



## **MANAGEMENT PROPOSAL**

**Ordinary and Extraordinary Shareholders Meeting to be held  
on April 30, 2015**

### **MANAGEMENT COMMENTS ON THE COMPANY'S FINANCIAL SITUATION**

(Pursuant to Item 10 of the Reference Form – CVM Rule 480)

### **PROPOSAL FOR THE ALLOCATION OF THE NET PROFIT**

(Attachment 9-1-II of CVM Rule 481)

### **MANAGEMENT AND FISCAL COUNCIL**

(Pursuant to items 12.6 to 12.10 of the Reference Form - CVM Rule 481)

### **ADDITIONAL INFORMATION ON THE MANAGEMENT COMPENSATION**

(Pursuant to item 13 of the Reference Form - CVM Rule 480)

### **PROPOSAL TO AMEND THE COMPANY'S BYLAWS**

### **ATTACHMENT 23: PUBLIC REQUEST FOR A POWER OF ATTORNEY**

(Pursuant to CVM Rule 481)

<b><u>Index</u></b>	<b><u>Page</u></b>
Management Proposal.....	03
Management Comments on the Company's Financial Situation.....	05
Proposal for the Allocation of the Net Profit .....	49
Management and Fiscal Council .....	53
Additional information on the Management compensation.....	54

## MANAGEMENT PROPOSAL

Dear Shareholders:

The Board of Directors of Lupatech S.A. ("Lupatech" or "Company") submits the following proposal to shareholders to be resolved at the Annual and Extraordinary General Meeting of the Company to be held in a first call on April 30, 2015 ("AGOE").

### **The following matters will be discussed at the Annual General Meeting:**

1. To examine, discuss and vote for the Management's accounts and the financial statements related to the fiscal year ended December 31, 2014.

Concerning this matter, the Management suggests the approval of Management's accounts and the financial statements related to the fiscal year ended December 31, 2014.

2. To allocate the net income for the year

Concerning this matter, the Management suggests the appropriation of income losses by the Company in the amount of R\$631,000,000.00 (six hundred and thirty-one Million Brazilian reais) to the accumulated losses account.

3. Installation of the Fiscal Board and election of the members.

Concerning this matter, the Management proposes the installation of the Fiscal Board for the 2015 financial year.

### **The following matters will be discussed at the Extraordinary General Meeting:**

1. To approve the Company's management fixed and variable annual global compensation for 2015.

Concerning this matter, the Management clarifies that the Company's Management fixed and variable global compensation shall have the global limit of up to R\$13,231,743.63 (thirteen million, two hundred thirty-one thousand, seven hundred forty-three Brazilian reais and sixty-three cents) then subdivided into:

- up to R\$4,808,101.63 (four million, eight hundred and eight thousand one hundred and one reais and sixty-three cents) for the board of officers fixed compensation;
- up to R\$7,289,641.80 (seven million, two hundred eighty-nine thousand, six hundred forty-one reais and eighty cents) for the board of officers variable compensation; and,
- up to R\$1,134,000.00 (one million, one hundred thirty-four thousand Brazilian reais) for the Board of Directors fixed compensation.

2. Modification of the minimum and maximum number of members of the Board of Directors from 5 (five) and 9 (nine) to 3 (three) and 7 (seven) members, respectively.

Concerning this matter, the Management suggests amending the number of the minimum and maximum members of the Board of Directors to 3 (three) and 7 (seven) members, respectively, as per Article 140 of Law 6.404/76.

3. Inplit the Company's common shares at the ratio of 500:1, so that each batch of 500 (five hundred) common shares is gathered into a single common share, in line with the Regulations for Issuers Listing and Admission to Trading Securities from BM&FBOVESPA, effective as of August of 2014.

As to this issue, the Administration suggests the inplit of all the Company's common shares at a ratio of 500:1.

4. Amendment to Article 5, heading and first paragraph, and the consolidation of the Company's Bylaws to reflect the following changes: (i) change in the amount of capital and the amount of the Company's shares as a result of the approval of the capital increase approved in meeting of the Board of Directors held on September 30, 2014, (ii) change the number of shares due to the inplit approved in item 3 above, and (iii) update the amount of the Company's authorized capital stock as a result of approval of the capital increase approved by the Board of Directors held on September 30, 2014.

Concerning this matter, the Management suggests the amendment and consolidation of the Company's Bylaws to reflect the referred changes.

The following documents are available to shareholders, at the Company's headquarters, at its Investor Relations web site ([www.lupatech.com.br](http://www.lupatech.com.br) - link "Investors Relations"), as well as on the Brazilian Securities and Exchange Commission's website ([www.cvm.gov.br](http://www.cvm.gov.br)): (i) the Management report; (ii) the financial statements; (iii) the independent auditor's report; (iv) the proposal for allocation of net income (Attachment 9-1-II); (v) the standardized financial statements form - DFP, all of them related to the fiscal year ended December 31, 2014; (vi) the Management's comments on the Company's financial status (Item 10 of the Reference Form); (vii) the information referring to the compensation of members of the Board of Directors, Audit Committee's Board of Executive Officers (Item 13 of the Reference Form); (viii) the Attachment 23, referring to the request for power of attorney; (ix) the Company Audit Committee's report regarding the financial statements related to the fiscal year ended December 31, 2014; and (x) the Manual for Attendance at Meetings, which contains all further information required by CVM Rules 480/09 and 481/09, pursuant to paragraph 3 of Article 135 of Law 6,404/76 and Articles 6 and 9 of CVM Rule 481/09.

Nova Odessa, March 31, 2015.

Celso Fernando Lucchesi  
Chairman of the Board of Directors

## MANAGEMENT COMMENTS ON THE COMPANY'S FINANCIAL SITUATION

(PURSUANT TO ITEM 10 OF THE COMPANY'S REFERENCE FORM – CVM RULE 480)

### 10.1. Officer's comments

#### 10.1. Officer's comments on:

##### a. overall financial and balance sheet conditions

The Company has limitations with respect to cash and access to credit lines, where actions are required to complete the position of box shape to allow full recovery of the Company, especially to focus on implementing the necessary investment in Capex and normalization of working capital for operations.

There were significant changes in the Oil & Gas segment scenario, yet the third quarter of 2014, a result of the drastic fall in the price per barrel of oil and the crisis in which the main customer of Lupatech, Petrobras, through right now. Importantly, Lupatech has no relation with current 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 scenery made the implementation of potential demobilization planned non-core assets were difficult, and make obtaining credit lines in the financial system and attracting investors to the significantly more challenging Company.

We understand that we have in Lupatech, a differentiated positioning that is important basis for through this troubled time by which passes both the economy and the oil and gas industry This position mainly involves the following factors: i) has executed the restructuring its financial debt, with a significant reduction of its debt, and its financial debt balance reperfilado in large proportion in the long run, the very reasonable costs; ii) have completed, during the year 2013 and 2014, strong operational restructuring to reduce its costs and expenses; iii) a Company not mustered the current crisis now facing its main client and various suppliers; and iv) to have physical structure with good positioning in terms of product offerings and services, which keeps Lupatech in unique position to meet the demands of its customers.

We remain committed to completing the restructuring of Lupatech, relentlessly pursuing financial stability, in particular with regard to the working capital of the Company.

##### b. capital structure and the possibility to redeem shares or quotas

Progress of our capital structure in the last three fiscal years:

	Fiscal Year ended December 31 (in R\$ thousands, except percentages)		
	2012	2013	2014
Total Liabilities	1,753,464	1,993,710	927,271
Total Financial Indebtedness	1,330,046	1,497,124	401,309
Other current and non current liabilities	423,418	496,586	525,962
Shareholders' Equity	(192,798)	(563,491)	95,358
<b>Capital Structure</b>			
% Shareholders' Equity	-17,0%	-60,4%	19,2%
% Total Financial Indebtedness	117,0%	160,4%	80,8%

% Total Liabilities	112,4%	139,4%	90,7%
---------------------	--------	--------	-------

The Capital Structure, as calculated by us, consists of Shareholders' Equity (the capital of shareholders) and Total Financial Indebtedness (third party capital). We calculate the composition of our Capital Structure by dividing the Shareholders' Equity by the sum of Shareholders' Equity and Total Financial Indebtedness to calculate the percentage of Shareholders' Equity in the Capital Structure, and by dividing the Total Financial Indebtedness by the sum of Shareholders' Equity and Total Financial Indebtedness to calculate the percentage of Total Financial Indebtedness in the Capital Structure. Other companies may calculate the Capital Structure differently from us.

In addition, Total Financial Indebtedness corresponds to the sum of Short Term Financial Indebtedness (the current portion of Loans and Financing, Debentures, Bonds and Losses with Derivatives) and Long Term Financial Indebtedness (non-current portion of Loans and Financing, Debentures and Bonds).

We ended 2014 fiscal year with 80.8% of our Capital Structure comprised of Total Financial Indebtedness and 19.2% negative Shareholders' Equity, due mainly to Accumulated Losses. The current Total Financial Indebtedness is essentially comprised of Bonds, Debentures (held in majority by BNDES) and financing lines for equipments with BNDES and credit lines with commercial banks. In 2013 fiscal year, 160.4% of our Capital Structure was comprised of Total Financial Indebtedness, and -60.4% negative was comprised of Shareholders' Equity, and in 2012 fiscal year, 117.0% of our Capital Structure was comprised of Total Financial Indebtedness, and -17.0% was comprised of Shareholders' Equity.

In 2012 and 2013, our Total Financial Indebtedness corresponds to the sum of Financial Debt Short-term (current portion of Loans and Financing, Convertible Debentures, Perpetual Bonds and Losses on Derivatives) and Financial Indebtedness Long-term (non-current portion of loans and financing, Convertible Debentures and Perpetual Bonds).

There is no provision for redemption of shares or capital quotas.

#### **c. payment capacity regarding financial obligations taken**

The capacity is directly related to the mentioned in item 10.1 (a) of this form.

#### **d. sources of financing used for working capital and investments in non-current assets**

Given our growth strategy, throughout the last years we concluded several acquisitions of companies, using as source of financing, mainly, the proceeds from the Primary Offering of Shares held in 2006, and resources from the issuance of debts such as (i) Local Debentures issued in 2006 and canceled in 2007, (ii) Perpetual Bonds issued in 2007 and 2008, and (iii) Convertible Debentures into shares issued in 2009. During the years 2010 and 2011 the Company contracted credit lines with commercial banks to finance its operating activities and investments in non-current assets. During the year 2012, a relevant capital capitalization was made, which was the main resource fund to enable part of the investment plan of the year and finance the working capital of the operations.

Support for short-term cash flow and improved liquidity for the Company in financial year 2013 the course was represented by important cash reinforcements coming especially from the process of divesting assets non-core, including the sale of the unit Tubular Services - Rio das Ostras, which contributed the entry of R\$ 59,600 in 2013 and R\$ 7,709 in 2014. During the year 2014 we had the entry of R\$ 14,000 from the sale of land owned by Lupatech – Equipamentos e Serviços para Petróleo Ltda., and continuing the restructuring process assets were sold the operations of the Argentine controlled Válvulas Worcester de Argentina S/A, Esferomatic S/A, Norpatagonica S/A, Válvulas W. San Luis and Industria Y Tecnologia en Aceros S/A, for US\$ 22 million. 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 opportunities for non-core asset divestitures, aims to reinforce the box structure and support to operational demands planned for the year 2015.

**e. sources of financing for working capital and investments in non-current assets to be used to cover liquidity deficiencies**

Should we face liquidity deficiencies, we intend to use loans and financing from commercial banks and/or development agencies and, eventually, resources issued in capital markets as well as funds from assets demobilizations to finance working capital needs and investments in non-current assets.

**f. indebtedness levels and debt characteristics:**

We present below the progress of our financial indebtedness in the last three fiscal years:

	Year Ended December 31, (In thousands R\$, except percentages)			Change %	Nominal Change
	2012	2013	2014		
<b>Debt short term</b>	<b>710,735</b>	<b>1,461,149</b>	<b>56,884</b>	-96%	(1,404,265)
Financial lines	302,846	333,151	56,884	-83%	(276,267)
Debentures	391,607	419,484	-	-100%	(419,484)
Perpetual bonds - Interest	14,182	708,514	-	-100%	(708,514)
Losses on Derivatives	2,100	-	-	n.a.	-
<b>Debt long term</b>	<b>619,311</b>	<b>35,975</b>	<b>344,425</b>	857%	308,450
Financial lines	57,348	35,975	144,742	302%	108,767
Debentures	-	-	71,715	n.a.	71,715
Bonds	-	-	127,968	n.a.	127,968
Perpetual bonds - Interest	561,963	-	-	n.a.	-
<b>Total debts</b>	<b>1,330,046</b>	<b>1,497,124</b>	<b>401,309</b>	-73%	(1,095,815)
Cash and cash equivalents	(31,852)	(20,676)	(1,539)	-93%	19,137
<b>Net debt</b>	<b>1,298,194</b>	<b>1,476,448</b>	<b>399,770</b>	-73%	(1,076,678)

The Consolidated Short Term Debt at the end of 2014 fiscal year reached R\$ 56,9 million, decreased of 96% compared to the end of 2013 fiscal year, mainly due to the Company's restructuring process which allowed the substantial portion of debt conversion just in capital.

The Long Term Debt, which does not include the Bonds, increased 302% or R\$ 108,8 million at the end of 2014 fiscal year compared to the end of 2013 fiscal year, due to debt reprofiling with certain financial institutions at the time of the Company's financial restructuring, which had renegotiation of contracts with longer terms for compliance and lack of principal and interest.

The total balance of Indebtedness decreased 73% for the year 2014 to R\$ 401.3 million versus R\$ 1,497.1 million in the financial year 2013.

With this, the Consolidated Net Debt totaled in 2014 fiscal year, R\$ 399.8 million, an increase of 73% compared to 2013, reflection of the Company's restructuring process, which was the conversion of existing debt with Convertible Debentures, Perpetual Bonds and Financing in Capital.

**i. significant loan and financing contracts**

***Perpetual Bonds***

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 where such offering or sale is forbidden, in accordance with Regulation S. bonds were listed on the Luxemburg 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.

The Company 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.

#### ***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.

#### ***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.

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.

	<b>12/31/2014</b>	<b>12/31/2013</b>	<b>12/31/2012</b>
Debt instrument - Ddebentures	66,960	194,123	188,781
Embedded derivative instrument	-	124,642	138,168
Interest on debentures	4,755	100,719	64,658
Total	71,715	419,484	391,607

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.

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:

- 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.

On December 31, 2014 the Company complied with the financial covenants clauses mentioned above.

### ***Loans and Financings***

The following tables present our indebtedness profile for the indicated periods. The table does not contemplate the aforementioned Debentures and Bonds, or losses with derivatives.

Description	Index	Weighted interest rates de juros	12/31/2014			12/31/2013			12/31/2012		
			Current	Non Current	Total	Current	Non Current	Total	Current	Non Current	Total
			Local currency								
Working capital / expansion	CDI	5.26% p.a.	37,615	716	38,331	241,388	8,882	250,270	226,247	37,317	263,564
Working capital / expansion	TJLP	7.48% p.a.	3,991	50,387	54,378	52,264	-	52,264	45,429	-	45,429
Working capital / expansion	FIXO	15,05% p.a.	-	-	-	-	-	-	6,183	986	7,169
Financing of property, plant and equipment	TJLP	6.57% a.a.	191	22	213	280	207	487	510	487	997
Financing of property, plant and equipment	FIX	6.57% p.a.	113	-	113	452	113	565	455	562	1,017
Financing of research and development	TJLP	4.5% p.a.	2,464	6,291	8,755	2,242	7,157	9,399	2,266	8,075	10,341
Guarantee provided - Guaranteed by a letter of guarantee	FIX	4.68% p.a.	-	16,212	16,212	15,593	-	15,593	-	-	-
Working capital / expansion	FIX/CDI	3% p.a.	-	28,011	28,011	-	-	-	-	-	-
Discounted titles	-	2.7% p.a.	3,203	19,987	23,190	1,401	-	1,401	935	-	935
		13.95% p.a.	47,577	121,626	169,203	313,620	16,359	329,979	282,025	47,427	329,452
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	2,681	290	2,971
Working capital / expansion	PESO COP	9.89% p.a.	7,952	14,753	22,705	13,890	17,705	31,595	16,961	7,706	24,667
Working capital / expansion	UMBNDES 590	8.86% p.a.	580	-	580	879	532	1,411	772	1,212	1,984
Financing of property, plant and equipment	PESO ARS	5% p.a.	-	-	-	155	507	662	179	713	892
			9,307	23,116	32,423	19,531	19,616	39,147	20,593	9,921	30,514
			56,884	144,742	201,626	333,151	35,975	369,126	302,618	57,348	359,966

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

Maturity	12/31/2014	12/31/2013	12/31/2012
2014	-	-	35,433
2015	-	16,139	12,087
2016	27,089	8,875	4,473
2017	19,096	6,741	3,023
2018	18,392	4,025	2,332
2019	22,478	195	-
2020 to 2025	57,687	-	-
	144,742	35,975	57,348

Guarantees for loans and debt, excluding the Convertible Debentures, Bonds and the Perpetual Bonds were issued as follows:

Local currency	Garantee	Amount
Working capital / expansion	Mortgage / 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	4,507
Financing of research and development	Bank guarantee	19,807
		183,959
<b>Foreign currency</b>		
Working capital / expansion	Own financed asset	19,164
		19,164
		203,123

## ii. other long term relations with financing institutions

The long term relationships with financial institutions are concentrated on long term portions of resources borrowed for working capital and investment at financial institutions, values related of Bonds, perpetual bonds and debentures debts.

## iii. level of subordination between debts

The Debentures, because they guarantee the floating species, are subject to asset-backed securities.

The Perpetual Bonds and the Bonds are unsecured, ie without collateral, which also affects the quality of subordinates to other securities of the Company that have real or floating charges.

## iv. occasional restrictions imposed by the Company, especially in relation to limits of indebtedness and new debts, the distribution of dividends, sale of assets, issuing of new securities and sale of share control.

Some financing contracts signed with financial institutions have standard early maturity clauses.

The Debentures are subject to the calculation of financial covenants. For more information, see section i. above.

### ***Restrictive Financial Clauses (Covenants)***

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.

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.

### **g. limits to the use of financing already contracted**

There are no limits to the use of financing already contracted.

### **h. significant changes in each item of the financial statements**

The financial information presented and analyzed as follow is derived from the consolidated financial statements for the fiscal years ended on December 31 of 2012, 2013 and 2014, prepared according to IFRS rules issued by the IASB, and compliant with the accounting practices adopted in Brazil.

The accounting practices adopted in Brazil include those established in the Brazilian corporate law and pronouncements, and interpretations issued by the Accounting Pronouncements Committee ("CPC"), and approved by the Brazilian Securities and Exchange Commission ("CVM").

These financial statements were audited by KPMG Independent Auditors in the year 2014 and 2013, and Deloitte Touche Tohmatsu Independent Auditors in fiscal year 2012, according to Brazilian and international auditing Standards, and these financial statements as well as the auditor's report.

### **Description of Main Accounts of the Income Statement**

*Net Revenues from Products and/or Services:* revenues after deductions and cancellations, discounts and taxes on income. Our revenues are mainly from the sale of our products and services to the oil and gas sector.

*Cost of Goods and/or Services Sold:* mainly the costs in the purchase of raw material, production and labor costs.

*Operating Expenses:* mainly expenses with sales, general and administrative expenses, net financial result and other operating expenses.

*General and Administrative Expenses:* include expenses with personnel and management remuneration.

*Sales Expenses:* include expenses with publicity, sales team, commissions, provisions for possible losses and other related expenses.

*Net Financial Result:* include interest income and expense, tax on financial income, tax on financial transaction, monetary variation and net exchange gain (loss) variation, as well as gain (loss) earned and not earned in derivatives.

*Other Operating Expenses, net:* include operating income such as those from the sale of certain assets.

*Income Tax and Social Contribution – Current and Deferred:* refer to current or deferred income tax and social contribution over earnings before taxes. They are recognized in the income statement, except in the proportion they are related to items directly recognized in the net worth, when the tax is also recognized in the net worth. The current income tax and social contribution charges are calculated based on enacted tributary laws, or substantially enacted, on the date of the balance sheet of countries we operates in, and generate taxable incomes. The deferred taxes were measured based on effective rates for income tax and social contribution over the temporary balances, tax losses and negative reference of social contribution, proportional to what is attestable, and include only companies operating under book taxable regime.

### Comments on the Main Variations in the Income Statement Accounts

#### Fiscal year ended on December 31, 2014 compared to fiscal year ended on December 31, 2013

Comparing the years ended December 31, 2014 and December 31, 2013, the main variations were due to the following factors: (i) an increase in gross profit and (ii) increase in operating expenses.

The table below shows the figures for our consolidated income statement for the years ended December 31, 2014 and 2013.

Consolidated Income Statement ( Thousand R\$)	2013	2014	Change %
Net Sales of Goods and Services	440,276	384,287	-12.7%
Cost of Goods and Services Sold	(405,255)	(347,648)	-14.2%
Gross Profit	35,021	36,639	4.6%
Operating Revenues/Expenses	(186,330)	(261,421)	40.3%
Sales	(23,856)	(24,482)	2.6%
General and Administrative	(82,645)	(56,934)	-31.1%
Management Compensation	(6,318)	(6,081)	-3.8%
Equity Pickup	(13,751)	(17,119)	24.5%
Other Operation Income (Expenses)	(59,760)	(156,805)	162.4%
Net Financial Result	(238,674)	(232,805)	-2.5%
Financial Income	23,347	93,587	300.9%
Financial Expenses	(170,181)	(345,011)	102.7%
Net Exchange Variance	(91,840)	18,619	n/a
Earnings Before Income Tax and Social Contribution	(389,983)	(457,587)	17.3%
Income Tax and Social Contribution - Current	345	(2,264)	n/a
Income Tax and Social Contribution - Deferred	13,039	(1,044)	n/a
Loss of Discontinued Operations	(2,190)	(170,113)	7667.7%
Net Loss for the Period	(378,789)	(631,008)	66.6%

#### Net Revenues from Products and/or Services

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.

#### Cost of Goods and/or Services Sold

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.

#### Gross Profit

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. 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.

#### Sales Expenses

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.

#### General and Administrative Expenses

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.

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.

#### Net Financial Result

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.

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.

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%).

Net Financial Expenses Total reduced the injury, from a loss of R\$ 238.7 million in 2013 to R\$ 232.8 million in 2014, as the Company's debt reduction results in 2014, mainly due to the completion of the Company's restructuring process.

#### Net Profit (Loss) for the Fiscal Year

Net income earned in the year 2014 was a loss of R\$ 631.0 million versus a 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.

#### **Fiscal year ended on December 31, 2013 compared to fiscal year ended on December 31, 2012**

The comparisons of fiscal years ended December 31 of 2013 and 2012, the major variations were due to the following factors: (i) increase in Gross Profit and (ii) increase Operating Expenses.

The table below presents the values from our consolidated income statements for the fiscal years ended on December 31 of 2013 and 2012.

<b>Consolidated Income Statement ( Thousand R\$)</b>	<b>2012</b>	<b>2013</b>	<b>Change %</b>
Net Sales of Goods and Services	561,525	440,276	-21.6%
Cost of Goods and Services Sold	(455,227)	(405,255)	-11.0%
Gross Profit	106,298	35,021	-67.1%
Operating Revenues/Expenses	(381,528)	(186,330)	-51.2%
Sales	(59,349)	(23,856)	-59.8%
General and Administrative	(62,018)	(82,645)	33.3%
Management Compensation	(4,550)	(6,318)	38.9%
Equity Pickup	(51,814)	(13,751)	-73.5%
Other Operation Income (Expenses)	(203,797)	(59,760)	-70.7%
Net Financial Result	(214,533)	(238,674)	11.3%
Financial Income	8,410	23,347	177.6%
Financial Expenses	(178,222)	(170,181)	-4.5%
Net Exchange Variance	(44,721)	(91,840)	105.4%
Earnings Before Income Tax and Social Contribution	(489,763)	(389,983)	-20.4%
Income Tax and Social Contribution - Current	(11,337)	345	-103.0%
Income Tax and Social Contribution - Deferred	(40,878)	13,039	-131.9%
Loss of Discontinued Operations	(18,721)	(2,190)	-88.3%
Net Loss for the Period	(560,699)	(378,789)	-32.4%

### Net Revenues from Products and/or Services

Net Revenues from Products and/or Services in 2013, decreased 21.6% compared to 2012 to R\$ 440.3 million versus R\$ 561.5 million. Segment products fell by 22%, in particular due to reduced revenues in Divisions Valves Oil&Gas and anchor cables that still falls short of its real potential as a function of working capital constraints leading to lower utilization of its production capacity.

### Cost of Goods and/or Services Sold

The Cost of Goods and/or Services Sold in 2013, decreased 11.0% compared to the 2012, reaching R\$ 405.3 million versus R\$ 455.2 million. The reduction of the Consolidated COGS in the period is a consequence of lower costs of transport and maintenance of equipment and personnel costs.

### Gross Profit

The Gross Profit in 2013 was R\$ 35.0 million, down 67.1% compared to 2012 when it reached US\$ 106.3 million. Gross margin decreased by 11 percentage points, from 19% to 8%, due to the reduction of cost mentioned above.

### Sales Expenses

Selling expenses in 2013 decreased by 60% from R\$ 59.3 million in 2012 to R\$ 23.9 million in 2013 due to the reduction of salaries, freight and commissions, as well as provisions fines of customers and credit risk with customers occurred in 2012, but not recurring in 2013 of R\$ 23.8 million

### General and Administrative Expenses

Administrative expenses in 2013 showed growth of 33.3% to R\$ 82.6 million versus R\$ 62.0 million in 2012. The increase relates primarily to the introduction of the operations of the San Antonio Brazil from August 2012, which explains the increase in administrative expenses of the Services segment specifically in the division of Oilfield Services Brazil since 2012 were considered five months of operation of the San Antonio versus 12 months in 2013.

The fees of the Directors had, in 2013, growth of 38.9% compared to 2012 mainly due to the restructuring of the Board of Directors, which now has more members, as well as the restructuring of statutory board, which now has the other directors of the Company from May 2013, according to the minutes of meeting of the Board of Directors of May 28, 2013.

### Net Financial Result

The Total Financial Income (excluding Exchange Variation) in 2013 reached R\$ 23.3 million versus R\$ 8.4 million in 2012, an increase of 177.6%, mainly due to recognition of embedded derivative of the Debentures in the amount of R\$ 18.9 in 2013.

The Financial Total Expenses (excluding Exchange Variation) decreased 4.5% for 2013 to R\$ 170.2 million versus R\$ 178.2 million for 2012 due in particular to lower expenditure on embedded derivative of the debentures.

The Exchange Variation Net in 2013 resulted in an expense of R\$ 91.8 million versus R\$ 44.7 million in 2012 affected by the appreciation of 15% in the US dollar against the real in the 2013 period.

With the increase in loss of the exchange rate, the total financial expense for the year was higher by 11.3%, totaling R\$ 238.7 million from R\$ 214.5 million in 2012.

