

QGEP Participações S.A.

*(Convenience Translation into English from
the Original Previously Issued in Portuguese)*

*Individual and Consolidated Interim
Financial Information for the Quarter
Ended June 30, 2014 and
Independent Auditor's Report*

Deloitte Touche Tohmatsu Auditores Independentes

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.

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

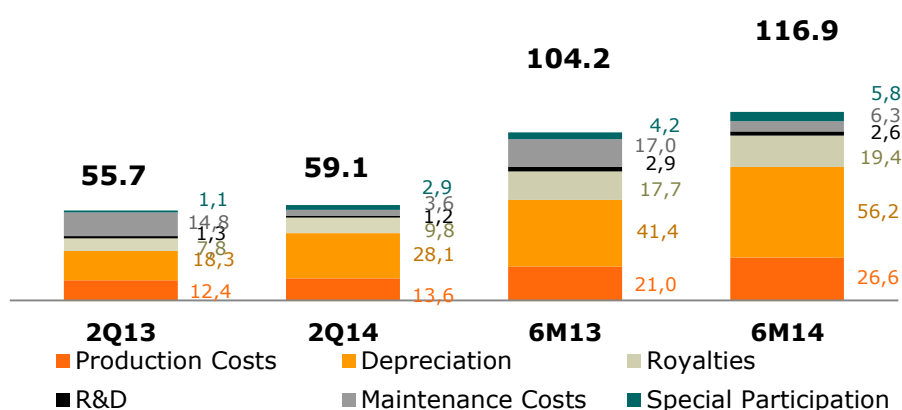
Income Statement (R\$ million)

	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%

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.

Operating Costs (R\$ million)



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

Balance Sheet (R\$ million)

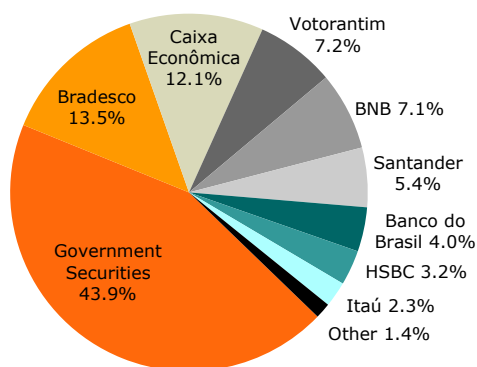
	2Q14	1Q14	Δ%
Assets			
Current Assets	1,239.9	1,243.7	-0.3%
Cash and cash equivalents	216.4	275.2	-21.3%
Marketable Securities	791.2	720.5	9.8%
Trade accounts receivable	101.9	100.4	1.5%
Stocks	44.7	44.4	0.5%
Recoverable taxes	10.9	10.3	5.7%
Credit to Partners	70.4	87.7	-19.7%
Other	4.4	5.3	-17.0%
Non-current 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%

Cash (Cash, Cash Equivalents and Marketable Securities)

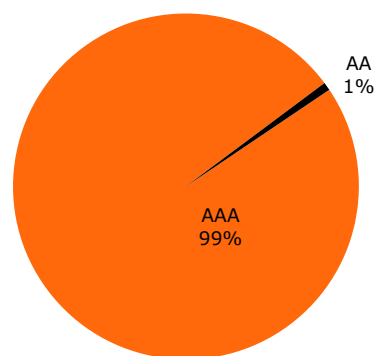
At the end of 2Q14, the Company had a consolidated cash balance of R\$1.0 billion, including R\$168.1 million of cash drawn down on the Company’s FINEP credits. On June 30, 2014 QGEP had 23.4% of its investments in exchange funds, with the remaining balance in Brazilian real-denominated instruments.

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.

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%

(Convenience Translation into English from the Original Previously Issued in Portuguese)

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION

To the Board of Directors and Shareholders of
QGEP Participações S.A.
Rio de Janeiro - RJ

Introduction

We have reviewed the accompanying individual and consolidated interim financial information of QGEP Participações S.A. (“Company”) identified as individual and consolidated, respectively, included in the Interim Financial Information Form (ITR), for the quarter and period ended June 30, 2014, which comprises the balance sheet as of June 30, 2014 and the related income statement, statement of comprehensive income for the three and six-month periods then ended and the statement of changes in equity and statement of cash flows for the six-month period then ended, including the explanatory notes.

The Company’s Management is responsible for the preparation of the individual interim financial information in accordance with Accounting Pronouncements CPC 21 (R1) - Interim Financial Reporting and the consolidated interim financial information in accordance with CPC 21 (R1) and IAS 34 - Interim Financial Reporting, issued by the International Accounting Standards Board (IASB), as well as for the presentation of such information in accordance with the standards issued by the Brazilian Securities Commission (CVM), applicable to the preparation of Interim Financial Information (ITR). Our responsibility is to express a conclusion on this interim financial information based on our review.

Scope of Review

We conducted our review in accordance with Brazilian and International standards on review of interim financial information (NBC TR 2410 and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with the standards on auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion on the individual interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying individual interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities Commission.

Conclusion on the consolidated interim financial information

Based on our review, nothing has come to our attention that causes us to believe that the accompanying consolidated interim financial information included in the ITR referred to above is not prepared, in all material respects, in accordance with CPC 21 (R1) and IAS 34 applicable to the preparation of Interim Financial Information (ITR) and presented in accordance with the standards issued by the Brazilian Securities Commission.

Emphasis of Matter

As mentioned in Note 1, through the present date, the transfers of the concession contracts for the exploration of oil and natural gas of Petróleo Brasileiro S.A. (“Petrobras”) in respect to the blocks C-M-122, C-M-145 and C-M-146 (part of concession BM-C-27) are still pending the approval of the Brazilian industry regulator, the ANP (“Agência Nacional de Petróleo, Gás Natural e Biocombustíveis”). Our report on review of the interim financial information referred to above is not qualified in respect of this matter.

Other matters

Statements of Value Added (DVA)

We have also reviewed the statements of value added (“DVA”), individual and consolidated, for the six-month period ended June 30, 2014, prepared under the responsibility of the Company's management, the presentation of which is required by the standards issued by the Brazilian Securities Commission (CVM) applicable to the preparation of Interim Financial Information (ITR), and considered as supplemental information for IFRS that does not require the presentation of DVA. These statements were subject to the same review procedures described above and, based on our review, nothing has come to our attention that causes us to believe that they are not prepared, in all material respects, consistent to the individual and consolidated interim financial information taken as a whole.

The accompanying financial information has been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, August 11, 2014


DELOITTE TOUCHE TOHMATSU
Auditores Independentes


John Alexander Harold Auton
Engagement Partner

QGEP PARTICIPAÇÕES S.A.

COMPANY PROFILE / SUBSCRIBED CAPITAL

<u>Number of Shares</u> <u>(units)</u>	<u>Current quarter</u> <u>06/30/2014</u>
Paid-in capital	
Common	265,806,905
Preferred	-
Total	265,806,905
Treasury	
Common	7,954,632
Preferred	-
Total	7,954,632

QGEP PARTICIPAÇÕES S.A.

INDIVIDUAL INTERIM FINANCIAL INFORMATION/
BALANCE SHEETS - ASSETS AND LIABILITIES
(In thousands of Brazilian Reais)

<u>Line code</u>	<u>Line item</u>	<u>Current period</u> <u>06/30/2014</u>	<u>Prior year</u> <u>12/31/2013</u>
<u>1</u>	<u>TOTAL ASSETS</u>	<u>2,432,943</u>	<u>2,409,274</u>
1.01	Current assets	4,748	4,608
1.01.01	Cash and cash equivalents	46	268
1.01.02	Short-term investments	4,538	-
1.01.02.01	Short-term investments at fair value	4,538	-
1.01.02.01.02	Available for sale	4,538	-
1.01.06	Recoverable taxes	10	27
1.01.06.01	Current recoverable taxes	10	27
1.01.08	Other current assets	154	4,313
1.01.08.03	Other	154	4,313
1.01.08.03.02	Dividends receivable	92	4,310
1.01.08.03.05	Other expenses	62	3
1.02	Noncurrent assets	2,428,195	2,404,666
1.02.02	Investments	2,428,195	2,404,666
1.02.02.01	Equity investments	2,428,195	2,404,666
1.02.02.01.02	Equity in subsidiaries	2,428,195	2,404,666
<u>2</u>	<u>TOTAL LIABILITIES AND EQUITY</u>	<u>2,432,943</u>	<u>2,409,274</u>
2.01	Current liabilities	207	217
2.01.01	Salaries, wages and benefits	45	38
2.01.01.02	Social legislation liabilities	45	38
2.01.02	Accounts payable	111	137
2.01.02.01	National accounts payable	111	137
2.01.03	Taxes payable	51	42
2.01.03.01	Federal taxes payable	51	42
2.01.03.01.01	Income tax and social contribution	51	42
2.03	Shareholder's equity	2,432,736	2,409,057
2.03.01	Capital	2,078,116	2,078,116
2.03.02	Capital reserves	(53,392)	(39,873)
2.03.02.04	Stock options	27,716	22,627
2.03.02.05	Shares held in treasury	(81,008)	(62,500)
2.03.04	Retained earnings	328,623	368,623
2.03.04.01	Legal reserve	20,123	20,123
2.03.04.10	Investment reserves	308,500	348,500
2.03.05	Accumulated income/loss	78,658	-
2.03.08	Accumulated other comprehensive income	731	2,191

QGEP PARTICIPAÇÕES S.A.

INDIVIDUAL INTERIM FINANCIAL INFORMATION/INCOME STATEMENT

(In thousands of Brazilian Reais)

<u>Line code</u>	<u>Line item</u>	<u>Current</u>	<u>Current</u>	<u>Same quarter</u>	<u>Same period</u>
		<u>quarter</u>	<u>period</u>	<u>prior year</u>	<u>prior year</u>
		<u>04/01/2014 to</u>	<u>01/01/2014 to</u>	<u>04/01/2013 to</u>	<u>01/01/2013 to</u>
		<u>to 06/30/2014</u>	<u>to 06/30/2014</u>	<u>to 06/30/2013</u>	<u>to 06/30/2013</u>
3.04	Operating expenses/income	53,472	78,543	30,116	95,829
3.04.02	General and administrative expenses	(953)	(2,057)	(724)	(1,675)
3.04.06	Equity in subsidiaries	54,425	80,600	30,840	97,504
3.05	Income before income taxes and financial income/expenses	53,472	78,543	30,116	95,829
3.06	Finance income/expenses	86	115	31	43
3.06.01	Financial income	87	116	31	40
3.06.01.01	Financial interest	87	116	31	40
3.06.02	Financial expenses	(1)	(1)	-	3
3.06.02.01	Financial expenses	(1)	(1)	-	3
3.07	Income before income taxes	53,558	78,658	30,147	95,872
3.09	Profit from continuing operations	53,558	78,658	30,147	95,872
3.11	Profit (Loss) for the period	53,558	78,658	30,147	95,872
3.99	Earnings per share - (Reais per share)				
3.99.01	Primary earnings per share				
3.99.01.01	Common share	0.21000	0.30000	0.11000	0.37000
3.99.02	Diluted earnings per share				
3.99.02.01	Common share	0.21000	0.30000	0.11000	0.37000

QGEP PARTICIPAÇÕES S.A.

INDIVIDUAL INTERIM FINANCIAL INFORMATION/COMPREHENSIVE INCOME STATEMENT

(In thousands of Brazilian Reais)

<u>Line code</u>	<u>Line item</u>	<u>Current quarter 04/01/2014 to to 06/30/2014</u>	<u>Current period 01/01/2014 to to 06/30/2014</u>	<u>Same quarter prior year 04/01/2013 to to 06/30/2013</u>	<u>Same period prior year 01/01/2013 to to 06/30/2013</u>
4.01	Profit (loss) for the period	53,558	78,658	30,147	95,872
4.02	Other comprehensive income	(624)	(1,460)	875	1,033
4.02.01	Cumulative translation adjustments of foreign companies	(624)	(1,460)	875	1,033
4.03	Comprehensive profit (loss) for the period	52,934	77,198	31,022	96,905

QGEP PARTICIPAÇÕES S.A.

INDIVIDUAL INTERIM FINANCIAL INFORMATION/
STATEMENTS OF CASH FLOWS - INDIRECT METHOD
(In thousands of Brazilian Reais)

<u>Line code</u>	<u>Line item</u>	<u>Current period</u> <u>01/01/2014</u> <u>to 06/30/2014</u>	<u>Same period</u> <u>Prior year</u> <u>01/01/2013</u> <u>to 06/30/2013</u>
6.01	Net cash provided by operating activities	(1,995)	(1,732)
6.01.01	Cash flows from operating activities	(1,942)	(1,632)
6.01.01.01	Profit/loss for the period	78,658	95,872
6.01.01.02	Equity in subsidiaries	(80,600)	(97,504)
6.01.02	Changes in assets and liabilities	(53)	(100)
6.01.02.01	Recoverable taxes	17	-
6.01.02.02	Other assets	(59)	(89)
6.01.02.03	Accounts payable	(26)	(17)
6.01.02.04	Taxes payable	9	6
6.01.02.06	Other liabilities	6	-
6.02	Net cash used in investing activities	60,280	16,177
6.02.01	Short term investments	(4,538)	-
6.02.02	Received dividends	64,818	-
6.02.03	Payments to investments	-	16,177
6.03	Net cash inflows from financing activities	(58,507)	(13,488)
6.03.03	Dividends payment	(40,000)	-
6.03.04	Shares held in treasury	(18,507)	(13,488)
6.05	Net increase (decrease) in cash and cash equivalents	(222)	957
6.05.01	Cash and cash equivalents at beginning of the period	268	665
6.05.02	Cash and cash equivalents at end of the period	46	1,622

QGEP PARTICIPAÇÕES S.A.

INDIVIDUAL INTERIM FINANCIAL INFORMATION/STATEMENTS OF CHANGES IN EQUITY - FROM 01/01/2014 TO 06/30/2014
(In thousands of Brazilian Reais)

Line code	Line item	Capital stock	Capital reserves, options granted and treasure shares	Income reserves	Accumulated income/losses	Other comprehensive income	Total equity
5.01	Opening balance	2,078,116	(39,873)	368,623	-	2,191	2,409,057
5.03	Adjusted balance	2,078,116	(39,873)	368,623	-	2,191	2,409,057
5.04	Shareholders capital transactions	-	(18,507)	(40,000)	-	-	(58,507)
5.04.04	Treasury shares	-	(18,507)	-	-	-	(18,507)
5.04.06	Dividends	-	-	(40,000)	-	-	(40,000)
5.05	Total other comprehensive income	-	-	-	78,658	(1,460)	77,198
5.05.01	Income/losses for the period	-	-	-	78,658	-	78,658
5.05.02	Other comprehensive income	-	-	-	-	(1,460)	(1,460)
5.05.02.04	Cumulative translation adjustments of foreign companies	-	-	-	-	(1,460)	(1,460)
5.06	Internal changes in equity	-	4,988	-	-	-	4,988
5.06.01	Retained profits reserve	-	4,988	-	-	-	4,988
5.07	Closing balance	2,078,116	(53,392)	328,623	78,658	731	2,432,736

QGEP PARTICIPAÇÕES S.A.

INDIVIDUAL INTERIM FINANCIAL INFORMATION/STATEMENT OF CHANGES IN EQUITY - FROM 01/01/2013 TO 06/30/2013
(In thousands of Brazilian Reais)

Line code	Line item	Capital stock	Capital reserves, options granted and treasure shares	Income reserves	Accumulated income/losses	Other comprehensive income	Total equity
5.01	Opening balance	2,078,116	(26,702)	176,383	-	-	2,227,797
5.03	Adjusted balance	2,078,116	(26,702)	176,383	-	-	2,227,797
5.04	Shareholders capital transactions	-	(21,544)	-	-	-	(21,544)
5.04.04	Treasury shares	-	(21,544)	-	-	-	(21,544)
5.05	Total comprehensive income	-	-	-	95,872	1,033	96,905
5.05.01	Income/losses for the period	-	-	-	95,872	-	95,872
5.05.02	Other comprehensive income	-	-	-	-	1,033	1,033
5.05.02.03	Equity on subsidiaries' comprehensive income	-	-	-	-	1,033	1,033
5.06	Internal changes in equity	-	5,351	-	-	-	5,351
5.06.01	Retained profits reserve	-	5,351	-	-	-	5,351
5.07	Closing balance	2,078,116	(42,895)	176,383	95,872	1,033	2,308,509

QGEP PARTICIPAÇÕES S.A.

