INTERIM FINANCIAL STATEMENTS Q2 2017

LUPATECH S.A. – IN JUDICIAL RECOVERY
CNPJ/MF nº 89.463.822/0001-12
NIRE 35.3.0045756-1

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IN CASE OF DIVERGENCE OF INTERPRETATION, THE PORTUGUESE TEXT WILL PREVAIL

Management report

Message from the Administration

During 2Q17, Lupatech Group saw its efforts for recovering industrial activities prosper once more.

There was a gradual progress on valve sales for both industrial and Oil&Gas, although we noticed a loss of momentum after the accusations against the President of the Republic and the resulting political crisis.

On July, our valve plant for Oil&Gas received again the CRCC certification of Petrobras, for what we expect a greater influx of orders from the most important client, which should reflect also on the industrial valve plant, since several biddings have a broader scope.

Also in July, we were able to conclude the certification ISO 9000 of CSL, an important requirement to make it able to recover the CRCC certification and facilitate supply to Petrobras.

We had the opportunity to participate in two biddings in the piping area, for the supply of inner fiberglass sleeves for production piping and cleaning, inspection and maintenance services of those pipes. We won one of the bidding processes, even though there has not been contracting yet, which depends on Petrobras exclusive decision. The other process is still on course, we were classified, but the prices were still not disclosed. Both processes are important to ensure this business resumption, which is paralyzed since 1S16.

However, a major part of the efforts recently undertaken were applied to a thankless mission, to deactivate our offshore services unit of Macaé, as planned in our restructuring plans. The activities happened as expected, with the termination of over 160 employees. On the date of publication of this report, nearly all equipment was already demobilized and being prepared for sale, under the terms of the Judicial Recovery Plan and through authorization issued by the recovery judgment.

Rafael Gorenstein
CEO and Investor Relations Director

Financial-Economic Performance

Net Revenue

Net Revenue (R$ thd)	2Q16	2Q17	Chg. R$	1Q17	2Q17	Chg. R$	1S16	1S17	Chg. R$
Products	**6,562**	**7,618**	**1,056**	**9,460**	**7,618**	**-1,842**	**12,310**	**17,078**	**4,768**
Oil&Gas Valves	587	2,084	1,497	4,472	2,084	-2,388	1,393	6,556	5,163
Industrial Valves	5,975	5,534	-441	4,986	5,534	548	10,917	10,520	-397
Others	-	-	-	2	-	-2	-	2	2
Services	**22,770**	**21,054**	**-1,716**	**21,872**	**21,054**	**-818**	**63,710**	**42,926**	**-20,784**
Oilfield Services Brazil	17,031	8,489	-8,542	10,011	8,489	-1,522	41,809	18,500	-23,309
Oilfield Services Colombia	5,739	12,565	6,826	11,861	12,565	704	16,731	24,426	7,695
Tubular Services & Coating	-	-	-	-	-	-	5,170	-	-5,170
Total	**29,332**	**28,672**	**-660**	**31,332**	**28,672**	**-2,660**	**76,020**	**60,004**	**-16,016**

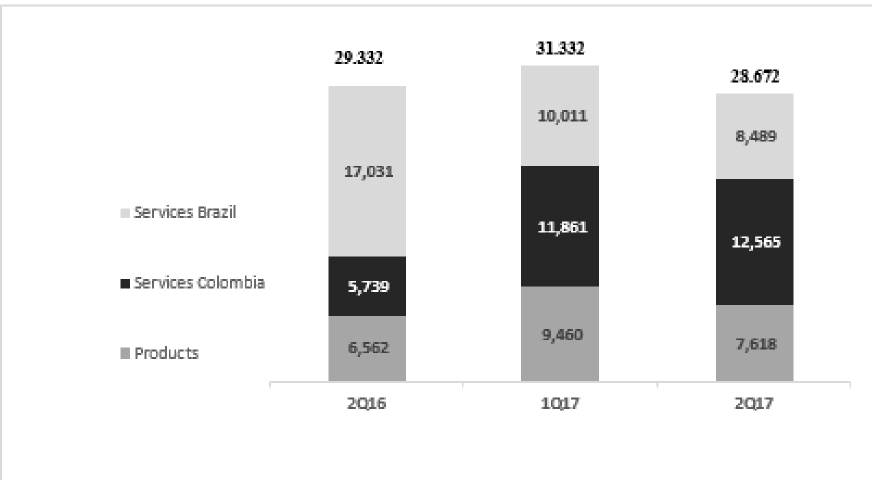
PRODUCTS SEGMENT
On 2Q17 compared to 1Q17, the reduction on Net Revenue is justified by the good performance on the external market which the Oil&Gas Valves division presented on 1Q17. On that quarter, there were exports on the value of R$ 3.6 million which did not happen again on 2Q17.

Comparing the Net Revenue of 2Q17 and 1S17 with 2Q16 and 1S16, however, the improvement is justified by the sales increase on the internal market, result of the recovery effort undertaken by the Company, as well as the already mentioned performance of exports of 1Q17.

SERVICES SEGMENT
On 2Q17 compared to 1Q17, the Net Revenue had a discrete reduction. The growth of Oilfield Services Colombia division did not exceed the reduction on activities in Brazil. This reduction on Brazil's income was due to the termination of the Lifting Frames contract with Petrobras in February 2017 and to the reduction of demand of the Power Tongs contract.

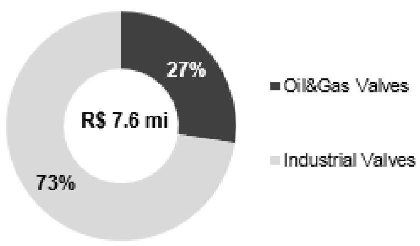
The same effects are observed on the comparisons of 2Q17 and 1S17 with 2Q16 and 1S16, more significant with a highlight for the considerable recovery of Colombian market. It is highlighted that in 2016 the onshore Workover Services business and some piping supplies were still active in Northeast.

Operational Net Revenue (R$ thousand)

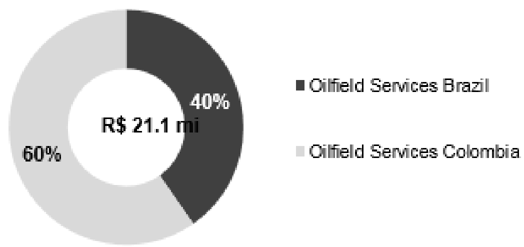


Revenue Distribution - 2Q17

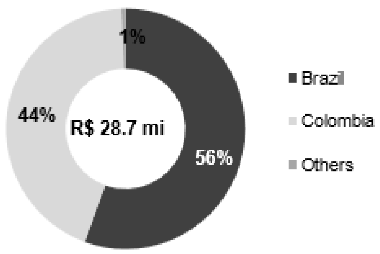
Products



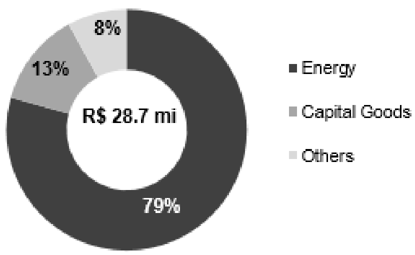
Services



By Region



By Industrial Sector



On June 30, 2017, the Backlog order portfolio of the Company amounted to approximately R$ 144.7 million. Of these, R$ 6.1 million corresponded to the order portfolio of valves and R$ 138.6 million to the balance of services contracts with Petrobras. On the date of publication of this report, it is already known the termination of the services contracts which only had short prorogations with small demanded amounts.

Gross Profit and Gross Margin

Gross Profit (R$ thd)	2Q16	2Q17	Chg. R$/p.p.	1Q17	2Q17	Chg. R$/p.p.	1S16	1S17	Chg. R$/p.p.
Products	**57**	**-51**	**-108**	**-759**	**-51**	**708**	**-535**	**-810**	**-275**
Gross Margin - Products	0.9%	-0.7%	-1.5 p.p.	-8.0%	-0.7%	7.4 p.p.	-4.3%	-4.7%	-0.4 p.p.
Services	**-13,407**	**-607**	**12,800**	**-5,313**	**-607**	**4,706**	**-21,381**	**-5,920**	**15,461**
Gross Margin - Services	-58.9%	-2.9%	56.0 p.p.	-24.3%	-2.9%	21.4 p.p.	-33.6%	-13.8%	19.8 p.p.
Total	**-13,350**	**-658**	**12,692**	**-6,072**	**-658**	**5,414**	**-21,916**	**-6,730**	**15,186**
Gross Margin - Total	-45.5%	-2.3%	43.2 p.p.	-19.4%	-2.3%	17.1 p.p.	-28.8%	-11.2%	17.6 p.p.
Depreciation	**12,637**	**6,478**	**-6,159**	**10,389**	**6,478**	**-3,911**	**25,216**	**16,867**	**-8,349**
Products	1,848	1,687	-161	1,738	1,687	-51	3,758	3,425	-333
Services	10,789	4,791	-5,998	8,651	4,791	-3,860	21,458	13,442	-8,016
Gross Profit without Depreciation	**-713**	**5,820**	**6,533**	**4,317**	**5,820**	**1,503**	**3,300**	**10,137**	**6,837**
Products	1,905	1,636	-269	979	1,636	657	3,223	2,615	-608
Services	-2,618	4,184	6,802	3,338	4,184	846	77	7,522	7,445
Gross Margin without Depreciation	-2.4%	20.3%	22.7 p.p.	13.8%	20.3%	6.5 p.p.	4.3%	16.9%	12.6 p.p.

PRODUCTS SEGMENT

On the comparison of 2Q17 to 1Q17, there was an increase of R$ 0.7 million in Gross Profit, as a result of the management effort employed to reduce production costs. Excluding the depreciation, the effect is similar, only highlighting that in this simulation the result is positive - the analysis is intended to evidence the weight of depreciation on the results in view of the low level of activity, especially on the Oil&Gas valve segment in which the immobilized capital and the suffering are both greater.

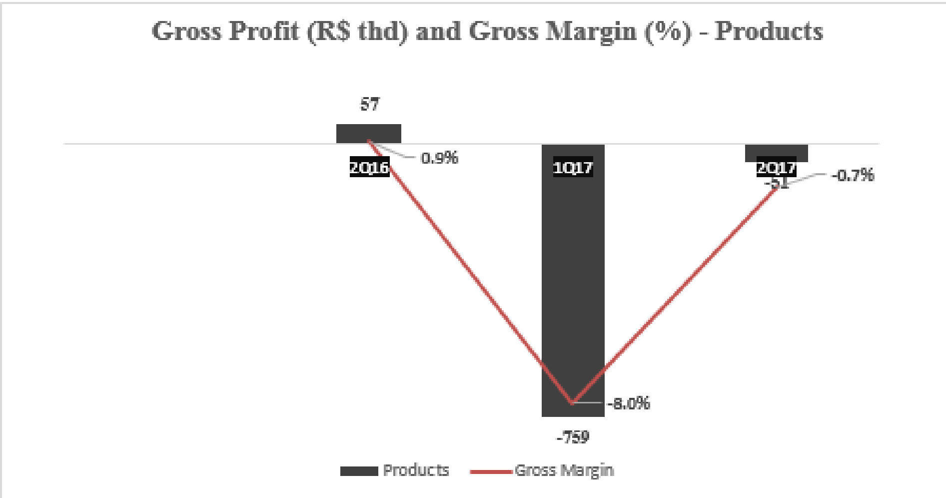
Observing the variations between years, there was an increase of Net Revenue, however, there was a significant increase on the costs, especially on the cost with raw matter, direct matters and subcontracting, which concealed a positive result on the Gross Margin of this segment.

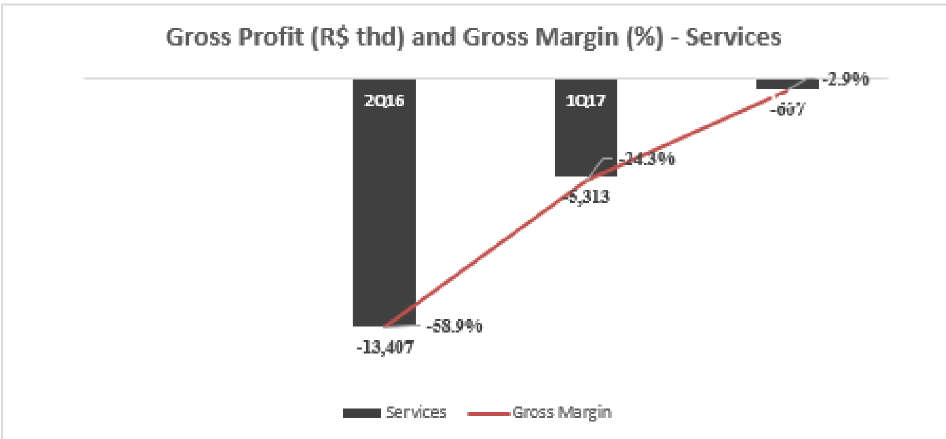
SERVICES SEGMENT
On the course of the year, an improvement on Gross Profit was observed from 1Q17 to 2Q17, consistent with the reduction of services costs, mainly with staff costs.

On the comparison between years, both on 2Q17 versus 2Q16 and on 1S17 versus 1S16, a massive improvement of results was observed, due to the termination of deficit contracts and the Herculean task of restructuring undertaken.

The restructuring effect is more evidenced when the depreciation of the Gross Profit calculations is excluded - on 2Q16, the number was even negative!

Gross Profit (R$ thousand) and Gross Margin (%)





Expenses

Expenses (R$ thd)	2Q16	2Q17	Chg. R$	1Q17	2Q17	Chg. R$	1S16	1S17	Chg. R$
Total Sales Expenses	**2,121**	**1,534**	**- 587**	**1,565**	**1,534**	**- 31**	**3,997**	**3,099**	**- 898**
Sales Expenses - Products	818	1,305	487	1,308	1,305	- 3	1,911	2,613	702
Sales Expenses - Services	1,303	229	- 1,074	257	229	- 28	2,086	486	- 1,600
Total Administrative Expenses	**9,806**	**6,980**	**- 2,826**	**7,346**	**6,980**	**- 367**	**21,167**	**14,326**	**- 6,841**
Administrative Expenses - Products	2,997	2,351	- 646	2,659	2,351	- 308	5,955	5,009	- 945
Administrative Expenses - Services	5,374	4,171	- 1,203	4,221	4,171	- 50	12,530	8,391	- 4,139
Administrative Expenses - Corporate	1,435	458	- 977	467	458	- 9	2,682	925	- 1,757
Management Compensation	**1,055**	**1,151**	**96**	**862**	**1,151**	**289**	**2,110**	**2,013**	**- 97**
Total Sales, Administratives and Management Fees	**12,982**	**9,665**	**- 3,317**	**9,773**	**9,665**	**- 108**	**27,274**	**19,438**	**- 7,836**

EXPENSES ON SALES
Total Expenses with Sales on 2Q17 was kept constant if compared to 1Q17, both on the Products Segment and the Services one. In the comparison between years there was a reduction in total both against 2Q16 and 1S16.

On the Products Segment, there was an increase of 59.5% on 2Q17 compared 2Q16, mainly due to the reversion of R$ 0.6 million of provision for effective losses with clients on the Oil&Gas Valves division occurred on 2Q16 which did not happen again on 2Q17. On 2Q16 also occurred the recognition of R$ 1.0 million fines with clients on the Tubular Services & Coating division on the Services Segment, which justifies the reduction of Sales Expenses of 82.4% on 2Q17 compared to 2Q16. Comparing 2Q17 with 1Q17, on the Services segment, the reduction of expenses is due to the reduction of staff on the commercial sector.

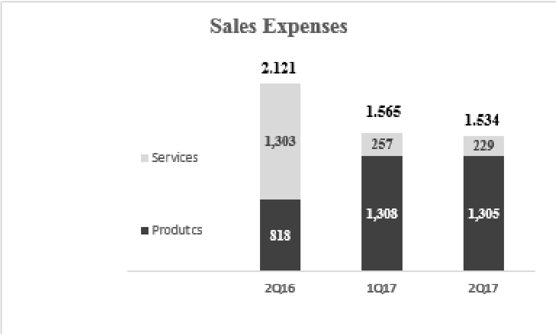
ADMINISTRATIVE EXPENSES
Total Administrative Expenses on 2Q17 has a reduction if compared to 1Q17, both on the Products Segment and the Services one. In the comparison between years there was a reduction in total against 2Q16 in relation to 1S16.

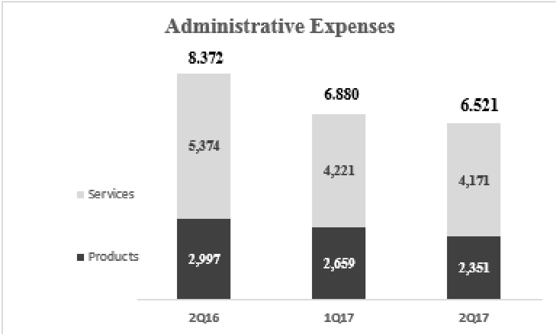
On the Products segment, the reduction was due to the expenses which occurred on the demobilization of assets in one of the units of 1Q17. On the Services segment, however, comparing 2Q17 to 1Q17, the reduction of expenses is due to the staff reduction on the administrative sector.

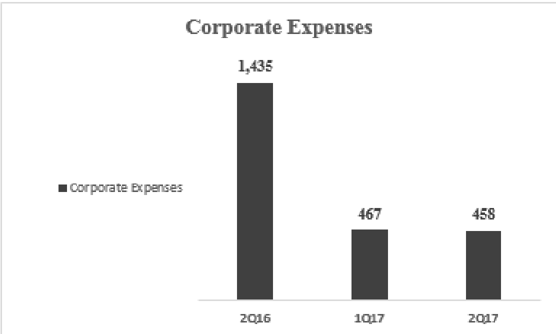
MANAGEMENT FEES
The total Management cost on 27Q17, increased if compared both to 1Q17 and to 2Q16.

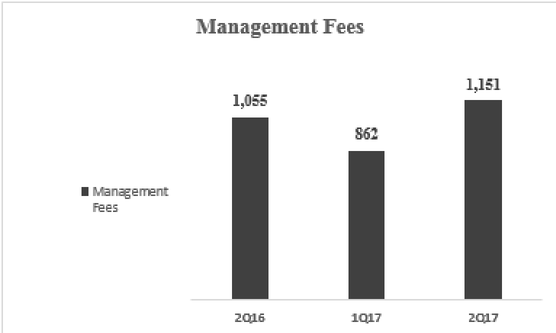
The increase occurred on 2Q17 in comparison to 1Q17 is a result of the hiring of a new CEO and a new Director of Operations aiming to focus on the recovery of valve operations and optimizing costs with the management.

Operating Expenses (R$ thousand)









Other Operating (Revenues) and Expenses

Other Operating (Revenue) and Expenses (R$ thd)	2Q16	2Q17	Chg. R$	1Q17	2Q17	Chg. R$	1S16	1S17	Chg. R$
Products	- 4,787	1,145	5,932	3,942	1,145	- 2,798	- 10,175	5,087	15,262
Expenses with idleness - Products	- 2,592	- 2,840	- 248	- 1,227	- 2,840	- 1,612	- 5,225	- 4,067	1,158
Services	- 10,436	6,370	16,806	11,469	6,370	- 5,099	1,799	17,840	16,040
Expenses with idleness - Services	- 636	- 517	119	- 539	- 517	22	- 1,536	- 1,057	480
Total	**- 18,451**	**4,158**	**22,609**	**13,645**	**4,158**	**- 9,487**	**- 15,137**	**17,803**	**32,940**

The total of Other Operating Expenses and Revenues surpassed Expense on the period of 2Q16 for Revenue on periods 1Q17 and 2Q17.

On 2Q17 it is related mainly to the following factors related to operating expenses:

(i) R$ 2.1 million of residual value on fixed asset retirement;

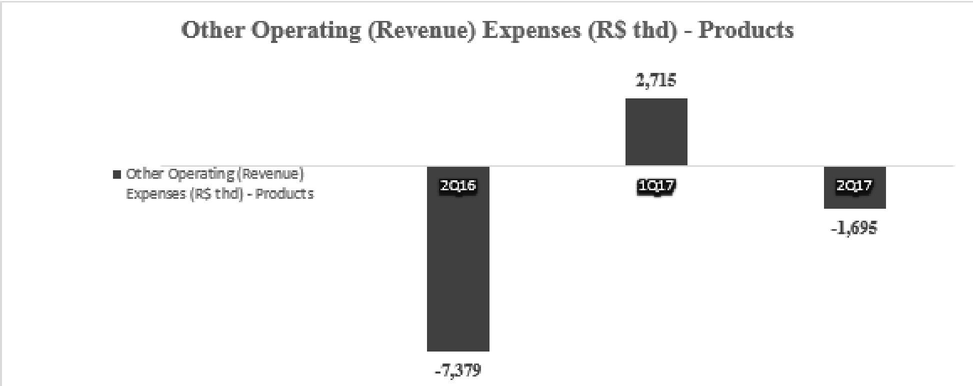
(ii) R$ R$ 3.4 million of expenses with production idleness.

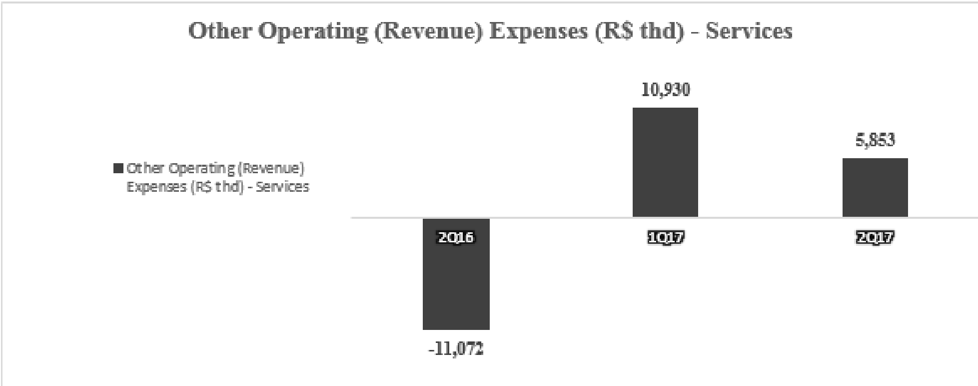
And to the following factors relating to operational revenues:

(i) R$ 7.3 million of reversion of provision of loss by the non-recoverability of assets;

(ii) R$ 2.8 million of profit on disposal of fixed asset.

Other Operating (Revenues) Expenses (R$ thousand)





Financial Results

Financial Results (R$ thd)	2Q16	2Q17	Chg. R$	1Q17	2Q17	Chg. R$	1S16	1S17	Chg. R$
Income from Financial Investments	480	62	-418	82	62	-20	891	144	-747
Monetary Variation	573	673	100	653	673	20	751	1,326	575
Interest on Receivables	310	311	1	310	311	1	618	621	3
Others	1,420	24	-1,396	114	24	-90	1,535	138	-1,397
Financial Revenue*	**2,783**	**1,070**	**-1,713**	**1,159**	**1,070**	**-89**	**3,795**	**2,229**	**-1,566**
(Expense) Reversal of Interest Expenses	-72,801	-3,427	69,374	-3,679	-3,427	252	-76,702	-7,106	69,596
Present Value Adjustment	-393,792	-1,362	392,430	-1,418	-1,362	56	-394,788	-2,780	392,008
Discount Granted	-	-226	-226	-	-226	-226	-765	-226	539
(Provision) Reversal of Provision for Interest on Suppliers	-16,475	-970	15,505	-1,423	-970	453	-18,775	-2,393	16,382
Fines and Interest on Taxes	-1,802	-1,773	29	-1,559	-1,773	-214	-17,257	-3,332	13,925
IOF, Banking Expenses and Others	-1,985	-1,007	978	-681	-1,007	-326	-3,364	-1,688	1,676
Financial Expense*	**-486,855**	**-8,765**	**478,090**	**-8,760**	**-8,765**	**-5**	**-511,651**	**-17,525**	**494,126**
Net Financial Results*	**-484,072**	**-7,695**	**476,377**	**-7,601**	**-7,695**	**-94**	**-507,856**	**-15,296**	**492,560**
Exchange Vaciance Revenue	190,936	46,581	-144,355	73,439	46,581	-26,858	380,750	120,020	-260,730
Exchange Variance Expenses	-156,490	-59,387	97,103	-66,962	-59,387	7,575	-326,785	-126,349	200,436
Net Exchange Variance	**34,446**	**-12,806**	**-47,252**	**6,477**	**-12,806**	**-19,283**	**53,965**	**-6,329**	**-60,294**
Net Financial Results - Total	**-449,626**	**-20,501**	**429,125**	**-1,124**	**-20,501**	**-19,377**	**-453,891**	**-21,625**	**432,266**

* Excluding Exchange Variance

The Total Net Financial Result resulted in expense, both on 2Q17 and 1Q17 and 2Q16. The same happened among the years, resulting in expense both on 1S16 and 1S17.

