



Financial and
Economic
Performance
2Q14



Message of the Management

Although with an operating performance still affected by limitations imposed by restrictive cash position, the Company's second quarter occurred within the expectations. Driven by customer advances made in the previous quarter, we recorded a slight increase in sales in the Products Segment through the Oil&Gas Valves Division performance, even with less favorable mix in terms of margin. This allowed to compensate part of the reduction in operating and performance levels in the other segments, impacted by higher cash constraint presented in this quarter.

Our international activities were marked by the stabilization in the Argentinian units market, with adjusted prices, combined with growth of operations in Colombia in terms of contracts performance.

In the Services Segment, strikes occurred in Drilling and Workover units, of Oilfield Services Brazil Division, led to reduction of revenue from this unit that refers to the largest portion of Segment revenues.

In the industrial units, productivity was affected by the limited possibility of raw material acquisition imposed by financial constraints, which led to a high rate of idle capacity.

Limiting cash also continued to affect our ability to perform necessary investments in units, especially for service contracts, leading to expansion in delivery deadline of Backlog. The delay in the start of execution of Backlog bring losses and important reductions in the possibility to capture revenue expected in contracts, since the time to maturity of such contracts decreases every quarter.

As consequence, we still had negative impacts from recognition of fines with customers due to the delays in fulfillment of contracts.

Other points that affected our performance in the quarter are related to the increase in costs on goods sold, mainly influenced: by the higher storage time and their consequent cost, by devaluation in currency, which impacted our raw materials, by damming the execution of maintenance performed and by the mentioned strike.

As positive point, we can reduce some of the impacts observed in operating expenses with a significant reduction in personnel costs as compared to the previous year.

With this, the operating activities of the Company as measured by Adjusted EBITDA reduced in 71.8% in their values in the 2Q14 versus 1Q14, which combined to the impacts of interest and late charges on debentures and other financial debts, recorded in the quarter, caused the increase in net loss of 28.3% in the period.

With regard to the current cash position, reducing to the historic level of R\$ 5.7 million, far below that necessary to operations, clearly reflects the constraints of Company resources. The little Capex for the quarter was substantially performed on units abroad.

Operational difficulties were expected and reflect the financial restructuring process by which the Company advances in concrete form, however not yet complete. With the progress of the process, that we will discuss more below, we expect an upward curve of recovery of operating conditions and the consequent improvement in the operation and efficiency of processes.

As has been widely reported to the market, we are in the midst of the calling process to increase the capital of the Company, after acceptance and recognition, without any barriers, of extrajudicial recovery plan in both courts, Brazilian and North American. This is a very important stage because it allows that the implementation of the plan, in place since late 2013, can get events aimed at completion and execution of the whole restructuring process. The completion of the debt conversion and capital increase process, combined with effective actions aimed at strengthening the immediate cash position and with the new leverage structure and the new equity and financial position, allows us to rely on the ability of the Company to resume the path of growth and generate positive future results. In the end of deadline given to all shareholders to exercise the preemptive right to capital increase, which will end on 08/22/14, we will continue the process through leftovers apportionments phase. Important to reinforce that the approval of the capital increase is subject to certain conditions, which are presented in detail in the Notice to Shareholders. With the advent of the approval of the capital increase will be possible to complete the phase of restructuring debt, with the delivery of the new shares and the issuance of new notes re-profiled.

We expect to complete the process involving the capital increase until the end of the third quarter, but the time and the execution are still subject to the satisfaction of the conditions precedent already disclosed. Thus, the Financial Statements of September 30, 2014 may already reflect this equity and financial movement. We will then have advanced significantly within the strategy initially proposed to readjust the capital structure of Lupatech. This greatly expand our ability to raise new funds in the market, supporting the strengthening in working capital of the Company and thus enabling better implementation of operational activities of the business units. The actions to strengthen cash that have been conducted, as tight control of costs and expenses and disposition of assets will continue, gaining greater force of execution from effectuation of the restructuring process.

Some actions to strengthen cash in the short term are already underway, as recently disclosed in the Material Fact, relating to the sale of the operations in Argentina. Still subject to the conditions presented to the market and the approval of the capital increase, this transaction preliminarily priced at US\$ 32 million, starts the cycle of cash and operations recapture aimed at the reestablishment of the Company and its activities in the shortest possible time.

The conditions of this transaction, if realized, which lead to the current situation of the Company and the need to obtain new resources in the short term into account, may generate the income statement impact of accounting and financial losses estimated at approximately R\$124 million at the time of its execution and make the sale. This value refers mainly to the amount recorded in the intangible accounting and reflects the low balance of goodwill existing on these assets at the date of June 30, 2014, which are founded based on the future profitability of these operations.

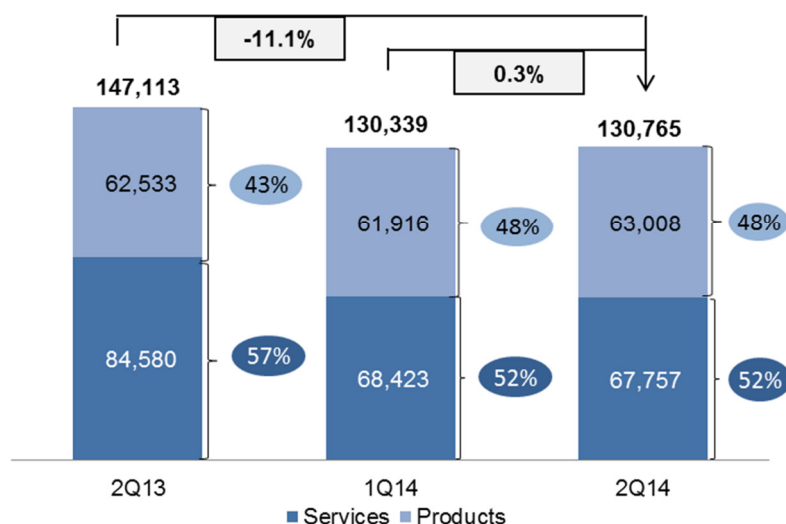
We thank all our customers, suppliers, shareholders, creditors and employees for their commitment and support given to the Company throughout this restructuring process seeking the resumption of its operational and financial capacity.

Financial and Economic Performance

Net Revenue

Net Revenue (R\$ thd)	2Q13	2Q14	Chg. %	1Q14	2Q14	Chg. %	1S13	1S14	Chg. %
Products	62,533	63,008	0.8%	61,916	63,008	1.8%	126,113	124,924	-0.9%
Oil&Gas Valves	31,690	33,508	5.7%	27,763	33,508	20.7%	60,077	61,272	2.0%
Industrial Valves	20,379	10,760	-47.2%	12,387	10,760	-13.1%	40,217	23,146	-42.4%
Anchoring Ropes	5,736	12,928	125.4%	15,994	12,928	-19.2%	17,113	28,922	69.0%
Others Products	4,728	5,812	22.9%	5,772	5,812	0.7%	8,706	11,584	33.1%
Services	84,580	67,757	-19.9%	68,423	67,757	-1.0%	161,126	136,180	-15.5%
Oilfield Services Brazil	51,266	38,566	-24.8%	42,227	38,566	-8.7%	106,263	80,793	-24.0%
Oilfield Services Colombia	18,686	21,339	14.2%	19,240	21,339	10.9%	32,757	40,579	23.9%
Tubular Services & Coating	13,229	5,851	-55.8%	5,334	5,851	9.7%	19,590	11,185	-42.9%
Other Services	1,399	2,001	43.0%	1,622	2,001	23.4%	2,516	3,623	44.0%
Total	147,113	130,765	-11.1%	130,339	130,765	0.3%	287,239	261,104	-9.1%

The Net Consolidated Revenue in the 2Q14 totaled R\$ 130.8 million versus R\$ 130.3 million in the 1Q14, an increase of 0.3%. The Products Segment, despite lower revenues in Industrial Valves and Anchoring Ropes Divisions due to its limited capacity production by cash constraints for acquisition of raw material, presented a growth of 1.8% mainly due to the performance of Oil&Gas Valves driven by customer advances and by the market stabilization in Argentinian units with adjusted prices. In the Services Segments, operations in Colombia follow on significant growth in contracts performance, although they have not been able to contain the reduction in revenues of the division Oilfield Services Brazil, resulting in decreased of 1.0% in revenues of Services Segment in the quarter.