### Net Profit (Loss) for the Fiscal Year

Because of the above factors, the net profit in 2013 was a loss of R\$ 378.8 million, a reduction of R\$ 181.9 million compared to 2012 when a loss of R\$ 560.7 million. The reason for this reduction is the result of recognition in 2012 of the provision for impairment losses on goodwill of R\$ 149.7 million, the provision for losses on impairment of taxes in the amount of R\$ 8.3 million and provision for penalties for

cancellation of the Light Workover contract and disposal of assets related to the contract, totaling R \$ 37.7 million.

## Description of Main Balance Sheet Accounts

### Main changes in the consolidated balance sheet of Lupatech on December 31, 2014 compared to December 31, 2013.

In comparison to our consolidated balance sheet at December 31, 2014 and December 31, 2013, the main variations were due to: (i) liabilities; (ii) Non-current liabilities; and (iii) shareholders' equity.

<b>Consolidated Balance Sheet ( Thousand R\$)</b>	<b>2013</b>	<b>2014</b>	<b>Change %</b>
<b>Total Asset</b>	<b>1,430,219</b>	<b>1,022,629</b>	<b>-28.5%</b>
<b>Current Assets</b>	<b>377,545</b>	<b>277,799</b>	<b>-26.4%</b>
Cash and Cash Equivalents	20,676	1,539	-92.6%
Securities-restricted	2,222	2,771	24.7%
Accounts Receivable	128,811	115,483	-10.3%
Inventories	141,976	69,644	-50.9%
Recoverable Taxes	33,256	24,686	-25.8%
Advances to suppliers	21,041	25,139	
Other Accounts Receivable	17,392	5,145	-70.4%
Anticipated Expenses	8,128	10,970	35.0%
Assets held for sale	4,043	22,422	454.6%
<b>Non-Current Assets</b>	<b>1,052,674</b>	<b>744,830</b>	<b>-29.2%</b>
Securities	5,250	4,500	-14.3%
Judicial Deposits	60,228	25,295	-58.0%
Recoverable Taxes	59,670	47,452	-20.5%
Income Tax and Social Contribution - Deferred	-	489	n/a
Other Accounts Receivable	19,440	21,532	10.8%
Investments	28,505	15,960	-44.0%
Fixed Assets	570,742	449,950	-21.2%
Intangible	308,839	179,652	-41.8%
<b>Total Liabilities and Shareholders'Equity</b>	<b>1,430,219</b>	<b>1,022,629</b>	<b>-28.5%</b>
<b>Current Liabilities</b>	<b>1,767,202</b>	<b>296,031</b>	<b>-83.2%</b>
Suppliers	122,032	98,389	-19.4%
Loans and Financings	333,151	56,884	-82.9%
Interest on Debentures	419,484	-	n/a
Interest on Perpetual Bonds	708,514	-	n/a
Salaries, Provisions and Social Contribution	29,847	29,479	-1.2%
Commissions Payable	1,897	3,182	67.7%
Taxes Payable	41,220	57,652	39.9%
Advances from Clients	19,637	2,883	-85.3%
Participations in the Result	1,443	655	-54.6%
Provision Contratural fines	42,713	20,721	n/a
Other Obligations	32,510	20,101	-38.2%
Accounts Payable for Acquisition of Investments	14,754	-	n/a
Liabilities Held for Sale	-	6,085	n/a
<b>Non-Current Liabilities</b>	<b>226,508</b>	<b>631,240</b>	<b>178.7%</b>
Loans and Financings	35,975	144,742	302.3%
Debentures	-	71,715	n/a
Bonds	-	127,968	n/a
Taxes Payable	4,424	6,443	45.6%
Deferred Income Tax and Social Contribution	31,059	33,780	8.8%
Povision for Taxes, Labor and Civil Risks	141,677	107,948	-23.8%
Provision Contratural fines	-	112,399	n/a
Other Obligations	13,373	6,453	-51.7%
Provision for unfunded liabilities in subsidiaries	-	19,792	n/a
<b>Shareholders Equity</b>	<b>(563,491)</b>	<b>95,358</b>	<b>-116.9%</b>
Capital Stock	742,438	1,853,684	149.7%
Capital transaction Reserve	-	136,183	n/a
Stock options	13,549	13,549	0.0%
Equity Evaluation Adjustment	(50,547)	(8,119)	-83.9%
Retained earnings / Accumulated losses	(1,268,931)	(1,899,939)	49.7%



### Current Assets

The Current assets decreased 26.4%, from R\$ 377.5 million in 2013 to R\$ 277.8 million for 2014. This reduction occurred mainly the variations described below.

### Cash and Cash Equivalents

The balance of cash and cash equivalents decreased 92.6%, or R\$ 19.2 million, from R\$ 20.7 million in the year 2013 to R\$ 1.5 million for the year 2014. The change in cash and cash equivalents box is mainly affected by the divestment of operations in Argentina, whose cash and cash equivalents in 2013 was R\$ 10.4 million and a cash consumption especially by units of the division Oilfield Services Brazil.

### Accounts Receivable from Clients

The balance of Accounts Receivable decreased 10.3%, or R\$ 13.3 million, from R\$ 128.8 million in 2013 to R\$ 115.5 million in 2014. This variation is justified in due to the closure of several contracts signed in 2013, the reduction in revenues in the period and sale of Argentine companies.

### Inventories

The balance of Inventories decreased 50.9%, or R\$ 72.3 million, from R\$ 141.9 million in 2013 to R\$ 69.6 million for 2014. This reduction is justified by the use and exploitation of stored materials, reduction in the purchase of raw material and sale of Argentine companies.

### Non-Current Assets

The Non-current assets decreased 29.2%, or R\$ 307.9 million, from R\$ 1,052.7 million for 2013 to R\$ 744.8 million for 2014. This reduction occurred mainly the variations described below.

### Investments

The balance of investments decreased by 44.0%, or R\$ 12.5 million, from R\$ 28.5 million in 2013 to R\$ 16.0 million in 2014, due divestments of Argentine controlled units Válvulas Worcester de Argentina S/A, Esferomatic S/A, Norpatagonica S/A, Válvulas W. San Luis and Industry Y Tecnologia en Aceros S/A.

### Fixed Assets

The balance of the Net Fixed Assets increased 21%, or R\$120,8 million, from R\$ 570.7 million in 2013 to R\$ 449.9 million in 2014, due to sale of Argentine companies, and the recognition of depreciation in the period.

### Intangible

The balance of Intangible decreased 41.8%, or R\$ 129.1 million, from R\$ 308.8 million in 2013 to R\$ 179.7 million in 2014, mainly due to the record of the loss by the non-recoverability of goodwill recorded in the acquisition of units in Argentina.

### Current Liabilities

Current Liabilities increased 83.2 %, or R\$1,471.2 million, from R\$ 1,767.2 million in 2013 to R\$ 296.0 million in 2014. This increase occurred especially due to the variations described below.

### Advances from Clients

The balance of Advances from Clients increased 85.3% or R\$ 16.7 million, from R\$ 19.6 million in 2013 to R\$ 2.9 million in 2014, mainly due to reduction in business activities in projects that work advances

from clients (installments in advance money to the production of goods or performance of services).

#### Loans and Financing

The balance of Loans and Financing increased 82.9%, or R\$ 276.3 million, from R\$ 333.2 million in 2013 to R\$ 56.9 million in 2014, due to debt reprofiling next to the financial restructuring of the Company, which had renegotiation of contracts with longer terms for compliance and lack of principal and interest, and the balance reclassified as long-term.

#### Convertible Debentures and Perpetual Bonds

The balance of Convertible Debentures and Perpetual Bonds were set to zero in 2014. This reduction is due to the Company's restructuring process which allowed the substantial portion of debt conversion just in capital.

#### Non-Current Assets

Non-Current Assets increased 178.7%, or R\$ 404.7 million, from R\$ 226.5 million in 2013 to R\$ 631.2 million in 2014. This reduction occurred especially due the variations described below.

#### Loans and Financing

The balance of Loans and Financing increased 302.3%, or R\$ 108.7 million, from R\$ 36.0 million in 2013 to R\$ 144.7 million in 2014, due to the reclassification of balances for the long-term renegotiated loan agreements with the Company's process of financial restructuring.

#### Debentures and Bonds

The balance of Debentures and Bonds in 2014 refers to the remaining portion of the Perpetual Bonds and new Debentures issued in amount of R\$ 199.7 million due to the financial restructuring plan of the Company.

#### Shareholders Equity

Shareholders' equity increased 116.9%, or R\$ 658.8 million, from the negative amount of R\$ 563.5 million in 2013 for the positive amount of R\$ 95.4 million in 2014, due to process Company's restructuring that allowed the substantial portion of debt conversion just in capital.

**[The remaining of this page was left blank on purpose]**

**Main changes in consolidated balance sheet account of Lupatech on December 31, 2013 compared to December 31, 2012**

In the comparison of our consolidated balance sheet accounts at December 31, 2013 and December 31, 2012, the main variations were due to: (i) Current Assets; (ii) Non Current Assets; and (iii) Shareholders' Equity.

<b>Consolidated Balance Sheet ( Thousand R\$)</b>	<b><u>2012</u></b>	<b><u>2013</u></b>	<b>Change %</b>
<b>Total Asset</b>	<b>1,560,666</b>	<b>1,430,219</b>	<b>-8.4%</b>
<b>Current Assets</b>	<b>461,376</b>	<b>377,545</b>	<b>-18.2%</b>
Cash and Cash Equivalents	31,852	20,676	-35.1%
Securities-restricted	1,502	2,222	47.9%
Accounts Receivable	175,337	128,811	-26.5%
Inventories	171,109	141,976	-17.0%
Recoverable Taxes	37,866	33,256	-12.2%
Advances to suppliers	-	21,041	n/a
Other Accounts Receivable	40,940	17,392	-57.5%
Anticipated Expenses	2,770	8,128	193.4%
Assets held for sale	-	4,043	n/a
<b>Non-Current Assets</b>	<b>1,099,290</b>	<b>1,052,674</b>	<b>-4.2%</b>
Securities	6,000	5,250	-12.5%
Judicial Deposits	52,431	60,228	14.9%
Recoverable Taxes	52,910	59,670	12.8%
Other Accounts Receivable	13,194	19,440	47.3%
Investments	42,631	28,505	-33.1%
Fixed Assets	622,121	570,742	-8.3%
Intangible	310,003	308,839	-0.4%
<b>Total Liabilities and Shareholders'Equity</b>	<b>1,560,666</b>	<b>1,430,219</b>	<b>-8.4%</b>
<b>Current Liabilities</b>	<b>943,923</b>	<b>1,767,202</b>	<b>87.2%</b>
Suppliers	96,084	122,032	27.0%
Loans and Financings	302,846	333,151	10.0%
Interest on Debentures	391,607	419,484	7.1%
Interest on Perpetual Bonds	14,182	708,514	4895.9%
Derivative financial instruments	2,100	-	-100.0%
Salaries, Provisions and Social Contribution	44,091	29,847	-32.3%
Commissions Payable	2,228	1,897	-14.9%
Taxes Payable	36,363	41,220	13.4%
Advances from Clients	9,947	19,637	97.4%
Participations in the Result	2,318	1,443	-37.7%
Provision Contratual fines	-	42,713	n/a
Other Obligations	30,141	32,510	7.9%
Accounts Payable for Acquisition of Investments	12,016	14,754	22.8%
<b>Non-Current Liabilities</b>	<b>809,541</b>	<b>226,508</b>	<b>-72.0%</b>
Loans and Financings	57,348	35,975	-37.3%
Perpetual Bonds	561,963	-	-100.0%
Taxes Payable	8,436	4,424	-47.6%
Deferred Income Tax and Social Contribution	46,419	31,059	-33.1%
Povision for Taxes, Labor and Civil Risks	128,720	141,677	10.1%
Other Obligations	6,655	13,373	100.9%
<b>Shareholders Equity</b>	<b>(192,798)</b>	<b>(563,491)</b>	<b>192.3%</b>
Capital Stock	740,229	742,438	0.3%
Stock options	13,487	13,549	0.5%
Equity Evaluation Adjustment	(56,372)	(50,547)	-10.3%
Retained earnings / Accumulated losses	(890,142)	(1,268,931)	42.6%

### Current Assets

The Assets decreased 18.2%, from R\$ 461.4 million in 2012 to R\$ 377.5 million for 2013. This reduction occurred mainly the variations described below.

### Cash and Cash Equivalents

The balance of Cash and Cash Equivalents decreased 35.1%, or R\$ 11.2 million, from R\$ 31.9 million in 2012 to R\$ 20.7 million in 2013. The variation of Cash and Cash Equivalents is the result of the need to apply working capital resources and capex, which were made in 2013 mainly by the extraordinary entries occurred, resulting in particular from the sale of non-core assets. The cash constraints and small features enforcement capacity in operation contributed to a lower possibility of cash generation of the Company and training box on sale.

### Accounts Receivable from Clients

The balance of Accounts Receivable from Clients decreased 26.5%, or R\$ 46.5 million, from R\$ 175.3 million in 2012 to R\$ 128.8 million in 2013. This variation is justified in due to the closure of several contracts signed in 2012 and efforts concentrated on maximizing working capital efficiency, especially actions focused on accounts receivable.

### Inventories

The balance of the account Inventories decreased 17.0%, or R\$ 29.1 million, from R\$ 171.1 million in 2012 to R\$ 142.0 million in 2013. This reduction is justified by the use and exploitation of materials stored due to the focus of concentrated Company to maximize the working capital efficiency.

### Non-Current Assets

Non-Current Assets decreased 4.2%, or R\$ 46.6 million, from R\$ 1,099.3 million in 2012 to R\$ 1,052.7 million in 2013. This increase occurred especially due to the variations described below.

### Investments

The balance of investments decreased 33.1%, or R\$ 14.1 million, from R\$ 42.6 million in 2012 to R\$ 28.5 million in 2013, due to reduction in investment in joint Venture - Luxxon Participações S/A.

### Fixed Assets

The balance of net fixed assets decreased 8.3%, or R\$ 51.4 million, from R\$ 622.1 million in 2012 to R\$ 570.7 million in 2013, mainly due to the sale of the assets of units San Antonio Brazil, sales of Tubular Rio das Ostras operations and with the recognition of depreciation on assets

### Current Liabilities

Current Liabilities increased 87.2%, or R\$ 823.3 million, from R\$ 943.9 million in 2012 to R\$ 1,767.2 million in 2013. This increase was primarily the variations described below.

### Suppliers

The balance of the Suppliers account increased 27.0% or R\$ 25.9 million, from R\$ 96.1 million in 2012 to R\$ 122.0 million in 2013, mainly by increasing the Company's bad debt together suppliers due to cash position.

### Advances from Clients

The balance of Advances from Clients increased 97.4% or R\$ 9.7 million, from R\$ 9.9 million in 2012 to R\$19.6 million in 2013, mainly due to increased commercial activity on projects that work advances from clients (installments in advance money to the production of goods or performance of services).

### Loans and Financing

The balance of loans and financing increased 10%, or R\$ 30.3 million, from R\$ 302.8 million in 2012 to R\$ 333.1 million in 2013, mainly due to the reclassification of debt balance previously classified in the long term to short term and recognition of the provision of interest.

### Convertible Debentures

The balance of the Convertible Debentures increased 7.1%, or R\$ 27.9 million, from R\$ 391.6 million in 2012 to R\$ 419.5 million in the financial year 2013, mainly due to accrued interest on debentures and award non conversion.

### Perpetual Bonds

The balance of the Perpetual Bonds increased 4,895.9%, or R\$ 694.3 million, from R\$ 14.2 million in 2012 to R\$ 708.5 million in 2013 due to the transfer of the balance over to the short time frame.

### Non-Current Assets

The non-current liabilities decreased 72.0%, or R\$ 583.0 million, from R\$ 809.5 million in 2012 to R\$ 226.5 million in 2013. This reduction occurred mainly the variations described below.

### Loans and Financing

The balance of loans and financing decreased 37.3%, or R\$ 21.3 million, from R\$ 57.3 million in 2012 to R\$ 36.0 million in 2013, due to the reclassification of debt balance classified earlier in the long term to short term.

### Perpetual Bonds

The balance of the Perpetual Bonds zeroed by the reclassification of the remaining balance for the short term. The balance in 2012 was R\$ 561.9 million.

### Shareholders' Equity

Shareholders' equity decreased R\$ 370.7 million, from the negative amount of R\$ 192.8 million in 2012 to a negative amount of R\$ 563.5 million in 2013, mainly due to the variation in the balance of account accumulated losses, which is due to the net loss in 2013.

## **Liquidity and Funding**

### **Sources and Use of Resources**

Historically, our main sources of funding were the cash generated from our operations and the funding from Loans and Financing, Perpetual Bonds and Convertible Debentures.

The funds werw used mainly in:

- investments, mainly for the expansion of oil and gas service businesses; and
- debt service obligations related to our indebtedness.

The table below shows the figures for the statements of cash flows for the periods ended December 31, 2014, 2013 and 2012.

## Cash Flow

	Year Ended December 31,		
	2012	2013	2014
	(In thousands R\$)		
Cash flow from operating activities	(81,696)	23,139	(54,969)
Cash flow from investments activities	(57,686)	34,560	67,906
Cash flow from financing activities	147,976	(68,881)	(32,075)
Effects exchange variation on cash and cash equivalents for subsidiaries abroad	42	6	1
Net cash initial of reclassified company to other investment	3,866	-	-
Net cash initial of incorporated	1,378	-	-
<b>Increase/Decrease in Cash and Cash Equivalents</b>	<b>13,880</b>	<b>(11,176)</b>	<b>(19,137)</b>
Cash and Cash Equivalents at the Beginning of Period	17,972	31,852	20,676
Cash and Cash Equivalents at the End of Period	31,852	20,676	1,539

## Operating Activities

Operating activities include transactions involving the attainment of our corporate purpose. They can be exemplified by the receipt of a sale, payment of suppliers for the purchase of materials, raw materials in inventories, and payment of salaries, for example.

In 2014, the net cash flow from operating activities showed a consumption of R\$ 55.0 million versus generation of R\$ 23.1 million in 2013, reduction of R\$ 78.1 million mainly due to higher consumption of funds invested in working capital during 2014.

In 2013, the net cash flow originated by operating activities presented generation of R\$ 23.1 million versus consumption of R\$ 81.7 million in 2012, an increase of R\$ 104.8 million mainly due to concentrated efforts on maximizing the working capital efficiency, especially focused on accounts receivable and inventories, and increased delinquency levels in suppliers.

## Investment Activities

The investment activities include transactions with financial assets, purchases or sales of interests in other entities and assets used in the production of goods or services related to our corporate purpose. The investment activities do not include the acquisition of assets with purposes of resale.

Our Investments in fixed assets, intangible assets and acquisition of investments in 2012, 2013 and 2014 amounted R\$ 57.7 million of consumption, R\$ 34.6 and R\$ 67.9 million of generation, respectively.

Our investments were generally driven by the need to heed the growing demand for our products and services, mainly represented by the Company's backlog.

The table below shows the investments concluded in the indicated periods:

	Year Ended December 31,		
	2012	2013	2014
	(In thousands R\$)		
Acquisition of Investments	(19,514)	-	-
Payment for acquisition of investimentos	-	-	(200)
Proceeds from sale of fixed asset	-	-	35,593
Acquisition of fixed assets	(89,318)	(35,413)	(14,741)
Intangibles	(2,114)	(2,101)	(3,265)
Disposal of discontinued operations net of cash	58,848	70,729	49,547
Securities-restricted	(5,588)	1,345	972
<b>Total</b>	<b>(57,686)</b>	<b>34,560</b>	<b>67,906</b>

Investments in 2014 totaled R\$ 18.0 million, which represented a reduction of 52.0% on the amount invested in 2013. The balance generated R\$ 67.9 million is mainly due to the disposal of discontinued operations of Argentine controlled units Válvulas Worcester de Argentina S/A, Esferomatic S/A, Norpatagonica S/A, Válvulas W. San Luis and Industry Y Tecnologia en Aceros S/A, in the amount of R\$ 49.5 million.

Investments in 2013 totaled R\$ 37.5 million, which represented a reduction of 58.9% on the amount invested in 2012. The balance generated R\$ 34.6 million is mainly due to the disposal of discontinued operations, in particular the Tubular Rio das Ostras operation of R\$ 59.6 million.

### ***Financing Activities***

Financing activities include raising funds from shareholders or quota holders and their return in the form of profits or dividends, the funding from loans or other resources, its amortization and remuneration.

In 2014, there was the consumption of R\$ 32.1 million of cash in financing activities, mainly due to payment of loans and financing of R\$ 20.3 million and interest on loans and financing in the amount of R\$ 11.8 million.

In 2013, there was consumption of R\$ 68.9 million of cash in financing activities, mainly due to payment of loans and financing of R\$ 35.7 million and interest on loans and financing in the amount of R\$ 33.2 million.

In 2012, there was the generation of R\$ 147.9 million of cash from financing activities, mainly due to a capital increase of R\$ 351.1.

Our resources are used primarily for the payment of our loans and financing and investments.

**[The remaining of this page was left blank on purpose]**

## 10.2. Operational and Financial Result

*This section contains estimates and forward-looking statements that involve risks and uncertainties. Our actual results may differ significantly from the estimates and forward-looking statements herein. The following discussion of our financial situation and results of operations should be read in conjunction with our financial statements and corresponding notes. Our consolidated financial statements for the fiscal years ended December 31, 2012, 2013 and 2014 mentioned in this section have been prepared in accordance with the accounting standards established by the International Accounting Standards Board - IASB (IFRS).*

### **a. Comments on our operating results, description of important components of the revenues and factors that materially affected the operating results:**

#### **2014 fiscal year**

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.

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. 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.

The Other Operating Income and Expenses in the year 2014 resulted in expenses of R\$ 156.8 million versus R\$ 59.8 million in 2013 mainly due 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).

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 Perpetual 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.

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.

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.

As a result of these factors, the consolidated net profit for the year 2014 was a loss of R\$ 631.0 million.

### **2013 fiscal year**

The Net Consolidated Revenue in 2013 reached R\$ 440.3 million versus R\$ 561.5 million in 2012. While the Products segment decreased 22%, in particular due to reduced revenues in the Valves divisions Oil&Gas and anchor cables that still falls short of its real potential as a function of working capital constraints leading to lower utilization of production capacity, the Services segment showed growth of 36% mainly due to the introduction of the operations of the San Antonio Brazil to as of August 2012, which accounted for R\$ 165.8 million, or 55.6% of Net Revenue Service segment this year.

The Consolidated Gross Profit decreased 67% to R\$ 35.0 million versus R\$ 106.3 million recorded in the previous year. Gross margin decreased 11 percentage points, from 18.9% to 8.0%.

Participation Products Segment Gross Profit Total in 2013 was 77.4% compared to 80.5% in 2012, due in particular by inventory adjustment record of inventories in the amount of R\$ 7.9 million . However, the participation of the Services segment was 22.6% in 2013 against 19.5% in 2012, from the merger of the operations of the San Antonio Brazil from August 2012.

Due to the evolution presented in the Consolidated Gross Profit also observed up 18% drop in the Consolidated Adjusted EBITDA from continuing operations, which reached R\$ 17.5 million versus R\$ 21.3 million in the previous year. For this reason, the Consolidated EBITDA Margin from continuing operations was 3.1% in 2013.

The Other Operating Income and Expenses in 2013 resulted in expenses of R\$ 59.8 million versus expense of R\$ 203.8 million in 2012, mainly due primarily to the recognition of a provision for contingencies in the amount of R\$ 12.1 million, customer fines in the amount of R\$ 7.5 million provision for loss on inventory obsolescence amounting to R\$ 6.7 million, expenses idleness of R\$ 6.1 million, provision for impairment of investments in Unifit R\$ 18.2 million, and other expenses with the process of the Company's restructuring.

The net financial result increased 11% in 2013, resulting in expense of R\$ 238.7 million versus R\$ 214.5 million in 2012. This variation is mainly due to the increase in the expense of exchange rate changes.

As a result of these factors, the consolidated net profit in 2013 was a loss of R\$ 378.8 million.

### **2012 fiscal year**

During the 2012 fiscal year, the majority of the Company's business showed an increase, resulting in increase of 22% of Consolidated Net Revenues in comparison with 2011 fiscal year, reaching R\$ 561.5 million. Among the businesses that showed higher levels of activity include: Oilfield Services Brazil (+120%), Colombia Oilfield Services (+87%), Other Services (+50%), Oil & Gas Valves (+20%) and industrial valves (+1%).

The Consolidated Gross Profit decreased by 19%, reaching R\$ 106.3 million mainly due to the effect of the merger of the operations of San Antonio Holding Brazil and the activity level of the operations have been less than ideal considering the currently existing structures.

Due to changes made in the Consolidated Gross Profit, the Consolidated Adjusted EBITDA from continuing operations reaching R\$ 15.6 million. For this reason, the Consolidated EBITDA Margin from continuing operations was 3% in 2012.

Other revenues and expenses recorded in fiscal year 2012 resulted in costs of R\$ 203.8 million versus an expense of R\$ 20.0 million in 2011, primarily due to the recognition of a provision for impairment losses

on goodwill amounting R\$ 136.3 million, provision for losses on non-recoverability of taxes in the amount of R\$ 8.3 million, the recognition of a provision for penalties for canceling the contract Light Workover, totaling R\$ 7.3 million, as well as for asset impairment related to the contract in the amount of R\$ 30.4 million.

The net financial result increased by 11% in fiscal year 2012, resulting in an expense of R\$ 214.5 million versus R\$ 193.3 million in fiscal year 2011. This variation is mainly explained by higher spending on embedded derivatives of the debentures.

As a result of these factors, the consolidated net profit for the year of 2012 was a loss of R\$ 560.7 million.

**b. variations in revenues attributable to changes in prices, exchange rates, inflation, changes in volumes and introduction of new products and services**

Our Net Revenues variation may not always be justified by changes in volumes, as the products and services provided by us are highly customized, which changes the pricing for each new project in which we participate.

Over the past three years there has been no introduction of new products and services that caused large fluctuations in revenues.

**c. impacts of inflation, price variation in major supplies and products, exchange rates and interest rates on the Company's operating and financial result**

Our Net Revenues are affected by exchange variation over receivables denominated in foreign currencies.

Our exchange variation over supplies has little impact because our cost structure is mostly based on domestic raw material, which does not have a significant impact on our result. On the other hand, our exchange variation over the debt position in foreign currency impacts the financial result and result before tax and social contribution. Interest rates also impact the financial result and result before tax and social contribution, to the extent that its variation directly impacts the amount of interest payable, i.e. the financial expense.

The inflation impacts our pricing to the extent that the cost of supplies is affected. We seek to protect ourselves from price fluctuations due to inflation through price escalation clauses in the contracts of our portfolio.

**10.3. Comments on the significant effects caused or expected to be caused by the following events on our financial statements and results:**

**a. introduction or disposal of an operating segment**

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.

**b. constitution, acquisition or disposal of equity interest**

*Asset divestment process non-core*

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 January 2, 2012, Steelinject was sold, a unit of the Products segment, for Polimetel Participações SA. The value of sales was R\$ 14,000 for 100% of the unit, excluding financial debt in the amount of R\$ 1,800.

