SECOND QUARTER OF 2018

Earnings Release QGEP Participações S.A.

Conference Call

Portuguese (simultaneous English translation)
August 09, 2018
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queiroz galvão
EXPLORAÇÃO E PRODUÇÃO

QGEP Reports 2Q18 Results

Rio de Janeiro, August 8, 2018 – QGEP Participações S.A. (B3: QGEP3), a leading Brazilian Exploration & Production company with a unique portfolio of producing, developed and exploratory oil and gas assets, today announced results for the second quarter ended June 30, 2018. The financial and operating data in this press release, except where indicated otherwise, are presented on a consolidated basis as per the accounting practices adopted in International Financial Reporting Standards (IFRS), as described in the financial section of this release.

Manati Field

Average daily gas production was 4.9MMm³ in 2Q18, compared to 4.6MMm³ in 1Q18 and 4.5MMm³ in 2Q17. The increase in gas demand is the result of higher demand from thermoelectric plants.

Based on year-to-date production figures and our current outlook for the market, **we confirm our guidance of 5.1MMm³ of average daily production of gas for 2018.**

Atlanta Field

The Atlanta Field produced its first oil on last May 2. Average daily production in the quarter was almost 10,000 barrels, considering that the field was still in the stabilization phase. The Consortium has decided to drill a third well in the Field in 1Q19.

Net Revenue

Net Revenue in 2Q18 was R$158.3 million, up 38.1% compared to 2Q17, reflecting higher production in Manati and the contribution from Atlanta Field.

Net Income

Net Income was R$85.2 million in the quarter, compared to R$61.0 million in 2Q17, reflecting higher operating income.

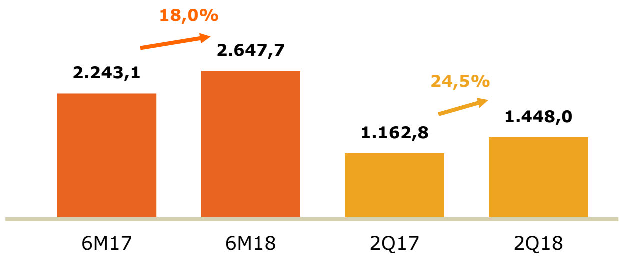
EBITDAX

EBITDAX was R$100.7 million, more than double from the R$45.9 million in 2Q17, primarily due to higher revenue and lower administrative expenses.

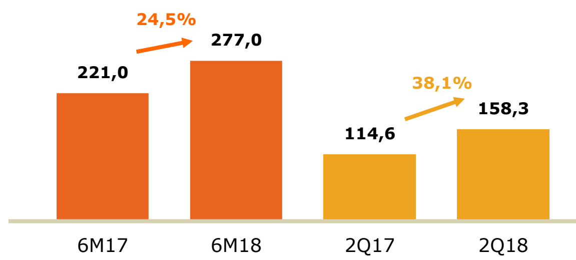
Cash Balance

Cash Balance[1] of R$1.8 billion at quarter-end after the outflow of funds for the payment of dividends of R$400 million.

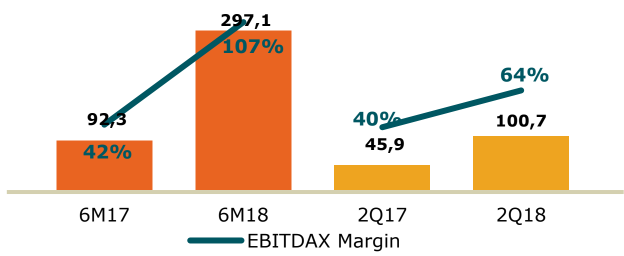
Total Production (Thousand boe)



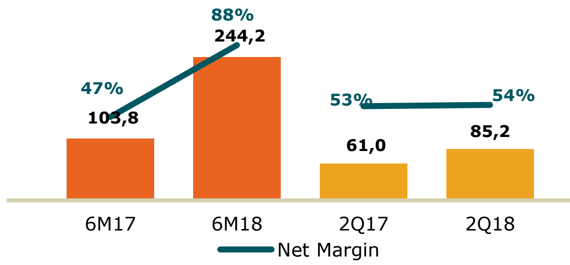
Net Revenue (R$ Million)



EBITDAX (R$ Million)



Net Income (R$ Million)



[1] Includes cash, cash equivalents and marketable securities

Management Commentary

The second quarter marked another period of progressive growth for QGEP. We continued to implement our strategy and position the company for the future. The highlight of the period was the commencement of oil production from the Atlanta Field on May 2, which led to the diversification of our revenue sources.

Our total production reached over 1.45 thousand barrels of oil equivalent (boe) in the quarter, or 16 thousand boe per day, a significant increase over year-ago levels. Additionally, we began the acquisition of 3D seismic for our key exploration blocks in the Sergipe-Alagoas Basin and moved ahead with actions to further optimize our asset portfolio.

We achieved positive revenue and EBITDA performance in this year's second quarter, posting significant growth compared to the similar period last year and to the prior quarter, exclusive of the one-time gain on asset sale recorded in this year's first quarter. The results we reported for the second quarter reflected operating progress, driven by higher natural gas production from the Manati Field and the initial oil production from the Atlanta Field.

