

INTERIM FINANCIAL STATEMENTS Q1 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.

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

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

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

On March 07, 2016, it was granted the sale of share's participation held by the Company in the Spanish society Vicinay Marine, S.L., of 55.135 shares, for R\$ 28.6 million, have been received this amount in March 2016 and should be the proceeds of sale for full enforcement of the Judicial Recovery Plan.

The deadline for exercising the option to receive, or to modify, the credits subject to the Judicial Recovery Plan by unsecured and secured creditors ended on March 10, 2016.

Financial and Economic Performance

Net Revenue

Net Revenue (R\$ thd)	1Q15	1Q16	Chg. %	4Q15	1Q16	Chg. %
Products	13,700	5,748	-58.0%	4,889	5,748	17.6%
Oil&Gas Valves	3,072	806	-73.8%	973	806	-17.2%
Industrial Valves	3,261	4,942	51.5%	3,916	4,942	26.2%
Anchoring Ropes	7,367	-	n/a	-	-	n/a
Services	69,513	40,940	-41.1%	47,519	40,940	-13.8%
Oilfield Services Brazil	39,804	24,778	-37.7%	21,991	24,778	12.7%
Oilfield Services Colombia	21,666	10,992	-49.3%	20,653	10,992	-46.8%
Tubular Services & Coating	8,043	5,170	-35.7%	4,875	5,170	6.1%
Total	83,213	46,688	-43.9%	52,408	46,688	-10.9%

The Consolidated Net Revenue in the 1Q16 reached R\$ 46.7 million, versus R\$ 52.4 million in the 4Q15 and R\$ 83.2 million in the 1Q15, reduction of 10.9% and 43.9%, respectively.

In the comparative period of 1Q16 with the 1Q15, the Products Segment presented a reduction of 58.0% in the Net Revenue, from R\$ 13.7 million in the 1Q15 to R\$ 5.7 million in the 1Q16. 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, the Industrial Valves division, 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 51.5%.

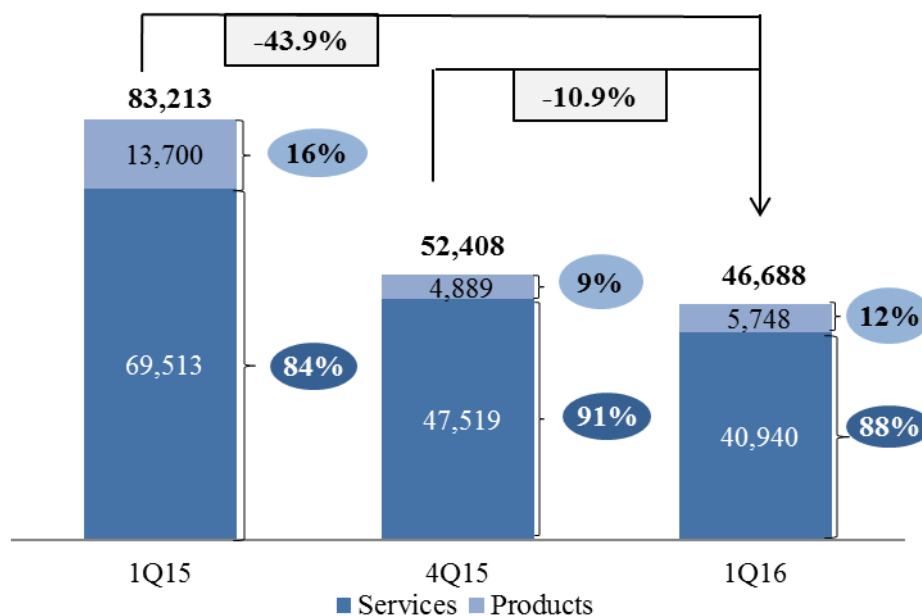
Compared to the 4Q15, the Products Segment presented an increase of 17.6% in the Net Revenue, from R\$ 4.9 million in the 4Q15 to R\$ 5.7 million in the 1Q16, due to the growth of 26.2% in the performance of Industrial Valves division, as mentioned in the paragraph above. The Services Segment presented reduction in the Net Revenue both in the comparative period of 1Q16 with 1Q15, of 41.1%, and with the 4Q15 of 13.8%, from R\$ 69.5 million in the 1Q15 and from R\$ 47.5 million in the 4Q15 to R\$ 40.9 million in the 1Q16. The decrease of Net Revenue in Colombia operations of 49.3% in the 1Q16 compared to the 1Q15 and of 46.8% compared to the 4Q15, affected by the decline in oil prices, which strongly impacted the services demand by customers, was the main factor of reduction in Net Revenue of Services Segment in both comparative periods.

The operations in the Oilfield Services Brazil division presented a decrease in the Net Revenue of 37.7% comparing the 1Q16 with the 1Q15, primarily due to reduction of Petrobras' services demand and termination of existing contracts. However, compared to the 4Q15, the Oilfield Services Brazil operations increased 12.7%, mainly due to the performance of probes operations and Hydraulic Key Project.

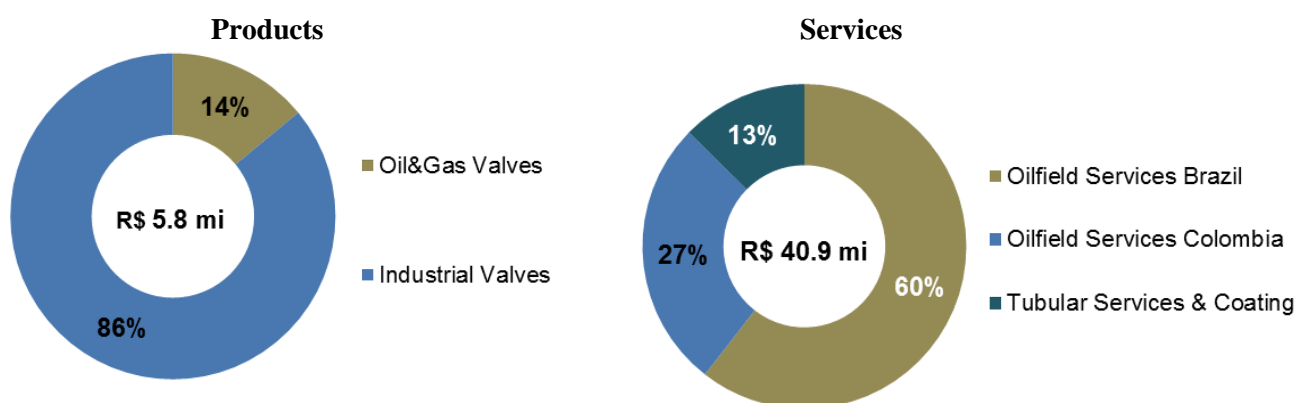
The operations in Tubular Services & Coating division presented reduction of 35.7% in Net Revenue of 1Q16 compared to the first quarter from the previous year, from R\$ 8.0 million in the 1Q15 to R\$ 5.2 million in the 1Q16 primarily due to the termination of existing contracts. Compared to the 4Q15, the operations of this division presented a growth of 6.1% in Net

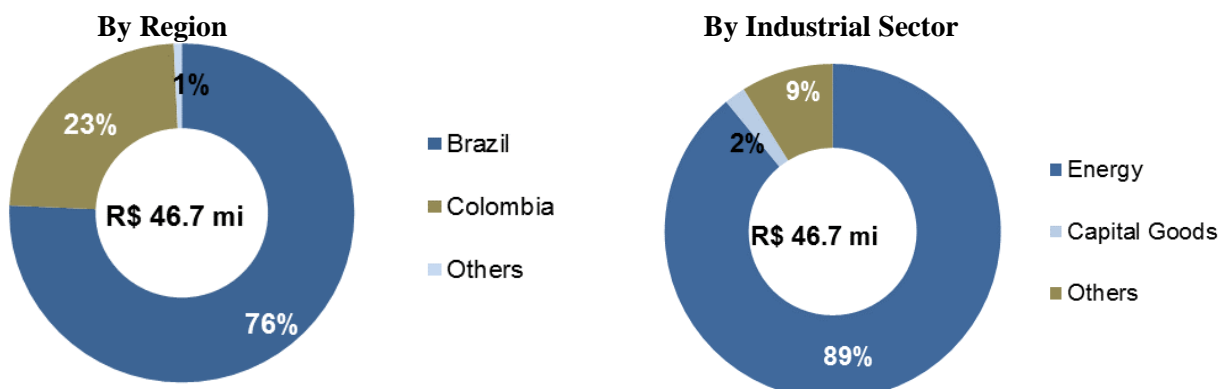
Revenue, from R\$ 4.9 million in the 4Q15 to R\$ 5.2 million in the 1Q16 due to the extension of Petrobras deadline for receipt of tubes in the 1Q16.

Net Operating Revenue (R\$ thd)



Revenue Distribution – 1Q16





On March 31, 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)	1Q15	1Q16	Chg. %	4Q15	1Q16	Chg. %
Products	11,533	6,340	-45.0%	7,179	6,340	-11.7%
Services	64,753	48,914	-24.5%	54,670	48,914	-10.5%
Total	76,286	55,254	-27.6%	61,849	55,254	-10.7%

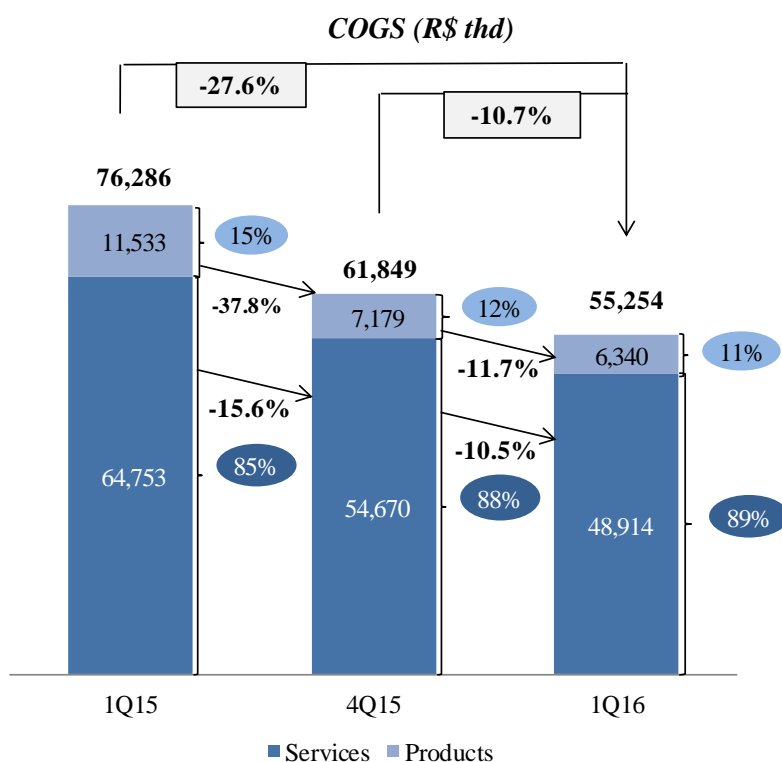
The Consolidated Costs on Goods Sold (COGS) presented a reduction of 27.6% in the 1Q16 compared to the 1Q15, reaching R\$ 55.2 million in the 1Q16 versus R\$ 76.3 million in the 1Q15, lower than the decrease of Consolidated Net Revenue that was of 43.9%.

Both in Products Segment and Services Segment, the reduction of COGS was lower than the reduction of Net Revenue in the respective Segments in the comparative period of 1Q16 with 1Q15, mainly due to the impact of fixed personnel costs, as well as due to dismissal costs in the amount of R\$ 4.2 million that burdened the COGS in the 1Q16.

The Consolidated Costs on Goods Sold (COGS) presented a decrease of 10.7% in the 1Q16 compared to the 4Q15, reaching R\$ 55.2 million in the 1Q16 versus R\$ 61.8 million in the 4Q15, keeping in line with the reduction of Consolidated Net Revenue that in the period was 10.9%.

In the Products Segment, the COGS in the 1Q16 reduced 11.7% despite the Net Revenue has increased 17.6% compared to the 4Q15, primarily due to the impact of inventory adjustment in the amount of R\$ 1.6 million that burdened the COGS in the 4Q15, as well as due to reduction of operating costs in the 1Q16 as result of Company's restructuring process.

The Services Segment presented a reduction of 10.5% in the COGS of 1Q16 compared to the 4Q15, being lower than the reduction of 13.8% in the Net Revenue of this Segment due to the impact of dismissals in the 1Q16, in the amount of R\$ 3.8 million.



Gross Profit and Gross Margin

Gross Profit (R\$ thd)	1Q15	1Q16	Chg. %	4Q15	1Q16	Chg. %
Products	2,167	-592	n/a	-2,290	-592	-74.1%
Gross Margin - Products	15.8%	-10.3%	-26.1 p.p.	-46.8%	-10.3%	36.5 p.p.
Services	4,760	-7,974	n/a	-7,151	-7,974	11.5%
Gross Margin - Services	6.8%	-19.5%	-26.3 p.p.	-15.0%	-19.5%	-4.5 p.p.
Total	6,927	-8,566	n/a	-9,441	-8,566	-9.3%
Gross Margin - Total	8.3%	-18.3%	-26.6 p.p.	-18.0%	-18.3%	-0.3 p.p.

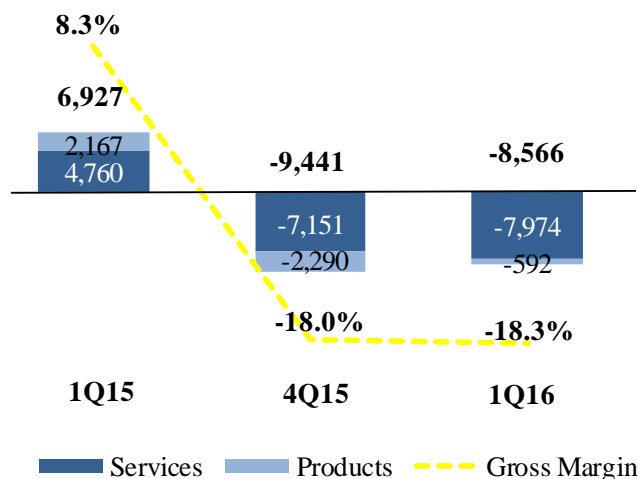
Due to reduction of Consolidated Net Revenue of R\$ 36.5 million (43.9%), dismissal costs that totaled R\$ 4.2 million and impact of fixed personnel costs, the Total Gross Profit was negative in R\$ 8.6 million in the 1Q16 compared to the positive amount of R\$ 6.9 million in the 1Q15. The Total Gross Margin presented a decrease of 26.6 percentage points in the 1Q16 when compared to the 1Q15.

Compared to the 4Q15, the Total Gross Profit was from negative amount of R\$ 9.4 million and negative Total Gross Margin of 18.0% in the 4Q15 to a negative Gross Profit of R\$ 8.6 million and negative Gross Margin of 18.3% in the 1Q16.

In the Products Segment, the Gross Profit was negative of R\$ 0.5 million in the 1Q16 and the Gross Margin negative of 10.3%, as primarily result of non-dilution of fixed personnel costs, as well as due to the dismissal costs in the amount of R\$ 0.4 million.

In the Services Segment, the Gross Profit was negative of R\$ 7.9 million in the 1Q16 and the Gross Margin was negative of 19.5%, as mainly result of revenue decrease as mentioned above, as well as due to the dismissal costs in the amount of R\$ 3.8 million.

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



Expenses

Despesas (R\$ mil)	1Q15	1Q16	Chg. %	4Q15	1Q16	Chg. %
Total Sales Expenses	4,458	1,876	-57.9%	-1,647	1,876	n/a
Sales Expenses - Products	2,864	1,093	-61.8%	1,566	1,093	-30.2%
Sales Expenses - Services	1,594	783	-50.9%	-3,213	783	n/a
Total Administrative Expenses	12,746	11,361	-10.9%	9,419	11,361	20.6%
Administrative Expenses - Products	3,847	3,120	-18.9%	2,509	3,120	24.4%
Administrative Expenses - Services	8,899	8,241	-7.4%	6,910	8,241	19.3%
Management Compensation	1,293	1,055	-18.4%	1,110	1,055	-5.0%
Total Sales, Administratives and Management Compensation	18,497	14,292	-22.7%	8,882	14,292	60.9%

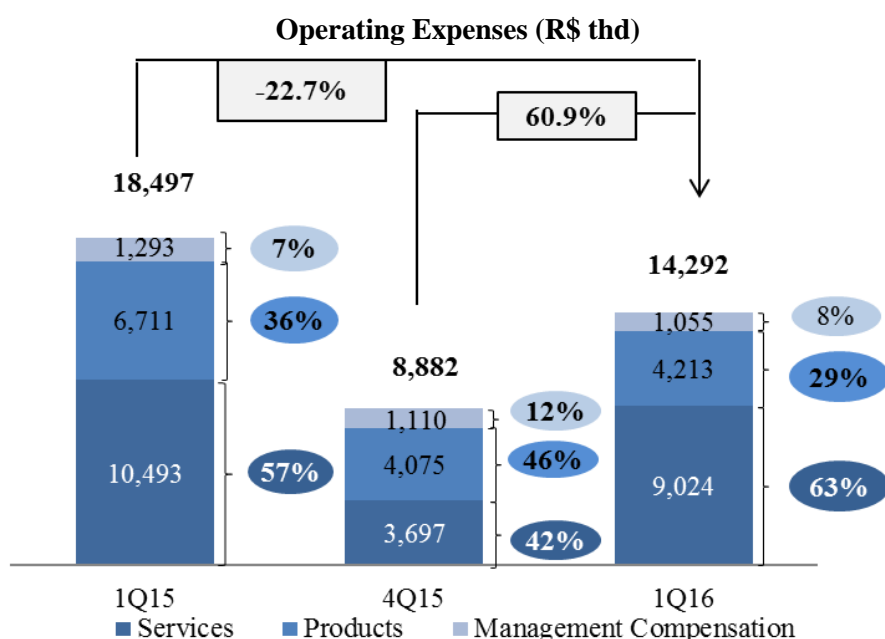
The Consolidated Sales and Administrative Expenses and the Management Salary presented a decrease of 22.7% in the comparative period of 1Q16 with 1Q15 and an increase of 60.9% in the comparative period of 4Q15 with 1T16, from R\$ 18.5 million in the 1Q15 to R\$ 14.3 million in the 1Q16 and from R\$ 8.9 million in the 4Q15 to R\$ 14.3 million in the 1Q16.

