



Financial and Economic Performance 2016



Judicial Recovery

On May 25, 2015, as disclosed in the Material 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 is 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 homologated on December 11, 2015 by the First Court of Bankruptcies, Judicial Recoveries and Conflicts Related to 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.

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 debt and meets the criteria established by 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, and homologated on December 01, 2016, by the 1st Bankruptcy Court, Judicial Recoveries and Conflicts Related to Arbitration of the Capital of São Paulo, without any reservations. The Company presented an appeal requesting clarification, since the issuance of the homologation did not mention one of the Group companies under judicial reorganization. On February 15, 2017, the court corrected its approval order, including the company not mentioned. Ahead of the final homologation of the court, the deadline for aggravated violations against the approval of the plan was exhausted on March 13, 2017. Until that date, no grievance was filed against the approval of the plan. The group's management considers that the absence of subsequent grievances fully confirms the legality of the plan and its effects as from the award decision of the sovereign decision of the creditors' meeting.

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. The referred recourse is still pending assessment of admissibility.

Financial and Economic Performance

Net Revenue

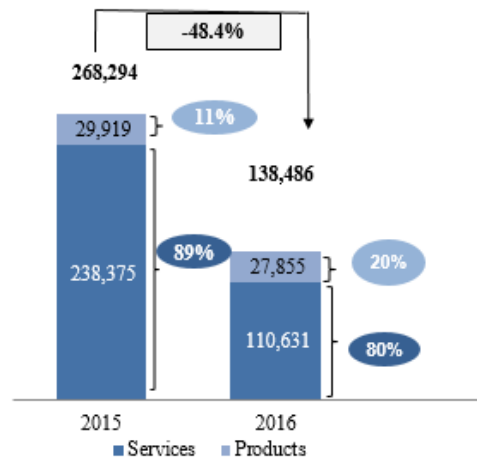
Net Revenue (R\$ thd)	1Q16	2Q16	3Q16	4Q16	Chg. %	2015	2016	Chg. %
Products	5,748	6,562	7,805	7,740	-0.8%	29,919	27,855	-6.9%
Oil&Gas Valves	806	587	2,108	2,248	6.6%	8,477	5,748	-32.2%
Industrial Valves	4,942	5,975	5,697	5,492	-3.6%	14,911	22,107	48.3%
Anchoring Ropes	-	-	-	-	n/a	5,406	-	-100.0%
Others Products	-	-	-	-	n/a	1,125	-	-100.0%
Services	40,940	22,770	23,589	23,332	-1.1%	238,375	110,631	-53.6%
Oilfield Services Brazil	24,778	17,031	16,242	12,339	-24.0%	127,223	70,389	-44.7%
Oilfield Services Colombia	10,992	5,739	7,001	10,993	57.0%	87,086	34,726	-60.1%
Tubular Services & Coating	5,170	-	346	-	-100.0%	24,066	5,516	-77.1%
Total	46,688	29,332	31,394	31,072	-1.0%	268,294	138,486	-48.4%

The Consolidated Net Revenue on 2016 reached R\$ 138.5 million versus R\$ 268.3 million on 2015, a reduction of 48.4%. This reduction was mainly a consequence of the crisis in the Oil&Gas segment and consequent reduction in demand, due to the fall in oil prices and the Petrobras scenario.

The Products Segment presented decrease of 6.9% in Consolidated Net Revenue of 2016 compared to 2015, from R\$ 29.9 million in 2015 to R\$ 27.9 million in 2016. The reduction was especially felt in the Oil&Gas Valves and Anchoring Ropes divisions, with the recovery of the order book occurring slowly but steadily, especially in the Oil&Gas Valves segment, as a result of a gradual resumption of the segment's demand. The Industrial Valves division, on the other hand, increased 48.3% in 2016 compared to 2015, from R\$ 14.9 million in 2015 to R\$ 22.1 million, mainly due to the better financial balance Throughout the year 2016.

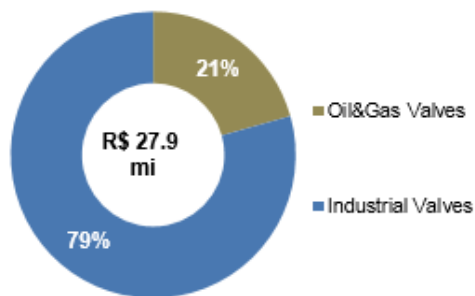
The Services Segment presented a strong reduction in Consolidated Net Revenue from R\$ 238.4 million in the 2015 to R\$ 110.6 million in the 2016, a reduction of 53.6%. One of the main factors that led to the reduction of Consolidated Net Revenue in the Services Segment of this period was the 77.1% decrease in Net Revenue in the Tubular Services & Coating division, due to the termination of existing contracts, demand. Additionally, there was a significant drop in the Net Revenue in Colombian Operations from 60.1% from 2015 to 2016, affected by the reduction in the price of oil, which strongly impacted customer demand for services. This market shows a recovery every quarter as indicated in the table above. Operations of the Oilfield Services Brazil division showed a 44.7% reduction in Net Revenue, mainly due to the termination of existing contracts, without being added, as a result of the reduction in demand for Petrobras services.

Net Operating Revenue (R\$ thd)

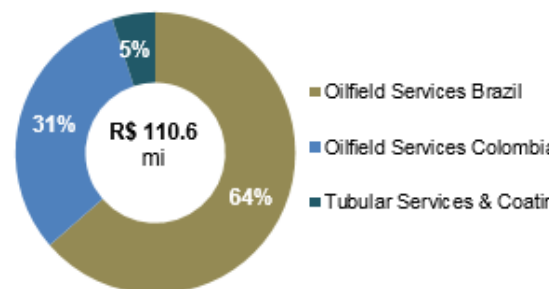


Revenue Distribution – 2016

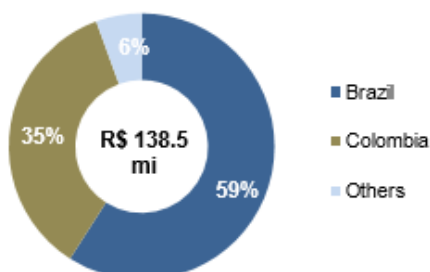
Products



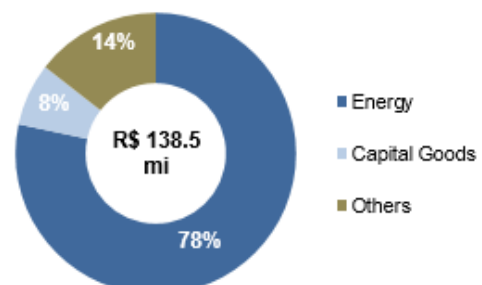
Services



By Region



By Industrial Sector



On December 31, 2016, the Company's Backlog of firm orders totaled approximately R\$ 18.5 million. The completion of this Backlog is concentrated in the next six months and the amount represents the balance

provided in the contracts signed, even without guarantee of consumption, discounted the amounts already billed.

