



Financial and Economic Performance 3Q16



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

On September 5, 2016, a New Judicial Recovery Plan of the Lupatech Group was filed in the scope of the judicial recovery process, which annulled the approval decision of the plan previously approved by the creditors in the meeting.

The New Judicial Recovery Plan establishes the terms and conditions for the restructuring of the Lupatech Group's debts and meets the criteria established in the judgments of the Second Chamber of Business Law of the Court of Justice of the State of São Paulo.

On November 8, 2016, at the Lupatech Group's General Meeting of Creditors, the New Judicial Recovery Plan was approved.

In order for a New Plan to take effect with regard to the novation of the Lupatech Group's debt, it is necessary for it to be ratified by the 1st Bankruptcy Court, Judicial Recoveries and Arbitration-Related Disputes of the Capital of São Paulo.

The Company still defend the maintenance of the plan approved in a court of first instance on December 11, 2015 and annulled by decision of the 2nd Reserved Chamber of Business Law of the Court of Justice of the State of São Paulo originally presented.

Financial and Economic Performance

Net Revenue

Net Revenue (R\$ thd)	3Q15	3Q16	Chg. %	2Q16	3Q16	Chg. %	9M15	9M16	Chg. %
Products	1,646	7,805	374.2%	6,562	7,805	18.9%	25,030	20,115	-19.6%
Oil&Gas Valves	1,248	2,108	68.9%	587	2,108	259.1%	7,504	3,500	-53.4%
Industrial Valves	4,937	5,697	15.4%	5,975	5,697	-4.7%	10,995	16,615	51.1%
Anchoring Ropes	-	4,539	-	-	-	n/a	6,531	-	-100.0%
Services	65,093	23,589	-63.8%	22,770	23,589	3.6%	190,856	87,299	-54.3%
Oilfield Services Brazil	33,072	16,242	-50.9%	17,031	16,242	-4.6%	105,232	58,051	-44.8%
Oilfield Services Colombia	24,788	7,001	-71.8%	5,739	7,001	22.0%	66,433	23,732	-64.3%
Tubular Services & Coating	7,233	346	-95.2%	-	346	-100.0%	19,191	5,516	-71.3%
Total	66,739	31,394	-53.0%	29,332	31,394	7.0%	215,886	107,414	-50.2%

The Consolidated Net Revenue in the 3Q16 reached R\$ 31.4 million, versus R\$ 66.7 million in the 3Q15 and R\$ 29.3 million in the 2Q16, reduction of 53.0% and increase of 7.0%, respectively. In the accumulated result for the year, the Consolidated Net Revenue reached in the 9M16 R\$ 107.4 million versus R\$ 215.9 million in 9M15, decrease of 50.2%.

The Products Segment presented increase of 374.2% on Consolidated Net Revenue in comparative of 3Q16 versus 3Q15 and a reduction of 19.6% in comparative of 9M16 versus 9M15, from R\$ 1.6 million in 3Q15 to R\$ 7.8 million in 3Q16 and R\$ 25.0 million in 9M15 to R\$ 20.1 million in 9M16. This decrease was mainly due to the crisis in the Oil&Gas segment and a consequent reduction in demand, especially in the Oil&Gas and Anchors Valves divisions, and the recovery of the order book is slow.

Compared to the 3Q16 and 2Q16, the Product Segment increased by 18.9% on Consolidated Net Revenue, from R\$ 6.6 million in the 2Q16 to R\$ 7.8 million in the 3Q16, due to the performance of the Oil&Gas Valves Division, wich presented increase of 259.1%. In the accumulated period, the Consolidated Net Revenue of the Industrial Valves division increased 51.1% in comparative of the 9M15.

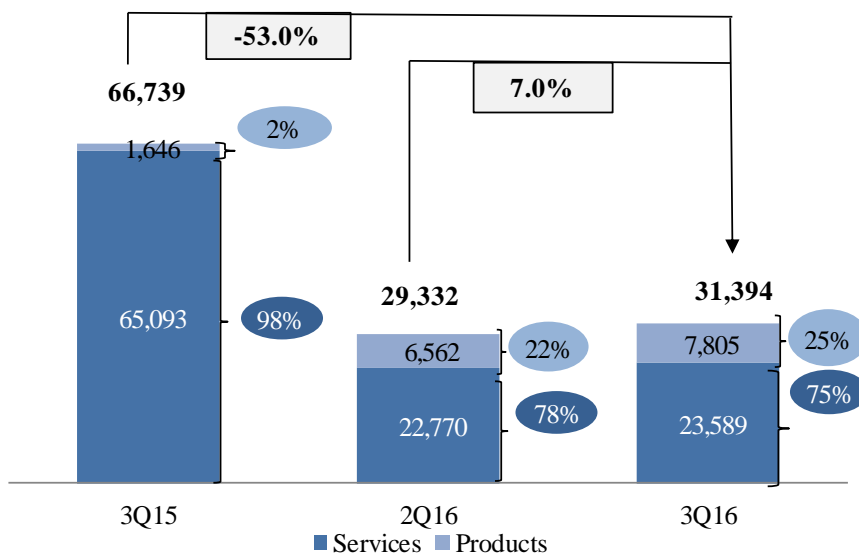
The Services Segment registered a reduction of 63.8% in Consolidated Net Revenue and 54.3% in the comparison of the 3Q16 versus 3Q15 and in the 9M16 versus 9M15, respectively; and an increase of 3.6% in the 3Q16 compared to the 2Q16, from R\$ 22.8 million in the 2Q16 to R\$ 23.6 million in the 3Q16.

The decline on Consolidated Net Revenue from activities in Colombia was 71.8% in 3Q16 compared to 3Q15, 64.3% in the 9M16 compared to the 9M15, affected by the decrease in petroleum prices, which Demand for services by customers was one of the relevant reduction factors in the Consolidated Net Revenue of the Services Segment in these comparative periods. Compared to 3Q16 and 2Q16, the activities in Colombia increased significantly by 22.0% due to a recovery in contract demand.