INDIVIDUAL INTERIM FINANCIAL INFORMATION/ STATEMENTS OF VALUE ADDED
(In thousands of Brazilian Reais)

<u>Account code</u>	<u>Account description</u>	Current	Same period
		period	Prior year
		<u>01/01/2014</u>	<u>01/01/2013</u>
		<u>to 06/30/2014</u>	<u>to 06/30/2013</u>
7.02	Supplies acquired from third parties	(613)	(454)
7.02.02	Material, energy and other service	(613)	(454)
7.03	Gross value added	(613)	(454)
7.05	Net added value produced	(613)	(454)
7.06	Value added received in transfer	80,716	97,544
7.06.01	Equity result	80,600	97,504
7.06.02	Financial income	116	40
7.07	Value added to be distributed	80,103	97,090
7.08	Value added distribution	80,103	97,090
7.08.01	Employees	1,203	1,013
7.08.01.01	Direct fees	1,141	979
7.08.01.02	Benefits	62	34
7.08.02	Taxes	228	197
7.08.02.01	Federal	228	197
7.08.03	Third party capital remuneration	14	8
7.08.03.01	Interest	2	(3)
7.08.03.03	Other	12	11
7.08.03.03.01	Financial expenses	12	11
7.08.04	Own capital remuneration	78,658	95,872
7.08.04.03	Profit (loss) for the period	78,658	95,872

QGEP PARTICIPAÇÕES S.A.CONSOLIDATED INTERIM FINANCIAL STATEMENTS/BALANCE SHEETS - ASSETS
(In thousands of Brazilian Reais)

<u>Line code</u>	<u>Line item</u>	<u>Current period</u> <u>06/30/2014</u>	<u>Prior year</u> <u>12/31/2013</u>
<u>1</u>	<u>Total assets</u>	<u>3,043,303</u>	<u>3,039,321</u>
1.01	Current assets	1,239,879	1,284,223
1.01.01	Cash and cash equivalents	216,435	357,765
1.01.02	Short-term investments	791,212	647,954
1.01.02.01	Short-term investments at fair value	791,212	647,954
1.01.02.01.02	Available for sale	791,212	647,954
1.01.03	Trade receivables	101,928	99,446
1.01.03.01	Customers	101,928	99,446
1.01.04	Inventories	44,658	47,769
1.01.06	Recoverable taxes	10,859	10,380
1.01.06.01	Current recoverable taxes	10,859	10,380
1.01.08	Other current assets	74,787	120,909
1.01.08.03	Other	74,787	120,909
1.01.08.03.02	Other	4,365	4,724
1.01.08.03.03	Credits from partners	70,422	116,185
1.02	Noncurrent assets	1,803,424	1,755,098
1.02.01	Long-term assets	23,554	29,861
1.02.01.02	Short-term investments at amortized costs	14,979	4,167
1.02.01.02.01	Held to maturity	14,979	4,167
1.02.01.06	Deferred Taxes	3,864	22,477
1.02.01.06.01	Deferred income tax and social contribution	3,864	22,477
1.02.01.08	Related parties credits	2,033	479
1.02.01.08.04	Other related parties credits	2,033	479
1.02.01.09	Other noncurrent assets	2,678	2,738
1.02.01.09.03	Recoverable taxes	439	337
1.02.01.09.05	Insurance Premium to be amortized	2,239	2,401
1.02.02	Investments	15,004	10,428
1.02.02.01	Equity investments	15,004	10,428
1.02.03	Property, plant and equipment	1,132,634	1,083,459
1.02.03.01	Property, plant and equipment in operating	469,335	523,838
1.02.03.03	Property, plant and equipment in progress	663,299	559,621
1.02.04	Intangible assets	632,232	631,350
1.02.04.01	Intangible assets	632,232	631,350
1.02.04.01.01	Concession agreement	627,074	627,074
1.02.04.01.02	Other	5,158	4,276

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QGEP PARTICIPAÇÕES S.A.

CONSOLIDATED INTERIM FINANCIAL INFORMATION/BALANCE SHEETS -
 LIABILITIES
 (In thousands of Brazilian Reais)

<u>Line code</u>	<u>Line item</u>	<u>Current period</u> <u>06/30/2014</u>	<u>Prior year</u> <u>12/31/2013</u>
<u>2</u>	<u>Total liabilities and equity</u>	<u>3,043,303</u>	<u>3,039,321</u>
2.01	Current liabilities	217,826	233,704
2.01.01	Salaries, wages and benefits	9,862	19,367
2.01.01.01	Social obligations	818	962
2.01.01.02	Labor legislation liabilities	9,044	18,405
2.01.02	Accounts payable	151,002	160,245
2.01.02.01	National accounts payable	151,002	160,245
2.01.02.01.01	National accounts payable	151,002	160,245
2.01.03	Taxes payable	27,295	30,059
2.01.03.01	Federal taxes payable	16,358	18,518
2.01.03.01.01	Income tax and social contribution	693	2,767
2.01.03.01.02	Taxes on revenue (PIS/COFINS)	14,676	14,076
2.01.03.01.03	Others	989	1,675
2.01.03.02	State taxes payable	4,836	5,170
2.01.03.02.01	ICMS	4,836	5,170
2.01.03.03	Municipal taxes payable	6,101	6,371
2.01.03.03.01	Royalties	3,288	3,309
2.01.03.03.02	Special participation	2,670	2,946
2.01.03.03.03	Other	143	116
2.01.04	Borrowing and financing	243	238
2.01.04.01	Borrowing and financing	243	238
2.01.04.01.01	In Brazilian currency	243	238
2.01.05	Other current liabilities	18,567	15,218
2.01.05.01	Related parties liability	279	8
2.01.05.01.03	Subsidiaries debt	279	8
2.01.05.02	Other	18,288	15,210
2.01.05.02.04	Other	18,288	15,210
2.01.06	Provisions	10,857	8,577
2.01.06.02	Other provisions	10,857	8,577
2.01.06.02.04	Provision for research and development	10,857	8,577
2.02	Noncurrent liabilities	392,741	396,560
2.02.01	Borrowing and financing	167,869	167,666
2.02.01.01	Borrowing and financing	167,869	167,666
2.02.01.01.01	In Brazilian currency	167,869	167,666
2.02.04	Provisions	224,872	228,894
2.02.04.02	Other provisions	224,872	228,894
2.02.04.02.04	Provision for abandonment	224,872	228,894

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QGEP PARTICIPAÇÕES S.A.

CONSOLIDATED INTERIM FINANCIAL INFORMATION/BALANCE SHEETS -
LIABILITIES
(In thousands of Brazilian Reais)

<u>Line code</u>	<u>Line item</u>	<u>Current Period 06/30/2014</u>	<u>Prior year 12/31/2013</u>
2.03	Shareholder's equity	2,432,736	2,409,057
2.03.01	Capital	2,078,116	2,078,116
2.03.02	Capital reserves	(53,392)	(39,873)
2.03.02.04	Stock options	27,616	22,627
2.03.02.05	Shares held in treasury	(81,008)	(62,500)
2.03.04	Retained earnings	328,623	368,623
2.03.04.01	Legal reserves	20,123	20,123
2.03.04.10	Investment reserves	308,500	348,500
2.03.05	Accumulated income/loss	78,658	-
2.03.08	Accumulated other comprehensive income	731	2,191

QGEP PARTICIPAÇÕES S.A.

CONSOLIDATED INTERIM FINANCIAL STATEMENTS/INCOME STATEMENT

(In thousands of Brazilian Reais)

<u>Line code</u>	<u>Line item</u>	<u>Current</u>	<u>Current</u>	<u>Same quarter</u>	<u>Same period</u>
		<u>Quarter</u>	<u>period</u>	<u>prior year</u>	<u>prior year</u>
		<u>04/01/2014 to</u>	<u>01/01/2014 to</u>	<u>04/01/2013 to</u>	<u>01/01/2013 to</u>
		<u>to 06/30/2014</u>	<u>to 06/30/2014</u>	<u>to 06/30/2013</u>	<u>to 06/30/2013</u>
3.01	Sales and services revenue	126,165	253,470	100,203	232,102
3.02	Sales and services cost	(59,129)	(116,933)	(55,715)	(104,216)
3.03	Gross result	67,036	136,537	44,488	127,886
3.04	Operating expenses/income	(28,766)	(76,454)	(22,486)	(52,948)
3.04.02	General and administrative expenses	(13,652)	(25,849)	(15,449)	(32,173)
3.04.05	Other operating expenses	(14,559)	(50,023)	(7,017)	(20,541)
3.04.05.01	Oil and gas exploration expenditure	(14,559)	(50,023)	(7,017)	(20,541)
3.04.06	Equity in subsidiaries	(555)	(582)	(20)	(234)
3.05	Income before income taxes and financial income/expenses	38,270	60,083	22,002	74,938
3.06	Financial income/expenses	20,585	40,697	9,670	28,014
3.06.01	Financial income	20,635	40,925	21,074	38,141
3.06.01.01	Financial income	14,428	26,888	20,504	37,584
3.06.01.02	Exchange variance income	6,207	14,037	570	557
3.06.02	Financial expenses	(50)	(228)	(11,404)	(10,127)
3.06.02.01	Financial expenses	(50)	(228)	(55)	(510)
3.06.02.02	Exchange variance expenses	-	-	(11,349)	(9,617)
3.07	Income before income taxes	58,855	100,780	31,672	102,952
3.08	Income tax	(5,297)	(22,122)	(1,525)	(7,080)
3.08.01	Current	(3,509)	(3,509)	(1,525)	(7,080)
3.08.02	Deferred	(1,788)	(18,613)	-	-
3.09	Profit from continuing operations	53,558	78,658	30,147	95,872
3.11	Consolidated profit (loss) for the period	53,558	78,658	30,147	95,872
3.11.01	Attributable to shareholders of the Company	53,558	78,658	30,147	95,872
3.99	Earnings per share (Reais per share)				
3.99.01	Primary earnings per share				
3.99.01.01	Common share	0.210000	0.300000	0.110000	0.370000
3.99.02	Diluted earnings per share				
3.99.02.01	Common share	0.210000	0.300000	0.110000	0.370000

QGEP PARTICIPAÇÕES S.A.

CONSOLIDATED INTERIM FINANCIAL INFORMATION /COMPREHENSIVE INCOME STATEMENT

(In thousands of Brazilian Reais)

<u>Line code</u>	<u>Line item</u>	<u>Current quarter 04/01/2014 to to 06/30/2014</u>	<u>Current period 01/01/2014 to to 06/30/2014</u>	<u>Same quarter prior year 04/01/2013 to to 06/30/2013</u>	<u>Same period prior year 01/01/2013 to to 06/30/2013</u>
4.01	Profit (loss) for the period	53,558	78,658	30,147	95,872
4.02	Other comprehensive income	(624)	(1,460)	875	1,033
4.02.01	Cumulative translation adjustments of foreign companies	(624)	(1,460)	875	1,033
4.03	Comprehensive profit (loss) for the period	52,934	77,198	31,022	96,905

QGEP PARTICIPAÇÕES S.A.

CONSOLIDATED INTERIM FINANCIAL INFORMATION/ STATEMENTS OF CASH FLOWS
- INDIRECT METHOD
(In thousands of Brazilian Reais)

<u>Line code</u>	<u>Line item</u>	Current	Same period
		period	Prior year
		01/01/2014	01/01/2013
		to 06/30/2014	to 63/30/2013
6.01	Net cash provided by operating activities	130,696	160,766
6.01.01	Cash flows from operating activities	189,247	131,248
6.01.01.01	Profit (loss) for the period	78,658	95,872
6.01.01.02	Amortization and depreciation	58,050	42,262
6.01.01.03	Deferred income tax and social contribution	18,613	-
6.01.01.04	Financial charges and exchange rate (gain) loss on borrowings and financing	1,713	-
6.01.01.05	Reduction of fixed assets	31,894	-
6.01.01.06	Stock options	4,988	5,351
6.01.01.07	Provision for income tax and social contribution	(3,509)	(7,080)
6.01.01.08	Provision for research and development	2,280	2,583
6.01.01.09	Derivative financial instruments	-	(465)
6.01.01.11	Exchange rate on provision for abandonment	(4,022)	(7,509)
6.01.01.12	Equity in subsidiaries	582	234
6.01.02	Changes in assets and liabilities	(58,551)	29,518
6.01.02.01	Accounts receivable	(2,482)	(10,200)
6.01.02.02	Recoverable taxes	(581)	29,259
6.01.02.03	Other assets	47,843	(2,543)
6.01.02.04	Suppliers	(96,414)	9,394
6.01.02.05	Taxes payable	6,367	6,124
6.01.02.06	Interest paid	(1,505)	-
6.01.02.07	Income tax and social contribution paid	(5,622)	-
6.01.02.08	Related parties	271	36
6.01.02.09	Other liabilities	(6,428)	(2,552)
6.02	Net cash inflows from investing activities	(212,059)	(444,653)
6.02.01	Restricted cash	(10,812)	562
6.02.02	Short term investments	(143,258)	(398,045)
6.02.03	Purchase of property, plant and equipment	(51,305)	(39,493)
6.02.04	Purchase of intangible	(1,526)	(569)
6.02.05	Increase capital in foreign company	(5,970)	(7,098)
6.02.07	Receipts of dividends	812	-
6.03	Net cash inflows from financing activities	(58,507)	(13,488)
6.03.04	Shares held in treasury	(18,507)	(13,488)
6.03.05	Payment of dividends	(40,000)	-
6.04	Exchange variation in cash and cash equivalents	(1,460)	1,033
6.05	Increase (decrease) in cash and cash equivalents	(141,330)	(296,332)
6.05.01	Cash and cash equivalents at beginning of the period	357,765	871,322
6.05.02	Cash and cash equivalents at end of the period	216,435	574,990

QGEP PARTICIPAÇÕES S.A.

CONSOLIDATED INTERIM FINANCIAL INFORMATION/STATEMENTS OF CHANGES IN EQUITY - FROM 01/01/2014 TO 06/30/2014
(In thousands of Brazilian Reais)

<u>Line code</u>	<u>Line item</u>	<u>Capital stock</u>	<u>Capital reserves, options granted and treasure shares</u>	<u>Income reserves</u>	<u>Accumulated income/losses</u>	<u>Other comprehensive income</u>	<u>Equity</u>	<u>Total non-controllers participation</u>	<u>Total consolidated equity</u>
5.01	Opening balance	2,078,116	(39,873)	368,623	-	2,191	2,409,057	-	2,409,057
5.03	Adjusted balance	2,078,116	(39,873)	368,623	-	2,191	2,409,057	-	2,409,057
5.04	Shareholders capital transactions	-	(18,507)	(40,000)	-	-	(58,507)	-	(58,507)
5.04.04	Treasury shares	-	(18,507)	-	-	-	(18,507)	-	(18,507)
5.04.06	Dividends	-	-	(40,000)	-	-	(40,000)	-	(40,000)
5.05	Total other comprehensive income	-	-	-	78,658	(1,460)	77,198	-	77,198
5.05.01	Income/losses for the period	-	-	-	78,658	-	78,658	-	78,658
5.05.02	Other comprehensive income	-	-	-	-	(1,460)	(1,460)	-	(1,460)
5.05.02.04	Cumulative translation adjustments of foreign companies	-	-	-	-	(1,460)	(1,460)	-	(1,460)
5.06	Internal changes in equity	-	4,988	-	-	-	4,988	-	4,988
5.06.01	Retained profits reserve	-	4,988	-	-	-	4,988	-	4,988
5.07	Closing balance	2,078,116	(53,392)	328,623	78,658	731	2,432,736	-	2,432,736

QGEP PARTICIPAÇÕES S.A.

