STANDARD FINANCIAL STATEMENTS
2017

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

Management Report

THIS IS A FREE TRANSLATION OF THE ORIGINAL TEXT IN PORTUGUESE IN CASE OF DIVERGENCE OF INTERPRETATION, THE PORTUGUESE TEXT WILL PREVAIL

Message from the Administration

2017 Retrospective

In 2017 the Company. marched steadily toward his recovery. In spite of the political crisis that was installed in the mid 2017 which frustrated what then seemed to be a shy recovery of the economy and our markets, the advances were not few.

We promote the change of the Company's leadership by hiring a new CEO and a new Operations Director. The new management, which combines strong experience in the valve business and business turnarounds, has as its mission to build on the excellent work developed by the previous administration, which rescued the company from a liability of R$ 2 billion and brought it to one tenth of that amount.

It was in this context that, in February 2017, Lupatech group's judicial reorganization plan was approved, giving improved security to the company, its investors, creditors and commercial partners.

Although the business environment offered modest opportunities for sales recovery, we made great efforts to equate tax and labor liabilities, and the results achieved were very relevant.

Industrial Operations

Our Industrial Valves and Valves Oil&Gas units were re certified by Petrobrás. These advances contributed not only to a 26% increase in sales over the previous year, but also to the formation of a backlog.

Even though we have not completed the recertification of the Anchoring Ropes unit by Petrobras, we are striding forward in this direction, so we expect this process to be completed in early 2018. This business, which has been profitable in the past, has a cycle of sales and production in the vicinity of 2-3 years. Unfortunately, despite having the industry's longest track record and being one of the three industry leaders, the hasn’t been operating since 2015. Since mid-2016 we have resumed contacts with several of the unit's historical customers and were able to re-quote a significant volume of anchoring projects that are expected to come to market over the next couple of years.

At the Tubulars unit, the Company obtained a small contract for production pipe linings, which is being executed currently, with deliveries scheduled for the first half of 2018.

Services x Demobilization

In the Brazil services segment, the contracts with Petrobrás were finalized, with the demobilization of the team employed in the offshore activities of Macaé, an event that was foreseen in our restructuring plan. This was undoubtedly one of the biggest challenges of the year, having the company. dismissed hundreds of employees honoring all labor obligations.

If in the first moment this demobilization consumed a significant amount of cash, in the near future it should become a cash source to the operations, as there are about US$ 12 million in equipment available for sale.

Also in the services business, as part of the divestment strategy, a partial sale of the Colombian Company was carried out, concurrent with its recapitalization by the partner Petroalianza International Ltd., which now holds 49.0% of the company. Through the transaction, resources amounting to US$ 3.7 million were used to meet tax and labor obligations. This does not mean that the interest of the partners in pursuing the acquisition, on the contrary, they are continuing negotiations to that effect.

Reorganization of Liabilities and Adhesion to the PERT (Special Tax Regularization Program)

The publication of provisional measures 783/17 and 807/2017, which culminated in the enactment of Law 1396/1917, allowed Lupatech, on November 14, 2017, to promote adhesion in PERT.

The conditions of the program have been particularly beneficial to Lupatech, since each of its legal entities can benefit from PERT to its fullest extent, by means of the payment of reduced amounts in cash complemented with of tax losses carryforwards.

The Company reorganized R$ 105.0 million worth of liabilities. In addition to substantially reducing liabilities and contingencies, the adhesion will allow for the contingency management effort to be focused on a smaller number of strategic contingencies, associated with arbitration of profit, amortization of goodwill, incidence of ICMS on exports and withholding of taxes at source.

The adhesion required payment of R$ 4.7 million in cash, and the settlement of the remainder used R$ 42.5 million of accumulated tax losses carryforwards (R$ 31.1 million referring to debits of the Federal Secretariat of Brazil, and R$ 11.4 million in debts with the Attorney General of the National Treasury) and a further R $ 18.0 million in tax losses of investees and tax co-payers, in accordance with PERT conditions.

This program generated a direct benefit to the Lupatech Group with discounts on interest, fines and charges totaling R$ 40.9 million, and represents another important step of the Company in its restructuring process.

In addition to the benefits obtained from PERT, several initiatives by the Company, both at the administrative and judicial levels, resulted in a significant reduction in contingencies.

In particular, the Company succeeded in securing a writ to ensure the right to rectify its tax returns from previous years in order to purge taxes declared without legal obligation to do so. This decision, issued at the beginning of 2018, was treated as subsequent event on the balance sheet of 2017, resulting in a reduction of liabilities of R$ 38.5 million.

The efforts to reduce contingencies have made substantial progress in the course of 2017, as shown below:

Probable expectation of loss (R$ thd)	2015	2016	2017
Labor contingencies	**65,306**	**62,288**	**43,126**
Civil contingencies	**10,776**	**10,308**	**6,855**
Tax contingencies	**49,219**	**51,381**	**4,429**
Total	**125,301**	**123,977**	**54,410**

In general, on the tax front, the Company continues to litigate a few cases of great value, where it believes that the claims filed by the tax authorities do not exist. Most of the tax contingencies estimated as possible comprise profit arbitrations originated in deficiencies of ancillary obligations (deficiencies which were remedied), in contexts that do not escape the factual reality that the respective legal entities had millionaire losses in the corresponding fiscal years. There are also claims that demand the collection of ICMS state tax in export transactions, which are exempt by federal law. The Company and their legal advisors believe that these questionable charges are likely to be corrected in the course of the litigations.

3rd Issue of Debentures and Payment of Creditors Class I of the Judicial Recovery Plan (*Note 32*)

In order to promote the satisfaction of part of labor claims and other credits not subject to the Judicial Recovery Plan, the Board of Directors approved, in a meeting held on November 28, 2017, the third issuance of debentures convertible into common shares of the Company, in a single series, unsecured, privately placed, within the authorized capital limit, in the amount of R$ 30.0 million.

This issue, successfully concluded in January 2018 with the subscription of R$ 29.3 million in debentures, aimed mainly at the instrumentalization of the payment of labor credits, under the terms of the judicial recovery plan. The creditors of this class were able to subscribe these debentures with their credits, a faculty that was also extended to creditors not subject to judicial recovery, with the purpose of alleviating future flow of disbursements by the Company.

The Company performed all the acts necessary to pay the Class I creditors eligible for such, according to the prior notice of the Class I general creditors informed by the Company's judicial administration on January 30, 2017. The creditors who did not opt for the subscription of Debentures convertible into shares of the 3rd issue of Lupatech S/A. will have their credits satisfied by the adjudication of shares of CIAVAL Administration of Bens and Rights S/A, a specific purpose company established with the purpose of enabling the adjudication of assets of the debtor in payment of creditors, in the form of art. 50 XVI of the law 11.101.

CIAVAL received total assets in the amount of R$ 35.4 million, equivalent to 2.5 times the net credits listed as eligible for payment, thus providing a substantial reserve for the credits that become due in the future.

Outlook

The economic outlook for 2018 is positive, which should stimulate our industrial valves business. Also good are the winds that blow in the oil and gas sector, with the resumption of several projects by Petrobrás and the news of important maintenance in the platforms in operation.

As shown in the balance sheet presented, the equity position of the Lupatech Group improved. The conversion of debentures already reported and those that will take place in the years that will follow, will strengthen the equity position of the company, which closed the year 2017 at R$ 9.14 per share.

It is a fact that the Lupatech Group still has significant expenditures arising from the legacy and the restructuring, and there are business units still operating below the break-even point. With the measures already taken and the resurgence of sales, it should not be long before we return to an operational cash generation condition.

Due to the cash consumption of operations and future working capital needs, will need to ensure liquidity for the execution of its business plan, either by the demobilization of the Services business (Colombia and equipment), by the sale of real estate, or by access to the capital market. In 2017 these alternatives were quite challenging, but the improvement in prospects leaves us quite confident in the feasibility of performing some of these transactions.

Finally, although the uncertainties of the economy and the market make it difficult to anchor short-term expectations, we work with average targets compatible with installed capacity and expected demand. We believe it is important that, after so many challenges, the market knows our targets: we aim at net sales of R$ 550 million in 2022 (equivalent to 80% of installed capacity), with an EBITDA margin of 17 to 23%. Obviously, the achievement of these objectives depends on variables that are not under the control of the Company.

Considering the starting point, these are surely challenging goals. But looking at the company's past, these are reasonable numbers for a player of Lupatech's size and with its leadership record.

This is what we work for!

Rafael Gorenstein

CEO and Investor Relations Director

Financial-Economic Performance

Net Revenue

Net Revenue (R$ thd)	1Q17	2Q17	3Q17	4Q17	Chg. R$	2016	2017	Chg. R$
Products	**9,460**	**7,618**	**9,428**	**8,352**	**(1,076)**	**27,855**	**34,858**	**7,003**
Oil&Gas Valves	4,472	2,084	2,529	2,497	(32)	5,748	11,582	5,834
Industrial Valves	4,986	5,534	6,899	5,855	(1,044)	22,107	23,274	1,167
Others	2	-	-	-	-	-	2	2
Services	**21,872**	**21,054**	**17,085**	**17,497**	**412**	**110,631**	**77,508**	**(33,123)**
Oilfield Services Brazil	10,011	8,489	1,167	131	(1,036)	70,389	19,798	(50,591)
Oilfield Services Colombia	11,861	12,565	15,918	17,366	1,448	34,726	57,710	22,984
Tubular Services & Coating	-	-	-	-	-	5,516	-	(5,516)
Total	**31,332**	**28,672**	**26,513**	**25,849**	**(664)**	**138,486**	**112,366**	**(26,120)**

Product Segment

In 2017 there was significant growth in sales compared to 2016 - 25%. In 4Q17 compared to 3Q17, the small reduction in Net Revenue in the Industrial Valves division is explained by seasonality. Compared to 4Q17 to 4Q16, growth was 8%. The comparisons comprise only the valve business, since the anchoring unit did not operate during the comparison period.

The largest growth between 2016 and 2017 was in the Oil&Gas valves unit, which started from a very low base in 2016 and had a good export opportunity in 1Q17.

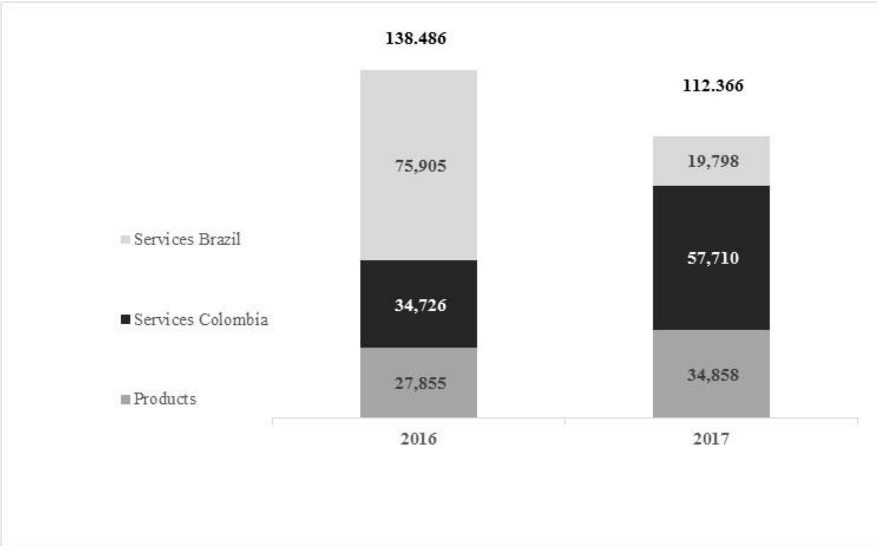
Comparing 2017 and 2016, the 5% increase in Net Revenue in the Industrial Valves division results from the commercial effort, in an environment where we have seen a modest resumption of investments and maintenance in the industrial segment. The result could have been better, there were some difficulties in supplying components in 4Q17.

Segmento de Serviços

The reduction of revenues in the Oilfield Services Brazil division occurred due to the conclusion of the Power Tongs and Coiled Tubing contracts with Petrobras in July 2017.

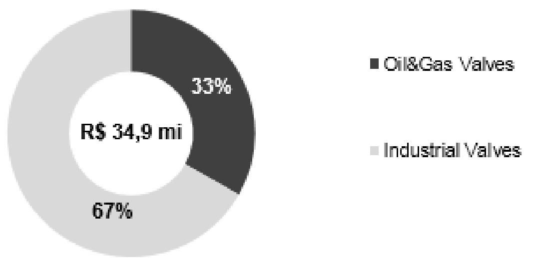
However, the continuous growth of the Net Revenue of the Oilfield Services Colombia division throughout the year is due not only to the recovery of the Colombian market, but also due to the recapitalization of the Colombian company.

Net Operational Revenue (R$ thousand)

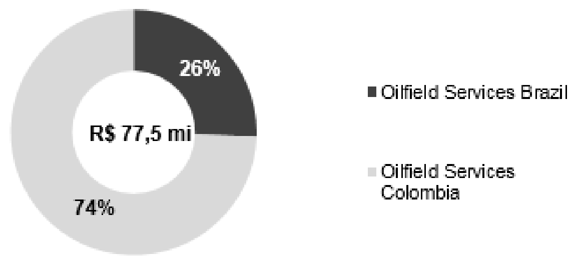


Revenue Distribution - 4Q17

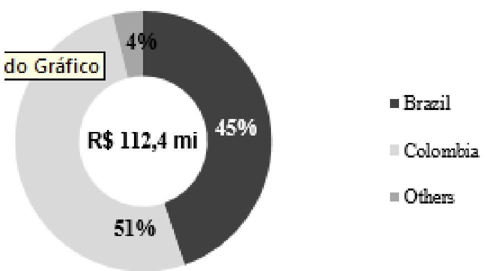
Products



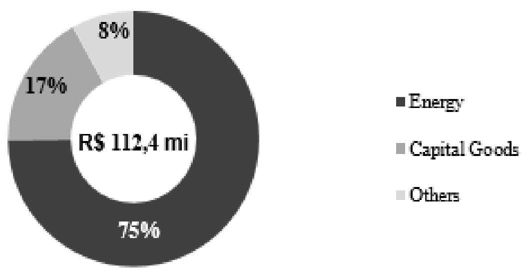
Services



By Region



By Industrial Sector



On December 31, 2017, the Company's order backlog totaled R$ 8.7 million, which included mainly valve orders. This number does not include bids won but which respective orders have not been issued.

Gross Profit and Gross Margin

Gross Profit (R$ thd)	1Q17	2Q17	3Q17	4Q17	Chg. R$/p.p.	2016	2017	Chg. R$/p.p.
Products	**(759)**	**(51)**	**376**	**(300)**	**(676)**	**(162)**	**(734)**	**(572)**
Gross Margin - Products	-8.0%	-0.7%	4.0%	-3.6%	-7.6 p.p.	-0.6%	-2.1%	-1.5 p.p.
Services	**(5,313)**	**(607)**	**(1,723)**	**3,098**	**4,821**	**(30,396)**	**(4,545)**	**25,851**
Gross Margin - Services	-24.3%	-2.9%	-10.1%	17.7%	27.8 p.p.	-27.5%	-5.9%	21.6 p.p.
Total	**(6,072)**	**(658)**	**(1,347)**	**2,798**	**4,145**	**(30,558)**	**(5,279)**	**25,279**
Gross Margin - Total	-19.4%	-2.3%	-5.1%	10.8%	15.9 p.p.	-22.1%	-4.7%	17.4 p.p.
Depreciation	**10,389**	**6,478**	**3,404**	**3,278**	**(126)**	**48,468**	**23,549**	**(24,919)**
Products	1,738	1,687	1,660	1,609	(51)	7,315	6,694	(621)
Services	8,651	4,791	1,744	1,669	(75)	41,153	16,855	(24,298)
Gross Profit without Depreciation	**4,317**	**5,820**	**2,057**	**6,076**	**4,019**	**17,910**	**18,270**	**360**
Products	1,738	1,636	2,036	1,309	(727)	7,153	5,960	(1,193)
Services	8,651	4,184	21	4,767	4,746	10,757	12,310	1,553
Gross Margin without Depreciation	13.8%	20.3%	7.8%	23.5%	15.7 p.p.	12.9%	16.3%	3.3 p.p.

Products Segment

In the comparison between 4Q17 and 3Q17, there was a reduction in Gross Profit, mainly due to the reduction in Net Revenue and costs with terminations that totaled R$ 0.5 million. Excluding depreciation, which is heavily weighted due to significant fixed capital in a low activity scenario, a gross margin of 16% was calculated, representing an effective positive contribution in terms of cash.

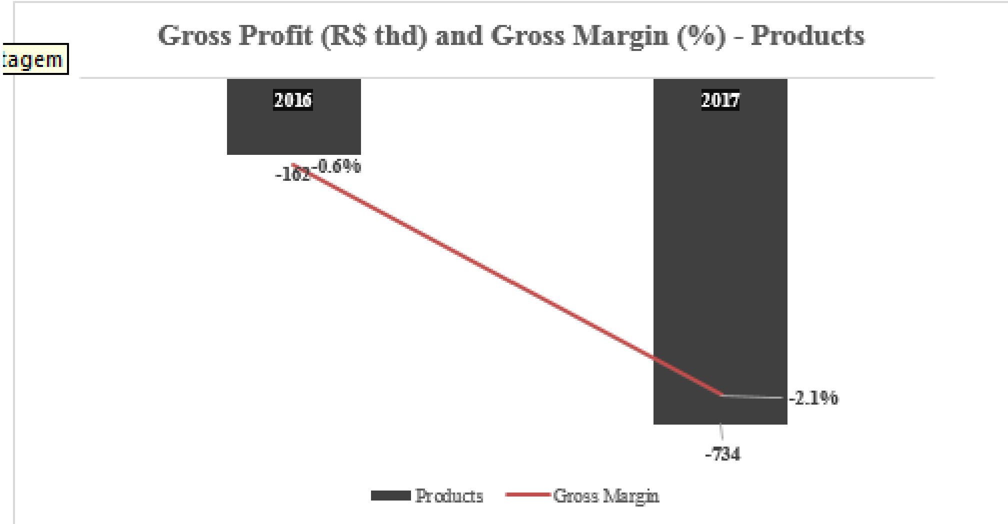
Noting the variation occurred comparing 2017 versus 2016, despite the increase in sales, the reduction in gross margin resulted from the weight of the export business which, with less margin, were more representative in 2017. The low margins practiced in the oil and gas valves business in the period, through which we pursued the resumption of volumes, also affected the figures.

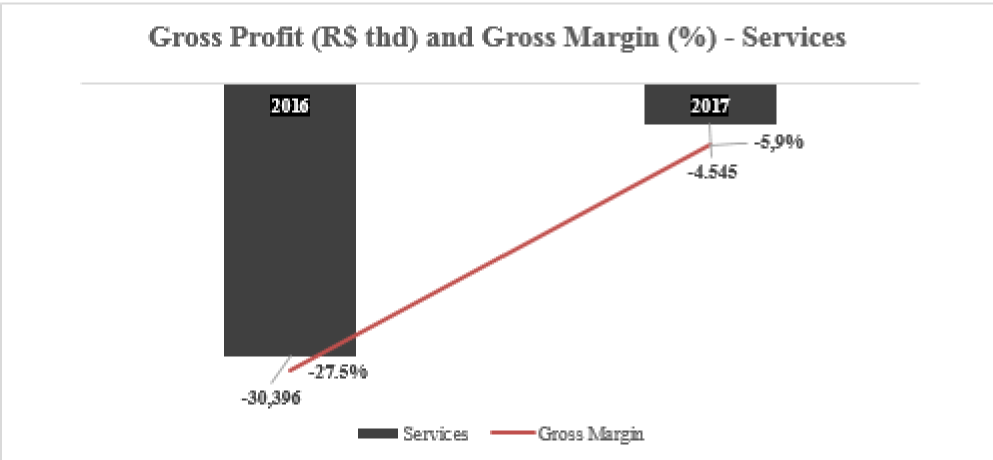
Services Segment

The improvement in results between 4Q17 and 3Q17 results from the improvement of the Colombian business in the 4Q and from the expenses related to the closure of Macaé activities in Q3.

Analyzing 2017 versus 2016, there is an excellent improvement in results, due to the reduction of costs with services, mainly with personnel costs, closing of deficit contracts and to the herculean restructuring work undertaken.

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





Expenses

Expenses (R$ thd)	1Q17	2Q17	3Q17	4Q17	Chg. R$	2016	2017	Chg. R$
Total Sales Expenses	**1,565**	**1,534**	**1,394**	**10,621**	**9,227**	**7,591**	**15,114**	**7,523**
Sales Expenses - Products	1,308	1,305	1,540	10,430	8,890	4,619	14,583	9,964
Sales Expenses - Services	257	229	(146)	191	337	2,972	531	(2,441)
Total Administrative Expenses	**7,346**	**6,980**	**6,627**	**7,428**	**801**	**38,162**	**28,381**	**(9,781)**
Administrative Expenses - Products	2,659	2,350	2,207	2,188	(19)	11,578	9,404	(2,174)
Administrative Expenses - Services	4,221	4,171	3,827	3,833	6	21,399	16,051	(5,348)
Administrative Expenses - Corporate	467	458	593	1,407	814	5,185	2,925	(2,260)
Management Fees	**862**	**1,151**	**766**	**720**	**(46)**	**5,576**	**3,499**	**(2,077)**
Total Sales, Administratives and Management Fees	**9,773**	**9,665**	**8,787**	**18,769**	**9,982**	**51,329**	**46,994**	**(4,335)**

Sales Expenses

Total Selling Expenses in 4Q17 increased compared to 3Q17, mainly due to the booking of credit losses of the Anchoring Ropes unit in the Product Segment, at the amount of R$ 8.9 million. The same reason justifies the variation that occurred between the years 2017 and 2016.

In the Services Segment, there was an increase in selling expenses in 4Q17 compared to 3Q17, mainly due to the reversal of losses in credits in 3Q17 in the amount of R$ 0.3 million in the Oilfield Services Brazil division. Comparing the year 2017 versus 2016, the reduction was significant, with the main reason being the reduction of activity in the Oilfield Services Brazil division, as well as the recognition of R$ 1.0 million of customer fines in the Tubular Services and Coating division in 2016.

Administrative Expenses

The Administrative Expenses of 4Q17 compared to 3Q17 did not have a significant variation, both in the Products and Services Segment. On the other hand, in the comparison between 2017 and 2016, they decreased considerably due to the reduction of administrative staff.

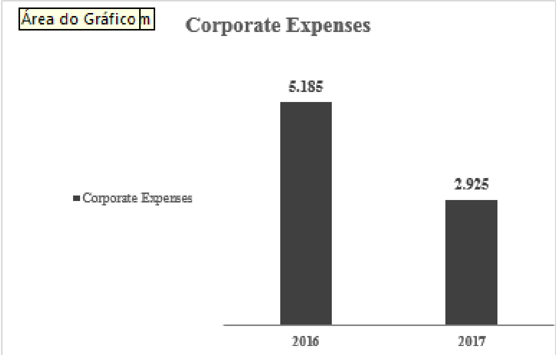
Analyzing the Company's Administrative Expenses, there is an increase in 4Q17 compared to 3Q17, which is due to the increase in credits subject to Judicial Recovery in the amount of R$ 0.8 million (dispute resolutions).

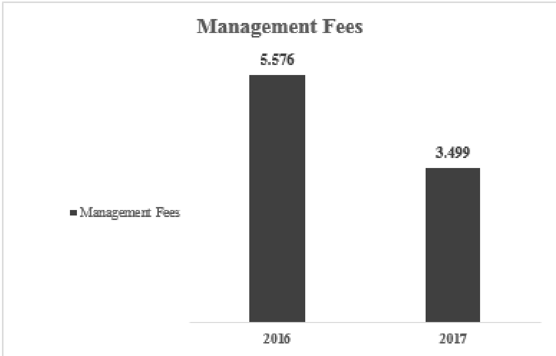
Management Pay

The total of Management Pay in 4Q17 compared to 3Q17, remained stable.

Analyzing the year 2017 versus 2016, the Management Fees were significantly reduced, mainly due to the reduction in the number of directors and lower expenses with variable compensation.

Operating Expenses (R$ thousand)





Other Operating (Revenues) and Expenses

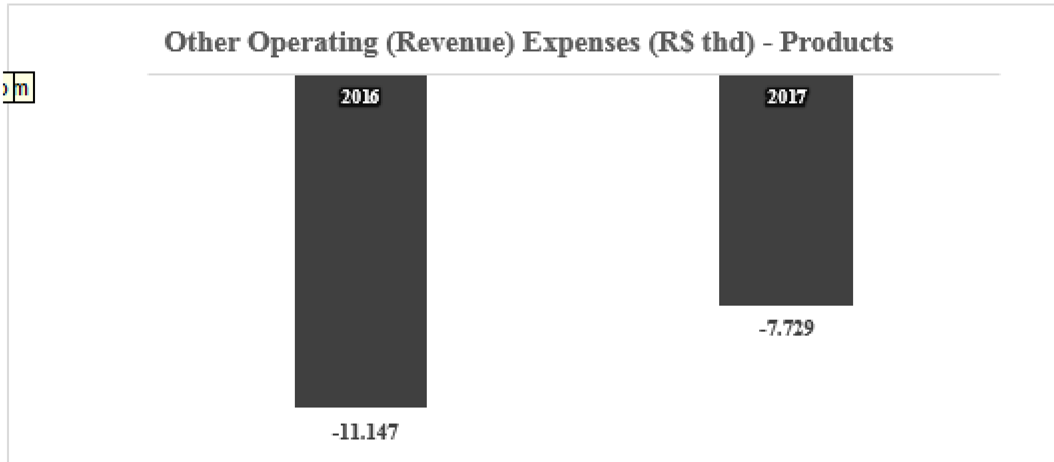
Other Operating (Revenue) and Expenses (R$ thd)	1Q17	2Q17	3Q17	4Q17	Chg. R$	2016	2017	Chg. R$
Products	3.942	1.145	(742)	(3.949)	(3.207)	(1.970)	396	2.365
Expenses with idleness - Products	(1.227)	(2.840)	(1.999)	(2.059)	(60)	(9.177)	(8.125)	1.053
Services	11.469	6.370	46.320	(18.365)	(64.685)	16.223	45.794	29.570
Expenses with idleness - Services	(539)	(517)	(330)	(291)	39	(2.526)	(1.677)	850
Total	**13.645**	**4.158**	**43.249**	**(24.664)**	**(67.913)**	**2.550**	**36.388**	**33.838**

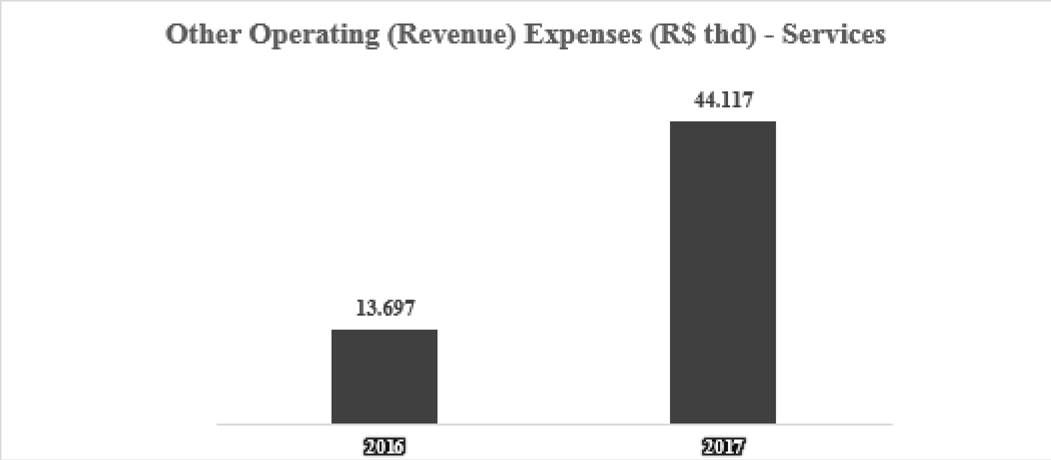
In 4Q17 the following factors stand out from the other expenses and operating income side:

(i) R$ 20.7 million corresponding to the net effect of impairment adjustments and the result of the sale of assets;

(ii) R$ 2.4 million referring to expenses with production idleness.

