FOURTH QUARTER AND FULL YEAR 2016

Earnings Release QGEP Participações S.A.

Conference Call

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EXPLORAÇÃO E PRODUÇÃO

QGEP Reports 4Q16 and Full Year 2016 Results

Rio de Janeiro, March 15th, 2017 – QGEP Participações S.A. (BMF&Bovespa: QGEP3), a leading Brazilian Exploration & Production company with a unique portfolio of producing, developed and exploratory assets, today announced its results for the fourth quarter and twelve months ended December 31, 2016. The financial and operating data in this press release, except where indicated otherwise, are presented on a consolidated basis as per the accounting practices adopted in International Financial Reporting Standards (IFRS) and generally accepted accounting practices adopted in Brazil, as described in the financial section of this release.

Manati Field

Average daily gas production totaled of 4.3MMm³ in 4Q16, reflecting the decline in gas demand throughout the country. For full year, the average daily gas production was **4.9MMm³. Production guidance for 2017 is 4.9MMm³ of gas per day.**

Net Revenue

Net revenues for 2016 declined 4% **to R$476.5 million** compared to R$496.2 million in 2015.

Net Income

Net income of R$152.9 million in 2016, compared to R$93.6 million in 2015. The prior year's result was impacted due to the return of a Block to ANP.

Atlanta Field

The FPSO Petrojarl I arrival at Atlanta Field is expected to arrive in the fourth quarter of 2017 **with first oil in the beginning of 2018.**

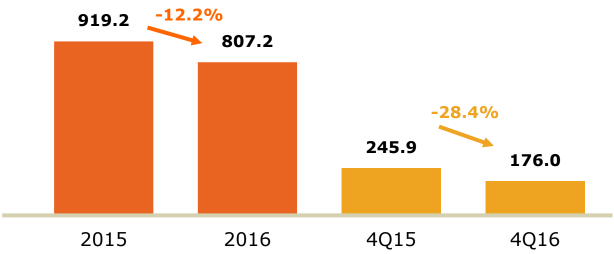
EBITDAX

EBITDAX was R$188.3 million in 2016, compared to R$273.0 million in 2015, due to **lower production in Manati and non-recurring maintenance expenses.** In 4Q16 EBITDAX was R$37.5 million, a decrease of 39% in the annual comparision.

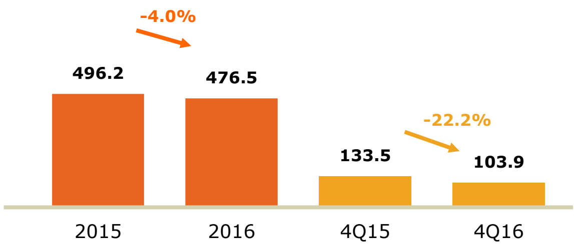
Cash Balance

Cash balance[1] of R$1.3 billion at quarter-end; provides ample funds to maintain planned investment programs for at least the next two years.

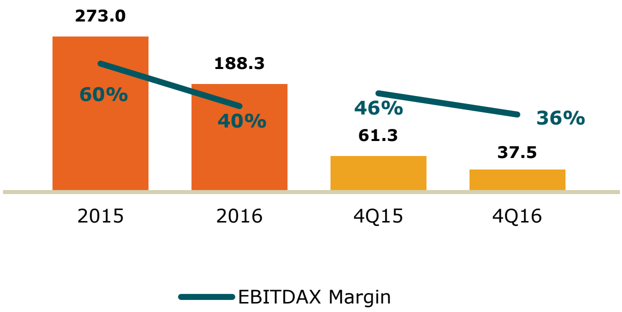
Gas Production (Millions of m³)



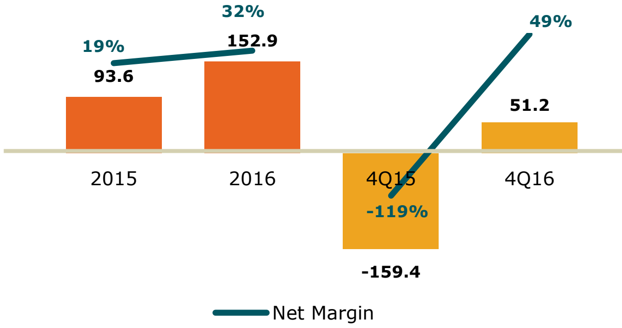
Net Revenue (R$ Million)



EBITDAX (R$ Milllion)



Net Income (R$ Million)



(1) Includes cash, cash equivalents and marketable securities

Management Comments

During 2016, we continued to advance in our projects, aiming to enrich our asset portfolio, amid complex macroeconomic and industry conditions. We are optimistic about Brazil's economic prospects, bolstered by declining inflation and the onset of the cycle of lowering interest rates that began at year end 2016. These factors are gradually instilling greater confidence in companies and consumers.

