

STANDARD FINANCIAL STATEMENTS 2014

LUPATECH S.A.
CNPJ/MF nº 89.463.822/0001-12
NIRE 43300028534

CVM – BRAZILIAN SECURITIES AND EXCHANGE COMMISSION
STANDARD FINANCIAL STATEMENTS – 12/31/2014 - LUPATECH S.A.**Message of the Management**

To Shareholders

The Management of Lupatech S.A. submits to your appreciation the Management Report and the Financial Statements for the year ended December 31, 2014, together with the Report of Independent Auditors.

The Financial Statements are presented in accordance with accounting practices adopted in Brazil and in accordance with IFRS – International Financial Reporting Standards, established by IASB - International Accounting Standards Board.

We ended the third quarter 2014 with a high step toward what may prove to be the most important moment of the new history of Lupatech. We successfully completed the process that converted into share over R\$ 1.1 billion of Company's debt and we homologated the capital increase set by the Restructuring Plan. In the first week of October 2014, we completed the issuance of "new notes" representative of the debt denominated in US dollar and the new ADRs (American Depositary Receipts), which were delivered to creditors who opted for the receipt of such securities under the Plan.

The end of this restructuring step was essential to the Plan could be continued, which now follows with the prioritization of strengthening the Company's cash position. The Lupatech's debt reprofiling was essential to be able to create the liquidity and it represents one of the most important achievements of the last periods of the Company.

The first significant move to cash injection had sequence at the end of October 2014, with the signing of the sales contract of a relevant group of units in Argentina, as disclosed in the Relevant Fact on October 28, 2014, generating the entry of US\$ 22.0 million in November 2014.

Continuing the process of non-core assets divestments, on January 2015 we completed the sale of remaining operations in Argentina, Jefferson's operations, in the total amount of US\$ 5.7 million, generating the entry of US\$ 4.3 million, of which US\$ 1.3 million will be paid within 03 years, according to the conditions of contract.

Other proceedings are required to complete the cash position in order to allow the full recapture of Company's operations, especially to focus on implementing the necessary investments in Capex and normalization of working capital.

In the fourth quarter of 2014 there was a significant change in the Oil&Gas scenario, as result of the drastic fall in oil barrel price and the crisis in which the main customer of Lupatech, Petrobras, go through. It's important to mention that the Company does not have any relationship with the currents complaints involving suppliers and Petrobras itself, but, still, the instability generated from this situation is having a negative effect on the entire supply chain. Such a change of scenario raise difficulties from demobilization of non-core assets, obtain credit facilities from financial institutions and achieve potential investors to the Company to be significantly more challenging.

We understand that Lupatech has a differentiated position that represents important basis to go through this troubled moment of both economy and the Oil&Gas Segment. This position mainly involves the following factors: i) has executed the restructuring of its financial debt, with significant reduction in the amount, having its financial debt balance reprofiled in large proportion in the long term, with financial costs very adequate, ii) has completed over 2013 and 2014 a strong restructuring process and operational suitability to reduce its costs and expenses, iii) be a Company not mustered the current crisis now facing its main customer and other several suppliers of the segment and iv) has the physical structure, with good positioning in terms of product and services offer, which keeps Lupatech in unique position to meet the demands of its customers.

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Sparing no efforts, we remained committed to completing the restructuring of Lupatech, relentlessly pursuing financial stability, in particular with regard to the Company's working capital. The Company also has alternatives to conclude certain demobilizations of non-core assets, as well as the possibility to attracting new investors to its assets.

As for the results obtained in the fourth quarter of 2014, the operations were seriously affected by the crisis scenario in the Oil&Gas segment and, consequently, by the Company's cash constraints, reaching adjusted EBITDA in the 4Q14 of R\$ 8.9 million that consumed the positive EBITDA accumulated in previous quarters, ending the year 2014 with R\$ 6.9 million of negative adjusted EBITDA.

We thank all our shareholders, suppliers, creditors, customers and employees for their partnership and support given to the Company during these challenging times.

Nova Odessa, March 27, 2015

The Management

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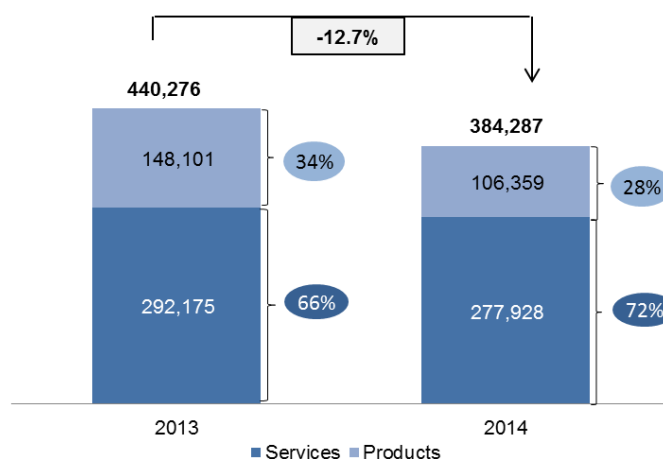
Financial and Economic Performance

Net Revenue

Net Revenue (R\$ thd)	1Q14	2Q14	3Q14	4Q14	Chg. %	2013	2014	Chg. %
Products	34,484	32,569	17,996	21,310	18.4%	148,101	106,359	-28.2%
Oil&Gas Valves	10,530	13,818	10,732	6,081	-43.3%	50,190	41,161	-18.0%
Industrial Valves	6,193	4,119	3,291	4,715	43.3%	55,868	18,318	-67.2%
Anchoring Ropes	15,994	12,928	1,786	8,347	367.4%	34,787	39,055	12.3%
Others Products	1,767	1,704	2,187	2,167	-0.9%	7,256	7,825	7.8%
Services	66,800	65,756	72,704	72,668	0.0%	292,175	277,928	-4.9%
Oilfield Services Brazil	42,226	38,566	40,659	36,201	-11.0%	195,512	157,652	-19.4%
Oilfield Services Colombia	19,240	21,339	24,099	33,706	39.9%	66,559	98,384	47.8%
Tubular Services & Coating	5,334	5,851	7,946	2,761	-65.3%	30,104	21,892	-27.3%
Total	101,284	98,325	90,700	93,978	3.6%	440,276	384,287	-12.7%

The Net Consolidated Revenue in 2014 reached R\$ 384.3 million, versus R\$ 440.3 million in 2013, a reduction of 12.7%. The Products Segment presented a reduction of 28.2% in the Net Revenue of 2014 comparatively to 2013, as mainly consequence of the performance of Industrial Valves and Oil&Gas Valves strongly affected by non-occupation of production capacity due to financial constraints for the raw material acquisition. The Anchoring Ropes division presented a growth of 12.3% in Net Revenue of 2014 compared to the previous year mainly due to revenues from foreign market in the last quarter of the year, benefited from the exchange variation, as well as by recovery of part of its production capacity by the application of resources from the sale of Argentina Operations. In the Services Segment, the operations in Colombia had important growth of 47.8% in contracts performance, in addition to its revenues benefited from the exchange variation, while the divisions of Oilfield Services Brazil and Tubular Services & Coating presented decreases of 19.4% and 27.3%, respectively, in the Net Revenue of 2014 especially due to the cash restrictions and consequently lack of equipment maintenance not allowing them to operate at full capacity and affecting the completion of projects.

Net Operating Revenue (R\$ thd)



The Net Consolidated Revenue in the 4Q14 presented a growth of 3.6% compared to the 3Q14, reaching R\$ 93.9 million versus R\$ 90.7 million. This growth was impacted in particular by the performance of Products

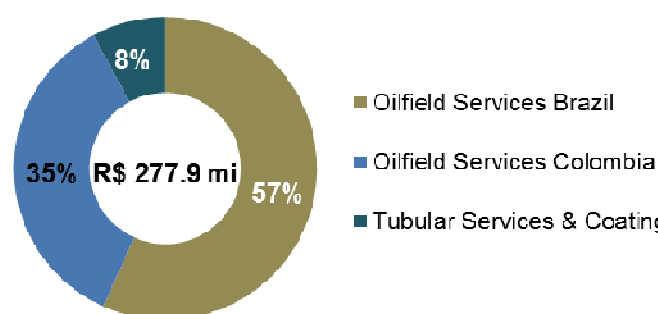
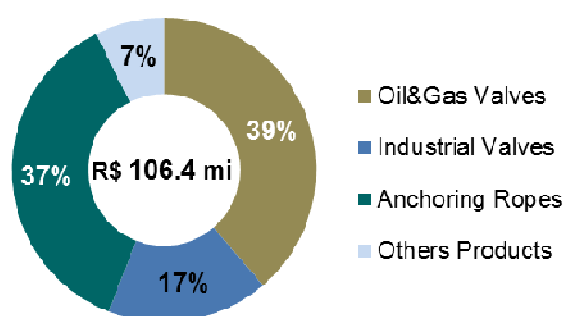
Segment in Anchoring Ropes division mainly due to revenues from foreign market, benefited from the exchange variation, as well as by recovery of part of its production capacity by the application of resources from the sale of Argentina Operations, as previously mentioned. The Net Revenue of Services Segment in the 4Q14 remained in line with the 3Q14, since the decrease of 11.0% and 65.3%, respectively, in

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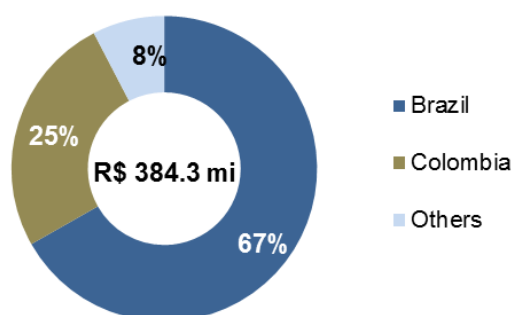
revenue of Oilfield Services Brazil and Tubular Services & Coating divisions was compensate by the growth of 39.9% in revenues of Oilfield Services Colombia division.

Revenue Distribution - 2014

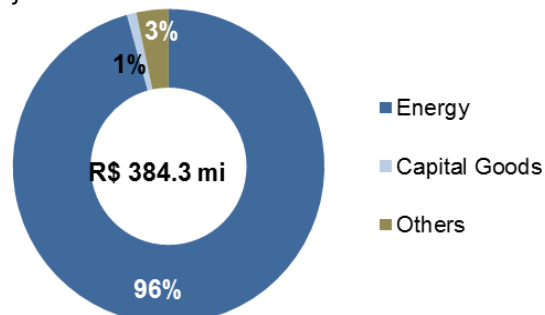
Services



By Region



By Industrial Sector



The difficulty in obtaining greater availability of resources for implementation in investments and acquisition of inputs significantly limited the potential for utilization of the plant's capacity and services

provision, which generated longer delivery Backlog, with negative impacts on the generation of the Group Net Revenue.

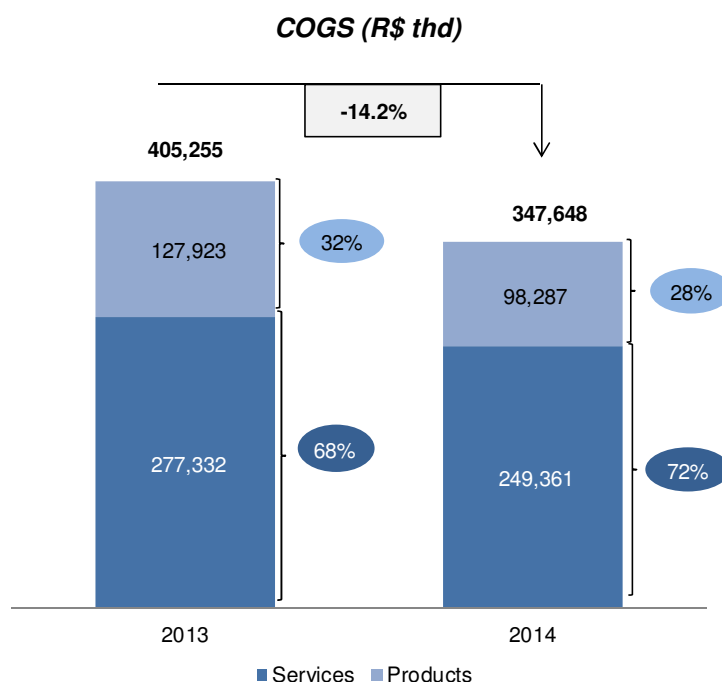
As a result, our backlog of firm orders on December 31 amounted to R\$ 0.7 billion. The conversion of this backlog is concentrated in the long term (over 1 year) and it depends of the realization of investments in Services Segment. This amount represents the balance provided in signed contracts, even without warranty of consumption, discounting the amounts already billed and does not consider the operations of Argentinian units.

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Costs on Goods Sold – COGS

COGS (R\$ thd)	1Q14	2Q14	3Q14	4Q14	Chg. %	2013	2014	Chg. %
Products	29,272	29,653	16,260	23,102	42.1%	127,923	98,287	-23.2%
Services	58,510	60,778	63,089	66,984	6.2%	277,332	249,361	-10.1%
Total	87,782	90,431	79,349	90,086	13.5%	405,255	347,648	-14.2%

The Consolidated Costs on Goods Sold (COGS) in 2014 presented a reduction of 14.2% compared to 2013, reaching R\$ 347.7 million faced R\$ 405.3 million. This decrease was slightly higher than the reduction of 12.7% recorded in the Consolidated Net Revenue, especially due to reduced costs for transportation and maintenance of equipment and personnel costs with relative impact mainly in the Services Segment.

In the 4Q14, the Consolidated COGS reached R\$ 90.1 million, compared to R\$ 79.3 million in the 3Q14. The increase of 13.5% especially reflects the effect of exchange rate changes on the costs of raw materials, the bargaining and overtime labor of Anchoring Ropes division, as well as import and storage costs incurred in the Oilfield Services Brazil division.

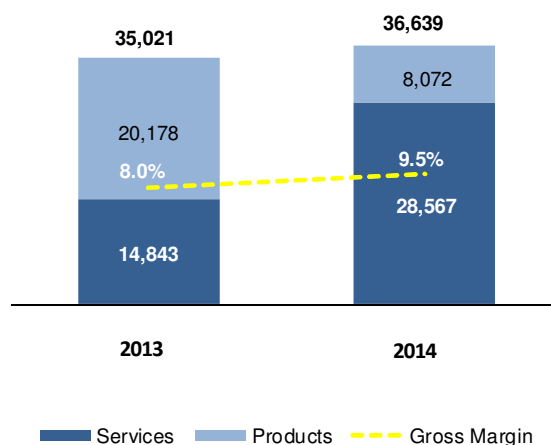

Gross Profit and Gross Margin

Gross Profit (R\$ thd)	1Q14	2Q14	3Q14	4Q14	Chg. %	2013	2014	Chg. %
Products	5,212	2,916	1,736	-1,792	-203.2%	20,178	8,072	-60.0%
Gross Margin - Products	15.1%	9.0%	9.6%	-8.4%	-18,0 p.p.	13.6%	7.6%	-6,0 p.p.
Services	8,290	4,978	9,615	5,684	-40.9%	14,843	28,567	92.5%
Gross Margin - Services	12.4%	7.6%	13.2%	7.8%	-5,4 p.p.	5.1%	10.3%	5,2 p.p.
Total	13,502	7,894	11,351	3,892	-65.7%	35,021	36,639	4.6%
Gross Margin - Total	13.3%	8.0%	12.5%	4.1%	-8,4 p.p.	8.0%	9.5%	1,5 p.p.

The Gross Profit in 2014 totaled R\$ 36.6 million compared to R\$ 35.0 million in 2013, with a growth of 4.6% in the period, mainly due to the performance of Well Testing and Wireline Operations in Colombia.

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This factor was also primarily responsible for the gain of 5.2 percentage points in the Services Segment Gross Margin in the same period. Additionally, the Oilfield Services division recorded a growth of R\$ 4.4 million in the Services Segment Gross Profit in 2014 compared to 2013, especially due to the performance of Well Services Operations. In the Products Segment, on the other hand, there was a reduction of 60.0% in the Gross Profit in 2014 compared to the same period in 2013, as mainly consequence of Industrial and Oil&Gas Valves performance due to the cash restrictions that significantly limited the utilization of production capacity in the industrial units.

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


Compared to the 3Q14, the Consolidated Gross Profit presented a reduction of 65.7%, reaching R\$ 3.9 million in the 4Q14 versus R\$ 11.4 million in the 3Q14. The Consolidated Gross Margin decrease from 12.5% in the 3Q14 to 4.1% in the 4Q14, with loss of 8.4 percentage points in the period. The significantly decrease in Net Revenue of Oil&Gas Valves division by cash unavailability was the main factor responsible for performance of Products Segment Gross Profit in the 4Q14 compared to the 3Q14. In the Services

Segment, also affected by cash restrictions, the decrease of 5.4 percentage points in Gross Margin of 4Q14 compared to the 3Q14 was especially result of performance in drop of net revenue of Tubular Services & Coating and Lifting Frames, UGN and Hydraulic Key operations, in the Oilfield Services Brazil division.

Expenses

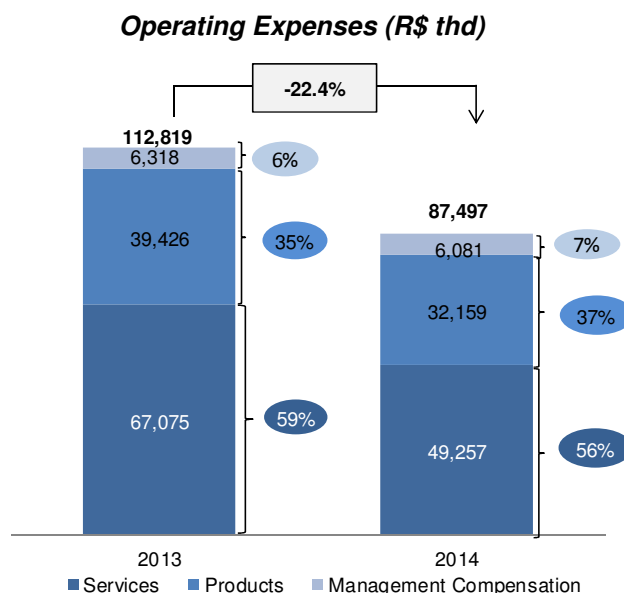
(R\$ thd)	1Q14	2Q14	3Q14	4Q14	Chg. %	2013	2014	Chg. %
Total Sales Expenses	5,605	8,115	2,722	8,040	195.4%	23,856	24,482	2.6%
Total Administrative Expenses	14,054	15,052	13,863	13,965	0.7%	82,645	56,934	-31.1%
Products	7,878	9,581	5,324	9,376	76.1%	39,426	32,159	-18.4%
Total Sales Expenses - Products	3,459	4,809	1,153	5,198	350.8%	20,089	14,619	-27.2%
Total Administrative Expenses - Products	4,419	4,772	4,171	4,178	0.2%	19,337	17,540	-9.3%
Services	11,781	13,586	11,261	12,629	12.1%	67,075	49,257	-26.6%
Total Sales Expenses - Services	2,146	3,306	1,569	2,842	81.1%	3,767	9,863	161.8%
Total Administrative Expenses - Services	9,635	10,280	9,692	9,787	1.0%	63,308	39,394	-37.8%
Total Sales and Administratives	19,659	23,167	16,585	22,005	32.7%	106,501	81,416	-23.6%
Management Compensation	1,521	1,469	1,453	1,638	12.7%	6,318	6,081	-3.8%
Total Sales, Administratives and Management Compensation	21,180	24,636	18,038	23,643	31.1%	112,819	87,497	-22.4%

As result of Restructuring process started in 2013, the Consolidated Sales and Administrative Expenses and the Management Salary presented reduction of 22.4% in 2014 reaching R\$ 87.5 million versus R\$ 112.8 million in 2013.

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Compared to the 3Q14, the Consolidated Sales and Administrative Expenses and the Management Salary increased 31.1%, reaching R\$ 23.6 million in the 4Q14 faced R\$ 18.0 million in the 3Q14m due to recognition of provision for fines with customers of R\$ 3.4 million.

The Sales Expenses had a growth of 2.6% in the year, from R\$ 23.9 million in 2013 to R\$ 24.5 million in 2014. The Sales Expenses of the Products Segment presented reduction of 27.2% in 2014 compared to the 2013 mainly due to the decrease in personnel expenses, freight and fines with customers; while in the Services Segment there was a growth of 161.8%, especially due to the increase of allowance for doubtful accounts and to the fines with customers. In the 4Q14 compared to the 3Q14, the growth in Sales Expenses was primarily result of the record of fines with customers in the Products Segment and allowance for doubtful accounts in the Services Segment. The expenses of fines with customers recorded in 2014 totaled R\$ 9.8 million versus R\$ 5.0 million recorded in the previous year.



The Administrative Expenses presented a reduction of 31.1% in 2014 compared to 2013, from R\$ 82.6 million to R\$ 56.9 million. The main impact of this decrease occurred in the Services Segment, specifically in the Oilfield Services Brazil division, with significant reduction of personnel expenses (decrease of R\$ 18.9 million comparing 2014 to 2013), and of rent, services, communication and traveling expenses, as part of Company's Restructuring process occurred from the second semester of 2013. Comparing the 4Q14 with the immediately previous quarter, the Administrative Expenses remained practically stable, from R\$ 13.9 million in the 3Q14 to R\$ 14.0 million in the 4Q14.

The Management Compensation presented a reduction of 3.8% comparing 2014 with 2013, from R\$ 6.3 million in 2013 to R\$ 6.1 million in 2014. Comparing the 4Q14 with the previous quarter, the Management Compensation increase 12.7%, from R\$ 1.5 million in the 3Q14 to R\$ 1.6 million in the 4Q14.

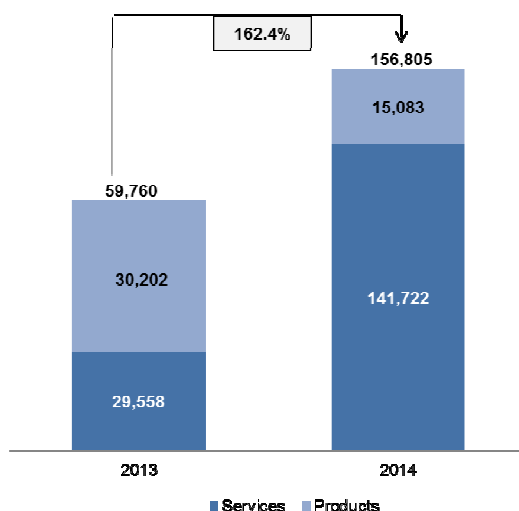
Other Operating (Revenues) and Expenses

Other Expenses (Income) (R\$ thd)	1Q14	2Q14	3Q14	4Q14	Chg. %	2013	2014	Chg. %
Products	-452	4,149	4,835	6,551	35.5%	30,202	15,083	-50.1%
Services	61,015	12,491	48,943	19,273	-60.6%	29,558	141,722	379.5%
Total	60,563	16,640	53,778	25,824	-52.0%	59,760	156,805	162.4%

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The Other Operating Expenses increased from R\$ 59.8 million in 2013 to R\$ 156.8 million in 2014 and they are primarily related to the following factors: (i) recognition of provision for fines with customers of R\$ 95.6 million (R\$ 7.5 million in 2013); (ii) losses on the disposal and sale of fixed assets of R\$ 31.7 million (R\$ 2.5 million in 2013); (iii) cost of idle production of R\$ 13.2 million (R\$ 6.1 million in 2013); and (iv) provision for loss of lawsuit of R\$ 13.2 million (R\$ 12.1 million in 2013).

Other Operating Expenses (R\$ thd)



In the 4Q14, the Other Operating Expenses presented a reduction of 52.0%, from R\$ 53.8 million in the 3Q14 to R\$ 25.8 million in the 4Q14. This performance is mainly result of the following factors: (i) recognition of losses on the disposal and sale of fixed assets of R\$ 10.5 million (R\$ 10.0 million in the 3Q14); (ii) cost of idle production of R\$ 6.0 million (R\$ 5.4 million in the 3Q14); (iii) provision for loss of lawsuit of R\$ 10.0 million (R\$ 4.9 million in the 3Q14); (iv) recognition of provision for fines with customers of R\$ 37.4 million in the 3Q14, but non-recurring in the 4Q14; and (v) reversion of expenses with the restructuring process of R\$ 3.1 million recorded in the 3Q14, but non-recurring in the 4Q14.

Financial Result

Financial Result (R\$ thd)	1Q14	2Q14	3Q14	4Q14	Chg. %	2013	2014	Chg. %
Interest Income	192	179	200	200	0.0%	707	771	9.1%
Embedded Derivatives - Debentures	-	-	9,442	-	n/a	18,877	9,442	-50.0%
Reversal of Premium on Non-Conversion of Debentures	-	-	41,540	-	n/a	-	41,540	n/a
Gain for Non-Conversion of Part of the Bonds	-	-	36,244	-	n/a	-	36,244	n/a
Others	1,506	832	756	2,496	230.2%	3,763	5,590	48.6%
Financial Revenue*	1,698	1,011	88,182	2,696	-96.9%	23,347	93,587	300.9%
Interest Expense	-43,902	-97,200	-20,216	-9,611	-52.5%	-149,907	-170,929	14.0%
Embedded Derivatives - Debentures	-3,302	-5,321	-	-	n/a	-5,351	-8,623	61.1%
Losses on Fair Value	-	-	-136,183	-3,404	-97.5%	-242	-139,587	57580.6%
Provision for Interest on Suppliers	-	-	-	-9,495	n/a	-6,729	-9,495	41.1%
Banking Expenses, Taxes and Others	-4,973	-4,481	-3,784	-3,139	-17.0%	-7,952	-16,377	105.9%
Financial Expense*	-52,177	-107,002	-160,183	-25,649	-84.0%	-170,181	-345,011	102.7%
Net Financial Result*	-50,479	-105,991	-72,001	-22,953	-68.1%	-146,834	-251,424	71.2%
Exchange Variance Revenue	47,713	18,838	66,492	64,278	-3.3%	72,340	197,321	172.8%
Exchange Variance Expense	-23,616	-341	-83,882	-70,863	-15.5%	-164,180	-178,702	8.8%
Net Exchange Variance	24,096	18,498	-17,390	-6,585	-62.1%	-91,840	18,619	n/a
Net Financial Result - Total	-26,383	-87,493	-89,391	-29,538	-67.0%	-238,674	-232,805	-2.5%

* Excluding Exchange Variance

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The Total Financial Income (excluding Exchange Variance) in 2014 reached R\$ 93.6 million versus R\$ 23.3 million in 2013 mainly due to the recognition of gain for non-conversion of part of the Bonds in Capital Stock in the amount of R\$ 36.2 million and reversion of premium on non-conversion of Debentures in the amount of

R\$ 41.5 million, been the both events related to the Company's Restructuring process concluded in the 3Q14. In the 4Q14, the Total Financial Income (excluding Exchange Variance) reached R\$ 2.7 million faced R\$ 88.2 million in the 3Q14. The significant reduction was due to the extraordinary events in the 3Q14, represented by the recognition of gain for non-conversion of Bonds and reversion of premium on non-conversion of Debentures previously mentioned, as well as by the positive result with embedded derivative of Debentures in the amount of R\$ 9.4 million.

