Operator: Good day ladies and gentlemen. Thank you for waiting. At this time you would like to welcome everyone to QGEP's first quarter 2018 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 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 this conference call relative to QGEP's business perspectives, financial and operational projections and targets 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: Very well. Good day everyone, thank you all for joining us today in such a special day for the company with Atlanta's field first oil. Well, we are here to review QGEP's first quarter 2018 performance and to discuss our outlook for the year.

Before I begin, I would like to say that we are very pleased to be delivering effectively on a number of results from the actions that we have been discussing with you during last year, and we appreciate the support of our investors and analysts as we move ahead with our plans to continue to build value to our shareholders.

Let us begin on slide 2, please. Slide 2 contains what we consider to be the key strategic highlights of this year's first quarter:

- First, and for most, production at Manati field increased compared to last year's first quarter, and our expectation for production level remains at 4.6 million m^3/day during the first half of 2018;

- Secondly, we completed the preparation for first we'll at the Atlanta field, which actually occurred from one of the production wells this first week, more specifically on May 2nd. This event led us to be very optimistic with the results and future vision given that it occurred in a moment of strong recovery of the Brent oil price;

- Thirdly, we considerably strengthened our position in the Sergipe-Alagoas basin, which we consider to be of high exploratory potential after winning two more blocks with partners at the ANP`s 15th bidding round;

- We also distribute the dividends as very recognize the importance to return capital to our shareholders, dividends through an extraordinary or special dividend that was paid in April to our shareholders;

- Last but not least, net income in this quarter was outstanding, benefiting from a better operational result coupled obviously with this second installment received from the sale of Block BM-S-8.

With all of that as the backdrop for the quarter, which is exceptional in our view, I would like to turn the call over to our Chief Financial Officer, Paula Costa, for a review our first quarter 2018 financial results. Paula, over to you.

Ms. Paula Costa: Thank you Lincoln and thank you all for joining us today. We appreciate your participation in our quarterly conference call. First, I will cover our revenues and earnings highlights for the first quarter of 2018, then I will give you some information on our balance sheet, cash flow and Capex for the quarter, after which I will turn the call back to Lincoln.

As Lincoln himself mentioned, we had very positive comparisons in the first quarter. We have been able to continue our strong performance in terms of earnings growth, cash flow generation and overall financial strength. Our free cash flow allowed us to maintain liquidity at a healthy level, while at the same time investing in greater initiatives and other capital allocation priorities, including a special dividend payout.

Now, turning to the results for the first quarter, please go to slide 3. During the quarter, our producing asset Manati field average gas production of 4.6 million m^3 per day, up 11% from 1Q17. Over the past few years, Manati production has been impacted both positively and negatively by weather conditions. For the current year, northeastern Brazil has been experiencing record rainfall, as a result demand for gas slowed as hydroelectric powerplant once again kicked into action at full capacity.

By contrast, drought conditions experienced in the end of last year increased the utilization of thermoelectric plants powered by gas. Another production highlight is the fact that we now have two producing assets, Manati and Atlanta fields, which flowed first oil last week, as Lincoln mentioned.

On slide 4, we highlight that our revenue in the quarter was up 12%, reflecting higher production in the annual comparison. Revenue increased at a faster pace than production growth, largely due to the small share of condensate that we filled at a higher price compared to Brent oil price.

Moving on to costs, on slide 5, during the quarter total operating costs were 16% lower year-over-year, and as a percentage of revenue, these costs were 13 percentage points lower than 1Q17. This good performance in the quarter primarily reflects the reduction of maintenance costs this year compared to 1Q17, when we had 11 million BRL of expenditures related to maintenance work on the Manati platform.

This was partially offset by higher depreciation and amortization expenses and royalties, reflecting higher your production.

Now moving on to slide 6, where we talk about operating expenses. During the quarter, G&A expenses were 8% higher year over year, primarily due to personnel expenses, including provision for employee profit sharing benefits, reflecting the proceeds from the sale of assets and also expenses with the stock option plan.