CONSOLIDATED INTERIM FINANCIAL INFORMATION/STATEMENTS OF CHANGES IN EQUITY - FROM 01/01/2013 TO 06/30/2013
(In thousands of Brazilian Reais)

<u>Line code</u>	<u>Line item</u>	<u>Capital stock</u>	<u>Capital reserves, options granted and treasury shares</u>	<u>Income reserves</u>	<u>Accumulated income/losses</u>	<u>Other comprehensive income</u>	<u>Equity</u>	<u>Total non-controllers participation</u>	<u>Total consolidated equity</u>
5.01	Opening balance	2,078,116	(26,702)	176,383	-	-	2,227,797	-	2,227,797
5.03	Adjusted balance	2,078,116	(26,702)	176,383	-	-	2,227,797	-	2,227,797
5.04	Shareholders capital transactions	-	(21,544)	-	-	-	(21,544)	-	(21,544)
5.04.04	Treasury shares	-	(21,544)	-	-	-	(21,544)	-	(21,544)
5.05	Total other comprehensive income	-	-	-	95,872	1,033	96,905	-	96,905
5.05.01	Income/losses for the period	-	-	-	95,872	-	95,872	-	95,872
5.05.02	Other comprehensive income	-	-	-	-	1,033	1,033	-	1,033
5.05.02.04	Cumulative translation adjustments of foreign companies	-	-	-	-	1,033	1,033	-	1,033
5.06	Internal changes in equity	-	5,351	-	-	-	5,351	-	5,351
5.06.01	Retained profits reserve	-	5,351	-	-	-	5,351	-	5,351
5.07	Closing balance	2,078,116	(42,895)	176,383	95,872	1,033	2,308,509	-	2,308,509

QGEP PARTICIPAÇÕES S.A.CONSOLIDATED INTERIM FINANCIAL INFORMATION/ STATEMENTS
OF VALUE ADDED
(In thousands of Brazilian Reais)

<u>Account code</u>	<u>Account description</u>	Current	Same period
		period	prior year
		01/01/2014	01/01/2013
		to 06/30/2014	to 06/30/2013
7.01	Revenues	371,765	332,339
7.01.01	Gas sales	319,655	292,846
7.01.02	Other revenue	805	-
7.01.03	Revenue related to own assets of construction	51,305	39,493
7.02	Supplies acquired from third parties	(136,836)	(106,690)
7.02.01	Cost of goods sold	(84,640)	(57,517)
7.02.02	Material, energy and other service	(42,996)	(40,888)
7.02.04	Other	(9,200)	(8,285)
7.03	Gross value added	234,929	225,649
7.04	Retention	(58,050)	(42,262)
7.04.01	Depreciation, amortizations and exhaustion	(58,050)	(42,262)
7.05	Net added value produced	176,879	183,387
7.06	Value added received in transfer	26,306	37,350
7.06.01	Equity result	(582)	(234)
7.06.02	Finance income	26,888	37,584
7.07	Value added to be distributed	203,185	220,737
7.08	Value added distribution	203,185	220,737
7.08.01	Employees	27,458	24,343
7.08.01.01	Direct fees	24,202	21,854
7.08.01.02	Benefits	2,239	1,688
7.08.01.03	Charges and fees (FGTS)	1,017	801
7.08.02	Taxes	108,737	88,911
7.08.02.01	Federal	54,946	39,734
7.08.02.02	State	28,538	26,218
7.08.02.03	Municipal	25,253	22,959
7.08.03	Third party capital remuneration	(11,668)	11,611
7.08.03.01	Interest	154	510
7.08.03.02	Rentals	1,841	1,655
7.08.03.03	Others	(13,663)	9,446
7.08.03.03.01	Bank charges	292	(171)
7.08.03.03.02	Exchange variation	(13,955)	9,617
7.08.04	Own capital remuneration	78,658	95,872
7.08.04.03	Profit (loss) for the period	78,658	95,872

QGEP PARTICIPAÇÕES S.A.

NOTES TO INDIVIDUAL AND CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE QUARTER ENDED JUNE 31, 2014

(Amounts in thousands of Brazilian reais - R\$, unless otherwise stated)

1. OPERATIONAL CONTEXT

Operational history

QGEP Participações S.A. headquartered at Almirante Barroso Avenue, 52 room 1.301 - Centro, Rio de Janeiro (“Company” or “QGEPP”) was incorporated on March 9, 2010 under the name Latina Participações S.A., subsequently changed to QGEP Participações S.A. on September 2, 2010, and remained dormant until such date, when Queiroz Galvão Óleo e Gás (“QGOG”) transferred to QGEPP 100% of its investment in Queiroz Galvão Exploração e Produção S.A. (“QGEPP”), which became a fully owned subsidiary of QGEPP.

The objective of QGEPP is to hold interests in companies that are focused on the exploration, production and sale of oil, natural gas and their products, whether as a partner or shareholder, or through other types of forms of association with or without separate legal identity.

On November 2, 2012, was constituted by QGEP, the entity of Atlanta Field B.V. (“AFBV”), headquartered in Rotterdam, Netherlands, and the objective is purchase, sale and rental of materials and equipment to be used for the exploration, development and production of oil and gas.

On January 31, 2013, was constituted QGEP Netherlands B.V. (“QGEP B.V.”), headquartered in Rotterdam, Netherlands, wholly owned subsidiary of QGEP and the objective is incorporate, manage and supervises companies; carry all types of commercial and industrial activities, and all things that are related to the activities described.

On February 12, 2013, QGEP sold its entire participation in AFBV to QGEPB.V.. This process did not generate goodwill, gain or loss.

On February 21, 2013, OGX Netherlands Holding B.V, and FR Barra 1 S.à r.l., partners in concession Block BS-4, entered the structure AFBV by capital increase, and holds 40% and 30%, respectively, of participation in AFBV. QGEP B.V., on the same date, holds 30% participation in AFBV.

On October 3, 2013, was constituted QGEP International GmbH (“QGEP International”), headquartered in Vienna, Austria, wholly owned subsidiary of QGEPP and the objective is engaged in the acquisition of companies in Austria and abroad, constitution and management of subsidiaries in Austria and abroad and managing its assets.

The E&P business is regulated by the Brazilian Oil, Natural Gas and Biofuel Agency (“ANP”). The company and its subsidiaries (QGEP, QGEP B.V. and AFBV) are referred in this interim financial information as “the Group”.

Information about the Group

As at June 30, 2014, the Group holds interests in fifteen E&P concessions located in offshore Brazilian continental margin, of which three are located in the Camamu - Almada basin (BCAM-40, BM-CAL-5 and BM-CAL-12, this includes CAL-M-312 and CAL-372 Blocks), one in the Jequitinhonha basin (BM-J-2), one in Campos basin (BM-C-27 and this includes C-M-122, C-M-145 and C-M-146 Blocks) and two in the Santos basin (BM-S-8 and BS-4), one in Foz do Amazonas basin (FZA-M-90), two in Pará - Maranhão basin (PAMA-M-265 and PAMA-M-337), one in Ceará basin (CE-M-661), two in Pernambuco basin (PEPB-M-894 and PEPB-M-896) and two in Espírito Santo basin (ES-M-598 and ES-M-673). QGEP operates Blocks BM-J-2, BS-4, FZA-M-90, PAMA-M-265, PAMA-M-337, PEPB-M-894 and PEPB-M-896. Total E&P do Brasil Ltda (“Total”) operates CE-M-661 Block, Statoil Brasil óleo e gás Ltda (“Statoil”) operates ES-M-598 and ES-M-673, and all the other blocks are operated by Petróleo Brasileiro S.A. (“Petrobras”).

BCAM-40 and BS-4 concessions are under production and development phases, respectively. In BCAM-40 are located Manati and Camarão Norte fields, under production and production development phases, respectively. In BS-4 Block are located Atlanta and Oliva fields, both under development production phases.

In BM-CAL-5, BM-S-8 and BM-C-27 concessions, the discovery assessment plan is in progress, while in BM-J-2 concession was proposed a discovery evaluation plan, still being evaluated by ANP. All others concessions are in exploratory period.

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. The operator is still in negotiations with the ANP regarding plans for the block. The Purchase and Sale Agreement is valid until October 2014. 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.

The Manati Field was developed through the drilling of six wells, installed with Wet Christmas Trees (WCT). They produce for a fixed production rig (PMNT-1) that pumps gas along a 24" pipeline, approximately 125 km long, to the Geologist Vandemir Ferreira treatment station, which stabilizes and condenses the gas.

In the third quarter of 2013, the Company filed a Notice of Discovery to the ANP, related to 1-QG-5A-BAS well, Alto de Canavieiras (JEQ#1) prospectus, located at pre-salt section of Jequitinhonha basin at BM-J-2 Block, and it is operated by QGEP, which has a 100% working interest. The presence of hydrocarbons has been confirmed; however additional tests are needed to determine the quality and volume of this potential Discovery.

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

On August 21, 2013, QGEP received approval from ANP for its Development Plan for Oliva field. The Oliva field is post-salt oil field, located in BS-4 Block in Santos basin, 17 km off Atlanta Field. The approved Development Plan for Oliva calls for the drilling of an appraisal well in 2016 to acquire reservoir data, subsequently, the Company will carry out a test to verify the reserve estimate and support the production curve.

The Development Plan also includes the drilling of five producing wells and three injection wells. All of these wells will be horizontal, and will be tied back to the facilities at Atlanta Field. First oil from Oliva field is expected in 2021. BS-4 Block includes also Atlanta field, which development is already in course. QGEP is the operator of the block and holds a 30% participating interest.

The development plan of Atlanta field includes an Early Production System (EPS) with two horizontal wells, already drilled and tested. CAPEX estimated for this EPS is USD 480 million, being USD 144 million net related to QGEP and this amount will be invested between 2013 – 2015. The first oil is expected in late 2015 or early 2016.

Drill stem tests indicated that the production capacity of the two wells is at the high end of the expected range about average rates of productivity and confirmed the expected characteristics of the oil and reservoir. The bidding process for an FPSO is continuing. This bidding considers two possible scenarios: a 25kbbbl/d capacity FPSO for the Early Production System (EPS) or an 80kbbbl/d FPSO for Full Development.

On August 28, 2013, the Administrative Council for Economic Defense (CADE) approved the purchase transaction by OGX (now called Óleo e Gás Participações – OG Par) of 40% stake in Petrobras in BS - 4 Block, in Santos basin. BS-4 Block also has Barra Energia Brazil Oil and gas Ltda 30% stake partner.

In September 2013, the consortium BM-S-8 has decided to relinquish part of the Evaluation Plan Area that includes Bem-Te-Vi, due to the lack of economic potential. In the end of March, the Consortium made the decision to return the Biguá area to the ANP, specially motivated by the relinquishment of the Abaré Oeste discovery by the Consortium of Block BM-S-9. Currently, the remaining area of the block is 392 km²

The Consortium has decided to return Block BM-S-12 to the ANP. The reason for this decision was that the planned development of the Block involved gas transportation infrastructure that was intended to serve multiple adjoining blocks. These blocks have been returned to the ANP and, as a result, there would be no way to transport gas from BM-S-12, and the project has no economic value. The relinquishment of this Block was recognized in the financial statements of December 31, 2013.

QGEP is in the process of contracting the acquisition of 3D seismic data for the blocks Foz do Amazonas, Pará-Maranhão, Ceará, Pernambuco-Paraíba e Espírito Santo basins that was awarded in the ANP's 11th Bidding Round in 2013. The drilling of wells, that we have a primary commitment, is expected to start in 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the individual and consolidated interim financial information are described below:

2.1. Statement of Compliance

The consolidated financial information of the Company comprise:

- The interim consolidated financial information has been prepared in accordance with CPC 21 - Interim Financial Reporting and with the international standards IAS 34 - Interim Financial Reporting issued by the International Accounting Standards Board - IASB.
- The interim individual financial information of the parent company has been prepared in accordance with CPC 21 - Interim Financial Reporting.

The accounting practices adopted in Brazil comprise those included in the Brazilian Corporate Law and the Accounting Pronouncements Committee - CPC and approved by the Brazilian Securities Exchange Commission (CVM).

The interim individual financial information presents the investment in subsidiaries under the equity method of accounting, according to Brazilian law. Thus, the quarterly individual financial information are not considered to be in accordance with IFRS, which explicitly states that such investments should be reported in the individual interim financial information of the Parent Company at their cost or at fair value.

As there is no difference between the consolidated shareholders' equity, and consolidated Income Statement assigned to the Company's shareholders, listed in the interim individual financial information prepared in accordance with IFRS and the accounting practices adopted in Brazil and the shareholder's equity and Income Statement in the Parent Company, issued in accordance with accounting practices adopted in Brazil, the Company opted for presenting these interim financial information as one, side by side.

2.2. Basis of preparation

The interim financial information has been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values, as explained in the accounting policies below. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The summary of principal accounting policies followed by the Company is shown below:

2.3. Basis of consolidation and investment in subsidiaries

The interim consolidated financial information includes the financial information of the Company and its subsidiaries. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The income of subsidiaries acquired, alienated or incorporated during the year are included in the consolidated information of income and comprehensive income from the effective date of acquisition, alienation and incorporation, as applicable.

In the individual interim financial information of the Company, the interim financial information of direct and indirect subsidiaries are recognized under the equity method.

When necessary, adjustments are made to the interim financial information of subsidiaries to bring their accounting policies into line with those used by the Company and its subsidiaries. All related parties transactions, balances, income and expenses are fully eliminated on consolidated financial information, except for the investment in joint venture.

Company's ownership interests in subsidiaries

On June 30, 2014, the Company's interim financial information includes the financial information of its subsidiary, direct and indirect, listed below:

	<u>Country operation</u>	<u>Control</u>	<u>Percentage of shareholding - %</u>	
			<u>06/30/2014</u>	<u>12/31/2013</u>
QGEP	Brazil	Direct	100%	100%
QGEP International	Austria	Direct	100%	100%
QGEP B.V.	Netherlands	Indirect	100%	100%

2.4. Joint Venture

Joint venture is the contractually agreed sharing of control of an arrangement whereby the Company has an economic activity subject to joint control, in which decisions on strategic financial and operating policies related to the activities of the joint venture require the approval of all parties sharing control.

Joint venture agreements that involve the establishment of a separate entity in which each party holds an interest are referred to as jointly controlled entities.

The QGEP B.V., an indirect subsidiary, recognizes its interest in jointly controlled entities in financial information using the equity method.

Company's investments in joint venture

	<u>Country operation</u>	<u>Control</u>	<u>Type of business</u>	<u>Percentage of shareholding - %</u>	
				<u>06/30/2014</u>	<u>12/31/2013</u>
AFBV	Netherlands	Indirect	Joint Venture	30%	30%

2.5. Segment information

The Management conducted an analysis and concluded that QGEPP operates with a single segment, being Exploration and Production (E&P) of oil and gas. Additionally, net sales revenue is substantially derived from transactions with Petrobras in Brazil.

2.6. Cash and cash equivalents

They are held in order to cash commitments for short-term and consist of the balance of cash, bank deposits in cash and short-term investments with highly liquid and insignificant risk of changes in value.

2.7. Inventories

Represented by assets acquired from third parties in the form of materials and supplies to be used in exploratory and development drilling campaign. After used, these materials are reclassified from inventory to fixed assets. Inventories of materials are recorded at acquisition costs and adjusted, when applicable, to realizable value (Explanatory note 7).

2.8. Current and noncurrent assets and liabilities

Current and noncurrent assets and liabilities are stated at realizable value and/or settlement amounts, respectively. Inflation adjustments, changes in exchange rates, income earned and charges incurred, when applicable, are recognized on a pro rata basis to the balance sheet date.

2.9. Exploration expenses, development and production of oil and gas

For exploration, development and production expenditure of oil and gas, the Group, follow the accounting practices adopted in Brazil, uses accounting principles in line with international standards IFRS 6 - "Exploration for and evaluation of mineral resources".

The relevant expenditures for maintenance of production units, which include spare parts, assembly services, are recorded in property plant and equipment, if the recognition criteria in IAS 16 (CPC 27) are met. These maintenances occur, on average, every five years and costs are depreciated until the beginning of the next stop and recorded as cost of production.

