Operator: Good day ladies and gentlemen. Thank you for waiting. At this time we would like to welcome everyone to QEGP's fourth quarter and full-year 2017 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 session when further instructions will be provided. Should any participant need assistance during this conference call, please press star 0 to reach the operator.

Before proceeding, let me mention that forward-looking statements that might be made during the conference call relative to QEGP's business perspectives, financial and operational 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. Lincoln Guardado: Good day everyone and thank you for participating in our call today to review Q4 and full year 2017 results.

Before beginning, I would like to say that the whole company, our management, all of us are very happy to be making this conference call with you. We believe that this year was an important milestone for QEGP at all levels, we had a record result in terms of net income, we had a strong presence of our associations who diversified our portfolio bringing in new partners, we had the arrival of our FPSO in the end of 2017 and, above all, we are making a very rational distribution, an important distribution payout of dividends to our shareholders.

In other words, a set of achievements when we look at the company in the present and in the future and recognizing the full support that we have had from all of our shareholders. We are really very happy to make this call to disclose these earnings because we believe they are very special.

I would like to highlight that the results of this year bring important milestones for QEGP. In 2017 we made a series of decisions and took actions to optimize our asset portfolio, to reduce our financial commitments and to position the company for a sustainable growth in the coming years, thus generating greater return to our shareholders.

With that, let us begin on slide 3, that presents the main highlights of Q4 2017. From the operational standpoint, the higher demand for Manati's natural gas increased our revenue, both compared to the third quarter of 2017 and against last year's fourth quarter, which combined with a gain obtained on the sale of our interest, of our working interest in Block BM-S 8, resulted in an exceptional financial performance this quarter.

With regards to our development activities, FPSO Petrojarl 1, as previously mentioned, reached Brazilian waters in the end of the fourth quarter, in keeping with our schedule, and first oil at the Atlanta field is expected in late March or beginning of April.

We also began to work with our new partners, ExxonMobil and Murphy Oil, on the roadmap for evaluating the blocks in the Sergipe-Alagoas basin. In addition, preparations are underway for the farm-out of other areas this year, other areas belonging to QGEP's portfolio, but located in the Equatorial margin. Hopefully, this will happen still this year.

We entered 2017 with more than R$2 billion in cash already including the amount received relative to the first payment of the divestment of Block BM-S 8. This cash inflow gives the opportunity to reset the company's capital allocation program to include a special dividend distribution of R$400 million and a possible additional distribution in the future. This dividend payout is conditioned to some events.

Well, this dividend payout shows the company's appreciation of its shareholders and reflects our approach to an excessive surplus cash. This surplus cash was possible mainly due to the monetization of an important asset and a significant Capex reduction, which would be associated to the development of that asset.

All of that enabled us to bring forward a significant dividend payout without compromising QGEP's future commitment, both in terms of its current portfolio and as it relates to potential future opportunities.

Now I would like to turn the call over to our Chief Financial Officer, Ms. Paula Costa, for a financial and operational review of Q4 and full-year 2017 results. Paula, over to you.

Ms. Paula Costa: Thank you Lincoln and thank you all for joining us today. To underscore Lincoln's comments, 2017 was an extremely important year for the company. The positive results of our strategic actions coupled with better operating conditions are already reflected on the record results of this fourth quarter and on our sound financial performance over 2017.

So please, go to slide 4. We posted considerably higher results at Manati field in the fourth quarter. As mentioned in prior quarters, the drought in Northeastern Brazil continued along the second half of 2017, resulting in higher demand for Manati field's natural gas.

Average daily gas production in the fourth quarter peaked at 5.6 million m³, 30% ahead of the 4.3 million m³ produced in the fourth quarter 2016. Total daily production in 2017 reached an average of 4.9 million m³ a day, similar to 2016 and in line with the company's guidance.