The Sales Expenses reduced 57.9% in the 1Q16 compared to the 1Q15, from R\$ 4.5 million in the 1Q15 to R\$ 1.9 million in the 1Q16. In the Products Segment, the Sales Expenses reduced 61.8% in the 1Q16 compared to the 1Q15, primarily due to the decrease of comissions expenses, fines with customers and allowance for doubtful accounts in the total amount of about R\$ 1.7 million. In the Services Segment, the Sales Expenses decreased 50.9% compared to the 1Q15, especially due to the reduction in fines with customers and allowance for doubtful accounts in the total amount of R\$ 0.8 million.

The Sales Expenses decreased from R\$ 1.6 million of revenue in the 4Q15 to R\$ 1.9 million of expense in the 1Q16, primarily due to the reversal of fines with customers in the amount of R\$ 3.6 million in the Services Segment in the 4Q15, not occurred in the 1Q16.

The Administrative Expenses reduced 10.9% in the 1Q16 compared to the 1Q15, from R\$ 12.7 million in the 1Q15 to R\$ 11.4 million in the 1Q16, mainly due to the reduction of about R\$ 0.7 million of salary expenses. On the other hand, compared to the 4Q15, the Administrative Expenses increased 20.6%, from R\$ 9.4 million in the 4Q15 to R\$ 11.4 million in the 1Q16, primarily due to the reversal of contractual fines in the amount of R\$ 1.1 million in Services Segment in the 4Q15 to establish the Company's obligations under the Judicial Recovery Plan approved in November 18, 2015, at the General Meeting of Creditors.

The Management Salary remained stable, from R\$ 1.3 million in the 1Q15 and from R\$ 1.1 million in the 4Q15 to R\$ 1.1 million in the 1Q16.



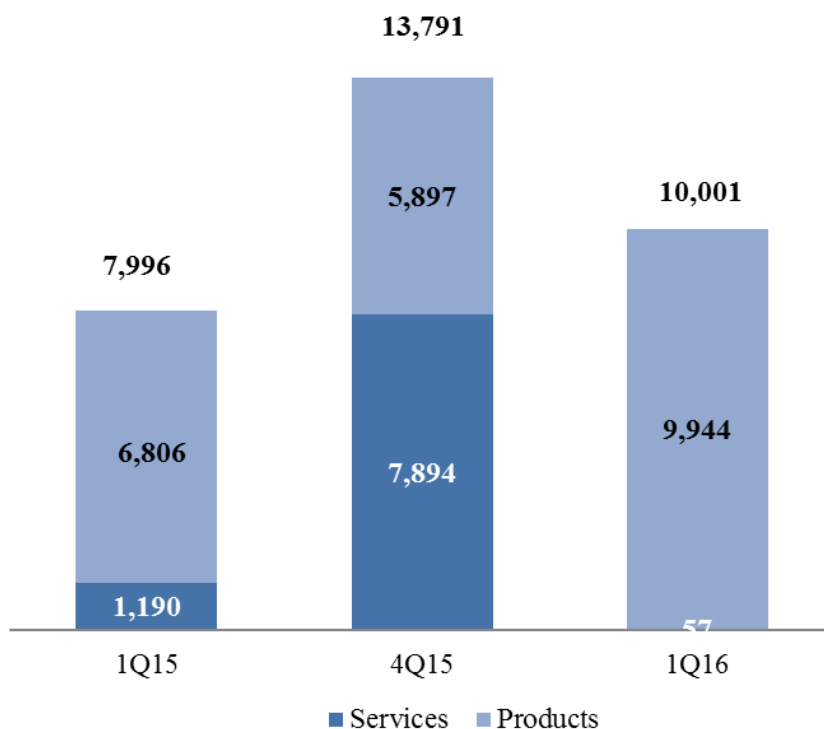
Other Operating (Revenues) and Expenses

Other Expenses (Income) (R\$ thd)	1Q15	1Q16	Chg. %	4Q15	1Q16	Chg. %
Products	6,806	9,944	46.1%	5,897	9,944	68.6%
Services	1,190	57	-95.2%	7,894	57	-99.3%
Total	7,996	10,001	25.1%	13,791	10,001	-27.5%

The Other Operating Expenses increased from R\$ 8.0 million in the 1Q15 to R\$ 10.0 million in the 1Q16, a growth of 25.1%, and they are primarily related to the follow factors: (i) R\$ 7.1 million of provision for losses on inventory obsolescence and (ii) R\$ 3.4 million of cost of idle production (R\$ 7.3 million in the 1Q15).

In the comparative period of 1Q16 with 4Q15, the Other Operating Expenses decreased from R\$ 13.8 million in the 4Q15 to R\$ 10.0 million in the 1Q16.

Other Operating Expenses (R\$ thd)



Financial Result

Financial Result (R\$ thd)	1Q15	1Q16	Chg. %	4Q15	1Q16	Chg. %
Income from Financial Investments	199	411	106.5%	307	411	33.9%
Monetary Variation	172	178	3.5%	167	178	6.6%
Present Value Adjustment	-	-	n/a	394,788	-	n/a
Interest on Receivables	303	308	1.7%	309	308	-0.3%
Others	104	115	10.6%	343	115	-66.5%
Financial Revenue*	778	1,012	30.1%	395,914	1,012	-99.7%
(Expense) Reversal of Interest Expenses	-6,796	-3,901	-42.6%	12,284	-3,901	n/a
Present Value Adjustment	-	-996	n/a	-	-996	n/a
Discount Granted	-4	-765	19025.0%	-1	-765	76400.0%
(Provision) Reversal of Provision for Interest on Suppliers	-567	-2,300	305.6%	12,146	-2,300	n/a
Fines and Interest on Taxes	-690	-15,455	2139.9%	-2,313	-15,455	568.2%
Banking Expenses, Taxes and Others	-2,663	-1,379	-48.2%	224	-1,379	n/a
Financial Expense*	-10,720	-24,796	131.3%	22,340	-24,796	n/a
Net Financial Result*	-9,942	-23,784	139.2%	418,254	-23,784	n/a
Exchange Variance Revenue	151,904	189,814	25.0%	58,014	189,814	227.2%
Exchange Variance Expense	-179,194	-170,295	-5.0%	-20,381	-170,295	735.6%
Net Exchange Variance	-27,290	19,519	n/a	37,633	19,519	-48.1%
Net Financial Result - Total	-37,232	-4,265	-88.5%	455,887	-4,265	-100.9%

* Excluding Exchange Variance

The Total Financial Income (excluding Exchange Variance) in the 1Q16 reached R\$ 1.0 million versus R\$ 0.8 million in the 1Q15, a growth of 30.1%, primarily due to the increase of income from financial investments.

Compared to the 4Q15, the Total Financial Income (excluding Exchange Variance) decreased from R\$ 395.9 million in the 4Q15 to R\$ 1.0 million due to the registration in 2015 of revenue for present value adjustment of suppliers, loans, fines, debentures and Bonds in the amount of R\$ 394.8 million.

The Total Financial Expense (excluding Exchange Variance) increased 131.3% in the 1Q16 compared to the 1Q15, reaching R\$ 24.8 million versus R\$ 10.7 million in the 1Q15 primarily due to the recognition of R\$ 15.5 million of fine and interest on taxes, as well as due to the registration of R\$ 1.0 million of expense for present value adjustment of suppliers, loans, fines, debentures and Bonds in the 1Q16.

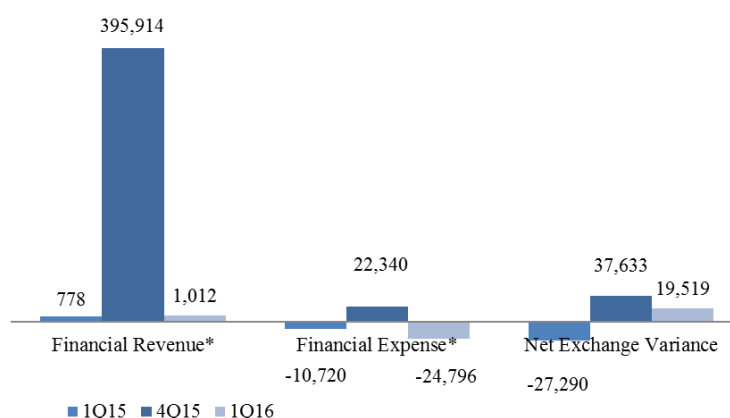
Compared to the 4Q15, the Total Financial Expense (excluding Exchange Variance) increased from R\$ 22.3 million of revenue in the 4Q15 to R\$ 24.8 million of expense in the 1Q16. This variation was mainly due to the reversal in provision for interest on suppliers in the amount of R\$ 12.1 million and reversal of interest expense on loans, financing and debentures in the amount of R\$ 12.3 million recognized in the 4Q15 to establish the Company's obligations under the Judicial Recovery Plan.

The Net Exchange Variance in the 1Q16 resulted in revenue of R\$ 19.5 million versus an expense of R\$ 27.3 million in the 1Q15 affected by devaluation of 8.9% in U.S. dollar against Brazilian Real in the 1Q16 versus a valuation of 20.8% in U.S. dollar in the 1Q15. In the 4Q15, the Net Exchange Variance resulted in revenue of R\$ 37.6 million affected by devaluation of 1.7% in U.S. dollar against Brazilian Real in the 4Q15.

The Total Net Financial Result in the 1Q16 resulted in expense of R\$ 4.3 million versus expense of R\$ 37.2 million in the 1Q15 especially due to the recognition of Exchange Variance Revenue in the amount of R\$ 19.5 million in the 1Q16 versus Exchange Variance Expense of R\$ 27.3 million in the 1Q15.

The Total Net Financial Result decreased from a revenue of R\$ 455.9 million in the 4Q15 to an expense of R\$ 4.3 million in the 1Q16, especially due to the registration of revenue for present value adjustment of R\$ 394.8 million recognized in the 4Q15.

Financial Result Breakdown (R\$ thd)



* Excluding Exchange Variance

Adjusted EBITDA from Continuing Operations¹

The Consolidated Adjusted EBITDA from Continuing Operations was negative in R\$ 8.6 million in the 1Q16 versus negative result of R\$ 14.0 million in the 4Q15. The EBITDA Margin was negative of 18.4% in the 1Q16, with positive variance of 8.3 percentage points compared to the Margin presented in the 4Q15.

Adjusted EBITDA (R\$ thd)	1Q15	1Q16	Chg. R\$	Chg. %	4Q15	1Q16	Chg. R\$	Chg. %
Products	- 7,869	- 5,156	2,713	-34.5%	- 7,537	- 5,156	2,381	-31.6%
Margin	-57.4%	-89.7%		-32.3 p.p.	-154.2%	-89.7%	-	64.5 p.p.
Services	3,749	- 3,415	- 7,164	n/a	- 6,460	- 3,415	3,045	-47.1%
Margin	5.4%	-8.3%		-13.7 p.p.	-13.6%	-8.3%	-	5.3 p.p.
Total	- 4,119	- 8,571	- 4,452	108.1%	- 13,997	- 8,571	5,426	-38.8%
Margin	-5.0%	-18.4%		-13.4 p.p.	-26.7%	-18.4%	-	8.3 p.p.
% Products	191%	60%			54%	60%		
% Services	-91%	40%			46%	40%		

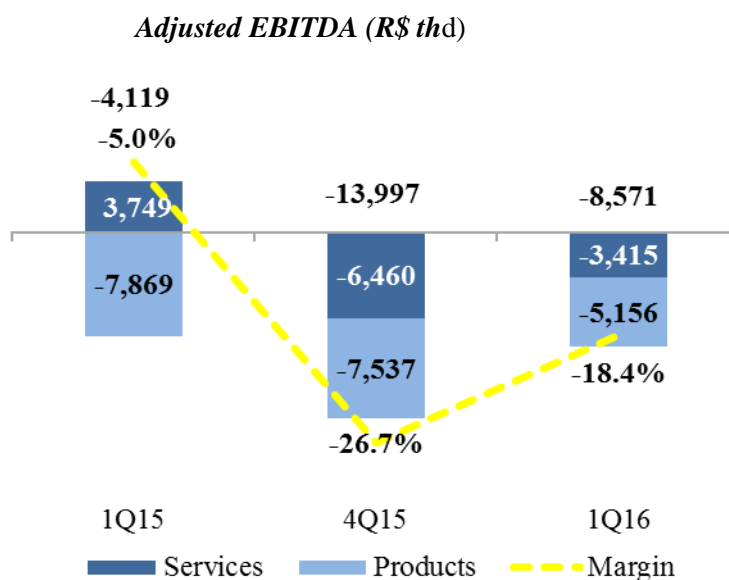
Both the Consolidated Adjusted EBITDA of Products Segment and of Services Segment presented negative amounts in the 1Q16, primarily consequence of reduction in products and services demand, as result of the crisis in the Oil&Gas segment, creating limitations to capture new revenue. The positive variance of R\$ 5.4 million in the EBITDA of 1Q16 compared to the 4Q15 is mainly due to the growth of 17.6% in Net Revenue of Products Segment and due to reduction of operating costs, as consequence of Company's restructuring process.

Adjusted Ebitda Reconciliation (R\$ thd)	1Q15	4Q15	1Q16
Gross Profit	6,927	-9,441	-8,566
SG&A	-17,204	-7,772	-13,237
Management Compensation	-1,293	-1,110	-1,055
Depreciation and Amortization	12,392	13,247	12,579
Operational Revenues/Expenses	-7,996	-13,791	-10,001
Ebitda from Continuing Operations	-7,174	-18,867	-20,280
Provision for Variable Compensation	-21	4,243	0
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets	934	5,069	6,438
Fines (Reversion of Fines) with Customers	1,352	-3,316	129
Restructuring Process and Other Extraordinary Expenses	790	-1,126	5,142
Adjusted EBITDA from Continuing Operations	-4,119	-13,997	-8,571

The Consolidated Adjusted EBITDA from Continuing Operations in the 1Q16 comparatively to 1Q15 reduced from negative R\$ 4.1 million in the 1Q15 to negative R\$ 8.6 million in the 1Q16.

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.

The Consolidated EBITDA Margin decreased 13.4 percentage points, from negative 5.0% in the 1Q15 to negative 18.4% in the 1Q16.



	1Q16		
Adjusted Ebitda Reconciliation (R\$ thd)	Products	Services	Total
Gross Profit	-592	-7,974	-8,566
SG&A	-4,213	-9,024	-13,237
Management Compensation	-136	-919	-1,055
Depreciation and Amortization	1,910	10,669	12,579
Operational Revenues/Expenses	-9,944	-57	-10,001
Ebitda from Continuing Operations	-12,975	-7,305	-20,280
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets	7,310	-872	6,438
Fines with Customers	7	122	129
Restructuring Process and Other Extraordinary Expenses	502	4,640	5,142
Adjusted EBITDA from Continuing Operations	-5,156	-3,415	-8,571

The non-recurring expenses that totaled R\$ 6.4 million primarily refers to registration of provision for losses on inventory obsolescence in the amount of R\$ 7.1 million and reversal of provision for loss of lawsuit in the amount of R\$ 0.7 million.

