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May 14, 2015

# First Quarter 2015 Results



# Agenda



## Performance Overview

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Financial Highlights

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Assets Update

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## Strategic Highlights

- ▶ Staying the course to unlock the value of our asset portfolio
- ▶ Not affected by oil prices until 2016
- ▶ Fine tuning exploratory asset base
- ▶ Maintaining industry-leading balance sheet and financial flexibility

## Financial and Operating Highlights

- ▶ Stable operating cash flow
- ▶ Manati reserve 31/12/2014 certification confirms 1P, 2P and 3P expectations
- ▶ Development of Atlanta Field advancing
- ▶ Exploratory campaign at Carcará progressing as planned
- ▶ Cash position of R\$1.3 billion

# Agenda



Performance Overview

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**Financial Highlights**

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Assets Update

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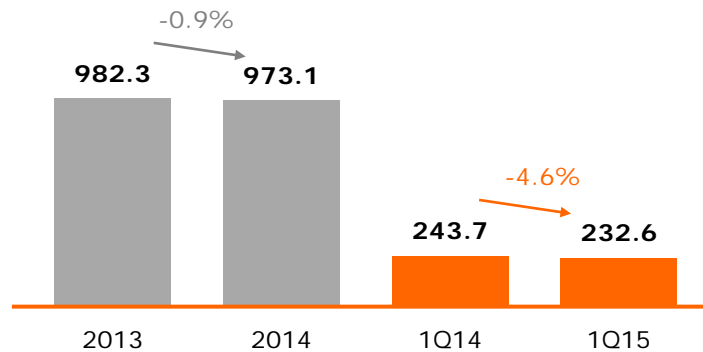
## Consolidated Financial Information (R\$ million)

	1Q15	1Q14	Δ%	4Q14	Δ%
Net Income	28.9	25.1	15.1%	44.9	-35.6%
Amortization and Depreciation	28.4	29.0	-1.9%	28.8	-1.5%
(Net financial income)/ expenses	(29.8)	(20.1)	-48.1%	(24,9)	-19.4%
Income tax and social contribution	45.4	16.8	169.9%	(16.3)	379.3%
<b>EBITDA<sup>(1)</sup></b>	<b>72.9</b>	<b>50.8</b>	<b>-43.6%</b>	<b>32.5</b>	<b>124.5%</b>
Oil and gas exploration expenditure with subcommercial and dry wells <sup>(2)</sup>	0.2	31.8	-99.3%	38.6	-99.4%
<b>EBITDAX<sup>(3)</sup></b>	<b>73.2</b>	<b>82.5</b>	<b>-11.4%</b>	<b>71.1</b>	<b>2.9%</b>
<b>EBITDA Margin<sup>(4)</sup></b>	57.9%	39.9%	45.1%	26.3%	120.0%
<b>EBITDAX Margin<sup>(5)</sup></b>	58.1%	64.8%	-10.5%	57.6%	0.9%
<b>(Net Cash)<sup>(6)</sup></b>	851.9	827.6	2.9%	877.7	-2.9%
<b>(Net Cash)/EBITDAX</b>	-2.99	-4.05	2.0%	3.1	-0.4%

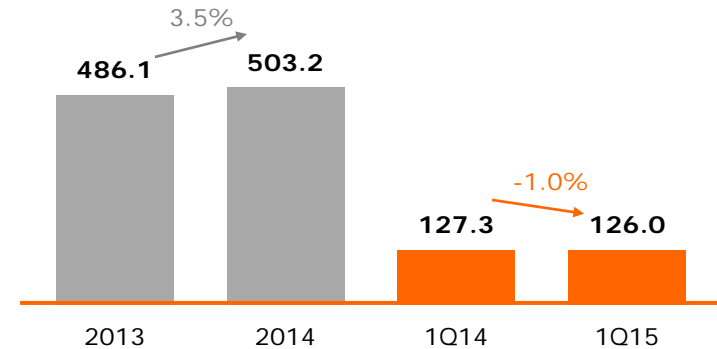
(1), (2), (3), (4), (5), (6): Annex I

# MANATI FIELD PRODUCTION

**Gas Production**  
(millions of m<sup>3</sup>)



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



- ▶ Production at Manati was 5.7 MM m<sup>3</sup> in 1Q15, higher than anticipated at the end of 2014; compression plant on track and on budget
- ▶ The lower revenue in 1Q15 from 1Q14 reflects the temporary decline in Manati gas production, partially offset by contractual adjustments in the price of Manati natural gas.

