
November 10, 2016

Earnings Presentation

3Q16



- ▶ Attractiveness in Brazil's oil and gas sector
- ▶ Government initiatives are changing the rules related to:
 - ▶ local content
 - ▶ Opening the pre-salt to other operators
- ▶ Positive environment for the Company in the medium and long term

HIGHLIGHTS FOR THE QUARTER



OPERACIONAL HIGHLIGHTS

- ▶ **Gas production at Manati Field:** daily average of **4.4MMm³** in 3Q16. Production capacity remains at **6.0MMm³/day**.
- ▶ **QGEP assumed Pacific Brasil's stake in three exploratory blocks** in the Foz do Amazonas and Pará-Maranhão basins.
- ▶ **Atlanta Field:** FPSO adaptation activities still ongoing. Arrival is now expected in the third quarter of 2017 with first oil expected in 4Q17.

FINANCIAL HIGHLIGHTS

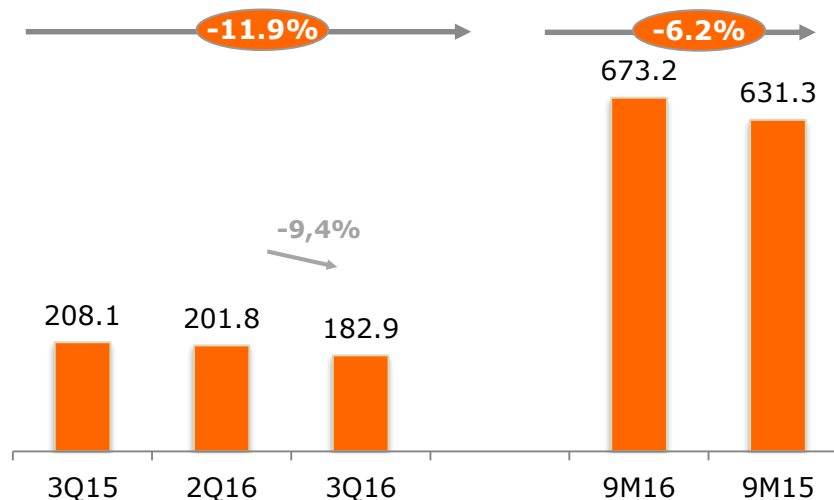
- ▶ **Net revenue:** R\$108.4 million in 3Q16, -3% vs R\$112.1 million in 3Q15
- ▶ **EBITDAX:** R\$46.1 million in 3Q16, vs R\$61.9 million in 3Q15
- ▶ **Net income:** R\$63.0 million in 3Q16, vs. R\$118.8 million in the previous year.
- ▶ **Strong cash balance of R\$1.2 billion** at the end of 3Q16, **equivalent to R\$4.78/share**; investments for the next two years are fully funded.

**Guidance for Manati
average production:**

2016: 5.1MMm³

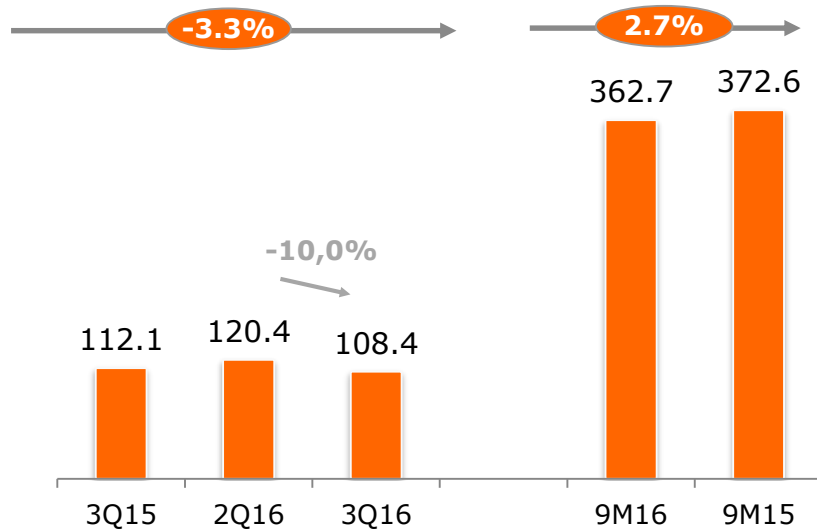
2017: 4.9MMm³

Gas Production (MMm³)



- ▶ Average daily gas production at Manati Field was **4.4 MMm³** in 3Q16, reflecting the decline in gas consumption countrywide
- ▶ Painting and maintenance of Manati's platform:
 - ▶ Total cost net to QGEP budgeted of R\$50 million, of which **R\$24.4 million** was already disbursed through 9M16 (**R\$8.2 million** in 3Q16).
- ▶ Production capacity remains **at 6.0MM³/day**, with 2P net gas reserves to QGEP of **4.9 billion m³**.