Net Result

Net Result (R\$ thd)	1Q15	1Q16	Chg. %	4Q15	1Q16	Chg. %
Result Before Income Tax and Social Contribution	-56,798	-37,124	-34.6%	443,509	-37,124	n/a
Income Tax and Social Contribution - Current	-612	-298	-51.3%	181	-298	n/a
Income Tax and Social Contribution - Deferred	689	598	-13.2%	-91,016	598	n/a
Result of Discontinued Operation	-22,054	13,315	n/a	0	13,315	n/a
Net Result	-78,775	-23,509	-70.2%	352,674	-23,509	n/a
Net Result per 1000 Shares	-0.50	-0.15	-70.2%	2.25	-0.15	n/a

The Net Result in the 1Q16 was a loss of R\$ 23.5 million, compared to a loss of R\$ 78.8 million in the 1Q15. The main extraordinary events that contributed for that performance in the 1Q16 were: (i) R\$ 3.4 million of costs of idle production (R\$ 7.3 million in the 1Q15); (ii) R\$ 13.3 million of revenue with disposal of investment in discontinued operations – Vicinay Marine S.L investment (R\$ 22.0 million of expense with low of Jefferson investment in the 1Q15); (iii) R\$ 7.1 million of provision for losses on inventory obsolescence and (iv) R\$ 15.5 million of fine and interest on taxes.

The Net Result went from a profit of R\$ 352.7 million in the 4Q15 to a loss of R\$ 23.5 million in the 1Q16. The performance in the 4Q15 is primarily due to the positive financial result impacted by registration of revenue for present value adjustment of suppliers, loans, fines, debentures and Bonds in the amount of R\$ 394.8 million to establish the Company's obligations under the Judicial Recovery Plan.

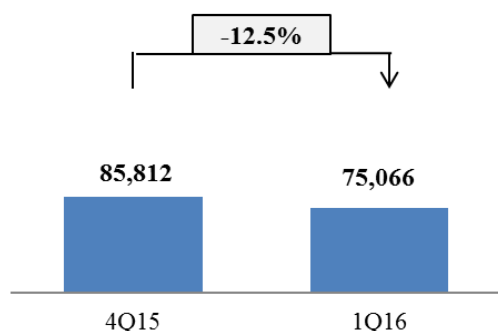
Working Capital

Working Capital (R\$ thd)	4Q15	1Q16	Chg. %	Chg. R\$
Accounts Receivable	62,330	57,543	-7.7%	-4,787
Inventories	56,349	49,031	-13.0%	-7,318
Accounts Payable	29,084	27,978	-3.8%	-1,106
Advances from Clients	3,783	3,530	-6.7%	-253
Employed Working Capital	85,812	75,066	-12.5%	-10,746
Employed Working Capital Variance	1,957	- 10,746		
% Working Capital/Net Revenues*	32.0%	32.4%		

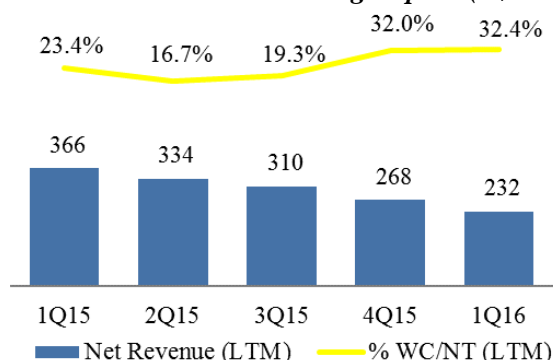
*LTM: last 12 months

The rate of Working Capital Needs upon accumulated Net Revenue (12 months) in the 1Q16 reached 32.4%, growth of 0.4 percentage points when compared to the rate of 4Q15.

Working Capital (R\$ thd)



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



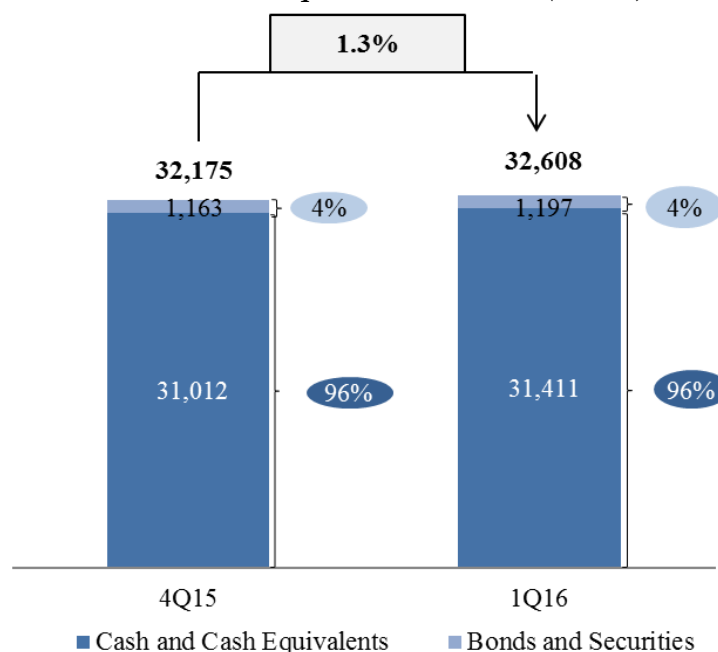
The reception of foreign market customers in the operations of Oil&Gas Valves and Oilfield Services Colombia divisions was the main factor that resulted in the decrease of 7.7% of Accounts Receivable balance.

In addition, there was a reduction of 13.0% of Inventory balance in the 1Q16 compared to the 4Q15, as primarily consequence for registration of provision for losses on inventory obsolescence in the amount of R\$ 7.1 million in the 1Q16.

Cash and Cash Equivalents

The consolidated position in Company's Cash and Cash Equivalents in the 1Q16 reached R\$ 32.6 million compared to the amount of R\$ 32.2 million in the 4Q15. 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, and received in March 2016, the position of Cash and Cash Equivalents presented a growth of 1.3% in the 1Q16 compared to the 4Q15.

Cash and Cash Equivalents Balances (R\$ thd)



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

Debt

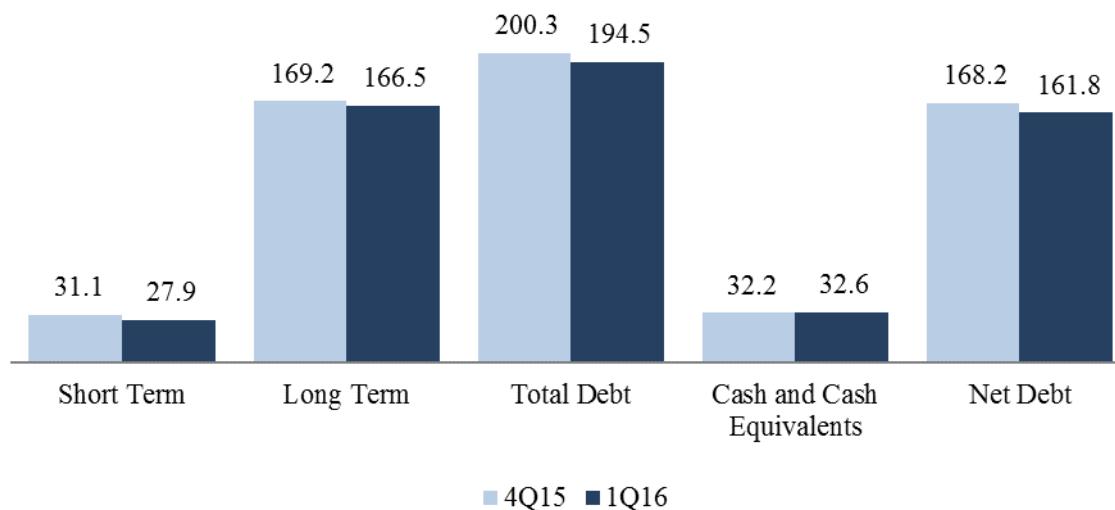
Company's Gross Debt ended the 1Q16 in R\$ 194.5 million, 2.9% lower than reported in the 4Q15.

Debt (R\$ thd)	4Q15	1Q16	Chg. %	Chg. R\$
Short Term	31,145	27,926	-10.3%	- 3,219
Financing Lines not subject to Judicial Recovery	31,145	27,926	-10.3%	- 3,219
Long Term	169,203	166,525	-1.6%	- 2,678
Financing Lines subject to Judicial Recovery	161,026	159,000	-1.3%	- 2,026
Financing Lines not subject to Judicial Recovery	8,177	7,525	-8.0%	- 652
Total Debt	200,348	194,451	-2.9%	- 5,897
Cash and Cash Equivalents	32,175	32,608	1.3%	433
Net Debt	168,173	161,843	-3.8%	- 6,330

This reduction is primarily consequence of exchange variance on loans held in foreign currency due to the devaluation of 8.9% in the U.S. dollar against Brazilian Real in the 1Q16.

Combined Cash and Cash Equivalents, the Company's Net Debt ended the 1Q16 in R\$ 161.8 million, a reduction of 3.8% versus the amount in the 4Q15.

Debt Breakdown (R\$ million)

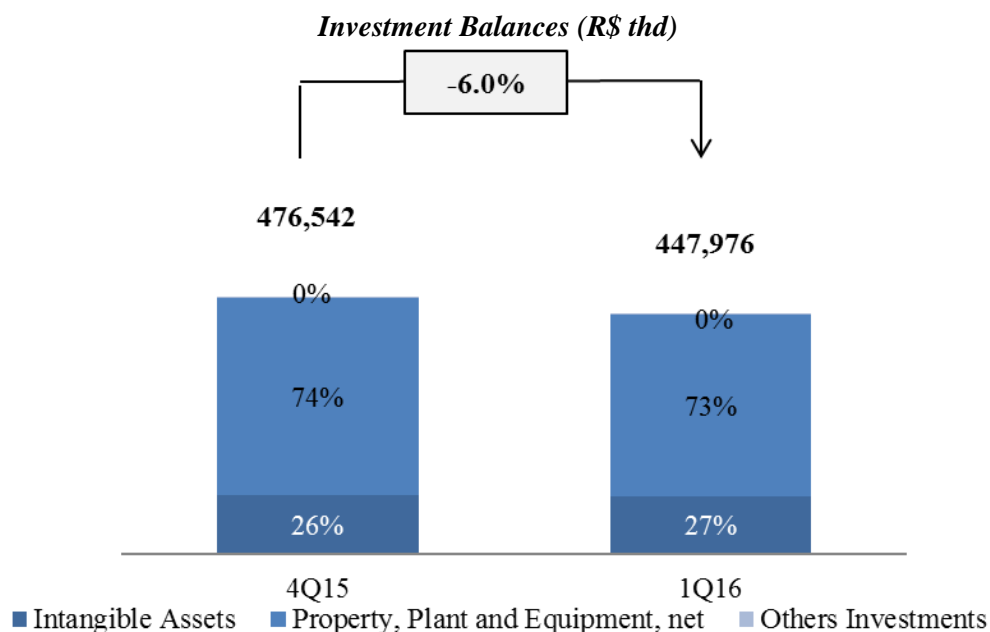


Investment Balances

Company's Investment Balances in the 1Q16 totaled R\$ 448.0 million, reduction of 6.0% compared to the R\$ 476.5 million presented in the 4Q15.

Investments (R\$ thd)	4Q15	1Q16	Chg. %	Chg. R\$
Others Investments	676	676	0.0%	0
Property, Plant and Equipment, net	354,862	327,685	-7.7%	-27,177
Intangible Assets	121,004	119,615	-1.1%	-1,389
Total	476,542	447,976	-6.0%	-28,566

The Property, Plant and Equipment, presented a decrease of 7.7% in the 1Q16 especially due to the recognition of depreciation in the amount of R\$ 12.0 million and due to the effect of exchange variance on the fixed assets of foreign subsidiaries, in the amount of R\$ 15.6 million, due to the devaluation of 8.9% in the U.S. dollar against Brazilian Real in the 1Q16.



Capex was R\$ 0.5 million in the 1Q16 primarily invested in the Services Segment units. Capex has been applied in investments needed to improve production efficiency and execute Company's Backlog, however the amount applied is still significantly lower than that required.

Attachments

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

	1Q15	1Q16	% Change
Net Revenue From Sales	83,213	46,688	-44%
Cost of Goods and Services Sold	(76,286)	(55,254)	-28%
Gross Profit	6,927	(8,566)	n/a
Operating Income/Expenses	(26,493)	(24,293)	-8%
Selling	(4,458)	(1,876)	-58%
General and Administrative	(12,746)	(11,361)	-11%
Management Compensation	(1,293)	(1,055)	-18%
Other Operation Income (Expenses)	(7,996)	(10,001)	25%
Net Financial Result	(37,232)	(4,265)	-89%
Financial Income	778	1,012	30%
Financial Expenses	(10,720)	(24,796)	131%
Net Exchange Variance	(27,290)	19,519	n/a
<u>Earnings (Loss) Before Income Tax and Social Contribution</u>	<u>(56,798)</u>	<u>(37,124)</u>	<u>-35%</u>
Provision Income Tax and Social Contribution - Current	(612)	(298)	-51%
Provision Income Tax and Social Contribution - Deferred	689	598	-13%
<u>Loss from Discontinued Operations</u>	<u>(22,054)</u>	<u>13,315</u>	<u>n/a</u>
<u>Loss for the Period from Continued and Discontinued Operations</u>	<u>(78,775)</u>	<u>(23,509)</u>	<u>-70%</u>

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

	1Q15	1Q16	% Change
Adjusted EBITDA from Continuing Operations	(4,119)	(8,571)	108%
Provision for Variable Remuneration	21	-	n/a
Reestructuring Process and Other Extraordinary Expenses	(790)	(5,142)	551%
Provision for Losses, Impairment and Net Result on Disposal of Assets	(934)	(6,438)	589%
Fines with Costumers	(1,352)	(129)	-90%
EBITDA from Continuing Operations	(7,174)	(20,280)	183%
Depreciation and Amortization	(12,392)	(12,579)	2%
Net Financial Result	(37,232)	(4,265)	-89%
Income Tax and Social Contribution - Current and Deferred	77	300	290%
Result from Discontinued Operations	(22,054)	13,315	n/a
Net Loss from Continuing and Discontinued Operations	(78,775)	(23,509)	-70%

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

	4Q15	1Q16	% Change
Total Asset	814,031	756,988	-7%
Current Assets	235,735	208,794	-11%
Cash and Cash Equivalents	31,012	31,411	1%
Securities-restricted	1,163	1,197	3%
Accounts Receivable	62,330	57,543	-8%
Inventories	56,349	49,031	-13%
Recoverable Taxes	30,976	30,805	-1%
Other Accounts Receivable	7,715	7,196	-7%
Anticipated Expenses	4,672	4,211	-10%
Advances to Suppliers	26,234	27,400	4%
Assets Classified as Held for Sale	15,284	-	n/a
Non-Current Assets	578,296	548,194	-5%
Securities-restricted	5,640	5,805	3%
Judicial Deposits	22,275	22,675	2%
Recoverable Taxes	40,455	39,829	-2%
Other Accounts Receivable	33,384	31,909	-4%
Investments	676	676	0%
Property, Plant and Equipment	354,862	327,685	-8%
Intangible Assets	121,004	119,615	-1%
Total Liabilities and Shareholders' Equity	814,031	756,988	-7%
Current Liabilities	211,624	213,381	1%
Suppliers - Not Subject to Judicial Recovery	29,084	27,978	-4%
Loans and Financing - Not Subject to Judicial Recovery	31,145	27,926	-10%
Provisions Payroll and Payroll Payable	23,005	17,634	-23%
Commissions Payable	1,131	1,437	27%
Taxes Payable	61,448	72,015	17%
Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	39,979	40,475	1%
Advances from Customers	3,783	3,530	-7%
Employee's Profit Sharing	767	737	-4%
Other Accounts Payable	19,259	19,623	2%
Provision for Contratual Fines	2,023	2,026	0%
Non-Current Liabilities	509,094	505,805	-1%
Suppliers - Subject to Judicial Recovery	72,018	74,041	3%
Loans and Financing - Subject to Judicial Recovery	161,026	159,000	-1%
Loans and Financing - Not Subject to Judicial Recovery	8,177	7,525	-8%
Taxes Payable	9,000	9,235	3%
Deferred Income Tax and Social Contribution	120,947	120,155	-1%
Provision for Contingencies	125,301	123,915	-1%
Other Accounts Payable	8,965	8,274	-8%
Provision for Unfunded Liabilities in Subsidiaries	3,660	3,660	0%
Shareholders' Equity	93,313	37,802	-59%
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	126,671	93,589	-26%
Accumulated Losses	(2,036,774)	(2,059,203)	1%

