

SECOND QUARTER 2014

Earnings Release

QGEP

Participações

S.A.



Conference Call

English (simultaneous translation)

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EXPLORAÇÃO E PRODUÇÃO

QGEP Reports Second Quarter 2014 Results

Rio de Janeiro, August 13, 2014 – QGEP Participações S.A. (BMF&Bovespa: QGEP3), the only independent Brazilian company to operate in the premium area of the Santos Basin pre-salt, today announced its results for the second quarter ended June 30, 2014. The following financial and operating data, except where indicated otherwise, is 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 5.9MMm³ in 2Q14 and 6.0MMm³ in 6M14**

- ▶ **Full year 2014 Manati average production expected to be 5.8MMm³ per day**

- ▶ **Carcará appraisal well in Block BM-S-8 to start drilling in the 1Q15**

- ▶ **Net revenue increased 25.9% in 2Q14 to R\$126.2 million from 2Q13, on higher Manati production**

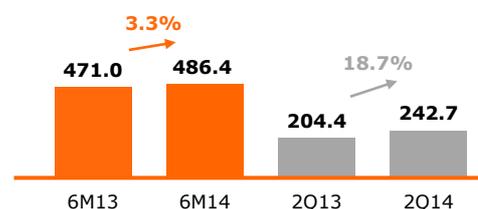
- ▶ **EBITDAX was R\$67.4 million and R\$149.9 million in 2Q14 and 6M14, respectively, up from R\$41.7 million in 2Q13 and R\$119.6 million in 6M13**

- ▶ **Net income increased to R\$53.6 million in 2Q14 from R\$30.1 million in 2Q13**

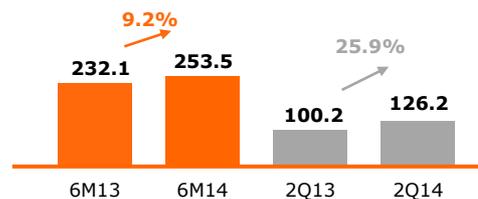
- ▶ **Operating cash flow in 2Q14 was R\$90.1 million; R\$130.7 million for 6M14**

- ▶ **Cash balance* was R\$1.0 billion at end of 2Q14**

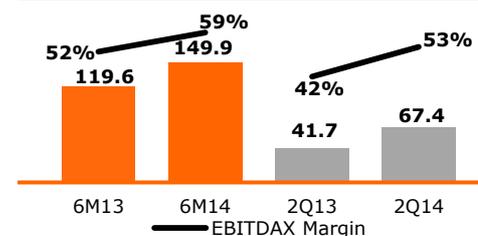
Gas Production (Millions of m³)



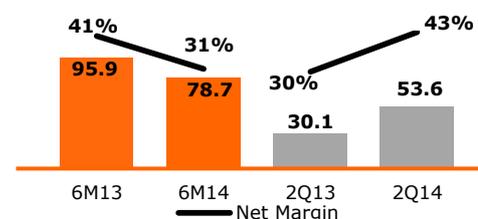
Net Revenue (R\$ million)



EBITDAX (R\$ million)



Net Income (R\$ million)



*Includes cash, cash equivalents and marketable securities

Management Comments

We are pleased to report our financial and operating results for the second quarter and first half of 2014, which continue to distinguish QGEP as a stand-out independent exploration and production company in Brazil. In the second quarter, we succeeded in maximizing our natural gas production, which provided significant operating cash flow; preparing for new oil production, which will be a cash flow contributor over the intermediate term; and gathering key data that will guide exploration projects that have the potential to add substantial long term value.

Manati Field natural gas production remained steady at 5.9MMm³ per day in the second quarter, thanks to the Consortium's ability to maintain production levels that met continued strong demand from Brazil's thermal power plants. As previously disclosed, construction of a compression plant at the Field is underway, and when operational, it will enable us to return to daily production capacity of 6.0MMm³ for the next several years. The profitability of the Manati Field remains strong, benefitting from the project's efficient infrastructure and the contractual readjustment of gas prices, which will partially offset the anticipated increase in lifting costs that will occur once the compression plant is on line. Based on production to date and near term demand, we are pleased to announce expected full year 2014 Manati average natural gas production of 5.8MMm³ per day of natural gas. The strong operating cash flow from Manati production provides important support for our intermediate and longer term development projects.

