QGEP
ON (BM&FBovespa: QGEP3)
Free Float: 30,0%

IR Contact:
Phone: (55 21) 3509-5959
e-mail: ri@qgep.com.br
website: www.qgep.com.br/ri

Conference calls

Portuguese
March 30, 2011
9h00 (New York time)
Dial in: (55 11) 4668-6361
Code: Queiroz Galvão

English
March 30, 2011
11h00 (New York time)
Dial in: (1 412) 317-6776
Code: Queiroz Galvão

Earnings Release

QGEP Participações S.A.

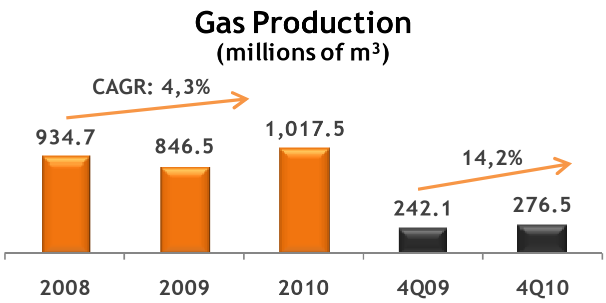
2010 e 4Q10

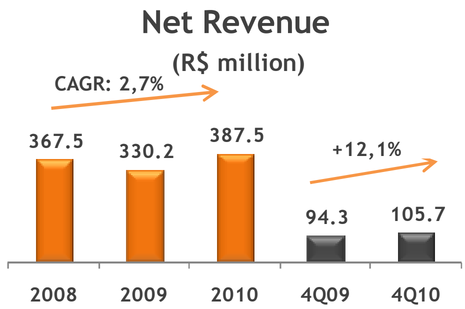
queiroz galvão
EXPLORAÇÃO E PRODUÇÃO

Strong Performance Driven by Record Production

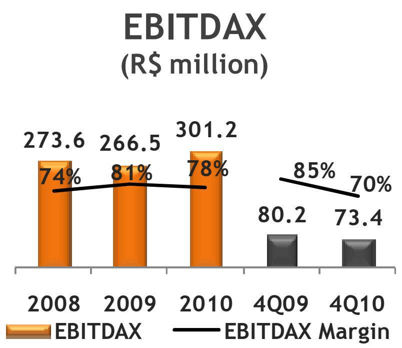
Rio de Janeiro, March 29, 2011 – QGEP Participações S.A. (BMF&Bovespa: QGEP3), Brazil's largest private sector Exploration and Production (E&P) company, and the fourth largest amongst all firms in the sector in terms of daily production of barrels of oil equivalent (BOE), today announced its earnings results for the fourth quarter and full-year ended 2010. The following financial and operating data, except where indicated otherwise, is presented on a consolidated basis as per the Corporate Law format, described in financial performance.

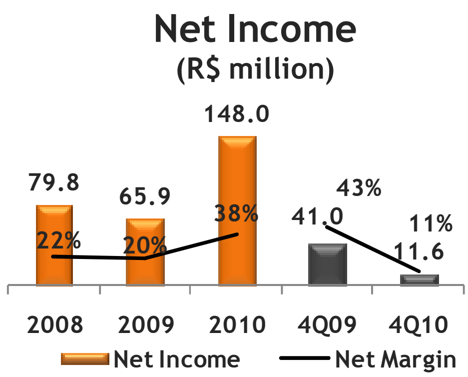
Highlights





- Gas production referred to QGEP interest reached record volume of 1,017.5 MMm^3 for the year and 276.5 MMm^3 for 4Q10, representing increases of 20% compared to the prior year and 14% over the same period of 2009.
- Net revenue was R$ 387.5 million and R$105.7 million in 2010 and 4Q10, respectively.





- EBITDAX increased 13% in 2010, reaching R$301.2 million; EBITDAX margin was 78%.
- Net income was R$148.0 million in 2010, up 124.7% over 2009, driven by the record production and strong profitability of the Manati Field and lower exploration activity. Net margin increased to 38% in 2010 from 20% in 2009.
- Strong cash generation leads to a decline in the net debt from R$317.0 million in 2009 to R$21.3 million in 2010. Operating cash flow for 2010 was R$253.0 million.
- Initiation of the drilling of the BM-S-12 and BM-J-2 Blocks during the first half of 2011.