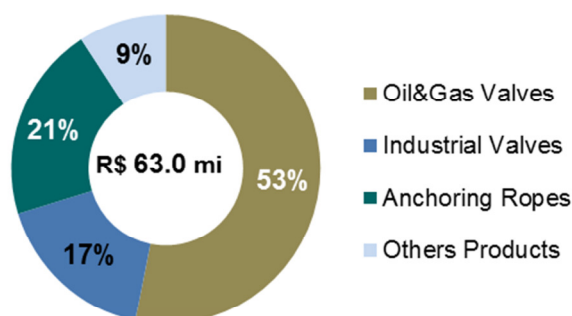


The Net Consolidated Revenue in the 2Q14 decreased 11.1% compared to the 2Q13, reaching R\$ 130.8 million versus R\$ 147.1 million. Although the divisions Anchoring Ropes and Oilfield Services Colombia have

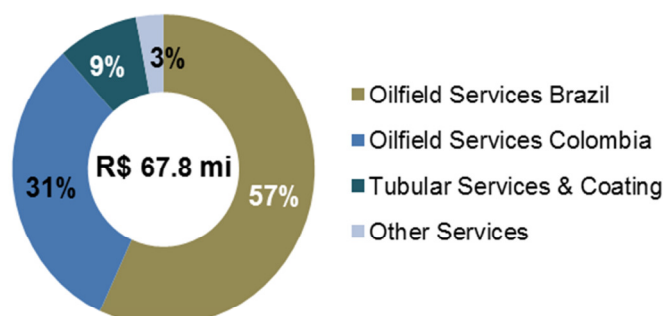
presented significant growth in revenues in the 2Q14 when compared to the 2Q13, they were not enough to compensate the low sales in Industrial Valves, Oilfield Services Brazil and Tubular Services & Coating, affected by limitations of its capacities production by cash restrictions and by the strike occurred in this quarter in Drilling and Workover Units in the Oilfield Services Brazil Division.

The Net Consolidated Revenue in the first semester of the year totaled R\$ 261.1 million, 9.1% lower than the R\$ 287.2 million resulted in the 1S13.

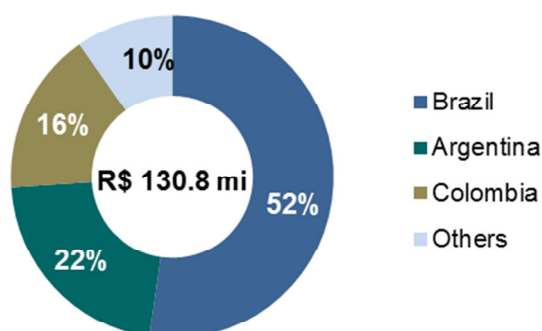
Products



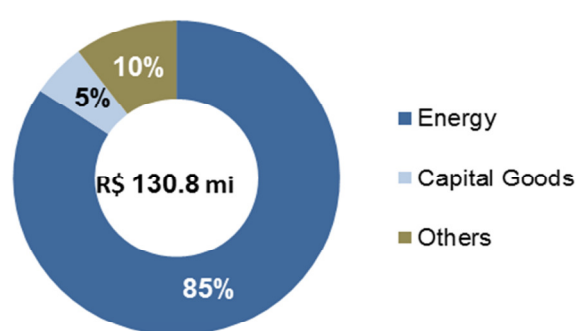
Services



By Region



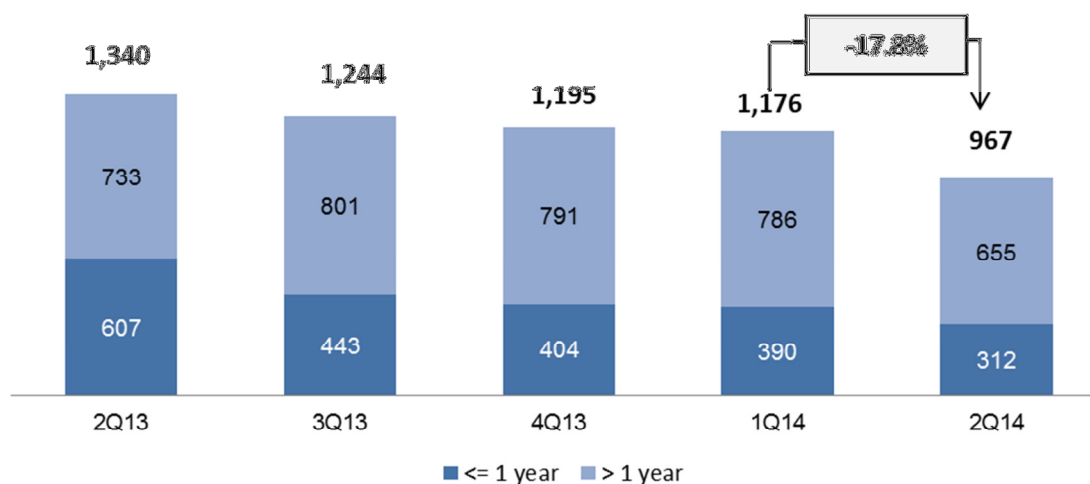
By Industrial Sector



The difficulty in obtaining greater availability of resources for implementation in investments and acquisition of inputs significantly limited the potential for utilization of the plant's capacity and generated longer delivery Backlog, with negative impacts on the generation of the Group Net Revenue.

As a result, our backlog of firm orders on June 30 amounted to R\$ 0.9 billion. The conversion of this backlog is concentrated in the long term (over 1 year) and it depends of the realization of investments in Services Segment. This amount represents the balance provided in signed contracts, even without warranty of consumption, discounting the amounts already billed.

