Operator: Good morning everyone, thank you for waiting. At this time, we would like to welcome everyone to **QGEP's First Quarter 2017 earnings conference call**.

Today we have here with us **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 to reach the operator. There will be a replay facility for this call for the period of one week.

Before proceeding, let me mention that forward-looking statements that might be made during this conference call relative to the company's business perspectives, operating and financial goals and projections 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 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 morning everyone. Once again, thank you for joining us in QEGP's first quarter 2017 earnings results.

I will start my presentation giving you an overview of the macro and regulatory scenario of our country, then I will give you an update on the FPSO Petrojarl 1 adaptation works and first quarter results highlights. Paula will then explain our figures in more detail and then I will return to end the presentation providing comments on our other assets.

I will begin on slide 2. After two consecutive years, we can see early signs that recession in Brazil may be lagging behind, signs of recovery could be seen since the fourth quarter of 2016. The highlight goes to the significant drop in inflation rate and consequently a decline of interest rates. GDP growth expectations for the year, although still modest, are also encouraging. From an economic viewpoint, there is still much to be done and several indicators still don't reflect the economic upturn, such as the unemployment rate.

Here at QGEP we still cannot see such improvement reflected in the demand for gas and accordingly in production, but the second half of the year is pointing to an uptrend.

At Manati, our production capacity remains at 6.0 million m³ per day and we are ready to meet a recovery of demand in the domestic market if this happens and thus improve our profitability parallel to increase economic conditions.

Proposals of regulatory changes were also made which will have relevant implications for the oil and gas sector in Brazil. These changes include, among others: alterations to the local content law; extension of the Repetro; special tax program for the oil and gas industry among other initiatives that have the potential to open the Brazilian market to large global players and to give us an opportunity to form partnerships, new partnerships with some of these large players.

It is worth recalling that the price of the oil barrel bounced back to US$50 a barrel this quarter; a significant appreciation compared to the first quarter of 2016. Another important point in this quarter was the definition by the Brazilian Petroleum and Gas Agency (ANP) of the next a bidding rounds for 2017 and 2018. About this, I will speak in more detail in the second half of my presentation.

Now let's turn to slide 3 please, they refer to quarter highlights. The first quarter of the…results came in line and reflect the trends that we saw in the end of 2016. The gas production in Manati was 4.2 million m³ of day, still given… no, due to the decline in economic activity in Brazilian Northeastern region. Revenue and EBITDAX reflects such reduced production while net income benefited from higher financial income.

The farm out is also… the farm out process of our assets in the equatorial margin and Sergipe-Alagoas is still underway. We are happy with the response that we have been getting, so we expect a completion of this process for the third quarter of this year.

Regarding the Atlanta field, the works to adapt the FPSO Petrojarl 1 continues to evolve. We have overcome the technical issues identified and the vessel is still scheduled to arrive in the first quarter of this year with first oil expected for the beginning of 2018. It is worth mentioning that we already signed an agreement with Shell to sell the production of Atlanta's early production system.

Well, having said that, I will now turn the call over to our CFO, Paula Costa Côrte-Real, for a closer look at our operating and financial results for the quarter. I will be returning soon.

Ms. Paula Costa Côrte-Real: Thank you Lincoln and thank you everyone for joining us today.

As Lincoln mentioned, over all our results came in line with our expectation. Our financial position remains solid and we ended the quarter with cash and cash equivalent of around R$1.4 billion equivalent to R$5.31 per share of the company.

Please turn to slide 4. At Manati field, gas production reached 4.2 million m³ per day this first quarter; in line with the level we had in the end of 2016. Such trend of recent lower levels of production is due to decreased demand still reflecting the persistent decline in economic activity in Brazil's Northeastern region where the field is located.

Production fell by 30% year-on-year. It is worth mentioning that production in that quarter was 6.0 million m³ per day, whereas the startup of the gas compression plant in 2015. Despite lower production levels, Manati Field still provides solid cash flow for the company's activities.

