
August 14, 2014

Second Quarter 2014 Results



Agenda



Performance Overview

Financial Highlights

Assets Update

- ▶ Average daily gas production from the Manati Field was 5.9MMm³ in 2Q14 and 6.0MMm³ in 6M14
- ▶ Full year average production for Manati Field expected at 5.8MMm³
- ▶ Final completion phase of first two producing wells at Atlanta Field
- ▶ Atlanta FPSO bidding process to be concluded in 4Q14; FPSO to arrive on-site by the end of 2015
- ▶ Drilling of Carcará appraisal well to start in first quarter 2015
- ▶ 2Q14 EBITDAX of R\$67.4 million, up 62% from 2Q13
- ▶ Net cash position at end of quarter of R\$839.5 million, providing financial flexibility

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Performance Overview

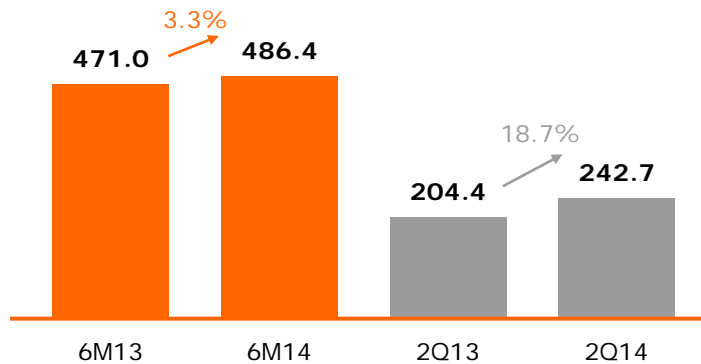
Financial Highlights

Assets Update

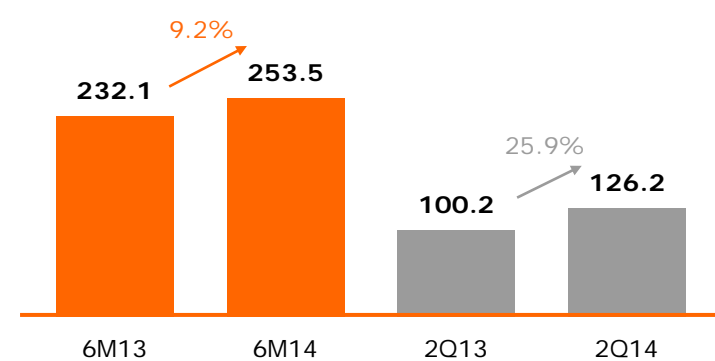


MANATI FIELD PRODUCTION

Gas Production
(Millions of m³)



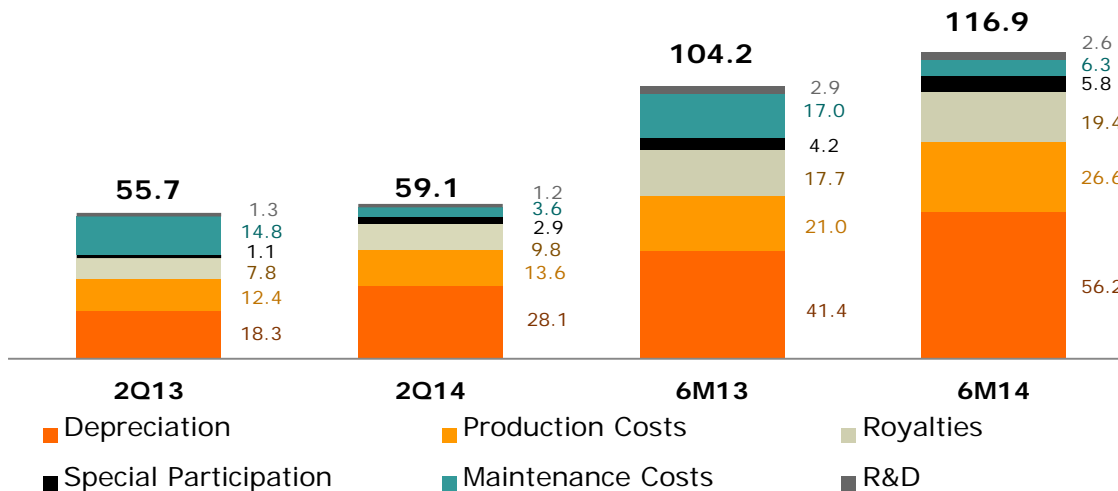
Net Revenue
(R\$ million)



- ▶ 2Q14 production averaged 5.9MMm³ per day, in line with 1Q14
- ▶ Full year 2014 average gas production expected to be 5.8MMm³ per day
- ▶ Construction of compression plant began in 2Q14, proceeding on schedule and on budget
 - Operations to begin in 2H15
 - Average output capacity will return to 6.0MMm³ per day