Evolution of Backlog

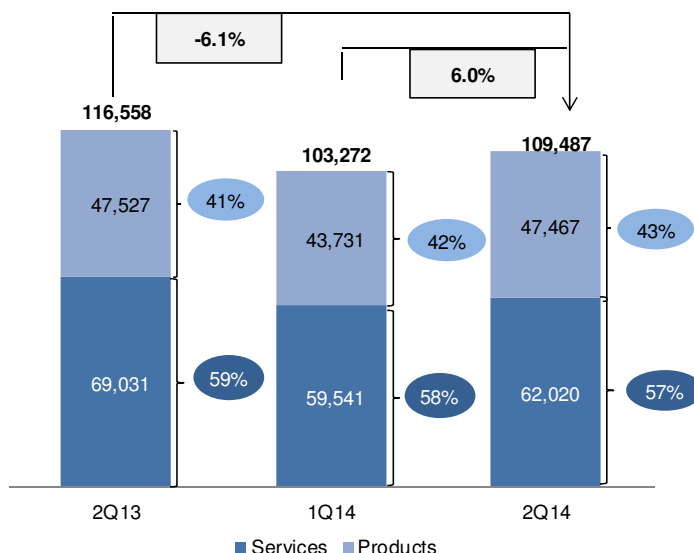


Costs on Goods Sold – COGS

COGS (R\$ thd)	2Q13	2Q14	Chg. %	1Q14	2Q14	Chg. %	1S13	1S14	Chg. %
Products	47,527	47,467	-0.1%	43,731	47,467	8.5%	95,237	91,199	-4.2%
Services	69,031	62,020	-10.2%	59,541	62,020	4.2%	132,893	121,560	-8.5%
Total	116,558	109,487	-6.1%	103,272	109,487	6.0%	228,130	212,759	-6.7%

The Consolidated Costs on Goods Sold (COGS) in the 2Q14 increased 6.0% compared to the 1Q14, reaching R\$ 109.5 million versus R\$ 103.3 million. The increase in COGS in the quarter was higher than the increase in Net Revenue mainly due to material consumption in Products Segment, affected by the higher storage time and their consequent cost, by devaluation in currency, which impacted our raw materials, as well as by damming the execution of maintenance performed, which represented an increase in this quarter in maintenance costs of the Services Segment.

Compared to the 2Q13, there was reduction of 6.1% in COGS of the 2Q14, lower than the Net Revenue reduction of the same period mainly due to the non-occupation of manufacturing capacity of many industrial plants, which did not allow dilution of personnel costs and thus encumbered the COGS.

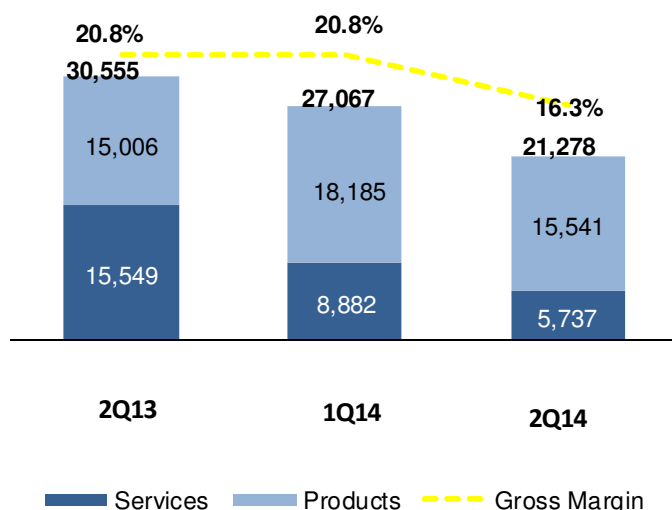


The Consolidated Costs on Goods Sold of the 1S14 totaled R\$ 212.8 million, 6.7% lower than the total of the 1S13.

Gross Profit and Gross Margin

Gross Profit (R\$ thd)	2Q13	2Q14	Chg. %	1Q14	2Q14	Chg. %	1S13	1S14	Chg. %
Products	15,006	15,541	3.6%	18,185	15,541	-14.5%	30,876	33,725	9.2%
Gross Margin - Products	24.0%	24.7%	0,7 p.p.	29.4%	24.7%	-4,7 p.p.	24.5%	27.0%	2,5 p.p.
Services	15,549	5,737	-63.1%	8,882	5,737	-35.4%	28,233	14,620	-48.2%
Gross Margin - Services	18.4%	8.5%	-9,9 p.p.	13.0%	8.5%	-4,5 p.p.	17.5%	10.7%	-6,8 p.p.
Total	30,555	21,278	-30.4%	27,067	21,278	-21.4%	59,109	48,345	-18.2%
Gross Margin - Total	20.8%	16.3%	-4,5 p.p.	20.8%	16.3%	-4,5 p.p.	20.6%	18.5%	-2,1 p.p.

The Gross Profit in the 2Q14 reached R\$ 21.3 million compared to the R\$ 27.1 million in the 1Q14, a reduction of 21.4%, primarily due to the less favorable sales mix in the Products Segment, higher storage costs of imported products due to higher storage time, as well as by impact of devaluation in currency, which affected the costs of part of our raw materials, as well as the costs with dammed maintenance of previous quarter, as mentioned before. The Gross Margin decreased 4.5 percentage points, from 20.8% to 16.3%.



Compared to the 2Q13, the Consolidated Gross Profit reduced 30.4%, reaching R\$ 21.3 million in the 2Q14 versus R\$ 30.6 million in the 2Q13. The Consolidated Gross Margin ranged of the same way as the current quarter from 20.8% in the 2Q13 to 16.3% in the 2Q14, reduction of 4.5 percentage points.

In the first semester, the reduction of Gross Margin was lower, from 20.6% in the 1S13 to 18.5% in the 1S14 and reduction of 18.2% in the Gross Profit.

Expenses

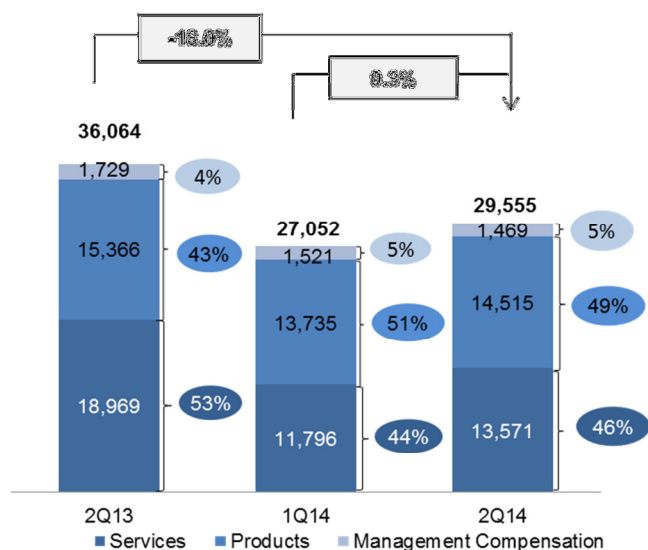
(R\$ thd)	2Q13	2Q14	Chg. %	1Q14	2Q14	Chg. %	1S13	1S14	Chg. %
Total Sales Expenses	8,806	11,249	27.7%	9,471	11,249	18.8%	17,487	20,720	18.5%
Total Administrative Expenses	25,529	16,837	-34.0%	16,060	16,837	4.8%	48,140	32,897	-31.7%
Products	15,366	14,515	-5.5%	13,735	14,515	5.7%	29,359	28,250	-3.8%
Total Sales Expenses - Products	7,640	7,837	2.6%	7,213	7,837	8.7%	15,487	15,050	-2.8%
Total Administrative Expenses - Products	7,726	6,678	-13.6%	6,522	6,678	2.4%	13,872	13,200	-4.8%
Services	18,969	13,571	-28.5%	11,796	13,571	15.0%	36,268	25,367	-30.1%
Total Sales Expenses - Services	1,166	3,412	192.6%	2,258	3,412	51.1%	2,000	5,670	183.5%
Total Administrative Expenses - Services	17,803	10,159	-42.9%	9,538	10,159	6.5%	34,268	19,697	-42.5%
Total Sales and Administratives	34,335	28,086	-18.2%	25,531	28,086	10.0%	65,627	53,617	-18.3%
Management Compensation	1,729	1,469	-15.0%	1,521	1,469	-3.4%	3,102	2,990	-3.6%
Total Sales, Administratives and Management Compensation	36,064	29,555	-18.0%	27,052	29,555	9.3%	68,729	56,607	-17.6%

The Consolidated Sales and Administrative Expenses and the Management Salary presented an increase of 9.3% in the 2Q14 reaching R\$ 29.6 million versus R\$ 27.1 million in the 1Q14.

