

Operator: Good morning ladies and gentlemen and thank you for waiting. At this time we would like to welcome everyone to the QGEP's 2Q13 earnings conference call. Today with us, we have Mr. Lincoln Rumenos Guardado, CEO of the Company, Ms. Paula Costa Côrte-Real, CFO and IRO, Mr. Sergio Michelucci, our Exploration Director and Mr. Paulo Rocha, Reservoir Engineering Manager.

We would like to inform you that this event is being recorded and all participants will be in listen-only mode during the Company's presentation. After QGEP's remarks are completed, there will be a question and answer section. At that time further instructions will be given. Should any participant need assistance during this call, please press *0 to reach the operator. There will be a replay facility for this call for one week.

Before proceeding, let me mention that forward-looking statements that may be made during this conference call based on QGEP's business perspectives, operating goal, financial goals are beliefs and assumptions of QGEP management, and on information currently available to the company. 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 over to the CEO of the company, Mr. Lincoln Rumenos Guardado, who will start the presentation. Mr. Guardado, you may proceed.

Mr. Guardado: Good morning everyone and thank you for participating in today's conference call. Joining me to discuss our 2Q13 operating and financial performance are Paula Costa Côrte-Real, our Chief Financial Officer and Investor Relations Officer, Sergio Michelucci, our Exploration Director and Paulo Rocha, Reservoir Engineering Manager.

Following our brief review for the second quarter and first half of the operating and financial results we will open the call to your questions.

Please move to slide 3. We continue to make progress across all elements of our business and we are doing so by maintaining a balanced strategy. In production, we succeeded in averaging 5 million m³ of natural gas per day at Manati Field, despite the impact of scheduled maintenance that halted the gas plant for 20 days in the month of April. Even though this reduced the production level and also accounted for the related maintenance costs, we were able to report a profitable quarter and a positive operating cash flow.

In development, everything is set to start drilling the first horizontal well of the Early Production System (EPS) at the Atlanta Field later this quarter. We plan to have the final FPSO specifications ready for bid by the end of September. First oil is expected in 2015.

In exploration, in the second quarter we continued to effectively manage our asset portfolio. Last month we resumed drilling at Block BM-J-2, where we are the operator and have 100% working interest. A final depth of approximately 4,700 meters should be reached by the end of the third quarter.

In Carcará, our important oil discovery in the pre-salt of Block BMS-8, the Consortium is on track to drill an appraisal well in the fourth quarter, which will be followed by a drill stem test.

In sum, we continue to pursue a balanced strategy to achieve sustainable, profitable growth. This involves having a mix of partnership diversification and an increase as activities as operator. In the same way, we continue with a mix of production and development operations and exploration activities, and looking at all of our investments with a view toward managing both financial and geological risk.

This was the strategy that guided us in preparing for the ANP bidding round in May this year. We significantly expanded and diversified our portfolio by acquiring eight blocks deep water blocks in the 11th ANP bidding round in May. I will go over the details of this in the next slide.

The 11th ANP Bidding Round was the first auction involving offshore areas since December 2008, and provided us with the opportunity to significantly build the size and scope of our exploratory portfolio and increase its diversification.

As you can see, we secured 8 blocks located across five basins. While these are areas of exploratory frontiers, with high risk, high reward, we believe that these new blocks position QGEP to benefit from a broad range of potential discoveries, and that this diversity helps to mitigate the risk inherent in exploration. The relevant blocks have a range of different geologies, including some that are comparable to productive regions in West Africa and Guiana.

In keeping with our focus on maintaining a balanced strategy, we will be the operators in five of the eight blocks, and our participation ranges from 20% to 50%. As part of the bidding round, QGEP committed to a total R\$95 million in signature bonuses.

It is also important to note that QGEP expanded its relationships through this bidding round, adding new partnerships with a group of world-class oil and gas companies including Total of France, Statoil of Norway and Premier Oil of the U.K. and important regional players like Pacific Rubiales and Petra Energia. We believe this brings important balance to our Company and the opportunity to work closely with companies that are likely to become more active in the Brazilian Oil and Gas market.

We are planning the strategy to acquire 3D seismic data in order to better analyze the 8 blocks. The cost net to QGEP is estimated at between US\$30 to US\$40 million over the next two years. The Company and its partners have committed to drill at least four exploratory wells in the blocks beginning in 2017, which will have a net cost to QGEP of approximately US\$200 million.

In Slide 5, we included the highlights of the Gaffney, Cline & Associates (GCA) report on Manati Field, dated December 31st, 2012.

The report shows 1P remaining reserves of 16.7 billion cubic meters of natural gas, 2P and 3P reserves of 17.9 and 21.1 billion cubic meters of natural gas, respectively. These figures are in line with the figures released in the previous reports, considering 2012 gas production. This report confirms our opinion of Manati as a high-quality, stable asset.

In 2014 we estimate a production of 5 to 5.5 million m³ per day from the Manati Field and in the same year the construction of a compression plant will begin, at approximately 20 km from the Manati platform, onshore. The construction of the compression plant will not halt production significantly, as all of the tests will be done off-line and the stoppage of 10 days maximum will be done only for the interconnection of this plant to our pipeline.

This plant will allow the field's production capacity to return to approximately 6.0 million cubic meters per day in 2015. The compression plant will raise lifting costs at the Field, but the impact on the asset's EBITDA margins are expected to be limited. CAPEX and OPEX estimates for the compression plant will be released after the Consortium completes the bidding process.

Now, I will ask our CFO and IRO, Paula Costa Côrte-Real, to present our second quarter and first half financial performance. Paula, you may proceed.

Ms. Paula Costa Côrte-Real: Thank you Lincoln. On slide 7 you can see an overview of QGEP's second quarter and first half 2013 financial performance compared with the similar periods of 2012. Many of the year-over-year comparisons are not applicable, as you may recall that it was in last year's second quarter that we took special charges of R\$157 million due to unsuccessful exploration activities at Block BM-S-12 and the relinquishment of the Jequitiba prospect to ANP.

As you can see, QGEP achieved solid financial performance in the 2013 second quarter and first half. Even with the production stoppage at Manati, second quarter EBITDAX was R\$42 million, representing a margin of 42%, and we also reported net income of R\$30 million.