OPERATING COSTS, EXPLORATORY AND SG&A EXPENSES

Operating Costs (R\$ million)



- ▶ Operating costs rose \$3.4 million in 2Q14 from 2Q13; higher amortization costs were offset by lower maintenance costs
- ▶ 2Q14 G&A fell 11.6% from 2Q13 to R\$13.7 million, mainly due to higher reimbursements from partners
- ▶ Exploration expenses in 2Q14 were R\$14.6 million, especially reflecting the acquisition of seismic data for certain blocks awarded in the 11th ANP Bidding Round

2Q14 FINANCIAL OVERVIEW



Consolidated Financial Information (R\$ million)

	2Q14	2Q13	Δ%
Net income	53.6	30.1	77.7%
Amortization and depreciation	29.1	18.7	55.6%
Net financial income (expenses)	(20.6)	(9.7)	-112.9%
Income tax and social contribution	5.3	1.5	247.4%
EBITDA⁽¹⁾	67.4	40.7	65.5%
Oil and gas exploration expenditure with sub commercial and dry wells ⁽²⁾	-	1.0	-100.0%
EBITDAX⁽³⁾	67.4	41.7	61.7%
EBITDA Margin ⁽⁴⁾	53.4%	40.6%	31.4%
EBITDAX Margin ⁽⁵⁾	53.4%	41.6%	28.4%
Net Debt ⁽⁶⁾	(839.5)	(1,054.0)	20.3%
Net Debt/EBITDAX	(3.65)	(3.99)	8.6%

⁽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.

CAPEX 2014-2015

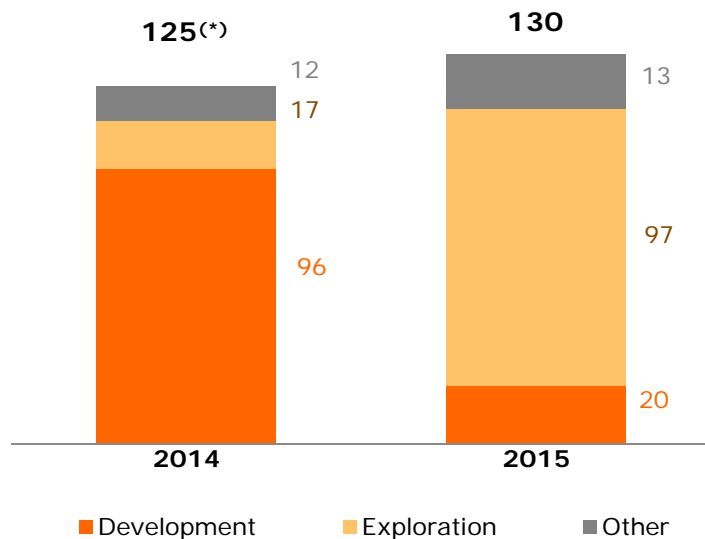
▶ **2014 capital expenditures: US\$125 million**

CAPEX to be spent on Blocks BS-4, BM-J-2, BM-S-8 and Blocks won in Round 11

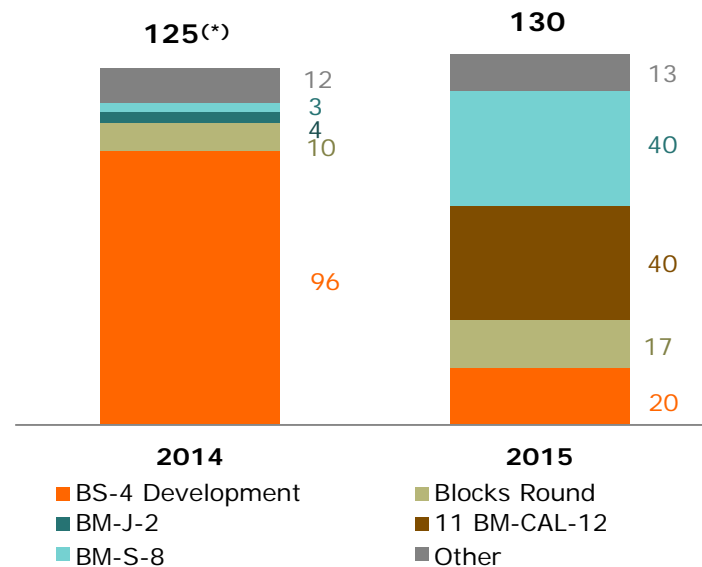
▶ **2015 capital expenditures: US\$130 million**

CAPEX to be spent on Blocks BS-4, BM-CAL-12, BM-S-8 and Blocks won in Round 11

**CAPEX net to QGEP
(US\$ million)**



**CAPEX net to QGEP
(US\$ million)**



(*) US\$66 million had been spent as of March 31, 2014.