On April 2, 2012, was sold the unit Microinox – Fundação de Precisão e Usinagem Ltda., unity Products segment for the Company Hydro Jet Hydraulic Equipment Ltda. The value of the sale was R\$ 32,000 for 100% of the unit, excluding financial debt amounting to R\$ 8,700.

In October 1, 2012, was sold Metallurgical Ipe, a unit of Products segment, for Duratex S/A. The amount of the sale was R\$ 45,000, which were deducted from R\$ 530 on the cost to obtain documentation and retained R\$ 7,500 deposited in a bank account "Escrow Account" so as to guarantee payment of any indemnification liabilities.

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.

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 were 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.

### *Acquisitions*

On August 9, 2012, the acquisition of San Antonio by Lupatech SA Brazil was effected, significantly increasing its scope of services to oil and gas.

Holding San Antonio Brasil owns, directly or indirectly, 100% of the capital of San Antonio International do Brasil Serviços de Petróleo Ltda., Sotep Sociedade Técnica de Perfuração S.A., Lochness Participações S.A. and Prest Perfurações Ltda., which will then be controlled by the Company pursuant to the "Merger Protocol and Justification of Merger of San Antonio by Lupatech S.A Brasil", signed on July 12, 2012 by the management of the Holding Company and San Antonio Brazil, approved on August 9, 2012. As specified in the investment agreement, the merger was accomplished in the amount of R\$ 50,000 representing the issuance of 12,500,000 shares, being also adopted at the Extraordinary General Meeting held by Holding San Antonio Brazil, allowing the integration of assets and operations of companies.

San Antonio Brasil S.A. was incorporated on February 28, 2012 under the corporate name of Teremesha Empreendimentos e Participações SA, a privately held corporation with headquarters in São Paulo. On April 30, 2012 its name was changed to the current one. San Antonio Brasil S.A. is wholly owned subsidiary of Oil Field Services HoldCo LLC which, in turn, is controlled by San Antonio International Ltd. ("SAI").

San Antonio S.A. has direct control of Lochness Participações SA and indirect Sotep – Sociedade Técnica de Perfuração S.A., Prest Perfurações Ltda., And San Antonio International do Brasil de Serviços de Petróleo Ltda. and its corresponding controlled Amper Amazonas Perfurações Ltda., Itacau Agenciamentos Marítimos Ltda., Matep S.A. Máquinas e Equipamentos and UNAP International Ltd.. This situation represents the control of a whole segment of San Antonio's operations in Brazil. Such subsidiaries are primarily engaged in the provision of technical services to exploration and exploitation of oil wells, gas and water, which are run mainly for Petroleo Brasileiro SA ("Petrobras"), through contracts for services that represent approximately 99% of the earnings of its subsidiaries

Activities of the companies:

- Matep S.A. Máquinas e Equipamentos ("Matep") aims to social representation of equipment manufacturers and machine oil, import, export and sales of petroleum equipment and can additionally provide services for technical and administrative assistance.
- Amper Amazonas Perfurações Ltda. ("Amper") is engaged in the provision of drilling for oil, natural gas and water.
- Itacau Agenciamentos Marítimos Ltda. ("Itacau") is engaged in the provision of supervision services, shipping, subcontract, service, support and consulting, onshore and offshore platforms, ships and nautical equipment.
- Prest Perfurações Ltda. ("Prest") is a limited liability company with headquarters in Mossoro, Rio Grande do Norte. The Prest is primarily engaged in the provision of technical services to exploration and development of oil wells, gas and water, which are run mainly for Petroleo Brasileiro S.A. - PETROBRAS.
- UNAP International Ltd. ("UNAP") is a wholly owned subsidiary domiciled in the Cayman Islands with technical assistance activity drilling through the provision of specialized technical manpower. Sotep - Sociedade Técnica de Perfuração S.A ("Sotep") is a corporation based in the city of Catu in Bahia. The Sotep is primarily engaged in the provision of technical services to exploration and development of oil wells, gas and water, which are run mainly for Petrobras, through contracts for services.  
Lochness Participações S.A. ("Lochness") is a corporation with headquarters in São Paulo - SP. Lochness corporate participation in other civil or commercial, as a partner or shareholder, may represent domestic and foreign commercial companies.
- San Antonio Internacional do Brasil Serviços de Petróleo Ltda. ("Saib") is a limited liability company, headquartered in the city of Macaé - RJ, providing technical and specialized services in the drilling and completion of wells for oil and / or natural gas and other services to exploration and production. In its corporate is provided, including the provision of technical assistance and management in the branch that is dedicated, as well as participation in other companies as partner or shareholder.

The process of measuring the fair value of assets acquired and liabilities assumed was completed. At the acquisition date, initial assessment was made of the fair value of assets acquired and liabilities assumed, and these assets and liabilities are described below:

	<b>Book value</b>	<b>Effect of valuation at fair value</b>	<b>Fair value on acquisition</b>
Cash and cash equivalents	1,378	-	1,378
Clients	35,106	-	35,106
Inventories	14,999	-	14,999
Recoverable taxes	35,583	(1,122)	34,461
Other accounts receivable	25,300	(508)	24,792
Judicial deposits	49,001	-	49,001
Fixed assets	265,142	(4,836)	260,306
Suppliers	(49,982)	3,958	(46,024)
Provision for contingencies	(55,270)	(60,305)	(115,575)
Loans and financing	(116,444)	-	(116,444)
Taxes payable	(14,842)	-	(14,842)
Deferred income tax and social contribution	(39,476)	-	(39,476)
Provisions payroll and payroll payable	(27,585)	2,173	(25,412)
Other obligations	(12,010)	(2,077)	(14,087)
<b>Assets and liabilities acquired, net</b>	<b>110,899</b>	<b>(62,718)</b>	<b>48,182</b>
Goodwill incurred in acquisition	-	-	(8,182)
Total acquisition cost	-	(62,718)	40,000

The total consideration of R\$ 40,000 measured in accordance with CPC 15 (IFRS 3R) for a business combination is based on market value of the shares of Lupatech on August 9, 2012. The estimated fair value of the net equity was R\$ 48,182, which resulted in a bargain purchase of R\$ 8,182 (R\$ 5,400 net of the constitution of deferred income tax liabilities) recorded in the income statement in other operating income.

The value of the consideration transferred was determined as follows:

Number of shares delivered as payment for the acquisition of Sociudades San Antonio (in thousands)	12,500
Multiplication by the market price of actions of Lupatech (*)	3.2
Total of consideration	40,000

(\*) Lupatech Market share price at the closing of BM&FBOVESPA on August 9, 2012

The result of the company after the acquisition on December 31, 2012 was a net loss of R\$ 20,169.

#### **c. Unusual events and operations**

Not applicable.

### **10.4. Directors' comments about significant changes in the accounting principles**

#### **a) 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.

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.

#### **b) 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:

	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)

### c) Significant effects of changes in accounting practices

There were no significant effects arising from changes in accounting practices.

### d) Qualifications and emphases present in the auditor's opinion

The independent auditors' report on the audit of the financial statements for the fiscal years ended December 31, 2014, 2013 and 2012 were issued unqualified and contains an emphasis paragraph mentioning the fact that the Company has generated recurring losses and increase the level debt, and these conditions, along with other matters, indicate the existence of material uncertainty which may raise doubt about the capacity to obtain financial resources.

## 10.5. Directors' comments – Critical Accounting Policies

Our financial statements for fiscal years ended December 31, 2012, 2013 and 2014 were prepared and are reported in accordance with the International Financial Reporting Standards - IFRS issued by International Accounting Standards Board - IASB and the accounting principles adopted in Brazil (BR GAAP).

Critical accounting policies are those whose application is relevant to the financial condition and result of operations and require subjective or complex judgments by Management, usually due to the need to develop estimates over the effects of issues that inherently involve uncertainties. As the number of variables and assumptions affecting the future resolution of uncertainty increases, these judgments

become more subjective and complex. Aiming to provide an understanding about how Management makes judgments about future events, including variables and assumptions underlying the estimates and the sensitivity of those judgments in different circumstances, the Company identified the following critical accounting policies:

- Deferred income tax;
- Market value of non-listed derivative financial instruments;
- Lifecycle of long-term assets;
- Valuation of acquired assets and liabilities taken in combination with businesses;
- Impairment test on long-life assets;

#### **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.

#### **Market value of non-listed derivative financial instruments**

On December 31, 2012 and 2013, 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 under the conditions described in note 14. These derivative financial instruments are recorded in the Company's balance sheet, on December 31, 2012 and 2013, 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 was 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.

#### **Lifecycle of long-term 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.



## **Valuation of acquired assets and liabilities taken in business combination**

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.

## **Impairment text on long-life assets**

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

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

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

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

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

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

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

On December 31, 2014, 2013 and 2012, the Company conducted impairment tests of goodwill for all its cash generating units, which represent the lowest level at which goodwill is monitored by management and is based on expectations of projections flow discounted cash and take into consideration the following assumptions: cost of capital, growth rate and adjustments used for perpetual cash flows, methodology for determining working capital and long-term financial forecasts economic capital.

Tests conducted for the segments of products and services in the year 2014 and 2013 showed no hint of losses from non-recoverability of goodwill and other intangible so no effect arising from this determination was recognized in the financial statements.

There was a low of goodwill in the amount of R\$ 121,407 depending on the Argentine units divestments.

In the year 2012 the Company recognized losses for non-recoverability of goodwill in the financial statements in the Company in the amount of R\$ 65,680, related to the goodwill of Tecval unit in R\$ 55,680 and Cordoaria São Leopoldo unit at \$10,000. In the consolidated loss for the non-recoverability of goodwill recognized in the financial statements for the year ended December 31, 2012 was R\$ 149,984, related: in Lupatech for Oil Service Equipment - Tubular Unit at R\$ 14,599, reclassified as discontinued operation; in Lupatech unit - equipment services for oil R\$ 59,227 in Lupatech for Petroleum Services & Equipment - Oil Tools Unit R\$ 9,149 in Norpatagonica R\$ 389, the Unit Tecval R\$ 55,680 in Cordoaria São Leopoldo unit at R\$ 10,000 and unity Jefferson R\$ 940 .

It should be noted that significant events or changes in the panorama may result in relevant impairment of goodwill. The main risks we can highlight any deterioration of the steel market, significant downturn in the automotive and construction sectors, stoppage of industrial units of the Company or relevant changes in the economy or financial market that result in an increase of liquidity reduction of risk perception and refinancing capacity.

#### **Other estimates and judgments applicable to the Company's financial statements.**

##### **1. 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 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.

### **2. 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. Provision for doubtful accounts**

The provision for doubtful accounts is recognized, when necessary, based on the analysis of the client portfolio, in an amount considered sufficient by Management to cover eventual losses estimated at credit realization.

### **4. Employee benefits - share-based compensation**

#### **a) Share-based compensation**

The Company offered to certain employees and executives a share-based compensation plan, settled with shares, pursuant to which the entity receives services as consideration for the Company' instruments of shareholders' equity (options). The fair value of the employee's services, received in exchange for the granting of options was calculated on the grantee date and recognized as expense during the period when the rights was acquired. The total value to be debited was determined by means of the reference to the fair value of options granted. The conditions of right acquisition which were not the markets were included in the assumptions on the amount of options which should be purchased. The total value of the expense was recognized during the period in which the right was acquired; period during which the specific conditions right of acquisition were to be met. On the balance sheet date, the Management was reviewing the estimated 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) 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.

### **5. 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.

## **6. 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.

## **7. Contingent processes**

### **(a) Contingent liabilities**

By means of its lawyers, the Company is discussing certain tax, labor and civil issues in the legal scope. The provision for tax, civil and labor risks was established by Management based on information available and supported by the opinion of its lawyers regarding the expected outcome, in a sufficient amount to cover probable losses that may occur due to unfavorable court decisions.

These amounts include all of the Company's subsidiaries, in Brazil and abroad, and include amounts under judicial and administrative discussion as well as situations incurred that, even without the existence of formal assessment or questioning by authorities, may give rise to risk of further losses.

## **8. Fair value estimate**

The fair value of financial assets and liabilities, which have standard terms and conditions and are traded in active markets, is determined based on prices observed in these markets (including perpetual bonds). The fair value of other financial assets and liabilities (excluding derivative instruments) is determined according to pricing models that use estimated discounted cash flows as base, from the prices of similar instruments applied in transactions performed in a current available market.

The fair value of derivative instruments is calculated using quoted prices. When those prices are not available, the discounted cash flow analysis is used by the income curve, applicable according to the duration of the derivative instruments without options. For derivatives containing options, option pricing models are used.

## **10.6. Directors' comments regarding the internal controls adopted to ensure the preparation of reliable financial statements, the directors must comment on:**

### **a. Efficiency degree of such controls, indicating possible imperfections and measures adopted to correct them**

The Company has corporate governance practices with the purpose of guaranteeing the best internal control procedures of its processes, as well as ensuring the transparency of its businesses by maintaining an intense flow of public information, such as the disclosure of: (i) Quarterly results; (ii) Material Facts and Acts; (iii) Annual Reports; (iv) Filings performed with the CVM and BM&FBOVESPA; (v) Translation of

documents and financial reports for foreign investors, (vi) Public presentations, in Portuguese and in English, in the schedule adjusted to Brazil and Asia; (vii) your internet page and blog for investors; and (viii) Relations with analysts, investors, risk rating agencies, press offices and other media channels, in order to maintain an alignment between the shareholders' interests, represented by the Board of Directors, and the responsibilities of professional managers.

Since 2011 we have the Shared Service Center (SSC), which became operational within the first six months of 2011 and serve all business units in Brazil, was initiated in 2010. The CSC will have an operation independent from the Business Unit, providing services for the Financial, Human Resources, Controllershship, Information Technology and Non-Productive Supplies areas. The Service Center aims to standardize the processes and information.

The flow of the Company's processes and systems is frequently reassessed and tested in order to evaluate the effectiveness of existing controls. The Areas are fully involved, resulting in reports to the Board of Directors and the Fiscal Council, according to the main control frameworks.

#### **b. Deficiencies and recommendations about internal controls in the independent auditor's report**

The Company's auditors did not perform the audits on internal controls, but on its financial statements. However, on their audits about the Company's financial statements, they have issued a recommendations letter and any deficiency of the Administration was reported.

It is the Fiscal Council's responsibility to follow up and monitor possible issues and recommendations mentioned by the external and internal auditors. Meetings are held periodically in order to evaluate the implementation of the action plans prepared to approach the identified issues, where they verify the compliance with the deadline, responsible for the efficacy of the actions taken.

The study and evaluation of the Company's accounting system and internal controls are led by the independent auditors, in connection with the audit of financial statements, performed with the purpose to determine the nature, opportunity and extension of the audit procedures implementation, but not in order to express an opinion about the efficacy of these internal controls.

### **10.7. Comments about public offerings and distribution of securities:**

#### **a. How the proceeds from the offering were used**

The Company has performed four private issues, which it chose to describe in this section as well, given its representativeness on its debt and also for having been the main resource for our investments for the past three years. The issues were: issue of Perpetual Securities divided in two tranches (2007 and 2008) and issue of Convertible Debentures.

On July 10, 2007, through Lupatech Finance Limited subsidiary, the Company offered a Perpetual Bond of 9.875% from US\$ 200 million to finance its growth plan and reduce the capital cost.

On June 30, 2008, the Company reopened this offer, increasing the total value to US\$ 275 million in order to lengthen the profile of its indebtedness, to provide a wider financial flexibility in a way that it can continue with our growth plan and reduce the capital cost.

On August 17, 2009, the Company completed the subscription of the 2nd Issue of Convertible Debentures in Shares of Species with Floating Charge for Lupatech S.A. Private Placement of R\$ 320 million and final maturity date on April 15, 2018, in order to repay investments made with their own resources from 2007 to 2009.

On April 5, 2012, the Company entered into with BNDES Participações SA (BNDESPAR), Fundação Petrobras de Seguridade Social (Petros), GP Investments Ltd. (GP) and San Antonio International (SAI), an Investment Agreement with order to strengthen its capital structure and accelerate its business plan services in oil and gas.

The Investment Agreement regulated the following operations, described in summary:

- 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;
- 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;
- 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;
- incorporation, by Lupatech, of the Holding San Antonio Brasil, increasing significantly its oil and gas services scope;
- 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.

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.

On December 10, 2012 was summoned extraordinary shareholders' meeting for approval of the capital increase of the Company in the amount of R\$11,460 within the limit of authorized capital, as conversion of 10,894 debentures into shares of the Company during the process of increasing capital approved at the extraordinary shareholders' meeting held on May 4, 2012, which was partially approved on this date,

and also approved the cancellation of 21,600 treasury shares, pursuant to section 23 of Article X of the Bylaws of the Company.

On January 24, 2013 was approved and ratified at the Extraordinary General Meeting, the capital increasing in the amount of R\$1, up to the limit of the authorized capital, by reason of the receipt of the request of conversion of one (1) debenture in shares of the Company.

On April 8, 2013, was approved at the Board of Directors, a capital increase of R\$2,403, upon the request of conversion of 2,284 debentures, up to the limit of the authorized capital. Each debenture was converted in 263 common shares issued by the Company, is hereby issued therefore 600,692 new ordinary shares.

On September 27, 2013, was approved the Board of Directors, capital increase of R\$2 due to the conversion of 2 debentures converted in 263 common shares issued by the Company during the capital increase approved at the Extraordinary General Meeting held on May 4, 2012, within the limit of the authorized capital.

With the conclusion of this conversion, as well as the cancellation of treasury shares, the share capital of the Company increased to R\$752,270 divided into 157,604,619 common shares, nominative, without par value of the Company, where the deduction of transaction costs related to the capital increase amounted to R\$9,832 (R\$9,635 in 2012 and R\$197 in 2013).

The funds raised were used both to promote our growth, either through acquisitions to increase product lines and / or access to new markets and customers and capacity expansion investments, as well as to strengthen the Company's cash position and balance of its capital structure.

#### 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.

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 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:

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

**b. If there were significant deviations between the effective implementation of resources and the implementation disclosed in the offering memorandum of the respective distribution**

The total funds raised in all issues were used in accordance to the proposed allocation disclosed in the offering memorandum of the Debentures and Perpetual Bonds distribution and in the Management Proposal of May 5, 2012 about the capital increase.

**c. In case there have been deviations, the reasons for such deviations**

Not applicable.

**10.8. Significant items not recorded on our financial statements:**

**a. Assets and liabilities retained by the Company, directly or indirectly, which do not appear on the balance sheet (off-balance sheet items), such as:**

- i. operating leaseholds, assets and liabilities**
- ii. derecognized receivables portfolio over which the entity maintains risks and responsibilities, indicating their liabilities**
- iii. agreements for future purchase and sale of products or services**
- iv. unfinished construction agreements**
- v. financing and future receivables agreements**

On the date of the Reference Form, the Company did not have any operations or commitments not recorded on its financial statements. The Company does not have any subsidiary that is not included in its consolidated financial statements, nor does it own any share or has a relationship with any entity with specific purposes that are not reflected in its consolidated financial statements.

**b. Other items not recorded in the financial statements**

There are no other significant items not recorded in the financial statements.

**10.9 – Comments about items not recorded in the financial statements**

Not applicable, there are no significant items not recorded in the financial statements.

**10.10. Key elements of the Company's business plan**

**a. investments (including quantitative and qualitative description of ongoing and planned investments, financial sources of relevant ongoing and planned investments and divestments):**

Business perspectives involve risks, uncertainties and assumptions, therefore, depend on circumstances that may or not occur. General economic conditions, industry conditions and other operational factors may affect the forecasted amount to be allocated in fixed assets and working capital.

The Management has reviewed all the projects in which Lupatech is involved, seeking to guarantee attractive return rates that create value to its shareholders.

Considering that, the amount of investments (capex) forecasted for the 2015 fiscal year is around R\$ 62.9 million, being 84% of this capex to be allocated in projects already hired and undergoing operations in services, 7% in projects already hired and undergoing operations in products, and 9% in corporate projects.

In case the Company adds new projects to its backlog during 2015 fiscal year and they demand additional investments, it will communicate its shareholders and the market.

**b. after disclosure, indicate the acquisition of plants, equipment, patents or other assets that may significantly influence the Company's productive capacity**

In the last year, we invested R\$ 18.0 million in acquisition-related capex, which was applied in search of implementing necessary investments to improve production efficiency and progress in mobilizing Backlog contracts, however the applied amount is still significantly lower necessary.

**c. new products and services:**

We are constantly striving to outperform our competitors by providing manufactured goods and services with distinctive and innovative technology. For that purpose, we have the Lupatech Research and Development Center (CPDL – Centro de Pesquisa e Desenvolvimento Lupatech) dedicated mainly to research and develop manufactured goods which can be differentiated in their markets.

#### **10.11. Other factors with material influence**

There are no other factors with material influence.

**[The remaining of this page was left blank on purpose]**

# **PROPOSAL FOR THE ALLOCATION OF THE NET PROFIT**

(Attachment 9-1-II of CVM Rule 481/09)

## **1. Inform the net profit for the fiscal year**

The net loss for the 2014 was R\$ 631,008 thousand (six hundred thirty-one million eight thousand reais) in the parent company and in the Consolidated.

## **2. Inform the overall amount and the value per share of the dividends, including prepaid dividends and interest on equity capital already declared**

There is no allocation for distribution of dividends considering the existence of accumulated losses for compensation.

## **3. Inform the percentage of the distributed net profit for the fiscal year**

As mentioned in item 2 above, there is no distribution of result in this fiscal year.

## **4. Inform the overall amount and the value per share of dividends distributed based on profit from previous years**

There was no distribution of dividends based on profits from previous years.

## **5. Inform, deducting the prepaid dividends and interest on equity capital already declared:**

### **a. The gross value of dividend and interest on equity capital, separately, per share of each type and class**

There was no distribution of dividends in this fiscal year.

### **b. The method and deadline for the payment of dividends and interest on equity capital**

There was no distribution of dividends in this fiscal year.

### **c. Eventual adjustment levy and interest on dividends and interest on equity capital**

There was no distribution of dividends in this fiscal year.

### **d. Date of the payment declaration of the dividends and interest on equity capital considered for the identification of the shareholders that will be entitled to their receipt**

There was no distribution of dividends in this fiscal year.

## **6. If there was declaration of dividends or interest on equity capital based on profits calculated in half-yearly balance sheets or in shorter periods**

### **a. Inform the amount of the dividends or interest on equity capital already declared**

### **b. Inform the date of the respective payments**

There was no declaration of dividends or interest on equity capital based on profits calculated in half-yearly balance sheets or in shorter periods.

## **7. Provide comparative table indicating the following values per share of each type and class:**

**a. Net profit for the year and from the 3 (three) previous years**

The Company did not account net profit in the last 3 years.

**b. Dividend and interest on equity capital distributed in the 3 (three) previous years**

Not applicable.

**8. If there is allocation of profits to the legal reserve**

**a. Identify the amount allocated to the legal reserve**

There is no allocation of profits for the legal reserve in this year. The loss is destined to the account of accumulated losses.

**b. Detail the calculation method of the legal reserve**

Not applicable due to losses in the year and there is balance in the account of accumulated losses.

**9. If the company has preferred shares entitled to fixed or minimum dividends**

**a. Describe the calculation method of the fixed or minimum dividends**

The Company has no preferred shares entitled to fixed or minimum dividends other than those provided for in the corporations act.

**b. Inform if the profit for the year is sufficient for the full payment of the fixed or minimum dividends**

The Company has no preferred shares entitled to fixed or minimum dividends other than those provided for in the corporations act.

**c. Identify if eventual unpaid installment is cumulative**

The Company has no preferred shares entitled to fixed or minimum dividends other than those provided for in the corporations act.

**d. Identify the overall value of the fixed or minimum dividends payable to each class of preferred shares**

The Company has no preferred shares entitled to fixed or minimum dividends other than those provided for in the corporations act.

**e. Identify the fixed or minimum dividends payable per preferred shares of each class**

The Company has no preferred shares entitled to fixed or minimum dividends other than those provided for in the corporations act.

**10. Regarding the compulsory dividend**

**a. Describe the calculation method provided for in the bylaws**

According to article 38 of the Company's Bylaws, the shareholders are entitled to receive as minimum compulsory dividend, in each year, the amount corresponding to 25% (twenty-five percent) of the net profit for the year, calculated according to the provisions in article 202 of the Corporations Act.

**b. Inform if it has been fully paid**

When calculated, according to the provisions in article 202 of the Corporations Act, the minimum compulsory dividend has been fully paid.

**c. Inform the amount eventually retained**

No value has been retained as minimum compulsory dividend.

**11. In case of retention of the compulsory dividend due to the company's financial situation**

- a. Inform the amount retained**
- b. Describe, in details, the company's financial situation, additionally approaching the aspects related to the analysis of liquidity, to the working capital and positive cash flows**
- c. Justify the retention of the dividends**

No value has been retained as minimum compulsory dividend.

**12. In case of allocation of income for contingency reserve**

- a. Identify the amount allocated to the reserve**
- b. Identify the loss considered probable and its cause**
- c. Explain why the loss was considered probable**
- d. Justify the formation of the reserve**

There is no allocation of income for contingency reserve.

**13. In case of allocation of income for unrealized profit reserve**

- a. Inform the amount allocated to the unrealized profit reserve**
- b. Inform the nature of the unrealized profits that originated the reserve**

There is no allocation of income for unrealized profit reserve.

**14. In case of allocation of income for statutory reserves**

- a. Describe the statutory clauses that establish the reserve**
- b. Identify the amount allocated to the reserve**
- c. Describe how the amount was calculated**

There is no allocation of income for statutory reserves.

**15. In case of retention of profits foreseen in capital budget**

- a. Identify the amount retained**

There is no retention of profits foreseen in capital budget.

- b. Provide copy of the capital budget**

There is no retention of profits foreseen in capital budget.

**16. In case of allocation of income for the tax incentive reserve**

- a. Inform the amount allocated to the reserve**

**Explain the nature of the allocation**

There is no allocation of income for the tax incentive reserve.

[The remaining of this page was left blank on purpose]

## **MANAGEMENT AND FISCAL COUNCIL**

(Pursuant to items 12.6 to 12.10 of the Reference Form - CVM Rule 481)

With respect to eventual members of the Fiscal Council, in case of its installation, as of to date, the Company's Management was not informed about indications by shareholders and therefore it is not possible to disclose any information about it.

**[The remaining of this page was left blank on purpose]**

# ADDITIONAL INFORMATION ON THE MANAGEMENT COMPENSATION

(Pursuant to Item 13 of the Company's Reference Form - CVM Rule 480)

## 13. MANAGEMENT REMUNERATION

**13.1. Remuneration policy or practice of the Board of Directors, Statutory Directors, Fiscal Council, Statutory Committees and Audit, Risk, Financial and Remuneration Committees, covering the following aspects:**

### **a. Objectives of the remuneration policy or practice**

The objectives of remuneration programs are to attract and retain professionals with qualifications and values required by us, and motivate them to reach results and create value for shareholders. Thus, the programs search to recognize and reward individual performances related to our results at competitive market levels.

Our remuneration philosophy is based on the following premises:

- Interests of our shareholders in the creation of sustainable and long term value;
- Our business goals and strategies;
- Better market practices;
- Our vision, mission and values.