For the first half of 2013, we reported EBITDAX of R\$120 million, representing a margin of 52%. Net cash from operating activities was R\$161 million for the first half of 2013, and at the end of the period, June 30th, we had a net cash position of over R\$1 billion, up from approximately R\$950 million at the end of 2012.

This comfortable financial position gives us the resources to fund our near and medium term exploration and development activities, which in turn are expected to provide additional funds for our future operations.

On slide 8, there are more details on gas production at Manati Field and the corresponding net revenue trends.

Production averaged 5 million cubic meters per day in the second quarter, below the prior year's levels due to the maintenance work stoppage in April. As a result, net revenues declined in this year's second quarter. However, for the first half of 2013 revenues increased 6%, as average production was steady year-on-year, driven by strong demand from Brazil's power plants, while prices rose.

Later this year, further maintenance at the Field will be carried out, including painting of the platform. However, this is not expected to impact production, but will have an additional R\$20 million impact on costs net to QGEP. As a result, we continue to expect average daily production of 5.5 to 6 million cubic meters per day for 2013.

Slide 9 details QGEP's costs for the second quarter, and the first half of 2013.

In 2Q13, operating costs were R\$56 million, an increase over the last year's second quarter largely as a result of the R\$15 million of maintenance costs related to Manati.

Exploration costs this quarter were mainly associated with the acquisition of seismic data and were below last year's second quarter due to the special charges last year, the ones I mentioned in slide 7.

G&A costs were down sharply year-on-year, again related to non-recurring expenses that impacted the second quarter of 2012. For 2013, we expect G&A to remain in line with last year's figures, as 2012 non-recurring expenses will be offset by the higher number of employees in QGEP this year.

Turning to slide 10 we have our expected CAPEX for 2013. It is estimated around US\$190 million to be split between Blocks BS-4, BM-J-2, BM-S-8 and the blocks won in the 11th Bidding Round. In 2014, CAPEX is expected to increase to approximately US\$310 million, as exploration will make up a much larger portion of this amount, as we intensify our work at BM-S-8 and at Piapara.

Due to the ongoing bidding process CAPEX does not include the amount relative to the compression plant at Manati.

Before we open for our Q&A, I would like to turn back the call to Lincoln to talk about the outlook for the second half of the year and beyond. Lincoln, please.

Mr. Guardado: Thank you, Paula. Slide 12 provides an update on our exploration activities. As you can see we're making steady progress across our activities related to our asset portfolio.

At BM-J-2, we've resumed drilling in the beginning of July using the P-VI jack-up rig, which we contracted from Petrobras in April. We're now drilling to test the Alto de Canavieiras prospect in the pre-salt section, and expect to reach a final depth of 4,700 meters by the end of this quarter. This exploratory asset is located in an emerging basin, and we will keep the market informed of our progress.

At BM-S-8, the location of our important Carcará discovery, the Consortium is on track to begin drilling an appraisal well in the fourth quarter of 2013, which will be followed by a drill stem test next year, therefore in 2014. An extended well test is also planned for this well in 2015. In 2014, the drilling of a well at the Guanxuma prospect, at BM-S-8, is planned, and potentially of a third well, contingent on the results of the ongoing data collection. The development schedule calls for first oil by the end of 2018.

At BS-4, we are in the process of analyzing new seismic data that were acquired to improve imaging at pre-salt and post-salt targets. Once this process is complete, we will define the next steps related to drilling activities at Piapara.

Slide 13 illustrates our growth perspectives for the short-medium term in order to implement our strategy.

Our strategy is based on the future production coming from Atlanta Field and the Carcará discovery from 2015, which will guarantee a significant cash flow that will support the implementation of a new exploratory cycle of the blocks acquired in the 11th Bidding round and potential new blocks.

We are maintaining a financial discipline approach in relation to exploration and other company's expenses; and we are also preparing ourselves for structuring in the future to support our challenges.

This timeline is based on our current portfolio of assets, and we look forward to providing the market with updates on our progress.

Operator, I would now like to open the call to questions.

Q&A Session

Operator: Excuse me, ladies and gentlemen, we will now begin the question and answer session. If you have a question, please press star one. If at any time you would like to remove yourself from the questioning queue, please press star two.

Our first question comes from Ms. Paula Kovarsky, Itaú BBA.

Ms. Paula Kovarsky: Good morning everyone. I would like to have a better understanding of the impact of the stoppage to build the compression plant in Manati next year. I wonder if you actually halt for only 10 days, why do we have this guidance reduction? Why from 6 down to 5.5 if the stoppage is not so long? I wonder if the return of the field may have a slow ramp? So why are you more conservative?

And still another question about Manati field; what about the signature of the agreement until 2016 and beyond?

Mr. Guardado: Paula, thank you for being with us in another call. Paula, we obviously know the previous schedule for the startup of production. The reason that justifies the difference in guidance is not substantially due to this potential 10 day stoppage.

The stoppage can take up to 10 days and the purpose is to interconnect the compression plant with the pipes. So all the tests will be done off-line after the building process and we will stop up to 10 days. We're being very conservative in order to prevent any surprises, but the purpose is to work on the interconnection and restart production again. The ramp-up is not long at all, there is no long ramp-up for this case.

Now, the difference guidance wise is driven by more than one reason. Obviously we had a delay in the process as a whole in terms of decision-making and implementation of this plant driven by internal conversations in the Consortium on OPEX and CAPEX. We are trying to direct the bid to be OPEX, but we are not sure yet so we don't want to give any further comments on costs for this plant, but there was a slight delay in discussion and also in the concept of the plant inside the Consortium.

So that was one factor and then we had another two slight things that happened, they are measurable, but to some extent they had impact on the timing of the process. One was the acquisition of the land, which has to be in a very proper position and was not trivial, they are private areas, so there is a whole process in order to complete the acquisition that was finally completed so we could really

launch the bidding process. Second, during the bidding process there were also several questions for clarifications from potential interested parties.

So all this led to a delay. The bidding process is in progress and we expect to see the opening phase of the proposals, so right now we are resuming the compression plant process.

But still answering your question about the different guidance, the plant is necessary because, require well, it doesn't involve the reservoir, it is only to send the gas to the treatment plant. So this slight delay in implementation combined with an increase, well, not a significant increase, but a slight increase in our average daily production due to all the problems that took place with the thermo power plants and also the rainfall shortage led us to produce a bit more.