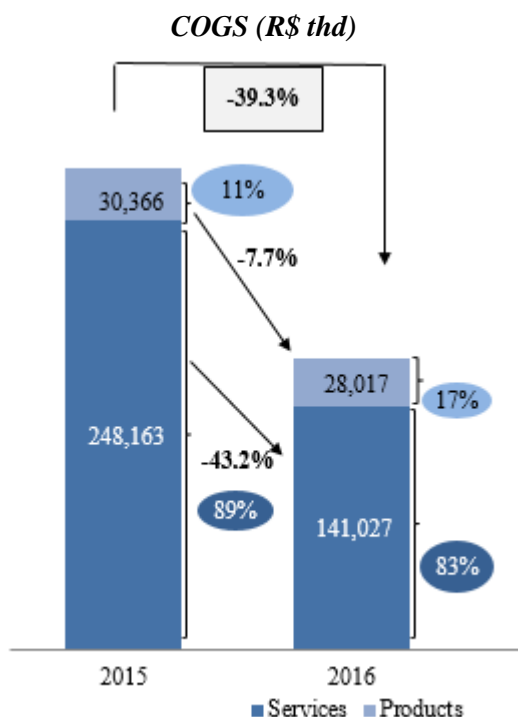
Costs on Goods Sold – COGS

COGS (R\$ thd)	1Q16	2Q16	3Q16	4Q16	Chg. %	2015	2016	Chg. %
Products	6,340	6,505	7,225	7,947	10.0%	30,366	28,017	-7.7%
Services	48,914	36,177	28,943	26,993	-6.7%	248,163	141,027	-43.2%
Total	55,254	42,682	36,168	34,940	-3.4%	278,529	169,044	-39.3%

The Consolidated Costs on Goods Sold (COGS) presented a reduction of 39.3% in 2016 compared to 2015, reaching R\$ 169.0 million in 2016 versus R\$ 278.5 million in 2015, lower than the reduction of Consolidated Net Revenue that was of 48.4%.

In 2016 compared to 2015, the Services Segment COGS reduction was of 43.2%, whilst there was a reduction of 53.6% in Net Revenue in the same period. In the Products Segment, the reduction of COGS was of 7.7%, in line with the reduction of the corresponding Net Revenue in the same period.

Both in Products and Services, 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\$ 3.0 million in comparison with 4Q16 and 3Q16 and R\$ 65.1 million reduction in 2016 compared to 2015).



Gross Profit and Gross Margin

Gross Profit (R\$ thd)	1Q16	2Q16	3Q16	4Q16	Chg. %	2015	2016	Chg. %
Products	-592	57	580	-207	-380.2%	-447	-162	175.9%
Gross Margin - Products	-9.0%	0.9%	7.4%	-2.7%	10,1 p.p.	-1.8%	-0.6%	1,2 p.p.
Services	-7,974	-13,407	-5,354	-3,661	46.2%	-9,788	-30,396	-67.8%
Gross Margin - Services	-19.5%	-58.9%	-22.7%	-15.7%	-7,0 p.p.	-5.1%	-27.5%	-22,3 p.p.
Total	-8,566	-13,350	-4,774	-3,868	23.4%	-10,235	-30,558	-66.5%
Gross Margin - Total	-18.3%	-45.5%	-15.2%	-12.4%	-3,8 p.p.	-3.8%	-22.1%	-18,3 p.p.

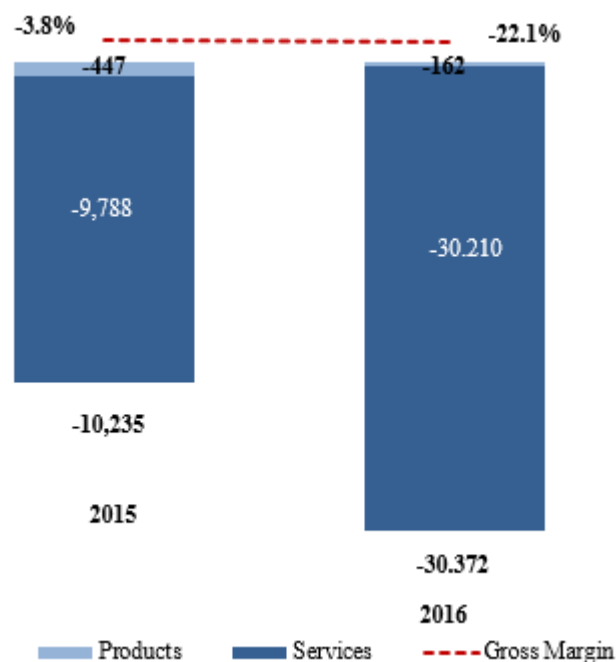
Due to reduction of Consolidated Net Revenue of R\$ 129.8 million (48.4%), redundancy costs that totaled R\$ 11.9 million (R\$ 10.0 million refer to Services Segment and R\$ 1.9 million to Products Segments) and impact of fixed costs, the Total Gross Profit was negative in R\$ 30.6 million in 2016 compared to the negative amount of R\$ 10.2 million in 2015.

In 4Q16, the Total Gross Profit was a negative R\$ 3.9 million and the Total Gross Margin were a negative 12.4% comparing with the negatives Gross Profit of R\$ 4.8 ad Gross Margin of 15.2% in 3Q16.

In the Products Segment, the Gross Profit was a negative R\$ 0.2 million in 2016 and the Gross Margin a negative of 0.6%, versus R\$ 0.5 million of negative Gross Profit in 2015 and the negative Gross Margin of 1.8%. In comparison to 2015, despite the fact that it still has Gross Loss, the Product Segment had a growth of 1.2 percentage points in Gross Margin due to the performance of the Industrial Valves division.

In the Services Segment, the Gross Negative Profit was R\$ 30.4 million, with a Gross Negative Margin of 27.5%. An important factor that impacted the variation of Gross Profit of the segment in 2016 compared to 2015 was the reduction in Net Revenue of R\$ 127.7 million and costs with redundancies of R\$ 11.9 million.

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



Expenses

Expenses (R\$ thd)	1Q16	2Q16	3Q16	4Q16	Chg. %	2015	2016	Chg. %
Total Sales Expenses	1,876	2,121	2,147	1,447	-32.6%	8,811	7,591	-13.8%
Total Sales Expenses - Products	1,093	818	1,416	1,292	-8.8%	7,952	4,619	-41.9%
Total Sales Expenses - Services	783	1,303	731	155	-78.8%	859	2,972	246.0%
Total Administrative Expenses	11,361	9,806	8,849	8,146	-7.9%	47,694	38,162	-20.0%
Total Administrative Expenses - Products	3,120	3,321	3,246	2,964	-8.7%	12,444	12,651	1.7%
Total Administrative Expenses - Services	8,241	6,485	5,603	5,182	-7.5%	35,250	25,511	-27.6%
Management Compensation	1,055	1,055	1,000	2,466	146.6%	6,347	5,576	-12.1%
Total Sales, Administratives and Management Compensation	14,292	12,982	11,996	12,059	0.5%	62,852	51,329	-18.3%

The Consolidated Sales and Administrative Expenses and the Management Pay presented a decrease of 18.3% on 2016 vs. 2015, falling from R\$ 62.9 million to R\$ 51.3 million. In 4Q16 compared to the 3Q16, the Consolidated Sales and Administrative Expenses and Management Pay, remained stable, increasing 0.5% from R\$ 12 million in 3Q16 to R\$ 12.1 million in 4Q16.

The Consolidated Sales Expenses decreased 13.8% in 2016 compared to 2015, from R\$ 8.8 million in 2015 to R\$ 7.6 million in 2016, mainly due to the decrease in Net Revenue.

The Selling Expenses in the Services increased 246% in 2016 compared to 2015, mainly due to the reversal of customer fines of approximately R\$ 2.8 million in 2015, but not recurring in the 2016, in addition to the decrease in salary, freight and reversal expenses for bad debtors in the total amount of approximately R\$ 0.5 million. On the other hand, compared to 4Q16 versus 3Q16, the Sales Expenses in Services decreased 78.8%, mainly due to the reduction of Net Revenue in the Oilfield Services Brazil and Tubular Services & Coating division.