Please go to slide 5. Our net revenue totaled R$145 million in the fourth quarter, up 40% year over year, a more accelerated growth compared to the increase in production. This is mainly explained with the current contract that had an adjustment of gas prices to account for inflation which occurred at the beginning of 2017. In the full year 2017, revenue totaled R$502 million, an increase of 5% compared to 2016.

Let us now talk about costs. Please go to slide 6. For the first quarter, total operating costs remained flat with the same period, or the fourth quarter of 2016, primarily attributable to lower production and maintenance costs. On the other hand, we posted higher depreciation and amortization expenses and royalties related to higher production.

Maintenance costs in the quarter were around R$6 million linked to the repair of a flow line damaged in the beginning of 2017. The repair work was completed with a total cost of R$15 million net to QEGP, with a partial refund of insurance in the amount of R$4 million.

In the full year 2017, maintenance costs totaled R$35 million with work related to the painting and maintenance project at the Manati platform in the first half of the year and the previously mentioned repair work of the flow line in the second half. Overall costs were 5% lower than in 2016.

Please turn to slide 7. General and administrative expenses totaled R$50 million in the fourth quarter, up 2% year-over-year mainly stemming from investments in social projects under the Audio visual Law with investments being offset by a reduction of the same amount in income tax. There was also a decrease in the allocation of expenses to partners in blocks were QGEP is the operator.

As a percentage of the revenue, G&A expenses accounted for 10.7% in Q4, down 4 percentage points compared to the fourth quarter 2016. In the full year, G&A expenses represented 10.4% of total revenue, flat year-over-year.

Our exploration expenses totaled R$3.3 million in the fourth quarter, down 7% from fourth quarter 16. No relevant funds were spent on the acquisition of seismic data in the quarter, only on geologic and geophysical studies. For the full year 17, exploratory expenses totaled R$28 million from R$63 million in 2016, down 56%.

Let us now talk about our profitability on slide 8. The 30% increase in production in the fourth quarter relative to the same period of last year combined with a gain on the sale of Block BM-S-8 of R$156 million resulted in an Ebitdax of R$240 million in the quarter, more than 6 times higher than the R$38 million posted in the fourth quarter 16.

Even net of this nonrecurring gain, Ebitdax would be equivalent to R$90 million, almost 140% higher than the fourth quarter 16, benefiting from higher production while Ebitdax margin would be 62%.

In the full year 17, Ebitdax totaled R$408 million, up from R$188 million posted in 2016. Even excluding this one-time gain related to the sale of BM-S-8, Ebitdax would correspond to R$258 million, 37% higher than in 2016, with Ebitdax margin reaching 51%.

Net income in Q417 reached R$193 million, up from R$51 million posted in the fourth quarter 16, reflecting higher operating income combined with a gain on sale of the company's interest in Block BM-S-8, as well as with lower financial expenses as mentioned. All together resulted in this record performance for the quarter and the full year.

On slide 9 we have more details on our Capex. Capital expenditures in 2017 totaled US$42 million with most of the resources, about US$19 million, spent in the Atlanta field.

On this slide we are showing the breakdown of our capital expenditures for 2018 and 2019. We are planning to invest US$70 million in 2018, this amount will be used to accelerate the development of the Atlanta field, which will account for most of our spending, budgeted at US$48 million, already including the drilling of a third well in the second half of this year. We plan to use the remaining funds for exploratory activities, specifically seismic data acquisition.

In a nutshell and to end my part, this past year we adopted a number of relevant measures, which generated value to our shareholders, more than that, we significantly strengthened our financial position, which will allow us to invest in high-quality project and to continue to optimize our asset portfolio generating value to our shareholders.

Now I would like to turn the call back to Lincoln to continue the presentation. I will be available during the Q&A.

Mr. Guardado: Thank you Paula. Please turn to slide 10, where we will address our operation activities.

In Q4, we had a significant increase in our average daily production of natural gas at Manati field, which totaled 5.6 million m³ per day, substantially above the same quarter of the previous year and substantially above the third quarter of 2017. The drought conditions in the Northeastern Brazil significantly reduced hydroelectric generation, leading to a higher demand for natural gas.

