Operator: Good day everyone, thank you for waiting. Welcome to **QGEP's fourth quarter and full year of 2016 earnings conference call**.

Today we have here with us the executives **Mr. Lincoln Rumenos Guardado, CEO of the Company, Ms. Paula Costa Côrte-Real, CFO and IRO, Mr. Danilo Oliveira, Production Director and Mr. José Milton Mendes, Exploration Superintendent.**

We would like to inform you that this event is being recorded and that all participants will be in listen-only mode during the company's presentation. After **QGEP's** remarks are over, there will be a question and answer section when further instructions will be provided. Should any participant need assistance during this conference call, please press *0 for an operator. There will be a replay facility for this call for one week.

Before proceeding, let me mention that forward-looking statements that might be made during this conference call relative to **QGEP's** business perspectives, projections and operating and financial goals are based on the beliefs and assumptions of **QGEP** management and on information currently available to the company. Forward-looking statements are not a guarantee of performance they involve risks, uncertainties and assumptions because they relate to future events and therefore depend on circumstances that may or may not occur in the future.

Investors should understand that general economic conditions, industry conditions and other operating factors could also affect the future results of **QGEP** and could cause results to differ materially from those expressed in such forward-looking statements.

Now, I will turn the conference call over to **Mr. Lincoln Guardado, QGEP's CEO**, who will start the presentation. **Mr. Guardado**, you may begin.

Mr. Guardado: Good day everyone and thank you for participating in QGEP's 4th quarter and full year 2016 earnings conference call.

If you are following our presentation through our website, I will start on slide 2. As we have mentioned in previous calls, 2016 was a very complex year at the same time in terms of macroeconomic and industry conditions, but also full of opportunities.

From the regulatory standpoint, few changes that took place in oil and gas rules enhanced Brazil's attractiveness as a new frontier for global oil and gas companies to participate in.

This repertory improvement, specifically related to local content laws and the opening of the pre-salt the other operators, coupled with new bidding rounds already scheduled for 2017 were all propelling an upward trend for the industry as a whole. It is against this backdrop that we enter 2017.

We will now present our operating and financial highlights for the 4th quarter 16 and full year.

The Brazilian recession directly impacted our activities causing a decline in gas consumption in the country and consequently in the production of Manati, which ended the 4th quarter at 4.3 million m³ per day. As a result, we closed the year with an average production of 4. 9 million m³ per day and we expect to maintain this very same average for 2017. It is worth noting that Manati's production capacity remains unchanged at 6 million m³ per day with 2P net gas reserves for QGEP of 4.9 billion m³ in the end of 2015.

During the year, we took advantage of opportunities to add value to QGEP's exploratory asset portfolio. As you know, towards the end of 2016 we acquired the equity interests of two of our partners in exploratory blocks in the Foz do Amazonas and Pará-Maranhão basins in the equatorial margin. As a result, QGEP's interest in these blocks (all of which were acquired at the 11th ANP bidding round) is now 100% and we are also the operator. Seismic data of these blocks have been acquired and processed before the transaction, before this deal, and we are currently analyzing the data in order to define the next steps in these two basins.

It is worth noting that for these assets and the other high potential blocks that we acquired in the 13th ANP bidding round at Sergipe-Alagoas basin QGEP now owns a special portfolio of potential farm out opportunities.

Currently, we are assessing the industry's potential interest in farm ins and early indications of interest from important global companies in the process gives us confidence that this could be a viable option for these blocks. Reducing our participation in these specific assets is part of adjusting our portfolio to our long-standing strategy to diversify our exposure, particularly through higher-risk exploratory assets. Thus, we plan to participate in a larger number of assets, but with reduced exposure in each one of them.

Regarding Atlanta, the FPSO Petrojarl I adaptation work continues. We are confident that we can overcome technical issues that we have identified and that the vessel will make the timeline, as it's now scheduled to arrive in the 4th quarter of 2017. Negotiations with Teekay (the company responsible for adapting the FPSO in Rotterdam and the company that owns the vessel) are advancing, and we are closely monitoring the situation.

