



# Financial and Economic Performance 3Q 2017



## Message from the Administration

A few important milestones in the restructuring of Lupatech were again achieved during 3Q17. Important measures were taken towards the divestment of the Services business.

In Brazil, the contracts with Petrobras rendered from Macaé were finalized, with nearly all the employees of that unit dismissed. The equipment used in the services were stored and are now destined for sale.

In Colombia, on August 25, 2017, 19.6% of the equity interest of the indirect subsidiary Lupatech OFS S.A.S. was sold to Petroalianza International Ltd. in the amount of US\$ 2 million. The sale agreement provided for a capitalization of another US\$ 2 million in the OFS SAS subsidiary, with the new partner reaching a stake of 36%, whereas Lupatech remained with 64% of the subsidiary. Petroalianza holds an option to acquire the remaining equity interest until November 2017.

The publication of provisional measures 783/2017 and 807/2017, which culminated with the promulgation of tax amnesty Law 1396/2017 (PERT - Special Program for Tax Regularization), will allow a substantial reduction of the tax contingencies of the Company. It is expected that the total of contingencies and debits object of the adhesion to the program reach the amount of about R\$ 88 million, with the disbursement of only R\$ 4 million:

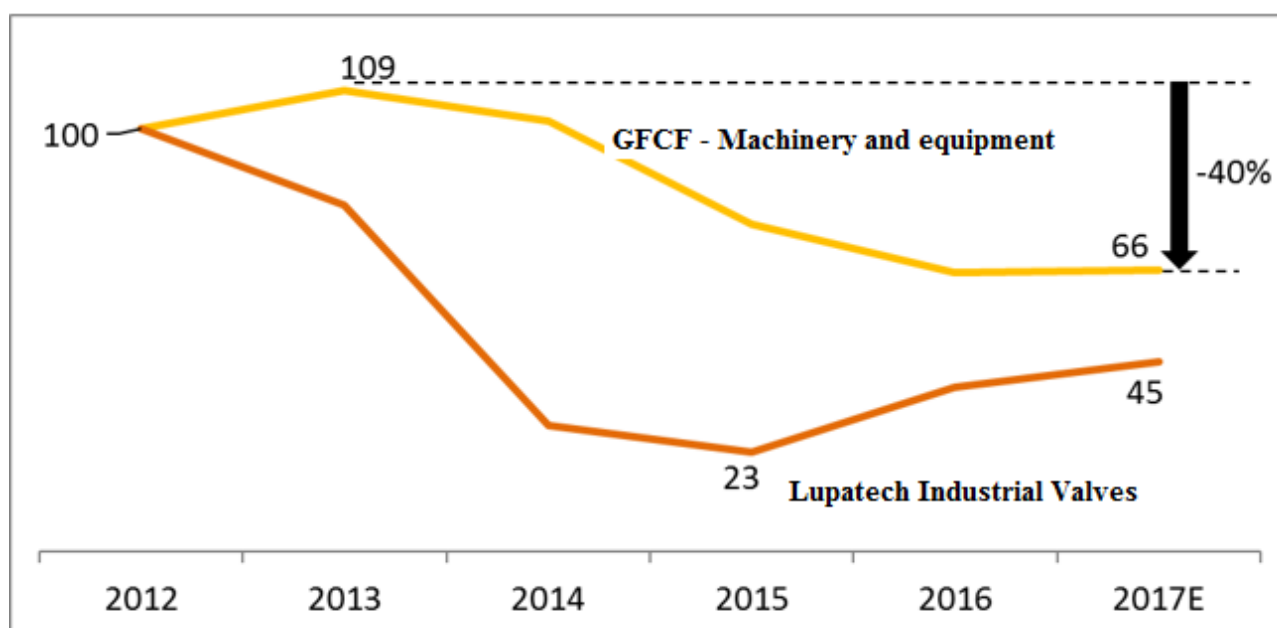
Adhesion	R\$ million	
	08/31/2017	11/14/2017
	MP 783/2017	Law 13.496/2017
Value of contingencies - Object of adhesion	54	88
Disbursement (Toll)	4	4
Use of tax loss	24	42
Reductions and discounts on interest and fines contained in Law	25	41

Note: The figures presented represent the management best estimates, and may undergo changes after verification and consolidation of the debt by the Brazilian Federal Revenue Office. On September 30, 2017, our books contained the records corresponding only to the liabilities associated with the adhesion by MP 783/2017. It was also recorded the expectation of the use of tax losses. However, the benefits of the program were not recorded, since the entitlement is achieved only after the payment of the initial installments.

The Company's business in industrial activities followed its recovery path. The reaction is still modest, since the macroeconomic and microeconomic environments remain unfavorable, even though there are signals that we are going through a moment of inflection both in the level of general activity of the economy and in the oil activity. Our business is directly influenced by these factors.

The demand for industrial valves is typically aligned with the general demand for machinery and equipment, as measured by the Gross Fixed Capital Formation (GFCF) in the economy. Historically, in a relevant period, GFCF correlates with Gross Domestic Product (GDP) growth by 3.7 times. This means that annualized GDP growth of 3% per year tends to result in an increase in demand for machinery and equipment of 12% per year. Given the long-awaited recovery of the level of economic activity, we should expect a more favorable environment for our business in the near future.

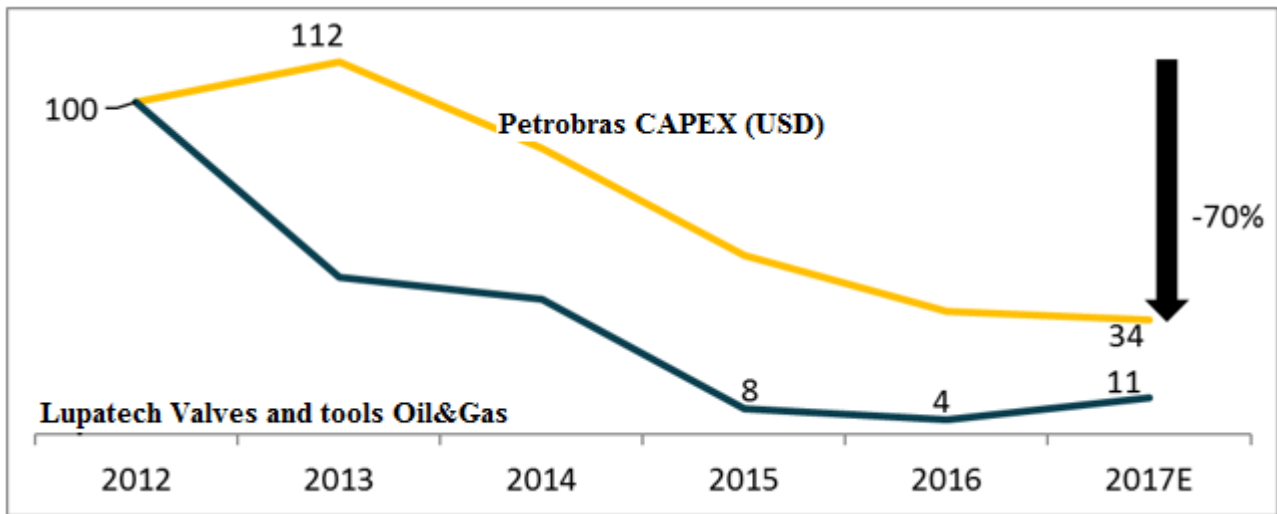
The graphic below illustrates the recent evolution of our industrial valve sales compared to GFCF's performance (machinery and equipment). While the severity of the crisis that began in 2014 caused the contraction of the demand for machinery and equipment by around 40%, on the other hand a recovery of the economy tends to promote a significant recovery of our future demand. In this context, Lupatech could find fertile ground for its recovery, which will also depend naturally on factors other than the external environment. Note that Lupatech's performance shows a recovery even as demand has been deteriorating, a positive result of the Company's recovery efforts since 2015, after the Judicial Recovery.



Source: Ipeadata and Lupatech, 2012 = 100

On the businesses more closely linked to the oil industry, the effect of the crisis was even more dramatic. The drop in investment in the sector is even more impressive, Homeric 70%, if measured by the level of investments of Petrobras in dollars. Considering a typical valve content of 3 to 7% of the industry's investments, one can infer the devastating impact of the contraction on our business. In 2015, in addition to the sectoral cataclysm, we had our certificate of supply for Petrobras revoked, which, recovered soon later, made possible the resumption of sales growth. The downturns in the sector's business and in the company's activity hints us about

the size of the opportunity that can result from the recovery of Petrobrás activity and the entry of new players in Brazil, contracted at the recent auctions of National Petroleum Agency (ANP).



