INTERIM FINANCIAL STATEMENTS Q2 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 August 24, 2015, the Company presented the judicial recovery plan with the description of the recovery means to be employed, as well the report with appraisals of property and assets of the Company. The Company also presented the list of creditors to be paid under the terms and conditions set forth in the plan.

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 on the date of July 14, 2016, presented manifestation in the case of judicial recovery seeking the extension of the "stay period" for 90 days, for reasons beyond the Lupatech Group will, in view of the provision given to grievances instrument and the consequent cancellation of the Plan, which was approved on 18 July 2016. Therefore, as a precaution, it is considered that, on that date, the Lupatech Group became aware of the judgments that nullified the plan and, consequently, plan lost its effectiveness, failing to force the Lupatech Group and its creditors the terms set out therein.

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.
Nevertheless, without prejudice to any special appeal to be filed and saved any decision favorable decision in this appeal, the Lupatech Group will present new Judicial Reorganization Plan within 45 days of publication of the judgment, which will be put to a vote at the General Meeting Creditors and the approval by the Court.

Financial and Economic Performance

Net Revenue

Net Revenue (R$ thd)	2Q15	2Q16	Chg. %	1Q16	2Q16	Chg. %	1S15	1S16	Chg. %
Products	**9,684**	**6,562**	**-32.2%**	**5,748**	**6,562**	**14.2%**	**23,384**	**12,310**	**-47.4%**
Oil&Gas Valves	3,184	587	-81.6%	806	587	-27.2%	6,256	1,393	-77.7%
Industrial Valves	2,797	5,975	113.6%	4,942	5,975	20.9%	6,058	10,917	80.2%
Anchoring Ropes	3,703	-	n/a	-	-	n/a	11,070	-	-100.0%
Services	**56,250**	**22,770**	**-59.5%**	**40,940**	**22,770**	**-44.4%**	**125,763**	**63,710**	**-49.3%**
Oilfield Services Brazil	32,356	17,031	-47.4%	24,778	17,031	-31.3%	72,160	41,809	-42.1%
Oilfield Services Colombia	19,979	5,739	-71.3%	10,992	5,739	-47.8%	41,645	16,731	-59.8%
Tubular Services & Coating	3,915	-	-100.0%	5,170	-	-100.0%	11,958	5,170	-56.8%
Total	**65,934**	**29,332**	**-55.5%**	**46,688**	**29,332**	**-37.2%**	**149,147**	**76,020**	**-49.0%**

The Consolidated Net Revenue in the 2Q16 reached R$ 29.3 million, versus R$ 65.9 million in the 2Q15 and R$ 46.7 million in the 1Q16, reduction of 55.5% and 37.2%, respectively. In the first semester of the year, the Consolidated Net Revenue reached R$ 76.0 million versus R$ 149.1 million in the 1S15, reduction of 49.0%.

The Products Segment presented reduction of 32.2% and 47.4% in the comparative Net Revenue of 2Q16 with the 2Q15 and of 1S16 with the 1S15, respectively, from R$ 9.7 million in the 2Q15 to R$ 6.6 million in the 2Q16 and of R$ 23,4 million in the 1S15 to R$ 12.3 million in the 1S16. This decrease was primarily consequence of crisis in Oil&Gas segment and of consequent reduction in demand, especially felt in Oil&Gas Valves and Anchoring Ropes divisions, so that the resumption of the backlog will be slow.

On the other hand, in the comparative period of 2Q16 with the 1Q16, the Products Segment presented a growth of 14.2% in Net Revenue, from R$ 5.7 million in the 1Q16 to R$ 6.6 million in the 2Q16, due to performance of Industrial Valves division that, despite the crisis scenario of the national economy, with the adequate availability of working capital in the period allowing the company to access the market again, presented a growth of 20.9%. In the first semester of the year, the Net Revenue of Industrial Valves division presented a growth of 80.2% related to the 1S15.

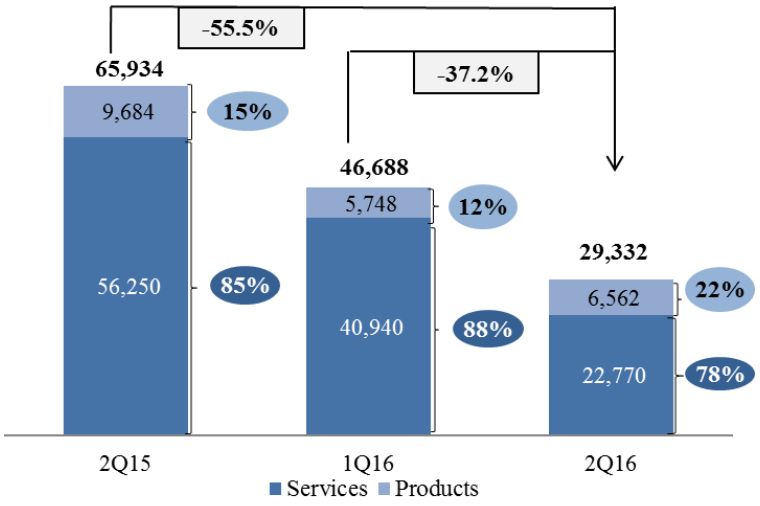
The Services Segment presented reduction in Net Revenue in the three comparative periods: 59.5% and 44.4% comparing 2Q16 with 2Q15 and with 1Q16, respectively; and reduction of 49.3% in the accumulated of semester, from R$ 125.8 million in the 1S15 to R$ 63.7 million in the 1S16.

The decrease of Net Revenue in Colombia operations of 71.3% in the 2Q16 compared to the 2Q15, 47.8% in the 2Q16 compared to the 1Q16 and of 59.8% in the 1S16 compared to the 1S15, affected by the decline in oil prices, which strongly impacted the services demand by customers, was one of the factors of reduction in Net Revenue of Services Segment in the three comparative periods.

The operations of Oilfield Services Brazil division presented a reduction in Net Revenue of 47.4% and 31.3% in the comparative period of 2Q16 with 2Q15 and with 1Q16, respectively, and a reduction of 42.1% in the first semester of the year compared to the 1S15, primarily due to the reduction of services demand from Petrobras and due to the termination of existing contracts.

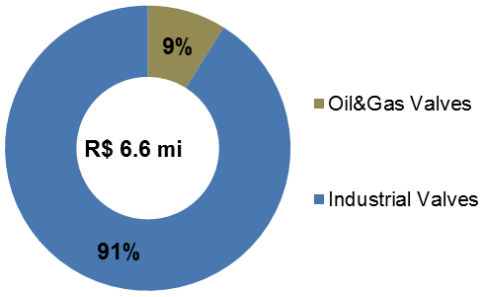
There was no Net Revenue in the second quarter of 2016 in the operations of Tubular Services & Coating division due to the termination of existing contracts, resulting in a decrease of 56.8% in Net Revenue of this division in the first semester of the year, from R$ 11.9 million in the 1S15 to R$ 5.2 million in the 1S16.

Net Operating Revenue (R$ thd)

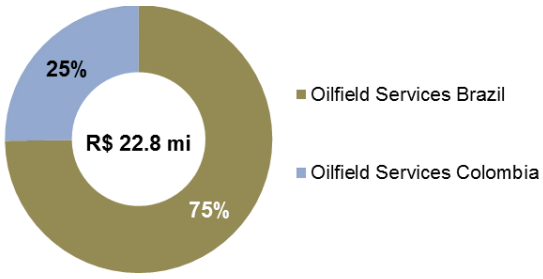


Revenue Distribution – 2Q16

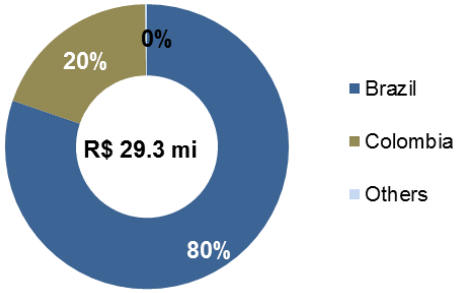
Products



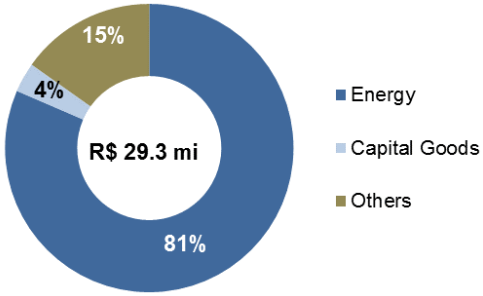
Services



By Region



By Industrial Sector



On June 30, 2016, the Company's Backlog of firm orders amounted R$ 0.3 billion. The conversion of this Backlog is concentrated in the next eighteen 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)	2Q15	2Q16	Chg. %	1Q16	2Q16	Chg. %	1S15	1S16	Chg. %
Products	6,876	6,505	-5.4%	6,340	6,505	2.6%	18,409	12,845	-30.2%
Services	54,878	36,177	-34.1%	48,914	36,177	-26.0%	119,631	85,091	-28.9%
Total	**61,754**	**42,682**	**-30.9%**	**55,254**	**42,682**	**-22.8%**	**138,040**	**97,936**	**-29.1%**

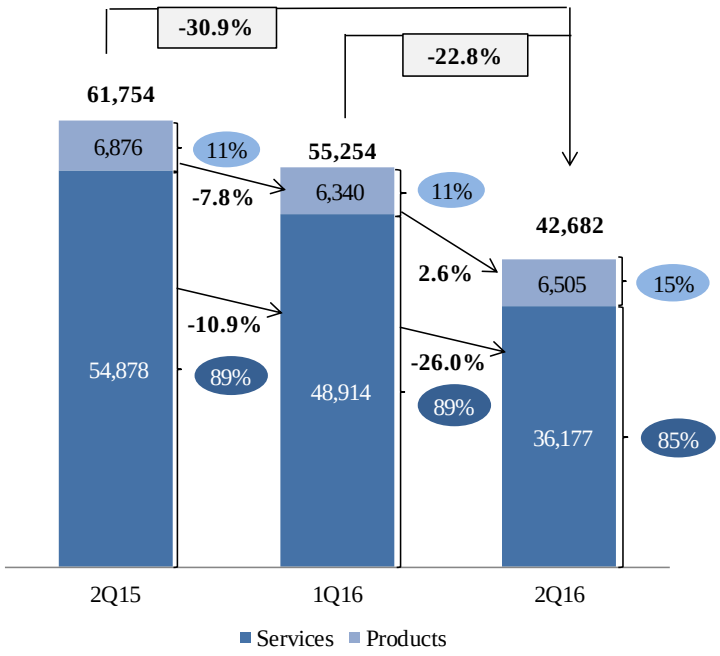
The Consolidated Costs on Goods Sold (COGS) presented a reduction in the three comparative periods: 30.9% in the 2Q16 compared to the 2Q15 (R$ 42.7 million in the 2Q16 versus R$ 61.7 million in the 2Q15), 22.8% in the 2Q16 compared to the 1Q16 (R$ 42.7 million in the 2Q16 versus R$ 55.2 million in the 1Q16) and 29.1% in the first semester of 2016 compared to the same period of 2015 (R$ 97.9 million in the 1S16 versus R$ 138.0 million in the 1S15).

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$ 19.8 million of personnel costs reduction in the comparative period of 2Q16 with the 2Q15, R$ 8.7 million comparing 2Q16 with 1Q16 and R$ 29.8 million of reduction in the first semester of the year compared to the 1S15).

The COGS of Products Segment increased 2.6% in the 2Q16 compared to the 1Q16, from R$ 6.3 million in the 1Q16 to R$ 6.5 million in the 2Q16, due to the growth of Net Revenue in Industrial Valves division in this comparative period.

Despite the reductions with personnel costs had been elevated, the decrease in COGS in the three comparative periods was lower than the reduction of Net Revenue in the related periods primarily due to impact of dismissals (R$ 4.1 million in the 2Q16 and R$ 8.3 million in the 1S16), in addition to no dilution of fixed operating costs.

COGS (R$ thd)



Gross Profit and Gross Margin

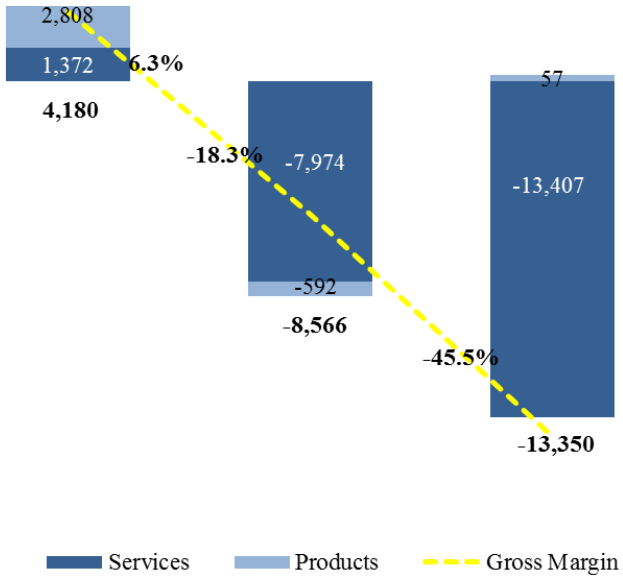
Gross Profit (R$ thd)	2Q15	2Q16	Chg. %	1Q16	2Q16	Chg. %	1S15	1S16	Chg. %
Products	**2,808**	**57**	**-98.0%**	**-592**	**57**	**n/a**	**4,975**	**-535**	**n/a**
Gross Margin - Products	29.0%	0.9%	-28.1 p.p.	-10.3%	0.9%	11.2 p.p.	21.3%	-4.3%	-25.6 p.p.
Services	**1,372**	**-13,407**	**n/a**	**-7,974**	**-13,407**	**68.1%**	**6,132**	**-21,381**	**n/a**
Gross Margin - Services	2.4%	-58.9%	-61.3 p.p.	-19.5%	-58.9%	-39.4 p.p.	4.9%	-33.6%	-38.5 p.p.
Total	**4,180**	**-13,350**	**n/a**	**-8,566**	**-13,350**	**55.8%**	**11,107**	**-21,916**	**n/a**
Gross Margin - Total	6.3%	-45.5%	-51.8 p.p.	-18.3%	-45.5%	-27.2 p.p.	7.4%	-28.8%	-36.2 p.p.

Due to reduction of Consolidated Net Revenue of R$ 36.6 million (55.5%), dismissal costs that totaled R$ 4.1 million and impact of fixed costs, the Total Gross Profit was negative in R$ 13.4 million in the 2Q16 compared to the positive amount of R$ 4.2 million in the 2Q15.

Compared to the 1Q16, despite of growth in the Gross Profit of Products Segment and the increase of 11.2 percentage points in the Gross Margin due to performance of Industrial Valves division in the 2Q16 compared to the 1Q16, the Total Gross Profit was from a negative amount of R$ 8.6 million and negative Total Gross Margin of 18.3% in the 1Q16 to a negative Gross Profit of R$ 13.4 million and negative Gross Margin of 45.5% in the 2Q16 due to the performance of Services Segment, that had reduction of R$ 18.2 million in Net Revenue and R$ 3.7 million of dismissal costs in the period.

In the first semester of the year, the Total Gross Profit was negative of R$ 21.9 million and the Gross Margin was negative of 28.8%, as primarily result of no fixed costs dilution, of R$ 73.1 million decrease in Net Revenue and of dismissal costs in the amount R$ 8.3 million.

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



Expenses

Expenses (R$ thd)	2Q15	2Q16	Chg. %	1Q16	2Q16	Chg. %	1S15	1S16	Chg. %
Total Sales Expenses	**3,161**	**2,121**	**-32.9%**	**1,876**	**2,121**	**13.1%**	**7,619**	**3,997**	**-47.5%**
Sales Expenses - Products	1,491	818	-45.1%	1,093	818	-25.2%	4,355	1,911	-56.1%
Sales Expenses - Services	1,670	1,303	-22.0%	783	1,303	66.4%	3,264	2,086	-36.1%
Total Administrative Expenses	**11,668**	**9,806**	**-16.0%**	**11,361**	**9,806**	**-13.7%**	**24,414**	**21,167**	**-13.3%**
Administrative Expenses - Products	3,608	3,321	-8.0%	3,120	3,321	6.4%	7,455	6,441	-13.6%
Administrative Expenses - Services	8,060	6,485	-19.5%	8,241	6,485	-21.3%	16,959	14,726	-13.2%
Management Compensation	**2,848**	**1,055**	**-63.0%**	**1,055**	**1,055**	**0.0%**	**4,141**	**2,110**	**-49.0%**
Total Sales, Administratives and Management Compensation	**17,677**	**12,982**	**-26.6%**	**14,292**	**12,982**	**-9.2%**	**36,174**	**27,274**	**-24.6%**

The Consolidated Sales and Administrative Expenses and the Management Salary presented a decrease in the three comparative periods: 26.6% in the 2Q16 compared to the 2Q15 (R$ 13.0 million in the 2Q16 versus R$ 17.7 million in the 2Q15), 9.2% in the 2Q16 compared to the 1Q16 (R$ 13.0 million in the 2Q16 versus R$ 14.3 million in the 1Q16) and 24.6% comparing the first semester of 2016 that reached R$ 27.3 million versus R$ 36.2 million in the 1S15.

The Sales Expenses decreased 32.9% in the 2Q16 compared to the 2Q15 (from R$ 3.2 million in the 2Q15 to R$ 2.1 million in the 2Q16), primarily due to the Products Segment performance that presented reversion of R$ 0.6 million of allowance for doubtful accounts in the Oil&Gas Valves. In the first semester of the year, the Sales Expenses reduced 47.5% (from R$ 7.6 million in the 1S15 to R$ 4.0 million in the 1S16), being the Products Segment again the main responsible for this reduction, especially due to the reversal of R$ 0.9 million of allowance for doubtful accounts, decrease of R$ 0.7 million of fines with customers and R$ 0.5 million of commission expenses in the 1S16 compared to the 1S15 on this Segment.

