

FIRST QUARTER 2013

# Earnings Release QGEP Participações S.A.



## Conference Call

Portuguese (simultaneous translation)  
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## QGEP

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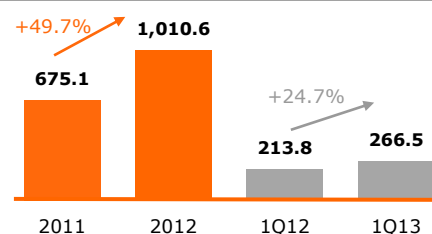
# QGEP Reports

## First Quarter 2013 Results

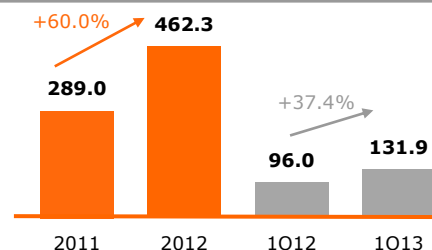
**Rio de Janeiro, May 8, 2013** – QGEP Participações S.A. (BMF&Bovespa: QGEP3), the only Brazilian independent company to operate in the premium area of the pre-salt, today announced its results for the first quarter ended March 31, 2013. The following financial and operating data, except where indicated otherwise, are presented on a consolidated basis as per the accounting practices adopted in Brazil, described in the financial section of this release.

- ▶ **Average gas production from the Manati Field was 6.6 MMm<sup>3</sup>/day in 1Q13, up from 5.2 MMm<sup>3</sup>/day in 1Q12.**
- ▶ **Net revenue was R\$131.9 million in 1Q13, up 37.4% from 1Q12 and 13.7% from 4Q12.**
- ▶ **EBITDAX in 1Q13 was R\$77.9 million, 27.1% higher than the R\$61.3 million reported in 1Q12; EBITDAX margin was 59.1%.**
- ▶ **Net income was R\$65.7 million compared to R\$69.2 million in 1Q12; net margin was 49.8%.**
- ▶ **Cash flow from operating activities was R\$98.7 million, up 77.1% from 1Q12. Cash balance\* was R\$1,034.3 million at March 31, 2013.**

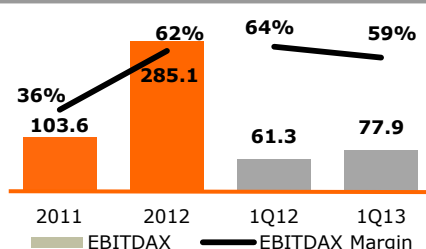
**Gas Production  
(Millions of m<sup>3</sup>)**



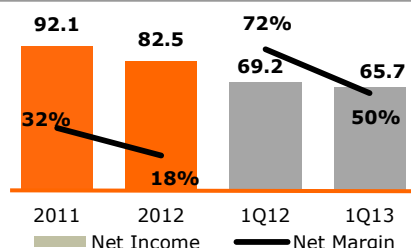
**Net Revenue (R\$ million)**



**EBITDAX (R\$ million)**



**Net Income (R\$ million)**



\* Includes cash, cash equivalents and investments

# Management Comments

2013 will be a year in which QGEP consolidates its position as a deep water operator, as we will begin drilling to develop the Atlanta Field. We continue to have a unique balance of partnership interests and operatorships and assets in the production, development and exploratory phases, which differentiates us in the Brazilian oil and gas market. In the 2013 first quarter, we generated strong operating income from gas production from the Manati Field and posted significant year-over-year increases in revenues and cash flows. Net income for the quarter was R\$65.7 million, derived from operating income that was 20% higher than in 1Q12. QGEP ended the 2013 first quarter with a cash position of over R\$1.0 billion and no debt.

The major business highlights of this year's first quarter included:

- ▶ Addressing the continued strong demand from Brazil's thermal power plants by producing an average of 6.6 MMm<sup>3</sup> of natural gas per day from the Manati Field, up from 5.2 MMm<sup>3</sup> in last year's first quarter and 6.1 MMm<sup>3</sup> in 4Q12;
- ▶ Progressing on time and on budget with the Early Production System (EPS) at the Atlanta Field;
- ▶ Contracting for a jack-up rig (P-VI) from Petrobras to resume drilling in QGEP's 100% owned Block BM-J-2; and
- ▶ Receiving ANP approval for the revised Evaluation Plan at Block BM-S-8, which includes the drilling of an appraisal well at Carcará in the second half of 2013, and at least one additional well in 2014.