Other Operating (Revenues) Expenses (R$ thousand)





Financial Results

Financial Results (R$ thd)	1Q17	2Q17	3Q17	4Q17	Chg. R$	2016	2017	Chg. R$
Income from Financial Investments	82	62	53	36	(17)	1.288	233	(1.055)
Monetary Variation	653	673	105	489	384	1.907	1.920	13
Adjustment to fair value	-	-	-	-	-	157.062	-	(157.062)
Present value adjustment	-	-	-	-	-	292.152	-	(292.152)
Interest on Receivables	310	311	202	4	(198)	2.873	827	(2.046)
Revenue (reduction of fine, interest and charges adherence to PERT)	-	-	-	40.852	40.852	-	40.852	40.852
Others	114	24	86	24	(62)	1.140	248	(892)
Financial Revenue*	**1.159**	**1.070**	**446**	**41.405**	**40.959**	**456.422**	**44.080**	**(412.342)**
(Expense) Reversal of Interest Expenses	(3.679)	(3.427)	(3.340)	(3.025)	315	(41.291)	(13.471)	27.820
Present value adjustment	(1.418)	(1.362)	(1.439)	(1.457)	(18)	(394.788)	(5.676)	389.112
Discount Granted	-	(226)	(1)	-	1	(767)	(227)	540
(Provision) Reversal of Provision for Interest on Suppliers	(1.423)	(970)	(1.409)	(842)	567	(6.185)	(4.644)	1.541
Fines and Interest on Taxes	(1.559)	(1.773)	(16.350)	(18.539)	(2.189)	(5.479)	(38.221)	(32.742)
IOF, Banking Expenses and Others	(681)	(1.007)	(3.987)	2.331	6.318	(9.667)	(3.344)	6.323
Financial Expense*	**(8.760)**	**(8.765)**	**(26.526)**	**(21.532)**	**4.994**	**(458.177)**	**(65.583)**	**392.594**
Net Financial Results*	**(7.601)**	**(7.695)**	**(26.080)**	**19.873**	**45.953**	**(1.755)**	**(21.503)**	**(19.748)**
Exchange Vaciance Revenue	73.439	46.581	67.935	56.349	(11.586)	527.149	244.304	(282.845)
Exchange Variance Expenses	(66.962)	(59.387)	(55.618)	(69.933)	(14.315)	(474.608)	(251.900)	222.708
Net Exchange Variance	**6.477**	**(12.806)**	**12.317**	**(13.584)**	**(25.901)**	**52.541**	**(7.596)**	**(60.137)**
Net Financial Results - Total	**(1.124)**	**(20.501)**	**(13.763)**	**6.289**	**20.052**	**50.786**	**(29.099)**	**(79.885)**

* Excluding Exchange Variance

Financial Revenue

In 4Q17, a substantial increase in Financial Revenue was recorded, resulting from interest, fines and charges discounts that the Special Tax Regularization Program - PERT provided.

Comparing the year 2017 with that of 2016, there is a significant reduction in Total Financial Revenue (excluding Exchange Variation), due mainly to the events occurred in 2016 and non-recurrent in 2017, are: (i) recording of adjustment revenue at the present value of credits subject to Judicial Recovery in the amount of R$ 157.1 million; and (ii) adjustment to fair value at December 31, 2016 in the amount of R$ 292.1 million referring to the warrants to be issued in accordance with the approval and homologation occurred on December 01, 2016 of the New Recovery Plan Of the Company.

Financial Expense

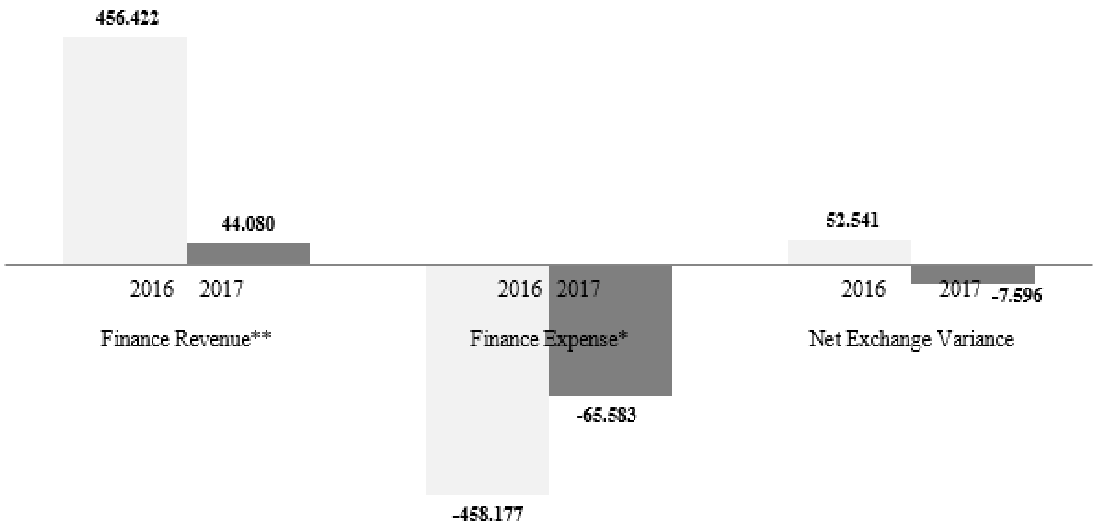
As in 3Q17, also in 4Q17 there was a significant effect of the recognition of interest and fines on tax credits recognized in the context of the adhesion to PERT.

Comparing the year 2017 versus 2016, there is also a reduction due to the reversal of adjustments to the present value of the debt subject to the Judicial Recovery due to the annulment of the first approved plan and the reduction of interest expenses, which decreased R$ 27.8 million in 2017 versus 2016.

Net Exchange Rate Variance

Net Foreign Exchange Variation in 4Q17 resulted in expense versus revenue in 3Q17 affected by the appreciation in the US dollar currency against the Brazilian Real in 4Q17.

Composition of Financial Result (R$ thousand)



* Excluding Exchange Variance

EBITDA Adjusted

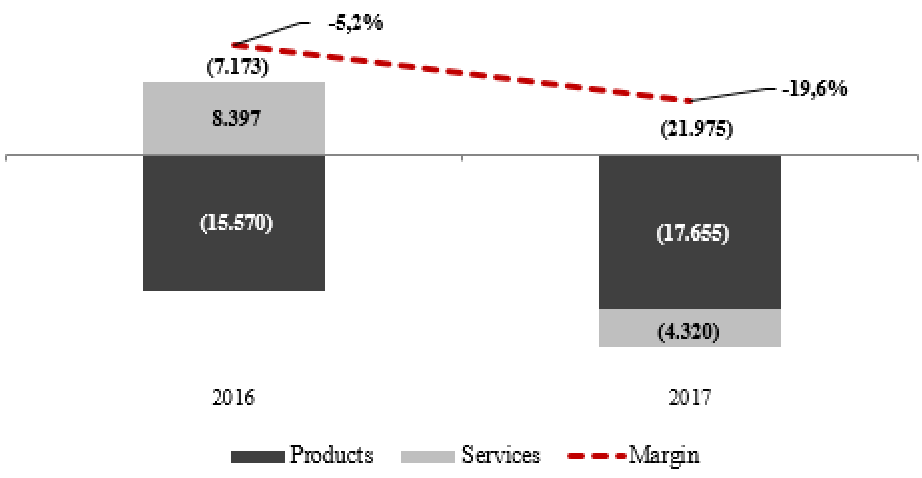
EBITDA Ajustado (R$ mil)	1T17	2T17	3T17	4T17	Var. R$/p.p	2016	2017	Var. R$/p.p
Produtos	**(5.210)**	**(4.614)**	**(4.499)**	**(3.332)**	**1.167**	**(15.570)**	**(17.655)**	**(2.085)**
Margem	-55,1%	-60,6%	-47,7%	-39,9%	7,8 p.p.	-55,9%	-50,6%	5,2 p.p.
Serviços	**1.556**	**882**	**(4.713)**	**(2.045)**	**2.668**	**8.397**	**(4.320)**	**(12.717)**
Margem	7,1%	4,2%	-27,6%	-11,7%	15,9 p.p.	7,6%	-5,6%	-13,2 p.p.
Total	**(3.654)**	**(3.732)**	**(9.212)**	**(5.377)**	**3.835**	**(7.173)**	**(21.975)**	**(14.802)**
Margem	-11,7%	-13,0%	-34,7%	-20,8%	13,9 p.p.	-5,2%	-19,6%	-14,4 p.p.
% Produtos	143%	124%	49%	62%		217%	80%	
% Serviços	-43%	-24%	51%	38%		-117%	20%	

The Total Consolidated Adjusted EBITDA in 4Q17 improved compared to 3Q17. In the Product Segment, the improvement was due to a policy of austerity in expenses.The improvement in the Services Segment is explained by improved business in the Colombian unit.

Analyzing 2017 compared to 2016, there is a reduction in both Segments. In Services, the variation is justified by the reduction of activities and costs with closing of contracts. In the Product Segment, there was an increase in Net Revenue and an improvement in the EBITDA margin as a result of the reduction in administrative expenses, although the result in Brazilian Reais was lower.

Adjusted Ebitda Reconciliation (R$ thd)	1Q17	2Q17	3Q17	4Q17	2017	2016
Gross Profit	(6.072)	(658)	(1.347)	2.798	(5.279)	(30.558)
SG&A	(8.911)	(8.514)	(8.021)	(18.049)	(43.495)	(45.753)
Management Fees	(862)	(1.151)	(766)	(720)	(3.499)	(5.576)
Depreciation and Amortization	10.389	6.478	3.404	3.278	23.549	48.468
Other Operating Expenses	13.645	4.158	43.249	(24.664)	36.388	2.550
Minority Interest	-	-	(1.556)	(1.958)	(3.514)	-
Ebitda	**8.189**	**313**	**34.963**	**(39.315)**	**4.150**	**(30.869)**
Provision for Variable Remuneration	-	164	(90)	127	201	(394)
Provisions/Reversals for Losses, Impairment, Net Result on Disposal of Assets, Reversals with Legal Proceedings	(13.540)	(5.872)	(48.725)	32.809	(35.328)	6.206
Fines with Customers	70	31	55	21	177	1.623
Restructuring Process and Other Extraordinary Expenses	1.627	1.632	3.238	981	7.478	16.261
Expenses with Demobilization Macaé Unit	-	-	1.347	-	1.347	-
Adjusted EBITDA	**(3.654)**	**(3.732)**	**(9.212)**	**(5.377)**	**(21.975)**	**(7.173)**

EBITDA Adjusted (R$ thousand)



	4Q17		
Adjusted Ebitda Reconciliation (R$ thd)	**Products**	**Services**	**Total**
Gross Profit	(300)	3.098	2.798
SG&A	(11.332)	(6.717)	(18.049)
Management Fees	(228)	(492)	(720)
Depreciation and Amortization	1.609	1.669	3.278
Other Operating Expenses	(6.008)	(18.656)	(24.664)
Minority Interest	-	(1.958)	(1.958)
Ebitda	**(16.259)**	**(23.056)**	**(39.315)**
Provision for Variable Remuneration	-	127	127
Provisions/Reversals for Losses, Impairment, Net Result on Disposal of Assets, Reversals with Legal Proceedings	12.271	20.538	32.809
Fines with Customers	21	-	21
Restructuring Process and Other Extraordinary Expenses	635	346	981
Adjusted EBITDA	**(3.332)**	**(2.045)**	**(5.377)**

Non-recurring Expenses (Provisions / Reversals for Losses, Impairment, Net Profit on Disposal of Assets and Reversals with Legal Proceedings) refer mainly to the following records:

(i) R$ 8.9 million referring to the credit losses in the Anchoring Ropes division, due to the great probability of the uncertainty of receipt;

(ii) R$ 2.8 million referring to the respective expenses for goods imported in the Oil&Gas and Anchoring Ropes Division in previous years, which have been lost;

(iii) R$ 8.9 million related to customs debts recognized in the context of the adhesion to PERT;

(iv) R$ 19.7 million related to reversals of provision for lawsuits;

(v) R$ 1.5 million from the sale of investments, related to the sale of a 13.0% interest in the indirect subsidiary Lupatech OFS S.A.S;

(vi) R$ 20.7 million corresponding to the negative net effect of the impairment adjustments and the result of the sale of assets;

(vii) R$ 3.1 million of expenses with loss of inventory obsolescence.

Since the Company focuses its future on the resumption of the products business, it is relevant to evaluate the performance of this business unit between the two years. The following table shows the unit's adjusted EBITDA:

Product Business	2016	2017
Net Revenue	27.855	34.858
Gross profit	(162)	(734)
Gross Margin	-0,6%	-2,1%
Expenses	(27.344)	(30.907)
EBITDA	**(27.506)**	**(31.641)**
Exceptional Items		
Credit Losses	-	8.993
Inventory Obsolescence	2.166	1.959
Loss of imports	-	2.900
Revaluation of Legal Proceedings	2.070	(214)
Adjusted EBITDA	**(23.270)**	**(18.004)**

It can be observed that the sales growth was accompanied by an effective improvement in results, which tends to expand with greater activity, since both the Oil&Gas valve unit and the Anchoring Ropes unit operated in 2017 with volumes very low and with no volume respectively.

Net Result

Net Result (R$ thd)	1Q17	2Q17	3Q17	4Q17	Chg. R$	2016	2017	Chg. R$
Minority Interest	-	-	986	399	(587)	-	1.385	1.385
Result Before Income Tax and Social Contribution	(4.817)	(26.952)	19.703	(28.121)	(47.824)	(39.238)	(40.187)	(949)
Income Tax and Social Contribution - Current	(919)	(595)	(4.346)	(4.859)	(513)	(2.236)	(10.719)	(8.483)
Income Tax and Social Contribution - Deferred	831	829	27.825	15.934	(11.891)	64.800	45.419	(19.381)
Net Result	**(4.905)**	**(26.718)**	**44.168**	**(16.647)**	**(60.815)**	**23.326**	**(4.102)**	**(27.428)**
Net Result per 1,000 shares	(0,52)	(2,84)	4,70	(0,44)	(5,14)	2,48	(0,44)	(2,92)

Net Income for the period was a loss in 4Q17, versus profit in 3Q17. The main events that contributed to this result in 4Q17 were:

(i) R$ 19.7 million referring to reversal of loss with lawsuits;

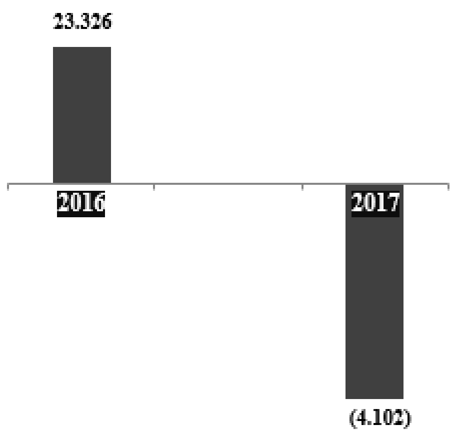
(i) R$ 20.7 million corresponding to the negative net effect of the impairment adjustments and the result of the sale of assets;

(ii) R$ 2.7 million of idle production;

(iii) R$ 1.5 million loss on the sale of equity interest in the indirect subsidiary Lupatech OFS S.A.S.;

(iv) R$ 3.3 million of expenses with loss of inventory obsolescence.

Composition of Net Result (R$ thousand)

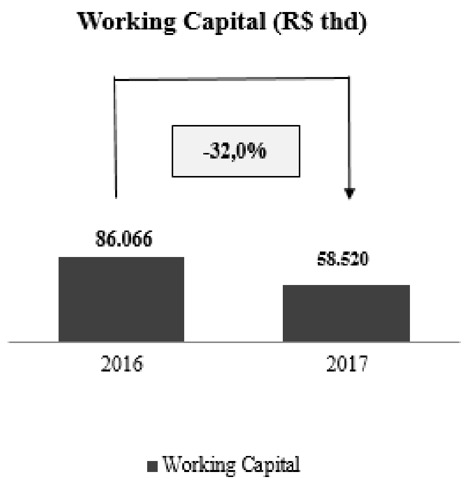


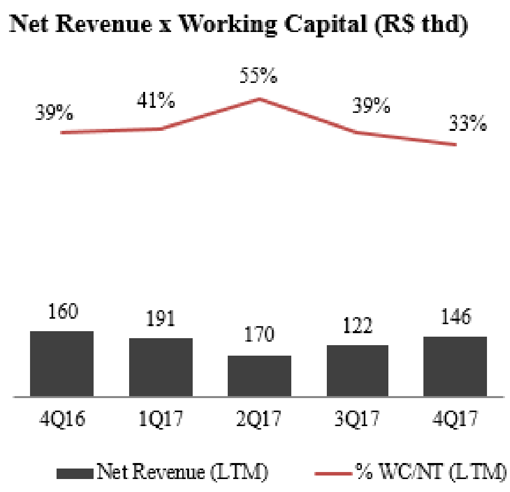
Operating Working Capital

Working Capital (R$ thd)	2016	2017	Chg. %	Chg. R$
Accounts Receivable	44.912	26.906	-40,1%	(18.006)
Inventories	56.691	59.164	4,4%	2.473
Advances of suppliers	14.095	13.534	-4,0%	(561)
Recoverable taxes	29.603	26.101	-11,8%	(3.502)
Suppliers	25.023	32.983	31,8%	7.960
Advances from Customers	2.452	2.565	4,6%	113
Taxes payable	23.488	22.628	-3,7%	(860)
Payroll and charges	8.272	9.009	8,9%	737
Employed Working Applied	**86.066**	**58.520**	**-32,0%**	**(27.546)**
Working Capital Variance	6.771	(27.546)		
% Working Capital/Net Revenue*	39%	33%		

**LTM: last 12 months*

In 2017 there was a significant reduction in working capital employed. This reduction is mainly due to the volume of accounts receivable due to the reduction in the company's overall revenues. and credit losses. There was also a reduction in the volume of taxes, both due to the reduction in activity and the use of tax credits. The volume of credits obtained from suppliers rose as a result of the recovery of the Brazil and Colombia businesses.





Cash and Cash Equivalents

Cash and cash equivalents (R$ thd)	2016	2017	Chg. %	Chg. R$
Cash and Cash Equivalents	1.233	2.135	73,2%	902
Securities-restricted	1.541	807	-47,6%	(734)
Total	**2.774**	**2.942**	**6,1%**	**168**

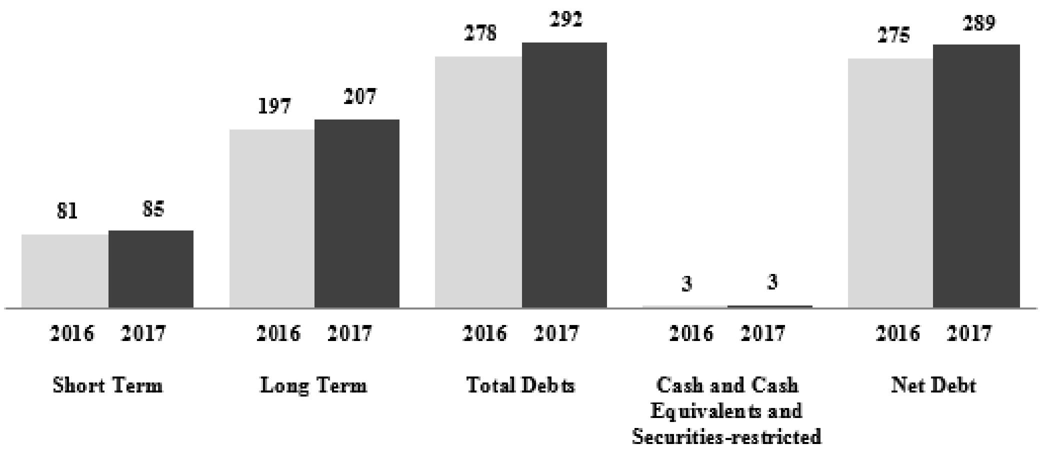
There was no substantial change in the Company's liquidity.

Debt

Debts (R$ ths)	2016	2017	Chg. %	Chg. R$
Short Term	**81.062**	**84.937**	**5%**	**3.875**
Credits subject to Judicial Recovery	39.145	26.315	-33%	(12.830)
Credits not subject to Judicial Recovery	41.917	58.622	40%	16.705
Long Term	**196.717**	**207.104**	**5%**	**10.387**
Credits subject to Judicial Recovery	184.051	201.245	9%	17.194
Credits not subject to Judicial Recovery	12.666	5.859	-54%	(6.807)
Total Debts	**277.779**	**292.041**	**5%**	**14.262**
Cash and Cash Equivalents	1.233	2.135	73%	902
Securities-restricted	1.541	807	-48%	(734)
Net Debt	**275.005**	**289.099**	**5%**	**14.094**

The Company's Gross Debt closed 2017, 5% more than in the year 2016. This increase is mainly a consequence of the exchange variation on loans denominated in foreign currency, due to the appreciation in the US dollar against the Brazilian Real in 4Q17.

Composition of Debt (R$ million)

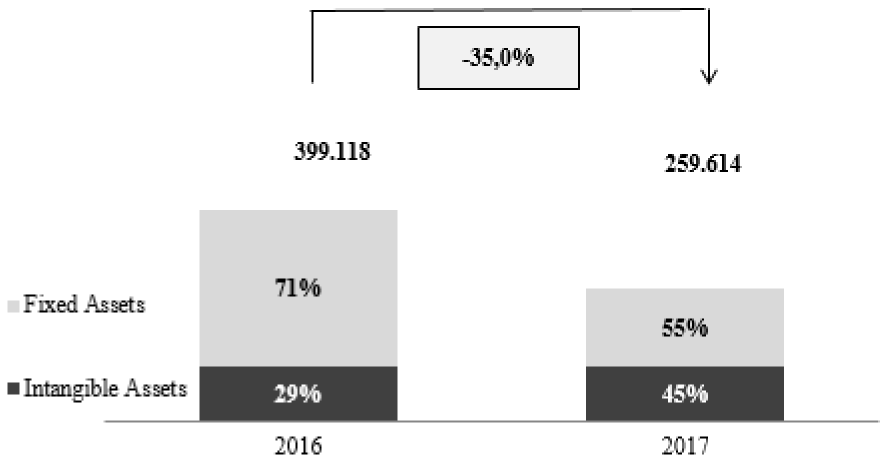


Investment balances

The Company's Balance of Investments in 2017, when compared to 2016, had a significant reduction, mainly related to: (i) the impairment of the subsidiaries abroad; (ii) the re classification of assets held for sale, in particular the service units in the amount of R$ 97.8 million, and (iii) the effect of exchange variation on property, plant and equipment of subsidiaries abroad, due to the appreciation of 1,5% in the US dollar against the Brazilian Real in 3Q17.

Investments (R$ thd)	2016	2017	Chg. %	Chg. R$
Others Investments	676	676	0,0%	-
Fixed Assets	281.730	143.178	-49,2%	(138.552)
Intangible Assets	116.712	115.760	-0,8%	(952)
Total	**399.118**	**259.614**	**-35,0%**	**(139.504)**

Investment balances (R$ thousand)



The Capex amounted to R$ 4.2 million in 2017, mainly directed to units of the Product Segment and Oilfield Services Colombia division.