Gas production from the Manati Field averaged 4.9MMm³ per day in the period, ahead of the 4.5MMm³ produced in last year's second quarter and the 4.6MMm³ per day produced in the 2018 first quarter. Higher production levels resulted primarily from dryer weather conditions in the period that required thermal power plants in northeastern Brazil to complement the generation of hydroelectric power. With the improvement in demand, production in July reached 5.2MMm³ per day, leading to the January to July 2018 average daily production to 4.8MMm³. Based on year-to-date production figures and our current outlook for market and weather conditions in the second half of this year, we are pleased to re-affirm our guidance of approximately 5.1MMm³ in average daily gas production for full year 2018.

The highlight of the second quarter was the start of production at the Atlanta Field, which commenced on May 2 of this year. While in the stabilization phase, we reported total production of 593,718 barrels of oil for the two-month period ended June 30th, equating to average daily production of 9,900 barrels. The Atlanta Field reservoir is performing up to our expectations. However, as previously-reported, the well pumps failed after a short period of operation, and the wells are producing through the pumps on the seabed, which has reduced current production levels to about 13,000 barrels per day. The Consortium is studying measures to increase production, but at this moment we estimate that average production will remain at around 13,000 barrels of oil per day until the beginning of the third well production expected to the second quarter of 2019. By the end of this month, we will finalize the tender to charter a rig to drill the third well and drilling should be initiated in the the first quarter 2019.

With respect to our exploratory assets, we continue to be quite enthusiastic about our position in the Sergipe-Alagoas Basin, where QGEP has a 30% interest in six adjacent blocks in partnership with ExxonMobil and Murphy Oil. We already have initiated acquisition of 3D seismic data for all the blocks, which we expect will be concluded by the end of the third quarter of this year. Interpretations of this data will take place throughout 2019, and drilling could be initiated as early as 2020. Prospects already identified in these areas are considered by QGEP as medium to low exploratory risk with potential for high volumes and are located near several discoveries in adjacent blocks.

Additionally, we are moving ahead with the farm-out process that we launched earlier this year. Our initial focus is to reduce our stake in the two blocks of Pará-Maranhão Basin, in which we hold a 100% interest. We are awaiting the environmental license for our block located at the Foz do Amazonas Basin before proceeding further with a farm-out process for that asset.

QGEP's first half of 2018 results have further strengthened our financial position, increasing operating cash flow and our cash position. As we assess our capital allocation plans for the second half of this year, our priorities are: (i) to maintain the requisite financial flexibility to continue to fund core development and exploration programs, (ii) to retain the ability to acquire assets that offer significant growth potential paired with reasonable risk, and (iii) to reward our shareholders through dividend payments. We effected a total dividend of R$1.54 per share in the second quarter of this year and will continue to assess such opportunities in light of the capital required for us to unlock the value of our existing asset base, and the opportunities we see on the horizon.

Our focus has been on delivering strong financial results, through the start of Atlanta Field production, the monetization of our Carcará discovery and distribution of a special dividend to shareholders. We also optimized our asset portfolio through the acquisition of two additional blocks in the Sergipe-Alagoas Basin.

These are exciting times for the Brazilian oil and gas industry. We are pleased with the progress we have made to-date and the positioning that QGEP has developed within this growth sector.

QGEP's Assets

Basin	Block/ Concession	Field/ Prospect	QGEP Working Interest	Resource Category	Fluid
Camamu	BCAM-40	Manati Camarão Norte	45%	Reserve Contingent	
	CAL-M-372	CAM#01	20%	Prospective	
Santos	BS-4	Atlanta Oliva Piapara	30%	Reserve Contingent Prospective	
Espírito Santo	ES-M-598		20%	Prospective	
	ES-M-673		20%	Prospective	
Foz do Amazonas	FZA-M-90		100%	Prospective	
Pará-Maranhão	PAMA-M-265		100%	Prospective	
	PAMA-M-337		100%	Prospective	
Ceará	CE-M-661		25%	Prospective	
Pernambuco-Paraíba	PEPB-M-894		30%	Prospective	
	PEPB-M-896		30%	Prospective	
Sergipe-Alagoas	SEAL-M-351		30%	Prospective	
	SEAL-M-428		30%	Prospective	
	SEAL-M-501		30%	Prospective	
	SEAL-M-503		30%	Prospective	
	SEAL-M-430		30%	Prospective	
	SEAL-M-573		30%	Prospective	

Oil Gas

QGEP's Assets
Production and Development

MANATI
Block BCAM-40; Working interest: 45%

In the 2Q18, the gas production of the Manati Field totaled 199.2 million m^3 while condensed production totaled 16,739 bbl, net to QGEP. Total average daily gas production at Manati, one of the main gas suppliers in the Northeast Brazilian region, was 4.9MMm³ in the second quarter of 2018, representing increases of 9.3% from the 4.5MMm³ produced in the same period in 2017 and 5.9% from the 4.6MMm³ reported in the first quarter of 2018. This increased production level is attributable to a lack of rainfall that resulted in increased demand for natural gas to fuel thermal power plants.

For the first half of 2018, average daily production was 4.8MMm³, up 10.2% from the similar period in 2017. In July, production reached 5.2MMm³ per day, allowing QGEP to reaffirm its guidance for full year 2018 average daily production of 5.1MMm³, based on expectations that current weather conditions will continue in the second half of this year, and that industrial demand will remain stable.

The reserve certification for Manati Field prepared by Gaffney, Cline & Associates (GCA) updated on December 31, 2017 indicated that 2P reserves for 100% of the Field totaled 7.6 billion m³ of natural gas and 0.8 million barrels of condensed gas, corresponding to approximately 48.4 million boe of gas.

