

FOURTH QUARTER & FULL YEAR 2013

Earnings Release

QGEP

Participações

S.A.



Conference Call

Portuguese (simultaneous translation)

February 27, 2014

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EXPLORAÇÃO E PRODUÇÃO

QGEP Reports Fourth Quarter And Full Year 2013 Results

Rio de Janeiro, February 26, 2014 – QGEP Participações S.A. (BMF&Bovespa: QGEP3), the only Brazilian independent company to operate in the premium area of the Santos Basin pre-salt, today announced its results for the fourth quarter and full year ended December 31, 2013. The following financial and operating data, except where indicated otherwise, are presented on a consolidated basis as per the accounting practices adopted in International Financial Reporting Standards (IFRS), described in the financial section of this release.

▶ **Average daily gas production from the Manati Field was 6.1MMm³ in 4Q13, bringing average production for the full year to 6.0MMm³ per day.**

▶ **Positive production test results at Atlanta Field showed estimated production close to the high end of expected 6-12kbbbl/d range following successful drilling and completion of first well.**

▶ **Net Revenue was R\$125.7 million in 4Q13, compared with R\$116.0 million in 4Q12. For FY13, net revenue totaled R\$486.1 million, up 5.1% from FY12.**

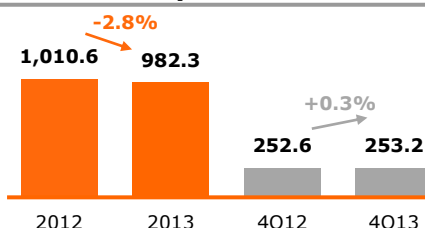
▶ **EBITDAX in 4Q13 was R\$65.6 million, compared with R\$59.6 million in 4Q12; 4Q13 EBITDAX margin was 52.1%. For FY13, EBITDAX was R\$271.4 million, compared with R\$285.1 million in FY12; FY13 EBITDAX margin was 55.8%.**

▶ **Net income was R\$21.2 million in 4Q13, including R\$42.3 million of expenses related to the relinquishment of Block BM-S-12 to the ANP. FY13 net income was R\$192.2 million, compared with R\$82.5 million in FY12.**

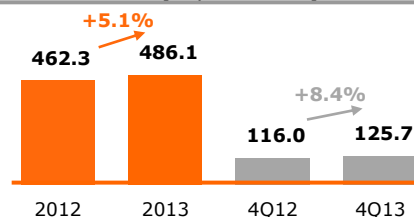
▶ **Full year 2013 operating cash flow of R\$376.4 million, up 48.0% from 2012.**

▶ **Cash balance* of R\$1.0 billion at the end of 4Q13. Net Cash was R\$837.8 million.**

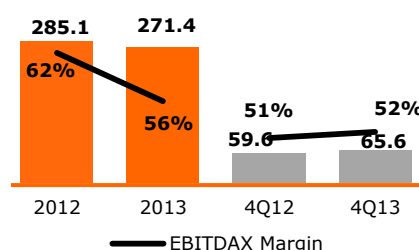
Gas Production (Millions of m³)



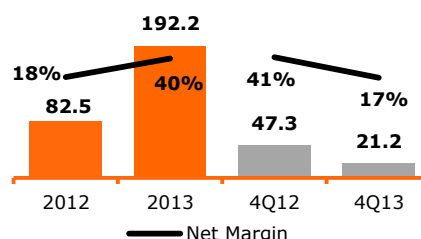
Net Revenue (R\$ million)



EBITDAX (R\$ million)



Net Income (R\$ million)



* Includes cash, cash equivalents and marketable securities

Management Comments

2013 was another year of solid achievement for QGEP. We posted strong financial results, moved ahead with several important projects and set the stage for the next phase of growth in the near term. Along with the accomplishments of this past year came some timing setbacks involving exploratory drilling schedule push-outs. However, we more than compensated for these delays by reaching several milestones across our production, development and exploration activities that support our strategy for future growth.

- ✓ **Production** from the Manati Field averaged 6.0MMm³ per day in 2013, reaching the high end of the guidance range we provided at the beginning of the year. We experienced strong demand from Brazil's thermal power plants throughout 2013, and our results benefitted from the efficient infrastructure at Manati, which allows for low-cost gas production. Based on this performance and results to date, we have increased our estimate for 2014 average production capacity to approximately 5.5MMm³ per day. At these levels, we will continue to post significant revenues and operating cash flow, and once the compression plant is operational, we expect average production capacity to return to approximately 6.0MMm³ per day.
- ✓ **Development** work moved ahead on schedule at the Atlanta Field in Block BS-4. We are pleased to report the successful drilling and completion of our first horizontal well of the Early Production System (EPS). Test results were at the upper end of our expectations in terms of average production rates and confirmed the characteristics of the reservoir and the oil. We have commissioned an external consulting firm to certify reserves at the Atlanta Field, and we expect to release their findings in the second quarter of 2014. In 2013, we were awarded a R\$266 million financing package from Brazil's Financiadora de Estudos e Projetos (FINEP) in recognition of QGEP's innovation and technological solutions in the development of the project, as well as the strategic importance of the Field. We are currently drilling a second horizontal well at Atlanta and have launched an FPSO bidding process.
- ✓ **Exploration** activities continued across our asset portfolio, where we have promising discoveries and prospects that give QGEP substantial growth potential. Chief amongst our main assets is our Carcará discovery in Block BM-S-8, where we expect to have the results of the first appraisal well and test by mid-2015. We are aware of the changes in the schedule that was a result of the need to prioritize efficiency and safety, which are paramount when drilling deep pre-salt reservoirs and therefor we keep searching for alternatives with the operator to optimize drilling schedule for the Block. And, when we consider the potential for this discovery based on the data obtained during discovery well drilling and the operator's experience in the area, we view this as a short term delay in a process that will create long term value.

