FIRST QUARTER 2017

Earnings Release QGEP Participações S.A.

Conference Call

Portuguese (simultaneous English translation)
May 11, 2017
12:00 pm (Brazilian Time)
11:00 am (US EST)
Dial in Brazil: +55 11 3193-1001 or +55 11 2820-4001
Dial in United States: +1 786 924-6977
Code: QGEP

QGEP

Av Almirante Barroso, nº52, Sala 1301 – Centro
Rio de Janeiro – RJ
Zip Code: 20031-918
Phone: 55 21 3509-5800

queiroz galvão
EXPLORAÇÃO E PRODUÇÃO

QGEP Reports 1Q17 Results

Rio de Janeiro, May 10, 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 results for the quarter ended March 31, 2017. 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), as described in the financial section of this release.

Manati Field

Average daily gas production totaled 4.2MMm³ in 1Q17, due to lower gas demand throughout the country. The production guidance for 2017 is equivalent to average daily production of 4.9MMm³, similar to 2016.

Net Revenue

Net revenue in 1Q17 was R$106.4 million compared to R$143.8 million in 1Q16 reflecting lower production.

Net Income

Net income of R$42.8 million in 1Q17, flat with the same period of the prior year. The current quarter's results benefited from financial income, whereas last year's results were impacted by financial expenses.

Atlanta Field

The FPSO Petrojarl I arrival at Atlanta Field remains expected at the fourth quarter of 2017 **and first oil is expected at the beginning of 2018.**

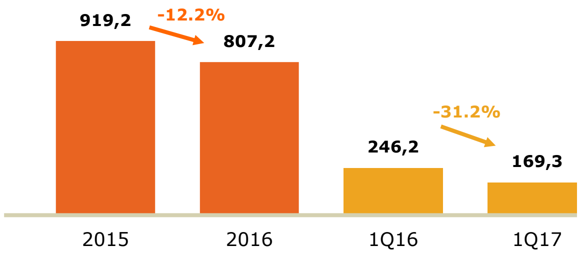
EBITDAX

EBITDAX was R$46.4 million in 1Q17, compared to R$85.1 million in 1Q16, due to **lower production in Manati and slightly higher G&A expenses.**

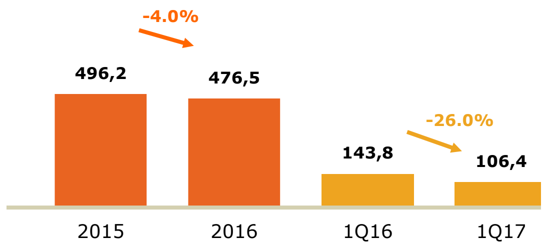
Cash Balance

Cash balance[1] of R$1.4 billion at quarter-end; provides ample funds to maintain planned investment programs for at least the next two years.

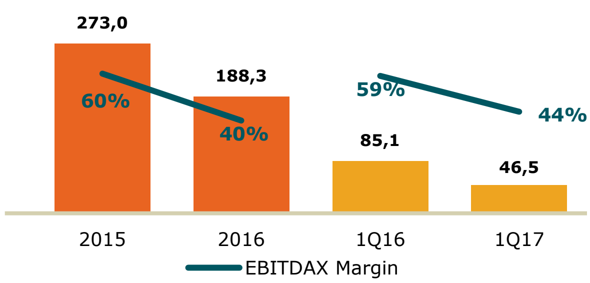
Gas Production (Millions of m³)



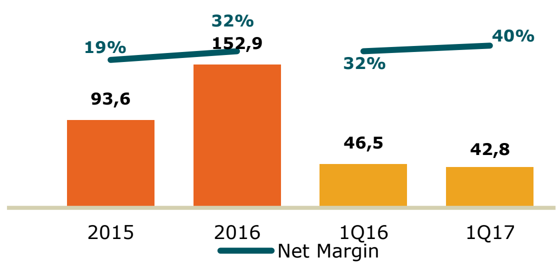
Net Revenue (R$ Million)



EBITDAX (R$ Million)



Net Income(R$ Million)



(1) Includes cash, cash equivalents and marketable securities

The first quarter of 2017 unfolded as expected with QGEP reporting financial results that were similar to the fourth quarter of 2016, both in terms of gas production and EBITDAX. EBITDAX declined compared to last year's first quarter reflecting lower gas production tied to Brazil's economic slowdown. Net income was slightly lower year-on-year, as higher financial income offset the impact of lower revenue. Although the short term trend is for similar results, we believe that the recent upturn in macroeconomic conditions support our confidence in the medium and long term growth potential for the Brazilian oil and gas sector.