Management Comments

Grupo Queiroz Galvão has a long history of tradition and credibility. Due to the growing potential for petroleum and energy development in Brazil and the success of early initiatives in the petroleum and gas sector, the Group decided to concentrate all its exploration and production (E&P) activities in QGEP Participações S.A. (Company) in 2010 and to prepare this entity to access the capital markets. At the beginning of 2011, the National Petroleum Agency (Portuguese acronym “ANP”) approved the transfer of concessions held by Queiroz Galvão Óleo e Gás S.A. (QGOG) in seven exploratory blocks to Queiroz Galvão Exploração e Produção S.A. (QGEP), a wholly held subsidiary of the Company. In addition, the block BM-CAL-5 is in the process to be transferred, awaiting ANP’s approval. QGEP successfully completed its initial public offering in February 2011, and its shares began trading on the BMF&Bovespa on February 9, 2011. Funds raised totaled approximately R$1.5 billion, providing the Company with additional resources to develop its current portfolio as well as to fund future growth plans.

One of our strengths to realize these plans is the designation of QGEP as “Type A” operator by the ANP, which allows the Company to operate in deep and ultra-deep waters. This qualification distinguishes QGEP as the first and only independent Brazilian company qualified to operate in these regions. Thus, we believe we are on a favorable position to explore opportunities in the sector since the Company can form partnerships with other companies, especially those that do not have the “Type A” operator designation.

QGEP is firmly committed to operating in ways that promote the practice of good corporate governance and respect for the environment. The Company is listed on the Novo Mercado of the BMF&Bovespa, which holds its members to the highest standards of corporate governance practices. The Company’s IPO marked the beginning of QGEP as an independent entity outside the Grupo Queiroz Galvão and opened a new chapter in the story of a Company that honors the past but is firmly focused on the future.

A significant accomplishment of 2010 was the Company’s production at the Manati Field, which reached record volume of approximately 2.3 billion m^3(1.0 billion of QGEP interest). The Manati Field is the largest producer of non-associated natural gas field in Brazil and reached peak production in the 4th quarter of the year. The high volume produced in 2010 resulted in strong operating cash flow of R$253.0 million, which the Company used to reduce debt, as well as strong profitability, as reflected in the Company’s EBITDAX, which in 2010 was R$301.2 million, an increase of 13.0% compared to 2009. Net income for the year more than doubled to R$148.0 million.

QGEP’s goal is to be listed among the top companies in Brazil with the best performance in the exploration and production industry. Our objective is to generate even more value for our shareholders and to share these gains with all areas of society, through corporate and social initiatives, investment in researching new technologies, as well as the creation of jobs and maintaining a management team which serves as a reference in the fields of innovation and excellence.

QGEP's assets

Field/Prospect	Block	Basin	QGEP Interest	Reserve Resource Category	Fluid	Geologic Chance of Success (2)	MMboe (1) (3)
Manati(4)	BCAM-40(5)	Camamu	45%	Reserve(6)	Gas	-	74.4
Camarão Norte	BCAM-40(5)	Camamu	45%	Contingent	Oil-Gas	-	4.5
Copaíba	BM-CAL-5	Camamu	22,5%	Contingent	Oil	-	17.9
Jequitibá	BM-CAL-5	Camamu	27,5%	Contingent	Gas	-	17.2
CAM 01	BM-CAL-12	Camamu	20%	Prospective	Oil	31%	24.4
JEQ #1	BM-J-2	Jequitinhonha	100%	Prospective	Oil -Gas	29%	61.8
JEQ #2	BM-J-2	Jequitinhonha	100%	Prospective	Oil -Gas	24%	32.3
Santos #1	BM-S-12	Santos	30%	Contingent/ Prospective	Gas	30%	2.8 /7.5
Santos #2	BM-S-12	Santos	30%	Prospective	Oil	39%	52.4
Santos #3	BM-S-12	Santos	30%	Prospective	Oil	19%	9.1
Santos #4	BM-S-12	Santos	30%	Prospective	Oil -Gas	40%	87.9

(1) The resources cited in barrels of oil equivalent (boe) were calculated by QGEP utilizing data from GCA reports as of 12/31/2009. The conversion rate for boe utilized was 1,000 m^3 of gas equals 1 m^3 of oil/condensate (equivalent energy), and 1 m^3 of oil/condensate equals 6.29 barrels.

