queiroz galvão
EXPLORAÇÃO E PRODUÇÃO

ANNUAL SUSTAINABILITY REPORT 2013

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About QGEP

GRI G4-7 | G4-3

QUEIROZ GALVÃO HAS A PORTFOLIO OF DIVERSIFIED AND BALANCED ASSETS, AND IS THE ONLY PRIVATE BRAZILIAN COMPANY IN THE OIL & GAS EXPLORATION AND PRODUCTION SECTOR TO OPERATE IN THE PRE-SALT EXCLUSION ZONE OF THE SANTOS BASIN

Queiroz Galvão Group has operated in the natural gas and oil industry since 1981, initially providing well drilling services for onshore basins and later diversifying to offshore basins. The Group is present at all stages of the oil and gas production chain. It began its exploration and production activities in 1996, following changes to Brazilian laws for the industry.

The Group currently has over 50,000 employees and 60 years of experience in developing ventures in other major economic sectors, such as construction, energy, industrial agriculture, and iron & steel, among others.

GRUPO QUEIROZ GALVÃO – BUSINESS AREAS

Construction (Brazil and International)
Real Estate Development
Environmental Engineering
Exploration and Production
Business Management
Naval and Offshore
Oil & Gas

QGEP Participações S.A., a Queiroz Galvão Group company, was created in 2010 following the restructuring of Queiroz Galvão Óleo e Gás S.A. (QGOG), during which oil exploration and production activities were separated from the provision of services such as the supply of drilling rigs, affreightment of platforms, and other services. As the controller of Queiroz Galvão Exploração e Produção S.A., QGEP Participações S.A was created to allow for greater growth with a focus on hydrocarbon exploration and production.

The only publicly listed Company in the corporate conglomerate, QGEP is aligned with Corporate Governance best practices and Novo Mercado principles, which has allowed the company to manage its assets in a strategic, transparent and ethical manner. These principles have been spread within Grupo Queiroz Galvão through the interaction its leaders.

Queiroz Galvão Exploração e Produção (QGEP) is also the only private Brazilian company in the oil & gas exploration and production sector to operate in the pre-salt exclusion zone of the Santos Basin, according to data from Brazil's National Petroleum Agency (*Agência Nacional de Petróleo* – ANP). The Company holds a diversified and balanced portfolio, with assets in nine of the main sedimentary basins on the Brazilian coast and has been consolidating its operations as an ultra-deepwater operator.

Profile

About QGEP > Profile

QGEP operates in offshore oil and gas exploration and production in Brazil. It is qualified to operate in every physical environment, from Blocks located onshore to those in ultra-deep water and is classified by the ANP as an "A Operator." In 2013, the Company achieved daily production of 17,000 barrels of oil equivalent (BOE), placing it among the largest privately-controlled independent producers in Brazil. GRI G4-6

QGEP began operations in 2010 and has achieved solid and sustainable growth in its business. In 2013, it actively took part in the 11th ANP Bidding Round, wherein it acquired a share of 8 Exploratory Blocks, with operatorship in 5 of these . At the end of the year, the portfolio totaled 16 concessions in nine of the main sedimentary basins on the Brazilian coast.The Bidding Round also initiated five new strategic partnerships, including two major global names and three independent, further reinforcing the partnership with Petrobras. GRI G4-13

The Company's main producing asset is the Manati Field, in the Camamu Basin, located on Bahia's southern coast. , Manati Is one of the largest natural gas producing fields in Brazil, and currently represents 100% of Company revenue. With a 45% share, QGEP is the majority partner in the consortium operating the field. Total average daily production for the year was approximately 6 million m^3, which represents approximately one-third of the gas produced in the Northeast of Brazil.

QGEP has a long-term contract with Petrobras for the purchase of 100% of the gas produced in the Manati Field (condensate, a byproduct of natural gas, is sold to Dax Oil Refino S.A.).

Cash generated from the Manati Field has helped the Company to reach its goal of expanding its portfolio and making investments to consolidate its place as one of the largest independent offshore producers in Brazil. GRI G4-8

In addition to seeking operational excellence and profitability in its activities, QGEP is also committed to operational safety and to local communities in terms of human rights and the preservation of natural resources. For this reason, the management of environmental impacts, of social and environment projects, and of relationship channels with the various stakeholders is carried out in an integrated and systematic manner, in order to assure that the Company can achieve positive economic results and generate value for all of its stakeholders.

GRI G4-9

MAIN INDICATORS (IN BRL MILLIONS, UNLESS OTHERWISE INDICATED)	2013	2012	2011
Gross operating revenue	612.80	586.10	372.00
Net operating revenue	486.08	462.30	289.00
Operational profit	125.63	40.00	36.90
Earnings per Share	0.74	0.31	0.36
Shareholder equity	2,409.06	2,227.80	2,175.80
Investments in environmental protection	17.00	1.60	9.50
Number of employees (un.)	110	72	60
Volume of total 2P certified reserves (millions of barrels of oil equivalent)	45.2	51.5	58.9
Gas production (millions of m^3)*	982.3	1,010.6	675.1

* In relation to QGEP's 45% share of the Manati Field.

The history of QGEP

1980

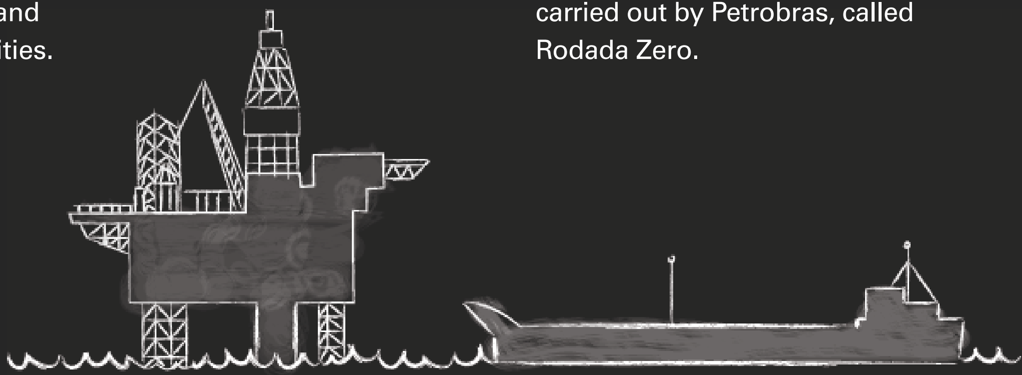
Queiroz Galvão Perfurações S.A. is founded as a company specializing in providing well drilling services for oil exploration and production.

1996

Queiroz Galvão Group begins oil and natural gas exploration and production activities.

1999

Acquisition of share in the first Blocks in the farm-out process carried out by Petrobras, called Rodada Zero.

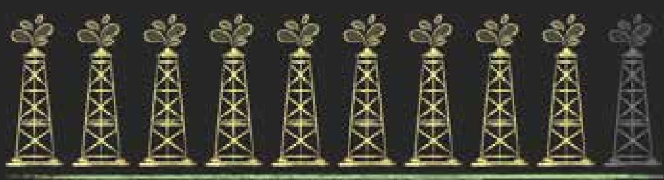


2000

Discovery of the Manati Field, QGEP's main producing asset. The manatee is the symbol of this location.

2003

First oil in the Coral Field.



2007

First gas in the Manati Field.

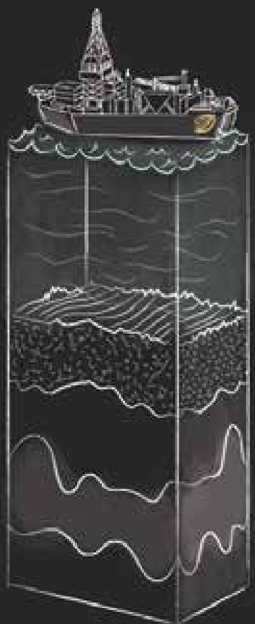
queiroz galvão
EXPLORAÇÃO E PRODUÇÃO

2010

Creation of QGEP Participações S.A., to centralize exploration and production activities for Queiroz Galvão Group.

2012

Discover of Carcará in the BM-S-8 Block, a column of at least 471 meters of oil, making it the largest column ever found in Brazil's pre-salt layer.



2011

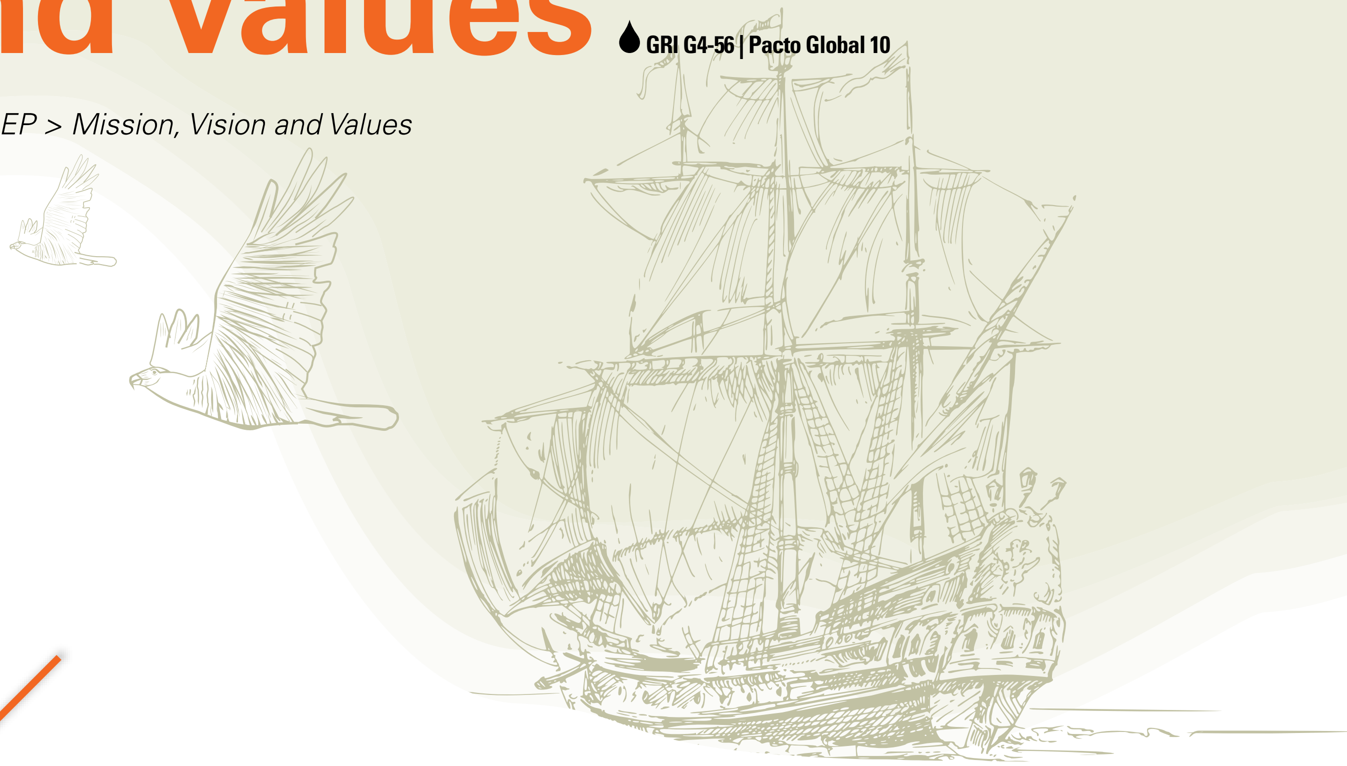
QGEP goes public on the BM&FBovespa and joins Novo Mercado, a segment listing companies with the highest level of corporate governance. It also acquires shares in the BM-S-8 and BS-4 Blocks in the pre-salt exclusion area of the Santos basin.

2013

Acquisition of 8 Blocks in the 11th Round of ANP Bids, notification of the discovery of signs of oil and gas in BM-J-2 and start of the Atlanta Field Development Plan in the BS-4 Block.

Mission, vision and values

GRI G4-56 | Pacto Global 10



QGEP operations are based on clear and solid principles, which are disseminated among all of its employees, partners and other stakeholders through its corporate mission, vision and values. In addition to these guidelines, the Company has a Code of Ethical Conduct that is freely available on its institutional website.

Mission

To operate with safety, in an ethical and sustainable manner, in the exploration and production of oil and gas, obtaining results and contributing to the development of the areas where we operate, respecting the needs of all our stakeholders.

Vision

To grow consistently in order to be among the three largest Brazilian companies producing oil and gas by 2020, and to be recognized by society for its transparent and responsible management.

Values

Work: Promote work ethic as providing honor and dignity; recognition based on merit.
Reliability: Honoring commitments.
Quality: What needs to be done must be done well and done safely.
Loyalty: Integrate with professionalism and commitment.

Competitive advantages

A high quality portfolio of assets in the exploration, development and production stages, with different degrees of risk, having extended the profile of its exploratory portfolio after having participated in the 11th Round of ANP Bids.

Proven experience as a deepwater operator.

Diversified partnerships, with consortium agreements signed with majors and independent companies in the oil and gas sector.

Unique financial position and relevant participation in assets already in operation with significant cash flow and low indebtedness.

Highly qualified technical team, with vast geological knowledge of the Brazilian basins and of oil and gas development and production techniques, in addition to experience in the commercialization of hydrocarbons.

Significant experience, reputation and prestige in the oil and natural gas sector, with the support of Queiroz Galvão Group.

Human capital

Since its founding, QGEP has assembled a team of highly qualified and experienced workers to develop oil and gas sector projects. The specialists working at the Company represent a significant competitive advantage in the market and are an important asset to guarantee the success of the medium and long term developmental projects. Management of this team of professionals is, therefore, one of the priorities in the Company's corporate strategy and is based on transparency, appreciation and development of talent.

To support its growth, QGEP has expanded its staff. From 2012 to 2013, the number of professionals employed by the Company rose by over 53%, with new hires planned for the upcoming years, especially of specialists with specific knowledge and experience in the sector. Men account for 59% of the staff and women, 41%. At QGEP's highest executive level, one of the four Divisions is led by a woman.

GRI G4-10 | G4-12 | Global Compact 6

NUMBER OF PROFESSIONALS BY JOB LEVEL AND GENDER	2013		2012		2011	
	Men	Women	Men	Women	Men	Women
Executive Board	3	1	3	1	3	1
Management	12	5	8	5	6	5
Coordination	7	5	8	4	9	3
Technical/Supervision	25	8	10	3	5	4
Administrative	19	26	12	20	9	18
Third parties	25	4	9	4	8	3
Apprentices	1	0	0	0	0	0
Interns	2	2	2	2	0	0
Total	94	51	52	39	40	34

NUMBER OF EMPLOYEES BY REGION AND GENDER*	2013		2012		2011	
	Men	Women	Men	Women	Men	Women
Southeast region	91	50	49	38	38	33
Northeast region	3	1	3	1	2	1
Total	94	51	52	39	40	34

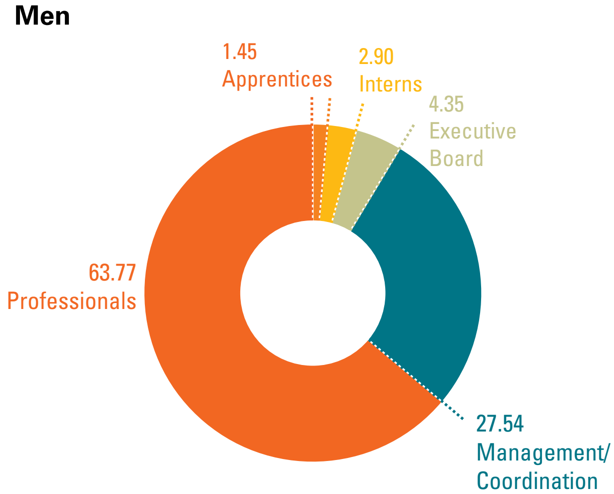
NUMBER OF EMPLOYEES BY CONTRACT TYPE AND GENDER*	2013		2012		2011	
	Men	Women	Men	Women	Men	Women
Fixed term	1	0	0	0	0	2
Indefinite term	64	45	39	33	29	29
Total	65	45	39	33	29	31

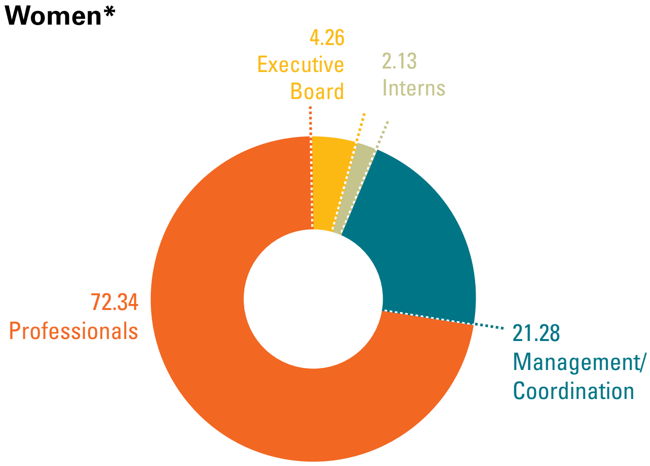
* Directors with contracts not governed by the Consolidated Labor Laws (CLT) regime are not included.

NUMBER OF EMPLOYEES BY CONTRACT TYPE AND GENDER*	2013		2012		2012	
	Men	Women	Men	Women	Men	Women
Full time	64	45	39	33	29	31
Part time	1	0	0	0	0	0
Total	65	45	39	33	29	31

* Directors with contracts not governed by the CLT regime are not included.

DISTRIBUTION OF EMPLOYEES BY JOB LEVEL AND GENDER IN 2013 **GRI G4-LA12 | Global Compact 6**

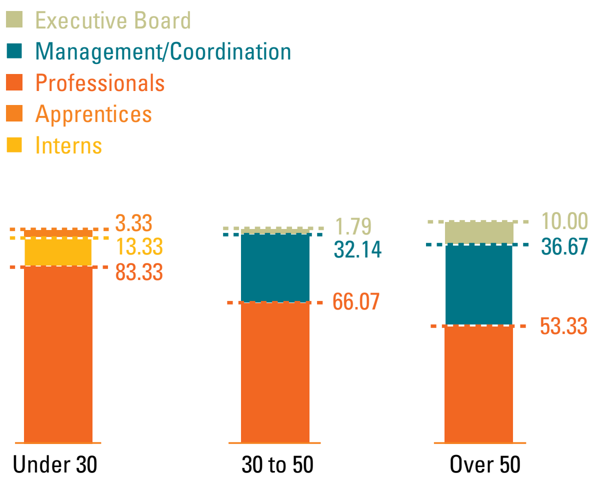




* Percentage of Apprentices = 0

One important point for QGEP in 2013 was development of the strategic plan, where goals and targets were set forth in detail for the company, establishing guidelines for 2020. With this trajectory outlined, the requirements for the goals established in planning could be mapped in terms of human and financial resources, which would then be deployed as the projects and operations matured. Each area could therefore measure their demands for new professionals, allowing the Company to develop a plan to promote employees that are already on staff and highlight positions that will need to be filled by new hires, where necessary.

DISTRIBUTION OF EMPLOYEES BY JOB LEVEL AND AGE GROUP IN 2013



GRI G4-LA1

ADMISSIONS	2013	2012	2011
By gender			
Male	27	10	19
Female	13	6	16
By age group			
Under 30	14	5	9
Between 30 and 50	19	4	16
Over 50	7	7	10
By region			
Southeast region	40	16	35
Total	**40**	**16**	**35**

GRI G4-LA1 | Global Compact 6

TERMINATIONS	2013	2012	2011
By gender			
Male	3	0	3
Female	1	4	0
By age group			
Under 30	0	2	2
Between 30 and 50	2	2	1
Over 50	2	0	0
By region			
Southeast region	4	4	3
Total	**4**	**4**	**3**

TURNOVER RATE (%)*	2013	2012	2011
Total	**5.56**	**4.17**	**10**
By gender			
Male	5.13	0.00	20
Female	6.06	8.06	3.33
By age group			
Under 30	0.00	12.5	16.67
Between 30 and 50	7.14	2.78	7.14
Over 50	5.26	0.00	0.00
By region			
Southeast region	5.71	4.31	10.87

* Admissions to fill new positions were not considered. There was one case of a substitution in 2013.

Compensation and benefits GRI G4-LA2

In 2013, QGEP began a wide-ranging process of mapping the positions and duties of all of its employees. The goal was to enhance recruitment and selection processes and the fixed and variable compensation plan, in addition to training and leadership development programs. The Company will release the result of this work to all of its professionals during 2014, maintaining the principles of transparency and ethics that govern its relations with internal stakeholders.

Salaries paid by QGEP are comparable with market salaries and differ according to the responsibilities, duties and competencies of each employee. With support from a third party expert, the Company has drafted a table of positions and salaries, in line with the oil and gas market, which is updated annually through a salary survey that covers other companies in the industry. **GRI G4-52 | G4-53**

The compensation policy includes Profit Sharing (*Participação nos Lucros e Resultados* – PLR), based on financial performance and achievement of individual and team goals. Every year, employee performance is assessed and professional development plans are established through training and educational courses. In 2013, 100% of QGEP professionals underwent assessment. **GRI G4-LA11 | Global Compact 6**

GRI G4-LA13 | Global Compact 6

RATIO OF COMPENSATION BETWEEN MEN AND WOMEN	
Executive Board	0.81
Management/Coordination	0.60
Professionals	0.53

In addition to fixed and variable pay, employees have a benefits package that contains a health plan, dental plan, meal vouchers, food vouchers, transportation vouchers, life insurance, childcare assistance and educational assistance, in addition to a birthday present voucher. QGEP also offers an optional private pension plan (PGBL type) to all employees. The Company matches up to 6.5% of what the directors pays into the plan and matches up to 4% of the salary for other employees. By paying in, the employee has the right to the proportional investment made by QGEP, according to time of contribution. GRI G4-EC3

RECEIPT OF COMPANY INVESTMENT IN THE PRIVATE PENSION PLAN

Time of contribution	Investment receivable (%)
0 to 3 years	0
3 to 5 years	25
5 to 8 years	50
8 to 10 years	75
Over 11 years	100

Knowledge management GRI G4-LA10

QGEP employees have a high level of professional seniority, which gives the Company a competitive edge. These professionals have recognized market experience and competency to develop their jobs. QGEP actively seeks to develop systems to manage their employees' expertise and to promote, in a collaborative manner, the transfer of this expertise to professionals with less experience. Also in 2013, the Company began to map technical knowledge applied to its business, with the goal of developing mechanisms that allow for an exchange of experiences between teams in 2014.

QGEP also promotes employee development through training and education courses. In 2013, the Company provided a total of 6,122 hours of training (2.39% training hours in relation to total hours worked) and invested BRL374,000 in subsidies for workshops and technical classes for professional enhancement. Employees are entitled to a grant covering up to 100% of costs if they meet established requirements. Employee involvement in the 11th Round of ANP Bids and other activities related to drilling operations helped the Company to be able to achieve its target of investing BRL1 million and surpassing the milestone of 2.77% training hours in relation to total hours worked.

GRI G4-LA9 | Global Compact 6

AVERAGE TRAINING HOURS BY JOB LEVEL	TOTAL	PER EMPLOYEE
Executive Board	0	0
Management/Coordination	2,162	74.55
Professionals	3,960	50.77
Total	6,122	52.78

TRAINING HOURS BY GENDER	TOTAL	PER EMPLOYEE
Men	2,907	42.13
Women	3,215	68.40
Total	6,122	52.78

Health and safety

 GRI G4-LA8

Operational safety, personal health, environmental protection, and social responsibility are priorities within all of QGEP's activities. The social and environmental impacts of projects are assessed and managed by establishing targets and goals, which are continuously reviewed and enhanced.

QGEP has an Integrated Management System (*Sistema de Gestão Integrado* – SGI), which follows the principles of International Standards Organization (SGI) standards and ANP's Technical Regulations of the Operational Safety Management System (*Sistema de Gerenciamento de Segurança Operacional* – SGSO), among others. This management model is important in order to achieve the highest standards in matters involving operational safety and the impacts that activities could have on the environment and communities.

A commission comprised of senior management and led by the director-general of QGEP is responsible for the SGI, with the mission of supervising and managing environmental matters, matters of operational safety, occupational health, quality and social responsibility. One of the Company's goals that was achieved in 2013 was the restructuring of a committee to manage incidents based on the Incident Command System (ICS). This structure involves employees from various operational and support areas – such as Health, Environment, and Safety (HSE), Logistics, Communications, Human Resources, Legal, and others – to provide responses and create plans of action in the event of an emergency.
GRI G4-14

02

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STRATEGY

GRI G4-1 | G4-2

QGEP FOLLOWS THE PRINCIPLES OF TRANSPARENCY, EQUALITY, ACCOUNTABILITY AND CORPORATE RESPONSIBILITY IN ITS ADMINISTRATION AND SEEKS BALANCE BETWEEN THE INTERESTS AND EXPECTATIONS OF ALL STAKEHOLDERS.

A message from the chairman of the Board

2013 was a strategic year as QGEP consolidated its bases for growth. All of the efforts that we have made in recent years to prepare, study, and research have contributed to making this year the year when QGEP consolidated its position as an operator and expanded its presence in the market. For some time, we have been preparing for the 11th Round of Bidding offered by the National Agency of Oil, Natural Gas and Biofuels (*Agência Nacional do Petróleo, Gás Natural e Biocombustíveis* – ANP), diligently applying the planning done up to this moment.

As a result, we have achieved two highly significant victories: diversification of partners and an expanded presence along the Brazilian coastline. We have also gained a balanced portfolio, with low risk assets (Campos and Santos), moderate risk (Camamu-Almada and Jequitinhonha), high potential (sub-salt areas of the Santos Basin), and high risk and high premium (new frontiers acquired in the bidding process).

As a result of this Round, we have five new partners, three of which are oil and gas majors and two of which are regional independent companies. This lowers the risk to our business, contributes to an exchange of knowledge, and strengthens the Company in the industry. Likewise, the fact that we are now present in frontier regions, such as Brazilian Equatorial Margin and within an area of the Espírito Santo Basin that has yet to be widely explored, also diversifies our operations and reduces the level of uncertainty that is characteristic of the E&P industry. At the same time, this diversification poses challenges for us to adapt our operations to social, cultural, environmental and economic conditions specific to each region.

As well as taking advantage of a very important moment to grow our business, ,we are also improving management of the assets that we already hold. Conclusion of drilling of the first horizontal well in the pos-salt layer in Atlanta, in the Santos Basin, went according to schedule and we continue to work to produce the well's first oil in late 2015 or early 2016. In the BM-S-8 Block, we are preparing to drill the Carcará discovery extension well, one of the largest oil columns ever discovered in the sub-salt layer, at a depth of over 470 meters. All of these developments add experience and value to QGEP, as the Company makes operational advances and the staff gain yet more experience. Efforts to prepare for ANP bidding and to efficiently and safely manage assets have required larger teams, with new professionals and investments in top employee qualifications.

Internally, the Board of Directors is committed to overseeing the business and advising the Executive Board. One of the main advancements in the year was the drafting of QGEP's strategic plan, which formalized our goals and outlined the trajectory to achieve them, involving professionals from every area. I am confident that this goal for the Company and the approach we should take to achieve it will help us create value not only for the Company, but for all of its stakeholders.

Antônio Augusto de Queiroz Galvão
Chairman of the QGEP
Board of Directors

A message from the CEO

International demand for oil was unchanged compared to 2012, with the price per barrel showing low volatility for the period. However, the oil and gas sector continues to show limited sensitivity to developments in the broader macro economy, since it is characterized by a medium and long term feature.. In Brazil, the decrease in rainfall has once again required the activation of thermoelectric plants, increasing domestic demand for natural gas produced at the Manati Field. This contributed to QGEP's net revenues of BRL486.1 million and EBITDAX of BRL271.4 million in 2013. Net earnings reached BRL192.2 million and we also ended 2013 with a balanced of BRL1.0 billion in cash, which provided us with a comfortable financial position to guarantee the continuity of our projects and the flexibility to take advantage of any opportunities to expand our portfolio.

We resumed drilling of BM-J-2 in 2013. In this operation, as in all our operations, we complied with all the relevant social and environmental requirements, including the Brazilian Institute of the Environment and Renewable Natural Resources (Ibama)-mandated operation period, so that our activity does not generate negative impacts for communities and the environment. Our social and environmental initiatives in this area include the implementation of the Fishing Activity Compensation Plan; the Plan was carried out in a dedicated and effective manner and within the context of socio-environmental licensing of the sector.

We notified ANP of a discovery in this Block and a proposed assessment plan of the discovery is currently being analyzed by the regulatory agency. We also began drilling in the Atlanta Field, in Block BS-4, efficiently achieving the goals established. We applied successful market technologies that had not previously been combined in Brazil. And the result was a success: we overcame significant operational challenges in ultra-deep waters. This technological advancement was recognized by the Funding Authority for Studies and Projects (Financiadora de Estudos e Projetos – Finep), which provided BRL266 million credit line.

We diversified our portfolio by participating in the 11th Round of ANP Bidding and we expanded our presence by acquiring Blocks in five new basins on the Brazilian coastline. We obtained eight Blocks in these basins and will be the operators in five of these. This movement is very important for us to continue our trajectory of growth, with assets at different levels of maturity, looking to our horizon of long term growth.

The result of the ANP bids, asset development activities and exploration activities all created a need for an expanded workforce. We therefore brought in many professionals to work with us – and this team will have new challenges with the development of operations. We are continuing our knowledge exchange model among more experienced professionals and young talent, which has proven to be a successful strategy.

Above all, we are conducting each of these efforts under QGEP's core principles, which shape our culture. We are looking to contribute to local development, especially in the region of influence of BM-J-2, generate returns for our shareholders, mitigate business risks and guarantee the safety of operations and our employees. This responsible mode of operation reinforces our commitment to the development of Brazil and our alignment with the principles of the Global Compact, of which we are a signatory.

As always, QGEP focuses on collaboration to share challenges and identify the best approach to find the optimal solutions to the benefit of all. In this respect, in there was another notable development 2013, one which will contribute to the entire industry over the coming years. With the coordination of the Brazilian Institute of Oil, Gas and Biofuels (IBP) (Instituto Brasileiro de Petróleo – IBP), we took part in a pioneering initiative to exchange primary knowledge on the Brazilian coastline, aimed at building a coastal protection plan that is integrated and shared among the operators in our industry. This will lower the costs of creating studies and obtaining licenses and plays a fundamental role in strengthening the partnership between companies, which will help elevate Brazil's status within the international oil and gas industry.

Although it is a young company, QGEP has already defined the basis for growth and the horizon for new challenges and opportunities is vast. Once again, in 2013 we made further progress, in line with our strategy. We achieved this through discipline, planning, courage and partnership. For this reason, I would like to thank everyone that participated in yet another historic moment at QGEP and invite them to move forward with us in the journey that lies ahead.

Lincoln Rumenos Guardado
Chief Executive Officer

Governance

Strategy > Governance

The only company in Queiroz Galvão Group listed on the stock exchange, QGEP has adopted a corporate governance policy aimed at balancing the interests and the expectations of all of our stakeholders, including our shareholders. QGEP has adopted best practices In governance and follows the principles of transparency, equality, accountability and corporate responsibility in all decision making processes.

The Company is managed using a clearly defined structure, through bodies with transparently defined attributes. This structure is comprised of the Board of Directors and the Executive Board. The Code of Ethical Conduct and the Articles of Incorporation support the action of these bodies and guide the manner in which QGEP develops its activities, focused on generating value for shareholders, respecting human rights and preserving environmental resources. The Company is listed on the BM&FBovespa Novo Mercado, a segment for companies that follow the strictest governance practices.

All Company shareholders therefore have voting rights at the Shareholders' Meetings and joint share sale rights (tag along) in the case of disposal of shareholder control. Other Novo Mercado rules include non-accumulation of shares by the CEO and chairman of the Board of Directors and that at least 20% of the Board of Directors must be comprised of independent members.

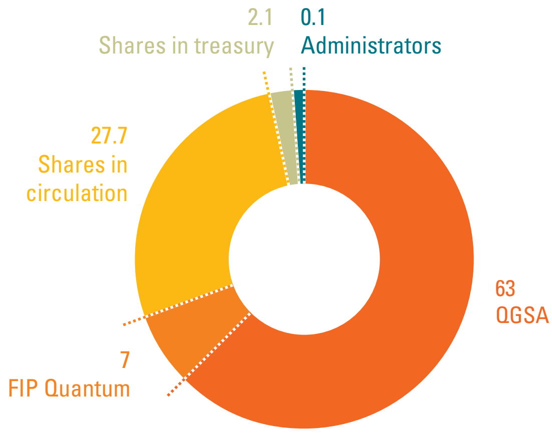
QGEP management is supported by specific policies, which the Company has used to build its relations with its various stakeholders: **GRI G4-45**

Compensation Policy: based on the appreciation, development, and retention of employees. QGEP is studying adoption of a profit sharing plan based on social, environmental, economic and financial, and operational criteria. The compensation policy for the executive board is connected to the Company's performance, with variables that depend on a group of financial and performance indicators that are subject to constant monitoring by the Board of Directors. **GRI G4-51**

Material Fact or Act Disclosure and the Securities Exchange Policy: establishes disclosure of clear information and defines rules for exchange of securities issued by QGEP to guarantee practices of good conduct and prevention of disclosure of confidential information.

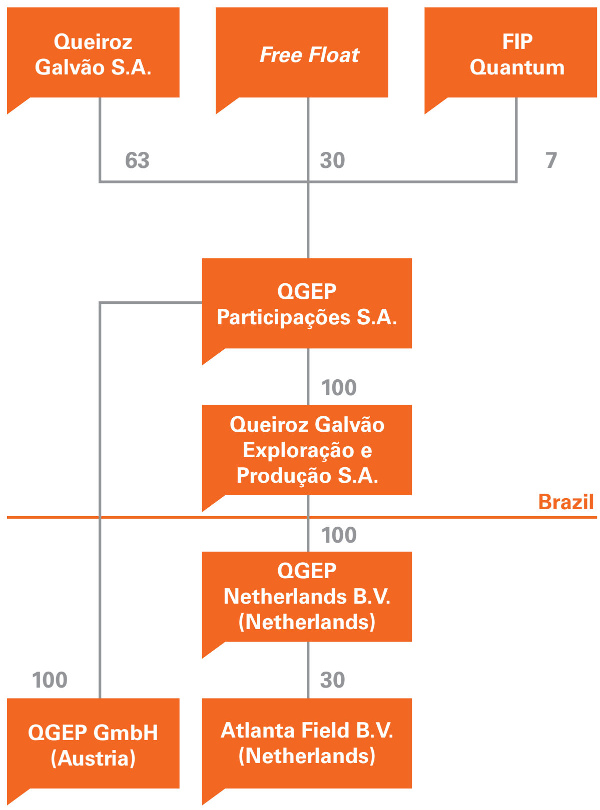
Market Risk Management Policy: formalizes measures to mitigate exposure to market risks, such as interest and exchange rates.

QGEP SHAREHOLDER COMPOSITION*



* Base date: December 31, 2013

QGEP CORPORATE STRUCTURE (%)



Board of Directors

GRI G4-34 | G4-38 | G4-39

The Board of Directors is responsible for establishing general policies and guidelines for QGEP action, including the Company's medium and long term growth strategy. Members of the Board are elected by shareholders at the Shareholders' Meeting, they serve two year terms, and are eligible for reelection.

To provide support to Board of Directors and Executive Board activities, QGEP may institute work groups to deal with specific matters. In 2013, the work group created in accordance with the Market Risk Management Policy continued its activities, while a new work group was created pursuant to the new Material Fact or Act Disclosure Policy and the Securities Exchange Policy. These groups answer to the Executive Board as well as to the Board of Directors by submitting regular reports. GRI G4-46

Another good practice adopted by the Company in line with Novo Mercado rules is that a minimum of 20% of the Board of Directors is comprised of independent members. QGEP has two independent board members, with recognized experience in the market. The board members appointed by the controlling shareholder also take part in councils and in managing other Grupo Queiroz Galvão companies. GRI G4-40 | G4-43

Pursuant to the Listed Corporations Act (Lei das Sociedades por Ações), members of the Board of Directors are prohibited from voting at meetings or shareholder meetings where there is a conflict of interests with the Company. Any decisions made by the Board of Directors concerning transactions with related parties, as defined by applicable laws, must be approved by an affirmative vote by the Company's independent board members. QGEP shareholders may make recommendations and suggestions to the Board through the Investor Relations area. GRI G4-37 | G4- 40 | G4-41 | G4-49 | G4-50

MEMBERS OF THE BOARD OF DIRECTORS*

Antônio Augusto de Queiroz Galvão *Chairman*
Ricardo de Queiroz Galvão *Vice Chairman*
Maurício José de Queiroz Galvão *Member*
José Augusto Fernandes Filho *Member*
Leduvy de Pina Gouvêa Filho *Member*
José Luiz Alquéres *Independent board member*
Luiz Carlos de Lemos Costamilan *Independent board member*

* To find out more about the members of the Board of Directors, go to http://ri.qgep.com.br/queirozgalvao/web/conteudo_pt.asp?idioma=0&conta=28&tipo=33946.

Board of Directors activities have been continually enhanced by QGEP, including the incorporation of certain sustainability considerations in the decision making process. In 2013, this body held 17 meetings, which dealt with matters related to investments made, approval of financial statements and assessment of the Company's performance. GRI G4-44 | G4-47

Executive Board

The QGEP Executive Board is responsible for implementing and executing policies and strategies defined by the Board of Directors, conducting business according to the Company's principles and values. This body is comprised of four members, elected by the Board of Directors, with members serving two year terms and being eligible for reelection.

