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# Earnings Results Presentation

4Q17 and FY17

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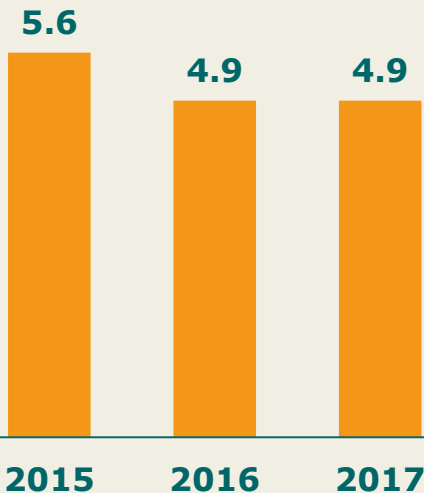


# 4Q17 Highlights

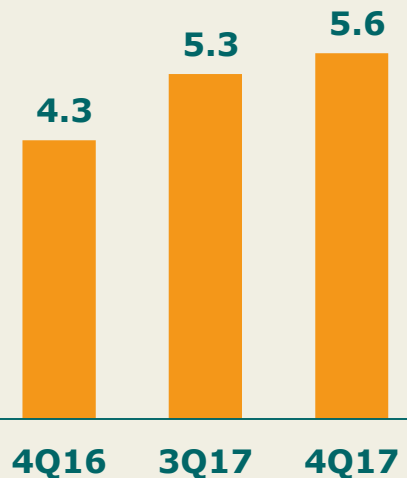
- Higher demand for Manati Field gas and one-time benefits drove improvement across key financial metrics
- FPSO arrived in Brazilian waters by year-end
- QGEP, together with partners ExxonMobil and Murphy Oil, evaluating 4 jointly-owned blocks in Sergipe-Alagoas Basin
- Preparations for additional farm-out process underway
- Record cash position at year-end of over R\$2.0 billion, included first installment payment from Statoil
- Re-set of capital allocation program; proposal of a total dividend of R\$400 million (or R\$1.5452 per share) and a potential second payment to be evaluated after the decision on the participation of the ANP Bidding Round in June

# PRODUCTION – MANATI FIELD

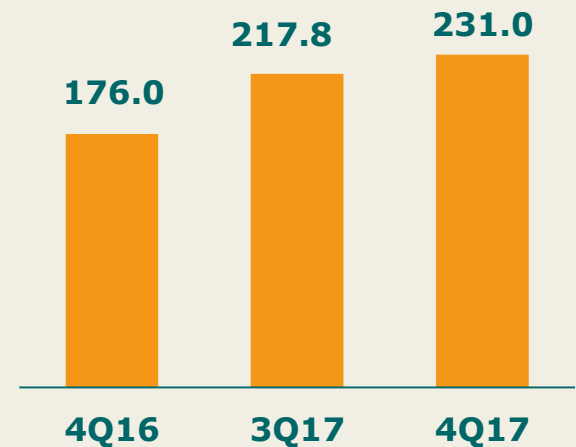
(MMm<sup>3</sup> per day)



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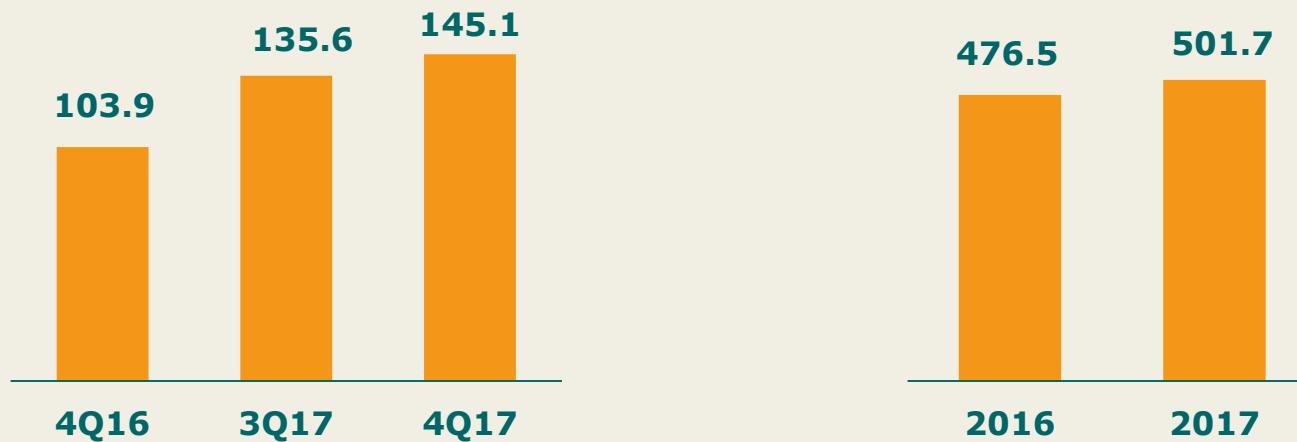