We remain attentive to our expense management and G&A as the percentage of the revenue was 11%, 20 basis points lower than the same period of the prior year despite the additional value that I have just mentioned. As for exploratory expenses, we continue to add to our asset portfolio, exploration costs were also increasing, during the quarter these costs totaled 14.9 million or 146% year-over-year.This reflects our acquisition and processing of seismic data mainly for Sergipe-Alagoas blocks and meta oceanographic studies for Pama and Foz blocks.

Let's now talk about our profitability on slide 7. Our EBITDAX results benefited from both operating improvements, higher production and better expense leverage and financial gain, and the sale of Block BM-S-8, as the receipt of the second installment was accounted for in the period, equal to R$148 million. Net of this gain, EBITDAX would be R$59.2 million, up 28% from R$46 million posted in the 1Q17.

Adjusted EBITDAX margin in 1Q18 was 50%, more than 600 basis points better than the same period of the prior year. This good performance obviously floats to the bottom line. We generated net income of R$159 million in the company in the quarter compared to R$43 million in the same period of the prior year stemming from higher revenues in this quarter, the proceeds from the asset sale of BM-S-8, that I already mentioned, and higher financial income. Excluding the gain from the sale of assets, net income would be R$62 million, 45% compared to 1Q17.

This concludes my comments about our first quarter sales and earnings performance. Now let me make just a few comments about our balance sheet and cash flow for the first quarter of fiscal year 2018 before discuss Capex.

Our balance sheet at the end of the first quarter was in excellent shape, our cash level is high, our account receivables was down, we have very little bank debt in our borrowings, and our capital base is strong and growing. Our balance sheet and financial stand are strong, which gives us a solid foundation for future growth.

Cash flow was up significantly to R$172 million compared to R$36.5 million in the first quarter of last year. As always, we will continuously evaluate all options to determine the best use of our excess cash and which options will provide the greatest impact in terms of creating value to our shareholders.

Moving on to slide 8 now, capital expenditures. In the quarter, Capex totaled U$20 million with the majority, or U$19 million, invested in the Atlanta Field. On the slide you can also see the breakdown of our capital expenditure for 2018 and 19. For the current year, we are budgeting capital expenditure that is U$70 million focused on accelerating developments at Atlanta, which will account for most of our spending targeted at U$48 million, already including the potential drilling of a third well.

The remaining funds are earmarked for exploratory activities as well as for acquisitions of seismic data. The expenditure for seismic acquisition this year is estimated at U$5 million, already net of the amount that will be reimbursed despite of the Sergipe-Alagoas basins farmout agreement.

Historically, we have been funding our Capex requirements with internally generated funds. This has now been significantly augmented with funds received from the sale of Block BM-S-8 and the farmout agreement. As always, we will remain disciplined in our use of capital while continuing to invest for growth.

In summary, we are very pleased with our first quarter results as we continue to successfully execute our strategic planning, which is enhancing our financial position. The financial success of this quarter is just part of our story, we feel confident about the positioning of the business and about our stability to continue to execute against our strategic growth initiatives for 2018 and beyond, and to continue to deliver strong financial results.

I will now turn the call back to Lincoln for his closing comments, after which we will open the call for questions.

Mr. Guardado: Thank you Paula. Please, turn now to slide number 9. First quarter average daily production of natural gas at the Manati field was 4.6 million m³ and around 10% higher than the same period last year.

As I mentioned on our last call, less than two months ago, rainfall in Northeastern Brazil led to an increase in the capacity to generate hydroelectric power, with a consequent reduction in the demand for gas. With that, we maintain our forecast of 4.6 million m³ of gas production for the first half of 2018 at a similar level for the first quarter.

Therefore, this allows us to maintain our production guidance for full-year 2018 of 5.1 million m³ and we will continue to assess both weather condition as well as industrial demand factors to determine whether to change that estimate.

We have to mention how happy we are to report early production of our second producing asset, the Atlanta Field, in BS-4 Block. Like we said, it has a lot of technical challenges. This milestone took place on last May 2nd after obtaining all the necessary approvals to start production.

The first well is still in the stabilization phase, just as the plant, reaching daily production of approximately 7.200 barrels of oil with a slight variation reaching 8.000 barrels of oil, or the potential support something like 8.000 barrels of production per day.

