Second Quarter 2012

Earnings Release QGEP Participações S.A.

QGEP
(BM&FBovespa: QGEP3)
Free Float: 30%

IR Contact
Phone (55 21) 3509-5959
E-mail: ri@qgep.com.br
www.qgep.com.br/ri

Conference Call
Portuguese (with simultaneous translation into English)
August 15, 2012
1:00 PM (Brazil Time)
12:00 PM (EST Time)
Dial in US: +1 786 924-6977
Dial in Brazil: +55 11 4688-6361
Code: Queiroz Galvão

queiroz galvão
EXPLORAÇÃO E PRODUÇÃO

QGEP Reports
Second Quarter 2012 Results

Rio de Janeiro, August 14, 2012 – QGEP Participações S.A. (BMF&Bovespa: QGEP3), Brazil's largest independent oil and gas production company, today announced its results for the second quarter ended June 30, 2012. The following financial and operating data, except where indicated otherwise, are presented on a consolidated basis as per the Corporate Law format, described in the financial section of this release.

- **New data obtained from interim logging at the Carcará prospect in Block BM-S-8 confirms a major column of 471 meters of 31° API oil.**

- **Average gas production was 6.6 MMm³/day in 2Q12; up from 5.2 MMm³/day in 1Q12.**

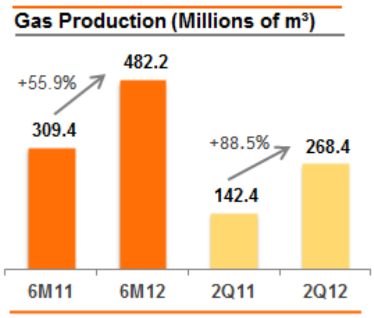
- **Net revenue was R$123.2 million, up 102.5% from 2Q11 and 28.3% from 1Q12.**

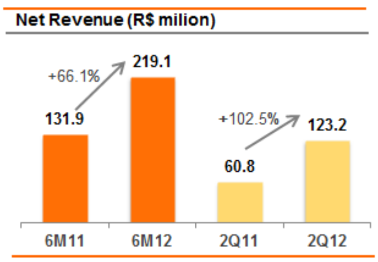
- **EBITDAX in 2Q12 was R$79.4million up 132.4% from 2Q11; EBITDAX margin was 64.4%.**

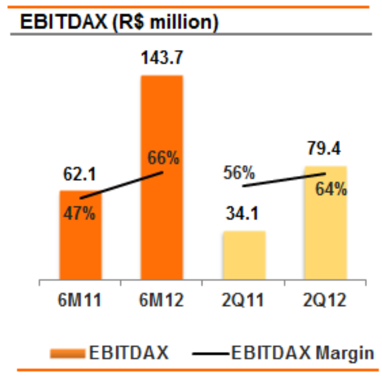
- **Cash flow from operating activities was R$64.9 million up 16.5% from 1Q12. Cash balance* was R$895.5 million at June 30, 2012.**

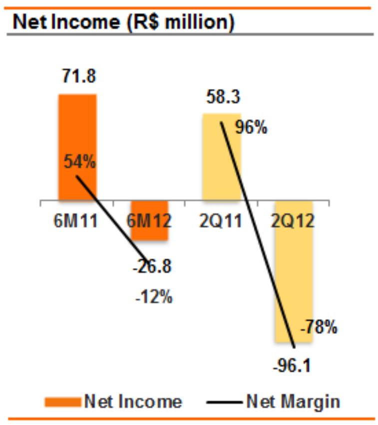
- **The Company incurred a net loss of R$96.1 million in 2Q12, reflecting exploration investments write-offs of R$157.4 million.**

- **QGEP's Board of Directors approved a Company's second share repurchase program of 2.7 million shares.**









* Including cash, cash equivalents and investments.

Management Comments

This has been an eventful period for our Company. While the disappointing results from our BM-S-12 exploratory well weighed on our market valuation and financials, it also masked several positive results that we achieved from our producing and exploratory portfolio, mainly related to the Carcará discovery and the increased production from the Manati Field. As the second half of 2012 unfolds, we are confident in our position as Brazil's largest independent oil and gas producing company and in our balanced portfolio of exploratory and producing assets.

Of course, the impact of the Ilha do Macuco well at BM-S-12 was the major cause of our negative financial results for the 2012 second quarter. We also had an impact related to the Jequitibá discovery at Block BM-CAL-5, as a result of the ANP's decision to not grant an extension of the deadline to drill an appraisal well. Exclusive of these R$157 million in special charges, our strong operating results tell a different story.

