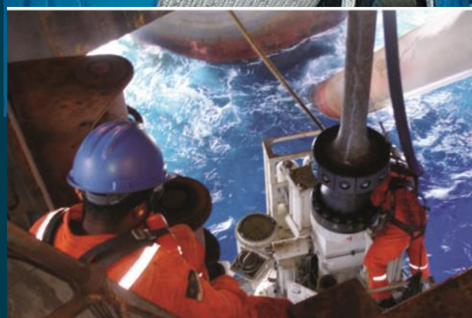
LUPATECH

Financial and Economic Performance

4Q17



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.

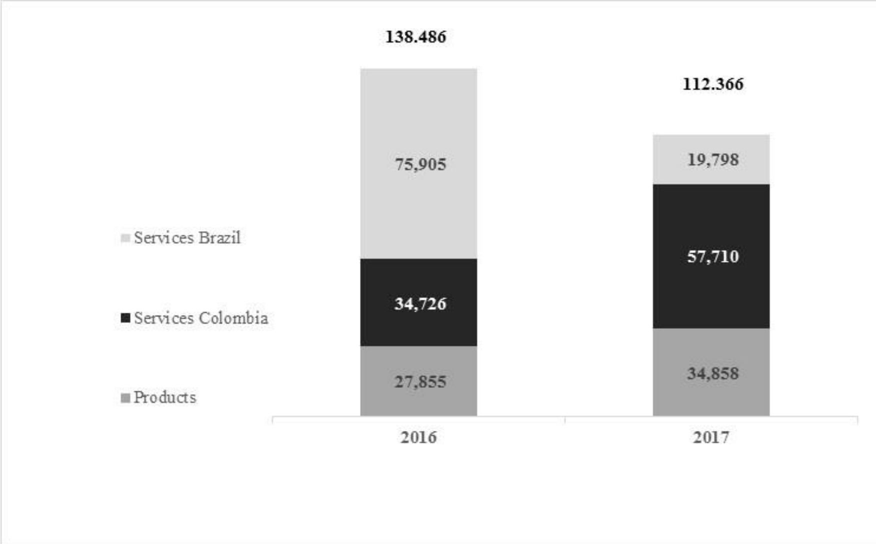
Comparing 2017 and 2016, the 5% increase in Net Revenue in the Industrial Valves division results from the commercial effort, in an environment where we have seen a modest resumption of investments and maintenance in the industrial segment. The result could have been better, there were some difficulties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

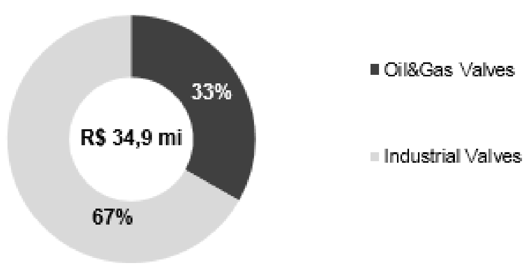
However, the continuous growth of the Net Revenue of the Oilfield Services Colombia division throughout the year is due not only to the recovery of the Colombian market, but also due to the recapitalization of the Colombian company.

Net Operational Revenue (R$ thousand)

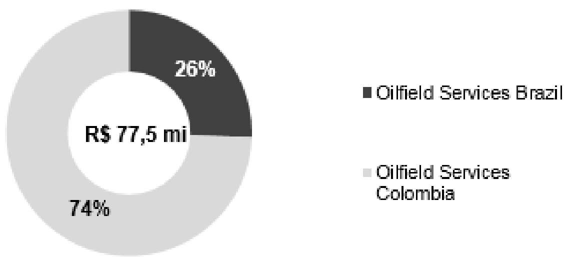


Revenue Distribution - 4Q17

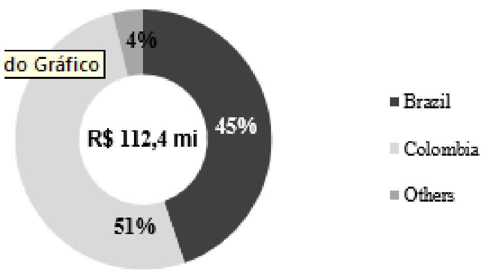
Products



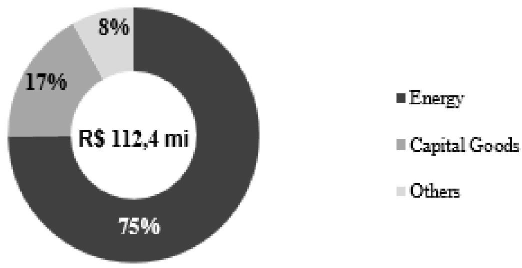
Services



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.