In the global oil markets, oil prices increased more than 50% in 2016, and there was less volatility than in 2015. At the same time, oil and gas production increased in Brazil, mostly during the second half of the year. Oil and natural gas production in Brazil in 2016 reached a record 3.2 million barrels of oil equivalents (boe) per day. These events reinforce our positive view for the medium and long term prospects for the industry and the resulting impact for QGEP, thanks to our current portfolio and its potential valuation.

Gas production in the Manati Field was 4.9MMm³ per day in 2016, compared to 5.6MMm³ per day recorded in 2015. Production levels reflected lower industrial demand for gas in Brazil, particularly in the northeast region, where we operate. For 2017 we reaffirm our previous guidance for compensation equivalent to average daily gas production in the Manati Field of 4.9MMm³, in line with the levels recorded in 2016. 2017 Manati Field operations will benefit from the annual contractual adjustment in prices and the conclusion of platform maintenance and painting, which will reduce costs. Additionally, a recovery in the country's industrial activity could be a potential upside to production levels in the second half of the year.

Towards the end of 2016, we took advantage of the opportunity to add value to QGEP's exploratory asset portfolio by assuming the working interest of two of our partners in exploratory blocks in the Foz do Amazonas and Pará-Maranhão Basins in the Equatorial Margin. As a result, QGEP's interest in these blocks is now 100% and we are also the operator. Our original ownership was acquired at the 11th National Agency of Petroleum, Natural Gas and Fuel – ANP, Bidding Round. The seismic data had been acquired and processed before the transaction, and we are currently analyzing the data in order to define the next steps.

It is worth noting that with these assets and the other high potential blocks we acquired in the 13th ANP Bidding Round, QGEP now owns a substantial portfolio for potential farm-out opportunities. Currently, we are assessing the industry's potential interest in farm-ins and the industry companies participation in the process gives us confidence that this could be a viable option for these blocks. Reducing our participation in these specific assets is part of the reframing of our portfolio under the Company's strategy of diversifying our exposure, especially in assets in the exploratory phase. Thus, we plan to participate in a larger number of assets, but with reduced exposure in each one of them.

With respect to Block BM-S-8, we believe that we now have better visibility as to the next stages related to the Carcará discovery, following the entry of Statoil as operator. Currently, the consortium is analyzing the availability of drilling rigs for the Guanxuma exploratory pre-salt prospect, located 30 km southwest of Carcará with drilling scheduled towards year end 2017. In addition, ANP's new bidding round is scheduled for mid-2017, which includes the extension north of the Carcará reservoir area, adjacent to the Block BM-S-8. We believe that this round will be essential to defining the development schedule of the Field.

Finally, the ongoing challenges related to adaptation of FPSO Petrojarl I for the Atlanta Field resulted in further delays in the delivery date, which is scheduled for the fourth quarter of 2017, with first oil targeted for beginning 2018. The negotiations with Teekay, which is leading the FPSO adaptation in Rotterdam, are moving forward, and we are closely monitoring the situation.

2016 was a challenging year for the global oil and gas industry and for the Brazilian economy, and QGEP was impacted by both external events. Despite these headwinds, QGEP reported solid financial results. In 2016, net revenue was R$477 million with EBITDAX of R$188 million, or a margin of approximately 40%. Net income totaled R$153 million, well above the previous year, when we reported higher exploratory expenses related to the relinquishment of a Block to ANP. In addition, in 2016, we reported lower production and exploratory costs and reduced general and administrative expenses. QGEP ended 2016 with a cash position of R$1.3 billion, which combined with our future operating cash flow is more than sufficient to finance our operations and Capex plans over, at least, the next two years.

This solid financial position gives us flexibility to take advantage of other opportunities which mesh in our strategy, and at the same time, the diversification potential of our exploratory portfolio will also come from potential decreases in participation in assets that are currently in our portfolio. This in turn has placed us in an exceptionally advantageous position to determine how to allocate our financial resources and how to monetize our asset base through farm-out agreements with potential partners, always seeking value creation for our shareholders.

As an independent oil company with extensive expertise in exploration and production activity in Brazil, QGEP is well positioned to benefit from recent government initiatives to support the sector's development in the country. Significant legal reforms in progress, aimed at improving competitiveness in Brazil, as well as the predictability of new auctions, are already producing the desired effects by attracting new foreign investors. Assuming that new regulations on local content, and the renewal of REPETRO (Special Tax System of Oil Industry) take effect, the ANP's plans for three bidding rounds in 2017 should attract significant interest amongst international oil and gas companies. Thus, we plan to play an important role over the coming years in a market with high growth potential that could become one of the most attractive markets in the world. In turn, we are firmly on the road to achieving our objective of becoming one of the leading Brazilian oil and gas independent producers.

