THIRD QUARTER 2012

Earnings Release QGEP Participações S.A.

Conference Call

Portuguese (simultaneous translation)
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EXPLORAÇÃO E PRODUÇÃO

QGEP Reports
Third Quarter 2012 Results

Rio de Janeiro, November 7, 2012 – QGEP Participações S.A. (BMF&Bovespa: QGEP3), Brazilian largest independent oil and gas production company, today announced its results for the third quarter ended September 30, 2012. The following financial and operating data, except where indicated otherwise, are presented on a consolidated basis as per the accounting procedures adopted in Brazil, described in the financial section of this release.

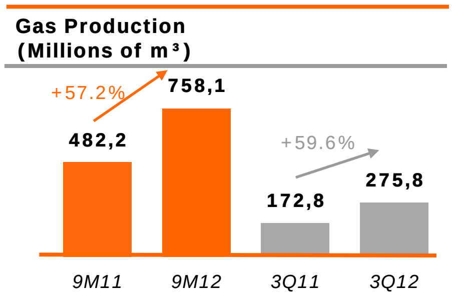
- **Average gas production was 6.7 MMm³/day in 3Q12, similar to 2Q12 production levels. For 9M12, average production reached 6.1 MMm³/day.**

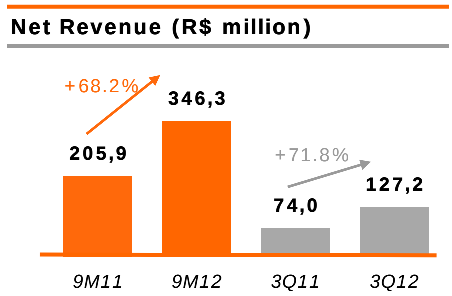
- **Net revenue was R$127.2 million, up 71.8% from 3Q11 and 3.3% from 2Q12. For 9M12, net revenue totaled R$346.3 million, 68.2% higher than 9M11.**

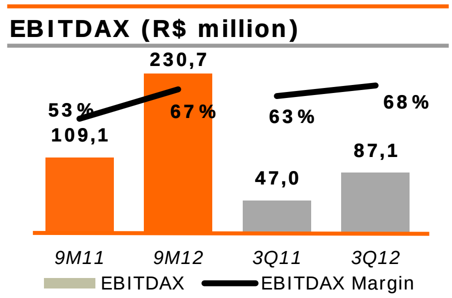
- **EBITDAX in 3Q12 was R$87.1 million, up 85.3% from 3Q11; EBITDAX margin was 68.4%. For 9M12, EBITDAX increased 111.5% over 9M11.**

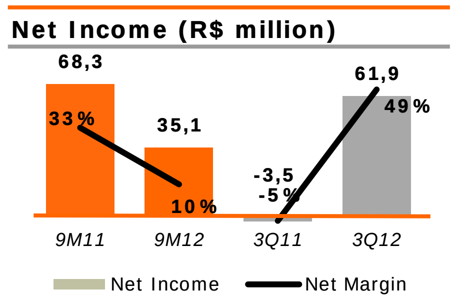
- **Net income was R$61.9 million compared to a loss of R$3.5 million in 3Q11; net margin was 49%. For 9M12, net income was R$35.1 million.**

- **Cash flow from operating activities was R$64.5 million, similar to R$64.9 million in 2Q12. Cash balance* was R$925.5 million at September 30, 2012.**









* Includes cash, cash equivalents and investments

Management Comments

This was a period of outstanding financial and operating performance. We posted significant year-over-year and sequential improvements in revenues, EBITDA and net income, thanks to high production levels at the Manati Field; we generated substantial cash flow from operations; and we made meaningful progress on each of our 2012 exploration projects.

Strong demand of natural gas resulted in very positive results from the Manati Field, where our average daily production reached 6.7 MMm³ of natural gas in the third quarter and averaged 6.1 MMm³ for the first nine months of 2012. This 60% year-over-year improvement in production levels drove:

- A 72% increase in third quarter 2012 revenues to R$127 million, up from R$74 million in the comparable 2011 period;
- An increase of 85% in EBITDAX to R$87 million in the third quarter from R$47 million; and
- Cash flow from operating activities of R$65 million up 23% from third quarter 2011 levels.