IFRS 6 allows the Management to define the accounting policy for recognition of exploration assets in exploration of mineral reserves. The Management has defined the accounting policy for exploration and evaluation of mineral reserves considering the criteria that represent the best judgment aspects of business environment and reflect more adequately financial and equity position. The main accounting principles adopted are:

- Rights of exploration concession and signing bonus are recorded as intangible assets;
- Drilling costs of such viability assessments were not concluded remain capitalized on fixed assets until the conclusion. Exploratory costs of all production wells and of successful exploration wells related to economically viable reserves are capitalized while non-viable ("dry hole") are recorded directly in income on account for oil and gas exploration expenditures.

- Other exploration expenses not related to the signing bonus are recorded in the income statement in exploration expenditure for oil and gas extracting (costs related to acquisition, processing and interpretation of seismic, drilling campaign planning, licensing studies, payment for occupation and retention area, environmental impact and others).
- For farm-in transactions the Company has contracts that support partner for financial expenses for exploration who proceeded the selling participation in exploration blocks ("Farmor") and/or "carry." These committed expenditures are reflected in the financial statements when their progress for future exploration expenditure.

Property, plant and equipment represented by natural gas exploration, development and production assets in the Manati field are recorded at cost and amortized under the unit-of-production method, in which the charge for the year is based on the ratio between the annual volume produced and the total proved reserve of the producing field. Proved reserves used to calculate amortization in relation to the monthly production volume are estimated by external geologists and petroleum engineers in accordance with international standards and reviewed annually or when there is an indication of significant change. Nowadays, expenses related to Manati field are being amortized, for being the only Field in production at the moment.

Fixed assets are recorded to acquisition cost, including interest and other financial charges of loans used in the formation of qualifying assets less accumulated depreciation and amortization.

The gain or loss arising from the sale or alienation of property, plant and equipment is determined by the difference between the residual value of the asset and any income received on disposal and is recognized in the results for the year in which the event occurred.

The Group records expenditure on acquisitions of exploration concessions as intangible assets, which principally includes the signature bonus related to licensing rounds to obtaining concession for oil or natural gas. These are recorded at acquisition cost, adjusted, as applicable, to recoverable value and amortized under the unit of production method in relation to proved reserves.

Management conducts an annual qualitative assessment of its oil and gas exploration assets to identify events or circumstances which may be indicators of impairment, such as the following:

- The period for which the Company has the right to explore in a specific area has expired or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in a specific area is neither budgeted nor planned by the Company or its partners;
- Exploration and evaluation in a specific area have not led to the discovery of commercially viable quantities of reserves or resources and the Company has decided to discontinue such activities in that specific area;
- Sufficient data exist to indicate that, although a development in a specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

The future liabilities for decommissioning of the production area is recorded at the time of the drilling of the well after the declaration of commerciality for each field, and as soon as there is a legal or constructive obligation to decommissioning the area and also when there is the possibility of measuring the costs with reasonable safety as part of related assets' cost (fixed assets) and a corresponding provision for abandonment recorded in liabilities can be made to support future expenses (Note 16). The provision for abandonment is reviewed annually by Management, adjusting the values of the assets and of the liabilities already accounted. Reviews in the calculation basis of the estimative expenses are recorded as cost of assets and exchange differences found are allocated directly in the income statement.

2.10. Impairment of Assets

In accordance with CPC 01 (“Redução do Valor Recuperável dos Ativos”), and criteria defined in note 2.9, the Company annually reviews the carrying values of its property, plant, equipment, intangible and other non-financial assets to determine whether there is any indication that those assets are impaired, or when significant events or changes in circumstances indicate that the carrying amount may not be recoverable.

When applicable, if there is loss, arising from situations in which the asset's carrying amount exceeds its recoverable amount, defined as the higher value between the asset's value in use and value of net asset sale. If the book value exceeds the recoverable value, this loss is recognized in the income for the period.

QGEPP's management did not identify changes in circumstances, evidence of technological obsolescence or other indication that property, plant and equipment items used in operations might be impaired, and concluded that for the period ended June 30, 2014 the recognition of an impairment provisions for its property, plant and equipment was not required.

2.11. Borrowings and financing

Borrowings and financing are initially recognized, when applicable, when funds are received at fair value net of any transaction costs. Then, are measured at amortized cost, including charges, interest pro rata temporis, inflation adjustments and exchange differences contractually incurred up to the balance sheet date.

2.12. Provision for judicial lawsuits

The provision for tax, civil and labor risks consists of the risks which settlement is probable based on the opinion of Management and external legal advisors, and values are recorded based on estimated costs of the outcomes of these processes. Contingent risks assessed as “possible loss” are disclosed by Management but not recognized (Note 15).

2.13. Revenue and expense recognition

Revenues and expenses are recognized on the accrual basis. Sales revenue is recognized when the risks and rewards of ownership are transferred to the counterparty.

2.14. Income tax and social contribution

Income tax and social contribution are calculated and recorded based on the effective rates prevailing at the balance sheet date. Deferred taxes are recognized for temporary differences taxes losses and negative basis of social contribution, when applicable, only up to the amount that realization is considered probable by Management.

2.15. Tax incentives

As the Company's subsidiary QGEP is located in the region under the jurisdiction of the Northeast Development Authority (SUDENE), it is entitled to income tax relief of 75%, calculated on its operating profit during a ten-year period. QGEP was granted this benefit since year ended in December 31, 2008. The amounts was initially allocated to income and subsequently allocated to the income reserve in equity under tax incentives, for the indirect subsidiary Manati, until the date to be incorporated by QGEP. The formal transfer of the benefit, due to the incorporation, was approved in April 2013. According Decree 64.214/69, QGEP is eligible for the benefit for succession pursuant to the incorporation of its wholly owned subsidiary Manati.

2.16. Share Based Payments Arrangement

Equity-settled share-based payments to employees, services are measured at the fair value of the equity instruments at the grant date, as described in Note 24iii.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a accelerated basis over the vesting year, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits "Stock Option".

2.17. Shares held in treasury

Equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the income statement in the purchase, sale, issuance or cancellation of Group equity instruments. Any difference between book value and counter entry is recognized in other capital reserves.

2.18. Financial instruments

Financial assets and liabilities are recognized when an entity of Group becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

2.19. Financial assets

Financial assets are classified into the following specified categories: (i) financial assets “at fair value through profit or loss” (FVTPL), (ii) ‘held-to-maturity’ investments, (iii) “available-for-sale” (AFS) financial assets and (iv) ‘loans and receivables’. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

2.19.1. Financial assets at fair value through the profit or loss

Includes financial assets maintained for negotiation (ie acquired mainly for sale in the short term), or designated at fair value through profit or loss. Interest, monetary correction and exchange rate changes arising from the valuation at fair value are recognized in income as financial income or expenses as incurred. The Group has cash equivalents (CDB’s, debentures committed and exclusive investment funds) and short-term investments classified in this category.

2.19.2. Investments held-to-maturity

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the contractual obligation, the positive intent and ability to hold to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortized cost using the effective interest method less any impairment. The Group has restricted cash classified in this category.

2.19.3. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less any impairment.

Interest income is recognized by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The Group has accounts receivable and bank deposits (cash equivalents) under this class.

2.19.4. Impairment of financial assets

Financial assets, except those designated at fair value through profit or loss, are valued using impairment indicators at the end of each reporting period. Impairment losses are recognized if, and only if, there is objective evidence of impairment as a result of one or more events occurred after the initial recognition of the asset, with an impact on the estimated future cash flows.

For all other financial assets, objective evidence of impairment may include:

- Significant financial difficulty of the issuer or obligor; or
- Breach of contract, in the form of default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For financial assets carried at amortized cost, the amount of the impairment loss recognized is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognized in net income.

2.20. Financial liabilities

Financial liabilities are classified either as 'financial liabilities at fair value through profit or loss' or 'other financial liabilities'. The Group has no financial liabilities at fair value.

2.20.1. Other financial liabilities

Other financial liabilities (including borrowings) are measured at amortized cost.

The effective interest method is a method of calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

2.20.2. Derecognition of financial liabilities

The Group derecognizes financial liabilities when, the Company's obligations are discharged, cancelled or they expire.

2.21. Functional currency

The functional currency of QGEPP and its subsidiary used in preparation of the interim financial information is the currency of Brazil - Real (R\$), being the one that best reflects the primary economic environment that the Company operates and how it is managed. Indirect and direct Subsidiaries headquartered in Netherlands and Austria respectively and joint venture, headquartered in Netherlands, have American dollars (US\$) as its functional currency. The interim financial information of subsidiaries and jointly controlled entities are presented in Reais (R\$), which is the functional and presentation currency of QGEPP.

This definition of functional currency was based on analysis of the following indicators, as described in the technical pronouncement CPC 02 (R2):

- Currency that most influences the prices of goods and services;
- Currency in which they are earned or invested substantially on the resources of financial activities;
- Currency in which are normally accumulated amounts received from operating activities (sale of oil products).

2.21.1. Foreign currency conversion

Financial interim information is presented in Brazilian currency - Reais (R\$), which is the functional and presentation currency of the parent company. Assets and liabilities of foreign subsidiaries are converted into reais at the exchange rate at the balance sheet date, and the related statements of income are converted at an average exchange rate of the period. Exchange differences arising on the translation are recognized separately in equity in the statement of comprehensive income, at cumulative adjustment conversion line.

2.22. Value Added Statement (“DVA”)

The purpose of this statement is to disclose the wealth created by the Group and its distribution during a certain reporting period, and it is presented as required by the Brazilian Corporate Law, as an integral part of its individual interim financial information, and as additional disclosure of the consolidated interim financial information, since this statement is not required by IFRSs.

The statement of value added was prepared using information obtained in the same accounting records used to prepare the financial interim information and pursuant to the provisions of CPC 09 - Statement of Value Added. Firstly, this statement presents the wealth created by the Group, which is represented by revenues (gross sales revenue, including taxes thereon, other revenues and the effects of the allowance for doubtful accounts), inputs acquired from third parties (cost of sales and purchases of materials, electric power and outsourced services, including taxes levied at the time of the purchase, effects of losses and recovery of assets, depreciation and amortization) and value added received from third parties (equity in earnings (loss) of subsidiaries, financial and other income). The second part of the statement of value added presents the distribution of wealth among personnel, taxes, fees and contributions, lenders and lessors, and shareholders.

2.23. Statement of cash flows

This statement is prepared according to CPC03 (R2)/IAS7 through the indirect method. The Company classifies as cash and cash equivalents balances of cash immediately convertible into cash and highly liquid investments (typically with maturities less than three months) subject to an insignificant risk of changes in value.

Cash flows are classified in the statement of cash flows, depending on their nature: (i) operating activities, (ii) investing activities, and (iii) financing activities. Operating activities include primarily collections from customers and related parties, and payments to suppliers, staff, taxes and financial charges. The cash flows from investing activities primarily include acquisitions and disposals of investments, deposits and withdrawals and judicial payments and receipts arising from the sale of fixed assets.

Cash flows from financing activities covered primarily include payments and receipts relating to loans and financing obtained, derivative financial instruments and payments of dividends and interest on capital.

2.24. Net income per share

The basic earnings per share is calculated based on dividing net income on price weighted average number of common shares held by shareholders, excluding treasury shares during the period.

2.25. New and revised standards and interpretations

- a) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Company.

The Company did not early adopt the following new and revised pronouncements and interpretations, relating to its operations, already issued but not yet in effect:

Pronouncement or interpretation	Description	Applicable to fiscal years beginning on or after
IFRS 9/CPC 14	Financial instruments - Measurement and classification	January 1, 2015
IFRS 14	Regulatory deferral accounts	January 1, 2016
IFRS 15	Revenue from contracts with customers	January 1, 2017

- b) Standards, amendments and interpretations to existing standards with initial adoption from January 1, 2014:

The standards listed below, about Company information, have been published and are mandatory for accounting periods beginning on or after January 1, 2014 or subsequent periods.

Pronouncement or interpretation	Description	Applicable to fiscal years beginning on or after
IAS 32 / CPC 39	Financial instruments - Presentation	January 1, 2014
IAS 36 / CPC 01 (R1)	Impairment of assets	January 1, 2014
IAS 39 / CPC 38	Financial instruments - Recognition and measurement	January 1, 2014
IFRIC 21	Levies	January 1, 2014

3. MANAGEMENT HAS ASSESSED THESE STANDARDS AND INTERPRETATIONS AND CONCLUDED THAT THEY DON'T HAVE MATERIAL EFFECTS IN ITS INTERIM FINANCIAL INFORMATION. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In applying the Group's accounting policies described in Note 2, management must make judgments and develop estimates regarding the carrying values of assets and liabilities for which are not easily obtained from other sources. The estimates and associated assumptions are based on historical experience and other factors deemed relevant. Actual results could differ from these estimates, when it's effective realization in subsequent periods.

The main estimates used refer to record the effect of the provision for tax, civil and labor, depreciation of fixed assets and intangible assumptions for determining the provision for abandonment and decommissioning of areas, expected realization of tax credits and Other assets, provision for income tax and social contribution and the valuation of financial instruments and determining the fair value of derivative financial instruments, including financial assets held to maturity.

The estimates and assumptions are reviewed continuously. The effects of revisions to accounting estimates are recognized prospectively.

3.1. Key judgments in applying accounting policies

3.1.1. Held-to-maturity investments

The management has reviewed the Group's held-to-maturity financial assets in the light of its capital maintenance and liquidity requirements and has confirmed the Group's positive intention and ability to hold those assets to maturity. The carrying amount of the held-to-maturity financial assets is R\$14,979 on June 30, 2014. More details about these assets are described in Note 9.

3.2. Key sources of estimation uncertainty

Below, are the main assumptions about the future and other key sources of estimation uncertainty used which can lead to significant adjustments in accounting amounts of assets and liabilities in the next period:

3.2.1. Valuation of financial instruments

The Group uses valuation techniques that include inputs that are not based on observable market data to estimate the fair value of certain types of financial instruments. Note 23 provide detailed information about the key assumptions used in the determination of the fair value of financial instruments, as well as the detailed sensitivity analysis for these assumptions.

Management believes that the chosen valuation techniques and assumptions used are appropriate in determining the fair value of financial instruments.

3.2.2. Fixed assets and intangible assets

As described in Note 2.9, Management reviews annually the estimated useful life of fixed assets at the end of each year. During the period, the Management concludes that useful life for fixed assets was adequate and adjustments were not required.

3.2.3. Deferred income tax and social contribution

The Group records deferred tax assets related to temporary differences arising between the accounting bases of assets and liabilities and the tax bases. Deferred tax assets are recognized to the extent that the Group expects to generate sufficient future taxable income based on projections and forecasts prepared by management. Such projections and forecasts statements include several assumptions related to the Group's performance, exchange rates, volume of production and other rates and factors that may differ from current estimates.

According to current Brazilian tax law, there is no deadline for the expiry of tax losses. However, the accumulated tax losses can be compensated only up to 30.0% of annual taxable income.

3.2.4. Provision for tax, civil and labor judicial lawsuits

The provision for tax, civil and labor risks are recorded and/or disclosed unless the possibility of loss is considered remote by our legal advisors. These contingencies are arranged in notes of the financial interim information (Note 15).

The booking of the provision for tax, civil and labor risks on a particular liability on the financial interim information is made when the value of the loss can be reasonably estimated. By their nature, contingencies will be solved when one or more future events occur or fail to occur. Typically, the occurrence of such events not depends on our performance, which hampers the realization of precise estimates about the precise date on which such events are recorded. Assessing such liabilities, particularly in the uncertain legal environment in Brazil, and other jurisdictions involve the exercise of significant estimates and judgments of management regarding the results of future events.

3.2.5. Amortization of fixed and intangible assets and provision for abandonment and dismantling of areas

The estimates of proved reserves and probable reserves are periodically evaluated and updated. The proved and probable reserves are determined by using techniques which are generally accepted geological estimates. The calculation of reserves requires the Company to assume that positions of future conditions are uncertain, including Oil futures exchange rates, inflation rates, availability of licenses and production costs. Modifications in some of these assumptions could have a significant impact on proved reserves and probable reserves recorded.

