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Conference Call

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March 15, 2012  
9:00 a.m. (US EDT)  
Dial in: (55 11) 4688-6361  
Code: Queiroz Galvão

English  
March 15, 2012  
11:00 a.m. (US EDT)  
Dial in: (786) 924-6977  
Code: Queiroz Galvão

# Earnings Release

## QGEP Participações S.A.

### Fourth Quarter & Full Year 2011



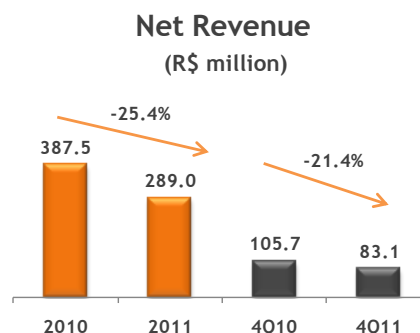
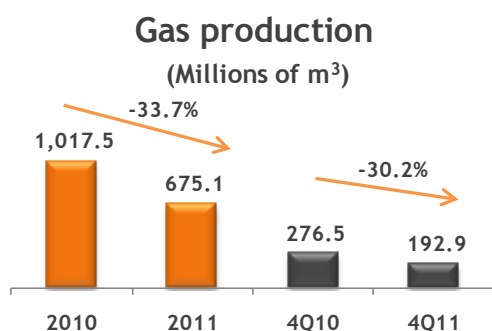


## QGEP Reports Fourth Quarter and Full Year 2011 Results

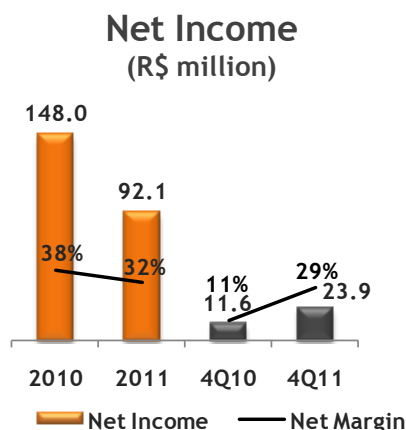
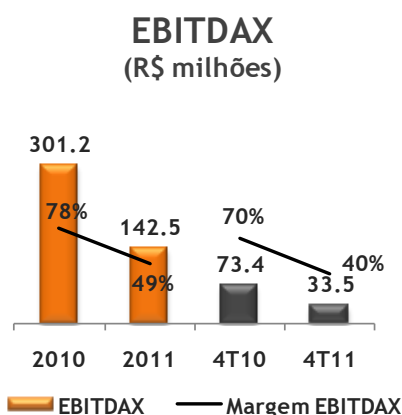
Rio de Janeiro, March 14, 2012 - QGEP Participações S.A. (BMF&Bovespa: QGEP3), Brazil's largest private sector Exploration and Production (E&P) company in terms of daily production of barrels of oil equivalent (BOE) and the only private Brazilian company qualified as "Type A" Operator by the ANP, today announced its earnings results for the fourth quarter and full-year ended 2011. The following financial and operating data, except where indicated otherwise, is presented on a consolidated basis as per the Corporate Law format, described in financial performance.

### Highlights

- ▶ All six wells back on production at Manati Field at the end of 2011, reestablishing the field's full production capacity.
- ▶ Average daily natural gas production was 4.1 MMm<sup>3</sup> for the year and 4.7 MMm<sup>3</sup> for 4Q11. Production volumes in 2011 were impacted by maintenance work at the Manati Field.
- ▶ QGEP approved by ANP as operator at Block BS-4 located in the Santos Basin.
- ▶ Exploratory drilling activities continue at Block BM-S-12 and Block BM-S-8, both in the Santos Basin.
- ▶ Cash flow from operating activities for 2011 was R\$194.2 million and R\$39.8 million for 4Q11. Cash\* balance was R\$1,213.4 million at December 31, 2011.
- ▶ Net revenue was R\$289.0 million and R\$83.1 million in 2011 and 4Q11, respectively.



- ▶ EBITDAX in 2011 was R\$142.5 million; EBITDAX margin was 49.3%.
- ▶ Net income was R\$92.1 million in 2011 compared to R\$148 million in 2010; net income for 4Q11 was R\$23.9 million, up 106.4% over 4Q10. Net margin reached 32% in 2011.





## Management Comments

2011 was a transformative year for QGEP. Our successful Initial Public Offering (“IPO”) raised approximately R\$1.5 billion in proceeds, enabling us to develop our existing assets and to expand and diversify our exploratory portfolio. In our first year as a public company, we made significant progress in following through on our strategic plan of transforming QGEP into a more balanced exploration and production company.