(Total Production MMm<sup>3</sup>)



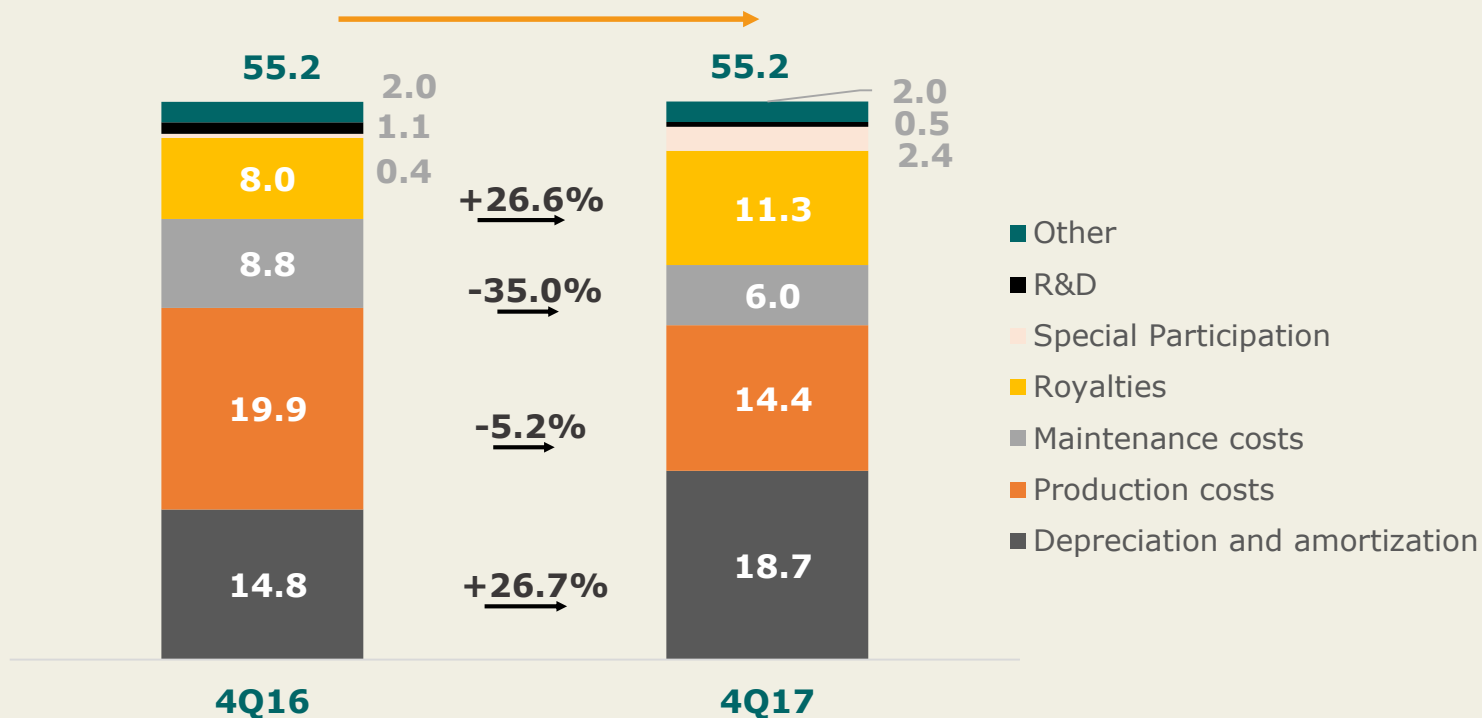
- Average daily production was 5.6MMm<sup>3</sup> in 4Q17, up 6% sequentially
- Higher demand for natural gas in Northeast Brazil as drought conditions caused dispatch to thermoelectric power generation
- Full year average daily production was 4.9MMm<sup>3</sup> in line with guidance
- Full annual production capacity restored at Manati Field