Oil prices have remained steady, averaging US$52 a barrel in the first quarter of 2017, a significant improvement from this time last year. Within this more stable environment, the Brazilian government is proposing amendments to the local content rules for upcoming oil and gas auctions, which will benefit the sector as a whole. These and other initiatives have attracted additional interest and investment from a number of major global oil companies. Given QGEP's diversified asset portfolio and strong financial condition, we see this trend as positive and as an important growth driver for our Company in the form of potential partnerships.

Manati gas daily production declined to 4.2MMm³ in the first quarter, reflecting the economic slowdown in the Northeast region of Brazil that has reduced our production levels over the last quarters. At current production levels, we generated R$36.5 million in operating cash flow from this asset in the first quarter, and for the full year, our guidance is for compensation equivalent to average daily gas production in the Manati Field of 4.9MMm³. Additionally, today we announced that we received the 2016 Manati Field reserve certification based on an analysis done by the independent firm of Gaffney Cline & Associates. The report certified 2P reserves of 9.4 billion m³ of gas for the entire Field, which supports our internal estimates and provides us with important visibility on the production capacity of this key asset.

With respect to the rest of our portfolio:

- We continue to expect the FPSO Petrojarl I to be delivered to the Atlanta Field in this year's fourth quarter, with first oil scheduled for early 2018. Negotiations with Teekay Offshore, the firm responsible for the adaption work being done in Rotterdam, are ongoing.
- Our farm-out process is underway and it should be completed in the third quarter of this year. In keeping with our portfolio diversification strategy, we are providing potential industry partners with data on our 100%-owned blocks in the Foz do Amazonas and Pará-Maranhão Basins in the Equatorial Margin as well as the two blocks we acquired in the ANP's 13th Bidding Round in the Sergipe-Alagoas Basin, where there are currently six discoveries in adjacent blocks under evaluation.
- The ANP recently designated October 2017 as the timing for the bidding round that will include the area just to the north of Block BM-S-8, where Carcará discovery is located. The bidding schedule established by the ANP is very important, as this is a critical element for eventual unitization and definition of the development schedule and accumulation extension. In the meantime, the consortium plans to drill the Guanxuma pre-salt prospect, nearby Carcará, by the end of this year.

Additionally, ANP has set dates for two additional bidding rounds in 2017, the first, in September for the blocks under concession and the second, in the last quarter of 2017 for pre-salt areas. ANP also specified other bidding rounds for 2018 and 2019. This accelerated level of activity should serve as catalyst for investment by a number of major global oil companies. Our current asset base provides QGEP with exposure to the key exploratory basins in Brazil, but we are also flexible and willing to take advantage of opportunities to add value to our portfolio. Additionally, the ANP's decision to extend drilling obligations by two years on all blocks acquired in the 11th Bidding Round or later is an important benefit for us and for the industry as a whole.

In summary, we believe that the outlook for the Brazilian oil and gas sector is for continued improvement and increasing competitiveness. During this period, our focus remains on creating value, optimizing our development and production assets, and maintaining our strong financial position.

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 4.2MMm³ in the first quarter of 2017, compared with 4.3MMm³ per day in 4Q16 and 6.0MMm³ in 1Q16. First quarter 2017 production levels trended in line with the second half of 2016, reflecting lower demand for natural gas in Brazil, due to the decline in economic activity. In the first quarter 2017, the Manati Field remained one of the main gas suppliers in the Northeast Brazilian region.

Maintenance work and the painting of the platform at Manati resulted in expenditures totaling R$30 million in 2016. An additional R$8 million was expended in 1Q17 with completion of the project expected during the first half of the year. Total expenditures for 2017 related to this work are now estimated at R$12 million, including the anticipated inspection of risers and use of the ferry to optimize future costs.

The Company confirms its guidance for average daily production in 2017 of 4.9 MMm³, which is similar to 2016's average daily production. As stated above, the average daily production capacity of Manati is 6,0 MMm³, which enables the Field to quickly respond to any increased demand.

The latest reserve certification for the Manati Field prepared by Gaffney, Cline & Associates (GCA) indicated that on December 31, 2016 2P reserves for 100% of the Field totaled 9.4 billion m³ of natural gas and 0.9 million barrels of condensed gas, corresponding to approximately 59.8 million boe of gas.