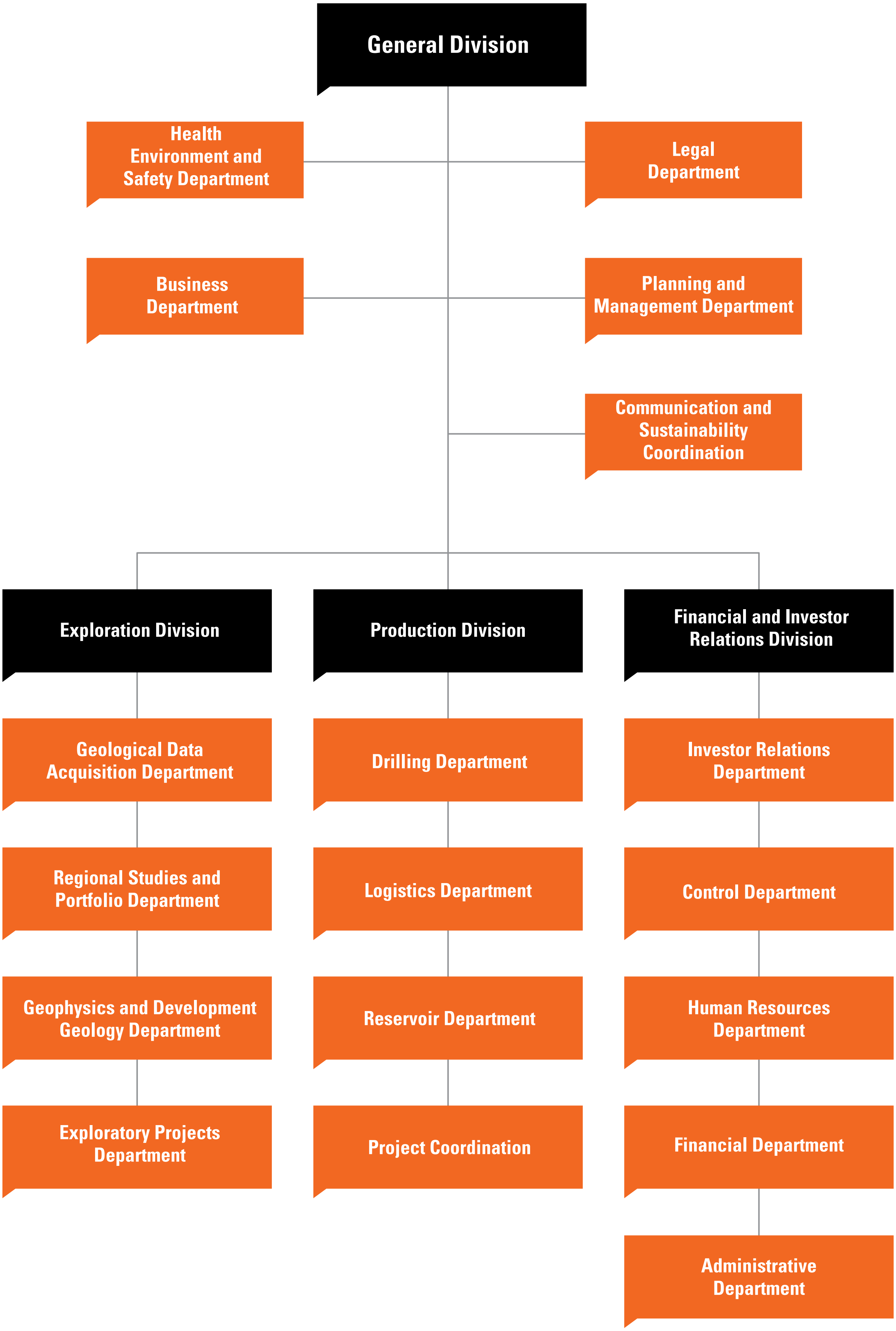
Managers and coordinators designated to account for economic, environmental and social topics answer directly to the CEO and CFO and Investor Relations Officer. The positions of the CFO and the Investor Relations Officer are currently held by the same person, who submits performance results to the Board of Directors. GRI G4-35 | G4- 36

EXECUTIVE BOARD MEMBERS
Lincoln Rumenos Guardado *Chief Executive Officer*
Sergio Michelucci *Chief Exploration Officer*
Paula Costa Côrte-Real *Chief Financial Officer and Investor Relations Officer*
Danilo Oliveira *Chief Production Officer*

* To see the résumés of QGEP's executive board members, go to http://ri.qgep.com.br/queirozgalvao/web/conteudo_pt.asp?idioma=0&conta=28&tipo=33946.

The Executive Board's relationship with the Board of Directors is conducted ethically and transparently. Officers are supported by a highly qualified management team with recognized experience in the oil & gas sector.

Most of these professionals have actively participated in significant discoveries in Brazilian basins and have done exemplary work in exploration and production areas at major companies in the industry. This combination of management and technical skills allows QGEP to conduct its activities with the highest standard of quality and deliver exceptional performance.


General Division
Health Environment and Safety Department
Legal Department
Business Department
Planning and Management Department
Communication and Sustainability Coordination
Exploration Division
Production Division
Financial and Investor Relations Division
Geological Data Acquisition Department
Drilling Department
Investor Relations Department
Regional Studies and Portfolio Department
Logistics Department
Control Department
Geophysics and Development Geology Department
Reservoir Department
Human Resources Department
Exploratory Projects Department
Project Coordination
Financial Department
Administrative Department

Investor Relations

QGEP's relationship with its shareholders and other market participants is guided by ethics and transparency, with clear guidelines expressed in the Material Fact or Act Disclosure and the Securities Exchange Policy for procedures related to maintaining the confidentiality of non-disclosed material information and making information available on the Company's Investor Relations website.

In 2013, QGEP took part in over 140 individual meetings with shareholders and potential investors and in 12 conferences in Brazil and abroad, coming into contact with approximately 300 institutional investors. The Company also promoted a meeting in partnership with the Association of Capital Market Investment Professionals and Analysts (Associação dos Analistas e Profissionais de Investimentos do Mercado de Capitais – Apimec), which was held for the first time in Rio de Janeiro and included attendance by Company directors to present results and business outlooks.

In 2013, the Investor Relations area held an event for the entire sell side, broadcast live to the public, to present the Atlanta Field Development Plan to the market. The details of the Anticipated Production System, along with the timeline and a detailed budget, were presented and the floor was later opened to questions.

Human rights

Strategy > Human rights

QGEP has been a signatory of the United Nations Global Compact since 2011, encouraging organizations to contribute to sustainable development of societies by undertaking ten commitments. In addition, the Company has adhered to the National Compact to Eradicate Slave Labor, making a commitment to not hire services or purchase products from companies listed in a registry that is updated every six months by the Ministry of Labor and Employment. **GRI G4-15**

In this sense, QGEP follows a policy of including clauses regarding compliance with all labor and environmental laws in contracts made with suppliers involving amounts equal to or above BRL200,000. In 2013, 63 agreements of this kind were made, with 97% of them containing specific clauses regarding human rights. The goal is for 100% of these contracts to include these demands starting in 2014. **GRI G4-HR1 | Global Compact 2**

Performance requirements regarding health and safety aspects are included in 100% of contracts signed with suppliers and services providers, with the contracting company stating that it is aware of guidelines established by the Social Responsibility Standard SA 8000, the Universal Declaration of Human Rights, the United Nations Convention on the Rights of the Child, and International Labour Organization (ILO) Conventions and Recommendations. QGEP carries out an auditing process at suppliers considered critical, with an assessment of various documents being done at suppliers considered non-critical in order to verify that these partners are responsible actors. **GRI G4-HR5 | G4-HR6 | G4-HR10 | Global Compact 2**

Internally, respect for human rights is guaranteed through application of the Code of Ethical Conduct, which expresses the conduct expected from professionals that are committed to QGEP and its principles. All new Company hires in 2013 underwent training on the Code, the manner of conduct expected of them, and issues of health and safety through talks and workshops given during the integration period and the Internal Week of Occupational Accident Prevention (Semana Interna de Prevenção de Acidentes de Trabalho – Sipat), totaling 67 hours and 30 minutes of training. **GRI G4-HR2 | Global Compact 1**

The Company currently has a fishing activity compensation plan in Block BM-J-2, and one of the communities that benefits from the project is the Acuipe community, comprised of indigenous fishermen. QGEP is also committed to creating a specific policy to deal with possible impacts on indigenous communities. There were no cases of violation of indigenous people's rights in 2013. **GRI G4-HR8 | Global Compact 1**

Strategic planning

Strategy > Strategic planning

During 2013, QGEP built the basis for solid and sustainable growth in the coming years. The Company executed a new strategic planning cycle in 2013, considering the increase in production capacity over a ten year horizon and establishing clear objectives. This initiative became important when the portfolio grew, with the acquisition of new assets, and with QGEP's ambition to become a reference as an offshore operator.

Among the strategic initiatives planned for 2014 are the acquisition and implementation of new software that will allow the flow of information to be enhanced and organized with the Company's Integrated Management System (Sistema de Gestão Integrado – SGI). In the area of personnel management, the strategic planning have allowed the Company to identify the potential needs of specialized professionals, making it so that QGEP is already able to build a career and salary plan in line with the market, while at the same time beginning the process of identifying talent on its own staff.

In addition, QGEP has implemented a Project Management Office (PMO) process that allows upper management to oversee the monthly progress of all strategic projects in order to guarantee that the Company reaches its goals and has healthy long term growth. For this reason, the Company will continue to look for new opportunities, focusing on Brazil and especially on production and emerging basins.

GRI G4-42

Strategic risk management

GRI G4-2

QGEP uses strategic risk management to monitor the risks inherent to its activities as well as those that are not inherent to it.

Management of risks at QGEP is done according to the guidelines in the Market Risk Management Policy, approved by the Board of Directors in 2011. This policy formalizes measures that are subject to mitigation of market risks that are not inherent to the operational activity of oil and gas exploration and production.

Through a multidisciplinary work group, the Company monitors risks to its activities and business continually and seeks the most appropriate mechanisms for protection. The main risks monitored by QGEP are:

Exchange rate risk | This is a result of the effects of the exchange rate on items denominated in USD or whose value in BRL is indexed on or strongly influenced by the USD exchange rate. Notable among these items are exploration and production development investments. According to the Market Risk Management Policy, the Company uses derivative financial and/or natural hedge instruments via investment of cash in USD to mitigate exposure to exchange rate risks.

Risk from variation in the price of oil and oil derivatives | Volatility in oil prices currently has a limited impact on QGEP's bottom line, since operating revenue mostly comes from the sale of natural gas from the Manati Field to Petróleo Brasileiro S.A. – Petrobras, using a price denominated in BRL that is restated on annual bases according to a contractual index connected to inflation. Exposure to the price of oil and its derivatives tends to increase insofar as the Company's oil production and condensation activities grow. In the future, QGEP may contract derivative financial instruments to mitigate risk arising from variation in the price of oil and oil derivatives.

Interest rate risk | Variation in market interest rates may influence the cost of loans and the profitability of financial investments. In order to reduce this risk, QGEP may contract derivative instruments on occasion.

A protective (hedging) strategy is used by the Company with respect to the Market Risk Management Policy, which was approved by the Board of Directors on December 21, 2011, with the aim of protecting QGEP's solvency and liquidity, considering an integrated analysis of all exposure to financial risk, while also ensuring execution of the corporate investment plan.

Operational risks | QGEP uses methodologies recognized within the industry, such as Preliminary Risk Analysis (Análise Preliminar de Riscos – APR), Hazard Identification (Hazid), Hazard and Operability Study (Hazop) and Quantitative Risk Analysis (Análise Quantitativa de Riscos – AQR), to monitor and mitigate the risks in its exploration and production activities. Additionally, periodic audits are done on service provider companies, including verification of the No. 12 Management practice of the Technical Regulation in ANP Resolution No. 43/07 (Operational Safety Management System – SGSO), which establishes requirements for identifying and assessing risks that could result in incidents. **GRI G4-14**

Environmental risks | Emissions from burning fuels (oil or gas) are monitored so that projects are not at any risk of being stopped because of a ruling by ANP or Ibama. There are also mechanisms to prevent risks of oil spilling into the sea. These risks may impact the timeline and cost of projects. Other physical risks, such as currents, winds and waves, could result in temporary stoppage of activities. In these situations, the Company waits for improvement in climate conditions in order to guarantee operational safety. QGEP only operates in safe conditions and under those conditions established in national and international standards. The Company has mechanisms to measure financial impacts and impacts on well drilling timelines. Mitigation measures are established using risks analyses in every project phase, always seeking to anticipate and prevent causes. **GRI G4-EC2 | Global Compact 7**

Risk to intellectual capital | The loss or termination of members of upper management, the technical team and other key positions could compromise the Company's growth and longevity. QGEP monitors these professionals and relies on a knowledge retention plan and continual training. In addition, teams are multidisciplinary, optimizing results and facilitating the transfer of knowledge.

Precautionary principle | QGEP recognizes some aspects of risk in its exploration and production activities:

- Future drilling may not be executed or may not produce oil and gas of a viable quantity or quality from a commercial standpoint.
- Exploration and production of oil and gas involves risks such as leaks, explosions in pipelines and exploratory wells, and environmental and geological disasters.
- The fact that it is not the operator in most of its Blocks limits QGEP's capacity to control exploration activities, the development timeline, associated costs, and the rate of production coming from any discovery of hydrocarbons.
- Projects are subject to delays and increases in budgeted costs, which may negatively affect operations and current and future results.
- International benchmark prices and the demand for oil and natural gas may oscillate due to factors beyond the Company's control.
- The oil and natural gas industry is subject to intense regulation and intervention by the Federal Government.

To learn more about the processes for mitigating and managing risks that QGEP has adopted, access the Company's Reference Form on the Investor Relations website.

Intangible assets

GRI G4-16

QGEP manages intangible assets that it considers to be strategic to its growth and success. In addition to monitoring risks that involve these assets, the Company invests in actions that enhance how these aspects are viewed by the market and other stakeholders.

Brand

QGEP has a competitive advantage as a member of Grupo Queiroz Galvão, which has operated for 61 years in diverse segments such as construction, concessions, energy, real estate development, agribusiness and iron and steel. The association with the Group adds values such as reliability, loyalty, and quality to the Company's brand. Furthermore, as it is the only publically traded company in the Group, QGEP is also recognized for its consistent relations with its stakeholders and for its strong corporate governance practices.

In 2013, the Company renovated its offices, with layouts structured within a visual identity that was implemented in 2012 and aligned with the positioning of Grupo Queiroz Galvão. In 2013, QGEP has also begun modernizing its institutional website, which should be launched in the first half of 2014. Additionally, the Company promotes internal motivational speeches by Amyr Klink to strengthen its brand and celebrate the Company's maritime growth through its active participation in the 11^{th} Round of ANP Bidding.

Also in the second half of 2013, QGEP was named by market analysts as one of the most promising options in 2014 for industry investors, due to its good financial performance in the year and its efficient cost management. The Company was also ranked number 4 among companies with the best current liquidity indices compared to 20 companies in different operational sectors, being the only privately-held and publically-traded Brazilian company in the oil and gas segment. QGEP was also recognized in the 2013 edition of the Melhores da Dinheiro annual ranking. This publication ranks outstanding companies in financial management, corporate governance, social responsibility, human resources, innovation and quality. In the Fuel, Oil and Gas industry, the Company was ranked 2nd in the Financial Sustainability category, 4th in Best Companies, and 5th in Social Responsibility.

Fostering innovation

Constant investment in research and development is essential to the oil and gas industry. In partnership with universities, QGEP invests in research projects, always meeting the requirements set forth by regulatory agencies. Among projects developed in 2013, those done in conjunction with the Federal Universities of Bahia and Rio de Janeiro are noteworthy. These ongoing studies which have a total investment of around BRL5 million involve integrated environmental research on the southern coast of Bahia to generate knowledge that can be applied to mitigating the environmental impacts of Company activities.

QGEP also acquired a line of credit this year from the Funding Authority for Studies and Projects (Financiadora de Estudos e Projetos – Finep) in the amount of BRL266 million, as the result of innovation applied to the production system planned for the Atlanta Field. QGEP combined technologies already on the market in this Field in a new and innovative manner, making production of heavy oil in ultra-deep waters in Brazil feasible for the first time.

Innovation is also promoted through participation in trade committees, in seminars and in dialogues with Academia, the National Organization of the Oil Industry (Organização Nacional da Indústria do Petróleo – Onip) and the Federation of Industries of the State of Rio de Janeiro (Federação das Indústrias do Estado do Rio de Janeiro – Firjan). Also worth mentioning are active participation in the Brazilian Institute of Oil, Gas and Biofuels (Instituto Brasileiro de Petróleo, Gás e Biocombustíveis – IBP), on different committees such as the Social Responsibility, Sustainability, Legal and Fiscal committees, among others, as well as involvement in coordination and other executive committees or as individual members of the Brazilian Association of Oil Geologists (Associação Brasileira de Geólogos de Petróleo – ABGP), Brazilian Geophysics Society (Sociedade Brasileira de Geofísica – SBGF), Society of Petroleum Engineers (SPE), American Association of Petroleum Geologists (AAPG), Brazilian Institute of Finance Executives (Instituto Brasileiro de Executivos de Finanças – IBEF), Brazilian Institute of Investor Relations (Instituto Brasileiro de Relações com Investidores – IBRI), and others. In these forums, good technical practices are discussed along with matters of interest to the industry and advancement in industry techniques and management. **GRI G4-16**

For example, in 2013 QGEP took part in an association involving 14 operators connected to the Brazilian Institute of Oil, Gas and Biofuels (IBP) to develop a joint plan to protect and clean the coastline in the event of oil spills. Some of these operators had already done a survey of the locations with the highest probability of being affected after a spill to fulfill one time demands in their environmental licensing processes and had developed plans of action to define the necessary response strategies for protecting and cleaning the coast.

With the goal of producing a single product, the companies discussed a way to unify their studies and, by presenting it in a joint and standardized manner, it covered the entire Brazilian coast, including locations that had not yet been mapped. Development of the Coastline Protection and Cleaning Project provided an important technical and management tool to prioritize environments to be protected in the event of an environmental emergency, applying focused response actions with the aim of reducing environmental consequences as well as making efforts to contain them more agile.

Human capital

For QGEP, it is of the utmost importance to rely on highly trained, experienced professionals that can make significant contributions the Company's operations. That is why the Company has adopted a model that promotes an exchange of knowledge among its employees: on the one hand, people with years of industry experience have specific, empirical, and academic knowledge. On the other, young talent is aligned with trends and new technologies. The synergy between these two groups leads to a highly productive and interactive environment. In 2013, QGEP increased its staff to support management of assets (especially development of the Atlanta Field) and as a result of its participation in ANP bidding. In the upcoming years, this team of professionals should grow even further, with eight new Blocks that have been acquired and growth in assets which the Company already possessed.

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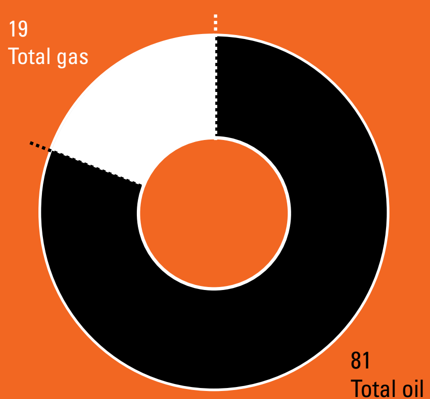
03

OPERATION

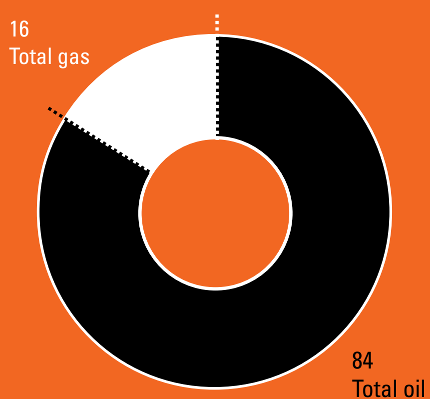
IN BRAZIL, PROVEN RESERVES REACHED 14.7 BILLION BARRELS OF OIL EQUIVALENT IN 2013, WITH MOST OF THEM (94.0%) LOCATED OFFSHORE. NATIONAL PRODUCTION REACHED 764.7 MILLION BARRELS, GROWING BY 35.3% IN THE LAST DECADE.

In Brazil, proven reserves reached 14.7 million barrels in 2013, with most of them (94.0%) located offshore. Annual production in the country reached 764.7 million barrels of oil equivalent (boe), growing by 35.3% in the last decade. Among the areas accounting for most of this total, the Campos and Santos Basins are noteworthy, especially the latter, due to the increased production of the sub-salt reservoirs.

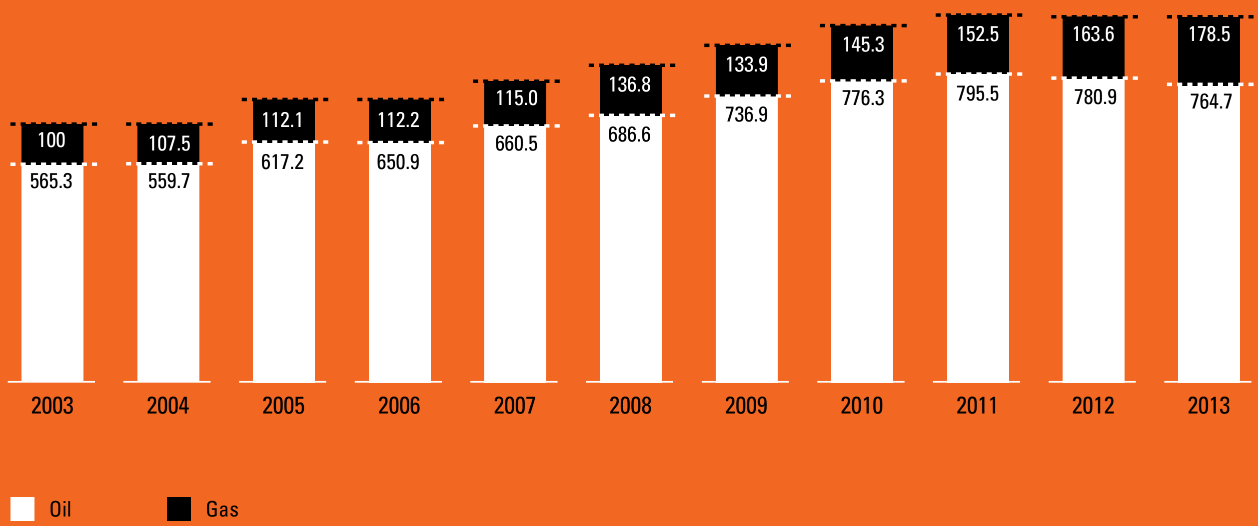
DISTRIBUTION OF TOTAL OIL AND GAS PRODUCTION IN BRAZIL – 2013 (%)



DISTRIBUTION OF TOTAL POST-SALT AND SUB-SALT OIL AND GAS IN BRAZIL – 2013 (%)

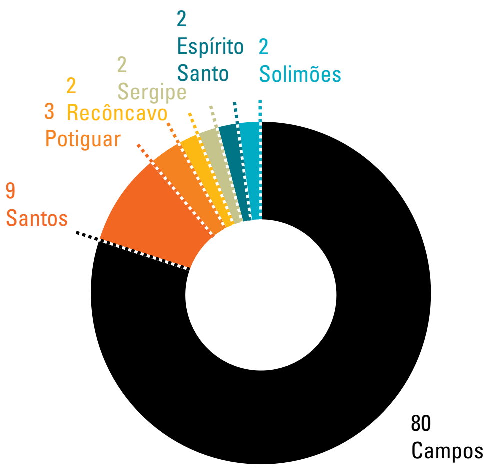


NATIONAL OIL AND GAS PRODUCTION (IN MILLIONS OF BOE)

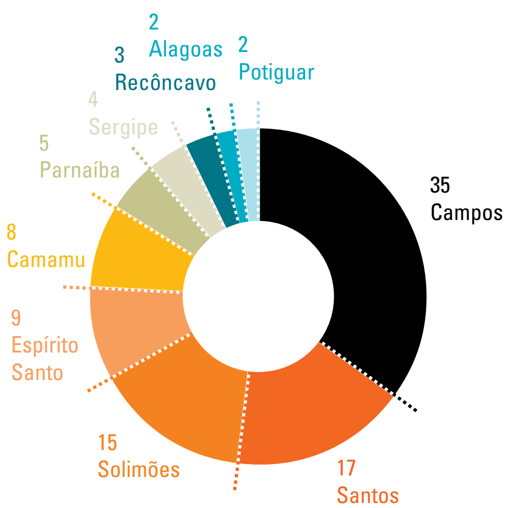


In 2013, proven reserves of natural gas totaled 434.0 million m^3, with 84.1% of this total offshore. Production reached 178.5 million barrels of oil equivalent. The Camamu-Almada Basin, where QGEP holds a 45% share in the Manati Field, is among the largest producers of non-associated gas production. Production in the Manati Field for the year accounted for 7.7% of total natural gas produced in Brazil.

PRODUCTION OF OIL BY BASIN – 2013 (%)

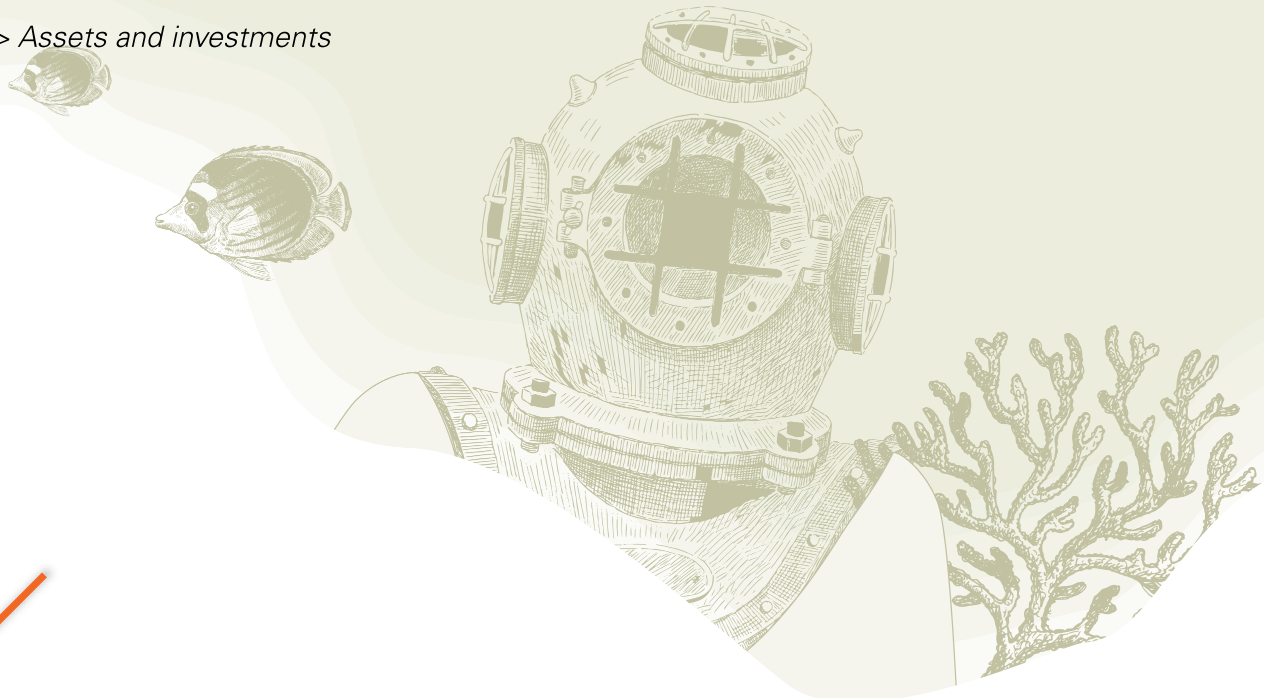


PRODUCTION OF GAS BY BASIN – 2013 (%)



Investments and assets

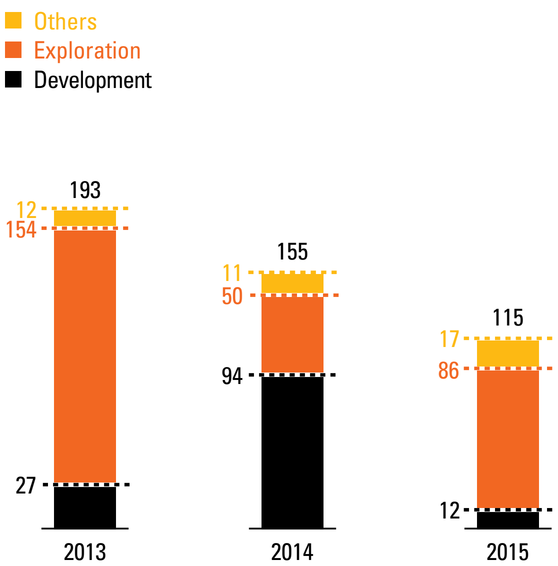
GRI G4-4



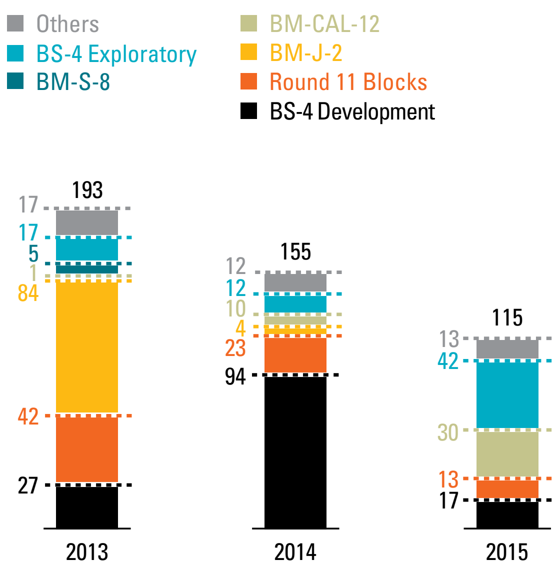
QGEP's investment strategy brought the Company's portfolio of assets to a new level in 2013, with acquisitions in the 11th Round of National Agency of Oil, Natural Gas and Biofuel (ANP) Bidding. As a result of the bid, QGEP acquired eight new Blocks in five basins, operating five of the new acquisitions as well as diversifying its network of partners, with five new companies, three of which are market majors. In addition to lowering risks, this Company's expanded operations promote an exchange of technology and knowledge.

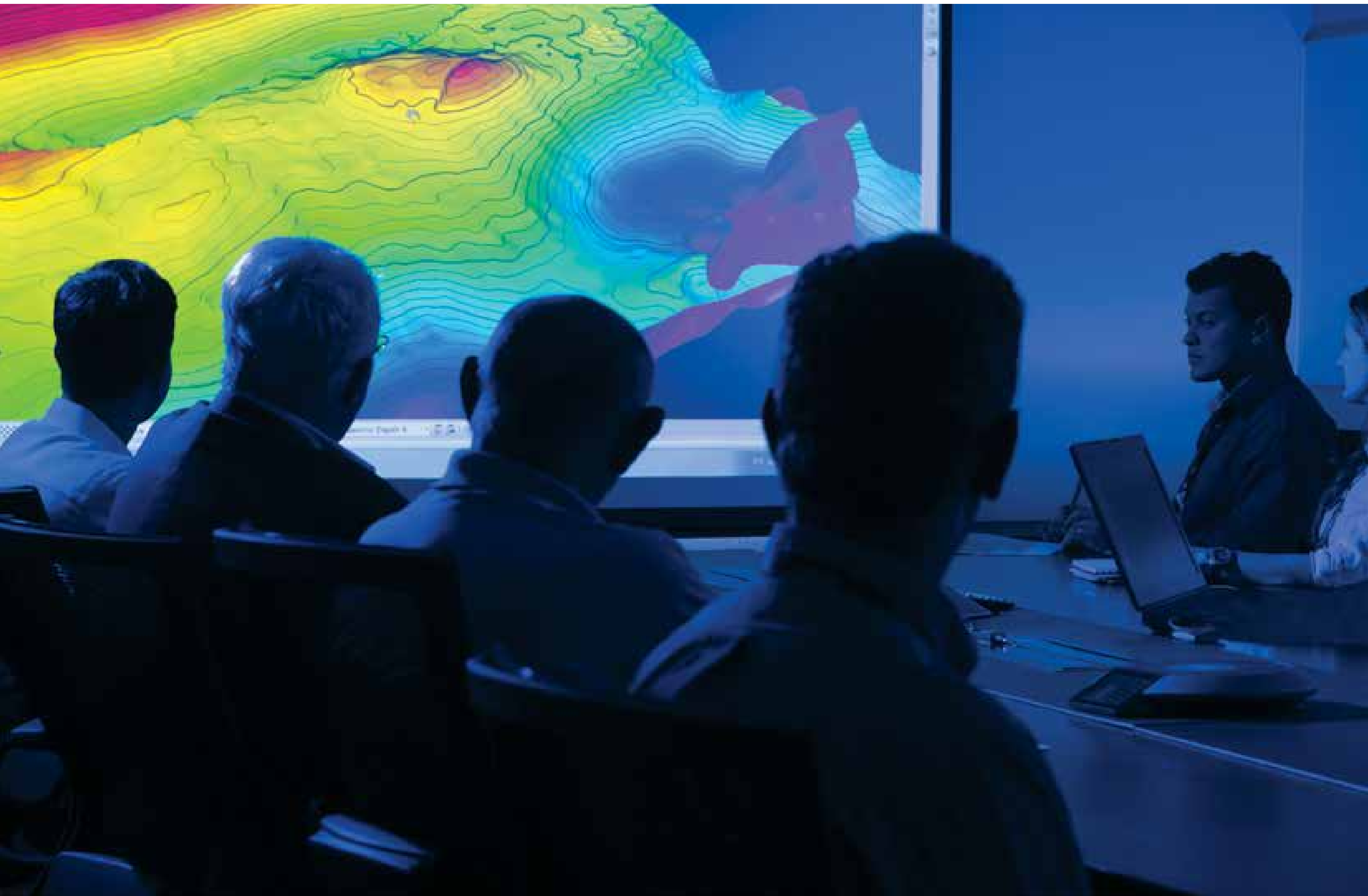
Investments are focused on development of the Atlanta Field and on drilling in BM-J-2. Goals established for 2013 were met, strengthening the Company's pillars for growth. Geographic diversification and new partnerships were achieved through diligent participation in the ANP bid, while the results in BS-4 and BM-J-2 Blocks have reaffirmed QGEP's expertise as an operator.

NET QGEP INVESTMENT BY ACTIVITY (US$ MILLIONS)



NET QGEP INVESTMENT BY BLOCK (US$ MILLIONS)





PORTFOLIO OF ASSETS

* Part or all of the Block returned in 2014.

Santos Basin | BM-S-12

Situation: Exploration
Fluid: Oil
Water Depth: 470 m

Consortium

QGEP – 30%;
Petrobras (operator) – 70%.

Year discovered

2008.

Total disbursements (2013)

No relevant investment made.

Performance in 2013

Alternatives for the block are under analysis. No operational activities were executed during the year.

Estimate for 2014

The Consortium decided to return Block BM-S-12 to the ANP in early 2014, considering that development of production in this Block included utilization of a gas distribution infrastructure that would serve adjacent fields, which have been returned to the Agency. Therefore, the gas in BM-S-12 cannot be distributed, meaning the project had no significant economic value.

Santos Basin | BM-S-8

Situation: Exploration
Fluid: Oil
Water Depth: 2,025 m

Consortium

QGEP – 10%; Petrobras (operator) – 66%;
Petrogal – 14%; Barra Energia – 10%.

Year discovered

Bem Te Vi (2008), Biguá (2011), Carcará (2012).

Total disbursements (2013)

US$5 million.

Performance in 2013

Drilling of the first extension well in the major Carcará discovery began in December 2013 and was interrupted as a result of operational issues at the drilling unit, in the early stages of the well. In October 2013, the Consortium decided to return the Bem Te Vi discovery area.

Estimate for 2014

Drilling of the Carcará extension well is scheduled to begin at the end of the year, with later testing of the formation of the covered well. In March 2014, the Consortium returned the area related to the Biguá discovery to ANP.

Santos Basin | BS-4

Situation: Exploration
Fluid: Oil
Water Depth: 1,550 m

Consortium

QGEP (operator) – 30%; OGX – 40%;
Barra Energia – 30%.

Year discovered

Atlanta (2001) and Oliva (1993).

Total disbursements (2013)

US$27 million.