We continue to make progress with the development of the Atlanta Field and have completed all the requisite activities related to the drilling and completion of the two wells set for the Early Production System. We agreed to a timetable adjustment for the FPSO bids to provide the bidders an extension for submitting their final proposals. As a result, our decision regarding the FPSO that will begin production at Atlanta will be made early in the fourth quarter. The good news is that we are confident the FPSO will be on site by the end of 2015, and there will not be a meaningful impact on timing of first oil, which we are forecasting for early 2016.

At Block BM-S-8, in the first quarter of 2015, we will start drilling the appraisal well, which will be located approximately 5 kilometers from the Carcará discovery. Drilling is expected to last for about six months and be followed by two months of testing. Additionally, in the second half of 2015 we will start drilling the Guanxuma prospect, also at Block BM-S-8, located in the pre-salt area of the Santos Basin.

We continue to apply our disciplined risk management strategy to our exploratory portfolio in order to concentrate our actions on those assets with the greatest technical and economic feasibility. In the Blocks awarded in the 11th Bidding Round, we are, together with other operators, acquiring seismic data on several regions. Regarding Block BM-J-2, located in the Jequitinhonha Basin, we await a response from the ANP with respect to the Evaluation Plan for our discovery submitted by QGEP.

With more than half of 2014 behind us, we are pleased to report that QGEP is at an important moment in its history, well-situated to drive growth and create value in the mid and long terms. We have a balanced portfolio comprised of operated and non-operated assets in different stages, from exploration through development and production, located in multiple Brazilian offshore basins. Our balance sheet is the strongest in the independent oil and gas sector in Brazil, giving us resources to fund our portfolio projects and to be ready to opportunistically acquire farm-ins in the event that divestitures that offer value for QGEP come onto the market.

In summary, we are proud of the accomplishments to date, and even more enthusiastic about what lies ahead.

QGEP's Assets

Basin	Block/ Concession	Field/ Prospect	QGEP 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	20%	Prospective	Oil
Jequitinhonha	BM-J-2	Alto de Canavieiras	100%	Contingent/ Prospective	Oil-Gas
Jequitinhonha	BM-J-2	Alto Externo	100%	Prospective	Oil-Gas
Campos	BM-C-27 ⁽²⁾	Guanabara Profundo	30%	Prospective	Oil-Gas
Santos	BM-S-8	Carcará	10%	Contingent/ Prospective	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⁾ As of June 30, 2014, the transfer of 30% of the concession rights related to the farm-in at the BM-C-27 Concession had not been completed.

Producing and Development Assets

MANATI

Production at the Manati Field remained strong in the second quarter of 2014, with average daily production of 5.9MMm³. This is in line with production in 1Q14 and full year 2013. For the full year 2014, the Company expects average daily production of 5.8MMm³ per day.

The activities related to the installation of the gas compression plant at the Manati Field began in the second quarter and are proceeding on schedule and on budget. The plant will become operational in the second half of 2015, at which point average output capacity at the Manati Field is expected to return to 6.0MMm³ per day.

The painting of the platform at Manati will begin by the end of the 4Q14. There will be no impact on production, and operating costs net to QGEP will total approximately R\$20 million.

ATLANTA AND OLIVA (Block BS-4)

The bidding process for an FPSO is continuing. This bidding considers two possible scenarios: a 25kbb/d capacity FPSO for the Early Production System (EPS) or an 80kbb/d FPSO going directly to Full Development. The Company expects to conclude the FPSO bidding process, including signing the contract, in the fourth quarter of 2014, with the FPSOs delivered within 12 to 14 months. First oil at Atlanta is expected (under both scenarios) in early 2016.

The two horizontal producing wells for the Atlanta EPS were concluded in the first quarter of 2014. Drill stem tests indicated that the wells' production capacities are approximately 12Kbb/d per well, at the high end of the expected range. In the second test, the electrical submersible pump was placed on the ocean floor, rather than inside the well. Based on the productivity levels obtained using this method, the Consortium may use this option in the development of the field, significantly lowering operational costs.

In May 2014, QGEP released the results of a reserve certification report for the Atlanta Field, prepared by Gaffney, Cline & Associates (GCA) and dated March 31, 2014. Key highlights of the report were 1P reserves of 147 million bbl, 2P reserves of 191 million bbl and 3P reserves of 269 million bbl.