In 2013, we significantly expanded and diversified our exploration portfolio by acquiring eight blocks in partnership with major and independent oil companies in Brazil's 11th ANP Bidding Round. We are currently in the process of contracting the acquisition of 3D seismic data, as part of the ANP awards process. Additionally, we are encouraged by the results of the 1-QG-5A-BAS well in the Alto de Canavieiras Prospect (JEQ#1) in the Jequitinhonha Basin where we are the operator and have a 100% ownership position. After filing a Notice of Discovery in August 2013, we submitted an Evaluation Plan to the ANP in December 2013 and are awaiting their comments.

In addition to our balanced asset portfolio, QGEP is distinguished by its strong financial position, which reflects prudent spending programs and disciplined risk management policies. Continued solid financial performance gives us the flexibility to operate our business with a perspective on building value, and the flexibility to invest in high-potential projects that have a positive risk/reward ratio. In keeping with this strong financial position, and the results obtained at the Manati Field in 2013, the Board of Directors has proposed a dividend distribution of R\$40 million, or R\$0.15 per share. The dividend will be put to shareholders for their approval at the shareholder meeting scheduled for April 16, 2014. This distribution

demonstrates our confidence that our projects will generate greater value in the medium term and the recognition of the shareholders' support. Therefore, while short term delays are disappointing to management and investors alike, we remain focused on fully capitalizing on our Company's strengths and providing full transparency and generating value for all of our stakeholders.

In summary, we are satisfied with the financial results of 2013 and proud of our success in bringing together the depth and breadth of technical expertise and know-how to be a top-notch operator while building the path for the future growth of the Company. We thank all of our people, partners and investors for their support and look forward to providing progress reports throughout 2014.

QGEPT's Assets

Basin	Block/ Concession	Field/ Prospect	QGEPT Working Interest	Resource Category	Fluid
Camamu	BCAM-40 ⁽¹⁾	Manati	45%	Reserve	Gas
Camamu	BCAM-40 ⁽¹⁾	Camarão Norte	45%	Contingent	Gas
Camamu	BM-CAL-5	Copaíba	27.5%	Contingent	Oil
Camamu	BM-CAL-12	CAM#01 (Além-Tejo)	20%	Prospective	Oil
Jequitinhonha	BM-J-2	Alto de Canavieiras	100%	Prospective/Contingent	Oil-Gas
Jequitinhonha	BM-J-2	Alto Externo	100%	Prospective	Oil-Gas
Campos	BM-C-27A ⁽²⁾	Guanabara Profundo	30%	Prospective	Oil-Gas
Santos	BM-S-8	Biguá	10%	Prospective/Contingent	Oil
Santos	BM-S-8	Carcará	10%	Prospective/Contingent	Oil
Santos	BM-S-8	Guanxuma	10%	Prospective	Oil
Santos	BS-4	Atlanta	30%	Reserve/Contingent	Oil
Santos	BS-4	Oliva	30%	Contingent	Oil
Santos	BS-4	Piapara	30%	Prospective	Oil
Espírito Santo	ES-M-598		20%	Prospective	Oil
Espírito Santo	ES-M-673		20%	Prospective	Oil
Foz do Amazonas	FZA-M-90		35%	Prospective	Oil
Pará-Maranhão	PAMA-M-265		30%	Prospective	Oil
Pará-Maranhão	PAMA-M-337		50%	Prospective	Oil
Ceará	CE-M-661		25%	Prospective	Oil
Pernambuco-Paraíba	PEPB-M-894		30%	Prospective	Oil
Pernambuco-Paraíba	PEPB-M-896		30%	Prospective	Oil

⁽¹⁾ Block BCAM-40 was relinquished after the ring fence of the areas of Manati and Camarão Norte fields were defined.

⁽²⁾ Transaction subject to ANP and other regulatory entities approvals.

Producing and Development Assets

MANATI

The Manati Field continued its strong production in the fourth quarter of 2013, with average daily output of 6.1MMm³. Full year production averaged 6.0MMm³ per day, at the high end of the previously announced guidance range for 2013. Average production in January of this year totaled 6.1MMm³ per day and QGEP has raised its forecast for full year 2014 average production capacity to 5.5MMm³ per day.