So the reservoir lost a little of its energy and the slight delay in the plant implementation led to the difference in guidance for future production, which will range between 5 to 5.5 million m³, as we said.

So it was a whole set of factors, but I'd like to highlight that it's not the building process *per se* that led to this change and neither the interconnection that should last 10 days, maximum.

Now, coming back to your question about the amendment of the agreement, once we declare the winner of the bidding process and also the CAPEX and OPEX included, then we will start discussing the agreement already factoring in all these new elements. We don't expect to see any substantial changes in the contract, but we will be including everything that stems from this compression.

So we don't see any problem at all in signing this amendment later on. By the way, the compression decision historically was an impediment to signing the contract, they had things to settle, but now that things took off, we don't expect to see any further hindrances so we can finally sign our amendment with Petrobras.

Ms. Kovarsky: So this point that you just touched upon, about losing a little bit of the energy in the reservoir, does that mean that production will be relatively lower in future years or is it something that you produce slightly less in 2014 and from there on everything goes back to normal?

Mr. Guardado: Well, this loss of energy from the reservoir is something normal and the compression plant's purpose is to maintain the average that we were indicating previously, so it's only natural. I mean, the reservoir has a natural depletion process and we are, by the way, happy because there was only a slight depletion on the reservoir level, but this is a natural thing and that's why we need a compression plant. But in the reservoir everything is within the standards.

Ms. Kovarsky: But what about 2015? Is the guidance 5.0 - 5.5 or 6?

Mr. Guardado: It comes back to 6 because then we are already throwing gas on a usual basis supported by the compression plant, so the reservoir will be responding as expected.

Ms. Kovarsky: Thank you. Just another brief question about BS-4. At what level is the discussion about doing an Early Production System and then move to a definitive system, or go directly to a definitive system? Any news on that?

Mr. Guardado: We contracted a big company, an international company, Genesis, they carry out studies for top side and also pre-engineering of the model and we are just awaiting their report so we can really start working on the bid. We haven't defined yet if we will have one bid for the Early Production System and another for a definitive system. This is something that we are still discussing.

So the thing is, we won't lose anything when it comes to our schedule. Be it the EPS with the smaller or higher we will continue, but everything is more oriented to a smaller system, so we can work on an earlier manner. So probably that's the trend.

Ms. Kovarsky: But do you have any indications? That's something that will come from the studies, but you don't have any result from the horizontal well, right?

Mr. Guardado: No, the horizontal well is scheduled to start during September, as the rig is with Perenco and they are drilling a well. As soon as the well is completed, and obviously we have all the peculiarities and characteristics of an exploration activity, but we believe that in September we will start drilling our well and have the drill stem test there.

There is no doubt that that's a very key step in order to unlock the well production and also how successful the completion was, also considering any possible change or not in our strategy. Being more conservative, we will drill the well and also launch this bidding process for a smaller FPSO.

So we are waiting for the results of the study by Genesis and we expect to see the result soon so we will start with the bidding this year and we will not have any issues with our first oil by 2015.

Ms. Kovarsky: Thank you.

Mr. Guardado: You're welcome.

Operator: Our next question comes from Mr. Frank McGann, Bank of America Merrill Lynch.

Mr. Frank McGann: Hi, good afternoon. I was wondering if I could just follow up first on Paula's question. In terms of the longer term outlook for the field, you did mention in the release that you can get back to 6 million m³ a day potentially in 2015. I was just wondering how we should think about future or gradual declines in production post 2015.

Can you maintain with the compression plant with 6 million m³ for several years or should we think that as a peak that will then begin to decline fairly quickly as the field extends closer towards the end of its life?

And then secondly, there was a slight decrease in Manati proved reserves (the 1P reserves) between 2011 year-end and 2012 or is it just a little bit more than the production, about 1.4 billion m³ versus 1 billion or so of production?

I was wondering if with that decline, which seems to be more than captured in 2P and 3P reserves, but I was wondering was that because of lower confidence at this stage in terms of the total recovery potential in the field?

Mr. Guardado: Thank you Frank. Sorry for this small delay. I'll answer you in Portuguese and I hope that the translation will capture what I'm saying.

Here's what's happening; we maintained the production of 6 million as an average target of daily production for at least 2 1/2 years, that is, 2015, 2016 and mid-2017 to 2018, in this period we will maintain an average production of around 6 million.

As of 2018 then, yes, we will start to see a natural decline of that field. So what I can tell you is that our outlook, with the data we have and with the drop in pressures observed in the reservoirs (because we check that regularly, annually, we follow that very closely), our expectation remains the same, another two and a half years as of 2015 of expected daily production of 6 million and then, as I said, a natural decline.

Obviously we are not saying anything about Camarão Norte, which could be in the future (it still too early to say but it could be in the future) something that could help us to maintain that *plateau* for a little longer. Today this is what we have; a minimum of 2 1/2 years of a 6 million m³ daily average production.

To answer your second question, so that we can have more a technically appropriate answer, I will give the floor to Paulo Rocha, who will discuss with you this difference that you correctly observed in terms of what was produced and the 1P reserves. Paulo, please go on.

Mr. Paulo Rocha: Thank you, Lincoln. Well the 1P reserve of Manati came a little lower than the production, talking about a variation of around 5%, but that is within the margin of the error for the calculation of reserves. As you produce, as you acquire more data about the field you fine tune your forecast. So we can always expect a little bit more or a little bit less than what we see in the report and that's very common to happen.

So we had new records of pressure that we observed, and we also observed the behavior of the reservoir, so for us, the technical team, this is within the margin of error in the calculation of reserves that applies to 1P and 2P.

Mr. McGann: Okay, great. If I can follow up with just one quick question. In terms of the decline rate post 2018 do you have any estimate of what kind of range you might think would be normal for a field with characteristics that this one has?

Translator: Could you repeat the question, please? We lost something here. The management did not hear your full question. Thank you.

Mr. McGann: I'm sorry, yes. Just in terms of the decline rate post 2018 I was just wondering if you had an estimate of a range of what you would consider a normal decline rate for a field with the characteristics of Manati.

