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March 10, 2016

# Fourth Quarter and Full Year 2015 Results



# Agenda



## Performance Overview

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Financial Highlights

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Asset Update

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- ▶ Solid performance in a challenging environment
- ▶ Portfolio optimization to drive long-term value
- ▶ Strong financial position
- ▶ Foundation in place for progress in short and long term

- ▶ **Consistent Manati production:** average daily gas production was 5.9 MMm<sup>3</sup> in 4Q15 and 5.6 MMm<sup>3</sup> for full year 2015, in line with projections
- ▶ **Progress at Atlanta Field:** signature of a three-year oil sales agreement with Shell for Early Production System
- ▶ **Advances at Block BM-S-8:** conclusion of two extension wells and two tests at Carcará, indicating well production capacities equivalent to the best Brazilian pre-salt wells and light oil column of over 530 meters
- ▶ **Further progress in exploratory activities:** acquisition and processing of seismic data for the blocks in the Foz do Amazonas, Espírito Santo and Ceará Basins
- ▶ **Active portfolio management:** acquisition of two high-potential blocks in the Sergipe-Alagoas Basin in the 13<sup>th</sup> ANP Bidding Round and relinquishment of Block BM-J-2
- ▶ **Strong net cash balance:** R\$910 million or R\$3,53 per share, a unique advantage in the Oil & Gas industry

# Agenda



Performance Overview

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**Financial Highlights**

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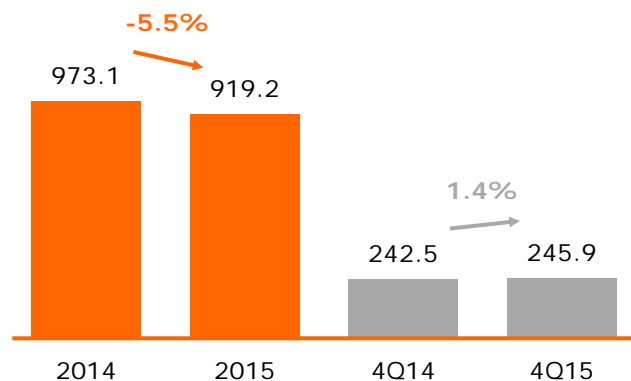
Asset Update

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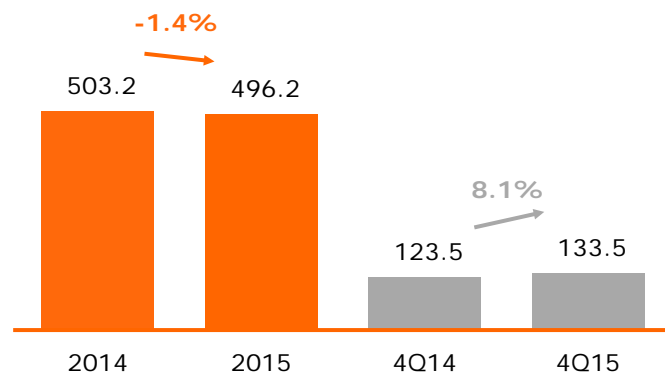


# MANATI FIELD PRODUCTION

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



## Net Revenue (R\$ million)



- ▶ Daily production at Manati averaged 5.9 MMm<sup>3</sup> in 4Q15 and 5.6 MMm<sup>3</sup> for full year 2015, in line with the Company's expectations
- ▶ Net revenues:
  - ▶ The slight drop from 2014 to 2015 reflects 13-day stoppage in production to connect the gas compression, partially compensated by the gas price adjustment
  - ▶ 8.1% increase from 4Q14 to 4Q15 was due to higher production and the yearly price adjustment
- ▶ Initial 2016 forecast of 5.7 MMm<sup>3</sup>/day, reflecting challenging economic conditions in Brazil