- Average gas production at Manati Field for 2Q12 was 6.6 MMm³/day, up 25.6% over last quarter's average production of 5.2 MMm³/day;
- Improved operations at the Manati Field resulted in second quarter 2012 revenues of R$123 million, more than double the revenues reported for the same period last year;
- EBITDAX more than doubled as well, to R$79.4 million and EBITDAX margin recovered to 64.4%;
- Cash flow from operating activities was R$64.9 million for the second quarter, three times higher than the comparable year-ago quarter; and
- After the debt repayment and a second quarter with strong cash flow, the Company has a net cash position of R$895.5 million at June 30, 2012.

On the production side, we are in the initial planning stage with respect to the development of the Atlanta and Oliva post-salt oil fields, where QGEP is the operator and owner of a 30% stake. For the Atlanta's Early Production System (EPS) of the project, we are in the partner's approval phase to purchase the long-lead items. According to the Development Plan filed with the ANP, drilling activities are scheduled to begin in 2013 and first oil from the EPS is forecasted for 2014.

Concerning exploration, our most encouraging near-term asset is Block BM-S-8, where we are drilling the Carcará well to a total depth of approximately 6,500 meters. While we are certainly optimistic about what we have seen to date, we will need to wait until drilling is completed before providing more information on the extent of this important discovery.

We continue to expect annual sales at the Manati Field to average 6 MMm³ per day of natural gas for full year 2012, which will result in strong operating cash flow for the Company. In addition to the possible extension wells at BM-S-8, our other exploratory prospects include BM-J-2, in the Jequitinhonha Basin, where we are seeking a rig to finish drilling in 2013. Also, one well in the Camamu Basin which is scheduled to be drilled in 2013 and a pre-salt prospect, Piapara, in Block BS-4 is slated for 2014.

Thanks to our strong balance sheet, we are well-positioned to take advantage of potential opportunities available in the market to expand and develop our asset portfolio. We are currently evaluating potential farm-in opportunities as well as considering possible purchases during the next ANP bidding round.

On behalf of the management and operating staff of QGEP, we would like to express our appreciation to our shareholders for their continued support and interest in QGEP. We have attracted an experienced team of technicians and managers that have worked together in the past and are committed to the success of QGEP and to delivering results that create value for all of our investors. We look forward to keeping you updated on our progress.

QGEP's Assets

Field/ Prospect	Block	Basin	QGEP Interest	Reserve Resource Category	Fluid	Geological Chance of Success [1]	MMboe[2]
Manati	BCAM-40[3]	Camamu	45%	Reserve[4]	Gas	-	67.1[5]
Camarão Norte	BCAM-40[3]	Camamu	45%	Contingent	Gas	-	4.5
Copaíba	BM-CAL-5	Camamu	27.5%	Contingent	Oil	-	21.9
CAM 01	BM-CAL-12	Camamu	20%	Prospective	Oil	31%	24.4
Alto de Canavieiras	BM-J-2	Jequitinhonha	100%	Prospective	Oil–Gas	29%	61.8[6]
Alto Externo	BM-J-2	Jequitinhonha	100%	Prospective	Oil–Gas	24%	32.3[6]
Santos #1	BM-S-12	Santos	30%	Contingent/ Prospective	Gas	30%[7]	2.8 /7.5[7]
Santos #2	BM-S-12	Santos	30%	Prospective	Oil	39%[7]	52.4[7]
Bem-Te-Vi	BM-S-8	Santos	10%	Contingent	Oil	N/A	N/A
Abaré Oeste	BM-S-8	Santos	10%	Prospective	Oil	N/A	N/A
Biguá	BM-S-8	Santos	10%	Prospective	Oil	N/A	N/A
Carcará	BM-S-8	Santos	10%	Prospective	Oil	N/A	N/A
Prospect	BM-S-8	Santos	10%	Prospective	Oil	N/A	N/A
Atlanta	BS-4	Santos	30%	Reserve[4]	Oil	N/A	N/A
Oliva	BS-4	Santos	30%	Reserve[4]	Oil	N/A	N/A
Piapara	BS-4	Santos	30%	Prospective	Oil	N/A	N/A

(1) Geological Chance of Success as per of GCA Report.

(2) The resources cited in barrels of oil equivalent (boe) were calculated by QGEP utilizing data from GCA reports as of 12/31/2009. The conversion rate for boe utilized was 1,000 m³ of gas equals 1 m³ of oil/condensate (equivalent energy), and 1 m³ of oil/condensate equals 6.29 barrels.

(3) The block BCAM-40 was relinquished after the ring fence of the areas of Manati and Camarão Norte fields were defined.

(4) Reserves 3P: sum of proven, probable and possible reserves.