First oil at the Oliva Field is expected in 2021. QGEP is the operator of Block BS-4 with a 30% participating interest, where the Atlanta and Oliva fields are located.

Exploratory Assets

BM-J-2

The Company's Evaluation Plan for Block BM-J-2 was submitted to the ANP in December 2013. Currently, QGEP is in discussions with the Agency and the Company expects to have this process completed by the fourth quarter of 2014.

QGEP resumed drilling at Block BM-J-2 in July 2013, following suspension of drilling in September 2011 due to IBAMA-mandated environmental regulations which prohibit drilling activities during certain periods of the year. In August 2013, the Company filed a Notice of Discovery with the ANP based on gas anomalies identified in the detector, oil shows in cuttings and the interpretation of potential pay zones in well logs in the pre-salt section of its 1-QG-5A-BAS well.

The Block is located in the shallow waters of the Jequitinhonha Basin, and is 100% owned and operated by QGEP.

BS-4

The Consortium continues to evaluate the timeline for the exploration of the Piapara pre-salt prospect. Interpretation of the 3D seismic data suggests that the pre-salt section of the block has attractive potential. The data was acquired to improve imaging for both pre salt and post salt sections.

BM-S-8

The drilling of the Carcará appraisal well is planned to start in the first quarter of 2015, with results expected in the second half of the year. The Consortium is evaluating the allocation of a dedicated rig for use at Block BM-S-8. The Extended Well Test (EWT) is planned for 2017 with first oil expected in 2018.

Drilling at the Guanxuma prospect is scheduled to begin in the end of 2015. This prospect is located approximately 30km southwest of the Carcará Discovery in the pre-salt area of the Santos Basin.

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

As of June 30, 2014, the transfer of 30% of the concession rights related to the farm-in at the BM-C-27 Concession had not been completed. As a result, currently QGEP has incurred no charges or liabilities related to this contract. Technical and economic evaluations, including assessing the attractiveness of the project, are being run by the Operator to define the interest in this area.

The BM-C-27 Concession includes Blocks C-M-122, C-M-145 and C-M-146 located approximately 70 km from the coast, in the shallow waters of the Campos Basin.

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

The Consortium has filed with IBAMA for an environmental license, following studies related to the impact of the activities at the BM-CAL-12 Concession. The license is expected to be issued in early 2015 with drilling to commence by the middle of the year. One wildcat well is set to be drilled to target the CAM#01 prospect, located at CAL-M-372 Block.

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

BM-CAL-5

The Consortium at Block BM-CAL-5 received the Terms of Reference from IBAMA. The next steps include studies of the environmental impact of the project, which will also be submitted to IBAMA. The license is expected to be received in 2015, with drilling to begin in 2016. Capital expenditures, net to QGEP, are expected to total approximately US\$22 million.

BM-CAL-5 is situated in the Camamu Basin. Reservoir depths range from 2,700-3,700 meters, with estimated 3C contingent resources net to QGEP of 17.9 million boe.

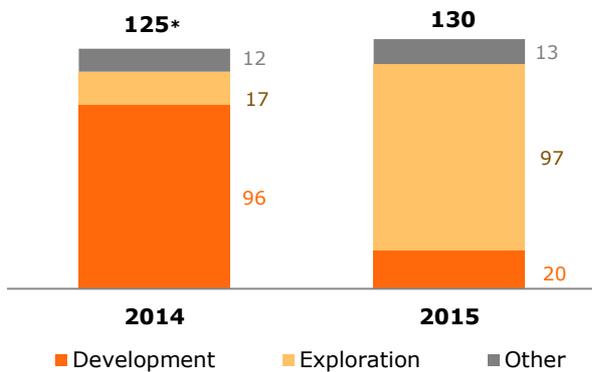
Blocks Acquired in the 11th ANP Bidding Round

Seismic surveys for the blocks located in the Foz do Amazonas Basin and the Espírito Santo Basin have already started. The contracting for the acquisition of seismic data for the blocks located in the Pará-Maranhão and Ceará basins is underway and the beginning of activities is subject to IBAMA issuing the environmental license, which is expected in 2015. Seismic surveys for assets in the Pernambuco-Paraíba Basin are expected to start in 2016.