The Consortium continues with the contracting process for the construction and operation of a surface gas compression plant at the Manati Field, approximately 36km from the platform. The bidding process for the construction of the plant has been completed, and we are awaiting the operator's internal approvals. Construction is expected to begin in mid-2014. This compression plant will allow average output at the Manati Field to return to 6.0MMm³ per day production capacity, starting mid-2015.

As previously announced, painting of the platform will be carried out in the second half of the year, with a cost net to QGEP of R\$20 million. This maintenance will not impact production.

Reserves at the Manati Field net to QGEP total 7.2 billion m³ (45.3 million boe) and represent 2P reserves certified in the GCA report dated 31st December 2012 of 8.2 billion m³ (51.5 million of boe) less the volume produced in FY13 of 1.0 billion m³ (6.2 million boe).

ATLANTA AND OLIVA (Block BS-4)

The first horizontal well has been drilled at the Atlanta Field, and the drill stem test indicated that the production capacity of the well is at the high end of the expected range, close to 12Kbbl/d. The test results confirmed the expected characteristics of the oil at the well, with an API of 14°. Drilling of the second horizontal well is expected to be completed within three months. QGEP has launched the bidding process for the FPSO, which is expected to be completed in the third quarter of 2014. Two possible scenarios are under consideration: developing the Early Production System or proceeding directly to Full Development. The final decision on which FPSO will be hired will be based on factors including the availability and cost of the FPSOs, as well as the impact on the economics of the project. Under both scenarios, first oil at Atlanta is expected in late 2015 or early 2016, depending on the arrival date of the FPSO.

In August 2013, QGEP received ANP approval for the Development Plan for the Oliva Field, located approximately 17km from the Atlanta Field. The Development Plan includes the drilling of five producing wells and three injection wells, all of which will be horizontal. These wells will be tied back to facilities at Atlanta. First oil from Oliva is expected in 2021.

QGEP is the operator of Block BS-4, where the Atlanta and Oliva Fields are located, and holds a 30% participating interest.

Exploratory Assets

BM-J-2

In August 2013, the Company filed a Notice of Discovery with the ANP based on gas detector anomalies, oil shows in cuttings and the interpretation of pay zones in well logs in the pre-salt section of its 1-QG-5A-BAS well. Located 20 km off the coast of Bahia state, the well was drilled to a final depth of 4,800 meters, 750 meters below the salt layer, to test the structure of the Alto de Canavieiras Prospect (JEQ#1).

In December 2013, QGEP submitted an Evaluation Plan for Block BM-J-2 to the ANP and is currently discussing next steps for the Block with the Agency. The Company expects to receive final approval of the proposed Plan during the first half of 2014.

Block BM-J-2 is situated in the shallow waters region of the Jequitinhonha Basin. It is operated by QGEP, which has a 100% working interest.

BS-4

The analysis of the new 3D seismic data from Block BS-4 is still underway. Preliminary results have confirmed the potential of the pre-salt section of the block. This data was acquired to improve imaging for pre and post salt targets in the Block. The Consortium has not yet established a timeline for the drilling of the Piapara pre-salt prospect.

BM-S-8

Drilling of the first appraisal well at the important Carcará discovery began in December 2013 and was interrupted due to operational issues related to the rig, in the early phase of drilling. The Consortium is evaluating whether it will continue with the strategy of drilling in two phases, using two different rigs, or in a single phase. If drilling is carried out in two phases, it should start-up again during the second quarter of 2014, with the second phase beginning in the fourth quarter. If drilling is to be carried out in a single phase, it will begin in the fourth quarter of 2014. Under both scenarios, a rig with equipment suitable for drilling deep reservoirs with a high level of efficiency and safety is needed. Also in both options, drilling and a Drill Stem Test (DST) are expected to be completed by mid-2015. The Consortium plans to carry out an Extended Well Test (EWT) in this appraisal well and first oil is expected by the end of 2018.

Drilling at the Guanxuma prospect is expected to begin in the second half of 2015. This prospect is located approximately 30km from the Carcará Discovery in the pre-salt area of the Santos Basin.

The Consortium is evaluating the economic viability of the Biguá discovery and the possibility of returning it to the ANP. This decision must be made by the end of the first quarter, 2014. In the event of relinquishment, charges net to QGEP would total approximately R\$28 million.

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

QGEP is currently awaiting approval from the ANP and other regulatory authorities for the transfer of 30% of the concession rights related to the farm-in at the BM-C-27A Concession. Once approval has been received, the Consortium will procure long-lead items ahead of drilling the Guanabara Profundo pre-salt prospect. The timing for drilling the prospect is 2016.

It is expected that capital expenditures, net to QGEP, for drilling the Guanabara Profundo prospect will total US\$55 million in 2016. This figure includes the carry part of the capex which corresponds to the operator of the Concession, Petrobras.

The BM-C-27A Concession includes Blocks C-M-122, C-M-145 and C-M-146, all of which are located in the shallow waters of the Campos Basin, approximately 70 kilometers off the coast.

