QGEP Participações S.A.

Individual and Consolidated Interim Financial Information for the Quarter Ended September 30, 2016

(A Free Translation of the original report in Portuguese as filed with the Brazilian Securities and Exchange Commission (CVM), prepared in accordance with the accounting practices adopted in Brazil, rules of the CVM and of the International Financial Reporting Standards - IFRS)

KPDS 167185

Contents

Management Comments

Throughout 2016, we have continued to operate in order to overcome the obstacles in what has been a very challenging macroeconomic and business environment. We were able to control costs, maintaining our strong and liquid balance sheet, and taking advantage of opportunities to strengthen our position in Brazil's independent oil and gas market. Today, we are seeing further indications that industry conditions are improving in Brazil, and that regulatory changes are attracting investments from large, global oil companies. QGEP is competitively well-positioned to benefit from this trend, and we look forward to the opportunities to improve our portfolio that may emerge in the coming periods.

In this third quarter, our net profit was R$63 million, significantly ahead of second quarter results. Other important events in the quarter were Statoil's acquisition of a stake in BM-S-8 and we increased our stake in the blocks at Foz do Amazonas and Pará-Maranhão basins, providing the opportunity for potential farm-outs in the medium term.

As anticipated, Manati Field production decreased in the third quarter, reflecting the significant decline in gas consumption throughout Brazil. Average gas production was 4.4MMm^3 per day in the period, in line with the Company's expectation that our Manati gas production would average 5.1MMm^3 per day for full year 2016. Our operations at Manati are efficient and profitable, and even at this lower average production rate generated EBITDA of just over R$45 million in the quarter. Given the current oversupply situation in Brazil we are maintaining our expectations for full year 2016 average gas production at Manati. For planning purposes we are forecasting 2017 Manati gas production to average 4.9MMm^3 per day, showing potential improvement as the year unfolds. This estimate is in line with the market outlook given the economic activity projection and the consequent demand for gas in the Northeast.

Last quarter we had already talked about the news that Statoil agreed to acquire Petrobras's 66% operating interest in BM-S-8, the Block that includes a substantial part of our Carcará oil discovery. This acquisition will bring greater visibility to the consortium in relation to the development schedule for the asset. Carcará straddles both BM-S-8 and open acreage to the north, which is expected to be part of the ANP's next bidding round, scheduled for mid-2017.

Later in this release, we will provide a detailed update on the rest of our asset portfolio, but it is important to mention here that the scheduled arrival of the FPSO at the Atlanta Field has been pushed out to third quarter 2017 due challenges related to adaptation of the vessel, and first oil is now expected for 2017 year end. We are working with our suppliers to mitigate the effects of this delay.

In terms of our financial position, at the end of the first nine months of this year, our cash position was R$1.2 billion, or R$4.78 per share. We have fine-tuned our capital expenditure plans for 2016 and 2017, and projected operating cash flow and cash position are more than sufficient to meet our needs.

The attractiveness of Brazil's oil and gas sector is on the upswing, and QGEP is attentive to opportunities related to this recovery. Governmental initiatives amending local content regulations and opening the pre-salt to international operators are creating an excellent environment for our business. We are confident that QGEP's experience in deep water, the relationships we have developed through partnering with many of the majors, and the diversity and quality of our asset portfolio put us in an excellent position to benefit from the sector growth, expected for 2017 and beyond.

Financial Performance

Operating results:

Income Statement and Financial Highlights (R$ million)

	3T16	3T15[1]	Δ%	9M16	9M15[1]	Δ%
Net Revenue	**108.4**	**112.1**	**-3.3%**	**372.6**	**362.7**	**2.7%**
Costs	(57.4)	(57.3)	0.2%	(185.6)	(182.7)	1.6%
Gross profit	**51.0**	**54.8**	**-6.9%**	**187.0**	**179.9**	**3.9%**
Operating income (expenses):						
General and administrative expenses	(13.4)	(9.7)	38.1%	(34.4)	(36.4)	-5.5%
Equity Method	0.1	(0.4)	-125.0%	0.3	(0.8)	-137.5%
Exploration expenditures	(6.0)	(7.9)	-24.1%	(51.3)	(34.1)	50.4%
Other net operational expenses	0.0	0.3	-100.0%	(2.6)	0.3	N/A
Operating income (Loss)	**31.7**	**37.0**	**-14.3%**	**98.9**	**108.9**	**-9.2%**
Financial income (expenses), net	37.1	133.4	-72.2%	13.1	242.5	-94.6%
Income before income tax and social contribution	**68.9**	**170.5**	**-59.6%**	**112.0**	**351.4**	**-68.1%**
Income tax and social contribution	(5.9)	(51.6)	-88.6%	(10.3)	(98.4)	-89.5%
Net income (Loss)	**63.0**	**118.9**	**-47.0%**	**101.7**	**253.0**	**-59.8%**
Net cash inflows from operating activities	**52.3**	**202.3**	**-74.1%**	**141.1**	**442.0**	**-68.1%**
EBITDAX [2]	**46.1**	**61.9**	**-25.5%**	**150.7**	**211.7**	**-28.8%**

Some percentages and other figures included in this report were rounded to facilitate presentation and therefore may present slight differences in relation to the tables and notes presented in the quarterly information. In addition, for the same reason, the totals presented in certain tables may not reflect the arithmetic sum of the preceding figures.

[1] The amounts of these period refer to figures restated on March 9, 2016.

[2] EBITDAX is a measure used by the oil and gas industry calculated as follows: EBITDA + exploration expenses with subcomercial and dry wells. The Company calculates EBITDA as profit before taxes and social contributions, net financial results and amortization expenses. EBITDA is not a financial measure according to Brazilian GAAP or IFRS. It should also not be considered in isolation or as a substitute for net income, as a measure of operating performance, or as an alternative to operating cash flow as a measure of liquidity. Other companies may calculate EBITDA differently than QGEP.. Furthermore, EBITDA has limitations which inhibit its usefulness as a measure of the Company's profitability as it does not consider certain costs inherent in the business, which could significantly impact net results, such as net financial income, taxes and amortization. EBITDA is utilized by the Company as an additional measure of its operating performance.

The consistent cash flow from the Manati Field provides the Company with significant funds to cover its operating costs and continue to fund its exploration projects. In the third quarter, consolidated financial results were impacted by lower gas production reflecting difficult economic conditions in Brazil, which reduced industrial demand for gas. Additionally, financial income was lower in the period when compared to the same period of the prior year, due to the real appreciation in the quarter, compared to real depreciation in 3Q15. Thus, while net income substantially increased on a sequential basis compared to the second quarter of this year, it was 47.0% lower than 3Q15. The decline in EBITDAX was less pronounced and EBITDAX margin reached 41.7%. The Company ended the quarter with a positive cash and cash equivalents balance of R$1.2 billion, providing ample funds for future investments.

Third quarter 2016 financial highlights:

- Net revenue was R$108.4 million, down 3.3% from R$112.1 million in 3Q15. This decline was due to lower Manati gas production, which averaged 4.4MMm³ per day in 3Q16, compared with 5.0 MMm³ average per day in 3Q15. The production decrease was partially offset by the annual adjustment of gas prices at Manati in January, 2016.
- Operating costs were R$57.4 million in the quarter, in line with R$57.3 million registered in 3Q15.
    - Amortization expenses were R$13.2 million, down 44.5% from R$23.8 million in 3Q15. The decrease in amortization reflects the impact of the exchange rate on the provision for abandonment and the revision of its value by its operator held in 4Q15.
    - Production costs were R$20.6 million, compared to R$17.7 million in 3Q15. The higher amount reflects the full quarter of operation for the compression plant in 3Q16, compared to half quarter of operations in 3Q15. Maintenance costs totaled R$10.1 million, R$7.1 million higher than the 3Q15 due to the maintenance and painting of the platform in progress in the Field.
    - Royalties and Special Participation remained stable compared to 3Q15. Even with lower gas volume production in 3Q16 compared to 3Q15, this decrease was partially offset by the annual adjustment of the Manati gas price in January, 2016.

Operating costs (R$ million)

	3Q16	3Q15(1)	Δ%	9M16	9M15(1)	Δ%
Depreciation and amortization	13.2	23.8	-44.5%	49.1	90.7	-45.9%
Production costs	20.6	17.7	16.4%	60.8	42.8	42.1%
Maintenance costs	10.1	3.0	236.7%	30.0	7.8	284.6%
Royalties	8.4	8.6	-2.8%	28.6	27.7	3.4%
Special Participation	1.4	1.3	14.3%	5.2	5.8	-10.2%
R&D	1.3	1.3	0.0%	4.4	4.0	10.6%
Other	2.4	1.6	50.0%	7.4	4.0	86.6%
TOTAL	**57.4**	**57.3**	**0.2%**	**185.6**	**182.7**	**1.5%**

(1) The amounts of these period refer to figures restated on March 9, 2016.

- General and administrative expenses were R$13.4 million, up 38.1% from 3Q15. The year-on-year increase was mainly due to less activities in the blocks operated, reducing the transfer of costs to partners.
- Exploration expenses were R$6.0 million, compared to R$7.9 million in 3Q15, due to lower costs with seismic in 3Q16.
- EBITDAX was R$46.1 million in 3Q16, compared to R$61.9 million in 3Q15, due to lower production in Manati and non-recurring maintenance costs in the period.
- Net financial income was R$37.1 million, compared to a net financial income of R$133.4 million in 3Q15. The reduction reflects the real appreciation in 3Q16, compared to devaluation in 3Q15, which had a positive impact on QGEP's dollar-denominated financial investments.
- Operating cash flow totaled R$36.3 million, compared with R$202.3 million in 3Q15.

Nine Month 2016 financial highlights:

- Net Revenue totaled R$372.6 million, up 2.7% from R$362.7 million in the similar period last year. This increase reflects the adjusted price of Manati gas in January, 2016.
- Operating costs were R$185.6 million, up 1.5% from R$182.7 million registered in 9M15, due to higher production and maintanence costs in 3Q16, partially offset by lower depreciation and amortization.
- Net financial income was R$13.1 million, compared to a net financial income of R$242.5 million in the first nine months of 2015. As in the third quarter, the variation reflects a more stable exchange rate in this year's period.
- EBITDAX was R$150.7 million, down 28.8% compared to the first nine months of 2015, due to higher operational costs related to the start up of the Manati compression plant and higher exploratory expenses for seismic acquisition for the blocks of the 11^{th} ANP Bidding Round in 9M16.
- Operating cash flow totaled R$125.1 million, compared to R$442.0 million in 9M15.

Balance sheet:

	3Q16	2Q16	Δ%
Assets			
Current Assets	**1,308.2**	**1,357.3**	**-3.6%**
Cash and cash equivalents	104.0	153.0	-32.0%
Investments	955.2	961.3	-0.6%
Trade accounts receivable	87.0	85.3	1.9%
Credits with Partners	101.5	89.1	13.9%
Inventory	3.0	2.9	0.5%
Recoverable taxes and contribution	38.4	53.6	-28.4%
Other	19.3	12.0	60.1%
Non-current Assets	**2,097.3**	**2,061.2**	**1.8%**
Restricted cash	115.4	108.4	6.5%
Investments	174.5	168.6	3.5%
Non-current Inventory	54.5	55.0	-0.9%
Related Parties	0.0	0.0	N/A
Recoverable taxes	4.4	3.6	20.5%
Deferred income tax and social	44.7	44.4	0.6%
Investments	131.0	122.5	6.9%
Property, plant and equipment	843.8	829.2	1.8%
Intangible assets	727.4	727.8	-0.1%
Other Non-current Assets	1.6	1.6	-2.5%
TOTAL ASSETS	**3,405.5**	**3,418.5**	**-0.4%**
Liabilities and Shareholders' Equity			
Current	**163.4**	**237.5**	**-31.2%**
Trade accounts payable	66.1	155.0	-57.4%
Taxes payable	22.0	19.9	10.6%
Payroll and related taxes	9.0	7.4	21.0%
Bills to pay- related parties	1.1	1.1	1.0%
Borrowings and Financing	36.5	30.4	19.8%
Provision for research and development	14.0	14.6	-3.8%
Insurances payable	0.0	6.0	-100.0%
Other	14.8	3.1	380.1%
Non-current Liabilities	**515.1**	**519.6**	**-0.9%**
Borrowings and financing	331.7	340.2	-2.5%
Provision for abandonment	181.0	179.4	0.9%
Other trade accounts payable	2.5	0.0	N/A
Shareholders' Equity	**2,727.0**	**2,661.4**	**2.5%**
Capital Stock	2,078.1	2,078.1	0.0%
Other comprehensive income	15.1	13.5	12.4%
Profit Reserve	572.1	572.1	0.0%
Capital Reserve	40.9	40.0	2.4%
Treasury Shares	(81.0)	(81.0)	0.0%
Net income for the period	101.7	38.8	162.5%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,405.5**	**3,418.5**	**-0.4%**

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

At the end of 3Q16, QGEP had a cash and cash equivalents balance of R$1.2 billion. On September 30, 2016 QGEP had approximately 28% of its cash invested in exchange funds, in order to protect its long-term investment capacity.

The remaining balance was invested in Brazilian real-denominated instruments. As of September 30, 2016 the average annual return of these investments was 102.39% of the CDI rate and 82.31% of the funds had daily liquidity.

As of September 30, 2016, QGEP's total debt was R$370.0 million, consisting of R$252.1 million drawn down on credit lines from state lender Financiadora de Estudos e Projetos (FINEP) and R$117.9 million drawn down on a credit line from Banco do Nordeste do Brasil (BNB).

Funds from FINEP are part of a financing package aimed at supporting the development of the Atlanta Field EPS, and consists of two credit lines, at a fixed rate of 3.5% per year, and another of a floating rate linked to TJLP. Both have a grace period of three years, with payment starting in September 2016, and a payment period of seven years. QGEP has a total credit line with FINEP of R$266.1 million.

The BNB financing is directed to the operation of the Company's assets in the Northeast. The loan, which costs 4.71% per year with a 15% compliance bonus, has a grace period of five years and repayment period of seven years.

The Company's net cash position as of September 30, 2016 was R$865.6 million.

Cash Flow:

CASH FLOW STATEMENT (R$ million)

	3Q16	3Q16(1)	Δ%	9M16	9M15(1)	Δ%
CASH FLOW FROM OPERATING ACTIVITIES						
Net income for the period	**63.0**	**118.9**	**-47.0%**	**101.7**	**253.0**	**-59.8%**
Adjustments to reconcile net income to net cash provided by operating activities:						
Equity Method	(0.1)	0.4	-119.1%	(0.3)	0.8	-132.2%
Amortization of the exploration and development expenditures	14.2	24.8	-42.8%	52.0	93.4	-44.3%
Deferred income tax and social contribution	(0.3)	1.6	-116.8%	0.9	15.5	-94.4%
Financial charges and exchange rate (gain) loss borrowings and financing	4.5	4.1	9.9%	13.4	10.5	28.0%
Write-off	(0.0)	(18.9)	-100.0%	71.7	0.2	N/A
Provision for stock option plan	(0.2)	1.5	-113.7%	3.0	4.8	-37.3%
Provision for income tax and social contribution	10.5	121.5	-91.4%	9.4	82.9	-88.7%
Provision for research and development	(1.7)	1.3	-226.2%	(1.7)	3.6	-146.6%
Exchange variation/Others	0.0	13.4	-100.0%	0.0	(7.6)	-100.0%
(Increase) decrease in operating assets:	**(6.2)**	**68.4**	**-109.1%**	**(30.5)**	**13.2**	**-330.3%**
Increase (decrease) in operating liabilities:	**(31.4)**	**(134.7)**	**-76.7%**	**(80.7)**	**(28.3)**	**184.7%**
Net cash inflows from operating activities	52.3	202.3	-74.1%	141.1	442.0	-68.1%
CASH FLOWS FROM INVESTING ACTIVITIES						
Net cash inflows from (used in) investing activities	(97.9)	(254.2)	-61.5%	(145.8)	(507.9)	-71.3%
CASH FLOWS FROM FINANCING ACTIVITIES						
Net cash inflows from (used in) financing activities	(3.0)	0.0	N/A	(41.7)	79.2	-152.6%
Total exchange variation on cash and cash equivalents	1.7	35.9	-95.3%	(28.2)	40.9	-169.1%
Increase (decrease) in cash and cash equivalents	(47.0)	(16.0)	193.7%	(74.6)	54.2	-237.7%
Cash and cash equivalents at the beginning of the period	**153.0**	**187.3**	**-18.3%**	**180.7**	**117.2**	**54.2%**
Cash and cash equivalents at the end of the period	**104.0**	**171.3**	**-39.3%**	**104.0**	**171.3**	**-39.3%**

Consolidated Financial Information (R$ million)

	3Q16	3Q15[1]	Δ%	9M16	9M15[1]	Δ%
Net income	63.0	118.9	-47.0%	101.7	253.0	-59.8%
Amortization and depreciation	14.2	24.8	-42.8%	52.0	93.4	-44.3%
Net financial income (expenses)	(37.1)	(133.4)	-72.2%	(13.1)	(242.5)	-94.6%
Income tax and social contribution	5.9	51.6	-88.6%	10.3	98.4	-89.6%
EBITDA[1]	**45.9**	**61.8**	**-25.8%**	**150.9**	**202.3**	**-25.4%**
Oil and gas exploration expenditure with sub commercial and dry wells[2]	0.2	0.1	237.6%	(0.2)	9.4	-101.6%
EBITDAX[3]	**46.1**	**61.9**	**-25.5%**	**150.8**	**211.7**	**-28.8%**
EBITDA Margin[4]	42.3%	55.2%	-23.2%	39.8%	56.1%	-29.1%
EBITDAX Margin [5]	42.6%	55.2%	-22.9%	39.6%	59.8%	-33.7%
Net Cash[6]	865.6	1,037.6	-16.6%	865.6	1,037.6	-16.6%
(Net Cash)/EBITDAX	(4.1)	(3.7)	11.2%	(4.1)	(3.7)	11.2%

[1] The amounts of these periods refer to figures restated on March 9, 2016

[2] The Company calculates EBITDA as profit before taxes and social contributions, net financial results and amortization expenses. EBITDA is not a financial measure according to Brazilian GAAP or IFRS. It should also not be considered in isolation or as a substitute for net income, as a measure of operating performance, or as an alternative to operating cash flow as a measure of liquidity. Other companies may calculate EBITDA differently than us. Furthermore, EBITDA has limitations which inhibit its usefulness as a measure of the Company's profitability as it does not consider certain costs inherent in the business, which could significantly impact net results, such as net financial income, taxes and amortization. EBITDA is utilized by the Company as an additional measure of its operating performance.