Performance in 2013

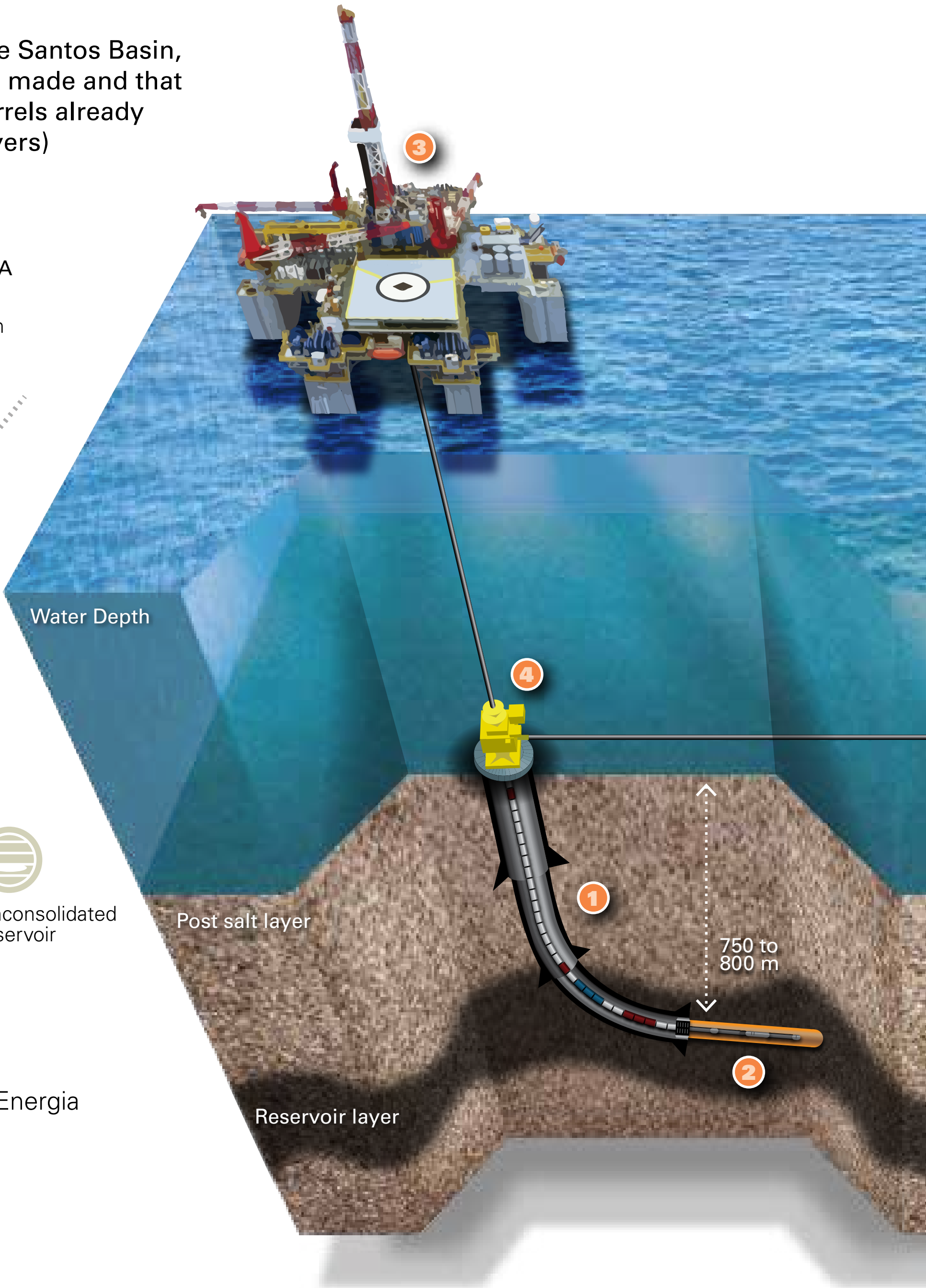
Drilling began on the first horizontal well, at 800 meters in length within the reservoir. A line of credit was obtained from the Funding Authority for Studies and Projects (FINEP) in the amount of BRL266 million, based on the technological innovation employed in the anticipated production system.

Estimate for 2014

Testing of formation and top completion of the first well was done in the first half along with drilling and testing of formation of the second well with the descent of the de Subsea Horizontal Christmas Tree (Árvores de Natal Horizontal Molhada – ANHM). The bid for the FPSO will be launched with two possible scenarios: implementation of the Early Production System or moving directly to the Full Development.

Atlanta Field

Located in the sub-salt exclusion area of the Santos Basin, a place where major discoveries have been made and that contains high-quality oil (over 15 billion barrels already found, in both the sub-salt and post-salt layers)



LOCATION

AREAS OF INFLUENCE
FIELDS IN PRODUCTION
SUB-SALT EXCLUSION AREA

CHARACTERISTICS

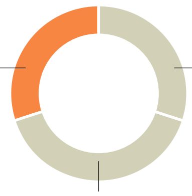
Water Depth
1,550 meters
(ultradeep water)

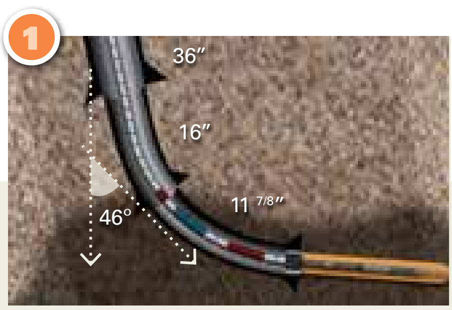
Fluid
14° API oil
(heavy oil)

Oil *in situ*
1.5 billion
barrels of oil
equivalent (BOE)

Unconsolidated
reservoir

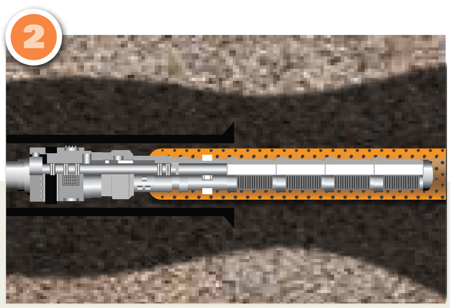
CONSORTIUM





WELL DRILLING

For the first time in Brazil, well drilling used a specific technique (known as pump&dump) to reach the appropriate inclination. Once the necessary depth is reached, horizontal drilling began, which also required advanced technologies applied in a customized manner.

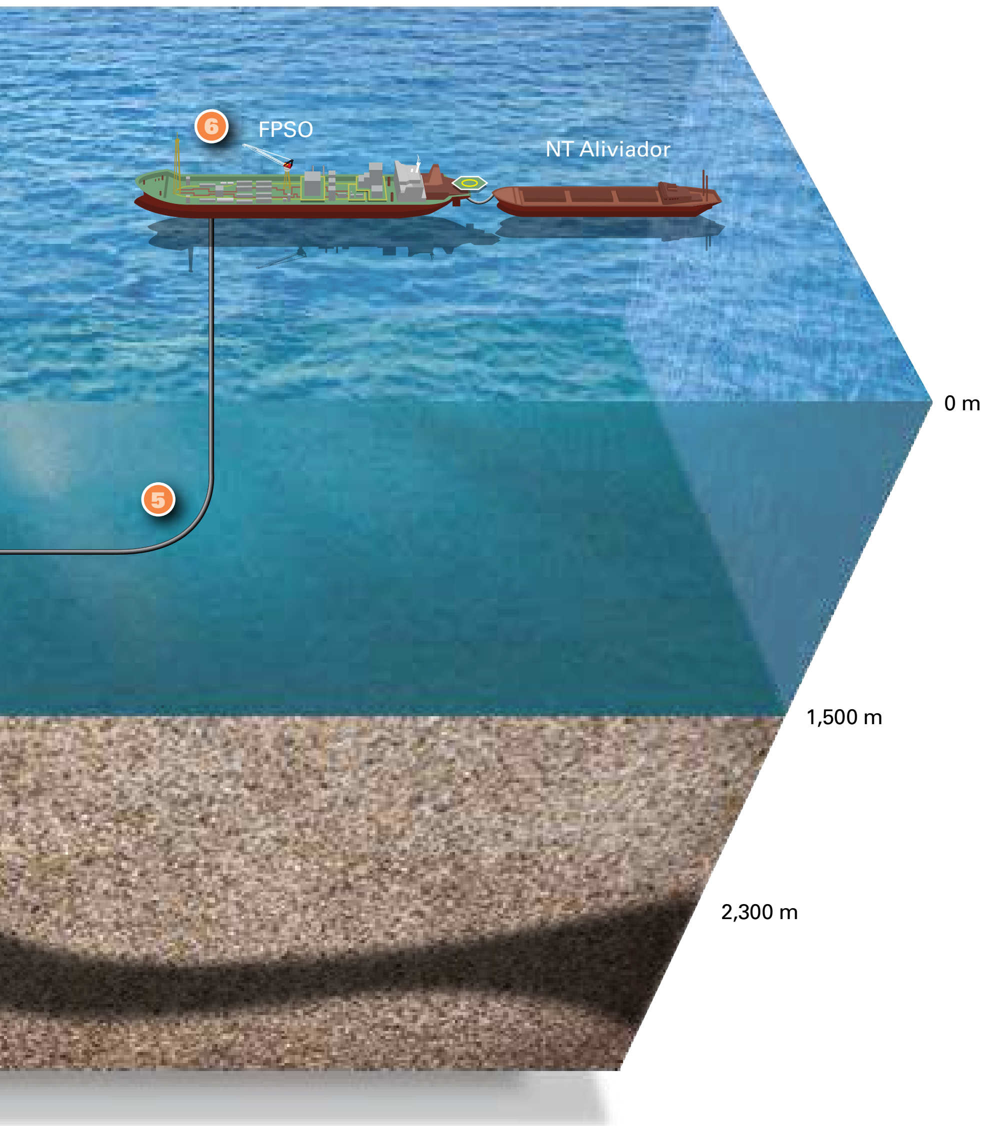


LOWER COMPLETION

After drilling the horizontal stretch, the fluid used is replaced with completion fluid and special screens are lowered to contain the formation sand. These screens are packed with gravel (filtering agent) to prevent the reservoir sand from being produced mixed with oil, which may damage the production column and surface equipment.

FORMATION TEST

This stage serves to assess the potential of the reservoir and obtain parameters for development of the Field, such as the Rate of Productivity, reservoir pressure and permeability, for instance. Samples of the oil contained in the reservoir formation are also collected in this phase.



EXPLORATION AND PRODUCTION IN THE ATLANTA FIELD

Finep financing of BRL 266 million due to the technological innovation of the Atlanta Anticipated Production System.

Pioneering Project
Integrated use of technologies for drilling and completion of the Field wells, in addition to supplying information on the behavior and productivity of the reservoir and the production plant that may benefit the entire sector.

Various established technologies were used in an innovative manner, making economic development of the Field feasible.

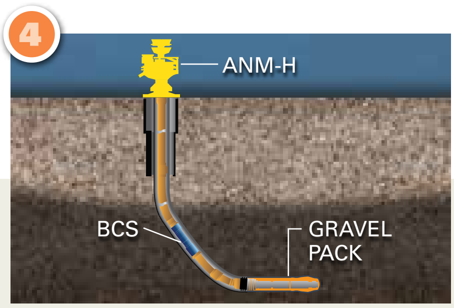
HIGHLY COMPETENT TECHNICAL CORP

Approximately 100 direct third party workers

Approximately 1,000 indirect workers

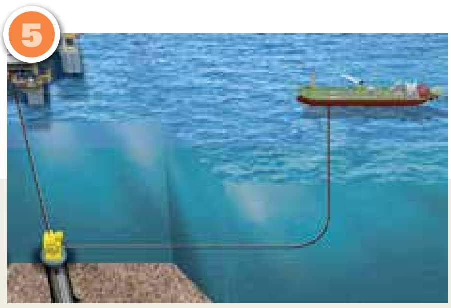
468 training courses in environmental education in 2013

Implementation of socio-environmental projects



UPPER COMPLETION

Construction of the well is finalized with the production column being lowered, with placement of the Subsea Horizontal Christmas Tree (ANM-H, its acronym in Portuguese), a system of valves controlled by the FPSO, and with installation of the submersible centrifugal pump (SCP). The purpose of this system is to keep the well and its operation during production safe.

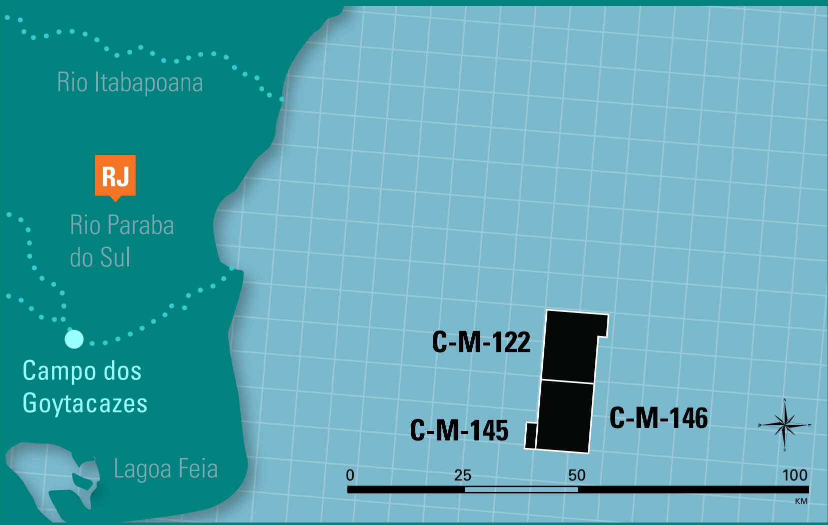


COLLECTION SYSTEM

Pipelines are installed that guarantee distribution of oil and control lines for remote activation of the Subsea Horizontal Christmas Tree. The system is responsible for control and monitoring of the well and the submersible centrifugal pump, which pumps oil to the surface.

PRODUCTION

The floating production unit (FPSO) allows the oil to be processed and distributed, separating water and gas, using a processing plant and utilities designed specifically for Atlanta oil. The oil is exported by a relief ship, gas is consumed internally, and water is treated and returned to the sea.



Campos Basin | BM-C-27A (C-M-122, C-M-145, C-M-146)

Situation

Exploration

Fluid

Greater probability of wet gas

Gas

Water Depth

50 m

Consortium

QGEP – **30%**; Petrobras (operator) – **70%**.

Year discovered

2011.

Total disbursements (2013)

No relevant investment made.

Performance in 2013

Transfer of 30% of the concession rights related to the farm-in process for BM-C-27A was not completed.

Estimate for 2014

The drilling timeline is still being defined by the operator.

Camamu-Almada Basin | BM-CAL-12 (CAL-M-312, CAL-M-372)

Situation

Exploration

Fluid

Oil

Water Depth

1,600 m

Consortium

QGEP – 20%; Petrobras (operator) – 60%; EP Energy – 20%.

Year discovered

No drilling has been done.

Total disbursements (2013)

No relevant investment made.

Performance in 2013

The Consortium finalized environmental impact studies related to BM-CAL-12 and proceeded onto the process of obtaining environmental licensing, which is expected by the end of 2014.

Estimate for 2014

A pioneer well will be drilled in the CAM#01 prospect, located in Block CAL-M-372, and its drilling will begin after the license has been received.

Camamu-Almada Basin | BM-CAL-5

Situation

Exploration

Fluid

Oil

Water Depth

500 m to 860 m

Consortium

QGEP – 27,5%; Petrobras (operator) – 72,5%.

Year discovered

Copaíba (2008).

Total disbursements (2013)

No relevant investment made.

Performance in 2013

The Consortium was awaiting Ibama issuance of the Term of Reference, which determines the scope of environmental impact studies to be done in the area.

Estimate for 2014

Environmental licensing expected to be obtained.

Camamu-Almada Basin | Camarão Norte Field

Situation

Development

Fluid

Gas

Water Depth

35 m

Consortium

QGEP – 45%; Petrobras (operator) – 35%; Geopark – 10%; Brasoil – 10%.

Year discovered

2001.

Total disbursements (2013)

No relevant investment made.

Performance in 2013

The field is in the process of being unified with the adjacent field and no operational activities were carried out in 2013.

Estimate for 2014

Continuation of the unification process is expected.

Camamu-Almada Basin | Manati Field

Situation

Production

Fluid

Gas

Water Depth

35 m

Consórcio

QGEP – 45%; Petrobras (operator) – 35%; Geopark– 10%; Brasoil – 10%.

Year discovered

2000.

Total disbursements (2013)

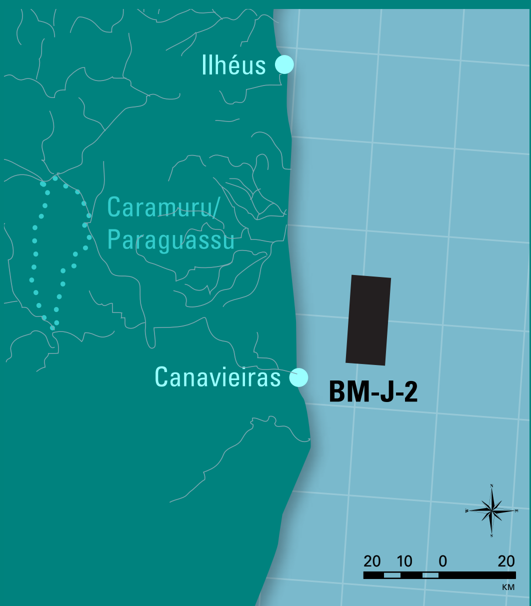
No relevant investment made.

Performance in 2013

Average production for the year was 6 million cubic meters per day, even with production being interrupted for 20 days, because of scheduled maintenance. The Field continues to present excellent profitability and an EBITDA margin of over 60%.

Estimate for 2014

Construction of a surface compression plant will begin in 2014 which will reestablish the reservoirs original pressure, extending the 6 million cubic meter level of daily production capacity to 2017. Average production for 2014 is estimated at 5.5 million m^3. The compression plant should begin operating in mid-2015.



Jequitinhonha Basin | BM-J-2

Situation

Exploration

Fluid

Oil or Gas

Water Depth

50m

Consortium

QGEP (operator) – 100%.

Year discovered

2013.

Total disbursements

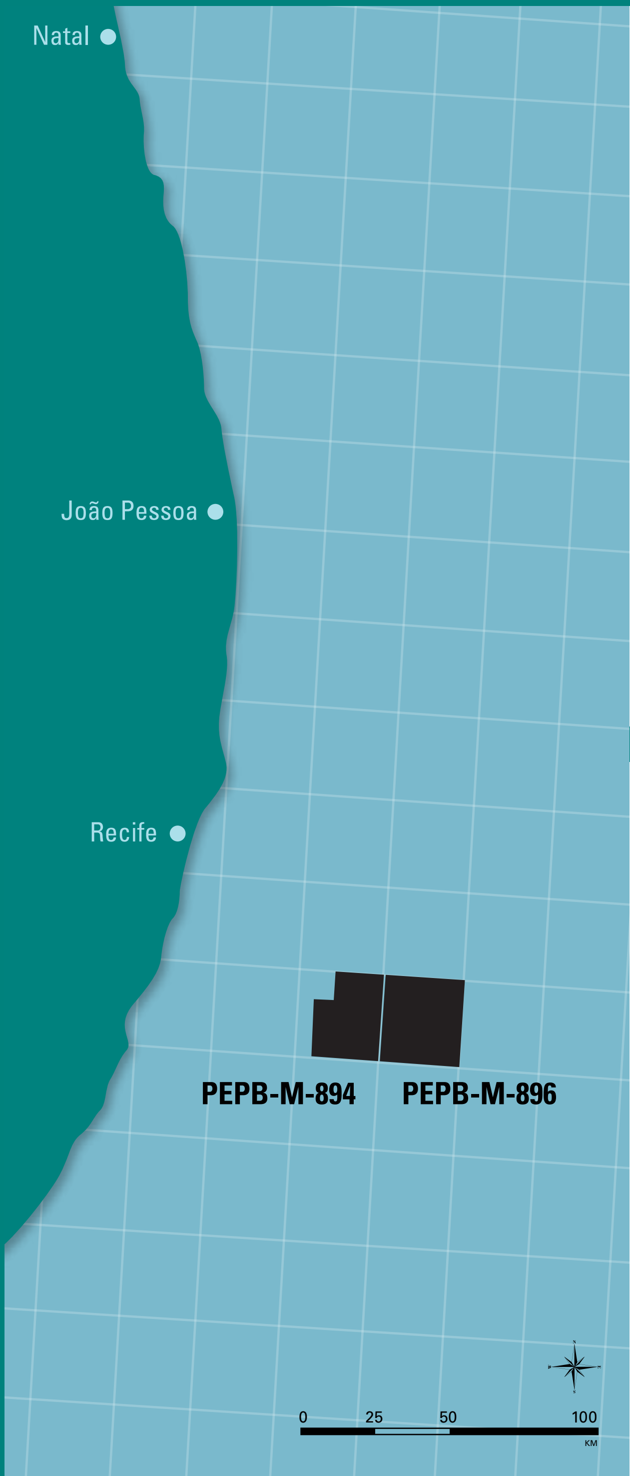
US$84 million.

Performance in 2013

Drilling of Alto de Canavieiras was successfully finalized, with ANP being notified of the discovery. Due to the smaller operational window, there was not sufficient time to execute testing of the well and assess the extension and commercial potential of the discovery. Under the terms of the environment license, drilling is only allowed during 4 months in the year. QGEP has been carrying out a series of scientific studies (such as the launch of drifters) to study the dynamic of currents in the region.

Estimate for 2014

QGEP is awaiting the ANP's decision on the discovery assessment plan, submitted to the regulatory agency in December 2013.



Pernambuco-Paraíba Basin | PEPB-M-894

Situation
Exploration

Fluid
Oil and Gas

Water Depth
1,000 m and 2,000 m

Consortium

QGEP (operator) – 30%; Petra Energia – 70%.

Year discovered

No drilling has been done. The first exploratory wells in this Block are planned starting in 2017.

Total disbursements (2013)

US$0.1 million.

Performance in 2013

Acquired in 11th round of ANP bids.

Estimate for 2014

Continued geological studies.

Pernambuco-Paraíba Basin | PEPB-M-896

Situation
Exploration

Fluid
Óleo and Gás

Water Depth
1,000 m and 2,000 m

Consortium

QGEP (operator) – 30%; Petra Energia – 70%.

Year discovered

No drilling has been done. The first exploratory wells in this Block are planned starting in 2017.

Total disbursements (2013)

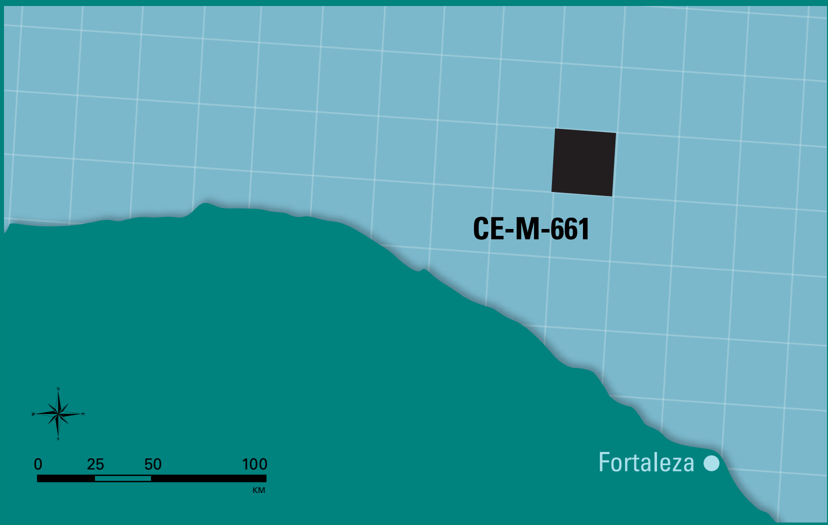
US$0.3 million.

Performance in 2013

Acquired in 11th round of ANP bids.

Estimate for 2014

Continued geological studies.



Ceará Basin | CE-M-661

Situation

Exploration

Fluid

Oil and Gas

Water Depth

50 to 2.000 m

Consortium

QGEP – **25%**; Total (operator) – **45%**; OGX – **30%**.

Year discovered

No drilling has been done. The first exploratory well in this Block is planned starting in 2017.

Total disbursements (2013)

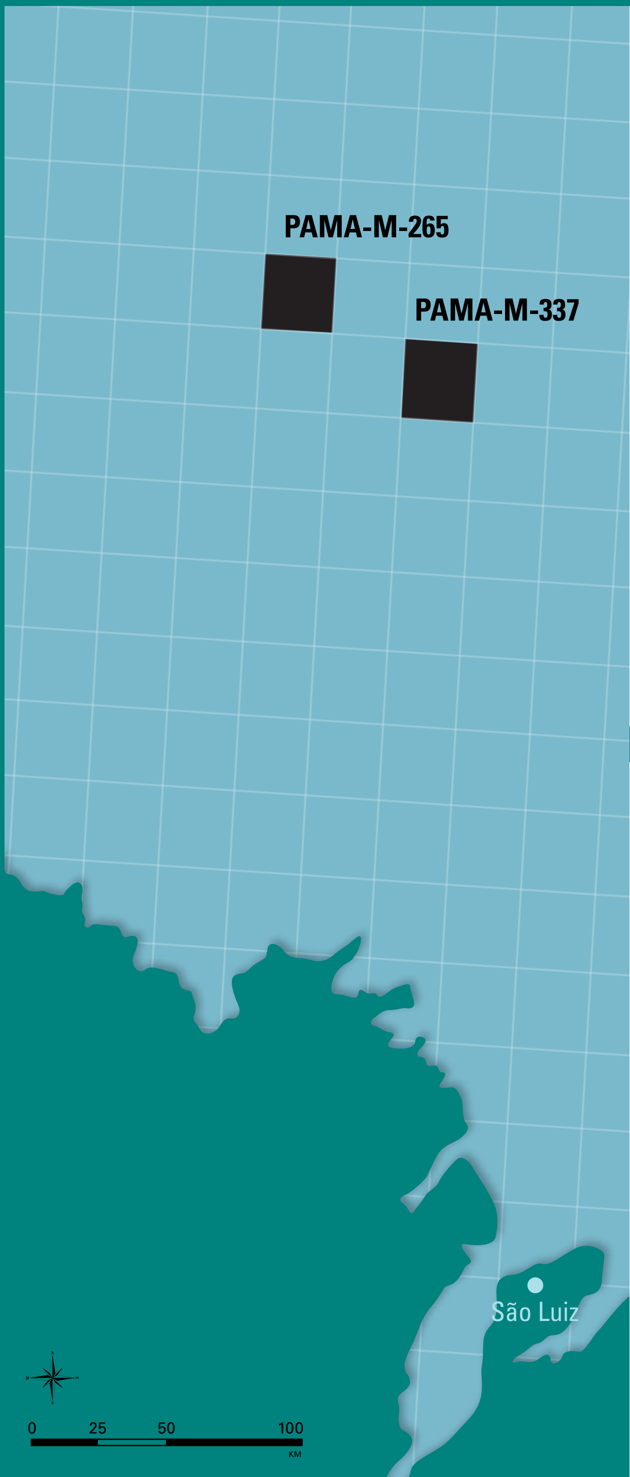
US$5 million.

Performance in 2013

Acquired in 11th round of ANP bids.

Estimate for 2014

Contracting of acquisition of 3D seismic data.



Pará-Maranhão Basin | PAMA-M-265

Situation
Exploration

Fluid
Oil and Gas

Water Depth
1,800 to 3,000 m

Consortium
QGEP (operator) – 30%; Pacific Brasil – 70%.

Year discovered
No drilling has been done.

Total disbursements (2013)
US$1.5 million.

Performance in 2013
Acquired in 11th round of ANP bids.

Estimate for 2014
Contracting of acquisition of 3D seismic data.

Pará-Maranhão Basin | PAMA-M-337

Situation
Exploration

Fluid
Oil and Gas

Water Depth
400 to 3,000 m

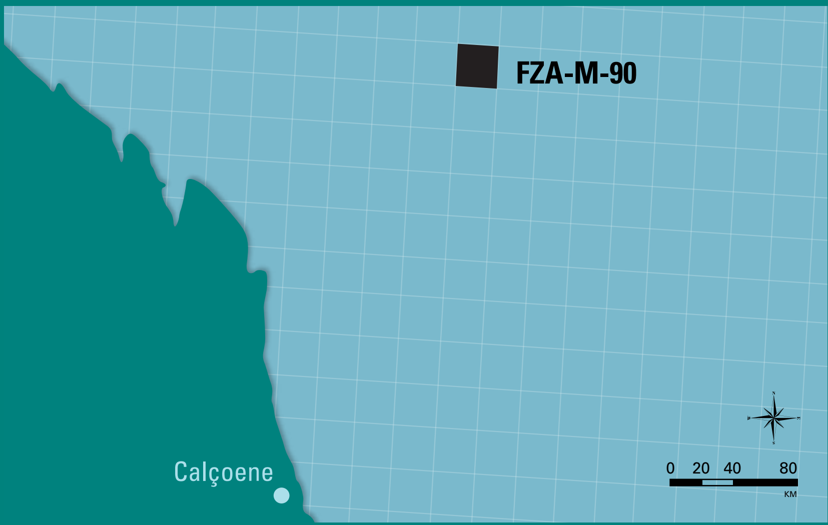
Consortium
QGEP (operator) – 50%; Pacific Brasil – 50%.

Year discovered
No drilling has been done. The first exploratory wells in this Block are planned starting in 2017.

Total disbursements (2013)
US$17 million.

Performance in 2013
Acquired in 11th round of ANP bids in 2013.

Estimate for 2014
In the process of acquiring 3D seismic data.



Foz do Amazonas Basin | FZA-M-90

Situation

Exploration

Fluid

Oil and Gas

Water Depth

2,000 to 3,200 m

Consortium

QGEP (operator) – **35%**; Premier Oil – **35%**; Pacific Brasil – **30%**.

Year discovered

No drilling has been done. The first exploratory well in this Block is planned starting in 2017.

Total disbursements (2013)

US$9 million.

Performance in 2013

Acquired in 11th round of ANP bids.

Estimate for 2014

Acquisition of 3D seismic data.

Espírito Santo Basin | ES-M-598

Situation

Exploration

Fluid

Oil or Gas

Water Depth

2,000 m to 2,500 m

Consortium

QGEP – 20%; Statoil Brasil (operator) – 40%; Petrobras – 40%.

Year discovered

No drilling has been done. The first exploratory well in this Block is planned starting in 2017.

Total disbursements (2013)

US$7 million.

Performance in 2013

Acquired in 11th round of ANP bids.

Estimate for 2014

Acquisition of 3D seismic data.

Espírito Santo Basin | ES-M-673

Situation

Exploration

Fluid

Oil or Gas

Water Depth

2,500 m to 2,800 m

Consortium

QGEP – 20%; Statoil Brasil (operator) – 40%; Petrobras – 40%.

Year discovered

No drilling has been done. The first exploratory well in this Block is planned starting in 2017.

Total disbursements (2013)

US$6 million.

Performance in 2013

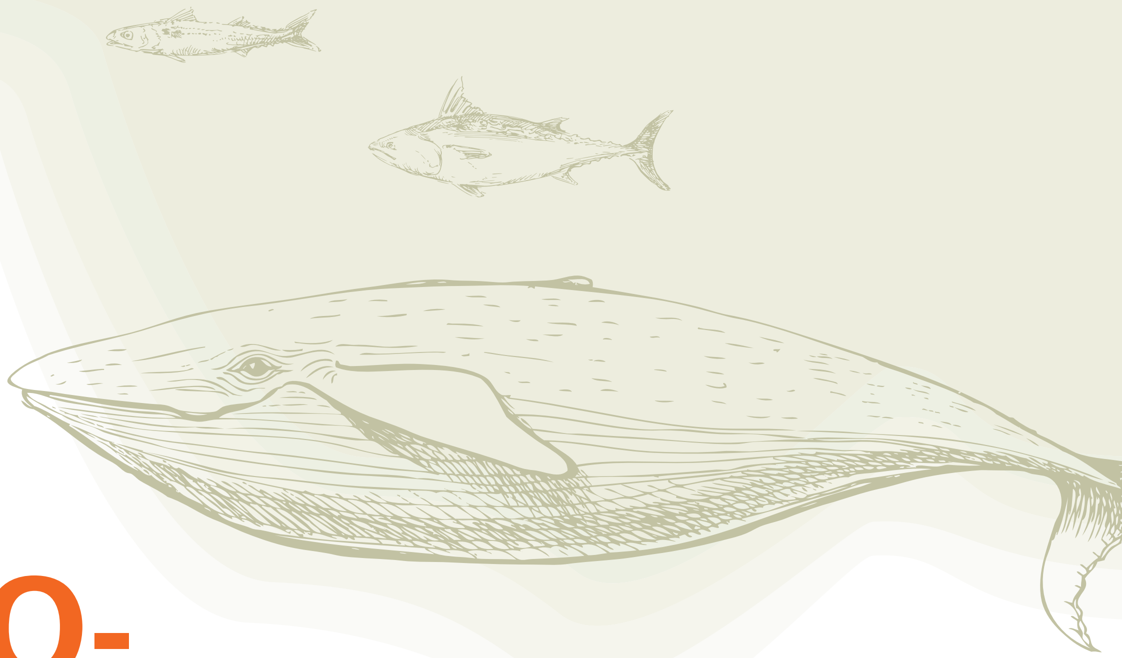
Acquired in 11th round of ANP bids.

Estimate for 2014

Acquisition of 3D seismic data.

p. > 60 Biodiversity
p. > 66 Socio-environmental management

04



SOCIO-ENVIRONMENTAL

GRI G4-EN13 | Global Compact 8

ECO-EFFICIENT MANAGEMENT PRACTICES AND SOCIO-ENVIRONMENTAL PROJECTS IN BLOCKS WHERE QGEP IS THE OPERATOR HELP TO MINIMIZE IMPACTS OF THE COMPANY'S OPERATIONS. THE AMOUNT INVESTED DURING THE YEAR IN ENVIRONMENTAL CONSERVATION ACTIVITIES TOTALED BRL17 MILLION.

Since it was founded, QGEP has operated responsibly and transparently, maintaining an open dialogue with its stakeholders. The Company seeks to go beyond compliance with legal requirements, adopting solutions that reduce the environmental impacts of its operations as much as possible, through development of joint actions with the communities located in their areas of influence, in order to promote social and environmental growth.

The impacts of QGEP activities are detected before the Company begins an operation. This is done by executing environmental studies that are drafted according to relevant laws. After this process, where plans of action and mitigation measures are formatted, activities are conducted according to the guidelines of the Integrated Management Policy and monitored using the Integrated Management System (SGI).

In 2013, the Company invested BRL17 million in environmental protection activities in the BM-J-2 and BS-4 Blocks, as shown in the table below.
GRI G4-EN31 | Global Compact 7, 8 and 9

In Block BM-J-2, the Beach Monitoring Project (*Projeto de Monitoramento das Praias* – PMP), Fisheries Catch Monitoring Project (*Projeto de Monitoramento de Desembarque Pesqueiro* – PMDP), and Fishing Compensation Plan (*Plano de Compensação da Atividade Pesqueira* – PCAP) initiatives were developed in 2013. Because BS-4 is located 130 kilometers from the coast, at a water depth of 1,550 meters, under normal operating conditions there are no impacts on protected areas that require monitoring, due to its distance from the coast. For this Block, QGEP submitted projects to Ibama for Environmental Monitoring, Monitoring of Gravel and Drilling Fluid, the Pollution Control Program, and the Environment Education Program for Workers.

In 2013, QGEP acquired a share in eight exploration blocks in the 11th Round of ANP Bidding and it is the operator in five of these. Environmental studies in these new locations have not begun yet, with these documents set to be delivered to the environmental agency in the first half of 2015; this will be done in accordance with applicable laws.