QGEP's Assets

Basin	Block/ Concession	Field/ Prospect	QGEP Working Interest	Resource Category	Fluid
Camamu	BCAM-40	Manati	45%	Reserve	
		Camarão Norte		Contingent	
	CAL-M-372	CAM#01	20%	Prospective	
Santos	BM-S-8	Carcará	10%	Prospective/ Contingent	
		Guanxuma		Prospective	
	BS-4	Atlanta	30%	Reserve	
		Oliva		Contingent	
		Piapara		Prospective	
Espírito Santo	ES-M-598		20%	Prospective	
	ES-M-673		20%	Prospective	
Foz do Amazonas	FZA-M-90		100%*	Prospective	
Pará-Maranhão	PAMA-M-265		100%*	Prospective	
	PAMA-M-337		100%*	Prospective	
Ceará	CE-M-661		25%	Prospective	
Pernambuco-Paraíba	PEPB-M-894		30%	Prospective	
	PEPB-M-896		30%	Prospective	
Sergipe-Alagoas	SEAL-M-351		100%	Prospective	
	SEAL-M-428		100%	Prospective	

Oil Gas

Production and Development

MANATI

Block BCAM-40; Working Interest: 45%

Average daily gas production at the Manati Field was 4.3MMm³ in the fourth quarter of 2016, compared with 4.4MMm³ per day in 3Q16 and 5.9MMm³ 4Q15. Average production through 2016 was 4.9MMm³ per day, compared to 5.6MMm³ per day in the last year. The lower production levels in 2016 reflect the demand decrease for natural gas in Brazil, due to the decline in economic activity. Even with this decrease, Manati Field continued to provide approximately 30% of the gas supply to the Brazilian region.

Throughout 2016, the consortium carried out maintenance and painting of the Manati platform, with expenditures of about R$30 million in the year, of which R$5.6 million was in 4Q16. In 2017, this activity should be completed during the first half of the year and an additional R$8 million is expected, totaling R$38 million, lower than initially estimated. The platform, the gas pipeline and the gas treatment plant belong to the Consortium, which greatly reduces the operating cost, keeping the Field highly profitable.

The Company confirms its 2017 average daily production guidance for Manati of 4.9MMm³, which is similar to 2016's average daily production. The average daily production capacity of Manati is 6,0MMm³, which enables QGEP to quickly increase supply in response to an upturn in demand.

The latest reserve certification for Manati Field prepared by Gaffney, Cline & Associates (GCA) indicated that on December 31, 2015 reserves 2P for 100% of the Field totaled 11.0 billion m³ of natural and condensed gas, corresponding to approximately 68.9 million boe of gas.

ATLANTA
Block BS-4; Working Interest: 30%; Operator

The challenges faced in adapting the FPSO Petrojarl I to Atlanta Field by the company contracted - Norwegian Teekay Offshore Partners L.P - were larger than originally planned and resulted in delays for the delivery date, which is now scheduled for the fourth quarter of 2017. The FPSO will have production capacity of 30 kbpd and storage capacity of 180,000 barrels.

Given the later than expected arrival date of the FPSO at the Atlanta Field, the Consortium projects the first oil at the beginning of 2018. Initial production capacity will be 20 kbbl from two production wells, both of which have already been drilled. The Consortium may choose to drill an additional well, which will increase capacity to 30 kbbl. This decision will be based on a variety of factors, including prevailing oil prices.

Exploration

BM-S-8
Working Interest: 10%

In 2016, QGEP reported that Statoil Brasil Óleo e Gás Ltda acquired the 66% stake previously held by Petrobras, becoming the Block operator. The negotiated base price was US$2.5 billion. This transaction brought a market value reference of our participation in the asset and should, in the near future, bring greater visibility of the investment schedule and date for the first oil. The accumulation of Carcará straddles both BM-S-8 and open acreage to the north, which is scheduled to be part of ANP's next bidding round this year. The Operator should, after the ANP Bidding Round and definition of unitization terms, bring more visibility to the investment schedule and first oil date.

Under the ongoing original Evaluation Plan, the next phases will include the Guanxuma pre-salt prospect drilling, located 30km southwest of Carcará, which is scheduled to start in fourth quarter 2017. Testing the Carcará Noroeste well is planned for early 2018.

CAL-M-372
Working Interest: 20%

Activities at CAL-M-372 continue to await the environmental license from IBAMA, currently expected to be issued in 2018. When the license is issued, the Consortium will drill a pioneer well targeting the CAM#01 prospect. The Consortium has asked ANP for an extension of the Concession period in light of current market conditions and uncertainties in the environmental licensing process.

BLOCKS ACQUIRED IN THE 11TH ANP BIDDING ROUND
Working Interest: 20%

Seismic data acquisition for the Foz do Amazonas, Ceará and Espírito Santo Basins was completed in the second quarter 2016 and the Consortia are interpreting data in order to better understand the potential for these Blocks. The Consortium is awaiting the processing of seismic data for the Pará-Maranhão Basin, which is expected by year end.