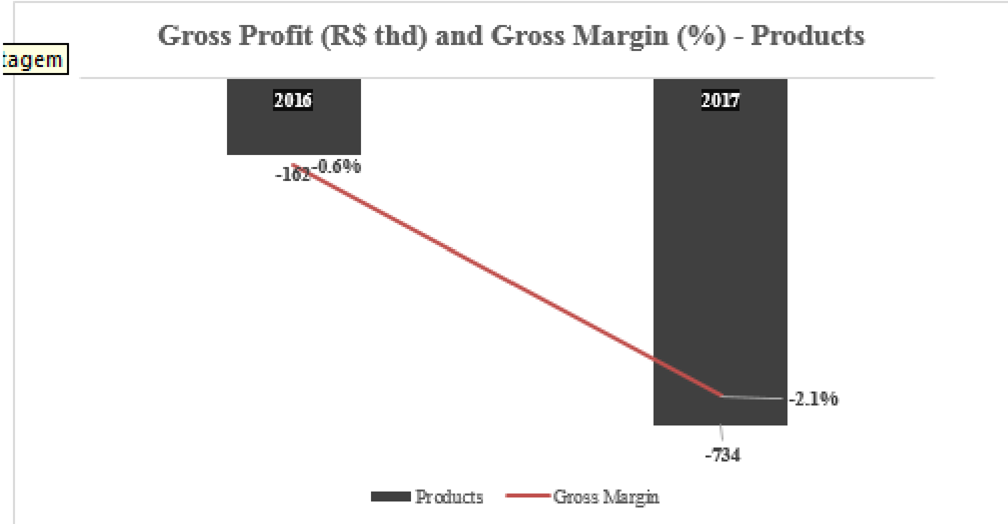
Noting the variation occurred comparing 2017 versus 2016, despite the increase in sales, the reduction in gross margin resulted from the weight of the export business which, with less margin, were more representative in 2017. The low margins practiced in the oil and gas valves business in the period,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

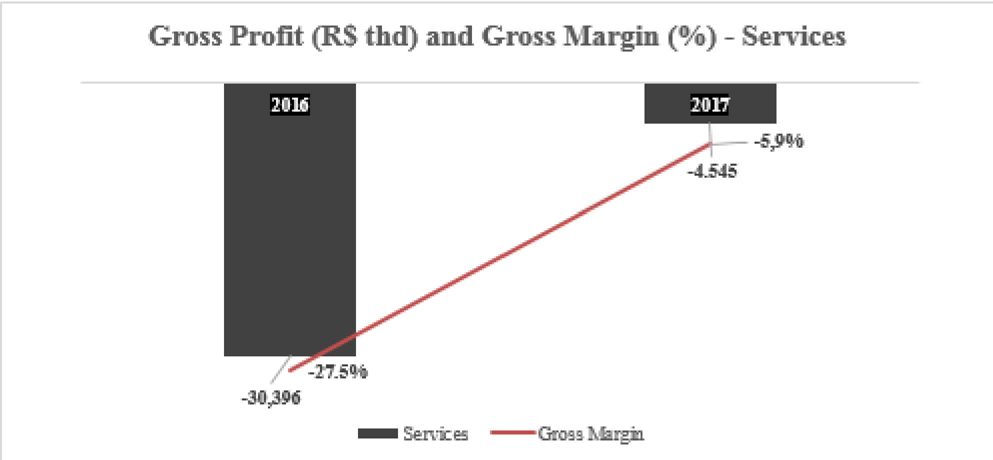
Services Segment

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.