[3] Exploration expenses relating to sub-commercial wells or to non-operational volumes.

[4] EBITDAX is a measure used by the oil and gas industry calculated as follows: EBITDA + exploration expenses with sub-commercial and dry wells.

[5] EBITDA divided by net revenue.

[6] EBITDAX divided by net revenue.

[7] Net cash corresponds to cash, cash equivalents and marketable securities investments excluding total debt, comprising current and long-term loans and financing and derivative financial instruments, less cash and cash equivalents and marketable securities. Net debt is not recognized under Brazilian GAAP, U.S. GAAP, IFRS or any other generally accepted accounting principles. Other companies may calculate net debt in a different manner.

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Report on the review of quarterly information - ITR

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

Introduction
We have reviewed the individual and consolidated interim accounting information of QGEP Participações S.A. ("the Company"), included in the quarterly information form - ITR for the quarter ended September 30, 2016, which comprises the balance sheet as of September 30, 2016, the respective statements of income and comprehensive income for the three and nine-month period then ended September 30, 2016, and changes in stockholders' equity and cash flows for the nine-month period then ended, including the explanatory notes.

The Company`s Management is responsible for the preparation of the individual interim accounting information in accordance with the Accounting Pronouncement CPC 21(R1) - "*Demonstração Intermediária*" and consolidated interim accounting information in accordance with CPC 21(R1) and the international accounting rule IAS 34 - Interim Financial Reporting, issued by the IASB, as well as the presentation of these information in accordance with the standards issued by the Brazilian Securities and Exchange Commission (CVM), applicable to the preparation of quarterly information - ITR. Our responsibility is to express our conclusion on this interim accounting information based on our review.

Scope of the review
We conducted our review in accordance with Brazilian and International Interim Information Review Standards (*NBC TR 2410 - Revisão de Informações Intermediárias Executada pelo Auditor da Entidade* and ISRE 2410 - Review of Interim Financial Information Performed by the Independent Auditor of the Entity), respectively. A review of interim information consists of making inquiries primarily of the management responsible for financial and accounting matters and applying analytical procedures and other review procedures. The scope of a review is significantly less than an audit conducted in accordance with auditing standards and, accordingly, it did not enable us to obtain assurance that we were aware of all the material matters that would have been identified in an audit. Therefore, we do not express an audit opinion.

Conclusion on the individual and consolidated interim accounting information
Based on our review, we are not aware of any fact that might lead us to believe that the individual and consolidated interim accounting information included in the aforementioned quarterly information was not prepared, in all material respects, in accordance with CPC 21(R1) and IAS 34, applicable to the preparation of the quarterly review - ITR, and presented in accordance with the standards issued by the Brazilian Securities and Exchange Commission.

Other matters

Statements of added value

We have also reviewed the individual and consolidated interim information of added value for the nine-month period ended September 30, 2016, prepared under the responsibility of the Company`s Management, for which presentation is required in the interim information in accordance with the standards issued by the CVM applicable to the preparation of quarterly information - ITR, and considered as supplementary information by IFRS, which does not require the presentation of the statements of added value. These statements were submitted to the same review procedures described previously and, based on our review, we are not aware of any fact that might lead us to believe that they were not prepared, in all material respects, in accordance with the individual and consolidated interim accounting information, taken as a whole.

Corresponding values

The corresponding figures, individual and consolidated, for the balance sheet as at December 31, 2015 and the statements of income and other comprehensive income for the three and nine-month period then ended September 30, 2015, and changes in equity, cash flows and statement of value added (DVA) for the nine-month period ended September 30, 2015 were audited and reviewed , respectively, by another independent auditors who issued an unmodified report on March 7, 2016.

Rio de Janeiro, November 7, 2016

KPMG Auditores Independentes
CRC SP-014428/O-6 F-RJ

Bernardo Moreira Peixoto Neto
Accountant CRC RJ-064887/O-8

QGEP PARTICIPAÇÕES S.A.

BALANCE SHEET AT SEPTEMBER 30, 2016 AND December 31, 2015
(In thousands of Brazilian reais - R$)

	Note	Parent Company		Consolidated	
ASSETS		09/30/2016	12/31/2015	09/30/2016	12/31/2015
CURRENT ASSETS					
Cash and cash equivalents	4	47	100	104,024	180,672
Short-term investments	4	3,803	3,037	955,167	941,514
Accounts receivable	5	-	-	86,963	102,615
Inventories	7	-	-	2,951	-
Recoverable taxes	10.1	76	85	38,372	74,335
Related parties	8	-	-	12,220	6,741
Credit to partners	6	-	-	101,488	23,940
Others		35	-	7,031	4,462
Total current assets		3,961	3,222	1,308,216	1,334,279
NONCURRENT ASSETS					
Restricted cash	9	-	-	115,440	86,787
Long-term investments	4	-	-	174,545	157,760
Recoverable taxes	10.1	-	-	4,375	4,925
Inventories	7	-	-	54,540	60,164
Deferred income tax and social contribution	10.4	-	-	44,671	45,538
Related parties	8	-	-	-	234
Others non current assets		-	-	1,603	1,643
Investments	11.2	2,723,184	2,686,128	130,969	125,118
Property, plant and equipment	12	-	-	843,772	885,458
Intangible	13	-	-	727,416	728,357
Total noncurrent assets		2,723,184	2,686,128	2,097,331	2,095,984
TOTAL ASSETS		2,727,145	2,689,350	3,405,547	3,430,263
LIABILITIES AND NET EQUITY					
CURRENT LIABILITIES					
Suppliers		36	71	66,079	71,663
Borrowings and financing	14	-	-	36,452	12,472
Taxes payable	10.2	66	59	21,993	27,578
Payroll and related taxes		52	55	8,983	18,572
Related party transactions	8	-	-	1,062	420
Provision for research and development		-	-	14,044	15,703
Insurance		-	-	11,575	8,466
Other obligations		-	-	3,237	3,093
Total current liabilities		154	185	163,426	157,967
NONCURRENT LIABILITIES					
Provision for retirement obligations - ARO	16	-	-	183,468	225,960
Borrowings and financing	14	-	-	331,662	357,171
Total noncurrent assets		-	-	515,130	583,131
SHAREHOLDERS' EQUITY					
Paid-in capital	24	2,078,116	2,078,116	2,078,116	2,078,116
Capital reserve		40,916	37,899	40,916	37,899
Investment reserve		572,112	610,788	572,112	610,788
Other comprehensive income		15,149	43,369	15,149	43,369
Shares held in treasury	25	(81,007)	(81,007)	(81,007)	(81,007)
Income of the period		101,705	-	101,705	-
Total shareholders' equity		2,726,991	2,689,165	2,726,991	2,689,165
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,727,145	2,689,350	3,405,547	3,430,263

The accompanying notes are an integral part of the interim financial statements.

QGEP PARTICIPAÇÕES S.A.

STATEMENT OF INCOME FOR THE PERIOD ENDED SEPTEMBER 30, 2016 AND 2015
(In thousands of Brazilian reais - R$)

	Note	Parent company				Consolidated			
		07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015	07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
NET REVENUE	17	-	-	-	-	108,406	372,579	112,105	362,671
COSTS	18	-	-	-	-	(57,442)	(185,561)	(57,284)	(182,730)
GROSS PROFIT		-	-	-	-	50,964	187,018	54,821	179,941
OPERATING INCOME (EXPENSES)									
General and administrative expenditure	18	(1,164)	(3,574)	(1,029)	(3,401)	(13,358)	(34,439)	(9,714)	(36,421)
Equity method	11	63,980	104,937	119,774	256,077	78	257	(404)	(799)
Oil and gas exploration expenditure	19	-	-	-	-	(6,009)	(51,341)	(7,938)	(34,135)
Others, net		-	-	-	-	41	(2,594)	282	299
		62,816	101,363	118,745	252,676	31,716	98,901	37,047	108,885
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME									
FINANCIAL INCOME, NET	20	139	342	128	342	37,141	13,063	133,413	242,541
INCOME BEFORE INCOME TAX SOCIAL CONTRIBUTION		62,955	101,705	118,873	253,018	68,857	111,964	170,460	351,426
Deferred Income tax and social contribution	10.3	-	-	-	-	(6,176)	(9,392)	(49,958)	(82,896)
Current Income tax and social contribution	10.3	-	-		-	274	(867)	(1,629)	(15,512)
NET INCOME FOR THE PERIOD		62,955	101,705	118,873	253,018	62,955	101,705	118,873	253,018
NET INCOME PER SHARE - BASIC AND DILUTED	24	0.24	0.38	0.46	0.98				

The accompanying notes are an integral part of the interim financial statements.

QGEP PARTICIPAÇÕES S.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED SEPTEMBER 30, 2016 AND 2015
(In thousands of Brazilian reais - R$)

		Parent Company				Consolidated			
	Note	07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015	07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
Net income for the period		62,955	101,705	118,873	253,018	62,955	101,705	118,873	253,018
Other comprehensive income									
Comprehensive income of investees recognized by the equity method	11	(1,677)	(28,220)	35,860	40,857	(1,677)	(28,220)	35,860	40,857
Total comprehensive income for the period		61,278	73,485	154,733	293,875	61,278	73,485	154,733	293,875

The accompanying notes are an integral part of the interim financial statements.

QGEP PARTICIPAÇÕES S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS FOR THE PERIOD ENDED SEPTEMBER 30, 2016 AND 2015
(In thousands of Brazilian reais - R$)

	Note	Capital stock	Capital Reserves Stock options	Income Reserve Legal reserve	Income Reserve Investment reserve	Other comprehensive income	Retained earnings	Shares held in treasury	Aditional dividends proposed	Total
BALANCE AT JANUARY 1, 2015		2,078,116	31,632	28,426	527,426	5,410	-	(81,007)	-	2,590,004
Profit for the period		-	-	-	-	-		-	253,018	253,018
Cumulative translation adjustments		-	-	-	-	40,857	-	-	-	40,857
Payment of divdends		-	-	-	(38,676)	-	-	-	-	(38,676)
Stock option	24	-	4,813	-	-	-	-	-	-	4,813
BALANCE AT SEPTEMBER 30, 2015		2,078,116	36,445	28,426	488,750	46,267	-	(81,007)	253,018	2,850,016
BALANCE AT JANUARY 1, 2016		2,078,116	37,899	36,166	535,946	43,369	38,676	(81,007)	-	2,689,165
Profit for the period		-	-	-	-	-	-	-	101,705	101,705
Cumulative translation adjustments	11	-	-	-	-	(28,220)	-	-	-	(28,220)
Payment of divdends		-	-	-	-	-	(38,676)	-	-	(38,676)
Stock option	24	-	3,017	-	-	-	-	-	-	3,017
BALANCE AT SEPTEMBER 30, 2016		2,078,116	40,916	36,166	535,946	15,149	-	(81,007)	101,705	2,726,991

The accompanying notes are an integral part of the interim financial statements.

QGEP PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOW FOR THE PERIOD ENDED SEPTEMBER 30, 2016 AND 2015
(In thousands of Brazilian reais - R$)

	Note	Parent Company		Consolidated	
		01/01/2016 to 09/30/2016	01/01/2015 to 09/30/2015	01/01/2016 to 09/30/2016	01/01/2015 to 09/30/2015
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income for the period		101,705	253,017	101,705	253,017
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Equity method	11.2	(104,937)	(256,076)	(257)	799
Depreciation, amortization and depletion	12/13	-	-	52,009	93,445
Deferred income tax and social contribution	10.4	-	-	867	15,512
Financial charges and exchange rate (gain) loss on borrowings and financing		-	-	13,393	10,465
Reduction of fixed assets and intangibles	12/13	-	-	71,735	211
Stock option plan	24	-	-	3,017	4,813
Provision for income tax and social contribution	10.3	-	-	9,392	82,896
Provision for research and development		-	-	(1,659)	3,557
Exchange rate and others		-	-	-	(7,572)
(Increase) decrease in operating assets:					
Trade accounts receivable	5	-	-	15,652	10,437
Recoverable taxes	10.1	9	(37)	36,513	10,020
Other assets		(35)	3,241	(82,648)	(7,223)
Increase (decrease) in operating liabilities:					
Suppliers		(35)	12	(19,557)	14,034
Taxes payable	10.2	7	15	(14,977)	(23,998)
Related parties	8	-	-	642	91
Other liabilities		(3)	-	(48,828)	(7,179)
Interest paid	14	-	-	(11,927)	(9,953)
Income tax and social contribution paid		-	-	-	(1,336)
Net cash provided by (used in) operating activities		(3,289)	172	125,072	442,036
CASH FLOWS FROM INVESTING ACTIVITIES					
Restricted cash	9	-	-	(28,653)	(47,305)
Short term investments	4	(766)	(1,567)	(30,438)	(224,142)
Increase capital in foreign company		-	-	(29,247)	(66,541)
Dividends received		42,678	40,077	23,653	(26,150)
Payment of property, plant and equipment	12	-	-	(66,918)	(143,539)
Payment of intangible	13	-	-	(226)	(223)
Net cash provided by (used in) investing activities		41,912	38,510	(131,829)	(507,900)
CASH FLOWS FROM FINANCING ACTIVITIES					
Loans		-	-	-	117835
Payment of financing	14	-	-	(2,995)	-
Payment of dividends		(38,676)	(38,676)	(38,676)	(38,676)
Net cash provided by (used in) financing activities		(38,676)	(38,676)	(41,671)	79,159
Effect of exchange variation on cash and cash equivalents		-	-	(28,220)	40,857
Total of exchange variation on cash and cash equivalents		-	-	(28,220)	40,857
Increase (decrease) in cash and cash equivalents		(53)	6	(76,648)	54,152
Cash and cash equivalents at beginning of period		100	1	180,672	117,191
Cash and cash equivalents at end of period		47	7	104,024	171,343
Increase (decrease) in cash and cash equivalents		(53)	6	(76,648)	54,152

The accompanying notes are an integral part of the interim financial statements.

QGEP PARTICIPAÇÕES S.A.