FINANCIAL REVENUE

The total Financial Revenue (excluding Exchange Variance) on 2Q17 reduced R$ 1.7 million compared to 2Q16, mainly due to monetary variation on recoverable taxes and recovery of taxes and contributions, on the amount of R$ 1.4 million, recognized on 2Q16, which also justifies the variation from 1S16 to 1S27.

In comparison to 1Q17, Total Financial Revenue (excluding Exchange Variance) presented a small reduction.

FINANCIAL EXPENSE

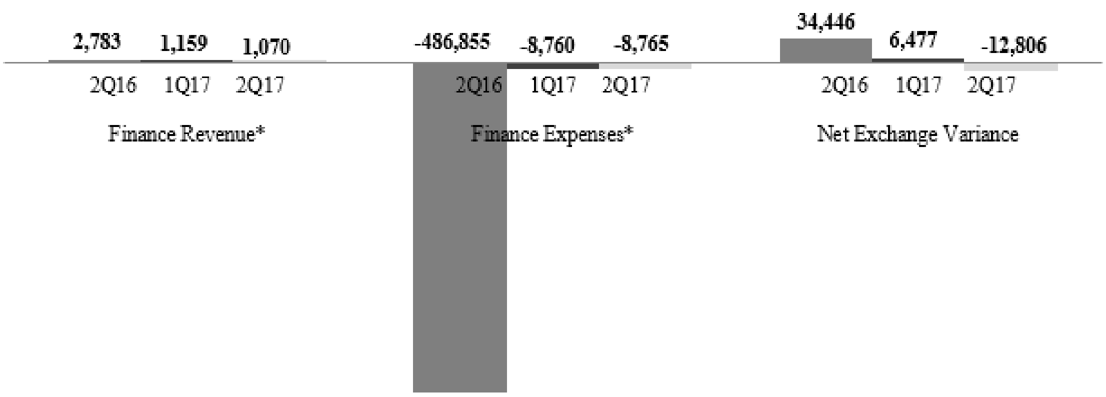
Total Financial Expense (excluding Exchange Variance) on 2Q17 reduced R$ 478 million in comparison to 2Q16, mainly due to the recognition of R$ 393.8 million of expense with adjustment to present value of suppliers, loans, fines, debentures and bonds, on 2Q16, which also justifies the variation from 1S16 to 1S17.

In comparison to 1Q17, Total Financial Revenue (excluding Exchange Variance) remained stable.

NET EXCHANGE VARIANCE

Net Exchange Variance on 2Q17 resulted in expense of R$ 12.8 million versus a revenue of R$ 34.4 million on 2Q16 and a revenue of R$ 6.5 million on 17Q17 affected by North American currency appreciation against Real on 2Q17.

Composition of Financial Result (R$ thousand)



* Excluding Exchange Variance

EBITDA Adjusted of Continued Activities1

Adjusted EBITDA (R$ thd)	2Q16	2Q17	Chg. R$ / p.p.	1Q17	2Q17	Chg. R$ / p.p.	1S16	1S17	Chg. R$ / p.p.
Products	**- 4,375**	**- 4,614**	**- 239**	**- 5,210**	**- 4,614**	**596**	**- 7,608**	**- 9,824**	**- 2,216**
Margin	-66.7%	-60.6%	0.6 p.p.	-55.1%	-60.6%	-5.5 p.p.	-61.8%	-57.5%	4.3 p.p.
Services	**- 7,093**	**882**	**7,975**	**1,556**	**882**	**- 674**	**884**	**2,438**	**1,554**
Margin	-31.2%	4.2%	35.3 p.p.	7.1%	4.2%	-2.9 p.p.	1.4%	5.7%	4.3 p.p.
Total	**- 11,468**	**- 3,732**	**7,736**	**- 3,654**	**- 3,732**	**- 78**	**- 6,724**	**- 7,386**	**662**
Margin	-39.1%	-13.0%	26.1 p.p.	-11.7%	-13.0%	-1.4 p.p.	-8.8%	-12.3%	-3.5 p.p.
% Products	38%	124%		143%	124%		113%	133%	
% Services	62%	-24%		-43%	-24%		-13%	-33%	

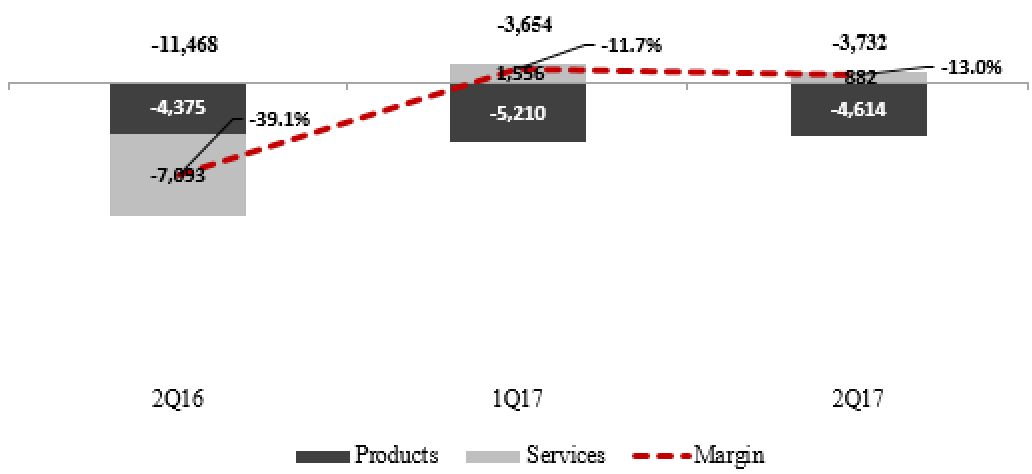
The Total of EBITDA Adjusted Consolidated on 2Q17 presented an increase in comparison with 2Q16 and a small reduction in comparison with 1Q17.

On the Products Segment, on 2Q17 in comparison with 1Q17, there was a reduction on the margin due to production idleness increase. On the Services Segment however, the positive value, both on 2Q17 and 1Q17 is mainly due to the registration on provision reversal of fixed asset impairment as amount of R$ 7.3 million on 2Q17 and R$ 17.3 million on 1Q17.

Adjusted Ebitda Reconciliation (R$ thd)	2Q16	1Q17	2Q17
Gross Profit	- 13,350	- 6,072	- 658
SG&A	- 11,927	- 8,911	- 8,514
Management Fees	- 1,055	- 862	- 1,151
Depreciation and Amortization	12,637	10,389	6,478
Other Operating Expenses/Revenue	- 18,451	13,645	4,158
Ebitda	**- 32,146**	**8,189**	**313**
Provision for Variable Remuneration	- 394	-	164
Provisions/Reversals for Losses, Impairment, Net Result on Disposal of Assets, Reversals with Legal Proceedings	14,403	- 13,540	- 5,873
Fines with Customers	1,391	70	31
Restructuring Process and Other Extraordinary Expenses	5,278	1,627	1,632
Adjusted EBITDA	**- 11,468**	**- 3,654**	**- 3,732**

[1] ***Ebitda of Continued Activities*** *is calculated as the net profit (loss) of continued activities, before income tax and social contribution, of financial revenues (expenses), of equity equivalence results in affiliated companies and depreciation and amortization. Ebitda Adjusted of Continued Activities reflects Ebitda of Continued Activities, adjusted to exclude the expenses with participation of employees and administrators on profits and results, provision for loss in inventories, net result on disposal of assets, contingency provisions, provision of fines with clients and expenses related to the restructuring process and other extraordinary expenses of the Company. Ebitda Adjusted of Continued Activities is not a measure used on the accounting practices adopted in Brazil, not representing the cash flow for the periods presented and should not be considered as an alternative to the net profit on the quality of operating performance indicator or as an alternative to the cash flow on the quality of liquidity indicator. Ebitda Adjusted of Continued Activities does not have a standardized meaning and the definition of Ebitda Adjusted of Continued Activities of the Company may not be comparable to Ebitda Adjusted of Continued Activities as defined by other Companies. Even if Ebitda Adjusted of Continued Activities does not provide, according to the accounting practices used in Brazil a measure of the operating cash flow, the Administration uses it to measure its operating performance. Additionally, the Company understands that certain investors and financial analysts use Ebitda Adjusted of Continued Activities as an operating performance indicator of a Company and/or its cash flow. The reconciliation of Ebitda Adjusted of Continued Activities as calculated by the Company may be found on Annex II of this report.*

EBITDA Adjusted (R$ thousand)



Adjusted Ebitda Reconciliation (R$ thd)	2Q17 Products	2Q17 Services	2Q17 Total
Gross Profit	- 51	- 607	- 658
SG&A	- 3,778	- 4,735	- 8,514
Management Fees	- 302	- 849	- 1,151
Depreciation and Amortization	1,687	4,791	6,478
Other Operating Expenses/Revenue	- 1,695	5,853	4,158
Ebitda	**- 4,139**	**4,453**	**313**
Provision for Variable Remuneration	-	164	164
Provisions/Reversals for Losses, Impairment, Net Result on Disposal of Assets, Reversals with Legal Proceedings	- 640	- 5,233	- 5,873
Fines with Customers	31	-	31
Restructuring Process and Other Extraordinary Expenses	134	1,498	1,632
Adjusted EBITDA	**- 4,614**	**882**	**- 3,732**

The non-recurring expenses which amounted to R$ 5.9 million negative refer mainly to the booking of residual value on retirement of assets on the amount of R$ 2.1 million, provision for obsolescence of inventories on the amount of R$ 0.4 million, reversion of provisions for loss with law suits on the amount of R$ 1.0 million and reversion of provision of loss by the non-recoverability of assets of R$ 7.3 million.

Net Result

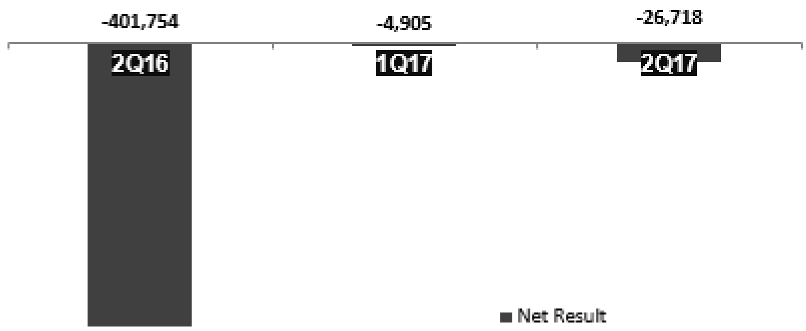
Net Result (R$ thd)	2Q16	2Q17	Chg. R$	1Q17	2Q17	Chg. R$	1S16	1S17	Chg. R$
Result Before Income Tax and Social Contribution	- 494,409	- 26,952	467,457	- 4,817	- 26,952	- 22,135	- 518,218	- 31,769	486,449
Income Tax and Social Contribution - Current	- 1,819	- 595	1,224	- 919	- 595	324	- 2,117	- 1,514	603
Income Tax and Social Contribution - Deferred	94,474	829	- 93,645	831	829	- 2	95,072	1,660	- 93,412
Result of Discontinued Operation	-	-	-	-	-	-	-	-	-
Net Result	**- 401,754**	**- 26,718**	**375,036**	**- 4,905**	**- 26,718**	**- 21,813**	**- 425,263**	**- 31,623**	**393,640**
Net Result per 1.000 shares	- 2.56	- 2.84	- 0.29	- 0.52	- 2.84	- 2.32	- 2.71	- 3.37	- 0.66

The Period Net Result was of loss, both on 2Q17 and 2Q16 and 1Q17. The main events which contributed for such result on 2Q17 were:

(i) R$ 3.4 million of idleness of production;
(ii) R$ 2.1 million of residual on fixed asset retirement;
(iii) R$ 0.4 million of provision for loss and obsolescence of inventories.

The Net Result on the semester’s accrued amount was of loss of R$ 31.6 million on 1S17 against loss of R$ 425.3 million on 1S16. The main event which contributed to this variation was the launch of R$ 394.8 million of expense with adjustment to present value of the suppliers, loans, fines, debentures and bonds recognized on 1S16.

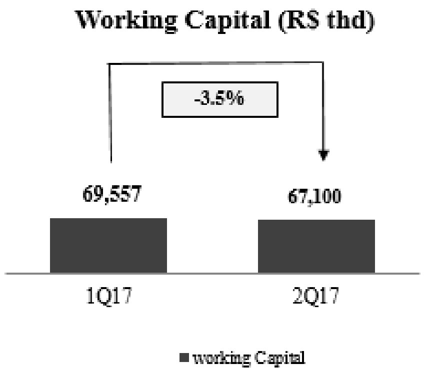
Composition of Net Result (R$ thousand)

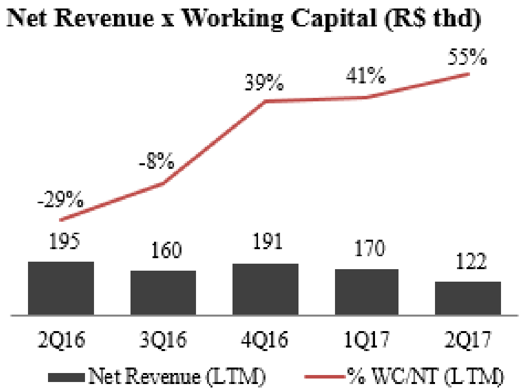


Operating Working Capital

Working Capital (R$ thd)	1Q17	2Q17	Chg. %	Chg. R$
Accounts Receivable	44,408	43,635	-1.7%	- 773
Inventories	53,133	52,428	-1.3%	- 705
Suppliers	24,710	26,208	6.1%	1,498
Advances from Customers	3,274	2,755	-15.9%	- 519
Employed Working Capital	**69,557**	**67,100**	**-3.5%**	**- 2,457**
Employed Working Capital Variance	- 4,571	- 2,457		
% Working Capital/Net Revenue*	41.0%	54.8%		
**LTM: last 12 months*				

The index of need of Working Capital on Net Revenue accrued (12 months) on 2Q17 reached a percentage of 54.8%, increase of 13.8 percentage points when compared to the indicator of 1Q17.





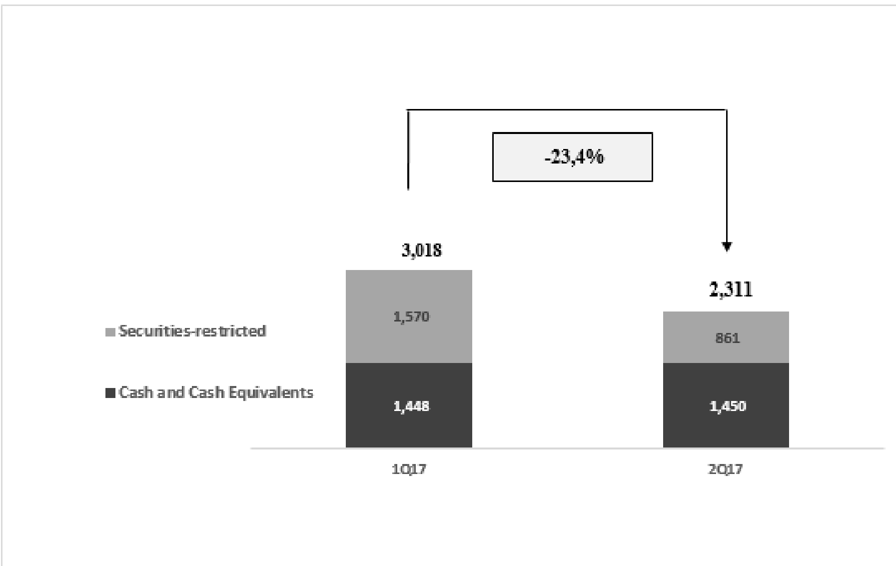
There was a reduction on the Advancement from customers on 2Q17 in comparison with 1Q17, as a consequence mainly of the reduction of Net Revenue. Regarding the balance of suppliers, the increase on 2Q17 compared to 1Q17 is due to the effect of annulment of the Company's Judicial Recovery Plan on June 27, 2016.

Cash and Cash Equivalents

Cash and cash equivalents (R$ thd)	1Q17	2Q17	Chg. %	Chg. R$
Cash and Cash Equivalents	1,448	1,450	0.1%	2
Securities-restricted	1,570	861	-45.2%	- 709
Total	**3,018**	**2,311**	**-23.4%**	**- 707**

The consolidated position of Cash and Cash Equivalents of the Company on 2Q17 achieved R$ 2.3 million in comparison with the amount of R$ 3.0 million on 1Q17. Such reduction regards the release of withdraw of the registered value such as Securities - restricted account, called "Escrow Account".

Balances of Cash and Cash Equivalents (R$ thousand)



Debt

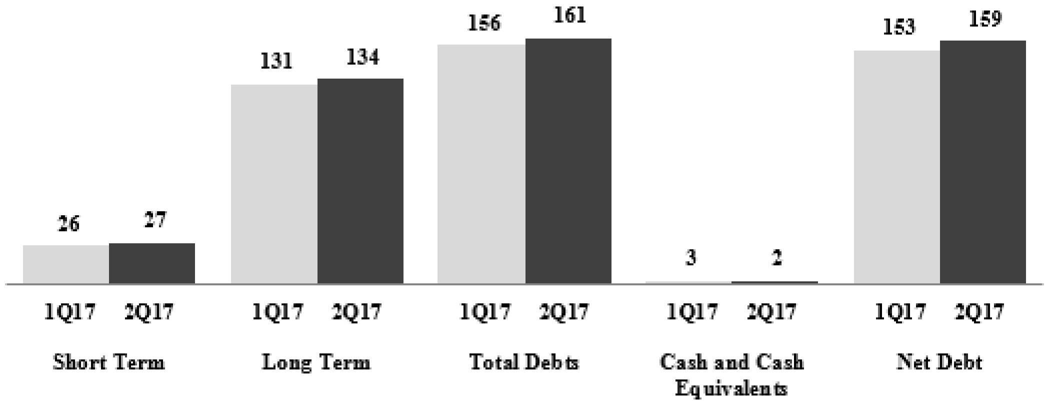
The Company's Gross Debt ended 2Q17 in R$ 160.9 million, 3.0% over the computed on 1Q17.

Debts (R$ ths)	1Q17	2Q17	Chg. %	Chg. R$
Short Term	**25,641**	**26,992**	**5.3%**	**1,351**
Financing Lines not Subject to Judicial Recovery	25,641	26,992	5.3%	1,351
Long Term	**130,559**	**133,871**	**2.5%**	**3,312**
Financing Lines Subject to Judicial Recovery	118,369	123,895	4.7%	5,526
Financing Lines not Subject to Judicial Recovery	12,190	9,976	-18.2%	- 2,214
Total Debts	**156,200**	**160,863**	**3.0%**	**4,663**
Cash and Cash Equivalents	3,018	2,311	-23.4%	- 707
Net Debt	**153,182**	**158,552**	**3.5%**	**5,370**

Such increase is mainly a consequence of the exchange variance on loans maintained on foreign currency, due to the North American currency appreciation against Real on 2Q17.

With the availabilities of Cash and Cash Equivalents being summed, the Company's Net Debt subtracted ended 2Q17 on R$ 158.6 million, increase of 3.5% against the value on 1Q17.

Composition of Debt (R$ million)



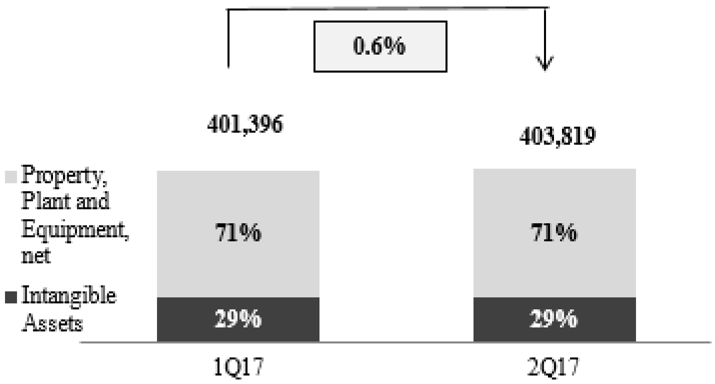
Investment Balances

The Company's Investment Balances on 2Q17 remained constant compared to 1Q17.

The Fixed Asset presented an increase of 1.1% on 2Q17 especially due to the recognition of depreciation on the amount of R$ 6.1 million and the effect of exchange variance on the fixed asset of the controlled companies abroad on the amount of R$ 1.7 million, based on the 4.2% appreciation on the North American currency against Real on 2Q17.

Investments (R$ thd)	1Q17	2Q17	Chg. %	Chg. R$
Others Investments	676	676	0.0%	-
Property, Plant and Equipment, net	284,153	287,210	1.1%	3,057
Intangible Assets	116,567	115,933	-0.5%	- 634
Total	**401,396**	**403,819**	**0.6%**	**2,423**

Investment Balances (R$ thousand)



Capex was of R$ 0.9 million on 2Q17 mainly directed to the units of the Products Segment and the Oilfield Services Colombia division.

Judicial Recovery

On May 25, 2015, as disclosed by Material Facts, the Company filed, together with other companies of the Lupatech Group, a request for Judicial Recovery. The requested was approved by justice on June 23, 2015. All information related to the process is available on CVM website 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, with it being validated on December 11, 2015, by the judgment of the 1st Court of Bankruptcy, Judicial Recovery and Conflicts Related to the Arbitration of the Capital of São Paulo, without any reservations.

On June 27, 2016, the 2nd Chamber Dedicated to Corporate Law of the Court of Law of the State of São Paulo provisioned interlocutory appeals filed by two creditors in order to annul the validation decision of the Judicial Recovery Plan of the Lupatech Group, stated by Judgment of the 1st Court of Bankruptcy, Judicial Recovery and Conflicts Related to the Arbitration of the District of São Paulo.

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

The New Judicial Recovery Plan establishes the terms and conditions for the restructuring of debts of the Lupatech Group and attends to the criteria established on decisions of the 2nd Chamber Dedicated to Corporate Law of the Court of Law of the State of São Paulo.

On November 08, 2016, the General Meeting of Creditors of the Lupatech Group approved the New Judicial Recovery Plan, validated on December 01, 2016, by the judgment of the 1st Court of Bankruptcy, Judicial Recovery and Conflicts Related to the Arbitration of the Capital of São Paulo, without any reservations. Lupatech S/A presented motions for clarification and on February 15, 2017, the judgment corrected its validation order. Before the final validation of judgment, the term for appeals against validation of the plan ended on March 13, 2017. Since until said date there has not been presentation of any appeal against the validation of the plan, it binds the Lupatech group and its creditors subject to the Plan.

The Company awaits certification of the final and binding decision of the ratification award of its New Judicial Recovery Plan to evaluate the continuity of special appeal, filed against the decision of the court of Justice of São Paulo which annulled the Judicial Recovery Plan previously presented.