In early October 2016, the Company assumed the interest in three exploratory blocks held by Pacific, which had decided to exit the Brazilian market. As part of the agreement, Pacific Brasil paid the entire outstanding balance for the acquisition of seismic for the blocks of Pará-Maranhão Basin blocks and prepaid to QGEP the total amount of US$10 million, as part of the minimum obligations assumed in the blocks with ANP for exploratory investments. At the end of December, QGEP also assumed the remaining 35% interest of Premier Oil in Block FZA-M-90. As part of the agreement, QGEP received US$9.5 million, which was calculated based on Premier's interest to guarantee the minimum exploratory program.

SEAL-M-351 AND SEAL-M-428

Working Interest: 100%; Operator

Located in ultra-deep waters in the Sergipe-Alagoas Basin, between 80 to 100 km off the Brazilian coast and both of the blocks encompass a total area of 1,512 km^2. QGEP is also considering farm-out opportunities for these blocks.

During third quarter 2016, QGEP received the Reference Terms from IBAMA for the environmental license to proceed with seismic data acquisition. The estimated cost for the acquisition of seismic data is approximately US$16 million which QGEP will expend over the next two years, with completion anticipated for early 2018. This is the only commitment made by the ANP for this exploratory phase.

Financial Performance

Income Statement and Financial Highlights (R$ millions)

	4Q16	4Q15	Δ%	2016	2015	Δ%
Net Revenue	**103.9**	**133.5**	**-22.2%**	**476.5**	**496.2**	**-4.0%**
Costs	(55.2)	(70.1)	-21.3%	(240.7)	(252.9)	-4.8%
Gross profit	**48.7**	**63.4**	**-23.2%**	**235.7**	**243.3**	**-3.1%**
Operating income (expenses):						
General and administrative expenses	(15.2)	(16.5)	-8.1%	(49.6)	(52.9)	-6.3%
Equity Method	0.3	(0.4)	-166.5%	0.5	(1.2)	-143.2%
Exploration expenditures	(11.2)	(352.0)	-96.8%	(62.5)	(386.1)	-83.8%
Other net operational expenses	(0.2)	0.0	-645.3%	(2.8)	0.3	-937.2%
Operating income (Loss)	**22.4**	**(305.4)**	**-107.3%**	**121.3**	**(196.5)**	**-161.7%**
Financial income (expenses), net	33.5	29.7	12.8%	46.5	272.2	-82.9%
Income before income tax and social contribution	**55.9**	**(275.7)**	**-120.3%**	**167.9**	**75.7**	**121.7%**
Income tax and social contribution	(4.7)	116.3	-104.0%	(15.0)	17.9	-183.5%
Net income (Loss)	**51.2**	**(159.4)**	**-132.1%**	**152.9**	**93.6**	**63.3%**
Net cash inflows from operating activities	**216.7**	**(10.6)**	**na**	**341.8**	**431.5**	**-20.8%**
EBITDAX(1)	**37.5**	**61.3**	**-38.8%**	**188.3**	**273.0**	**-31.0%**

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.

(1) EBITDAX is a measure used by the oil and gas industry calculated as follows: EBITDA + exploration expenses with subcomercial and dry wells. The Company calculates 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 QGEP.. Furthermore, EBITDA has limitations which inhibit its usefulness as a measure of the Company's profitability as it does not consider certain costs inherent in the business, which could significantly impact net results, such as net financial income, taxes and amortization. EBITDA is utilized by the Company as an additional measure of its operating performance.

In the fourth quarter of 2016, consolidated financial results were impacted by lower year over year gas production reflecting ongoing difficult economic conditions in Brazil, which reduced demand whereas fourth quarter 2015 results were negatively impacted by the company's write-off related to its relinquishment of Block BM-J-2 to ANP. EBITDAX was down 38.8% year over year and 18.6% compared to 3Q16, due to Manati lower production. The company ended the quarter with a positive cash and cash equivalents balance of R$1.3 billion, providing ample funds to support investments, for at least the next two years. The consistent cash flow from the Manati Field provides the Company with significant funds to cover its operating costs and continue to fund its exploration projects.

Fourth Quarter 2016 Financial Highlights:

- Net revenue was R$103.9 million, down 22.2% from R$133.5 million in 4Q15. This decline was the result of lower Manati gas production, which averaged 4.3MMm³ per day in 4Q16, compared to 5.9MMm³ per day in 4Q15 and was partially offset by the annual adjustment of gas prices at Manati, which occurred at the beginning of the year.
- Maintenance costs increased 258.4% compared to 4Q15, due to the painting and maintenance of the Manati platform. However, special participation decreased 87.8% - due to the production decrease - and depreciation and amortization were 45.6% lower, also due to the reduced production, as well as the impact of the exchange variation on the provision of abandonment. The remaining items were also reduced. In turn, operating costs were R$55.2 million in the quarter, down 21.3% compared to R$70.1 million in 4Q15 even with the increased maintenance activities.
- Exploration expenses were R$11.2 million, compared to R$352.0 million in 4Q15. The results in 4Q15 were impacted by a decrease of R$332.5 million relating to the return of Block BM-J-2 to ANP. At the same time, the amounts spent on seismic acquisition for blocks of ANP's 11th Bidding Round in 4Q16 were higher than 4Q15.
- Net financial income was R$33.5 million, compared to a net financial income of R$29.7 million in 4Q15, due to higher income from fixed income instruments, as well as from the exchange rate fund.
- Net Income in 4Q16 reached R$51.2 million, increase from the net loss of R$159.4 million in 4Q15, mainly due to lower exploratory expenses.
- Operating cash flow totaled R$216.7 million.