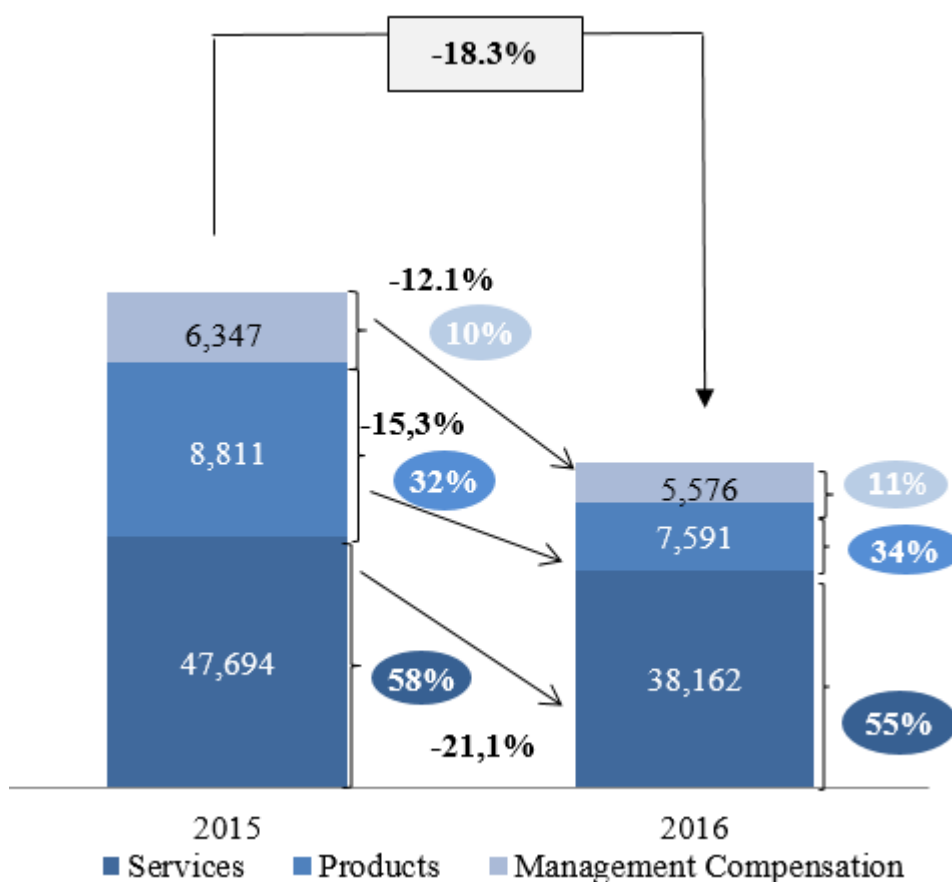
In the Product Segment, Sales Expenses decreased 41.9% in 2016 compared to 2015, mainly due to the reduction of Net Revenues in the Oil&Gas and Anchoring Ropes division.

The Administrative Expenses decreased 20.0% in 2016 compared to 2015, from R\$ 47.7 million in 2015 to R\$ 38.2 million in 2016 and 7.9% in 4Q16 compared to 3Q16, from R\$ 8.9 million in 3Q16 to R\$ 8.1 million in 4Q16. This decrease mainly refers to the reduction of salary expenses in the Services Segment.

The Administrative Expenses for the Product Segment increased 1.7% 2016 compared to 2015, mainly due to expenses of R\$ 0.4 million with polyester threads re-exports in the Anchoring Ropes Division.

In the comparison of 2016 against 2015, Management pay decreased 12.1% (R\$ 6.3 million in 2015 and R\$ 5.6 million in 2016).

Operating Expenses (R\$ thd)



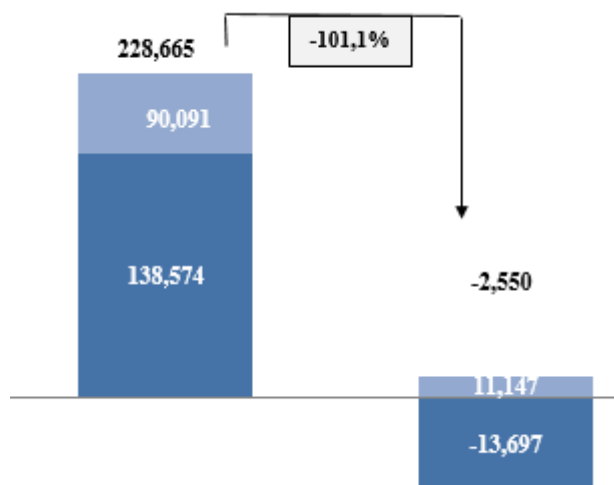
Other Operating (Revenues) and Expenses

Other Expenses (Income) (R\$ thd)	1Q16	2Q16	3Q16	4Q16	Chg. %	2015	2016	Chg. %
Products	8,022	7,379	2,672	-6,926	-193.9%	90,091	11,147	-87.6%
Services	-11,336	11,072	-3,381	-10,052	-190.8%	138,574	-13,697	-109.9%
Total	-3,314	18,451	-709	-16,978	-192.0%	228,665	-2,550	-101.1%

The Other Operating Expenses and Income passed from R\$ 228.7 million of expenses in 2015 to R\$ 2.5 million of income in 2016, reduction of 101.1%, and they are primarily related to the follow factors: (i) R\$ 1.2 million reversal of provision for losses on lawsuits (provision of R\$ 40.7 million in 2015); (ii) R\$ 60.0 million loss due to non-recoverability of goodwill in 2015 and non-recurring in 2016; (iii) a R\$ 85.2 million 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 in 2015 and a reversal of R\$ 28.4 million arising from New impairment test carried out in 2016; (iv) R\$ 3.6 million provision for losses of inventory obsolescence (R\$ 13.3 million in 2015); (v) R\$ 3.6 million provision for extraordinary losses of inventory and adjustment to market value in 2016 and non-recurring in 2015; (vi) R\$ 11.8 million of idle production expenses (R\$ 26.1 million in 2015) and R\$ 14.5 million write off of bad credits.

The Other Operating Expenses, comparing the 4Q16 with the 3Q16, increased from R\$ 0.7 million in 3Q16 to R\$ 17.0 million in 4Q16. While 3Q16 was mainly affected by R\$ 3.0 million of idle production expenses and R\$ 4.0 million reversal of provisions for losses on lawsuits, 4Q16 was impacted in particular by R\$ 1.9 million of idle production expenses, R\$ 6.3 million reversal of inventory obsolescence losses, R\$ 0.5 million of customer fines, R\$ 28.4 million of reversal of the provision for loss due to non-Recoverability of property, plant and equipment and impairment and provision for loss due to the high probability of not receiving R\$ 14.5 million from other accounts receivable.