INVESTMENTS AND EXPENDITURES ON ENVIRONMENTAL CONSERVATION (BRL)	BM-J-2	BS-4	TOTAL
Waste management	702,953.35	674,819.00	1,377,772.35
Emergency plan/audits	10,637,067.12	3,137,670.00	13,774,737.12
Fauna preservation and monitoring plans	1,307,074.46	101,420.00	1,408,494.46

GRI G4-EN23 | G4-EN25

Waste management BM-J-2 in 2013

WASTE	CLASSIFICATION (NBR 10004/2004)	METHOD OF TREATMENT	QUANTITATIVE (KG)
Aerosol	I	Industrial landfill	21.0
Printer cartridges	I	Reprocessing	21.0
Industrial effluent	I	Blending	12,512.0
		Treatment station	108,550.0
Fluorescent light bulbs	I	Decontamination	84.0
Aluminum tin	IIB	Recycling	80.0
Uncontaminated wood	IIB	Reuse	3,231.0
Uncontaminated metal	IIB	Recycling	11,888.0
Cooking oil	IIA	Recycling	139.0
Uncontaminated paper/cardboard	IIB	Recycling	2,232.0
Batteries	I	Reprocessing	95.0
Uncontaminated plastic	IIB	Recycling	1,649.0
Chemical products	I	Industrial landfill	304.0
		Blending	5,226.0
Electronic waste	I	Reprocessing	162.0
Contaminated waste	I	Industrial landfill	4,213.0
		Blending	11,517.0
Infectious waste	I	Autoclave	28.0
Non-recyclable waste	IIA	Landfill	9,995.0
Oily waste	I	Treatment station	53,181.0
Contaminated drum/container	I	Reuse	1,915.0
Tetra Pak	IIB	Recycling	428.0
Uncontaminated glass	IIB	Recycling	830.0
TOTAL			228,301.0

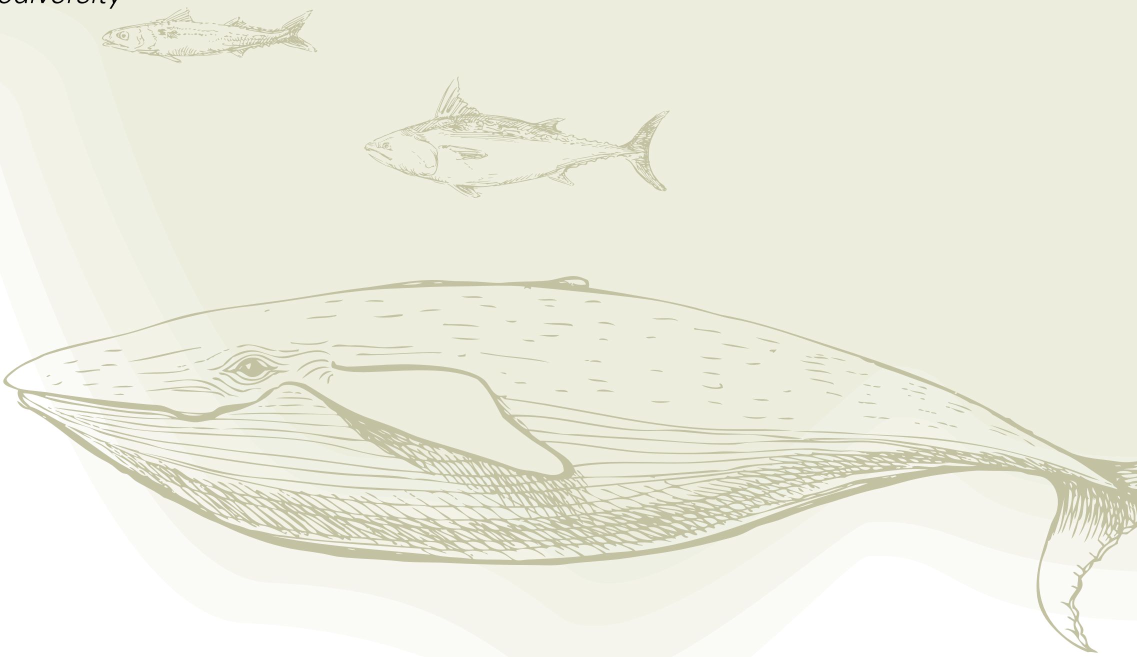
Waste management BS-4 in 2013

WASTE	CLASSIFICATION (NBR 10004/2004)	METHOD OF TREATMENT	QUANTITATIVE (KG)
Aerosol	I	Refurbishment	70.0
Uncontaminated rubber	IIB	In storage	81.0
Drilling fluid	I	Co-processing	90,101.0
Water-based drilling fluid	IIA	Co-processing	152,708.0
Bulk cargo (barite, cement, proppant, calcite, sand)	IIA	Co-processing	4,750.0
Fluorescent light bulbs	I	Decontamination	117.0
Aluminum tin	IIB	Recycling	40.0
Madeira	IIB	Reuse	10,045.0
Metal	IIB	Recycling	25,233.0
Cooking oil	IIA	Recycling	774.0
Uncontaminated paper/cardboard	IIB	Recycling	3,152.0
Batteries	I	Reprocessing	307.0
Uncontaminated plastic	IIB	Recycling	2,661.0
Chemical products	I	Co-processing	1,910.0
Food waste transferred onshore	IIA	Landfill	232.0
Infectious waste	I	Thermal disinfection	50.0
		Incineration	1.0
Contaminated waste	I	Controls	26,477.0
Electronic waste	I	Reprocessing	126.0
Non-recyclable waste	IIA	Landfill	10,794.0
Oily waste	I	Treatment station	121,604.0
		Re-refining	2,400.0
Contaminated drum/container	I	Processing	2,100.0
		Co-processing	1,857.0
Tetra Pak	IIB	Recycling	361.0
Uncontaminated glass	IIB	Recycling	268.0
TOTAL			458,219.0

Biodiversity

GRI G4-SO1 | G4-SO2 | Global Compact 1

Socio-environmental > Biodiversity



Before beginning its exploration and production activities in areas where it is an operator, QGEP is legally bound to draft environmental impact studies and implement measures for mitigation or environmental compensation of the impacts on local biodiversity. These studies already include the Activity Deactivation Project, with actions to be executed after operations end. The Company has not yet executed the exit plan in any of its projects. **GRI G4-EN11 | Global Compact 8**

GRI G4-EN14 | Global Compact 8

NUMBER OF SPECIES BY LEVEL OF EXTINCTION RISK (IUCN)	BM-J-2				BS-4			
	Turtles	Birds	Fish	Marine mammals	Turtles	Birds	Fish	Marine mammals
Data deficient	0	1	1	0	0	6	6	16
Near threatened	0	2	0	2	0	4	9	0
Vulnerable	2	2	1	0	2	6	13	2
Endangered	2	0	0	1	2	3	8	3
Critically endangered	1	0	0	0	1	1	3	1

Species with most sightings by embedded environmental technicians

BM-J-2

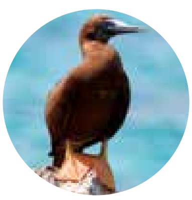
Humpback whale
(*megaptera novaeangliae*):
least concern
Masked booby
(*sula dactylatra*):
least concern
Brown booby
(*sula leucogaster*):
least concern

BS-4

Atlantic yellow-nosed albatross
(*thalassarche chlororhynchos*):
endangered
South polar skua
(*stercorarius maccormicki*):
least concern
Magnificent frigatebird
(*fregata magnificens*):
least concern








Projects related to protecting biodiversity are developed by QGEP in Block BM-J-2, which covers 371 square kilometers and exerts influence on an area including the municipalities of Ilhéus, Una, Canavieiras and Belmonte (Bahia). This region is part of the Canavieiras Marine Extraction Reserve and is near the Descobrimento, Marinho dos Abrolhos, Pau Brasil and Monte Pascoal National Parks. In the case of BM-J-2, according to the license, activities in this region may only occur outside of the restriction period in the area due to the occurrence of turtles and of lower probabilities of a possible leak, in the case of an incident, which in the worst case could affect the Abrolhos area. **GRI G4-EN12 | Global Compact 8**

Socio-Environmental projects

Fishing Compensation Plan (PCAP)

The Fishing Compensation Plan (PCAP) projects developed in the communities the BM-J-2 area of influence were finalized by QGEP in 2013. The results were presented during various meetings with local representatives. The only project which has yet to be finalized is construction of an indigenous and fishing community center in Acuípe, since the Company is awaiting conclusion of an assessment by the National Indian Foundation (Fundação Nacional do Índio – Funai), since construction is planned on indigenous land.

In other locations, QGEP has delivered salvage equipment and has replaced wooden fishing boats with carbon fiber boats, making navigation safer. Community centers were also delivered, according to the plan made with each of the 20 communities in the area of influence of the activity. PCAP investments were geared towards maritime safety initiatives and development of infrastructure for fishing vessels.

In the Extractivist Reserve (Resex), the Company has contributed to strengthening the Region, while also contributing to a culture of safety at sea, by providing shipping equipment, fostering management of projects and training extractives.

COMMUNITIES OF ILHÉUS	FISHING COMPENSATION PLAN DELIVERIES
Acuípe	Construction of Amipab center – awaiting conclusion of assessment by Fundação Nacional do Índio (Funai)
Ilhéus/Barra de Itaípe Center	Donation of technological nautical equipment or highest encumbrance required by law, according to local fleet's demand; and execution of a mini-course on the use of this technological equipment
Cururupe	Replacement of a dinghy with a motorized carbon fiber fishing boat that has a nautical equipment kit
Olivença and Ponta do Ramo	Replacement of the fishing boat fleet and refurbishment of wooden boats, giving both nautical equipment kits
Ponta da Tulha and Ponta do Mamoã	Refurbishment of the dinghy fishing, equipping it with nautical equipment kits
São Miguel	Acquisition of the Apesmar center

EXTRACTIVIST RESERVE (RESEX) COMMUNITIES	FISHING COMPENSATION PLAN DELIVERIES
Association of Mothers of Resex Extractivists of Canavieiras (*Associação Mãe dos Extrativistas da Resex de Canavieiras* – Amex)	Management, training, operationalization, technical advising and accounting for the PCAP
Association of Fishermen and Extractivists of Barra Velha (*Associação dos Pescadores e Extrativistas da Barra Velha* – Apembav)	Acquisition of materials to remodel and expand its headquarters
Association of Farmers, Residents and Fishermen of Puxim da Praia (*Associação dos Agricultores, Moradores e Pescadores do Puxim da Praia* – AMAPPP)	Acquisition of materials to remodel its headquarters
Association of Fishermen and Shellfish Collectors of Pedras de Uma (*Associação dos Pescadores e Marisqueiras de Pedras de Uma* – APMU)	Acquisition of materials to remodel and improve its headquarters
Association of Fishermen and Farmers of Campinhos (*Associação dos Pescadores e Agricultores dos Campinhos* – APAC)	Acquisition of materials to build its headquarters
Association of Shellfish Collectors of Belmonte (*Associação das Marisqueiras de Belmonte* – APB)	Acquisition of land and material to build a social center
Association of Fishermen and Shellfish Collectors of Oiticica (*Associação dos Pescadores e Marisqueiras de Oiticica* – APMO)	Acquisition of materials to expand the APPS – *Associação dos Pescadores e de Puxim do Sul* headquarters, buy land, purchase of materials to build headquarters
Association of Crab Fishers of Canavieiras (*Associação dos Tiradores e Catadeiras de Caranguejo de Canavieiras* – ATCC)	Purchase of land, acquisition of materials to build its headquarters
Association of Fishermen, Shellfish Collectors and Residents of the Community of Atalaia (*Associação dos Pescadores, Marisqueiras e Moradores da Comunidade da Atalaia* – APEMA)	Acquisition of materials to remodel and expand its kitchen
Z-21 Colony of Belmonte Fishermen	Acquisition of materials to build a social center and labor
Z-20 Colony of Canavieiras Fishermen	Equipment for a VHF radio base
Association of Fishermen of Belmonte (*Associação dos Pescadores de Belmonte* – APB)	Remodel of ice factory
Community of Mojiquiçaba	Acquisition of vessels for shellfish collectors and fishermen of Mojiquiçaba
Association of Shrimp Fishers of Canavieiras (*Associação dos Pescadores e Catadeiras de Camarão de Canavieiras* – APESCC)	Salvage equipment to regularize vessels

Beach/Stranding Monitoring Project (PMP)

The Beach Monitoring Project (PMP) implemented for Block BM-J-2 executed monitoring of the beaches along the shorelines of the municipalities of Ilhéus, Una and Canavieiras, in order to verify the presence of beached animals before, during, and after execution of drilling activity. Stretches covered daily were Olivença, Acuípe, Itapororoca, Comandatuba Norte, Comandatuba Sul, Barra Velha, Ilha do Brinquinho, and Ilha do Atalaia.

The project's second initiative began in the first quarter and covered 41,666 kilometers, totaling 81,636 kilometers – including the distance covered in the first campaign held in 2011. After drilling activity ended in 2011, QGEP maintained the animal service base running without interruption in Olivença, as well as a rescue team and communication initiatives to publicize the phone number to call if beached animals were found.

In April 2013, with drilling planned to start up again in June, QGEP reinitiated daily monitoring stretches of beach. Monitoring ended in December 2013 and, in both campaigns, the following were brought to the base:

- 133 species of sea turtles
- 20 species of marine mammals
- 125 species of seabirds

Notable among the animals rescued are one leatherback sea turtle, one South American fur seal, and one subantarctic fur seal.

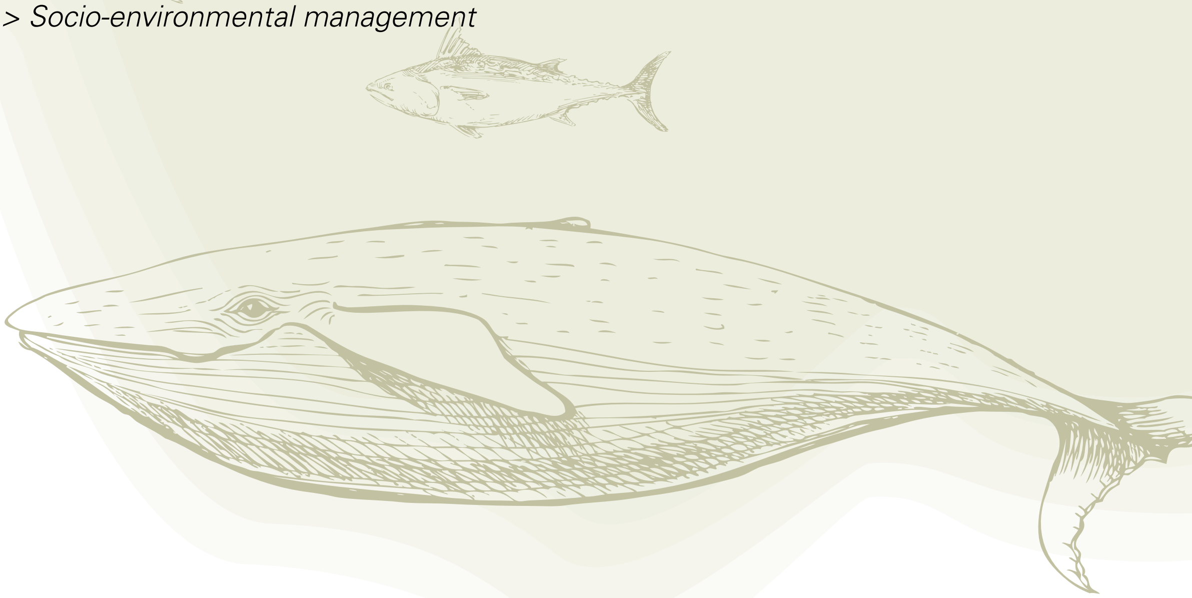
Fisheries Catch Monitoring Project (PMDP)

The Fisheries Catch Monitoring Project (PMDP) is aimed at assessing the influence of drilling activity on local fishing activity, through analysis of fish catch data. For this reason, local monitors have been trained to collect primary data from the main fisheries in the region.

QGEP has maintained the PMDP without interruption since April 2011. It has therefore been able to gather a solid database on fishing capture and efforts, enabling assessment of variations in productivity. In 2014, a final report will be submitted to Ibama.

Socio-environmental management

GRI G4-EN15 | G4-EN16 | G4-EN17 | G4-EN30 | Global Compact 7 and 8



QGEP strives to utilize natural resources in a sustainable manner In all of its activities. The Company joined the Carbon Disclosure Project (CDP) in 2012 and monitors its greenhouse gas (GHG) emissions in an integrated manner.
GRI G4-15

GHG EMISSIONS (TCO_2E)	SCOPE 1 (DIRECT)			SCOPE 2 (INDIRECT FROM ENERGY)			SCOPE 3 (OTHER INDIRECT)		
	2013[1]	2012[2]	2011	2013	2012	2011	2013[1]	2012[3]	2011
CO_2	24,438.08	7.65	0	24.97	7.37	6.38	986.91	296.99	10,857.07
CH_4	49.42	0	0	0	0	0	9.79	1.75	0.94
N_20	162.16	0	0	0	0	0	10.37	0.87	0.47
Total	**24,649.66**	**7.65**	**0**	**24.97**	**7.37**	**6.38**	**1,007.07**	**299.61**	**10,858.48**

1. The profile for 2013 emissions was revised, incorporating emissions into scope 1 that were previously considered scope 3, according to the operational control approach.
2. Measurement of scope 1 began in 2012.
3. Reduction In scope 3 is due to the fact that there was no operation in 2012.

Based on 2013 emissions in the three scopes, the Company calculated its energy intensity, an indicator suggested by the new G4 version of the Global Reporting Initiative (GRI) guidelines. Therefore, total emissions of 25,681.71 tCO_2e were divided by the corporate Capex investment and investment in the Blocks that QGEP operated in 2013 (US$116 million). With this, the Company's energy intensity in the year was 221.39 tCO_2e/US$ million invested.

GRI G4-EN18 | Global Compact 8

Water consumption is also monitored in activities operated by the company and at administrative headquarters. All industrial water used in support vessels, dedicated vessels and at P-VI drilling platforms (used for the campaign at Block BM-J-2) and Ocean Star (Block BS-4) was acquired from qualified suppliers and had a total volume of 9,601,996.73 m³. The vessels fill their drinking water tanks and transport it to the location, where a partial transfer is made to the platform. QGEP does not promote the direct withdrawal of water from rivers, lakes, wells and other bodies of water.

After use, industrial water used goes to effluent treatment stations or storage tanks. After appropriate treatment or storage, these effluents are released into the sea, according to legal requirements, provided the effluent meets minimal quality parameters. If there is a need to send effluents for onshore treatment, they are sent to licensed companies for treatment. If at the end of the process they are within legally acceptable limits, these effluents are discharged.

GRI G4-EN8 | G4-EN9 | G4-EN10 | Global Compact 7 and 8

QGEP offices in Rio de Janeiro and Salvador are located in commercial condos that are provided by the water supply concessionaire; the offices are not equipped with independent meters. Wastewater generated is discarded into the public collection system.

GRI G4-EN22 | G4-EN24 | Global Compact 8

EFFLUENTS – BM-J-2	
Oily water sent for onshore treatment (kg)	17.1
Oily water discarded at sea (m³)	93.9
Wastewater released into a body of water after treatment (m³)	3,234.0

EFFLUENTS – BS-4	
Oily water sent for onshore treatment (kg)	121,604.0
Oily water discarded at sea (m³)	49.6
Wastewater released into a body of water after treatment (m³)	2,546.3

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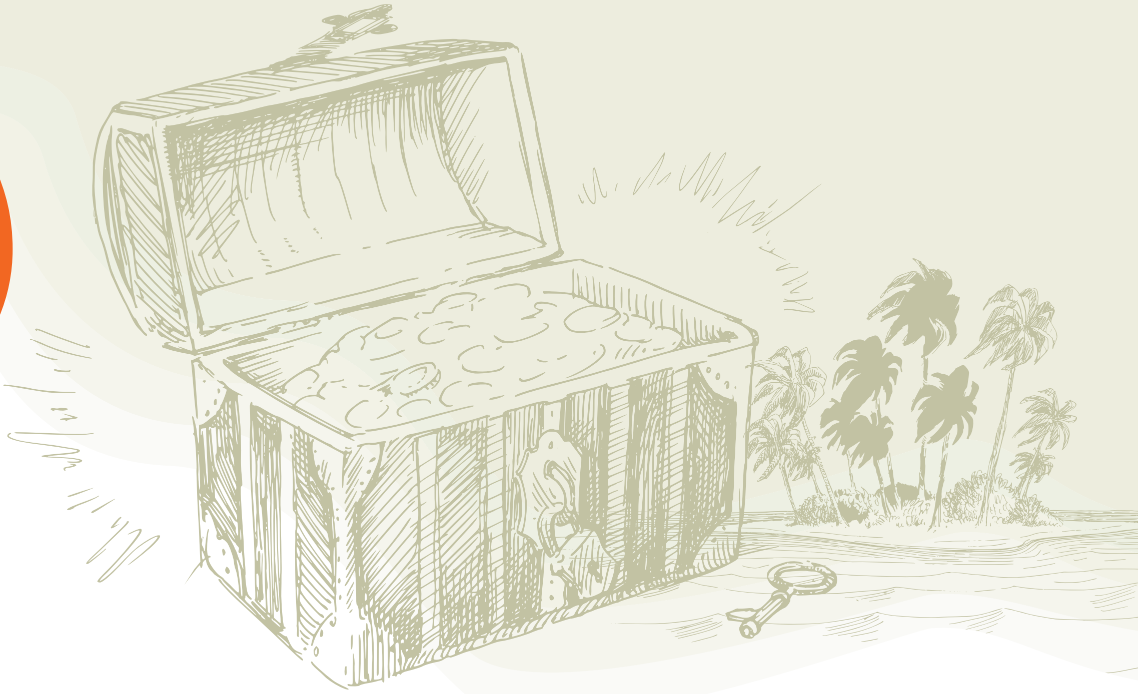
05



ECONOMIC AND FINANCIAL PERFORMANCE

QGEP ENDED THE YEAR WITH A CASH BALANCE OF BRL1.0 BILLION, GUARANTEEING IT A COMFORTABLE FINANCIAL POSITION FOR MAKING FUTURE INVESTMENTS. THE PERFORMANCE OF THE MANATI FIELD AND NEW FINANCING OBTAINED THROUGH FINEP MADE NOTABLE CONTRIBUTIONS TO THIS FINANCIAL POSITION.

In 2013, the Brazilian economy was characterized by faster growth in Gross Domestic Product (GDP), by inflation in line with the average seen in the last three years, and by low rates of unemployment. GDP grew 2.5%, compared to 0.9% in 2012, and within forecasts made by the International Monetary Fund (IMF) report. Inflation, measured by the Extended Consumer Price Index (IPCA), was at 5.9% for the year, within the range of the target stipulated by Brazil's Central Bank (Bacen). However, to contain inflationary pressure, the Central Bank began a new cycle of increases to the benchmark Selic interest rate .which ended the year at 10.0%,following 2.75% increase in the course of 2013. In 2013, Brazilian unemployment fell to a historic low. The average unemployment rate was 5.4% in 2013, which can be considered to be full employment.

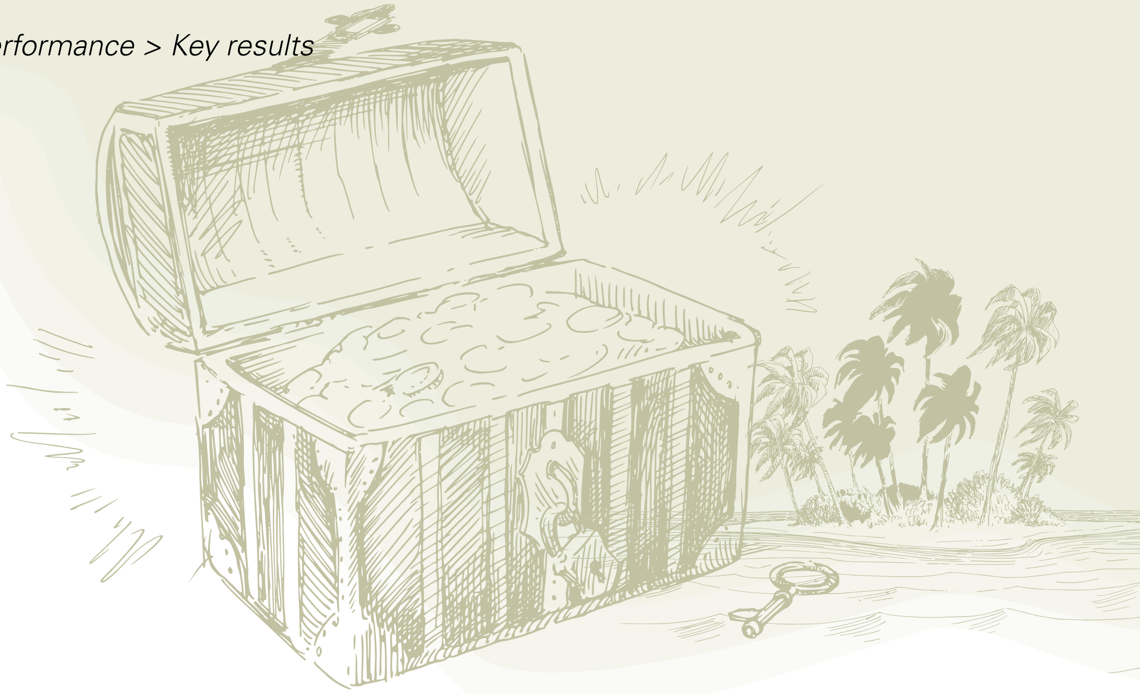
Brazil was also impacted by movements in global exchange rates, which at least in part were a result of a gradual reduction in the US Federal Reserve's asset purchase program. This caused the Brazilian real to depreciate somewhat in the period, going from BRL2.05/US$ in early 2013 to BRL2.36/US$ at the end of the year. In order to contain this depreciation, Brazil's Central Bank created a daily bid program of dollar swaps in 2013, which was extended to the first half of 2014, in addition to intervening directly in the exchange market. International demand for oil was 91 million barrels per day, in line with demand in 2012, according to the Energy Information Administration (EIA).

Brent ended the year at US$110.80 per barrel, compared to US$111.11 per barrel in 2012, with little volatility during the period. This trend in the industry is evidence of its medium and long term nature, with only temporary impacts from the year's macroeconomic conditions.

For QGEP, it is Important to maintain comfortable financial capacity to make investments, especially consider the outlook for Atlanta and Carcará. The Company ended the year with a balance of BRL1.0 billion in cash, including BRL169.3 million disbursed by Brazil's Funding Authority for Studies and Projects (Finep). QGEP was able to obtain these resources because of the integration of state of the art technologies used in the first two horizontal wells in the Atlanta Field. Financing of BRL266 million gained from Finep will allow for development of the Anticipated Production System for the Atlanta Field. The company will structure new financing to invest in the Definitive System.

QGEP plans to grow consistently and gradually throughout the coming years. The Company's share in the Manati Field provides it with a comfortable financial position, since this source is responsible for all of its operating revenue and provides a stable and predictable cash flow. Once it is in production, Atlanta will also contribute to the bottom line at QGEP, with a differential in generating USD-denominated revenues. In the long term, production at Carcará will also increase cash generation at the Company.

Key results

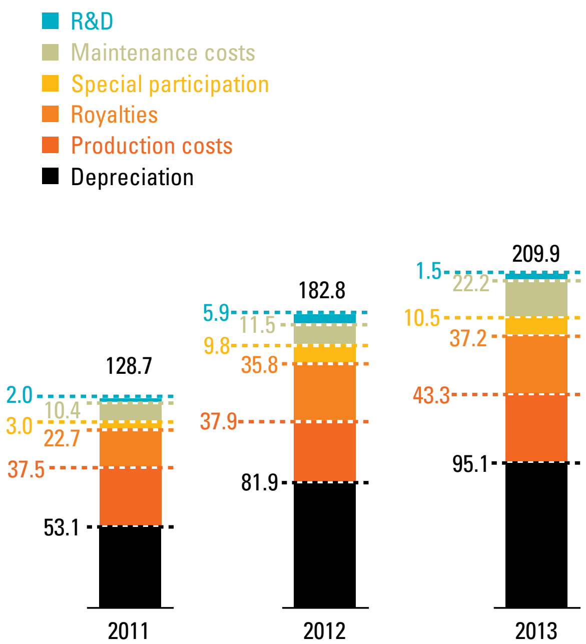


CONSOLIDATED FINANCIAL INFORMATION (BRL MILLIONS)	2013	2012	2011	VARIATION 2013/2012 (%)
Net earnings	192.2	82.5	92.1	133.1
Amortization and depreciation	97.3	82.9	53.6	17.3
Net financial (expenditures) revenue	(62.1)	(82.5)	(84.4)	24.8
Income tax and social contribution	(4.6)	20.0	29.1	(111.4)
EBITDA[1]	222.9	122.9	90.5	81.3
Oil and gas exploration expenditures with sub-commercial and dry wells[2]	48.5	162.1	13.2	(70.1)
EBITDAX[3]	271.4	285.1	103.6	(4.8)
EBITDA[4] margin (%)	45.9	26.6	31.3	72.5
EBITDAX[5] margin	55.8	61.7	35.9	(9.4)
Net debt[6]	(837.8)	(952.3)	(1.098.50)	12.0
Net debt/EBITDAX	(3.1)	(3.3)	(10.6)	7.6

1. Calculation of the EBITDA considers the net earnings before income tax and social contribution, net financial results and expenses without amortization. EBITDA is not a financial measure according to accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS). It should not be considered in isolation or as an alternative to net earnings, as a measure of operational performance or as an alternative to operating cash flow, as a measure of liquidity. Other companies may calculate EBITDA differently than QGEP. In addition EBITDA has limitations that hinder its use as a measure of the Company's profitability, since it does not consider certain costs inherent to the business which could significantly affect net results, such as net financial revenue, taxes and amortization. QGEP uses the EBITDA as an additional measure of its operating performance.
2. Exploration expenditures related to sub-commercial wells or wells with non-commercial volumes.
3. EBITDAX is a measure used in the oil and gas industry that is calculated as follows: EBITDA + expenditures on exploration of dry or sub-commercial wells.
4. EBITDA divided by net revenue.
5. EBITDAX divided by net revenue.
6. Net debt corresponds to total debt, including current and long term loans and financing and derivative financial instruments, minus cash, cash equivalents and securities. Net debt is not recognized according to accounting practices used in Brazil, by the IFRS or by US GAAP, or by any other generally accepted accounting principles. Other companies may calculate net debt differently.

Manati was the largest gas producing field in Brazil in 2013, accounting for 32% of gas produced in the Northeast Region and 8% of total gas production in Brazil. Average daily gas production in the year was 6.0 million m^3, compared to 6.1 million m^3 per day in 2012 and 4.1 million m^3 per day in 2011. With this, QGEP achieved net revenue of BRL486.1 million in 2013, an amount 5% higher than in 2012. In turn, operating costs saw an increase of 14.8% in the same period, as a result of scheduled maintenance that took place at the Manati Field.

OPERATING COSTS (BRL MILLIONS)



General and administrative costs totaled BRL68.6 million, which is 8.4% higher than in 2012. Part of the administrative expenses are transferred to the partners as QGEP is the operator of Block BS-4 and holds 30% of this amount. The remainder 70% is related to the partners of the block that reimburse expenses to the operator. Total amount transferred in 2013 was R$23.0 million compared to R$12.8 million in 2012. Full Year 2013 exploration expenses totaled R$81.5 million, in relation to the return of Block BM-S-12 to the ANP and to the drilling of the extension well in the Carcará discovery. In 2012, these expenditures totaled BRL177.0 million, when expenses were impacted by the write-off of the Ilha do Macuco well and the relinquishment of the Jequitibá discovery.

The Company has a fiscal incentive which reduces income tax relating to the Manati Field by 75%. An amount equal amount to the amount gained from fiscal savings should be appropriated in an earnings reserve account, in shareholder equity, and may not be distributed as dividends to shareholders. Moreover, QGEP uses the fiscal benefits established in the Good Act (*Lei do Bem*), the Rouanet Act (*Lei Rouanet*), the Sports Incentive Act (*Lei de Incentivo ao Esporte*), and the Worker Meal Program (*Programa de Alimentação ao Trabalhador*). In 2013, fiscal incentives totaled BRL43.8 million, compared to BRL47.0 million in 2012. **GRI G4-EC4**

The net financial result was BRL62.1 million, 24.8% less than in 2012, when the company had financial revenue of BRL22.8 million related to the exchange rate variation on the balance payable of 30% of the share in Block BS-4.

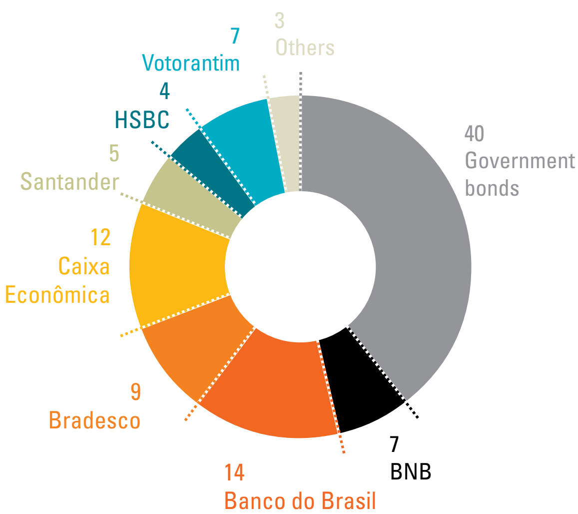
QGEP results reinforce the positive balance of 2013: operating cash flow generation was up by 48.0%, reaching BRL376.4 million. Net earnings grew by 133.1% compared to the previous year, going from BRL82.5 million to BRL192.2 million.

At the end of 2013, 17% of QGEP's financial investments were invested in exchange rate funds, while the rest remained in Brazilian currency. The average accumulated yield on cash in BRL for the period was 102.3% of the CDI, with approximately 99% of the funds investing having daily liquidity. Investments in BRL were distributed as shown in the graph, with 99% of them classified with a AAA rating and 1% of the total rated AA (except for government bonds).

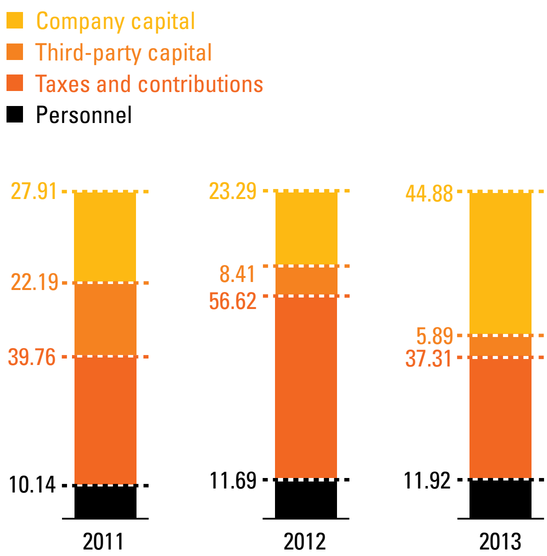
Total indebtedness at the end of the year was BRL167.9 million, with BRL0.6 million related to interest (BRL0.4 million of which was amortized) and BRL1.7 million related to banking fees. This indebtedness is related to the portion of funding obtained from the Funding Authority for Studies and Projects (Finep) to provide support to development of the Anticipated Production System (*Sistema de Produção Antecipada* – SPA) in the Atlanta Field, in the total amount of BRL266.1 million. This financing is comprised of two lines of credit, one at a fixed rate and one at a floating rate, both of which currently have an annual interest rate equal to 3.5%, with a grace period of three years and a repay period of seven years.

In relation to the Value-Added Statement (VAS), changes in 2013 resulted mostly from expansion of the staff and increased sale prices for gas and condensate.

DISTRIBUTION OF INVESTMENTS IN 2013 (%)



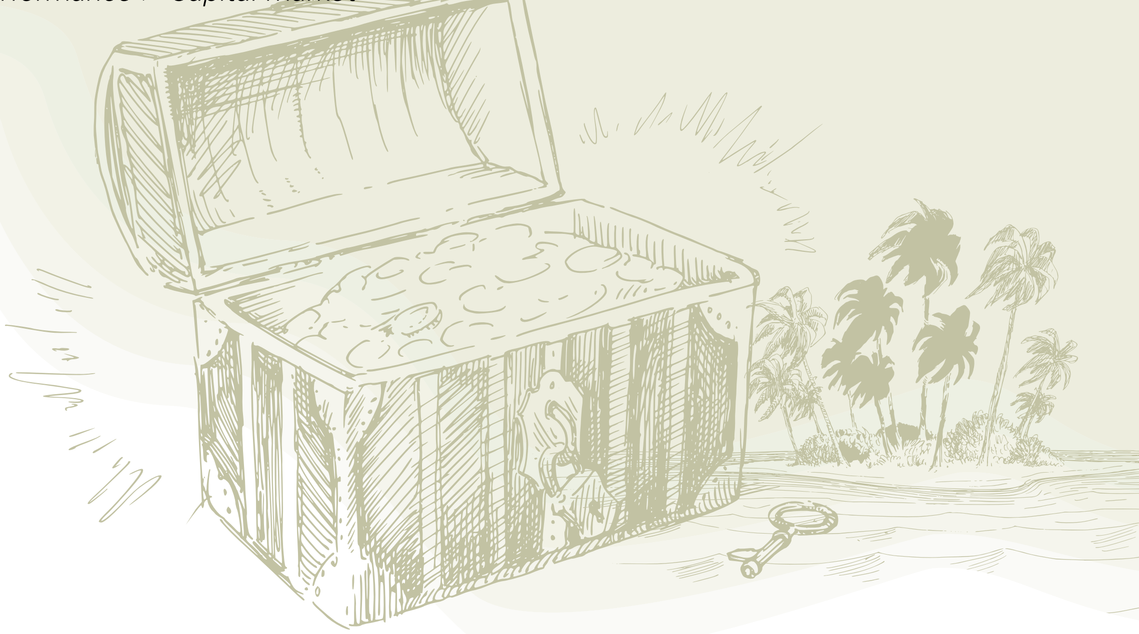
VALUE-ADDED DISTRIBUTION (%)



GRI G4-EC1

VALUE-ADDED STATEMENT (VAS – BRL THOUSANDS)	2013	2012	2011
Revenues	**994,197**	**691,534**	**898,777**
Sales of gas	612,804	586,053	370,020
Other revenues	581	779	383
Revenues related to construction of proprietary assets	380,812	104,702	221,084
Acquisition of exploration concession	-	-	305,290
Supplies acquired from third parties (includes taxes)	**544,120**	**365,257**	**669,472**
Cost of products, goods and services sold	147,331	228,475	100,991
Materials, energy, third-party services, and others	379,661	120,597	561,300
Others	17,128	16,186	7,181
Gross value-added	**450,077**	**326,277**	**229,305**
Depreciation, depletion and amortization	**97,286**	**82,919**	**53,606**
Net added value produced (used) by the organization	**352,791**	**243,358**	**175,699**
Added value received in transfer	**84,146**	**110,721**	**153,276**
Result of equity accounting and dividends	(440)	-	-
Financial revenues	84,586	84,135	153,276
Others	-	26,586	-
Total added value to distribute	**436,937**	**354,079**	**328,975**
Added value distributed	**436,937**	**354,079**	**328,975**
Personnel	57,462	41,377	33,478
Direct remuneration	51,820	39,253	32,668
Benefits	3,792	1,258	540
Government Severance Indemnity Fund for Employees – FGTS	1,850	866	270
Taxes and contributions	161,324	200,467	131,290
Federal taxes	57,934	99,654	64,441
State taxes	54,539	55,134	42,109
Municipal taxes	83	30	29
ANP (bonus + royalties)	48,768	45,649	24,711
Remuneration of third party capital	25,909	29,767	72,070
Interest	364	3,356	20,421
Rent	3,224	1,074	578
Bank expenses	1,431	447	2,570
Exchange/monetary variation	20,890	24,890	48,501
Remuneration of shareholders' equity	192,242	82,468	92,137
Net income for the period	192,242	82,468	92,137

Capital market

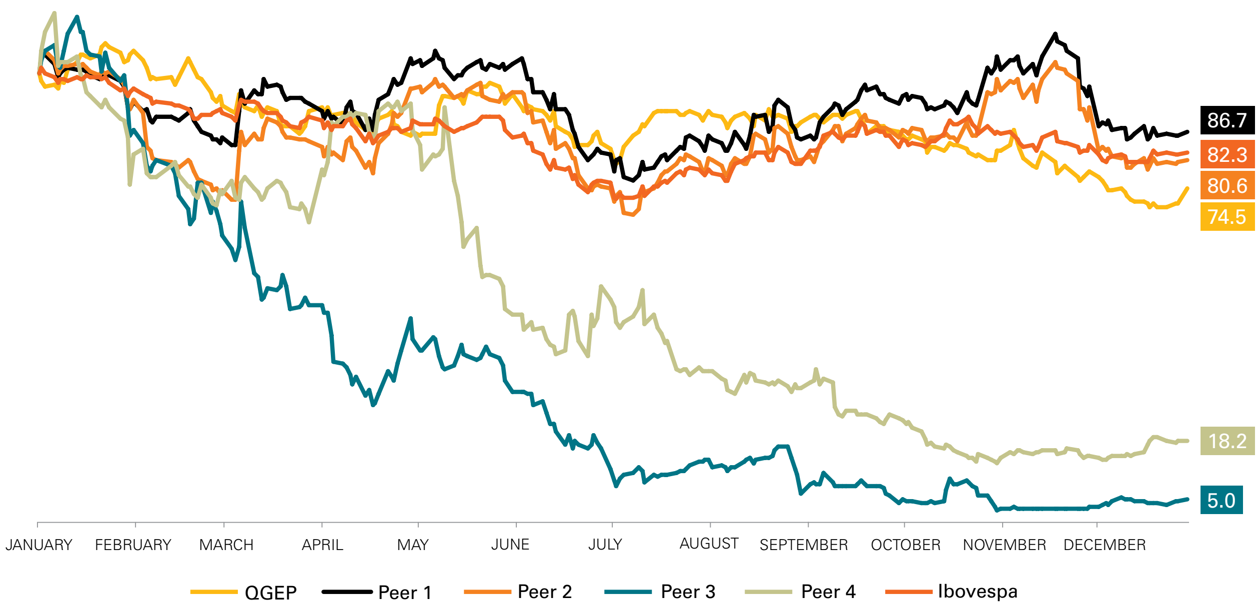


QGEP maintains transparent and agile communication with the market through disclosure of results, notifications and material facts. In these documents, the Company seeks to be clear and precise in relation to information provided, minimizing doubts and different interpretations among investors and market analysts. The intent is therefore to prevent additional risks from being created that could affect the volatility of stocks in a segment which is, by its nature, less predictable than some other industries. In 2013, a multidisciplinary work group was created to assess reports, analyzing the content of documents disclosed and classifying them as notifications or material facts.