ATLANTA

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

The ongoing challenges that Teekay Offshore Partners L.P. has faced in adapting the FPSO Petrojarl I to the conditions at the Atlanta Field have caused significant delivery delays. QGEP is optimistic that negotiations will be completed in the coming months as all of the parties involved have a vested interest in resolving the outstanding issues. Delivery remains expected in the fourth quarter of this year. The FPSO will have production capacity of 30 kbpd and storage capacity of 180,000 barrels.

The Consortium projects the first oil in early 2018. Initial production capacity will be 20 kbbl per day from two production wells, both of which have already been drilled and completed. The Consortium may choose to drill an additional well, which will increase capacity to 30 kbbl per day. This decision will be based on a variety of factors, including prevailing oil prices.

Exploration

BM-S-8
Working Interest: 10%

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

In 2016, Statoil Brasil Óleo e Gás Ltda acquired the 66% stake previously held by Petrobras, thus becoming the Block operator. The Carcará reservoir straddles both BM-S-8 and open acreage to the north, which is part of ANP's next bidding round scheduled for early in the second half of 2017.

CAL-M-372
Working Interest: 20%

At CAL-M-372, the Company continues 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: Various

Seismic data acquisition for our blocks located at the Foz do Amazonas, Ceará and Espírito Santo Basins was completed in the second quarter of 2016 and the Consortia are interpreting data in order to better evaluate the potential for these Blocks. We are also awaiting the processing of seismic data for the Pará-Maranhão Basin, which is expected by mid-2017.

In late 2016, via two transactions, the Company increased its interest in the Pará-Maranhão Basin blocks and Block FZA-M-90 to 100%. As part of the agreements, the sellers prepaid QGEP for the minimum obligations for exploratory investments under commitments with the ANP.

SEAL-M-351 AND SEAL-M-428
Working Interest: 100%; Operator

Located in ultra-deep waters in the Sergipe-Alagoas Basin, about 80 to 100 km off the Brazilian coast, the blocks encompass a total area of 1,512 km^2.

Late last year, 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, commencing at the end of 2017. Completion is projected for early 2018. This is the only commitment with the ANP for this exploratory phase.

QGEP has begun the farm-out processes of these blocks, together with the blocks of Pará-Maranhão and Foz do Amazonas basins.

Financial Performance

Income Statement and Financial Highlights (R$ million)

	1Q17	1Q16	Δ%	4Q16	Δ%
Net Revenue	**106.4**	**143.8**	**-26.0%**	**103.9**	**2.4%**
Costs	(55.7)	(60.5)	-7.8%	(55.2)	1.0%
Gross profit	**50.6**	**83.3**	**-39.2%**	**48.7**	**4.0%**
Operating income (expenses):					
General and administrative expenses	(12.0)	(10.6)	12.9%	(15.2)	-21.1%
Equity Method	0.0	0.4	-93.1%	0.3	-89.3%
Exploration expenditures	(6.1)	(8.9)	-31.7%	(11.2)	-45.9%
Other net operational expenses	(0.0)	(0.0)	na	(0.2)	-96.4%
Operating income (Loss)	**32.6**	**64.3**	**-49.2%**	**22.4**	**45.7%**
Financial income (expenses), net	19.7	(12.6)	-256.0%	33.5	-41.2%
Income before income tax and social contribution	**52.3**	**51.6**	**1.4%**	**55.9**	**-6.4%**
Income tax and social contribution	(9.5)	(5.2)	85.4%	(4.7)	103.3%
Net income (Loss)	**42.8**	**46.5**	**-7.9%**	**51.2**	**-16.4%**
Net cash inflows from operating activities	**36.5**	**14.7**	**149.1%**	**216.7**	**-83.1%**
EBITDAX[1]	**46.4**	**85.1**	**-45.5%**	**37.5**	**23.5%**

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 financial expenses, taxes and amortization. EBITDA is utilized by the Company as an additional measure of its operating performance.

First quarter 2017 consolidated financial results, while healthy, continued to be impacted by ongoing difficult economic conditions in Brazil, which reduced demand and production. EBITDAX was down 45.5% year-over-year but up 23.5% quarter-over-quarter. The company ended the quarter with a strong cash and cash equivalents balance of R$1.4 billion, providing significant funds to support capital expenditures, for at least the next two years. Even at lower production levels, the Manati Field provides the Company with significant cash flow to cover its operating costs and continue to fund its exploration projects.

