INTERIM FINANCIAL STATEMENTS Q2 2019

LUPATECH S.A. – EM RECUPERAÇÃO JUDICIAL
CNPJ/MF nº 89.463.822/0001-12
NIRE 35.3.0045756-1
Companhia Aberta de Capital Autorizado – Novo Mercado

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

Context

In the 2Q19, our previous perceptions about the movement of our markets were confirmed, but with a hesitation bias from the agents.

Although our valve sales decreased in relation to the 1Q19, our order book increased significantly, almost doubling in volume compared to the most recent periods.

This is because:

- Following a post-election spasm that fueled the 1Q19, the industrial activity did not accelerate rapidly. This is not to say that agents are not moving in that direction - we continue to receive many budget consultations for unit expansion projects in some segments of our clientele, which should only be reflected in sales if and when projects are implemented.;
- In the Oil and Gas sector, activity has been growing steadily. Although the volume of consultations has been effectively reflected in continued portfolio formation, Petrobras purchases have been behaving unusually, with quotation volumes increasing, but a smaller proportion converted into actual orders.

Services x Demobilization

During this period, we continued with the demobilization of service activities. We have continued with the sale of equipment, although in somewhat lower volumes than in the 1Q19. However, efforts in partnership with Exen (Petroalianza) have finally resulted in a leveraged sale deal for our Colombian business. Completion depends on the conclusion of a credit agreement with a local bank, which is in progress, and the sale only becomes effective after that. If completed, the transaction will provide Lupatech with approximately US$5 million in cash and US$1.1 million in equipment, which will then be sold.

Judicial Recovery

We continue to resolve important measures that depend on court intervention that prevent the end of judicial recovery. The main issues are: (i) the issuance of new notes in the US, which require approval of the amended plan in the Chapter 15 process in New York; (ii) some measures and authorizations related to certain assets of the group, which enable their best economic use; (iii) the regulation of the fiscal status of BNDES fiduciary guaranteed credits and (iv) the regularization of the fiscal situation aiming at obtaining Negative Certificates of Debits so that the company can operate regularly outside the recovering environment.

It is not possible to specify the time required for such measures to be completed, but we have been making all the possible efforts and working with our legal team to overcome this step.

Asset recovery and recapitalization

It is notorious that the Company requires capital to cope with growth. Therefore, in June this year we made a private call for capital increase, which resulted in the raising of R$6.9 million from

the shareholding base. We consider this volume to be satisfactory for immediate needs because, combined with the proceeds from the sale of the Colombian operation, if it occurs, it would meet short-term working capital and debt service needs, while other measures would support future needs.

These include, for example, the demobilization of equipment, which could, according to our current estimates, generate about US$ 5 to US$7 million.

There are also a number of other contingent assets that we have been working on: arbitration and court settlements, cash tax refunds and the withdrawal of escrow deposits. Combined, the figures involved are potentially several tens of millions of dollars. However, the uncertainty about such measures is relevant, both from the point of view of legal success, as also from when they will potentially translate into resources, which may vary from months to years.

Rafael Gorenstein

Director President and of Investor Relations

Financial-Economic Performance

Net Revenue

Net Revenue (R$ thd)	2Q18	2Q19	Chg. R$	1Q19	2Q19	Chg. R$	1S18	1S19	Chg. R$
Products	**8,212**	**6,765**	**(1,447)**	**8,352**	**6,765**	**(1,587)**	**14,939**	**15,117**	**178**
Oil&Gas Valves	1,872	2,099	227	3,237	2,099	(1,138)	3,794	5,336	1,542
Industrial Valves	4,980	4,666	(314)	5,115	4,666	(449)	9,785	9,781	(4)
Tubular	1,360	-	(1,360)	-	-	-	1,360	-	(1,360)
Services	**22,178**	**29,831**	**7,653**	**25,408**	**29,831**	**4,423**	**37,736**	**55,239**	**17,503**
Oilfield Services Brazil	161	25	(136)	72	25	(47)	229	97	(132)
Oilfield Services Colombia	22,017	29,806	7,789	25,336	29,806	4,470	37,507	55,142	17,635
Total	**30,390**	**36,596**	**6,206**	**33,760**	**36,596**	**2,836**	**52,675**	**70,356**	**17,681**

For comparison purposes, as of the 2Q18 we changed the composition of the business segments, starting to treat the Tubular division as part of the Products business. Therefore, the Products segment comprises the businesses that the Company has been focusing on and the Services segment the ones from which it has been divesting.

Products Segment

When compared the 2Q19 with the 2Q18, there is a reduction in Net Revenue, since the Company was active in the Tubular Business in the first half of 2018. On the other hand, if we analyze the semesters, the variation is insignificant due to the increase in the sale of Oil & Gas Valves.

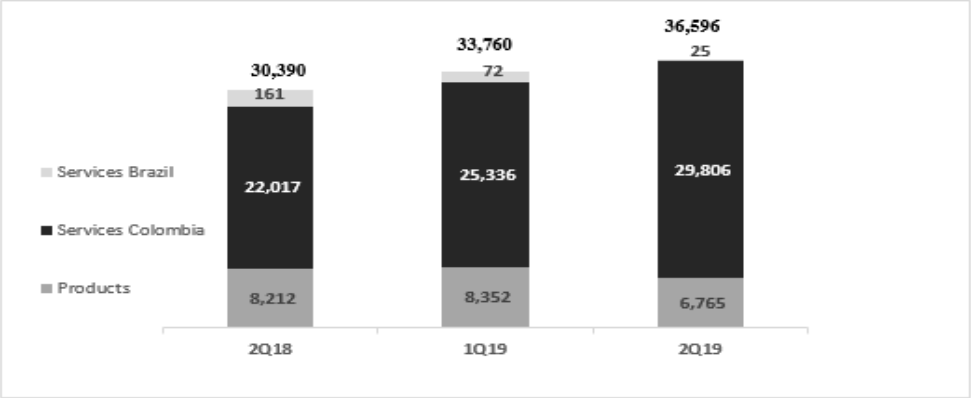
Comparing the 2Q19 with the 1Q19, there was a reduction in sales of both Industrial and Oil&Gas Valves. This reduction in sales reflects the lower volume of deliveries to and lower traction of industrial activity (1Q19 deliveries reflected post-election optimism, which did not translate into sustained growth in activity).

Services Segment

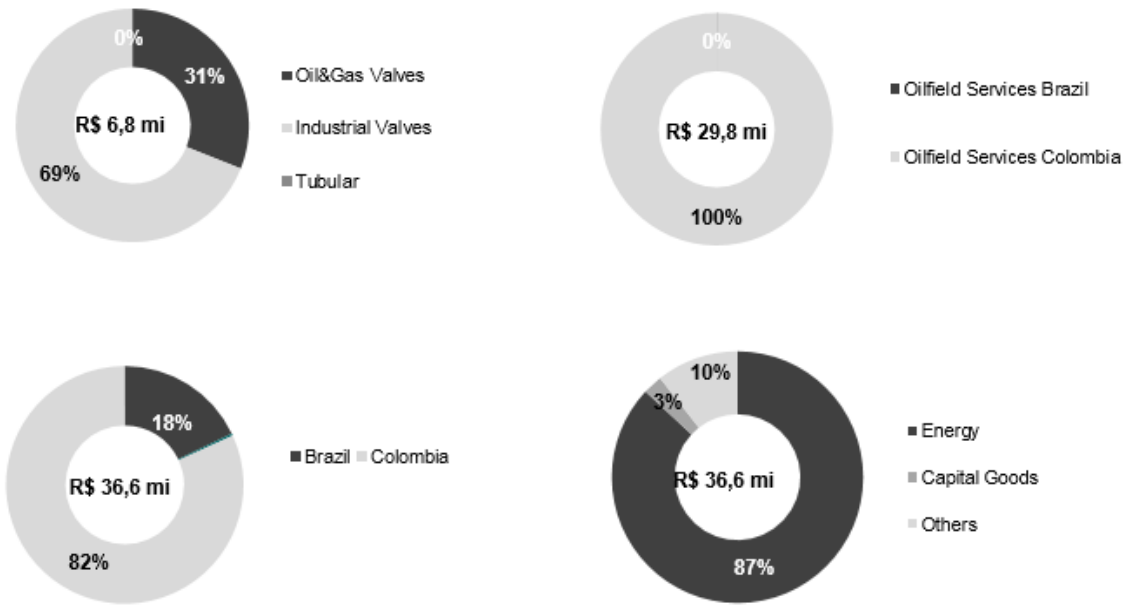
The lack of revenues in the Oilfield Services Brazil division reflects the discontinuation of business in the Segment. Billing in the 2Q19, 2Q18 and 1Q19 is not due to the operation, but refers to the sale of inventories under the demobilization process.

The growth in the 2Q19 versus the 2Q18, 1Q19 and the 1S18 compared to the 1S19, of the Oilfield Services Colombia division is due to the recovery of the Colombian market, and the entry into force of new contracts with Ecopetrol in the 4Q18. This improvement was effectively reflected in terms adjusted for the sale of the Colombian business to the partner (transaction still in progress).

Operational Net Revenue (R$ thousand)



Revenue Distribution – 2Q19



As of June 30, 2019, the Company's Order Backlog in Brazil amounted R$13,2 million. This figure does not include expired bids for which no orders have been issued or any contracts without obligation to purchase. This portfolio volume represents almost the double of the one registered at the end of the 1Q19 (R$7 million), and comes mainly from the portfolio of products destined to the Oil & Gas Valve market.

Gross Profit and Gross Margin

Gross Profit (R$ thd)	2Q18	2Q19	Chg. R$/p.p.	1Q19	2Q19	Chg. R$/p.p.	1S18	1S19	Chg. R$/p.p.
Products	**515**	**294**	**(221)**	**1,060**	**294**	**(766)**	**595**	**1,354**	**759**
Gross Margin - Products	6.3%	4.3%	- 1,9 p.p	12.7%	4.3%	- 8,3 p.p	4.0%	9.0%	5,0 p.p.
Services	**3,026**	**6,981**	**3,955**	**4,421**	**6,981**	**2,560**	**4,362**	**11,402**	**7,040**
Gross Margin - Services	13.6%	23.4%	9,8 p.p	17.4%	23.4%	6,0 p.p	11.6%	20.6%	9,1 p.p.
Total	**3,541**	**7,275**	**3,734**	**5,481**	**7,275**	**1,794**	**4,957**	**12,756**	**7,799**
Gross Margin - Total	11.7%	19.9%	8,2% p.p	16.2%	19.9%	3,6 p.p	9.4%	18.1%	8,7 p.p.
Depreciation	**3,434**	**3,230**	**(204)**	**3,269**	**3,230**	**(39)**	**6,703**	**6,499**	**(204)**
Products	1,718	1,583	(135)	1,655	1,583	(72)	3,265	3,238	(27)
Services	1,716	1,647	(69)	1,614	1,647	33	3,438	3,261	(177)
Gross Profit without Depreciation	**6,975**	**10,505**	**3,530**	**8,750**	**10,505**	**1,755**	**11,660**	**19,255**	**7,595**
Products	2,233	1,877	(356)	2,715	1,877	(838)	3,860	4,592	732
Services	4,742	8,628	3,886	6,035	8,628	2,593	7,800	14,663	6,863
Gross Margin without Depreciation Produ	27%	28%	0,6 p.p	33%	28%	- 4,8 p.p	26%	30%	4,5 p.p
Gross Margin without Depreciation Servic	21%	29%	7,5 p.p	24%	29%	5,2 p.p	21%	27%	5,9 p.p

Products Segment

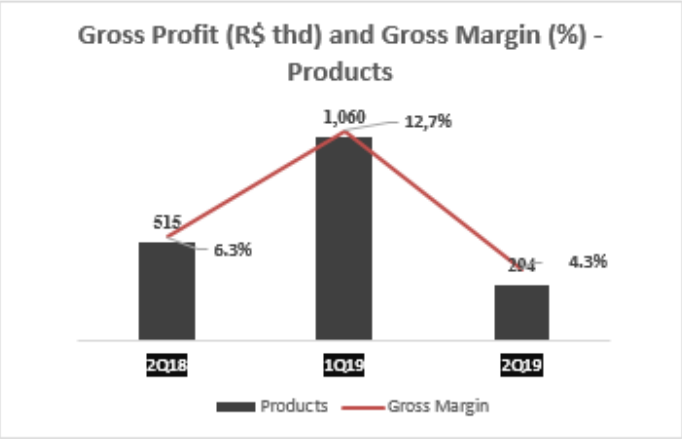
Comparing the 2Q19 with the 2Q18 and the 1Q19, due to the reduction in Net Revenue, gross margin and gross profit decreased. Higher margins were recorded on a half-yearly basis, as a result of progressive efforts to improve sales profitability, but 2Q19 sales performance detracted from profitability due to lower fixed costs dilution.

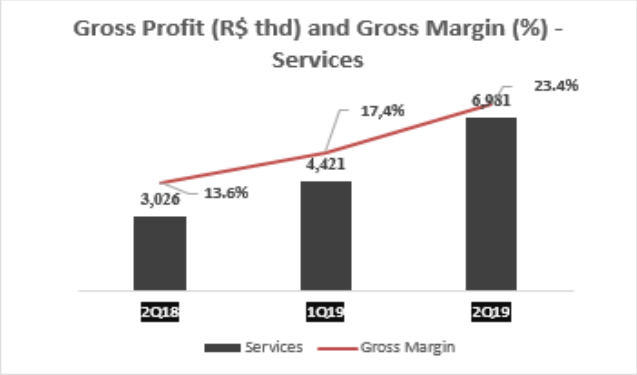
Depreciation expense has a heavy weight on our margins due to high fixed assets in a low activity scenario. Excluding depreciation that does not matter in disbursement of funds, the margin in the 2Q19 compared to the 1Q19 decreased by 5%. In the comparison between the 1S19 and the 1S18, the margin increased from 26% to 30%, which reflects an effective year-to-year improvement.

Services Segment

The improvement in results between the comparative quarters and semesters derives from the Colombian business performance, with new contracts with the main client since the 4Q18.

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





Expenses

Expenses (R$ thd)	2Q18	2Q19	Chg. R$	1Q19	2Q19	Chg. R$	1S18	1S19	Chg. R$
Total Sales Expenses	**1,641**	**1,572**	**(69)**	**1,649**	**1,572**	**(77)**	**3,041**	**3,221**	**180**
Sales Expenses - Products	1,452	1,302	(150)	1,399	1,302	(97)	2,702	2,701	(1)
Sales Expenses - Services	189	270	81	250	270	20	339	520	181
Total Administrative Expenses	**6,874**	**6,548**	**(326)**	**6,975**	**6,548**	**(426)**	**13,169**	**13,523**	**354**
Administrative Expenses - Products	2,296	2,109	(187)	2,117	2,109	(8)	4,071	4,226	155
Administrative Expenses - Services	4,115	4,340	225	4,381	4,340	(40)	8,380	8,721	341
Administrative Expenses - Corporate	463	99	(364)	477	99	(378)	718	576	(142)
Management Fees	**715**	**710**	**(5)**	**720**	**710**	**(10)**	**1,420**	**1,430**	**10**
Total Sales, Administratives and Management Fees	**9,230**	**8,830**	**(400)**	**9,344**	**8,830**	**(513)**	**17,630**	**18,174**	**544**

Sales Expenses

In the 2Q19 versus the 2Q18 in the Product Segment, expenses decreased, but less than proportionally to Net Revenue. The decrease in the 2Q19 versus the 1Q19 is due to employee terminations that occurred in the previous quarter. Analyzing the semesters, expenses were at similar levels.

In the Services Segment, considering the 2Q19 versus the 2Q18, the increase in expenses is due to the successful pursuit of higher sales. Comparing the 2Q19 with the 1Q19, sale expenses did not change substantially. Year-over-year, the variation is due to the increase in the Oilfield Services Colombia division's headcount and the growth in Net Revenue due to the recovery of the Colombian business.

Administrative Expenses

In the Products Segment, comparing the 2Q19 with the 1Q19, Administrative Expenses are at similar levels. Looking at the 2Q19 versus the 2Q18, the reduction was mainly due to the Balance Sheet publication expenses that in 2018 were incurred in the 2nd quarter. In the comparison of semesters, the variation is due to costs related to processes.

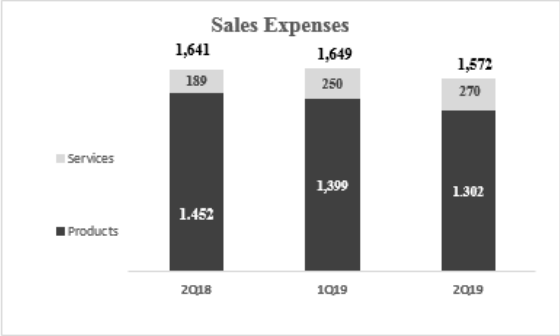
In the Services Segment, the variation from the 2Q19 versus the 1Q19 is not significant. When comparing the 2Q9 with the 2Q18 and the 1S19 versus the 1S18, the increase refers to expenses with the disposal of property, plant and equipment held for sale.

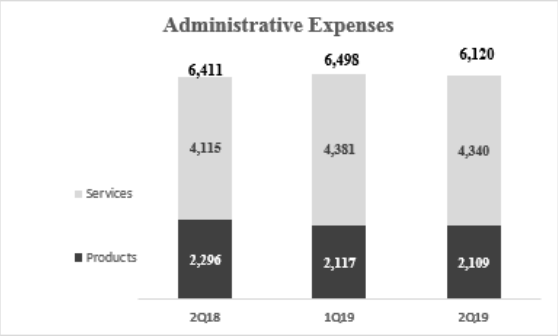
In Corporate Expenses, the quarterly and half-yearly variations are due to the reduction of personnel and lower expenses incurred with lawyers in activities related to judicial recovery.

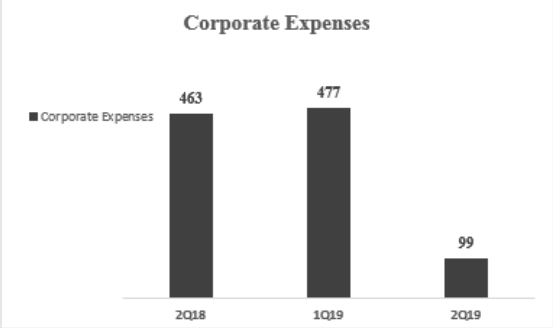
Management Fees

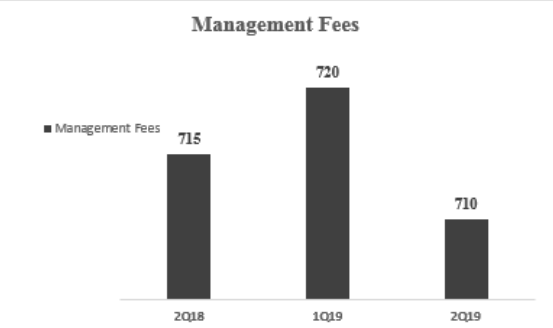
There is no significant variation in Management Fees.

Operating Expenses (R$ thousand)









Other Revenues and Operational (Expenses)

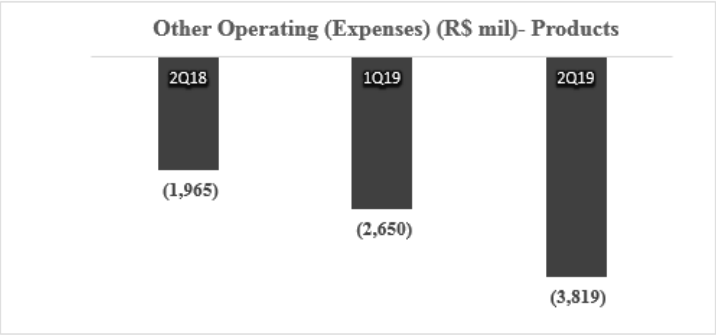
Other Operating (Expenses) (R$ mil)	2Q18	2Q19	Chg. R$	1Q19	2Q19	Chg. R$	1S18	1S19	Chg. R$
Products	351	(719)	(1,071)	(260)	(719)	(459)	2,285	(979)	(3,264)
Expenses with Idleness - Products	(2,316)	(3,100)	(783)	(2,390)	(3,100)	(710)	(4,777)	(5,490)	(713)
Services	6,265	(870)	(7,135)	(3,612)	(870)	2,741	1,178	(4,482)	(5,660)
Expenses with Idleness - Services	(638)	(471)	167	(750)	(471)	280	(1,347)	(1,221)	126
Total	**3,662**	**(5,160)**	**(8,822)**	**(7,012)**	**(5,160)**	**1,852**	**(2,661)**	**(12,172)**	**(9,511)**

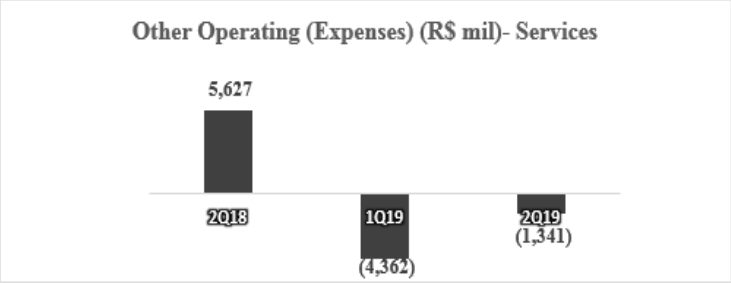
In the 2Q19 the following factors stand out:

(i) R$3.6 million of production idleness costs;

(ii) R$1.4 million with restatement of contingencies.

Other (Revenues) Operational Expenses (R$ thousand)





Financial Result

Financial Results (R$ thd)	2Q18	2Q19	Chg. R$	1Q19	2Q19	Chg. R$	1S18	1S19	Chg. R$
Income from Financial Investments	23	25	2	21	25	4	47	46	(1)
Monetary Variation	286	357	71	295	357	62	704	652	(52)
Interest on Receivables	45	2	(43)	3	2	(1)	319	5	(314)
Others	(203)	170	373	1,296	170	(1,126)	(162)	1,466	1,628
Financial Revenue**	**151**	**554**	**403**	**1,615**	**554**	**(1,061)**	**908**	**2,169**	**1,261**
(Expense) Reversal of Interest Expenses	(2,934)	(3,683)	(749)	(3,865)	(3,683)	182	(5,840)	(7,548)	(1,708)
Adjustment to fair value	5,510	(1,696)	(7,206)	(2,120)	(1,696)	424	4,079	(3,816)	(7,895)
Discount Granted	(4)	(24)	(20)	-	(24)	(24)	(27)	(24)	3
(Provision) Reversal of Provision for Interest on Suppliers	(227)	146	373	1,099	146	(953)	(216)	1,245	1,461
Fines and Interest on Taxes	(598)	(731)	(133)	(205)	(731)	(526)	(1,738)	(936)	802
IOF, Banking Expenses and Others	(1,166)	(1,814)	(648)	(2,033)	(1,814)	219	(2,586)	(3,847)	(1,261)
Financial Expense*	**581**	**(7,802)**	**(8,383)**	**(7,124)**	**(7,802)**	**(678)**	**(6,328)**	**(14,926)**	**(8,598)**
Net Financial Results*	**732**	**(7,248)**	**(7,980)**	**(5,509)**	**(7,248)**	**(1,739)**	**(5,420)**	**(12,757)**	**(7,337)**
Exchange Vaciance Revenue	30,410	5,617	(24,793)	10,162	5,617	(4,545)	46,012	15,779	(30,233)
Exchange Variance Expenses	(71,762)	(3,398)	68,364	(12,324)	(3,398)	8,926	(88,601)	(15,722)	72,879
Net Exchange Variance	**(41,352)**	**2,219**	**43,571**	**(2,162)**	**2,219**	**4,381**	**(42,589)**	**57**	**42,646**
Net Financial Results - Total	**(40,620)**	**(5,029)**	**35,591**	**(7,671)**	**(5,029)**	**2,642**	**(48,009)**	**(12,700)**	**35,309**

* Excluding Exchange Variance

Financial Revenue

The variation in Financial Revenues from the 2Q19 to the 1Q19 and from the 1S19 to the 1S18 is mainly due to interest and reversed fines. If we analyze the 2Q19 with the 2Q18, the variation results from the Selic update arising from the request for IRPJ and CSLL refunds.

