



Financial and Economic Performance 2Q16



Judicial Recovery

On May 25, 2015, as disclosed in the Relevant Fact, the Company filed, together with the other companies in the Lupatech Group, the request for judicial recovery. The request has been approved by the Courts on June 23, 2015 and all information relating to the process are available on the website of Brazilian Securities Exchange Commission and of Investor Relations of Lupatech S/A - In Judicial Recovery.

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

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

On June 27, 2016, the 2nd Reserved Chamber of Business Law of the São Paulo State Court of Justice upheld the interlocutory appeals filed by two creditors, to cancel the homologation decision of the Judicial Recovery Plan of Lupatech Group, given by D. Judge of the 1st Court of Bankruptcies, Judicial Recoveries and Conflict-Related Arbitration of the District of São Paulo.

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

The Lupatech Group opposed the requests for clarification to pre-questioning purposes to Judgements, aimed at preparing future special appeal to the Superior Court of Justice.

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

Financial and Economic Performance

Net Revenue

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

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

The Products Segment presented reduction of 32.2% and 47.4% in the comparative Net Revenue of 2Q16 with the 2Q15 and of 1S16 with the 1S15, respectively, from R\$ 9.7 million in the 2Q15 to R\$ 6.6 million in the 2Q16 and of R\$ 23.4 million in the 1S15 to R\$ 12.3 million in the 1S16. This decrease was primarily consequence of crisis in Oil&Gas segment and of consequent reduction in demand, especially felt in Oil&Gas Valves and Anchoring Ropes divisions, so that the resumption of the backlog will be slow.

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

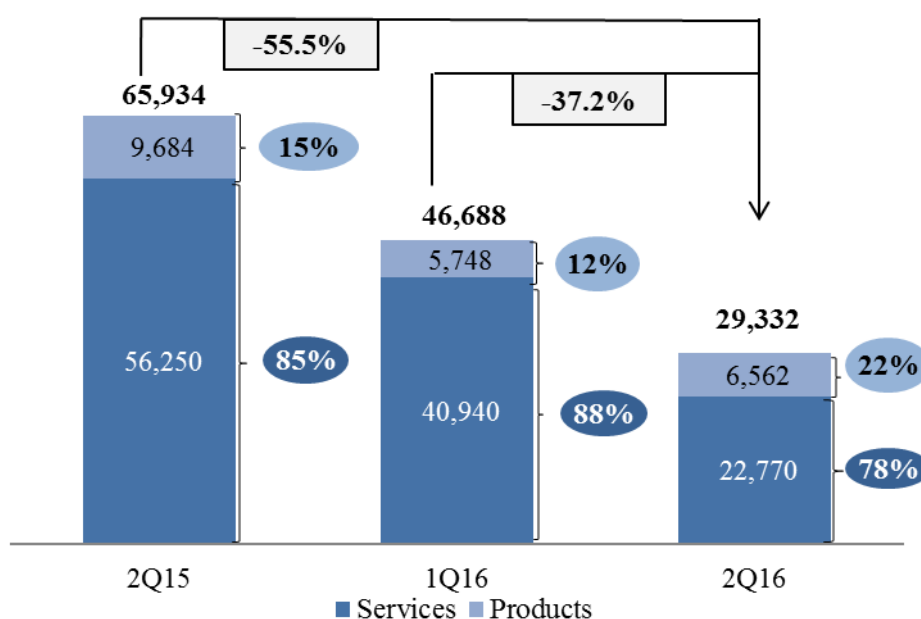
The Services Segment presented reduction in Net Revenue in the three comparative periods: 59.5% and 44.4% comparing 2Q16 with 2Q15 and with 1Q16, respectively; and reduction of 49.3% in the accumulated of semester, from R\$ 125.8 million in the 1S15 to R\$ 63.7 million in the 1S16.

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

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

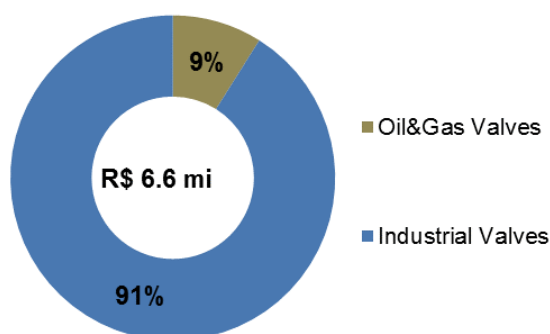
There was no Net Revenue in the second quarter of 2016 in the operations of Tubular Services & Coating division due to the termination of existing contracts, resulting in a decrease of 56.8% in Net Revenue of this division in the first semester of the year, from R\$ 11.9 million in the 1S15 to R\$ 5.2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