Source: Ipeadata and Lupatech, 2012 = 100

In this vein, the businesses of Industrial Valves and Oil & Gas Valves had an increase in sales of 20% compared to the previous quarter, which was accompanied by an improvement in gross profitability.

Another important step for the company was the ISO 9000 recertification of the Anchoring Ropes factory, a necessary element to make it fit for Petrobras' CRCC supplier certification. This unit, which was very profitable in the past and which sales and production cycle may reach years, has remained inactive since 2015, although commercial efforts have generated good prospects for future business in Brazil and abroad.

Rafael Gorenstein

CEO and Investor Relations Director

## Financial-Economic Performance

### Net Revenue

Net Revenue (R\$ thd)	3Q16	3Q17	Chg. R\$	2Q17	3Q17	Chg. R\$	9M16	9M17	Chg. %
<b>Products</b>	<b>7,805</b>	<b>9,428</b>	<b>1,623</b>	<b>7,618</b>	<b>9,428</b>	<b>1,810</b>	<b>20,115</b>	<b>26,505</b>	<b>6,390</b>
Oil&Gas Valves	2,108	2,529	421	2,084	2,529	445	3,501	9,085	5,584
Industrial Valves	5,697	6,899	1,202	5,534	6,899	1,365	16,614	17,418	804
Others	-	-	-	-	-	-	-	2	2
<b>Services</b>	<b>23,589</b>	<b>17,085</b>	<b>- 6,504</b>	<b>21,054</b>	<b>17,085</b>	<b>- 3,969</b>	<b>87,299</b>	<b>60,012</b>	<b>- 27,286</b>
Oilfield Services Brazil	16,242	1,167	- 15,075	8,489	1,167	- 7,322	58,051	19,670	- 38,381
Oilfield Services Colombia	7,001	15,918	8,917	12,565	15,918	3,353	23,732	40,343	16,611
Tubular Services & Coating	346	-	- 346	-	-	-	5,516	-	- 5,516
<b>Total</b>	<b>31,394</b>	<b>26,513</b>	<b>- 4,881</b>	<b>28,672</b>	<b>26,513</b>	<b>- 2,159</b>	<b>107,414</b>	<b>86,517</b>	<b>- 20,896</b>

### Products Segment

In 3Q17, compared to 2Q17, the increase in Net Revenue in the Industrial Valves division is justified by the reactivation of old customers and increased sales to active customers due to a more stable economic scenario, where we have seen a modest resumption of investments and maintenance in the industrial segment. Same applies to the comparison of 3Q17 with 3Q16.

Comparing the Net Revenues of 9M17 and 9M16, the improvement is justified by the good performance in the Oil&Gas Valves division exports, in the amount of R\$ 3.6 million on 1Q17. Also contributed to the result the increase in domestic sales.

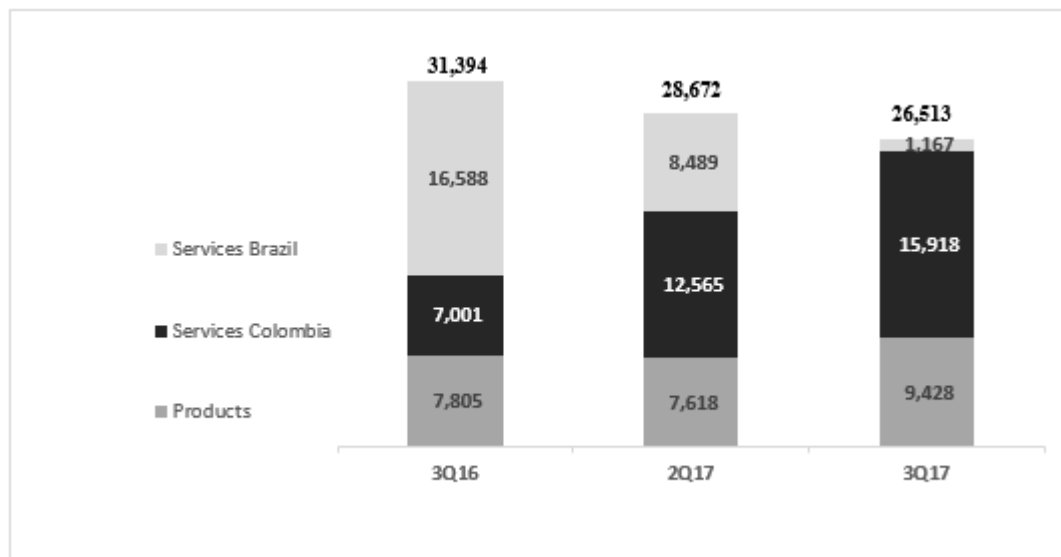
### Services Segment

In 3Q17, compared to 2Q17 and 3Q16, Net Revenue in Brazil had a significant reduction due to the conclusion of the Power Tongs and Coiled Tubing contracts with Petrobrás in July 2017.

On the other hand, the Oilfield Services Colombia division in 3Q17 compared to 3Q16 and 9M17 versus 9M16 had a significant increase due to the highlight for the Colombian market recovery.

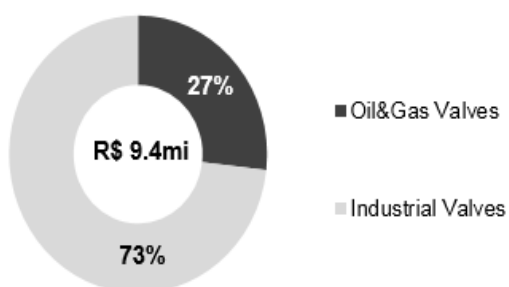
The same effects are observed in the comparison of 9M17 and 9M16. It should be noted that in the period of 9M16 the services of onshore workover in the Northeast of Brazil were active and there was still demand in the Tubular Services & Coating division.

### Net Operational Revenue (R\$ thousand)

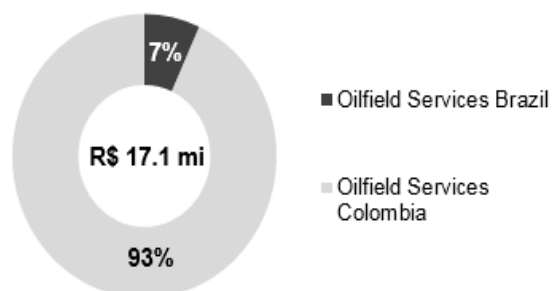


### Revenue Distribution - 3Q17

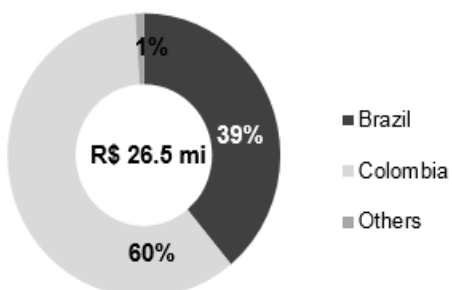
#### Products



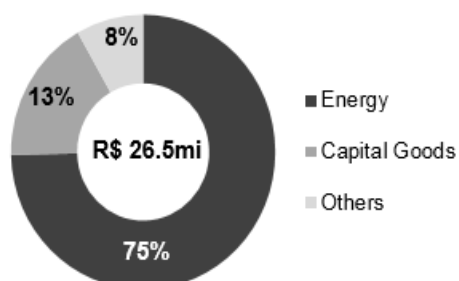
#### Services



#### By Region



#### By Industrial Sector





On September 30, 2017, the Company's order backlog totaled R\$ 5.8 million, which consisted of valve orders. As mentioned in the previous report, the Service contracts had short extensions during 3Q17 and with small volume demanded, after what were finalized.