# FINANCIAL HIGHLIGHTS



## Income Statement and Financial Highlights (R\$ million)

	4Q15	4Q14 <sup>(1)</sup>	Δ% 4Q15x 4Q14 <sup>(1)</sup>	2015	2014 <sup>(1)</sup>	Δ% 2015x 2014 <sup>(1)</sup>
<b>Net Revenue</b>	<b>134</b>	<b>124</b>	<b>8.1%</b>	<b>496</b>	<b>503</b>	<b>-1.4%</b>
Costs	(70)	(63)	10.9%	(253)	(242)	4.4%
<b>Gross profit</b>	<b>63</b>	<b>60</b>	<b>5.3%</b>	<b>243</b>	<b>260</b>	<b>-6.8%</b>
<b>Operating income (expenses):</b>						
General and administrative expenses	(16)	(20)	17.7%	(53)	(59)	-9.5%
Equity Method	(0)	(0)	119.1%	(1)	(0,2)	536.8%
Exploration expenditures	(352)	(39)	N/A	(386)	(110)	249.9%
Other net operational expenses	0	-	N/A	0	0	N/A
<b>Operating income (Loss)</b>	<b>(305)</b>	<b>1</b>	<b>N/A</b>	<b>(197)</b>	<b>92</b>	<b>-313.7%</b>
Financial income (expenses). net	30	47	-36.8%	272	119	128.4%
<b>Income before income tax and social contribution</b>	<b>(276)</b>	<b>48</b>	<b>N/A</b>	<b>76</b>	<b>211</b>	<b>-64.1%</b>
Income tax and social contribution	116	18	N/A	17,9	(16)	-209.6%
<b>Net income (Loss)</b>	<b>(159)</b>	<b>66</b>	<b>-340.8%</b>	<b>93,6</b>	<b>195</b>	<b>-52.0%</b>
<b>Net cash inflows from operating activities</b>	<b>(10)</b>	<b>77</b>	<b>113.7%</b>	<b>432</b>	<b>349</b>	<b>23.8%</b>
<b>EBITDAX<sup>(*)</sup></b>	<b>61</b>	<b>71</b>	<b>-13.7%</b>	<b>273</b>	<b>286</b>	<b>-4.6%</b>

Some percentages and other figures included above were rounded to facilitate presentation and therefore may present slight differences to the tables and notes presented in the quarterly/yearly information. For the same reason, the totals presented in certain tables may not reflect the arithmetic sum of the preceding figures.

<sup>(1)</sup> The amounts of these periods refer to figures restated on March 9, 2016.

<sup>(2)</sup> See Annex I.

# OPERATING COSTS, EXPLORATORY EXPENSES AND G&A



## Operating costs (R\$ million)

	4Q15	4Q14 <sup>(1)</sup>	Δ%	2015	2014 <sup>(1)</sup>	Δ%
Depreciation and amortization	27.3	31.7	-13.9%	117.9	120.5	-2.1%
Production costs	21.7	14.5	46.9%	64.1	54.3	18.0%
Maintenance costs	2.4	3.5	-29.3%	10.3	11.9	-13.9%
<i>Royalties</i>	10.0	9.7	3.7%	37.7	38.9	-3.1%
Special Participation	3.4	2.6	31.2%	9.2	11.2	-18.1%
R&D	1.5	1.4	10.4%	5.6	5.5	1.6%
Other	4.2	-	N/A	8.2	-	N/A
<b>TOTAL</b>	<b>70.1</b>	<b>63.2</b>	<b>-3.9%</b>	<b>252.9</b>	<b>242.3</b>	<b>4.4%</b>

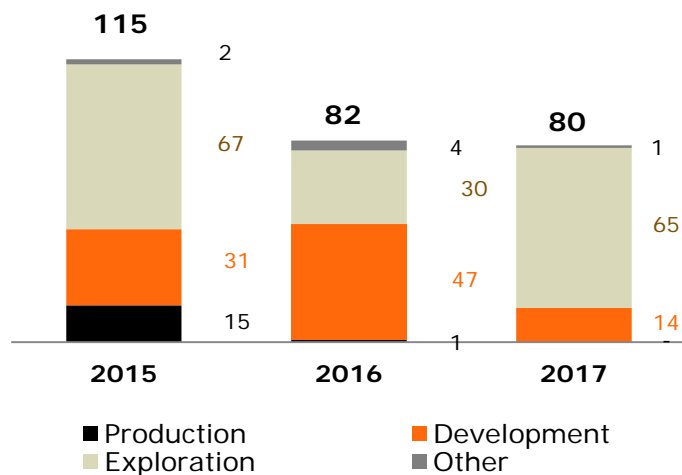
- ▶ Operating costs rose quarter-on-quarter and year-on-year
  - Beginning of operation of Manati compression plant in August
  - Lower amortization costs due to the signing of the amendment to the Manati gas sales contract, which led to the increase in proved reserves (1P) of gas used to calculate depreciation costs
- ▶ G&A expenses fell to R\$17 million in 4Q15 and to R\$53 million in 2015, due to an increase in cost allocation for projects operated by QGEP
- ▶ Exploration expenses rose to R\$352 million in 4Q15 and R\$386 million in 2015, due to the write-off of R\$333 million after the relinquishment of Block BM-J-2