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

	1Q15	1Q16	% Change
CASH FLOW FROM OPERATING ACTIVITIES			
Net Result for the Period	(78,775)	(23,509)	-70%
Adjustments:			
Depreciation and Amortization	12,418	12,579	1%
Result on Sale of Fixed Assets	(331)	-	n/a
Loss (Gain) on Sale of Investments	21,879	(13,315)	n/a
Financial Charges and Exchange Variance on Financing, Bonds and Debentures	33,584	2,183	-93%
Deferred Income Tax and Social Contribution	(531)	(598)	13%
Losses on Inventory Obsolescence	2	7,103	355050%
Provision of Contractual Fines	1,352	129	-90%
Allowance for Doubtful Accounts	733	175	-76%
Present Value Adjustment	-	996	n/a
Changes in Assets & Liabilities			
(Increase) Decrease in Accounts Receivable	5,657	2,187	-61%
(Increase) Decrease in Inventories	3,532	(13)	n/a
(Increase) Decrease in Recoverable Taxes	(882)	(156)	-82%
(Increase) Decrease in Other Assets	(4,914)	(572)	-88%
(Increase) Decrease in Suppliers	1,574	(1,290)	n/a
(Increase) Decrease in Taxes Payable	(372)	(3,891)	946%
(Increase) Decrease in Others Accounts Payable	(25)	(5,578)	22212%
Cash Flow from Operating Activities	(5,099)	(23,570)	362%
CASH FLOW FROM INVESTMENT ACTIVITIES			
Proceeds from Sales of Investments	-	28,599	n/a
Securities - Restricted	27	212	685%
Disposal of Discontinued Operations	11,922	-	n/a
Proceeds from Sales of Property, Plant and Equipment	1,703	-	n/a
Aquisition of Property, Plant and Equipment	(2,257)	(422)	-81%
Aquisition of Intangible Assets	(635)	(24)	-96%
Cash Flow from Investment Activities	10,760	28,365	164%
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Loans and Financings	54,094	19,257	-64%
Payment of Loans and Financings - Principal	(56,458)	(22,649)	-60%
Payment of Loans and Financings - Interest	(2,598)	(1,023)	-61%
Cash Flow from Financing Activities	(4,962)	(4,415)	-11%
Exchange Variation on Cash and Cash Equivalents for Subsidiaries Abroad	2	19	850%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	701	399	-43%
At the Beginning of the Period	3,581	31,012	766%
At the End of the Period	4,282	31,411	634%

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 - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

1 - General Data

Date

Company name:	Lupatech S.A. - In judicial Recovery		
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 redereing of services for the oil and gas industrial valves and microcasting parts

Newspapers of Disclose

Diário Oficial de São Paulo - SP
Valor Econômico - SP

Foreign Countries

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

2 - Address

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

3 - Securities

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

4 - Auditors Information

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

5 - Custodian Agent

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

6 - Investor Relations Officer

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

7 - Investor Relations Department

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

8 - Composition of capital

Number of shares (unit) **03/31/2016**

The paid-up capital

Common	9,393,834
Preferref	-
Total	9,393,834

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Balance Sheet Assets

(In Reais Thousands)

Code	Description	Current Quarter 03/31/2016	Last Year 12/31/2015
1	Total Assets	700,844	749,203
1.01	Current Assets	58,363	84,054
1.01.01	Cash and Cash Equivalents	138	3,125
1.01.03	Accounts Receivable	20,743	22,491
1.01.03.01	Trade Receivables	15,969	17,883
1.01.03.02	Other Accounts Receivable	4,774	4,608
1.01.03.02.02	Other Accounts Receivable - Related Parties	4,774	4,608
1.01.04	Inventories	25,347	31,351
1.01.06	Recoverable Taxes	6,069	5,869
1.01.06.01	Recoverable Current Taxes	6,069	5,869
1.01.07	Prepaid Expenses	1,320	1,198
1.01.08	Other Current Assets	4,746	20,020
1.01.08.02	Assets Classified as Held for Sale	-	15,284
1.01.08.03	Other	4,746	4,736
1.01.08.03.03	Other Accounts Receivable	1,188	1,260
1.01.08.03.04	Securities-Restricted	1,197	1,163
1.01.08.03.05	Advances to Suppliers	2,361	2,313
1.02	Non-Current Assets	642,481	665,149
1.02.01	Long-Term Assets	49,063	49,850
1.02.01.08	Credit with Related Parties	29,892	31,073
1.02.01.08.02	Credit with Subsidiaries	29,892	31,073
1.02.01.09	Other Non-Current Assents	19,171	18,777
1.02.01.09.03	Judicial Deposits	1,004	857
1.02.01.09.04	Recoverable Taxes	6,083	6,150
1.02.01.09.05	Other Accounts Receivable	6,279	6,130
1.02.01.09.06	Securities-Restricted	5,805	5,640
1.02.02	Investments	435,341	455,146
1.02.02.01	Investments	435,341	455,146
1.02.02.01.02	Investments in Subsidiaries	435,251	455,056
1.02.02.01.04	Other investments	90	90
1.02.03	Property, Plant and Equipment	86,876	88,497
1.02.03.01	In Operations	86,570	88,191
1.02.03.03	In Progress	306	306
1.02.04	Intangible Assets	71,201	71,656
1.02.04.01	Intangible Assets	71,201	71,656
1.02.04.01.02	Software and Other Licenses	2,506	2,707
1.02.04.01.03	New Products Development	13,281	13,535
1.02.04.01.04	Goodwill	55,414	55,414

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Balance Sheet Liabilities and Equity

(In Reais Thousands)

Code	Description	Current Quarter 03/31/2016	Last Year 12/31/2015
2	Total Liabilities	700,844	749,203
2.01	Current Liabilities	188,257	190,308
2.01.01	Social and Labor Obligations	5,058	7,983
2.01.01.02	Labor Obligations	5,058	7,983
2.01.02	Suppliers	5,774	5,894
2.01.02.01	Domestic Suppliers	5,547	5,356
2.01.02.01.02	Suppliers - Not Subject to Judicial Recovery	5,547	5,356
2.01.02.02	Export Suppliers	227	538
2.01.02.02.02	Suppliers - Not Subject to Judicial Recovery	227	538
2.01.03	Tax	45,763	31,413
2.01.03.01	Federal Tax	44,194	29,830
2.01.03.01.02	Other Federal Tax	44,194	29,830
2.01.03.02	State Tax	1,378	1,392
2.01.03.03	Municipal Tax	191	191
2.01.04	Loans and Financing	9,259	9,229
2.01.04.01	Loans and Financing	9,259	9,229
2.01.04.01.01	Local Currency	7,798	7,700
2.01.04.01.02	Foreign Currency	1,461	1,529
2.01.05	Other Liabilities	122,403	135,789
2.01.05.01	Liabilities with Related Parties	73,805	86,881
2.01.05.01.02	Debts with Subsidiaries	73,805	86,881
2.01.05.02	Other	48,598	48,908
2.01.05.02.05	Commissions Payable	1,412	1,118
2.01.05.02.06	Advances from Customers	2,853	3,045
2.01.05.02.09	Other Accounts Payable	1,832	2,743
2.01.05.02.11	Contratual Fines Provision	2,026	2,023
2.01.05.02.12	Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	40,475	39,979
2.02	Non-Current Liabilities	474,785	465,582
2.02.01	Loans and Financing	83,507	81,581
2.02.01.01	Loans and Financing	83,507	81,581
2.02.01.01.01	Local Currency	83,507	81,581
2.02.02	Other Liabilities	309,195	302,017
2.02.02.01	Liabilities with Related Parties	229,059	224,301
2.02.02.01.02	Debts with Subsidiaries	229,059	224,301
2.02.02.02	Other	80,136	77,716
2.02.02.02.03	Taxes Payable	4,999	4,602
2.02.02.02.05	Other Accounts Payable	1,096	1,096
2.02.02.02.07	Domestic Suppliers Subject to Judicial Recovery	69,967	67,944
2.02.02.02.08	Export Suppliers Not Subject to Judicial Recovery	4,074	4,074
2.02.03	Deferred Income Tax and Social Contribution	73,943	73,943
2.02.03.01	Deferred Income Tax and Social Contribution	73,943	73,943
2.02.04	Provisions	8,140	8,041
2.02.04.01	Social Security, Tax, Labor and Civil Provisions	4,480	4,381
2.02.04.01.01	Tax Provisions	506	506
2.02.04.01.02	Labor and Social Security Provisions	3,676	3,584
2.02.04.01.04	Civil Provisions	298	291
2.02.04.02	Other Provisions	3,660	3,660
2.02.04.02.04	Provision for Negative Equity in Subsidiaries	3,660	3,660
2.03	Shareholders' Equity	37,802	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	(2,059,203)	(2,036,774)
2.03.06	Equity Valuation Adjustments	93,589	126,671

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statements of Income

(In Reais Thousands)

Code	Description	YTD	YTD
		01/01/2016 to 03/31/2016	01/01/2015 to 03/31/2015
3.01	Net Revenue from Goods Sold and/or Services	4,092	12,497
3.02	Cost of Goods and/or services sold	(4,579)	(10,050)
3.03	Gross Profit	(487)	2,447
3.04	Operating Income/Expenses	(17,781)	(38,453)
3.04.01	Selling Expenses	(922)	(2,486)
3.04.02	General and Administrative Expenses	(4,481)	(4,818)
3.04.04	Other Operating Income	238	617
3.04.05	Other Operating Expenses	(10,608)	(6,354)
3.04.06	Equity Pick-up	(2,008)	(25,412)
3.05	Operating Income/Expenses Before Financial Results and Income Tax	(18,268)	(36,006)
3.06	Financial Results	(18,556)	(42,919)
3.06.01	Financial Income	198,585	148,521
3.06.01.01	Financial Income	494	473
3.06.01.02	Gain on Exchange Variance	198,091	148,048
3.06.02	Financial Expenses	(217,141)	(191,440)
3.06.02.01	Financial Expenses	(44,851)	(21,398)
3.06.02.02	Loss on Exchange Variance	(172,290)	(170,042)
3.07	Income Before IncomeTax	(36,824)	(78,925)
3.09	Net Income from Continuing Operations	(36,824)	(78,925)
3.10	Net Income from Discontinued Operations	13,315	150
3.10.01	Income (Loss) from Discontinued Operations	13,315	150
3.11	Income/Loss for the Period	(23,509)	(78,775)
3.99	Earnings per Share (R\$/Share)	-	-
3.99.01	Basic Earnings per Share	-	-
3.99.01.01	ON	(2.50260)	(0.01677)
3.99.02	Diluted Earnings per Share	-	-
3.99.02.01	ON	(2.50260)	(0.01677)

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY
Parent Financial Statements / Statements of Comprehensive Income

(In Reais Thousands)

Code	Description	YTD	
		01/01/2016 to 03/31/2016	01/01/2015 to 03/31/2015
4.01	Net Income/Loss for the Period	(23,509)	(78,775)
4.02	Other Comprehensive Income	(30,922)	57,752
4.02.01	Exchange Variance Foreign Investments	(32,002)	56,586
4.02.03	Achievement of the Valuation Adjustment	1,080	1,166
4.03	Comprehensive Income of the Period	(54,431)	(21,023)
4.03.01	Participation of Controlling Shareholders	(54,431)	(21,023)

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statements of Changes in Shareholders' Equity - 01/01/2016 to 03/31/2016

(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	-	-	(22,429)	(33,082)	(55,511)
5.05.01	Net Income / Loss for the Period	-	-	(23,509)	-	(23,509)
5.05.02	Other Comprehensive Income	-	-	1,080	(33,082)	(32,002)
5.05.02.04	Exchange Variation on Investments Abroad	-	-	-	(32,002)	(32,002)
5.05.02.06	Achievement of the Valuation Adjustment	-	-	1,080	(1,080)	-
5.07	Ending Balance	1,853,684	149,732	(2,059,203)	93,589	37,802

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statements of Changes in Shareholders' Equity - 01/01/2015 to 03/31/2015

(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	-	-	(78,775)	55,420	(23,355)
5.05.01	Net Income / Loss for the Period	-	-	(79,941)	-	(79,941)
5.05.02	Other Comprehensive Income	-	-	1,166	55,420	56,586
5.05.02.04	Exchange Variation on Investments Abroad	-	-	-	56,586	56,586
5.05.02.06	Achievement of the Valuation Adjustment	-	-	1,166	(1,166)	-
5.07	Ending Balance	1,853,684	149,732	(1,978,714)	47,301	72,003

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statement of Cash Flow - Indirect Method

(In Reais Thousands)

Code	Description	YTD 2016	YTD 2015
		01/01/2016 to 03/31/2016	01/01/2015 to 03/31/2015
6.01	Cash Flow from Operating Activities	(11,756)	2,507
6.01.01	Cash Flow from Operating	(7,300)	(9,782)
6.01.01.01	Net Loss for the Period	(23,509)	(78,775)
6.01.01.02	Depreciation and Amortization	2,150	2,285
6.01.01.03	(Gain) Loss on Sale of Investment	(13,315)	(149)
6.01.01.04	Equity Pick-up	2,008	25,412
6.01.01.05	Result on Sale of Fixed Assets	-	1
6.01.01.06	Financial Expenses, Net	17,736	41,298
6.01.01.11	Inventory Obsolescence	6,763	(142)
6.01.01.12	Contratual Fines Provision	7	-
6.01.01.13	Allowance for Doubtful Accounts	38	288
6.01.01.15	Present Value Adjustment	822	-
6.01.02	Change in Assets and Liabilities	(4,456)	12,289
6.01.02.01	Accounts Receivable	781	12,789
6.01.02.02	Inventories	(759)	1,160
6.01.02.03	Recoverable Taxes	(133)	468
6.01.02.04	Other Assets	(234)	1,818
6.01.02.05	Suppliers	(1,585)	1,077
6.01.02.06	Taxes Payable	418	(3,139)
6.01.02.07	Others	(2,944)	(1,884)
6.02	Cash Flow from Investing Activities	14,360	(3,685)
6.02.01	Paid-in Capital and Subsidiaries Payments for Purchase of Investments	(14,205)	(2,273)
6.02.02	Acquisition of Property, Plants and Equipments	(50)	(9)
6.02.03	Acquisition to Intangibles	(24)	(642)
6.02.04	Proceeds from disposals of Property, Plants and Equipments	-	2
6.02.05	Payment for Acquisition of Investment	28,599	-
6.02.06	Securities-Restricted	40	1
6.02.07	Disposal of Discontinued Operations Net of Cash	-	(764)
6.03	Cash Flow from Financing Activities	(5,591)	1,148
6.03.01	Proceeds from Loans and Financing	3,005	-
6.03.02	Proceeds (Payments) from Loans and Financing - Related Parties	(5,263)	4,698
6.03.06	Payments of Loans and Financing - Principal	(3,332)	(3,118)
6.03.07	Payments of Loans and Financing - Interest	(1)	(432)
6.05	Increase/Decrease in Cash and Cash Equivalents	(2,987)	(30)
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	138	107

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Parent Financial Statements / Statements of Value Added

(In Reais Thousands)

Code	Description	YTD 2016 01/01/2016 to 03/31/2016	YTD 2015 01/01/2015 to 03/31/2015
7.01	Revenue	33,724	14,199
7.01.01	Sales of Goods, Products and Services	4,926	13,862
7.01.02	Other Revenues	28,599	617
7.01.03	Revenue from Sale of Investments	238	-
7.01.04	Allowance for Doubtful Accounts	(39)	(280)
7.02	Consumables Acquired from Third Parties	(26,985)	(10,103)
7.02.01	Cost of Products, Goods and Services Sold	170	(1,912)
7.02.02	Materials, Energy, and Other Outsourced Services	(1,263)	(1,987)
7.02.04	Other Expenses	(25,892)	(6,204)
7.02.04.01	Low investment for Sale	-	150
7.02.04.02	Other	(25,892)	(6,354)
7.03	Gross Value Added	6,739	4,096
7.04	Retentions	(2,150)	(2,285)
7.04.01	Depreciation and Amortization	(2,150)	(2,285)
7.05	Net Value Added Generated by the Company	4,589	1,811
7.06	Value Added Received by Transfer	196,577	123,109
7.06.01	Equity pick-up	(2,008)	(25,412)
7.06.02	Financial Income	198,585	148,521
7.07	Total Value Added to be Distributed	201,166	124,920
7.08	Distribution of Value Added	201,166	124,920
7.08.01	Employees	5,901	9,679
7.08.01.01	Direct Remuneration	4,452	7,250
7.08.01.02	Benefits	781	1,607
7.08.01.03	FGTS	668	822
7.08.02	Taxes and Contributions	1,424	2,358
7.08.02.01	Federal	978	1,656
7.08.02.02	States	426	682
7.08.02.03	Municipal	20	20
7.08.03	Interest Expenses	217,350	191,658
7.08.03.01	Interest	217,141	191,440
7.08.03.02	Rentals	209	218
7.08.04	Own Capital Remuneration	(23,509)	(78,775)
7.08.04.03	Net Income/Loss for the Period	(23,509)	(78,775)

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Balance Sheet Assets

(In Reais Thousands)

Code	Description	Current Quarter 03/31/2016	Last Year 12/31/2015
1	Total Assets	756,988	814,031
1.01	Current Assets	208,794	235,735
1.01.01	Cash and Cash Equivalents	31,411	31,012
1.01.03	Accounts Receivable	57,543	62,330
1.01.03.01	Trade Receivables	57,543	62,330
1.01.04	Inventories	49,031	56,349
1.01.06	Recoverable Taxes	30,805	30,976
1.01.06.01	Recoverable Current Taxes	30,805	30,976
1.01.07	Prepaid Expenses	4,211	4,672
1.01.08	Other Current Assets	35,793	50,396
1.01.08.02	Assets Classified as Held for Sale	-	15,284
1.01.08.03	Other	35,793	35,112
1.01.08.03.02	Securities	1,197	1,163
1.01.08.03.03	Other Accounts Receivable	7,196	7,715
1.01.08.03.04	Advances to suppliers	27,400	26,234
1.02	Non-Current Assets	548,194	578,296
1.02.01	Long-term Assets	100,218	101,754
1.02.01.09	Other Non-Current Assents	100,218	101,754
1.02.01.09.03	Judicial Deposits	22,675	22,275
1.02.01.09.04	Securities	5,805	5,640
1.02.01.09.05	Recoverable Taxes	39,829	40,455
1.02.01.09.06	Other Accounts Receivable	31,909	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	327,685	354,862
1.02.03.01	In Operations	252,290	274,009
1.02.03.03	In Progress	75,395	80,853
1.02.04	Intangible Assets	119,615	121,004
1.02.04.01	Intangible Assets	16,986	17,545
1.02.04.01.02	Software and Other Licenses	2,378	2,650
1.02.04.01.03	New Products Development	14,608	14,895
1.02.04.02	Goodwill	102,629	103,459