This scenario was already reversed in early 2018 with record rainfall levels in the region. Because this trend is expected to continue in the first months of the year and also this first half of the year, our guidance is average daily production of approximately 4.6 million m³ per day, similar to the production delivered in the first two months of this year.

So far, the production guidance of 5.1 million m³ per day for year 2018 remains unchanged but may be revisited in view of future economic growth and climate conditions, particularly in the Northeast.

If we take into account the contract price adjustment set in January this year based on the small deflation rate of 2017, we don't believe our revisited estimate will bring a significant reduction at Manati field’s operating cash flow in 2018 when compared with the levels achieved in 2017.

Any further decline in Manati Field production can also be offset by revenues from Atlanta Field, our second producing asset, which is about to start up at the end of this month or early April, like we said before.

So like we said, within our startup schedule first oil expected to be extracted from this field by late March/early April, we already have entered into an agreement with Shell to acquire full production from the early production system and expect to benefit from better prices than originally anticipated due to the current discount vis-à-vis the Brent price, which ranges today from US$13-$15, directly impacted from the shortage of heavy oil in the market, countries and also heavy oil is what is least produced due to smaller price, or lower price.

As operators of the block, we are working with Teekay (the FPSO operator) to interconnect with the flow lines and the control between the wells and the vessel, we expect to deliver a stable daily production of up to 20,000 barrels of oil based on the 2 production wells over the first half of the year. In addition, the first 18 months of production will benefit from lower daily rate thanks to an agreement with the FPSOs' operator.

In 2018 our partners and ourselves will make a decision about the drilling of a third well as part of the early production system. This may add up to 10,000 barrels per day to current production levels. In 2019 we will assess the feasibility of a full development system, increasing maximum output to approximately 75,000 barrels per day between 2020 and 2021.

Now let us talk about our exploration portfolio. As you know, the farm out process of our blocks in Sergipe-Alagoas has proven to be successful, and together with our new partners, ExxonMobil and Murphy Oil, we acquired two adjacent blocks in ANP's 14th bidding round in September 2017. QEGP keeps 30% working interest in the four blocks and we believe these areas have great potential to rebuild our oil and gas reserves.

In addition, we are very pleased with our association with these two excellent partners, which will make use of high-end technology in exploration and production in such operationally challenging areas. QGEP's expertise and fundamentals have supported the introduction of these partners to exploration and production activities of oil and gas in Brazil.

In Q4 we worked with our partners on a plan to assess the potential of these blocks, seismic acquisition is scheduled to start by late April, and based on the results of this seismic data assessment in 2019 we will have conditions to potential drill the area over 2020. It won't be weird if we even managed to accelerate this assessment.

Following the same rationale applied to blocks in Sergipe-Alagoas, still in the first half of 2018 we expect to restart a farm out process of blocks in the Pará-Maranhão and Foz do Amazonas basins, which are in the final stages of seismic interpretation.

Likewise, we are also analyzing with our partners which actions should be implemented in Ceará and Espírito Santo basins. It is also worth highlighting that Total and Statoil are also considered in this plan.

An additional time may be required to meet our target in these basins due to delays in obtaining environmental licenses for seismic acquisition and licenses to drill more wells.

Please turn to slide 11. As you can see, the company's very diversified in terms of risk and premium since our exploration assets are located in most of the main producing basins things along the Brazilian coast, many of them have an established oil system and production level.

Please turn to slide 12. This slide summarizes the main highlights of the fourth quarter and full year 2017, which set the stage for QGEP's growth in 2018. We highlight the launch of lines at Atlanta field, there is a picture of the FPSO and McDermott's launch vessel.

Firstly, the operational and regulatory scenario of the Brazilian oil and gas industry continues to improve, and it's only natural that international oil and gas companies are increasingly more interested in investing in opportunities in Brazil.

