
November 13, 2014

Third Quarter 2014 Results



Agenda



Performance Overview

Financial Highlights

Assets Update

Steady progress across all of QGEP's operations:

- ▶ **Production:** Strong demand maintains gas production at maximum capacity at the Manati Field
- ▶ **Development:** FPSO to be onsite at Atlanta Field 14 months after the contract signed; first oil expected by 1H2016
- ▶ **Exploration:** New drilling at major Carcará discovery; acquisition of seismic data on new blocks
- ▶ **Financial position:** Net cash position; significant financial flexibility

Agenda



Performance Overview

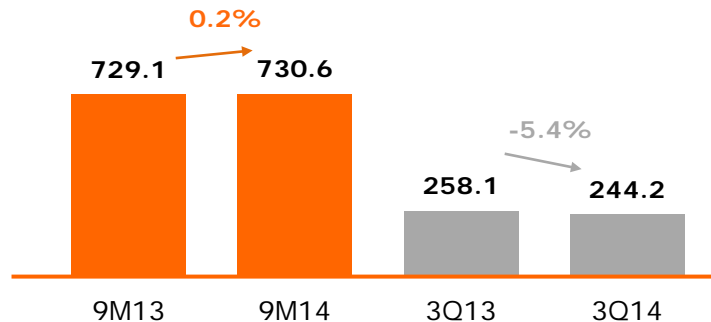
Financial Highlights

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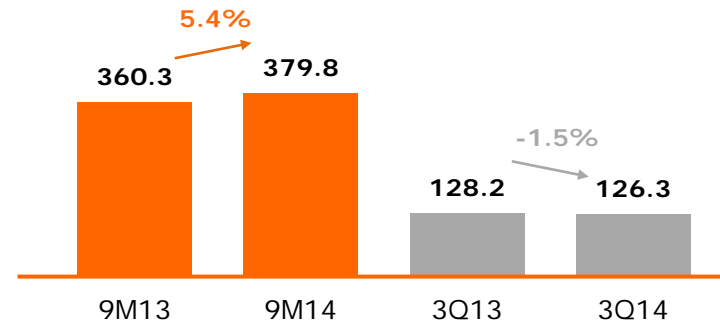


MANATI FIELD PRODUCTION

**Gas Production
(Millions of m³)**



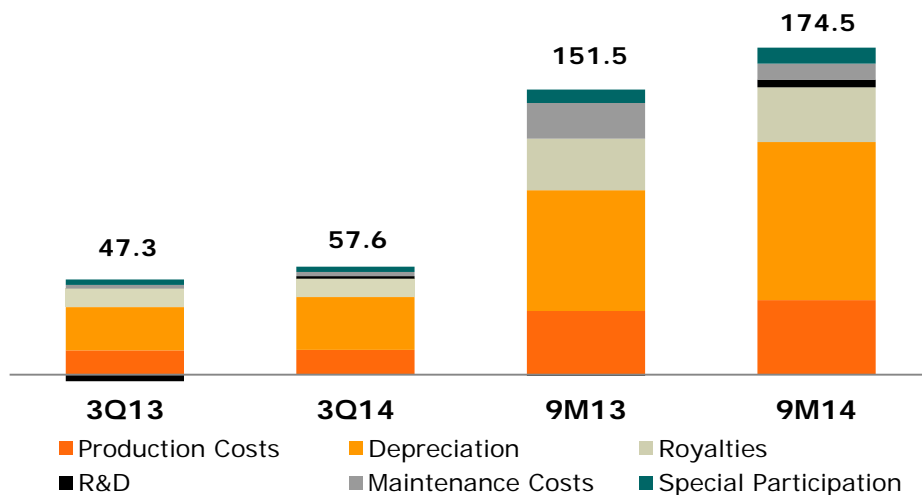
**Net Revenue
(R\$ million)**



- ▶ 3Q14 production averaged 5.9MMm³ per day, bringing average 9M14 production to the same level
- ▶ Full year 2014 average daily gas production expected at slightly above previous forecast of 5.8MMm³
- ▶ Further maintenance planned in 1H15 at Manati platform, including the painting of the platform – no impact on production
- ▶ Construction of compression plant began on schedule and on budget; civil works are in progress,
 - 20 day production stoppage required to bring plant online in mid-2015
 - Average output capacity will then return to 6.0MMm³ per day

OPERATING COSTS, EXPLORATORY AND SG&A EXPENSES

Operating Costs (R\$ million)