# NET REVENUE (R\$ MM)



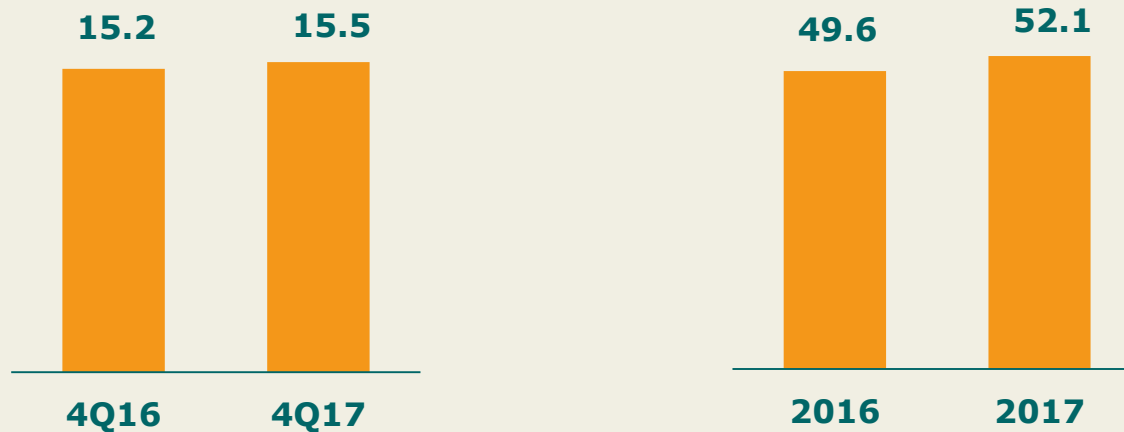
- **4Q17: Net revenue increased 39.7% year-on-year due to higher Manati production and prices contractual adjustments**
- **2017: Net revenue increased 5.3% to R\$501.7 million benefitting from contractual prices adjustment, since the production was stable year-over-year**

# OPERATING COSTS (R\$MM)



- Total operating costs were R\$55.2 million in the quarter, flat with the same period of the prior year primarily attributable to higher depreciation and amortization expenses and royalties related to higher production
- Maintenance costs were 32% lower. Included in this item is R\$4.0 million associated with the repair of the damaged production line at the Manati Field, cost that was below the initial budget and had, deducted from provision of a insurance partial refund in the amount of R\$3.9 million

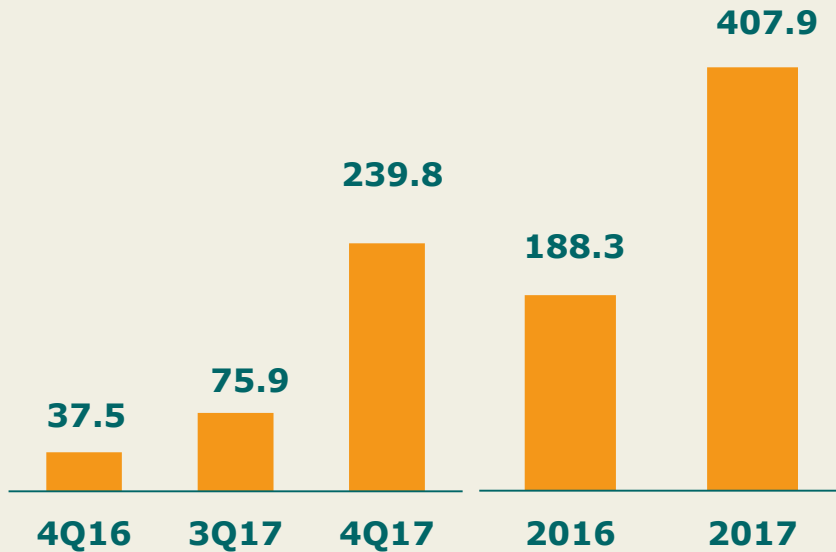
# SG&A EXPENSES (R\$MM)