(2) GCOS as per reports of GCA.

(3) Volumes are weighted by the probability that 50% will be oil and 50% will be gas.

(4) Volume from Manati reflects volume in the GCA report (80.8 million of boe) less the volume produced in 2010 (6.4 million of boe).

(5) The block BCAM-40 was returned after the ring fence of the areas of Manati and Camarão Norte were defined.

(5) Reserves 3P: sum of proven, probable and possible reserves and is an upside estimate.

MANATI

The Manati Field is located in the Camamu Basin, and as of 2010 represented the largest non-associated producing gas field in Brazil. We are the largest owners with 45% of this field, which is operated by Petrobras, and which gave us 3P reserves of 11.8 Bm^3 of natural gas and condensate (74.4 million boe) as of December 31, 2010.

The Manati Field had record production in 2010. The combination of increased demand for gas in Brazil, along with little rainfall, had a positive impact on QGEP's operations in this field. Average production was 6.2 MM m^3/day in 2010, representing growth of 20.2% compared to 2009 levels; production in the fourth quarter averaged of 6.7 MMm^3/day.

The Manati Field is the sole source of the Company's revenues and, as such, is responsible for QGEP's strong financial position, robust cash flow and EBITDAX margin of close to 80%. Operating costs remain low as the consortium controls all the facilities necessary for production including the platform, pipeline and treatment station.

On December 30, 2010, two wells in the Manati Field were shut down for maintenance, reducing the production capacity of this field to 5.5 MMm^3/day. On March 14, 2011, the Company was informed that the operator of the Manati Field notified consortium members that following inspection of risers on the platform, three more wells were shut down. As a result, the Manati Field is currently producing from just one of the six producing wells, which has resulted in a temporary decline in production to 2.0 MMm^3/day.

According to the operator, three wells will return to production by the end of April 2011, bringing production capacity up to 5.6 MM m^3/day. The Manati Field is expected to return to full capacity by June 2011. Preliminary estimates provided by the operator indicate that total maintenance costs will approximate US$20 million, of which QGEP will be responsible for US$9 million, to be expensed in 2011.

BM-J-2

The BM-J-2 exploration block is located in the Jequitinhonha Basin in waters with depths of up to 300 meters. Acquired in 2002 in the fourth round of ANP bidding, the Company owns a 100% interest in this block.

After reviewing 3D seismic surveys, the Company will determine the block's prospects and the location of exploratory wells to be drilled during the first half of 2011 by the Scorpion Mischief Rig. This rig was previously hired by other rig operators and is currently finishing a well in the Campos Basin, which should be completed by the end of April 2011. Immediately following completion of this well, the rig will be moved to the Jequitinhonha Basin to begin drilling the exploratory well, 1-QG-5-BAS, in the JEQ#1 prospect. A preliminary license from IBAMA has already been obtained, which ensures the environmental feasibility of the project.

BM-S-12

Block BM-S-12, located in the Santos Basin off the Southeast coast of Brazil, is a high priority for the Company. The widespread presence of carbonate reserves called "biolititos" with excellent porosity has resulted in a high rate of exploratory success in this region, combined with the recent discovery of giant fields.

In this block, which is fully covered by 3D seismic studies, three exploratory wells have been drilled, including SCS-13 that began in 2008, targeting deeper reserves (i.e., pre-salt) and which had to be halted after encountering high pressure zones. Strong traces of hydrocarbons were found in this well, leading the consortium to establish a holding area and submit a Discovery Assessment Plan (PAD) to the ANP. This plan calls for the drilling of an additional well located 7 km from SCS-13 that could confirm the potential of previous discoveries (Santos #1 and Santos #2) and will also test two prospects (Santos #3 and Santos #4), including pre-salt targets. Drilling is scheduled to begin in the second quarter of 2011, using the rig Ocean Baroness, which is especially suited for drilling in locations of this type.