Our significant ownership position in this high performance field is a major differentiator for QGEP in Brazil's independent oil and gas sector, providing us with the internally-generated resources to invest in our asset portfolio. Based on our current visibility, we expect full year 2012 production capacity at the Manati Field to average 6.0 MMm³ per day, taking into account the exceptional production levels of the second and third quarters of this year.

With respect to our development assets, we have moved firmly with the development of the Atlanta and Oliva post-salt fields, where we are the operator and hold a 30% stake. While awaiting formal approval from the ANP to proceed with our revised plans, we are negotiating contracts for services and the long lead items, such as rigs and other necessary equipment, in order to be prepared to start drilling in the second half of 2013.

Our most promising near-term exploration prospect remains Carcará at Block BM-S-8, where we have reached the total depth, and we have entered the testing phase. Based upon what we have seen thus far, the Carcará well represents one of the largest columns of oil that has been encountered in the pre-salt of Brazil, and it has the potential to be a transformational discovery for QGEP. We are proceeding with drill stem tests (DSTs) to acquire more data in order to determine the potential production of the reservoir. For this reason, results from the well may be disclosed in the next few months. While we recognize the importance of providing more information to the market on the likely volumes associated with this important discovery, we are also keenly aware of the importance of being thorough and reliable in disclosing estimates. Following the results from Block BM-S-8, we plan on contracting an updated reserves and resources certification for our current exploratory portfolio, which is expected to be completed before the second half of 2013.

Additionally, we are currently negotiating for a rig to finish drilling the Alto de Canavieiras (JEQ #1) prospect at Block BM-J-2 in the Jequitinhonha Basin and we are confident that a rig will be secured by the end of this year.

Most recently, we announced our latest farm-in agreement at Blocks C-M-122, C-M-145 and C-M-146 (BM-C-27 Concession) in the Campos Basin, adding more value to our portfolio. This is our first asset with pre-salt targets of the Campos Basin and our 30% participating interest will provide us with valuable geological data of the surrounding areas, better positioning us for future acquisitions.

We ended the 2012 third quarter with cash and liquid investments of R$926 million, making QGEP one of the financially strongest independent oil and gas companies in Brazil. This gives us the flexibility to take advantage of opportunities to expand and develop our asset portfolio.

I am also pleased to announce that Mr. Sergio Michelucci has been nominated by our Board of Directors as QGEP's new Director of Exploration, effective on December 1st 2012. I have worked closely with Sergio for more than 20 years at Petrobras and now at QGEP. He has extensive experience across a number of basins, both in Brazil and abroad, and we are confident in his ability to assume this pivotal role within the Company and continue with our exploration growth strategy.

In summary, this has been an excellent quarter for QGEP, and our management and operating staff continue to work together to build the scope and success of our operations. We are fortunate to have a group of highly-skilled professionals who are focused on achieving the same objectives. They join us in appreciating the interest and support of our shareholders, and we look forward to keeping you apprised of our progress.

QGEP's Assets

Field / Prospect	Block	Basin	QGEP Interest	Reserve Resource Category	Fluid	Geological Chance of Success [(1)]	MMboe[(2)]
Manati	BCAM-40[(3)]	Camamu	45%	Reserve[(4)]	Gas	-	58.4[(5)]
Camarão Norte	BCAM-40[(3)]	Camamu	45%	Contingent	Gas	-	4.5
Copaíba	BM-CAL-5	Camamu	27.5%	Contingent	Oil	-	21.9
CAM 01	BM-CAL-12	Camamu	20%	Prospective	Oil	31%	24.4
Alto de Canavieiras	BM-J-2	Jequitinhonha	100%	Prospective	Oil–Gas	29%	61.8[(6)]
Alto Externo	BM-J-2	Jequitinhonha	100%	Prospective	Oil–Gas	24%	32.3[(6)]
Santos #2	BM-S-12	Santos	30%	Prospective	Oil	N/A	N/A
Bem-Te-Vi	BM-S-8	Santos	10%	Contingent	Oil	N/A	N/A
Abaré Oeste	BM-S-8	Santos	10%	Prospective	Oil	N/A	N/A
Biguá	BM-S-8	Santos	10%	Prospective/ Contingent	Oil	N/A	N/A
Carcará	BM-S-8	Santos	10%	Prospective/ Contingent	Oil	N/A	N/A
Prospect	BM-S-8	Santos	10%	Prospective	Oil	N/A	N/A
Atlanta	BS-4	Santos	30%	Reserve[(4)]	Oil	N/A	N/A
Oliva	BS-4	Santos	30%	Reserve[(4)]	Oil	N/A	N/A
Piapara	BS-4	Santos	30%	Prospective	Oil	N/A	N/A
Guanabara Profundo	BM-C-27	Campos	30%	Prospective	Oil-Gas	N/A	N/A