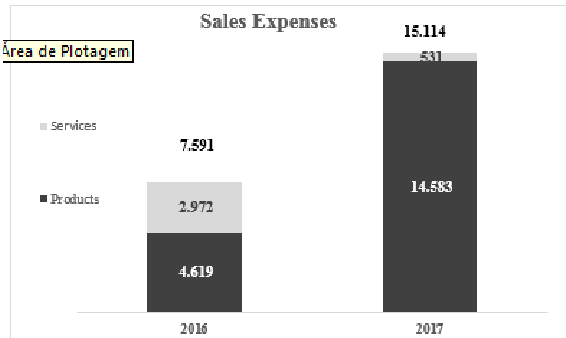
Analyzing the Company's Administrative Expenses, there is an increase in 4Q17 compared to 3Q17, which is due to the increase in credits subject to Judicial Recovery in the amount of R$ 0.8 million (dispute resolutions).

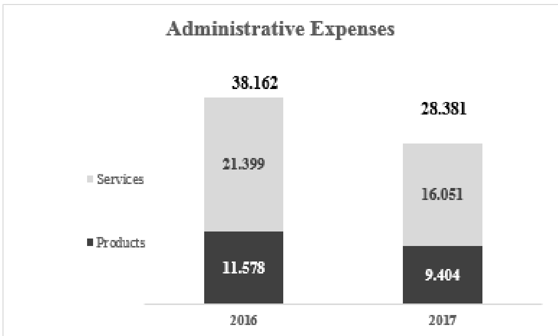
Management Pay

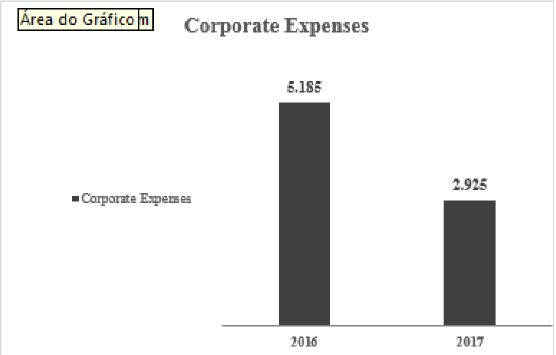
The total of Management Pay in 4Q17 compared to 3Q17, remained stable.

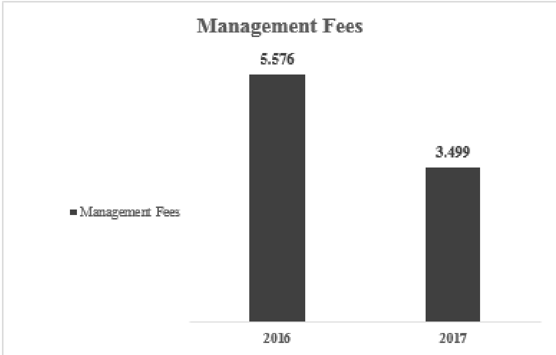
Analyzing the year 2017 versus 2016, the Management Fees were significantly reduced, mainly due to the reduction in the number of directors and lower expenses with variable compensation.

Operating Expenses (R$ thousand)









Other Operating (Revenues) and Expenses

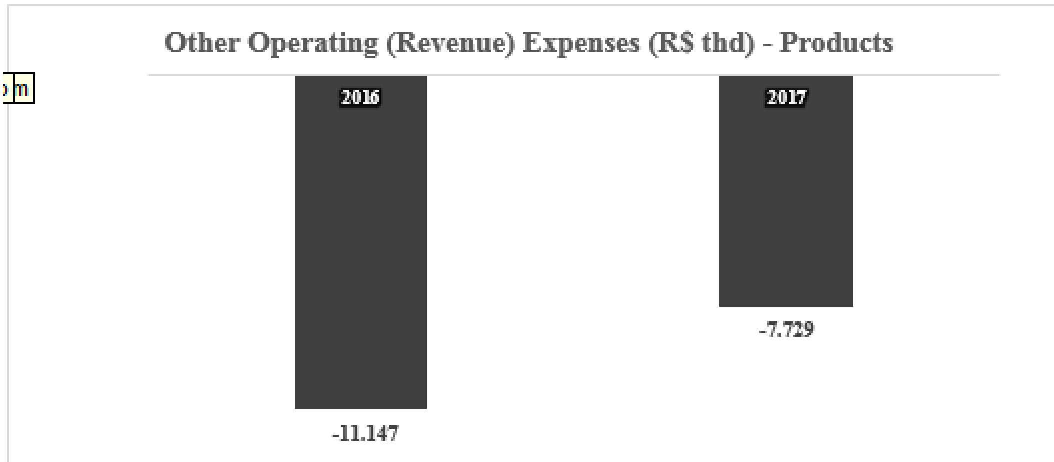
Other Operating (Revenue) and Expenses (R$ thd)	1Q17	2Q17	3Q17	4Q17	Chg. R$	2016	2017	Chg. R$
Products	3.942	1.145	(742)	(3.949)	(3.207)	(1.970)	396	2.365
Expenses with idleness - Products	(1.227)	(2.840)	(1.999)	(2.059)	(60)	(9.177)	(8.125)	1.053
Services	11.469	6.370	46.320	(18.365)	(64.685)	16.223	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**