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

First oil flowed from the Atlanta Field on May 2, 2018, from the first well followed 10 days later with initial production from the second well. Total production, net to QGEP, was 178,115 bbl of oil, equivalent to an average daily production of 10 kbbl per day for the period, and is currently averaging close to 13 kbbl per day, using the pumps on the seabed. In this scenarium, the Company estimates that average production will remain at around 13 kbbl of oil per day until the beginning of the production of the third well in the Early Production System (EPS). The Consortium has elected to drill a third well in the Atlanta Field in the first quarter of 2019, which is expected to increase daily production by nearly 10kbbls without a significant increase in operating costs.

Production is being limited by the malfunction of the pumps inside the wells, which prevents production from reaching the levels previously forecasted. The Consortium is evaluating the replacement of the well pumps that currently are non-operational, right after drilling the third well to increase production.

Excluding one-time expenses associated with the start-up of Atlanta Field production, overall daily operating expenses are US$410 thousand/day. After the first 18 months of production, operating costs are expected to be US$480 thousand/day. Daily FPSO charter rates will fluctuate according to some variables, which are largely tied to the Brent oil price.

The Company has a crude oil sales agreement with Shell, for all of the Atlanta Field EPS oil production. In 2Q18, three offloads were completed totalling 146,208 bbl of oil net to

QGEP, with the oil destined for refineries on the west coast of the United States and in Asia.

In 2019, the Consortium will evaluate the benefits of moving ahead with a Full Development (FD) at Atlanta, which would entail the drilling of up to nine additional wells and bring maximum production capacity to nearly 75 kbpd by 2021. The Company's 2019 capital expenditure plans include US$30 million for this development.

Exploration

SEAL-M-351, SEAL-M-428, SEAL-M-501, SEAL-M-503, SEAL-M-430 E SEAL-M-573

Working Interest: 30%

The Sergipe-Alagoas Basin is an important exploratory play for QGEP. The Company has a 30% ownership in six blocks located in ultra-deep waters in the Basin, 80 to 100km off the coast, and is joined by partners ExxonMobil, operator with 50% working interest, and Murphy Oil, with the remaining 20% interest.

The ultra-deep water region of this basin is considered by QGEP to have high exploratory potential and medium-low risk, with six significant discoveries already registered by Petrobras in adjacent areas. The main oil system in this region of the basin is similar to other discoveries along South American North coast and comparable to important discoveries in the West African coast.

The Company, and its partners, began shooting seismic in the second quarter of 2018 for the six blocks with the expectation of having all of the required data by early 2019. At that point, the consortium will evaluate the seismic data, and develop a drilling plan for the area, as it awaits an environmental license, with potential drilling as early as 2020.

BLOCKS ACQUIRED IN THE 11th ANP BIDDING ROUND

Working Interest: Various

QGEP's has 100% ownership interests in both the PAMA-M-265 and PAMA-M-337 blocks of the Pará-Maranhão Basin and Block FZA-M-90 at the Foz do Amazonas Basin. 3D seismic data acquisition and processing have been completed for the three blocks and QGEP completed its evaluation during the first quarter of 2018. QGEP has opened a data room to a select group of potential partners for the farm-out of the blocks of the Pará-Maranhão Basin and has been receiving indications of interest.

The oil system interpreted for the ultra-deep waters of these basins is similar to the one successfully tested in Sergipe-Alagoas, Guyana and the West African Margin, with reservoirs and contemporary generating sections.

3D Seismic data acquisition and processing for Ceará (CE-M-661) and Espírito Santo (ES-M-598 and ES-M-673) Basins have been completed and Consortia are in the process of interpreting data to better understand the potential for these blocks.

CAL-M-372

Participação: 20%

The activities at CAL-M-372 have been suspended, and the Company continues to await the environmental license from IBAMA. When the license is issued, the Consortium plans to drill a pioneer well targeting the CAM#01 prospect. During this period, the Consortium received the reprocessing of the seismic data and began its interpretation.

Recent Corporate Events

As previously reported, the sale of the BM-S-8 Blockand the farm-out agreements allowed us to re-establish the capital allocation program at the end of 2017. Taking into account the considerable reduction of our future financial commitments resulting from these actions, Management's proposal for the General Shareholders' Meeting of 2018 was a distribution of total dividends of R$400 million, or about R$1.54 per share. The payment of these dividends was made on April 20, 2018 to all shareholders of record on our base on April 11, 2018.

Financial Performance

Income Statement and Financial Highlights (R$ million)

	2Q18	2Q17	Δ%	6M18	6M17	Δ%
Net Revenue	**158,3**	**114,6**	**38,1%**	**277,0**	**221,0**	**25,4%**
Costs	(83,6)	(57,5)	45,5%	(130,2)	(113,2)	15,0%
Gross Profit	74,7	57,2	30,6%	146,8	107,8	36,2%
Operating income (expenses):						
General and administrative expenses	(2,2)	(13,0)	-83,3%	(15,1)	(25,0)	-39,6%
Equity Method	(0,0)	(1,1)	-96,3%	(1,0)	(1,1)	-8,9%
Exploration Expenditures	(3,7)	(12,4)	-70,1%	(18,6)	(18,4)	1,1%
Other net operational expenses	(1,8)	0,0	n.a.	145,5	(0,0)	n.a.
Operating income (Loss)	**66,9**	**30,7**	**118,0%**	**257,6**	**63,4**	**306,7%**
Net Financial Result	35,6	45,8	-22,1%	67,4	65,5	3,0%
Income before income tax and social contribution	102,6	76,5	34,1%	325,1	128,8	152,3%
Income tax and social contribution	(17,4)	(15,5)	12,7%	(80,8)	(25,0)	223,2%
Net income (Loss)	**85,2**	**61,0**	**39,5%**	**244,2**	**103,8**	**135,3%**
Net cash inflows from operating activities	**74,8**	**101,5**	**-26,3%**	**278,6**	**138,1**	**101,8%**
EBITDAX(1)	**100,7**	**45,9**	**119,4%**	**297,1**	**92,3**	**222,0%**