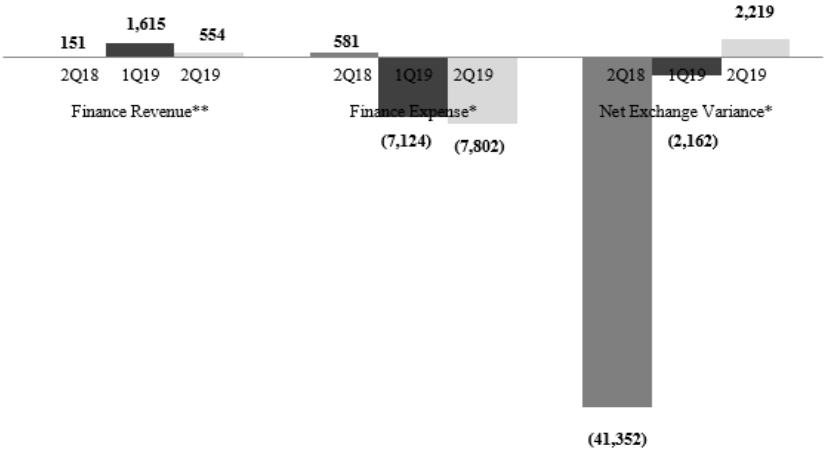
Financial expenses

The increase in financial expenses in the 2Q19 compared to the 2Q18 is mainly due to the recognition of the adjustment to present value of the debt subject to the Judicial Recovery Procedure and updating of fines and arrears interest on tax debts. The same goes for the variation between the 1S19 and the 1S18. The variation in the 2Q19 versus the 1Q19 is mainly due to the recording of fines and arrears interest on tax debt restatement.

Net Exchange Variance

In the 2Q19 versus the 1Q19 and the 2Q18, Net Exchange Variation resulted in revenue, due to the US$ dollar depreciation of 0.6% (2Q19 compared to the 2Q18) and 1.7% (2Q19 compared to the 1Q19).

Composition of the Financial Result (R$ thousand)



* Excluding Exchange Variance

EBITDA Adjusted from Activities

EBITDA Adjusted (R$ mil)	2Q18	2Q19	Chg. R$/p.p.	1Q19	2Q19	Chg. R$/p.p.	1S18	1S19	Chg. R$/p.p.
Products	**(3,838)**	**(4,730)**	**(892)**	**(2,838)**	**(4,730)**	**(1,892)**	**(7,159)**	**(7,568)**	**(409)**
Margin	-46.7%	-69.9%	-23,2 p.p	-34.0%	-69.9%	- 35,9 p.p	-47.9%	-50.1%	-2,1 p.p.
Services	**(2,323)**	**(1,663)**	**660**	**(2,735)**	**(1,663)**	**1,072**	**(5,410)**	**(4,399)**	**1,011**
Margin	-10.5%	-5.6%	4,9 p.p	-10.8%	-5.6%	5,2 p.p	-14.3%	-8.0%	6,4 p.p.
Total	**(6,161)**	**(6,393)**	**(232)**	**(5,574)**	**(6,393)**	**(820)**	**(12,569)**	**(11,967)**	**602**
Margin	-20.3%	-17.5%	2,8 p.p	-16.5%	-17.5%	-1,0 p.p	-23.9%	-17.0%	6,9 p.p.
% Products	62%	74%	384%	51%	74%	231%	57%	63%	-68%
% Services	38%	26%	-284%	49%	26%	-131%	43%	37%	168%

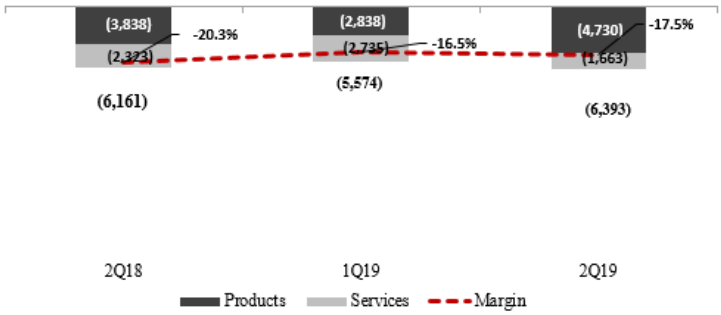
obs: Services figures are net of minority participations

The Adjusted EBITDA of Products in the 2Q19 worsened when compared to the 2Q18 and the 1Q19 due to lower sales performance and increased idleness expenses. The same is true when comparing the 1S19 with the 1S18, although the effect was lower due to the better performance in 1Q19.

In the Services Segment, EBITDA in the 2Q19 improved compared to the 2Q18 and 1Q19 as a result of the sales volume having a positive impact on results. In the semiannual comparison, the positive variation comes from the Oilfield Services Colombia division that has been gradually recovering.

	2Q19		
Adjusted Ebitda Reconciliation (R$ thd)	**Products**	**Services**	**Total**
Gross Profit	294	6,981	7,275
Expenses with Sales, General and Administrative	(3,490)	(4,630)	(8,120)
Management Fees	(131)	(579)	(710)
Depreciation,Amortization and Realization of assets	1,721	439	2,160
Other Operating Expenses	(3,819)	(1,341)	(5,160)
Activity Ebitda	**(5,425)**	**870**	**(4,555)**
Provisions with Legal Proceedings	570	803	1,373
Minority Interest	-	(3,949)	(3,949)
Fines with Customers	83	-	83
Expenses with Restructuring and Other Extraordinary Expenses	42	613	655
Adjusted Ebitda	**(4,730)**	**(1,663)**	**(6,393)**

EBITDA Adjusted (R$ thousand)



Adjusted Ebitda Reconciliation (R$ thd)	**2Q18**	**1Q19**	**2Q19**
Gross Profit	3,541	5,481	7,275
Expenses with Sales, General and Administrative	(8,515)	(8,624)	(8,120)
Management Fees	(715)	(720)	(710)
Depreciation,Amortization and Realization of assets	3,297	4,819	2,160
Other Operating Expenses	3,662	(7,012)	(5,160)
Activity Ebitda	**1,270**	**(6,056)**	**(4,555)**
Provisions with Legal Proceedings	(6,358)	986	1,373
Minority Interest	(2,088)	(1,598)	(3,949)
Fines with Customers	140	(23)	83
Expenses with Restructuring and Other Extraordinary Expenses	875	1,117	655
Adjusted Ebitda	**(6,161)**	**(5,574)**	**(6,393)**

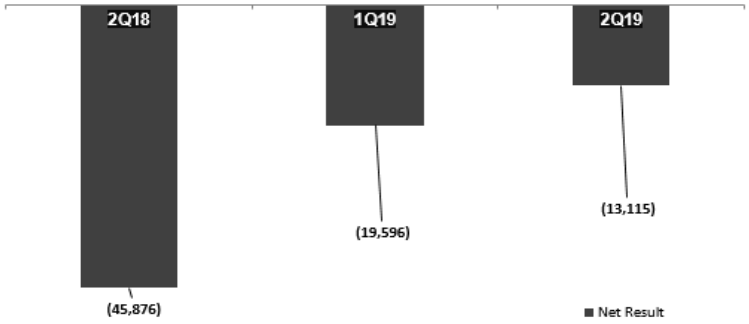
Restructuring Process Expenses and Other Extraordinary Expenses in the 2Q19 refer to employee terminations related to the deactivation of Service units, legal services associated with the Judicial Recovery Procedure, update of contingent proceedings and expenses on disposals of fixed assets.

Net Result

Net Result (R$ thd)	**2Q18**	**2Q19**	**Chg. R$**	**1Q19**	**2Q19**	**Chg. R$**	**1S18**	**1S19**	**Chg. R$**
Result Before Income Tax and Social Contribution	(44,489)	(11,769)	32,720	(18,558)	(11,769)	6,789	(65,563)	(30,327)	35,236
Income Tax and Social Contribution - Current	(94)	(1,749)	(1.655)	(1.543)	(1,749)	(206)	(199)	(3.292)	(3.093)
Income Tax and Social Contribution - Deferred	(1,293)	403	1,696	505	403	(102)	(953)	908	1,861
Net Result	**(45,876)**	**(13,115)**	**32,761**	**(19,596)**	**(13,115)**	**6,481**	**(66,715)**	**(32,711)**	**34,004**
Net Result per 1,000 shares	(3.02)	(2.42)	0.60	(2.00)	(2.42)	(0.42)	(3.02)	(4.42)	(1.40)

In addition to current expenses, R$0.3 million of employee terminations in the company's restructuring contributed to the negative result in the 2Q19; R$1.8 million in legal and tax advice; R$3.6 million of idleness; R$ 1.4 thousand with contingent lawsuits updates according to the analysis of legal advisors, and R$ 3.7 million of interest restatement on loans and debts of judicial recovery and R$0.7 million update on taxes and contributions due to installment requests.

Composition of the Financial Result (R$ thousand)



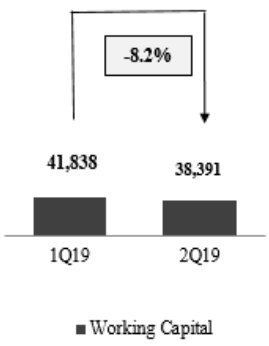
Operational Working Capital

Working Capital (R$ thd)	1Q19	2Q19	Chg. %	Chg. R$
Accounts Receivable	35,050	33,704	-3.8%	(1,346)
Inventories	38,855	39,374	1.3%	519
Advances of suppliers	13,759	13,939	1.3%	180
Recoverable taxes	26,982	30,081	11.5%	3,099
Suppliers	28,025	31,361	11.9%	3,336
Advances from Customers	4,518	4,656	3.1%	138
Taxes payable	25,084	27,592	10.0%	2,508
Payroll and charges	15,181	15,098	-0.5%	(83)
Employed Working Applied	**41,838**	**38,391**	**-8.2%**	**(3,447)**
Working Capital Variance	1,157	(3,447)		
% Working Capital/Net Revenue*	26%	24%		

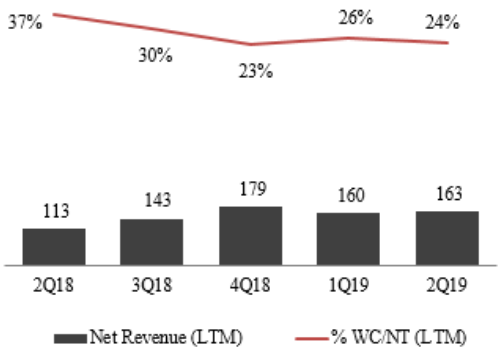
**LTM: last 12 months*

In 2Q19 there was an 8.2% reduction in the working capital invested. This reduction is due to the increase in obligations to legal advisors and the restructuring of judicial recovery.

Working Capital (R$ thd)



Net Revenue x Working Capital (R$ thd)



Cash and Cash Equivalents

Cash and cash equivalents (R$ thd)	1Q19	2Q19	Chg. %	Chg. R$
Cash and Cash Equivalents	3,861	1,921	-50.2%	(1,940)
Total	**3,861**	**1,921**	**-50.2%**	**(1,940)**

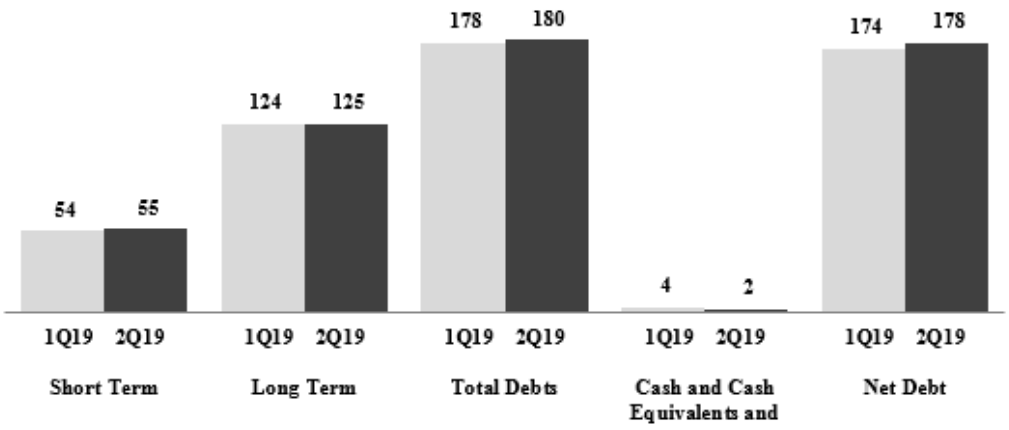
The variation in the 2Q19 versus the 1Q19 refers to the receipt at Lupatech OFS SAS, the Company's Colombian subsidiary of its main customer, Ecopetrol in 1Q19.

Debt

Debts (R$ ths)	1Q19	2Q19	Chg. %	Chg. R$
Short Term	**53,780**	**55,196**	**2.6%**	**1,416**
Credits subject to Judicial Recovery	8,461	10,414	23%	1,953
Credits not subject to Judicial Recovery	37,020	37,520	1%	500
Debentures Convertible into Shares	8,299	7,262	-12%	(1,037)
Long Term	**124,346**	**124,827**	**0%**	**481**
Credits subject to Judicial Recovery	123,977	123,773	0%	(204)
Credits not subject to Judicial Recovery	369	1,054	186%	685
Total Debts	**178,126**	**180,023**	**1.1%**	**1,897**
Cash and Cash Equivalents	3,861	1,921	-50%	(1,940)
Net Debt	**174,265**	**178,102**	**2.2%**	**3,837**

The increase in the 2Q19 compared to the 1Q19 is due to the restatement of interest on judicial recovery debt and the raising of a new loan by the Oilfield Services Colombia company.

Debt Composition (R$ million)

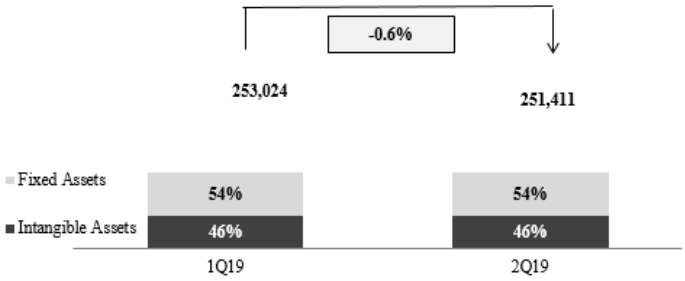


Investment Balances

The variation presented in the investment balances refers to the disposal of property, plant and equipment, recognition of depreciation and effect of exchange variation on property, plant and equipment of foreign subsidiaries.

Investments (R$ thd)	1Q19	2Q19	Chg. %	Chg. R$
Others Investments	587	587	0.0%	-
Fixed Assets	136,279	135,499	-0.6%	(780)
Intangible Assets	116,158	115,325	-0.7%	(833)
Total	**253,024**	**251,411**	**-0.6%**	**(1,613)**

Investment Balances (R$ thousand)



Annexes

Annex I - Financial Statements (R$ thousand)

	1Q19	2Q19	% Change
Net Revenue From Sales	33,760	36,596	8%
Cost of Goods and Services Sold	(28,279)	(29,321)	4%
Gross Profit	5,481	7,275	33%
Operating Income/Expenses	(16,368)	(14,015)	-14%
Selling	(1,649)	(1,572)	-5%
General and Administrative	(6,975)	(6,548)	-6%
Management Fees	(720)	(710)	-1%
Equity pick-up	(12)	(25)	108%
Other Operation Income (Expenses)	(7,012)	(5,160)	-26%
Net Financial Result	(7,671)	(5,029)	-34%
Financial Income	1,615	554	-66%
Financial Expenses	(7,124)	(7,802)	10%
Net Exchange Variance	(2,162)	2,219	-203%
Loss Before Income Tax and Social Contribution	(18,558)	(11,769)	-37%
Provision Income Tax and Social Contribution - Current	(1,543)	(1,749)	13%
Provision Income Tax and Social Contribution - Deferred	505	403	-20%
Loss for the Period	(19,596)	(13,115)	-33%

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

	1Q19	2Q19	% Change
Adjusted EBITDA from Continuing Operations	(5,574)	(6,393)	15%
Expenses with Restructuring and Other Extraordinary Expenses	(1,117)	(655)	-41%
Provisions for Losses, Impairment and Net Result on Disposal of Assets	(986)	(1,373)	39%
Fines with Costumers	23	(83)	-461%
EBITDA from Operations	(7,654)	(8,504)	11%
Depreciation and Amortization	(4,819)	(2,160)	-55%
Equity Pick-up	(12)	(25)	108%
Net Financial Result	(7,671)	(5,029)	-34%
Minority Interest	1,598	3,949	147%
Income Tax and Social Contribution - Current and Deferred	(1,038)	(1,346)	30%
Net Loss from Continuing Operations	(19,596)	(13,115)	-33%

Annex III - Consolidated Balance Sheets (R$ thousand)

	1Q19	2Q19	% Change
Total Asset	**570,277**	**564,433**	**-1%**
Current Assets	**215,424**	**211,127**	**-2%**
Cash and Cash Equivalents	3,861	1,921	-50%
Accounts Receivable	35,050	33,704	-4%
Inventories	38,855	39,374	1%
Recoverable Taxes	26,982	30,081	11%
Other Accounts Receivable	27,036	27,395	1%
Prepaid Expenses	1,801	1,459	-19%
Advances to Suppliers	13,759	13,939	1%
Assets Classified as Held for Sale	68,080	63,254	-7%
Non-Current Assets	**354,853**	**353,306**	**0%**
Other Credits	-	1	n/a
Securities-restricted	1,738	1,755	1%
Judicial Deposits	25,512	25,541	0%
Recoverable Taxes	53,938	54,064	0%
Deferred Income Tax and Social Contribution	3,734	3,646	n/a
Other Accounts Receivable	13,071	13,071	0%
Assets Classified as Held for Sale	3,836	3,817	0%
Investments	587	587	0%
Property, Plant and Equipment	136,279	135,499	-1%
Intangible Assets	116,158	115,325	-1%
Total Liabilities and Shareholders´Equity	**570,277**	**564,433**	**-1%**
Current Liabilities	**134,525**	**141,812**	**5%**
Suppliers - Not Subject to Judicial Recovery	21,127	23,156	10%
Suppliers - Subject to Judicial Recovery - Class I	737	737	0%
Suppliers -Subject to Judicial Recovery	6,161	7,468	n/a
Loans and Financing - Not Subject to Judicial Recovery	37,020	37,520	1%
Loans and Financing - Subject to Judicial Recovery	8,461	10,414	n/a
Debentures Convertible into Shares	8,299	7,262	n/a
Provisions Payroll and Payroll Payable	15,181	15,098	-1%
Commissions Payable	431	437	1%
Taxes Payable	25,084	27,592	10%
Obligations and Provisions for Labor Risks - Subject to Judicial Recovery	1,638	1,638	0%
Advances from Customers	4,518	4,656	3%
Employee's Profit Sharing	149	291	95%
Other Accounts Payable	4,857	4,654	-4%
Provision for Contratual Fines	862	889	3%
Non-Current Liabilities	**320,581**	**321,124**	**0%**
Suppliers - Subject to Judicial Recovery	60,823	59,107	-3%
Loans and Financing - Subject to Judicial Recovery	123,977	123,773	0%
Loans and Financing - Not Subject to Judicial Recovery	369	1,054	186%
Taxes Payable	13,032	15,317	18%
Deferred Income Tax and Social Contribution	52,050	51,047	-2%
Provision for Contigencies	54,810	56,065	2%
Obligations and Provisions Labor Risks - Subject to Judicial Reorganization	8,184	8,184	0%
Other Accounts Payable	2,439	1,624	-33%
Provision for Negative Equity in Subsidiaries	4,897	4,953	1%
Shareholders' Equity	**115,171**	**101,497**	**-12%**
Non-Controlling Interests	51,893	53,552	3%
Capital Stock	1,874,864	1,875,983	0%
Capital reserve	2,875	2,875	0%
Capital Transaction Reserve	136,183	136,183	0%
Stock Options	13,549	13,549	0%
Equity Valuation Adjustment	118,845	115,508	-3%
Accumulated Losses	(2,083,038)	(2,096,153)	1%

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

	1Q19	2Q19	% Change
CASH FLOW FROM OPERATING ACTIVITIES			
Loss for the Period	(19,596)	(13,115)	-33%
Adjust:			
Depreciation and Amortization	3,269	3,230	-1%
Equity Pick-up	12	25	108%
Income from sale of property, plant and equipment	13,010	2,772	-79%
Extraordinary losses, idleness and inventory market value adjustment	-	149	n/a
Financial charges and exchange variation on financing	5,043	1,966	-61%
Reversal of impairment loss	(3,808)	102	n/a
Deferred income tax and social contribution	(2,234)	(915)	-59%
Inventory Obsolescence	(2,086)	2,235	-207%
(Reversal) Estimated losses for doubtful accounts	43	(107)	-349%
Adjustment to present value	2,121	1,695	-20%
Fair value adjustment	(1,946)	2,976	-387%
Changes in Assets & Liabilities			n/a
(Increase) Decrease in Accounts Receivable	(2,962)	815	-128%
(Increase) Decrease in Inventories	2,480	(3,240)	-231%
(Increase) Decrease in Recoverable Taxes	(3,092)	(3,916)	27%
(Increase) Decrease in Other Assets	5,088	(5,261)	-203%
(Increase) Decrease in Suppliers	(1,000)	3,009	-401%
(Increase) Decrease in Taxes Payable	4,435	4,394	-1%
(Increase) Decrease in Others Accounts Payable	148	3,773	2449%
Net cash used in operating activities	**(1,075)**	**587**	**-155%**
CASH FLOW FROM INVESTMENT ACTIVITIES			
Capital payment in subsidiary	1,103	1,119	n/a
Securities - restricted account	91	7	n/a
Resources from sale of fixed assets	7,377	(34)	-100%
Property Acquisition	(311)	(1,552)	399%
Intangible Acquisition	(42)	-	-100%
Net cash provided by (used) in investing activities	**8,218**	**(460)**	**-106%**
CASH FLOW FROM FINANCING ACTIVITIES			
Borrowing and Financing	24,009	24,055	0%
Payment of loans and financing	(27,053)	(24,497)	n/a
Convertible Debentures in Shares	(1,037)	(1,037)	n/a
Payment of loans and financing	(446)	(588)	32%
Net cash provided by financing activities	**(4,527)**	**(2,067)**	**-54%**
Effects of Currency Oscillations on Cash and Cash Equivalents of Subsidiaries Abroad	-	-	n/a
(Decrease) Net Increase in Cash Balance and Cash Equivalents	**2,616**	**(1,940)**	**-174%**
Cash and Cash Equivalents at Beginning of Year	1,245	-	n/a
Cash and Cash Equivalent at Year End	3,861	(1,940)	-150%

About Lupatech - In Judicial Recovery

Lupatech S.A. - In Judicial Recovery is a Brazilian company of products and services of high added value focusing the oil and gas sector. The businesses are organized in two segments: Products and Services. The Products Segment offers, mainly for the oil and gas sector, valves, anchoring cables for production platforms, industrial valves and equipment for well completion and pipe coating, as well as a relevant participation in the gas compressor segment company natural vehicle. The Service Segment offers services, workover, well intervention, inspection and repair.

LUPATECH S.A. - IN JUDICIAL RECOVERY

BALANCE SHEET
(In R$ Thousands)

ASSETS	Note	Parent 06/30/2019	Parent 12/31/2018	Consolidated 06/30/2019	Consolidated 12/31/2018
CURRENT ASSETS					
Cash and cash equivalents	4	151	135	1,921	1,245
Securities-restricted	4	-	847	-	847
Accounts receivables	5	4,992	6,704	33,704	31,357
Inventories	6	18,760	19,043	39,374	38,950
Recoverable taxes	7	2,896	2,736	30,081	23,637
Advances to suppliers		942	1,088	13,939	13,877
Other accounts receivable	8	5,888	6,037	27,395	26,938
Prepaid expenses		1,267	1,136	1,459	1,580
Accounts receivable - related parties	15.1	81,541	95,505	-	-
Assets classified as held for sale	28	-	-	63,254	89,401
Total current assets		116,437	133,231	211,127	227,832
NON-CURRENT ASSETS					
Other Credits		1	-	1	-
Judicial deposits	17.3	2,179	2,149	25,541	25,410
Securities-restricted	4	1,755	961	1,755	961
Recoverable taxes	7	12,684	12,944	54,064	53,736
Deferred income tax and social contribution		-	-	3,646	3,932
Accounts receivable - related parties	15.1	22,668	27,858	-	-
Other accounts receivable	8	7,098	7,098	13,071	13,505
Assets classified as held for sale	28	3,417	3,449	3,817	3,855
Investments					
Direct and indirect associated companies	9.1	188,334	190,087	-	-
Other investments		1	1	587	587
Fixed assets	10	64,975	67,717	135,499	135,937
Intangibles					
Goodwill	11	55,414	55,414	102,819	102,802
Other intangíbles	11	12,160	12,753	12,506	13,168
Total Non-current assets		370,686	380,431	353,306	353,893
TOTAL ASSETS		487,123	513,662	564,433	581,725

The notes are an integral part of the financial statements.