(5) Volume from Manati Field net to QGEP reflects volume in the GCA report dated 12/31/10 (74.4 million of boe) less the volume produced in 2011 (4.2 million) less the volume produced in 6M12 (3.1 million).

(6) Volumes are weighted by the probability that 50% will be oil and 50% will be gas.

(7) Volumes and Geological Chance of Success under revision.

Producing and Development Assets

MANATI

During the second quarter of 2012, the Manati Field experienced high production levels, reaching an average daily gas production of 6.6 MMm³. Increased demand from Brazil's thermal power plants supported production at Manati Field during the quarter.

Programmed maintenance will take place at the Manati Field towards the end of this year/beginning of next year and is not expected to affect the average forecasted daily production of 6 MMm³ of natural gas for 2012.

The Company has a long-term gas sale contract with Petrobras priced in Reais and adjusted annually using a Brazilian inflation index specified in the agreement. According to the current contract, there is a take-or-pay clause based on a delivery obligation, which is currently set at 4 MMm³ per day. An amendment to this contract yet to be signed calls for the delivery obligation to increase to 6 MMm³ per day beginning in 2014 through 2018 also including the whole reserve of the field.

At any given time, provided the market demand, Petrobras has the option to obtain more than the fixed amount of natural gas during this period. The Company currently expects that demand will continue at or close to current levels for the foreseeable future. In the first half of 2012, sales to Petrobras averaged 5.9 MMm³ per day and we have not seen indications of a change in that demand level, as in July the average daily production reached 6.6 MMm³.

ATLANTA AND OLIVA

Block BS-4 comprises the post-salt oil fields of Atlanta and Oliva where the Company expects to begin drilling in the second half of 2013, with first oil by 2014, according to the Development Plan presented to the ANP. Located 185 km off the coast of Brazil, Atlanta & Oliva with heavy oil of 14° and 16° API, respectively, have combined estimated volumes in place of 2.1 billion barrels of oil. The consortium is currently negotiating with suppliers and drilling contractors to adhere to the following schedule/requirements, as outlined in the Development Plan on file with the ANP. Major highlights include the following:

- The first horizontal well of the Early Production System (EPS) is expected to be drilled in 2013;
- Major revisions from the previous Development Plan include the use of a FPSO instead of a Tension-Leg Platform (TLP);
- 12 wells are expected to be drilled in Atlanta Field for the full development stage;
- The recovery factor included in the revised ANP Development Plan is in the range of 15% to 19%;
- 80% of the oil in place is in the Atlanta Field; and
- State-of-the-art 3D seismic is being acquired to enhance imaging at the Atlanta and Oliva oil fields as well as the Piapara pre-salt prospect and BS-4 neighboring areas.

Exploratory Assets

As previously announced, the Company is planning to contract an updated reserves and resources certification on the Company's assets, which is expected to be completed by the end of this year/beginning of next year.

BM-S-8

As recently announced on August 13, 2012, new data obtained from intermediate wireline logging at the Carcará prospect in Block BM-S-8 further confirms the importance of this discovery. Drilling to date has shown a major column of 471 meters of 31° API oil, showing more than 400 meters of microbial carbonate mostly with excellent permeability and porosity characteristics. Data indicates that reservoirs along the entire column are connected.

The well has currently been drilled to a depth of 6,213 meters, still inside the oil zone, and drilling will continue to determine the total thickness of this column, as well as to investigate deeper potential targets. A final depth has been estimated at approximately 6,500 meters. Drilling expenses for the consortium at the Carcará well are currently expected to be US$220 million (US$22 million net to QGEP).

BS-4

The Piapara prospect, a pre- salt target located in Block BS-4, is planned to be drilled in 2014. This prospect is located near the giant discoveries of Libra and Franco and is close to a recent Petrobras discovery, Dolomita Sul, to the southwest section of the block. The consortium expects to use the same rig contracted for the post-salt development at Atlanta Field for back-to-back drilling at the Piapara well. Seismic data of the area is currently being acquired to improve the imaging for both the pre and post-salt targets.

BM-J-2

At BM-J-2, located in the Jequitinhonha Basin, approximately 20 km off the coast of Brazil, the Company is now working to secure a rig to restart drilling at the JEQ#01 prospect in 2013. In 2011, QGEP stopped drilling at a 2,540 meter depth due to environmental restrictions in place by IBAMA which prohibit drilling and seismic activities during the months of October to March. The Company has already submitted requested to IBAMA for a renewal of the current environmental license that expires in June 2013 and a more definitive timeline for next year’s drilling schedule. Capital expenditures at Block BM-J-2 are still expected to be US$70 million.