In line with the behavior of most of the emerging markets, especially in the oil and gas industry, QGEP ended the year with a market value of BRL2.6 billion, with shares (QGEP3) trading at BRL9.78, which represents a depreciation of 25.5% in 2013. In the same period, Ibovespa had a negative return of 17.7%. Among the main factors impacting the Company's sector of operation, the following are worth mention: controlled fuel prices; financial problems faced by some Brazilian companies in the industry; and less interest from some investors in the industry. The average daily financial volume traded was BRL7.5 million and the average price per share was BRL11.67.

Throughout the period, the Company saw changes to the makeup of its shareholder base; particularly noticeable was the increased participation of Brazilian investors, who held 55% of shares at the close of 2013 compared to 41% at the end of the previous year. Also during this period, 4 more investment analysts from national and foreign brokerage firms and banks initiated coverage of the Company's stock. With this, 20 analysts were covering QGEP at the end of the year, with 17 of them recommending purchase of Company shares and 3 recommending maintaining shares, with an average per share target price of BRL16.70.

VARIATION IN QGEP TRADING PRICES AND PEERS (BASE 100) – 2013



QGEP's Articles of Incorporation establish the following rules for earmarking income:

- Five percent of net earnings obtained in the fiscal year will be deducted to constitute the legal reserve until this reserve reaches 20% of company capital.
- Of the remaining amount, shareholders are assured a minimum dividend of 0.001% on earnings gained, pursuant to the Publically Traded Corporations Act (*Lei das Sociedades por Ações*).
- Any remaining balance of net earnings for the fiscal year will be earmarked according to deliberations at the Shareholders' Meeting.

In relation to 2013 net income, the Board of Directors proposed distributing BRL40 million in dividends, corresponding to approximately BRL0.16 per share. This proposal was submitted to the Shareholders' Meeting for approval in April 2014.

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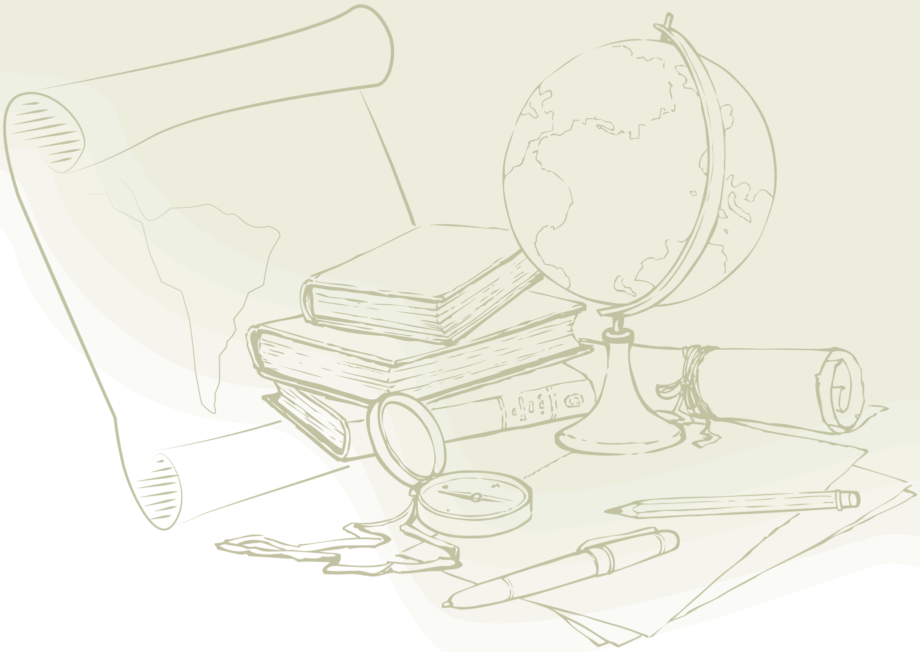
06



THE REPORT

THE THIRD EDITION OF QGEP'S ANNUAL SUSTAINABILITY REPORT SHOWS IMPORTANT GROWTH WITH THE ADOPTION OF THE G4 GUIDELINES OF THE GLOBAL REPORTING INITIATIVE (GRI). IN ADDITION TO CONSULTING MATERIALITY, THE COMPANY PROMOTES CONTINUAL ENGAGEMENT WITH ITS STAKEHOLDERS.

This third edition of the Queiroz Galvão Exploração e Produção Annual Sustainability Report reinforces the Company's commitment to accountability to all of its stakeholders. Developed for online media, this publication was put together with the goal of facilitating reading and comprehension of information, with connections between its chapters and the support of an industry glossary. **GRI G4-30**

The adoption of the G4 guidelines of the Global Reporting Initiative (GRI), with essential "in accordance," therefore represents important growth. The 3.1 version industry indicators are still used for reporting, since an update of this industry supplement has not yet been made available by GRI. **GRI G4-32**

Information presented relates to 2013, just as the information in the previous report, published last year, relates to 2012. Economic and financial information cover the entire Company, while socio-environmental data relate only the Blocks where QGEP acts as an operator. Exceptions to this scope are highlighted directly throughout the text.

Significant variations between years are mostly the result of expanded Company activities, since operation of the BM-J-2 Block have begun again. **GRI G4-22 | G4-23 | G4-28 | G4-29**

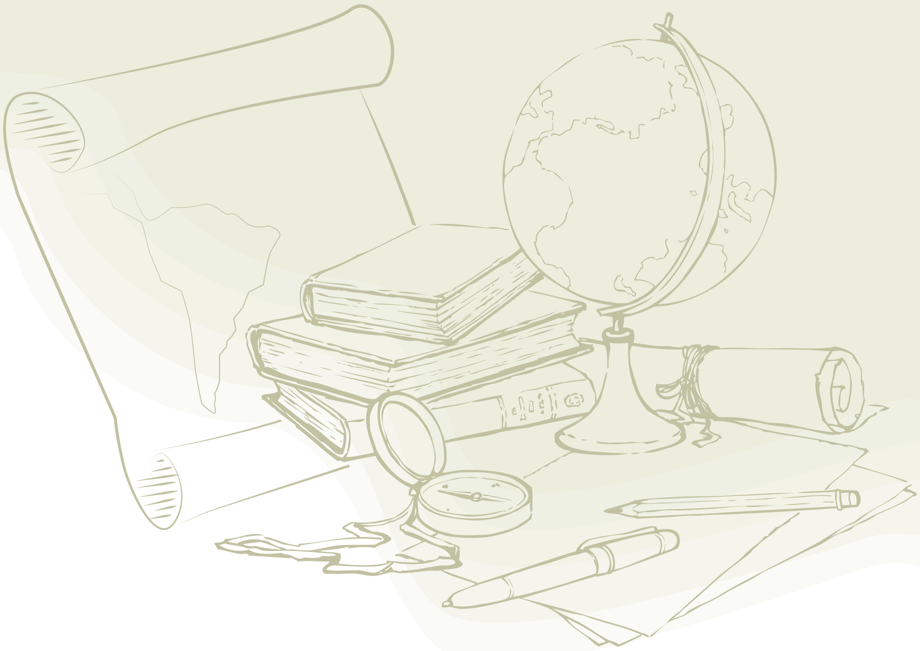
Accounting Statements in attachment and economic and financial data presented throughout the report follow the International Financial Reporting Standards (IFRS) and were audited by Deloitte Touche Tohmatsu. As in 2012, the content of the publication was submitted to GRI verification. **GRI G4-33**

QGEP has been a signatory of the Global Compact since 2011, and actions under the auspices of this commitment are presented herein. Correlation between GRI indicators and the principles of the Global Compact are presented in the index. Throughout the document, the QGEP initials are used to refer to QGEP Participações S.A. and to all of its direct and indirect subsidiaries.

Questions and comments about this report should be sent by email to qgep@qgep.com.br. **GRI G4-31**

Materiality matrix

GRI G4-18



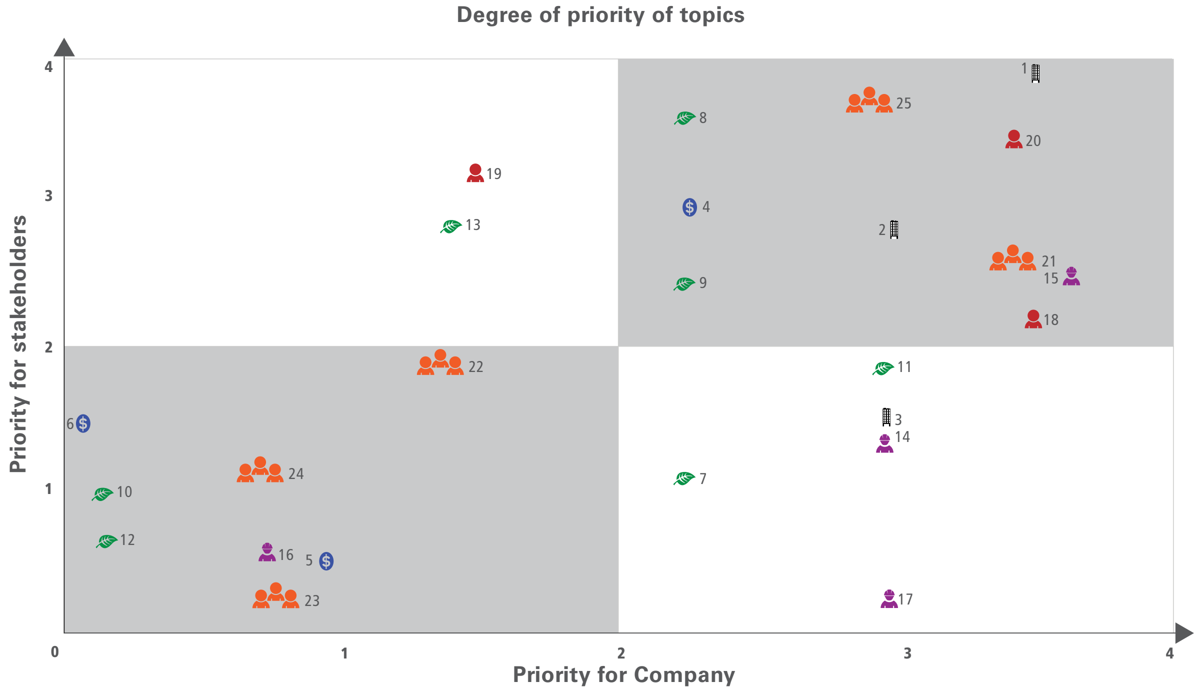
In 2013, QGEP promoted another edition of the materiality test, in order to build a new matrix of topics material to management and the sustainability report. The Company had already carried out this process in 2011, which served to direct actions and accountability for that year and the following period.

QGEP also used compliance with principles as the basis for defining the report's content – which are inclusion of stakeholders, context of sustainability, materiality and completeness – to identify material impacts and aspects. All QGEP stakeholders were invited to participate in the consultation (local community, civil society, clients, shareholders, capital providers, suppliers, employees, trade associations and government agencies). Application of the test was done at two onsite events, in Rio de Janeiro and in Bahia, and via an online questionnaire. GRI G4-24 | G4-25

One-hundred responses from stakeholders were consolidated, forming the Y axis of the matrix, and four responses from Executive Board members, forming the X axis, as shown on the table. Individual assessments were tabulated by public, determining the average for each of the topics for all stakeholders. Based on a cross-referencing of averages for stakeholders and averages for the QGEP upper management, a materiality matrix was created, as shown in the graph.

PUBLICS CONSULTED (104) **GRI G4-24**

X AXIS	
Upper Management (4)	
Y AXIS	
Academia (6)	Supplier (23)
Shareholder (3)	Press (5)
Analyst/Investor (5)	Regulatory agency (1)
Employee (22)	Partner (14)
Community (16)	Civil society (5)



DIMENSION OF CORPORATE GOVERNANCE	
1	Accountability and transparency
2	Risk management
3	Sustainability on the Board of Directors
ECONOMIC DIMENSION	
4	Economic and financial performance
5	Market presence
6	Local development
ENVIRONMENTAL DIMENSION	
7	Emissions and climate change
8	Waste and effluents
9	Water
10	Energy
11	Biodiversity
12	Materials
13	Compliance
LABOR PRACTICES AND DECENT WORK DIMENSION	
14	Employees
15	Health and safety
16	Suppliers and labor relations
17	Career management and training
HUMAN RIGHTS DIMENSION	
18	Human rights practices
19	Indigenous rights and rights of local communities
20	Compulsory and child labor
SOCIETY DIMENSION	
21	Impacts of entrance, operation and exit near communities
22	Corruption and anti-competitive behavior
23	Public policies
24	Compliance
25	Health and safety of clients using products

The matrix is split into four quadrants: green gathers topics of extremely high relevance (priorities for stakeholders as well as for upper management); yellow quadrants contain highly relevant topics (for stakeholders, in the top left corner, and for the Company, in the bottom right corner); the white quadrant contains low relevance topics.

While carrying out consultations, various topics and concerns were raised by the stakeholders consulted – such as concern with local community rights, appreciation of diversity, relations with public agencies, etc. These matters are inputs for enhancement of the methodology for future consultations. **GRI G4-27**

Considering the G4 version of the GRI guidelines and the level of maturity of the reporting process, QGEP chose to draft its report with a focus on the material topics identified by the test, including those of extremely high or high relevance, since those in the high relevance quadrants had topics connected to the Company's strategy and are considered important in terms of accountability. **GRI G4-48**

Ten topics were considered to be of extremely high relevance: **GRI G4-19**

- **Topic 1** – Accountability and transparency
- **Topic 2** – Risk management
- **Topic 4** – Economic and financial performance
- **Topic 8** – Waste and effluents
- **Topic 9** – Water
- **Topic 15** – Health and safety
- **Topic 18** – Human rights practices
- **Topic 20** – Compulsory and child labor
- **Topic 21** – Impacts of entrance, operation and exit near communities
- **Topic 25** – Health and safety of clients using products

Five topics were classified as highly relevant to QGEP:

- **Topic 3** – Sustainability on the Board of Directors
- **Topic 7** – Emissions and climate change
- **Topic 11** – Biodiversity
- **Topic 14** – Employees
- **Topic 17** – Career management and training

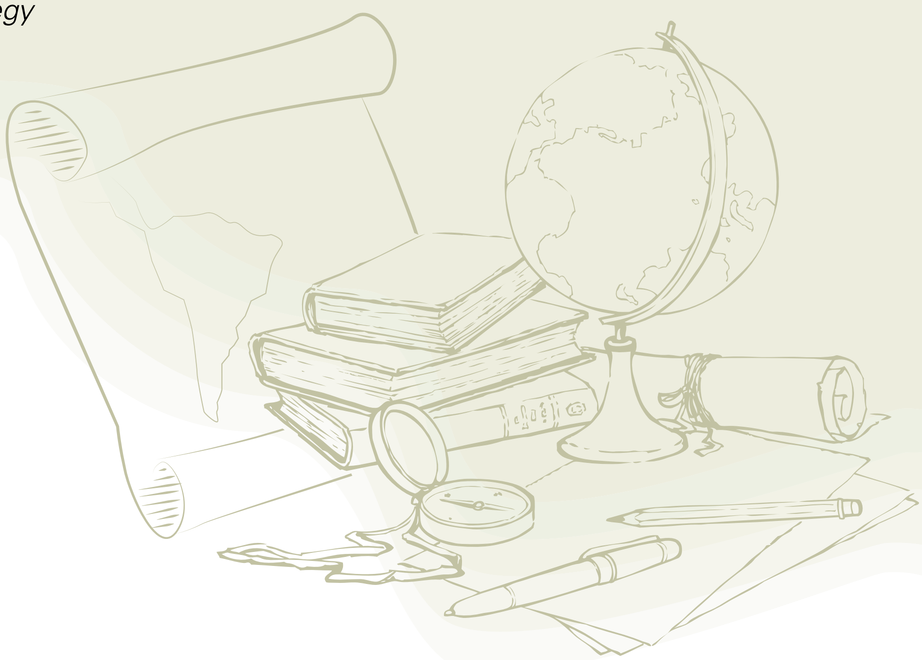
Two topics were considered to be highly relevant to stakeholders:

- **Topic 13** – Compliance
- **Topic 19** – Indigenous rights and rights of local communities

All material impacts and aspects occurred inside and outside the Company. Although aspects 18 (Human rights practices) and 20 (Child and compulsory labor) are material, they are not recurring issues, since the oil and gas sector is extremely regulated. Although aspect number 25 (Health and safety of customers using products) is material, it does not provide results, due to the fact that QGEP has still not reached the production stages in the blocks were it operates. **GRI G4-18 | G4-20 | G4-21 | G4-HR11 | Global Compact 2**

Engagement strategy GRI G4-26

The report > Engagement strategy



QGEP adopts different forms of engagement in relations with its stakeholders. These practices are based on transparency, respect, and joint creation of mutually beneficial initiatives. Various channels allow internal audiences to quickly communicate Company and market events. In the capital markets, QGEP holds regular meetings, presentations and events with shareholders and potential investors, in addition to maintaining an Investor Relations area dedicated to serving specific needs and requests.

The Company relies on programs to engage local communities in order to promote open dialogue and contribute to social development, economic and cultural initiatives in the region. In Block BM-J-2 in particular, which is located in the coastal marine biome, the Fishing Compensation Plan (PCAP) has achieved a benchmark status in environmental licensing.

When selecting suppliers, QGEP executes a technical and financial analysis of proposals submitted by pre-selected suppliers, always working with companies recognized for their excellence in the market. All contracts include a Safety, Environment and Health Annex, wherein minimal environmental criteria required of suppliers are specified.

Periodically, audits at critical suppliers verify compliance with these conditions. In 2013, no new suppliers were selected based on environmental criteria. **GRI G4-26 | G4-EN32 | G4-SO9 | Global Compact 8**

To execute the projects in Blocks BM-J-2 and BS-4, QGEP relied on the presence of approximately 65 employees, all located in Brazil. The Company also carried out assessments of environmental impact with 12 of these suppliers, since their activities have the greatest impact. Additionally, 200 hours of training were held with these suppliers. **GRI G4-12 | G4-EN32 | G4-SO9 | Global Compact 8**

QGEP maintains constant monitoring of and dialogue with all of these suppliers, aimed at identifying and implementing improvements to processes. All monitoring done is recorded in Safety, Environment and Health inspection reports, as are plans of action implemented and audits (which include Ministry of Labor and Employment Regulatory Standards). **GRI G4-26 | G4-EN33 | G4-SO10 | G4-LA15 | G4-HR11 | Global Compact 8**

Portinari Project

The collection for the "Portinari: Art and Environment" exhibit is comprised of 28 replicas of works by the painter, with images of Brazilian landscapes, flora and fauna. The goal of the "Art and Environment" project, developed in partnership with the Portinari Project through the Rouanet incentive act and which holds travelling exhibits and art workshops in addition to training public school teachers, is to promote awareness of the need for environmental conservation through the artworks of this Brazilian painter.

The exhibit has already been shown in various cities in the area of influence of the Company's activities in southern Bahia.

In 2013, the Project's third year, QGEP brought the exhibit and workshops to some municipalities in the area of influence of the BS-4 Block's operations, such as Cabo Frio and São Francisco de Itabapoana. Altogether, 8 municipalities were visited, 234 teachers were trained, 150 schools were served and around 64,000 visitors saw the exhibit.

Viva Vôlei Project

Since 2011, QGEP has supported the Viva Vôlei Project for volleyball, through the Federal Sports Incentive Act, in fishing communities in the area of influence of Block BM-J-2, in southern Bahia. The initiative was created by the Brazilian Federation of Volleyball (*Confederação Brasileira de Voleibol* – CBV) and is managed by Instituto Viva Vôlei, with the goal of reducing truancy, giving children alternatives to criminality and drugs, and promoting ethical and moral values of citizenship.

In 2013, 200 children ages 7 to 14 were served at centers in Canaveiras and Campinhos. Project participants have weekly classes and also receive social and educational advising.

07

Ibase + NBTC 15

1 – CALCULATION BASIS	2013 – R$ thousand	2012 – R$ thousand
Net Revenues (NR)	486,088	462,306
Operating Income (OI)	133,715	40,021
Gross Payroll (GPR)	28,649	22,587
Total Value Added (TVA)	440,004	365,567

2 – INTERNAL SOCIAL INDICATORS	R$ THOUSAND	% OVER GPR	% OVER NR	% OVER TVA	R$ THOUSAND	% OVER GPR	% OVER NR	% OVERTVA
Meals	1,306	4.56	0.27	0.30	882	3.90	0.19	0.24
Compulsory social charges	8,889	31.03	1.83	2.02	7,634	33.80	1.65	2.09
Private pension	904	3.16	0.19	0.21	628	2.78	0.14	0.17
Health	562	1.96	0.12	0.13	487	2.16	0.11	0.13
Occupational health and safety	103	0.36	0.02	0.02	15	0.07	0.00	0.00
Education	24	0.08	0.00	0.01	70	0.31	0.02	0.02
Culture	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Professional training and development	350	1.22	0.07	0.08	648	2.87	0.14	0.18
Daycare or daycare assistance	129	0.45	0.03	0.03	92	0.41	0.02	0.03
Sport	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Profit-sharing	11,252	39.28	2.31	2.56	5,699	25.23	1.23	1.56
Transportation	1,078	3.76	0.22	0.24	688	3.05	0.15	0.19
Others	156	0.54	0.03	0.04	152	0.67	0.03	0.04
Total – internal social indicators	**24,753**	**86.40**	**5.09**	**5.63**	**16,995**	**75.24**	**3.68**	**4.65**

3 – EXTERNAL SOCIAL INDICATORS	R$ THOUSAND	% OVER OI	% OVER NR	% OVER TVA	R$ THOUSAND	% OVER OI	% OVER NR	% OVER TVA
Education	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Culture	403	0.30	0.08	0.09	1,360	3.40	0.29	0.37
Health and sanitation	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Sports	256	0.19	0.05	0.06	171	0.43	0.04	0.05
Fight against hunger and food security	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Sector indicator	5,900	4.41	1.21	1.34	1,500	3.75	0.32	0.41
Others	-	-	-	-	-	-	-	-
Total contributions to society	6,559	4.91	1.35	1.49	3,031	7.57	0.66	0.83
Taxes (excluding social charges)	-	-	-	-	-	-	-	-
Total – external social indicators	**6,559**	**4.91**	**1.35**	**1.49**	**3,031**	**7.57**	**0.66**	**0.83**
Profit-sharing	11,252	39.28	2.31	2.56	5,699	25.23	1.23	1.56
Transportation	1,078	3.76	0.22	0.24	688	3.05	0.15	0.19
Others	156	0.54	0.03	0.04	152	0.67	0.03	0.04
Total – Indicadores sociais internos	**24,753**	**86.40**	**5.09**	**5.63**	**16,995**	**75.24**	**3.68**	**4.65**

4 – ENVIRONMENTAL INDICATORS	R$ THOUSAND	% OVER OI	% OVER NR	% OVER TVA	R$ THOUSAND	% OVER OI	% OVER NR	% OVER TVA
4.1 – Investments related to the production/operation of the company								
Land expropriation	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Liabilities and environmental contingencies	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Technological and industrial development program	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Energy conservation	-	-	-	-	-	-	-	-
Environmental education	578	0.43	0.12	0.13	-	-	-	-
Sector indicator	1,769	1.32	0.36	0.40	-	-	-	-
Others	4,296	3.21	0.88	0.98	-	-	-	-
Total investment related to the operation/production of the company	**6,643**	**4.97**	**1.37**	**1.51**	**0**	**0.00**	**0.00**	**0.00**
4.2 – Investment in external programs and/or projects								
Environmental education projects in communities	430	0.32	0.09	0.10	-	-	-	-
Preservation and/or revitalization of degraded environments	0	0.00	0.00	0.00	0	0.00	0.00	0.00
Others	15,158	11.34	3.12	3.44	-	-	-	-
Total investments in external programs and/or projects	**15,588**	**11.66**	**3.21**	**3.54**	**0**	**0.00**	**0.00**	**0.00**
Total environmental investment (4.1 + 4.2)	**22,231**	**16.63**	**4.57**	**5.05**	**0**	**0.00**	**0.00**	**0.00**

DISTRIBUTION OF ENVIRONMENTAL INVESTMENT	R$ THOUSAND	% OVER TOTAL	R$ THOUSAND	% OVER TOTAL
Total investment in environmental prevention activities	0	0.00	0	NaN
Total investment in environmental maintenance activities	0	0.00	0	NaN
Total investment in environmental compensation activities	0	0.00	0	NaN
Number of environmental, administrative and legal claims filed against the company:	-	-	-	-
Amount of fines and indemnities related to environmental matters determined administratively and/or judicially:	-	-	-	-
Total fines and indemnifications judicially or administratively determined for environmental matters:	-	-	-	-
Amount of fines and indemnities related to environmental matters determined administratively and/or judicially:	-	-	-	-
With regard to the establishment of annual goals for the minimizing of residues, the general consumption in production/operations to increase efficiency in the use of natural resources, the company:	(X) does not have goals ( ) fulfilled 51 to 75% ( ) fulfilled 0 to 50% ( ) fulfilled 76 to 100%		(X) does not have goals ( ) fulfilled 51 to 75% ( ) fulfilled 0 to 50% ( ) fulfilled 76 to 100%	

5 – WORKFORCE INDICATORS	2013 – IN UNITS	2012 – IN UNITS
Number of employees at the end of the period	111	74
Number of new hires in the period	41	16
Number of dismissals in the period	4	4
Number of outsourced employees	29	13
Number of interns	4	4
Number of employees over 45	39	28
Number of employees by age group:		
Under 18	1	0
From 18 to 35	48	29
From 36 to 45	23	17
From 46 to 60	29	22
Over 60	10	6
Number of employees by education level:		
Illiterate	0	0
Elementary education	2	1
High school education	7	3
Higher education	51	31
Postgraduate	51	39
Number of women working at the company	51	39
Percentage of management positions held by women	34%	34%
Number of men working at the company	93	52
Percentage of management positions held by men	66%	66%
Number of blacks working at the company	4	3
Percentage of management positions held by blacks	3%	3%
Number of handicapped or special-needs employees	0	0
Gross remuneration by employment category:		
Employees	1,672	1,069
Managers	331	290
Difference between the lowest salary paid in the company and the minimum wage (national or regional)		
Difference between the lowest salary paid in the company and the minimum wage	564	544
Source	HR Department	HR Department

6 – RELEVANT CORPORATE CITIZENSHIP INFORMATION	2013	2012
Ratio of highest to lowest salary at the company	80	73
Total on-the-job accidents	0	0
The social and environmental projects mplemented by the company were decided upon by:	( ) Directors (X) Directors and management ( ) All staff	( ) Directors (X) Directors and management ( ) All staff
The risk and security standards in the workplace were decided upon by:	( ) Directors and management ( ) All staff (X) All staff + CIPA	( ) Directors and management ( ) All staff (X) All staff + CIPA
With regard to labor unions, right for collective bargaining and internal representation of workers, the company:	( ) Does not get involved ( ) Follows ilo rules (X) Encourages and follows ILO	( ) Does not get involved ( ) Follows ilo rules (X) Encourages and follows ILO
Private pension arrangements contemplate:	( ) Directors ( ) Directors and management (X) All staff	( ) Directors ( ) Encourages and follows ILO ( ) All staff
Profit-sharing contemplates:	( ) Directors ( ) Directors and management (X) All staff	( ) Directors ( ) Directors and management (X) All staff
Regarding the selection of suppliers, the same ethical and social and environmental responsibility standards adopted by the company:	( ) Are not considered ( ) Are suggested (X) Are required	( ) Are not considered ( ) Are suggested (X) Are required
Regarding the participation of employees in volunteer activities, the company:	( ) Does not get involved (X) Supports ( ) Organizes and encourages	( ) Does not get involved (X) Supports ( ) Organizes and encourages
Total number of consumer complaints and criticism:	To the company To Procon To the Courts	To the company To Procon To the Courts
Percentage of the complaints and criticism responded to or resolved:	To the company To Procon To the Courts	To the company To Procon To the Courts
Number of fines and indemnities to clients, as determined by consumer protection and defense agencies or by court order:	By Procon By the Courts	By Procon By the Courts
Actions taken by the Company to eliminate or minimize the causes of the complaints:	Not applicable	Not applicable
Number of labor suits filed:		
Brought against the Company	0	0
Found to have grounds	0	0
Found to be without grounds	0	0
Total amount of indemnifications and fines paid by court order:	0	0
Total value added for distribution (R$ thousand):	440,004	365,567

Distribution of Value Added:	R$ thousand	% over total	R$ thousand	% over total
Government	164,172	37.31	201,671	55.17
Employees	52,447	11.92	40,423	11.06
Shareholders	0	0.00	0	0.00
Third Parties	25,909	5.89	41,005	11.22
Retained	197,476	44.88	82,468	22.56

7 – OTHER INFORMATION

2 – Internal social indicators – Others (life insurance) – Monthly compensation (BRL thousands) was considered in the Gross segregated compensation item. 3 - Amounts related to Research and Development payments required by the ANP and corresponding to the Manati production field. 4.1 – In the Industry indicator item, amounts expended with projects required for the operating license (PCS, PMA, PMDP and PMP) are reported. 4.1 – Accounted for in the Others item are expenditures made on internal health and safety programs (PPRA, CIPA, Safety, SIPAT, Ergonomics, PPE, HES Manual), personnel training (training and Incident Command System training), audits, legal assessment, environmental campaign, diverter, inspection, waste, equipment and environmental study, consulting, donation, fluid, medevac, Environmental R&D, crisis plan, PPLC, awards in safety campaigns, procedures, publication, Integrated Management System, HSE Supervisor at probe, Environmental Technician at probe and document translation. 4.2 - In the Environmental education projects item, the amount expended on the PCAP project is itemized. 4.2 – In the Others item, amounts are included regarding Total investment in environmental prevention actions (PEI, modeling, fauna plan and spilltrack), because the system does not accept inclusion of the information in the Total investments in environmental prevention actions. 6 – Complaints and criticisms not applicable to QGEP.

08

FINANCIAL STATEMENTS

MANAGEMENT REPORT

Dear Shareholders:

We hereby present the Management Report and Consolidated Financial Statements for the fiscal year ended December 31, 2013.

MESSAGE FROM MANAGEMENT

2013 was another year of solid achievement for QGEP. We posted strong financial results, moved ahead with several important projects and set the stage for the next phase of growth in the near term. Along with the accomplishments of this past year came some timing setbacks involving exploratory drilling schedule push-outs. However, we more than compensated for these delays by reaching several milestones across our production, development and exploration activities that support our strategy for future growth.

- **Production:** from the Manati Field averaged 6.0MMm^3 per day in 2013, reaching the high end of the guidance range we provided at the beginning of the year. We experienced strong demand from Brazil's thermal power plants throughout 2013, and our results benefitted from the efficient infrastructure at Manati, which allows for low-cost gas production. Based on this performance and results to date, we have increased our estimate for 2014 average production capacity to approximately 5.5MMm^3 per day. At these levels, we will continue to post significant revenues and operating cash flow, and once the compression plant is operational, we expect average production capacity to return to approximately 6.0MMm^3 per day.
- **Development:** work moved ahead on schedule at the Atlanta Field in Block BS-4. We are pleased to report the successful drilling and completion of our first horizontal well of the Early Production System (EPS). Test results were at the upper end of our expectations in terms of average production rates and confirmed the characteristics of the reservoir and the oil. We have commissioned an external consulting firm to certify reserves at the Atlanta Field, and we expect to release their findings in the second quarter of 2014. In 2013, we were awarded a R$266 million financing package from Brazil's Financiadora de Estudos e Projetos (FINEP) in recognition of QGEP's innovation and technological solutions in the development of the project, as well as the strategic importance of the Field. We are currently drilling a second horizontal well at Atlanta and have launched an FPSO bidding process.
- **Exploration:** activities continued across our asset portfolio, where we have promising discoveries and prospects that give QGEP substantial growth potential. Chief amongst our main assets is our Carcará discovery in Block BM-S-8, where we expect to have the results of the first appraisal well and test by mid-2015. We are aware of the changes in the schedule that was a result of the need to prioritize efficiency and safety, which are paramount when drilling deep pre-salt reservoirs and therefor we keep searching for alternatives with the operator to optimize drilling schedule for the Block. And, when we consider the potential for this discovery based on the data obtained during discovery well drilling and the operator's experience in the area, we view this as a short term delay in a process that will create long term value.

In 2013, we significantly expanded and diversified our exploration portfolio by acquiring eight blocks in partnership with major and independent oil companies in Brazil's 11th ANP Bidding Round. We are currently in the process of contracting the acquisition of 3D seismic data, as part of the ANP awards process. Additionally, we are encouraged by the results of the 1-QG-5A-BAS well in the Alto de Canavieiras Prospect (JEQ#1) in the Jequitinhonha Basin where we are the operator and have a 100% ownership position. After filing a Notice of Discovery in August 2013, we submitted an Evaluation Plan to the ANP in December 2013 and are awaiting their comments.

In addition to our balanced asset portfolio, QGEP is distinguished by its strong financial position, which reflects prudent spending programs and disciplined risk management policies. Continued solid financial performance gives us the flexibility to operate our business with a perspective on building value, and the flexibility to invest in high-potential projects that have a positive risk/reward ratio. In keeping with this strong financial position, and the results obtained at the Manati Field in 2013, the Board of Directors has proposed a dividend distribution of R$40 million, or R$0.15 per share. The dividend will be put to shareholders for their approval at the shareholder meeting scheduled for April 16, 2014. This distribution demonstrates our confidence that our projects will generate greater value in the medium term and the recognition of the shareholders' support. Therefore, while short term delays are disappointing to management and investors alike, we remain focused on fully capitalizing on our Company's strengths and providing full transparency and generating value for all of our stakeholders.

In summary, we are satisfied with the financial results of 2013 and proud of our success in bringing together the depth and breadth of technical expertise and know-how to be a top-notch operator while building the path for the future growth of the Company. We thank all of our people, partners and investors for their support and look forward to providing progress reports throughout 2014.

ECONOMIC AND SECTOR OVERVIEW

In 2013, Brazil experienced a 2.5% GDP real growth rate, according to Brazil's Central Bank Economic Activity Index (Índice de Atividade Econômica do Banco Central – IBC-Br) disclosed in February 2014, representing an increase when compared to the 0.9% growth registered in 2012 and in line with the 2.6% growth rate expected for Latin America and the Carribean in 2013, based on a report published by the International Monetary Fund (IMF). Additionally, Brazilian growth in 2013 was below IMF's expected global growth rate of 3.0% for 2013, according to the same report.

Brazilian inflation was in line with the average inflation of the last three years. The Consumer Price Index (*Índice de Preços ao Consumidor Amplo* – IPCA) was 5.9% for 2013, within the inflation target range set by Brazil's Central Bank of 2.5% to 6.5%. Aiming to contain inflationary pressures, Brazil's Central Bank initiated a cycle of increases in Brazil's benchmark SELIC interest rate, which ended the year at 10.0%, following 2.75% increase in the course of 2013.

Currency movements also affected Brazil, partially related to the ongoing tapering of the Federal Reserve's asset purchase program. As a result, the Brazilian Real was worth R$2.05/US$ at the beginning of 2013, but reached R$2.36/US$ at the close of the year. In an attempt to mitigate the depreciation of the Real, the Central Bank began daily auction of dollar swaps, which are expected to continue in the first half of 2014. The Central Bank also intervened directly in the foreign exchange market.

In 2013, Brazilian unemployment fell to a historic low. The average unemployment rate was 5.4% in 2013, which can be considered to be full employment.

According to the U.S. Energy Information Administration (EIA), world oil demand reached about 91 million of barrels per day in 2013, similar to the one registered in 2012, even considering the low global growth scenario. Regarding oil prices, the Brent ended 2013 at US$110,80/barrel compared to US$111,11/barrel in the end of 2012. In the course of 2013, the commodity price experienced low volatility, with a US$97,69/barrel minimum price and a maximum price of US$118,90.

Global economy is expected to improve during 2014, which is reflected in IMF's forecast of a 3.7% global growth rate, motivated mainly by the general recovery of the advanced economies and an increase of growth of the emerging markets and developing economies. The institution also expects a lower growth rate for Latin America and the Carribean in 2014, of 2.6%, due to the deceleration of world commerce and less favorable market conditions for primary products, as well as tough financial issues. For 2014, economists estimate Brazilian GDP growth rate to be 1.7%, according to a weekly survey published by Brazil's Central Bank on the 21st of February 2014, entitled the Focus Market Report (*Relatório de Mercado Focus*).