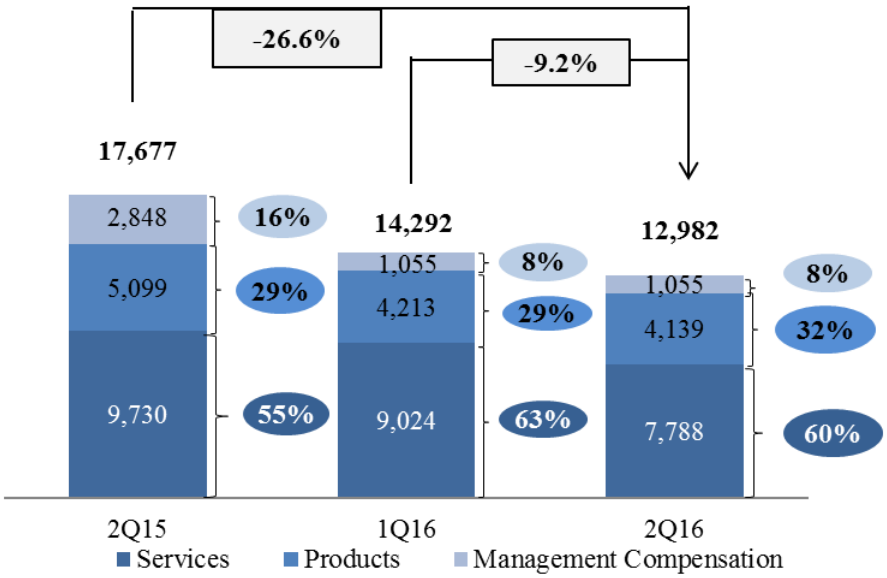
Comparing the 2Q16 with 1Q16, the Sales Expenses were from R$ 1.9 million in the 1Q16 to R$ 2.1 million in the 2Q16, an increase of 13.1%, primarily due to the recognition of R$ 1.0 million of fines with customers in the 2Q16 in Tubular Services & Coating division in the Services Segment.

The Administrative Expenses presented reduction in the three comparative periods: 16.0% and 13.7% comparing 2Q16 with 2Q15 and with 1Q16, respectively, and 13.3% in the 1S16 with 1S15, primarily due to decrease in salary expenses in the Services Segment.

The Administrative Expenses of Products Segment increased 6.4% comparing 2Q16 with 1Q16, primarily due to the increase of security and surveillance services and rentals expenses in the Anchoring Ropes division.

The Management Salary remained stable in the amount of R$ 1.1 million in the 1Q16 and in the 2Q16. Comparing the 2Q16 with 2Q15, the Management Salary reduced 63.0% and comparing 1S16 with 1S15 they reduced 49.0%, from R$ 4.1 million in the 1S15 to R$ 2.1 million in the 1S16.

Operating Expenses (R$ thd)



Other Operating (Revenues) and Expenses

Other Expenses (Income) (R$ thd)	2Q15	2Q16	Chg. %	1Q16	2Q16	Chg. %	1S15	1S16	Chg. %
Products	71,002	7,379	-89.6%	8,021	7,379	-8.0%	77,808	15,400	-80.2%
Services	18,950	11,072	-41.6%	-11,335	11,072	n/a	20,140	-263	n/a
Total	**89,952**	**18,451**	**-79.5%**	**-3,314**	**18,451**	**n/a**	**97,948**	**15,137**	**-84.5%**

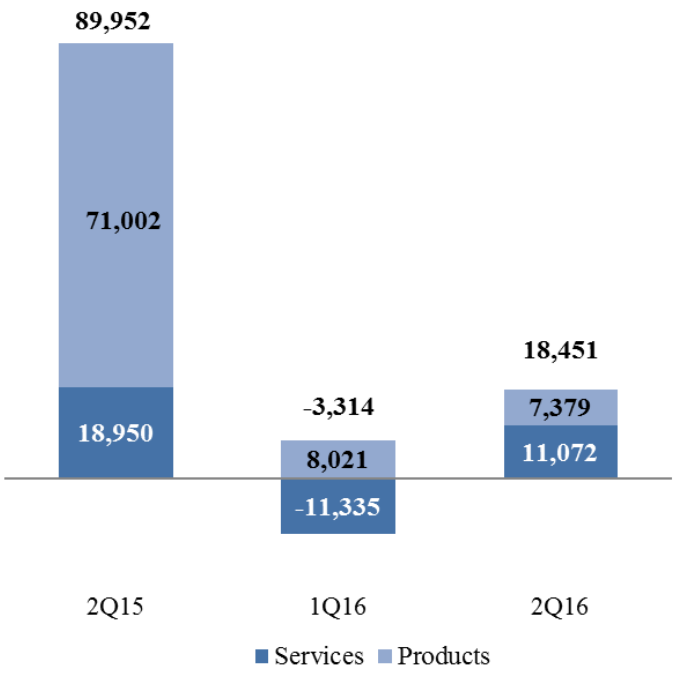
The Other Operating Expenses in the amount of R$ 18.4 million in the 2Q16, are primarily related to the following factors: (i) R$ 11.7 million of loss on disposal of fixed assets; (ii) R$ 3.3 million of cost of idle production (R$ 9.7 million in the 2Q15 and R$ 3.4 million in the 1Q16); (iii) R$

2.0 million of provision for losses on inventory obsolescence (R$ 2.1 million in the 2Q15 and R$ 7.1 million in the 1Q16) and R$ 0.7 million of provision for loss of lawsuit (R$ 18.4 million in the 2Q15 and R$ 0.7 million of reversal in the 1Q16).

Comparing the 2Q16 with the 2Q15, the Other Operating Expenses reduced 79.5% primarily due to the recognition of R$ 60.0 million of loss by the non-recoverability of goodwill of Cordoaria São Leopoldo unit in the 2Q15, non-recurring in the 2Q16.

In the first semester of the year, the Other Operating Expenses decreased 84.5%, from R$ 97.9 million in the 1S15 to R$ 15.1 million in the 1S16, primarily due to the recognition of R$ 60.0 million of loss by the non-recoverability of goodwill occurred in the 1S15, non-recurring in the 1S16 as mentioned above, as well as by the revenue with disposal of Vicinay Marine S.L investment in the amount of R$ 13.3 million recorded in the 1S16.

Other Operating Expenses (R$ thd)



Financial Result

Financial Result (R$ thd)	2Q15	2Q16	Chg. %	1Q16	2Q16	Chg. %	1S15	1S16	Chg. %
Income from Financial Investments	207	480	131.9%	411	480	16.8%	406	891	119.5%
Monetary Variation	62	573	824.2%	178	573	221.9%	234	751	220.9%
Interest on Receivables	564	310	-45.0%	308	310	0.6%	868	618	-28.8%
Others	459	1,420	209.4%	115	1,420	1134.8%	562	1,535	173.1%
Financial Revenue*	**1,292**	**2,783**	**115.4%**	**1,012**	**2,783**	**175.0%**	**2,070**	**3,795**	**83.3%**
(Expense) Reversal of Interest Expenses	-9,265	-72,801	685.8%	-3,901	-72,801	1766.2%	-16,062	-76,702	377.5%
Present Value Adjustment	-	-393,792	n/a	-996	-393,792	39437.3%	-	-394,788	n/a
Discount Granted	-	-	n/a	-765	-	n/a	-	-765	n/a
(Provision) Reversal of Provision for Interest on Suppliers	-944	-16,475	1645.2%	-2,300	-16,475	616.3%	-1,511	-18,775	1142.6%
Fines and Interest on Taxes	-302	-1,802	496.7%	-15,455	-1,802	-88.3%	-992	-17,257	1639.6%
Banking Expenses, Taxes and Others	-1,830	-1,985	8.5%	-1,379	-1,985	43.9%	-4,496	-3,364	-25.2%
Financial Expense*	**-12,341**	**-486,855**	**3845.0%**	**-24,796**	**-486,855**	**1863.4%**	**-23,061**	**-511,651**	**2118.7%**
Net Financial Result*	**-11,049**	**-484,072**	**4281.1%**	**-23,784**	**-484,072**	**1935.3%**	**-20,991**	**-507,856**	**2319.4%**
Exchange Variance Revenue	173,318	190,936	10.2%	189,814	190,936	0.6%	325,222	380,750	17.1%
Exchange Variance Expense	-177,531	-156,490	-11.9%	-170,295	-156,490	-8.1%	-356,725	-326,785	-8.4%
Net Exchange Variance	**-4,213**	**34,446**	**n/a**	**19,519**	**34,446**	**76.5%**	**-31,503**	**53,965**	**n/a**
Net Financial Result - Total	**-15,262**	**-449,626**	**2846.0%**	**-4,265**	**-449,626**	**10442.2%**	**-52,494**	**-453,891**	**764.7%**

* Excluding Exchange Variance

The Total Financial Income (excluding Exchange Variance) in the 2Q16 reached R$ 2.8 million versus R$ 1.3 million in the 2Q15 and R$ 1.0 million in the 1Q16, an increase of 115.4% and 175.0%, respectively, primarily due to the increase in monetary variation on taxes to compensate and by recovery of taxes and contributions in the amount of R$ 1.4 million in the 2Q16.

Compared to the first semester of 2016, the Total Financial Income (excluding Exchange Variance) increased from R$ 2.1 million in the 1S15 to R$ 3.8 million in the 1S16 primarily due to recovery of taxes and contributions in the amount of R$ 1.4 million, increase of R$ 0.5 million of monetary variation on taxes to compensate and to the increase of R$ 0.5 million of income from financial investments.

The Total Financial Expense (excluding Exchange Variance) increased from R$ 12.3 million in the 2Q15 and from R$ 24.8 million in the 1Q16 to R$ 486.9 million in the 2Q16, due to the recognition of R$ 393.8 million of expense for present value adjustment of suppliers, loans, fines, debentures and Bonds as reversal of the amount recorded in the 4Q15 as result of cancellation of the Company's Judicial Recovery Plan on June 27, 2016. Additionally, as consequence of Plan's cancellation, the interest expenses on loans, financing, debentures and suppliers increased in the comparative periods.

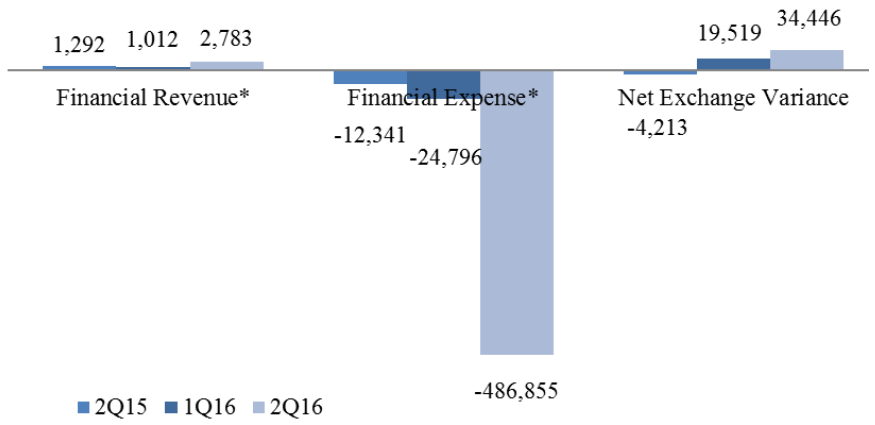
In the first semester of 2016, the Total Financial Expense (excluding Exchange Variance) reached R$ 511.6 million versus R$ 23.1 million in the 1S15. Such increase was primarily consequence of the recognition of R$ 394.8 million of present value adjustment of suppliers, loans, fines, debentures and Bonds and increasing of R$ 77.9 million of interest on loans, financing, debentures and suppliers in result of Company's Judicial Recovery Plan cancellation, as well as the registration of R$ 17.3 million of fines and interest on taxes.

The Net Exchange Variance in the 2Q16 resulted in revenue of R$ 34.4 million versus an expense of R$ 4.2 million in the 2Q15 affected by devaluation of 9.8% in U.S. dollar against Brazilian Real in the 2Q16 versus a devaluation of 3.3% in U.S. dollar in the 2Q15. In the 1Q16, the Net Exchange Variance resulted in revenue of R$ 19.5 million affected by devaluation of 8.9% in U.S. dollar against Brazilian Real in the 1Q16. In the first semester of the year, the Net Exchange Variance resulted in revenue of R$ 53.9 million in the 1S16 versus expense of R$ 31.5 million in the 1S15, affected by devaluation of 17.8% in U.S. dollar against Brazilian Real in the 1S16 versus a valuation of 16.8% in U.S. dollar in the 1S15.

The Total Net Financial Result in the 2Q16 resulted in expense of R$ 449.6 million primarily 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.

The Total Net Financial Result was from na expense of R$ 52.5 million in the 1S15 to R$ 453.9 million in the 1S16, 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 1S16.

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$ 11.5 million in the 2Q16 versus negative result of R$ 1.5 million in the 2Q15 and positive result of R$ 4.7 million in the 1Q16. The EBITDA Margin was negative of 39.1% in the 2Q16, with negative variance of 36.9 and 49.3 percentage points compared to the presented in the 2Q15 and 1Q16, respectively.

Adjusted EBITDA (R$ thd)	2Q15	2Q16	Chg. R$	Chg. %	1Q16	2Q16	Chg. R$	Chg. %	1S15	1S16	Chg. R$	Chg. %
Products	**- 5,710**	**- 4,375**	**1,335**	**-23.4%**	**- 3,233**	**- 4,375**	**- 1,142**	**35.3%**	**- 13,579**	**- 7,608**	**5,971**	**-44.0%**
Margin	-59.0%	-66.7%		-7.7 p.p.	-56.2%	-66.7%	-	-10.5 p.p.	-58.1%	-61.8%	-	-3.7 p.p.
Services	**4,259**	**- 7,093**	**- 11,352**	**n/a**	**7,977**	**- 7,093**	**- 15,070**	**n/a**	**8,008**	**884**	**- 7,125**	**-89.0%**
Margin	7.6%	-31.2%		-38.8 p.p.	19.5%	-31.2%	-	-50.7 p.p.	6.4%	1.4%	-	-5.0 p.p.
Total	**- 1,451**	**- 11,468**	**- 10,017**	**690.4%**	**4,744**	**- 11,468**	**- 16,212**	**n/a**	**- 5,570**	**- 6,724**	**- 1,154**	**20.7%**
Margin	-2.2%	-39.1%		-36.9 p.p.	10.2%	-39.1%	-	-49.3 p.p.	-3.7%	-8.8%	-	-5.1 p.p.
% Products	394%	38%			-68%	38%			244%	113%		
% Services	-294%	62%			168%	62%			-144%	-13%		

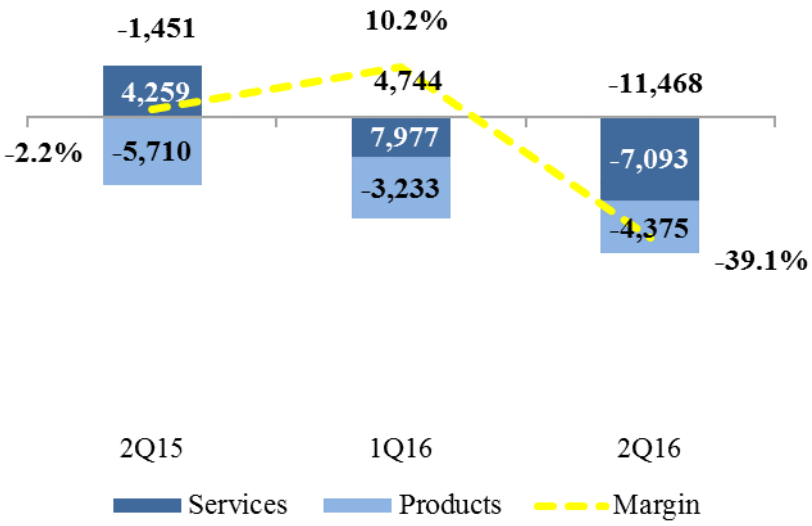
[1] ***EBITDA from continuing operations*** *is calculated as the net income (loss) before income tax and social contribution, financial income (expense), Equity Pick-up Result and depreciation and amortization. The Adjusted EBITDA from continuing operations reflects the EBITDA from continuing operations,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

Both the Consolidated Adjusted EBITDA from Products Segment and from Services Segment presented negative amounts in the 2Q16, primarily consequence of reduction in products and services demand, as result of the crisis in the Oil&Gas segment, creating limitations to capture new revenue. The positive variance of R$ 1.3 million in the Products Segment EBITDA in the 2Q16 compared to the 2Q15 was mainly due to the reduction of R$ 3.0 million in costs of idle production in the 2Q16.

Adjusted Ebitda Reconciliation (R$ thd)	2Q15	1Q16	2Q16
Gross Profit	4,180	-8,566	-13,350
SG&A	-14,829	-13,237	-11,927
Management Compensation	-2,848	-1,055	-1,055
Depreciation and Amortization	12,581	12,579	12,637
Operational Revenues/Expenses	-89,952	3,314	-18,451
Ebitda from Continuing Operations	**-90,868**	**-6,965**	**-32,146**
Provision for Variable Compensation	175	0	-394
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets	80,456	6,438	14,403
Fines with Customers	408	129	1,391
Restructuring Process and Other Extraordinary Expenses	8,378	5,142	5,278
Adjusted EBITDA from Continuing Operations	**-1,451**	**4,744**	**-11,468**

The Consolidated Adjusted EBITDA from Continuing Operations in the first semester of 2016 was negative in R$ 6.7 million versus negative result of R$ 5.6 million in the 1S15, especially as result of significant reduction in Net Revenue in the 1S16. The Consolidated EBITDA Margin decreased 5.1 percentage points, from negative 3.7% in the 1S15 to negative 8.8% in the 1S16. Even so, the positive variance of R$ 6.0 million in the Products Segment EBITDA in the 1S16 compared to the 1S15 is mainly result of decrease of R$ 7.5 million in costs of idle production in the 1S16.

Adjusted EBITDA (R$ thd)



	2Q16		
Adjusted Ebitda Reconciliation (R$ thd)	**Products**	**Services**	**Total**
Gross Profit	57	-13,407	-13,350
SG&A	-4,139	-7,788	-11,927
Management Compensation	-239	-816	-1,055
Depreciation and Amortization	1,848	10,789	12,637
Operational Revenues/Expenses	-7,379	-11,072	-18,451
Ebitda from Continuing Operations	**-9,852**	**-22,294**	**-32,146**
Provision for Variable Compensation	0	-394	-394
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets	4,630	9,773	14,403
Fines with Customers	231	1,160	1,391
Restructuring Process and Other Extraordinary Expenses	616	4,662	5,278
Adjusted EBITDA from Continuing Operations	**-4,375**	**-7,093**	**-11,468**

The non-recurring expenses that totaled R$ 14.4 million primarily refers to registration of losses on disposal of fixed assets in the amount of R$ 11.7 million, provision for losses on inventory obsolescence in the amount of R$ 2.0 million and provision for loss of lawsuit in the amount of R$ 0.7 million.