Compared to the 2Q13, the Consolidated Sales and Administrative Expenses and the Management Salary decreased, reaching R\$ 29.6 million in the 2Q14 versus R\$ 36.1 million in the 2Q13.

The Sales Expenses increased both compared to the 2Q13 in 27.7% (from R\$ 8.8 million in the 2Q13 to R\$ 11.3 million in the 2Q14), as compared to the 1Q14 in 18.8% (from R\$ 9.5 million to R\$ 11.3 million) and compared with the first semester of the previous year 1S13 in 18.5% (from R\$ 17.5 million to R\$ 20.7 million). These increases were mainly caused by recognition of fines with customers in the Products

Segment in the amount of R\$ 1.9 million in the 2Q14 and R\$ 2.9 million in the first semester of the year 1S14 and in the Services Segment in the amounts of R\$ 2.6 million in the 2Q14 and R\$ 3.4 million in the 1S14.



The Administrative Expenses presented a reduction of 34.0% in the 2Q14 compared to the 2Q13 (from R\$ 25.5 million to R\$ 16.8 million) and decreased 31.7% in 1S14 compared to the 1S13. The mainly impact of this decrease occurred in the Services Segment, especially in the Oilfield Services Brazil Division, with significant reduction in personnel expenses (a decrease of R\$ 5 million in the 2Q14 compared to the 2Q13 and of R\$ 10.6 million in the 1S14 compared to the 1S13), as part of Company's restructuring process occurred since from the second half of the year 2013, followed by reduction in rental, services, communications and travel expenses. Comparing 2Q14 with the previous quarter, the administrative expenses presented a slight increase of 4.8%, from R\$ 16.1 million in the 1Q14 to 16.8 million in the 2Q14 as mainly consequence of the growth in salaries in the Services Segment.

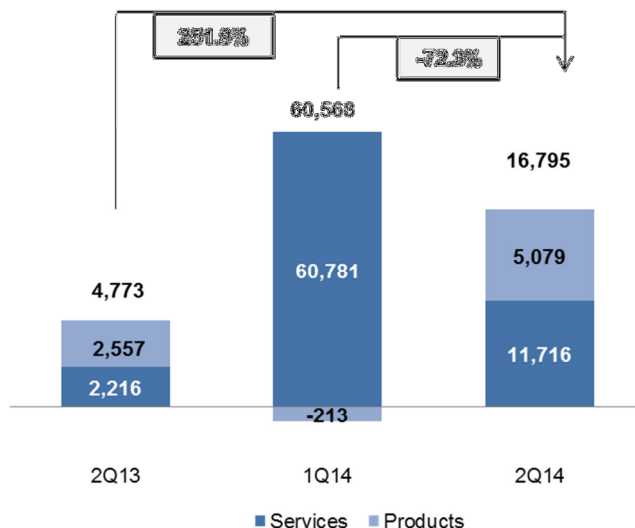
The Management Compensation presented a reduction in all comparative periods: a decrease of 15.0% in the 2Q14 compared to the 2Q13, a reduction of 3.4% in the 2Q14 compared to the 1Q14 and a decrease of 3.6% in the first semester of 2014 compared to the 1S13, resulting in the amount of R\$ 3.0 million in the 1S14 versus R\$ 3.1 million in the 1S13.

Other Operating (Revenues) and Expenses

(R\$ thd)	2Q13	2Q14	Chg. %	1Q14	2Q14	Chg. %	1S13	1S14	Chg. %
Products	2,557	5,079	98.6%	-213	5,079	n/a	3,204	4,866	51.9%
Services	2,216	11,716	428.7%	60,781	11,716	-80.7%	4,773	72,497	1418.9%
Total	4,773	16,795	251.9%	60,568	16,795	-72.3%	7,977	77,363	869.8%

The Other Operating Expenses decreased 72.3% in the 2Q14 compared to the 1Q14, totaling R\$ 16.8 million against R\$ 60.6 million in the 1Q14 and they are primarily related to the recognition of provision for fines with customers in the amount of R\$ 10.6 million (R\$ 47.7 million in the 1Q14), losses on the disposal and sale of fixed assets in the amount of R\$ 2.9 million (R\$ 8.3 million in the 1Q14), provision for losses on

inventory obsolescence in the amount of R\$ 0.7 million (R\$ 1.9 million in the 1Q14), cost of idle production in the amount of R\$ 1.7 million (R\$ 0.2 million in the 1Q14), reversion of provision for loss of lawsuit in the amount of R\$ 2.1 million (R\$ 1.2 million of loss in the 1Q14) and expenses with the restructuring process in the amount of R\$ 1.4 million (R\$ 1.2 million in the 1Q14).



In the first semester of the year, the increase in Other Operating Expenses is mainly due to the recognition of provision for fines with customers in the amount of R\$ 58.3 million and to the losses on the disposal and sale of fixed assets in the amount of R\$ 11.1 million in the 1S14, not occurred in the 1S13.

Financial Result

(R\$ thd)	2Q13	2Q14	Chg. %	1Q14	2Q14	Chg. %	1S13	1S14	Chg. %
Interest Income	149	271	81.9%	499	271	-45.7%	346	770	122.5%
Embedded Derivatives - Debentures	12,326	-	n/a	-	-	n/a	17,732	-	n/a
Others	236	842	256.8%	1,526	842	-44.8%	1,736	2,368	36.4%
Financial Revenue*	12,711	1,113	-91.2%	2,025	1,113	-45.0%	19,814	3,138	-84.2%
Interest Expense	-36,659	-97,214	165.2%	-43,911	-97,214	121.4%	-72,801	-141,125	93.9%
Embedded Derivatives - Debentures	-	-	5,321	-	-	5,321	-	-	8,624
Banking Expenses, Taxes and Others	-	3,472	-5,079	-	5,623	-5,079	-	-	10,702
Financial Expense*	-40,131	-107,614	168.2%	-52,837	-107,614	103.7%	-79,396	-160,451	102.1%
Net Financial Result*	-27,420	-106,501	288.4%	-50,812	-106,501	109.6%	-59,582	-157,313	164.0%
Exchange Variance Revenue	6,665	19,992	200.0%	50,864	19,992	-60.7%	25,812	70,856	174.5%
Exchange Variance Expense	-56,506	-1,079	-98.1%	-24,675	-1,079	-95.6%	-68,858	-25,754	-62.6%
Net Exchange Variance	-49,841	18,913	-137.9%	26,189	18,913	-27.8%	-43,046	45,102	-204.8%
Net Financial Result - Total	-77,261	-87,588	13.4%	-24,623	-87,588	255.7%	-102,628	-112,211	9.3%

* Excluding Exchange Variance

The Total Financial Income (excluding Exchange Variance) in the 2Q14 reached R\$ 1.1 million versus R\$ 12.7 million in the 2Q13 and R\$ 3.1 million in the first semester versus R\$ 19.8 million in the 1S13, reduction of 91.2% and 84.2%, respectively, mainly due to the recognition of gain with embedded derivative – debentures in the 2Q13 and 1S13 that not occurred in 2014. The decrease of 45.0% in the Total Financial Income (excluding Exchange Variance) in the 2Q14 compared to the 1Q14 was mainly due to the reduction of interest received on securities.