BM-S-12

The Consortium has decided to return Block BM-S-12 to the ANP. The reason for this decision was that the planned development of the Block involved gas transportation infrastructure that was intended to serve multiple adjoining blocks. These blocks have been returned to the ANP and, as a result, there would be no way to transport gas from BM-S-12, and the project has no economic value.

The write off-charge related to the relinquishment of this Block, net to QGEP, was R\$42.3 million and was recognized in the fourth quarter of 2013.

BM-CAL-12 (Blocks CAL-M-312 and CAL-M-372)

The Consortium has concluded the studies for the environmental impact related to the BM-CAL-12 Concession and is in the process of filing for an environmental license, which it expects to receive by the end of 2014. Drilling will commence shortly after the license is received. One wildcat well is set to be drilled to target the CAM#01 (Além-Tejo) prospect, located at CAL-M-372 Block.

Net to QGEP, the capital expenditures at the BM-CAL-12 Concession are approximately US\$40 million.

BM-CAL-5

At Block BM-CAL-5, the Consortium is awaiting the Terms of Reference to be issued by IBAMA. This precedes the scope for studies of the environmental impact to be made in the area. Once the environmental license has been obtained, drilling will begin to further evaluate the Copaíba discovery. The Consortium expects to receive the license in 2015 and begin drilling in 2016. Capital expenditures, net to QGEP, for activities at BM-CAL-5 are expected to be approximately US\$22 million.

The Block is located in the Camamu Basin, with reservoir depths of 2,700-3,700 meters, and estimated 3C contingent resources net to QGEP of 17.9 million barrels of oil equivalent.

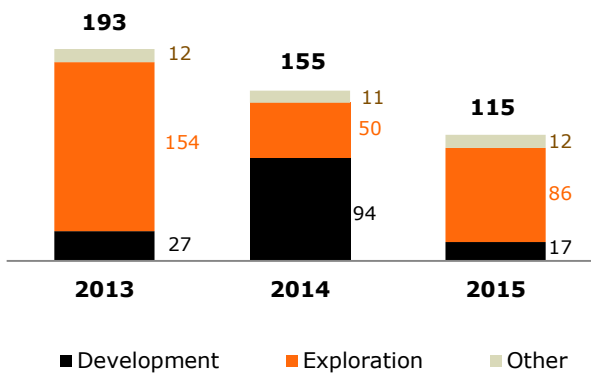
Blocks Acquired in the 11th ANP Bidding Round

QGEP is in the process of contracting the acquisition of 3D seismic data for the blocks awarded in the ANP's 11th Bidding Round in 2013. The Company expects to begin acquiring seismic data for assets in the Espírito Santo, Foz do Amazonas and Pará-Maranhão basins in 2014. Seismic data will be acquired in 2015 for assets in the Ceará Basin and in 2016 for assets in the Pernambuco-Paraíba Basin.

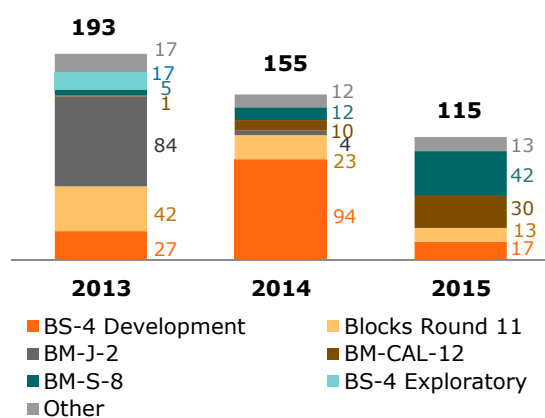
QGEP expects to spend US\$46 million for the acquisition of the data over the next three years, as well as approximately US\$200 million related to the drilling of at least four exploratory wells, starting in 2017.

CAPEX

CAPEX net to QGEP (US\$ million)



CAPEX net to QGEP (US\$ million)



Recent Corporate Developments

- ▶ On February 24, 2014, the Company’s Board of Directors approved the Company’s 2014 stock option plan, granting a total 2,373,330 shares at a stock price of R\$9.06/share, which correspond to 0.89% of the total shares. This program aims to retain and compensate QGEP employees.
- ▶ On February 24, 2014, the Board of Directors authorized the fourth repurchase of 2,245,357 shares, to be acquired within 365 days of the date of approval of the Company’s Share Buyback Program by the Board. QGEP’s Fourth Share Buyback Program is intended to service the 2014 stock option plan. Once these shares are repurchased, the Company will have 7.9 million shares held in treasury, close to the CVM limit of 10% of the free float.
- ▶ On February 24, 2014, the Board of Directors proposed a dividend distribution of R\$40 million, or R\$0.15 per share. This proposal will be submitted for shareholder approval at the shareholder meeting to be held April 16, 2014, and if approved, the dividends will be paid on May 5, 2014 to shareholders of record as the shareholder meeting date.