Annexes

Annex I – Consolidated Income Statement (R$ thousand)

	1Q17	2Q17	% Change
Net Revenue From Sales	31,332	28,672	-8%
Cost of Goods and Services Sold	-37,404	-29,330	-22%
Gross Profit	-6,072	-658	-89%
Operating Income/Expenses	2,379	-5,793	-344%
Selling	-1,565	-1,534	-2%
General and Administrative	-7,346	-6,980	-5%
Management Compensation	-862	-1,151	34%
Equity pick-up	-1,493	-286	-81%
Other Operation Income (Expenses)	13,645	4,158	-70%
Net Financial Result	-1,124	-20,501	1724%
Financial Income	1,159	1,070	-8%
Financial Expenses	-8,760	-8,765	0%
Net Exchange Variance	6,477	-12,806	-298%
Loss Before Income Tax and Social Contribution	-4,817	-26,952	460%
Provision Income Tax and Social Contribution - Current	-919	-595	-35%
Provision Income Tax and Social Contribution - Deferred	831	829	0%
Loss for the Period	-4,905	-26,718	445%

Annex II - Reconciliation of EBITDA Adjusted (R$ thousand)

	1Q17	2Q17	% Change
Adjusted EBITDA from Continuing Operations	- 3,654	- 3,732	2%
Provision for Variable Remuneration	-	- 164	n/a
Reestructuring Process	- 1,627	- 1,632	0%
Provisions for Losses, Impairment and Net Result on Disposal of Assets	13,540	5,873	-57%
Fines with Costumers	- 70	- 31	-56%
EBITDA from Continuing Operations	8,189	313	-96%
Depreciation and Amortization	- 10,389	- 6,478	-38%
Equity Pick-up	- 1,493	- 286	-81%
Net Financial Result	- 1,124	- 20,501	1724%
Income Tax and Social Contribution - Current and Deferred	- 88	234	-366%
Net Loss from Continuing and Discontinued Operations	- 4,905	- 26,718	445%

Annex III - Consolidated Balance Sheets (R$ thousand)

	1Q17	2Q17	% Change
Total Asset	**645,114**	**640,025**	**-1%**
Current Assets	**154,851**	**151,314**	**-2%**
Cash and Cash Equivalents	1,448	1,450	0%
Securities-restricted	1,570	861	-45%
Accounts Receivable	44,408	43,635	-2%
Inventories	53,133	52,428	-1%
Recoverable Taxes	30,748	32,586	6%
Other Accounts Receivable	6,182	3,740	-40%
Antecipated Expenses	3,097	2,929	-5%
Advances to Suppliers	14,265	13,685	-4%
Non-Current Assets	**490,263**	**488,711**	**0%**
Securities-restricted	2,085	2,287	10%
Judicial Deposits	24,837	25,274	2%
Recoverable Taxes	44,897	44,041	-2%
Other Accounts Receivable	17,048	13,290	-22%
Investments	676	676	0%
Property, Plant and Equipment	284,153	287,210	1%
Intangible Assets	116,567	115,933	-1%
Total Liabilities and Shareholders´Equity	**645,114**	**640,025**	**-1%**
Current Liabilities	**184,941**	**193,282**	**5%**
Suppliers - Not Subject to Judicial Recovery	18,193	19,691	8%
Suppliers - Subject to Judicial Recovery - Class I	6,517	6,517	0%
Loans and Financing - Not Subject to Judicial Recovery	25,641	26,992	5%
Provisions Payroll and Payroll Payable	8,638	9,127	6%
Commissions Payable	867	871	0%
Taxes Payable	63,145	67,072	6%
Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	31,847	31,784	0%
Advances from Customers	3,274	2,755	-16%
Employee's Profit Sharing	-	164	n/a
Other Accounts Payable	25,701	27,180	6%
Provision for Contratual Fines	1,118	1,129	1%
Non-Current Liabilities	**422,081**	**423,851**	**0%**
Suppliers - Subject to Judicial Recovery	67,129	69,488	4%
Loans and Financing - Subject to Judicial Recovery	118,369	123,895	5%
Loans and Financing - Not Subject to Judicial Recovery	12,190	9,976	-18%
Taxes Payable	9,948	10,726	8%
Deferred Income Tax and Social Contribution	53,935	52,910	-2%
Provision for Contigencies	134,212	133,233	-1%
Other Accounts Payable	7,487	7,769	4%
Provision for Unfunded Liabilities in Subsidiaries	18,811	15,854	-16%
Shareholders' Equity	**38,092**	**22,892**	**-40%**
Capital Stock	1,853,684	1,853,684	0%
Capital reserve to be realized	6,341	6,341	0%
Capital Transaction Reserve	136,183	136,183	0%
Stock Options	13,549	13,549	0%
Equity Valuation Adjustment	56,582	67,020	18%
Accumulated Losses	- 2,028,247	- 2,053,885	1%

Annex IV - Consolidated Cash Flows Statements (R$ thousand)

	1Q17	2Q17	% Change
CASH FLOW FROM OPERATING ACTIVITIES			
Net Result for the Period	- 4,905	- 26,718	445%
Adjustments:			
Depreciation and Amortization	10,389	6,478	-38%
Equity Pick-up	1,493	286	-81%
Result on Sale of Fixed Assets	- 2,309	- 712	-69%
Financial expenses, net	- 208	18,829	-9152%
Reversal (Provision) for losses by non-recoverability of assets	- 16,058	- 7,343	-54%
Deferred Income Tax and Social Contribution	88	- 234	-366%
Losses on Inventory Obsolescence	1,126	376	-67%
Provision of Contractual Fines	1,623	- 1,521	-194%
Allowance for Doubtful Accounts	124	- 19	-115%
Effective Losses on Doubtful Accounts	6	- 6	-200%
Present Value Adjustment	1,418	1,362	-4%
Changes in Assets & Liabilities			
(Increase) Decrease in Accounts Receivable	- 1,284	2,220	-273%
(Increase) Decrease in Inventories	2,529	228	-91%
(Increase) Decrease in Recoverable Taxes	- 11,716	- 1,634	-86%
(Increase) Decrease in Other Assets	5,513	4,454	-19%
(Increase) Decrease in Suppliers	- 1,037	2,237	-316%
(Increase) Decrease in Taxes Payable	1,322	3,041	130%
(Increase) Decrease in Others Accounts Payable	9,575	- 1,073	-111%
Cash Flow from Operating Activities	**- 2,311**	**251**	**-111%**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Securities - Restricted	14	569	3964%
Proceeds from Sales of Property, Plant and Equipment	3,125	2,793	-11%
Aquisition of Property, Plant and Equipment	- 138	- 731	430%
Cash Flow from Investment Activities	**3,001**	**2,631**	**-12%**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Loans and Financings	21,344	19,398	-9%
Payment of Loans and Financings - Principal	- 21,249	- 21,671	2%
Payment of Loans and Financings - Interest	- 568	- 609	7%
Cash Flow from Financing Activities	**- 473**	**- 2,882**	**509%**
Exchange Variation on Cash and Cash Equivalents of Subsidiaries Abroad	- 2	2	-200%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**215**	**2**	**-99%**
At the Beginning of the Period	1,233	1,448	17%
At the End of the Period	1,448	1,450	0%

About Lupatech - In Judicial Recovery

Lupatech S.A. - In Judicial Recovery is a Brazilian company of products and services of high added value with focus on the oil and gas sector. Its businesses are organized in two segments: Products and Services. The Products Segment offers, mainly for the oil and gas sector, cables for anchoring of production platforms, valves and equipment for completion of wells, besides relevant participation in company of the compressors for vehicle natural gas segment. The Services Segment offers services of drilling, workover, intervention in wells, coating and inspection of pipping.

We make statements on future events which are subject to risks and uncertainties. Such statements have as a base estimates and suppositions of our Administration and information to which the Company currently has access. Statements on future events include information on our current intentions, estimates or expectations, as well as those of the Administration Council members and Company Directors. The reservations related to statements and information about the future also include information on possible or assumed operating results, as well as statements which are preceded, followed or which include the words "believe", "may", "will", "continues", "expects", "foresees", "intends", "plans", "estimates" or similar expressions. The statements and information about the future are not performance guarantees. They involve risks, uncertainties and assumptions because they regard future events and therefore depend of circumstances which may or not happen. The future results and the creation of value for the Shareholders may differ significantly of those expressed or estimated by the statements regarding the future. Many of the factors which will determine this results and values are beyond the control or prediction ability of Lupatech - In Judicial Recovery.

LUPATECH S.A. AND ASSOCIATED COMPANIES

BALANCE SHEET ON JUNE 30, 2017 AND DECEMBER 31, 2016
(In R$ Thousands)

		Parent		Consolidated	
ASSETS	Note	06/30/2017	12/31/2016	06/30/2017	12/31/2016
CURRENT ASSETS					
Cash and cash equivalents	4	54	123	1,450	1,233
Securities-restricted	4	861	1,541	861	1,541
Clients	5	16,926	16,818	43,635	44,912
Inventories	6	27,834	30,595	52,428	56,691
Recoverable taxes	7	5,716	5,650	32,586	29,603
Advances to suppliers		733	820	13,685	14,095
Other accounts receivable	8	925	3,813	3,740	6,394
Prepaid expenses		1,414	1,368	2,929	3,285
Accounts receivable - related parties	14.1	81,827	84,809	-	-
Assets classified as held for sale		-	-	-	4,790
Total current assets		136,290	145,537	151,314	162,544
NON-CURRENT ASSETS					
Judicial deposits	16.3	1,852	1,663	25,274	24,657
Securities-restricted	4	2,287	2,046	2,287	2,046
Recoverable taxes	7	13,706	6,101	44,041	37,040
Accounts receivable - related parties	14.1	26,196	25,804	-	-
Other accounts receivable	8	7,024	6,724	13,290	16,885
Investments					
Direct and indirect associated companies	9.1	390,109	356,588	-	-
Other investments		90	90	676	676
Fixed assets	10	79,559	82,786	287,210	281,730
Intangibles					
Goodwill	11	55,414	55,414	100,936	100,936
Other intangîbles	11	14,171	14,798	14,997	15,776
Total Non-current assets		590,408	552,014	488,711	479,746
TOTAL ASSETS		726,698	697,551	640,025	642,290

The notes are an integral part of the financial statements.

LUPATECH S.A. AND ASSOCIATED COMPANIES

BALANCE SHEET ON JUNE 30, 2017 AND DECEMBER 31, 2016
(In R$ Thousands)

		Parent		Consolidated	
LIABILITIES AND SHAREHOLDERS' EQUITY	Note	06/30/2017	12/31/2016	06/30/2017	12/31/2016
CURRENT LIABILITIES					
Suppliers - not subject to Judicial Recovery	12	6,649	5,517	19,691	18,506
Suppliers - subject to Judicial Recovery	12	6,517	6,517	6,517	6,517
Loans and financing - not subject to Judicial Recovery	13	12,541	11,343	26,992	23,411
Provisions payroll and payroll payable		4,770	4,201	9,127	8,272
Commissions payable		842	869	871	897
Taxes payable		47,491	45,117	67,072	60,062
Obligations for labor risks and creditors class I - subject to Judicial Recovery		31,784	32,628	31,784	32,628
Advances from customers		1,863	1,905	2,755	2,452
Provision contratual fines		1,129	1,105	1,129	1,105
Employee's profit sharing		-	-	164	-
Other accounts payable		1,470	1,542	27,180	23,372
Related Parties - mutual and loans	14.1	75,950	69,993	-	-
Total current liabilities		191,006	180,737	193,282	177,222
NON-CURRENT LIABILITIES					
Suppliers - subject to Judicial Recovery	12	69,488	65,862	69,488	65,862
Loans and financing - subject to Judicial Recovery	13	73,397	69,149	123,895	118,189
Loans and financing - not subject to Judicial Recovery	13	-	-	9,976	12,666
Deferred income tax and social contribution	15	29,378	30,018	52,910	56,526
Taxes payable		5,906	5,734	10,726	10,047
Provision for contigencies	16.1	12,901	10,820	133,233	123,977
Other accounts payable		1,096	1,096	7,769	7,669
Related Parties - mutual and loans	14.1	304,780	264,003	-	-
Provision for negative equity in subsidiaries	9.2	15,854	19,180	15,854	19,180
Total non-current liabilities		512,800	465,862	423,851	414,116
SHAREHOLDERS' EQUITY	17				
Capital stock		1,853,684	1,853,684	1,853,684	1,853,684
Capital reserve to be realized		6,341	6,341	6,341	6,341
Capital transaction reserve		136,183	136,183	136,183	136,183
Stock options		13,549	13,549	13,549	13,549
Equity valuation adjustments		67,020	65,617	67,020	65,617
Retained earnings / Accumulated losses		(2,053,885)	(2,024,422)	(2,053,885)	(2,024,422)
Parents company's interest		22,892	50,952	22,892	50,952
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		726,698	697,551	640,025	642,290

The notes are an integral part of the financial statements.

LUPATECH S.A. AND ASSOCIATED COMPANIES

STATEMENT OF INCOME
ON JUNE 30, 2017 AND 2016
(In R$ Thousands)

		Parent		Consolidated	
	Note	06/30/2017	06/30/2016	06/30/2017	06/30/2016
NET REVENUE FROM SALES	20	12,838	8,622	60,004	76,020
COST OF GOODS AND SERVICES SOLD		(13,752)	(9,298)	(66,734)	(97,936)
GROSS LOSS		(914)	(676)	(6,730)	(21,916)
OPERATING INCOME/EXPENSES					
Selling		(2,100)	(1,428)	(3,099)	(3,997)
General and administrative		(4,616)	(7,013)	(14,326)	(21,167)
Management compensation	14.2	(2,013)	(2,110)	(2,013)	(2,110)
Equity pick-up	9.1	32,129	(102,001)	(1,779)	-
Other operating income (expenses)	23	1,584	(3,496)	17,803	(15,137)
OPERATING INCOME (EXPENSES) BEFORE FINANCIAL RESULTS		24,070	(116,724)	(10,144)	(64,327)
FINANCIAL RESULTS					
Financial income	22	559	888	2,229	3,795
Financial expenses	22	(51,669)	(437,045)	(17,525)	(511,651)
Exchange variation, net	22	(5,223)	53,675	(6,329)	53,965
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(32,263)	(499,206)	(31,769)	(518,218)
PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION					
Current	15	-	-	(1,514)	(2,117)
Deferred	15	640	73,943	1,660	95,072
LOSS FOR THE PERIOD		(31,623)	(425,263)	(31,623)	(425,263)
Attributed to:					
Parent company's interest		(31,623)	(425,263)	(31,623)	(425,263)
LOSS PER SHARE (In Reais)					
BASIC EARNINGS PER SHARE	21	(3.36636)	(45.27044)	(3.36636)	(45.27044)
DILUTED PER SHARE	21	(3.36636)	(45.27044)	(3.36636)	(45.27044)

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATMENT OF COMPREHENSIVE INCOME
ON JUNE 30, 2017 AND 2016
(In R$ Thousands)

	Note	Parent		Consolidated	
		06/30/2017	06/30/2016	06/30/2017	06/30/2016
LOSS FOR THE PERIOD		(31,623)	(425,263)	(31,623)	(425,263)
OTHER COMPREHENSIVE INCOME					
Exchange variation on investments abroad	9.1	3,563	(57,014)	3,563	(57,014)
COMPREHENSIVE INCOME OF THE PERIOD		(28,060)	(482,277)	(28,060)	(482,277)
TOTAL COMPREHENSIVE INCOME ALLOCATED TO:					
Participation of controlling shareholders		(28,060)	(482,277)	(28,060)	(482,277)

The notes are an integral part of the financial statements.

LUPATECH S.A. AND ASSOCIATED COMPANIES
CONSOLIDATED STATEMENT OF CHANGES SHAREHOLDER'S EQUITY
ON JUNE 30, 2017 AND 2016

(In R$ Thousands)

	Note	Capital Stock	Capital Reserves, Options Granted	Accumulated Profit/Loss	Equity valuation adjustments	Total Shareholders' Equity
BALANCE ADJUSTMENT IN DECEMBER 31, 2015		**1,853,684**	**149,732**	**(2,036,774)**	**126,671**	**93,313**
Loss of period		-	-	(425,263)	-	(425,263)
Exchange variation on investments abroad	9.1	-	-	-	(57,014)	(57,014)
	9.1	-	-	2,823	(2,823)	-
BALANCE ADJUSTMENT IN JUNE 30, 2016		**1,853,684**	**149,732**	**(2,459,214)**	**66,834**	**(388,964)**
BALANCE ADJUSTMENT IN DECEMBER 31, 2016		**1,853,684**	**156,073**	**(2,024,422)**	**65,617**	**50,952**
Loss of period		-	-	(31,623)	-	(31,623)
Exchange variation on investments abroad	9.1	-	-	-	3,563	3,563
Achievement of the valuation adjustment		-	-	2,160	(2,160)	-
	9.1					
BALANCE ADJUSTMENT IN JUNE 30, 2017		**1,853,684**	**156,073**	**(2,053,885)**	**67,020**	**22,892**

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT CASH FLOW - INDIRECT METHOD
ON JUNE 30, 2017 AND 2016
(In R$ Thousands)

		Parent		Consolidated	
	Note	06/30/2017	06/30/2016	06/30/2017	06/30/2016
CASH FLOW FROM OPERATION					
Net results		(31,623)	(425,263)	(31,623)	(425,263)
Depreciation and amortization	10 and 11	3,662	4,226	16,867	25,216
Reversal (Provision) for losses by non-recoverability of assets	10 and 11	-	-	(23,401)	-
Equity pick-up	9.1	(32,129)	102,001	1,779	-
Result on sale of fixed assets		(728)	-	(3,021)	11,712
Gain (Loss) on sale of investment		-	(13,315)	-	(13,315)
Financial expenses, net		53,745	71,827	18,621	58,025
Extraordinary losses and adjustment to market value with inventories		-	3,613	-	3,613
Deferred income tax and social contribution		(640)	(73,943)	(146)	(92,955)
Losses on inventory obsolescence	6	1,366	5,024	1,502	5,514
Provision of contractual fines		57	159	102	1,520
Allowance for doubtful accounts	5	57	(519)	105	(779)
Effective losses on doubtful accounts	5	-	-	-	-
Present value adjustment	22	2,690	310,683	2,780	394,788
(Increase) decrease in operating assets:					
Accounts receivable		659	1,480	936	5,637
Inventories		1,395	(1,222)	2,757	(1,123)
Recoverable taxes		(7,671)	501	(13,350)	(4,688)
Other assets		(89)	305	9,967	19,196
(Increase) decrease in operating liabilities:					
Suppliers		812	(3,422)	1,200	(6,243)
Taxes payable		812	(1,767)	4,363	(14,486)
Others accounts payable		1,689	(4,030)	8,502	(18,033)
Cash flow from operating activities		**(5,936)**	**(23,662)**	**(2,060)**	**(51,664)**
CASH FLOW FROM INVESTING ACTIVITIES					
Payment of capital in subsidiaries		1,758	(3,616)	-	-
Payment for acquisition of investment		-	28,599	-	28,599
Securities-restricted	4	568	732	583	1,184
Proceeds from the sale of fixed assets		929	1	5,918	6
Acquisition of property, plant and equipment	10	(70)	(109)	(869)	(2,117)
Acquisition to intangibles assets	11	-	(67)	-	(66)
Cash flow from investing activities		**3,185**	**25,540**	**5,632**	**27,606**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from loans and financing		6,483	3,005	40,742	32,159
Proceeds from loans and financing - Related parties		3,115	(4,557)	-	-
Payments of loans and financing - Principal		(6,888)	(3,332)	(42,920)	(35,111)
Payments of loans and financing - Interest		(28)	(1)	(1,177)	(1,644)
Cash flow from financing activities		**2,682**	**(4,885)**	**(3,355)**	**(4,596)**
EXCHANGE VARIATION ON CASH AND CASH EQUIVALENTS FOR SUBSIDIARIES ABROAD		-	-	-	(2)
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(69)**	**(3,007)**	**217**	**(28,656)**
Cash and cash equivalents at the beginning of period		123	3,125	1,233	31,012
Cash and cash equivalents at the end of period		54	118	1,450	2,356

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT OF ADDED VALUE
ON JUNE 30, 2017 AND 2016
(In R$ Thousands)

		Parent		Consolidated	
	Note	06/30/2017	06/30/2016	06/30/2017	06/30/2016
REVENUE					
Sales of goods, products and services (IPI including)	20	14,854	10,453	65,397	85,346
Revenue from sale of investments	23	-	28,599	-	28,599
Other revenues	23	8,734	1,294	38,601	6,090
Allowance for doubtful accounts - Reversal (recognition)		(57)	518	(105)	722
		23,531	**40,864**	**103,893**	**120,757**
ACQUIRED FROM THIRD PARTIES					
Cost of products, goods and services sold		(2,726)	307	(8,022)	(7,030)
Materials, energy, and other outsourced services		(5,727)	(3,823)	(29,238)	(27,778)
Loss/Recovery of assets	10	-	-	23,401	-
Other expenses	23	(7,150)	(33,389)	(44,199)	(49,826)
		(15,603)	**(36,905)**	**(58,058)**	**(84,634)**
GROSS ADDED VALUE		7,928	3,959	45,835	36,123
DEPRECIATION AND AMORTIZATION	10 and 11	(3,662)	(4,226)	(16,867)	(25,216)
NET ADDED VALUE GENERATED BY THE COMPANY		**4,266**	**(267)**	**28,968**	**10,907**
ADDED VALUE RECEIVED IN TRANSFER					
Equity pick-up	9.1	32,129	(102,001)	(1,779)	-
Financial income	22	118,280	411,658	122,249	384,545
		150,409	**309,657**	**120,470**	**384,545**
TOTAL ADDED VALUE TO BE DISTRIBUTED		**154,675**	**309,390**	**149,438**	**395,452**
DISTRIBUTION OF ADDED VALUE		**154,675**	**309,390**	**149,438**	**395,452**
Staff:		**9,429**	**11,324**	**27,830**	**57,371**
Direct compensation		7,204	8,428	19,348	38,681
Benefits		1,661	1,435	5,336	9,317
FGTS		564	1,461	3,146	9,373
Taxes and contributions:		**2,160**	**(71,052)**	**8,108**	**(77,006)**
Federal		1,084	(72,019)	5,937	(80,886)
States		1,024	936	1,870	2,403
Municipal		52	31	301	1,477
Payment of debt		**174,709**	**794,381**	**145,123**	**840,350**
Interest and other financial expenses	22	174,613	794,140	143,874	838,436
Rent		96	241	1,249	1,914
Income (loss) on equity		**(31,623)**	**(425,263)**	**(31,623)**	**(425,263)**
Income/Loss for the period		(31,623)	(425,263)	(31,623)	(425,263)

The notes are an integral part of the financial statements.

Explanatory notes to interim financial statements as of June 30, 2017.

(In thousands of Reais except net Income (Loss) per share, or otherwise indicated)

1 Operating context

Lupatech S/A – In Judicial Recovery (the "Company") and its subsidiaries and associate companies (jointly, the "Group"), is a group comprised of 18 units that currently has two business segments: **Products** and **Services** and has 692 employees.

The Company is a corporation with headquarters in Nova Odessa, State of São Paulo, and is listed in the São Paulo Stock Exchange ("BOVESPA").

The **Products segment,** the Company produces industrial valves, valves for oil and gas, anchoring ropes for production platforms, valves, completion tools, compressors for vehicular natural gas (through company with significant participation).

The **Services segment,** the Company offers drilling rigs and workover services, well intervention, coating and inspection of pipes, equipment for well completion.

Petrobras is the Company's main client and represents approximately 32.2% of the Company's net revenues for the period of six months ended on June 30, 2017 (58.72% for the period of six months ended on June 30, 2016). Both segments of the Company (Products and Services) are affected by revenue originating from Petrobras.

1.1 Continuidade operacional

The Company's Management seeks to overcome the Group's economic and financial crisis and restructure its business through the judicial recovery process, in accordance with the judicial recovery plan submitted to its creditors, with the objective of preserving its business activity, maintaining its position as one of the most important economic groups in Brazil related to the oil and gas sector, as well as to maintain itself as a source of wealth generation, taxes and jobs.

The Company has succeeded in certain measures implemented since the filing of the request for Judicial Recovery which enabled the injection of substantial resources into its operations. Among these measures, we highlight the receipt of substantial amounts from its main customer (R$36,951 in December 2015) and the sale of equity interests (R$28,599 in March 2016). Other measures contained in the plan that were executed refer to sales of some property, plant and equipment of the company and the concentration of debt subject to the court supervised restructuring of the Brazilian entities in Lupatech S/A, as the principal payer, remaining the solidarity of the other companies.

During the year, the Company was able to inject working capital and execute investments required by its operations. However, every scenario developed by the Management indicates the need to obtain additional financial resources to raise working capital levels to support the resumption of operations. Certain business units have had their operations substantially affected by the oil and gas market conditions and the repercussions of the judicial recovery process, with their level of activity and operational performance capped. In the Company's evaluation, these units shall operate as according to expectations once the business environment normalizes, as long as the resources required for its working capital are obtained.

Management has conducted actions and negotiations, with the support of its financial advisors, which may include capital transactions and/or asset divestments, among others, in order to obtain financial resources. During 2016, Management continued the negotiations and considering the progress and current status of these actions, Management expects that additional resources will be obtained during the course of 2017.

During the semester ended on June 30, 2017, the Company incurred loss before income and social contribution taxes of R$32,263 in the parent company, and R$31,769 in the consolidated statements (loss before income tax and social contribution of R$499,206 in parent company and R$518,218 in the consolidated statements in the semester ended on June 30, 2016). As of June 30, 2017, the Company's current liabilities exceeded the total current assets by R$54,717 in the parent company and by R$41,968 in the consolidated (R$35,200 in the parent company and R$14,678 in the consolidated, on December 31, 2016). Despite the improvement in results, continuity depends not only on performance improvement, but also on the Company's ability to obtain additional resources, whether from third parties, from the sale of assets.

1.2 Judicial Recovery

I. Judicial Recovery process of Lupatech Group

On May 25, 2015, the Board of Directors of Lupatech S/A approved the filing for Judicial Recovery of Lupatech S.A. aand its direct and indirect subsidiaries (Lupatech Group), in accordance with Article 122, paragraph one, of Law 6.404/76, despite the Administration's efforts in negotiating with creditors and the search for potential investors to balance the demands of working capital and CAPEX, and also, due to the unfavorable economic climate in the oil and gas sector, especially after the sharp fall in Oil price in the international market, and the crisis brought on Petrobras, the Company's main customer, which has been negatively impacted on the whole industry supply chain.

On the same date, Lupatech S/A and its subsidiaries: Lupatech Finance Limited; Amper Amazonas Perfurações Ltda; Itacau Agenciamentos Marítimos; Lochness Participações S/A; Lupatech - Equipment e Serviços para Petróleo Ltda; Lupatech – Perfuração e Completação Ltda; Matep S/A Máquinas e Equipamentos; Mipel Indústria e Comércio de Válvulas Ltda; Prest Perfurações; Sotep Sociedade Técnica de Perfuração S/A, filed in the District of São Paulo, the request for court-supervised reorganization ahead of the 1st Court of Bankruptcy and Judicial Recovery of São Paulo, which was granted on June 22, 2015. Alta Administração Judicial Ltda was designated as the judicial administrator.