As a reminder, the output from EPS (Early Production System) will be marketed by Shell through an oil sales contract. It is also important to highlight that the goal of the EPS is to provide updates for full development aiming to get the most profitable long-term production system for this project.

Regarding Carcará, the meetings with Statoil have stepped up and the operator has shown a willingness to address different aspects regarding the future production in Carcará, as well as solving the short-term problems with regards to the perimeters and discussions related to unitization.

Our financial position remains quite solid. Despite this year's lower production, net revenue was R$477 million with Ebitdax of 188 million BRL, or a margin of approximately 40%. Net income totaled R$153 million, well above the previous year when we incurred significant exploratory expenses related to the relinquishment of one exploratory block to ANP.

We ended 2016 with a cash position of R$1.3 billion, equivalent to R$5,19 per share, which combined with our future operating cash flow is more than sufficient to finance our operations and Capex plans over at least the next two years.

I will now turn the floor over to our CFO, Paula Costa Côrte-Real, who will discuss our operating and financial results in more detail.

Ms. Paula Costa Côrte-Real: Thank you Lincoln. Let us start with slide 3. As Lincoln already pointed out, Manati daily output fell by around 12% in the year reaching daily average of 4.9 million m³ in the year compared to 5.6 million m³ per day in 2015.

This production decline was primarily related to the recession that we face in Brazil, which led to a decline in gas consumption in Brazil throughout the country, particularly in the Northeast region where we operate.

In the comparison with the 4th quarter of the previous year, the decrease in the production of approximately 28%, from 5.9 to 4.3 million m³ per day.

On slide 4 we can see that the reduction in revenue was less than the decline in gas production as we have a take-or-pay contract in place for Manati Field (for the production of this field), which includes a contract clause for an annual price adjustment as to the Brazil inflation. As a result, revenue in the 4th quarter fell by 22% year on year reaching R$104 million.

In turn, revenue for the year fell 4% to R$477 million reflecting the contract increase in prices, which partially offset the decline in production.

Let's move now to slide 5 for a closer look at our operating costs. The largest impact in 2016 was due to an increase in maintenance costs, which were about 3 times higher than service in the previous year due to the painting and maintenance activities at the Manati platform that began in the second quarter of 2016.

On the other hand, the depreciation and amortization in the period decreased by 46% compared to the previous year due to a higher reserve based on which depreciation is calculated, now considering the additional volume from the amendment to the gas sale contract of Manati Field, signed in July of 2015. In addition, we had the impact of the exchange variation on the provision for abandonment impacting property, plant and equipment.

Another effect of the lower production was the 39% reduction in special participation in the annual comparison. Taking all of this into account, the year-over-year decline in operating cost was 5%, from R$253 million in 2015 to 241 million in 2016. The same factor impacted the comparison between the 4th quarters of 2016 and 15.

Despite the increase, maintenance activities were able to reduce total operating costs by 21% in the comparison between these quarters. Operating costs totaled R$55 million in the first quarter of 2016 compared to R$17 million in the 4th quarter 15.

On slide 6 we present general and administrative expenses, which posted decreases both in the full year and in the quarterly comparisons. For the year, G&A expenses were around R$50 million, down about 6% as a direct result of the company's cost rationalization program throughout the year attesting to our commitment to controlling expenses in a year of declining revenues. In the quarter, G&A expenses declined by 8%.

Please move to slide 7, where we present the profitability of our operations in a challenging year. We recorded Ebitdax of R$37.5 million in the 4th quarter 16 with

Ebitdax margin of 36%. In the year, Ebitdax totaled R$188 million with a margin of 40% compared to R$273 million in 2015.

The lower performance in both periods reflects three factors: Lower production at Manati field, nonrecurring painting and maintenance costs and also higher exploratory expenses related to the acquisition of seismic data for blocks at the 11th ANP bidding round.