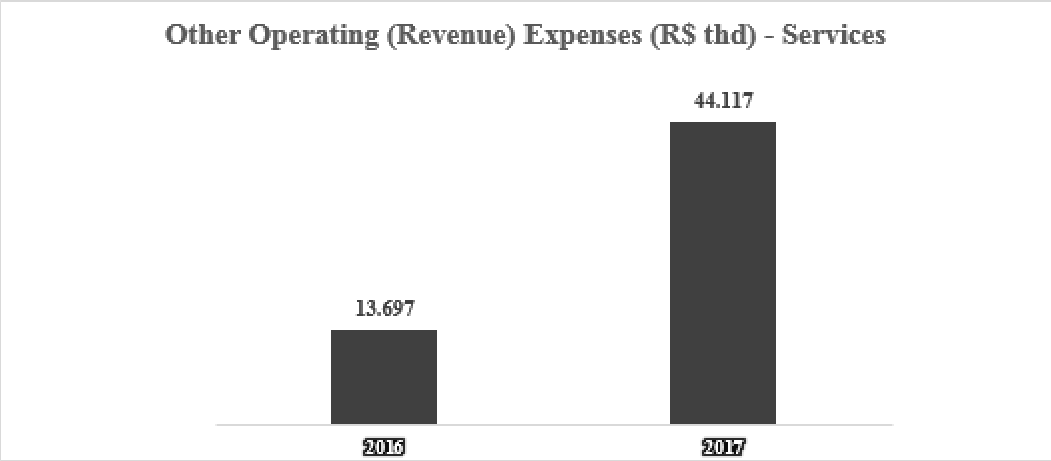
In 4Q17 the following factors stand out from the other expenses and operating income side:

(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

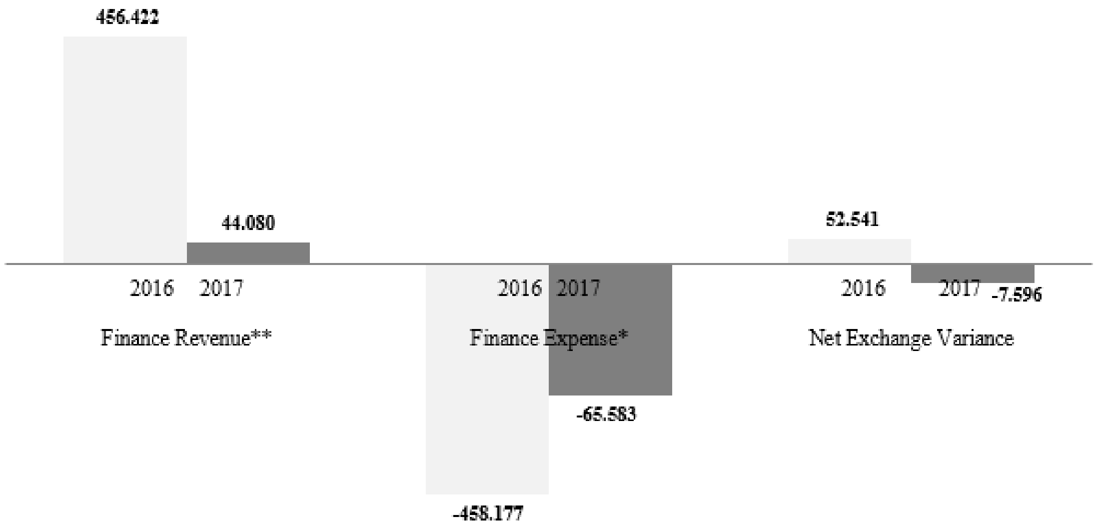
As in 3Q17, also in 4Q17 there was a significant effect of the recognition of interest and fines on tax credits recognized in the context of the adhesion to PERT.