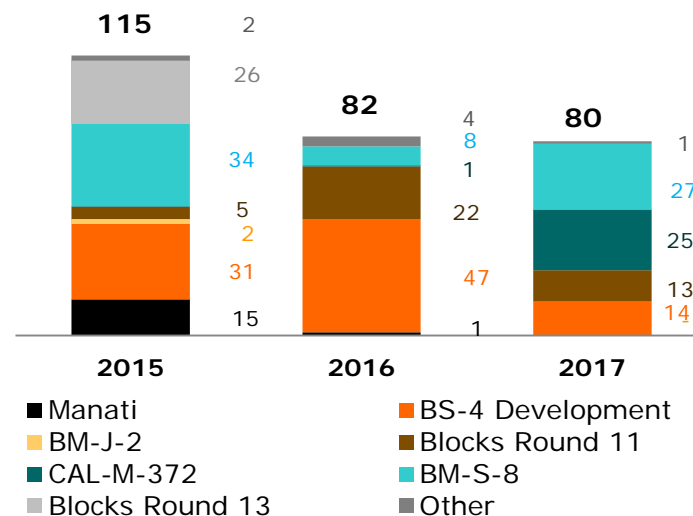
# CAPEX 2015 - 2017

- ▶ 2016 CAPEX budget is US\$82 million
  - US\$47 million spent on the Atlanta Field development
  - US\$22 million to be spent at blocks acquired in the 11th ANP Bidding Round
- ▶ 2017 CAPEX budget is US\$80 million; investments largely concentrated in exploratory portfolio.

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



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



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**Asset Update**

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# BS-4 OPERATORSHIP ACTIVITIES UPDATE

- ▶ In October 2015, the Company signed the Crude Oil Sales Agreement (COSA) for the commercialization of the production from the Atlanta EPS with Shell
  - ▶ Three-year term, with the possibility of an extension for an additional year
  - ▶ The oil sales will be Free on Board (FOB) for Shell, with a netback price mechanism
- ▶ First oil now expected for 4Q16 due to delays in the adaptation of the vessel's process plant
- ▶ Two production wells drilled and equipped to start production of an average of 20kbbbl/d; option to increase production capacity to 30kbbbl/d (in line with the FPSO's capacity) with third well
- ▶ Consortium CAPEX for 3 producing wells in the EPS is US\$700 million; OPEX is estimated at US\$480 thousand per day