Annexes

Annex I - Income Statements (R$ thousand)

	2016	2017	% Change
Net Revenue From Sales	138.486	112.366	-19%
Cost of Goods and Services Sold	(169.044)	(117.645)	-30%
Gross Profit	(30.558)	(5.279)	-83%
Operating Income/Expenses	(59.466)	(4.424)	-93%
Selling	(7.591)	(15.114)	99%
General and Administrative	(38.162)	(28.381)	-26%
Management Fees	(5.576)	(3.499)	-37%
Equity pick-up	(10.687)	6.182	-158%
Other Operation Income (Expenses)	2.550	36.388	1327%
Net Financial Result	50.786	(29.099)	-157%
Financial Income	456.422	44.080	-90%
Financial Expenses	(458.177)	(65.583)	-86%
Net Exchange Variance	52.541	(7.596)	-114%
Loss Before Income Tax and Social Contribution	(39.238)	(38.802)	-1%
Provision Income Tax and Social Contribution - Current	(2.236)	(10.719)	379%
Provision Income Tax and Social Contribution - Deferred	64.800	45.419	-30%
Gain (Loss) for the Period	23.326	(4.102)	-118%

Annex II – Reconciliation of Adjusted EBITDA (R$ Thousand)

	2016	2017	% Change
Adjusted EBITDA from Operations	(7.173)	(21.975)	206%
Provision for Variable Remuneration	394	(201)	n/a
Reestructuring Process	(16.262)	(7.478)	-54%
Provisions for Losses, Impairment and Net Result on Disposal of Assets	(6.204)	35.328	-669%
Fines with Costumers	(1.624)	(177)	-89%
Expenses with Demobilization Macaé Unit	-	(1.347)	n/a
EBITDA from Operations	(30.869)	4.150	-113%
Depreciation and Amortization	(48.468)	(23.549)	-51%
Equity Pick-up	(10.687)	6.182	-158%
Minority Interest	-	3.514	n/a
Net Financial Result	50.786	(29.099)	-157%
Income Tax and Social Contribution - Current and Deferred	62.564	34.700	-45%
Net Income (Loss)	23.326	(4.102)	-118%

Annex III – Consolidated Balance Sheets (R$ Thousand)

	2016	2017	% Change
Total Asset	**642.290**	**575.280**	**-10%**
Current Assets	**162.544**	**224.321**	**38%**
Cash and Cash Equivalents	1.233	2.135	73%
Securities-restricted	1.541	807	-48%
Accounts Receivable	44.912	26.906	-40%
Inventories	56.691	59.164	4%
Recoverable Taxes	29.603	26.101	-12%
Deferred Income Tax and Social Contribution	-	-	n/a
Other Accounts Receivable	6.394	4.556	-29%
Prepaid Expenses	3.285	1.264	-62%
Advances to Suppliers	14.095	13.534	-4%
Assets Classified as Held for Sale	4.790	89.854	n/a
Non-Current Assets	**479.746**	**350.959**	**-27%**
Securities-restricted	2.046	927	-55%
Judicial Deposits	24.657	31.222	27%
Recoverable Taxes	37.040	41.759	13%
Imposto de Renda e Contribuição Social Diferidos	-	-	n/a
Other Accounts Receivable	16.885	13.505	-20%
Assets Classified as Held for Sale	-	3.932	n/a
Investments	676	676	0%
Property, Plant and Equipment	281.730	143.178	-49%
Intangible Assets	116.712	115.760	-1%
Total Liabilities and Shareholders´Equity	**642.290**	**575.280**	**-10%**
Current Liabilities	**141.126**	**126.620**	**-10%**
Suppliers - Not Subject to Judicial Recovery	18.506	25.264	37%
Suppliers - Subject to Judicial Recovery - Class I	6.517	7.719	18%
Loans and Financing - Not Subject to Judicial Recovery	23.411	33.358	42%
Provisions Payroll and Payroll Payable	8.272	9.009	9%
Commissions Payable	897	928	3%
Taxes Payable	23.488	22.628	-4%
Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	32.628	18.596	-43%
Advances from Customers	2.452	2.565	5%
Employee's Profit Sharing	-	620	n/a
Other Accounts Payable	23.850	4.771	-80%
Provision for Contratual Fines	1.105	1.162	5%
Non-Current Liabilities	**414.116**	**336.517**	**-19%**
Suppliers - Subject to Judicial Recovery	65.862	73.247	11%
Suppliers - Not Subject to Judicial Recovery	-	67	n/a
Loans and Financing - Subject to Judicial Recovery	118.189	127.998	8%
Loans and Financing - Not Subject to Judicial Recovery	12.666	5.792	-54%
Taxes Payable	10.047	5.950	-41%
Deferred Income Tax and Social Contribution	56.526	49.212	-13%
Provision for Contigencies	123.977	54.410	-56%
Obligations and Provisions Labor Risks - Subject to Judicial Reorganization	-	8.184	n/a
Other Accounts Payable	7.669	3.223	-58%
Provision for Negative Equity in Subsidiaries	19.180	8.434	-56%
Shareholders' Equity	**87.048**	**112.143**	**29%**
Non-Controlling Interests	-	26.325	n/a
Capital Stock	1.853.684	1.853.684	0%
Capital reserve	6.341	6.341	0%
Capital Transaction Reserve	136.183	136.183	0%
Stock Options	13.549	13.549	0%
Equity Valuation Adjustment	65.617	65.969	1%
Accumulated Losses	(1.988.326)	(1.989.908)	0%

Annex IV – Consolidated Statement of Cash Flows (R$ Thousand)

	2016	2017	% Change
CASH FLOW FROM OPERATING ACTIVITIES			
Net Result for the Period	23.326	(4.102)	-118%
Adjustments:			
Depreciation and Amortization	48.468	23.549	-51%
Reversal for Loss Due to Non-Recoverability of Assets	(28.387)	15.241	508%
Equity Pick-up	10.687	(6.182)	-158%
Result on Sale of Fixed Assets	3.726	(9.073)	-344%
Loss (Gain) on Sale of Investments	(13.315)	4.447	n/a
Financial expenses, net	12.976	22.247	71%
Extraordinary Losses and Adjustment to Market Value with Inventories	2.508	-	n/a
Deferred Income Tax and Social Contribution	(62.564)	(45.419)	-27%
Reversal of fair value adjustment of business combination SABR	-	(54.536)	n/a
Losses on Inventory Obsolescence	(3.397)	5.731	-269%
Provision of Contractual Fines	1.623	178	-89%
Allowance for Doubtful Accounts	(261)	(48)	-82%
Effective Losses on Doubtful Accounts	(881)	8.984	-1120%
Present Value Adjustment	237.726	5.676	-98%
Adjustment to Fair Value	(292.152)	-	n/a
Changes in Assets & Liabilities			
(Increase) Decrease in Accounts Receivable	14.257	9.012	-37%
(Increase) Decrease in Inventories	(231)	(8.030)	3376%
(Increase) Decrease in Recoverable Taxes	(462)	38.220	-8373%
(Increase) Decrease in Other Assets	49.861	25.002	-50%
(Increase) Decrease in Suppliers	(97)	4.199	-4429%
(Increase) Decrease in Taxes Payable	(36.401)	(2.402)	-93%
(Increase) Decrease in Others Accounts Payable	(19.902)	(48.992)	146%
Cash Flow from Operating Activities	**(52.892)**	**(16.298)**	**-69%**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Proceeds from Sale of Investments	28.599	11.788	n/a
Securities-restricted	4.504	2.086	-54%
Sending of Proceeds from the Sale of Investment to its Investors	-	(10.665)	n/a
Proceeds from the sale of fixed assets	50	23.638	47176%
Aquisition of Property, Plant and Equipment	(3.063)	(4.206)	37%
Aquisition of Intangible Assets	(171)	(42)	n/a
Cash Flow from Investment Activities	**29.919**	**22.599**	**-24%**
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from Loans and Financings	79.095	86.947	10%
Payment of Loans and Financings - Principal	(83.066)	(90.096)	8%
Payment of Loans and Financings - Interest	(2.833)	(2.250)	-21%
Cash Flow from Financing Activities	**(6.804)**	**(5.399)**	**-21%**
Exchange Variation on Cash and Cash Equivalents of Subsidiaries Abroad	(2)	-	-100%
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(29.779)**	**902**	**-103%**
At the Beginning of the Period	31.012	1.233	-96%
At the End of the Period	1.233	2.135	73%

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.

LUPATECH S/A - IN JUDICIAL RECOVERY

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

ASSETS	Note	Parent 12/31/2017	Parent 12/31/2016 Re-presentation	Parent 01/01/2016 Re-presentation	Consolidated 12/31/2017	Consolidated 12/31/2016 Re-presentation	Consolidated 01/01/2016 Re-presentation
CURRENT ASSETS							
Cash and cash equivalents	6	6	123	3,125	2,135	1,233	31,012
Securities-restricted	6	807	1,541	1,163	807	1,541	1,163
Clients	7	6,051	16,818	17,883	26,906	44,912	62,330
Inventories	8	22,106	30,595	31,351	59,164	56,691	56,349
Recoverable taxes	9	4,317	5,650	5,869	26,101	29,603	30,976
Advances to suppliers		704	820	2,313	13,534	14,095	26,234
Other accounts receivable	10	1,612	3,813	1,260	4,556	6,394	7,715
Prepaid expenses		1,111	1,368	1,198	1,264	3,285	4,672
Accounts receivable - related parties	16.1	7,477	84,809	4,608	-	-	-
Assets classified as held for sale	31	-	-	15,284	89,854	4,790	15,284
Total current assets		44,191	145,537	84,054	224,321	162,544	235,735
NON-CURRENT ASSETS							
Judicial deposits	19.3	2,081	1,663	857	31,222	24,657	22,275
Securities-restricted	6	927	2,046	5,640	927	2,046	5,640
Recoverable taxes	9	13,418	6,101	6,150	41,759	37,040	40,455
Accounts receivable - related parties	16.1	26,282	25,804	31,073	-	-	-
Other accounts receivable	10	7,098	6,724	6,130	13,505	16,885	33,384
Assets classified as held for sale	31	3,513	-	-	3,932	-	-
Investments							
Direct and indirect associated companies	11.1	375,419	356,588	455,056	-	-	-
Other investments		90	90	90	676	676	676
Fixed assets	12	73,249	82,786	88,497	143,178	281,730	354,862
Intangibles							
Goodwill	13	55,414	55,414	55,414	101,333	100,936	103,459
Other intangibles	13	13,740	14,798	16,242	14,427	15,776	17,545
Total Non-current assets		571,231	552,014	665,149	350,959	479,746	578,296
TOTAL ASSETS		615,422	697,551	749,203	575,280	642,290	814,031

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

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

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Parent			Consolidated		
		12/31/2017	12/31/2016 Re-presentation	01/01/2016 Re-presentation	12/31/2017	12/31/2016 Re-presentation	01/01/2016 Re-presentation
CURRENT LIABILITIES							
Suppliers - not subject to Judicial Recovery	14	6,443	5,517	5,894	25,264	18,506	29,084
Suppliers - subject to Judicial Recovery - Class I	14	7,719	6,517	6,517	7,719	6,517	6,517
Loans and financing - not subject to Judicial Recovery	15	14,998	11,343	9,229	33,358	23,411	31,145
Provisions payroll and payroll payable		3,528	4,201	7,983	9,009	8,272	23,005
Commissions payable		873	869	1,118	928	897	1,131
Taxes payable	20	4,084	8,543	10,795	22,628	23,488	40,830
Obligations for labor risks and creditors class I - subject to Judicial Recovery		18,596	32,628	33,462	18,596	32,628	33,462
Advances from customers		2,199	1,905	3,045	2,565	2,452	3,783
Provision contratual fines		1,003	1,105	2,023	1,162	1,105	2,023
Employee's profit sharing		-	-	-	620	-	767
Other accounts payable	18	1,986	2,020	3,221	4,771	23,850	19,737
Related Parties - mutual and loans	16.1	32,597	69,993	86,881	-	-	-
Total current liabilities		94,026	144,641	170,168	126,620	141,126	191,484
NON-CURRENT LIABILITIES							
Suppliers - subject to Judicial Recovery	14	73,247	65,862	72,018	73,247	65,862	72,018
Suppliers - not subject to Judicial Recovery	14	-	-	-	67	-	-
Loans and financing - subject to Judicial Recovery	15	77,248	69,149	81,581	127,998	118,189	161,026
Loans and financing - not subject to Judicial Recovery	15	-	-	-	5,792	12,666	8,177
Deferred income tax and social contribution	17	28,710	30,018	73,943	49,212	56,526	120,947
Taxes payable	20	4,671	5,734	4,602	5,950	10,047	9,000
Provision for contigencies	19.1	8,572	10,820	4,381	54,410	123,977	125,301
Obligations and provisions labor risks - subject to judicial reorganization		8,184	-	-	8,184	-	-
Other accounts payable	18	1,096	1,096	1,096	3,223	7,669	8,965
Related Parties - mutual and loans	16.1	225,416	264,003	224,301	-	-	-
Provision for negative equity in subsidiaries	11.2	8,434	19,180	3,660	8,434	19,180	3,660
Total non-current liabilities		435,578	465,862	465,582	336,517	414,116	509,094
SHAREHOLDERS' EQUITY	21						
Capital stock		1,853,684	1,853,684	1,853,684	1,853,684	1,853,684	1,853,684
Capital reserve		6,341	6,341	-	6,341	6,341	-
Capital transaction reserve		136,183	136,183	136,183	136,183	136,183	136,183
Stock options		13,549	13,549	13,549	13,549	13,549	13,549
Equity valuation adjustments		65,969	65,617	126,671	65,969	65,617	126,671
Retained earnings / Accumulated losses		(1,989,908)	(1,988,326)	(2,016,634)	(1,989,908)	(1,988,326)	(2,016,634)
Parents company's interest		85,818	87,048	113,453	85,818	87,048	113,453
Non-controlling interests		-	-	-	26,325	-	-
Total shareholders' equity		85,818	87,048	113,453	112,143	87,048	113,453
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		615,422	697,551	749,203	575,280	642,290	814,031

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT OF INCOME
ON DECEMBER 31, 2017 AND 2016
(In R$ Thousands)

	Note	Parent 12/31/2017	Parent 12/31/2016 Re-presentation	Consolidated 12/31/2017	Consolidated 12/31/2016 Re-presentation
NET REVENUE FROM SALES	25	25,510	19,996	112,366	138,486
COST OF GOODS AND SERVICES SOLD		(26,707)	(20,707)	(117,645)	(169,044)
GROSS LOSS		(1,197)	(711)	(5,279)	(30,558)
OPERATING INCOME/EXPENSES					
Selling		(13,401)	(3,666)	(15,114)	(7,591)
General and administrative		(5,519)	(13,831)	(28,381)	(38,162)
Management compensation	16.2	(3,499)	(5,576)	(3,499)	(5,576)
Equity pick-up	11.1	27,735	(43,303)	6,182	(10,687)
Other operating income (expenses)	28	(2,214)	(3,305)	36,388	2,550
OPERATING INCOME (EXPENSES) BEFORE FINANCIAL RESULTS		1,905	(70,392)	(9,703)	(90,024)
FINANCIAL RESULTS					
Financial income	27	15,212	420,134	44,080	456,422
Financial expenses	27	(31,627)	(423,224)	(65,583)	(458,177)
Exchange variation, net	27	(3,759)	52,088	(7,596)	52,541
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(18,269)	(21,394)	(38,802)	(39,238)
PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION					
Current	17	-	-	(10,719)	(2,236)
Deferred	17	14,167	44,720	45,419	64,800
INCOME (LOSS) FOR THE PERIOD		(4,102)	23,326	(4,102)	23,326
Attributed to:					
Parent company's interest		(4,102)	23,326	(5,487)	23,326
Non-controlling interest		-	-	1,385	-
NET INCOME (LOSS) PER SHARE (In Reais)					
BASIC EARNINGS PER SHARE	26	(0.437)	2.483		
DILUTED PER SHARE	26	(0.437)	2.483		

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATMENT OF COMPREHENSIVE INCOME
ON DECEMBER 31, 2017 AND 2016
(In R$ Thousands)

	Note	Parent		Consolidated	
		12/31/2017	12/31/2016 Re-presentation	12/31/2017	12/31/2016 Re-presentation
NET INCOME (LOSS) FOR THE PERIOD		(4,102)	23,326	(4,102)	23,326
OTHER COMPREHENSIVE INCOME					
Exchange variation on investments abroad	11.1	2,872	(56,072)	2,872	(56,072)
COMPREHENSIVE INCOME OF THE PERIOD		(1,230)	(32,746)	(1,230)	(32,746)
TOTAL COMPREHENSIVE INCOME ALLOCATED TO:					
Participation of controlling shareholders		(1,230)	(32,746)	(2,615)	(32,746)
Non-controlling interests		-	-	1,385	-

The notes are an integral part of the financial statements.

LUPATECH S.A. AND ASSOCIATED COMPANIES
CONSOLIDATED STATEMENT OF CHANGES SHAREHOLDER'S EQUITY
ON DECEMBER 31, 2017 AND 2016

(In R$ Thousands)

	Note	Capital Stock	Capital Reserves, Options Granted	Accumulated Profit/Loss	Equity Valuation Adjustments	Parents Company's Interest	Non-Controlling Interest	Total Shareholders' Equity
BALANCE ADJUSTMENT IN DECEMBER 31, 2015		**1,853,684**	**149,732**	**(2,036,774)**	**126,671**	**93,313**	**-**	**93,313**
Reclassification	2.1.1	-	-	20,140	-	20,140	-	20,140
BALANCE ADJUSTMENT IN DECEMBER 31, 2015 (RE-PRESENTANTION)		**1,853,684**	**149,732**	**(2,016,634)**	**126,671**	**113,453**	**-**	**113,453**
Net income of period		-	-	23,326	-	23,326	-	23,326
Constitution of legal reserve		-	6,341	-	-	6,341	-	6,341
Exchange variation on investments abroad	11.1	-	-	-	(56,072)	(56,072)	-	(56,072)
Achievement of the valuation adjustment	11.1	-	-	4,982	(4,982)	-	-	-
BALANCE ADJUSTMENT IN DECEMBER 31, 2016 (RE-PRESENTATION)		**1,853,684**	**156,073**	**(1,988,326)**	**65,617**	**87,048**	**-**	**87,048**
Loss of period		-	-	(4,102)	-	(4,102)	1,385	(2,717)
Exchange variation on investments abroad	11.1	-	-	-	2,872	2,872	-	2,872
Non-controlling interests		-	-	-	-	-	24,940	24,940
Achievement of the valuation adjustment		-	-	2,520	(2,520)	-	-	-
BALANCE ADJUSTMENT IN DECEMBER 31, 2017		**1,853,684**	**156,073**	**(1,989,908)**	**65,969**	**85,818**	**26,325**	**112,143**

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT CASH FLOW - INDIRECT METHOD
ON DECEMBER 31, 2017 AND 2016
(In R$ Thousands)

		Parent		Consolidated	
	Note	12/31/2017	12/31/2016 Re-presentation	12/31/2017	12/31/2016 Re-presentation
CASH FLOW FROM OPERATION					
Net results		(4,102)	23,326	(4,102)	23,326
Depreciation and amortization	12 and 13	7,105	8,147	23,549	48,468
Reversal (Provision) for losses by non-recoverability of assets	12 and 13	-	-	15,241	(28,387)
Equity pick-up	11.1	(27,735)	43,303	(6,182)	10,687
Result on sale of fixed assets		(715)	9	(9,073)	3,726
Gain (Loss) on sale of investment		-	(13,315)	4,447	(13,315)
Financial expenses, net		29,345	74,905	22,247	12,976
Extraordinary losses and adjustment to market value with inventories		-	(1,019)	-	2,508
Deferred income tax and social contribution		(14,167)	(44,720)	(45,419)	(62,564)
Reversal of fair value adjustment of business combination SABR	11.1.1 and 28	-	-	(54,536)	-
Inventory obsolescence	8	1,971	(1,465)	5,731	(3,397)
Provision of contractual fines		132	206	178	1,623
Allowance for doubtful accounts	7	55	(430)	(48)	(261)
Effective losses on doubtful accounts	7	8,994	(229)	8,984	(881)
Present value adjustment	27	5,495	184,556	5,676	237,726
Adjustment to fair value	27	-	(292,152)	-	(292,152)
(Increase) decrease in operating assets:					
Accounts receivable		14,226	3,537	9,012	14,257
Inventories		6,518	3,240	(8,030)	(231)
Recoverable taxes		6,875	1,063	38,220	(462)
Other assets		(740)	928	25,002	49,861
(Increase) decrease in operating liabilities:					
Suppliers		2,747	(476)	4,199	(97)
Taxes payable		(19,043)	(18,369)	(2,402)	(36,401)
Others accounts payable		(8,608)	(4,540)	(48,992)	(19,902)
Cash flow from operating activities		**8,353**	**(33,495)**	**(16,298)**	**(52,892)**
CASH FLOW FROM INVESTING ACTIVITIES					
Payment of capital in subsidiaries		-	11,699	-	-
Sale of interest in subsidiary and return of advance for future capital increase		3,943	-	-	-
Proceeds from sale of investments		-	28,599	11,788	28,599
Securities-restricted	6	2,060	3,968	2,086	4,504
Sending of proceeds from the sale of investment to its investors		-	-	(10,665)	-
Proceeds from the sale of fixed assets		929	2	23,638	50
Acquisition of property, plant and equipment	12	(256)	(851)	(4,206)	(3,063)
Acquisition to intangibles assets	13	(41)	(150)	(42)	(171)
Cash flow from investing activities		**6,635**	**43,267**	**22,599**	**29,919**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from loans and financing		13,017	6,286	86,947	79,095
Proceeds from loans and financing - Related parties		(15,519)	(12,858)	-	-
Payments of loans and financing - Principal		(12,575)	(6,201)	(90,096)	(83,066)
Payments of loans and financing - Interest		(28)	(1)	(2,250)	(2,833)
Cash flow from financing activities		**(15,105)**	**(12,774)**	**(5,399)**	**(6,804)**
EXCHANGE VARIATION ON CASH AND CASH EQUIVALENTS FOR SUBSIDIARIES ABROAD		-	-	-	(2)
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(117)**	**(3,002)**	**902**	**(29,779)**
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		6	123	2,135	1,233

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT OF ADDED VALUE
ON DECEMBER 31, 2017 AND 2016
(In R$ Thousands)

		Parent		Consolidated	
	Note	12/31/2017	12/31/2016 Re-presentation	12/31/2017	12/31/2016 Re-presentation
REVENUE					
Sales of goods, products and services (IPI including)	25	30,269	23,819	122,103	154,181
Revenue from sale of investments	28	-	28,599	11,788	28,599
Reversal of fair value adjustment of business combination SABR	11.1.1 and 28	-	-	54,536	-
Reversal of provision for impairment of assets	12 and 28	-	-	26,685	-
Other revenues	28	16,891	3,263	57,246	40,330
Allowance for doubtful accounts - Reversal (recognition)		(55)	430	48	261
Effective losses on doubtful accounts		(8,995)	(229)	(8,984)	-
		38,110	**55,882**	**263,422**	**223,371**
ACQUIRED FROM THIRD PARTIES					
Cost of products, goods and services sold		(6,420)	(1,677)	(17,504)	(13,829)
Materials, energy, and other outsourced services		(9,942)	(10,591)	(50,932)	(52,271)
Provision for impairment of assets	12 and 28	-	-	(41,926)	28,387
Low investment for sale	28	-	(15,284)	(16,234)	(15,284)
Other expenses	28	(19,105)	(19,883)	(55,707)	(79,482)
		(35,467)	**(47,435)**	**(182,303)**	**(132,479)**
GROSS ADDED VALUE		2,643	8,447	81,119	90,892
DEPRECIATION AND AMORTIZATION	12 and 13	(7,105)	(8,147)	(23,549)	(48,468)
NET ADDED VALUE GENERATED BY THE COMPANY		**(4,462)**	**300**	**57,570**	**42,424**
ADDED VALUE RECEIVED IN TRANSFER					
Equity pick-up	11.1	27,735	(43,303)	6,182	(10,687)
Financial income	27	262,747	974,437	288,384	983,571
		290,482	**931,134**	**294,566**	**972,884**
TOTAL ADDED VALUE TO BE DISTRIBUTED		**286,020**	**931,434**	**352,136**	**1,015,308**
DISTRIBUTION OF ADDED VALUE		**286,020**	**931,434**	**352,136**	**1,015,308**
Staff:		**14,769**	**21,214**	**57,053**	**92,318**
Direct compensation		14,414	15,744	39,298	63,360
Benefits		(1,051)	2,995	10,500	15,223
FGTS		1,406	2,475	7,255	13,735
Taxes and contributions:		**(7,778)**	**(38,901)**	**(20,089)**	**(36,572)**
Federal		(10,279)	(40,937)	(24,664)	(42,647)
States		2,393	1,982	4,181	4,161
Municipal		108	54	394	1,914
Payment of debt		**283,131**	**925,795**	**319,274**	**936,236**
Interest and other financial expenses	27	282,921	925,439	317,483	932,785
Rent		210	356	1,791	3,451
Income (loss) on equity		**(4,102)**	**23,326**	**(4,102)**	**23,326**
Income/Loss for the period		(4,102)	23,326	(5,487)	23,326
Non-controlling interests		-	-	1,385	-

The notes are an integral part of the financial statements.

Lupatech S/A – In Judicial Recovery
Notes to the Financial Statements
Individual and Consolidated
For the year ended December 31, 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 associates companies (jointly, the "Group") is a corporation with its headquartes in Nova Odessa, State of São Paulo, with shares traded on São Paulo stock exchange "BOVESPA" LUPA3) and the US over-the-counter market through its ADR (LUPAQ). The group operates in two business segments: Products and Services and has 666 employees in Brazil and Colombia.

The **Products segment,** the Company produces industrial valves, valves for oil and gas, anchoring ropes for production platforms, valves and well completion equipment.

he **Services segment,** the Company offers drilling rigs and workover services, well intervention, coating and inspection of pipes.

Petrobras is the Company's main client and represents approximately 20.4% of the Company's net revenues in 2017 (53.2% in 2016). Both segments of the Company (Products and Services) are affected by revenue originating from Petrobras.

1.1 Going concern

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 2016 and R$11,788 in 2017). 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 the working capital and execute the investments required by its operations. However, in any scenario developed by management, estimates indicate 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 Oil&Gas market conditions and the repercussions of the Judicial Recovery process, with their level of activity and operational performance limited. In the evaluation of the Company, these units will return to operating as expected as the business environment normalizes, whenever the necessary resources to its working capital are conferred.

Management has conducted actions and negotiations, with the support of its financials advisors, which may include capital transactions and/or asset divestments, among others, in order to obtain financial resources. During 2016 and 2017, 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 2018.

During the year ended December 31, 2017, the Company incurred before income and social contribution taxes of R$18,269 in the parent company and R$38,802 in the consolidated (loss before income and social contribution taxes of R$21,394 in and consolidated balance of R$39,238 for the year ended December 31, 2016) and, as of December 31, 2017, the Company's total current liabilities exceeded the total current assets of R$49,835 in the parent company, and in the consolidated total current assets exceeded total current liabilities by R$97,701 (On December 31, 2016, total current assets exceeded current liabilities by R$896 in the parent company and R$21,418 in the consolidated). 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, arising 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&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.

On November 28, 2017, the Company announced the third issuance of debentures mandatorily convertible into shares of Lupatech S/A in the amount of up to R$30,000. The issue was completed on January 31, 2018 with the subscription of R$29,313.

The shareholders had preemptive rights in the acquisition of the debentures, and the funds obtained from the shareholders were directed to pay the creditors who opted for the subscription of credits. Such transaction is mainly aimed at the instrumentation of the payment of credits of labor nature, under the terms of the Judicial Recovery Plan. The creditors of this class were able to subscribe these debentures with their credits, a right also extended to creditors not subject to judicial recovery, in order to alleviate the future flow of disbursements by the Company.

Specifically, the Company used two strategies to settle the commitments with the Class I creditors in question. The first, without attribution of relevance, was the payment of creditors through the conversion of credit into Lupatech S / A debentures, and the second occurred through the adjudication of the shares of special purpose company (SPE), in the form of art. 50 XVI of Law nº 11,101.

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.

The disputed labor claims that are to be agreed in the Labor Court must be paid in the manner established in the respective agreements duly homologated by the Labor Court in a final decision.

Under no circumstances can the disputed labor claims be treated more favorably than the uncontroversial labor claims.

Labor claims that have their classification challenged by any interested party under the Bankruptcy Law will be considered controversial labor claims and can only be paid after the final judgment has passed that determines the qualification of the credit in question or by means of a bond, the terms 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 continues to pursue, through a special appeal, the annulment of a fine for litigation that has been improperly applied by the Court of Justice of São Paulo, which annulled the previously filed Judicial Recovery Plan.