Please note that in addition to ExxonMobil and Murphy Oil, our international partners include Statoil in Total, companies with operational and technical excellence from which we can learn and also support as they expand their investments in Brazil.

In terms of operating metrics, we are ready to deliver a better performance in 2018. We are still working on our guidance for the annual production at Manati field. However, the current production levels are stable at 4.6 million m³ and production at Atlanta is expected to start soon.

At the same time, the main strategies adopted in 2017 have substantially strengthened our financial position. The sale of our 10% working interest in Block BM-S-8 to Statoil has already brought us US$189 million in late December 2017, and a second payment amounting to US$45 million is due in the first quarter of 2018, after the execution of the sharing agreement of the area adjacent to Block BM-S-8.

The remaining payment, which accounts for 38% of the acquisition value, will be owed to QGEP once the contract of production individualization or unitization of both areas is signed, possibly by 2019.

Like I said in the beginning of our call, the cash inflow of these funds added to any amounts from our farm out contracts have allowed us to revisit the company's capital allocation programs to include a special dividend payout owing to a significant reduction in our future financial commitments. This led the management to propose a total dividend payout of R$400 million, or R$$1.54 per share, always taking into account our future commitments and possible points of improvement in our portfolio.

We are ready for the next ANP around this March, and although the June around may require higher investment volumes, we are open to accept a lower percentage adequate to our size together with other bigger players of the oil industry.

In addition, we are also very excited about the exploratory assets in Sergipe-Alagoas basin partnering with companies mentioned above and we want to be ready to accelerate the drilling schedule if necessary.

Once we come to a decision about our bidding in the auctions in the first half of the year ANP bidding rounds, we may consider a second potential extraordinary distribution, making sure he won't impair our financial status nor our investment plans for the future.

To summarize, we are looking forward and very hopeful of having another year of progress in 2018 with control of our expenses. We also believe QGEP is very well-positioned and ready to grow in the long run.

On slide 13 you can see the strategic upside that sets our company apart, we are mid-size company in Brazil, we are a financially sound company with efficient operations in our track record, we have significant in-house technical competence which qualifies the company as an A operator in Brazil with an ongoing strategy to optimize our portfolio and expand our asset base.

This concludes my presentation. Let us now open the Q&A session now. Thank you.

Q&A Session

Operator: Ladies and gentlemen, we are starting now the Question and Answer session. If you have a question, please press start one. If at any time you would like to remove yourself from the questioning queue, press star 2.

Our first question is from Bruno Montanari, with Morgan Stanley.

Mr. Montanari: Thank you for the question.

Operator: I'm sorry Mr. Montanari, please remove your phone from the speakerphone.

Mr. Montanari: Okay. Lincoln, in terms of capital allocation, it is very interesting to have this dividend payout that you had suggested before, but in addition to investing in the exploration portfolio that you presented, is the company identifying any opportunities as part of the Petrobras divestment program, perhaps in shallow waters, or smaller deep-water areas?

And the second question: As part of the consortium at Atlanta, what is your position regarding Dommo?

Mr. Guardado: Thank you Bruno for the question. Yes, indeed, Petrobras has a very aggressive divestment program, it seems that it was blocked a little in the beginning of the process, but they are resuming it now it seems.

From what we had seen, in Petrobras teasers and what we read in the media, Petrobras (until now and from what we have observed) was characterized by having either onshore projects that have a production incremental which is still small and which is very much geared to small low-cost companies focused on onshore, and so this really did not make a lot of sense to us.

We have made a decision to be in deep waters because we see the great merit for the country in deep waters, in the pre-salt. So everything that is onshore, which is basically incremental, is not in our radar, in our portfolio. We would need to increase a lot the size of the company to sustain such an operation. So onshore doesn't make sense to us.