Despite this outstanding initial performance in our assessment during the stabilization process of the plant, we faced operational problems when well pump shut down. We opted for the pump in the seabed, which is further away from the reservoir, thus leading to a slightly lower performance in the same field compared to what was scheduled inside the well. As a result, we expect daily production from the field to stabilize between 10 to 20%, below our original expectation of 20,000 barrels of oil from the two wells later in the second quarter. The second well is expected to be connected and be in production soon.

We have been excellence experience in working in this very technical and challenging area, the reservoir is responding in accordance with our expectations, so the longer-term outlook is very good to us based on the data so far. As you know, our cash flow will benefit from lower daily rate for the next 18 months thanks to our agreement with the FPSO's operator.

In addition, our oil sale to Shell will be potentially favored from better pricing for our heavy oil and due to market shortages, as well as the Brent oil increase. These are recent phenomenon and, apparently, they have a midterm impact.

Later this year, we (meaning the Consortium) will decide whether to drill a third well as part of the early production system. With this project, drilling will take place in early 2019. Also, as you know, the big decision to be made is whether to move to a full development system, which would involve drilling nine additional wells to begin in 2020. We have already set aside U$14 million in our 2018 Capex budget for this eventuality, as Paula mentioned before in her presentation.

Now, for an update on exploration, they are very much related to the auctions conducted by the Brazilian government, which provides QGEP with important organic growth potential.

In this year's first quarter, we participated in ANP's 15th bidding round acquiring another two blocks in the Sergipe-Alagoas basin, adjacent to the four blocks that we already own, paying the minimum signature bonus. In this most recent bidding round, we were joined by our existing partners, Exxon Mobil and Murphy Oil, and we each have maintained the same working interest percentage in all of the blocks, namely Exxon Mobil the operator has 50%, QGEP has 30% and Murphy Oil has 20%.

We believe that this is a medium to lower risk exploratory area that justifies the concentration of our interest. In fact, Petrobras has scheduled to do an extended well test at their adjacent Farfan discovery later this year, and it is at the border of the blocks we acquired. Even more important is the relationship we are building with our two partners and the potential for us to work together in the future on other exploration projects in Brazil.

The acquisition of seismic data for all six blocks in Sergipe-Alagoas basin is expected to start by the end of May, and once the data is fully analyzed we would expect the roadmap for a drilling program to be completed by the end of 2019 for seismic data acquisition with drilling to commence in 2020.

We have begun the initial phase of the farmout process for over 100% owned Pará-Maranhão and Foz do Amazonas blocks and that we acquired in the 11th bidding round. We hope to have more information on the level of interest in the coming months. In Ceará and Espírito Santo basins, we are still working with our partners Total and Statoil to determine the next steps in these two very important basins.

Please move to slide 10. As you can see, QGEP's portfolio is well diversified in terms of risk and our assets are located in most of the main producing basins along the Brazilian coast. Naturally, with different risk and premium scenarios, both in the short, mid and long-term basis. It is important for a company to benefit from discoveries in the future by other operators in the same basins.

Slide 11 brings our key messages. Firstly, we are pleased with our ability to deliver what we have discussed with you over the last several quarters and we are very keen in our efforts for the last five years. As you can see, our financial results and financial position continue to benefit from the sale of our interest in Block BM-S-8 to Statoil, naturally Carcará's discovery. The second installment payment was received in the year's first quarter and third payment accounted for 38% of the purchase price, totaling US$379 million, is due to us upon the signing of the production individualization agreement expected to happen in 2019.

In addition to bringing in cash resources, our strategic decision to sell this stake significantly reduced our medium-term capital expenditures, freeing up resources to invest in Sergipe-Alagoas and also giving us the ability to return capital to shareholders as special dividends.

This dividend equivalent (around R$1.54 per share) was already paid in April of the current year, and the market has clearly appreciated this initiative by the company. As to new auctions, we have already applied for the 4th ANP bidding round, which will be in the production sharing agreement model and scheduled to take place on June 7th. Should we participate, we would have partners and the minority interest given the capital required for signature bonus payments and the future Capex requirements for exploration and development of our production.

