R\$ 11.7 million of loss on disposal of fixed assets; (iv) R\$ 11.2 million of provision for inventory obsolescence and inventory extraordinary loss (R\$ 4.7 million in the 9M15); (v) R\$ 13.3 million of revenue with disposal of Vicinay Marine S.L investment and (vi) R\$ 19.2 million of fine and interest on contingencies and tax debits.

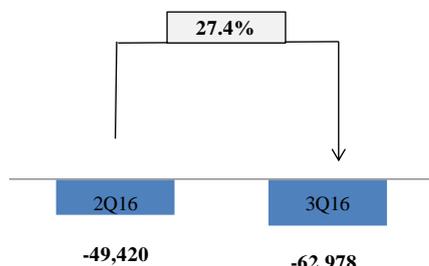
Working Capital

Working Capital (R\$ thd)	2Q16	3Q16	Chg. %	Chg. R\$
Accounts Receivable	53,279	43,100	-19.1%	-10,179
Inventories	47,745	50,947	6.7%	3,202
Suppliers	147,393	154,124	4.6%	6,731
Advances from Clients	3,051	2,901	-4.9%	-150
Employed Working Capital	- 49,420	- 62,978	27.4%	-13,558
Employed Working Capital Variance	- 124,486	- 13,558		
% Working Capital/Net Revenues*	-25.3%	-8.5%		

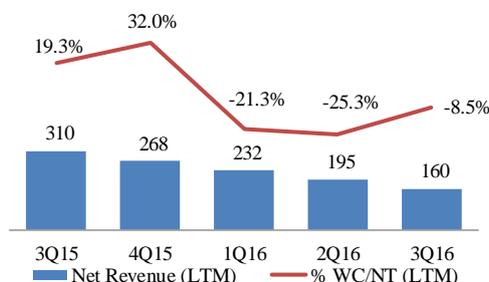
*LTM: last 12 months

The rate of Working Capital Needs upon accumulated Net Revenue (12 months) in the 3Q16 reached the negative percentage of 8.5%, reduction of 16.8 percentage points when compared to the rate of 2Q16.

Working Capital (R\$ thd)



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

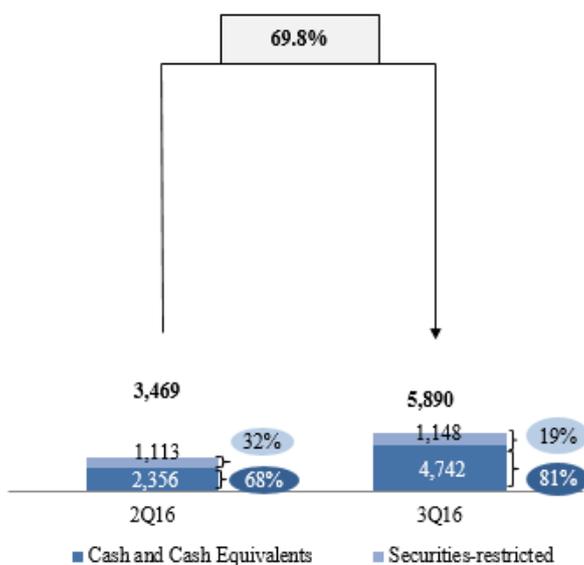


The reception of customers from Oilfield Services Colombia division and Oilfield Services Brazil was the main factor that resulted in the decrease of 19.1% in the Accounts Receivable, and increase of the 4.6% in the balance of suppliers is due to the effect of the cancellation of the Company's Judicial Recovery Plan on June 27, 2016.

Cash and Cash Equivalents

The consolidated position in Company's Cash and Cash Equivalents in the 3Q16 reached R\$ 5.9 million compared to the amount of R\$ 3.5 million in the 2Q16, an increase of 69.8%. Such increase refers mainly to the receipt of contractual withholdings contracted by Petrobras client in the amount of R\$ 1.6 million.

Cash and Cash Equivalents Balances (R\$ thd)



Debt

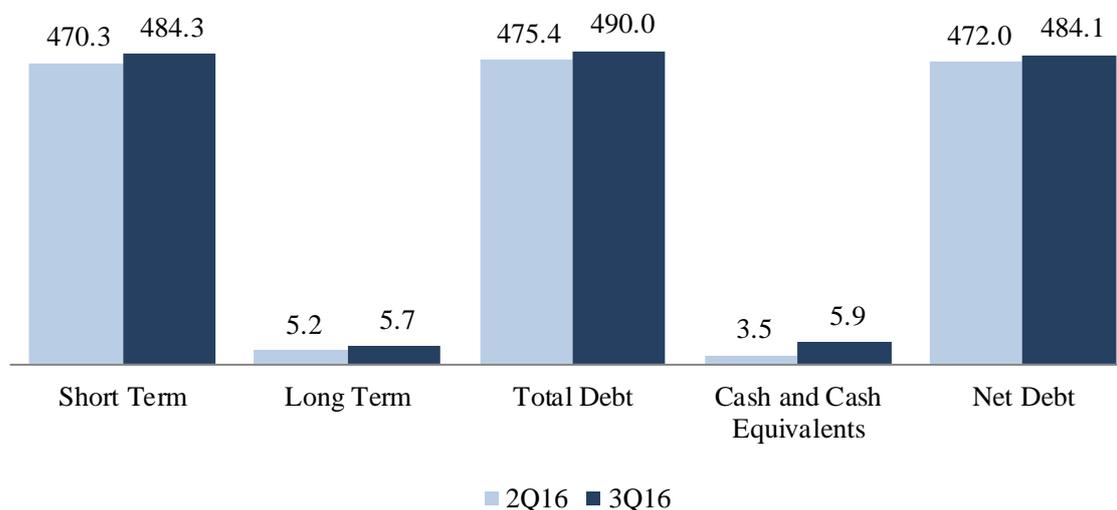
Company's Gross Debt ended the 3Q16 in R\$ 490 million, 3.1% higher than reported in the 2Q16.

Debt (R\$ thd)	2Q16	3Q16	Chg. %	Chg. R\$
Short Term	470,263	484,251	3.0%	13,988
Financing Lines not subject to Judicial Recovery	29,348	28,643	-2.4%	- 705
Financing Lines subject to Judicial Recovery	194,259	202,946	4.5%	8,687
Debentures	84,927	87,872	3.5%	2,945
Bonds	161,729	164,790	1.9%	3,061
Long Term	5,161	5,716	10.8%	555
Financing Lines subject to Judicial Recovery	-	-	n/a	-
Financing Lines not subject to Judicial Recovery	5,161	5,716	10.8%	555
Total Debt	475,424	489,967	3.1%	14,543
Cash and Cash Equivalents	3,469	5,890	69.8%	2,421
Net Debt	471,955	484,077	2.6%	12,122

This increase is mainly a consequence of the exchange variation on Bonds due to the appreciation of 1.1% in the US dollar against the Real in the 3Q16.

Combined Cash and Cash Equivalents, the Company's Net Debt ended the 3Q16 in R\$ 484.0 million, increase of 2.6% versus the amount in the 2Q16.

Debt Breakdown (R\$ million)



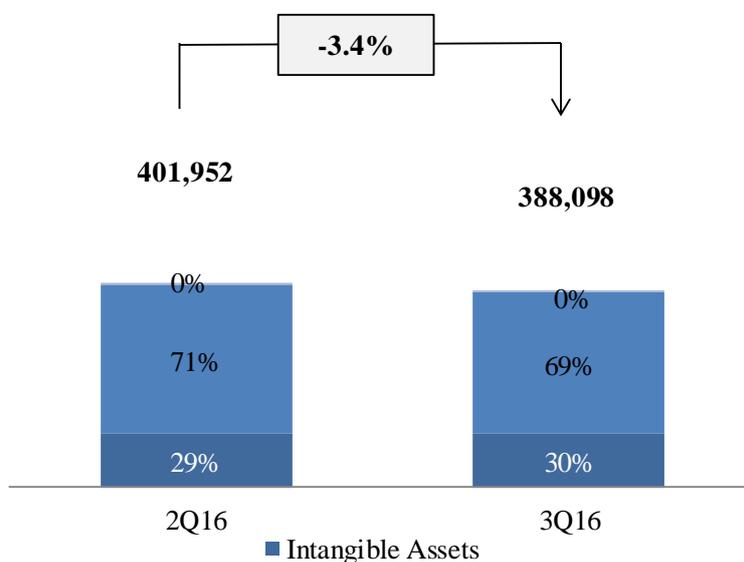
Investment Balance

Company's Investment Balances in the 3Q16 totaled R\$ 388.1 million, a reduction of 3.4% compared to the R\$ 401.9 million presented in the 2Q16.

Investments (R\$ thd)	2Q16	3Q16	Chg. %	Chg. R\$
Others Investments	676	676	0.0%	0
Property, Plant and Equipment, net	283,600	269,703	-4.9%	-13,897
Intangible Assets	117,676	117,719	0.0%	43
Total	401,952	388,098	-3.4%	-13,854

The Fixed Assets presented a decrease of 4.9% in the 3Q16 especially due to the recognition of depreciation in the amount of R\$ 11.4 million, due to the effect of exchange variance on the fixed assets of foreign subsidiaries in the amount of R\$ 0.9 million, due to the valuation of 1.1% in the U.S. dollar against Brazilian Real in the 3Q16.

Investment Balances (R\$ thd)



Capex was R\$ 0.5 million in the 3Q16 primarily invested in the Services Segment units.

Subsequent event

On November 8, 2016, at the Lupatech Group's General Meeting of Creditors, the New Judicial Recovery Plan was approved, based on the decision rendered by the 2nd Chamber of Business Law of the Court of Justice of the State of São Paulo annulling the first homologation decision the plan originally submitted and approved.

In order for a New Plan to take effect with regard to the novation of the Lupatech Group's debt, it is necessary to ratify it by the 1st Court of Bankruptcy, Judicial Recovery and Arbitration-Related Disputes of the Capital of São Paulo.

Once the New Plan was approved, Lupatech Group's indebtedness on September 30, 2016 would have approximately the expected effects described below:

	(R\$ thd)		
	Accounting balances before approval	New Plan Effect	Accounting balances after approval
Current Liabilities	710,224	(710,224)	-
Suppliers - Subject to Judicial Recovery	254,616	(254,616)	-
Loans and Financing - Subject to Judicial Recovery	202,946	(202,946)	-
Debentures - Subject to Judicial Recovery	87,872	(87,872)	-
Bonds - Subject to Judicial Recovery	164,790	(164,790)	-
Non-Current Liabilities	24,889	214,246	239,135
Suppliers - Subject to Judicial Recovery	-	60,831	60,831
Loans and Financing - Subject to Judicial Recovery	-	44,208	44,208
Deferred income tax and social contribution	24,889	38,827	63,716
Debentures - Subject to Judicial Recovery	-	18,449	18,449
Bonds - Subject to Judicial Recovery	-	51,932	51,932
Shareholders' Equity	(2,509,768)	495,978	(2,013,790)
Subscription Warrants	-	299,722	299,722
Result of the period	(2,509,768)	196,257	(2,313,511)

The expected effect of the aforementioned accounting would have a positive impact on the total equity of the Company, which would be approximately R\$ 57.7 million positive against R\$ 438.2 million negative before accounting for the expected effect of the New Plan. The expected impact on the result would be approximately R\$ 196.3 million, with a reversal of interest and exchange variation of approximately R\$ 71.9 million, adjustment to present value of approximately R\$ 163.1 million and deferred income tax and social contribution of approximately R\$ 38.8 million. These effects will only take effect upon approval of the new plan and are subject to change.

Attachments

Attachment I – Consolidated Income Statement (R\$ Thd)

	2Q16	3Q16	% Change
Net Revenue From Sales	29,332	31,394	7%
Cost of Goods and Services Sold	(42,682)	(36,168)	-15%
Gross Profit	(13,350)	(4,774)	-64%
Operating Income/Expenses	(31,433)	(21,209)	-33%
Selling	(2,121)	(2,147)	1%
General and Administrative	(9,806)	(8,849)	-10%
Management Compensation	(1,055)	(1,000)	-5%
Other Operation Income (Expenses)	(18,451)	(9,213)	n/a
Net Financial Result	(449,626)	(26,857)	-94%
Financial Income	2,783	2,758	-1%
Financial Expenses	(486,855)	(26,384)	-95%
Net Exchange Variance	34,446	(3,231)	-109%
Earnings (Loss) Before Income Tax and Social	(494,409)	(52,840)	-89%
Provision Income Tax and Social Contribution - Current	(1,819)	(171)	-91%
Provision Income Tax and Social Contribution - Deferred	94,474	1,377	-99%
Loss for the Period	(401,754)	(51,634)	-87%

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

	2Q16	3Q16	% Change
<u>Adjusted EBITDA from Continuing Operations</u>	(11,468)	(2,889)	-75%
Provision for Variable Remuneration	394	-	n/a
Restructuring Process	(5,278)	(4,344)	-18%
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets/ Reversal of Judicial Processes	(14,403)	3,064	-121%
Fines with Customers	(1,391)	(69)	-95%
<u>EBITDA from Continuing Operations</u>	(32,146)	(4,238)	-87%
Depreciation and Amortization	(12,637)	(11,823)	-6%
Equity Pick-up	-	(9,922)	n/a
Net Financial Result	(449,626)	(26,857)	-94%
<u>Income Tax and Social Contribution - Current and Deferred</u>	92,655	1,206	-99%
<u>Net Loss from Continuing and Discontinued Operations</u>	(401,754)	(51,634)	-87%

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

	<u>2Q16</u>	<u>3Q16</u>	<u>% Change</u>
Total Asset	662,215	639,039	-3%
Current Assets	162,455	153,613	-5%
Cash and Cash Equivalents	2,356	4,742	101%
Securities-restricted	1,113	1,148	3%
Accounts Receivable	53,279	43,100	-19%
Inventories	47,745	50,947	7%
Recoverable Taxes	33,046	27,824	-16%
Other Accounts Receivable	4,554	7,086	56%
Antecipated Expenses	3,949	3,436	-13%
Advances to Suppliers	16,413	15,330	-7%
Non-Current Assets	499,760	485,426	-3%
Securities-restricted	5,397	5,565	3%
Judicial Deposits	25,156	24,215	-4%
Recoverable Taxes	37,017	36,826	-1%
Other Accounts Receivable	30,238	30,722	2%
Investments	676	676	0%
Property, Plant and Equipment	283,600	269,703	-5%
Intangible Assets	117,676	117,719	0%
Total Liabilities and Shareholders' Equity	662,215	639,039	-3%
Current Liabilities	871,198	886,941	2%
Suppliers - Not Subject to Judicial Recovery	16,638	18,849	13%
Suppliers - Subject to Judicial Recovery	130,755	135,275	3%
Loans and Financing - Not Subject to Judicial Recovery	29,348	28,643	-2%
Loans and Financing - Subject to Judicial Recovery	194,259	202,946	4%
Debentures - Subject to Judicial Recovery	84,927	87,872	3%
Bonds - Subject to Judicial Recovery	161,729	164,790	2%
Provisions Payroll and Payroll Payable	10,673	9,210	-14%
Commissions Payable	888	865	-3%
Taxes Payable	62,878	57,851	-8%
Obligations and Provisions for Labor Risks and Creditors Class I - Subject to Judicial Recovery	36,738	35,107	-4%
Advances from Customers	3,051	2,901	-5%
Other Accounts Payable	20,240	22,131	9%
Provision for Contratual Fines	1,113	1,160	4%
Provision for Contratual Fines - Subject to Judicial Recovery	117,961	119,341	1%
Non-Current Liabilities	179,981	190,346	6%
Loans and Financing - Not Subject to Judicial Recovery	5,161	5,716	11%
Taxes Payable	9,024	7,993	-11%
Deferred Income Tax and Social Contribution	25,332	24,889	-2%
Provision for Contingencies	129,234	126,282	-2%
Other Accounts Payable	11,230	7,644	-32%
Provision for Unfunded Liabilities in Subsidiaries	-	17,822	n/a
Shareholders' Equity	(388,964)	(438,248)	13%
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	66,834	68,104	2%
Accumulated Losses	(2,459,214)	(2,509,768)	2%

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

	2Q16	3Q16	% Change
CASH FLOW FROM OPERATING ACTIVITIES			
Net Result for the Period	(401,754)	(51,634)	-87%
Adjustments:			
Depreciation and Amortization	12,637	11,823	-6%
Equity Pick-up	-	9,922	n/a
Result on Sale of Fixed Assets	11,712	(10)	-100%
Financial Charges and Exchange Variance on Financing, Bonds and Debentures	55,842	26,540	-52%
Extraordinary Losses and Adjustment to Market Value with Inventories	-	34	n/a
Deferred Income Tax and Social Contribution	(92,357)	(1,206)	-99%
Losses on Inventory Obsolescence	(1,589)	950	-160%
Provision of Contractual Fines	1,391	68	-95%
Allowance for Doubtful Accounts	(954)	509	-153%
Effective Losses on Doubtful Accounts	-	(640)	
Present Value Adjustment	393,792	-	-100%
Changes in Assets & Liabilities			
<i>(Increase) Decrease in Accounts Receivable</i>	3,450	10,451	203%
<i>(Increase) Decrease in Inventories</i>	2,503	(4,027)	-261%
<i>(Increase) Decrease in Recoverable Taxes</i>	(4,532)	6,555	-245%
<i>(Increase) Decrease in Other Assets</i>	19,768	6,708	-66%
<i>(Increase) Decrease in Suppliers</i>	(11,511)	(2,111)	-82%
<i>(Increase) Decrease in Taxes Payable</i>	(10,595)	(8,183)	-23%
<i>(Increase) Decrease in Others Accounts Payable</i>	(5,897)	(29,971)	408%
Cash Flow from Operating Activities	(28,094)	(24,222)	-14%
CASH FLOW FROM INVESTMENT ACTIVITIES			
Securities - Restricted	972	41	-96%
Proceeds from Sales of Property, Plant and Equipment	6	40	567%
Aquisition of Property, Plant and Equipment	(1,695)	(479)	-72%
Aquisition of Intangible Assets	(42)	(23)	-45%
Cash Flow from Investment Activities	(759)	(421)	n/a
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Loans and Financings	12,902	26,233	103%
Payment of Loans and Financings - Principal	(12,462)	1,429	-111%
Payment of Loans and Financings - Interest	(621)	(633)	2%
Cash Flow from Financing Activities	(181)	27,029	-15033%
Exchange Variation on Cash and Cash Equivalents of Subsidiaries Abroad	(21)	-	n/a
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS			
At the Beginning of the Period	31,411	2,356	-92%
At the End of the Period	2,356	4,742	101%

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.