BM-S-12

Drilling at the Ilha do Macuco well was concluded at the end of May 2012 and no potentially productive zones were identified. The remaining potential of the block is still under analysis in order to process all the information and better determine next steps, including a potential reentry in the discovery well (1-SCS-13). The consortium has submitted a request to the ANP for a 60-day extension of the evaluation plan.

OTHER PROJECTS

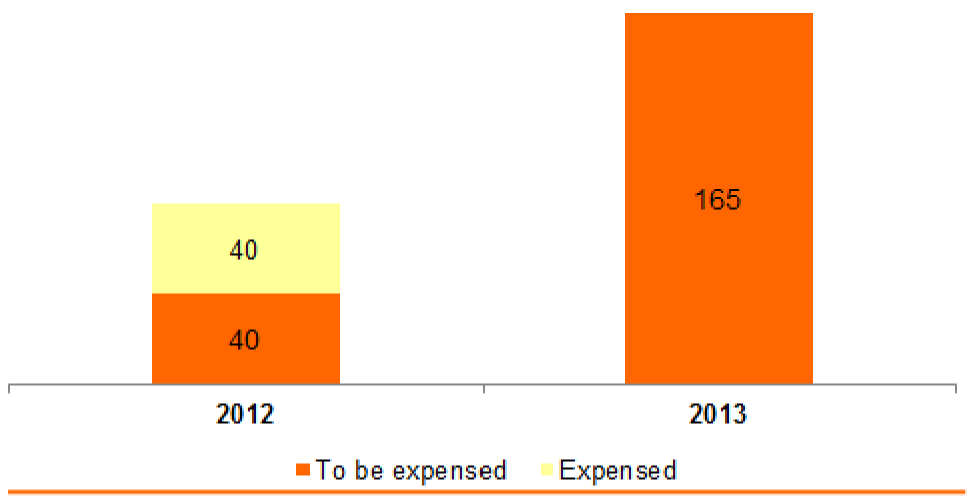
At Block BM-CAL-5, the consortium recently returned the Jequitibá discovery to the ANP. After further evaluation, it was concluded that there was no economic value to drill an appraisal well.

In 2014, one additional well is set to be drilled at Copaíba, another discovery in the block. The consortium is currently in the process of renewing the environmental license for drilling at this area.

At Block BM-CAL-12, one exploratory well is expected to be drilled in 2013 targeting the CAM#01 prospect and the exploratory costs net to QGEP are expected to be approximately US$40 million.

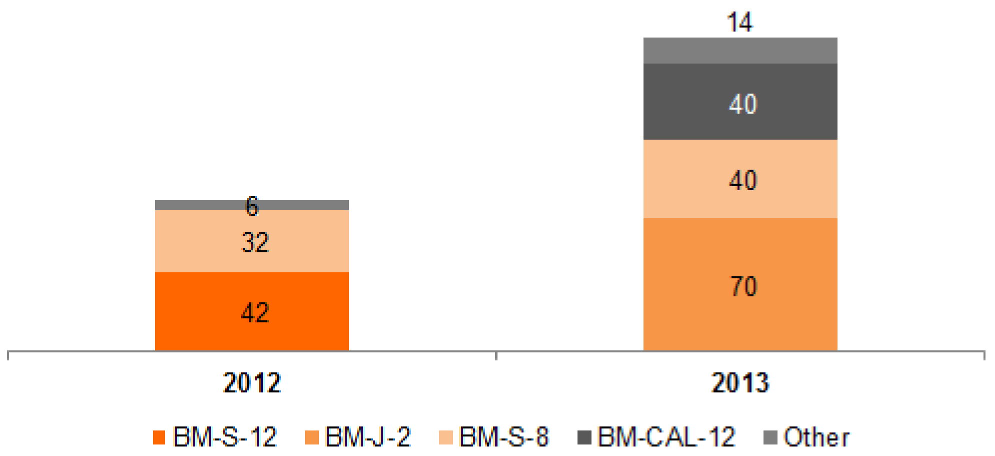
Capex

Exploratoty CAPEX net to QGEP (US$ million)*



* Expensed until June, 2012

Exploratory CAPEX per Block net to QGEP (US$ million)



Sustainability, Security and Safety

In 2012, QGEP will publish its first Annual and Sustainability Report based on Global Reporting Initiative (GRI) guidelines, an internationally recognized reporting standard, to further illustrate the Company's commitment to the practice of sustainability.

The Company also maintained its integrated management system during the first half of 2012, based on ISO 9001, ISO 14001 and OSHAS 18001 standards, also in compliance with ANP technical resolution No. 43/07, which focuses on the continual improvement of our activities and results.