Highlights in 2011 included:

- ▶ Return to full production capacity in the Manati Field in December 2011, following the completion of maintenance work performed throughout the year;
- ▶ Successful negotiations of two farm-in agreements for Blocks BM-S-8 and BS-4, promising assets located in the Santos Basin, one of Brazil’s most prolific exploratory areas;
- ▶ Ongoing drilling activities at Blocks BM-S-12 and BM-S-8, with results expected in the near-to medium-term;
- ▶ Leveraging our competitive advantage as a “Type A” operator to develop the deep water fields of Atlanta and Oliva at Block BS-4.

We reported positive operating cash flow for the year of R\$194.2 million, despite maintenance work that was performed at the Manati Field in 2011. We also returned to full production capacity at Manati Field in the fourth quarter, and we anticipate only minor maintenance work there in 2012, when average daily production capacity is expected to return to 6 MMm<sup>3</sup> of natural gas.

In 2011, we completed two important farm-in agreements, adding exploratory and development assets located in the pre-salt area of the Santos Basin.

At Block BM-S-8, our first farm-in as a public company, we began drilling the Biguá well in June 2011. Results from this well have indicated oil presence and the collected data is still under analysis. Given the consortium’s confidence of the potential at this block, drilling of another pre-salt prospect, Carcará, recently began. Results for this well are expected to be announced in the second quarter of 2012.

Our second farm-in, Block BS-4, provides a promising prospect for future drilling, as it is located near a number of giant pre-salt oil discoveries, including Libra and Franco. In early 2012, QGEP was granted approval from the ANP to act as operator of this block, reaffirming our important status as the only independent Brazilian company qualified as a “Type A” operator. In the fourth quarter of 2011, we substantially increased our headcount of technical personnel with extensive industry expertise to support operations at BS-4. The fields of Atlanta and Oliva add more than 2.0 billion barrels of oil in place, and development drilling, set to begin by the end of 2013, offers important production and cash flow potential for QGEP over the medium-term.

In early 2012, drilling restarted at Block BM-S-12. Recent results from Santos #2 and Santos #3 have indicated a lack of good quality reservoirs at the Ilha do Macuco well, which at the present time lowers the volume expectations of these prospects. Results for Santos #4, the block’s pre-salt target, are expected to be announced by the end of the second quarter of 2012. We should highlight the independency of the results of each of the prospects and the information obtained thus far, does not change our expectations for the Santos #4 prospect.

In summary, in 2011 we effectively executed on our strategic plan to continue to build value. We succeeded in reporting operating profits and positive operating cash flow under constrained production conditions at Manati Field and we expanded our asset portfolio while diversifying our potential revenues sources. For 2012, we are confident to have another year of progress, as we move forward with our E&P activities and benefit from increased natural gas production levels.

## QGEP's Assets

Field/ Prospect	Block	Basin	QGEP Interest	Reserve Resource Category	Fluid	Geologic Chance of Success <sup>(1)</sup>	MMboe <sup>(2)</sup>
Manati	BCAM-40 <sup>(3)</sup>	Camamu	45%	Reserve <sup>(4)</sup>	Gas	-	70.2 <sup>(5)</sup>
Camarão Norte	BCAM-40 <sup>(3)</sup>	Camamu	45%	Contingent	Gas	-	4.5
Copaíba	BM-CAL-5	Camamu	27.5%	Contingent	Oil	-	21.9
Jequitibá	BM-CAL-5	Camamu	27.5%	Contingent	Gas	-	17.2
CAM 01	BM-CAL-12	Camamu	20%	Prospective	Oil	31%	24.4
Alto de Canaveiras	BM-J-2	Jequitinhonha	100%	Prospective	Oil-Gas	29%	61.8 <sup>(6)</sup>
Alto Externo	BM-J-2	Jequitinhonha	100%	Prospective	Oil-Gas	24%	32.3 <sup>(6)</sup>
Santos #1	BM-S-12	Santos	30%	Contingent/ Prospective	Gas	30% <sup>(7)</sup>	2.8 / 7.5 <sup>(7)</sup>
Santos #2	BM-S-12	Santos	30%	Prospective	Oil	39% <sup>(7)</sup>	52.4 <sup>(7)</sup>
Santos #4	BM-S-12	Santos	30%	Prospective	Oil-Gas	40%	87.9 <sup>(6)</sup>
Bem te vi	BM-S-8	Santos	10%	Contingent	Oil	N/A	N/A
Abaré West	BM-S-8	Santos	10%	Prospective	Oil	N/A	N/A
Biguá	BM-S-8	Santos	10%	Prospective	Oil	N/A	N/A
Carará	BM-S-8	Santos	10%	Prospective	Oil	N/A	N/A
Prospect 1	BM-S-8	Santos	10%	Prospective	Oil	N/A	N/A
Prospect 2	BM-S-8	Santos	10%	Prospective	Oil	N/A	N/A
Atlanta	BS-4	Santos	30%	Contingent	Oil	N/A	N/A
Oliva	BS-4	Santos	30%	Contingent	Oil	N/A	N/A
Piapara	BS-4	Santos	30%	Prospective	Oil	N/A	N/A