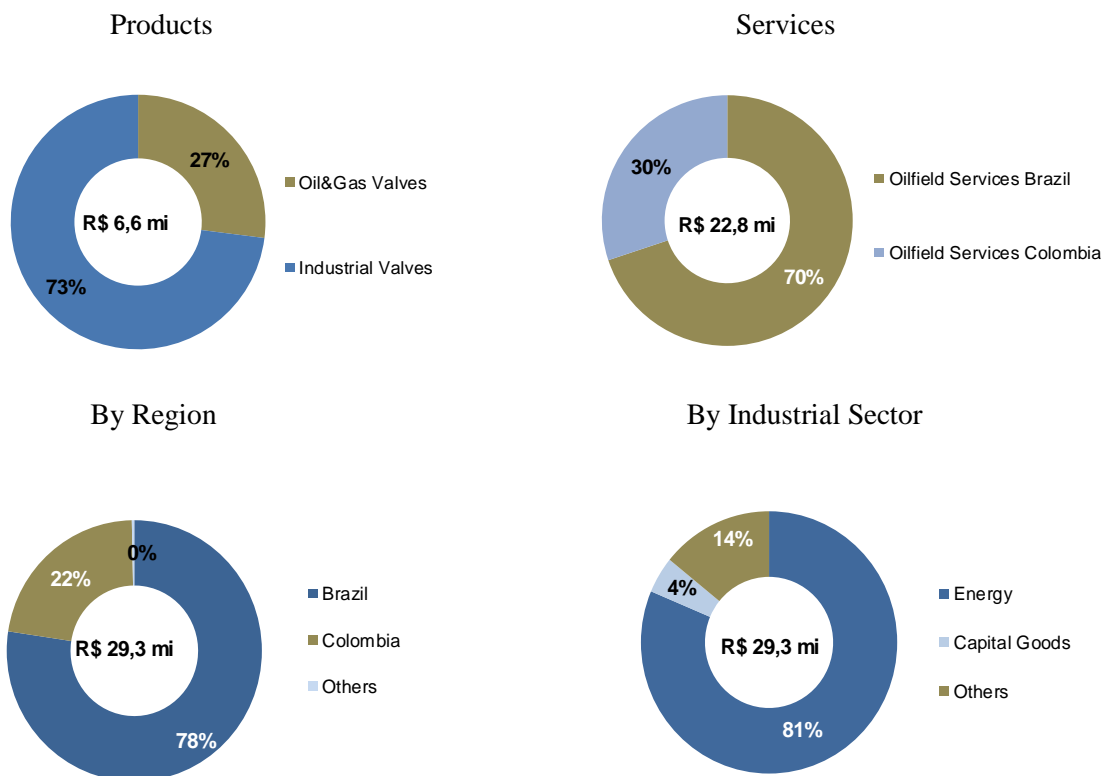
The operations of Oilfield Services Brazil presented a reduction on Consolidates Net Revenue of 50.9% and 4.6% in comparative 3Q16 versus 3Q15 and 3Q16 versus 2Q16, respectively, and a reduction of 44.8% in the period Compared to 9M15, due to the reduction in demand for Petrobras services and the concluded of existing contracts.

The operations of the Tubular Services & Coating division increased Net Revenue by R\$ 346 thousand in the 3Q16 compared to 2Q16. This increase refers to the balance billing of contracts closed with Petrobras. However, this division presented a reduction in the comparison of 3Q16 with 3Q15 and 9M16 accumulated 9M15 versus of 95.2% and 71.3%, respectively, due to the concluded of existing contracts, from R\$ 7.2 million in the 3Q15 to R\$ 346 thousand in the 3Q16 and R\$ 19.2 million in the cumulative period from 9M15 to R\$ 5.5 million in 9M16.

Net Operating Revenue (R\$ thd)



Revenue Distribution – 3Q16



On September 30, 2016, the Company's Backlog of firm orders amounted R\$ 0.3 billion. The conversion of this Backlog is concentrated in the next ten 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

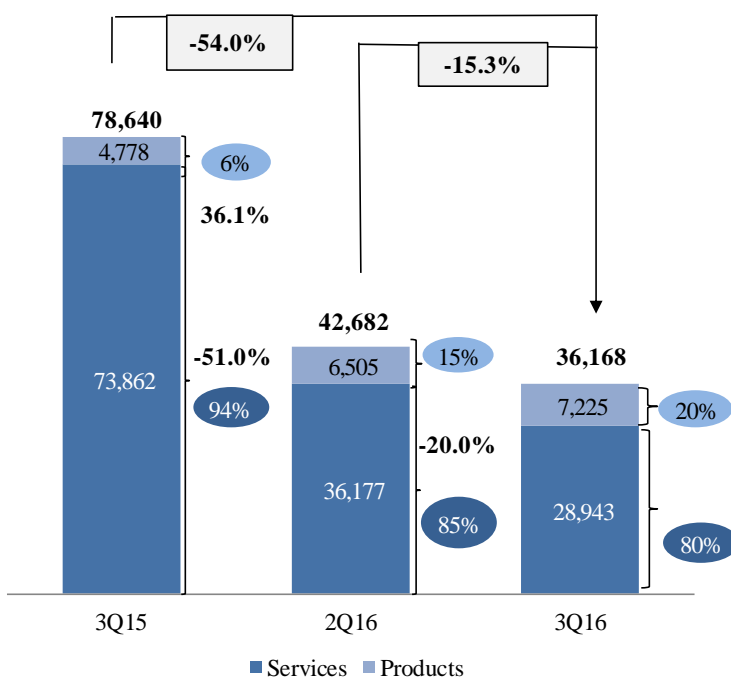
COGS (R\$ thd)	3Q15	3Q16	Chg. %	2Q16	3Q16	Chg. %	9M15	9M16	Chg. %
Products	4,778	7,225	51.2%	6,505	7,225	11.1%	23,187	20,070	-13.4%
Services	73,862	28,943	-60.8%	36,177	28,943	-20.0%	193,493	114,034	-41.1%
Total	78,640	36,168	-54.0%	42,682	36,168	-15.3%	216,680	134,104	-38.1%

The Consolidated Cost on Goods Sold (COGS) presented a reduction in the three comparative periods: 54.0% in the 3Q16 compared to the 3Q15 (R\$ 36.2 million in the 3Q16 versus R\$ 78.6 million in the 3Q15), 15.3% in the 3Q16 compared to the 2Q16 (R\$ 36.2 million in the 3Q16 versus R\$ 42.7 million in the 2Q16) and 38.1% in the first nine months of 2016 compared to the same period in 2015 (R\$ 134.1 million in the 9M16 versus R\$ 216.7 million in the 9M15).

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\$ 17.1 million of personnel costs reduction in the comparative period of 3Q16 with the 3Q15, R\$ 36.4 million comparing 3Q16 with 2Q16 and R\$ 46.9 million of reduction in the 9M16 compared to the 9M15).

The COGS of Products Segment increased 11.1% in the 3Q16 compared to the 2Q16, from R\$ 6.5 million in the 2Q16 to R\$ 7.2 million in the 3Q16, due to the growth of Net Revenue in Oil&Gas Valves division in this comparative period.

COGS (R\$ thd)



Gross Profit and Gross Margin

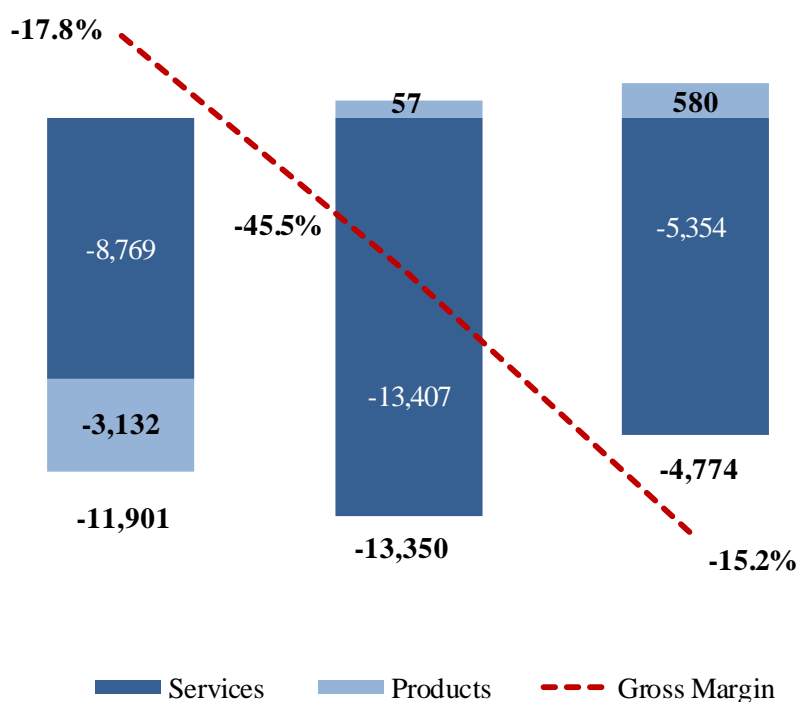
Gross Profit (R\$ thd)	3Q15	3Q16	Chg. %	2Q16	3Q16	Chg. %	9M15	9M16	Chg. %
Products	-3,132	580	-118.5%	57	580	n/a	1,843	45	n/a
Gross Margin - Products	-190.3%	7.4%	-197,7 p.p.	0.9%	7.4%	6,5 p.p.	7.4%	0.2%	-7,2 p.p.
Services	-8,769	-5,354	n/a	-13,407	-5,354	-60.1%	-2,637	-26,735	n/a
Gross Margin - Services	-13.5%	-22.7%	-9,2 p.p.	-58.9%	-22.7%	-36,2 p.p.	-1.4%	-30.6%	-29,2 p.p.
Total	-11,901	-4,774	n/a	-13,350	-4,774	-64.2%	-794	-26,690	n/a
Gross Margin - Total	-17.8%	-15.2%	-2,6 p.p.	-45.5%	-15.2%	-30,3 p.p.	-0.4%	-24.8%	-24,4 p.p.