The estimated volume of reserves is the basis for calculating the portion of amortization and its estimated useful life is a major factor to quantify the provision of abandonment and dismantling of their areas if there is a write-down of fixed assets. Any changes in estimates of the volume of reserves and in the life of assets linked to them may have significant impact on depreciation charges, in the financial statements as cost of Products sold. Changes in estimated useful life may have a significant impact on estimates of the provision for abandonment (Note 2.9), of its recovery after the write-down of fixed assets and of impairment analysis.

The methodology for calculating this provision for abandonment consists in estimating on the date of presentation how much the Company would disburse with incurred costs and decommissioning of development and production areas.

This provision for abandonment is reviewed annually by Directors by adjusting the values assets and liabilities. Revisions in estimates of expenditure are recognized as cost of assets and exchange differences are allocated directly to income (Note 16).

Exploration expenditure (expenses on successful drilling or evaluation) and signing bonus are capitalized and maintained according accounting practices as described in Note 2.9. The initial capitalization of expenses and maintenance is based on qualitative judgment of Management and viability is confirmed by the exploration in progress activities and operations planned by the committee of the consortium.

3.2.6. Provision for profit sharing

The profit sharing paid to employees (including key personnel) is based on achievement of performance metrics, financial measures and quality, individual goals of employees, determined annually. This provision is set monthly and is recalculated at the end of the year based on the best estimate of the achieved goals as set out in the annual budget process.

4. CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

a) Cash and Cash Equivalents

	Parent		Consolidated	
	<u>06/30/2014</u>	<u>12/31/2013</u>	<u>06/30/2014</u>	<u>12/31/2013</u>
Cash and bank deposits	46	31	51,590	36,654
CDBs and debentures	-	237	71,043	75,283
Exclusive investment fund	-	-	<u>93,802</u>	<u>245,828</u>
Total	<u>46</u>	<u>268</u>	<u>216,435</u>	<u>357,765</u>

Cash and cash equivalents are concentrated in Banks Certificates of Deposit post fixed (CDB) and repurchase agreements (with debentures as guarantee), shares of exclusive investment funds and short term time deposits indexed to USD dollars (QGEP B.V.). With exception of the Time Deposit, the profitability is indexed to the Interbank Deposit Certificate (CDI) rate, possessing immediate liquidity, without impacts to the principal and earnings when redeemed.

Fund Composition:

<u>Product</u>	<u>Consolidated</u>	
	<u>06/30/2014</u>	<u>12/31/2013</u>
Committed (debentures)	43,070	40,991
CDB/ CDI (post-fixed)	<u>50,732</u>	<u>204,837</u>
Titles classified as cash and cash equivalents	<u>93,802</u>	<u>245,828</u>

b) Short-term investments

	<u>Parent</u>		<u>Consolidated</u>	
	<u>06/30/2014</u>	<u>12/31/2013</u>	<u>06/30/2014</u>	<u>12/31/2013</u>
Exclusive investment fund	<u>4,538</u>	=	<u>791,212</u>	<u>647,954</u>
Total	<u>4,538</u>	=	<u>791,212</u>	<u>647,954</u>

The Company has a multimarket exclusive investment fund, without perspective for resource's utilization in a period of 90 days from date of application, that applies exclusively in shares of fixed income funds, backed by public bonds, indexed to Selic, and private securities indexed to the rate of CDI and an exchange fund according to Company protection policies. The portfolios of investment funds are composed of exclusive titles and balances demonstrated below:

Fund Composition:

<u>Product</u>	<u>Parent</u>		<u>Consolidated</u>	
	<u>06/30/2014</u>	<u>12/31/2013</u>	<u>06/30/2014</u>	<u>12/31/2013</u>
Committed (debentures)	4,538	-	85,815	19,696
CDB/ CDI (post-fixed)	-	-	97,996	58,493
Public bonds (LFT / NTN)	-	-	197,929	227,490
Public bonds (LFT and LTN/ Exchange fund)	-	-	222,051	159,449
Financial letter (Alfa, Banco do Brasil, Banrisul, Bradesco, CEF, HSBC, Itaú, Santander and Votorantim)	-	-	<u>187,421</u>	<u>182,826</u>
Titles classified as short term investments	<u>4,538</u>	-	<u>791,212</u>	<u>647,954</u>

c) Average profitability

The average return of cash equivalents and short-term investments was equivalent to 102.24% of the CDI Selic, accumulated for the six month period ended on June 30, 2014.

The variation of exchange fund, related to PTAX since date of application, in August 2013, was equivalent to 0.29 negative percentage points accumulated for the period ended on June 30, 2014.

5. ACCOUNTS RECEIVABLE

QGEP has a long term contract from 2007 (maturity until July, 2030) to supply a minimum annual volume of gas to Petrobras, for a price in reais, that is adjusted annually based on contractual index.

The balances of accounts receivable relate primarily to transactions of sale of gas with Petrobras, which historically have no defaults or delays. There was no allowance for doubtful accounts since the accounts receivable balance is comprised only of balance with average collection period of approximately 40 days.

6. CREDIT FROM PARTNERS

Relates to expenses incurred in E & P activities that are billed ("cash calls") or to be billed to non-operators JV partners in the respective consortium, or allocated to operators JV partners by QGEP.

Out of the amount of R\$70,422 recorded as of June 30, 2014, R\$31,502 refers to the share of OGX and the remaining amount belongs to other consortium members and consortiums (R\$38,920). Regarding the remaining balance recorded as receivables from JV partners, there is also no evidence of defaults or delays.

Considering the current status of OGX, which is under judicial recovery, QGEP is monitoring the request of judicial recovery in order to mitigate the risks associated of OGX's liquidity ability to make timely payments in Block BS-4 and its financial ability to meet investment commitments.

7. INVENTORIES

	Consolidated	
	<u>06/30/2014</u>	<u>12/31/2013</u>
Materials	44,658	47,769

Basically, variation refers to consumption of materials needed to carry out exploratory and development drilling campaign of BS-4.

8. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries, which are related parties, have been eliminated in consolidation and are not presented in this note. Information on transactions between the Company and other related parties is detailed below:

	Consolidated	
	<u>06/30/2014</u>	<u>12/31/2013</u>
<u>Assets - Noncurrent</u>		
Accounts receivable - AFBV (a)	2,021	479
Accounts receivable - QGOG (c)	<u>12</u>	<u>-</u>
Total	<u>2,033</u>	<u>479</u>

	Consolidated	
	<u>06/30/2014</u>	<u>12/31/2013</u>
<u>Liabilities - Current</u>		
Accounts payable - QGOG (b)	7	8
Accounts payable - AFBV (d)	<u>272</u>	<u>-</u>
Total	<u>279</u>	<u>8</u>

	Consolidated			
	<u>04/01/14</u> <u>to 06/30/14</u>	<u>01/01/14</u> <u>to 06/30/14</u>	<u>04/01/13</u> <u>to 06/30/13</u>	<u>01/01/13</u> <u>to 06/30/13</u>
<u>Income</u>				
General and administrative expenses (b)	18	41	183	415
Sale of fixed assets (c)	-	12	-	-

- (a) Refers to services from QGEP to AFBV regarding technical consultancy for acquisition by foreign subsidiary of subsea equipment (Christmas tree and VSD).
- (b) Due to provide of administrative services rendered by QGOG to QGEP. The costs incurred were allocated between the companies based on the efforts required for each corporate activity, with a maturity of 35 days. In case of delay in settlement, interest of 1% p.m. will be charged.
- (c) Refers to sale of furniture from QGEP to Queiroz Galvão Óleo e Gás S.A.
- (d) Refers to exploration and development expenditures incurred by AFBV to be charged by the parent QGEP. These amounts are indexed in US Dollars.

8.1. Management Compensation

Includes fixed remuneration (wages and salaries, vacation, 13th salary and pension), social contributions (contributions to Social Security - INSS, FGTS, and others), the variable remuneration and stock option plan of key personnel in the administration is presented in the table below:

	Parent			
	<u>04/01/14</u> <u>to 06/30/14</u>	<u>01/01/14</u> <u>to 06/30/14</u>	<u>04/01/13</u> <u>to 06/30/13</u>	<u>01/01/13</u> <u>to 06/30/13</u>
Short term benefits	765	1,428	649	1,226
	Consolidated			
	<u>04/01/14</u> <u>to 06/30/14</u>	<u>01/01/14</u> <u>to 06/30/14</u>	<u>04/01/13</u> <u>to 06/30/13</u>	<u>01/01/13</u> <u>to 06/30/13</u>
Short term benefits	1,729	3,358	1,596	6,876
Stock option plan	1,127	2,608	1,541	3,090

The Company does not offer post-employment benefits, long-term benefits and/or benefits of employment contract cancellation, except retirement benefit plan as described in Explanatory Note 27.

9. RESTRICTED CASH

	Consolidated	
	<u>06/30/2014</u>	<u>12/31/2013</u>
Abandonment fund (a)	<u>14,979</u>	<u>4,167</u>
Total Restricted cash	<u>14,979</u>	<u>4,167</u>

(a) The abandonment fund is represented by investments held for the payment of the provision for dismantlement of Manati Field, which are managed by Petrobras (abandonment fund - see Note 16) and fully applied in Banco Bradesco. The average fund profitability was 0.46 negative percentage points for the period ended June 30, 2014 (10.17% for the year ended December 31, 2013).

10. TAXES

10.1. Recoverable taxes:

	Parent		Consolidated	
	<u>06/30/2014</u>	<u>12/31/2013</u>	<u>06/30/2014</u>	<u>12/31/2013</u>
Prepaid income tax and social contribution	-	-	5,694	-
Income tax (WIT) on short-term investments (a)	10	-	4,553	9,676
Recoverable taxes	-	27	426	426
Others (b)	<u>-</u>	<u>-</u>	<u>625</u>	<u>615</u>
Total	<u>10</u>	<u>27</u>	<u>11,298</u>	<u>10,717</u>
Current	<u>10</u>	<u>27</u>	<u>10,859</u>	<u>10,380</u>
Non-current	<u>-</u>	<u>-</u>	<u>439</u>	<u>337</u>

(a) Credits refer to a semiannually charging system of income tax on the profitability of the investments funds, called “come cotas”. This amount is calculated based on the lower tax rate of each fund type (percentage of 20% for short-term funds and 15% for long term funds).

(b) Refers to ICMS on fixed assets.

10.2. Taxes payable

	Parent		Consolidated	
	<u>06/30/2014</u>	<u>12/31/2013</u>	<u>06/30/2014</u>	<u>12/31/2013</u>
State VAT (a)	-	-	4,836	5,170
Social contribution	-	-	-	1,534
Income tax	51	42	693	1,233
Taxes on revenue (PIS/COFINS) (a)	-	-	13,921	13,788
Royalties (b)	-	-	3,288	3,309
Special participation (b)	-	-	2,670	2,946
Others (c)	<u>-</u>	<u>-</u>	<u>1,887</u>	<u>2,079</u>
Total current	<u>51</u>	<u>42</u>	<u>27,295</u>	<u>30,059</u>

- (a) Taxes on the sale of natural gas produced in the Manati field.
- (b) Government taxes on gas produced in the Manati field, as described in Note 21.
- (c) Debts refer to social security (INSS) upon self-employed professionals; PIS, COFINS and Social Contribution retentions; ISS retention on services provided by third parties, as well as Contribution of Intervention in the Economic Domain (CIDE) on import of services.

10.3. Reconciliation of income tax and social contribution expenses in income:

	Parent			
	04/01/14 to 06/30/14	01/01/14 to 06/30/14	04/01/13 to 06/31/13	01/01/13 to 06/30/13
Income before income tax and social contribution	53,558	78,658	30,147	95,872
Statutory rates	<u>34%</u>	<u>34%</u>	<u>34%</u>	<u>34%</u>
Income tax and social contribution expenses at statutory rates	(18,210)	(26,744)	(10,250)	(32,596)
Adjustment of taxes at effective rate:				
Shareholders' equity	18,505	27,404	10,486	33,151
Tax losses not recognized (a)	(291)	(664)	(236)	(555)
Nondeductible expenses (Income not taxable)				
Permanents			-	-
Temporary	3	4	-	-
Deferred income tax and social contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Current income tax and social contribution	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

- (a) Refers to tax losses and negative basis. On June 30, 2014, QGEPP had tax losses and negative basis of social contribution in the amount of R\$68,477 (R\$66,523 at December 31, 2013), and QGEPP does not record deferred tax assets for income tax and social contribution arising from tax losses of income tax or negative basis of social contribution because there is no history of fiscal profitability until the current date and for the fact that the Company is a holding Company.

	Consolidated			
	<u>04/01/14 to 06/30/14</u>	<u>01/01/14 to 06/30/14</u>	<u>04/01/13 to 06/30/13</u>	<u>01/01/13 to 06/30/13</u>
Income before income tax and social contribution	58,858	100,780	31,672	102,952
Statutory rates	<u>34%</u>	<u>34%</u>	<u>34%</u>	<u>34%</u>
Income tax and social contribution expenses at statutory rates	(20,011)	(34,266)	(10,768)	(35,004)
Adjustment of taxes at effective rate:				
Tax incentives (a)	15,326	15,326	5,079	18,904
Non deductible expenses (Income not taxable)				
Permanents (b)	(953)	(3,319)	4,990	2,868
Temporary (c)	702	896	(4,981)	(4,432)
Taxes losses not recognized (d)	(361)	(759)	(236)	(555)
Taxes losses compensation	-	-	4,395	11,143
Income tax and social contribution	(5,297)	(22,122)	(1,525)	(7,080)
Current Income tax and social contribution	(3,509)	(3,509)	(1,525)	(7,080)
Deferred income tax and social contribution	(1,788)	(18,613)	-	-

(a) Tax incentive calculated on the operating profits of the Manati operations (Note 2.15).

(b) Main additions refer to stock option plan.

(c) Main additions refer to amortization and review of abandonment provision.

(d) Refers basically to tax losses and negative basis of QGEPP.

10.4. Deferred income tax and social contribution

Deferred income tax and social contribution assets arise from expenses and temporarily non-deductible expenses/provisions recorded in profit or loss of the subsidiary QGEP, on which will be deducted taxable income and social contribution base in future years for tax calculation and calculate the deferred social contribution on the balance of accumulated negative basis from prior years.

	<u>Consolidated</u>
<u>Assets</u>	
Balance on December 31, 2013	22,477
Temporary differences:	
Write-off well provision reversal	(15,408)
Profit and sharing Program	(3,774)
CSLL negative basis	(1,503)
Payable Accruals	<u>2,072</u>
Balance on June 30, 2014	<u>3,864</u>

The Company estimates that the realization of deferred tax assets will be held on the next 12 months in proportion to the provisions and the final resolution of future events, both on projections made by Management.

10.5. Law 12.973/2014

Management performed a preliminary review of the provisions of Law 12.973/2014 resulting from the conversion into law of MP 627 of November 11, 2013 ("MP 627") and Instruction 1397, of September 16, 2013, as amended by IN 1422 of December 19, 2013 ("IN 1397 "). Although the Law 12.973/2024 comes into force on January 1, 2015, there is the possibility of an early adoption (irreversibly) of its implementation on January 1, 2014.

Because of several discussions and remaining uncertainties in the market regarding the interpretation of the above provisions, the Administration has not yet concluded whether it will make the option for early adoption in 2014. Based on the preliminary assessment carried out and the current understanding of the market, Management believes that there will be no material effect on the Company's Financial Statements.