Net Result

Net Result (R$ thd)	2Q15	2Q16	Chg. %	1Q16	2Q16	Chg. %	1S15	1S16	Chg. %
Result Before Income Tax and Social Contribution	-119,082	-494,409	315.2%	-23,809	-494,409	1976.6%	-175,880	-518,218	194.6%
Income Tax and Social Contribution - Current	-612	-1,819	197.2%	-298	-1,819	510.4%	-1,224	-2,117	73.0%
Income Tax and Social Contribution - Deferred	601	94,474	15619.5%	598	94,474	15698.3%	1,290	95,072	7269.9%
Result of Discontinued Operation	91	0	n/a	0	0	n/a	-21,963	0	n/a
Net Result	**-119,002**	**-401,754**	**237.6%**	**-23,509**	**-401,754**	**1608.9%**	**-197,777**	**-425,263**	**115.0%**
Net Result per 1000 Shares	-0.76	-2.56	237.6%	-0.15	-2.56	1608.9%	-1.26	-2.71	115.0%

The Net Result in the 2Q16 was a loss of R$ 401.7 million, compared to the loss of R$ 119.0 million in the 2Q15 and with the loss of R$ 23.5 million in the 1Q16. The main extraordinary events that contributed for that performance in the 2Q16 were: (i) R$ 393.8 million of expense with present value adjustment of suppliers, loans, fines, debentures and Bonds (R$ 1.0 million in the 1Q16); (ii) R$ 3.3 million of costs of idle production (R$ 9.7 million in the 2Q15 and R$ 3.4 million in the 1Q16); (iii) R$ 11.7 million of loss on disposal of fixed assets; (iv) R$ 2.0 million of provision for inventory obsolescence and inventory extraordinary loss (R$ 2.1 million in the 2Q15 and R$ 7.1 million in the 1Q16) and (v) R$ 0.7 million of provision for loss of lawsuit (R$ 18.4 million in the 2Q15 and R$ 0.7 million of reversal in the 1Q16).

The Net Result in the first semester of 2016 was a loss of R$ 425.3 million versus loss of R$ 197.8 million in the 1S15. The main extraordinary events that contributed for that performance in the 1S16 were: (i) R$ 394.8 million of expense with present value adjustment of suppliers, loans, fines, debentures and Bonds; (ii) R$ 6.8 million of costs of idle production (R$ 17.1 million in the 1S15); (iii) R$ 11.7 million of loss on disposal of fixed assets; (iv) R$ 9.1 million of provision for inventory obsolescence and inventory extraordinary loss (R$ 2.1 million in the 1S15); (v) R$ 13.3 million of revenue with disposal of Vicinay Marine S.L investment and (vi) R$ 17.3 million of fine and interest on taxes (R$ 1.0 million in the 1S15).

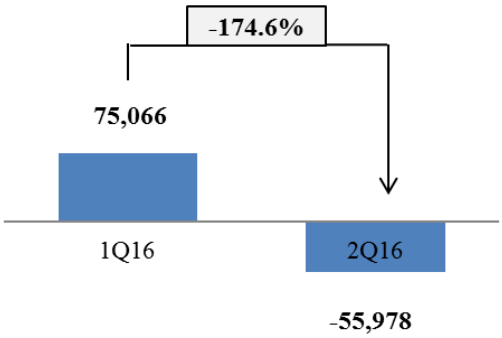
Working Capital

Working Capital (R$ thd)	1Q16	2Q16	Chg. %	Chg. R$
Accounts Receivable	57,543	53,279	-7.4%	-4,264
Inventories	49,031	47,745	-2.6%	-1,286
Accounts Payable	27,978	153,951	450.3%	125,973
Advances from Clients	3,530	3,051	-13.6%	-479
Employed Working Capital	**75,066**	**- 55,978**	**-174.6%**	**-131,044**
Employed Working Capital Variance	- 10,746	- 131,044		
% Working Capital/Net Revenues*	32.4%	-28.7%		

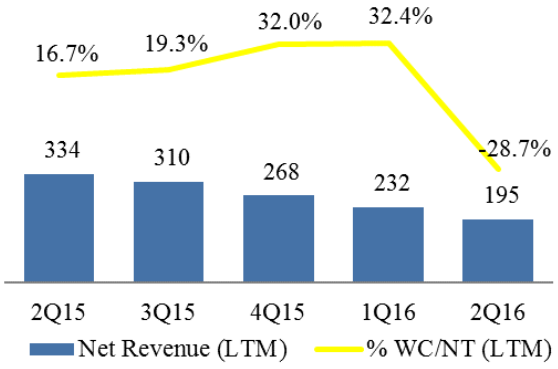
**LTM: last 12 months*

The rate of Working Capital Needs upon accumulated Net Revenue (12 months) in the 2Q16 reached the negative percentage of 28.7%, reduction of 61.1 percentage points when compared to the rate of 1Q16.

Working Capital (R$ thd)



Net Revenue vs. Working Capital (R$ thd)



The reception of customers from Oilfield Services Colombia division was the main factor that resulted in the decrease of 7.4% in the Accounts Receivable.

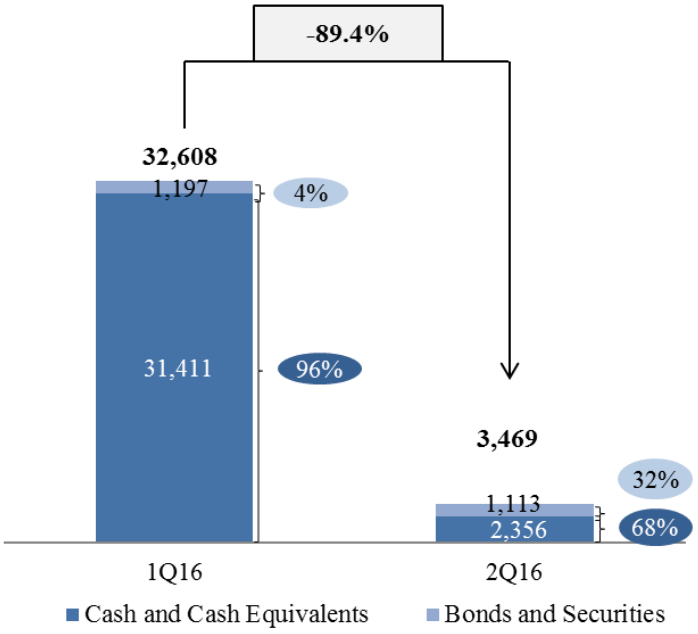
The reclassification of Accounts Payable for short term and the reversal of present value adjustment of them as result of Company's Judicial Recovery Plan cancellation on June 27, 2016, was the main reason for increasing 450.3% in Accounts Payable and for reduction in Working Capital applied in the 2Q16 compared to the 1Q16.

Cash and Cash Equivalents

The consolidated position in Company's Cash and Cash Equivalents in the 2Q16 reached R$ 3.5 million compared to the amount of R$ 32.6 million in the 1Q16, a reduction of 89.4%. With the sale of share's participation held by Company in the Spanish society Vicinay Marine, S.L. by the amount of R$ 28.6 million, received on March 2016, the Company made use of such availability during the 2Q16 for the settlement of operating restructuring costs with dismissals, costs related

to the Judicial Recovery Process, personnel operating costs and recovery of inventory, investments and maintenance.

Cash and Cash Equivalents Balances (R$ thd)



Debt

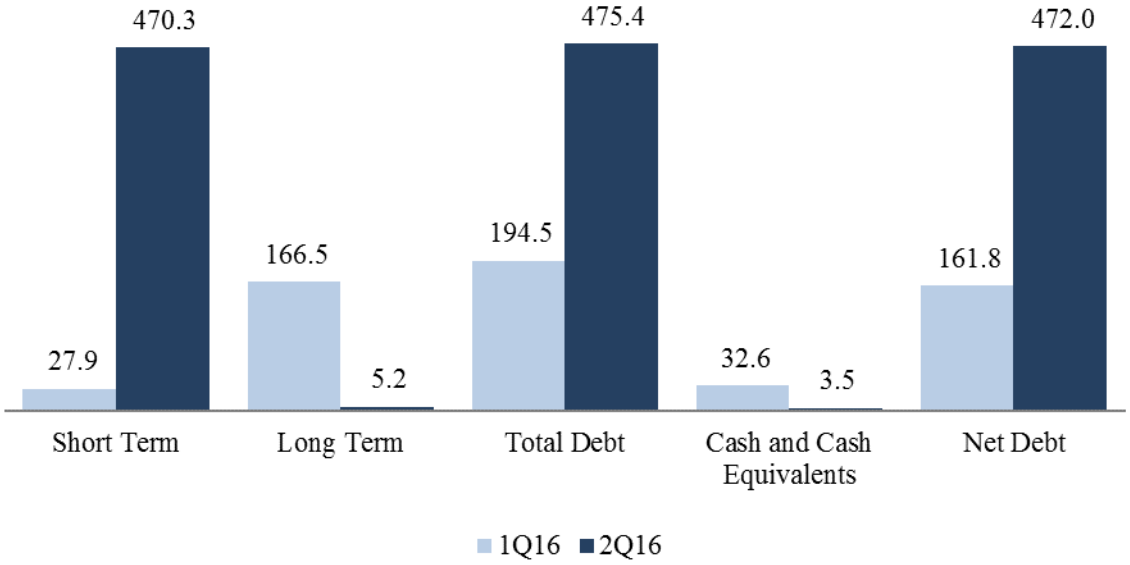
Company's Gross Debt ended the 2Q16 in R$ 475.4 million, 144.5% higher than reported in the 1Q16.

Debt (R$ thd)	1Q16	2Q16	Chg. %	Chg. R$
Short Term	**27,926**	**470,263**	**1584.0%**	**442,337**
Financing Lines not subject to Judicial Recovery	27,926	223,607	700.7%	195,681
Debentures	-	84,927	n/a	84,927
Bonds	-	161,729	n/a	161,729
Long Term	**166,525**	**5,161**	**-96.9%**	**- 161,364**
Financing Lines subject to Judicial Recovery	159,000	-	n/a	- 159,000
Financing Lines not subject to Judicial Recovery	7,525	5,161	-31.4%	- 2,364
Total Debt	**194,451**	**475,424**	**144.5%**	**280,973**
Cash and Cash Equivalents	32,608	3,469	-89.4%	- 29,139
Net Debt	**161,843**	**471,955**	**191.6%**	**310,112**

This increase is primarily consequence of expense with present value adjustment of loans, debentures and Bonds that increased these obligations in about R$ 236.7 million in the 2Q16 as result of Company's Judicial Recovery Plan cancellation on June 27, 2016.

Combined Cash and Cash Equivalents, the Company's Net Debt ended the 2Q16 in R$ 472.0 million, increase of 191.6% versus the amount in the 1Q16.

Debt Breakdown (R$ million)



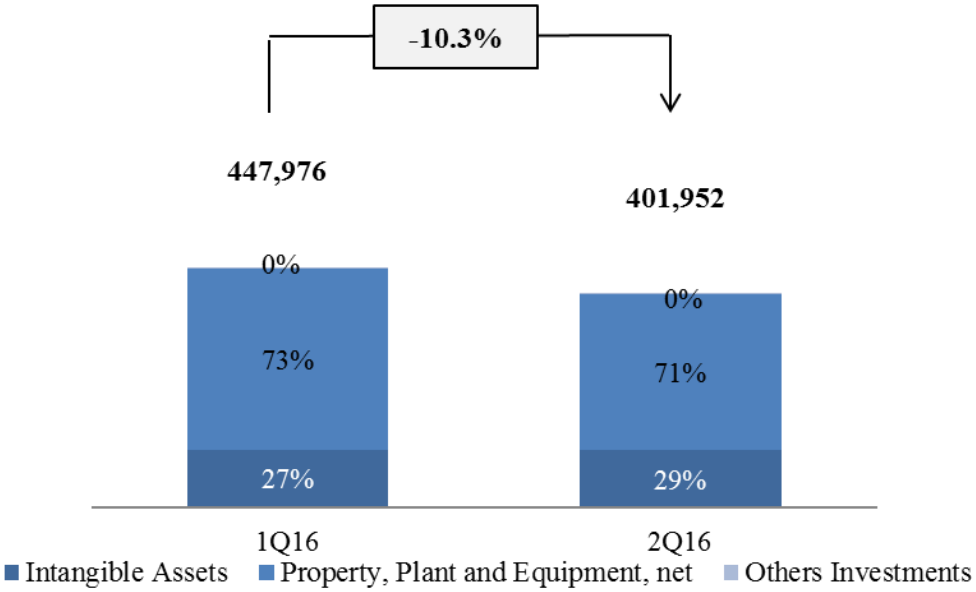
Investment Balance

Company's Investment Balances in the 2Q16 totaled R$ 401.9 million, a reduction of 10.3% compared to the R$ 447.9 million presented in the 1Q16.

Investments (R$ thd)	1Q16	2Q16	Chg. %	Chg. R$
Others Investments	676	676	0.0%	0
Property, Plant and Equipment, net	327,685	283,600	-13.5%	-44,085
Intangible Assets	119,615	117,676	-1.6%	-1,939
Total	**447,976**	**401,952**	**-10.3%**	**-46,024**

Fixed Assets presented a decrease of 13.5% in the 2Q16 especially due to the recognition of depreciation in the amount of R$ 12.1 million, due to the effect of exchange variance on the fixed assets of foreign subsidiaries in the amount of R$ 13.8 million, due to the devaluation of 9.8% in the U.S. dollar against Brazilian Real in the 2Q16, and due to the loss of disposal on fixed assets in the amount of R$ 11.7 million.

Investment Balances (R$ thd)



Capex was R$ 1.7 million in the 2Q16 primarily invested in the Services Segment units.

Attachments

Attachment I – Consolidated Income Statement (R$ thd)

	1Q16	2Q16	% Change
Net Revenue From Sales	46,688	29,332	-37%
Cost of Goods and Services Sold	(55,254)	(42,682)	-23%
Gross Profit	(8,566)	(13,350)	56%
Operating Income/Expenses	(10,978)	(31,433)	186%
Selling	(1,876)	(2,121)	13%
General and Administrative	(11,361)	(9,806)	-14%
Management Compensation	(1,055)	(1,055)	0%
Other Operation Income (Expenses)	3,314	(18,451)	n/a
Net Financial Result	(4,265)	(449,626)	10442%
Financial Income	1,012	2,783	175%
Financial Expenses	(24,796)	(486,855)	1863%
Net Exchange Variance	19,519	34,446	76%
Earnings (Loss) Before Income Tax and Social	(23,809)	(494,409)	1977%
Provision Income Tax and Social Contribution - Current	(298)	(1,819)	510%
Provision Income Tax and Social Contribution - Deferred	598	94,474	15698%
Loss for the Period	(23,509)	(401,754)	1609%

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

	1Q16	2Q16	% Change
Adjusted EBITDA from Continuing Operations	4,744	(11,468)	-342%
Provision for Variable Remuneration	-	394	n/a
Reestructuring Process and Other Extraordinary Expenses	(5,142)	(5,278)	3%
Provision for Losses, Impairment and Net Result on Disposal of Assets	(6,438)	(14,403)	124%
Fines with Costumers	(129)	(1,391)	978%
EBITDA from Continuing Operations	(6,965)	(32,146)	362%
Depreciation and Amortization	(12,579)	(12,637)	0%
Net Financial Result	(4,265)	(449,626)	10442%
Income Tax and Social Contribution - Current and Deferred	300	92,655	30785%
Net Loss from Continuing and Discontinued Operations	(23,509)	(401,754)	1609%

Attachment III – Consolidated Balance Sheet (R$ thd)

	1Q16	2Q16	% Change
Total Asset	**756,988**	**662,215**	**-13%**
Current Assets	**208,794**	**162,455**	**-22%**
Cash and Cash Equivalents	31,411	2,356	-92%
Securities-restricted	1,197	1,113	-7%
Accounts Receivable	57,543	53,279	-7%
Inventories	49,031	47,745	-3%
Recoverable Taxes	30,805	33,046	7%
Other Accounts Receivable	7,196	4,554	-37%
Antecipated Expenses	4,211	3,949	-6%
Advances to Suppliers	27,400	16,413	-40%
Non-Current Assets	**548,194**	**499,760**	**-9%**
Securities-restricted	5,805	5,397	-7%
Judicial Deposits	22,675	25,156	11%
Recoverable Taxes	39,829	37,017	-7%
Other Accounts Receivable	31,909	30,238	-5%
Investments	676	676	0%
Property, Plant and Equipment	327,685	283,600	-13%
Intangible Assets	119,615	117,676	-2%
Total Liabilities and Shareholders´Equity	**756,988**	**662,215**	**-13%**
Current Liabilities	**213,381**	**871,198**	**308%**
Suppliers - Not Subject to Judicial Recovery	27,978	153,951	450%
Loans and Financing - Not Subject to Judicial Recovery	27,926	223,607	701%
Debentures	-	84,927	n/a
Bonds	-	161,729	n/a
Provisions Payroll and Payroll Payable	17,634	23,533	33%
Commissions Payable	1,437	888	-38%
Taxes Payable	72,015	62,878	-13%
Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	40,475	-	n/a
Advances from Customers	3,530	3,051	-14%
Employee's Profit Sharing	737	-	n/a
Other Accounts Payable	19,623	37,560	91%
Provision for Contratual Fines	2,026	119,074	5777%
Non-Current Liabilities	**505,805**	**179,981**	**-64%**
Suppliers - Subject to Judicial Recovery	74,041	-	n/a
Loans and Financing - Subject to Judicial Recovery	159,000	-	n/a
Loans and Financing - Not Subject to Judicial Recovery	7,525	5,161	-31%
Taxes Payable	9,235	9,024	-2%
Deferred Income Tax and Social Contribution	120,155	25,332	-79%
Provision for Contigencies	123,915	129,234	4%
Other Accounts Payable	11,934	11,230	-6%
Shareholders' Equity	**37,802**	**(388,964)**	**-1129%**
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	93,589	66,834	-29%
Accumulated Losses	(2,059,203)	(2,459,214)	19%

Attachment IV – Consolidated Cash Flow (R$ thd)