Full Year 2016 Financial Highlights:

- Net Revenue was R$476.5 million, down 4.0% from R$496.2 million in 2015. This decrease is mainly due to lower gas production in 2016 of 4.9MMm³ per day, compared to 5.6MMm³ in 2015, reflecting the country's recessionary economic environment, which directly impacted gas consumption, particularly in the Northeastern region of the country in which the company operates. This decrease was partially offset by the annual readjustment of the gas sale price, according to the contractual index in January.
- With respect to operating costs, the largest impact was the 205.1% increase in maintenance costs, due to the painting and maintenance activities of the Manati platform incurred in the second half of 2016. By contrast, depreciation and amortization in the period decreased 45.8% compared to the previous year, due to the signature of the amendment to the Manati Field gas sales contract and the effect of the exchange variation on the provision for abandonment. In addition, due to the production decrease, special participation decreased 38.9% in the annual comparison.
- Production costs also reflect expenses related to the gas compression station, which totaled R$37.0 million in 2016. In 2015, the costs related to this station were R$13.2 million, as the project commenced in August.

Operating Costs (R$ million)

	4Q16	4Q15	Δ%	2016	2015	Δ%
Depreciation and amortization	14.8	27.3	-45.6%	63.9	117.9	-45.8%
Production costs	19.9	21.3	-6.2%	80.7	61.6	31.0%
Maintenance costs	8.8	2.4	258.4%	38.8	12.7	205.1%
Royalties	8.0	10.0	-20.0%	36.6	37.7	-2.8%
Special Participation	0.4	3.4	-87.8%	5.6	9.2	-38.9%
R&D	1.1	1.5	-25.4%	5.6	5.6	0.6%
Other	2.0	4.2	-51.9%	9.5	8.2	15.6%
TOTAL	**55.2**	**70.1**	**-21.3%**	**240.7**	**252.9**	**-4.8%**

- General and administrative expenses totaled R$49.6 million, a decrease of 6.3% from the R$52.9 million recorded in 2015. This decrease reflects the Company's rationalization of costs throughout the year. It is worth mentioning that inflation in the period was 6.3%, which demonstrates QGEP's commitment to controlling expenses in a year of declining revenues.
- Total exploratory expenses in 2016 were R$62.5 million compared to R$386.1 million recorded in 2015, which included a write-off of R$332.5 million related to the return of Block BM-J-2 to ANP, as well as the seismic performance of the blocks of the 11th ANP Bidding Round. In 2016, the Company also recorded exploratory expenses related to the acquisition of seismic data in the equatorial margin and the Espírito Santo Basin.
- In 2016, QGEP recorded a net financial result of R$46.5 million, compared to R$272.2 million in 2015. This large decrease of 83% is due to Company's cash income, which is 75% invested in instruments denominated in Reais, and the remainder in foreign exchange funds intended to cover US Dollar denominated obligations. The appreciation of the Real compared to the US Dollar in the period and the reduction of the SELIC interest rate in the country, which ended the year at 13.75% per year, contributed to the reduction of the yield on financial investments in 2016, which was R$51.0 million, compared to R$260.4 million in 2015. Additionally, other financial income and expenses decreased from R$11.9 million to negative R$4.5 million, due to the recognition of interest on the financing of BNB in the P&L, once one of the assets linked to the financing, BM-J-2, was returned to the ANP at the end of 2015.
- EBITDAX was R$188.3 million, compared to R$273.0 million in 2015, a decrease of 31.0%, mainly due to the reduction in production of the Manati Field as well as higher exploration expenses related to the acquisition of seismic data for blocks of the 11th bidding round of ANP in 2016.
- The Company recorded a net profit of R$152.9 million in 2016, 63.3% higher than the R$93.6 million registered in 2015, attesting to the profitability of the Manati Field, which was a positive contributor to financial results despite lower production, coupled with lower exploration expenses in 2016.
- Operating cash flow totaled R$341.8 million, compared to R$431.5 million in December 2015.