First Quarter 2017 Financial Highlights:

- Net revenue was R$106.4 million, down 26.0% from R$143.8 million in 1Q16. This decline was the result of lower Manati gas production, which averaged 4.2MMm³ per day in 1Q17, compared to 6.0 MMm³ per day in 1Q16, which was at the highest level in 2 years. The production decline was partially offset by the annual adjustment of gas prices at Manati, which occurred at the beginning of 2017.
- Exploration expenses were R$6.1 million, compared to R$8.9 million in 1Q16 due to lower expenses related to acquisition and processing of seismic data in the period.
- General and administrative expenses totaled R$12.0 million, an increase of 12.9% from the R$10.6 million reported in 1Q16. The increase reflected a decrease in the allocation of expenses to partners in blocks where QGEP is the operator.
- Maintenance costs were R$10.9 million, a R$7.7 million increase year-over- year. These maintenance costs included R$8.4 million associated with the painting and maintenance of the Manati platform, as well as the anticipated inspection of risers and use of the ferry to optimize future costs.
- Total operating costs were R$55.7 million in the quarter, down 7.8% compared to R$60.5 million in 1Q16 primarily attributable to lower depreciation/ amortization, royalties and production costs due to lower production, partially offset by the increased maintenance expenses.
- Net financial result was R$19.7 million, compared to a negative net financial result of R$12.6 million in 1Q16, due to higher income from fixed income instruments, partially offset by lower income from exchange rate funds.
- Net income in 1Q17 was R$42.8 million, down 7.9% from R$46.5 million in 1Q16, primarily due to the impact of lower sales, partially offset by improved financial result in the period.
- Operating cash flow totaled R$36.5 million, compared to R$14.7 million in 1Q16.

Operating Costs (R$ million)

	1Q17	1Q16	Δ%	4Q16	Δ%
Depreciation and amortization	13.0	20.3	-35.8%	14.8	-12.2%
Production costs	20.5	20.6	0.6%	19.9	2.5%
Maintenance costs	10.9	3.2	240.8%	8.8	23.9%
Royalties	8.1	11.0	-26.0%	8.0	1.3%
Special Participation	0.5	2.0	-76.2%	0.4	13.6%
R&D	1.2	1.5	-20.9%	1.1	2.4%
Other	1.6	2.0	-18.1%	2.0	-20.8%
TOTAL	**55.7**	**60.5**	**-7.8%**	**55.2**	**1.0%**

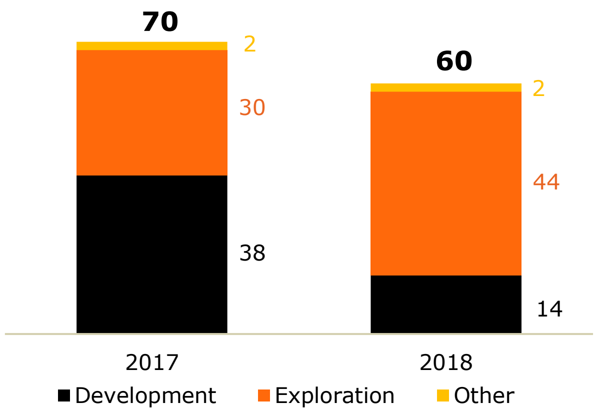
Capex and Other Exploratory Expenses

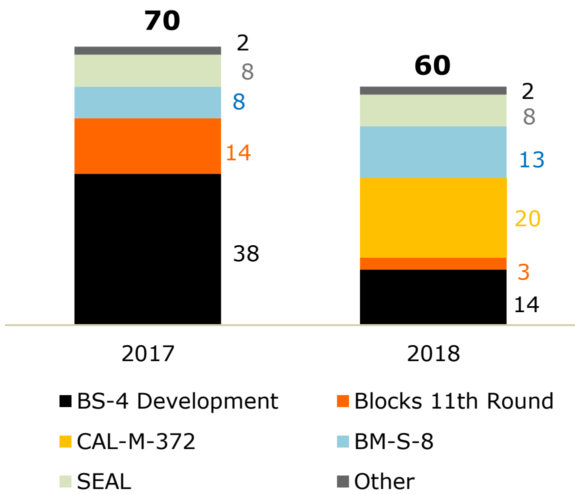
A combination of tight expense controls and a disciplined approach to budgeting capital expenditures enables QGEP to fund its required capital expenditures from internally generated funds. Additionally, the Company maintains a cash position sufficient to support its funding requirements for at least a two year period. Investment decisions are planned at the Consortium level for the different assets of the QGEP portfolio, and QGEP accounts for the portion corresponding to its participation in the respective asset.