# OPERATING COSTS, EXPLORATORY AND G&A EXPENSES

## Operating costs (R\$ Million)

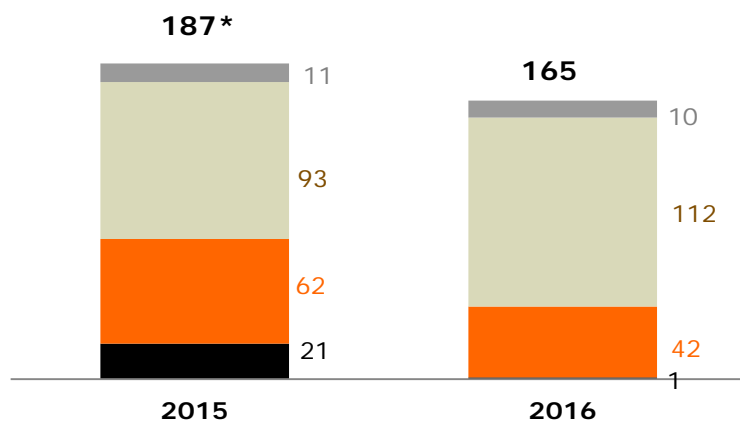
	1Q15	1Q14	Δ%	4Q14	Δ%
Depreciation	27.5	28.1	-2.1%	29.3	-6.1%
Production Costs	15.1	13.1	15.6%	14.5	4.1%
Royalties	9.4	9.7	-47.6%	9.7	-2.4%
Maintenance Costs	1.4	2.7	-2.3%	3.5	-58.9%
Special Participation	2.0	2.9	-32.6%	2.6	-24.2%
R&D	1.3	1.4	-8.2%	1.4	-7.5%
<b>TOTAL</b>	<b>56.7</b>	<b>57.8</b>	<b>-2.0%</b>	<b>60.9</b>	<b>-6.9%</b>

- ▶ 1Q15 operating costs decreased 2.0% from 1Q14 on lower royalties and special participation due to lower production at Manati and lower maintenance costs
- ▶ Total G&A expenses were R\$14.3 million, compared with R\$12.2 million in the first quarter of 2014, and R\$20.0 million in 4Q14.
- ▶ Exploration expenses decreased to R\$10.2 million in 1Q15. Seismic, geological and geophysical studies' for the blocks acquired in the 11<sup>th</sup> bidding round largely account for these expenses.

# CAPEX 2015-2016

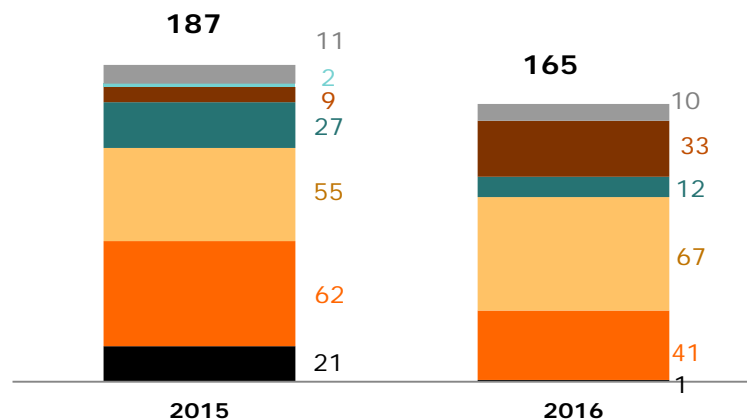
- ▶ Capex needs of US\$352 million for 2015 and 2016 are fully funded
- ▶ BS-4 Development and BM-S-8 Exploration will absorb 30% and 35% of the investment, respectively

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



■ Production ■ Development ■ Exploration ■ Other

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



■ Manati ■ BS-4 Development  
 ■ BM-S-8 ■ Blocks Round 11  
 ■ CAL-M-372 ■ BM-J-2  
 ■ Other

\*US\$16 million had already been disbursed by QGEP as of 03/31/2015.



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# MANATI GAS COMPRESSION PLANT

- ▶ The activities related to the construction of the gas compression plant are on schedule and on budget. 70% of the work is complete.
- ▶ The plant will come on line mid-year, requiring a 20-day stoppage to connect to the production system.
- ▶ 2Q15 production expected to average 4,5MMm<sup>3</sup>/day and for full year 2015, expected to be 5,5MMm<sup>3</sup>/day.