	1Q16	2Q16	% Change
CASH FLOW FROM OPERATING ACTIVITIES			
Net Result for the Period	(23,509)	(401,754)	1609%
Adjustments:			
Depreciation and Amortization	12,579	12,637	0%
Result on Sale of Fixed Assets	-	11,712	n/a
Loss (Gain) on Sale of Investments	(13,315)	-	n/a
Financial Charges and Exchange Variance on Financing, Bonds and Debentures	2,183	55,842	2458%
Deferred Income Tax and Social Contribution	(598)	(92,357)	15344%
Losses on Inventory Obsolescence	7,103	(1,589)	n/a
Provision of Contractual Fines	129	11,589	8884%
Allowance for Doubtful Accounts	175	(954)	n/a
Present Value Adjustment	996	393,792	39437%
Changes in Assets & Liabilities			
(Increase) Decrease in Accounts Receivable	2,187	(6,748)	-409%
(Increase) Decrease in Inventories	(13)	2,503	n/a
(Increase) Decrease in Recoverable Taxes	(156)	(4,532)	2805%
(Increase) Decrease in Other Assets	(572)	19,768	n/a
(Increase) Decrease in Suppliers	(1,290)	(4,953)	284%
(Increase) Decrease in Taxes Payable	(3,891)	(10,595)	172%
(Increase) Decrease in Others Accounts Payable	(5,578)	(12,455)	123%
Cash Flow from Operating Activities	**(23,570)**	**(28,094)**	**19%**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Proceeds from Sales of Investments	28,599	-	n/a
Securities - Restricted	212	972	358%
Proceeds from Sales of Property, Plant and Equipment	-	6	n/a
Aquisition of Property, Plant and Equipment	(422)	(1,695)	302%
Aquisition of Intangible Assets	(24)	(42)	75%
Cash Flow from Investment Activities	**28,365**	**(759)**	**n/a**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Loans and Financings	19,257	12,902	-33%
Payment of Loans and Financings - Principal	(22,649)	(12,462)	-45%
Payment of Loans and Financings - Interest	(1,023)	(621)	-39%
Cash Flow from Financing Activities	**(4,415)**	**(181)**	**-96%**
Exchange Variation on Cash and Cash Equivalents for Subsidiaries Abroad	19	(21)	n/a
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**399**	**(29,055)**	**n/a**
At the Beginning of the Period	31,012	31,411	1%
At the End of the Period	31,411	2,356	-92%

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 - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

1 - General Date

Date

Company name:	Lupatech S.A. - Em Recuperação Judicial		
Last change of company name	03/30/1993	**Previous company name:**	Valmicro 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
Emitter 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

Diario 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 5ª 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 5ª 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 5ª 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)	**06/30/2016**
The paid-up capital	
Common	9,393,834
Preferref	-
Total	9,393,834
Total	-

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Balance Sheet Assets

(In Reais Thousands)

Code	Description	Current Quarter 06/30/2016	Last Year 12/31/2015
1	Total Assets	556,385	749,203
1.01	Current Assets	55,989	84,054
1.01.01	Cash and Cash Equivalents	118	3,125
1.01.03	Accounts Receivable	21,125	22,491
1.01.03.01	Trade Receivables	15,492	17,883
1.01.03.02	Other Accounts Receivable	5,633	4,608
1.01.03.02.02	Other Accounts Receivable - Related Parties	5,633	4,608
1.01.04	Inventories	23,936	31,351
1.01.06	Recoverable Taxes	5,441	5,869
1.01.06.01	Recoverable Current Taxes	5,441	5,869
1.01.07	Prepaid Expenses	1,532	1,198
1.01.08	Other Current Assets	3,837	20,020
1.01.08.02	Assets Classified as Held for Sale	-	15,284
1.01.08.03	Other	3,837	4,736
1.01.08.03.03	Other Accounts Receivable	1,065	1,260
1.01.08.03.04	Securities-Restricted	1,113	1,163
1.01.08.03.05	Advances to Suppliers	1,659	2,313
1.02	Non-Current Assets	500,396	665,149
1.02.01	Long-Term Assets	44,546	49,850
1.02.01.08	Credit with Related Parties	25,553	31,073
1.02.01.08.02	Credit with Subsidiaries	25,553	31,073
1.02.01.09	Other Non-Current Assents	18,993	18,777
1.02.01.09.03	Judicial Deposits	1,094	857
1.02.01.09.04	Recoverable Taxes	6,077	6,150
1.02.01.09.05	Other Accounts Receivable	6,425	6,130
1.02.01.09.06	Securities-Restricted	5,397	5,640
1.02.02	Investments	299,747	455,146
1.02.02.01	Investments	299,747	455,146
1.02.02.01.02	Investments in Subsidiaries	299,657	455,056
1.02.02.01.04	Other investments	90	90
1.02.03	Property, Plant and Equipment	85,271	88,497
1.02.03.01	In Operations	84,985	88,191
1.02.03.03	In Progress	286	306
1.02.04	Intangible Assets	70,832	71,656
1.02.04.01	Intangible Assets	70,832	71,656
1.02.04.01.02	Software and Other Licenses	2,409	2,707
1.02.04.01.03	New Products Development	13,009	13,535
1.02.04.01.04	Goodwill	55,414	55,414

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Balance Sheet Liabilities and Equity

(In Reais Thousands)

Code	Description	Current Quarter 06/30/2016	Last Year 12/31/2015
2	Total Liabilities	556,385	749,203
2.01	Current Liabilities	700,472	190,308
2.01.01	Social and Labor Obligations	16,414	7,983
2.01.01.02	Labor Obligations	16,414	7,983
2.01.02	Suppliers	140,718	5,894
2.01.02.01	Domestic Suppliers	140,529	5,356
2.01.02.01.02	Suppliers - Not Subject to Judicial Recovery	140,529	5,356
2.01.02.02	Export Suppliers	189	538
2.01.02.02.02	Suppliers - Not Subject to Judicial Recovery	189	538
2.01.03	Tax	43,820	31,413
2.01.03.01	Federal Tax	42,259	29,830
2.01.03.01.02	Other Federal Tax	42,259	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	288,816	9,229
2.01.04.01	Loans and Financing	203,889	9,229
2.01.04.01.01	Local Currency	202,507	7,700
2.01.04.01.02	Foreign Currency	1,382	1,529
2.01.04.02	Debentures	84,927	-
2.01.05	Other Liabilities	210,704	135,789
2.01.05.01	Liabilities with Related Parties	69,626	86,881
2.01.05.01.02	Debts with Subsidiaries	69,626	86,881
2.01.05.02	Other	141,078	48,908
2.01.05.02.05	Commissions Payable	863	1,118
2.01.05.02.06	Advances from Customers	2,630	3,045
2.01.05.02.09	Other Accounts Payable	18,511	2,743
2.01.05.02.11	Contratual Fines Provision	119,074	2,023
2.01.05.02.12	Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	-	39,979
2.02	Non-Current Liabilities	244,877	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	233,902	305,677
2.02.02.01	Liabilities with Related Parties	224,128	224,301
2.02.02.01.02	Debts with Subsidiaries	224,128	224,301
2.02.02.02	Other	9,774	81,376
2.02.02.02.03	Taxes Payable	5,018	4,602
2.02.02.02.05	Other Accounts Payable	4,756	4,756
2.02.02.02.07	Domestic Suppliers Subject to Judicial Recovery	-	67,944
2.02.02.02.08	Export Suppliers Not 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	10,975	4,381
2.02.04.01	Social Security, Tax, Labor and Civil Provisions	10,975	4,381
2.02.04.01.01	Tax Provisions	4,543	506
2.02.04.01.02	Labor and Social Security Provisions	4,872	3,584
2.02.04.01.04	Civil Provisions	1,560	291
2.03	Shareholders' Equity	(388,964)	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	(2,459,214)	(2,036,774)
2.03.06	Equity Valuation Adjustments	66,834	126,671

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statements of Income

(In Reais Thousands)

Code	Description	Q2 2016 04/01/2016 to 06/04/2016	YTD 2016 01/01/2016 to 06/30/2016	Q2 2015 04/01/2015 to 06/30/2015	YTD 2015 01/01/2015 to 06/30/2015
3.01	Net Revenue from Goods Sold and/or Services	4,530	8,622	8,579	21,076
3.02	Cost of Goods and/or services sold	(4,719)	(9,298)	(6,161)	(16,211)
3.03	Gross Profit	(189)	(676)	2,418	4,865
3.04	Operating Income/Expenses	(111,582)	(116,048)	(102,325)	(140,778)
3.04.01	Selling Expenses	(506)	(1,428)	(1,258)	(3,744)
3.04.02	General and Administrative Expenses	(4,642)	(9,123)	(6,533)	(11,351)
3.04.04	Other Operating Income	1,056	29,893	5	622
3.04.05	Other Operating Expenses	(7,497)	(33,389)	(69,948)	(76,302)
3.04.06	Equity Pick-up	(99,993)	(102,001)	(24,591)	(50,003)
3.05	Operating Income/Expenses Before Financial Results and Income Tax	(111,771)	(116,724)	(99,907)	(135,913)
3.06	Financial Results	(363,926)	(382,482)	(19,095)	(62,014)
3.06.01	Financial Income	213,073	411,658	138,007	286,528
3.06.01.01	Financial Income	394	888	759	1,232
3.06.01.02	Gain on Exchange Variance	212,679	410,770	137,248	285,296
3.06.02	Financial Expenses	(576,999)	(794,140)	(157,102)	(348,542)
3.06.02.01	Financial Expenses	(392,194)	(437,045)	(24,191)	(45,589)
3.06.02.02	Loss on Exchange Variance	(184,805)	(357,095)	(132,911)	(302,953)
3.07	Income Before IncomeTax	(475,697)	(499,206)	(119,002)	(197,927)
3.08	Provision for Income Tax and Social Contribution	73,943	73,943	-	-
3.08.02	Deferred	73,943	73,943	-	-
3.09	Net Income from Continuing Operations	(401,754)	(425,263)	(119,002)	(197,927)
3.10	Net Income from Discontinued Operations	-	-	-	150
3.10.01	Income (Loss) from Discontinued Operations	-	-	-	150
3.11	Income/Loss for the Period	(401,754)	(425,263)	(119,002)	(197,777)
3.99	Earnings per Share (R$/Share)	-	-	-	-
3.99.01	Basic Earnings per Share	-	-	-	-
3.99.01.01	ON	(42.76784)	(45.27044)	(0.05172)	(0.05652)
3.99.02	Diluted Earnings per Share	-	-	-	-
3.99.02.01	ON	(42.76784)	(45.27044)	(0.05172)	(0.05652)

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statements of Comprehensive Income

(In Reais Thousands)

Code	Description	Q2 2016 04/01/2016 to 06/04/2016	YTD 2016 01/01/2016 to 06/30/2016	Q2 2015 04/01/2015 to 06/30/2015	YTD 2015 01/01/2015 to 06/30/2015
4.01	**Net Income/Loss for the Period**	(401,754)	(425,263)	(119,002)	(197,777)
4.02	**Other Comprehensive Income**	(25,012)	(57,014)	(9,011)	47,575
4.02.01	Exchange Variance Foreign Investments	(25,012)	(57,014)	(9,011)	47,575
4.03	**Comprehensive Income of the Period**	(426,766)	(482,277)	(128,013)	(150,202)
4.03.01	Participation of Controlling Shareholders	(426,766)	(482,277)	(128,013)	(150,202)

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statements of Changes in Shareholders' Equity - 01/01/2016 to 06/30/2016

(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**	**-**	**-**	**(422,440)**	**(59,837)**	**(482,277)**
5.05.01	**Net Income / Loss for the Period**	**-**	**-**	**(425,263)**	**-**	**(425,263)**
5.05.02	**Other Comprehensive Income**	**-**	**-**	**2,823**	**(59,837)**	**(57,014)**
5.05.02.04	Exchange Variation on Investments Abroad	-	-	-	(57,014)	**(57,014)**
5.05.02.06	Achievement of the Valuation Adjustment	-	-	2,823	(2,823)	-
5.07	**Ending Balance**	**1,853,684**	**149,732**	**(2,459,214)**	**66,834**	**(388,964)**

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent 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	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**	**-**	**-**	**(197,777)**	**46,409**	**(151,368)**
5.05.01	**Net Income / Loss for the Period**	**-**	**-**	**(198,943)**	**-**	**(198,943)**
5.05.02	**Other Comprehensive Income**	**-**	**-**	**1,166**	**46,409**	**47,575**
5.05.02.04	Exchange Variation on Investments Abroad	-	-	-	47,575	**47,575**
5.05.02.06	Achievement of the Valuation Adjustment	-	-	1,166	(1,166)	-
5.07	**Ending Balance**	**1,853,684**	**149,732**	**(2,097,716)**	**38,290**	**(56,010)**

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statement of Cash Flow - Indirect Method

(In Reais Thousands)

Code	Description	YTD 2016 01/01/2016 to 06/30/2016	YTD 2015 01/01/2015 to 06/30/2015
6.01	**Cash Flow from Operating Activities**	**(23,662)**	**3,028**
6.01.01	**Cash Flow from Operating**	**(15,507)**	**(22,331)**
6.01.01.01	Net Loss for the Period	(425,263)	(197,777)
6.01.01.02	Depreciation and Amortization	4,226	4,509
6.01.01.03	(Gain) Loss on Sale of Investment	(13,315)	(149)
6.01.01.04	Equity Pick-up	102,001	50,003
6.01.01.05	Result on Sale of Fixed Assets	-	4
6.01.01.06	Financial Expenses, Net	71,827	59,143
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	(73,943)	-
6.01.01.09	Impairment of Assets	-	60,000
6.01.01.11	Inventory Obsolescence	5,024	1,648
6.01.01.12	Contratual Fines Provision	159	-
6.01.01.13	Allowance for Doubtful Accounts	(519)	288
6.01.01.15	Present Value Adjustment	310,683	-
6.01.02	**Change in Assets and Liabilities**	**(8,155)**	**25,359**
6.01.02.01	Accounts Receivable	1,480	14,264
6.01.02.02	Inventories	(1,222)	1,905
6.01.02.03	Recoverable Taxes	501	1,135
6.01.02.04	Other Assets	305	1,002
6.01.02.05	Suppliers	(3,422)	2,623
6.01.02.06	Taxes Payable	(1,767)	(1,534)
6.01.02.07	Others	(4,030)	5,964
6.02	**Cash Flow from Investing Activities**	**25,540**	**(10,646)**
6.02.01	Paid-in Capital and Subsidiaries Payments for Purchase of Investments	(3,616)	(9,336)
6.02.02	Acquisition of Property, Plants and Equipments	(109)	(37)
6.02.03	Acquisition to Intangibles	(67)	(1,214)
6.02.04	Proceeds from disposals of Property, Plants and Equipments	1	8
6.02.05	Payment for Acquisition of Investment	28,599	-
6.02.06	Securities-Restricted	732	697
6.02.07	Disposal of Discontinued Operations Net of Cash	-	(764)
6.03	**Cash Flow from Financing Activities**	**(4,885)**	**7,599**
6.03.01	Proceeds from Loans and Financing	3,005	28
6.03.02	Proceeds (Payments) from Loans and Financing - Related Parties	(4,557)	11,151
6.03.06	Payments of Loans and Financing - Principal	(3,332)	(3,169)
6.03.07	Payments of Loans and Financing - Interest	(1)	(411)
6.04	**Exchange Variation on Cash Equivalents**	-	-
6.05	**Increase/Decrease in Cash and Cash Equivalents**	**(3,007)**	**(19)**
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**	**118**	**118**

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statements of Value Added

(In Reais Thousands)

Code	Description	YTD 2016 01/01/2016 to 06/30/2016	YTD 2015 01/01/2015 to 06/30/2015
7.01	**Revenue**	**40,864**	**23,956**
7.01.01	Sales of Goods, Products and Services	10,453	23,468
7.01.02	Other Revenues	29,893	772
7.01.02.01	Revenue from Sale of Investments	28,599	150
7.01.02.02	Other Revenues	1,294	622
7.01.04	Allowance for Doubtful Accounts	518	(284)
7.02	**Consumables Acquired from Third Parties**	**(36,905)**	**(80,642)**
7.02.01	Cost of Products, Goods and Services Sold	307	(679)
7.02.02	Materials, Energy, and Other Outsourced Services	(3,823)	(3,661)
7.02.03	Loss / Recovery of Assets	-	(60,000)
7.02.04	Other Expenses	(33,389)	(16,302)
7.02.04.02	Other	(33,389)	(16,302)
7.03	**Gross Value Added**	**3,959**	**(56,686)**
7.04	Retentions	(4,226)	(4,509)
7.04.01	Depreciation and Amortization	(4,226)	(4,509)
7.05	**Net Value Added Generated by the Company**	**(267)**	**(61,195)**
7.06	**Value Added Received by Transfer**	**309,657**	**236,525**
7.06.01	Equity pick-up	(102,001)	(50,003)
7.06.02	Financial Income	411,658	286,528
7.07	**Total Value Added to be Distributed**	**309,390**	**175,330**
7.08	**Distribution of Value Added**	**309,390**	**175,330**
7.08.01	**Employees**	**11,324**	**20,042**
7.08.01.01	Direct Remuneration	8,428	14,008
7.08.01.02	Benefits	1,435	2,923
7.08.01.03	FGTS	1,461	3,111
7.08.02	**Taxes and Contributions**	**(71,052)**	**4,111**
7.08.02.01	Federal	(72,019)	2,876
7.08.02.02	States	936	1,181
7.08.02.03	Municipal	31	54
7.08.03	**Interest Expenses**	**794,381**	**348,954**
7.08.03.01	Interest	794,140	348,542
7.08.03.02	Rentals	241	412
7.08.04	**Own Capital Remuneration**	**(425,263)**	**(197,777)**
7.08.04.03	Net Income/Loss for the Period	(425,263)	(197,777)

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statements of Value Added

(In Reais Thousands)

Code	Description	Current Quarter 06/30/2016	Last Year 12/31/2015
1	Total Assets	662,215	814,031
1.01	Current Assets	162,455	235,735
1.01.01	Cash and Cash Equivalents	2,356	31,012
1.01.03	Accounts Receivable	53,279	62,330
1.01.03.01	Trade Receivables	53,279	62,330
1.01.04	Inventories	47,745	56,349
1.01.06	Recoverable Taxes	33,046	30,976
1.01.06.01	Recoverable Current Taxes	33,046	30,976
1.01.07	Prepaid Expenses	3,949	4,672
1.01.08	Other Current Assets	22,080	50,396
1.01.08.02	Assets Classified as Held for Sale	-	15,284
1.01.08.03	Other	22,080	35,112
1.01.08.03.02	Securities	1,113	1,163
1.01.08.03.03	Other Accounts Receivable	4,554	7,715
1.01.08.03.04	Advances to suppliers	16,413	26,234
1.02	Non-Current Assets	499,760	578,296
1.02.01	Long-Term Assets	97,808	101,754
1.02.01.09	Other Non-Current Assents	97,808	101,754
1.02.01.09.03	Judicial Deposits	25,156	22,275
1.02.01.09.04	Securities	5,397	5,640
1.02.01.09.05	Recoverable Taxes	37,017	40,455
1.02.01.09.06	Other Accounts Receivable	30,238	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	283,600	354,862
1.02.03.01	In Operations	235,788	274,009
1.02.03.03	In Progress	47,812	80,853
1.02.04	Intangible Assets	117,676	121,004
1.02.04.01	Intangible Assets	16,533	17,545
1.02.04.01.02	Software and Other Licenses	2,212	2,650
1.02.04.01.03	New Products Development	14,321	14,895
1.02.04.02	Goodwill	101,143	103,459

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Balance Sheet Liabilities and Equity

(In Reais Thousands)