<sup>(1)</sup> Geological Chance of Success as per of GCA Report.

<sup>(2)</sup> The resources cited in barrels of oil equivalent (boe) were calculated by QGEP utilizing data from GCA reports as of 12/31/2009. The conversion rate for boe utilized was 1,000 m<sup>3</sup> of gas equals 1 m<sup>3</sup> of oil/condensate (equivalent energy), and 1 m<sup>3</sup> of oil/condensate equals 6.29 barrels.

<sup>(3)</sup> The block BCAM-40 was relinquished after the ring fence of the areas of Manati and Camarão Norte fields were defined.

<sup>(4)</sup> Reserves 3P: sum of proven, probable and possible reserves.

<sup>(5)</sup> Volume from Manati Field net to QGEP reflects volume in the GCA report dated 12/31/10 (74.4 million of boe) less the volume produced in 2011 (4.2 million).

<sup>(6)</sup> Volumes are weighted by the probability that 50% will be oil and 50% will be gas.

<sup>(7)</sup> Volumes and Geologic Chance of Success under revision.



## MANATI

Located in the Camamu Basin, Manati Field is one of Brazil's largest producing non-associated gas fields. QGEP has a 45% ownership in this field, which is operated by Petrobras.

In 2010, Manati Field had a production of 6.2 MMm<sup>3</sup> per day, followed by 4.1 MMm<sup>3</sup> per day in 2011. This year-over-year decrease was the result of necessary maintenance work which was completed in December 2011.

As previously reported, Manati Field produced from five of its six wells for most of 4Q11, resulting in an average daily gas production of 4.7 MMm<sup>3</sup>. In December 2011, QGEP announced that it was producing from all six of its wells and that Manati Field had been returned to full capacity. The Company expensed R\$10 million in maintenance costs for work performed at Manati Field during 2011.

Programmed maintenance scheduled in 2012 should not affect the average forecasted daily production capacity of 6 MMm<sup>3</sup> for the year. Estimates provided by the operator indicate that maintenance costs to QGEP will be approximately R\$17 million in 2012, which includes certain maintenance costs for work already performed in 2011.

## BM-S-12

The Company holds a 30% participating interest at Block BM-S-12, located in the Santos Basin, approximately 230 km off the Southeast coast of Brazil.

In July 2011, drilling began at the Ilha do Macuco well to test the Santos #1, Santos #2, Santos #3 and Santos #4 prospects. On February 1, 2012, QGEP announced it had crossed the Santos #2 prospect using the Ocean Baroness Rig at a depth of 5,200 meters. However, the Company determined that available data at that time remained inconclusive.

After final logging of this phase was completed, the following results were found at the location of the Ilha do Macuco well:

- ▶ Santos#1: water bearing and thin reservoirs;
- ▶ Santos #2: the predicted reservoirs were not encountered, although, the possibility of occurrence in the other directions of this prospect still exists. As a result, the volume potential for this prospect has decreased from that which was previously announced in the GCA report dated December 2009. A better understanding of this reduction will be made once seismic and geological reinterpretation has been completed, which is currently underway;
- ▶ Santos #3: tight reservoirs encountered, leading the Company to decide that no further activities will be performed at this prospect.

The Company expects to reach a total depth of approximately 6,400 meters, which includes the Santos #4 pre-salt prospect, by the end of 2Q12. Total capital expenditures net to QGEP at this block were US\$30 million in 2011; 2012 capex are estimated to be approximately US\$40 million.

## BM-S-8

One of the largest blocks in the region, Block BM-S-8 is located inside a hot spot area of pre-salt in the Santos Basin. One discovery, Bem-te-vi, has already been made and there is a potential extension of a second discovery, Abaré West, in adjacent Block BM-S-9; at least four other promising and independent prospects have been identified, including the Biguá well where drilling began in June 2011. Results for this well have indicated oil presence and the collected data is still under analysis.