Our first quarter operating results were a strong start to a year that we expect will be one of continued accomplishments for QGEP. During the quarter, much of our efforts were focused on preparing for activities related to our blocks in order to secure certain long-lead items, which will further develop our operating capacity. We continued to utilize our substantial internal technical resources to analyze future growth opportunities, through farm-ins and the next ANP bidding round, which is scheduled for mid-May 2013.

As previously reported to the market, the planned maintenance at Manati Field will reduce second quarter 2013 results, due to the production stoppage and related maintenance costs. However, we are pleased to report that all of the downtime took place in April, and both the platform and gas processing plant are back in production. Continued strong market demand is expected to result in a return to average daily production of approximately 6.0 MMm<sup>3</sup> in the third and fourth quarters of 2013. As a result, we reaffirm our expectation that full year 2013 Manati average production will range from 5.5 MMm<sup>3</sup> to 6.0 MMm<sup>3</sup> per day.

First quarter 2013 operating performance further illustrates QGEP's balanced strategy, which provides us with a framework for sustainable, long-term growth. Operating cash flow from our gas production at Manati Field and our strong cash position are key sources of funding for investments related to our current asset portfolio; future oil from the Atlanta Field will provide the Company with an additional revenue source and growth potential over the medium-term; the most recent data from our Carcará pre-salt well points to a high value discovery with considerable implications for growth; and plans are underway to drill other exploratory prospects in 2013 and 2014, including pre-salt objectives.

The financial flexibility that QGEP enjoys, thanks to our strong cash position and debt free balance sheet, is particularly relevant in the current market and provides us with a prominent position to expand and diversify our asset base. In the past year, we have worked to strengthen our technical and logistics capabilities to support the activities of QGEP's growing asset portfolio. We look forward to keeping you updated on our progress.

# QGEF's Assets

Field/ Prospect	Block	Basin	QGEF Interest	Reserve Resource Category	Fluid	Geological Chance of Success <sup>(1)</sup>	MMboe <sup>(2)</sup>
Manati	BCAM-40 <sup>(3)</sup>	Camamu	45%	Reserve <sup>(4)</sup>	Gas	-	55.2 <sup>(5)</sup>
Camarão Norte	BCAM-40 <sup>(3)</sup>	Camamu	45%	Contingent	Gas	-	4.5
Copaíba	BM-CAL-5	Camamu	27.5%	Contingent	Oil	-	21.9
CAM#01 (Além-Tejo)	BM-CAL-12	Camamu	20%	Prospective	Oil	31%	24.4
Alto de Canavieiras	BM-J-2	Jequitinhonha	100%	Prospective	Oil- Gas	29%	61.8 <sup>(6)</sup>
Alto Externo	BM-J-2	Jequitinhonha	100%	Prospective	Oil- Gas	24%	32.3 <sup>(6)</sup>
Guanabara Profundo	BM-C-27	Campos	30%	Prospective	Oil- Gas	N/A	N/A
Santos #1	BM-S-12	Santos	30%	Prospective/ Contingent	Gas	N/A	N/A
Santos #2	BM-S-12	Santos	30%	Prospective	Oil	N/A	N/A
Bem-Te-Vi	BM-S-8	Santos	10%	Contingent	Oil	N/A	N/A
Abaré Oeste	BM-S-8	Santos	10%	Prospective/ Contingent	Oil	N/A	N/A
Biguá	BM-S-8	Santos	10%	Prospective/ Contingent	Oil	N/A	N/A
Carcará	BM-S-8	Santos	10%	Prospective/ Contingent	Oil	N/A	N/A
Guanxuma	BM-S-8	Santos	10%	Prospective	Oil	N/A	N/A
Atlanta	BS-4	Santos	30%	Reserve / Contingent	Oil	N/A	N/A
Oliva	BS-4	Santos	30%	Contingent	Oil	N/A	N/A
Piapara	BS-4	Santos	30%	Prospective	Oil	N/A	N/A

<sup>(1)</sup> Geological Chance of Success as per of GCA Report.

<sup>(2)</sup> The resources cited in barrels of oil equivalent (boe) were calculated by QGEF utilizing data from GCA reports as of 12/31/2011. The conversion rate for boe utilized was 1,000 m<sup>3</sup> of gas equals 1 m<sup>3</sup> of oil/condensate (equivalent energy), and 1 m<sup>3</sup> of oil/condensate equals 6.29 barrels.

<sup>(3)</sup> The Block BCAM-40 was relinquished after the ring fence of the areas of Manati and Camarão Norte fields were defined.