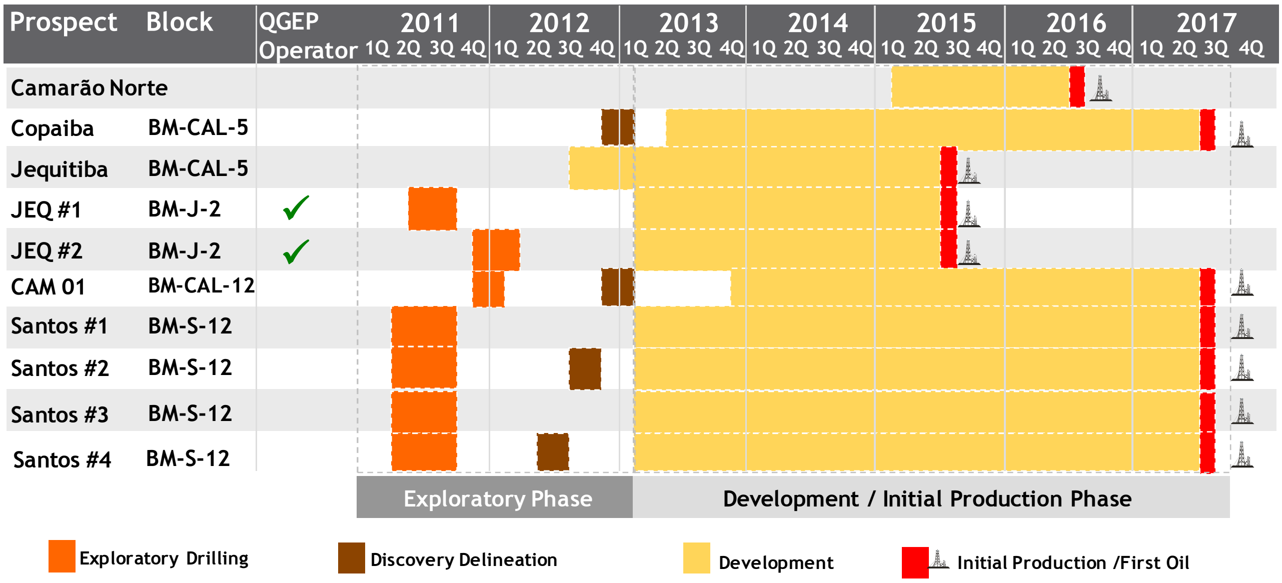
Currently, the rig is completing a project in the Santos basin, with completion scheduled for the end of April 2011. Subsequently, the rig will be deployed to begin drilling 1-SCS-15 exploratory wells in Block BM-S-12.

Other Projects

- In the Camamu Basin, the Company also has a stake in the Camarão Norte Field and three exploratory blocks acquired in ANP auctions: BM-CAL-5, CAL-M-372 and CAL-M-312 (the last two comprising BM-CAL-12).
- In Block BM-CAL-5, two wells have been drilled and are currently in the evaluation phase (Copaíba and Jequitibá), giving the Company a 100% of the success rate for this block.
- In January 2011, the Company began drilling the Enseada well in the Santos Basin in order to test the post-salt reservoirs in Block BM-S-76. In mid- March 2011, the Company announced that these zones do not appear to be potentially productive. As a result, adjacent blocks BM-S-75 and BM-S-77 were returned to the ANP.
- Drilling is expected to begin at exploratory Block BM-CAL-12 in 2012.

Outlook/ Schedule of events

The Company believes that 2011 will be a year of progressive improvement. First quarter results are expected to be impacted by the shutdown of wells in the Manati Field for maintenance as well as seasonal factors. It is anticipated that second semester results will show improvement over the first semester, when all the wells will be producing.QGEP reaffirms its 2011 exploration schedule, which will begin with drilling two wells in the first half of 2011.



Sustainability, Security and Environment

In all it does, QGEP is committed to overall safety and preserving the environment. The Company continually seeks to act in a manner which is socially responsible and has always put the safety of its employees and operations first. As an operator, QGEP has established close relationships within the communities in which it operates, developing direct channels of communication to respect the local culture, values and knowledge of these communities. The Company also invests in local social and educational projects.

QGEP takes an interest in initiatives that help local social organizations achieve their objectives, contributing overall to the region's sustainable development and quality of life. The Company evaluates all potential environmental, social and safety risks associated with its exploration and production activities, and then works to properly manage, mitigate and control these risks. QGEP seeks the cooperation of everyone involved in its activities (both employees and contract workers), to achieve the highest standards of operation, environmental protection, safety, health and social responsibility.