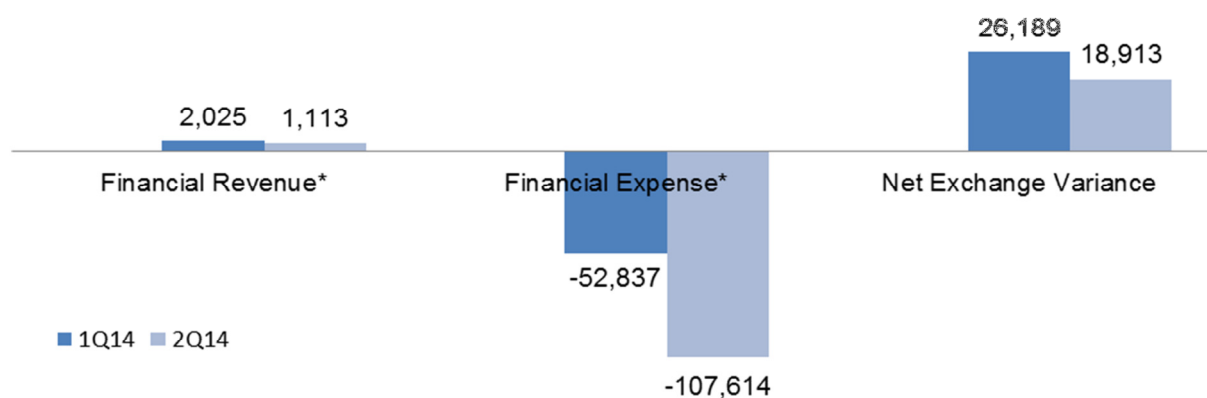
The Total Financial Expense (excluding Exchange Variance) increased from R\$ 40.1 million in the 2Q13 and from R\$ 52.8 million in the 1Q14 to R\$ 107.6 million in the 2Q14 mainly due to the recognition of loss with embedded derivative – debentures, as well as interest and late charges on debentures and other financial debts in the amount of R\$ 49.8 million in the 2Q14.

In the 1S14, the Total Financial Expense (excluding Exchange Variance) increased 102.1%, reaching R\$ 160.5 million versus R\$ 79.4 million in the 1S13 primarily due to the recognition of losses with embedded derivative – debentures in the amount of R\$ 8.6 million, of interest and late charges on debentures and other financial debts and on perpetual bonds in the amount of R\$ 51,2 million in the 1S14.

The Net Exchange Variance in the 2Q14 resulted in revenue of R\$ 18.9 million versus a revenue of R\$ 26.2 million in the 1Q14 affected by 3.4% devaluation in U.S. dollar against Brazilian Real in the 1Q14 versus 2.7% devaluation in the 2Q14. In the 2Q13, due to 10.2% valuation U.S. dollar against Brazilian Real, the Net Exchange Variance totaled an expense of R\$ 49.8 million. Finally, in the 1S14, the Net Exchange Variance resulted in a revenue of R\$ 45.1 million versus an expense of R\$ 43.0 million in the 1S13 affected by 5.98% devaluation in U.S. dollar against Brazilian Real against 8.42% valuation in U.S. dollar against Brazilian Real in the 1S14 and 1S13, respectively.

The Net Financial Result in the 2Q14 increased 13.4% in the net loss when compared to the 2Q13 and 255.7% when compared to the 1Q14 totaling R\$ 87.6 million of negative result in the 2Q14 versus R\$ 77.3 million in the 2Q13 and R\$ 24.6 million in the 1Q14. In the 1S14, the Net Financial Result reached a loss of R\$ 112.2 million versus loss of R\$ 102.6 million in the 1S13, an increase of 9.3%.

Financial Result Breakdown (R\$ thd)



* Excluding Exchange Variance

Adjusted EBITDA from Continuing Operations¹

The Consolidated Adjusted EBITDA from continuing operations reduced from R\$ 13.7 million in the 1Q14 to R\$ 3.8 million in the 2Q14. The EBITDA Margin in the 2Q14 was 7.6 percentage points lower than in the 1Q14 and closed in 2.9%.

(R\$ thd)	2Q13	2Q14	Chg. R\$	Chg. %	1Q14	2Q14	Chg. R\$	Chg. %	1S13	1S14	Chg. R\$	Chg. %
Products	1,248	3,814	2,566	205.6%	6,705	3,814	-2,891	-43.1%	7,157	10,519	3,362	47.0%
Margin	2.0%	6.1%	-	4,1 p.p.	10.8%	6.1%	-	-4,8 p.p.	5.7%	8.4%	-	2,7 p.p.
Services	8,211	33	-8,178	n/a	6,957	33	-6,924	n/a	14,580	6,990	-7,590	-52.1%
Margin	9.7%	0.0%	-	-9,7 p.p.	10.2%	0.0%	-	-10.1 p.p.	9.0%	5.1%	-	-3,9 p.p.
Total	9,459	3,847	-5,612	-59.3%	13,662	3,847	-9,815	-71.8%	21,737	17,509	-4,228	-19.5%
Margin	6.4%	2.9%	-	-3,5 p.p.	10.5%	2.9%	-	-7,5 p.p.	7.6%	6.7%	-	-0,9 p.p.
% Products	13%	99%			49%	99%			33%	60%		
% Services	87%	1%			51%	1%			67%	40%		

The reduction of Consolidated Adjusted EBITDA in the 2Q14 was mainly consequence of loss in Gross Margin, both in the Products Segment as in the Services Segment, due to the less favorable sales mix and cost increases as mentioned before, as well as by the increase in expenses with fines imposed by customers and idle costs in plants located especially in the industrial units of Products Segment.

In the first semester of the year, although the Adjusted EBITDA Margin of Products Segment had increased 2.7 percentage points, the Total Adjusted EBITDA Margin reduced 0.9 percentage points, reaching 6.7% in the 1S14 versus 7.6% in the 1S13, as straight consequence of reduction in Gross Margin of Services Segment. Thus, the Consolidated Adjusted EBITDA from continuing operations reduced from R\$ 21.7 million in the 1S13 to R\$ 17.5 million in the 1S14.

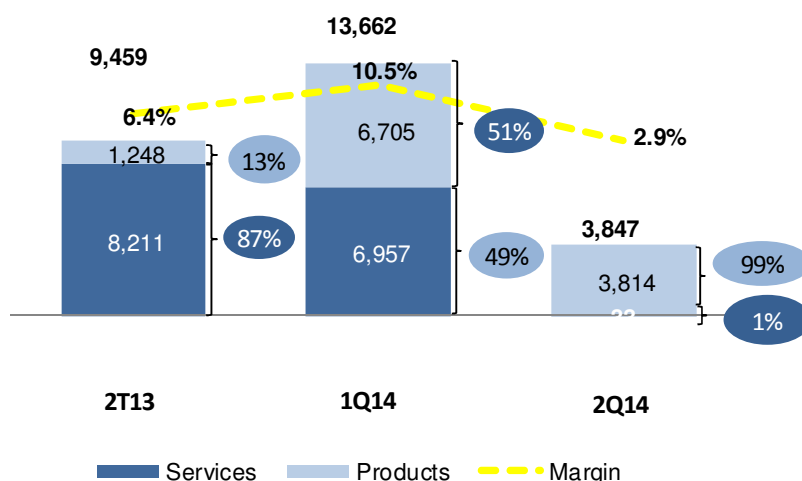
Adjusted Ebitda Reconciliation (R\$ thd)	1Q14	2Q14
Gross Profit	27,067	21,278
SG&A	-25,531	-28,086
Management Compensation	-1,521	-1,469
Depreciation and Amortization	12,989	12,767
Operational Revenues/Expenses	-60,568	-16,795
Ebitda from Continuing Operations	-47,564	-12,305
Provision for Variable Compensation	210	225
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets	11,171	1,847
Fines with Customers	47,685	10,591
Acquired Investment Integration and Restructuring Process	2,160	3,489
Adjusted EBITDA from Continuing Operations	13,662	3,847