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

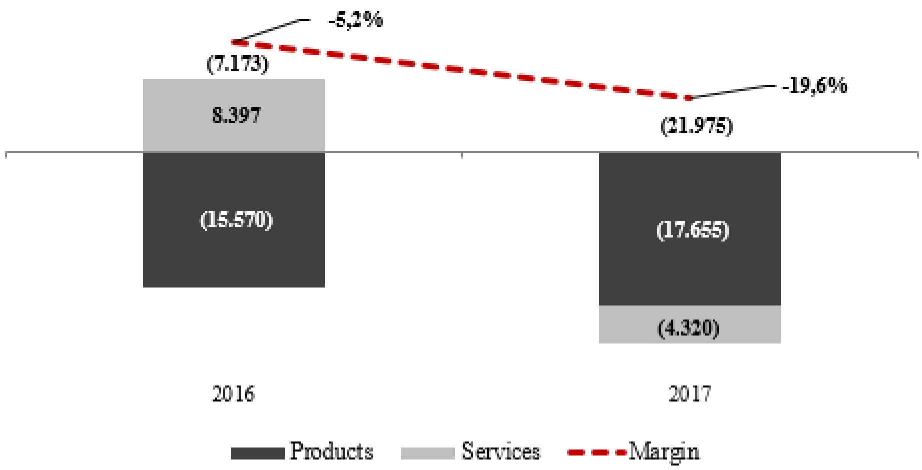
EBITDA Ajustado (R$ mil)	1T17	2T17	3T17	4T17	Var. R$/p.p	2016	2017	Var. R$/p.p
Produtos	**(5.210)**	**(4.614)**	**(4.499)**	**(3.332)**	**1.167**	**(15.570)**	**(17.655)**	**(2.085)**
Margem	-55,1%	-60,6%	-47,7%	-39,9%	7,8 p.p.	-55,9%	-50,6%	5,2 p.p.
Serviços	**1.556**	**882**	**(4.713)**	**(2.045)**	**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)



Adjusted Ebitda Reconciliation (R$ thd)	Products	Services	Total
	4Q17		
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;

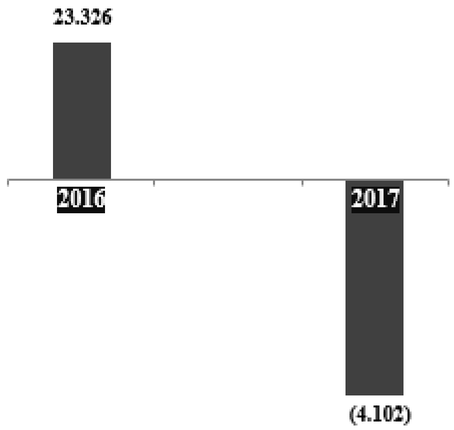
(i) R$ 20.7 million corresponding to the negative net effect of the impairment adjustments and the result of the sale of assets;

(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.

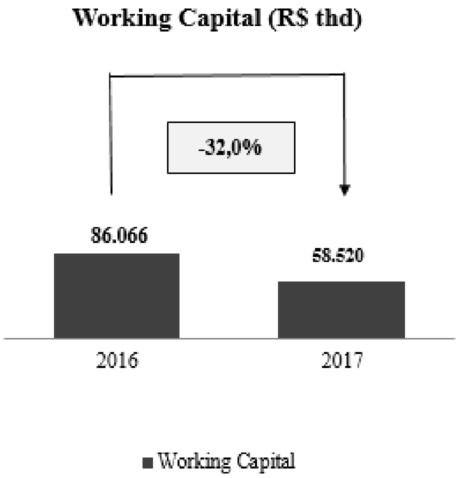
Composition of Net Result (R$ thousand)