On August 24, 2015, the Company and its subsidiaries (In Judicial Recovery) presented their Judicial Recovery Plan, along with the appraisal of the Company's assets and and the list of creditors subject to the Plan.

The list of creditors was published on October 16, 2015 and subjected to the judicial administrator for review.

The Plan was approved by the creditors at the General Meeting held on November 18, 2015, having been approved by the Judge of the 1st Court of Bankruptcies, Judicial Recoveries and related conflicts to the Arbitration Capital of São Paulo on December 11, 2015.

The deadline for secured and unsecured creditors electing the options offered in the Plan was March 10, 2016.

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 July 14, 2016, the Lupatech Group pleaded the extension of the "stay period", in view of the annulment of the Plan. The plead was granted on July 18, 2016 for a term of 90 days.

The Lupatech Group filed requests for clarification for pre-questioning purposes to the State Court of São Paulo, aiming at a special appeal to the Superior Court of Justice.

On September 5, 2016, in view of the decision handed down by the 2nd Chamber of Business Law of the Court of Justice of the State of São Paulo, annulling the decision of first instance of the plan originally presented and approved, a new Recovery Plan was presented to the court of origin.

The New Judicial Recovery Plan establishes the terms and conditions for the restructuring of Lupatech Group's debts and meets the criteria established by the 2nd Restricted Chamber of Business Law of the Court of Justice of the State of São Paulo.

On November 8, 2016, the New Judicial Recovery Plan was approved by the General Meeting of Creditors of the Lupatech Group, and such plan was homologated by the 1st Bankruptcy Court, Judicial Recovery and Arbitration-related Disputes of the Capital of São Paulo, without any safeguards, on December 1, 2016

Lupatech S/A filed a petition for clarification as the approval order did not mention one of the Group company’s judicial reorganization. On February 15, 2017, the court corrected its approval order, including the company not mentioned. The deadline for filing claims against the plan was 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 claims fully confirms the legality of the plan and its effects as from the award decision of the sovereign decision of the creditors' meeting, and therefore the Lupatech Group and all creditors are bound by the plan of that date.

II. On the New Judicial Recovery Plan, approved by the creditors at a general meeting held on November 8, 2016, end homologated on February 15, 2017, within the scope of the judicial reorganization process that is filed before the 1st Bankruptcy Court, Judicial Regeneration and Conflicts Related to Arbitration of the County of São Paulo, in compliance with the determination of the 2nd Restricted Chamber of Business Law of the Court of Justice of the State of São Paulo, at the trial of the aggravations of instrument nº 2011357-84.2016.8.26.0000 and 2011783-96.2016.8.26.0000, which annulled the homologation decision of the plan previously approved by the creditors In assembly.

The purpose of the adoption of the specific reorganization measures provided for below by the Plan is: (i) to renegotiate Lupatech Group’s liabilities allowing the future release thereof; (ii) to allow the entering of cash flow to keep and develop Lupatech Group's activities; (iii) to dispose of certain assets considered not essential to Lupatech Group's economic activities; (iv) to obtain new funds from capital market to expedite the reorganization; and (v) by raising Lupatech Group, to allow the creation of jobs and the payment of taxes.

a. Reorganization measures

The Plan uses the following reorganization measures, as set forth in Article 50 of the Bankruptcy Law: (i) grant of special deadlines and conditions to pay the obligations of the Lupatech Group, with equalized financial charges, starting on the date of filing of the motion for court reorganization; (ii) increase of the capital stock by issuing securities, and change in the corporate control; (iii) partial sale, transfer or lease of assets of the Lupatech Group; (iv) organization of a specific purpose company to transfer assets to be used to pay creditors; and (v) other actions that may be submitted to prior approval of the Reorganization Court.

Capital increase: In order to allow injection of new capital, at any time after Judicial Ratification of the Plan, the Lupatech Group may make one or more Lupatech calls which may be intended for Creditors Subject to the Plan, Creditors Not Subject to the Plan and/or third-party investors, as the case may be.

The delivery of Warrants to the Creditors Subject to the Plan shall give the Creditors Subject to the Plan the opportunity to purchase Shares at lower prices than those fixed upon issuance of the Warrants, and, in the absence of interest in becoming a shareholder, the Creditor may capture the amount of the benefit by selling such Warrants to third parties in BOVESPA. The economic results of the vesting or sale of the Warrants are subject to market variations and future performance of the Lupatech Group.

The warrants will have the security issued pursuant to art. 75 Of the Brazilian Corporation Law, and which shall contain the following characteristics: (i) each warrant will give its holder the right, but not the obligation, to subscribe for a share, at a price 50% lower than the price resulting from the average closing in the 30 trading sessions prior to the issue date of the warrants; (ii) the warrants will be exercisable within 7 years after its issuance; (iii) the exercise price of the warrants must be proportionally adjusted in the event of bonus, splits or reverse splits of Lupatech shares; And (iv) the non-exercise of the warrant under the conditions established therein will imply the decay of the right set forth therein.

Lupatech shall issue approximately three million warrants, which, if vested, shall be converted into three million shares equal to approximately 34% of the current capital stock of Lupatech, which percentage may vary as a result of any capital increases, and consolidation of the general list of creditors. The total Warrants to be issued is the result of converting 50% of the total indebtedness of the Unsecured Creditors and ME and EPP Creditors of the Lupatech Group (approximately R$305 million), and 35% of the total indebtedness of the Collateral Creditors (approximately R$21 million), by granting one Warrant to each one hundred reais of Credit – ratio that may be proportionally changed in the event of grouping, split or bonus of the shareholder base.

In the event that any capital increase allows for the capitalization of credits Subject to the Plan, the exercise of the right to participate in such capital increase shall always be optional for the Creditors, and shall always be granted equally to each class of Creditors Subject to the Plan or to the entire base of Creditors Subject to the Plan. In case the same capital increase contemplates both the Creditors Subject to the Plan and third-party investors, the underwriting conditions of the Shares offered shall be the same to both of them.

Noteholders electing to participate in any capital increases allowing them to capitalize their Claims Subject to the Plan shall receive ADRs representing the Shares to be delivered by the Trustee.

The capitalization of credits represents an opportunity for the creditor to capture any improvement of the value of the Lupatech Group as a result of its recovery. The decision of the creditors subject to the Plan to convert their credits into shares will be the result of their free judgment, and will take into account the analysis of each creditor herself. The economic results of the capitalization of credits are subject to market variations and future performance of the Lupatech Group.

Guarantees: In order to secure the raising of new funds and preserving the rights of the Collateral Creditors, the Lupatech Group may, in addition to granting personal guarantees, create collateral and fiduciary guarantees: (i) on properties located in Maruim, Catú and São Mateus owned by the Lupatech Group; (ii) from the consolidation of the ownership for the benefit of the Lupatech Group on the property located in São Leopoldo; and (iii) from occasional release of the guarantees given to the Collateral Creditors on any of such released assets.

Disposal of assets: The Lupatech Group shall, as of the Judicial Ratification of the Plan, use their best efforts to dispose of the fixed assets described in the Plan, by means of a (i) Auction; (ii) private agreement executed for a price not below the price stated in valuation reports prepared by a specialized company; or (iii) private auction to be held by a company specializing in the valuation and sale of assets by means of actual or online auctions. The net proceeds from such disposals shall be used to pay labor, tax, social security and obligations set forth in the Plan.

Disposal of UPIs (Isolated Production Units). The Lupatech Group shall, as of the Judicial Ratification of the Plan, use its best efforts in order to dispose of the UPIs described in the Plan. The disposal of the UPIs may be made jointly or alone, by means of Bidding, including one or more UPIs of fixed assets. The net proceeds arising from such disposals shall be used to pay labor, tax, social security and obligations set forth in the Plan.

Any disposals of UPIs by means of Bidding shall be performed in accordance with the provisions of the respective notices, as set forth in the Bankruptcy Law, in compliance with all other conditions set forth in this Plan. The Lupatech Group may at its sole discretion elect any of the Bidding types set forth in Articles 142 through 145 of the Bankruptcy Law.

The UPIs that are disposed of by the Bidding shall be free from any liens, and the respective purchasers shall not be liable for any debts or liabilities of the Lupatech Group, including those of a tax and labor nature, as set forth in Articles 60 and 141 of the Bankruptcy Law.

In the event of disposal o any of the UPIs described in the Plan, by means of Bidding, the Lupatech Group may include, as an integral part of the UPI, the assignment of any rights to use for a fee and temporarily any properties where the equipment forming the disposed UPIs are located.

Disposal of assets of non-reorganizing companies: The Lupatech Group may further dispose of assets owned by foreign companies in which it holds an equity interest or control which are not part of the Judicial Reorganization. The net proceeds from such disposals shall be transferred to the Reorganizing Parties, and used to pay labor, tax, social security and obligations set forth in the Plan.

Disposal of assets given as collateral or fiduciary guarantee: With the prior consent of the Creditor holding the respective guarantee, the Lupatech Group may dispose of assets to third parties given as collateral or fiduciary guarantee. The proceeds from the disposal of such assets shall be used to pay the Claims held by the Collateral Creditor or the Creditor with a fiduciary guarantee. Any excess shall be used to pay labor, tax, social security and obligations set forth in the Plan.

Organization of SPEs: In order to enable or facilitate the sale of any fixed assets or UPIs described in the Plan, as the case may be, the Lupatech Group may, jointly or individually, transfer one or more of such assets or UPIs to specific purpose companies organized by the Lupatech Group.

Approval for disposal of assets: In addition to the events of disposal of assets and Disposal of assets given as collateral or fiduciary guarantee, any other type of disposal, replacement or burdening of assets shall be authorized upon ruling of the Reorganization Court or approval by the Creditors Meeting, in accordance with the terms of the law and contracts applicable to such assets. Upon completion of the Judicial Reorganization, the Lupatech Group may freely dispose of any fixed or current assets observing the liens applicable to such assets, and the restrictions set forth in this Plan or Article 66 of the Bankruptcy Law shall no longer be applicable, but subject to usual restrictions set forth in bylaws and articles of association of the companies of the Lupatech Group and new debt instruments, as the case may be.

b. Restructuring of the claims subject to the plan

With due regard for the provisions in article 61 of the Bankruptcy Law, novates all Claims Subject to the Plan, which shall be paid by Lupatech and by Lupatech Finance as principal debtors, as the case may be, in joint liability with the other companies of the Lupatech Group, which remain as co-obligors and joint debtors, expressly waiving any benefit of order.

The Claims Subject to the Plan shall be paid within the terms and in the manner established in the Plan, for each class of Creditors Subject to the Plan, even if the agreements that gave rise to the Claims Subject to the Plan provides otherwise. Upon such novation, all obligations, covenants, financial indexes, events of acceleration, fines, as well as any other contractual obligations that are incompatible with the conditions of this Plan shall be no longer applicable.

Credits not subject to the Plan would be paid in the form originally contracted or in the manner agreed between the Lupatech Group and the respective creditor, including, if applicable, through the implementation of the measures set forth in the Plan.

The terms foreseen for the payment of the credits subject to the Plan, as well as any grace periods provided for in the Plan, will start as from the judicial approval of the Plan.

In order to reduce costs in the administration of payments, a minimum amount of payment will be respected for creditors subject to the Plan of two hundred and fifty reais per creditor subject to the Plan authorized in the list of creditors, limited to the balance of their respective credit subject to the Plan.

c. Restructuring of the labor claims

Labor claims will be paid to each labor creditor within one year from the Judicial Approval of the Plan, as follows:

- **Initial payment:** The amount corresponding to up to five minimum salaries relating to claims of a strictly salary nature overdue within three months before the Filing Date was already paid by the Lupatech Group to the respective Labor Creditors, in compliance with the previous judicial reorganization plan, ratified by the Reorganization Court on December 16, 2015, resulting in proper compliance with article 54, sole paragraph of the Bankruptcy Law.

- **Payments flow:** The balance of the amount of Labor Claims, after deduction of the amounts paid in the initial payments, shall be paid to the respective Labor Creditors within up to one year as from the Judicial Ratification of the Plan, or, in case of Disputed Labor Claims, after their proper inclusion in the List of Creditors. If any partial payments are made, the first payment shall be made up to the limit of twenty-five minimum salaries per Labor Creditor, and the balance thereof shall be subsequently paid, in proportion to each Labor Creditor.

The payments shall be made in cash, and the Lupatech Group may resort to the payment method set forth in article 50, item XVI of the Bankruptcy Law.

Any Disputed Labor Claims that may be the subject-matter of settlement before the Labor Courts shall be paid as established in the respective settlements duly ratified by the Labor Courts in a final judgment. The Disputed Labor Claims shall not receive a more beneficial treatment than that given to the Undisputed Labor Claims in any event whatsoever.

Any Labor Claims the classification of which is objected to by any interested party under the Bankruptcy Law shall be regarded as Disputed Labor Claims and shall be solely paid after the final and non-appealable judgment determining the classification of the disputed claim, or upon guarantee, with due regard for the provisions of the Bankruptcy Law.

d. Restructuring of the Secured Debt

The provisions of this Chapter apply to secured debt only, regardless of their amount, nature or the amount of their guarantee. The payment measures established for Secured Creditors are intended to (i) proceed with settlement of a substantial portion of the Collateral Claim by means of payment in cash; and, additionally, (ii) enable the Collateral Creditor to benefit from the economic recovery pursued by the Lupatech Group by means of exercise of the Warrants offered in exchange of a portion of their Claim.

The Collateral Claims shall be paid by means of the following conditions:

- **Payment in cash**: Payment of 65% of the amount of the respective Collateral Claim, including principal and interest and charges incurred, in 15 years, in accordance with the payments flow established in the Plan, with the first installment of principal maturing 23 months as from the Judicial Ratification of the Plan. The amount of the Collateral Claims shall be accrued by interest and monetary restatement equivalent to a variable fee equivalent to the Reference Rate (TR) + 3% per annum, to be paid thirty (30) days after maturity of the first installment of the principal.

- **Warrants**: Payment of 35% of the amount of the respective Secured Debt, equivalent to the outstanding balance of principal, by means of Warrants, being understood that, for each one hundred Reais of Secured Debt, a Warrant shall be delivered with the characteristics described in the Plan. The Warrants shall be issued and made available to the Secured Creditor within 24 months as from the Judicial Ratification of the Plan, and may be disposed of by the Collateral Creditor to any third parties in the BOVESPA exchange. The quantity of Warrants to be delivered shall be adjusted proportionally, in minor or in excess, upon occurrence of bonus, splitting or grouping of the shares of Lupatech.

In addition to the payment above, the Lupatech Group may, at any time and with the consent of the respective Collateral Creditor, make full or partial payment of the balance of the respective Collateral Claim by means of: (i) giving in payment of any of the assets given as Collateral to the respective Creditor; (ii) giving in payment credits held by the Lupatech Group, in a sufficient amount to cover the balance of the respective Collateral Claim; or (iii) delivery of the funds obtained from the disposal of any of the assets given as Collateral in favor of the Collateral Creditor, whether under the Plan, court order, or article 60 of the Bankruptcy Law.

If the alternative payment takes place partially only, the respective Collateral Creditor shall proportionally release Collaterals in favor of the Lupatech Group.

e. Restructuring of the Unsecured Debt

The payment measures established for Unsecured Creditors are intended to (i) proceed with settlement of a substantial portion of the Unsecured Claim by means of payment in cash; and (ii) enable the Unsecured Creditor to benefit from the economic recovery pursued by the Lupatech Group by means of exercise of the Warrants offered in exchange of a portion of their Claim.

The Unsecured Debt shall be paid by means of the following conditions:

- **Payment in cash:** Payment of 50% of the amount of the respective Unsecured Debt, including principal and interest and charges incurred, in 15 years, in accordance with the payments flow established in the Plan, which covers an initial fixed installment of five hundred Reais per Unsecured Creditor qualified in the List of Creditors, to be paid 13 months as from the Judicial Ratification of the Plan, and proportional installments of the principal, with the first installment maturing 23 months as from the Judicial Ratification of the Plan. The amount of the Unsecured Debt shall accrueinterest and monetary restatement at a variable rate equivalent to the TR + 3% per annum, to be paid 30 days after maturity of the first installment of the principal.

- **Warrants:** Payment of 50% of the amount of the respective Unsecured Debt, equivalent to the outstanding balance of principal, by means of Warrants, being understood that, for each one hundred Reais of Unsecured Claim, a Warrant shall be delivered with the characteristics described in the Plan. The Warrants shall be issued and made available to the Unsecured Creditor within 24 months as from the Judicial Ratification of the Plan, and may be disposed of by the Unsecured Creditor to any third parties in the BOVESPA exchange. The quantity of Warrants to be delivered shall be adjusted proportionally, in minor or in excess, upon occurrence of bonus, splitting or grouping of the shares of Lupatech.

Any Unsecured Claims that are denominated in foreign currency shall be ascertained in Reais based on the foreign exchange as of the Filing Date, and paid in conditions similar to the plan, in compliance with the exchange variation, by means of the following conditions:

- **Payment in cash:** Payment of 50% of the amount of the respective Unsecured Debt, including principal and interest and charges incurred, in 15 years, in accordance with the payments flow established in the Plan, which covers an initial fixed installment of five hundred Reais per Unsecured Creditor qualified in the List of Creditors, to be paid 13 months as from the Judicial Ratification of the Plan, and proportional installments of the principal, with the first installment maturing 23 months as from the Judicial Ratification of the Plan. The installments ascertained in Reais as set forth in the Plan shall be exchanged to the foreign currency on the payment date by the official foreign exchange rate of the Central Bank for the previous Business Day. The amount of Unsecured Debt shall accrue interest at a fixed rate of 0.4% per annum, to be paid 30 days after the last installment of principal, together with the exchange rate variation, if any. The exchange variation shall be ascertained by the difference between the original amount of the Unsecured Claim denominated in foreign currency and the amounts actually paid in foreign currency.

- **Warrants:** Payment of 50% of the amount of the respective Unsecured Debt, equivalent to the outstanding balance of principal, by means of Warrants, being understood that, for each one hundred Reais of Unsecured Claim, a Warrant shall be delivered with the characteristics described in the Plan. The Warrants shall be issued and made available to the Unsecured Creditor within 24 months as from the Judicial Ratification of the Plan, and may be disposed of by the Unsecured Creditor to any third parties in the BOVESPA exchange. The quantity of Warrants to be delivered shall be adjusted proportionally, in minor or in excess, upon occurrence ofbonus, splitting or grouping of the shares of Lupatech.

The Lupatech Group shall ensure payment in cash, of at least two thousand Reais per Unsecured Creditor, up to the limit of the amount of their Unsecured Claim. In the event that said minimum amount exceeds the proportion of 50% of the Unsecured Claims, the amount in excess shall be deducted from the installment to be paid as Warrants.

Payment of the Noteholders Unsecured Claims. The Noteholders' Unsecured Claims, shall be paid in conditions similar to those provided in the Plan, with due regard for foreign exchange variation, under the following conditions:

- **Payment in cash**: Payment of 50% of the amount of the respective Unsecured Claim, including the principal amount and interest and charges incurred, by means of delivery of New Notes, which shall provide for the payment of their par value within a term of 15 years according to the payment flow provided in the Plan, which comprises an initial fixed installment of five hundred Reais per Unsecured Creditor qualified under the Creditors List to be paid 13 months after the Judicial Ratification of the Plan and the proportional installments of the principal amount, the first one to be due 23 months after Judicial Ratification of the Plan. The installments ascertained in Reais provided in the Plan shall be converted into foreign currency on the payment date by the official foreign exchange rate of the Central Bank of the previous Business Day. The amount of the

Unsecured Claims shall be levied with interest equivalent to a fixed rate corresponding to 0.4% per year, to be paid 30 days after the maturity of the last installment of the principal amount, jointly with the foreign exchange variation, if any. The foreign exchange variation shall be ascertained based on the difference between the original amount of the Unsecured Claim referred to in foreign currency and the amounts actually paid in foreign currency.

- **Warrants:** Payment of 50% of the amount of the respective Unsecured Claim, equivalent to the remaining balance of the principal amount, by means of delivery in payment of Warrants, and for each one hundred Reais of Unsecured Debt, a Warrant shall be delivered with the characteristics described in the Plan. The Warrants shall be issued and made available to the Unsecured Creditor within up to 24 months after the Judicial Ratification of the Plan, and may be disposed of at any time by the Unsecured Creditor to any third parties in the environment of BOVESPA. The number of Warrants to be delivered shall be proportionally adjusted up or down in case of the existence of stock dividend, split or combination of Lupatech's shares.

Cancellation of the current Notes: After the Judicial Ratification of the Plan and after obtaining a court decision under Chapter 15 acknowledging the efficacy of the Plan in the US territory, the Notes currently held by the Noteholders shall be cancelled by operation of law and replaced by the New Notes to be issued within up to 180 days as from the obtainment of the court decision under Chapter 15.

In case Lupatech Group, calls for a capital increase comprising the Unsecured Creditors, the Unsecured Creditors shall be guaranteed the right to subscribe the Shares and pay them up, whether wholly or in part, with their Claim Subject to the Plan remaining at the time, with due regard, at all times, for the rights of first refusal legally granted to the shareholders. In case of partial capitalization only, the remaining balance of the Unsecured Claim shall continue to be paid, upon proportional redistribution thereof in the remaining installments.

In case of increase of any Unsecured Claim, or inclusion of a new Unsecured Claim, as a result of any objection of claim or judgment of any lawsuit, the respective amount (in case of inclusion) or additional amount (in case of increase) shall be paid under the terms of the Plan, by means of proportional distribution of the amount into the future installments. Any increase or inclusion of any Unsecured Claim in the Creditors List during the payment term shall not create to the Unsecured Creditor whose claims are increased any right to the retroactive or proportional receipt of installments already paid.

Unsecured Claims whose classification is objected by Lupatech Group or any interested party under the terms of the Bankruptcy Law may only be paid after the judgment determining the qualification of the disputed claim becomes final and unappealable, with due regard for the terms of the Bankruptcy Law, and the terms for payment shall only start after such judgment becomes final and unappealable.

f. Restructuring of Micro Business Company (ME) and Small Business Company (EPP) Debt

The purpose of the payment measures provided for ME and EPP Creditors is (i) to release a substantial portion of the ME and EPP Debt by means of payment in currency; and (ii) to allow the ME and EPP Creditor to benefit from the economic raising sought by Lupatech Group upon exercise of the Warrants offered in exchange for a portion of the Debt thereof.

The ME and EPP Debt shall be paid by means of the following conditions:

- **Payment in cash:** Payment of 50% of the amount of the respective ME and EPP Claim, including the main amount and interest and charges incurred, within a term of 15 years according to the payment flow provided in the Plan, which comprises an initial fixed installment of five hundred Reais per Unsecured Creditor qualified under the Creditors List to be paid 13 months after the Judicial Ratification of the Plan and the proportional installments of the main amount, the first one to be due 23 months after Judicial Ratification of the Plan. The amount of the Unsecured Debt shall accrue interest and monetary restatement equivalent to a variable rate corresponding to TR (Referential Rate) + 3% per year, to be paid within 30 days after the maturity of the last installment of the principal amount.

- **Warrants:** Payment of 50% of the amount of the respective ME and EPP Debt, equivalent to the remaining balance of the principal amount, by means of delivery in payment of Warrants, and for each one hundred Reais of ME and EPP Debt, a Warrant shall be delivered with the characteristics described in the Plan. The Warrants shall be issued and made available to the Unsecured Creditor within up to 24 months after the Judicial Ratification of the Plan, and may be disposed of at any time by the ME and EPP Creditor to any third parties in the BOVESPA exchante. The number of Warrants to be delivered shall be proportionally adjusted up or down in case of the existence of stock dividend, split or combination of Lupatech's shares.

Lupatech Group shall guarantee the payment in cash of at least two thousand Reais per ME and EPP Creditor, up to the limit of the amount of their respective ME and EPP Debt. In case such minimum amount exceeds the proportion of 50% of the ME and EPP Claims, the excess shall be reduced from the installment to be paid in Warrants.

In case Lupatech Group calls for a capital increase comprising ME and EPP Creditors, the ME and EPP Creditors shall be guaranteed the right to subscribe the Shares and pay them up, whether wholly or in part, with their Claim Subject to the Plan remaining at the time, with due regard, at all times, for the rights of first refusal legally granted to the shareholders. In case of partial capitalization only, the remaining balance of the ME and EPP Debt shall continue to the paid under the terms of the Plan, upon proportional redistribution thereof into the remaining installments.

In case of increase of any ME and EPP Debt, or inclusion of a new ME and EPP Debt, as a result of any objection of claim or judgment of any lawsuit, the respective amount (in case of inclusion) or additional amount (in case of increase) shall be paid under the terms of Plan, by means of proportional distribution of the amount into the future installments. Any increase or inclusion of any ME and EPP Claim in the Creditors List during the payment term shall not create to the ME and EPP Creditor whose claims are increased any right to the retroactive or proportional receipt of installments already paid.