The company posted an increase in net income in the annual comparisons as you can see on slide 8. The profits for the year 2016 was R$153 million, 63% up compared to the R$94 million posted in 2015, attesting to the profitability of the Manati field, which remained profitable even with a lower production. In addition, lower exploration expenses contributed to the higher profit for the year, as mentioned by Lincoln before.

On slide 9 we present Capex in 2016 and budgeted Capex for 2017/18. In 2016, we invested US$53 million less than the 60-million budgeted with almost half was spent on the development of Atlanta. The other half was spent in exploratory activities with most of it (US$70 million) spent in the acquisition of seismic data for the blocks of the 11th ANP bidding round, and the remaining US$8 million in Block BM-S-8.

For 2017 we are adjusting our budget estimate to US$70 million, in 2017 50% of the expenditures will be concentrated again in Atlanta field and the remaining 50% in exploratory activities related to the blocks of the 11th bidding round and to Block BM-S-8.

This amount for 2017 is due to the postponement of the drilling in Block CAL-M-372 and to the third Atlanta well that should occur only after the beginning of production in 2018.

I underscore that our Capex requirements for 17 and 18 amounts to US$130 million, so we are 100% funded to meet these investments.

I now turn the call back to Lincoln for some further remarks and then we will open to questions.

Mr. Guardado: Thank you Paula. During 2016 we continue to move forward in our project by trying to enhance our asset portfolio just by complex macroeconomic and industry conditions.

Looking ahead, we are optimistic about Brazil's economic prospect posted by declining inflation and the onset of the cycle of lowering interest rates that began at year-end 2016. These factors are gradually instilling greater confidence in companies and consumers.

In the global oil market, oil prices increased more than 50% in 2016 and it was less volatility than in 2015. At the same time, oil and gas production increased in Brazil mostly during the second half of the year. In 2016 oil and gas… oil and natural gas production in Brazil reached a record of 3.2 million barrels of oil equivalent (BOE) per day. These events highlight our trust *vis-à-vis* the positive outlook for the industry in the medium and long-term and the resulting impact on QGEP thanks to the company's current portfolio and potential and growth valuation.

In addition to the blocks in the equatorial margin and Atlanta, which I have already mentioned, we believe we have now a better visibility of Block BM-S-8 regarding the next steps related to the discovery of Carcará after Statoil's entry as the operator.

The Consortium is currently evaluating the availability of premium rigs for the Guanxuma pre-salt prospect 30 km Southwest of Carcará and drilling work is scheduled to begin by year-end subject to the award of the drilling license by IBAMA.

It is worth mentioning that ANP's new bidding round, which includes the extension of Carcará's reservoir area to the north adjacent to Block BM-S-8, is already scheduled for mid-2017. We believe that the completion of this round is key to define the field's development schedule.

We are also the operator and the sole owner of two high-quality assets in the Sergipe-Alagoas basin, which has been clearly showing potential in Brazil. We will look for opportunities to monetize these assets primarily via farm out in these areas. We will do the same for the newly acquired PAMA blocks from Pacific and Premier, as I mentioned earlier.

We believe that the current diversification of our portfolio gives us flexibility to potentially participate in more bids in a very selective way.

In this scenario, we are very well positioned to grow, we have a strategic and attractive portfolio and a deep understanding of the oil and gas sector in Brazil. We continue to carry out our long-term strategic plan while actively exploring opportunities in the industry.

In the last 12 months, we have added value to our portfolio by increasing our share in certain blocks without, however, losing sight of our high-potential assets.

Manati Field remains a valuable source of revenue, Ebitdax and cash flow, despite its lower productions, as shown by 2016 financial results. Considering that the field's production capacity remains unchanged, we believe that we will be able to increase production and consequently profitability as soon as there is greater demand for gas in the local market.

We ended the year with a cash balance of approximately R$1.3 billion, which provides ample funds to maintain our investments for the next two years. We remain confident that our operational capacity, the relationships built through partnerships with large companies and the diversity and quality of our asset portfolio put us in an excellent position to benefit from this sector growth projected for 2017 and beyond.

Strategic investments and financial discipline are our trademark and will ensure our growth in the medium and long-term.