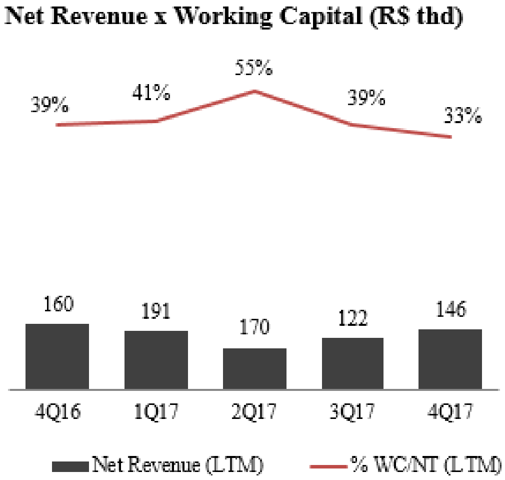


Operating Working Capital

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**

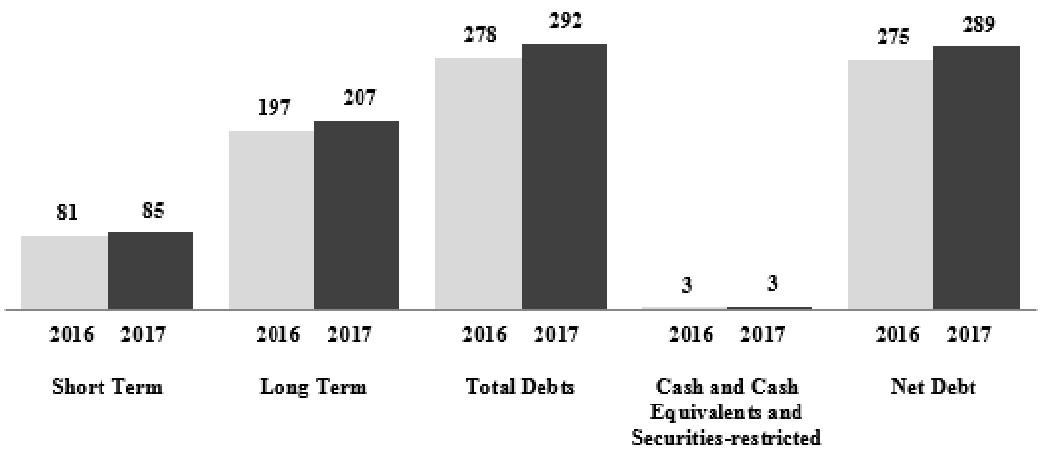
There was no substantial change in the Company's liquidity.

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)

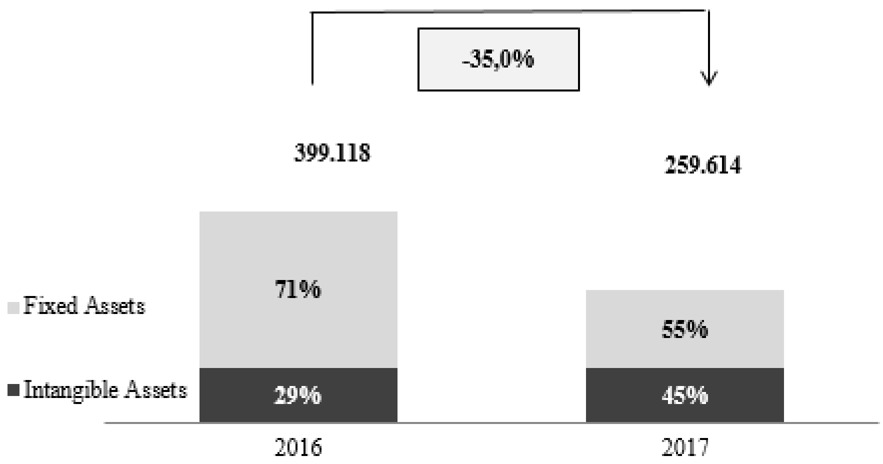


Investment balances

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.