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Balance Sheet Liabilities and Equity

(In Reais Thousands)

Code	Description	Current Quarter 03/31/2016	Last Year 12/31/2015
2	Total Liabilities	756,988	814,031
2.01	Current Liabilities	213,381	211,624
2.01.01	Social and Labor Obligations	17,634	23,005
2.01.01.02	Labor Obligations	17,634	23,005
2.01.02	Suppliers	27,978	29,084
2.01.02.01	Domestic Suppliers	26,132	26,664
2.01.02.01.02	Suppliers - Not Subject to Judicial Recovery	26,132	26,664
2.01.02.02	Export Suppliers	1,846	2,420
2.01.02.02.02	Suppliers - Not Subject to Judicial Recovery	1,846	2,420
2.01.03	Tax	72,015	61,448
2.01.03.01	Federal Taxes	60,061	49,327
2.01.03.01.01	Income Tax and Social Contribution	2,586	2,462
2.01.03.01.02	Others Federal Taxes	57,475	46,865
2.01.03.02	State Taxes	10,925	11,212
2.01.03.03	Municipal Tax	1,029	909
2.01.04	Loans and Financing	27,926	31,145
2.01.04.01	Loans and Financing	27,926	31,145
2.01.04.01.01	Local Currency	13,161	15,194
2.01.04.01.02	Foreign Currency	14,765	15,951
2.01.05	Other Obligations	67,828	66,942
2.01.05.02	Other	67,828	66,942
2.01.05.02.06	Commissions Payable	1,437	1,131
2.01.05.02.07	Advances from Customers	3,530	3,783
2.01.05.02.08	Profit Sharing	737	767
2.01.05.02.10	Other Accounts Payable	19,623	19,259
2.01.05.02.12	Contractual Fines Provision	2,026	2,023
2.01.05.02.14	Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	40,475	39,979
2.02	Non-Current Liabilities	505,805	509,094
2.02.01	Loans and Financing	166,525	169,203
2.02.01.01	Loans and Financing	166,525	169,203
2.02.01.01.01	Local Currency	159,000	161,026
2.02.01.01.02	Foreign Currency	7,525	8,177
2.02.02	Other Obligations	91,550	89,983
2.02.02.02	Other	91,550	89,983
2.02.02.02.04	Taxes Payable	9,235	9,000
2.02.02.02.06	Other Accounts Payable	8,274	8,965
2.02.02.02.09	Domestic Suppliers Subject to Judicial Recovery	69,967	67,944
2.02.02.02.10	Export Suppliers Subject to Judicial Recovery	4,074	4,074
2.02.03	Deferred Tax	120,155	120,947
2.02.03.01	Deferred Income Tax and Social Contribution	120,155	120,947
2.02.04	Provisions	127,575	128,961
2.02.04.01	Social Security, Tax, Labor and Civil Provisions	123,915	125,301
2.02.04.01.01	Tax Provisions	46,946	49,219
2.02.04.01.02	Labor and Social Security Provisions	65,996	65,306
2.02.04.01.04	Civil Provisions	10,973	10,776
2.02.04.02	Other Provisions	3,660	3,660
2.02.04.02.04	Provision for Unfunded Liabilities in Subsidiaries	3,660	3,660
2.03	Patrimônio Líquido Consolidado	37,802	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	(2,059,203)	(2,036,774)
2.03.06	Equity Valuation Adjustments	93,589	126,671

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Income

(In Reais Thousands)

Code	Description	YTD	YTD
		01/01/2016 to 03/31/2016	01/01/2015 to 03/31/2015
3.01	Net Revenue from Goods Sold and/or Services	46,688	83,213
3.02	Cost of Goods and/or services sold	(55,254)	(76,286)
3.03	Gross Profit	(8,566)	6,927
3.04	Operating Income/Expenses	(24,293)	(26,493)
3.04.01	Selling Expenses	(1,876)	(4,458)
3.04.02	General and Administrative Expenses	(12,416)	(14,039)
3.04.04	Other Operating Income	4,652	2,474
3.04.04.02	Other Operating Income	4,652	2,474
3.04.05	Other Operating Expenses	(14,653)	(10,470)
3.05	Operating Income/Expenses Before Financial Results and Income Tax	(32,859)	(19,566)
3.06	Financial Results	(4,265)	(37,232)
3.06.01	Financial Income	190,826	152,682
3.06.01.01	Financial Income	1,012	778
3.06.01.02	Gain on Exchange Variance	189,814	151,904
3.06.02	Financial Expenses	(195,091)	(189,914)
3.06.02.01	Financial Expenses	(24,796)	(10,720)
3.06.02.02	Loss on Exchange Variance	(170,295)	(179,194)
3.07	Income Before Income Tax	(37,124)	(56,798)
3.08	Provision for Income Tax and Social Contribution	300	77
3.08.01	Current	(298)	(612)
3.08.02	Deferred	598	689
3.09	Net Income from Continuing Operations	(36,824)	(56,721)
3.10	Net income from Discontinued Operations	13,315	(22,054)
3.10.01	Income (Loss) from discontinued operations	13,315	(22,054)
3.11	Income/Loss for the Period	(23,509)	(78,775)
3.11.01	Parent Company's Interest	(23,509)	(78,775)
3.99	Earnings per Share (R\$/Share)	-	-
3.99.01	Basic Earnings per Share	-	-
3.99.01.01	ON	(2.50260)	(0.01677)
3.99.02	Diluted Earnings per Share	-	-
3.99.02.01	ON	(2.50260)	(0.01677)

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Comprehensive Income

(In Reais Thousands)

Code	Description	YTD 01/01/2016 to 03/31/2016	YTD 01/01/2015 to 03/31/2015
4.01	Net Income/Loss for the Period	(23,509)	(78,775)
4.02	Other Comprehensive Income	(30,922)	57,752
4.02.01	Exchange Variance Foreign Investments	(32,002)	56,586
4.02.03	Achievement of the Valuation Adjustment	1,080	1,166
4.03	Comprehensive Income of the Period	(54,431)	(21,023)
4.03.01	Participation of Controlling Shareholders	(54,431)	(21,023)

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Changes in Shareholders' Equity - 01/01/2016 to 03/31/2016

(In Reais Thousands)

Code	Description	Share Capital	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	-	-	(22,429)	(33,082)	(55,511)
5.05.01	Net Income / Loss for the Period	-	-	(23,509)	-	(23,509)
5.05.02	Other Comprehensive Income	-	-	1,080	(33,082)	(32,002)
5.05.02.04	Exchange Variation on Investments Abroad	-	-	-	(32,002)	(32,002)
5.05.02.06	Achievement of the Valuation Adjustment	-	-	1,080	(1,080)	-
5.07	Ending Balance	1,853,684	149,732	(2,059,203)	93,589	37,802

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Changes in Shareholders' Equity - 01/01/2015 to 03/31/2015

(In Reais Thousands)

Code	Description	Share Capital	Capital Reserves, Stock Options and Treasury	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	-	-	(78,775)	55,420	(23,355)
5.05.01	Net Income / Loss for the Period	-	-	(79,941)	-	(79,941)
5.05.02	Other Comprehensive Income	-	-	1,166	55,420	56,586
5.05.02.04	Exchange Variation on Investments Abroad	-	-	-	56,586	56,586
5.05.02.06	Achievement of the Valuation Adjustment	-	-	1,166	(1,166)	-
5.07	Ending Balance	1,853,684	149,732	(1,978,714)	47,301	72,003

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Cash Flow - Indirect Method

(In Reais Thousands)

Code	Description	YTD	YTD
		01/01/2016 to 03/31/2016	01/01/2015 to 03/31/2015
6.01	Cash Flow from Operating Activities	(23,570)	(5,099)
6.01.01	Cash Flow from Operating	(14,257)	(9,669)
6.01.01.01	Net Loss for the Period	(23,509)	(78,775)
6.01.01.02	Depreciation and Amortization	12,579	12,418
6.01.01.05	Result on Sale of Fixed Assets	-	(331)
6.01.01.06	Financial Expenses, Net	2,183	33,584
6.01.01.08	Deferred Income Tax and Social Contribution	(598)	(531)
6.01.01.10	Loss (Gain) on Sale of Investment	(13,315)	21,879
6.01.01.11	Inventory Obsolescence	7,103	2
6.01.01.12	Contractual Fines Provision	129	1,352
6.01.01.13	Allowance for Doubtful Accounts	175	733
6.01.01.16	Present Value Adjustment	996	-
6.01.02	Change in Assets and Liabilities	(9,313)	4,570
6.01.02.01	Accounts Receivable	2,187	5,657
6.01.02.02	Inventories	(13)	3,532
6.01.02.03	Recoverable Taxes	(156)	(882)
6.01.02.04	Other Assets	(572)	(4,914)
6.01.02.05	Suppliers	(1,290)	1,574
6.01.02.06	Taxes Payable	(3,891)	(372)
6.01.02.07	Others	(5,578)	(25)
6.02	Cash Flow from Investing Activities	28,365	10,760
6.02.03	Acquisition of Property, Plants and Equipments	(422)	(2,257)
6.02.04	Acquisition to Intangibles	(24)	(635)
6.02.05	Securities-Restricted	212	27
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	-	1,703
6.03	Cash Flow from Financing Activities	(4,415)	(4,962)
6.03.01	Proceeds from Loans and Financing	19,257	54,094
6.03.07	Payments of Loans and Financing - Principal	(22,649)	(56,458)
6.03.08	Payments of Loans and Financing - Interest	(1,023)	(2,598)
6.04	Exchange Variation on Cash Equivalents	19	2
6.05	Increase/Decrease in Cash and Cash Equivalents	399	701
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	31,411	4,282

ITR - INTERIM FINANCIAL INFORMATION - Q1 2016 - 03/31/2016 - LUPATECH S/A - IN JUDICIAL RECOVERY

Consolidated Financial Statements / Statements of Cash Flow - Indirect Method

(In Reais Thousands)

Code	Description	YTD 01/01/2016 to 03/31/2016	YTD 01/01/2015 to 03/31/2015
7.01	Revenue	84,793	111,350
7.01.01	Sales of Goods, Products and Services	51,737	94,224
7.01.02	Other Revenues	28,599	2,474
7.01.03	Revenue from Sale of Investments	4,652	15,327
7.01.04	Allowance for Doubtful Accounts	(195)	(675)
7.02	Consumables Acquired from Third Parties	(49,115)	(81,652)
7.02.01	Cost of Products, Goods and Services Sold	(4,764)	(35,022)
7.02.02	Materials, Energy, and Other Outsourced Services	(14,414)	1,045
7.02.04	Other Expenses	(29,937)	(10,475)
7.02.05	Low investment for Sale	-	(37,200)
7.03	Gross Value Added	35,678	29,698
7.04	Retentions	(12,579)	(12,418)
7.04.01	Depreciation and Amortization	(12,579)	(12,418)
7.05	Net Value Added Generated by the Company	23,099	17,280
7.06	Value Added Received by Transfer	190,826	152,757
7.06.02	Financial Income	190,826	152,757
7.07	Total Value Added to be Distributed	213,925	170,037
7.08	Distribution of Value Added	213,925	170,037
7.08.01	Employees	32,375	46,933
7.08.01.01	Direct Remuneration	22,210	36,199
7.08.01.02	Benefits	5,199	7,148
7.08.01.03	FGTS	4,966	3,586
7.08.02	Taxes and Contributions	8,867	10,923
7.08.02.01	Federal	7,893	7,865
7.08.02.02	States	398	1,872
7.08.02.03	Municipal	576	1,186
7.08.03	Interest Expenses	196,193	190,956
7.08.03.01	Interest	195,091	190,103
7.08.03.02	Rentals	1,102	853
7.08.04	Own Capital Remuneration	(23,510)	(78,775)
7.08.04.03	Net Income/Loss for the Period	(23,510)	(78,775)

Explanatory notes to financial statements as of March 31, 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 1,088 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 73.38% of the Company’s net revenues for the period of three months ended in March 31, 2016 (58.40% for the period of three months ended in March 31, 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), due to the unfavorable economic climate in the oil and gas sector, especially after the sharp fall in oil barrel price in the market international, and the crisis brought on Petrobras, the Company's main customer, has been negatively impacted on the whole industry supply chain. Despite the Administration's efforts in negotiating with creditors and the search for potential investors to balance the demands of working capital and CAPEX, the Board of Directors decided to approve the request of Judicial Recovery of the Company, in accordance with Article 122, paragraph one, of Law nº 6.404/76.

On the same date, Lupatech S/A and its subsidiaries: Lupatech Finance Limited; Amper Amazonas Perfurações Ltda; Itacau Agenciamentos Marítimos; Lochness Participações S/A; Lupatech - Equipment e Serviços para Petróleo Ltda; Lupatech – Perfuração e Completação Ltda; Matep S/A Máquinas e Equipamentos; Mipel Indústria e Comércio de Válvulas Ltda; Prest Perfurações; Sotep Sociedade Técnica de Perfuração S/A, filed in the District of São Paulo, the request for court-supervised reorganization before the 1st Court of Bankruptcy and Judicial Recovery of São Paulo, which was granted on June 22, 2015. As trustee was named the Alta Administração Judicial Ltda.

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

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

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

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

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.

II. *Judicial Recovery Plan*

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

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

a. *Restructuring of loans subject to the Plan*

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

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

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

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

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

b. *Restructuring of labor credits*

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

- **Initial payment:** The amount corresponding to up to 5 minimum wages, relative to the credits of strictly salary nature and matured in the 3 months prior to the Request Date, when any, shall be paid not later than 30 days from the Judicial Approval of the Plan; and
- **Payments flow:** The balance of the remaining labor credits, net of amounts paid initially, shall be paid to the respective Labor Creditors not later than 1 from the Judicial Approval of the Plan.

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

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

c. *Restructuring of secured credits*

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

- **Option A for payment of secured credit (Payment in installments)** – Payment of 100% of the value of the respective Secured Credit which shall be done in 72 successive quarterly installments, according to the flow of payments, maturing the first 63 months after Judicial Approval of the Plan. The value of the Secured Credits to be paid in terms of this Option A shall suffer the incurrence of interests and monetary restatement equivalent to a fixed rate of 3% per annum, as the flow of payments established in the Plan.
- **Option B for payment of secured credit (Capitalization of credits)**- Payment of the value of the Secured Credit, observing the provision of the capitalization constraint clause to the principal amount, through subscription of Shares upon capitalization of the respective Secured Credits, in the manner of article 171, paragraph 2, of the Joint Stock Company Act. The Shares shall be issued by the Issue Price, being that the Shares must be fully paid up with their respective Secured Credits, under the Plan, for procedures to increase the capital of Lupatech S/A through capitalization of credits in capital increase;

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

In addition to the payment options provided for in Options A and B Grupo Lupatech may, at any time and upon consent by the respective secured creditor, make full or partial payment of the balance of the respective secured credit through payment in kind of: (i) any of the assets given as real security in favor of the secured creditor; (ii) any assets listed in the Plan; and (iii) credits held by Grupo Lupatech with sufficient value to cover the balance of the respective secured credit.

d. Restructuring of unsecured credits

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

- **Option A for payment of unsecured credit (Payment in installments)** – Payment of 100% of the value of the respective unsecured credit duly and individually authorized in the List of Creditors, as follows: (i) 1 initial installment in the fixed amount of R\$0.5 (five hundred BRL) for each unsecured creditor, to be paid in up to 12 months counted from Judicial Approval of the Plan; (ii) 4 annual installments in the fixed amount of R\$1 (one thousand BRL) each for each unsecured creditor, the first falling due 24 months after Judicial Approval of the Plan; (iii) 72 successive quarterly installments, calculated as of the outstanding debt balance in the 60th month after Judicial Approval of the Plan, according to the flow of expected payments in the Plan, the first of said installments falling due 63 months after Judicial Approval of the Plan. The value of the unsecured credits to be paid in terms of Option A shall suffer the incurrence of fines and monetary restatement equivalent to a fixed rate of 3% per annum, as the flow of payments provided for in the Plan;
- **Option B for payment of unsecured credit (Payment in installments with liquidity event)** – Payment of 100% of the value of the respective unsecured credit duly and individually authorized in the List of Creditors, as follows: (i) 1 initial installment in the fixed amount of R\$0.5 (five hundred BRL) for each unsecured creditor, to be paid in up to 12 months counted from Judicial Approval of the Plan; (ii) 4 annual installments in the fixed amount of R\$1 (one thousand BRL) each for each unsecured creditor, the first falling due 24 months after Judicial Approval of the Plan; (iii) 80 successive quarterly installments, calculated in function of the outstanding debt balance in the 60th month after Judicial Approval of the Plan, according to the flow of expected payments in the Plan, the first of said installments falling due 63 months after Judicial Approval of the Plan. In this case, the value of unsecured credits to be paid in terms of Option B shall suffer the incurrence of fines and monetary restatement equivalent to a fixed rate of 3% per annum, already included in the flow of payments referred in the Plan;
- **Option C for payment of Unsecured Credit (Capitalization of Credits)** – Payment of 100% of the value of the Unsecured Credit, through the subscription of Shares upon capitalization of the respective unsecured credits, in the manner of article 171, paragraph 2, of the Joint Stock Company Act. The Shares shall be issued by the Issue Price, being that the Shares must be fully paid up with their respective unsecured credits, the terms contained in the Plan;

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

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

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

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

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

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

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

e. *Restructuring of microenterprise and small enterprise credits*

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

Each microenterprise and small enterprise creditor may, at its free choice, and within the term, opt to receive its microenterprise and small enterprise credit through any of the options A, B, C

or D foreseen for Unsecured. The option made in such terms by the microenterprise and small enterprise creditor must be formalized by completing and sending the Lupatech Group form contained in an annex to the Plan within 30 days after the judicial homologation of Plan.