Sustainability, Environment and Safety

All of QGEP’s operations are based on a foundation of ethical behavior, best corporate governance practices and respect for the environment. Our goal is to be one of the best companies to work for in Brazil, as well as one of the most successful exploration and production companies. We encourage socially responsible initiatives that create jobs and run a commercial enterprise that will serve as a benchmark for integrity and excellence. The Company is committed to doing business in a safe and responsible manner to minimize environmental impact and benefit communities located within the scope of the Company’s activities.

In 2013, we resumed our exploratory activities at Block BM-J-2, in the southern region of Bahia. We were very active on all of our social and environmental programs. One notable highlight was our *Plano de Compensação da Atividade Pesqueira (PCAP)*, where we successfully completed our deliverables. The project offers compensation to fishermen through open dialogues with relevant indigenous communities in the areas directly influenced by Block BM-J-2. After more than one year of operations, we are pleased

to note that all parties involved the project have expressed their satisfaction in how QGEP is conducting itself.

In addition to environmental programs, QGEP continues to support educational, athletic and cultural projects. One example is the Viva Volei project in Canaveiras and in Campinhos, in Bahia state, where the Company maintains activities that teach volleyball and provide pedagogical monitoring since 2010. The Company also maintained its commitment to the Portinari project, bringing the "Portinari For Everyone" exhibition to 8 neighborhood communities in Rio de Janeiro.

With a view toward expanding its dialogue with stakeholders, the Company published its second annual sustainability report in 2013, which highlights corporate activities and benchmarking for fiscal 2012.

Financial Performance

For 4Q13, 4Q12, FY13 and FY12, the financial statements below represent consolidated financial information for the Company. Some percentages and other figures included in this 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)

	4Q13	4Q12	Δ%	2013	2012	Δ%
Net income	21.2	47.3	-55.3%	192.2	82.5	133.1%
Amortization and depreciation	31.4	20.7	51.5%	97.3	82.9	17.3%
Net financial income (expenses)	(18.0)	(16.0)	-12.3%	(62.1)	(82.5)	24.8%
Income tax and social contribution	(14.7)	9.2	-259.4%	(4.6)	40.0	-111.4%
EBITDA⁽¹⁾	19.9	61.2	-67.5%	222.9	122.9	81.3%
Oil and gas exploration expenditure with subcommercial and dry wells ⁽²⁾	45.6	(1.6)	N/A	48.5	162.1	-70.1%
EBITDAX⁽³⁾	65.6	59.6	10.0%	271.4	285.1	-4.8%
EBITDA Margin ⁽⁴⁾	15.8%	52.8%	-70.0%	45.9%	26.6%	72.5%
EBITDAX Margin ⁽⁵⁾	52.1%	51.4%	1.4%	55.8%	61.7%	-9.4%
Net Debt ⁽⁶⁾	(837.8)	(952.3)	12.0%	(837.8)	(952.3)	12.0%
Net Debt/EBITDAX	(3.1)	(3.3)	7.6%	(3.1)	(3.3)	7.6%

⁽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 or IFRS. 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 net financial income, taxes and amortization. EBITDA is utilized by us as an additional measure of our operating performance.

⁽²⁾ Exploration expenses relating to subcommercial wells or to non operational volumes.

⁽³⁾ EBITDAX is a measure used by the oil and gas industry calculated as follows: EBITDA + exploration expenses with subcommercial and dry wells.

⁽⁴⁾ EBITDA divided by net revenue.

⁽⁵⁾ EBITDAX divided by net revenue.

⁽⁶⁾ Net debt corresponds to total debt, comprising current and long-term loans and financing and derivative financial instruments, less cash and cash equivalents and marketable securities. 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 in a different manner.