11. INVESTMENTS

11.1. Composition

Details of the Company's subsidiaries at period ended are presented below:

Participation	Name of subsidiary	Place of incorporation and operation	Participation capital and total voting detainees %
Direct	Queiroz Galvão Exploração e Produção S.A.	Brazil	100%
Direct	QGEP Internacional GmbH	Austria	100%
Indirect	QGEP B.V.	Netherlands	100%
Indirect	Atlanta Field B.V	Netherlands	30%

11.2. Equity method Investments

Data on investments and financial information on June 30, 2014 for calculating the equity pick up on direct and indirect subsidiary QGEP, is as follows (R\$):

	<u>QGEP</u>	<u>QGEP GmbH</u>	<u>QGEP B.V.</u>	<u>AFBV</u>
	<u>R\$</u>	<u>R\$</u>	<u>R\$</u>	<u>R\$ (*)</u>
Number of ordinary shares	191,262,711	1	1,000	3,000
Percentage of participation	100%	100%	100%	30%
Capital stock	2,042,553	109	2	20
Shareholders' equity	2,428,127	68	22,304	50,010
Net income	80,627	(26)	(833)	(1,940)
Assets	3,041,915	67	22,477	52,518
Liabilities	613,788	-	173	2,508
Net revenue	253,470	-	-	277

(*) Total of 100% AFBV

Changes in investments of QGEPP presented in individual and consolidated financial statements are as follows:

	Parent			Consolidated
	QGEP	International	Total	
Balance at December 31, 2013	2,404,567	99	2,404,666	10,428
Capital increase	-	-	-	5,970
Stock option plan	4,988	-	4,988	-
Payment of Intermediary dividends (a)	(60,600)	-	(60,600)	-
Minimum mandatory dividends	-	-	-	-
Cumulative translation of adjustment of foreign companies	(1,455)	(5)	(1,460)	(812)
Equity (b)	<u>80,627</u>	<u>(26)</u>	<u>80,601</u>	<u>(582)</u>
Balance at June 30, 2014	<u>2,428,127</u>	<u>68</u>	<u>2,428,195</u>	<u>15,004</u>

- (a) Intermediary dividends was distributed from subsidiary QGEP in amount of R\$20,600 based on investments reserve balance on December 31, 2013, as approved on Extraordinary General Meeting, as described below in order to fund share buyback program, and QGEPP purpose was repurchase of shares in treasury to subsequently meet the Plan for Stock option. The amount of R\$40,000 refers to the distribution of additional mandatory minimum of net income for the year ended December 31, 2013

	Approval date	Amount paid R\$
Extraordinary General Meeting	01/21/2014	2,000
Extraordinary General Meeting	02/24/2014	18,600
Extraordinary General Meeting	04/16/2014	40,000
Total		60,600

- (b) Profit/Loss of subsidiaries for the period ended June 30, 2014.

11.3. Information about subsidiaries and joint ventures

- Queiroz Galvão Exploração e Produção S.A.

Constituted on October 16, 2009 under the name of Chania Participações S.A., subsequently changed to Queiroz Galvão Exploração e Produção S.A. on May 14, 2010, and was dormant until July 2, 2010 when QGOG subscribed to the capital of QGEP with the net assets of its exploration, development and production of oil and natural gas.

The objective of QGEP are exploration for oil and gas, production and trade of oil, natural gas and their derivatives, and investment in other entities substantially focused on related activities. Such investments may be as partner, shareholder or through other forms of association, with or without separate legal identity.

- QGEP B.V.

A wholly owned subsidiary of QGEP, headquartered in Rotterdam, Netherlands and the objective is to incorporate, manage and supervises companies; carry all types of commercial and industrial activities, and all things that are related to the activities described.

- Atlanta Field B.V.

An indirect subsidiary of QGEP and direct subsidiary of QGEP B.V. and OGX Netherlands Holding B.V. and FR Barra 1 S.À R.L as partners, is a privately held Dutch company and is engaged in the acquisition, budgeting, construction, purchase, sale, rental, lease or charter of materials and equipment to be used for the exploration and exploitation of the Concession Area and also acquire, manage, operate equipment, including equipment recorded to support the activities of the Group.

- QGEP International

A wholly owned subsidiary of QGEP, an Austrian company which objective is engaged in the acquisition of companies in Austria and abroad, constitution and management of subsidiaries in Austria and abroad and managing its assets.

12. PROPERTY, PLANT AND EQUIPMENT

	Depreciation and amortization rate %	Consolidated			
		06/30/2014			12/31/2013
		Cost	Depreciation and amortization	Net	Net
<u>Corporate segment</u>					
Furniture and fixtures	10%	2,417	(340)	2,077	1,719
Vehicles	20%	1,335	(425)	910	666
Improvement in third parties properties	20%	6,839	(2,103)	4,736	5,989
Computers - Hardware	20%	2,099	(801)	1,298	1,471
Land	=	<u>120</u>	<u>-</u>	<u>120</u>	<u>120</u>
Subtotal		<u>12,810</u>	<u>(3,669)</u>	<u>9,141</u>	<u>9,965</u>
<u>Upstream segment</u>					
Expenditure on exploration of natural resources in progress (i)	-	430,590	-	42,367	456,509
Expenditure on exploration of natural resources (ii)	(iii)	16,844	(14,623)	2,221	3,018
Expenditures on development of production oil and gas in progress (iv)	-	232,709(v)	-	232,709	103,112
Expenditure on the development of oil and gas production	(iii)	<u>958,477</u>	<u>(500,504)</u>	<u>457,973</u>	<u>510,855</u>
Subtotal		<u>1,638,620</u>	<u>(515,127)</u>	<u>1,123,493</u>	<u>1,073,494</u>
Total		<u>1,651,430</u>	<u>(518,796)</u>	<u>1,132,634</u>	<u>1,083,459</u>

(i) Expenditure on exploration in progress is not amortized until the completion of the exploration process.

(ii) Refers to discovery and delimited wells of the Manati field, which is already on operation.

(iii) The proved reserves used to calculate amortization (in proportion to monthly production volume) are estimated by external geologists and petroleum engineers in accordance with international standards. These estimates are revised annually or when there is evidence of significant change, see Note 21(b). The effects of any such changes in reserves on depreciation or amortization are recorded prospectively and do not affect charges in previous periods.

(iv) Expenditure on development in progress is not amortized until beginning of production.

(v) Until June 30, 2014, the amount of R\$ 3,150 was capitalized referent to financial expenses of FINEP loan – explanatory note 14 (R\$684 on December 31, 2013). Related fees are described on Note 14.

<u>Cost</u>	Consolidated					<u>Total</u>
	<u>Corporate expenditures on fixed assets</u>	<u>Expenditure on exploration of natural resources - in progress</u>	<u>Expenditure on exploration of natural resources</u>	<u>Expenditures on development of oil and gas in progress</u>	<u>Expenditures on development of oil and gas</u>	
Balance at 12/31/2013	12,385	456,509	16,844	103,112	956,001	1,544,851
(+) Additions of the period	545	5,855 (a)	-	129,597 (b)	2,476 (c)	138,473
(-) Disposals of the period	<u>(120)</u>	<u>(31,774) (d)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,894)</u>
Balance at 06/30/2014	<u>12,810</u>	<u>430,590</u>	<u>16,844</u>	<u>232,709</u>	<u>958,477</u>	<u>1,651,430</u>

Main additions and exclusions refer to (a) BM-J-2 in the amount of R\$3,210 and BMS-8 in the amount of R\$2,368, (b) BS-4-in the amount of R\$129,597, that includes expenses with drilling services (c) Manati Field in the amount of R\$2,476 and (d) relinquish of Biguá well and Carcara extension well, both located at BM-S-8 Block in the amount of R\$29,065 and R\$2,709, respectively.

<u>Depreciation and amortization</u>	<u>Corporate asset depreciation</u>	<u>Expenditure on Exploration amortization</u>	<u>Expenditures on Development amortization</u>	<u>Total</u>
Balance at 12/31/2013	(2,420)	(13,826)	(445,146)	(461,392)
(-) Additions of the period	(1,308)	(797)	(55,358)	(57,463)
(+) Disposals of the period	<u>59</u>	<u>-</u>	<u>-</u>	<u>59</u>
Balance at 06/30/2014	<u>(3,669)</u>	<u>(14,623)</u>	<u>(500,504)</u>	<u>(518,796)</u>

13. INTANGIBLE

	Consolidated				
	<u>Amortization rate %</u>	<u>Cost</u>	<u>Amortization</u>	<u>06/30/2014</u>	<u>12/31/2013</u>
Acquisition of exploration concession (i)	-	529,399	-	529,399	529,399
Signature bonus (ii)	-	97,675	-	97,675	97,675
Software	<u>20%</u>	<u>7,109</u>	<u>(1,951)</u>	<u>5,158</u>	<u>4,276</u>
Total		<u>634,183</u>	<u>(1,951)</u>	<u>632,232</u>	<u>631,350</u>

- a) Refers to participation rights of 10% in the block BM-S-8, located in the offshore Santos Basin in the total amount of R\$278,692 (US\$175,000) and participation right of 30% in Atlanta and Oliva fields (BS-4), located in the offshore Santos Basin in the total amount of R\$250,707 (US\$157,500).
- b) Expenditures for the acquisition of exploration rights from ANP which are not being amortized yet, as it refers to the concession areas in exploratory phase (Explanatory Note 21).

<u>Cost</u>	Consolidated			
	<u>Acquisition of exploration concession</u>	<u>Signing bonus</u>	<u>Software</u>	<u>Total</u>
Balance at 12/31/2013	529,399	97,675	4,276	631,350
(+) Additions for the period	-	-	1,526	1,526
(-) Disposals of the period (cost)	-	-	-	-
(-) Disposals of the period (amortization)	<u>-</u>	<u>-</u>	<u>(644)</u>	<u>(644)</u>
Balance at 06/30/2014	<u>529,399</u>	<u>97,675</u>	<u>5,158</u>	<u>632,232</u>

14. BORROWINGS AND FINANCING

Borrowing and financing intended primarily to finance evaluation projects and/or development of oil and natural gas reserves, and capital expenditures normally incurred for drilling and other services related to the Company's operations.

	06/30/2014	12/31/2013	Consolidated		
			Charges	Payment method	Maturity
<u>Nacional currency</u>					
FINEP- Financiadora de Estudos e Projetos	<u>169,568</u>	<u>169,563</u>	Subcredit A: 3,5% p.a. Subcredit B: 5% p.a.	Monthly	Sep/2023
Total	<u>169,568</u>	<u>169,563</u>	- 6,5% p.a. +TJLP (*)	Monthly	Sep/2023
Current	243	238			
Noncurrent	<u>169,325</u>	<u>169,325</u>			
Total	<u>169,568</u>	<u>169,563</u>			
Description	Jun-14				
TJLP annual	<u>5,00%</u>				

(*)The principal amount of debt related to the Subcredit A will be composed of 3.5% rata basis, per annum of interest.

The principal amount of debt related to the Subcredit B, interests will be composed of TJLP plus 5% per year related of SPREAD, reduced by the equivalent of 6.5% equalization per annum.

Changes in borrowings and financing:

Balance on 12/31/2013	169,563
(+) Interest charged	2,947
(-) Payment of interest	(2,942)
Total before borrowing costs	169,568
(-) Borrowing costs	<u>(1,456)</u>
Closing balance on 06/30/2014	<u>168,112</u>
Current	<u>243</u>
Noncurrent	<u>167,869</u>

The due date of the non-current installments of borrowing and financing are shown as follow:

<u>Maturity:</u>	<u>06/30/2014</u>
2016	7,968
2017	23,905
2018	23,905
2019 to 2023	<u>113,547</u>
Total	<u>169,325</u>

According to the contract, principal must be paid to FINEP in 85 monthly payments. The maturity of the first payment will be on 09/15/2016 and the others on the same day of the following months, the last occurring on 09/15/2023.

The agreement does not include clauses requiring compliance with financial covenants.

Loan is secured by corporate guarantee from parent QGEPP.

15. TAX, CIVIL AND LABOR JUDICIAL LAWSUITS

Management, based on the opinion of its external legal counsel and/or the terms of the relevant consortium based on the opinion of the Operator of Block concerned (which is responsible for monitoring demand), has concluded that there are no lawsuits for which the likelihood of an unfavorable outcome for the Company is probable; therefore no provision for loss on such risks has been recognized in this financial information.

The processes considered possible losses that have not been accrued in the financial statements are:

IMA

The process n° 0087249-25.2010.805.0001 considered as a possible loss was not accrued in the interim financial information is the result of the Tax Foreclosure fine imposed on Assessment Notice No. 2006-007365/TEC/AIMU-0343, issued on 11/22/2006. The offense relates to breach of condition determined by the Environment Institute (IMA), resulting in erosion and siltation of streams, when the installation of the pipeline between the cities of Guaibin and São Francisco do Conde, whose fine, updated, is R\$652.

Queiroz Galvão Exploração e Produção S.A. ("QGEP") successor by merger of Manati S.A. may be responsible for 45% of any contingency, in proportion to their participation in each concession contract and may involve repair damage and environmental responsibility.

IRRF and CIDE over affreightment

Non-payment of withhold income tax (IRRF) and Contribution of Intervention in the Economic Domain (CIDE) over remittances for payment of platforms' affreightment. This claim involves lawsuits in administrative stage in which the Company is accompanying the legal actions under responsibility of the operator "Petrobras". The amounts under discussion are approximately R\$28 million, regarding QGEP's participation.

Contracts with QGOG

Through an agreement made on October 28, 2010, the Company has agreed to indemnify QGOG for any claims related to E&P activities that may be imputed to that Company. In compensation, on January 18, 2011, the Company signed a contract with Constellation and QGOG Overseas, Ltd. ("Constellation"), whereby those companies were required to compensate for losses accruing in respect of all existing liabilities and contingent risk not related to E&P that will be allocated to the Company. Based on the opinion of outside legal counsel of QGOG and Constellation, the Company concluded that there are no probable cases of loss, hence no provision was recorded in the period presented in the interim financial information.

16. PROVISION FOR ABANDONMENT

The estimated cost for abandonment, informed by operator, was reviewed for the period end at June 30, 2014, according to notes 2.9 and 3.2.5. On June 30, 2014, this provision reflects the estimated expenses to be incurred, including but not limited to: (i) plugging of wells, and (ii) removing production equipment.

Changes in the provision for abandonment for the period ended on June 30, 2014:

	<u>Consolidated</u>
Balance at December 31, 2013	228,894
Additional provision - Block BS-4	10,015
Exchange differences in the period	<u>(14,037)</u>
Balance at June 30, 2014	<u><u>224,872</u></u>

17. NET REVENUE

	<u>Consolidated</u>			
	04/01/14 to 06/30/14	01/01/14 to 06/30/14	04/01/13 to 06/30/13	01/01/13 to 06/30/13
Gross revenue	<u>159,216</u>	<u>319,655</u>	<u>126,483</u>	<u>292,846</u>
Tax on revenue (PIS)	(2,552)	(5,127)	(2,028)	(4,695)
Tax on revenue (COFINS)	(11,755)	(23,614)	(9,341)	(21,627)
State VAT (ICMS)	(14,203)	(28,504)	(11,339)	(26,139)
Sales Return	(198)	(198)	-	-
Discounts - contractual reductions	(4,343)	(8,742)	(3,572)	(8,283)
Total of deductions	<u>(33,051)</u>	<u>(66,185)</u>	<u>(26,280)</u>	<u>(60,744)</u>
Net revenue	<u><u>126,165</u></u>	<u><u>253,470</u></u>	<u><u>100,203</u></u>	<u><u>232,102</u></u>

18. COSTS AND GENERAL AND ADMINISTRATIVE EXPENSES

18.1 Cost

	<u>Consolidated</u>			
	04/01/14 to 06/30/14	01/01/14 to 06/30/14	04/01/13 to 06/30/13	01/01/13 to 06/30/13
Extraction costs (*)	(17,156)	(32,932)	(27,244)	(37,993)
Royalties and special participation	(12,657)	(25,206)	(8,884)	(21,891)
Research and development	(1,239)	(2,640)	(1,265)	(2,928)
Amortization and depreciation	<u>(28,077)</u>	<u>(56,155)</u>	<u>(18,322)</u>	<u>(41,404)</u>
Total	<u><u>(59,129)</u></u>	<u><u>(116,933)</u></u>	<u><u>(55,715)</u></u>	<u><u>(104,216)</u></u>

(*) In 2013 includes R\$14,834 referred to cost of Maintenance of Manati.