Capital expenditures in first quarter 2017 were US$7.2 million with over US$5 million expended in the Atlanta Field.

For 2017, QGEP has budgeted capital expenditures of US$70 million. This is comprised of 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

As of March 31, 2017, QGEP had a cash and cash equivalents balance of R$1.4 billion up from R$1.3 billion at March 31, 2016, but similar to year end 2016. On March 31, 2017 QGEP had approximately 21% 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 March 31, 2017 the average annual return of these investments was 102.0% of the CDI rate and 71% 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 March 31, 2017, QGEP's total debt was R$353.1 million, compared to R$361.5 million at the end of the first quarter 2016, reflecting the commencement of repayment of the FINEP debt 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 at 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 carries an interest rate of 4.71% per year with a 15% compliance bonus, has a grace period of five years.

The Company’s net cash position as of March 31, 2017 was R$1.0 billion.

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 Consortia, or allocated by the Company’s operator partners in the blocks not operated by QGEP.

Of the R$43.5 million recorded at March 31, 2017, R$33.0 million is related to the installment from OGX Petróleo e Gás SA – Under Judicial Recovery ("OGX") and the remainder from its partners. Of this amount, R$24.9 million was overdue at the end of 1Q17, and was funded by QGEP. In March 2017 a cash call was issued to OGX in the amount of R$3.3 million, which was funded by QGEP and Barra at the consortium’s percentage in April 2017. At the time of the approval date of this quarterly financial information, this receivable had not been collected.

QGEP Netherlands’ contributions to support OGX Netherlands B.V at the end of 1Q17 were R$17.5 million, amount that is also past due and was funded by QGEP.

Taking into consideration OGX’s current situation, under bankruptcy, 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.

Paula Costa Côrte-Real
CFO and Investor Relations Officer

Renata Amarante
Investor Relations Manager

Flávia Gorin
Investor Relations Coordinator

Av. Almirante Barroso, nº 52, sala 1301, Centro - Rio de Janeiro, RJ
CEP: 20031-918
Phone: 55 21 3509-5959
E-mail: ri@qgep.com.br
www.qgep.com.br/ri

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 ended March 31, 2016 and March 31, 2017 was prepared by the Company in accordance with IFRS as issued by IASB.

Annex I | Consolidated Financial Information (R$ Million)

	1Q17	1Q16	Δ%	2016	2015	Δ%
Net income	42.8	46.5	-7.9%	152.9	93.6	63,3%
Amortization and depreciation	13.7	21.3	-35.6%	67.1	121.7	-44,8%
Net financial revenue / expenses	(19.7)	12.6	-256.0%	(46.5)	(272.2)	-82,9%
Income tax and social contribution	9.5	5.2	85.4%	15.0	(17.9)	-183,5%
EBITDA[1]	**46.4**	**85.5**	**-45.8%**	**188.5**	**(74.9)**	**-351,7%**
Oil and gas exploration expenditure with sub commercial and dry wells[2]	0.0	(0.4)	-106.2%	(0.2)	347.9	-100,0%
EBITDAX[3]	**46.4**	**85.1**	**-45.5%**	**188.3**	**273.0**	**-31,0%**
EBITDA Margin[4]	43.6%	59.5%	-26.8%	39.8%	56.1%	-29,1%
EBITDAX Margin[5]	43.6%	59.2%	-26.4%	39.6%	59.8%	-33,7%
Net Cash[6]	(1,016.6)	(883.8)	15.0%	(977.9)	(910.3)	7,4%
Net Debt/EBITDAX	(6.8)	(3.1)	119.6%	(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 financial expenses, 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. Net cash is not a measure 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