2 Basis of presentation

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

The consolidated 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 financial statements have 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.

The issue of individual and consolidated financial statements has been approved by the Board of Directors on March 22, 2018.

2.1.1 Re-presentation of previously disclosed financial statements

a. Re-presentation of balance sheets (parent 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".

a.1) 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 (parent and consolidated) as of December 31, 2016, in the amount of R$6,341.

a.2) The Company obtained a favorable decision on a writ of mandamus filed against the Brazilian Federal Revenue Service in order to obtain the right to rectify the DCTF (Declaration of Debts and Federal Tax Credits), in order to expel taxes that were declared without a legal duty to do so. The merits was ruled in favor of Lupatech. The magistrate, in a first instance decision of which appeal may be filed, determined that the Company be authorized by the Federal Revenue to rectify its statements in order to purge the amounts unduly registered within a period of ninety days, being suspended the credit claim certificate held by the Federal Revenue Service until the final decision of the mandamus.

The taxes affected by this decision were recorded in the Company's current liabilities in the amount of R$36,574 on December 31, 2016, of which R$20,618 were recorded in prior years and R$15,956 related to fines and interest recorded in the same year.

Due to the recognition of the release of the tax payment, the Company is correcting the financial statements previously presented on December 31, 2016.

The financial statements previously presented on December 31, 2016, with the corrections mentioned above, are as follows:

- **Re-presentation of balance sheets (parent and consolidated) as of December 31, 2016**

	Parent					
	Balances originally presented 1/1/2016	Adjustment	Balaces re-representation 01/01/2016	Balances originally presented 12/31/2016	Adjustment	Balaces re-representation 12/31/2016
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	3,125	-	3,125	123	-	123
Securities-restricted	1,163	-	1,163	1,541	-	1,541
Clients	17,883	-	17,883	16,818	-	16,818
Inventories	31,351	-	31,351	30,595	-	30,595
Recoverable taxes	5,869	-	5,869	5,650	-	5,650
Advances to suppliers	2,313	-	2,313	820	-	820
Other accounts receivable	1,260	-	1,260	3,813	-	3,813
Prepaid expenses	1,198	-	1,198	1,368	-	1,368
Accounts receivable - related parties	4,608	-	4,608	84,809	-	84,809
Assets classified as held for sale	15,284	-	15,284	-	-	-
Total current assets	84,054	-	84,054	145,537	-	145,537
NON-CURRENT ASSETS						
Judicial deposits	857	-	857	1,663	-	1,663
Securities-restricted	5,640	-	5,640	2,046	-	2,046
Recoverable taxes	6,150	-	6,150	6,101	-	6,101
Accounts receivable - related parties	31,073	-	31,073	25,804	-	25,804
Other accounts receivable	6,130	-	6,130	6,724	-	6,724
Investments						
Direct and indirect associated companies	455,056	-	455,056	356,588	-	356,588
Other investments	90	-	90	90	-	90
Fixed assets	88,497	-	88,497	82,786	-	82,786
Intangibles		-	-		-	-
Goodwill	55,414	-	55,414	55,414	-	55,414
Other intangibles	16,242	-	16,242	14,798	-	14,798
Total Non-current assets	665,149	-	665,149	552,014	-	552,014
TOTAL ASSETS	749,203	-	749,203	697,551	-	697,551

		Parent					
		Balances originally presented 1/1/2016	Adjustment	Balaces re-representation 01/01/2016	Balances originally presented 12/31/2016	Adjustment	Balaces re-representation 12/31/2016
LIABILITIES AND SHAREHOLDERS' EQUITY							
CURRENT LIABILITIES							
Suppliers - not subject to Judicial Recovery		5,894	-	5,894	5,517	-	5,517
Suppliers - subject to Judicial Recovery - Class I		6,517	-	6,517	6,517	-	6,517
Loans and financing - not subject to Judicial Recovery		9,229	-	9,229	11,343	-	11,343
Provisions payroll and payroll payable		7,983	-	7,983	4,201	-	4,201
Commissions payable		1,118	-	1,118	869	-	869
Taxes payable	a.2)	31,413	(20,618)	10,795	45,117	(36,574)	8,543
Obligations for labor risks and creditors class I - subject to Judicial Recovery		33,462	-	33,462	32,628	-	32,628
Advances from customers		3,045	-	3,045	1,905	-	1,905
Provision contratual fines		2,023	-	2,023	1,105	-	1,105
Other accounts payable	a.2)	2,743	478	3,221	1,542	478	2,020
Related Parties - mutual and loans		86,881	-	86,881	69,993	-	69,993
Total current liabilities		190,308	(20,140)	170,168	180,737	(36,096)	144,641
NON-CURRENT LIABILITIES							
Suppliers - subject to Judicial Recovery		72,018	-	72,018	65,862	-	65,862
Loans and financing - subject to Judicial Recovery		81,581	-	81,581	69,149	-	69,149
Deferred income tax and social contribution		73,943	-	73,943	30,018	-	30,018
Taxes payable		4,602	-	4,602	5,734	-	5,734
Provision for contigencies		4,381	-	4,381	10,820	-	10,820
Other accounts payable		1,096	-	1,096	1,096	-	1,096
Related Parties - mutual and loans		224,301	-	224,301	264,003	-	264,003
Provision for negative equity in subsidiaries		3,660	-	3,660	19,180	-	19,180
Liabilities at fair value	a.1)	-	-	-	6341	(6,341)	-
Total non-current liabilities		465,582	-	465,582	472,203	(6,341)	465,862
SHAREHOLDERS' EQUITY							
Capital stock		1,853,684	-	1,853,684	1,853,684	-	1,853,684
Capital reserve	a.1)		-	-	-	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		126,671	-	126,671	65,617	-	65,617
Retained earnings / Accumulated losses	a.2)	(2,036,774)	20,140	(2,016,634)	(2,024,422)	36,096	(1,988,326)
Parents company's interest		93,313	20,140	113,453	44,611	42,437	87,048
Non-controlling interests					-	-	-
Total shareholders' equity		93,313	20,140	113,453	44,611	42,437	87,048
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		749,203	-	749,203	697,551	-	697,551

	Consolidated					
	Balances originally presented 1/1/2016	Adjustment	Balaces re-representation 01/01/2016	Balances originally presented 12/31/2016	Adjustment	Balaces re-representation 12/31/2016
ASSETS						
CURRENT ASSETS						
Cash and cash equivalents	31,012	-	31,012	1,233	-	1,233
Securities-restricted	1,163	-	1,163	1,541	-	1,541
Clients	62,330	-	62,330	44,912	-	44,912
Inventories	56,349	-	56,349	56,691	-	56,691
Recoverable taxes	30,976	-	30,976	29,603	-	29,603
Advances to suppliers	26,234	-	26,234	14,095	-	14,095
Other accounts receivable	7,715	-	7,715	6,394	-	6,394
Prepaid expenses	4,672	-	4,672	3,285	-	3,285
Assets classified as held for sale	15,284	-	15,284	4,790	-	4,790
Total current assets	235,735	-	235,735	162,544	-	162,544
NON-CURRENT ASSETS						
Judicial deposits	22,275	-	22,275	24,657	-	24,657
Securities-restricted	5,640	-	5,640	2,046	-	2,046
Recoverable taxes	40,455	-	40,455	37,040	-	37,040
Other accounts receivable	33,384	-	33,384	16,885	-	16,885
Investments						
Other investments	676	-	676	676	-	676
Fixed assets	354,862	-	354,862	281,730	-	281,730
Intangibles						
Goodwill	103,459	-	103,459	100,936	-	100,936
Other intangibles	17,545	-	17,545	15,776	-	15,776
Total Non-current assets	578,296	-	578,296	479,746	-	479,746
TOTAL ASSETS	814,031	-	814,031	642,290	-	642,290

		Consolidated					
		Balances originally presented 1/1/2016	Adjustment	Balaces re-representation 01/01/2016	Balances originally presented 12/31/2016	Adjustment	Balaces re-representation 12/31/2016
LIABILITIES AND SHAREHOLDERS' EQUITY							
CURRENT LIABILITIES							
Suppliers - not subject to Judicial Recovery		29,084	-	29,084	18,506	-	18,506
Suppliers - subject to Judicial Recovery - Class I		6,517	-	6,517	6,517	-	6,517
Loans and financing - not subject to Judicial Recovery		31,145	-	31,145	23,411	-	23,411
Provisions payroll and payroll payable		23,005	-	23,005	8,272	-	8,272
Commissions payable		1,131	-	1,131	897	-	897
Taxes payable	a.2)	61,448	(20,618)	40,830	60,062	(36,574)	23,488
Obligations for labor risks and creditors class I - subject to Judicial Recovery		33,462	-	33,462	32,628	-	32,628
Advances from customers		3,783	-	3,783	2,452	-	2,452
Provision contratual fines		2,023	-	2,023	1,105	-	1,105
Employee's profit sharing		767	-	767	-	-	-
Other accounts payable	a.2)	19,259	478	19,737	23,372	478	23,850
Total current liabilities		211,624	(20,140)	191,484	177,222	(36,096)	141,126
NON-CURRENT LIABILITIES							
Suppliers - subject to Judicial Recovery		72,018	-	72,018	65,862	-	65,862
Loans and financing - subject to Judicial Recovery		161,026	-	161,026	118,189	-	118,189
Loans and financing - not subject to Judicial Recovery		8,177	-	8,177	12,666	-	12,666
Deferred income tax and social contribution		120,947	-	120,947	56,526	-	56,526
Taxes payable		9,000	-	9,000	10,047	-	10,047
Provision for contigencies		125,301	-	125,301	123,977	-	123,977
Other accounts payable		8,965	-	8,965	7,669	-	7,669
Provision for negative equity in subsidiaries		3,660	-	3,660	19,180	-	19,180
Liabilities at fair value	a.1)	-			6341	(6,341)	-
Total non-current liabilities		509,094	-	509,094	420,457	(6,341)	414,116
SHAREHOLDERS' EQUITY							
Capital stock		1,853,684	-	1,853,684	1,853,684	-	1,853,684
Capital reserve	a.1)	-	-	-		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		126,671	-	126,671	65,617	-	65,617
Retained earnings / Accumulated losses	a.2)	(2,036,774)	20,140	(2,016,634)	(2,024,422)	36,096	(1,988,326)
Parents company's interest		93,313	20,140	113,453	44,611	42,437	87,048
Non-controlling interests					-		
Total shareholders' equity		93,313	20,140	113,453	44,611	42,437	87,048
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		814,031	-	814,031	642,290	-	642,290

- **Re-presentation of statement of income (parent and consolidated) as of December 31, 2016**

		Parent			Consolidated		
		Balances originally presented 12/31/2016	Adjustment	Balaces re-representation 12/31/2016	Balances originally presented 12/31/2016	Adjustment	Balaces re-representation 12/31/2016
NET REVENUE FROM SALES		19,996	-	19,996	138,486	-	138,486
COST OF GOODS AND SERVICES SOLD		(20,707)	-	(20,707)	(169,044)	-	(169,044)
GROSS LOSS		(711)	-	(711)	(30,558)	-	(30,558)
OPERATING INCOME/EXPENSES							
Selling		(3,666)	-	(3,666)	(7,591)	-	(7,591)
General and administrative		(13,831)	-	(13,831)	(38,162)	-	(38,162)
Management compensation		(5,576)	-	(5,576)	(5,576)	-	(5,576)
Equity pick-up		(43,303)	-	(43,303)	(10,687)	-	(10,687)
Other operating income (expenses)		(3,305)	-	(3,305)	2,550	-	2,550
OPERATING INCOME (EXPENSES) BEFORE FINANCIAL RESULTS		(70,392)	-	(70,392)	(90,024)	-	(90,024)
FINANCIAL RESULTS							
Financial income		420,134	-	420,134	456,422	-	456,422
Financial expenses	a.2)	(439,180)	15,956	(423,224)	(474,133)	15,956	(458,177)
Exchange variation, net		52,088	-	52,088	52,541	-	52,541
INCOME (LOSS) BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(37,350)	15,956	(21,394)	(55,194)	15,956	(39,238)
PROVISION FOR INCOME TAX AND SOCIAL CONTRIBUTION							
Current		-	-	-	(2,236)	-	(2,236)
Deferred		44,720	-	44,720	64,800	-	64,800
INCOME (LOSS) OF CONTINUED OPERATIONS		7,370	15,956	23,326	7,370	15,956	23,326
INCOME (LOSS) OF DISCONTINUED OPERATIONS		-	-	-	-	-	-
INCOME (LOSS) FOR THE PERIOD		7,370	15,956	23,326	7,370	15,956	23,326
Attributed to:							
Parent company's interest		7,370	15,956	23,326	7,370	15,956	23,326

- **Re-presentation of cash flow (parent and consolidated) as of December 31, 2016**

		Parent			Consolidated		
		Balances originally presented 12/31/2016	Adjustment	Balaces re-representation 12/31/2016	Balances originally presented 12/31/2016	Adjustment	Balaces re-representation 12/31/2016
CASH FLOW FROM OPERATION							
Net results	a.2)	7,370	15,956	23,326	7,370	15,956	23,326
Taxes payable	a.2)	(2,413)	(15,956)	(18,369)	(20,445)	(15,956)	(36,401)
Cash flow from operating activities		**(33,495)**	**-**	**(33,495)**	**(52,892)**	**-**	**(52,892)**
CASH FLOW FROM INVESTING ACTIVITIES							
Cash flow from investing activities		**43,267**	**-**	**43,267**	**29,919**	**-**	**29,919**
CASH FLOW FROM FINANCING ACTIVITIES							
Cash flow from financing activities		**(12,774)**	**-**	**(12,774)**	**(6,804)**	**-**	**(6,804)**
EXCHANGE VARIATION ON CASH AND CASH EQUIVALENTS FOR SUBSIDIARIES ABROAD		-	-	-	**(2)**	-	(2)
INCREASE/DECREASE IN CASH AND CASH EQUIVALENTS		**(3,002)**	**-**	**(3,002)**	**(29,777)**	**-**	**(29,777)**
Cash and cash equivalents at the beginning of period		3,125	-	3,125	31,012	-	31,012
Cash and cash equivalents at the end of period		123	-	123	1,233	-	1,233

- **Re-presentation of statement of comprehensive income (parent and consolidated) as of December 31, 2016**

		Parent and Consolidated		
		Balances originally presented 12/31/2016	Adjustment	Balaces re-representation 12/31/2016
NET INCOME (LOSS) FOR THE PERIOD	a.2)	7,370	15,956	23,326
NET INCOME (LOSS) FOR THE PERIOD				
Exchange variation on investments abroad		(56,072)	-	(56,072)
COMPREHENSIVE INCOME OF THE PERIOD		(48,702)	15,956	(32,746)
TOTAL COMPREHENSIVE INCOME ALLOCATED TO:				
Participation of controlling shareholders		(48,702)	15,956	(32,746)

- **Re-presentation of demonstration of added value (parent and consolidated) as of December 31, 2016.**

		Parent			Consolidated		
		Balances originally presented 12/31/2016	Adjustment	Balaces re-representation 12/31/2016	Balances originally presented 12/31/2016	Adjustment	Balaces re-representation 12/31/2016
Revenue		56,111	-	56,111	223,371	-	223,371
Acquired from third parties		(47,664)	-	(47,664)	(132,480)	-	(132,480)
Gross added value		**8,447**	**-**	**8,447**	**90,891**	**-**	**90,891**
Depreciation and amortization		(8,147)	-	(8,147)	(48,468)	-	(48,468)
Net added value generated by the Company		**300**	**-**	**300**	**42,423**	**-**	**42,423**
Added value received in transfer		931,134	-	931,134	972,884	-	972,884
TOTAL ADDED VALUE TO BE DISTRIBUTED		**931,434**	**-**	**931,434**	**1,015,307**	**-**	**1,015,307**
DISTRIBUTION OF ADDED VALUE		**931,434**	**-**	**931,434**	**1,015,307**	**-**	**1,015,307**
Staff		**21,214**	**-**	**21,214**	**92,318**	**-**	**92,318**
Taxes and contributions		**(38,901)**	-	**(38,901)**	**(36,573)**	-	**(36,573)**
Payment of debt		**941,751**	**(15,956)**	**925,795**	**952,192**	**(15,956)**	**936,236**
Interest and other financial expenses	a.2)	941,395	(15,956)	925,439	948,741	(15,956)	932,785
Rent		356	-	356	3,451	-	3,451
Income (loss) on equity		**7,370**	**15,956**	**23,326**	**7,370**	**15,956**	**23,326**
Income/Loss for the period	a.2)	7,370	15,956	23,326	7,370	15,956	23,326

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 financial statements were prepared based on historical cost, except for certain financial instruments measured at their fair values.

2.4 Basis of consolidation and investments in subsidiaries

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

2.4.1 Subsidiaries

The Group controls an entity when it is exposed to, or has rights to, variable returns arising from their involvement with the organization and has the ability to affect those returns exercising their power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which the Group obtains control until the date that control ceases.

In the individual financial statements of the Company, the financial informations of subsidiaries are recognized using the equity method.

The consolidated financial statements include the financial statements of Lupatech S/A – In Judicial Recovery and its direct and indirect subsidiaries, as follows:

Direct and indirect subsidiaries	Direct and Indirect participation (%) 12/31/2017	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) (*)	51.00	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
CIAVAL Administração de Bens e Direitos SPE S/A - (Brazil) (**)	100.00	-

(*) Sale of equity interest in 2017, with a transaction involving capitalization obligation by the acquiring company, in which it accounted for a 49% equity interest, on December 31, 2017, in the company Lupatech OFS S.A.S.

(**) Constitution on November 24, 2017.

In continuation of its restructuring plan, the Company sold an equity interest in the indirect subsidiary Lupatech OFS SAS to Petroalianza International Ltd. in two moments in 2017 fiscal year: On August 25, 2017, a 19.6% interest was sold, for the amount of US$ 2,000,000.00, with a requirement that the new partner capitalized the company, and; on December 7, 2017, a further 13% interest was sold, for the amount of US$ 1,666,000.00, whereby Petroalianza reached a total equivalent interest of 49% on December 31, 2017.

According to the agreement signed between the parties, the control of Lupatech OFS SAS became shared so the investee is considered a jointly controlled company in the year ended December 31, 2017.

The sale of the equity interest in Lupatech OFS S.A.S, a Colombian subsidiary, was duly approved by the Lupatech Group's judicial recovery court and is part of the non-core assets disposal strategy, of the Company's services segment.

The Company named “CIAVAL Administração de Bens e Direitos S/A” was constituted on November 24, 2017, with the purpose of receiving assets so that through the adjudication of its shares the Class I Creditors are satisfied, according to the Judicial Recovery Plan. Once shares are transferred to the creditors, CIAVAL’s control will be theirs.

Transactions eliminated on consolidation

Balances and intra-group transactions, and any unrealized income and expenses arising from intra-group transactions are eliminated. Unrealized gains arising from transactions with investees recorded by the equity method are eliminated against the investment in proportion to the Group's interest in the investee. Unrealized losses are eliminated in the same way that unrealized gains, but only to the extent that there is no evidence of loss due to impairment.

2.4.2 *Jointly-owned subsidiaries*

Jointly-owned subsidiaries are all entities whose financial and operational policies may be carried out by the Group, jointly with other shareholder(s), usually operated through shareholders' agreements. The jointly-owned subsidiaries are consolidated at the ratio of the Group's interest as of the date on which the shared control is verified to the Group and are no longer consolidated as of the date on which the shared control ends. In the individual financial statements of the parent company, participation in jointly-owned subsidiaries is recognized by the method of equity accounting.

The Company holds indirect participation in the following jointly-owned subsidiaries: Luxxon Participações S/A and Aspro do Brasil Sistemas de Compressão p/ GNV Ltda., as shown below, as of December 31, 2017:

	Direct and indirect participation (%	
Jointly-owned subsidiaries	**12/31/2017**	**12/31/2016**
Direct participation		
Luxxon Participações S.A. - (Brazil) (*)	45.20	43.71
Indirect participation		
Aspro do Brasil Sistemas de Compressão p/GNV Ltda. - (Brazil) (*)	45.20	43.71
Delta Compresión S.R.L. - (Argentina) (*) (**)	-	43.71

(*) Joint Venture;
(**) Company sold in 2017.

On January 18, 2017, the subsidiaries Luxxon Participacoes S.A. and Aspro do Brasil Sistemas de Compressão Ltda. have 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.

2.4.3 *Business combination*

Business combinations are recorded using the acquisition method when control is transferred to the Group. The consideration transferred is generally measured at fair value, as well as the identifiable net assets acquired. Any goodwill arising on the transaction is tested annually to assess loss impairment. Gains on a bargain purchase is recognized immediately in income. Transaction costs are charged to income as incurred, except for costs related to the issuance of debt or equity.

The consideration transferred does not include amounts relating to the payment of pre-existing relationships. These amounts are generally recognized in the income statement.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as an equity instrument, then it is not remeasured, and settlement is recorded within equity. The other contingent considerations are remeasured at fair value at each reporting date and subsequent changes in fair value are recorded in income.

If any business combination event or other transaction or similar corporate event that affects the Options with the dilution of the shareholding position to which the beneficiary would be entitled, the Board of Directors shall amend the Stock Option Contract of common shares within 30 days of the date of said event, to ensure that the beneficiaries remain with sufficient Options to acquire the stipulated percentage of the Company's shares, according to the new shareholding composition, and the purchase price of the Options not yet exercised will be adjusted to be the lowest of R$2.35 and 80% of the price established in the corporate event, where the schedule of exercise of the options provided for in the agreement is preserved, maintaining the percentages and terms of exercise defined therein. The above provisions only reach the corporate events contracted in the period of 18 months from the signature of the Agreement, limited to operations of up to R$150,000.

3 Main accounting pratices

The summary of main accounting practices adopted by the Group is a follow:

3.1 Financial instruments

The Company classify non-derivative financial assets in the following categories: financial assets at fair value through profit or loss, financial assets held to maturity, loans and receivables and financial assets available for sale.

The Company classifies non-derivative financial liabilities in the following categories: financial liabilities measured at fair value through profit or loss and other financial liabilities.

3.1.1 Assets and non-derivative financial liabilities - recognition and derecognition

The Company recognizes loans and receivables and debt instruments on the date they originated. All other assets and liabilities are recognized on the trade date when the entity becomes party to the contractual provisions of the instrument.

The Company derecognise a financial asset when the contractual rights to the asset's cash flows expire or it transfers the rights to receive the contractual cash flows of a financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest that is created or retained by the Company in such transferred financial assets is recognized as an asset or liability separately.

The Company recognizes a financial liability when its contractual obligations are withdrawn, canceled or expired.

Financial assets and liabilities are offset, and the net amount reported in the balance sheet when, and only when, the Company currently has a legally enforceable right to offset the amounts and intends to settle them on a net basis or to realize the asset and settle the liability simultaneously.

3.1.2 Assets and non-derivative financial liabilities – measurement

Financial assets at fair value through profit

A financial asset is classified as at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Transaction costs are recognized in income as incurred. It’s measured at fair value and changes in fair value, including earnings from interest and dividends are recognized in the income statement.

Financial assets held to maturity

These assets are initially recognized at value plus any directly attributable transaction costs. After initial recognition, financial assets held to maturity are measured at amortized cost using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents include cash, bank deposits and financial investments with immediate liquidity and insignificant risk of change in value. Financial investments are recorded at nominal values plus income earned through the balance sheet date, not exceeding market value, according to the rates agreed with financial institutions.

Marketable securities

The securities are classified into the following categories: held to maturity, available for sale and trading securities at fair value recognized through profit or loss (trading securities). The classification depends on the purpose for which the investment was acquired. When the purpose of the acquisition is the investment of funds for short-term gains, which are classified as trading securities; when the intention is to make use of resources to hold the investment until maturity, they are classified as held to maturity, provided that management intends and has the financial ability to hold the investment to maturity. When the intention at the time of making the application, is none of the above, investments are classified as available for sale. Where applicable, the incremental costs directly attributable to the acquisition of a financial asset are added to the amount originally recognized, except for trading securities, which are recorded at fair value against income.

The securities held to maturity are measured at amortized cost-plus interest, monetary restatement, exchange variation, less impairment losses, when applicable accrued to the date of the financial statements. The securities classified as trading securities are measured at fair value. Interest, monetary correction and exchange variation, when applicable, as well as variations arising from measurement at fair value are recognized in income when incurred. The securities available for sale are measured at fair value. Interest, monetary correction and exchange variation, when applicable, are recognized in income when incurred. Changes arising from measurement at fair value, with the exception of impairment losses are recognized in other comprehensive income as incurred. The accumulated gains and losses recorded in equity are reclassified to the income statement at the time that these investments are sold in disposable or considered.

Accounts receivable

They are stated at the nominal value of the securities, plus exchange variation and adjusted to present value to the balance sheet date, when applicable. The allowance for doubtful accounts is recognized when necessary, based on the analysis of the customer portfolio in an amount considered sufficient by management to cover losses on the realization of credits.

3.1.3 Non derivative financial liabilities – measurement

A financial liability is classified as at fair value through profit or loss if it is classified as held for trading or designated as such upon initial recognition. Transaction costs are recognized in income as incurred. Financial liabilities measured at fair value through profit or loss are measured at fair value and changes in fair value of these liabilities, including interest earnings and dividends are recognized in the income statement.

Other non-derivative financial liabilities are initially measured at fair value less any directly attributable transaction costs. After initial recognition, these financial liabilities are measured at amortized cost using the effective interest method.

Loans, financing and debentures

Loans, financing and debentures (portion related to debt instruments) are stated at amortized cost. They are stated at the amount raised, net of transaction costs incurred and are subsequently measured at amortized cost using the method of effective interest rate.

Costs incurred directly related to issuance of debt transactions were allocated as a reduction of the corresponding current and non-current liabilities. These costs are expensed on the financing period as a supplement funding costs, thus adjusting the effective interest rate of the operation.

3.2 Present value adjustment

On transactions that give rise to an asset, liability, revenue or expense or other changes in equity whose counterpart is an asset or a non-current liabilities, receivables or liabilities, or short-term when relevant effect is recognized to adjust the value this based on discount rates that reflect the best market assessments of the value of money over time and the specific risks of assets and liabilities on their original dates.

The adjustment to present value is presented as allowance account of receivables and payables and is allocated to income as income or interest expense on an accrual basis, at the effective interest rate.

3.3 Adjustment to fair value

For financial assets and liabilities without public quotation, the Company establishes the fair value through valuation techniques.

The adjustment to fair value is presented in a specific account, determined as an adjustment to fair value and its variation is allocated to income as financial income or expenses on an accrual basis

3.4 Inventories

Inventories are measured at the lower of cost and net realizable value. The cost of inventories is based on the principle average cost of purchase or production, taking into account the total absorption method of manufacturing costs, lower realizable value.