Outside Brazil, the risk of rises in United States' long term interest rates is expected to continue to generate uncertainty and volatilities in the markets, which can lead to capital outflows from domestic markets and potential pressures on the foreign exchange rate. On these expectations, it is widely held that the Central Bank will continue its current macroeconomic policy, by raising interest rates in order to control inflation and working to limit the depreciation of the Real in the foreign exchange market.

The effect of the Brazilian macroeconomic context has a punctual impact over QGEP. The oil and gas industry has a historical of medium/long term nature cycles, and is more influenced by the world scenario. The market continues to predict energy consumption growth, as well as the sustainability of oil reference price levels for 2014.

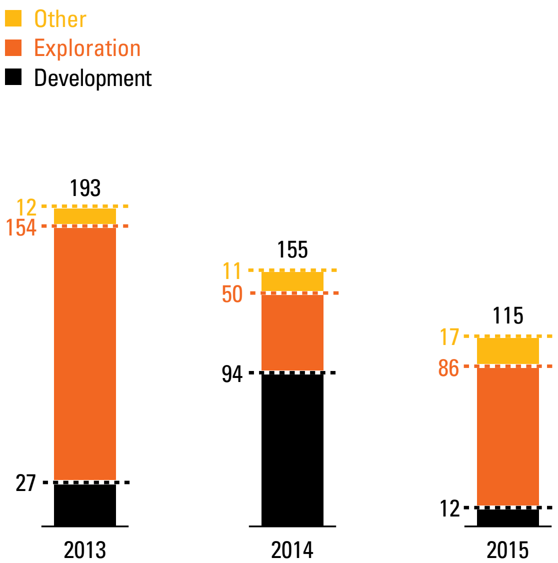
CAPEX

In 2013, total capital expenditures were US$193 million, of which US$154 million was spent on exploration, US$27 million was spent on development and US$12 million was spent on other expenses.

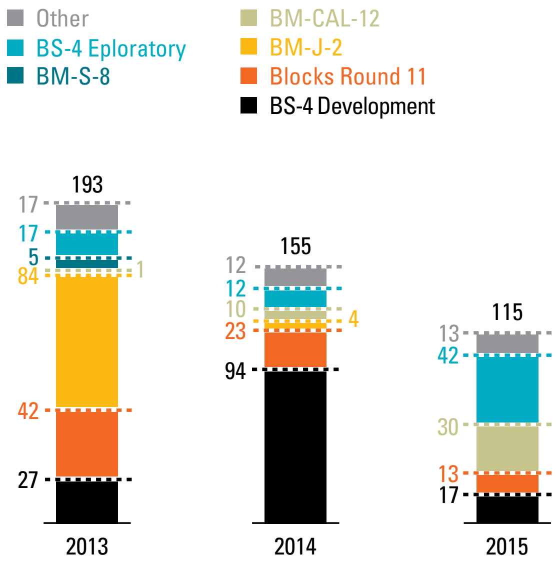
For 2014, we estimate capex of US$155 million and for 2015 we estimate capex of US$115 million.

Below is the estimated CAPEX, including the assets breakdown:

CAPEX NET TO QGEP (US$ MILLION)



CAPEX NET TO QGEP (US$ MILLION)



FINANCIAL RESULTS

The following financial statements correspond to the Company's consolidated financial information for the year ending December 31, 2013.

As a firm that holds interest in corporations dedicated substantially to the exploration, production and sale of oil and natural gas products, the Company's results basically reflect those of Queiroz Galvão Exploração e Produção S.A.

Below are the major financial highlights for the fourth quarter and full year ended 2013:

Consolidated Financial Information (R$ million)

	4Q13	4Q12	Δ%	2013	2012	Δ%
Net income	21.2	47.3	-55.3%	192.2	82.5	133.1%
Amortization and depreciation	31.4	20.7	51.5%	97.3	82.9	17.3%
Net financial income (expenses)	(18.0)	(16.0)	-12.3%	(62.1)	(82.5)	24.8%
Income tax and social contribution	(14.7)	9.2	-259.4%	(4.6)	40.0	-111.4%
EBITDA[1]	**19.9**	**61.2**	**-67.5%**	**222.9**	**122.9**	**81.3%**
Oil and gas exploration expenditure with subcommercial and dry wells[2]	45.6	(1.6)	N/A	48.5	162.1	-70.1%
EBITDAX[3]	**65.6**	**59.6**	**10.0%**	**271.4**	**285.1**	**-4.8%**
EBITDA Margin[4]	15.8%	52.8%	-70.0%	45.9%	26.6%	72.5%
EBITDAX Margin[5]	52.1%	51.4%	1.4%	55.8%	61.7%	-9.4%
Net Debt[6]	(837.8)	(952.3)	12.0%	(837.8)	(952.3)	12.0%
Net Debt/EBITDAX	(3.1)	(3.3)	7.6%	(3.1)	(3.3)	7.6%

(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 subcomercial and dry wells.
(4) EBITDA divided by net revenue.
(5) EBITDAX divided by net revenue.
(6) Net debt corresponds to total debt, comprising current and long-term loans and financing and derivative financial instruments, less cash and cash equivalents and marketable securities. Net debt is not recognized under Brazilian GAAP, U.S. GAAP, IFRS or any other generally accepted accounting principles. Other companies may calculate net debt in a different manner.

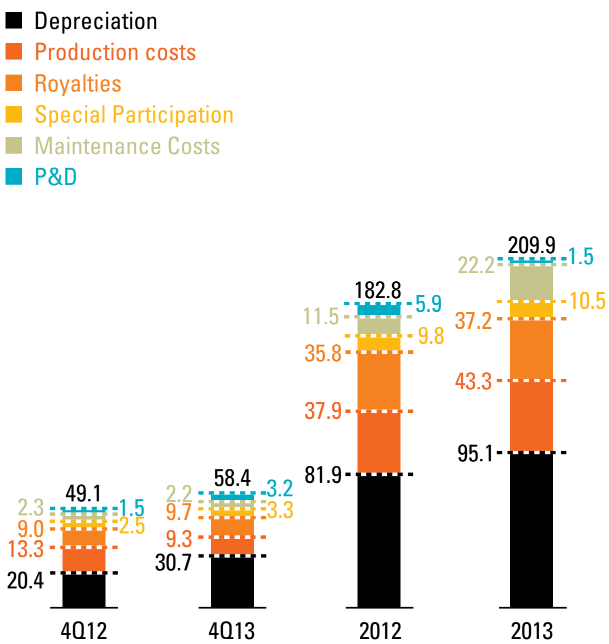
OPERATING RESULTS

Net revenues for 4Q13 reached R$125.7 million, an increase of 8.4% from 4Q12, due to natural gas price adjustments, as laid out in the relevant sales contract. For FY13, net revenues totaled R$486.1 million, 5.1% above FY12.

Operating costs in the fourth quarter were R$58.4 million, up 18.9% from 4Q12, mainly due to higher amortization costs related to an increase in the provision for abandonment at Manati following the abandonment of the wildcatv well at the Field. Operating costs in the quarter consisted of R$9.3 million in production costs, R$30.7 million in depreciation and amortization, R$9.7 million in royalties, R$3.3 million in special participation, R$3.2 million in maintenance costs and R$2.2 million in Research and Development (R&D).

For FY13, operating costs increased 14.8% compared with FY12. This was mainly due to costs related to scheduled maintenance at the Manati Field.

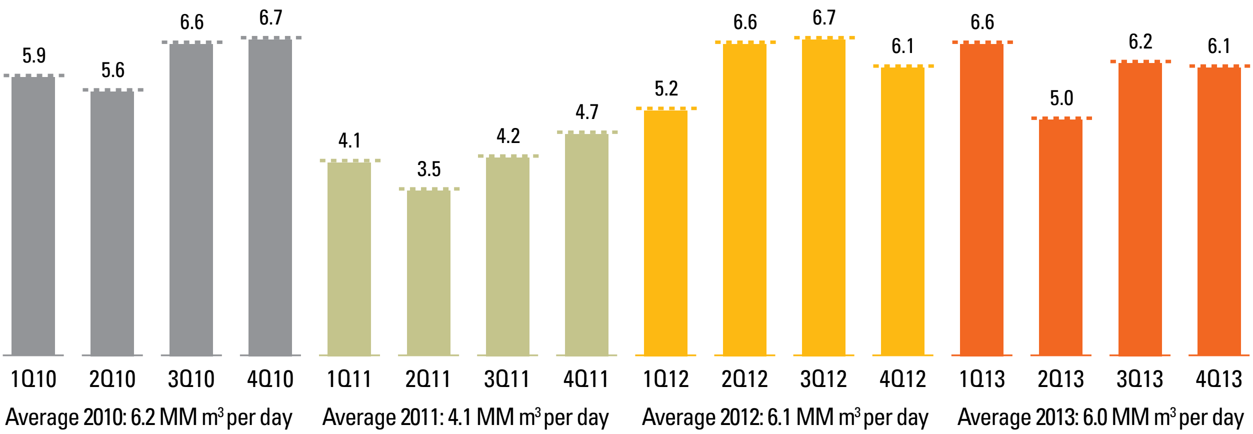
OPERATING COSTS (R$ MILLION)



The Manati Field continued its strong production in the fourth quarter of 2013, with average daily output of 6.1MMm³. Full year production averaged 6.0MMm³ per day, at the high end of the previously announced guidance range for 2013. Average production in January of this year totaled 6.1MMm³ per day and QGEP has raised its forecast for full year 2014 average production capacity to 5.5MMm³ per day.

In 2013, Manati Field was the largest gas producing field in Brazil, responsible for approximately 8% of the total gas production in Brazil and 32% of the gas production in the Northeast of Brazil. Below is the Field's production curve:

AVERAGE DAILY GAS PRODUCTION (MM M³ PER DAY)



GENERAL AND ADMINISTRATIVE EXPENSES

Fourth quarter general and administrative expenses were R$23.6 million, 28.2% higher than 4Q12. R$9.9 million of the total G&A expenses were linked profit sharing costs. Additionally, the Company had 116 employees at the end of 4Q13, 49% more than in 4Q12, due to its increased activities as an operator and its expanded exploration portfolio.

For FY13, total G&A expenses were R$68.6 milhões, 8.4% higher than the R$63.3 million reported in FY12. Part of the administrative expenses are transferred to the partners as QGEP is the operator of Block BS-4 and holds 30% of this amount. The remainder 70% is related to the partners of the block that reimburse expenses to the operator. Total amount transferred in 2013 was R$23.0 million compared to R$12.8 million in 2012.

EXPLORATION EXPENSES

Total exploration expenses in 4Q13 were R$55.1 million, up from R$8.0 million in 4Q12. This increase was largely due to a charge of R$42.3 million net to QGEP, related to the return of Block BM-S-12 to the ANP; and a R$3.0 million write-off charge related to the appraisal well at the Carcará discovery which began in December 2013 and was subsequently interrupted due to operational issues in the early phase of drilling.

FY13 exploration expenses totaled R$81.5 million, compared with R$177.0 million in FY12, when expenses were impacted by the write-off of the Ilha do Macuco well and the relinquishment of the Jequitibá discovery.

NET FINANCIAL INCOME

In 4Q13, QGEP generated net financial income of R$18.0 million, up 12.3% from the fourth quarter of 2012, largely due to currency movements which had a non cash effect on the provision for abandonment at Manati and Atlanta Fields. Net financial income for FY13 was R$62.1 million, down 24.8% from FY12, when the Company benefitted from foreign exchange revenue of R$22.8 million related to exchange rate variation over the outstanding payment of the 30% stake in Block BS-4 in 2012.

NET INCOME

Net income in 4Q13 was R$21.2 million, a decrease of 55.3% from R$47.3 million in 4Q12, reflecting the increase in exploration expenses and operating costs.

In FY13 the Company generated net income of R$192.2 million, compared to R$82.5 million in FY12, when the Company incurred exploration expenses associated to exploratory activities.

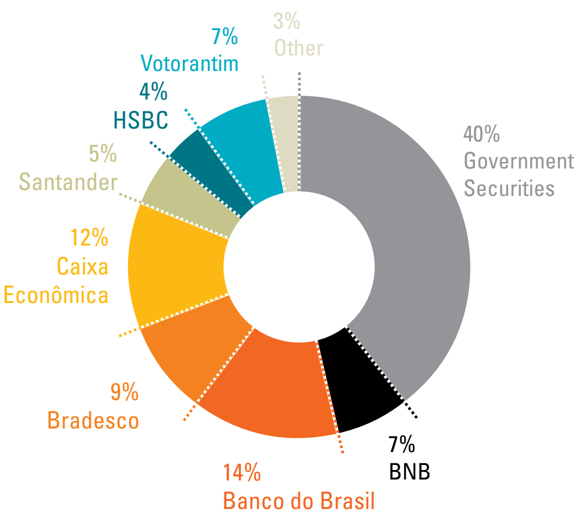
BALANCE SHEET/CASH FLOW HIGHLIGHTS

CASH (CASH, CASH EQUIVALENTS AND MARKETABLE SECURITIES)

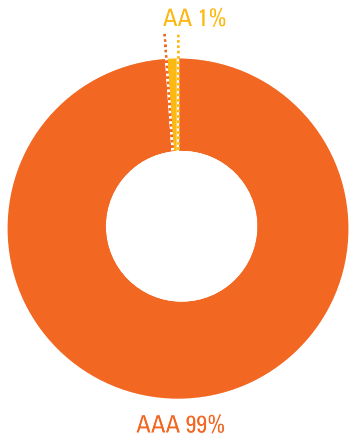
At the end of 2013, the Company had a consolidated cash balance of R$1.0 billion, including R$169.3 million of cash drawn down on the Company's FINEP credits. QGEP had 17% of its investment funds in exchange funds, with the remaining balance in Brazilian real-denominated instruments.

The cumulative average yield of the cash in reais as of December 31, 2013 was 102.3% of the CDI rate and approximately 99% of the funds 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 4Q13 were R$99.4 million, compared with R$97.7 million at the end of 3Q13. Accounts payable were R$160.2 million at the end of 4Q13, similar to R$156.3 million at the end of 3Q13.

CREDIT FROM PARTNERS

At the end of 4Q13, credit from partners totaled R$116.2 million. This amount corresponds to the cash calls already issued to partners as well as expenses incurred by the operator through December, 31, 2013 and yet to be issued as cash calls in the beginning of 2014.

As previously released, the total amount in default by our partner OGX Petróleo e Gás S.A. ("OGX") in December 31, 2013 was R$73 million. From the amount supported by the performing Consortium members, OGX has already reimbursed its members in the amount of approximately R$73 million (principal amount) in 2014. OGX failed to meet subsequent cash calls due February 2014, in the principal amount of approximately R$25.8 million. This amount was paid by the remaining members of the Consortium, 50% each.

DEBT

Total net indebtedness at the end of 4Q13 was R$167.9 million. This consists of R$169.3 million in principal and R$0.6 million of interest, of which R$0.4 million is amortized, and also a R$1.7 million bank fee. 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, to promote the sustainable development of Brazil.

OPERATING CASH FLOW

The Company had operating cash flow of R$11.8 million in the fourth quarter of 2013, compared with R$69.2 million in the fourth quarter of 2012. Operating cash flow for FY13 was R$376.4 million, up 48.0% from R$254.3 million in FY12.

CAPITAL MARKETS

Representing a market value of R$2.6 billion on December 31*st* 2013, QGEP's stock price (Ticker: QGEP3) was R$9.78 at the end of 2013, down 25.5% from December 31, 2012. Like many emerging markets, Brazil saw its stock market fall in 2013, with the Ibovespa falling 17.7%. Specifically in the oil and gas sector, stock prices were affected by (i) issues of Petrobras regarding cash generation due to the hindrance in the fuel prices; (ii) difficulties faced by the oil brazillian companies and (iii) lack of interest by the foreign investors with the oil&gas sector in Brazil.

QGEP's average daily financial volume in 2013 was R$7.5 million, with an average share price of R$11.67. In 2013, changes occurred in QGEP´s shareholders base, increasing the participation of Brazilian investors. As of Dec 31st, approximately 55% of the investors were Brazilians.

In the course of 2013, QGEP added four new covering sell-side analysts, bringing the total number to 20, including both domestic and international banks and brokerages. At the end of 2013, 17 of the analysts had BUY recommendations and three had NEUTRAL recommendations on the stock. The stock's average target prices was R$16,70.

DIVIDENDS

The Company's bylaws set forth the following rules for distributing its profits:

- 5% (five percent) of the net income in each fiscal year will be allocated to the legal reserve until it reaches 20% (twenty percent) of the Company's capital stock;
- Shareholders are guaranteed the minimum dividend of 0.001% on income, as set forth in Brazilian Corporate Law, after 5% of net income from the year have been allocated to the legal reserve until that reserve reaches 20% of the Company's capital stock; and
- Any remaining balance of net income from the year will be allocated in accordance with the decisions of the Annual Shareholders' Meeting.

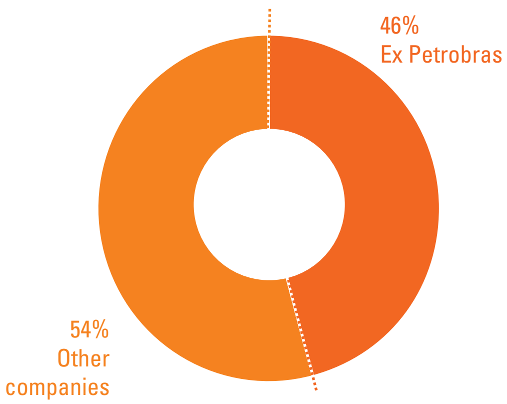
On February 24, 2014, the Board of Directors proposed a dividend distribution of R$40 million, or R$0.15 per share. This proposal will be submitted for shareholder approval at the shareholder meeting to be held April 16, 2014, and if approved, the dividends will be paid on May 5, 2014 to shareholders of record as the shareholder meeting date.

HUMAN RESOURCES

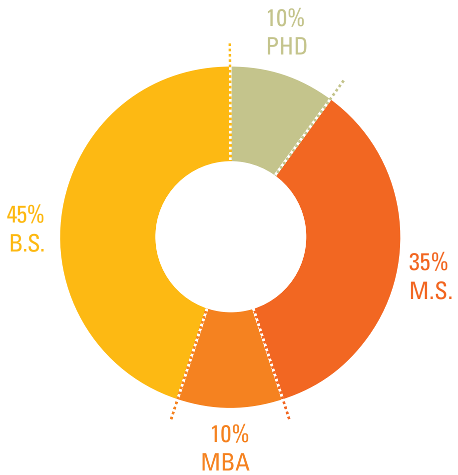
QGEP's workforce consists of skilled operating executives and technical personnel with vast experience in the oil and gas sector, both in Brazil and internationally. Our growing team of professionals brings skillsets ranging in areas from geology, geophysics and reservoir engineering to drilling and production operation. Most previously held senior roles at Petrobras and have played active roles in major discoveries within Brazilian basins, including the Manati, Garoupa, Marlim, Albacora and Roncador Fields. All of our operations are conducted according to the highest performance standards and we remain committed to the safety and welfare of all of our employees. The administrative and financial team round out the remaining group of QGEP employees, most of whom have been trained by Grupo Queiroz Galvão and other large companies in Brazil. At the close of 2013, the Company had in total 116 employees, a 49% increase compared to our workforce at the end of 2012.

Below is the information related to QGEP's technical team:

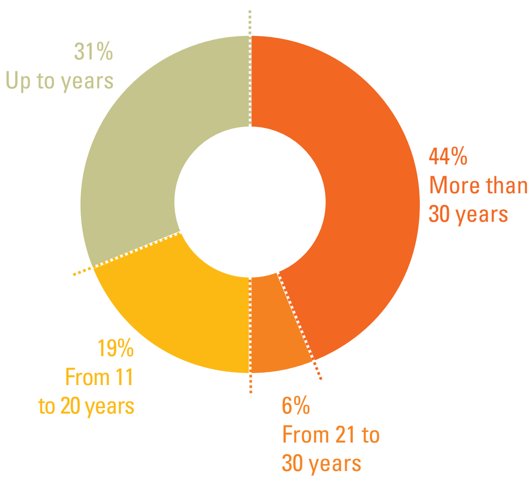
BACKGROUND



EDUCATION



EXPERIENCE



SOCIAL RESPONSIBILITY

All of QGEP's operations are based on a foundation of ethical behavior, best corporate governance practices and respect for the environment. Our goal is to be one of the best companies to work for in Brazil, as well as one of the most successful exploration and production companies. We encourage socially responsible initiatives that create jobs and run a commercial enterprise that will serve as a benchmark for integrity and excellence. The Company is committed to doing business in a safe and responsible manner to minimize environmental impact and benefit communities located within the scope of the Company's activities.

In 2013, we resumed our exploratory activities at Block BM-J-2, in the southern region of Bahia. We were very active on all of our social and environmental programs. One notable highlight was our Plano de Compensação da Atividade Pesqueira (PCAP), where we successfully completed our deliverables. The project offers compensation to fishermen through open dialogues with relevant indigenous communities in the areas directly influenced by Block BM-J-2. After more than one year of operations, we are pleased to note that all parties involved the project have expressed their satisfaction in how QGEP is conducting itself.

In addition to environmental programs, QGEP continues to support educational, athletic and cultural projects. One example is the Viva Volei project in Canaveirias and in Campinhos, in Bahia state, where the Company maintains activities that teach volleyball and provide pedagogical monitoring since 2010. The Company also maintained its commitment to the Portinari project, bringing the "Portinari For Everyone" exhibition to 8 neighborhood communities in Rio de Janeiro.

With a view toward expanding its dialogue with stakeholders, the Company published its second annual sustainability report in 2013, which highlights corporate activities and benchmarking for fiscal 2012.

RELATIONS WITH THE INDEPENDENT AUDITORS

The Company's policy regarding its relationship with external auditors in the provision of services unrelated to external auditing is rooted in principles that safeguard their independence. These principles are based on the idea auditors should not audit their own work, nor exercise managerial functions, advocate for their clients or provide any services that could be considered restricted under current regulations.

Deloitte Touche Tohmatsu Auditores Independentes were engaged by QGEP Participações S.A. to provide external auditing services relating to the review of its financial statements and those of its subsidiaries for fiscal year 2013. As stipulated by Brazilian accounting independence rules, the external auditor did not perform any services for the Company or its subsidiaries other than those mentioned above in the period.

Rio de Janeiro, December 31, 2013.

QGEP Management

INDEPENDENT AUDITOR'S REPORT

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

Introduction

We have audited the individual and consolidated financial statements of QGEP Participações S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as of December 31, 2013, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the individual financial statements in accordance with accounting practices adopted in Brazil and the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board – IASB, and in accordance with the accounting practices adopted in Brazil, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Brazilian and International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Individual Financial Statements

In our opinion, the individual financial statements present fairly, in all material aspects, the financial position of QGEP Participações S.A. as of December 31, 2013, its financial performance and its cash flows for the year then ended in accordance with accounting practices adopted in Brazil.

Opinion on the Consolidated Financial Statements

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of QGEP Participações S.A. as of December 31, 2013, and its consolidated financial performance and its consolidated cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board – IASB and accounting practices adopted in Brazil.

Emphasis of Matters

As described in Note 2 to the financial statements, the individual financial statements have been prepared in accordance with accounting practices adopted in Brazil. In the case of QGEP Participações S.A. these accounting practices differ from the IFRS, applicable to separate financial statements, only with respect to the measurement of investments in subsidiaries by the equity method of accounting, which, for purposes of IFRS would be measured at cost or fair value. Our opinion is not qualified in respect of this 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 opinion is not qualified in respect of this matter.

Other matters

Statements of Value Added

We have also audited the individual and consolidated statements of value added ("DVA"), for the year ended December 31, 2013, prepared under the responsibility of the Company´s management, presentation of which is required by the Brazilian Corporate Law for publicly-traded companies and as supplemental information for IFRS that does not require the presentation of DVA statements. These statements were subject to the same auditing procedures described before and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

Rio de Janeiro, February 24, 2013

DELOITTE TOUCHE TOHMATSU
Auditores Independentes
CRC 2SP 011.609/O-8 "F" RJ

John Alexander Harold Auton
Engagement Partner
CRC RJ 078.183/O-2

QGEP PARTICIPAÇÕES S.A.

BALANCE SHEET AT DECEMBER 31, 2013

(In thousands of Brazilian reais – R$)

	NOTE	PARENT COMPANY (BR GAAP)		CONSOLIDATED (BR GAAP AND IFRS)	
ASSETS		12/31/13	12/31/12	12/31/13	12/31/12
CURRENT ASSETS					
Cash and cash equivalents	4	268	665	357,765	871,322
Short-term investments	4	-	-	647,954	80,947
Accounts receivable	5	-	-	99,446	92,769
Inventories	7	-	-	47,769	9,403
Recoverable taxes	10.1	27	-	10,380	35,698
Dividends receivable	11.2	4,310	2,428	-	-
Credit to partners	6	-	-	116,185	9,453
Others		3	107	4,724	471
Total current assets		4,608	3,200	1,284,223	1,100,063
NONCURRENT ASSETS					
Restricted cash	9	-	-	4,167	24,231
Recoverable taxes	10.1	-	-	337	430
Deferred income tax and social contribution	10.4	-	-	22,477	-
Investments	11.2	2,404,666	2,224,776	10,428	-
Property, plant and equipment	12			1,083,459	773,188
Intangible	13	-	-	631,350	536,130
Others non current assets		-	-	2,880	-
Total noncurrent assets		2,404,666	2,224,776	1,755,098	1,333,979
TOTAL ASSETS		2,409,274	2,227,976	3,039,321	2,434,042

The accompanying notes are an integral part of these financial statements.

LIABILITIES AND NET EQUITY	NOTE	PARENT COMPANY (BR GAAP) 12/31/13	PARENT COMPANY (BR GAAP) 12/31/12	CONSOLIDATED (BR GAAP AND IFRS) 12/31/13	CONSOLIDATED (BR GAAP AND IFRS) 12/31/12
CURRENT LIABILITIES					
Suppliers		137	101	160,245	32,517
Borrowings and financing	14	-	-	238	-
Taxes payable	10.2	42	37	30,059	23,795
Payroll and related taxes		38	41	19,367	11,712
Related party transactions	8	-	-	8	85
Provision for research and development		-	-	8,577	9,020
Other obligations		-	-	15,210	12,654
Total current liabilities		217	179	233,704	89,783
NONCURRENT LIABILITIES					
Provision for abandonment	16	-	-	228,894	116,462
Borrowings and financing	14	-	-	167,666	-
Total noncurrent assets		-	-	396,560	116,462
NET EQUITY					
Capital stock	24	2,078,116	2,078,116	2,078,116	2,078,116
Capital reserve		(39,873)	(26,702)	(39,873)	(26,702)
Investment reserve		368,623	176,383	368,623	176,383
Other comprehensive income		2,191	-	2,191	-
Total net equity		2,409,057	2,227,797	2,409,057	2,227,797
TOTAL LIABILITIES AND NET EQUITY		2,409,274	2,227,976	3,039,321	2,434,042

The accompanying notes are an integral part of these financial statements.

QGEP PARTICIPAÇÕES S.A.

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2013

(In thousands of Brazilian reais – R$)

	NOTE	PARENT COMPANY (BR GAAP)		CONSOLIDATED (BR GAAP and IFRS)	
		01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
NET REVENUE	17	-	-	486,088	462,306
COSTS	18.1	-	-	(209,899)	(182,801)
GROSS PROFIT		-	-	276,189	279,505
OPERATING INCOME (EXPENSES)					
General and administrative expenditure	18.2	(3,314)	(2,839)	(68,594)	(63,285)
Equity method	11.2	195,469	85,179	(440)	-
Oil and gas exploration expenditure	19	-	-	(81,522)	(176,978)
Other net operating		-	-	-	779
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME		192,155	82,340	125,633	40,021
FINANCIAL INCOME, NET	20	87	128	62,050	82,477
INCOME BEFORE INCOME TAX SOCIAL CONTRIBUTION		192,242	82,468	187,683	122,498
Deferred Income tax and social contribution	10.4	-	-	22,477	(5,800)
Current Income tax and social contribution	10.3	-	-	(17,918)	(34,230)
NET INCOME FOR THE YEAR		192,242	82,468	192,242	82,468
NET INCOME PER SHARE – BASIC AND DILUTED	24	0.74	0.31	0.74	0.31

QGEP PARTICIPAÇÕES S.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2013

(In thousands of Brazilian reais – R$)

	NOTE	PARENT COMPANY (BR GAAP)		CONSOLIDATED (BR GAAP and IFRS)	
		01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
Net income for the year		192,242	82,468	192,242	82,468
Other comprehensive income					
Comprehensive income of investees recognized by the equity method		2,191	-	2,191	-
Total comprehensive income for the year		194,433	82,468	194,433	82,468

The accompanying notes are an integral part of these financial statements.

QGEP PARTICIPAÇÕES S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2013

(In thousands of Brazilian reais – R$)

			CAPITAL RESERVES	
	Note	Capital stock	Stock options	Shares held in treasury
BALANCE AT DECEMBER 31, 2011		2,078,116	3,731	-
Net income for the year		-	-	-
Appropriation of profit for the year:				
Legal reserve		-	-	-
Investment reserve		-	-	-
Cumulative translation adjustments		-	-	-
Minimum mandatory dividends		-	-	-
Shares held in treasury	25	-	-	(38,899)
Stock option	24	-	8,466	-
BALANCE AT DECEMBER 31, 2012		2,078,116	12,197	(38,899)
Net income for the year		-	-	-
Appropriation of profit for the year:				
Legal reserve		-	-	-
Investment reserve		-	-	-
Dividendos propostos		-	-	-
Minimum mandatory dividends		-	-	-
Cumulative translation adjustments		-	-	-
Shares held in tresury	25	-	-	(23,601)
Stock option	24	-	10,430	-
BALANCE AT DECEMBER 31, 2013		2,078,116	22,627	(62,500)

The accompanying notes are an integral part of these financial statements.

INCOME RESERVE				
Legal reserva	Investment reserve	Other comprehensive income	Retained earnings	Total
6,387	87,529	-	-	2,175,763
-	-	-	82,468	82,468
4,123	-	-	(4,123)	-
-	78,344	-	(78,344)	-
-	-	-	-	-
-	-	-	(1)	(1)
-	-	-	-	(38,899)
-	-	-	-	8,466
		-		
10,510	165,873	-	-	2,227,797
-	-	-	192,242	192,242
9,613	-	-	(9,613)	-
-	182,627	-	(182,627)	-
-	-	-	-	-
-	-	-	(2)	(2)
-	-	2,191	-	2,191
-	-	-	-	(23,601)
-	-	-	-	10,430
20,123	348,500	2,191	-	2,409,057

QGEP PARTICIPAÇÕES S.A.

STATEMENTS OF VALUE ADDED
FOR THE YEAR ENDED DECEMBER 31, 2013
(In thousands of Brazilian reais – R$)

	Note	PARENT COMPANY		CONSOLIDATED	
		01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
REVENUES		-	-	994.197	691.534
Gas sales	17	-	-	612.804	586.053
Other revenues		-	-	581	779
Revenues related to own assets of construction	12	-	-	380.812	104.702
INPUTS ACQUIRED FROM THIRD PARTIES		746	718	544.120	365.257
(including Tax – ICMS, IPI, PIS and COFINS)					
Gas production and service costs		-	-	147.331	228.475
Material, energy and other service		746	718	379.661	120.597
Others		-	-	17.128	16.186
GROSS VALUE-ADDED		(746)	(718)	450.077	326.277
DEPRECIATION, AMORTIZATION AND EXHAUSTION	12/13	-	-	97.286	82.919
NET VALUE-ADDED PRODUCED BY THE ENTITY		(746)	(718)	352.791	243.358
VALUE-ADDED RECEIVED IN TRANSFER		195.558	85.308	84.146	110.721
Equity income and dividends	11.2	195.469	85.179	(440)	-
Financial income	20	89	129	84.586	84.135
Others		-	-	-	26.586
TOTAL VALUE-ADDED TO BE DISTRIBUTED		194.812	84.590	436.937	354.079
VALUE-ADDED DISTRIBUTION					
PERSONEL:					
Personnel		2.036	1.701	51.820	39.253
Benefits		96	70	3.792	1.258
Charges and fees		-	-	1.850	866
		2.132	1.771	57.462	41.377

	Note	PARENT COMPANY		CONSOLIDATED	
		01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
TAXES:					
Federal		409	340	57.934	99.654
State		-	-	54.539	55.134
Municipal		-	-	83	30
ANP (Bonus e royalties)		-	-	48.768	45.649
		409	340	161.324	200.467
PAYMENT OF THIRD PARTY CAPITAL:					
Interest		3	-	364	3.356
Rentals		-	-	3.224	1.074
Bank charges		26	11	1.431	447
Monetary/Exchange variation		-	-	20.890	24.890
		29	11	25.909	29.767
SHAREHOLDERS					
Net income for the year		192.242	82.468	192.242	82.468
		192.242	82.468	192.242	82.468
DISTRIBUTION OF VALUE ADDED		194.812	84.590	436.937	354.079

The accompanying notes are an integral part of these financial statements.

QGEP PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2013

(In thousands of Brazilian reais – R$)

	Note	PARENT COMPANY		CONSOLIDATED	
		01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income for the year		192.242	82.468	192.242	82.468
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Equity method	11.2	(195.469)	(85.179)	440	-
Depreciation and amortization	12/13	-	-	97.286	82.919
Deferred income tax and social contribution	10.4	-	-	(22.477)	5.800
Financial charges and exchange rate (gain) loss					
on borrowings and financing		-	-	684	2.648
Reduction of fixed assets and intangibles	12/13	-	-	45.967	118.463
Stock option plan	24	-	-	10.430	8.466
Provision for income tax and social contribution	10.3	-	-	(17.918)	34.230
Provision for research and development		-	-	(443)	2.985
Financial instruments derivatives		-	-	19	-
Exchange rate on Trade accounts payable – acquisition of the exploration block		-	-	-	(22.773)
Exchange rate on provision for abandonment		-	-	112.432	9.415
(Increase) decrease in operating assets:					
Trade accounts receivable	5	-	-	(6.677)	(16.629)
Recoverable taxes	10.1	(27)	-	25.411	(15.263)
Other assets		102	(7)	(149.371)	(10.438)
Increase (decrease) in operating liabilities:					
Suppliers		36	18	57.392	5.865
Taxes payable	11.2	5	9	32.395	2.653
Interest paid	14	-	-	(412)	(3.075)
Income tax and social contribution paid		-	-	(8.213)	(37.526)
Related parties	8	-	(113)	(77)	(415)
Other liabilities		(4)	9	7.330	4.539
Net cash provided by (used in) operating activities		(3.115)	(2.795)	376.440	254.332

	Note	PARENT COMPANY		CONSOLIDATED	
		01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
CASH FLOWS FROM INVESTING ACTIVITIES					
Restricted cash	9	-	-	20.064	36.737
Short term investments	4	-	-	(567.007)	49.532
Increase capital in foreign company		(109)	-	7.120	-
Payment of investment		2.428	-	(17.988)	-
Payment of property, plant and equipment	12	-	-	(380.812)	(104.702)
Payment of intangible	13	-	-	(97.596)	(244.498)
Dividends recieved	10.2	24.000	39.655	-	-
Net cash provided by (used in) investing activities		26.319	39.655	(1.036.219)	(262.931)
CASH FLOWS FROM FINANCING ACTIVITIES					
	14	0		167.632	0
Payment of financing		-	-	-	(103.130)
Shares held in treasury	24	(23.601)	(38.899)	(23.601)	(38.899)
Payment of dividends		-	(1)	-	(1)
Net cash provided by (used in) financing activities		(23.601)	(38.900)	144.031	(142.030)
Cumulative translation of adjustment of foreign companies		-	-	2.191	-
Total of cumulative translation of adjustment of foreign companies		-	-	2.191	-
Increase (decrease) in cash and cash equivalents		(397)	(2.040)	(513.557)	(150.629)
Cash and cash equivalents at beginning of year		665	2.705	871.322	1.021.951
Cash and cash equivalents at end of year		268	665	357.765	871.322
Increase (decrease) in cash and cash equivalents		(397)	(2.040)	(513.557)	(150.629)

The accompanying notes are an integral part of these financial statements.

QGEP PARTICIPAÇÕES S.A.

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

(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. ("QGEP"), 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 byproducts, 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 Atlanta Field BV ("AFBV") entity, 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.

QGEPP held interest in indirect subsidiary Manati SA that was incorporated on November 30, 2012 by direct subsidiary QGEP, its wholly owned subsidiary.

On January 31, 2013, was constituted QGEP Netherlands B.V. ("QGEP Netherlands"), 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 QGEP Netherlands. 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, and holds 40% and 30%, respectively, of participation in AFBV. QGEP Netherlands B.V., on the same date, holds 30% participation in AFBV.

On October 3, 2013, was constituted QGEP Internacional GmbH ("QGEP Internacional"), 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 Netherlands B.V. and AFBV) are referred in this interim financial information as "the Group".

Information about the Group

As at December 31, 2013, the Group holds interests in seventeen 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 include CAL-M-312 and CAL-372 Blocks), one in the Jequitinhonha basin (BM-J-2), one in Campos basin (BM-C-27A and this include C-M-122, C-M-145 and C-M-146 Blocks) and four in the Santos basin (Coral – in relinquishment process, BM-S-12 – relinquishment in 2014, 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 has being operated by Petrobras.

BCAM-40 and BS-4 concessions are under production and development phases, respectively. In BCAM-40 are located Manati and Camarão Norte fields, and under production and production development phases, respectively. In BS-4 Block are located Atlanta and Oliva fields and are under developing production. In BM-CAL-5, BM-S-8 and BM-C-27A concessions are under discovery evaluation plan, while BM-J-2 concession was proposed a discovery evaluation plan, in evaluation by ANP. All others concessions are in exploratory period.