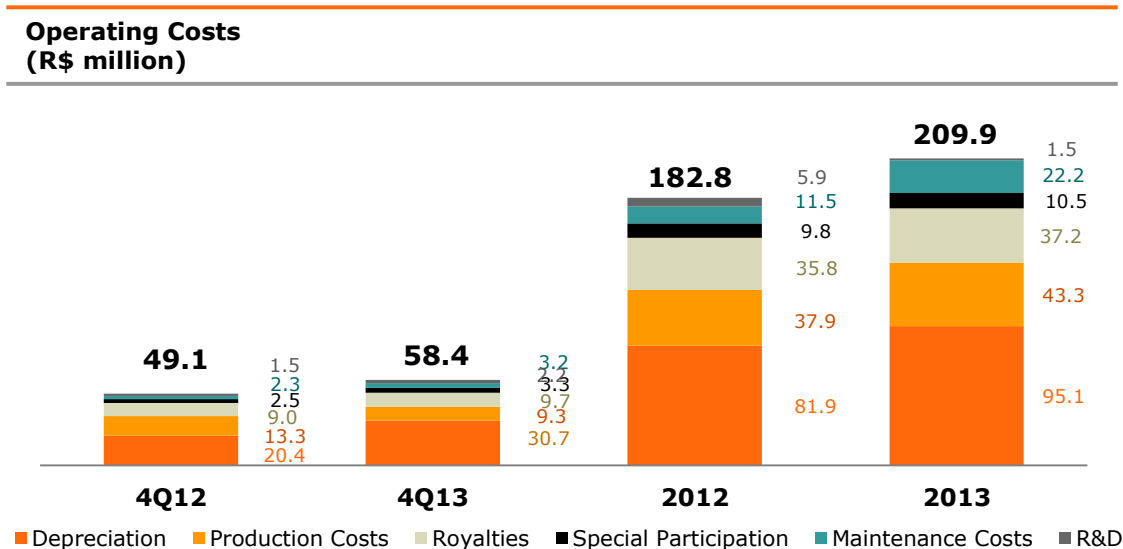
Operating Results

Net revenues for 4Q13 reached R\$125.7 million, an increase of 8.4% from 4Q12, due to natural gas price adjustments, as laid out in the relevant sales contract. For FY13, net revenues totaled R\$486.1 million, 5.1% above FY12.

Operating costs in the fourth quarter were R\$58.4 million, up 18.9% from 4Q12, mainly due to higher amortization costs related to an increase in the provision for abandonment at Manati following the abandonment of the wildcat well at the Field. Operating costs in the quarter consisted of R\$9.3 million in

production costs, R\$30.7 million in depreciation and amortization, R\$9.7 million in royalties, R\$3.3 million in special participation, R\$3.2 million in maintenance costs and R\$2.2 million in Research & Development (R&D).

For FY13, operating costs increased 14.8% compared with FY12. This was mainly due to costs related to scheduled maintenance at the Manati Field.



General and Administrative Expenses

Fourth quarter general and administrative expenses were R\$23.6 million, 28.2% higher than 4Q12. R\$9.9 million of the total G&A expenses were linked profit sharing costs. Additionally, the Company had 116 employees at the end of 4Q13, 49% more than in 4Q12, due to its increased activities as an operator and its expanded exploration portfolio.

For FY13, total G&A expenses were R\$68.6 milhões, 8.4% higher than the R\$63.3 million reported in FY12. Part of the administrative expenses are transferred to the partners as QGEP is the operator of Block BS-4 and holds 30% of this amount. The remainder 70% is related to the partners of the block that reimburse expenses to the operator. Total amount transferred in 2013 was R\$23.0 million compared to R\$12.8 million in 2012.

Exploration Expenses

Total exploration expenses in 4Q13 were R\$55.1 million, up from R\$8.0 million in 4Q12. This increase was largely due to a charge of R\$42.3 million net to QGEP, related to the return of Block BM-S-12 to the ANP; and a R\$3.0 million write-off charge related to the appraisal well at the Carcará discovery which began in December 2013 and was subsequently interrupted due to operational issues in the early phase of drilling.

FY13 exploration expenses totaled R\$81.5 million, compared with R\$177.0 million in FY12, when expenses were impacted by the write-off of the Ilha do Macuco well and the relinquishment of the Jequitibá discovery.

Net Financial Income

In 4Q13, QGEP generated net financial income of R\$18.0 million, up 12.3% from the fourth quarter of 2012, largely due to currency movements which had a non cash effect on the provision for abandonment at Manati and Atlanta Fields. Net financial income for FY13 was R\$62.1 million, down 24.8% from FY12, when the Company benefitted from foreign exchange revenue of R\$22.8 million related to exchange rate variation over the outstanding payment of the 30% stake in Block BS-4 in 2012.

Net Income

Net income in 4Q13 was R\$21.2 million, a decrease of 55.3% from R\$47.3 million in 4Q12, reflecting the increase in exploration expenses and operating costs.

In FY13 the Company generated net income of R\$192.2 million, compared to R\$82.5 million in FY12, when the Company incurred exploration expenses associated to exploratory activities.

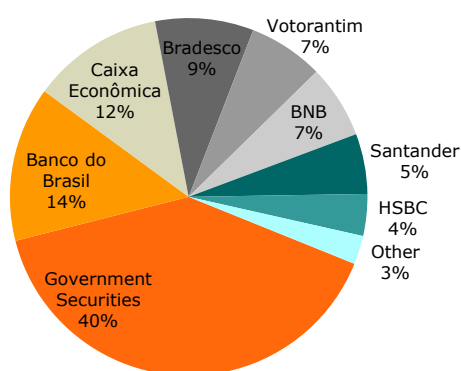
Balance Sheet/Cash Flow Highlights

Cash (Cash, Cash Equivalents and Marketable Securities)

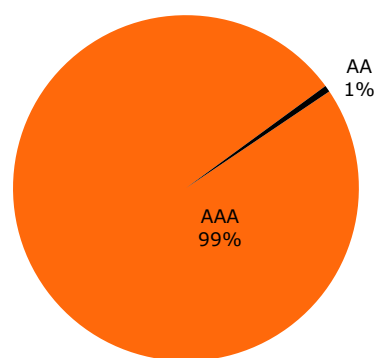
At the end of 2013, the Company had a consolidated cash balance of R\$1.0 billion, including R\$169.3 million of cash drawn down on the Company’s FINEP credits. QGEP had 17% of its investment funds in exchange funds, with the remaining balance in Brazilian real-denominated instruments.