Net Operating Revenue (R\$ thd)

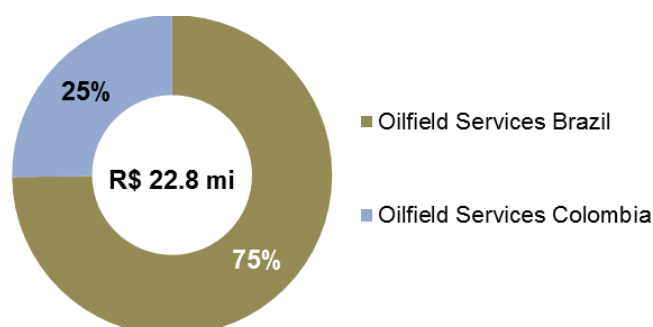


Revenue Distribution – 2Q16

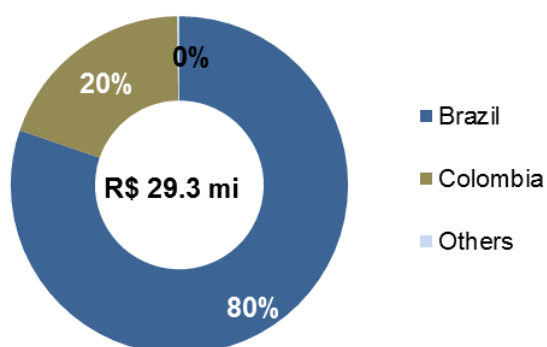
Products



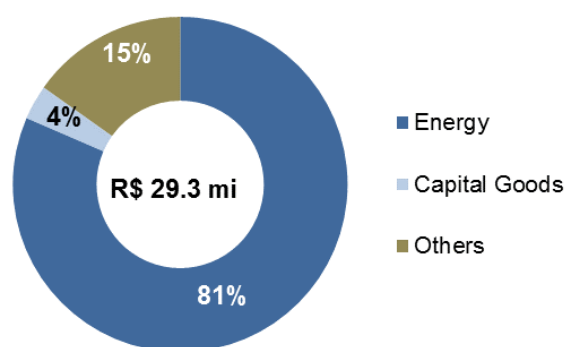
Services



By Region



By Industrial Sector



On June 30, 2016, the Company's Backlog of firm orders amounted R\$ 0.3 billion. The conversion of this Backlog is concentrated in the next eighteen months and this amount represents the balance provided in signed contracts, even without warranty of consumption, discounting the amounts already billed.

Costs on Goods Sold – COGS

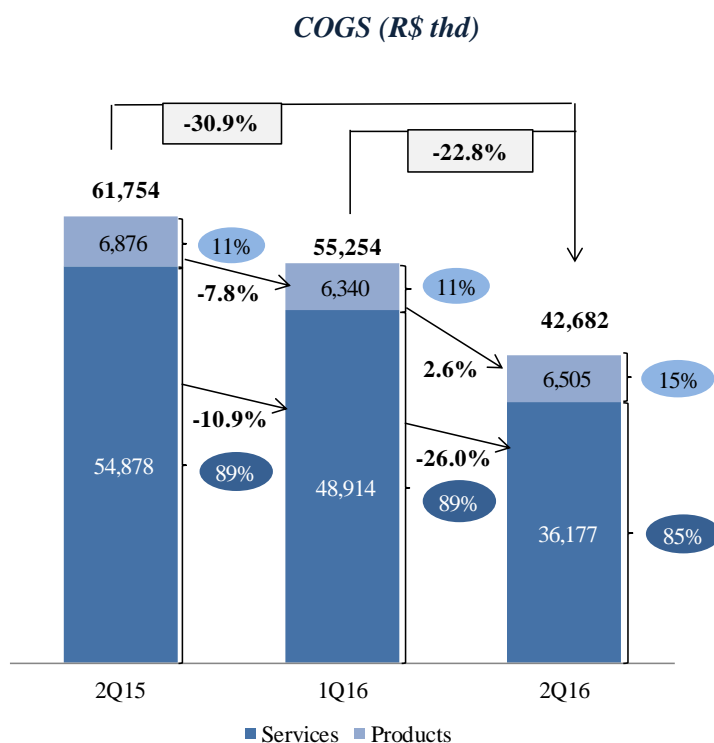
COGS (R\$ thd)	2Q15	2Q16	Chg. %	1Q16	2Q16	Chg. %	1S15	1S16	Chg. %
Products	6,876	6,505	-5.4%	6,340	6,505	2.6%	18,409	12,845	-30.2%
Services	54,878	36,177	-34.1%	48,914	36,177	-26.0%	119,631	85,091	-28.9%
Total	61,754	42,682	-30.9%	55,254	42,682	-22.8%	138,040	97,936	-29.1%

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

Both in Products Segment and Services Segment, the reduction of COGS occurred primarily due to the decrease of operating costs as result of Company's restructuring process to fit the revenue level, being the personnel costs the highest of these reductions (R\$ 19.8 million of personnel costs reduction in the comparative period of 2Q16 with the 2Q15, R\$ 8.7 million comparing 2Q16 with 1Q16 and R\$ 29.8 million of reduction in the first semester of the year compared to the 1S15).