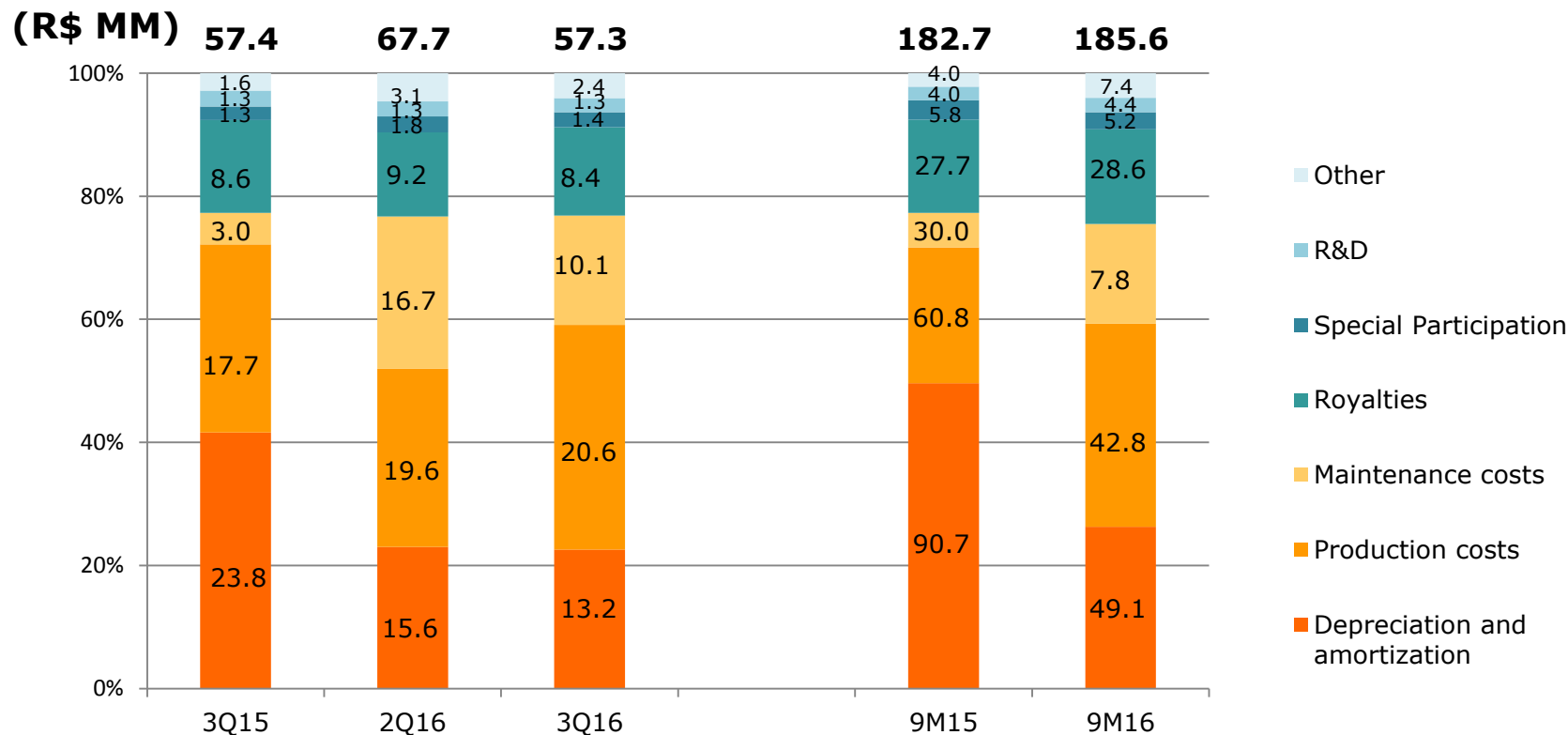
Net Revenue (R\$MM)



Our operations at the Manati Field are **efficient and profitable**, and even with a lower average production, EBITDA was **R\$45 million** in the quarter, with **EBITDA margin of 59.2%**

- ▶ Net revenue of R\$108.4 million in 3Q16, vs. R\$ 112.1 million in 3Q15 and 10% lower than 2Q16.
- ▶ Decline related to lower gas production in Manati, partially offset by the annual price adjustment in January 2016.