As provided in our Bylaws, the General Meeting, in addition to powers provided under the law, is responsible for electing and dismissing members of the Board of Directors and setting down the annual total fixed remuneration of the Board of Directors members and of the Statutory Directors. For the 2012 fiscal year, the Management submitted to the approval of the General Meeting the total remuneration limit (*pro labore*) of the Management in up to R\$5,371,000.00. For the 2013 fiscal year, the Management submitted to the approval of the General Meeting the total remuneration limit of the Management in up to R\$12,501,400.93, considering fixed and variable remuneration. For the 2014 fiscal year, the Management submitted to the approval of the General Meeting the total remuneration limit of the Management in up to R\$15,665,580.75, considering fixed and variable remuneration. For the 2015 fiscal year, the Management proposes the limit of up to R\$14,393,526.63, considering variable and fixed compensation.

The Board of Directors is required to make the distribution of the entry amount individually, establish the amount of profit sharing of the our Directors and Employees, as well as that of any contract to be entered into by us and any Director that envisions payment of amounts for indemnity due to the Director's voluntary or involuntary severance, change in control or any other similar event.

### **b. Composition of Remuneration:**

#### **i. Description of remuneration elements and objective of each of them**

The remuneration paid to the Board of Directors consists only of a monthly fixed remuneration, which is based on market practices and its objective is to recognize the value of Board members internally and externally.

The remuneration of the Fiscal Council, when installed, consists only of the fixed remuneration, which is calculated based on the average remuneration of the Statutory Directors. The amount complies with the legal limit of a minimum of 10% of the average remuneration of our Statutory Directors.

In addition to the remuneration described above, the members of the Board of Directors, as provided in the Internal Regulations of our Board of Directors and our Fiscal Council, all the necessary traveling and living expenses for the performance of their duties are also reimbursed.

The total remuneration of the Statutory Directors consists of three elements:



- **Fixed Remuneration:** its objective is to recognize and reflect the value of the charge internally and externally, as well as the executive's individual performance, experience, training and knowledge;

- **Variable Remuneration:** retain executives, award achievement and surpassing of ours and individual goals, in line with the budget, strategic planning and the market;

- **Stock Options Plan:** reinforce retention of key executives and align their interests with those of our shareholders, in the value creation for the businesses in a sustainable and long term way.

## ii. Proportion of each element in the total remuneration (a)

	Board of Directors	Statutory Directors	Fiscal Council
Fixed Remuneration (b)	100%	46%	N/A
Variable Remuneration (c)	N/A	52%	N/A
Stock Based Remuneration (d)	N/A	0.00%	N/A
Direct and Indirect Benefits	N/A	2.00%	N/A
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

### Notes:

(a) Considering 2014 annual amounts;

(b) Fixed remuneration, including social charges;

(c) Variable remuneration is conditioned to the Management retention and reaching certain profitability parameters so that they may be paid to Statutory Directors;

(d) Stock based Remuneration – Statutory Directors, as well as our employees, are eligible for the Stock Option Plan. Calculations presented are based on the difference between the market value of shares and the price of options held by each Statutory Director.

## iii. Calculation and Readjustment Methodology of each of the remuneration elements

Remuneration levels are based on the market policy, obtained annually from salary surveys conducted by specialized consulting companies, from which specific panels of other companies are selected, and that reflect a combination of the following characteristics:

- Similar size to our units, in terms of revenues;
- Business sector;
- Consistent and similar remuneration philosophies;
- Our Remuneration Policy.

The fixed remuneration or fixed fees are based on the market median, and are readjusted annually according to market, individual performance and other factors, such as the executive's potential, specific skills, work experience and retention risk.

The benefits offered by us follow market practices. The following benefits are conferred on directors:

- Health plan;
- Life insurance;
- Mobile telephone.

The Variable Remuneration is based on the profit-sharing concept, in which a target reward goal is defined and associated with our weighted financial performance goals and individuals. To that end, metrics are used based on the EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization, and NOPAT (Net Operating Profit after Taxes), retention, among others.

Financial goals are based on the budget approved by the Board of Directors. At the end of the fiscal year, the achievement of goals is evaluated and the resulting reward is calculated.

Any earnings resulting from the “Stock Option Plan” are subject to our valuation, measured through quotation of our shares in the stock market, based on the option exercise price (stock purchase).

#### **iv. Reasons that justify the composition of remuneration**

The desired positioning of competitiveness of the total remuneration will be described in our Remuneration Policy. The objectives of this composition are:

- Competitiveness with market practice that allows attracting and retaining professionals with the required qualifications;
- Manage the restructuring process and plan of the Company;
- Retention of professionals to manage the restructuring process of the Company in a critical moment of the oil & gas industry;
- Associate a remuneration installment to our results;
- Generate a balance among the different remuneration installments that would provide an incentive to look for short, medium and long-term results, within moderate risk levels;
- Balance the variable short and long-term remuneration, aiming at the generation of sustainable annual results that result in the creation of value for shareholders.

#### **c. Main performance indicators that are taken into consideration in determining each remuneration element**

The set of remuneration elements seeks to recognize the results obtained by us and individual performances at competitive market levels. The fixed remuneration is based on the market median obtained through salary surveys conducted by specialized consulting services, and on individual performance.

The variable remuneration of the Statutory Directors is based on business goals and strategies, aiming the creation of long term and sustainable value to us.

The main financial indicators used in the variable annual remuneration are based on the EBITDA – Earnings Before Interest, Taxes, Depreciation and Amortization, and NOPAT (Net Operating Profit after Taxes) among others.

In the variable long-term remuneration the metrics are our market value, according to the quotation of our shares in the stock market.

#### **d. How remuneration is structured to reflect evolution of performance indicators**

One of the base salary adjustment parameters is the market, reported through surveys and comparison groups.

The Variable Remuneration is based on the concept of profit sharing in which a target reward goal is defined and associated with weighted goals of our financial performance and individual performances. Financial goals are based on budget approved by the Board of Directors. Therefore, reaching goals automatically generates the necessary resources for rewarding, adopting the self-financing plan.

The “Stock Option Grant Plan” consists of granting our stock purchase rights, in compliance with price and term rules. Therefore, executives’ earnings with the plan depend directly on the valuation of our shares after granting of options, and during the grace period.

#### **e. How the remuneration policy or practice is in line with the Company’s short, medium and long-term interests**

Our remuneration strategy is based on market practices, which allows attraction, retention and motivation of qualified professionals for implementing and putting into operation the business strategies approved by the shareholders. The mechanics of the annual variable remuneration plans links rewards to our short, medium and long term financial growth metrics, considering different metrics and variable remuneration for each time period. Short term metrics are linked to operational and individual performance. Long term metric are actually based on the stock option concept, therefore, they are directly linked to our market value growth, i.e., the valuation of our shares on the long term.

**f. Existence of remuneration supported by subsidiaries, controlled companies or direct or indirect controlling entities**

The members of the Board of Directors, Fiscal Council and Statutory Directors do not receive remuneration supported by subsidiary or controlled companies.

**g. Existence of any remuneration or benefit linked to the occurrence of a certain corporate event, such as alienation of the Company's corporate control**

The new options in the scope of the first and second programs of share purchase ("New Option"), as approved by our Board of Directors on April 30, 2009 and assigned specifically for the Administration, establishes that shares subject to the New Option that are not yet subject to subscription/acquisition by the beneficiary shall immediately be subject to subscription/acquisition in the event of obligation of implementation of public offer for acquisition of shares issued by us as stated in Articles 40, 41, 45, 47, 48 and 49 of our Bylaws, or also in the event of any shareholder reaching a participation higher than 50% (fifty percent) of the outstanding shares issued by us.

**13.2 – Total remuneration of the Board of Directors, Statutory Directors and Fiscal Council**

**Total Remuneration of Fiscal Year 2012 – Annual Amounts**

	<b>Board of Directors</b>	<b>Statutory Officers</b>	<b>Fiscal Council</b>	<b>Total</b>
No. of members	8,33	3,33	3	14,66
<b>Fixed Annual Remuneration</b>				
Salary or Wages for Work	1,620,000	3,491,767	174,480	5,286,247
Participations in Committees	0	0	0	0
Direct and Indirect Benefits	0	188,039	0	188,039
Others	81,000	184,131	8,724	273,885
<b>Description of Other Fixed Remuneration</b>	INSS	INSS	INSS	
<b>Variable Remuneration</b>				
Bonus	0	233,119	0	233,119
Participation in meetings	0	0	0	0
Variable Remuneration	0	0	-	0
Comissions	0	0	0	0
Other	0	46,623	0	46,623
Description of other variable remuneration				

<b>After Employment</b>	0	0	-	0
<b>Job Cessation benefits</b>	0	0	-	0
<b>Share Based Remuneration</b>	0	567,303	-	567,303
<b>Observations</b>	The number of members was calculated considering the annual average number of members of the board calculated monthly, pursuant to Circular Letter / CVM / SEP / No 01/2013.	The number of members was calculated considering the annual average number of members of the board calculated monthly, pursuant to Circular Letter / CVM / SEP / No 01/2013.	The number of members was calculated considering the annual average number of members of the board calculated monthly, pursuant to Circular Letter / CVM / SEP / No 01/2013.	
<b>Total Remuneration</b>	<b>1,701,000</b>	<b>4,143,682</b>	<b>183,204</b>	<b>6,027,916</b>

#### Total Remuneration of Fiscal Year 2013 – Annual Amounts

	<b>Board of Directors</b>	<b>Statutory Officers</b>	<b>Fiscal Council</b>	<b>Total</b>
No. of members	9	6	3	18
<b>Fixed Annual Remuneration*</b>				
Salary or Wages for Work	1,620,000	5,216,321	261,720	7,098,041
Participations in Committees	0	0	0	0
Direct and Indirect Benefits	0	195,607	0	195,607
Others	81,000	286,898	0	367,898
Description of Other Fixed Remuneration	INSS	INSS		
<b>Variable Remuneration</b>				
Bonus	0	4,612,520	0	4,612,520

Participation in meetings	0	0	0	0
Variable Remuneration	0	0	-	0
Comissions	0	0	0	0
Other	0	230,626	0	230,626
Description of other variable remuneration		INSS		
<b>After Employment</b>	0	0	-	0
<b>Job Cessation benefits</b>	0	0	-	0
<b>Share Based Remuneration</b>	0	0	-	0
<b>Observations</b>	The number of members was calculated considering the annual average number of members of the board calculated monthly, pursuant to Circular Letter / CVM / SEP / No 01/2013.	The number of members was calculated considering the annual average number of members of the board calculated monthly, pursuant to Circular Letter / CVM / SEP / No 01/2013.	The number of members was calculated considering the annual average number of members of the board calculated monthly, pursuant to Circular Letter / CVM / SEP / No 01/2013.	
<b>Total Remuneration</b>	<b>1,701,000</b>	<b>10,800,400</b>	<b>261,720</b>	<b>12,504,511</b>

**Total Remuneration of Fiscal Year 2014 – Annual Amounts**

	<b>Board of Directors</b>	<b>Statutory Directors</b>	<b>Fiscal Council</b>	<b>Total</b>
No. of members	9	6	3	18
<b>Fixed Annual Remuneration*</b>				
Salary or Wages for Work	1,800,000	5,216,321	261,720	7,278,041

Participations in Committees	0	0	0	0
Direct and Indirect Benefits	0	521,439	0	521,439
Others	0	284,913	0	284,913
Description of Other Fixed Remuneration	INSS	INSS		
Variable Remuneration				
Bonus	0	8,649,260	0	8,649,260
Participation in meetings	0	0	0	0
Variable Remuneration	0	0	-	0
Comissions	0	0	0	0
Other	0	0	0	0
Description of other variable remuneration		INSS		
After Employment	0	0	-	0
Job Cessation benefits	0	0	-	0
Share Based Remuneration	0	0	0	0
Observations	The number of members was calculated considering the annual average calculated monthly, in accordance with Ofício-Circular/CVM/SEP/N01/2013	The number of members was calculated considering the annual average calculated monthly in accordance with Ofício-Circular/CVM/SEP/N01/2013	The number of members was calculated considering the annual average calculated monthly in accordance with Ofício-Circular/CVM/SEP/N01/2013	
<b>Total Remuneration</b>	<b>1,890,000</b>	<b>15,121,801</b>	<b>261,720</b>	<b>17,274,180</b>

**Total Remuneration of Fiscal Year 2015 – Estimated Annual Amounts**

	<b>Board of Directors</b>	<b>Statutory Directors</b>	<b>Fiscal Council</b>	<b>Total</b>
No. of members	6	4	3	13
<b>Fixed Annual Remuneration*</b>				
Salary or Wages for Work	1,080,000	4,268,703	261,720	5,610,423
Participations in Committees	0	0	0	0
Direct and Indirect Benefits	0	326,172	0	326,172
Others	0	0	0	0
Description of Other Fixed Remuneration	INSS	INSS		
Variable Remuneration				
Bonus	0	6,942,516	0	6,942,516
Participation in meetings	0	0	0	0
Variable Remuneration	0	0	-	0
Comissions	0	0	0	0
Other	0	0	0	0
Description of other variable remuneration		INSS		
<b>After Employment</b>	0	0	-	0
<b>Job Cessation benefits</b>	0	0	-	0
<b>Share Based Remuneration</b>	0	0	0	0
<b>Observations</b>	The number of members was calculated considering the annual average calculated monthly, in accordance with Ofício-	The number of members was calculated considering the annual average calculated monthly in accordance with Ofício-	The number of members was calculated considering the annual average calculated monthly in accordance with	

	Circular/CVM/SEP/ N01/2013	Circular/CVM/SEP/N 01/2013	Ofício- Circular/CVM/S EP/N01/2013	
<b>Total Remuneration</b>	<b>1,134,000</b>	<b>12,097,743</b>	<b>261,720</b>	<b>13,493,463</b>

### 13.3. Variable Remuneration of the last 3 fiscal years and the Remuneration Provided for the Current Fiscal Year of the Board of Directors, Statutory Directors and Fiscal Council:

We make the payment of bonuses, using the name of variable remuneration that is presented in our Financial Statements as Management Compensation. The members of the Board of Directors and Fiscal Council do not receive variable remuneration.

Variable Remuneration Statement of the Statutory Directors:

	2012	2013	2014	2015 (*)
Number of members (a)	3,33	6	6	4
Minimum value provided in the remuneration plan	-	-	-	-
Maximum value provided in the remuneration plan	2,322,124	4,612,520	8,649,260	7,289,641
Value provided in the remuneration plan, if established goals are achieved	2,322,124	4,612,520	8,649,260	7,289,641
Value actually recognized in the profit or loss of the last 3 fiscal years	237,432	233,120	5,854,128	-

Notes:

(\*) in accordance with the proposal contained in the document and including social security costs.

### 13.4. Remuneration plan based on shares of the Board of Directors and Statutory Directors, in effect in the last fiscal year and provided for the current fiscal year:

#### a. General Terms and Conditions

The "Stock Option Plan", approved by the Extraordinary General Meeting of our shareholders on April 19, 2006 and revised by the addendum approved in the Extraordinary General Meeting of August 13, 2008, was created in conformity with our Bylaws. The general conditions of the "Stock Option Plan" are those contained in the consolidated plan, pursuant to the minutes of our Extraordinary General Meeting held on August 13, 2008. We clarify that the main points are specified on items 13.4 "b" to "n" below.

In accordance with the terms of the Stock Option Plan, our board members approved three stock option plans:

- First Program: 530,609 options at the price of R\$11.10 per share;
- Second Program: 391,356 options at the price of R\$28.32 per share;
- Third Program: 3707,000 options at the price of R\$35.00 per share.

On April 30, 2009, the Board of Directors approved the increase of options in the scope of the First and Second Programs in up to 477,00 new shares ("New Option"). The number of shares subject to the New Option will be calculated in accordance with the appreciation of shares over the IBOVESPA, in the period of 12.31.2008 to 12.31.2012. At the end of this period, will be calculated based on the appreciation percentage, the number of shares of the New Option that can be subscribed/acquired by the beneficiary, complying that: (i) if the appreciation of the shares during the period of 12.31.2008 to 12.31.2012 is lower



than 70% (seventy percent) of the IBOVESPA appreciation in same period, the beneficiary nothing receives; (ii) if the shares appreciation percentage is equal or higher than 70% (seventy percent) and until 180% (one hundred percent) of the IBOVESPA appreciation in same period, will be ascribed to the beneficiary the quantity of shares subject to the New Option granted to each individual, multiplied by the shares appreciation percentage; and (iii) if the shares appreciation percentage is higher than 180% (one hundred percent), the quantity of shares subject to the New Option that the beneficiary can subscribe will be limited to 180% (one hundred percent) of the quantity granted to each individual. The exercise period of the New Option will be from January 1 to March 31, 2013. The acquisition price per share of the new option will be the same of the shares related to the First and Second Programs, as per the beneficiary allocation.

The Stock Option Plan, however, terminated at the end of 2013 fiscal year and therefore will not be effective for the current fiscal year.

#### **b. Main Objectives of the Plan**

The main objectives of the Plan are as follows:

- stimulate our expansion and encourage meeting the established business goals by creating incentives for integration of our executives and high-level employees with our shareholders;
- make possible for us to obtain and maintain the services of our executives and high-level employees, offering them, as an additional benefit, the opportunity of becoming our shareholders, under terms, conditions and forms as provided in this Plan; and
- encourage our good performance and interests of our shareholders through a long term commitment by our management and employees.

#### **c. How the plan contributes to these objectives**

The "Stock Option Plan" consists of the granting of purchase rights of our shares, in compliance with pre-established rules of prices and terms. The option exercise price is determined by the Board of Directors, and there is a grace period of five for exercising the options.

The option may be exercised on the total or on a portion of the shares during the option exercise period. The option exercise period will be seven years, counted from the signature date of the option contract.

#### **d. How is the plan inserted in the Company's remuneration policy**

The Plan is included in the Total Annual Remuneration of our Management.

#### **e. How is the plan in line with the managers' and Company's interests on the short, medium and long term**

Our remuneration strategy has as target the alignment of remuneration levels to the selected market.

#### **f. Maximum number of covered shares**

The stock options granted according to the Plan, including those already exercised or not, and deducting those cancelled due to severance situations, may confer rights on a number of shares that does not exceed 5% (five percent) of all the shares issued by us.

#### **g. Maximum number of options to be granted**

See item "f" above.

#### **h. Stock acquisition conditions**

Participants in the Plan are those professionals selected at the Board of Directors' sole discretion from among our managers, executives, employees and service providers and our controlled entities.

Except when determined other way by the Board of Directors, the beneficiary of the option that does not use at least 1/3 of the net amount of annual bonus or profit sharing received, will have the amount of shares related to the option reduced by the same number of shares that could have subscribed and/or acquired with the value corresponding to the difference between the bonus percentage and the effective subscribed and/or acquired value, unless, in the scope of the Stock Option Plan, has already exercised, until that day, the subscription and/or acquisition right of at least an identical number of shares with own resources (excluded those shares accounted for this same purpose in previous years), always with exception the bonus free availability by the option beneficiary.

#### **i. Criteria for setting the acquisition or option exercise price**

The basic price for the options exercise and payment of the subscription or acquisition of shares by the beneficiaries of the Plan is determined by the Board of Directors, for each Program, in compliance with legal parameters, on the option grant date. The strike price will be updated by the IGPM-FGV variation, plus 6% per year.

#### **j. Criteria for setting the option exercise term**

The option exercise term will be determined by the Board of Directors, on a case-by-case basis, in compliance with legal parameters, on the option grant date. Except when determined otherwise by the Board of Directors:

- the obtainment of the right to exercise the option will be given in fixed and annual portions during 5 (five) years, i.e., 20% (twenty per cent) by the end of the first year and after that 20% (twenty per cent) at each anniversary; and
- the beneficiary should exercise its option until 7 (seven) years counting from the option contract date.

#### **k. Payment method**

The price of shares will be paid by the purchase option holders under conditions determined by the Board of Directors, in compliance with the minimum payment set forth in Law No. 6,404/76, in the event that the Board of Directors authorizes partial payments of the stock price.

Each exercised option gives the beneficiary the right to subscribe one capital share of Lupatech S.A. We do not have any legal obligation, or not formalized, of repurchasing or settling the options in cash.

#### **l. Restrictions to Share Transfer**

Shares derived from exercising the purchase option cannot be transferred to third parties as long as they are not fully paid and before one year from exercising the option.

#### **m. Criteria and events that, when verified, will cause suspension, change or termination of the plan**

This Stock Option Plan may be extinct or changed at any time by the decision of a General Meeting of our shareholders, without affecting the granted options effectiveness that are still in place based on the Plan.

#### **n. Effects of the manager leaving the Company's bodies on its rights provided in the remuneration plan based on shares.**

No provision of the Plan will confer rights to the beneficiaries relative to the guarantee of remaining as our employee or our service provider or of our subsidiaries, or interfere in any way with our rights or of our subsidiaries, subject to legal conditions and to those of the work contract or the service supply contract, depending on the case, to rescind at any time the relationship with the participant.

In the contingency of the beneficiary leaving our Company:

- by its own and exclusive intention or our initiative, without just case, it will be automatically extinct and void, independently of previous notice or indemnity, all the options granted that have not been, in the occasion,

options that can be exercised, having the beneficiary the right to exercise the options that can already be exercised, provided that in the unpostponable tenor of 30 (thirty) days and through payment in specie; and

- by our initiative, with just case, it will be automatically extinct and void, independently of previous notice or indemnity, all the options granted, including the ones that can already be exercised.

**13.5. Number of shares of stock, interest shares directly or indirectly held in Brazil, and other securities convertible into stock or interest shares, issued by the Company, its direct or indirect controlling entities, controlled companies or companies under joint control, by members of the Board of Directors, the Statutory Directors or the Fiscal Council, grouped by body, on the closing date of the Company's last fiscal year:**

In the table below, we see the amount of shares of the Company held by members of the Board of Directors, Statutory Board and Supervisory Board (which only began to be installed from 2010):

<b>Number of shares</b>	<b>2014</b>
Statutory Officers	1,500
Fiscal Council	0
<b>Total</b>	<b>1,500</b>
<i>% of the total capital</i>	<i>0.01%</i>

The members of the Board of Directors and Statutory Directors do not have quotas or shares or other securities convertible into shares or quotas issued by subsidiaries or companies under common control.

**13.6. Remuneration based on shares recognized in the profit and loss of the last 3 fiscal years and the one anticipated for the current fiscal year of the Statutory Directors:**

With respect to the remuneration provided for the fiscal year ending on 12.31.2015, the Company do not have any predictions to make new grants to its statutory officers through stock option.

**2013 and 2014 fiscal year**

On December 31, 2013 and 2014, there were no outstanding options to be performed by the board members, neither by the statutory officers.

**2012 fiscal year:**

	3rd Program		4th Program	
	Board of Directors <sup>(1)</sup>	Statutory Directors <sup>(1)</sup>	Board of Directors <sup>(1)</sup>	Statutory Directors <sup>(1)</sup>
<b>Number of members</b>	-	1	1	-
<b>In relation to each grant of options to purchase shares</b>				
Date of the Grant	-	16/01/2009	30/04/2009	-
Amount of the granted options	-	22.000	162.000	-
Deadline for options to become exercisable	-	1º lot – 16/01/2009 2º lot – 16/01/2010 3º lot – 16/01/2011 4º lot – 16/01/2012 5º lot – 16/01/2013	01/01/2013	-

Deadline to exercise the options	-	1º lot – 16/01/2010 2º lot – 16/01/2011 3º lot – 16/01/2012 4º lot – 16/01/2013 5º lot – 16/01/2014	31/03/2013	-
Period of restriction on transfer of shares	-	1 year from the exercise of the option	1 year from the exercise of the option	-
<b>AVG Balancing exercise</b>				
Outstanding options at the beginning of the year	-	R\$47,80	R\$22,14	-
Lost option during the fiscal year	-	R\$48,33	-	-
Exercised options during the fiscal year	-	-	-	-
Expired options during the fiscal year	-	R\$48,33	R\$22,39	-
<b>Fair value of the option on grant date</b>	-	R\$6,97	R\$17,28	-
<b>Potential dilution in case of exercise of all options granted<sup>(2)</sup></b>	-	0,01%	0,09%	-

Notes:

1. Considers the number of member to which the remuneration granted was based in shares.
2. Considers the total amount of shares in 12/31/2012: 157,003,138 common shares.

### 13.7. Information about the outstanding stock options owned by the Board of Directors and Statutory Directors

On December 31, 2014 there were there were no outstanding options to be performed by the Statutory Directors and/or Board of Directors.

### 13.8. Exercised and Granted options

In fiscal years 2012, 2013 and 2014, there were no outstanding options exercised by and/or granted to the Statutory Directors and/or Board of Directors.

### 13.9. Required information for understanding data disclosed in Items 13.6 to 13.8 – Method for Estimating the Value of Stock and Options

The method for estimating the value of stock and options was defined by the Board of Directors on April 20, 2006 in a Board of Directors Meeting ("RCA").

The price of shares to be subscribed or acquired by the Beneficiaries derived from exercising the Option will be determined by the Board of Directors under the terms of each Program.

The Stock Option Program was created at the beginning of the year 2006, before our Company's capital opening; therefore, there is no market price reference. The criteria used to assign the initial value of price of options was the annual budget of fiscal year 2006, multiplying the EBITDA indicator by 5 (five) and dividing it by the number of existing shares plus the options provided in the program, which resulted in an acquisition price of shares relative to the first Program approved under the terms of "the Stock Purchase Option Grant Plan" of R\$11.10 (eleven Brazilian Reais and ten cents) per share.

For our new employees and consequently new Programs, there is a calculation basis of the acquisition price that is different from the one described above. From the time that we obtained open company registry and the start of trading our shares in BM&FBOVESPA, the acquisition price may never be less than 90% (ninety percent) of the average value of shares for the last 3 (three) trading sessions in BM&FBOVESPA, prior to the option grant date.

a) pricing model

The weighted average fair value of options granted is determined using the standard Black-Scholes

valuation except Forth Program, whose assessment model Monte Carlo was due to be tied to market conditions.

The Black-Scholes model is an econometric model usually used for this type of asset valuation, which calculates the fair value of an option based on certain assumptions such as probability distribution of the underlying asset, the strike price of the option, the interest rate free risk, expected dividends for the underlying asset and the maturity of the option.

The Monte Carlo simulation is a popular alternative method that allows the incorporation of various sources of uncertainty. This method comprises performing some steps to (1) determine the processes of uncertainty inputs and generating from the sample distributions of the input variables, (2) performing mathematical operations on the inputs to generate outputs, (3 ) repeating the above steps n times, so as to obtain n outputs, and (4) through the results, calculate statistical data such as mean and standard deviation. The algorithm for calculating the Monte Carlo simulation is to calculate the option value at maturity for each trajectory to obtain the mean. The value of the option at the initial time is given by the present value of the average found.

b. data and assumptions used in the pricing model, including the weighted average share price, exercise price, expected volatility, option life, expected dividends and interest rate risk free

#### *Calculation Date*

In accordance with the Technical Pronunciation CPC – 10 – Payment Based in Shares, the options should be evaluated on their grant date (in this case, the date of approval of the corresponding Program).