Mr. Guardado: The decline rate that we are considering that we have data for would be around 10% per year, 10% a year would be the decline rate that we are linking to the Manati production. 10% decline rate.

Mr. McGann: Okay, thank you very much.

Operator: Our next question comes from Mr. Caio Carvalho, J.P. Morgan.

Mr. Caio Carvalho: Good morning Lincoln, Paula. I have two follow ups on these last questions. Starting with Manati, now looking at the short-term, what about the Manati production today? How do you see the performance of production for the next two quarters until the end of the year?

And this reduction that you mentioned, of this new guidance of 5 to 5.5 million for 2014, how will it be distributed along the year? Supposedly we are going to start the year at around 6 million and then it will start declining. Could you talk about this dynamics of production for 2014?

And then my second follow-up question has to do with the Atlanta Field. I know there are some uncertainties regarding the availability of the rig, but if you suppose this production starts, that the timing is maintained and that you can start drilling the horizontal well in September. Please elaborate about the drilling schedule, the drilling timing of the well supposing that everything will be possible given the availability of the rig. What is the timing of the drilling of the well and of the result of the drill stem test? And the third question, if I may, has to do with the resources certification report. Not only the assets from the last ANP bidding round, but some of your assets, particularly Piapara, can we expect any certification report before drilling the well? These are my three questions. Thank you.

Mr. Guardado: Caio, thank you for joining us and thank you for the questions. As for the first question, regarding Manati, now we are producing above 6 million m³ a day and we expect to continue producing like this given the external factors that we've seen.

Nothing points to a decline in production during 2013. It is true that soon it will be summer and traditionally during summer there is higher demand from thermo power plants. So there is a seasonal factor in the maintenance that can impact this level of production, and there are some other factors related to maintenance of the levels of the water reservoirs, so we expect the same thing.

For 2014, undoubtedly we can start the year producing 6 million initially and then we expect a decline along the year that will take us to that average that we reported between 5 and 5.5. It's not going to be overnight, but it is a decline that will happen slowly and gradually along 2014 towards that range we mentioned; 5 to 5.5 million.

As for Atlanta's drilling timing, as we reported, we expect to start drilling the well during the month of September. It is a relatively shallow well, as you know Atlanta is a shallow discovery, but then we are going to have some changes, such as the completion of the well and the gravel pack. All of these processes are under control, but we need to be careful. After, we are going to go through the DST, the drill stem test.

So we expect that the whole process should be completed by December, maximum beginning of next year. That includes drilling, completion, gravel pack, preparation for the test, so all of that should happen in the next 3 to 4 months. That's what we have for each well.

The same thing applies to the second well, obviously for the second well we will already have a learning curve, we will have more knowledge about the area so we

might be able to optimize a bit. But we are not in a hurry because regardless of the tests, the drill stem test that we want to perform, there are some limitations because of production. What we actually need is to have the wells ready to receive the FPSO unit in 2015.

The other point was Piapara. Well, we have just received new seismic data that is very rich, high-quality data and we are now reanalyzing the whole area of the pre and post-salt. We are trying to build more knowledge and include that knowledge in our analysis for Atlanta, for the surroundings and for the pre-salt. We are not in a hurry to do this and if we are able to remap and identify everything that we have we would like to include Piapara in our prospective resources certification report.

Now, let's see if we can manage that because there is a trade-off between the time it takes to do all that and the timing we would like to disclose the report to the market. So we are working on this. We are trying to do that. If you want an answer, this is what we are trying to do. Michelucci is nodding and saying that his group is working to include Piapara.

Now for the blocks from the 11th round it is more difficult. The data that we have in these areas are very fluid. You had asked if the 11th bidding round blocks would be in the certification and the answer is no. They would not be included, because we would not have enough time to include the analysis and we don't have enough quality data to disclose that to the market.

So the idea is to run the 3D seismic data and then disclose the information. We continue to buy data from the agency, we continue to look into that, but we don't think it's the right timing to disclose this kind of information and, additionally, it would betray a lot our certification report.

Mr. Carvalho: I agree. Going back to Piapara data, if you want to include that in the next report - I understand, by the way, that you were assessing the trade-off between acquiring more information and the time you need to submit that kind of request - but in terms of including Piapara, the next prospective resources certification is expected for when? For the beginning of the next year or you don't have a specific date?

Mr. Guardado: No, that report we are expecting for the coming month. You know, with all the bidding process and all the work that we have to put into the bidding round, the market has been quite busy in this last quarter, and continues actually. We do want to inform the market until the end of next quarter even with the difficulties we might run into.

We are not expecting that we can get a lot of things done, for example for Carcará or Guanxuma, because we have to deal with the Consortium, things that we need to sort out with a Consortium. I don't think that we are going to have enough time to have it ready before we release the report.

Now, for Piapara and for other things that we might identify in this review, we do want to include in the report. We are working on the report, I don't want to give you a very strict guidance, but we are expecting this for the end of the quarter.

Mr. Carvalho: Perfect, thank you very much.

Operator: Our next question comes from Ms. Luana Helsinger, GBM.

Ms. Luana Helsinger: Good afternoon and thank you for the call. I have two brief questions. My first question goes back to the new cost of extraction with the construction of the compression plant. I would like to know if you already have any expectations – though it would be a limited increase - but do you already have any guidance of what we should expect? Anyway, can we assume it will be a new level not only for 2014?

As for my second question, it is related to BM-S-8. In addition to the two wells that you will be drilling, you mentioned a possible third well that is contingent to the studies you are performing. What kind of result might lead to the third well and what kind of well would it be? Thank you.

Ms. Côte-Real: Luana, I'll answer your first question. It's Paula speaking. Answering your first question about the extraction cost with the compression plant, right now we are not disclosing any costs related to the compression plant. So the extraction costs will be higher because of the OPEX related to the compression, but because we are right in the middle of the bid process and we don't even know how will be the breakdown between CAPEX and OPEX, we will probably try to have the most possible as OPEX, but we don't have this breakdown yet.

So it is complicated to give you an estimate now, but we want to be clear that this is a profitable well, it keeps having attractive EBITDA margins. But a specific value of the compression cost will be announced as soon as we conclude the bidding process and we have the contract, which is expected to happen in the coming months and at that time we will be disclosing it to the market.