Other Operating Expenses (R\$ thd)



Financial Result

Financial Result (R\$ thd)	1Q16	2Q16	3Q16	4Q16	Chg. %	2015	2016	Chg. %
Income from financial investments	411	480	244	153	-37.3%	960	1,288	34.2%
Monetary Variation	178	573	555	601	8.3%	1,158	1,907	64.7%
Present value adjustment	-	-	-	157,062	n/a	394,788	157,062	-60.2%
Fair value Adjustment	-	-	-	292,152	n/a	-	292,152	n/a
Interest on Receivables	308	310	1,942	313	-83.9%	1,486	2,873	93.3%
Others	115	1,420	17	-412	-2523.5%	794	1,140	43.6%
Financial Revenue*	1,012	2,783	2,758	449,869	16211.4%	399,186	456,422	14.3%
(Expense) Reversal of Interest Expense	-3,901	-72,801	-14,831	50,242	-438.8%	-22,607	-41,291	82.6%
Present value adjustment	-996	-393,792	-	-	n/a	-	-394,788	n/a
Descontos Concedidos	-765	-	-1	-1	0.0%	-	-767	n/a
(Provision) Reversal of Interest on Suppliers	-2,300	-16,475	-8,672	21,262	-345.2%	8,584	-6,185	-172.1%
Fines and interest on taxes	-15,455	-1,802	-1,991	-2,187	9.8%	-	-21,435	-100.0%
Banking Expenses, Taxes and Others	-1,379	-1,985	-889	-5,414	509.0%	-10,500	-9,667	-7.9%
Financial Expense*	-24,796	-486,855	-26,384	63,902	-342.2%	-24,523	-474,133	1833.4%
Net Financial Result*	-23,784	-484,072	-23,626	513,771	-2274.6%	374,663	-17,711	-104.7%
Exchange Variance Revenue	189,814	190,936	11,476	134,923	1075.7%	645,094	527,149	-18.3%
Exchange Variance Expense	-170,295	-156,490	-14,707	-133,116	805.1%	-700,078	-474,608	-32.2%
Net Exchange Variance	19,519	34,446	-3,231	1,807	-155.9%	-54,984	52,541	-195.6%
Net Financial Result - Total	-4,265	-449,626	-26,857	515,578	-2019.7%	319,679	34,830	-89.1%

* Excluding Exchange Variance

The Total Financial Income (excluding Exchange Variance) in 2016 reached R\$ 456.5 million versus R\$ 399.2 million in 2015, an increase of 14.3%, principally due to the recording in the year 2015 of suppliers' adjusted income, loans, fines, debentures and Bonds in the amount of R\$ 394.8 million versus R\$ 157.1 million in fiscal year 2016 and to the registration of Adjustment to fair value at December 31, 2016 in the amount of R\$ 292.1 million referring to the warrants to be issued under the New Judicial Recovery Plan approved and homologated on December 1, 2016.

The Total Financial Revenue (excluding Exchange Variation), compared to 4Q16 versus 3Q16, increased from R\$ 2.8 million in 3Q16 to R\$ 449.9 million in 4Q16, mainly due to the receipt of contractual withholdings contracted by Petrobras in the amount of R\$ 1.6 million in 3Q16 and non-recurring in 4Q16, to the recording of the adjustment revenue to the present value of suppliers, loans, fines, debentures and Bonds in the amount of R\$ 157.1 million and to the registration of adjustment to fair value at December 31, 2016 in the amount of

R\$ 292.1 million referring to the warrants to be issued under the New Judicial Recovery Plan approved and homologated on December 1, 2016.

Total Financial Expenses (excluding Exchange Variation) increased considerably in 2016 compared to 2015, reaching R\$ 474.1 million in 2016 versus R\$ 24.5 million in 2015, mainly due to the following factors 2016: (i) reversal of adjustment to present value of suppliers, loans, fines, debentures and Bonds in the amount of R\$ 394.8 million (provision of R\$ 394.8 million in 2015); (ii) registration of R\$ 21.4 million of fines and interest on non-recurring contingencies and tax debits in 2015; (iii) registration of interest expenses in the amount of R\$ 41.3 million (R\$ 22.6 million in 2015); (iv) discounts granted in the amount of R\$ 0.8 million non-recurring in 2015 and provision of interest on suppliers in the amount of R\$ 6.2 million (reversal of R\$ 8.6 million in 2015).

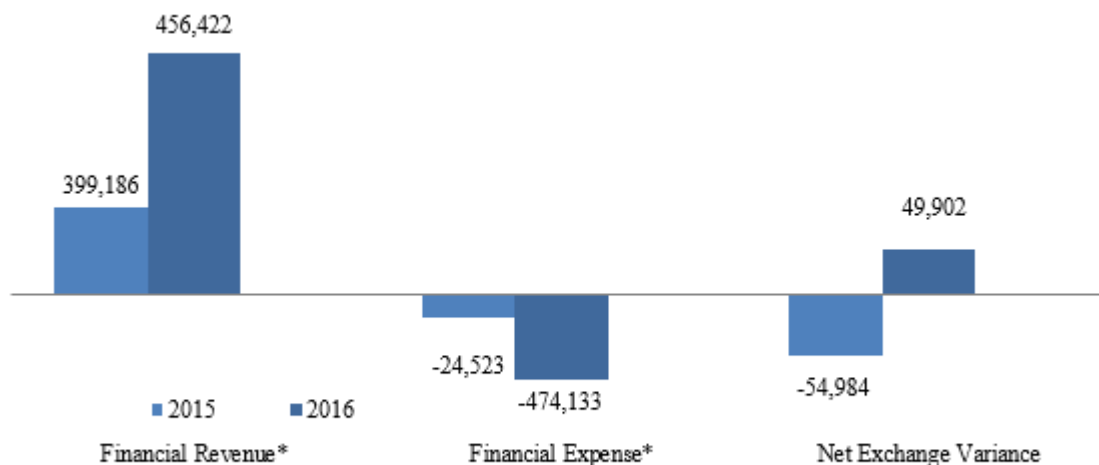
The Total Financial Expenses (excluding Exchange Variation), in the quarter, decreased by 342.2% in 4Q16, reaching a positive amount of R\$ 63.9 million in 4Q16 versus a negative amount of R\$ 26.4 million in 3Q16. This reduction was mainly due to the reversal of interest on suppliers in the amount of R\$ 21.3 million versus a provision of R\$ 8.7 million in 3Q16 and reversal of interest expenses in the amount of R\$ 50.2 million versus a provision of R\$ 14.8 million in 4Q16 to establish the Company's obligations in accordance with the New Judicial Recovery Plan approved and homologated on December 1, 2016.

The Net Foreign Exchange Variation in 2016 resulted in revenue of R\$ 52.5 million versus an expense of R\$ 55.0 million in 2015 affected by the 16.5% depreciation of the U.S. dollar against Brazilian Real in 2016. In 4Q16, the Net Foreign Exchange Variation resulted in revenue of R\$ 1.8 million versus an expense of R\$ 3.2 million in 3Q16 affected by the 0.4% depreciation of the US currency against the Real in 4Q16 versus a valuation of 1.1% in the U.S. dollar in the 3Q16.

The Total Net Financial Result in 2016 resulted in revenue of R\$ 34.8 million versus revenue of R\$ 319.7 million in 2015, mainly due to the following records: (i) adjustment to fair value in the amount of R\$ 292.1 million referring to the subscription bonus to be issued according to the New Judicial Recovery Plan approved and homologated on December 1, 2016; (ii) reversal of adjustment to the present value of suppliers, loans, fines, debentures and Bonds in the amount of R\$ 394.8 million (provision of R\$ 394.8 million in 2015); (iii) revenue from adjustment to present value of suppliers, loans, fines, debentures and Bonds in the amount of R\$ 157.0 million; (iv) registration of R\$ 21.4 million in fines and interest on non-recurring contingencies and tax debits in 2015, provision of interest on suppliers in the amount of R\$ 6.2 million (reversal of R\$ 8.6 million in 2015) and provision for interest expenses in the amount of R\$ 41.3 million (R\$ 22.6 million in 2015).