Also, we continue to evaluate farm-ins and potential asset purchases. Based on the outcomes of these developments, we will consider a further return of capital to shareholders, as we mentioned before, through an additional special dividend, as long as this not impair our ability to invest for future growth. Undoubtedly, this is very much related to any decisions we will make in the auctions that we mentioned before.

To close, slide 12 underscores our investment strengths, namely the efficiency of our operations and the ongoing optimization of our portfolio, which has led to very positive results, our financial strength and flexibility supported by robust first-quarter results and our in-house technical expertise, which makes us a preferential partner in Brazil.

That being said, I close my remarks and I would like to open the call to questions.

Question-and-Answer Session

Operator: Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. If you have a question, please press star 1 on your touchtone phone now. If at any time you would like to remove yourself from the queue, press star 2.

Our first question comes from André Hachem, with Itaú.

Mr. Hachem: Thank you. I have some doubts related to Atlanta Field. The first, could you give us more detail regarding the reduction in gas production? Is it because of the quality of the oil, it's a little heavier than you expected maybe? And the second question is to what extent will this impact the feasibility of the third well? Because the economic feasibility apparently has dropped given the reduced the production.

Finally, I would like to understand how this will impact your decision to implement full development. Thank you.

Mr. Guardado: Thank you André, I will turn the floor to Danilo. Indeed, we need to explain this, it's not really linked to what you said, and Danilo will answer that.

Mr. Oliveira: Good day André. Let me see if I understood your question. You're making reference to the productivity of the first well. Okay. Productivity resulted from something already expected, i.e. the non-utilization of the pump well... of the well pump, actually. This was an assumption, we knew that the pump could fail, that's we used the well pump and then the pump in the seabed.

It is a little further from the reservoir, so we cannot expect the same production as we would have if we were using the well pump. We are producing 7,500 up to 8,000 barrels a day, but this was expected. During the testing, the well pump worked perfectly, but there were some signs of an electric problem, it confirmed the productivity of the reservoir as we have had estimated, 10,000 barrels a day, but unfortunately the electric signal dropped to the pump and we had to use the surface pump.

So this productivity was totally expected and in keeping with the conditions that we planned for this backup pump.

Now, this does not (and I underscored) does not change the perspective of a third well. On the contrary, it actually encourages the drilling and production of a third well aiming to increase production and reduce our fixed cost. So there is nothing wrong and there is nothing going against what we had forecasted, everything is unfolding exactly as planned.

Next week we should connect the second well, the assumption is that the well pump will not work, so we don't want to have any false expectations, and that's why we are signaling a production 10 to 20% below the initial expectation.

And you asked about the full development system. No, that does not change. The early production system targets collecting data so that we can fine-tune the full development system. To date, everything is unfolding as expected. Actually, even better given the oil price.

So we will continue our studies, we will continue to capture all necessary information that the production from this well or maybe the two or three wells so that we can define the full development system.

Mr. Hachem: Perfect. Thank you.

Operator: Our next question comes from Gustavo Allevato, with Santander.

Mr. Allevato: Good afternoon. I have a couple of questions. One is related to the decision to drill the third well at Atlanta. What would be the catalyst that you would be looking at to decide to drill or not the third well?

My second question has to do with capital allocation. Lincoln mentioned in the presentation that the company could be considering new assets. Will you focus on producing a third or exploratory asset? If you could give us some color on that, I would appreciate it.

And finally, I would like to understand the demand for gas at Manati. You mentioned that hydroelectric power kicked in in full capacity, so I'd like to know about April and May, did they remain at the same level as in the first quarter? Did it improve, did it get worse? Could you elaborate more, please?

Mr. Guardado: Gustavo, thank you for the question. Regarding the third well, we have a plant that has the ability to process 30,000 barrels and we designed the possibility of a third well, and undoubtedly, one of the drivers that could inhibit the drilling would be a very low Brent oil price, which is not what we're seeing currently. So we have all of the incentives in place to drill the third well and to bring production to as expected, and that would push our revenue because the third well will not bring more or higher operating costs to us because they are very well-controlled. So that is the driver; the higher the oil price, the greater the drivers to drill a third well.