As for the continuity of costs, you are right. The compression plant will be active until the end of the field, so associated costs or OPEX costs will continue. Part of it is related to the compressed volume. In other words, it follows the production curve. Part of it is fixed, but the other part is related to the volume produced and then it will follow the production curve.

Now I will turn the call to Michelucci who will answer your second question about the contingent well of BM-S-8.

Mr. Sergio Michelucci: Good afternoon, Luana.

Ms. Heelsing: Good afternoon.

Mr. Michelucci: The contingent well that was mentioned is conditioned to studies that are being performed in Bem-Te-Vi well and Biguá well. The studies are related both to the quality of the reservoir – how it is distributed in the area - and also related to the presence or not of *coquinas* in the area, which is also a potential reservoir in those areas.

So the contingent well is related to the results of the studies and it will only happen, as we said before, after we drill Carcará appraisal well and also Guanxuma.

Ms. Helsinger: Perfect, thank you.

Operator: Our next question comes from Mr. Luiz Carvalho, HSBC.

Mr. Luiz Carvalho: Good afternoon. How are you Lincoln, Paula? I have basically three follow-up questions. Coming back to Frank's question, you mentioned a 10% decline rate per year for Manati. Are you already considering Camarão Norte or not as of 2018?

Second question, about BS-4, there is some noise in the media when it comes to OGX and Petrobras and the agreement they signed. I'd like to know the lack of definition might bring any delay in the development of the activities or not?

And the third brief question; are you considering any data from Petrobras' data room that was recently disclosed, and are you interested in the 12th round with the onshore gas assets that will probably be offered in November? Thank you.

Mr. Guardado: Well, this decline does not consider Camarão Norte. As you know, this is in the bid process that is being led by Petrobras with El Paso Energy, but this is not been considered. By the way, this is a buffer we have for the future, it is not necessary right now. It does not justify investments right now because we don't have current demand for that. So this is not being considered, but it's also important to bear in mind that it might help us maintain a *plateau* in the future. But today we are not considering Camarão Norte yet in these curves or production forecasts for Manati.

As to OGX, that's quite a challenge to answer considering the news that comes to us are very similar to the ones you have. Of course we want to see the best decision possible to Brazil, to the market, to our Consortium and to the Company as well. What we've seen, at CADE's level, is that perhaps there might be a penalty vis-à-vis all the process that was set. So this penalty might happen.

So we've been following that up, we are interested in it as it is something important, it is an important company, they are our partners, but I don't see how any specific event might impair their circumstance or not, I don't see why it would prevent the continuity of the process.

Up to date OGX has done everything necessary, has met all of our demands. So there is no evidence that it might happen and we don't have on our radar the possibility of any delays that are not purely due to market conditions or long lead items or operational items. So this is the scenario that we are analyzing right now, okay?

As to the Petrobras data room, you were referring to Petrobras' divestments, right?

Mr. Carvalho: Right.

Mr. Guardado: Right. There is no doubt the Company, as reported by Paula, is very liquid. The Company does have cash and we might benefit from any opportunity from Petrobras' divestments or any other divestments that might come up.

So we are interested and we will be keeping an eye on these events. There are several opportunities in the market, so we are just getting ourselves ready in order to assess any potential opportunities. We have room in our cash, both in our current as in our future cash, so we can still be in the market. The only thing that certainly will be considered in-house is the effect of it in our strategy or tactic, if we ever decide to dive into such a process.

Our corporate attitude is to try to diversify our portfolio, enhance our future production, and lower exploration risks. When all these items are present we will always be interested in analyzing opportunities and then we will see what will do. We are certainly interested.

As to Libra, one thing is to want it, and another thing is to be able to do it. If you asked me if I wanted to participate, I would say I do.

Mr. Carvalho: No, It was more related to the 12th ANP gas bidding round.

Mr. Guardado: It is too early to say anything. They are shale gas, tight gas, it will not only be driven by unconventional, there will be conventional as well. So we are just waiting for further information so we can see how it fits strategically to us. Some information is already being mentioned by the government, gradually, and also by the ANP. We will analyze this, as we usually do, we want to learn what's in store for us both in terms of contracts and also economics and tax issues. So we always take all that into account to be ready for any possible decision.

However, as we highlighted, it is not our area, our internal priority, onshore. The Company is oriented to more robust projects when it comes to physical and economic aspects. But we do track it up and we have to keep our eyes open so we can really change our path if necessary.

So, very little has been disclosed. Apparently, only the basins that will take part in it, but very little when it comes to tax aspects and also to contracts.

Mr. Carvalho: Okay, it is clear. Thank you.

Operator: Our next question comes from Mr. Luiz Otávio Broad, Ágora Corretora.

Mr. Luiz Otávio Broad: Good morning to all. Most of my questions have already been answered. I only have one more question: of all the blocks you acquired in the 11th bidding round, are there any to which you have a more positive perspective, although I know it is still too early to talk about? But what could you share with us about it? Thank you.

Mr. Guardado: These areas are being classified as new frontier areas, right. So they are high risk, high premium areas. This binary aspect always has to occur, high risk has to have high premium and these areas have this nature.

Now, there are two blocks we won, specifically at the Espírito Santo Basin, that I will highlight and then turn the call to Michelucci explain where there is more risk.

This area in the Espírito Santo Basin is a frontier area on a producing basin. So it is in a category that is different from the rest. It is a frontier area, there are not many wells drilled, but it is in a production trend there. If you take a look at the last discoveries in this region, moving to deep waters, you will see that it is well located in terms of what we call a geological context.

So, although the Espírito Santo Basin does have risks, as it is a frontier inside a producing basin, but it is a differentiated risk, as you know the petroleum system. I would say it is a bit different from the rest. Michelucci will talk a bit about the analogy there.

Mr. Michelucci: Good afternoon, Luiz.

Mr. Broad: Good afternoon.

Mr. Michelucci: I would not say we favor any of these areas over the others whatsoever. They are part of a portfolio management context and we expect a result of the group of them. As Lincoln mentioned, they are high risk areas, so, for us to be successful in some of these areas we need to have a series of events. So it was in this context that we had this diversification and we bet on all these basins and blocks.

But if you take a look at our offerings in the blocks you are going to see that in 4 of them we offered wells because of their potential and also because of the competition that we expected for these blocks.