18.2. General and Administrative Expenses

	Parent			
	<u>04/01/14</u> <u>to 06/30/14</u>	<u>01/01/14</u> <u>to 06/30/14</u>	<u>04/01/13</u> <u>to 06/30/13</u>	<u>01/01/13</u> <u>to 06/30/13</u>
Payroll	(752)	(1,431)	(651)	(1,211)
Services from third parties	(104)	(194)	(46)	(149)
Taxes and fees	(8)	(11)	(2)	(10)
Advertisements and publications	(45)	(332)	-	(234)
Other expenses	<u>(44)</u>	<u>(89)</u>	<u>(25)</u>	<u>(71)</u>
Total	<u>(953)</u>	<u>(2,057)</u>	<u>(724)</u>	<u>(1,675)</u>

	Consolidated			
	<u>04/01/14</u> <u>to 06/30/14</u>	<u>01/01/14</u> <u>to 06/30/14</u>	<u>04/01/13</u> <u>to 06/30/13</u>	<u>01/01/13</u> <u>to 06/30/13</u>
Payroll	(15,751)	(31,421)	(14,809)	(28,539)
Services from third parties	(3,611)	(5,689)	(1,792)	(3,620)
Insurance	(381)	(701)	(238)	(481)
Taxes and fees (a)	(203)	(451)	(209)	(1,604)
Advertisements and publications	(304)	(736)	(242)	(595)
Sponsor	(14)	(24)	(17)	(63)
Shared services	(18)	(41)	(183)	(415)
Depreciation	(1,015)	(1,952)	(375)	(857)
Maintenance	(635)	(889)	(219)	(415)
Rental	(884)	(1,841)	(787)	(1,656)
Other expenses	(823)	(1,685)	(1,004)	(1,821)
E&P allocating projects (b)	<u>9,987</u>	<u>19,581</u>	<u>4,426</u>	<u>7,893</u>
Total	<u>(13,652)</u>	<u>(25,849)</u>	<u>(15,449)</u>	<u>(32,173)</u>

(a) In 2013 includes the amount of R\$1,022 referent to participation fee expenses on ANP 11th bid round.

(b) This amount refers to the expenses related to Blocks operated by QGEP. The remaining balance is related to the participation of the partners.

19. OIL AND GAS EXPLORATION EXPENDITURES

The oil and gas exploration expenditure is related to the purchase, processing and interpretation of seismic data, drilling campaign planning, licensing and environmental impact studies, costs of dry wells or costs related to commercially unviable reserves, and similar costs. From the balance of R\$50,023 on June 30, 2014, R\$28,863 and R\$2,473 refer, respectively to exploration expenses of Bigua well and Carcara extension well, both located at BM-S-8 Block that did not show potentially producing areas (Explanatory note 12) and R\$8,120 to seismic acquisition for the block FZA-90. From the balance of R\$20,541 on June 30, 2013, R\$2,382 refers to derecognition exploration expenses that did not show potentially producing areas and R\$13,048 refers basically to seismic.

20. FINANCIAL INCOME, NET

	Parent			
	04/01/14 to 06/30/14	01/01/14 to 06/30/14	04/01/13 to 06/30/13	01/01/13 to 06/30/13
Interest on short-term investments	87	116	31	40
Financial expenses	<u>(1)</u>	<u>(1)</u>	<u>-</u>	<u>3</u>
Total	<u>86</u>	<u>115</u>	<u>31</u>	<u>43</u>
	Consolidated			
	04/01/14 to 06/30/14	01/01/14 to 06/30/14	04/01/13 to 06/30/13	01/01/13 to 06/30/13
Interest on short-term investments	14,428	26,888	20,504	37,584
Interest on borrowings and financing and financial expenses	(50)	(228)	(55)	(510)
Exchange rate changes net:				
Derivatives (a)	-	-	570	557
Provision for abandonment	6,207	14,037	(11,178)	(9,486)
Others	<u>-</u>	<u>-</u>	<u>(171)</u>	<u>(131)</u>
Total	<u>20,585</u>	<u>40,697</u>	<u>9,670</u>	<u>28,014</u>

- (a) In 2013, the Company entered into derivative financial instruments, call option in the notional amount of US\$1,080 and NDF's (Non Deliverable Forwards) in the notional amount of US\$3,510 in order to reduce Company's exposure to dollars in relation to the payables in reais referent to the drilling rig of well 1-QG-5 A located in the block BMJ-2.

21. ADDITIONAL INFORMATION ON OIL AND GAS EXPLORATION AND PRODUCTION

a) Rights and obligations with the ANP

The Group owns concessions for exploration and production of oil and natural gas in the following blocks:

Stage	Basin	Block/field	Concession date	Equity interest	%
Development and production	Camamu BCAM-40	Manati Camarão Norte	08/06/1998	Petrobras (operator) Queiroz Galvão Exploração e Produção Geopark Brasoil	35 45 10 10
	Santos	Atlanta and Oliva (BS-4)	08/06/1998	OGX Barra Energia Queiroz Galvão Exploração e Produção (operator)	40 30 30
Exploration	Camamu - Almada	BM-CAL-5	09/28/2001	Petrobras (operator) Queiroz Galvão Exploração e Produção	72.5 27.5
	Camamu - Almada	CAL-M-312 CAL-M-372	11/24/2004	Petrobras (operator) Queiroz Galvão Exploração e Produção EP Energy (ii)	60 20 20
	Campos	BM-C-27 (i)	11/26/2003	Petrobras (operator) Queiroz Galvão Exploração e Produção	70 30
	Santos	BM-S-8	09/15/2000	Petrobras (operator) Petrogral Barra Energia Queiroz Galvão Exploração e Produção	66 14 10 10
	Jequitinhonha	BM-J-2	09/02/2002	Queiroz Galvão Exploração e Produção (operator)	100
	Foz do	FZA-M-90 (iii)	08/30/2013	Queiroz Galvão Exploração e Produção (operator)	35

Stage	Basin	Block/field	Concession date	Equity interest	%
	Amazonas			Premier Oil Pacific Brasil	35 30
	Espírito Santo	ES-M-598 (iii)	08/30/2013	Queiroz Galvão Exploração e Produção Statoil Brasil (operator) Petrobras	20 40 40
	Espírito Santo	ES-M-673 (iii)	08/30/2013	Queiroz Galvão Exploração e Produção Statoil Brasil (operator) Petrobras	20 40 40
	Pará-Maranhão	PAMA-M-265 (iii)	08/30/2013	Queiroz Galvão Exploração e Produção (operator) Pacific Brasil	30 70
	Pará-Maranhão	PAMA-M-337 (iii)	08/30/2013	Queiroz Galvão Exploração e Produção (operator) Pacific Brasil	50 50
	Ceará	CE-M-661 (iii)	08/30/2013	Queiroz Galvão Exploração e Produção Total (operator) OGX	25 40 35
	Pernambuco-Paraíba	PEPB-M-894 (iii)	09/17/2013	Queiroz Galvão Exploração e Produção (operator) Petra Energia	30 70
	Pernambuco-Paraíba	PEPB-M-896 (iii)	09/17/2013	Queiroz Galvão Exploração e Produção (operator) Petra Energia	30 70

- (i) QGEP is currently awaiting ANP approval for the transfer of 30% of the concession rights related to this farm-in.
- (ii) Under approval transfer process from ANP to Petrobras.
- (iii) On May 14, 2013, the subsidiary Queiroz Galvão Exploração e Produção S.A. acquired an exploration concession in 8 blocks in the 11th ANP Bidding Round. QGEP will pay R\$94.9 million in signature bonus for acquisition of exploration concession in 8 exploration blocks, being the operator in 5 concessions. The net of investment in seismic data acquisition to QGEP is estimated at approximately US\$30-40 million over the next two years. Additionally, are planned at least four exploratory wells to be drilled from 2017. The blocks acquired by QGEP are located over five different basins and have a total area of 5,785km².

The table below shows the commitments assumed under the Group's current portfolio of interests in oil and natural gas exploration and production projects:

Block/field	PEM guarantee (QGEP %) MM R\$	Year of contract	Signatures bonus	Area km ²	Royalties	Area retention rate per km ² (Amounts in Brazilian Reais)		
						Exploration	Development	Production
Manati	-	2000	-	75.650	7.5%	100.00	200.00	1,000.00
Camarão Norte	-	2000	-	16.470	7.5%	100.00	200.00	1,000.00
BM-CAL-5	-	2001	1,146	341.700	10%	152.43	304.86	1,524.30
BM-J-2	-	2002	855	742.051	10%	174.43	348.86	1,744.30
CAL-M-312	-	2004	205	745.851	10%	239.00	478.00	2,390.00
CAL-M-372	12.6	2004	562	745.031	10%	239.00	478.00	2,390.00
PEPB-M-896	7.2	2013	637	722.400	10%	93.75	187.5	937.5
PEPB-M-894	3.6	2013	239	721.200	10%	93.75	187.5	937.5
FZA-M-90	49.0	2013	18,945	768.500	10%	644.80	1,289.60	6,448.00
PAMA-M-265	9.1	2013	3,020	766.300	10%	62.5	125.00	625.00
PAMA-M-337	68.6	2013	35,206	769.300	10%	214.93	429.86	2,149.3
ES-M-598	27.7	2013	14,182	769.300	10%	214.93	429.86	2,149.3
ES-M-673	9.0	2013	12,562	507.200	10%	31.25	62.5	312.5
CE-M-661	33.9	2013	10,116	760.900	10%	31.25	62.5	312.5
BM-S-8	-	2000	-	392,000	10%	396.02	792.04	3,960.20
BM-C-27	-	2003	-	257.888	10%	610.61	1,221.22	6,106.10
Atlanta e Oliva (BS-4)	-	2000	-	199.600	7.8%	200.00	400.00	2,000.00
Subtotal	<u>220.6</u>		<u>97.675</u>					

As at June 30, 2014, the remaining commitments of Minimum Exploration Program ("PEM") of the concessions described on table above comprise the one exploration well in BM-CAL-12 (CAL-M-372 Block), scheduled to start in 2015. For the blocks acquired in 11th ANP bidding round, there is a commitment of a well drilling in FZA-M-90, EC-M-661, M-PAMA-337 and ES-M-598 blocks, and drilling operations planned to be started in 2017.

The commitment comprise: (i) drilling of a well in BM-CAL-5, scheduled for the end of 2015, (ii) drilling of two wells (Carcará e Guanxuma), a long-term formation test in BM-S-8.

The subsidiary QGEP S.A. holds 45% of the Manati field, which started its production on January 2007, and has decommissioning obligations. As at June 30, 2014, the provision for abandonment is R\$224,872 (Note 16).

The following payments of Government profit participation and third-party royalties are covered by QGEP's agreement with the ANP:

- Royalties - equivalent to 7,5% (Manati field) of the higher of the benchmark price or the sales revenue, payable from the start of production of the concession area. During the period ended June 30, 2014 was accrued R\$19,429 royalty on the production of the Manati field in the year, of which R\$3,288 remains accrued on that date. These charges are recorded in the income statement as operating costs.
- Special Participation - The special participation provided for by Article 45, III, of Law 9478/97 sets out financial compensation due by oil and natural gas production concessionaires in the case of a large production volume or high profitability, as defined in the regulating Decree. This is paid for each field in a given concession area as from the quarter in which such field starts production. At the period ended June 30, 2014 were accrued R\$5,777, and these charges are recorded in the income statement as operating costs special participation, of which R\$2,670 remains on accounts payable.
- Payment for concession area occupation and retention - During the exploration, development and production stage the company incurred retention payments of R\$561 during the period ended June 30, 2014, recorded in the statement of comprehensive income as operating costs and oil and gas exploration expenditure.

b) Information on reserves (Not reviewed by independent auditors)

The net proved gas reserves of subsidiary QGEP in Manati field were prepared in accordance with the criteria set out by the FASB Accounting Standards Codification (ASC) 932 Extractive Industries - Oil and Gas.

These reserves are the estimated quantities of gas that based on geological analysis and engineering information can be estimated with reasonable certainty under defined economic conditions, established methods of operation and prevailing regulatory conditions.

The estimate of reserves is subject to uncertainties, and therefore changes in such estimates may occur as knowledge is increased based on new information collected.

The estimated gas reserve is as follows:

	Total <u>field reserve</u> MMm ³ (Not reviewed by independent auditors)
Estimated proved reserve by Gaffaney e Cline & Associates at June 30, 2014 (*)	<u>8,609</u>

(*) The proved reserve was estimated based on the certified reserve in December 2013, less monthly production up until the referred period.

c) Guarantees

On June 30, 2014, the Group has guarantees through letters of credit and warranty insurance, by the ANP in amount of R\$297,406. These guarantees include objects for the Minimum Exploration Programs established in the concession contracts areas of exploration in amount of R\$220,639 and operation of disabling of early production system in Atlanta Field (BS-4) in amount of R\$63,828 and development of Atlanta Field (BS-4) in amount of R\$12,939.

22. COMMITMENTS

On June 30, 2014 the Group had contracts with suppliers that involve services of technical advisory, supply of materials and supplies and equipment operation with various maturities to exploratory and development campaign in an amount of approximately R\$81,393(*) that will be paid up until the year ended December 31, 2014.

(*)This amount represents the participation of QGEP in consortiums operated by QGEP.

23. FINANCIAL INSTRUMENTS

a) General Considerations

The Company's financial instruments include cash and cash equivalents, short-term investments, restricted cash, trade accounts receivable, suppliers, borrowings and financing and related parties.

The Company does not conduct derivative transactions for speculative purposes reaffirming its commitment to conservative financial management policy, in relation to its financial liability, or cash and cash equivalents position.

b) Categories of financial instruments

	06/30/2014			
	Parent		Consolidated	
	<u>Registered value</u>	<u>Fair value</u>	<u>Registered value</u>	<u>Fair value</u>
<u>Financial assets</u>				
Held to maturity:				
Restricted cash (i)	-	-	14,979	14,979
Borrowings and receivables:				
Cash and bank deposits	46	46	51,590	51,590
Trade account receivables (ii)	-	-	101,928	101,928
Related parties	-	-	2,033	2,033
Fair value through income:				
Cash equivalent (iii)	-	-	164,845	164,845
Short-term investments (iii)	-	-	791,212	791,212
<u>Financial liabilities</u>				
Suppliers (ii)	111	111	151,002	119,602
Related Parties	-	-	279	279
Borrowings and financing	-	-	168,112	162,355
	12/31/2013			
	Parent		Consolidated	
	<u>Registered value</u>	<u>Fair value</u>	<u>Registered value</u>	<u>Fair value</u>
<u>Financial assets</u>				
Held to maturity:				
Restricted cash (i)	-	-	4,167	4,167
Borrowings and receivables:				
Cash and bank deposits	268	268	36,654	36,654
Trade account receivables (ii)	-	-	99,446	99,446
Related parties	-	-	479	479
Fair value through income:				
Cash equivalent (iii)	-	-	321,111	321,111
Short-term investments (iii)	-	-	647,954	647,954
<u>Financial liabilities</u>				
Suppliers (ii)	137	137	160,245	160,245
Related Parties	-	-	8	8
Borrowings and financing	-	-	167,904	162,355

CPC 46/IFRS 13 defines fair value as the value/price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at a date of their measurement. The standard clarifies that fair value should be based on the assumptions that market participants use when an attribute value/price to an asset or liability and establishes a hierarchy that prioritizes the information used to develop those assumptions.

The fair value hierarchy gives more reason to available market information (ie, observable) and less reason to information regarding the data without transparency (ie, unobservable data). Additionally, the standard requires that the company considers all aspects of risks of non-performance ("nonperformance risk"), including the Company's own credit, to measure the fair value of a liability.

CPC 40/IFRS 7 establishes a three level of hierarchy to be used in measuring and disclosing the fair value. An instrument categorization in the fair value hierarchy based on the lowest level of "input" significant for its measurement. Below is shown a description of three levels of hierarchy:

Level 1 - The "inputs" are determined based on prices in an active market for identical assets or liabilities at the measurement date. Additionally, the Company should have opportunity to negotiate this price in an active market and can't be adjusted by the Company.

Level 2 - The "inputs" are other than prices as determined by Level 1 that are observable for the asset or liability, either directly or indirectly. The "inputs" in Level 2 include prices in an active market for similar assets or liabilities, prices in an inactive market for identical assets or liabilities, or "inputs" that are observable or can corroborate the observation data from a market by correlation or other means for substantially the entire portion of the assets or liabilities.

Level 3 - The "inputs" are those unobservable from little or no market activity. These "inputs" represent the best estimates of the Company's management on how market participants would assign value/price of these assets or liabilities. Generally, assets and liabilities are measured using Level 3 pricing models, discounted cash flow, or similar methodologies that require significant judgment or estimation.