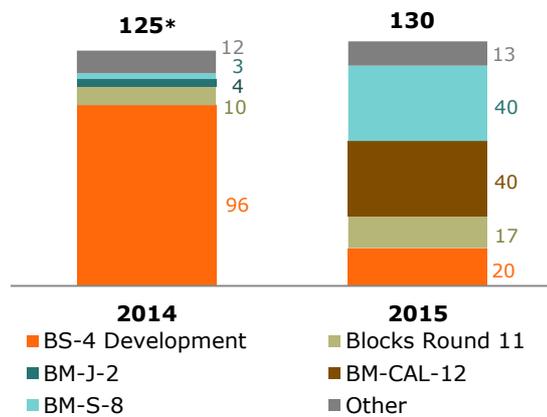
Total costs, net to QGEP, related to the acquisition of seismic data over the next three years are expected to be around US\$46 million. In addition, QGEP expects to spend approximately US\$200 million related to the drilling of at least four exploratory wells, starting in 2017.

CAPEX

CAPEX net to QGEP (US\$ million)



CAPEX net to QGEP (US\$ million)



* US\$66 million had been spent as of June 30, 2014.

Recent Corporate Developments

- ▶ On April 16, 2014, shareholders voted to appoint of Mr. José Ribamar Lemos de Souza, Mr. Sergio Tuffy Sayeg and Mr. Axel Brod as Effective Members of the Company's Fiscal Council. Mr. Ribamar holds a postgraduate degree in Economics and Business Law from Fundação Getúlio Vargas, and has experience with companies including Formac (PE) S.A. and Dosfotware do Brasil. Mr. Sayeg holds postgraduate degrees in Business Administration and Capital Markets from the Universidade de São Paulo and has worked with companies including Unibanco, Banco Safra and SABESP. Mr. Brod has served as Chief Financial Officer for Grupo América do Sul and Mahle Metal Leve S.A., as well as holding positions with KPMG. He holds a Masters in Finance from the Pontifical Catholic University of Rio de Janeiro, and an undergraduate degree from Saarland University.
- ▶ On May 5, 2014, the Company paid a dividend corresponding to the results for the fiscal year ending December 31, 2013. The total amount was R\$40 million, or R\$0.155 per share.
- ▶ On May 7, 2014, the Company disclosed certified reserves for the Atlanta Field, based on a reserve certification dated March 31, 2014 prepared by independent consultants Gaffney, Cline & Associates (GCA). Key highlights of the report were crude oil reserves of 147MM bbl (1P), 191MM bbl (2P) and 269MM bbl (3P), as well as natural gas reserves of 56MMm³ (1P), 90MMm³ (2P) and 311 MMm³ (3P). Net to QGEP, this represents crude oil reserves of 44MM bbl (1P), 57MM bbl (2P) and 81MM bbl (3P), and natural gas reserves of 17MMm³ (1P), 27MMm³ (2P) and 93MMm³ (3P).

Sustainability, Environment and Safety

In the second quarter, QGEP successfully carried out drilling, completion and descent activities for the Wet Horizontal Christmas Tree and the Submerged Centrifugal Pump on the two wells of the Atlanta Field (BS-4). As the consortium operator, QGEP was pleased with the successful application of these technologies. It is the first time in Brazil that both technologies were combined in drilling activities.

Related to the BS-4 operation, QGEP continued with its social and environmental projects, which are requirements of our operating license. We started the environmental diagnosis for the Early Production System stage and sent an IBAMA Environmental Impact Study (EIA) and the Environmental Impact Report (RIMA). We also conducted a workshop, the first of its kind in Brazil, which included the participation of international experts, to promote discussion of an emergency plan to protect small crustaceans in the event of an oil spill.

In the second quarter of 2014, the Portinari – Art and Environment exhibition was taken to Caraguatatuba and Ubatuba, and is scheduled to travel to São Sebastião and Ilhabela. These are all coastal cities in the state of São Paulo and in the operational area of the Atlanta Field.

Maintaining its commitment to continually expand its responsible management practices, QGEP published its third Annual Sustainability Report, prepared according to the Global Reporting Initiative (GRI) guidelines. For the first time, QGEP prepared its materiality matrix based on a public consultation held in Rio de Janeiro and Bahia, with the participation of various sectors of society. The document, verified by the Company, is available at our website.