Thank you and we are now available for questions.

Q&A Session

Operator: Ladies and gentlemen, we will begin the question-and-answer session. If you have a question, please press star one. If you want to remove yourself from the questioning queue, please press star 2.

Our first question in English comes from Frank McGann, Bank of America Merrill Lynch.

Mr. McGann: Hello, good day. Thank you very much. Two questions if I might. One is just in terms of the price adjustments that I believe would have occurred at the beginning of the year. If you could just say what the adjustments were made for, the gas price coming from Manati for 2017.

And then, secondly, looking at the market right now, obviously, oil prices have come off a little bit, but they are still at much higher levels. Thinking about the profitability of Atlanta as you are looking into 2018/19, what level of oil price do you need for that field to give you a return that you think will be acceptable, and perhaps if you have a breakeven price that you've estimate, what that would be for Atlanta?

Ms. Côrte-Real: Frank, Paula speaking. Answering your first question about price adjustments in Manati, this is corrected by IGP-M in January: 6.7% this year. And Lincoln is going to give you further information about Atlanta points.

Mr. Guardado: Frank, Lincoln speaking, thank you for your question. If I may, I would like to comment on your question about the new future of EPS (Early Production System) in Atlanta.

Our current breakeven point (if you consider production of 20,000 barrels or the average production) our breakeven point considering market conditions, logistics, infrastructure, monitored to date (by the way, these are considered things that… these things may change over time due to the higher availability of the tankers) US$18 to 20 in the market.

But if you consider the average production of 20,000 barrels, we are working today with a breakeven point of US$45 for Brent oil, which would be enough to generate positive operating revenue for the Early Production System in Atlanta.

Should we drill a third well and… well, first we have to wait and see the result and the behavior of the reservoir, the flow assurance and other conditions in the field, and there might be a drop, a reasonable drop in the breakeven point, and if you think about 30,000 barrels on average in 3 wells, breakeven would be between US$35 and 37 per Brent oil in order to keep on generating positive operating revenue.

It's always important to remember that EPS (the Early Production System) has the goal to provide us with early and anticipated information with good economics, even if it's a marginal stage, but that's for the full development system.

So, we don't expect to see capital already with the Early Production System, but this is possible; it all depends on the output, we have a cap of 30-33 thousand barrels to process and also Brent oil prices.

If these amounts are not reached, then we have to make a decision. If Brent goes down too much we wouldn't even drill the third well naturally. We won't have a third well in this case. If production volume and Brent are enough for us to have an increase in our net revenue, okay, then we are going to drill a third well.

The idea is not to be too long with negative operating results, but there is no doubt that our outlook, our idea is to maintain the EPS very close or perhaps even higher than a revenue that is high enough to pay our operating costs.

And then naturally, as the process unfolds, the external factors due to the Brent oil or intrinsic factors related to the field, productivity and flow assurance, then we'll have to make the right actions so that the goal of having a positive operating flow be maintained.

So, that's our assumption early on, and that's why we considered 2 or 3 wells, otherwise we were only going to drill single well. But it wouldn't be enough to pay all our operations.

So, that's to be considered, and we have several thresholds to be evaluated. Drilling of the well is one of them, and we have to sit down again and consider what to do with the agreements under way in order to maintain these positive operating revenues. So, that's our intention right now.

Mr. McGann: Okay, thank you very much.

Operator: Our next question is from Felipe Santos, with JP Morgan.

Mr. Santos: Hello Lincoln, Paula, hello. I have a couple of questions, but just one follow-up question: It wasn't so clear for me why is it the breakeven would drop from 47 or 45 to 37. Could you please clarify of that?

And my questions are: First, we saw your Capex for 2017/18, what are you considering your Capex in terms of development of Atlanta? Do you intend to drill a well in a full development system or is it too early to make that decision?

Second question: With the sale of assets by Petrobras, are you considering anything, is anything in your radar or do you intend to focus more on Atlanta, on the transition to start having first oil as of next year?