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

<sup>(5)</sup> Volume from Manati Field net to QGEF reflects volume in the GCA report dated 12/31/11 (63.2 million of boe) less the volume produced in FY12 (6.4 million boe) and the volume produced in 1Q13 (1.7 million boe).

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

# Producing and Development Assets

## MANATI

In the first quarter of 2013, the Manati Field reached average daily gas production of 6.6 MMm<sup>3</sup>, reflecting continued high levels of demand from Brazil's thermal power plants following a long dry season.

The Company forecasts full year 2013 average daily Manati production to be between 5.5 MMm<sup>3</sup> and 6.0 MMm<sup>3</sup>, after giving effect to the scheduled maintenance planned for this year. The maintenance was completed in April 2013 when production was interrupted for 20 days; there is no contractual penalty applicable to QGEF related to this programmed production downtime. Additional maintenance, which includes painting of the platform, is scheduled to take place in the fourth quarter of this year, but it will not interfere with the Field's production.

Full year 2013 maintenance costs net to QGEF are estimated at R\$40 million; one-half, related to the activities performed last April, will be recognized in the 2013 second quarter and one-half, related to the painting of the platform, in this year's fourth quarter.

## ATLANTA AND OLIVA

Since receiving ANP approval in December 2012 for the Atlanta Field Development Plan, the Company has moved ahead with preparations for the implementation of the Early Production System (EPS).

All the negotiations have been concluded and the project remains on budget, with drilling to begin in the second half of 2013 and first oil to be extracted by early 2015. Net to QGEF, capital expenditures for the EPS are projected at US\$45 million for 2013 and US\$78 million for 2014. The Company has partnered with world-class service providers for operations at the Field including Baker, Cameron, GE, Weatherford, among others.

QGEF is the operator of Block BS-4 and owns a 30% participating interest. The Company is awaiting ANP approval for the Development Plan at the Oliva Field.

# Exploratory Assets

The Company has contracted Gaffney, Cline & Associates (GCA) to run an updated resources certification for QGEF's exploration portfolio, which is expected to be released in early 2H13.

## BM-J-2

In April 2013, the Company successfully contracted a jackup rig (P-VI) from Petrobras to resume drilling at the Alto de Canavieiras (JEQ#1) prospect in Block BM-J-2, which was previously drilled to a depth of 2,540 meters. Approval for the renewal of an environmental license from IBAMA for drilling at the Block is expected to be received shortly. Once drilling restarts in June, the JEQ#1 prospect is expected to reach a final depth of approximately 4,700 meters and results are expected in the third quarter.

QGEF is the operator with a 100% ownership interest. 2013 capital expenditures for the conclusion of drilling at the JEQ#1 prospect are expected to be US\$70 million.

## BS-4

At Block BS-4, where QGEF is operator, all necessary services are being contracted for drilling at the Piapara pre-salt prospect and the exploratory activities is expected to begin in early 2014. Capital expenditures, net to QGEF, for drilling activities at this pre-salt well are expected to be US\$80 million. Block BS-4, located 185 km off the coast of Brazil, is positioned within the Blue Picanha, a region with high potential for pre-salt targets, as demonstrated by the neighboring discoveries of Libra, Franco, among other discoveries.

## BM-S-8

At the end of the first quarter, following the positive results from the Carcará prospect, the Consortium received ANP approval for the Block's revised Evaluation Plan. The revision includes the drilling of an appraisal well in the second half of 2013, followed by the performance of a drill stem test; plans for drilling at the Guanxuma prospect, expected in 2014, were also included in the revision. Contingent upon results from ongoing studies in the area, one additional well is expected to be drilled in the Block in 2014.

The revised Evaluation Plan also outlined a new area for Block BM-S-8, which now spans 2,089 square kilometers, a 14% reduction from the previously defined area. The Consortium did not identify any prospects in the relinquished portion of the Block.

According to the new Evaluation Plan, an extended well test will be performed in 2015. The Operator's development schedule for Block BM-S-8 calls for drilling of production wells at Carcará in 2016-2017 with first oil by 2018.

## BM-C-27 (C-M-122, C-M-145 and C-M-146)

At the BM-C-27 Concession, QGEP's latest farm-in, drilling at the Guanabara Profundo pre-salt prospect has been postponed until 2015 to allow time for the procurement of long-lead drilling items needed to investigate deeper reservoirs in the area. The Company is still awaiting ANP approval for the transfer of 30% of the concession rights.