In case of increase of any microenterprise and small enterprise credit, or inclusion of new microenterprise and small enterprise credit, as a result of eventual challenge of claim or judgment of any lawsuit, the respective value (in case of inclusion) or additional value (in case of increase) shall be paid by proportional distribution of the value in the future installments. The eventual increase or inclusion of any microenterprise and small enterprise Credit in the List of creditors during the payment term shall not generate for the microenterprise and small enterprise Creditor whose credits were increased any right to retroactive or proportional receipt of installments already paid.

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

f. Manner of obtaining new resources

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

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

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

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

Grupo Lupatech may, as of Judicial Approval of the Plan, encumber, substitute or sell the following assets from its permanent assets, without the need for prior judicial authorization or authorization from the General Meeting of Creditors, without detriment to other sales of assets or other transactions foreseen in the Plan, respecting the contractual rights, encumbrances and other restrictions applicable to such assets: (i) Assets encumbered with real security or fiduciary security, provided there is authorization of the respective secured creditor holding the respective

real security, or of the respective creditor not subject to the Plan holding the respective fiduciary security, where applicable; (ii) Assets to be offered as security for obtainment of new resources, provided such assets are free of any burden or there is agreement of the secured creditors or of the creditors not subject to the Plan holding securities over such assets; (iii) Bens that have suffered natural wear resulting from regular activity or that, for any reason, have become unserviceable for the intended use; (iv) Bens that have become outdated or unnecessary for Grupo Lupatech's activities; (v) Bens whose value, individual or joint, does not exceed the sum of R\$20,000 per annum; and (vi) Bens that are not essential for conduction of Grupo Lupatech's core of activities, according to forecast of the demobilization of assets contained in the Economic-Financial Feasibility Analysis.

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

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

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

1.2 Going concern

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

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

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

transaction is the repurchase of such equity interest by Vicinay and its completion is subject to, among other events, the approval by the judge of the 1st Court of Bankruptcy, Judicial Recoveries and Conflicts related to Arbitration of Capital, where the judicial recovery of the Company is being processed.

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 three months ended in March 31, 2016, are not included in full form in these interim financial statements:

Explanatory notes not included in the quarter ended March 31, 2016	Location of the note in full annual financial statements for the fiscal year 2015
Other receivable	Note nº 10
Taxes payable - Non-current	Note nº 19

The issue of individual and consolidated financial statements has been approved by the Board of Directors on May 13, 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 three months ended in March 31, 2016.

2.4.2 *Jointly-owned subsidiaries*

The company did not have changes of participation Jointly-owned subsidiaries during the period of three months ended in March 31, 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 subsidiaries	Direct and indirect participation (%)	
	03/31/2016	12/31/2015
Direct participation		
Mípel 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 for reporting periods beginning after January 1, 2016, but have not been adopted in preparation of these financial statements. Those that may be relevant for the Company are explained below. The Company does not plan to adopt such standards on an early basis.

IFRS 9 Financial Instruments

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

IFRS 9 includes a logical model for classification and measurement of financial instruments, including a new model of expected credit loss for the calculation of the impairment of financial assets, and new requirements for hedge accounting. The standard retains the existing guidance on the recognition and derecognition of financial instruments IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the effects that IFRS 9 will have on its financial statements and disclosures

IFRS 15 Revenue from Contracts with Customers

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

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

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

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

4 Cash and cash equivalents and Securities

Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

	Parent		Consolidated	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
<u>Cash and banks</u>				
Brazil	74	63	29,271	22,726
Abroad	-	-	2,076	5,207
	<u>74</u>	<u>63</u>	<u>31,347</u>	<u>27,933</u>
<u>Financial Investments</u>				
Bank deposit certificate	64	3,062	64	3,079
	<u>64</u>	<u>3,062</u>	<u>64</u>	<u>3,079</u>
Cash and cash equivalents	<u>138</u>	<u>3,125</u>	<u>31,411</u>	<u>31,012</u>

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

Securities – restricted account

On December 31, 2016 the Company owned a balance of R\$1,197, 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	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Local market	20,023	18,856	63,341	56,326
Export	762	3,805	813	12,440
	20,785	22,661	64,154	68,766
Less: allowance for doubtful accounts	(4,816)	(4,778)	(6,611)	(6,436)
	15,969	17,883	57,543	62,330

6 Inventories

	Parent		Consolidated	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Finished goods	3,254	8,161	10,662	17,016
Goods for resale	1,230	323	5,031	3,502
Work in progress	9,252	8,975	15,444	15,199
Raw material	26,242	21,760	56,438	52,073
Losses on inventory obsolescence	(14,631)	(7,868)	(38,544)	(31,441)
Total	25,347	31,351	49,031	56,349

In the three months ended in March 31, 2016 were recognized in the result, losses on inventories obsolescence in the amount of R\$6,763 in parent and R\$7,103 in consolidated.

In the three months ended in March 31, 2015 were recognized in the result reversal of losses on inventories obsolescence in the amount of R\$142 in parent and loss of R\$2 in consolidated.

7 Recoverable taxes

	Parent		Consolidated	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Value-added Tax on Sales and Services (ICMS) recoverable	13,816	13,806	14,595	14,632
Excise Tax (IPI) recoverable	1,546	1,484	1,882	1,854
Social Integration Program (PIS) recoverable	657	658	1,240	1,253
Social Contribution on Revenues (COFINS) recoverable	3,236	3,247	5,752	5,816
Corporate Income Tax (IRPJ) advances	-	-	19,164	19,829
IRF and IRPJ recoverable	921	851	27,540	27,877
CSLL recoverable	284	281	6,743	6,647
National Institute of Social Security (INSS) Contribution recoverable	41	41	1,261	1,183
Service tax (ISS) recoverable	-	-	647	463
Other	-	-	159	226
Provision for non-recovery of taxes	(8,349)	(8,349)	(8,349)	(8,349)
Total	12,152	12,019	70,634	71,431
Current	6,069	5,869	30,805	30,976
Non-Current	6,083	6,150	39,829	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 March 31, 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 Investments

8.1 Investments in subsidiaries and associated companies

	Parent		Consolidated	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
In affiliates	429,186	448,991	-	-
Goodwill on acquisition of investments (Note 10)	6,065	6,065	-	-
Total	435,251	455,056	-	-

	Mipel	Recu	LESP	Finance	Finance II	LNC	LOFS	Lochness	Parent	
									03/31/2016	12/31/2015
Investment data										
Amount of share or quotas										
Ordinary shares (thd)	-	3,000	-	-	-	-	-	619,895		
Capital stock quotas (thd)	18,717	-	379,174	50	1	-	-	-		
Participation %	100	95	100	100	100	2	100	100		
Shareholders' equity (Unfunded liabilities)	14,548	1,096	86,958	106,742	3	29,040	49,592	8,654		
Income (Loss) for the year	(1,218)	-	(6,191)	13,441	-	(32)	(3,995)	(3,848)		
Unrealized profits	(378)	-	-	-	-	-	-	-		
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	-	-	-	-	-	-	-	14,204	14,204	137,739
Equity pick-up result	(1,250)	-	(6,191)	13,308	-	(32)	(3,995)	(3,848)	(2,008)	(70,955)
Reclassification of unfunded liabilities	-	-	-	-	-	-	-	-	-	(50,393)
Equity evaluation adjustments	-	(246)	(6,915)	(11,156)	-	(67)	(1,205)	(12,412)	(32,001)	79,817
Changes from disinvestment	-	-	-	-	-	-	-	-	-	1,393
Final balance	14,169	1,041	131,356	170,698	3	665	49,592	61,662	429,186	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		Consolidated	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015
In affiliates	(2,008)	(25,412)	-	-
	(2,008)	(25,412)	-	-

8.2 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 March 31, 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.

8.3 Other investments

Investment in company Vicinay Marine S.L.

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

The transaction is the repurchase of such equity interest by Vicinay and its completion is subject to, among other events, the approval by the judge of the 1st Court of Bankruptcy, Judicial Recoveries and Conflicts related to Arbitration of Capital, where the judicial recovery of the Company is being processed.

9 Property, plant and equipment

	Weighted average rate of depreciation % p.a.	Parent		Consolidated	
		03/31/2016	12/31/2015	03/31/2016	12/31/2015
		Net	Net	Net	Net
Land	-	12,336	12,336	13,050	13,057
Building and construction	2%	31,859	32,081	43,123	43,479
Machinery and equipment	9%	31,818	32,884	168,396	188,257
Molds and matrixes	15%	939	1,024	1,096	1,187
Industrial facilities	5%	7,570	7,719	9,437	9,604
Furniture and fixtures	9%	1,343	1,404	2,663	2,825
Data processing equipments	14%	320	333	657	767
Improvements	2%	234	250	1,586	1,680
Vehicles	19%	139	148	1,847	2,377
Casks	-	1	2	9	9
Advances for fixed assets acquisitions	-	11	10	10,426	10,767
Construction in progress	-	306	306	75,395	80,853
Total		86,876	88,497	327,685	354,862

Bellow is the breakdown of property, plants and equipments:

Parent								
	Land	Building and construction	Machinery and equipment, Molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others
Gross Cost								
Balance on December 31, 2015	12,336	39,257	90,351	11,712	3,888	3,896	306	483
Additions	-	-	7	-	2	41	-	-
Balance on March 31, 2016	12,336	39,257	90,358	11,712	3,890	3,937	306	483
Parent								
	Land	Building and construction	Machinery and equipment, Molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others
Acculated depreciation								
Balance on December 31, 2015	-	(7,176)	(56,443)	(3,743)	(2,484)	(3,563)	-	(323)
Additions	-	(222)	(1,158)	(165)	(63)	(54)	-	(9)
Balance on March 31, 2016	-	(7,398)	(57,601)	(3,908)	(2,547)	(3,617)	-	(332)
Parent								
	Land	Building and construction	Machinery and equipment, Molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others
Net property, plant and equipment								
Balance on December 31, 2015	12,336	32,081	33,908	7,969	1,404	333	306	160
Balance on March 31, 2016	12,336	31,859	32,757	7,804	1,343	320	306	151
Consolidated								
	Land	Building and construction	Machinery and equipment, Molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others
Gross Cost								
Balance on December 31, 2015	13,057	56,347	452,841	18,900	10,092	10,683	88,704	34,866
Additions	-	-	478	4	2	77	-	(139)
Disposal	-	-	(16)	-	-	(3)	-	-
Effect of exchange variance	(7)	(14)	(17,237)	-	(19)	(61)	(5,458)	(471)
Balance on March 31, 2016	13,050	56,333	436,066	18,904	10,075	10,696	83,246	34,256
Consolidated								
	Land	Building and construction	Machinery and equipment, Molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others
Acculated depreciation								
Balance on December 31, 2015	-	(12,868)	(263,397)	(7,616)	(7,267)	(9,916)	(7,851)	(21,713)
Additions	-	(347)	(10,612)	(265)	(158)	(174)	-	(440)
Disposal	-	-	(25)	-	-	3	-	-
Effect of exchange variance	-	5	7,460	-	13	48	-	179
Balance on March 31, 2016	-	(13,210)	(266,574)	(7,881)	(7,412)	(10,039)	(7,851)	(21,974)
Consolidated								
	Land	Building and construction	Machinery and equipment, Molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others
Net property, plant and equipment								
Balance on December 31, 2015	13,057	43,479	189,444	11,284	2,825	767	80,853	13,153
Balance on March 31, 2016	13,050	43,123	169,492	11,023	2,663	657	75,395	12,282

The value attributed to property, plants and equipments in guarantee of liabilities on March 31, 2016 is as follows:

Garanteed liabilities	Fixed assets	
	Parent	Consolidated
Taxation (Tax executions)	11,498	11,498
Borrowing and financing (Note 12)	73,461	90,668
Total	84,959	102,166

Commercial Lease

On March, 31, 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\$11,292 (R\$13,304 on December 31, 2015).

10 Intangible Assets

	Weighted rates of amortization % p.a.	Parent		Consolidated	
		03/31/2016	12/31/2015	03/31/2016	12/31/2015
		Net	Net	Net	Net
Goodwill (*)	-	55,414	55,414	102,629	103,459
Software and other licenses	20%	2,506	2,707	2,378	2,650
New projects developments	20%	13,281	13,535	14,608	14,895
Total		71,201	71,656	119,615	121,004

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

Bellow is the breakdown of intangible Assets:

	Parent			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Gross cost				
Balance on December 31, 2015	55,414	10,612	19,998	86,024
Additions	-	-	24	24
Balance on March 31, 2016	55,414	10,612	20,022	86,048

	Parent			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Acculated amortization				
Balance on December 31, 2015	-	(7,905)	(6,463)	(14,368)
Additions	-	(201)	(278)	(479)
Balance on March 31, 2016	-	(8,106)	(6,741)	(14,847)

	Parent			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Net Intangible Assets				
Balance on December 31, 2015	55,414	2,707	13,535	71,656
Balance on March 31, 2016	55,414	2,506	13,281	71,201

Consolidated				
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Gross cost				
Balance on December 31, 2015	103,459	11,491	22,087	137,037
Additions	-	-	24	24
Effect of exchange variance	(830)	-	-	(830)
Balance on March 31, 2016	102,629	11,491	22,111	136,231

Consolidated				
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Accumulated amortization				
Balance on December 31, 2015	-	(8,841)	(7,192)	(16,033)
Additions	-	(272)	(311)	(583)
Balance on March 31, 2016	-	(9,113)	(7,503)	(16,616)

Consolidated				
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Net Intangible Assets				
Balance on December 31, 2015	103,459	2,650	14,895	121,004
Balance on March 31, 2016	102,629	2,378	14,608	119,615

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

UGCs	Goodwill on acquisition of investments			
	Investments (Note 8)		Intangible	
	Parent		Consolidated	
	03/31/2016	12/31/2015	03/31/2016	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)	-	-	20,463	21,293
Total	61,479	61,479	102,629	103,459
Investment	6,065	6,065	-	-
Intangible Assets	55,414	55,414	102,629	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)	20,463	-	20,463
Total	306,569	(203,940)	102,629

11 Suppliers

	Parent					
	03/31/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
Suppliers - Subject to Judicial Recovery						
Domestic Suppliers	-	226,469	226,469	-	224,877	224,877
Export Suppliers	-	4,074	4,074	-	4,074	4,074
Present Value Adjustment	-	(156,502)	(156,502)	-	(156,933)	(156,933)
	-	74,041	74,041	-	72,018	72,018
Suppliers - Not Subject to Judicial Recovery						
Domestic Suppliers	5,547	-	5,547	5,356	-	5,356
Export Suppliers	227	-	227	538	-	538
	5,774	-	5,774	5,894	-	5,894
Total	5,774	74,041	79,815	5,894	72,018	77,912

	Consolidated					
	03/31/2016			12/31/2015		
	Current	Non-current	Total	Current	Non-current	Total
Suppliers - Subject to Judicial Recovery						
Domestic Suppliers	-	226,469	226,469	-	224,877	224,877
Export Suppliers	-	4,074	4,074	-	4,074	4,074
Present Value Adjustment	-	(156,502)	(156,502)	-	(156,933)	(156,933)
	-	74,041	74,041	-	72,018	72,018
Suppliers - Not Subject to Judicial Recovery						
Domestic Suppliers	26,132	-	26,132	26,664	-	26,664
Export Suppliers	1,846	-	1,846	2,420	-	2,420
	27,978	-	27,978	29,084	-	29,084
Total	27,978	74,041	102,019	29,084	72,018	101,102

On March 31, 2016 the balance of suppliers subject to judicial recovery has incidence of interest and monetary adjustment equivalent to a fixed rate of 3% per year, as proposed in terms of payment of unsecured creditors determined in the Judicial Recovery Plan.