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

1 - General Data

Date

Company name:	Lupatech S.A. - Em Recuperação Judicial		
Last change of company name	03/30/1993	Previous company name:	Valmírio Indústria e Comércio de Válvulas S.A.
Date of establishment:	08/08/1980	CNPJ:	89.463.822/0001-12
CVM Code:	02006-0	Date of CVM registration:	05/08/2006
Status of CVM registry:	Active	Beginning date of status of CVM registration:	05/08/2006
Country of origin:	Brazil	Country where securities are held in custody:	Brazil
Internet page:	www.lupatech.com.br		

Registry

Category of CVM registry:	A	Registry date of the current category:	01/01/2010
Issuer situation:	In judicial recovery	Date of beginning of situation	06/22/2015
Type of stocks control:	Private	Date of last change of stocks control:	15/05/2006
Date of last change of fiscal year:	08/08/1980	Fiscal year end:	31/12

Sector

Activity Sector:	Oil and Gas
Description of activity:	Production of equipment and redering of services for the oil and gas industrial valves and microcasting parts

Newspapers of Disclose

Diário Oficial de São Paulo - SP
Valor Econômico - SP

Foreign Countries

Country:	Admission date:
United States	11/16/2009

2 - Address

Headquarters:	Rodovia Anhanguera, sentido interior/capital, KM 119 prédio C, Distrito Industrial, Nova Odessa, SP, Brazil, CEP 13.460-000 Telephone: (11) 2134-7000 Fax: (11) 2134-7095 E-mail: ri@lupatech.com.br
Company Mailing Address:	Avenida Maria Coelho Aguiar, 215 Bloco B 5º andar - Jardim São Luis, São Pulo, SP, Brazil CEP 05.840-900 Telephone: (11) 2134-7000 / 2134-7088 Fax: (11) 2134-7095 E-mail: ri@lupatech.com.br

3 - Securities

Market:	Stock Exchange
Entity:	BM&FBOVESPA
Negotiation - beginning:	05/15/2006
Segment:	New Market

4 - Auditors Information

Name: KPMG Auditores Independentes
CVM Code: 418-9
Auditor Type: National
CPF/CNPJ: 57.755.217/0005-52
Technician in Charge: Cristiano Jardim Seguecio
CPF: 929.772-190-72
Beginning: 01/04/2013

5 - Custodian Agent

Name: Banco Bradesco S.A.
CPF/CNPJ: 60.746.948/0001-11
Beginning: 04/25/2006
Address: Cidade de Deus - Prédio Amarelo, Subsolo, Vila Yara, Osasco, SP, Brazil
CEP: 06029-900
Telephone: (11) 36849441
Fax: (11) 36843811
E-mail: 4010.acoes@bradesco.com.br

6 - Investor Relations Officer

Contact: Ricardo Doebelli
Chief Executive Officer
CPF/CNPJ: 612.727.019-72
Beginning: 01/08/2015
Address: Avenida Maria Coelho Aguiar, 215 Bloco B 5º andar - Jardim São Luis - São Pulo, SP, Brazil
CEP 05.840-900
Telephone: (11) 2134-7000
Fax: (11) 2134-7095
E-mail: ri@lupatech.com.br

7 - Investor Relations Department

Contact: Ricardo Doebelli
Beginning: 01/08/2015
Address: Avenida Maria Coelho Aguiar, 215 Bloco B 5º andar - Jardim São Luis - São Pulo, SP, Brazil
CEP 05.840-900
Telephone: (11) 2134-7000
Fax: (11) 2134-7095
E-mail: ri@lupatech.com.br

8 - Composition of capital

Number of shares (unit)	09/30/2016
The paid-up capital	
Common	9,393,834
Preferref	-
Total	9,393,834
Total	-

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Balance Sheet Assets

(In Reais Thousands)

Code	Description	Current Quarter 09/30/2016	Last Year 12/31/2015
1	Total Assets	561,252	749,203
1.01	Current Assets	55,990	84,054
1.01.01	Cash and Cash Equivalents	126	3,125
1.01.03	Accounts Receivable	19,086	22,491
1.01.03.01	Trade Receivables	15,186	17,883
1.01.03.02	Other Accounts Receivable	3,900	4,608
1.01.03.02.02	Other Accounts Receivable - Related Parties	3,900	4,608
1.01.04	Inventories	23,593	31,351
1.01.06	Recoverable Taxes	5,341	5,869
1.01.06.01	Recoverable Current Taxes	5,341	5,869
1.01.07	Prepaid Expenses	1,524	1,198
1.01.08	Other Current Assets	6,320	20,020
1.01.08.02	Assets Classified as Held for Sale	-	15,284
1.01.08.03	Other	6,320	4,736
1.01.08.03.03	Other Accounts Receivable	3,858	1,260
1.01.08.03.04	Securities-Restricted	1,148	1,163
1.01.08.03.05	Advances to Suppliers	1,314	2,313
1.02	Non-Current Assets	505,262	665,149
1.02.01	Long-Term Assets	44,839	49,850
1.02.01.08	Credit with Related Parties	25,701	31,073
1.02.01.08.02	Credit with Subsidiaries	25,701	31,073
1.02.01.09	Other Non-Current Assents	19,138	18,777
1.02.01.09.03	Judicial Deposits	1,007	857
1.02.01.09.04	Recoverable Taxes	5,991	6,150
1.02.01.09.05	Other Accounts Receivable	6,575	6,130
1.02.01.09.06	Securities-Restricted	5,565	5,640
1.02.02	Investments	305,841	455,146
1.02.02.01	Investments	305,841	455,146
1.02.02.01.02	Investments in Subsidiaries	305,751	455,056
1.02.02.01.04	Other investments	90	90
1.02.03	Property, Plant and Equipment	84,133	88,497
1.02.03.01	In Operations	83,472	88,191
1.02.03.03	In Progress	661	306
1.02.04	Intangible Assets	70,449	71,656
1.02.04.01	Intangible Assets	70,449	71,656
1.02.04.01.02	Software and Other Licenses	1,172	2,707
1.02.04.01.03	New Products Development	13,863	13,535
1.02.04.01.04	Goodwill	55,414	55,414

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Balance Sheet Liabilities and Equity

(In Reais Thousands)

Code	Description	Current Quarter 09/30/2016	Last Year 12/31/2015
2	Total Liabilities	561,252	749,203
2.01	Current Liabilities	719,770	190,308
2.01.01	Social and Labor Obligations	3,502	7,983
2.01.01.02	Labor Obligations	3,502	7,983
2.01.02	Suppliers	140,783	5,894
2.01.02.01	Domestic Suppliers	116,484	5,356
2.01.02.01.01	Suppliers - Subject to Judicial Recovery	111,048	-
2.01.02.01.02	Suppliers - Not Subject to Judicial Recovery	5,436	5,356
2.01.02.02	Export Suppliers	24,299	538
2.01.02.02.01	Suppliers - Subject to Judicial Recovery	24,227	-
2.01.02.02.02	Suppliers - Not Subject to Judicial Recovery	72	538
2.01.03	Tax	44,299	31,413
2.01.03.01	Federal Tax	42,738	29,830
2.01.03.01.02	Other Federal Tax	42,738	29,830
2.01.03.02	State Tax	1,375	1,392
2.01.03.03	Municipal Tax	186	191
2.01.04	Loans and Financing	301,090	9,229
2.01.04.01	Loans and Financing	213,218	9,229
2.01.04.01.01	Local Currency	211,752	7,700
2.01.04.01.02	Foreign Currency	1,466	1,529
2.01.04.02	Debentures - Subject to Judicial Recovery	87,872	-
2.01.05	Other Liabilities	230,096	135,789
2.01.05.01	Liabilities with Related Parties	69,528	86,881
2.01.05.01.02	Debts with Subsidiaries	69,528	86,881
2.01.05.02	Other	160,568	48,908
2.01.05.02.05	Commissions Payable	845	1,118
2.01.05.02.06	Advances from Customers	2,477	3,045
2.01.05.02.09	Other Accounts Payable	1,638	2,743
2.01.05.02.10	Contractual Fines Provision - Subject to Judicial Recovery	119,341	-
2.01.05.02.11	Contractual Fines Provision	1,160	2,023
2.01.05.02.12	Obligations for Labor Risks and Creditors Class I- Subject to Judicial Recovery	35,107	39,979
2.02	Non-Current Liabilities	279,730	465,582
2.02.01	Loans and Financing	-	81,581
2.02.01.01	Loans and Financing	-	81,581
2.02.01.01.01	Local Currency	-	81,581
2.02.02	Other Liabilities	249,968	302,017
2.02.02.01	Liabilities with Related Parties	244,752	224,301
2.02.02.01.02	Debts with Subsidiaries	244,752	224,301
2.02.02.02	Other	5,216	77,716
2.02.02.02.03	Taxes Payable	4,120	4,602
2.02.02.02.05	Other Accounts Payable	1,096	1,096
2.02.02.02.07	Domestic Suppliers - Subject to Judicial Recovery	-	67,944
2.02.02.02.08	Export Suppliers - Subject to Judicial Recovery	-	4,074
2.02.03	Deferred Income Tax and Social Contribution	-	73,943
2.02.03.01	Deferred Income Tax and Social Contribution	-	73,943
2.02.04	Provisions	29,762	8,041
2.02.04.01	Social Security, Tax, Labor and Civil Provisions	11,940	4,381
2.02.04.01.01	Tax Provisions	4,209	506
2.02.04.01.02	Labor and Social Security Provisions	7,481	3,584
2.02.04.01.04	Civil Provisions	250	291
2.02.04.02	Other Provisions	17,822	3,660
2.02.04.02.04	Provision for Negative Equity in Subsidiaries	17,822	3,660
2.03	Shareholders' Equity	(438,248)	93,313
2.03.01	Share Capital	1,853,684	1,853,684
2.03.02	Capital Reserves	149,732	149,732
2.03.02.04	Stock Options	13,549	13,549
2.03.02.07	Capital Transaction Reserve	136,183	136,183
2.03.05	Accumulated Earnings / Losses	(2,509,768)	(2,036,774)
2.03.06	Equity Valuation Adjustments	68,104	126,671

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statements of Income

(In Reais Thousands)

Code	Description	Q3 2016	YTD 2016	Q3 2015	YTD 2015
		07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
3.01	Net Revenue from Goods Sold and/or Services	5,506	14,128	1,098	22,174
3.02	Cost of Goods and/or services sold	(5,140)	(14,438)	(4,282)	(20,493)
3.03	Gross Profit	366	(310)	(3,184)	1,681
3.04	Operating Income/Expenses	(7,775)	(123,823)	(149,398)	(290,176)
3.04.01	Selling Expenses	(1,218)	(2,646)	(1,930)	(5,674)
3.04.02	General and Administrative Expenses	(4,797)	(13,920)	(6,855)	(18,206)
3.04.04	Other Operating Income	540	30,433	455	1,077
3.04.05	Other Operating Expenses	(2,512)	(35,901)	(6,270)	(82,572)
3.04.06	Equity Pick-up	212	(101,789)	(134,798)	(184,801)
3.05	Operating Income/Expenses Before Financial Results and Income Tax	(7,409)	(124,133)	(152,582)	(288,495)
3.06	Financial Results	(45,020)	(427,502)	(77,650)	(139,664)
3.06.01	Financial Income	10,229	421,887	229,092	515,620
3.06.01.01	Financial Income	693	1,581	487	1,719
3.06.01.02	Gain on Exchange Variance	9,536	420,306	228,605	513,901
3.06.02	Financial Expenses	(55,249)	(849,389)	(306,742)	(655,284)
3.06.02.01	Financial Expenses	(42,211)	(479,256)	(33,665)	(79,254)
3.06.02.02	Loss on Exchange Variance	(13,038)	(370,133)	(273,077)	(576,030)
3.07	Income Before Income Tax	(52,429)	(551,635)	(230,232)	(428,159)
3.08	Provision for Income Tax and Social Contribution	795	74,738	198	198
3.08.02	Deferred	795	74,738	198	198
3.09	Net Income from Continuing Operations	(51,634)	(476,897)	(230,034)	(427,961)
3.10	Net Income from Discontinued Operations	-	-	-	150
3.10.01	Income (Loss) from Discontinued Operations	-	-	-	150
3.11	Income/Loss for the Period	(51,634)	(476,897)	(230,034)	(427,811)
3.99.01.01	ON	(5,49658)	(50,76702)	(0,09997)	(0,18450)
3.99.02	Diluted Earnings per Share				
3.99.02.01	ON	(5,49658)	(50,76702)	(0,09997)	(0,18450)

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statements of Comprehensive Income

(In Reais Thousands)

Code	Description	Q3 2016		Q3 2015	
		07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
4.01	Net Income/Loss for the Period	(51,634)	(476,897)	(230,034)	(427,811)
4.02	Other Comprehensive Income	2,350	(54,664)	(3,240)	104,402
4.02.01	Exchange Variance Foreign Investments	2,350	(54,664)	(3,240)	104,402
4.03	Comprehensive Income of the Period	(49,284)	(531,561)	(233,274)	(323,409)
4.03.01	Participation of Controlling Shareholders	(49,284)	(531,561)	(233,274)	(323,409)

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statements of Changes in Shareholders' Equity - 01/01/2016 to 09/30/2016

(In Reais Thousands)

Code	Description	Share Capital	Capital Reserves, Stock Options and Treasury Shares	Accumulated Profit/Loss	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balance	1,853,684	149,732	(2,036,774)	126,671	93,313
5.03	Adjusted Balance	1,853,684	149,732	(2,036,774)	126,671	93,313
5.05	Comprehensive Income	-	-	(472,994)	(58,567)	(531,561)
5.05.01	Net Income / Loss for the Period	-	-	(476,897)	-	(476,897)
5.05.02	Other Comprehensive Income	-	-	3,903	(58,567)	(54,664)
5.05.02.04	Exchange Variation on Investments Abroad	-	-	-	(54,664)	(54,664)
5.05.02.06	Achievement of the Valuation Adjustment	-	-	3,903	(3,903)	-
5.07	Ending Balance	1,853,684	149,732	(2,509,768)	68,104	(438,248)

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statements of Changes in Shareholders' Equity - 01/01/2015 to 09/30/2015

(In Reais Thousands)

Code	Description	Share Capital	Capital Reserves, Stock Options and Treasury Shares	Accumulated Profit/Loss	Other Comprehensive Income	Shareholders' Equity
5.01	Opening Balance	1,853,684	149,732	(1,899,939)	(8,119)	95,358
5.03	Adjusted Balance	1,853,684	149,732	(1,899,939)	(8,119)	95,358
5.05	Comprehensive Income	-	-	(427,811)	104,402	(323,409)
5.05.01	Net Income / Loss for the Period	-	-	(431,051)	-	(431,051)
5.05.02	Other Comprehensive Income	-	-	3,240	104,402	107,642
5.05.02.04	Exchange Variation on Investments Abroad	-	-	-	107,642	107,642
5.05.02.06	Achievement of the Valuation Adjustment	-	-	3,240	(3,240)	-
5.07	Ending Balance	1,853,684	149,732	(2,327,750)	96,283	(228,051)

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statement of Cash Flow - Indirect Method

(In Reais Thousands)

Code	Description	YTD 2016	YTD 2015
		01/01/2016 to 09/30/2016	01/01/2015 to 09/30/2015
6.01	Cash Flow from Operating Activities	(29,522)	2,190
6.01.01	Cash Flow from Operating	(20,715)	(41,137)
6.01.01.01	Net Loss for the Period	(476,897)	(427,811)
6.01.01.02	Depreciation and Amortization	6,228	6,742
6.01.01.03	(Gain) Loss on Sale of Investment	(13,315)	(149)
6.01.01.04	Equity Pick-up	101,789	184,801
6.01.01.05	Result on Sale of Fixed Assets	3	12
6.01.01.06	Financial Expenses, Net	117,169	135,109
6.01.01.07	Extraordinary Losses and Adjustment to Market Value with Inventories	3,613	-
6.01.01.08	Deferred Income Tax and Social Contribution	(74,738)	-
6.01.01.09	Impairment of Assets	-	60,000
6.01.01.11	Inventory Obsolescence	5,200	(12)
6.01.01.12	Contractual Fines Provision	214	-
6.01.01.13	Allowance for Doubtful Accounts	(455)	171
6.01.01.14	Effective Losses on Doubtful Accounts	(209)	-
6.01.01.15	Present Value Adjustment	310,683	-
6.01.02	Change in Assets and Liabilities	(8,807)	43,327
6.01.02.01	Accounts Receivable	1,515	26,363
6.01.02.02	Inventories	(1,055)	3,657
6.01.02.03	Recoverable Taxes	1,482	1,406
6.01.02.04	Other Assets	875	1,626
6.01.02.05	Suppliers	(4,734)	5,370
6.01.02.06	Taxes Payable	(3,845)	(1,146)
6.01.02.07	Others	(3,045)	6,051
6.02	Cash Flow from Investing Activities	32,774	(22,845)
6.02.01	Paid-in Capital and Subsidiaries Payments for Purchase of Investments	4,099	(21,081)
6.02.02	Acquisition of Property, Plants and Equipments	(593)	(121)
6.02.03	Acquisition to Intangibles	(67)	(1,599)
6.02.04	Proceeds from disposals of Property, Plants and Equipments	2	22
6.02.05	Payment for Acquisition of Investment	28,599	-
6.02.06	Securities-Restricted	734	698
6.02.07	Disposal of Discontinued Operations Net of Cash	-	(764)
6.03	Cash Flow from Financing Activities	(6,251)	20,718
6.03.01	Proceeds from Loans and Financing	5,265	1,047
6.03.02	Proceeds (Payments) from Loans and Financing - Related Parties	(5,898)	23,932
6.03.06	Payments of Loans and Financing - Principal	(5,617)	(3,873)
6.03.07	Payments of Loans and Financing - Interest	(1)	(388)
6.05	Increase/Decrease in Cash and Cash Equivalents	(2,999)	63
6.05.01	Cash and Cash Equivalents at the Beginning of Period	3,125	137
6.05.02	Cash and Cash Equivalents at the End of Period	126	200

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statements of Value Added

(In Reais Thousands)