2015 capital expenditures net to QGEP at the Guanabara Profundo prospect, including the carry of part of the Operator's capex related to the well, are expected to be US\$55 million. The BM-C-27 Concession includes Blocks C-M-122, C-M-145 and C-M-146, all of which are located 70 km off the coast in the shallow waters of the Campos Basin.

## BM-S-12

Following the ANP's approval of the revised Evaluation Plan to reenter the Ilha Bela well (1- SCS-13) at Block BM-S-12, the Consortium is currently evaluating the best way to proceed with operations to begin drilling activities in 2014. Expected capital expenditures for Block BM-S-12, net to QGEP, remains at approximately US\$25 million.

## BM-CAL-12 (Blocks CAL-M-312 and CAL-M-372)

The Consortium plans to commence drilling at the BM-CAL-12 Concession in 2014 where one wildcat well will be drilled to target the CAM#01 (Além-Tejo) prospect. Drilling in the Concession area is conditional upon the receipt of an environmental license, which study has already been submitted to IBAMA.

Exploratory costs, net to QGEP for 2014 activities at the BM-CAL-12 Concession, are expected to be approximately US\$40 million.

## BM-CAL-5

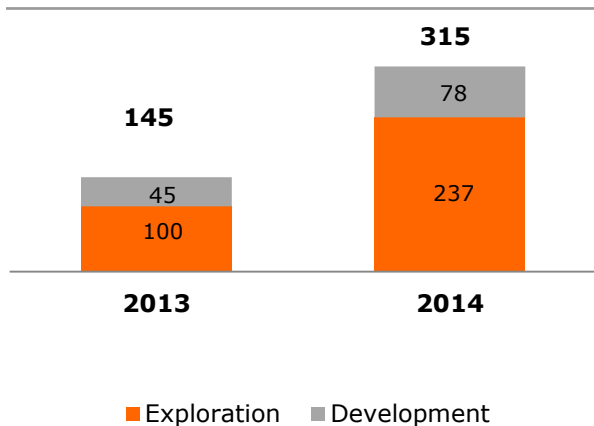
At Block BM-CAL-5, the Consortium is awaiting the Terms of Reference issuance from IBAMA, which precedes the environmental license needed to begin drilling in 2014 to further evaluate the Copaíba discovery.

Exploratory costs, net to QGEP, for 2014 activities at BM-CAL-5 are expected to be approximately US\$22 million.

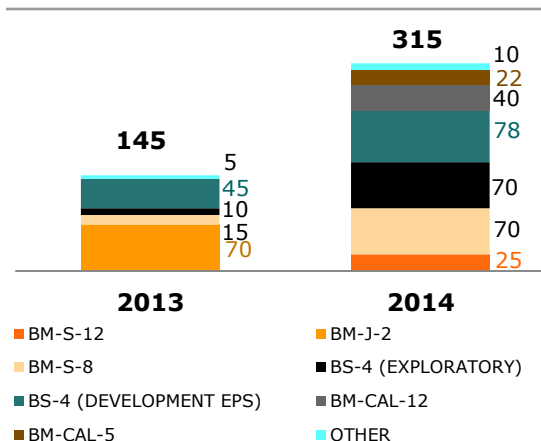


# CAPEX

**CAPEX net to QGEP  
(US\$ million)**



**CAPEX net to QGEP  
(US\$ million)**



## Recent Corporate Developments

- ▶ On March 11, 2013, the Board of Directors approved the Company's third stock option plan, granting a total of 2,307,096 shares, which correspond to 0.87% of the total shares. This program aims to retain and compensate QGEP employees.
- ▶ On May 6, 2013, the Board of Directors approved QGEP's Third Share Buyback Program, with the shares acquired to be held in treasury and subsequently be cancelled and/or forfeited, in order to service the 2013 stock option plan. The number of shares to be acquired will be up to 2,307,096 common shares, 0.87% of the total share count, which may be acquired until May 6, 2014.

## Financial Performance

For 1Q13 and 1Q12, 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)

	1Q13	1Q12	Δ%
Net Income	65.7	69.2	-5.1%
Amortization and Depreciation	23.6	17.3	36.2%
Net Financial Income	(18.3)	(39.3)	53.3%
Income tax and social contribution	5.6	14.0	-60.2%
<b>EBITDA<sup>(1)</sup></b>	<b>76.5</b>	<b>61.3</b>	<b>24.9%</b>
Oil and gas exploration expenditure with subcommercial and dry wells <sup>(2)</sup>	1.4	-	N/A
<b>EBITDAX<sup>(3)</sup></b>	<b>77.9</b>	<b>61.3</b>	<b>27.2%</b>
EBITDA Margin <sup>(4)</sup>	58.0%	63.8%	-9.1%
EBITDAX Margin <sup>(5)</sup>	59.1%	63.8%	-7.4%
Net Debt <sup>(6)</sup>	(1,034.3)	(891.5)	-16.0%
Net Debt/EBITDAX	-3.43	-6.43	46.7%

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

<sup>(2)</sup> Exploration expenses relating to subcommercial wells or to non operational reserves.