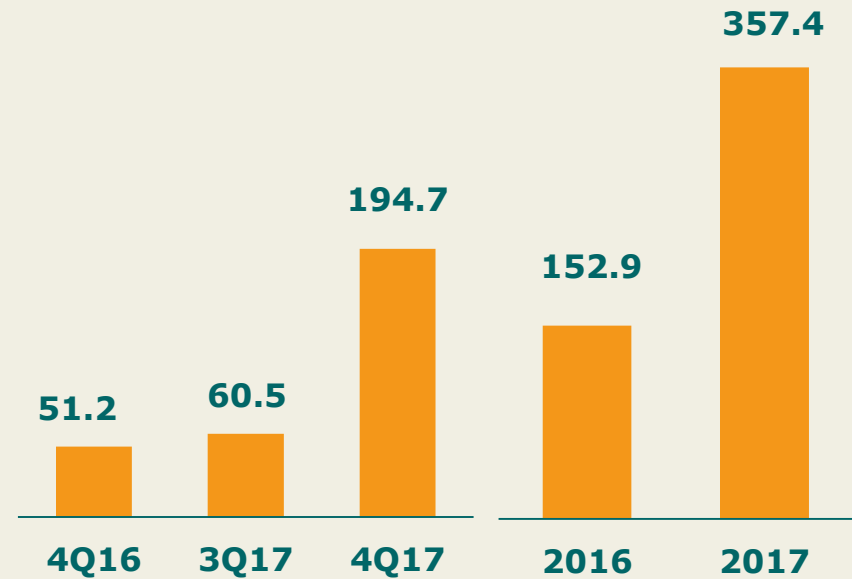
- **4Q17: SG&A costs increased 2% to R\$15.5 million, primarily due to investments under the Audio-visual Law, with part of the Income Tax owed being destined for social projects; down 390bps as % of revenue**
- **2017: SG&A costs dropped 5%, reflecting the decrease in the allocation of expenses to partners in blocks where QGEP is the operator and also investments encouraged by the Audio-visual Law; stable as % of revenue**

# PROFITABILITY (R\$MM)

## EBITDAX



## NET INCOME



- **2017:EBITDAX and net income with a large decrease primarily reflecting the gain on sale of Block BM-S 8, together with a better operational result and lower operating expenses**