At another high potential pre-salt target in the block, Carcará, the Company began drilling in December 2011 with the Sevan Driller Rig. Drilling is progressing as planned and results will be announced after the conclusion of the well, which is expected to occur in the second quarter of 2012.



Block BS-4 is located 185 km off the coast of Brazil in an area which presents significant pre-salt potential for QGEP, as it is near the giant oil discoveries of Libra and Franco. QGEP was approved by the ANP to be the operator of this block, which encompasses the post-salt oil fields of Atlanta and Oliva, and has volumes estimated at 2.1 billion barrels of oil in place. As previously announced, Development plans for these two fields are currently under review by the ANP. The first phase of Atlanta's development plans includes one horizontal well to be drilled in 2013, followed by an extended well test (EWT), with first oil estimated in 2014. One high potential pre-salt prospect in the block, Piapara, is expected to be drilled back-to-back in 2014.

### BM-J-2

At the BM-J-2 exploration block, located in the Jequitinhonha Basin, QGEP owns a 100% participating interest and is the operator. At the end of September 2011, drilling at the Alto de Canavieiras (JEQ #1) pre-salt prospect was temporarily suspended at a depth of 2,540 meters due to regulatory restrictions from IBAMA (Brazilian Environmental Authority) that contained a black-out period on exploration activities in the area for a defined period.

The Company affirms its intentions to restart drilling at the Alto de Canavieiras well (JEQ #1) as soon as feasible under an already-obtained environmental license that is valid until June 2013. QGEP is both currently negotiating for a rig and working with IBAMA (Brazilian Environmental Authority) to finalize the exact details of the timeline. Once these matters are resolved, which could be as early as the second quarter of 2012, the Company expects to reach a total depth of 4,700 meters approximately two months after drilling is restarted.

Revised capital expenditure estimates associated with the drilling at JEQ#1 are projected to be US\$140 million, which includes US\$70 million, which was expended in 2011.

### Other Projects

At Block BM-CAL-5, the volumes of two wells, Copaíba and Jequitibá, have been categorized by GCA as contingent resources. One additional well is forecasted to be drilled at Copaíba in the second half of 2012.

One exploratory well is expected to be drilled at Block BM-CAL-12 in 2013.

## Sustainability, Security and Environment

Keeping with QGEP's environmental responsibility, the Company continued with its social and environmental projects at the influence area of Block BM-J-2, including the Fishery Monitoring Landings Project, which generates statistical data of the region's fish production.

In 2011, QGEP made considerable progress with the Fisherman Compensation Project, which maintains a dialogue with the local communities that may be impacted by events, such as restrictions on fishing areas, during the Company's drilling activities in the region. The project involves the communities from the four municipalities of Ilhéus, Una, Canavieiras and Belmonte. After several meetings, and with the help of specialized consultants, the communities were able to jointly agree on compensatory projects That satisfied each group to be implemented in 2012.

In 3Q11, the Company began measuring sustainability indicators and plans to publish its First Annual Sustainability Report for 2011, using the internationally recognized Global Reporting Initiative (GRI) model. The Company extended the dialogue with QGEP's various stakeholders, through the use of online surveys to address relevant themes among QGEP's constituents.

## Financial Performance

For 4Q11, 4Q10 and full year 2011, the financial statements below represent consolidated financial information for the Company.

For the period for January 1, 2010 to September 30, 2010, the financial statements below represent a “carve out” of consolidated financial statements of Queiroz Galvão Óleo e Gás S.A., utilizing exclusively historical operating results for the E&P segment.

This financial information was combined considering that the E&P operations were under common control and management. Thus, the financial statements are termed consolidated “carve out” as if these operations were already separate during the period in question.

Consolidated Financial Information (R\$ million)						
	4Q11	4Q10	Δ%	2011	2010	Δ%
Net Income	23.9	11.6	106.0%	92.1	148.0	-37.8%
Amortization	15.5	21.3	-27.2%	53.6	76.5	-29.9%
Financial Income/(Expenses)	(25.3)	(3.4)	N/A	(84.4)	3.6	N/A
Income tax and social contribution	6.1	6.1	-	29.1	32.7	-11.0%
EBITDA <sup>(1)</sup>	20.2	35.6	-43.3%	90.4	260.8	-65.3%
Exploration expenditure	13.4	37.9	-64.6%	52.1	40.4	29.0%
EBITDAX <sup>(2)</sup>	33.5	73.4	-54.2%	142.5	301.2	-52.7%
EBITDA Margin <sup>(3)</sup>	24.3%	33.7%	-28.2%	31.3%	67.3%	-53.6%
EBITDAX Margin <sup>(4)</sup>	40.4%	69.5%	-41.9%	49.3%	77.7%	-36.4%
Net Debt <sup>(5)</sup>	(1,098.5)	21.3	N/A	(1,098.5)	21.3	N/A
Net Debt/EBITDAX <sup>(6)</sup>	(7,70)	0.07	N/A	(7.70)	0.07	N/A