## Gross Profit and Gross Margin

Gross Profit (R\$ thd)	3Q16	3Q17	Chg. R\$/p.p.	2Q17	3Q17	Chg. R\$/p.p.	9M16	9M17	Chg. R\$/p.p.
<b>Products</b>	<b>580</b>	<b>376</b>	<b>- 204</b>	<b>- 51</b>	<b>376</b>	<b>427</b>	<b>45</b>	<b>435</b>	<b>- 480</b>
Gross Margin - Products	7.4%	4.0%	-3.4 p.p.	-0.7%	4.0%	4.7 p.p.	0.2%	-1.6%	-1.9 p.p.
<b>Services</b>	<b>- 5,354</b>	<b>- 1,723</b>	<b>3,631</b>	<b>- 607</b>	<b>- 1,723</b>	<b>- 1,116</b>	<b>- 26,735</b>	<b>- 7,642</b>	<b>19,093</b>
Gross Margin - Services	-22.7%	-10.1%	12.6 p.p.	-2.9%	-10.1%	-7.2 p.p.	-30.6%	-12.7%	17.9 p.p.
<b>Total</b>	<b>- 4,774</b>	<b>- 1,347</b>	<b>3,427</b>	<b>- 658</b>	<b>- 1,347</b>	<b>- 689</b>	<b>- 26,690</b>	<b>- 8,077</b>	<b>18,613</b>
Gross Margin - Total	-15.2%	-5.1%	10.1 p.p.	-2.3%	-5.1%	-2.8 p.p.	-24.8%	-9.3%	15.5 p.p.
<b>Depreciation</b>	<b>11,823</b>	<b>3,404</b>	<b>- 8,419</b>	<b>6,478</b>	<b>3,404</b>	<b>- 3,074</b>	<b>37,039</b>	<b>20,271</b>	<b>- 16,768</b>
Products	1,795	1,660	- 135	1,687	1,660	- 27	5,553	5,085	- 468
Services	10,028	1,744	- 8,284	4,791	1,744	- 3,047	31,486	15,186	- 16,300
<b>Gross Profit without Depreciation</b>	<b>7,049</b>	<b>2,057</b>	<b>- 4,992</b>	<b>5,820</b>	<b>2,057</b>	<b>- 3,763</b>	<b>10,349</b>	<b>12,194</b>	<b>1,845</b>
Products	2,375	2,036	- 339	1,636	2,036	400	5,598	4,650	- 948
Services	4,674	21	- 4,653	4,184	21	- 4,163	4,751	7,544	2,793
Gross Margin without Depreciation	22.5%	7.8%	-14.7 p.p.	20.3%	7.8%	-12.5 p.p.	9.6%	14.1%	4.5 p.p.

## Products Segment

In the comparison between 3Q17 and 2Q17, there was an increase of R\$ 0.4 million in Gross Profit, result of the realignment efforts of costs and margins.

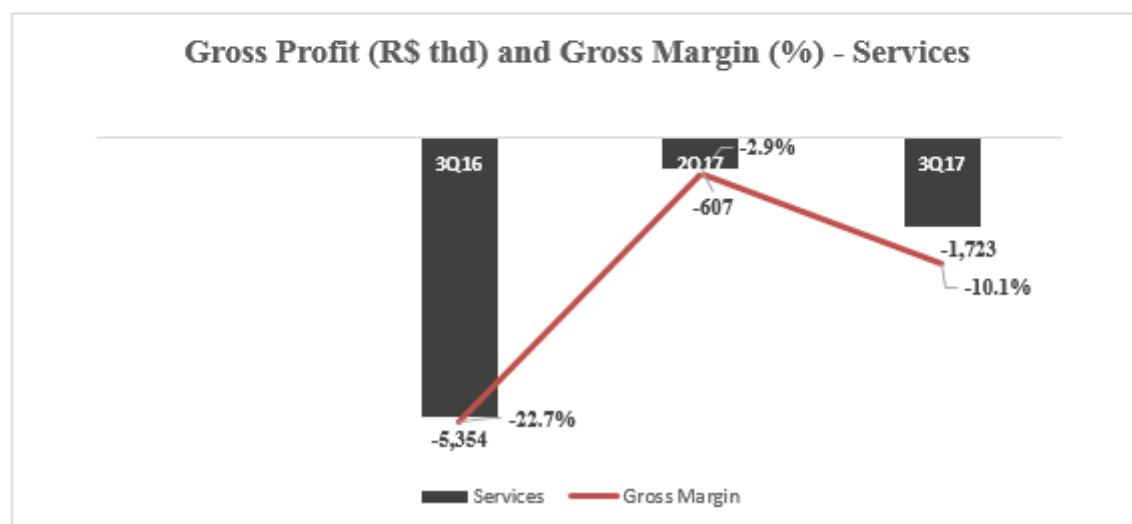
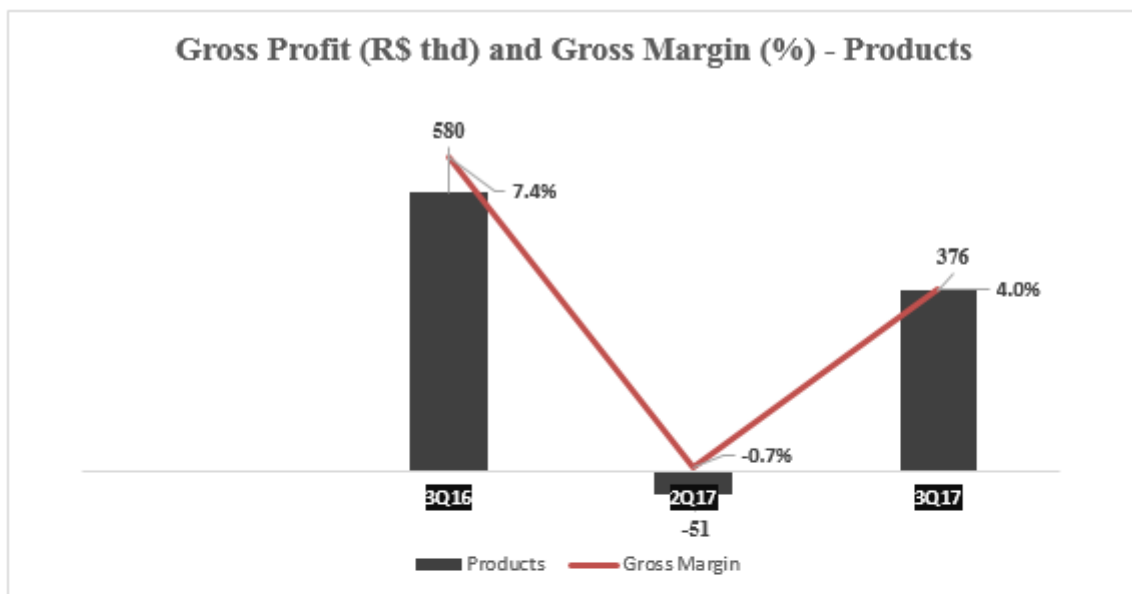
Gross margin that turned positive again. Excluding depreciation, that has weighed in excess due to the low activity, a margin of 22% was recorded, with a most positive cash contribution.

Observing the variations between 9M17 and 9M16, there was an increase in Net Revenue, however, there was no corresponding expansion of profitability. This is mainly due to the effect of the export business, that was most representative in 2017 carrying lower margins.

## Services Segment

During the quarter we had a decrease in Gross Profit from 2Q17 to 3Q17. The significant reduction is mainly due to the decrease in revenues and costs with the finalization of the contracts with Petrobras.

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



### Expenses

Expenses (R\$ thd)	3Q16	3Q17	Chg. R\$	2Q17	3Q17	Chg. R\$	9M16	9M17	Chg. R\$
<b>Total Sales Expenses</b>	<b>2,147</b>	<b>1,394</b>	<b>-753</b>	<b>1,534</b>	<b>1,394</b>	<b>-140</b>	<b>6,144</b>	<b>4,493</b>	<b>-1,651</b>
Sales Expenses - Products	1,416	1,540	124	1,305	1,540	235	3,327	4,153	826
Sales Expenses - Services	731	-146	-877	229	-146	-375	2,817	340	-2,477
<b>Total Administrative Expenses</b>	<b>8,849</b>	<b>6,627</b>	<b>-2,222</b>	<b>6,980</b>	<b>6,627</b>	<b>-353</b>	<b>30,016</b>	<b>20,952</b>	<b>-9,064</b>
Administrative Expenses - Products	2,916	2,207	-709	2,350	2,207	-143	8,871	7,216	-1,655
Administrative Expenses - Services	4,351	3,827	-525	4,171	3,827	-345	16,882	12,219	-4,663
Administrative Expenses - Corporate	1,581	593	-988	458	593	135	4,262	1,518	-2,744
<b>Management Fees</b>	<b>1,000</b>	<b>766</b>	<b>-234</b>	<b>1,151</b>	<b>766</b>	<b>-385</b>	<b>3,110</b>	<b>2,779</b>	<b>-331</b>
<b>Total Sales, Administratives and Management Fees</b>	<b>11,996</b>	<b>8,787</b>	<b>-3,209</b>	<b>9,665</b>	<b>8,787</b>	<b>-878</b>	<b>39,270</b>	<b>28,225</b>	<b>-11,045</b>



## Sales Expenses

Total Sales Expenses in 3Q17 decreased compared to 2Q17. In the comparison between years there was a significant reduction in both 3Q16 and 9M17.