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

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



Gross Profit and Gross Margin

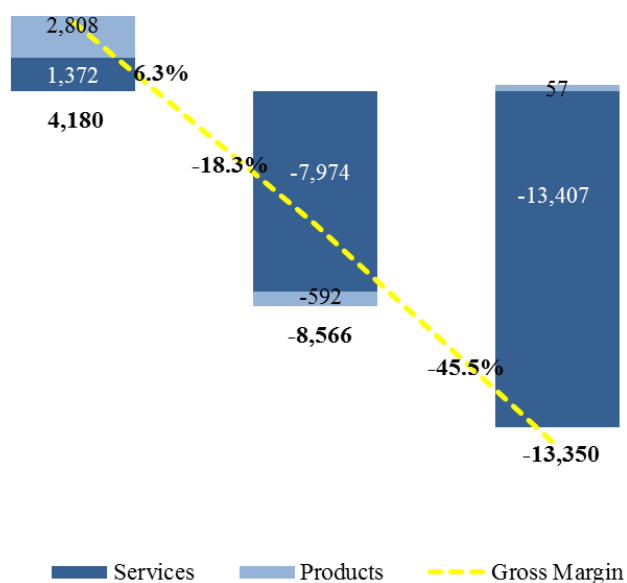
Gross Profit (R\$ thd)	2Q15	2Q16	Chg. %	1Q16	2Q16	Chg. %	1S15	1S16	Chg. %
Products	2,808	57	-98.0%	-592	57	n/a	4,975	-535	n/a
Gross Margin - Products	29.0%	0.9%	-28.1 p.p.	-10.3%	0.9%	11.2 p.p.	21.3%	-4.3%	-25.6 p.p.
Services	1,372	-13,407	n/a	-7,974	-13,407	68.1%	6,132	-21,381	n/a
Gross Margin - Services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

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

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

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

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



Expenses

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

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

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

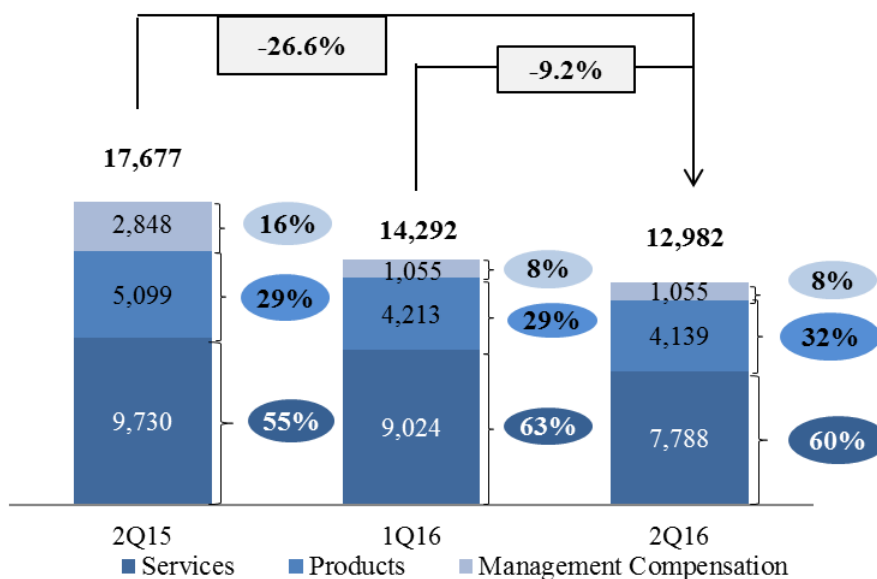
Comparing the 2Q16 with 1Q16, the Sales Expenses were from R\$ 1.9 million in the 1Q16 to R\$ 2.1 million in the 2Q16, an increase of 13.1%, primarily due to the recognition of R\$ 1.0 million of fines with customers in the 2Q16 in Tubular Services & Coating division in the Services Segment.