(1) We calculate EBITDA as profit before taxes and social contributions, net financial results and amortization expenses. EBITDA is not a financial measure according to Brazilian GAAP; International Reporting Norms, IFRS or US GAAP. It should also not be considered in isolation or as a substitute for net income, as a measure of operating performance, or as an alternative to operating cash flow as a measure of liquidity. Other companies may calculate EBITDA differently than us. Furthermore, EBITDA has limitations which inhibit its usefulness as a measure of our profitability as it does not consider certain costs inherent in our business, which could significantly impact our profitability, such as financial expenses, taxes and amortization. EBITDA is utilized by us as an additional measure of our operating performance.

(2) EBITDAX= EBITDA - exploration costs

(3) EBITDA divided by net revenue.

(4) EBITDAX divided by net revenue.

(5) Net debt corresponds to total debt, comprising current and long-term loans and financing and derivative financial instruments, less cash, cash equivalents, investments and restricted cash. Net debt is not recognized under Brazilian GAAP, U.S. GAAP, IFRS or any other generally accepted accounting principles. Other companies may calculate net debt differently.

(6) EBITDAX annualized considering the previous 12 months.

### Operating Results

Net revenue for 2011 was R\$289 million versus R\$387.5 million in 2010. The 25.4% year-over-year decline was attributable to reduced production volumes at Manati Field, as a result of maintenance shutdowns during the year.

Net revenue for 4Q11 was R\$83.1 million, 21.4% below 4Q10, but a 12% improvement over the prior quarter's levels.

For 2011, total volumes at Manati Field were 1,500 MMm<sup>3</sup> or 675 MMm<sup>3</sup> net to the Company. Manati has a gas sale contract with a take-or-pay clause at a price in Reais that is adjusted annually using an index specified in the contract.



Reduced production at Manati Field also contributed to lower operating costs in 2011, which totaled R\$129 million, representing a 9% decrease over 2010 levels. Operating costs in 4Q11 were R\$44 million, down 6% when compared to 4Q10 and included: R\$15.2 million in depreciation; R\$8.8 million in production costs; R\$6.6 million in Royalties; R\$2.0 million in Special Participation and Research & Development; R\$8.2 million in maintenance costs at the Manati Field.

### **General and Administrative Expenses**

G&A expenses were R\$16.3 million in 4Q11 compared to R\$6.9 million reported in the same period last year. This substantial 135.2% quarter-over-quarter increase was a result of: (i) R\$7.3 million related to payroll (R\$4.9 million higher than 4Q10) due to the buildup of technical personnel and staff for operatorship activities at Block BS-4 and (ii) R\$1.4 million related to employee stock options. G&A expenses excluding nonrecurring IPO effects were R\$41 million in 2011 compared to R\$21.6 million in 2010.

### **Exploration Costs**

Total exploration costs in 2011 were R\$52.1 million, representing a 29.0% increase compared to 2010. In 4Q11, exploration costs were R\$13.4 million, down 64.6% due to the accounting effect of the return of Blocks BM-S-75 and BM-S-77 in 4Q10. The costs increase in 2011 were mainly related to the acquisition of seismic data.

### **Other Net Operational Expenses**

The Company reported R\$4.8 million in other operational expenses in 4Q11, mainly related to the provision related to the fine for not fulfilling the delivery or pay clause of the Manati Field gas sale contract at the during 2011. Total expenses related to this fine were R\$7.2 million in 2011.

### **Net Financial Income / (Expenses)**

In 2011, net financial income was R\$84.4 million compared to a net financial expense of R\$3.6 million in 2010. For 4Q11, net financial income was R\$25.3 million compared to R\$3.4 million reported in last year's fourth quarter, which included a foreign exchange loss of R\$5.4 million, reflecting the impact of volatile exchange rate markets over the outstanding payment related to QGEP's purchase of a 30% interest in Block BS-4 and a provision for abandonment at the Manati Field.