Code	Description	YTD 2016 01/01/2016 to 09/30/2016	YTD 2015 01/01/2015 to 09/30/2015
7.01	Revenue	47,915	25,608
7.01.01	Sales of Goods, Products and Services	17,027	24,548
7.01.02	Other Revenues	30,433	1,227
7.01.02.01	Revenue from Sale of Investments	28,599	150
7.01.02.02	Other Revenues	1,834	1,077
7.01.04	Allowance for Doubtful Accounts	455	(167)
7.02	Consumables Acquired from Third Parties	(42,769)	(89,645)
7.02.01	Cost of Products, Goods and Services Sold	285	(340)
7.02.02	Materials, Energy, and Other Outsourced Services	(7,153)	(6,733)
7.02.03	Loss / Recovery of Assets	-	(60,000)
7.02.04	Other Expenses	(35,901)	(22,572)
7.02.04.01	Low Investment for Sale	(15,284)	-
7.02.04.02	Other	(20,617)	(22,572)
7.03	Gross Value Added	5,146	(64,037)
7.04	Retentions	(6,228)	(6,742)
7.04.01	Depreciation and Amortization	(6,228)	(6,742)
7.05	Net Value Added Generated by the Company	(1,082)	(70,779)
7.06	Value Added Received by Transfer	320,098	330,819
7.06.01	Equity pick-up	(101,789)	(184,801)
7.06.02	Financial Income	421,887	515,620
7.07	Total Value Added to be Distributed	319,016	260,040
7.08	Distribution of Value Added	319,016	260,040
7.08.01	Employees	16,615	27,345
7.08.01.01	Direct Remuneration	12,206	19,460
7.08.01.02	Benefits	2,252	3,947
7.08.01.03	FGTS	2,157	3,938
7.08.02	Taxes and Contributions	(70,381)	4,621
7.08.02.01	Federal	(71,946)	3,431
7.08.02.02	States	1,521	1,108
7.08.02.03	Municipal	44	82
7.08.03	Interest Expenses	849,679	655,885
7.08.03.01	Interest	849,389	655,284
7.08.03.02	Rentals	290	601
7.08.04	Own Capital Remuneration	(476,897)	(427,811)
7.08.04.03	Net Income/Loss for the Period	(476,897)	(427,811)

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Balance Sheet Assets

(In Reais Thousands)

Code	Description	Current Quarter 09/30/2016	Last Year 12/31/2015
1	Total Assets	639,039	814,031
1.01	Current Assets	153,613	235,735
1.01.01	Cash and Cash Equivalents	4,742	31,012
1.01.03	Accounts Receivable	43,100	62,330
1.01.03.01	Trade Receivables	43,100	62,330
1.01.04	Inventories	50,947	56,349
1.01.06	Recoverable Taxes	27,824	30,976
1.01.06.01	Recoverable Current Taxes	27,824	30,976
1.01.07	Prepaid Expenses	3,436	4,672
1.01.08	Other Current Assets	23,564	50,396
1.01.08.02	Assets Classified as Held for Sale	-	15,284
1.01.08.03	Other	23,564	35,112
1.01.08.03.02	Securities	1,148	1,163
1.01.08.03.03	Other Accounts Receivable	7,086	7,715
1.01.08.03.04	Advances to suppliers	15,330	26,234
1.02	Non-Current Assets	485,426	578,296
1.02.01	Long-Term Assets	97,328	101,754
1.02.01.09	Other Non-Current Assents	97,328	101,754
1.02.01.09.03	Judicial Deposits	24,215	22,275
1.02.01.09.04	Securities	5,565	5,640
1.02.01.09.05	Recoverable Taxes	36,826	40,455
1.02.01.09.06	Other Accounts Receivable	30,722	33,384
1.02.02	Investments	676	676
1.02.02.01	Investments in Affiliates	676	676
1.02.02.01.04	Other Investments	676	676
1.02.03	Property, Plant and Equipment	269,703	354,862
1.02.03.01	In Operations	221,466	274,009
1.02.03.03	In Progress	48,237	80,853
1.02.04	Intangible Assets	117,719	121,004
1.02.04.01	Intangible Assets	16,093	17,545
1.02.04.01.02	Software and Other Licenses	1,848	2,650
1.02.04.01.03	New Products Development	14,245	14,895
1.02.04.02	Goodwill	101,626	103,459

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Balance Sheet Liabilities and Equity

(In Reais Thousands)

Code	Description	Current Quarter 09/30/2016	Last Year 12/31/2015
2	Total Liabilities	639,039	814,031
2.01	Current Liabilities	886,941	211,624
2.01.01	Social and Labor Obligations	9,210	23,005
2.01.01.02	Labor Obligations	9,210	23,005
2.01.02	Suppliers	154,124	29,084
2.01.02.01	Domestic Suppliers	128,442	26,664
2.01.02.01.01	Suppliers - Subject to Judicial Recovery	111,048	-
2.01.02.01.02	Suppliers - Not Subject to Judicial Recovery	17,394	26,664
2.01.02.02	Export Suppliers	25,682	2,420
2.01.02.02.01	Suppliers - Subject to Judicial Recovery	24,227	-
2.01.02.02.02	Suppliers - Not Subject to Judicial Recovery	1,455	2,420
2.01.03	Tax	57,851	61,448
2.01.03.01	Federal Taxes	51,718	49,327
2.01.03.01.01	Income Tax and Social Contribution	659	2,462
2.01.03.01.02	Others Federal Taxes	51,059	46,865
2.01.03.02	State Taxes	5,158	11,212
2.01.03.03	Municipal Tax	975	909
2.01.04	Loans and Financing	319,461	31,145
2.01.04.01	Loans and Financing	231,589	31,145
2.01.04.01.01	Local Currency	217,636	15,194
2.01.04.01.02	Foreign Currency	13,953	15,951
2.01.04.02	Debentures - Subject to Judicial Recovery	87,872	-
2.01.05	Other Obligations	346,295	66,942
2.01.05.02	Other	346,295	66,942
2.01.05.02.06	Commissions Payable	865	1,131
2.01.05.02.07	Advances from Customers	2,901	3,783
2.01.05.02.08	Profit Sharing	-	767
2.01.05.02.10	Other Accounts Payable	22,131	19,259
2.01.05.02.11	Contractual Fines Provision - Subject to Judicial Recovery	119,341	-
2.01.05.02.12	Contractual Fines Provision	1,160	2,023
2.01.05.02.13	Bonds - Subject to Judicial Recovery	164,790	-
2.01.05.02.14	Obligations for Labor Risks and Creditors Class I- Subject to Judicial Recovery	35,107	39,979
2.02	Non-Current Liabilities	190,346	509,094
2.02.01	Loans and Financing	5,716	169,203
2.02.01.01	Loans and Financing	5,716	169,203
2.02.01.01.01	Local Currency	-	161,026
2.02.01.01.02	Foreign Currency	5,716	8,177
2.02.02	Other Obligations	15,637	89,983
2.02.02.02	Other	15,637	89,983
2.02.02.02.04	Taxes Payable	7,993	9,000
2.02.02.02.06	Other Accounts Payable	7,644	8,965
2.02.02.02.09	Domestic Suppliers Subject to Judicial Recovery	-	67,944
2.02.02.02.10	Export Suppliers Subject to Judicial Recovery	-	4,074
2.02.03	Deferred Tax	24,889	120,947
2.02.03.01	Deferred Income Tax and Social Contribution	24,889	120,947
2.02.04	Provisions	144,104	128,961
2.02.04.01	Social Security, Tax, Labor and Civil Provisions	126,282	125,301
2.02.04.01.01	Tax Provisions	51,010	49,219
2.02.04.01.02	Labor and Social Security Provisions	64,019	65,306
2.02.04.01.04	Civil Provisions	11,253	10,776
2.02.04.02	Other Provisions	17,822	3,660
2.02.04.02.04	Provision for Unfunded Liabilities in Subsidiaries	17,822	3,660
2.03	Shareholders' Equity	(438,248)	93,313
2.03.01	Share Capital	1,853,684	1,853,684
2.03.01.01	Share Capital	1,853,684	1,853,684
2.03.02	Capital Reserves	149,732	149,732
2.03.02.04	Stock Options	13,549	13,549
2.03.02.07	Capital Transaction Reserve	136,183	136,183
2.03.05	Accumulated Earnings / Losses	(2,509,768)	(2,036,774)
2.03.06	Equity Valuation Adjustments	68,104	126,671

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Income

(In Reals Thousands)

Code	Description	Q3 2016	YTD 2016	Q3 2015	YTD 2015
		07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
3.01	Net Revenue from Goods Sold and/or Services	31,394	107,414	66,739	215,886
3.02	Cost of Goods and/or Services Sold	(36,168)	(134,104)	(78,640)	(216,680)
3.03	Gross Profit	(4,774)	(26,690)	(11,901)	(794)
3.04	Operating Income/Expenses	(21,209)	(63,620)	(132,141)	(266,634)
3.04.01	Selling Expenses	(2,147)	(6,144)	(2,839)	(10,458)
3.04.02	General and Administrative Expenses	(9,849)	(33,126)	(14,957)	(43,512)
3.04.04	Other Operating Income	1,145	35,834	8,727	11,796
3.04.04.02	Other Operating Income	1,145	35,834	8,727	11,796
3.04.05	Other Operating Expenses	(436)	(50,262)	(125,653)	(226,670)
3.04.06	Equity Pick-up	(9,922)	(9,922)	2,581	2,210
3.05	Operating Income/Expenses Before Financial Results and Income Tax	(25,983)	(90,310)	(144,042)	(267,428)
3.06	Financial Results	(26,857)	(480,748)	(83,714)	(136,208)
3.06.01	Financial Income	14,234	398,779	263,060	590,352
3.06.01.01	Financial Income	2,758	6,553	1,202	3,272
3.06.01.02	Gain on Exchange Variance	11,476	392,226	261,858	587,080
3.06.02	Financial Expenses	(41,091)	(879,527)	(346,774)	(726,560)
3.06.02.01	Financial Expenses	(26,384)	(538,035)	(23,802)	(46,863)
3.06.02.02	Loss on Exchange Variance	(14,707)	(341,492)	(322,972)	(679,697)
3.07	Income Before Income Tax	(52,840)	(571,058)	(227,756)	(403,636)
3.08	Provision for Income Tax and Social Contribution	1,206	94,161	(2,278)	(2,212)
3.08.01	Current	(171)	(2,288)	(1,623)	(2,847)
3.08.02	Deferred	1,377	96,449	(655)	635
3.09	Net Income from Continuing Operations	(51,634)	(476,897)	(230,034)	(405,848)
3.10	Net income from Discontinued Operations	-	-	-	(21,963)
3.10.01	Income (Loss) from Discontinued Operations	-	-	-	(21,963)
3.11	Income/Loss for the Period	(51,634)	(476,897)	(230,034)	(427,811)
3.11.01	Parent Company's Interest	(51,634)	(476,897)	(230,034)	(427,811)
3.99.01.01	ON	(5,496,584)	(50,767,024)	(0,099,968)	(0,184,502)
3.99.02	Diluted Earnings per Share	-	-	-	-
3.99.02.01	ON	(5,496,584)	(50,767,024)	(0,099,968)	(0,184,502)

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Comprehensive Income

(In Reais Thousands)

Code	Description	Q3 2016 07/01/2016 to 09/30/2016	YTD 2016 01/01/2016 to 09/30/2016	Q3 2015 07/01/2015 to 09/30/2015	YTD 2015 01/01/2015 to 09/30/2015
4.01	Lucro Líquido do Período	(51,634)	(476,897)	(230,034)	(427,811)
4.02	Outros Resultados Abrangentes	2,350	(54,664)	(3,240)	104,402
4.02.01	Varição Cambial sobre Investimentos no Exterior	2,350	(54,664)	(3,240)	104,402
4.03	Resultado Abrangente do Período	(49,284)	(531,561)	(233,274)	(323,409)
4.03.01	Participação dos Acionistas Controladores	(49,284)	(531,561)	(233,274)	(323,409)

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Changes in Shareholders' Equity - 01/01/2016 to 09/30/2016

(In Reals Thousands)

Code	Description	Share Capital	Capital Reserves, Stock Options and Treasury Shares	Accumulated Profit/Loss	Other Comprehensive Income	Consolidated Shareholders' Equity
5.01	Opening Balance	1,853,684	149,732	(2,036,774)	126,671	93,313
5.03	Adjusted Balance	1,853,684	149,732	(2,036,774)	126,671	93,313
5.05	Comprehensive Income	-	-	(472,994)	(58,567)	(531,561)
5.05.01	Net Income / Loss for the Period	-	-	(476,897)	-	(476,897)
5.05.02	Other Comprehensive Income	-	-	3,903	(58,567)	(54,664)
5.05.02.04	Exchange Variation on Investments Abroad	-	-	-	(54,664)	(54,664)
5.05.02.06	Achievement of the Valuation Adjustment	-	-	3,903	(3,903)	-
5.07	Ending Balance	1,853,684	149,732	(2,509,768)	68,104	(438,248)

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Changes in Shareholders' Equity - 01/01/2015 to 06/30/2015

(In Reais Thousands)

Code	Description	Share Capital	Capital Reserves, Stock Options and Treasury Shares	Accumulated Profit/Loss	Other Comprehensive Income	Consolidated Shareholders' Equity
5.01	Opening Balance	1,853,684	149,732	(1,899,939)	(8,119)	95,358
5.03	Adjusted Balance	1,853,684	149,732	(1,899,939)	(8,119)	95,358
5.05	Comprehensive Income	-	-	(427,811)	104,402	(323,409)
5.05.01	Net Income / Loss for the Period	-	-	(431,051)	-	(431,051)
5.05.02	Other Comprehensive Income	-	-	3,240	104,402	107,642
5.05.02.04	Exchange Variation on Investments Abroad	-	-	-	107,642	107,642
5.05.02.06	Achievement of the Valuation Adjustment	-	-	3,240	(3,240)	-
5.07	Ending Balance	1,853,684	149,732	(2,327,750)	96,283	(228,051)

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Cash Flow - Indirect Method

(In Reais Thousands)

Code	Description	YTD 2016	YTD 2015
		01/01/2016 to 09/30/2016	01/01/2015 to 09/30/2015
6.01	Cash Flow from Operating Activities	(75,886)	3,234
6.01.01	Cash Flow from Operating	(35,568)	(95,553)
6.01.01.01	Net Loss for the Period	(476,897)	(427,811)
6.01.01.02	Depreciation and Amortization	37,039	37,817
6.01.01.04	Equity Pick-up	9,922	(2,210)
6.01.01.05	Result on Sale of Fixed Assets	11,702	(1,465)
6.01.01.06	Financial Expenses, Net	84,565	125,678
6.01.01.07	Extraordinary Losses and Adjustment to Market Value with Inventories	3,647	-
6.01.01.08	Deferred Income Tax and Social Contribution	(94,161)	(477)
6.01.01.09	Impairment of Assets	-	144,360
6.01.01.10	Loss (Gain) on Sale of Investment	(13,315)	21,788
6.01.01.11	Inventory Obsolescence	6,464	4,481
6.01.01.12	Contractual Fines Provision	1,588	1,742
6.01.01.13	Allowance for Doubtful Accounts	(270)	544
6.01.01.14	Effective Losses on Doubtful Accounts	(640)	-
6.01.01.15	Present Value Adjustment	394,788	-
6.01.02	Change in Assets and Liabilities	(40,318)	98,787
6.01.02.01	Accounts Receivable	16,088	9,040
6.01.02.02	Inventories	(5,150)	4,266
6.01.02.03	Recoverable Taxes	1,867	5,404
6.01.02.04	Other Assets	25,904	2,820
6.01.02.05	Suppliers	(8,354)	20,314
6.01.02.06	Taxes Payable	(22,669)	3,433
6.01.02.07	Others	(48,004)	53,510
6.02	Cash Flow from Investing Activities	27,185	9,934
6.02.03	Acquisition of Property, Plants and Equipments	(2,596)	(3,942)
6.02.04	Acquisition to Intangibles	(89)	(1,732)
6.02.05	Securities-Restricted	1,225	774
6.02.06	Disposal of Discontinued Operations Net of Cash	-	11,922
6.02.09	Proceeds from Sales of Investments	28,599	-
6.02.11	Proceeds from Disposals of Property, Plants and Equipments	46	2,912
6.03	Cash Flow from Financing Activities	22,433	(14,700)
6.03.01	Proceeds from Loans and Financing	58,392	146,816
6.03.07	Payments of Loans and Financing - Principal	(33,682)	(155,959)
6.03.08	Payments of Loans and Financing - Interest	(2,277)	(5,557)
6.04	Exchange Variation on Cash Equivalents	(2)	21
6.05	Increase/Decrease in Cash and Cash Equivalents	(26,270)	(1,511)
6.05.01	Cash and Cash Equivalents at the Beginning of Period	31,012	3,581
6.05.02	Cash and Cash Equivalents at the End of Period	4,742	2,070

ITR - INTERIM FINANCIAL INFORMATION - Q3 2016 - 09/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Cash Flow - Indirect Method

(In Reais Thousands)

Code	Description	YTD 2016	YTD 2015
		01/01/2016 to 09/30/2016	01/01/2015 to 09/30/2015
7.01	Revenue	156,340	263,419
7.01.01	Sales of Goods, Products and Services	120,236	237,520
7.01.02	Other Revenues	35,834	27,269
7.01.02.01	Revenue from Sale of Investments	28,599	15,477
7.01.02.02	Other Revenues	7,235	11,792
7.01.04	Allowance for Doubtful Accounts	270	(1,370)
7.02	Consumables Acquired from Third Parties	(99,166)	(357,525)
7.02.01	Cost of Products, Goods and Services Sold	(9,300)	(34,057)
7.02.02	Materials, Energy, and Other Outsourced Services	(39,604)	(59,538)
7.02.03	Loss / Recovery of Assets	-	(144,250)
7.02.04	Other Expenses	(50,262)	(119,680)
7.02.04.01	Low Investment for Sale	(15,284)	(37,260)
7.02.04.02	Other	(34,978)	(82,420)
7.03	Gross Value Added	57,174	(94,106)
7.04	Retentions	(37,039)	(37,817)
7.04.01	Depreciation and Amortization	(37,039)	(37,817)
7.05	Net Value Added Generated by the Company	20,135	(131,923)
7.06	Value Added Received by Transfer	388,857	592,637
7.06.01	Equity Pick-up	(9,922)	2,210
7.06.02	Financial Income	398,779	590,427
7.07	Total Value Added to be Distributed	408,992	460,714
7.08	Distribution of Value Added	408,992	460,714
7.08.01	Employees	76,468	130,523
7.08.01.01	Direct Remuneration	51,585	99,207
7.08.01.02	Benefits	12,336	18,883
7.08.01.03	FGTS	12,547	12,433
7.08.02	Taxes and Contributions	(72,820)	29,217
7.08.02.01	Federal	(77,872)	22,885
7.08.02.02	States	3,308	3,722
7.08.02.03	Municipal	1,744	2,610
7.08.03	Interest Expenses	882,241	728,785
7.08.03.01	Interest	879,527	726,749
7.08.03.02	Rentals	2,714	2,036
7.08.04	Own Capital Remuneration	(476,897)	(427,811)
7.08.04.03	Net Income/Loss for the Period	(476,897)	(427,811)

Explanatory notes to financial statements as of September 30, 2016.