#### *Weighted average share price*

The share price of the Company considered as a basis for calculating the value of their options is the market value basis for calculating the exercise price.

#### *Exercise price*

The exercise price is set in the programs approved by the Board of Directors and will be adjusted by the IGP-FGV, plus 6% per annum, calculated pro rata by days until the effective date of subscription and / or acquisition.

#### *Expected volatility*

Volatility is measured by the standard deviation of stock returns based on the history of daily prices of the Company since its IPO and weighting behavior with shares of companies in the same industry in the same period.

#### *Maturity of the option*

It is the duration from the date of grant.

#### *Expected dividends*

The rate of dividend distribution represents the ratio of the dividend per share paid in a given period and the share price at market determined on the date of pricing of the option.

#### *Free interest rate risk*

The risk-free rates were obtained from the Central Bank of Brazil and refer to the fees of the Special System of Clearance and Custody (Selic) in the respective grant dates.

	Programs			
	First	Second	Third	Forth
Weighted average price	21,40	33,35	23,42	27,56
Dividend yield	-	-	-	-
Expected life of the option	5 years	5 years	5 years	4 years
Annual interest rate without risk	Selic	Selic	Selic	Selic
Volatility	28,38%	36,05%	57,86%	57,86%

(\*) As projected by the Central Bank of Brazil

c) method used and the assumptions made to incorporate the effects of expected early exercise

There is no provision in the contracts early exercise of the options.

d) method of determining the expected volatility

It is measured by the standard deviation of stock returns based on the history of daily prices of the Company since its IPO and weighting behavior with shares of companies in the same industry in the same period.

e) If any other feature is incorporated into the measurement of fair value

There was no other feature to measure fair value.

#### 13.10. Information about pension plans granted to the members of the Board of Directors and Statutory Directors

We do not grant to the Board of Directors and Statutory Directors pension plans or retirement plans to assure complementary benefits to the official social pension system.

#### 13.11. Maximum, minimum and average individual remuneration of the Board of Directors, Statutory Directors and Fiscal Council

	Board of Directors	Statutory Directors	Fiscal Council
<b>Number of Members</b>			
2012	8,33	3,33	3
2013	9	6	3
2014	9	6	3
<b>Greater Annual Individual Remuneration</b>			
2012	360,000	1,499,770	85,200
2013	360,000	1,646,880	87,240
2014	360,000	1,646.880	87,240
<b>Lower Annual Individual Remuneration</b>			
2012	180,000	174,666	85,200
2013	180,000	533,200	87,240
2014	180,000	533,200	87,240
<b>Average Annual Individual Remuneration</b>			
2012	202,500	931,222	85,200
2013	202,500	869,387	87,240
2014	202,500	833,386	87,240

	<b>Board of Directors</b>
<b>31/12/2014</b>	<p>The average annual remuneration was calculated by dividing total compensation by the number of members.</p> <p>The value of the lowest annual remuneration was calculated without excluding any members.</p> <p>The value of the highest annual remuneration corresponds to perform the duties of a board member for 12 months.</p>
<b>31/12/2013</b>	<p>The average annual remuneration was calculated by dividing total compensation by the number of members.</p> <p>The value of the lowest annual remuneration was calculated without excluding any members.</p> <p>The value of the highest annual remuneration corresponds to perform the duties of a board member for 12 months.</p>
<b>31/12/2012</b>	<p>The average annual remuneration was calculated by dividing total compensation by the number of members.</p> <p>The value of the lowest annual remuneration was calculated without excluding any members.</p> <p>The value of the highest annual remuneration corresponds to perform the duties of a board member for 12 months.</p>

	<b>Statutory Directors</b>
<b>31/12/2014</b>	<p>The average annual remuneration was calculated by dividing total compensation by the number of members.</p> <p>The value of the lowest annual remuneration was calculated without excluding any members.</p> <p>The value of the highest annual remuneration corresponds to perform the duties of a board member for 12 months.</p>
<b>31/12/2013</b>	<p>The average annual remuneration was calculated by dividing total compensation by the number of members.</p> <p>The value of the lowest annual remuneration was calculated without excluding any members.</p> <p>The value of the highest annual remuneration corresponds to perform the duties of a board member for 12 months.</p>
<b>31/12/2012</b>	<p>The average annual remuneration was calculated by dividing total compensation by the number of members.</p> <p>The value of the lowest annual remuneration was calculated without excluding any members.</p> <p>The value of the highest annual remuneration corresponds to perform the duties of a board member for 12 months.</p>

	<b>Fiscal Council</b>
<b>31/12/2014</b>	<p>The average annual remuneration was calculated by dividing total compensation by the number of members.</p> <p>The value of the lowest annual remuneration was calculated without excluding any members.</p> <p>The value of the highest annual remuneration corresponds to perform the duties of a board member for 12 months.</p>
<b>31/12/2013</b>	<p>The average annual remuneration was calculated by dividing total compensation by the number of members.</p> <p>The value of the lowest annual remuneration was calculated without excluding any members.</p> <p>The value of the highest annual remuneration corresponds to perform the duties of a board member for 12 months.</p>
<b>31/12/2012</b>	<p>The average annual remuneration was calculated by dividing total compensation by the number of members.</p> <p>The value of the lowest annual remuneration was calculated without excluding any members.</p> <p>The value of the highest annual remuneration corresponds to perform the duties of a board member for 12 months.</p>

**13.12. Financial consequences over contractual arrangements, insurance policies and other instruments that structure remuneration or indemnity mechanisms for the management in the case of dismissal or retirement**

In the event of retirement of the owner of share purchase options not yet exercised, the granted options, but not yet exercised, can be exercised for 180 days more counting the retirement date, or until the end of the exercise period, if lower than 180 days. During the remaining period of the option validity, this can be exercised, in totality or in part, by the retired beneficiary, to be paid in specie, until the beneficiary does not exercise remunerated activity for third parties.

An agreement was signed for an indefinite period between Lupatech and Officers establishing special compensation in the event of termination of the director labor contract without cause during and / or after the process of change of control of Lupatech.

For the Company's CEO the agreement provides special compensation in the event of termination of the contract by the initiative of the Company.

**13.13. Percentage of total remuneration owned by management and members of the Fiscal Council that are related parties to the controlling shareholders**

We do not have a controlling shareholder and, therefore, this item is not applicable to us.

**13.14. Management and Fiscal Council remuneration, per body, received for any reason that not their job description**

The members of our Board of Directors and Statutory Directors did not receive any remuneration other than related to their job description in our Company.

**13.15. Management and Fiscal Council remuneration recognized in the result of controlling shareholders, direct and indirect, of affiliates and subsidiaries of the Company**



The members of our Board of Directors, Statutory Directors and Fiscal Council, did not receive any remuneration from controlling shareholders, direct and indirect, from affiliates and from our subsidiaries.

**13.16. Other relevant information**

We understand that we have provided all the relevant and applicable information in previous items.

**[The remaining of this page was left blank intentionally]**

## PROPOSAL TO AMEND THE COMPANY'S BYLAWS

Current Bylaws	Proposed Amendments	Reasons
<p><b>BYLAWS OF LUPATECH S.A.</b>  <b>I. - NAME, HEADQUARTERS, JURISDICTION AND DURATION</b></p> <p>Article 1. LUPATECH S.A. ("Company") is a corporation which shall be ruled by these present Bylaws and applicable laws.</p> <p>Paragraph 1. With the Company's listing in the Novo Mercado special segment of the BM&amp;FBOVESPA S.A. – Securities, Commodities and Futures Exchange ("Novo Mercado" and "BM&amp;FBOVESPA", respectively), the Company itself, its shareholders, Management and members of the Fiscal Council, when installed, will be subject to the provisions set forth in the Novo Mercado Listing Regulations of BM&amp;FBOVESPA ("Novo Mercado Listing Regulations").</p> <p>Paragraph 2. The provisions set forth in the Novo Mercado Listing Regulations will prevail over statutory provisions should there be any loss of rights by the recipients of the public tender offers referred to in these Bylaws.</p>	<p><b>BYLAWS OF LUPATECH S.A.</b>  <b>I. - NAME, HEADQUARTERS, JURISDICTION AND DURATION</b></p> <p>Article 1. LUPATECH S.A. ("Company") is a corporation which shall be ruled by these present Bylaws and applicable laws.</p> <p>Paragraph 1. With the Company's listing in the Novo Mercado special segment of the BM&amp;FBOVESPA S.A. – Securities, Commodities and Futures Exchange ("Novo Mercado" and "BM&amp;FBOVESPA", respectively), the Company itself, its shareholders, Management and members of the Fiscal Council, when installed, will be subject to the provisions set forth in the Novo Mercado Listing Regulations of BM&amp;FBOVESPA ("Novo Mercado Listing Regulations").</p> <p>Paragraph 2. The provisions set forth in the Novo Mercado Listing Regulations will prevail over statutory provisions should there be any loss of rights by the recipients of the public tender offers referred to in these Bylaws.</p>	

<p>Article 2. The Company is headquartered and has jurisdiction in the city of Nova Odessa, State of São Paulo, na Rodovia Anhanguera, km 119, sentido interior/capital, prédio C, esquina com a Rua Arnaldo J. Mauerberg, bairro Distrito Industrial, zip code 13.460-000 and the Board of Executive Officers, at its discretion, may create or extinguish branches and any other establishments, in the country or abroad.</p> <p>Sole Paragraph. The Company has ten (10) branches, as follow:</p> <p>(i) Branch located in the city of Nova Odessa, State of São Paulo, located at Rodovia Anhanguera, km 119, towards countryside, building A, zip code 13.460-000, under the Corporate Taxpayer's ID: 89.463.822/0005-46 and hereinafter referred to as Lupatech S.A.– MNA Americana;</p> <p>(ii) Branch located in the city of Nova Odessa, State of São Paulo, na Rodovia Anhanguera, Km 119, sentido interior/capital, esquina com a Rua Arnaldo J. Mauerberg, Distrito Industrial, building B, zip code 13.460-000, prédio B, under the Corporate Taxpayer's ID: 89.463.822/0006-27 and hereinafter referred to as Lupatech S.A. – Metalúrgica Ipê;</p> <p>(iii) Branch located in the city of São Leopoldo, State of Rio Grande do Sul, located at Rua Eugênio Schardong, 45, Rio</p>	<p>Article 2. The Company is headquartered and has jurisdiction in the city of Nova Odessa, State of São Paulo, na Rodovia Anhanguera, km 119, sentido interior/capital, prédio C, esquina com a Rua Arnaldo J. Mauerberg, bairro Distrito Industrial, zip code 13.460-000 and the Board of Executive Officers, at its discretion, may create or extinguish branches and any other establishments, in the country or abroad.</p> <p>Sole Paragraph. The Company has ten (10) branches, as follow:</p> <p>(i) Branch located in the city of Nova Odessa, State of São Paulo, located at Rodovia Anhanguera, km 119, towards countryside, building A, zip code 13.460-000, under the Corporate Taxpayer's ID: 89.463.822/0005-46 and hereinafter referred to as Lupatech S.A. – MNA Americana;</p> <p>(ii) Branch located in the city of Nova Odessa, State of São Paulo, na Rodovia Anhanguera, Km 119, sentido interior/capital, esquina com a Rua Arnaldo J. Mauerberg, Distrito Industrial, building B, zip code 13.460-000, under the Corporate Taxpayer's ID: 89.463.822/0006-27 and hereinafter referred to as Lupatech S.A. – Metalúrgica Ipê;</p> <p>(iii) Branch located in the city of São Leopoldo, State of Rio Grande do Sul, located at Rua Eugênio Schardong, 45, Rio</p>	
--	---	--

<p>Branco, zip code 93.040-380, under the Corporate Taxpayer's ID: 89.463.822/0004-65 and hereinafter referred to as Lupatech S.A. – CSL;</p> <p>(iv) Branch located in the city of Nova Odessa, State of São Paulo, located at Rodovia Anhanguera, Km 119, towards countryside, zip code 13.460-000, under the Corporate Taxpayer's ID: 89.463.822/0007-08 and hereinafter referred to as Lupatech S.A. – MNA Nova Odessa;</p> <p>(v) Branch located in the city of São Paulo, State of São Paulo, located at Avenida Maria Coelho Aguiar, nº 215, 5º andar, bloco B, sala "A", bairro Jardim São Luís, under the Corporate Taxpayer's ID: 89.463.822/0003-84;</p> <p>(vi) Branch located in the city of Feliz, State of Rio Grande do Sul, located at Rua Avenida Voluntários da Pátria, 480, Centro, zip code 95.770-970, under the Corporate Taxpayer's ID: 89.463.822/0008-99 and hereinafter referred to as Lupatech S.A. – Fiber Liners;</p> <p>(vii) Branch located in the city of Nova Odessa, State of São Paulo, na Rodovia Anhanguera, Km 119, sentido interior/capital, esquina com a Rua Arnaldo J. Mauerberg, Distrito Industrial, CEP 13.460-000, building D, corporate taxpayer's (CNPJ/MF) 89.463.822/0009-70, and</p>	<p>Branco, zip code 93.040-380, under the Corporate Taxpayer's ID: 89.463.822/0004-65 and hereinafter referred to as Lupatech S.A. – CSL;</p> <p>(iv) Branch located in the city of Nova Odessa, State of São Paulo, located at Rodovia Anhanguera, Km 119, towards countryside, zip code 13.460-000, under the Corporate Taxpayer's ID: 89.463.822/0007-08 and hereinafter referred to as Lupatech S.A. – MNA Nova Odessa;</p> <p>(v) Branch located in the city of São Paulo, State of São Paulo, located at Avenida Maria Coelho Aguiar, nº 215, 5º andar, bloco B, sala "A", bairro Jardim São Luís, under the Corporate Taxpayer's ID: 89.463.822/0003-84;</p> <p>(vi) Branch located in the city of Feliz, State of Rio Grande do Sul, located at Rua Avenida Voluntários da Pátria, 480, Centro, zip code 95.770-970, under the Corporate Taxpayer's ID: 89.463.822/0008-99 and hereinafter referred to as Lupatech S.A. – Fiber Liners;</p> <p>(vii) Branch located in the city of Nova Odessa, State of São Paulo, na Rodovia Anhanguera, Km 119, sentido interior/capital, esquina com a Rua Arnaldo J. Mauerberg, Distrito Industrial, CEP 13.460-000, building D, corporate taxpayer's (CNPJ/MF) 89.463.822/0009-70, and</p>	
--	--	--

<p>hereinafter referred to as Lupatech S/A – Tecval;</p> <p>(viii) Branch located in the city of Veranópolis, state of Rio Grande do Sul, at Rua Casemiro Ecco, n.º 415, parte, Vila Azul, zip code 95.330-000, corporate taxpayer's (CNPJ/MF) 89.463.822/0010-03, and hereinafter referred to as S. A. - Valmicro;</p> <p>(ix) Branch located in the city of São Paulo, state of de São Paulo, at Avenida Maria Coelho Aguiar, nº 215, 5º andar, bloco B, sala “C”, bairro Jardim São Luís, under the Corporate Taxpayer's ID: 89.463.822/0011-94, and hereinafter referred to as Lupatech S. A. - Valmicro São Paulo; and</p> <p>(x) Branch located in the city of Caxias do Sul, state of Rio Grande do Sul, at Rua Dalton Lahm dos Reis, nº 201, building “A”, bairro Jardim São Luís, under the Corporate Taxpayer's ID: 89.463.822/0012-75, and hereinafter referred to as Lupatech S. A. – CSC.</p> <p>Article 3. The Company's duration is indeterminate.</p> <p><b>II. - COMPANY'S PURPOSES</b></p> <p>Article 4. The Company's purposes are: The Company's purposes are: (a) the manufacturing and industrialization of parts,</p>	<p>hereinafter referred to as Lupatech S/A – Tecval;</p> <p>(viii) Branch located in the city of Veranópolis, state of Rio Grande do Sul, at Rua Casemiro Ecco, n.º 415, parte, Vila Azul, zip code 95.330-000, corporate taxpayer's (CNPJ/MF) 89.463.822/0010-03, and hereinafter referred to as S. A. - Valmicro;</p> <p>(ix) Branch located in the city of São Paulo, state of de São Paulo, at Avenida Maria Coelho Aguiar, nº 215, 5º andar, bloco B, sala “C”, bairro Jardim São Luís, under the Corporate Taxpayer's ID: 89.463.822/0011-94, and hereinafter referred to as Lupatech S. A. - Valmicro São Paulo; and</p> <p>(x) Branch located in the city of Caxias do Sul, state of Rio Grande do Sul, at Rua Dalton Lahm dos Reis, nº 201, building “A”, bairro Jardim São Luís, under the Corporate Taxpayer's ID: 89.463.822/0012-75, and hereinafter referred to as Lupatech S. A. – CSC.</p> <p>Article 3. The Company's duration is indeterminate.</p> <p><b>II. - COMPANY'S PURPOSES</b></p> <p>Article 4. The Company's purposes are: The Company's purposes are: (a) the manufacturing and industrialization of parts,</p>	
--	--	--

<p>components, systems and molds, obtained through casting, injection, sintering, metallurgy and other processes; valves, regulators, taps, actuators, industrial automation systems and other products for controlling fluids and steam; as well as its accessories, such as parts, molds obtained through the process of casting, injection, sintering, metallurgy and other; industrial automation systems for installation in equipment, machinery, devices and pipes for steam, water, gas, oil and fluids in general, equipment and components for industrial use and in the fields of oil and gas, and casting activities; (b) project development, industrialization, manufacturing, trade and covering services through painting, boiler shop, pipeline, welding, painting, assembly, surface treatment, electrical and mechanical maintenance, general maintenance, hydrostatic test, equipment and pipeline inspection, vibration control, machining in general, industrial escalation and climbing; (c) the industry, trade, import and export of ropes, cables and similar and complementary items, such as terminations, links, thimbles, rollers, polyurethane, chains, bonds, anchors, floaters and similar items, equipment and machinery employed in this line</p>	<p>components, systems and molds, obtained through casting, injection, sintering, metallurgy and other processes; valves, regulators, taps, actuators, industrial automation systems and other products for controlling fluids and steam; as well as its accessories, such as parts, molds obtained through the process of casting, injection, sintering, metallurgy and other; industrial automation systems for installation in equipment, machinery, devices and pipes for steam, water, gas, oil and fluids in general, equipment and components for industrial use and in the fields of oil and gas, and casting activities; (b) project development, industrialization, manufacturing, trade and covering services through painting, boiler shop, pipeline, welding, painting, assembly, surface treatment, electrical and mechanical maintenance, general maintenance, hydrostatic test, equipment and pipeline inspection, vibration control, machining in general, industrial escalation and climbing; (c) the industry, trade, import and export of ropes, cables and similar and complementary items, such as terminations, links, thimbles, rollers, polyurethane, chains, bonds, anchors, floaters and similar items, equipment and machinery employed in this line</p>	
--	--	--

<p>of business, as well as raw materials and secondary inputs; (d) the exportation, as an exporting trading company, as provided by Decree Law 1894/81, of ropes, cables and similar and complementary items, such as terminations, links, thimbles, rollers, polyurethane, chains, bonds, anchors, floaters and similar items, as well as equipment and machinery employed in this line of business, acquired from third parties; (e) the trading, whether in Brazil or abroad, of the products mentioned in items (a) and (c) above, whether manufactured by the company itself or by third parties, as well as its parts and components; (f) the import and export of raw materials, goods, products, services, parts and components, as well as industrial machinery, devices and equipment that may be used in the industrialization of the products referred to in items (a) and (c) above; (g) the provision of agency services, on its own account and through third parties of machinery, parts and equipment; technical support for its products in Brazil and abroad; tests with metallic and synthetic equipment; repairing of polyester cables; as well as the provision of casting and recovery services of scrap and nonferrous metals; renovating, repair, maintenance</p>	<p>of business, as well as raw materials and secondary inputs; (d) the exportation, as an exporting trading company, as provided by Decree Law 1894/81, of ropes, cables and similar and complementary items, such as terminations, links, thimbles, rollers, polyurethane, chains, bonds, anchors, floaters and similar items, as well as equipment and machinery employed in this line of business, acquired from third parties; (e) the trading, whether in Brazil or abroad, of the products mentioned in items (a) and (c) above, whether manufactured by the company itself or by third parties, as well as its parts and components; (f) the import and export of raw materials, goods, products, services, parts and components, as well as industrial machinery, devices and equipment that may be used in the industrialization of the products referred to in items (a) and (c) above; (g) the provision of agency services, on its own account and through third parties of machinery, parts and equipment; technical support for its products in Brazil and abroad; tests with metallic and synthetic equipment; repairing of polyester cables; as well as the provision of casting and recovery services of scrap and nonferrous metals; renovating, repair, maintenance</p>	
--	--	--

<p>and restoration of industrial valves, accessories, and regulators, machining, modeling and tool room; and CAD and CAM projects, polymeric resins in primary forms or finished products; any works related to access by rope, shallow dive; representation, distribution and manufacturing of unfinished and finished industrial products, and raw material, and also equipment and industrial machinery; (h) manufacturing and sale of pipes, accessories and glass fiber coating, processed concrete, as well as services for third parties covering these products; (i) the purchase and sale of technology and (j) the interest in other companies, regardless of its form, whether as a partner or shareholder, as a way or not of carrying out the Company's purposes, or to benefit from tax incentives; (k) lease of equipment in general; (l) operation and maintenance services of industrial plants, production and facilities, operation and maintenance of vessels and equipment, direct or indirectly related to oil and natural gas exploration and production; (m) chemical cleanliness, supply of specialized labor, civil engineering services in general; (n) manufacturing, trading and import of machinery, equipment, parts and products for the oil</p>	<p>and restoration of industrial valves, accessories, and regulators, machining, modeling and tool room; and CAD and CAM projects, polymeric resins in primary forms or finished products; any works related to access by rope, shallow dive; representation, distribution and manufacturing of unfinished and finished industrial products, and raw material, and also equipment and industrial machinery; (h) manufacturing and sale of pipes, accessories and glass fiber coating, processed concrete, as well as services for third parties covering these products; (i) the purchase and sale of technology and (j) the interest in other companies, regardless of its form, whether as a partner or shareholder, as a way or not of carrying out the Company's purposes, or to benefit from tax incentives; (k) lease of equipment in general; (l) operation and maintenance services of industrial plants, production and facilities, operation and maintenance of vessels and equipment, direct or indirectly related to oil and natural gas exploration and production; (m) chemical cleanliness, supply of specialized labor, civil engineering services in general; (n) manufacturing, trading and import of machinery, equipment, parts and products for the oil</p>	
--	--	--



<p>industry, and oil prospecting and extraction, including parts, installation, restoration and maintenance of machinery and equipment for oil prospecting and extraction; (o) provision of machining and advisory services and execution of technical services for the oil industry; (p) service of inspection and maintenance of pipeline and equipment of the naval and oil industries, covering services of parts and pipes, services of personnel training and certification, engineering projects, chemical decontamination, services of water and effluent treatment, administrative services, trading of parts and equipment in general, inventory storage services and may lease third party's warehouses, and maintain and cover pipes and parts; (q) development, manufacturing, installation, operation, monitoring, maintenance and trading of measurement and automation systems based on optical fibers sensors, including IT activities, in addition to the training for the operation of these systems and research and development services, consulting and technical services specialized in IT and mechanical and electronic engineering areas; (r) industrialization of painting and covering of metal pipes and</p>	<p>industry, and oil prospecting and extraction, including parts, installation, restoration and maintenance of machinery and equipment for oil prospecting and extraction; (o) provision of machining and advisory services and execution of technical services for the oil industry; (p) service of inspection and maintenance of pipeline and equipment of the naval and oil industries, covering services of parts and pipes, services of personnel training and certification, engineering projects, chemical decontamination, services of water and effluent treatment, administrative services, trading of parts and equipment in general, inventory storage services and may lease third party's warehouses, and maintain and cover pipes and parts; (q) development, manufacturing, installation, operation, monitoring, maintenance and trading of measurement and automation systems based on optical fibers sensors, including IT activities, in addition to the training for the operation of these systems and research and development services, consulting and technical services specialized in IT and mechanical and electronic engineering areas; (r) industrialization of painting and covering of metal pipes and</p>	
---	---	--

<p>parts, among others and; (s) the provision of consulting services in general.</p> <p>Sole Paragraph. The Company's purposes may be carried out by means of controlled companies, subsidiaries and branches.</p> <p style="text-align: center;"><b>III. - CAPITAL STOCK AND SHARES</b></p> <p>Article 5. The Company's capital stock is seven hundred, fifty two million, two hundred, sixty-nine thousand, seven hundred, fifteen reais and twenty-three centavos (R\$752,269,715.23), fully subscribed and paid-in, divided into one hundred and fifty seven million, six hundred four thousand, six hundred and nineteen (157.604.619) registered non-par book-entry common shares.</p> <p>Paragraph 1. In addition to the shares already issued, as per "caput" of this article, the Company is authorized to increase its capital stock, regardless of amendment to the Bylaws and by resolution of the Board of Directors, by another six billion, five hundred fourteen million, five hundred seventeen thousand, four hundred and ninety-nine (6,514,517,499) non-par common shares.</p> <p>Paragraph 2. The Board of Directors may resolve on the issue of debentures convertible</p>	<p>parts, among others and; (s) the provision of consulting services in general.</p> <p>Sole Paragraph. The Company's purposes may be carried out by means of controlled companies, subsidiaries and branches.</p> <p style="text-align: center;"><b>III. - CAPITAL STOCK AND SHARES</b></p> <p>Article 5. The Company's capital stock is one billion, eight hundred, fifty three million, six hundred, eighty-three thousand, nine hundred, fifty-nine reais and seventy-three centavos (R\$1,853,683,959.73), fully subscribed and paid-in, divided into nine million, three hundred, eighty-three thousand, eight hundred, thirty-four (9.393.834) registered non-par book-entry common shares.</p> <p>Paragraph 1. In addition to the shares already issued, as per "caput" of this article, the Company is authorized to increase its capital stock, regardless of amendment to the Bylaws and by resolution of the Board of Directors, by another three million, nine hundred, fifty thousand, one hundred, thirty-four (3,950,134) non-par common shares.</p> <p>Paragraph 2. The Board of Directors may resolve on the issue of debentures convertible into shares within the authorized</p>	<p><b>Reason:</b> the modification of "Capital Stock and Shares" section must be performed based on:</p> <p>(A) change in the amount of capital and the amount of the Company's shares as a result of the approval of the capital increase through capitalization of credits approved by the Board of Directors held on September 30, 2014;</p> <p>(B) correction in the number of common shares issued in that</p>
--	--	---