### **Net Income**

The Company's net income in 2011 was R\$92.1 million, a 38% decline from the R\$148 million earned in 2010. These results reflects lower production volumes from the Manati Field, higher G&A costs and foreign exchange impacts.

In 4Q11, net income was R\$23.9 million, an increase of 106.0% compared to 4Q10 levels, due to higher exploration costs related to Blocks BM-S-75 and BM-S-77, accounted in same period last year.

### **Cash (Cash, Cash Equivalents, Investments and Restricted Cash)**

The Company ended 2011 with a cash balance of R\$1,213.4 million, compared R\$1,098.5 million at the end of the third quarter. The Company's cash balance in the end of 2011 already reflected full payment of the the acquisition price of Block BM-S-8 and 10% of the BS-4 acquisition price, adding R\$245.8 million. In March 2<sup>nd</sup>, 2012, the Company paid the remaining amount related to 90% of the acquisition price of Block BS-4.

### **Accounts Receivable/Payable**

Accounts receivable at the end of 2011 were R\$76.1 million compared to R\$82.0 million in 2010. Accounts payable were R\$292.5 million at the end of 2011, up from R\$19.0 million at the close of 2010, mostly





representing the outstanding balance of the purchase and sale agreement to acquire a 30% participating interest in Block BS-4, which were paid in 1Q12 as ANP already approved the transfer of rights.

### Debt

The Company ended 2011 with total debt of R\$103.6 million, down 45% from 3Q11. Additionally, R\$8.7 million in principal and interest were amortized with BNDES and R\$74.4 million with BNB.

### Operating Cash Flow

The Company had operating cash flow of R\$194.2 million in 2011 compared to R\$253.0 million in 2010.

## Investor Relations

### QGEP Participações S.A.

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## About QGEP

QGEP Participações S.A. is Brazil's Brazilian largest private company in the Exploration and Production (E&P) sector in terms of daily production of barrels of oil equivalent (BOE) according to data from the ANP, and the only private Brazilian company in this sector qualified by the ANP in the last two auctions in 2007 and 2008 to act as "Operator A" in Deep and Ultra-Deep Waters. The Company has a diversified portfolio of high quality and high potential exploration and production assets. Furthermore, it owns 45% of the concession for the Manati Field located in the Camamu Basin, which is the largest unaffiliated natural gas field under production in Brazil according to data by the ANP as of November 2010. This field covers approximately 76 km<sup>2</sup>, has been in operation since 2007, and has production capacity of approximately 50,300 boe per day. For more information, please go to [www.qgep.com.br/ri](http://www.qgep.com.br/ri).

*This material may contain information relating to future business prospects, estimates of financial and operational results and growth of the company. This information should be considered as projections based exclusively on management expectations regarding future business developments and the availability of capital to finance the Company's business plan. Such future considerations are substantially subject to changes in market conditions, government regulations, competitive pressures and developments within the sector and the Brazilian economy, among other factors. These points should also be considered along with risks disclosed in documents previously published by the Company. It should be understood that all these factors are subject to change without warning.*



The financial information of the Company has been prepared as follows:

- ▶ For the period beginning January 2010, ending September 2010: our consolidated carve-out financial information has been derived from our carve-out consolidated financial statements of Queiroz Galvão Óleo e Gás S.A., utilizing exclusively the historical results of operations, assets and liabilities attributable to the E&P segment, which includes our investment in Manati and the operations of BS-3 S.A. The financial information was prepared by us in accordance with IFRS as issued by IASB.
- ▶ For the quarter ended December 31, 2010 and full year 2011: consolidated financial information of the Company. The financial information was prepared by us in accordance with IFRS as issued by IASB.