(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 688 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 57.4% of the Company’s net revenues for the period of nine months ended in September 30, 2016 (56.9% for the period of nine months ended in September 30, 2015). 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), was approved by the Board of Directors for the application of the Company's judicial recovery, in accordance with Article 122, paragraph one, of Law 6.404/76, despite the Administration's efforts in negotiating with creditors and the search for potential investors to balance the demands of working capital and CAPEX, and also, due to the unfavorable economic climate in the oil and gas sector, especially after the sharp fall in oil barrel price in the international market, and the crisis brought on Petrobras, the Company's main customer, which has been negatively impacted on the whole industry supply chain.

On the same date, Lupatech S/A and its subsidiaries: Lupatech Finance Limited; Amper Amazonas Perfurações Ltda; Itacau Agenciamentos Marítimos; Lochness Participações S/A; Lupatech - Equipment e Serviços para Petróleo Ltda; Lupatech – Perfuração e Completação Ltda; Matep S/A Máquinas e Equipamentos; Mípel Indústria e Comércio de Válvulas Ltda; Prest Perfurações; Sotep Sociedade Técnica de Perfuração S/A, filed in the District of São Paulo, the request for court-supervised reorganization 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.

The deadline for exercising the option to receive, or modification of loans subject to the Judicial Recovery Plan by unsecured creditors and collateral ended in March 10, 2016.

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

The Lupatech Group, on July 14, 2016, presented manifestation in the case records of Judicial Recovery pleading the extension of the "stay period", in view of the provision granted to the Impairments and the consequent annulment of the Plan, which was granted On July 18, 2016 for a term of 90 days.

The Lupatech Group opposed the requests for clarification to pre-questioning purposes to Judgements, aimed at preparing future special appeal to the Superior Court of Justice of São Paulo.

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

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

On November 8, 2016, the General Meeting of Creditors of the Lupatech Group approved the New Judicial Recovery Plan. For purposes of effect, the New Plan must be ratified by the First Judge of the 1st Bankruptcy Court, Judicial Recoveries and Arbitration related Disputes of the County of São Paulo.

The Company defend the maintenance of the plan approved in a court of first instance on December 11, 2015 and annulled by decision of the 2nd Reserved Chamber of Business Law of the Court of Justice of the State of São Paulo originally presented.

II. *About the Judicial Recovery Plan approved and ratified on December 11, 2015 by D. Judge of the 1st Bankruptcy Court, Judicial Recovery and Conflict Relating to the Arbitration of the County of São Paulo and later annulled by decision of the 2nd Reserved Chamber of Business Law of the Court of Justice of the State of São Paulo.*

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 would 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 would 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 gave to 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 would be paid within a period of one year from the date of court 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: Payments will be made in cash, and may the Lupatech Group avail himself of the payment provided for in Article 50, section XVI, the Bankruptcy Law.

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

The Lupatech Group could anticipate the payment of workers' claims, 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 would 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 would 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, the Lupatech Group could, at any time and upon approval by the respective creditor with collateral, perform full or partial payment of the balance of the secured loans through dation payment: (i) any of the assets pledged as collateral to the creditor with collateral; (ii) any assets contained in the list of Isolated Productive Units "UPIs" mentioned in the Plan; and (iii) claims held by the Lupatech group, in an amount sufficient to cover the balance of the secured loans; or by delivery of the proceeds from the sale of any asset data in real guarantees in favor of the creditor with collateral, is under the plan, with judicial authorization, or under Article 60 of the Bankruptcy Law.

d. *Restructuring of unsecured credits*

The unsecured credits would 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 would 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 would 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 which tangible guarantee 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 guarantee 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 would 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 would suffer the incurrance 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 could, 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 could be obtained by any means deemed convenient by Lupatech Group, including through (i) issuance of shares representing the capital of by any company of Lupatech Group; (ii) issuance of debentures, including those convertible into shares representing the capital of by any company of Lupatech Group; (iii) issuance of subscription bonus by any company of Lupatech Group; (iv) issuance of deeds representing debts abroad, whether by any company of Lupatech Group or by any company, in Brazil or abroad, including controlled by any company of Lupatech Group, and that can be converted into capital of the issuing company; (v) sale of assets, including IPUs, of Lupatech Group; (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, Lupatech Group could 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 could 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)*

The Lupatech Group could, 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) Assets that have suffered natural wear resulting from regular activity or that, for any reason, have become unserviceable for the intended use; (iv) Assets that have become outdated or unnecessary for Lupatech Group activities; (v) Assets whose value, individual or joint, does not exceed the sum of R\$20,000 per annum; and (vi) Assets that are not essential for conduction of Lupatech Group'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 would 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, Lupatech Group 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 Lupatech Group and of new debt instruments, where applicable.

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

Any sales of IPUs would be made through competitive proceeding. In any case, the sale would 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. Lupatech Group may, at its discretion, opt of any modalities of Competitive Proceeding.

During the term of judicial recovery plan the following main measures have been implemented by the Company:

- a) Payment of Class 1 creditors, limited to the amount per individual of R\$3,940.00 reais (5 minimum wages) in December 2015;
- b) Debt Concentration tender of Brazilian companies in the economic group Lupatech S/A, as principal payer, having remained solidarity of other recuperandas companies;
- c) Sale of interest in society Vicinay Marine, S.L. in the amount of R\$28,599 in March 2016, as described in Note 1.2.

III. Annulment process of Judicial Recovery Plan of Lupatech Group

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

Such annulment decision was based on which plan should not contain different payment options, which would be at the discretion of each creditor at a time subsequent to the General Meeting of Creditors, since the approval decision of the Plan would be devoid of determined content for each Which would prevent the novation of the obligations, inherent to the act of approval of the Plan, due to the uncertainty as to the terms in each creditor would be bound.

Noteworthy is also that the 2nd Chamber decided the annulment of some ancillary provisions contained in the Judicial Recovery Plan, and interpreted the conjunction of payment deadlines, the lack of indexation and the proposed interest rates would not be reasonable and would entail excessive sacrifice to creditors.

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

The Lupatech Group understands, based on the opinion of its legal advisors, that the Judicial Recovery Plan is fully valid and fully disagrees with the terms of the judgments rendered. However, in compliance with the current judicial decision, filed, on September 5, 2016, a New Judicial Recovery Plan, in the records of origin. The new Plan, prepared in accordance with parameters determined by the 2nd Restricted Chamber of Business Law of the Court of Justice of

the State of São Paulo, was approved at the General Meeting of Creditors of the Lupatech Group on November 8, 2016. Nevertheless, the Company Persists in defending the Judicial Recovery Plan originally presented.

IV. *On the New Judicial Recovery Plan, presented on September 5, 2016, within the scope of the judicial reorganization process that is filed before the 1st Bankruptcy Court, Judicial Regeneration and Conflicts Related to Arbitration of the County of São Paulo, in compliance with the determination of the 2nd Restricted Chamber of Business Law of the Court of Justice of the State of São Paulo, at the trial of the aggravations of instrument n° 2011357-84.2016.8.26.0000 and 2011783-96.2016.8.26.0000, which annulled the homologation decision of the plan previously approved by the creditors In assembly.*

The purpose of the adoption of the specific reorganization measures provided for below by the Plan is: (i) to renegotiate Lupatech Group's liabilities allowing the future release thereof; (ii) to allow the entering of cash flow to keep and develop Lupatech Group's activities; (iii) to dispose of certain assets considered not essential to Lupatech Group's economic activities; (iv) to obtain new funds from capital market to expedite the reorganization; and (v) by raising Lupatech Group, to allow the creation of jobs and the payment of taxes.

a. *Reorganization measures*

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

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

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

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

Lupatech shall issue approximately three million subscription warrants, which, if vested, shall be converted into three million shares equal to approximately 34% of the current capital stock of

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

In the event any capital increase allows for the capitalization of claims Subject to the Plan, the exercise of the right to participate in such capital increase shall always be optional for the Creditors, and shall always be granted equally to each class of Creditors Subject to the Plan or to the entire base of Creditors Subject to the Plan. In case the same capital increase contemplates both the Creditors Subject to the Plan and third party investors, the subscription conditions of the Shares offered shall be the same to both of them.

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

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

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

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

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

Any disposals of UPIs by means of Bidding shall be performed in accordance with the provisions of the respective notices, as set forth in the Bankruptcy Law, in compliance with all other

conditions set forth in this Plan. The Lupatech Group may at its sole discretion elect any of the Bidding types set forth in Articles 142 through 145 of the Bankruptcy Law.

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

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

Disposal of assets of non-reorganizing companies: The Lupatech Group may further dispose of assets owned by foreign companies in which it holds an equity interest or control which are not part of the Judicial Reorganization. The net proceeds from such disposals shall be deposited in the cash of the Reorganizing Parties, and used to pay labor, tax, social security and obligations set forth in the Plan.

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

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

Approval for disposal of assets: Without prejudice to the events of disposal of assets and Disposal of assets given as collateral or fiduciary guarantee, any other type of disposal, replacement or burdening of assets shall be authorized upon authorization of the Reorganization Court or approval by the Creditors Meeting, in accordance with the terms of the law and contracts applicable to such assets. Upon completion of the Judicial Reorganization, the Lupatech Group may freely dispose of any fixed or current assets observing the liens applicable to such assets, and the restrictions set forth in this Plan or Article 66 of the Bankruptcy Law shall no longer be applicable, but subject to usual restrictions set forth in bylaws and articles of association of the companies of the Lupatech Group and new debt instruments, as the case may be.

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

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

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

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

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

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

c. *Restructuring of the labor claims*

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

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

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

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

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

d. *Restructuring of the Collateral Claims*

The provisions of this Chapter apply to Collateral Claims only, regardless of their amount, nature or the amount of their guarantee. The payment measures established for Collateral Creditors are intended to (i) proceed with settlement of a substantial portion of the Collateral Claim by means

of payment in cash; and, additionally, (ii) enable the Collateral Creditor to benefit from the economic recovery pursued by the Lupatech Group by means of exercise of the Subscription Warrants offered in exchange of a portion of their Claim.

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

- **Payment in cash:** Payment of 65% of the amount of the respective Collateral Claim, including principal and interest and charges incurred, within 15 years, in accordance with the payments flow established in the Plan, with the first installment of principal maturing 23 months as from the Judicial Ratification of the Plan. The amount of the Collateral Claims shall be accrued by interest and monetary restatement equivalent to a variable fee equivalent to the Reference Rate (TR) + 3% per annum, to be paid thirty (30) days after maturity of the first installment of the principal.
- **Subscription Warrants:** Payment of 35% of the amount of the respective Collateral Claim, equivalent to the outstanding balance of principal, by means of giving in payment of Subscription Warrants, being understood that, for each one hundred Reais of Collateral Claim, a Subscription Warrant shall be delivered with the characteristics described in the Plan. The Subscription Warrants shall be issued and made available to the Collateral Creditor within 24 months as from the Judicial Ratification of the Plan, and may be disposed of by the Collateral Creditor to any third parties in the BOVESPA environment. The quantity of Subscription Warrants to be delivered shall be adjusted proportionally, in minor or in excess, upon occurrence of bonus, splitting or grouping of the shares of Lupatech.

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

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

e. Restructuring of the unsecured claims

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

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

- **Payment in cash:** Payment of 50% of the amount of the respective Unsecured Claim, including principal and interest and charges incurred, within 15 years, in accordance with the payments flow established in Exhibit 5.2.1, which covers an initial fixed installment of five hundred Reais per Unsecured Creditor qualified in the List of Creditors, to be paid

13 months as from the Judicial Ratification of the Plan, and proportional installments of the principal, with the first installment maturing 23 months as from the Judicial Ratification of the Plan. The amount of the Unsecured Claims shall be accrued by interest and monetary restatement at a variable fee equivalent to the TR + 3% per annum, to be paid 30 days after maturity of the first installment of the principal.

- **Subscription Warrants:** Payment of 50% of the amount of the respective Unsecured Claim, equivalent to the outstanding balance of principal, by means of giving in payment of Subscription Warrants, being understood that, for each one hundred Reais of Unsecured Claim, a Subscription Warrant shall be delivered with the characteristics described in the Plan. The Subscription Warrants shall be issued and made available to the Unsecured Creditor within 24 months as from the Judicial Ratification of the Plan, and may be disposed of by the Unsecured Creditor to any third parties in the BOVESPA environment. The quantity of Subscription Warrants to be delivered shall be adjusted proportionally, in minor or in excess, upon occurrence of bonus, splitting or grouping of the shares of Lupatech.

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

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

The Lupatech Group shall ensure payment in cash, of at least two thousand Reais per Unsecured Creditor, up to the limit of the amount of their Unsecured Claim. In the event that said minimum

amount exceeds the proportion of 50% of the Unsecured Claims, the amount in excess shall be deducted from the installment to be paid as Subscription Warrants.

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

- **Payment in cash:** Payment of 50% of the amount of the respective Unsecured Claim, including the principal amount and interest and charges incurred, by means of delivery of New Notes, which shall provide for the payment of their par value within a term of 15 years according to the payment flow provided in the Plan, which comprises an initial fixed installment of five hundred Reais per Unsecured Creditor qualified under the Creditors List to be paid 13 months after the Judicial Ratification of the Plan and the proportional installments of the principal amount, the first one to be due 23 months after Judicial Ratification of the Plan. The installments ascertained in Reais provided in the Plan shall be converted into foreign currency on the payment date by the official foreign exchange rate of the Central Bank of the previous Business Day. The amount of the Unsecured Claims shall be levied with interest equivalent to a fixed rate corresponding to 0.4% per year, to be paid 30 days after the maturity of the last installment of the principal amount, jointly with the foreign exchange variation, if any. The foreign exchange variation shall be ascertained based on the difference between the original amount of the Unsecured Claim referred to in foreign currency and the amounts actually paid in foreign currency.
- **Subscription Warrants:** Payment of 50% of the amount of the respective Unsecured Claim, equivalent to the remaining balance of the principal amount, by means of delivery in payment of Subscription Warrants, and for each one hundred Reais of Unsecured Claim, a Subscription Warrant shall be delivered with the characteristics described in the Plan. The Subscription Warrants shall be issued and made available to the Unsecured Creditor within up to 24 months after the Judicial Ratification of the Plan, and may be disposed of at any time by the Unsecured Creditor to any third parties in the environment of BOVESPA. The number of Subscription Warrants to be delivered shall be proportionally adjusted up or down in case of the existence of stock dividend, split or combination of Lupatech's shares.

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

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

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

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

f. Restructuring of Micro Business Company (ME) and Small Business Company (EPP) Claims

The purpose of the payment measures provided for ME and EPP Creditors is (i) to release a substantial portion of the ME and EPP Claim by means of payment in currency; and (ii) to allow the ME and EPP Creditor to benefit from the economic raising sought by Lupatech Group upon exercise of the Subscription Warrants offered in exchange for a portion of the Claim thereof.

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

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

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

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

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

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

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.

The Company was successful in certain measures implemented since the filing of the Judicial Recovery application which enabled the injection of substantial resources in its operations. Among such measures, has highlighted the receipt of substantial amounts of its main customer (R\$36,951 in December 2015) and the sale of equity (R\$28,599 in March 2016). Outas measures contained in the plan were implemented refer to sales of fixed assets of the company, and the concentration of open competition debt of Brazilian companies in the economic group in Lupatech S/A, as principal payer, having remained solidarity of other recovering companies.

During the course of the year, the Company was able to inject capital and execute the investments required for its operations. However, in any scenario developed by management, estimates indicate the need to obtain additional financial resources to raise working capital levels to support the resumption of operations. Certain business units have had their operations substantially affected by market conditions of Gas and Oil and the impact of the judicial recovery process, and their level of activity and its limited operational performance. The Company's assessment, these units will again operate as expected as the business environment normalizes, whenever the resources necessary for their working capital are granted.

The Company Management has conducted actions and negotiations, with the support of its financial advisors, which may include capital transactions and/or divestitures of assets, among others, in order to obtain financial resources. During 2016, Management continued negotiations that were already under way and considering the progress and current status of these actions, management expects that additional resources will be made during 2016 and 2017.

On March 7, 2016 the Company concluded the sale of the equity interest held by the Company in Spanish company Vicinay Marine, SL, relating to 55,135 shares, representing 4.28% Vicinay's capital stock, receiving for this negotiation the amount of R\$28,599 in same month. 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.

The Company's Management seeks to overcome the Lupatech Group's economic and financial crisis and restructure its business through the judicial recovery process, in accordance with the judicial recovery plan presented to its creditors, with the objective of preserving its business activity, maintaining its position as one of the most important economic groups in Brazil related to the oil and gas sector, as well as to remain as a source of wealth generation, taxes and jobs.

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.

In compliance with CVM Circular Letter nº 003/2011, of April 28, 2011, below are presented the explanatory notes included in the most recent annual financial statements (fiscal year ended in December 31, 2015), which, in view of the absence of significant changes for the period of nine months ended in September 30, 2016, are not included in full form in these interim financial statements:

Explanatory notes not included for the period of nine months ended September 30, 2016	Location of the note in full annual financial statements for the fiscal year 2015
Main accounting practices	Note nº 3
Taxes payable - Non-current	Note nº 19

The issue of individual and consolidated financial statements has been approved by the Board of Directors on November 11, 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 company did not have changes of participation in subsidiaries during the period of nine months ended in September 30, 2016.

2.4.2 Jointly-owned subsidiaries

During the period of nine month ended September 30, 2016 were realized the following changes: (i) sale of the interest in Aspro Serviços Centro Ltda., and; (ii) merger of Compressores Panamericanos S.R.L. With Delta Compresión S.R.L., these being the only changes in jointly controlled companies joint venture, as shown below:

<u>Jointly-owned subsidiaries</u>	<u>Direct and indirect participation (%)</u>	
	<u>09/30/2016</u>	<u>12/31/2015</u>
<u>Direct participation</u>		
Luxxon Participações S.A. - (Brazil) (*)	43.71	43.71
<u>Indirect participation</u>		
Aspro do Brasil Sistemas de Compressão p/GNV Ltda. - (Brazil) (*)	43.71	43.71
Compressores Panamericanos S.R.L. - (Argentina) (*) (***)	-	43.71
Delta Compresión S.R.L. - (Argentina) (*)	43.71	43.71
Aspro Serviços Centro Ltda. - (Brazil) (*) (**)	-	43.71

(*) Joint Venture

(**) Company sold.

(***) Company merged with Delta Compression S.R.L.