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

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

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

Operating Expenses (R\$ thd)



Other Operating (Revenues) and Expenses

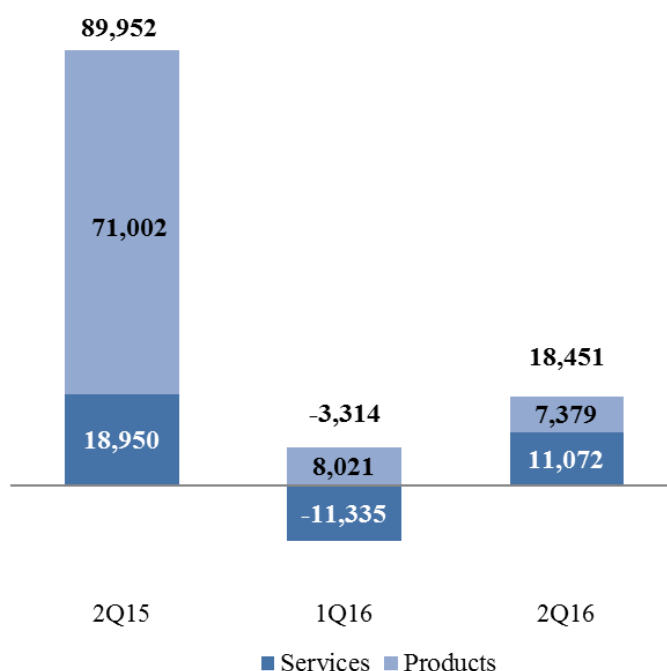
Other Expenses (Income) (R\$ thd)	2Q15	2Q16	Chg. %	1Q16	2Q16	Chg. %	1S15	1S16	Chg. %
Products	71,002	7,379	-89.6%	8,021	7,379	-8.0%	77,808	15,400	-80.2%
Services	18,950	11,072	-41.6%	-11,335	11,072	n/a	20,140	-263	n/a
Total	89,952	18,451	-79.5%	-3,314	18,451	n/a	97,948	15,137	-84.5%

The Other Operating Expenses in the amount of R\$ 18.4 million in the 2Q16, are primarily related to the following factors: (i) R\$ 11.7 million of loss on disposal of fixed assets; (ii) R\$ 3.3 million of cost of idle production (R\$ 9.7 million in the 2Q15 and R\$ 3.4 million in the 1Q16); (iii) R\$ 2.0 million of provision for losses on inventory obsolescence (R\$ 2.1 million in the 2Q15 and R\$ 7.1 million in the 1Q16) and R\$ 0.7 million of provision for loss of lawsuit (R\$ 18.4 million in the 2Q15 and R\$ 0.7 million of reversal in the 1Q16).

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

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

Other Operating Expenses (R\$ thd)



Financial Result

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

* Excluding Exchange Variance

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

Compared to the first semester of 2016, the Total Financial Income (excluding Exchange Variance) increased from R\$ 2.1 million in the 1S15 to R\$ 3.8 million in the 1S16 primarily due to recovery of taxes

and contributions in the amount of R\$ 1.4 million, increase of R\$ 0.5 million of monetary variation on taxes to compensate and to the increase of R\$ 0.5 million of income from financial investments.

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

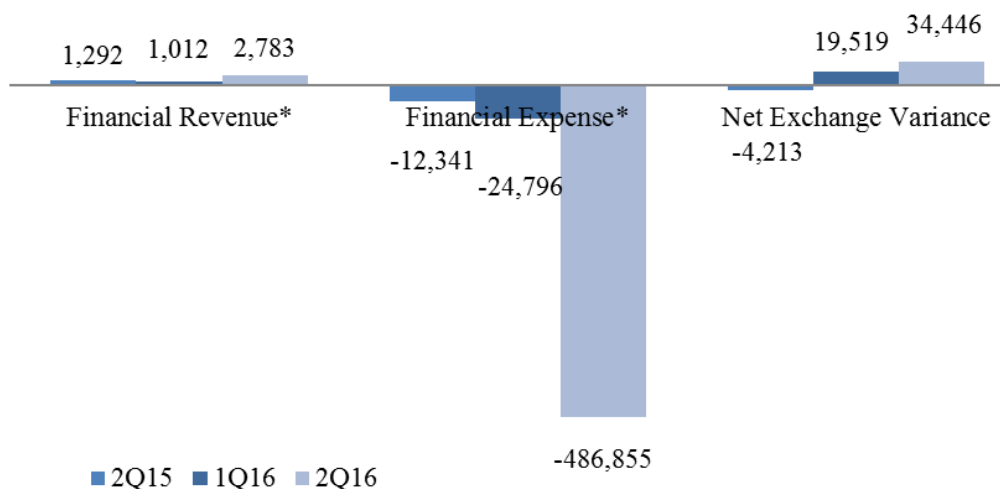
In the first semester of 2016, the Total Financial Expense (excluding Exchange Variance) reached R\$ 511.6 million versus R\$ 23.1 million in the 1S15. Such increase was primarily consequence of the recognition of R\$ 394.8 million of present value adjustment of suppliers, loans, fines, debentures and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