(1) Geological Chance of Success as per of GCA Report.

(2) The resources cited in barrels of oil equivalent (boe) were calculated by QGEP utilizing data from GCA reports as of 12/31/2011. The conversion rate for boe utilized was 1,000 m^3 of gas equals 1 m^3 of oil/condensate (equivalent energy), and 1 m^3 of oil/condensate equals 6.29 barrels.

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

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

(5) Volume from Manati Field net to QGEP reflects volume in the GCA report dated 12/31/11 (63.2 million of boe) less the volume produced in 9M12 (4.8 million).

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

Producing and Development Assets

MANATI

For the third quarter of 2012, the Manati Field achieved average gas production of 6.7 MMm³ per day. Strong demand from Brazil's thermal power plants continued to support production during the period.

Due to the potential for lower demand levels for the remainder of this year, the Company forecasts an average daily production capacity of 6.0 MMm³ for full year 2012, taking into consideration October 2012 production which was 5.7 MMm³/day. Programmed maintenance is expected to take place at the Field during the first quarter of 2013 and maintenance costs are estimated to be R$15 million.

As released to the market in October 2012, an updated Gaffney Cline & Associates (GCA) certification for reserves at Manati Field was received during the quarter. After taking into account the 1.5 billion m³ of natural gas that was produced by the Field in 2011, the certification showed 1P reserves at 19.7 billion m³ of natural gas and 2P and 3P reserves at 20.5 and 22.0 billion m³ of natural gas, respectively.

ATLANTA AND OLIVA

Block BS-4 includes the post-salt oil fields of Atlanta and Oliva where QGEP is the operator and owns a 30% stake. Located 185 km off the coast of Brazil, the Field's heavy oil ranges from 14° to 16° API with estimated volumes in place of 2.1 billion barrels. The Company is preparing for drilling at this block to begin in the second half of 2013, which calls for first oil by the end of 2014. During the third quarter, negotiations advanced for the procurement of drilling equipment and the supplies necessary to remain in accordance with the schedule/requirements presented in the Development Plan to the ANP.

The Development Plan previously submitted to the ANP includes an Early Production System (EPS) for two horizontal wells within a three year period. Full development is expected to be reached during 2017/2018 with an FPSO that has the processing capacity of 80-100 thousand barrels per day, along with the integration of 10 additional wells, for a total of 12 horizontal wells in the Field.

Exploratory Assets

BM-S-8

At Block BM-S-8, the final depth of 6,671 meters at the Carcará prospect was reached. The well has currently entered the testing phase of the project, which includes the running of drill stem tests (DST) and the consortium expects to disclose results to the market in the next few months. At the end of October 2012, the consortium has requested to the ANP a revision of the Bem-te-vi Evaluation Plan due to the excellent results obtained in from the Carcará well and the answer is still pending. Data obtained thus far showed a major column of at least 471 meters of 31° API oil with more than 400 meters of microbial carbonate. For the year, drilling and evaluation expenses net to QGEP at the Carcará well are expected to be US$35 million.

BS-4

At Block BS-4, contracts are being negotiated with several suppliers and vendors as the Company determines the specifications for rigs and other necessary equipment for drilling at the Piapara prospect in the second half of 2014. This important prospect for QGEP is located near the giant discoveries of Libra and Franco and is close to a recent Petrobras discovery, Dolomita Sul, to the Southwest section of the block. The expected drillex for this pre-salt is US$80 million net to QGEP.