So that's basically it. We are expecting a result on the portfolio as a whole, inside this context. We offered a well in the Foz do Amazonas Basin, where we have the Zaedyus discovery, which led a lot of the companies to place higher bets on that basin. We have a well in the Pará Maranhão basin where we are the only ones. That differentiated us from the rest, as most companies focused on the results of the French Guiana, or on Petrobras' results in the Ceará Basin and in Barreirinhas, associated to Gana's results.

So what I want to state is that in all of them we bid given the potential of the basins. Even where there was no competition, we see a potential which is equal or higher than in those areas where there was a higher competition given the culture and the knowledge of those basins, talking specifically about the Pará-Maranhão basin and Paraíba-Pernambuco Basins.

Mr. Broad: Ok, thank you.

Operator: Our next question comes from Mr. Gustavo Gattass, BTG Pactual.

Mr. Gustavo Gattass: Good afternoon. I had a couple of questions. I guess I am going to go back to some points that have already been mentioned, but I just wanted to conclude some of them.

The first point is, there were a lot of questions about Manati, which I thought could be solved in a very simple way. So I just wanted to hear from you; are you planning to disclose the GCA reserves report as you did in previous years or are we only going to have the summary that was released? That would be my first question.

My second question was more related to the contract that you have with Petrobras for Manati. Lincoln, I don't know whether I'm exaggerating, but according to your description it almost seems that Petrobras wanted to operate this field more strongly and by delaying the bid they put you in a situation where you have less possibility to produce than initially expected. So I wanted to understand if Petrobras can compensate you for that, given the contract that you have with them as the operator? Can there be anything like that? I just want to understand if this will produce a lot to supply this thermo plants might have some kind of compensation on the other side.

And my last question, I know that you don't want to talk about costs and generate expectations about the gas compression plant, but I just want to understand two things. The first is: has QGEP decided to not participate or not to make this investment or is there any possibility that the Company will take the lead in this process to ensure more safety and serenity?

And the second part of this question is: when we look at the old reserves report there was a cost assumption, and an assumption regarding the impact of the compression plant. So I'd like to understand from you if what you expected in the past is it totally off?

Sorry I'm asking so many questions, but these were things that we touched upon that were not totally explained.

Ms. Côte-Real: Hi Gattass, this is Paula. I'm going to start answering your questions in terms of disclosing the reserves report. This time, we decided to do so by a different model, and this is indeed the model that we are going to be using. It is actually an extract of the GCA report. It has almost everything in the recent report except for the compression, and we have explained the reason for this, as at this point it is somewhat a delicate information because we are right in the middle of the bidding process.

And talking about your last question, this process is conducted by the operator. It will be an investment or a operating cost to be incurred by the Consortium as a whole, but it is indeed conducted by the operator.

And the reason why we changed the form in which we disclose the report is related to something that we discussed internally because the Gaffney, Cline and Associates expertise is to certify reserves, the field volumes and not specifically the cash flow of the field. That's why we decided to concentrate the information on the expertise of the Gaffney consultancy, which is more related to the technical part, the evaluation of the volume of the reserve.

Additionally, we have a Manati production history and associated cash flow as a listed company. We have been sharing this with the market. And I guess that gives us some comfort for these projections to be made and be modeled by the market. So I guess this was one of the reasons.

And also we are still giving our production guidance for the next years. So, for 2013 we maintained the guidance of 5.5 to 6, perhaps a little bit closer to 6, but we maintained the guidance that we had given in the end of last year. For 2014 we included the impact of the gas compression plant and therefore a reduction to range between 5 to 5.5. In 2015, we expect to go back to 6 million m³ a day. So we are giving you the production guidance for the coming years and we believe that this is the necessary information.

Going back to the costs of the gas compression plant there was no change. Although we are not talking about these costs specifically in this release there were no material changes regarding the Company's expectations. It is simply that, as we are getting close to the bidding process, we have some restrictions in terms of commenting and giving some expectations. It would be too delicate not only for us but for the whole of the Consortium. So, the non-disclosure is not because there was a material change. It's nothing related to that. It is simply because of the timing related to contracting the plant.

Mr. Guardado: This is Lincoln. Gattass, as for your other two questions regarding the delay and of having some kind of compensation or offset, well the delay was the result of an internal discussion relative to the compression process and we never considered not to do it. This was a non-option. The compression plant has been necessary for quite a while and indeed we recognize that there was a delay in its implementation for the reasons that we discussed; internal reasons and some other external reasons that led to that delay.

But undoubtedly there was no change of attitude of Petrobras to make future negotiations easier or more difficult in the contract that will be established. Nothing would point to this kind of attitude. Now it's difficult for us to take the lead in the current context. Petrobras has all the infrastructure in place in that region. They are working there and there are gains to be derived with Petrobras in the Consortium. So Petrobras should remain in charge of that.

It never crossed our mind not doing it. There was just a delay. If this were a Petrobras option, well, that would be something purely operational and then we could take over, but we would have to take into account the gains that we would have today in using a number of other pipelines and connection pipes that belong to Petrobras.

So there is nothing that would raise doubt regarding Petrobras' ability and intent to do that. Manati today is the largest gas producing field in Brazil and has been for quite a while now, since September 2012. It is substantially important for the Northeast of Brazil today and, as you know, the alternatives are a lot more expensive, therefore, to maintain Manati at its best performance, what doesn't mean increasing production in an inappropriate way, but to maintain Manati at its best performance with the best practices is today a must for the Consortium and for Petrobras as well because it is the main source of gas for that region.

Mr. Gattass: Two quick follow-up questions. Paula, I'd like to make a public request to you, although it is summarized, we would like to know what part is developed reserves and what is not. So, please add this piece of information, if possible. It would be good for us even if it's a the third-party estimate, PV10 is a very good estimate for us, that other companies disclose, and if we don't have it for you it would be a shame.

And Lincoln, on your side, you mentioned that there was no offset, so I would like to ask a quick opposite question. Let's suppose the compression takes too long to happen, do you have any take-or-pay obligation that could cause it to have a loss, and unexpected loss, in this contract limbo?