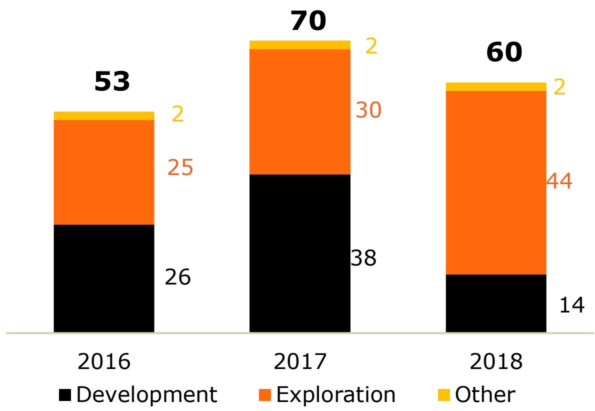
Capex and Other Exploratory Expenses

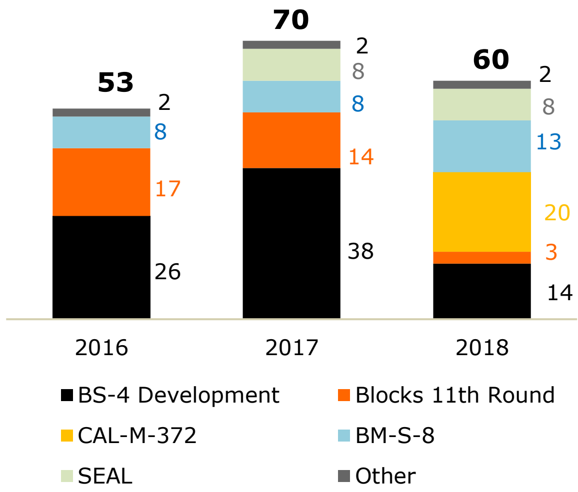
With a disciplined approach to budgeting capital expenditures and investments, and coupled with tight controls on expenses, the Company is able to maintain a comfortable cash position that supports its cash needs for at least the next two years. Investment decisions are planned at a Consortium level in the different assets of the QGEP portfolio, and then the QGEP accounts for the portion corresponding to its participation in the respective asset.

Capital expenditures in 2016 were US$53 million. Breakdown of expenditures for 2016 included; US$26 million at the Atlanta Field, and US$17 million on the acquisition and analysis of seismic data of the 11th ANP Bidding Round Blocks.

In 2017, QGEP has budgeted capital expenditures of US$70 million. This includes US$38 million for the Atlanta Field and US$30 million for exploration activities, including US$8 million at Block BM-S-8 and US$14 million for seismic acquisition for the blocks acquired in the 11th ANP Bidding Round.

CAPEX net for QGEP (US$ millions)





Cash Position (Cash, Cash Equivalents and Marketable Securities) and Debt

At the end of 2016, QGEP had a cash and cash equivalents balance of R$1.3 billion similar to year end 2015. On December 31, 2016 QGEP had approximately 25% of its cash invested in exchange funds, in order to protect its long-term investment capacity. The remaining balance was invested in Brazilian real-denominated instruments. As of December 31, 2016 the average annual return of these investments was 101.9% of the CDI rate and 80% of the funds had daily liquidity.

QGEP's debt is composed of financing raised with FINEP (Financing Agency for Studies and Projects) and credit facilities from Banco do Nordeste do Brasil. As of December 31, 2016, QGEP's total debt was R$359.7 million, down from R$369.6 million recorded in 2015, reflecting commencement of FINEP´s debt repayment in September 2016.

Funds from FINEP are part of a financing package aimed at supporting the development of the Atlanta Field EPS, and consists of two credit lines, at a fixed rate of 3.5% per year, and another of a floating rate linked to TJLP. Both have a grace period of three years and a repayment period of seven years. QGEP has a total credit line with FINEP of R$266.0 million. The BNB financing is directed to the operation of the Company's assets in the Northeast. The loan, which costs 4.71% per year with a 15% compliance bonus, has a grace period of five years.

The Company's net cash position as of December 31, 2016 was R$977.9 million.

Credits With Partners

These reflect expenses incurred in E&P activities that are billed ("cash calls") or to be billed to non-operator partners in the respective Consortiums, or allocated by the Company's operator partners in the blocks not operated by QGEP.

Of the R$64.0 million recorded at December 31, 2016, R$45.6 million is related to the installment from OGX Petróleo e Gás SA – Under Bankruptcy ("OGX") and the remainder from its partners. Of this amount, R$35.4 million is overdue at the end of 2016, which R$17.7 million were supported by QGEP. Additionally, in 2016, a cash call was issued to OGX in the amount of R$7.9 million, due in January 2017. As of this date, this receivable was not collected.

In addition, requests for contributions to OGX Netherlands B.V were issued in the total amount of US$4.7 million, which have not been paid to date.

Taking into consideration OGX's current situation, under judicial recovery, QGEP is monitoring this process in order to mitigate the risks associated with the fulfillment of the payment obligations and investments of this consortium member.

Investor Relations

QGEP Participações S.A.

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About QGEP

QGEP Participações S.A. is Brazil's only private company operating 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 m^3 per day. For more information, access www.qgep.com.br/ir.

The consolidated financial information of the Company for the quarters and semesters ended December 31, 2015, and December 31, 2016 was prepared by the Company in accordance with IFRS as issued by IASB.