In the case of manufactured inventories and work in progress, cost includes a portion of general manufacturing costs based on normal operating capacity.

3.5 Intangibles

a. Goodwill

The goodwill resulting from a business combination is demonstrated at cost on the date of the business combination, net in the accumulated loss of the recoverable value, if any.

According to ICPC 9, the goodwill from acquisition of subsidiaries reasoned by future profitability is recorded in the individual financial statements (parent) as "investments" and in the consolidated financial statements as "intangible asset". The instalment reasoned as the most valuable of the fixed assets is classified, in the balance sheet of parent, as "investments" and in the consolidated balance sheet, the balance of the corresponding asset.

Goodwill is tested annually, or within a shorter period, when there is indication of impairment of investment, to verify probable losses.

The Goodwill is allocated in Cash Generating Units (CGU) for impairment testing purposes. The allocation is made for the Cash Generation Units or to the Cash Generating Units groups that should benefit from the business combination, from which the goodwill originated, properly segregated, according to the operating segment.

b. Software and product and process development

Acquired software licenses are capitalized based on incurred costs to acquire software and make it ready to be used. These costs are amortized during their estimated useful life of 5 years. The amortization of these values is mainly recorded in cost of products sold, in the statement of income.

Costs of development, maintenance or improvement of new products and processes, which objectively present the generation of future economic benefits through the formation of new income or due to cost reduction, are activated in a specific account and amortized by the defined useful life in which the benefits to be generated were estimated.

3.6 Fixed assets

Recognition and measurement

Fixed asset items are measured at historical cost of acquisition or construction, less accumulated depreciation and reduced impairment losses accumulated.

Cost includes expenditures that are directly attributable to the acquisition of an asset. The cost of assets built by the Company includes:

- The cost of materials and direct labor;
- Any other costs to bring the asset to the location and condition necessary for them to be able to operate in the manner intended by Management;
- Costs of dismantling and restoring the site where they are located;
- Costs of loans on qualifying assets.

When parts of an item of fixed assets have different useful lives, they are accounted for as separate items (major components) of property.

Any gains and losses on the disposal of an asset item are recognized in income.

Reclassification for assets classified as held for sale

When the identification of assets that meet the criteria for classification of "assets held for sale", ie whose book value of the asset will be recovered through a sale operation rather than being used in the Company's own operation, the assets will be classified for current assets and measured at the lower of book value and fair value less costs to sell. The depreciation of these assets should cease.

The values of the assets classified as held for sale will be presented separately in the balance sheet, as well as the results of discontinued operations will also be presented separately in the statement of income.

Reclassification to investment property
When the use of property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified as investment property. Any gain resulting from this remeasurement is recognized in income to the extent the gain reverses a previous impairment loss impairment in specific property, any remaining gain is recognized as other comprehensive income in equity as a valuation adjustment reserve. Any loss is recognized immediately in income.

Subsequent costs
Subsequent expenditure is capitalized to the extent that it is probable that future benefits associated with the expenditure will flow to the Company. Upkeep and recurrent repairs are charged to income.

Depreciation
Fixed asset items are depreciated using the straight-line method in the income statement based on the estimated useful lives of each component. Leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, unless it is reasonably certain that the Company will obtain ownership of the asset at the end of the lease term. Land is not depreciated.

Fixed asset items are depreciated from the date they are installed and available for use, or in case of assets constructed internally, the day when the construction is completed, and the asset is available for use.

The estimated useful lives for the current and comparative year are as follows:

	Weighted avarage rate of depreciation % p.a.
Land	-
Building and construction	2%
Machinery and equipment	9%
Molds and matrixes	15%
Industrial facilities	5%
Furniture and fixtures	9%
Data processing equipments	14%
Improvements	2%
Vehicles	19%

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date and adjusted if appropriate.

3.7 Provision for impairment on asset

a. ***Derivative financial assets (including receivables)***
Financial assets not classified as financial assets at fair value through profit or loss, including investments accounted for under the equity method, are valued at each balance sheet date to determine whether there is objective evidence of impairment.

Objective evidence that financial assets have value loss includes:

- default or delay of the debtor;
- restructuring of an amount due to the Company on terms that would not be accepted under normal conditions;
- indications that the debtor or issuer will enter bankruptcy/judicial recovery;
- negative changes in the payment status of borrowers or issuers;
- disappearance of an active market for the instrument because of financial difficulties; or
- observable data indicating that there was a decline in the measurement of cash flows of a group of financial assets.

b. ***Financial assets measured at amortized cost***
The Company considered evidence of impairment of assets measured at amortized cost both individually as collectively. All individually significant assets are assessed for loss on impairment. Those who have not suffered loss individually are then tested collectively for any impairment that may have occurred but have not yet been identified. Assets that are not individually significant are collectively evaluated for impairment based on the group of assets with similar risk characteristics.

In assessing the loss for impairment collectively the Company uses historical trends of the period of recovery and the amount of loss incurred, adjusted to reflect management's judgment as to whether current economic and credit conditions are such that losses real will be higher or lower than those suggested by historical trends.

A loss for impairment is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognized in the income statement and reflected in an allowance account. When the Company considers that there is no reasonable expectation of recovery, the values are downloaded. When a subsequent event indicates a reduction in the amount of loss, reduced by the impairment loss is reversed through profit or loss.

c. ***Assets classified as held for sale***
Losses from impairment of financial assets available for sale are recognized by reclassifying the cumulative loss recognized in equity valuation adjustments in equity for the result. The reclassified loss is the difference between the acquisition cost, net of any reimbursement and amortization of the principal, and current fair value, less any reduction for impairment loss previously recognized in income. If the fair value of a debt security for which has been recognized a loss on impairment, present increase and the increase can be objectively related to an event occurring after the impairment loss on impairment was recognized, then the loss is reversed, and the amount of the reversal is recognized in income. Otherwise, the reversal is recognized in other comprehensive income.

d. Investees accounted for under the equity method

A loss for impairment related to a charge assessed by the equity method is measured by comparing the recoverable amount of the investment with its carrying amount. A loss for impairment is recognized in income and is reversed if there has been a favorable change in the estimates used to determine the recoverable amount.

e. Non-financial assets

The carrying amounts of non-financial assets of the Company, other than inventories and income tax and social contribution deferred assets, are reviewed at each reporting date to determine whether there is loss of indication of impairment. If such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets with indefinite useful life, the recoverable amount is tested annually.

Losses from impairment are recognized in income. Recognized losses relating to cash generating units (CGU) are initially allocated to reduce any goodwill allocated to this CGU (or CGU group), and then to reduce the carrying value of other assets of the CGU (or group of CGUs) in order pro rata.

A loss for impairment related to goodwill is not reversed. As for other assets, impairment losses are reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if the impairment had not been recognized.

3.8 Income tax and social contribution

The current and deferred income tax and social contribution are calculated based on the current rates, as detailed in note 17.

The expense for income tax and social contribution comprises current and deferred income taxes. Current tax and deferred tax are recognized in income unless they are related to a business combination, or items recognized directly in equity or in other comprehensive income.

a. Income tax and social contribution - current

The current tax expense is the tax payable or receivable on the estimated taxable income or loss for the year and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is recognized in the balance sheet as an asset or tax liability for the best estimate of the expected amount of taxes to be paid or received reflecting the uncertainties related to its calculation, if any. It is measured based on the tax rates enacted at the balance sheet date.

The current tax assets and liabilities are offset only if certain criteria are met.

b. Income tax and social contribution - Deferred

Deferred tax assets and liabilities are recognized in relation to temporary differences between the carrying amounts of assets and liabilities for financial statement purposes and used for tax purposes. The changes in deferred tax assets and liabilities for the year are recognized as income tax expense and deferred social contribution. Deferred tax is not recognized for:

- temporary differences on the initial recognition of assets and liabilities in a transaction other than a business combination and that affects neither the taxable profit or loss nor the accounting result;

- temporary differences related to investments in subsidiaries, associates and joint ventures, to the extent that the Company is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future; and
- taxable temporary differences arising from the initial recognition of goodwill.

A deferred tax asset is recognized in relation to tax loss carryforwards and deductible temporary differences not used, to the extent that it is probable that future taxable profits will be available against which will be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that their realization is no longer probable.

Deferred tax assets and liabilities are measured based on tax rates expected to apply to temporary differences when they are reversed, based on tax rates that have been enacted at the balance sheet date.

The measurement of deferred tax assets and liabilities reflects the tax consequences arising from the way in which the Company expects to recover or liquidate its assets and liabilities.

Deferred tax assets and liabilities are offset only if certain criteria are met.

3.9 Employee and management benefits

a. Share-based compensation

The Company offers a stock option granting plan to professionals selected at the sole discretion of the Board of Directors among managers, executives, employees and service providers. The fair value of the options granted to the beneficiaries, is calculated on the grant date and recognized as an expense during the period to which the right is acquired. The total amount to be debited is determined by reference to the fair value of the options granted. The conditions for acquiring non-market rights are included in the assumptions about the quantity of options whose rights are to be acquired. The total amount of the expense will be recognized during the period in which the right is acquired; period during which the specific conditions for the acquisition of rights should be met. At the balance sheet date, Management reviews its estimates of the number of options whose rights are to be acquired based on non-market vesting conditions. The impact of the revision of the initial estimates, if any, will be recognized in the statement of income, with a corresponding adjustment in shareholders' equity, in the "Capital Reserve - Granted Options" account.

b. Employees and management profit sharing

The Company recognizes a profit sharing expense and liability based on the Profit Sharing Plans and Variable Remuneration Plan, which take into account individual and corporate targets.

3.10 Provision

A provision is recognized, due to a past event, if the Company has a legal or constructive obligation that can be estimated reliably, and it is likely that an economic resource is required to settle the obligation. Provisions are determined by discounting the future expected cash flows at a pre-tax rate that reflects current market assessments of the value of money over time and risks specific to the liability. The financial costs incurred are recorded in income.

Provisions for tax, labor and civil contingencies are recorded based on the best estimates of the risk (Note 19). When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, an asset is recognized if, and only if, the reimbursement is virtually certain, and the value can be measured reliably.

3.11 Other rights and obligations

Stated at realizable values (assets) and the recognized amounts or estimated, plus, when applicable, related charges and monetary adjustments (liabilities).

3.12 Statement of income

Revenues and expenses are recorded by the accrual basis of accounting. The revenue is recognized at the moment of the delivery of goods and services, property transfer and when all the following conditions have been reached: a) the clients take the significant risks and benefits of the property of the goods; b) the Group has not retains continuing managerial goods sold in degree usually associated with ownership nor effective control over the goods involved; c) the amount of the revenue can be measured for sure; d) account receivable is probable and; e) the incurred costs or to be incurred related to the transaction can be measured for sure.

In the Cordoaria São Leopoldo Offshore plant unit., the criteria adopted for recognition of revenues and related costs is the method known as “Conclusion Percentage or POC” due to the characteristics of the activities and product trading, whose average production time is higher than the period in which the accounting information are disclosed (quarterly). These acknowledgement criteria for the revenue and the respective production costs are based on the production level. The technical specifications of the products are determined by the customer and are specific for each project and the production process is directly supervised by the customer or by customer certified organs.

3.13 Translation into foreign currency

a. Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rate at the transaction date. Gains and losses resulting from the difference between the conversion of assets and liabilities in foreign currency at year end, and the conversion of the transaction amounts are recognized in the income statement.

The functional currency of each entity is listed below:

Direct and indirect subsidiaries	Functional Currency	Country
Direct participation		
Mipel Ind. e Com. de Válvulas Ltda. - In Judicial Recovery	Reais	Brazil
Lupatech Equipamentos e Serviços para Petróleo Ltda.- In Judicial Recovery	Reais	Brazil
Lupatech Finance Limited - In Judicial Recovery	US Dollar	Cayman
Lupatech II Finance Limited	US Dollar	Cayman
Recu S.A.	Peso ARS	Argentina
Lupatech OFS Coöperatief U.A.	US Dollar	Netherlands
Lupatech Netherlands Coöperatief U.A.	US Dollar	Netherlands
Lochness Participações S/A - In Judicial Recovery	Reais	Brazil
Indirect participation		
Recu S.A.	Peso ARS	Argentina
Lupatech Netherlands Coöperatief U.A.	US Dollar	Netherlands
Lupatech OFS S.A.S.	Peso COP	Colômbia
Lupatech Perfuração e Completação Ltda. - In Judicial Recovery	Reais	Brazil
Sotep Sociedade Técnica de Perfuração S/A - In Judicial Recovery	Reais	Brazil
Prest Perfurações Ltda. - In Judicial Recovery	Reais	Brazil
Itacau Agenciamentos Marítimos Ltda. - In Judicial Recovery	Reais	Brazil
Matep S.A. Máquinas e Equipamentos - In Judicial Recovery	Reais	Brazil
Amper Amazonas Perfurações Ltda. - In Judicial Recovery	Reais	Brazil
UNAP International Ltd.	US Dollar	Cayman
CIAVAL Administração de Bens e Direitos SPE S/A	Reais	Brazil

Jointly-owned subsidiaries	Functional Currency	Country
Direct participation		
Luxxon Participações S.A.	Reais	Brazil
Indirect participation		
Aspro do Brasil Sistemas de Compressão para GNV Ltda.	Reais	Brasil

b. Group companies

The results and financial position of all the Group companies used as the basis for valuation of investments under the equity method, which have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities balances are translated at the exchange rate prevailing on the date of the balance sheet;

(ii) Income and expense accounts are translated at the average monthly exchange rate;

(iii) The goodwill balances for expected future profitability arising from the acquisition of entities abroad, held after the adoption of CPCs/IFRS, and any fair value adjustments to the carrying amounts of assets and liabilities arising from the acquisition of that foreign entity are treated as assets and liabilities of the entity abroad. Thus, they are expressed in the functional currency of the entity acquired abroad and are translated at the closing exchange rate on the respective balance sheet date; and

(iv) All differences resulting from exchange rate translation are recognized in equity, in the Statement of Comprehensive Income, under "Cumulative Translation Adjustments" sub group "Valuation Adjustments".

3.14 Gain (Loss) per share

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

The diluted gain (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.

3.15 Investments in subsidiaries (Parent Company)

In the parent company's financial statements, the investments on subsidiaries are evaluated by the equity method and the result of this evaluation has as a counterpart an account of operational income, with the exception of exchange rate variations on investments abroad (subsidiaries that have own operation) which are not registered in a specific account of the shareholder' equity in order to be recognized in income and expenses at the decrease or sale of the investment.

According to ICPC 9, the goodwill paid by expectation of future profitability, represented by the positive difference between the value paid (or values to be paid) and the proportional liquid amount acquired from the fair value of the assets and liabilities of the acquired entity is registered in the individual financial statements (parent) as "investments".

3.16 Operating segment report

The operating segments report is consistent with the internal report used for operating decision-making. The key operating decision-maker, in charge of allocating resources and evaluating the operating segments performance, is the Board of Executive Officers. The Board of Directors is responsible for the Group's strategic decision-making.

3.17 Value added statement

The Company prepared statements of value added (DVA) and consolidated in accordance with the CPC - 09 - Statement of Added Value, which are presented as an integral part of the financial statements according to BR GAAP applicable to public companies, while for IFRS represent information additional financial.

4 Critical accounting estimates and judgments

In preparing the individual and consolidated financial statements, management used judgments, estimates and assumptions that affect the application of the Company's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and assumptions are reviewed continuously. Revisions of estimates are recognized prospectively.

The information about judgments made in applying accounting policies and uncertainty about assumptions and estimates that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 12 - Fixed Assets;
- Note 13 - Intangible;
- Note 17 - Income tax and social contribution;
- Note 19 - Contingent processes and judicial deposits.

- Note 21 - Liabilities at fair value

In order to provide an understanding of how the Company forms its judgments about future events, including the variables and assumptions underlying the estimates, we included comments related to each critical accounting policy described below:

a. *Deferred income tax*

The amount of deferred tax assets is reviewed at each financial statement date and reduced by the amount that is not achievable by estimate of future taxable income. It is calculated using tax rates applicable to taxable income in the years in which those temporary differences should be realized. The future taxable income may be higher or lower than estimates made when determining the need to register, and the amount to be recorded, the tax asset.

The recognized credits on tax losses and negative social contribution bases are supported by projections of taxable income based on technical feasibility studies submitted annually to the bodies of the Group. These studies consider the historical profitability of the Company and its subsidiaries and the expectation of continuous profitability and estimated the recovery of credits in future years. The other credits based on temporary differences, mainly provision for tax liabilities and provision for losses, were recognized according to their expected realization, also taking into account the projections of future taxable income.

b. *Useful life of long-lived assets*

The Company recognizes the depreciation of its long-lived assets based on the estimated useful life, and significantly reflects the economic life of long-lived assets. However, the service lives may vary based on the technological update of each unit. The useful lives of long-lived assets also affect cost recovery tests of long-lived assets, when necessary.

c. *Valuation of assets acquired and liabilities assumed in business combinations*

In 2012 and in previous years, as described in note 11.1.1, the Company carried out some business combinations. Pursuant to IFRS 3, applied for acquisitions occurred after the transition date to IFRS, the Company must allocate the acquired entity cost to assets acquired and liabilities assumed, based on their fair values estimated on the acquisition date. Any difference between the acquired entity cost and the fair value of assets acquired and liabilities assumed is recorded as goodwill. The Company uses significant judgments in the identification process of tangible and intangible assets and liabilities, evaluating such assets and liabilities and in the determination of their remaining useful life. The Company usually hires external valuation companies to assist in the valuation of assets and liabilities, particularly when this valuation requires high technical qualification. The valuation of these assets and liabilities is based on assumptions and criteria which can include estimates of future cash flows discounted by the appropriated rates. The use of the assumptions used for valuation includes estimates of discounted cash flow or discount rates and may result in estimated values different from assets acquired and liabilities assumed.

The Company does not believe that there are indicative of a material change in estimates and assumptions used to complete the allocation of the purchase price and estimate the fair value of assets acquired and liabilities assumed. However, if current results are not consistent with the estimates and assumptions used, the Company may be exposed to relevant effects in its financial statements.

d. ***Test of reduction of the recoverable value of long-lived assets***

There are specific rules to assess the recoverability of long lived assets, especially fixed assets, goodwill and other intangible assets. The date of each financial statement, the Company performs an analysis to determine whether there is evidence that the amount of long-lived assets is not recoverable. If such evidence is identified, the recoverable amount of assets is estimated by the Company.

The recoverable amount of an asset is determined by the higher of: (a) fair value less estimated costs of sale and (b) its value in use. The value in use is measured based on discounted cash flow (before taxes) derived by the continued use of an asset until the end of its useful life.

Not matter if there is or not any indication that the value of an asset may not be recovered, the goodwill balances originating from business combination and intangible assets with indefinite useful life are tested for measurement of recoverability at least once a year, or a shorter period of time when there are circumstances that require more frequent analyses. When the residual value of an asset exceeds its recoverable amount, the Company recognizes a reduction in the amount recorded for these assets.

If the recoverable amount of the asset cannot be determined independently, the recoverable amount of business segments for which the asset belongs is analyzed.

Except for a loss of recoverability of goodwill, a reversal of loss on the recoverability of assets is allowed. The reversal in these circumstances is limited to the amount of the balance of the loss of the corresponding asset.

The recoverability of goodwill is evaluated based on the analysis and identification of facts and circumstances which may result in the need to anticipate the test performed annually. If any facts or circumstances indicate that the recoverability of goodwill is impaired, then the test is anticipated. The Company made the goodwill impairment test to all its Cash Generating Unit, which represent the lowest level at which goodwill is monitored by management and are based on expectations of projected discounted cash flows and take into account the following assumptions: cost of capital, growth rate and settings used for the perpetuity of cash flows, methodology for determining the capital and financial forecasts economic long term.

The process of review of the recoverability is subjective and requires significant judgments by performing analysis. The evaluation of the business segments based on the Company's projected cash flows may be negatively impacted if the economic recovery and growth rates happen in a planned to lower speed as well as the plans of the Adminstration for the Company's business as described in Note 1 did not materialize as expected in the future.

The evaluations and test of recoverability of cash-generating units are based on the operational continuity of the Company and its subsidiaries.

5 Standards, amendments and interpretations to Standards

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

The following new standards were approved and issued by the IASB, which are not in force and have not been adopted in advance by the Company. Management evaluates the impacts of its adoption as mentioned below:

IFRS 9 Financial Instruments (CPC 48)
The standard addresses the classification, measurement and recognition of financial assets and liabilities. The main changes to IFRS 9 are the new criteria for classifying financial assets into two categories (measured at fair value and measured at amortized cost) depending on the characteristics of each instrument and can be classified as financial result or comprehensive income, impairment for financial assets being a hybrid of expected and incurred losses, replacing the current model of losses incurred, and flexibility in the requirements for adoption of hedge accounting. This standard will come into effect on January 1, 2018.

Management considered the new statement and, considering its current transactions, did not identify changes that could have a material impact on the Company's financial statements since the financial instruments it maintains are not complex and do not present a risk of impact on its revaluation, as well as not presenting significant impairment or impairment risk due to the expectation of future losses.

IFRS 15 Revenue from Contract swith Customers (CPC 47)
The standard provides the principles that an entity will apply to determine the measurement of revenue and how and when it is recognized. It comes into force on January 1, 2018 and replaces IAS 11 - "Construction Contracts", IAS 18 - "Revenues" and corresponding interpretations. The changes establish the criteria for the measurement and recording of sales, in the form that they were effectively performed with due presentation, as well as the registration for the values that the Company is entitled to in the operation, considering eventual estimates of losses of value. This standard will come into effect on January 1, 2018.

Management has evaluated this standard and in its opinion has no relevant effect on its financial statements, considering the nature of its sales transactions, in which the performance obligations are clear and the transfer of control of the assets is not complex, being made to the extent in which liability is transferred to the buyer.

IFRS 16 Leases (CPC 06 R2)
The new standard replaces IAS 17 - "Leasing Operations" and related interpretations and determines that tenants are required to recognize the liability for future payments and the right to use the leased asset for virtually all lease agreements, including certain short-term or small-value contracts may fall outside the scope of this new standard. The criteria for recognizing and measuring leases in the lessees' financial statements are substantially maintained. This standard shall be effective as of January 1, 2019.

6 Cash and cash equivalents and Securities

Cash and cash equivalents

Cash and cash equivalents are broken down as follows:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Cash and banks				
Brazil	6	7	152	107
Abroad	-	46	1,983	1,056
	6	53	2,135	1,163
Financial Investments				
Bank deposit certificate	-	70	-	70
	-	70	-	70
Cash and cash equivalents	6	123	2,135	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.

The balances in cash and banks abroad refer mainly to the remaining balance on Dec 31,2017 of the payments received from the sale of equity interest of 13%, on December 7, 2017, of Lupatech OFS SAS, a Colombian subsidiary of the Company (as described in note 2.4.1), registered in its parent company Lupatech OFS Cöoperatief U.A. at R$ 1,130, as well as amounts of the capital contribution made by Petroalianza International Ltd., at OFS S.A.S., in a remaining balance of R$852 on this date.

Securities – restricted account

On December 31, 2017, the Company owned a balance of R$807, registered as "Marketable securities - restricted" in current assets, and R$927 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.

7 Trade receivables

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Local market	9,767	16,526	31,540	40,353
Export	458	4,411	552	9,793
	10,225	20,937	32,092	50,146
Less: allowance for doubtful accounts	(4,174)	(4,119)	(5,186)	(5,234)
Total	6,051	16,818	26,906	44,912

The accounts receivables by maturity are detailed as follow:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Not due	3,643	15,606	22,448	42,279
Due to 30 days	1,066	233	1,443	485
Due from 31 to 90 days	353	105	456	277
Due from 91 to 180 days	234	120	310	241
Due more than 180 days	4,929	4,873	6,693	6,122
Amounts retained by PETROBRAS (*)	-	-	742	742
	10,225	20,937	32,092	50,146

(*) Contractual deductions made by Petroleo Brasileiro S/A on revenues, with receipts, scheduled for the end of the contract, according to contractual clauses

The value of the risk of possible losses is presented as provision for doubtful accounts.

The credit risk of accounts receivable arises from the possibility of not receiving amounts arising from sales. To mitigate this risk, the Company adopts the analyzing in detail the equity and financial position of its customers, establishing a credit limit and constantly monitors their balances. The provision for credit risk was calculated on the basis of risk analysis of credits, which includes the history of losses, the individual situation of customers, the situation of the economic group to which they belong, the collateral for the debts and legal consultant's opinion, and is considered sufficient by its Administration to cover possible losses on accounts receivable.

The allowance for doubtful accounts had the following changes:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Balance at the beginning of the year	4,119	4,778	5,234	6,436
Constitution	110	616	346	641
Write-off by loss	-	(226)	-	(564)
Recovery	(55)	(1,049)	(404)	(1,218)
Effect of conversion of balance	-	-	10	(61)
Balance at the end of the year	4,174	4,119	5,186	5,234

Credit quality of accounts receivables

The credit quality of accounts receivables that are not overdue or impaired may be valued by checking the external credit ratings (if any) or background information on counterparties' delinquency ratios. Below, the opening of credits as per Group's internal rating:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Group 1	652	34	1,714	57
Group 2	9,449	19,095	30,254	46,415
Group 3	124	1,808	124	3,674
	10,225	20,937	32,092	50,146

Note:

- Group 1 – New clients (less than 6 months of relationship with the group).
- Group 2 – Current clients (over 6 months with no delinquency track record).

- Group 3 – Current clients (over 6 months with any delinquency track record. All delinquency was recovered).

8 Inventories

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Finished goods	2,332	3,499	7,890	9,276
Goods for resale	601	1,536	3,418	5,046
Work in progress	8,721	9,263	15,188	15,756
Raw material	17,968	21,842	69,045	57,259
Losses on inventory obsolescence	(7,516)	(5,545)	(36,377)	(30,646)
Total	22,106	30,595	59,164	56,691

In the year 2017, the Company recorded a loss of inventory obsolescence in the amount of R$1,971 in the parent company and R$5,731 in the consolidated (reversal of loss with inventory obsolescence of R$1,430 in the parent company and loss with obsolescence of R$165 in the consolidated in the year 2016).

9 Recoverable taxes

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Value-added Tax on Sales and Services (ICMS) recoverable	13,070	13,666	13,553	14,142
Excise Tax (IPI) recoverable	1,459	1,523	1,741	1,907
Social Integration Program (PIS) recoverable	395	627	780	1,240
Social Contribution on Revenues (COFINS) recoverable	2,041	3,112	3,759	5,240
Corporate Income Tax (IRPJ) advances	-	-	9,429	12,488
IRF and IRPJ recoverable	574	880	32,555	33,122
CSLL recoverable	80	54	4,855	5,682
National Institute of Social Security (INSS) Contribution recoverable	44	44	999	824
Service tax (ISS) recoverable	-	-	36	36
Other	72	72	153	189
Provision for non-recovery of taxes	-	(8,227)	-	(8,227)
Total	17,735	11,751	67,860	66,643
Current	4,317	5,650	26,101	29,603
Non-Current	13,418	6,101	41,759	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.