LUPATECH S.A. - IN JUDICIAL RECOVERY

BALANCE SHEET
(In R$ Thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	Note	Parent 06/30/2019	Parent 12/31/2018	Consolidated 06/30/2019	Consolidated 12/31/2018
CURRENT LIABILITIES					
Suppliers - not subject to Judicial Recovery	12	6,543	6,132	23,156	25,538
Suppliers - subject to Judicial Recovery Class I	12	737	730	737	730
Suppliers - subject to Judicial Recovery	12	7,468	4,836	7,468	4,836
Loans and financing - not subject to Judicial Recovery	13	19,743	18,600	37,520	37,197
Loans and financing - subject to Judicial Recovery	13	6,501	4,062	10,414	6,507
Debenture	14	7,262	9,336	7,262	9,336
Provisions payroll and payroll payable		7,372	6,505	15,098	12,381
Commissions payable		437	955	437	958
Taxes payable		6,993	5,164	27,592	20,127
Obligations for labor risks and creditors- subject to Judicial Recovery		1,638	1,638	1,638	1,638
Advances from customers		3,251	2,770	4,656	3,528
Provision contratual fines		730	1,082	889	1,241
Employee's profit sharing		-	-	291	613
Other accounts payable		3,472	1,832	4,654	3,359
Related Parties - mutual and loans	15.1	40,327	41,062	-	-
Total current liabilities		112,474	104,704	141,812	127,989
NON-CURRENT LIABILITIES					
Suppliers - subject to Judicial Recovery	12	59,107	59,827	59,107	59,827
Loans and financing - subject to Judicial Recovery	13	67,322	65,000	123,773	121,570
Loans and financing - not subject to Judicial Recovery	13	-	-	1,054	1,121
Deferred income tax and social contribution	16	28,652	29,035	51,047	54,482
Taxes payable		11,210	9,629	15,317	13,032
Provision for contigencies	17.1	7,990	6,107	56,065	53,913
Obligations and provisions labor risks - subject to judicial Recovery		8,184	8,184	8,184	8,184
Other accounts payable		-	1,080	1,624	3,506
Related Parties - mutual and loans	15.1	139,286	140,583	-	-
Provision for negative equity in subsidiaries	9.2	4,953	4,906	4,953	4,906
Total non-current liabilities		326,704	324,351	321,124	320,541
SHAREHOLDERS' EQUITY	18				
Capital stock		1,875,983	1,873,761	1,875,983	1,873,761
Capital reserve to be realized		2,875	2,875	2,875	2,875
Capital transaction reserve		136,183	136,183	136,183	136,183
Stock options		13,549	13,549	13,549	13,549
Equity valuation adjustments		115,508	121,681	115,508	121,681
Retained earnings / Accumulated losses		(2,096,153)	(2,063,442)	(2,096,153)	(2,063,442)
Parents company's interest		47,945	84,607	47,945	84,607
Non-controlling interests		-	-	53,552	48,588
Total shareholders' equity		47,945	84,607	101,497	133,195
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		487,123	513,662	564,433	581,725

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT OF INCOME
ON JUNE 30,2019 AND 2018
(In R$ Thousands)

	Nota explicativa	Parent		Consolidated	
		06/30/2019	06/30/2018	06/30/2019	06/30/2018
NET REVENUE FROM SALES	22	14,610	10,334	70,356	52,675
COST OF GOODS AND SERVICES SOLD	26	(12,487)	(9,908)	(57,600)	(47,718)
Gross Loss		2,123	426	12,756	4,957
OPERATING INCOME/EXPENSES					
Selling	26	(2,655)	(2,203)	(3,221)	(3,041)
General and administrative	26	(4,443)	(3,614)	(13,523)	(13,171)
Management compensation	15.2	(1,430)	(1,420)	(1,430)	(1,420)
Equity pick-up	9.1	(13,035)	(7,739)	(37)	(2,218)
Other operating income (expenses)	25	(6,675)	(2,900)	(12,172)	(2,661)
OPERATING LOSS BEFORE FINANCIAL RESULTS		(26,115)	(17,450)	(17,627)	(17,554)
FINANCIAL RESULTS					
Financial income	24	1,295	365	2,169	908
Financial expenses	24	(9,972)	(8,595)	(14,926)	(6,328)
Exchange variation, net	24	1,698	(41,514)	57	(42,589)
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION		(33,094)	(67,194)	(30,327)	(65,563)
INCOME TAX AND SOCIAL CONTRIBUTION					
Current	16	-	-	(3,292)	(199)
Deferred	16	383	479	908	(953)
LOSS FOR THE PERIOD		(32,711)	(66,715)	(32,711)	(66,715)
LOSS FOR THE PERIOD		(32,711)	(66,715)	(32,711)	(66,715)
NET INCOME (LOSS) PER SHARE (In Reais)					
Parent company's interest		(32,711)	(66,715)	(29,579)	(66,249)
Non-controlling interest		-	-	(3,132)	(466)
LOSS PER SHARE (In Reais)					
BASIC earnings per share	23	(6.03748)	(4.39433)	(6.03748)	(4.39433)
Diluted per share	23	(6.03748)	(4.39433)	(6.03748)	(4.39433)

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATMENT OF COMPREHENSIVE INCOME
ON JUNE 30,2019 AND 2018
(In R$ Thousands)

	Note	Parent		Consolidated	
		06/30/2019	06/30/2018	06/30/2019	06/30/2018
LOSS FOR THE PERIOD		(32,711)	(66,715)	(32,711)	(66,715)
OTHER COMPREHENSIVE INCOME					
Exchange variation on investments abroad	9.1	(1,271)	38,803	(1,271)	38,803
Implementation of the equity valuation adjustment		(4,902)	-	(4,902)	-
COMPREHENSIVE INCOME OF THE PERIOD		(38,884)	(27,912)	(38,884)	(27,912)
TOTAL COMPREHENSIVE INCOME ALLOCATED TO:					
Participation of controlling shareholders		(38,884)	(27,912)	(35,752)	(27,446)
Non-controlling interests		-	-	(3,132)	(466)

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT CASH FLOW - INDIRECT METHOD
ON JUNE 30,2019 AND 2018
(In R$ Thousands)

	Note	Parent		Consolidated	
		06/30/2019	06/30/2018	06/30/2019	06/30/2018
CASH FLOW FROM OPERATING ACTIVITIES					
Loss for the period		(32,711)	(66,715)	(32,711)	(66,715)
Depreciation and amortization	10 e 11	3,308	3,280	6,499	6,703
Reversal (Provision) for losses by non-recoverability of assets	10 e 11	-	-	(3,706)	(3,462)
Equity pick-up	9.1	13,035	7,739	37	2,218
Result on sale of fixed assets		124	(85)	15,782	2,028
Financial expenses, net		6,613	45,069	7,009	50,044
Extraordinary losses and adjustment to market value with inventories		-	-	149	-
Deferred income tax and social contribution		(383)	(479)	(3,149)	263
Inventory Obsolescence	6	(17)	(301)	149	(387)
Provision of contractual fines		-	139	-	252
(Reversal) Estimated losses for doubtful accounts	5	45	63	(64)	50
(Reversal) Effective losses with doubtful debtors	5	-	-	-	(153)
Present value adjustment	24	(1,179)	2,013	3,816	(4,079)
Adjustment to fair value		-	-	1,030	-
(Increase) decrease in operating assets:					
Accounts receivable		1,655	985	(2,147)	1,701
Inventories		300	1,340	(760)	19,082
Recoverable taxes		100	1,197	(7,008)	3,421
Other assets		137	(4,806)	(173)	(4,856)
(Increase) decrease in operating liabilities:					
Suppliers		475	(3,618)	2,009	809
Taxes payable		3,273	1,476	8,829	(1,541)
Others accounts payable		2,921	(16,561)	3,921	(30,384)
Cash flow from operating activities		**(2,304)**	**(29,264)**	**(488)**	**(25,006)**
CASH FLOW FROM INVESTING ACTIVITIES					
Payment of capital in subsidiaries		(17,407)	-	2,222	17,920
Sale of interest in subsidiary and return		-	3,964	-	-
Proceeds from sale of investments		-	89	-	89
Securities-restricted	4	76	-	98	10
Resources from sale of fixed assets		-	85	7,343	2,199
Asset Acquisition	10	(23)	(1)	(1,863)	(1,616)
Additions to the intangible	11	(42)	(79)	(42)	(78)
Net cash provided by (used in) investment activities		**(17,396)**	**4,058**	**7,758**	**18,524**
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from loans and financing		11,946	(7,216)	48,064	38,187
Proceeds from loans and financing - Related parties		18,415	(3,054)	-	-
Capital Increase (Reduction)	18	2,222	17,920	-	-
Payments of loans and financing		(10,793)	6,167	(51,550)	(44,129)
Convertible debentures in share	14	(2,074)	11,394	(2,074)	11,394
Payments of loans and financing - Interest		-	-	(1,034)	(982)
Net cash provided by financing activities		**19,716**	**25,211**	**(6,594)**	**4,470**
(REDUCTION) NET INCREASE OF CASH AND CASH EQUIVALENTS		**16**	**5**	**676**	**(2,012)**
Cash and cash equivalents at the beginning of period		135	6	1,245	2,135
Cash and cash equivalents at the end of period		151	11	1,921	123

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY
CONSOLIDATED STATEMENT OF CHANGES SHAREHOLDER'S EQUITY
ON JUNE 30,2019 AND 2018

(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, 2017 (restated)		**1,853,684**	**156,073**	**(1,962,131)**	**65,962**	**113,588**	**26,325**	**139,913**
Capital increase		17,920	-	-	-	17,920	-	17,920
Loss of period		-	-	(66,715)	-	(66,715)	(466)	(67,181)
Exchange variation on investments abroad	9.1	-	-	-	38,803	38,803	-	38,803
Non-controlling interest		-	-	-	-	-	5,487	5,487
BALANCE ADJUSTMENT IN JUNE 30,2018		**1,871,604**	**156,073**	**(2,028,846)**	**104,765**	**103,596**	**31,346**	**134,942**
BALANCE ADJUSTMENT IN DECEMBER 31, 2018		**1,873,761**	**152,607**	**(2,063,442)**	**121,681**	**84,607**	**48,588**	**133,195**
Capital increase		2,222	**-**	**-**	**-**	2,222		2,222
Net loss of period		-	-	(32,711)	-	(32,711)	(1,467)	(34,178)
Exchange variation on investments abroad	9.1	-	-	-	(1,271)	(1,271)	-	(1,271)
Non-controlling interest		-	-	-	-	-	6,431	6,431
Implementation of equity valuation adjustment		-		-	(4,902)	(4,902)	-	(4,902)
BALANCE ADJUSTMENT IN JUNE 30,2019		**1,875,983**	**152,607**	**(2,096,153)**	**115,508**	**47,945**	**53,552**	**101,497**

The notes are an integral part of the financial statements.

LUPATECH S/A - IN JUDICIAL RECOVERY

STATEMENT OF ADDED VALUE
ON JUNE 30,2019 AND 2018
(In R$ Thousands)

	Note	Parent		Consolidated	
		06/30/2019	06/30/2018	06/30/2019	06/30/2018
REVENUE					
Sales of goods, products and services (IPI including)	22	17,809	12,532	74,256	56,306
Reversal of provision for losses due to non-recoverability of assets		-	-	3,607	3,462
Other revenues	25	366	2,162	13,021	5,752
Reversal (estimated) of losses on doubtful accounts	5	(45)	(63)	64	(115)
Effective losses on doubtful account	5	-	-	-	88
		18,130	**14,631**	**90,948**	**65,493**
ACQUIRED FROM THIRD PARTIES					
Cost of products, goods and services sold		(3,080)	(1,834)	(11,998)	(8,135)
Materials, energy, and other outsourced services		(3,240)	(2,927)	(20,958)	(18,931)
Provision for impairment of assets		-	-	(15,630)	-
Other expenses	25	(7,041)	(5,062)	(13,170)	(11,875)
		(13,361)	**(9,823)**	**(61,756)**	**(38,941)**
GROSS ADDED VALUE		4,769	4,808	29,192	26,552
DEPRECIATION AND AMORTIZATION	10 e 11	(3,308)	(3,280)	(6,499)	(6,703)
NET ADDED VALUE GENERATED BY THE COMPANY		**1,461**	**1,528**	**22,693**	**19,849**
ADDED VALUE RECEIVED IN TRANSFER					
Equity pick-up	9.1	(13,035)	(7,739)	(37)	(2,218)
Financial income	24	20,554	21,612	17,948	46,920
		7,519	**13,873**	**17,911**	**44,702**
TOTAL ADDED VALUE TO BE DISTRIBUTED		**8,980**	**15,401**	**40,604**	**64,551**
DISTRIBUTION OF ADDED VALUE		**8,980**	**15,401**	**40,604**	**64,551**
Staff:		**10,232**	**8,360**	**34,351**	**29,286**
Direct compensation		7,367	6,084	25,719	21,694
Benefits		2,173	1,676	5,603	5,454
FGTS		692	600	3,029	2,138
Taxes and contributions:		**3,843**	**2,277**	**8,023**	**6,583**
Federal		2,153	1,121	5,650	4,078
States		1,633	1,099	2,316	2,044
Municipal		57	57	57	461
Remuneration of third party capital:		**27,616**	**71,479**	**30,941**	**95,397**
Interest and other financial expenses	24	27,533	71,356	30,648	94,929
Rent		83	123	293	468
Remuneration (loss) from equity:		**(32,711)**	**(66,715)**	**(32,711)**	**(66,715)**
Loss for the period		(32,711)	(66,715)	(29,579)	(66,249)
Non-controlling interests				(3,132)	(466)

The notes are an integral part of the financial statements.

Lupatech S/A – In Judicial Recovery
Explanatory notes to the intermediate financial demonstrations, individual and consolidated, for the semester finishing in June 30, 2019

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

1 Operational context

Lupatech S/A – In Judicial Recovery ("Company") and its subsidiaries and associates (jointly "Group") is an anonymous society with headquarters in Nova Odessa, State of São Paulo, with shares negotiated at the stock market of São Paulo ("B3" LUPA3) and at the counter market on USA by means of its ADR (LUPAQ). The group that performs in two segments of business: **Products** and **Services** and counts with 633 collaborators on Brazil and in Colombia.

In the **Segment of Product**, the Company produces industrial valves, oil and gas valves, production platform anchor lines, well completion and coating valves, pipe inspection and repair.

In the **Services of Segment**, the Company offers well intervention services, currently only in Colombia, through a subsidiary.

1.1 Operational Continuity

The Lupatech Group seeks to overcome the economic-financial crisis and restructure its business through the process of judicial recovery, according to the plan of judicial recovery presented to its creditors, with the goal of preserving its entrepreneurial activity, recover its position of prominence as one of the most relevant economic groups on Brazil related to the sector of oil and gas, as well as to keep itself as a source of generation of riches, tributes and jobs.

The Company was successful in certain measures since the filing of the request of Judicial Recovery which rendered viable the injection of substantial resources in its operations. Between such measures, is highlighted the receipt of substantial amounts of its main customer, the sale of equity participations and sales of property, plant and equipment.

Also, relevant to the recovery process were the creation of a Specific Purpose Company and the issue of debentures in the first quarter of 2018 (R$29,313) for the primary purpose of effecting the payment of Class I creditors, and the issuance of subscription warrants (R$340,453) in the last quarter of 2018, to promote the payment of Class II, III and IV creditors of the Judicial Reorganization.

In the scenarios developed by management, estimates indicate the need to obtain additional financial resources to raise working capital levels to support the resumption of operations. Such resources could come from, for example, and not limited to, new credit lines, capital increase with or without conversion of debt, sale of assets or equity interests, restitution of tax credits and re profiling of liabilities. Management pursues all these options.

Certain business units have had their operations substantially affected by oil and gas market conditions, the economic crisis in Brazil and the repercussions of the Judicial Reorganization process, with their level of activity and limited operational performance. In the Company's assessment, these

units will resume operating at higher levels as the business environment normalizes, whenever the resources required for their working capital are granted.

The above-mentioned fundraising measures, if carried out as expected, will provide the working capital needed to raise the level of activity and service debt in the short term. In the longer term, the Company may require additional funds to finance its resumption, in amounts that will depend on the speed of the resumption itself. To meet this need, the Company undertakes measures that may have substantial effects in the medium term, such as the restitution of tax credits and the arbitral or judicial pursuit of contractual rights and reparations with various counterparties.

Strategic opportunities to accelerate business resumption and / or mitigate continuity risks through mergers and acquisitions are continuously monitored by management.

During the six-month period ended June 30, 2019, the Company incurred loss before income tax and social contribution of R$33,094 in the parent company and R$30,327 in consolidated (loss before income tax and social contribution of R$67,194 in the parent company and R$65,563 in the consolidated in the six-month period ended June 30, 2018) and as of June 30, 2019, the Company's total current assets exceeded the current liabilities of R$3,963 in the parent company and total current assets exceeded total current liabilities by R$69,315 (At December 31, 2018 total current assets exceeded total current liabilities by R$28,527 in the parent company, and in consolidated total current assets exceeded total of current liabilities at R$99,843). Despite the improved results, continuity depends not only on improving performance, but also on the Company's success in obtaining the additional resources needed to provide working capital and debt service.

1.2 Judicial Recovery

I. Process of Judicial Recovery of the Lupatech Group

On May 25, 2015, Lupatech S / A and its direct and indirect subsidiaries (Lupatech Group) obtained the approval of the Board of Directors for the judicial reorganization of the Company, pursuant to Article 122, sole paragraph, of Law 6.404/76.

On that same date, Lupatech S/A and its subsidiaries: Lupatech Finance Limited; Amper Amazonas Perfurações Ltda; Itacau Agenciamentos Marítimos Ltda; Lochness Participações S/A; Lupatech – Equipamentos 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 Ltda; Sotep Sociedade Técnica de Perfuração S/A, have brought, in the district of São Paulo, the request for judicial recovery before the judgment of the 1st Court of Bankruptcy and Judicial Recoveries of the district of São Paulo, which was granted on June 22, 2015. Alta Administração Judicial Ltda was appointed as the judicial administrator.

Initially, the Lupatech Group filed a Judicial Recovery Plan, approved by the creditors at the General Meeting and ratified by Judgment of the 1st Court of Bankruptcy, Judicial Recovery and Arbitration Related Disputes of the Capital of São Paulo on December 11, 2015. Subsequently, in June 27, 2016, the 2nd Reserved Chamber of Business Law of the Court of Justice of the State of São Paulo granted court injunctions filed by two creditors, annulling the approval decision of the Lupatech Group's Judicial Recovery Plan.

The Company continues to pursue, by special appeal, the cancellation of a fine for delaying litigation improperly applied by the São Paulo Court of Justice, which annulled the Judicial Recovery Plan previously presented.

On September 5, 2016, a new Lupatech Group Judicial Reorganization plan was submitted to the court of origin, meeting the criteria established in the judgments of the 2nd Chamber of Business Law of the São Paulo State Court of Justice, which had been approved. on November 8, 2016, by the Lupatech Group General Meeting of Creditors, having been ratified by the Court of First Instance, Judicial Reorganization and Arbitral Conflicts of the State of São Paulo, without reservations, on February 15, 2017. In view of the final approval of the court, the indemnity period against the approval of the plan expired on March 13, 2017. The Group Management assessed that the absence of subsequent damages fully confirmed the legality of the plan and its effects from the approval of the sovereign decision of the Company. Therefore, the Lupatech Group and all creditors are subject to the fulfillment of the plan and legally required to comply with the plan from this date.

The Company used three strategies to settle commitments with Class I creditors. The first, corresponding to up to five minimum wages related to strictly salary credits maturing in the three months preceding the date of the request, was paid in cash to the respective labor creditors. duly complied with article 54, sole paragraph, of the Bankruptcy Law. The second, without attribution of relevance, was the payment of creditors through the conversion of credit into debentures of Lupatech S/A, and the third occurred through the awarding of the shares of the special purpose company (SPE), in the form of art. 50 XVI of Law No. 11,101.

In this context, on November 28, 2017, the Company announced the 3rd issue of mandatorily convertible debentures of Lupatech S / A in the amount of up to R $ 30,000. The issue was completed on January 31, 2018 with a subscription of R $ 29,313. The charge was directed to Class I creditors and creditors not subject to Judicial Reorganization, and the preemptive right was granted to shareholders.

On October 29, 2018, the Lupatech Group submitted a proposal for adjustments to the payment flow of the Class III unsecured creditors, which consisted in deferring part of the initial payments in exchange for a 0.3% increase in the interest rate. RT + 3.3% per year). The General Meeting of Creditors met on November 30, 2018 and approved the company's proposal. The AGC's decision was submitted to the appellate court and it was ratified, with the respective approval decision being final and without any appeal being filed within the term.

On that same date, the Board of Directors approved the issuance of three million, four hundred and four thousand, five hundred and twenty-eight (3,404,528) Subscription Warrants for payment of 50% of Class III and IV creditors' debt and 35% of Class II creditors. The Bonds were issued and registered in the name of the creditors entitled to such, and the Judicial Recovery Judgment authorizing the Company to hold in treasury the securities corresponding to the creditors who, due to lack of information, due to operational impossibility or lack of liquidity in their could not have their Bonus book entry.

II. Regarding the Judicial Reorganization Plan, approved by the creditors at the general meeting held on November 08, 2016, and ratified on February 15, 2017, by the court of the 1st Bankruptcy, Judicial Reorganization and Arbitration Conflict Court of the State of São Paulo Paulo.

The adoption of following recovery measures of the envisaged by the Plan has as objectives: (i) carry out the rescheduling of liabilities from the Lupatech Group, allowing their future discharge; (ii) allow

the entry of cash flow to maintain and promote the activities of the Lupatech Group; (iii) to alienate certain assets considered non-essential to the economic activities of the Lupatech Group; (iv) obtain new resources from the capital market to accelerate the recovery; and (v) through the uplift of the Lupatech Group, allow the generation of jobs and the payment of taxes.

a. Recovery measures

The Plan uses the following means of recovery, in the form of article 50 of the Bankruptcy Law: (i) granting of special terms and conditions for payment of the obligations of the Lupatech Group, with the equalization of financial charges, taking as a starting point the date of the distribution of the request of judicial recovery; (ii) increase of social capital by issuing securities, with possible changes in corporate control; (iii) partial sale, sale or lease of assets of the Lupatech Group; (iv) constitution of a society of specific purpose for the transfer of goods intended for the payment of creditors; and (v) other measures to be eventually subject to prior approval of the Judgment of Recovery.

Increase of capital: In order to allow the injection of new capital, at any time after the Judicial approval of the Plan, the Lupatech Group can perform one or more calls for increase of social capital of Lupatech, which may be intended to creditors under the Plan, creditors that are not subject to the Plan, and/or third party investors, as the case may be.

The Plan provides for the delivery of warrants to class II, III and IV creditors. To date, Lupatech 3,404,528 (three million, four hundred and four thousand, five hundred and twenty-eight) has issued approximately three million warrants, which, if exercised, will be converted into the same number of shares, part of which remains in treasury waiting for the credits to be paid to become liquid or operationally possible for their delivery. Credits are exchanged by granting a subscription bonus for every one hundred reais of credit - proportionally changeable ratio in the event of a reverse split, split or stock bonus. The exercise price of the issued securities is R$0.88 per share.