The cumulative average yield of the cash in reais as of December 31, 2013 was 102.3% of the CDI rate and approximately 99% of the funds have daily liquidity. The breakdown of the investments in Brazilian reais is shown on the charts below:

Investment Distribution



Ratings*



*Does not include Government Securities

Accounts Receivable/Payable

Accounts receivable at the end of 4Q13 were R\$99.4 million, compared with R\$97.7 million at the end of 3Q13. Accounts payable were R\$160.2 million at the end of 4Q13, similar to R\$156.3 million at the end of 3Q13.

Credit from Partners

At the end of 4Q13, Credit from Partners totaled R\$116.2 million. This amount corresponds to the cash calls already issued to partners as well as expenses incurred by the operator through December, 31, 2013 and yet to be issued as cash calls as of December 31, 2013.

As previously released, the total amount in default by our partner OGX Petróleo e Gás S.A. ("OGX") in December 31, 2013 was R\$73 million. From the amount supported by the performing Consortium members, OGX has already reimbursed its members in the amount of approximately R\$73 million (principal amount) in 2014. OGX failed to meet subsequent cash calls due February 2014, in the principal amount of approximately R\$25.8 million. This amount was paid by the remaining members of the Consortium, 50% each.

Debt

Total net indebtedness at the end of 4Q13 was R\$167.9 million. This consists of R\$169.3 million in principal and R\$0.6 million of interest, of which R\$0.4 million is amortized, and also a R\$1.7 million bank fee.

These figures represent funds drawn down on a R\$266.1 million financing package from Brazil's Financiadora de Estudos e Projetos (FINEP) to support the development of the Atlanta Field EPS. The package consists of two credit lines, one with a fixed rate and one with a floating rate. Currently, both lines have an interest rate equal to 3.5% per year and feature a 3-year grace period and amortization period of seven years.

FINEP is a State fund linked to the Ministry of Science Technology and Innovation that provides financing to the private and public sectors, with an emphasis on technological innovation, to promote the sustainable development of Brazil.

Operating Cash Flow

The Company had operating cash flow of R\$11.8 million in the fourth quarter of 2013, compared with R\$69.2 million in the fourth quarter of 2012. Operating cash flow for FY13 was R\$376.4 million, up 48.0% from R\$254.3 million in FY12.

Investor Relations

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About QGEP

QGEP Participações S.A. is Brazil's only private Brazilian company to operate in the premium pre-salt area in Santos Basin. QGEP is qualified by the ANP to act as "Operator A" from shallow to 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 m³ per day. For more information, access www.qgep.com.br/ri

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

The consolidated financial information of the Company for the quarter ended December 31 2013 and December 31, 2012 was prepared by the Company in accordance with IFRS as issued by IASB.

Annex I – INCOME STATEMENT

Income Statement (R\$ million)

	4Q13	4Q12	Δ%	2013	2012	Δ%
Net Revenue	125.7	116.0	8.4%	486.1	462.3	5.1%
Operating costs	(58.4)	(49.1)	-18.9%	(209.9)	(182.8)	-14.8%
Gross profit	67.4	66.9	0.7%	276.2	279.5	-1.2%
Operating income (expenses)						
General and administrative expenses	(23.6)	(18.4)	-28.2%	(68.6)	(63.3)	-8.4%
Equity Method	(0.2)	-	N/A	(0.4)	-	N/A
Oil and gas exploration expenditures	(55.1)	(8.0)	N/A	(81.5)	(177.0)	53.9%
Other operating expenses	-	-	N/A	-	0.8	N/A
Operating income (loss)	(11.5)	40.5	-128.4%	125.6	40.0	213.9%
Financial income (expenses), net	18.0	16.0	12.3%	62.1	82.5	-24.8%
Income (Loss) before tax and social contribution	6.5	56.5	-88.5%	187.7	122.5	53.2%
Income tax and social contribution	14.7	(9.2)	259.4%	4.6	(40.0)	111.4%
Net Income (Loss)	21.2	47.3	-55.3%	192.2	82.5	133.1%

Annex II – BALANCE SHEET

Balance Sheet (R\$ million)