Due to reduction of Consolidated Net Revenue of R\$ 35.3 million (53.0%), dismissal costs that totaled R\$ 3.2 million (R\$ 2.5 million refer to Services Segment and R\$ 0.7 million to Products Segments) and impact of fixed costs, the Total Gross Profit was negative in R\$ 4.8 million in the 3Q16 compared to the negative amount of R\$ 11.9 million in the 3Q15.

Compared to the 2Q16, despite of growth in the Gross Profit of Products Segment and the increase of 6.5 percentage points in the Gross Margin due to performance of Oil&Gas Valves division in the 3Q16, the Total Gross Profit was from a negative amount of R\$ 13.4 million and negative Total Gross Margin of 45.5% in the 2Q16 to a negative Gross Profit of R\$ 4.8 million and negative Gross Margin of 15.2% in the 3Q16 due to the performance of Services Segment, that had a negative Gross Profit of R\$ 5.3 million, and a negative Gross Margin of 22.7%.

In the nine months of 2016, the Total Gross Profit was negative of R\$ 26.7 million and the Gross Margin was negative of 24.8%, due to a reduction of R\$ 108.5 million in Net Revenue and of dismissal costs in the amount R\$ 11.5 million.

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



Expenses

Expenses (R\$ thd)	3Q15	3Q16	Chg. %	2Q16	3Q16	Chg. %	9M15	9M16	Chg. %
Total Sales Expenses	2,839	2,147	-24.4%	2,121	2,147	1.2%	10,458	6,144	-41.3%
Sales Expenses - Products	2,031	1,416	-30.3%	818	1,416	73.1%	6,386	3,327	-47.9%
Sales Expenses - Services	808	731	-9.5%	1,303	731	-43.9%	4,072	2,817	-30.8%
Total Administrative Expenses	13,861	8,849	-36.2%	9,806	8,849	-9.8%	38,275	30,016	-21.6%
Administrative Expenses - Products	2,480	3,246	30.9%	3,321	3,246	-2.3%	9,935	9,687	-2.5%
Administrative Expenses - Services	11,381	5,603	-50.8%	6,485	5,603	-13.6%	28,340	20,329	-28.3%
Management Compensation	1,096	1,000	-8.8%	1,055	1,000	-5.2%	5,237	3,110	-40.6%
Total Sales, Administratives and Management Compensation	17,796	11,996	-32.6%	12,982	11,996	-7.6%	53,970	39,270	-27.2%

The Consolidated Sales and Administrative Expenses and the Management Salary presented a decrease in the three comparative periods: 32.6% in the 3Q16 compared to the 3Q15 (R\$ 12.0 million in the 3Q16 versus R\$ 17.8 million in the 3Q15), 7.6% in the 3Q16 compared to the 2Q16 (R\$ 12.0 million in the 3Q16 versus R\$ 13.0 million in the 2Q16) and 27.2% comparing 9M16 that reached R\$ 39.3 million versus R\$ 54.0 million in the 9M15.

The Sales Expenses decreased 24.4% in the 3Q16 compared to the 3Q15 (from R\$ 2.8 million in the 3Q15 to R\$ 2.1 million in the 3Q16), primarily due to the reduction of Net Revenue. In the nine months of the 2016, the Sales Expenses reduced 41.3% (from R\$ 10.5 million in the 9M15 to R\$ 6.1 million in the 9M16), having as main reason the reduction of the Net Revenue of R\$ 108.5 million.

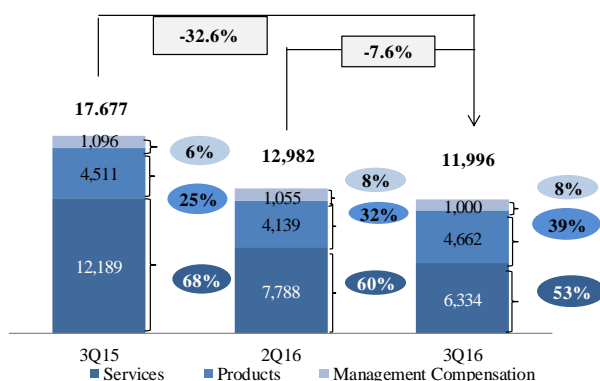
Comparing the 3Q16 with 2Q16, the Sales Expenses remained stable at R\$ 2.1 million. On the other hand, the Sales Expenses in the Services Segment decreased by 43.9% in the 3Q16 compared to 2Q16, mainly due to the reversal of R\$ 0.6 million in receivables in the 3Q16 in the Oilfield Services Brazil division. At the Product Segment, Sales Expenses increased from R\$ 0.8 million in the 2Q16 to R\$ 1.4 million in the 3Q16, such increase occurred mainly because in the 2Q16 there was a reversal of R\$ 0.9 million of losses with non-recurring receivables in the 3Q16.

The Administrative Expenses presented reduction in the three comparative periods: 36.2% and 9.8% comparing 3Q16 with 3Q15 and with 2Q16, respectively, and 21.6% in 9M16 with 9M15, primarily due to decrease in salary expenses in the Services Segment.

The Administrative Expenses of Products Segment increased 30.9% comparing 3Q16 with 3Q15, primarily due to expenses of R\$ 0.7 million with re-export of yarns in the Anchoring Ropes division.

The Management Salary remained stable in the amount of R\$ 1.1 million in the 2Q16 and R\$ 1.0 million in the 3Q16. Comparing the 3Q16 with 3Q15, the Management Salary reduced 8.8% and comparing 9M16 with 9M15 they reduced 40.6%, from R\$ 5.2 million in the 9M15 to R\$ 3.1 million in the 9M16.