In the Product Segment, 3Q17 compared to 3Q16 and 2Q17, there was an increase associated with the expansion in Net Revenue. Analyzing the nine-month period of 2017 versus 2016, there was also an increase in selling expenses, mainly due to the reversal of provision for credit losses in the amount of R\$ 0.6 million in the Oil&Gas Valves division in 9M16.

In the Services Segment, there was a reduction in 3Q17 compared to 2Q17, as there was a reversal of credit losses in 3Q17 in the amount of R\$ 0.3 million in the Oilfield Services Brazil division. Comparing the periods of 9M17 and 9M16, the reduction was significant, mainly due to the cut of sales personnel and the recognition of R\$ 1.0 million of customer penalties in the Tubular Services & Coating division in 9M16.

## Administrative Expenses

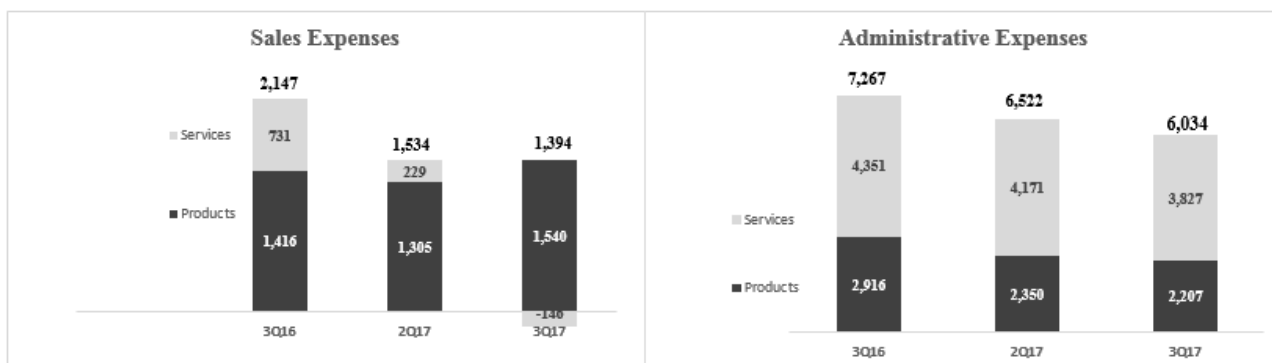
As a consequence of the administrative personnel reduction, in 3Q17 Administrative Expenses of both Product and Services Segments decreased compared to 2Q17 and 3Q16. In 9M17 versus 9M16 there was also a significant reduction for the same reason.

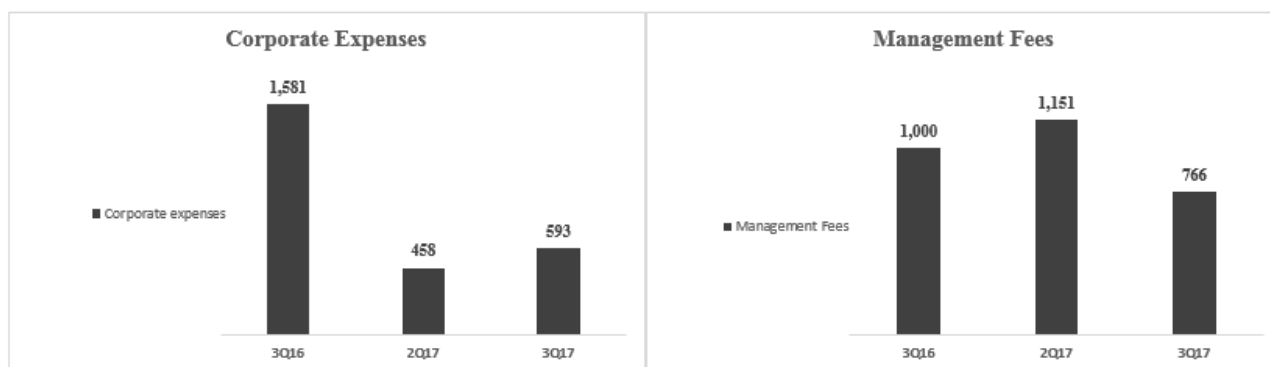
## Management Pay

The total of Management pay in 3Q17 decreased compared to both 2Q17 and 3Q16.

This reduction was mainly due to one off expenses with directors' redundancies in 2Q17.

### *Operating Expenses (R\$ thousand)*





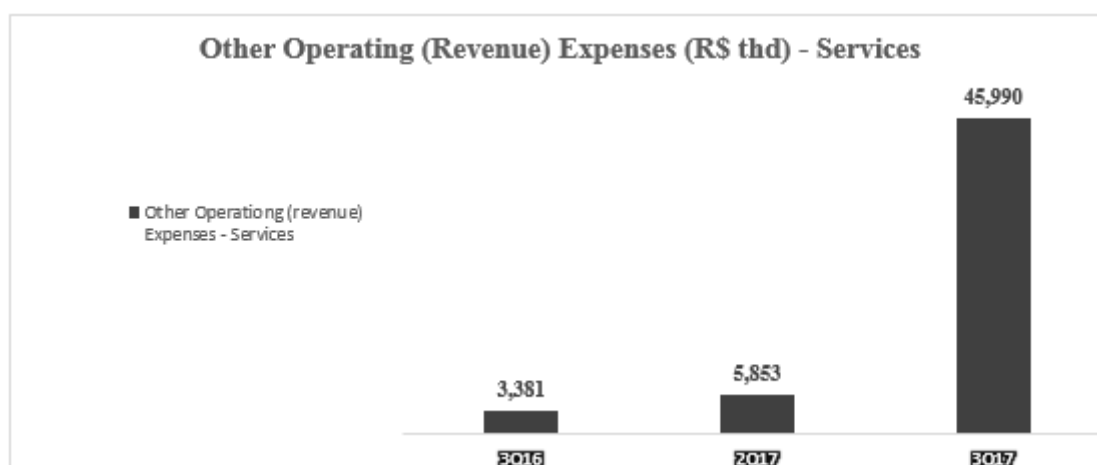
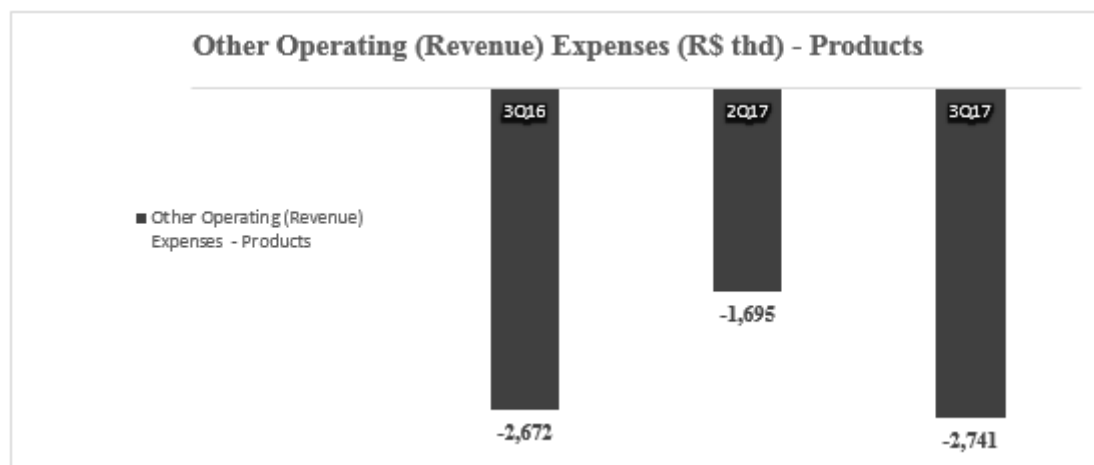
### Other Operating (Revenues) and Expenses

Other Operating (Revenue) and Expenses (R\$ thd)	3Q16	3Q17	Chg. R\$	2Q17	3Q17	Chg. R\$	9M16	9M17	Chg. R\$
Products	- 226	- 742	- 516	1,145	- 742	- 1,886	- 10,400	4,346	14,746
Expenses with idleness - Products	- 2,446	- 1,999	447	- 2,840	- 1,999	840	- 7,672	- 6,066	1,606
Services	3,946	46,320	42,374	6,370	46,320	39,950	5,745	64,159	58,414
Expenses with idleness - Services	- 565	- 330	235	- 517	- 330	187	- 2,101	- 1,387	714
<b>Total</b>	<b>709</b>	<b>43,249</b>	<b>42,540</b>	<b>4,158</b>	<b>43,249</b>	<b>39,091</b>	<b>- 14,428</b>	<b>61,052</b>	<b>75,480</b>

The following factors stand out in 3Q17:

- (i) R\$ 2.0 million of provision for losses on lawsuits;
- (ii) R\$ 2.3 million of expenses with production idleness;
- (iii) R\$ 2.9 million loss on the divestment of a 19.6% equity interest in Lupatech OFS S.A.S.;
- (iv) R\$ 54.6 million fair value adjustment of contingencies assumed in the business combination of San Antonio Brasil S/A in August 2012 (Note 9.1.1).