Financial Performance

For 2010, the financial statements below represent the combination of the following financial information:

- the "carve out" of consolidated financial statements of QGOG for the period January 1, 2009 to September 1, 2010, utilizing exclusively historical operating results for the E&P segment
- assets and liabilities of QGEP for the period September 2, 2010 to December 31, 2010.

This financial information was combined considering that the E&P operations were under common control and management. Thus, the financial statements are termed consolidated (carve out) as if these operations were already separate during the period in question.

Consolidated Financial Information *Carve Out* (R$ million)						
	2010	2009	Δ%	4Q10	4Q09	Δ%
Net Income	148.0	65.9	125%	11.6	41.0	-72%
Amortization	76.5	47.5	61%	21.3	14.5	47%
Financial results	3.6	(11.1)	n.a.	-3.4	4.1	-182%
Income tax and social contribution	32.7	15.3	113%	6.1	7.8	-22%
EBITDA (1)	260.8	117.6	122%	35.6	67.4	-47%
Oil and gas exploration expenditure	40.4	148.9	-73%	37.9	12.9	194%
EBITDAX (2)	301.2	266.5	13%	73.4	80.2	-8%
EBITDA Margin (3)	67.3%	35.6%	317 bps	33.7%	71.5%	-378 bps
EBITDAX Margin (4)	77.7%	80.7%	-30 bps	69.5%	85.1%	-156 bps
Net Debt(5)	21.3	317.0	93%	21.3	317.0	93%
Net Debt/EBITDAX	0.07	1.19	-1120 bps	0.07	1.08	-1010 bps

(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; International Reporting Norms, IFRS or US GAAP. 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 profitability, such as financial expenses, taxes and amortization. EBITDA is utilized by us as an additional measure of our operating performance.
(2) EBITDAX= EBITDA - exploration costs for the extraction of petroleum and gas.
(3) EBITDA divided by net revenue.
(4) EBITDAX divided by net revenue.
(5) Net debt corresponds to total debt, comprising current and long-term loans and financing and derivative financial instruments, less cash and cash equivalents and restricted cash. 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 differently.

Operating Results

Net revenue for 2010 was R$387.5 million, representing a 17.4% increase over 2009, attributable to a 20.3% increase in production volumes at Manati Field. Record production also drove 4Q10 net revenue, which was R$105.7 million, 12.1% above 4Q09, with a total volume of 614.5 MMm^3 or 276.5 MMm^3 net to the Company.

Manati has a long term contract for the supply of a minimum annual volume (take-or-pay) of gas to Petrobras, at a price in Reais adjusted annually using indexes specified in the contract.

Increased production contributed the rise in operating costs, which totaled R$141.3 million for 2010, representing an increase of 57.4% over 2009. The increase reflected (i) the initial payment of the "Special Participation" and Research and Development, in the amount of R$11.3 million, (ii) higher royalty costs due to increased production at the Manati Field, (iii) higher amortization expenses and (iv) additional costs associated with scheduled inspection of the gas collection system.

General and Administrative Expenses

G&A expenses were R$21.6 million in 2010, virtually flat with 2009, and R$6.9 million in 4Q10, up 24.6% compared the same period of the prior year.

Exploration costs for the extraction of petroleum and gas

Total exploration costs for the extraction of petroleum and gas in 2010 were R$40.4 million, representing a decline of 72.8% compared to 2009. These costs pertain to the acquisition, processing and analysis of seismic data, drilling plans, licensing and environmental studies and write offs of costs associated with dry wells and non-operating reserves, among others.

In 4Q10, exploration costs were R$37.9 million, up 194.3% from 4Q09 due to the subsequent return of Blocks BM-S-75 and BM-S-77. Of this total amount, R$ 10.6 million reflected a provision relating to the non-compliance of a minimum exploration program (Portuguese acronym “PEM”) of Block BM-S-77 while R$19.7 million was due to a signing bonus associated with the two returned blocks. The remainder of the costs reflected additional expenses related to previous exploration in Block BCAM-40.