The Total Net Financial Result, had a considerable variation, with revenue of R\$ 515.6 million in 4Q16 versus an expense of R\$ 26.9 million in 3Q16. This variation refers mainly to the adjustment to fair value at December 31, 2016 in the amount of R\$ 292.1 million referring to the warrants to be issued under the New Judicial Recovery Plan approved and homologated on December 1, 2016, to the recording of the adjustment revenue to the present value of suppliers, loans, fines, debentures and Bonds in the amount of R\$ 157.1 million and non-recurring in 3Q16, to the reversal of provision for interest on suppliers in the amount of R\$ 21.3 million versus a provision of R\$ 8.7 million in 3Q16, reversal of interest expenses in the amount of R\$ 50.2 million versus a provision of R\$ 14.8 million in 4Q16 and to the receipt of contractual retentions corrected Of interest of Petrobras client in the amount of R\$ 1.6 million in 3Q16 and non-recurring in 4Q16.

Financial Result Breakdown (R\$ thd)



* Excluding Exchange Variance

Adjusted EBITDA from Continuing Operations ¹

The Consolidated Adjusted EBITDA from Continuing Operations was negative in R\$ 6.4 million in 2016 versus negative result of R\$ 20.4 million in 2015. The EBITDA Margin was negative of 4.6% in 2016, with positive variance of 3.0 percentage points compared to the presented in 2015.

Adjusted EBITDA (R\$ thd)	1Q16	2Q16	3Q16	4Q16	Chg. R\$	Chg. %	2015	2016	Chg. R\$	Chg. %	
Products	-	3,234	- 4,375	- 4,102	- 3,859	243	-5.9%	-30,678	-15,570	15,108	-49.2%
Margin	-56.3%	-66.7%	-52.6%	-49.9%	-	12.7 p.p	-102.5%	-55.9%	-	49.4 p.p	
Services	7,978	- 7,093	1,213	6,299	5,086	419.3%	10,250	8,397	- 1,853	n/a	
Margin	19.5%	-31.2%	5.1%	27.0%	-	21.9 p.p	4.3%	7.6%	-	3.3 p.p	
Total	4,744	- 11,468	- 2,889	2,440	5,329	-184.5%	-20,428	- 7,173	13,255	-64.9%	
Margin	10.2%	-39.1%	-9.2%	7.9%	-	19.6 p.p	-7.6%	-5.2%	-	3.0 p.p	

The Consolidated Adjusted EBITDA for the Product Segment presented a negative value in 2016, mainly due to the reduction in demand and the result of the crisis in the Oil&Gas Segment. The positive variation of R\$ 15.9 million in EBITDA of the Product Segment in 2016 compared to 2015 is mainly due to the increase in net margin by 49.4 percentage points and a reduction of R\$ 11.7 million in expenses with production idle in 2016.

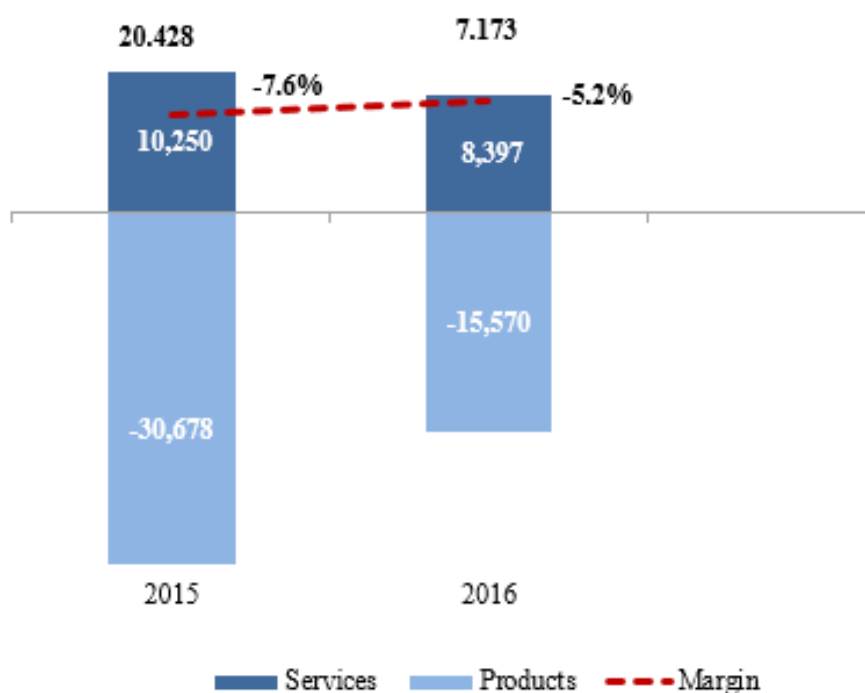
The Adjusted EBITDA for the Services Segment presented a positive value in 2016, mainly due to the following bookings: reversal of a provision of R\$ 28.4 million arising from impairment of property, plant and equipment and R\$ 14.5 million from provision for loss of receivables from others accounts receivable.

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)	1Q16	2Q16	3Q16	4Q16	2016
Gross Profit	-8,566	-13,350	-4,774	-3,868	-30,558
SG&A	-13,237	-11,927	-10,996	-9,593	-45,753
Management Compensation	-1,055	-1,055	-1,000	-2,466	-5,576
Depreciation and Amortization	12,579	12,637	11,823	11,429	48,468
Operational Revenues/Expenses	3,314	-18,451	709	16,978	2,550
Ebitda from Continuing Operations	-6,965	-32,146	-4,238	12,480	-30,869
Provision for Variable Compensation	0	-394	0	0	-394
Provisions for Losses, Impairment, Net Result on Disposal of Assets and Reversals with Legal Proceedings	6,438	14,403	-3,064	-11,573	6,204
Fines with Customers	129	1,391	69	35	1,624
Restructuring Process and Other Extraordinary Expenses	5,142	5,278	4,344	1,498	16,262
Adjusted EBITDA from Continuing Operations	4,744	-11,468	-2,889	2,440	-7,173

The Consolidated Adjusted EBITDA from continuing operations in 4Q16 compared to 3Q16 reached a positive R\$ 12.4 million versus negative R\$ 4.2 in 3Q16. The Consolidated Adjusted EBITDA margin increased by 19.6 percentage points, from a negative 9.2% in 3Q16 to a positive 10.4% in 4Q16.

Adjusted EBITDA (R\$ thd)



Adjusted Ebitda Reconciliation (R\$ thd)	3Q16			4Q16		
	Products	Services	Total	Products	Services	Total
Gross Profit	580	-5,354	-4,774	-207	-3,661	-3,868
SG&A	-4,662	-6,334	-10,996	-4,256	-5,337	-9,593
Management Compensation	-240	-760	-1,000	-485	-1,981	-2,466
Depreciation and Amortization	1,796	10,027	11,823	1,762	9,667	11,429
Operational Revenues/Expenses	-2,672	3,381	709	6,926	10,052	16,978
Ebitda from Continuing Operations	-5,198	960	-4,238	3,740	8,740	12,480
Provision for Variable Compensation	0	0	0	0	0	0
Provisions for Losses, Impairment, Net Result on Disposal of Assets and Reversals with Legal Proceedings	257	-3,321	-3,064	-7,962	-3,611	-11,573
Fines with Customers	55	14	69	-7	42	35
Restructuring Process and Other Extraordinary	784	3,560	4,344	370	1,128	1,498
Adjusted EBITDA from Continuing Operations	-4,102	1,213	-2,889	-3,859	6,299	2,440

In 4Q16 reversals with obsolescence expenses and extraordinary inventory losses totaled R\$ 6.3 million (R\$ 1.0 million in 3Q16), while reversals with lawsuits totaled R\$ 5.3 million (R\$ 4.0 million in 3Q16), reversals arising from the new impairment test carried out in 2016 totaled R\$ 28.4 million and provision for loss of receivables from other accounts receivable due to the high probability of the uncertainty of the receipt totaled R\$ 14.5 million.