- ▶ Operating costs rose R\$10.3 million year-on-year:
 - ▶ Permanent increase in amortization costs related to the Manati provision for abandonment
- ▶ 3Q14 G&A fell 5.9% from 3Q13, mainly due to higher allocation of costs to partners in projects operated by QGEP
- ▶ Exploration expenses were R\$21.6 million, compared with R\$5.9 million in 3Q13:
 - ▶ Acquisition of seismic data for blocks awarded in the 11th ANP Bidding Round
 - ▶ Geological and geophysical studies for other the blocks in portfolio

Consolidated Financial Information (R\$ million)

	3Q14	3Q13	Δ%
Net income	42.5	75.2	-43.5%
Amortization and depreciation	29.0	23.6	22.8%
Net financial income (expenses)	(20.1)	(16.0)	-25.7%
Income tax and social contribution	12.7	3.0	N/A
EBITDA⁽¹⁾	64.1	85.8	-25.3%
Oil and gas exploration expenditure with sub commercial and dry wells ⁽²⁾	-	0.5	-100.0%
EBITDAX⁽³⁾	64.1	86.3	-25.8%
EBITDA Margin ⁽⁴⁾	50.7%	66.9%	-24.2%
EBITDAX Margin ⁽⁵⁾	50.7%	67.3%	-24.6%
Net Debt ⁽⁶⁾	(850.6)	(939.1)	9.4%
Net Debt/EBITDAX	(4.09)	(3.54)	-15.6%

(1) We calculate EBITDA as profit before taxes and social contributions, net financial results and amortization expenses. EBITDA is not a financial measure according to Brazilian GAAP; or IFRS. It should also not be considered in isolation or as a substitute for net income, as a measure of operating performance, or as an alternative to operating cash flow as a measure of liquidity. Other companies may calculate EBITDA differently than us. Furthermore, EBITDA has limitations which inhibit its usefulness as a measure of our profitability as it does not consider certain costs inherent in our business, which could significantly impact our net results, such as net financial income, taxes and amortization. EBITDA is utilized by us as an additional measure of our operating performance.

(2) Exploration expenses relating to subcommercial wells or to non operational volumes.

(3) EBITDAX is a measure used by the oil and gas industry calculated as follows: EBITDA + exploration expenses with subcommercial and dry wells.

(4) EBITDA divided by net revenue.

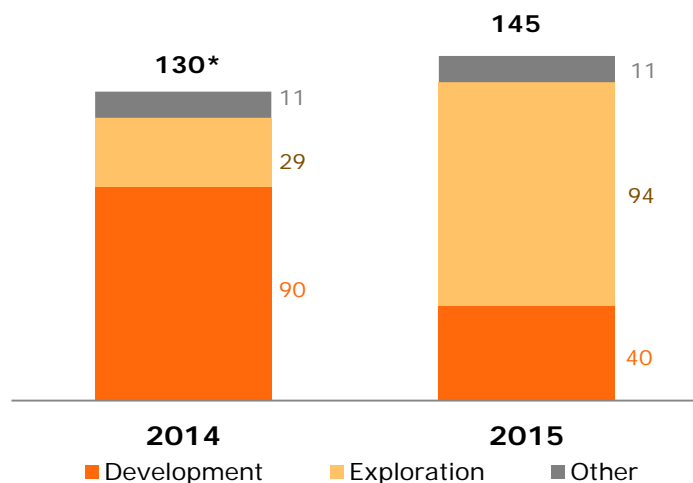
(5) EBITDAX divided by net revenue.

(6) Net debt corresponds to total debt, comprising current and long-term loans and financing and derivative financial instruments, less cash and cash equivalents and marketable securities. Net debt is not recognized under Brazilian GAAP, U.S. GAAP, IFRS or any other generally accepted accounting principles. Other companies may calculate net debt in a different manner.