BM-S-12

As announced in October 2012, the consortium has submitted to the ANP a revision of the Evaluation Plan at the Ilha Bela well (1-SCS-13) in Block BM-S-12. This request involves a reentry into the discovery well that was previously drilled in 2008 so that the consortium may evaluate the possibility of performing a Drill Stem Test (DST). The request was submitted to the ANP at the end of September 2012 and the consortium is still awaiting a response.

Upon being granted ANP approval, the consortium expects to reenter the well in 2014 and the CAPEX for these activities is expected to be approximately US$25 million net to QGEP.

BM-J-2

At Block BM-J-2, located in the Jequitinhonha Basin, where QGEP is the operator and has a 100% ownership interest, the Alto de Canavieiras (JEQ#1) prospect was previously drilled to 2,540 meters and a final depth of approximately 4,700 meters is expected to be reached during the third quarter of 2013. After reviewing several rig options, the Company expects to finalize a contract before the end of 2012. In doing so, the Company will be able to resume drilling at the prospect in the second quarter of 2013.

The Company has submitted to IBAMA a renewal of the current environmental license for drilling in the block, which currently expires in June 2013. Remaining DRILLEX at Block BM-J-2 are expected to be US$70 million.

BM-C-27 (C-M-122, C-M-145 and C-M-146)

QGEP entered into an agreement with Petrobras for the transfer of 30% of the exploration and production rights held by Petrobras at the Evaluation Plan Area of the Guanabara Prospect which encompasses Blocks C-M-122, C-M-145 and C-M-146 (a section of the BM-C-27 Concession) located in shallow waters of the Campos Basin. Petrobras will remain the operator and retain a 70% working interest in the acquired blocks. The transfer of the participating interest to QGEP is subject to ANP approval.

Located 70 kilometers off the coast of Brazil in water depths of approximately 50 meters, the BM-C-27 Concession has one pre-salt prospect identified, Guanabara Profundo, which is expected to be drilled in 2013 and presents a higher probability of the occurrence of wet gas. The agreement in place with Petrobras will not require QGEP to disburse any upfront money for its participation in the acquired blocks. QGEP will carry a portion of the 2012 drilling costs at the Guanabara Profundo prospect. The exploration commitment to be disbursed by QGEP is currently estimated to be USD$55 million.

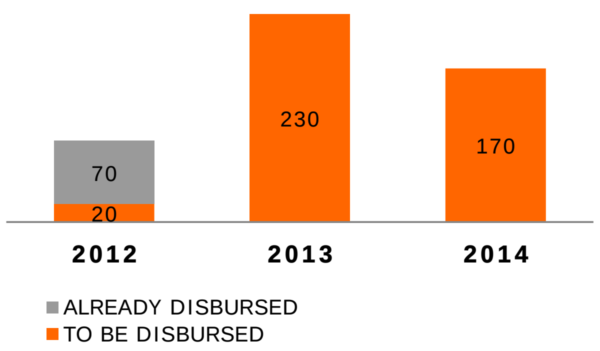
BM-CAL-12 and BM-CAL-5

At Block BM-CAL-12, one pioneer well is expected to be drilled in 2013 targeting the CAM #1 prospect and the exploratory costs net to QGEP are expected to be approximately US$40 million.

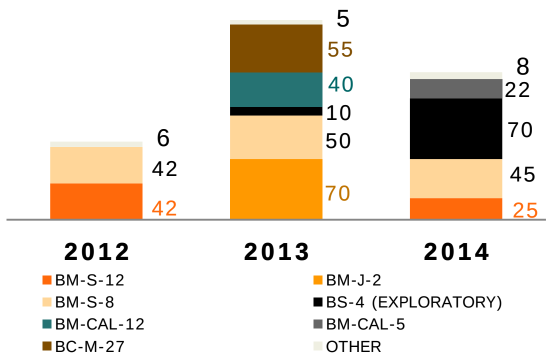
At Block BM-CAL-5, one additional well is set to be drilled in 2014 to evaluate the Copaíba discovery. The consortium is currently in the process of renewing the environmental license for drilling in this area. The CAPEX for this well is expected to be approximately US$22 million net to QGEP.