2.4.3 Companies comprising the consolidated statements

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

Direct and indirect subsidiaries	Direct and indirect participation (%)	
	09/30/2016	12/31/2015
<u>Direct participation</u>		
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
<u>Indirect participation</u>		
Recu S.A. - (Argentina)	5.00	5.00
Lupatech Netherlands Coöperatief U.A. - (Netherlands)	97.71	97.71
Lupatech OFS S.A.S. - (Colombia)	100.00	100.00
Lupatech Perfuração e Completação Ltda.- In Judicial Recovery - (Brazil)	100.00	100.00
Sotep Sociedade Técnica de Perfurações S/A - In Judicial Recovery - (Brazil)	100.00	100.00
Prest Perfurações Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
Itacau Agenciamentos Marítimos Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
Matep S.A. Máquinas e Equipamentos - In Judicial Recovery - (Brazil)	100.00	100.00
Amper Amazonas Perfurações Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
UNAP International Ltd. - (Cayman)	100.00	100.00

3 Standards, amendments and interpretations to Standards

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

A series of new accounting standards, alterations to standards and interpretation were to have taken effect for 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.

4 Cash and cash equivalents and Securities

Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

	Parent		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
<u>Cash and banks</u>				
Brazil	13	8	3,536	22,671
Abroad	45	55	1,138	5,262
	<u>58</u>	<u>63</u>	<u>4,674</u>	<u>27,933</u>
<u>Financial Investments</u>				
Bank deposit certificate	68	3,062	68	3,079
	<u>68</u>	<u>3,062</u>	<u>68</u>	<u>3,079</u>
Cash and cash equivalents	<u>126</u>	<u>3,125</u>	<u>4,742</u>	<u>31,012</u>

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

Securities – restricted account

On September 30, 2016 the Company owned a balance of R\$1,148, registered as "Marketable securities - restricted" in current assets, and R\$5,565 in the non-current assets (R\$1,163 in current assets, and R\$5,640 in the non-current assets on December 31, 2015), relating to security deposit the payment of any liabilities compensable as clause contract of sale of the unit Metallurgical Ipe for Duratex, called "Escrow Account", applied to the CBD.

5 Trade receivables

	Parent		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Local market	16,931	18,856	41,619	56,326
Export	2,369	3,805	7,007	12,440
	19,300	22,661	48,626	68,766
Less: allowance for doubtful accounts	(4,114)	(4,778)	(5,526)	(6,436)
	15,186	17,883	43,100	62,330

6 Inventories

	Parent		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Finished goods	3,195	8,161	9,750	17,016
Goods for resale	1,659	323	5,406	3,502
Work in progress	9,228	8,975	15,456	15,199
Raw material	21,686	20,867	57,280	51,113
Losses on inventory obsolescence	(12,175)	(6,975)	(36,945)	(30,481)
Total	23,593	31,351	50,947	56,349

In the nine months ended in September 30, 2016 were recognized in the result, losses on inventories obsolescence in the amount of R\$5,200 in parent and R\$6,464 in consolidated.

In the nine months ended in September 30, 2015 were recognized in the result, losses on inventories obsolescence in the amount of R\$3,341 in parent and R\$4,481 in consolidated.

7 Recoverable taxes

	Parent		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Value-added Tax on Sales and Services (ICMS) recoverable	13,626	13,806	14,161	14,632
Excise Tax (IPI) recoverable	1,475	1,484	1,840	1,854
Social Integration Program (PIS) recoverable	631	658	1,211	1,253
Social Contribution on Revenues (COFINS) recoverable	3,131	3,247	4,837	5,816
Corporate Income Tax (IRPJ) advances	-	-	11,539	19,829
IRF and IRPJ recoverable	624	851	32,618	27,877
CSLL recoverable	48	281	5,656	6,647
National Institute of Social Security (INSS) Contribution recoverable	44	41	826	1,183
Service tax (ISS) recoverable	-	-	50	463
Other	102	-	261	226
Provision for non-recovery of taxes	(8,349)	(8,349)	(8,349)	(8,349)
Total	11,332	12,019	64,650	71,431
Current	5,341	5,869	27,824	30,976
Non-Current	5,991	6,150	36,826	40,455

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 September 30, 2016 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.

8 Other accounts receivable

On September 30, 2016, the Company had amounts recorded as other receivables in current assets in the amount of R\$3,858 (R\$1,260 at December 31, 2015) in the Parent and R\$7,086 (R\$7,715 at December 31, 2015) in the consolidated, which is composed as follows:

	Parent		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Travel advances	3	4	51	106
Advances to employees	597	850	874	1,487
Profits and dividends receivable	2,913	-	4,577	1,664
Receiving insurance and accident	138	174	138	174
Other receivables	207	232	1,446	4,284
Total	3,858	1,260	7,086	7,715

On September 30, 2016 the Company has the balance recorded as other receivables in non-current assets in the amount of R\$6,575 (R\$6,130 at December 31, 2015) in the Parent and R\$30,722 (R\$33,384 at December 31 2015) in the consolidated, which is composed as follows:

	Parent		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Loans receivable from related Unifit	6,425	5,992	6,425	5,992
Loans receivable from related Luxxon	150	138	5,545	5,144
Receivables from San Antonio International	-	-	13,959	16,791
Accounts receivable related to investment sale	-	-	4,315	4,979
Other receivables	-	-	478	478
Total	6,575	6,130	30,722	33,384

On September 30, 2016 the Company had accounts receivable from San Antonio International related to the sale of fixed assets in the amount of R\$13,959 (R\$16,791 at December 31, 2015), where part of that amount may be offset by amounts related to services provided by the San Antonio International to the Company.

9 Investments

9.1 Investments in subsidiaries and associated companies

	Parent		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
In affiliates	299,686	448,991	-	-
Goodwill on acquisition of investments (Note 10)	6,065	6,065	-	-
Total	305,751	455,056	-	-

	Mipel	Recu	LESP	Finance	Finance II	LNC	LOFS	Lochness	Parent	
									09/30/2016	12/31/2015
Investment data										
Amount of share or quotas										
Ordinary shares (thd)	-	3,000	-	-	-	-	-	619,895		
Capital stock quotas (thd)	18,717	-	379,174	50	1	-	-	-		
Participation %	100	95	100	100	100	2,29	100	100		
Shareholders' equity (Unfunded liabilities)	14,509	957	32,736	118,572	3	14,377	38,810	15,090		
Income (Loss) for the year	(1,257)	-	(7,737)	35,289	-	(1,805)	(12,901)	(41,103)		
Changes in investments										
Beginning balance	15,419	1,287	144,462	168,546	3	764	54,792	63,718	448,991	151,125
Increase / Subscription of capital	-	-	-	-	-	-	-	-	-	200,265
Future capital increase	4,320	-	(1,326)	-	-	-	-	(7,093)	(4,099)	137,739
Equity pick-up result	(1,286)	-	(7,738)	(28,798)	-	(41)	(12,901)	(41,103)	(91,867)	(70,955)
Reclassification of unfunded liabilities	-	-	-	-	-	-	-	-	-	(50,393)
Equity evaluation adjustments	-	(378)	(59,588)	(21,176)	-	(394)	(3,081)	31,278	(53,339)	79,817
Changes from disinvestment	-	-	-	-	-	-	-	-	-	1,393
Final balance	18,453	909	75,810	118,572	3	329	38,810	46,800	299,686	448,991

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

The equity pick-up result is composed as follow:

	Parent			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
In affiliates	10,134	(137,379)	(91,867)	(187,011)
In joint venture	(9,922)	2,581	(9,922)	2,210
	<u>212</u>	<u>(134,798)</u>	<u>(101,789)</u>	<u>(184,801)</u>

	Consolidated			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
In joint venture	(9,922)	2,581	(9,922)	2,210
	<u>(9,922)</u>	<u>2,581</u>	<u>(9,922)</u>	<u>2,210</u>

9.2 Investments in jointly controlled entities (joint venture)

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

On September 30, 2016, the Company recognized investments in joint ventures related to Luxxon Participações S/A, as a provision for unfunded liabilities in the amount of R\$17,822 (R\$3,660 at December 30, 2015).

Investments in jointly controlled are measured by the equity method.

The following is a summary of the main financial information used to recognize the equity method:

	Joint controlled entities	
	09/30/2016	12/31/2015
ASSETS		
CURRENT ASSETS	66,233	114,282
Cash and cash equivalents	1,894	7,879
Clients	5,418	28,593
Inventories	29,781	37,988
Recoverable taxes	27,077	32,226
Other assets	2,063	7,596
NON-CURRENT ASSETS	54,225	78,928
Fixed assets	15,500	22,036
Other assets	38,725	56,892
TOTAL ASSETS	120,458	193,210
LIABILITIES		
CURRENT LIABILITIES	87,871	101,866
Suppliers	27,313	33,261
Loans and financing	17,882	7,348
Advances from customers	22,504	29,897
Taxes payable	2,240	3,754
Other obligations	17,932	27,606
NON-CURRENT LIABILITIES	40,365	57,787
Loans and financing	27,157	38,891
Deferred income tax and social contribution	5,409	7,664
Provision for contingencies	5,698	8,666
Other obligations	2,101	2,566
SHAREHOLDERS' EQUITY	(7,778)	33,557
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	120,458	193,210

9.3 Other investments

Investment in company Vicinay Marine S.L.

On March 7, 2016, the Company concluded the sale of the equity interest held by the Company in Spanish Company Vicinay Marine, SL, relating to 55,135 shares, representing 4.28% Vicinay's capital stock, receiving for this negotiation the amount of R\$28,599 in same month.

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.

10 Property, plant and equipment

	Weighted average rate of depreciation % p.a.	Parent		Consolidated	
		09/30/2016	12/31/2015	09/30/2016	12/31/2015
		Net	Net	Net	Net
Land	-	12,336	12,336	13,041	13,057
Building and construction	2%	31,413	32,081	42,420	43,479
Machinery and equipment	9%	29,813	32,884	140,480	188,257
Molds and matrixes	15%	814	1,024	957	1,187
Industrial facilities	5%	7,287	7,719	9,117	9,604
Furniture and fixtures	9%	1,226	1,404	2,380	2,825
Data processing equipments	14%	232	333	474	767
Improvements	2%	201	250	1,534	1,680
Vehicles	19%	138	148	918	2,377
Casks	-	1	2	7	9
Advances for fixed assets acquisitions	-	11	10	10,138	10,767
Construction in progress	-	661	306	48,237	80,853
Total		84,133	88,497	269,703	354,862

Bellow is the breakdown of property, plants and equipments:

Parent									
	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
Gross Cost									
Balance on December 31, 2015	12,336	39,257	90,351	11,712	3,888	3,896	306	483	162,229
Additions	-	-	84	12	6	47	430	14	593
Transfers	-	-	75	-	6	-	(75)	-	6
Disposal	-	-	(23)	-	(11)	-	-	-	(34)
Balance on September 30, 2016	12,336	39,257	90,487	11,724	3,889	3,943	661	497	162,794
Parent									
	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
Acculated depreciation									
Balance on December 31, 2015	-	(7,176)	(56,443)	(3,743)	(2,484)	(3,563)	-	(323)	(73,732)
Additions	-	(668)	(3,437)	(493)	(184)	(148)	-	(24)	(4,954)
Transfers	-	-	-	-	(6)	-	-	-	(6)
Disposal	-	-	20	-	11	-	-	-	31
Balance on September 30, 2016	-	(7,844)	(59,860)	(4,236)	(2,663)	(3,711)	-	(347)	(78,661)
Parent									
	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
Net property, plant and equipment									
Balance on December 31, 2015	12,336	32,081	33,908	7,969	1,404	333	306	160	88,497
Balance on September 30, 2016	12,336	31,413	30,627	7,488	1,226	232	661	150	84,133
Consolidated									
	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
Gross Cost									
Balance on December 31, 2015	13,057	56,347	452,841	18,900	10,092	10,683	80,853	34,866	677,639
Additions	-	-	2,088	29	8	160	311	-	2,596
Disposal	-	-	(29,207)	-	75	18	-	(9)	(29,123)
Transfers	-	-	26,426	-	6	-	(26,426)	-	6
Effect of exchange variance	(16)	(33)	(39,397)	-	(47)	(138)	(6,501)	(1,211)	(47,343)
Balance on September 30, 2016	13,041	56,314	412,751	18,929	10,134	10,723	48,237	33,646	603,775
Consolidated									
	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
Acculated depreciation									
Balance on December 31, 2015	-	(12,868)	(263,397)	(7,616)	(7,267)	(9,916)	-	(21,713)	(322,777)
Additions	-	(1,038)	(31,599)	(662)	(458)	(456)	-	(1,285)	(35,498)
Disposal	-	-	4,631	-	(56)	11	-	5	4,591
Transfers	-	-	-	-	(6)	-	-	-	(6)
Effect of exchange variance	-	12	19,051	-	33	112	-	410	19,618
Balance on September 30, 2016	-	(13,894)	(271,314)	(8,278)	(7,754)	(10,249)	-	(22,583)	(334,072)
Consolidated									
	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
Net property, plant and equipment									
Balance on December 31, 2015	13,057	43,479	189,444	11,284	2,825	767	80,853	13,153	354,862
Balance on September 30, 2016	13,041	42,420	141,437	10,651	2,380	474	48,237	11,063	269,703

The value attributed to property, plants and equipments in guarantee of liabilities on September 30, 2016 is as follows:

Garanteed liabilities	Fixed assets	
	Parent	Consolidated
Taxation (Tax executions)	11,498	11,498
Borrowing and financing (Note 13)	73,461	89,846
Total	84,959	101,344

Commercial Lease

On September, 30, 2016, 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\$9,058 (R\$13,304 on December 31, 2015).

11 Intangible Assets

	Weighted rates of amortization % p.a.	Parent		Consolidated	
		09/30/2016	12/31/2015	09/30/2016	12/31/2015
		Net	Net	Net	Net
Goodwill (*)	-	55,414	55,414	101,626	103,459
Software and other licenses	20%	1,172	2,707	1,848	2,650
New projects developments	20%	13,863	13,535	14,245	14,895
Total		70,449	71,656	117,719	121,004

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

Bellow is the breakdown of intangible Assets:

	Parent			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Gross cost				
Balance on December 31, 2015	55,414	10,612	19,998	86,024
Additions	-	43	24	67
Transfers	-	(1,016)	713	(303)
Balance on September 30, 2016	55,414	9,639	20,735	85,788
	Parent			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Acculated amortization				
Balance on December 31, 2015	-	(7,905)	(6,463)	(14,368)
Additions	-	(481)	(793)	(1,274)
Transfers	-	(81)	384	303
Balance on September 30, 2016	-	(8,467)	(6,872)	(15,339)
	Parent			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Net Intangible Assets				
Balance on December 31, 2015	55,414	2,707	13,535	71,656
Balance on September 30, 2016	55,414	1,172	13,863	70,449
	Consolidated			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Gross cost				
Balance on December 31, 2015	103,459	11,491	22,087	137,037
Additions	-	64	25	89
Transfers	-	1,146	(31)	1,115
Effect of exchange variance	(1,833)	-	-	(1,833)
Balance on September 30, 2016	101,626	12,701	22,081	136,408
	Consolidated			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Acculated amortization				
Balance on December 31, 2015	-	(8,841)	(7,192)	(16,033)
Additions	-	(687)	(854)	(1,541)
Transfers	-	(1,325)	210	(1,115)
Balance on September 30, 2016	-	(10,853)	(7,836)	(18,689)
	Consolidated			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Net Intangible Assets				
Balance on December 31, 2015	103,459	2,650	14,895	121,004
Balance on September 30, 2016	101,626	1,848	14,245	117,719

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

UGCs	Goodwill on acquisition of investments			
	Investments (Note 9)		Intangible	
	Parent		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Products Segment				
Carbonox and Valmicro (Group of units)	6,065	6,065	6,065	6,065
Lupatech S/A - CSL unit	55,414	55,414	55,414	55,414
Services Segment				
Fiberware Unit	-	-	20,687	20,687
Lupatech OFS Coöperatief U.A. Unit (Netherlands)	-	-	19,460	21,293
Total	61,479	61,479	101,626	103,459
Investment	6,065	6,065	-	-
Intangible Assets	55,414	55,414	101,626	103,459

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 (Netherlands)	19,460	-	19,460
Total	305,566	(203,940)	101,626

12 Suppliers

	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 subjects 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 approved in December 2015.

On December 31, 2015 was no record of income of present value adjustment on suppliers subject to judicial recovery in the amount of R\$156,933 in the parent and consolidated.

On September 30, 2016, due to the cancellation of the Judicial Recovery Plan, as mentioned in note 1.1, the balances with the suppliers subject to judicial reorganization were reclassified to current liabilities, as well as the balance of adjustment to value Present and accrued interest on the balances overdue.

	09/30/2016					
	Parent			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total
Suppliers - Subject to Judicial Recovery						
Domestic Suppliers	111,048	-	111,048	111,048	-	111,048
Export Suppliers	24,227	-	24,227	24,227	-	24,227
	<u>135,275</u>	<u>-</u>	<u>135,275</u>	<u>135,275</u>	<u>-</u>	<u>135,275</u>
Suppliers - Not Subject to Judicial Recovery						
Domestic Suppliers	5,436	-	5,436	17,394	-	17,394
Export Suppliers	72	-	72	1,455	-	1,455
	<u>5,508</u>	<u>-</u>	<u>5,508</u>	<u>18,849</u>	<u>-</u>	<u>18,849</u>
Total	<u>140,783</u>	<u>-</u>	<u>140,783</u>	<u>154,124</u>	<u>-</u>	<u>154,124</u>

13 Loans and financing

Description	Index	12/31/2015							
		Parent			Consolidated			Total	
		Weighted interest rates	Current	Non-Current	Weighted interest rates	Current	Non-Current		
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
			<u>9,229</u>	<u>-</u>	<u>9,229</u>		<u>31,145</u>	<u>8,177</u>	<u>39,322</u>
Total			<u>9,229</u>	<u>81,581</u>	<u>90,810</u>		<u>31,145</u>	<u>169,203</u>	<u>200,348</u>

At December 31, 2015, loans and financing subject to judicial recovery, both of creditors with collateral as unsecured creditors, had incidence of interest and monetary adjustment equivalent to a fixed rate of 3% per year, as determined in the Plan Judicial Reorganization approved in December 2015.

On December 31, 2015 was no record of this value adjustment of revenue from loans and financing in the amount of R\$153,751 in the parent company and R\$237,857 in consolidated, considering the discount rate of 14.25% p.a.

On September 30, 2016, due to the cancellation of the Judicial Recovery Plan, as mentioned in note 1.1, the balances with the loans and financing subject to judicial recovery for current liabilities were reclassified, as were the adjustment balances at Present value and accrued interest on the overdue balances.