Overview of the Compression Plant of the Manati Field



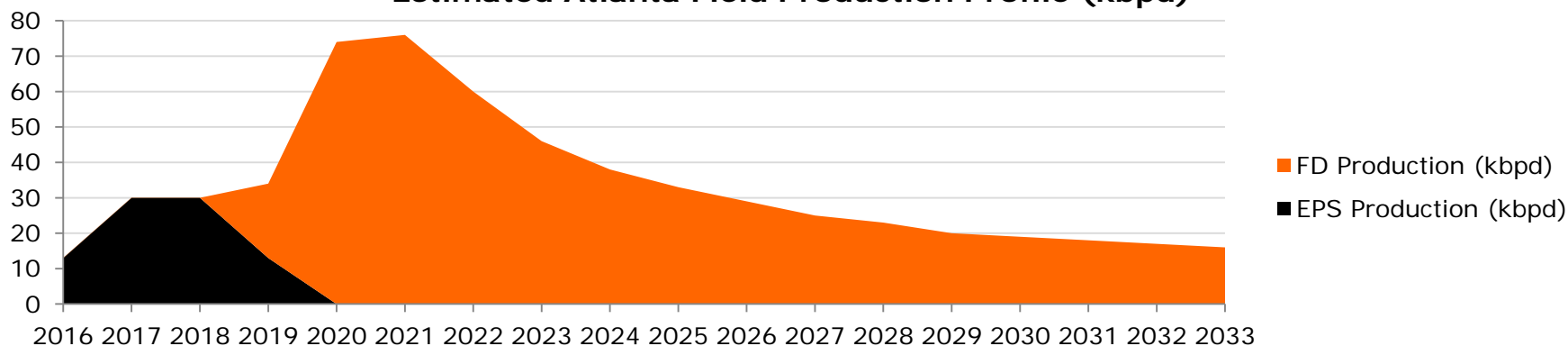
Detail of one of the compressor skids

# BS-4 OPERATORSHIP ACTIVITIES UPDATE



- ▶ Contracted GE Oil and Gas and McDermott International for the supplying, engineering and installation of all subsea hardware.
- ▶ Progress in the adaptation of Petrojarl I's FPSO with Teekay in Rotterdam
- ▶ First oil expected by mid-2016
- ▶ Two production wells are drilled, equipped to produce 25kbb/d for the first three years; a 3<sup>rd</sup> well to increase average production capacity to 30kbb/d is contemplated
- ▶ Consortium Capex for the EPS' 3 production wells is US\$728 million; estimated OPEX is US\$480k per day
- ▶ Atlanta is certified<sup>(7)</sup> to have 1P reserves of 147 million bbl, 2P of 191 million bbl and 3P of 269 million bbl.

**Estimated Atlanta Field Production Profile (kbpd)**



(7) Gaffney, Cline & Associates (GCA) and dated March 31, 2014

# BM-S-8 ACTIVITIES

- ▶ Initial phase of first appraisal well completed; second phase to be drilled to final depth of 6,600 meters in 4Q15
- ▶ Drilling of the second appraisal underway; final depth of 6,400 meters, expected to be reached by mid-2015, followed by a Drill Stem Test
- ▶ Drilling will provide data on size and the productivity of the Carcará reservoirs for production design
- ▶ Extended Well Test is expected in 2017
- ▶ Alternatives for gas evacuation are being studied and is crucial for the development of the Field
- ▶ Drilling for the Guanxuma prospect planned for the end of 2015



- ▶ Seismic surveys for the FZA-M-90 Block in the Foz do Amazonas Basin and the blocks in the Espírito Santo Basin are completed and the data is being processed.
- ▶ Seismic for the blocks in the Pará-Maranhão and Ceará basins has been contracted and surveys are planned for 2H15
- ▶ Studies are being conducted for environmental licensing for the drilling at Foz do Amazonas and Pará-Maranhão basins
- ▶ Net to QGEP costs to acquire seismic data and G&G should be US\$39 million over the next two years
- ▶ QGEP will spend approximately US\$200 million drilling of four exploratory wells starting in 2017 under the commitments of the 11<sup>th</sup> ANP Bidding Round
- ▶ Environmental licensing and rigs hiring are being carried out in conjunction with other operators in the equatorial margin blocks in order to optimize costs

# CALENDAR: EXPLORATORY ASSETS



Asset	2014	2015	2016	2017	2018	2019	Operator
Carcará	[Grey bar]			[Brown bar]			
Guanxuma			[Grey bar]				
CAL-M-372	On hold due to environmental license		[Grey bar]				
BM-J-2		[Green bar] [Yellow bar]					✓
<b>Round 11</b>	<hr/>						
ES-M-598	[Orange bar] [Green bar] [Yellow bar] [Grey bar] [Yellow bar]						
ES-M-673	[Orange bar] [Green bar] [Yellow bar]						
PEPB-M-894				[Orange bar] [Green bar] [Yellow bar]			✓
PEPB-M-896				[Orange bar] [Green bar] [Yellow bar]			✓
CE-M-661		[Orange bar] [Green bar] [Yellow bar] [Grey bar]					
PAMA-M-265		[Orange bar] [Green bar] [Yellow bar]					✓
PAMA-M-337		[Orange bar] [Green bar] [Yellow bar] [Grey bar]					✓
FZA-M-90	[Orange bar] [Green bar] [Yellow bar] [Grey bar]						✓

■ Seismic Acquisition  
 ■ Seismic Processing  
 ■ G&G Interpretation  
 ■ Exploratory Drilling (Firm well)  
 ■ Extended Well Test (EWT)

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(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.