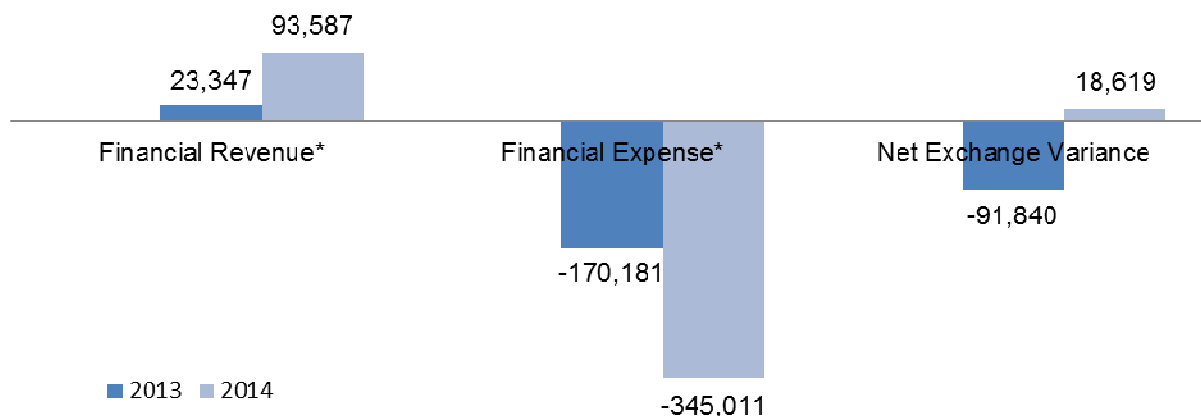
The Total Financial Expense (excluding Exchange Variance) increased 102.7%, from R\$ 170.2 million in 2013 to R\$ 345.0 million in 2014. The performance primarily results of recognition of losses on fair value in the amount of R\$ 136.2 million recorded in the Company's Financial Result, due to the difference between share price fixed under a capital increase of R\$ 0.25 and the market value of R\$ 0.28 on the date of capital increase approval (September 30, 2014). Additionally, there was an increase of R\$ 3.3 million on losses with embedded derivative of Debentures and of R\$ 37.2 million on interest and late charges on debentures in 2014 compared to the 2013.

In the 4Q14, the Total Financial Expense (excluding Exchange Variance) presented a decrease of 84.0%, from R\$ 160.2 million in 3Q14 to R\$ 25.6 million in 4Q14. This reduction was mainly due to the recognition of losses on fair value in the amount of R\$ 136.2 million in the 3Q14 previously mentioned.

The Net Exchange Variance in 2014 resulted in revenue of R\$ 18.6 million versus expense of R\$ 91.8 million in 2013. The main factor that allowed this performance was the reduction of part of the debt portion exposed to foreign currency, from the exchange of a significant portion of the old Bonds for Capital within the Company's Restructuring process completed at the end of 3Q14. Also contributed to the change in the result of Net Exchange Variance account the lower valuation in U.S. dollar against Brazilian Real in 2014 (of 13.4%), faced the valuation in 2013 (14.6%).

In the 4Q14, due to the valuation of 8.4% in U.S. dollar against Brazilian Real versus the valuation of 11.3% in the 3Q14, the Net Exchange Variance resulted in expense of R\$ 6.6 million in the 4Q14 faced expense of R\$ 17.4 million in the 3Q14.

Completion of Financial Restructuring Plan at the end of 3Q14 has shown its positive effects on Company's Net Financial Result. In the 4Q14, with the new capital structure already structured, the net financial balance recorded on account was an expense of R\$ 29.5 million versus net expense of R\$ 89.4 million in the 3Q14, wich represents a reduction of R\$ 59.9 million or 67.0%. Considering the accumulated result for the year, although the positive effects have been recorded only in the last quarter of the year, Net Financial Expense recorded in 2014 had a reduction of 2.5%, from R\$ 238.7 million in 2013, to R\$ 232.8 million in 2014.

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Financial Result Breakdown (R\$ thd)


* Excluding Exchange Variance

Adjusted EBITDA from Continuing Operations 1

The Consolidated Adjusted EBITDA from Continuing Operations was negative in R\$ 6.9 million in 2014, versus negative result of R\$ 11.8 million in 2013. The EBITDA Margin in 2014 was -1.8%, with an increase of 0.9 percentage points compared to the presented in the previous year.

Adjusted EBITDA (R\$ thd)	1Q14	2Q14	3Q14	4Q14	Chg. R\$	Chg. %	2013	2014	Chg. R\$	Chg. %
Products	- 635	- 3,152	- 7,583	- 13,162	- 5,579	73.6%	- 13,395	- 24,532	-11,137	83.1%
Margin	-1.8%	-9.7%	-42.1%	-61.8%	-19.7 p.p.		-9.0%	-23.1%	-	-14.1 p.p.
Services	5,975	1,693	9,026	4,291	4,735	-52.5%	1,606	17,599	15,994	996.0%
Margin	8.9%	-2.6%	12.4%	5.9%	-6.5 p.p.		0.5%	6.3%	-	5.8 p.p.
Total	5,340	4,845	1,443	8,871	10,314	n/a	- 11,790	6,933	4,857	-41.2%
Margin	5.3%	-4.9%	1.6%	-9.4%	-11.0 p.p.		-2.7%	-1.8%	-	0.9 p.p.
% Products	-12%	65%	-526%	148%			114%	354%		
% Services	112%	35%	626%	-48%			-14%	-254%		

The increase of R\$ 4.9 million in the Consolidated Adjusted EBITDA in 2014, compared to 2013, was mainly consequence of reduction in personnel expenses, communication, rents and travel expenses, especially in units of Services Segment, as well as by the increase in Company's Gross Profit and gain of Gross Margin mainly due to the performance of Well Testing and Wireline operations in Colombia in the Services Segment as previously mentioned. These factors also contributed to the growth of 5.8 percentage points on EBITDA Margin of Services Segment in 2014, compared to 2013. On the other hand, the Products Segment

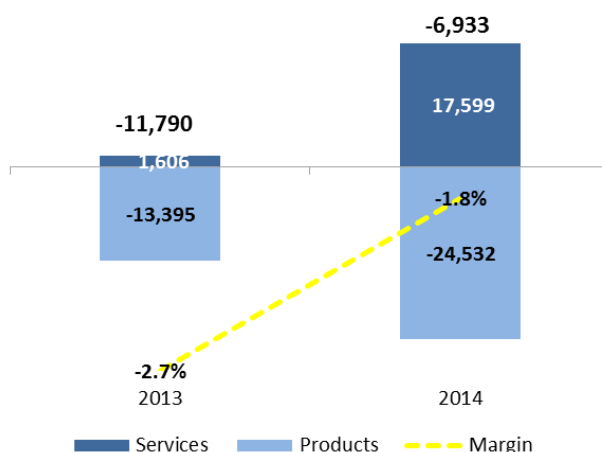
presented a decrease of 14.1 percentage points on EBITDA Margin in 2014 compared to the same period of 2013 especially due to the significant reduction of revenues by cash restrictions, combined with the higher cost of idle capacity in units.

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.

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Adjusted Ebitda Reconciliation (R\$ thd)	1Q14	2Q14	3Q14	4Q14	2014
Gross Profit	13,502	7,894	11,351	3,892	36,639
SG&A	-19,659	-23,167	-16,585	-22,005	-81,416
Management Compensation	-1,521	-1,469	-1,453	-1,638	-6,081
Depreciation and Amortization	12,629	12,427	12,470	12,535	50,061
Operational Revenues/Expenses	-60,563	-16,640	-53,778	-25,824	-156,805
Ebitda from Continuing Operations	-55,612	-20,955	-47,995	-33,040	-157,602
Provision for Variable Compensation	210	225	83	757	1,275
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets	11,171	1,847	14,326	19,018	46,362
Fines with Customers	47,685	10,591	37,372	3,436	99,084
Acquired Investment Integration and Restructuring Process	1,886	3,447	-2,343	958	3,948
Adjusted EBITDA from Continuing Operations	5,340	-4,845	1,443	-8,871	-6,933

In the 4Q14, the Adjusted EBITDA Margin presented a reduction of 11.0 percentage points compared to the 3Q14 due to the decrease in Gross Margin of Services Segment, as well as the significant reduction in Net Revenue of Oil&Gas Valves division in the Products Segment by unavailability of cash and increase of fines with customers' expenses in both Segments.

Adjusted EBITDA (R\$ thd)


The cash constraints continue impacting Company's EBITDA, plus extraordinary expenses due to Company's restructuring process. Below, a reconciliation of Adjusted EBITDA from continuing operations of 3Q14, by Segment:

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	2014		
Adjusted Ebitda Reconciliation (R\$ thd)	Products	Services	Total
Gross Profit	8,072	28,567	36,639
SG&A	-32,159	-49,257	-81,416
Management Compensation	-1,610	-4,471	-6,081
Depreciation and Amortization	9,283	40,778	50,061
Operational Revenues/Expenses	-15,083	-141,722	-156,805
Ebitda from Continuing Operations	-31,497	-126,105	-157,602
Provision for Variable Compensation	1	1,274	1,275
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets	2,949	43,413	46,362
Fines with Customers	1,959	97,125	99,084
Acquired Investment Integration and Restructuring Process	2,056	1,892	3,948
Adjusted EBITDA from Continuing Operations	-24,532	17,599	-6,933

Non-recurring expenses totaling R\$ 46.4 million in 2014 relate primarily to: (i) losses on the disposal and sale of fixed assets of R\$ 31.7 million; and (ii) provision for loss of lawsuit of R\$ 13.2 million.

Net Result

Net Result (R\$ thd)	1Q14	2Q14	3Q14	4Q14	Chg. %	2013	2014	Chg. %
Result Before Income Tax and Social Contribution	-102,236	-129,789	-149,022	-76,540	-48.6%	-389,983	-457,587	17.3%
Income Tax and Social Contribution - Current	-368	-144	-186	-1,566	741.9%	345	-2,264	n/a
Income Tax and Social Contribution - Deferred	890	-1,752	-716	534	n/a	13,039	-1,044	n/a
Result of Discontinued Operation	6,719	9,853	-91,906	-94,779	3.1%	-2,190	-170,113	7667.7%
Net Result	-94,995	-121,832	-241,830	-172,351	-28.7%	-378,789	-631,008	66.6%
Net Result per 1000 Shares	-0.60	-0.77	-0.05	-1.10	2032.2%	-0.49	-0.13	-72.5%

The Net Result in 2014 was a loss of R\$ 631.0 million, compared to the loss of R\$ 378.8 million in 2013. Several extraordinary events contributed to this performance as the following: (i) R\$ 136.2 million of recognition of losses on fair value of new shares; (ii) R\$ 121.4 million of loss by non-recoverability of goodwill on acquisition of Argentina's units; (iii) R\$ 36.2 million of gain for non-conversion of part of the Bonds in Capital Stock; (iv) R\$ 41.5 million of reversion of premium on non-conversion of Debentures; (v) R\$ 95.6 million of expenses with provisions for fines with customers; (vi) R\$ 73.5 million of expenses with the low of investment in Argentina and (vii) R\$ 31.7 million of losses on the disposal and sale of fixed assets. Were it not for these extraordinary events, the accumulated result for the year would be a loss of R\$ 250.3 million, lower than reported in the previous year.

In the 4Q14, the Consolidated Net Result resulted in loss of R\$ 172.4 million versus loss of R\$ 241.8 million in the 3Q14, a reduction of 28.7%. The result of the last quarter of 2014 was also negatively influenced by the following non-recurring events: (i) R\$ 23.3 million of loss by non-recoverability of goodwill on acquisition of Argentina's units; (ii) R\$ 73.4 million of expenses with the low of investment in Argentina and (iii) R\$ 10.5 million of losses on the disposal and sale of fixed assets. Were it not for these extraordinary events, the loss of 4Q14 would be R\$ 65.2 million.

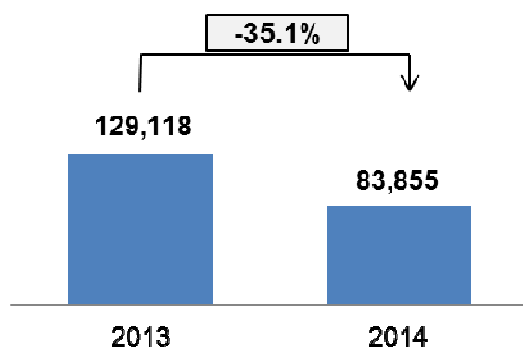
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Working Capital

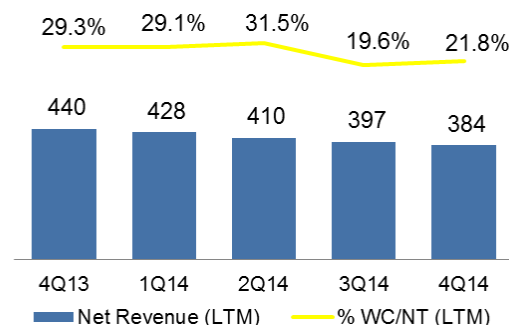
Working Capital (R\$ thd)	2013	2014	Chg. %	Chg. R\$
Accounts Receivable	128,811	115,483	-10.3%	-13,328
Inventories	141,976	69,644	-50.9%	-72,332
Accounts Payable	122,032	98,389	-19.4%	-23,643
Advances from Clients	19,637	2,883	-85.3%	-16,754
Employed Working Capital	129,118	83,855	-35.1%	-45,263
Employed Working Capital Variance	- 111,297	- 45,263		
% Working Capital/Net Revenues*	29.3%	21.8%		

*LTM: last 12 months

Working Capital (R\$ thd)



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



The rate of Working Capital Needs upon accumulated Net Revenue (12 months) in 2014 reached 21.8%, a reduction of 7.5 percentage points when compared to the rate of 2013.

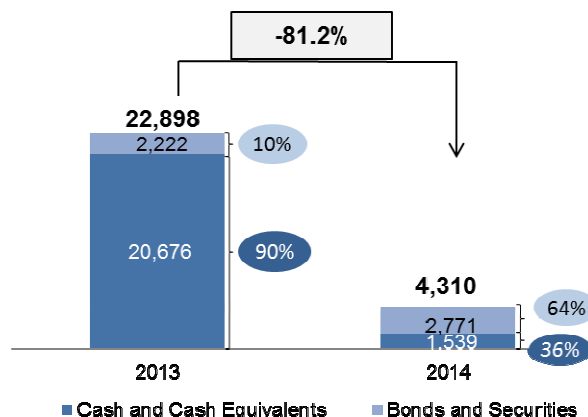
The reduction of R\$ 45.3 million in Employed Working Capital in 2014 compared to 2013 is primarily result of divestment of operations in Argentina in 2013 which Employed Working Capital in the period was R\$ 54.8 million. Thus, disregarding the effect of the divestment of operations in Argentina, the positive variation of R\$ 9.5 million in Employed Working Capital in 2014 was primarily impacted by the reduction in advances from customers in the Oil&Gas Valves and Anchoring Ropes operations and accounts payable to suppliers in the Oilfield Services Brazil operations.

Cash and Cash Equivalents

The consolidated position in Cash and Cash Equivalents of the Company in 2014 reached R\$ 4.3 million, a reduction of 81.2% compared to 2013, primarily affected by divestment of operations in Argentina, which balance of cash and cash equivalents in 2013 was R\$ 10.4 million.

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Cash and Cash Equivalents Balances (R\$ thd)



Additionally, the financing activities consumed cash of R\$ 33.2 million in 2014 for the payment of interest and principal on loans and financing, while the investments activities generated cash of R\$ 65.6 million primarily due to the resources from sale of fixed assets and of the operations in Argentina.

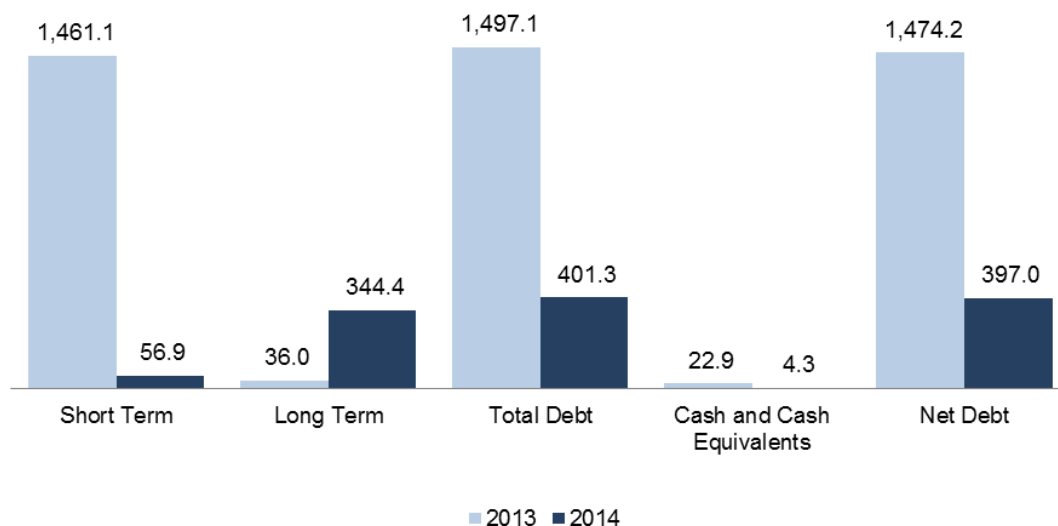
The difficulty in obtaining resources for investments and raw material acquisition limits of an important way the capability of operating cash flow of Lupatech, reflecting in a lower capacity of industrial units and lower capacity of provide services, having as consequence the higher delivery of Backlog.

Debt

Lupatech's Gross Debt ended the year of 2014 in R\$ 401.3 million, R\$ 1,095.8 million or 73.2% lower than reported at the end of 2013. This reduction is a consequence of Company's Restructuring process which enabled the conversion of substantial part of debt in Capital Stock. The Restructuring enabled the reduction of R\$ 928.3 million of debts in Debentures and Bonds and the net reduction of R\$ 167.5 million on loans and financings with financial institutions. In addition, the remaining portion of Bonds and new Debentures issued in the amount of R\$ 199.7 million are classified as Long Term Debt, which contributed to lengthen the Company's Debt profile.

Debt (R\$ thd)	2013	2014	Chg. %	Chg. R\$
Short Term	1,461,149	56,884	-96.1%	1,404,265
Financing Lines	333,151	56,884	-82.9%	276,267
Debentures	419,484	-	n/a	419,484
Bonds	708,514	-	n/a	708,514
Long Term	35,975	344,425	857.4%	308,450
Financing Lines	35,975	144,742	302.3%	108,767
Debentures	-	71,715	n/a	71,715
Bonds	-	127,968	n/a	127,968
Total Debt	1,497,124	401,309	-73.2%	1,095,815
Cash and Cash Equivalents	22,898	4,310	-81.2%	18,588
Net Debt	1,474,226	396,999	-73.1%	1,077,227

Combined Cash and Cash Equivalents, the Company's Net Debt ended the year in R\$ 397.0 million, with reduction of R\$ 1,077.2 million or 73.1% faced the amount recorded in December 31, 2013.

Debt Breakdown (R\$ million)

Investment Balances

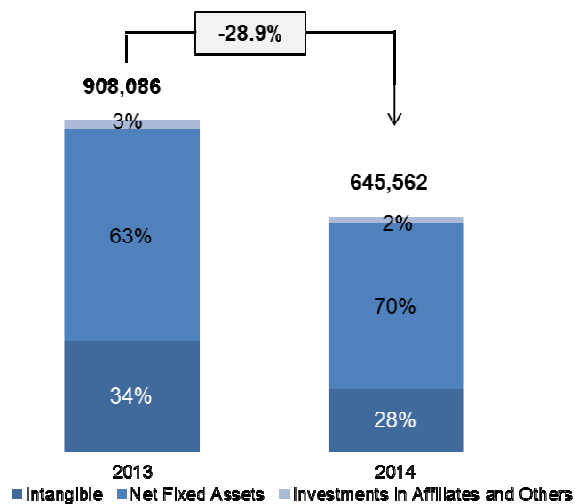
Lupatech's Investment Balances at the end of 2014 totaled R\$ 645.6 million, which represents a reduction of 28.9% related to the R\$ 908.1 million presented in the end of 2013.

Investments (R\$ thd)	2013	2014	Chg. %	Chg. R\$
Investments in Affiliates and Others	28,505	15,960	-44.0%	-12,545
Net Fixed Assets	570,742	449,950	-21.2%	-120,792
Intangible	308,839	179,652	-41.8%	-129,187
Total	908,086	645,562	-28.9%	-262,524

The reduction of R\$ 120.8 million of Fixed Assets is primarily consequence of sales of Argentina's units and due to the recognition of depreciation in the period. The Intangible presented reduction of R\$ 129.2 million in the same period primarily due to the registration of loss by non-recoverability of goodwill on acquisition of Argentina's units.

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Investments (R\$ million)



Capex was R\$ 3.9 million in the 4Q14, totaling R\$ 14.8 million in 2014, invested, in principal, 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.

CVM – BRAZILIAN SECURITIES AND EXCHANGE COMMISSION
STANDARD FINANCIAL STATEMENTS – 12/31/2014 - LUPATECH S.A.

Attachments

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

	2013	2014	% Change
Net Sales of Goods and Services	440,276	384,287	-13%
Cost of Goods and Services Sold	(405,255)	(347,648)	-14%
Gross Profit	35,021	36,639	5%
Operating Revenues/Expenses	(186,330)	(261,421)	40%
Sales	(23,856)	(24,482)	3%
General and Administrative	(82,645)	(56,934)	-31%
Management Compensation	(6,318)	(6,081)	-4%
Equity Pick-up	(13,751)	(17,119)	24%
Other Operation Income (Expenses)	(59,760)	(156,805)	162%
Net Financial Result	(238,674)	(232,805)	-2%
Financial Income	23,347	93,587	301%
Financial Expenses	(170,181)	(345,011)	103%
Net Exchange Variance	(91,840)	18,619	n/a
Earnings Before Income Tax and Social Contribution	(389,983)	(457,587)	17%
Income Tax and Social Contribution - Current	345	(2,264)	n/a
Income Tax and Social Contribution - Deferred	13,039	(1,044)	n/a
Loss from Discontinued Operations	(2,190)	(170,113)	7668%
Net Loss for the Period	(378,789)	(631,008)	67%

CVM – BRAZILIAN SECURITIES AND EXCHANGE COMMISSION
STANDARD FINANCIAL STATEMENTS – 12/31/2014 - LUPATECH S.A.

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

	2013	2014	% Change
Adjusted EBITDA from Continuing Operations	(11,790)	(6,933)	-41%
Provision for Variable Remuneration	(60)	(1,275)	2013%
Reestructuring Process	(19,566)	(3,948)	-80%
Provision for Losses, Impairment and Net Result on Disposal of Assets	(40,139)	(46,362)	16%
Fines with Costumers	(15,564)	(99,084)	537%
EBITDA from Continuing Operations	(87,120)	(157,602)	81%
Depreciation and Amortization	(50,439)	(50,061)	-1%
Equity Pick-up Result	(13,751)	(17,119)	24%
Net Financial Result	(238,674)	(232,805)	-2%
Income Tax and Social Contribution - Current and Deferred	13,384	(3,308)	n/a
Result from Discontinued Operations	(2,190)	(170,113)	7668%
Net Loss from Continuing and Discontinued Operations	(378,789)	(631,008)	67%

CVM – BRAZILIAN SECURITIES AND EXCHANGE COMMISSION
STANDARD FINANCIAL STATEMENTS – 12/31/2014 - LUPATECH S.A.