The Fishing Boat Arrival and Beach Monitoring projects in the BM-J-2 region continued during the second quarter of 2012. Following one year of operations, the Company has obtained important data from the region influenced in this particular area of the southern Bahia State. During the period, the Fishing Activity

Offset Plan also continued, which seeks to identify compensatory measures to offset the impact of drilling on small fishing operations in regional fishing communities.

During June 2012, the Portinari - Art and Environment exhibit was presented at the United Nations Conference on Sustainable Development, Rio+20. Including the four cities in Bahia that the exhibit has previously visited, along with the visitors at Rio+20, the Portinari - Art and Environment exhibit has served over 80,000 families and children. For the remainder of 2012, the Company intends to continue with the project and has exhibits scheduled throughout Rio de Janeiro.

Financial Performance

For 2Q12, 2Q11, 6M12 and 6M11 the financial statements below represent consolidated financial information for the Company. Some percentages and other figures included in this performance report were rounded to facilitate presentation and therefore may present slight differences in relation to the tables and notes presented in the quarterly information. In addition, for the same reason, the totals presented in certain tables may not reflect the arithmetic sum of the preceding figures.

Consolidated Financial Information (R$ million)

	2Q12	2Q11	Δ%	6M12	6M11	Δ%
Net Income	(96.1)	58.3	-264.7%	(26.8)	71.8	-137.4%
Amortization and Depreciation	21.7	11.1	95.8%	39.0	24.1	62.3%
Financial Income/(Expenses)	(7.8)	(49.5)	84.3%	(47.0)	(72.5)	35.1%
Income tax and social contribution	4.1	11.7	-65.4%	18.0	21.4	-15.7%
EBITDA[(1)]	**(78.0)**	**31.7**	**N/A**	**(16.8)**	**44.8**	**-137.4%**
Oil and gas exploration expenditure	157.4	2.5	N/A	160.4	17.3	N/A
EBITDAX[(2)]	**79.4**	**34.1**	**132.4%**	**143.7**	**62.1**	**131.4%**
EBITDA Margin[(3)]	-63.3%	52.1%	-221.7%	-7.6%	33.9%	-122.5%
EBITDAX Margin [(4)]	64.4%	56.1%	14.8%	65.6%	47.1%	39.3%
Net Debt[(5)]	(895.5)	(1,460.3)	38.7%	(895.5)	(1,460.3)	38.7%
Net Debt/EBITDAX	-4.00	-6.64	N/A	-4.0	-6.6	N/A

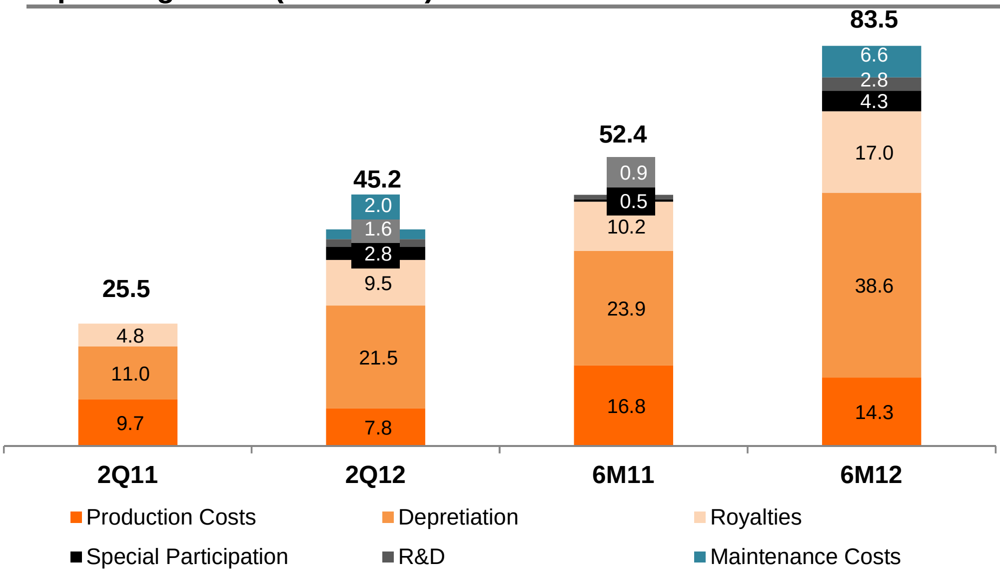
(1) We calculate EBITDA as profit before taxes and social contributions, net financial results and amortization expenses. EBITDA is not a financial measure according to Brazilian GAAP; International Reporting Norms, IFRS or US GAAP. It should also not be considered in isolation or as a substitute for net income, as a measure of operating performance, or as an alternative to operating cash flow as a measure of liquidity. Other companies may calculate EBITDA differently than us. Furthermore, EBITDA has limitations which inhibit its usefulness as a measure of our profitability as it does not consider certain costs inherent in our business, which could significantly impact our profitability, such as financial expenses, taxes and amortization. EBITDA is utilized by us as an additional measure of our operating performance.
(2) EBITDAX= EBITDA - exploration costs for the extraction of petroleum and gas.
(3) EBITDA divided by net revenue.
(4) EBITDAX divided by net revenue.
(5) Net debt corresponds to total debt, comprising current and long-term loans and financing and derivative financial instruments, less cash and cash equivalents and restricted cash. 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 differently.