Shallow waters, well, that's an area that shares the same characteristics as onshore, these are incremental areas with small production today, with a lot of production of water, and despite some news in the media in the newspaper (and I stress that I read this in the papers, okay?), the company would be responsible for this because one of the things that did not encourage us to be in these areas is because these areas should have a very high abandonment cost.

But still, this doesn't make a lot of sense to us in terms of what it can add volume wise to be produced by our company. So we made a decision and we are well based on deep waters, and we are trying to remain in deep waters. So that entails commitments and operational work, but we want to be working together with companies that, just like us, are prepared to go forward.

We prepared our company to be operating in these areas. Today QGEP can operate, but having a stronger company with us, it makes sense to us that they are there.

But I expect to perhaps enjoy those medium-sized projects of Petrobras that are in production or close to production and that offer a reasonable production so that we can be interested in those.

Currently it is one extreme that requires a lot of money, which is happening in Marlin where they have a big project to replace the FPSOs, to re-drill wells and so on and so forth, and that would not fit our pocket, or these areas that are at a final stage of production and that don't really fit the company's strategy.

So this is the current situation in terms of Petrobras' divestment program. It will linger for a little longer.

As for Dommo Energia, actually, Dommo continues to be a part of the block. QGEP and Barra have supported the company in about R$150 million relative to the 40% working interest that they have, and now we are awaiting a decision from the Arbitration Tribunal regarding the expulsion of Dommo in Block BS-4 given the agreement that we have in the consortium, these are private agreements.

Well, this is a confidential procedure and the company will speak about this as we have a relevant decision from the Arbitration Tribunal regarding this topic. This is the current situation of Dommo as part of our consortium, okay?

Mr. Montanari: Excellent. Thank you very much Lincoln.

Operator: Our next question Gustavo Allevato, with Santander.

Mr. Allevato: Good afternoon Lincoln. I have three questions, they are very straightforward. Could you give us an update of potential farm-outs, additional farm-outs? Are you looking at other opportunities in addition to what was announced in the end, or are you happy with what you have achieved so far?

My second question, going back to that question regarding capital allocation: Today the focus of the company, are you focusing on producing assets or does your focus remain in exploration assets?

And thirdly, regarding the dividend payout of R$400 million, it's not clear to me when you will be distributing the dividend. Can you give us a date if possible? Thank you very much.

Mr. Guardado: Gustavo, I will turn the floor to Mendes, he can give you more detail. I understood that you want to know about the farm-out.

Mr. Allevato: Let me clarify the question Lincoln. I'm sorry if I was not clear. I want to know whether you are thinking about additional farm-out programs. Are you considering to farm out other assets in your portfolio? Do you still see opportunities or the farm-outs you announced in the end of last year have achieved all of the company's goals?

Mr. Mendes: Gustavo, this is Mendes speaking. Regarding the farm out, we had disclosed before the continuity of the farm-out program in the Foz and PAMA. We have to analyze the volume and attributes, but we will finalize that by late March. We expect that in April we will enter the second phase of our farm out of our block in Foz and PAMA knowing more to potential and having analyzed the attributes.

We have talked with a number of companies that have shown interest in participating in the second round of farm-outs at Foz and PAMA.

And as of opportunities, this is a recurring topic we are always analyzing opportunities through bidding or swaps. This is a common activity in any exploration company. We are always assessing opportunities, being invited by other companies to assess exploration assets. This is our daily working exploration, okay?

Mr. Guardado: Bruno, this is Lincoln. You asked about capital allocation… I'm sorry, Gustavo, not Bruno. Well, when we look at capital allocation, we would like to have diversification. I mean, we are always seeking diversification of revenue strength. There is no doubt about it, and this is what has led us to look for areas where we can bring forward the production a little. We are always focused on trying to bring things forward. Manati should produce until 25, 26, Atlanta will start operating soon, then in 2019 we will have to make a decision regarding a full development system, but this will only be totally implemented in the beginning of 2021.