ME and EPP Claims whose classification is objected by Lupatech Group or any interested party under the terms of the Bankruptcy Law may only be paid after the judgment determining the qualification of the disputed claim becomes final and unappealable, with due regard for the terms of the Bankruptcy Law, and the terms for payment shall only start after such judgment becomes final and unappealable.

III. Annulment process of Judicial Recovery Plan of Lupatech Group approved and homologated on December 11, 2015 by D. Judge of the 1st Bankruptcy Court, Judicial Recovery and Conflicts Relating to Arbitration of the County of São Paulo and subsequently annulled by decision of the 2nd Chamber of Business Law Courts of the Court of Justice of the State of São Paulo.

Aiming to reform decision of approval of the Reorganization Plan, were filed two interlocutory appeals before the Court of Justice of the State of São Paulo. In a judgment session held on June 27, 2016, the 2nd Reserved Chamber of Business Law of the São Paulo State Court of Justice upheld both interlocutory appeals, determining the annulment of the ratification decision of the Judicial Recovery Plan and presentation New Judicial Recovery Plan in the case of origin.

By understanding unreasonable judgments, the Lupatech Group on July 21, 2016, requested reconsideration for prequestionamento purposes, in order to subsequently bring special appeal before the Superior Court of Justice and that reform those decisions. However, the special features contain requests for suspensive effect of granting to the Lupatech Group resume full implementation of the Judicial Recovery Plan.

The Lupatech Group understands, based on the opinion of its legal advisors, that the Judicial Recovery Plan is fully valid and fully disagrees with the terms of the judgments rendered. However, in compliance with the current judicial decision, filed, on September 5, 2016, a New Judicial Recovery Plan, in the records of origin. The new Plan, prepared in accordance with parameters determined by the 2nd Restricted Chamber of Business Law of the Court of Justice of the State of São Paulo, was approved at the General Meeting of Creditors of the Lupatech Group on November 8, 2016, and homologated on December 1, 2016, by the judgment of the 1st Bankruptcy Court, Judicial Recoveries and Arbitration-Related Disputes of the Capital of São Paulo, without any reservations.

The Company awaits the certification of the unappealable passing of the judgment of its New Judicial Recovery Plan to evaluate the continuity of the special appeal filed against the judgment of the Court of Justice of São Paulo that annulled the previously presented Judicial Recovery Plan.

2 Basis of presentation

2.1 Declaration of conformity (with respect to IFRS and CPC standards)

The consolidated interim financial statements were prepared in accordance with the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices generally accepted in Brazil (BR GAAP).

The individual interim financial statements has been prepared in accordance with accounting practices generally accepted in Brazil (BR GAAP).

The Company's management says that all relevant information from its own financial statements, and they alone, are being highlighted, and which correspond to those used by it in its management.

In compliance with CVM Circular Letter nº 003/2011, of April 28, 2011, below are presented the explanatory notes included in the most recent annual financial statements (fiscal year ended in

December 31, 2016), which, in view of the absence of significant changes for the period of six months ended on June 30, 2017, are not included in full form in these interim financial statements:

Explanatory notes not included for the half-year of 2017	Location of the note in full annual financial statments for the fiscal year 2016
Main accounting practices	Note nº 3
Other accounts payable	Note nº 18
Taxes payable - Non-current	Note nº 20

The issue of individual and consolidated financial statements has been approved by the Board of Directors on August 14, 2017.

2.1.1. Restatement of the quarterly information previously disclosed

a. Restatement of the balance sheets (individual and consolidated) as of December 31, 2016

In compliance with the requirements of Technical Pronouncement CPC 23 - Accounting Policies, Changes in Estimates and Rectification of Errors, approved by Resolution nº 1979/09 of the Federal Accounting Council, the Company prepared a retrospective re-statement and reclassification of the accounting information as of December 31, 2016, which are identified by the nomenclature "Reclassification".

According to ICPC 16, when equity instruments issued to the creditor to extinguish all or part of a financial liability are initially recognized, the entity shall measure them at the fair value of the equity instruments issued. Accordingly, the difference between the book value of the financial liability and the fair value of the equity instruments issued must be recognized in the income statement for the period. The Company recognized this adjustment in the year ended December 31, 2016.

The acceptance of the judicial recovery plan by the creditors implies that it is impossible to pay the part of the debt to be converted into warrants other than by the delivery of the respective equity instruments, thus representing the extinction of the financial liability. Considering that, in addition to the impossibility of returning the amounts, the balance of the financial liability corresponding to the fair value of the warrants meets the criteria established in item 16 of CPC 39, in compliance with item 39 of CPC 38, the corresponding balance must be booked as equity, as it no longer meets the criteria for financial liabilities, at the date of effectiveness.

Such an understanding, which was duly appraised in a similar situation in CVM ruling RJ2011/7085, was not properly observed, which is why the Company restates the Fair Value Adjustment (Non-Current Liabilities) and Capital Reserves (Shareholders' Equity), Which were included in the balance sheets (individual and consolidated) as of December 31, 2016, as follows:

LIABILITIES AND SHAREHOLDERS' EQUITY	Parent: Original balances presented on 12/31/2016	Parent: Reclassification	Parent: Balances reclassified on 12/31/2016	Consolidated: Original balances presented on 12/31/2016	Consolidated: Reclassification	Consolidated: Balances reclassified on 12/31/2016
NON-CURRENT LIABILITIES						
Liabilities at fair value	6,341	(6,341)	-	6,341	(6,341)	-
Total non-current liabilities	472,203	(6,341)	465,862	420,457	(6,341)	414,116
SHAREHOLDERS' EQUITY						
Capital reserve to be realized	-	6,341	6,341	-	6,341	6,341
Parents company's interest	44,611	6,341	50,952	44,611	6,341	50,952
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	697,551	-	697,551	642,290	-	642,290

2.2 Functional and reporting currency

These financial statements are presented in Brazilian Reais, which is the Company's functional currency. All balances are rounded to the nearest thousand, except when otherwise indicated.

2.3 Basis of preparation

The interim financial statements were prepared based on historical cost, except for certain financial instruments measured at fair value.

2.4 Basis of consolidation and investments in subsidiaries

The consolidated interim financial statements include the financial statements of Lupatech S/A – In Judicial Recovery and its subsidiaries.

2.4.1 Subsidiaries

The company did not have changes of participation in subsidiaries during the period of six months ended on June 30,2017.

2.4.2 Jointly-owned subsidiaries

On January 18, 2017, the subsidiaries Luxxon Participacões S.A. and Aspro do Brasil Sistemas de Compressão Ltda., concluded the sale of the 53.23% interest held jointly by Delta Compresión SRL, a limited liability company located in Argentina, for the amount of one hundred thousand United States dollars, to investors linked to the Inverlat Group, also located in Argentina.

This is the only change in jointly-controlled company joint ventures in the six-month period ended on June 30, 2017, as shown below:

	Direct and indirect participation (%)	
Jointly-owned subsidiaries	**06/30/2017**	**12/31/2016**
Direct participation		
Luxxon Participações S.A. - (Brazil) (*)	43.71	43.71
Indirect participation		
Aspro do Brasil Sistemas de Compressão p/GNV Ltda. - (Brazil) (*)	43.71	43.71
Delta Compresión S.R.L. - (Argentina) (*) (**)	-	43.71

(*) Joint Venture
(**) Company sold

2.4.3 Companies comprising the consolidated statements

The consolidated interim financial statements include the accounting information of Lupatech S/A – In Judicial Recovery and its direct and indirect subsidiaries and the jointly-owned subsidiaries, as shown below:

	Direct and indirect participation (%)	
Direct and indirect subsidiaries	**06/30/2017**	**12/31/2016**
Direct participation		
Mipel Ind. e Com. de Válvulas Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
Lupatech Equipamentos e Serviços para Petróleo Ltda.- In Judicial Recovery - (Brazil)	100.00	100.00
Lupatech Finance Limited - In Judicial Recovery - (Cayman)	100.00	100.00
Lupatech II Finance Limited - (Cayman)	100.00	100.00
Recu S.A. - (Argentina)	95.00	95.00
Lupatech OFS Coöperatief U.A. - (Netherlands)	100.00	100.00
Lupatech Netherlands Coöperatief U.A. - (Netherlands)	2.29	2.29
Lochness Participações S/A - In Judicial Recovery - (Brazil)	100.00	100.00
Indirect participation		
Recu S.A. - (Argentina)	5.00	5.00
Lupatech Netherlands Coöperatief U.A. - (Netherlands)	97.71	97.71
Lupatech OFS S.A.S. - (Colombia)	100.00	100.00
Lupatech Perfuração e Completação Ltda.- In Judicial Recovery - (Brazil)	100.00	100.00
Sotep Sociedade Técnica de Perfurações S/A - In Judicial Recovery - (Brazil)	100.00	100.00
Prest Perfurações Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
Itacau Agenciamentos Marítimos Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
Matep S.A. Máquinas e Equipamentos - In Judicial Recovery - (Brazil)	100.00	100.00
Amper Amazonas Perfurações Ltda. - In Judicial Recovery - (Brazil)	100.00	100.00
UNAP International Ltd. - (Cayman)	100.00	100.00

3 Standards, amendments and interpretations to Standards

Standards, amendments and interpretations to existing standards those are not yet effective

A series of standards, amendments and interpretations of standards issued, and were not adopted in the preparation of this financial information. Those that may be relevant to the Company are mentioned below.

The Company does not plan to adopt these standards in advance, it intends to adopt them when they come into force.

IFRS 9 Financial Instruments

Published on July 2014, IFRS 9 replaced the guidelines in IAS 39 Financial Instruments: Recognition and Measurement.

IFRS 9 includes a logical model for classification and measurement of financial instruments, including a new model of expected credit loss for the calculation of the impairment of financial assets, and new requirements for hedge accounting. The standard retains the existing guidance on the recognition and derecognition of financial instruments IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The Company is evaluating the effects that IFRS 9 will have on its financial statements and disclosures.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 requires an entity to recognize the amount of revenue reflecting the consideration that it expects to receive in exchange for control of such goods or services. When it is adopted, the new standard will replace most of the detailed guidelines on the recognition of revenues presently existing under IFRS and US GAAP. It is applicable as from or after January 1, 2018, with earlier application permitted by IFRS. The standard may be adopted retrospectively using an approach of cumulative effects. The Company is evaluating the effects that IFRS 15 will have on its financial statements and disclosures.

Additionally, it is not expected that the following new standards or modifications can have a significant impact on the Company's consolidated financial statements:

- Accounting for Aquisitions of Interests in Joint Operations (alteration of IFRS 11);
- Acceptable Methods of Depreciation and Amortisation (alteration of CPC 27/IAS 16 and CPC 04/IAS 38);
- Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture (alteration of CPC 36/IFRS 10 and CPC 18/IAS 28);
- Disclosure Initiative (Alteration of CPC 26/IAS 1).

The Accounting Pronouncements Committee has not yet issued accounting pronouncement or changes in existing pronouncements corresponding to all new IFRS. Therefore, the early adoption of these IFRS is not permitted for entities to disclose their financial statements in accordance with accounting practices adopted in Brazil.

4 Cash and cash equivalents and Securities

Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

	Parent		**Consolidated**	
	06/30/2017	**12/31/2016**	**06/30/2017**	**12/31/2016**
Cash and banks				
Brazil	8	7	69	107
Abroad	46	46	1,381	1,056
	54	53	1,450	1,163
Financial Investments				
Bank deposit certificate	-	70	-	70
	-	70	-	70
Cash and cash equivalents	54	123	1,450	1,233

The financial investments are highly liquid and with insignificant risk of change in the value and relate to funds invested in fixed income fund and bank certificates of deposit. The yield rates of financial investments in bank deposit certificate are in accordance with the characteristics of the financial application with CDI's, parameter.

Securities – restricted account

On June 30, 2017, the Company owned a balance of R$861, registered as "Marketable securities - restricted" in current assets, and R$2,287 in the non-current assets (R$1,541 in current assets, and R$2,046 in the non-current assets on December 31, 2016), relating to security deposit the payment of any liabilities compensable as clause contract of sale of the unit Metallurgical Ipe for Duratex, called "Escrow Account", applied to the CBD.

5 Trade receivables

	Parent		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Local market	18,203	16,526	40,359	40,353
Export	2,899	4,411	8,615	9,793
	21,102	20,937	48,974	50,146
Less: allowance for doubtful accounts	(4,176)	(4,119)	(5,339)	(5,234)
	16,926	16,818	43,635	44,912

In the six-month ended on June 30, 2017, were recognized in the result, losses with a provision for doubtful accounts in the amount of R$57 in the parent and R$105 in the consolidated.

In the six-month ended on June 30, 2016, were recognized in the resul, reversal of losses with a provision for doubtful accounts in the amount of R$519 in the parent and R$779 in the consolidated.

6 Estoques

	Parent		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Finished goods	3,132	3,499	8,130	9,276
Goods for resale	1,252	1,536	5,211	5,046
Work in progress	9,365	9,263	15,794	15,756
Raw material	20,996	21,842	55,441	57,259
Losses on inventory obsolescence	(6,911)	(5,545)	(32,148)	(30,646)
Total	27,834	30,595	52,428	56,691

In the six-month ended on June 30, 2017 were recognized in the result, losses on inventories obsolescence in the amount of R$1,366 in parent and R$1,502 in consolidated.

In the six-month ended on June 30, 2016 were recognized in the result, losses on inventories obsolescence in the amount of R$5,024 in parent and R$5,514 in consolidated.

7 Recoverable taxes

	Parent		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Value-added Tax on Sales and Services (ICMS) recoverable	13,414	13,666	13,862	14,142
Excise Tax (IPI) recoverable	1,392	1,523	1,705	1,907
Social Integration Program (PIS) recoverable	631	627	993	1,240
Social Contribution on Revenues (COFINS) recoverable	3,131	3,112	4,847	5,240
Corporate Income Tax (IRPJ) advances	-	-	15,612	12,488
IRF and IRPJ recoverable	687	880	33,280	33,122
CSLL recoverable	51	54	5,096	5,682
National Institute of Social Security (INSS) Contribution recoverable	44	44	988	824
Service tax (ISS) recoverable	-	-	55	36
Other	72	72	189	189
Provision for non-recovery of taxes	-	(8,227)	-	(8,227)
Total	19,422	11,751	76,627	66,643
Current	5,716	5,650	32,586	29,603
Non-Current	13,706	6,101	44,041	37,040

The source of the aforementioned credits is the following:

- **Recoverable COFINS, PIS and IPI** – these are basically a result of credits on purchase of inputs used in exported products and sale of products taxed at zero rate. The realization of these credits has been conducted by offsetting other federal taxes.
- **Recoverable income tax and social contribution** – these results from taxes on income overpaid throughout previous years or in the form of advance payment during the current year, and from taxes on financial operations withheld at source. The Company provides services to Petrobras, a state-owned company that performs withholding taxes on sales. These taxes have been offset against taxes payable of the same nature.
- **ICMS** – refers to credits on acquisitions of inputs used in the manufacture of products whose sale is subject to ICMS reduced calculation basis, as well as credits on acquisitions of inputs used in the manufacture of products to be exported.

  Actions have been taken to use these accumulated tax credits, mainly involving strategies and logistics for the acquisition of inputs.

  On December 31, 2016, the Company had a provision in the amount of R$8,227 relating to ICMS credits over which it had no expectation of realization. The Company has been able to recover the said credits (R$122 recovered in 2016 and R$482 in previous years), and thus, on March 31, 2017, this provision was reversed.

8 Other receivables

on June 30, 2017, the Company has the following balances recorded as other accounts receivable in current and non-current assets, as shown below:

	Parent		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Other accounts receivable - Current				
Travel advances	3	3	47	48
Advances to employees	543	554	844	944
Profits and dividends receivable	-	2,913	1,664	4,577
Receiving insurance and accident	138	138	138	138
Other receivables	241	205	1,047	687
Total	925	3,813	3,740	6,394
Other accounts receivable - Non-current				
Loans receivable from related Unifit	6,863	6,570	6,863	6,570
Loans receivable from related Luxxon	161	154	5,948	5,681
Accounts receivable related to investment sale	-	-	-	4,155
Other receivables	-	-	479	479
Total	7,024	6,724	13,290	16,885

9 Investments

9.1 Investments in subsidiaries and associated companies

	Parent		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
In affiliates	384,044	350,523	-	-
Goodwill on acquisition of investments (Note 11)	6,065	6,065	-	-
Total	390,109	356,588	-	-

	Mipel	Recu	LESP	Finance	Finance II	LNC	LOFS	Lochness	Parent 06/30/2017	Parent 12/31/2016
Investment										
Amount of share or quotas										
Ordinary shares (thd)	-	3,000	-	-	-	-	-	619,895		
Capital stock quotas (thd)	18,717	-	379,174	50	1	-	-	-		
Participation %	100	95	100	100	100	2	100	100		
Shareholders' equity (Unfunded liabilities)	**11,724**	**896**	**28,203**	**212,920**	**-**	**12,846**	**41,438**	**19,261**		
Income (Loss) for the year	(2,135)	-	(48)	39,896	-	(1,194)	(472)	(3,199)		
Unrealized profits	(392)	-	-	-	-	-	-	-		
Changes in investments										
Beginning balance	16,374	877	72,853	169,298	-	318	41,994	48,809	350,523	448,991
Advance for future capital increase	83	-	2,550	-	-	-	-	(4,391)	(1,758)	(11,699)
Equity pick-up result	(2,174)	-	(48)	39,830	-	(27)	(473)	(3,200)	33,908	(32,616)
Equity evaluation adjustments	-	(26)	62	3,792	-	3	(84)	(2,376)	1,371	(54,153)
Final balance	14,283	851	75,417	212,920	-	294	41,437	38,842	384,044	350,523

The corporate names of the subsidiaries and associated companies are the following: Mipel - Mipel Ind. Com. Válvulas Ltda. - In Judicial Recovery; LESP – Lupatech – Equipamentos e Serviços para Petróleo Ltda. - In Judicial Recovery; Lupatech Finance Limited – In Judicial Recovery; Finance II - Lupatech II Finance Limited; LNC – Lupatech Netherlands Coöperatief U.A; LOFS – Lupatech OFS Coöperatief U.A. and Lochness Participações S/A – In Judicial Recovery.

The equity pick-up result is composed as follow:

	Parent			
	For the three months ended		For the six months ended	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
In affiliates	16,077	(99,993)	33,908	(102,001)
In joint venture	(286)	-	(1,779)	-
Total	15,791	(99,993)	32,129	(102,001)

	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
In joint venture	(286)	-	(1,779)	-
Total	(286)	-	(1,779)	-

9.2 Investments in jointly controlled entities (joint venture)

Luxxon Participações S/A is a jointly controlled entity of the Lupatech Group with Axxon Group. The Company shares with the other members of the joint administration of relevant activities of that entity.

On June 30, 2017, the Company recognized investments in joint ventures related to Luxxon Participações S/A, as a provision for unfunded liabilities in the amount of R$15,854 (R$19,180 on December 31, 2016).

Investments in jointly controlled are measured by the equity method.

10 Property, plant and equipment

	Weighted avarage rate of depreciation % p.p.	Parent		Consolidated	
		06/30/2017	12/31/2016	06/30/2017	12/31/2016
		Net	Net	Net	Net
Land	-	12,336	12,336	13,904	13,035
Building and construction	2%	30,743	31,190	41,385	42,069
Machinery and equipment	9%	26,465	28,764	158,422	153,917
Molds and matrixes	15%	711	763	835	900
Industrial facilities	5%	6,842	7,138	8,614	8,952
Furniture and fixtures	9%	1,062	1,170	1,996	2,238
Data processing equipments	14%	165	204	320	429
Improvements	2%	172	185	1,466	1,506
Vehicles	19%	115	130	1,456	448
Casks	-	-	1	5	6
Advances for fixed assets acquisitions	-	11	11	10,175	9,857
Construction in progress	-	937	894	48,632	48,373
Total		79,559	82,786	287,210	281,730

Bellow is the breakdown of property, plants and equipments:

Parent

Gross Cost	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2016	12,336	39,257	90,491	11,725	3,861	3,951	894	497	163,012
Additions	-	-	72	-	-	(45)	43	-	70
Transfer	-	-	-	-	2	-	-	-	2
Disposal	-	-	(1,176)	-	(34)	(21)	-	(2)	(1,233)
Balance on June 30, 2017	12,336	39,257	89,387	11,725	3,829	3,885	937	495	161,851

Parent

Acculated depreciation	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2016	-	(8,067)	(60,964)	(4,402)	(2,691)	(3,747)	-	(355)	(80,226)
Additions	-	(447)	(2,167)	(309)	(107)	(48)	-	(16)	(3,094)
Transfer	-	-	-	-	(2)	-	-	-	(2)
Disposal	-	-	920	-	33	75	-	2	1,030
Balance on June 30, 2017	-	(8,514)	(62,211)	(4,711)	(2,767)	(3,720)	-	(369)	(82,292)

Parent

Net property, plant and equipment	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2016	12,336	31,190	29,527	7,323	1,170	204	894	142	82,786
Balance on June 30, 2017	12,336	30,743	27,176	7,014	1,062	165	937	126	79,559

Consolidated

Gross Cost	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2016	13,035	56,302	430,071	18,934	10,088	10,727	48,373	33,225	620,755
Additions	-	-	505	-	45	(45)	67	297	869
Disposal	852	(1)	(22,599)	-	(38)	(24)	(175)	(2,225)	(24,210)
Transfer	-	-	-	-	2	-	-	-	2
Effect of exchange variance	17	-	1,572	-	-	-	367	20	1,976
Reversal of provision for impairment of assets	-	-	21,838	-	-	-	-	1,563	23,401
Reclassification for assets held for sale	-	-	8,247	-	-	-	-	-	8,247
Balance on June 30, 2017	13,904	56,301	439,634	18,934	10,097	10,658	48,632	32,880	631,040

Consolidated

Acculated depreciation	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2016	-	(14,233)	(275,254)	(8,476)	(7,850)	(10,298)	-	(22,914)	(339,025)
Additions	-	(684)	(14,135)	(378)	(286)	(116)	-	(548)	(16,147)
Disposal	-	1	13,158	-	37	76	-	2,217	15,489
Transfer	-	-	-	-	(2)	-	-	-	(2)
Effect of exchange variance	-	-	(688)	-	-	-	-	1	(687)
Reclassification for assets held for sale	-	-	(3,458)	-	-	-	-	-	(3,458)
Balance on June 30, 2017	-	(14,916)	(280,377)	(8,854)	(8,101)	(10,338)	-	(21,244)	(343,830)

Consolidated

Net property, plant and equipment	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Data processing equipments	Construction in progress	Others	Total
Balance on December 31, 2016	13,035	42,069	154,817	10,458	2,238	429	48,373	10,311	281,730
Balance on June 30, 2017	13,904	41,385	159,257	10,080	1,996	320	48,632	11,636	287,210

The value attributed to property, plants and equipments in guarantee of liabilities on June 30, 2017 is as follows:

Garanteed liabilities	Fixed assets	
	Parent	Consolidated
Taxation (Tax executions)	14,791	14,949
Borrowing and financing (Note 13)	38,846	55,231
Total	53,637	70,180

Commercial Lease
On June 30, 2017, the Company has through its subsidiary Lupatech OFS S.A.S. commitment of fixed assets acquisition that are in the phase of production through financial leasing in the amount of R$8,515 (R$8,854 on December 31, 2016).

Impairment tests
In 2016, based on the appraisal reports of property, plant and equipment, impairment tests were performed, and a provision for impairment loss of R$28,387 was identified in the consolidated.

In the semester ended June 30, 2017, after a new analysis, impairment provision for prior years was recognized and recorded in the amount of R$24,613 and loss recording in the amount of R$1,212, consolidated, resulting in an adjustment Net of R$23,401 in property, plant and equipment (zero in the semester ended June 30, 2016).

Depreciation
In the six-month period ended on June 30, 2017, in accordance with CPC 27, the Company recorded a reversal of a depreciation provision in the amount of R$3,995 (US$ 1,212 thousand) referring to machinery and equipment leased to the indirect subsidiary UNAP International Ltd.

This unit is without operation and has no intention of operating, and will be available for sale after the release of the court of Company's Judicial Recovery.