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

(1) EBITDAX is a measure used by the oil and gas industry calculated as follows: EBITDA + exploration expenses with subcomercial and dry wells. The Company calculates EBITDA as profit before taxes and social contributions, net financial results and amortization expenses. EBITDA is not a financial measure according to Brazilian GAAP or IFRS. It should also not be considered

in isolation or as a substitute for net income, as a measure of operating performance, or as an alternative to operating cash flow as a measure of liquidity. Other companies may calculate EBITDA differently than QGEP. Furthermore, EBITDA has limitations which inhibit its usefulness as a measure of the Company's profitability as it does not consider certain costs inherent in the business, which could significantly impact net results, such as financial expenses, taxes and amortization. EBITDA is utilized by the Company as an additional measure of its operating performance.

QGEP's second quarter 2018 financial results reflected successful execution on its strategy, highlighted by the achievement of first oil from the Atlanta Field. Production and profitability increased substantially compared to the similar period in 2017. EBITDAX benefitted from higher production, including two months of production from the Atlanta field and an improved cost structure. The company ended the period with a strong net cash position of R$1.8 billion, which provides significant funds to support the Company's capital allocation program.

Second Quarter 2018 Financial Highlights:

- Net revenue was R$158.3 million, up 38.1% from 2Q17. Of the total, R$126.2 million were recorded by the Manati Field, for a higher production, 9.3% above 2Q17. In addition, revenue included a two-month contribution from the Atlanta Field, which represented 20.2% of the total.

- Total operating costs were R$83.6 million in the quarter, 45.5% higher than the same period of the prior year.
  - Of total costs, R$44.3 million were related to the Manati Field, 22.9% lower than 2Q17. This reduction was mainly due to insurance income of R$8.0 million related to the damaged production line at the Manati Field last year, which reducing the maintenance costs of the period. Higher depreciation and amortization expenses and royalties related to higher production in the period were also included in operating costs. Maintenance costs were R$12.0 million in 2Q17, which was when the Company completed the maintenance program on the Manati platform.
  - In addition, we had R$39.3 million in expenses attributed to the Atlanta Field. Depreciation costs were increased by the beginning of depreciation at this Field. To calculate the amount of the investment recorded in property, plant and equipment, the Company used the Developed Reserve of 17 million barrels, while for the depreciation of the intangible, QGEP used the 1P Reserve of 147 million barrels, according to the GCA certification issued in 2014.

Manati Field	**2Q18**	**2Q17**	**Δ%**	**6M18**	**6M17**	**Δ%**
Depreciation and amortization	19.8	18.2	8.9%	35.6	38.6	-7.8%
Production costs	(6.9)	12.0	-157.3%	(3.6)	22.8	-115.8%
Maintenance costs	9.8	8.9	9.6%	19.0	17.0	11.3%
Royalties	1.6	0.9	73.7%	3.0	1.4	116.0%
Special Participation	1.2	1.2	-4.2%	2.2	2.4	-6.7%
Research & Development	18.9	14.4	31.2%	34.3	27.4	25.0%
Other	0.0	1.9	n.a.	0.5	3.5	-85.3%
TOTAL	**44.3**	**57.5**	**-22.9%**	**91.0**	**113.2**	**-19.6%**

Atlanta Field	2Q18	2Q17	Δ%	6M18	6M17	Δ%
Production costs	22.3	0.0	n.a.	22.3	0.0	n.a.
Maintenance costs	0.0	0.0	n.a.	0.0	0.0	n.a.
Royalties	2.7	0.0	n.a.	2.7	0.0	n.a.
Depreciation and amortization	14.3	0.0	n.a.	14.3	0.0	n.a.
TOTAL	**39.3**	**0.0**	**n.a.**	**39.3**	**0.0**	**n.a.**

- General and administrative expenses totaled R$2.2 million, down 83.3% from the same period of the prior year. The decrease reflects a reversal of the provision referring to the first stock option plan granted in 2011, since the exercise period was expired, which had a positive impact of R$10.3 million under this heading.

- Exploration expenses were R$3.7 million, 70.1% lower than the same period of the prior year. Fewer funds were expended on seismic data this quarter, as payments for this data were concentrated in 1Q18.

- EBITDAX in the period was R$100.7 million, more than double the R$45.9 million in 2Q17, primarily reflecting higher operating income and lower administrative expenses.

- Net financial result was R$35.6 million, compared to R$45.8 million in 2Q17. The financial result for the quarter basically reflects the financial income from the payment of the CDI rate for private securities and the SELIC rate for government securities.

- Net income in 2Q18 was R$85.2 million compared to R$61.0 million in 2Q17, reflecting higher operating income.

- Operating cash flow totaled R$74.8 million, compared to R$101.5 million in 2Q17.

First Half 2018 Financial Highlights:

- Net revenue was R$277.0 million, up 25.4% from 6M17. This increase was driven by higher production from the Manati Field and the start of oil production at the Atlanta Field.