So, you know, we try to cover this curve with some other areas, but we were not able to identify in the market anything that would bring production forward. Everything we saw that we could afford financially speaking is either too small, as I mentioned when I answered Bruno's question, or it's too big and it wouldn't really fit our pocket.

Some other areas that were in a farm out process that we considered of big companies that are in the market, well, they had a big problem; they would fit our pocket in terms of the upfront money, but they had a big financial exposure in terms of abandonment.

Of everything we saw, the company would have to be responsible for abandonment and that is basically financial rationale, it's not linked to strategy, it's basically a financial rationale and we didn't think that it would be worthwhile.

So I want to tell you that we are looking at exploration, except for Petrobras and some others that made some movement in that direction, big companies as well. But, undoubtedly, if we identify opportunities that can reinforce the predictability of cash generation for our company, we will look into that considering our financial possibilities.

So capital allocation could include, for example, a working interest that is compatible, that is close to production or that is already in production. But we are not very focused on end-of-lifecycle assets.

Regarding the distribution of dividends, I will turn the floor to Paula, she's going to give you details on the mechanics of dividend payout.

Ms. Costa: Gustavo, hello, this is Paula speaking. With regards to dividend payout, this is part of a proposal by the top management, we had our shareholders' agreement, the proposal will be filed on March 9, the shareholders' meeting will happen on April 11, and payment will take place 7 business days after the meeting. So we would have the date of approval April 11, and the dividends will be paid 7 business days after that, on April 20.

Mr. Allevato: Very clear. Thank you for the answer.

Operator: Next question Julia Ozenda, UBS.

Ms. Ozenda: Hello, thank you for the call. About the previous comment that is in your reserve report, current Manati wells are not draining all the gas and may be another drilling process there. I would like to know if this is the main reason why you had a drop in the curve, and also know if this is already being considered, if the west is already included in your estimates what is the cost according to GCA.

A couple of months before you mentioned that the discount to Atlanta oil had went down US$18 per barrel to something close to 13. Now that you are starting production I would like to know if there is another sign of improvement from 13 onwards and, although it is currently at 13, any expected growth by year-end? Thank you.

Mr. Guardado: Julia, Danilo is going to answer both questions to you.

Mr. Oliveira: Good morning Julia. Manati, the reason behind we had this reduction in production or the production curve provided by Gaffney vis-à-vis 2017 and also the extension, this is mostly related to a difference between what we expected to have in 2017 and what is actually being expected now. For example, in 2017 the curve for 2P was a production of 5.4 million m³ per day in 2017 and 5.45 in 2018.

We did not do that, we did not deliver that in 2017, it was 4.9. And in 2018 at the moment is 4.8. Reserve is basically equivalent to last year's reserve minus production. So this difference between the forecast last year and 2018 this difference considers that 2018 will be a year of average sales of 4.8 and therefore the remaining gas we should have been produced in 2017 and 18 the gas is in the reservoir, so it extends the production curve.

So if you think about the summation, the reserve will be the same. So this extension is simply owing to the fact that this year we are going to have an average sale of 4.8 million m³ per day. I hope I've answered your question.

Ms. Ozenda: What about the oil discount, Atlanta, a reduction from 18 to 13 at Atlanta field?

Mr. Oliveira: I wouldn't say it is 13 because we haven't sold the oil yet, but I recently had a conversation with potential buyers and the estimate is to remain at such levels. It might be 13, 14, 12.5, but this difference will be maintained basically owing to a higher sale price for heavy oil in the current scenario.

Ms. Ozenda: Okay, Danilo, thank you. Just one follow-up question on the first question. What about the production curve? Do you already consider the drilling of an additional well? I'm referring to Manati.

Mr. Oliveira: It is not, it is not being considered. For this well we are still having conversations with the operator and other partners to check whether this drilling may happen or not in order to include the reserve for 2P and 3P. But we still have to make a decision.

Ms. Ozenda: What about the cost of this additional well?