Code	Description	Current Quarter 06/30/2016	Last Year 12/31/2015
2	Total Liabilities	662,215	814,031
2.01	Current Liabilities	871,198	211,624
2.01.01	Social and Labor Obligations	23,533	23,005
2.01.01.02	Labor Obligations	23,533	23,005
2.01.02	Suppliers	153,951	29,084
2.01.02.01	Domestic Suppliers	152,348	26,664
2.01.02.01.02	Suppliers - Not Subject to Judicial Recovery	152,348	26,664
2.01.02.02	Export Suppliers	1,603	2,420
2.01.02.02.02	Suppliers - Not Subject to Judicial Recovery	1,603	2,420
2.01.03	Tax	62,878	61,448
2.01.03.01	Federal Taxes	52,274	49,327
2.01.03.01.01	Income Tax and Social Contribution	506	2,462
2.01.03.01.02	Others Federal Taxes	51,768	46,865
2.01.03.02	State Taxes	9,601	11,212
2.01.03.03	Municipal Tax	1,003	909
2.01.04	Loans and Financing	308,534	31,145
2.01.04.01	Loans and Financing	223,607	31,145
2.01.04.01.01	Local Currency	207,911	15,194
2.01.04.01.02	Foreign Currency	15,696	15,951
2.01.04.02	Debentures	84,927	-
2.01.05	Other Obligations	322,302	66,942
2.01.05.02	Other	322,302	66,942
2.01.05.02.06	Commissions Payable	888	1,131
2.01.05.02.07	Advances from Customers	3,051	3,783
2.01.05.02.08	Profit Sharing	-	767
2.01.05.02.10	Other Accounts Payable	37,560	19,259
2.01.05.02.12	Contratual Fines Provision	119,074	2,023
2.01.05.02.13	Bonds	161,729	-
2.01.05.02.14	Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	-	39,979
2.02	Non-Current Liabilities	179,981	509,094
2.02.01	Loans and Financing	5,161	169,203
2.02.01.01	Loans and Financing	5,161	169,203
2.02.01.01.01	Local Currency	-	161,026
2.02.01.01.02	Foreign Currency	5,161	8,177
2.02.02	Other Obligations	20,254	93,643
2.02.02.02	Other	20,254	93,643
2.02.02.02.04	Taxes Payable	9,024	9,000
2.02.02.02.06	Other Accounts Payable	11,230	12,625
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	25,332	120,947
2.02.03.01	Deferred Income Tax and Social Contribution	25,332	120,947
2.02.04	Provisions	129,234	125,301
2.02.04.01	Social Security, Tax, Labor and Civil Provisions	129,234	125,301
2.02.04.01.01	Tax Provisions	50,978	49,219
2.02.04.01.02	Labor and Social Security Provisions	66,516	65,306
2.02.04.01.04	Civil Provisions	11,740	10,776
2.03	Shareholders' Equity	(388,964)	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	(2,459,214)	(2,036,774)
2.03.06	Equity Valuation Adjustments	66,834	126,671

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Income

(In Reais Thousands)

Code	Description	Q2 2016 04/01/2016 to 06/04/2016	YTD 2016 01/01/2016 to 06/30/2016	Q2 2015 04/01/2015 to 06/30/2015	YTD 2015 01/01/2015 to 06/30/2015
3.01	Net Revenue from Goods Sold and/or Services	29,332	76,020	65,934	149,147
3.02	Cost of Goods and/or Services Sold	(42,682)	(97,936)	(61,754)	(138,040)
3.03	Gross Profit	(13,350)	(21,916)	4,180	11,107
3.04	Operating Income/Expenses	(31,433)	(42,411)	(108,000)	(134,493)
3.04.01	Selling Expenses	(2,121)	(3,997)	(3,161)	(7,619)
3.04.02	General and Administrative Expenses	(10,861)	(23,277)	(14,516)	(28,555)
3.04.04	Other Operating Income	1,438	34,689	595	3,069
3.04.04.02	Other Operating Income	1,438	34,689	595	3,069
3.04.05	Other Operating Expenses	(19,889)	(49,826)	(90,547)	(101,017)
3.04.06	Equity Pick-up	-	-	(371)	(371)
3.05	Operating Income/Expenses Before Financial Results and Income Tax	(44,783)	(64,327)	(103,820)	(123,386)
3.06	Financial Results	(449,626)	(453,891)	(15,262)	(52,494)
3.06.01	Financial Income	193,719	384,545	174,610	327,292
3.06.01.01	Financial Income	2,783	3,795	1,292	2,070
3.06.01.02	Gain on Exchange Variance	190,936	380,750	173,318	325,222
3.06.02	Financial Expenses	(643,345)	(838,436)	(189,872)	(379,786)
3.06.02.01	Financial Expenses	(486,855)	(511,651)	(12,341)	(23,061)
3.06.02.02	Loss on Exchange Variance	(156,490)	(326,785)	(177,531)	(356,725)
3.07	Income Before IncomeTax	(494,409)	(518,218)	(119,082)	(175,880)
3.08	Provision for Income Tax and Social Contribution	92,655	92,955	(11)	66
3.08.01	Current	(1,819)	(2,117)	(612)	(1,224)
3.08.02	Deferred	94,474	95,072	601	1,290
3.09	Net Income from Continuing Operations	(401,754)	(425,263)	(119,093)	(175,814)
3.10	Net income from Discontinued Operations	-	-	91	(21,963)
3.10.01	Income (Loss) from Discontinued Operations	-	-	91	(21,963)
3.11	Income/Loss for the Period	(401,754)	(425,263)	(119,002)	(197,777)
3.11.01	Parent Company's Interest	(401,754)	(425,263)	(119,002)	(197,777)
3.99	Earnings per Share (R$/Share)	-	-	-	-
3.99.01	Basic Earnings per Share	-	-	-	-
3.99.01.01	ON	(42.76784)	(45.27044)	(0.05172)	(0.05652)
3.99.02	Diluted Earnings per Share	-	-	-	-
3.99.02.01	ON	(42.76784)	(45.27044)	(0.05172)	(0.05652)

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Comprehensive Income

(In Reais Thousands)

Code	Description	Q2 2016 04/01/2016 to 06/04/2016	YTD 2016 01/01/2016 to 06/30/2016	Q2 2015 04/01/2015 to 06/30/2015	YTD 2015 01/01/2015 to 06/30/2015
4.01	**Net Income/Loss for the Period**	(401,754)	(425,263)	(119,002)	(197,777)
4.02	**Other Comprehensive Income**	(25,012)	(57,014)	(9,011)	47,575
4.02.01	Exchange Variance Foreign Investments	(25,012)	(57,014)	(9,011)	47,575
4.03	**Comprehensive Income of the Period**	(426,766)	(482,277)	(128,013)	(150,202)
4.03.01	Participation of Controlling Shareholders	(426,766)	(482,277)	(128,013)	(150,202)

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Changes in Shareholders' Equity - 01/01/2016 to 06/30/2016

(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**	**(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**	**-**	**-**	**(422,440)**	**(59,837)**	**(482,277)**
5.05.01	**Net Income / Loss for the Period**	**-**	**-**	**(425,263)**	**-**	**(425,263)**
5.05.02	**Other Comprehensive Income**	**-**	**-**	**2,823**	**(59,837)**	**(57,014)**
5.05.02.04	Exchange Variation on Investments Abroad	-	-	-	(57,014)	(57,014)
5.05.02.06	Achievement of the Valuation Adjustment	-	-	2,823	(2,823)	-
5.07	**Ending Balance**	**1,853,684**	**149,732**	**(2,459,214)**	**66,834**	**(388,964)**

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - 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**	**-**	**-**	**(197,777)**	**46,409**	**(151,368)**
5.05.01	**Net Income / Loss for the Period**	**-**	**-**	**(198,943)**	**-**	**(198,943)**
5.05.02	**Other Comprehensive Income**	**-**	**-**	**1,166**	**46,409**	**47,575**
5.05.02.04	Exchange Variation on Investments Abroad	-	-	-	47,575	47,575
5.05.02.06	Achievement of the Valuation Adjustment	-	-	1,166	(1,166)	-
5.07	**Ending Balance**	**1,853,684**	**149,732**	**(2,097,716)**	**38,290**	**(56,010)**

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Cash Flow - Indirect Method

(In Reais Thousands)

Code	Description	YTD 2016 01/01/2016 to 06/30/2016	YTD 2015 01/01/2015 to 06/30/2015
6.01	**Cash Flow from Operating Activities**	**(51,664)**	**2,860**
6.01.01	**Cash Flow from Operating**	(21,726)	(39,113)
6.01.01.01	Net Loss for the Period	(425,263)	(197,777)
6.01.01.02	Depreciation and Amortization	25,216	25,000
6.01.01.04	Equity Pick-up	-	371
6.01.01.05	Result on Sale of Fixed Assets	11,712	(396)
6.01.01.06	Financial Expenses, Net	58,025	46,291
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	(92,955)	158
6.01.01.09	Impairment of Assets	-	60,000
6.01.01.10	Loss (Gain) on Sale of Investment	(13,315)	21,788
6.01.01.11	Inventory Obsolescence	5,514	2,107
6.01.01.12	Contractual Fines Provision	11,718	1,760
6.01.01.13	Allowance for Doubtful Accounts	(779)	1,585
6.01.01.16	Present Value Adjustment	394,788	-
6.01.02	**Change in Assets and Liabilities**	(29,938)	41,973
6.01.02.01	Accounts Receivable	(4,561)	7,756
6.01.02.02	Inventories	(1,123)	5,707
6.01.02.03	Recoverable Taxes	(4,688)	890
6.01.02.04	Other Assets	19,196	4,038
6.01.02.05	Suppliers	(6,243)	11,920
6.01.02.06	Taxes Payable	(14,486)	2,632
6.01.02.07	Others	(18,033)	9,030
6.02	**Cash Flow from Investing Activities**	27,606	10,158
6.02.03	Acquisition of Property, Plants and Equipments	(2,117)	(3,069)
6.02.04	Acquisition to Intangibles	(66)	(1,208)
6.02.05	Securities-Restricted	1,184	742
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	6	1,771
6.03	**Cash Flow from Financing Activities**	(4,596)	(9,815)
6.03.01	Proceeds from Loans and Financing	32,159	100,416
6.03.07	Payments of Loans and Financing - Principal	(35,111)	(106,219)
6.03.08	Payments of Loans and Financing - Interest	(1,644)	(4,012)
6.04	Exchange Variation on Cash Equivalents	(2)	1
6.05	**Increase/Decrease in Cash and Cash Equivalents**	(28,656)	3,204
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**	2,356	6,785

ITR - INTERIM FINANCIAL INFORMATION - Q2 2016 - 06/30/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Cash Flow - Indirect Method

(In Reais Thousands)

Code	Description	YTD 2016 01/01/2016 to 06/30/2016	YTD 2015 01/01/2015 to 06/30/2015
7.01	**Revenue**	**120,757**	**182,962**
7.01.01	Sales of Goods, Products and Services	85,346	165,645
7.01.02	Other Revenues	34,689	18,542
7.01.02.01	Revenue from Sale of Investments	28,599	15,477
7.01.02.02	Other Revenues	6,090	3,065
7.01.04	Allowance for Doubtful Accounts	722	(1,225)
7.02	**Consumables Acquired from Third Parties**	**(84,634)**	**(188,033)**
7.02.01	Cost of Products, Goods and Services Sold	(7,030)	(20,626)
7.02.02	Materials, Energy, and Other Outsourced Services	(27,778)	(29,130)
7.02.03	Loss / Recovery of Assets	-	(60,000)
7.02.04	Other Expenses	(49,826)	(41,017)
7.02.05	Low Investment for Sale	-	(37,260)
7.03	**Gross Value Added**	**36,123**	**(5,071)**
7.04	**Retentions**	**(25,216)**	**(25,000)**
7.04.01	Depreciation and Amortization	**(25,216)**	**(25,000)**
7.05	**Net Value Added Generated by the Company**	**10,907**	**(30,071)**
7.06	**Value Added Received by Transfer**	**384,545**	**326,996**
7.06.01	Equity Pick-up	-	(371)
7.06.02	Financial Income	384,545	327,367
7.07	**Total Value Added to be Distributed**	**395,452**	**296,925**
7.08	**Distribution of Value Added**	**395,452**	**296,925**
7.08.01	**Employees**	**57,371**	**93,862**
7.08.01.01	Direct Remuneration	38,681	71,035
7.08.01.02	Benefits	9,317	13,343
7.08.01.03	FGTS	9,373	9,484
7.08.02	**Taxes and Contributions**	**(77,006)**	**19,546**
7.08.02.01	Federal	(80,886)	14,739
7.08.02.02	States	2,403	2,945
7.08.02.03	Municipal	1,477	1,862
7.08.03	**Interest Expenses**	**840,350**	**381,294**
7.08.03.01	Interest	838,436	379,975
7.08.03.02	Rentals	1,914	1,319
7.08.04	**Own Capital Remuneration**	**(425,263)**	**(197,777)**
7.08.04.03	Net Income/Loss for the Period	(425,263)	(197,777)

Explanatory notes to financial statements as of June 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 840 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 58.72% of the Company's net revenues for the period of six months ended in June 30, 2016 (57.70% for the period of six months ended in June 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 judoicial 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; Mipel Indústria e Comércio de Válvulas Ltda; Prest Perfurações; Sotep Sociedade Técnica de Perfuração S/A, filed in the District of São Paulo, the request for court-supervised reorganization before the 1st Court of Bankruptcy and Judicial Recovery of São Paulo, which was granted on June 22, 2015. As trustee was named the Alta Administração Judicial Ltda.

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

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

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

The Plan was approved by the creditors at the General Meeting held on November 18, 2015, having been approved by the Judge of the 1st Court of Bankruptcies, Judicial Recoveries and related conflicts to the Arbitration Capital of São Paulo on December 11, 2015, without any reservations.

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 the date of July 14, 2016, presented manifestation in the case of judicial recovery seeking the extension of the "stay period" for 90 days, for reasons beyond the Lupatech Group will, in view of the provision given to grievances instrument and the consequent cancellation of the Plan, which was approved on 18 July 2016. Therefore, as a precaution, it is considered that, on that date, the Lupatech Group became aware of the judgments that nullified the plan and, consequently, plan lost its effectiveness, failing to force the Lupatech Group and its creditors the terms set out therein.

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.

Nevertheless, without prejudice to any special appeal to be filed and saved any decision favorable decision in this appeal, the Lupatech Group will present new Judicial Reorganization Plan within 45 days of publication of the judgment, which will be put to a vote at the General Meeting Creditors and the approval by the Court.

About approved Recovery Plan and approved on December 11, 2015 by D. Judge of the 1st Court of Bankruptcies, Judicial Recoveries and Conflict-Related Arbitration of the District 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 whith tangible garantee that have chosen that option or who fail to act, receive their credits according to the option under the Plan.

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

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

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

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

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

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

The payment of 100% (one hundred percent) of the value of the respective microenterprise and small enterprise credit 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 incurrence of fines and monetary restatement equivalent to a fixed rate of 3% per annum, already included in the flow of payments foreseen in the Plan.

Each microenterprise and small enterprise creditor 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 fro 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.

II. 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 in forty-five days.

One of the main considerations of the 2nd Reserved Chamber of Business Law of the State of São Paulo Court of Justice which led to the provision of injuries was as follows (related to payment of unsecured credit):

- The plan should not contain different payment options, which would be the choice of each creditor subsequently to the Creditors' Meeting, since the approval decision of the Plan would be left devoid of specific content and to each creditor, which would prevent the novation the obligations inherent in the very act of approval of the Plan, due to the uncertainty as to the terms on each creditor would be linked.

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 believes, based on the opinion of its legal counsel, which is fully valid the Judicial Recovery Plan and disagrees fully the terms of the judgments. However, if you do not get success in reform them, arrange the new presentation Judicial Recovery Plan in the case of origin in accordance with the parameters determined by the 2nd Reserved Chamber of Business Law of the São Paulo State Court of Justice.

III. Accounting effects occurred by the annulment of the Judicial Recovery Plan

With the fact of the annulment of the Judicial Recovery Plan, the Company adjusted its accounting and its subsidiaries Statements of Reorganization on June 30, 2016, respecting the effects of an annulment decision of 27 June 2016 the plan has had legal effect from July 14, 2016.

The significant accounting effects is limited to the impact of the absence of novation of the debt tender, listed below:

- Reversal of adjustment to present value on loans and financing, suppliers, debentures and bonds in the amount of R$392,789;
- Reversal of income tax and social contribution taxes on the present value adjustment of R$93,484;
- Interest provision for suppliers and customers with fines in the amount of R$16,182;
- Interest provision on loans and financing in the amount of R$30,631;
- Interest provision and exchange variation on bonds in the amount of R$6,907;
- Interest provision for Debentures in the amount of R$10,143.

The Lupatech Group believes that the cancellation of the Judicial Recovery Plan has no impact on the assets sold in the course of the bankruptcy process, since these sales were made from the due prior judicial authorization to do so. Notwithstanding, management, based on the opinion of its legal counsel, believes that the cancellation does not reach the perfect legal acts under the term of the Judicial Recovery Plan, such as the capitalization of credits among the companies of the Lupatech Group.

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 recuperandas 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 oil and gas 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 2015, 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 quity 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.

Company Management seeks to overcome the economic and financial crisis of the Lupatech Group and restructure its business in order to preserve its business activity, maintaining its leading position as one of the most important economic groups in Brazil related to the oil and gas sector; remain a source of wealth creation, taxes and jobs; and establish the payment of its creditors, always with a view to meet their best interests.

2 Basis of presentation

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

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

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

The Company's management says that all relevant information from its own financial statements, and they alone, are being highlighted, and which correspond to those used by it in its management.

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 six months ended in june 30, 2016, are not included in full form in these interim financial statements:

Explanatory notes not included for the half-year of 2016	Location of the note in full annual financial statments 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 August 12, 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 six months ended in June 30,2016.

2.4.2 Jointly-owned subsidiaries

The company did not have changes of participation Jointly-owned subsidiaries during the period of six months ended in June 30, 2016.

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 participation (%)	
Direct and indirect subsidiaries	**06/30/2016**	**12/31/2015**
Direct participation		
Mipel Ind. e Com. de Válvulas Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
Lupatech Equipamentos de Serviços para Petróleo Ltda.- In Judicial Recovery - (Brazil)	100.00	100.00
Lupatech Finance Limited - In Judicial Recovery - (Cayman)	100.00	100.00
Lupatech II Finance Limited - (Cayman)	100.00	100.00
Recu S.A. - (Argentina)	95.00	95.00
Lupatech OFS Coöperatief U.A. - (Netherlands)	100.00	100.00
Lupatech Netherlands Coöperatief U.A. - (Netherlands)	2.29	2.29
Lochness Participações S/A - In Judicial Recovery - (Brazil)	100.00	100.00
Indirect participation		
Recu S.A. - (Argentina)	5.00	5.00
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 fot reporting periods beginning after January 1, 2016, but have not been adopted in preparation of these financial statements. Those that may be relevant for the Company are explained below. The Company does not plan to adopt such standards on an early basis.