On slide 5, we can see the revenue drop in the first quarter of 2017 compared to the same period of last year; down 26% reflecting a combined effect of lower gas production partially offset by the annual contracted adjustment of gas prices at Manati.

Now we are going to costs on slide 6. During the first quarter, total operating cost went down 8% year-on-year, part of such a decrease is due to lower gas production since costs such as royalties, special participation, depreciation and in Research and Development tend to follow the behavior of revenue of the field. Higher maintenance expenses in the year-on-year comparison is due to painting and maintenance at the Manati platform initiated in the second quarter of 2016. In order to optimize future maintenance costs in the Field, the Consortium decided to take advantage of the ferry at Manati to bring forward the inspection of risers increasing 2017 estimated cost from 8 to R$12 million.

It is also worth mentioning exploratory expenses, which fell from R$9 million in the first quarter 16 to R$6.1 million in the first quarter and 17 due to lower expenses with acquisition and processing of seismic data in the period.

Now on slide 7, we can see our general and administrative expenses. During this period of lower demand and lower production, we continued focusing our efforts to control our expenses and optimize all costs. The lower level of activity in the blocks we operate coupled with QGEP's higher interest in the blocks that we operate in the equatorial margins reduced the allocation of expenses to our partners resulting in higher general and administrative expenses in the period.

On the slide 8, we see our quarterly profitability. Although the Manati Field has high profitability for QGEP, EBITDAX dropped 45% this quarter compared to the same period of last year. Again, the main factor here was the lower gas production at Manati Field.

Other factors contributing to this result were higher G&A and higher nonrecurring maintenance costs related to the painting and maintenance of the Manati platform, which will be completed in 2017. Net income totaled R$43 million in the quarter; down 8% from first quarter 16.

Lower operating revenue was partially offset by financial income of approximately R$20 million. On the other hand, fourth quarter 16 results had been partially impacted by financial expenses of R$13 million. This variation is mainly due to exchange variation referring to the period.

Please turn to slide 9, where we give you our future CAPEX. During the first quarter, US$7.2 million were expended, of which more than 5 million were allocated to Atlanta field. On this slide, we give you our CAPEX breakdown planned for this year and for 2018.

For 2017, we estimate investing US$17 million; 32% more than the 2016 Capex. This increase of US$38 million is explained by resources that we are directing to the Atlanta field early production system. Once again, Atlanta field will correspond to most of our investments. We plan to use the remaining CAPEX in our exploration portfolio with a 20% increase vis-à-vis 2016.

These resources will be mainly geared to Block BM-S-8 and the final payment to seismic acquisition for blocks in the Ceará and Para-Maranhão basins.

In 2018, US$40 million are earmarked for the development of Atlanta field, including the budget to drill a third production well and earmarked US$44 million for our exploration portfolio.

With that, I turn the floor back to Lincoln for some more information and then we will open the floor to questions.

Mr. Guardado: Thank you Paula. Now moving to slide 10, let's talk about our portfolio.

Referring to Manati, it is worth mentioning that production capacity remains at 6.0 million m³ per day ready to serve a potential recovery of the demand in the Northeast region. I also highlight the recent report issued by Gaffney & Cline Associates with 2P reserves for 100% of the field totaling 9.4 billion m³ of natural gas, 4.2 billion m³ for QGEP and 1 million barrels of condensed gas approximately for 100% of the field. These figures are in line with reserve certification for the end of 2015 considering production in the period.

Referring to Atlanta, as I mentioned, the FPSO arrival is scheduled for the year-end and first oil early next year.

Now focusing on our exploration portfolio, in 2016 we established the basis for positioning the company for the mid and long term. Currently we hold 100% of the blocks in the Foz do Amazonas and Para-Maranhão basins acquired at the 11th bidding round as well as two blocks we won at the 13th bidding round in the Sergipe-Alagoas basin, in which we are operators.

Due to the higher exposure in these blocks, we initiated a farm out process last year and we were very pleased to see the interest shown by the market in relation to this process. As a result, we expect that this process may be concluded until the third quarter this year.