Operating Results

Net revenue for 2Q12 was R$123.2 million, a 102.5% increase over 2Q11, as result of increased production at the Manati Field. For 6M12, total net revenues were R$219.1 million, a 66.1% increase over 6M11, after maintenance was work completed and the Field returned to full capacity.

Higher production also contributed to a 77.1% year-over-year increase in operating costs to R$45.2 million.

Operating Costs (R$ Million)



General and Administrative Expenses

G&A expenses were R$20.4 million in 2Q12, R$10.0 million higher than reported in 2Q11, which included nonrecurring expenses of R$7.3 million related to prior year profit sharing costs and recent change in QGEP's management. Second quarter's G&A of R$20.4 million also included provision of the stock option plans of R$2.6 million.

For 6M12, G&A expenses were R$31.0 million, R$9.0 million lower than 6M11, which included R$23.1 million in incentive compensation linked to the Company's IPO. Additionally, QGEP hired new employees to face the challenges of the Company.

Exploration Costs

Total exploration costs in 2Q12 of R$157.4 million included costs related to unsuccessful exploration activities at Block BM-S-12, the Ilha do Macuco well (R$120.1 million) and the return of the Jequitibá prospect to the ANP (R$37.1 million). Total exploration costs in 6M12 amounted to R$160.4 million.

Net Financial Income / (Expense)

In 2Q12, the Company generated net financial income of R$7.8 million compared to a net financial income of R$49.5 million in 2Q11. The decline was primarily a result of lower cash balances due to the payment for the Company's farm-in of Block BS-4 and BM-S-8. Also, lower prevailing interest rates impacted the Company's financial income in 2Q12.

The net financial income for the quarter included (i) R$20.1 million in financial income; (ii) R$0.1 million in financial expense; (iii) a foreign exchange loss of R$11.2 million mainly in relation to the abandonment provision for Manati Field which is linked to US$ variation. For 6M12, the Company accumulated a net financial income of R$47.0 million, mainly the result of foreign exchange revenue related to the abandonment provision and derivatives operations to hedge the payment of Block BS-4 in the first quarter of 2012.

NET INCOME

The Company reported a net loss of R$96.1 million in 2Q12 mainly due to higher special exploration costs resulting from unsuccessful exploration activities at Block BM-S-12 and the return of the Jequitibá prospect to the ANP. Strong operational income offset a portion of the exploration expenses during the quarter. Considering the first half of 2012, QGEP had a net loss of R$26.8 million.

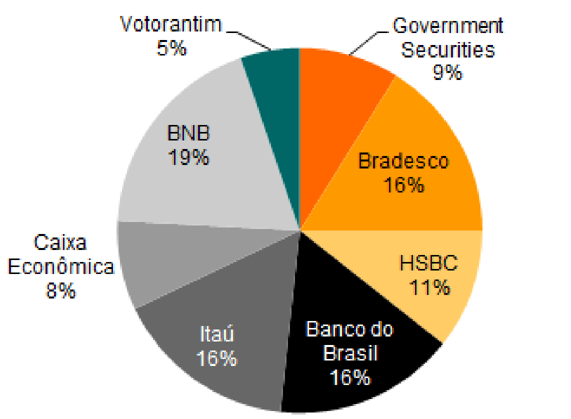
Balance Sheet /Cash Flow Highlights

CASH (CASH, CASH EQUIVALENTS AND INVESTMENTS)

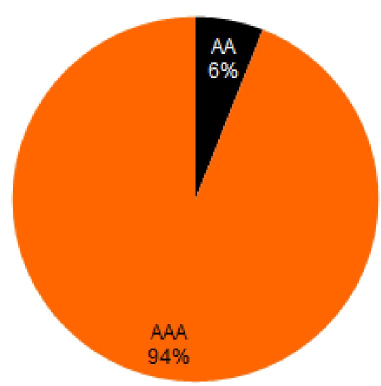
At the end of 2Q12, the Company had a cash balance of R$895.5 million. During the second quarter, the Company eliminated its debt, following the total repayment of the BNDES and BNB loans linked to the Manati Field development.