Operating Expenses (R\$ thd)



Other Operating (Revenues) and Expenses

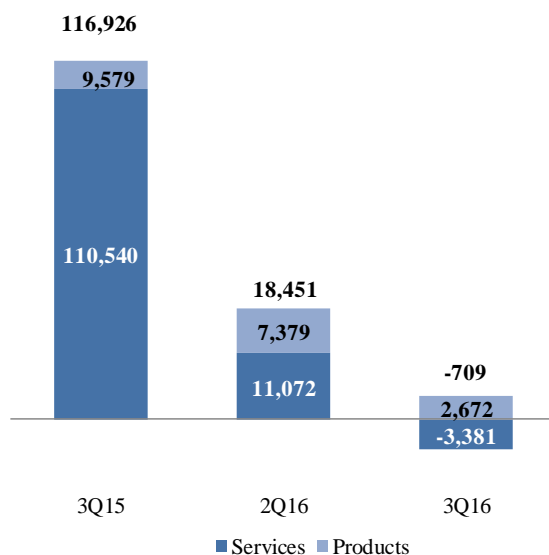
Other Expenses (Income) (R\$ thd)	3Q15	3Q16	Chg. %	2Q16	3Q16	Chg. %	9M15	9M16	Chg. %
Products	6,386	2,672	-58.2%	7,379	2,672	-63.8%	84,194	18,072	-78.5%
Services	110,540	-3,381	-103.1%	11,072	-3,381	-130.5%	130,680	-3,644	-102.8%
Total	116,926	-709	-100.6%	18,451	-709	-103.8%	214,874	14,428	-93.3%

The Other Operating Expenses in the negative amount of R\$ 0.7 million in the 3Q16, are primarily related to the following factors: (i) R\$ 3.0 million of cost of idle production (R\$ 5.2 million in the 3Q15 and R\$ 3.3 million in the 2Q16); (ii) R\$ 0.9 million of provision for losses on inventory obsolescence (R\$ 2.4 million in the 3Q15 and R\$ 2.0 million in the 2Q16); (iii) R\$ 4.0 million of provision for loss of lawsuit (R\$ 26.0 million in the 3Q15 and R\$ 0.7 million in the 2Q16) and R\$ 0.5 million of fine applied to customers in the Services Segment.

Comparing the 3Q16 with the 3Q15, the Other Operating Expenses reduced 100.6% primarily due to the recognition in the 3Q15 of R\$ 84.4 million of provision for loss due to the non-recoverability of fixed assets, according to the appraisal report prepared in accordance with the demand for the Judicial Recovery process, non-recurring in 3Q16.

In the 9M16, the Other Operating Expenses decreased 93.3%, from R\$ 214.9 million in the 9M15 to R\$ 14.4 million in the 9M16, primarily due to the recognition in the 9M15 of R\$ 84.4 million of provision for loss due to the non-recoverability of fixed assets, and goodwill impairment of R\$ 60.0 million, both non-recurring records in 9M16.

Other Operating Expenses (R\$ thd)



Financial Result

Financial Result (R\$ thd)	3Q15	3Q16	Chg. %	2Q16	3Q16	Chg. %	9M15	9M16	Chg. %
Income from Financial Investments	247	244	-1.2%	480	244	-49.2%	653	1,135	73.8%
Monetary Variation	493	555	12.6%	573	555	-3.1%	991	1,306	31.8%
Interest on Receivables	309	1,942	528.5%	310	1,942	526.5%	1,177	2,560	117.5%
Others	153	17	-88.9%	1,420	17	-98.8%	451	1,552	244.1%
Financial Revenue*	1,202	2,758	129.5%	2,783	2,758	-0.9%	3,272	6,553	100.3%
(Expense) Reversal of Interest Expenses	-18,830	-14,831	-21.2%	-72,801	-14,831	-79.6%	-34,891	-91,533	162.3%
Present Value Adjustment	-	0	n/a	-393,792	0	-100.0%	-	-394,788	n/a
Discount Granted	-	-1	n/a	-	-1	n/a	-	-766	n/a
(Provision) Reversal of Provision for Interest on Suppliers	-2,051	-8,672	322.8%	-16,475	-8,672	-47.4%	-3,562	-27,447	670.6%
Fines and Interest on Taxes	-	-1,991	-100.0%	-1,802	-1,991	10.5%	0	-19,248	-100.0%
Banking Expenses, Taxes and Others	-2,921	-889	-69.6%	-1,985	-889	-55.2%	-8,410	-4,253	-49.4%
Financial Expense*	-23,802	-26,384	10.8%	-486,855	-26,384	-94.6%	-46,863	-538,035	1048.1%
Net Financial Result*	-22,600	-23,626	4.5%	-484,072	-23,626	-95.1%	-43,591	-531,482	1119.2%
Exchange Variance Revenue	261,858	11,476	-95.6%	190,936	11,476	-94.0%	587,080	392,226	-33.2%
Exchange Variance Expense	-322,972	-14,707	-95.4%	-156,490	-14,707	-90.6%	-679,697	-341,492	-49.8%
Net Exchange Variance	-61,114	-3,231	n/a	34,446	-3,231	-109.4%	-92,617	50,734	n/a
Net Financial Result - Total	-83,714	-26,857	-67.9%	-449,626	-26,857	-94.0%	-136,208	-480,748	253.0%

* Excluding Exchange Variance

The Total Financial Income (excluding Exchange Variance) in the 3Q16 reached R\$ 2.8 million versus R\$ 1.2 million in the 3Q15, a increase of 129.5%, primarily due to the receipt of contractual withholdings contracted by Petrobras client in the amount of R\$ 1.6 million. Compared to 2Q16, Total Financial Income (excluding Exchange Variance) remained stable reaching R\$ 2.8 million in the 3Q16 versus R\$ 2.8 million in the 2Q16.

Compared to the 9M15, Total Financial Income (excluding Exchange Variation) increased from R\$ 3.3 million in the 9M15 to R\$ 6.6 million in the 9M16, mainly due to the recovery of taxes and contributions in the amount of R\$ 1.4 million in addition to the receipt of interest related to contractual withholdings of Petrobras in the amount of R\$ 1.6 million, an increase of R\$ 0.3 million in monetary variation on taxes to be offset and an increase of R\$ 0,5 million rents of financial investments.

Total Financial Expenses (excluding Foreign Exchange Variation) in the 3Q16 compared to 3Q15 reached R\$ 26.4 million in the 3Q16 versus R\$ 23.9 million in the 3Q15. Compared to 2Q16 and 3Q16, Total Financial Expenses (excluding Exchange Variation) decreased by 94.6%, from R\$ 486.9 million to R\$ 26.4 million, respectively, mainly due to the reversal in the 2Q16 of R\$ 393.8 million of adjustment to present value of suppliers, loans, fines, Bonds, debentures and R\$ 80.2 million of interest on loans, financing, debentures and suppliers as a result of the cancellation of the Company's Judicial Recovery Plan.