- Exploration expenses were R$18.6 million, stable with the same period of the prior year. Funds were mainly expended on the acquisition or processing of seismic for the six blocks located in Sergipe-Alagoas Basin and meta-oceanographic studies for the Pará-Maranhão and Foz do Amazonas Basin blocks. Total expenses were partially offset by the reversal of R$6.8 million found by QGEP as a non-due amount after audit of BM-S-12 expenses, a block already returned to the ANP.

- Total operating costs were R$130.2 million, 15% higher than the same period of the prior year, due to the increase in costs due to the start-up of the Atlanta Field, partially offset by the reduction in operating costs at Manati Field, mainly due to lower maintenance costs in the period.

- Maintenance costs of Manati were R$3.6 million in the first six months of 2018 compared to R$22.8 million in the same period of 2017 when the Company completed the maintenance program on the Field platform.

- General and administrative expenses totaled R$15.1 million, 39.6% lower than the same period of the prior year. The decrease was primarily due to the reversal of expenses related to stock option plans.

- EBITDAX in the period was R$297.1 million, compared to R$92.3 million in 6M17, primarily reflecting the gain on the sale of Block BM-S-8. In turn, the EBITDAX margin was 107.2%.

- Net financial result was R$67.4 million, stable when compared to R$65.5 million in 6M17. The Company no longer holds cash in exchange rate funds.

- Net income in 6M18 was R$244.2 million compared to R$103.8 million in 6M17, reflecting higher operating income as well as the gain on sale of the Company's interest in Block BM-S-8.

- Operating cash flow totaled R$278.6 million in 6M18, compared to R$138.1 million in 6M17.

Credit with Partners

Of the total amount of R$172.9 million recorded as of June 30, 2018, R$149.7 million refers to 40% share of the participation rights in Block BS-4, whose ownership is in dispute in an arbitral court.

The difference of the total amount relates to other consortium members.

i. Balances with Partners

Reflects expenses incurred in E&P activities that are charged, cash calls that will be either charged to non-operator partners in the respective consortia, or allocated by the operating partners to the Company in blocks not operated by QGEP.

Of the amounts above: R$21.9 million corresponds to the aforementioned 40% owed by Dommo Energia S.A. (named "Dommo", former OGX Petróleo e Gás S.A. – Judicial Recovery) and not paid as of June 30, 2018.

In addition, contributions made by QGEP Netherlands honoring the default of OGX Netherlands B.V at Atlanta Field BV totaled R$23.1 million on June 30, 2018.

Other credits due related to other consortium members: R$23.2 million, related to the period of June 30, 2018.

ii. Participation Rights in Dispute

These reflect expenses incurred by QGEP related to its Block BS-4 disputed share.

As previously disclosed by the Company, and in light of Dommo Energia S.A.'s historical default in payment of its financial obligations to the consortium of Block BS-4, in October

2017, Barra Energia exercised its rights to expel Dommo from the Block BS-4, under the exact terms of the Consortium documents.

Dommo has disputed the validity of its expulsion from Consortium BS-4 in arbitration proceedings before the London Court of Arbitration (LCIA). The share related to the expelled partner reflect 40% of the concession ("Disputed Share"), and, if the court ractifies the expulsion, the Disputed Share will be reallocated to QGEP and Barra from the date of expulsion in the amount of 20% for each, so that the two companies will hold a 50% interest in Block BS-4.

In view of the current production phase of the Atlanta Field and the interim award of the Arbitration Court dated February 21, 2018, while the parties await a decision on the validity of the expulsion of Dommo from the consortium, the revenues from the sale of oil related to the Disputed Share shall be used by the Operator for the payment of royalties, abandonment fund, payment of cash calls, among others and in the proportion due to the Disputed Share. In this sense, said contribution obligations since the date of expulsion amount to R$127.8 million to the present date.

On July 10, 2018, R$20.3 million from oil sale revenue from Disputed Share reduced the referred balance.

As a result of the operation of BS-4 and the commercialization of oil resulting from the operations of BS-4 and pertinent to the Disputed Share, the Company has recorded R$44.2 million as of June 30, 2018 in other accounts receivable and R$44.2 million in other obligations.

Capex and Other Exploratory Expenses

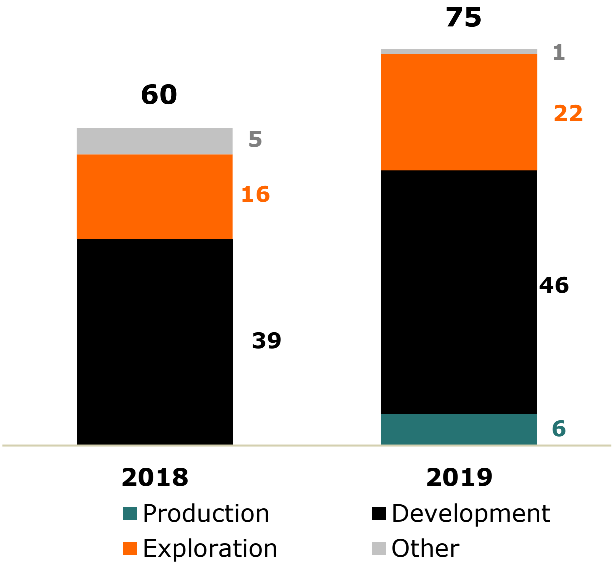
QGEP has funded its required capital expenditures from internally generated funds. Capital expenditures are also being supported with resources received from the sale of Block BM-S-8 and the farm-out agreements. The Company maintains a cash position sufficient to support its funding requirements for the next several years. Investment decisions are planned at the Consortium level for the different assets of the QGEP portfolio, and QGEP accounts for the portion corresponding to its participation in the respective asset.