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

	2013	2014	% Change
Total Asset	1,430,219	1,022,629	-28%
Current Assets	377,545	277,799	-26%
Cash and Cash Equivalents	20,676	1,539	-93%
Securities-restricted	2,222	2,771	25%
Accounts Receivable	128,811	115,483	-10%
Inventories	141,976	69,644	-51%
Recoverable Taxes	33,256	24,686	-26%
Other Accounts Receivable	17,392	5,145	-70%
Anticipated Expenses	8,128	10,970	35%
Advances to Suppliers	21,041	25,139	19%
Assets held for sale	4,043	22,422	455%
Non-Current Assets	1,052,674	744,830	-29%
Securities	5,250	4,500	-14%
Judicial Deposits	60,228	25,295	-58%
Recoverable Taxes	59,670	47,452	-20%
Deferred Income Tax and Social Contribution	-	489	n/a
Other Accounts Receivable	19,440	21,532	11%
Investments	28,505	15,960	-44%
Fixed Assets	570,742	449,950	-21%
Intangible	308,839	179,652	-42%
Total Liabilities and Shareholders' Equity	1,430,219	1,022,629	-28%
Current Liabilities	1,767,202	296,031	-83%
Accounts Payable	122,032	98,389	-19%
Loans and Financings	333,151	56,884	-83%
Debentures	419,484	-	n/a
Perpetual Bonds	708,514	-	n/a
Salaries, Provisions and Social Contribution	29,847	29,479	-1%
Commissions Payable	1,897	3,182	68%
Taxes Payable	41,220	57,652	40%
Advances from Clients	19,637	2,883	-85%
Participations in the Result	1,443	655	-55%
Other Obligations	32,510	20,101	-38%
Provision Contractual Fines	42,713	20,721	-51%
Acquisitions Payable	14,754	-	n/a
Liabilities held for sale	-	6,085	n/a
Non-Current Liabilities	226,508	631,240	179%
Loans and Financings	35,975	144,742	302%
Debentures	-	71,715	n/a
Bonds	-	127,968	n/a
Taxes Payable	4,424	6,443	46%
Deferred Income Tax and Social Contribution	31,059	33,780	9%
Provision for Taxes, Labor and Civil Risks	141,677	107,948	-24%
Other Obligations	13,373	6,453	-52%
Provision Contractual Fines	-	112,399	n/a
Provision for Negative Equity in Subsidiaries	-	19,792	n/a
Shareholders' Equity	(563,491)	95,358	-117%
Capital Stock	742,438	1,853,684	150%
Capital Transaction Reserve	-	136,183	n/a
Stock Options	13,549	13,549	0%
Equity Evaluation Adjustment	(50,547)	(8,119)	-84%
Accrued Losses	(1,268,931)	(1,899,939)	50%

CVM – BRAZILIAN SECURITIES AND EXCHANGE COMMISSION
STANDARD FINANCIAL STATEMENTS – 12/31/2014 - LUPATECH S.A.
Attachment IV – Consolidated Cash Flow (R\$ thd)

	2013	2014	% Change
Cash Flow from Operating Activities			
Net Result for the Period	(378,789)	(631,008)	67%
Adjustment:			
Depreciation of Fixed Assets	54,108	51,316	-5%
Equity Pick-Up Result	13,751	17,119	24%
Result on Sale of Fixed Assets	48,856	28,595	-41%
Loss (Gain) on Disposal of Investments	(11,049)	73,333	n/a
Financial Expenses and Exchange Variation	221,934	232,805	5%
Provision for Loss by Non-Recoverability of Assets	18,160	121,407	569%
Expense Stock Options	62	-	n/a
Income Tax and Social Contribution - Deferred	(13,170)	274	n/a
Losses on Inventory Obsolescence	8,449	(69)	n/a
Provision of Contractual Fines	37,076	105,438	184%
Allowance for Doubtful Accounts	516	(585)	n/a
Changes in Assets & Liabilities			
(Increase) Decrease in Accounts Receivable	50,186	(32,938)	n/a
(Increase) Decrease in Inventories	15,564	23,917	54%
(Increase) Decrease in Recoverable Taxes	(1,723)	19,504	n/a
(Increase) Decrease in Other Assets	(17,864)	(2,410)	n/a
(Increase) Decrease in Accounts Payable	34,137	(13,636)	n/a
(Increase) Decrease in Taxes Payable	(1,217)	540	n/a
(Increase) Decrease in Others Accounts Payable	(55,848)	(48,571)	-13%
Net Cash Generated (Invested) in Operating Activities	23,139	(54,969)	n/a
Cash Flow from Investment Activities			
Payment for Acquisition of Investment	-	(200)	n/a
Securities - Restricted Account	1,345	972	-28%
Disposal of Discontinued Operations	70,729	49,547	-30%
Proceeds from Sales of Fixed Assets	-	35,593	n/a
Acquisition of Fixed Assets	(35,413)	(14,741)	-58%
Acquisition of Intangible	(2,101)	(3,265)	55%
Net Cash Generated (Invested) in Investment Activities	34,560	67,906	96%
Cash Flow from Financing Activities			
Loans and Financings Contracted	138,437	163,662	18%
Perpetual Bond Interest Payment	(13,873)	-	n/a
Debentures Interest Payment	(674)	-	n/a
Increase (Decrease) in Capital	(197)	-	-100%
Loans and Financings Paid	(174,093)	(183,978)	6%
Interests on Loans and Financings Paid	(18,481)	(11,759)	-36%
Net Cash Generated (Invested) in Financing Activities	(68,881)	(32,075)	-53%
Effects of Exchange Variation over Cash and Cash Equivalents of Subsidiaries Abroad	6	1	-83%
Net Increase (Decrease) in Cash and Cash Equivalents	(11,176)	(19,137)	71%
At the Beginning of the Period	31,852	20,676	-35%
At the End of the Period	20,676	1,539	-93%

About Lupatech

Lupatech S.A. is one of the main 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, completion tools and gas compressors. 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' control or prediction capacity.

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LUPATECH S.A. AND ASSOCIATED COMPANIES

BALANCE SHEET ON DECEMBER 31, 2014 AND DECEMBER 31, 2013
(In R\$ Thousands)

ASSETS	Note	Parent		Consolidated		LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Parent		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013			12/31/2014	12/31/2013	12/31/2014	12/31/2013
CURRENT ASSETS						CURRENT LIABILITIES					
Cash and cash equivalents	4	137	910	1,539	20,676	Suppliers		39,147	28,365	98,389	122,032
Securities-restricted	4	2,771	2,222	2,771	2,222	Loans and financing	12A	9,644	203,223	56,884	333,151
Clients	5	43,968	41,170	115,483	128,811	Debentures	14	-	419,484	-	419,484
Inventories	6	31,925	61,363	69,644	141,976	Perpetual bonds - Interest payable	12.1	-	-	-	708,514
Recoverable taxes	7	6,728	10,236	24,686	33,256	Provisions payroll and payroll payable		10,896	5,899	29,479	29,847
Advances to suppliers		2,706	1,098	25,139	21,041	Commissions payable		3,152	1,869	3,182	1,897
Other accounts receivable	8	616	520	5,145	17,392	Taxes payable		31,461	5,854	57,652	41,220
Prepaid expenses		1,549	2,183	10,970	8,128	Advances from customers		1,937	17,332	2,883	19,637
Accounts receivable - Related parties	15	20,773	10,493	-	-	Employee's profit sharing	25	-	-	655	1,443
Assets classified as held for sale	33.1	1,393	-	22,422	4,043	Provision Contratual fines		6,806	2,432	20,721	42,713
						Other accounts payable	18	11,989	6,465	20,101	32,510
						Accounts payable related to investment purchase	17	-	14,754	-	14,754
						Related Parties - Mutual and loans	15	39,168	29,386	-	-
						Liabilities directly associated with assets held for sale	33.1	-	-	6,085	-
Total current assets		112,566	130,195	277,799	377,545	Total current liabilities		154,200	735,063	296,031	1,767,202
NON-CURRENT ASSETS						NON-CURRENT LIABILITIES					
Judicial deposits	19.3	1,817	1,240	25,295	60,228	Loans and financing	12A	58,142	7,402	144,742	35,975
Securities-restricted	4	4,500	5,250	4,500	5,250	Debentures	14	71,715	-	71,715	-
Recoverable taxes	7	6,996	9,685	47,452	59,670	Bonds	12.2	-	-	127,968	-
Deferred income tax and social contribution	16	-	-	489	-	Deferred income tax and social contribution	16	-	-	33,780	31,059
Accounts receivable - Related parties	15	25,073	36,014	-	-	Taxes payable	20	4,526	1,343	6,443	4,424
Other accounts receivable	8	5,360	4,635	21,532	19,440	Provision for contingencies	19	5,239	3,124	107,948	141,677
						Other accounts payable		1,080	-	6,453	13,373
Investments						Provision Contratual fines		-	-	112,399	-
Direct and indirect associated companies	9.1	157,190	423,850	-	-	Related Parties - Mutual and loans	15	95,781	628,993	-	-
Joint venture	9.2	-	2,297	-	2,297	Provision for unfunded liabilities in subsidiaries	9.1	70,187	65,440	19,792	-
Other investments	9.3	15,374	26,208	15,960	26,208						
Fixed assets	10	95,253	106,725	449,950	570,742						
Intangibles											
Goodwill	11	115,414	115,414	161,385	289,300						
Other intangibles	11	16,685	16,361	18,267	19,539						
Total Non-current assets		443,682	747,679	744,830	1,052,674	Total non-current liabilities		306,670	706,302	631,240	226,508
						SHAREHOLDERS' EQUITY	21				
						Paid-up Capital		1,853,684	742,438	1,853,684	742,438
						Capital transaction Reserve		136,183	-	136,183	-
						Stock options		13,549	13,549	13,549	13,549
						Equity adjustments		(8,119)	(50,547)	(8,119)	(50,547)
						Retained earnings / Accumulated losses		(1,899,939)	(1,268,931)	(1,899,939)	(1,268,931)
						Parents company's interest		95,358	(563,491)	95,358	(563,491)
TOTAL ASSETS		556,228	877,874	1,022,629	1,430,219	TOTL LIABILITIES AND SHAREHOLDERS' EQUITY		556,228	877,874	1,022,629	1,430,219

The notes are an integral part of the financial statements.

CVM – BRAZILIAN SECURITIES AND EXCHANGE COMMISSION
STANDARD FINANCIAL STATEMENTS – 12/31/2014 - LUPATECH S.A.
LUPATECH S.A. AND ASSOCIATED COMPANIES

 STATEMENT OF INCOME
 ON DECEMBER 31, 2014 AND 2013
 (In R\$ Thousands)

	Note	Parent		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
NET REVENUE FROM SALES	26	95,124	117,538	384,287	440,276
COST OF GOODS SOLD		(89,913)	(104,854)	(347,648)	(405,255)
GROSS PROFIT		5,211	12,684	36,639	35,021
OPERATING INCOME/EXPENSES					
Selling		(13,222)	(16,094)	(24,482)	(23,856)
General and administrative		(17,332)	(21,360)	(56,934)	(82,645)
Management compensation	15.2	(6,081)	(6,318)	(6,081)	(6,318)
Equity pick-up	9.1	(167,156)	(141,812)	(17,119)	(13,751)
Other operating expenses (income), net	29	(17,702)	(23,399)	(156,805)	(59,760)
OPERATING INCOME/EXPENSES BEFORE FINANCIAL RESULTS		(216,282)	(196,299)	(224,782)	(151,309)
FINANCIAL RESULTS					
Financial income	28	54,451	28,042	93,587	23,347
Financial expenses	28	(325,322)	(128,848)	(345,011)	(170,181)
Exchange variation, net	28	21,617	(83,105)	18,619	(91,840)
LOSS BEFORE TAX / HOLDING		(465,536)	(380,210)	(457,587)	(389,983)
PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION					
Current	16	-	1,793	(2,264)	345
Deferred	16	-	5,667	(1,044)	13,039
LOSS OF CONTINUED OPERATIONS		(465,536)	(372,750)	(460,895)	(376,599)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	33.2	(165,472)	(6,039)	(170,113)	(2,190)
INCOME (LOSS) FOR THE PERIOD OF CONTINUED AND DISCONTINUED		(631,008)	(378,789)	(631,008)	(378,789)
Attributed to:					
Parent company's interest		(631,008)	(378,789)	(631,008)	(378,789)
EARNINGS PER SHARE (In Reais)					
Coming from continuing and discontinued operations					
BASIC EARNINGS PER SHARE	27	(0.48)	(2.41)	(0.48)	(2.41)
DILUTED PER SHARE	27	(0.48)	(2.41)	(0.48)	(2.41)
Coming from continuing operations					
BASIC EARNINGS PER SHARE	27	(0.35)	(2.37)	(0.35)	(2.39)
DILUTED PER SHARE	27	(0.35)	(2.37)	(0.35)	(2.39)

The notes are an integral part of the financial statements.

CVM – BRAZILIAN SECURITIES AND EXCHANGE COMMISSION
STANDARD FINANCIAL STATEMENTS – 12/31/2014 - LUPATECH S.A.

LUPATECH S.A. AND ASSOCIATED COMPANIES

STATEMENT OF COMPREHENSIVE INCOME
 ON DECEMBER 31, 2014 AND 2013
 (In R\$ Thousands)

	Note	Parent		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
LOSS FOR THE PERIOD		(631,008)	(378,789)	(631,008)	(378,789)
OTHER COMPREHENSIVE INCOME					
Exchange Variation on Investments Abroad	9.1	42,428	5,825	42,428	5,825
COMPREHENSIVE INCOME OF THE PERIOD		<u>(588,580)</u>	<u>(372,964)</u>	<u>(588,580)</u>	<u>(372,964)</u>
TOTAL COMPREHENSIVE INCOME ALLOCATED TO:					
Participation of controlling shareholders		(588,580)	(372,964)	(588,580)	(372,964)

The notes are an integral part of the financial statements.

**CVM – BRAZILIAN SECURITIES AND EXCHANGE COMMISSION
STANDARD FINANCIAL STATEMENTS – 12/31/2014 - LUPATECH S.A.**

LUPATECH S.A. AND ASSOCIATED COMPANIES
CONSOLIDATED STATEMENT OF CHANGES SHAREHOLDER'S EQUITY
ON DECEMBER 31, 2014 AND DECEMBER 31, 2013

(In R\$ Thousands)

	Note	Capital Stock	Capital Reserves, Options Granted	Accumulated Profit/Loss	Patrimonial Evaluation Adjustments	Total Shareholders' Equity
BALANCE ADJUSTMENT IN DECEMBER 31, 2012		740,229	13,487	(890,142)	(56,372)	(192,798)
Capital increase	21	2,209	-	-	-	2,209
Stock options	24	-	62	-	-	62
Loss of period		-	-	(378,789)	-	(378,789)
Exchange variation on investments abroad	9.1	-	-	-	5,825	5,825
BALANCE ADJUSTMENT IN DECEMBER 31, 2013		742,438	13,549	(1,268,931)	(50,547)	(563,491)
Capital increase	21	1,111,246	-	-	-	1,111,246
Loss of period		-	-	(631,008)	-	(631,008)
Exchange variation on investments abroad	9.1	-	-	-	42,428	42,428
Capital transaction Reserve	21	-	136,183	-	-	136,183
BALANCE ADJUSTMENT IN DECEMBER 31, 2014		1,853,684	149,732	(1,899,939)	(8,119)	95,358

The notes are an integral part of the financial statements.

CVM – BRAZILIAN SECURITIES AND EXCHANGE COMMISSION
STANDARD FINANCIAL STATEMENTS – 12/31/2014 - LUPATECH S.A.
LUPATECH S.A. AND ASSOCIATED COMPANIES

 STATEMENT CASH FLOW - INDIRECT METHOD
 ON DECEMBER 31, 2014 AND 2013
 (In R\$ Thousands)

		Parent		Consolidated	
	Note	12/31/2014	12/31/2013	12/31/2014	12/31/2013
CASH FLOW FROM OPERATION					
Net results		(631,008)	(378,789)	(631,008)	(378,789)
Depreciation and amortization	9 e 10	9,514	10,322	51,316	54,108
Provision for losses by non-recoverability of assets	10 e 11	95,500	18,160	121,407	18,160
Equity pick-up	9.1	167,156	141,812	17,119	13,751
Result on sale of fixed assets		349	507	28,595	48,856
Loss (Gain) on sale of investment		69,972	6,039	73,333	(11,049)
Financial expenses, net		232,843	178,909	232,805	221,934
Expenses with stock option	24	-	62	-	62
Deferred income tax and social contribution		-	(5,666)	274	(13,170)
Losses on inventory obsolescence	6	(2,037)	4,182	(69)	8,449
Provision of contractual fines		4,311	-	105,438	37,076
Allowance for doubtful accounts	5	(1,190)	189	(585)	516
(Increase) decrease in operating assets:					
Accounts receivable		(16,519)	30,167	(32,938)	50,186
Inventories		31,475	5,255	23,917	15,564
Recoverable taxes		6,197	4,012	19,504	(1,723)
Other assets		(2,374)	(3,939)	(2,410)	(17,864)
(Increase) decrease in operating liabilities:					
Suppliers		636	2,119	(13,636)	34,137
Taxes payable		3,490	(2,836)	540	(1,217)
Others		10,625	592	(48,571)	(55,848)
Cash flow from operating activities		(21,060)	11,097	(54,969)	23,139
CASH FLOW FROM INVESTING ACTIVITIES					
Cash from discontinued operations	9	-	-	-	-
Payment of capital in subsidiaries		(70,309)	(94,826)	-	-
Payment for acquisition of investment		(200)	-	(200)	-
Securities-restricted	4	950	652	972	1,345
Disposal of discontinued operations net of cash		52,420	13,163	49,547	70,729
Proceeds from the sale of fixed assets		3,000	-	35,593	-
Acquisition of fixed assets	10	(305)	(1,126)	(14,741)	(35,413)
Acquisition to intangibles	11	(2,392)	(1,774)	(3,265)	(2,101)
Cash flow from investing activities		(16,836)	(83,911)	67,906	34,560
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from loans and financing		18,601	-	163,662	138,437
Proceeds from loans and financing - Related parties		25,794	62,600	-	-
Proceeds from debentures		-	(674)	-	(674)
Proceeds from perpetual bonds		-	-	-	(13,873)
Capital increase	21	-	(197)	-	(197)
Payments of loans and financing - Principal		(6,590)	(3,239)	(183,978)	(174,093)
Payments of loans and financing - Interest		(682)	(3,741)	(11,759)	(18,481)
Cash flow from financing activities		37,123	54,749	(32,075)	(68,881)
EXCHANGE VARIATION ON CASH AND CASH EQUIVALENTS FOR SUBSIDIARIES ABROAD					
		-	-	1	6
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		(773)	(18,065)	(19,137)	(11,176)
Cash and cash equivalents at the beginning of period		910	18,975	20,676	31,852
Cash and cash equivalents at the end of period		137	910	1,539	20,676

The notes are an integral part of the financial statements.

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STANDARD FINANCIAL STATEMENTS – 12/31/2014 - LUPATECH S.A.
LUPATECH S.A. AND ASSOCIATED COMPANIES

 STATEMENT OF ADDED VALUE
 ON DECEMBER 31, 2014 AND 2013
 (In R\$ Thousands)

	Note	Parent		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
REVENUE					
Sales of goods, products and services (IPI including)	26	109,644	130,465	546,994	623,718
Revenue from sale of investments		-	-	-	-
Other revenues		63,040	12,408	102,711	68,637
Allowance for doubtful accounts - Reversal (recognition)	5	1,223	255	(33)	(508)
		173,907	143,128	649,672	691,847
ACQUIRED FROM THIRD PARTIES					
Cost of products, goods and services sold		(37,729)	(64,824)	(193,086)	(246,337)
Materials, energy, and other outsourced services		(32,699)	(16,820)	(41,954)	(38,496)
Loss/Recovery of assets	9 e 10	(95,500)	(24,271)	(121,407)	(82,903)
Low investment for sale		(122,392)	-	(128,450)	-
Other expenses	29	(28,322)	(17,575)	(198,630)	(54,306)
		(316,642)	(123,490)	(683,527)	(422,042)
GROSS ADDED VALUE		(142,735)	19,638	(33,855)	269,805
DEPRECIATION AND AMORTIZATION	9 e 10	(9,514)	(10,322)	(51,316)	(54,108)
NET ADDED VALUE GENERATED BY THE COMPANY		(152,249)	9,316	(85,171)	215,697
ADDED VALUE RECEIVED IN TRANSFER					
Equity pick-up	9.1	(167,156)	(141,812)	(17,119)	(13,751)
Financial income	28	250,143	99,448	296,979	102,154
Other income	29	-	-	-	-
		82,987	(42,364)	279,860	88,403
TOTAL ADDED VALUE TO BE DISTRIBUTED		(69,262)	(33,048)	194,689	304,100
DISTRIBUTION OF ADDED VALUE		(69,262)	(33,048)	194,689	304,100
Staff:		42,539	48,634	219,634	270,702
Direct compensation		32,793	36,761	172,401	210,460
Benefits		6,277	7,643	30,424	39,178
FGTS		3,469	4,230	16,809	21,064
Taxes and contributions:		18,737	12,869	71,832	67,377
Federal		11,036	5,643	52,575	44,983
States		7,596	7,089	14,710	16,455
Municipal		105	137	4,547	5,939
Payment of debt		500,470	284,238	534,231	344,810
Interest and other financial expenses	28	499,397	283,359	530,352	342,102
Rent		1,073	879	3,879	2,708
Other		-	-	-	-
Income (loss) on equity		(631,008)	(378,789)	(631,008)	(378,789)
Income/Loss for the period		(631,008)	(378,789)	(631,008)	(378,789)
Participação dos não-controladores		-	-	-	-

The notes are an integral part of the financial statements.

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STANDARD FINANCIAL STATEMENTS – 12/31/2014 - LUPATECH S.A.**EXPLANATORY NOTES TO FINANCIAL STATEMENTS FOR THE FISCAL YEAR ENDED ON**
DECEMBER 31, 2014 AND 2013

(In thousands of Reais except net Income (Loss) per share, or otherwise indicated)

1. Operating context

Lupatech S.A. (the “Company”) and its subsidiaries and associate companies (jointly, the “Group”), is a group comprised of 20 units and has two business segments: Products and Services and has 2,469 employees.

The Company is a corporation with headquarters in Nova Odessa, State of São Paulo, and is listed in the Sao Paulo Stock Exchange (“BOVESPA”).

The **Products segment** offers mainly to the oil and gas sector, anchoring ropes for production platforms, valves, completion tools, fiber optic sensors and vehicular natural gas compressors.

The **Services segment** offers services as workover, well intervention, drilling, coating and inspection of pipes.

Petrobras is the Company’s main client and represents approximately 62.8% of the Company’s net revenues in 2014 (68.9% in 2013). Both segments of the Company (Products and Services) are affected by revenue originating from Petrobras.

1.1. Capitalization process

The Company has in recent years as a strategy to increase its operation/participation of product offerings to the oil and gas sectors, especially during development and maintenance of production infrastructure. To this end, funds were raised in the capital market, which were applied to the acquisition of 17 businesses that contributed to the diversification of the portfolio of products and services. Concomitantly to acquisitions, resources were invested in increasing our capacity and modernization of some of the industrial parks in the expectation that this capacity was occupied from 2009.

With the financial crisis that occurred during the second half of 2008, the following years were marked by high concentration of investments in the exploration phase of oil and gas, that different stages of development and maintenance of production infrastructure, products and services of the Company are not being used as originally estimated and the plants were structured, and thus, the business operated with low capacity utilization, which in turn, coupled to a high level of leverage, and operating indicators deteriorated financial situation.

On April 5, 2012, the Company has signed with BNDES Participações S.A., Fundação Petrobras de Seguridade Social, GP Investments Ltd e San Antonio International, an Investment Agreement, in order to the strengthening the capital structure and acceleration of the business plan in services for oil and gas.

The Investment Agreement regulated the following operations, herein summarized:

- (i) the execution, by the Company, of a capital increase through a private subscription, in the amount of R\$700,000, upon the issue of 175,000,000 new common shares, all registered, book-entry and with no face value, by the issue price of R\$4.00 per common share, which was set taking into consideration the weighted average price of common shares issued by the Company in the last 20 trading sessions previous to December 26, 2011, with a discount of 18.8% over this value, in accordance with the terms of item III of paragraph 1 of the article 170 of the Law 6,404/76, as amended;

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- (ii) subscription and payment by BNDESPAR and Petros of the capital increase, in the total joint amount of up to R\$300,000, observing certain terms and conditions foreseen in the investment agreement. BNDESPAR can subscribe the capital increase with the use of credits from the convertible debentures issued by the Company, since the Company has obtained, in the Capital increase, in cash, the equivalent to the Minimum Amount, i.e., R\$350,000;
- (iii) upon the transfer of Lupapar's preference rights, the subscription and payment by Oil Field Services, of the capital increase, in cash, the amount of R\$50,000;
- (iv) incorporation, by Lupatech, of the Holding San Antonio Brasil, increasing significantly its oil and gas services scope;
- (v) the election of new members for the Board of Directors of the Company that worked together with the Executive Directors in the strengthening of the management model of the resulting company.

On May 4, 2012, was held an Extraordinary General Meeting approving matters related to capital increase, statutory changes and election of new members for the Board of Directors of the Company.

On August 9, 2012, at the extraordinary shareholders' meeting of the Company was approved the merger of San Antonio Brasil S.A. into the Company. According to the merger approved under the investment agreement, the Oil Field Services received 12.5 million new shares which added to the subscribed shares in the capital increase, amounted to 25,000,000 shares of Lupatech.

The combination of the businesses of the Company with the Holding San Antonio Brasil will allow the increase in intervention services lines of Lupatech, which should consolidate itself as the largest Brazilian services company of the oil and gas chain, with a portfolio equivalent in amplitude to the "Big Four" (four largest international companies in the sector). Besides that, the Company will accelerate its development in services in Brazil incorporating contracts already active.

During the period for exercising the preference right to subscribe for new shares of the Company, which expired on June 6, 2012, it has been subscribed 65,169,069 common shares at a price of R\$4.00 per share, resulting in a capital increase of R\$260,676. Of this total, the GP, through the Oil Field Services Holdco LLC, subscribed the amount equivalent of R\$50,000. BNDESPAR and Petros subscribed the total equivalent of all their rights, in turn proportional to their respective shareholdings in the Company, corresponding to R\$80,099 and R\$104,893, respectively. The subscription held by other investors amounted to R\$25,684, and the costs of this transaction in the amount of R\$9,635.

According to the established during the extraordinary shareholders' meeting held on May 4, 2012, the balance of unsubscribed shares will be offered on the apportionment as provided under the article 171, paragraph 7, "b" of the Law 6.404/76. On November 7, 2012 occurred the settlement of the auction of unsubscribed shares in the capital increase, where Petros and BNDESPAR acquired in the auction 28,751,878 common shares, in the total amount of R\$115,007, of which R\$90,007 were settled in cash and R\$25,000 were settled by BNDESPAR through the utilization of credits from the 2nd Issuance of Debentures Convertible into Shares with Floating Guarantee for Private Offering of the Company.