Description	Index	Weighted interest rates	09/30/2016					
			Parent			Consolidated		
			Current	Non-Current	Total	Current	Non-Current	Total
Subject to Judicial Recovery								
Local currency								
Secured creditors								
Working capital / expansion	TJLP	6.04% p.a.	81,109	-	81,109	81,109	-	81,109
Unsecured creditors								
Working capital / expansion	CDI	3.20% p.a.	35,536	-	35,536	35,536	-	35,536
Working capital / expansion	FIX	3.00% p.a.	25,874	-	25,874	25,874	-	25,874
Working capital / expansion	FIX/CDI	2.68% p.a.	30,070	-	30,070	30,070	-	30,070
Financing of research and development	TJLP	7.48% p.a.	13,121	-	13,121	13,121	-	13,121
Guarantee provided - Guaranteed by a letter of guarantee	FIX	3.00% p.a.	17,236	-	17,236	17,236	-	17,236
			202,946	-	202,946	202,946	-	202,946
Not subject to Judicial Recovery								
Local currency								
Working capital / expansion	CDI	6.80% p.a.	1,693	-	1,693	1,693	-	1,693
Working capital / expansion	TJLP	5.94% p.a.	7,040	-	7,040	12,760	-	12,760
Discounted titles	-	34.50% p.a.	73	-	73	227	-	227
Credit limit	FIX	213.4% p.a.	-	-	-	10	-	10
Foreign currency								
Working capital / expansion	US DOLAR	7.48% p.a.	1,466	-	1,466	2,438	-	2,438
Working capital / expansion	PESO COP	14.04% p.a.	-	-	-	11,515	5,716	17,231
			10,272	-	10,272	28,643	5,716	34,359
			213,218	-	213,218	231,589	5,716	237,305

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

Maturity	Parent		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
2017	-	-	1,513	5,518
2018	-	-	3,832	2,509
2019	-	-	334	82
From 2020	-	81,581	37	161,094
	-	81,581	5,716	169,203

The guarantees for loans and financings were granted as follows:

Local currency	Guarantee	Parent	Consolidated
		Amount	Amount
Working capital / expansion	Mortgage / Buildings	73,124	73,124
Working capital / expansion	Contracts signed	35,536	35,536
Financing of property, plant and equipment	Own financed asset	337	337
Financing of research and development	Bank guarantee	15,606	15,606
		124,603	124,603
Foreign currency			
Working capital / expansion	Own financed asset	-	16,385
		-	16,385
		124,603	140,988

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. The covenants are measured half yearly, and the next admeasurement is December 31, 2016. On September 30, 2016, Lupatech OFS SAS recorded performance below the covenants, which may not be reached in the next measurement. The total amount of this loan is R\$4,174, recorded in current liabilities in the amount of R\$1,897 and R\$2,277 in non-current liabilities (total amount of R\$6,311 on December 31, 2015 recorded R\$3,440 in current liabilities and R\$2,871 in non-current liabilities).

On September 30, 2016 the Company has a balance of R\$17,236 (R\$16,568 on December 31, 2015) 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%.

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.

On September 30, 2016, due to cancellation of the Judicial Recovery Plan as mentioned in Note 1.1, the Company reclassified the balances of bonds and debentures to current liabilities, and not classified together with the loans and financing, as well as reversing the adjustment balances to present value and accrued contract interest on the overdue balances

14 Bonds

On September 30, 2014 the Board approved the issuance of New Notes - Bonds amounting to US\$47,850,000, representing debt denominated in US dollars with a value equivalent to 15% of face upgraded till July 18, 2014 (including principal and accrued interest and unpaid) Perpetual Bonds, Lupatech Finance Limited – In Judicial Recovery, in accordance with the terms and conditions set forth in the extrajudicial recovery plan of the Company.

According to the contractual clauses, the Bonds on Judicial Recovery processing situation have early maturity status.

On 31 December 2015 the credit arising from Bonds was included in the list of creditors presented by the Company in the Judicial Recovery Plan, as unsecured creditors, classified as non-current liabilities from loans subject to judicial recovery, which focussed equivalent interest and inflation at a fixed rate of 3% or exchange rate as of the respective creditor option.

After the annulment of the Judicial Recovery Plan, as mentioned in note 1.1, the Company reclassified the balances of the Bonds to current liabilities, as well as reversing the adjustment balances to present value and accruing contract interest on the balances overdue.

The balance of the bonds on September 30, 2016 is R\$164,790 (R\$163,551 at December 31, 2015).

15 Debentures

On September 30, 2016, the Company has a balance of R\$87,872 Debentures recorded in current liabilities (R\$73,675 at December 31, 2015, recorded in non-current liabilities, together with loans and financing subject to judicial recovery). On the Debentures affect interest corresponding to the accumulated variation of 100% of the average daily rates of the DI - Interbank Deposit one day, with two-year grace period and amortization in the remaining five years.

	Parent and Consolidated
	09/30/2016
Debt instrument - Debentures	73,554
Interest on Debentures	14,318
Total	<u>87,872</u>

The Debentures are subject to the fulfillment of certain financial covenants financial covenants, which are related to the maintenance of indexes:

- a) Net Debt / (Shareholders' equity + net debt) less than or equal to 0.95 for the year 2014 and 2015 and less than or equal to 0.90 in subsequent years;
- b) Current liabilities / (current liabilities + non-current liabilities) less than or equal to 0.70 for the year 2014 and 2015, less than or equal to 0.65 in the year 2016 and 2017 and less than or equal to 0.60 in the year 2018 and 2019; less than or equal to 0.55 until the date of maturity of the Debentures.

According to the relevant fact released on July 16, 2015, it was declared the acceleration of the Debentures outstanding.

On December 31, 2015, the credit arising from the Debentures was included in the list of creditors presented by the Company in the Judicial Recovery Plan, as unsecured creditors, classified as non-current liabilities from loans and financing subject to judicial recovery, which bore interest and monetary correction equivalent to a fixed rate of 3% per year.

After the annulment of the Judicial Recovery Plan as mentioned in note 1.1, the Company reclassified the balances of the Debentures to current liabilities, as well as reversing the adjustment balances to present value and accrued interest on contracts overdue.

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	MipeI Sul	Lupatech Finance	LESP	09/30/2016	12/31/2015
Assets						
Accounts receivable	-	1	-	-	1	158
Other accounts receivable	3,283	56	-	560	3,899	4,450
Mutual and loans	25,701	-	823,708	-	849,409	1,021,898
Total	28,984	57	823,708	560	853,309	1,026,506
Liabilities						
Accounts payable	-	2,214	-	31	2,245	3,898
Other accounts payable	227	59	-	1,204	1,490	6,425
Mutual and loans	-	-	1,103,545	30,708	1,134,253	1,291,683
Total	227	2,273	1,103,545	31,943	1,137,988	1,302,006
					09/30/2016	09/30/2015
Income						
Sales	-	56	-	-	56	2,299
Purchases	86	2,908	-	-	2,994	1,574
Financial income	99	-	-	6	105	337
Financial expenses	-	-	65,328	143	65,471	58,916
Exchange variance	-	-	123,531	-	123,531	(62,670)
Total	185	2,964	188,859	149	192,157	456

Parent							
	Transaction date	Time	Interest rate	Amount R\$	Balance US\$	09/30/2016	12/31/2015
Assets mutual							
Foreign currency							
Contract 1	July-14	Indeterminated	105% do DI-Cetip	627,226	253,745	823,708	990,825
Contract 2	July-14	Indeterminated	105% do DI-Cetip	20,992	7,903	25,654	30,859
Contract 3	December-14	Indeterminated	12.000% a.a.	288	14	47	214
				648,506	261,662	849,409	1,021,898
Liabilities mutual							
Foreign currency							
Contract 1	July-07	13 years	9.875% a.a.	28,025	15,433	50,098	58,533
Contract 2	July-07	13 years	9.875% a.a.	65,391	37,069	120,333	140,455
Contract 3	May-09	11 years	12.000% a.a.	40,736	28,353	92,040	103,758
Contract 4	May-09	11 years	12.000% a.a.	117,249	81,697	265,206	298,885
Contract 5	July-09	11 years	12.000% a.a.	50,618	37,804	122,719	138,344
Contract 6	September-09	11 years	10.100% a.a.	134,378	103,659	336,497	382,254
Contract 7	October-09	11 years	10.000% a.a.	46,231	35,935	116,652	132,515
Contract 8	December-15	Indeterminated	-	36,951	9,460	30,708	36,939
				519,579	349,410	1,134,253	1,291,683

Loan agreements and foreign currency loans between Lupatech Finance Company and are presented net amount of R\$279,837 (R\$263,919 on December 31, 2015) 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 September 30, 2016, the Company has a loan agreement with the Unifit – Unidade de fios Industriais de Timbaúba S/A in the amount of R\$6,424 (R\$5,992 on December 31, 2015). This amount is recorded in other receivables as non-current assets.

The Company has, on September 30, 2016, a loan agreement with the jointly Luxxon Participações S/A amounting to R\$5,545 (R\$5,144 on December 31, 2015). 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.

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.

16.2 Key management staff

a. *Management compensation*

Lupatech S/A – In Judicial Recovery recorder its managers, fixed between wages and fixed compensation, a total amount of R\$3,110 for the period of nine months ended in September 30, 2016 (R\$5,237 for the period of nine months ended in September 30, 2015), it was approved at the Annual and Extraordinary General Meeting held on May 10, 2016, the fixed remuneration and annual global variable of the Company's management for the year in the amount up to R\$10,154, and so divided: up to R\$4,715 for the global fixed remuneration; up to R\$4,494 to the overall variable remuneration.

On September 30, 2016, the Company has the amount of R\$4,397, recorded in current liabilities as variable compensation of the financial debt restructuring plan of the Company (R\$6,156 on December 31, 2015).

In the period of nine months ended September 30, 2016, the Company made the variable compensation payment of R\$2,313, related retention plan for executives in the Company.

b. *Acquisition of credit by key management staff*

On October 26, 2016, it was informed through a material fact disclosed to its shareholders and the market in general the cancellation of acquisitions of credits against the Company and some of its subsidiaries, carried out by its Chief Executive Officer and Investor Relations Officer, Mr. Ricardo Doebeli, and his Consultant and Counselor, Mr. Rafael Gorenstein, in the respective amounts of R\$15,654 and R\$12,808. The respective credits are retained by their original creditors and are subject to the Lupatech Group's Judicial Recovery Plan, in Process before the 1st Bankruptcy Court, Judicial Recoveries and Conflicts Related to Arbitration of the County of São Paulo.

16.3 Loans e debentures with Shareholders

As disclosed in note 13, the Company has credit lines FINEM of BNDES, in direct mode, which balance on September 30, 2016 is R\$96,306 (R\$72,967 on December 31, 2015). Additionally, Debentures have a balance of R\$87,872 on September 30, 2016, and December 31, 2015 had a balance of R\$20,158, and were being submitted to the loans subject to judicial reorganization, which were acquired by the BNDES.

On September 30, 2016 the amount of loans with GPCM, LLC. (A subsidiary of Oilfield Services Holdco LLC) is R\$30,070 (R\$28,463 on December 31, 2015), and are recorded 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. The operations of the subsidiaries located in Netherlands taxed at 20% rate with additional 5% on adjusted income for tax purposes.

a. Deferred income tax and social contribution

	Parent		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Provision for tax, labor and civil risks	4,059	1,489	21,819	21,514
Tax loss	16,933	35,833	35,189	49,733
Provision for losses on inventories	4,147	2,559	12,555	10,540
Negative base of social contribution (CSLL)	5,949	12,590	12,364	17,474
Amortization of goodwill for tax purposes	(59,245)	(55,778)	(93,920)	(86,939)
Impairment of goodwill	42,731	42,731	74,110	74,110
Impairment of fixed assets	-	-	30,874	30,874
Present value adjustment of suppliers, fines, loans and debentures	-	(105,632)	-	(134,228)
Other provisions	39,169	48,548	39,984	48,936
Provision for non-recoverability of deferred income tax and social contribution assets	(53,743)	(56,283)	(137,544)	(130,972)
Deferred tax on deemed cost	-	-	(20,320)	(21,989)
Deferred income tax and social contribution - Non-current	-	(73,943)	(24,889)	(120,947)

On September 30, 2016, 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 September 30, 2016, the balance of deferred income tax and social contribution liabilities is zero in parent and R\$24,889 in consolidated (R\$73,943 on December 31, 2015 in parent and R\$120,947 in consolidated).

b. Conciliation of income tax and social contribution

	Parent			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Loss before tax from continuing operations	(52,429)	(230,232)	(551,635)	(428,159)
Loss before tax from discontinued operation	-	-	-	150
	(52,429)	(230,232)	(551,635)	(428,009)
Additions and exclusions				
Equity pick-up	(212)	134,798	101,789	184,801
Allowance for doubtful accounts	64	117	(664)	(171)
Non-deductible interest	12,788	21,035	61,456	53,770
Provision for loss contingencies	(436)	(140)	2,305	2,879
Present value adjustment	-	-	310,683	-
Tax amortization of goodwill on investment	-	-	(10,195)	-
Provision of interest on suppliers	7,552	-	26,327	-
Other	32,673	(4,553)	(31,217)	51,027
Calculation basis	-	(78,975)	(91,151)	(135,703)
Combined tax rate	34%	34%	34%	34%
Current Income tax and social contribution of subsidiaries with taxable income	-	-	-	-
Deferred tax and social contribution	795	198	74,738	198

	Consolidated			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Loss before tax from continuing operations	(52,840)	(227,756)	(571,058)	(403,636)
Loss before tax from discontinued operation	-	-	-	(21,963)
	(52,840)	(227,756)	(571,058)	(425,599)
Additions and exclusions				
Equity pick-up	9,922	(2,581)	9,922	(2,210)
Allowance for doubtful accounts	(509)	1,041	(910)	(544)
Non-deductible interest	12,788	21,035	61,456	53,770
Provision for loss contingencies	(3,865)	33,327	1,132	53,256
Present value adjustment	-	-	394,788	-
Tax amortization of goodwill on investment	(3,445)	-	(20,529)	-
Provision of interest on suppliers	8,672	-	27,447	-
Other	20,768	189,389	(32,394)	201,869
Calculation basis	(8,509)	14,455	(130,146)	(119,458)
Combined tax rate	34%	34%	34%	34%
Current Income tax and social contribution of subsidiaries with taxable income	(171)	(1,623)	(2,288)	(2,847)
Deferred tax and social contribution	1,377	(655)	96,449	635

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)	66,983	-	68,041	-
CSLL - Social Contribution on Net Income	(i.2)	-	-	8,906	-
IRPJ - Corporate Income Tax	(i.3)	20,380	-	51,668	16,136
INSS - National Institute of Social Security	(i.4)	-	4,122	1,928	19,558
IPI - Excise Tax	(i.5)	2,704	-	2,704	-
PIS - Employees' Profit Participation Program	(i.6)	-	-	-	206
COFINS - Tax for Social Security Financing	(i.7)	-	-	17	672
ISS - Services Tax	(i.8)	-	-	722	5,418
CIIDE - Contribution for Intervention in the Economic Domain	(i.9)	-	-	1,515	-
Other	(i.10)	149	87	290	9,020
		90,216	4,209	135,791	51,010
Labor (ii)		14,095	7,481	46,557	64,019
Civil (iii)		1,618	250	57,652	11,253
Total on September 30, 2016		105,929	11,940	240,000	126,282
Total on December 31, 2015		101,368	4,381	337,407	125,301

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\$11,940 in parent and R\$126,282 in consolidated as on September 30, 2016 and R\$4,381 in parent and R\$125,301 in consolidated on December 31, 2015) 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\$50,421 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. In January 13, 2016 filed pre-execution exception and in April 07, 2016, presented a challenge by the State of São Paulo. Process subject to possible loss of R\$7,297.

Annulment action against tax debt Lupatech S/A - In Judicial Recovery, by the State of São Paulo. In May 17, 2016 granted the emergency protection to suspend the payment of claims. On May 24, 2016 the Company filed a motion stating that it made the payment of official warrant rate of justice, and the first installment of judicial rate. Process subject to possible loss of R\$3,038.

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\$1,610, subject to possible loss. On 04/17/2015, it was certified the filing of the Instrument of Appeal filed against a decision that granted the online attachment and reported the filing of a Special Appeal. On April 22, 2015, an order was issued determining the manifestation of the parties about the certificate issued informing that a Special Appeal is being processed before the 9th Chamber of the TJSP. On 10/23/2015, the Special Appeal was inadmitted and directed to the processing of Resources. On 06/13/2016, together with the petition filed by the Company, informing about the filing of the Appeal.

Tax assessment of the Secretary of State of Rio Grande do Sul against Lupatech S/A – In Judicial Recovery. On July 28, 2016, published with the agenda of Appeal judgment forecast for August 10, 2016. Process subject to possible loss of R\$1,562.

Fiscal Execution of the National Treasury against Lupatech S/A - MNA Nova Odessa Unit. On June 22, 2016, process sent to the State, this being the last update. Process subject to possible loss of R\$1,171.

- (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\$3,780, where they are awaiting continuation.

Federal Action against Lupatech Perfuração e Completação Ltda. - In Judicial Recovery, referring to federal taxes, where on September 14, 2016, a petition for a document document was filed. Process subject to possible loss of R\$2,134.

Tax assessment by the Federal Revenue of Brazil against Sotep – Sociedade Técnica de Perfuração S/A – In Judicial Recovery, regarding the collection of social contributions on the payroll typified in the art. 22 of Law nº 8.212/91, as well as incidents on the remuneration paid, due or credited to their services to individual taxpayers. In July 22, 2014, autos welcomed the 2nd Trial Section of the CARF to voluntary appeal trial. Possible loss of R\$1,318.

- (i.3) Tax assessment and enforcement and fines, by the Federal Revenue of Brazil against Lupatech S/A – In Judicial Recorevy, 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\$9,989.

Tax enforcement by the Federal Union against Lupatech S/A – In Judicial Recovery resulting from the administrative process which refers to the allegation of revenue omission, having as basis documents obtained in an illicit and incorrect way by the Federal Revenue. The act of violation originally recorded was decided on first administrative instance where it achieved success; the tax requirements as well as the allegation of omission were excluded. Such decision was confirmed by the Taxpayers Council. The process is subject to classification of possible loss by the legal consultants and totals the updated amount of R\$5,305. Currently, the process is awaiting trial judgment of embargo presented to restore the decision that denied continuation to the Extraordinary Remedy lodged from the Union for recognizing the unconstitutionality of the break of bank secrecy.

Process concerning negative balance of income tax which, on August 19, 2015, was presented expressions of nonconformity. Since August 28, 2015 the process is in the reception and DRJ-RJO RJ-screening. Process subject to possible loss of R\$4,872.

Tax assessment by the Internal Revenue Service of Brazil against Lupatech S/A - In Judicial Recovery, through which requires separate fine resulting from the application of the percentage of 50% on the amount of object debts of unapproved compensation as provided in art.74, § 17 of Law nº 9.430/96. On November 6, 2015 presented Objection alleging the unconstitutionality of the fine imposed on contesting. Possible loss of R\$1,341.