11 Intangible Assets

	Weighted rates of amortization % p.p.	Parent		Consolidated	
		06/30/2017 Net	12/31/2016 Net	06/30/2017 Net	12/31/2016 Net
Goodwill (*)	-	55,414	55,414	100,936	100,936
Software and other licenses	20%	807	1,061	1,291	1,670
New projects developments	20%	13,364	13,737	13,706	14,106
Total		69,585	70,212	115,933	116,712

(*) In Parent represents the balance of goodwill of subsidiaries incorporated

Bellow is the breakdown of intangible Assets:

	Parent			
Gross Cost	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2016	**55,414**	**9,665**	**20,792**	**85,871**
Disposal	-	-	(59)	(59)
Balance on June 30, 2017	**55,414**	**9,665**	**20,733**	**85,812**

	Parent			
Acculated Amortization	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2016	**-**	**(8,604)**	**(7,055)**	**(15,659)**
Additions	-	(254)	(314)	(568)
Balance on June 30, 2017	**-**	**(8,858)**	**(7,369)**	**(16,227)**

	Parent			
Net Intangible Assets	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2016	**55,414**	**1,061**	**13,737**	**70,212**
Balance on June 30, 2017	**55,414**	**807**	**13,364**	**69,585**

	Consolidated			
Gross Cost	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2016	**100,936**	**12,725**	**22,139**	**135,800**
Disposal	-	-	(59)	(59)
Balance on June 30, 2017	**100,936**	**12,725**	**22,080**	**135,741**

	Consolidated			
Acculated Amortization	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2016	**-**	**(11,055)**	**(8,033)**	**(19,088)**
Additions	-	(379)	(341)	(720)
Balance on June 30, 2017	**-**	**(11,434)**	**(8,374)**	**(19,808)**

	Consolidated			
Net Intangible Assets	**Goodwill on acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2016	**100,936**	**1,670**	**14,106**	**116,712**
Balance on June 30, 2017	**100,936**	**1,291**	**13,706**	**115,933**

Below is a summary of the allocation of goodwill by level of Cash Generating Unit:

	Goodwill on acquisition of investments			
	Investments (Note 9)		Intangible	
	Parent		Consolidated	
UGCs	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Products Segment				
Carbonox and Valmicro (Group of units)	6,065	6,065	6,065	6,065
Lupatech S/A - CSL unit	55,414	55,414	55,414	55,414
Services Segment				
Fiberware Unit	-	-	20,687	20,687
Lupatech OFS Coöperatief U.A. Unit (Netherlands)	-	-	18,770	18,770
Total	61,479	61,479	100,936	100,936
Investment	6,065	6,065	-	-
Intangible Assets	55,414	55,414	100,936	100,936

Goodwill is allocated to cash-generating units for which can be identified in the cash flows of cash-generating units - CGU.

The goodwill allocated to the group of Carbonox and Valmicro units is not relevant in the comparison with the goodwill's total book value, why not individual information of these CGUs is presented.

Below is a summary of amounts recorded as a loss for the non-recoverability of goodwill by level Cash Generating Unit:

UGCs	Goodwill on acquisition of investments	Impairment	Net Goodwill
Products Segment			
Carbonox and Valmicro (Group of units)	6,065	-	6,065
Lupatech S/A - CSL unit	125,414	(70,000)	55,414
Lupatech – Equipamentos de serviços para Petróleo – Oil Tools Unit	9,149	(9,149)	-
Tecval Unit	55,680	(55,680)	-
Lupatech - Equipamentos de serviços para petróleo - Monitoring Systems Unit	9,884	(9,884)	-
Services Segment			
Lupatech – Equipamentos de serviços para petróleo Unit	59,227	(59,227)	-
Fiberware Unit	20,687	-	20,687
Lupatech OFS Coöperatief U.A. Unit (Netherlands)	18,770	-	18,770
Total	304,876	(203,940)	100,936

12 Suppliers

	06/30/2017						12/31/2016					
	Parent			Consolidated			Parent			Consolidated		
	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Suppliers												
Subject to Judicial Recovery												
Domestic Suppliers	5,646	117,680	**123,326**	5,646	117,680	**123,326**	5,646	115,245	**120,891**	5,646	115,245	**120,891**
Export Suppliers	871	8,746	**9,617**	871	8,746	**9,617**	871	8,746	**9,617**	871	8,746	**9,617**
(-) Present value adjustment	-	(56,938)	**(56,938)**	-	(56,938)	**(56,938)**	-	(58,129)	**(58,129)**	-	(58,129)	**(58,129)**
	6,517	**69,488**	**76,005**	**6,517**	**69,488**	**76,005**	**6,517**	**65,862**	**72,379**	**6,517**	**65,862**	**72,379**
Not Subject to Judicial Recovery												
Domestic Suppliers	6,550	-	**6,550**	17,647	-	**17,647**	5,420	-	**5,420**	17,392	-	**17,392**
Export Suppliers	99	-	**99**	2,044	-	**2,044**	97	-	**97**	1,114	-	**1,114**
	6,649	**-**	**6,649**	**19,691**	**-**	**19,691**	**5,517**	**-**	**5,517**	**18,506**	**-**	**18,506**
Total	**13,166**	**69,488**	**82,654**	**26,208**	**69,488**	**95,696**	**12,034**	**65,862**	**77,896**	**25,023**	**65,862**	**90,885**

According to the current Judicial Recovery plan, 50% of the unsecured credits of suppliers will be paid through the payment of Warrants, and the remaining 50% will be paid in cash within 15 years, with interest and monetary restatement at a variable rate equivalent to TR + 3% per annum, to be paid 30 days after the last installment of the principal, as proposed in the terms of payments of the unsecured creditors of the New Plan.

In the semester ended on June 30, 2017, there was recording expenses of present value adjustment on supplier's subject to judicial recovery in the amount of R$1,191.

On June 30, 2016, due to the annulment of the Judicial Recovery Plan originally presented, as mentioned in note 1.1, the amounts related to the adjustment to present value on the balance of supplier's subject to the Plan were reversed.

The balance of adjustment to present value on supplier's subject to judicial recovery, recognized on June 30, 2017 was R$56,938 (R$58,129 on December 31, 2016) in the parent and consolidated, considering the discount rate of 13.65% per year.

13 Loans and financing

			06/30/2017						12/31/2016					
			Parent			Consolidated			Parent			Consolidated		
Description	Index	Weighted interest rates	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total	Current	Non-current	Total
Subject to Judicial Recovery														
Local currency														
Secured creditors	FIX	3,00% p.p. + TR	-	42,865	**42,865**	-	42,865	**42,865**	-	42,023	**42,023**	-	42,023	**42,023**
(-) Present value adjustment			-	(20,376)	**(20,376)**	-	(20,376)	**(20,376)**	-	(20,835)	**(20,835)**	-	(20,835)	**(20,835)**
Unsecured creditors	FIX	3,00% p.p. + TR	-	97,031	**97,031**	-	178,375	**178,375**	-	95,124	**95,124**	-	175,100	**175,100**
(-) Present value adjustment			-	(46,123)	**(46,123)**	-	(76,969)	**(76,969)**	-	(47,163)	**(47,163)**	-	(78,099)	**(78,099)**
			-	**73,397**	**73,397**	-	**123,895**	**123,895**	-	**69,149**	**69,149**	-	**118,189**	**118,189**
Not subject to Judicial Recovery														
Local currency														
Working capital / expansion	CDI	6,80% p.p.	1,941	-	**1,941**	1,941	-	**1,941**	1,778	-	**1,778**	1,778	-	**1,778**
Working capital / expansion	TJLP	5,94% p.p.	8,369	-	**8,369**	15,165	-	**15,165**	7,466	-	**7,466**	13,529	-	**13,529**
Discounted titles	-	23,83% p.p.	508	-	**508**	847	-	**847**	555	-	**555**	1,564	-	**1,564**
Credit limit	FIX	213,4% p.p.	-	-	-	-	-	-	-	-	-	-	-	-
Foreign currency														
Working capital / expansion	US DOLAR	7,48% p.p.	1,723	-	**1,723**	2,866	-	**2,866**	1,544	-	**1,544**	2,569	-	**2,569**
Working capital / expansion	PESO COP	13,83% p.p.	-	-	-	6,173	9,976	**16,149**	-	-	-	3,971	12,666	**16,637**
			12,541	-	**12,541**	**26,992**	**9,976**	**36,968**	**11,343**	-	**11,343**	**23,411**	**12,666**	**36,077**
			12,541	**73,397**	**85,938**	**26,992**	**133,871**	**160,863**	**11,343**	**69,149**	**80,492**	**23,411**	**130,855**	**154,266**

According to the plan of Judicial Recovery in force, 35% of the credits secured by the Judicial Recovery will be paid through the payment of Warrants, and the remaining 65% will be paid in cash within 15 years, with interest and correction at a variable rate equivalent to TR + 3% per annum, to be paid 30 days after the maturity of the last installment of the principal, as proposed in the terms of payments of the secured creditors of the New Plan.

In the case of unsecured loans and financing, in accordance with the Judicial Recovery Plan in force, 50% will be paid through the payment of Warrants and the remaining 50% will be paid in cash within 15 years, with Interest increase and monetary restatement at a variable rate equivalent to TR + 3% per annum, to be paid 30 days after the last installment of the principal, as proposed in the terms of payments of the unsecured creditors of the New Plan.

In the semester ended on June 30, 2017, there was a recording of the adjustment to present value of loans and financing subject to judicial recovery in the amount of R$1,499 in the parent and R$1,589 in the consolidated.

On June 30, 2016, due to the annulment of the Judicial Recovery Plan originally presented, as mentioned in note 1.1, the amounts related to the adjustment to present value of loans and financing, debentures and bonds, classified as subjects the Judicial Recovery, were reverted.

The balance of adjustment to present value on loans and financing subject to judicial recovery, recognized on June 30, 2017 is R$66,499 (R$67,998 on December 31, 2016) at the parent and R$97,345 (R$98,934 on December 31, 2016) in the consolidated, considering the discount rate of 13.65% per year.

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

	Parent		Consolidated	
Maturity	**06/30/2017**	**12/31/2016**	**06/30/2017**	**12/31/2016**
2018	-	-	3,527	7,138
2019	-	-	5,749	5,105
from 2020	73,397	69,149	124,595	118,612
	73,397	69,149	133,871	130,855

The guarantees of the loans and financing were granted as follows, on June 30, 2017:

		Value of the guarantee			
		Parent		Consolidated	
		Book value*	Appraisal report value**	Book value*	Appraisal report value**
Subject to Judicial Recovery					
Local currency	**Garantee**				
Working capital / expansion	Mortage / Buildings	36,254	103,220	36,254	103,220
Working capital / expansion	Machinery and equipment	2,592	2,624	2,592	2,624
		38,846	105,844	38,846	105,844
Not subject to Judicial Recovery					
Foreign currency	**Garantee**				
Working capital / expansion	Own financed asset	-	-	16,385	-
		-	-	16,385	-
		38,846	105,844	55,231	105,844

* Net values of depreciation.

** Evaluation according to the reports prepared by Appraisal Avaliações e Engenharia Limitada, in July 2015, presented to the Judicial Recovery Court, shown in the table above for reference.

The indirect subsidiary, OFS SAS, has covenants related to financial leasing agreement with Bancolombia which require the maintenance of (a) EBITDA 2x more than interest expense paid (b) Debt / EBITDA until 3x. On June 30, 2017, the indirect subsidiary Lupatech OFS SAS attended to the condition of financial covenants. The total amount of this loan is R$4,140, recorded in current liabilities in the amount of R$1,357 and R$2,783 in non-current liabilities (total amount of R$4,145 on December 31, 2016 recorded R$41 in current liabilities and R$4,104 in non-current liabilities).

On June 30, 2017, the Company has a balance of R$4,338 (R$4,256 on December 31, 2016) of billing notification by Votorantim S/A bank relating to the Guarantee provided - Guaranteed by a letter of guarantee requested by Nordeste do Brasil S/A bank for repayment of loan from Unifit – Unidade de Fios Industriais de Timbaúba S/A and BNB, totaling R$31,180 of which the Company was a guarantor on 50%.

Due to the Judicial Recovery Plan, Bonds and Debentures are treated and registered with loans subject to judicial recovery in noncurrent liabilities, due to their classification as unsecured creditors of the Plan, where they have interest and monetary restatement at a variable rate equivalent to TR + 3% per year, as determined for the payment of these creditors in the new Judicial Recovery Plan.

14 Related parties

14.1 Subsidiary

The balances and transactions between the Company and its subsidiaries, which are its related parties, were eliminated in the consolidation. The details related to the transactions between the parent company and its subsidiaries are presented below:

	Parent					
	SABR	Mipel Sul	Lupatech Finance	LESP	06/30/2017	12/31/2016
Assets						
Current						
Accounts receivable	-	1	-	-	1	-
Other accounts receivable	938	46	80,655	187	81,826	84,809
Non-current						
Mutual and loans	26,196	-	839,441	-	865,637	852,786
	27,134	47	920,096	187	947,464	937,595
Liabilities						
Current						
Accounts payable	-	419	-	-	419	130
Other accounts payable	-	83	-	1,204	1,287	1,459
Mutual and loans	-	-	42,906	31,338	74,244	68,404
Non-current						
Mutual and loans	-	-	1,144,221	-	1,144,221	1,090,985
	-	502	1,187,127	32,542	1,220,171	1,160,978
					06/30/2017	**06/30/2016**
Income						
Sales	-	41	-	-	41	37
Purchases	-	1,801	-	-	1,801	2,012
Financial income	3	-	-	-	3	99
Financial expenses	-	-	40,106	21	40,127	45,024
Exchange variance	-	-	54,567	-	54,567	116,239
Total	3	1,842	94,673	21	96,539	163,411

	Parent						
	Transaction date	Time	Interest rate	Amount R$	Balance US$	06/30/2017	12/31/2016
Assets mutual							
Foreign currency							
Contract 1	July-14	Indeterminated	105% at DI-Cetip	627,226	253,745	839,441	826,982
Contract 2	July-14	Indeterminated	105% at DI-Cetip	20,992	7,903	26,144	25,755
Contract 3	December-14	Indeterminated	12,000% p.p.	288	16	52	49
				648,506	**261,664**	**865,637**	**852,786**
Liabilities mutual							
Local currency							
Contract 1	April-17	Indeterminated	105% at DI-Cetip	2,171	-	43	-
				2,171	-	43	-
Foreign currency							
Contract 1	July-07	13 years	9,875% p.p.	28,025	15,976	52,852	50,857
Contract 2	July-07	13 years	9,875% p.p.	65,391	38,402	127,041	122,188
Contract 3	May-09	11 years	12,000% p.p.	40,736	30,128	99,668	94,354
Contract 4	May-09	11 years	12,000% p.p.	117,249	86,839	287,280	271,907
Contract 5	July-09	11 years	12,000% p.p.	50,618	40,170	132,890	125,806
Contract 6	September-09	11 years	10,100% p.p.	134,378	109,403	361,928	344,143
Contract 7	October-09	11 years	10,000% p.p.	46,231	37,926	125,468	119,303
Contract 8	December-15	Indeterminated	-	36,951	9,460	31,295	30,831
				519,579	368,304	1,218,422	1,159,389
				521,750	**368,304**	**1,218,465**	**1,159,389**

Loan agreements and foreign currency loans between Lupatech Finance Company and are presented net amount of R$347,686 (R$301,576 on December 31,2016) in liabilities of the parent, due to come from the same transaction related to perpetual bonds.

The transactions are made according to the conditions agreed among the parts.

On June 30, 2017, the Company has a loan agreement with the Unifit – Unidade de fios Industriais de Timbaúba S/A in the amount of R$6,863 (R$6,570 on December 31, 2016). This amount is recorded in other receivables as non-current assets.

The Company has, on June 30, 2017, a loan agreement with the jointly Luxxon Participações S/A amounting to R$5,948 (R$5,681 on December 31, 2016). This amount is recorded in other receivables in non-current assets.

a. Guarantees granted

The transactions with related parties are not backed by any guarantees, and are nothing but either ordinary commercial transactions (purchase and sale of materials), or intercompany loans.

b. Conditions of price and interests

Intercompany loan in Brazil are monetarily restated according to the DI-Cetip monthly rate for funds raised in the market.

14.2 Key management staff

a. Management compensation

Lupatech S/A - In Judicial Recovery registered a total of R$2,013 in the six-month ended June 30,2017 related to management compensation (R$2,110 in the six-month ended June 30, 2016). At the Annual and Extraordinary General Meeting held on May 12, 2017, the fixed remuneration and annual global variable of the Company's management was approved for the year in the amount up to R$7,962, and so divided: up to R$3,552 for the global fixed remuneration; including benefits and charges; up to R$3,276 to the overall variable remuneration; and up to R$1,134 for the fixed remuneration of the Board of Directors.

On June 30, 2017, the Company has the amount of R$4,397, booked as current liabilities, related to variable compensation from the financial debt restructuring plan of the Company (R$4,397 on December 31, 2016).

In the period of six-months ended June 30, 2017, the Company did not pay a variable compensation related to the retention plan for executives and key personnel in the Company (payment of R$2,313 in the period of six-months ended June 30, 2016).

14.3 Loans e debentures with Shareholdes

On June 30, 2017, the amount of loans with GPCM, LLC. (A subsidiary of Oilfield Services Holdco LLC) is R$7,465 (R$7,323 on December 31, 2016), and are booked in non-current liabilities, with loans subject to judicial recovery.

15 Income taxes and social contribution

For companies with headquarters in Brazil, depending on the situation of each company, if levied by taxable profit, the provision for income tax is calculated and accounted at the 15% rate over the taxable income, plus an additional 10%, and the social contribution at the 9% rate, calculated and accounted over the income before income tax, adjusted pursuant to tax laws. The companies levied based on presumed profit calculate their income tax at the rate of 15%, plus an additional 10%, and social contribution at the rate of 9%, over presumed profits from 8% to 32% for income tax and 12% for social contribution on subsidiaries' gross income from selling and services, pursuant to the fiscal rules in force.

The operations of subsidiaries located in Argentina are taxed at a 35% rate on adjusted profit for tax purposes. Operation of subsidiary located in Colombia is taxed at a 33% rate on adjusted profit for tax purposes.

a. Deferred income tax and social contribution

On June 30, 2017, in the parent and consolidated, all active balances were recognized in the proportionality of the existing liabilities. The existing deferred income and social contribution tax balances are presented as follows:

	Parent		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Adjustment to present value of suppliers, fines, loans and debentures	(29,378)	(30,018)	(36,719)	(37,381)
Assigned Cost	-	-	(16,810)	(19,764)
Others	-	-	619	619
Deferred income tax and social contribution - Non-current	**(29,378)**	**(30,018)**	**(52,910)**	**(56,526)**

On June 30, 2017, the balance of deferred income tax and social contribution liabilities is R$29,378 in the parent company and R$52,910 in the consolidated (R$30,018 on December 31, 2016 in the parent and R$56,526 in the consolidated), and are recorded in the results of period of six month ended on june 30, 2017, the amounts of R$640 in the parent and R$1,660 in the consolidated (R$73,943 in the parent and R$95,072 in the consolidated in the period of six months ended on June 30, 2016). The effects of results arise mainly from the variation in the adjustment to present value and attributed cost.

b. Conciliation of income tax and social contribution

	Parent			
	For the three months ended		For the six months ended	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Loss before tax	(27,042)	(475,697)	(32,263)	(499,206)
Additions and exclusions				
Equity pick-up	(15,791)	99,993	(32,129)	102,001
Provision of losses on inventory obsolescence	101	(1,739)	1,366	5,024
Allowance for doubtful accounts	(20)	(557)	57	(519)
Non-deductible interest	18,254	19,254	35,462	40,473
Provision for loss contingencies	(1,848)	1,755	1,306	2,741
Present value adjustment	1,316	309,861	2,690	310,683
Tax amortization of goodwill on investment	-	(3,398)	(3,446)	(6,797)
Provision of interest on suppliers	892	16,475	2,195	18,775
Other	18,327	(20,318)	5,524	(41,991)
Calculation basis	**(5,811)**	**(54,371)**	**(19,238)**	**(68,816)**
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution by the combined tax rate	-	-	-	-
Current Income tax and social contribution of subsidiaries with taxable income	-	-	-	-
Deferred tax and social contribution	**324**	**73,943**	**640**	**73,943**

	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Loss before tax	(26,952)	(494,409)	(31,769)	(518,218)
Additions and exclusions				
Equity pick-up	286	-	1,779	-
Provision of losses on inventory obsolescence	376	(1,589)	1,502	5,514
Allowance for doubtful accounts	(19)	954	105	(779)
Non-deductible interest	18,254	19,254	35,462	40,473
Provision for loss contingencies	(981)	1,033	8,557	4,997
Present value adjustment	1,362	393,792	2,780	394,788
Tax amortization of goodwill on investment	(3,774)	(6,843)	(10,995)	(13,686)
Provision of interest on suppliers	970	16,475	2,393	18,775
Other	4,806	(6,451)	(29,052)	(31,166)
Calculation basis	**(5,672)**	**(77,784)**	**(19,238)**	**(99,302)**
Combined tax rate	34%	34%	34%	34%
Income tax and social contribution by the combined tax rate	-	-	-	-
Current Income tax and social contribution of subsidiaries with taxable income	**(595)**	**(1,819)**	**(1,514)**	**(2,117)**
Deferred tax and social contribution	**829**	**94,474**	**1,660**	**95,072**

16 Contingencies Processes

16.1 Provision for tax, labor and civil risks

The Company, through its attorneys, has been discussing some tax, labor and civil issues in court. The provision for tax, labor and civil risks was determined by the Management based on available information and supported by the opinion of the Company’s attorneys as to the expected decision, in an amount deemed sufficient to cover losses considered likely to occur, which may occur in view of unfavorable court decisions.

		Parent		Consolidated	
		Expectation of loss		Expectation of loss	
		Possible	Probable	Possible	Probable
Tax (i)					
VAT	(i.1)	124,336	-	150,700	-
CSLL - Social Contribution on Net Income	(i.2)	-	-	7,577	-
IRPJ - Corporate Income Tax	(i.3)	44,245	-	119,481	17,010
INSS - National Institute of Social Security	(i.4)	-	4,341	1,703	19,777
IPI - Excise Tax	(i.5)	1,531	-	1,531	-
PIS - Employees' Profit Participation Program	(i.6)	-	-	-	206
COFINS - Tax for Social Security Financing	(i.7)	-	-	6	672
ISS - Services Tax	(i.8)	-	-	4,415	5,427
CIDE - Contribution for Intervention in the Economic Domain	(i.9)	-	-	1,045	-
Other	(i.10)	157	-	281	8,995
		170,269	4,341	286,739	52,087
Labor (ii)		8,076	8,244	40,777	70,061
Civil (iii)		15,853	316	29,981	11,085
Total on June 30, 2017		194,198	12,901	357,497	133,233
Total on December 31, 2016		117,711	10,820	205,684	123,977

These figures cover the whole of the Group companies to include figures under litigation and administrative as well as situations where incurred even without the existence of release or formal questioning by the authorities, give rise to risks of future losses.

The provision for resources involved in legal disputes in the amounts above (R$12,901 in parent and R$133,233 in consolidated as on June 30, 2017 and R$10,820 in parent and R$123,977 in consolidated on December 31, 2016) and referring to the spheres listed below takes into account the probable loss, and this set when an outflow of economic benefits is presumed on the matter discussed, the trials accruing in each demand and the jurisprudential understanding of each case.

In turn, the demands with probability of possible loss are excluded from the provision.

Indemnity assets

The Company is entitled to be reimbursed to the limit of R$50,000 related to losses it may incur arising from any known contingencies not as guarantee clause in the Investment Agreement signed with GP Investments and other parties. Contingencies not known at the time of the transaction may result this warranty to be triggered in the future.

On April 4, 2017, the Company filed a petition with the Market Arbitration Chamber to institute arbitration against GP Investments and its vehicles seeking reimbursement for losses incurred by the Company and arising from (i) contingencies not known to San Antonio Brasil S/A, and (ii) breach of obligations and breach of declarations and warranties.

The lawsuits are divided into three levels, namely:

(i) *Tax provision*

Issues regarding state and federal taxes, among these IRPJ (corporate income tax), PIS (social integration program), COFINS (contribution for social security financing), INSS (Brazilian Social Security Institute), ICMS (value-added tax) and IPI (tax on manufactured products). There are legal proceedings in all phases, from lower courts to higher courts, STJ (Higher Court of Justice) and STF (Higher Federal Court). The main processes and values are as follows:

Contingent lawsuits classified as possible loss:

(i.1) Infraction notices by the Finance Department of the State of Rio Grande do Sul (SEFAZ/RS) versus Lupatech S/A – In Judicial Recovery, due to lack of payment - fictitious export of VAT. Process subject to possible loss of R$53,421 and is waiting for judgment of the extraordinary appeal.

Tax Execution of the State of Rio Grande do Sul against Lupatech S/A - In Judicial Recovery, due to the payment of ICMS and fines, supposedly incident on fictitious exports made by the Company under REPETRO. This debt is being challenged through an Annulment Action, and the request for provisional interim relief has been granted in order to suspend its enforceability. Process subject to possible loss of R$53,245.

Writ of mandamus of Lupatech Perfuração e Completação Ltda. - In Judicial Recovery, against the National Treasury of Cabo Frio city and Others. Process subject to possible loss of R$25,036.