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

The Total Net Financial Result in the 2Q16 resulted in expense of R\$ 449.6 million primarily due to the recognition of expense for present value adjustment of Company's obligations in the amount of R\$ 393.8 million in the 2Q16.

The Total Net Financial Result was from na expense of R\$ 52.5 million in the 1S15 to R\$ 453.9 million in the 1S16, especially due to the recognition of expense for present value adjustment of Company's obligations in the amount of R\$ 394.8 million recorded in the 1S16.

Financial Result Breakdown (R\$ thd)



* Excluding Exchange Variance

Adjusted EBITDA from Continuing Operations¹

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

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

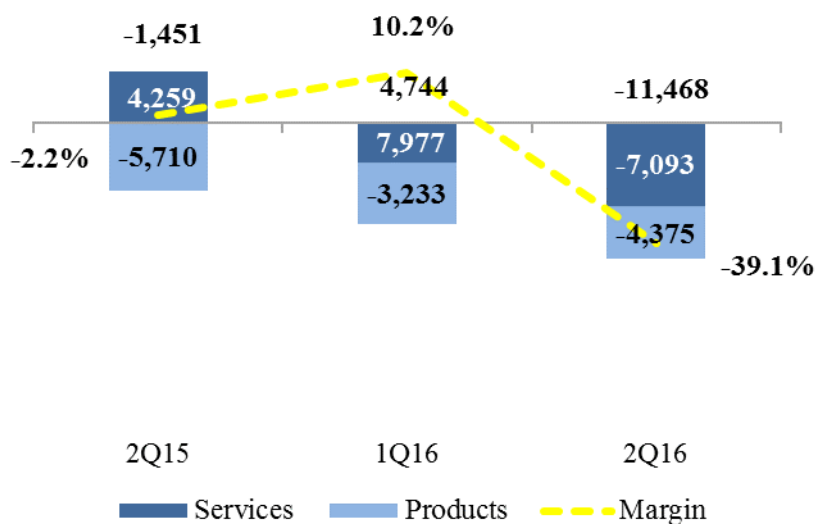
Both the Consolidated Adjusted EBITDA from Products Segment and from Services Segment presented negative amounts in the 2Q16, primarily consequence of reduction in products and services demand, as result of the crisis in the Oil&Gas segment, creating limitations to capture new revenue. The positive variance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

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.

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

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

Adjusted EBITDA (R\$ thd)



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

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

Net Result

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

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

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

2.1 million in the 1S15); (v) R\$ 13.3 million of revenue with disposal of Vicinay Marine S.L investment and (vi) R\$ 17.3 million of fine and interest on taxes (R\$ 1.0 million in the 1S15).

Working Capital

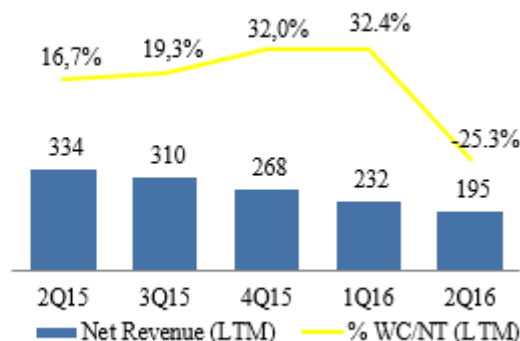
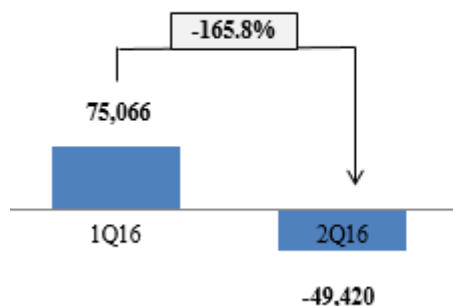
Working Capital (R\$ thd)	1Q16	2Q16	Chg. %	Chg. R\$
Accounts Receivable	57,543	53,279	-7.4%	-4,264
Inventories	49,031	47,745	-2.6%	-1,286
Accounts Payable	27,978	147,393	426.8%	119,415
Advances from Clients	3,530	3,051	-13.6%	-479
Employed Working Capital	75,066	-49,420	-165.8%	-124,486
Employed Working Capital Variance	- 10,746	- 124,486		
% Working Capital/Net Revenues*	32.4%	-25.3%		

*LTM: last 12 months

The rate of Working Capital Needs upon accumulated Net Revenue (12 months) in the 2Q16 reached the negative percentage of 25.3%, reduction of 57.7 percentage points when compared to the rate of 1Q16.