OPERATING COSTS



- ▶ Total operating costs were essentially flat year over year for the quarter and 9M period.
- ▶ Increased production and maintenance costs in the quarter and 9M period were offset by lower amortization costs.

OPERATING COSTS

+R\$2.9 MM



Production costs +16.4% QoQ

Full quarter of operation for the compression plant in 3Q16, compared to half quarter of operations in 3Q15

+R\$7.1 MM



Maintenance Costs +236.7% QoQ

Maintenance and painting of the platform underway in the Field.

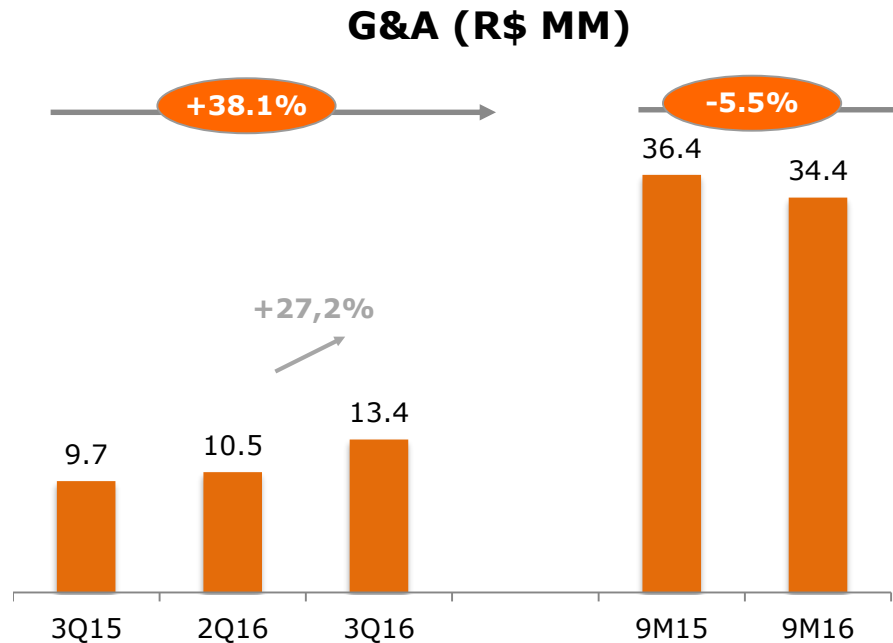
-R\$10.6 MM



Amortization -44.5% QoQ

Reflects the impact of the exchange rate on the provision for abandonment QoQ and the revision of the value by operator held in 4Q15

GENERAL AND ADMINISTRATIVE EXPENSES



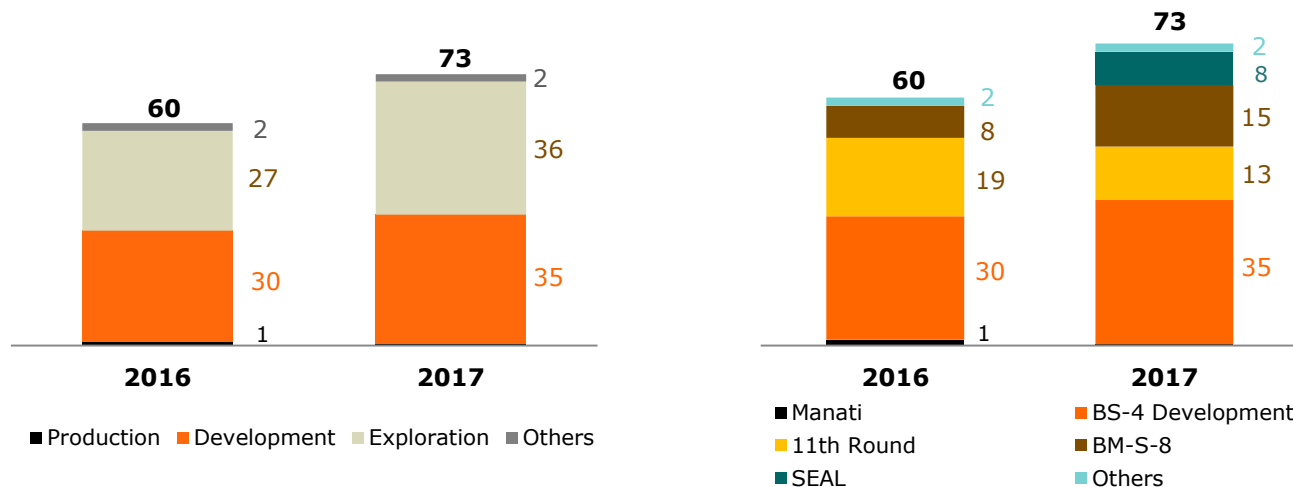
- ▶ General and administrative expenses were R\$13.4 million, up 38.1% from 3Q15, mainly due to less activities in the blocks operated, reducing the transfer of costs to partners.