Mr. Guardado: Well, we are looking into that, Gattass. I haven't got the figures here, but it is that reserve that is depending on compression because it cannot have that differential between what can be produced without compression and with compression that would not get to the plant. So the undeveloped reserve would be just this difference, which is associated to a production increment. So that would be the reserve in this case. I could check what this reserve is.

Mr. Gattass: Thank you.

Mr. Guardado: As for the take-or-pay, we are not expecting any of that. The levels at which we are producing are still above the take-or-pay. So in that regard we are fine.

Mr. Gattass: But I think you answered Caio's question and you said that you would start production in the beginning of next year at 6 million. If we get to the bottom part of your guidance, if I had a linear decline in the end of next year I would reach a production below 4 if the compression plant is not operational.

So I'm working based on what you said. I don't imagine that this is going to happen, but I just want to understand if the take-or-pay is valid or not and are you going to be penalized in any way?

Mr. Guardado: Gattass, our contract with Petrobras is 4 and the take-or-pay is 85% of 4, and that's our obligation. That is our contract obligation and that's why we don't see any possible penalty or fine in this situation that you mentioned if there is a delay in compression and if there is a linear decline in production.

We don't expect a linear decline. We believe that we are going to start with 6 and we don't know until when we will keep it at that level, there is also a market effect, which we believe is not going to change, but there is a market effect. If the market demands 5 in January, most probably in the end of the year we will be finishing with a little over 4 because there is a lower demand. That is our expectation today, we have a conviction that the minimum take-or-pay threshold will not be reached.

By the way, in our calculations by the end of 2014 we will be close to 4.8. If you want to do some kind of extrapolation between the beginning of 2014 with 6 million and how we would end 2014, you know, to have a range of 5 to 5.5, our forecast for the end of the year would be 4.8 and not below 4.

Mr. Gattass: Thank you very much.

Operator: Our next question comes from Ms. Lilyanna Yang, UBS.

Ms. Lilyanna Yang: I have more questions about Manati. Are you negotiating or not the contract addendum with Petrobras? Would it be interesting to do it right now and is there any room for Petrobras to revisit the inflation rate for the Manati take-or-pay contract?

And I'd also like to understand better the drop you mention of 10%. So you're speaking of reservoir, right? So another question is; would you have to drill any new well in Manati in the coming years to maintain the current production level that you are showing? Thank you.

Mr. Guardado: Considering all the process that led to our bidding, we have already touched upon this contract topic, however, we found it more prudent to negotiate the contract once we have the bidding resolved, as well as CAPEX, OPEX and the whole schedule in place, and then we can discuss with Petrobras again. We believe it is more consistent once we have all the actions ready. The compression is a key aspect and today it becomes even more important considering the slightly higher production that we had this year. So we are not negotiating, but we don't see any problem. It is moving along with the result of the bidding process.

We don't see any more room to revisit Manati indexation. That would be negotiation, but we don't see why. Precisely, as I said before, Manati today is the main source of gas to the Northeast, to Petrobras and to other partners in the same region. So there is no sign at all of any pressure when it comes to indexation of

Manati gas just as we do today. So for us, that will be the same and maybe what we will have to negotiate is the level of volumes, what will be the take-or-pay, considering the new scenario when it comes to production and compression.

As to the drilling of wells, if we think about 1P and 2P reserves, which are proved reserves, we would not need any new wells. We would only need a possible third well if we want to exhaust 3P reserve because it includes part of the field, which is the Northeast of the field, and today it would take, in technical terms, to go back to the 1P, that would take a well in the area. It would only happen if we had a higher gas demand, as the 6 wells are enough today to produce, or if we want to convert it in the future as a proved reserve and then we will need a well, for a technical reason, and measure the pressure.

Ms. Yang: Thank you. Can I ask another question about Carcará, BM-S-8? Why doesn't Petrobras have someone allocated for Carcará or at least an outline of the building process?

Mr. Guardado: I'm not sure I understand your question. What we can see is that Petrobras has many people associated to the process.

Ms. Yang: No, I meant a production platform.

Mr. Guardado: Oh, you are referring to a platform? Okay. It goes as follows, so I'll tell you what we have because this is still being discussed. This is all happening in parallel to the drilling activities. So that's an important well which will add more critical information so we can think about the facilities of the platform, called top five. We will have pressure, kind of oil, temperature, so everything is important for this definition that Petrobras is doing.

At first Petrobras had considered using one of the clone FPSOs, which are platforms that are being made for pre-salt, but what may be happening today is, considering all the good characteristics of Carcará, without CO₂, H₂S, is that possibly we don't need such a prepared platform to work on the separation.

So Petrobras has not stopped yet, but it realized that this field does not have some requirements usually needed for pre-salt. From the moment we drill the next well – starting November this year - and if we run the test in the first half of next year, by the end of the half of the year then we expect to see substantial information to define and also to customize this production plant.

But we don't see anything inconvenient yet. To move slowly is normal when you have a discovery of this nature and this magnitude. It's part of the process. But we don't see anything substantial that might be a concern when it comes to Carcará right now.

Ms. Yang: Perfect. Thank you.

Operator: Our next question comes from Mr. Sérgio Conti, from Goldman Sachs.

Mr. Sérgio Conti: Good afternoon Lincoln and Paula. I would like to discuss the company's cash flow in the midterm basis. At the end of the 2Q the company's cash position was very solid; R\$1 billion. So basically what I did was to work on my model and work the updated CAPEX guidance, with US\$190 for 2013, US\$310 million for 2014 and in my model I have also US\$300 million for 2015. On top of

that I'm also working with the Carcará EWT in the middle of 2015 and first oil from Atlanta also in the middle of 2015. So, considering this scenario, my cash position by the end of 2015 and beginning of 2016 is a slightly below US\$100 million.

I have a couple of questions. Obviously, without considering accessing the debt market, my question is: does it make sense to work with a US\$300 million CAPEX in 2015? In other words, will 2015 still be an intensive CAPEX year, or if 2014, according to your figures, is the short-time peak, without considering the initiatives of the last ANP bidding round?

And second point, considering your plan, where you work with several scenarios, so I wonder if you expect to access the debt market in 2015/2016 if there is any kind of delay more specifically related to Atlanta and Carcará? These are my questions. Thank you.