Net Financial Revenue / (Expenses)

In 2010, net financial expenses were R$3.6 million compared to a net financial revenue of R$ 11.1 million in 2009. This difference was mainly due to the impact of currency fluctuation on foreign currency-denominated debt and lower provisions for abandonment than those taken in 2009. Interest expense was similar to the prior period.

Net Income

The Company’s net income increased 124.7% to R$148 million in 2010, up 124.7% from 2009. These positive results were due to record production volumes achieved at Manati Field combined with lower exploration costs.

In 4Q10, net income was R$11.6 million, a decline of 72% compared to 4Q09 levels, due to higher exploration costs related to the return of blocks BM-S-75 and BM-S-77.

Cash (Cash Equivalents and Restricted Cash)

The Company ended 2010 with a cash balance of R$ 247.8 million, representing a year-over-year increase of 83.6%. In addition to high cash flow due to production in the Manati Field, the Company also had R$110.6 million related to debt since Reserve Account, “Acceleration” amortization account and abandonment fund.

Accounts Receivable

Accounts receivable at the end of 2010 were R$82.0 million compared to R$78.6 million in 2009, mainly related to the sale of gas to Petrobras from the Manati Field, and have historically have not experienced delays or defaults.

Accounts Payables

Accounts payable were R$19.0 million at the end of 2010, down 10.2% from the close of 2009. This mostly represented the Company’s obligations to Petrobras for production and exploration costs.

Debt

The Company ended 2010 with debt of R$265.0 million, down from R$ 452.0 million at the end of 2009. Approximately R$ 122.8 million in principal was amortized, including a R$ 83.9 million loan with Banco do Brasil in December 2010. Additionally, the Company paid R$ 9.3 million in interest.

Investor Relations

QGEP Participações S.A.

Paula Costa
CFO and Investor Relations Officer

Renata Amarante
Investor Relations Manager

Flávia Steinberg
Investor Relations Specialist

Pedro Luz
Investor Relations Analyst

Av. Almirante Barroso, nº 52, sala 1301, Centro - Rio de Janeiro, RJ
CEP: 20031-000
Phone: 55 21 3509-5959
Fax: 55 21 3509-5958
E-mail: ri@qgep.com.br
www.qgep.com.br/ri

About QGEP

QGEP Participações S.A. is Brazil's largest private sector Exploration and Production (E&P) company in terms of daily production of barrels of oil equivalent (BOE) according to data from the ANP, and the only private Brazilian company in this sector qualified by the ANP in the last two auctions in 2007 and 2008 to act as "Operator A" in Deep and Ultra-Deep Waters. The Company has a diversified portfolio of high quality and high potential exploration and production assets. Furthermore, it owns 45% of the concession for the Manati Field located in the Camamu Basin, which is the largest non associated natural gas field under production in Brazil according to data by the ANP as of November 2010. This field covers approximately 76 km², has been in operation since 2007, and has production capacity of approximately 50,300 boe per day. For more information, please go to www.qgep.com.br/ri.

This material may contain information relating to future business prospects. estimates of financial and operational results and growth of the company. This information should be considered as projections based exclusively on management expectations regarding future business developments and the availability of capital to finance the Company's business plan. Such future considerations are substantially subject to changes in market conditions. government regulations. competitive pressures and developments within the sector and the Brazilian economy. among other factors. These points should also be considered along with risks disclosed in documents previously published by the Company. It should be understood that all these factors are subject to change without warning.

The financial information of the Company has been prepared as follows:

- For the years ended December 31, 2009, 2008 and the quarter ended in December of 2009: our consolidated carve-out financial information have been derived from our carve-out consolidated financial statements of QGOG, utilizing exclusively the historical results of operations, assets and liabilities attributable to the E&P segment, which includes our investment in Manati, the operations of BS-3 S.A. The financial information was prepared by us in accordance with IFRS as issued by IASB.
- For the year ended December 31, 2010: combination of consolidated carve-out financial information have been taken from the consolidated financial statements of QGOG from January 1, 2010 to July 1, 2010, utilizing exclusively the historical results of operations, assets and liabilities attributable to the E&P segment, which includes our investment in Manati, the operations of BS-3 S.A. in the Coral Field, and the historical results of operations, assets and liabilities of QGEPP and its subsidiaries from July 2, 2010 and December 31, 2010. This financial information has been combined considering that the E&P operations and QGOG and us were under common management and control. Such consolidated financial information was prepared based on individual historical accounting records. Transactions between QGOG and us have been eliminated in order to present operations as if they were from a single entity in accordance with the corporate reorganization that occurred on July 2, 2010 (i.e., transfer of assets). The financial statements are "consolidated carve-out" for the reasons stated above. The financial information was prepared by us in accordance with IFRS as issued by IASB.
- For the quarter ended December 31, 2010: consolidated financial information of the Company. The financial information was prepared by us in accordance with IFRS as issued by IASB.