Net Result

Net Result (R\$ thd)	1Q16	2Q16	3Q16	4Q16	Chg. %	2015	2016	Chg. %
Result Before Income Tax and Social Contribution	-37,124	-494,409	-52,840	515,864	-1076.3%	39,873	-55,194	-238.4%
Income Tax and Social Contribution - Current	-298	-1,819	-171	52	-130.4%	-2,666	-2,236	-16.1%
Income Tax and Social Contribution - Deferred	598	94,474	1,377	-31,649	-2398.4%	-90,381	64,800	-171.7%
Result of Discontinued Operation	13,315	0	0	0	n/a	-21,963	0	n/a
Net Result	-23,509	-401,754	-51,634	484,267	-1037.9%	-75,137	7,370	-109.8%
Net Result per 1000 Shares	-0.15	-0.18	-5.50	51.55	-1037.9%	-0.48	0.78	-264%

Net Income for fiscal year 2016 was R\$ 7.4 million, compared to a loss of R\$ 75.1 million in 2015. The main extraordinary events that contributed to this performance in 2016 were: (i) R\$ 394.8 million reversal of the adjustment to the present value of suppliers, loans, fines, debentures and Bonds, and R\$ 157.1 million provision in 4Q16 (R\$ 394.8 million provision in 2015); (ii) adjustment to fair value in the amount of R\$ 292.2 million as of December 31, 2016 referring to the warrants to be issued under the New Judicial Recovery Plan approved and homologated on December 1, 2016; (iii) R\$ 11.7 million loss on disposal of property, plant and equipment (R\$ 2.5 million in 2015); (iv) 11.7 of expenditure on idle production (R\$ 26.1 million in 2015); (v) R\$ 3.6 million provision for losses of inventory obsolescence (R\$ 13.3 million in 2015); (vi) R\$ 3.6 million provision for extraordinary losses of inventory and adjustment to market value in 2016 and non-recurring in 2015; (vii) R\$ 13.3 million in revenue from the write-off of the investment Vicinay Marine S.L; (viii) R\$ 28.4 million reversal of the provision for loss due to the non-recoverability of property, plant and equipment arising from the new impairment test carried out in 2016 and provision for loss of receipt of other accounts receivable due to the high probability of the Totalled R\$ 14.5 million.

The net profit passed from a loss of R\$ 51.6 million in 3Q16 to a profit of R\$ 484.6 million in 4Q16. This performance in 4Q16 is mainly due to R\$ 1.9 million in production idle expenses, R\$ 6.3 million in inventory obsolescence, R\$ 0.5 million in customer fines, R\$ 2.2 million of fines and interest on arrears on tax contingencies and debts, R\$ 28.4 million from reversal of the provision for loss due to non-recoverability of property, plant and equipment, R\$ 157.1 million from provision for adjustment to present value of Suppliers, loans, fines, debentures and Bonds, reversal of provision for provision of interest on suppliers in the amount of R\$ 21.3 million and reversal of R\$ 50.3 million of interest expenses, provision for loss of receipt of other accounts receivable due to the uncertainty of receipt in the amount of R\$ 14.5 million and to the adjustment to

fair value at December 31, 2016 in the amount of R\$ 292.1 million referring to the warrants to be issued according to New Judicial Recovery approved and homologated on December 1, 2016.

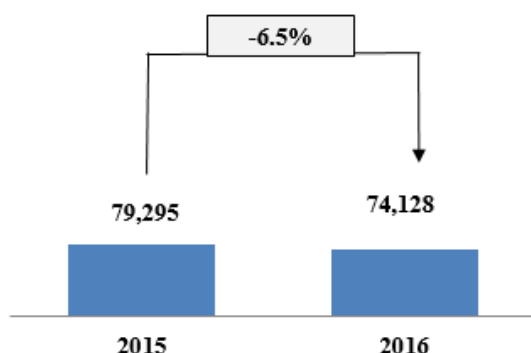
Working Capital

Working Capital (R\$ thd)	2015	2016	Chg. %	Chg. R\$
Accounts Receivable	62,330	44,912	-27.9%	-17,418
Inventories	56,349	56,691	0.6%	342
Suppliers	35,601	25,023	-29.7%	-10,578
Advances from Clients	3,783	2,452	-35.2%	-1,331
Employed Working Capital	79,295	74,128	-6.5%	-5,167
Employed Working Capital Variance	- 4,560	- 5,167		
% Working Capital/Net Revenues*	32.0%	38.8%		

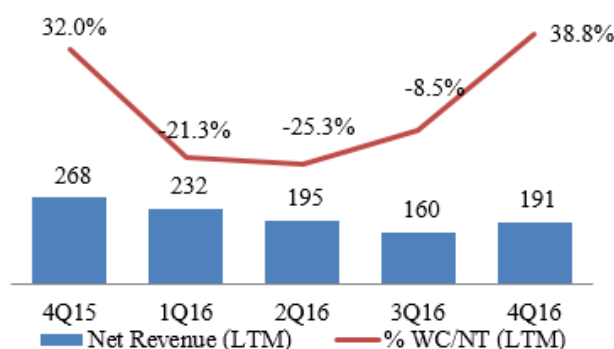
*LTM: last 12 months

The rate of Working Capital Needs upon accumulated Net Revenue (12 months) in the 2016 reached the negative percentage of 38.8%, reduction of 6.8 percentage points when compared to the rate of 2015.

Working Capital (R\$ thd)



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



In addition to the decrease in revenue, the receipt of payment from customers in Colombia and Brazil services divisions was the main factor that resulted in a 27.9% decrease in the Accounts Receivable balance.

The reclassification of the balance of Suppliers for the short term and reversal of the adjustment to their present value as a result of approval and homologation of the Company's New Judicial Recovery Plan on December 1, 2016 was the main reason for the decrease of 29.7% in the balances of Suppliers in 2016.