The fair values of financial instruments estimated by management were determined as follows level 2:

- (i) Balance refers to amortized cost, as described in Note 2.19.
- (ii) The values related to the balances of receivables and payables also have no significant differences to their fair values due to the turnover of receivables / payables in of these balances being less than 60 days.
- (iii) The fair value measurements are obtained by observable variables for assets and liabilities, directly (that is, as price) or indirectly (coming from prices).

c) Liquidity Risk

The Company manages liquidity risk by maintaining adequate reserves, and approved credit lines for funding of loans as it considers appropriate, through the continuous monitoring of expected and actual cash flows, and through the alignment of the maturity profiles of financial assets and liabilities. The following table shows in detail the maturity of contracts for financial liabilities:

	Parent	
	Less than 1 year	Total
Suppliers	<u>111</u>	<u>111</u>
Total	<u>111</u>	<u>111</u>

	Consolidated		
	Less than 1 year	Up to 10 years	Total
Suppliers	151,002	-	151,002
Related parties	279	-	279
Borrowings and financing	<u>243</u>	<u>167,869</u>	<u>168,112</u>
Total	<u>151,524</u>	<u>167,869</u>	<u>319,393</u>

d) Credit risk

Credit risk is minimized because the Company's sales are made primarily to Petrobras (95.3% period ended June 30, 2014 and 95.8% period ended June 30, 2013). Regarding the concentration of business, Management believes that, although most of transactions being with only one customer, Petrobras, the credit risk is insignificant, considering that Petrobras is assessed by rating agencies as Investment Grade, is controlled by the Federal Government and does not have a history of default or delays. During the period ended June 30, 2014 no losses on receivables with the client Petrobras were recorded.

The credit risk on operations with the consortium and consortium are described on Note 6.

e) Interest rate risk

The Company uses funds raised in the initial public offering of stock and generated by operating activities to manage its operations and to ensure their investment and growth. Financial investments are tied to interest post fixed - CDI rates.

Sensitivity analysis for interest rates

Operation	Balance at 06/30/2014	Risk	Probable scenario(a)	Scenario I 25% stress	Scenario II 50% stress
Effective rate on June 30, 2014					
Effective cash equivalents and Short-term investments	956,057	CDI decrease	10.80%	10.80%	10.80%
Estimated annual rate of CDI to December 31, 2014			956,057	956,057	956,057
Cash equivalents and Short-term investments - Estimated		CDI decrease	10.91%	8.18%	5.46%
Estimated revenue for December 31, 2014			1,060,362	1,031,440	1,002,519
Estimated effect on income from financial investments for December 31, 2014			104,306	75,384	46,463
			-	(28,921)	(57,843)

(a) Probable scenario of interest rate CDI for one year period at December 31, 2014, according Focus report on August 8, 2014, issued by Banco Central do Brasil.

<u>Operation</u>	<u>Balance at 06/30/2014</u>	<u>Risk</u>	<u>Probable scenario(a)</u>	<u>Scenario I 25% stress</u>	<u>Scenario II 50% stress</u>
Effective rate on June 30, 2014					
Restricted cash:			10.80%	10.80%	10.80%
Provision of abandonment fund	14,979	CDI decrease	14,979	14,979	14,979
Estimated annual rate of CDI for December 31, 2014			10.91%	8.18%	5.46%
Provision of abandonment fund	14,979	CDI decrease	16,613	16,160	15,707
Estimated revenue for December 31, 2014			1,634	1,181	728
Estimated effect on income from financial investments for December 31, 2014			-	(453)	(906)

(a) Probable scenario of interest rate CDI for one year period at December 31, 2014, according Focus report on August 8, 2014, issued by Banco Central do Brasil.

<u>Operation</u>	<u>Balance at 06/30/2014</u>	<u>Risk</u>	<u>Probable scenario(a)</u>	<u>Scenario I 25% stress</u>	<u>Scenario II 50% stress</u>
Effective rate on June 30, 2014			5.00%	5.00%	5.00%
Borrowings and financing		TJLP			
	169,568	increase	169,568	169,568	169,568
FINEP					
Borrowings and financing					
Estimated rate of TJLP to June 30, 2014		TJLP			
		increase	5.00%	6.25%	7.50%
Estimated cost for December 31, 2014			178,046	180,272	182,498
Borrowings and financing - estimated			8,478	10,704	12,930
Estimated effect on expenses from borrowings and financing for December 31, 2014:			-	2,226	4,451

(a) Probable scenario of TJLP for the next 3 months of 2014, according to Banco Nacional do Desenvolvimento Econômico (BNDES). No scenarios available for December 31, 2014.

f) Risk of exchange rate

These risks are derived principally from the effect of exchange rates increase on foreign currency transactions.

Sensitivity analysis of exchange rate

The table below presents the sensitivity analysis in the case of dollar appreciation against Real (R\$) and the impact on financial instruments liabilities of the Company, and transactions indexed in American dollars.

<u>Operation</u>	<u>Risk</u>	<u>Consolidated 06/30/2014</u>			
		<u>Probable scenario (a)</u>		<u>Scenario</u>	
		<u>Balance in USD</u>	<u>Balance in R\$</u>	<u>Possible (25%)</u>	<u>Remote (50%)</u>
Effective rate on June 30, 2014			2.2025	2.2025	2.2025
Exchange fund - assets	US\$ decrease	100,818	222,051	222,051	222,051
Provision for abandonment - liabilities	US\$ Increase	102,099	224,872	224,872	224,872
Estimated annual rate of USD to December 31, 2014			2.29	2.86	3.44
Net effect - liabilities	US\$ Increase		2,936	3,669	4,404
Effects in the statement of income and net assets of each increase in USD valuation related to real (net effect upon assets and liabilities):					
Estimated net result for December 31, 2014			(11.5)	(849)	(1,583)
Estimated effect on net income from financial investments for December 31, 2014			-	(734)	(1,468)

(a) Probable scenario of dollar for one year period at December 31, 2014, according Focus report on August 8, 2014, issued by Banco Central do Brasil.

24. SHAREHOLDERS' EQUITY

i. Capital stock

The capital stock of the Company on June 30, 2014 R\$2,078,116, divided into 265,806,905 common shares without nominal value, net of the amount of R\$57,380 of share issuance costs. The composition of the share capital on June 30, 2014 is as follows:

<u>Shareholder</u>	<u>Nº ordinary shares</u>	<u>% of shareholding</u>
Queiroz Galvão S.A.	167,459,291	63.0
FIP Quantum	18,606,588	7.0
Free Float	71,519,110	26.9
Shares held in treasury	7,954,632	3.0
Management	266,232	0.1
Audit Board	<u>1,052</u>	<u>0.0</u>
Total	<u>265,806,905</u>	<u>100</u>

ii. Net income per share

The basic earnings per share are computed by dividing net income by the weighted average of all classes of shares outstanding during the period. The calculation of diluted earnings per share is computed including, when applicable, options to purchase shares of executives and key employees using the method of shares held in treasury when the effect is dilutive.

The instruments of participation that will or may be settled in shares of the Company are included in the calculation only when the liquidation has a dilution impact on earnings per share.

	04/01/14 to 06/30/14	01/01/14 to 06/30/14	04/01/13 to 06/30/13	01/01/13 to 06/30/13
<u>Basic and diluted earnings per share</u>				
Numerator				
Net income of the period	53,558	78,658	30,147	95,872
Denominator (in thousands of share)				
Weighted average number of common shares	<u>259,444</u>	<u>259,444</u>	<u>262,179</u>	<u>262,179</u>
Basic and diluted earnings per common share	<u>0.21</u>	<u>0.30</u>	<u>0.11</u>	<u>0.37</u>

Basic earnings and diluted earnings per common share is the same as in June 30, 2014 stock options are "out of money", and therefore do not impact the calculation of diluted earnings per share.

iii. Stock options

The Board of Directors, within their functions and in accordance to the Stock option plan of the Company, approved the granting of preferred stock options to management and executives of the Company. For Grants from 2011 to 2014, the options become exercisable 20% from the first year, an additional 30% from the second and remaining 50% from the third year. The options under the Plans from 2011 to 2014 may be exercised within 7 years after the grant date.

The fair value of the purchase options was estimated at concession date of options using the binomial model for pricing in the amount of R\$2.65 for the plan in 2014, R\$4.11 for the plan in 2013, R\$5.31 and R\$3.87 for the Plans in 2012 and R\$9.87 for the Plan in 2011.

The meetings of the Board of Directors and the assumptions used in pricing model are as follows:

	Stock option to purchase shares- 02/24/2014	Stock option to purchase shares- 03/14/2013	Stock option to purchase shares- 05/29/2012	Stock option to purchase shares- 03/26/2012	Stock option to purchase shares- 04/29/2011
Date of board of directors meeting	02/24/2014	03/11/2013	05/28/2012	03/23/2012	04/29/2011
Total of options granted	2,373,330	2,120,319	550,000	1,941,517	1,097,439
Exercise price of the option	R\$8.98	R\$12.83	R\$12.81	R\$14.17	R\$19.00
Fair value of the option at grant date	R\$2.65	R\$4.11	R\$3.87	R\$5.31	R\$9.87
Estimated volatility of the stock price	43.36%	43.92%	49.88%	53.24%	59.24%
Expected dividend	3.84%	1.89%	1.93%	1.93%	2.35%
Rate of return risk-free	6.20%	3.81%	4.06%	4.69%	6.36%
Length of the options (in years)	7	7	7	7	7

The movement of stock options existing on June 30, 2014 is presented below:

	Stock option	Price weighted average exercise
Option outstanding at December 31, 2010	-	-
Stock options in the period - 04/29/2011	<u>1,097,439</u>	<u>19.00</u>
Option outstanding at December 31, 2011	1,097,439	19.00
Stock options in the period - 03/26/2012	<u>1,941,517</u>	<u>14.17</u>
Stock options in the period - 05/28/2012	<u>550,000</u>	<u>12.81</u>
Option outstanding at December 31, 2012	<u>3,588,956</u>	<u>15.33</u>
Stock options in the period - 03/11/2013	<u>2,120,319</u>	<u>12.83</u>
Option outstanding at December 31, 2013	<u>5,709,275</u>	<u>14.70</u>
Stock options in the period - 02/24/2014	<u>2,373,330</u>	<u>8.98</u>
Option outstanding at June 30, 2014	<u>8,082,605</u>	<u>13.56</u>

The range of exercise prices and average maturity of outstanding options, as well as the ranges of exercise prices for options exercisable at June 30, 2014 are summarized below:

Plan	Options outstanding			Option exercisable	
	Options outstanding at June/ 2014	Average remaining maturity in years	Exercise price	Options outstanding June/2014	Average exercise price (*)
Plan 2014	2,373,330	7	8.98	-	8.98
Plan 2013	2,120,319	7	12.83	-	13.55
Plan 2012 - 2 nd grant plan	550,000	7	12.81	110,000	13.70
Plan 2012 - 1 st grant plan	1,941,517	7	14.17	388,303	16.05
Plan 2011	1,097,439	7	19.00	548,720	21.36

(*) Updated annually by the National Index of Consumer Price (INPC).

For the period ended June 30, 2014, the Company recorded in shareholders' equity a result with stock-based compensation in the amount of R\$4,988, including R\$572 of 2011 plan, R\$1,225 of 1st grant of 2012 plan and R\$337 of 2nd grant of 2012 plan and R\$1,732 of 2013 plan and R\$1,122 of 2014 plan, being the counterpart in the income statement as personnel cost.

25. SHARES HELD IN TREASURY

On April 2012, the Company authorized the Share Buyback Program of up to 1,097,439 ordinary shares issued by it, all nominative without nominal value, with the shares acquired to be held in treasury and subsequently be cancelled or forfeited in order to implement the Stock Option Plan in 2011. The maximum term of the Share Buyback Program is 365 days from April 24, 2012, date of approval of Share Buyback Program by the Board of Directors.

On July 2012, the Company authorized the Second Share Buyback Program of up to 2,699,826 ordinary shares issued by it, all nominative without nominal value, with the shares acquired to be held in treasury and subsequently be cancelled or forfeited in order to service the Stock Option Plan in 2012. The maximum term of the Share Buyback Program is 365 days from July 9, 2012, date of approval of Share Buyback Program by the Board of Directors.

On May 2013, the Company authorized the Third Share Buyback Program of up to 2,307,096 ordinary shares issued by it, all nominative without nominal value, with the shares acquired to be held in treasury and subsequently be cancelled or forfeited in order to service the Stock Option Plan in 2013. The maximum term of the Share Buyback Program is 365 days from May 6, 2013, date of approval of Share Buyback Program by the Board of Directors.

On February 2014, the Company authorized the Fourth Share Buyback Program of up to 2,245,357 ordinary shares issued by it, all nominative without nominal value, with the shares acquired to be held in treasury and subsequently be cancelled or forfeited in order to service the Stock Option Plan in 2014. The maximum term of the Share Buyback Program is 365 days from February 24, 2014, date of approval of Share Buyback Program by the Board of Directors.

Position of shares held in treasury is presented below:

	Ordinary shares (*)	Value - R\$ thousand
Balance on December 31, 2011	-	-
Movement in the period		
Share Buyback Program in 2011	1,097,439	9,107
Share Buyback Program in 2012	<u>2,491,517</u>	<u>29,792</u>
Balance on December 31, 2012	<u>3,588,956</u>	<u>38,899</u>
Share Buyback Program in 2013	<u>2,120,319</u>	<u>23,601</u>
Balance on December 31, 2013	<u>5,709,275</u>	<u>62,500</u>
Share Buyback Program in 2014	<u>2,245,357</u>	<u>18,507</u>
Balance on June 30, 2014	<u>7,954,632</u>	<u>81,007</u>

(*) Number of shares

Historical cost on acquisition of shares held in treasury (R\$ per share)	<u>06/30/2014</u>
Minimum	7.88
Weighted average	10.60
Maximum	13.39

Market value of shares held in treasury

The market value of shares held in treasury at period ended June 30, 2014 is presented below:

	<u>06/30/2014</u> <u>Ordinary shares</u>
Shares held in treasury	7,954,632
Prices per share - BOVESPA (R\$)	<u>9.00</u>
Market value (R\$ thousand)	<u>71,592</u>

Shares held in treasury represent 3.0% of total of Company ordinary shares held by the Company on June 30, 2014.

26. INSURANCE

The major assets or interests covered by insurance and respective amounts are summarized as follows:

<u>Insurance type</u>	<u>Maturity</u>	<u>Insured amounts</u> <u>June-14</u>
General Civil liability	09/30/2015	355,193
Petroleum and operating risks	09/30/2015	<u>928,445</u>
Total		<u>1,283,638</u>

The insurances were renewed in 2014, and the maturity of new policies is September 30, 2015.

27. RETIREMENT PLAN BENEFITS

The direct subsidiary QGEP, has a voluntary private pension plan to which all employees and directors are eligible. This is a defined contribution plan, with contributions of up to 12% of the monthly salary by the employee, and a counterpart of up to 6.5% by QGEP, according to the level of the employee in the hierarchy. The plan is managed by the Bradesco Life and Pension with two types of regime, progressive and regressive. When employees leave the plan before the end of the minimum contribution period, the contributions payable are reduced to the amount already paid by the Company. The only obligation of the Company in relation to the retirement plan is to make the specified contributions.

The total expenditure of R\$519 in June 30, 2014 (R\$509 in June 30, 2013), recognized in the consolidated income statement, refers to contributions to be paid as rates specified by the rules of these plans.

28. ADDITIONAL INFORMATION ON CASH FLOWS

The non-cash items flows of the Company are as follows:

	<u>06/30/2014</u>	<u>12/31/2013</u>
Suppliers and fixed assets	87,171	70,336
Dividends receivable - declared but not received	92	4,310
Capitalized interest	<u>3,150</u>	-
Total	<u>90,413</u>	<u>74,646</u>

29. SEASONALITY

There is no seasonality impact over the Company's activity of exploration and production, except in exploratory areas that have environmental restrictions in certain periods of the year.

30. APPROVAL OF THE FINANCIAL INFORMATION

The interim financial information were approved and authorized by the Board of Directors on August 11, 2014.