Annex I - INCOME STATEMENT

Income Statement (R$ million) Carve out						
	2010	**2009**	**Δ%**	**4T10**	**4T09**	**Δ%**
Net Revenue	**387.5**	**330.2**	**17.4%**	**105.7**	**94.3**	**12.1%**
Operating costs	(141.3)	(89.7)	**57.4%**	(46.6)	(23.0)	103.0%
Gross profit	**246.2**	**240.4**	**2.4%**	**59.1**	**71.3**	**-17.2%**
Operating income (expenses)						
General and administrative expenses	(21.6)	(21.5)	0.1%	(6.9)	(5.6)	24.6%
Oil and gas exploration expenditures	(40.4)	(148.9)	-72.8%	(37.9)	(12.9)	194.3%
Operating income	**184.3**	**70.0**	**163.1%**	**14.3**	**52.9**	**-73.0%**
Financial income (expenses), net	(3.6)	11.1	-131.8%	3.4	(4.1)	-182.3%
Income before income tax and social contribution	**180.7**	**81.2**	**122.6%**	**17.7**	**48.8**	**63.8%**
Income tax and social contribution	(32.7)	(15.3)	113.4%	(6.1)	(7.8)	-22.3%
Net income	**148.0**	**65.9**	**124.7%**	**11.6**	**41.0**	**-74.8%**

Annex II – Balance Sheet

Balance Sheet (R$ million) Carve out			
	2010	2009	Δ%
Assets			
Current Assets	**221.6**	**170.0**	**30.3%**
Cash and cash equivalents	137.2	87.5	56.8%
Trade accounts receivable	82.0	78.6	4.3%
Recoverable taxes	1.2	3.3	-64.6%
Other	1.2	0.6	107.4%
Noncurrent Assets	**833.1**	**845.5**	**-1.5%**
Restricted cash	110.6	47.4	133.0%
Recoverable taxes	0.2	0.3	-18.4%
Deferred income tax and social	2.9	0.9	233.8%
Property, plant and equipment	713.7	771.4	-7.5%
Intangible assets	5.8	25.6	-77.2%
Total Assets	**1.054.7**	**1.015.5**	**3.9%**
Liabilities and Shareholders' Equity			
Current Liabilities	**148.7**	**208.0**	**-28.5%**
Trade accounts payable	19.0	21.1	-10.2%
Taxes payable	22.6	19.1	18.5%
Payroll and related taxes	0.3	0.2	30.4%
Due to related parties	1.2	0.0	n.a.
Borrowings and financing	76.3	152.2	-49.9%
Dividends	0.0	2.8	n.a.
Provision for research and development	5.0	0.0	n.a.
Provision for returned blocks	10.6	0.0	n.a.
Other current liabilities	13.7	12.6	9.4%
Noncurrent Liabilities	**283.8**	**403.1**	**-29.6%**
Due to related parties	0.0	4.0	n.a.
Borrowings and financing	188.7	299.8	-37.1%
Provision for abandonment	95.1	99.4	-4.3%
Shareholders' Equity	**622.3**	**404.5**	**53.9%**
Capital Stock	620.4	-	n.a.
Legal Reserve	1.8	-	n.a.
Dividends Proposed	**0.1**	**-**	n.a.
TOTAL Liabilities and Shareholders' Equity	**1.054.7**	**1.015.5**	**3.9%**