STATEMENTS OF VALUE ADDED FOR THE PERIOD ENDED SEPTEMBER 30, 2016 AND 2015
(In thousands of Brazilian reais - R$)

		Parent Company		Consolidated	
	Note	01/01/2016 to 09/30/2016	01/01/2015 to 09/30/2015	01/01/2016 to 09/30/2016	01/01/2015 to 09/30/2015
REVENUES		-	-	558,386	600,311
Gas sales		-	-	458,988	452,496
Other revenues		-	-	7,820	4,276
Revenues related to own assets of construction	12	-	-	91,578	143,539
INPUTS ACQUIRED FROM THIRD PARTIES		785	744	240,109	233,440
(including Tax - ICMS, IPI, PIS and COFINS)					
Gas production and service costs		-	-	152,257	91,230
Material, energy and other service		785	744	78,114	130,324
Others		-	-	9,738	11,886
GROSS VALUE-ADDED		(785)	(744)	318,277	366,871
DEPRECIATION, AMORTIZATION AND DEPLETION	12/13	-	-	51,947	93,578
NET VALUE-ADDED PRODUCED BY THE ENTITY		(785)	(744)	266,330	273,293
VALUE-ADDED RECEIVED IN TRANSFER		105,280	256,423	24,107	234,975
Equity income and dividends	11.2	104,937	256,077	257	(799)
Financial income	20	343	346	22,590	235,440
Others		-	-	1,260	334
TOTAL VALUE-ADDED TO BE DISTRIBUTED		104,495	255,679	290,437	508,268
VALUE-ADDED DISTRIBUTION					
PERSONEL:					
Personnel		2,249	2,130	32,490	31,032
Benefits		89	102	4,873	4,876
Charges and fees		-	-	2,101	1,968
Others		-	-	42	59
		2,338	2,232	39,506	37,935
TAXES:					
Federal		451	425	59,941	147,238
State		-	-	42,227	41,013
Municipal		-	-	462	254
ANP (Bonus e royalties)		-	-	33,793	33,441
		451	425	136,423	221,946
PAYMENT OF THIRD PARTY CAPITAL:					
Interest		-	-	4,071	354
Rentals		-	-	2,016	2,135
Bank charges		1	4	4,315	597
Monetary restatement/Exchange variation		-	-	2,401	(7,717)
		1	4	12,803	(4,631)
SHAREHOLDERS					
Net income for the period		101,705	253,018	101,705	253,018
		101,705	253,018	101,705	253,018
DISTRIBUTION OF VALUE ADDED		104,495	255,679	290,437	508,268

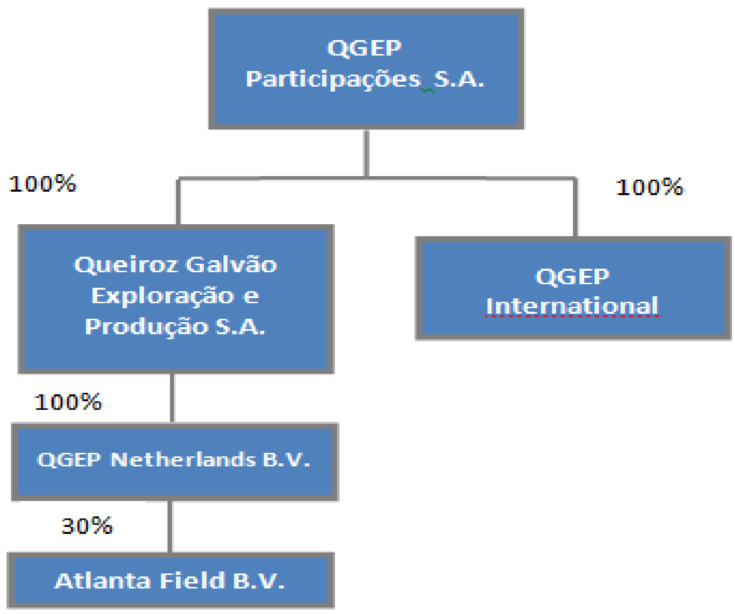
The accompanying notes are an integral part of the interim financial statements.

1. OPERATIONS

Corporate structure

QGEP Participações S.A. is a Brazilian corporation that maintains its registered offices at Almirante Barroso Avenue 52, room 1.301 - in the Central district of the City of Rio de Janeiro ("Company" or "QGEPP"). Its stated corporate object is to hold is to hold equity interests in companies primarily engaged in the exploration for and production and sale of oil, natural gas and their byproducts, either as a partner or shareholder, or through other forms of association, with or without separate legal personality.

As of September 30, 2016, the Company's ownership structure was as follows:



The main corporate object of the Company's direct subsidiary Queiroz Galvão Exploração e Produção S.A. ("QGEP") is the exploration of areas in the search for new oil and gas reserves, production, sale and industrial processing of oil, natural gas and by products, as well as holding stakes in companies that are substantially devoted to related activities, either as a partner or shareholder, or through other forms of association, with or without separate legal personality.

QGEP Netherlands B.V. ("QGEP B.V."), which maintains its registered offices in Rotterdam, in the Netherlands, is a wholly-owned subsidiary of QGEP and its object is to constitute, manage and supervise companies, to engage in all types of industrial and commercial activities and perform any and all things related to such activities.

Atlanta Field B.V. ("AFBV"), which also maintains its registered offices in Rotterdam, is an indirect subsidiary of QGEP and a direct subsidiary of QGEP B.V., with the latter holding a 30% stake in it. Its principal corporate object is the acquisition, budgeting, construction, purchase, sale, lease or charter of materials and equipment to be used for exploration and development of the concession for the Atlanta Field area in the Santos Basin of Southeast Brazil. It may further acquire, administer and operate equipment, including the equipment registered to support the QGEP Group. Besides the latter, other shareholders in AFBV are OGX Netherlands Holding B.V and FR Barra 1 Sarl., based on their partnership with QGEP in the concession for Block BS-4; the respective percentage stakes of the latter two shareholders in AFBV are 40% and 30%.

QGEP International GmbH ("QGEP International") was established as the QGEPP's wholly-owned subsidiary with registered offices in Vienna, Austria; its corporate object is acquisition of shares in companies in Austria and other nations, constitution and management of subsidiaries in Austria and abroad, and asset management.

Operational History:

In Brazil, the activities of exploration, development and production of oil and natural gas (E&P) is regulated by the National Oil, Natural Gas & Biofuels Agency ("ANP"). The Company and its subsidiaries (QGEP, QGEP B.V. and AFBV) are referred jointly to in these interim financial statements as "the Group".

As of September 30, 2016, the Group's portfolio included stakes in fourteen E&P concessions located in the offshore portion of the Brazilian Continental Shelf (Note 21). Out of this total, 12 are in the exploration phase and two are in the development/production phase, with two independent fileds each. All the stakes in the concessions belong to subsidiary QGEP.

The Manati and Camarão Norte fields are located in the concession for the BCAM-40 block of the Campos Basin and are currently in the phases of production and production development, respectively. The Atlanta and Oliva fields, located in the BS-4 block in the Santos Basin, are both in the production development phase at present.

The Manati Field was developed through the drilling of six wells completed with Wet Christmas Trees (WCT). These wells produce for a fixed production platform (PMNT-1) which pumps gas along a 24" diameter pipeline, approximately 125 km long, to the treatment station, which stabilizes and condenses the gas (Geologist Vandemir Ferreira Plant). Since August of 2015, the Manati compression station has been connected to the system. The station is now fully operational and its production capacity has already reached once again the threshold of 6.0 million m^3/day.

At Block BM-J-2, review of the technical and economic viability studies for the Project, incorporating the results of drilling the 1-QG-5-A-BAS well and reprocessing the 3D seismic data, indicated the economic unfeasibility of continuing with the Project, which led to the return of the block on December 21, 2015. The Final PAD report was also delivered to the ANP on the latter date. The amounts recorded as write-off for Block BM-J-2, under the caption exploratory expenditures for O&G production, amounted to R$ 332,487.

At the concession for block BM-S-8, the Carcará Norte (3-SPS-105) well, located roughly 5 km from the discovery well, was drilled in the first half of 2015. This well proved the forecasts for it and showed the existence of an O&G column in reservoirs connected to the pre-salt layer. Based on the pressure data, it has been proven that this well is in the same accumulation as the Carcará well (1-SPS-86B). The same ship that drilled this well also drilled the section of reservoirs of well Carcará NW (3-SPS-104DA) at the end of September, 2015. Through pressure measurements taken, it was noted that the section of reservoirs was totally connected to the O&G column of the first two wells. Further in the fourth quarter of 2015, two formation tests (TFRs) were conducted at the Carcará Norte well, indicting productivity with potential oil discharges at least equivalent to or even better than the best pre-salt layer wells.

The Block BS-4 is already under development and comprises Oliva and Atlanta fields. Oliva is a post-salt oil field is located in BS-4 Block, 17 km distant from Atlanta Field. The development plan for Atlanta Field includes an Early Production System (EPS) with two horizontal wells, already drilled and tested in the first semester of 2014. At the end of 2014, the Company signed the contract of the Petrojarl I floating, production, storage, and offloading vessel ("FPSO"), chartered for the Atlanta Field Development. The vessel will be customized to the Field's specifications and is scheduled to be on site in the middle of 2017. Production is also scheduled to begin in fourth quarter of 2017.

In October 2015, QGEP signed an agreement with Shell Western Supply and Trading Ltd. (Shell) for the commercialization of the output from the Atlanta EPS. This Crude Oil Sales Agreement (COSA) is for oil sales that will be Free on Board (FOB) for Shell on the FPSO, with a netback price mechanism. The COSA has a term of three years, with the possibility of extending for one additional year. QGEP's partners in the Consortium also signed similar commercial agreements with Shell.

The Development Plan (PD) for the Oliva Field, which was approved on August 21, 2013, calls for the drilling of a reservoir data acquisition (ADR) well followed by testing in order to prove the estimated reserves and decision-making regarding the model for development of this field.

The concessions acquired in the ANP's 11th Round of Bidding in the basins known as Foz do Amazonas, Pará-Maranhão, Ceará and Espírito Santo have already been made acquisition and processing of 3D seismic data. The total accumulated disbursement up to September 30, 2016 is R$81,497 and December 31, 2015 is R$ 49,055, respectivly. The well-drilling schedule, where we have a commitment in the first period, should be carried out from 2018 (Note 22).

In the ANP's 13th Round of Bidding, subsidiary QGEP acquired a 100% stake in blocks SEAL-M-351 and SEAL-M-428. Both blocks are located in ultra-deep water in the Sergipe-Alagoas Basin, with respective areas measuring 756.86 km² and 756.24 km². The subscription bonus paid was the minimum amount required by the ANP, in the amount of R$63,860 for SEAL-M-351 and R$36,144 for SEAL-M-428. The minimum exploratory program (PEM) for the first period for both Sergipe-Alagoas blocks is covered by a letter of guarantee in the amount of R$18,300. In order to fulfill these programs, it is forecast that seismic surveys will be conducted covering the entire area of the blocks, estimated at around US$10,000. The concession agreement was signed on December 23, 2015, thus kicking off the 1st period of the Exploration Phase, which lasts 5 years.

2. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of the individual and consolidated interim financial statements comprise the following:

2.1. Statement of conformity

The individual and consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB (IAS 34- *Interim Finacial Reporting*) and accounting practices adopted in Brazil (BR GAAP) regarding CPC 21 (R1).

The accounting policies adopted encompass those set out in Brazilian Corporation Law and the pronouncements, guidance, and interpretations issued by the Brazilian Accounting Pronouncements Committee (CPC) and approved by the Federal Accounting Council (CFC) and the Brazilian Securities Commission (CVM).

The interim financial statements of QGEPP are being presented in accordance with technical orientation No. OCPC 07, which deals with the basic requisites for preparation and evidence to be observed upon disclosure of financial reporting, especially in the notes thereto. Management confirms that evidence is being provided of all the relevant information that is appropriate for disclosure and that such information corresponds to the data used in managing the holding company.

2.2. Basis of preparation

The interim financial statements have been prepared using the historical cost, except for certain financial instruments measured at fair value, as described in the accounting policies below. The historical cost is generally based on the fair value of the consideration paid in exchange for an asset.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

The summary of the significant accounting policies adopted by the Group is described below:

2.3. Basis of consolidation and investments in subsidiaries

The interim consolidated financial statements include the financial statements of the Company and its subsidiaries, as well as the exclusive funds held bu the Company, as described in note 4. Control is achieved when the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The profit or loss of subsidiaries acquired, sold or merged during the year is included in the consolidated income statement and statement of comprehensive income beginning the actual acquisition, sale and merger date, as applicable.

In the Company's interim individual financial statements, the financial information on direct and indirect subsidiaries is recognized under the equity method.

When necessary, the subsidiaries' interim financial statements are adjusted to conform their accounting policies to those of the Group. All intragroup transactions, balances, revenue and expenses are fully eliminated upon consolidation, except for the investment in its joint venture.
Company's participation in subsidiaries

As of September 30, 2016 and December 31, 2015, the Company's interim financial statements include the financial information of its direct and indirect subsidiaries, using the same base date, as listed below:

			Percentage of interest	
	Country of operation	Control	09/30/2016	12/31/2015
QGEP	Brazil	Direct	100%	100%
QGEP International	Austria	Direct	100%	100%
QGEP B.V.	Netherlands	Indirect	100%	100%

2.4. Interests in joint ventures

A joint venture is a contractual agreement whereby a company and other parties undertake an economic activity that is subject to joint control. Joint control exists when the strategic financial and operating decisions relating to the joint venture's activity require the unanimous consent of the joint venture partners sharing the control.

Joint venture arrangements that involve the establishment of a separate entity in which each joint venture partner holds an interest are called jointly controlled entities.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

Indirect subsidiary QGEP B.V. presents in its financial statements the interest held in a joint venture using the equity method.

Company interests in joint ventures

	Country of operation	Control	Type of business	Percentage stake 09/30/2016	Percentage stake 12/31/2015
AFBV	Netherlands	Indirect	Joint venture	30%	30%

2.5. Segment information

Management's analysis concluded that QGEPP operates within a single segment: oil and gas exploration and production (O&G E&P). Additionally, net sales revenue is substantially derived from transactions with Petrobras in Brazil.

2.6. Cash and cash equivalents

Held to meet short-term cash commitments and consist of cash, bank deposits and highly liquid short-term investments subject to an insignificant risk of change in value.

2.7. Current and noncurrent assets and liabilities

Current and noncurrent assets and liabilities are stated at their realizable values and settlement amounts, respectively, and include inflation adjustments or exchange rate changes, and income earned and charges incurred, when applicable, recognized on a prorated basis through the end of the reporting period.

2.8. Oil and gas exploration, development and production costs

For purposes of accounting practices adopted in Brazil (BR GAAP), with respect to exploration, development and production costs, the Group uses accounting criteria consistent with IFRS 6 - Exploration for and evaluation of mineral resources.

Material maintenance costs of the production units, which include, but are not limited to, spare parts and 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 management to determine the accounting policy for the recognition of exploration assets used to explore mineral resources. The Company's Management has defined the accounting policy for exploration and evaluation of oil and gas 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:

- Exploration concession rights and signature bonus are recorded as intangible assets;
- Drilling costs from the feasibility studies not yet concluded remain recorded in property, plant and equipment until conclusion. Exploratory costs of all production wells and of successful exploration wells related to economically viable reserves are capitalized while non-viable ("dry hole") ones are recorded directly in income in the account for oil and gas exploration expenditures.
- Other exploration costs not related to the subscription bonus are recorded in the income statement as exploration costs for oil and gas extraction (costs related to the acquisition, processing and interpretation of seismic, drilling campaign planning, licensing studies, area occupation and retention costs, environmental impact, etc.).

Property, plant and equipment represented by natural gas exploration, development and production assets are recorded at cost and amortized under the unit-of-production method, which consists of a ratio between the annual volume produced and the total proved reserve of the producing field. The proven reserves used to calculate amortization (in relation to the monthly production volume) are estimated by in-house geologists and outside petroleum engineers in accordance with international standards, and revised annually or when there is evidence of significant change. Currently, only the costs related to the Manati field are being amortized, since it is the only field in production.

PP&E is stated at cost, plus interest and other charges on borrowings and financing used in the construction of qualifying assets, less accumulated depreciation and amortization.

The gain or loss arising from the disposal or sale of a property, plant and equipment item is determined by the difference between revenue earned, if applicable, and the corresponding residual value of the asset, and is recognized in profit or loss.

The Group basically includes in intangible assets the costs on the acquisition of exploration concessions and subscription bonuses corresponding to the bids to obtain 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 proven reserves.

Management annually assesses its O&G exploration assets on a qualitative basis so as to identify facts and circumstances that indicate that such assets are impaired, as follows:

- The period for which the entity has the right to explore in the specific area has expired during the period 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 the specific area/block is neither budgeted nor planned by the Company or its partners;
- Exploration for and evaluation of mineral resources have not led to the discovery of commercially viable quantities of mineral resources and Management has decided to discontinue such activities in specific areas/blocks.
- Sufficient data exists to indicate that, although development in the specific area/block 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.

As described in Note 1, exploratory block BM-J-2 was returned by the Company.

Regarding assets under development and producing assets, the Company evaluates the existence of impairment loss based on future cash flows considering assumptions of remaining useful life. The test consists of comparing the asset's estimated present value with its carrying value. Other assumptions such as reserves, exchange rate, discount rate and oil prices are also considered in the impairment testing model.

The asset retirement obligation (ARO) for a production area is recorded at the time the well is drilled, after the declaration of commercial viability for each field, and as soon as there is a legal or constructive obligation to retire the area and also when costs can be reliably measured as part of related assets' cost (PP&E), as a contra entry to the provision for ARO recorded in liabilities, which supports such future costs (Note 16). The provision for ARO is revised annually by Management by adjusting the assets and liabilities already recorded. Revisions of the calculation basis of the cost estimates are recognized as PP&E costs and the recognition of the passage of time (denominated reversal of discount), considered in the model for calculation of the future obligation, being allocated directly to profit or loss.