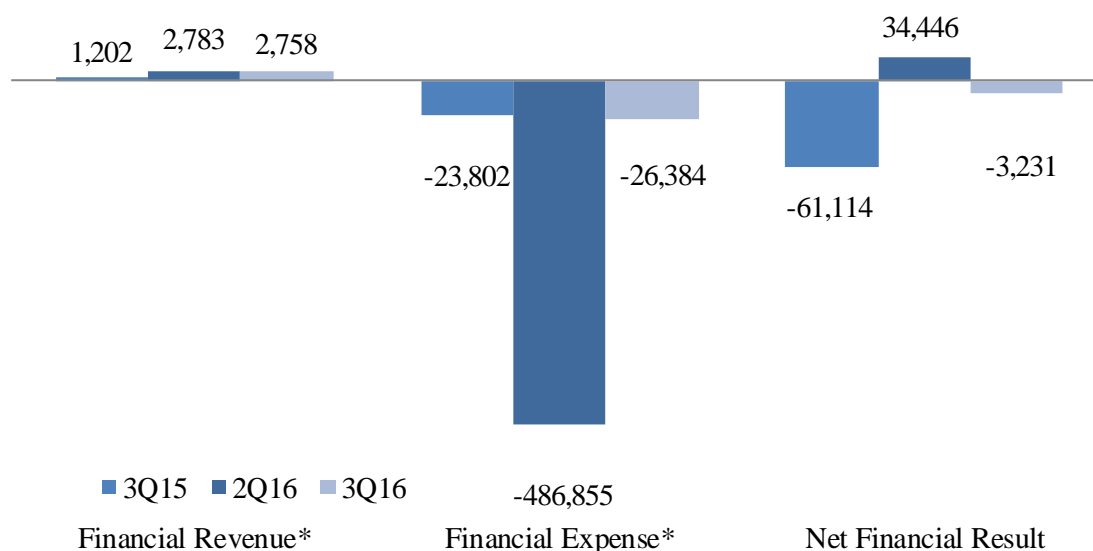
In the first nine months of 2016, Total Financial Expenses (excluding Foreign Exchange Variation) reached R\$ 538.0 million versus R\$ 46.9 million in the 9M15. This increase was mainly due to the reversal of R\$ 394.8 million of adjustment to the present value of suppliers, loans, fines, Bonds, debentures and R\$ 80.2 million interest on loans, financing, debentures and suppliers as a result of annulment of the Company's Judicial Recovery Plan, as well as due to the registration of R\$ 19.2 million of fines and interest on arrears on contingencies and tax debts.

The Net Exchange Variance in the 3Q16 resulted in expense of R\$ 3.2 million versus an expense of R\$ 61.1 million in the 3Q15 affected by valuation of 1.1% in U.S. dollar against Brazilian Real in the 3Q16 versus a devaluation of 8.8% in U.S. dollar in the 3Q15. In the 2Q16, the Net Exchange Variance resulted in revenue of R\$ 34.4 million affected by devaluation of 19.2% in U.S. dollar against Brazilian Real in the 3Q15. In the 9M16, the Net Exchange Variance resulted in revenue of R\$ 50.7 million versus expense of R\$ 92.7 million in the 9M15, affected by devaluation of 16.9% in U.S. dollar against Brazilian Real in the 9M16 versus a valuation of 49.6% in U.S. dollar in the 9M15.

The Total Net Financial Result in the 3Q16 resulted in expense of R\$ 26.9 million versus a expense of R\$ 449.6 million in the 2Q16. This reduction 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 non-recurring records in 3Q16.

The Total Net Financial Result was from an expense of R\$ 136.2 million in the 9M15 to R\$ 480.7 million in the 9M16, 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 9M16.

Financial Result Breakdown (R\$ thd)



* Excluding Exchange Variance

Adjusted EBITDA from Continuing Operations ¹

The Consolidated Adjusted EBITDA from Continuing Operations was negative in R\$ 2.9 million in the 3Q16 versus negative result of R\$ 0.9 million in the 3Q15, and negative result of R\$ 11.5 million in the 2Q16. The EBITDA Margin was negative of 9.2% in the 3Q16, with negative variance of 7.9 percentage points compared to the presented in the 3Q15 and 29.9 percentage points compared to the presented in the 2Q16.

Adjusted EBITDA (R\$ thd)	3Q15	3Q16	Chg. R\$	Chg. %	2Q16	3Q16	Chg. R\$	Chg. %	9M15	9M16	Chg. R\$	Chg. %
Products	9,563	4,102	5,461	-57.1%	4,375	4,102	273	-6.2%	-23,142	8,477	14,665	-63.4%
Margin	-581.0%	-52.6%	528.4 p.p		-66.7%	-52.6%	-	14.1 p.p	-92.5%	-42.1%	-	50.3 p.p
Services	8,702	1,213	7,489	n/a	7,093	1,213	8,306	-117.1%	16,710	5,880	22,591	n/a
Margin	13.4%	5.1%	-8.2 p.p		-31.2%	5.1%	-	36.2 p.p	8.8%	-6.7%	-	-15.5 p.p
Total	861	2,889	2,028	235.5%	11,468	2,889	8,579	-74.8%	6,431	14,357	7,926	123.2%
Margin	-1.3%	-9.2%	-7.9 p.p		-39.1%	-9.2%	-	29.9 p.p	-3.0%	-13.4%	-	-10.4 p.p
% Products	1111%	142%			38%	142%			360%	59%		
% Services	-1011%	-42%			62%	-42%			-260%	41%		

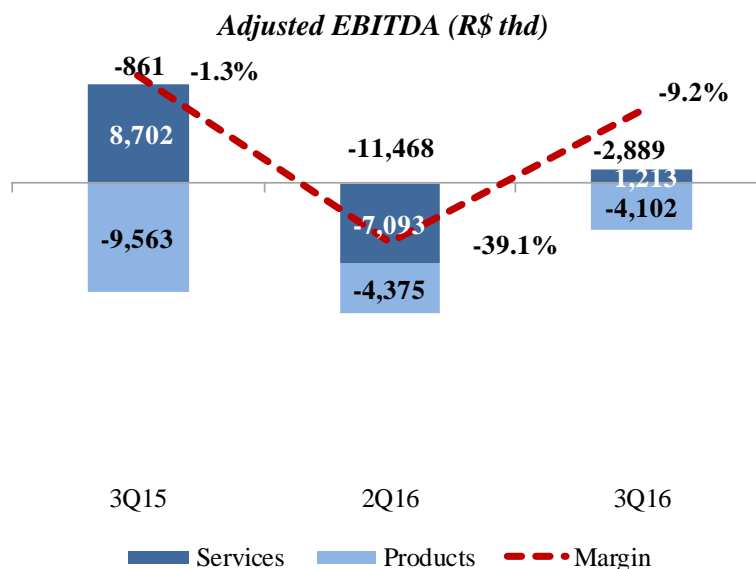
Both the Consolidated Adjusted EBITDA from Products Segment and from Services Segment presented negative amounts in the 3Q16, primarily consequence of reduction in products and services demand, as result of the crisis in the Oil&Gas segment. The positive variance of R\$ 5.5 million in the Products Segment

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.

EBITDA in the 3Q16 compared to the 3Q15 was mainly due to the increase in net margin of 7.4 percentage points and a reduction of R\$ 2.2 million in idle expenses of production in the 3Q16.

Adjusted Ebitda Reconciliation (R\$ thd)	3Q15	2Q16	3Q16
Gross Profit	-11,901	-13,350	-4,774
SG&A	-16,700	-11,927	-10,996
Management Compensation	-1,096	-1,055	-1,000
Depreciation and Amortization	12,820	12,637	11,823
Operational Revenues/Expenses	-116,926	-18,451	709
Ebitda from Continuing Operations	-133,803	-32,146	-4,238
Provision for Variable Compensation	218	-394	0
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets/ Reversal of Judicial Processes	112,749	14,403	-3,064
Fines with Customers	-17	1,391	69
Restructuring Process and Other Extraordinary Expenses	19,992	5,278	4,344
Adjusted EBITDA from Continuing Operations	-861	-11,468	-2,889

The Consolidated Adjusted EBITDA from Continuing Operations in the 9M16 was negative in R\$ 14.4 million versus negative result of R\$ 6.4 million in the 9M15, especially as result of significant reduction in Net Revenue in the 9M16. The Consolidated EBITDA Margin increased 10.4 percentage points, from negative 3.0% in the 9M15 to negative 13.4% in the 9M16. The positive variation of R\$ 14.7 million in EBITDA of the 9M16 Product Segment compared to 9M15 is mainly due to the reduction of R\$ 12.2 million in idle production expenses in the 9M16.