Tax Enforcement by the Federal Government against Lupatech S/A - In Judicial Recovery, and is awaiting trial paradigm feature. Process subject to possible loss of R\$2,444.

Tax assessment by 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. On June 15, 2016, a Motion for Clarification by the Company were continued denied. In July 08, 2016 special appeal filed by the taxpayer, which was sent to the 1st Chamber, 1st Section of the CARF on November 07, 2016. Possible loss of R\$19,299.

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) Notice of Infringement drawn up for collection by DEBCAD No. 37.142.030-0, regarding the conversion of ancillary obligation into main obligation, consisting of the failure to declare in GFIP the contributions due in the period between January 1999 and June 2007 at the company Sotep Sociedade Drilling Technique S/A - In Judicial Recovery. Case subject to possible loss of R\$1,633. On 04/29/2011, a process was received at the CARF for the judgment of the Voluntary Appeal filed by the company, with distribution on August 6, 2015.
- (i.5) Tax Enforcement against Lupatech S/A – In Judicial Recovery consistent in launching IPI debts under omission pretext revenue, with the foundation documents obtained unlawfully. The process is subject to possible loss classification (trending likely) the legal consultants and comes to a total amount of R\$2,704. It is currently awaiting trial Paradigma Appeal.
- (i.9) Fiscal Administrative Procedure of the Federal Revenue Secretariat of Brazil against Lupatech Perfuração e Completação Ltda. – In Judicial Recovery, for charging debts of CIDE resulting

from remittances outside Brazil. On February 20, 2015, the Federal Revenue of Brazil partially upheld the appeal lodged by the records of the administrative process. On April 9, 2015, file forwarded to the CARF and given input on July 16, 2015. Process subject to possible loss of R\$1,515.

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\$13,693.
- (i.8) ISS over the provision of services performed on the Brazilian continental shelf, which may be subject to challenge by the tax authorities. Process without lawsuit subject to probable loss if challenged in R\$4,223.
- (i.10) Possible contingent liabilities at fair value assumed in the business combination of San Antonio Brazil S/A pursuant to CPC 15, in the amount of R\$8,794.
- (ii) *Labor provision*
The Company and its subsidiaries are part of labour lawsuits referring to discussions that are mainly complaints about overtime, insalubrities and dangerousness, among others. None of the lawsuits refers to individually significant values.
- (iii) *Civil provision*

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

- (iii.1) Common share obligation moved by Weatherford Indústria e Comércio Ltda. Weus Holding Inc. and is alleged misappropriation of confidential blueprints of your property. The process has a risk classification as probable loss and approximate value of R\$1,401 and as possible loss of R\$45,198. It is currently in the execution stage/final award, pending forensic accounting.
- (iii.2) Collection action of Smith International Brazil Ltda. Process subject to possible loss of R\$1,606.
- (iii.3) Execution of title of Sertex Industria Comércio de Material Offshore e Serviços Ltda. ME. Process subject to possible loss of R\$1,724.
- (iii.4) Execution of the title of Tania Regina dos Santos Mathias Epp. Process subject to possible loss of R\$1,045.

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

- (iii.5) 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\$3,510.

- (iii.6) Compensation action of Meiodia Refeições Industriais Ltda - EPP, against Lupatech Perfuração e Completação Ltda. – In judicial Recovery. Proceedings on probable loss of R\$3,368.

The changes in provision balance on September 30, 2016 are as follows:

	Parent				Consolidated			
	Tax	Labor	Civil	Total	Tax	Labor	Civil	Total
Balance on December 31, 2015	506	3,584	291	4,381	49,219	65,306	10,776	125,301
Net additions	4,122	7,890	1,412	13,424	5,843	30,473	3,366	39,682
Net write-offs	(419)	(3,993)	(1,453)	(5,865)	(4,052)	(31,760)	(2,889)	(38,701)
Balance on September 30, 2016	4,209	7,481	250	11,940	51,010	64,019	11,253	126,282

18.2 Contingent assets

	Probability of probable gain	
	Parent	Consolidated
Tax (i)	1,282	7,139
Civil (ii)	-	6,149
Balance on September 30, 2016	1,282	13,288
Balance on December 31, 2015	2,973	15,267

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 IVA, in Lupatech OFS S.A.S. of R\$5,154.
- (i.2) Challenge to the Tax Execution ICMS collection due to the transfer of goods between the company's own stores, with support in Debt Certificate Active No. 1092569630 (AIIM nº 3158871). In July 04, 2016, handed down coming judging the motions to stay execution, declaring the enforceability of the tax, and the nullity of the CDA that supports the Tax Enforcement. probable value gain of R\$1,281.

(ii) Civil provision

Main processes contingent civil assets with probable gain:

- (ii.1) Compensation action for moral damages against SEPE. Amount of probable gain of R\$4,662.
- (ii.2) Action about reintegration of possession against ETX Drilling Serviços de Perfuração e Sondagem de Petróleo Ltda. Amount of probable gain of R\$1,483.

18.3 Judicial deposits

The Company has the following balances of judicial deposits on September 30, 2016, which are linked to contingent liabilities:

	Judicial deposits	
	Parent	Consolidated
Tax contingencies	-	3,011
Labor contingencies	833	20,046
Civil contingencies	174	1,158
Balance on September 30, 2016	1,007	24,215
Balance on December 31, 2015	857	22,275

19 Shareholders' equity

a. Capital stock

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

	Parent and Consolidated	
	Quantity of share Thousand	Capital stock R\$
Balance on December 31, 2015	9,394	1,853,684
Balance on September 30, 2016	9,394	1,853,684

b. Dividends

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

c. Equity Evaluation Adjustment

The Company recognizes in this rubric the effects of exchange rate variations on the investments in subsidiaries abroad and on the goodwill originating from acquisitions of investments abroad whose functional currency follows the one that the operation abroad is subject to. The accumulated effect will be reverted for the income statement of the fiscal year as gain or loss only in case of sale or decrease of the investment. On September 30, 2016, the balance of equity evaluation adjustment is R\$68,104 (R\$126,671 on December 31, 2015).

d. Options granted

There was not changes of balance of R\$13,549 booking options granted for the period of nine months ended in September 30, 2016.

20 Financial instruments

20.1 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 September 30, 2016 and December 31, 2015, the Company and its subsidiaries had assets and liabilities denominated in US dollars, as shown in the table below:

Items	Amounts in US dollar thousands			
	Parent		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Cash and cash equivalents	14	14	152	17
Accounts receivable	824	1,108	2,239	3,421
Other assets	6	-	36,387	41,107
Related parties	261,663	253,745	-	-
Loans and financing	(452)	(392)	(751)	(651)
Related parties	(349,410)	(330,793)	-	-
Other obligations	(211)	(775)	(3,580)	(4,984)
Net exposure in Dollar	<u>(87,566)</u>	<u>(77,093)</u>	<u>34,447</u>	<u>38,910</u>

On September 30, 2016 the US dollar rate in relation to the Brazilian Real was US\$1.00 = R\$3.2462 (on December 31, 2015 US\$1.00 = R\$3.9048). 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\$18,761 in parent and a gain of R\$7.380 in consolidated.

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

As presented in the note 20.1, 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 bonds. 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.

On September 30, 2016, as required by CVM Instruction 475, the Company performed sensitivity tests for adverse scenarios (CDI and TJLP fluctuation by + 25%, + 50%, -25% and -50%). The probable scenario considers future interest rates as Focus research disclosed by the Central Bank of Brazil.

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\$: 3.50

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\$: 4.38

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\$: 5.25

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

Operating	Risk	Scenario as per description above					
		Parent			Consolidated		
		Probable	Possible	Remote	Probable	Possible	Remote
Loans, financing and bonds	US\$ hike	123	548	973	14,174	63,041	111,908
Loans, financing and bonds	Interest rate hike	1,830	2,287	2,745	1,891	2,364	2,836
Mutual contracts	US\$ hike	98,601	438,536	778,471	-	-	-
Total (gain) loss		100,554	441,371	782,189	16,065	65,405	114,744

(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 September 30, 2016, 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\$238 in interest expenses for the year. The simulation is conducted quarterly to ascertain whether the maximum loss potential is within the limits set forth by the Management.

(iii) *Credit risk*

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

Client selection and the monitoring of the periods for financing sales by business segments and individual position limits are procedures adopted in order to minimize potential default in its accounts receivable. Our revenues are more concentrated, directly and indirectly, on the client Petrobras, which amounted for the period of nine months ended in September 30, 2016 approximately 57.4% (56.9% for the period of nine months ended in September 30, 2015) 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.

20.2 **Fair value estimate**

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

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

The fair value of derivative instruments is calculated using quoted prices. When those prices are not available, is used the analysis of discounted cash flows using the yield curve, apply according

to the duration of the derivative instruments to no options. For derivatives containing options models are used models for pricing options.

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

a. Cash, cash equivalents and securities held to maturity

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

Items	Parent		Consolidated	
	Book value	Fair Value	Book value	Fair Value
Cash and cash equivalents	126	126	4,742	4,742
Marketable securities	6,713	6,713	6,713	6,713

b. Loans and financing

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

Items	Parent		Consolidated	
	Book value	Fair Value	Book value	Fair Value
Loans and financing	213,218	204,035	237,305	226,724
Debentures	87,872	86,310	87,872	86,310
Bonds	-	-	164,790	81,312

20.3 Financial instruments by category

Summary of financial instruments by category:

	Parent					
	09/30/2016			12/31/2015		
	Loans and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet						
Securities-restricted	-	6,713	6,713	-	6,803	6,803
Accounts receivable	15,186	-	15,186	17,883	-	17,883
Cash and cash equivalents	126	-	126	3,125	-	3,125
Related parties	29,601	-	29,601	35,681	-	35,681
Total	44,913	6,713	51,626	56,689	6,803	63,492
	Parent					
	09/30/2016			12/31/2015		
	Judicial Recovery	Not subject to Judicial Recovery	Total	Judicial Recovery	Not subject to Judicial Recovery	Total
		Financial liabilities at amortized cost			Financial liabilities at amortized cost	
	Creditors list			Creditors list		
Liabilities, according to balance sheet						
Loans and financing	202,946	10,272	213,218	81,581	9,229	90,810
Debentures	87,872	-	87,872	-	-	-
Suppliers	135,275	5,508	140,783	72,018	5,894	77,912
Related parties	-	314,280	314,280	-	311,182	311,182
Total	426,093	330,060	756,153	153,599	326,305	479,904

	Consolidated					
	09/30/2016			12/31/2015		
	Loans and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet						
Securities-restricted	-	6,713	6,713	-	6,803	6,803
Accounts receivable	43,100	-	43,100	62,330	-	62,330
Cash and cash equivalents	4,742	-	4,742	31,012	-	31,012
Total	47,842	6,713	54,555	93,342	6,803	100,145

	Consolidated					
	09/30/2016			12/31/2015		
	Judicial Recovery	Not subject to Judicial Recovery	Total	Judicial Recovery	Not subject to Judicial Recovery	Total
	Creditors list	Financial liabilities at amortized cost		Creditors list	Financial liabilities at amortized cost	
Liabilities, according to balance sheet						
Loans and financing	202,946	34,359	237,305	161,026	39,322	200,348
Debentures	87,872	-	87,872	-	-	-
Bonds	164,790	-	164,790	-	-	-
Suppliers	135,275	18,849	154,124	72,018	29,084	101,102
Total	590,883	53,208	644,091	233,044	68,406	301,450

21 Insurance coverage

It is the Company's principle to maintain insurance coverage for property, plant and equipment, inventories subject to risks, and international transportation of imports, in the " Comprehensive business insurance" modality. It also has general civil responsibility insurance.

Insurance purpose	Amount secured	
	09/30/2016	
- Comprehensive business insurance	R\$	102,633
- General civil responsibility insurance	R\$	12,000

22 Statement of net Sales

	Parent			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Gross sales and/or services				
In Brazil	6,475	976	16,430	14,764
Export	99	104	597	9,784
	<u>6,574</u>	<u>1,080</u>	<u>17,027</u>	<u>24,548</u>
Deductions for gross sales				
Taxes on sales	(1,068)	18	(2,899)	(2,374)
Net sales and/or services	<u><u>5,506</u></u>	<u><u>1,098</u></u>	<u><u>14,128</u></u>	<u><u>22,174</u></u>
	Consolidated			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Gross sales and/or services				
In Brazil	34,790	66,148	119,638	208,881
Export	100	5,727	598	25,889
	<u>34,890</u>	<u>71,875</u>	<u>120,236</u>	<u>234,770</u>
Deductions for gross sales				
Taxes on sales	(3,496)	(5,136)	(12,822)	(18,884)
Net sales and/or services	<u><u>31,394</u></u>	<u><u>66,739</u></u>	<u><u>107,414</u></u>	<u><u>215,886</u></u>

23 Gain (Loss) per Share

On May 15, 2015, in the Extraordinary Shareholders' Meeting approved a reverse split of all the common shares issued by the Company, pursuant to article 12 of Law 6404/76, in the ratio of 500:1, so that each lot of 500 common shares are grouped into one common 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.

Items	Parent			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Loss attributable to shareholders of the company from continuing operations	(51,634)	(230,034)	(476,897)	(427,961)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	2,318,733
Basic loss per share - R\$	(5.50)	(0.10)	(50.77)	(0.18)

Items	Parent			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Loss attributable to shareholders of the company from continuing and discontinued operations	(51,634)	(230,034)	(476,897)	(427,811)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	2,318,733
Basic loss per share from continuing and discontinued operations - R\$	(5.50)	(0.10)	(50.77)	(0.18)

Items	Consolidated			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Loss attributable to shareholders of the company from continuing operations	(51,634)	(230,034)	(476,897)	(405,848)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	2,318,733
Basic loss per share - R\$	(5.50)	(0.10)	(50.77)	(0.18)

Items	Consolidated			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Loss attributable to shareholders of the company from continuing and discontinued operations	(51,634)	(230,034)	(476,897)	(427,811)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	2,318,733
Basic loss per share from continuing and discontinued operations - R\$	(5.50)	(0.10)	(50.77)	(0.18)

• 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.

Items	Parent			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Loss attributable to shareholders of the company from continuing operations	(51,634)	(230,034)	(476,897)	(427,961)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	2,318,733
Diluted loss per share - R\$	(5.50)	(0.10)	(50.77)	(0.18)

Items	Parent			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Loss attributable to shareholders of the company from continuing and discontinued operations	(51,634)	(230,034)	(476,897)	(427,811)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	2,318,733
Diluted loss per share from continuing and discontinued operations - R\$	(5.50)	(0.10)	(50.77)	(0.18)

Items	Consolidated			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Loss attributable to shareholders of the company from continuing operations	(51,634)	(230,034)	(476,897)	(405,848)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	2,318,733
Diluted loss per share - R\$	(5.50)	(0.10)	(50.77)	(0.18)

Items	Consolidated			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Loss attributable to shareholders of the company from continuing and discontinued operations	(51,634)	(230,034)	(476,897)	(427,811)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	2,318,733
Diluted loss per share from continuing and discontinued operations - R\$	(5.50)	(0.10)	(50.77)	(0.18)

24 Financial result

Items	Parent			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Financial Income				
Income from financial investments	205	216	644	577
Related-party interest income (mutual contract)	6	88	105	337
Monetary variance	320	-	343	28
Interest on receivables	160	160	482	736
Other financial income	2	23	7	41
Total financial Income	693	487	1,581	1,719
Financial Expenses				
Interest on loans and financing	(9,201)	(6,489)	(43,227)	(9,702)
Interest and charges on debentures	(2,945)	(2,553)	(14,318)	(5,276)
Present value adjustment	-	-	(310,683)	-
Interest of mutual contract	(20,447)	(22,757)	(65,471)	(58,916)
Discount granted	-	-	(765)	-
Interest on suppliers	(7,552)	(570)	(26,327)	(1,205)
Fines and interest on taxes	(1,683)	-	(16,337)	-
IOF, banking expenses and others	(383)	(1,296)	(2,128)	(4,155)
Total financial expenses	(42,211)	(33,665)	(479,256)	(79,254)
Gain on exchange variance	9,536	228,605	420,306	513,901
Loss on exchange variance	(13,038)	(273,077)	(370,133)	(576,030)
Exchange variance, net	(3,502)	(44,472)	50,173	(62,129)
Items	Consolidated			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Financial Income				
Income from financial investments	244	247	1,135	653
Monetary variance	555	493	1,306	991
Interest on receivables	1,942	309	2,560	1,177
Other financial income	17	153	1,552	451
Total financial Income	2,758	1,202	6,553	3,272
Financial Expenses				
Interest on loans and financing	(10,659)	(14,964)	(46,756)	(26,159)
Interest on perpetual bond	(1,227)	(1,313)	(30,459)	(3,456)
Interest and charges on debentures	(2,945)	(2,553)	(14,318)	(5,276)
Present value adjustment	-	-	(394,788)	-
Discount granted	(1)	-	(766)	-
Interest on suppliers	(8,672)	(2,051)	(27,447)	(3,562)
Fines and interest on taxes	(1,991)	-	(19,248)	-
IOF, banking expenses and others	(889)	(2,921)	(4,253)	(8,410)
Total financial expenses	(26,384)	(23,802)	(538,035)	(46,863)
Gain on exchange variance	11,476	261,858	392,226	587,080
Loss on exchange variance	(14,707)	(322,972)	(341,492)	(679,697)
Exchange variance, net	(3,231)	(61,114)	50,734	(92,617)

25 Other operating expenses (income)

Items	Parent			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Provision for loss of lawsuit	439	564	(2,067)	(1,970)
Loss by goodwill impairment	-	-	-	(60,000)
Provision of losses on inventory obsolescence	(176)	(1,693)	(5,200)	(3,341)
Extraordinary losses and adjustment to market value with inventories	-	-	(3,613)	-
Gain (Loss) on disposal of fixed assets	(3)	7	(3)	12
Cost of idle production	(2,512)	(4,582)	(8,104)	(16,089)
Expenses on corporate restructuring	-	(107)	-	(107)
Revenue from sale of investments	-	-	28,599	-
Sold investment cost	-	-	(15,284)	-
Other	280	(4)	204	-
Total	(1,972)	(5,815)	(5,468)	(81,495)

Items	Consolidated			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Provision for loss of lawsuit	3,865	(26,015)	3,850	(45,299)
Loss by goodwill impairment	-	(84,360)	-	(144,360)
Provision of losses on inventory obsolescence	(950)	(2,374)	(6,464)	(4,481)
Extraordinary losses and adjustment to market value with inventories	(34)	-	(3,647)	-
Gain (Loss) on disposal of fixed assets	10	1,069	(11,702)	1,465
Cost of idle production	(3,012)	(5,219)	(9,773)	(22,274)
Expenses on corporate restructuring	-	(107)	-	(107)
Revenue from sale of investments	-	-	28,599	-
Sold investment cost	-	-	(15,284)	-
Other	830	80	(7)	182
Total	709	(116,926)	(14,428)	(214,874)