And my third question: Atlanta production would begin in January of 2018, there would be a delay of a month or so or can we expect it to begin at the end of the third quarter? When will the FPSO arrive, when would it be positioned and when can it start operating once it's deployed?

Mr. Guardado: Okay Felipe, this is Lincoln. I'll try to answer the question related to Petrobras then I will turn the floor to Danilo to answer your three other questions about the breakeven point, reduction Capex and first oil.

All right, yes, we sent a letter to Petrobras saying that we are interested. Of course, I didn't even have to mention our first interest would be Carcará. But given the negotiation, there was practically no space for our option, they sold 66% and of course we could not make a bid for that.

Also, there are some also Petrobras assets, for example, some assets onshore and some assets that Petrobras is working in partnership with other companies and these companies are bidding for those assets, and although some production data could be interesting to us, we are always comparing not only the upfront payment, the upfront money, but also future abandonment for some assets, there is abandonment in the future, in the next 5 years approximately, and of course, we take that into account when we compare this operational aspect with our financial upfront payment.

So, yes, we are… yes and no, we are not actually looking at anything in particular at this point.

Mr. Oliveira: Okay Felipe, this is the Danilo speaking. So, answering your questions regarding Atlanta, first, the breakeven point dropping from 45 to around 35 to 37 this would be linked to an increase production by 10,000 barrels per day with no increase in operational costs. This would drive our breakeven to these levels 35 to 37.

The second question was about the Capex. In 2017 we are concentrating all of the Capex necessary to install the production equipment at Atlanta, and in 2018 the Capex refers to the third well. So, 2017 all the installation costs for first oil and in 2018 at Atlanta the possibility of drilling the third well.

And your last question about first oil, well, it's based in our agreement with Teekay, we are advancing in our negotiations with them and we expect the FPSO to arrive in the end of the year and 60 days after the vessel's arrival we expect first oil. So, that would give us first oil in the very beginning of 2018, okay?

Mr. Santos: Perfect, thank you very much.

Operator: Our next question comes from Luiz Carvalho, with UBS.

Mr. Carvalho: Hello everyone, Lincoln, Paula, Danilo. I have basically two questions. My first question is back to Carcará, I think Lincoln mentioned publicly that we have to assess the part that is going to be unitized and that should be auctioned this year according to government information.

I would like to understand the rationale of this bid, I mean… let's assume… okay, then an example, let's suppose the subscription, the warrantee bonus would be the same that you he paid in the past or something similar to that, would you be bidding in this new auction to buy this other part? I just want to understand in terms of using your cash versus your growth strategy looking forward. This is my first question.

The second point has to do with growth. Lincoln, you talked a lot about growth, the company has the cash position that would allow the company to grow, but I would like to know how this works *vis-à-vis* the return.

I have discussions with investors and it's hard to price that in the share performance and how can we look at this in terms of financial return? Looking at Carcará as an example, if we got NPV investment, then so far perhaps today with information we have available, the return would be negative and the bid would be negative. So, I would like to know how do you look at return/growth.

And my third question: Could you give me an update regarding the farm out you intend to carry out with the assets that you bought in the last bidding round?

Mr. Guardado: Luiz, this is Lincoln. Well, our rationale regarding the bid, particularly for the external area of Carcará, I can tell you that our intention is to participate. Carcará is an important area for us in terms of long-term planning also, we expect production in the midterm, but we have to consider long-term cash flow and high profitability given the quality expected for that for you.

So, our idea (and I'd like to say this very candidly) our idea is that we are now going to be diluted there, once there's the unitization there will be some dilution although it is a volume-related dilution. Theoretically, volume-wise there shouldn't be an alteration, but we don't want to be diluted. Now, there are a number of conditions for that, it depends on the bidding, it depends on the bonus, it depends on productivity and if there is any possibility that we can join a consortium.

These are things that we are all trying to learn more about, these actions haven't started yet, at least for us, because all of the companies are still awaiting some of the decisions that are under way, some have been taken others not, local content, Repetro, which is the special tax program for the oil industry, another thing that has postponed a future bid and a decision to participate in the future bid.