Financial Performance

For 2Q14 and 2Q13 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)

	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.

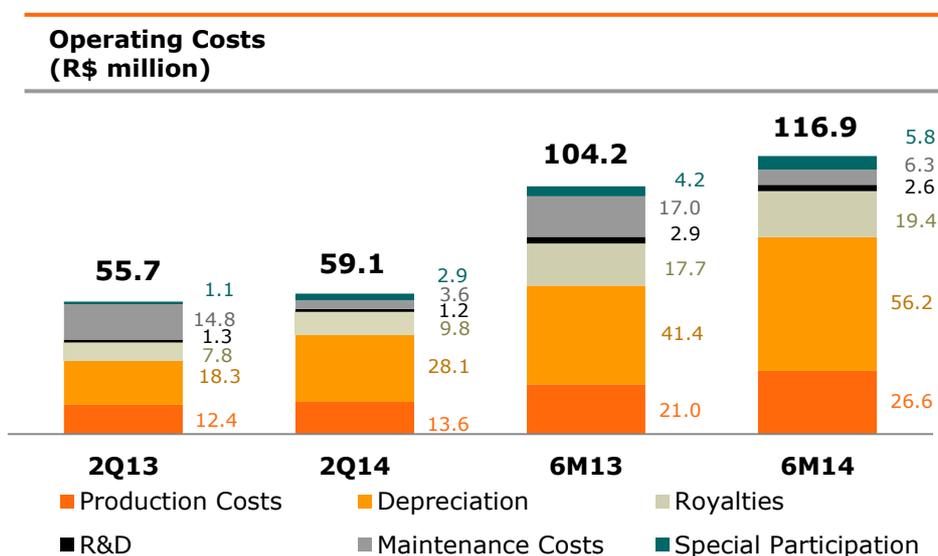
⁽⁵⁾ EBITDAX divided by net revenue.

⁽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.

Operating Results

Net revenues for 2Q14 were R\$126.2 million, an increase of 25.9% from 2Q13, when planned maintenance at the Manati Field led to lower gas production. Revenues in 2Q14 benefitted from both increased production and higher prices when compared to 2Q13. For 6M14, net revenues totaled R\$253.5 million, a 9.2% increase over 6M13, as a result of higher gas production in 6M14 and contractual natural gas prices readjustment in January 2014.

Operating costs in the second quarter were R\$59.1 million and consisted of R\$28.1 million in depreciation and amortization, R\$13.6 million in production costs, R\$9.8 million in royalties, R\$3.6 million in maintenance costs, R\$2.9 million in special participation and R\$1.2 million in research and development (R&D). For 6M14, total operating costs were R\$116.9 million, 12.2% higher than the same period of 2013, mainly due to the permanent increase in amortization costs related to the provision for abandonment at Manati.



General and Administrative Expenses

Second quarter 2014 general and administrative expenses were R\$13.7 million, 11.6% lower than 2Q13 and 11.9% higher than 1Q14. In 2Q14, reimbursements from partners were higher compared to the same period last year as a result of the increase in activity at the blocks operated by QGEP. In comparison to 1Q14, in the second quarter the increase in G&A was mainly due to higher costs related to services contracted from third parties.

Total G&A expenses were R\$25.9 million in 6M14, 19.6% lower than the R\$32.2 million registered in 6M13.

Exploration Expenses

Total exploration expenses in 2Q14 totaled R\$14.6 million, compared with R\$7.0 million in 2Q13 and R\$35.4 million in 1Q14. The increase in exploration expenses in 2Q14 compared to 2Q13 is due to the acquisition of seismic data for certain blocks awarded in the 11th ANP Bidding Round in 2013, mainly for Block FZA-M-90 located at Foz do Amazonas Basin.

For 6M14, exploration expenses were R\$50.0 million, compared to R\$20.5 million in 6M13, especially as a result of costs related to the relinquishment of the Biguá area to the ANP in 1Q14 and costs associated to the acquisition of seismic data for the 11th ANP Bidding Round Blocks this quarter.

Net Financial Income

In 2Q14, QGEP generated net financial income of R\$20.6 million, compared with R\$9.7 million in 2Q13 and R\$20.1 million in 1Q14. The sequential increase was the result of currency movements which had a positive non-cash effect on the provision for abandonment at the Manati and Atlanta Fields.