What we do want is to have a track record of the initial two wells to stabilize the plant. But this is a process, it's a processed plant, it doesn't happen overnight and with all of that information available, the results of these two initial wells, we would plan the third well, which has all of the equipment purchased and procured for. So that will definitely drive our revenue, it will bring increment production by one third and that without a corresponding cost increase in principle.

And yes, we continue to look at possible acquisitions. This is more geared to matured exploration assets or perhaps an asset with initial production. The bottom line in terms of a possible acquisition is size. Undoubtedly, there are a number of assets out there in the market, you see Petrobras divesting, some other companies as well. What we've had so far are limits, either the assets do not interest us given the possible increment vis-à-vis the size of the company, for example, onshore, onshore doesn't really… it's not part of our DNA, it would bring incremental costs.

So we are interested in production. And the other things that are being offered are too big for our company and also linked to production. But, you know, we will look into anything that is compatible so that we can have a stable production curve forecast until we stabilize Atlanta, for example, or until we have another discovery.

This is our plan. For that we have to have a stake, which is compatible to our size or a production which is comparable to our size. What we see in the market is too big, and one example is Marlin, which was very talked about, and other areas, but there was no possibility for our company to volunteer to acquire that.

However, we continue to keep our eyes and ears open and our preference is to acquire something in development or already in production. Possibly in development, because that way gives us a little more elasticity to the first capital.

And as for Manati, I will turn the floor to Daniel and he will tell a little bit about what's happening there and what we can expect looking forward.

Mr. Oliveira: Well, Gustavo, Manati, the first quarter we had an average daily production of 4.6 and April continued at the same level, 4.6 million m³. But now in May there was an increment, and in the last three days production has hit the mark of 5 million, higher than 5 million.

We don't know how long this high demand will last, and that's why we didn't make any changes to our guidance for the full year. So we will still wait and see how the second quarter will behave, but the fact is in May there was increased demand, now we are producing more than 5 million m³/day.

Mr. Allevato: Well, thank you for the answers. If I may ask a follow-up question on Atlanta. The first offtake is expected when exactly? And what would be the discount based on the current price oil? What is the discount that you are expecting given the quality of the oil?

Mr. Oliveira: Gustavo, the first offload… well, the FPSO has a storage capability of 180,000 barrels a day, and we intend to have the first offload not with this total, but the vessel is there next to the FPSO and waiting, but eventually the offload considers a number of oil transfers, so the vessels should stay there until the end of the month to receive all of monthly production load and we would consider that the first offload.

So the first offload, or the first shipment, will have a number of offloads, and the first is expected for the end of next week.

And as for the discount, we continue to maintain our estimates of 13 to 15 in the long run. This first offtake we expect a higher discount because the oil came out a little bit dratted because of some fluids in the line and in the well, and this is the first load, this is the first offtake, and it came with a little unknown element, but we had a number of offerings from refineries, but we are maintaining the average discount of US$13-US$15 per barrel.

Mr. Allevato: Thank you very much.

Operator: Next question, Luiz Carvalho, with UBS.

Mr. Carvalho: Hello everyone. Thank you very much. Lincoln, Paula, Danilo, two questions. Lincoln, coming back to that point about allocation of capital, just doing quick math, cash generation at Manati for the current year and Atlanta assuming oil close to 70 or 75, can we have an Ebitda of almost 300 this year or even more depending on the production level stabilized or oil price and discounts etc.?

Added to your current cash position of almost 2 billion (1.9), you are at a very comfortable cash position. I know you are considering investments moving forward, you mentioned a couple of potential acquisitions. So what about not only allocation of capital and assets, but, like you said, dividend payout maybe not extraordinary dividend payout, but something more recurrent down the road? This is my first question.

Second question may be addressed to Danilo. Danilo, if I understood you correctly, you have an electrical connection problem with the pump is the seabed, you have a problem in the well pump and then you are using in the seabed. So, can you fix it and maybe in the future go back to a production level close to the initial guidance? Or in fact the pump in the seabed will be a final decision and that's what we have to focus on for the next 3 wells?