Execution tax of the State of São Paulo against Lupatech S/A- In Judicial Recovery, for the purpose of collection of VAT due on imports, not including additional freight for renewal of the merchant navy (AFRMM) on the basis of calculation of tax due. The process is in distribution stage, and on November 26, 2015 the Company filed a petition requesting that any act of constriction be referred to the universal judgment (Bankruptcy stick and Judicial Recoveries), and December 10, 2015, there ordinatório act performed, intimating the State to science. On January 13, 2016, was filed Exception of pre-executivity and, on Apri 04, 2016, filed impugnation by the State of São Paulo. Process subject to possible loss of R$7,835.

Annulment action against tax debt Lupatech S/A - In Judicial Recovery, by the State of São Paulo. On May 17, 2016 granted the emergency protection to suspend the payment of claims. On May 24, 2016, the Company filed a motion stating that it made the payment of official warrant rate of justice, and the first installment of judicial rate. Process subject to possible loss of R$3,322.

Tax enforcement of São Paulo State Treasury regarding the collection of VAT and fine debt, the notice of violation with a fine of imposition nº 3149008 against Lupatech S/A – In Judicial Recovery in the amount of R$1,710, subject to possible loss. On April 17, 2015, it was certified the filing of the Instrument of Appeal filed against a decision that granted the online attachment and reported the filing of a Special Appeal. On April 22, 2015, an order was issued determining the manifestation of the parties about the certificate issued informing that a Special Appeal is being processed before the 9th Chamber of the TJSP. On October 23, 2015, the Special Appeal was inadmissed and directed to the processing of Resources. On june 13, 2016, together with the petition filed by the Company, informing about the filing of the Appeal.

Annulment action against the State of Rio Grande do Sul by Lupatech S/A - In Judicial Recovery, which seeks to suspend the tax liability due regardless of the presentation of the guarantee. The tax debt consists of amounts of ICMS, arrears interest and fine for material tax infraction found in the tax action of the State Revenue Auditors. The statement that the author company failed to export the imported goods under the special customs regime of Drawback Suspension and, therefore, failed to collect the ICMS within the legal time limit, is stated in the notice of release (pages 59/80). Process subject to possible loss of R$1,628.

Fiscal Execution of the National Treasury against Lupatech S/A - MNA Nova Odessa Unit. On June 22, 2016, process sent to the State, this being the last update. Process subject to possible loss of R$1,197.

(i.2) Federal Action against Lupatech Perfuração e Completação Ltda. - In Judicial Recovery, referring to federal taxes, where on September 14, 2016, a petition for a document document was filed. Process subject to possible loss of R$2,232.

Manifesto of nonconformity of Lupatech Perfuração e Completação Ltda. - In Judicial Recovery, with the Federal Revenue Service of Brazil. Process subject to possible loss of R$1,720.

Tax assessment by the Federal Revenue of Brazil against Sotep – Sociedade Técnica de Perfuração S/A – In Judicial Recovery, regarding the collection of social contributions on the payroll typified in the art. 22 of Law nº 8.212/91, as well as incidents on the remuneration paid, due or credited to their services to individual taxpayers. In July 22, 2014, autos welcomed the 2nd Trial Section of the CARF to voluntary appeal trial. Possible loss of R$1,364.

(i.3) Tax assessment notice issued by the Federal Revenue Service of Brazil against Lupatech Perforação e Completação Ltda. - In Judicial Recovery. Case subject to possible loss of R$43,235.

Security order of Lupatech S/A - In Judicial Recovery against Delegate of the Federal Revenue of Brazil, in Piracicaba/SP, for adhesion of debit to the simplified installment - Law nº 10.522/02. Case subject to possible loss of R$22,138, and is awaiting judgment of the appeal.

Tax assessment and enforcement and fines, by the Federal Revenue of Brazil against Lupatech S/A – In Judicial Recorevy, with the purpose of collecting debts in respect of IRPJ and CSLL calculated in calendar years 2009 and 2010, alleging that the deduction made Tecval improper tax of goodwill paid by TCV, when the acquisition of Tecval. Currently the process is awaiting intimation of Lupatech to appeal. Possible loss (tending to remote) of R$10,546.

Tax assessment notice issued by the Federal Revenue Service of Brazil against Lupatech Perfuração e Completação Ltda. - In Judicial Recovery. Process subject to possible loss of R$8,354.

Tax enforcement by the Federal Union against Lupatech S/A – In Judicial Recovery resulting from the administrative process which refers to the allegation of revenue omission, having as basis documents obtained in an illicit and incorrect way by the Federal Revenue. The act of violation originally recorded was decided on first administrative instance where it achieved success; the tax requirements as well as the allegation of omission were excluded. Such decision was confirmed by the Taxpayers Council. The process is subject to classification of possible loss by the legal consultants and totals the updated amount of R$5,401. Currently, the process is awaiting trial judgment of embargo presented to restore the decision that denied continuation to the Extraordinary Remedy lodged from the Union for recognizing the unconstitutionality of the break of bank secrecy.

Process of requesting compensation from Brazil's Federal Rrevenue against Lupatech Serviços de Petróleo Ltda - In Judicial Recovery, referring to the negative balance of the IRPJ where, on August 19, 2015, a manifestation of nonconformity was presented. Since August 28, 2015 the process is in the reception and sorting service DRJ-RJO-RJ. Process subject to possible loss of R$5,258.

Federal Administrative Process of Sotep - Sociedade Técnica de Perfuração S/A - In Judicial Recovery, against Federal Revenue Service of Brazil. Process subject to possible loss of R$3,400 and is in recursal phase.

Administrative proceeding of the Federal Revenue of Brazil, request for tax compensation by Prest Perfurações Ltda. Process subject to possible loss of R$3,279.

Administrative Proceeding nº 13888.720.725.2017-88, of the Brazil's Federal Rrevenue against Lupatech S/A - In Judicial Recovery, with the purpose of non-approval of social security contributions. Process subject to possible loss of R$2,837.

Federal Administrative Proceeding against Lupatech Perfuração e Completação Ltda. - In Judicial Recovery, in the amount of R$2,450, subject to possible loss.

Infraction notice issued by the Federal Revenue Service of Brazil against Prest Perfurações Ltda. - in Judicial Recovery. Process subject to possible loss of R$1,460.

Tax assessment by the Internal Revenue Service of Brazil against Lupatech S/A - In Judicial Recovery, through which requires separate fine resulting from the application of the percentage of 50% on the amount of object debts of unapproved compensation as provided in art.74, § 17 of Law nº 9.430/96. On November 6, 2015, presented objection alleging the unconstitutionality of the fine imposed on contesting. Possible loss of R$1,450.

(i.4) Notice of Infringement drawn up for collection by DEBCAD No. 37.142.030-0, regarding the conversion of ancillary obligation into main obligation, consisting of the failure to declare in GFIP the contributions due in the period between January 1999 and June 2007 at the company Sotep Sociedade Drilling Technique S/A - In Judicial Recovery. Case subject to possible loss of R$1,703. On April 29, 2011, a process was received at the CARF for the judgment of the Voluntary Appeal filed by the company, with distribution on August 6, 2015.

(i.5) Tax Enforcement against Lupatech S/A – In Judicial Recovery consistent in launching IPI debts under omission pretext revenue, with the foundation documents obtained unlawfully. The process is subject to possible loss classification (trending to probable loss) the legal consultants and comes to a total amount of R$1,531. It is currently awaiting trial Paradigma Appeal.

(i.8) Fiscal Execution of the Municipality of Três Rios - RJ, against Sotep - Sociedade Técnica de Perfuração S/A - In Judicial Recovery. Case subject to possible loss of R$3,279.

(i.9) Fiscal Administrative Procedure of the Federal Revenue Secretariat of Brazil against Lupatech Perfuração e Completação Ltda. – In Judicial Recovery, for charging debits of CIDE resulting from remittances outside Brazil. On February 20, 2015, the Federal Revenue of Brazil partially upheld the appeal lodged by the records of the administrative process. On April 9, 2015, file forwarded to the CARF and given input on July 16, 2015. Process subject to possible loss of R$1,045.

Contingent processes classified as probable loss

(i.3) Assessment notice from the Federal Revenue of Brazil, issued due to the arbitration of the company's profit Lupatech Perfuração e Completação Ltda - In Judicial Recovery in the 2010 calendar year due to shortcomings in the transmission of Digital Bookkeeping (ECD). His last update was on March 6, 2015, when the case was referred to Delagacia Internal Revenue Service of Ribeirão Preto Brazil. Process with probable loss of R$14,517.

(i.8) ISS over the provision of services performed on the Brazilian continental shelf, which may be subject to challenge by the tax authorities. Process without lawsuit subject to probable loss if challenged in R$4,223.

(i.10) Contingências passivas a valor justo, assumidas na combinação de negócio da San Antonio Brasil S/A conforme CPC 15, no valor de R$8.794.

(ii) Labor provision

The Company and its subsidiaries are part of labour lawsuits referring to discussions that are mainly complaints about overtime, insalubrities and dangerousness, among others. None of the lawsuits refers to individually significant values.

(iii) Civil provision

The main discussions in this area, classified as possible loss are related to:

(iii.1) Common share obligation moved by Weatherford Indústria e Comércio Ltda. Weus Holding Inc. and is alleged misappropriation of confidential blueprints of your property. The process has a risk classification as probable loss and approximate value of R$623, as possible loss of R$2,080, and remote loss of R$42.000. It is currently in the execution stage/final award, pending forensic accounting.

(iii.2) Search and seizure action filed by BNDES - National Economic Development Bank against Lupatech S/A - In Judicial Recovery. Process in the knowledge stage, subject to a possible loss of R$11,835.

(iii.3) Execution of Extrajudicial Title filed by STMS Manutenção Comércio e Serviços de Máquinas Ltda-ME against Lupatech S/A - In Judicial Recovery. Case awaiting service of the Company in Appeal. Subject to possible loss of R$1,314.

(iii.4) Execução de Título Extrajudicial feita pelo Banco Pine S/A contra a Lupatech S/A – Em Recuperação Judicial. Foi apresentado Exceção de Preexecutividade, e em 22 de junho de 2017 a Companhia peticionou rebatendo a petição anterior do Banco Pine. Processo sujeito a perda possível de R$2.155.

(iii.5) Collection action of Smith International Brazil Ltda. Process subjecting the possible loss of R$2,199.

(iii.6) Collection action of Tania Regina dos Santos Mathias Epp. Process subjecting the possible loss of R$1,335.

The main discussions in this area classified as probable loss are related to:

(iii.7) Action for return for damages, where the author requests reimbursement of the amounts blocked in the records of the labor claim filed by Bergson Rosa against San Antonio International do Brasil Serviços de Petróleo Ltda., the Author, UNAP International Ltda., Delba Marítima Navegação Ltda. And Cia Batsco Ltda. Process with probable loss of R$3,915.

(iii.8) Indemnification action of Meio Meiodia Refeições Industriais Ltda - EPP, against Lupatech Perfuração e Completação Ltda – In Judicial Recovery. Process with probable loss of R$3,572.

(iii.9) Indemnification action of the company Aeróleo Taxi Aéreo S/A. Case subject to probable loss of R$1,088.

The changes in provision balance on June 30, 2017 are as follows:

	Parent				Consolidated			
	Tax	Labor	Civil	Total	Tax	Labor	Civil	Total
Balance on December 31, 2016	**4,199**	**6,338**	**283**	**10,820**	**51,381**	**62,288**	**10,308**	**123,977**
Net additions	142	4,736	33	4,911	706	14,217	777	15,700
Net write-offs	-	(2,830)	-	(2,830)	-	(6,444)	-	(6,444)
Balance on June 30, 2017	**4,341**	**8,244**	**316**	**12,901**	**52,087**	**70,061**	**11,085**	**133,233**

16.2 Contingent assets

	Probability of probable gain	
	Parent	Consolidated
Tax (i)	5,535	92,927
Balance on June 30, 2017	**5,535**	**92,927**
Balance on December 31, 2016	**5,297**	**21,296**

The Company did not record contingent gains, for it only records them after the claims are final and unappeasable or upon the effective inflow of funds.

(i) **Tax provision**
Tax – discussions related to city, state and federal tax rights.

Main processes contingent tax assets with probable gain:

(i.1) Security order of Sotep - Sociedade Técnica de de Perfuração S/A - In Judicial Recovery versus National Treasury in the State of Bahia. Probable gain amount of R$72,715.

(i.2) Tax assessment notice and fine, drawn up by the Federal Revenue Service of Brazil against Lupatech S/A - In Judicial Recovery, with the purpose of collecting IRPJ and CSLL debts ascertained in the calendar years 2009 and 2010, under the Allegation that Tecval made undue tax deduction of goodwill paid by TCV, upon the acquisition of the control of Tecval itself. Amount subject to probable gain for the discussion of the qualified fine in the amount of R$4,175.

(i.3) Refutation of fiscal execution about ICMS collection of Lupatech S/A - In Judicial Recovery, due to the transfer of goods between establishments of the company itself, supported by the Certificate of Active Debt nº 1092569630 (AIIM nº 3158871). On July 04, 2016, a judgment was handed down ruling the Embargoes to Execution, declaring the unenforceability of the tax, as well as the nullity of the CDA that bases the Fiscal Execution. Probable gain amount of R$1,359.

(i.4) Administrative proceeding of request of restitution of taxes in the Federal Revenue of Brazil by Prest Perfurações Ltda. - In Judicial Recovery. Probable process of gain of R$3,290.

(i.5) Common action filed by Prest Perforaciones Ltda. - In Judicial Recovery against the State of Rio Grande do Norte. Process subject to probable gain of R$3,259.

(i.6) Federal Administrative Proceedings of Prest Perfurações Ltda. - In Judicial Recovery against Federal Revenue of Brazil. Processes in recursal phase subject to a probable gain of R$3,240.

(i.7) Action against the State of Rio de Janeiro filed by Lupatech Perfuração e Completação Ltda - In Judicial Recovery. Process distributed on June 16, 2017, probable gain of R$1,915.

16.3 Judicial deposits

The Company has the following balances of judicial deposits on June 30, 2017, which are inked to contingent liabilities:

	Judicial deposits	
	Parent	**Consolidated**
Tax contingencies	611	3,618
Labor contingencies	1,067	20,460
Civil contingencies	174	1,196
Balance on June 30, 2017	**1,852**	**25,274**
Balance on December 31, 2016	**1,663**	**24,657**

17 Shareholders’ equity

a. Capital stock

Current integrated capital stock only comprises common shares with 100% tag-along right, as follows:

	Parent and Consolidated	
	Quantity of share	**Capital stock**
	Thousand	**R$**
Balance on December 31, 2016	**9,394**	**1,853,684**
Balance on June 30, 2017	**9,394**	**1,853,684**

b. Dividends

Annually, is ensured to the shareholders, the distribution of a minimum mandatory dividend of 25% of net income adjusted as per corporate legislation.

c. Equity Evaluation Adjustment

The Company recognizes in this rubric the effects of exchange rate variations on the investments in subsidiaries abroad and on the goodwill originating from acquisitions of investments abroad whose functional currency follows the one that the operation abroad is subject to. The accumulated effect will be reverted for the income statement of the fiscal year as gain or loss only in case of sale or decrease of the investment. On june 30, 2017, the balance of equity evaluation adjustment is R$67,020 (R$65,617 on December 31, 2016).

d. Options granted

In the period of six-months ended on June 30, 2017, there weren't changes in the balance of R$13,549 of the reserve of options granted.

e. Capital reserve to be realized

In the terms of Lupatech Group's Judicial Recovery Plan, the exchange of a portion of the liability subject to the Plan for the Warrants to be issued within two years of the judicial approval of the Plan was contracted on a definitive basis. Accordingly, for the exclusive purpose of complying with accounting regulations, the Company applied the provisions of ICPC 16. Thus, the amounts of liabilities swapped for warrants (R$298,493 on December 31, 2016) and the adjustment to fair value (R$292,152 on December 31, 2016) were recorded as capital reserve to be realized in the net amount of R$6,341.

18 Financial instruments

18.1 Financial risk management

Financial risk factor

The Group's activities expose it to several financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's program for global risk management is focused on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance through the use of derivative financial instruments to protect certain exposures.

Risk management is carried out by the Group's treasury according to approved policies, except for jointly-owned subsidiaries, which are shared with the other controlling shareholders. The Group's treasury identifies, evaluates and protects the Company against possible financial risks in cooperation with the Group's operating units. The Board of Directors sets forth principles for global risk management, as well as for specific areas such as foreign exchange risk, interest rate risk, use of derivative and non-derivative financial instruments.

(i) Exchange risk

The Company operates internationally and is exposed to foreign exchange risk resulting from exposure to some currencies, mainly the US dollar and the Colombian Peso.

Foreign exchange risk results from trade and financial operations, recorded assets and liabilities and net investments in overseas operations.

The Management has established a policy that requires that the Company manage their foreign exchange risk related to their functional currency. In order to manage their foreign exchange risk resulting from trade operations, the Company seeks to balance their balance of trade between purchases and sales in currencies different from their functional currency.

The Company has certain investments in overseas operations whose net assets are exposed to foreign exchange risk.

On June 30, 2017 and December 31, 2016, the Company and its subsidiaries had assets and liabilities denominated in US dollars, as shown in the table below:

	Amounts in US dollar thousands			
	Parent		Consolidated	
Items	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Cash and cash equivalents	14	14	15	152
Accounts receivable	191	841	1,901	2,477
Other assets	-	6	28,903	35,298
Related parties	261,664	261,663	-	-
Loans and financing	(521)	(474)	(25,455)	(25,328)
Related parties	(368,304)	(355,739)	-	-
Other obligations	(21)	(211)	(1,006)	(1,467)
Net exposure in Dollar	(106,977)	(93,900)	4,358	11,132

On June 30, 2017, the US dollar rate in relation to the Brazilian Real was US$1.00 = R$3.3082 (on December 31, 2016 US$1.00 = R$3.2591). If the Real depreciates 10% in relation to the official dollar rate at the end of the year and all the other variables remain equal is a loss of approximately R$23,357 in parent and a gain of R$95 in consolidated.

Analysis of the sensitivity of foreign currency, variation of interest rate and riscks involving derivative transactions

As presented in the note 18.1, the Company is exposed to risks of fluctuation of interest rates and foreign currencies (other than its functional currency, the "Real"), mainly the U.S. dollar on their loans, financing and perpetual bond. The sensitivity analysis considers 3 scenarios of interest rate fluctuation and exchange rate fluctuation. To define the scenarios used, the Company’s Management believes that the following assumptions may be fulfilled, with their respective likelihoods; however, it is worth pointing out that these assumptions are based on judgments of the Company’s Management and that they may vary significantly in relation to the actual results due to market conditions, which cannot be estimated with certainty on this date for the full estimation profile.

As established by CVM Instruction 475 by the Directors of the Company presents the sensitivity analysis, considering:

Scenario involving a probable interest rate parity of US Dollar in comparison with Brazilian Real estimated by the Management:

Interest rate for the year 2017: 9.5%
US$: 3.53

Scenario involving a possible interest rate parity of US Dollar in comparison with Brazilian Real and a twenty-five percent (25%) impairment in the risk variable considered likely:

Interest rate for the year 2017: Increase of 11.9%
US$: 4.41

Scenario involving a remote interest rate parity of US Dollar in comparison with Brazilian Real and a fifty percent (50%) impairment in the risk variable considered likely:
Interest rate for the year 2017: Increase of 14.3%
US$: 5.30

The impact shown in the table below refers to the period of 1 year of projection:

		Scenario as per description above					
		Parent			Consolidated		
Operating	**Risk**	**Probable**	**Possible**	**Remote**	**Probable**	**Possible**	**Remote**
Loans, financing and bonds	US$ hike	124	618	1,112	1,426	7,098	12,770
Loans, financing and bonds	Interest rate hike	79	99	119	125	156	187
Mutual contracts	US$ hike	90,573	450,948	811,322	-	-	-
Total (gain) loss		90,776	451,665	812,553	1,551	7,254	12,957

(ii) *Cash flow or fair value associated with interest rate*

The Group's interest rate risk arises from long-term loans. The loans funded at variable rates expose the Group to cash flow interest rate risk. The Group's loans at variable rates were mainly denominated in "Reais". To reduce the possible impacts resulting from these fluctuations, the Company adopts a policy of diversification, alternating the contract of its debts, adjusted to the market.

The Group analyzes its interest rate exposure dynamically. Several scenarios are simulated taking into consideration refinancing, renewal of existing positions, and alternative financing and hedge. Based on these scenarios, the Group determines a reasonable change in the interest rate and calculates the impact on income. For each simulation, the same change in interest rate is used for all currencies. The scenarios are prepared only for liabilities representing the main interest-bearing positions.

Based on the simulations and considering the Group's indebtedness profile on June 30, 2017, the impact on income, after the calculation of income tax and social contribution, with a variation of around 0.25 percentage points in variable interest rates and with all the other variables remaining constant, would correspond to an approximate increase of R$28 in interest expenses for the year.

The simulation is conducted quarterly to ascertain whether the maximum loss potential is within the limits set forth by the Management.

The credit and cash positioning restrictions faced by the Company significantly limit the possibilities of interest rate risk management.

(iii) *Credit risk*

Credit risk is managed within the company. It arises from cash and cash equivalents, derivative financial instruments, deposits in banks and financial institutions and exposure to client credit. For banks and financial institutions, securities from entities classified by the Company's Management as prime are accepted. Individual risk limits are determined based on internal or external classifications, according to limits set forth by the Management. The use of credit limits is monitored regularly and recorded when applicable the allowance for doubtful accounts.

Client selection and the monitoring of the periods for financing sales by business segments and individual position limits are procedures adopted in order to minimize potential default in its accounts receivable. Our revenues are more concentrated, directly and indirectly, on the client Petrobras, which amounted for the period of six months ended on June 30, 2017 approximately 33.2% (58.72% for the period of six months ended on June 30, 2016) of the Company's and its subsidiaries' total revenues.

(iv) Liquidity risk

The cautious management of liquidity risk implies keeping enough cash and securities, availability of funding through conditional credit lines and the ability to settle market positions. Due to the dynamic nature of the Group's businesses, the treasury keeps funding flexible by maintaining conditional credit lines.

The Management monitors the level of the Group's liquidity, considering the expected cash flow, which comprises the unused credit lines, cash and cash equivalents. This is generally conducted locally within the Group's operating subsidiaries, according to the practice and the limits set forth by the Group. These limits vary according to the region in order to take into account the liquidity of the market where the organization operates. Additionally, the Group's liquidity management policy involves the projection of cash flows in the main currencies and the consideration of the level of net assets required to achieve these projections, the monitoring of the balance sheet's liquidity index in relation to the internal and external regulatory requirements and the maintenance of debt financing plans.

18.2 Fair value estimate

The fair value of financial assets and liabilities that have terms and conditions and traded in active markets is determined on the basis of observed prices in these markets.

The fair value of other assets and liabilities (excluding derivative instruments) is determined by pricing models that use as a base the estimated discounted cash flows from the prices of similar instruments applied to transactions in a current market observable.

The fair value of derivative instruments is calculated using quoted prices. When those prices are not available, is used the analysis of discounted cash flows using the yield curve, apply according to the duration of the derivative instruments to no options. For derivatives containing options models are used models for pricing options.