Cash is invested in dedicated funds and fixed income assets, all in reais and the distribution is shown in the charts below. The average yield of the portfolio at June 30, 2012 was 100.6% of the CDI rate and approximately 90% of the funds have daily liquidity.

Investment Distribution



Ratings



ACCOUNTS RECEIVABLE/PAYABLE

Accounts receivable at the end of 2Q12 were R$98.0 million compared to R$76.8 million at the end of 1Q12, related mainly to the gas sale to Petrobras; Accounts payable were R$48.7 million at the end of 2Q12, up 4.0% from 1Q12.

DEBT

The Company paid-down R$73.4 million in debt in the second quarter, including principal and interest. Of this amount, R$49.3 million were paid through the debt service reserve account.

OPERATING CASH FLOW

The Company had operating cash flow of R$64.9 million in 2Q12, three times higher than in 2Q11 and 17% higher than 1Q12 due to the higher production from Manati Field. Operating cash flow in 6M12 reached R$120.7 million.

Investor Relations

QGEP Participações S.A.
Paula Costa
CFO and Investor Relations Officer

Renata Amarante
Investor Relations Manager

Flávia Gorin
Investor Relations Coordinator

Gabriela Lima
Investor Relations Analyst

Av. Almirante Barroso, nº 52, sala 1301, Centro - Rio de Janeiro, RJ
CEP: 20031-918
Phone: 55 21 3509-5959
Fax: 55 21 3509-5958
E-mail: ri@qgep.com.br
www.qgep.com.br/ri

About QGEP

QGEP Participações S.A. is Brazil's largest producing company in the Brazilian Exploration and Production (E&P) private sector, and the only private Brazilian company in this sector qualified by the ANP in the last two auctions in 2007 and 2008 to act as "Operator A" in Deep and 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 50,300 boe per day. For more information, please go to www.qgep.com.br/ri

The financial information of the Company has been prepared as follows:

- For the quarter ended June30, 2012 and June 30, 2011: consolidated financial information of the Company. The financial information was prepared by us in accordance with IFRS as issued by IASB.

Annex I – INCOME STATEMENT

Income Statement (R$ million)

	2Q12	2Q11	Δ%	6M12	6M11	Δ%
Net Revenue	**123.2**	**60.8**	**102.5%**	**219.1**	**131.9**	**66.1%**
Operating costs	**(45.2)**	**(25.5)**	**-77.1%**	**(83.5)**	**(52.4)**	**-59.3%**
Gross profit	**78.0**	**35.3**	**120.9%**	**135.7**	**79.5**	**70.6%**
Operating income (expenses)						
General and administrative expenses	(20.4)	(10.4)	-96.6%	(31.0)	(39.9)	22.1%
Oil and gas exploration expenditures	(157.4)	(2.5)	N/A	(160.4)	(17.3)	N/A
Other net operational expenses	-	(1.9)	N/A	-	(1.6)	N/A
Operating income	**(99.8)**	**20.6**	**N/A**	**(55.8)**	**20.7**	**N/A**
Financial income (expenses), net	7.8	49.5	-84.3%	47.0	72.5	-35.1%
Income before income tax and social contribution	**(92.0)**	**70.1**	**-231.3%**	**(8.8)**	**93.2**	**-109.4%**
Income tax and social contribution	(4.1)	(11.7)	65.4%	(18.0)	(21.4)	15.7%
Net Income (Loss)	(96.1)	58.3	-264.7%	(26.8)	71.8	-137.4%

Annex II – BALANCE SHEET

Balance Sheet (R$ million)

	2Q12	1Q12	Δ%
Assets			
Current Assets	**1,028.5**	**1,024.2**	**0.4%**
Cash and cash equivalents	797.7	815.4	-2.2%
Investments	97.7	100.3	-2.5%
Trade accounts receivable	98.0	76.8	27.5%
Recoverable taxes	20.4	18.9	7.9%
Other	14.7	12.9	14.7%
Non-current Assets	**1,348.5**	**1,503.0**	**-10.3%**
Restricted cash	16.9	63.0	-73.1%
Recoverable taxes	9.4	0.2	N/A
Deferred income tax and social	8.3	6.4	30.5%
Property, plant and equipment	778.0	898.0	-13.4%
Intangible assets	535.8	535.4	0.1%
Other	0.1	0.1	-
Total Assets	**2,377.0**	**2,527.2**	**-5.9%**
Liabilities and Shareholders' Equity			
Current Liabilities	**117.9**	**155.2**	**-24.0%**
Trade accounts payable	48.7	46.8	3.9%
Taxes payable	37.3	31.3	19.1%
Payroll and related taxes	9.0	4.2	113.9%
Due to related parties	1.0	0.5	89.1%
Borrowings and financing	-	51.9	N/A
Provision for research and development	8.8	7.3	21.3%
Other current liabilities	13.3	13.3	-
Non-current Liabilities	**115.2**	**125.5**	**-8.2%**
Borrowings and financing	-	21.5	N/A
Provision for abandonment	115.2	104.0	10.8%
Shareholders' Equity	**2.143.9**	**2,246.5**	**-4.6%**
Capital Stock	2,078.1	2,078.1	-
Capital Reserve	87.5	87.5	-
Net income for the period	(26.8)	69.2	-138.7%
Legal Reserve	6.4	6.4	-
Stock Option Plan	7.8	5.2	49.1%
Shares held in treasury	(9.1)	-	N/A
TOTAL Liabilities and Shareholders' Equity	**2,377.0**	**2,527.2**	**-5.9%**