- **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$8,227 relating to ICMS credits over which it had no expectation of realization. The Company has been able to recover these credits (R$ 122 recovered in 2016 and R$482 in previous years), and thus, in 2017, the aforementioned provision was reversed.

10 Other accounts receivable

On December 31, 2017, the Company has the following balances recorded as other accounts receivable in current and non-current assets, as shown below:

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Other accounts receivable - Current				
Travel advances	9	3	54	48
Advances to employees	269	554	483	944
Advance guarantee of electricity supply	-	-	243	-
Profits and dividends receivable	-	2,913	1,664	4,577
Receiving insurance and accident	138	138	138	138
Accounts receivable related to property sale	200	200	200	200
Other accounts receivable from Unifit	571	-	571	-
Other receivables	425	5	1,203	487
Total	1,612	3,813	4,556	6,394
Other accounts receivable - Non-current				
Loans receivable from related Unifit	6,935	6,570	6,935	6,570
Loans receivable from related Luxxon	163	154	6,091	5,681
Accounts receivable related to investment sale	-	-	-	4,155
Other receivables	-	-	479	479
Total	7,098	6,724	13,505	16,885

11 Investments

11.1 Investments in subsidiaries and associated companies

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
In affiliates	369,354	350,523	-	-
Goodwill on acquisition of investments (Note 13)	6,065	6,065	-	-
Total	375,419	356,588	-	-

	Mipel	Recu	LESP	Finance	Finance II	LNC	LOFS	Lochness	Parent 12/31/2017	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	**9,287**	**788**	**24,122**	**171,167**	**-**	**9,194**	**26,385**	**6,540**		
Income (Loss) for the year	(4,572)	-	(4,100)	(2,682)	-	(4,825)	(5,659)	(15,728)		
Unrealized profits	(346)	-	-	-	-	-	-	-		
Fair value of SABR assets and liabilities	-	-	-	-	-	-	-	54,536		
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	(1,331)	-	9,214	-	-	-	-	(2,683)	5,200	(11,699)
Sale of interest in subsidiary	-	-	-	-	-	-	(9,143)	-	(9,143)	-
Equity pick-up result	(4,565)	-	(4,100)	(2,820)	-	(110)	(5,660)	38,808	21,553	(32,616)
Equity evaluation adjustments	-	(128)	33	4,688	-	3	(806)	(2,569)	1,221	(54,153)
Final balance	10,478	749	78,000	171,166	-	211	26,385	82,365	369,354	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		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
In affiliates	21,553	(32,616)	-	-
In joint venture	6,182	(10,687)	6,182	(10,687)
Total	27,735	(43,303)	6,182	(10,687)

11.1.1 Reversal of fair value adjustments of contingencies undertaken in business combination

In the process of measuring at fair value the assets and liabilities assumed in the business combination of the company San Antonio Brasil S/A, carried out in August 2012 according to CPC 15, contingencies and other initial balances of assets and liabilities assumed were assessed and adjusted.

In 2017, these amounts were reversed and recorded as other operating revenues in the amount of R$54,536 in the consolidated, and recognized as equity gain in the parent company.

11.2 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 December 31, 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$8,434 (R$19,180 on December 31, 2016).

Investments in jointly controlled are measured by the equity method.

12 Property, plant and equipment

	Weighted avarage rate of depreciation %	Parent		Consolidated	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
		Net	Net	Net	Net
Land	-	11,366	12,336	12,559	13,035
Building and construction	2%	27,753	31,190	37,901	42,069
Machinery and equipment	9%	24,615	28,764	53,058	153,917
Molds and matrixes	15%	657	763	769	900
Industrial facilities	5%	6,544	7,138	8,259	8,952
Furniture and fixtures	9%	964	1,170	1,248	2,238
Data processing equipments	14%	126	204	270	429
Improvements	2%	169	185	836	1,506
Vehicles	19%	100	130	1,161	448
Casks	-	-	1	5	6
Advances for fixed assets acquisitions	-	-	11	10,365	9,857
Construction in progress	-	955	894	16,747	48,373
Total		73,249	82,786	143,178	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, 2015	**12,336**	**39,257**	**90,351**	**11,712**	**3,888**	**3,896**	**306**	**483**	**162,229**
Additions	-	-	96	13	9	56	663	14	851
Transfer	-	-	75	-	6	-	(75)	-	6
Disposal	-	-	(31)	-	(42)	(1)	-	-	(74)
Balance on December 31, 2016	**12,336**	**39,257**	**90,491**	**11,725**	**3,861**	**3,951**	**894**	**497**	**163,012**
Additions	-	-	234	4	2	(45)	61	-	256
Transfer	-	-	-	(8)	9	-	-	-	1
Disposal	-	-	(1,176)	-	(34)	(21)	-	(13)	(1,244)
Reclassification for assets held for sale	(970)	(4,056)							(5,026)
Balance on December 31, 2017	**11,366**	**35,201**	**89,549**	**11,721**	**3,838**	**3,885**	**955**	**484**	**156,999**

	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, 2015	**-**	**(7,176)**	**(56,443)**	**(3,743)**	**(2,484)**	**(3,563)**	**-**	**(323)**	**(73,732)**
Additions	-	(891)	(4,546)	(659)	(241)	(184)	-	(32)	(6,553)
Transfer	-	-	-	-	(6)	-	-	-	(6)
Disposal	-	-	25	-	40	-	-	-	65
Balance on December 31, 2016	**-**	**(8,067)**	**(60,964)**	**(4,402)**	**(2,691)**	**(3,747)**	**-**	**(355)**	**(80,226)**
Additions	-	(893)	(4,233)	(614)	(207)	(87)	-	(31)	(6,065)
Transfer	-	-	-	8	(9)	-	-	-	(1)
Disposal	-	-	920	-	33	75	-	2	1,030
Reclassification for assets held for sale	-	1,512							1,512
Balance on December 31, 2017	**-**	**(7,448)**	**(64,277)**	**(5,008)**	**(2,874)**	**(3,759)**	**-**	**(384)**	**(83,750)**

	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, 2015	**12,336**	**32,081**	**33,908**	**7,969**	**1,404**	**333**	**306**	**160**	**88,497**
Balance on December 31, 2016	**12,336**	**31,190**	**29,527**	**7,323**	**1,170**	**204**	**894**	**142**	**82,786**
Balance on December 31, 2017	**11,366**	**27,753**	**25,272**	**6,713**	**964**	**126**	**955**	**100**	**73,249**

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, 2015	**13,057**	**56,347**	**452,841**	**18,900**	**10,092**	**10,683**	**80,853**	**34,866**	**677,639**
Additions	-	-	2,249	34	14	223	543	-	3,063
Disposal	-	-	(29,705)	-	41	12	-	77	(29,575)
Transfer	-	-	26,432	-	6	-	(26,432)	-	6
Effect of the conversion of subsidiaries abroad	(22)	(45)	(41,886)	-	(65)	(191)	(6,591)	(1,718)	(50,518)
Reversal of provision for impairment of assets	-	-	28,387	-	-	-	-	-	28,387
Reclassification for assets held for sale	-	-	(8,247)	-	-	-	-	-	(8,247)
Balance on December 31, 2016	**13,035**	**56,302**	**430,071**	**18,934**	**10,088**	**10,727**	**48,373**	**33,225**	**620,755**
Additions	852	-	2,423	5	50	(28)	219	685	4,206
Disposal	(199)	(865)	(34,736)	(3,564)	(41)	(24)	(176)	(2,556)	(42,161)
Transfer	-	-	-	(8)	5	-	-	-	(3)
Effect of the conversion of subsidiaries abroad	39	7	3,394	-	10	31	565	152	4,198
Reversão de provisão pela não recuperabilidade de ativos	-	-	(17,326)	522	-	-	-	1,563	(15,241)
Sale of Assets Held for Sale	-	-	8,247	-	-	-	-	-	8,247
Reversal of provision for impairment of assets	(1,168)	(5,703)	(222,974)	(149)	(4,237)	-	(28,889)	(15,579)	(278,699)
Reversal of fair value adjustment of business combination SABR	-	-	-	-	-	-	(3,345)	-	(3,345)
Balance on December 31, 2017	**12,559**	**49,741**	**169,099**	**15,740**	**5,875**	**10,706**	**16,747**	**17,490**	**297,957**

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, 2015	**-**	**(12,868)**	**(263,397)**	**(7,616)**	**(7,267)**	**(9,916)**	**-**	**(21,713)**	**(322,777)**
Additions	-	(1,382)	(41,426)	(860)	(598)	(559)	-	(1,703)	(46,528)
Disposal	-	-	5,082	-	(26)	17	-	(82)	4,991
Transfer	-	-	-	-	(6)	-	-	-	(6)
Effect of the conversion of subsidiaries abroad	-	17	21,029	-	47	160	-	584	21,837
Reclassification for assets held for sale	-	-	3,458	-	-	-	-	-	3,458
Balance on December 31, 2016	**-**	**(14,233)**	**(275,254)**	**(8,476)**	**(7,850)**	**(10,298)**	**-**	**(22,914)**	**(339,025)**
Additions	-	(1,366)	(18,671)	(722)	(407)	(186)	-	(865)	(22,217)
Disposal	-	859	21,637	2,437	37	78	-	2,548	27,596
Transfer	-	-	-	8	(5)	-	-	-	3
Effect of the conversion of subsidiaries abroad	-	(3)	(2,427)	-	(9)	(30)	-	(121)	(2,590)
Sale of Assets Held for Sale	-	-	(3,458)	-	-	-	-	-	(3,458)
Reclassification for assets held for sale	-	2,903	162,901	108	3,607	-	-	15,393	184,912
Balance on December 31, 2017	**-**	**(11,840)**	**(115,272)**	**(6,645)**	**(4,627)**	**(10,436)**	**-**	**(5,959)**	**(154,779)**

Consolidado									
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, 2015	**13,057**	**43,479**	**189,444**	**11,284**	**2,825**	**767**	**80,853**	**13,153**	**354,862**
Balance on December 31, 2016	**13,035**	**42,069**	**154,817**	**10,458**	**2,238**	**429**	**48,373**	**10,311**	**281,730**
Balance on December 31, 2017	**12,559**	**37,901**	**53,827**	**9,095**	**1,248**	**270**	**16,747**	**11,531**	**143,178**

The value attributed to property, plants and equipments in guarantee of liabilities on December 31, 2017 is as follows:

	Fixed assets	
Garanteed liabilities	**Parent**	**Consolidated**
Taxation (Tax executions)	14,791	14,949
Loans and financing (Note 15)	44,788	61,173
Total	59,579	76,122

Commercial Lease

On December 31, 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$12,101 (R$8,854 on December 31, 2016).

Impairment

In 2016, based on the appraisal reports of impairment, impairment tests were performed, and recovery of allowance for loss of impairment of R$28,387 was recorded in the consolidated.

In 2017, following new analyzes based on new reports, net adjustments were made to provisions for impairment of several assets of the Company's fixed assets, representing a loss of R$15,241.

Depreciation

In 2017, according to CPC 27, the Company recorded a reversal of 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., which were without operation and without intention of operate, and will be available for sale after release from the Company's Judicial Recovery Court.

13 Intangible Assets

	Weighted rates of amortization	Parent		Consolidated	
		12/31/2017	12/31/2016	12/31/2017	12/31/2016
	% p.p.	Net	Net	Net	Net
Goodwill (*)	-	55,414	55,414	101,333	100,936
Software and other licenses	20%	619	1,061	990	1,670
New projects developments	20%	13,121	13,737	13,437	14,106
Total		69,154	70,212	115,760	116,712

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

Bellow is the breakdown of intangible Assets:

	Parent			
Gross Cost	**acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2015	**55,414**	**10,612**	**19,998**	**86,024**
Additions	-	69	81	150
Transfer	-	(1,016)	713	(303)
Balance on December 31, 2016	**55,414**	**9,665**	**20,792**	**85,871**
Additions	-	14	27	41
Low for sale as inventories	-	-	(59)	(59)
Balance on December 31, 2017	**55,414**	**9,679**	**20,760**	**85,853**

	Parent			
Acculated Amortization	**acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2015	**-**	**(7,905)**	**(6,463)**	**(14,368)**
Additions	-	(618)	(976)	(1,594)
Transfer	-	(81)	384	303
Balance on December 31, 2016	**-**	**(8,604)**	**(7,055)**	**(15,659)**
Additions	-	(456)	(584)	(1,040)
Balance on December 31, 2017	**-**	**(9,060)**	**(7,639)**	**(16,699)**

	Parent			
Net Intangible Assets	**acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2015	**55,414**	**2,707**	**13,535**	**71,656**
Balance on December 31, 2016	**55,414**	**1,061**	**13,737**	**70,212**
Balance on December 31, 2017	**55,414**	**619**	**13,121**	**69,154**

	Consolidated			
Gross Cost	**acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2015	**103,459**	**11,491**	**22,087**	**137,037**
Additions	-	88	83	171
Transfer	-	1,146	(31)	1,115
Effect of the conversion of subsidiaries abroad	(2,523)	-	-	(2,523)
Balance on December 31, 2016	**100,936**	**12,725**	**22,139**	**135,800**
Additions	-	14	28	42
Low for sale as inventories	-	-	(59)	(59)
Effect of the conversion of subsidiaries abroad	397	-	-	397
Balance on December 31, 2017	**101,333**	**12,739**	**22,108**	**136,180**

	Consolidated			
Acculated Amortization	**acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2015	**-**	**(8,841)**	**(7,192)**	**(16,033)**
Additions	-	(889)	(1,051)	(1,940)
Transfer	-	(1,325)	210	(1,115)
Balance on December 31, 2016	**-**	**(11,055)**	**(8,033)**	**(19,088)**
Additions	-	(694)	(638)	(1,332)
Balance on December 31, 2017	**-**	**(11,749)**	**(8,671)**	**(20,420)**

	Consolidated			
Intangível líquido	**acquisition of investments**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2015	**103,459**	**2,650**	**14,895**	**121,004**
Balance on December 31, 2016	**100,936**	**1,670**	**14,106**	**116,712**
Balance on December 31, 2017	**101,333**	**990**	**13,437**	**115,760**

a. Development of new products

It refers to the costs with the development of new products, processes and equipment realized.

The amortization of these projects, whose term does not exceed 5 years, is recorded as debit in the result of the fiscal year, in the account for the cost of sold products.

b. Software and other licenses

It includes all the data processing systems and usage license, which are registered by the acquisition cost and are amortized linearly.

The amortization of software is recorded as debit in the result of the fiscal year, in the cost of products sold and operating expenses account, for a 5-year term.

c. Goodwill on acquisitions

Goodwill is allocated to business segments for which cash flows may be identified Cash Generating Units – “UGC”.

The recoverable value of a UGC is determined based on calculations of the asset in use. These calculations use cash flow projections before the calculation of income tax and social contribution based on financial budgets approved by the Administration.

The goodwill balance is not amortized and is subject to impairment tests annually or when there is indication of eventual loss of value. In December 2017, the Company assessed the recoverability of goodwill per cash-generating unit (CGU).

The premises used to determine the fair value through the method of cash flow discounted for the test of impairment include: cash flow projections based on estimations of the administration for future cash flow, discount rates and growth rates for determination of perpetuity. The perpetuity growth rates or inflation rates, has been not considered in the projection.

Whenever possible, the Directors shall compare the values in use and the estimated values of sale of the CGU to identify possible distortions in the calculations.

The discount rates used were developed taking into consideration market information available on the test date. The discount rate used was 10.48% per annum, based on the cost of the Group's weighted capital and business segment to which it belongs considering the 2017 year-end scenario, without considering inflation and adjusted when necessary, to reflect market assessments of the specific risks of the asset.

The goodwill balance is not amortized and is subject to test impairment annually or whenever there are indications of loss of value. In 2017 and 2016 we had no evidence of impairment in the recoverability of goodwill.

It should be highlighted that events or significant changes in the overview can cause significant loss because of goodwill recovery. As main risks, we can highlight eventual deterioration of the metallurgical market, significant decrease in the demand of the automotive and construction sectors, paralysation of activities in industry plants of the Company or relevant changes in the economy or financial market that cause an increase in the perception of risk of reduction of liquidity and capacity to refinance.

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

	Goodwill on acquisition of investments			
	Investments (Note11)		Intangible	
	Parent		Consolidated	
UGCs	12/31/2017	12/31/2016	12/31/2017	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)	-	-	19,167	18,770
Total	61,479	61,479	101,333	100,936
Investment	6,065	6,065	-	-
Intangible Assets	55,414	55,414	101,333	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)	19,167	-	19,167
Total	305,273	(203,940)	101,333

14 Suppliers

	12/31/2017						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	6,848	120,197	**127,045**	6,848	120,197	**127,045**	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	-	(55,696)	**(55,696)**	-	(55,696)	**(55,696)**	-	(58,129)	**(58,129)**	-	(58,129)	**(58,129)**
	7,719	**73,247**	**80,966**	**7,719**	**73,247**	**80,966**	**6,517**	**65,862**	**72,379**	**6,517**	**65,862**	**72,379**
Not Subject to Judicial Recovery												
Domestic Suppliers	6,344	-	**6,344**	23,888	67	**23,955**	5,420	-	**5,420**	17,392	-	**17,392**
Export Suppliers	99	-	**99**	1,376	-	**1,376**	97	-	**97**	1,114	-	**1,114**
	6,443	**-**	**6,443**	**25,264**	**67**	**25,331**	**5,517**	**-**	**5,517**	**18,506**	**-**	**18,506**
Total	**14,162**	**73,247**	**87,409**	**32,983**	**73,314**	**106,297**	**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.

On December 31, 2017, there was a recording of adjustment costs to present value on suppliers subject to judicial recovery in the amount of R$2,433.

The balance of adjustment to present value on suppliers subject to judicial reorganization as of December 31, 2017 is R$55,696 (R$58,129 as of December 31, 2016) in the parent company and consolidated, considering the discount rate of 13.65% per year.

15 Loans and financing

			12/31/2017						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	FIXED	3,00% p.p. + TR	-	43,566	**43,566**	-	43,566	**43,566**	-	42,023	**42,023**	-	42,023	**42,023**
(-) Present value adjustment			-	(19,897)	**(19,897)**	-	(19,897)	**(19,897)**	-	(20,835)	**(20,835)**	-	(20,835)	**(20,835)**
Unsecured creditors	FIXED	3,00% p.p. + TR	-	98,617	**98,617**	-	180,122	**180,122**	-	95,124	**95,124**	-	175,100	**175,100**
(-) Present value adjustment			-	(45,038)	**(45,038)**	-	(75,793)	**(75,793)**	-	(47,163)	**(47,163)**	-	(78,099)	**(78,099)**
			-	**77,248**	**77,248**	-	**127,998**	**127,998**	-	**69,149**	**69,149**	-	**118,189**	**118,189**
Not subject to Judicial Recovery														
Local currency														
Working capital / expansion	CDI	6,80% p.p.	2,089	-	**2,089**	2,089	-	**2,089**	1,778	-	**1,778**	1,778	-	**1,778**
Working capital / expansion	TJLP	4,84% p.p.	9,395	-	**9,395**	17,018	-	**17,018**	7,466	-	**7,466**	13,529	-	**13,529**
Discounted titles	-	34,33% p.p.	1,590	-	**1,590**	2,743	-	**2,743**	555	-	**555**	1,564	-	**1,564**
Credit limit	FIXED	211,75% p.p.	27	-	**27**	30	-	**30**	-	-	-	-	-	-
Foreign currency														
Working capital / expansion	US DOLAR	7,48% p.p.	1,897	-	**1,897**	3,156	-	**3,156**	1,544	-	**1,544**	2,569	-	**2,569**
Working capital / expansion	PESO COP	12,55% p.p.	-	-	-	8,322	5,792	**14,114**	-	-	-	3,971	12,666	**16,637**
			14,998	-	**14,998**	**33,358**	**5,792**	**39,150**	**11,343**	-	**11,343**	**23,411**	**12,666**	**36,077**
			14,998	**77,248**	**92,246**	**33,358**	**133,790**	**167,148**	**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.

On December 31, 2017, there was a recording of the adjustment to present value of loans and financing subject to judicial recovery in the amount of R$3,063 in the parent and R$3,244 in the consolidated.

The balance of adjustment to present value on loans and financing subject to judicial reorganization as of December 31, 2017 is R$64,935 (R$67,998 at December 31, 2016) at the parent company and R$95,690 (R$98,934 at 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	**12/31/2017**	**12/31/2016**	**12/31/2017**	**12/31/2016**
2018	-	220	-	7,514
2019	3,227	2,668	10,176	9,666
2020	2,981	2,668	5,902	4,984
2021	2,981	2,668	4,939	4,561
2022	2,981	2,668	4,939	4,561
2023	2,981	2,668	4,939	4,561
From 2024	62,097	55,589	102,895	95,008
	77,248	69,149	133,790	130,855

The guarantees of the loans and financing were granted as follows, with position as of December 31, 2017:

		Value of the guarantee			
		Parent		Consolidated	
		Book value*	Appraisal report value**	Book value*	Appraisal report value**
Subject and not subject to Judicial Recovery					
Local currency	**Garantee**				
Working capital / expansion	Mortage / Buildings	35,872	103,220	35,872	103,220
Working capital / expansion	Machinery and equipment	8,916	10,102	8,916	10,102
		44,788	113,322	44,788	113,322
Not subject to Judicial Recovery					
Foreign currency	**Garantee**				
Working capital / expansion	Own financed asset	-	-	16,385	-
		-	-	16,385	-
		44,788	113,322	61,173	113,322

(*) 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 December 31, 2017, the indirect subsidiary Lupatech OFS SAS attended to the condition of financial covenants. The total amount of this loan is R$3,179, recorded in current liabilities in the amount of R$1,432 and R$1,747 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 December 31, 2017, the Company has a balance of R$4,524 (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.

16 Related parties

16.1 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	OFS	12/31/2017	12/31/2016
Assets							
Current							
Accounts receivable	-	22	-	-	-	22	-
Other accounts receivable	4,915	627	-	1,906	7	7,455	84,809
Non-current							
Mutual and loans	26,282	-	-	-	-	26,282	852,786
	31,197	649	-	1,906	7	33,759	937,595
Liabilities							
Current							
Accounts payable	-	24	-	-	-	24	130
Other accounts payable	-	76	-	1,204	-	1,280	1,459
Mutual and loans	-	-	43,370	31,293	-	74,663	68,404
Non-current							
Mutual and loans	-	-	182,046	-	-	182,046	1,090,985
	-	100	225,416	32,497	-	258,013	1,160,978

						12/31/2017	12/31/2016
Income							
Sales	-	288	-	-	-	288	74
Purchases	-	3,137	-	-	-	3,137	4,028
Financial income	7	-	-	-	-	7	107
Financial expenses	-	-	-	21	-	21	86,217
Exchange variance	-	-	54,567	-	-	54,567	211,999
	7	3,425	54,567	21	-	58,020	302,425

	Parent						
	Transaction date	Time	Interest rate	Amount R$	Balance US$	12/31/2017	12/31/2016
Assets mutual							
Foreign currency							
Contract 1	July-14	Indeterminated	105% at DI-Cetip	627,226	-	-	826,982
Contract 2	July-14	Indeterminated	105% at DI-Cetip	20,992	7,903	26,143	25,755
Contract 3	December-14	Indeterminated	12,000% p.p.	288	42	139	49
				648,506	**7,945**	**26,282**	**852,786**
Liabilities mutual							
Foreign currency							
Contract 1	July-07	13 years	9,875% p.p.	28,025	-	-	50,857
Contract 2	July-07	13 years	9,875% p.p.	65,391	-	-	122,188
Contract 3	May-09	11 years	12,000% p.p.	40,736	7,335	24,264	94,354
Contract 4	May-09	11 years	12,000% p.p.	117,249	20,788	68,767	271,907
Contract 5	July-09	11 years	12,000% p.p.	50,618	9,780	32,351	125,806
Contract 6	September-09	11 years	10,100% p.p.	134,378	22,455	74,283	344,143
Contract 7	October-09	11 years	10,000% p.p.	46,231	7,785	25,751	119,303
Contract 8	December-15	Indeterminated	-	36,951	9,460	31,293	30,831
				519,579	77,603	256,709	1,159,389
				521,750	**77,603**	**256,709**	**1,159,389**

The loan and foreign currency loan agreements between Parent Company and Lupatech Finance are presented on December 31, 2016 for the net amount of R$301,576 in Parent Company's liabilities, due to being derived from the same transaction related to the bonds.

On December 31, 2017, the Company performed credit clearing and interest rate repurchase agreements related to loan agreements with Lupatech Finance, with the remaining amount of R$225,416 remaining in the Parent Company's liabilities.

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

On December 31, 2017, the Company has a loan agreement with the Unifit – Unidade de fios Industriais de Timbaúba S/A in the amount of R$6,935 (R$6,570 on December 31, 2016). This amount is recorded in other accounts receivable as non-current assets.

The Company has, on December 31, 2017, a loan agreement with the jointly Luxxon Participações S/A amounting to R$6,091 (R$5,681 on December 31, 2016). This amount is recorded in other accounts receivable in non-current assets.

a. *Garanties granted*

The operations with related parts do not have guarantees included in the operation and are summed up in commercial ordinary transactions (purchase and sale of inputs) which are not grounded in guarantees, as well as operations of mutuals with companies of the Group which also do not present guarantees in its composition.

b. *Conditions of price and duties*

Loan contracts among companies in Brazil are monetarily restated according to the DI-Cetip monthly rate for funds obtained in the market.

16.2 Key management staff

a. *Management compensation*

Lupatech S/A - In Judicial Recovery registered a total of R$3,499 in 2017 related to management compensation (R$5,576 in 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 December 31, 2017, the Company has the amount of R$3,374, recorded in current liabilities as variable compensation (R$4,397 on December 31, 2016).

In 2017, the Company did not pay variable compensation (payment of R$2,313 in 2016).

The stock Option plan is explained in note nº 24.

16.3 Loans with Shareholdes

On December 31, 2017, the amount of loans with GPCM, LLC. (A subsidiary of Oilfield Services Holdco LLC) is R$7,784 (R$7,323 on December 31, 2016), and are booked in non-current liabilities, with loans subject to judicial recovery.