Working Capital (R\$ thd)

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



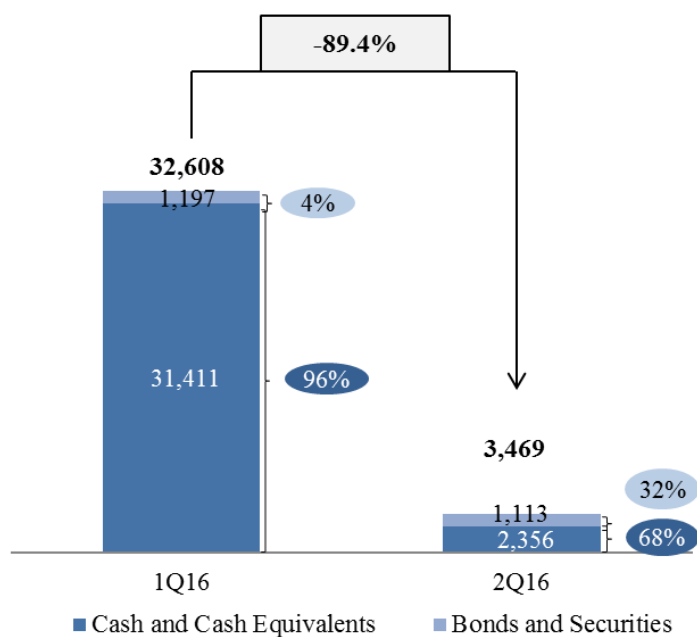
The reception of customers from Oilfield Services Colombia division was the main factor that resulted in the decrease of 7.4% in the Accounts Receivable.

The reclassification of Accounts Payable for short term and the reversal of present value adjustment of them as result of Company's Judicial Recovery Plan cancellation on June 27, 2016, was the main reason for increasing 426.8% in Accounts Payable and for reduction in Working Capital applied in the 2Q16 compared to the 1Q16.

Cash and Cash Equivalents

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

Cash and Cash Equivalents Balances (R\$ thd)



Debt

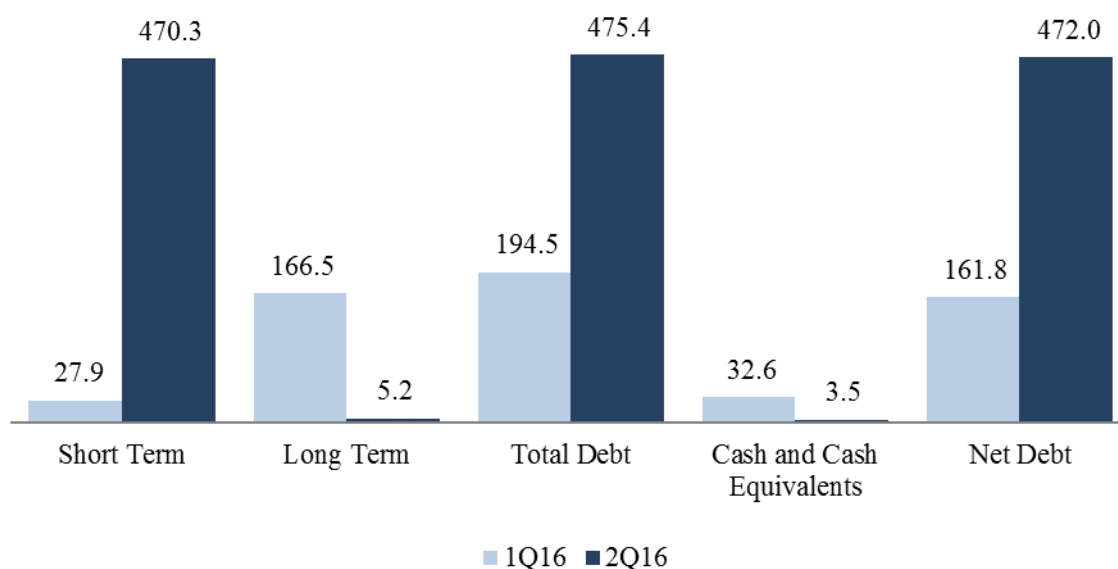
Company's Gross Debt ended the 2Q16 in R\$ 475.4 million, 144.5% higher than reported in the 1Q16.