2.9. Appraisal of asset impairment

Under CPC 01 (Impairment of Assets) and the criteria defined in Note 2.8 above, PP&E items, intangible assets, and other noncurrent assets, when applicable, are tested for impairment annually or whenever significant events or material changes in circumstances indicate that their carrying value might not be recoverable.

When applicable, when the carrying amount of an asset exceeds its recoverable amount, defined as the higher of its value in use and its net sales value, an impairment loss is recognized in profit or loss for the period.

2.10. Expenditures associated with joint E&P operations

In its capacity as operator of concessions for O&G E&P, one of the Company's obligations is to represent the joint operation with respect to third parties. In this sense, the operator is in charge of contracting and paying the suppliers for such joint operations and, for this reason, the invoices received by the operator consider the total amount of the supplies and services acquired for full concession operation. The impacts on the operator's individual results, however, only reflects its share in the concession, in that the portions associated with the other partners are charged to them on a monthly basis. The operator estimates the disbursements forecast for the subsequent month, based on the expenditures already incurred or to be incurred, regardless of whether or not they are billed by the suppliers. These expenditures are charged to the partners through cash calls and the rendering of accounts is conducted each month through billing statements.

2.11. Inventories

Represented by assets acquired from third parties in the form of materials and supplies to be used in the exploratory drilling and development campaign. After these materials are used, they are reclassified from inventories to PP&E. Material inventories of are recorded at cost and adjusted to their realizable value, when applicable (note 7). The forecast for use thereof as per future exploration and development plans corroborates classification as either a current or noncurrent asset.

2.12. Borrowings and financings

Borrowings and financing are initially recognized at their fair values when funds are received, net of transaction costs, where applicable. They are subsequently measured at amortized cost, i.e., including charges, prorated interest and monetary and exchange variations, as contractually prescribed, through the reporting date.

2.13. Provision for lawsuits

Provisions for tax, civil and labor lawsuits are recognized for contingencies when the likelihood of loss is ranked as probable, based on the opinion of Management and outside legal counsel. Amounts are recorded based on the estimated costs that may arise on the termination of such lawsuits. Contingencies where the likelihood of loss is ranked as possible are disclosed by Management but not provided for (note 15).

2.14. Legal obligations

The amounts for cases underway as regards the illegality/unconstitutionality of taxes, contributions and other obligations are provided for, regardless of the appraisal of likelihood of success. Hence, the amount thereof is fully recognized in the interim financial statements, under the caption "Other noncurrent assets, legal obligations sub-group", under Noncurrent assets, net of the corresponding deposits in court.

2.15. Accrual of results

Revenues and expenses are recognized under the accrual accounting method. Sales revenue is recognized when ownership and risks are transferred to third parties.

2.16. Income tax and social contribution

The Brazilian federal corporate income tax (IRPJ) and social contribution (CSLL) are calculated and recognized based on the tax rates prevailing as of the reporting date. Deferred taxes are recognized for temporary differences and tax loss carry forwards, where applicable, only when and up to the amount whose realization is considered probable by Management (according to the business model approved by the latter as well as by the Company's governance bodies).

2.17. Tax incentives

2.17.1. Federal incentives

As the Company owns the Manati Field, 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 and started to enjoy this benefit since year ended December 31, 2008. At the operational investee QGEP, the amount corresponding to the incentive has been recognized in results and subsequently transferred to the revenue reserve - tax incentives, under Shareholders' Equity.

This benefit is classified under Investment subsidies, pursuant to the norms set out in Article 30 of Law No. 12.973/2014.

2.17.2. State incentives

Under Decree No. 13.844/12, issued by the Government of Bahia, QGEP enjoys a presumed 20% credit relating to the state value-added tax on circulation of goods and services (ICMS) levied on shipments of natural gas, owing to its investment in a compression unit aimed at making maintenance of production feasible. This benefit is slated to last until 2022.

At operational investee QGEP, this ICMS investment subsidiary is recorded under the caption “Taxes levied on Sales” and subsequently, at year end, is transferred to the revenue reserve - tax incentives, under Shareholders’ Equity, in accordance with Article 30 of Law No. 12.973/2014.

2.18. Share-based payment arrangements

The employees’ equity settled share-based payment plan is measured at the fair value of the equity instruments at the grant date, as described in note 24 (iii).

The fair value of the options granted, as determined at the grant date, is recorded as an expense for the year under the accelerated method over their vesting period, based on the Company’s estimates of which options will eventually vest, with a corresponding increase in equity. At the end of each year, the Company reviews its estimates of the number of equity instruments to be vested.

The impact of the review of the original estimates, if any, is recognized in profit or loss for the year so that the accumulated expense reflects the revised estimates with the corresponding adjustment to equity, in line item ‘Stock option plan’.

2.19. Treasury stock

These are the Company’s own equity instruments that are bought back and recognized at cost, and deducted from equity. No gain or loss is recognized in the income statement on the purchase, sale, issuance or cancellation of the Group’s own equity instruments. Any difference between the carrying value and the consideration is recognized in other capital reserves.

2.20. Financial instruments

Financial assets and liabilities are recognized when the Group is a party to the underlying contract.

Financial assets and liabilities are initially measured at fair value. Transaction costs directly attributable to the acquisition or issuance of financial assets and financial liabilities are added to or deducted from the fair value of financial assets and financial liabilities after the initial recognition, if applicable. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are immediately recognized in profit or loss.

2.21. Financial assets

Financial assets are classified in the following specific categories: (i) financial assets at fair value through profit or loss (FVTPL); (ii) held-to-maturity investments; and (iii) loans and receivables. The classification depends on the nature and purpose of the financial assets and is determined upon initial recognition. All regular-way purchases or sales of financial assets are recognized or derecognized on the trade date. 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.

2.21.1. Financial assets at FVTPL

These include financial assets held for trading (i.e., acquired primarily for the purpose of sale in the short term), or those designated at FVTPL. Interest, inflation adjustment, foreign exchange changes and changes arising from the adjustment to fair value are recognized in profit or loss under finance income or finance costs, when earned or incurred. The Group has cash equivalents (CDBs and debentures under repurchase agreements) and short-term investments classified in this category.

2.21.2. Investments held to maturity

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

2.21.3. Loans and receivables

Loans and receivables are represented by 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 impairment losses, if any.

Interest revenue is recognized by applying the effective interest rate, except for short-term receivables, for which the recognition of interest would be insignificant. The Group has cash and bank deposits (in line item cash equivalents) and trade receivables classified in this category.

2.21.4. Impairment of financial assets

Financial assets, except those measured at FVTPL, 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 that 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 could 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
- Likelihood that the borrower will become bankrupt or file for court-ordered reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

For financial assets recorded at cost, the recorded impairment value corresponds to the difference between the carrying amount of the asset and the present value of future estimated cash flows, discounted at the current return rate of a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The financial asset's carrying amount is directly written down by the impairment loss for all financial assets, except for trade receivables, in which case the carrying amount is written down by an allowance account. Subsequent recoveries of amounts previously written off are credited to the provision account. Changes in the carrying amount of the provision are recognized in profit or loss.

2.22. Financial liabilities

Financial liabilities are classified either as "Financial liabilities at FVTPL" or "Other financial liabilities". The Group has no financial liabilities at fair value.

2.22.1. Other financial liabilities

Other financial liabilities (including borrowings and financing) are stated at amortized cost.

The effective interest method is used to calculate the amortized cost of a financial liability and allocate its interest expense to the related period. The effective interest rate is the rate that discounts exactly estimated future cash flows (including fees paid or received that are an integral part of the effective interest rate, transaction costs, and other premiums or discounts) over the expected life of the financial liability or, where appropriate, by a shorter period to the net carrying amount at initial recognition. The Group has borrowings and financings classified in this category.

2.23. Functional currency

The functional currency of QGEPP and its operating Brazilian subsidiary QGEP, used in preparation of the interim financial statements is the Brazilian currency - Real (R$), which best reflects the economic environment in which the Group operates and the way it is actually managed. The indirect subsidiary based in the Netherlands, the Austrian direct subsidiary and the joint venture, based in the Netherlands, use the United States Dollar (US$) as their functional currency. The interim financial statements of the subsidiaries and joint venture are presented in Reais (R$), which is the functional and reporting currency of QGEPP.

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

- The currency that mostly influences the prices of goods and services;
- The currency in which the funds from financing activities are substantially obtained or invested;
- The currency in which the funds from operating activities are usually retained (sale of oil by-products).

2.23.1. Foreign currency translation

The individual and consolidated interim financial statements are presented in Brazilian Reais (R$), which is the Parent Company’s functional and presentation currency. The assets and liabilities of the foreign subsidiaries are translated into Brazilian Reais based on the exchange rate prevailing at the end of the reporting year and the corresponding income statements are translated using the average monthly exchange rate at the transaction date. Exchange differences arising on such translation are separately recognized in equity, in the statement of comprehensive income, in line item ‘Other comprehensive income - Currency translation adjustments (CTA)’.

2.24. Statement of Value Added (SVA)

This statement is intended to disclose the wealth created by the Group and its distribution during a certain period, and is presented by the Company, as required by Brazilian corporate law, as part of its individual interim financial statements and as supplemental information to the consolidated interim financial statements, since it is neither provided for nor mandatory under IFRSs.

The SVA was prepared based on information obtained in the accounting records that serve as basis for the preparation of interim financial statements and in accordance with the provisions of CPC 09 - Statement of Value Added. The first part of the SVA presents the wealth created by the Company, represented by revenues (gross sales revenue, including taxes levied thereon, other income and the effects of the allowance for doubtful accounts), inputs purchased from third parties (cost of sales and purchases of materials, energy and outside services, including the taxes included upon purchase, the effects of impairment and recovery of assets, and depreciation and amortization) and the value added received from third parties [share of profits (losses) of subsidiaries, finance income and other income]. The second part of the SVA presents the distribution of wealth among employees, taxes and contributions, compensation to third parties and shareholders.

2.25. Statement of Cash Flows (SCF)

This statement is prepared as prescribed by CPC03 (R2)/IAS7, using the indirect method. The Company classifies in line item Cash and cash equivalents the balances of amounts immediately convertible into cash and highly-liquid investments subject to an insignificant risk of changes in value.

2.26. Earnings per share

Basic and diluted earnings per share are calculated by dividing the net income for the year by the weighted average number of common shares held by shareholders, less treasury stock during the year.

2.27. New and revised standards and interpretations

a) New and revised standards and interpretations not yet effective and which were not adopted on an early basis by the Group.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

The Group did not adopt on an early basis the following new and revised standards and interpretations, related to its operations, already issued but not yet effective:

Pronouncement or interpretation	Description	Effective for annual periods beginning on or after
IFRS 9	Financial Instruments - Measurement and Classification	January 1, 2018
IFRS 15	Revenues from contracts with customers	January 1, 2018
IFRS 16	Leases	January 1,2018

The Brazilian CPC has not yet issued pronouncements equivalent to these IFRS, through there are expectations that it will do so prior to the dates they are scheduled to take effect. Adoption of the IFRS pronouncements in Brazil is contingent upon prior approval in a normative act by the CVM. The Company is appraising the potential effects of such pronouncements, except for IFRS 14, which Management believes is not applicable to QGEPP's operations.

3. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF UNCERTAINTY IN ESTIMATES

In applying the Group's accounting policies described in Note 2, Management makes judgments and estimates regarding the carrying amounts of the assets and liabilities reported that are not easily obtained from other sources. The estimates and associated assumptions are based on historical experience and other factors considered to be relevant. Actual results may differ from such estimates upon effective realization in subsequent periods.

The main estimates used refer to the recognition of the effects arising on the provision for tax, civil and labor lawsuits, the depreciation and amortization of property, plant and equipment and intangible assets, the assumptions for determining the provision for ARO and decommissioning, the expected realization of tax credits and other assets, the provision for income tax and social contribution, the valuation of financial instruments, and the determination of the fair value of derivatives, including held-to-maturity financial assets.

Estimates and assumptions are reviewed on an ongoing basis. The effects resulting from the revision of accounting estimates are recognized on a forward-looking basis.

3.1. Main judgments in applying accounting policies

3.1.1. Held-to-maturity investments

Management has reviewed the Group's financial assets in the light of its capital maintenance and liquidity requirements, and has confirmed the Group's positive intent and ability to hold such assets to maturity. The carrying amount of held-to-maturity financial assets as at September 30, 2016 is R$115,440 and December 31, 2015 is R$ 86,787 (restricted cash). Details on these assets are provided in Note 9.

3.2. Key sources of uncertainty in estimates

The following are the key assumptions with respect to the future and other key sources of uncertainty in estimates that can lead to significant adjustments to the carrying amounts of assets and liabilities in subsequent periods:

3.2.1 Measurement of financial instruments

The Group uses valuation techniques that include the use of inputs that are not based on observable market data to estimate the fair values of certain types of financial instruments. Notes 23 and 24 contain detailed information on the main assumptions used to measure the fair values of financial instruments and a sensitivity analysis of such assumptions.

Management believes that the selected valuation techniques and the assumptions used are appropriate to determine the fair values of financial instruments.

3.2.2 Useful lives of fixed and intangible assets

As described in Note 2.9, at the end of each annual reporting period Management reviews the estimated useful lives of PP&E and intangible assets. Management has concluded that the useful lives of fixed and intangible assets are appropriate and no adjustments are required.

3.2.3 Deferred income tax and social contribution

Deferred tax assets resulting from accumulated tax losses (NOL's) for IRPJ purposes and negative CSLL results, as well as temporary differences, are recognized only to the extent that the Group expects to generate sufficient future taxable income for their realization based on projections and forecasts prepared by Management. Such projections and forecasts statements include several assumptions related to foreign exchange rates, production volume, exploration costs, commitments, and other factors that may differ from current estimates.

Under prevailing Brazilian tax legislation, there is no statute of limitations for the utilization of tax loss carry forwards, though they can only be offset against up to 30% of annual taxable income.

3.2.4 Provision for lawsuits

The booking of the provision for tax, civil and labor contingencies of a particular liability on the interim financial statements is made when the loss amount can be reasonably estimated (Note 15). Due to their nature, contingencies will be settled when one or more future events occur or no longer occur. Normally, whether or not these events occur does not rely upon our performance, which prevents the obtaining of accurate estimates as to the precise date on which these events will occur.

The assessment of these liabilities, in particular within the uncertain Brazilian legal environment, and in other jurisdictions, involves significant estimates and judgments by Management as to the outcome of future events.

3.2.5 Estimates of proven and probable reserves (amortization of fixed and intangible assets, provision for ARO and impairment analyses)

The estimates of proven and probable reserves are periodically evaluated and updated. The proven and probable reserves are determined using generally accepted geologic estimation techniques. The calculation of reserves requires the Company to assume positions as to uncertain future conditions, including future oil prices, exchange rates, inflation rates, license availability, and production costs. Changes in any of these assumed positions could have a significant impact on the proven and probable reserves estimated.

The estimated reserve volume is the basis for calculating the portion of amortization and its estimated useful life is a major factor in quantifying the provision for ARO and decommissioning when an item of PP&E is derecognized. Any change in reserve volume estimates and the useful lives on the related assets could have a significant impact on amortization charges recognized in the interim financial statements as cost of sales. Changes in the estimated useful lives could have a significant impact on the estimated provision for ARO (Note 2.8), its recovery when it is derecognized from fixed and intangible assets and impairment testing of E&P assets.

The methodology for calculating this provision for ARO consists of estimating on the reporting date how much the Group would disburse on the decommissioning of areas under development and production areas.

This provision for ARO is revised annually by Management by prospectively adjusting the assets and liabilities already accounted for. Revisions in the estimates for the ARO provision are prospectively recognized as a cost of PP&E, with the effects of the passage of time (denominated reversal of discount), considered in the model for calculation of the future obligation, being allocated directly to profit or loss (Note 16).

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

Exploration costs (expenses on successful drilling or wells under evaluation) and subscription bonuses are capitalized and maintained pursuant to the accounting policy as described in Note 2.8. The initial capitalization of costs and maintenance thereof is based on the qualitative judgment of Management that their viability will be confirmed by the current exploration activities in progress and the exploration planned by the consortium's operations committee.

3.2.6 Accrued profit sharing

Profit sharing paid to employees (including key management personnel) is based on the attainment of annually set performance metrics, financial and quality indicators, and individual goals of employees. The amount is provisioned monthly and recalculated at the end of the year, based on the best estimate for the goals reached, according to the Company's annual budget process and the directives of Law No. 10.101/2001, which regulates employee profit sharing at Brazilian companies.