3Q16

Adjusted Ebitda Reconciliation (R\$ thd)	Products	Services	Total
Gross Profit	580	-5,354	-4,774
SG&A	-4,662	-6,334	-10,996
Management Compensation	-240	-760	-1,000
Depreciation and Amortization	1,796	10,027	11,823
Operational Revenues/Expenses	-2,672	3,381	709
Ebitda from Continuing Operations	-5,198	960	-4,238
Provision for Variable Compensation	0	0	0
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets/ Reversal of Judicial Processes	257	-3,321	-3,064
Fines with Customers	55	14	69
Restructuring Process and Other Extraordinary Expenses	784	3,560	4,344
Adjusted EBITDA from Continuing Operations	-4,102	1,213	-2,889

In the 3Q16 Expenses with obsolescence and extraordinary losses of inventories totaled R\$ 1.0, while reversals with lawsuits totaled R\$ 4.0 million.

Net Result

Net Result (R\$ thd)	3Q15	3Q16	Chg. %	2Q16	3Q16	Chg. %	9M15	9M16	Chg. %
Result Before Income Tax and Social Contribution	-227,756	-52,840	-76.8%	-494,409	-52,840	-89.3%	-403,636	-571,058	41.5%
Income Tax and Social Contribution - Current	-1,623	-171	-89.5%	-1,819	-171	-90.6%	-2,847	-2,288	-19.6%
Income Tax and Social Contribution - Deferred	-655	1,377	-310.2%	94,474	1,377	-98.5%	635	96,449	15088.8%
Result of Discontinued Operation	0	0	n/a	0	0	n/a	-21,963	0	n/a
Net Result	-230,034	-51,634	-77.6%	-401,754	-51,634	-87.1%	-427,811	-476,897	11.5%
Net Result per 1000 Shares	-0.10	-5.50	5398.3%	-0.18	-5.50	2899.3%	-0.18	-50.77	27416%

The Net Result in the 3Q16 was a loss of R\$ 51.6 million, compared to the loss of R\$ 230.0 million in the 3Q15 and with the loss of R\$ 401.8 million in the 2Q16. The main extraordinary events that contributed for that performance in the 3Q16 were: (i) R\$ 2.2 million of idle production expenses (R\$ 5.2 million in the 3Q15 and R\$ 3.3 million in the 2Q16); (ii) R\$ 0.9 million of provision for inventory obsolescence and inventory extraordinary loss (R\$ 2.4 million in the 3Q15 and R\$ 2.0 million in the 2Q16); (iii) R\$ 4.0 million of reversal of provision for loss of lawsuit (R\$ 26.0 million in the 3Q15 and R\$ 0.7 million in the 2Q16) and (iv) R\$ 5.4 million of customs expenditures.

The Net Result in the 9M16 was a loss of R\$ 476.9 million versus loss of R\$ 427.8 million in the 9M15. The main extraordinary events that contributed for that performance in the 9M16 were: (i) R\$ 394.8 million of expense with present value adjustment of suppliers, loans, fines, debentures and Bonds; (ii) R\$ 9.8 million of costs of idle production (R\$ 21.9 million in the 9M15); (iii) R\$ 11.7 million of loss on disposal of fixed assets; (iv) R\$ 11.2 million of provision for inventory obsolescence and inventory extraordinary loss (R\$ 4.7 million in the 9M15); (v) R\$ 13.3 million of revenue with disposal of Vicinay Marine S.L investment and (vi) R\$ 19.2 million of fine and interest on contingencies and tax debits.

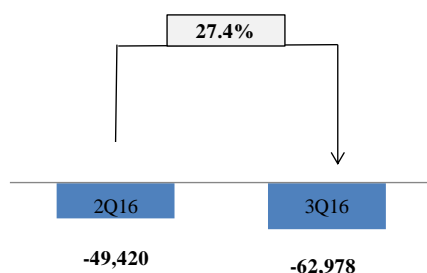
Working Capital

Working Capital (R\$ thd)	2Q16	3Q16	Chg. %	Chg. R\$
Accounts Receivable	53,279	43,100	-19.1%	-10,179
Inventories	47,745	50,947	6.7%	3,202
Suppliers	147,393	154,124	4.6%	6,731
Advances from Clients	3,051	2,901	-4.9%	-150
Employed Working Capital	- 49,420	- 62,978	27.4%	-13,558
Employed Working Capital Variance	- 124,486	- 13,558		
% Working Capital/Net Revenues*	-25.3%	-8.5%		

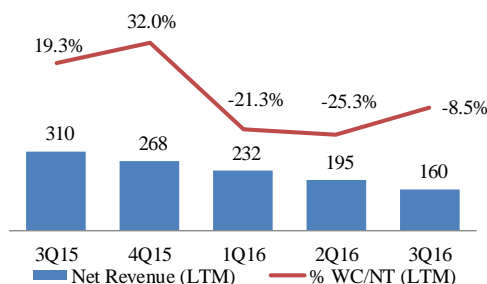
*LTM: last 12 months

The rate of Working Capital Needs upon accumulated Net Revenue (12 months) in the 3Q16 reached the negative percentage of 8.5%, reduction of 16.8 percentage points when compared to the rate of 2Q16.

Working Capital (R\$ thd)



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

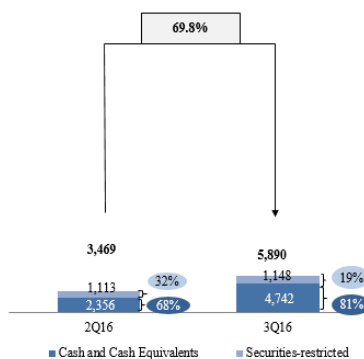


The reception of customers from Oilfield Services Colombia division and Oilfield Services Brazil was the main factor that resulted in the decrease of 19.1% in the Accounts Receivable, and increase of the 4.6% in the balance of suppliers is due to the effect of the cancellation of the Company's Judicial Recovery Plan on June 27, 2016.

Cash and Cash Equivalents

The consolidated position in Company's Cash and Cash Equivalents in the 3Q16 reached R\$ 5.9 million compared to the amount of R\$ 3.5 million in the 2Q16, an increase of 69.8%. Such increase refers mainly to the receipt of contractual withholdings contracted by Petrobras client in the amount of R\$ 1.6 million.