<p>into shares within the authorized capital stock limit, as provided by paragraph 1 of Article 5.</p> <p>Article 6. Each common share entitles to one vote at the General Meeting.</p> <p>Article 7. At the proportion of shares held, the Shareholders shall have preemptive right to subscribe new shares or securities convertible into shares.</p> <p>Article 8. The Company may issue shares, debentures convertible into shares and warrants without former shareholders being entitled to the preemptive right, when the placement occurs through sale on the Stock Exchange, or via public subscription, or also through share swap, public takeover offer, pursuant to Article 172 of Law 6,404 of December 15, 1976, as amended ("Brazilian Corporation Law").</p> <p>Sole paragraph. The Company is not authorized to issue preferred shares and founder's shares.</p> <p>Article 9. The Company, within the limit of authorized capital and according to the plan previously approved at the General Meeting, may grant stock options to its officers or employees, and also, individuals providing services to the Company or entity under its</p>	<p>capital stock limit, as provided by paragraph 1 of Article 5.</p> <p>Article 6. Each common share entitles to one vote at the General Meeting.</p> <p>Article 7. At the proportion of shares held, the Shareholders shall have preemptive right to subscribe new shares or securities convertible into shares.</p> <p>Article 8. The Company may issue shares, debentures convertible into shares and warrants without former shareholders being entitled to the preemptive right, when the placement occurs through sale on the Stock Exchange, or via public subscription, or also through share swap, public takeover offer, pursuant to Article 172 of Law 6,404 of December 15, 1976, as amended ("Brazilian Corporation Law").</p> <p>Sole paragraph. The Company is not authorized to issue preferred shares and founder's shares.</p> <p>Article 9. The Company, within the limit of authorized capital and according to the plan previously approved at the General Meeting, may grant stock options to its officers or employees, and also, individuals providing services to the Company or entity under its control, as resolved by the Board</p>	<p><b>capitalization of credits, as well as in the capital stock, due to reduction account of capital investment, approved by the Board of Directors held on March 31, 2015; (C) change the number of shares due to the inplit approved, ad referendum of the general meeting by the Board of Directors held on March 31, 2015; and (D) update the amount of the Company's authorized capital stock as a result of the approval of the capital increase through capitalization of credits, approved by the Board of Directors held on</b></p>
--	--	---

<p>control, as resolved by the Board of Directors, in compliance with the Bylaws provisions and applicable legal rules and the preemptive right to shareholders shall not apply.</p> <p>Article 10. The Company is authorized to hold all shares issued thereby in deposit accounts, on behalf of their holders, at the authorized financial institution designated thereby.</p> <p>Sole Paragraph. The financial institution may charge from shareholders the service cost of ownership transfer, in compliance with the legal limits.</p> <p>Article 11. The Company, by means of notice to the stock exchange where its shares are publicly traded, may suspend the shares conversion, split, reverse split and transfer services, for no later than fifteen (15) consecutive days, or for ninety (90) days fitted in the year.</p> <p>Article 12. The Company may charge for the share conversion, split or reverse split services. The price charged may not exceed the respective cost of each service.</p> <p style="text-align: center;"><b>IV. - GENERAL MEETING</b></p> <p>Article 13. The General Meetings</p>	<p>of Directors, in compliance with the Bylaws provisions and applicable legal rules and the preemptive right to shareholders shall not apply.</p> <p>Article 10. The Company is authorized to hold all shares issued thereby in deposit accounts, on behalf of their holders, at the authorized financial institution designated thereby.</p> <p>Sole Paragraph. The financial institution may charge from shareholders the service cost of ownership transfer, in compliance with the legal limits.</p> <p>Article 11. The Company, by means of notice to the stock exchange where its shares are publicly traded, may suspend the shares conversion, split, reverse split and transfer services, for no later than fifteen (15) consecutive days, or for ninety (90) days fitted in the year.</p> <p>Article 12. The Company may charge for the share conversion, split or reverse split services. The price charged may not exceed the respective cost of each service.</p> <p style="text-align: center;"><b>IV. - GENERAL MEETING</b></p> <p>Article 13. The General Meetings shall be annual and</p>	<p><b>September 30, 2014 and the inplit approved, ad referendum of the general meeting by the Board of Directors held on March 31, 2015.</b></p>
---	---	--

<p>shall be annual and extraordinary. The Annual General Meeting shall be held within the first four months after the end of the fiscal year and the Extraordinary General Meeting shall be held whenever the Company's interests so require.</p> <p>Paragraph 1. The minutes of the General Meeting shall be filed at the Registry of Trade and published within no later than thirty (30) days as of the date of the meeting.</p> <p>Paragraph 2. The General Meeting may only resolve on the matters of the Agenda, contained in the respective call notices.</p> <p>Paragraph 3. At the General Meetings, the shareholders shall submit, at least, one (1) hour in advance, in addition to the ID document or of the representative, an evidence of respective equity interest, issued by the depositary institution, and however, the equity interest evidence should be anticipated to the Company under the terms of the Shareholder General Meeting attendance manual.</p> <p>Article 14. The General Meetings shall be convened pursuant to the laws and shall be instated and presided over by the chairman of the Board of Directors and by a secretary</p>	<p>extraordinary. The Annual General Meeting shall be held within the first four months after the end of the fiscal year and the Extraordinary General Meeting shall be held whenever the Company's interests so require.</p> <p>Paragraph 1. The minutes of the General Meeting shall be filed at the Registry of Trade and published within no later than thirty (30) days as of the date of the meeting.</p> <p>Paragraph 2. The General Meeting may only resolve on the matters of the Agenda, contained in the respective call notices.</p> <p>Paragraph 3. At the General Meetings, the shareholders shall submit, at least, one (1) hour in advance, in addition to the ID document or of the representative, an evidence of respective equity interest, issued by the depositary institution, and however, the equity interest evidence should be anticipated to the Company under the terms of the Shareholder General Meeting attendance manual.</p> <p>Article 14. The General Meetings shall be convened pursuant to the laws and shall be instated and presided over by the chairman of the Board of Directors and by a secretary appointed by the chairman.</p>	
--	---	--

<p>appointed by the chairman.</p> <p>Sole Paragraph. In the event of absence or temporary impediment of the Chairman of the Board of Directors, the Chairman of the meeting shall be appointed by any member of the Board of Directors and a secretary appointed by shareholder nominated on that occasion.</p> <p>Article 15. The General Meeting, in addition to other attributions provided for by laws, shall be responsible for:</p> <p>I. electing and dismissing at any time, the members of the Board of Directors and Fiscal Council, when instated;</p> <p>II. yearly examining the Management's accounts and resolving on the financial statements submitted thereby;</p> <p>III. determining the compensation of the members of the Board of Directors and Board of Executive Officers, as well as the members of the Fiscal Council, if instated;</p> <p>IV. assigning share bonuses and resolve on eventual share splits and reverse splits;</p> <p>V. approving stock option or share subscription programs to its officers and employees, as well as the officers and employees of other entities directly or indirectly controlled by the Company;</p> <p>VI. resolving, pursuant to the</p>	<p>Sole Paragraph. In the event of absence or temporary impediment of the Chairman of the Board of Directors, the Chairman of the meeting shall be appointed by any member of the Board of Directors and a secretary appointed by shareholder nominated on that occasion.</p> <p>Article 15. The General Meeting, in addition to other attributions provided for by laws, shall be responsible for:</p> <p>I. electing and dismissing at any time, the members of the Board of Directors and Fiscal Council, when instated;</p> <p>II. yearly examining the Management's accounts and resolving on the financial statements submitted thereby;</p> <p>III. determining the compensation of the members of the Board of Directors and Board of Executive Officers, as well as the members of the Fiscal Council, if instated;</p> <p>IV. assigning share bonuses and resolve on eventual share splits and reverse splits;</p> <p>V. approving stock option or share subscription programs to its officers and employees, as well as the officers and employees of other entities directly or indirectly controlled by the Company;</p> <p>VI. resolving, pursuant to the Management's proposal, on the</p>	
---	---	--

<p>Management's proposal, on the allocation of income for the year and on the distribution of dividends;</p> <p>VII. resolving on the transformation, merger, amalgamation and spin-off of the Company, its dissolution and liquidation, elect the liquidator, as well as the Fiscal Council to operate during the liquidation period;</p> <p>VIII. resolving on the Company's delisting from the "Novo Mercado" of BM&amp;FBOVESPA and on the Company's deregistering as a publicly-held company; and</p> <p>IX. electing the institution liable for the preparation of appraisal report of the Company shares, among the companies appointed by the Board of Directors, in the cases and as provided for herein.</p> <p style="text-align: center;"><b>V. - MANAGEMENT</b></p> <p>Article 16. The management of the Company shall be incumbent upon the Board of Directors and the Board of Executive Officers.</p> <p>Sole Paragraph. The management of the Company is forbidden to grant loans to Related Parties, and it is excluded from this definition its subsidiaries, according to the definition in the article 243, paragraph 2, of Brazilian Corporate Law.</p>	<p>allocation of income for the year and on the distribution of dividends;</p> <p>VII. resolving on the transformation, merger, amalgamation and spin-off of the Company, its dissolution and liquidation, elect the liquidator, as well as the Fiscal Council to operate during the liquidation period;</p> <p>VIII. resolving on the Company's delisting from the "Novo Mercado" of BM&amp;FBOVESPA and on the Company's deregistering as a publicly-held company; and</p> <p>IX. electing the institution liable for the preparation of appraisal report of the Company shares, among the companies appointed by the Board of Directors, in the cases and as provided for herein.</p> <p style="text-align: center;"><b>V. - MANAGEMENT</b></p> <p>Article 16. The management of the Company shall be incumbent upon the Board of Directors and the Board of Executive Officers.</p> <p>Sole Paragraph. The management of the Company is forbidden to grant loans to Related Parties, and it is excluded from this definition its subsidiaries, according to the definition in the article 243, paragraph 2, of Brazilian Corporate Law.</p>	
---	---	--

<p>Article 17. The members of the Board of Directors and Board of Executive Officers elected shall take office by signing each body's book of meetings minutes, exempting the management pledge.</p> <p>Sole Paragraph. The members of the Board of Directors and Board of Executive Officers shall remain in their offices and in the performance of their duties until their substitutes are elected, unless if otherwise resolved at the General Meeting. The investiture shall be subject to the previous signature of the Management Statement of Consent, pursuant to the Novo Mercado Listing Regulations and the adhesion to the Disclosure Policy of Material Acts or Facts of the Company, by signing the respective instrument, as well as the attending to applicable legal requirements.</p> <p>Article 18. The members of the Board of Directors and Board of Executive Officers shall receive the compensation established by the General Meeting. The allowance shall be voted globally, and the Board of Directors shall distribute this compensation among the members of the Board of Directors and Board of Executive Officers.</p>	<p>Article 17. The members of the Board of Directors and Board of Executive Officers elected shall take office by signing each body's book of meetings minutes, exempting the management pledge.</p> <p>Sole Paragraph. The members of the Board of Directors and Board of Executive Officers shall remain in their offices and in the performance of their duties until their substitutes are elected, unless if otherwise resolved at the General Meeting. The investiture shall be subject to the previous signature of the Management Statement of Consent, pursuant to the Novo Mercado Listing Regulations and the adhesion to the Disclosure Policy of Material Acts or Facts of the Company, by signing the respective instrument, as well as the attending to applicable legal requirements.</p> <p>Article 18. The members of the Board of Directors and Board of Executive Officers shall receive the compensation established by the General Meeting. The allowance shall be voted globally, and the Board of Directors shall distribute this compensation among the members of the Board of Directors and Board of Executive Officers.</p>	
---	---	--



<p>Article 19. As proposed by the Board of Directors and at the discretion of the Annual General Meeting, the Company's Management may also receive the Company's profit sharing observing the relevant legal rules and provisions in Article 36.</p> <p>Sole Paragraph. The Management shall only be entitled to profit sharing for the fiscal year in relation to which the mandatory dividend is attributed to shareholders, referred to in Article 38 of the Bylaws.</p>	<p>Article 19. As proposed by the Board of Directors and at the discretion of the Annual General Meeting, the Company's Management may also receive the Company's profit sharing observing the relevant legal rules and provisions in Article 36.</p> <p>Sole Paragraph. The Management shall only be entitled to profit sharing for the fiscal year in relation to which the mandatory dividend is attributed to shareholders, referred to in Article 38 of the Bylaws.</p>	
<p><b>VI. - BOARD OF DIRECTORS</b></p>	<p><b>VI. - BOARD OF DIRECTORS</b></p>	
<p>Article 20. The Board of Directors shall be composed of, at least, five (5) and at most nine (9) members and equal number of deputies, individuals, resident in the country, elected and removed from office by the General Meeting, which shall designate its Chairman and said members shall have a two(2)-year combined term of office.</p>	<p>Article 20. The Board of Directors shall be composed of, at least, three (3) and at most seven (7) members and equal number of deputies, individuals, resident in the country, elected and removed from office by the General Meeting, which shall designate its Chairman and said members shall have a two(2)-year combined term of office.</p>	<p><b>Reason:</b> the modification of the "Board of Directors" should be performed in view to adjust the minimum and maximum number of members of the Board of Directors due to the new time of the Company, after restructuring.</p>
<p>Paragraph 1. The Board of Directors shall be composed in its majority by Independent Board Members, as defined in Paragraph 2 below and in Novo Mercado Listing Regulations, and expressly announced as such in the minutes of the General Meeting that elects them. Those board members elected as</p>	<p>Paragraph 1. The Board of Directors shall be composed in its majority by Independent Board Members, as defined in Paragraph 2 below and in Novo Mercado Listing Regulations, and expressly announced as such in the minutes of the General Meeting that elects them. Those board members elected as</p>	

<p>provided for by Article 141, Paragraphs 4 and 5 of the Brazilian Corporation Law, without prejudice to Paragraph 2 shall also be deemed as independent board member(s).</p> <p>Paragraph 2. For the purposes of this article, the term “Independent Board Member” means the Board member: (i) who does not have any link with the Company, except for its interest in the capital stock; (ii) who is not a controlling shareholder, spouse or relative up to the second degree of kinship of a controlling shareholder, or who is not or has not been, during the last three (3) years linked to a company or entity connected to a controlling shareholder (individuals linked to research and/or educational institutions are excluded from such restriction); (iii) who has not been, during the last three (3) years, an employee or executive officer of the Company, any controlling shareholder or corporation controlled by the Company; (iv) who is not a supplier or buyer, direct or indirect, of the Company’s services and/or products, to such an extent that suggests the loss of independence; (v) who is not an employee or administrator of a company or entity rendering or requesting the Company’s services and/or products at a</p>	<p>provided for by Article 141, Paragraphs 4 and 5 of the Brazilian Corporation Law, without prejudice to Paragraph 2 shall also be deemed as independent board member(s).</p> <p>Paragraph 2. For the purposes of this article, the term “Independent Board Member” means the Board member: (i) who does not have any link with the Company, except for its interest in the capital stock; (ii) who is not a controlling shareholder, spouse or relative up to the second degree of kinship of a controlling shareholder, or who is not or has not been, during the last three (3) years linked to a company or entity connected to a controlling shareholder (individuals linked to research and/or educational institutions are excluded from such restriction); (iii) who has not been, during the last three (3) years, an employee or executive officer of the Company, any controlling shareholder or corporation controlled by the Company; (iv) who is not a supplier or buyer, direct or indirect, of the Company’s services and/or products, to such an extent that suggests the loss of independence; (v) who is not an employee or administrator of a company or entity rendering or requesting the Company’s services and/or products at a</p>	
--	--	--

<p>degree that implies loss of independence; (vi) who is not a spouse or relative up to the second degree of kinship of any Company's administrator; or (vii) who does not receive any other compensation from the Company other than that related to the position of board member (cash dividends deriving from eventual interest on shareholder's equity shall be excluded from such restriction).</p> <p>Paragraph 3. Excluding the vacancy hypotheses that shall be object of specific disclosure to the market and for which measures should be taken to fill the corresponding positions within one hundred and eighty (180) days, the positions of Board of Directors' Chairman and CEO or the Company's key executive may not be accumulated by the same person.</p> <p>Article 21. In the events of absence or temporary impediment of the Chairman of the Board of Directors, the position shall be performed by a Board member appointed by him. In the event of vacant position of Chairman of the Board of Directors, the General Meeting shall elect a substitute to complete his term of office.</p>	<p>degree that implies loss of independence; (vi) who is not a spouse or relative up to the second degree of kinship of any Company's administrator; or (vii) who does not receive any other compensation from the Company other than that related to the position of board member (cash dividends deriving from eventual interest on shareholder's equity shall be excluded from such restriction).</p> <p>Paragraph 3. Excluding the vacancy hypotheses that shall be object of specific disclosure to the market and for which measures should be taken to fill the corresponding positions within one hundred and eighty (180) days, the positions of Board of Directors' Chairman and CEO or the Company's key executive may not be accumulated by the same person.</p> <p>Article 21. In the events of absence or temporary impediment of the Chairman of the Board of Directors, the position shall be performed by a Board member appointed by him. In the event of vacant position of Chairman of the Board of Directors, the General Meeting shall elect a substitute to complete his term of office.</p>	
---	---	--

<p>Sole Paragraph. Should any other position at the Board of Directors become vacant, the remaining board members shall designate a substitute to serve until the first General Meeting. Should most positions be vacant, the General Meeting shall immediately elect the substitutes who shall complete the substituted member's term of office.</p> <p>Article 22. The Board of Directors shall hold a meeting ordinarily once on a quarterly basis and extraordinarily whenever the Company's interests so require.</p> <p>Paragraph 1. The Board of Directors shall be called by the Chairman, or during his absence, by the vice-chairman, at least, five (5) days in advance, establishing the date, time and agenda of the meeting.</p> <p>Paragraph 2. In the event of justified urgency, the meeting may be called and held without observing the minimum term previously mentioned.</p> <p>Paragraph 3. The meetings shall be instated with the majority of its members and those resolutions taken by majority vote shall be considered as valid, except for the anticipated deliberation in 1<sup>st</sup> paragraph of article 24, accepting</p>	<p>Sole Paragraph. Should any other position at the Board of Directors become vacant, the remaining board members shall designate a substitute to serve until the first General Meeting. Should most positions be vacant, the General Meeting shall immediately elect the substitutes who shall complete the substituted member's term of office.</p> <p>Article 22. The Board of Directors shall hold a meeting ordinarily once on a quarterly basis and extraordinarily whenever the Company's interests so require.</p> <p>Paragraph 1. The Board of Directors shall be called by the Chairman, or during his absence, by the vice-chairman, at least, five (5) days in advance, establishing the date, time and agenda of the meeting.</p> <p>Paragraph 2. In the event of justified urgency, the meeting may be called and held without observing the minimum term previously mentioned.</p> <p>Paragraph 3. The meetings shall be instated with the majority of its members and those resolutions taken by majority vote shall be considered as valid, except for the anticipated deliberation in 1<sup>st</sup> paragraph of article 24, accepting</p>	
---	---	--

<p>advanced written votes, for the purposes of quorum and resolution. The board members may participate in the meetings of the Board of Directors by means of conference call or video conference. In this case, they shall send their written votes to the Chairman of the Board of Directors, by means of letter, facsimile or electronic mail following the end of the meeting. In the event of a tie vote, the deciding vote shall be cast by the Chairman of the Board of Directors.</p> <p>Paragraph 4. The resolutions of the Board of Directors shall be drawn up in minutes. Should they produce effects against third parties, they shall be filed at the Registry of Trade and published pursuant to the laws, within no later than thirty (30) days as of the date of the Board of Directors meetings.</p> <p>Article 23. Without prejudice to other incumbencies provided for by laws, the Board of Directors shall be responsible for:</p> <p>I. establishing the general guidance of businesses, plans, projects and economic-financial, industrial and commercial guidelines of the Company;</p> <p>II. analyzing and authorizing investments plans and sale of assets, setting the authority scope, the loan conditions and the guarantees that may be</p>	<p>advanced written votes, for the purposes of quorum and resolution. The board members may participate in the meetings of the Board of Directors by means of conference call or video conference. In this case, they shall send their written votes to the Chairman of the Board of Directors, by means of letter, facsimile or electronic mail following the end of the meeting. In the event of a tie vote, the deciding vote shall be cast by the Chairman of the Board of Directors.</p> <p>Paragraph 4. The resolutions of the Board of Directors shall be drawn up in minutes. Should they produce effects against third parties, they shall be filed at the Registry of Trade and published pursuant to the laws, within no later than thirty (30) days as of the date of the Board of Directors meetings.</p> <p>Article 23. Without prejudice to other incumbencies provided for by laws, the Board of Directors shall be responsible for:</p> <p>I. establishing the general guidance of businesses, plans, projects and economic-financial, industrial and commercial guidelines of the Company;</p> <p>II. analyzing and authorizing investments plans and sale of assets, setting the authority scope, the loan conditions and the guarantees that may be</p>	
---	---	--

<p>granted for their implementation by the Board of Executive Officers;</p> <p>III. expressing an opinion on any proposal to be sent to the General Meeting;</p> <p>IV. convening the General Meeting;</p> <p>V. electing and dismissing the Company's officers, assigning them their designations and duties, observing the Bylaws provisions and electing the members of the Audit Committee;</p> <p>VI. inspecting the officers management and examining at any time, the Company's books and documents and request any information about contracted operations or to be contracted;</p> <p>VII. rendering an opinion on the Management's financial statements and reports;</p> <p>VIII. resolving on the issue of new shares, warrants and debentures convertible into shares, within the limit of authorized capital, setting the issue conditions, including price and term of payment;</p> <p>IX. resolving on the issue of debentures, not convertible into shares and authorizing the issue of any credit instrument to raise funds, such as bonds, notes, commercial papers and other commonly used on the market, and also resolving on their issue and redemption conditions;</p> <p>X. authorizing the acquisition of</p>	<p>granted for their implementation by the Board of Executive Officers;</p> <p>III. expressing an opinion on any proposal to be sent to the General Meeting;</p> <p>IV. convening the General Meeting;</p> <p>V. electing and dismissing the Company's officers, assigning them their designations and duties, observing the Bylaws provisions and electing the members of the Audit Committee;</p> <p>VI. inspecting the officers management and examining at any time, the Company's books and documents and request any information about contracted operations or to be contracted;</p> <p>VII. rendering an opinion on the Management's financial statements and reports;</p> <p>VIII. resolving on the issue of new shares, warrants and debentures convertible into shares, within the limit of authorized capital, setting the issue conditions, including price and term of payment;</p> <p>IX. resolving on the issue of debentures, not convertible into shares and authorizing the issue of any credit instrument to raise funds, such as bonds, notes, commercial papers and other commonly used on the market, and also resolving on their issue and redemption conditions;</p> <p>X. authorizing the acquisition of</p>	
--	--	--

<p>shares and debentures issued by the Company for cancellation or to be kept in treasury for subsequent sale, pursuant to the legal rules in effect;</p> <p>XI. expressing a favorable or unfavorable opinion on any public tender offer whose object is shares issued by the Company, by means of a previously substantiated report , disclosed up to fifteen (15) days as of the date the public tender offer notice is published, which should address, at least: (i) the convenience and opportunity of the public tender offer regarding the interest of the group of shareholders in relation to the liquidity of securities and its ownership; (ii) the repercussions of the public tender offer on the Company's interests; (iii) the strategic plans disclosed by the offeror regarding the Company; and (iv) other issues deemed as material by the Board of Directors, as well as the information required by applicable rules set forth by the Brazilian Securities and Exchange Commission ("CVM");</p> <p>XI. authorizing the acquisition of shares and debentures issued by the Company to be cancelled or to be held in treasury for subsequent disposal, pursuant to the prevailing legal rules;</p> <p>XII. submitting to the General Meeting a stock option plan,</p>	<p>shares and debentures issued by the Company for cancellation or to be kept in treasury for subsequent sale, pursuant to the legal rules in effect;</p> <p>XI. expressing a favorable or unfavorable opinion on any public tender offer whose object is shares issued by the Company, by means of a previously substantiated report , disclosed up to fifteen (15) days as of the date the public tender offer notice is published, which should address, at least: (i) the convenience and opportunity of the public tender offer regarding the interest of the group of shareholders in relation to the liquidity of securities and its ownership; (ii) the repercussions of the public tender offer on the Company's interests; (iii) the strategic plans disclosed by the offeror regarding the Company; and (iv) other issues deemed as material by the Board of Directors, as well as the information required by applicable rules set forth by the Brazilian Securities and Exchange Commission ("CVM");</p> <p>XI. authorizing the acquisition of shares and debentures issued by the Company to be cancelled or to be held in treasury for subsequent disposal, pursuant to the prevailing legal rules;</p> <p>XII. submitting to the General Meeting a stock option plan,</p>	
---	---	--

<p>pursuant to the laws and these Bylaws;</p> <p>XIII. authorizing the acquisition and sale of permanent assets, including interest in other companies, involving an amount exceeding ten per cent (10%) of the Company's shareholders' equity, based on the last balance sheet forwarded to CVM;</p> <p>XIV. approving the execution, amendment or postponement by the Company and/or its subsidiaries of any documents, agreements or commitments for assumption of liability, debt or obligations, that are contracted for a period exceeding 3 (three) years, or whose value exceeds the greater of: (i) 1% (one percent) of total consolidated assets of the Company, based on the last balance sheet forwarded to CVM; (ii) 10% (ten percent) of the consolidated net equity of the Company, based on the last balance sheet forwarded to CVM, or (iii) R\$ 20,000,000.00 (twenty million Brazilian reais);</p> <p>XV. authorizing the incorporation of subsidiaries or wholly-owned subsidiaries by the Company;</p> <p>XVI. authorizing the Company's association with other companies, in the country or abroad, establishing partnerships, consortia or joint ventures;</p> <p>XVII. authorizing the granting of secured guarantee or personal</p>	<p>pursuant to the laws and these Bylaws;</p> <p>XIII. authorizing the acquisition and sale of permanent assets, including interest in other companies, involving an amount exceeding ten per cent (10%) of the Company's shareholders' equity, based on the last balance sheet forwarded to CVM;</p> <p>XIV. approving the execution, amendment or postponement by the Company and/or its subsidiaries of any documents, agreements or commitments for assumption of liability, debt or obligations, that are contracted for a period exceeding 3 (three) years, or whose value exceeds the greater of: (i) 1% (one percent) of total consolidated assets of the Company, based on the last balance sheet forwarded to CVM; (ii) 10% (ten percent) of the consolidated net equity of the Company, based on the last balance sheet forwarded to CVM, or (iii) R\$ 20,000,000.00 (twenty million Brazilian reais);</p> <p>XV. authorizing the incorporation of subsidiaries or wholly-owned subsidiaries by the Company;</p> <p>XVI. authorizing the Company's association with other companies, in the country or abroad, establishing partnerships, consortia or joint ventures;</p> <p>XVII. authorizing the granting of secured guarantee or personal</p>	
--	--	--