So, this links to your other question, which is capital allocation, but still going back to the bid, the bid rationale, we have to think about the divestment. In other words, we know that in the future there is a postponement of investment, particularly in the equatorial area promoted by the government itself, and this help us and will help us to plan our long-term investments.

If these actions are scheduled to occur soon and prior to the bid, if they do occur, then we will be able to see what's our cash balance that we can make available for this kind of bidding, and we can analyze the interest on divestments.

Again, we have to try to deleverage our exposure. When we do that? When we deleverage our exposure, which is a profit that has started in a farm out process, this has started, it is underway, then will be able to redefine our participation in the bid, particularly in BM-S-8 area. There might be other areas too, and there might be other bids relative to concession, for example, outside this area.

All of these things are happening in parallel. Are we willing to do it? Yes, we are, but we have to compare our capacity and our cash flow, the cash flow for Atlanta, Danilo mentioned that, we still have to work on the installation, on the equipment and etc., and we have to consider the cash flow that we will need to consider the Capex investments for the first phase of Carcará.

So, as we are today, it's quite difficult to position ourselves because there are external factors that do have an implication, and there are some intrinsic factors to our company, I mean farm outs that will be able to guide us in this kind of exposure which we have.

One fact is important: what we have today and considering the average risk versus possible potential return from our portfolio, we are not pressed to join the bid. We have… we are in a reasonable position with short, mid, and long-term investments and high and lower risk, which is what we want to have, this kind of the balance in our portfolio.

And that takes me to your second question, how we see growth. Our growth doesn't necessarily have to happen through a Capex increase. We can grow by diversifying risk. We have 100% ownership in many areas and one natural and potential way to do that is using part of the assets that we own today to have an interest or stake in other assets.

I can reduce my stake in some assets and I can join other assets as a way to (using a generic term) to have a swap, to diversify exploratory assets. It is one way to grow diluting risks and it's always green growth. We are not seeking to do that right now, but it's something that we potentially can do as a result of so many bids that are probably coming up.

That's why the NPV it is important to highlight that we are still in the investment phase right, so the NPV can be negative considering everything because we are still in the investment phase, there are some delays and so one and so forth. But our rationale is always to have the capacity to invest.

And we'll definitely need to go to the market for development. There is no doubt about that. But there is not exposure there, we are not thinking of having an exposure so as to have an overexposure of the company. This is something that we have not done, we did not do and we do not intend to do. We want to invest in development, but it's always a concern.

But this is very clear, that we will have to go to market to use different instruments to fund our activities. This is how we are approaching the system, we always seek to have a profitability in dollars close to 15-20%, we try to do this kind of analysis. Again, considering the elements that we can control, considering risks and premiums that we have seen so far.

This has been our rationale, and I believe that it will continue in the coming years, even if there are growth opportunities that can arise through acquisitions, but I answered a little while ago a question about acquisition considering what we see in the market. There are some opportunities out there in the market, some opportunities with very high short-term value, but that will give us a midterm exposure related to abandonment, and the company is avoiding this kind of opportunity even if we… even with the fact that we have seen a lot of that happening in the last 6 to 8 months.

And as for the farm out question, I will ask Mendes to answer your question, okay?

Mr. Mendes: Hello Luiz. As you know, we are in a farm out process of 5 exploratory blocks where QGEP has 100% ownership: In the high potential Sergipe blocks, we have 100% in the two PAMA and Foz blocks given the exit of the original partners at the time of the bid.

Our original plan was to start the farm out now in March, but by the request of some companies we began the process in December. There are many companies showing interest, some big global companies as mentioned and we are quite excited with the progress of the process, we've had good input from the companies that came and participated in the Data Rom for these blocks.

For the Sergipe blocks, as you all know, these blocks are high potential. Many companies that are interested are evaluating these blocks, at the time of the bid they agree with our prioritization regarding these blocks acquired in the 13th bidding round. So, that's for Sergipe. We have just hired the seismic data for this year and beginning of 2018, and with 3-D data we will have a true idea of the potential for the Sergipe blocks.