For 6M14, net financial income totaled R\$40.7 million compared to R\$28.0 million in 6M13, as a result of the lower financial income as well as the impact of foreign exchange movements on liabilities.

Net Income

Net income in 2Q14 was R\$53.6 million, compared with R\$30.1 million in 2Q13. The increase is due to higher gas production at Manati, readjusted prices for natural gas and greater financial income, which more than offset rising operating costs year-on-year.

In 6M14 the Company generated net income of R\$78.7 million, compared to R\$95.9 million in 6M13. The decrease was mainly due to the exploratory charges related to the relinquishment of the Biguá area to the ANP in 1Q14.

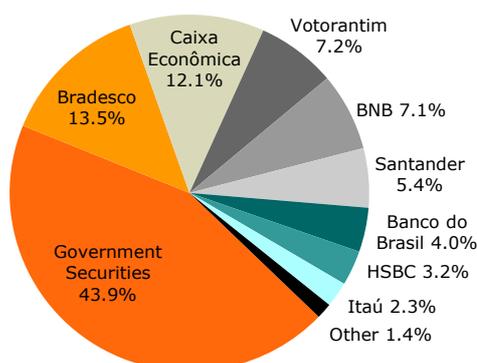
Balance Sheet/Cash Flow Highlights

Cash (Cash, Cash Equivalents and Marketable Securities)

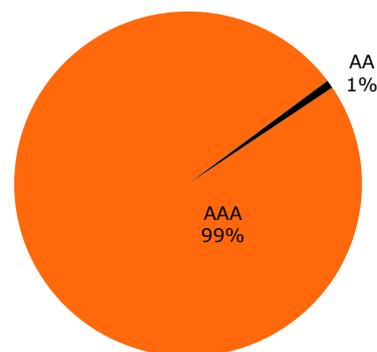
At the end of 2Q14, the Company had a consolidated cash balance of R\$1.0 billion, including R\$168.1 million of cash drawn down on the Company’s FINEP credits. On June 30, 2014 QGEP had 23.4% of its investments in exchange funds, with the remaining balance in Brazilian real-denominated instruments.

The cumulative average yield of the cash in reais as of June 30, 2014 was 102.2% of the CDI rate and 81.5% of the resources 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 2Q14 were R\$101.9 million, compared with \$100.4 million at the end of 1Q14. Accounts payable were R\$151.0 million at the end of 2Q14, compared with R\$119.6 million at the end of 1Q14, due to the rise in trade accounts payable related to the development activities at the Atlanta Field of R\$27.1 million, as well as the contraction of seismic data for Block FZA-M-90 at Foz do Amazonas Basin of R\$8.1 million.

Credit to Partners

At the end of 2Q14, credit to partners was R\$70.4 million, compared with R\$87.7 million at the end of 1Q14. This line represents: i) for the blocks operated by QGEP, expenses that will be allocated to partners, but where cash calls have not yet been issued; ii) for the blocks not operated by QGEP, cash calls that have already been paid, but expenses have not yet been booked. None of QGEP's partners was considered to be in default as of June 30, 2014.

Debt

Total indebtedness at the end of 2Q14 was R\$168.1 million, in line with 1Q14's figure.

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 in order to promote the sustainable development of Brazil.

Operating Cash Flow

The Company had operating cash flow of R\$90.1 million in 2Q14, compared with R\$62.1 million in 2Q13. The increase was due to higher production of natural gas and higher prices for natural gas.

Investor Relations

QGEP Participações S.A.

Paula Costa Côrte-Real
CFO and Investor Relations Officer

Renata Amarante
Investor Relations Manager

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About QGEP

QGEP Participações S.A. is Brazil's only private 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 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 quarters ended June 30, 2014 and June 30, 2013 was prepared by the Company in accordance with IFRS as issued by IASB.