In the event of any capital increase allowing the capitalization of credits subject to the Plan, the exercise of the right to participate in said capital increase will be, always, optional to the creditors, and will always be granted in an equal manner to each of the classes of creditors subject to the plan or the whole basis of creditors under the Plan. In the event of a capital increase contemplating both creditors subject to the Plan and third party investors, the conditions of the subscription of shares offered should be the same for both.

Warranties: To ensure the acquisition of new resources, preserved the rights of creditors with real warranty, the Group Company may, in addition to giving personal guarantees, constitute real and fiduciary warranties: (i) from the consolidation of ownership in favor of the Lupatech Group, over the property located in São Leopoldo; and (ii) from the eventual elimination of warranties given to Creditors with Real Warranty, over any of the unencumbered assets.

Sale of assets: The Lupatech Group, upon the judicial approval of the Plan, may dispose of the permanent assets described in the Plan, through (i) competitive procedure; (ii) private contract signed at a price not lower than that stated in appraisal reports prepared by a specialized company; or (iii) private auction, to be held by a company specializing in the valuation and sale of assets through face-to-face auctions or via the Internet. The net proceeds from such disposals will be used to pay obligations arising from labor law, tax and social security charges, and obligations set forth in the Plan.

Disposal of Isolated Productive Units (UPIs): The Lupatech Group, from the Judicial homologation of the Plan, may sell the UPIs described in the Plan. The sale of UPIs may be made

jointly or separately, through a competitive procedure including, including, one or more UPIs or permanent assets. The net proceeds from such disposals will be used to pay obligations arising from labor law, tax and social security charges, and obligations set forth in the Plan.

Any alienation of UPIs by means of competitive procedure shall be carried out respecting the provisions of the respective notices, in accordance with the Bankruptcy Law, and met the other conditions provided for in this Plan. It is at the discretion of the Lupatech Group opt for any of the modalities of competitive procedure provided for in articles 142 to 145 of the Bankruptcy Law.

The UPIs that are sold by competitive procedure will be free of any liens, and their respective purchasers will not respond to any debt or contingency of the Lupatech Group, including those of tax and labor nature, in accordance with Article 60 and 141 of the Bankruptcy Law.

In the event of disposal of any of UPIs envisaged in the Plan by means of a competitive procedure, the Lupatech Group may include, as an integral part of the IPU, accession of any rights of use, costly and temporary in nature, about the buildings in which are located the equipment which constitute the UPIs alienated.

Disposal of assets of businesses not rehabilitating: The Lupatech Group may also divest assets owned by foreign societies in which holds participation or control, not members of the Judicial Recovery. The net proceeds arising from such disposals will join in the cash of those rehabilitating, and shall be used for the payment of obligations arising out of labor legislation, tax burden and social welfare, and obligations laid down in the Plan.

Disposal of assets given in real or fiduciary warranty: Upon the prior consent of the creditor holding the collateral and / or in accordance with the law or the Plan, the Lupatech Group may sell to third parties goods given in real or fiduciary warranty. The resources arising from the alienation of such goods will be used for the discharge of credits held by the creditor with real warranty or by the creditor with fiduciary warranty. Eventual surplus values shall be used for the payment of obligations arising out of labor legislation, tax burden and social welfare, and obligations laid down in the Plan.

Constitution of SPEs: In order to enable or facilitate the sale of any goods of the permanent asset or of the UPIs described in the Plan, as the case may be, the Lupatech Group may, individually or jointly, transfer one or more of these assets or UPIs to societies of specific purpose constituted by the Lupatech Group.

Aprovação para alienação de ativos: Sem prejuízo das hipóteses de alienação de ativos e alienação de ativos dados em garantia real ou fiduciária, será permitida qualquer outra modalidade de alienação, substituição ou oneração de bens mediante autorização do Juízo da Recuperação ou aprovação pela Assembleia Geral de Credores, respeitados os termos das legislações e dos contratos aplicáveis a tais ativos. Encerrada a Recuperação Judicial, o Grupo Lupatech poderá alienar livremente quaisquer bens de seu ativo circulante ou permanente, observados os gravames que recaírem sobre tais bens, não sendo mais aplicáveis as restrições previstas neste Plano ou no art. 66 da Lei de Falências, estando, porém, sujeitas às restrições usuais constantes dos contratos sociais e estatutos das sociedades do Grupo Lupatech e de novos instrumentos de dívida, conforme o caso.

Approval for alienation of assets: Without prejudice to the hypotheses of alienation of assets and alienation of assets given in real guarantee or fiduciary, will be permitted any other modality of alienation, replacement or encumbrance of goods upon authorization of Judgment of Recovery or

approval by the General Meeting of Creditors, complied with the terms of the laws and contracts applicable to such assets. Closed the Judicial Recovery, the Lupatech Group may freely alienate any goods of its circulating or permanent asset, observed the charges borne on such goods, not being applicable anymore the restrictions provided for in this Plan or in art. 66 of the Bankruptcy Law, being, however, subject to the usual restrictions contained in the social contracts and statutes of the societies in the Lupatech Group and new debt instruments, as the case may be.

Termination of Judicial Reorganization: Upon completion of the Judicial Reorganization, Lupatech Group may dispose of its assets and resources without imposing the restrictions and limitations set forth in the Plan**.**

b. Retructuring of credits subject to the Plan

Observing the provisions in Article 61 of the Bankruptcy Law, all Credits Subject to the Plan, which will be paid by Lupatech and by Lupatech Finance as main debtors, as the case may be, in solidarity with the other societies in the Lupatech Group, which remain as co-obligated and debtors in solidarity, with express waiver of any benefit of order.

The credits subject to the Plan shall be paid within the time limits and forms set out in the Plan, for each class of Creditors Subject to the Plan, even if the contracts which gave rise to Credits Subject to the Plan have laid down in a different way. With the referred novation, all obligations, covenants, financial indexes, hypotheses of netting, fines, as well as any other contractual obligations that are incompatible with the conditions of this Plan, shall cease from being applicable.

The credits not subject to the Plan would be paid in the form originally contracted or in the form that is agreed between the Lupatech Group and its respective creditor, additionally, if applicable, through the implementation of measures envisaged in the Plan.

In order to reduce payment administration costs, a minimum amount of payment to creditors subject to the Plan of two hundred and fifty reais per creditor subject to the Plan qualified in the list of creditors in classes III and IV, limited to the balance shall be respected. of their respective credit subject to the Plan.

The payment methods provided to creditors of Classes II, III, and IV are intended not only to reschedule a substantial part of the credit to be made in cash; but also, allow lenders to benefit from the economic uplift pursued by the Lupatech Group through the exercise of the subscription bonuses offered in exchange for part of their credit.

Credits that have their rating contested by the Lupatech Group or any interested party under the Bankruptcy Law can only be paid after the judgment determining the qualification of the disputed claim has been finalized, subject to the terms of the Bankruptcy Law, the deadlines for payment start only after the final decision has been passed.

In the event of an increase in any credit, or the inclusion of new credit as a result of any credit challenge or judgment of any lawsuit, the respective amount (in case of inclusion) or additional amount (in case of increase) will be paid through proportional distribution of the value in future installments. Any increase or inclusion of any Credit in the list of creditors during the payment term will not give the creditor whose credits are increased any right to retroactive or proportional payment of installments already paid.

c. ***Restruturing of Labor Credits***

The payment measures provided to the Labor creditors were and have been fulfilled as presented in the Judicial Reorganization Plan.

The disputed labor claims to be settled by the Labor Court must be paid in the manner established in the respective agreements duly approved by the Labor Court in a final decision. Under no circumstances can the disputed labor claims be treated more beneficially than that given to undisputed labor claims.

d. ***Restructuring of credits with real warranty***

In addition to the payment provided for above, the Lupatech Group may, at any time and upon the consent of the respective collateralised creditor, make the total or partial payment of the balance of the respective collateralised credit through: (i) the payment in kind any of the assets pledged as collateral in favor of the collateralised creditor; (ii) the payment of credits held by the Lupatech Group, in an amount sufficient to cover the balance of the respective collateralised Credit; or (iii) the delivery of proceeds from the disposal of any of the assets pledged as collateral to the creditor with collateral, either under the Plan, upon court authorization, or under Article 60 of the Bankruptcy Law.

In the event that the alternative payment occurs only partially, the respective collateralised creditor shall release excessive collateral in favor of the Lupatech Group under the Plan.

e. ***Restructuring of unsecured credits***

Unsecured credits denominated in foreign currencies will be calculated in reais based on the exchange rate on the date of the request and will be paid under conditions similar to those provided for in the Plan, subject to the variation of the Central Bank's official exchange rate on the business of the day prior to the exchange. payment. Exchange variation will be calculated as the difference between the original amount of the foreign currency unsecured credit and the amounts actually paid in foreign currency.

The Lupatech Group will ensure the payment, in cash, of at least two thousand reais per unsecured creditor, both in domestic and foreign currency, up to the limit of the value of their respective unsecured credit. In the event that such minimum amount exceeds 50% of unsecured credit, only the remaining balance of unsecured credit will be paid for the delivery of Subscription Bonus.

The payment of the unsecured credits of the Noteholders will be made under conditions similar to those provided for in the Plan, subject to exchange variation, upon payment of 50% of the amount of the respective unsecured credit, including principal and interest and charges, through the delivery of New Notes. And payment of 50% of the value of the respective unsecured credit, equivalent to the remaining balance of the principal, through the payment of Warrants.

Cancellation of current Notes: Upon judicial approval of the Plan, and after obtaining a court decision in Chapter 15 recognizing the effectiveness of the Plan in US territory, the Notes currently held by the Noteholders will be deemed to be canceled in their entirety, which will be replaced by the New Notes, to be issued within 180 days of obtaining the court decision in Chapter 15.

f. ***Restructuring of Credits from Micro Enterprises (ME) and Small Businesses (SB)***

The Lupatech Group will guarantee the payment, in cash, of at least two thousand reais per ME and EPP lender, up to the amount of its respective ME and EPP credit. In the event that such minimum amount exceeds 50% of the ME and EPP credit, only the remaining balance of the ME and EPP credit will be paid for the delivery of the Subscription Bonuses.

2 Basic of preparation

2.1 Declaration of conformity (with repect to the IFRS and CPC Standards)

The consolidated quarterly information has been prepared according to the International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and also in accordance with the accounting practices adopted in Brazil (BR GAAP).

The individual quarterly information of the parent company was drawn up according to the BR GAAP.

The Management of the Company states that all the relevant information proper for the financial statements, and only these, are being demonstrated, and that they correspond to those used in management.

The issuance of the Company's information for the period ended June 30, 2019 was authorized by the Board of Directors on August 14, 2019.

In compliance with CVM Circular Letter n° 003/2011, of April 28, 2011, we present the following explanatory notes included in the most recent annual financial statements (exercise ended in December 31, 2018), of which, due to the absence of material changes in the six-month period ended June 30, 2019, are not being repeated or included in full in the quarterly information:

Explanatory notes not included for the period of six months ended June 30, 2019	Location of the note in full annual financial statments for the fiscal year 2018
Main accounting practices	Note nº 3
Other accounts payable	Note nº 19
Taxes payable	Note nº 21
Liabilities at fair value	Note nº 22

2.1.1 Earnings Statement Previously disclosed

As a result of the restatement of the individual and consolidated statements of income as of March 31, 2018, (Note 2.1.1 of the notes to the information as of March 31, 2019), the change in the three-month period ended 30 June 2018 is different from that originally disclosed in the second quarter 2018 disclosure for the following Notes: (i) 9.1 Investments in subsidiaries and affiliates; (ii) 16 Income Tax and Social Contribution; (iii) 23 Loss per share and (iv) 24 Financial Result.

Below is a table with the lines of the income statement referring to the aforementioned Notes:

	Parent			Consolidated		
	Balances originally presented on 06/30/2018 Three month period ended 06/30/2018	Adjust	Balances presented on 06/30/2019 Three month period ended 06/30/2018	Balances originally presented on 06/30/2018 Three month period ended 06/30/2018	Adjust	Balances presented on 06/30/2019 Three month period ended 06/30/2018
EQUITY PICK-UP	3,310	301	3,009	(1,842)	-	(1,842)
FINANCIAL RESULT	(43,991)	7,151	(51,142)	(40,620)	7,411	(48,031)
LOSS BEFORE INCOME TAX AND SOCIAL CONTRIBUTION	(46,025)	7,452	(53,477)	(44,489)	7,411	(51,900)
DEFERRED INCOME AND SOCIAL CONTRIBUTION TAXES	149	1,022	(873)	(1,293)	1,063	(2,356)
LOSS OF EXERCISE	(45,876)	8,474	(54,350)	(45,876)	8,474	(54,350)
LOSS PER SHARE (In Reais)						
Parent company's interest	(45,876)	8,474	(54,350)	(45,401)	8,474	(53,875)
Non-controlling interest	-	-	-	(475)	-	(475)

2.2 Functional currency and presentation currency

The quarterly information is presented in Reais, which is the functional currency of the Company. All balances have been rounded to the nearest thousand, except where indicated otherwise.

2.3 Measurement basis

The quarterly information has been prepared on a historical cost basis, except for certain financial instruments measured by their fair values.

2.4 Basis of consolidation and investments in subsidiaries

The consolidated quarterly information includes the financial statements of Lupatech S/A - In Judicial Recovery and its subsidiaries.

2.4.1 Controlled companies

The Group controls an entity when it is exposed to, or has rights over, the variable returns arising from their involvement with the entity and has the ability to affect those returns by exerting its 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 the control ceases to exist.

In the individual financial statements of the parent company, the financial information of subsidiaries are recognized by means of the equity method.

In the period of six months ending June 30, 2019, the subsidiaries of Lupatech S / A - In Judicial Recovery had no alterations of direct or indirect Holdings.

The consolidated financial statements include the financial statements of Lupatech S/A - In Judicial Recovery and its direct or indirect subsidiaries, as shown below:

Direct and indirect subsidiaries	Direct and Indirect participation (%) 06/30/2019	12/31/2018
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)	50.00	50.00
Lupatech Oil&Gas Coöperatief U.A. - (Holanda)	5.00	5.00
Lochness Participações S/A - In Judicial Recovery - (Brazil)	100.00	100.00
Indirect participation		
Recu S.A. - (Argentina)	5.00	5.00
Lupatech OFS S.A.S. - (Colombia)	51.00	51.00
Lupatech Oil&Gas Coöperatief U.A. - (Holanda)	95.00	95.00
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

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealized revenues or expenses arising from intragroup transactions, are eliminated. Unrealized gains arising from transactions with subsidiaries accounted for under the equity method are eliminated against the investment in the proportion of the Group's interest in the investee. Unrealized losses are eliminated in the same manner as unrealized gains, but only to the extent that there is no evidence of impairment.

2.4.2 *Companies jointly controlled*

Jointly controlled are all entities whose financial and operating policies can be conducted by the Group, in conjunction with other shareholder(s), normally operated through agreements of the shareholders. On the financial statements of the parent company and in the consolidated, the participations in jointly controlled entities are recognized by using the equity method.

The Company owns participation in the following jointly controlled companies: Luxxon Participações Ltda e Aspro do Brasil Sistemas de Compressão p/ GNV Ltda., as shown below, in June 30 of 2019:

Jointly-owned subsidiaries	Direct and indirect participation (%) 06/30/2019	12/31/2018
Direct participations		
Luxxon Participações Ltda. - (Brazil) (*)	45.20	45.20
Direct participations		
Aspro do Brasil Sistemas de Compressão Ltda. - (Brazil) (*)	45.20	45.20

(*) Joint Venture

2.4.3 *Business Combination*

Business combinations are registered using the acquisition method when the control is transferred to the Group. The consideration transferred is usually measured at fair value, as well as the net identifiable assets acquired. Any gain that arises on the transaction is tested annually for evaluation of loss by reducing the amount recoverable. Gains in an advantageous purchase are recognized immediately in the result. The transaction costs are recorded in the result as they are incurred, except the costs related to the issuance of debt instruments or assets.

The consideration transferred does not include amounts relating to the payment of pre-existing relations. These amounts are generally recognized in the result of the exercise.

Any contingent consideration payable is measured at its fair value at the date of acquisition. If the contingent consideration is classified as equity instrument, then she is not remeasured and the settlement is registered within the net worth. The remaining contingent considerations are remeasured at fair value on each date of report and subsequent changes to fair value are recorded in the result of the exercise.

If any event of business combination or other transaction or similar corporate event that affects the Options with the dilution of shareholding position that the Beneficiary would do justice, the Administrative Council shall amend the Contract of Option of Purchase of Ordinary Shares, in up to 30 days from the date of the referred event, to ensure that the Beneficiaries remain with sufficient Options for the acquisition of the prescribed percentage of shares of the Company hired, in compliance with the new shareholding composition, and the purchase price of the Options not yet exercised shall be adjusted to be the lowest between R$2.35 and 80% of the price established on the Corporate Event, where the schedule of exercise of the Options provided for in the contract is preserved, kept the percentages and deadlines of exercise defined therein. The above provisions reach only the Corporate Events contracted in the period of 18 months from the signing of the Contract, limited to operations of up to R$150,000.

3 Standards, amendments and interpretations of standards

In force

The following new standards were approved and issued by the IASB, effective January 1, 2019. The Company adopted the new standards and management assessed the impacts of its adoption, not identifying adjustments for disclosure.

(i) *IFRS* 16 *Leases* (CPC 06 R2 – Leasing Operations)

The new standard replaces IAS 17 - "Leasing Operations" and corresponding interpretations and determines that the tenants will have to recognize the liability of future payments and the right of usage of the leased asset for virtually all leasing contracts, including the operational, which may place outside the scope of this new standard certain short-term contracts or contracts of small amounts. The recognition criteria and measurement of leases in the financial statements of lessors are substantially maintained.

Management evaluated the new pronouncement and, considering its quarterly transactions, did not identify changes that could have an impact on the Company's financial statements.

The following technical interpretation was approved by the Accounting Pronouncements Committee:

ICPC 22 / IFRIC 23 - Uncertainties Concerning Tax Treatment

This interpretation clarifies how to apply the recognition and measurement requirements of CPC 32 Income Taxes (IAS 12 Income Taxes) when there is uncertainty about the treatment of income tax. In such circumstances, an entity shall recognize and measure its current or deferred tax assets or liabilities, applying the requirements of CPC 32 / IAS 12 based on taxable income (tax loss), tax bases, unused tax losses, unused tax credits and tax rates determined on the basis of this interpretation.

This interpretation came into effect from annual periods beginning on or after January 1, 2019 and its impacts are being evaluated by the Company's Management.

There are no other standards, changes and interpretations of standards issued and not yet adopted that may, in Management's opinion, have a significant impact on the results or shareholders' equity disclosed by the Company.

4 Cash and cash equivalents and titles and restricted securities

Cash and cash equivalentes

The balances of cash and cash equivalents are composed as follows:

	Parent		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Cash and banks				
Brazil	24	10	181	57
Abroad	-	-	1,613	259
Total	24	10	1,794	316
Financial Investments				
Bank deposit certificate	127	125	127	929
Total	127	125	127	929
Cash and cash equivalents	151	135	1,921	1,245

The values of cash equivalents are related to applications of immediate liquidity, with insignificant risk of change in value and refer to resources invested in fixed income and a certificate of deposit. The rates of remuneration of financial applications of certificate of deposit have as parameter the Interbank Certificate of Deposit - CDI.

Bonds and securities – Restricted

On June 30, 2019, the Company has R$1,755, recorded as "Securities" in noncurrent assets (R$847 in current assets and R$961 in noncurrent assets on December 31, December 2018), in the parent company and consolidated, related to the deposit of guarantee for payment of any indemnifiable liabilities, according to the contractual clause of the purchase and sale of the Metalúrgica Ipê unit for Duratex, called Escrow Account, invested in CDB.

5 Accounts receivable from customers

	Parent		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Local market	8,778	10,326	38,350	35,901
Export	575	694	805	971
	9,353	11,020	39,155	36,872
Less: allowance for doubtful accounts	(4,361)	(4,316)	(5,451)	(5,515)
	4,992	6,704	33,704	31,357
Current	4,992	6,704	33,704	31,357
Non-Current	-	-	-	-

In the six-month period ended June 30, 2019, the estimated loss for doubtful accounts in the amount of R $ 45 in the parent company was reversed and R$64 reversed from the consolidated income.

In the six-month period ended June 30, 2018, an estimate of R$63 in the Parent Company and R$203 in the Consolidated was recognized in the income statement.

6 Inventory

	Parent		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Finished goods	2,333	2,735	11,941	10,282
Goods for resale	739	887	2,739	3,072
Work in progress	7,437	7,222	11,887	12,045
Raw material	14,987	14,952	48,472	49,067
Losses on inventory obsolescence	(6,736)	(6,753)	(35,665)	(35,516)
Total	18,760	19,043	39,374	38,950

In the six-month period ended June 30, 2019, there was a reversal in the result related to inventory obsolescence losses in the amount of R$17 in the parent company and consolidated was recognized R$149.

In the six-month period ended June 30, 2018, there was a reversal in the respective result to losses with inventory obsolescence in the amount of R$301 in the parent company and in the consolidated R$387.

7 Recovarable taxes

	Parent		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Value-added Tax on Sales and Services (ICMS) recoverable	11,914	12,090	12,331	12,462
Excise Tax (IPI) recoverable	1,449	1,462	1,741	1,765
Social Integration Program (PIS) recoverable	289	290	672	678
Social Contribution on Revenues (COFINS) recoverable	1,372	1,379	3,081	3,107
Corporate Income Tax (IRPJ) advances	-	-	18,207	11,966
IRF and IRPJ recoverable	307	241	40,415	40,510
CSLL recoverable	134	102	6,952	6,002
National Institute of Social Security (INSS) Contribution recoverable	44	44	508	644
Service tax (ISS) recoverable	-	-	34	34
Other	71	72	204	205
Total	15,580	15,680	84,145	77,373
Current	2,896	2,736	30,081	23,637
Non-Current	12,684	12,944	54,064	53,736

The origin of the credits listed above is as follows:

- **IPI, PIS and COFINS to recover** – stem, basically, from credits over purchases of raw materials used in the exported products and sale of products taxed at zero rate. The realization of these credits has been performed through compensation with other federal taxes.

- **Income tax and social contribution to recover -** are arising from taxes over profit, paid the largest over previous years, or in the form of anticipation in the current exercise, and of tax withheld at the source over financial transactions and services provided by third parties. The company provides services to Petrobras, a state company that performs deductions of taxes on the billing. These taxes are being compensated with payable taxes determined of the same nature r request for refund, where applicable.

- **ICMS** - refers to credits over acquisitions of inputs used in the manufacturing of products whose sale is subject to the reduced basis of calculation of ICMS, as well as claims over acquisitions of inputs used in the manufacturing of products intended for export.

Actions are being taken to use these accumulated tax credits, especially involving strategies and logistics of acquisition of inputs.