4 CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

a) Cash and cash equivalents

	Parent Company	
	09/30/2016	12/31/2015
Cash and banks	47	100
Total	47	100

	Consolidated	
	09/30/2016	12/31/2015
Cash and banks	26,224	76,095
CDB's and debentures	77,800	104,577
Total	104,024	180,672

Cash and cash equivalents are concentrated in floating rate Certificates of Bank Deposit (CDBs) and repurchase agreements (backed by debentures with high liquidity). The profitability of cash and cash equivalents in Reais is indexed to the interbank deposit rate (CDI). These investments are highly liquid and without risk of significant changes in principal and yield when redeemed.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

b) Short-term investments in marketable securities (current and noncurrent)

	Parent Company	
	09/30/2016	12/31/2015
Repurchase commitments (debentures) (i)	3,803	3,037
Total	3,803	3,037
Current	3,803	3,037

	Consolidated	
	09/30/2016	12/31/2015
Repurchase commitments (debentures) (i)	178,348	160,797
Exclusive exchange fund (ii)	340,779	420,680
Exclusive multi-market investment fund (iii):	610,586	517,797
Repurchase commitments (debentures)	51,694	59,763
CDB (floating rate CDI)	29,864	57,138
Government securities (LFT/NTN)	305,802	203,698
Financial notes (iv)	223,225	197,198
Total	1,129,712	1,099,274
Current	955,167	941,514
Noncurrent (i)	174,545	157,760

i. In the Consolidated figures, the amount classified as a noncurrent asset and refers to short-term investments in repurchase commitments (debentures) and CDB's, guarantee collateral falling due in 2017 and 2021 (see Note 14).
ii. The Company has an exclusive exchange fund in order to hedge its policy on foreign currency E&P expenditures.

iii. Subsidiary QGEP has an exclusive multi-market investment fund, without prospects for using the funds within 90 days of the date of the investment. This fund, in turn, invests in quotas of exclusive fixed-income funds backed by government securities indexed to the variation in the Selic rate and private securities indexed to the variation in the CDI rate.

iv. Financial notes or bills of the banks operating in Brazil known as Alfa, Banco do Brasil, Bradesco, BTG Pactual, Citibank, HSBC, Itaú, Santander and Safra.

c) Average yields

The average yield of cash equivalents and short-term investments was equivalent to 102.39% of the cumulative CDI rate for the period ended September 30, 2016 (101.90% for the year ended December 31, 2015).

For the period ended September 30, 2016, the variation in the foreign exchange fund was -16.60% (with the official exchange rate - PTAX - being -16.87% as benchmark for the fund), while for the period ended September 30, 2015 it was 51.56% (compared with a PTAX of 49.57%).

5. TRADE ACCOUNTS RECEIVABLE

QGEP entered into a long-term agreement in 2007 (maturity through September 2030) to supply a minimum annual volume of gas to Petrobras, for a price in Brazilian Reais that is adjusted annually based on a Brazilian inflation index specified in the respective contract.

On July 16, 2015, an amendment to the contract for such agreement between QGEP and Petrobras was signed in relation to the sale of gas from the Manati Field. The original contract for sale of gas called for purchase of a volume of 23 billion m³ of gas, with a take or pay clause. The amended contract raises the total volume contract to the entire reserve of the Manati Field, with all the other terms and conditions of the original contract being maintained. Not expected to have liabilities regarding this contract.

The balances of trade accounts receivable refer basically to the sale of gas to Petrobras, for which there is no history of default or late payments. No allowance for doubtful debts was recognized since trade accounts receivable comprise only the balances receivable within approximately 40 days, after the invoice be issued.

6. CREDITS RECEIVABLE FROM BUSINESS PARTNERS

These credits reflect the expenses incurred on E&P activities that are billed (cash calls) or will be billed to non-operator partners in the related consortiums, or allocated by the operator partners to the Company in the blocks not operated by QGEP.

From the total amount of R$101,488 and R$23,940 recognized on September 30, 2016 and December 31, 2015, R$32,162 and R$12,194, respectively, refers to the share of consortium member OGX Petróleo e Gás S.A. - in Judicial Recovery (hereinafter referred to simply as "OGX"), R$57,402 (September 30, 2016), refers to Pacific Brasil Exploração e Produção de óleo e Gás Ltda ("Pacific"), also object of note 31 - Subsequent events, while the remaining amount refers to other consortium members and consortiums (R$11,924 and R$ 11,746, respectively). The amounts of R$32,162 and R$57,402 referring to OGX and Pacific, respectively, R$23,813 and R$51,615 are due on September 30, 2016.

On September 23, 2016, a cash call was issued to OGX in the amount of R$6,000, due in October. Until the date of approval of these financial statements do not identify the receipt of this credit.

Considering the current situation of OGX, which is under judicial recovery, QGEP is monitoring the judicial recovery proceeding to mitigate possible risks related to OGX's ability to discharge its payment obligations and investment commitments.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

7. INVENTORIES - CURRENT AND NONCURRENT

The Company's inventory balances refer basically to the consumption of materials needed to carry out the BS-4 exploration drilling and development campaign.

	Consolidated	
	09/30/2016	12/31/2015
Supplies and raw materials	57,491	60,164
Total	57,491	60,164
Current	2,951	3,064
Noncurrent	54,540	57,100

For the period ended September 30, 2016 QGEP made the sale of the material in the amount of R$387 related to the BM-J-2 block, that was returned in 2015.

Based on the premises used in its business plan, the Company intends to use such supplies and raw material inputs in exploratory campaigns or development as from the year ending December 31, 2017. Accordingly, out of the total balances as of September 30, 2016, the amount of R$ 54,540 is classified to noncurrent assets.

8. RELATED PARTIES

(i) Transactions with related parties

Balances and transactions between the Company and its subsidiaries, as described in Note 11, have been eliminated upon consolidation and are not presented in this Note. The balances of the transactions between the Company and other related parties are as follows:

	Consolidated	
	09/30/2016	12/31/2015
Current Assets		
Accounts receivable from AFBV (a)	3,714	6,723
Accounts receivable from QGEP B.V. (d)	8,506	18
Total	12,220	6,741
Noncurrent Assets		
Accounts receivable from AFBV (a)	-	234
Total	-	234

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

	Consolidated	
	09/30/2016	12/31/2015
Current Liabilities		
Accounts payable to QGOG (b)	9	9
Accounts payable to AFBV (c)	1,053	411
Total	1,062	420

	Consolidated			
	07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
Service revenues (a)	2,375	7,433	1,627	3,985
Exchange rate of service revenues	(40)	1,108	(292)	(292)
General and administrative expenses (B)	(22)	(72)	(20)	(66)
Total	2,313	8,469	1,315	3,627

(a) These refer to technical advisory services provided by QGEP to AFBV for the acquisition of subsea equipment by the foreign subsidiary and cost sharing contract between AFBV and QGEP B.V. companies. These amounts are indexed to the US$. In the event of delay in payment, a fine of 2% and prorated interest of 1% per month are chargeable.

(b) This amount results from the prorating of specialized human resources from Queiroz Galvão Óleo e Gás (QGOG) for taking out insurance. The expenses incurred were charged through prorating criteria considering the efforts demanded for each corporate activity, with settlement term of 35 days. In the event of delay in payment, there is a monthly interest charge of 1%.

(c) Refer to exploration and development costs incurred by AFBV to be received by the parent Company (QGEP). These amounts are paid quarterly in US$.

(d) Refer basically to fundings request (02/2016 e 03/2016) send to partners OGX Netherlands B.V, FR Barra 1 S.à r.l. and QGEP Netherlands B.V., in amounts of USD12,962, due on July 04, 2016 and August 22, 2016, respectvely. The amount of USD5,185 referring to OGX was carryed by FR Barra 1 S.à r.l and QGEP Netherlands B.V in the amount of USD2,592 for each company. The outstanding balance due by OGX Netherlands B.V was not settled until the present time.

On September 12, AFBV sent a request funding (04/2016) to partners OGX Netherlands B.V, FR Barra 1 S.à r.l. and QGEP Netherlands B.V., in amount of USD2,400, maturing onSeptember 27, 2016. The amount of USD960 regarding the portion of OGX was carryed by FR Barra 1 S.à r.l and QGEP Netherlands B.V in the amount of USD480 for each company. The outstanding balance due by OGX Netherlands B.V was not settled until this financial statements were approved.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

(ii) Guarantees and surety involving related parties

The Company has posted a performance bond with the ANP for all the contractual obligations assumed by QGEP in the Concession Agreements signed in relation to the 11th Round of Bidding.

QGEP has a surety granted to guarantee the financing contracted from BNB (Banco do Nordeste do Brasil), as mentioned in Note 14.

QGEPP guarantees through corporate collateral signatures the borrowings contracted by QGEP from FINEP (Financiadora de Estudos e Projetos) and BNB, as mentioned in Note 14.

The Company is guarantor for AFBV with respect to Teekay in the charter party agreement for the Petrojarl 1 FPSO vessel, as mentioned in Note 21 c).

(iii) Management compensation

Management compensation includes fixed compensation (salaries and fees, vacation pay, 13th salary, and pension fund, as well as other benefits under the collective bargaining agreement with Company employees), payroll taxes (social security contributions - INSS, FGTS, among others), and key management personnel's variable compensation and stock option plan, as follows:

	Parent Company			
	07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
Short-term benefits	944	2,806	916	2,656

	Consolidated			
	07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
Short-term benefits	2,119	6,522	1,890	6,294
Stock option plan	417	1,391	647	2,284

The Company does not offer postemployment benefits, other long-term benefits and/or severance benefits, except for the pension plan described in Note 27.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

9. RESTRICTED CASH

	Consolidated	
	09/30/2016	12/31/2015
Short-term investments - Guarantors (a)	18,479	17,009
ARO fund (b)	96,961	69,778
Total restricted cash	115,440	86,787

(a) Guarantee posted for borrowings and financings, as per Note 14.

(b) The ARO fund is represented by short-term investments in marketable securities, which are maintained for the commitment for payment of the ARO provision for the Manati Field, which are administered by Petrobras (See Note 16 - ARO Fund) and managed by Bradesco Asset Management. Yield from this fund was 1.77% for the period ended September 30, 2016 (22.94% for the year ended December 31, 2015).

10. TAXES AND CONTRIBUTIONS

10.1. Taxes and contributions recoverable

	Parent company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
IRPJ and CSLL prepayments	-	-	2,450	28,040
IRRF on short-term investments (a)	76	85	4,155	40,195
Taxes recoverable	-	-	30,276	5,239
PIS/COFINS credit (b)	-	-	5,634	5,388
ICMS on PP&E acquisitions	-	-	232	398
Total	76	85	42,747	79,260
Current	76	85	38,372	74,335
Noncurrent	-	-	4,375	4,925

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

10.2. Taxes and contributions payable

	Parent Company		Consolidated	
	09/30/2016	12/31/2015	09/30/2016	12/31/2015
State ICMS (c)	-	-	3,809	4,915
Social contribution	-	-	853	-
Federal PIS/COFINS (c)	4	2	11,723	13,786
Federal IRRF	59	56	821	1,295
Royalties (d)	-	-	2,574	3,230
Special take (d)	-	-	1,405	2,906
Other items (e)	3	1	808	1,446
Total	66	59	21,993	27,578
Current	66	59	21,993	27,578

(a) Basically, these taxes refer to withholding income tax (WIT or IRRF) on credits relating to the semi-annual collection of income tax on yields from investment portfolios, denominated "*come-cotas*".

(b) These state and federal charges basically refer to the taxes and contributions levied on on property, plant and equipment.

(c) These state and federal charges basically refer to the taxes and contributions levied on the sale of natural gas from the operations of the Manati field. As for the state ICMS, this is net of the tax benefits described in Note 17.

(d) Government takes on the gas produced in the Manati Field, as described in Note 21.

(e) These charges refer to the the municipal service tax (ISS), the taxes and contributions withheld on services provided by third parties (ISS, INSS, PIS, COFINS and CSLL) and the federal Contribution for Intervention in the Economic Domain (CIDE, a sort of fuel tax) on service imports.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

10.3. Reconciliation of income tax and social contribution in income for the year:

	Parent Company			
	07/01/2016 a 09/30/2016	01/01/2016 a 09/30/2016	07/01/2015 a 09/30/2015	01/01/2015 a 09/30/2015
Income before IRPJ and CSLL	62,955	101,705	118,873	253,018
Combined statutory tax rate	34%	34%	34%	34%
IRPJ and CSLL charge at combined statutory tax rate	(21,405)	(34,580)	(40,417)	(86,026)
Adjustment of charges to effective rate:				
Equity pickup	21,757	35,679	40,723	87,065
Unrecognized tax loss carry forwards (a)	(354)	(1,103)	(316)	(1,047)
Non-deductible expenses/non-taxable revenues:				
Permanents	(3)	(3)	-	-
Temporary	5	7	10	7
Deferred IRPJ and CSLL	-	-	-	-
Current IRPJ and CSLL	-	-	-	-

(a) These amounts refer to IRPJ tax losses and negative CSLL results. As of September 30, 2016, QGEPP has carry forwards relating to IRPJ tax losses and negative CSLL results in the amounts of R$79,748 and R$79,749 (R$ 74,298 and R$ 74,299, respectively as of December 31, 2015), for which no deferred IRPJ and CSLL assets arising from tax loss carry forwards are recorded, as there is no history of taxable income to date and the Company is a holding company being the equity method net of subsidiary taxation

	Consolidated			
	07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
Income before IRPJ and CSLL	68,856	111,964	170,460	351,426
Combined statutory tax rate	34%	34%	34%	34%
RPJ and CSLL charge at combined statutory tax rate	(23,411)	(38,068)	(57,956)	(119,484)
Adjustment of charge to effective rate:				
Tax incentives (a)	17,149	27,151	10,847	34,035
Non-deductible expenses/non-taxable revenues, net:				
Permanent (b)	764	1,898	(638)	(704)
Temporary (d)	5	8	(3,454)	(10,868)
Unrecognized tax loss carry forwards (c)	(409)	(1,248)	(388)	(1,386)
Income tax and social contribution	(5,902)	(10,259)	51,587	(98,408)
IRPJ and CSLL - current portion	(6,176)	(9,392)	(49,958)	(82,896)
IRPJ and CSLL - deferred portion	274	(867)	(1,629)	(15,512)

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

(a) Tax incentive calculated based on the adjusted operating profit on operations of the Manati Field - See Note 2.17.1.

(b) Main add-back refers to the stock option plan and ICMS tax benefts.

(c) Refer basically to QGEPP tax loss carry forwards and was not constituted deferred taxes. There is no history of tax profit until the presente moment.

(d) Refer basically to unrecoganized tax loss carry forwards from QGEPP.

10.4. Deferred income tax and social contribution

The balances of deferred IRPJ and CSLL assets arise from temporarily non-deductible provisions recorded in profit or loss of subsidiary QGEP, which will be deducted from IRPJ taxable income and CSLL results in future profitable years when such provisions are effectively realized.

	Consolidated	
	09/30/2016	12/31/2015
Breakdown of deferred tax assets		
Amortization of provision for ARO	49,897	37,163
Provisison for nondeductible suppliers	2,045	159
Profit sharing	-	4,388
Provision for royalties and special participation	1,353	2,086
Provision for research and development (R&D)	4,705	5,339
Sundry provisions	2,040	1,484
Total breakdown of deferred tax assets	60,040	50,619

	Consolidated
Deferred tax assets	
Balance as of December 31, 2015	50,619
Temporary differences generated by provisions and respective reversals:	
Profit sharing (reversal)	(4,388)
Amortization of provision for write-off of wells	12,734
Provision for research and development (R&D)	(634)
Sundry provisions - Additions and reversals	1,709
Balance as of September 30, 2016	60,040
Deferred tax liabilities	
Balance as of December 31, 2015	(5,081)
Temporary exclusions	(10,288)
Balance as of September 30, 2016	(15,369)

To support the deferred tax assets, the Company updated, considering the achievements up to September 30, 2016, the technical feasibility study which is based on projections prepared in 2015 approved by Directors. The feasibility study shows recovery.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

Timetable of expected realization of deferred tax credit as of September 30, 2016:

Deferred assets	
2016	6,329
2017	1,775
2021-2023	51,936
Total	60,040
Deferred liabilities	
2016	1,383
2017	4,150
2018	3,535
2019	4,457
As of 2020	1,844
Total	15,369

11. INVESTMENTS

11.1. Breakdown

The following are details on the Company's subsdiaries as of the closing of the period:

Type of control	Name of subsidiary	Place of establishment and operation	Percentage share of voting and total capital
Direct	Queiroz Galvão Exploração e Produção S.A.	Brazil	100%
Direct	QGEP International GmbH	Austria	100%
Indirect	QGEP B.V.	Netherlands	100%
Indirect	Atlanta Field B.V.	Netherlands	30%

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

11.2. Subsidiaries valued under equity accounting method

Below, investments and interim financial information for calculation of equity in direct and indirect subsidiaries are broken down as follows (R$):

	09/30/2016			
	QGEP	QGEP International	QGEP B.V.	AFBV
Number of common shares	191,262,711	1	1,000	3,000
Percentage equity interest	100%	100%	100%	30%
	R$	R$	R$	R$ (*)
Capital stock	2,042,553	109	2	20
Shareholders' equity	2,723,155	29	152,813	436,564
Income (loss) for the year	105,039	(101)	(64)	858
Total assets	3,401,379	47	152,972	450,528
Total liabilities	678,225	18	159	13,964
Net revenues	372,579	-	-	9,624

	12/31/2015			
	QGEP	QGEP International	QGEP B.V.	AFBV
Number of common shares	191,262,711	1	1,000	3,000
Percentage equity interest	100%	100%	100%	30%
	R$	R$	R$	R$ (*)
Capital stock	2,042,553	109	2	20
Shareholders' equity	2,685,960	167	164,578	417,059
Income (loss) for the year	98,392	(760)	(1,586)	(3,925)
Total assets	3,443,785	378	164,993	437,746
Total liabilities	757,823	210	415	20,688
Net revenues	496,192	-	-	4,946

(*) The figures in Brazilian Reais presented refer to the totals for AFBV, and not just to the Company's equity interest.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

The changes in QGEPP's investments in the individual and consolidated interim financial statements for the period ended September 30, 2016, are as follows:

	09/30/2016			
	Parent Company			Consolidated
	QGEP	QGEP International	Total	
Balances as of December 31, 2015	2,685,960	168	2,686,128	125,118
Capital increase	-	-	-	29,247
Stock option plan	3,016	-	3,016	-
Payment of dividends	(42,678)	-	(42,678)	-
Currency translation adjustments	(28,182)	(38)	(28,220)	(23,653)
Equity pickup (a)	105,039	(101)	104,938	257
Balances as of September 31, 2016	2,723,155	29	2,723,184	130,969

On March 7, 2016, the Board of Directors approved a proposal for distribution in addition to the mandatory minimum dividends in the amount of R$ 42,678. This proposal was approved at the Annual General Meeting (AGM) of Shareholders held on April 8, 2016, and the dividends were paid on April 27, 2016 to the shareholders identified in the structure on date of approval.