Referring to Block BM-S-8, where the Carcará discovery is located, the Consortium plans to drill the Guanxuma pre-salt prospect by the end of this year while tests in Carcará Noroeste well should start early next year, as shown by our operator’s effort.

Now on slide 11, let us comment on recent changes accrued for the oil and gas sector. The ANP has set dates for the next bidding rounds for 2017, 2018 and 2019. This year, in October we will have the second and third rounds under the production sharing regime including the unitizable areas of the pre-salt fields.

The 14th around is scheduled for September when 287 blocks will be rendered in the maritime sedimentary basins of Sergipe-Alagoas, Espírito Santo, Campos, Santos and Pelotas and onshore basis of Parnaíba, Paraná, Potiguar, Recôncavo, Sergipe-Alagoas and Espírito Santo, totaling an area exceeding 122,000 km², therefore, this is very promising when it comes to our availability.

In 2018 and 19, we will have the 4th and 5th bidding rounds under the share production regime and the 15th and 16th bidding rounds of blocks. This will allow us to extend and have a more predictable strategy since our calendar is pretty well set and defined about this in Brazil.

The main highlight in the quarter was the new local content rules approved for the next bidding, which now are determined by the government and with minimum figures more compatible to the industries available in Brazil and no longer a factor of Bidding.

In onshore areas, the exploration and development phases we have the quota of 50% of domestic components and offshore blocks for the exploratory phase these numbers will be 18% for exploration and for the development of production, 25% related to well construction, 40% for drainage systems and again 25% for production stationary units. These are minimum numbers.

These new indexes will be valid for the two auctions scheduled for September and October. Another relevant change was a no waver for penalties due to non-compliance with local content rules and certainly this will have to be taken into account later on.

Besides new local content rules and a brief definition of a Repetro renewal, CNPE also recommend that all the blocks acquired at the 11th bidding round should have the contractual period extended for two years and we are waiting for ANP's decision.

We understand these changes are extremely important and significant for the industry and the country, potentially attracting several global payers.

Moving to the last slide and to conclude our presentation, we are well-positioned to grow. While expected contributions from other portfolio assets, the Manati field remains a valuable source of revenue, Ebitdax and cash flow for QGEP.

This concludes our brief presentation, and once again thank you all. And we are available to answer your questions now. Operator, please.

Q&A Session

Operator: Thank you. Ladies and gentlemen, we will begin the question-and-answer session. If you have a question, please press star one. If at any time you'd like to remove yourself from the questioning queue, please press star 2.

Our first question is from André Hachem, Itaú BBA.

Mr. Hachem: Good morning, thank you for taking my question. My first question is about full development at Atlanta. Considering the change in the oil scenario from the project to the current scenario, do you foresee the same system or might your revisit the system?

My second question is still about Atlanta, has to do with OGX. What are the possible solutions to solve the problem and would you be interested in increasing the exposure or the stake in Atlanta? Thank you.

Mr. Guardado: André, Lincoln speaking. Let me start by answering the second question and Danilo is going to give you more detail about Atlanta full development system vis-à-vis the review that you asked about.

OGX actually… well, naturally we have that our problems shown many times before, but OGX is going through this process, which I expect to be coming to an end. They are with a divestment process, late last year they started a process to divest through a broker and there were several indications, and we are… well, this is not a date rom, but we have this presentation made by ourselves, our team, they are still studying the Atlanta asset, they are still working on continuous improvement as to considering assumptions and possible solutions for the full development system and also with the current system that is almost fully implemented just awaiting for the FPSO. So, we expect them to manage… well, at least to have a partial divestment as shown in their bankruptcy protection prospect.

So, there are interested parties and, well, they are going to continue the process, but because we were involved early on we expect them to sell it. That's the best solution as we see today. We hope they will carry out the disposal so we can… well, I'm not saying the asset doesn't deserve it, but we stick to this policy set a while ago to diversify our revenues, and that's what we expect to see in the future.