## Other Operating (Revenues) Expenses (R\$ thousand)



## Financial Results

Financial Results (R\$ thd)	3Q16	3Q17	Chg. R\$	2T17	3T17	Chg. R\$	9M16	9M17	Chg. R\$
Income from Financial Investments	244	53	- 191	62	53	- 9	1,135	197	- 938
Monetary Variation	555	105	- 450	673	105	- 568	1,306	1,431	125
Interest on Receivables	1,942	202	- 1,740	311	202	- 109	2,560	823	- 1,737
Others	17	86	69	24	86	62	1,552	224	- 1,328
<b>Financial Revenue*</b>	<b>2,758</b>	<b>446</b>	<b>- 2,312</b>	<b>1,070</b>	<b>446</b>	<b>- 624</b>	<b>6,553</b>	<b>2,675</b>	<b>- 3,878</b>
(Expense) Reversal of Interest Expenses	- 14,831	- 3,340	11,491	- 3,427	- 3,340	87	- 91,533	- 10,446	81,087
Present Value Adjustment	-	- 1,439	- 1,439	- 1,362	- 1,439	- 77	- 394,788	- 4,219	390,569
Discount Granted	- 1	- 1	-	- 226	- 1	225	- 766	- 227	539
(Provision) Reversal of Provision for Interest on Suppliers	- 8,672	- 1,409	7,263	- 970	- 1,409	- 439	- 27,447	- 3,802	23,645
Fines and Interest on Taxes	- 1,991	- 16,350	14,359	- 1,773	- 16,350	14,577	- 19,248	- 19,682	434
IOF, Banking Expenses and Others	- 889	- 3,987	- 3,098	- 1,007	- 3,987	- 2,980	- 4,253	- 5,675	- 1,422
<b>Financial Expense*</b>	<b>- 26,384</b>	<b>- 26,526</b>	<b>- 142</b>	<b>- 8,765</b>	<b>- 26,526</b>	<b>- 17,761</b>	<b>- 538,035</b>	<b>- 44,051</b>	<b>493,984</b>
<b>Net Financial Results*</b>	<b>- 23,626</b>	<b>- 26,080</b>	<b>- 2,454</b>	<b>- 7,695</b>	<b>- 26,080</b>	<b>- 18,385</b>	<b>- 531,482</b>	<b>- 41,376</b>	<b>490,106</b>
Exchange Variance Revenue	11,476	67,935	56,459	46,581	67,935	21,354	392,226	187,954	- 204,272
Exchange Variance Expenses	- 14,707	- 55,618	- 40,911	- 59,387	- 55,618	3,769	- 341,492	- 181,966	- 159,526
<b>Net Exchange Variance</b>	<b>- 3,231</b>	<b>12,317</b>	<b>15,548</b>	<b>- 12,806</b>	<b>12,317</b>	<b>25,123</b>	<b>50,734</b>	<b>5,988</b>	<b>- 44,746</b>
<b>Net Financial Results - Total</b>	<b>- 26,857</b>	<b>- 13,763</b>	<b>13,094</b>	<b>- 20,501</b>	<b>- 13,763</b>	<b>6,738</b>	<b>- 480,748</b>	<b>- 35,388</b>	<b>445,360</b>

\* Excluding Exchange Variance

The Total Net Financial Result resulted in expense, both on 3Q17 and 2Q17 and 3Q16. The same happened on the 9M17 and 9M16.

#### Financial Revenue

Total Financial Revenue (excluding Foreign Exchange Variation) in 3Q17 decreased R\$ 2.3 million compared to 3Q16, mainly due to the 3Q16 interest received in connection with Petrobras' contractual withholdings in the amount of R\$ 1.6 million. Same effect is observed when comparing 9M17 and 9M16, with a reduction of R\$ 3.9 million, combined with the recovery of taxes and contributions in the amount of R\$ 1.4 million in 9M17.

Compared to 2Q17, Total Financial Revenue (excluding Exchange Variation) decreased by R\$ 0.6 million mainly due to monetary variation on recoverable taxes.

#### Financial Expense

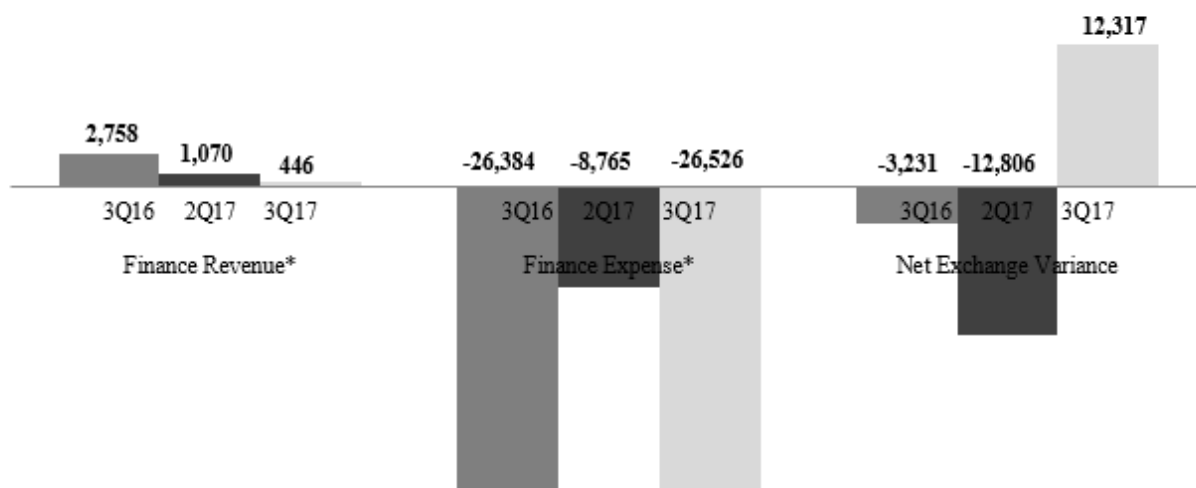
Total Financial Expenses (excluding Foreign Exchange Variation) in 3Q17, compared to 3Q16, remained stable. Comparing 9M17 to 9M16, there is a variation of R\$ 494.0 million, due to the reversals of R\$ 80.2 million of interest on loans, financing, fines, debentures and suppliers subject to Judicial Recovery, and the recognition of R\$ 393.8 million present value adjustment on credits subject to judicial recovery, resulting from the annulment of the judicial recovery plan in 9M16.

Compared to 2Q17, Total Financial Expenses (excluding Exchange Variation) increased R\$ 17.8 million mainly due to the recognition of contingencies and associated interests and fines in connection with the adhesion on the Special Tax Regularization Program (PERT), established by Provisional Measure nº. 783/2017 (Note 27).

#### Net Exchange Rate Variance

Net Exchange Rate Variance in 3Q17 resulted in revenue of R\$ 12.3 million versus a R\$ 3.2 million expense in 3Q16 and an expense of R\$ 12.8 million in 2Q17, affected by North American currency depreciation against Real in 3Q17.

### Composition of Financial Result (R\$ thousand)



\* Excluding Exchange Variance

### EBITDA Adjusted of Continued Activities <sup>1</sup>

Adjusted EBITDA (R\$ thd)	3Q16	3Q17	Chg. R\$/p.p.	2Q17	3Q17	Chg. R\$/p.p.	9M16	9M17	Chg. R\$/p.p.
<b>Products</b>	- 4,102	- 4,499	- 397	- 4,614	- 4,499	115	- 11,711	- 14,323	- 2,612
Margin	-52.6%	-47.7%	4.8 p.p.	-60.6%	-47.7%	12.9 p.p.	-58.2%	-54.0%	4.2 p.p.
<b>Services</b>	1,213	- 4,713	- 5,926	882	- 4,713	- 5,595	2,098	- 2,275	- 4,373
Margin	5.1%	-27.6%	-32.7 p.p.	4.2%	-27.6%	-31.8 p.p.	2.4%	-3.8%	-6.2 p.p.
<b>Total</b>	- 2,889	- 9,212	- 6,323	- 3,732	- 9,212	- 5,480	- 9,613	- 16,599	- 6,985
Margin	-9.2%	-34.7%	-25.5 p.p.	-13.0%	-34.7%	-21.7 p.p.	-8.9%	-19.2%	-10.2 p.p.
% Products	142%	49%		124%	49%		122%	86%	
% Services	-42%	51%		-24%	51%		-22%	14%	

The Total Consolidated Adjusted EBITDA in 3Q17 decreased compared to 3Q16 and 2Q17.