On March 31, 2016 was no record of this present value adjustment income of suppliers subject to bankruptcy in the amount of R\$431 in the parent company and consolidated.

The balance of the present value adjustment of suppliers on March 31, 2016 is R\$156,502 in the parent company and consolidated (R\$156,933 in the parent company and consolidated at December 31, 2015), considering a discount rate of 14.25% per year.

12 Loans and financing

		03/31/2016				12/31/2015			
		Parent				Parent			
		Weighted interest rates	Current	Non-Current	Total	Weighted interest rates	Current	Non-Current	Total
Description	Index								
Subject to Judicial Recovery									
Local currency									
Secured creditors	FIX	3.00% p.a.	-	60,148	60,148	3.00% p.a.	-	59,700	59,700
Unsecured creditors	FIX	3.00% p.a.	-	176,718	176,718	3.00% p.a.	-	175,632	175,632
Present value adjustment			-	(153,359)	(153,359)		-	(153,751)	(153,751)
			-	83,507	83,507		-	81,581	81,581
Not subject to Judicial Recovery									
Local currency									
Working capital / expansion	CDI	6.80% p.a.	1,531	-	1,531	6.80% p.a.	1,458	-	1,458
Working capital / expansion	TJLP	4.77% p.a.	6,267	-	6,267	4.76% p.a.	5,915	-	5,915
Discounted titles	-	-	-	-	-	31.86% p.a.	327	-	327
Foreign currency									
Working capital / expansion	US DOLAR	7.48% p.a.	1,461	-	1,461	7.48% p.a.	1,529	-	1,529
			9,259	-	9,259		9,229	-	9,229
Total			9,259	83,507	92,766		9,229	81,581	90,810

		03/31/2016				12/31/2015			
		Consolidated				Consolidated			
		Weighted interest rates	Current	Non-Current	Total	Weighted interest rates	Current	Non-Current	Total
Description	Index								
Subject to Judicial Recovery									
Local currency									
Secured creditors	FIX	3.00% p.a.	-	60,148	60,148	3.00% p.a.	-	59,700	59,700
Unsecured creditors	FIX	3.00% p.a.	-	336,142	336,142	3.00% p.a.	-	339,183	339,183
Present value adjustment			-	(237,290)	(237,290)		-	(237,857)	(237,857)
			-	159,000	159,000		-	161,026	161,026
Not subject to Judicial Recovery									
Local currency									
Working capital / expansion	CDI	7.27% p.a.	1,794	-	1,794	8.84% p.a.	3,962	-	3,962
Working capital / expansion	TJLP	4.82% p.a.	11,361	-	11,361	4.82% p.a.	10,724	-	10,724
Discounted titles	-	-	-	-	-	33.45% p.a.	504	-	504
Credit limit	FIX	213.4% p.a.	6	-	6	9.11% p.a.	4	-	4
Foreign currency									
Working capital / expansion	US DOLAR	7.48% p.a.	2,430	-	2,430	7.48% p.a.	2,543	-	2,543
Working capital / expansion	PESO COP	12.89% p.a.	12,335	7,525	19,860	10.55% p.a.	13,408	8,177	21,585
			27,926	7,525	35,451		31,145	8,177	39,322
Total			27,926	166,525	194,451		31,145	169,203	200,348

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

On March 31, 2016 were recorded income of present value adjustment from loans and financing in the amount of R\$392 in parent and R\$567 in consolidated.

The balance of present value adjustment from loans and financing on March 31, 2016 is R\$153,751 in the parent and R\$237,857 in consolidated (R\$153,751 in parent and R\$237,857 in consolidated on December 31, 2015), considering the discount rate of 14.25% per year.

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

Maturity	Parent		Consolidated	
	03/03/2016	12/31/2015	03/03/2016	12/31/2015
2017	-	-	4,264	5,518
2018	-	-	3,038	2,509
2019	-	-	209	82
From 2020	83,507	81,581	159,014	161,094
	83,507	81,581	166,525	169,203

The guarantees for loans and financings were granted as follows:

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

The indirect subsidiary, OFS SAS, has covenants related to financial leasing agreement with Bancolombia which require the maintenance of (a) EBITDA 2x more than interest expense paid (b) Debt / EBITDA until 3x. On March 31, 2016 the indirect subsidiary Lupatech OFS SAS attended to the condition of financial covenants. The total amount of this loan is R\$5,243, recorded in current liabilities in the amount of R\$2,49 and R\$2,749 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 March 31, 2016 the Company has a balance of R\$4,613 (R\$4,830 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.

13 Related parties

13.1 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	03/31/2016	12/31/2015
Assets						
Accounts receivable	-	41	-	1	42	158
Other accounts receivable	2,973	1,269	-	490	4,732	4,450
Mutual and loans	29,892	-	903,054	-	932,946	1,021,898
Total	32,865	1,310	903,054	491	937,720	1,026,506
Liabilities						
Accounts payable	6	357	-	-	363	3,898
Other accounts payable	1,871	210	-	1,208	3,289	6,425
Mutual and loans	-	-	1,165,449	36,817	1,202,266	1,291,683
Total	1,877	567	1,165,449	38,025	1,205,918	1,302,006
Income						
Sales	-	4	-	-	4	740
Purchases	-	982	-	-	982	269
Financial income	87	-	-	6	93	132
Financial expenses	-	-	23,768	38	23,806	17,388
Exchange variance	-	-	57,128	-	57,128	(6,330)
Total	87	986	80,896	44	82,013	12,199

Parent								
Transaction date		Time	Interest rate	Parent Guarantee and insurance	Amount R\$	Balance US\$	03/31/2016	12/31/2015
Assets mutual								
Local currency								
Contract 1	January-16	Indeterminated	105% DI-Cetip	N/A	3,000	-	1,565	-
					3,000	-	1,565	-
Foreign currency								
Contract 1	July-14	Indeterminated	105% DI-Cetip	N/A	627,226	253,745	903,054	990,825
Contract 2	July-14	Indeterminated	105% DI-Cetip	N/A	20,992	7,903	28,126	30,859
Contract 3	December-14	Indeterminated	12.000% p.a.	N/A	288	57	201	214
					648,506	261,705	931,381	1,021,898
					651,506	261,705	932,946	1,021,898
Liabilities mutual								
Local currency								
Contract 1	January-16	Indeterminated	105% DI-Cetip	N/A	9,911	-	3,150	-
					9,911	-	3,150	-
Foreign currency								
Contract 1	July-07	13 years	9.875% p.a.	N/A	28,025	15,126	53,831	58,533
Contract 2	July-07	13 years	9.875% p.a.	N/A	65,391	36,308	129,217	140,455
Contract 3	May-09	11 years	12.000% p.a.	N/A	40,736	27,164	96,672	103,758
Contract 4	May-09	11 years	12.000% p.a.	N/A	117,249	78,251	278,487	298,885
Contract 5	July-09	11 years	12.000% p.a.	N/A	50,618	36,218	128,896	138,344
Contract 6	September-09	11 years	10.100% p.a.	N/A	134,378	99,808	355,209	382,254
Contract 7	October-09	11 years	10.000% p.a.	N/A	46,231	34,600	123,138	132,515
Contract 8	December-15	Indeterminated	-	N/A	36,951	9,460	33,666	36,939
					519,579	336,935	1,199,116	1,291,683
					529,490	336,935	1,202,266	1,291,683

Loan agreements and foreign currency loans between Lupatech Finance Company and are presented net amount of R\$262,396 (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 March 31, 2016, the Company has a loan agreement with the Unifit – Unidade de fios Industriais de Timbaúba S/A in the amount of R\$6,135 (R\$5,992 on December 31, 2015). This amount is recorded in other receivables as non-current assets.

The Company has, on March 31, 2016, a loan agreement with the jointly Luxxon Participações S/A amounting to R\$5,276 (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 March 31, 2016, the Company has a balance of R\$4,613 (R\$4,830 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.

13.2 Key management staff

a. *Management compensation*

Lupatech S/A – In Judicial Recovery paid its managers, fixed between wages and fixed compensation, a total amount of R\$1,055 for the period of three months ended in March 31, 2016 (R\$1,293 for the period of three months ended in March 31, 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 March 31, 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 quarter 2016, the Company made the variable compensation payment of R\$1,193, 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.

13.3 Loans e debentures with Shareholdes

As disclosed in note 12, the Company has credit lines FINEM of BNDES, in direct mode, which balance on March 31, 2016 is R\$42,001 (R\$37,578 on December 31, 2015). Additionally, a

representative portion of convertible debentures, as presented which are being presented together with the loans subject to judicial recovery, with a balance of R\$20,858 at March 31, 2016 (R\$20,158 on December 31, 2015), they were acquired by the BNDES.

On December 31, 2015 the Company owned the balance of accounts payable to GP Investments Ltd. recorded in non-current liabilities in the amount of R\$28,463.

14 Income taxes and social contribution

For companies with headquarters in Brazil, depending on the situation of each company, if levied by taxable profit, the provision for income tax is calculated and accounted at the 15% rate over the taxable income, plus an additional 10%, and the social contribution at the 9% rate, calculated and accounted over the income before income tax, adjusted pursuant to tax laws. The companies levied based on presumed profit calculate their income tax at the rate of 15%, plus an additional 10%, and social contribution at the rate of 9%, over presumed profits from 8% to 32% for income tax and 12% for social contribution on subsidiaries' gross income from selling and services, pursuant to the fiscal rules in force.

The operations of subsidiaries located in Argentina are taxed at a 35% rate on adjusted profit for tax purposes. Operation of subsidiary located in Colombia is taxed at a 33% rate on adjusted profit for tax purposes.

a. Deferred income tax and social contribution

	Parent		Consolidated	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Provision for tax, labor and civil risks	1,523	1,489	20,992	21,514
Tax loss	37,932	35,833	54,950	49,733
Provision for losses on inventories	3,450	2,559	11,535	10,540
Negative base of social contribution (CSLL)	13,327	12,590	19,306	17,474
Amortization of goodwill for tax purposes	(56,934)	(55,778)	(89,266)	(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	(105,353)	(105,632)	(133,889)	(134,228)
Other provisions	40,278	48,548	28,845	48,936
Provision for non-recoverability of deferred income tax and social contribution assets	(50,897)	(56,283)	(116,179)	(130,972)
Deferred tax on deemed cost	-	-	(21,433)	(21,989)
Deferred income tax and social contribution - Non-current	(73,943)	(73,943)	(120,155)	(120,947)

On March 31, 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 31 December 2016 the balance of deferred income tax and social contribution liabilities is R\$73,943 in parent and R\$120,155 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		Consolidated	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Loss before tax from continuing operations	(36,824)	(78,925)	(37,124)	(56,798)
Loss before tax from discontinued operation	13,315	150	13,315	(22,054)
	(23,509)	(78,775)	(23,809)	(78,852)
Additions and exclusions				
Equity pick-up	2,008	25,412	-	-
Allowance for doubtful accounts	38	(288)	175	(733)
Non-deductible interest	21,160	15,652	21,160	15,652
Provision for loss contingencies	986	888	3,964	1,393
Present value adjustment	822	-	996	-
Tax amortization of goodwill on investment	(3,398)	-	(6,843)	-
Provision of interest on suppliers	2,300	-	2,300	-
Other	(14,912)	(4,967)	(19,521)	11,257
Calculation basis	(14,505)	(42,078)	(21,578)	(51,283)
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution by the combined tax rate	-	-	-	-
Current Income tax and social contribution of subsidiaries with taxable income	-	-	(298)	(612)
Deferred tax and social contribution	-	-	598	689

15 Contingencies Processes

15.1 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)	61,125	-	66,712	-
CSLL - Social Contribution on Net Income	(i.2)	-	-	6,768	936
IRPJ - Corporate Income Tax	(i.3)	19,879	-	46,508	14,977
INSS - National Institute of Social Security	(i.4)	-	-	91,425	15,436
IPI - Excise Tax	(i.5)	2,898	-	2,898	-
PIS - Employees' Profit Participation Program	(i.6)	-	403	-	613
COFINS - Tax for Social Security Financing	(i.7)	-	-	9	672
ISS - Services Tax	(i.8)	107	-	740	5,291
CIDE - Contribution for Intervention in the Economic Domain	(i.9)	-	-	1,483	-
Other	(i.10)	157	103	249	9,021
		84,166	506	216,792	46,946
Labor (ii)		12,169	3,676	67,311	65,996
Civil (iii)		8,817	298	66,284	10,973
Total on March 31, 2016		105,152	4,480	350,387	123,915
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\$4,480 in parent and R\$123,915 in consolidated as on March 31, 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. Process subject to possible loss of R\$6,941.

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

Tax assessment relating to undue tax credits VAT and failure to submit tax documents, the Treasury of the State of São Paulo against Lupatech S/A- In Judicial Recovery. The spontaneous appeal filed the Company was dismissed. Considering the lack of jurisprudential divergence could not bring special appeal. the company assesses annulment action aiming at deconstitution the tax credit. Process subject to possible loss of R\$2,850.

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\$1,545, subject to possible loss. On April 22, 2015, it was published order determining the manifestation of the parties on the certificate issued informing

have special appeal being processed before the 9th Chamber of TJLP. On October 23, 2015, it was inadmitido the Special Appeal and referred to the Resource processing.

Tax assessment of the Secretary of State of Rio Grande do Sul against Lupatech S/A – In Judicial Recovery. On February 18, 2016 off filed a voluntary appeal, and this latest update. Process subject to possible loss of R\$1,520.

- (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. Possible loss of R\$1,291.

- (i.3) Tax assessment and enforcement and fines, by the Federal Revenue of Brazil against Lupatech S/A with the purpose of collecting debts in respect of income tax and social calculated in calendar years 2009 and 2010, alleging that the deduction made Tecval improper tax of goodwill paid by TCV, when the acquisition of Tecval. Currently the process is awaiting intimation of Lupatech to appeal. Possible loss (tending to remote) of R\$9,532.

Tax enforcement of the Federal Union against Lupatech S/A – In Judicial Recovery resulting from the administrative process which refers to the allegation of revenue omission, having as basis documents obtained in an illicit and incorrect way by the Federal Revenue. The act of violation originally recorded was decided on first administrative instance where it achieved success; the tax requirements as well as the allegation of omission were excluded. Such decision was confirmed by the Taxpayers Council. The process is subject to classification of possible loss by the legal consultants and totals the updated amount of R\$8,435. Currently, the process is awaiting trial judgment of embargo presented to restore the decision that denied continuation to the Extraordinary Remedy lodged from the Union for recognizing the unconstitutionality of the break of bank secrecy.

Tax assessment of the Internal Revenue Service of Brazil against Lupatech S/A - In Judicial Recovery, through which requires separate fine resulting from the application of the percentage of 50% on the amount of object debts of unapproved compensation as provided in art.74, § 17 of Law nº 9.430/96. On November 6, 2015 presented Objection alleging the unconstitutionality of the fine imposed on contesting. Possible loss of R\$1,274.

Tax Enforcement of the National Treasury against Lupatech Service equipment Petróleo Ltda - In Judicial Recovery. In April 05, 2016 there was joined the exception of the Company's pre-execution. Process subject to possible loss of R\$1,034.

Tax assessment of the Internal Revenue Service of Brazil against Lupatech Perfuração e Completação Ltda. - In Judicial Recovery, for the collection of income tax arising from profit arbitration. On August 26, 2014, the voluntary appeal filed by the Company had dismissed denied by CARF, which the company requested reconsideration. On February 11, 2015 the case was referred to the CARF. Possible loss of R\$18,857.

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

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

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

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

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

Tax delinquency notice served for collection of DEBCAD nº. 37142030-0 on the conversion of accessory obligations in primary obligation, consistent lack of statement GFIP the contributions due in the period between January 1999 and June 2007 in Sotep Sociedade Técnica de Perfurações S/A – In Judicial Recovery. Proceedings on possible loss of R\$1,589. On April 29, 2011, the process was received CARF for trial of the action voluntary appeal, with distribution on August 6, 2015.

- (i.5) Tax Enforcement against Lupatech S/A - In Judicial Recovery resulting from the administrative process which is about the allegation of revenue omission, having as ground documents obtained in an illicit and incorrect way by the Federal Revenue Service. The act of violation originally recorded was decided on first administrative authority where it achieved success; the tax requirement as well as the allegation of omission were excluded. Such decision was confirmed by the Taxpayers Council. The process is subject to classification of possible loss by the legal consultants and totals the updated amount of R\$2,898. Currently, the process is awaiting Amendment of Judgment with infringing effects for modifying Decision, taking into consideration the material error existing in the embargoed Decision and as a consequence, restores the Decision that denied continuation to the Extraordinary Remedy filed by the Union for recognizing the unconstitutionality of the breach of bank secrecy.
- (i.9) Fiscal Administrative Procedure of the Federal Revenue Secretariat of Brazil against Lupatech Perfuração e Completação Ltda. – In Judicial Recovery, for charging debits of CIDE resulting from remittances outside Brazil. On February 20, 2015, the Federal Revenue of Brazil partially upheld the appeal lodged by the records of the administrative process. On April 9, 2015, file forwarded to the CARF. Process subject to possible loss of R\$1,483.