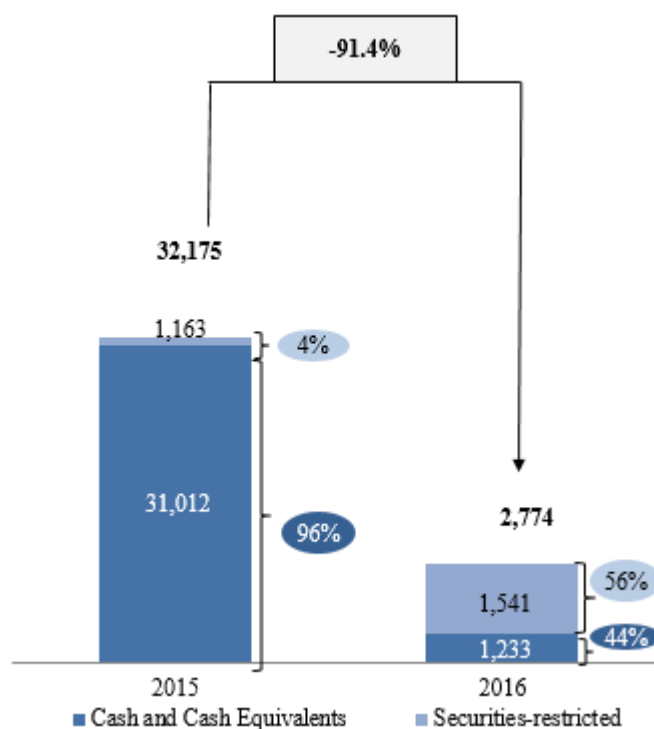
Cash and Cash Equivalents

The consolidated position in Company's Cash and Cash Equivalents in the 2016 reached R\$ 2.8 million compared to the amount of R\$ 32.2 million in the 2015, a decrease of 96%. This reduction refers to the receipt of outstanding accumulated revenues from the Power Tongs, Lifting Frame and Coiled Tubing projects in the Services Segment received in the last month of 2015.

In March 2016, in connection with the receipt of the sale of the equity interest held by the Company in the Spanish company Vicinay Marine, SL for R\$ 28.6 million, the Company made use of such cash during 2Q16.

to the settlement of operational restructuring costs with redundancies, costs related to the Judicial Recovery process, personnel operating costs and inventory recomposition, investments and maintenance. In the course of 3Q16, interest-bearing contractual retention of Petrobras customer was received in the amount of R\$ 1.6 million.

Cash and Cash Equivalents Balances (R\$ thd)



Debt

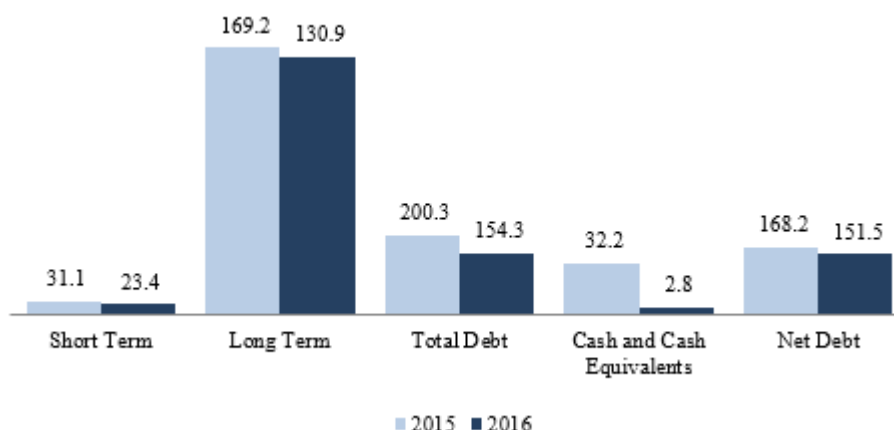
Company's Gross Debt ended 2016 at R\$ 154.3 million, 23.0% less than reported in 2015.

Debt (R\$ thd)	2015	2016	Chg. %	Chg. R\$
Short Term	31,145	23,411	-24.8%	- 7,734
Lines of Financing not subject to Judicial Recovery	31,145	23,411	-24.8%	- 7,734
Lines of Financing subject to Judicial Recovery	-	-	n/a	-
Debentures subject to Judicial Recovery	-	-	n/a	-
Bonds subject to Judicial Recovery	-	-	n/a	-
Long Term	169,203	130,855	-22.7%	- 38,348
Lines of Financing subject to Judicial Recovery	161,026	118,189	-26.6%	- 42,837
Lines of Financing not subject to Judicial Recovery	8,177	12,666	54.9%	4,489
Total Debt	200,348	154,266	-23.0%	- 46,082
Cash and Cash Equivalents	32,175	2,774	-91.4%	- 29,401
Net Debt	168,173	151,492	-9.9%	- 16,681

This reduction is due to the reclassification of the balance of Suppliers for the long term and registration of provision for adjustment to present value of suppliers, loans, ends, debentures and Bonds in the amount of R\$ 157.1 million and R\$ 298.5 million Of Subscription bonus as a result of approval and homologation of the Company's New Judicial Recovery Plan on December 1, 2016.

In addition to Cash and Cash Equivalents, after deduction of the Company's Net Debt, the year ended 2016 was R\$ 151.5 million, 9.9% lower than in 2015.

Debt Breakdown (R\$ million)



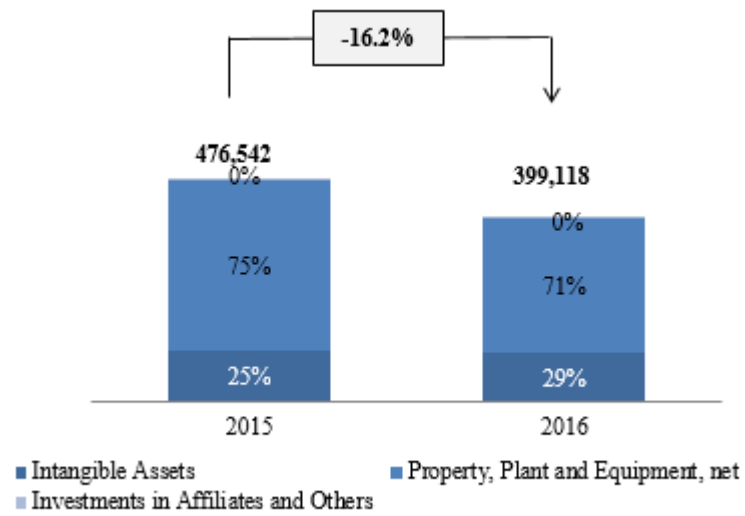
Investment Balance

Company's Investment Balances in 2016 totaled R\$ 399.1 million, a reduction of 16.2% compared to the R\$ 476.5 million presented in 2015.

Investments (R\$ thd)	2015	2016	Chg. %	Chg. R\$
Investments in Affiliates and Others	676	676	0.0%	0
Property, Plant and Equipment, net	354,862	281,730	-20.6%	-73,132
Intangible Assets	121,004	116,712	-3.5%	-4,292
Total	476,542	399,118	-16.2%	-77,424

Property, plant and equipment decreased by 20.6% in 2016, mainly due to the recognition of depreciation in the amount of R\$ 46.5 million, from the effect of exchange variation on property, plant and equipment of subsidiaries abroad in the amount of R\$ 21.8 million as a result of the 16.5% depreciation of the US dollar against the Brazilian Real in 2015. Another important factor that influenced the decrease in property, plant and equipment was the recognition in 2015 of R\$ 85.2 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 reorganization process and the reversal of R\$ 28.4 million resulting from the new impairment test carried out in 2016.

Investment Balances (R\$ thd)



Capex was R\$ 3.1 million in the 2016 primarily invested in the Services Segment units.