(a) Results accrued by investees in the period ended September 30, 2016

	12/31/2015			
	Parent Company			Consolidated
	QGEP	QGEP Internationa	Total	
Balances as of December 31, 2014 (Restated)	2,583,920	28	2,583,948	22,843
Capital increase	-	925	925	78,824
Stock option plan	6,267	-	6,267	-
Payment of dividends (a)	(40,599)	-	(40,599)	-
Currency translation adjustments	37,983	(25)	37,958	24,629
Equity pickup (b)	98,392	(760)	97,632	(1,178)
Balances as of December 31, 2015	2,685,960	168	2,686,128	125,118

(a) On March 12, 2015, the Board of Directors approved a proposal for distribution in addition to the mandatory minimum dividends in the amount of R$ 40,599. This proposal was approved at the Annual General Meeting (AGM) of Shareholders held on April 17, 2015, and the dividends were paid on May 5, 2015 to the shareholders identified para os acionistas identificados na base acionária na data da aprovação.

(b) Results accrued by investees in the year ended December 31, 2015.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

12. PROPERTY, PLANT AND EQUIPMENT

	Percentage	Consolidated		
		09/30/2016		
	Depreciation / amortization rate	Custo	Depreciação e amortização	Líquido
Corporate segment				
Furniture and fixtures	10%	2,705	(910)	1,795
Vehicles	20%	1,405	(665)	740
Leassehold improvements	20%	4,107	(3,140)	967
Installations	11%	1,556	(309)	1,247
Computer hardware	20%	3,003	(1,895)	1,108
Real estate properties	3%	6,363	(403)	5,960
Land	-	174	-	174
Subtotal		19,313	(7,322)	11,991
Upstream segment				
Expenditures on exploration of natural resdource in progress (i)	-	216,503	-	216,503
Expenditures on exploration of natural resources (ii)		16,844	(12,901)	3,943
Expenditures on development of O&G production in progress (iv) and (v)		342,509	-	342,509
Expendittures on development of O&G production	(iii)	1,008,392	(739,566)	268,826
Subtotal		1,584,248	(752,467)	831,781
Total		1,603,561	(759,789)	843,772

	Percentage	Consolidated		
		12/31/2015		
	Depreciation / amortization rate	Custo	Depreciação e amortização	Líquido
Corporate segment				
Furniture and fixtures	10%	2,705	(706)	1,999
Vehicles	20%	1,404	(457)	947
Leassehold improvements	20%	4,107	(2,422)	1,685
Installations	11%	1,556	(271)	1,285
Computer hardware	20%	2,533	(1,514)	1,019
Real estate properties	3%	6,363	(176)	6,187
Land	-	174	-	174
Subtotal		18,842	(5,546)	13,296
Upstream segment				
Expenditures on exploration of natural resdource in progress (i)	-	201,359	-	201,359
Expenditures on exploration of natural resources (ii)		16,844	(12,224)	4,620
Expenditures on development of O&G production in progress (iv) and (v)		305,060	-	305,060
Expendittures on development of O&G production	(iii)	1,052,301	(691,178)	361,123

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

	Percentage Depreciation / amortization rate	Consolidated 12/31/2015 Custo	Depreciação e amortização	Líquido
Subtotal		1,575,564	(703,402)	872,162
Total		1,594,406	(708,948)	885,458

(i) Expenditures on exploration in progress are not being amortized until the completion of the exploration process.

(ii) Refer to discovery and delimiting wells of the Manati field, which are already in the production phase.

(iii) The proven 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 revised annually or when there is evidence of significant change [Note 21(b)]. The effects of changes in reserves as compared to their amortization are recordedon a forward-looking basis, that is, they do not affect previously recognized amounts.

(iv) Expenditures on development in progress are not amortized until the beginning of production.

(v) Through the period ended September 30, 2016, R$27,248 was capitalized as borrowing costs (R$18,123 as of December 31, 2015) on the FINEP financing. The related rates are listed in Note 14.

Cost	Consolidated Corporate PP&E costs	Expenditures on exploration of natural resources in progress		Expenditures on explora-tion of natural resources	Expenditures on development of oil and gas production in progress		Expenditures on development of oil and gas production		Total
Balances as of 12/31/2014	18,146	421,989		16,844	268,732		1,041,718		1,767,432
(+)Additions in the year	978	111,856	(e)	-	49,933	(f)	133,085	(g)	295,852
(-) Disposals in the year	(282)	(332,487)	(h)	-	(13,606)		(122,502)	(i)	(468,877)
Balances as of 12/31/2015	18,842	201,359		16,844	305,060		1,052,301		1,594,406
(+)Additions in the period	555	15,144	(e)	-	43,336	(f)	21,855	(g)	80,890
(-) Disposals in the period	(84)	-		-	(5,887)		(65,764)	(i)	(71,735)
Balances as of 09/30/2016	19,313	216,503		16,844	342,509		1,008,392		1,603,561

For the year ended December 31, 2015, the main PP&E additions and disposals refer to: (e) additions to BM-S-8, (f) additions to BS-4 and reversal of the ARO provision for the Atlanta Field, (g) additions to the Manati Field (Compression field - see Note 1), including the ARO provision, (h) disposal of the BM-J-2 Block, and (i) reversal of the ARO provision for the Camarão Norte, Manati and Atlanta Fields (see Note 16).

For the period ended September 30, 2016, the main PP&E additions and disposals refer to: (e) additions to BM-S-8, (f) additions to BS-4, (g) additions to the Manati Field and (i) exchange rate of the ARO provision for the Camarão Norte, Manati and Atlanta Fields.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

Depreciation and amortization	Depreciation of corporate PP&E	Amortization of expenditures on exploration of natural resources	Amortization of expenditures on development of O&G production	Total
Balances as of 12/31/2014	(3,330)	(15,580)	(569,904)	(588,814)
(-) Additions in the year	(2,384)	(1,339)	(116,579)	(120,302)
(+) Disposals in the year	168	-	-	168
(+ -) Transfers in the year	-	4,695	(4,695)	-
Balance as of 12/31/2015	(5,546)	(12,224)	(691,178)	(708,948)
(-) Additions in the period	(1,779)	(677)	(48,384)	(50,840)
(+) Disposals in the period	4	-	-	4
Balance as of 09/30/2016	(7,322)	(12,901)	(739,566)	(759,789)

13. INTANGIBLE ASSETS

	Consolidated			
	Depreciation rate	Cost	Amortization	09/30/2016
Acquisition of exploratory concession (i)	-	529,399	-	529,399
Subscription bonus (ii)	-	195,472	-	195,472
Computer software programs	20%	7,904	(5,359)	2,545
Total		732,775	(5,359)	727,416

	Consolidated			
	Depreciation rate	Cost	Amortization	12/31/2015
Acquisition of exploratory concession (i)	-	529,399	-	529,399
Subscription bonus (ii)	-	195,472	-	195,472
Computer software programs	20%	7,680	(4,194)	3,486
Total		732,551	(4,194)	728,357

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

	Consolidated			
Cost and amortization	Acquisition of exploratory concession	Subscription bonus	Software	Total
Balances as of 12/31/2014	529,399	96,324	4,747	630,470
(+) Additions (cost)(iv)	-	100,003	256	100,259
(-) Disposals (cost) (iii)	-	(855)	-	(855)
(-) Additions (amortization)	-	-	(1,517)	(1,517)
Balances as of 12/31/2015	529,399	195,472	3,486	728,357
(+) Additions (cost)(iv)	-	-	226	226
(-) Additions (amortization)	-	-	(1,167)	(1.167)
Balances as of 06/30/2015	529,399	195,472	2,545	727,4416

(i) Refer to the 10% participation rights in the BM-S-8 Block, located in the Santos Basin offshore, amounting to R$278,692, and the 30% participation rights in the Atlanta and Oliva fields (BS-4), located in the same basin offshore, amounting to R$250,707. These shares are not being amortized, since the fields are still in the development phase.

(ii) Expenditures on the acquisition of exploration rights in the ANP adtions, which are not being amortized yet, since they refer to concession áreas in the exploratory phase (Note 21).

(iii) As of December 31, 2015, the disposal refers to the subscription bonus for Block BM-J-2, in the amount of R$855 and decision was made owing to the level level of attractiveness indicated by feasibility studies.

(iv) Related to signature bonus of ANP 13rd round.

14. BORROWINGS AND FINANCINGS

These are intended primarily to fund evaluation projects and/or the development of oil and natural gas reserves, and capital expenditures normally incurred on drilling and other services related to the Company's core business, which is the exploration and development of O&G reserves.

			Consolidated		
	09/30/2016	12/31/2015	Annual interest charge	Interest payments	Maturity
Brazilian currency (R$)					
BNB - Banco do Nordeste	117,927	117,943	4.71% p.a. + 15% bonus for payment on time	Monthly	Sep, 2026
FINEP- Financiadora de Estudos e Projetos:					
Subloan A	122,685	124,159	Subloan A: 3.5% p.a.	Monthly	Sep, 2023
Subloan B	129,350	129,587	Subloan B: TJLP + (5% p,a, - 6.5% p.a.) (a)	Monthly	Sep, 2023
	252,035	253,746			
Total	369,962	371,689			
Current	36,452	12,472			
Noncurrent	333,510	359,217			
Total Consolidated	369,962	371,689			

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

As of December 2015, the TJLP was 7% p.a. and on September 2016, the TJLP was 7.5% p.a.

(a) The principal of Subloan A is subject to compound interest of 3.5% per year on a prorated basis.

The principal of Subloan B subject to compound interest equivalent to the Brazilian Long-Term Interest Rate (TJLP) plus spread of 5% per year, less equalization equivalent to 6.5% per annum.

(b) Balance is not including the cost of loan funding in the amount of R$ 1,848 on September 30, 2016 (withheld amount when the credit release).

Changes in borrowings and financings:

Balance as of 12/31/2014	253,225
(+) Borrowings	117,835
(+) Interest charged	14,274
(-) Interest paid	(13,723)
(-) Other fees	78
Total before borrowing costs	371,689
(-) Borrowing costs (FINEP loan)	(2,046)
Final balance as of 12/31/2015	369,643
(+) Interest charged	13,196
(-) Pricipal paid	(2,996)
(-) Interest paid	(11,927)
Total before borrowing costs	369,916
(-) Borrowing costs (FINEP loan)	(1,848)
Final balance as of 09/30/2016	366,068

	Consolidated	
	09/30/2016	12/31/2015
Current	36,452	12,472
Non current	331,662	357,171

The noncurrent portion of borrowings and financing matures as follows:

Maturities	09/30/2016
2016	9,131
2017	37,197
2018	45,741
2019-2026	277,893
Total	369,962

Pursuant to the terms of the loan agreement with FINEP, the principal is to be paid back in 85 consecutive monthly installments. The first installment falls due September 15, 2016, and the others fall due on the same day of each subsequent month, with the last one falling due September 15, 2023. The agreement does not contain financial covenants. The borrowing is guaranteed by the collateral corporate signature of the Parent Company QGEPP.

Under the terms of the BNB loan agreement, the principal is to be paid back in 84 consecutive monthly installments. The first falls due October 20, 2019, and the others fall due in subsequent months, with the last one falling due September 29, 2026. The agreement does not contain financial covenants. Over the entire term of the agreement, the Company will maintain a reserve account for three monthly installments for this operation, covering the principal and interest charges, with the minimum reference being the largest installment due (see Note 9). In the event the three projects involved in the BNB debt are discontinued and returned to the ANP, the agreement calls for acceleration of the amortization of the debt into at least 24 monthly installments, the last of which may not be made later than September 2022.

15. TAX, CIVIL AND LABOR LAWSUITS

Based on the opinion of its external legal counsel and/or the terms of the relevant consortium agreements, as well as on the opinion of the related Block Operator (which is responsible for monitoring each claim). Management has concluded that there are no lawsuits for which the likelihood of an unfavorable outcome for the Company is probable; therefore, no provision has been recognized in the financial statements for the period ended September 30, 2016 and December 31, 2015.

The lawsuits assessed as possible losses that have not been provided for in the interim financial statements are:

IMA

Tax Foreclosure No, 0087249-25,2010,805,0001 resulting from the fine imposed under Tax Assessment Notice No, 2006-007365/TEC/AIMU-0343, issued on November 22, 2006. The alleged offense relates to breach of condition determined by the Environment Institute (IMA), resulting in erosion and silting-up of streams, upon installation of the pipeline between the cities of Guaibin and São Francisco do Conde. The updated amount of the fine is R$428 (only for QGEP).

ICMS

The cause is related to a credit accrued by QGEP related to ICMS on fuel used on the chartered vessels on period from 2007 to 2009. The cause is in administrative phase and the Company is verifying the involving amount and the strategy that is under operator responsibility, Petrobras. With respect to the share of QGEP the amount is approximately R$5,648.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

IRRF, PIS, COFINS and CIDE taxes and other contributions on charter party operations

These cases involve a series of assessments in relation to the federal taxes, which the government claims should have been levied on remittances made by the Group for payment of charter party operations carried out in 2008 and 2011. The period between 2008 and 2009 it is claiming IRRF and CIDE. The period between 2010 and 2011 is claming IRRF, CIDE, PIS/COFINS. The issues are being handled in administrative proceedings, where the Company is monitoring the defense and strategy being conducted by the party responsible (operator Petrobras). With respect to the share of QGEP, as regards the charter operations dating back to 2008 and 2011, the amount potentially at stake is approximately R$42,874.

Contracts with QGOG

Under an agreement entered into on October 28, 2010, the Company agreed to indemnify Queiroz Galvão Óleo e Gás (“QGOG”) for any contingency related to E&P activities that may be imputed to that Company. On the other hand, on January 18, 2011 the Company entered into a contract with QGOG and Constellation Overseas, Ltd, ("Constellation") whereby these companies are required to indemnify any losses in respect of all existing liabilities and contingent liabilities not related to E&P activities that are imputed to the Company. Based on the opinion of its outside legal counsel, the Company concluded that there are no lawsuits subject to a probable unfavorable outcome related to these contracts with QGOG and Constellation and, therefore, no provision was recognized for the reporting year in the financial statements.

16. PROVISION FOR ASSET RETIREMENT OBLIGATION (ARO)

The estimated costs for ARO, as reported by the by operator, were revised for the year ended December 31, 2015, as described in Notes 2,8 and 3,2,5. As of December 31, 2015, this provision reflects the revision of the estimates of costs to be incurred, including, but not limited to: (i) plugging of wells; and (ii) removing lines and production equipment, and (iii) other costs inherent in meeting such obligation.

The ARO costs have been projeccted based on the average industry inflation rate of 2.8% p.a. (in US$), through the date expected asset retirement or decommissioning, and have been updated to present value at the risk-free rate in US$ for Brazilian assets, which is 5.4% p.a.

Changes in the provision for ARO in the period ended September 30, 2016 were as follows:

	Consolidated
Balance as of December 31, 2014	281,099
Reversal of ARO provision (a)	(137,358)
Net exchange and other variations	82,219
Balance as of December 31, 2015	225,960
Net exchange and other variations	(42,492)
Balance as of September 30, 2016	183,468

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

(a) Together with its business partners, the Company has remeasured the ARO provision for the Camarão Norte, Atlanta and Manati fields and reserved same during the year ended December 31, 2015. The reversal reflects the prospective revision of the ARO expenditures in light of the new technologies existing and the new costing threshold for O&G industry service providers.