## Annex I - INCOME STATEMENT

Income Statement (R\$ million)						
	4Q11	4Q10	Δ%	2011	2010	Δ%
<b>Net Revenue</b>	<b>83.1</b>	<b>105.7</b>	<b>-21.4%</b>	<b>289.0</b>	<b>387.5</b>	<b>-25.4%</b>
<b>Costs</b>	<b>(44.0)</b>	<b>(46.6)</b>	<b>-5.6%</b>	<b>(128.6)</b>	<b>(141.3)</b>	<b>-9.0%</b>
<b>Gross profit</b>	<b>39.1</b>	<b>59.1</b>	<b>-33.8%</b>	<b>160.4</b>	<b>246.2</b>	<b>-34.8%</b>
<b>Operating income (expenses)</b>						
General and administrative expenses	(16.3)	(6.9)	136.2%	(64.1)	(21.6)	196.1%
Exploration expenditures	(13.4)	(37.9)	-64.6%	(52.1)	(40.4)	29.0%
Other net operational expenses	(4.8)	-	N/A	(7.3)	-	N/A
<b>Operating income</b>	<b>4.6</b>	<b>14.3</b>	<b>-67.8%</b>	<b>36.9</b>	<b>184.2</b>	<b>-80.0%</b>
Financial income (expenses), net	25.3	3.4	N/A	84.4	(3.6)	N/A
<b>Income before income tax and social contribution</b>	<b>29.9</b>	<b>17.7</b>	<b>68.9%</b>	<b>121.2</b>	<b>180.7</b>	<b>-32.9%</b>
Income tax and social contribution	(6.1)	(6.1)	-	(29.1)	(32.7)	-11.0%
<b>Net income (Loss)</b>	<b>23.9</b>	<b>11.6</b>	<b>106.0%</b>	<b>92.1</b>	<b>148.0</b>	<b>-37.8%</b>



## Annex II - Balance Sheet

Balance Sheet (R\$ million) Carve out			
	2011	3Q11	Δ%
<b>Assets</b>			
<b>Current Assets</b>	<b>1,258.1</b>	<b>1,299.8</b>	<b>-3.2%</b>
Cash and cash equivalents	1,022.0	1,024.8	-0.3%
Investments	130.5	193.0	-32.4%
Trade accounts receivable	76.1	56.3	35.2%
Recoverable taxes	20.7	10.8	91.7%
Other	8.8	14.9	-40.9%
<b>Non-current Assets</b>	<b>1,471.7</b>	<b>1,498.0</b>	<b>-1.8%</b>
Restricted cash	61.0	136.9	-55.4%
Recoverable taxes	0.2	0.1	14.4%
Deferred income tax and social	5.8	5.2	11.5%
Property, plant and equipment	869.4	822.8	5.7%
Intangible assets	535.2	533.0	0.4%
Other	0.1	-	N/A
<b>TOTAL ASSETS</b>	<b>2,729.7</b>	<b>2,797.9</b>	<b>-2.4%</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>	<b>395.3</b>	<b>406.9</b>	<b>-2.9%</b>
Trade accounts payable	292.5	312.1	-6.3%
Taxes payable	24.4	19.3	26.4%
Payroll and related taxes	1.5	1.2	25.0%
Due to related parties	0.5	1.2	-58.3%
Borrowings and financing	52.0	52.3	-0.6%
Provision for research and development	6.0	6.4	-6.3%
Other	18.4	14.4	27.8%
<b>Non-current Liabilities</b>	<b>158.6</b>	<b>240.6</b>	<b>-34.1%</b>
Borrowings and financing	51.6	134.8	-61.7%
Provision for abandonment	107.0	105.8	1.1%
<b>Shareholders' Equity</b>	<b>2,175.7</b>	<b>2,150.5</b>	<b>1.2%</b>
Capital Stock	2,078.1	2,078.1	-
Profit Reserve	87.5	-	N/A
Legal Reserve	6.4	1.8	N/A
Stock Option Plan	3.7	2.3	60.9%
Net income for the period	-	68.3	N/A
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>2,729.7</b>	<b>2,797.9</b>	<b>-2.4%</b>



## Annex III - Cash Flows

Cash Flows (R\$ million)		
	4Q11	2011
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net income for the period	23.9	92.1
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization and Depreciation	15.5	53.6
Deferred income tax and social contribution	(0.6)	(2.9)
Financial charges and exchange rate (gain) loss borrowings and financing	3.1	17.4
Provision for returned blocks	-	(10.6)
Decrease in fixed assets	-	14.1
Provision for stock option plan	1.4	3.7
Provision for income tax and social contribution	6.7	32.0
Provision for research and development	(0.4)	1.0
Financial Derivative Instruments	1.2	(0.3)
Exchange rate (gain) loss on accounts payable for acquisition of exploratory blocks	3.0	40.3
Exchange rate (gain) loss on provision for abandonment	1.2	12.0
(Increase) decrease in operating assets:	(24.1)	(20.2)
Increase (decrease) in operating liabilities:	9.0	(38.0)
<b>Net cash inflows from operating activities</b>	<b>39.8</b>	<b>194.2</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Net cash inflows from (used in) investing activities</b>	<b>40.5</b>	<b>(607.3)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Net cash inflows from (used in) financing activities</b>	<b>(83.2)</b>	<b>1,297.8</b>
<b>Increase in cash and cash equivalents</b>	<b>(2.9)</b>	<b>884.7</b>
Cash and cash equivalents at beginning of the period	1,024.8	137.2
Cash and cash equivalents at end of the period	1,022.0	1,022.0
Increase in cash and cash equivalents	(2.9)	884.7