For PAMA, we have preliminary 3-D seismic data and I can tell you that we are very, very satisfied with the results so far. We now have a much better assessment of the blocks than we had before the bidding with preliminary data, we are quite optimistic about these two blocks at PAMA, and the companies that are visiting us have shown… have shared our optimism regarding the potential of these two areas.

And as for Foz, the results after the 3-D seismic data assessment, the assessment was in line or a little over our expectation pre-bid, but Foz do Amazonas is in more difficult areas, so we are still waiting. We are in a comfortable position because we should wait for the results of the first wells to be drilled by other operators (BP, Total and others) and we are in a very comfortable situation.

So, we are quite optimistic regarding the success of our divestment in these 5 blocks and we expect that by mid-2017 we should have a definition of the results of these negotiations.

Mr. Carvalho: Thank you very much. So, by the end of the first half we could expect more news on that, yes?

Mr. Mendes: Yes, you are correct. By mid-2017 we should have the divestment process more clear.

Mr. Guardado: And this is Lincoln. If I may, I would just like to add to Mendes answer.

I'd like to say that everything that is happening in Brazil impacts the farm out processes, they will impact the bidding and impact the farm out process. So, rules about local content, the issuance of an extension of Repetro, all of these elements that are coming up our have come up already, there is a proposal for local content with the extension of Repetro (the social tax program for the oil industry), all of these factors disappear with the process, will interfere in the bidding.

I mean, we need to have these elements very explicit because not having them leads to legal insecurity, but it also impacts all of the companies, the oil companies need these clear positions to have a position and to be more comfortable regarding the farm out process considering the pre-bids here in Brazil.

So, this is important for any process of companies selling assets or in our farm outs we need these rules to be very clear. This is absolutely paramount. It is critical for companies to make a final decision to size the kind of investment they are willing to make in Brazil.

We felt this when we talked to many of the players, okay?

Mr. Carvalho: Right, thank you. It is a good thing that you don't have to rely on the TCU (the court of accounts).

Operator: The next question is from Madalena Costa, with Morgan Stanley.

Ms. Costa: Good day think for taking my question. First of all, I would like to understand the budget and the platform painting. Do you have anything still pending? And what about the delay in the FPSO? It was scheduled to start by year-end and, apparently, it won't happen before early next year.

And next question about all the actions for cost reduction: What about the SG&A evolution for year 2017? Thank you.

Mr. Oliveira: Hello Ana, answering the question about Manati's platform painting, we started doing this in mid-last year. This operation requires a lot of logistics because it takes a supporting vessel connected to the platform all the time because it's not inhabited. We had US$38 million spent in 2016, therefore, lower than our budget because we want to continue in the first quarter of the year and we assume that we will… well, at least we want to be closer to our earlier estimate. So, it should be around another 8 to 10 million this year in order to complete the platform painting.

As to Atlanta, as to the delay, like I said before in previous conference calls, it is no longer a technical issue. Technical issues were all solved, all this construction and buildings elements are aboard the FPSO, so everything is in Teekay's hands now, Teekay is managing the three elements that might comprise the final decision.

So, we are the chartering company, we have the banks, which fund Petrojarl's upgrade and the shipyard because it required longer and more work at the shipyard, so these three elements, these three parties have to settle with Teekay in order to meet the schedule.

And the delay results from that because we had many different processes involving these three parties, but we are moving forward and I think we are now more confident that they will meet the deadline, the date that we agreed upon in the last quarter of the year.

Ms. Côrte-Real: Paula speaking. As to G&A, this year, like I said in my presentation, we already made an effort in house in order to adjust costs to the company's reality and the market's reality. So, we managed to have a good reduction in consulting costs, some previous contracts and even when it comes to headcount reduction, we also postponed some new contracts due to the delay in FPSO and Atlanta first oil.

So, R$50 million is our G&A and for the coming years, if you consider our track record, our G&A is between R$50 to R$60 million, and going forward we don't expect to see the same level.