17. NET REVENUES

	Consolidated			
	07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
Gross revenues	135,518	466,421	140,719	456,481
PIS	(2,153)	(7,413)	(2,240)	(7,271)
COFINS	(9,915)	(34,143)	(10,316)	(33,486)
ICMS	(15,302)	(52,723)	(15,778)	(51,212)
Presumed ICMS credit (*)	3,060	10,545	3,156	10,242
ISS	(119)	(372)	(81)	(199)
Discounts - contractual reductions	(2,683)	(9,736)	(3,355)	(11,885)
Total deductions	(27,112)	(93,842)	(28,614)	(93,811)
Net revenues	108,406	372,579	112,105	362,671

(*) State VAT (ICMS) benefit, as described in Note 2.17.2 - Tax incentive reserve.

During the third quarter, the average production of gas was 4.4MMm³/day, due to the significant decrease in consumption of gas in whole country.

18. GENERAL AND ADMINISTRATIVE COSTS AND EXPENSES

18.1. Costs

	Consolidated			
	07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
Extraction costs	(33,083)	(98,255)	(22,231)	(54,613)
Royalties and special government take	(9,830)	(33,793)	(9,894)	(33,441)
R&D	(1,330)	(4,447)	(1,312)	(4,022)
Amortization and depreciation	(13,199)	(49,066)	(23,848)	(90,654)
Total	(57,442)	(185,561)	(57,284)	(182,730)

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

18.2. General and administrative (G&A) expenses

	Parent Company			
	07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
Personnel	(941)	(2,787)	(916)	(2,660)
Outsourced services	(162)	(338)	(74)	(324)
Taxes and fees	(48)	(142)	(32)	(99)
Announcements and publications	(4)	(256)	(4)	(292)
Other G&A expenses	(9)	(51)	(4)	(26)
Total	(1,164)	(3,574)	(1,029)	(3,401)

	Consolidated			
	07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
Personnel (a)	(16,047)	(47,556)	(14,294)	(45,630)
Outsourced services	(2,580)	(8,317)	(4,021)	(11,379)
Insurance	(476)	(1,367)	(659)	(1,589)
Taxes and fees	(244)	(1,146)	(646)	(1,632)
Announcements and publications	(24)	(434)	(4)	(482)
Sponsorship	(1)	(88)	(23)	(142)
Shared services	(22)	(72)	(20)	(66)
Depreciation	(962)	(2,881)	(984)	(2,924)
Maintenance	(774)	(2,618)	(865)	(2,529)
Rental	(548)	(2,016)	(676)	(2,135)
Other G&A expenses	(485)	(1,505)	29	(382)
Allocation of E&P projects (b)	8,805	33,561	12,450	32,470
Total	(13,358)	(34,439)	(9,714)	(36,421)

(a) Balance related to sharing of expenses refers to the blocks operated by QGEP, related to its non-operator business partners.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

19. EXPLORATORY EXPENDITURES ON OIL AND GAS EXTRACTION

	Consolidated			
	07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
Write-off of wells	(233)	153	(69)	(9,360)
Acquisition and processing of seismic data	(1,936)	(37,942)	(2,696)	(10,501)
Geological and geophysical expenditures	(335)	(2,337)	(1,187)	(3,041)
General and administrative expenses	(1,786)	(3,958)	(1,002)	(3,068)
Safety, environment and health	(560)	(982)	(292)	(2,030)
Drilling services	(727)	(5,081)	(2,208)	(4,653)
Other exploratory expenditures	(433)	(1,195)	(485)	(1,481)
Total	(6,009)	(51,341)	(7,938)	(34,135)

20. NET FINANCIAL RESULTS

	Parent Company			
	07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
Yields from short-term investments (*)	139	343	128	346
Other financial revenues and expenses	-	(1)	-	(4)
Total	139	342	128	342

	Consolidated			
	07/01/2016 to 09/30/2016	01/01/2016 to 09/30/2016	07/01/2015 to 09/30/2015	01/01/2015 to 09/30/2015
Yields from short-term investments (*)	36,449	17,304	128,260	231,019
Exchange fund	5,609	(70,841)	96,124	150,400
Fixed income	30,840	88,145	32,136	80,619
Other financial revenues and expenses	692	(4,241)	5,153	11,522
Total	37,141	13,063	133,413	242,541

(*) Reflect such financial revenues as CDI rate remuneration for private securities, SELIC remuneration for government securities and US$ variation for the exchange fund (see Note 4).

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

21. SUPPLEMENTARY INFORMATION ON OIL AND GAS E&P ACTIVITIES

a) Rights and commitments with the ANP

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

Phase	Basin	Block/field	Concession date	Stakes	%
Production and development	Camamu - Almada	Manati Camarão Norte (BCAM-40)	Aug, 6, 1998	Petrobras (operator) Queiroz Galvão Exploração e Produção Geopark Brasoil	35 45 10 10
	Santos	Atlanta and Oliva (BS-4)	Aug, 6, 1998	OGX Barra Energia Queiroz Galvão Exploração e Produção (operator)	40 30 30
Exploration	Camamu - Almada	CAL-M-372	Nov, 24, 2004	Petrobras (operator) Queiroz Galvão Exploração e Produção OP Energy	60 20 20
	Santos	BM-S-8	Sep, 15, 2000	Petrobras (operator) (*) Petrogal Barra Energia Queiroz Galvão Exploração e Produção	66 14 10 10
	Foz do Amazonas	FZA-M-90	Aug, 30, 2013	Queiroz Galvão Exploração e Produção (operator) Premier Oil Pacific Brasil (**)	35 35 30
	Espírito Santo	ES-M-598	Aug, 30, 2013	Queiroz Galvão Exploração e Produção Statoil Brasil (operator) Petrobras	20 40 40
	Espírito Santo	ES-M-673	Aug, 30, 2013	Queiroz Galvão Exploração e Produção Statoil Brasil (operator) Petrobras	20 40 40
	Pará-Maranhão	PAMA-M-265	Aug, 30, 2013	Queiroz Galvão Exploração e Produção (operator) Pacific Brasil (**)	30 70
	Pará-Maranhão	PAMA-M-337	Aug, 30, 2013	Queiroz Galvão Exploração e Produção (operator) Pacific Brasil (**)	50 50
	Ceará	CE-M-661	Aug, 30, 2013	Queiroz Galvão Exploração e Produção Total (operator) Premier	25 45 30
	Pernambuco-Paraíba	PEPB-M-894	Sep, 17, 2013	Queiroz Galvão Exploração e Produção (operator) Petra Energia	30 70
	Pernambuco-Paraíba	PEPB-M-896	Sep, 17, 2013	Queiroz Galvão Exploração e Produção (operator) Petra Energia	30 70
	Sergipe - Alagoas	SEAL-M-351	Dec, 23, 2015	Queiroz Galvão Exploração e Produção (operator)	100
	Sergipe - Alagoas	SEAL-M-428	Dec, 23, 2015	Queiroz Galvão Exploração e Produção (operator)	100

The terms for concession of the rights to these blocks are 27 years from the date of approval of the development plan. In the exploratory phase, which precedes the development plan, the terms are defined in the respective Concession Agreement.

(*) Under approval transfer process from ANP to Statoil.

(**) Under approval transfer process from ANP - Note 31 - subsequente events

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

The table below shows the commitments assumed under the Group's current portfolio of interests in O&G exploration and production projects:

						Retainer fee for the area per km² (Amounts in R$)		
Block/field	Guarantee for PEM (% QGEP) R$ million	Year of contract	Subscrip-tion 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
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	48,9	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	507,2	10%	95.49	190.98	954.9
CE-M-661	33,9	2013	10,116	760,900	10%	31.25	62.50	312.50
SEAL-M-351	18,3	2015	63,860	756,86	10%	875.73	1,741.76	8,757.30
SEAL-M-428	18,3	2015	36,143	746,24	10%	875.73	1,741.76	8,757.30
BM-S-8	-	2000	-	392,000	10%	396.02	792.04	3,960.20
Atlanta/Oliva (BS-4)	-	2000	-	199,6	7,8%	200.00	400.00	2,000.00
Total	251		195,472					

As of September 30, 2016, the remaining Minimum Exploration Program ("PEM") commitments for the concessions described in table above, prior to the ANP's 11th Round of Bidding (see Note 1), comprise the drilling of one pioneering well in BM-CAL-12 (CAL-M-372 Block), scheduled to start in 2017/2018.

For the blocks acquired in the ANP's 11th bidding round, there is a commitment to drill wells in the FZA-M-90, EC-M-661, M-PAMA-337 and ES-M-598 blocks, and drilling operations are scheduled to start in 2018.

For the blocks acquired in the ANP's 13th Round, there are no well-drilling commitments for blocks SEAL-M-351 and SEAL-M-428.

The commitments for Block BM-S 8 discovery evaluation comprise: (i) drilling two wells (Carcará and Guanxuma), and (ii) conducting formation testing on Carcará NW. Long-duration testing predicted was replaced by drilling and well testing atCarcará N.

Subsidiary QGEP holds 45% of the Manati field, which started its production in January 2007 and has decommissioning (ARO) obligations.

Due theconclusion of acquisition of 3D seismic on Espirito Santo and Foz do Amazonas blocks, and 2D seismic on Sergipe-Alagoas blocks, QGEP requested to ANP deduction of PEM of each block on the amount of R$33,900. Once approved by the ANP, our Guarantee Letters will be reduced by this amount.

The following payments of government and third-party are expected to be made to QGEP (company that merged Manati upstream):

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

- Royalties - These amounts are paid over at 7.5% of the higher of the benchmark price or sales revenues, payable from the start of production of the concession area. In the period ended September 30, 2016, the amount of R$28,601 in royalties was accrued (R$27,659 in the period ended September 30, 2015) on production from the Manati field, of which R$2,574 (R$3,230 in the year ended December 31, 2015) remains in liabilities as of that date. These expenditures are recognized as costs in the income statement.
- Special participation - These are government takes provided for by Article 45, paragraph III, of Law 9478/97, which consist of financial compensation due by oil and natural gas production concessionaires, in the case of large production volumes or high profitability, as defined in the regulatory decree of 2.705/98. Such government takes are to be paid for each field in a given concession area as from the quarter in which such field starts production. In the period ended September 30, 2016, the Company recognized R$5,192 (R$5,782 in the period ended September 30, 2015) by way of government takes in the income statement as costs, of which R$1,405 (R$2,906 as of December 31, 2015) remain under liabilities as trade accounts payable as of that date.

- Payment for concession area occupation and retention - During the exploration, development and production stage the Company disbursed R$577 for the period ended September 30, 2016, recognized in the income statement as operating costs and exploration costs (R$451 for the period ended September 30, 2015).

b) Information on reserves

The net proven gas reserves of subsidiary QGEP in the 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, which is based on geological analysis and engineering information, 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 commercial gas reserves are as follows:

	Total gas reserves (millions of m^3) *
Proven commercial reserves to 100% interest as of December 31, 2015 (estimated by Gaffney, Cline & Associates -GCA) (*)	9,690
Production in the first semester of 2016	(1,403)
Remaining commercial reserves as of September 30, 2016 (not estimated by GCA) (*)	8,287

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

(*) not reviewed by independent auditors

(**) This is the amount estimated based on the reserves certified in December 2015 by specialized experts, less the monthly gas production through September 30, 2016, and adjusted by the amendment to the agreement for sale of gas from the Manati Field signed by QGEP and Petrobras on July 16, 2015 (see Note 5).

c) Guarantees

As of September 30, 2016, the Company has guarantees, in the form of guarantee insurance, filed with the ANP in the total amount of R$356,639. Such guarantees cover PEM's established in the concession agreements for the exploration areas in the amount of R$ 250,983, and development of the latter field in the amount of R$105,656.

QGEPP is guarantor in partnership with Teekay in the amount of US$ 14,400 (R$46,745 at the official exchange rate (PTAX) in effect as of September 30, 2016 and R$ 56,229 (PTAX) in December 31, 2015), relating to the 10% share of the obligations of AFBV in the charter party for the Petrojarl 1 FPSO vessel.

22. COMMITMENTS

As of September 30, 2016, the Group had commitments contracted for supply and operation of materials and equipment, including the leasing of vessel, as well as with suppliers that involve technical advisory services, with various maturities for the exploration and development campaign, as per the following financial timetable:

	Consolidated (*)		
	2016	2017	2018 onwards
Total commitments	27,336	141,537	360,135

(*) The amount represents QGEP's share in the consortiums where it serves as operator,

23. FINANCIAL INSTRUMENTS

a) General considerations

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

The Company does not use derivative financial instruments for speculative purposes, thus reasserting its commitment with the conservative cash management policy, either with respect to its financial liabilities or cash and cash equivalents.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

b) Category of financial instruments

	09/30/2016			
	Parent Company		Consolidated	
	Carrying value	Fair value	Carrying value	Fair Value
Financial assets				
Held to maturity				
Restricted cash	-	-	115,440	115,440
Loans and receivables				
Cash and banks	47	47	26,224	26,224
Trade accounts receivable (i)	-	-	86,963	86,963
Related parties	-	-	12,220	12,220
Fair value through profit and loss (VFTPL)				
Cash equivalents (ii)	-	-	77,800	77,800
Short-term investment (ii)	-	-	1,129,712	1,129,712
Financial liabilities				
Amortized cost				
Trade accounts payable (i)	36	36	66,079	66,079
Related parties	-	-	1,062	1,062
Loans and financings (ii)	-	-	368,114	271,591

	12/31/2015			
	Parent Company		Consolidated	
	Carrying value	Fair value	Carrying value	Fair Value
Financial assets				
Held to maturity				
Restricted cash	-	-	86,787	86,787
Loans and receivables				
Cash and banks	100	100	76,095	76,095
Trade accounts receivable (i)	-	-	102,615	102,615
Related parties	-	-	6,975	6,975
Fair value through profit and loss (VFTPL)				
Cash equivalents (ii)	-	-	104,577	104,577
Short-term investment (ii)	-	-	1,099,274	1,099,274
Financial liabilities				
Amortized cost				
Trade accounts payable (i)	71	71	71,663	71,663
Related parties	-	-	420	420
Loans and financings (ii)	-	-	369,643	280,763

CPC 46 / IFRS 13 defines fair value as the value/price that would be received on the sale of an asset or paid on the transfer of a liability in an ordinary transaction between market players as of the measurement date. The standard sets out that the fair value should be based on assumptions used by market players when determining the value/price of an asset or liability and sets a hierarchy that prioritizes inputs used to develop these assumptions.

The fair value hierarchy places higher importance on available market inputs (i.e. observable data) and lower importance to non-transparent data (i.e. unobservable data). Additionally, the standards require that a company should take into consideration all aspects of the nonperformance risk, including its own credit, when measuring the fair value of a liability.

CPC 40 / IFRS 7 establishes a three-level fair value hierarchy to measure and disclose the fair value. The classification in the fair value hierarchy is based on the lowest level of significant input used when measuring fair value. The three-level fair value hierarchy is described below:

Level 1 - Inputs are determined based on prices quoted in active markets for identical assets and liabilities on measurement date. Additionally, a company should be authorized to conduct transactions in such active market and the price cannot be adjusted by the company itself.

Level 2 - Inputs used are the prices quoted in Level 1, which are observable for an asset or liability, either directly or indirectly. Level 2 inputs include prices quoted in an active market for similar assets or liabilities, prices quoted in an inactive market for identical assets or liabilities; or inputs that are observable or can corroborate a market data by means of correlation or other methods for substantially all the asset or liability.

Level 3 - Unobservable inputs are those arising from few or no market activity. These inputs correspond to the best estimate of a company's management best estimate as to how market players can determine a value/price for these assets or liabilities. Level 3 assets and liabilities are usually measured using pricing models, discounted cash flows or similar methodologies that require significant judgment or estimate.

The fair values estimated by Management were determined according to Level 2 for these financial instruments:

(i) The amounts related to trade accounts receivable and payable do not differ significantly from their fair values as the receipt/payment term of these amounts does not exceed 60 days;
(ii) Fair value measurements are calculated based on other directly observable variables (that is, prices) or indirectly observable variables (derived from prices).

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

c) Liquidity risk

The Company manages its liquidity risk maintaining adequate reserves and approved credit facilities 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 table below shows in detail the maturity of outstanding financial liabilities:

	Parent Company	
	Up to 1 yr,	Total
Trade accounts payable	36	36
Total	36	36

	Consolidated				
	Up to 1 month,	1-3 months,	Up to 1 yr,	Up to 10 yrs,	Total
Trade accounts payable	64,368	1,667	12	32	66,079
Related parties	-	-	1,062	-	1,062
Loans and financings	-	-	36,452	331,662	368,114
Total	64,368	1,667	37,526	331,694	435,255

d) Credit risk

The credit risk is minimized by the fact that the Company's sales are basically made to Petrobras (99.4% in the period ended September 30, 2016, and 97.6% in the period ended December 31, 2015). The risk, represented by the fact that most transactions are conducted with one customer (Petrobras), controlled by the Brazilian Federal Government, is considered by the Company's management as immaterial, since historically it has no record of defaults or late payments. In the period ended September 30, 2016, no losses on receivables from Petrobras were recorded.