## Annex IV - Glossary

Glossary	
<b>ANP</b>	National Petroleum Agency
<b>Deep water</b>	Water depth of 401 - 1.500 meters.
<b>Shallow water</b>	Water depth of 400 meters or less.
<b>Ultra-deep water</b>	Water depth of 1.501 meters or more.
<b>Basin</b>	A depression in the Earth's crust in which sediments have accumulated that could contain oil and/or gas. associated or not.
<b>Barrel of Oil or bbl</b>	One "stock tank" barrel. the standard measurement of petroleum volume. equivalent to approximately 159 liters.
<b>Bbl/day</b>	Barrels per day.
<b>Block(s)</b>	Part(s) of a sedimentary basin with a polygonal surface defined by the geographic coordinates of its vertices and undefined depth where oil and natural gas exploration or production activities are carried out.
<b>"Boe" or Barrel of oil equivalent"</b>	A measurement of gas volume converted to barrels of oil using a conversion factor whereby 1.000 m <sup>3</sup> of gas equals 1 m <sup>3</sup> of oil/condensate and 1 m <sup>3</sup> of oil/condensate equals 6.29 barrels and (energy equivalence).
<b>Field</b>	An area covering a horizontal projection of one or more reservoirs containing oil and/or natural gas in commercial quantities.
<b>CCOS</b>	Commercial Chance of Success.
<b>Concession</b>	A grant of access by a country to a company for a defined area and period of time that transfers certain rights to any hydrocarbons that may be discovered from the country in question to the concessionaire.
<b>Discovery</b>	In accordance with the Petroleum Law. a discovery is any occurrence of petroleum. natural gas or other hydrocarbons. minerals and. in general terms. mineral reserves located in a given concession. independently of quantity. quality or commercial viability that are confirmed by at least two detection or evaluation methods (defined in the ANP concession agreement). To be considered commercially feasible. a discovery must present positive returns on an investment under market conditions for development and production.
<b>E&amp;P</b>	Exploration and Production.
<b>Farm-in and Farm-out</b>	Process of partial or complete acquisition of concession rights held by another company. The company acquiring the concession rights is said to be in the farm-in process and the company selling concession rights is in the farm-out process.
<b>GCOS</b>	Geological Chance of Success.
<b>GCA</b>	Gaffney, Cline & Associates



<b>Operator</b>	A company legally appointed to conduct and execute all operations and activities in the concession area, in accordance with the terms of the concession agreement signed by the ANP and the concessionaire.
<b>Exploratory Prospect(s)</b>	A prospect is a potential accumulation mapped by geologists or geophysicists where there is a probability of a commercially viable accumulation of oil and/or natural gas that is ready to be drilled. The five necessary elements for the existence of an accumulation (generation, migration, reservoir, seal and entrapment) must be present and the lack of any of the five means there is either no accumulation or a accumulation that is not commercially viable.
<b>Contingent Resources</b>	Represent quantities of oil, condensate and natural gas that are potentially recoverable from accumulations acknowledged during the development of projects, but that not considered commercially recoverable as yet due to one or more contingencies.
<b>Gross Contingent Resources</b>	The totality of contingent resources
<b>Net Contingent Resources</b>	The Company's interest in total contingent resources
<b>3C Contingent Resources</b>	High case estimate of contingent resources, with only a 10% chance of being achieved or exceeded.
<b>Risked Prospective Resources</b>	Prospective resources multiplied by GCOS.
<b>Adjusted Risked Prospective Resources</b>	Prospective resources multiplied by CCOS.
<b>Net Risked Prospective Resources</b>	The Company's interest in risked prospective resources.
<b>Unrisked Prospective Resources</b>	Prospective Resources without the application of GCOS.
<b>Reserves</b>	Quantities of petroleum expected to be commercial recoverable by applying development projects to known accumulations as of a given date and under defined conditions.
<b>Possible Reserves</b>	Quantities of petroleum which analysis of geoscience and engineering data indicate are less likely to be recovered than probable reserves.
<b>Proven Reserves</b>	Quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable as of a given date from known reservoirs and under defined economic conditions, operating methods and government regulations.
<b>Probable Reserves</b>	Quantities of petroleum that, according to geoscience and engineering data, are estimated to have the same chance (50%/50%) of being achieved or exceeded.