The Consolidated Adjusted EBITDA from continuing operations in the 2Q14 compared to 2Q13 reduced from R\$ 9.5 million in the 2Q13 to R\$ 3.8 million in the 2Q14. The Consolidated Adjusted EBITDA Margin

¹ EBITDA from continuing operations is calculated as the net income (loss) before income tax and social contribution, financial income (expense), Equity Pick-up Result and depreciation and amortization. The Adjusted EBITDA from continuing operations reflects the EBITDA from continuing operations, adjusted to exclude the expenses with employees and management participation in the profits and results, provisions for inventory losses, net result on sold assets, provisions for lawsuits, provisions for fines with customers and expenses related to the Company's restructuring process. EBITDA is not a measure used in Brazilian accounting practices and does not represent cash flow for the periods under review. It should not be considered as an alternative for net income, as an indicator of operational performance or as an alternative for cash flow in the form of an indicator of liquidity. EBITDA does not have a standardized meaning and the Company's definition of EBITDA may not be comparable with the EBITDA or adjusted EBITDA of other companies. While in accordance with accounting practices used in Brazil EBITDA does not provide a measure of operational cash flow, management uses it to measure operational performance. In addition, the Company understands that certain investors and financial analysts use EBITDA as an indicator of the operational performance of a company and/or its cash flow. The EBITDA reconciliation as calculated by the Company can be found in Attachment II of this report.

decreased 3.5 percentage points, from 6.4% in the 2Q13 to 2.9% in the 2Q14. This reduction was originated in lower Gross Margin of operations, substantially impacted by the decrease in revenues and a less favorable sales mix in the quarter.

EBITDA Ajustado (R\$ mil)



The cash constraints continue impacting Company's EBITDA, plus extraordinary expenses due to Company's restructuring process. Below, a reconciliation of Adjusted EBITDA from continuing operations of 2Q14, by Segment:

	2Q14		
Adjusted Ebitda Reconciliation (R\$ thd)	Products	Services	Total
Gross Profit	15,541	5,737	21,278
SG&A	-14,515	-13,571	-28,086
Management Compensation	-706	-763	-1,469
Depreciation and Amortization	2,748	10,019	12,767
Operational Revenues/Expenses	-5,079	-11,716	-16,795
Ebitda from Continuing Operations	-2,011	-10,294	-12,305
Provision for Variable Compensation	1	224	225
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets	4,342	-2,495	1,847
Fines with Customers	-	10,591	10,591
Acquired Investment Integration and Restructuring Process	1,482	2,007	3,489
Adjusted EBITDA from Continuing Operations	3,814	33	3,847

The non-recurring expenses that totaled R\$ 1.8 million refers to the registration of provisions for losses on inventory obsolescence and adjustment in the negative amount of R\$ 0,7 million, reversion of provision for loss of lawsuit in the positive amount of R\$ 1.6 million and result of fixed assets sold in the negative amount of R\$ 2.7 million.

Net Result

Net Result (R\$ thd)	2Q13	2Q14	Chg. %	1Q14	2Q14	Chg. %	1S13	1S14	Chg. %
Result Before Income Tax and Social Contribution	-94,005	-121,574	29.3%	-92,787	-121,574	31.0%	-129,211	-214,361	65.9%
Income Tax and Social Contribution - Current	-2,642	-3,329	26.0%	-3,086	-3,329	7.9%	-5,199	-6,415	23.4%
Income Tax and Social Contribution - Deferred	1,048	-2,115	-301.8%	878	-2,115	-340.9%	2,457	-1,237	-150.3%
Result of Discontinued Operation	-7,573	5,186	-168.5%	0	5,186	n/a	-29,547	5,186	n/a
Net Result	-103,172	-121,832	18.1%	-94,995	-121,832	28.3%	-161,500	-216,827	34.3%
Net Result per 1000 Shares	-0.66	-0.78	18.1%	-0.61	-0.78	28.3%	-1.03	-1.38	34.3%

The Net Result in the 2Q14 was a loss of R\$ 121.8 million versus a loss of R\$ 95.0 million in the 1Q14. The increase in the Company's Net Loss in the 2Q14 compared to the previous quarter of 28.3% is primarily consequence of the recognition of interest and late charges on debentures and other financial debts, in the amount of R\$ 97.2 million in the 2Q14.

Compared to the 2Q13, the Consolidated Net Result presented a growth of 18.1%, from a loss of R\$ 103.2 million in the 2Q13 to a loss of R\$ 121.8 million in the 2Q14 mainly due to the recognition of provision for fines with customers in the amount of R\$ 15.1 million and to the recognition of interest and late charges on debentures and other financial debts, in the amount of R\$ 97.2 million in the 2Q14.

In the 1S14, the Consolidated Net Result resulted in loss of R\$ 216.8 million versus R\$ 161.5 million in the 1S13, a growth of 34.3%, mainly due to the recognition of provision for fines with customers in the amount of R\$ 58.3 million in the 1S14, as well as to the recognition of interest and late charges on debentures and other financial debts, in the amount of R\$ 141.1 million in the 1S14.

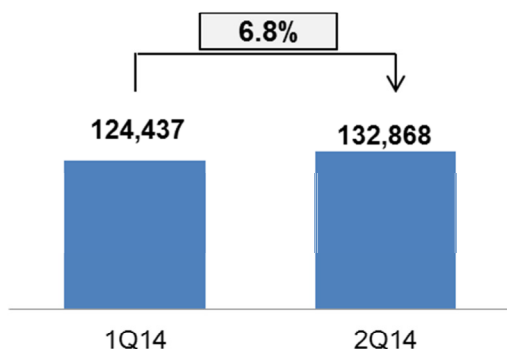
Working Capital

Working Capital (R\$ thd)	1Q14	2Q14	Chg %	Nom. Chg.
Accounts Receivable	124,466	135,683	9.0%	11,217
Inventories	135,323	126,455	-6.6%	-8,868
Accounts Payable	117,711	123,205	4.7%	5,494
Advances from Clients	17,641	6,065	-65.6%	-11,576
Employed Working Capital	124,437	132,868	6.8%	8,431
Employed Working Capital Variance	- 4,681	8,431		
% Working Capital/Net Revenues*	22.4%	24.6%		

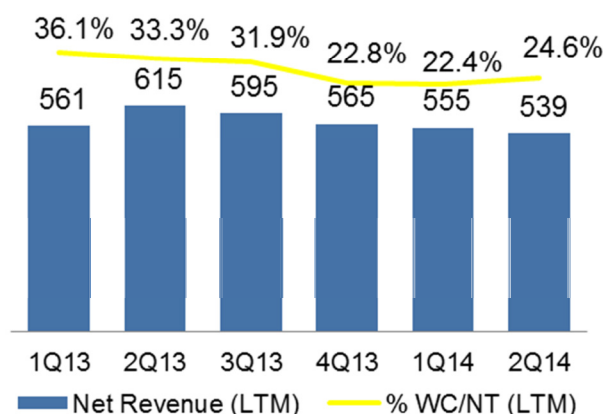
*LTM: last 12 months

The rate of working capital needs upon accumulated Net Revenue (12 months) in the 2Q14 reached 24.6%, an increase of 2.2% when compared to the rate of 1Q14.