Thus, it was verified in the Capital Increase the subscription of 93,921,661 common shares, in the total amount of R\$375,687, which is an amount superior to the minimum amount of the Capital Increase determined by the Company, but much lower than the total capital increase intended.

There was an important step in the process of financial and organizational restructuring of Lupatech, resulting in the largest Brazilian company of products and services for the oil and gas sector. However, the lowest volume collected in the process did not allow the Company's comprehensive restructuring especially in the box and leverage.

1.2. Process of financial restructuring

In early 2013, the Company hired Bank of America Merrill Lynch as financial advisor to the search of the solution to the equation of its capital structure and restructuring its debt.

On November 5, 2013, by means of a material fact disclosed to the market, the Company informed its shareholders and the market in general that, as stated in the relevant facts published on April 10, May 10 and July 11, 2013, Company has worked extensively in the balance of its debt and capital structure, and aiming to continue this process, its Board of Directors approved a plan to restructure the capital structure and indebtedness of the Company and its subsidiaries.

According to the proposed structure, was offered to the Perpetual Bonds in payment of their claims, the right to subscribe to American Depositary Receipts, to the price of R\$0.25 per share, by capitalization of 85% of credits from Perpetual Bonds, with the remaining 15% in new notes, on which there compensatory interest at 3% per year, with two years grace period and amortization in the remaining five years.

Holders of Debentures, in turn, was offered the right to subscribe for new shares, to the price of R\$0.25 per share, through capitalization of 85% of claims in the Debentures and the 15% balance new debentures over which bears interest corresponding to the variation of 100% of the average daily DI - Interbank Deposit a day. Repayment will be made in the same manner as the proposal for Perpetual.

The reprofiling of debt to certain financial institutions was separated into two groups. Credit institutions with a total amount of approximately R\$50 million and collateralized payment in six years. The group of debts amounting to approximately US\$180 million guarantee to cover partial or unsecured had the option of (i) reprofiling with compensatory interest of 3% per year, with a grace period for principal and interest payment of four years and eight years; or (ii) fully convert the credits into shares under the same conditions for the capitalization of assets arising from debentures. The option chosen by the institutions was to convert 100% of the loans into shares.

Due to the bondholders being configured as a powdered group of creditors, the Company has chosen to organize the conditions of restructuring of debt in an extrajudicial recovery plan. Thus, in January 13, 2014 the Company informed its shareholders and the market in general the achievement of the necessary quorum for the extrajudicial recovery plan, presented to perpetual bonds holders, were submitted for approval at an Extraordinary General Meeting and to judgment in approval. The plan was approved by "bondholders" holders of 84.98% of the total value of bonds issued by its wholly owned subsidiary Lupatech Finance Limited.

On February 13, 2014 the Company filed the Extrajudicial Reorganization Plan in the district of Nova Odessa.

The restructuring of the financial debt as well and the filing of court reorganization plan of the Company and its subsidiaries that are guarantors of the debt represented by Perpetual Bonds issued by Lupatech Finance Limited, a wholly owned subsidiary of the Company were approved at the Extraordinary General Meeting held on March 10, 2014.

On June 6, 2014, the Extrajudicial Reorganization Plan presented to holders of Perpetual been judicially approved.

On June 27, 2014, the bankruptcy court in New York, in the United States, recognized the effects of the Extrajudicial Reorganization Plan of the Company and its subsidiaries in the U.S. territory, acknowledged the process of Extrajudicial Company in the United States of America, pursuant to Chapter 15 of Title 11 of the Code of the United States of America ("Chapter 15") and granted an injunction to prevent others from joining with legal actions against the Company and its subsidiaries in the United States of America.

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On July 14, 2014, the Company entered into an investment agreement with two of its biggest financial creditors, which sets out the terms and conditions related to the capitalization of credits owned by such banks as part of the Company's capital increase in connection with the implementation of the Plan and its restructuring. The capitalization of the credits owned by such creditor banks came under increased capital increase.

Additionally, the U.S. Bankruptcy Court, sitting in the Southern District of New York, considering the absence of any contrary any demonstrations by any lender, acknowledged in July 14, 2014, the effects of the plan in the United States of America, pursuant to chapter 15 of title 11 of the Code of the United States of America ("Chapter 15").

At the Board of Directors held on July 22, 2014, was approved the call for increased capital of the Company within the limit of authorized capital, which enabled the implementation of the Extrajudicial Reorganization Plan on the terms and conditions described in the Notice to Shareholders, released on July 22, 2014.

On September 23, 2014 was the deadline for subscription to unsubscribed shares of the Company in the capital increase, by the holders of subscription rights that have made reservations upon subscription during the term for exercise of their preemptive right. During the term for subscription of unsubscribed shares, 1,550,777,224 common shares have been subscribed, at the issue price of R\$0.25 per share, totaling R\$387,694.

As a result, the Capital Increase comprised the private subscription for 4,432,666,217 new registered common shares with no par value, at the issue price of R\$0.25 per share, totaling R\$1,108,166, and from this total R\$1,097,356 corresponds to the amount subscribed for by capitalization of credits and R\$10,809,714.75 to the amount subscribed in cash. Considering the maximum amount were not subscribed 847,333,783 common shares.

Considering that: (i) the Minimum Amount was reached during the term for exercise of the preemptive right, (ii) all credits held by holders of credits that have manifested within the term for exercise of the preemptive right may be fully capitalized after the leftover rounds and (iii) no Event of Non-Ratification occurred, the Board of Directors of the Company met on September 30, 2014 hereof to partially ratify the Capital Increase, the total number of shares issued by the Company and, consequently, to cancel the common shares not subscribed within the scope of the Capital Increase.

Additionally, considering the ratification of the Capital Increase and occurrence of the conditions precedent approved at an annual meeting of debenture holders commenced on August 7, 2014 and ended on August 14, 2014, the restructuring of credits resulting from the debentures issued by the Company became effective as from the September 30, 2014, as well as the "Fourth Amendment to the Private Deed of 2nd Issue of Debentures Convertible into Shares with Floating Guarantee for Private Placement of Lupatech S.A." and the terms and conditions set forth therein for Series A Debentures and Series B Debentures. As a result, the Board of Directors also approved the mandatory conversion of Series B Debentures into shares issued by the Company, by means of the issuance of 106,783,549 new common, registered, book-entry shares, with no par value, within the limit of the Company's authorized capital, at the price of R\$0.25 per common share issued by the Company.

As a result of the Capital Increase and Mandatory Conversion, the Company's capital was increased from R\$752,269 to R\$1,887,132, divided into 4,697,054,385 common, registered, book-entry shares with no par value.

The common shares issued in the Capital Increase and Mandatory Conversion shall have identical characteristics to the other existing common shares, and they shall entitle their holders to the same rights provided in the Company's Bylaws, in the applicable laws and in the "Novo Mercado" Regulation of

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BM&FBOVESPA S.A, including entitlement to dividends and Interest on shareholders' equity, in full, declared as from the date hereof.

As a result of the Capital Increase, the Company has not obtained any funds, since it is a capitalization of credits and/or mandatory conversion into shares. Specifically in regard to the capitalization of credits by holders of Perpetual Bonds, Debentures and other institutions that hold credits listed in the Extrajudicial Reorganization Plan against Lupatech Group, the amounts paid by holders of subscription rights that have exercised their corresponding preemptive rights, duly paid in Brazilian currency, shall be delivered proportionally to the holders of credits to be capitalized, pursuant to article 171, paragraph 2 of Law No. 6404, of December 15, 1976, as amended ("Brazilian Corporate Law").

Additionally, the Board of Directors approved the issue of new notes representing the debt denominated in US dollars with face value equivalent to fifteen percent (15%) of the amount adjusted until July 18, 2014 (including principal and accrued and unpaid interest) of the Perpetual Bonds, by Lupatech Finance Limited, a wholly-owned subsidiary of the Company, under the terms and conditions set forth in the Company's Extrajudicial Reorganization Plan and certain controlled companies.

Below is the board showing the effects of restructuring of indebtedness of the Company and its subsidiaries and capital conversion process:

	Balance before restructuring	Reestruturing process	Balance after the closing of the restructuring process
<u>CURRENT LIABILITIES</u>			
Loans and financing	365,955	(309,071)	56,884
Debentures	433,378	(433,378)	-
Perpetual bonds	689,538	(689,538)	-
	1,488,871	(1,431,987)	56,884
<u>NON-CURRENT LIABILITIES</u>			
Loans and financing	46,089	98,653	144,742
Debentures	-	71,715	71,715
Bonds	-	127,968	127,968
	46,089	298,336	344,425
<u>SHAREHOLDERS' EQUITY</u>			
Paid-up Capital	742,438	1,134,862	1,877,300
Capitalization process costs	-	(23,616)	(23,616)
	742,438	1,111,246	1,853,684

1.3. Process of divestment of assets non core and financial balance

Concomitant to the capitalization and restructuring of the debt process, to enable support for short-term cash flow and minimum viability of liquidity for the Company were performed important cash reinforcements coming especially from the process of divesting assets "non-core":

On October 11, 2013, sale of operations Lupatech Tubular Services – Rio das Ostras, Unit Services segment, by VTS. The proposal included the acquisition of machinery, equipment and facilities for R\$58,098, generating the entry of R\$49,617 in 2013 and R\$8,481 in April 2014.

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On July, 23 2014, entry of R\$14,000 regarding the sale of the land dismembered area of larger portion of rural property called “Imboassica”, located in city of Macaé – RJ, belonging belonging Lupatech - Equipment and Services for Petróleo Ltda.

On July 23, 2014 was sold the land in the city of Macaé, owned by Lupatech - Equipment and Services for Oil Ltd., creating the entry of R\$14,000.

On October 28, 2014 wer sold its Argentine subsidiaries Válvulas Worcester de Argentina S.A., Esferomatic S.A., Norpatagonica S.A., Válvulas W. San Luis, and Industria y Tecnologia en Aceros S.A. to the private equity fund Sophia Capital through its operational entity Flow Management Industries UK Ltd. The final acquisition price was fixed at US\$22 million, considering that US\$10 million were paid on the November 3, 2014, and US\$12 million remaining on November 14, 2014.

On January 29, 2015 was concluded the sales its indirect subsidiary Jefferson Sudamericana S.A., and its related entities Jefferson Solenoid Valves U.S.A., Inc., Valjeff S.A. de C.V. and Jefferson Solenoidbras Ltda. to the Argentinean business men Ricardo and Felipe Menendez through its operational entities Jikur S.A. and Jatdery S.A., based in Uruguay. The final acquisition price was fixed in US\$5,7million, considering that,US\$4,2 million were paid at the present date and US\$1,2 million will be paid in up to 3 (three) years as of the Closing through the non-materialization of eventual contingencies claimed by the Buyer, as well as the recovery of retained exports credits.

Additionally, the Company is working hard on improving the efficiency of working capital, the cost reduction process and the restructuring of operations with a view to improving performance in order to maximize operating cash flow. These efforts, combined with other potential opportunities for asset divestitures non-core and attract investors, aims to reinforce the box structure and support to operational demands planned for the year 2015.

1.4 business continuity

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. Thus, the Administration developed at the close of the year ended December 31, 2014, projections of operations and cash flows for the twelve months following the end of the year, considering scenarios and assumptions based on their judgment, including the effects of the following actions already put in place by the Company:

- Renegotiation of financial debt
- Divestment of non-core units with cash contributions
- Operational Restructuring
- Programs for efficient use of working capital to ensure the implementation of the 2015 business plan

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. Management has conducted some actions and negotiations, with the support of its financial advisors Bank of America Meryll Lynch, which may include capital transactions and/or divestiture of assets, among others, in order to obtain the necessary financial resources. Considering the progress and current status of these actions, Management estimates that the funds will be obtained in the 2015 and in sufficient amounts to allow normal business continuity.

2. Basis of preparation

2.1. Statement of compliance with 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 of the parent company have been prepared in accordance with accounting practices generally accepted in Brazil (BR GAAP).

The review of Technical Pronouncement 7 (approved in December 2014) resulted in amendments to CPC 35, CPC 37 and CPC 18 and authorized the use of the equity income method in separate financial statements in IFRS, thereby eliminating this difference between BR GAAP and IFRS.

The issue of individual and consolidated financial statements was authorized by the Board of Directors on March 27, 2015.

2.1.1. Re-presentation of the financial statements previously disclosed

a) Re-presentation of the statements of income consolidated on December 31, 2013

Given the existence of discontinued operations in 2014, the Company is restating the income statement for the previous year 2013 to classify separately income from discontinued operations, as shown below:

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	Consolidated		
	Original balances presented in 12/31/2013	Balances Company of Argentinas in 12/31/2013	Balances adjusted in 12/31/2013
NET REVENUE FROM SALES	565,289	125,013	440,276
COST OF GOODS SOLD	(483,216)	(77,961)	(405,255)
GROSS PROFIT	82,073	47,052	35,021
OPERATING INCOME/EXPENSES			
Selling	(37,707)	(13,851)	(23,856)
General and administrative	(91,217)	(8,572)	(82,645)
Management compensation	(6,318)	-	(6,318)
Equity pick-up	(13,751)	-	(13,751)
Other operating expenses (income), net	(59,953)	(193)	(59,760)
OPERATING INCOME/EXPENSES BEFORE FINANCIAL RESULTS	(126,873)	24,436	(151,309)
FINANCIAL RESULTS			
Financial income	24,032	685	23,347
Financial expenses	(173,308)	(3,127)	(170,181)
Exchange variation, net	(88,903)	2,937	(91,840)
LOSS BEFORE TAX / HOLDING	(365,052)	24,931	(389,983)
PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION			
Current	(8,437)	(8,782)	345
Deferred	13,170	131	13,039
LOSS OF CONTINUED OPERATIONS	(360,319)	16,280	(376,599)
INCOME (LOSS) FROM DISCONTINUED OPERATIONS	(18,470)	(16,280)	(2,190)
INCOME (LOSS) FOR THE PERIOD OF CONTINUED AND DISCONTINUED OPERATIONS	(378,789)	-	(378,789)
Attributed to:			
Parent company's interest	(378,789)	-	(378,789)

2.2. Basis of preparation

The financial statements were elaborated on the basis of historical cost, except for determined financial instruments measured by their fair values, as it is described in the accounting practices to be followed. The historical cost is generally based on the fair value of the counter installments paid in exchange of assets.

2.2.1. Basis of consolidation and investments in subsidiaries

The consolidated interim financial statements include the interim financial statements of Lupatech S.A. and its subsidiaries.

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2.2.1.1. Subsidiaries

Subsidiaries are all entities whose financial and operational policies may be carried out by the Group and in which there is an ownership interest of more than half of the voting rights. Subsidiaries are fully consolidated as of the date on which the control is transferred to the Group and are no longer consolidated as of the date on which the control ends, or where the investments classified as “held for sale”, in which case it is accounted for in accordance with IFRS – Non –Current Assets Held for Sales and Discontinued Operations (equivalent to CPC 31).

The purchase accountability method is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of assets offered, instruments in capital shares issued and liabilities incurred or assumed on the exchange date. The identifiable assets acquired, the contingencies and the liabilities assumed in a business combination are initially measured by their fair value on the acquisition date. The acquisition cost surplus which exceeds the fair value of the Group's interest in the identifiable net assets is recorded as goodwill. If the acquisition cost is lower than the fair value of the acquired subsidiary's net assets, the difference is recognized as gain in the statement of income for the year in which the acquisition takes place.

The Group's intercompany operations, as well as unrealized gains and balances in these operations, were eliminated. The subsidiaries' accounting policies were adjusted to ensure consistency with the accounting policies adopted by the Group.

2.2.1.2. Jointly-owned subsidiaries

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

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

Jointly-owned subsidiaries	Direct and indirect participation (%)	
	12/31/2014	12/31/2013
<u>Direct participation</u>		
Luxxon Participações S.A. - (Brazil) (*)	43.71	43.71
<u>Indirect participation</u>		
Aspro do Brasil Sistemas de Compressão p/ GNV Ltda. - (Brazil) (*)	43.71	43.71
Aspro Serviços Centro Ltda. - (Brazil) (*)	43.71	43.71
Compressores Panamericanos S.R.L. - (Argentina) (*)	43.71	43.71
Delta Compresión S.R.L. - (Argentina) (*)	43.71	43.71
Sinergás GNV do Brasil Ltda. - (Brazil) (*)	43.71	43.71

(*) From 2013 Joint Venture

2.2.1.3. Associate companies

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An associate company is an entity in which the Company exercises a significant influence, by means of participation in the decisions related to its financial and operating policies, but which does not hold joint control over these policies.

Financial investments in associate companies are recorded by the equity method of accounting. Additionally, these interests may be adjusted by the recognition of impairment losses.

2.2.1.4. Companies comprising the consolidated statements

The consolidated financial statements include the accounting information of Lupatech S.A. and its direct and indirect subsidiaries, as shown below:

Direct and indirect subsidiaries	Direct and indirect participation (%)	
	12/31/2014	12/31/2013
<u>Direct participation</u>		
Mipel Ind. e Com. de Válvulas Ltda. - (Brazil)	100.00	100.00
Lupatech Equipamentos de Serviços para Petróleo Ltda. - (Brazil)	100.00	100.00
Lupatech Finance Limited - (Cayman)	100.00	100.00
Lupatech II Finance Limited - (Cayman)	100.00	100.00
Industria Y Tecnologia En Aceros S.A. - (Argentina) (*)	-	95.00
Recu S.A. - (Argentina)	95.00	95.00
Válvulas Worcester de Argentina S.A. - (Argentina) (*)	-	95.00
Norpatagônica S.R.L. - (Argentina) (*)	-	96.58
Lupatech OFS Coöperatief U.A. - (Netherlands)	100.00	100.00
Lupatech Netherlands Coöperatief U.A. - (Netherlands)	2.29	2.24
Lochness Participações S.A. - (Brazil)	100.00	100.00
<u>Indirect participation</u>		
Industria Y Tecnologia Em Aceros S.A. - (Argentina) (*)	-	5.00
Recu S.A. - (Argentina)	5.00	5.00
Válvulas Worcester de Argentina S.A. - (Argentina) (*)	-	5.00
Esferomatic S.A. - (Argentina) (*)	-	100.00
Válvulas W. San Luiz - (Argentina) (*)	-	100.00
Jefferson Sudamericana S.A. - (Argentina) (**)	100.00	100.00
Jefferson Solenoid Valves U.S.A., Inc. - (USA) (**)	100.00	100.00
Valjeff, S.A. de C.V. - (Mexico) (**)	100.00	100.00
Jefferson Solenoidbras Ltda. - (Brazil) (**)	100.00	100.00
Norpatagônica S.R.L. - (Argentina) (*)	-	3.42
Lupatech Netherlands Coöperatief U.A. - (Netherlands)	97.71	97.76
Lupatech OFS S.A.S. - (Colombia)	100.00	100.00
Lupatech Perfuração e Completação Ltda. - (Brazil)	100.00	100.00
Sotep Sociedade Técnica de Perfurações S.A. - (Brazil)	100.00	100.00
Prest Perfurações Ltda. - (Brazil)	100.00	100.00
Itacau Agenciamentos Marítimos Ltda. - (Brazil)	100.00	100.00
Matep S.A. Máquinas e Equipamentos - (Brazil)	100.00	100.00
Amper Amazonas Perfurações Ltda. - (Brazil)	100.00	100.00
UNAP International Ltd. - (Cayman)	100.00	100.00

(*) Company sold in 2014.

(**) Company reported as assets classified as held for sales and liabilities directly associated with assets held for sale.

3. Main accounting practices

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

3.1. Business combination

In the consolidated financial statements, the acquisitions of businesses are accounted by method of acquisition. The counterpart transferred in a combination of businesses is measured by the fair value, which is calculated by the total amount of fair value of the assets transferred by the Group, the liabilities that occurred by the Group in the acquisition date for the previous controllers of the acquired and the participations emitted by the Group in exchange of the control of the acquired company. The costs related to the acquisition are generally recognized in the income statement, when they occur.

On the acquisition date, the assets acquired and liabilities assumed identifiable are recognized at fair value at the acquisition date, except for:

- deferred tax assets or liabilities and the assets and liabilities related to employee benefit arrangements are recognized and measured in accordance with IAS 12 - Income Taxes and IAS 19 - Employee Benefits (equivalent to CPC 32 and CPC 33), respectively;
- liabilities or equity instruments related to agreements to share-based payment arrangements of the acquiree or share-based payment Group concluded agreements in place to share-based payment of the acquiree are measured in accordance with IFRS 2 - Share-based Payment (equivalent to CPC 10 (R1)) at the acquisition date, and
- assets (or disposal groups) classified as held for sale in accordance with IFRS 5 - Non-current Assets Held for Sale and Discontinued Operations (equivalent to CPC 31) are measured as the standard.

The goodwill is measured as the excess of the total of the counterpart transferred, the value of the non-subsidiaries participations in the acquired company and the fair value of the participation of the acquirer previously detained in the acquired (if any) on the net values on the acquisition date of the assets acquired and the identifiable liabilities assumed. If, after the evaluation, the net values of the assets acquired and the identifiable liabilities assumed on the acquisition date are superior to the transferred total of the counterpart, the value of non- subsidiaries participations in the acquired and the fair value of participation of the acquirer previously detained in the acquired (if any), the excess is immediately recognized in the income as gained.

When a business combination is realized in steps, the participation previously detained by the Group on the acquired company is measured again by the fair value on the date of acquisition (on the date that the Group assumes control) and the correspondent gain or loss, if any, is recognized in the result.

If the initial accounting of a business combination is incomplete on the closing of the period that it took place, the Group registers the temporary values of the items whose accounting is incomplete. These temporary values are adjusted during the period of measurement (that cannot be superior to one year starting from the date of acquisition), or additional assets and liabilities are recognized to reflect the new information obtained related to facts and circumstances existing on the date of acquisition that, if known, would have affected the recognized values on that date.

3.2. Cash and cash equivalents

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

3.3. Securities

The securities are classified in the following categories: held to maturity securities, available for sales securities and trading securities at the fair value recognized with counterpart in the income statement (trading securities). Classification depends on the purpose of the acquisition of the investment. When the objective of the acquisition of the investment is the application of resources in order to gain short term profit, these are classified as trading securities; when the intention is to effectuate the application of resources in order to maintain the applications until maturity, these are classified as securities held to maturity, provided that the Administration has the intention and the financial conditions to maintain the financial investment until its maturity. When applicable, the costs developed directed attributed to the acquisition of a financial asset are added to the amount originally recognized, except for the trading securities, which are registered by the fair value with a counterpart in the income.

The securities held to maturity are measured by the amortized cost including interest, monetary correction, exchange rate variation, minus the losses of the recovered value, when applicable, incurred until the date of financial statements. The securities classified as trading securities are measured by their fair value. The interest, monetary correction and exchange rate variation, when applicable, are recognized in the income when incurring. The variations originating from the evaluation at fair value, with the exception of losses of recoverable value, are recognized in comprehensive income when incurring. The accumulated gains and losses registered in the Shareholders' Equity are reclassified for the result of the fiscal year in the moment when these investments are made in register or considered non-recoverable.

3.4. Derivative financial instruments

The Company values the derivative financial instruments by their fair value on the date of contract and are later measured again by the fair value in the closing of the financial statements. Eventual gain or loss is immediately recognized on the income statement unless the derivative is designated and effective as an instrument of "hedge"; in this case, the moment of recognition in the result depends on the nature of the "hedge" relation.

Hedge Accounting

In the beginning of the hedge relation, the Company documents the relation between the instrument to hedge and object item of hedge with its objectives in the management of risks and its strategy to assume specific hedge operations. Additionally, in the beginning of hedge and in a continuous manner, the Group documents if the instrument to hedge used in a relation of hedge is highly effective in the compensation of the changes of fair value or cash flow of the object item of hedge, attributable to the risk subject to hedge.

The effective part of the changes in the fair value of derivatives that was designated and qualified as hedge of cash flow is recognized in the comprehensive income and accumulated in the rubric "Adjustments of Patrimonial Evaluation". The gain and loss related to the ineffective part are immediately recognized in the result of the rubric "Financial Income (Expenses)".

The values previously recognized in other comprehensive income and accumulated in the equity are reclassified for the result in the period when the object item of hedge is recognized in the result, in the same statement rubric of the result in which the item is recognized. Nevertheless, when a foreseen

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transaction of a hedge object results in the recognition of non-financial asset or liability, the gain and loss previously recognized in other comprehensive income and accumulated in the equity are transferred to the initial measurement of the cost of this asset or liability.

Hedge accounting is discontinued when the Group cancels its hedge relationship or the instrument to hedge expires or has expired, has been terminated or executed or does not anymore qualify as hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in the equity of in that date remains in the equity and is recognized when the foreseen transaction is finally recognized in the result. When the transaction is not expected to take place, the gain or loss accumulated and deferred in the equity is immediately recognized in the result.

Embedded Derivatives

When the Company becomes part of the hybrid instrument (combined) that contains one or more embedded derivatives, the Company evaluates if they can be separated from the main contract and, in the case of those that such separation is required, they are evaluated by the fair value in the initial recognition and later on by the fair value by means of result.

3.5. Adjustment to present value

Adjustment to present value is recognized on transactions which originate an asset, liability, income or expense or another change in shareholders' equity whose counter-entry is a non-current asset or liability, receivable or payable, or short-term asset or liability, when there is a material effect, is recognized at present value, based on the discount rates that reflect the best market assessments regarding the time value of money, and specific risks of assets and liabilities on their original dates.

Adjustment to present value is presented as an adjustment account of receivables and payables and is allocated to the result as financial income or expense by the accrual basis of accounting, by the effective interest rate method.

3.6. Accounts receivable from customers

These are stated at the face values of the titles plus the exchange fluctuation and adjusted to present value until the balance sheet date, when applicable. The allowance for doubtful accounts is recognized, when necessary, based on the client portfolio analysis, in an amount deemed as sufficient by the management to cover possible losses estimated in the realization of credits.

3.7. Inventories

Inventories are appraised at the average purchase or production cost, taking into account the method of complete absorption of industrial costs, below the replacement cost or realizable amounts. The inventories provisions of low or no rotation are constructed when considered necessary by the Administration.