	1Q17	4Q16	Δ%
Assets			
Current Assets	**1,450.1**	**1,433.9**	**1.1%**
Cash and cash equivalents	16.4	17.7	-7.5%
Investments	1,204.9	1,159.8	3.9%
Restricted Cash	33.5	32.5	3.1%
Trade accounts receivable	101.5	102.3	-0.7%
Credits with Partners	43.5	64.0	-32.0%
Inventory	1.5	1.5	-2.7%
Recoverable taxes and contribution	22.5	36.0	-37.6%
Other	26.2	20.0	31.1%
Non-current Assets	**2,108.6**	**2,129.5**	**-1.0%**
Restricted cash	126.7	125.2	1.2%
Investments	146.7	160.1	-8.4%
Non-current Inventory	0.0	(0.0)	na
Recoverable taxes	4.3	4.5	-6.3%
Deferred income tax and social contribution	44.1	44.4	-0.6%
Investments	139.0	138.4	0.5%
Property, plant and equipment	918.7	928.2	-1.0%
Intangible assets	726.7	727.1	0.0%
Other Non-current Assets	2.4	1.6	47.7%
TOTAL ASSETS	**3,558.7**	**3,563.4**	**-0.1%**
Liabilities and Shareholders' Equity			
Current	**224.6**	**254.5**	**-11.8%**
Providers	41.9	69.9	-40.1%
Taxes and contributions payable	26.1	21.7	20.4%
Remuneration and social obligations	6.6	10.0	-33.2%
Bills to pay- related parties	5.5	3.9	40.1%
Borrowings and Financing	36.7	36.6	0.5%
Provision for research and development	12.7	11.9	7.4%
Insurances payable	14.1	11.6	21.6%
Other	80.8	89.0	-9.2%
Non-current Liabilities	**515.4**	**529.2**	**-2.6%**
Borrowings and financing	314.6	323.2	-2.7%
Provision for abandonment	200.7	206.1	-2.6%
Other trade accounts payable	0.0	0.0	na
Shareholders' Equity	**2,818.8**	**2,779.6**	**1.4%**
Capital Stock	2,078.1	2,078.1	0.0%
Other comprehensive income	11.1	15.7	-29.3%
Profit Reserve	725.0	572.1	26.7%
Capital Reserve	42.8	41.9	2.2%
Treasury Shares	(81.0)	(81.0)	0.0%
Net income for the period	42.8	152.9	-72.0%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,558.7**	**3,563.4**	**-0.1%**

Annex III | Cash Flow

	1Q17	1Q16	Δ%	2016	2015	Δ%
CASH FLOW FROM OPERATING ACTIVITIES						
Net income for the period	**42.8**	**46.5**	**-7.9%**	**152.9**	**93.6**	**63.3%**
Adjustments to reconcile net income to net cash provided by operating activities:						
Equity Method	(0.0)	(0.4)	-93.1%	(0.5)	1.2	-143.2%
Exchange variation over investment	(0.7)	0.0	na			
Amortization of the exploration and development expenditures	13.7	21.3	-35.6%	67.1	121.7	-44.8%
Deferred income tax and social contribution	0.3	0.5	-48.5%	1.1	(26.1)	-104.3%
Financial charges and exchange rate (gain) loss borrowings and financing	1.5	4.4	-65.1%	15.9	14.6	9.1%
Write-off	0.2	35.6	-99.5%	87.8	332.4	-73.6%
Provision for stock option plan	0.9	1.1	-16.5%	13.8	6.3	120.7%
Provision for income tax and social contribution	9.3	4.6	100.4%	(3.8)	8.2	-146.7%
Provision for research and development	0.9	(0.4)	-305.9%	0.0	2.9	na
Exchange variation/Others	0.0	0.0	na	0.0	0.0	0.0%
(Increase) decrease in operating assets:	**28.1**	**(28.6)**	**-198.4%**	**(9.1)**	**(54.7)**	**-83.4%**
Increase (decrease) in operating liabilities:	**(60.5)**	**(69.9)**	**-13.5%**	**12.5**	**(68.6)**	**-118.2%**
Net cash inflows from operating activities	36.5	14.7	149.1%	341.8	431.5	-20.8%
CASH FLOWS FROM INVESTING ACTIVITIES						
Net cash inflows from (used in) investing activities	(24.3)	(41.3)	-41.2%	(429.4)	(485.1)	-11.5%
CASH FLOWS FROM FINANCING ACTIVITIES						
Net cash inflows from (used in) financing activities	(9.0)	0.0	na	(48.6)	79.2	-161.4%
Total exchange variation on cash and cash equivalents	(4.6)	(14.6)	-68.6%	(26.7)	38.0	-170.3%
Increase (decrease) in cash and cash equivalents	(1.3)	(41.2)	-96.8%	(162.9)	63.5	-356.7%
Cash and cash equivalents at the beginning of the period	**17.7**	**180.7**	**-90.2%**	**180.7**	**117.2**	**54.2%**
Cash and cash equivalents at the end of the period	**16.4**	**139.5**	**-88.2%**	**17.7**	**180.7**	**-90.2%**
Increase (decrease) in cash and cash equivalents	**(1.3)**	**(41.2)**	**-96.8%**	**(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 m³ of gas equals 1 m³ of oil/condensate and 1 m³ 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.
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
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.
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.