Ms. Costa: Thank you.

Ms. Côrte-Real: You're welcome.

Operator: Next question is from Fernanda Cunha, with Citibank.

Ms. Cunha: Good morning everyone. I have some questions on cash flow. First, about Manati: When do you expect to see the difference in take-or-pay in Accounts Receivable?

And the second question is about Pacific: Do you also receive the cash flow related to the PEM or the minimum evaluation planning, R$30 million?

And the third question is about the credit with partners of R$45 million: Do you have a guidance about when you expect to have this money? And what about the 45 million? Is it the total that OGX owes to the asset consolidating 100% of OGX debt or concentrating just to part of it by OGX?

Ms. Côrte-Real: Just bear with us for a moment, Fernanda.

Ms. Cunha: Okay, thank you.

Ms. Côrte-Real: With regards to the take-or-pay, Fernanda (by the way, Paula speaking), this relates to Petrobras volume last year. I don't know if it was clear how we accounted for it, but it comes as an advance, advance payment versus a liability, which is our obligation to deliver the gas.

Because the company has not had this cash yet, it is still posted as a receivable amount from Petrobrás. This figure is what we accounted for: R$19 million. This is the number that is still at the final stage of adjustment with Petrobras, and as soon as we close the figures the payment will be made.

We don't have a specific date yet, but we know we are at the end of the process to set this amount with Petrobras so payment be made in the coming weeks or coming months. So, that's not something we expect to take long to happen. It is posted at R$19 million in Accounts Receivables at the company.

Answering your second question, it is about Pacific cash, cash balance. Pacific made payment through an escrow account, the commitment or part of the commitments in the blocks acquired or where we have a stake (the blocks of PAMA and Foz) this process, by the way, was already approved by ANP and we are just waiting for the final phase, the signature of the agency so we can submit the letter of credit of Pacific with our own, and as soon as the process is concluded the amount will be delivered.

So, it is still restricted cash, but we are at the very end of the process. It already happened at ANP, signature, replacement of the escrow account and then this will be released to us or the letter of guarantee.

As to OGX, by the end of 2016 we had 45 million as credit with partners related to OGX, out of which 35 million were already past due. This is just for cash call issued in Brazil. The R$35 million account for 100% of OGX default in Brazil and our share would be R$18 million, approximately this. This is the amount supported by QGEP.

Additionally, our cash call was issued after closing the year; R$8 million due in January, and OGX had not paid yet the total amount paid for OGX.

With regards to our expectation for the receivable amount, we know they are about to divest the assets and a transfer of share necessarily goes through the payment of the default to allow for transfer.

So, as far as we know and as an operator, we are indirectly involved in the process. It has been unfolding well and we expect to have the process concluded so we can really bring the default to an end. So, that's what we envisage for now.

Ms. Cunha: Okay, thank you very much.

Operator: As a reminder, if you want to ask a question, please press star one on your touchtone phone.

As a reminder, if you would like to ask a question, please press star one.

Again, if you would like to ask a question, please press star one.

This concludes today's question-and-answer session. I would like to invite Mr. Guardado to proceed with his closing statements. Mr. Guardado, you may go ahead.

Mr. Guardado: Well, after this slight problem with the telephone line, again I would like to thank you for your attention always and for joining us in our earnings conference call.

I always like to underscore our confidence in the improvement of macroeconomic conditions in Brazil in petro conditions with the revival of the oil industry in Brazil and globally. It is really important for us (particularly for our company) to be in Brazil. We want to be in Brazil with the vast portfolio that can be a driver for business and for the continued growth of the company in the short and medium term.

Again, I would like to thank you for participating and I would like to remind you that our Investor Relations Department is always available if you need more details, if you want to have more detail about last year's results and about what we are expecting in the future for QGEP.

I believe that it will be a QGEP future… a future for QGEP of growth with a good return for our investors and shareholders. Thank you very much and have a good day.

Operator: This does conclude QGEP's conference call for today. Thank you very much for your participation and have a good day.