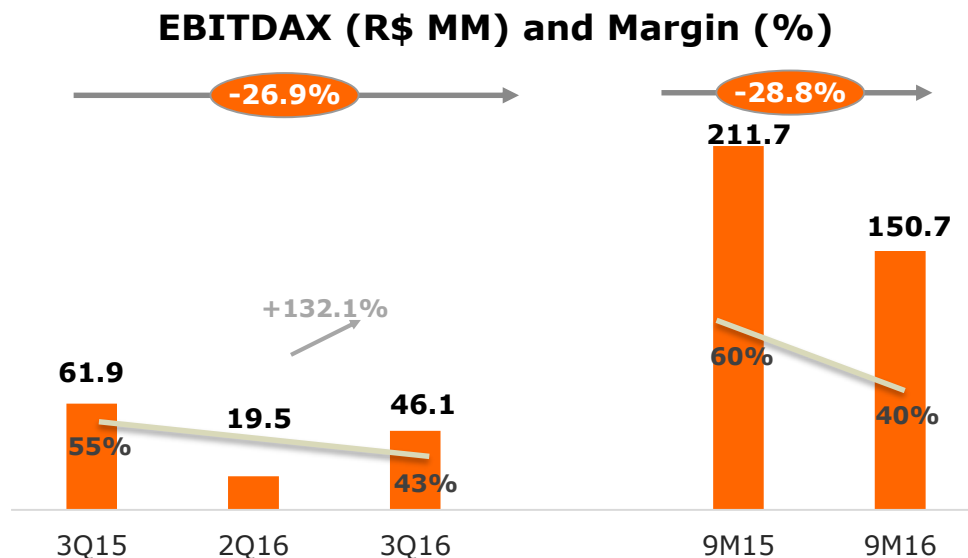
CAPEX 2016 - 2017

- ▶ **2016 CAPEX budget is US\$60 million**
 - ▶ US\$30 million for the Atlanta Field development
 - ▶ US\$19 million at blocks acquired in the 11th ANP Bidding Round
- ▶ **2017 CAPEX budget is US\$73 million**
 - ▶ US\$35 million for the Atlanta Field development
 - ▶ US\$36 million focused on the exploratory portfolio:
 - ▶ US\$15 million in BM-S-8
 - ▶ US\$13 million in 11th Bidding Round Blocks

US\$42 MM
were expended in
9M16

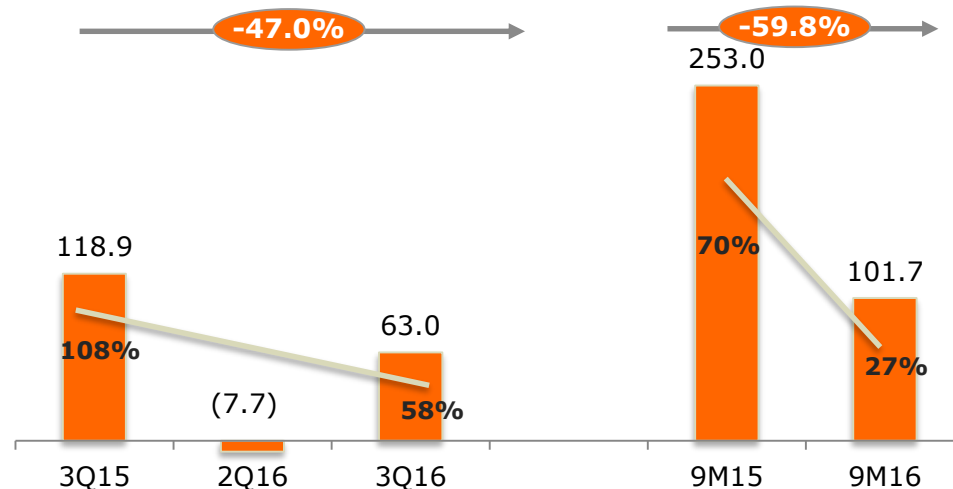
70%
of budget





- ▶ **3Q16 X 3Q15:** EBITDAX was R\$46.1 million compared to R\$61.9 million in 3Q15, due to lower production in Manati and non-recurring maintenance costs in the period.
- ▶ **9M16 X 9M15:** EBITDAX was R\$150.7 million compared to the first nine months of 2015, due to higher operational costs related to operation complete period in Manati compression plant and higher exploratory expenses for seismic acquisition for the blocks of the 11th Round in 9M16.