The credit risk in transactions with the consortium members and consortiums is described in note 6.

e) Interest rate risk

The Company uses funds raised in the initial public offering and generated by operating activities to manage its operations and ensure its investments and growth. Short-term investments in marketable securities are basically pegged to the floating rate CDI, while part of loans and financings are pegged to the TJLP.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

Interest rate sensitivity analysis

Operation	Balance at 09/30/2016	Risk	Probable scenario (a)	Scenario I - Drop of 25%	Scenario II - Drop of 50%
Annual CDI rate as of September 30, 2016 (14,13%)	866,734				
Cash equivalents and short-term investments (current and noncurrent) - effective		Cut in CDI rate			
Estimated annual CDI rate as of December 31, 2016			14.13%	10.60%	7.07%
Cash equivalents and short-term investments - estimated		Cut in CDI rate	989,204	954,260	919,316
Estimated revenues for year ended December 31, 2016			122,470	87,526	52,582
Effect of reduction in revenues from yields from short-term investments as of December 31, 2016			-	(34,944)	(69,887)

(a) Probable CDI rate for the year 2016, as per Focus report issued by the Brazilian Central Bank on October 28, 2016.

Operation	Balance at 09/30/2016	Risk	Probable scenario (a)	Scenario I - Drop of 25%	Scenario II - Drop of 50%
Annual CDI rate as of September 30, 2016 (14,13%)	115,440				
Estimated annual CDI rate as of December 31, 2016			14.13%	10.60%	7.07%
Restricted cash - estimated as of December 31, 2016		Cut in CDI	131,752	127,098	122,443
Estimated revenues for year ended December 31, 2016			16,312	11,658	7,003
Effect of reduction in revenues from short-term investments in 2016			-	(4,654)	(9,308)

(a) Probable CDI rate for the year 2016, as per Focus report issued by the Brazilian Central Bank on October 28, 2016.

Operation	Balance at 09/30/2016	Risk	Probable scenario (a)	Scenario I - Drop of 25%	Scenario II - Drop of 50%
TJLP as of September 30,2016 (7.5% p.a.)	129,350				
Loans and financings:					
FINEP	129,587(b)	Rise in TJLP			
Loans and financings:					
Estimated TJLP rate for December 31, 2016		Rise TJLP	7.5%	9.38%	11.25%
Estimated expense as of December 31, 2016			9,701	12,308	14,916
Loans and financings- estimated as of December 31, 2016			139,051	141,658	144,266
Effect of increase in expenses on loans and financings in the year ended December 31, 2016			-	2,607	3,214

(a) As per the web site of the Brazilian Economic & Social Development Bank (BNDES).

(b) Amount refers only to the portion of Subloan B of the FINEP loan.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

f) Exchange rate risk

This risk basically derives from the effect of an exchange rate appreciation on foreign currency transactions,

Exchange rate sensitivity analysis

The table below shown the sensitivity analysis in the case of a US$ appreciation against the Brazilian Real (R$) and the impact on Company transactions denominated in dollars, contracted by the Company,

		Consolidated			
		09/30/2016			
		Probable scenario (a)		Scenario	
	Risk	Balance in US$	Balance in R$	Possible (25%)	Remote (50%)
Effective exchange rate as of September 30, 2016 (US$ 1,00 = R$ 3,25)					
Operation					
Exchange fund - assets	Drop in US$	104,978	340,779	340,779	340,779
Estimated average annual exchange rate for the US$ as of Dec, 31, 2016			3.43	2.57	1.72
Estimated exchange fund as of December 31, 2016			360,074	270,055	180,037
Effect on income and equity as of December 31, 2016			19,925	(70,724)	(160,742)
Effect of reduction in financial revenues for the year ended Dec, 31, 2016			-	(90,018)	(180,037)

(a) Probable CDI rate for the year 2016, as per Focus report issued by the Brazilian Central Bank on October 28, 2016.

24. SHAREHOLDERS' EQUITY

i. Capital stock

The Company's paid-in capital as of September 30, 2016 and December 31, 2015 is R$2,078,116, represented by 265,806,905 registered common shares without par value, net of R$ 57,380 in share issuance costs. The breakdown of the capital stock as of September 30, 2016 and December 31, 2015, is set out as follows:

Shareholders	Number of common shares	% equity interest
Queiroz Galvão S,A,	167,459,291	63,0
FIP Quantum	18,606,588	7,0
Floting shares	71,575,162	26,9
Treasury shares	7,954,632	3,0
Administrators	211,232	0,1
Total	265,806,905	100,0

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

ii. Earnings per share

Basic earnings per share are determined by dividing income for the year by the weighted average number of all classes of shares outstanding during the year. Diluted earnings per share are determined including stock options, where applicable, granted to key officers and employees using the treasury stock method when the effect is dilutive.

The equity instruments that will or could be settled with Company shares are included in the calculation only when their settlement has a dilutive impact on earnings per share,

	07/01/2016 a 09/30/2016	01/01/2016 a 09/30/2016	07/01/2015 a 09/30/2015	01/01/2015 a 09/30/2015
Basic and diluted earnings per share				
Numerator:				
Net income for the year	62,955	101,705	118,873	253,018
Denominator (thousands of shares):				
Average weighted number of common shares	257,852	257,852	257,852	257,852
Basic and diluted earnings per share (Reais/centavos)	0.24	0.38	0.46	0.98

Basic earnings and diluted earnings per common share are the same, since as of September 30, 2016 and September 30, 2015 the stock options are out of money and, therefore, do not affect the calculation of diluted earnings per share.

iii. Stock option plan

The Company's Board of Directors, within the scope of its duties and in conformity with the Company's Stock Option Plan, approved the grant of preferred stock options to the Company's management and key senior executive officers. Twenty per cent of the stock options of the 2011 to 2014 grants become vested in the first year, an additional 30% in the second year, and the remaining 50% in the third year. The stock options under the 2011 to 2016 Plans can be exercised within seven (7) years after the grant date.

The fair value of the stock options was estimated at the stock option grant date using the binomial pricing model and amounts to R$ 1.14 for the 2016 Plan, R$ 1.96 for the 2015 Plan, R$ 2.65 for the 2014 Plan, R$ 4.11 for the 2013 Plan, R$ 5.31 and R$3.87 for the 2012 Plans, and R$9.87 for the 2011 Plan.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

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

	Plan 2016	Plan 2015	Plan 2014	Plan 2013	Plan 2012 - 2nd grant	Plan 2012 - 1st grant	Plan 2011
Date of Board meeting	02/23/2016	03/12/2015	02/24/2014	03/11/2013	05/28/2012	03/23/2012	04/29/2011
Total stock options granted	2,334,915	2,334,915	2,296,500	2,120,319	550,000	1,941,517	1,097,439
Stock option strike price	R$4.88	R$6.36	R$8.98	R$12.83	R$12.81	R$14.17	R$19.00
Fair value on grant date	R$1.14	R$1.96	R$2.65	R$4.11	R$3.87	R$5.31	R$9.87
Estimated share price volatility	33.86%	36.96%	43.36%	43.92%	49.88%	53.24%	59.24%
Expected dividend	3.59%	2.47%	3.84%	1.89%	1.93%	1.93%	2.35%
Risk-free rate of return	7.25%	6.39%	6.20%	3.81%	4.06%	4.69%	6.36%
Duration of option (in years)	7	7	7	7	7	7	7

Changes in the stock options in the past four years, through September 30, 2016, have been as follows:

	Number of stock options	Weighted average exercise price (Reais and centavos
Options in circulation as of December 31, 2013	5,709,275	R$ 14.70
Options granted in the period - 02/24/2014	2,296,500	R$ 8.98
Options in circulation as of December 31, 2014	8,005,775	R$ 13.56
Options granted in the period - 03/12/2015	2,334,915	R$ 6.36
Options in circulation as of December 31, 2015	10,340,690	R$ 12.36
Options granted in the period - 02/23/2016	2,334,915	R$ 4.88
Options in circulation as of September 30, 2016	12,675,605	R$ 11.29

The strike price range and the average maturity of outstanding options, as well as the strike price range for the exercisable options for the period ended September 30, 2016, are summarized below:

	Options in circulation			Vested options	
Plans	Options in circulation as of 09/30/16	Average remaining maturity in years	Strike price in R$	Vested options as of 09/30/16	Average strike price in R$ (*)
2016 Plan	2.334,915	7	4.88	-	4.88
2015 Plan	2,334,915	7	6.36	-	6.99
2014 Plan	2,296,500	7	8.98	1,977,775	10.74
2013 Plan	2,120,319	7	12.83	1,766,933	16.15
2012 Plan - 2nd grant	550,000	7	12.81	550,000	17.36
2012 Plan - 1st grant	1,941,517	7	14.17	1,941,517	19.12
2011 Plan	1,097,439	7	19.00	1,097,439	26.89

(*) Updated annually according to the Brazilian National Consumer Price Index (INPC),

For the period ended September 30, 2016, the Company recognized in equity a share based compensation result amounting to R$ 3,017, including Plan, R$293 for the grant of the 2013 Plan, R$838 for the grant of the 2014 Plan, R$1,240 for the grant of the 2015 Plan and R$646 for the grant of the 2016 Plan, with a contra entry in the income statement as personnel cost.

The reduction in the balance as of September 30, 2016, when compared with the 2015 figures, is due to revision of the premises relating to service conditions of the respective grants of plans for previous years, as well as non-recognition of an expense for the 2011 and 2012 Plans (as duration of the option under that plan was just 3 years).

25. TREASURY SHARES

The Company has authorized a program for buy-back of common shares of paid in capital that it has issued. All such shares are book-entry, registered shares without par value, to be held in treasury and subsequently cancelled or sold to implement the grant programs under the Stock Option Plans for the years 2011 to 2014.

Plans	Date buy-back was authorized	Volume repurchased
2011 Plan	04/24/2012	1,097,439
2012 Plan	07/09/2012	2,491,517
2013 Plan	05/06/2013	2,120,319
2014 Plan	02/24/2014	2,245,357

The changes in the position of treasury stock over the course of the past five years is as follows:

	Common shares (*)	R$ 000
Balances as of December 31, 2011	-	-
Changes in the period		
Grant for 2011 stock option plan	1,097,439	9,107
Grant for 2012 stock option plan	2,491,517	29,792
Balances as of December 31, 2012	3,588,956	38,899
Grant for 2013 stock option plan	2,120,319	23,601
Balances as of December 31, 2013	5,709,275	62,500
Grant for 2014 stock option plan	2,245,357	18,507
Balances as of December 31, 2014, 2015 and September 30, 2016.	7,954,632	81,007

(*) Number of shares

Historic costs of acquisition of shares of treasury stock (R$ and cents per share):

Minimum	7.88
Average	10.60
Maximum	13.39

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

Market value of treasury shares

The market value of the common shares held as treasury shares as of September 30, 2016, is calculated as follows:

Number of shares in treasury	7,954,632
Quotation for share on Brazilian Stock Exchange (BM&FBOVESPA)	R$ 4.65
Market value (R$ Th)	36,989

The number of shares held in treasury as of September 30, 2016 represents 3.0% of the total common shares issued by the Company.

26. INSURANCE

The principal Company assets or interests covered by insurance policies taken out and the respective coverage amounts are as follows:

	Effective coverage term		Insured sums
Type of insurance	Beginning	Expiration	September 2016
General and civil liability	07/21/2015	07/05/2017	454,396
Petroleum and operating risks	07/21/2015	07/05/2017	667,251
Total			1,121,647

27. PENSION PLAN BENEFITS

Direct subsidiary QGEP offers a private pension plan to all employees and directors. It involves a defined contribution plan, of which up to 12% of the monthly salary is contributed by the employee and up to 6.5% by the employer, according to the hierarchical level. The plan is managed by Bradesco Vida e Previdência under two regimes: 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.

(Amounts expressed in thousands of Brazilian Reais - R$, except as otherwise indicated)

The total expense recognized in the consolidated income statement, refers to contributions to be paid as rates specified by the rules of such plan.

	Parent Company			
	07/01/2016 a 09/30/2016	01/01/2016 a 09/30/2016	07/01/2015 a 09/30/2015	01/01/2015 a 09/30/2015
Private pension expenses	(23)	(54)	(23)	(67)
Total	(23)	(54)	(23)	(67)

	Consolidated			
	07/01/2016 a 09/30/2016	01/01/2016 a 09/30/2016	07/01/2015 a 09/30/2015	01/01/2015 a 09/30/2015
Private pension expenses	(217)	(883)	(324)	(927)
Total	(217)	(883)	(324)	(927)

28. SUPPLEMENTARY CASH FLOW INFORMATION

Changes in assets and liabilities not affecting the Company's cash flows are as follows:

	09/30/2016	09/30/2015
Suppliers of property, plant and equipment	13,973	3,907
Exchange rate of provision for ARO	(42,492)	126,526
Capitalized borrowing charges	27,428	17,880

29. APPROVAL OF THE FINANCIAL STATEMENTS

On November 7, 2016, the Board of Directors approved the financial statements and authorized filing them with the Brazilian Securities Commission (CVM).

30. SEASONALITY

The Company's E&P activities are not seasonally affected throughout the period, except for particular exploration areas subject to environmental restrictions during certain times of the year.

31. EVENTOS SUBSEQUENTES

On October 14, 2016 QGEP announces today that it signed an agreement to assume the working interest that its partner, Pacific Brasil Exploração e Produção de Óleo e Gás Ltda. ("Pacific") holds in three exploratory blocks in the Foz do Amazonas and the Pará- Maranhão basins ("PAMA").

As part of the agreement, Pacific will pay the outstanding amount due to QGEP related to the acquisition of seismic for the PAMA blocks, and will compensate QGEP for part of the minimum financial obligations, which amount to US$10 million. This transaction will result in QGEP becoming the only concessionaire in the PAMA blocks, enabling future farm-out operations in these areas.

The additional amount of QGEP's commitments to the Minimum Exploratory Program (PEM) based on its increased participation in these blocks is R$132 million. This amount will be reduced to R$86 million until the end of next year, taking into consideration the rebate from obligations related to seismic already acquired in these blocks.

The transaction is subject to the approval by the ANP and other regulatory entities.

32. BOARD OF DIRECTORS

Board of Directors	**Directors**
Antonio Augusto de Queiroz Galvão	Lincoln Rumenos Guardado
Mauricio José de Queiroz Galvão	Paula Vasconcelos da Costa Corte-Real
Ricardo de Queiroz Galvão	Danilo Oliveira
José Augusto Fernandes Filho	
Leduvy de Pina Gouvêa Filho	
Luiz Carlos de Lemos Costamilan	
José Luiz Alqueres	

Fiscal Council	**Controller and responsible accountant**
Sérgio Tuffy Sayeg	Ana Glória Nogueira de Oliveira Nogueira
José Ribamar de Lemos de Souza	Fernanda Amaral Britto
Axel Erhard Brod	

queiroz galvão
QGEP PARTICIPAÇÕES

DECLARATION OF THE BOARD OF EXECUTIVE OFFICERS ON THE REPORT OF THE INDEPENDENT AUDITORS - SUBSECTION VI OF ARTICLE 25 OF CVM INSTRUCTION 480/09

In conformity with sub-item V of article 25, CVM Instruction 480 of December 7 2009, the Board of Executive Officers of QGEP PARTICIPAÇÕES S.A. declares that it has reviewed and discussed the content and opinion expressed in the report of the Independent Auditors on the Company's Financial Statements for the period ended September 30, 2016.

November 7, 2016.

Lincoln Rumenos Guardado
CEO

Paula Vasconcelos da Costa Corte-Real
CFO

Danilo Oliveira
Director

queiroz galvão
QGEP PARTICIPAÇÕES

STATEMENT FROM THE BOARD OF EXECUTIVE OFFICERS ON THE FINANCIAL STATEMENTS - SUBSECTION VI OF ARTICLE 25 OF CVM INSTRUCTION 480/09

We declare, as Directors of QGEP PARTICIPAÇÕES S.A., based on Avenida Almirante Barroso, nº 52, sala 1301 (parte), Centro, Cidade do Rio de Janeiro, Estado do Rio de Janeiro, registered on number 11.669.021/0001-10 ("Company") pursuant to subsection VI of Article 25 of CVM Instruction 480 of December 7, 2009, that it has reviewed, discussed and agreed to the Company's Financial Statements for the period ended September 30, 2016, authorizing their conclusion as of this date.

November 7, 2016.

Lincoln R. Guardado

Lincoln Rumenos Guardado
CEO

Paula Vasconcelos da Costa Corte-Real
CFO

Danilo Oliveira
Director