The BM-C-27A concession includes CM-122, CM-145 and CM-146 blocks all of which are located in the shallow waters of the Campos Basin, approximately 70 kilometers off the coast. It is planned to drill a well with goals in the pre-salt section, which depends on ANP approval for extending the period of discovery evaluation plan, because the drilling of this well requires special equipment that require up to 24 months to be available. QGEP is currently awaiting approval from the ANP and other regulatory authorities for the transfer of 30% of the concession rights.

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 approval of the proposed Plan during the first 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, 185 km off Rio de Janeiro in Santos basin. 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 operator of the block and holds a 30% participating interest.

The development plan of Atlanta field includes an Early Production System (EPS) and expects to drill two horizontal wells. On October 2013, QGEP started the drill of the first producer well, completed in the beginning of 2014, with a production test. The total amount of CAPEX estimated for this EPS is USD 460 million, being USD 138 million net related to QGEP, and the first oil is expected in late 2015 or early 2016.

The drill stem test indicated that the production capacity of the well is at the high end of the expected range about average rates of productivity and confirmed the expected characteristics of the oil and reservoir. Actually, we are drilling of the second horizontal well and had launched the bidding process for the FPSO.

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.

The consortium has decided to relinquish part of the Evaluation Plan Area that includes the Bem-Te-Vi Discovery, due to the lack of economic potential. Currently, the remaining area of the BM-S-8 Block is 1,207 km^2.

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 starting in 2017.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Statement of Compliance

The consolidated financial statements of the Company comprise:

- The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRSs"), issued by the International Accounting Standards Board ("IASB"), which are consistent with accounting practices adopted in Brazil, identified as "Consolidated ("IFRS and BRGAAP"); and
- The individual financial statement of the parent company has been prepared in accordance with accounting practices adopted in Brazil, identified as "The Parent Company – BRGAAP.

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 individual Financial Statements present the investment in subsidiaries under the equity method of accounting, according to Brazilian law. Thus, the Individual Financial Statements are not considered to be in accordance with IFRS, which explicitly states that such investments should be reported in the individual financial Statements 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 Individual Financial Statements 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 Financial Statements as one, side by side.

2.2. Basis of preparation

The financial statements have 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 consolidated financial statements include the financial statements of the Company and its subsidiaries. Control is achieved where 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 statements of income and comprehensive income from the effective date of acquisition, alienation and incorporation as applicable.

In the individual financial statements of the Company, financial reporting of the direct and indirect subsidiaries is recognized by the equity method.

When necessary, adjustments are made to the financial statements 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 full eliminated on consolidated financial statements, except joint venture investment.

Company's ownership interests in subsidiaries

On December 31, 2013, the Company's financial statements include the financial information of its subsidiary, direct and indirect, listed below:

			PERCENTAGE OF SHAREHOLDING – %	
	Country operation	Control	12/31/2013	12/31/2012
QGEP	Brazil	Direct	100%	100%
QGEP International	Austria	Direct	100%	-
QGEP Netherlands	Netherlands	Indirect	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

	Country operation	Control	Type of business	PERCENTAGE OF SHAREHOLDING – % 12/31/2013	12/31/2012
AFBV	Netherlands	Indirect	Joint Venture	30%	100%

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 costs and adjusted, when applicable, to realizable value. (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 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 drilling 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 costs related assets (fixed assets) and a corresponding provision for abandonment recorded in liabilities, support future expenses (Note 16). The provision for abandonment is reviewed annually by Management, adjusting the values assets and liabilities already accounted. Revisions in the calculation basis of the estimates expenses are recorded as cost of assets and exchange differences found are allocated directly in 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 year.

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 year ended December 31, 2013 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 allocated to income and subsequently allocated to the earnings 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. Payment arrangements based on shares

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. Any gain or loss is recognized in the income statement in purchase, sale, issue 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 preparing the financial statements is the currency of Brazil – Real (R$), being the one that best reflects the primary economic environment that the Company operates and how its managed. Subsidiaries headquartered in Netherlands and Austria and joint venture, headquartered in Netherlands, have American dollars (US$) as its functional currency. The financial statements 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 statements are 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 the exchange rate of the transaction date. 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 is presented as required by the Brazilian Corporate Law, as an integral part of its individual financial statements, and as additional disclosure of the consolidated financial statements, 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 statements 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 year.

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
IAS 32/CPC 39	Financial Instruments – Presentation	January 1, 2014
IAS 36/CPC01 (R1)	Impairment	January 1, 2014
IAS 39/CPC 38	Financial instruments: Recognition and measurement	January 1, 2014
IFRIC 21	Levies	January 1, 2014

b) Standards, amendments and interpretations to existing standards with initial adoption from January 1, 2013:

The standards listed below, about Company information, have been published and are mandatory for accounting periods beginning on or after January 1, 2013 or subsequent periods.

PRONOUNCEMENT OR INTERPRETATION	DESCRIPTION	APPLICABLE TO FISCAL YEARS BEGINNING ON OR AFTER
IFRS 1/CPC 37 (R1)	First time adoption of international financing reporting	January 1, 2013
IFRS 7/CPC 40 (R1)	Financial Instruments – Disclosure	January 1, 2013
IFRS 10/CPC 36 (R3)	Consolidated Financial Statements	January 1, 2013
IFRS 11/CPC19 (R2)	Joint Arrangements	January 1, 2013
IFRS 12/CPC 45	Disclosure of interests in other entities	January 1, 2013
IFRS 13/CPC 46	Fair value measurement	January 1, 2013
IAS 1/CPC 26 (R1)	Presentation of financial statements	January 1, 2013
IAS 16/CPC 27	Property, plant and equipment	January 1, 2013
IAS 19/CPC 33 (R1)	Employee benefits	January 1, 2013
IAS 27/CPC 35 (R2)	Consolidated and separate financial statements	January 1, 2013
IAS 28/CPC 18 (R2)	Investments in Associates	January 1, 2013
IAS 34/CPC 21 (R1)	Interim Financial Statements	January 1, 2013
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	January 1, 2013

According CPC 36 (R3), CPC 19 (R2) and CPC 45, as described in notes 2.3 and 2.4, the accounting criteria followed for joint venture entities is adopted by the Management in January 1, 2013, without retroactive effects, considering subsidiaries constitution dates.

3. 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 have 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$4,167 on December 31, 2013. 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 statements (Note 15).

The booking of the provision for tax, civil and labor risks on a particular liability on the financial statements 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	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
Cash and bank deposits	31	7	36,654	3,562
CDBs and debentures	237	658	75,283	150,732
Exclusive investment fund	-	-	245,828	717,028
Total	268	665	357,765	871,322

Cash and cash equivalents are concentrated in Banks Certificates of Deposit (CBD) 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.

PRODUCT	12/31/2013	12/31/2012
Committed (debentures)	40,991	210,604
CDB/CDI (post-fixed)	204,837	506,424
Tittles classified as cash and cash equivalents	245,828	717,028

b) Short-term investments

	CONSOLIDATED	
	12/31/2013	12/31/2012
Exclusive investment fund	647,954	80,947
Total	647,954	80,947

The Company has a multimarket exclusive investment fund, without perspective for 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:

Composição do fundo:

PRODUCT	12/31/2013	12/31/2012
CDB/CDI (post-fixed)	58,493	-
Public bonds (LFT/NTN)	247,186	29,611
Public bonds (Exchange fund)	159,449	-
Financial letter (Alfa, Banco do Brasil, Banrisul, Bradesco, CEF, HSBC, Itaú, Santander and Votorantim)	182,826	51,336
Titles classified as short term investments	647,954	80,947

c) Average profitability

The average return of cash equivalents and short-term investments was equivalent to 102.32% of the CDI Selic, accumulated for the year ended on December 31, 2013.

The variation of exchange fund, related to PTAX since date application, on August 2013, was equivalent to 0.36 percentage points accumulated for the year ended on December 31, 2013.

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 because 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 not billed to the JV partners or by non-operator JV partners in their respective consortium, or allocated by operators JV partners in other blocks not operated by QGEP.

Out of the amount of R$116,185 recorded as of December 31, 2013 (R$9,453 as of December 31, 2012), R$83,145 refers to the share of OGX and the remaining amount belongs to other consortium members and consortiums (R$33,040). Until December 20, 2013, R$73,125 were charged from the JV partner OGX through "cash calls", which were due on December 31, 2013, and were supported by the two non-defaulting parties on 50% each. In January 2014, these amounts were reimbursed by OGX and fully paid off.

On December 26, 2013, a new "cash call" was issued in the amount of R$26,200 related to OGX share in expenses already incurred and to be incurred by the consortium BS-4 which due date was January 11, 2014. This was settled by OGX on February 21, 2014 bearing interest.

Considering the current status of OGX, which is under judicial recovery, QGEP, together with Barra Energia notified OGX as well as the regulatory agency ANP about the default situation of the JV partner in the consortium BS-4 during 2013, as formal representations issued on November and December 2013, respectively.

On December 18, 2013, the executive board of the ANP required OGX to present until the beginning of March 2014 its position paper with its liquidity ability to make timely payments in Block BS-4 and its financial ability to meet investment commitments assumed to the agency, under penalty of compulsory assignment of their rights to participate.

Besides the formal notifications disclosed above, the Consortium members have been discussing alternatives to the reimbursement of investments paid by the Consortium in behalf of OGX, and measures to ensure the continuity of investment by all parties as necessary for the continuity of the project (Explanatory Note 1).

Regarding the remaining balance of R$33,040 from the total balance of R$116,185 as of December 31, 2013, recorded as receivables from JV partners, there is no evidence of defaults or delays.

7. INVENTORIES

	CONSOLIDATED	
	12/31/2013	12/31/2012
Inventories	47,769	9,403

Basically, variation refers to purchase of materials needed to carry out exploratory and development drilling campaign.

8. RELATED-PARTY TRANSACTIONS

Balances and transactions between the Company and its subsidiaries 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	
	12/31/2013	12/31/2012
Assets – Current		
Accounts receivable – AFBV (a)	479	-

	CONSOLIDATED	
	12/31/2013	12/31/2012
Liabilities – Noncurrent		
Accounts payable – QGOG (b)	8	85

	CONSOLIDATED	
	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
Income		
General and administrative expenses (b)	631	962
Financial expenses (c)	-	194

(a) Refers to services from QGEP to AFBV regarding technical consultancy for acquisition by foreign subsidiary of subsea equipment (wet Christmas tree and VSD).
(b) Due to provide of administrative services rendered by QGOG to QGEP and Manati. 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% will be charged.
(c) Refers to financial charges of loans from BNB/BNDES. These loans were fully paid in May 15, 2012

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 as table below:

	PARENT	
	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
Short term benefits	2,551	2,074

	CONSOLIDATED	
	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
Short term benefits	9,144	14,362
Stock option plan	5,876	5,012

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

9. RESTRICTED CASH

	CONSOLIDATED	
	12/31/2013	12/31/2012
Abandonment fund (a)	4,167	24,231
Total Restricted cash	4,167	24,231

(a) The abandonment fund is represented by investments held for the payment of the provision for dismantlement of Manati Field (abandonment fund – see Note 16) and are fully applied in Banco Bradesco. The average fund profitability was equivalent to 10.17% for the year ended on December 31, 2013 (9.19% for the year ended December 31, 2012).

In 2013 the Company redeemed part of the investment due to the abandonment of the discovery well 1 BAS-128, as described in Note 16.

10. TAXES

10.1. Recoverable taxes:

	CONSOLIDATED	
	12/31/2013	12/31/2012
Prepaid income tax and social contribution	-	5,168
Income tax (WIT) on short-term investments (*)	9,676	13,258
Recoverable taxes	426	16,581
Others	615	1,121
Total	10,717	36,128
Current	10,380	35,698
Non current	337	430

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

10.2. Taxes payable

	PARENT		CONSOLIDATED	
	12/31/2013	12/31/2012	12/31/2013	12/31/2012
State VAT (a)	-	-	5,170	4,468
Income tax and social contribution	-	-	1,534	-
IRRF	42	37	1,233	644
Taxes on revenue (PIS/COFINS) (a)	-	-	13,788	12,709
Royalties (b)	-	-	3,309	3,130
Special participation (b)	-	-	2,946	2,581
Others	-	-	2,079	263
Total current	42	37	30,059	23,795

(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.

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

	PARENT	
	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
Income before income tax and social contribution	192,242	82,468
Statutory rates	34%	34%
Income tax and social contribution expenses at statutory rates	(65,362)	(28,039)
Adjustment of taxes at effective rate:		
Shareholders' equity	66,459	28,961
Tax losses not recognized (a)	(1,094)	(922)
Non deductible expenses (Income not taxable)		
Permanents	-	-
Temporary	(3)	-
Deferred income tax and social contribution	-	-
Current income tax and social contribution	-	-

(a) Refers to 100% of the tax losses and carry forward of QGEPP. On December 31, 2013, QGEPP had tax losses and negative social contribution in total of R$66,523 (R$63,307 at December 31, 2012), and QGEPP does not record deferred tax assets for income tax and social contribution arising from tax losses of income tax or negative social contribution bases because there is no recovery of profitability until the current date for their activities still in the exploratory stages and development.

	CONSOLIDATED	
	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
Income before income tax and social contribution	187,683	122,498
Statutory rates	34%	34%
Income tax and social contribution expenses at statutory rates	(63,812)	(41,650)
Adjustment of taxes at effective rate:		
Tax incentives (a)	42,771	43,720
Non deductible expenses (Income not taxable)		
Permanents (c)	(4,553)	(29,214)
Temporary (d)	5,239	3,741
Tax losses not recognized (b)	23,411	(16,627)
Tax losses recognized (e)	1,503	-
Income tax and social contribution	4,559	(40,030)
Deferred income tax and social contribution	22,477	(5,800)
Current income tax and social contribution	(17,918)	(34,230)

(a) Tax incentive calculated on the operating profits of the Manati operations (Note 2.15).
(b) On December 31, 2013, QGEP used tax losses in the amount of R$71,211. Regarding the negative basis of social contribution, the value of negative basis at December 31, 2013 is R$16,698 (R$91,169 at December 31, 2012).
(c) On December 31, 2013, the main increase refers to stock option.
(d) On December 31, 2013, main additions refers to amortization and update of abandonment provision, abandonment of the well 1-BAS-128 located in Manati Field and reversion of special participation.
(e) QGEP invested recorded in December 2013 tax credit from social contribution arising from negative basis of social contribution by presenting future earnings and constituted deferred income tax and social contribution on net income over temporary additions.

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, 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.

ASSETS	CONSOLIDATED
Balance on December 31, 2012	-
Temporary differences:	
Write-off well provision	15,408
Profit and sharing	5,238
CSLL negative basis	1,503
Suppliers – provisions	328
Balance on December 31, 2013	22,477

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

10.5. Provisional Measure 627/2013 (Medida Provisória 627/2013)

Management performed a preliminary review of the provisions of Provisional Measure 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 MP 627 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

The following, are presented the details of the Company's subsidiaries at year ended:

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 Netherlands	Holanda	100%
Indirect	Atlanta Field B.V	Netherlands	30%

11.2. Equity method Investments

Data on investment and financial information for calculating the equity pick up on direct subsidiary QGEP, is as follows (R$):

	QGEP	QGEP GMBH	QGEP B.V.	AFBV
Number of ordinary shares	191,262,711	1	1,000	3,000
Direct shareholding	100%	100%	100%	30%
	R$	R$	R$	R$ (*)
Capital stock	2,042,553	109	2	23
Shareholders' equity	2,404,567	99	24,592	35,998
Net income	195,482	(13)	(725)	(1,458)
Assets	3,038,716	107	24,801	39,586
Liabilities	634,150	9	209	4,678
Net revenue	486,088	-	-	-

(*) Total of AFBV

A change in investments of QGEPP presented in individual and consolidated financial statements is as follows:

	PARENT		CONSOLIDATED
	QGEP	QGEP International	QGEP B.V and AFBV
	R$	R$	R$
Balance at December 31, 2012	2,224,776	-	-
Capital increase	-	109	7,120
Stock option plan	10,430	-	-
Intermediary dividends (a)	(24,000)	-	-
Minimum mandatory dividends	(4,310)	-	-
Cumulative translation of adjustment of foreign companies	2,189	3	3,748
Equity (b)	195,482	(13)	(440)
Balance at December 31, 2013	2,404,567	99	10,428

(a) Intermediary dividends was distributed from subsidiary QGEP based in reserve investments balance on December 31, 2012, as approval on Extraordinary General Meeting, as described below, and QGEPP purpose is repurchase of shares in treasury and subsequently meet the Plan for Stock option (Notes 24 iii):

	APPROVAL DATE	AMOUNT PAID
Extraordinary General Meeting	06/25/2013	24,000
Total		24,000

(b) The result obtained by the subsidiaries for the year ended December 31, 2013.

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 Netherlands B.V.

  A wholly owned subsidiary of QGEP, headquartered in Rotterdam, Netherlands 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.

- 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 Internacional GmbH

  A wholly owned subsidiary of QGEPP, 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

		CONSOLIDATED			
	Depreciation and amortization rate %	12/31/2013			12/31/2012
		Cost	Depreciation and amortization	Net	Net
Corporative segment					
Furniture and fixtures	10%	1,943	(224)	1,719	552
Vehicles	20%	1,034	(368)	666	634
Improvement in third parties properties	20%	7,226	(1,237)	5,989	933
Computers – Hardware	20%	2,062	(591)	1,471	784
Grounds	-	120	-	120	-
Advances for fixed assets acquisition	-	-	-	-	635
Subtotal		12,385	(2,420)	9,965	3,538

	Depreciation and amortization rate %	CONSOLIDATED 12/31/2013 Cost	Depreciation and amortization	Net	12/31/2012 Net
Upstream segment					
Expenditure on exploration of natural resources in progress (i)	-	456,509	-	456,509	296,920
Expenditure on exploration of natural resources (ii)	(iii)	16,844	(13,826)	3,018	4,723
Expenditures on development of production oil and gas in progress (iv)	-	103,112	-	103,112	14,097
Expenditure on the development of oil and gas production	(iii)	956,001	(445,146)	510,855	453,910
Subtotal		1,532,466	(458,972)	1,073,494	769,650
Total		1,544,851	(461,392)	1,083,459	773,188

(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 because Company is awaiting start production.

COST	CONSOLIDATED Corporate spending on fixed assets	Expenditure on exploration of natural resources – in progress	Expenditure on exploration of natural resources	Expenditures on development of oil and gas in progress	Expenditures on development of oil and gas	Total
Balance at 12/31/2012	4,545	296,920	16,844	14,097	805,667	1,138,073
(+) Additions of the year	7,889	203,637 (a)		89,290 (b)	150,334 (c)	451,150
(+) Write-off of the year	(49)	(44,048) (d)	-	(275)	-	(44,372)
Balance at 12/31/2013	12,385	456,509	16,844	103,112	956,001	1,544,851

Main additions and exclusions refer to (a) BM-J-2 in the amount of R$197,699, (b) BS-4-in the amount of R$89,290, that includes expenses with drilling services and (c) maintenance work at Manati Field in amount of R$6,492 and revision of estimates used in constitution of provision for abandonment in amount of R$138,317 and (d) relinquish of SCS-13 located at BM-S-12 Block in amount of 40,684 and Bem te vi well and extension well of Carcara, both located at BM-S-8 Block in amount of R$325 and R$3,039, respectively.

DEPRECIATION AND AMORTIZATION	CORPORATE ASSET DEPRECIATION	EXPENDITURE ON EXPLORATION AMORTIZATION	EXPENDITURES ON DEVELOPMENT AMORTIZATION	TOTAL
Balance at 12/31/2012	(1,007)	(12,121)	(351,757)	(364,885)
(-) Additions of the period	(1,429)	(1,705)	(93,389)	(96,523)
(+) Write-off of the period	16	-	-	16
Balance at 12/31/2013	(2,420)	(13,826)	(445,146)	(461,392)

13. INTANGIBLE

	CONSOLIDATED			
	Cost	Amortization	12/31/2013	12/31/2012
Acquisition of exploration concession (i)	529,399	-	529,399	529,399
Signing bonus (ii)	97,675	-	97,675	4,364
Others	5,584	(1,308)	4,276	2,367
Total	632,658	(1,308)	631,350	536,130

(i) Refers to the right to 10% participate in the block BM-S-8, located in the offshore Santos Basin in the total amount of R$278,692 (US$175,000) and the right to 30% participate in Atlanta and Oliva fields (BS-4), located in the offshore Santos Basin in the total amount of R$250,707 (US$157,500).
(ii)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 (Note 21).

	CONSOLIDATED			
COST	Acquisition of exploration concession	Signing bonus	Software	Total
Balance at 12/31/2012	529,399	4,364	2,367	536,130
(+)Additions for the period	-	94,907 (a)	2,688	97,595
(-)Write-off period	-	(1,596) (b)	-	(1,596)
(-)Write-off period	-	-	(779)	(779)
Balance at 12/31/2013	529,399	97,675	4,276	631,350

a) Main additions and exclusions refer to signing bonus acquired an in the 11th ANP Bidding Round on May 14, 2013.

b)Write-off of signing bonus of BM-S-12 Block.

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.

			CONSOLIDATED		
	12/31/2013	12/31/2012	Charges	Payment method	Maturity
Nacional currency					
FINEP – Financiadora de Estudos e Projetos	169,563	-	Subcredit A: 3.5% p.a.	Monthly	Sep/2023
Total	169,563	-	Subcredit B: 5% p.a – 6.5% p.a. +TJLP	Monthly	Sep/2023
Curremt	238	-			
Noncurrent	169,325	-			
Total	169,563	-			
Description	Dec-13				
TJLP annual	5.00%				

Changes in borrowings

Balance on 12/31/2012	-
(+) Borrowings	169,325
(+) Interest charged	650
(-) Payment of interest	(412)
Total before borrowing cost	169,563
(+) Borrowing cost	(1,659)
Closing balance on 12/31/2013	167,904
Current	238
Noncurrent	167,666

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

MATURITIES UNTIL:	12/31/2013
2016	7,968
2017	23,905
2018	23,905
2019 to 2023	113,547
Total	169,325

According 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 others on the same day of the following month, 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 11/12/2006. 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$581. 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 R$31,888, regarding QGEP´s participation.

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 financial statement.

16. PROVISION FOR ABANDONMENT

The estimated cost for abandonment, informed by operator, was reviewed for to year end at December 31, 2013, and approved by the consortium, according to notes 2.9 and 3.2.5. On December 31, 2013, 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 year ended on December 31, 2013:

	CONSOLIDATED
Balance at December 31, 2012	116,462
Additional provision (a)	148,599
Write-off abandonment of wells (b)	(57,753)
Exchange differences/others	21,586
Balance at December 31, 2013	228,894

(a) Additional provision from revision of estimates – Manati Field and constitution in December 2013, the provision for abandonment of Atlanta field, located in BS-4 Block, considering start of development phase.
(b) Refers to abandonment of discovery well 1-BAS-128 at Manati Field.

The counterpart of complement for provision for abandonment was made in fixed assets in the group "development costs of producing oil and gas" and exchange variation are recorded in net financial income.

17. NET REVENUE

	CONSOLIDATED	
	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
Gross revenue	612,804	586,053
Tax on revenue (PIS)	(9,829)	(9,402)
Tax on revenue (COFINS)	(45,273)	(43,312)
State VAT (ICMS)	(54,510)	(54,870)
Discounts – contractual reduction	(17,104)	(16,163)
Total deductions	(126,716)	(123,747)
Net revenue	486,088	462,306

18. COSTS AND GENERAL AND ADMINISTRATIVE EXPENDITURE

18.1. Cost

	CONSOLIDATED	
	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
Extraction costs (i)	(65,518)	(49,437)
Royalties and special participation	(47,746)	(45,649)
Research and development	(1,542)	(5,859)
Amortization and depreciation	(95,093)	(81,856)
Total	(209,899)	(182,801)

(i) Includes R$14,834 refers to maintenance cost at Manati Field.

18.2. General and Administrative Expenditure

	PARENT	
	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
Payroll	(2,542)	(2,111)
Services from third parties	(369)	(336)
Insurance	-	(35)
Taxes and fees	(25)	(10)
Advertisements and publications	(234)	(198)
Maintenance	(5)	(13)
Other expenses	(139)	(136)
Total	(3,314)	(2,839)

	CONSOLIDATED	
	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
Payroll (a)	(66,724)	(54,860)
Services from third parties	(10,452)	(8,167)
Insurance	(951)	(832)
Taxes and fees (b)	(2,050)	(930)
Advertisements and publications	(1,240)	(1,167)
Sponsor	(760)	(1,709)
Shared services	(631)	(1,224)
Depreciation	(2,210)	(1,063)
Maintenance	(1,083)	(1,072)
Other expenses	(5,504)	(5,086)
E&P allocating projects (c)	23,011	12,825
Total	(68,594)	(63,285)

(a) For the year ended December 31, 2013 was recorded R$15,407 and refers to profit sharing.
(b) In 2013, the amount of R$1,022 refers to 11th ANP Bidding Round.
(c) This amount refers for the expenses related to BS-4 Block, which the Company is the operator with 30% interest, with the remainder related to their 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$81,522 on December 31, 2013, R$42,280 and R$3,039 refers to derecognition exploration expenses of SCS-13 located at BM-S-12 Block that did not show potentially producing areas and extension well of Carcara, located at BM-S-8 Block and R$18,704 refers to sismic of new acquisitions. From the balance of R$176,978 on December 31, 2012, R$162,133 refers to derecognition exploration expenses of Ilha do Macuco dry well (R$81,513 from fixed assets and R$38,593 from income) and Jequitibá (R$36,557 from fixed assets and R$619 from income) located in the BM-S-12 and BM-CAL-5, respectively, which showed no potentially producing areas.

20. FINANCIAL INCOME, NET

	PARENT	
	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
Interest on short-term investments	89	129
Financial expenses	(2)	(1)
Total	87	128

	CONSOLIDATED	
	01/01/2013 to 12/31/2013	01/01/2012 to 12/31/2012
Interest on short-term investments	84,586	84,135
Interest on borrowings and financing and financial expenses (a)	(1,646)	(3,356)
Exchange rate changes net:		
Derivative financial instrument (b)	748	(11,490)
Provision for abandonment (Note 16)	(21,586)	(9,415)
Accounts payable – Atlanta and Oliva (BS-4) (c)	-	22,773
Others	(52)	(170)
Total	62,050	82,477

(a) On December 31, 2012, net of R$244 for compliance bonus as provided in the loan agreements and financing.

(b)In 2012, the Company contracted derivative instruments, NDF's (Non Deliverable Forwards) in amount of US$70,000, and the objective was reducing exposure to the dollar in relation to *reais*, regarding the acquisition of 30% of block BS-4. On March 2, 2012 the Company paid additional 90% of acquisition price and the derivative instruments (NDFs) was settled on the same date.

In 2013, the Company contracted derivative instruments, call option in amount of US$1,080 and NDF's (Non Deliverable Forwards) in amount of US$3,510, and the objective was reducing exposure to the dollar in relation to reais, regarding the hiring of probe drilling of well 1-QG-5A located at Block BM-J-2. On September and October 2013, the Company made a liquidation of NDF's and call option, respectively, recording a financial result as R$748.

(c)Reflects the effect of exchange rate changes on liabilities arising from the acquisition of BS-4 Block.

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	%
Disabled	Santos	Coral	09/15/2000	Petrobras (operator) Queiroz Galvão Exploração e Produção Panoro Energy Brasoil	35 15 35 15
Development and production	Camamu BCAM-40	Manati Camarão Norte	08/06/1998	Petrobras (operator) Queiroz Galvão Exploração e Produção Panoro Energy Brasoil	35 45 10 10
	Santos	Atlanta e 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 A (i)	11/26/2003	Petrobras (operator) Queiroz Galvão Exploração e Produção	70 30
	Santos	BM-S-12	08/29/2001	Petrobras (operator) Queiroz Galvão Exploração e Produção	70 30
	Santos	BM-S-8	09/15/2000	Petrobras (operator) Petrogal 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 Amazonas	FZA-M-90 (iii)	08/30/2013	Queiroz Galvão Exploração e Produção (operator) Premier Oil Pacific Brasil	35 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:

						AREA RETENTION RATE PER KM² (AMOUNTS IN BRAZILIAN REAIS)		
Block/field	PEM guarantee (QGEP %) MM R$	Year of contract	Signatures bonus	Area km²	Royalties	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
Coral	-	2000	-	43.915	8.5%	200.00	400.00	2,000.00
BM-CAL-5	-	2001	1,146	341.700	10%	152.43	304.86	1,524.30
BM-J-2	18.7	2002	855	742.051	10%	174.43	348.86	1,744.30
CAL-M-312	2.2	2004	205	745.851	10%	239.00	478.00	2,390.00
CAL-M-372	6.3	2004	562	745.031	10%	239.00	478.00	2,390.00
PEPB-M-896	7.2	2013	637	722.400	10%	93.75	187.50	937.50
PEPB-M-894	3.6	2013	239	721.200	10%	93.75	187.50	937.50
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%	62.50	125.00	625.00
PAMA-M-337	68.6	2013	35,206	769.300	10%	214.93	429.86	2,149.30
ES-M-598	27.8	2013	14,182	769.300	10%	214.93	429.86	2,149.30
ES-M-673	9.0	2013	12,562	507.200	10%	31.25	62.50	312.50
CE-M-661	33.9	2013	10,116	760.900	10%	31.25	62.50	312.50
BM-S-8	-	2000	-	2,089.000	10%	396.02	792.04	3,960.20
BM-C-27 A	-	2003	-	257.888	10%	610.61	1,221.22	6,106.10
Atlanta e Oliva (BS-4)	-	2000	-	199.6	7.8%	200.00	400.00	2,000.00
Total	235.4		97,675					

As at December 31, 2013, QGEP has undertaken to perform the Minimum Exploration Program ("PEM") of the concessions described on table below, which comprises the one exploration well in BM-CAL-12 (CAL-M-372 Block), scheduled to start on 2014. Blocks acquired in 11th ANP bidding round, there is a commitment well drilling in FZA-M-90, EC-M-661, M-PAMA-337 and ES-M-598 blocks, and drilling operations planned to be conducted in 2017.

The commitment comprise: (i) drilling of a well in BM-CAL-5, scheduled for the end of 2015, (ii) a drilling of two wells (Carcará e Guanxuma), performing a formation test and a long-term test in BM-S-8, (iii) drilling of a well in BM-C-27A, scheduled for 2015.

The subsidiary QGEP S.A. holds 45% of the Manati field, which started production in January 2007, and has decommissioning obligations. As at December 31, 2013, the provision for abandonment is R$228,894 (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 year ended December 31, 2013 were accrued R$37,292 royalty on the production of the Manati field in the year, of which R$3,309 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 year ended December 31, 2013 were accrued R$10,454, and these charges are recorded in the income statement as operating costs special participation, of which R$2,946 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$1,634 recorded in the statement of comprehensive income as operating costs and oil and gas exploration expenditure.

b) Information on reserves (Not audited)

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 FIELD RESERVE (MMM³) (UNAUDITED)
Estimated proved reserve at December 31, 2013 (*)	9,690

(*) Based on estimates of the Company's petroleum engineers. The proved reserve was estimated based on the certified reserve in 2012, less monthly production up until the referred period.

c) Guarantees

On December 31, 2013, the Group has guarantees through letters of credit and warranty insurance, by the ANP in amount of R$299,140. These guarantees include objects for the Minimum Exploration Programs established in the concession contracts areas of exploration in amount of R$235,312 and operation of disabling of early production system in Atlanta Field (BS-4) in amount of R$63,828.

22. COMMITMENTS

On December 31, 2013 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$191,027(*) that will be paid up until the year ended December 31, 2014.

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

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

	12/31/2013			
	PARENT		CONSOLIDATED	
	Registered value	Fair value	Registered value	Fair value
Financial assets				
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
Financial liabilities				
Suppliers (ii)	137	137	160,245	160,245
Related Parties	-	-	8	8
Borrowings and financing	-	-	167,904	162,355

CPC 46/IFRS 7 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	137	137
Total	137	137

	CONSOLIDATED		
	Less than 1 year	Up to 10 years	Total
Suppliers	160,245	-	160,245
Related parties	8	-	8
Borrowings and financing	238	167,666	167,904
Total	160,491	167,666	328,157

d) Credit risk

Credit risk is minimized because the Company's sales are made primarily to Petrobras. (95.3% period ended December 31, 2013 and 95.4% period ended December 31, 2012). 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 year ended December 31, 2013 and the year ended on December 31, 2012 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 12/31/2013	RISK	PROBABLE SCENARIO (A)	SCENARIO I 25% STRESS	SCENARIO II 50% STRESS
Effective rate on December 31, 2013			9.77%	9.77%	9.77%
Effective cash equivalents and Short-term investments	969,064	CDI Decrease	969,064	969,064	969,064
Estimated annual rate of CDI to December 31, 2014			10.97%	8.23%	5.49%
Cash equivalents and Short-term investments – Estimated		CDI Decrease	1,075,370	1,045,878	1,016,386
Estimated revenue for the subsequent period of 12 months			106,306	76,814	47,322
Estimated effect on income from financial investments for the subsequent period of 12 months			-	(29,492)	(58,984)

(a) Probable scenario of interest rate CDI for one year period at December 31, 2014, according Focus report at February 14, 2014, issued by Banco Central do Brasil.

OPERATION	BALANCE AT 12/31/2013	RISK	PROBABLE SCENARIO (A)	SCENARIO I 25% STRESS	SCENARIO II 50% STRESS
Effective rate on December 31, 2013			9.77%	9.77%	9.77%
Restricted cash:					
Provision of abandonment fund	4,167	CDI Decrease	4,167	4,167	4,167
Estimated annual rate of CDI for December 31, 2014			10.97%	8.23%	5.49%
Restricted cash:					
Provision of abandonment fund	4,167	CDI Decrease	4,624	4,497	4,370
Estimated revenue for the subsequent period of 12 months			457	330	203
Estimated effect on income from financial investments for the subsequent period of 12 months			-	(127)	(254)

(a) Probable scenario of interest rate CDI for one year period at December 31, 2014, according Focus report at February 14, 2014, issued by Banco Central do Brasil.

OPERATION	BALANCE AT 12/31/2013	RISK	PROBABLE SCENARIO (A)	SCENARIO I 25% STRESS	SCENARIO II 50% STRESS
Effective rate on December 31, 2013			5.00%	5.00%	5.00%
Borrowings and financing					
FINEP	169,563	Increase of TJLP	169,563	169,563	169,563
Borrowings and financing					
Estimated rate of TJLP to March 31, 2014		Increase of TJLP	5.00%	6.25%	7.50%
Estimated cost for the subsequent period of 12 months			178,041	180,267	182,492
Borrowings and financing – estimated			8,478	10,704	12,929
Estimated effect on expenses from borrowings and financing for the subsequent period of 12 months:			-	2,226	4,451

(a) Probable scenario of TJLP for the next 3 months of 2014, according to Banco Nacional do Desenvolvimento Econômico (BNDES).

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.

		CONSOLIDATED			
		12/31/2013			
		PROBABLE SCENARIO (A)		SCENARIO	
	Risk	Balance in USD	Balance in R$	Possible (25%)	Remote (50%)
Effective rate on December 31, 2013			2.3426	2.3426	2.3426
Operation					
Exchange fund – assets	US$ decrease	68,065	159,449	159,449	159,449
Provision for abandonment – liabilities	US$ Increase	97,709	228,894	228,894	228,894
Estimated annual rate of USD to December 31, 2014			2,45	3,06	3,68
Net effect – liabilities	US$ Increase	29,644	72,629	90,786	108,943
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 result for the subsequent period of 12 months			(3,184)	(21,341)	(39,498)
Estimated effect on income from financial investments for the subsequent period of 12 months			-	(18,157)	(36,314)

(a) Probable scenario of interest rate CDI for one year period at December 31, 2014, according Focus report at February 14, 2014, issued by Banco Central do Brasil.

24. SHAREHOLDERS' EQUITY

i. Capital stock

The capital stock of the Company on December 31, 2013 is R$2,078,116, divided into 265,806,905 common shares without nominal value, net amount of R$57,380 of share issue costs, The composition of the share capital on December 31, 2013 is as follows:

SHAREHOLDER	Nº ORDINARY SHARES	% OF SHAREHOLDING
Queiroz Galvão S,A,	167,459,291	63.0
FIP Quantum	18,606,588	7.0
Outstanding shares	73,679,519	27.7
Share held in treasury	5,709,275	2.2
Management	352,232	0.1
Total	265,806,905	100

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 year. The calculation of diluted earnings per share is computed including, when applicable, options to purchase shares of executives and key employees using the treasury stock method 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.