Working Capital (R\$ thd)



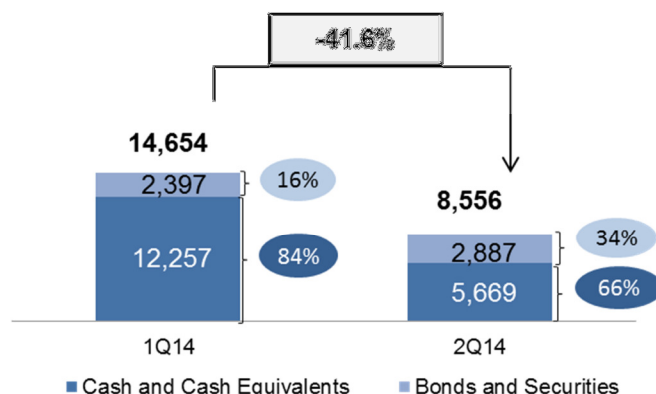
Net Revenue vs. Working Capital (R\$ thd)



The increase of R\$ 8.4 million in the Employed Working Capital in the 2Q14 compared to the 1Q14 is primarily result of growth in receivables due to the higher revenues from operations in Colombia, as well as in accrued unbilled receivables from operations of Oilfield Services Brazil and Anchoring Ropes and of the significant reduction of advances from clients, especially in Oil&Gas Valves Division.

Cash and Cash Equivalents

The consolidated position in Cash and Cash Equivalents of the Company in the 2Q14 reached R\$ 8.6 million, a reduction of 41.6% compared to the 1Q14, affected by the difficulties of operating cash flow, limited by the current situation of the Company.



The financing activities consumed R\$ 2.7 million of Cash for the payment of interest and principal on loans and financing, which had relevant impact in the reduction of 41.6% in overall Company's Cash and Cash

Equivalents in the 2Q14 compared to the 1Q14. In addition, the net cash of operating activities was negative in R\$ 8.9 million, primarily due to the increase in accounts receivable resulting in the quarter.

The difficulty in obtaining resources for investments and raw material acquisition limits Lupatech Cash generation, reflecting in a lower capacity of plants utilization and delay to deliver the Backlog.

Debt

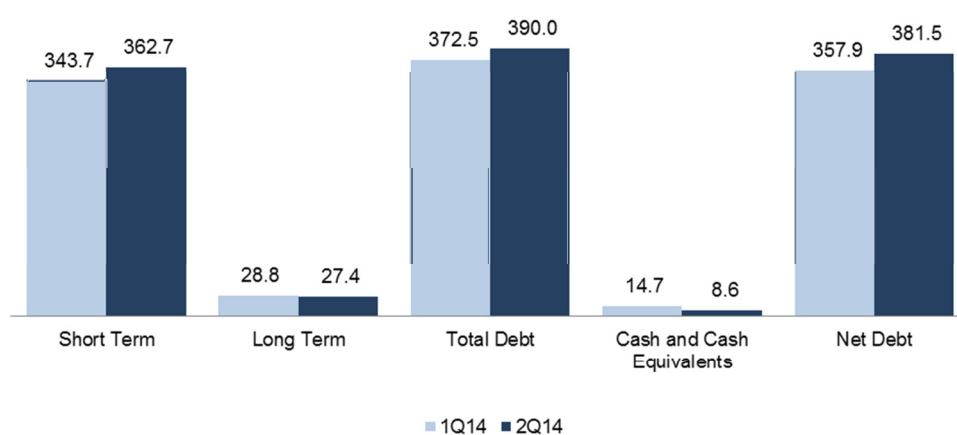
Lupatech's Gross Debt ended the quarter in R\$ 1,591.2 million, 5.4% higher than in the 1Q14.

Debt (R\$ thd)	1Q14	2Q14	Chg. %	Nom. Chg.
Short Term	1,481,410	1,563,820	5.6%	82,410
Financing Lines	343,719	362,667	5.5%	18,948
Debentures	436,263	501,537	15.0%	65,274
Perpetual Bonds	701,428	699,616	-0.3%	- 1,812
Long Term	28,790	27,382	-4.9%	- 1,408
Financing Lines	28,790	27,382	-4.9%	- 1,408
Total Debt	1,510,200	1,591,202	5.4%	81,002
Cash and Cash Equivalents	14,654	8,556	-41.6%	- 6,098
Net Debt	1,495,546	1,582,646	5.8%	87,100

Excluding Perpetual Bonds and Convertible Debentures values, Company's Gross Debt in the 2Q14 would be R\$ 390.0 million versus R\$ 372.5 million in the 1Q14.

Combined Cash and Cash Equivalents, the Company's Net Debt ended the quarter in R\$ 1,582.6 million, increase of 5.8% compared to the value in the 1Q13, reflecting mainly the provision of interest and late charges on financing lines and debentures, as well as the effect of the reduction in the cash and cash equivalents position.

Debt Breakdown – Perpetual Bonds and Debentures Excluded (R\$ thd)

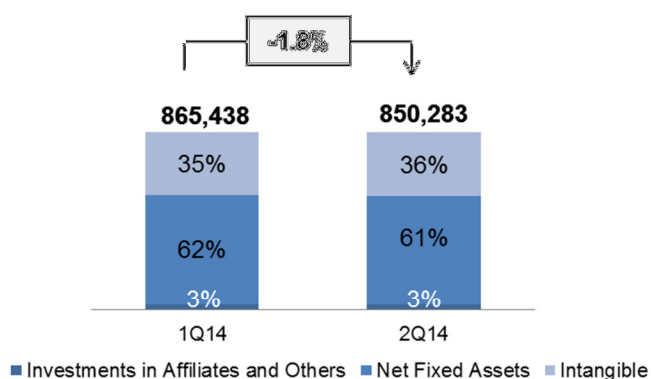


Investment Balances

Lupatech's Investment Balances totaled R\$ 850.3 million, reduction of 1.8% compared to the R\$ 865.4 million presented in the 1Q13.

(R\$ thd)	1Q14	2Q14	Chg. %	Nom. Chg.
Investments in Affiliates and Others	26,208	26,208	0.0%	0
Net Fixed Assets	532,661	517,836	-2.8%	-14,825
Intangible	306,569	306,239	-0.1%	-330
Total	865,438	850,283	-1.8%	-15,155

Fixed Assets, with reduction of R\$ 14.8 million is the primarily responsible for 97.8% of the total reduction of Investment Balances, mainly due to the sale of assets in Oil&Gas Valves and Oilfield Services Brazil and due to the recognition of depreciation in the period.



Capex for 2Q14 was R\$ 3.2 million. From this total, 21.3% was invested in the Brazilian units, 40.2% in the factories located in Colombia and 38.4% in the Argentinian units, R\$ 1.5 million in Products Segment and R\$ 1.7 million in Services Segment. Capex has been applied in investments needed to improve production efficiency and execute Company's Backlog.