8 Other receivable accounts

As of June 30, 2019, the Company has the following balances recorded as other accounts receivable in current and non-current assets, as shown below:

	Parent		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Other accounts receivable - Current				
Travel advances	44	49	69	75
Advances to employees	142	259	363	445
Advance guarantee of electricity supply	-	-	199	199
Profits and dividends receivable	-	-	1,664	1,664
Receiving insurance and accident	138	138	138	138
Accounts receivable related to property sale	200	200	200	200
Other receivables	1,005	5,391	3,207	24,217
Convertible debentures in share	4,359	-	21,555	-
Total	5,888	6,037	27,395	26,938
Other accounts receivable - Non-current				
Loans receivable from related Unifit	6,935	6,935	6,935	6,935
Loans receivable from related Luxxon	163	163	6,091	6,091
Other receivables	-	-	45	479
Total	7,098	7,098	13,071	13,505

9 Investments

9.1 Investments in subsidiares and affiliates

	Parent		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
In affiliates	182,269	184,022	-	-
Joint venture		-		-
In subsidiares				
Total	182,269	184,022	-	-
Goodwill on acquisition of investments	6,065	6,065	-	-
Total	188,334	190,087	-	-

								Parent	
	Mipel	Recu	LESP	Finance	LO&G	LOFS	Lochness	06/30/2019	12/31/2018
Investment									
Amount of share or quotas									
Ordinary shares (thd)	-	3,000	-	-	-	-	673,721		
Capital stock quotas (thd)	21,425	-	391,179	50	-	-	-		
Participation %	100	95	100	100	5	50	100		
Shareholders' equity	**4,801**	**406**	**32,333**	**76,842**	**3,571**	**35,774**	**45,437**		
Income (Loss) for the year	(2,556)	-	(4,386)	178	(292)	3,263	(6,124)		
Unrealized profits	(326)	-	-	-	-	-	-		
Changes in investments									
Starting balance in period	7,078	439	36,758	78,907	196	15,924	44,720	184,022	370,397
Capital increase / subscription	-	-	-	-	-	-	-	-	-
Advance for future capital increase	-	-	148	-	-	-	4,583	4,731	(131,241)
Capital increase	-	-	-	-	-	-	12,676	12,676	55,862
Sale of interest in subsidiary	-	-	-	-	-	-	-	-	(17,450)
Equity income	(2,603)	-	(4,386)	(1,502)	(15)	1,632	(6,124)	(12,998)	(134,736)
Equity valuation adjustment	-	(53)	(39)	(563)	(3)	331	(5,835)	(6,162)	41,190
Saldo final no período	**4,475**	**386**	**32,481**	**76,842**	**178**	**17,887**	**50,020**	**182,269**	**184,022**

The social reasons of subsidiaries and affiliates are the following: Mipel - Mipel Ind. Com. Válvulas Ltda. - In Judicial Recovery; Recu - S/A; LESP - Lupatech - Equipamentos e Serviços para Petróleo Ltda. - In Judicial Recovery; Finance - Lupatech Finance Limited - In Judicial Recovery; Finance II

- Lupatech II FinanceLimited; LNC - Lupatech Netherlands Coöperatief U.A.; LOFS - Lupatech OFS Coöperatief U.A. and Lochness Participações S/A - In Judicial Recovery.

The result of the equity is composed as follows:

	Parent			
	For the three months ended		For the six months ended	
	06/30/2019	06/30/2018 Restated	06/30/2019	06/30/2018
In affiliates	(4,925)	4,851	(12,998)	-
In joint venture	(25)	(1,842)	(37)	(7,739)
Total	(4,950)	3,009	(13,035)	(7,739)

	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
In affiliates	-	-	-	-
In joint venture	(25)	(1,842)	(37)	(2,218)
Total	(25)	(1,842)	(37)	(2,218)

9.2 Investments in jointly controlled (*joint venture*)

Luxxon Participações Ltda is the jointly controlled entity of the Lupatech Group with Axxon Group. The Company shares with the other partners the joint management of the relevant activities of this entity.

On June 30, 2019, the Company recognized investments in joint venture (Luxxon Participações Ltda), as a provision for unrecognized liabilities, in the amount of R$4,953 (R$4,906 on December 31, 2018).

The investments jointly controlled are measured by the equity method.

10 Fixed Assets

		Parent		Consolidated	
		06/30/2019	12/31/2018	06/30/2019	12/31/2018
	Weighted avarage rate of depreciation % p.p.	net	net	net	net
Land	-	11,313	11,366	12,588	12,639
Building and construction	2%	27,114	27,599	36,611	37,316
Machinery and equipment	9%	19,082	20,863	50,100	49,458
Molds and matrixes	15%	457	512	560	599
Industrial facilities	5%	5,727	5,989	7,392	7,670
Furniture and fixtures	9%	742	809	1,019	1,082
Date processing equipments	14%	61	78	306	255
Improvements	2%	150	157	788	804
Vehicles	19%	55	70	403	790
Casks	-	-	-	9	3
Advances for fixed assets acquisitions	-	-	-	10,357	9,917
Construction in progress	-	274	274	15,366	15,404
Total		64,975	67,717	135,499	135,937

Synthesis of movement of the immobilized:

	Parent								
Gross Cost	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Date processing equipments	Construction in progress	Others	Total
Balance on December 31, 2018	**11,366**	**35,882**	**89,611**	**11,721**	**3,848**	**3,884**	**274**	**484**	**157,070**
Additions	-	-	22	-	-	1	-	-	23
Disposal	(53)	(99)	-	(3)	-	-	-	-	(155)
Balance on June 30, 2019	**11,313**	**35,783**	**89,633**	**11,718**	**3,848**	**3,885**	**274**	**484**	**156,938**

	Parent								
Acculated depreciation	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Date processing equipments	Construction in progress	Others	Total
Balance on December 31, 2018	**-**	**(8,283)**	**(68,236)**	**(5,575)**	**(3,039)**	**(3,806)**	**-**	**(414)**	**(89,353)**
Additions	-	(449)	(1,858)	(267)	(67)	(18)	-	(15)	(2,674)
Disposal		30		1					31
Reclassification for assets held for sale	-	33	-	-	-	-	-	-	33
Balance on June 30, 2019	**-**	**(8,669)**	**(70,094)**	**(5,841)**	**(3,106)**	**(3,824)**	**-**	**(429)**	**(91,963)**

	Parent								
Net fixed assets	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Date processing equipments	Construction in progress	Others	Total
Balance on December 31, 2018	**11,366**	**27,599**	**21,375**	**6,146**	**809**	**78**	**274**	**70**	**67,717**
Balance on June 30, 2019	**11,313**	**27,114**	**19,539**	**5,877**	**742**	**61**	**274**	**55**	**64,975**

	Consolidated								
Gross Cost	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Date processing equipments	Construction in progress	Others	Total
Balance on December 31, 2018	**12,639**	**50,448**	**173,064**	**15,728**	**5,943**	**10,831**	**15,404**	**17,536**	**301,593**
Additions	-	-	376	-	24	92	(25)	1,396	1,863
Disposal	(53)	(99)	(45,448)	(10)	(242)	-	(13)	(657)	(46,522)
Transfer	-	-	3,849	-	-	-	(2,655)	(1,195)	(1)
Effect of the conversion of subsidiaries abroad	-	-	-	-	-	-	-	(14)	(14)
Reversal of provision for impairment of assets	-	-	3,706	-	-	-	-	-	3,706
Reclassification for assets held for sale	2	-	41,992	-	242		5,228	656	48,120
Effect of changes in ownership interest in subsidiary	-	2	(1,156)	-	-	-	(2,573)	(42)	(3,769)
Balance on June 30, 2019	**12,588**	**50,351**	**176,383**	**15,718**	**5,967**	**10,923**	**15,366**	**17,680**	**304,976**

	Consolidated								
Acculated depreciation	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Date processing equipments	Construction in progress	Others	Total
Balance on December 31, 2018	**-**	**(13,132)**	**(123,007)**	**(7,254)**	**(4,861)**	**(10,576)**	**-**	**(6,826)**	**(165,656)**
Additions	-	(684)	(4,602)	(300)	(86)	(40)	-	(82)	(5,794)
Disposal	-	31	22,517	8	185	-	-	657	23,398
Effect of the conversion of subsidiaries abroad	-	-	514	-	-	(1)	-	(3)	510
Reclassification for assets held for sale	-	45	(21,145)	8	(186)	-	-	(657)	(21,935)
Balance on June 30, 2019	**-**	**(13,740)**	**(125,723)**	**(7,538)**	**(4,948)**	**(10,617)**	**-**	**(6,911)**	**(169,477)**

	Consolidated								
Net property, plant and equipment	Land	Building and construction	Machinery and equipment, molds and matrixes	Industrial facilities and improvements	Furniture and fixtures	Date processing equipments	Construction in progress	Others	Total
Balance on December 31, 2018	**12,639**	**37,316**	**50,057**	**8,474**	**1,082**	**255**	**15,404**	**10,710**	**135,937**
Balance on June 30, 2019	**12,588**	**36,611**	**50,660**	**8,180**	**1,019**	**306**	**15,366**	**10,769**	**135,499**

There are property, plant and equipment linked to guarantees of liabilities as of March 31, 2019, liabilities in the following amounts:

Garanteed liabilities	Fixed assets	
	Parent	Consolidated
Taxation (Tax executions)	14,791	14,949
Loans and financing	43,161	59,546
Total	57,952	74,495

Commercial leases

On June 30, 2019, the Company has through the indirect subsidiary Lupatech OFS S.A.S. financial leasing in the amount of R$3,759 (R$5,527 as of December 31, 2018,).

11 Intangible

	Weighted rates of amortization	Parent		Consolidated	
		06/30/2019	12/31/2018	06/30/2019	31/12/2018
	% p.p.	net	net	net	net
Goodwill (*)	-	55,414	55,414	102,819	102,802
Software and other licenses	20%	2,982	3,442	3,073	3,597
New projects developments	20%	9,178	9,311	9,433	9,571
Total		67,574	68,167	115,325	115,970

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

Synthesis of movement of the intangible:

	Parent			
Gross Cost	**Goodwill on acquisition of**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2018	**55,414**	**13,239**	**17,287**	**85,940**
Additions	-	5	37	42
Balance on June 30, 2019	**55,414**	**13,244**	**17,324**	**85,982**

	Parent			
Acculated Amortization	**Goodwill on acquisition of**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2018	-	**(9,797)**	**(7,976)**	**(17,773)**
Additions	-	(465)	(170)	(635)
Balance on June 30, 2019	-	**(10,262)**	**(8,146)**	**(18,408)**

	Parent			
Net Intangible Assets	**Goodwill on acquisition of**	**Softwares and other licenses**	**Development of new products**	**Total**
Balance on December 31, 2018	**55,414**	**3,442**	**9,311**	**68,167**
Balance on June 30, 2019	**55,414**	**2,982**	**9,178**	**67,574**

Gross intangible cost	Consolidated			
	Goodwill on acquisition of	Softwares and other licenses	Development of new products	Total
Balance on December 31, 2018	**102,802**	**16,300**	**18,634**	**137,736**
Additions	-	6	37	43
Effect of the conversion of subsidiaries abroad	19	-	-	19
Balance on June 30, 2019	**102,821**	**16,306**	**18,671**	**137,798**

Acculated Amortization	Consolidated			
	Goodwill on acquisition of	Softwares and other licenses	Development of new products	Total
Balance on December 31, 2018	-	**(12,703)**	**(9,063)**	**(21,766)**
Additions	-	(530)	(175)	(705)
Effect of the conversion of subsidiaries abroad	(2)	-	-	(2)
Balance on June 30, 2019	**(2)**	**(13,233)**	**(9,238)**	**(22,473)**

Net Intangible Assets	Consolidated			
	Goodwill on acquisition of investments	Softwares and other licenses	Development of new products	Total
Balance on December 31, 2018	**102,802**	**3,597**	**9,571**	**115,970**
Balance on June 30, 2019	**102,819**	**3,073**	**9,433**	**115,325**

Below is a summary of the allocation of the balance of gain by level of the Cash-Generating Unit:

UGCs	Goodwill on acquisition of investments			
	Investments (Note n° 9)		Intangible	
	Parent		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Products Segment				
Mipel Industria e Comércio de Válvulas Ltda (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)	-	-	20,653	20,636
Total	61,479	61,479	102,819	102,802
Investment	6,065	6,065	-	-
Intangible Assets	55,414	55,414	102,819	102,802

The gain is allocated to the cash-generating units for which may be identified in the cash flows of the Cash-Generating Units – "UGC".

The gain allocated to the group of units Carbonox and Valmicro is not relevant in comparison with the total book value of the gains, reason for which is not being presented individual information of these UGCs.

Below is a summary of the values recorded as a loss for non-recoverability of gain by the Cash-Generating Unit:

UGCs	Goodwill on acquisition of investments	*Impairment*	Net Goodwill
Products Segment			
Mipel Industria e Comércio de Válvulas Ltda (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)	20,653	-	20,653
Total	306,759	(203,940)	102,819

12 Suppliers

	06/30/2019						12/31/2018					
	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	7,779	100,417	**108,196**	7,779	100,417	**108,196**	4,695	107,824	**112,519**	4,695	107,824	**112,519**
Export Suppliers	426	16,612	**17,038**	426	16,612	**17,038**	871	8,746	**9,617**	871	8,746	**9,617**
(-) Present value adjustment	-	(57,922)	**(57,922)**	-	(57,922)	**(57,922)**	-	(56,743)	**(56,743)**	-	(56,743)	**(56,743)**
	8,205	**59,107**	**67,312**	**8,205**	**59,107**	**67,312**	**5,566**	**59,827**	**65,393**	**5,566**	**59,827**	**65,393**
Not Subject to Judicial Recovery												
Domestic Suppliers	6,420	-	**6,420**	21,548	-	**21,548**	6,013	-	**6,013**	24,144	-	**24,144**
Export Suppliers	123	-	**123**	1,608	-	**1,608**	119	-	**119**	1,394	-	**1,394**
	6,543	-	**6,543**	**23,156**	-	**23,156**	**6,132**	-	**6,132**	**25,538**	-	**25,538**
Total suppliers	**14,748**	**59,107**	**73,855**	**31,361**	**59,107**	**90,468**	**11,698**	**59,827**	**71,525**	**31,104**	**59,827**	**90,931**

Under the current Judicial Recovery plan, 50% of the unsecured creditors of suppliers will be paid through the payment of subscription bonuses and the remaining 50% will be paid in cash within 15 years, with interest and correction at a variable rate equivalent to TR + 3% per year for Class IV and TR + 3.3% per year for Class III, to be paid respectively 30 days or in four quarterly installments after the maturity of the last principal proposed in the terms of payments of the unsecured creditors of the new Plan.

On June 30, 2019, the adjustment to present value was made on suppliers subject to judicial reorganization in the amount of R$1,179 (R $ 2,164 on December 31, 2018).

The balance of adjustment to present value on suppliers subject to judicial reorganization on June 30, 2019 is R$57,922 (R $ 56,743 on December 31, 2018) in the parent company and consolidated, considering the discount rate of 13.65% per year.

13 Loans and financing

			06/30/2019						12/31/2018					
			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	FIXO	3,00% a.a. + TR	1,992	39,279	**41,271**	1,992	39,279	**41,271**	1,245	39,910	**41,155**	1,245	39,910	**41,155**
Working capital / expansion			1,992	39,279	**41,271**	1,992	39,279	**41,271**	1,245	39,910	**41,155**	1,245	39,910	**41,155**
(-) Present value adjustment			-	(18,697)	**(18,697)**	-	(18,697)	**(18,697)**	-	(19,963)	**(19,963)**	-	(19,963)	**(19,963)**
Unsecured creditors	FIXO	3,3% a.a. + TR	4,509	90,506	**95,015**	8,422	180,924	**189,346**	2,817	90,343	**93,160**	5,262	183,087	**188,349**
Working capital / expansion			642	12,880	**13,522**	642	12,880	**13,522**	401	12,866	**13,267**	401	12,866	**13,267**
Working capital / expansion			550	11,024	**11,574**	550	11,024	**11,574**	343	11,012	**11,355**	343	11,012	**11,355**
Working capital / expansion			732	14,720	**15,452**	732	14,720	**15,452**	457	14,661	**15,118**	457	14,661	**15,118**
Research and development funding			269	5,403	**5,672**	269	5,403	**5,672**	168	5,397	**5,565**	168	5,397	**5,565**
Guarantee provided by guarantee letter			425	8,542	**8,967**	425	8,542	**8,967**	266	8,520	**8,786**	266	8,520	**8,786**
Debentures			1,891	37,937	**39,828**	1,891	37,937	**39,828**	1,182	37,887	**39,069**	1,182	37,887	**39,069**
Noteholders			-	-	-	3,913	90,418	**94,331**	-	-	-	2,445	92,744	**95,189**
(-) Adjustment to present value			-	(43,766)	**(43,766)**	-	(77,733)	**(77,733)**	-	(45,290)	**(45,290)**	-	(81,464)	**(81,464)**
			6,501	**67,322**	**73,823**	**10,414**	**123,773**	**134,187**	**4,062**	**65,000**	**69,062**	**6,507**	**121,570**	**128,077**
Not subject to Judicial Recovery														
Local currency														
Working capital / expansion	CDI	6,80% a.a.	2,532	-	**2,532**	2,532	-	**2,532**	2,376	-	**2,376**	2,376	-	**2,376**
Working capital / expansion	TJLP	4,84% a.a.	13,195	-	**13,195**	23,894	-	**23,894**	11,790	-	**11,790**	21,353	-	**21,353**
Discounted titles	-	34,33% a.a.	989	-	**989**	1,074	-	**1,074**	1,694	-	**1,694**	1,853	-	**1,853**
Credit limit	FIXO	211,75% a.a.	99	-	**99**	150	-	**150**	48	-	**48**	99	-	**99**
Foreign currency														
Working capital / expansion	DÓLAR	7,48% a.a.	2,928	-	**2,928**	4,872	-	**4,872**	2,692	-	**2,692**	4,478	-	**4,478**
Working capital / expansion	PESO	12,55% a.a.	-	-	-	4,998	1,054	**6,052**	-	-	-	7,038	1,121	**8,159**
			19,743	**-**	**19,743**	**37,520**	**1,054**	**38,574**	**18,600**	**-**	**18,600**	**37,197**	**1,121**	**38,318**
			26,244	**67,322**	**93,566**	**47,934**	**124,827**	**172,761**	**22,662**	**65,000**	**87,662**	**43,704**	**122,691**	**166,395**

Under the Judicial Recovery Plan in force, 35% of the secured claims subject to the Judicial Recovery must be paid through the payment of subscription bonuses and the remaining 65% 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 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 subscription bonuses and the remaining 50% will be paid in cash within 15 years, with (Class IV) or TR + 3.3% pa and 0.4% in foreign currency (Class III), to be paid in 30 days (Class IV) or four quarterly installments (Class III) after the maturity of the last installment of the principal, as proposed in the terms of payments of the unsecured creditors of the new Plan.

In the semester ended June 30, 2019, there was an adjustment to the present value of loans and financing subject to judicial reorganization in the amount of R$ 2,790 in the parent company (R $ 3,840 as of December 31, 2018) and R$4,997 in the consolidated R$ 956 as of December 31, 2018).

The adjustment to present value on loans and financing subject to judicial reorganization as of June 30, 2019, is R$ 62,463 (R$ 65,253 as of December 31, 2018) in the parent company and R$ 96,430 (R$ 101,427 on December 31, 2018) in the consolidated, considering the discount rate of 13.65% per year.

The maturities of the non-current installments of financing are as follows:

	Parent		Consolidated	
Maturity	**06/30/2019**	**12/31/2018**	**06/30/2019**	**12/31/2018**
2019	2,163	2,088	4,527	4,876
2020	2,598	2,508	4,944	4,841
2021	2,598	2,508	4,944	4,691
2022	2,598	2,508	4,776	4,691
2023	2,598	2,508	4,776	4,691
From 2024	54,767	52,880	100,860	98,901
	67,322	65,000	124,827	122,691

The guarantees of loans and financing were granted as follows, with position as of June 30, 2019:

		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	34,922	109,610	34,922	109,610
Working capital / expansion	Machinery and equipment	8,239	10,102	8,239	10,102
		43,161	119,712	43,161	119,712
Not subject to Judicial Recovery					
Foreign currency	**Garantee**				
Working capital / expansion	Own financed asset	-	-	16,385	56,324
		-	-	16,385	56,324
		43,161	119,712	59,546	176,036

* 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.With the new reports made in December 2018, there was no change in the valuation value.

The indirect subsidiary Lupatech OFS SAS has financial covenants linked to leasing agreements with Bancolombia, which relate to the need to maintain (a) EBITDA 2x higher than interest expense paid (b) Debt / EBITDA up to 3x. On June 30, 2019, the indirect subsidiary Lupatech OFS SAS served the covenants. The total amount of said loan is R$1,650 and is recorded in current liabilities in the amount of R$596 and R$1,054 in noncurrent liabilities (total amount of R$1,900 as of December 31, 2018, R$1,541 in current liabilities and R$359 in noncurrent).

On June 30, 2019, the Company has the balance of R$4,711 (R$4,865 as of December 31, 2018) for the collection notification by Banco Votorantim S / A related to the settlement of collateral - guarantee by letter of guarantee requested by the Banco do Nordeste do Brasil S/A S for loan disbursement between Unifit - Unidade de Fios Industriais de Timbaúba Ltda and BNB, in the amount of R$31,180, of which the Company was guarantor in 50%. The debt is included in the debt subject to the Judicial Recovery, and if it is sated by Unifit, Lupatech is released.

Due to the Plan of Judicial Recovery, the bonds and debentures started being treated and registered with the loans subject to judicial recovery, on non-current liabilities, due to its classification as unsecured creditors of the Plan, where they accrue interest and monetary correction at a variable rate equivalent to TR + 3.3% per year in Reais, as determined for payment of these creditors in the New Plan of Judicial Recovery.

14 Debentures

Third Issuance of Debentures

Aiming the payment of part of the credits of labor nature, and other credits not subject to the Plan of Judicial Recovery, the Board has approved, in a meeting held in November 28 of 2017, the 3rd issuance of debentures convertible into ordinary stocks of issuing of the Company, in a single series, of the unsecured kind, for private placement, within the limit of the authorized capital, in the amount of thirty million reais, upon issuance of 30.000.000 of Debentures.

The Issuance has respected the right of preference to the shareholders of the Company and was directed to the holders of labor credits, in accordance with the Plan of Judicial Recovery, the Society of specific purpose constituted for assumption of the claims of labor creditors and adjudication of goods to labor creditors and holders of other credits.

On February 5 of 2018, was held at RCA, the partial approval of the 3rd Issuance of Debentures of the Company, as approved in the meeting of the Administrative Council held on November 28 of 2017, in the amount of R$29,313, upon the issuance of 29,313,394 Debentures, within the limit of the authorized capital of the Company.

Considering the total amount of the issuance of 30,000,000 of Debentures, still remained 686,606 unsubscribed Debentures, which were canceled by the Company, in accordance with the Issuance.

The conclusions of the Company's stock conversion processes were as follows:

Event	Conversion Date	Common shares (units)	Conversion of Debentures into R$
Completion of the process of converting debentures into shares of the Company	February 28, 2018	5,265,949	15,482
1st Mandatory Conversion of Debentures into Company Shares	February 28, 2018	470,456	1,383
2nd Mandatory Conversion of Debentures into Company Shares	June 18, 2018	358,682	1,055
3rd Mandatory Conversion of Debentures into Company Shares	August 20, 2018	364,282	1,070
4th Mandatory Conversion of Debentures into Company Shares	November 21, 2018	369,542	1,087
5th Mandatory Conversion of Debentures into Company Shares	February 27, 2019	375,225	1,103
6th Mandatory Conversion of Debentures into Company Shares	May 29,2019	380,467	1,119

The balance of remaining Debentures as of June 30, 2019, recorded in Current Liabilities is R$ 7,262 (R$9,336 as of December 31, 2018).

The main characteristics of the 3rd issuance of debentures are:

Series: Only
Date of issue: 12/18/2017 (for all legal purposes)
Expiration Date: Without time of expiration
Quantity issued: 29.313.394
Par value: R$1.00
Value of the issue: R$29,313

Convertibility:

The Debentures are mandatorily convertible into ordinary shares issued by the Company, at the discretion of the debenture holders, in accordance with the conditions and options below:

a) in up to 10 working days counted from the Date of Payment of Debentures, the debenture holders could 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 Debentures resulted from the division between (i) the nominal unit value of the Debentures, plus the remuneration and (ii) the conversion price of $2.94 per ordinary share issued by the Company. Any fractions resulting from the calculation for conversion were disregarded; or

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

Conversion dates	Percentage to be converted from each debenture holder's debenture	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 of the Action completing 22 consecutive trading sessions with closing values above the price of the last conversion performed, the debenture holder may, at his sole discretion, during the 10 calendar days following, anticipate the last conversion provided in accordance with the schedule above. Closed the period of 10 calendar days for the exercise of the faculty of early conversion, if the conditions for early conversion are cleared again, the debenture holders may, at his sole discretion, make new conversions in advance on the same terms. In these cases, the Debentures will be converted in accordance with the schedule, with the remuneration calculated on a pro rata temporis up to the date of early conversion.

The debenture holder that holds more than one Debenture can group the fractions of shares that he has rights over, with the aim of achieving an integer, so as to receive the largest possible number of shares. After the fractional shares resulting from the conversion of Debentures of each debenture holder being grouped, only whole quantities of shares shall be delivered to the referred debenture holder, disregarding any fraction.