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\$13,153.

- (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 Rioflux Representações Ltda, Subject to possible loss of R\$2,418.
- (iii.3) Collection action of Smith International Brazil Ltda. Process subjecting the possible loss of R\$1,885.
- (iii.4) Collection action of Grupo Engenharia Ltda., subject the possible loss of R\$1,451.
- (iii.5) Indemnity lawsuit filed by Maurina dos Santos Gussão, subject to possible loss of R\$1,183.
- (iii.6) Indemnity action of company Aeróleo Taxi Aereo S/A. Proceedings on possible loss of R\$1,040.
- (iii.7) Return action for damages where the plaintiff requested reimbursement of amounts blocked in the records of the grievance filed by Bergson Rosa against the San Antonio International do Brasil Serviços de Petróleo Ltda., the plaintiff, UNAP International Ltda., Delba Marítima Navegações Ltda, and Cia Batsco Ltda. Process with probable loss of R\$3,875.
- (iii.8) Compensation action of Meio Dia Refeições Industria Ltda, against Lupatech Perfuração e Completação Ltda. – In judicial Recovery. Proceedings on probable loss of R\$3,651.

The changes in provision balance on March 31, 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	-	410	13	423	968	3,830	206	5,004
Net write-offs	-	(318)	(6)	(324)	(3,241)	(3,140)	(9)	(6,390)
Balance on March 31, 2016	506	3,676	298	4,480	46,946	65,996	10,973	123,915

15.2 Contingent assets

	Probability of probable gain	
	Parent	Consolidated
Tax (i)	3,003	9,032
Civil (ii)	-	5,948
Balance on March 31, 2016	3,003	14,980
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\$5,419.
- (i.2) Lawsuit filed against the Federal Government for recognition and declaration of the right of Lupatech S/A – In Judicial Recovery the use and ownership of IPI credits in the amount of R\$1,774.
- (i.3) Challenge to the Tax Enforcement Collection of IVA due to the transfer of goods between the company's own stores, in reliance on the Certificate of Debt No. 1092569630 (AIIM nº3158871). Probable gain of R\$1,228.

(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.

15.3 Judicial deposits

The Company has the following balances of judicial deposits on March 31, 2016, which are linked to contingent liabilities:

	Judicial deposits	
	Parent	Consolidated
Tax contingencies	15	3,025
Labor contingencies	814	18,484
Civil contingencies	175	1,166
Balance on March 31, 2016	1,004	22,675
Balance on December 31, 2015	857	22,275

16 Shareholders' equity

a. Capital stock

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

	Parent and Consolidated	
	Quantity of share Thousand	Capital stock R\$
Balance on December 31, 2015	9,394	1,853,684
Balance on March 31, 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 March 31, 2016, the balance of equity evaluation adjustment is R\$93,589 (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 three months ended in March 31, 2016.

17 Financial instruments

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

Itens	Amounts in US dollar thousands			
	Parent		Consolidated	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Cash and cash equivalents	-	-	137	3
Accounts receivable	988	1,108	988	3,421
Other Assets	6	-	31,511	41,107
Related parties	261,705	253,745	-	-
Loans and financing	(411)	(392)	(683)	(651)
Related parties	(336,935)	(330,793)	-	-
Other obligations	(211)	(775)	(2,775)	(4,970)
Net exposure in Dollar	(74,858)	(77,107)	29,178	38,910

On March 31, 2016 the US dollar rate in relation to the Brazilian Real was US\$1.00 = R\$3.5589 (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\$17,583 in parent and a gain of R\$6,858 in consolidated.

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

As presented in the note 17.1, 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:

Operating	Risk	Scenario as per description above					
		Parent			Consolidated		
		Probable	Possible	Remote	Probable	Possible	Remote
Loans, financing and bonds	US\$ hike	226	675	1,124	11,609	34,719	57,829
Loans, financing and bonds	Interest rate hike	68	85	102	156	196	235
Mutual contracts	US\$ hike	191,470	572,649	953,829	-	-	-
Total (gain) loss		191,764	573,409	955,055	11,765	34,915	58,064

(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 March 31, 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\$22 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 three months ended in March 31, 2016 approximately 73.38% (58.40% for the period of three months ended in March 31, 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.

17.2 Fair value estimate

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

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

The fair value of derivative instruments is calculated using quoted prices. When those prices are not available, is used the analysis of discounted cash flows using the yield curve, apply according to the duration of the derivative instruments to no options. For derivatives containing options models are used models for pricing options.

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

a. Cash, cash equivalents and securities held to maturity

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

Items	Parent		Consolidated	
	Book value	Fair Value	Book value	Fair Value
Cash and cash equivalents	138	138	31,411	31,411
Marketable securities	7,002	7,002	7,002	7,002

b. Loans and financing

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

Items	Parent		Consolidated	
	Book value	Fair Value	Book value	Fair Value
Loans and financing	92,766	93,180	194,451	192,741

17.3 Financial instruments by category

Summary of financial instruments by category:

	Parent					
	03/31/2016			12/31/2015		
	Loans and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet						
Securities-restricted	-	7,002	7,002	-	6,803	6,803
Accounts receivable	15,969	-	15,969	17,883	-	17,883
Cash and cash equivalents	138	-	138	3,125	-	3,125
Related Parties	34,666	-	34,666	35,681	-	35,681
Total	50,773	7,002	57,775	56,689	6,803	63,492
	Parent					
	03/31/2016			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	83,507	9,259	92,766	81,581	9,229	90,810
Debentures	74,041	5,774	79,815	72,018	5,894	77,912
Suppliers	-	302,864	302,864	-	311,182	311,182
Related parties	157,548	317,897	475,445	153,599	326,305	479,904
Total						

	Consolidated					
	03/31/2016			12/31/2015		
	Loans and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet						
Securities-restricted	-	7,002	7,002	-	6,803	6,803
Accounts receivable	57,543	-	57,543	62,330	-	62,330
Cash and cash equivalents	31,411	-	31,411	31,012	-	31,012
Total	88,954	7,002	95,956	93,342	6,803	100,145

	Consolidated					
	03/31/2016			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	159,000	35,451	194,451	161,026	39,322	200,348
Suppliers	74,041	27,978	102,019	72,018	29,084	101,102
Total	233,041	63,429	296,470	233,044	68,406	301,450

18 Insurance coverage

Management chose not to make insurance assets for the period of three months ended in March 31, 2016.

19 Statement of net Sales

	Parent		Consolidated	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Gross sales and/or services				
In Brazil	4,572	7,438	51,383	79,734
Export	354	6,424	354	11,740
	<u>4,926</u>	<u>13,862</u>	<u>51,737</u>	<u>91,474</u>
Deductions for gross sales				
Taxes on sales	(834)	(1,365)	(5,049)	(8,261)
	<u>4,092</u>	<u>12,497</u>	<u>46,688</u>	<u>83,213</u>

20 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.

Items	Parent		Consolidated	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Loss attributable to shareholders of the company from continuing operations	(36,824)	(78,925)	(36,824)	(56,721)
Weighted average quantity of common shares outstanding (thousands)	9,394	4,697,053	9,394	4,697,053
Basic loss per share - R\$	(3.92)	(0.02)	(3.92)	(0.01)

Items	Parent		Consolidated	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Loss attributable to shareholders of the company from continuing and discontinued operations	(23,509)	(78,775)	(23,509)	(78,775)
Weighted average quantity of common shares outstanding (thousands)	9,394	4,697,053	9,394	4,697,053
Basic loss per share from continuing and discontinued operations - R\$	(2.50)	(0.02)	(2.50)	(0.02)

• Diluted

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

Items	Parent		Consolidated	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Loss attributable to shareholders of the company from continuing operations	(36,824)	(78,925)	(36,824)	(56,721)
Weighted average quantity of common shares outstanding (thousands)	9,394	4,697,053	9,394	4,697,053
Diluted loss per share - R\$	(3.92)	(0.02)	(3.92)	(0.01)

Items	Parent		Consolidated	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Loss attributable to shareholders of the company from continuing and discontinued operations	(23,509)	(78,775)	(23,509)	(78,775)
Weighted average quantity of common shares outstanding (thousands)	9,394	4,697,053	9,394	4,697,053
Diluted loss per share from continuing and discontinued operations - R\$	(2.50)	(0.02)	(2.50)	(0.02)

21 Financial result

Items	Parent		Consolidated	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Financial Income				
Income from financial investments	239	173	411	199
Related-party interest income (mutual contract)	93	132	-	-
Monetary variance	1	7	178	172
Interest on receivables	160	158	308	303
Other financial income	1	3	115	104
Total financial Income	494	473	1,012	778
Financial Expenses				
Interest on loans and financing	(2,033)	(2,221)	(3,901)	(6,796)
Loss on fair value	(822)	-	(996)	-
Interest of mutual contract	(23,806)	(17,388)	-	-
Discount granted	(765)	(1)	(765)	(4)
Interest on suppliers	(2,300)	(261)	(2,300)	(567)
Fines and interest on taxes	(14,368)	(158)	(15,455)	(690)
IOF, banking expenses and others	(757)	(1,369)	(1,379)	(2,663)
Total financial expenses	(44,851)	(21,398)	(24,796)	(10,720)
Gain on exchange variance	198,091	148,048	189,814	151,904
Loss on exchange variance	(172,290)	(170,042)	(170,295)	(179,194)
Exchange variance, net	25,801	(21,994)	19,519	(27,290)

22 Other operating expenses (income)

Items	Parent		Consolidated	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Provision for loss of lawsuit	(751)	(427)	664	(932)
(Provision) Reversal of losses on inventory obsolescence	(6,763)	142	(7,103)	(2)
Cost of idle production	(2,729)	(5,411)	(3,421)	(7,322)
Other	(127)	(41)	(141)	260
Total	(10,370)	(5,737)	(10,001)	(7,996)

23 Expenses by type

Items	Parent		Consolidated	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Depreciation and amortization	(2,150)	(2,285)	(12,579)	(12,392)
Salaries, social charges and benefits	(2,620)	(11,428)	(38,776)	(50,275)
Raw material	(2,165)	(2,330)	(7,971)	(22,456)
Commissions	(170)	(317)	(212)	(338)
Freights	(64)	(70)	(507)	(143)
Legal advice and tax	(2,259)	(1,798)	(3,384)	(2,967)
Traveling expenses	(124)	(133)	(183)	(210)
Provision for loss of lawsuit	(986)	(888)	(3,964)	(1,393)
Provision of contractual fines	(7)	-	(129)	(1,352)
Losses on inventory obsolescence	(6,765)	142	(7,105)	(2)
Cost of idle production	(2,729)	(5,411)	(3,421)	(7,322)
Other expenses	(551)	810	(5,968)	(6,403)
	<u>(20,590)</u>	<u>(23,708)</u>	<u>(84,199)</u>	<u>(105,253)</u>
Classified as:				
Cost of sales	(4,579)	(10,050)	(55,254)	(76,286)
Selling expenses	(922)	(2,486)	(1,876)	(4,458)
General and administrative expenses	(3,426)	(3,525)	(11,361)	(12,746)
Management fees	(1,055)	(1,293)	(1,055)	(1,293)
Other operating expenses	(10,608)	(6,354)	(14,653)	(10,470)
	<u>(20,590)</u>	<u>(23,708)</u>	<u>(84,199)</u>	<u>(105,253)</u>

24 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:

- 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.
- 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 three months ended in March 31, 2016 by approximately 73.38% (58.40% for the period of three months ended in March 31, 2015) of the total revenue of the Company and its subsidiaries.

The information by segment is as follows:

	Products		Services		Consolidated	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Net sales	5,748	13,700	40,940	69,513	46,688	83,213
Cost of sales	(6,340)	(11,533)	(48,914)	(64,753)	(55,254)	(76,286)
Gross profit	(592)	2,167	(7,974)	4,760	(8,566)	6,927
Selling expenses	(1,093)	(2,864)	(783)	(1,594)	(1,876)	(4,458)
General and administrative expenses	(3,120)	(3,847)	(8,241)	(8,899)	(11,361)	(12,746)
Management fees	(136)	(219)	(919)	(1,074)	(1,055)	(1,293)
Other operating income (expenses), net	(9,944)	(6,806)	(57)	(1,190)	(10,001)	(7,996)
Income before financial results	(14,885)	(11,569)	(17,974)	(7,997)	(32,859)	(19,566)

	Products		Services		Consolidated	
	03/31/2016	12/31/2015	31/03/2016	31/12/2015	31/03/2016	31/12/2015
Identifiable assets (1)	218,912	226,815	395,612	428,419	614,524	655,234
Identifiable liabilities (2)	30,449	22,705	266,021	278,745	296,470	301,450

	Products		Services		Consolidated	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Depreciation and amortization	(1,910)	(2,239)	(10,669)	(10,153)	(12,579)	(12,392)
Acquisition of Property, plants and equipment	111	3	311	2,247	422	2,250

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

2 - Identifiable liabilities: accounts payable and loans and financing

Information by geographic region is as follows:

	Brazil		South America		Consolidated	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Net sales	35,696	61,547	10,992	21,666	46,688	83,213

	Brazil		South America		Consolidated	
	03/31/2016	12/31/2015	03/31/2016	12/31/2015	03/31/2016	12/31/2015
Identifiable assets (1)	514,912	548,438	99,612	106,796	614,524	655,234
Identifiable liabilities (2)	270,130	273,357	26,340	28,093	296,470	301,450

	Brazil		South America		Consolidated	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015	03/31/2016	03/31/2015
Depreciation and amortization	(10,408)	(9,910)	(2,171)	(2,482)	(12,579)	(12,392)
Acquisition of Property, plants and equipment	242	1,139	180	1,111	422	2,250

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

25 Assets and liabilities held for sale

On March 7, 2016 the Company concluded the sale of the equity interest held by the Company in Spanish company Vicinay Marine, SL, and that this operation was approved by the judge of the 1st Court of Bankruptcies, Judicial 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.

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

there is legal authorization for the deal, since such authorization is an essential requirement in the bankruptcy process.

25.1 Assets and liabilities held for sale

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

25.2 Income from discontinued operations

In the period of three months ended in March 31, 2016 the Company recorded as a result of operations resulting discontinuance of disinvestment plan, the result of the sale of our stake in Spanish company Vicinay Marine, SL, and in three months ended in March 31, 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	
	03/31/2016	03/31/2015	03/31/2016	03/31/2015
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	13,315	150	13,315	(21,879)
OPERATING INCOME/EXPENSES BEFORE FINANCIAL RESULTS	13,315	150	13,315	(21,915)
FINANCIAL RESULTS				
Financial expenses	-	-	-	(128)
Exchange variation, net	-	-	-	14
GAIN (LOSS) BEFORE TAX / HOLDING	13,315	150	13,315	(22,029)
PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION				
Current	-	-	-	(25)
GAIN (LOSS) OF DISCONTINUED OPERATIONS	13,315	150	13,315	(22,054)

25.3 Cash flow of discontinued operations

In the period of three months ended in March 31, 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 three months ended in March 31, 2016, the Company had not assets held for sale.

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

	<u>Consolidated</u> <u>03/31/2015</u>
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

Independet auditor's report on the financial statements

Report on Review of Interim Financial Information - ITR

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

Introduction

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 March 31, 2016, which comprise the balance sheet as at March 31, 2016 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the period of three 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 interim 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 to the financial statements, on May 25, 2015, Lupatech S/A and its direct and indirect subsidiaries, related in the same note, filed in the District of São Paulo, the request for bankruptcy protection before the Judgment the 1st Court of Bankruptcies and Judicial Recoveries of the District of São Paulo, with the request granted on June 22, 2015. The Company and its subsidiaries presented on August 24, 2015, the breakdown of the details of the Judicial Recovery Plan, the report of assessment of the Company's assets and the list of creditors to be paid under the terms and conditions set forth in the plan. The plan was approved by the creditors at the General Meeting held on November 18, 2015, having been approved by the Judge of the 1st Court of Bankruptcies, Judicial Recoveries and related conflicts to the Arbitration Capital of São Paulo, on December 11, 2015, without any provisos. Our opinion does not contain caveat related to this issue.

Going Concern

The Company and its subsidiaries have generated recurring losses and for the period ended in March 31, 2016 incurred a loss of R\$23,509 have not generated in an amount sufficient cash for the settlement of its obligations. These conditions, along with the fact that the Company and its subsidiaries have entered in the bankruptcy process, indicate the existence of significant uncertainty that may cast significant doubt about the ability of the Company's business continuity and its subsidiaries. The reversal of this situation recurring losses and difficulty in its cash flow depends on the success of the re-adaptation plans of financial and equity structure of the Company and its subsidiaries, as well as the fulfillment of the Judicial Recovery plan, described in Note 1.1 and 1.2 to financial statements. Our opinion does not contain caveat related to this issue.

Other Matter*Statement of value added*

We also reviewed the individual and consolidated interim statements of value added (DVA), for the three months ended in March 31, 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, May 13, 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 three months ended in March 31, 2016.

Nova Odessa, May 13, 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 three months ended in March 31, 2016.

Nova Odessa, May 13, 2016.

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