IFRS 9 Financial Instruments

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

IFRS 9 includes a logical model for classification and measurement of financial instruments, including a new model of expected credit loss for the calculation of the impairment of financial assets, and new requirements for hedge accounting. The standard retains the existing guidance on

the recognition and derecognition of financial instruments IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the effects that IFRS 9 will have on its financial statements and disclosures.

IFRS 15 Revenue from Contracts with Customers
IFRS 15 requires an entity to recognize the amount of revenue reflecting the consideration that it expects to receive in exchange for control of such goods or services. When it is adopted, the new standard will replace most of the detailed guidelines on the recognition of revenues presently existing under IFRS and US GAAP. It is applicable as from or after January 1, 2018, with earlier application permitted by IFRS. The standard may be adopted retrospectively using an approach of cumulative effects. The Company is evaluating the effects that IFRS 15 will have on its financial statements and disclosures.

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

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

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

4 Cash and cash equivalents and Securities

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

	Parent		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Cash and banks				
Brazil	7	8	1,376	22,671
Abroad	45	55	914	5,262
	52	63	2,290	27,933
Financial Investments				
Bank deposit certificate	66	3,062	66	3,079
	66	3,062	66	3,079
Cash and cash equivalents	118	3,125	2,356	31,012

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 June 30, 2016 the Company owned a balance of R$1,113, registered as "Marketable securities - restricted" in current assets, and R$5,805 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	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Local market	17,025	18,856	52,336	56,326
Export	2,726	3,805	6,600	12,440
	19,751	22,661	58,936	68,766
Less: allowance for doubtful accounts	(4,259)	(4,778)	(5,657)	(6,436)
	15,492	17,883	53,279	62,330

6 Inventories

	Parent		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Finished goods	3,117	8,161	9,687	17,016
Goods for resale	1,603	323	6,082	3,502
Work in progress	9,330	8,975	15,344	15,199
Raw material	21,885	20,867	52,594	51,080
Losses on inventory obsolescence	(11,999)	(6,975)	(35,962)	(30,448)
Total	23,936	31,351	47,745	56,349

In the six months ended in June 30, 2016 were recognized in the result, losses on inventories obsolescence in the amount of R$5,024 in parent and R$5,514 in consolidated.

In the six months ended in june 30, 2015 were recognized in the result, losses on inventories obsolescence in the amount of R$1,648 in parent and R$2,107 in consolidated.

7 Recoverable taxes

	Parent		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Value-added Tax on Sales and Services (ICMS) recoverable	13,776	13,806	14,454	14,632
Excise Tax (IPI) recoverable	1,426	1,484	1,780	1,854
Social Integration Program (PIS) recoverable	635	658	1,226	1,253
Social Contribution on Revenues (COFINS) recoverable	3,134	3,247	5,086	5,816
Corporate Income Tax (IRPJ) advances	-	-	15,783	19,829
IRF and IRPJ recoverable	690	851	32,445	27,877
CSLL recoverable	133	281	6,362	6,647
National Institute of Social Security (INSS) Contribution recoverable	44	41	1,041	1,183
Service tax (ISS) recoverable	-	-	46	463
Other	29	-	189	226
Provision for non-recovery of taxes	(8,349)	(8,349)	(8,349)	(8,349)
Total	11,518	12,019	70,063	71,431
Current	5,441	5,869	33,046	30,976
Non-Current	6,077	6,150	37,017	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 June 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 June 30, 2016, the Company had amounts recorded as other receivables in current assets in the amount of R$1,065 (R$1,260 at December 31, 2015) the Company and R$4,554 (R$7,715 at December 31, 2015) consolidated, which is composed as follows:

	Parent		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Travel advances	3	4	51	106
Advances to employees	704	850	1,100	1,487
Profits and dividends receivable	-	-	1,664	1,664
Receiving insurance and accident	138	174	138	174
Other receivables	220	232	1,601	4,284
Total	1,065	1,260	4,554	7,715

On June 30, 2016 the Company has the balance recorded as other receivables in non-current assets in the amount of R$6,425 (R$6,130 at December 31, 2015) the Company and R$30,238 (R$33,384 at December 31 2015) consolidated, which is composed as follows:

	Parent		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Loans receivable from related Unifit	6,280	5,992	6,280	5,992
Loans receivable from related Luxxon	145	138	5,410	5,144
Receivables from San Antonio International	-	-	13,802	16,791
Accounts receivable related to investment sale	-	-	4,268	4,979
Other receivables	-	-	478	478
Total	6,425	6,130	30,238	33,384

On June 30, 2016 the Company had accounts receivable from San Antonio International related to the sale of fixed assets in the amount of R$13,802 (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	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
In affiliates	293,592	448,991	-	-
Goodwill on acquisition of investments (Note 10)	6,065	6,065	-	-
Total	299,657	455,056	-	-

	Mipel	Recu	LESP	Finance	Finance II	LNC	LOFS	Lochness	Parent 06/30/2016	Parent 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)	**15,387**	**965**	**33,190**	**98,221**	**3**	**14,757**	**39,624**	**19,586**		
Income (Loss) for the year	(379)	-	(7,167)	16,042	-	(1,257)	(11,030)	(35,205)		
Unrealized profits	(493)	-	-	-	-	-	-	-		
Fair value dos ativos e passivos SABR	-	-	-	-	-	-	-	-		
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	3,021	-	-	-	-	-	-	595	3,616	137,739
Equity pick-up result	(525)	-	(7,167)	(48,045)	-	(29)	(11,030)	(35,205)	(102,001)	(70,955)
Reclassification of unfunded liabilities	-	-	-	-	-	-	-	-	-	(50,393)
Equity evaluation adjustments	-	(370)	(59,705)	(22,280)	-	(397)	(4,138)	29,876	(57,014)	79,817
Changes from disinvestment	-	-	-	-	-	-	-	-	-	1,393
Final balance	17,915	917	77,590	98,221	3	338	39,624	58,984	293,592	448,991

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

U.A; LOFS – Lupatech OFS Coöperatief U.A. and Lochness Participações S/A – In Judicial Recovery.

The equity pick-up result is composed as follow:

	Parent			
	For the three months ended		For the six months ended	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
In affiliates	(99,993)	(24,220)	(102,001)	(49,632)
In joint venture	-	(371)	-	(371)
	(99,993)	(24,591)	(102,001)	(50,003)

	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
In joint venture	-	(371)	-	(371)
	-	(371)	-	(371)

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 June 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$3,660.

Investments in jointly controlled are measured by the equity method.

9.3 Other investments

Investment in company Vicinay Marine S.L.

On March 7, 2016 the Company concluded the sale of the quity interest held by the Company in Spanish company Vicinay Marine, SL, relating to 55,135 shares, representing 4.28% Vicinay's capital stock, 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 avarage rate of depreciation % p.a.	Parent		Consolidated	
		06/30/2016	12/31/2015	06/30/2016	12/31/2015
		Net	Net	Net	Net
Land	-	12,336	12,336	13,037	13,057
Building and construction	2%	31,636	32,081	42,760	43,479
Machinery and equipment	9%	30,771	32,884	153,593	188,257
Molds and matrixes	15%	878	1,024	1,027	1,187
Industrial facilities	5%	7,434	7,719	9,285	9,604
Furniture and fixtures	9%	1,284	1,404	2,525	2,825
Data processing equipments	14%	271	333	582	767
Improvements	2%	217	250	1,563	1,680
Vehicles	19%	146	148	1,290	2,377
Casks	-	1	2	8	9
Advances for fixed assets acquisitions	-	11	10	10,118	10,767
Construction in progress	-	286	306	47,812	80,853
Total		85,271	88,497	283,600	354,862

Bellow is the breakdown of property, plants and equipments:

	Parent								
Gross Cost	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2015	**12,336**	**39,257**	**90,351**	**11,712**	**3,888**	**3,896**	**306**	**483**	**162,229**
Additions	-	-	34	11	5	42	3	14	109
Transfers	-	-	23	-	-	-	(23)	-	-
Balance on June 30, 2016	**12,336**	**39,257**	**90,408**	**11,723**	**3,893**	**3,938**	**286**	**497**	**162,338**

	Parent								
Acculated depreciation	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2015	**-**	**(7,176)**	**(56,443)**	**(3,743)**	**(2,484)**	**(3,563)**	**-**	**(323)**	**(73,732)**
Additions	-	(445)	(2,316)	(329)	(125)	(104)	-	(16)	(3,335)
Balance on June 30, 2016	**-**	**(7,621)**	**(58,759)**	**(4,072)**	**(2,609)**	**(3,667)**	**-**	**(339)**	**(77,067)**

	Parent								
Net property, plant and equipment	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2015	**12,336**	**32,081**	**33,908**	**7,969**	**1,404**	**333**	**306**	**160**	**88,497**
Balance on June 30, 2016	**12,336**	**31,636**	**31,649**	**7,651**	**1,284**	**271**	**286**	**158**	**85,271**

	Consolidated								
Gross Cost	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2015	**13,057**	**56,347**	**452,841**	**18,900**	**10,092**	**10,683**	**80,853**	**34,866**	**685,490**
Additions	-	-	1,925	28	7	148	9	-	2,117
Disposal	-	-	(21,087)	-	(1)	(12)	-	(9)	(21,109)
Transfers	-	-	26,712	-	88	30	(26,374)	(456)	-
Effect of exchange variance	(20)	(41)	(41,995)	-	(60)	(174)	(6,676)	(934)	(49,900)
Balance on June 30, 2016	**13,037**	**56,306**	**418,396**	**18,928**	**10,126**	**10,675**	**47,812**	**33,467**	**616,598**

	Consolidated								
Acculated depreciation	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2015	**-**	**(12,868)**	**(263,397)**	**(7,616)**	**(7,267)**	**(9,916)**	**-**	**(21,713)**	**(330,628)**
Additions	-	(692)	(21,466)	(464)	(310)	(333)	-	(873)	(24,138)
Disposal	-	-	1,227	-	1	11	-	5	1,244
Transfers	-	-	68	-	(68)	-	-	-	-
Effect of exchange variance	-	14	19,792	-	43	145	-	530	20,524
Balance on June 30, 2016	**-**	**(13,546)**	**(263,776)**	**(8,080)**	**(7,601)**	**(10,093)**	**-**	**(22,051)**	**(332,998)**

	Consolidated								
Net property, plant and equipment	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2015	**13,057**	**43,479**	**189,444**	**11,284**	**2,825**	**767**	**80,853**	**13,153**	**354,862**
Balance on June 30, 2016	**13,037**	**42,760**	**154,620**	**10,848**	**2,525**	**582**	**47,812**	**11,416**	**283,600**

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

	Fixed assets	
Garanteed liabilities	**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 June, 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$9,441 (R$13,304 on December 31, 2015).

11 Intangible Assets

	Weighted rates of amortization	Parent		Consolidated	
		06/30/2016	12/31/2015	06/30/2016	12/31/2015
	% p.a.	Net	Net	Net	Net
Goodwill (*)	-	55,414	55,414	101,143	103,459
Software and other licenses	20%	2,409	2,707	2,212	2,650
New projects developments	20%	13,009	13,535	14,321	14,895
Total		70,832	71,656	117,676	121,004

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

Bellow is the breakdown of intangible Assets:

	Parent			
Gross cost	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2015	**55,414**	**10,612**	**19,998**	**86,024**
Additions	-	43	24	67
Balance on June 30, 2016	**55,414**	**10,655**	**20,022**	**86,091**

	Parent			
Acculated amortization	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2015	**-**	**(7,905)**	**(6,463)**	**(14,368)**
Additions	-	(341)	(550)	(891)
Balance on June 30, 2016	**-**	**(8,246)**	**(7,013)**	**(15,259)**

	Parent			
Net Intangible Assets	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2015	**55,414**	**2,707**	**13,535**	**71,656**
Balance on June 30, 2016	**55,414**	**2,409**	**13,009**	**70,832**

	Consolidated			
Gross cost	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2015	**103,459**	**11,491**	**22,087**	**137,037**
Additions	-	43	23	66
Effect of exchange variance	(2,316)	-	-	(2,316)
Balance on June 30, 2016	**101,143**	**11,534**	**22,110**	**134,787**

	Consolidated			
Acculated amortization	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2015	**-**	**(8,841)**	**(7,192)**	**(16,033)**
Additions	-	(481)	(597)	(1,078)
Balance on June 30, 2016	**-**	**(9,322)**	**(7,789)**	**(17,111)**

	Consolidated			
Net Intangible Assets	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2015	**103,459**	**2,650**	**14,895**	**121,004**
Balance on June 30, 2016	**101,143**	**2,212**	**14,321**	**117,676**

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

	Goodwill on acquisition of investments			
	Investments (Note 9)		Intangible	
	Parent		Consolidated	
UGCs	**06/30/2016**	**12/31/2015**	**06/30/2016**	**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)	-	-	18,977	21,293
Total	61,479	61,479	101,143	103,459
Investment	6,065	6,065	-	-
Intangible Assets	55,414	55,414	101,143	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)	18,977	-	18,977
Total	305,083	(203,940)	101,143

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 company and consolidated.

On June 30, 2016, due to the cancellation of the Judicial Recovery Plan cientificada the Company on July 14, 2016, as mentioned in Note 1.1, the balances with suppliers subject to judicial recovery have been reclassified to current liabilities.

	06/30/2016					
	Parent			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total
Domestic Suppliers	140,529	-	140,529	152,348	-	152,348
Export Suppliers	189	-	189	1,603	-	1,603
Total	**140,718**	-	**140,718**	**153,951**	-	**153,951**

13 Loans and financing

		12/31/2015							
		Parent				Consolidated			
Description	Index	Weighted interest rates	Current	Non-Current	Total	Weighted interest rates	Current	Non-Current	Total
Subject to Judicial Recovery									
Local currency									
Secured creditors	FIX	3.00% p.a.	-	59,700	59,700	3.00% p.a.	-	59,700	59,700
Unsecured creditors	FIX	3.00% p.a.	-	175,632	175,632	3.00% p.a.	-	339,183	339,183
Present value adjustment			-	(153,751)	(153,751)		-	(237,857)	(237,857)
			-	**81,581**	**81,581**		-	**161,026**	**161,026**
Not subject to Judicial Recovery									
Local currency									
Working capital / expansion	CDI	6.80% p.a.	1,458	-	1,458	8.84% p.a.	3,962	-	3,962
Working capital / expansion	TJLP	4.76% p.a.	5,915	-	5,915	4.82% p.a.	10,724	-	10,724
Discounted titles	-	31.86% p.a.	327	-	327	33.45% p.a.	504	-	504
Credit limit	FIX	-	-	-	-	9.11% p.a.	4	-	4
Foreign currency									
Working capital / expansion	US DOLAR	7.48% p.a.	1,529	-	1,529	7.48% p.a.	2,543	-	2,543
Working capital / expansion	PESO COP	-	-	-	-	10.55% p.a.	13,408	8,177	21,585
			9,229	-	**9,229**		**31,145**	**8,177**	**39,322**
Total			**9,229**	**81,581**	**90,810**		**31,145**	**169,203**	**200,348**

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 June 30, 2016, due to the cancellation of the Judicial Recovery Plan cientificada the Company on July 14, 2016, as mentioned in Note 1.1, the balances of loans and financing subject to judicial recovery to current liabilities were reclassified.

Description	Index	Weighted interest rates	Parent 06/30/2016 Current	Non-Current	Total
Local currency					
Working capital / expansion	CDI	3.37% p.a.	35,030	-	35,030
Working capital / expansion	TJLP	5.94% p.a.	83,136	-	83,136
Working capital / expansion	TJLP	3.00% p.a.	25,020	-	25,020
Working capital / expansion	FIX/CDI	2.68% p.a.	29,753	-	29,753
Financing of research and development	TJLP	7.48% p.a.	12,464	-	12,464
Guarantee provided - Guaranteed by a letter guarantee	FIX	3.00% p.a.	17,104	-	17,104
			202,507	**-**	**202,507**
Foreign currency					
Working capital / expansion	US DOLAR	7,48% a.a.	1,382	-	1,382
			1,382	**-**	**1,382**
			203,889	**-**	**203,889**

Description	Index	Taxas de juros ponderada	Consolidated 06/30/2016 Circulante	Não circulante	Total
Local currency					
Working capital / expansion	CDI	3.37% p.a.	35,030	-	35,030
Working capital / expansion	TJLP	5.88% p.a.	88,532	-	88,532
Working capital / expansion	FIXO	3.00% p.a.	25,020	-	25,020
Working capital / expansion	FIX/CDI	2,68% a.a.	29,753	-	29,753
Financing of research and development	TJLP	7.48% p.a.	12,464	-	12,464
Guarantee provided - Guaranteed by a letter guarantee	FIX	3.00% p.a.	17,104	-	17,104
Credit limit	FIX	213.4% p.a.	8	-	8
			207,911	**-**	**207,911**
Foreign currency					
Working capital / expansion	US DOLAR	7,48% a.a.	2,298	-	2,298
Working capital / expansion	PESO COP	13.75% p.a.	13,398	5,161	18,559
			15,696	**5,161**	**20,857**
			223,607	**5,161**	**228,768**

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

Maturity	Parent 06/30/2016	12/31/2015	Consolidated 06/30/2016	12/31/2015
2017	-	-	2,496	5,518
2018	-	-	2,406	2,509
2019	-	-	193	82
From 2020	-	81,581	66	161,094
	-	81,581	5,161	169,203

The guarantees for loans and financings were granted as follows:

		Parent	Consolidated
Local currency	**Garantee**	**Amount**	**Amount**
Working capital / expansion	Mortage / Buildings	73,124	73,124
Working capital / expansion	Contracts signed	25,358	25,358
Financing of property, plant and equipment	Own financed asset	337	337
Financing of research and development	Bank guarantee	15,606	15,606
		114,425	114,425
Foreign currency	**Garantee**		
Working capital / expansion	Own financed asset	-	16,385
		-	16,385
		114,425	130,810

The indirect subsidiary, OFS SAS, has covenants related to financial leasing agreement with Bancolombia which require the maintenance of (a) EBITDA 2x more than interest expense paid (b) Debt / EBITDA until 3x. On June 30, 2016 the indirect subsidiary Lupatech OFS SAS attended to the condition of financial covenants. The total amount of this loan is R$4,305, recorded in current liabilities in the amount of R$2,570 and R$1,735 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 June 30, 2016 the Company has a balance of R$17,104 (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 June 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.

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 contratuias 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.

On June 30, 2016, due to cancellation of the Judicial Recovery Plan as mentioned in Note 1.1, the Company reclassified the balances of bonds to current liabilities.