BASIC AND DILUTED EARNINGS PER SHARE	01/01/2013 TO 12/31/2013	01/01/2012 TO 12/31/2012
Numerator		
Net income of the period	192,242	82,468
Denominator (in thousands of share)		
Weighted average number of common shares	261,110	264,551
Basic and diluted earnings per common share	0,74	0,31

Basic earnings and diluted earnings per common share is the same as in December 31, 2013 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 approved the granting of preferred stock options to managements and executives of the Company, Grants for 2013, 2012 and 2011, 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 this Plan of 2013, 2012 and 2011 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$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 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	03/11/2013	05/28/2012	03/23/2012	04/29/2011
Total of options granted	2,120,319	550,000	1,941,517	1,097,439
Exercise price of the option	R$12.83	R$12.81	R$14.17	R$19.00
Fair value of the option at grant date	R$4.11	R$3.87	R$5.31	R$9.87
Estimated volatility of the stock price	43.92%	49.88%	53.24%	59.24%
Expected dividend	1.89%	1.93%	1.93%	2.35%
Rate of return risk-free	3.81%	4.06%	4.69%	6.36%
Length of the options (in years)	7	7	7	7

The movement of stock options existing on December 31, 2013 is presented below:

	STOCK OPTION	PRICE WEIGHTED AVERAGE EXERCISE
Option outstanding at December 31, 2010	-	-
Granted in the period – 04/29/2011	1,097,439	19.00
Option outstanding at December 31, 2011	1,097,439	19.00
Granted in the period – 03/26/2012	1,941,517	14.17
Granted in the period – 05/28/2012	550,000	12.81
Option outstanding at December 31, 2012	3,588,956	15.33
Granted in the period – 03/11/2013	2,120,319	12.83
Option outstanding at December 31, 2013	5,709,275	14.70

The range of exercise prices and average maturity of outstanding options, as well as the ranges of exercise prices for options exercisable at December 31, 2013 are summarized below:

	OPTIONS OUTSTANDING			OPTION EXERCISABLE	
PLAN	Options outstanding at December/ 2013	Average remaining maturity in years	Average exercise price	Options outstanding December/2013	Average exercise price (*)
Plan 2013	2,120,319	7	12.83	-	12.83
Plan 2012 – 2nd grant plan	550,000	7	12.81	110,000	13.70
Plan 2012 – 1st grant plan	1,941,517	7	14.17	388,303	15.19
Plan 2011	1,097,439	7	19.00	548,720	21.36

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

For the year ended December 31, 2013, the Company recorded in shareholders' equity a result with stock-based compensation in the amount of R$10,430, including R$2,230 of 2011 plan, R$3,752 of 1st grant of 2012 plan and R$851 of 2nd grant of 2012 plan and R$3,597 of 2013 plan, being the counterpart.

iv. Appropriation of profit for the year:

The Company's bylaws provide for the payment of minimum dividend of 0,001% calculated on the adjusted net income in the form of the Corporations Law.

	12/31/2013
Net income for the year	192,242
Legal reserve (5%)	(9,613)
Minimum mandatory dividends	(2)
Investment reserve	(182,627)

The reserve for investment is made based on the profits remaining after allocations to legal reserves and mandatory dividends, that will be submitted for approval at a shareholder's meeting.

Additionally, as described in explanatory note 30 – Subsequent Events, The Board of Directors is proposing additional dividends of net income for the year ended December 31, 2013 in the amount of R$40,000.

25. SHARES HELD IN TREASURY

On April 2012, the Company authorized the repurchase program of up to 1,097,439 ordinary shares issued by it, all nominative without nominal value, for maintenance of shares held in treasury and subsequently canceled or sold in order to implement the Program Grant of Option Shares in 2012. The maximum term of the repurchase program is 365 days from April 24, 2012, date of approval of Share Repurchase Plan by the Board of Directors.

On July 2012, the Company authorized the repurchase program of up to 2,699,826 ordinary shares issued by it, all nominative without nominal value, for maintenance of shares held in treasury and subsequently canceled or sold in order to implement the Program Grant of Option Shares in 2011. The maximum term of the repurchase program is 365 days from July 9, 2012, date of approval of Share Repurchase Plan by the Board of Directors.

On May 2013, the Company authorized the repurchase program of up to 2,307,096 ordinary shares issued by it, all nominative without nominal value, for maintenance of shares held in treasury and subsequently canceled or sold in order to implement the Program Grant of Option Shares in 2013. The maximum term of the repurchase program is 365 days from May 6, 2013, date of approval of Share Repurchase Plan 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		
Grant of option Shares in 2011	1,097,439	9,107
Grant of option Shares in 2012	2,491,517	29,792
Balance on December 31, 2012	3,588,956	38,899
Grant of option Shares in 2013	2,120,319	23,601
Balance on December 31, 2013	5,709,275	62,500

(*) Number of shares

HISTORICAL COST ON ACQUISITION OF SHARES HELD IN TREASURY (R$ PER SHARE)	12/31/2013
Minimum	7.88
Weighted average	11.21
Maximum	13.39

Market value of shares held in treasury

The market value of shares held in treasury at period ended December 31, 2013 is presented below:

	12/31/2013
	Ordinary shares
Shares held in treasury	5,709,275
Prices per share – BOVESPA (R$)	9,78
Market value (R$ thousand)	55,837

MODALIDADE		IMPORTÂNCIAS SEGURADAS
	Vencimento	Dez-13
Responsabilidade civil geral	09/09/2014	343.049
Riscos de petróleo e operacionais	21/01/2014	1.308.010
Total		1.651.059

	31/12/2013	31/12/2012
Fornecedores e imobilizado	70.336	-
Dividendos a receber – declarados e não recebidos	4.310	2.428
Plano de opções de ações	10.430	8.466
Total	85.076	10.894

Shares held in treasury represent 2.2% of total of Company ordinary shares on December 31, 2013.

26. INSURANCE

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

		INSURED AMOUNTS
Insurance type	Maturity	Dec-13
Civil liability general	09/09/2014	343,049
Petroleum and operating risks	01/21/2014	1,308,010
Total		1,651,059

The insurances were renewed in 2013, and de maturity of new policies to September 09, 2014.

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$1,017 in December 31, 2013 (R$432 in December 31, 2012), 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:

	12/31/2013	12/31/2012
Addition to fixed assets	70,336	-
Stock options	4,310	2,428
Dividends receivable – declared but not received	10,430	8,466
Total	85,076	10,894

29. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorized by the Board of Directors on February 24, 2014.

30. SUBSEQUENT EVENTS

(i) On January 24, 2014 the cash call 01/2014 was issued regarding the operations of block BS-4 in the total amount of R$64,464 and maturity date on February 8, 2014. Up to that amount, R$25,786 refers to the partner OGX. Until the date of the approval of these financial statements (explanatory note 29) we haven´t identified the receipt of this credit regarding January 2014, which is supported by non-defaulting partners on 50% each.

(ii) On February 24, 2014, the Company's Board of Directors approved the Company's 2014 stock option plan, granting a total 2,373,330 shares at a stock price of R$9.06 per share, which correspond to 0.89% of the total shares. This program aims to retain and compensate QGEP employees.

(iii) On February 24, 2014, the Board of Directors authorized the fourth repurchase of 2,245,357 shares, to be acquired within 365 days of the date of approval of the Company's Share Buyback Program by the Board. QGEP's Fourth Share Buyback Program is intended to service the 2014 stock option plan. Once these shares are repurchased, the Company will have 7.9 million shares held in treasury, close to the CVM limit of 10% of the free float.

(iv) On February 24, 2014, the Board of Directors proposed a dividend distribution (explanatory note 24 iv) of R$40 million, or R$0.15 per share. This proposal will be submitted for shareholder approval at the shareholder meeting to be held April 16, 2014, and if approved, the dividends will be paid on May 5, 2014 to shareholders of record as the shareholder meeting date.

09

GRI Index

MATERIALITY MATTERS
Global Reporting Initiative™
AT THE TIME OF PUBLICATION THE G4-17 TO G4-27 DISCLOSURES WERE CORRECTLY LOCATED IN THIS G4 CONTENT INDEX AND FINAL REPORT.
2014

General standard disclosures

STRATEGY AND ANALYSIS			AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-1	Core	Provide a statement from the most senior decision-maker of the organization (such as CEO, chair, or equivalent senior position) about the relevance of sustainability to the organization and the organization's strategy for addressing sustainability.	16 to 21		
G4-2	Comprehensive	Provide a description of key impacts, risks, and opportunities. The organization should provide two concise narrative sections on key impacts, risks, and opportunities. Section One should focus on the organization's key impacts on sustainability and effects on stakeholders, including rights as defined by national laws and relevant internationally recognized standards. This should take into account the range of reasonable expectations and interests of the organization's stakeholders.	16 to 21 and 31 to 33	141 to 143	

ORGANIZATIONAL PROFILE			AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-3	Core	Report the name of the organization.	2 and 3	110 and 130	
G4-4	Core	Report the primary brands, products, and services.	42 to 55	111 to 112 and 137	
G4-5	Core	Report the location of the organization's headquarters.	167	110	
G4-6	Core	Report the number of countries where the organization operates, and names of countries where either the organization has significant operations or that are specifically relevant to the sustainability topics covered in the report.	4	110 to 112	
G4-7	Core	Report the nature of ownership and legal form.	2 and 3	110 to 130	
G4-8	Core	Report the markets served (including geographic breakdown, sectors served, and types of customers and beneficiaries).	4 and 5	114 to 124	
G4-9	Core	Report the scale of the organization.	5	89 to 97	
G4-10	Core	Report the total number of employees by employment contract and gender.	11	96	6
G4-11	Core	Report the percentage of total employees covered by collective bargaining agreements.	One-hundred percent of QGEP employ-ees are covered by the collective bargaining agree-ment.		3
G4-12	Core	Describe the organization's supply chain.	11 and 83	106 and 140	
G4-13	Core	Report any significant changes during the reporting period regarding the organization's size, structure, ownership, or its supply chain.	4	89 to 97	
G4-14	Core	Report whether and how the precautionary approach or principle is addressed by the organization.	15 and 32		
G4-15	Core	List externally developed economic, environmental and social charters, principles, or other initiatives to which the organization subscribes or which it endorses.	28 and 66	120	
G4-16	Core	List memberships of associations (such as industry associations) and national or international advocacy organizations in which the organization holds a position on the governance body.	34 and 35		

IDENTIFIED MATERIAL ASPECTS AND BOUNDARIES			AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-17	Core	List all entities included in the consolidated financial statements or the equivalent documents of organization covered or not by the report.	QGOG, offshore compa-nies and partners (OGX in default)	110	
G4-18	Core	Explain the process for defining the report content and the aspect boundaries.	78 and 81		
G4-19	Core	List all the material aspects identified in the process for defining report content.	81		
G4-20	Core	For each material aspect, report the aspect boundary within the organization.	81		
G4-21	Core	For each material aspect, report the aspect boundary outside the organization, as follows: - Report whether the aspect is material outside of the organization. - If the aspect is material outside of the organization, identify the entities, groups of entities or elements for which the aspect is material. In addition, describe the geographical location where the aspect is material for the entities identified. - Report any specific limitation regarding the Aspect Boundary outside the organization.	81		
G4-22	Core	Report the effect of any restatements of information provided in previous reports, and the reasons for such restatements.	77		
G4-23	Core	Report significant changes from previous reporting periods in the Scope and Aspect Boundaries.	77		

STAKEHOLDER ENGAGEMENT			AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-24	Core	Provide a list of stakeholder groups engaged by the organization.	78 and 79		
G4-25	Core	Report the basis for identification and selection of stakeholders with whom to engage.	78		
G4-26	Core	Report the organization's approach to stakeholder engagement, including frequency of engagement by type and by stakeholder group, and an indication of whether any of the engagement was undertaken specifically as part of the report preparation process.	82 and 83		
G4-27	Core	Report key topics and concerns that have been raised through stakeholder engagement, and how the organization has responded to those key topics and concerns, including through its reporting. Report the stakeholder groups that raised each of the key topics and concerns.	81		

REPORT PROFILE			AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-28	Core	Reporting period (such as fiscal or calendar year) for information provided.	77		
G4-29	Core	Date of most recent previous report (if any).	77		
G4-30	Core	Reporting cycle (such as annual, biennial).	77		
G4-31	Core	Provide the contact point for questions regarding the report or its contents.	77		
G4-32	Core	Report the in accordance option the organization has chosen.	77		
G4-33	Core	Report the organization's policy and current practice with regard to seeking external assurance for the report.	77		

GOVERNANCE			AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-34	Core	"Report the governance structure of the organization, including committees of the highest governance body. Identify any committees responsible for advising the council in decision-making on economic, environmental and social impacts."	24 to 26		
G4-35	Comprehensive	Report the process for delegating authority for economic, environmental and social topics from the highest governance body to senior executives and other employees.	24		
G4-36	Comprehensive	Report whether the organization has appointed an executive-level position or positions with responsibility for economic, environmental and social topics, and whether post holders report directly to the highest governance body.	24		
G4-37	Comprehensive	"Report processes for consultation between stakeholders and the highest governance body on economic, environmental and social topics. If the consultation is delegated to other bodies, structures or people, indicate to whom and any existing feedback processes to the highest governance body."	24		
G4-38	Comprehensive	Report the composition of the highest governance body and its committees.	24 to 26		
G4-39	Comprehensive	Report whether the Chair of the highest governance body is also an executive officer (and, if so, his or her function within the organization's management and the reasons for this arrangement).	24		
G4-40	Comprehensive	Report the nomination and selection processes for the highest governance body and its committees, and the criteria used for nominating and selecting highest governance body members.	24		
G4-41	Comprehensive	Report processes for the highest governance body to ensure conflicts of interest are avoided and managed. Report whether conflicts of interest are disclosed to stakeholders.	24		
G4-42	Comprehensive	Report the highest governance body's and senior executives' roles in the development, approval, and updating of the organization's purpose, value or mission statements, strategies, policies, and goals related to economic, environmental and social impacts.	30		
G4-43	Comprehensive	Report the measures taken to develop and enhance the highest governance body's collective knowledge of economic, environmental and social topics.	24		
G4-44	Comprehensive	Report the processes for evaluation of the highest governance body's performance with respect to governance of economic, environmental and social topics. Report whether such evaluation is independent or not, and its frequency. Report whether such evaluation is a self-assessment.	24		
G4-45	Comprehensive	Report the highest governance body's role in the identification and management of economic, environmental and social impacts, risks, and opportunities. Include the highest governance body's role in the implementation of due diligence processes.	23		
G4-46	Comprehensive	Report the highest governance body's role in reviewing the effectiveness of the organization's risk management processes for economic, environmental and social topics.	24		
G4-47	Comprehensive	Report the frequency of the highest governance body's review of economic, environmental and social impacts, risks, and opportunities.	24		
G4-48	Comprehensive	Report the highest committee or position that formally reviews and approves the organization's sustainability report and ensures that all material aspects are covered.	CEO of QGEP		
G4-49	Comprehensive	Report the process for communicating critical concerns to the highest governance body.	24		

GOVERNANCE			AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-50	Comprehensive	Report the nature and total number of critical concerns that were communicated to the highest governance body and the mechanism(s) used to address and resolve them.	24		
G4-51	Comprehensive	Report the remuneration policies for the highest governance body and senior executives for the below types of remuneration: • Fixed pay and variable pay: - Performance-based pay - Equity-based pay - Bonuses - Deferred or vested shares • Sign-on bonuses or recruitment incentive payments • Termination payments • Clawbacks • Retirement benefits, including the difference between benefit schemes and contribution rates for the highest governance body, senior executives, and all other employees. Report how performance criteria in the remuneration policy relate to the highest governance body's and senior executives' economic, environmental and social objectives.	23	126, 148	
G4-52	Comprehensive	Report the process for determining remuneration. Report whether remuneration consultants are involved in determining remuneration and whether they are independent of management. Report any other relationships which the remuneration consultants have with the organization.	13		
G4-53	Comprehensive	Report how stakeholders' views are sought and taken into account regarding remuneration, including the results of votes on remuneration policies and proposals, if applicable.	13		
G4-54	Comprehensive	Report the ratio of the annual total compensation for the organization's highest-paid individual in each country of significant operations to the median annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Proportion of 5,1		
G4-55	Comprehensive	Report the ratio of percentage increase in annual total compensation for the organization's highest-paid individual in each country of significant operations to the median percentage increase in annual total compensation for all employees (excluding the highest-paid individual) in the same country.	Proportion of 1,7		

ETHICS AND INTEGRITY			AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-56	Core	Describe the organization's values, principles, standards and norms of behavior such as codes of conduct and codes of ethics.	8 and 9	97	10
G4-57	Comprehensive	Report the internal and external mechanisms for seeking advice on ethical and lawful behavior, and matters related to organizational integrity, such as helplines or advice lines.	Not reported		10
G4-58	Comprehensive	Report the internal and external mechanisms for reporting concerns about unethical or unlawful behavior, and matters related to organizational integrity, such as escalation through line management, whistleblowing mechanisms or hotlines.	Not reported		10

Economic performance indicators
Management approach – pages 38 to 41, 69

ASPECT: ECONOMIC PERFORMANCE		AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-EC1	Direct economic value generated and distribute.	73	108 and 119	7
G4-EC2	Financial implications and other risks and opportunities for the organization's activities due to climate change.	32		
G4-EC3	Coverage of the organization's defined benefit plan obligations.	14	148	
G4-EC4	Financial assistance received from government.	71	116 and 121	
ASPECT: MARKET PRESENCE		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-EC5	Ratios of standard entry level wage by gender compared to local minimum wage at significant locations of operation.	Not material		6
G4-EC6	Proportion of senior management hired from the local community at significant locations of operation.	Not material		6
ASPECT: INDIRECT ECONOMIC IMPACTS		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-EC7	Development and impact of infrastructure investments and services supported.	Not material	97	
G4-EC8	Significant indirect economic impacts, including the extent of impacts.	Not material	97	
ASPECT: PROCUREMENT PRACTICES		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-EC9	Proportion of spending on local suppliers at significant locations of operation.	Not material		

Environmental performance indicators
Management approach – pages 56, 66 and 82

ASPECT: MATERIALS		AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-EN1	Materials used by weight or volume.	Not material		7 and 8
G4-EN2	Percentage of materials used that are recycled input materials.	Not material		8
ASPECT: ENERGY		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-EN3	Energy consumption within the organization.	Not material		7 and 8
G4-EN4	Energy consumption outside of the organization.	Not material		8
G4-EN5	Energy intensity.	Not material		8
G4-EN6	Reduction of energy consumption.	Not material		8 and 9
G4-EN7	Reductions in energy requirements of products and services.	Not material		8 and 9
ASPECT: WATER		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-EN8	Total water withdrawal by source.	67		7 and 8
G4-EN9	Water sources significantly affected by withdrawal of water.	67		8
G4-EN10	Percentage and total volume of water recycled and reused.	67		8

ASPECT: BIODIVERSITY		AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-EN11	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas.	60		8
G4-EN12	Description of significant impacts of activities, products, and services on biodiversity in protected areas and areas of high biodiversity value outside protected areas.	61		8
G4-EN13	Habitats protected or restored.	56 and 57		7 and 8
G4-EN14	Total number of IUCN red list species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	61		7 and 8
ASPECT: EMISSIONS		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-EN15	Direct greenhouse gas (GHG) emissions (scope 1).	66 and 67		7 and 8
G4-EN16	Energy indirect greenhouse gas (GHG) emissions (scope 2).	66 and 67		8
G4-EN17	Other indirect greenhouse gas (GHG) emissions (scope 3).	66 and 67		8 and 9
G4-EN18	Greenhouse gas (GHG) emissions intensity.	67		7 and 8
G4-EN19	Reduction of greenhouse gas (GHG) emissions.	Since there was no operation in 2012, this indicator has not results.		7 and 8
G4-EN20	Emissions of ozone-depleting substances (ODS).	In QGEP operational activities, there are no emissions of ozone-depleting substances (ODSs).		7 and 8
G4-EN21	NOx, SOx, and other significant air emissions.	In QGEP operational activities, there are no NOx, SOx and other significant air emissions.		7 and 8
ASPECT: EFFLUENTS AND WASTE		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-EN22	Total water discharge by quality and destination.	67		8
G4-EN23	Total weight of waste by type and disposal method.	58 and 59		8
G4-EN24	Total number and volume of significant spills.	67		8
G4-EN25	Weight of transported, imported, exported, or treated waste deemed hazardous under the terms of the Basel Convention – Annex I, II, III, and VIII –, and percentage of transported waste shipped internationally.	58 and 59		8
G4-EN26	Identity, size, protected status, and biodiversity value of water bodies and related habitats significantly affected by the organization's discharges of water and runoff.	There are no bodies of water significantly affected by disposal and drainage of water as a result of QGEP activities.		8

ASPECT: PRODUCTS AND SERVICES		AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-EN27	Extent of impact mitigation of environmental impacts of products and services.	Not material		7, 8 and 9
G4-EN28	Percentage of products sold and their packaging materials that are reclaimed by category.	Not material		8
ASPECT: COMPLIANCE		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-EN29	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with environmental laws and regulations.	In 2013, no fines or sanctions were imposed as a result of non-compliance with environmental regulations and laws for activities operated by QGEP; for Manati alone, operated by Petrobras, which therefore does not enter into the scope.	133 and 134	8
ASPECT: TRANSPORT		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-EN30	Significant environmental impacts of transporting products and other goods and materials for the organization's operations, and transporting members of the workforce.	66 and 67		8
ASPECT: OVERALL		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-EN31	Total environmental protection expenditures and investments by type.	57		7, 8 and 9
ASPECT: SUPPLIER ENVIRONMENTAL ASSESSMENT		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-EN32	Percentage of new suppliers that were screened using environmental criteria.	82 and 83		8
G4-EN33	Significant actual and potential negative environmental impacts in the supply chain and actions taken.	83		8
ASPECT: ENVIRONMENTAL GRIEVANCE MECHANISMS		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-EN34	Number of grievances about environmental impacts filed, addressed, and resolved through formal grievance mechanisms.	No complaints related to environmental impacts in 2013 were registered.		8

Performance indicators regarding labor practices and decent work
Management approach – pages 10, 13 to 15

ASPECT: EMPLOYMENT		AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-LA1	Total number and rates of new employee hires and employee turnover by age group, gender and region.	12 and 13		6
G4-LA2	Benefits provided to full-time employees that are not provided to temporary or part-time employees, by significant locations of operation.	13 and 14		
G4-LA3	Return to work and retention rates after parental leave, by gender.	No employee took maternity/paternity leave in 2013. Two women returned from maternity leave in 2013 and continued to be employed 12 months after returning.		6

ASPECT: LABOR/MANAGEMENT RELATIONS		AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-LA4	Minimum notice periods regarding operational changes, including whether these are specified in collective agreements.	There is no formal procedure, but common sense is used. Employees are called on by the Union directly to participate in negotiations.		3

ASPECT: OCCUPATIONAL HEALTH AND SAFETY		AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-LA5	Percentage of total workforce represented in formal joint management–worker health and safety committees that help monitor and advise on occupational health and safety programs.	The Internal Committee for Accident Prevention (CIPA) at QGEP is formed by seven members elected by the employees and seven members appointed by the company, which represents 6.14%.		
G4-LA6	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and total number of work-related fatalities, by region and by gender.	In 2013, there were no suspensions due to work-related injuries, occupational illness or occupational accident. However, there were six accidents without time off in activities related to Block BM-J-2, with employees hired by QGEP, and seven accidents without time off in activities related to Block BS-4, with QGEP contractor company employees.		

G4-LA7	Workers with high incidence or high risk of diseases related to their occupation.	None		
G4-LA8	Health and safety topics covered in formal agreements with trade unions.	15		
ASPECT: TRAINING AND EDUCATION		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-LA9	Average hours of training per year per employee by gender, and by employee category.	14		6
G4-LA10	Programs for skills management and lifelong learning that support the continued employability of employees and assist them in managing career endings.	14		
G4-LA11	Percentage of employees receiving regular performance and career development reviews, by gender and by employee category.	13		6
ASPECT: DIVERSITY AND EQUAL OPPORTUNITY		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-LA12	Composition of governance bodies and breakdown of employees per employee category according to gender, age group, minority group membership, and other indicators of diversity.	12		6
ASPECT: EQUAL REMUNERATION FOR WOMEN AND MEN		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-LA13	Ratio of basic salary and remuneration of women to men by employee category, by significant locations of operation.	14		6
ASPECT: SUPPLIER ASSESSMENT FOR LABOR PRACTICES		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-LA14	Percentage of new suppliers that were screened using labor practices criteria.	Not material		
G4-LA15	Significant actual and potential negative impacts for labor practices in the supply chain and actions taken.	83		
ASPECT: LABOR PRACTICES GRIEVANCE MECHANISMS		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-LA16	Number of grievances about labor practices filed, addressed, and resolved through formal grievance mechanisms.	In 2013, there were no labor complaints filed, processed or resolved.		

Performance indicators regarding human rights
Management approach – pages 28 and 29 and 82

ASPECT: INVESTMENT		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-HR1	Total number and percentage of significant investment agreements and contracts that include human rights clauses or that underwent human rights screening.	28		2
G4-HR2	Total hours of employee training on human rights policies or procedures concerning aspects of human rights that are relevant to operations, including the percentage of employees trained.	29		1
ASPECT: NON-DISCRIMINATION		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-HR3	Total number of incidents of discrimination and corrective actions taken.	No case of discrimination was identified in 2013.		6

ASPECT: FREEDOM OF ASSOCIATION AND COLLECTIVE BARGAINING		AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-HR4	Operations and suppliers identified in which the right to exercise freedom of association and collective bargaining may be violated or at significant risk, and measures taken to support these rights.	QGEP does not impose restrictions related to the freedom of association and collective bargaining.		3
ASPECT: CHILD LABOR		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-HR5	Operations and suppliers identified as having significant risk for incidents of child labor, and measures taken to contribute to the effective abolition of child labor.	There are no operations and suppliers that could pose significant risks of child labor cases or young workers exposed to hazardous work occurring.		5
ASPECT: FORCED OR COMPULSORY LABOR		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-HR6	Operations and suppliers identified as having significant risk for incidents of forced or compulsory labor, and measures to contribute to the elimination of all forms of forced or compulsory labor.	There were no operations that could have a risk for incidents of forced or compulsory labor. 29		4
ASPECT: SECURITY PRACTICES		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-HR7	Percentage of security personnel trained in the organization's human rights policies or procedures that are relevant to operations.	Not material		1
ASPECT: INDIGENOUS RIGHTS		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-HR8	Total number of incidents of violations involving rights of indigenous peoples and actions taken.	29		1
ASPECT: ASSESSMENT		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-HR9	Total number and percentage of operations that have been subject to human rights reviews or impact assessments.	Currently, no assessment of human rights is done in QGEP operations.		1
ASPECT: SUPPLIER HUMAN RIGHTS ASSESSMENT		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-HR10	Percentage of new suppliers that were screened using human rights criteria.	29		2
G4-HR11	Significant actual and potential negative human rights impacts in the supply chain and actions taken.	81 and 83		2
ASPECT: HUMAN RIGHTS GRIEVANCE MECHANISMS		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-HR12	Number of grievances about human rights impacts filed, addressed, and resolved through formal grievance mechanisms.	No complaints were received related to human rights impacts through a formal mechanism.		1

Social performance indicators regarding society
Management approach – pages 60 to 65 and 82

ASPECT: LOCAL COMMUNITIES		AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-SO1	Percentage of operations with implemented local community engagement, impact assessments, and development programs.	60 and 61	97	1
G4-SO2	Operations with significant actual and potential negative impacts on local communities.	60 and 61	97	1
ASPECT: ANTI-CORRUPTION		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-SO3	Total number and percentage of operations assessed for risks related to corruption and the significant risks identified.	Not material		10
G4-SO4	Communication and training on anti-corruption policies and procedures.	Not material		10
G4-SO5	Confirmed incidents of corruption and actions taken.	Not material		10
ASPECT: PUBLIC POLICY		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-SO6	Total value of political contributions by country and recipient/beneficiary.	Not material		10
ASPECT: ANTI-COMPETITIVE BEHAVIOR		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-SO7	Total number of legal actions for anti-competitive behavior, anti-trust, and monopoly practices and their outcomes.	Not material		
ASPECT: COMPLIANCE		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-SO8	Monetary value of significant fines and total number of non-monetary sanctions for non-compliance with laws and regulations.	None	133 and 134	
ASPECT: SUPPLIER ASSESSMENT FOR IMPACTS ON SOCIETY		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-SO9	Percentage of new suppliers that were screened using criteria for impacts on society.	82 and 83		
G4-SO10	Significant actual and potential negative impacts on society in the supply chain and actions taken.	83		
ASPECT: GRIEVANCE MECHANISMS FOR IMPACTS ON SOCIETY		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-SO11	Number of grievances about impacts on society filed, addressed, and resolved through formal grievance mechanisms.	Not material	133 and 134	

Performance indicators regarding product responsibility
Management approach – pages 38 to 41, 82

ASPECT: CUSTOMER HEALTH AND SAFETY		AR'S PAGES	FSS' PAGES	GLOBAL COMPACT
G4-PR1	Percentage of significant product and service categories for which health and safety impacts are assessed for improvement.	QGEP assesses the risk of its activities and audits critical suppliers as well as performing a document analysis on non-critical suppliers. Health and safety requirements are included in all of its contracts.		
G4-PR2	Total number of incidents of non-compliance with regulations and voluntary codes concerning the health and safety impacts of products and services during their life cycle, by type of outcomes.	None		
ASPECT: PRODUCT AND SERVICE LABELING		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-PR3	Type of product and service information required by the organization's procedures for product and service information and labeling, and percentage of significant product and service categories subject to such information requirements.	Not applicable		
G4-PR4	Total number of incidents of non-compliance with regulations and voluntary codes concerning product and service information and labeling, by type of outcomes.	None		
G4-PR5	Results of surveys measuring customer satisfaction.	Since there is no production, QGEP has no direct customers to take satisfaction surveys.		
ASPECT: MARKETING COMMUNICATIONS		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-PR6	Sale of banned or disputed products.	Not material		
G4-PR7	Total number of incidents of non-compliance with regulations and voluntary codes concerning marketing communications, including advertising, promotion, and sponsorship, by type of outcomes.	Not material		
ASPECT: CUSTOMER PRIVACY		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-PR8	Total number of substantiated complaints regarding breaches of customer privacy and losses of customer data.	Not material		
ASPECT: COMPLIANCE		**AR'S PAGES**	**FSS' PAGES**	**GLOBAL COMPACT**
G4-PR9	Monetary value of significant fines for non-compliance with laws and regulations concerning the provision and use of products and services.	Not material		

Glossary

1P or proven reserves | Amount of oil which, after analysis of geo-scientific and engineering data, can be estimated with reasonable certainty of being commercially recoverable at a given date, in known reserves and pursuant to government standards, operational methods and certain economic conditions.

2C | Estimate of contingent resources with equal chances (50%/50%) of being reached or exceeded.

3C | High estimate of contingent resources to reflect a degree of uncertainty.

3P | The sum of proven, probable and possible reserves, equaling the highest estimate scenario.

Agência Nacional do Petróleo, Gás Natural e Biocombustíveis (ANP) | Brazil's regulatory agency for the oil and natural gas sector.

Deep waters | Water depth of 401 to 1,500 meters.

Shallow waters | Water depth of 400 meters or less.

Ultra-deep waters | Water depth of over 1,501 meters.

API | Manner of expressing the relative density of an oil or derivative. The API scale, measured in degrees, varies inversely to relative density, that is, the greater the relative density, the lower the API degree. The API degree is higher when the oil is lighter. Oils with an API degree over 30 are considered light; oils with an API degree between 22 and 30 is medium; oils with an API degree under 22 are heavy; oils with an API degree equal to or lesser than 10 are extra heavy. The greater the API degree, the higher price of the oil on the market. Water depth of 401 to 1,500 meters.

Friable sandstone | The friability of sandstone is directly related to the forces of compression, or the type of cementation and dissolution of the grains at the contact points. Cementation is the predominant factor in determining the consolidation of a sandstone. The most common cementing agents are quartz, calcite (calcium carbonate) and dolomite (magnesium carbonate). If we consider that the cementing agent reduces the porosity and permeability by filling the pores of the rock, we can deduct that formations confined to environments with a low occurrence of cementing minerals will commonly result in high permeability reservoirs that, on the one hand, have a high potential for oil production, but also have a high potential for sand production Cohesion is a feature of a producing formation to stay intact when subjected to the pressure and discharge conditions used in production. The greater the cohesion of a formation, the greater the consolidation; therefore, permeability is lower. The primary requirement for identifying friable sandstone is the definition of its geological deposition model. With this known, the best technique can be chosen for containing the sand in the reservoir being assessed.

Basin | Depression in the earth's crust where sedimentary rocks accumulate, which may be oil and/or gas bearing, associated or unassociated.

Barrel of oil equivalent | Barrels of oil equivalent per day.

Barrel of oil or bbl | One stock tank barrel, the standard measure of oil volume, corresponds to around 159 liters.

Bbl/day | Barrels per day. Manner of expressing the relative density of an oil or derivative.

Block(s) | Part(s) of a sedimentary basin, with a polygonal surface defined by the geographic coordinates of its vertices and indeterminate depth, where oil and natural gas exploration or production activities are developed.

Boe (barrel oil equivalent) | Measurement of volume of gas converted to barrels of oil using a conversion factor wherein 1,000 m^3 of gas is equal to 1 m^3 of oil/condensate (energy equivalent) and 1 m^3 of oil/condensate equal to 6.29 barrels.

Bpd | Barrels per day.

Brent dated | Published daily by Platt's Crude Oil Marketwire, it is the price of physical cargo of Brent crude oil leaving the Sullom Voe terminal in Great Britain, 7 to 17 days after the closing date.

Boed field | Area which includes the horizontal projection of one or more reserves containing oil and/or natural gas in commercial quantities.

Installed capacity | Project capacity of a unit, authorized by the ANP.

CCOS | Commercial Chance of Success.

Completion of wells | After completing a well for production the hole is lined with steel pipes. A layer of cement is placed around it to prevent undesired fluids from penetrating and collapse of its walls. The following operation is the cannonade: a special bit is lowered through the inside of the coating which is activated from the surface, making holes in the steel and cement, making openings in the oil or gas bearing areas and allowing these fluids to flow into the inside of the well. Another smaller diameter pipe (the production column) is introduced into the well to bring these liquids to the surface. A set of valves known as a Christmas tree is fitted to the wellhead to control production. Area which includes the horizontal projection of one or more reserves containing oil and/or natural gas in commercial quantities.

Concession | Government grant to access a certain area for a certain period of time, through which certain rights to any hydrocarbons discovered are transferred from the country to the concessionaire.

Condensate | Liquid from natural gas obtained in the process of normal separation in the field, which is kept in a liquid state under normal pressure and temperature conditions.

Discovery | According to the Oil Act (Lei do Petróleo), it is any occurrence of oil, natural gas or other hydrocarbons, minerals and, in general terms, mineral reserves located in a concession, regardless of quantity, quality or commercial prospects, confirmed by at least two methods of detection or evaluation (as defined by the ANP concession agreement). To be considered commercially viable, a discovery must present positive returns on an investment in market conditions for its development and production.

Downstream | Activities involving the refining of crude oil, natural gas processing, transportation and sale/distribution of derivatives.

E&P | Exploration and Production.

EBITDA | Earnings before interest, taxes, depreciation & amortization expenses.

EPC (Engineering, Procurement and Construction) | Company or set of companies responsible for executing the project phases, acquiring material, and contracting services, aimed at constructing a certain work.

Farm-in and farm-out | Process of partial or total acquisition of concession rights held by another company. In the same negotiation, the company that is acquiring the concession rights is in the process of a farm-in, and the company that is selling the concession rights is in the process of a farm-out.

FOB (free on board) | Sale price of goods plus all export expenses until reaching the market.

Formation | Set of rocks or minerals that have unique characteristics, in relation to their composition, age, origin or other similar properties.

FPSO | Floating Production Storage Offloading.

Associated gas | Natural gas produced along with oil.

Gas lift | A method of artificially lifting oil, such as various kinds of pumping. It consists of injecting pressurized gas into the producing column using valves located near the producing interval. The gas is mixed with the oil, lowering its average density and causing the pressure in the reservoir to be sufficient to raise the oil to the surface.

Liquefied petroleum gas (LPG) | A mixture of high vapor pressure hydrocarbons, obtained from natural gas in special process units, which are stored in a liquid state under special conditions on the surface.

Non-associated gas | Free gas in the reservoir or present in small amounts of oil.

Natural gas | Any hydrocarbon or mixture of hydrocarbons that remain in gaseous state under normal atmospheric conditions, extracted directly from oil or gas reservoirs, including wet, dry, residual and rare gases.

GCOS | Geological Chance of Success.

Ibama | Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renováveis (Brazilian Institute of the Environment and Renewable Natural Resources.

IGP-DI (General Price Index) | Domestic Availability Concept, calculated monthly by Fundação Getulio Vargas. It is one of the indicators of prices used in the national economy.

***In situ* |** Volume originally contained in the reservoir prior to any oil or natural gas production.

Exploration success rate | Number of exploratory wells where commercial oil and/or gas are found in relation to the total number of exploratory wells drilled and evaluated in the current year.

Liquefied natural gas (LNG) | Part of the natural gas that is found in the liquid phase under a certain condition of pressure and temperature at the surface obtained in field separation processes, at natural gas processing units or in gas pipeline transfer operations.

MMm³/day | Millions of m^3 per day.

Offshore | Located or operated at sea.

Fuel oil | Heavy fractions from atmospheric oil distillation. Widely used as industrial fuel in boilers, ovens, etc.

Oil | Portion of existing oil in the liquid phase under the original conditions of the reservoir and which remains liquid in the temperature and pressure conditions at the surface.

Onshore | Located or operated on land.

Operator | Company legally designated to conduct and execute all operations and activities in the concession area, according to the terms of the concession contract executed by and between ANP and the concessionaire.

2P Reserves | The sum of proven and probable reserves.

Probable reserves | Amount of oil which, after analysis of geo-scientific and engineering data, is estimated to have the same chance (50%/50%) of being reached or exceeded.

Assess this report

Your opinion is important to help us to further improve our report so that it meets your expectations.

Thanks for your participation!

1. In your opinion, the QGEP 2013 Annual and Sustainability Report:

( ) Exceeded your expectations
( ) Only met your expectations
( ) Did not meet your expectations
( ) Was unsatisfactory

2. Did you find all of the information you were looking for:

( ) With great ease
( ) With some ease
( ) With some difficulty
( ) With great difficulty
( ) I did not find the information I was looking for

3. Does the report have an appealing look?

( ) Yes
( ) No
Comments:

4. Is the language appropriate?

( ) Yes
( ) No
Comments:

5. Regarding functionalities, such as video presentations and interactive graphs, do you consider them:

( ) Useful: they facilitate understanding and add information
( ) Useful: they facilitate understanding, but do not add information
( ) Not useful: they do not facilitate understanding and do not add information

6. Do you have any suggestions about the chapters?

If you would like to respond to this assessment, use the link xxxxxxxxxx

Contact Us G4-5

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