Annex III – CASH FLOWS

Cash Flows (R$ million)

	2Q12	2Q11	Δ%
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income for the period	**(96,1)**	**58.3**	**-264.7%**
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and Depreciation	21,7	11.1	95.8%
Deferred income tax and social contribution	(2.4)	1.2	-297.2%
Financial charges and exchange rate (gain) loss borrowings and financing	0,7	18.1	-96.1%
Provision for returned blocks	-	(10.6)	N/A
Decrease in fixed assets	118.1	2.4	N/A
Provision for stock option plan	2.6	0.9	174.2%
Provision for income tax and social contribution	6.5	1.0	N/A
Provision for research & development	1.6	-	N/A
Exchange rate (gain) loss on provision for abandonment	11.2	(3.9)	N/A
(Increase) decrease in operating assets:	(33.8)	(20.0)	-68.9%
Increase (decrease) in operating liabilities:	34.8	(38.5)	190.4%
Net cash inflows from operating activities	**64.9**	**20.1**	**223.1%**
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash inflows from (used in) investing activities	**(0.4)**	**(9.0)**	**95.8%**
CASH FLOWS FROM FINANCING ACTIVITIES			
Net cash inflows from (used in) financing activities	**(82.2)**	**(37.9)**	**-116.9%**
Increase in cash and cash equivalents	**(17.6)**	**(26.7)**	**34.2%**
Cash and cash equivalents at beginning of the period	815.4	1,242.5	-34.4%
Cash and cash equivalents at end of the period	797.7	1,215.7	-34.4%
Increase in cash and cash equivalents	(17.6)	(26.7)	34.1%

Annex IV – GLOSSARY

ANP	National Agency of Petroleum, Natural Gas and Fuel
Deep water	Water depth of 401 – 1.500 meters.
Shallow water	Water depth of 400 meters or less.
Ultra-deep water	Water depth of 1.501 meters or more.
Basin	A depression in the Earth's crust in which sediments have accumulated that could contain oil and/or gas, associated or not.
Block(s)	Part(s) of a sedimentary basin with a polygonal surface defined by the geographic coordinates of its vertices and undefined depth where oil and natural gas exploration or production activities are carried out.
"Boe" or Barrel of oil equivalent"	A measurement of gas volume converted to barrels of oil using a conversion factor whereby 1.000 m^3 of gas equals 1 m^3 of oil/condensate and 1 m^3 of oil/condensate equals 6.29 barrels and (energy equivalence).
Field	An area covering a horizontal projection of one or more reservoirs containing oil and/or natural gas in commercial quantities.
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.
FPSO	Floating Production, Storage and Offloading System
GCOS	Geological Chance of Success
GCA	Gaffney, Cline & Associates

Operator	A company legally appointed to conduct and execute all operations and activities in the concession area, in accordance with the terms of the concession agreement signed by the ANP and the concessionaire.
"Type A" Operator	Qualification of the ANP to operate onshore, offshore in shallow to ultra-deep waters
Exploratory Prospect(s)	A prospect is a potential accumulation mapped by geologists or geophysicists where there is a probability of a commercially viable accumulation of oil and/or natural gas that is ready to be drilled. The five necessary elements for the existence of an accumulation (generation, migration, Reservoir, seal and entrapment) must be present and the lack of any of the five means there is either no accumulation or accumulation that is not commercially viable.
Contingent Resources	Represent quantities of oil, condensate and natural gas that are potentially recoverable from accumulations acknowledged during the development of projects, but that are not considered commercially recoverable as yet due to one or more contingencies.
3C Contingent Resources	High case estimate of contingent resources with only a 10% chance of being achieved or exceeded.
Risked Prospective Resources	Prospective resources multiplied by GCOS.
Reserves	Quantities of petroleum expected to be commercial recoverable by applying development projects to known accumulations as of a given date and under defined conditions.
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.