Annex III - Cash Flows

Cash Flows (R$ million) Carve out	
	2010
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income for the period	**148.0**
Adjustments to reconcile net income to net cash provided by operating activities:	
Amortization	7.5
Deferred income tax and social contribution	(2.0)
Financial charges and exchange rate (gain) loss borrowings and financing	26.0
Provision for returned blocks	10.6
Reduction of intangible assets – write off of signature bonus	19.7
Provision for income tax and social contribution	33.6
Provision for research and development	5.0
Exchange rate (gain) loss on provision for abandonment	(4.3)
(Increase) decrease in operating assets:	(1.7)
Increase (decrease) in operating liabilities:	(58.4)
Net cash inflows from operating activities	**253.0**
CASH FLOWS FROM INVESTING ACTIVITIES	
Net cash inflows from (used in) investing activities	(89.1)
CASH FLOWS FROM FINANCING ACTIVITIES	
Net cash inflows from (used in) financing activities	**(114.1)**
Increase in cash and cash equivalents	**49.7**
Cash and cash equivalents at beginning of year	87.5
Cash and cash equivalents at end of year	137.2
Increase in cash and cash equivalents	49.7

Annex IV - Glossary

Glossary	
ANP	National Petroleum Agency
Deep water	Water depth of 401 – 1.500 meters.
Shallow water	Water depth of 400 meters or less.
Ultra-deep water	Water depth of 1.501 meters or more.
Basin	A depression in the Earth's crust in which sediments have accumulated that could contain oil and/or gas. associated or not.
Block(s)	Part(s) of a sedimentary basin with a polygonal surface defined by the geographic coordinates of its vertices and undefined depth where oil and natural gas exploration or production activities are carried out.
"Boe" or Barrel of oil equivalent"	A measurement of gas volume converted to barrels of oil using a conversion factor whereby 1.000 m^3 of gas equals 1 m^3 of oil/condensate and 1 m^3 of oil/condensate equals 6.29 barrels and (energy equivalence).
Field	An area covering a horizontal projection of one or more reservoirs containing oil and/or natural gas in commercial quantities.
Concession	A grant of access by a country to a company for a defined area and period of time that transfers certain rights to any hydrocarbons that may be discovered from the country in question to the concessionaire.
Discovery	In accordance with the Petroleum Law. a discovery is any occurrence of petroleum. natural gas or other hydrocarbons. minerals and. in general terms. mineral reserves located in a given concession. independently of quantity. quality or commercial viability that are confirmed by at least two detection or evaluation methods (defined in the ANP concession agreement). To be considered commercially feasible. a discovery must present positive returns on an investment under market conditions for development and production.
E&P	Exploration and Production.
Farm-in and Farm-out	Process of partial or complete acquisition of concession rights held by another company. The company acquiring the concession rights is said to be in the farm-in process and the company selling concession rights is in the farm-out process.
GCOS	Geological Chance of Success.
GCA	Gaffney, Cline & Associates
Operator	A company legally appointed to conduct and execute all operations and activities in the concession area. in accordance with the terms of the concession agreement signed by the ANP and the concessionaire.

Exploratory Prospect(s)	A prospect is a potential accumulation mapped by geologists or geophysicists where there is a probability of a commercially viable accumulation of oil and/or natural gas that is ready to be drilled. The five necessary elements for the existence of an accumulation (generation. migration. reservoir. seal and entrapment) must be present and the lack of any of the five means there is either no accumulation or a accumulation that is not commercially viable.
Contingent Resources	Represent quantities of oil. condensate and natural gas that are potentially recoverable from accumulations acknowledged during the development of projects. but that not considered commercially recoverable as yet due to one or more contingencies.
3C Contingent Resources	High case estimate of contingent resources. with only a 10% chance of being achieved or exceeded.
Risked Prospective Resources	Prospective resources multiplied by GCOS.
Reserves	Quantities of petroleum expected to be commercial recoverable by applying development projects to known accumulations as of a given date and under defined conditions.
Possible Reserves	Quantities of petroleum which analysis of geoscience and engineering data indicate are less likely to be recovered than probable reserves.
Proven Reserves	Quantities of petroleum. which by analysis of geoscience and engineering data. can be estimated with reasonable certainty to be commercially recoverable as of a given date from known reservoirs and under defined economic conditions. operating methods and government regulations.
Probable Reserves	Quantities of petroleum that. according to geoscience and engineering data. are estimated to have the same chance (50%/50%) of being achieved or exceeded.