3.8. Intangible assets**a) Goodwill**

The goodwill resulting from a business combination is demonstrated at cost on the date of the business combination (see item 3.1), net in the accumulated loss of the recoverable value, if any.

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According to ICPC 9, the goodwill of acquisitions of subsidiaries reasoned by future profitability is registered in the individual financial statements (parent) as “investments” and in the consolidated financial statements as “intangible asset”. The instalment reasoned as the most valuable of the fixed asset is classified, in the balance sheet of parent, as “investments” and in the consolidated balance sheet as the correspondent asset.

The goodwill is tested annually, or within a shorter period, when there is indication of investment deterioration, in order to verify probable loss (impairment).

The goodwill is allocated in the generating cash units (UGCs) with the aim to test for impairment. The allocation is made for the Cash Generator Units or for the Cash Generator Group of Units that should benefit from the combination of businesses, from which the goodwill originated, properly segregated, according to the operational segment.

b) Software and product and process development

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

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

3.9. Fixed assets

It is recorded at acquisition or manufacturing. Depreciation is calculated on the straight-line method to the rates, which take into consideration the estimated useful economic life of assets.

The financial charges incurred over the value of the loans and financing invested in the fixed assets in construction and installation are capitalized in the cost of those works during the construction stage and amortized since the beginning of the asset operations.

3.10. Provision for impairment on asset

On the date of each annual financial statement, the Company analyzes if there is any evidence that the book value of an asset will not be recovered (impairment). If such evidence is recognized, the Company estimates the recoverable value of the asset.

Impairment is recognized by the value at which the book value of the asset exceeds its recoverable value. The latter is the highest value between the fair value of an asset minus sale costs and the value in use.

Independent of the existence of indication of non recuperation of their book value, goodwill balances originating from the business combination and intangible assets of indefinite useful life have their recovery tested at least once a year.

3.11. Loans, financings and debentures

Loans, financings and debentures (installment relating to debt instrument) are stated at amortized cost. They are presented at net of transaction costs incurred and are subsequently measured at amortized cost using the effective interest rate method.

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The incurred costs directly related to the issuance of bonds and debts were allocated as current and non-current liabilities. These costs are recorded in income statements for the financing period as a supplement to the fund raising cost, thus adjusting the operation's effective rate.

3.12. Current and deferred income tax and social contribution

The tax is recognized in the statement of income, except when it refers to items directly recognized in the shareholders' equity. In this case, the tax is also recognized in the shareholders' equity.

Current income tax and social contribution charges are calculated based on tax laws enacted, or substantially enacted, on the balance sheet date of countries in which the Group operates and generates taxable results.

Deferred taxes were recognized taking into account prevailing rates for the income tax and social contribution over temporary differences and tax losses and negative basis of social contribution to the extent their realization is probable and only include companies levied by taxable income.

The deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same taxation authority on the same taxable entity.

Deferred tax assets recognized in consequence of tax losses, negative basis of social contribution and temporary differences are supported by projections of taxable income, on the basis of technical feasibility studies, submitted annually to the Company's Management. These studies consider the history of profitability Company and its subsidiaries and the prospect of maintaining profitability, allowing an estimated recovery of claims in the future years. Other credits, which are based on temporary differences, mainly the provision for tax liabilities, as well as the provision for losses, were recognized as the expectation of its realization and also take into consideration the expectation of future taxable profits. Deferred tax assets are not recorded when there is no firm evidence of their achievement.

3.13. Employee and management benefits**a) Share-based compensation**

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

b) Employees and Management profit sharing

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

3.14. Provisions

A provision is recognized in the balance sheet when the Company and its subsidiaries have a legal obligation or one recorded as a result of a past event and it is probable that an economic resource is required to pay the obligation. The provisions for contingencies are recorded based on the best estimates of the risk involved (Explanatory Note 19). When some or all economic benefits required for the clearance of a provision are expected to be recovered by a third party, an asset is recognized if, and only if, the return is virtually right and the value can be measured in a reliable manner.

3.15. Other rights and obligations

They are demonstrated by the realization values (assets) and by recognized values or calculable, plus, when applicable, the corresponding charges and monetary variations that may occur (losses).

3.16. Critical accounting judgments and estimates

The preparation process of the quarterly financial statements involves the use of accounting estimates by the Management. Significant items subject to these estimates and assumptions include the selection of useful lives of fixed assets and intangible assets and the analysis of their recovery in operations (impairment test), income taxes recovery deferred asset, credit risk analysis to determine the allowance for doubtful accounts, analysis of the other risks to determine other provisions, including tributary, labour and civil risks and evaluation of financial instruments and other assets and liabilities on the balance sheet date. The settlement of transactions involving these estimates may result in values different from those recorded in the accounting statements due to inaccuracies inherent to the estimate process. The Company periodically reviews its estimates and assumptions.

In order to provide an understanding of how the Company forms its judgments about future events, including the variables and assumptions used in the estimates, we have included comments related to each critical accounting practice described as follows:

a) Deferred income tax

The amount of the deferred income tax asset is revised on each date of the Financial Statements and reduced by the amount which is no longer realizable through future taxable income. Deferred tax assets and liabilities are calculated using the tax rates applicable to the taxable income in the years in which these temporary differences shall be realized. The future taxable income may be higher or lower than the estimates considered upon the definition of the need to record, and the amount to be recorded, of the tax asset.

The tax benefits recognized on tax losses and negative basis of social contribution are supported by projections of taxable income on the basis of technical feasibility studies, submitted annually to the Management of the Companies. These studies consider the historical profitability of the Company and its subsidiaries and the prospect of maintaining profitability, allowing an estimated recovery of claims in future years. The remaining claims, which are based on temporary differences, mainly the provision for tax liabilities, as well as provision for losses, were recognized as the expectation of its realization, also taking into consideration the projections of future tributary results.

b) Market value of derivative financial instruments not listed

The Company has identified derivative embedded financial instruments relating to the issuance of debentures, which involve commitments to early redemption and mandatory conversion of the debentures

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under the conditions described in note 14. These derivative financial instruments are recorded in the Company's balance sheet under the "Debentures", and such valuation involves a series of estimates that may have significant impact on the outcome of the calculation. The company hires outside experts to assist in assessing the fair value of derivatives, particularly when this evaluation requires high technical skills. The evaluation of assets and liabilities is based on assumptions and criteria which, in some cases includes estimates of the exercise price, conversion period, interest rate, volatility of action, expected dividends, etc. The model used for pricing and valuation of these derivative instruments was the method of Monte Carlo simulation.

The market value recognized in its financial statements may not necessarily present the amount of cash that the Company would receive or pay, as appropriate, if the Company liquidate the transactions on the balance date.

c) Useful life of long-lived assets

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

d) Valuation of assets acquired and liabilities assumed in business combinations

During the last years, as described in note 9, the Company carried out some business combinations. Pursuant to IFRS 3, applied for acquisitions occurred after the transition date to IFRS, the Company must allocate the acquired entity cost to assets acquired and liabilities assumed, based on their fair values estimated on the acquisition date. Any difference between the acquired entity cost and the fair value of assets acquired and liabilities assumed is recorded as goodwill. The Company uses significant judgments in the identification process of tangible and intangible assets and liabilities, evaluating such assets and liabilities and in the determination of their remaining useful life. The Company usually hires external valuation companies to assist in the valuation of assets and liabilities, particularly when this valuation requires high technical qualification. The valuation of these assets and liabilities is based on assumptions and criteria which can include estimates of future cash flows discounted by the appropriated rates. The use of the assumptions used for valuation includes estimates of discounted cash flow or discount rates and may result in estimated values different from assets acquired and liabilities assumed.

The Company does not believe that there are indicative of a material change in estimates and assumptions used to complete the allocation of the purchase price and estimate the fair value of assets acquired and liabilities assumed. However, if current results are not consistent with the estimates and assumptions used, the Company may be exposed to losses that may be material.

e) Test of reduction of the recoverable value of long-lived assets

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

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

Not matter if there is or not any indication that the value of an asset may not be recovered, the goodwill balances originating from business combination and intangible assets with indefinite useful life are tested for measurement of recoverability at least once a year, or a shorter period of time when there are

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circumstances that require more frequent analyses. When the residual value of an asset exceeds its recoverable amount, the Company recognizes a reduction in the amount recorded for these assets.

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

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

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

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

3.17. Statement of income

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

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

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

3.18. Translation into foreign currency

a) Functional currency and presentation currency

The financial statements of each subsidiary used as base for the evaluation of the investments with the method of equity are prepared using the functional currency of each entity. The functional currency of an entity is the currency of the primary economic environment within which it operates. In order to define the functional currency of each one of its subsidiaries, the Administration considered which currency

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significantly influences the sale price of its products and services and which currency is used to pay or incur the greatest part of the costs of its production input. The financial statements are presented in reais (R\$), which is the functional and presentational currency of Lupatech S.A.

The functional currency of each entity is listed below:

Direct and indirect subsidiaries	Functional Currency	Country
<u>Direct participation</u>		
Mipel Ind. e Com. de Válvulas Ltda.	Real	Brazil
Lupatech Equipamentos de Serviços para Petróleo Ltda.	Real	Brazil
Lupatech Finance Limited	US Dollar	Cayman
Lupatech II Finance Limited	US Dollar	Cayman
Industria Y Tecnologia En Aceros S.A.	Peso ARS	Argentina
Recu S.A.	Peso ARS	Argentina
Válvulas Worcester de Argentina S.A.	Peso ARS	Argentina
Norpatagônica S.R.L.	Peso ARS	Argentina
Lupatech OFS Coöperatief U.A.	US Dollar	Netherlands
Lupatech Netherlands Coöperatief U.A.	US Dollar	Netherlands
Lochness Participações S.A.	Real	Brazil
<u>Indirect participation</u>		
Industria Y Tecnologia Em Aceros S.A.	Peso ARS	Argentina
Recu S.A.	Peso ARS	Argentina
Válvulas Worcester de Argentina S.A.	Peso ARS	Argentina
Esferomatic S.A.	Peso ARS	Argentina
Válvulas W. San Luiz	Peso ARS	Argentina
Jefferson Sudamericana S.A.	Peso ARS	Argentina
Jefferson Solenoid Valves U.S.A., Inc.	US Dollar	EUA
Valjeff, S.A. de C.V.	Peso Mexicano	Mexico
Jefferson Solenoidbras Ltda.	Real	Brazil
Norpatagônica S.R.L.	Peso ARS	Argentina
Lupatech Netherlands Coöperatief U.A.	US Dollar	Netherlands
Lupatech OFS S.A.S.	Peso Cop	Colômbia
Lupatech Perfuração e Completação Ltda.	Real	Brazil
Sotep Sociedade Técnica de Perfurações S.A.	Real	Brazil
Prest Perfurações Ltda.	Real	Brazil
Itacau Agenciamentos Marítimos Ltda.	Real	Brazil
Matep S.A. Máquinas e Equipamentos	Real	Brazil
Amper Amazonas Perfurações Ltda.	Real	Brazil
UNAP International Ltd.	US Dollar	Cayman
<u>Jointly-owned subsidiaries</u>	Functional Currency	Country
<u>Direct participation</u>		
Luxxon Participações S.A.	Real	Brazil
<u>Indirect participation</u>		
Aspro do Brasil Sistemas de Compressão p/GNV Ltda.	Real	Brazil
Aspro Serviços Centro Ltda.	Real	Brazil
Compressores Panamericanos S.R.L.	Peso ARS	Argentina
Delta Compresión S.R.L.	Peso ARS	Argentina
Sinergás GNV do Brasil Ltda.	Real	Brazil

b) Transactions and balances

Transactions in foreign currency are converted into the functional currency using the exchange rate in vigour on the transaction date. The gains and losses resulting from the difference between the conversion of the asset and liability balances, in foreign currency, on the closure of the fiscal year, and the conversion of the transaction values, are recognized in the income statement.

c) Group Companies

The results and financial position of all companies of the Group used as base for the evaluation of the investments evaluated by the equity method, which have a different functional currency than the presentational currency, are converted into the presentational currency according to the following:

- i) The assets and liabilities balances are converted according to the exchange rate in vigour on the date of the balance closing;
- ii) Income accounts are converted into the monthly average foreign exchange rate;
- iii) The goodwill balances by future profitability expectation originating from the acquisition of entities abroad, performed after the implementation of CPCs/IFRS, and any other adjustments on the fair value of the book values of assets and liabilities originating from this acquisition of this entity abroad are treated as assets and liabilities of an entity abroad. This way, they are expressed in the functional currency of the respective entity acquired abroad and are converted according to the closing exchange rate of respective balance; and
- iv) All differences resulting from the conversion of exchange rates are recognized in the Shareholders' Equity, the Statement of Comprehensive Income and the "Cumulative Translation Adjustment" line, subaccount of the group "Equity Evaluation Adjustment".

3.19. Gain (Loss) per share

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

The diluted gain (loss) per share is calculated by adjusting the weighted average number of outstanding common shares to presume the conversion of all potential diluted common shares.

3.20. Investments in subsidiaries (Parent Company)

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

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

3.21. Operating Segments Report

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

3.22. Value Added Statement (“VAS”)

This statement aims at providing proof of the wealth created by the Company and its distribution during a specific amount of time and is presented by the Company, as required by the Brazilian societal legislation, as part of its individual financial statements and as supplementary information to the consolidated financial statements, as it is not an expected statement, neither is it obligatory according to the IFRSs.

VAS was prepared based on information obtained from the accounting records that serve as base for the preparation of the financial statements and following the patterns contained in the CPC 09 - Value Added Statement. In its first part, it presents the wealth created by the Company, represented by income (sales gross income, including the tributes originating from itself, the other incomes and effects of the provision for dubious liquidation credits), for inputs acquired by third parties (cost of sales and acquisition of materials, energy and third party services, including the tributes included in the moment of acquisition, the loss effects and recovery of asset values and the depreciation and amortization) and the added value received by third parties (result of equity method, financial income and other incomes). The second part of the VAS presents the distribution of wealth among people, taxes, interest and contributions, remuneration of third party capital and remuneration of own capitals.

3.23. Standards, amendments and interpretations to existing standards

- **Standards, amendments and interpretations to existing standards that are not yet effective:**

New standards, amendments to standards and interpretations it will be effective for the annual periods commencing January 01, 2014, and were not used in the preparation of these consolidated financial statements. Those that could be relevant to the Company are mentioned below. The Company is not planning to implement these standards in advance.

IFRS 9 – Financial Instruments

Published in 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, a single, forward-looking ‘expected loss’ impairment model and a substantially-reformed approach to hedge accounting. The standard carries over from IAS 39 the requirements for recognition and derecognition of financial assets and financial liabilities.

IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted.

IFRS 15 - Revenue from Contracts with Customers

IFRS 15 requires an entity to recognize the amount of revenue reflecting the consideration that they expect to receive in exchange for control of those goods or services. The new standard will replace most of the detailed guidance on revenue recognition that currently exists in IFRS and US GAAP when the new standard is adopted. The new standard is applicable from or after January 1, 2017, 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. The Company has not yet chosen the method of transition to the new standard or determined the effects of the new standard in actual financial reports.

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The new standards or modifications are not expected to have a material impact on the Company's consolidated financial statements.

- Accounting for Acquisitions of Interests in Joint Operations (amendment of IFRS 11)
- Clarification of Acceptable Methods of Depreciation and Amortization (amendments of IAS 16 and IAS 38)
- Annual Improvements to IFRSs in 2010-2012
Annual Improvements to IFRSs in 2011-2013

The Accounting Pronouncements Committee has not yet issued an accounting pronouncement or amended existing pronouncements related to these standards. Early adoption is not permitted.

4. Cash and cash equivalents and Securities

Cash and Cash Equivalents

Cash and cash equivalents are broken down as follows:

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
<u>Cash and banks</u>				
Brazil	80	421	323	7,549
Abroad	-	-	1,030	11,591
	<u>80</u>	<u>421</u>	<u>1,353</u>	<u>19,140</u>
<u>Financial Investments</u>				
Bank deposit certificate	57	489	74	1,428
Investment fund	-	-	112	108
	<u>57</u>	<u>489</u>	<u>186</u>	<u>1,536</u>
Cash and cash equivalents	<u>137</u>	<u>910</u>	<u>1,539</u>	<u>20,676</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 31 December 2014 the Company owned a balance of R\$2,771, registered as "Marketable securities - restricted" in current assets, and R\$4,500 in the current No-current assets (R\$2,222 in current assets, and R\$5,250 in the current No-current assets at December 31, 2013), 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. Accounts receivables from customers

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	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Local market	38,092	41,647	86,770	127,918
Export	9,160	4,409	33,442	6,619
	47,252	46,056	120,212	134,537
Less: present value adjustment	-	(412)	-	(412)
Less: allowance for doubtful accounts	(3,284)	(4,474)	(4,729)	(5,314)
	43,968	41,170	115,483	128,811

The amounts to be received from clients originated from sales without interest and on which the effect of the discount according to market interest rates is estimated to be relevant, were adjusted to present value recorded in income in contra account to the clients account. The adjustment to present value is made in financial income according to accrual appropriation.

The accounts receivables by maturity are detailed as follow:

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Not due	12,575	25,330	74,258	91,114
Due to 30 days	2,235	4,500	5,487	12,047
Due from 31 to 90 days	3,764	4,754	4,181	10,528
Due from 91 to 180 days	20,856	2,695	21,856	3,603
Due more than 180 days	7,822	8,777	10,056	9,710
Amounts retained by PETROBRAS (*)	-	-	4,374	7,535
	47,252	46,056	120,212	134,537

(*) Contractual deductions made by Petroleo Brasileiro S.A. on Revenues, with receipts expected for the year 2015.

The maximum exposure to credit risk of the Company is the value of accounts receivables mentioned above. The value of the effective risk of any loss is presented as an allowance for doubtful accounts.

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

The allowance for doubtful accounts had the following changes:

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Balance at the beginning of the year	4,474	4,285	5,314	4,798
Constitution	325	2,599	2,208	3,283
Write-off by loss	(426)	(33)	(733)	(68)
Recovery	(1,089)	(2,377)	(1,706)	(2,672)
Effect of conversion of balance	-	-	(6)	(27)
Balance of companies sold	-	-	(348)	-
Balance at the end of the year	3,284	4,474	4,729	5,314

Credit quality of accounts receivables

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

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Group 1	20	15,240	391	15,746
Group 2	5,796	11,738	72,468	80,403
Group 3	39,204	18,359	45,121	37,254
Group 4	2,232	719	2,232	1,134
	<u>47,252</u>	<u>46,056</u>	<u>120,212</u>	<u>134,537</u>

Note:

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

6. Inventories

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Finished goods	5,729	8,812	11,345	22,314
Goods for resale	298	446	4,743	8,213
Work in progress	12,008	26,068	18,455	50,967
Raw material	19,111	33,295	53,260	78,710
Losses on inventory obsolescence	(5,221)	(7,258)	(18,159)	(18,228)
Total	<u>31,925</u>	<u>61,363</u>	<u>69,644</u>	<u>141,976</u>

In 2014 was recognized in the income Reversal of losses on Inventory Obsolescence of R\$2,037 in the parent company and R\$69 in consolidated.

In 2013, were recognized in the income losses with obsolescence of inventory of R\$2,392 in the parent company and R\$6,680 in consolidated.

7. Recoverable taxes

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	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Value-added Tax on Sales and Services (ICMS) recoverable	14,581	17,413	16,245	21,865
Excise Tax (IPI) recoverable	1,822	1,403	2,158	1,654
Social Integration Program (PIS) recoverable	703	917	2,060	2,175
Social Contribution on Revenues (COFINS) recoverable	3,316	4,230	9,151	9,727
Corporate Income Tax (IRPJ) advances	-	223	11,619	15,174
Social Contribution on Net Income (CSSL) advances	-	83	10	83
Withholding tax (IRRF) recoverable	1,216	3,126	29,577	31,866
CSSL recoverable	392	808	7,066	9,934
National Institute of Social Security (INSS) Contribution recoverable	41	67	1,405	8,462
Service tax (ISS) recoverable	2	-	717	18
Provision for non-recovery of taxes	(8,349)	(8,349)	(8,349)	(8,349)
Other	-	-	479	317
Total	13,724	19,921	72,138	92,926
Current	6,728	10,236	24,686	33,256
Non-Current	6,996	9,685	47,452	59,670

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 result 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. Measures have been taken to allow the use of accumulated tax credits, the main of which are:
 - operation corporate restructuring through mergers and transformation into branches;
 - input acquisition strategy and logistics;
 - use of drawback program;
 - specific investment studies that may include the use of part of the credits.
- on December 31, 2014 the Company recognized an expense of R\$8,349 related to ICMS low loan without expectation of realization. This value represents in this date, the management's best estimate regarding the amount of ICMS recoverable difficult to perform.

8. Other receivables

Other receivable – Current

On 31 December 2014 the Company has the balance recorded as other receivables in current assets in the amount of R\$616 (R\$520 in 2013) in the parent company and R\$5,145 (R\$17,392 in 2013) in consolidated, where the balance is composed as follows:

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	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Accounts receivable for the sale of investments	-	-	-	10,010
Advances to suppliers	10	7	164	73
Travel advances	273	198	546	587
Profits and dividends receivable	-	-	1,664	1,691
Receiving insurance and accident	174	174	174	174
Other receivables	159	141	2,597	4,857
Total	616	520	5,145	17,392

Other receivable – Non-Current

On 31 December 2014 the Company has the balance recorded as other receivables in non-current assets in the amount of R\$5,360 (R\$4,635 in 2013) the parent company and R\$21,532 (R\$19,440 in 2013) in consolidated, where the balance is composed as follows:

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Loans receivable from related Unifit	5,319	4,549	5,319	4,549
Loans receivable from related Luxxon	-	-	4,615	3,985
Receivables from San Antonio International	-	-	11,422	10,073
Other receivables	41	86	176	833
Total	5,360	4,635	21,532	19,440

9. Investments

9.1. Investments in subsidiaries and associated companies

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
In affiliates	151,125	322,285	-	-
In joint ventures	-	2,297	-	2,297
Total	151,125	324,582	-	2,297
Goodwill on acquisition of investments (Note 11)	6,065	101,565	-	-
Total	157,190	426,147	-	2,297

On December 31, 2014, the Company recognized investments in joint ventures related to Luxxon Participações S/A, as a provision for unfunded liabilities in the amount of R\$19,792.

The movement of the registered goodwill in the acquisition of investments in the individual statements is composed as follows:

	Parent
Net Goodwill on acquisition of investments	
	Goodwill net
Balances at December 31, 2013	101,565
Losses deduction on the estimated	(95,500)
Balances at December 31, 2014	6,065

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	Mipel	Itasa	Recu	Worcester	LESP	Finance	Finance II	Norpatagônica	LNC	LOFS	Lochness	Parent	
												12/31/2014	12/31/2013
Investment data													
Amount of share or quotas													
Ordinary shares (thd)	-	1.730	3.000	120	-	-	-	-	-	-	407.166		
Capital stock quotas (thd)	18.717	-	-	-	357.432	50	1	1.373	-	-	-		
Participation %	100	95	95	95	100	100	100	95,74	2,29	100	100		
Shareholders' equity (Unfunded liabilities)	19.979	14.585	1.467	48.861	81.932	(10.236)	2	4.342	20.424	49.021	(40.159)		
Income (Loss) for the year	(4.865)	4.929	783	9.722	(57.567)	52.930	-	1.548	(36)	8.153	(165.902)		
Unrealized profits	(277)	(117)	-	-	-	-	-	-	-	-	-		
Changes in investments													
Beginning balance	24.312	12.445	652	51.928	131.705	-	2	3.224	402	45.923	51.692	322.285	334.490
Increase / Subscription of capital	-	-	-	-	1.903	5.402	-	-	-	188	61.400	68.893	83.182
Future capital increase	-	-	-	-	-	-	-	-	-	-	-	-	6.343
Fair value of assets and liabilities SABR	-	-	-	-	-	-	-	-	-	-	-	-	8.182
Equity pick-up result	(4.610)	4.942	783	9.722	(57.567)	52.930	-	1.548	(36)	8.153	(165.902)	(150.037)	(128.062)
Reclassification of unfunded liabilities	-	-	-	-	-	(55.204)	-	-	-	-	40.159	(15.045)	17.616
Equity evaluation adjustments	-	(2.691)	(41)	(10.588)	5.891	(3.128)	-	(615)	102	(5.243)	12.651	(3.662)	3.649
Dividends and interest on equity reserve	-	(935)	-	(4.642)	-	-	-	-	-	-	-	(5.577)	(3.115)
Changes from disinvestment	-	(13.761)	-	(46.420)	-	-	-	(4.157)	-	-	-	(64.338)	-
Assets held for sales	-	-	(1.394)	-	-	-	-	-	-	-	-	(1.394)	-
Final balance	19.702	-	-	-	81.932	-	2	-	468	49.021	-	151.125	322.285

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

The participation in the negative equity in the subsidiaries Lupatech Finance Limited in the amount of R\$10,236 on the 31st of December, 2014 (R\$65,440 on the 31st of December, 2013), and Lochness Participações S/A in the amount of R\$19,861, are presented in the non-current liabilities as provision for negative equity in subsidiaries.

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The equity pick-up result is composed as follow:

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
In affiliates	(150,037)	(128,061)	-	-
In joint venture	(17,119)	(13,751)	(17,119)	(13,751)
	(167,156)	(141,812)	(17,119)	(13,751)

9.2. Investments in jointly controlled entities (joint venture):

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

Investments in jointly controlled are measured by the equity method.