The balance of the bonds on June 30, 2016 is R$161,729 (R$163,551 at December 31, 2015).

15 Debentures

On June 30, 2016 the Company has a balance of R$84,927 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 reorganization). 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.

	06/30/2016
	Parent and Consolidated
Debt instrument - Debentures	73,554
Interest on Debentures	11,373
Total	84,927

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.

On June 30, 2016, due to cancellation of the Judicial Recovery Plan as mentioned in Note 1.1, the Company reclassified the balances of debentures to current liabilities.

16 Related parties

16.1 Subsidiary

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

	Parent					
	SABR	Mipel Sul	Lupatech Finance	LESP	06/30/2016	12/31/2015
Assets						
Accounts receivable	-	32	-	-	32	158
Other accounts receivable	4,424	884	-	293	5,601	4,450
Mutual and loans	25,553	-	814,472	-	840,025	1,021,898
Total	29,977	916	814,472	293	845,658	1,026,506
Liabilities						
Accounts payable	10	1,327	-	-	1,337	3,898
Other accounts payable	1,867	298	-	1,210	3,375	6,425
Mutual and loans	-	-	1,070,979	32,536	1,103,515	1,291,683
Total	1,877	1,625	1,070,979	33,746	1,108,227	1,302,006

					06/30/2016	06/30/2015
Income						
Sales	-	37	-	-	37	1,322
Purchases	86	1,926	-	-	2,012	651
Financial income	93	-	-	6	99	249
Financial expenses	-	-	44,931	93	45,024	36,159
Exchange variance	-	-	116,239	-	116,239	(17,840)
Total	179	1,963	161,170	99	163,411	20,541

	Parent						
	Transaction date	Time	Interest rate	Amount R$	Balance US$	06/30/2016	12/31/2015
Assets mutual							
Foreign currency							
Contract 1	July-14	Indeterminated	105% do DI-Cetip	627,226	253,745	814,471	990,825
Contract 2	July-14	Indeterminated	105% do DI-Cetip	20,992	7,903	25,367	30,859
Contract 3	December-14	Indeterminated	12.000% p.a.	288	58	187	214
				648,506	**261,706**	**840,025**	**1,021,898**
Mútuos passivos							
Local currency							
Contract 1	January-16	Indeterminated	105% do DI-Cetip	15,142	-	2,172	-
				15,142	-	2,172	-
Foreign currency							
Contract 1	July-07	13 years	9.875% p.a.	28,025	15,273	49,022	58,533
Contract 2	July-07	13 years	9.875% p.a.	65,391	36,673	117,713	140,455
Contract 3	May-09	11 years	12.000% p.a.	40,736	27,755	89,088	103,758
Contract 4	May-09	11 years	12.000% p.a.	117,249	79,965	256,670	298,885
Contract 5	July-09	11 years	12.000% p.a.	50,618	37,007	118,784	138,344
Contract 6	September-09	11 years	10.100% p.a.	134,378	101,723	326,512	382,254
Contract 7	October-09	11 years	10.000% p.a.	46,231	35,264	113,190	132,515
Contract 8	December-15	Indeterminated	-	73,889	9,460	30,364	36,939
				556,517	343,120	1,101,343	1,291,683
				571,659	**343,120**	**1,103,515**	**1,291,683**

Loan agreements and foreign currency loans between Lupatech Finance Company and are presented net amount of R$256,508 (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 June 30, 2016, the Company has a loan agreement with the Unifit – Unidade de fios Industriais de Timbaúba S/A in the amount of R$6,280 (R$5,992 on December 31, 2015). This amount is recorded in other receivables as non-current assets.

The Company has, on June 30, 2016, a loan agreement with the jointly Luxxon Participações S/A amounting to R$5,410 (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.

On June 30, 2016, the Company has a balance of R$17,104 (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%.

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$2,110 for the period of six months ended in June 30, 2016 (R$4,141 for the period of six months ended in June 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 June 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 first half 2016, the Company made the variable compensation payment of R$2,313, related retention plan for executives in the Company.

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

16.3 Loans e debentures with Shareholdes

As disclosed in note 13, the Company has credit lines FINEM of BNDES, in direct mode, which balance on June 30, 2016 is R$90,829 (R$72,967 on December 31,2015). Additionally, Debentures have a balance of R$84,927 on June 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 June 30, 2016 the Company has a balance of loans with Mr. Ricardo Doebeli, CEO and Rafael Gorenstein, Consultant, who are not shareholders in the amount of R$29,753 (R$28,463 at December 31, 2015) recorded in current liabilities, which were acquired by the GP Investments Ltd., yes this shareholder.

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	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Provision for tax, labor and civil risks	3,731	1,489	22,937	21,514
Tax loss	16,924	35,833	34,896	49,733
Provision for losses on inventories	4,087	2,559	12,222	10,540
Negative base of social contribution (CSLL)	5,946	12,590	12,260	17,474
Amortization of goodwill for tax purposes	(58,089)	(55,778)	(91,592)	(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	35,922	48,548	20,369	48,936
Provision for non-recoverability of deferred income tax and social contribution assets	(51,252)	(56,283)	(120,532)	(130,972)
Deferred tax on deemed cost	-	-	(20,876)	(21,989)
Deferred income tax and social contribution - Non-current	-	(73,943)	(25,332)	(120,947)

On June 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 June 30, 2016 the balance of deferred income tax and social contribution liabilities is zero in parent and R$25,332 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 six months ended	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Loss before tax from continuing operations	(475,697)	(119,002)	(499,206)	(197,927)
Loss before tax from discontinued operation	-	-	-	150
	(475,697)	(119,002)	(499,206)	(197,777)
Additions and exclusions				
Equity pick-up	99,993	24,591	102,001	50,003
Allowance for doubtful accounts	(557)	-	(519)	(288)
Non-deductible interest	19,254	17,083	40,473	32,735
Provision for loss contingencies	1,755	2,131	2,741	3,019
Present value adjustment	309,861	-	310,683	-
Tax amortization of goodwill on investment	(3,398)	-	(6,797)	-
Provision of interest on suppliers	16,475	-	18,775	-
Other	(22,057)	60,179	(36,967)	55,580
Calculation basis	(54,371)	(15,018)	(68,816)	(56,728)
Combined tax rate	34%	34%	34%	34%
Current Income tax and social contribution of subsidiaries with taxable income	-	-	-	-
Deferred tax and social contribution	**73,943**	**-**	**73,943**	**-**

	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Loss before tax from continuing operations	(119,002)	(119,082)	(518,218)	(175,880)
Loss before tax from discontinued operation	-	91	-	(21,963)
	(119,002)	(118,991)	(518,218)	(197,843)
Additions and exclusions				
Equity pick-up	24,591	371	-	371
Impairment	-	(852)	-	(1,585)
Allowance for doubtful accounts	954	17,083	(779)	32,735
Non-deductible interest	19,254	18,536	40,473	19,929
Provision for loss contingencies	1,033	-	4,997	-
Present value adjustment	393,792	-	394,788	-
Tax amortization of goodwill on investment	(6,843)	-	(13,686)	-
Provision of interest on suppliers	16,475	-	18,775	-
Other	(408,038)	101,605	(25,652)	113,233
Calculation basis	(77,784)	17,752	(99,302)	(33,160)
Combined tax rate	34%	34%	34%	34%
Current Income tax and social contribution of subsidiaries with taxable income	-	**(612)**	**(2,117)**	**(1,224)**
Deferred tax and social contribution	**-**	**601**	**95,072**	**1,290**

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)	62,442	-	63,190	-
CSLL - Social Contribution on Net Income	(i.2)	-	-	6,729	-
IRPJ - Corporate Income Tax	(i.3)	19,160	-	50,595	15,783
INSS - National Institute of Social Security	(i.4)	-	4,037	91,442	19,473
IPI - Excise Tax	(i.5)	1,496	-	1,496	-
PIS - Employees' Profit Participation Program	(i.6)	-	403	-	609
COFINS - Tax for Social Security Financing	(i.7)	-	-	12	672
ISS - Services Tax	(i.8)	107	-	790	5,416
CIDE - Contribution for Intervention in the Economic Domain	(i.9)	-	-	1,495	-
Other	(i.10)	146	103	262	9,025
		83,351	4,543	216,011	50,978
Labor (ii)		10,482	4,872	60,797	66,516
Civil (iii)		5,409	1,560	62,607	11,740
Total on June 30, 2016		99,242	10,975	339,415	129,234
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$10,975 in parent and R$129,234 in consolidated as on June 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$47,239 and is waiting for perish the Procurator of Finance since May 8, 2015.

Execution tax of the State of São Paulo against Lupatech S/A - In Judicial Recovery, for the purpose of collection of VAT due on imports, not including additional freight for renewal of the merchant navy (AFRMM) on the basis of calculation of tax due. The process is in distribution stage, and on November 26, 2015 the Company filed a petition requesting that any act of constriction be referred to the universal judgment (Bankruptcy stick and Judicial Recoveries), and December 10, 2015, there ordinatório act performed, intimating the farm to science. 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$7,107.

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$2,953.

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$1,576, subject to possible loss. On April 22, 2015, it was published order determining the manifestation of the parties on the certificate issued informing have special appeal being processed before the 9th Chamber of TJLP. In June 13, 2016, joined the petition filed on April 27, 2015 by the Company, reporting on the provision of the interlocutory appeal. In Interlocutory Appeal: On October 23, 2015, it was inadmitido the Special Appeal and referred to the Resource processing.

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 October 08, 2016. Process subject to possible loss of R$1,536.

(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.

Assessment notice from the Federal Revenue of Brazil against Sotep – Sociedade Técnica de Perfuração S/A – In Judicial Recovery, regarding the collection of social contributions on the payroll typified in the art. 22 of Law nº 8.212/91, as well as incidents on the remuneration paid, due or credited to their services to individual taxpayers. In July 22, 2014, autos welcomed the 2nd Trial Section of the CARF to voluntary appeal trial. Possible loss of R$1,302.

(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$9,532.

Tax enforcement of the Federal Union against Lupatech S/A – In Judicial Recovery resulting from the administrative process which refers to the allegation of revenue omission, having as basis documents obtained in an illicit and incorrect way by the Federal Revenue. The act of violation originally recorded was decided on first administrative instance where it achieved success; the tax requirements as well as the allegation of omission were excluded. Such decision was confirmed by the Taxpayers Council. The process is subject to classification of possible loss by the legal consultants and totals the updated amount of R$5,263. 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 Augusto 28, 2015 the process is in the reception and DRJ-RJO RJ-screening. Process subject to possible loss of R$4,723.

Tax assessment of the Internal Revenue Service of Brazil against Lupatech S/A - In Judicial Recovery, through which requires separate fine resulting from the application of the percentage of 50% on the amount of object debts of unapproved compensation as provided in art.74, § 17 of Law nº 9.430/96. On November 6, 2015 presented Objection alleging the unconstitutionality of the fine imposed on contesting. Possible loss of R$1,300.

Tax Enforcement of the Federal Government against Lupatech S/A - In Judicial Recovery, and is awaiting trial paradigm feature. Process subject to possible loss of R$1,496.

Tax assessment of the Internal Revenue Service of Brazil against Lupatech Perfuração e Completação Ltda. - In Judicial Recovery, for the collection of income tax arising from profit arbitration. On August 26, 2014, the voluntary appeal filed by the Company had dismissed denied by CARF, which the company requested reconsideration. On February 11, 2015 the case was referred to the CARF. On June 06, 2016, a Motion for Clarification by the Company were continued denied. In August 07, 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$19,026.

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

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

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

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

Infraction notices for alleged charges due contributions to the INSS totaling R$3,266 against the Lupatech Perfuração e Completação Ltda. – In Judicial Recovery. The collection of such debt is suspended. Possible loss.

All processes mentioned above were secured by judicial deposit which have been converted to the Union, reason for which the Company is requesting the termination of debit from the same.

Tax delinquency notice served for collection of DEBCAD nº. 37142030-0 on the conversion of accessory obligations in primary obligation, consistent lack of statement GFIP the contributions

due in the period between January 1999 and June 2007 in Sotep Sociedade Técnica de Perfurações S/A – In Judicial Recovery. Proceedings on possible loss of R$1,606. On April 29, 2011, the process was received CARF for trial of the action voluntary appeal, with distribution on August 6, 2015.

(i.5) Tax Enforcement against Lupatech S/A - Reorganization 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$1,496. 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 debits of CIDE resulting from remittances outside Brazil. On February 20, 2015, the Federal Revenue of Brazil partially upheld the appeal lodged by the records of the administrative process. On April 9, 2015, file forwarded to the CARF and given input on July 16, 2015. Process subject to possible loss of R$1,495.

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$13,360.

(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 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$1,523.

(iii.3) Indemnity lawsuit filed by Maurina dos Santos Gussão, subject to possible loss of R$1,183.

(iii.4) Indemnity action of company Aeróleo Taxi Aereo S/A. Proceedings on possible loss of R$907.

(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$3,326.

(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$3,222.

(iii.7) Collection action of Grupo Engenharia Ltda., subject the problabe loss of R$1,241.

The changes in provision balance on June 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	4,037	4,498	1,350	9,885	5,391	28,853	2,029	36,273
Net write-offs	-	(3,210)	(81)	(3,291)	(3,632)	(27,643)	(1,065)	(32,340)
Balance on June 30, 2016	**4,543**	**4,872**	**1,560**	**10,975**	**50,978**	**66,516**	**11,740**	**129,234**

18.2 Contingent assets

	Probability of probable gain	
	Parent	**Consolidated**
Tax (i)	1,254	6,971
Civil (ii)	-	5,948
Balance on June 30, 2016	**1,254**	**12,919**
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 VAT, in Lupatech OFS S.A.S. of R$5,026.

(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$1,253.

(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$4,459.

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

18.3 Judicial deposits

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

	Judicial deposits	
	Parent	**Consolidated**
Tax contingencies	15	3,009
Labor contingencies	904	7,675
Civil contingencies	175	14,472
Balance on June 30, 2016	**1,094**	**25,156**
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	**Capital stock**
	Thousand	**R$**
Balance on December 31, 2015	**9,394**	**1,853,684**
Balance on June 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 June 30, 2016, the balance of equity evaluation adjustment is R$66,834 (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 six months ended in June 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 June 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:

	Amounts in US dollar thousands			
	Parent		Consolidated	
Itens	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Cash and cash equivalents	14	14	152	17
Accounts receivable	846	1,108	2,038	3,421
Other assets	6	-	4,726	41,107
Related parties	261,706	253,745	-	-
Loans and financing	(431)	(392)	(716)	(651)
Related parties	(343,120)	(330,793)	-	-
Other obligations	(211)	(775)	(3,580)	(4,984)
Net exposure in Dollar	(81,190)	(77,093)	2,620	38,910

On June 30, 2016 the US dollar rate in relation to the Brazilian Real was US$1.00 = R$3.2098 (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$17,199 in parent and a gain of R$555 in consolidated.

Analysis of the sensitivity of foreign currency, variation of interest rate and riscks 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.

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

Scenario involving a probable interest rate parity of US Dollar in comparison with Brazilian Real estimated by the Management:
Interest rate for the year 2016: 14.3%
US$: 4.07

Scenario involving a possible interest rate parity of US Dollar in comparison with Brazilian Real and a twenty-five percent (25%) impairment in the risk variable considered likely:
Interest rate for the year 2016: Increase of 17.8%
US$: 5.09

Scenario involving a remote interest rate parity of US Dollar in comparison with Brazilian Real and a fifty percent (50%) impairment in the risk variable considered likely:
Interest rate for the year 2016: Increase of 21.4%
US$: 6.11

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

		Scenario as per description above					
		Parent			Consolidated		
Operating	Risk	Probable	Possible	Remote	Probable	Possible	Remote
Loans, financing and bonds	US$ hike	398	869	1,340	48,468	105,799	163,130
Loans, financing and bonds	Interest rate hike	1,725	2,156	2,588	1,783	2,228	2,674
Mutual contracts	US$ hike	328,167	716,344	1,104,522	-	-	-
Total (gain) loss		330,290	719,369	1,108,450	50,251	108,027	165,804

(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 June 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$224 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 six months ended in June 30, 2016 approximately 58.72% (57.70% for the period of six months ended in June 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:

	Parent		Consolidated	
Items	**Book value**	**Fair Value**	**Book value**	**Fair Value**
Cash and cash equivalents	118	118	2,356	2,356
Marketable securities	6,510	6,510	6,510	6,510

b. Loans and financing

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

	Parent		Consolidated	
Items	**Book value**	**Fair Value**	**Book value**	**Fair Value**
Loans and financing	203,889	190,142	228,768	213,529
Debentures	84,927	83,417	84,927	83,417
Bonds	-	-	161,729	76,985

20.3 Financial instruments by category

Summary of financial instruments by category:

	Parent					
	06/30/2016			12/31/2015		
	Loans and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet						
Securities-restricted	-	6,510	6,510	-	6,803	6,803
Accounts receivable	15,492	-	15,492	17,883	-	17,883
Cash and cash equivalents	118	-	118	3,125	-	3,125
Related parties	31,186	-	31,186	35,681	-	35,681
Total	46,796	6,510	53,306	56,689	6,803	63,492

	Parent					
	06/30/2016			12/31/2015		
	Judicial Recovery	Not subject to Judicial Recovery		Judicial Recovery	Not subject to Judicial Recovery	
	Creditors list	Financial liabilities at amortized cost	Total	Creditors list	Financial liabilities at amortized cost	Total
Passivos, conforme balanço patrimonial						
Loans and financing	-	203,889	203,889	81,581	9,229	90,810
Debentures	-	84,927	84,927	-	-	-
Suppliers	-	140,718	140,718	72,018	5,894	77,912
Related parties	-	293,754	293,754	-	311,182	311,182
Total	-	723,288	723,288	153,599	326,305	479,904

	Consolidated					
	06/30/2016			12/31/2015		
	Loans and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet						
Securities-restricted	-	6,510	6,510	-	6,803	6,803
Accounts receivable	53,279	-	53,279	62,330	-	62,330
Cash and cash equivalents	2,356	-	2,356	31,012	-	31,012
Total	55,635	6,510	62,145	93,342	6,803	100,145

	Consolidated					
	06/30/2016			12/31/2015		
	Judicial Recovery	Not subject to Judicial Recovery		Judicial Recovery	Not subject to Judicial Recovery	
	Creditors list	Financial liabilities at amortized cost	Total	Creditors list	Financial liabilities at amortized cost	Total
Liabilities, according to balance sheet						
Loans and financing	-	228,768	228,768	161,026	39,322	200,348
Debentures	-	84,927	84,927	-	-	-
Bonds	-	161,729	161,729	-	-	-
Suppliers	-	153,951	153,951	72,018	29,084	101,102
Total	-	629,375	629,375	233,044	68,406	301,450

21 Insurance coverage

It is a principle of the Company, maintain insurance coverage for fixed assets subject to risks inventories and international imports of transport, "Business Understanding" mode. It also has insurance coverage for general liability, as well as the Company's management.