# CAPEX 2017-2019

2017

**US\$42MM**



**\$19MM**  
Atlanta Field

**US\$22MM** in  
seismic acquisition

2018

**US\$70MM**



**\$48 MM**  
Atlanta Field

**\$17 MM** in  
exploration activities

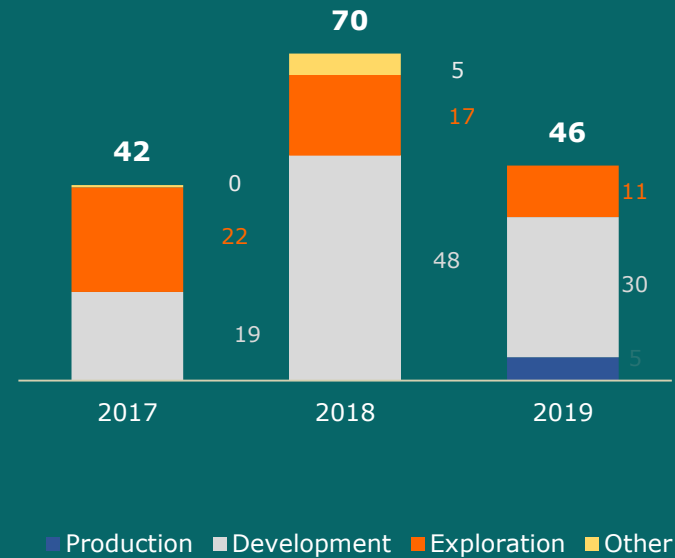
2019

**US\$46MM**

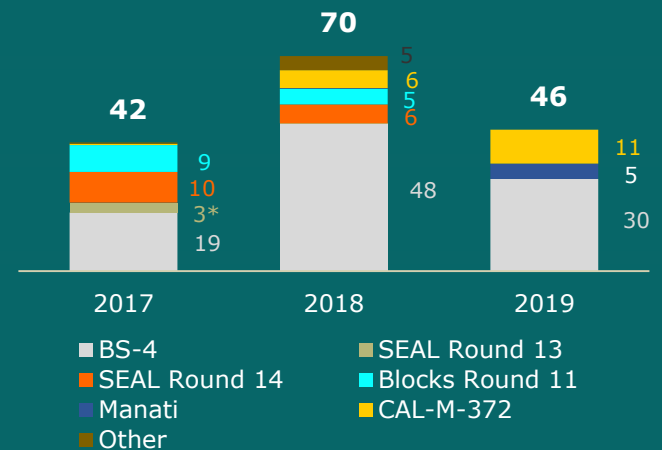


**\$30 MM**  
Atlanta Field

**\$11 MM** in  
exploration activities



■ Production ■ Development ■ Exploration ■ Other



# PORTFOLIO OVERVIEW - UPDATE

## PRODUCING - MANATI

- Average daily production was 5.6MMm<sup>3</sup> for 4Q17 and 4.9MMm<sup>3</sup> for full year 2017
- Production guidance for 2018 first half is 4.6MMm<sup>3</sup> per day
- Full production capacity of the Field was re-established

## DEVELOPMENT - ATLANTA

- FPSO on site at the Atlanta Field
- QGEP and Teekay are interconnecting production and control lines
- First oil confirmed for late March/April
- Favorable heavy oil pricing
- Decision pending on 3<sup>rd</sup> well as part of EPS

## EXPLORATORY

### SERGIPE-ALAGOAS BASIN

- QGEP retains 30% ownership in 4 Blocks
- Developing roadmap with partners to determine timetable for evaluation of potential
- Seismic acquisition scheduled for 1Q18
- Long duration test at adjacent block Farfan in 2018

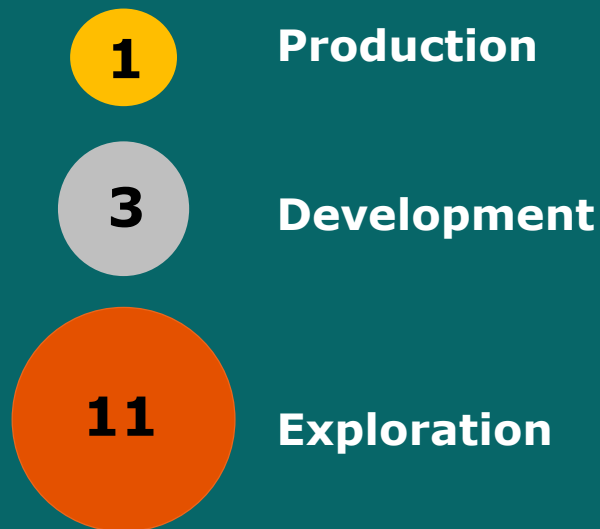
### 11<sup>th</sup> Bidding Round Blocks

- Farm-out process for blocks in Foz do Amazonas and Pará-Maranhão basins in preparation;
- Ceará and Espírito Santos Basin Blocks under evaluation with partners

# SUBSTANTIAL EXPLORATORY PORTFOLIO



**Growing and diversifying QGEP's asset base along the Brazilian coast**



# SUMMARY & OUTLOOK

- **Operating/regulatory environment in Brazil continues to improve**
- **QGEP positioned for production growth with the beginning of operations in Atlanta**
- **Major corporate initiatives have strengthened Company's fundamentals**
  - Second producing asset to come on line in late March/April at up to 20kbbbls per day
  - Capex budget has been significantly reduced
  - Successful farm-outs have attracted global partners
  - New consortium was high bidder at 14<sup>th</sup> ANP Bidding Round
- **Entering 2018, with very strong balance sheet, modest short term financial commitments, farm-out potential and an appetite for opportunistic investments**
- **Special dividend returning capital to shareholders, while ensuring that the company maintains financial flexibility to support future growth**



# QGEP: Well Positioned for Growth



**Operational  
Discipline**



**Substantial  
technical  
expertise**



**Ongoing  
portfolio  
optimization**



**Financial  
flexibility**

**15**  
Concessions  
in our  
portfolio

**+76%**  
Average  
EBITDAX  
Margin  
2017

**R\$1.6 bn**  
Average  
Cash Balance  
2017

**+R\$1.2bn**  
Average  
Net Cash  
2017

## Investor Relations

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