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

	Jointly controlled entities	
	12/31/2014	12/31/2013
ASSETS		
CURRENT ASSETS	100,381	126,366
Cash and cash equivalents	9,125	3,544
Clients	24,328	19,445
Inventories	24,807	52,519
Recoverable taxes	31,432	36,540
Other assets	10,689	14,318
NON-CURRENT ASSETS	83,460	103,957
Fixed assets	31,903	49,029
Other assets	51,557	54,928
TOTAL ASSETS	183,841	230,323
LIABILITIES		
CURRENT LIABILITIES	105,316	149,032
Suppliers	23,142	30,383
Loans and financing	27,363	80,717
Advances from customers	26,179	11,591
Taxes payable	3,163	5,087
Other obligations	25,469	21,254
NON-CURRENT LIABILITIES	72,497	58,336
Loans and financing	54,143	2,497
Deferred income tax and social contribution	6,104	13,147
Provision for contingencies	8,104	3,771
Other obligations	4,146	38,921
SHAREHOLDER'S EQUITY	6,028	22,955
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY	183,841	230,323

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9.3. Other investments

- **Acquisition of investment in company Vicinay Marine S.L.**

The Company changed its minority interest in Vicinay Marine SL in year 2014 to 4.28%, compared to 6.77% held in the year 2013. Such reduction of participation was effect of cancellation of the Company's obligation to pay accounts for acquisition of investment in Vicinay Marine SL, as mentioned in note 17.

The balance of this investment is R\$15,284 on December 31, 2014, R\$ 26,116 on December 31, 2013. On December 31, 2014 R\$90 refers to other investments in the parent and R\$676 in consolidated.

10. Fixed assets

	Weighted average rate of depreciation % p.a.	Parent		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
		Net	Net	Net	Net
Land	-	12,336	12,336	14,758	23,625
Building and construction	2%	32,942	36,470	53,159	77,155
Machinery and equipment	9%	37,095	42,327	290,326	345,596
Molds and matrixes	15%	1,567	2,121	1,764	3,025
Industrial facilities	5%	8,314	9,375	10,293	12,667
Furniture and fixtures	9%	1,672	2,012	3,557	4,495
Data processing equipments	14%	546	729	1,216	2,068
Improvements	2%	314	259	2,717	3,481
Vehicles	19%	185	267	4,917	6,428
Casks	-	2	3	13	16
Advances for fixed assets acquisitions	-	-	-	5,314	32,007
Construction in progress	-	280	826	61,916	60,179
Total		95,253	106,725	449,950	570,742

Bellow is the breakdown of fixed assets:

Parent									
	Land	Building and construction	Machinery and equipment, Molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Gross Cost									
Balance at December 31, 2012	12,336	42,297	94,092	13,190	4,144	4,399	1,591	1,059	173,108
Additions	-	94	172	186	30	32	612	-	1,126
Transfers	-	56	787	472	(65)	6	(1,377)	(19)	(140)
Disposal	-	-	(1,133)	(12)	(51)	(619)	-	(303)	(2,118)
Balance at December 31, 2013	12,336	42,447	93,918	13,836	4,058	3,818	826	737	171,976
Additions	-	-	51	-	4	143	107	-	305
Transfers	-	-	(504)	505	11	3	(653)	-	(638)
Disposal	-	(3,219)	(3,050)	(2,629)	(169)	(95)	-	(265)	(9,427)
Balance at December 31, 2014	12,336	39,228	90,415	11,712	3,904	3,869	280	472	162,216

Parent									
	Land	Building and construction	Machinery and equipment, Molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Acculated depreciation									
Balance at December 31, 2012	-	(4,961)	(44,752)	(3,548)	(1,842)	(3,276)	-	(597)	(58,976)
Additions	-	(1,016)	(5,582)	(678)	(309)	(392)	-	(75)	(8,052)
Transfers	-	-	54	18	66	8	-	18	164
Disposal	-	-	810	6	39	571	-	187	1,613
Balance at December 31, 2013	-	(5,977)	(49,470)	(4,202)	(2,046)	(3,089)	-	(467)	(65,251)
Additions	-	(953)	(5,183)	(702)	(279)	(301)	-	(46)	(7,464)
Transfers	-	-	640	-	(1)	(1)	-	-	638
Disposal	-	644	2,260	1,820	94	68	-	228	5,114
Balance at December 31, 2014	-	(6,286)	(51,753)	(3,084)	(2,232)	(3,323)	-	(285)	(66,963)

Parent									
	Land	Building and construction	Machinery and equipment, Molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Net property									
Balance at December 31, 2012	12,336	37,336	49,340	9,642	2,302	1,123	1,591	462	114,132
Balance at December 31, 2013	12,336	36,470	44,448	9,634	2,012	729	826	270	106,725
Balance at December 31, 2014	12,336	32,942	38,662	8,628	1,672	546	280	187	95,253

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Consolidated									
		Building and construction	Machinery and equipment, Molds and matrices	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Gross Cost	Land								
Balance at December 31, 2012	23,754	112,775	514,368	24,335	11,598	11,523	66,103	56,445	820,901
Additions	-	1,087	29,290	340	173	641	3,921	(39)	35,413
Disposal	-	(23,515)	(35,986)	(1,557)	(534)	(1,135)	-	(1,140)	(63,867)
Transfers	-	1,331	7,058	1,433	(65)	8	(3,493)	3,561	9,833
Effect of conversion of subsidiaries abroad	(129)	(896)	11,418	(173)	(105)	(56)	(6,352)	243	3,950
Balance at December 31, 2013	23,625	90,782	526,148	24,378	11,067	10,981	60,179	59,070	806,230
Additions	-	-	11,531	7	1,045	487	186	852	14,108
Disposal	(7,992)	(24,364)	(45,732)	(4,858)	(913)	(793)	(10,857)	(3,665)	(99,174)
Transfers	-	-	(20)	263	(890)	1	(11,776)	(7,544)	(19,966)
Effect of conversion of subsidiaries abroad	(873)	(374)	5,292	(46)	(12)	(86)	24,174	(18,751)	9,324
Assets held for sales	-	(506)	(2,208)	(222)	(310)	(170)	-	(237)	(3,653)
Balance at December 31, 2014	14,760	65,538	495,011	19,522	9,987	10,420	61,906	29,725	706,869

Consolidated									
	Land	Building and construction	Machinery and equipment, Molds and matrices	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Acculated depreciation									
Balance at December 31, 2012	-	(12,703)	(145,892)	(7,135)	(6,097)	(8,738)	-	(18,215)	(198,780)
Additions	-	(3,110)	(41,854)	(1,455)	(900)	(1,196)	-	(2,625)	(51,140)
Disposal	-	2,107	11,129	218	264	957	-	352	15,027
Transfers	-	1	213	20	66	7	-	(111)	196
Effect of conversion of subsidiaries abroad	-	78	(1,123)	122	95	57	-	(20)	(791)
Balance at December 31, 2013	-	(13,627)	(177,527)	(8,230)	(6,572)	(8,913)	-	(20,619)	(235,488)
Additions	-	(2,318)	(39,992)	(1,315)	(830)	(1,054)	-	(2,004)	(47,513)
Disposal	-	2,842	6,756	2,355	114	94	-	2,131	14,292
Transfers	-	(41)	659	(14)	(4)	(9)	2	-	593
Effect of conversion of subsidiaries abroad	-	65	(1,062)	-	12	60	-	259	(666)
Assets held for sales	(2)	700	8,245	692	850	618	8	752	11,863
Saldo em 31 de dezembro de 2014	(2)	(12,379)	(202,921)	(6,512)	(6,430)	(9,204)	10	(19,481)	(256,919)

Consolidated									
Net property	Land	Building and construction	Machinery and equipment, Molds and matrices	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance at December 31, 2012	23,754	100,072	368,476	17,200	5,501	2,785	66,103	38,230	622,121
Balance at December 31, 2013	23,625	77,155	348,621	16,148	4,495	2,068	60,179	38,451	570,742
Balance at December 31, 2014	14,758	53,159	292,090	13,010	3,557	1,216	61,916	10,244	449,950

The value attributed to fixed assets in guarantee of liabilities on December 31, 2014 is as follows:

Garanteed liabilities	Fixed Assets	
	Parent	Consolidated
Taxation (Tax executions)	11,498	11,498
Borrowing and financing (Note 12)	2,167	96,795
Total	13,665	108,293

Commercial Lease

On December 31, 2014, 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\$16,022 (R\$17,255 at December 31, 2013).

Tests conducted for the segments of products and services in the year 2014 showed didn't show losses from non-recoverability of fixed assets and no effect arising from this determination was recognized in the financial statements.

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11. Intangibles

	Weighted rates of amortization % p.a.	Parent		Consolidated	
		12/31/2014	12/31/2013	12/31/2014	12/31/2013
		Net	Net	Net	Net
Goodwill (*)	-	115,414	115,414	161,385	289,300
Software and other licenses	20%	3,527	4,215	3,694	4,306
New projects developments	20%	13,158	12,146	14,573	15,233
Total		132,099	131,775	179,652	308,839

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

Bellow is the breakdown of intangibles:

Parent				
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Gross cost				
Balance at December 31, 2012	115,414	10,036	15,212	140,662
Additions	-	8	1,766	1,774
Disposal	-	(3)	-	(3)
Transfers	-	252	(252)	-
Balance at December 31, 2013	115,414	10,293	16,726	142,433
Additions	-	1	2,391	2,392
Disposal	-	-	(18)	(18)
Transfers	-	466	(466)	-
Balance at December 31, 2014	115,414	10,760	18,633	144,807
Parent				
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Acculated amortization				
Balance at December 31, 2012	-	(4,955)	(3,434)	(8,389)
Additions	-	(1,124)	(1,146)	(2,270)
Disposal	-	1	-	1
Balance at December 31, 2013	-	(6,078)	(4,580)	(10,658)
Additions	-	(1,155)	(895)	(2,050)
Balance at December 31, 2014	-	(7,233)	(5,475)	(12,708)
Parent				
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Net Intangible				
Balance at December 31, 2012	115,414	5,081	11,778	132,273
Balance at December 31, 2013	115,414	4,215	12,146	131,775
Balance at December 31, 2014	115,414	3,527	13,158	132,099

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Consolidated				
Gross cost	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Balance at December 31, 2012	289,296	11,087	19,202	322,821
Additions	-	47	1,781	1,828
Disposal	(261)	(5)	(15)	(281)
Transfers	-	252	(252)	-
Effect of conversion of subsidiaries abroad	265	(59)	(226)	(20)
Balance at December 31, 2013	289,300	11,322	20,490	324,348
Additions	-	1	2,391	2,392
Disposal	-	(758)	(600)	(1,358)
Transfers	-	1,559	(1,559)	-
Effect of conversion of subsidiaries abroad	(2,263)	-	-	(2,263)
Losses by the non-recoverability of goodwill	(99,532)	-	-	(99,532)
Assets held for sales	(26,120)	(585)	-	(26,705)
Saldo em 31 de dezembro de 2014	161,385	11,539	20,722	196,882

Consolidated				
Amortização acumulada	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Balance at December 31, 2012	-	(5,446)	(4,136)	(12,818)
Additions	-	(1,663)	(1,305)	(2,968)
Disposal	-	4	-	4
Transfers	-	89	184	273
Balance at December 31, 2013	-	(7,016)	(5,257)	(15,509)
Additions	-	(1,598)	(950)	(2,548)
Assets held for sales	-	233	-	233
Balance at December 31, 2014	-	(7,844)	(6,150)	(17,230)

Consolidated				
Net Intangible	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Balance at December 31, 2012	289,296	5,641	15,066	310,003
Balance at December 31, 2013	289,300	4,306	15,233	308,839
Balance at December 31, 2014	161,385	3,695	14,572	179,652

a) Development of new products

It refers to the costs with the development of new products, processes and equipment by the Research and Development Center (CPDL) of the Company.

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

b) Software and other licenses

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

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

c) Goodwill on acquisitions

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

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

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The goodwill balance is not amortized and is subject to impairment tests annually or when there is indication of eventual loss of value. In December 2014, the Company measured recoverability of goodwill of its segments.

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

The discount rates used were elaborated taking into consideration market information available on the day of the test. The discount rate used was 12% p.a based on the cost of capital weighed by the Group and the segment of the business to which it belongs, considering the closure scenario of the year of 2013, without considering inflation and adjusted when necessary to reflect the market evaluations in the specific risks of the asset.

Tests conducted for segments of Products and Services for the year 2014 showed no hint of losses by non-recoverability of goodwill and other intangible so that no effect arising from this calculation was recognized in the financial statements.

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

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

UGCs	Goodwill on acquisition of investments			
	Investments (Note 9)		Intangible	
	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Products Segment				
Itasa Unit	-	16,146	-	16,588
Carbonox and Valmicro (Group of units)	6,065	6,065	6,065	6,065
Worcester Unit	-	79,354	-	82,944
Jefferson Unit	-	-	-	26,120
Lupatech S/A - CSL unit	115,414	115,414	115,414	115,414
Services Segment				
Fiberware Unit	-	-	20,687	20,687
Lupatech OFS Coöperatief U.A. Unit	-	-	19,219	21,482
Total	<u>121,479</u>	<u>216,979</u>	<u>161,385</u>	<u>289,300</u>
Investment	6,065	101,565	-	-
Intangible	115,414	115,414	161,385	289,300

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:

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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	(10,000)	115,414
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	19,219	-	19,219
Total	305,325	(143,940)	161,385

Sensitivity Analysis

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

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

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

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12. Loans, financing and perpetual bond
a) Loans and financing

			Parent					
			12/31/2014			12/31/2013		
			Non		Total	Non		Total
Description	Index	Weighted interest rates	Current	Current		Current	Current	
Local currency								
Working capital / expansion	CDI	5.06% p.a.	4,135	-	4,135	154,170	-	154,170
Working capital / expansion	TJLP	4.93% p.a.	2,194	27,796	29,990	30,661	-	30,661
Financing of property, plant and equipment	TJLP	6.57% p.a.	191	22	213	280	207	487
Financing of property, plant and equipment	FIX	4.5% p.a.	39	-	39	154	39	193
Financing of research and development	TJLP	4.68% p.a.	2,464	6,291	8,755	2,242	7,156	9,398
Guarantee provided - Guaranteed by a letter of guarantee	FIX	3% p.a.	-	16,212	16,212	15,593	-	15,593
Working capital / expansion	CDI	-	-	2,801	2,801	-	-	-
Discounted titles	-	13.95% p.a.	213	-	213	11	-	11
			9,236	53,122	62,358	203,111	7,402	210,513
Foreign currency								
Working capital / expansion	US DOLAR	7.47% p.a.	408	5,020	5,428	112	-	112
			408	5,020	5,428	112	-	112
			9,644	58,142	67,786	203,223	7,402	210,625

			Consolidated					
			12/31/2014			12/31/2013		
			Non		Total	Non		Total
Description	Index	Weighted interest rates	Current	Current		Current	Current	
Local currency								
Working capital / expansion	CDI	5.26% p.a.	37,615	716	38,331	241,388	8,882	250,270
Working capital / expansion	TJLP	7.48% p.a.	3,991	50,387	54,378	52,264	-	52,264
Financing of property, plant and equipment	TJLP	6.57% p.a.	191	22	213	280	207	487
Financing of property, plant and equipment	FIX	4.5% p.a.	113	-	113	452	113	565
Financing of research and development	TJLP	4.68% p.a.	2,464	6,291	8,755	2,242	7,157	9,399
Guarantee provided - Guaranteed by a letter of guarantee	FIX	3% p.a.	-	16,212	16,212	15,593	-	15,593
Working capital / expansion	FIX / CDI	2.7% p.a.	-	28,011	28,011	-	-	-
Discounted titles	-	13.95% p.a.	3,203	19,987	23,190	1,401	-	1,401
			47,577	121,626	169,203	313,620	16,359	329,979
Foreign currency								
Working capital / expansion	PESO ARS	15.25% p.a.	-	-	-	321	709	1,030
Working capital / expansion	US DOLAR	6.05% p.a.	775	8,363	9,138	4,286	163	4,449
Working capital / expansion	PESO COP	9.89% p.a.	7,952	14,753	22,705	13,890	17,705	31,595
Working capital / expansion	UMBNDDES 590	8.86% p.a.	580	-	580	879	532	1,411
Financing of property, plant and equipment	PESO ARS	5% p.a.	-	-	-	155	507	662
			9,307	23,116	32,423	19,531	19,616	39,147
			56,884	144,742	201,626	333,151	35,975	369,126

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

Maturity	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
2015	-	829	-	16,139
2016	1,155	2,142	27,089	8,875
2017	6,530	2,505	19,096	6,741
2018	8,219	1,926	18,392	4,025
2019	11,480	-	22,478	195
2020 to 2025	30,758	-	57,687	-
	58,142	7,402	144,742	35,975

The guarantees for loans and financings were granted as follows:

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<u>Local currency</u>	<u>Garantee</u>	<u>Parent</u> <u>Amount</u>	<u>Consolidated</u> <u>Amount</u>
Working capital / expansion	Mortage / Buildings	-	73,124
Working capital / expansion	Contracts signed	-	48,321
Financing of property, plant and equipment	Companies guarantee	-	38,200
Financing of property, plant and equipment	Own financed asset	2,167	4,507
Financing of research and development	Bank guarantee	15,606	19,807
		17,773	183,959
<u>Foreign currency</u>			
Working capital / expansion	Own financed asset	-	19,164
		-	19,164
		17,773	203,123

The indirect subsidiary, OFS SAS, has "covenants" related to financial leasing agreement with Bancolombia which require the maintenance of (a) EBITDA 2x more than interest expense paid (b) Debt / EBITDA until 3x. On December 31, 2014 the indirect subsidiary Lupatech OFS SAS attended to the condition of financial covenants. The total amount of this loan is R\$7,678, recorded in current liabilities in the amount of R\$2,158 and R\$5,520 in non-current (total amount of R\$7,226 at December 31, 2013 recorded R\$1,540 in current liabilities and R\$ 5,686 in non-current liabilities).

The Company received the Votorantim S/A bank notification of charges in the amount of R\$16,212 updated in December 31, 2014 (R\$15,593 in December 31, 2013) 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%.

Nevertheless, Banco Votorantim S / A, under the restructuring plan of financial debt and addressing the Company's capital structure, issued news release to express its agreement with the reshaping of that debt guaranteed by endorsement, in case of failure from receiving the amounts directly by Unifit - Industrial Wire Unit Timbaúba S/A.

Under the restructuring plan of financial debt and addressing the capital structure of the Company was capitalized credits with financial creditors of the Company in the amount of R\$180,959, as stated in note 1.2 and 33.

The amount of R\$24,335 debt was reperfilated with compensatory interest of 3% per year, with a grace period for principal and interest payments for four years and eight years.

13. Bonds

13.1. Perpetual Bond

As of July 11th, 2007 and June 30th, 2008, through its subsidiary affiliated to the branch abroad Lupatech Finance Limited, the offering of senior perpetual bonds abroad remunerated at 9.875% p.a. (8.8% p.a. effective rate) was concluded in the total amount of US\$200 million and US\$75 million, respectively, with quarterly interest payments.

In case of Company interest, the Perpetual Bonds may be redeemed, parity in the face value, in a quarterly bases, since July 2012. The Perpetual Bonds have not due date for the principal, but may become payable in specific situations, as defined under Perpetual Bonds Agreement, if a break up of any of such of obligations is verified.

The Bonds were neither registered at the Securities and Exchange Commission of Brazil (CVM) nor under the U.S. Securities Act of 1933 (Securities Act). The bonds were offered only to institutional investors qualified under Rule 144A and to non-American persons outside the United States, except in jurisdictions

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where such offering or sale is forbidden, in accordance with Regulation S. bonds were listed on the Luxembourg Stock Exchange. The proceeds from the offering were used to fund the Company's investment.

According to the relevant facts disclosed to the market on April 10, 2013, May 10, 2013 and July 10, 2013 the Company did not pay interest due on those dates to holders of perpetual bonds. Pending that allowed the bondholders to perpetual call for the immediate maturity of these securities, which did not occur.

The Company noted that, due to the bad debt situation, the negotiation of Perpetual Bonds on the Stock Exchange was suspended from Luxembourg.

As mentioned in note 1.2, Lupatech released to the market restructuring plan of financial debt, capital structure and equation of indebtedness of the Company and its subsidiaries, which was presented to bondholders and institutions.

According to the proposed structure, the holders of Perpetual Bonds receive in payment of their claims, the right to subscribe to American Depositary Receipts by capitalization of 85% of credits from Perpetual Bonds, being 15% of the balance converted into new notes, on which bears interest at 3% per year, with two years grace period and amortization in the remaining five years.

As a result of the process, the amount of R\$572,258 of Perpetual was converted into 2,289,031 shares of the Company's common shares, without par value, at an issue price of R\$0.25 per share and US\$47.8 million in New reperfilated notes - Bonds, which will focus on the remuneration interest of 3% per year, with two years grace period and amortization in the remaining five years.

On September 30, 2014 the Company recognized gain by not converting part of the perpetual bonds in capital amounting to R\$36,244.

On October 08, 2014 the Perpetual Bonds have been canceled.

13.2. Bonds – New notes

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

On December 31, 2014 the Company had a balance of Bonds of R\$127,968, recorded in non-current liabilities. Bonds focus on the remuneration interest of 3% per year, with two years grace period and amortization in the other five.

14. Debentures

On April 15, 2009, the Company issued 320,000 (three hundred and twenty thousand) debentures in a single series, private placement, convertible into common shares, with floating guarantee and nominal value of R \$ 1, with nine maturity years, totaling up to R\$ 320,000. These debentures were paid based on IPCA + 6.50% per year.

The debentures may be converted into the Company's common shares at the sole discretion of the debenture holders at any time from the end of the 2nd year from the date of issue. The remuneration was paid annually on 15 April, with the first payment set on April 15, 2010.

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If all or part of the debentures are not converted into shares and the condition of early redemption is not reached, they will be entitled to conversion of non-premium equivalent to R\$423.75 (four hundred and twenty three dollars and seventy-five cents) for each thousands of debentures in amount of R\$1 face value, updated by the IPCA. The maturity premium, with the remuneration of IPCA + 6.5% per year, increases the annual return in IPCA + 10% per year.

The commitments of redemption, conversion of debentures into shares and redemption without conversion were identified by Management of the Company as contractual components which have the characteristic, alone, to constitute an embedded derivative. Due to this fact, they were separated from the main contract and valued at fair value on initial recognition and subsequently at fair value through results. On December 31, 2014 and on December 31, 2013 the fair value of the embedded derivative was valued at zero and R\$442.30, respectively, for each thousands of debentures in amount of R\$1 face value. The variation in fair value of embedded derivative for the year 2014 amounted gain of R\$819 (gain of R\$13,526 in 2013), recorded in the financial result of the period.

	Parent and Consolidated	
	12/31/2014	12/31/2013
Debt instrument - Debentures	66,960	194,123
Embedded derivative instrument	-	124,642
Interest on debentures	4,755	100,719
Total	71,715	419,484
Current	-	419,484
Non-Current	71,715	-
Total	71,715	419,484

On April 15, 2014, the Company did not pay the interest due on that date, in the amount of R\$83,155, an amount which corresponds to the interest due and unpaid for the fiscal year 2012 and 2013.

As mentioned in note 1.2, the company disclosed to the market plan that aims at restructuring the indebtedness, addressing the capital structure and indebtedness of the Company and its subsidiaries, which was presented to bondholders, bondholders and financial institutions.

According to the proposed structure holders of Debentures, in turn, will receive the right to subscribe for new shares through capitalization of 85% of claims in the Debentures and the 15% balance new debentures over which bears interest corresponding to the variation of 100% of the average daily DI - Interbank Deposit a day.

As a result of the process, the amount of R\$364,985 of the Debentures was converted into 1,459,938 shares of the Company's common shares, without par value, at an issue price of R\$0.25 per share and R\$66,960 reperfilated on which bears interest remuneration corresponding to the accumulated variation of 100% of the average daily DI - Interbank Deposit a day, with two-year grace period and amortization in the remaining five years.

On December 31, 2014 the Company had a balance of R\$71,715 debentures recorded in non-current liabilities. On the Debentures focus corresponding to the accumulated variation of 100% of the average daily remuneration interest of DI - Interbank Deposit a day, with two-year grace period and amortization in the other five.

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

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- a) Net Debt / (Net Debt + Equity) less than or equal to 0.95 in the year 2014 and 2015 and less than or equal to 0.90 and in subsequent years;
- b) Current liabilities / (Current liabilities + Non-current liabilities) less than or equal to 0.70 in the year 2014 and 2015, less than or equal to 0.65 in the year 2016 and 2017 and less than or equal to 0.60 in the year 2018 and 2019; less than or equal to 0.55 until the date of maturity of the debentures. On December 31, 2014 the Company has met the terms financial "covenants" as mentioned above.

15. Related parties
15.1. 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				12/31/2014	12/31/2013
	SABR	Mipel Sul	Lupatech Finance	LESP		
Assets						
Accounts receivable	-	148	-	1,224	1,372	445
Other accounts receivable	13,997	2,900	-	2,504	19,401	10,048
Mutual and loans	20,992	4,057	673,998	25	699,072	36,014
Total	34,989	7,105	673,998	3,753	719,845	46,507
Liabilities						
Accounts payable	6	12,018	-	6	12,030	13,168
Other accounts payable	1,074	2,393	-	4,376	7,843	2,590
Mutual and loans	-	-	789,075	-	789,075	642,621
Total	1,080	14,411	789,075	4,382	808,948	658,379
Income						
Sales	-	150	-	1,969	2,119	1,707
Purchases	-	3,006	-	-	3,006	337
Financial income	287	112	-	27	426	7,844
Financial expenses	-	59	56,648	231	56,938	49,938
Exchange variance	-	-	(2,430)	-	(2,430)	(60,850)

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Parent								
Transaction date	Time	Interest rate	Guarantee and insurance	Amount R\$	Balance US\$	12/31/2014	12/31/2013	
Assets mutual								
Local currency								
Contract 1	June-12	2 years	105% do DI-Cetip	N/A	139,950	-	-	2,774
Contract 2	June-13	1 year	105% do DI-Cetip	N/A	17,524	-	-	13,915
Contract 3	June-13	1 year	105% do DI-Cetip	N/A	6,309	-	-	6,500
Contract 4	June-13	1 year	105% do DI-Cetip	N/A	9	-	-	11
Contract 5	June-13	1 year	105% do DI-Cetip	N/A	17,912	-	-	12,814
Contract 6	July-14	Indetermined	105% do DI-Cetip	N/A	24,476	-	4,057	-
Contract 7	November-14	Indetermined	105% do DI-Cetip	N/A	5,639	-	25	-
					211,819	-	4,082	36,014
Foreign currency								
Contract 1	July-14	Indetermined	105% do DI-Cetip	N/A	627,226	253,745	673,998	-
Contract 2	July-14	Indetermined	105% do DI-Cetip	N/A	20,992	7,903	20,992	-
					648,218	261,648	694,990	-
					860,037	261,648	699,072	36,014
Liabilities mutual								
Local currency								
Contract 1	April-12	Indetermined	105% do DI-Cetip	N/A	43,218	-	-	1,915
					43,218	-	-	1,915
Foreign currency								
Contract 1	July-07	13 Years	9,875% a.a.	N/A	28,025	14,560	38,674	33,382
Contract 2	July-07	13 Years	9,875% a.a.	N/A	65,391	34,878	92,643	79,579
Contract 3	May-09	11 years	12,000% a.a.	N/A	40,736	24,200	64,279	51,132
Contract 4	May-09	11 years	12,000% a.a.	N/A	117,249	69,679	185,081	148,070
Contract 5	July-09	11 years	12,000% a.a.	N/A	50,618	32,266	85,705	68,176
Contract 6	September-09	11 years	10,100% a.a.	N/A	134,378	90,213	239,623	193,342
Contract 7	October-09	11 years	10,000% a.a.	N/A	46,231	31,274	83,070	67,025
					482,628	297,070	789,075	640,706
					525,846	297,070	789,075	642,621

Loan agreements and foreign currency loans between Lupatech Finance Company and are presented net amount of R\$115,077 in liabilities of the Company, due to come from the same transaction related to perpetual bonds.