Mr. Oliveira: I haven't come to that yet. First we are working on the geological or seismic study and then later on we can consider the total cost for the well.

Ms. Ozenda: Thank you.

Operator: The next question is from Vicente Falanga, Bank of America Merrill Lynch.

Mr. Falanga: Good afternoon Lincoln, Paula, Danilo, Renata. My question perhaps is to Danilo. Danilo, could you tell us more about the next steps once you open the wells in Atlanta. Do you already expect 10,000 barrels per day in each one of them, or are you going to expand gradually? Do you have any early stability to let us know? If you could give us more color on this, it would be great. Thank you.

Mr. Oliveira: Okay, Atlanta. Because the well is already drilled, and we are ready to start it, our expectation is that once we start and open the first well it should take us approximately 7 days or 10 days to have a stable scenario in all the production processes. In other words, having all the vessels filled, all components adjusted, all the control regulated to the process and once everything is stable, then we will be opening the well fully, so we can reach 10,000 barrels per day.

And then we are going to start and open a second well, we wait for another stabilization period, but probably within 20 days or 30 days we expect to have the 20,000 barrels per day being delivered in Atlanta.

So the ramp-up will be very quick, basically a balance of the FPSO process plant, once we manage to achieve the parameters set we can open fully.

Mr. Falanga: Crystal clear. Thank you, Danilo.

Operator: Our next questions were sent via webcast. The first from Eduardo Ribeiro, Fator.

Question addressed to Paula: "With oil prices over US$60, will the Atlanta project be profitable with positive cash generation if self-financed? Can we presume that the third well will be drilled in the fourth quarter 17 and first oil in early 18?"

Ms. Costa: Good morning Eduardo, thank you for the question. Well, regarding the third well, undoubtedly the price of oil and stability in predicting long-term oil prices will be an important factor for any investment to be made at the Atlanta field. Deciding on drilling a third well will be a decision that we make after the field starts producing, more towards mid of the year/beginning of the second half.

If the consortium decides to drill a third well, investments would be made in the end of 2018 and production would not be in 2018, but in early 2019, okay?

As from the fundability of the project, well, actually this is a project that requires some investments, particularly for full development system. Undoubtedly, we begin with a positive cash flow, which is very important for the execution of the project and for all companies involved, but this project will require future investments, including for the drilling of the third well.

We believe it is very likely to happen, that's why it is already included in our Capex for 2018. We included in the US$70 million net to QGEP and that includes our share of investment in the drilling of this third well.

Operator: Our next question Mr. Júlio Cesar de Melo Rodrigues, autonomous.

"What do you believe are the main opportunities and strengths of QGEP for 2018?"

Mr. Guardado: Well, Júlio, here is what I can tell you: We really believe in the company, we put together a company that can execute, work, operate and partner with others in the Brazilian oil and gas industry. We believe that the company has very solid fundamentals, a very good team used to Brazil, very seasoned, experienced, with high analytical capacity, which in our activity is very important.

So I think that the fundamentals that the company developed perhaps in the last should say 10 years, maybe after the IPO and particularly in the last 5 years, one big fundamental is this: Our ability to be the operator, to join consortia, and have some differentials that attract newcomers to speak with us. That shows that the company has very interesting strong points.

And I guess that this is our DNA: We are a company prepared for Brazilian oil and gas industry, and undoubtedly with a financial management and with a risk management that are very well-controlled. I think that all of these points and looking at the past scenario in Brazil these points show how important it is to be conservative and to have a process for capital allocation and decision-making in some areas. The past shows what happens to some other companies.

However, I can tell you that based on all that, 2018 will be very meaningful to us because of our cash ability, our cash position, because of a very consolidated and differential position that we enjoy in some of the Brazilian basins, with the startup of production first oil at Atlanta and with the evaluation and assessment of our blocks in Sergipe-Alagoas basin.

All of that has given stability and predictability of Manati because Manati has been our cash cow and now it will be helped by Atlanta.