26 Expenses by type

Items	Parent			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Depreciation and amortization	(2,002)	(2,233)	(6,228)	(6,742)
Salaries, social charges and benefits	(3,403)	(3,040)	(9,182)	(12,687)
Raw material	(2,414)	(2,928)	(6,894)	(14,008)
Commissions	(212)	(241)	(583)	(898)
Freights	(85)	(163)	(225)	(284)
Legal advice and tax	(2,187)	(4,286)	(6,503)	(7,592)
Traveling expenses	(94)	(146)	(347)	(364)
Provision for loss of lawsuit	436	140	(2,305)	(2,879)
Loss by goodwill impairment	-	-	-	(60,000)
Residual value on disposal of fixed assets	(5)	(6)	(5)	(9)
Provision of contractual fines	(55)	17	(214)	(783)
Losses on inventory obsolescence	(210)	(1,693)	(5,236)	(3,347)
Cost of idle production	(2,512)	(4,582)	(8,104)	(16,089)
Extraordinary losses with inventories	-	-	(4,668)	-
Customs expenses	(7)	(152)	(20)	(260)
Sold investment cost	-	-	(15,284)	-
Other expenses	(917)	(24)	(1,107)	(1,003)
	<u>(13,667)</u>	<u>(19,337)</u>	<u>(66,905)</u>	<u>(126,945)</u>
Classified as:				
Cost of sales	(5,140)	(4,282)	(14,438)	(20,493)
Selling expenses	(1,218)	(1,930)	(2,646)	(5,674)
General and administrative expenses	(3,797)	(5,759)	(10,810)	(12,969)
Management fees	(1,000)	(1,096)	(3,110)	(5,237)
Other operating expenses	(2,512)	(6,270)	(35,901)	(82,572)
	<u>(13,667)</u>	<u>(19,337)</u>	<u>(66,905)</u>	<u>(126,945)</u>

Items	Consolidated			
	For the three months ended		For the nine months ended	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Depreciation and amortization	(11,823)	(12,817)	(37,039)	(37,791)
Salaries, social charges and benefits	(21,443)	(31,770)	(88,884)	(146,069)
Raw material	(4,816)	(7,190)	(18,344)	(26,491)
Commissions	(270)	(271)	(748)	(975)
Freights	161	(205)	(470)	(429)
Legal advice and tax	(2,991)	(5,765)	(9,821)	(10,965)
Traveling expenses	(131)	(206)	(499)	(585)
Provision for loss of lawsuit	3,865	(33,327)	(1,132)	(53,256)
Impairment of assets	-	(84,359)	-	(144,359)
Residual value on disposal of fixed assets	(30)	(72)	(11,748)	(1,547)
Provision of contractual fines	(68)	18	(1,588)	(1,742)
Losses on inventory obsolescence	(1,035)	(2,429)	(6,551)	(4,657)
Cost of idle production	(3,012)	(5,219)	(9,773)	(22,274)
Extraordinary losses with inventories	(33)	-	(4,701)	-
Inventory adjustment	-	(1,288)	-	(2,422)
Customs expenses	(1,658)	(35,883)	(5,387)	(41,868)
Sold investment cost	-	-	(15,284)	-
Other expenses	(5,316)	(1,306)	(11,667)	(1,890)
	<u>(48,600)</u>	<u>(222,089)</u>	<u>(223,636)</u>	<u>(497,320)</u>
Classified as:				
Cost of sales	(36,168)	(78,640)	(134,104)	(216,680)
Selling expenses	(2,147)	(2,839)	(6,144)	(10,458)
General and administrative expenses	(8,849)	(13,861)	(30,016)	(38,275)
Management fees	(1,000)	(1,096)	(3,110)	(5,237)
Other operating expenses	(436)	(125,653)	(50,262)	(226,670)
	<u>(48,600)</u>	<u>(222,089)</u>	<u>(223,636)</u>	<u>(497,320)</u>

27 Information by business segment

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

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

Revenues generated by operating segments mainly derive from:

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

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

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

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

The Company's revenues have higher concentrations involving the customer Petrobras, directly and indirectly, which responded for the period of nine months ended in September 30, 2016 by approximately 57.4% (56.9% for the period of nine months ended in September 30, 2015) of the total revenue of the Company and its subsidiaries.

The information by segment is as follows:

	For the three months ended					
	Products		Services		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Net sales	7,805	1,646	23,589	65,093	31,394	66,739
Cost of sales	(7,225)	(4,778)	(28,943)	(73,862)	(36,168)	(78,640)
Gross profit	580	(3,132)	(5,354)	(8,769)	(4,774)	(11,901)
Selling expenses	(1,416)	(2,031)	(731)	(808)	(2,147)	(2,839)
General and administrative expenses	(3,246)	(2,480)	(5,603)	(11,381)	(8,849)	(13,861)
Management fees	(240)	(5)	(760)	(1,091)	(1,000)	(1,096)
Equity pick-up	(9,922)	2,581	-	-	(9,922)	2,581
Other operating income (expenses), net	(2,672)	(6,386)	3,381	(110,540)	709	(116,926)
Income before financial results	(16,916)	(11,453)	(9,067)	(132,589)	(25,983)	(144,042)
	Products		Services		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Identifiable assets (1)	214,692	226,815	322,047	428,419	536,739	655,234
Identifiable liabilities (2)	215,926	22,705	294,842	278,745	510,768	301,450

	For the three months ended					
	Products		Services		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Depreciation and amortization	(1,795)	(1,919)	(10,028)	(10,898)	(11,823)	(12,817)
Acquisition of property, plants and equipment	493	103	(14)	766	479	869

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

	For the nine months ended					
	Products		Services		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Net sales	20,115	25,030	87,299	190,856	107,414	215,886
Cost of sales	(20,070)	(23,187)	(114,034)	(193,493)	(134,104)	(216,680)
Gross profit	45	1,843	(26,735)	(2,637)	(26,690)	(794)
Selling expenses	(3,327)	(6,386)	(2,817)	(4,072)	(6,144)	(10,458)
General and administrative expenses	(9,687)	(9,935)	(20,329)	(28,340)	(30,016)	(38,275)
Management fees	(614)	(536)	(2,496)	(4,701)	(3,110)	(5,237)
Equity pick-up	(9,922)	2,210	-	-	(9,922)	2,210
Other operating income (expenses), net	(18,072)	(84,194)	3,644	(130,680)	(14,428)	(214,874)
Income before financial results	(41,577)	(96,998)	(48,733)	(170,430)	(90,310)	(267,428)
	Products		Services		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015	09/30/2016	12/31/2015
Identifiable assets (1)	214,692	226,815	322,047	428,419	536,739	655,234
Identifiable liabilities (2)	96,587	22,705	294,842	278,745	391,429	301,450

	For the nine months ended					
	Products		Services		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Depreciation and amortization	(5,553)	(6,254)	(31,486)	(31,537)	(37,039)	(37,791)
Acquisition of property, plants and equipment	695	133	1,901	3,801	2,596	3,934

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

Information by geographic region is as follows:

	For the three months ended					
	Brazil		South America		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Net sales	24,393	41,951	7,001	24,788	31,394	66,739
<u>Identifiable assets (1)</u>	458,069	548,438	78,670	106,796	536,739	655,234
<u>Identifiable liabilities (2)</u>	368,494	273,357	22,935	28,093	391,429	301,450

	For the three months ended					
	Brazil		South America		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
<u>Depreciation and amortization</u>	(9,397)	(10,481)	(2,426)	(2,336)	(11,823)	(12,817)
<u>Acquisition of property, plants and equipment</u>	479	319	-	550	479	869

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

2 - Identifiable liabilities: accounts payable and loans and financing

	For the nine months ended					
	Brazil		South America		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
Net sales	83,682	149,452	23,732	66,434	107,414	215,886
<u>Identifiable assets (1)</u>	458,069	548,438	78,670	106,796	536,739	655,234
<u>Identifiable liabilities (2)</u>	368,494	273,357	22,935	28,093	391,429	301,450

	For the nine months ended					
	Brazil		South America		Consolidated	
	09/30/2016	09/30/2015	09/30/2016	09/30/2015	09/30/2016	09/30/2015
<u>Depreciation and amortization</u>	(29,198)	(30,340)	(7,841)	(7,451)	(37,039)	(37,791)
<u>Acquisition of property, plants and equipment</u>	2,416	1,434	180	2,500	2,596	3,934

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

2 - Identifiable liabilities: accounts payable and loans and financing

28 Assets and liabilities held for sale

28.1 Assets and liabilities held for sale

The amount of R\$15,284, filed on December 31, 2015 as assets held for sale, both in the parent company and consolidated, refers to equity interest in Vicinay Marine, SL is that this operation was approved by the 1st judge Court of bankruptcy Legal Recoveries and related conflicts to the capital of Arbitration, and the proceeds of sale was fully allocated to the implementation of the Judicial Recovery Plan. On March 7, 2016, it completed the sale, as mentioned in Note 1.2

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 Judicial Recovery.

28.2 Income from discontinued operations

In the nine months ended in September 30, 2015, presented as a result of discontinued operations, the results of the indirect subsidiary Jefferson Sudamericana S/A, and its related entities Jefferson Solenoid Valves U.S.A., Inc., Valjeff S/A de CV and Jefferson Solenoidbras Ltda., as follows:

	09/30/2015	
	Parent	Consolidated
NET REVENUE FROM SALES	-	2,642
COST OF GOODS SOLD	-	(1,724)
GROSS PROFIT	-	918
OPERATING INCOME/EXPENSES		
Selling	-	(449)
General and administrative	-	(505)
Other operating expenses (income), net	150	(21,788)
OPERATING INCOME/EXPENSES BEFORE FINANCIAL RESULTS	150	(21,824)
FINANCIAL RESULTS		
Financial expenses	-	(128)
Exchange variation, net	-	14
GAIN (LOSS) BEFORE TAX / HOLDING	150	(21,938)
PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION		
Current	-	(25)
GAIN (LOSS) OF DISCONTINUED OPERATIONS	150	(21,963)

In the nine month ended September 30, 2016, the Company had not operating results in discontinuity.

28.3 Cash flow of discontinued operations

In the period of nine months ended in September 30, 2015 the Company presented as cash flows from assets held for sale, the flow of the indirect Jefferson Sudamericana S/A, and units.

The cash flow of the assets held for sale are presented below:

	Consolidated
	09/30/2015
Cash flow from operating activities	(807)
Cash flow from investing activities	(4)
Cash flow from financing activities	521
Increase in cash and cash equivalents	290

In the period of nine months ended in September 30, 2016, the Company had not assets held for sale.

29 Subsequent events

Shareholder Participation

On October 26, 2016, it was informed through a material fact disclosed to its shareholders and the market in general the cancellation of acquisitions of credits against the Company and some of its subsidiaries, carried out by its Chief Executive Officer and Investor Relations Officer, Mr. Ricardo Doebeli, and his Consultant and Counselor, Mr. Rafael Gorenstein, in the respective amounts of R\$15,654 and R\$12,808. The respective credits are retained by their original creditors and are subject to the Lupatech Group's Judicial Recovery Plan, in Process before the 1st Bankruptcy Court, Judicial Recoveries and Conflicts Related to Arbitration of the County of São Paulo.

Judicial Recovery Plan Lupatech Group

On November 8, 2016, at the Lupatech Group's General Meeting of Creditors, the New Judicial Recovery Plan was approved, based on the decision rendered by the 2nd Chamber of Business Law of the Court of Justice of the State of São Paulo annulling the first homologation decision the plan originally submitted and approved.

In order for a New Plan to take effect with regard to the novation of the Lupatech Group's debt, it is necessary to ratify it by the 1st Court of Bankruptcy, Judicial Recovery and Arbitration-Related Disputes of the Capital of São Paulo.

Once the New Plan was approved, Lupatech Group's indebtedness on September 30, 2016 would have approximately the expected effects described below:

	Accounting balances before approval	New Plan Effect	Accounting balances after approval
Current Liabilities	710,224	(710,224)	-
Suppliers - Subject to Judicial Recovery	254,616	(254,616)	-
Loans and Financing - Subject to Judicial Recovery	202,946	(202,946)	-
Debentures - Subject to Judicial Recovery	87,872	(87,872)	-
Bonds - Subject to Judicial Recovery	164,790	(164,790)	-
Non-Current Liabilities	24,889	214,246	239,135
Suppliers - Subject to Judicial Recovery	-	60,831	60,831
Loans and Financing - Subject to Judicial Recovery	-	44,208	44,208
Deferred income tax and social contribution	24,889	38,827	63,716
Debentures - Subject to Judicial Recovery	-	18,449	18,449
Bonds - Subject to Judicial Recovery	-	51,932	51,932
Shareholders' Equity	(2,509,768)	495,978	(2,013,790)
Subscription Warrants	-	299,722	299,722
Result of the period	(2,509,768)	196,257	(2,313,511)

The expected effect of the aforementioned accounting would have a positive impact on the total equity of the Company, which would be approximately R\$57,730 positive against R\$438,248 negative before accounting for the expected effect of the New Plan. The expected impact on the result would be approximately R\$196,257, with a reversal of interest and exchange variation of approximately R\$71,944, adjustment to present value of approximately R\$163,140 and deferred income tax and social contribution of approximately R\$38,827. These effects will only take effect upon approval of the new plan and are subject to change.

Independet auditor's report

To the Management and Shareholders of
Lupatech S/A – In Judicial Recovery
Nova Odessa – SP

Introcution

We examined the interim financial, individual and consolidated of Lupatech S/A – In Judicial Recovery ("Company"), included in the Interim Financial Information – ITR for the quarter ended in September 30, 2016, which comprise the balance sheet as at September 30, 2016 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period of nine months ended that date, including the explanatory notes.

Management is responsible for the preparation of the individual interim financial information in accordance with CPC 21 (R1) - Interim Financial Reporting and the consolidated interim financial information in accordance with CPC 21 (R1) and with IAS 34 - Interim Financial Reporting issued by the International Accounting standards Board - IASB, as well as the presentation of information in accordance with the rules issued by the Securities and Exchange Commission applicable to the preparation of Interim Financial Information - ITR. Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Brazilian and International Standards on Review of ínterim financial information (NBC TR 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. The scope of a review is substantially less than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Therefore, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, we are not aware of any facts that would lead us to believe that the individual interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Interim Financial Information - ITR and presented in accordance with the standards issued by the Brazilian Securities Commission.

Conclusion on the consolidated interim financial information

Based on our review, we are not aware of any facts that would lead us to believe that the consolidated interim financial statements included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Interim Financial Information - ITR and presented in accordance with the Standards issued by the Securities Commission.

Emphasis

Judicial Recovery

As mentioned in note 1.1(I) to the interim financial information, on November 18, 2015, Lupatech S/A and its direct and indirect subsidiaries, had its Judicial Recovery plan approved by creditors in the General Assembly and was approved by the Court the 1st court of Bankruptcies, judicial Recoveries and related conflicts to the Arbitration Capital of São Paulo, on December 11, 2015. During 2016, the Company and certain subsidiaries performed actions that were planned in the Judicial Recovery Plan, including sale of shares (note 1.2) and the concentration of open competition debt of Brazilian companies in the economic group in Lupatech S/A (note 1.1 (II.a.)). On June 27, 2016, the 2nd Reserved Chamber of Business Law of the São Paulo State Court of Justice upheld the interlocutory filed by two creditors that required the reform of the judicial decision which approved the Judicial Recovery Plan of the Company and its subsidiaries. In this decision, the validity of the legal effects began on July 14, 2016, the Court of the State of São Paulo declared the nullity of the Judicial Recovery Plan of the Company and determined to present a New Plan within 45 days of the decision publication date. The Company requested reconsideration aimed at questioning the matter and preparation of future special feature. On September 5, 2016, the Company presented a new Judicial Recovery Plan, designed to meet the parameters determined by the 2nd Restricted Chamber of Business Law of the Court of Justice of the State of São Paulo, which was approved by the General Meeting of Lupatech Group creditors on November 8, 2016. The Company awaits approval in court of the new plan and nevertheless pursues the defense of the Judicial Recovery Plan originally filed. Our conclusion has no qualification related to this subject.

Going Concern

The Company and its subsidiaries have generated recurring losses and for the period ended September 30, 2016 incurred consolidated loss of R\$476,897, and 363,168 result of the reversal of the effects of the present value calculation of restructuring its debt approved in Judicial Recovery Plan, now canceled, and have not generated cash in an amount sufficient for the settlement of its obligations. These conditions, along with the fact that the Judicial Recovery Plan previously approved by the creditors and approved by the judiciary have been canceled by decision of the Court of the State of São Paulo, as described in the previous paragraph indicate the significant uncertainty of existence may cast significant doubt about the ability of the Company and its subsidiaries to continue operating. Operational continuity is dependent on the Company and its subsidiaries have success in the judiciary particularly appeal against the annulment decision of the recovery plan originally approved by creditors or, alternatively, the Directors of success in obtaining approval of creditors and approval of a New Judicial Recovery Plan approved by the creditors on November 8, 2016, as well as the success of management's plans for restructuring of operations and obtaining additional resources, as described in notes 1.1 (III) and 1.2 to the interim financial information. Our conclusion does not contain caveat related to this issue.

Other Matter

Statement of value added

We also reviewed the individual and consolidated interim statements of value added (DVA), for the nine months ended in September 30, 2016, prepared under the responsibility of the Company's management, the presentation of which information is required in accordance with the Standards issued by CVM - Brazilian Securities Commission applicable to the preparation of Interim Financial Information - ITR and is considered as supplemental information for IFRS, which do not require disclosure. These statements were submitted to the same review procedures described

above and, based on our review, we are not aware of any facts that would lead us to believe that they were not prepared, in all material respects, in accordance with the individual interim financial information and consolidated together.

Porto Alegre, November 11, 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 period of nine months ended in September 30, 2016.

Nova Odessa, November 11, 2016.

Ricardo Doebeli - Chief Executive Officer
Edson Antônio Foltran - Chief Supply Chain Officer

Management's declaration of the independent auditor's report

In accordance with section V of article 25 of CVM Instruction 480, of December 7, 2009, Management states that reviewed, discussed and agreed with independent auditors' report relating to Company's Financial Statements for the period of nine months ended in September 30, 2016.

Nova Odessa, November 11, 2016.

Ricardo Doebeli - Chief Executive Officer
Edson Antônio Foltran - Chief Supply Chain Officer