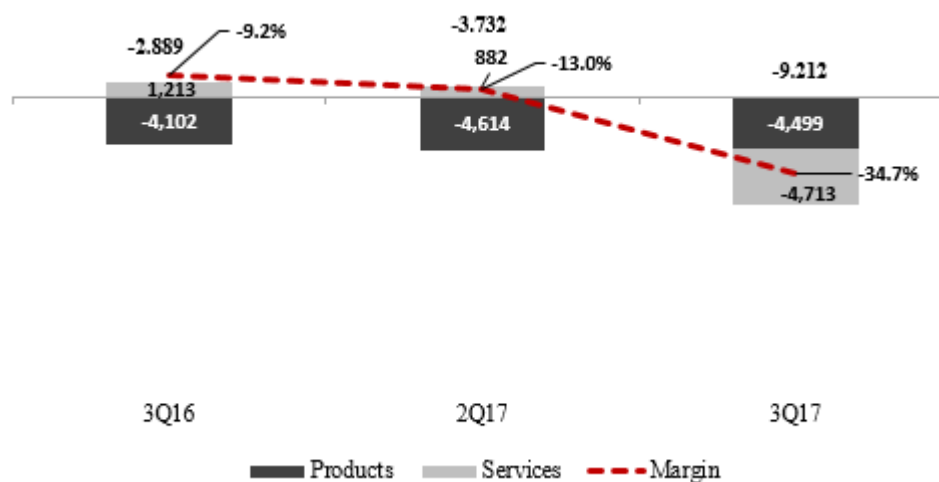
In the Product Segment, a slight improvement occurred in 3Q17 compared to 2Q17. In the Services Segment, there is a significant reduction, which is explained by the decrease in revenues and costs with the termination

<sup>1</sup> **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.

of the contracts with Petrobras, as well as the costs with redundancies in the amount of R\$ 2.6 million. Another factor that impacted this result was the shutdown of the Macaé unit, generating an extraordinary expense of R\$ 1.3 million with rental of handling equipmen, own and outsourced labour for packaging and transportation to other facility.

Adjusted Ebitda Reconciliation (R\$ thd)		3Q16	2Q17	3Q17
Gross Profit	-	4,774	- 658	- 1,347
SG&A	-	10,996	- 8,514	- 8,021
Management Fees	-	1,000	- 1,151	- 766
Depreciation and Amortization		11,823	6,478	3,404
Other Operating Expenses		709	4,158	43,249
Minority Interest		-	-	- 1,556
<b>Ebitda</b>	-	<b>4,238</b>	<b>313</b>	<b>34,963</b>
Provision for Variable Remuneration		-	164	- 90
Provisions/Reversals for Losses, Impairment, Net Result on Disposal of Assets, Reversals with Legal Proceedings	-	3,064	- 5,873	- 48,725
Fines with Customers		69	31	55
Restructuring Process and Other Extraordinary Expenses		4,344	1,632	3,238
Expenses with Demobilization Macaé Unit		-	-	1,347
<b>Adjusted EBITDA</b>	-	<b>2,889</b>	<b>- 3,732</b>	<b>- 9,212</b>

*EBITDA Adjusted (R\$ thousand)*





### 3Q17

Adjusted Ebitda Reconciliation (R\$ thd)	Products	Services	Total
Gross Profit	376	- 1,723	- 1,347
SG&A	- 3,958	- 4,063	- 8,021
Management Fees	- 270	- 496	- 766
Depreciation and Amortization	1,660	1,744	3,404
Other Operating Expenses	- 2,741	45,990	43,249
Minority Interest		- 1,556	- 1,556
<b>Ebitda</b>	<b>- 4,933</b>	<b>39,896</b>	<b>34,963</b>
Provision for Variable Remuneration	-	90	90
Provisions/Reversals for Losses, Impairment, Net Result on Disposal of Assets, Reversals with Legal Proceedings	65	- 48,790	- 48,725
Fines with Customers	55	-	55
Restructuring Process and Other Extraordinary Expenses	314	2,924	3,238
Expenses with Demobilization Macaé Unit		1,347	1,347
<b>Adjusted EBITDA</b>	<b>- 4,499</b>	<b>- 4,713</b>	<b>- 9,212</b>

Non-recurring Expenses (Provisions /Reversals for Losses, Impairment, Net Result on Disposal of Assets and Reversals with Legal Proceedings) in the Services Segment, which totaled R\$ 48.7 million, refer mainly to the following:

- (i) 54.6 million reversal of fair value adjustments of contingencies assumed in the business combination of San Antonio Brasil S/A in August 2012 (Note 9.1.1);
- (ii) R\$ 2.3 million of provision for losses with lawsuits;
- (iii) R\$ 0.5 million provision for inventory obsolescence;
- (iv) R\$ 2.9 million loss on the divestment of a 19.6% equity interest in Lupatech OFS S.A.S.

### Net Result

Net Result (R\$ thd)	3Q16	3Q17	Chg. R\$	2Q17	3Q17	Chg. R\$	9M16	9M17	Chg. R\$
Minority Interest	-	986	986	-	986		-	986.00	986
Result Before Income Tax and Social Contribution	- 52,840	19,703	72,543	- 26,952	19,703	46,655	- 571,058	12,066	558,992
Income Tax and Social Contribution - Current	- 171	- 4,346	- 4,175	- 595	- 4,346	- 3,751	- 2,288	- 5,860	- 3,572
Income Tax and Social Contribution - Deferred	1,377	27,825	26,448	829	27,825	26,996	96,449	29,485	- 66,964
<b>Net Result</b>	<b>- 51,634</b>	<b>44,168</b>	<b>95,802</b>	<b>- 26,718</b>	<b>44,168</b>	<b>70,886</b>	<b>- 476,897</b>	<b>12,545</b>	<b>489,442</b>
Net Result per 1,000 shares	- 5.50	4.70	10.20	- 2.84	4.70	7.55	- 50.77	1.34	52.10

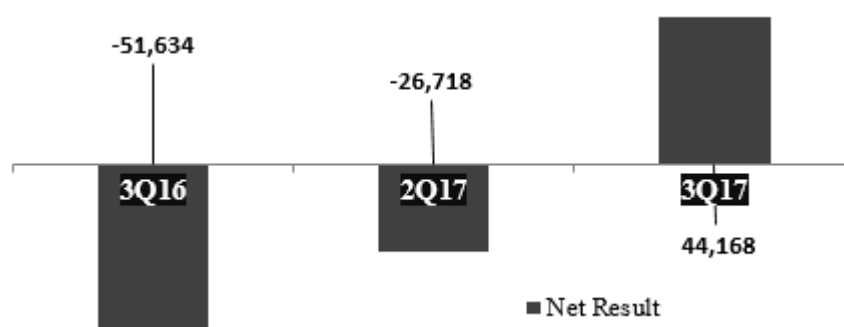
The Net Profit for the period was a profit in 3Q17, versus a loss in 2Q17 and 3Q16. The main events that contributed to this result in 3Q17 were:

- (i) R\$ 2.3 million of idle production;
- (ii) R\$ 2.0 million of provision for losses with lawsuits;

- (iii) R\$ 54.6 million reversal of fair value adjustments of contingencies assumed in the business combination of San Antonio Brasil S/A in August 2012 (Note 9.1.1);
- (iv) R\$ 24.0 million of deferred income tax and social contribution related to the recognition of the use of tax loss carry forwards related to taxes administered by the Brazilian Federal Revenue Service, as per the adhesion to the Special Tax Regularization Program (PERT);
- (v) R\$ 16.1 million referring to the recognition of contingencies and respective interest and fines for adhesion of the Tax Regularization Program (PERT), established by Provisional Measure nº. 783/2017 (Note 27).

The Net Profit in the 9M17 period was a profit of R\$ 12.5 million against a loss of R\$ 476.9 million in 9M16. The main event that contributed to this variation was the reversal of R\$ 394.8 million present value adjustment of credits subject to Judicial Recovery in 9M16.