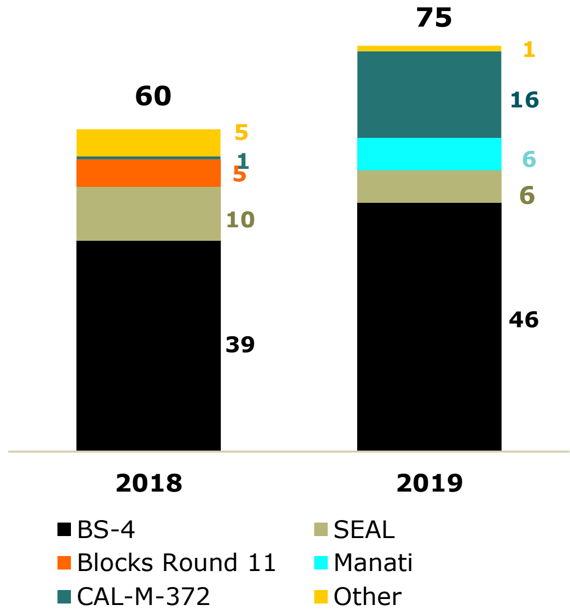
Capital expenditures in 2Q18 were US$19.9 million of which US$14.4 million, or 72% were invested in the Atlanta Field.

The Company expects to invest US$60 million in 2018. This amount includes US$39 million for the Atlanta Field and US$16 million for exploration activities, including US$10 million for activities in the Sergipe-Alagoas Basin, and US$5 million related to seismic acquisition for the blocks acquired in the 11th ANP Bidding Round.

In 2019, total capital expenditures are planned at US$75 million. QGEP plans to invest US$46 million in the Full Development to be implemented in Atlanta Field, which corresponds to 61% of total capex planned for the year. The remaining funds will be utilized for the beginning of the exploratory drilling in Block CAL-M-372 and for investment in Manati.

CAPEX net for QGEP (US$ million)





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

As of June 30, 2018, QGEP had a cash balance of R$1.8 billion up from R$1.4 billion on June 30, 2017. Currently, 100% of the Company's funds are invested in Brazilian real-denominated instruments. As of June 30, 2018 the average annual return of these investments was 99.5% of the CDI, and 65% of the funds had daily liquidity.

QGEP's debt is comprised of financing raised with FINEP (Financing Agency for Studies and Projects) and credit facilities from Banco do Nordeste do Brasil. As of June 30, 2018, QGEP's total debt was R$307.5 million, compared to R$325.2 million at year-end of 2017 and R$342.6 on June 30, 2017, reflecting the ongoing repayment of the FINEP debt that commenced in September 2016.

Funds from FINEP are part of a financing package aimed at supporting the development of the Atlanta Field EPS, and consists of two credit lines, one at a fixed rate of 3.5% per year, and another at a floating rate linked to TJLP. Both have a grace period of three years and a repayment period of seven years. QGEP has a total credit line with FINEP of R$266.0 million. The BNB financing is directed to the operation of the Company's assets in Northeast Brazil. The loan, which carries an interest rate of 4.71% per year with a 15% compliance bonus, has a grace period of five years.

The Company's net cash position as of June 30, 2018 was R$1.8 billion and reflects part of the proceeds from the sale transaction of the Block BM-S-8, after payment of dividends of the Company occurred in April this year, totaling R$400 million.

In July 2017, the Company announced that it had received and accepted an unsolicited offer from Statoil Brasil Óleo e Gás Ltda. to purchase its 10% working interest in Block BM-S-8 for US$379 million. Under the terms of the sale, fifty percent of the total purchase price was to be paid at closing upon receipt of ANP and other regulatory approvals. By the end of March, 2018, QGEP had received R$234.5 million from Statoil for the first and second installments of the transaction. The remaining payment, accounting for 38% of the sale value is due to QGEP upon the signing of the Production Individualization Agreement, or Unitization, of areas.

Investor Relations

QGEP Participações S.A.

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About QGEP

QGEP Participações S.A. is Brazil's only independent company operating in the premium pre-salt area in Santos Basin. QGEP is qualified by the ANP to act as "Operator A" from shallow to ultra-deep waters. The Company has a diversified portfolio of high quality and high potential exploration and production assets. Furthermore, it owns 45% of the concession for the Manati Field located in the Camamu Basin, which is one of the largest non-associated natural gas fields under production in Brazil. Manati Field has been in operation since 2007, and has average production capacity of approximately 5.5 million m^3 per day. Additionally, QGEP is the operator at the Atlanta Field Atlanta, a post-salt oil field situated 185 kilometers from the city of Rio de Janeiro, in water depths of approximately 1,500 meters. For more information, access www.qgep.com.br/ir.

This press release may contain information relating to future business prospects, estimates of financial and operational results and growth of the company. This information should be considered as projections based exclusively on management expectations regarding future business developments and the availability of capital to finance the Company's business plan. Such future considerations are substantially subject to changes in market conditions, government regulations, competitive pressures and developments within the sector and the Brazilian economy, among other factors. These points should also be considered along with risks disclosed in documents previously published by the Company. It should be understood that all these factors are subject to change without notice.

The consolidated financial information of the Company for the quarters ended June 30, 2018 and June 30, 2017 was prepared by the Company in accordance with IFRS as issued by IASB.