Cash and Cash Equivalents Balances (R\$ thd)



Debt

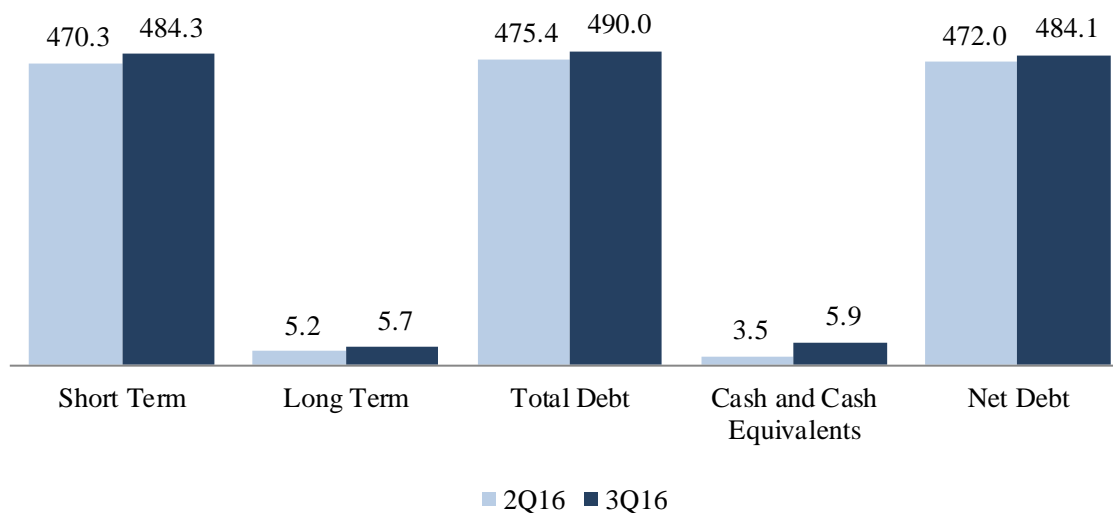
Company's Gross Debt ended the 3Q16 in R\$ 490 million, 3.1% higher than reported in the 2Q16.

Debt (R\$ thd)	2Q16	3Q16	Chg. %	Chg. R\$
Short Term	470,263	484,251	3.0%	13,988
Financing Lines not subject to Judicial Recovery	29,348	28,643	-2.4%	- 705
Financing Lines subject to Judicial Recovery	194,259	202,946	4.5%	8,687
Debentures	84,927	87,872	3.5%	2,945
Bonds	161,729	164,790	1.9%	3,061
Long Term	5,161	5,716	10.8%	555
Financing Lines subject to Judicial Recovery	-	-	n/a	-
Financing Lines not subject to Judicial Recovery	5,161	5,716	10.8%	555
Total Debt	475,424	489,967	3.1%	14,543
Cash and Cash Equivalents	3,469	5,890	69.8%	2,421
Net Debt	471,955	484,077	2.6%	12,122

This increase is mainly a consequence of the exchange variation on Bonds due to the appreciation of 1.1% in the US dollar against the Real in the 3Q16.

Combined Cash and Cash Equivalents, the Company's Net Debt ended the 3Q16 in R\$ 484.0 million, increase of 2.6% versus the amount in the 2Q16.

Debt Breakdown (R\$ million)



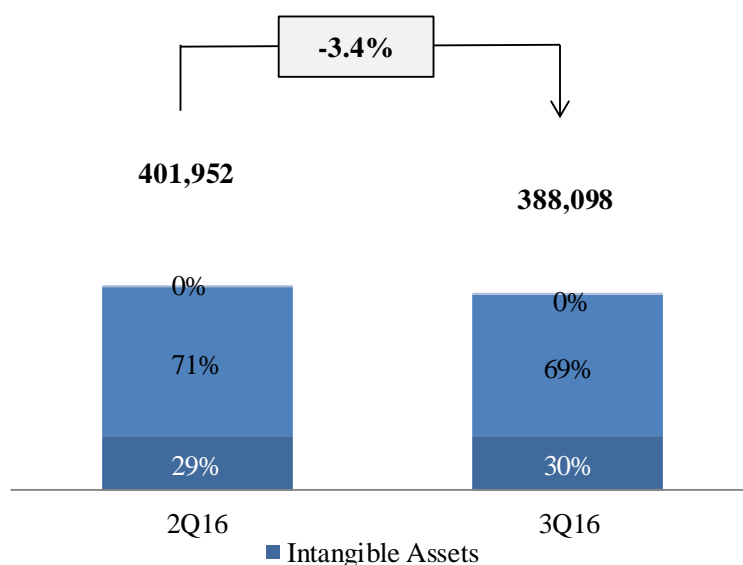
Investment Balance

Company's Investment Balances in the 3Q16 totaled R\$ 388.1 million, a reduction of 3.4% compared to the R\$ 401.9 million presented in the 2Q16.

Investments (R\$ thd)	2Q16	3Q16	Chg. %	Chg. R\$
Others Investments	676	676	0.0%	0
Property, Plant and Equipment, net	283,600	269,703	-4.9%	-13,897
Intangible Assets	117,676	117,719	0.0%	43
Total	401,952	388,098	-3.4%	-13,854

The Fixed Assets presented a decrease of 4.9% in the 3Q16 especially due to the recognition of depreciation in the amount of R\$ 11.4 million, due to the effect of exchange variance on the fixed assets of foreign subsidiaries in the amount of R\$ 0.9 million, due to the valuation of 1.1% in the U.S. dollar against Brazilian Real in the 3Q16.

Investment Balances (R\$ thd)



Capex was R\$ 0.5 million in the 3Q16 primarily invested in the Services Segment units.

Subsequent event

On November 8, 2016, at the Lupatech Group's General Meeting of Creditors, the New Judicial Recovery Plan was approved, based on the decision rendered by the 2nd Chamber of Business Law of the Court of Justice of the State of São Paulo annulling the first homologation decision the plan originally submitted and approved.

In order for a New Plan to take effect with regard to the novation of the Lupatech Group's debt, it is necessary to ratify it by the 1st Court of Bankruptcy, Judicial Recovery and Arbitration-Related Disputes of the Capital of São Paulo.

Once the New Plan was approved, Lupatech Group's indebtedness on September 30, 2016 would have approximately the expected effects described below:

	(R\$ thd)		
	Accounting balances before approval	New Plan Effect	Accounting balances after approval
Current Liabilities	710,224	(710,224)	-
Suppliers - Subject to Judicial Recovery	254,616	(254,616)	-
Loans and Financing - Subject to Judicial Recovery	202,946	(202,946)	-
Debentures - Subject to Judicial Recovery	87,872	(87,872)	-
Bonds - Subject to Judicial Recovery	164,790	(164,790)	-
Non-Current Liabilities	24,889	214,246	239,135
Suppliers - Subject to Judicial Recovery	-	60,831	60,831
Loans and Financing - Subject to Judicial Recovery	-	44,208	44,208
Deferred income tax and social contribution	24,889	38,827	63,716
Debentures - Subject to Judicial Recovery	-	18,449	18,449
Bonds - Subject to Judicial Recovery	-	51,932	51,932
Shareholders' Equity	(2,509,768)	495,978	(2,013,790)
Subscription Warrants	-	299,722	299,722
Result of the period	(2,509,768)	196,257	(2,313,511)

The expected effect of the aforementioned accounting would have a positive impact on the total equity of the Company, which would be approximately R\$ 57.7 million positive against R\$ 438.2 million negative before accounting for the expected effect of the New Plan. The expected impact on the result would be approximately R\$ 196.3 million, with a reversal of interest and exchange variation of approximately R\$ 71.9 million, adjustment to present value of approximately R\$ 163.1 million and deferred income tax and social contribution of approximately R\$ 38.8 million. These effects will only take effect upon approval of the new plan and are subject to change.