***Composition of Net Result (R\$ thousand)***

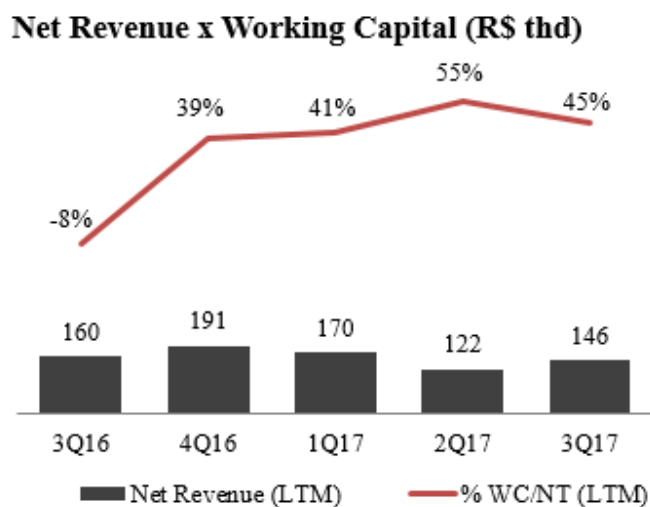
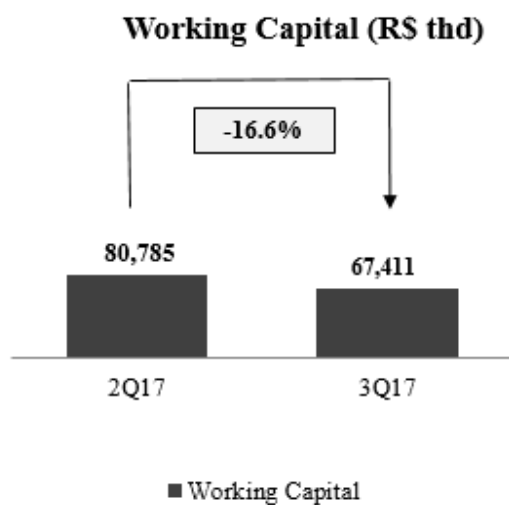


## Operating Working Capital

Working Capital (R\$ thd)	2Q17	3Q17	Chg. %	Chg. R\$
Accounts Receivable	43,635	38,917	-10.8%	- 4,718
Inventories	52,428	49,152	-6.2%	- 3,276
Suppliers	26,208	31,740	21.1%	5,532
Advances from Customers	2,755	2,489	-9.7%	- 266
Advances of suppliers	13,685	13,571	-0.8%	- 114
<b>Employed Working Applied</b>	<b>80,785</b>	<b>67,411</b>	<b>-16.6%</b>	<b>- 13,374</b>
Working Capital Variance	- 2,457	- 13,374		
% Working Capital/Net Revenue*	54.8%	45.2%		

\*LTM: last 12 months

The ratio of Working Capital to Net Revenue (12 months) on 3Q17 was 45.2%, a reduction of 9.6 percentage points when compared to the indicator of 2Q17.



There was a reduction of 10.8% (R\$ 4.7 million) in Accounts Receivable in 3Q17 compared to 2Q17, mainly as a result of the reduction in sales in the Services Segment due to the termination of contracts with Petrobras, and further collections from the Lifting Frame contractual balances in Brazil and from the Oilfield Services Colombia division.

## Cash and Cash Equivalents

Cash and cash equivalents (R\$ t)	2Q17	3Q17	Chg. %	Chg. R\$
Cash and Cash Equivalents	1,450	6,381	340.1%	4,931
Securities-restricted	861	874	1.5%	13
<b>Total</b>	<b>2,311</b>	<b>7,255</b>	<b>213.9%</b>	<b>4,944</b>
	63%	88%		
	37%	12%		

The consolidated position of Cash and Cash Equivalents of the Company in 3Q17 reached R\$ 7.2 million, compared to R\$ 2.3 million in 2Q17. This increase comes mainly from funds related to the sale of a 19.6% interest in Lupatech OFS S.A.S, Colombian subsidiary of the Company and its subsequent capitalization by the new partner.

## Debt

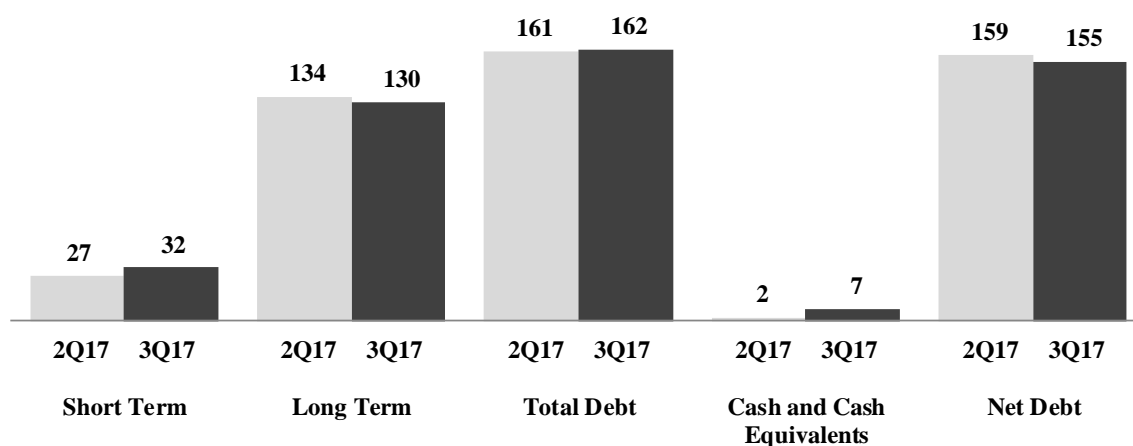
The Company's Gross Debt ended 3Q17 in R\$ 162.0 million, 0.7% less than in 2Q17.

Debts (R\$ ths)	2Q17	3Q17	Chg. %	Chg. R\$
<b>Short Term</b>	<b>26,992</b>	<b>31,957</b>	<b>18.4%</b>	<b>4,965</b>
Financing Lines not Subject to Judicial Recovery	26,992	31,957	18.4%	4,965
<b>Long Term</b>	<b>133,871</b>	<b>130,067</b>	<b>-2.8% -</b>	<b>3,804</b>
Financing Lines Subject to Judicial Recovery	123,895	122,568	-1.1% -	1,327
Financing Lines not Subject to Judicial Recovery	9,976	7,499	-24.8% -	2,477
<b>Total Debts</b>	<b>160,863</b>	<b>162,024</b>	<b>0.7%</b>	<b>1,161</b>
Cash and Cash Equivalents	2,311	7,255	213.9%	4,944
<b>Net Debt</b>	<b>158,552</b>	<b>154,769</b>	<b>-2.4% -</b>	<b>3,783</b>

This reduction is mainly a consequence of the exchange variation on loans denominated in foreign currency, due to the North American currency devaluation against Real on 3Q17.

Net Debt subtracted ended 3Q17 at R\$ 154.8 million, a decrease of 2.4% against 2Q17.

### Composition of Debt (R\$ million)



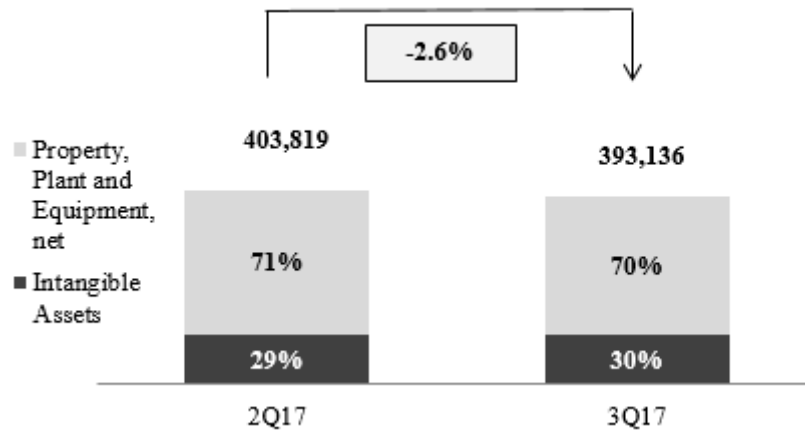
### Investment balances

The Company's Investment Balance on 3Q17 amounted to R\$ 393.1 million, a 2.6% decrease compared to the R\$ 403.8 million reported in 2Q17.

The Fixed Asset presented decreased by 3.6% on 3Q17 and Intangible assets by 0.4%, mainly due to the recognition of depreciation in the amount of R\$ 3.1 million and the effect of exchange variation on fixed assets of subsidiaries abroad in the amount of R\$ 2.6 million, as a result of the 4.2% North American currency depreciation against Real in 3Q17. This reduction is also justified by the discontinuation of the Brazilian services unit.