Annex I | Consolidated Financial Information (R$ Million)

	2Q18	2Q17	Δ%	6M18	6M17	Δ%
Net income	85.2	61.0	39.5%	244.2	103.8	135.3%
Amortization and depreciation	33.7	15.2	122.2%	49.6	28.9	71.7%
Net financial revenue / expenses	(35.6)	(45.8)	-22.1%	(67.4)	(65.5)	3.0%
Income tax and social contribution	17.4	15.5	12.7%	80.8	25.0	223.2%
EBITDA[1]	**100.7**	**45.9**	**119.4%**	**307.2**	**92.2**	**233.1%**
Oil and gas exploration expenditure with sub commercial and dry wells[2]	0.0	(0.0)	n.a.	(10.2)	0.0	n.a.
EBITDAX[3]	**100.7**	**45.9**	**119.4%**	**297.1**	**92.3**	**222.0%**
EBITDA Margin[4]	63.6%	40.0%	58.9%	110.9%	41.7%	165.7%
EBITDAX Margin[5]	63.6%	40.0%	58.9%	107.2%	41.7%	156.9%
Net Debt[6]	(1,528.3)	(1,125.2)	35.8%	(1,528.3)	(1,125.2)	35.8%
Net Debt/EBITDAX	(2.5)	(6.4)	-61.0%	(2.5)	(6.4)	-61.0%

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

(2) Exploration expenses relating to sub-commercial wells or to non-operational volumes.

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

(4) EBITDA divided by net revenue.

(5) EBITDAX divided by net revenue.

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

Annex II | Balance Sheet

	2Q18	2Q17	Δ%
Assets			
Current Assets	**2,161.0**	**2,382.6**	**-9.3%**
Cash and cash equivalents	58.6	42.6	37.5%
Investments	1,615.6	2,010.2	-19.6%
Trade accounts receivable	0.0	0.0	n.a.
Trade accounts receivable – related parties	136.5	97.0	40.8%
Credits with Partners	172.8	131.8	31.1%
Inventory	9.5	1.0	n.a.
Recoverable taxes and contribution	10.9	1.6	n.a.
Assets for sale	70.0	70.0	0.0%
Other	87.0	28.4	206.5%
Non-current Assets	**1,783.9**	**1,714.1**	**4.1%**
Restricted cash	184.9	142.6	29.6%
Investments	168.7	150.4	12.2%
Recoverable taxes	4.4	4.7	-5.9%
Deferred income tax and social contribution	43.2	46.8	-7.6%
Investments	166.0	143.1	16.0%
Property, plant and equipment	804.4	778.9	3.3%
Intangible assets	411.1	412.1	-0.2%
Other Non-current Assets	1.1	0.9	21.8%
TOTAL ASSETS	**3,944.9**	**4,096.7**	**-3.7%**
Liabilities and Shareholders' Equity			
Current	**410.0**	**312.7**	**31.2%**
Providers	88.0	131.5	-33.1%
Taxes and contributions payable	44.9	44.4	1.0%
Remuneration and social obligations	9.6	8.4	15.3%
Payables- related parties	30.0	3.1	n.a.
Borrowings and Financing	36.8	36.8	-0.1%
Provision for research and development	9.7	10.5	-7.8%
Insurances payable	0.0	0.0	n.a.
Advance to third parties	57.9	57.9	0.0%
Consortia obligations	116.6	0.0	n.a.
Other	16.5	20.0	-17.4%
Non-current Liabilities	**544.6**	**507.1**	**7.4%**
Borrowings and financing	270.6	279.5	-3.2%
Provision for abandonment	273.9	227.6	20.4%
Other trade accounts payable	0.0	0.0	n.a.
Shareholders' Equity	**2,990.2**	**3,277.0**	**-8.7%**
Capital Stock	2,078.1	2,078.1	0.0%
Other comprehensive income	45.6	19.0	140.5%
Profit Reserve	643.7	1,043.7	-38.3%
Capital Reserve	30.6	40.3	-23.9%
Treasury Shares	(52.0)	(63.2)	-17.6%
Net income for the period	244.2	159.1	53.5%
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**3,944.9**	**4,096.7**	**-3.7%**