	Amount secured	
Insurance purpose	**06/30/2016**	
- Corporative understanding insurance	R$	102,633
- General civil responsability insurance	R$	12,000
- Management D&O responsability insurance	R$	74,865

22 Statement of net Sales

	Parent			
	For the three months ended		For the six months ended	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Gross sales and/or services				
In Brazil	5,383	6,350	9,955	13,788
Export	144	3,256	498	9,680
	5,527	9,606	10,453	23,468
Deductions for gross sales				
Taxes on sales	(997)	(1,027)	(1,831)	(2,392)
Net sales and/or services	4,530	8,579	8,622	21,076

	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Gross sales and/or services				
In Brazil	33,465	62,999	84,848	142,733
Export	144	8,422	498	20,162
	33,609	71,421	85,346	162,895
Deductions for gross sales				
Taxes on sales	(4,277)	(5,487)	(9,326)	(13,748)
Net sales and/or services	29,332	65,934	76,020	149,147

23 Gain (Loss) per Share

- **Basic**

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

	Parent			
	For the three months ended		For the six months ended	
Items	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Loss attributable to shareholders of the company from continuing operations	(401,754)	(119,002)	(425,263)	(197,927)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	3,499,062
Basic loss per share - R$	**(42.77)**	**(0.05)**	**(45.27)**	**(0.06)**

	Parent			
	For the three months ended		For the six months ended	
Items	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Loss attributable to shareholders of the company from continuing and discontinued operations	(401,754)	(119,002)	(425,263)	(197,777)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	3,499,062
Basic loss per share from continuing and discontinued operations - R$	**(42.77)**	**(0.05)**	**(45.27)**	**(0.06)**

	Consolidated			
	For the three months ended		For the six months ended	
Items	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Loss attributable to shareholders of the company from continuing operations	(401,754)	(119,093)	(425,263)	(175,814)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	3,499,062
Basic loss per share - R$	**(42.77)**	**(0.05)**	**(45.27)**	**(0.05)**

	Consolidated			
	For the three months ended		For the six months ended	
Items	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Loss attributable to shareholders of the company from continuing and discontinued operations	(401,754)	(119,002)	(425,263)	(197,777)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	3,499,062
Basic loss per share from continuing and discontinued operations - R$	**(42.77)**	**(0.05)**	**(45.27)**	**(0.06)**

- **Diluted**

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

	Parent			
	For the three months ended		For the six months ended	
Items	**06/30/2016**	**06/30/2015**	**06/30/2016**	**06/30/2015**
Loss attributable to shareholders of the company from continuing operations	(401,754)	(119,002)	(425,263)	(197,927)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	3,499,062
Diluted loss per share - R$	**(42.77)**	**(0.05)**	**(45.27)**	**(0.06)**

	Parent			
	For the three months ended		For the six months ended	
Items	**06/30/2016**	**06/30/2015**	**06/30/2016**	**06/30/2015**
Loss attributable to shareholders of the company from continuing and discontinued operations	(401,754)	(119,002)	(425,263)	(197,777)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	3,499,062
Diluted loss per share from continuing and discontinued operations - R$	**(42.77)**	**(0.05)**	**(45.27)**	**(0.06)**

	Consolidated			
	For the three months ended		For the six months ended	
Items	**06/30/2016**	**06/30/2015**	**06/30/2016**	**06/30/2015**
Loss attributable to shareholders of the company from continuing operations	(401,754)	(119,093)	(425,263)	(175,814)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	3,499,062
Diluted loss per share - R$	**(42.77)**	**(0.05)**	**(45.27)**	**(0.05)**

	Consolidated			
	For the three months ended		For the six months ended	
Items	**06/30/2016**	**06/30/2015**	**06/30/2016**	**06/30/2015**
Loss attributable to shareholders of the company from continuing and discontinued operations	(401,754)	(119,002)	(425,263)	(197,777)
Weighted average quantity of common shares outstanding (thousands)	9,394	2,301,072	9,394	3,499,062
Diluted loss per share from continuing and discontinued operations - R$	**(42.77)**	**(0.05)**	**(45.27)**	**(0.06)**

24 Financial result

	Parent			
	For the three months ended		For the six months ended	
Items	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Financial Income				
Income from financial investments	200	188	439	361
Related-party interest income (mutual contract)	6	117	99	249
Monetary variance	22	22	23	28
Interest on receivables	162	417	322	576
Other financial income	4	15	5	18
Total financial Income	394	759	888	1,232
Financial Expenses				
Interest on loans and financing	(31,993)	(1,530)	(34,026)	(3,213)
Interest and charges on debentures	(11,373)	(2,185)	(11,373)	(2,724)
Present value adjustment	(309,861)	-	(310,683)	-
Interest of mutual contract	(21,218)	(18,771)	(45,024)	(36,159)
Discount granted	-	-	(765)	-
Interest on suppliers	(16,475)	(374)	(18,775)	(635)
Fines and interest on taxes	(286)	(149)	(14,654)	(307)
IOF, banking expenses and others	(988)	(1,182)	(1,745)	(2,551)
Total financial expenses	(392,194)	(24,191)	(437,045)	(45,589)
Gain on exchange variance	212,679	137,248	410,770	285,296
Loss on exchange variance	(184,805)	(132,911)	(357,095)	(302,953)
Exchange variance, net	27,874	4,337	53,675	(17,657)

	Consolidated			
	For the three months ended		For the six months ended	
Items	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Financial Income				
Income from financial investments	480	207	891	406
Monetary variance	573	62	751	234
Interest on receivables	310	564	618	868
Other financial income	1,420	459	1,535	562
Total financial Income	2,783	1,292	3,795	2,070
Financial Expenses				
Interest on loans and financing	(32,196)	(5,965)	(36,097)	(11,195)
Interest on perpetual bond	(29,232)	(1,115)	(29,232)	(2,143)
Interest and charges on debentures	(11,373)	(2,185)	(11,373)	(2,724)
Present value adjustment	(393,792)	-	(394,788)	-
Discount granted	-	-	(765)	-
Interest on suppliers	(16,475)	(944)	(18,775)	(1,511)
Fines and interest on taxes	(1,802)	(302)	(17,257)	(992)
IOF, banking expenses and others	(1,985)	(1,830)	(3,364)	(4,496)
Total financial expenses	(486,855)	(12,341)	(511,651)	(23,061)
Gain on exchange variance	190,936	173,318	380,750	325,222
Loss on exchange variance	(156,490)	(177,531)	(326,785)	(356,725)
Exchange variance, net	34,446	(4,213)	53,965	(31,503)

25 Other operating expenses (income)

	Parent			
	For the three months ended		For the six months ended	
Items	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Provision for loss of lawsuit	(1,755)	(2,107)	(2,506)	(2,534)
Loss by goodwill impairment	-	(60,000)	-	(60,000)
(Provision) Reversal of losses on inventory obsolescence	(1,875)	(1,790)	(5,024)	(1,648)
Extraordinary losses and adjustment to market value with inventories	-	-	(3,613)	-
Cost of idle production	(2,863)	(6,096)	(5,592)	(11,507)
Revenue from sale of investments	-	-	28,599	-
Sold investment cost	-	-	(15,284)	-
Other	52	50	(76)	9
Total	(6,441)	(69,943)	(3,496)	(75,680)

	Consolidated			
	For the three months ended		For the six months ended	
Items	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Provision for loss of lawsuit	(679)	(18,352)	(15)	(19,284)
Loss by goodwill impairment	-	(60,000)	-	(60,000)
(Provision) Reversal of losses on inventory obsolescence	(2,025)	(2,105)	(5,514)	(2,107)
Extraordinary losses and adjustment to market value with inventories	-	-	(3,613)	-
Residual value on disposal of fixed assets	(11,712)	65	(11,712)	396
Cost of idle production	(3,340)	(9,733)	(6,761)	(17,055)
Revenue from sale of investments	-	-	28,599	-
Sold investment cost	-	-	(15,284)	-
Other	(695)	173	(837)	102
Total	(18,451)	(89,952)	(15,137)	(97,948)

26 Expenses by type

	Parent			
	For the three months ended		For the six months ended	
Items	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Depreciation and amortization	(2,076)	(2,224)	(4,226)	(4,509)
Salaries, social charges and benefits	(3,159)	(10,117)	(5,779)	(17,665)
Raw material	(2,315)	1,668	(4,480)	(662)
Commissions	(201)	(340)	(371)	(657)
Freights	(76)	(51)	(140)	(121)
Legal advice and tax	(2,057)	(1,508)	(4,316)	(3,306)
Traveling expenses	(129)	(85)	(253)	(218)
Provision for loss of lawsuit	(1,755)	(2,131)	(2,741)	(3,019)
Loss by goodwill impairment	-	(60,000)	-	(60,000)
Residual value on disposal of fixed assets	-	(2)	-	(3)
Provision of contractual fines	(152)	56	(159)	(800)
Losses on inventory obsolescence	(1,875)	(1,796)	(5,026)	(1,654)
Cost of idle production	(2,863)	(6,096)	(5,592)	(11,507)
Extraordinary losses with inventories	-	-	(4,668)	-
Sold investment cost	-	-	(15,284)	-
Other expenses	(706)	(1,274)	(203)	(3,487)
	(17,364)	(83,900)	(53,238)	(107,608)
Classified as:				
Cost of sales	(4,719)	(6,161)	(9,298)	(16,211)
Selling expenses	(506)	(1,258)	(1,428)	(3,744)
General and administrative expenses	(3,587)	(3,685)	(7,013)	(7,210)
Management fees	(1,055)	(2,848)	(2,110)	(4,141)
Other operating expenses	(7,497)	(69,948)	(33,389)	(76,302)
	(17,364)	(83,900)	(53,238)	(107,608)

	Consolidated			
	For the three months ended		For the six months ended	
Items	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Depreciation and amortization	(12,637)	(12,582)	(25,216)	(24,974)
Salaries, social charges and benefits	(28,665)	(52,962)	(67,441)	(103,237)
Raw material	(5,557)	(7,864)	(13,528)	(30,320)
Commissions	(266)	(366)	(478)	(704)
Freights	(124)	(81)	(631)	(224)
Legal advice and tax	(3,446)	(2,233)	(6,830)	(5,200)
Traveling expenses	(185)	(169)	(368)	(379)
Provision for loss of lawsuit	(1,033)	(18,536)	(4,997)	(19,929)
Loss by goodwill impairment	-	(60,000)	-	(60,000)
Residual value on disposal of fixed assets	(11,718)	(103)	(11,718)	(1,475)
Provision of contractual fines	(1,391)	(408)	(1,520)	(1,760)
Losses on inventory obsolescence	(2,025)	(2,226)	(5,516)	(2,228)
Cost of idle production	(3,340)	(9,733)	(6,761)	(17,055)
Extraordinary losses with inventories	-	-	(4,668)	-
Inventory adjustment	-	(125)	-	(1,134)
Sold investment cost	-	-	(15,284)	-
Other expenses	(5,166)	(2,590)	(10,080)	(6,612)
	(75,553)	(169,978)	(175,036)	(275,231)
Classified as:				
Cost of sales	(42,682)	(61,754)	(97,936)	(138,040)
Selling expenses	(2,121)	(3,161)	(3,997)	(7,619)
General and administrative expenses	(9,806)	(11,668)	(21,167)	(24,414)
Management fees	(1,055)	(2,848)	(2,110)	(4,141)
Other operating expenses	(19,889)	(90,547)	(49,826)	(101,017)
	(75,553)	(169,978)	(175,036)	(275,231)

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 six months ended in June 30, 2016 by approximately 58.72% (57.70% for the period of six months ended in June 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	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Net sales	6,562	9,684	22,770	56,250	**29,332**	**65,934**
Cost of sales	(6,505)	(6,876)	(36,177)	(54,878)	**(42,682)**	**(61,754)**
Gross profit	**57**	**2,808**	**(13,407)**	**1,372**	**(13,350)**	**4,180**
Selling expenses	(818)	(1,491)	(1,303)	(1,670)	**(2,121)**	**(3,161)**
General and administrative expenses	(3,321)	(3,608)	(6,485)	(8,060)	**(9,806)**	**(11,668)**
Management fees	(238)	(312)	(817)	(2,536)	**(1,055)**	**(2,848)**
Equity pick-up	-	(371)	-	-	-	**(371)**
Other operating income (expenses), net	(7,379)	(71,002)	(11,072)	(18,950)	**(18,451)**	**(89,952)**
Income before financial results	**(11,699)**	**(73,976)**	**(33,084)**	**(29,844)**	**(44,783)**	**(103,820)**

	Products		Services		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Identifiable assets (1)	**216,850**	**226,815**	**345,490**	**428,419**	**562,340**	**655,234**
Identifiable liabilities (2)	**81,683**	**22,705**	**301,036**	**278,745**	**382,719**	**301,450**

	For the three months ended					
	Products		Services		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Depreciation and amortization	**(1,848)**	**(2,096)**	**(10,789)**	**(10,486)**	**(12,637)**	**(12,582)**
Acquisition of property, plants and equipment	**91**	**27**	**1,604**	**788**	**1,695**	**815**

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

	For the six months ended					
	Products		Services		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Net sales	12,310	23,384	63,710	125,763	**76,020**	**149,147**
Cost of sales	(12,845)	(18,409)	(85,091)	(119,631)	**(97,936)**	**(138,040)**
Gross profit	**(535)**	**4,975**	**(21,381)**	**6,132**	**(21,916)**	**11,107**
Selling expenses	(1,911)	(4,355)	(2,086)	(3,264)	**(3,997)**	**(7,619)**
General and administrative expenses	(6,441)	(7,455)	(14,726)	(16,959)	**(21,167)**	**(24,414)**
Management fees	(374)	(531)	(1,736)	(3,610)	**(2,110)**	**(4,141)**
Equity pick-up	-	(371)	-	-	-	**(371)**
Other operating income (expenses), net	(15,400)	(77,808)	263	(20,140)	**(15,137)**	**(97,948)**
Income before financial results	**(24,661)**	**(85,545)**	**(39,666)**	**(37,841)**	**(64,327)**	**(123,386)**

	Products		Services		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Identifiable assets (1)	**216,850**	**226,815**	**345,490**	**428,419**	**562,340**	**655,234**
Identifiable liabilities (2)	**81,683**	**22,705**	**301,036**	**278,745**	**382,719**	**301,450**

	For the six months ended					
	Products		Services		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Depreciation and amortization	**(3,758)**	**(4,335)**	**(21,458)**	**(20,639)**	**(25,216)**	**(24,974)**
Acquisition of property, plants and equipment	**202**	**30**	**1,915**	**3,035**	**2,117**	**3,065**

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

Information by geographic region is as follows:

	For the three months ended					
	Brazil		South America		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Net sales	23,593	45,954	5,739	19,980	**29,332**	**65,934**

	Brazil		South America		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Identifiable assets (1)	**518,446**	**548,438**	**43,894**	**106,796**	**562,340**	**655,234**
Identifiable liabilities (2)	**357,991**	**273,357**	**24,728**	**28,093**	**382,719**	**301,450**

	For the three months ended					
	Brazil		South America		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Depreciation and amortization	**(9,393)**	**(9,949)**	**(3,244)**	**(2,633)**	**(12,637)**	**(12,582)**
Acquisition of property, plants and equipment	**1,695**	**(24)**	**-**	**839**	**1,695**	**815**

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 six months ended					
	Brazil		South America		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Net sales	59,289	107,501	16,731	41,646	**76,020**	**149,147**

	Brazil		South America		Consolidated	
	06/30/2016	12/31/2015	06/30/2016	12/31/2015	06/30/2016	12/31/2015
Identifiable assets (1)	**518,446**	**548,438**	**43,894**	**106,796**	**562,340**	**655,234**
Identifiable liabilities (2)	**357,991**	**273,357**	**24,728**	**28,093**	**382,719**	**301,450**

	For the six months ended					
	Brazil		South America		Consolidated	
	06/30/2016	06/30/2015	06/30/2016	06/30/2015	06/30/2016	06/30/2015
Depreciation and amortization	**(19,801)**	**(19,859)**	**(5,415)**	**(5,115)**	**(25,216)**	**(24,974)**
Acquisition of property, plants and equipment	**1,937**	**1,115**	**180**	**1,950**	**2,117**	**3,065**

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 six month ended June 30, 2016, the Company had not operating results in discontinuity.

In the six months ended in June 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:

	Parent	Consolidated
	06/30/2015	06/30/2015
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)

28.3 Cash flow of discontinued operations

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

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

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

	Consolidated
	30/06/2015
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

29 Subsequent events

Judicial Recovery Plan Lupatech Group

Lupatech Group in July 14, 2016, presented demonstration in the case of judicial recovery seeking the extension of the "stay period" for 90 days, for reasons beyond the will of the Lupatech Group, in view of the provision given to Grievances Instrument and the consequent cancellation of the Plan, which was approved on 18 July 2016. Therefore, as a precaution, it is considered that, on that date, the Lupatech Group became aware of the judgments that nullified the plan and, consequently, the Plan lost its effectiveness, failing to force the Lupatech Group and its creditors for the terms contained therein.

The Lupatech Group opposed his requests for clarification to prequestionamento purposes to Judgements, aiming preparation of future special appeal to the court.

Nevertheless, without prejudice to any special appeal to be filed and saved any decision favorable decision in this appeal, the Lupatech Group will present new Judicial Reorganization Plan within 45 days of publication of the judgment, which will be put to a vote at the General Meeting lenders and the approval by the Court.

Independet auditor's report

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

Introcuction
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 June 30, 2016, which comprise the balance sheet as at June 30, 2016 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period of six 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 Recovey 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. The date of authorization for issue of these interim financial statements, management was particularly resource preparation process against the plan annulment decision, as well as developing a new judicial recovery plan to be presented to creditors to satisfy the determination of decision Court of the State of São Paulo and, as mentioned in note 1.1 (III and IV) means having chances to succeed in both actions. The impact of Judicial Recovery Plan annulment decision approved in December 2015 on the interim financial statements of June 30, 2016 are described in Note 1.1 (IV). Our conclusion does not contain caveat related to this issue.

Going Concern

The Company and its subsidiaries have generated recurring losses and for the period ended June 30, 2016 incurred consolidated loss of R$425,263, 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, 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 six months ended in June 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, August 12, 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 six months ended in June 30, 2016.

Nova Odessa, August 12, 2016.

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

Management's declaration of the independent auditor's report

In accordance with section 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 six months ended in June 30, 2016.

Nova Odessa, August 12, 2016.

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