17 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

As of December 31, 2017, in the parent company and consolidated, all active balances were recognized in the proportionality of the existing liabilities. The current non-current deferred income and social contribution taxes are presented as follows:

	Parent		Consolidated	
NON-CURRENT LIABILITIES	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Adjustment to present value of suppliers, fines, loans and debentures	(28,710)	(30,018)	(36,030)	(37,381)
Assigned Cost	-	-	(16,809)	(19,764)
Others	-	-	3,627	619
Deferred income tax and social contribution - Non-current liabilities	**(28,710)**	**(30,018)**	**(49,212)**	**(56,526)**

Deferred income and social contribution taxes are recorded in the income statement for the year 2017, in the amounts of R$14,167 in the parent company and R$45,419 in the consolidated (R$44,720 in the parent company and R$64,800 in the consolidated for the year 2016).

b. Conciliation of income tax and social contribution

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Loss before tax	**(18,269)**	**(1,254)**	**(38,802)**	**(19,098)**
Additions and exclusions				
Equity pick-up	(27,735)	43,303	(6,182)	10,687
Foreign profit	-	54,940	-	54,940
Provision of losses on inventory obsolescence	1,971	(1,430)	5,731	165
Provision for impairment of assets	-	-	(25,472)	(28,387)
Allowance for doubtful accounts	55	(430)	(48)	(261)
Non-deductible interest	39,098	77,861	39,098	77,861
Provision for loss contingencies	4,479	5,299	14,888	3,776
Present value adjustment	5,495	184,556	5,676	237,726
Adjustment to fair value	-	(292,152)	-	(292,152)
Tax amortization of goodwill on investment	(3,446)	(13,593)	(10,995)	(27,372)
Provision of interest on suppliers	4,135	5,112	4,644	6,185
Provision for exchange variation	3,674	-	3,207	-
Other	(11,010)	(39,890)	(6,347)	(22,969)
Calculation basis	**(1,553)**	**22,322**	**(14,602)**	**1,101**
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	**-**	**-**	**(10,719)**	**(2,236)**
Deferred tax and social contribution	**14,167**	**44,720**	**45,419**	**64,800**

18 Other accounts payable

As of December 31, 2017, the Company has the following balances recorded as other accounts payable in current and non-current liabilities, according to the composition below:

Other accounts payable - Current	Parent 12/31/2017	Parent 12/31/2016 Re-presentation	Consolidated 12/31/2017	Consolidated 12/31/2016 Re-presentation
Civil claim	148	130	148	130
Accounts payable with the capital increase process	-	51	-	51
Provision of electricity	357	301	370	301
Provision of fees	633	796	633	796
Labor contingencies payable	142	99	237	301
Provision of customs expenses	-	-	-	13,954
Provision for interest on PIS and COFINS 2009	-	-	-	2,621
Several provisions	145	129	1,678	2,149
Others	561	514	1,705	3,547
Total	1,986	2,020	4,771	23,850

Other accounts payable - Non-Current	Parent 12/31/2017	Parent 12/31/2016	Consolidated 12/31/2017	Consolidated 12/31/2016
Others to be paid to Lupatech OFS Coöperatief U.A. - Fixed assets, software, fixed asset insurance	-	-	2,127	6,573
Result of future exercises	1,080	1,080	1,080	1,080
Advance for future capital increase	16	16	16	16
Total	1,096	1,096	3,223	7,669

19 Contingencies processes and judial deposits

19.1 Provision for tax, labor and civil risks

The Company, through its attorneys, has been discussing some tax, labor and civil issues in courts. 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 – Expectation of loss		Consolidated – Expectation of loss	
		Possible	Probable	Possible	Probable
Tax (i)					
VAT	(i.1)	72,932	-	99,750	-
CSLL - Social Contribution on Net Income	(i.2)	-	-	6,507	-
IRPJ - Corporate Income Tax	(i.3)	27	-	82,719	-
INSS - National Institute of Social Security	(i.4)	-	-	1,736	-
COFINS - Tax for Social Security Financing	(i.5)	-	-	384	-
ISS - Services Tax	(i.6)	-	-	6,058	4,363
CIDE - Contribution for Intervention in the Economic Domain	(i.7)	-	-	1,061	-
Other	(i.8)	-	-	626	66
		72,959	-	198,841	4,429
Labor (ii)		7,631	8,415	42,315	43,126
Civil (iii)		17,567	157	38,614	6,855
Total on December 31, 2017		98,157	8,572	279,770	54,410
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$8,572 in parent and R$54,410 in consolidated as on December 31, 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.

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 that may incur in San Antonio Brasil S/A arising from possible unknown contingencies, according to the guarantee clause provided for in the Investment Agreement. Contingencies not known at the time of the transaction may result in this guarantee being triggered in the future.

On April 4, 2017, the Company filed with the Market Arbitration Chamber an application for 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$54,705 and is waiting for judgment of the extraordinary appeal.

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$25,555.

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 07, 2016, filed impugnation by the State of São Paulo. Process subject to possible loss of R$8,104.

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$3,460.

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$1,759, 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$1,660.

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$1,209.

Fiscal Execution of the Treasury of the State of São Paulo against Lupatech S/A. On March 31, 2017 there was an appeal filed against the EPE together and on the same date as the ordinary act requesting the manifestation of the contested offer regarding the EPE presented. Process subject to possible loss of R$1,019.

(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$2,278.

Action 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$1,825.

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$1,389.

Action of nonconformity of the Federal Revenue of Brazil against Lupatech Perfuração e Completação Ltda. Process subject to possible loss of R$1,015 and is awaiting judgment of the manifestation of non-compliance presented by the Company.

(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$44,647.

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$14,964.

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$8,420.

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$5,439.

Administrative proceeding of the Federal Revenue of Brazil, request for tax compensation by Prest Perfurações Ltda – In Judicial Recovery. Process subject to possible loss of R$3,373.

Infraction notice issued by the Federal Revenue of Brazil against Prest Perfuração Ltda. - In Judicial Recovery. On April 27, 2017, the case was referred to the National Center for Process Management. Process subject to possible loss of R$1,520.

(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 Técnica de Perfuração S/A - In Judicial Recovery. Case subject to possible loss of R$1,736. 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.6) 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$3,379.

(i.7) 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$1,061.

The main discussions classified as probable loss

(i.6) 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.

(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$624, 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$12,569.

(iii.3) Action for return for damages, company Táxi Aéreo S/A, subject to a possible loss of R$3,425 and probable of R$726.

(iii.4) Execution of Extra-Legal Title made by Banco Pine S/A against Lupatech S/A - In Judicial Recovery. An Exception on June 22, 2017, the Company petitioned to reject Banco Pine's previous petition. Case subject to possible loss of R$2,282.

(iii.5) Collection action of Smith International Brazil Ltda. Process subjecting the possible loss of R$2,250.

(iii.6) Collection action of Tania Regina dos Santos Mathias Epp. Process subjecting the possible loss of R$1,418.

(iii.7) Execution of Extrajudicial Title filed by STMS Maintenance Comércio e Serviços de Máquinas Ltda-ME against Lupatech S/A - In Judicial Recovery. Case awaiting service by the Company in an Agravo. Subject to possible loss of R$1,393.

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

(iii.8) Indemnification action of Meiodia Refeições Industriais Ltda - EPP, against Lupatech Perfuração e Completação Ltda – In Judicial Recovery. Process with probable loss of R$3,793.

(iii.9) Indemnification action of the company Aeróleo Taxi Aéreo S/A. Case subject to probable loss of R$1,154.

The changes in provision balance on December 31, 2017 are as follows:

	Parent				Consolidated			
	Tax	Labor	Civil	Total	Tax	Labor	Civil	Total
Balance on December 31, 2015	**506**	**3,584**	**291**	**4,381**	**49,219**	**65,306**	**10,776**	**125,301**
Additions	4,199	8,825	1,556	14,580	6,302	30,991	3,539	40,832
Write-offs	(506)	(6,071)	(1,564)	(8,141)	(4,140)	(34,009)	(4,007)	(42,156)
Balance on December 31, 2016	**4,199**	**6,338**	**283**	**10,820**	**51,381**	**62,288**	**10,308**	**123,977**
Additions	142	6,769	47	6,958	202	22,794	765	23,761
Write-offs	(4,341)	(4,692)	(173)	(9,206)	(19,154)	(10,818)	(3,051)	(33,023)
Reversal of the fair value adjustment of the business combination SABR, referring to the contingent process classified as possible loss, according to CPC 15	-	-	-	-	(28,000)	(31,138)	(1,167)	(60,305)
Balance on December 31, 2017	**-**	**8,415**	**157**	**8,572**	**4,429**	**43,126**	**6,855**	**54,410**

19.2 Contingent assets

	Probability of probable gain	
	Parent	Consolidated
Tax (i)	5,684	94,716
Civil (ii)	130	131
Balance on December 31, 2017	**5,814**	**94,847**
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) Writ of mandamus Sotep - Sociedade Técnica de Perfuração S/A - In Judicial Recovery X Attorney of the National Treasury in the State of Bahia. Probable gain amount of R$74,435.

(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$4,284.

(i.3) 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$3,410.

(i.4) 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$3,353.

(i.5) Common action filed by Prest Perfurações Ltda. - In Judicial Recovery against the State of Rio Grande do Norte. Process subject to probable gain of R$3,312.

(i.6) 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.

(i.7) 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$1,399.

(i.8) 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.

19.3 Judicial deposits

The Company has the following balances of judicial deposits on December 31, 2017, which are inked to contingent liabilities:

	Judicial deposits	
	Parent	Consolidated
Tax contingencies	611	3,569
Labor contingencies	1,296	26,254
Civil contingencies	174	1,399
Balance on December 31, 2017	**2,081**	**31,222**
Balance on December 31, 2016	**1,663**	**24,657**

20 Taxes payable

On December 31, 2017, the Company has the following balances recorded as taxes payable in current and non-current liabilities, according to the composition below:

	Parent		Consolidated	
Tax payable - Current	**12/31/2017**	**12/31/2016 Re-presentation**	**12/31/2017**	**12/31/2016 Re-presentation**
PERT installment	-	-	22	-
Ordinary installments (PIS / COFINS / Social Security Contribution)	109	-	168	-
INSS installment	-	-	122	-
SESI/SENAI installment	-	-	11	11
REFIS of Cup Law 12.996/2014 installment	-	63	-	344
INSS - National Institute of Social Security	1,737	1,115	3,288	3,060
IRPF - Personal Income Tax	435	3,063	1,817	3,546
CSLL - Social Contribution on Net Income	20	21	26	40
COFINS - Tax for Social Security Financing	30	1,047	411	4,552
PIS - Employees' Profit Participation Program	7	193	88	955
FGTS - Guarantee Fund for Time of Service	1,513	1,464	4,723	1,977
VAT	4	1,335	5,861	6,625
Other	229	242	6,091	2,378
Total	4,084	8,543	22,628	23,488

	Parent		Consolidated	
Tax payable - Non-Current	**12/31/2017**	**12/31/2016**	**12/31/2017**	**12/31/2016**
INSS REFIS installment	878	1,600	1,964	2,540
IRPJ REFIS installment	3,672	3,672	3,672	3,672
CSLL REFIS installment	1,329	1,329	1,329	1,329
COFINS REFIS installment	643	643	643	643
REFIS of Cup Law 12.996/2014 Installment	-	753	-	4,084
Ordinary installments (PIS / COFINS / Social Security Contribution)	409	-	630	-
ISS installment	3	-	3	-
SESI/SENAI installment	-	-	16	-
Advance of installment of REFIS of the Crisis	(345)	(345)	(389)	(390)
Monetary variation	8,541	8,541	8,541	8,541
Other	-	-	-	87
	15,130	16,193	16,409	20,506
Judicial deposits linked to REFIS installment	(10,459)	(10,459)	(10,459)	(10,459)
Total	4,671	5,734	5,950	10,047

On November 14, 2017, the Company promoted the adhesion of several Lupatech Group Companies to the Special Tax Regularization Program - PERT, established by Provisional Measure nº. 783/2017 and legalized through Law 13.496/2017.

The Company, through this action, reorganized the amount of R$105,000 of its liabilities related to contingencies and tax liabilities.

The referred program generated a direct benefit to the Lupatech Group with discounts on interest, fines and charges totaling R$40,905, and represents another important step of the Company in its restructuring process.

The adhesion demanded payment of R$ 4,737 in cash, and for the settlement of the remainder, R$42,547 was used in accumulated tax losses of the Group (R$31,140 referring to debits of the Federal Secretariat of Brazil and R$11,407 to debts with the Attorney General's Office of the National Treasury) and plus R$18,000 of tax losses of invested companies and tributary tributaries, in accordance with PERT conditions.

21 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 December 31, 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 December 31, 2017, the balance of equity evaluation adjustment is R$65,969 (R$65,617 on December 31, 2016).

d. Options granted

In 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.

22 Financial instruments

22.1 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.

Management has established foreign exchange risk management principles that require the Company to manage its currency risk in relation to its functional currency. To manage its foreign exchange risk arising from commercial operations, the Company seeks to balance its trade balance between purchases and sales in currencies other than the functional currency. The credit and stock restrictions faced by the Company significantly limit the possibilities of contracting foreign exchange derivatives, commonly used in the management of foreign exchange risk.

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

On December 31, 2017 and 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	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Cash and cash equivalents	-	14	342	152
Accounts receivable	115	841	115	2,477
Other assets	-	6	17,747	35,298
Related parties - Assets	7,945	261,663	-	-
Loans and financing	(573)	(474)	(25,593)	(25,328)
Related parties - Liabilities	(77,603)	(355,739)	-	-
Other obligations	(17)	(211)	(1,053)	(1,467)
Net exposure in Dollar	(70,133)	(93,900)	(8,442)	11,132

On December 31, 2017, the US dollar rate in relation to the Brazilian Real was US$1.00 = R$3.3080 (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$15,312 in parent and R$1,843 in consolidated.

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

As mentioned above, the Company is exposed to interest rate fluctuation risks and to foreign currencies (other than its functional currency, the "Real"), mainly to the US dollar in its loans and financing. The analysis takes into account 3 fluctuation scenarios in these variables. In the definition of the scenarios used, Management believes that the following assumptions can be made, with their respective probabilities, however, it should be noted that these assumptions are judgments made by Management that can generate significant variations in relation to the actual results determined as a function of the conditions which can not be reliably estimated on this date for the full estimate 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 2018: 6.5%
US$: 3.38

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 2018: Increase of 8.1%
US$: 4.23

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 2018: Increase of 9.8%
US$: 5.08

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 and financing	US$ hike	47	569	1,091	449	5,380	10,311
Loans and financing	Interest rate hike	56	70	84	91	114	136
Mutual contracts	US$ hike	6,634	79,539	152,444	-	-	-
Total (gain) loss		6,737	80,178	153,619	540	5,494	10,447

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

The Group's interest rate risk 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 December 31, 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$32 in interest expenses for the year. The simulation is done quarterly to verify if the maximum potential of injury is within the limit determined by the Administration.

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 in 2017 approximately 20.4% (53.2% in 2016) of the Company's and its subsidiaries' total revenues.

(iv) *Risco de liquidez*

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.

22.2 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	6	6	2,135	2,135
Marketable securities	1,734	1,734	1,734	1,734

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:

	Parent		Consolidated	
Items	**Book value**	**Fair Value**	**Book value**	**Fair Value**
Loans and financing	92,246	92,809	167,148	166,109

22.3 Financial instruments by category

Summary of financial instruments by category:

Parent

	12/31/2017			12/31/2016		
	Loans and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet						
Securities-restricted	-	1,734	1,734	-	3,587	3,587
Accounts receivable	6,051	-	6,051	16,818	-	16,818
Cash and cash equivalents	6	-	6	123	-	123
Related parties	33,759	-	33,759	110,613	-	110,613
Total	39,816	1,734	41,550	127,554	3,587	131,141

Parent

	12/31/2017			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	77,248	14,998	92,246	69,149	11,343	80,492
Suppliers	80,966	6,443	87,409	72,379	5,517	77,896
Related parties	-	258,013	258,013	-	333,996	333,996
Total	158,214	279,454	437,668	141,528	350,856	492,384

Consolidated

	12/31/2017			12/31/2016		
	Loans and receivables	Held to maturity	Total	Loans and receivables	Held to maturity	Total
Assets, according to balance sheet						
Securities-restricted	-	1,734	1,734	-	3,587	3,587
Accounts receivable	26,906	-	26,906	44,912	-	44,912
Cash and cash equivalents	2,135	-	2,135	1,233	-	1,233
Total	29,041	1,734	30,775	46,145	3,587	49,732

Consolidated

	12/31/2017			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	127,998	39,150	167,148	118,189	36,077	154,266
Suppliers	80,966	25,264	106,230	72,379	18,506	90,885
Total	208,964	64,414	273,378	190,568	54,583	245,151

23 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:

	Amount secured	
Insurance purpose	**12/31/2017**	
- Comprehensive business insurance	R$	75,965
- General civil responsability insurance	R$	8,000
- International freight insurance *	US$	1.000

* Amounts in US dollar thousands.

24 Stock option

On May 19, 2017, the Board of Directors approved the granting of options to Mr. Rafael Gorenstein and Mr. Paulo da Silva, pursuant to the Stock Option Plan approved at the Extraordinary General Meeting held on December 12, on April 2017, with the Purchase Option Agreements of Common Shares being executed individually, between each of the beneficiaries and the Company.

The general conditions proposed in the Option Plan and the main objectives are as follows:

- Encourage the resumption of historical levels of the Company's operating activity and meeting established business goals by creating incentives to align the interests and objectives of the Company's key professionals with its shareholders, in particular compliance with the obligations contained in its Plan of Judicial Recovery;

- To enable the Company to retain its key professionals, offering them, as an additional advantage, the opportunity to become shareholders of the Company, under the terms, conditions and forms set forth in this Plan; and

- To promote the good performance of the Company and the interests of the shareholders through a long-term commitment on the part of its key professionals.

The Ordinary Share Purchase Option was granted, according to the Extraordinary Shareholders' Meeting, under the following main terms and conditions:

Mr. Rafael Gorenstein, current CEO and Investor Relations Officer of the Company, an option to subscribe up to 5% of the Company's capital stock, which on this date is equivalent to 469,692 common shares; and

Mr. Paulo Prado da Silva, current Director without specific designation of the Company, option to subscribe up to 1% of the Company's capital stock, which, on this date, amounts to 93,938 common shares.

For both, the purchase price of the shares is R$2.35 (two reais and thirty five cents) per share and must be paid in national currency within a period of up to 10 days from the date on which the Board of Directors approve the capital increase, with term to exercise the option of 07 years, as of April 27, 2017.

The acquisition of the right to exercise the Option shall occur in successive and annual installments of 20%, the first installment being exercisable from the date of signature of the Contract, and the other 80% exerciseable at the end of each of the subsequent years, from the first year inclusive, totaling, therefore, 4 years for the acquisition of the right over the total number of Options. Deadlines will be counted from April 27, 2017.

25 Statement of net Sales

	Parent		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Gross sales and/or services				
In Brazil	26,156	21,493	117,204	151,855
Export	4,113	2,326	4,899	2,326
	30,269	23,819	122,103	154,181
Deductions for gross sales				
Taxes on sales	(4,759)	(3,823)	(9,737)	(15,695)
Net sales and/or services	25,510	19,996	112,366	138,486

26 Income (Loss) per Share

a. Basic

The basic income (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.

Items	12/31/2017	12/31/2016
(Loss) Profit attributable to the Company's controlling shareholders	(4,102)	23,326
Weighted average quantity of common shares outstanding (thousands)	9,394	9,394
Basic Income (loss) per share - R$	(0.44)	2.48

b. Diluted

The diluted Income (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.

For stock options, a calculation is made to determine the number of shares that could have been acquired, based on the monetary value of the subscription rights attached to the outstanding stock options.

The options in share-based compensation are dilutable when they result in the issuance of shares for less than the price of the current share to the Company according to the stock option.

On December 31, 2017, dilution calculations of the stock option plan were applied, as described in note nº 24, and to the creditors' underwriting warrants under the Judicial Recovery Plan, note nº 1.2, but due to to anti-dilutive effects this calculation was excluded from the weighted average number of diluted common shares.

Items	12/31/2017	12/31/2016
(Loss) Profit attributable to the Company's controlling shareholders	(4,102)	23,326
Weighted average number of diluted common shares (thousands)	9,394	9,394
Diluted Income (loss) per share - R$	(0.44)	2.48

27 Financial result

Items	Parent 12/31/2017	Parent 12/31/2016	Consolidated 12/31/2017	Consolidated 12/31/2016
Financial Income				
Income from financial investments	207	752	233	1,288
Related-party interest income (mutual contract)	7	107	-	-
Present value adjustment	-	126,127	-	157,062
Adjustment to fair value	-	292,152	-	292,152
Monetary variance	422	343	1,920	1,907
Interest on receivables	332	645	827	2,873
Revenue reduction of fine, interest and charges adhesion to PERT	14,133	-	40,852	-
Other financial income	111	8	248	1,140
Total financial Income	15,212	420,134	44,080	456,422
Financial Expenses				
Interest on loans and financing	(8,244)	(12,342)	(13,153)	(17,056)
Interest on bonds	-	-	(318)	(24,235)
Present value adjustment	(5,495)	(310,683)	(5,676)	(394,788)
Interest of mutual contract	(21)	(86,217)	-	-
Discount granted	(5)	(766)	(227)	(767)
Provision of interest on suppliers	(4,135)	(5,112)	(4,644)	(6,185)
Fines and interest on taxes	(13,528)	(1,381)	(38,221)	(5,479)
IOF, banking expenses and others	(199)	(6,723)	(3,344)	(9,667)
Total financial expenses	(31,627)	(423,224)	(65,583)	(458,177)
Gain on exchange variance	247,535	554,303	244,304	527,149
Loss on exchange variance	(251,294)	(502,215)	(251,900)	(474,608)
Exchange variance, net	(3,759)	52,088	(7,596)	52,541

28 Other operating expenses (income)

Items	Parent 12/31/2017	Parent 12/31/2016	Consolidated 12/31/2017	Consolidated 12/31/2016
Other operating income				
Reversal of provision for loss of lawsuit	8,165	234	23,886	4,982
Gain on disposal of fixed assets	929	2	23,638	50
Reversal of provision for losses on inventory obsolescence	19	1,465	226	3,397
Adjustment to market value with inventories	-	1,054	-	1,054
Contractual fines	-	-	-	1,000
Revenue from sale of investments	-	28,599	11,788	28,599
Recovery of taxes and contributions	-	499	-	1,123
Reversal of provision for loss of tax recovery	7,745	-	7,745	-
Reversal of provision for impairment of assets	-	-	26,685	28,387
Reversal of fair value adjustment of business combination SABR	-	-	54,536	-
Other	33	9	1,751	337
Total other operating income	16,891	31,862	150,255	68,929
Other operating expenses				
Provision for loss of lawsuit	(4,479)	(5,292)	(14,888)	(3,776)
Loss on disposal of fixed assets	(204)	(9)	(7,343)	(11,758)
Provision for losses due to non-recoverability of assets	-	-	(41,926)	-
Provision for losses on inventory obsolescence	(1,990)	(35)	(5,957)	(3,562)
Extraordinary losses with inventories	-	(4,668)	-	(4,701)
Cost of idle production	(8,124)	(9,661)	(10,209)	(11,704)
Cost of investment sold	-	(15,284)	(16,234)	(15,284)
Taxes and contributions	(1,347)	(198)	(13,098)	(737)
Provision for loss of receipt of other accounts receivable	-	-	-	(14,455)
Loss with import process	(2,899)	-	(2,899)	-
Other	(62)	(20)	(1,313)	(402)
Total other operating expenses	(19,105)	(35,167)	(113,867)	(66,379)
Other operating income (expenses), net	**(2,214)**	**(3,305)**	**36,388**	**2,550**

29 Expenses by type

Items	Parent 12/31/2017	Parent 12/31/2016	Consolidated 12/31/2017	Consolidated 12/31/2016
Depreciation and amortization	(7,105)	(8,147)	(23,549)	(48,468)
Salaries, social charges and benefits	(8,089)	(13,369)	(69,960)	(108,965)
Raw material	(14,658)	(10,939)	(24,149)	(25,353)
Commissions	(855)	(783)	(1,171)	(1,013)
Freights	(467)	(298)	(768)	(480)
Legal advice and tax	(7,006)	(8,889)	(9,154)	(12,765)
Traveling expenses	(442)	(463)	(552)	(637)
Provision for loss of lawsuit	(4,479)	(5,299)	(14,888)	(3,776)
Impairment of assets	-	-	(41,926)	-
Residual value on disposal of fixed assets	(204)	(9)	(7,343)	(11,758)
Provision of contractual fines	(132)	(206)	(178)	(1,623)
Losses on inventory obsolescence	(1,990)	(35)	(5,957)	(3,562)
Cost of idle production	(8,124)	(9,661)	(10,209)	(11,704)
Extraordinary losses with inventories	-	(4,668)	-	(4,701)
Customs expenses	(50)	(28)	(4,388)	(6,874)
Sold investment cost	-	(15,284)	(16,234)	(15,284)
Taxes and contributions	(1,347)	(198)	(13,098)	(737)
Loss with import process	(2,899)	-	(2,899)	-
Provision for loss of receipt of other accounts receivable	-	-	-	(14,455)
Other expenses	(10,384)	(671)	(32,083)	(14,597)
	(68,231)	(78,947)	(278,506)	(286,752)
Classified as:				
Cost of sales	(26,707)	(20,707)	(117,645)	(169,044)
Selling expenses	(13,401)	(3,666)	(15,114)	(7,591)
General and administrative expenses	(5,519)	(13,831)	(28,381)	(38,162)
Management fees	(3,499)	(5,576)	(3,499)	(5,576)
Other operating expenses	(19,105)	(35,167)	(113,867)	(66,379)
	(68,231)	(78,947)	(278,506)	(286,752)

30 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 nº 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 relating to the total assets are consistent with the balances recorded in the financial statements. These assets are allocated based on the segment operations and physical place of assets.

The amounts relating to total liabilities are consistent with the balances recorded in the financial statements. These liabilities are allocated based on segment operations.

The Company's revenues have higher concentrations involving the customer Petrobras, directly and indirectly, which responded in 2017 by approximately 20.4% (53.2% in 2016) of the total revenue of the Company and its subsidiaries, as mentioned in note nº 1.

The information by segment is as follows:

	Products		Services		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Net sales	**34,858**	**27,855**	**77,508**	**110,631**	**112,366**	**138,486**
Cost of sales	(35,592)	(28,017)	(82,053)	(141,027)	**(117,645)**	**(169,044)**
Gross loss	**(734)**	**(162)**	**(4,545)**	**(30,396)**	**(5,279)**	**(30,558)**
Selling expenses	(14,583)	(4,619)	(531)	(2,972)	**(15,114)**	**(7,591)**
General and administrative expenses	(8,595)	(12,651)	(19,786)	(25,511)	**(28,381)**	**(38,162)**
Management fees	(1,061)	(1,099)	(2,438)	(4,477)	**(3,499)**	**(5,576)**
Equity pick-up	6,182	(10,687)	-	-	**6,182**	**(10,687)**
Other operating income (expenses), net	(7,729)	(11,147)	44,117	13,697	**36,388**	**2,550**
Operating Profit (Loss) before financial result	**(26,520)**	**(40,365)**	**16,817**	**(49,659)**	**(9,703)**	**(90,024)**

	Products		Services		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Identifiable assets (1)	**195,964**	**219,219**	**204,211**	**335,280**	**400,175**	**554,499**
Identifiable liabilities (2)	**42,226**	**23,910**	**231,152**	**221,241**	**273,378**	**245,151**

	Products		Services		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Depreciation and amortization	**(6,694)**	**(7,315)**	**(16,855)**	**(41,153)**	**(23,549)**	**(48,468)**
Acquisition of Property, plants and equipment	**365**	**997**	**3,841**	**2,066**	**4,206**	**3,063**

(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.