The Company's main financial assets and liabilities are described below, as well as the criteria for their valuation/assessment:

a. Cash, cash equivalents and securities held to maturity

Balances in cash and cash equivalents and securities have a similar value to the accounting balances, considering their turnover and liquidity. The table below shows this comparison:

	Parent		Consolidated	
Items	Book value	Fair Value	Book value	Fair Value
Cash and cash equivalents	54	54	1,450	1,450
Marketable securities	3,148	3,148	3,148	3,148

b. Loans and financing

The estimated market value was calculated based on the present value of future cash disbursement, using interest rates available to the Company, and the evaluation indicates that the market values, in relation to the accounting balances, are as follows:

Items	Parent		Consolidated	
	Book value	Fair Value	Book value	Fair Value
Loans and financing	85,938	86,448	160,863	159,191

18.3 Financial instruments by category

Summary of financial instruments by category:

	Parent					
	06/30/2017			12/31/2016		
	Loans and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet						
Securities-restricted	-	3,148	3,148	-	3,587	3,587
Accounts receivable	16,926	-	16,926	16,818	-	16,818
Cash and cash equivalents	54	-	54	123	-	123
Related parties	108,023	-	108,023	110,613	-	110,613
Total	125,003	3,148	128,151	127,554	3,587	131,141

	Parent					
	06/30/2017			12/31/2016		
	Judicial Recovery	Not subject to Judicial Recovery		Judicial Recovery	Not subject to Judicial Recovery	
	Creditors list	Financial liabilities at amortized cost	Total	Creditors list	Financial liabilities at amortized cost	Total
Liabilities, according to balance sheet						
Loans and financing	73,397	12,541	85,938	69,149	11,343	80,492
Suppliers	76,005	6,649	82,654	72,379	5,517	77,896
Related parties	-	380,730	380,730	-	333,996	333,996
Total	149,402	399,920	549,322	141,528	350,856	492,384

	Consolidated					
	06/30/2017			12/31/2016		
	Loans and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet						
Securities-restricted	-	3,148	3,148	-	3,587	3,587
Accounts receivable	43,635	-	43,635	44,912	-	44,912
Cash and cash equivalents	1,450	-	1,450	1,233	-	1,233
Total	45,085	3,148	48,233	46,145	3,587	49,732

	Consolidated					
	06/30/2017			12/31/2016		
	Judicial Recovery	Not subject to Judicial Recovery		Judicial Recovery	Not subject to Judicial Recovery	
	Creditors list	Financial liabilities at amortized cost	Total	Creditors list	Financial liabilities at amortized cost	Total
Liabilities, according to balance sheet						
Loans and financing	123,895	36,968	160,863	118,189	36,077	154,266
Suppliers	76,005	19,691	95,696	72,379	18,506	90,885
Total	199,900	56,659	256,559	190,568	54,583	245,151

19 Insurance coverage

It is the Company's principle to maintain insurance coverage for property, plant and equipment, inventories subject to risks, in the "Comprehensive Business" modality. It also has general liability insurance coverage, as shown below:

Insurance purpose	Amount secured	
	06/30/2017	
- Comprehensive business insurance	R$	75,965
- General civil responsability insurance	R$	8,000

20 Statement of net Sales

	Parent			
	For the three months ended		For the six months ended	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Gross sales and/or services				
In Brazil	6,375	5,383	10,993	9,955
Export	128	144	3,861	498
	6,503	5,527	14,854	10,453
Deductions for gross sales				
Taxes on sales	(1,169)	(997)	(2,016)	(1,831)
Net sales and/or services	5,334	4,530	12,838	8,622

	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Gross sales and/or services				
In Brazil	31,339	33,465	61,113	84,848
Export	272	144	4,284	498
	31,611	33,609	65,397	85,346
Deductions for gross sales				
Taxes on sales	(2,939)	(4,277)	(5,393)	(9,326)
Net sales and/or services	28,672	29,332	60,004	76,020

21 Loss per Share

a. Basic

The basic loss per share is calculated by dividing the gain or loss attributable to the Company's shareholders by the weighted average number of common shares issued during the year.

	Parent			
	For the three months ended		For the six months ended	
Items	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Loss attributable to shareholders of the company from continuing and discontinued operations	(26,718)	(401,754)	(31,623)	(425,263)
Weighted average quantity of common shares outstanding (thousands)	9,394	9,394	9,394	9,394
Basic loss per share from continuing and discontinued operations - R$	**(2.84)**	**(42.77)**	**(3.37)**	**(45.27)**

	Consolidated			
	For the three months ended		For the six months ended	
Items	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Loss attributable to shareholders of the company from continuing and discontinued operations	(26,718)	(401,754)	(31,623)	(425,263)
Weighted average quantity of common shares outstanding (thousands)	9,394	9,394	9,394	9,394
Basic loss per share from continuing and discontinued operations - R$	**(2.84)**	**(42.77)**	**(3.37)**	**(45.27)**

b. Diluted

The diluted loss per share is calculated by adjusting the weighted average number of outstanding common shares to presume the conversion of all potential diluted common shares. Concerning stock options, a calculation is made to determine the number of shares that could have been acquired by fair value (determined as annual market average price of Company share), based on the monetary value of underwriting rights linked to outstanding stock options. The options under share-based payments are dilutive when they result in the issuance of shares at a value below the average market price of shares during the period less the adjusted issue price at the fair value of the services to be provided to the Company in the future according with the option of purchase of the stock.

	Parent			
	For the three months ended		For the six months ended	
Itens	**06/30/2017**	**06/30/2016**	**06/30/2017**	**06/30/2016**
Loss attributable to shareholders of the company from continuing and discontinued operations	(26,718)	(401,754)	(31,623)	(425,263)
Weighted average quantity of common shares outstanding (thousands)	9,394	9,394	9,394	9,394
Diluted loss per share from continuing and discontinued operations - R$	**(2.84)**	**(42.77)**	**(3.37)**	**(45.27)**

	Consolidated			
	For the three months ended		For the six months ended	
Itens	**06/30/2017**	**06/30/2016**	**06/30/2017**	**06/30/2016**
Loss attributable to shareholders of the company from continuing and discontinued operations	(26,718)	(401,754)	(31,623)	(425,263)
Weighted average quantity of common shares outstanding (thousands)	9,394	9,394	9,394	9,394
Diluted loss per share from continuing and discontinued operations - R$	**(2.84)**	**(42.77)**	**(3.37)**	**(45.27)**

22 Financial result

	Parent			
	For the three months ended		For the six months ended	
Items	**06/30/2017**	**06/30/2016**	**06/30/2017**	**06/30/2016**
Financial Income				
Income from financial investments	55	200	129	439
Related-party interest income (mutual contract)	2	6	3	99
Monetary variance	-	22	9	23
Interest on receivables	161	162	325	322
Other financial income	4	4	93	5
Total financial Income	222	394	559	888
Financial Expenses				
Interest on loans and financing	(2,065)	(31,993)	(4,352)	(34,026)
Interest and charges on debentures	-	(11,373)	-	(11,373)
Present value adjustment	(1,316)	(309,861)	(2,690)	(310,683)
Interest of mutual contract	(20,610)	(21,218)	(40,127)	(45,024)
Discount granted	(4)	-	(4)	(765)
Provision of interest on suppliers	(892)	(16,475)	(2,195)	(18,775)
Fines and interest on taxes	(881)	(286)	(1,741)	(14,654)
IOF, banking expenses and others	(417)	(988)	(560)	(1,745)
Total financial expenses	(26,185)	(392,194)	(51,669)	(437,045)
Gain on exchange variance	40,049	212,679	117,721	410,770
Loss on exchange variance	(51,910)	(184,805)	(122,944)	(357,095)
Exchange variance, net	(11,861)	27,874	(5,223)	53,675

Items	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Financial Income				
Income from financial investments	62	480	144	891
Monetary variance	673	573	1,326	751
Interest on receivables	311	310	621	618
Other financial income	24	1,420	138	1,535
Total financial Income	1,070	2,783	2,229	3,795
Financial Expenses				
Interest on loans and financing	(3,347)	(32,196)	(6,949)	(36,097)
Interest on perpetual bond	(80)	(29,232)	(157)	(29,232)
Interest and charges on debentures	-	(11,373)	-	(11,373)
Present value adjustment	(1,362)	(393,792)	(2,780)	(394,788)
Discount granted	(226)	-	(226)	(765)
Provision of interest on suppliers	(970)	(16,475)	(2,393)	(18,775)
Fines and interest on taxes	(1,773)	(1,802)	(3,332)	(17,257)
IOF, banking expenses and others	(1,007)	(1,985)	(1,688)	(3,364)
Total financial expenses	(8,765)	(486,855)	(17,525)	(511,651)
Gain on exchange variance	46,581	190,936	120,020	380,750
Loss on exchange variance	(59,387)	(156,490)	(126,349)	(326,785)
Exchange variance, net	(12,806)	34,446	(6,329)	53,965

23 Other operating expenses (income)

Items	Parent			
	For the three months ended		For the six months ended	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Other operating income				
Reversal of provision for loss of lawsuit	37	-	37	234
Gain on disposal of fixed assets	929	-	929	1
Reversal of provision for losses on inventory obsolescence	4	-	19	2
Adjustment to market value with inventories	-	1,054	-	1,054
Revenue from sale of investments	-	-	-	28,599
Reversal of provision for loss of tax recovery	-	-	7,745	-
Other	4	2	4	3
Total other operating income	974	1,056	8,734	29,893
Other operating expenses				
Provision for loss of lawsuit	1,851	(1,754)	(1,300)	(2,740)
Loss on disposal of fixed assets	(193)	-	(204)	-
Provision for losses due to non-recoverability of assets	-	-	-	-
Provision for losses on inventory obsolescence	(105)	1,739	(1,385)	(5,026)
Extraordinary losses with inventories	-	(4,668)	-	(4,668)
Cost of idle production	(2,816)	(2,863)	(4,207)	(5,592)
Cost of investment sold	-	-	-	(15,284)
Other	(33)	49	(54)	(79)
Total other operating expenses	(1,296)	(7,497)	(7,150)	(33,389)
Other operating income (expenses), net	**(322)**	**(6,441)**	**1,584**	**(3,496)**

	Consolidated			
	For the three months ended		For the six months ended	
Items	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Other operating income				
Reversal of provision for loss of lawsuit	37	328	37	4,956
Gain on disposal of fixed assets	2,793	6	5,918	6
Reversal of provision for losses on inventory obsolescence	4	-	226	2
Adjustment to market value with inventories	-	1,054	-	1,054
Revenue from sale of investments	-	-	-	28,599
Reversal of provision for loss of tax recovery	-	-	7,745	-
Reversal of provision for losses due to non-recoverability of assets	7,343	-	24,613	-
Other	38	50	62	72
Total other operating income	10,215	1,438	38,601	34,689
Other operating expenses				
Provision for loss of lawsuit	981	(988)	(8,557)	(4,952)
Loss on disposal of fixed assets	(2,081)	(11,718)	(2,897)	(11,718)
Provision for losses due to non-recoverability of assets	-	-	(1,212)	-
Provision for losses on inventory obsolescence	(380)	1,589	(1,728)	(5,516)
Extraordinary losses with inventories	-	(4,668)	-	(4,668)
Cost of idle production	(3,356)	(3,340)	(5,123)	(6,761)
Cost of investment sold	-	-	-	(15,284)
Other	(1,221)	(764)	(1,281)	(927)
Total other operating expenses	(6,057)	(19,889)	(20,798)	(49,826)
Other operating income (expenses), net	**4,158**	**(18,451)**	**17,803**	**(15,137)**

24 Expenses by type

	Parent			
	For the three months ended		For the six months ended	
Items	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Depreciation and amortization	(1,808)	(2,076)	(3,662)	(4,226)
Salaries, social charges and benefits	(3,356)	(3,159)	(6,409)	(5,779)
Raw material	(2,894)	(2,315)	(7,427)	(4,480)
Commissions	(191)	(201)	(353)	(371)
Freights	(115)	(76)	(214)	(140)
Legal advice and tax	(1,396)	(2,057)	(3,149)	(4,316)
Traveling expenses	(116)	(129)	(197)	(253)
Provision for loss of lawsuit	1,848	(1,755)	(1,306)	(2,741)
Residual value on disposal of fixed assets	(193)	-	(204)	-
Provision of contractual fines	(32)	(152)	(57)	(159)
Losses on inventory obsolescence	(104)	(1,875)	(1,384)	(5,026)
Cost of idle production	(2,816)	(2,863)	(4,207)	(5,592)
Perdas extraordinários com estoques	-	-	-	(4,668)
Customs expenses	(12)	-	(39)	-
Cost of investment sold	-	-	-	(15,284)
Other expenses	(132)	(706)	(1,023)	(203)
	(11,317)	(17,364)	(29,631)	(53,238)
Classified as:				
Cost of sales	(5,506)	(4,719)	(13,752)	(9,298)
Selling expenses	(1,042)	(506)	(2,100)	(1,428)
General and administrative expenses	(2,322)	(3,587)	(4,616)	(7,013)
Management fees	(1,151)	(1,055)	(2,013)	(2,110)
Other operating expenses	(1,296)	(7,497)	(7,150)	(33,389)
	(11,317)	(17,364)	(29,631)	(53,238)

Items	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Depreciation and amortization	(6,478)	(12,637)	(16,867)	(25,216)
Salaries, social charges and benefits	(18,565)	(28,665)	(36,901)	(67,441)
Raw material	(5,242)	(5,557)	(12,472)	(13,528)
Commissions	(258)	(266)	(478)	(478)
Freights	(180)	(124)	(360)	(631)
Legal advice and tax	(2,137)	(3,446)	(4,245)	(6,830)
Traveling expenses	(134)	(185)	(242)	(368)
Provision for loss of lawsuit	981	(1,033)	(8,557)	(4,997)
Impairment of assets	-	-	(1,212)	-
Residual value on disposal of fixed assets	(2,081)	(11,718)	(2,897)	(11,718)
Provision of contractual fines	(31)	(1,391)	(102)	(1,520)
Losses on inventory obsolescence	(380)	(2,025)	(1,728)	(5,516)
Cost of idle production	(3,356)	(3,340)	(5,123)	(6,761)
Extraordinary losses with inventories	-	-	-	(4,668)
Customs expenses	(2,040)	-	(4,100)	-
Cost of investment sold	-	-	-	(15,284)
Other expenses	(5,151)	(5,166)	(11,686)	(10,080)
	(45,052)	(75,553)	(106,970)	(175,036)
Classified as:				
Cost of sales	(29,330)	(42,682)	(66,734)	(97,936)
Selling expenses	(1,534)	(2,121)	(3,099)	(3,997)
General and administrative expenses	(6,980)	(9,806)	(14,326)	(21,167)
Management fees	(1,151)	(1,055)	(2,013)	(2,110)
Other operating expenses	(6,057)	(19,889)	(20,798)	(49,826)
	(45,052)	(75,553)	(106,970)	(175,036)

25 Information by business segment

The Company established the Group's operating segments based on the reports used to make strategic decisions, reviewed by the Board of Directors considers that the target markets are segmented lines of **products** and **services**, same composition presented in note 1.

Geographically, the Management considers the performance of Brazilian and South America markets. The distribution by region takes into account the location of Group’s companies and not client’s location.

Revenues generated by operating segments mainly derive from:

a. **Products:** platforms mooring cables in deep waters, manual and automated valves for use in the exploitation, production, transportation and oil refining and hydrocarbon chain, oil well completion equipment, drill pipe coatings and production.

b. **Services:** services as workover, well intervention, drilling, coating and inspection of pipes.

Inter-segments sales were made as arm’s length transactions. Revenues from external parties informed to the Board of Executive Officers were measured consistently with those revenues reported in the statement of income.

The amounts provided to the Board of Executive Officers in relation to total assets are compatible with balances recorded in the financial statements. These assets are allocated based on the segment operations and physical place of assets.

The amounts provided to the Board of Executive Officers in relation total liabilities are compatible with balances recorded in the financial statements. These liabilities are allocated based on the segment operations.

The Company's revenues have higher concentrations involving the customer Petrobras, directly and indirectly, which responded for the period of six months ended on June 30, 2017 by approximately 33.2% (58.72% for the period of six months ended on June 30, 2016) of the total revenue of the Company and its subsidiaries.

The information by segment is as follows:

	For the three months ended					
	Products		Services		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Net sales	**7,618**	**6,562**	**21,054**	**22,770**	**28,672**	**29,332**
Cost of sales	(7,669)	(6,505)	(21,661)	(36,177)	**(29,330)**	**(42,682)**
Gross profit	**(51)**	**57**	**(607)**	**(13,407)**	**(658)**	**(13,350)**
Selling expenses	(1,305)	(818)	(229)	(1,303)	**(1,534)**	**(2,121)**
General and administrative expenses	(2,473)	(3,321)	(4,507)	(6,485)	**(6,980)**	**(9,806)**
Management fees	(302)	(238)	(849)	(817)	**(1,151)**	**(1,055)**
Equity pick-up	(286)	-	-	-	**(286)**	-
Other operating income (expenses), net	(1,694)	(7,379)	5,852	(11,072)	**4,158**	**(18,451)**
Income before financial results	**(6,111)**	**(11,699)**	**(340)**	**(33,084)**	**(6,451)**	**(44,783)**

	Products		Services		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Identifiable assets (1)	**219,696**	**219,219**	**344,288**	**335,280**	**563,984**	**554,499**
Identifiable liabilities (2)	**33,618**	**23,910**	**222,941**	**221,241**	**256,559**	**245,151**

	For the three months ended					
	Products		Services		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Depreciation and amortization	**(1,687)**	**(1,848)**	**(4,791)**	**(10,789)**	**(6,478)**	**(12,637)**
Acquisition of property, plants and equipment	**47**	**91**	**684**	**1,604**	**731**	**1,695**

1 - Identificable assets: accounts payable; inventories; property, plants and equipments, and goodwill; recoverable income taxes; marketable securities

2 - Identificable liabilities: accounts payable and loans and financing

	For the six months ended					
	Products		Services		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Net sales	**17,078**	**12,310**	**42,926**	**63,710**	**60,004**	**76,020**
Cost of sales	(17,888)	(12,845)	(48,846)	(85,091)	**(66,734)**	**(97,936)**
Gross profit	**(810)**	**(535)**	**(5,920)**	**(21,381)**	**(6,730)**	**(21,916)**
Selling expenses	(2,613)	(1,911)	(486)	(2,086)	**(3,099)**	**(3,997)**
General and administrative expenses	(5,275)	(6,441)	(9,051)	(14,726)	**(14,326)**	**(21,167)**
Management fees	(563)	(374)	(1,450)	(1,736)	**(2,013)**	**(2,110)**
Equity pick-up	(1,779)	-	-	-	**(1,779)**	**-**
Other operating income (expenses), net	1,021	(15,400)	16,782	263	**17,803**	**(15,137)**
Income before financial results	**(10,019)**	**(24,661)**	**(125)**	**(39,666)**	**(10,144)**	**(64,327)**

	Products		Services		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Identifiable assets (1)	**219,696**	**219,219**	**344,288**	**335,280**	**563,984**	**554,499**
Identifiable liabilities (2)	**33,618**	**23,910**	**222,941**	**221,241**	**256,559**	**245,151**

	For the six months ended					
	Products		Services		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Depreciation and amortization	**(3,425)**	**(3,758)**	**(13,442)**	**(21,458)**	**(16,867)**	**(25,216)**
Acquisition of property, plants and equipment	**135**	**202**	**734**	**1,915**	**869**	**2,117**

1 - Identifiable assets: accounts payable; inventories; property, plants and equipments, and goodwill; recoverable income taxes; marketable securities
2 - Identifiable liabilities: accounts payable and loans and financing

Information by geographic region is as follows:

	For the three months ended					
	Brazil		South America		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Net sales	**16,107**	**23,593**	**12,565**	**5,739**	**28,672**	**29,332**

	Brazil		South America		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Identifiable assets (1)	**521,537**	**478,163**	**42,447**	**76,336**	**563,984**	**554,499**
Identifiable liabilities (2)	**235,467**	**222,813**	**21,092**	**22,338**	**256,559**	**245,151**

	For the three months ended					
	Brazil		South America		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Depreciation and amortization	**(5,030)**	**(9,393)**	**(1,448)**	**(3,244)**	**(6,478)**	**(12,637)**
Acquisition of property, plants and equipment	**56**	**1,695**	**675**	**-**	**731**	**1,695**

1 - Identifiable assets: accounts payable; inventories; property, plants and equipments, and goodwill; recoverable income taxes; marketable s
2 - Identifiable liabilities: accounts payable and loans and financing

	For the six months ended					
	Brazil		South America		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Net sales	35,578	59,289	24,426	16,731	60,004	76,020

	Brazil		South America		Consolidated	
	06/30/2017	12/31/2016	06/30/2017	12/31/2016	06/30/2017	12/31/2016
Identifiable assets (1)	521,537	478,163	42,447	76,336	563,984	554,499
Identifiable liabilities (2)	235,467	222,813	21,092	22,338	256,559	245,151

	For the six months ended					
	Brazil		South America		Consolidated	
	06/30/2017	06/30/2016	06/30/2017	06/30/2016	06/30/2017	06/30/2016
Depreciation and amortization	(13,988)	(19,801)	(2,879)	(5,415)	(16,867)	(25,216)
Acquisition of property, plants and equipment	161	1,937	708	180	869	2,117

1 - Identifiable assets: accounts payable; inventories; property, plants and equipments, and goodwill; recoverable income taxes; marketable s

2 - Identifiable liabilities: accounts payable and loans and financing

Independet auditor's report

REPORT ON THE REVIEW OF QUARTERLY INFORMATION - ITR

To
Management and Shareholders of
Lupatech S/A – In Judicial Recovery
Nova Odessa - SP

Introduction

We have reviewed the individual and consolidated interim financial information of Lupatech S/A - In Judicial Recovery ("Company"), contained in the Interim Financial Information (ITR) for the quarter ended on June 30, 2017, which comprise the balance sheet on June 30, 2017 and the related statements of income and comprehensive income for the three and six months periods then ended, changes in shareholders' equity and cash flows for the six-month period then ended, including the notes to the financial statements.

The Company's management is responsible for preparing the interim individual financial information in accordance with CPC 21 (R1) - Interim Financial Statements and the consolidated interim financial information in accordance with CPC 21 (R1) and IAS 34 - Interim Financial Reporting , Issued by the International Accounting Standards Board (IASB), as well as for presenting this information in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission, applicable to the preparation of the Quarterly Information. Our responsibility is to express a conclusion on these interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Brazilian and international standards for review of interim information (NBC TR 2410 - Review of Interim Financial Information Performed by the Entity's Auditor and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim information consists of inquiries, mainly to persons responsible for financial and accounting matters, and in the application of analytical procedures and other review procedures. The scope of a review is significantly less than that of an audit conducted in accordance with auditing standards and therefore has not enabled us to obtain assurance that we are aware of all material matters that could be identified in an audit. Therefore, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, we are not aware of any fact that would lead us to believe that the individual interim financial information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 (R1) applicable to Quarterly Information (ITR) and presented in a manner consistent with the standards issued by the Brazilian Securities and Exchange Commission.

Conclusion on consolidated interim financial information

Based on our review, we are not aware of any facts that may lead us to believe that the consolidated interim financial information included in the quarterly information referred to above has not been prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34, issued by the IASB applicable to the preparation of Quarterly Information (ITR) and presented in a manner consistent with the standards issued by the Securities and Exchange Commission.

Emphasis

Judicial recovery

As mentioned in note 1.2 to the interim financial information, on November 8, 2016, Lupatech S/A and its direct and indirect subsidiaries had their New Judicial Recovery Plan approved by the Lupatech Group's General Meeting of Creditors. Judgment of the 1st Bankruptcy and Judicial Recovery Court of the Court of Justice of the State of São Paulo, without any reservations, on December 1, 2016. The Company filed foreclosure of the statement since the issuance of the approval did not mention one of the Group Companies in Judicial Recovery. On February 15, 2017, the court corrected its approval order, including the company not mentioned. During the period ended June 30, 2017, there was no presentation of any grievance against the approved plan. Our conclusion has no qualification related to this subject.

Coing Concern

As mentioned in note 1.1 to the interim financial information, the Company and its subsidiaries have generated recurring losses and during the six-month period ended June 30, 2017 incurred a loss before tax and social contribution of R$31,769 and have not generated cash in amount Sufficient to settle its obligations. These conditions, together with the fact that the Company and its subsidiaries entered the judicial recovery process, indicate the existence of significant uncertainty that may raise significant doubt as to the Company's and its subsidiaries' continuing operating capacity. The reversal of this situation of recurring losses and difficulty in generating cash depends on the success of the Company's and its subsidiaries' restructuring and financial restructuring plans, as well as compliance with the judicial recovery plan, described in note 1.2 to the financial statements. Our conclusion has no qualification related to this subject.

Other Matter

Statement of value added

We have also reviewed the individual and consolidated statements of value added (DVA) for the six-month period ended June 30, 2017, prepared under the responsibility of the Company's management, whose presentation in the interim information is required in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of the Quarterly Information (ITR) and considered supplementary information under IFRSs, which do not require the presentation of the DVA. These statements have been subject to the same review procedures described above and, based on our review, we are not aware of any facts that may lead us to believe that they have not been prepared, in all material respects, in a manner consistent with the interim accounting information Individual and consolidated financial statements taken as a whole.

Comparative balances

The amounts corresponding to the year ended December 31, 2016 and the interim information for the six-month period ended June 30, 2016, presented for comparison purposes, were audited and reviewed, respectively, by other independent auditors that issued reports Dated March 28, 2017 and August 12, 2016, respectively, which contained similar emphases as described in the paragraphs above.

São Paulo, August 14, 2017.

Crowe Horwath Macro Auditores Independentes
CRC-2SP033508/O-1

Sérgio Ricardo de Oliveira
Accountant – CRC-1SP186070/O-8

Management's declaration of the financial statements

In accordance with section VI of article 25 of CVM Instruction 480, of December 7, 2009, Management declares that reviewed, discussed and agreed with the Company's Financial Statements for the period of three months ended on June 30, 2017.

Nova Odessa, August 14, 2017.

Rafael Gorenstein - Chief Executive Officer and Investor Relations Officer
Paulo Prado da Silva - Director without specific designation

Management’s declaration of the independent auditor’s report

In accordance with section VI of article 25 of CVM Instruction 480, of December 7, 2009, Management states that reviewed, discussed and agreed with independent auditors' report relating to Company’s Financial Statements for the period of three months ended on June 30, 2017.

Nova Odessa, August 14, 2017.

Rafael Gorenstein - Chief Executive Officer and Investor Relations Officer
Paulo Prado da Silva - Director without specific designation