Attachments

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

	2Q16	3Q16	% Change
Net Revenue From Sales	29,332	31,394	7%
Cost of Goods and Services Sold	(42,682)	(36,168)	-15%
Gross Profit	(13,350)	(4,774)	-64%
Operating Income/Expenses	(31,433)	(21,209)	-33%
Selling	(2,121)	(2,147)	1%
General and Administrative	(9,806)	(8,849)	-10%
Management Compensation	(1,055)	(1,000)	-5%
Other Operation Income (Expenses)	(18,451)	(9,213)	n/a
Net Financial Result	(449,626)	(26,857)	-94%
Financial Income	2,783	2,758	-1%
Financial Expenses	(486,855)	(26,384)	-95%
Net Exchange Variance	34,446	(3,231)	-109%
<u>Earnings (Loss) Before Income Tax and Social</u>	<u>(494,409)</u>	<u>(52,840)</u>	<u>-89%</u>
Provision Income Tax and Social Contribution - Current	(1,819)	(171)	-91%
Provision Income Tax and Social Contribution - Deferred	94,474	1,377	-99%
<u>Loss for the Period</u>	<u>(401,754)</u>	<u>(51,634)</u>	<u>-87%</u>

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

	2Q16	3Q16	% Change
<u>Adjusted EBITDA from Continuing Operations</u>	(11,468)	(2,889)	-75%
Provision for Variable Remuneration	394	-	n/a
Reestructuring Process	(5,278)	(4,344)	-18%
Provision for Losses, Impairment and Net Profit/Loss on Disposal of Assets/			
Reversal of Judicial Processes	(14,403)	3,064	-121%
Fines with Costumers	(1,391)	(69)	-95%
<u>EBITDA from Continuing Operations</u>	(32,146)	(4,238)	-87%
Depreciation and Amortization	(12,637)	(11,823)	-6%
Equity Pick-up	-	(9,922)	n/a
Net Financial Result	(449,626)	(26,857)	-94%
Income Tax and Social Contribution - Current and Deferred	92,655	1,206	-99%
<u>Net Loss from Continuing and Discontinued Operations</u>	(401,754)	(51,634)	-87%

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

	<u>2Q16</u>	<u>3Q16</u>	<u>% Change</u>
Total Asset	662,215	639,039	-3%
Current Assets	162,455	153,613	-5%
Cash and Cash Equivalents	2,356	4,742	101%
Securities-restricted	1,113	1,148	3%
Accounts Receivable	53,279	43,100	-19%
Inventories	47,745	50,947	7%
Recoverable Taxes	33,046	27,824	-16%
Other Accounts Receivable	4,554	7,086	56%
Anticipated Expenses	3,949	3,436	-13%
Advances to Suppliers	16,413	15,330	-7%
Non-Current Assets	499,760	485,426	-3%
Securities-restricted	5,397	5,565	3%
Judicial Deposits	25,156	24,215	-4%
Recoverable Taxes	37,017	36,826	-1%
Other Accounts Receivable	30,238	30,722	2%
Investments	676	676	0%
Property, Plant and Equipment	283,600	269,703	-5%
Intangible Assets	117,676	117,719	0%
Total Liabilities and Shareholders' Equity	662,215	639,039	-3%
Current Liabilities	871,198	886,941	2%
Suppliers - Not Subject to Judicial Recovery	16,638	18,849	13%
Suppliers - Subject to Judicial Recovery	130,755	135,275	3%
Loans and Financing - Not Subject to Judicial Recovery	29,348	28,643	-2%
Loans and Financing - Subject to Judicial Recovery	194,259	202,946	4%
Debentures - Subject to Judicial Recovery	84,927	87,872	3%
Bonds - Subject to Judicial Recovery	161,729	164,790	2%
Provisions Payroll and Payroll Payable	10,673	9,210	-14%
Commissions Payable	888	865	-3%
Taxes Payable	62,878	57,851	-8%
Obligations and Provisions for Labor Risks and Creditors Class I - Subject to Judicial Recovery	36,738	35,107	-4%
Advances from Customers	3,051	2,901	-5%
Other Accounts Payable	20,240	22,131	9%
Provision for Contratual Fines	1,113	1,160	4%
Provision for Contratual Fines - Subject to Judicial Recovery	117,961	119,341	1%
Non-Current Liabilities	179,981	190,346	6%
Loans and Financing - Not Subject to Judicial Recovery	5,161	5,716	11%
Taxes Payable	9,024	7,993	-11%
Deferred Income Tax and Social Contribution	25,332	24,889	-2%
Provision for Contingencies	129,234	126,282	-2%
Other Accounts Payable	11,230	7,644	-32%
Provision for Unfunded Liabilities in Subsidiaries	-	17,822	n/a
Shareholders' Equity	(388,964)	(438,248)	13%
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	66,834	68,104	2%
Accumulated Losses	(2,459,214)	(2,509,768)	2%

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

	2Q16	3Q16	% Change
CASH FLOW FROM OPERATING ACTIVITIES			
Net Result for the Period	(401,754)	(51,634)	-87%
Adjustments:			
Depreciation and Amortization	12,637	11,823	-6%
Equity Pick-up	-	9,922	n/a
Result on Sale of Fixed Assets	11,712	(10)	-100%
Financial Charges and Exchange Variance on Financing, Bonds and Debentures	55,842	26,540	-52%
Extraordinary Losses and Adjustment to Market Value with Inventories	-	34	n/a
Deferred Income Tax and Social Contribution	(92,357)	(1,206)	-99%
Losses on Inventory Obsolescence	(1,589)	950	-160%
Provision of Contractual Fines	1,391	68	-95%
Allowance for Doubtful Accounts	(954)	509	-153%
Effective Losses on Doubtful Accounts	-	(640)	
Present Value Adjustment	393,792	-	-100%
Changes in Assets & Liabilities			
<i>(Increase) Decrease in Accounts Receivable</i>	3,450	10,451	203%
<i>(Increase) Decrease in Inventories</i>	2,503	(4,027)	-261%
<i>(Increase) Decrease in Recoverable Taxes</i>	(4,532)	6,555	-245%
<i>(Increase) Decrease in Other Assets</i>	19,768	6,708	-66%
<i>(Increase) Decrease in Suppliers</i>	(11,511)	(2,111)	-82%
<i>(Increase) Decrease in Taxes Payable</i>	(10,595)	(8,183)	-23%
<i>(Increase) Decrease in Others Accounts Payable</i>	(5,897)	(29,971)	408%
Cash Flow from Operating Activities	(28,094)	(24,222)	-14%
CASH FLOW FROM INVESTMENT ACTIVITIES			
Securities - Restricted	972	41	-96%
Proceeds from Sales of Property, Plant and Equipment	6	40	567%
Aquisition of Property, Plant and Equipment	(1,695)	(479)	-72%
Aquisition of Intangible Assets	(42)	(23)	-45%
Cash Flow from Investment Activities	(759)	(421)	n/a
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Loans and Financings	12,902	26,233	103%
Payment of Loans and Financings - Principal	(12,462)	1,429	-111%
Payment of Loans and Financings - Interest	(621)	(633)	2%
Cash Flow from Financing Activities	(181)	27,029	-15033%
Exchange Variation on Cash and Cash Equivalents of Subsidiaries Abroad	(21)	-	n/a
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(29,055)	2,386	n/a
At the Beginning of the Period	31,411	2,356	-92%
At the End of the Period	2,356	4,742	101%

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.