<p>guarantee by the Company or any of its subsidiaries, on behalf of the Company or third parties, including the Company's subsidiaries for a period exceeding 24 months or added value in excess of 1.5% of the Company's total consolidated assets, based on the last balance sheet forwarded to CVM;</p> <p>XVIII. establishing the policy for attribution and distribution of annual profit sharing to the management and employees;</p> <p>XIX. appointing and dismissing the Company's independent auditors;</p> <p>XX. resolving on the cases not within the authority of the General Meeting or the Board of Executive Officers;</p> <p>XXI. in the event of the Company's liquidation, appointing the liquidator and establishing his compensation. The liquidator may also be removed;</p> <p>XXII. previously resolving on the Company's petition for bankruptcy or court-supervised or out-of-court reorganization;</p> <p>XXIII. previously resolving on the filing or ending or any legal or arbitration proceeding (except if during the normal course of businesses);</p> <p>XXIV. establishing the three-name list of institutions to be submitted to the General Meeting for the preparation of the</p>	<p>guarantee by the Company or any of its subsidiaries, on behalf of the Company or third parties, including the Company's subsidiaries for a period exceeding 24 months or added value in excess of 1.5% of the Company's total consolidated assets, based on the last balance sheet forwarded to CVM;</p> <p>XVIII. establishing the policy for attribution and distribution of annual profit sharing to the management and employees;</p> <p>XIX. appointing and dismissing the Company's independent auditors;</p> <p>XX. resolving on the cases not within the authority of the General Meeting or the Board of Executive Officers;</p> <p>XXI. in the event of the Company's liquidation, appointing the liquidator and establishing his compensation. The liquidator may also be removed;</p> <p>XXII. previously resolving on the Company's petition for bankruptcy or court-supervised or out-of-court reorganization;</p> <p>XXIII. previously resolving on the filing or ending or any legal or arbitration proceeding (except if during the normal course of businesses);</p> <p>XXIV. establishing the three-name list of institutions to be submitted to the General Meeting for the preparation of the appraisal report of the Company</p>	
---	---	--

<p>appraisal report of the Company shares, for the purposes of delisting from “Novo Mercado”, deregistering as publicly-held company or public tender offer referred to in Article 49 hereof; XXV. distributing the global compensation defined by the General Meeting between the members of the Board of Directors and Board of Executive Officers; and XXVI. creating and terminating committees and/or work groups, also defining their structure, rules, compensation and scope of works, observing the provisions herein.</p> <p><b>VII. - BOARD OF EXECUTIVE OFFICERS</b></p> <p>Article 24. The Board of Executive Officers shall be composed of up to nine (9) members, whose members shall be elected for a one (1)-year combined term of office, which should be valid until the new members are elected, shareholders or not, resident in the country, one Chief Executive Officer, one Investor Relations Officer and others without specific designation, elected by the Board of Directors. The accumulation of positions is allowed.</p>	<p>shares, for the purposes of delisting from “Novo Mercado”, deregistering as publicly-held company or public tender offer referred to in Article 49 hereof; XXV. distributing the global compensation defined by the General Meeting between the members of the Board of Directors and Board of Executive Officers; and XXVI. creating and terminating committees and/or work groups, also defining their structure, rules, compensation and scope of works, observing the provisions herein.</p> <p><b>VII. - BOARD OF EXECUTIVE OFFICERS</b></p> <p>Article 24. The Board of Executive Officers shall be composed of up to nine (9) members, whose members shall be elected for a one (1)-year combined term of office, which should be valid until the new members are elected, shareholders or not, resident in the country, one Chief Executive Officer, one Investor Relations Officer and others without specific designation, elected by the Board of Directors. The accumulation of positions is allowed.</p>	
--	--	--

<p>Paragraph 1. Officers will only be elected through affirmative vote of the members representing 75% (seventy five percent) of the Board of Directors. When, due to the compliance with the percentage referred in this paragraph, result in a fractional number, it should be considered the highest round number. If a simple majority of members approve the election of directors, the votes shall be otherwise justified in writing.</p> <p>Paragraph 2. The President, duly elected pursuant to paragraph 1. this article, you must submit the names of the other Directors for approval of the Board.</p> <p>Paragraph 3. The Board of Executive Officers meetings shall be instated with the majority of its members and those resolutions taken by majority vote shall be considered as valid, accepting advanced written votes, for the purposes of quorum and resolution.</p> <p>Article 25. The Board of Executive Officers is responsible for the following and thus it is vested by full powers:</p> <p>I. managing and generally representing the Company, as plaintiff or defendant, in court or out of court;</p> <p>II. observing the provisions of the</p>	<p>Paragraph 1. Officers will only be elected through affirmative vote of the members representing 75% (seventy five percent) of the Board of Directors. When, due to the compliance with the percentage referred in this paragraph, result in a fractional number, it should be considered the highest round number. If a simple majority of members approve the election of directors, the votes shall be otherwise justified in writing.</p> <p>Paragraph 2. The President, duly elected pursuant to paragraph 1. this article, you must submit the names of the other Directors for approval of the Board.</p> <p>Paragraph 3. The Board of Executive Officers meetings shall be instated with the majority of its members and those resolutions taken by majority vote shall be considered as valid, accepting advanced written votes, for the purposes of quorum and resolution.</p> <p>Article 25. The Board of Executive Officers is responsible for the following and thus it is vested by full powers:</p> <p>I. managing and generally representing the Company, as plaintiff or defendant, in court or out of court;</p> <p>II. observing the provisions of the</p>	
---	---	--

<p>final part of Article 26 below, appointing attorneys-in-fact and the powers of attorney shall also specify acts and operations that may be practiced, as well as their duration. In the event of power of attorney for the purposes of representation at court, they may have an indeterminate term;</p> <p>III. if authorized pursuant to Article 23, items II, XII, XIII and XVIII, carrying out the acquisition and sale of permanent assets and the incorporation of wholly-owned subsidiary, contract liabilities with government and private companies, including financial institutions, as long as related to the Company's purposes and to the ordinary development of the Company's operations and encumbering Company's assets and properties by means of creation or assignment of in real guarantee, as well as tendering "aval" guarantee or surety in operations related to the Company's purposes and on behalf of related companies, subsidiaries and associated companies; and,</p> <p>IV. admitting, waiving, compromising, agreeing on any Company's right and obligation, provided that related to its operations, as well as giving and receiving acquaintance.</p> <p>Article 26. All the Management acts shall be considered valid</p>	<p>final part of Article 26 below, appointing attorneys-in-fact and the powers of attorney shall also specify acts and operations that may be practiced, as well as their duration. In the event of power of attorney for the purposes of representation at court, they may have an indeterminate term;</p> <p>III. if authorized pursuant to Article 23, items II, XII, XIII and XVIII, carrying out the acquisition and sale of permanent assets and the incorporation of wholly-owned subsidiary, contract liabilities with government and private companies, including financial institutions, as long as related to the Company's purposes and to the ordinary development of the Company's operations and encumbering Company's assets and properties by means of creation or assignment of in real guarantee, as well as tendering "aval" guarantee or surety in operations related to the Company's purposes and on behalf of related companies, subsidiaries and associated companies; and,</p> <p>IV. admitting, waiving, compromising, agreeing on any Company's right and obligation, provided that related to its operations, as well as giving and receiving acquaintance.</p> <p>Article 26. All the Management acts shall be considered valid</p>	
---	---	--

<p>before the Company and third parties binding the Company by means of signature of two Officers, one officer and one attorney-in-fact, or two attorneys-in-fact appointed by two officers.</p> <p>Sole Paragraph. The Management's acts, such as authorization for everyday tasks and related may be signed only by one Officer.</p> <p>Article 27. The Board of Executive Officers is forbidden, jointly or severally, to tender "aval" guarantees and sureties or any other acts bidding the Company in business outside its interests and purposes. The Officers may tender personal guarantees, "aval" guarantees and sureties on behalf of subsidiaries, and associated companies, provided that in business related to the purpose of these companies.</p> <p>Article 28. In the event of absence or temporary impediment of one of the members of the Board of Executive Officers, the Board of Directors shall designate an Officer to cumulate the duties of the absent or impeding member. In the event of vacancy, observing the minimum required, if necessary, the Board of Directors shall elect a substitute to complete the term of office of</p>	<p>before the Company and third parties binding the Company by means of signature of two Officers, one officer and one attorney-in-fact, or two attorneys-in-fact appointed by two officers.</p> <p>Sole Paragraph. The Management's acts, such as authorization for everyday tasks and related may be signed only by one Officer.</p> <p>Article 27. The Board of Executive Officers is forbidden, jointly or severally, to tender "aval" guarantees and sureties or any other acts bidding the Company in business outside its interests and purposes. The Officers may tender personal guarantees, "aval" guarantees and sureties on behalf of subsidiaries, and associated companies, provided that in business related to the purpose of these companies.</p> <p>Article 28. In the event of absence or temporary impediment of one of the members of the Board of Executive Officers, the Board of Directors shall designate an Officer to cumulate the duties of the absent or impeding member. In the event of vacancy, observing the minimum required, if necessary, the Board of Directors shall elect a substitute to complete the term of office of</p>	
---	---	--

<p>the substituted member.</p> <p><b>VIII. AUDIT COMMITTEE</b></p> <p>Article 29. The Audit Committee shall be composed of three (3) members, shareholders or not, resident in the country and elected by the Board of Directors.</p> <p>Article 30. The Audit Committee shall be responsible for:</p> <p>I. overseeing the Company's financial control activities; and,</p> <p>II. proposing to the Board of Directors the name of the Company's independent auditors among internationally reputable companies.</p> <p><b>IX. SHAREHOLDERS' AGREEMENT</b></p> <p>Article 31. The Company shall observe the shareholders' agreement filed at its headquarters, which shall also be filed with the Brazilian Securities and Exchange Commission as per applicable rules, also observing the provisions in Article 44 hereof.</p> <p>Sole Paragraph. The Chairman of the Meeting or the Company's joint committee shall not compute the vote cast that infringes the shareholders' agreement duly filed at the Company's headquarters.</p>	<p>the substituted member.</p> <p><b>VIII. AUDIT COMMITTEE</b></p> <p>Article 29. The Audit Committee shall be composed of three (3) members, shareholders or not, resident in the country and elected by the Board of Directors.</p> <p>Article 30. The Audit Committee shall be responsible for:</p> <p>I. overseeing the Company's financial control activities; and,</p> <p>II. proposing to the Board of Directors the name of the Company's independent auditors among internationally reputable companies.</p> <p><b>IX. SHAREHOLDERS' AGREEMENT</b></p> <p>Article 31. The Company shall observe the shareholders' agreement filed at its headquarters, which shall also be filed with the Brazilian Securities and Exchange Commission as per applicable rules, also observing the provisions in Article 44 hereof.</p> <p>Sole Paragraph. The Chairman of the Meeting or the Company's joint committee shall not compute the vote cast that infringes the shareholders' agreement duly filed at the Company's headquarters.</p>	
---	---	--

<p><b>X. FISCAL COUNCIL</b></p> <p>Article 32. The Fiscal Council shall be composed of three (3) to five (5) sitting members and equal number of deputies, elected by the General Meeting.</p> <p>Article 33. The Fiscal Council shall not be permanent and only shall be instated if requested by shareholders representing, at least, a tenth of shares.</p> <p>Article 34. The General Meeting to elect the Fiscal Council shall establish its compensation, which shall not be less than a tenth for each acting member, which on average shall be attributed to each Officer, excluding benefits, representation fees and profit sharing.</p> <p>Sole Paragraph. The members of the Fiscal Council shall take office by means of signature in respective instrument drawn up in the Company's records. The investiture shall be subject to the previous signature of the Statement of Consent of members of the Fiscal Council, pursuant to the Novo Mercado Listing Regulations, as well as to comply with the applicable legal requirements.</p>	<p><b>X. FISCAL COUNCIL</b></p> <p>Article 32. The Fiscal Council shall be composed of three (3) to five (5) sitting members and equal number of deputies, elected by the General Meeting.</p> <p>Article 33. The Fiscal Council shall not be permanent and only shall be instated if requested by shareholders representing, at least, a tenth of shares.</p> <p>Article 34. The General Meeting to elect the Fiscal Council shall establish its compensation, which shall not be less than a tenth for each acting member, which on average shall be attributed to each Officer, excluding benefits, representation fees and profit sharing.</p> <p>Sole Paragraph. The members of the Fiscal Council shall take office by means of signature in respective instrument drawn up in the Company's records. The investiture shall be subject to the previous signature of the Statement of Consent of members of the Fiscal Council, pursuant to the Novo Mercado Listing Regulations, as well as to comply with the applicable legal requirements.</p>	
<p><b>XI. FISCAL YEAR, FINANCIAL STATEMENTS AND DIVIDENDS</b></p> <p>Article 35. The fiscal year shall</p>	<p><b>XI. FISCAL YEAR, FINANCIAL STATEMENTS AND DIVIDENDS</b></p> <p>Article 35. The fiscal year shall</p>	

<p>commence on January 1 and shall end on December 31 of each year, when the financial statements provided for by the applicable laws shall be drawn up.</p> <p>Article 36. The income for the year shall deduct: (a) the accumulated losses, if any; (b) the provision for income tax; (c) employee profit sharing, granted or not at the exclusive discretion of the Board of Directors, which shall rule the matter; (d) management profit sharing, observing the provisions in Article 19 hereof.</p> <p>Sole Paragraph. The Management profit sharing shall be limited to ten per cent (10%) of the income for the year or the sum of annual compensation received thereby, whichever is the smallest.</p> <p>Article 37. The Board of Directors shall submit to the Annual General Meeting a proposal for the allocation of net income for the year, which observing the limits and conditions required by law, shall have the following destination:</p> <p>I. Legal Reserve, five per cent (5%) of the net income, which shall not exceed twenty per cent (20%) of the capital stock;</p>	<p>commence on January 1 and shall end on December 31 of each year, when the financial statements provided for by the applicable laws shall be drawn up.</p> <p>Article 36. The income for the year shall deduct: (a) the accumulated losses, if any; (b) the provision for income tax; (c) employee profit sharing, granted or not at the exclusive discretion of the Board of Directors, which shall rule the matter; (d) management profit sharing, observing the provisions in Article 19 hereof.</p> <p>Sole Paragraph. The Management profit sharing shall be limited to ten per cent (10%) of the income for the year or the sum of annual compensation received thereby, whichever is the smallest.</p> <p>Article 37. The Board of Directors shall submit to the Annual General Meeting a proposal for the allocation of net income for the year, which observing the limits and conditions required by law, shall have the following destination:</p> <p>I. Legal Reserve, five per cent (5%) of the net income, which shall not exceed twenty per cent (20%) of the capital stock;</p>	
---	---	--



<p>II. Reserve for Contingencies, when circumstances justifying it are characterized;</p> <p>III. Unrealized Profit Reserve, observing the applicable laws; and</p> <p>IV. Profit retention, as per proposal of the Board of Directors to be approved at the General Meeting.</p> <p>Article 38. The shareholders are entitled to receive as minimum mandatory dividend, every year, an amount corresponding to twenty-five per cent (25%) of the net income for the year, calculated as provided for by Article 202 of the Brazilian Corporation Law.</p> <p>Paragraph 1. The Company may draw up half-yearly balance sheets, or for shorter periods, and declare by resolution of the Board of Directors:</p> <p>(a) the payment of dividend to the account of profits earned in the half-yearly balance sheet;</p> <p>(b) the distribution of dividends in periods less than six (6) months, provided that the dividend paid each half year does not exceed the amount of capital reserves; and</p> <p>(c) the payment of interim dividends to the retained earnings accounts or profit reserves existing in the last annual or half-yearly balance</p>	<p>II. Reserve for Contingencies, when circumstances justifying it are characterized;</p> <p>III. Unrealized Profit Reserve, observing the applicable laws; and</p> <p>IV. Profit retention, as per proposal of the Board of Directors to be approved at the General Meeting.</p> <p>Article 38. The shareholders are entitled to receive as minimum mandatory dividend, every year, an amount corresponding to twenty-five per cent (25%) of the net income for the year, calculated as provided for by Article 202 of the Brazilian Corporation Law.</p> <p>Paragraph 1. The Company may draw up half-yearly balance sheets, or for shorter periods, and declare by resolution of the Board of Directors:</p> <p>(a) the payment of dividend to the account of profits earned in the half-yearly balance sheet;</p> <p>(b) the distribution of dividends in periods less than six (6) months, provided that the dividend paid each half year does not exceed the amount of capital reserves; and</p> <p>(c) the payment of interim dividends to the retained earnings accounts or profit reserves existing in the last annual or half-yearly balance</p>	
--	--	--

<p>sheet.</p> <p>Article 39. The Board of Directors may pay or credit interest on equity to shareholders, as provided for by laws, which shall be attributed to the mandatory minimum dividend.</p> <p><b>XII. SALE OF THE SHARE CONTROL, DEREGISTERING AS A PUBLICLY-HELD COMPANY AND DELISTING FROM THE “NOVO MERCADO”</b></p> <p>Article 40. The sale of the Company's control, both by means of a single operation and of successive operations shall be contracted under a successive or resolute condition, by which the Acquirer (as defined below) undertakes to conduct a public tender offer of shares of other Company shareholders, in accordance with the terms and conditions provided for by laws in force and in the Novo Mercado Listing Regulations, so as to ensure them treatment equal to that given to the selling Controlling Shareholder.</p> <p>Sole Paragraph. For the purposes of these Bylaws, the capitalized terms below shall have the following meaning:</p> <p>“Controlling Shareholder” means the shareholder or Group of Shareholders (as defined below)</p>	<p>sheet.</p> <p>Article 39. The Board of Directors may pay or credit interest on equity to shareholders, as provided for by laws, which shall be attributed to the mandatory minimum dividend.</p> <p><b>XII. SALE OF THE SHARE CONTROL, DEREGISTERING AS A PUBLICLY-HELD COMPANY AND DELISTING FROM THE “NOVO MERCADO”</b></p> <p>Article 40. The sale of the Company's control, both by means of a single operation and of successive operations shall be contracted under a successive or resolute condition, by which the Acquirer (as defined below) undertakes to conduct a public tender offer of shares of other Company shareholders, in accordance with the terms and conditions provided for by laws in force and in the Novo Mercado Listing Regulations, so as to ensure them treatment equal to that given to the selling Controlling Shareholder.</p> <p>Sole Paragraph. For the purposes of these Bylaws, the capitalized terms below shall have the following meaning:</p> <p>“Controlling Shareholder” means the shareholder or Group of Shareholders (as defined below)</p>	
---	---	--

<p>exercising the Company's Power of Control (as defined below).</p> <p>"Selling Controlling Shareholder" means the Controlling Shareholder, when it promotes the sale of the Company's control (as defined below).</p> <p>"Control" means the block of shares ensuring directly or indirectly to its holder(s) the individual and/or shared exercise of the Company's Power of Control (as defined below).</p> <p>"Outstanding Shares" mean all the shares issued by the Company, except for the shares held by Controlling Shareholder, by persons bound thereby, by Company's managers and those held in treasury.</p> <p>"Acquirer" means to whom the Selling Controlling Shareholder transfers the Controlling Shares at a sale of the Company's Control (as defined below).</p> <p>"Sale of the Company's Control" means the sale of Controlling Shares to third party, on an onerous basis.</p> <p>"Group of Shareholders" means the group shareholders (i) bound by contracts or voting agreements of any nature, whether directly or by means of Subsidiaries, Parent Companies or under common Control; or (ii) among which there is a Control relationship, directly or indirectly; or (iii) under common Control;</p> <p>"Power of Control" (as well as its</p>	<p>exercising the Company's Power of Control (as defined below).</p> <p>"Selling Controlling Shareholder" means the Controlling Shareholder, when it promotes the sale of the Company's control (as defined below).</p> <p>"Control" means the block of shares ensuring directly or indirectly to its holder(s) the individual and/or shared exercise of the Company's Power of Control (as defined below).</p> <p>"Outstanding Shares" mean all the shares issued by the Company, except for the shares held by Controlling Shareholder, by persons bound thereby, by Company's managers and those held in treasury.</p> <p>"Acquirer" means to whom the Selling Controlling Shareholder transfers the Controlling Shares at a sale of the Company's Control (as defined below).</p> <p>"Sale of the Company's Control" means the sale of Controlling Shares to third party, on an onerous basis.</p> <p>"Group of Shareholders" means the group shareholders (i) bound by contracts or voting agreements of any nature, whether directly or by means of Subsidiaries, Parent Companies or under common Control; or (ii) among which there is a Control relationship, directly or indirectly; or (iii) under common Control;</p> <p>"Power of Control" (as well as its</p>	
---	---	--

<p>related terms, "Parent Company", "Subsidiary", "under common Control" or "Control") means the power actually employed to direct the corporate activities and guide the operation of the Company's bodies, directly or indirectly, either in fact or in law, regardless of the share interest held. There is a relative presumption of control in relation to the person or Group of Shareholders holding shares ensuring said person or group of persons an absolute majority of votes of shareholders attending the last three General Meetings of the Company, even though they are not shareholders ensuring them an absolute majority of the voting capital.</p> <p>"Economic Value" means the value of the Company and of its shares to be determined by a specialized company, by means of the use of an acknowledged methodology, or based on another criterion to be defined by CVM.</p> <p>Article 41. The public tender offer referred to in Article 40 above shall also be carried out:</p> <p>(i) in the events of onerous assignment of shares subscription rights and other titles or rights related to securities convertible into shares to result in the Sale of the Company's Control; or</p> <p>(ii) in the event of</p>	<p>related terms, "Parent Company", "Subsidiary", "under common Control" or "Control") means the power actually employed to direct the corporate activities and guide the operation of the Company's bodies, directly or indirectly, either in fact or in law, regardless of the share interest held. There is a relative presumption of control in relation to the person or Group of Shareholders holding shares ensuring said person or group of persons an absolute majority of votes of shareholders attending the last three General Meetings of the Company, even though they are not shareholders ensuring them an absolute majority of the voting capital.</p> <p>"Economic Value" means the value of the Company and of its shares to be determined by a specialized company, by means of the use of an acknowledged methodology, or based on another criterion to be defined by CVM.</p> <p>Article 41. The public tender offer referred to in Article 40 above shall also be carried out:</p> <p>(i) in the events of onerous assignment of shares subscription rights and other titles or rights related to securities convertible into shares to result in the Sale of the Company's Control; or</p> <p>(ii) in the event of</p>	
--	--	--

<p>Selling the Control of the company holding the Company's Power of Control, and in this case, the Selling Controlling Shareholder shall be required to declare to BM&amp;FBOVESPA the amount assigned to the Company in such sale and attach the documentation proving this amount.</p> <p>Article 42. The shareholder that acquires the Power of Control, due to share purchase agreement executed with the Controlling Shareholder, involving any amount of shares shall be required to:</p> <p>(i) conduct the public tender offer referred to in Article 40 hereof; and</p> <p>(ii) pay, as indicated below, an amount equivalent to the difference between the price of the public tender offer and the amount paid per share acquired on the stock exchange in the six (6) months prior to the date of acquisition of the Controlling Power, duly restated up to the payment date. Said amount should be distributed among those who sold Company's shares at the trading session in which the Acquirer made the acquisitions, proportionally to the daily selling net balance of each, being BM&amp;FBOVESPA in charge of operating the distribution, in compliance with its rules.</p>	<p>Selling the Control of the company holding the Company's Power of Control, and in this case, the Selling Controlling Shareholder shall be required to declare to BM&amp;FBOVESPA the amount assigned to the Company in such sale and attach the documentation proving this amount.</p> <p>Article 42. The shareholder that acquires the Power of Control, due to share purchase agreement executed with the Controlling Shareholder, involving any amount of shares shall be required to:</p> <p>(i) conduct the public tender offer referred to in Article 40 hereof; and</p> <p>(ii) pay, as indicated below, an amount equivalent to the difference between the price of the public tender offer and the amount paid per share acquired on the stock exchange in the six (6) months prior to the date of acquisition of the Controlling Power, duly restated up to the payment date. Said amount should be distributed among those who sold Company's shares at the trading session in which the Acquirer made the acquisitions, proportionally to the daily selling net balance of each, being BM&amp;FBOVESPA in charge of operating the distribution, in compliance with its rules.</p>	
--	--	--

<p>Article 43. The Selling Controlling Shareholder shall not transfer the ownership of his shares to the shareholder(s) to own the Power of Control, while he(they) does (do) not sign the Controlling Shareholders Statement of Consent, pursuant to the Novo Mercado Listing Regulations.</p> <p>Article 44. No Shareholders' Agreement providing for the exercise of the Power of Control may be registered at the Company's headquarters, without their subscribers having signed the Controlling Shareholders Statement of Consent referred to in Article 43 above.</p> <p>Sole Paragraph. The Company shall not register any transfer of shares to the Acquirer of Power of Control, or to whom to hold the Power of Control, while he(they) does (do) not sign the Controlling Shareholders Statement of Consent referred to by the Novo Mercado Listing Regulations.</p> <p>Article 45. In the public tender offer to be conducted by the Controlling Shareholder or the Company, for the Company's deregistering as a publicly-held company, the minimum price to be tendered shall correspond to the Economic Value verified in the appraisal report referred to in Article 46 below, in compliance</p>	<p>Article 43. The Selling Controlling Shareholder shall not transfer the ownership of his shares to the shareholder(s) to own the Power of Control, while he(they) does (do) not sign the Controlling Shareholders Statement of Consent, pursuant to the Novo Mercado Listing Regulations.</p> <p>Article 44. No Shareholders' Agreement providing for the exercise of the Power of Control may be registered at the Company's headquarters, without their subscribers having signed the Controlling Shareholders Statement of Consent referred to in Article 43 above.</p> <p>Sole Paragraph. The Company shall not register any transfer of shares to the Acquirer of Power of Control, or to whom to hold the Power of Control, while he(they) does (do) not sign the Controlling Shareholders Statement of Consent referred to by the Novo Mercado Listing Regulations.</p> <p>Article 45. In the public tender offer to be conducted by the Controlling Shareholder or the Company, for the Company's deregistering as a publicly-held company, the minimum price to be tendered shall correspond to the Economic Value verified in the appraisal report referred to in Article 46 below, in compliance</p>	
---	---	--

<p>with the applicable legal rules and regulations.</p> <p>Article 46. The appraisal report provided for in Articles 45, 47 and 48 hereof shall be prepared by a specialized institution or company, with proven experience and independency as to the Company's power of decision, its management and controlling shareholders, in addition to observing the requirements of Paragraph of Article 8 of the Brazilian Corporation Law and shall contain the liability provided for in Paragraph 6 of the same Article.</p> <p>Paragraph 1. The election of institution responsible for determining the Company's Economic Value is the private incumbency of the General Meeting, once the Board of Directors presents a three-name list and respective resolution shall not compute the absentees votes and shall be taken by majority vote of shareholders representing the Outstanding Shares attending the General Meeting, if instated in first call shall rely on the attendance of shareholders representing, at least, twenty per cent (20%) of total Outstanding Shares, or if instated in second call, it may rely on the attendance of any number of shareholders representing the Outstanding</p>	<p>with the applicable legal rules and regulations.</p> <p>Article 46. The appraisal report provided for in Articles 45, 47 and 48 hereof shall be prepared by a specialized institution or company, with proven experience and independency as to the Company's power of decision, its management and controlling shareholders, in addition to observing the requirements of Paragraph of Article 8 of the Brazilian Corporation Law and shall contain the liability provided for in Paragraph 6 of the same Article.</p> <p>Paragraph 1. The election of institution responsible for determining the Company's Economic Value is the private incumbency of the General Meeting, once the Board of Directors presents a three-name list and respective resolution shall not compute the absentees votes and shall be taken by majority vote of shareholders representing the Outstanding Shares attending the General Meeting, if instated in first call shall rely on the attendance of shareholders representing, at least, twenty per cent (20%) of total Outstanding Shares, or if instated in second call, it may rely on the attendance of any number of shareholders representing the Outstanding Shares.</p>	
---	---	--