The number of shares to be delivered per Debenture will be simultaneous and proportionally adjusted to capital increases by subsidy, splitting or groupings of ordinary and/or preferred shares issued by the Company, any title, which might occur starting from the date of issuance, without any cost to the holders of Debentures and the same proportion established for such events.

Subscription and payment:

The Debentures subscribed were paid on January 31, 2018 ("Date of Subscription"), the subscription price corresponding to its nominal value per unit, without monetary updating, interest or other charges. The Debentures were paid in cash, upon the act of subscription ("Date of Payment"), outside the scope of B3, with Undisputed labor credits, as defined in the Plan of Judicial Recovery, or credits held by a society of specific purpose as a result of the assumption of labor credits, or with other credits, in all cases held in regards to the Company, upon the payment with the corresponding credits. The sums paid by holders of right of preference, in accordance with Article 171, paragraph 2 and paragraph 3 of the Corporation Law, must be delivered in proportion to holders of paid credits.

For each R$1.00 (one real) in undisputed labor credits, loans held by the SPE or other credits, was subscribed and paid R$1.00 (one real) of nominal value of Debenture, disregarding fractions of the real so that the payment of the whole number of debentures immediately below the value of the credit.

The Debentures that were not subscribed, as well as Debentures subscribed which have not been paid pursuant to the terms and conditions set forth in the Scripture of Issuance, have been canceled.

Remuneratory Interest:

Each Debenture does justice to the remuneration, as from the date of payment, calculated by the referential rate, calculated and published by the Central Bank of Brazil ("TR"), increased exponentially from a spread or surcharge of 6% per year, calculated on the basis of 252 working days, calculated in a composed form, annually, pro rata temporis per day, on the par value per unit of the Debentures, since the date of payment (additionally) until the date of notice to shareholders, which must occur at the end of each period of capitalization, to be calculated in accordance with the Scripture of Issuance.

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

Optional early redemption total or partial and partial optional amortization:

The Company may, at its sole discretion and regardless of the willingness of the debenture holders perform, at any time, (i) the total early redemption; and/or (ii) the partial early redemption of the Debentures, limited to 98% of the balance of the par value per unit of the Debentures.

On the occasion of the optional early redemption or the optional early amortization, the Debenture Holders will make justice to the receipt the par value per unit of the Debentures, plus the remuneration of Debentures, calculated pro rata temporis since the date of payment until the date of effective payment of the optional early redemption or the optional early amortization. There will be no payment of prizes.

The optional early redemption or the optional early amortization may only occur through the sending of communication from the Company to the debenture holders, with minimum prior notice of 5 working days from the date envisaged for the execution of the optional early redemption or the optional early amortization, stating (i) the amount to be paid for the Debentures to be redeemed or

amortized, as applicable; (ii) the date of execution of the optional early redemption or the optional early amortization; and (iii) other information necessary for the operationalization of the redemption or amortization of the Debentures.

In the event of execution of optional early redemption optional early amortization, the Company may make the compensation with eventual credits that it holds against the Debenture Holders, in accordance with Article 368 and following of the Civil Code, outside the scope of the B3.

Dilution:

As was assured to the current shareholders of the Company their right of preference pursuant to Article 57, paragraph 1, and Article 171, paragraph 3, of the Law of Corporations, only dilution occurred by not exercising the right of preference. Otherwise, the shareholders have maintained their respective shares in the social capital. The price of conversion of Debentures into shares issued by the Company in the context of the Issuance was fixed without undue dilution to the current shareholders of the Company, under the terms of Section III of the paragraph1 of article 170 of the Law of Corporations.

15 Related parties

15.1 Parent Company

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

	Parent						
	SABR	Mipel Sul	Lupatech Finance	LESP	OFS	06/30/2019	12/31/2018
Assets							
Current							
Accounts receivable	-	1,197	-	-	-	1,197	1,865
Other accounts receivable	8,867	1,585	-	69,736	156	80,344	93,640
Non-current							
Mutual and loans	22,668	-	-	-	-	22,668	27,858
	31,535	2,782	-	69,736	156	104,209	123,363
Liabilities							
Current							
Accounts payable	-	1,619	-	-	-	1,619	1,928
Other accounts payable	-	-	1,251	1,205	-	2,456	2,480
Mutual and loans	-	-	-	36,252	-	36,252	36,654
Non-current							
Mutual and loans	-	-	139,286	-	-	139,286	140,583
	-	1,619	140,537	37,457	-	179,613	181,645
						06/30/2019	06/30/2018
Income							
Sales	-	-	-	-	-	-	598
Purchases	-	2,474	-	-	-	2,474	885
Financial income	11	-	-	-	-	11	9
Financial expenses	-	-	249	-	-	249	474
	11	2,474	249	-	-	2,734	1,966

	Parent						
	Transaction date	Transaction date	Interest rate	Amount R$	Balance US$	06/30/2019	12/31/2018
Assets mutual							
Foreign currency							
Contract 1	14 - july	14 - july	105% do DI-Cetip	20,992	5,865	22,475	27,674
Contract 2	14 - december	14 - december	12,000% a.a.	288	50	193	184
				21,280	**5,915**	**22,668**	**27,858**
Liabilities mutual							
Foreign currency							
Contract 4	15 - december	15 - december	-	36,951	9,460	36,252	36,654
Contract 5	18 - january	18 - january	0,4%a.a	225,416	36,346	139,286	140,583
				262,367	45,806	175,538	177,237
				262,367	**45,806**	**175,538**	**177,237**

Transactions are performed in accordance with the terms agreed between the parties.

Loans and agreements in foreign currency between Parent Company and Lupatech Finance are presented on June 30, 2019 for the net amount of R$139,286 (remaining balance of R$140,583 on December 31, 2018) in Parent Company's liabilities.

On June 30, 2019, the Company had a loan agreement with Unifit - Industrial Wire Unit of Timbaúba Ltda in the amount of R$6,935, the same balance presented on December 31, 2018. This amount is recorded in other accounts receivable in noncurrent assets.

The Company has a loan agreement with the jointly-owned subsidiary Luxxon Participações Ltda in the amount of R$6,091 on June 30, 2019, the same balance was presented on December 31, 2018. This amount is recorded in other accounts receivable non-current assets.

a. Clearances granted

The operations with related parties have no warranties related to the operation, limiting itself to ordinary commercial transactions (purchase and sale of inputs), which are not backed by warranties, as well as mutual operations with Group companies, which also have no warranties in their composition.

b. Condition of prices and charges

Os contratos de mútuos entre as empresas no Brasil são atualizados monetariamente pela taxa mensal DI-Cetip de captação no mercado.

15.2 Key Personeel of the Administration

a. *Remuneration of the Administration*

Lupatech S / A - In Judicial Reorganization recorded a total of R$1,430 in the six-month period ended June 30, 2019 related to Management compensation (R$1,420 in the six-month period ended June 30, 2018). approved at the Annual and Extraordinary General Meeting, held on May 13, 2019, the annual global fixed and variable compensation of the Company's management for the year 2019 in the amount of up to R$5,840, which is subdivided: up to R$2,406 for the overall fixed compensation of the Board, including benefits and charges; up to R$2,224 for the global variable compensation of the Board of Executive Officers; and up to R$1,210 for the global fixed compensation of the Board of Directors

In 2017 and 2018, the Company had no effect on the Company. However, provision is made for the amounts for which the options are as follows: 2017 and 2018 of R $ 1,600 and R $ 1,920 to meet the contracted objectives.

15.3 Loans with shareholders

On June 30, 2019, the amount of the loan with GPCM, LLC (Oilfield Services Holdco LLC) is R$8,118 (R$8,371 at December 31, 2018) and is recorded in noncurrent liabilities with loans subject to judicial recovery.

16 Income tax and social contribution

For companies based in Brazil, depending on the situation of each company, if taxed by the real profit, the provision for income tax is calculated and accounted for at the rate of 15% on the taxable profit, plus an additional of 10%, and to social contribution the rate of 9%, calculated and entered on the profit before the income tax, adjusted in the form of tax legislation. The companies taxed on the basis of presumed profit calculate income tax at the rate of 15%, plus an additional of 10%, and social contribution at the rate of 9%, over an estimated profit of 8% to 32% for income tax and 12% for social contribution levied on the gross revenue from sales and services of subsidiaries, observed the tax rules in force.

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

a. Income tax and social contribution deferred

As of June 30, 2019, 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	**06/30/2019**	**12/31/2018**	**06/30/2019**	**12/31/2018**
Adjustment to present value of suppliers, fines, loans and debentures	(28,652)	(29,035)	(36,736)	(37,644)
Assigned Cost	-	-	(14,284)	(16,809)
Others	-	-	(27)	(29)
Deferred income tax and social contribution	**(28,652)**	**(29,035)**	**(51,047)**	**(54,482)**

Deferred income tax and social contribution on June 30, 2019 is recorded in the result for the six months ended 2019, in the amounts of R$383 in the parent company and R$908 in the consolidated (R$479 in the parent company and R$953 in the consolidated for the six months ended 2018).

b. Conciliation of the expenditure of income tax and social contribution

	Parent			
	For the three months ended		For the six months ended	
	06/30/2019	06/30/2018 Restated	06/30/2019	06/30/2018
Income (loss) before taxes from continuing operations	(13,102)	(53,477)	(33,094)	(67,194)
Loss before tax	**(13,102)**	**(53,477)**	**(33,094)**	**(67,194)**
Additions and exclusions				
Equity pick-up	4,950	(3,009)	13,035	7,739
Provision of losses on inventory obsolescence	153	(134)	(17)	(301)
(Reversal) Allowance for doubtful accounts	15	66	(64)	63
Non-deductible Interest	-	3,395	-	5,984
Provision for contingency losses	1,105	7	1,975	678
Adjustment to present value	(52)	627	1,611	2,013
Provision for interest on suppliers	(93)	112	(71)	106
Exchange variation provision	(3,009)	40,304	(1,682)	41,508
Others	140	1,139	(1,442)	(4,025)
Calculation basis	**(9,893)**	**(10,970)**	**(19,749)**	**(13,429)**
Combined Tax Rate	34%	34%	34%	34%
Deferred income tax and social contribution	**(13)**	**(873)**	**383**	**479**

	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2019	06/30/2018 Restated	06/30/2019	06/30/2018
Income (loss) before taxes from continuing operations	(11,769)	(51,900)	(30,327)	(65,563)
Loss before tax	**(11,769)**	**(51,900)**	**(30,327)**	**(65,563)**
Additions and exclusions				
Equity pick-up	25	1,842	37	2,218
Provision of losses on inventory obsolescence	2,235	33	149	(387)
Provision for impairment losses	-	-	(21)	(2,968)
(Reversal) Allowance for doubtful accounts	(107)	(3)	(64)	50
Non-deductible Interest	-	2,589	-	2,589
Provision for contingency losses	1,558	(5,295)	2,957	1,056
Adjustment to present value	1,696	(5,510)	3,816	-
Fair value adjustment	-	-	-	(704)
Provision for interest on suppliers	(146)	227	(1,245)	216
Exchange variation provision	(3,063)	591	(1,739)	(613)
Others	(6,139)	30,734	(6,528)	44,317
Calculation basis	**(15,710)**	**(26,692)**	**(32,965)**	**(19,789)**
Combined Tax Rate	34%	34%	34%	34%
Current income tax and social contribution of subsidiaries with	**(1,749)**	**(94)**	**(3,292)**	**(199)**
Deferred income tax and social contribution	**403**	**(2,356)**	**908**	**(953)**

17 Contingent process and judicial deposits

17.1 Provision for tax, labor and civil risks

The Company, through its lawyers, has discussed some issues of tax nature, labor and civil in the judicial sphere. The provision for tax, labor and civil risks was ascertained by the Administration based on available information and supported by the opinion of their lawyers regarding the expectation of outcome, at an amount considered sufficient to cover losses considered likely that may occur on the basis of unfavorable judicial decisions.

		Parent		Consolidated	
		Expectation of loss		Expectation of loss	
		Possible	Probable	Possible	Probable
Tax (i)					
ICMS - Tax on Circulation of Goods and Services	(i.1)	80,111	-	80,759	-
CSLL - Social Contribution on Net Income	(i.2)	-	-	7,737	-
IRPJ - Imposto de Renda Pessoa Juridica	(i.3)	17,144	-	107,672	-
INSS - National Institute of Social Security	(i.4)	-	-	2,142	-
IRRF - Imposto sobre a Renda Retido na Fonte	(i.5)	46,402	-	46,402	-
IPI - Excise Tax		485	-	485	-
COFINS - Tax for Social Security Financing	(i.6)	-	-	496	-
ISS - Services Tax	(i.7)	-	-	6,662	4,372
CIDE - Contribution for Intervention in the Economic Domain	(i.8)	-	-	1,048	-
Other tax provisions	(i.9)	-	1,037	4,391	1,112
		144,142	1,037	257,794	5,484
Labor (ii)		3,242	6,770	18,654	42,103
Civil (iii)		20,693	183	39,036	8,478
Total on June 30, 2019		168,077	7,990	315,484	56,065
Total on December 31, 2018		138,723	6,107	226,352	53,913

These figures cover the entirety of the Group's companies and include values in judicial and administrative discussion as well as situations incurred where, even without the existence of releases or formal questioning by the authorities, may signify risks of future losses.

The provision for funds involved in the lawsuits in the above amounts (R$7,990 in the parent company and R$56,065 in the consolidated on June 30, 2019 and R$6,107 in the parent company and R$53,913 in the consolidated on December 31, 2018) and referring to the following spheres the risk of loss is probable, and this is defined as an outflow of economic benefits is presumed in the case discussed, the judgments made in each lawsuit and the jurisprudential understanding of each case.

The demands with probability of possible loss are excluded from the provision.

Indemnification Assets

The Company is entitled to be financially compensated to the limit of R$50,000 for losses that might incur in San Antonio Brasil S/A arising from any eventual unknown contingencies, in accordance to the guarantee clause in the Agreement of Investment. Contingencies not known at the time of the transaction may result that this warranty being triggered in the future.

On April 4 of 2017, the Company presented before the Arbitration Chamber of the Market the request for establishment of arbitration against the GP Investments and their vehicles seeking compensation for losses incurred by the Company and from (i) contingencies not known of San Antonio Brasil S/A, and (ii) breach of obligations and breach of statements and warranties. The arbitration is also requested to increase the nominal limit of R $ 50,000 for the indemnities.

The judicial demands are divided into three spheres, being:

(i) *Tax Contingencies*
Discussions involving tributes in the state and federal spheres, among these IRPJ, PIS, COFINS, INSS, ICMS and IPI. There are suits in all procedural stages, since the initial instance until the Upper Courts, STJ and STF. The main suits and values are as below:

Main contingent suits classified as possible losses

(i.1) Annulment action aimed at disallowing ICMS / RS credit, in the amount of R$60,682, launched due to Lupatech SA - In Judicial Recovery, not having made the payment on the export of goods under REPETRO, as such operation is immune to the tax, as provided for in art. 155, X, "a", of the Constitution of the Republic and art. 6 of Law No. 9,826 / 99. We are currently awaiting the opening of the deadline to file Special and Extraordinary Appeals.

Tax execution of the Public Treasury of the State of São Paulo, against Lupatech S/A- in Judicial Recovery distributed in October 22, 2015, with the objective of collecting ICMS due over importation, and non-inclusion of additional freight for renewal of the merchant navy (AFRMM) on the basis of calculation of the due tax. The suit is at the stage of distribution, being that on November 26, 2015 the Company filed a petition requesting that any act of constriction is subjected to the universal judgment (Court of Bankruptcy and Judicial Recoveries), and on December 10, 2015, there was an ordinary act practiced, demanding the Treasury for acknowledgment. On January 13, 2016, the pre-execution exception was filed and on April 7, 2016, presented impugnation by the State of São Paulo. Suit subject to possible loss of R$8,599.

Annulling Action of Tax Debt against Lupatech S/A- in Judicial Recovery by the State of São Paulo distributed in October 22, 2015. On May 17, 2016, was granted the tutelage of urgency, suspending the enforceability of the credits. On May 24, 2016, the Company filed a petition stating that it has executed the collection of the fee of the bailiff's mandate, as well as the first installment of the judicial rate. Suit subject to possible loss of R$3,293.

Tax execution of the Treasury of the State of São Paulo on the levying of debit of ICMS and fine, of the infringement proceeding with the imposition of a fine nº 3149008 against Lupatech S/A - In Judicial Recovery, in the amount of R$1,823, distributed on September 26, 2012 subject to possible losses. On April 17, 2015, was certified the provision of the Tort of Instrument interposed against a decision that deferred the pawning online and reported the interposition of Special Resource. On April 22, 2015, was published an order determining the manifestation of the parties in regards to the issued certificate stating that there is a Special Resource being conducted before the 9th Chamber of TJSP. On October 23, 2015, was unadmitted the Special resource and forwarded for processing Resources. On June 13, 2016, it was gathered a petition filed by the Company, informing about the provision of the Tort of Instrument.

Annulment action distributed on February 6, 2017 against the State of Rio Grande do Sul by Lupatech S/A - In Judicial Recovery, which seeks to suspend the liability of the tax credit regardless of the presentation of the guarantee. The tax debt consists of amounts of ICMS, interest arrears and fine for material tax infraction found in the tax action of the State Revenue Auditors. It is verified in the release note that the author company stopped exporting the imported goods under the special customs

regime of Drawback Suspension and, therefore, stopped collecting the ICMS within the legal term. Process subject to possible loss of R$2,357.

Fiscal Execution of the National Treasury against Lupatech S/A - Unit MNA Nova Odessa Distributed in March 3, 2010. On June 22, 2016, records sent to the Treasury, this being the last update. Suit subject to possible loss of R$1,225.

Tax Execution of the Treasury of the State of São Paulo against Lupatech S/A - In Judicial Recovery distributed in March 3, 2010. On March 31 of 2017, there was a gathering for impugnation to the joined EPE and at the same date was practiced and ordinary act requesting the manifestation over the impugnation offered and the EPE presented. Suit subject to possible loss of R$1,050.

(i.2) Ordinary Suit of the Federal Union against Lupatech Perfuração e Completação Ltda. – In Judicial Recovery distributed in December 14, 2011, regarding federal taxes, where on September 14, 2016, was held a petition letter of joined document. Suit subject to possible loss of R$2,826.

Manifest of unconformity of Lupatech Perfuração e Completação Ltda. – In Judicial Recovery distributed in May 25, 2017, with the Federal Revenue of Brazil. Suit subject to possible loss of R$1,959.

Infringement proceeding of the Federal Revenue of Brazil against Sotep - Sociedade Técnica de Perfuração S/A - In Judicial Recovery distributed in July 13, 2011, regarding the charging of social contributions levied on the payroll typified in art. 22 of Law 8.212/91, as well as incidents on the remuneration paid, owed or credited to individual contributors to their services. On July 22, 2014, the proceedings were received, in the 2nd Section of Trials of CARF, for trial of the Voluntary Resource. Suit subject to possible loss of R$1,953.

Manifest of unconformity of the Federal Revenue of Brazil against Lupatech Perfuração e Completação Ltda - In Judicial Recovery distributed in November 18, 2011 Suit subject to possible loss of R$820 and is awaiting trial of the demonstration of non-compliance presented by the Company.

(i.3) Infraction proceeding recorded by the Federal Revenue of Brazil against Lupatech Perfuração e Completação Ltda. – In Judicial Recovery. Suit subject to possible loss of R$24,354.

Lupatech Perfuração e Completação - In Judicial Recovery, against the Sindiccional Office of the National Treasury of Cabo Frio and Others. Process distributed on June 18, 2017 subject to possible loss of R$28,467.

Infraction proceeding of the Federal Revenue of Brazil, drawn up as a result of arbitration of the profit of the company Lupatech Perfuração e Completação Ltda - in Judicial Recovery, in calendar year 2010 due to deficiencies in the transmission of Digital Bookkeeping (ECD). Its last update was on March 6, 2015, when the suit was sent to the Police Station of the Federal Revenue of Brazil in Ribeirão Preto. Suit subject to possible loss of R$13,987.

Infraction proceeding recorded by the Federal Revenue of Brazil against Lupatech Perfuração e Completação Ltda. – In Judicial Recovery. Suit subject to possible loss of R$9,406.

Suit of request for compensation of the Federal Revenue of Brazil against Lupatech Equipamentos de Serviços para Petróleo Ltda - In Judicial Recovery, regarding a negative balance of IRPJ where,

in August 19, 2015, was presented a manifestation of unconformity. Since December 13, 2016, the suit is at the service of reception and screening DRJ-RJO-RJ. Suit subject to possible loss of R$5,862.

Infraction proceeding recorded by the Federal Revenue of Brazil against Prest Perfurações Ltda – in Judicial Recovery. On April 27 of 2017, the suit was forwarded to the National Center for Process Management. Suit subject to possible loss of R$1,643.

Administrative suit of the Federal Revenue of Brazil, regarding the request of tax compensation by Sotep - Sociedade Técnica de Perfuração S/A - In Judicial Recovery. Suit subject to possible loss of R$3,400.

Notice of Infringement drawn up by the Federal Revenue Service of Brazil against Lupatech S / A - In Judicial Recovery for constitution of tax credit. Case subject to possible loss of R$17,074.

(i.4) Infraction proceeding recorded for levying of DEBCAD nº 37,142,030-0, related to the conversion of accessory obligation into main obligation, consistent of the lack of declaration on GFIP of contributions due in the period between January 1999 and June 2007 in the company Sotep - Sociedade Técnica de Perfuração S/A - In Judicial Recovery. Suit subject to possible loss of R$1,656. On April 29, 2011, a suit was received on CARF for trial of the Voluntary Resource interposed by the company, with distribution on August 6, 2015.

(i.5) Fiscal Execution of the National Treasury against Lupatech S/A. - In Judicial Recovery, regarding the levying of debit of IRRF. Suit subject to possible loss of R$46,402.

(i.7) Fiscal Execution of the District of Três Rios – RJ, against Sotep - Sociedade Técnica de Perfuração S/A – In Judicial Recovery. Suit subject to possible loss of R$3,108.

(i.8) Fiscal Administrative Suit of the Secretariat of the Federal Revenue of Brazil against Lupatech Perfuração e Completação Ltda – In Judicial Recovery, for the charge of debits of CIDE incident over remittances abroad. On February 20, 2015, the Police Station of the Federal Revenue of Brazil has judged as partially proceeding the impugnation presented by the company in the proceedings of the administrative suit. On April 09, 2015, a suit was forwarded to CARF and given entry on July 16, 2015. Suit subject to possible loss of R$1,048.

(i.9) Fiscal Administrative Suit of the Secretariat of the Federal Revenue of Brazil against Sotep - Sociedade Técnica de Perfuração S/A – In Judical Recovery. Suit subject to possible loss of R$ 2,491.

Main contingent suits classified as probable loss

(i.7) ISSQN over the provision of services performed in the Brazilian continental platform, which may be object of dispute by the tax authorities. Suit without judicial demand subject to probable loss if it is disputed in R$4,223.

(ii) Labor contingences

The Company and its subsidiaries are parties to lawsuits of a labor nature related to discussions involving, mainly, overtime claims, material and moral damages, unhealthiness and dangerousness, among others. None of the claims relate to individually significant amounts.

(iii) Civel contingences

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

(iii.1) Ordinary lawsuit filed by Weatherford Indústria e Comércio Ltda. and Weus Holding INC in which they claim misappropriation of confidential technical drawings of their property. The lawsuit has a loss risk classification as probable approximate of R$624, as a possible loss of R$2,080 and a remote loss of R$52,000. It is currently in the execution phase of the judgment, pending completion of engineering expert work.

(iii.2) Suit of search and seizure moved by BNDES - National Bank of Economic Development against Lupatech S/A - In Judicial Recovery. Suit in phase of acknowledgment, subject to possible loss of R$14,703.

This is an action that seeks to promote the search and seizure of machinery and equipment offered as collateral on the occasion of financing granted by BNDES to the referred companies of the Lupatech Group. Due to the judicial recovery of the Lupatech Group, on February 1, 2017, the court of the 5th Federal Court of São Paulo, where the search and seizure action is being taken, ordered the suspension of all expropriation acts and submitted to the recovery court. judicial analysis of the essentiality of such machinery and equipment for the operations of the Lupatech Group, the assets belong to the units of Macaé and Nova Odessa. The search and seizure action has remained in such a situation ever since.