Attachments

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

	2015	2016	% Change
Net Revenue From Sales	268,294	138,486	-48%
Cost of Goods and Services Sold	(278,529)	(169,044)	-39%
Gross Profit	(10,235)	(30,558)	199%
Operating Income/Expenses	(269,571)	(59,466)	-78%
Selling	(8,811)	(7,591)	-14%
General and Administrative	(47,694)	(38,162)	-20%
Management Compensation	(6,347)	(5,576)	-12%
Equity Pick-up	21,946	(10,687)	-149%
Other Operation Income (Expenses)	(228,665)	2,550	-101%
Net Financial Result	319,679	34,830	-89%
Financial Income	399,186	456,422	14%
Financial Expenses	(24,523)	(474,133)	1833%
Net Exchange Variance	(54,984)	52,541	-196%
Results Before Income Tax and Social Contribution	39,873	(55,194)	-238%
Provision Income Tax and Social Contribution - Current	(2,666)	(2,236)	-16%
Provision Income Tax and Social Contribution - Deferred	(90,381)	64,800	-172%
Loss from Discontinued Operations	(21,963)	-	n/a
Net Loss (Profit) for the Period	(75,137)	7,370	-110%

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

	2015	2016	% Change
<u>Adjusted EBITDA from Continuing Operations</u>	(20,428)	(7,173)	-65%
Provision for Variable Remuneration	(4,615)	394	-109%
Provision for Losses, Impairment and Net Result on Disposal of Assets	(28,034)	(16,262)	-42%
Fines with Costumers	(199,208)	(6,204)	-97%
Multas com Clientes	1,573	(1,624)	-203%
<u>EBITDA from Continuing Operations</u>	(250,712)	(30,869)	-88%
Depreciation and Amortization	(51,040)	(48,468)	-5%
Equity Pick-up Result	21,946	(10,687)	-149%
Net Financial Result	319,679	34,830	-89%
Income Tax and Social Contribution - Current and Deferred	(93,047)	62,564	-167%
<u>Result from Discontinued Operations</u>	(21,963)	-	n/a
<u>Net Loss (Profit) from Continuing and Discontinued Operations</u>	<u>(75,137)</u>	<u>7,370</u>	<u>-110%</u>

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

	2015	2016	% Change
Total Asset	814,031	642,290	-21%
Current Assets	235,735	162,544	-31%
Cash and Cash Equivalents	31,012	1,233	-96%
Securities-Restricted	1,163	1,541	33%
Accounts Receivable	62,330	44,912	-28%
Inventories	56,349	56,691	1%
Recoverable Taxes	30,976	29,603	-4%
Other Accounts Receivable	7,715	6,394	-17%
Anticipated Expenses	4,672	3,285	-30%
Advances to Suppliers	26,234	14,095	-46%
Assets Held for Sale	15,284	4,790	-69%
Non-Current Assets	578,296	479,746	-17%
Securities	5,640	2,046	-64%
Judicial Deposits	22,275	24,657	11%
Recoverable Taxes	40,455	37,040	-8%
Other Accounts Receivable	33,384	16,885	-49%
Investments	676	676	0%
Fixed Assets	354,862	281,730	-21%
Intangible	121,004	116,712	-4%
Total Liabilities and Shareholders' Equity	814,031	642,290	-21%
Current Liabilities	211,624	177,222	-16%
Suppliers - not Subject to Judicial Recovery	29,084	18,506	-36%
Suppliers - Subject to Judicial Recovery - Class I	6,517	6,517	0%
Loans and Financings	31,145	23,411	-25%
Salaries, Provisions and Social Contribution	23,005	8,272	-64%
Commissions Payable	1,131	897	-21%
Taxes Payable	61,448	60,062	-2%
Salaries, Provisions - subject to Judicial Recovery	33,462	32,628	-2%
Advances from Clients	3,783	2,452	-35%
Participations in the Result	767	-	n/a
Other Obligations	19,259	23,372	21%
Fines with Customers	2,023	1,105	-45%
Non-Current Liabilities	509,094	420,457	-17%
Suppliers - Subject to Judicial Recovery - Class I	72,018	65,862	-9%
Loans and Financings - Subject to Judicial Recovery	161,026	118,189	-27%
Loans and Financings - not Subject to Judicial Recovery	8,177	12,666	55%
Taxes Payable	9,000	10,047	12%
Deferred Income Tax and Social Contribution	120,947	56,526	-53%
Provision for Taxes, Labor and Civil Risks	125,301	123,977	-1%
Other Obligations	8,965	7,669	-14%
Provision for Unfunded Liabilities in Subsidiaries	3,660	19,180	424%
Liabilities at Fair Value	-	6,341	n/a
Shareholders' Equity	93,313	44,611	-52%
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 Evaluation Adjustment	126,671	65,617	-48%
Retained Earnings / Accumulated Losses	(2,036,774)	(2,024,422)	-1%

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

	2015	2016	% Change
CASH FLOW FROM OPERATING ACTIVITIES			
Net Result for the Period	(75,137)	7,370	-110%
Adjustments:			
Depreciation and Amortization	51,066	48,468	-5%
Equity Pick-Up	(21,946)	10,687	-149%
Result on Sale of Fixed Assets	(1,319)	3,726	-382%
Loss (Gain) on Sale of Investments	21,788	(13,315)	-161%
Financial Charges and Exchange Variance on Financing, Bonds and Debentures	75,146	12,976	-83%
Extraordinary Losses and Adjustment to Market Value with Inventories	-	2,508	n/a
Reversal (Provision) for loss due to non-recoverability of assets	145,200	(28,387)	-120%
Deferred Income Tax and Social Contribution	90,381	(62,564)	-169%
Losses on Inventory Obsolescence	13,282	(3,397)	-126%
Provision of Contractual Fines	(1,742)	1,623	-193%
Allowance for Doubtful Accounts	1,707	(261)	-115%
Effective Losses on Doubtful Accounts	-	(881)	n/a
Present Value Adjustment	(394,788)	237,726	-160%
Fair Value Adjustment	-	(292,152)	n/a
Changes in Assets & Liabilities			
(Increase) Decrease in Accounts Receivable	62,042	14,257	-77%
(Increase) Decrease in Inventories	647	(231)	-136%
(Increase) Decrease in Recoverable Taxes	(608)	(462)	-24%
(Increase) Decrease in Other Assets	(1,010)	49,861	-5037%
(Increase) Decrease in Suppliers	50,064	(97)	-100%
(Increase) Decrease in Taxes Payable	2,361	(20,445)	-966%
(Increase) Decrease in Others Accounts Payable	24,401	(19,902)	-182%
Cash Flow from Operating Activities	41,535	(52,892)	-227%
CASH FLOW FROM INVESTMENT ACTIVITIES			
Proceeds from the sale of investments	-	28,599	n/a
Securities - Restricted	1,428	4,504	215%
Disposal of Discontinued Operations Net of Cash	11,922	-	n/a
Proceeds from Sales of Property, Plant and Equipment	3,664	50	-99%
Aquisition of Property, Plant and Equipment	(4,324)	(3,063)	-29%
Aquisition of Intangible Assets	(2,253)	(171)	-92%
Cash Flow from Investment Activities	10,437	29,919	n/a
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Loans and Financings	174,471	79,095	-55%
Payment of Loans and Financings - Principal	(191,609)	(83,066)	-57%
Payment of Loans and Financings - Interest	(7,422)	(2,833)	-62%
Cash Flow from Financing Activities	(24,560)	(6,804)	-72%
Exchange Variation on Cash and Cash Equivalents for Subsidiaries Abroad	19	(2)	-111%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	27,431	(29,779)	-209%
At the Beginning of the Period	3,581	31,012	766%
At the End of the Period	31,012	1,233	-96%

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 on the Oil and Gas sector. Our businesses are organized in two Segments: Products and Services. The Products Segment offers mainly valves for the industrial and the oil and gas sector, anchoring ropes for production platforms and equipment for well completion. In addition, Lupatech holds a significant participation in a maker of compressors for natural 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.