Net Income (R\$ MM) and Margin (%)

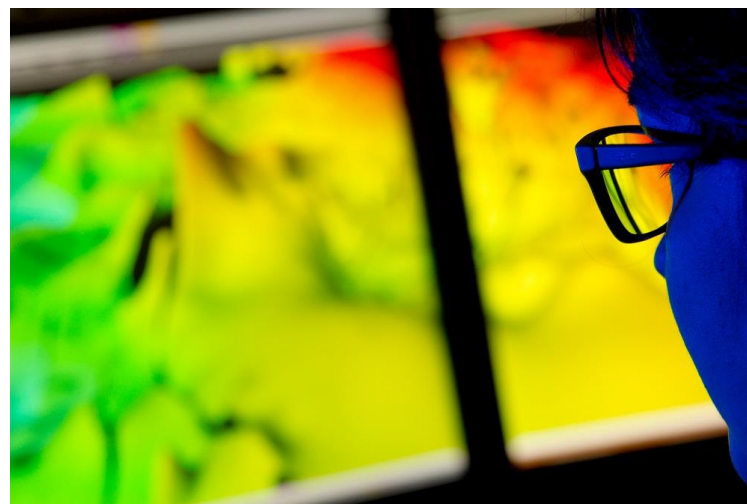


- ▶ **3Q16 X 3Q15:** Financial income was lower in 3Q16 when compared to the same period of the prior year, due to the real appreciation in the quarter, contrary to 3Q15.
- ▶ Thus, while net income substantially increased on a sequential basis compared to the second quarter of this year, it was 47% lower than 3Q15.

- ▶ July 29, 2016: Announcement of sale of the Petrobras stake in Block BM-S-8 to **Statoil, which became the operator**. The transaction has already been approved by CADE and is awaiting final approval by the ANP.
- ▶ Acquisition reinforces the **importance of the asset** for both the industry and QGEP, due to **the value attributed to the block and direct implication in the ongoing investments in the area**.
- ▶ The Carcará discovery straddles both BM-S-8 and **adjacent area to the north**, which is scheduled to be part of **ANP's next bidding round in 2017**.

Long-term value of the BM-S-8 evidenced by the new member of the consortium

66% of the block
acquired for
US\$2.5 bilhões



PAMA-M-265, PAMA-M-337 AND FZA-M-90 TRANSACTION WITH PACIFIC

- ▶ Pacific's participation acquisition interest in three exploratory blocks, one in the Foz do Amazonas Basin and two in Pará-Maranhão basins (PAMA).
- ▶ Pacific pays default of R\$51.2 million related to acquisition of seismic for the PAMA blocks that were overdue and also pre-paid to QGEP the amount of US\$10 million, as part of the minimum obligations assumed in the blocks
- ▶ With this agreement, QGEP becomes the sole concessionaire in the PAMA blocks, allowing for potential farm-outs operations in these areas.
- ▶ In Pará-Maranhão Basin blocks, preliminary seismic data processing is underway and is expected to occur by the end of 2016

R\$51.2 milhões
was paid in October by Pacific

The remaining balance will be offset after the ANP approval for the transference of QGEP Blocks participation scheduled to 2016.



3Q17

Expected arrival of FPSO to the Atlanta Field

December/2017

Expected production of the first oil



FPSO adaptation in Rotterdam

- ▶ The Consortium continues to work towards initial oil production via the Early Production System(EPS):
 - ▶ Two production wells drilled and completed
 - ▶ Initial production of 20kbbbl/day
 - ▶ FPSO with production capacity of 30kbbbl/day
- ▶ Possibility of drilling a third well increasing the production capacity of 30 kbbbl per day.
- ▶ Change in timeline is due to challenges in the customization process

BLOCKS ACQUIRED IN THE 11th ANP BIDDING ROUND

- ▶ Progress continues in the first exploratory phase of the blocks acquired in 11th ANP Bidding Round:
 - ▶ Seismic data for the Blocks in Foz do Amazonas, Espírito Santo and Ceará Basins were acquired and processed; data is being interpreted for potential evaluation
 - ▶ Total costs for the acquisition and processing of seismic data at these blocks, as well as related expenses, are expected to approximate US\$19 million in 2016, reflecting QGEP's higher working interest acquired from Pacific.