Information by geographic region is as follows:

	Brazil		South America		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Net sales	**54,658**	**103,760**	**57,708**	**34,726**	**112,366**	**138,486**
Cost of sales	(68,946)	(131,515)	(48,699)	(37,529)	**(117,645)**	**(169,044)**
Gross Profit (Loss)	**(14,288)**	**(27,755)**	**9,009**	**(2,803)**	**(5,279)**	**(30,558)**
Selling expenses	(14,672)	(7,066)	(442)	(525)	**(15,114)**	**(7,591)**
General and administrative expenses	(24,742)	(34,724)	(3,639)	(3,438)	**(28,381)**	**(38,162)**
Management fees	(3,499)	(5,576)	-	-	**(3,499)**	**(5,576)**
Equity pick-up	6,182	(10,687)	-	-	**6,182**	**(10,687)**
Other operating income (expenses), net	40,835	2,540	(4,447)	10	**36,388**	**2,550**
Operating Profit (Loss) before financial result	**(10,184)**	**(83,268)**	**481**	**(6,756)**	**(9,703)**	**(90,024)**

	Brazil		South America		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Identifiable assets (1)	**322,852**	**478,163**	**77,323**	**76,336**	**400,175**	**554,499**
Identifiable liabilities (2)	**252,297**	**222,813**	**21,081**	**22,338**	**273,378**	**245,151**

	Brazil		South America		Consolidated	
	12/31/2017	12/31/2016	12/31/2017	12/31/2016	12/31/2017	12/31/2016
Depreciation and amortization	**(17,954)**	**(38,506)**	**(5,595)**	**(9,962)**	**(23,549)**	**(48,468)**
Acquisition of Property, plants and equipment	**397**	**2,847**	**3,809**	**216**	**4,206**	**3,063**

(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.*

31 Assets and liabilities held for sale

On December 31, 2016, the Company recorded as assets held for sale the amount of R$4,790 related to the sale of machinery and equipment leased at units Sotep - Sociedade Técnica de Perfuração S/A - In Judicial Recovery and Lupatech Equipamentos de Serviços para Petróleo Ltda. - In Judicial Recovery. This operation will be completed in the first quarter of 2017.

On December 31, 2017 were reclassified as assets held for sale non operating property, plant and equipment of the service segment, which are subject to sal negotiations. These assets amounted net of depreciation a total of R$3,513 (non-current assets) in the parent company, and R$93,786 (R$89,854 in current assets and R$3,932 in non-current assets) in the consolidated.

In the context of the restructuring plan, management has conducted actions and negotiations that may result in the disposal of certain assets. The sale of these assets will only be considered highly probable as there is a prior agreement between the parties and, especially, there is legal authorization for the deal, since such authorization is an essential requirement in the Judicial Recovery.

32 Subsequent event

i) Third Issue of Debentures

In order to obtain funding to promote the payment of part of labor claims and other credits not subject to the Judicial Recovery Plan, the Board of Directors approved, at a meeting held on November 28, 2017, the third issuance of debentures convertible into common shares issued by the Company, in a single series, of unsecured type, for private placement, within the authorized capital limit, in the amount of thirty million reais, through the issue of 30,000,000 Debentures.

The Issue respected the preemptive right to the Company's shareholders and was directed to holders of labor claims, under the terms of the Judicial Recovery Plan, to a special purpose company set up to adjunct assets to labor creditors and other creditors non-subject to the Plan.

On February 5, 2018, the Company's 3rd Issuance of Debentures was partially ratified, as approved at the Board of Directors meeting held on November 28, 2017, in the amount of R$29,313, through the issuance of 29,313,394 Debentures, within of the Company's authorized capital limit.

Considering the total issue amount of 30,000,000 Debentures, there were still 686,606 unsubscribed Debentures, which will be canceled by the Company, under the terms of the Issue.

On March 6, 2018, the Company announced the conclusion of the process of converting debentures mandatorily convertible into shares of the Company, with the debenture holders who exercised the conversion free to trade the underlying shares on the stock exchange. As a result of the conversion of debentures into shares of the Company, the Capital Stock increased from R$1,853,684, divided into 9,393,834 registered common shares with no par value, to R$1,869,166, divided into 14,659,783 common shares, nominative and without par value.

Also, the registration of the first mandatory conversion of debentures into shares of the Company was completed, which, in the same way as above, resulted in an increase in the Company's Capital of R$1,869,166, divided into 14,659,783 registered common shares and with no par value, to R$1,870,549, divided into 15,130,239 common, nominative shares with no par value.

The main characteristics of the 3rd issue of debentures:

Series: Single
Date of issue: 12/18/2017 (for all legal purposes)
Due Date: No maturity
Amount issued: 29,313,394
Nominal value: R$ 1.00
Amount of issue: R$29,313

Convertibility:
The Debentures will be mandatorily convertible into common shares issued by the Company, at the discretion of the debenture holders, in accordance with the following conditions and options:

a) in up to 10 businesses days from the Debenture Payment Date, the debenture holders may request the conversion of up to 100% of the Debentures held by them in shares, of R$2.94 per share. The calculation for conversion of the Debentures will be based on the division between (i) the unit face value of the Debentures, plus the remuneration and (ii) the conversion price of R$2.94 per common share issued by the Company. Any fractions resulting from the calculation for conversion will be disregarded; or

b) after 10 businesses days from the date of payment of the Debentures, if the debenture holders have not requested the convertibility of their Debentures in the terms and conditions set forth in item (a) above, the Debentures shall be converted into Shares, according to the periodicity, percentage and price indicated below:

Conversion Dates	Percentage to be converted from Debentures of each of Debenturist	Price per share in R$
February 15, 2018	10%	2.94
May 15, 2018	7.5%	2.94
August 15, 2018	7.5%	2.94
November 15, 2018	7.5%	2.94
February 15, 2019	7.5%	2.94
May 15, 2019	7.5%	2.94
August 15, 2019	7.5%	2.94
November 15, 2019	7.5%	2.94
February 15, 2020	7.5%	2.94
May 15, 2020	7.5%	2.94
August 15, 2020	7.5%	2.94
November 15, 2020	7.5%	2.94
February 15, 2021	7.5%	2.94

In the event that the Stock completes 22 consecutive trading sessions with closing values higher than the price of the last conversion performed, the debenture holder may, in its sole discretion, during the next 10 calendar days, anticipate the last expected conversion according to the above schedule. Once the period of 10 calendar days for exercise of the early conversion option is over, if the conditions for early conversion are determined again, the debenture holders may, at their sole discretion, make new conversions in the same terms. In such cases, the Debentures will be converted in accordance with the schedule, with the remuneration calculated pro rata temporis until the date of the anticipated conversion.

The debentureholder who holds more than one Debenture may group the fractions of shares to which he is entitled in order to achieve a whole number in order to receive the greatest number of shares possible. After the fractions of shares resulting from the conversion of the Debentures of each debenture holder have been grouped together, only entire amounts of shares will be delivered to said debenture holder, with no fraction being disregarded.

The number of shares to be delivered by Debenture shall be concurrently and proportionally adjusted to capital increases by dividends, splits or groupings of common and / or preferred shares issued by the Company, for any purpose, that occur as of the issue date, without any charge to the holders of the Debentures and in the same proportion established for such events.

Subscription and payment:
The Debentures shall be subscribed and paid up on a single date, outside the scope of B3, within a period of up to 40 consecutive days counted as of January 31, 2018 ("Subscription Date"), at the subscription price corresponding to their nominal unit value, without monetary restatement, interest or other charges. The Debentures will be paid in full upon the subscription ("Payment Date"), outside the scope of B3, with Uncontroversial labor credits, as defined in the Judicial Recovery Plan, or credits held by a special purpose company as a result of the assumption of labor credits, or with other credits, in all cases held in the face of the Company, through payment with

the corresponding credits. In case any holder of preemptive rights decides to exercise it, the amounts paid by them in national currency, pursuant to article 171, paragraph 2 and paragraph 3 of the Brazilian Corporate Law, shall be delivered proportionally to the holders of the be paid in full.

For each R$1.00 (one Real) in uncontroversial labor credits, credits held by the SPE, or other credits, will be subscribed and paid-in R$1.00 (one real) Debenture nominal amount, disregarding fractions of real of form that the full number of debentures should be paid immediately below the amount of the credit.

The Debentures that are not subscribed, as well as the subscribed Debentures that are not paid in the terms and conditions established in the Deed of Issue, shall be canceled, the parties being already authorized to add the Deed of Issue to formalize eventual cancellation, regardless of authorization two debenture holders.

Remuneration interest:
Each Debenture will be entitled to remuneration, as of the payment date, calculated by reference rate, calculated and disclosed by the Central Bank of Brazil ("TR"), plus a spread of 6% per year, calculated based on 252 business days, calculated on an annual basis, pro rata temporis per day, on the nominal unit value of the Debentures, from the date of payment (inclusive) to the date of notice to shareholders, which shall occur at the end of each capitalization period , to be calculated in accordance with the Deed of Issue.

The pro rata temporis Remuneration shall be fully added to the percentage of the nominal unit value of the Debentures for conversion purposes on each conversion date, as described in the table above, with the last payment occurring on February 15, 2021, the date on which, all remaining balance will be converted into shares. This provision also applies to early conversion.

Optional partial or partial redemption and partial optional amortization:
The Company may, at its sole discretion and regardless of the debenture holders' intention, to perform, at any time, (i) the total early redemption; and/or (ii) the partial early repayment of the Debentures, limited to 98% of the unit face value of the Debentures.

On the occasion of optional early redemption or voluntary early redemption, the Debenture Holders will be entitled to receive the nominal unit value of the Debentures, plus the remuneration of the Debentures, calculated pro rata temporis from the date of payment up to the date of the effective payment of the optional early redemption or optional early amortization. There will be no premium payment.

The optional early redemption or optional early redemption may only occur through the communication of the Company to the debenture holders, at least 5 business days prior to the date of the optional early redemption or optional early redemption, informing (i) the amount to be paid by the Debentures to be redeemed or amortized, as applicable; (ii) the date of the optional early redemption or optional early redemption; and (iii) other information necessary for the operationalization of the redemption or amortization of the Debentures.

In the event of an optional early redemption or optional early redemption, the Company may offset any credits it holds against the Debenture Holders, pursuant to article 368 et seq. Of the Civil Code, outside the scope of B3.

Dilution:
As the Company's current shareholders will be assured their preemptive right under the terms of article 57, paragraph 1, and article 171, paragraph 3, of the Brazilian Corporate Law, dilution will only occur if the shareholder chooses not to exercise its preemptive right. Otherwise, the shareholders will maintain their respective participation in the capital stock. The conversion price of the Debentures and amendments issued by the Company within the scope of the Issue was established without undue dilution for the current shareholders of the Company, pursuant to paragraph III of paragraph 1 of article 170 of the Brazilian Corporation Law.

ii) Payment of Class I Creditors from the Judicial Recovery Plan
In compliance with its Judicial Recovery Plan, the Company performed all the acts necessary to pay the Class I creditors eligible for such second secondment of the Class I general creditors filed by the Company's judicial management on January 30, 2017. The creditors who did not opt for the subscription of Debentures convertible into shares of the 3rd issue of Lupatech S/A will have their credits satisfied by the delivery of shares of the Company "CIAVAL Administradora de Bens e Direitos SPE S/A", constituted pursuant to article 50, Item XVI of Law 11,101. To the respective company were transferred assets in the amount of R$35,412, equivalent, on this date, to 2.5 times the net credits listed as eligible for payment, thus including a substantial reserve for credits that become due in the future.

The CIAVAL company was constituted exclusively for the integral and isonomic satisfaction of said Class I Creditors. Upon receipt of CIAVAL shares, Class I Creditors will no longer be Lupatech Group creditors and will become CIAVAL shareholders.

In this sense, the assets described below were transferred to CIAVAL, which were appraised by appraisal firm ("Appraisal avaliações e Engenharia") for the following amounts:

Fixed asset	Amount (R$ ths)
Property Catu-BA	5,260
Property São Mateus-ES	3,881
Property Macaé-RJ	4,359
Property Maruim-SE	1,136
Property Aracaju-SE	393
Maritime probes	6,526
Debentures Lupatech S/A	13,857
Total	**35,412**

The volume of assets exceeds the total of credits listed, fit and unfit, discounting those who opted for the conversion of credits into debentures. Thus, a substantial reserve of values has been established for creditors who become fit in the future.

It is possible to notice from the table above that, in addition to immovable property, the assets transferred to CIAVAL include Lupatech Debentures, whose purpose is: (i) to set up a reserve for the payment of class I illiquid credits ("Contingent Credits Class I"), whose holders will own, within the limits of said credits, the effective value that these instruments produce; and (ii) to provide greater liquidity to the Ex-Creditors Class I, hence the Lupatech Debentures may be monetized more quickly, allowing for early sharing until the real estate is sold.

Independet auditor's report on the financial statements individual and consolidated

Crowe Horwath.

To the Administrators and Shareholders of Lupatech S.A. - In Judicial Recovery
Nova Odessa - SP

Opinion

We have examined the individual and consolidated financial statements of Lupatech S/A – In Judicial Recovery ("Company"), identified as the parent company and consolidated, respectively, which comprise the balance sheet as of December 31, 2017 and the income statements, statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, as well as the related explanatory notes, including a summary of the main accounting policies.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual and consolidated financial position of Lupatech SA - In Judicial Recovery as of December 31, 2017, the individual and consolidated performance of its operations and their respective individual and consolidated cash flows for the year then ended, in accordance with accounting practices adopted in Brazil and International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB).

Basis for opinion

Our audit was conducted in accordance with Brazilian and international auditing standards. Our responsibilities, in accordance with such standards, are described in the following section entitled "Auditor's Responsibilities for the Audit of the Individual and Consolidated Financial Statements." We are independent in relation to the Company and its subsidiaries, in accordance with the relevant ethical principles set forth in the Professional Code of Ethics of the Accountant and in the professional standards issued by the Federal Accounting Council, and we comply with the other ethical responsibilities according to these norms. We believe that the audit evidence we have obtained is sufficient and appropriate to substantiate our opinion.

Emphasis

Judicial recovery

As mentioned in note 1.2 to the financial statements, on November 8, 2016, Lupatech S/A and its direct and indirect subsidiaries had their new judicial reorganization plan approved by the Lupatech Group's General Meeting of Creditors and approved by the Court of the 1st Court of Bankruptcy and Judicial Regeneration of the Court of Justice of the State of São Paulo, without any qualifications, on December 1, 2016. The Company filed foreclosure proceedings since the approval order 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 year ended December 31, 2017, there was no presentation of any grievance against the approved plan. Our opinion has no qualifications related to this matter.

Relevant uncertainty related to operational continuity

As mentioned in note 1.1 to the financial statements, the Company and its subsidiaries have generated recurring losses and during the year ended December 31, 2017, they incurred before income tax and social contribution of R$38,802 thousand and have no generated cash in an amount sufficient for the settlement of its obligations. These conditions, together with the fact that the Company and its subsidiaries entered the judicial reorganization 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 difficulties in the generation of cash depends on the success of the Company's and its subsidiaries' financial and equity structure adjustment plans, as well as compliance with the judicial reorganization plan, described in note 1.2 to the financial statements. Our opinion has no qualifications related to this matter.

Re-presentation of previously disclosed financial statements

As mentioned in note 2.1.1, as a result of the adjustments for the correction of errors identified in 2017 in relation to the financial statements for 2016, the corresponding amounts referring to the previous year, presented for comparison purposes, were adjusted and are being restated as provided by CPC 23 - Accounting Policies, Change of Estimate and Error Rectification. Our opinion contains no modification related to this matter.

Main audit issues

Main audit issues are those that, in our professional judgment, were the most significant in our audit of the current year. These matters were addressed in the context of our audit of the individual and consolidated financial statements as a whole and in the formation of our opinion on these individual and consolidated financial statements and therefore, we do not express a separate opinion on these matters. For each subject below, a description of how our audit has addressed the matter, including any comments on the results of our proceedings, is presented in the context of the financial statements taken as a whole.

Impairment of property, plant and equipment and goodwill - Parent Company and Consolidated

As described in note 1.1 to the financial statements, the Company and its subsidiaries have faced difficulties in generating sufficient profits and cash flows in their operations and are in the process of judicial recovery. With the identification of these indicators, the Company evaluated the existence of impairment in relation to its cash generating units ("CGUs") in which property, plant and equipment and goodwill are allocated in accordance with notes 12 and 13. recoverable value, using the discounted cash flow method, based on economic-financial projections. The determination of future profitability estimates of cash-generating units for the purpose of evaluating the recoverable value of such assets requires the use of significant assumptions and judgments by the Company that are subject to a high degree of uncertainty about the realization of future business assumptions, on the market indicators used to determine discount rates, as well as significant uncertainty about the Company's and its subsidiaries' ability to continue operating, which may impact the value of these assets in the individual and consolidated financial statements and the amount of the investment recorded by the Company. equity method in the financial statements of the parent company. For this reason, we consider this matter significant in our audit work.

How this matter was conducted in the audit

We evaluated the mathematical integrity and the relevant assumptions used in preparing the discounted cash flow projection for each CGU, including comparing forecasts with past performance, evaluating the existence of an active market for CGUs evaluated and other evidence on the determination of the fair value used in determining the recoverable value, such as market valuations prepared by specialists, when applicable, and the evaluation and consistency of these assumptions with the business plans approved by the Board of Directors. We also performed the sensitivity analysis for the main assumptions used in the projection prepared by the Company and its subsidiaries. We also evaluate the adequacy of the disclosures related to the matter.

Provisions and contingent liabilities - *tax, labor and civil* - *Company and Consolidated*

As described in note 19, the Company and its subsidiaries are party to lawsuits and administrative proceedings pending before courts and government agencies, arising from the normal course of its operations, involving tax, labor and civil matters. The Company is required to exercise significant judgment to determine the appropriate amount of provisions to reflect probable financial resource requirements to settle those obligations and a significant judgment is also required to determine the risks associated with tax positions taken and disclosures required of the assessed causes as a possible loss. Changes in the assumptions used by the Company to exercise this significant judgment, or changes in conditions external to the Company, including the position of the tax, labor and civil authorities, may have a significant impact on the level of provisions established for this purpose, as well as disclosures required. Due to the degree of uncertainty, the relevance, complexity and judgment involved in the assessment, measurement, timing for recognition and disclosures related to Contingent Liabilities and Contingent Liabilities that may impact the individual and consolidated financial statements and the value of the investment recorded under the equity in the parent company's financial statements, we consider this matter to be significant for our audit.

How this matter was conducted in the audit

Our audit procedures included, among others, the evaluation of the accounting policies applied by the Company for the measurement of losses, including the evaluation of the significant judgment on the determination of the probabilities and the amounts to be recorded as a provision for tax, civil and labor risks and or disclosed, and whether the judgment was properly and consistently applied during all periods presented. In order to determine the proper use of assumptions in the Company's judgment, we analyze the positions and opinions of the Company's internal and external legal advisors, who based their understandings and judgments. For the estimates of labor and civil losses, we recalculated the criteria for constitution of a provision based on the policy determined by the Company and compared with data and information. With the assistance of our tax specialists, we obtained an adequate understanding of the exposure to tax risks related to legal requirements imposed on the business and legal opinions obtained by the Company. We also evaluate whether the disclosures are in accordance with applicable rules and provide information on the nature, disclosure and amounts provisioned or disclosed relating to the main tax, labor and civil matters that the Company is involved in.

Other matters

Statements of value added

The individual and consolidated statements of value added (DVA) for the year ended December 31, 2017, prepared under the responsibility of the Company's management presented as supplementary information for IFRS purposes, were subject to audit procedures performed in conjunction with audit of the company's financial statements. For the purposes of forming our opinion, we assess whether these statements are reconciled with the financial statements and accounting records, as applicable, and if their form and content are in accordance with the criteria defined in Technical Pronouncement CPC 09 - "Statement of Added Value". In our opinion, these statements of value added have been properly prepared, in all material respects, in accordance with the criteria set forth in this Technical Pronouncement and are consistent with the individual and consolidated financial statements taken as a whole.

Audit of the individual and consolidated financial statements for the previous year

The individual and consolidated financial statements for the year ended December 31, 2016, presented for comparative purposes, were audited by other independent auditors, who issued an audit report dated March 28, 2017, without qualification. As part of our examination of the financial statements for the year ended December 31, 2017, we also examined the adjustments and reclassifications described in note 2.1.1 that were made to change the financial statements for the year ended December 31, 2017. 2016 and the respective opening balances. In our opinion, such adjustments and reclassifications are appropriate and properly performed. We were not contracted to audit, review or apply any other procedures on the individual and consolidated financial statements for the year ended December 31, 2016 and on the individual and consolidated balance sheet of January 1, 2016, therefore, we do not express an opinion or any form of assurance on said financial statements for the year ended December 31, 2016 and balance sheet of January 1, 2016.

Other information accompanying the individual and consolidated financial statements and the auditor's report

The Company's management is responsible for such other information that includes the Management Report.

Our opinion on the individual and consolidated financial statements does not cover the Management Report and we do not express any form of audit conclusion on this report.

In connection with the audit of the individual and consolidated financial statements, our responsibility is to read the Management Report and, in so doing, to consider whether this report is materially inconsistent with the financial statements or with our knowledge obtained in the audit or otherwise appear to be materially distorted. If, based on the work performed, we conclude that there is a material misstatement in the Management Report, we are required to report this fact. We have nothing to report on this.

Responsibilities of management and governance by the individual and consolidated financial statements

The Company's management is responsible for the preparation and adequate presentation of the individual and consolidated financial statements in accordance with accounting practices adopted in Brazil and with the International Financial Reporting Standards (IFRS) issued by the International Accouting Standards Board (IASB), as well as by the internal controls that Management has determined to be necessary to enable the preparation of these financial statements free of material misstatement, whether caused by fraud or error.

In the preparation of the individual and consolidated financial statements, management is responsible for evaluating the Company's ability to continue operating, disclosing, when applicable, matters related to its operational continuity and the use of this accounting basis in the preparation of the financial statements, not management intends to liquidate the Company and its subsidiaries or cease its operations, or has no realistic alternative to avoid closing the operations.

Those responsible for the governance of the Company and its subsidiaries are those responsible for supervising the process of preparing the financial statements.

Responsibilities of the auditor for the audit of the individual and consolidated financial statements

Our objectives are to obtain reasonable assurance that the individual and consolidated financial statements taken together are free from material misstatement, whether due to fraud or error, and to issue an audit report containing our opinion. Reasonable safety is a high level of security, but, no, a guarantee that the audit conducted in accordance with Brazilian and international auditing standards always detect any relevant relevant distortions. Distortions may be due to fraud or error and are considered relevant when, individually or together, they can influence, from a reasonable perspective, the economic decisions of users taken on the basis of those financial statements.

As part of the audit conducted in accordance with Brazilian and international auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. Besides that:

- We identify and evaluate the risks of material misstatement in the individual and consolidated financial statements, whether caused by fraud or error, we plan and perform audit procedures in response to such risks and obtain audit evidence appropriate and sufficient to substantiate our opinion. The risk of not detecting material misstatement resulting from fraud is greater than that arising from error, since fraud may involve the act of circumventing internal controls, collusion, forgery, omission, or false intentional representations.

- We obtain an understanding of the internal controls relevant to the audit to plan audit procedures appropriate to the circumstances, but not, in order to express an opinion on the effectiveness of the Company's and its subsidiaries' internal controls.

- We evaluate the adequacy of the accounting practices used and the reasonableness of accounting estimates and respective disclosures made by management.

- We conclude on the adequacy of the management's use of the accounting basis for operational continuity and, based on the audit evidence obtained, whether there is a material uncertainty regarding events or conditions that could raise a significant doubt regarding the Company's capacity for operational continuity and its subsidiaries. If we conclude that there is material uncertainty, we should draw attention in our audit report to the respective disclosures in the individual and consolidated financial statements or include a change in our opinion if the disclosures are inadequate. Our findings are based on audit evidence obtained as of the date of our report. However, future events or conditions may cause the Company and its subsidiaries to no longer be in operational continuity.

- We evaluate the overall presentation, structure and content of financial statements, including disclosures, and whether the individual and consolidated financial statements represent the corresponding transactions and events in a manner consistent with the objective of adequate presentation.

- We obtain adequate and adequate audit evidence regarding the financial information of the entities or business activities of the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group's audit and, consequently, for the audit opinion.

We communicate with those responsible for governance regarding, inter alia, the planned scope, timing of the audit, and significant audit findings, including any significant deficiencies in internal controls that we have identified during our work.

We also provide those responsible for governance with a statement that we have complied with the relevant ethical requirements, including the applicable independence requirements, and communicate any relationships or matters that could significantly affect our independence, including, where applicable, respective safeguards.

Of the matters that were the subject of communication with those responsible for governance, we determined those that were considered most significant in the audit of the financial statements for the current year and, in this way, are the main audit subjects. We describe these matters in our audit report unless the law or regulation has prohibited public disclosure of the matter, or when in extremely rare circumstances we determine that the matter should not be reported in our report because the adverse consequences of such disclosure may, within a reasonable perspective, overcome the benefits of communication to the public interest.

São Paulo, March 22, 2018.

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

Sérgio Ricardo de Oliveira
Contador – 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 fiscal year 2017.

Nova Odessa, March 22, 2018.

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 V 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 fiscal year 2017.

Nova Odessa, March 22, 2018.

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

Capital budget proposed by management

The Company has presenting below, the capital budget for the year 2018, in compliance with Instruction 480/09, published by the CVM on the date of December 7, 2009.

The Directors has reviewed all projects in which Lupatech is involved, seeking to ensure attractive rates of return and create value for its shareholders.

Therefore, they were not included investments in capex for the year 2018 were only considered operating expenses with maintenance of some equipment.

If the Company to add new projects to its backlog during the 2018 exercise that require additional investments, inform its shareholders and the market in general.

Board of Directors

Carlos Mario Calad Serrano
Celso Fernando Lucchesi
João Marcos Cavichioli Feiteiro
Rafael Gorenstein
Simone Anhaia Melo

Directors

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