As a limit, it might happen, but it's not what we are searching for and it's not what OGX expects to see, which is this disposal and consequently offset their default with us and then give more visibility to continue the company's business. So that's how we see OGX business today, and we are confident I might even say, we are confident that they will manage to dilute their stake in Atlanta field, okay?

So now I turn it over to Danilo, he is going to give you more detail about this and also about changes related to full development.

Mr. Oliveira: Just as a reminder, full development goes back to 2012 and we had the EPS with 2 or 3 wells and a full development system with 12 wells. This plan was approved by the agency and it was built with a Brent scenario between 80 and US$100 per barrel and it's not our current reality.

So, our EPS for 2 or 3 wells remains the same, we did all the investments required for the system, but naturally the full development system has to go through a review vis-à-vis the oil price at the time in which the decision was made.

So, it's important to maintain the maximum VPL and the system will be set and defined considering the oil price and then will define the final number of wells to be considered.

As we speak, what is really approved by the agency is the system with 12 wells. At that time, Capex around 2019 naturally it will be reviewed and shown to everyone, disclosed to everyone.

Mr. Hachem: Perfect. Thank you very much.

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

Mr. Santos: Good morning everyone. It's a kind of a follow-up question. Given the current oil scenario with a lower oil price, potentially even lower, what would be your flexibility to perhaps postpone the full development system that would begin next year?

How flexible would you be to perhaps adopt another solution, perhaps a cheaper solution reducing the cost with your full development system at Atlanta? That's my first question.

My second question is about Carcará and the Guanxuma prospect. Has the Consortium hired the drilling rig to start drilling in the end of the year and to start testing in the beginning of next year? How is this evolving? Thank you.

Mr. Guardado: Good morning Felipe, and thank you for the question. Well, this is Lincoln. With regards to the price dynamics, the contract that we have today is a five-year contract, so it allows us to have some flexibility to regulate our production, our costs and changing to EPS as we did. There is no problem about this, the contract with the FPSO and the drilling rig is for 5 years.

We always talk about 3 and 3.5 years because not everything… if everything does not go according to our plans and if the oil price remains at a certain level, undoubtedly it makes sense to upgrade to the full development.

When we talk about the full development system (and Danilo has mentioned this) oil price will be important. We have 12 wells, but we might have fewer wells and we have the possibility that even with 30,000 barrels to reprice wells. Perhaps, if necessary to provide maintenance… well, depending on the maintenance of prices, we know that the EPS costs are lower than the full development, we can simply replace wells taking into account drilling and completion of another well.

But our design from the very beginning was consistent that way, and that's why we talked about an extended well test in a pilot well because it allows us to have this kind of flexibility depending on the performance of the reservoir and obviously taken into account the economic aspect i.e. oil price.

So, we are quite confident in the economic robustness, even if it extends a little the recovery of the reinvestments made so far.

As for Carcará and Guanxuma, the system still depends on the operator. We know that the operator is looking for this, pursuing this, but I cannot tell you the current status because the operator (Statoil) has other assets that they operate in Brazil, so cannot speak for them and they are probably looking for a rig that has a contract that is elastic enough for them to operate in other assets that they have, other blocks that they have.

So, we know that there is this initiative, but there is a prudential time given the great supply of this kind of equipment in the market. But the date is maintained to begin in the fourth quarter of this year. Unless otherwise decided, depending on other things that can happen, for example, there is this injunction, that was rejected and so they can again go back to look at the operating aspects to drill the Guanxuma well.

Mr. Santos: Thank you Lincoln, thank you. A follow-up to my first question: So, given the oil price, you can even extend the contract with Teekay and extend the early production system for a longer period of time and perhaps never get to the full development or this is all being questioned? You will start with the EPS and then go for the full development? I mean, what are you thinking about this?

Mr. Guardado: Undoubtedly, the behavior of the reservoir and above price oil, the flow assurance of the reservoirs, these three elements will define what we are going to do. The first two will be done in a much shorter time than 5 years, so we are going to have these elements in place but in the first and the second year, we are going to be confident regarding the track record of production to be able to define what could be the productivity of each well along their lifecycle.