Debt (R\$ thd)	1Q16	2Q16	Chg. %	Chg. R\$
Short Term	27,926	470,263	1584.0%	442,337
Financing Lines not subject to Judicial Recovery	27,926	29,348	5.1%	1,422
Financing Lines subject to Judicial Recovery	-	194,259	n/a	194,259
Debentures	-	84,927	n/a	84,927
Bonds	-	161,729	n/a	161,729
Long Term	166,525	5,161	-96.9%	- 161,364
Financing Lines subject to Judicial Recovery	159,000	-	n/a	- 159,000
Financing Lines not subject to Judicial Recovery	7,525	5,161	-31.4%	- 2,364
Total Debt	194,451	475,424	144.5%	280,973
Cash and Cash Equivalents	32,608	3,469	-89.4%	- 29,139
Net Debt	161,843	471,955	191.6%	310,112

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

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

Debt Breakdown (R\$ million)

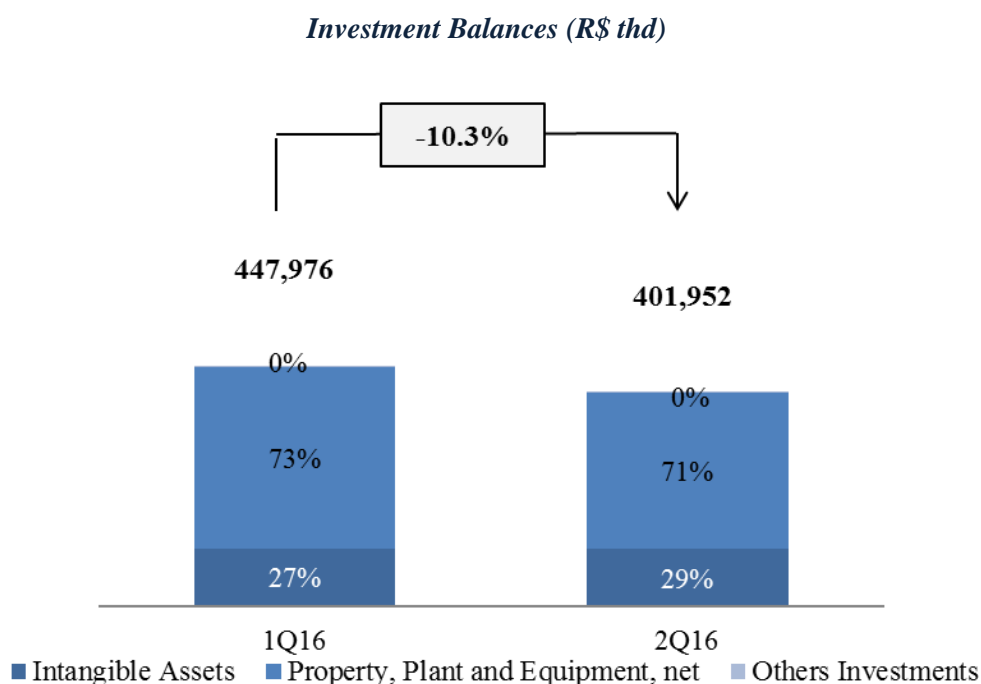


Investment Balance

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

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

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



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

Attachments

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

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

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

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

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

	1Q16	2Q16	% Change
Total Asset	756,988	662,215	-13%
Current Assets	208,794	162,455	-22%
Cash and Cash Equivalents	31,411	2,356	-92%
Securities-restricted	1,197	1,113	-7%
Accounts Receivable	57,543	53,279	-7%
Inventories	49,031	47,745	-3%
Recoverable Taxes	30,805	33,046	7%
Other Accounts Receivable	7,196	4,554	-37%
Anticipated Expenses	4,211	3,949	-6%
Advances to Suppliers	27,400	16,413	-40%
Non-Current Assets	548,194	499,760	-9%
Securities-restricted	5,805	5,397	-7%
Judicial Deposits	22,675	25,156	11%
Recoverable Taxes	39,829	37,017	-7%
Other Accounts Receivable	31,909	30,238	-5%
Investments	676	676	0%
Property, Plant and Equipment	327,685	283,600	-13%
Intangible Assets	119,615	117,676	-2%
Total Liabilities and Shareholders' Equity	756,988	662,215	-13%
Current Liabilities	213,381	871,198	308%
Suppliers - Not Subject to Judicial Recovery	27,978	16,638	-41%
Suppliers - Subject to Judicial Recovery	-	130,755	n/a
Loans and Financing - Not Subject to Judicial Recovery	27,926	29,348	5%
Loans and Financing - Subject to Judicial Recovery	-	194,259	n/a
Debentures - Subject to Judicial Recovery	-	84,927	n/a
Bonds - Subject to Judicial Recovery	-	161,729	n/a
Provisions Payroll and Payroll Payable	17,634	10,673	-39%
Commissions Payable	1,437	888	-38%
Taxes Payable	72,015	62,878	-13%
Obligations and Provisions for Labor Risks and Creditors class I- Subject to Judicial	40,475	36,738	n/a
Advances from Customers	3,530	3,051	-14%
Employee's Profit Sharing	737	-	n/a
Other Accounts Payable	19,623	20,240	3%
Provision for Contratual Fines	2,026	1,113	-45%
Provision for Contratual Fines - Subject to Judicial Recovery	-	117,961	n/a
Non-Current Liabilities	505,805	179,981	-64%
Suppliers - Subject to Judicial Recovery	74,041	-	n/a
Loans and Financing - Subject to Judicial Recovery	159,000	-	n/a
Loans and Financing - Not Subject to Judicial Recovery	7,525	5,161	-31%