<p>Shares.</p> <p>Paragraph 2. The costs to prepare the appraisal report shall be fully borne by the offerer.</p> <p>Article 47. If the shareholders at the Extraordinary General Meeting resolve: (i) on the Company's delisting from Novo Mercado so that their securities are registered for trading outside the Novo Mercado or (ii) on a corporate restructuring from which the resulting company's securities are not accepted for trading at the Novo Mercado within a one hundred and twenty (120)-day term counted as of the date of the General Meeting that approved such operation, the Controlling Shareholder shall conduct the public tender offer of shares of other Company's shareholders, whose minimum price to be offered shall correspond to the Economic Value to be assessed at an appraisal report prepared in compliance with Article 46 of these Bylaws, observing the applicable legal rules and standards.</p> <p>Paragraph 1. Should there be no Controlling Shareholder, if the Company's delisting from the Novo Mercado is resolved so that the securities issued by the Company are registered for trading outside the Novo</p>	<p>Paragraph 2. The costs to prepare the appraisal report shall be fully borne by the offerer.</p> <p>Article 47. If the shareholders at the Extraordinary General Meeting resolve: (i) on the Company's delisting from Novo Mercado so that their securities are registered for trading outside the Novo Mercado or (ii) on a corporate restructuring from which the resulting company's securities are not accepted for trading at the Novo Mercado within a one hundred and twenty (120)-day term counted as of the date of the General Meeting that approved such operation, the Controlling Shareholder shall conduct the public tender offer of shares of other Company's shareholders, whose minimum price to be offered shall correspond to the Economic Value to be assessed at an appraisal report prepared in compliance with Article 46 of these Bylaws, observing the applicable legal rules and standards.</p> <p>Paragraph 1. Should there be no Controlling Shareholder, if the Company's delisting from the Novo Mercado is resolved so that the securities issued by the Company are registered for trading outside the Novo</p>	
---	--	--



<p>Mercado, or due to a corporate restructuring operation, in which the resulting company's securities are not accepted for trading at the Novo Mercado within one hundred and twenty (120) days as of the date of the general meeting that approved said operations, the delisting is conditioned to the public tender offer in the same conditions set forth in the "caput" of this article.</p> <p>Paragraph 2. Said general meeting shall establish the person(s) responsible for conducting the public tender offer, who, attending the meeting, shall expressly undertake the obligation of carrying out the offer.</p> <p>Paragraph 3. Should no responsible party be defined for conducting the public tender offer, in case of corporate restructuring operation, in which the resulting company's securities are not accepted for trading at the Novo Mercado, shareholders that voted in favor of the corporate restructuring will be in charge of conducting said offer.</p> <p>Article 48. The Company's delisting from "Novo Mercado" due to the non-compliance with the obligations included in the Novo Mercado Listing</p>	<p>Mercado, or due to a corporate restructuring operation, in which the resulting company's securities are not accepted for trading at the Novo Mercado within one hundred and twenty (120) days as of the date of the general meeting that approved said operations, the delisting is conditioned to the public tender offer in the same conditions set forth in the "caput" of this article.</p> <p>Paragraph 2. Said general meeting shall establish the person(s) responsible for conducting the public tender offer, who, attending the meeting, shall expressly undertake the obligation of carrying out the offer.</p> <p>Paragraph 3. Should no responsible party be defined for conducting the public tender offer, in case of corporate restructuring operation, in which the resulting company's securities are not accepted for trading at the Novo Mercado, shareholders that voted in favor of the corporate restructuring will be in charge of conducting said offer.</p> <p>Article 48. The Company's delisting from "Novo Mercado" due to the non-compliance with the obligations included in the Novo Mercado Listing</p>	
---	---	--

<p>Regulations is conditioned to the performance of a public tender offer, at least, at the economic value of shares to be calculated at an appraisal report referred to in Article 46 herein, in compliance with applicable legal rules and regulations.</p> <p>Paragraph 1 – The Controlling Shareholder should carry out the public tender offer set forth in the “caput” of this article.</p> <p>Paragraph 2. Should there be no Controlling Shareholders and the delisting from the Novo Mercado mentioned in the “caput” occurs as a result of a general meeting resolution, shareholders who have voted in favor of the resolution that implied in the respective non-compliance shall carry out the public tender offer set forth in the “caput”.</p> <p>Paragraph 3. Should there be no Controlling Shareholder and the delisting from Novo Mercado set forth in the “caput” occurs due to an act or fact of the Management, the Company’s administrators shall call a general meeting whose agenda will be the resolution on how to remedy the non-compliance with the obligations contained in the Novo Mercado Listing Regulations or, if it is the case, to resolve on the Company’s</p>	<p>Regulations is conditioned to the performance of a public tender offer, at least, at the economic value of shares to be calculated at an appraisal report referred to in Article 46 herein, in compliance with applicable legal rules and regulations.</p> <p>Paragraph 1 – The Controlling Shareholder should carry out the public tender offer set forth in the “caput” of this article.</p> <p>Paragraph 2. Should there be no Controlling Shareholders and the delisting from the Novo Mercado mentioned in the “caput” occurs as a result of a general meeting resolution, shareholders who have voted in favor of the resolution that implied in the respective non-compliance shall carry out the public tender offer set forth in the “caput”.</p> <p>Paragraph 3. Should there be no Controlling Shareholder and the delisting from Novo Mercado set forth in the “caput” occurs due to an act or fact of the Management, the Company’s administrators shall call a general meeting whose agenda will be the resolution on how to remedy the non-compliance with the obligations contained in the Novo Mercado Listing Regulations or, if it is the case, to resolve on the Company’s delisting from the</p>	
---	--	--

<p>delisting from the Novo Mercado.</p> <p>Paragraph 4. Should the general meeting mentioned in paragraph 3 above resolve on the Company's delisting from the Novo Mercado, said meeting shall define the person(s) responsible for conducting the public tender offer set forth in the "caput", who, attending the meeting, shall expressly undertake the obligation to carry out the offer.</p> <p><b>XIII. PROTECTION AGAINST SHAREHOLDER BASE DILUTION</b></p> <p>Article 49. Any Acquiring Shareholder (as per the definition below) to acquire or become holder of shares issued by the Company, in an amount equal to or exceeding thirty percent (30%) of the total shares issued by the Company, excluding treasury shares, shall, within sixty (60) days as of the date of acquisition of the event that resulted in the ownership of shares in this amount, carry out or request the registration of a public tender offer ("OPA") for the acquisition of all shares issued by the Company, pursuant to the applicable rules of the CVM and the BM&amp;FBOVESPA and the terms of this Section.</p>	<p>Novo Mercado.</p> <p>Paragraph 4. Should the general meeting mentioned in paragraph 3 above resolve on the Company's delisting from the Novo Mercado, said meeting shall define the person(s) responsible for conducting the public tender offer set forth in the "caput", who, attending the meeting, shall expressly undertake the obligation to carry out the offer.</p> <p><b>XIII. PROTECTION AGAINST SHAREHOLDER BASE DILUTION</b></p> <p>Article 49. Any Acquiring Shareholder (as per the definition below) to acquire or become holder of shares issued by the Company, in an amount equal to or exceeding thirty percent (30%) of the total shares issued by the Company, excluding treasury shares, shall, within sixty (60) days as of the date of acquisition of the event that resulted in the ownership of shares in this amount, carry out or request the registration of a public tender offer ("OPA") for the acquisition of all shares issued by the Company, pursuant to the applicable rules of the CVM and the BM&amp;FBOVESPA and the terms of this Section.</p>	
---	--	--

<p>Paragraph 1 – For the purposes of these Chapter, the capitalized terms below shall have the following meaning:</p> <p>“Acquiring Shareholder” means any person (including, but not limited to, any individual or legal entity, investment fund, collective investment entities, securities portfolio, universality of rights, or any other type of organization, resident, domiciled or headquartered in Brazil or abroad) or group of persons bound by voting agreement with the Acquiring Shareholder and/or representing the same interest of the Acquiring Shareholder to subscribe and/or acquire the Company shares. The examples of a person representing the same interest of the Acquiring Shareholder includes any person (i) directly or indirectly, controlled or administered by the Acquiring Shareholder; (ii) controlling or administering in any way the Acquiring Shareholder; (iii) directly or indirectly controlled or administered by any person controlling or administering, directly or indirectly, the Acquiring Shareholder; (iv) in which the Controlling Shareholder of the Acquiring Shareholder holds, directly or indirectly, an equity interest equal to or higher than 30% of the capital stock; (v) in which the</p>	<p>Paragraph 1 – For the purposes of these Chapter, the capitalized terms below shall have the following meaning:</p> <p>“Acquiring Shareholder” means any person (including, but not limited to, any individual or legal entity, investment fund, collective investment entities, securities portfolio, universality of rights, or any other type of organization, resident, domiciled or headquartered in Brazil or abroad) or group of persons bound by voting agreement with the Acquiring Shareholder and/or representing the same interest of the Acquiring Shareholder to subscribe and/or acquire the Company shares. The examples of a person representing the same interest of the Acquiring Shareholder includes any person (i) directly or indirectly, controlled or administered by the Acquiring Shareholder; (ii) controlling or administering in any way the Acquiring Shareholder; (iii) directly or indirectly controlled or administered by any person controlling or administering, directly or indirectly, the Acquiring Shareholder; (iv) in which the Controlling Shareholder of the Acquiring Shareholder holds, directly or indirectly, an equity interest equal to or higher than 30% of the capital stock; (v) in which the Acquiring Shareholder</p>	
--	--	--

<p>Acquiring Shareholder holds, directly or indirectly, an equity interest equal to or higher than 30% of the capital stock; or (vi) holding, directly or indirectly, an equity interest equal to or higher than 30% of the Acquiring Shareholder's capital stock.</p> <p>Paragraph 2 – The price to be tendered by the share issued by the Company, subject-matter of OPA (“OPA Price”) may not be less than the highest amount between (i) the Economic Value verified in the appraisal report; (ii) one hundred twenty per cent (120%) of the share issue price in any capital increase by means of public offering occurred within twenty-four (24) months preceding the date when the OPA becomes mandatory, pursuant to this Article 49, duly restated by IPCA until payment; and (iii) one hundred twenty per cent (120%) of the average unit price of shares issued by Company during the ninety(90)-day period prior to the OPA to be held on the stock exchange where the highest volume of Company shares traded occurs.</p> <p>Paragraph 3 - The OPA shall mandatorily observe the following principles and procedures, in addition to other principles and procedures expressly provided for in Article 4 of CVM Rule 361 of March 5, 2002 , as amended</p>	<p>holds, directly or indirectly, an equity interest equal to or higher than 30% of the capital stock; or (vi) holding, directly or indirectly, an equity interest equal to or higher than 30% of the Acquiring Shareholder's capital stock.</p> <p>Paragraph 2 – The price to be tendered by the share issued by the Company, subject-matter of OPA (“OPA Price”) may not be less than the highest amount between (i) the Economic Value verified in the appraisal report; (ii) one hundred twenty per cent (120%) of the share issue price in any capital increase by means of public offering occurred within twenty-four (24) months preceding the date when the OPA becomes mandatory, pursuant to this Article 49, duly restated by IPCA until payment; and (iii) one hundred twenty per cent (120%) of the average unit price of shares issued by Company during the ninety(90)-day period prior to the OPA to be held on the stock exchange where the highest volume of Company shares traded occurs.</p> <p>Paragraph 3 - The OPA shall mandatorily observe the following principles and procedures, in addition to other principles and procedures expressly provided for in Article 4 of CVM Rule 361 of March 5, 2002 , as amended</p>	
--	--	--

<p>("CVM Rule 361"), where applicable:</p> <p>(i) to be indistinctly addressed to all the Company's shareholders;</p> <p>(ii) to be held in auction at BM&amp;FBOVESPA;</p> <p>(iii) to be carried out so that to ensure an equal treatment to the addressees, allowing them proper information as to the Company and the offer, and provide them with elements necessary to take an independent decision as to the acceptance of OPA;</p> <p>(iv) to be unalterable and irrevocable after the publication in the offer notice, pursuant to CVM Rule 361, except for provisions in Paragraph 5 below;</p> <p>(v) to be launched by the price determined according to the provisions of this Article and paid in cash, in domestic currency, against the acquisition in the OPA of shares issued by the Company; and</p> <p>(vi) to be supported by the Company's appraisal report, prepared by internationally reputable institution, independence as to the Company's power of decision, managers and/or controlling shareholder and proven experience in the economic-financial appraisal of publicly-held companies, prepared according to the criteria provided for in Article 8 of CVM Rule 361.</p>	<p>("CVM Rule 361"), where applicable:</p> <p>(i) to be indistinctly addressed to all the Company's shareholders;</p> <p>(ii) to be held in auction at BM&amp;FBOVESPA;</p> <p>(iii) to be carried out so that to ensure an equal treatment to the addressees, allowing them proper information as to the Company and the offer, and provide them with elements necessary to take an independent decision as to the acceptance of OPA;</p> <p>(iv) to be unalterable and irrevocable after the publication in the offer notice, pursuant to CVM Rule 361, except for provisions in Paragraph 5 below;</p> <p>(v) to be launched by the price determined according to the provisions of this Article and paid in cash, in domestic currency, against the acquisition in the OPA of shares issued by the Company; and</p> <p>(vi) to be supported by the Company's appraisal report, prepared by internationally reputable institution, independence as to the Company's power of decision, managers and/or controlling shareholder and proven experience in the economic-financial appraisal of publicly-held companies, prepared according to the criteria provided for in Article 8 of CVM Rule 361.</p>	
---	---	--

<p>Paragraph 4 – The shareholders owning, at least, ten per cent (10%) of the Outstanding Shares, may request to the Company's Management to convene a special meeting of shareholders owning Outstanding Shares to resolve on the performance of new appraisal of the Company for the purposes of reviewing the OPA price, whose report shall be prepared under the same molds of the appraisal report referred to in item (vi) of Paragraph 3 of this Article, pursuant to the procedures provided for in Article 4-A of the Brazilian Corporation Law and observing the provisions of applicable CVM and BM&amp;FBOVESPA rules and pursuant to this Section.</p>	<p>Paragraph 4 – The shareholders owning, at least, ten per cent (10%) of the Outstanding Shares, may request to the Company's Management to convene a special meeting of shareholders owning Outstanding Shares to resolve on the performance of new appraisal of the Company for the purposes of reviewing the OPA price, whose report shall be prepared under the same molds of the appraisal report referred to in item (vi) of Paragraph 3 of this Article, pursuant to the procedures provided for in Article 4-A of the Brazilian Corporation Law and observing the provisions of applicable CVM and BM&amp;FBOVESPA rules and pursuant to this Section.</p>	
<p>Paragraph 5 – Should the special meeting referred to in Paragraph 4 above resolve on a new appraisal and the appraisal report determines an amount higher than the initial amount of OPA, the Acquirer may waive this, and in this case, the Shareholder shall observe, where applicable, the procedure provided for in Articles 23 and 24 of CVM Rule 361 and sell the excess shareholding within 3 months as of the date of this same special meeting.</p>	<p>Paragraph 5 – Should the special meeting referred to in Paragraph 4 above resolve on a new appraisal and the appraisal report determines an amount higher than the initial amount of OPA, the Acquirer may waive this, and in this case, the Shareholder shall observe, where applicable, the procedure provided for in Articles 23 and 24 of CVM Rule 361 and sell the excess shareholding within 3 months as of the date of this same special meeting.</p>	
<p>Paragraph 6 – Should the CVM rules determine the adoption of a</p>	<p>Paragraph 6 – Should the CVM rules determine the adoption of a</p>	

<p>specific criterion to calculate the purchase price of each Company share in the OPA subject to Article 4-A of the Brazilian Corporation Law that results in a purchase price higher than that determined pursuant to this Article, that purchase price calculated pursuant to CVM rules shall prevail in the performance of OPA provided for in this Article.</p> <p>Paragraph 7 – The performance of OPA mentioned in the “caput” of this Article shall not exclude the possibility of another Company’s shareholder, or where applicable, the Company itself from preparing a competing OPA, pursuant to applicable rules.</p> <p>Paragraph 8 – The Acquirer Shareholder shall be required to answer eventual CVM’s requests or requirements related to the OPA, within the terms established by applicable rules.</p> <p>Paragraph 9 – In the event the Acquirer Shareholder does not comply with the obligations provided for in this Article, inclusive referring to the observance of terms (i) to execute or request the registration of OPA, or (ii) to comply with eventual CVM’s requests or requirements, the</p>	<p>specific criterion to calculate the purchase price of each Company share in the OPA subject to Article 4-A of the Brazilian Corporation Law that results in a purchase price higher than that determined pursuant to this Article, that purchase price calculated pursuant to CVM rules shall prevail in the performance of OPA provided for in this Article.</p> <p>Paragraph 7 – The performance of OPA mentioned in the “caput” of this Article shall not exclude the possibility of another Company’s shareholder, or where applicable, the Company itself from preparing a competing OPA, pursuant to applicable rules.</p> <p>Paragraph 8 – The Acquirer Shareholder shall be required to answer eventual CVM’s requests or requirements related to the OPA, within the terms established by applicable rules.</p> <p>Paragraph 9 – In the event the Acquirer Shareholder does not comply with the obligations provided for in this Article, inclusive referring to the observance of terms (i) to execute or request the registration of OPA, or (ii) to comply with eventual CVM’s requests or requirements, the</p>	
---	---	--



<p>Company's Board of Directors shall convene an Extraordinary General Meeting, in which the Acquirer Shareholder may not vote to resolve on the suspension of exercise of Acquirer's Shareholder rights, as provided for in Article 120 of the Brazilian Corporation Law.</p> <p>Paragraph 10 – Any Acquirer Shareholder to acquire or become holder of other partner's rights, including by force of usufruct or trust over shares issued by the Company, in an amount equal to or exceeding thirty percent (30%) of the total shares issued by the Company shall be equally required to carry out or request an OPA, when applicable, pursuant to the terms provided for in this article, within 60 days of the date of such acquisition or event that resulted in the ownership of these partner's rights over shares in an amount equal to or higher than thirty percent (30%) of the total shares issued by the Company.</p> <p>Paragraph 11 – The obligations contained in Article 254-A of the Brazilian Corporation Law and Section XII hereof shall not exempt the Acquirer Shareholder from complying with the obligations contained in this Article.</p>	<p>Company's Board of Directors shall convene an Extraordinary General Meeting, in which the Acquirer Shareholder may not vote to resolve on the suspension of exercise of Acquirer's Shareholder rights, as provided for in Article 120 of the Brazilian Corporation Law.</p> <p>Paragraph 10 – Any Acquirer Shareholder to acquire or become holder of other partner's rights, including by force of usufruct or trust over shares issued by the Company, in an amount equal to or exceeding thirty percent (30%) of the total shares issued by the Company shall be equally required to carry out or request an OPA, when applicable, pursuant to the terms provided for in this article, within 60 days of the date of such acquisition or event that resulted in the ownership of these partner's rights over shares in an amount equal to or higher than thirty percent (30%) of the total shares issued by the Company.</p> <p>Paragraph 11 – The obligations contained in Article 254-A of the Brazilian Corporation Law and Section XII hereof shall not exempt the Acquirer Shareholder from complying with the obligations contained in this Article.</p>	
--	--	--

<p>Paragraph 12 – The provisions of this Article shall not apply if any person becomes the holder of shares issued by the Company in an amount exceeding thirty per cent (30%) of the total shares issued thereby, as a result of the subscription of the Company's shares in a single primary issue approved at the General Meeting, convened by the Board of Directors and whose capital increase proposal has determined the share issue price based on the economic value obtained from the Company's appraisal report prepared by a specialized institution meeting the requirements provided for in item (vi) of Paragraph 3 of Article 49 hereof.</p> <p>Paragraph 13 - For the purposes of calculating the thirty percent (30%) of total shares issued by the Company outlined in the caput of this article, involuntary additions to shareholding interest resulting from the cancellation of treasury shares, share redemptions or a reduction in the Company's capital stock through the cancellation of shares shall not be computed.</p> <p><b>XIV. ARBITRATION COURT</b></p> <p>Article 50. The Company, its shareholders, administrators and members of the Fiscal Council</p>	<p>Paragraph 12 – The provisions of this Article shall not apply if any person becomes the holder of shares issued by the Company in an amount exceeding thirty per cent (30%) of the total shares issued thereby, as a result of the subscription of the Company's shares in a single primary issue approved at the General Meeting, convened by the Board of Directors and whose capital increase proposal has determined the share issue price based on the economic value obtained from the Company's appraisal report prepared by a specialized institution meeting the requirements provided for in item (vi) of Paragraph 3 of Article 49 hereof.</p> <p>Paragraph 13 - For the purposes of calculating the thirty percent (30%) of total shares issued by the Company outlined in the caput of this article, involuntary additions to shareholding interest resulting from the cancellation of treasury shares, share redemptions or a reduction in the Company's capital stock through the cancellation of shares shall not be computed.</p> <p><b>XIV. ARBITRATION COURT</b></p> <p>Article 50. The Company, its shareholders, administrators and members of the Fiscal Council</p>	
---	---	--

<p>undertake to resolve, by means of arbitration, before the Arbitration Rules of the Market Arbitration Panel, any and all dispute or controversy arising among them, related to or deriving from, especially, the application, validity, effectiveness, construal, infringement and its effects, of the provisions contained in the Brazilian Corporation Law, the Company's Bylaws, the rules issued by the Brazilian Monetary Council, the Brazilian Central Bank and CVM, as well as other rules applicable to the operation of the capital markets in general, besides those included in the Novo Mercado Listing Regulations, the Novo Mercado Listing Agreement, the Arbitration Rules of the Market Arbitration Panel and Regulation of Sanctions.</p> <p>Sole Paragraph. The Brazilian laws shall be the only one applicable to the merits of any and all dispute, as well as the execution, construal and validity of this present arbitration clause. The arbitration court shall be composed of arbitrators elected as provided for in the Arbitration Rules. The arbitration proceeding shall take place in the City and State of São Paulo, where the arbitration award shall be rendered. The arbitration shall be managed by the Market</p>	<p>undertake to resolve, by means of arbitration, before the Arbitration Rules of the Market Arbitration Panel, any and all dispute or controversy arising among them, related to or deriving from, especially, the application, validity, effectiveness, construal, infringement and its effects, of the provisions contained in the Brazilian Corporation Law, the Company's Bylaws, the rules issued by the Brazilian Monetary Council, the Brazilian Central Bank and CVM, as well as other rules applicable to the operation of the capital markets in general, besides those included in the Novo Mercado Listing Regulations, the Novo Mercado Listing Agreement, the Arbitration Rules of the Market Arbitration Panel and Regulation of Sanctions.</p> <p>Sole Paragraph. The Brazilian laws shall be the only one applicable to the merits of any and all dispute, as well as the execution, construal and validity of this present arbitration clause. The arbitration court shall be composed of arbitrators elected as provided for in the Arbitration Rules. The arbitration proceeding shall take place in the City and State of São Paulo, where the arbitration award shall be rendered. The arbitration shall be managed by the Market</p>	
--	--	--

<p>Arbitration Panel and conducted, judged pursuant to the Arbitration Rules.</p> <p><b>XV. LIQUIDATION OF THE COMPANY</b></p> <p>Article 51. The Company shall be liquidated in cases provided for by law, and the General Meeting shall be the qualified body to appoint the liquidator or liquidators, as well as the Fiscal Council, which shall operate during the liquidation period, observing the legal formalities.</p> <p><b>XVI. FINAL AND TRANSITORY PROVISIONS</b></p> <p>Article 52. Pursuant to the provisions in Article 45 of the Brazilian Corporation Law, the reimbursement amount to be paid to dissenting shareholders shall be based on the book value, included in the last balance sheet approved by the General Meeting.</p>	<p>Arbitration Panel and conducted, judged pursuant to the Arbitration Rules.</p> <p><b>XV. LIQUIDATION OF THE COMPANY</b></p> <p>Article 51. The Company shall be liquidated in cases provided for by law, and the General Meeting shall be the qualified body to appoint the liquidator or liquidators, as well as the Fiscal Council, which shall operate during the liquidation period, observing the legal formalities.</p> <p><b>XVI. FINAL AND TRANSITORY PROVISIONS</b></p> <p>Article 52. Pursuant to the provisions in Article 45 of the Brazilian Corporation Law, the reimbursement amount to be paid to dissenting shareholders shall be based on the book value, included in the last balance sheet approved by the General Meeting.</p>	
--	--	--

## **ATTACHMENT 23**

### **POWER OF ATTORNEY REQUEST**

#### **1. Inform the company name**

Lupatech S.A.

#### **2. Inform the matters to which the power of attorney is being requested**

*At the Annual General Meeting*

The shareholders were summoned to resolve on:

- a) to examine, discuss and vote for the Management's accounts and the financial statements related to the fiscal year ended December 31, 2014;
- b) Allocation of income; and
- c) Installation of the Fiscal Board and election of the members.

Will be treated in the Extraordinary General Meeting the following topics:

- a) Approve the annual global fixed remuneration of the Company's management for the 2015 financial year;
- b) Modification of the minimum and maximum number of members of the Board of Directors from 5 (five) and 9 (nine) to 3 (three) and 7 (seven) members, respectively.
- c) Inplit the Company's common shares at the ratio of 500:1, so that each batch of 500 (five hundred) common shares is gathered into a single common share, in line with the Regulations for Issuers Listing and Admission to Trading Securities from BM&FBOVESPA, effective as of August of 2014; and
- d) Amendment to Article 5, heading and first paragraph, and the consolidation of the Company's Bylaws to reflect the following changes: (i) change in the amount of capital and the amount of the Company's shares as a result of the approval of the capital increase approved in meeting of the Board of Directors held on September 30, 2014, (ii) change the number of shares due to the inplit approved in item 3 above, and (iii) update the amount of the Company's authorized capital stock as a result of approval of the capital increase approved by the Board of Directors held on September 30, 2014.

#### **3. Identify the individuals or companies which promoted, organized or bore the cost of, though partially, the power of attorney request, informing:**

##### **a. Name and address**

Not applicable

##### **b. Since when is a company shareholder**

Not applicable.

##### **c. Number and percentage of each type and class of shares held**

Not applicable.

##### **d. Number of shares taken in loan**

Not applicable.

**e. Overall exposure to derivatives referred to company shares**

Not applicable.

**f. Corporate, business or family relations, existing or maintained in the past three years with the company or company related parties, as defined by the accounting rules providing for this matter**

Not applicable.

**4. Inform if any of the persons referred to in item 3, as well as any of their controlling shareholders, subsidiaries, shared control or affiliated companies, have any special interest in the approval of the matters to which the power of attorney is being requested for, describing in detail the nature and extension of the interest in question**

The Company itself is interested in the approval of the matters.

**5. Inform the estimated cost of the power of attorney request**

Not applicable

**6. Inform if (a) the company bore the cost of the power of attorney request or (b) if its executors will seek refund with the company**

Not applicable

**7. Inform:**

**a. The address to which the power of attorney must be sent after signed; or**

Lupatech S.A. – Rodovia Anhanguera, Km 119, sentido interior/capital, prédio C, esquina com a Rua Arnaldo J. Mauerberg, Distrito Industrial, Nova Odessa, SP, CEP 13460-000

**b. In case the company accepts powers of attorney through a global network computing system, the instructions related to the granting of the power of attorney**

Not applicable