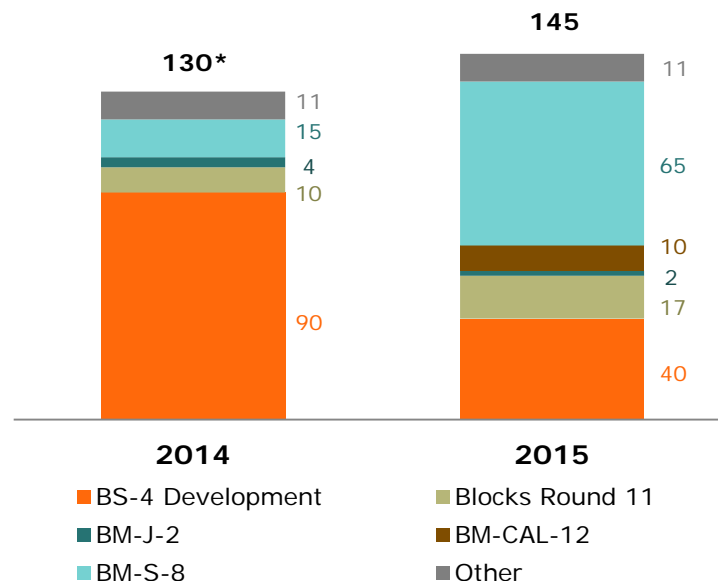
CAPEX 2014-2015

- ▶ **2014 capital expenditures: US\$130 million**
CAPEX to be spent on Blocks BS-4, BM-J-2, BM-S-8 and Blocks won in Round 11
- ▶ **2015 capital expenditures: US\$145 million**
CAPEX to be spent on Blocks BS-4, BM-J-2, BM-S-8, BM-CAL-12 and Blocks won in Round 11

**CAPEX net to QGEP
(US\$ million)**



**CAPEX net to QGEP
(US\$ million)**



(*) US\$105 million had been spent as of September 30, 2014

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BS-4: SETTING THE STAGE FOR NEW OIL PRODUCTION

- ▶ FPSO bidding process in final stage of contracting
- ▶ Production at Atlanta to start in 1H16 at initial production of 25kbbbl/day
- ▶ Tests at first two horizontal wells of Atlanta's EPS indicate production capacities close to 12Kbbbl/d per well
- ▶ Certified GCA reserves for the Atlanta Field: 1P reserves of 147 MM bbl, 2P of 191 MM bbl and 3P of 269 MM bbl
- ▶ First oil at the Oliva Field is expected in 2021

Next steps:

- ▶ FPSO contract to be signed in 4Q14
- ▶ FPSO to arrive on site up to 14 months after contract signing
- ▶ First oil at Atlanta is expected in 1H16



NEW DEVELOPMENT AT BM-S-8

- ▶ First Carcará appraisal well:
 - First phase of drilling concluded in November
 - Second phase planned to start in 3Q15 with a rig equipped with MPD, testing to follow
- ▶ Drilling and testing of another Carcará extension well planned to start in the 1Q15
- ▶ Results for tests at second appraisal well are expected by the end of 2015, and for the first in 2016
- ▶ Extended Well Test (EWT) planned for 2017
- ▶ First oil from Carcará expected in 2018/2019
- ▶ Drilling at the Guanxuma prospect expected to begin in late 2015



► **Blocks Acquired in 11th ANP Bidding Round**

- Contracting of 3D seismic data for the blocks awarded in the 11th Bidding Round progresses:
 - Foz do Amazonas Basin: 3D seismic surveys performed by Spectrum and CGG have now been completed
 - Espírito Santo Basin: surveys by CGG are expected to be completed in the end of the year
 - Pará-Maranhão Basin: data has been contracted with Polarcus and the seismic acquisition is expected in 2H15
 - Ceará Basin: contracting of data under negotiation with surveys expected to start in 2H15
 - Pernambuco-Paraíba Basin: surveys expected to commence in 2016/2017
- QGEP has initiated the environmental studies for the permitting process related to drilling activities in Foz do Amazonas and Pará-Maranhão Basins, which are expected to begin by the end of 2017

► **BM-J-2**

- In late October, QGEP received ANP approval for an Evaluation Plan for its discovery in the pre-salt section of the 1-QG-5A-BAS well (Alto de Canavieiras Prospect)
- QGEP has committed to a plan divided in different phases, beginning with seismic reprocessing and geological and geophysical reinterpretation of the area



2014

- ▶ BS-4: Bidding process for the FPSO for Atlanta Field in final stage of contraction
- ▶ Drilling of first appraisal well at Carcará complete

2015

- ▶ Drilling and testing of second Carcará extension well to start in the 1Q15
- ▶ Drilling of second phase of the first Carcará appraisal well to start in the 3Q15
- ▶ Drilling at the CAM#01 prospect and in Guanxuma in 2H15
- ▶ Manati: Beginning of operations at the compression plant in mid 2015

2016-2017

- ▶ Arrival of FPSO and first oil from the Atlanta Field
- ▶ Start drilling development wells at Carcará and beginning of EWT
- ▶ Start drilling of exploratory wells at the Blocks awarded in the 11th ANP Bidding Round

2018-2021

- ▶ First oil expected from Carcará
- ▶ Full Development of the Atlanta Field

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