Attachments

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

	1Q14	2Q14	% Change
Net Sales of Goods and Services	130,339	130,765	0%
Cost of Goods and Services Sold	(103,272)	(109,487)	6%
Gross Profit	27,067	21,278	-21%
Operating Revenues/Expenses	(95,231)	(55,264)	-42%
Sales	(9,471)	(11,249)	19%
General and Administrative	(16,060)	(16,837)	5%
Management Compensation	(1,521)	(1,469)	-3%
Equity Pick-up	(7,611)	(8,914)	17%
Other Operation Income (Expenses)	(60,568)	(16,795)	-72%
Net Financial Result	(24,623)	(87,588)	256%
Financial Income	2,025	1,113	-45%
Financial Expenses	(52,837)	(107,614)	104%
Net Exchange Variance	26,189	18,913	-28%
Earnings Before Income Tax and Social Contribution	(92,787)	(121,574)	31%
Income Tax and Social Contribution - Current	(3,086)	(3,329)	8%
Income Tax and Social Contribution - Deferred	878	(2,115)	n/a
Loss from Discontinued Operations	-	5,186	n/a
Net Loss for the Period	(94,995)	(121,832)	28%

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

	1Q14	2Q14	% Change
Adjusted EBITDA from Continuing Operations	13,662	3,847	-72%
Provision for Variable Remuneration	(210)	(225)	7%
Restructuring Process	(2,160)	(3,489)	62%
Provision for Losses, Impairment and Net Result on Disposal of Assets	(11,171)	(1,847)	-83%
Fines with Customers	(47,685)	(10,591)	-78%
EBITDA from Continuing Operations	(47,565)	(12,305)	-74%
Depreciation and Amortization	(12,989)	(12,767)	-2%
Equity Pick-up Result	(7,611)	(8,914)	17%
Net Financial Result	(24,623)	(87,588)	256%
Income Tax and Social Contribution - Current and Deferred	(2,208)	(5,444)	147%
Loss from Discontinued Operations	-	5,186	n/a
Net Loss from Continuing and Discontinued Operations	(94,995)	(121,832)	28%

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

	1Q14	2Q14	% Change
Total Asset	1,318,957	1,283,607	-3%
Current Assets	352,825	336,793	-5%
Cash and Cash Equivalents	12,257	5,669	-54%
Securities-restricted	2,397	2,887	20%
Accounts Receivable	124,466	135,683	9%
Inventories	135,323	126,455	-7%
Recoverable Taxes	28,404	25,856	-9%
Other Accounts Receivable	37,242	31,184	-16%
Anticipated Expenses	8,700	9,059	4%
Assets held for sale	4,036	-	-100%
Non-Current Assets	966,132	946,814	-2%
Securities	5,250	4,500	-14%
Judicial Deposits	23,461	22,056	-6%
Recoverable Taxes	52,674	50,900	-3%
Other Accounts Receivable	19,309	19,075	-1%
Investments	26,208	26,208	0%
Fixed Assets	532,661	517,836	-3%
Intangible	306,569	306,239	0%
Total Liabilities and Shareholders' Equity	1,318,957	1,283,607	-3%
Current Liabilities	1,814,952	1,911,001	5%
Accounts Payable	117,711	123,205	5%
Loans and Financings	343,719	362,667	6%
Debentures	436,263	501,537	15%
Perpetual Bonds	701,428	699,616	0%
Salaries, Provisions and Social Contribution	30,662	33,403	9%
Commissions Payable	2,331	2,941	26%
Taxes Payable	32,338	37,665	16%
Advances from Clients	17,641	6,065	-66%
Participations in the Result	680	103	-85%
Other Obligations	117,970	129,918	10%
Acquisitions Payable	14,209	13,881	-2%
Non-Current Liabilities	192,395	177,766	-8%
Loans and Financings	28,790	27,382	-5%
Taxes Payable	3,793	3,396	-10%
Deferred Income Tax and Social Contribution	30,554	32,633	7%
Provision for Taxes, Labor and Civil Risks	103,770	96,685	-7%
Other Obligations	13,102	4,397	-66%
Provision for Negative Equity in Subsidiaries	12,386	13,273	7%
Shareholders Equity	(688,390)	(805,160)	17%
Capital Stock	742,438	742,438	0%
Stock Options	13,549	13,549	0%
Equity Evaluation Adjustment	(80,451)	(75,389)	-6%
Accrued Losses	(1,363,926)	(1,485,758)	9%

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

	1Q14	2Q14	% Change
Cash Flow from Operating Activities			
Net Result for the Period	(94,995)	(121,832)	28%
Adjustment:			
Depreciation of Fixed Assets	12,989	12,767	-2%
Equity Pick-Up Result	7,611	8,914	17%
Result on Sale of Fixed Assets	12,995	(2,309)	n/a
Financial Expenses and Exchange Variation	20,674	83,492	304%
Income Tax and Social Contribution - Deferred	(878)	2,115	n/a
Losses on Inventory Obsolescence	1,734	718	-59%
Provision of Contractual Fines	49,550	15,087	-70%
Allowance for Doubtful Accounts	526	448	-15%
Changes in Assets & Liabilities			
(Increase) Decrease in Accounts Receivable	(7,598)	(18,653)	145%
(Increase) Decrease in Inventories	(3,894)	6,662	n/a
(Increase) Decrease in Recoverable Taxes	11,257	4,473	-60%
(Increase) Decrease in Other Assets	16,074	1,422	-91%
(Increase) Decrease in Accounts Payable	(7,493)	5,106	n/a
(Increase) Decrease in Taxes Payable	(9,986)	5,321	n/a
(Increase) Decrease in Others Accounts Payable	(8,559)	(12,591)	47%
Net Cash Generated (Invested) in Operating Activities	7	(8,860)	n/a
Cash Flow from Investment Activities			
Acquisition Cost of Investment	(200)	-	n/a
Rescue Financial Application	324	531	64%
Proceeds from Sales of Fixed Assets	3,000	7,709	n/a
Aquisition of Fixed Assets	(3,424)	(3,048)	-11%
Additions to Intangible	(720)	(196)	-73%
Net Cash Generated (Invested) in Investment Activities	(1,020)	4,996	-590%
Cash Flow from Financing Activities			
Loans and Financings Contracted	27,226	35,614	31%
Loans and Financings Paid	(32,508)	(36,189)	11%
Interests on Loans and Financings Paid	(2,120)	(2,152)	2%
Net Cash Generated (Invested) in Financing Activities	(7,402)	(2,727)	-63%
Effects of Exchange Variation over Cash and Cash Equivalents of Subsidiaries Abroad	(4)	3	-175%
Net Increase (Decrease) in Cash and Cash Equivalents	(8,419)	(6,588)	-22%
At the Beginning of the Period	20,676	12,257	-41%
At the End of the Period	12,257	5,669	-54%

About Lupatech

Lupatech S.A. is one of the main Brazilian suppliers of products and services with high value added with focus in the oil and gas sector. Our businesses are organized in two Segments: Products and Services. The Products Segment offers mainly to the oil and gas sector, anchoring ropes for production platforms, valves, completion tools and gas compressors. The Services Segment offers services as workover, well intervention, coating and inspection of pipes.

This release contains forward-looking statements subject to risks and uncertainties. Such forward-looking statements are based on the management's beliefs and assumptions and information currently available to the Company. Forward-looking statements include information on our intentions, beliefs or current expectations, as well as on those of the Company's Board of Directors and Officers. The reservations as to forward-looking statements and information also include information on possible or presumed operating results, as well as any statements preceded, followed or including words such as "believes", "may", "will", "expects", "intends", "plans", "estimates" or similar expressions. Forward-looking statements are not performance guarantees; they involve risks, uncertainties and assumptions because they refer to future events and, therefore, depend on circumstances which may or may not occur. Future results may differ materially from those expressed or suggested by forward-looking statements. Many of the factors which will determine these results and figures are beyond Lupatech' control or prediction capacity.