The only variable that will remain will be the oil price, and here one of the options would be to perhaps extend the contract or depending on oil prices and a number of modeling options for this we could be thinking of a bigger FPSO because this FPSO have a limited capacity of around 30,000 barrels a day production.

So, all of these hypotheses are in our radar, but our main hypothesis is not this one. Our hypothesis is that we will use this FPSO or perhaps even a smaller FPSO reaching 70 and 80,000 barrels so we could use one that has a capacity for 50,000 barrels or we could have other wells for that.

Mr. Santos: What is your breakeven estimate for Atlanta field?

Ms. Côrte-Real: Felipe, this is Paula. Well, the same… remains the same, for the early production system it would be about US$45 Brent price and you have to consider discounting the operating cost of the field and for the… and when we include the third well this would drop to US$37 of Brent price.

The full development will depend a little on the design, as Danilo mentioned and as Lincoln stressed, this is something that is being considered considering the new oil scenario.

Mr. Santos: Understood. Thank you.

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

Mr. Carvalho: Hello Lincoln, Paula, Danilo. I have a couple of questions. The first, regarding Carcará. As you mentioned Lincoln, it's all quite ready for the auctions that will happen this year and from your cash standpoint you said that you have at least the next two years covered by the investments… by the CAPEX that you have, by your cash position.

So, what kind of study are you carrying out to decide whether you're going to join the bid or not? I know that this is probably something you are going to start discussing now because the auction will be in September, so it's a month away. I'd like to know what is the company's interest in increasing your stake.

My second question has to do with Manati. This is a somewhat longer-term question, but you updated the curve and the reserves by Gaffney & Cline and Associates. So, when will you start discussing Camarão Norte? Will it be after 2021 or when will you start looking into this process to decide whether you are going to go ahead with this or not?

And my third question has to do with the farm out process for some of the blocks that you acquired in the past. I just want to understand you also mentioned that we now have a better regulatory environment in Brazil, but that is valid for all players and this has been (I should say) led by Petrobras.

So, I would like to know what competition do you see in these auctions that the government is offering now of the Petrobras assets that they are putting to sell? Because this could impact your farm out process. Thank you.

Mr. Guardado: As you know, I don't know whether the Camarão Norte question is more long-term or short-term. I'll leave this to Danilo and I'll answer the other two questions about Carcará and the farm out.

Mr. Carvalho: Danilo, I just want to know when you are going to start looking into the possibility of extending the decision for Camarão Norte. How long would it take to connect one reservoir to the next?

Mr. Oliveira: Alright, Camarão Norte. Currently, Camarão Norte has lost a lot of interest because of the gas market itself. It is a very small reserve and two factors are important for us to determine the development of this field: The prices, the sale price of the natural gas because this is not part of our gas contract for Manati. And at the moment, discussing gas prices with any other player when there is excess supply and a pendant demand this would be a discussion happening at an inappropriate time.

So, the Consortium on both sides that are part of the unitization are trying to think out-of-the-box to come up with a model that would make sense to have this kind of unitization at this point and to have the development of Camarão Norte. At the moment, both parties are discussing this, both the Manati Consortium side and both… and also the owner of the reserve of the other side of the Field. So we are still discussing this. We don't know when we are going to complete this negotiation.

Mr. Carvalho: Okay, thank you.

Mr. Guardado: All right, this is Lincoln. Luiz, for the two remaining questions, I'd like to answer starting with the last one, on the farm out. Undoubtedly, the full availability of areas being offered by the government and some of the minimum conditions, it doesn't mean that the blocks to be sold for the minimum price, we believe that they will be auctioned with much higher conditions in terms of financial exposure and profit oil and the time for the government given the characteristic of these areas.

So, all of these announcements undoubtedly brought along more competition and also the divestment of Petrobras. From what we heard, they are reviewing the way they are going to conduct their farm out process, but definitely this brought more competition to our farm out and this is not for other reason, we can speak openly to you. It is not for any other reason that were brought this firm out a little forward. Our idea was to initiate the farm out until the third quarter of last year, so we wanted to have the seismic, we wanted to have the interpreting and then do the farm out.