The transactions are made according to the conditions agreed among the parts.

On December 31, 2014, the Company has a loan agreement with the Unifit – Unidade de Fios Industriais de Timbaúba S/A in the amount of R\$5,319. This amount is recorded in other receivables as non-current assets (R\$4,549 at December 31, 2013).

The Company has, on December 31, 2014, a loan agreement with the jointly Luxxon Participações S/A amounting to R\$4,615 (R\$3,985 at December 31, 2013). This amount is recorded in other receivables in non-current assets.

a) Guaranties 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.

The Company received the Votorantim S/A. bank notification of charges in the amount of R\$16,212 relating to the Guarantee provided - Guaranteed by a letter of guarantee requested by Nordeste do Brazil 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%.

Nevertheless, Banco Votorantim S / A, under the restructuring plan of financial debt and addressing the Company's capital structure, issued news release to express its agreement with the reshaping of that debt guaranteed by endorsement, in case of failure from receiving the amounts directly by Unifit – Unidade de Fios Industriais de Timbaúba S/A.

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The amount of R\$16,212 is recorded as loans and financing in non-current liabilities R\$15,593 in current liabilities at December 31, 2013, as mentioned in note 12.

b) Conditions of price and duties

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

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

15.2. Key Management Staff**a) Management compensation**

Lupatech S.A. paid its managers, fixed between wages and fixed compensation, a total amount of R\$6,081 in 2014 (R\$6,318 in 2013), the limit amount of R\$5,216 having been approved for the period between April 2014 and March 2015 in the Annual General Meeting held on April 30, 2014. This limit the amount of R\$4,559 corresponds to the amount paid for the period from April to December 2014.

Additionally it was recognized variable compensation in the amount of R\$5,700 as part of the restructuring plan of indebtedness of the Company.

The benefits of Directors as stock option to purchase shares - "stock option" and participation of employees and managers in profits and results are disclosed in the notes 24 and 25 respectively.

15.3. Loans and debentures

As disclosed in note 12, the Company has credit lines FINEM BNDES, in direct mode, which balance on September 30, 2014 is R\$63,034 (R\$55,225 at December 31, 2013). Additionally, a representative portion of convertible debentures issued in 2009, as presented in Note 14, were acquired by the BNDES.

On December 31, 2014 the Company owned the balance of accounts payable to GP Investments Ltd. recorded in non-current liabilities in the amount of R\$28,011, as disclosed in note 12 (R\$16,915 recorded in current liabilities on December 31, 2013)..

On December 31, 2014 the Company has the balance of loans with Banco Votorantim S/A of R\$96, R\$74 in current liabilities, and R\$22 in non-current liabilities (R\$67,476 in current liabilities and R\$90 in non-current liabilities on December 31, 2013).

On December 31, 2014 the Company has the balance of loans with Itaú Unibanco Holding S/A of R\$230 recorded in non-current liabilities (R\$92,908 in current liabilities and R\$ 230 in non-current liabilities on December 31, 2013).

15.4. Other related parties**a) Service delivery contract**

On the 2nd of November 2010, a service delivery contract with supplement on the 14th of January 2011 was signed with the companies Pelca Consultoria e Participações Ltda. and M.B.B. Enterprises Ltda. for

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the planning, management, control and implementation of the construction project for the Unifit factory- Unidade de Fios Industriais de Timbaúba S.A. in the amount of R\$550 and R\$794, respectively.

These companies are part of the investment agreement Unifit.

16. Income taxes and social contribution

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

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

a) Deferred income tax and social contribution

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Provision for tax, labor and civil risks	1,781	913	16,003	13,607
Tax loss	6,595	9,512	7,973	13,639
Provision for losses on inventories	2,141	2,653	6,543	3,990
Negative base of social contribution (CSLL)	2,083	3,004	2,518	4,454
Amortization of goodwill for tax purposes	(6,593)	(19,389)	12,146	(13,906)
Other provisions	(6,007)	3,307	(45,183)	(18,734)
Deferred income tax about liabilities of SABR of deemed cost	-	-	(33,780)	(34,109)
Deferred income tax and social contribution - Non-current	-	-	(33,780)	(31,059)

On December 31, 2013, 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 December 31, 2014 the balance of deferred income and social contribution liability is R\$33,870 in the consolidated (On December 31, 2013 the balance of deferred income tax and social contribution tax liability was R\$31,059 in the consolidated), and the balance of deferred income and contribution is R\$489 in the consolidated (zero in 2013).

b) Conciliation of income tax and social contribution

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	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Loss before tax from continuing operations	(465,536)	(380,210)	(457,587)	(389,983)
Loss before tax from discontinued operation	(165,472)	(6,039)	(170,113)	(2,190)
	(631,008)	(386,249)	(627,700)	(392,173)
Additions and exclusions				
Equity pick-up	167,156	141,812	17,119	13,751
Profits abroad	52,298	21,948	115,800	27,876
Stock option	-	62	-	62
Provision for losses on non-recoverability of assets	-	18,160	-	18,160
Allowance for doubtful accounts	(1,190)	-	(585)	-
Non-deductible interest	-	49,521	-	49,521
Provision for loss contingencies	4,046	1,774	16,384	12,479
Provision Award for non-conversion of debentures	(37,248)	7,836	(37,248)	7,836
Change in fair value of embedded derivative of debentures	8,623	(13,526)	8,623	(13,526)
Other	300,629	(22,168)	(1,597)	(29,368)
Calculation basis	(136,694)	(180,830)	(509,204)	(305,382)
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	-	1,793	(2,264)	345
Deferred tax and social contribution	-	5,667	(1,044)	13,039

17. Accounts payable related to investments acquisition

In September 2010 was acquired participation in Vicinay Marine SL, with the payment term of three (3) years, distributed in 4 (four) installments with an interval of 11 (eleven) months between each one, with the first installment paid in November 2010. On December 31, 2014, the balance of accounts payable related is zero (R\$14,754 at December 31, 2013).

The changes in account are as follows:

	Parent	Consolidated
Balance at December 31, 2013	14,754	14,754
Alteration of investment participation 6.77% to 4.28%	(10,832)	(10,832)
Vicinay Marine Payment acquisition	(200)	(200)
Interest and exchange variance related to acquisition Vicinay Marine	(3,722)	(3,722)
Balance at December 31, 2014	-	-

18. Other accounts payable

On December 31, 2014 the Company has the balances recorded as other accounts payable in current liabilities, as is composed as follows:

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Other obligations - Current				
Freight payable on the sales invoice	1,076	1,901	1,076	1,901
Accounts payable representations	1,209	242	1,209	242
Provision for consultancy payment	4,609	1,310	4,609	1,310
Provision for interest on advances to customer	1,570	109	1,570	109
Related parties to GP Investments	-	-	-	16,915
Other payables	3,525	2,903	11,637	12,033
Total	11,989	6,465	20,101	32,510

19. Contingencies Processes
19.1. Provisions 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

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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)	45,732	-	50,890	1,510
CSLL - Social Contribution on Net Income	(i.2)	-	-	6,387	431
IRPJ - Corporate Income Tax	(i.3)	21,162	-	50,530	140
INSS - National Institute of Social Security	(i.4)	-	-	99,616	-
IPI - Excise Tax	(i.5)	2,709	-	2,709	-
PIS - Employees' Profit Participation Program	(i.6)	-	403	666	406
COFINS - Tax for Social Security Financing	(i.7)	-	-	2,001	1,058
ISS - Services Tax	(i.8)	100	-	1,129	4,514
CIDE - Contribution for Intervention in the Economic Domain	(i.9)	-	-	1,483	-
Other	(i.10)	146	103	465	28,226
		69,849	506	215,876	36,285
Labor (ii)		2,889	2,094	4,376	61,563
Civil (iii)		2,933	2,639	11,866	10,100
Total at December 31, 2014		75,671	5,239	232,118	107,948
Total at December 31, 2013		45,910	3,124	180,533	141,677

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\$5,239 in parent and R\$107,948 in consolidated as of December 31, 2014 and R\$3,124 in parent and R\$141,677 in consolidated as of December 31, 2013) 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 is excluded from the provision.

Indemnity Assets

The Company has the right to be compensated to the limit of R\$50.000 referring to losses that may occur in San Antonio Brasil S.A. from eventual not known contingencies according to the article of guarantee foreseen in the Investment Agreement. Contingencies not known at the moment of transaction can result in this guarantee being activated in the future.

The lawsuits are divided into three levels, namely:

(i) Tax Provisions

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. On January 13, 2014 was presented Impeachment in the face of Infraction, with this last update. Process subject to possible loss of R\$44,159.

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Assessment Notice issued against the VAT Lupatech – Equipamentos e Serviços para Petróleo Ltda., Aiming to charge a fine of R\$4,699, for failing to submit the statutory deadline, the file on the magnetic records of transactions and tax benefits made at certain times. Currently, awaiting trial for Voluntary Action.

- (i.2) Administrative process of the Federal Revenue of Brazil against San Antonio International do Brasil Serviços de Petróleo Ltda., referring to federal taxes, classified as possible loss in the total of R\$3,165, where they are awaiting continuation.

Assessment notice from the Federal Revenue of Brazil against Sotep – Sociedade Técnica de Perfuração S/A, regarding the collection of social contributions on the payroll typified in the art. 22 of Law 8,212/91, as well as incidents on the remuneration paid, due or credited to their services to individual taxpayers. Process subject to possible loss of R\$1,292.

- (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 case is awaiting decision of 1st administrative level. Value subject to possible loss tending to remote, of R\$8,910.

Tax enforcement of the Federal Union against Lupatech S.A. 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 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\$7,885. 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 enforcement of the Federal Fiscal Union against Lupatech S/A, concerning the collection of tax debts. Process is subject to possible loss of R\$4,001, and is waiting for the manifestation of the Treasury on goods donated.

Tax assessment of the Federal Revenue of Brazil against Lupatech Perfuração e Completação Ltda., coming from administrative procedure, drawn up in view of (i) the non-submission of financial documents related to calendar year 2008 and (ii) the arbitration of income for the 2009 calendar year, a procedure adopted for supervision due to the period of Digital Bookkeeping be "in demand". Process subject to possible loss of R\$18,765. On September 09, 2013, the case was remitted to Team Collection Collection DRF-MACAE-RJ latter being progress.

Tax Foreclosure charging income tax for 1998, against the San Antonio International do Brasil Serviços de Petróleo Ltda., R\$4,503, subject to possible loss. On June 26, 2012 the case was received at the 8th Chamber of the Federal Court of the 1st Region, this being the last update.

The Secretariat of the Federal Revenue of Brazil tax administrative proceedings against the company Sotep – Sociedade Técnica de Perfuração S/A, concerning the collection of amounts related to IRPJ and CSLL. Process subject to possible loss of R\$2,720, and waiting subpoena the company as the judgment dismissing the Appeal Volunteer handled by it.

- (i.4) Administrative process for collection of contributions allegedly due to the INSS, against the San Antonio International do Brasil Serviços de Petróleo Ltda., in R\$42,081, 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 in August 2007. Because of this, the INSS probably return to collect this debt.

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Infraction notices against the San Antonio International do Brasil Serviços de Petróleo Ltda., 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\$30,482.

Debts allegedly confessed in GFIP but not collected by the company's San Antonio International do Brasil Serviços de Petróleo Ltda. Processes of possible loss totaling R\$22,077.

Infraction notices for alleged charges due contributions to the INSS totaling R\$4,410 against the San Antonio International do Brasil Serviços de Petróleo Ltda. The collection of such debt is suspended. Process subject to possible loss.

- (i.5) Tax Enforcement against Lupatech S.A. 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\$2,709. 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, restore the Decision that denied continuation to the Extraordinary Remedy filed by the Union for recognizing the unconstitutionality of the breach of bank secrecy.
- (i.7) Filed tax Enforcement in order to charge the values as COFINS and PIS, embodied in CDAs, originating from administrative processes. The last updates of the process took place on September 07, 2012, where the Prest Perfurações Ltda. opposed Amendment of Judgment against the judgment that denied provident to the previously filed Bill of Review. Process subject to possible loss of R\$1,646.
- (i.8) Debts of ISS by the city of Entre Rios, levied on the supply of petroleum engineering services to Petrobras, the period between January 2005 and December 2009, plus accrued arrears (late payment penalty, interest and inflation). Process subject to possible loss of R\$827.
- (i.9) Fiscal Administrative Procedure of the Federal Revenue Secretariat of Brazil against San Antonio International do Brasil Serviços de Petróleo Ltda., for charging debts of CIDE resulting from remittances outside Brazil. Process subject to possible loss of R\$1,483.

Contingent processes classified as probable loss:

- (i.1) It refers to the fine for not fulfilling ancillary obligations to the state of Rio de Janeiro, in the total amount of R\$1,510, this being in discussion in the administrative scope.
- (i.7) It refers to the credits of PIS and COFINS resulting from specific expenses occurring until the fiscal year of 2008, in the unit of Sotep Sociedade Técnica de Perfurações S.A., that did not fully reach, from the tributary point of view, the condition of input in the provision of services. Value updated, classified as probable loss of R\$1,058.
- (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\$28,000.

ii) Labor Provisions

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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 Provisions

The main discussions in this are related to:

- (iii.1) Extrajudicial execution of the Grupo Engenharia Ltda., Subject to possible loss of R\$1,264.
- (iii.2) Collection action on claims for material damage of Guerrero Locação de Máquinas Ltda ME, subject to possible loss of R\$2,591.
- (iii.3) Extrajudicial Execution Title of Sertex Indústria Comércio de Material Offshore e Serviços Ltda ME, subject to possible loss of R\$2,262.
- (iii.4) Collection action of Rioflux Representações Ltda, Subject to possible loss of R\$2,107.
- (iii.5) 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 causes the value of approximately R\$1,401, and is in the phase of appeal in the court of justice of the State of Rio de Janeiro;
- (iii.6) Compensation action of Meio Dia Refeições Industria Ltda, against Lupatech Perfuração e Completação Ltda. Proceedings on probable loss of R\$3,182.
- (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\$1,183.

The changes in provision balance on December 31, 2014 are as follows:

	Parent				Consolidated			
	Tax	Labor	Civil	Total	Tax	Labor	Civil	Total
Balance at December 31, 2013	552	1,244	1,328	3,124	74,035	59,073	8,569	141,677
Net additions	87	2,401	2,921	5,409	514	17,053	6,851	24,418
Net write-offs	(133)	(1,551)	(1,610)	(3,294)	(38,264)	(14,563)	(5,320)	(58,147)
Balance at December 31, 2014	506	2,094	2,639	5,239	36,285	61,563	10,100	107,948

19.2. Contingent assets

	Probability of probable gain	
	Parent	Consolidated
Tax	3,552	12,248
Civil	414	3,631
Total at December 31st, 2014	3,966	15,879
Total at December 31st, 2013	4,661	20,913

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 provisions

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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 SAS of R\$5,090.
- (i.2) Lawsuit filed against the Federal Government for recognition and declaration of the right of Lupatech the use and ownership of IPI credits in the amount of R\$1,659.
- (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\$1,158.
- (i.4) Statement of the legal obligation requiring the Sotep - Sociedade Técnica de Perfurações S/A to VAT on transfer transactions of goods between stores the Plaintiffs, pursuant to art. 151 V, the National Tax Code, given the Defendant to refrain from engaging in any act related to its recovery. On 09/12/2013, was joined to petition, and this last update process. Probable gain of R\$1,141.

(ii) Civil provision

Main processes contingent Civil assets with probable gain:

- (ii.1) Sentencing process Prest Perfurações Ltdag against the Potássio about payment of penalty provided under the early termination of the contract and reimbursement of expenses incurred for the implementation of Potássio Project in the amount of R\$3,026.

19.3. Judicial deposits

The Company has the following balances of judicial deposits at December 31, 2014, which are linked to contingent liabilities:

	Judicial deposits	
	Parent	Consolidated
Tax contingencies	1,004	3,815
Labor contingencies	640	20,408
Civil contingencies	173	1,072
Balance at December 31, 2014	1,817	25,295
Balance at December 31, 2013	1,240	60,228

20. Taxes payable – Non-current

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
REFIS installment	4,476	1,276	4,759	1,610
Other taxes	50	67	1,684	2,814
	4,526	1,343	6,443	4,424

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Refers to INSS, IRPJ, CSLL, COFINS, PIS, FGTS and other, declared in October 2009 in the program split the tax debts administered by the Internal Revenue Service in Brazil - RFB and the Brazilian Social Security Institute - INSS, according to Law N. 11.941/09, as follows:

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
INSS REFIS installment	2,191	2,495	2,274	2,495
IRPJ REFIS installment	3,825	3,872	3,825	3,872
CSLL REFIS installment	1,329	1,329	1,329	1,329
COFINS REFIS installment	643	643	643	643
Monetary variation	5,513	1,958	5,513	1,958
Other	235	256	2,069	3,337
	<u>13,736</u>	<u>10,553</u>	<u>15,653</u>	<u>13,634</u>
Judicial deposits linked to REFIS installment	(9,210)	(9,210)	(9,210)	(9,210)
	<u>4,526</u>	<u>1,343</u>	<u>6,443</u>	<u>4,424</u>

The most advantageous conditions for debt amortization, among them, the benefit of reduced fines, interest and legal fees, were determining factors to entry to the program. The total adjustment of charges was reduced from R\$2,973 in 2009, recorded as other operating income.

With the entry into the program, the Company will repay the debts so far met with in processing final payment of escrow deposits which are linked to the lawsuit, amounting to R\$9,210 and quoted in the 120 months. Currently, the monthly gathering is approximately R\$0.4. The program also established as a condition of staying the same that the payments of federal taxes are made in days. The exclusion of the Company Program Installment means immediate charge of all debt yet not paid.

For the taxes and contributions received at the Internal Revenue Service Department- SRF debt is legally guaranteed in the lawsuit of the comment.

21. Negative Equity

a) Capital stock

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

	Parent and Consolidated	
	Quantity of share	Capital stock
	Thousand	R\$
Balance at December 31, 2013	157,605	742,438
Mandatory conversion of debentures	106,783	26,696
Capital increase	4,432,666	1,108,166
Cost capitalization process	-	(23,616)
Balance at December 31, 2014	4,697,054	1,853,684

On September 30, 2014 was approved in Meeting of the Board of Directors, increasing the company's capital in the amount of R\$1,108,166, through the issuance of 4.432.666.217 new common shares and

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mandatory conversion of debentures series B shares issued by the Company through the issue of 106,783,549 new common shares, without par value, within the Company's authorized capital limit, the price of R\$0.25 per common share issued by the Company.

Thus, the Company's capital goes from R\$752,270 to R\$1,887,132, divided into 4,697,054,385 ordinary shares, with no par value.

The amount of the capital increase were deducted from R\$23,616 related to the cost of share subscriptions and expenses incurred in the capital increase of the Company

The common shares issued under the capital increase and the mandatory conversion have similar characteristics to other existing common shares and grant their holders the same rights under the Company's Bylaws, the applicable legislation and in the Novo Mercado of BM&FBOVESPA S/A, Commodities and Futures Exchange, and are entitled to dividends and interest on own capital, in full.

b) Dividends

The distribution of minimum mandatory dividends corresponding to 25% of the adjusted net revenue is ensured to shareholders on annual basis, in accordance with the Brazilian Corporate Law.

c) Patrimonial Evaluation Adjustments

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.

d) Options Granted

The Company records in this item the effect of the recognition of the fair value of stock options to which some executives are entitled, as mentioned in Note 24.

22. Financial instruments**22.1. 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.

a) Exchange risk

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The Company operates internationally and is exposed to foreign exchange risk resulting from exposure to some currencies, mainly the US dollar and the Colombian Peso.

Foreign exchange risk results from trade and financial operations, recorded assets and liabilities and net investments in overseas operations.

The Management has established a policy that requires that the Company manage their foreign exchange risk related to their functional currency. In order to manage their foreign exchange risk resulting from trade operations, the Company seeks to balance their balance of trade between purchases and sales in currencies different from their functional currency.

The Company has certain investments in overseas operations whose net assets are exposed to foreign exchange risk.

On December 31, 2014 and 2013, the Company and its subsidiaries had assets and liabilities denominated in US dollars, as shown in the table below:

Items	Amounts in US dollar thousands			
	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Cash and cash equivalents	-	-	44	2,005
Accounts receivable	3,142	2,368	11,139	6,449
Other assets	-	418	45,319	55,743
Loans and financing	(2,044)	(48)	(3,440)	(1,899)
Bonds	-	-	(48,177)	(301,600)
Related parties - Mutual liabilities	(297,070)	(273,503)	-	-
Other obligations	(2,491)	(5,232)	(8,816)	(17,642)
Net exposure in Dollar	<u>(298,463)</u>	<u>(275,997)</u>	<u>(3,931)</u>	<u>(256,944)</u>

On December 31, 2014 the US dollar rate in relation to the Brazilian Real was US\$1.00 = R\$2.6562 (on December 31, 2013 US\$1.00 = R\$2,3426). 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\$52,323 in the parent company and R\$689 in consolidated.

Operations with derivative financial instruments

The purpose of derivative instruments transactions contracted by the Company is always related to the elimination of market risks and also the management of the volatility of financial flows of the Group. In accordance with the standards of the Group, the Company's financial results should be derived from the cash flow of its business and not from gains in financial markets. The use of derivative contracts by the Company should only be to protect eventual exposures that the Company may have arising from the risks to which it is exposed, without the consideration for speculative purposes. The monitoring of the impact of derivative transactions is analyzed monthly and all gains or losses from derivative financial instruments are recognized at fair value in the Consolidated Financial Statements of the Company. The criterion for determining the fair value of derivative financial instruments is based on the use of the market curves of each derivative (MTM) at to present value on the balance sheet date.

“Swap” of exchange rate

In 2013 the Company settled swap contracts of exchange rate which goal was to ensure the management of foreign exchange risk against foreign exchange existing debt contract. The impact recorded in the financial result for the year of 2013 resulted in an gain of R\$2,100.

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

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As presented in the note 22.1, the Company is exposed to risks of fluctuation of interest rates and foreign currencies (other than its functional currency, the "Real"), mainly the U.S. dollar on their loans, financing and perpetual bond. The sensitivity analysis considers 3 scenarios of interest rate fluctuation and exchange rate fluctuation. To define the scenarios used, the Company's Management believes that the following assumptions may be fulfilled, with their respective likelihoods; however, it is worth pointing out that these assumptions are based on judgments of the Company's Management and that they may vary significantly in relation to the actual results due to market conditions, which cannot be estimated with certainty on this date for the full estimation profile.

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

Scenario involving a probable interest rate parity of US Dollar in comparison with Brazilian Real estimated by the Management:

Interest rate for the year 2015: Increase of 10%
US\$: 2.68

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 2015: Increase of 12.5%
US\$: 3.35

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 2014: Increase of 15%
US\$: 4.02

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	-	-	-	1,555	48,241	94,927
Loans, financing and bonds	Interest rate hike	270	337	405	1,034	1,292	1,551
Mutual contracts	US\$ hike	7,285	226,033	444,781	-	-	-
Total (ganho) perda		7,555	226,370	445,186	2,589	49,533	96,478

ii) Cash flow risk or fair value associated with interest rate

The Group's interest rate risk arises from long-term loans. The loans funded at variable rates expose the Group to cash flow interest rate risk. The Group's loans at variable rates were mainly denominated in "Reais". To reduce the possible impacts resulting from these fluctuations, the Company adopts a policy of diversification, alternating the contract of its debts, adjusted to the market.

The Group analyzes its interest rate exposure dynamically. Several scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing and hedge. Based on these scenarios, the Group determines a reasonable change in the interest rate and calculates the impact on income. For each simulation, the same change in interest rate is used for all currencies. The scenarios are prepared only for liabilities representing the main interest-bearing positions.

Based on the simulations and considering the Group's indebtedness profile on December 31, 2014, the impact on income, after the calculation of income tax and social contribution, with a variation of around

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0.25 percentage points in variable interest rates and with all the other variables remaining constant, would correspond to an approximate increase/decrease of R\$168 in interest expenses for the year. The simulation is conducted quarterly to ascertain whether the maximum loss potential is within the limits set forth by the Management.

iii) Credit risk

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

Client selection and the monitoring of the periods for financing sales by business segments and individual position limits are procedures adopted in order to minimize potential default in its accounts receivable. Our revenues are more concentrated, directly and indirectly, on the client Petrobras, which amounted in 2014 approximately 62.8% (69.9% in 2013) 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.