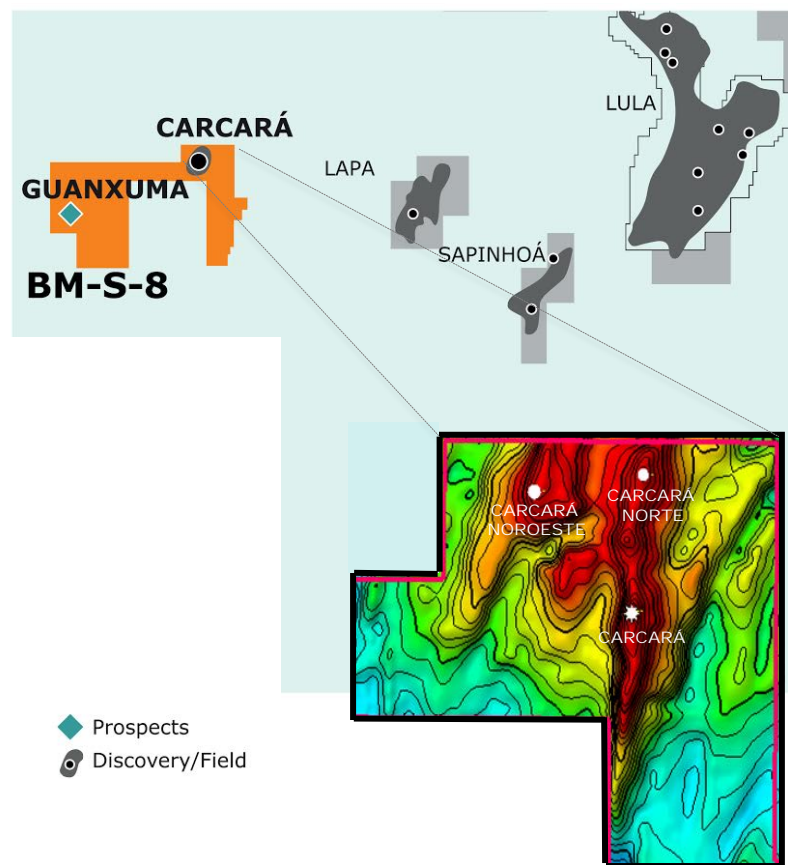
Petrojarl I FPSO



Adaptation of the FPSO at Rotterdam

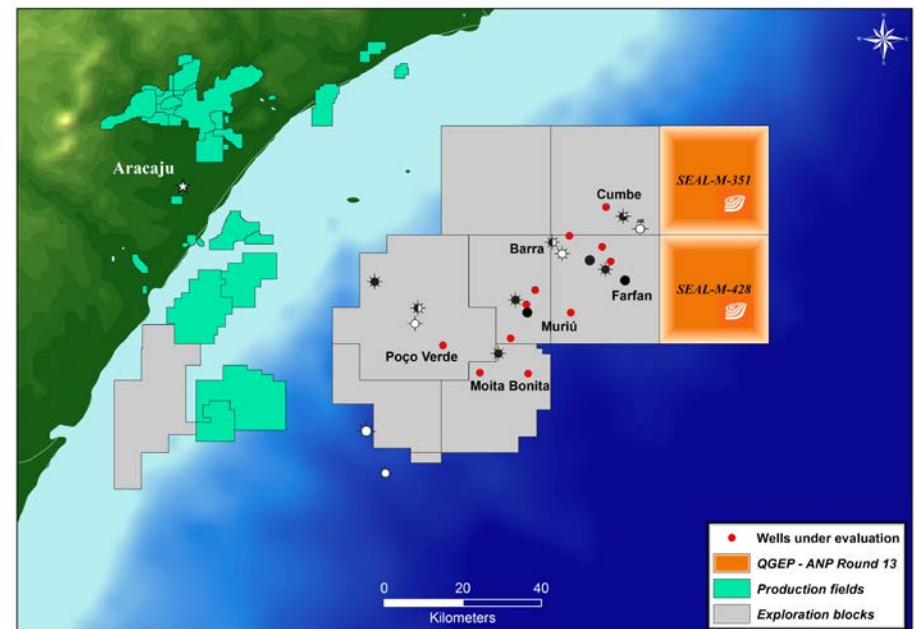
# BM-S-8 OVERVIEW

- ▶ The drilling of the two appraisal wells at Carcará confirmed the extension of the accumulation to the north and northwest of the pioneer well
- ▶ Oil column of the accumulation is at a depth of at least 530 meters
- ▶ No identification of oil-water contact, demonstrating the major potential of the discovery
- ▶ Drill Stem Tests (DST) confirmed the high productivity and excellent characteristics of the reservoir
- ▶ Initial production flow rates per well identified are at least equivalent to the highest producing wells in the Santos Basin
- ▶ Drilling at Guanxuma discovery, 30km southwest of the Carcará Discovery, now scheduled to begin in 2017



## OTHER EXPLORATORY ASSETS

- ▶ On October 8, 2015, QGEP acquired a 100% participating interest in Blocks SEAL-M-351 and SEAL-M-428
- ▶ In December 2015, QGEP paid bonus of R\$100 million for blocks
  - ▶ R\$63.9 million related to Block SEAL-M-351
  - ▶ R\$36.1 million related to Block SEAL-M-428
- ▶ Progress continues at blocks acquired in 11<sup>th</sup> ANP Bidding Round
- ▶ In December 2015, QGEP relinquished Block BM-J-2
- ▶ Negotiations are underway with the ANP for the postponement of the Block CAL-M-372 periods due to market conditions and uncertainties in the process of environmental licensing



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## 2016: SUSTAINABLE EXECUTION AND OPPORTUNISTIC GROWTH

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- ▶ Full-year gas production of 5.7MMm<sup>3</sup> / day to drive healthy financial results
- ▶ First oil at Atlanta a major milestone in long-term development story
- ▶ Limited exposure to global oil prices until at least 2019
- ▶ Optimization of capital allocation to drive long-term value
- ▶ Financial flexibility to seize appropriate growth opportunities

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

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