This is very much related to our expectations, but we would be more conservative, and I would like to understand whether this is a final solution or if you try to do something about it when the second well comes in, if you are going to try to work on the first one so you can have a regular production at a higher level in the future?

Mr. Guardado: Luiz, thank you. Naturally, dividend is always an interesting item for everybody, the company likes to have dividend payout and we want to continue doing this. As to changing our future dividend level with a new policy, naturally, it will take further stabilization at the company. Related to our future Capex, there are many things underway for the next couple of years, particularly when it comes to Atlanta, which is a decision for the future full development and also exploration in Sergipe mainly. Not to mention our cash flow.

So any changes I'm not saying they shouldn't come, they may come, but they should also the stem from a stabilized cash flow and a more predictable cash flow, so we can come to a policy.

I understand when you ask about a change in the level, it entails a policy, and that's why we have one, but undoubtedly the company is doing everything it can to have a revenue which is compatible to an increase and more balanced dividend payout. But undoubtedly, we have to go through these two moments for the next two or three years, and we are going to make significant decisions about Atlanta and also Sergipe, we place our bets on Sergipe, it is a big project vis-à-vis the technical items, but we believe our partnerships are good enough to allow us to make short-term decisions.

We have to be ready for short-term decisions, however, any company should also be careful and be attentive in terms of return to shareholders, but we had something that was special, and we should have a second one considering our production and in the future we will certainly work in this direction. But right now we are not considering changing the level until we have a more predictable cash flow.

Danilo is going to answer your question about the use of the pump in the third well.

Mr. Oliveira: Good morning Luiz, excellent question about the pump. There is no possibility of entering again in these wells, at least before the third well is drilled. We made this decision, we are going to have the pump in the seabed to producing these two wells, and upon drilling of the third well and once it starts production, then maybe we can access the possibility of coming back to these wells or to fix the pump, either to fix the pump or simply to remove the well pump.

So we are still considering this, we haven't decided yet. We still need a technical financial assessment and approval by our partners. But we are not going to do any repair or fix in these wells before the third well.

Mr. Carvalho: Can I just have a last follow-up question? By the way, thanking for including in the press release the status of Dommo and how it has been unfolding, but I wonder if you could give us an update, if there is an update, about negotiation. What about arbitration? What can you disclose or maybe Dommo trying to sell a stake? Do you have any update on that? Thank you.

Mr. Guardado: I have Paula with me, she can give you further details, but basically it is like this: We had Dommo's arbitration process, which is still underway, there is some unfolding as to the use of revenues, Atlanta's revenues, and this will be managed by the Consortium, namely by the operator. However, this process, like I said, is still ongoing.

The thing is that Dommo's default is increasing, obviously owing to investments made up to now, and we are still awaiting for our actions to unfold in Paris.

Ms. Costa: And the update, no, we don't have so much updated since the last call. This is very confidential. It is an arbitration process, we had some internal timelines and schedules, but no final deadline to close the process. We don't have an update so to speak.

What happened was what Lincoln just described, this is public knowledge, arbitration related to Dommo and Barra, and we are awaiting and contributing that with our info to the process in order to have a solution as soon as possible, Dommo and Barra.

Mr. Carvalho: Thank you everyone, thank you. And regards.

Mr. Guardado: All the best Luiz.

Operator: The next questions come from our web link. Please, hold.

The first question from the web comes from Bruno Braga, Hart Energy:

“What are the technical challenges operated in Atlanta field? Does the field still have further challenges to be overcome? If so, how does the company plan to overcome them in the next stage?”

Mr. Guardado: Good morning Bruno, the technical challenges have been mentioned from the very beginning, right at the beginning of our projects, and right now once we are in production this is when we access how the challenges were tackled, the concept, the solutions and confirmation of our simulations.

Basically, our oil was extremely heavy, very viscous, and if I'm not mistaken, it is the deepest field in the world with such viscosity level, so the bottom of the sea at 4°C aligned with unprecedent isolation, control umbilical never manufactured by our supplier before, so everything was engineered and during the *pull in* [sic] and production process, this is when we confirmed the solution that we adopted, so the challenge is to have a heavy oil field in production, ultradeep water, temperature of 4°C, only 800 meters to drill a horizontal well with very much consolidated sand. So we overcame this challenge and the field is producing.