22.2. 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:

- **Cash, cash equivalents and securities held to maturity**

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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	137	137	1,539	1,539
Marketable securities	7,271	7,271	7,271	7,271

• **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	67,786	39,446	201,626	157,917
Debentures	71,715	44,187	71,715	44,187
Bonds	-	-	127,968	49,151

18.3. Financial instruments by category

Summary of financial instruments by category:

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Parent			
12/31/2014			
	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet			
Securities-restricted	-	7,271	7,271
Accounts receivable	43,968	-	43,968
Cash and cash equivalents	137	-	137
Related Parties	20,773	-	20,773
Total	64,878	7,271	72,149

Parent			
12/31/2014			
	Liabilities at fair value with gains and losses recognized in income	Financial liabilities at amortized cost	Total
Liabilities, according to balance sheet			
Loans and financing	-	67,786	67,786
Debentures (Idebnt instruments)	-	71,715	71,715
Suppliers	-	39,147	39,147
Related parties	-	134,949	134,949
Total	-	313,597	313,597

Parent			
12/31/2013			
	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet			
Securities-restricted	-	7,472	7,472
Accounts receivable	41,170	-	41,170
Cash and cash equivalents	910	-	910
Related Parties	10,493	-	10,493
Total	52,573	7,472	60,045

Parent			
12/31/2013			
	Liabilities at fair value with gains and losses recognized in income	Financial liabilities at amortized cost	Total
Liabilities, according to balance sheet			
Loans and financing	-	210,625	210,625
Debentures (Idebnt instruments)	-	294,842	294,842
Derivatives financial instruments - debentures	124,642	-	124,642
Suppliers	-	28,365	28,365
Related parties	-	658,379	658,379
Total	124,642	1,192,211	1,316,853

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Consolidated			
12/31/2014			
	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet			
Securities-restricted	-	7,271	7,271
Accounts receivable	115,483	-	115,483
Cash and cash equivalents	1,539	-	1,539
Total	117,022	7,271	124,293
Consolidated			
12/31/2014			
	Liabilities at fair value with gains and losses recognized in income	Financial liabilities at amortized cost	Total
Liabilities, according to balance sheet			
Loans and financing	-	201,626	201,626
Bonds	-	127,968	127,968
Debentures (Idebnt instruments)	-	71,715	71,715
Suppliers	-	98,389	98,389
Total	-	499,698	499,698
Consolidated			
12/31/2013			
	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet			
Securities-restricted	-	7,472	7,472
Accounts receivable	128,811	-	128,811
Cash and cash equivalents	20,676	-	20,676
Total	149,487	7,472	156,959
Consolidated			
12/31/2013			
	Liabilities at fair value with gains and losses recognized in income	Financial liabilities at amortized cost	Total
Liabilities, according to balance sheet			
Loans and financing	-	369,126	369,126
Bonds	-	708,514	708,514
Debentures (Idebnt instruments)	-	294,842	294,842
Derivatives financial instruments - debentures	124,642	-	124,642
Suppliers	-	122,032	122,032
Total	124,642	1,494,514	1,619,156

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23. Insurance coverage (unaudited by independent auditors)

It is the Company's policy to maintain insurance coverage for fixed assets and inventories subject to risks, under the type "Comprehensive Corporate Insurance", and for amounts deemed as sufficient to cover the risks involved. The company also has general Civil Liability Insurance, as well as Directors and Officers Liability Insurance. In the oil segment, it covers the national transportation and risks involving oil equipment.

Insurance purpose	Amount Secured	
- Corporative understanding insurance	R\$	45,525
- General civil responsibility insurance	R\$	10,000
- Management D&O responsibility insurance	R\$	63,000
- Oil risk insurance	US\$	11,757

24. Stock option plan

With the purpose of promoting the Company's expansion and achieving the corporate goals established, allowing the Company to obtain and keep its top executives, the Board of Directors of the Company approved in 2006, 2007 and 2009 Plans for the Granting of Stock Options.

The option could be exercised over all or part of the shares until April 30, 2013. As disclosed in the financial statements of the Company on December 31, 2013 were prescribed by non-exercise 26,960 shares and as of April 30, 2013 not there are options outstanding.

On December 31, 2014 the reserve balance of options granted is R\$13,549 (R\$13,549 at December 31, 2013). The effect on income in 2014 is zero (R\$62 in 2013).

25. Profit sharing program

In compliance with the profit sharing program duly ratified by the workers' union, the amounts related to employee and management profit sharing for the year 2014, recognized in the income of the parent is zero and R\$612 in consolidated (zero in parent and R\$1,674 in consolidated for the year 2013). The profit sharing program for employees and managers is based on individual and corporate operating and financial targets previously established, which are determined at the end of the year to ascertain how far they have been met and the consequent distribution of the amounts due.

On December 31, 2014, the balance of participations of employees and administrators in the results, recorded in current liabilities is zero in parent and consolidated (zero and R\$1,433, parent and consolidated, respectively, at December 31, 2013).

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26. Statement of net sales

	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Gross sales and/or services				
In Brazil	80,884	93,556	375,699	453,152
Export	28,760	36,909	50,467	37,108
	109,644	130,465	426,166	490,260
Deductions for gross sales				
Taxes on sales	(14,520)	(12,927)	(41,879)	(49,984)
Net sales and/or services	<u>95,124</u>	<u>117,538</u>	<u>384,287</u>	<u>440,276</u>

27. Gain (Loss) per Share
a) 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	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Loss attributable to shareholders of the company from continuing operations	(465,536)	(372,750)	(460,895)	(376,599)
Weighted average quantity of common shares outstanding (thousands)	1,326,668	157,448	1,326,668	157,448
Basic loss per share - R\$	<u>(0.35)</u>	<u>(2.37)</u>	<u>(0.35)</u>	<u>(2.39)</u>

Items	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Loss attributable to shareholders of the company from continuing and discontinued operations	(631,008)	(378,789)	(631,008)	(378,789)
Weighted average quantity of common shares outstanding (thousands)	1,326,668	157,448	1,326,668	157,448
Basic loss per share from continuing and discontinued operations - R\$	<u>(0.48)</u>	<u>(2.41)</u>	<u>(0.48)</u>	<u>(2.41)</u>

b) 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	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Loss attributable to shareholders of the company from continuing operations	(465,536)	(372,750)	(460,895)	(376,599)
Weighted average quantity of common shares outstanding (thousands)	1,326,668	157,448	1,326,668	157,448
Diluted loss per share - R\$	<u>(0.35)</u>	<u>(2.37)</u>	<u>(0.35)</u>	<u>(2.39)</u>

Items	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Loss attributable to shareholders of the company from continuing and discontinued operations	(631,008)	(378,789)	(631,008)	(378,789)
Weighted average quantity of common shares outstanding (thousands)	1,326,668	157,448	1,326,668	157,448
Diluted loss per share from continuing and discontinued operations - R\$	<u>(0.48)</u>	<u>(2.41)</u>	<u>(0.48)</u>	<u>(2.41)</u>

The convertible debentures (Note 14) are not included in the calculation of diluted earnings per share in 2013 and 2014 because they are antidilutive for the period(s) presented.

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28. Financial result

Items	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Financial Income				
Income from financial investments	749	622	771	707
Related-party interest income (mutual contract)	426	7,844	-	-
Fair value adjustment	412	-	412	-
Embedded derivative instrument - Debentures	9,442	18,877	9,442	18,877
Gains from derivatives and hedge	-	-	-	503
Reversal of premium on non-conversion of debentures	41,540	-	41,540	-
Gain by part of non-converting of perpetual bonds in capital	-	-	36,244	-
Other financial income	1,882	699	5,178	3,260
Total financial Income	54,451	28,042	93,587	23,347
Financial Expenses				
Interest on loans and financing	(26,236)	(22,628)	(50,099)	(46,333)
Interest on perpetual bond	-	-	(39,118)	(59,108)
Interest + IPCA on debentures	(81,712)	(44,466)	(81,712)	(44,466)
Fair value adjustment	(136,183)	-	(139,587)	(242)
Embedded derivative - debentures	(8,623)	(5,351)	(8,623)	(5,351)
Interest of mutual contract	(56,938)	(49,938)	-	-
IOF, banking expenses and others	(12,878)	(4,843)	(16,377)	(7,952)
Total financial expenses	(325,322)	(128,848)	(345,011)	(170,181)
Gain on exchange variance	195,692	71,406	197,321	72,340
Loss on exchange variance	(174,075)	(154,511)	(178,702)	(164,180)
Exchange variance, net	21,617	(83,105)	18,619	(91,840)

29. Other Operating Expenses (Income)

Items	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
(Provision) Reversal for loss of lawsuit	(1,952)	(1,636)	(13,208)	(12,145)
Stock option expenses	-	(62)	-	(62)
Provision impairment of assets	-	(18,160)	-	(18,160)
(Provision) Reversal of losses on inventory obsolescence	2,037	(2,392)	69	(6,680)
Residual value on disposal of fixed assets	(270)	8,747	(28,595)	(2,518)
Contratual fines	-	-	(95,649)	(7,508)
Cost of idle production	(12,659)	(5,370)	(13,243)	(6,144)
(Expenses) Reversal of expenses of expenditure on corporate restructuring	(196)	(1,488)	(196)	(1,488)
Other	(4,662)	(3,038)	(5,983)	(5,055)
Total	(17,702)	(23,399)	(156,805)	(59,760)

On December 31, 2014 the Company recorded R\$95,649 as expenses in the consolidated from contractual fines for non-compliance of terms of contracts with customers.

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30. Expenses by Type

Items	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Depreciation and amortization	(9,514)	(10,322)	(50,061)	(50,439)
Salaries, social charges and benefits	(51,364)	(60,788)	(209,728)	(249,265)
Raw material	(52,311)	(54,499)	(135,817)	(168,256)
Commissions	(4,106)	(3,853)	(4,275)	(4,569)
Freights	(1,120)	(1,708)	(1,392)	(2,638)
Legal advice and tax	(4,675)	(6,745)	(7,726)	(11,143)
Travel expenses	(1,207)	(1,524)	(1,707)	(2,874)
Provision for loss of lawsuit	(4,046)	(1,774)	(16,384)	(12,479)
Residual value on disposal of fixed assets	-	(18,160)	-	(18,160)
Residual value on disposal of fixed assets	(4,311)	(506)	(58,675)	(14,672)
Contratual fines	-	(3,790)	(105,438)	(12,221)
Losses on inventory obsolescence	(740)	(4,182)	(4,150)	(8,449)
Cost of idle production	(12,659)	(5,370)	(13,243)	(6,144)
Inventory adjustment	-	(9,508)	(3,177)	(9,471)
Other expenses	(8,817)	(1,704)	(17,797)	(23,513)
	<u>(154,870)</u>	<u>(184,433)</u>	<u>(629,570)</u>	<u>(594,293)</u>
Classified as:				
Costs of sales	(89,913)	(104,854)	(347,648)	(405,255)
Selling expenses	(13,222)	(16,094)	(24,482)	(23,856)
General and administrative	(17,332)	(21,360)	(56,934)	(82,645)
Management compensation	(6,081)	(6,318)	(6,081)	(6,318)
Other operating expenses	(28,322)	(35,807)	(194,425)	(76,219)
	<u>(154,870)</u>	<u>(184,433)</u>	<u>(629,570)</u>	<u>(594,293)</u>

31. 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 n ° 1.

Geographically, the Management considers the performance of Brazilian, Argentine markets and other. The distribution by region takes into account the location of Group's companies and not client's location. In view of a solid relationship with Oil and Gas segments in Brazil and Argentina, by means of its subsidiaries located in that country, the geographic analysis is directly focused on this structure.

Revenues generated by operating segments mainly derive from:

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

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

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

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

The Company's revenues have higher concentrations involving the customer Petrobras, directly and indirectly, which responded for the year 2014 by approximately 62.8% (68.9% for the year 2013) of the total revenue of the Company and its subsidiaries.

The information by segment is as follows:

	Products		Services		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Net sales	106,359	148,101	277,928	292,175	384,287	440,276
Cost of goods sold	(98,287)	(127,923)	(249,361)	(277,332)	(347,648)	(405,255)
Gross profit	8,072	20,178	28,567	14,843	36,639	35,021
Selling expenses	(14,619)	(20,089)	(9,863)	(3,767)	(24,482)	(23,856)
General and administrative	(17,540)	(19,337)	(39,394)	(63,308)	(56,934)	(82,645)
Management fees	(1,610)	(2,090)	(4,471)	(4,228)	(6,081)	(6,318)
Equity pick-up	(17,119)	(13,751)	-	-	(17,119)	(13,751)
Other operating income (expenses), net	(15,083)	(30,202)	(141,722)	(29,558)	(156,805)	(59,760)
Income before financial results	(57,899)	(65,291)	(166,883)	(86,018)	(224,782)	(151,309)
Financial income (*)	-	-	-	-	93,587	23,347
Financial expense (*)	-	-	-	-	(345,011)	(170,181)
Exchange variance, net (*)	-	-	-	-	18,619	(91,840)
Income (loss) before income tax and social contribution	-	-	-	-	-	-
Current income tax and social contribution (*)	-	-	-	-	(2,264)	345
Deferred income tax and social contribution (*)	-	-	-	-	(1,044)	13,039
Net income (loss) of discontinued operations for the period	-	-	-	-	(170,113)	(2,190)
Net income (loss) of continued and discontinued operations for the period	-	-	-	-	(173,421)	11,194

	Products		Services		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Identifiable assets (1)	327,150	576,402	548,721	654,825	875,871	1,231,227
Identifiable liabilities (2)	53,163	166,921	246,852	324,237	300,015	491,158

	Products		Services		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Depreciation and amortization	(9,283)	(10,401)	(40,778)	(40,038)	(50,061)	(50,439)
Fixed assets acquisition	170	1,142	13,938	30,374	14,108	31,516

1 - Identifiable assets: accounts payable; inventories; fixed assets and goodwill; recoverable income taxes; marketable securities

2 - Identifiable liabilities: accounts payable and loans and financing

(*) Information not included in the amount of profit (loss) for the segment reviewed by the principal manager of operations

Information by geographic region is as follows:

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	Brazil		South America		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Net sales	285,903	338,265	98,384	102,011	384,287	440,276
Cost of goods sold	(270,155)	(349,028)	(77,493)	(56,227)	(347,648)	(405,255)
Gross profit	15,748	(10,763)	20,891	45,784	36,639	35,021
Selling expenses	(23,601)	(23,079)	(881)	(777)	(24,482)	(23,856)
General and administrative	(52,572)	(79,310)	(4,362)	(3,335)	(56,934)	(82,645)
Management fees	(6,081)	(6,318)	-	-	(6,081)	(6,318)
Equity pick-up	(60)	(39)	(17,059)	(13,712)	(17,119)	(13,751)
Other operating income (expenses), net	(157,243)	(59,694)	438	(66)	(156,805)	(59,760)
Income before financial results	(223,809)	(179,203)	(973)	27,894	(224,782)	(151,309)
Financial income (*)	-	-	-	-	93,587	23,347
Financial expense (*)	-	-	-	-	(345,011)	(170,181)
Exchange variance, net (*)	-	-	-	-	18,619	(91,840)
Income (loss) before income tax and social contribution	(223,809)	(179,203)	(973)	27,894	(457,587)	(389,983)
Current income tax and social contribution (*)	-	-	-	-	(2,264)	345
Deferred income tax and social contribution (*)	-	-	-	-	(1,044)	13,039
Net income (loss) of discontinued operations for the period	-	-	-	-	(170,113)	(2,190)
Net income (loss) of continued and discontinued operations for the period	(223,809)	(179,203)	(973)	27,894	(631,008)	(378,789)
	Brazil		South America		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Identifiable assets (1)	803,015	975,408	72,856	255,819	875,871	1,231,227
Identifiable liabilities (2)	261,047	428,529	38,968	62,629	300,015	491,158
	Brazil		South America		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013	12/31/2014	12/31/2013
Depreciation and amortization	(40,306)	(42,828)	(9,755)	(7,611)	(50,061)	(50,439)
Fixed assets acquisition	14,062	16,610	46	14,906	14,108	31,516

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

(*) Information not included in the amount of profit (loss) for the segment reviewed by the principal manager of operations

32. Transactions not involving cash

On September 30, 2014, as mentioned in Note 1.2, the Company completed the main part of the corporate and operational restructuring process with a view to continuing the business of the group. On that date, the Board of Directors approved the capital increase of the Company upon the conversion of part of its debt with creditors in the capital. Contracts debentures and perpetual notes were converted into 85% and the rest renegotiated new contracts with new equivalent to the accumulated variation of 100% of the average daily rates of DI rates - Interbank Deposit of a day in the case of debentures and 3% year in the case of perpetual bonds, maturities and grace period of 2 years and the remaining amortization five years. The loan for working capital with Votorantim and Banco Itaú were converted in its entirety. The total secured debt is converted in accordance with the opening below:

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	Converted value	Converted shares (thousand)
Perpetual bonds	572,258	2,289,031
Debentures	364,985	1,459,938
Loans	180,959	723,835
Other	16,660	66,646
	1,134,862	4,539,450

In 2009, the Company issued 320,000 convertible debentures from BNDES, whose premises early redemption, conversion and redemption without conversion actions were recognized by management as an embedded derivative contract debentures. This portion of the contract for accounting purposes, was recognized separately from the host contract and measured at fair value on initial recognition and subsequently at fair value through profit or loss to the conversion of the debentures. On that date, the market changes in the fair value accumulated in current liabilities, corresponding to R\$9,442, liabilities were reversed against income.

The debentures deed contained no premium for conversion clause. The award corresponded to amounts payable to debenture holders at the end of the contract, not by conversion of debentures into equity. As a result of this award, the Company maintained a provision for settlement at the end of the contract. Upon conversion, from the corporate restructuring of the Company, the award is no longer required, since the condition of not converting ceased to exist. On September 30, 2014 the Company performed the reversal of a provision of R\$41,540.

The converted value of the shares was set at R\$0.25 per share. In September 30, 2014, when the approval of the plan, Management made evaluation of IFRIC 19 / ICPC 16 assessing the fair value of the consideration given in relation to the financial liability extinguished. The fair value of obeisant action by the Company considered the market price of the share traded on the stock exchange on the date on which the liability was extinguished was R\$0.28 per share. The variation between the conversion value and the fair value of the shares resulted in a loss of R\$136,183, recognized as interest expense in the income statement, as described in note 28.

	Converted shares (thousand)	Converted value	Market value	Variation
Perpetual bonds	2,289,031	572,258	640,928	68,670
Debentures	1,459,938	364,985	408,783	43,798
Loans	723,835	180,959	202,674	21,715
Other	66,646	16,660	18,660	2,000
	4,539,450	1,134,862	1,271,045	136,183

The restructuring costs incurred of R\$21,691 from the consultants and lawyers directly involved in this process and remuneration.

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33. Assets and liabilities held for sales

As the material facts announced to shareholders and the market in general, the Company, during the year 2014 is being given continuity to asset restructuring process, performing asset divestitures "non-core". The base date December 31, 2014, the Company considers its subsidiaries Jefferson Sudamericana S.A. and units, and Recu S.A., as operations available for sale, as mentioned in notes 1.3 and 34.

33.1. Assets and liabilities held for sales

The assets and liabilities of Jefferson Sudamericana S/A and units and Recu S/A, held for sale at December 31, 2014 are presented below:

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

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

33.2. Income from discontinued operations

On December 31, 2014 and 2013 the Company has as a result of discontinued operations resulting from a single co-ordinated plan to sell, the result of Tubular Services – Rio das Ostras, unit of the Services Segment, and the Argentina's units, as is presented below:

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	Parent		Consolidated	
	12/31/2014	12/31/2013	12/31/2014	12/31/2013
NET REVENUE FROM SALES	-	-	117,559	129,722
COST OF GOODS SOLD	-	-	(68,132)	(88,698)
GROSS PROFIT	-	-	49,427	41,024
OPERATING INCOME/EXPENSES				
Selling	-	-	(12,694)	(14,659)
General and administrative	-	-	(6,965)	(9,816)
Other operating expenses (income), net	(165,472)	(6,039)	(188,970)	(8,814)
OPERATING INCOME/EXPENSES BEFORE FINANCIAL RESULTS	(165,472)	(6,039)	(159,202)	7,735
FINANCIAL RESULTS				
Financial income	-	-	452	685
Financial expenses	-	-	(4,006)	(4,766)
Exchange variation, net	-	-	2,985	2,807
LOSS BEFORE TAX / HOLDING	(165,472)	(6,039)	(159,771)	6,461
PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION				
Current	-	-	(10,022)	(8,782)
Deferred	-	-	(320)	131
LOSS OF DISCONTINUED OPERATIONS	(165,472)	(6,039)	(170,113)	(2,190)

The balance of other operating expenses from discontinued operations on December 31, 2014 considers the write-off of goodwill on the acquisition of investments of companies in Argentina in the amount of R\$121,407 and net cost of sales of investments in the amount of R\$73,333.

33.3. Cash flow of discontinued operations

Cash flow from assets held for sale is presented below:

	Consolidated	
	12/31/2014	12/31/2013
Cash flow from operating activities	1,283	727
Cash flow from investing activities	(174)	(90)
Cash flow from financing activities	81	(200)
Increase in cash and cash equivalents	(1,190)	(437)

34. Subsequent events

On January 29, 2015 we completed the sale of its indirect subsidiary Jefferson Sudamericana SA, and units Jefferson Solenoid Valves USA, Inc., Valjeff SA de CV and Jefferson Solenoidbras Ltda., for Argentine businessmen Ricardo and Felipe Menendez, through of its operations Jikur SA and Jatdery SA, located in Uruguay.

The final price of the acquisition, as announced to the market on January 22, 2015, was fixed at US\$5,7 million, of which US\$4,3 million was paid on the closing date, and US\$1,3 million will be paid within 03 (three) years from the date of completion of the sale, not materializing any contingencies identified by the buyer as well as checking if the recovery of retained export credits. Important to stress that the Purchaser already had advanced US\$144 thousand, when signing the contract of sale of shares.

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This transaction is included in the financial debt restructuring plan and the Company's capital structure, and represents another step in the process of strengthening its cash position, as well as obtaining resources for application in the Company's operations.

INDEPENDENT AUDITOR'S REPORT**Independent auditors' report on the financial statements**

To the Management and Shareholders of
Lupatech S.A.
Nova Odessa – SP

We examined the individual and consolidated financial statements of Lupatech S/A ("Company"), identified as Company and Consolidated, respectively, which comprise the balance sheet as at December 31, 2014 and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion on the Individual Financial Statements

In our opinion, the individual financial statements present fairly, in all material respects, the financial position of Lupatech S.A. as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Lupatech S.A. as at December 31, 2014, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB and accounting practices adopted in Brazil.

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Emphasis of Matter

No caveat our opinion, we draw attention to the fact that the Company has generated recurring losses and presents failure in the cash flow necessary for the maintenance of its operating activities. As described in Note 1.4, the Company's management has implemented restructuring of operations and has prepared an analysis of the ability of the Company to continue operating. In this analysis, the Management used assumptions about the entry of additional financial resources at the Company depending on the success of certain actions that are subject to negotiations with third parties, thereby generating significant uncertainty as to its ability to obtain such resources. Thus, the continuity of the Company's business depends on the Administration successfully implement such actions in order to balance its cash position, allowing them to be normalized working capital levels and investments needed for normal operations, including the recovery of assets and payment of liabilities in the agreed form.

Other Matters**Demonstrações do valor adicionado**

We have also audited the individual and consolidated statements of value added ("DVA"), for the year ended December 31, 2014, prepared under the responsibility of the Company's management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies, and as supplemental information for IFRS that does not require a presentation of DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

Porto Alegre, March 27, 2015.

KPMG Auditores Independentes
CRC 2SP014428/F-7-RS

Cristiano Jardim Seguecio
Accountant CRC SP244525/O-9-T-RS

FISCAL COUNCIL REPORT

The Fiscal Council of Lupatech SA, in compliance with legal and statutory provisions, examined the Management Report and Financial Statements for the year ended December 31, 2014.

Based on our tests, and further considering the report of the external auditors, KPMG KPMG Auditores Independentes, on those financial statements dated March 27, 2015, unqualified, but with emphasis on the continuity of the Company, and information and explanations received during the year, concludes that those documents are capable of being appreciated by the General Meeting of Shareholders.

Nova Odessa, March 27, 2015.

Henrique Jäger

Roberto Perozzi

Gustavo Tenório Reis

MANAGEMENT'S DECLARATION OF THE FINANCIAL STATEMENTS

In accordance with section VI of article 25 of CVM Instruction 480, of December 7, 2009, Management declares that reviewed, discussed and agreed with the Company's Financial Statements for the fiscal year 2014.

Nova Odessa, March 27, 2015.

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 AUDITORS' REPORT

In accordance with section VI of article 25 of CVM Instruction 480, of December 7, 2009, Management states that reviewed, discussed and agreed with independent auditors' report relating to Company's Financial Statements for the fiscal years 2014.

Nova Odessa, March 27, 2015.

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

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CAPITAL BUDGET PROPOSED BY MANAGEMENT

The Company has presenting below, the capital budget for the year 2015, in compliance with Instruction 480/09, published by the CVM on the date of December 7, 2009.

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

Therefore, the amount of investment (capex) scheduled for the year 2015 is approximately R\$62.9 million, 84% of capex to be allocated in projects already contracted and ongoing operations services, 7% in projects already contractors and ongoing operations of products and 9% in corporate projects.

If the Company add new projects to its backlog during the year 2015 that require additional investments, inform its shareholders and the market in general.

Board of Directors

Celso Fernando Lucchesi
Caio Marcelo de Medeiros Melo
Cesar Guilherme Gonzalez Neuman
Luiz Augusto Marciano da Fonseca
Ricardo Doebeli
Simone Anhaia Melo

Fiscal Council

Henrique Jäger
Roberto Perozzi
Gustavo Tenório Reis

Directors

Ricardo Doebeli
Carlos Mario Calad Serrano
Edson Antônio Foltran