Taxes Payable	9,235	9,024	-2%
Deferred Income Tax and Social Contribution	120,155	25,332	-79%
Provision for Contingencies	123,915	129,234	4%
Other Accounts Payable	11,934	11,230	-6%
Shareholders' Equity	37,802	(388,964)	-1129%
Capital Stock	1,853,684	1,853,684	0%
Capital Transaction Reserve	136,183	136,183	0%
Stock Options	13,549	13,549	0%
Equity Valuation Adjustment	93,589	66,834	-29%
Accumulated Losses	(2,059,203)	(2,459,214)	19%

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

	1Q16	2Q16	% Change
CASH FLOW FROM OPERATING ACTIVITIES			
Net Result for the Period	(23,509)	(401,754)	1609%
Adjustments:			
Depreciation and Amortization	12,579	12,637	0%
Result on Sale of Fixed Assets	-	11,712	n/a
Loss (Gain) on Sale of Investments	(13,315)	-	n/a
Financial Charges and Exchange Variance on Financing, Bonds and Debentures	2,183	55,842	2458%
Deferred Income Tax and Social Contribution	(598)	(92,357)	15344%
Losses on Inventory Obsolescence	7,103	(1,589)	n/a
Provision of Contractual Fines	129	1,391	978%
Allowance for Doubtful Accounts	175	(954)	n/a
Present Value Adjustment	996	393,792	39437%
Changes in Assets & Liabilities			
(Increase) Decrease in Accounts Receivable	2,187	3,450	58%
(Increase) Decrease in Inventories	(13)	2,503	n/a
(Increase) Decrease in Recoverable Taxes	(156)	(4,532)	2805%
(Increase) Decrease in Other Assets	(572)	19,768	n/a
(Increase) Decrease in Suppliers	(1,290)	(11,511)	792%
(Increase) Decrease in Taxes Payable	(3,891)	(10,595)	172%
(Increase) Decrease in Others Accounts Payable	(5,578)	(5,897)	6%
Cash Flow from Operating Activities	(23,570)	(28,094)	19%
CASH FLOW FROM INVESTMENT ACTIVITIES			
Proceeds from Sales of Investments	28,599	-	n/a
Securities - Restricted	212	972	358%
Proceeds from Sales of Property, Plant and Equipment	-	6	n/a
Aquisition of Property, Plant and Equipment	(422)	(1,695)	302%
Aquisition of Intangible Assets	(24)	(42)	75%
Cash Flow from Investment Activities	28,365	(759)	n/a
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Loans and Financings	19,257	12,902	-33%
Payment of Loans and Financings - Principal	(22,649)	(12,462)	-45%
Payment of Loans and Financings - Interest	(1,023)	(621)	-39%
Cash Flow from Financing Activities	(4,415)	(181)	-96%
Exchange Variation on Cash and Cash Equivalents for Subsidiaries Abroad	19	(21)	n/a
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	399	(29,055)	n/a
At the Beginning of the Period	31,012	31,411	1%
At the End of the Period	31,411	2,356	-92%

About Lupatech S/A – In Judicial Recovery

Lupatech S/A - In Judicial Recovery is one of Brazilian suppliers of products and services with high value added with focus in the oil and gas sector. Our businesses are organized in two Segments: Products and Services. The Products Segment offers mainly to the oil and gas sector, anchoring ropes for production platforms, valves and equipment for well completion, and significant participation in company of compressors segment for natural vehicular gas. The Services Segment offers services as workover, well intervention, coating and inspection of pipes.

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