Annex I | Consolidated Financial Information (R$ Million)

Consolidated Financial Information (R$ million)

	4Q16	4Q15	Δ%	2016	2015	Δ%
Net income	51.2	(159.4)	-132.1%	152.9	93.6	63.3%
Amortization and depreciation	15.1	28.2	-46.3%	67.1	121.7	-44.8%
Net financial revenue / expenses	(33.5)	(29.7)	12.8%	(46.5)	(272.2)	-82.9%
Income tax and social contribution	4.7	(116.3)	-104.0%	15.0	(17.9)	-183.5%
EBITDA[1]	**37.5**	**(277.2)**	**-113.5%**	**188.5**	**(74.9)**	**-351.7%**
Oil and gas exploration expenditure with sub commercial and dry wells[2]	0.0	338.5	-100.0%	(0.2)	347.9	-100.0%
EBITDAX[3]	**37.5**	**61.3**	**-38.8%**	**188.3**	**273.0**	**-31.0%**
EBITDA Margin[4]	36.1%	-207.6%	-117.4%	39.8%	56.1%	-29.1%
EBITDAX Margin[5]	36.1%	45.9%	-21.3%	39.6%	59.8%	-33.7%
Net Cash[6]	(977.9)	(910.3)	7.4%	(977.9)	(910.3)	7.4%
Net Debt/EBITDAX	(5.2)	(3.3)	55.7%	(5.2)	(3.3)	55.7%

(1) The Company calculates 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 the Company's profitability as it does not consider certain costs inherent in the business, which could significantly impact net results, such as net financial income, taxes and amortization. EBITDA is utilized by the Company as an additional measure of its operating performance.
(2) Exploration expenses relating to sub-commercial 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 sub-commercial and dry wells.
(4) EBITDA divided by net revenue.
(5) EBITDAX divided by net revenue.
(6) Net cash corresponds to cash, cash equivalents and marketable securities investments excluding 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.

Annex II | Balance Sheet

	4Q16	3Q16	Δ%
Assets			
Current Assets	**1,433.9**	**1,308.2**	**9.6%**
Cash and cash equivalents	17.7	104.0	-82.9%
Investments	1,159.8	955.2	21.4%
Restricted Cash	32.5	0.0	na
Trade accounts receivable	102.3	87.0	17.6%
Credits with Partners	64.0	101.5	-36.9%
Inventory	1.5	3.0	-47.7%
Recoverable taxes and contribution	36.0	38.4	-6.1%
Other	20.0	19.3	3.8%
Non-current Assets	**2,129.5**	**2,097.3**	**1.5%**
Restricted cash	125.2	115.4	8.5%
Investments	160.1	174.5	-8.3%
Non-current Inventory	(0.0)	54.5	-100.0%
Recoverable taxes	4.5	4.4	3.8%
Deferred income tax and social	44.4	44.7	-0.6%
Investments	138.4	131.0	5.6%
Property, plant and equipment	928.2	843.8	10.0%
Intangible assets	727.1	727.4	0.0%
Other Non-current Assets	1.6	1.6	-0.2%
TOTAL ASSETS	**3,563.4**	**3,405.5**	**4.6%**
Liabilities and Shareholders' Equity			
Current	**254.5**	**163.4**	**55.7%**
Providers	69.9	66.1	5.8%
Taxes and contributions payable	21.7	22.0	-1.3%
Remuneration and social obligations	10.0	9.0	10.8%
Bills to pay- related parties	3.9	1.1	270.7%
Borrowings and Financing	36.6	36.5	0.3%
Provision for research and development	11.9	14.0	-15.6%
Insurances payable	11.6	0.0	na
Other	89.0	14.8	500.7%
Non-current Liabilities	**529.2**	**515.1**	**2.7%**
Borrowings and financing	323.2	331.7	-2.6%
Provision for abandonment	206.1	181.0	13.9%
Other trade accounts payable	0.0	2.5	na
Shareholders' Equity	**2,779.6**	**2,727.0**	**1.9%**
Capital Stock	2,078.1	2,078.1	0.0%
Other comprehensive income	15.7	15.1	3.3%
Profit Reserve	572.1	572.1	0.0%
Capital Reserve	41.9	40.9	2.3%
Treasury Shares	(81.0)	(81.0)	0.0%
Net income for the period	152.9	101.7	50.3%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,563.4**	**3,405.5**	**4.6%**