Annex I – INCOME STATEMENT

Income Statement (R\$ million)

	2Q14	2Q13	Δ%
Net revenue	126.2	100.2	25.9%
Operating costs	(59.1)	(55.7)	-6.1%
Gross profit	67.0	44.5	50.7%
Operating revenue (expenses)			
General and administrative expenses	(13.7)	(15.4)	11.6%
Equity method	(0.6)	(0.0)	N/A
Oil and gas exploration expenses	(14.6)	(7.0)	-107.5%
Other operating expenses	-	-	N/A
Operating income (loss)	38.3	22.0	73.9%
Financial income (expenses), net	20.6	9.7	112.9%
Income before tax and social contribution	58.9	31.7	85.8%
Deferred income tax and social contribution expenses	(5.3)	(1.5)	-247.4%
Net income	53.6	30.1	77.7%

Annex II – BALANCE SHEET

Balance Sheet (R\$ million)

	2Q14	1Q14	Δ%
Assets			
Current Assets	1,239.9	1,243.7	-0.3%
Cash and cash equivalents	216.4	275.2	-21.3%
Marketable Securities	791.2	720.5	9.8%
Trade accounts receivable	101.9	100.4	1.5%
Stocks	44.7	44.4	0.5%
Recoverable taxes	10.9	10.3	5.7%
Credit to Partners	70.4	87.7	-19.7%
Other	4.4	5.3	-17.0%
Non-current Assets	1,803.4	1,760.1	2.5%
Restricted cash	15.0	9.9	51.8%
Recoverable taxes	0.4	0.4	24.0%
Deferred income tax and social	3.9	5.7	-31.6%
Investments	15.0	11.0	36.8%
Property, plant and equipment	1,132.6	1,098.7	3.1%
Intangible assets	632.2	631.4	0.1%
Other	4.3	3.2	35.3%
Total Assets	3,043.3	3,003.8	1.3%
Liabilities and Shareholders' Equity			
Current Liabilities	217.8	187.4	16.2%
Trade accounts payable	151.0	119.6	26.3%
Taxes payable	27.3	31.4	-12.9%
Payroll and related taxes	9.9	7.5	30.7%
Due to related parties	0.3	0.0	N/A
Borrowings and financing	0.2	0.3	-6.2%
Provision for research and development	10.9	9.9	10.1%
Other current liabilities	18.3	18.8	-2.5%
Non-current Liabilities	392.7	398.8	-1.5%
Borrowings and financing	167.9	167.8	0.1%
Provision for abandonment	224.9	231.0	-2.7%
Shareholders' Equity	2,432.7	2,417.6	0.6%
Integrated capital stock	2,078.1	2,078.1	0.0%
Other comprehensive income	0.7	1.4	-46.1%
Profits reserve	328.6	368.6	-10.9%
Capital reserve	(53.4)	(55.6)	4.0%
Net income for the period	78.7	25.1	213.4%
TOTAL Liabilities and Shareholders' Equity	3,043.3	3,003.8	1.3%

Annex III – CASH FLOWS

Cash Flows (R\$ million)

	2Q14	2Q13	Δ%
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period	53.6	30.1	77.7%
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and Depreciation	29.1	18.7	55.6%
Equity Pick-up Method	0.6	0.0	N/A
Deferred income tax and social contribution	1.8	0.0	N/A
Financial charges and exchange rate variation borrowings and financing	0.3	0.0	N/A
Fixed Assets/Intangibles write-offs	(0.6)	0.0	N/A
Reductions of the period	0.0	0.0	N/A
Expenses with stock option plan	2.2	2.7	-17.5%
Provision for income tax and social contribution	(3.5)	(1.5)	-130.1%
Provision for research and development	1.0	0.9	8.3%
Financial derivative instruments	0.0	(0.5)	100.0%
Exchange rate variation on accounts payable for acquisition of exploratory blocks	0.0	0.0	N/A
Exchange rate variation on provision for abandonment	(6.2)	(5.8)	-6.2%
Increase/decrease in operating assets:	14.6	15.3	-4.3%
Increase/decrease in operating liabilities:	(2.7)	2.1	-223.8%
Net cash inflows from operating activities	90.1	62.1	45.2%
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflows from/used in investing activities	(108.2)	(148.7)	27.2%
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash inflows from/used in financing activities	(40.0)	(13.5)	-196.6%
Total exchange rate variation on cash and cash equivalents	(0.6)	1.0	-164.6%
Increase (Decrease) in cash and cash equivalents	(58.7)	(99.1)	40.8%
Cash and cash equivalents at the beginning of the period	275.2	674.1	-59.2%
Cash and cash equivalents at the end of the period	216.4	575.0	-62.4%
Increase (Decrease) in cash and cash equivalents	(58.7)	(99.1)	40.8%

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 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.
Risked 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 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.