Ms. Côte-Real: Sérgio, Paula speaking. Answering your question about debt, yes, this is on the Company's radar. As you mentioned, our cash position is very comfortable for the coming years. Besides our R\$1.1 billion cash balance, we have Manati cash generation in the coming years and as of early 2015, production from Atlanta's Early Production System. So I guess we are actually in a very comfortable position, but we also have room in our balance sheet for leverage and I believe this will be the Company's next step, access debt market in order to face our investments.

This will probably happen by late 2014, in the second half of 2014, considering our current portfolio. Obviously any change in the portfolio, be it due to investment or divestment, might change this business plan.

We haven't disclosed the CAPEX for 2015 to the market yet, so I wouldn't like to talk about any accurate figures now, but when it comes to exploration our CAPEX is lower than in 2014. One of the most significant wells to be drilled came from 2014 to 2015, which is BM-C-27, and we also have BM-CAL-5, that was also postponed from 2014 to 2015.

In addition to that we already have some expenses from the blocks of the 11th round with seismic data and when it comes to development we still have CAPEX for Atlanta. This CAPEX will also depend on how much we are going to speed up our production ramp-up and when we will go to the Definitive System. And we have also Carcará, as to have the EWT in 2015 we have costs associated to it. So the numbers have not been announced, but these are the main investments for 2015.

Now, I agree with what you said, our cash position is very comfortable and we have room in our balance sheet. I think it's healthy for the Company to improve its capital structure and the next step would be to access the debt market.

Mr. Conti: Paula I don't want to take more of your time, but not considering the debt market, do you think that in 2015 or early 2016 your cash will be between US\$50 or US\$100 million or am I being too aggressive?

Ms. Corte Real: I guess we will access the debt market before that, but for production projects. We have Manati, we have contracts with Petrobras, so I guess we are in a very comfortable position for a potential leverage.

Mr. Conti: Thank you.

Operator: Our next question comes from Mr. Christian Audi, Santander.

Mr. Christian Audi: Hello Lincoln and Paula. A quick question. In terms of Camarão Norte, Lincoln, knowing what you know at this point, when could the production start in Camarão Norte? What is your opinion?

Mr. Guardado: Well, as you heard, we expect to have a quite stable production from the Manati Field until the end of 2017, beginning of 2018, so nothing in Camarão Norte will happen before that.

Christian, there is nothing to do because we would have to drill a well and have an interconnection, which is 15 km away from the platform, so there are costs associated to that. So this is being dealt with very smoothly by Petrobras because we still have a lot of time in that negotiation.

Now, if all of that unfolds as expected following a negotiation strategy - you see, the numbers in Camarão Norte are not so important - we are talking about 2 billion m³ that we could interconnect. But that would only happen when we have the field's natural decline rate that would be the ideal timing to include Camarão Norte. So we are only considering that after 2018.

Mr. Audi: Thank you.

Operator: Our next question comes from Mr. Pedro Medeiros, Citi.

Mr. Pedro Medeiros: Good afternoon Lincoln, Paula. Thank you for taking my question. Well, most of my questions have already been answered, I only have two more objective questions. The first is: can you inform the approximate current depth of the Alto de Canaveiras well? Is there any possibility that we can get to the expected top of the reservoir by the end of this month? Is it highly likely?

And my second question is; could you comment on the Joint Operating Agreement (JOA) for BS-4, how it is structured for corporate transactions of the partners of the blocks and for the reimbursement of the partner's participation of the Field's CAPEX that should start in September?

Mr. Guardado: Pedro, could you repeat the question about BS-4, please?

Mr. Medeiros: Yes, I would like to understand how you are structuring the contract for BS-4 in case there are corporate transactions among partners. Do you have any right of first refusal if there are any changes of ownership and for the reimbursement of the stakes of these partners in the CAPEX, as CAPEX should start in September with the drilling of the first well? How would the disbursement take place and how would you deal with it in case of any problems?

Mr. Guardado: Pedro, thank you. The well is being drilled as expected, but we prefer not to disclose the depth because that would create large instability in the market, it raises a lot of expectations and normally we do have some limitations imposed by ANP. So it's not really appropriate to disclose this kind of information periodically.

When something material happens in the well, then we are definitely going to inform you. We understand your position, but we will inform the market as soon as we can, following contract obligations that we have regarding ANP.

So we cannot inform you the exact depth. What I can tell you is that it is going well and the drilling should take longer than the month of August. We are drilling very carefully, the well is deep in the pre-salt, there are risks involved, as previously stated, so this well should continue to be drilled beyond the end of August.

And as for the JOA we have some limitations in talking about it. Well, this is a standard document, you can access this in the Association of International Petroleum Negotiators (AIPN), as there are very standard provisions regarding what you asked about right of first refusal or obligation of the whole consortium because, as you know, this involves solidarity. So you can see the provisions there.

Now, each JOA is a different from the other. We enter into an agreement for a certain association, but what I can tell you is that there are clear rules in provisions for the transfer of interests, transfer of stakes. In the case of BS-4 we also have it, just like we have specific deadlines, and clear rules regarding capital injection. So everything is stated there, delays have interest rates and deadlines associated to them. It's very mature document actually. And it gives peace of mind to all of the stakeholders when we are talking about the Consortium. It's a very interesting document, but it's difficult to talk about each specific JOA.

Mr. Medeiros: No, fine, perfect. I believe you this answers most of my doubts.

Mr. Guardado: It's important to say that as the operators, we anticipate CAPEX for this area. Cash call, in the accounting procedures that we have, brings payments forward and anticipates provisions for the following month. So there is no carryover, likewise no reimbursements. This is all done by bringing the cash forward.

Mr. Medeiros: Thank you very much.

Operator: Ladies and gentlemen this concludes today's question-and-answer session. I would like to invite Mr. Lincoln Guardado to proceed with his closing statements. Please, go ahead, Sir.

Mr. Guardado: Again, I would like to thank you for joining us, for your questions. I believe that our debate was very rich. It is always a great opportunity to bring the market in line with what we're doing and we want to be as clear as possible. Hopefully we've been able to give you all information you needed so that we can have the best transparency possible.

Again, I thank you. We remain at your disposal if you need any further clarification. Please contact our IR Department if you need. Have a good day.

Operator: QGEP's conference call has come to an end. I would like to thank all of you for joining us. Have a good day.