CAPEX

Exploratory CAPEX net to QGEP (US$ million)



Exploratory CAPEX net to QGEP (US$ million)



Recent Corporate Developments

- QGEP's Board of Directors nominated Mr. Sergio Michelucci as the Company's new Director of Exploration, effective on December 1st 2012. He will take over the role which was previously held by QGEP's CEO, Mr. Lincoln Guardado. Mr. Michelucci has a specialization in Geophysics from the University of Texas in Austin, as well as a degree in Geology from the Federal University of Rio Grande do Sul. With over 37 years of experience in the E&P industry, of which 35 were with Petrobras, Mr. Michelucci has served in numerous technical and management positions and has worked in a variety of sedimentary basins in Brazil, as well as in other countries including Bolivia, Peru, Cuba, Nigeria, Angola, Portugal and the United States. Following his retirement from Petrobras in 2010, he worked for one year at OGX Petróleo e Gas as the Interpretation Manager of the Espírito Santo Basin. In January 2012, Mr. Michelucci joined QGEP, where he held the position as the Company's Exploratory Projects Manager.

- The Company completed 60% (1.6 million shares) of its second share repurchase program which was previously approved by QGEP's Board of Directors in 2Q12.

- The Company's Board of Directors has decided to incorporate Manati S.A. into Queiroz Galvão Exploração e Produção S.A. Manati S.A. which was created as a special purpose company linked to the debt raised to develop the Manati Field. This restructuring, pending ANP approval, will have no impact on production activities at Manati Field.

Financial Performance

For 3Q12, 3Q11, 9M12 and 9M11 the financial statements below represent consolidated financial information for the Company. Some percentages and other figures included in this performance report were rounded to facilitate presentation and therefore may present slight differences in relation to the tables and notes presented in the quarterly information. In addition, for the same reason, the totals presented in certain tables may not reflect the arithmetic sum of the preceding figures.

Consolidated Financial Information (R$ million)

	3Q12	3Q11	Δ%	9M12	9M11	Δ%
Net Income (Loss)	61.9	(3.5)	N/A	35.1	68.3	-48.6%
Amortization and Depreciation	23.1	14.0	65.1%	62.2	38.1	63.3%
ExpensesIncome/(Financial)	(19.4)	13.4	-244.5%	(66.4)	(59.0)	-12.6%
Income tax and social contribution	12.8	1.6	N/A	30.8	23.0	34.0%
EBITDA(1)	**78.5**	**25.6**	**206.3%**	**61.7**	**70.4**	**-12.3%**
Oil and gas exploration expenditure	8.6	21.4	-59.8%	169.0	38.7	336.8%
EBITDAX(2)	**87.1**	**47.0**	**85.3%**	**230.7**	**109.1**	**111.5%**
EBITDA Margin(3)	61.7%	34.6%	78.3%	17.8%	34.2%	-47.9%
EBITDAX Margin (4)	68.4%	63.5%	7.8%	66.6%	53.0%	25.8%
Net Debt(5)	(925.5)	(1,158.2)	20.1%	(925.5)	(1,158.2)	20.1%
Net Debt/EBITDAX	-3.50	-6.35	44.8%	-3.50	-6.35	44.8%