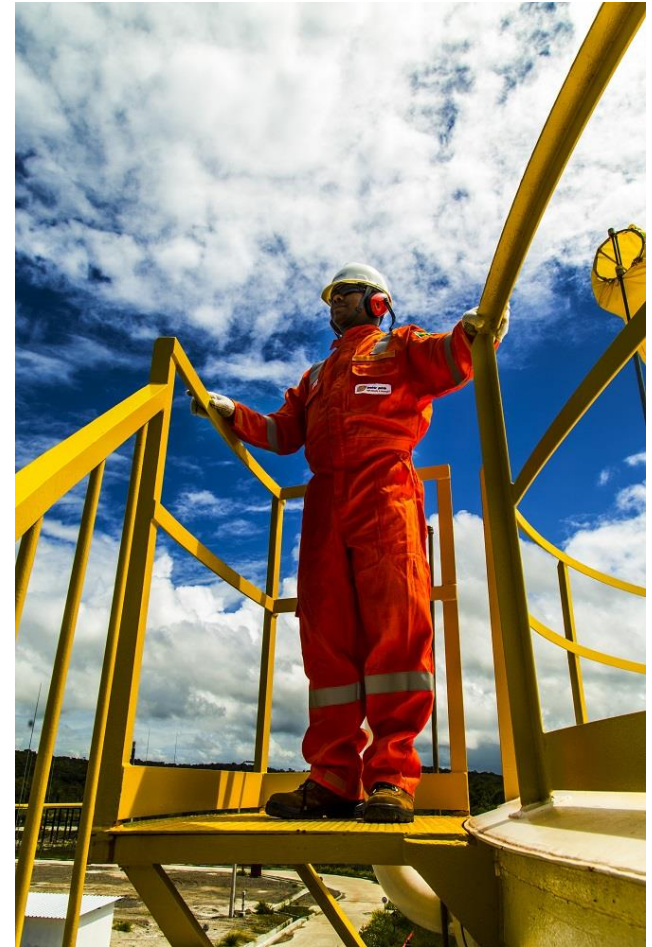
CAL-M-372

- ▶ Negotiations are underway with the ANP for the postponement of the Block CAL-M-372 deadlines due to market conditions and slower environmental licensing process

SEAL-M-351 AND SEAL-M-428

- ▶ At the end of August 2016, the Company received the Reference Terms from IBAMA for the environmental license to proceed with seismic data acquisition. The Company is currently evaluating the exact timing for the start of this process, which it is currently targeting for 2017

QGEP is attentive to opportunities arising from the recovery of the Brazilian economy and the interest of potential partners and investors towards the oil and gas sector



Investor Relations QGEP Participações S.A.

Av. Almirante Barroso, nº 52/sala 1301

Centro, Rio de Janeiro, RJ

CEP: 20031-918

Phone IR: 21 3509-5959

Fax: 21 3509-5958

E-mail: ri@qgep.com.br

www.qgep.com.br/ir

DISCLAIMER

This document contains some statements and information about the Company that reflect the current views and/or expectations of the Company and its managers with regard to its activities. These include all statements containing forecasts and projections or that indicate or imply future results, performance or achievements, which may include such words as "believe", "predict", "expect", "contemplate", "will probably result", or any other words or expressions of similar meaning. Such statements are subject to a series of expressive risks, uncertainties and assumptions. Readers are warned that several important factors may lead actual results to significantly diverge from the plans, targets, expectations, estimates and intentions expressed herein, there can be no assurance that the Company will achieve or is likely to achieve the future results or projections contained herein. Under no circumstances shall the Company or its directors, officers, representatives or employees be liable to any third parties (including investors) should they make decisions, investments or business acts based on information and statements presented herein, nor shall the Company be liable for any indirect damages, loss of profit, or similar consequences thereof. The Company does not intend to provide shareholders with any revised versions of the statements or analysis of differences between the statements and actual results. This presentation does not contain all the necessary information for a complete investment assessment on the Company. Investors must produce their own assessments, including the associated risks, before making an investment decision.