In the judicial recovery records, the court declared as essential for the operations of the Lupatech Group the assets of the Nova Odessa unit, and determined the impossibility of their resumption by BNDES during the plan's compliance period. Notwithstanding such determination, the Company incessantly sought a settlement with BNDES to resolve the issue, and all its proposals were denied and without receiving from the Bank parameters that would allow their acceptance or counter-proposals.

In a decision rendered, the judicial reorganization court revisited its position and considered the possibility of resumption of the BNDES search and seizure action, considering that the stay period has already been exceeded. The Lupatech Group is taking the appropriate legal measures to prevent further action. Notwithstanding, the Lupatech Group also questions in the judicial reorganization records (i) the integrity of the guarantee, due to the existence of defects in its constitution, as well as (ii) the effective value of the BNDES credit that must be considered as non-competitive, ie covered by the chattel mortgage (if any) of such machinery and equipment. There is no judicial position regarding these questions.

(iii.3) Action of return for loss and damage, company Aerólero Táxi Aéreo S/A, subject to possible loss of R$4,023.

(iii.4) Extrajudicial Execution of Title made by Banco Pine S/A against Lupatech S/A - In Judicial Recovery. Was submitted Exception of Pre-executivity, and on June 22 of 2017, the Company has petition countering the previous petition of Banco Pine. Suit subject to possible loss of R$2,638.

(iii.5) Suit of levying of Smith International do Brasil Ltda. Suit subject to possible loss of R$2,633.

(iii.6) Execution of title of Tania Regina dos Santos Mathias Epp. Suit subject to possible loss of R$4,209.

(iii.7) Implementation of Extrajudicial Title moved by STMS Manutenção Comércio e Serviços de Máquinas Ltda-ME against Lupatech S/A - In Judicial Recovery. Suit waiting for citation of the Company in Tort. Subject to possible loss of R$2,371.

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

(iii.8) Indemnifying suit of Meio dia Refeições Industriais Ltda - SB, against Lupatech Perfuração e Completação Ltda - In Judicial Recovery. Case subject to the probable loss of R$4,437.

(iii.9) Indemnifying suit of the company Aeróleo Taxi Aéreo S/A. Case subject to the probable loss of R$3,024.

The movement of the balance of provision, on June 30 of 2019, is as follows

	Parent				Consolidated			
	Tax	Labor	Civil	Total	Tax	Labor	Civil	Total
Balance on December 31, 2018	214	5,718	175	6,107	4,645	41,083	8,185	53,913
Additions	823	1,175	8	2,006	839	6,242	258	7,339
Write-offs	-	(123)	-	(123)	-	(5,222)	35	(5,187)
Balance on June 30, 2019	1,037	6,770	183	7,990	5,484	42,103	8,478	56,065

17.2 Contingent Assets

The statement containing information on contingent assets, according to the opinion of its legal advisors, is detailed below with the possibility of gain.

	Probability of probable gain	
	Parent	Consolidated
Tax (i)	4,524	92,355
Balance on June 30, 2019	**4,524**	**92,355**
Balance on December 31, 2018	**4,441**	**93,782**

(i) **Tax Contingencies**

The Company is the author of several lawsuits at the state and federal levels, in which the following matters are discussed:

Main contingent assets tax lawsuits:

- Corporate Income Tax - IRPJ and Social Contribution on Net Income - CSLL
- Arbitration proceedings filed against Cordoaria São Leopoldo and José Teófilo Abu Jamra aiming at the application of contractual penalties for breach of a non-competition agreement arising from the acquisition of the Anchored Cables unit. Probable gain estimated at R$10,000

- The Lupatech Group has lawsuits seeking recognition of the exclusion of ICMS from the PIS and COFINS calculation basis. The matter was decided by the STF in general repercussion, reason why the company expects that these processes deal with favorable decisions. Because they are still subject to dispute, subject to effects of possible modulation in response to opposing tax liens by the Treasury, the accounting treatment of contingent assets is maintained until the elements are present to recognize the corresponding tax credits.

17.3 Judicial deposits

The Company presents the following balances of judicial deposits, on June 30 of 2019, which are tied to the contingent liabilities:

	Judicial deposits	
	Parent	Consolidated
Tax Contingencies	599	3,616
Labor contingencies	1,453	20,582
Civil contingencies	127	1,343
Balance on June 30, 2019	**2,179**	**25,541**
Balance on December 31, 2018	**2,149**	**25,410**

18 Net equity

a. Capital stock

The current paid social capital is composed only by ordinary shares, with 100% of right to Tag Along:

	Parent and Consolidated	
	Quantity of share	Capital stock
	Thousand	R$
Balance on December 31, 2018	**16,223**	**1,873,761**
Mandatory conversion of debentures into shares	755	2,222
Balance on June 30, 2019	**16,978**	**1,875,983**

In accordance with the Plan of Judicial Recovery approved on February 16 of 2017, the Group used as one of their strategies to settle the commitments with Class I Creditors the Conversion of credits into debentures of Lupatech S/A.

As a result of the conversion of debentures into shares of the Company, the capital stock increased from R$1,873,761.00 to R$1,875,983,00 as shown below:

Event	Date of increase	Initial Capital Stock in	Increase in R$	Capital Stock in R$
Completion of the process of converting debentures into shares of the Company	February 28, 2018	1,853,684	15,482	1,869,166
1st Mandatory Conversion of Debentures into Company Shares	February 28, 2018	1,869,166	1,383	1,870,549
2nd Mandatory Conversion of Debentures into Company Shares	June 18, 2018	1,870,549	1,055	1,871,604
3rd Mandatory Conversion of Debentures into Company Shares	August 20, 2018	1,871,604	1,070	1,872,674
4th Mandatory Conversion of Debentures into Company Shares	November 21, 2018	1,872,674	1,087	1,873,761
5th Mandatory Conversion of Debentures into Company Shares	February 27, 2019	1,873,761	1,103	1,874,864
6th Mandatory Conversion of Debentures into Company Shares	May 29, 2019	1,874,864	1,119	1,875,983

b. Dividends

To shareholders is ensured, annually, the mandatory distribution of minimum dividends corresponding to 25% of the adjusted net profit in the terms of corporate legislation.

c. Asset evaluation adjustments

The Company recognizes in this rubric the effect of exchange rates over the investments in subsidiaries abroad and over the gains arising on acquisitions of investments abroad, whose functional currency follows that on which the operation abroad is being subject to. The cumulative effect will be reversed towards the result of the exercise as gain or loss only in case of alienation or low investment. On June 30 of 2019, the balance of adjustment to equity valuation is R$115,508 (R$121.681 on December 31, 2018).

d. Options granted

In the period of six months ending on June 30, 2019, there were no changes of balance of R$13,549 for booking of options granted.

e. Capital reserve

In accordance with the Plan of Judicial Recovery of the Lupatech Group, was hired in definitive character the exchange of part of the liabilities subject to the Plan for subscription bonuses to be issued within 2 years of the judicial approval of the Plan. In this way, with the sole purpose of complying with the accounting standards, the Company has applied the provisions of ICPC 16. Thus, the values of passive exchanged per subscription bonus (R$298,493 in December 31, 2016) and adjustment to the estimated fair value (R$292,152 in December 31, 2016) were recorded as capital reserve to be executed in the net amount of R$6,341.

On October 29, 2018 Lupatech S.A. - In Judicial Recovery announced to its shareholders and the general public that its Board of Directors approved the 1st Issue of Subscription Warrants in a single and onerous series in the amount of R $ 340,453. The issue occurred within the scope of the Judicial Recovery Plan of the Company and other companies of its group, to promote the payment of creditors of Classes II, III and IV of the Judicial Recovery whose credits came to pay off the Subscription Warrants.

A total of 3,404,528 of subscription bonuses were issued, at the ratio of 1 bonus for each R$100.00 (one hundred reais) in debt. The bonds were subscribed and paid up on December 11, 2018 ("Subscription Term").

The Subscription Warrants may be exercised, during their term, by the fixed price of R$0.88 per Share.

Following the Judicial Recovery Plan, of the total amount issued, R$326,746 was allocated to creditors, and part remains in the Company's possession until it is operationally possible to surrender to creditors, in which a fair value of R$0.88 per bond, and a capital reserve of R$2,875 was recorded. The remaining balance of R$13,707 refers to the reserve subscribed for gross contingencies subject to recovery.

19 Financial Instruments

19.1 Financial risk management

Financial risk factors

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

Risk management is performed by the central treasury, according to the established principles, except for the jointly controlled, which are shared with other controlling shareholders. The treasury of the Group identifies and evaluates the Company's position against eventual financial risks in cooperation with the operational units of the Group. The Administrative Council establishes principles for the management of global risk, as well as for specific areas, such as foreign exchange risk, interest rate risk, and usage of derivative and non-derivative financial instruments.

(i) Exchange rate risk

The Company operates internationally and is exposed to foreign exchange risk arising from exposures of some currencies, especially regarding the American dollar and the Colombian peso.

The exchange rate risk stems from commercial and financial operations, assets and liabilities recognized and liquid investments in operations abroad.

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

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

On June 30 of 2019, and December 31 of 2018, the Company and its subsidiaries had assets and liabilities denominated in U.S. dollars according to the tables below:

	Amounts in US dollar thousands			
	Parent		Consolidated	
Items	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Cash and cash equivalents	-	-	5	-
Accounts receivable	116	151	120	151
Other assets	-	-	9,849	20,863
Related parties - Assets	-	7,190	-	-
Loans and financing	(764)	(695)	(25,887)	(25,722)
Related parties - Liabilities	(45,806)	(45,741)	-	-
Other obligations	(17)	(20)	(193)	(850)
Net exposure in Dollar	(46,471)	(39,115)	(16,106)	(5,558)

On June 30, 2019, the quotation of the US dollar against the Real was US$1.00 = R$3.8322 (US$1.00 = R$3.8748 as of December 31, 2018). If the real currency depreciates 10% against the US dollar at the year-end official, all other variables being retained, the impact on the result is a loss of approximately R$11,754 in the parent company and R$4.073 in the consolidated.

Sensitivity analysis of variations in foreign currency, the variations in the rate of interest and the risks involving operations with derivatives

As mentioned above, the Company is exposed to risks of fluctuation of the interest rate and to foreign currencies (different from its functional currency, the "Real"), mainly to the US dollar on their loans and financing. The analysis takes into consideration 3 fluctuation scenarios on these variables. In the definition of the scenarios used, the Administration believes that the following assumptions can be made, with their respective odds, however it should be noted that these assumptions are exercises of judgment made by the Administration and that can generate significant variations in relation to actual results calculated on the basis of market conditions, which cannot be estimated with certainty on this date for the complete profile of the estimates.

As determined by the CVM by means of the Instruction 475, the Administration of the Company presents the sensitivity analysis, considering:

Scenario of interest rate and parity of the North American dollar (US$) in relation to the real (R$) likely, estimated by the Administration:

Interest rate for the year of 2019: 6.5%
US$: 3.80

Scenario of interest rate and parity of the North American dollar (US$) in relation to the real (R$) possible, with deterioration of 25% (twenty five percent) on the risk variable considered as likely:

Interest rate for the year of 2019: Increase to 8.1%
US$: 4,75

Scenario of interest rate and parity of the North American dollar (US$) in relation to the real (R$) remote, with deterioration of 50% (fifty per cent), on the risk variable considered as likely:

Interest rate for the year of 2019: Increase to 9.8%
US$: 5.70

The impact presented 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	(30)	749	1,529	(315)	2,649	5,613
Loans and financing	Interest rate hike	70	88	106	113	141	169
Mutual contracts	US$ hike	(1,834)	46,016	93,865	-	-	-
Total (gain) loss		(1,794)	46,853	95,500	(202)	2,790	5,782

(ii) Risk of cash flow or fair value associated with interest rate

The interest rate risk of the Group stems from long-term loans. The loans obtained at variable rates expose the Group to the interest rate risk of cash flow. The Group's loans at variable rates were mainly kept in "real". To minimize possible impacts arising from these fluctuations, the Company adopts the practices of diversification, alternating the contracting of their debts, envisioning their adaptation to the market.

The Group analyzes its exposure to interest rate in a dynamic way. Are simulated different scenarios considering refinancing, renovation of existing positions, financing and hedge alternatives. On the basis of these scenarios, the Group defines a reasonable change in the interest rate and calculates the impact over the outcome. For each simulation is used the same change in interest rate for all currencies. The scenarios are designed only for the liabilities that represent the main positions with interest.

On the basis of simulations carried out, considering the profile of the indebtedness of the Group on June 30 of 2019, the impact on the outcome, after the calculation of the income tax and social contribution, with a variation around 0.23 percentage points in interest rate variables, considering that all other variables were kept constant, would correspond to an increase of approximately R$39 in the year of the expenditure with interest. The simulation is performed on a quarterly basis to verify if the maximum potential of injury is within the limit determined by the Administration.

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

(iii) Credit risk

The credit risk is managed corporately. The credit risk arises from cash and cash equivalents, derivative financial instruments, deposits in banks and financial institutions, as well as exposures of credit to customers. For banks and financial institutions are accepted titles of entities classified by the Company's Administration as first line. The individual risk limits are determined based on internal or external ratings in accordance with limits set by the Administration. The use of credit limits is monitored regularly and recorded when applicable provision for credits of dubious settlement.

The selectivity of its clients, as well as the monitoring of sales financing terms by business segment and individual position limits, are procedures adopted in order to minimize eventual problems of default in their accounts receivable. Our revenues represent amounts directly and indirectly involving Petrobrás customers, which responded in the six-month period ended June 30, 2019 by approximately 2.9% (3.8% in the six-month period ended June 30, 2018) of total revenues of the Company and its subsidiaries.

(iv) *Liquidity risk*

The prudent management of liquidity risk implies maintaining cash, bonds and sufficient securities, availabilities of capture by means of revolving credit facilities and the ability to liquidate market positions. Because of the dynamic nature of the Group's businesses, the treasury maintains flexibility in capturing through the maintenance of revolving credit facilities.

The board monitors the level of liquidity of the Group, considering the expected cash flow, which comprehends unused credit lines, cash and cash equivalents. This is typically done at corporate level on the Group, in accordance with the practice and the limits established by the Group. These limits vary by location to take into account the liquidity of the market in which the Company operates. Furthermore, the principles of liquidity management of the Group involve the projection of cash flows in the major currencies and the consideration of the level of liquid assets necessary to achieve these projections, the monitoring of indexes of liquidity of the financial statement in relation to internal and external regulatory requirements and the maintenance of plans for debt financing.

19.2 Fair Value Estimation

The fair value of financial assets and liabilities, which have standard terms and conditions and are traded in active markets, is determined on the basis of observed prices in those markets.

The fair value of other financial assets and liabilities (with the exception of derivative instruments) is determined in accordance with pricing models that use as a basis the estimated discounted cash flows, from the prices of similar instruments practiced on transactions performed in an observable current market.

The fair value of derivative instruments is calculated using quoted prices. When these prices are not available, is used the analysis of discounted cash flow through the yield curve, applicable in accordance with the duration of the instruments for the derivatives without options. For the derivatives containing options, pricing models of options are used.

The main financial assets and liabilities of the Company are described below, as well as the criteria for its appreciation/evaluation:

a. ***Cash, cash equivalentes and titles and securities – restricted***

The balances in cash and cash equivalents and in titles and securities have their values similar to accounting balances, considering the swing and liquidity that they present. The table below presents this comparison, on June 30,2019:

	Parent		Consolidated	
Items	**Book value**	**Fair Value**	**Book value**	**Fair Value**
Cash and cash equivalents	151	151	1,921	1,921
Marketable securities	1,755	1,755	1,755	1,755

b. ***Loans and financing***

The estimated value of the market was calculated based on the present value of future cash disbursement, using interest rates that are available to the Company and the evaluation indicates that the market values, in relation to the accounting balances, are as below, on June 30,2019:

Items	Parent		Consolidated	
	Book value	Fair Value	Book value	Fair Value
Loans and financing not judicial recovery	19,743	18,734	38,574	38,111
Loans and financing judicial recovery	67,322	67,322	123,773	123,773
Total	87,065	86,056	162,347	161,884

19.3 Financial Instruments by Category

Synthesis of the financial instruments by category:

	Parent			
	06/30/2019		12/31/2018	
	Amortized cost	Fair Value by Result	Amortized cost	Fair Value by Result
Financial Assets				
Securities-restricted	1,755	1,755	1,808	1,808
Accounts receivable	4,992	4,992	6,704	6,704
Cash and cash equivalents	151	151	135	135
Related parties	104,209	104,209	123,363	123,363
Total	111,107	111,107	132,010	132,010

	Parent					
	06/30/2019			12/31/2018		
	Judicial Recovery	Not subject to Judicial Recovery		Judicial Recovery	Not subject to Judicial Recovery	
	Creditors list	Financial liabilities at amortized cost	Fair Value by Result	Creditors list	Financial liabilities at amortized cost	Fair Value by Result
Financial Liabilities						
Loans and financing	67,322	19,743	87,065	65,000	18,600	83,600
Suppliers	59,844	6,543	66,387	60,557	6,132	66,689
Related parties	-	179,613	179,613	-	181,645	181,645
Total	127,166	205,899	333,065	125,557	206,377	331,934

	Consolidated			
	06/30/2019		12/31/2018	
	Amortized cost	Fair Value by Result	Amortized cost	Fair Value by Result
Financial Assets				
Securities-restricted	1,755	1,755	1,808	1,808
Accounts receivable	33,704	33,704	31,357	31,357
Cash and cash equivalents	1,921	1,921	1,245	1,245
Total	37,380	37,380	34,410	34,410

	Consolidated					
	06/30/2019			12/31/2018		
	Judicial Recovery	Not subject to Judicial Recovery		Judicial Recovery	Not subject to Judicial Recovery	
	Creditors list	Financial liabilities at amortized cost	Fair Value by Result	Creditors list	Financial liabilities at amortized cost	Fair Value by Result
Financial Liabilities						
Loans and financing	123,773	38,574	162,347	121,570	38,318	159,888
Suppliers	59,844	23,156	83,000	60,557	25,538	86,095
Total	183,617	61,730	245,347	182,127	63,856	245,983

20 Insurance Coverage

Is the principle of the Company, to maintain insurance coverage to for goods of the immovable asset and stocks which are subject to risks, in the "Comprehensive Business" modality. Also, possesses coverage of insurance against general civil liability, as shown below:

Insurance purpose	Amount secured 06/30/2019	
- Comprehensive business insurance	R$	68,834
- General civil responsability insurance	R$	8,136
- International freight insurance *	US$	400

* Amounts in US dollar thousands.

The scope of our auditors' work does not include the issuance of an opinion on the sufficiency of insurance coverage, which was determined by the Company's Management and considers it sufficient to cover eventual claims

21 Purchase option plan of shares– "*Stock option*"

On May 19 of 2017, at a Meeting of the Administrative Council, was approved the granting of options to Mr. Rafael Gorenstein and Mr. Paulo Prado da Silva, in accordance with the Plan of Concession of Option of Share Purchasing approved at an Extraordinary General Meeting held on April 12 of 2017, being the contracts of Option of Purchase of Ordinary Shares celebrated in individual form, with each of the beneficiaries and the Company.

The general conditions proposed in the Plan of Option and the main objectives are the following:

- Encourage the resumption of historic levels of operational activity of the Company and the attendance of the established business goals, through the creation of incentives for alignment of the interests and objectives of key professionals of the Company with its shareholders, in particular the fulfillment of the obligations contained in its Plan of Judicial Recovery;

- Enable the Company to obtain and keep the services of its key professionals, offering them as an added benefit, the opportunity to become shareholders of the Company, in the terms, conditions and forms envisioned in this Plan; and

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

Was granted the Option of Purchase of Ordinary Shares, according to the Extraordinary General Meeting, in the following main terms and conditions:

Pursuant to the Board of Directors' Meeting held on June 12, 2019, the option agreements foresaw that in the event of a change in the capital stock, the Board of Directors would change the number of options granted in said agreement to maintain the proportion of capital provided for in grant.

To Mr. Rafael Gorenstein, current Director President and of Relations with Investors of the Company, option to subscribe up to 5% of the social capital of the Company that, as of June 30,2019, amounts to 848,922 ordinary shares; and

Due to the services rendered by Mr. Paulo Prado da Silva to the Company, the current Officer without specific designation, the Board of Directors is interested in increasing the number of options granted by said Officer, the approved increase was 0.5%. Accordingly, the option to subscribe is up to 1.5% of the Company's capital stock which, as of June 30, 2019, is equivalent to 254,677 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 10 days from the date on which the Board of Directors approves the capital increase, with a deadline for exercise of the option of 7 years, starting from April 27, 2017.

The obtention of the right to exercise the Option will be provided in successive and annual installments of 20%, being the first installment exercisable from the date of signing of the contract, and the other 80% may be exercised at the end of the subsequent years, counting from the first year additionally, therefore totaling 4 years for the acquisition of the right over the total amount of Options. The deadlines shall be counted from April 27, 2017.

Due to the issuance of Debentures pursuant to note 14, held on December 18, 2017 by the Company, part of which may still be converted, according to the Board of Directors' Meeting held on June 12, 2019, the Company is granted Company Officers Rafael Gorenstein and Paulo Prado da Silva future options for the acquisition of shares, subject to the suspensive condition of the effective conversion of the Debentures into Company Shares by their respective owners, pursuant to the Debenture Deed. Considering the proportion of the capital stock of each Officer, options are granted for the acquisition of 141,258 shares from Mr. Rafael Gorenstein and 42,407 shares from Mr. Paulo Prado Silva.

Although the Option Agreements provide for the adjustment of the exercise price of the options due to certain corporate events, it will remain at R$2,35 per share, by mere coincidence of values.

The percentages of capital granted will be protected against dilution by corporate events, subject to the other provisions of the grant agreements, until May 19, 2020.

On May 13, 2019, the Extraordinary General Meeting approved the New Stock Option Plan to enable the attraction and retention of key professionals, enabling and encouraging the subscription of shares with credits held. against the Company arising from fixed or variable compensation, with the consequent preservation of cash. The 2019 Plan complements the 2017 Plan by consisting of shorter term options.

The Board of Directors shall have autonomy to administer the 2019 Plan. The terms and conditions of each option granted shall be set forth in an Option Agreement signed by the Beneficiary, defining, among others: the number of common shares, the conditions for the acquisition of the right to exercise, the deadline for the exercise, the subscription or purchase price of the shares and the conditions for their payment and any restrictions on trading of the common shares subject to the Option suspended or acquired upon exercise of the option.

The Company's shareholders shall not have preemptive rights in the granting of the Option or in the subscription or acquisition, as the case may be, of shares subject to the Option, pursuant to Article 171, Paragraph 3 of Law No. 6,404, of December 15, 1976, pursuant to amended.

The shares that are the object of the Option, subscribed or acquired under this Plan 2019, will have the same rights and advantages as the common shares held by the Company's shareholders. The Option may be exercised over all or part of the shares during the exercise period of the Option to be determined by the Board of Directors in accordance with the guidelines of this Plan. The Board of Directors may also determine other conditions, beyond the term, for the exercise of the Options.

The Options granted under Plan 2019 will have a maximum exercise period of 24 (twenty-four) months from the date of the Option Agreement, and the Board of Directors is authorized to set shorter terms, at its discretion.

The maximum number of shares that may be issued under this Plan 2019 shall not exceed 3,000,000 shares, all common, registered, book-entry and without par value.

22 Demonstration of net revenues

	Parent			
	For the three months ended		For the six months ended	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Gross sales and/or services				
In Brazil	7,877	6,309	17,540	12,329
Export	134	172	269	203
	8,011	6,481	17,809	12,532
Deductions for gross sales				
Taxes on sales	(1,484)	(1,133)	(3,199)	(2,198)
Net sales and/or services	6,527	5,348	14,610	10,334

	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Gross sales and/or services				
In Brazil	38,214	32,190	73,631	55,964
Export	247	172	625	342
	38,461	32,362	74,256	56,306
Deductions for gross sales				
Taxes on sales	(1,865)	(1,972)	(3,900)	(3,631)
Net sales and/or services	36,596	30,390	70,356	52,675

23 Loss per share

a. Basic

O prejuízo básico por ação é calculado mediante a divisão do lucro atribuível aos acionistas controladores da Companhia, pela quantidade média ponderada de ações ordinárias em circulação durante o período.