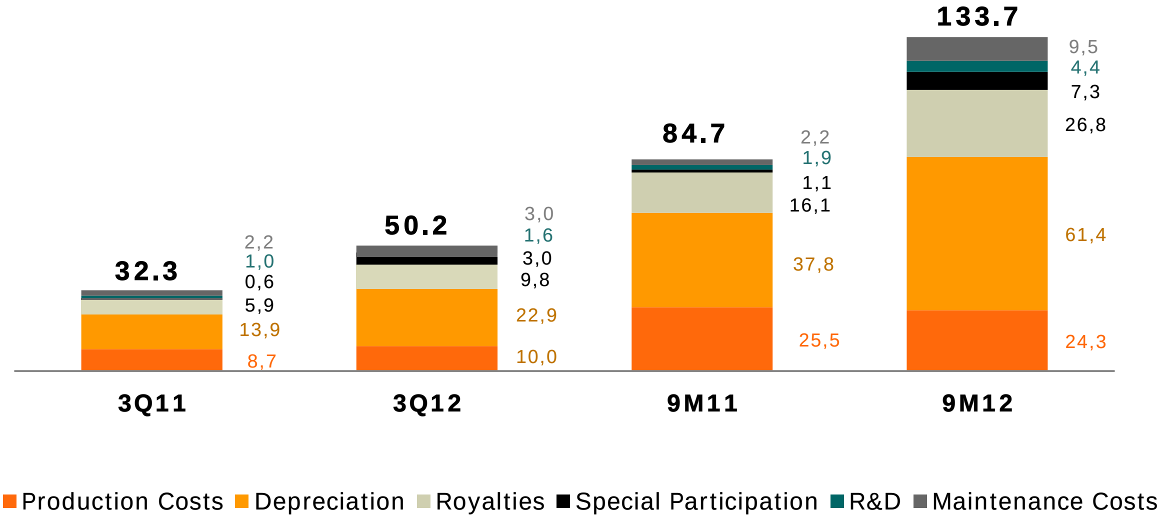
(1) We calculate EBITDA as profit before taxes and social contributions, net financial results and amortization expenses. EBITDA is not a financial measure according to Brazilian GAAP; International Reporting Norms, IFRS or US GAAP. It should also not be considered in isolation or as a substitute for 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 net results, 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 and cash equivalents and investments. 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.

Operating Results

Net revenue for 3Q12 was R$127.2 million, a 71.8% increase over 3Q11, a result of increased production levels at the Manati Field. For 9M12, total net revenues were R$346.3 million, a 68.2% increase over 9M11, reflecting full capacity at Manati Field once extensive maintenance work was completed in 2011.

Higher production in 3Q12 also contributed to a 55.4% year-over-year increase in operating costs to R$50.2 million. For 9M12, total operating costs were R$133.7 million, which also included R$9.5 million in maintenance costs.

Operating Costs (US$ million)



General and Administrative Expenses

G&A expenses were R$13.8 million in 3Q12, R$6.0 million higher than reported in 3Q11, resulting from increased headcount to support the expanded scope of the Company's operations. For 9M12, G&A expenses were R$44.9 million, slightly below the R$47.7 million reported for 9M11.

Exploration Costs

Total exploration costs in 3Q12 were R$8.6 million, which included an additional cash call of R$6 million for previous drilling activities at the Ilha do Macuco well in Block BM-S-12. Total exploration costs for 9M12 amounted to R$169.0 million.

Net Financial Income

In 3Q12, the Company generated net financial income of R$19.4 million compared to a net financial loss of R$13.4 million in 3Q11. The net financial income for the quarter included (i) R$20.0 million in financial income and (ii) R$0.6 million in financial expense. There were no material expenses related to exchange variations in the quarter.

Net Income

The Company's net income was R$61.9 million in 3Q12. The substantial increase over 3Q11 levels was due to improved production volumes from the Manati Field, lower exploration costs and higher financial income. For the first nine months of 2012, QGEP had net income of R$35.1 million.

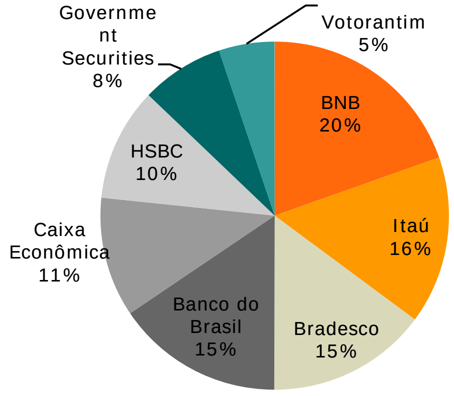
Balance Sheet /Cash Flow Highlights

Cash (Cash, Cash Equivalents and Investments)

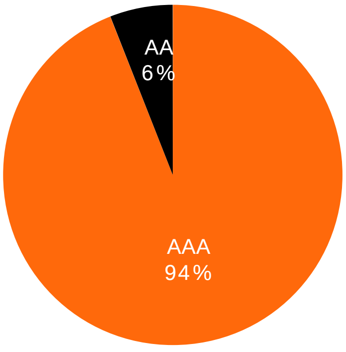
At the end of 3Q12, the Company had a cash balance and net cash position of R$925.5 million.