	4Q13	3Q13	Δ%
Assets			
Current Assets	1,284.2	1,134.4	13.2%
Cash and cash equivalents	357.8	533.0	-32.9%
Marketable Securities	648.0	406.2	59.5%
Trade accounts receivable	99.4	97.7	1.7%
Stocks	47.8	45.7	4.6%
Recoverable taxes	10.4	6.5	59.1%
Credit from Partners	116.2	41.4	180.5%
Other	4.7	3.9	21.7%
Non-current Assets	1,755.1	1,674.8	4.8%
Restricted cash	4.2	2.4	73.3%
Recoverable taxes	0.3	0.6	-41.2%
Deferred income tax and social	22.5	0.0	N/A
Investments	10.4	10.0	4.0%
Property, plant and equipment	1,083.5	1,028.7	5.3%
Intangible assets	631.4	633.1	-0.3%
Other	2.9	-	N/A
Total Assets	3,039.3	2,809.1	8.2%
Liabilities and Shareholders' Equity			
Current Liabilities	233.7	216.8	7.8%
Trade accounts payable	160.2	156.3	2.5%
Taxes payable	30.1	29.6	1.7%
Payroll and related taxes	19.4	11.0	76.3%
Due to related parties	0.0	0.1	-94.1%
Borrowings and financing	0.2	0.0	N/A
Provision for research and development	8.6	7.7	11.4%
Other current liabilities	15.2	12.1	25.9%
Non-current Liabilities	396.6	208.1	90.6%
Borrowings and financing	167.7	0.0	N/A
Provision for abandonment	228.9	208.1	10.0%
Shareholders' Equity	2,409.1	2,384.2	1.0%
Integrated capital stock	2,078.1	2,078.1	0.0%
Other comprehensive income	2.2	1.0	122.2%
Profits reserve	368.6	176.4	109.0%
Capital reserve	(39.9)	(42.3)	5.8%
Net income for the period	-	171.1	N/A
TOTAL Liabilities and Shareholders' Equity	3,039.3	2,809.1	8.2%

Annex III – CASH FLOWS

Cash Flows (R\$ million)

	4Q13	4Q12	Δ%	2013	2012	Δ%
CASH FLOWS FROM OPERATING ACTIVITIES						
Net income for the period	21.2	47.3	-55.3%	192.2	82.5	133.1%
Adjustments to reconcile net income to net cash provided by operating activities:						
Amortization and Depreciation	31.4	20.7	51.5%	97.3	82.9	17.3%
Equity Pick-up Method	0.2	-	N/A	0.4	-	N/A
Deferred income tax and social contribution	(22.5)	9.0	N/A	(22.5)	5.8	N/A
Financial charges and exchange rate variation borrowings and financing	0.7	-	N/A	0.7	2.6	-74.2%
Fixed Assets/Intangibles write-offs	44.0	0.3	N/A	44.4	118.5	-62.5%
Reductions of the period	1.6	-	N/A	1.6	-	N/A
Expenses with stock option plan	2.4	1.9	29.7%	10.4	8.5	23.2%
Provision for income tax and social contribution	(7.8)	0.2	N/A	(17.9)	34.2	-152.3%
Provision for research and development	0.9	(1.1)	180.7%	(0.4)	3.0	-114.8%
Financial derivative instruments	0.0	-	N/A	0.0	-	N/A
Exchange rate variation on accounts payable for acquisition of exploratory blocks	-	-	N/A	-	(22.8)	N/A
Exchange rate variation on provision for abandonment	20.8	0.7	N/A	112.4	9.4	N/A
Increase/decrease in operating assets:	(83.1)	(6.5)	N/A	(130.6)	(42.3)	-208.6%
Increase/decrease in operating liabilities:	1.9	(3.5)	154.6%	88.4	(28.0)	N/A
Net cash inflows from operating activities	11.8	69.2	-83.0%	376.4	254.3	48.0%
CASH FLOWS FROM INVESTING ACTIVITIES						
Net cash inflows from/used in investing activities	(355.8)	(61.8)	N/A	(1,036.2)	(262.9)	-294.1%
CASH FLOWS FROM FINANCING ACTIVITIES						
Net cash inflows from/used in financing activities	167.6	(11.5)	N/A	144.0	(142.0)	201.4%
Total exchange rate variation on cash and cash equivalents	1.2	-	N/A	2.2	-	N/A
Increase (Decrease) in cash and cash equivalents	(175.2)	(4.1)	N/A	(513.6)	(150.6)	-240.9%
Cash and cash equivalents at the beginning of the period	533.0	875.4	-39.1%	2,653.4	3,510.5	-24.4%
Cash and cash equivalents at the end of the period	357.8	871.3	-58.9%	2,139.9	3,359.8	-36.3%
Increase (Decrease) in cash and cash equivalents	(175.2)	(4.1)	N/A	(513.6)	(150.6)	-240.9%

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.
Blue Picanha	An area which spans approximately 140 thousand km ² , stretching from the Brazilian Coast of Espírito Santo State to Santa Catarina State. It was termed the "Pre-salt Polygon" and reclassified from the Concession Regime to the Production Sharing Regime by Brazilian Law nº 12,351 on December, 22, 2010.
"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).
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.
Field	An area covering a horizontal projection of one or more reservoirs containing oil and/or natural gas in commercial quantities.
FPSO	A floating production, storage and offloading (FPSO) unit is a floating vessel used by the offshore oil and gas industry for the processing of hydrocarbons and for storage of oil.
GCOS	Geological Chance of Success

GCA	Gaffney, Cline & Associates
Kbbl/d	One thousand barrels per day
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.
3C Contingent Resources	High Contingent Resources estimates, which is typically assumed to have a 10% chance of being achieved or exceeded.
Riskd Prospective Resources	Prospective resources multiplied by GCOS.
Reserves	Quantities of petroleum expected to be commercial recoverable by applying development projects to known accumulations as of a given date and under defined conditions.
Reserves 3P	Sum of proven, probable and possible reserves.
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.