Investments (R\$ thd)	2Q17	3Q17	Chg. %	Chg. R\$
Others Investments	676	676	0.0%	-
Property, Plant and Equipment, net	287,210	276,948	-3.6%	- 10,262
Intangible Assets	115,933	115,512	-0.4%	- 421
<b>Total</b>	<b>403,819</b>	<b>393,136</b>	<b>-2.6%</b>	<b>- 10,683</b>

***Investment balances (R\$ thousand)***



Capex was of R\$ 0.4 million on 3Q17 mainly directed to the units of the Products Segment.



## 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 1<sup>st</sup> 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 2<sup>nd</sup> 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 1<sup>st</sup> 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 2<sup>nd</sup> 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 1<sup>st</sup> 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

	2Q17	3Q17	% Change
Net Revenue From Sales	28,672	26,513	-8%
Cost of Goods and Services Sold	- 29,330	- 27,860	-5%
Gross Profit	- 658	- 1,347	105%
Receitas/Despesas Operacionais	- 5,793	35,799	-718%
Selling	- 1,534	- 1,394	-9%
General and Administrative	- 6,980	- 6,627	-5%
Management Fees	- 1,151	- 766	-33%
Equity pick-up	- 286	1,337	-567%
Other Operation Income (Expenses)	4,158	43,249	940%
Net Financial Result	- 20,501	- 13,763	-33%
Financial Income	1,070	446	-58%
Financial Expenses	- 8,765	- 26,526	203%
Net Exchange Variance	- 12,806	12,317	-196%
Gain (Loss) Before Income Tax and Social Contribution	- 26,952	20,689	-177%
Provision Income Tax and Social Contribution - Current	- 595	- 4,346	630%
Provision Income Tax and Social Contribution - Deferred	829	27,825	3256%
Gain (Loss) for the Period	- 26,718	44,168	-265%

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

	2Q17	3Q17	% Change
Adjusted EBITDA from Continuing Operations	- 3,732	- 9,212	147%
Provision for Variable Remuneration	- 164	90	n/a
Restructuring Process	- 1,632	- 3,238	98%
Provisions for Losses, Impairment and Net Result on Disposal of Assets	5,873	48,725	730%
Fines with Costumers	- 31	55	77%
Expenses with Demobilization Macaé Unit	-	1,347	n/a
EBITDA from Continuing Operations	313	34,963	11057%
Depreciation and Amortization	- 6,478	- 3,404	-47%
Equity Pick-up	- 286	1,337	-567%
Minority Interest	-	1,556	n/a
Net Financial Result	- 20,501	- 13,763	-33%
Income Tax and Social Contribution - Current and Deferred	234	23,479	9934%
Net Loss from Continuing and Discontinued Operations	- 26,718	44,168	-265%

**Annex III - Consolidated Balance Sheets (R\$ thousand)**

	2Q17	3Q17	% Change
<b>Total Asset</b>	<b>640,025</b>	<b>651,294</b>	<b>2%</b>
<b>Current Assets</b>	<b>151,314</b>	<b>167,288</b>	<b>11%</b>
Cash and Cash Equivalents	1,450	6,381	340%
Securities-restricted	861	874	2%
Accounts Receivable	43,635	38,917	-11%
Inventories	52,428	49,152	-6%
Recoverable Taxes	32,586	27,339	-16%
Deferred Income Tax and Social Contribution	-	24,046	n/a
Other Accounts Receivable	3,740	4,101	10%
Prepaid Expenses	2,929	2,907	-1%
Advances to Suppliers	13,685	13,571	-1%
<b>Non-Current Assets</b>	<b>488,711</b>	<b>484,006</b>	<b>-1%</b>
Securities-restricted	2,287	2,321	1%
Judicial Deposits	25,274	31,556	25%
Recoverable Taxes	44,041	43,488	-1%
Other Accounts Receivable	13,290	13,505	2%
Investments	676	676	0%
Property, Plant and Equipment	287,210	276,948	-4%
Intangible Assets	115,933	115,512	0%
<b>Total Liabilities and Shareholders' Equity</b>	<b>640,025</b>	<b>651,294</b>	<b>2%</b>
<b>Current Liabilities</b>	<b>193,282</b>	<b>239,178</b>	<b>24%</b>
Suppliers - Not Subject to Judicial Recovery	19,691	25,223	28%
Suppliers - Subject to Judicial Recovery - Class I	6,517	6,517	0%
Loans and Financing - Not Subject to Judicial Recovery	26,992	31,957	18%
Provisions Payroll and Payroll Payable	9,127	12,465	37%
Commissions Payable	871	938	8%
Taxes Payable	67,072	115,463	72%
Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	31,784	36,113	14%
Advances from Customers	2,755	2,489	-10%
Employee's Profit Sharing	164	479	192%
Other Accounts Payable	27,180	6,212	-77%
Provision for Contratual Fines	1,129	1,322	17%
<b>Non-Current Liabilities</b>	<b>423,851</b>	<b>341,343</b>	<b>-19%</b>
Suppliers - Subject to Judicial Recovery	69,488	70,296	1%
Loans and Financing - Subject to Judicial Recovery	123,895	122,568	-1%
Loans and Financing - Not Subject to Judicial Recovery	9,976	7,499	-25%
Taxes Payable	10,726	4,290	-60%
Deferred Income Tax and Social Contribution	52,910	49,120	-7%
Provision for Contingencies	133,233	68,207	-49%
Other Accounts Payable	7,769	4,305	-45%
Provision for Negative Equity in Subsidiaries	15,854	15,058	-5%
<b>Shareholders' Equity</b>	<b>22,892</b>	<b>70,773</b>	<b>209%</b>
Non-Controlling Interests	-	18,764	n/a
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	67,020	51,610	-23%
Accumulated Losses	- 2,053,885	- 2,009,358	-2%

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

	2Q17	3Q17	% Change
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Net Result for the Period	- 26,718	44,168	-265%
Adjustments:			
Depreciation and Amortization	6,478	3,404	-47%
Equity Pick-up	286 -	1,337	-567%
Result on Sale of Fixed Assets	- 712 -	52	-93%
Loss (Gain) on Sale of Investments	- -	2,941	n/a
Financial expenses, net	18,829	8,528	-55%
Reversal (Provision) for losses by non-recoverability of assets	- 7,343 -	129	-98%
Deferred Income Tax and Social Contribution	- 234 -	32,776	13907%
Reversal of fair value adjustment of business combination SABR	- -	54,536	n/a
Losses on Inventory Obsolescence	376	901	140%
Provision of Contractual Fines	- 1,521	55	-104%
Allowance for Doubtful Accounts	- 19 -	241	1168%
Effective Losses on Doubtful Accounts	- 6 -	3	-50%
Present Value Adjustment	1,362	1,439	6%
Changes in Assets & Liabilities			
(Increase) Decrease in Accounts Receivable	2,220	4,742	114%
(Increase) Decrease in Inventories	228	2,320	918%
(Increase) Decrease in Recoverable Taxes	- 1,634	11,399	-798%
(Increase) Decrease in Other Assets	4,454	12,384	178%
(Increase) Decrease in Suppliers	2,237	482	-78%
(Increase) Decrease in Taxes Payable	3,041	25,698	745%
(Increase) Decrease in Others Accounts Payable	- 1,073 -	21,063	1863%
<b>Cash Flow from Operating Activities</b>	<b>251</b>	<b>2,442</b>	<b>873%</b>
<b>CASH FLOW FROM INVESTMENT ACTIVITIES</b>			
Proceeds from Sale of Investments	-	6,302	n/a
Securities - Restricted	569	6	-99%
Sending of Proceeds from the Sale of Investment to its Investors	- -	3,168	n/a
Proceeds from the sale of fixed assets	2,793	105	-96%
Aquisition of Property, Plant and Equipment	- 731 -	1,428	95%
<b>Cash Flow from Investment Activities</b>	<b>2,631</b>	<b>1,817</b>	<b>-31%</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from Loans and Financings	19,398	20,901	8%
Payment of Loans and Financings - Principal	- 21,671 -	19,691	-9%
Payment of Loans and Financings - Interest	- 609 -	538	-12%
<b>Cash Flow from Financing Activities</b>	<b>- 2,882</b>	<b>672</b>	<b>-123%</b>
<b>Exchange Variation on Cash and Cash Equivalents of Subsidiaries Abroad</b>	<b>2</b>	<b>-</b>	<b>-100%</b>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>2</b>	<b>4,931</b>	<b>246450%</b>
At the Beginning of the Period	1,448	1,450	0%
At the End of the Period	1,450	6,381	340%

## 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.*