Today we are fishing the interpreting of the data for the equatorial margin assets, we haven't received the final, final data on Pará-Maranhão, they will come until the end of the first half of the year.

But what we wanted to do was to bring our farm out a little forward, the auctions are going to happen in September/October, they were expected for June/July initially, so we what kind of brought this forward, we wanted to anticipate the whole process. But yes, there is some competition, but this is from the external point of view.

For the internal point of view, our development process is important and that brings me to your first question about Carcará and perhaps even other areas that will be involved in the 14th bidding round, which is the post-salt.

And today (and not limited to this, but in the peculiar), discussions are only beginning regarding our positioning in the auction, but they will depend a lot on the indices, on the indicators, I'm not even going to say the success, but the indicators that we get in our divestment.

This is clearly an exposure, an overexposure compared to what we intended given the circumstances of the company and we definitely need to deleverage, but depending on how the process unfolds we are quite excited given the interest shown by many companies.

We will define then our position regarding the auctions for the pre-salt and the post-salt. However, what we have seen is that many companies also decided to bring forward their initiatives, either because they already have something prepared, known, with advanced levels of mapping and they do not want to be disputing bonuses, their commitments, which is the biggest appeal of our blocks, we have with the regulator a very low commitment, we are bringing the farm out process forward, so this flexibility does have a value for companies, this is what we are bringing, this is what we are hoping will happen, this is not the only element, we have to recognize that.

The success of this auction as long as we achieve the indicators that we are preparing for then we will think whether we can participate and how we can bid in one of these auctions.

It is all very incipient, a lot of things were not defined. Only last week that we see the values for local content, bonuses and etc., and even if they look attractive, they are quite significant for a company like ours, but this is a path which is only beginning and it will depend on the completion of our farm out within the parameters established by our board.

Mr. Carvalho: Just so I can understand, in your answer Lincoln in terms of timing, Carcará, for example, is scheduled for September, so we are talking perhaps about the results for the second quarter, perhaps in July, in August? You have to have a clear definition of the divestments to decide whether you are going to move forward with another requisition, right? So, in terms of timing I guess this is it, right, 2 to 3 months?

Mr. Guardado: Yes, you are correct. I just want to correct that the pre-salt auctions the second and the third will be held in October. September is the 14th bidding round actually, and that's why we are accelerating a little our actions so that in the beginning of the third quarter we will be in a position to make a decision.

You are correct about this. Or else we are not going to have time.

Mr. Carvalho: Okay, thank you.

Operator: Next question Gustavo Alevato, from Santander.

Mr. Alevato: Good morning. My question is about Atlanta, Lincoln. You mentioned in the release that have negotiations with Teekay. Could you give us more detail what is still pending? And what about the expectation of the first oil in Atlanta scheduled for early next year, considering these negotiations do you expect to see any kind of delay?

My second question is about Manati. I lost the beginning, I missed the beginning. You gave this guidance for 2017, so just checking production in the first quarter it was pretty below this number, so where would this growth in demand come from in order to meet the guidance for the year? Thank you.

Mr. Guardado: The negotiation with Teekay is very intense, that's what I can say. We are trying to speed up the frequency and also have e-mails to make it faster. Things are going on the right track, it's not completed, but the main points, the key points on which we lay upon, which are engineering aspects, identification and solution of the problems they are underway and at least identified, and we expect to solve all the pending issues and now we are addressing our negotiations.

But I'm very confident that we will have results within this month about signing this new version of the charters, which takes into account all our concerns that we had in the past about the arrival. But despite all that, we are awaiting it for the end of the fourth quarter and first oil in 2018. So, this is part of our plans and we hope we can conclude the process as soon as possible.

So that's for Teekay. As for Manati, I do know if Danilo has more information to share, maybe he can give you a better answer.