Annex III | Cash Flow

	2Q18	2Q17	Δ%	6M18	6M17	Δ%
FLUXO DE CAIXA DAS ATIVIDADES OPERACIONAIS						
Net income for the period	**85.2**	**61.0**	**39.5%**	**244.2**	**103.8**	**135.3%**
Adjustments to reconcile net income to net cash provided by operating activities:						
Equity Method	0.0	1.1	-96.3%	1.0	1.1	-8.9%
Exchange variation over investment	(23.0)	(5.0)	359.5%	(22.6)	(5.7)	297.1%
Amortization of the exploration and development expenditures	33.7	15.2	122.2%	49.6	28.9	71.7%
Deferred income tax and social contribution	3.6	(0.9)	n.a.	2.1	(0.6)	-464.7%
Financial charges and exchange rate (gain) loss on borrowings and financing	(4.8)	7.1	-167.5%	(1.0)	8.7	-111.0%
Capitalized interests	2.0	0.0	n.a.	4.1	0.0	n.a.
Write-off	0.0	0.0	n.a.	0.0	0.2	n.a.
Stock option plan exercise	0.0	0.0	n.a.	0.0	0.0	n.a.
Provision for stock option plan	(9.6)	0.4	n.a.	(10.1)	1.3	n.a.
Provision for income tax and social contribution	13.8	16.3	-15.4%	78.7	25.6	207.4%
Provision for research and development	(0.8)	(2.1)	-60.4%	(2.7)	(1.2)	130.7%
(Increase) decrease in operating assets:	**(148.4)**	**8.1**	**n.a.**	**(87.4)**	**36.2**	**-341.3%**
Increase (decrease) in operating liabilities:	**123.2**	**0.2**	**n.a.**	**22.6**	**(60.3)**	**-137.5%**
Net cash inflows from operating activities	74.8	101.5	-26.3%	278.6	138.1	101.8%
CASH FLOWS FROM INVESTING ACTIVITIES						
Net cash inflows from (used in) investing activities	323.6	(67.5)	n.a.	151.9	(91.7)	-265.6%
CASH FLOWS FROM FINANCING ACTIVITIES						
Net cash inflows from (used in) financing activities	(409.1)	(47.7)	n.a.	(418.1)	(56.7)	n.a.
Total exchange variation on cash and cash equivalents	26.6	7.1	277.5%	27.4	2.5	n.a.
Increase (decrease) in cash and cash equivalents	16.0	(6.6)	-341.0%	39.8	(7.9)	n.a.
Cash and cash equivalents at the beginning of the period	**42.6**	**16.4**	**159.5%**	**18.8**	**17.7**	**6.1%**
Cash and cash equivalents at the end of the period	**58.6**	**9.8**	**n.a.**	**58.6**	**9.8**	**498.6%**
Increase (decrease) in cash and cash equivalents	**16.0**	**(6.6)**	**-341.0%**	**39.8**	**(8.0)**	**n.a.**

Annex IV | Glossary

ANP	National Agency of Petroleum. Natural Gas and Fuel
Deep water	Water depth of 401 – 1,500 meters.
Shallow water	Water depth of 400 meters or less.
Ultra-deep water	Water depth of 1,501 meters or more.
Basin	A depression in the Earth's crust in which sediments have accumulated that could contain oil and/or gas, associated or not.
Block(s)	Part(s) of a sedimentary basin with a polygonal surface defined by the geographic coordinates of its vertices and undefined depth where oil and natural gas exploration or production activities are carried out.
"Boe" or Barrel of oil equivalent"	A measurement of gas volume converted to barrels of oil using a conversion factor whereby 1.000 m³ of gas equals 1 m³ of oil/condensate and 1 m³ of oil/condensate equals 6.29 barrels and (energy equivalence).
Concession	A grant of access by a country to a company for a defined area and period of time that transfers certain rights to any hydrocarbons that may be discovered from the country in question to the concessionaire.
Discovery	In accordance with the Petroleum Law, a discovery is any occurrence of petroleum, natural gas or other hydrocarbons, minerals and, in general terms, mineral reserves located in a given concession, independently of quantity, quality or commercial viability that are confirmed by at least two detection or evaluation methods (defined in the ANP concession agreement). To be considered commercially feasible, a discovery must present positive returns on an investment under market conditions for development and production.
E&P	Exploration and Production
Farm-in and Farm-out	Process of partial or complete acquisition of concession rights held by another company. The company acquiring the concession rights is said to be in the farm-in process and the company selling concession rights is in the farm-out process.
Field	An area covering a horizontal projection of one or more reservoirs containing oil and/or natural gas in commercial quantities.
FPSO	A floating production, storage and offloading (FPSO) unit is a floating vessel used by the offshore oil and gas industry for the processing of hydrocarbons and for oil storage.
GCOS	Geological Chance of Success
GCA	Gaffney, Cline & Associates
IBAMA	Brazilian Institute of Environment and Renewable Natural Resources
Kbbl/d	One thousand barrels per day
Operator	A company legally appointed to conduct and execute all operations and activities in the concession area, in accordance with the terms of the concession agreement signed by the ANP and the concessionaire.
"Type A" Operator	Qualification of the ANP to operate onshore, offshore in shallow to ultra-deep waters
Exploratory Prospect(s)	A prospect is a potential accumulation mapped by geologists or geophysicists where there is a probability of a commercially viable accumulation of oil and/or natural gas that is ready to be drilled. The five necessary elements for the existence of an accumulation (generation, migration, reservoir, seal and entrapment) must be present and the lack of any of the five means there is either no accumulation or accumulation that is not commercially viable.
Contingent Resources	Represent quantities of oil, condensate and natural gas that are potentially recoverable from accumulations acknowledged during the development of projects, but that are not considered commercially recoverable as yet due to one or more contingencies.

Contingent Resources 3C	High estimation of contingent resources to reflect a range of uncertainty typically assumes a 10% chance of success of reaching or exceeding estimates.
Risked Prospective Resources	Prospective resources multiplied by GCOS.
Reserves	Quantities of petroleum expected to be commercially recoverable by applying development projects to known accumulations as of a given date and under defined conditions.
Reserves 1P	Sum of proven reserves.
Reserves 2P	Sum of proven and probable reserves.
Reserves 3P	Sum of proven, probable and possible reserves.
Possible Reserves	Quantities of petroleum which analysis of geoscience and engineering data indicate are less likely to be recovered than probable reserves.
Proven Reserves	Quantities of petroleum, which by analysis of geoscience and engineering data, can be estimated with reasonable certainty to be commercially recoverable as of a given date from known reservoirs and under defined economic conditions, operating methods and government regulations.
Probable Reserves	Quantities of petroleum that. according to geoscience and engineering data, are estimated to have the same chance (50%/50%) of being achieved or exceeded.