Cash is invested in dedicated funds and fixed income assets, all in reais. The cumulative average yield of the portfolio until September 30, 2012 was 101.3% of the CDI rate and approximately 95% of the funds have daily liquidity. The distribution is shown in the charts below.

Investment Distribution



Ratings



Accounts Receivable/Payable

Accounts receivable at the end of 3Q12 were R$99.1 million compared to R$98.0 million at the end of 2Q12, mainly related to gas sales to Petrobras; Accounts payable were R$30.6 million at the end of 3Q12, down 37.0% from 2Q12.

Debt

The Company had no debt at the end of the third quarter of 2012. As previously reported during 2Q12, the Company eliminated its debt, following the total repayment of the BNDES and BNB loans linked to the Manati Field development.

Operating Cash Flow

The Company had operating cash flow of R$64.5 million in 3Q12, 23% higher than in 3Q11 and virtually flat with that reported in 2Q12. Operating cash flow for the first nine months of 2012 reached R$185.1 million.

Investor Relations

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About QGEP

QGEP Participações S.A. is Brazil's largest producing company in the Brazilian Exploration and Production (E&P) private sector, and the first and only private Brazilian company to operate in the premium pre-salt area in Brazil. QGEP is 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 one of the largest non-associated natural gas fields under production in Brazil. Manati Field has been in operation since 2007, and has average production capacity of approximately 6 million of m^3 per day. For more information, accesswww.qgep.com.br/ri

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

- For the quarter ended September 30, 2012 and September 30, 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)

	3Q12	3Q11	Δ%	9M12	9M11	Δ%
Net Revenue	127.2	74.0	71.8%	346.3	205.9	68.2%
Operating costs	(50.2)	(32.3)	-55.4%	(133.7)	(84.7)	-57.8%
Gross profit	**77.0**	**41.7**	**84.5%**	**212.6**	**121.2**	**75.4%**
Operating income (expenses)						
General and administrative expenses	(13.8)	(7.9)	-75.8%	(44.9)	(47.7)	**6.0%**
Oil and gas exploration expenditures	(8.6)	(21.4)	59.8%	(169.0)	(38.7)	N/A
Other net operational expenses	0.8	(0.9)	188.6%	0.8	(2.5)	130.8%
Operating income (loss)	**55.3**	**11.6**	**N/A**	**(0.5)**	**32.3**	**-101.5%**
Financial income (expenses), net	19.4	(13.4)	244.5%	66.4	59.0	12.6%
Income (Loss) before income tax and social contribution	74.7	(1.8)	N/A	65.9	91.3	-27.8%
Income tax and social contribution	(12.8)	(1.6)	N/A	(30.8)	(23.0)	-34.0%
Net Income (Loss)	**61.9**	**(3.5)**	**N/A**	**35.1**	**68.3**	**-48.6%**

Annex II – BALANCE SHEET

Balance Sheet (R$ million)

	3Q12	2Q12	Δ%
Assets			
Current Assets	**1,063.3**	**1,028.5**	**3.4%**
Cash and cash equivalents	875.4	797.7	9.7%
Investments	50.1	97.7	-48.8%
Trade accounts receivable	99.1	98.0	1.1%
Recoverable taxes	26.8	20.4	31.6%
Other	12.0	14.7	-18.8%
Non-current Assets	**1,341.5**	**1,348.5**	**-0.5%**
Restricted cash	20.5	16.9	21.2%
Recoverable taxes	3.9	9.4	-58.6%
Deferred income tax and social	9.0	8.3	8.9%
Property, plant and equipment	771.9	778.0	-0.8%
Intangible assets	536.0	535.8	0.0%
Other	0.1	0.1	0.0%
Total Assets	**2,404.8**	**2,377.0**	**1.2%**
Liabilities and Shareholders' Equity			
Current Liabilities	**99.0**	**117.9**	**-16.0%**
Trade accounts payable	30.6	48.7	-37.0%
Taxes payable	37.8	37.3	1.5%
Payroll and related taxes	7.4	9.0	-17.2%
Duetorelatedparties	0.2	1.0	-76.7%
Borrowings and financing	-	-	N/A
Provision for research and development	10.1	8.8	14.4%
Other current liabilities	12.8	13.3	-3.4%
Non-current Liabilities	**115.7**	**115.2**	**0.5%**
Borrowings and financing	-	-	N/A
Provision for abandonment	115.7	115.2	0.5%
Shareholders' Equity	**2.190.0**	**2.143.9**	**2.2%**
Capital Stock	2,078.1	2,078.1	-
Investments Reserve	87.5	87.5	-
Net income for the period	35.1	(26.8)	231.0%
Legal Reserve	6.4	6.4	-
Stock Option Plan	10.3	7.8	32.8%
Shares held in treasury	(27.4)	(9.1)	-201.3%
TOTAL Liabilities and Shareholders' Equity	**2,404.8**	**2,377.0**	**1.2%**