So if we look at everything that we have done, I think that 2018 is likely to be an important year, I wouldn't say your turnaround year in terms of revenue, but it will be a turnaround in terms of opportunities that might present themselves to us.

I think that in addition to having a company with operational excellence, we have a company with excellent propositions from all aspects, ethics, education, the environment, and that has made of us I would say an exception, but has set us apart, and that has allowed us to forge some very important partnerships that will be very important for this year. The idea is that over 2018 we want to strengthen these partnerships.

We don't want to be standing still, but we always want to pursue a line of operational control, a line of financial control and a line of the right positioning for the short, mid and long-term. Today we have managed, and I believe that not only 2018, but 2018 and 19 can be years of great achievement and of a great turnaround for QGEP.

Operator: Next question Sérgio Simon, investor.

"Two questions, actually. Could you please let us know about dividend payout, extraordinary payout, time for payment? As to the second extra dividend payout, could you make more comments on it? Thank you."

Ms. Costa: Sérgio, good morning, Paula speaking. I think the first question was already answered about the payment date, maturity date, the proposal to be approved in the meeting is April 20, 7 working days after approval at the board meeting, shareholders' meeting.

As to the second question about the additional payments of extra dividend payout, once again this is part of the capital allocation of the company. We have two important events to take place this year, the two bidding rounds. We are still considering our first round, we have already registered, enrolled to participate, but we are considering our participation in both auctions or bidding rounds, and once we make a decision this will be included in our capital allocation and also our financial planning, and should we have cash surplus, we might consider again another proposal of additional dividend payout.

As we speak, these are the reasons why we did so, we don't have a deadline and no amounts set. These are only possibilities and depending on the opportunities ahead in the short-term we'll make our decision.

Operator: Next question Antônio Whitpar.

"This year SUDENE's incentive comes to an end, reducing income tax. That's a question by the way. Could you confirm it?"

Ms. Costa: Good morning Antônio, Paula speaking. This is a benefit that originally we got in 2008, duration was 10 years at that time, so the first time we applied for the SUDENE benefit. Well, you are right, this is the last year to benefit from it, but if we consider our investments in the natural gas compression unit expanding Manati's production capacity, this investment was extended up to 2025.

Operator: As a reminder, if you want to ask questions, please press start one.

Our next question sent by Mr. Eduardo Ribeiro, from Fator.

"Dear Paula, congratulations on the results. My second question: The result of the first half, will it be impacted by the receipt of the second payment of Carcará amounting to 45 million?"

Ms. Costa: Good morning Eduardo. Yes, the receipt of the second payment was conditioned to publication on the official gazette of the execution of the contract for the external area of Carcará, which happened in February 2. So the revenue will be considered in the first quarter of 2018.

Operator: Again, if you want to pose a question, please press start one.

Our next question comes from Bruno, investor.

"Once identified the possibility of an additional payout after the bidding rounds, can this dividend payout happen still this year, or should we expect it only for 2019?"

Ms. Costa: Good morning Bruno, this is Paula speaking. Like I said, at this point we haven't decided on the amount or on that date of a potential additional dividend payout.

Operator: Again, as a reminder, if you would like to ask a question, please press star one on your touchtone phone now.

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: Well, I would like to thank all of you for participating, for very diverse questions that you asked, the questions reflect the situation of the company, the status of the company, and again I'd like to stress that we are very happy to convey such good news to our investors and shareholders.

Again, I renew my thank you to you, reminding you that our Investor Relations Department is always available for any further clarification you might need.

I think that in this earnings conference call we brought a lot of new things, and there will probably be many new other new things announced in 2018. The year's been good, it's been good for Brazil and for the industry. Hopefully this trend will continue, and hopefully this positive trend will continue to materialize.

I hope next year, or in the end of the first quarter, to again meet you to renew this positive expectation that we have for our company, for the oil and gas industry and for the whole of Brazil.

Thank you very much.

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