Items	Parent			
	For the three months ended		For the six months ended	
	06/30/2019	06/30/2018 Restated	06/30/2019	06/30/2018
Net loss for the year	(13,115)	(54,350)	(32,711)	(66,715)
Loss attributable to the Company's controlling shareholders	**(13,115)**	**(54,350)**	**(32,711)**	**(66,715)**
Weighted average number of issued common shares (thousands)	**5,418**	**15,182**	**5,418**	**15,182**
Basic loss per share - R$	**(2.42)**	**(3.58)**	**(6.04)**	**(4.39)**

Items	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2019	06/30/2018 Restated	06/30/2019	06/30/2018
Net loss for the year	(13,115)	(54,350)	(32,711)	(66,715)
(-) Non-controlling interest	(1,665)	-	(3,132)	(466)
Loss attributable to the Company's controlling shareholders	**(11,450)**	**(54,350)**	**(29,579)**	**(66,249)**
Weighted average number of issued common shares (thousands)	**5,418**	**15,182**	**5,418**	**15,182**
Basic loss per share - R$	**(2.42)**	**(3.58)**	**(6.04)**	**(4.39)**

b. Diluted

The diluted loss per share is calculated by adjusting the weighted average number of outstanding common shares to presume the conversion into common shares of the instruments that may cause dilution.

Equity instruments have a dilutive effect when they result in the issuance of shares for a value lower than the prevailing share price.

On June 30, 2019, were verified the dilutive effects related to the stock options of the administrators, as explained in Note 21, to the subscription bonus of the creditors subject to the Judicial Recovery, as described in note 1.2, not yet issued, and to the debentures convertible debentures of the Company's third issuance, as described in note 14. No dilutive effect was observed due to these instruments, either due to the respective exercise prices or due to the impossibility of exercising them.

24 Financial Result

Items	Parent			
	For the three months ended		For the six months ended	
	06/30/2019	06/30/2018 Restated	06/30/2019	06/30/2018
Financial Income				
Income from financial investments	19	19	23	37
Related-party interest income (mutual contra	6	5	11	9
Present value adjustment	-	(5,682)	-	-
Monetary variance	-	28	-	271
Interest on receivables	1	1	4	2
Other financial income	-	46	1,257	46
Total financial Income	26	(5,583)	1,295	365
Financial Expenses				
Interest on loans and financing	(2,171)	(1,799)	(4,782)	(3,551)
Interest on Debentures	(81)	-	(147)	-
Present value adjustment	52	(2,013)	(1,611)	(2,013)
Interest of mutual contract	(142)	(252)	(249)	(474)
Discount granted	(12)	(3)	(12)	(26)
Provision of interest on suppliers	93	(112)	71	(106)
Fines and interest on taxes	(81)	(203)	(137)	(534)
IOF, banking expenses and others	(1,457)	(847)	(3,105)	(1,891)
Total financial expenses	(3,799)	(5,229)	(9,972)	(8,595)
Gain on exchange variance	6,196	7,747	19,259	21,247
Loss on exchange variance	(3,163)	(48,077)	(17,561)	(62,761)
Exchange variance, net	3,033	(40,330)	1,698	(41,514)

Items	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2019	06/30/2018 Restated	06/30/2019	06/30/2018
Financial Income				
Income from financial investments	25	23	46	47
Present value adjustment	-	(5,897)	-	-
Monetary variance	357	286	652	704
Interest on receivables	2	45	5	319
Other financial income	170	(203)	1,466	(162)
Total financial Income	554	(5,746)	2,169	908
Financial Expenses				
Interest on loans and financing	(3,506)	(2,900)	(7,212)	(5,672)
Interest on bonds	(97)	(88)	(190)	(168)
Interest on Debentures	(81)	-	(147)	-
Present value adjustment	(1,696)	4,081	(3,816)	4,079
Discount granted	(24)	(4)	(24)	(27)
Provision of interest on suppliers	146	(227)	1,245	(216)
Fines and interest on taxes	(731)	(598)	(936)	(1,738)
IOF, banking expenses and others	(1,813)	(1,166)	(3,846)	(2,586)
Total financial expenses	(7,802)	(902)	(14,926)	(6,328)
Gain on exchange variance	5,617	30,379	15,779	46,012
Loss on exchange variance	(3,398)	(71,762)	(15,722)	(88,601)
Exchange variance, net	2,219	(41,383)	57	(42,589)

25 Other revenues and operational expenses

Items	Parent			
	For the three months ended		For the six months ended	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Other operating income				
Reversal of provision for loss of lawsuit	16	350	34	1,687
Gain on disposal of fixed assets	-	-	-	85
Reversal of provision for losses on inventory obsolescence	(75)	178	158	379
Recovery of taxes and contributions	-	1	11	1
Other	-	10	163	10
Total other operating income	(59)	539	366	2,162
Other operating expenses				
Provision for loss of lawsuit	(1,105)	(7)	(1,975)	(678)
Loss on disposal of fixed assets	-	-	(124)	-
Provision for losses on inventory obsolescence	(78)	(44)	(141)	(78)
Cost of idle production	(2,664)	(1,975)	(4,766)	(4,107)
Taxes and contributions	(1)	-	(21)	(2)
Other	(8)	(182)	(14)	(197)
Total other operating expenses	(3,856)	(2,208)	(7,041)	(5,062)
Other net operating expenses	**(3,915)**	**(1,669)**	**(6,675)**	**(2,900)**

Items	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Other operating income				
Reversal of provision for loss of lawsuit	184	1,064	596	2,569
Gain on disposal of fixed assets	1,281	489	8,625	2,199
Reversal of provision for losses on inventory obsolescence	(2,059)	118	158	587
Recovery of taxes and contributions	-	-	11	1
Reversal of provision for impairment of assets	(100)	494	3,607	3,462
Other	3,468	352	3,631	396
Total other operating income	2,774	2,517	16,628	9,214
Other operating expenses				
Provision for loss of lawsuit	(1,557)	5,295	(2,957)	(1,056)
Loss on disposal of fixed assets	(944)	(814)	(15,630)	(4,227)
Provision for losses on inventory obsolescence	(176)	(151)	(307)	(200)
Cost of idle production	(3,571)	(2,954)	(6,711)	(6,124)
Taxes and contributions	(15)	(3)	(35)	(3)
Other	(1,671)	(228)	(3,160)	(265)
Total other operating expenses	(7,934)	1,145	(28,800)	(11,875)
Other net operating expenses	**(5,160)**	**3,662**	**(12,172)**	**(2,661)**

26 Expenditure by nature

Items	Parent			
	For the three months ended		For the six months ended	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Depreciation and amortization	(1,633)	(1,652)	(3,309)	(3,280)
Salaries, social charges and benefits	(2,426)	(1,288)	(6,387)	(7,456)
Raw materials and materials for use and consur	(1,318)	(1,023)	(3,506)	(1,692)
Services provided by third parties	(1,851)	(1,276)	(3,369)	(2,517)
Provision for contingency losses	(1,105)	(7)	(1,975)	(678)
Losses from inventory obsolescence	(77)	(44)	(140)	(78)
Cost of idle production	(2,664)	(1,975)	(4,766)	(4,107)
Other (expenses) revenues	(2,806)	(3,966)	(4,604)	(2,399)
	(13,880)	(11,231)	(28,056)	(22,207)
Classified as:				
Cost of sales	(5,862)	(5,123)	(12,487)	(9,908)
Selling expenses	(1,285)	(1,183)	(2,655)	(2,203)
General and administrative expenses	(2,167)	(2,002)	(4,443)	(3,614)
Management fees	(710)	(715)	(1,430)	(1,420)
Other operating expenses	(3,856)	(2,208)	(7,041)	(5,062)
	(13,880)	(11,231)	(28,056)	(22,207)

Items	Consolidated			
	For the three months ended		For the six months ended	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Depreciation and amortization	(3,230)	(3,434)	(6,499)	(6,703)
Salaries, social charges and benefits	(16,038)	(16,327)	(37,575)	(34,732)
Raw materials and materials for use and consur	(5,316)	(5,534)	(11,426)	(10,383)
Services provided by third parties	(2,740)	(1,875)	(4,797)	(3,639)
Provision for contingency losses	(1,558)	5,295	(2,957)	(1,056)
Residual value in asset retirement	(944)	(814)	(15,630)	(4,227)
Losses from inventory obsolescence	(177)	(150)	(308)	(200)
Cost of idle production	(4,321)	(2,954)	(6,711)	(6,124)
Other (expenses) revenues	(13,229)	(9,141)	(18,671)	(10,161)
	(47,553)	(34,934)	(104,574)	(77,225)
Classified as:				
Cost of sales	(29,321)	(26,849)	(57,600)	(47,718)
Selling expenses	(1,572)	(1,641)	(3,221)	(3,041)
General and administrative expenses	(6,548)	(6,874)	(13,523)	(13,171)
Management fees	(710)	(715)	(1,430)	(1,420)
Other operating expenses	(9,402)	1,145	(28,800)	(11,875)
	(47,553)	(34,934)	(104,574)	(77,225)

27 Information by business segment and geographic region

The Administration of the Company has defined the operating segments of the Group, based on the reports used for taking strategic decisions, reviewed by the Administrative Council and considers that the operation markets are segmented on the lines of Products and Services, same composition presented in the explanatory note nº 1.

Geographically, the Administration considers the performance of markets in Brazil and South America in general. The distribution by region is considered to be the location of the Group's companies and not the location of the customer.

The revenue generated by the operating segments reported is derived primarily from:

a. **Products:** anchoring ropes for platforms in deep waters, automated and manual valves for use in application, exploration, production, transportation and refining of petroleum and hydrocarbon chain, equipment for completion of petroleum wells, coating and inspection of drilling and production pipes.

b. **Services:** services of probes of drilling and workover, intervention in wells and drilling.

The sales between the segments were performed as sales between independent parties. The revenue from external parties informed the Executive Directorate was measured in a way consistent with that presented in the demonstration of the result.

The figures relating to the total of the asset are consistent with the balances recorded in the financial demonstrations. These assets are allocated on the basis of the operations of the segment and the physical location of the asset.

The figures relating to the total liabilities are consistent with the balances registered in the financial demonstrations. These liabilities are allocated on the basis of the operations of the segment.

The information by segment are demonstrated below:

	For the three months ended					
	Products		Services		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Net sales	**6,765**	**8,212**	**29,831**	**22,178**	**36,596**	**30,390**
Cost of sales	(6,471)	(7,697)	(22,850)	(19,152)	**(29,321)**	**(26,849)**
Gross loss	**294**	**515**	**6,981**	**3,026**	**7,275**	**3,541**
Selling expenses	(1,302)	(1,454)	(270)	(187)	**(1,572)**	**(1,641)**
General and administrative expenses	(2,188)	(2,593)	(4,360)	(4,281)	**(6,548)**	**(6,874)**
Management fees	(130)	(160)	(580)	(555)	**(710)**	**(715)**
Equity pick-up	(25)	(1,842)	-	-	**(25)**	**(1,842)**
Other operating income (expenses), net	(3,819)	(2,064)	(1,341)	5,726	**(5,160)**	**3,662**
Operating Profit (Loss) before financial result	**(7,170)**	**(7,598)**	**430**	**3,729**	**(6,740)**	**(3,869)**

	Products		Services		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Identifiable assets (1)	**178,741**	**183,887**	**218,555**	**204,340**	**397,296**	**388,227**
Identifiable liabilities (2)	**26,516**	**32,211**	**229,245**	**220,279**	**255,761**	**252,490**

	Products		Services		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Depreciation and amortization	**(1,583)**	**(1,922)**	**(1,647)**	**(1,512)**	**(3,230)**	**(3,434)**
Acquisition of Property, plants and equipment	**46**	**-**	**1,507**	**854**	**1,552**	**854**

(1) Identifiable Assets: Customers, Inventories, Property, Plant, Goodwill, Recoverable Taxes and Restricted Application
(2) Identifiable Liabilities: Suppliers and Loans

	For the six months ended					
	Products		Services		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Net sales	**15,117**	**14,939**	**55,239**	**37,736**	**70,356**	**52,675**
Cost of sales	(13,763)	(14,344)	(43,837)	(33,374)	**(57,600)**	**(47,718)**
Gross loss	**1,354**	**595**	**11,402**	**4,362**	**12,756**	**4,957**
Selling expenses	(2,701)	(2,702)	(520)	(339)	**(3,221)**	**(3,041)**
General and administrative expenses	(4,411)	(4,343)	(9,112)	(8,828)	**(13,523)**	**(13,171)**
Management fees	(308)	(318)	(1,122)	(1,102)	**(1,430)**	**(1,420)**
Equity pick-up	(37)	(2,218)	-	-	**(37)**	**(2,218)**
Other operating income (expenses), net	(6,469)	(2,669)	(5,703)	8	**(12,172)**	**(2,661)**
Operating Profit (Loss) before financial result	**(12,572)**	**(11,655)**	**(5,055)**	**(5,899)**	**(17,627)**	**(17,554)**

	Products		Services		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Identifiable assets (1)	**178,741**	**183,887**	**218,555**	**204,340**	**397,296**	**388,227**
Identifiable liabilities (2)	**37,347**	**32,211**	**218,414**	**220,279**	**255,761**	**252,490**

	Products		Services		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Depreciation and amortization	**(3,238)**	**(3,469)**	**(3,261)**	**(3,234)**	**(6,499)**	**(6,703)**
Acquisition of Property, plants and equipment	**50**	**-**	**1,813**	**1,616**	**1,863**	**1,616**

(1) Identifiable Assets: Customers, Inventories, Property, Plant, Goodwill, Recoverable Taxes and Restricted Application
(2) Identifiable Liabilities: Suppliers and Loans

The information by geographic region is shown below:

	For the three months ended					
	Brazil		South America		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Net sales	6,791	8,373	29,805	22,017	36,596	30,390
Cost of sales	(7,657)	(7,839)	(21,664)	(19,010)	(29,321)	(26,849)
Gross loss	(866)	534	8,141	3,007	7,275	3,541
Selling expenses	(1,199)	(1,476)	(373)	(165)	(1,572)	(1,641)
Administrative costs	(5,291)	(5,844)	(1,257)	(1,030)	(6,548)	(6,874)
Management remuneration	(710)	(715)	-	-	(710)	(715)
Equity	(25)	(1,842)	-	-	(25)	(1,842)
Other income (expenses), net	(5,160)	4,097	-	(435)	(5,160)	3,662
Operating Profit (Loss) before financial result	(13,251)	(5,246)	6,511	1,377	(6,740)	(3,869)

	Brazil		South America		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Identifiable assets (1)	341,060	298,061	56,236	90,166	397,296	388,227
Identifiable liabilities (2)	234,965	232,899	20,796	19,591	255,761	252,490

	Brazil		South America		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Depreciation and amortization	(1,828)	(1,912)	(1,402)	(1,522)	(3,230)	(3,434)
Acquisition of Property, plants and equipment	46	-	1,506	854	1,552	854

1 - Identifiable assets: Customers, inventories, fixed assets, goodwill, taxes recoverable and restricted application.
2 - Identifiable Liabilities: Suppliers and Loans

	For the six months ended					
	Brazil		South America		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Net sales	15,215	15,170	55,141	37,505	70,356	52,675
Cost of sales	(17,122)	(14,980)	(40,478)	(32,738)	(57,600)	(47,718)
Gross loss	(1,907)	190	14,663	4,767	12,756	4,957
Selling expenses	(2,592)	(2,728)	(629)	(313)	(3,221)	(3,041)
Administrative costs	(11,181)	(11,206)	(2,342)	(1,965)	(13,523)	(13,171)
Management remuneration	(1,430)	(1,420)	-	-	(1,430)	(1,420)
Equity	(37)	(2,218)	-	-	(37)	(2,218)
Other income (expenses), net	(11,872)	(3,095)	(300)	434	(12,172)	(2,661)
Operating Profit (Loss) before financial result	(29,019)	(20,477)	11,392	2,923	(17,627)	(17,554)

	Brazil		South America		Consolidated	
	06/30/2019	12/31/2018	06/30/2019	12/31/2018	06/30/2019	12/31/2018
Identifiable assets (1)	341,059	298,061	56,237	90,166	397,296	388,227
Identifiable liabilities (2)	234,964	232,899	20,797	19,591	255,761	252,490

	Brazil		South America		Consolidated	
	06/30/2019	06/30/2018	06/30/2019	06/30/2018	06/30/2019	06/30/2018
Depreciation and amortization	(3,728)	(3,796)	(2,771)	(2,907)	(6,499)	(6,703)
Acquisition of Property, plants and equipment	50	1	1,813	1,615	1,863	1,616

1 - Identifiable assets: Customers, inventories, fixed assets, goodwill, taxes recoverable and restricted application.
2 - Identifiable Liabilities: Suppliers and Loans

28 Assets classified as held for sale

As of June 30, 2019, it is recorded as assets held for sale, property, plant and equipment of the services segment, in which they are not in operation and are being negotiated for sale. These assets amount to a total net of depreciation recorded in the parent company's noncurrent assets of R$3,417 and R$67,071 in the consolidated (R$63,254 in current assets and R$3,817 in noncurrent assets). At December 31, 2018, the balance presented in the non-current assets of the parent company is R$3,449 and R$93,256 in the consolidated (R$89,401 in current assets and R$3,855 in non-current assets).

In the context of the actions for restructuring the Company's operations, the Administration has conducted actions and negotiations which may result in the alienation of certain assets. The alienation of such assets will only be considered highly likely to the extent that there is a prior understanding between the parties and, specially, there is a judicial authorization for the implementation of the business, since such authorization is an essential requirement in the process of judicial recovery.

29 Subsequent events

Sale of Subsidiary Interest in Netherlands

Pursuant to the sale of its Colombian subsidiary - Lupatech OFS SAS ("Lupatech Colombia"), the Company announced to the market and its shareholders on July 11, 2019 that it has entered into a 100% leveraged buy and sell agreement. in the Dutch subsidiary Lupatech OFS Cooperatief UA vehicle that controls Lupatech Colombia to EXEN Technology Corp., new name of Petroalianza International Ltd, for US $ 6,536,093.72. As this is a leveraged sale, the operation is preceded by the approval by the Banco de Occidente (provider of most of the funds in the cash portion) of a US $ 4,500,000 credit line in favor of Lupatech Colombia.

Upon completion of the Transaction, and with the approval of the Financing, the Company will dispose of all political and economic powers it has over Lupatech Netherlands, as well as those held by Lupatech Colombia, no longer holding any corporate relationship with such companies.

As of the date of disclosure of the financial statements, the transaction has not been completed, so Lupatech OFS was not considered as a Discontinued Operation.

Granting of shares (Note 21)

At the Board of Directors' Meeting held on July 11, 2019, the Company's Board of Directors approved the granting of new shares, within the limit established in the 2019 Plan, all common, nominal, book-entry shares with no par value:

- Mr. Rafael Gorenstein, CEO and Investor Relations Officer, option to subscribe up to 2,687,103 (two million, six hundred eighty-seven thousand, one hundred and three);
- Mr. Paulo Prado da Silva, Officer without specific designation of the Company, option to subscribe up to 312,897 (three hundred twelve thousand, eight hundred and ninety-seven).

For both Directors, the purchase price of the shares is R $ 1.47 and must be paid in local currency within 10 days from the date on which the board of directors approves the capital increase. The term for exercising the option is 24 months, beginning July 11, 2019.

Capital increase

On August 08, 2019, the Board of Directors approved the capital increase of the Company through the issuance of new shares, within the authorized capital limit as per notice to shareholders disclosed on June 14, 2019. The increase was R $ 6,994. through the issuance of 4,758 million shares, all common, registered, book-entry and without par value.

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REPORT ON THE REVIEW OF QUARTERLY INFORMATION – ITR

To the
Board of Directors and Management
Lupatech S.A. - Under In-Court Reorganization
Nova Odessa – SP

Introduction

We have reviewed the individual and consolidated interim financial information of Lupatech S.A. - Under In-Court Reorganization ("Company"), contained in the Quarterly Information (ITR) for the quarter ended on June 30, 2019, which comprise the balance sheet on June 30, 2019 and the related statements of income and comprehensive income, changes in shareholders' equity and cash flows for the six-month period then ended, including the notes to the financial statements.

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

Scope of Review

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

Conclusion on the individual interim financial information

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

Conclusion on consolidated interim financial information

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

Emphasis of matter

In-court reorganization

As mentioned in Note 1.2 to the interim financial information, on November 8, 2016, Lupatech S.A. and its direct and indirect subsidiaries had their new in-court reorganization plan approved by the Lupatech Group's Creditors General Meeting, and the plan was ratified by the Judge of the 1st Bankruptcies and In-Court Reorganizations Court of the State of São Paulo, without any restrictions, on December 1, 2016. The Company filed motions to clarify since the notice of ratification did not mention one of the Group companies under in-court reorganization. On February 15, 2017, the court corrected its notice of ratification including the company not mentioned. During the quarter ended on June 30, 2019, no appeal was filed against the ratified plan. Our conclusion is not qualified in respect of this matter.

Material uncertainty related to going concern

As mentioned in Note 1.1 to the interim financial information, the Company and its subsidiaries have generated recurring losses and during the six-month period ended on June 30, 2019 incurred a loss before tax and social contribution of R$ 30.327 thousand and have not generated cash in amount sufficient to settle their obligations. These conditions, together with the fact that the Company and its subsidiaries filed for in-court reorganization plan, indicate the existence of material uncertainty that may raise significant doubt about the Company's and its subsidiaries' ability to continue as a going concern. The reversal of this situation of recurring losses and the difficulty in cash generation, as well as the capacity to realize their assets and settle their liabilities in the normal course of the Company's business, depend on the success of the plans to adjust the financial and equity structure of the Company and its subsidiaries, as well as the compliance with the in-court reorganization plan, described in Note 1.2 to the financial statements. Our conclusion is not qualified in respect of this matter.

Material uncertainty regarding the adhesion to the Tax Debt Refinancing Program - PERT

The Company carried out the adhesion of several subsidiaries and investees of the Lupatech Group to the Tax Debt Refinancing Program - PERT, established by Provisional Executive Act No. 783/2017 and Law No. 13,496/2017. The Company, through this action, reorganized the amount of R$ 123,000 of its liabilities related to tax contingencies and obligations, which included discounts on interest, fines and charges in the total amount of R$ 48,000. Due to operational issues in the adhesion processes and information processed by Brazilian Federal Revenue Office, until the issue of this report, a significant part (77%) of the adhered liabilities were not consolidated by the Brazilian Federal Revenue Office. The Company, advised by its legal counselors, timely took the required administrative and legal preventive measures to ensure the right to the adhesion process, considered as probable by the legal counselors. Our conclusion is not qualified in respect of this matter.

Restatement of the financial statements previously disclosed

As mentioned in Note 2.1.1, as a result of the adjustments to correct errors identified with respect to the financial statements for 2018, the corresponding amounts related to June of this year, presented for comparison purposes, were adjusted and are being restated as provided for in CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors. Our conclusion is not qualified in respect of this matter.

Other Matter

Statement of value added

We have also reviewed the individual and consolidated statements of value added (DVA) for the six-month period ended on June 30, 2019, prepared under the responsibility of the Company's management, whose presentation in the interim information is required in accordance with the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of the Quarterly Information (ITR) and considered supplementary information under IFRSs, which do not require the presentation of the DVA. These statements have been subject to the same review procedures described above and, based on our review, we are not aware of any facts that may lead us to believe that they have not been prepared, in all material respects, in a manner consistent with the interim accounting information Individual and consolidated financial statements taken as a whole.

São Paulo, August 14, 2019.

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

Diego Del Mastro Monteiro
Accountant – CRC-1SP302957/O-3

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

Management's declaration of the financial statements

In accordance with section VI of article 25 of CVM Instruction 480, of December 7, 2009, Management declares that reviewed, discussed and agreed with the Quarterly Information (ITR) for the quarter ended on June 30, 2019.

Nova Odessa, August 14, 2019.

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

Management's declaration of the independent auditor's report

In accordance with section VI of article 25 of CVM Instruction 480, of December 7, 2009, Management states that reviewed, discussed and agreed with independent auditors' report relating to Company's Financial Statements for the period of three months ended on June 30, 2019.

Nova Odessa, August 14, 2019.

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