Annex III – CASH FLOWS

Cash Flows (R$ million)

	3Q12	3Q11	Δ%
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss) for the period	61.9	(3.5)	N/A
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and Depreciation	23.1	14.0	65.1%
Deferred income tax and social contribution	(0.7)	(2.8)	73.2%
Financial charges and exchange rate (gain) loss borrowings and financing	-	2.2	N/A
Provision for stock option plan	2.6	1.4	82.3%
Provision for income tax and social contribution	13.5	13.9	-2.9%
Provision for research & development	1.3	0.5	156.0%
Financial Derivative Instruments	-	(1.5)	N/A
Exchange rate (gain) loss on accounts payable for acquisition of exploratory blocks	-	37.2	N/A
Exchange rate (gain) loss on provision for abandonment	0.5	16.7	-96.8%
(Increase) decrease in operating assets:	0.8	(3.0)	125.5%
Increase (decrease) in operating liabilities:	(38.6)	(22.8)	-69.1%
Net cash inflows from operating activities	**64.5**	**52.6**	**22.6%**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflows from (used in) investing activities	**31.5**	**(228.4)**	**113.8%**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash inflows from (used in) financing activities	**(18.3)**	**(15.1)**	**-21.7%**
Increase in cash and cash equivalents	**77.7**	**(190.9)**	**140.7%**
Cash and cash equivalents at beginning of the period	797.7	1,215.7	-34.4%
Cash and cash equivalents at end of the period	875.4	1,024.8	-14.6%
Increase in cash and cash equivalents	77.7	(190.9)	140.7%

Annex IV – GLOSSARY

ANP	National Agency of Petroleum, Natural Gas and Fuel
Deep water	Water depth of 401 – 1,500 meters.
Shallow water	Water depth of 400 meters or less.
Ultra-deep water	Water depth of 1,501 meters or more.
Basin	A depression in the Earth's crust in which sediments have accumulated that could contain oil and/or gas, associated or not.
Block(s)	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.
"Boe" or Barrel of oil equivalent"	A measurement of gas volume converted to barrels of oil using a conversion factor whereby 1,000 m^3 of gas equals 1 m^3 of oil/condensate and 1 m^3 of oil/condensate equals 6.29 barrels and (energy equivalence).
Field	An area covering a horizontal projection of one or more reservoirs containing oil and/or natural gas in commercial quantities.
Concession	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.
Discovery	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.
E&P	Exploration and Production
Farm-in and Farm-out	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.
GCOS	Geological Chance of Success
GCA	Gaffney, Cline & Associates
Operator	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.

"Type A" Operator	Qualification of the ANP to operate onshore, offshore in shallow to ultra-deep waters
Exploratory Prospect(s)	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 accumulation that is not commercially viable.
Contingent Resources	Represent quantities of oil, condensate and natural gas that are potentially recoverable from accumulations acknowledged during the development of projects, but that are not considered commercially recoverable as yet due to one or more contingencies.
Risked Prospective Resources	Prospective resources multiplied by GCOS.
Reserves	Quantities of petroleum expected to be commercially recoverable by applying development projects to known accumulations as of a given date and under defined conditions.
Possible Reserves	Quantities of petroleum which analysis of geoscience and engineering data indicate are less likely to be recovered than probable reserves.
Proven Reserves	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.
Probable Reserves	Quantities of petroleum that, according to geoscience and engineering data, are estimated to have the same chance (50%/50%) of being achieved or exceeded.