Annex III | Cash Flow

	4Q16	4Q15	Δ%	2016	2015	Δ%
CASH FLOW FROM OPERATING ACTIVITIES						
Net income for the period	**51.2**	**(159.4)**	**-132.1%**	**152.9**	**93.6**	**63.3%**
Adjustments to reconcile net income to net cash provided by operating activities:						
Equity Method	(0.3)	0.4	-166.5%	(0.5)	1.2	-143.2%
Amortization of the exploration and development expenditures	15.1	28.2	-46.3%	67.1	121.7	-44.8%
Deferred income tax and social contribution	0.3	(41.7)	-100.6%	1.1	(26.1)	-104.3%
Financial charges and exchange rate (gain) loss borrowings and financing	2.6	4.2	-38.5%	15.9	14.6	9.1%
Write-off	16.1	332.2	-95.2%	87.8	332.4	-73.6%
Provision for stock option plan	10.8	1.5	643.9%	13.8	6.3	120.7%
Provision for income tax and social contribution	(13.2)	(74.7)	-82.3%	(3.8)	8.2	-146.7%
Provision for research and development	1.7	(0.6)	-370.2%	0.0	2.9	na
Exchange variation/Others	0.0	7.6	-100.0%	0.0	0.0	0.0%
(Increase) decrease in operating assets:	**21.4**	**(67.9)**	**-131.5%**	**(9.1)**	**(54.7)**	**-83.4%**
Increase (decrease) in operating liabilities:	**107.1**	**(40.3)**	**-366.1%**	**12.5**	**(68.6)**	**-118.2%**
Net cash inflows from operating activities	216.7	(10.6)	na	341.8	431.5	-20.8%
CASH FLOWS FROM FINANCING ACTIVITIES						
Net cash inflows from (used in) investing activities	(297.6)	22.8	na	(429.4)	(485.1)	-11.5%
CASH FLOWS FROM FINANCING ACTIVITIES						
Net cash inflows from (used in) financing activities	(7.0)	(0.0)	na	(48.6)	79.2	-161.4%
Total exchange variation on cash and cash equivalents	1.5	(2.9)	-152.8%	(26.7)	38.0	-170.3%
Increase (decrease) in cash and cash equivalents	(86.3)	9.3	na	(162.9)	63.5	-356.7%
Cash and cash equivalents at the beginning of the period	**104.0**	**171.3**	**-39.3%**	**180.7**	**117.2**	**54.2%**
Cash and cash equivalents at the end of the period	**17.7**	**180.7**	**-90.2%**	**17.7**	**180.7**	**-90.2%**
Increase (decrease) in cash and cash equivalents	**(86.3)**	**9.3**	**na**	**(162.9)**	**63.5**	**-356.7%**

Annex IV | Glossary

ANP	National Agency of Petroleum, Natural Gas and Fuel
Deep water	Water depth of 401 – 1,500 meters.
Shallow water	Water depth of 400 meters or less.
Ultra-deep water	Water depth of 1,501 meters or more.
Basin	A depression in the Earth's crust in which sediments have accumulated that could contain oil and/or gas, associated or not.
Block(s)	Part(s) of a sedimentary basin with a polygonal surface defined by the geographic coordinates of its vertices and undefined depth where oil and natural gas exploration or production activities are carried out.
"Boe" or Barrel of oil equivalent"	A measurement of gas volume converted to barrels of oil using a conversion factor whereby 1,000 m^3 of gas equals 1 m^3 of oil/condensate and 1 m^3 of oil/condensate equals 6.29 barrels and (energy equivalence).
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 oil storage.
Free on Board (FOB)	Responsibilities distribution mode, rights and costs between buyer and seller in the merchandise trade. In FOB mode, the exporter is responsible for the transportation and insurance costs of the charge only until it is loaded in the ship. From that point, the importer becomes liable for the payment of transport and insurance.
GCOS	Geological Chance of Success
GCA	Gaffney, Cline & Associates
IBAMA	Brazilian Institute of Environment and Renewable Natural Resources
Kbbl/d	One thousand barrels per day

Netback Price Engine	This mechanism consists to considering the oil revenue, deducting all associated costs in transporting the oil from its place of production to its final destination.
MEP	Minimum Exploratory Program are the set of activities aimed at the fulfillment of the contractual obligations of the exploration phase, carried out in a concession area and in which each activity is computed quantitatively according to its nature and scope, which has an equivalence in work units (UT's) and corresponds to the winning bid parameter of the bidding area.
Operator	A company legally appointed to conduct and execute all operations and activities in the concession area, in accordance with the terms of the concession agreement signed by the ANP and the concessionaire.
"Type A" Operator	Qualification of the ANP to operate onshore, offshore in shallow to ultra-deep waters
Exploratory Prospect(s)	A prospect is a potential accumulation mapped by geologists or geophysicists where there is a probability of a commercially viable accumulation of oil and/or natural gas that is ready to be drilled. The five necessary elements for the existence of an accumulation (generation, migration, Reservoir, seal and entrapment) must be present and the lack of any of the five means there is either no accumulation or accumulation that is not commercially viable.
Contingent Resources	Represent quantities of oil, condensate and natural gas that are potentially recoverable from accumulations acknowledged during the development of projects, but that are not considered commercially recoverable as yet due to one or more contingencies.
Risked Prospective Resources	Prospective resources multiplied by GCOS.
Reserves	Quantities of petroleum expected to be commercially recoverable by applying development projects to known accumulations as of a given date and under defined conditions.
Reserves 1P	Sum of proven reserves.
Reserves 2P	Sum of proven and probable reserves.
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.