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BS-4: GETTING READY FOR FUTURE PRODUCTION

- ▶ Testing of first and second horizontal wells of Early Production System indicate production capacities at high end of estimated range, close to 12Kbbl/d per well
- ▶ The activities related to the drilling and completion of these wells have been concluded
- ▶ FPSO bidding process extended; bids cover possibility of continuing with Early Production System or proceeding directly to full production
- ▶ GCA reserves certification for the Atlanta Field indicates 1P reserves of 147 MM bbl, 2P of 191 MM bbl and 3P of 269 MM bbl
- ▶ First oil at the Oliva Field is still expected in 2021

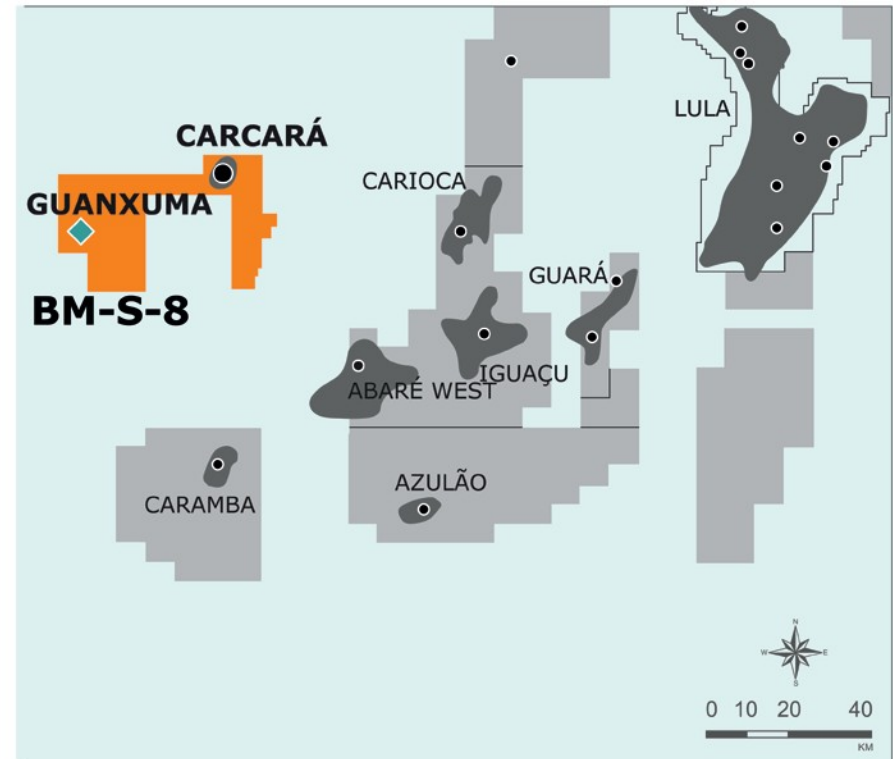
Next steps:

- ▶ FPSO bidding process to be completed in 4Q14
- ▶ FPSO to arrive on site by the end of 2015
- ▶ First oil at Atlanta is expected in early 2016



BM-S-8: PRESENCE AT SANTOS BASIN PRE-SALT

- ▶ The drilling of the Carcará appraisal well is planned to start in the first quarter of 2015, with results by the end of the year
- ▶ Extended Well Test (EWT) is planned for 2017
- ▶ First oil from Carcará expected at the end of 2018
- ▶ Drilling at the Guanxuma prospect expected to begin at the end of 2015



- ◆ Prospects
- Discovery/Field

▶ **Blocks Acquired in 11th ANP Bidding Round**

- QGEP is in the process of contracting the 3D seismic data for the blocks awarded in the ANP's 11th Bidding Round in 2013:
 - Foz do Amazonas and Espírito Santo Basin – seismic acquisition initiated
 - Pará-Maranhão and Ceará Basins – underway, expected to start in 2015
 - Pernambuco-Paraíba Basin – 2016
- QGEP expects CAPEX at 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

▶ **BM-J-2**

- The Company is still in discussions with the ANP regarding the Evaluation Plan for the Block, which was submitted in December 2013 and QGEP expects final decision by the end of 2014
- 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 Alto de Canavieiras well (JEQ #1)



2014

- ▶ BS-4: Bidding process for the FPSO for Atlanta Field is underway

2015

- ▶ Start drilling Carcará appraisal well in the 1Q15
- ▶ Drilling at the CAM#01 and Guanxuma prospects in the 2H15
- ▶ Manati: Beginning of operations at the compression plant
- ▶ Arrival of FPSO at BS-4

2016-2017

- ▶ First oil from the Atlanta Field
- ▶ Start drilling of development wells at Carcará and beginning of EWT
- ▶ 2016: Exploratory Drilling at Copaiba
- ▶ Drilling of exploratory wells at the Blocks awarded in the 11th ANP Bidding Round

2018-2021

- ▶ First oil expected from Carcará
- ▶ First oil expected from the Oliva Field

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