Mr. Oliveira: Okay, our guidance, production guidance, our expectation for 2017 is 4.9. This was based in two points: in the first, average production in 2016; and the second, well, we have a contract with Petrobras in which it commits itself with this amount. But despite the low average in the first quarter, I can tell you that April and May showed good growth and the last three days' production was very close to 6.0 million. So we hope we will meet the target in terms of effective gas sale, right?

Mr. Alevato: Clear Danilo. Just a follow-up question about the first question. What about the renegotiation with Teekay? Might it invert the renegotiation of… we would have thought about US$470 per day, US$480,000 per day. Are you going to maintain this amount?

Mr. Guardado: This negotiation involves commercial aspects as well in terms of daily rate and also elements that might allow the company to recover part of the time that it lapsed, so we are being very open and candid and we hope this will bring at least at first our signature and we are going to give a disclosure, but our intention is not to force anybody here, but just to have a reasonable agreement for the new agreement and it does involve commercial aspect, and once concluded in the future we will disclose everyone so you can adapt your revenue curve, okay?

Mr. Alevato: Crystal clear, Lincoln. Thank you and good afternoon.

Mr. Guardado: Thank you.

Operator: The next question is from Ruan Pires, Charles River.

Mr. Pires: Good afternoon Lincoln and Paula. My question is about Manati certification report, it was something new, at least to us. It states that in 2017 Consortium members not operators suggested a change in amendment to the agreement to reduce the amount or daily amount contracted, and in the future, it might allow producers to pay penalties delivery pay.

Could you comment a little bit more about that? And do you think it might affect the take-or-pay agreement that you currently have or could you put things behind now so that later on you won't have to pay the penalty? Thank you.

Mr. Oliveira: Okay Ruan, our contract with Petrobras involves one obligation volume-wise and also Petrobras obligation to take the final development back and this is based on a production curve, and this curve has been revised regularly.

So, when we had the amendment and set, our sales curve it was based on a 2P curve and we foresee and expect to make this review and to have it adapted to the current reality.

Actually, if we maintain the 2P curve as a firm curve of gas supply then naturally we wouldn't have condition to supply the gas and we might have to pay a penalty. But the contract (or by the way, we always make use of this condition), every three years we can review the production curve at the Consortium members' convenience, so the review is expected, we will lower the curve, the mandatory delivery curve for the 1P curve, which doesn't mean we may not deliver more.

Remember that for many years we were 6.0 million in the curve and we delivered 8 million, but correction is necessary in order not to have to pay the penalty. So, nothing different here, okay?

We just highlighted, Gaffney highlighted that the calculation shows that the curve will be reviewed to adapted to Manati's production reality.

Mr. Pires: Thank you very much. I think I got it. Just a follow-up question. What about the amount, the value that you have in Accounts Receivable with Petrobras about the take-or-pay agreement from last year which was not hit? Do you have any forecast about it?

Ms. Côrte-Real: Paula speaking. Juan, this amount is being negotiated with Petrobras, it is the first time it happens in the agreement in 10 years of Manati production. It is the first time Petrobras has less than the take-or-pay, it is the first time we have this kind of adjustment, so it's only natural that the parties sit down to come to an agreement.

About the number of days, for instance, in which was a lower consumption vis-à-vis Petrobras obligation, so we're just about to conclude this negotiation with Petrobras and as soon as it is completed we will let you know about the adjustment amount.

Mr. Pires: Great, thank you very much.

Operator: I would like to remind you that if you want to ask a question, please press star one.

Again, ladies and gentlemen as a reminder, if you would like to pose a question please press star one.

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

Mr. Guardado: Very well my friends, thank you very much for joining us, for your questions and for your interest in joining us.

I mean, this was a quarter with expected results, but it doesn't mean that future quarters will not be bringing novelties. Again, thank you for joining us and I would like to remind you that our Investor Relations Department is always at your disposal to answer your further questions, if you need any clarification, and all management remains available if you need us.

Thank you very much, have a good day and I'll see you in the next quarter.

Operator: That does conclude QEGP's conference call for today. Thank you very much for your participation. Have a good day.