This is the challenge. As to the future, in the long term, because these challenges, we are have to make sure this is part of the past and also used in the full development system. So the biggest challenge is over and now we have to consider application in the future.

Operator: Our next question Renato Petre Junior, shareholder:

"Will you be paying any additional dividends this year? What is the production target of the company in the next 5 years?"

Ms. Costa: Renato, hello, this is Paula speaking. Regarding dividend payout for this year, the company is not committed to paying any amount still this year, and as we disclosed, we have some important events happening in this first half of the year, the two auctions, the first auction has taken place and we have acquired to participate in the second auction and depending on our capital allocation and on the opportunities, it is possible that we would have excess cash.

But I would like to underscore: The company does not have any commitment regarding paying a certain amount or when. And as for the five-year production target, I will turn the floor back to Lincoln.

Mr. Guardado: Well, obviously we have a target, Manati continues to produce reasonably well, 12,000 barrels of oil equivalent a day. Manati has an expected life until 2025, 24, so we expect to have Atlanta's ramp-up, Atlanta's should be producing the next 2 to 3 years approximately 25,000 or 30,000 barrels. So our production curve will be adding about 8,000 to 10,000 barrels along the coming years because of Atlanta's contribution until we make a decision to go to full development, and that's when we expect to have a big production of 75,000 barrels a day, which should happen approximately by 2021.

This is a slow process, we have to drill the wells, interconnect them to the production system, but producing these 12,000 equivalent barrels we could be in the coming months we could be adding another 5,000 barrels with the Atlanta production, and with the third well we could be reaching between 8,000 and 9,000.

This is more or less the landscape that we have, so we are considering full production ramp-up. We could be reaching by 2020 approximately 20,000 barrels a day.

The difference that exists and that it is important to mention is that 12,000 BOE of gas is not the same financially than 12,000 barrels of oil given that the Brent oil price now is 3 times higher in terms of value for the oil barrel. So it is possible that we will be increasing our production by 60 or 70%, but our revenue should increase a lot more given that the value assigned to oil is higher than the value assigned to gas per barrel.

Operator: Our next question comes from Eduardo Ribeiro, with Fator:

“Dear Paula, goo day. Congratulations to all for the presentation. The proceeds from the third installment of the sale of Carcará corresponds to US$144 million, about half 1 billion BRL. Is it to be received in 2019, or is there any chance that this can be brought forward to the last quarter of 2018, thus relevantly impacting the results? Are there no more costs to be deducted, as we could observe in the second installment paid recently?"

Ms. Costa: Hello Eduardo. This is Paula speaking. Regarding the third installment, our expectation continues to be receiving it in 2019, more towards the end of the year. This is an installment that depends on the execution of the production individualization contract. You know that Statoil has been able to work on a very accelerated schedule in their activities of exploration in the area, but still we need to consider drilling a well, also in areas external to the concession area, also with the production sharing agreement. So our expectation is that this will come more towards the end of 2019. We don't have any expectation to receive this payment before schedule.

Operator: Ladies and gentlemen, as a reminder, if you want to ask a question, please, press star 1.

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

Mr. Guardado: Very well, again, one more time I would like to thank all of you for joining us in this very important moment for the company when we are delivering good results, and we are taking one step forward, the company is moving to another level with the startup of production, not always is a value of production that matters, but getting it right and delivering to our promised.

As Danilo mentioned, we had to deal with a lot, a lot of challenges and I think that we are going down a path of excellence. I would like to thank you for joining us and I would like to highlight that given that we had a lot of novelties, and Atlanta being one of them, so in our website there is a video on Atlanta field, very nice video, very instructive and very intuitive in terms of how production happens in ultradeep waters, and particularly on how production is taking place at Atlanta Field. It's very educational for all of us. I do encourage you to access our website and to watch this video, it has 8 to 10 minutes only and it's very instructive explaining how production happens in ultradeep waters and how this technology is being put into action at Atlanta.

Again, I would like to thank you for joining us and we hope to continue with the pipeline of good news along 2018, bringing all our shareholders and stakeholders good news. Thank you very much.

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