<sup>(3)</sup> EBITDAX is a measure used by the oil and gas industry calculated as follows: EBITDA + exploration expenses with subcommercial and dry wells.

<sup>(4)</sup> EBITDA divided by net revenue.

<sup>(5)</sup> EBITDAX divided by net revenue.

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

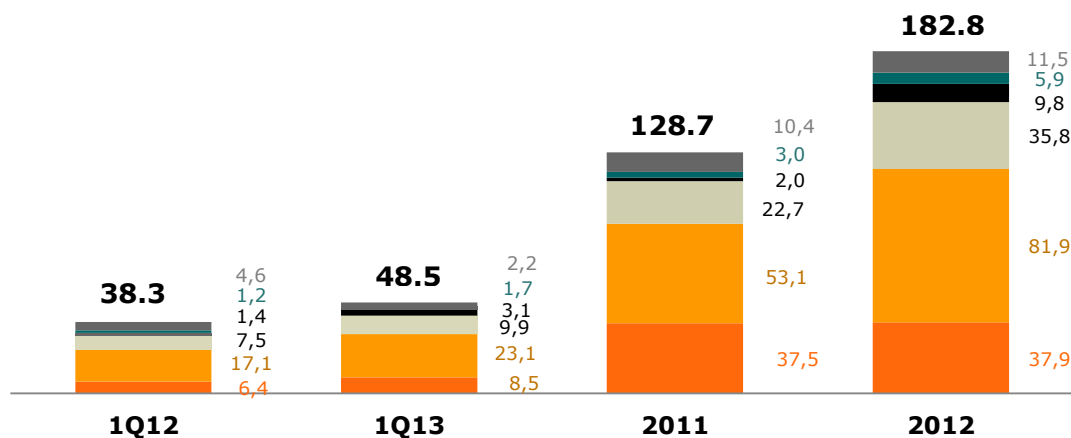
## Operating Results

Net revenues for 1Q13 were R\$131.9 million, a 37.4% increase over 1Q12. Similar to recent quarters, there has been strong demand for natural gas from the country's thermal power plants following a longer than normal dry season in Brazil, which has resulted in high production levels from the Manati Field.

Record first quarter production of 6.6 MMm<sup>3</sup> per day led to a 26.6% year-over-year increase in operating costs to R\$48.5 million, which included: R\$23.1 million in amortization; R\$8.5 million in production costs; R\$9.9 million in royalties; and R\$4.8 million in special participation and research & development and R\$2.2 million in maintenance costs.



### Operating Costs (R\$ million)



■ Production Costs ■ Depreciation ■ Royalties ■ Special Participation ■ R&D ■ Maintenance Costs

## General and Administrative Expenses

First quarter's G&A expenses were R\$16.7 million, R\$6.0 million higher than reported in the comparable period, reflecting the new activities of QGEP as an operator and the further increase in technical personnel and staff. The balance also included R\$1.0 million in fees related to the Company's participation in the upcoming ANP bidding round.

## Exploration Expenses

Total exploration expenses for the extraction of petroleum and gas in 1Q13 were R\$13.5 million, an increase of R\$10.5 million compared to 1Q12. Of the total exploratory expenses, R\$9.8 million were for the procurement of seismic data to analyze the BM-C-27 Concession, as well as potential acquisition areas.

## Net Financial Income

In 1Q13, the Company generated net financial income of R\$18.3 million, significantly below the R\$39.3 million reported in 1Q12, due mainly to lower interest rates in Brazil as well as positive impact of volatile exchange rate markets over liabilities registered in 2012. Net financial income for the quarter included the net effect of R\$18.8 million in financial income and R\$0.5 million in financial expenses.

## Net Income

The Company's net income was R\$65.7 million in 1Q13, a 5.1% decrease compared to 1Q12. Improved production volumes from the Manati Field reflected on revenues and EBITDAX, led to strong net income which offset the lower financial income in the quarter compared to the same period last year.

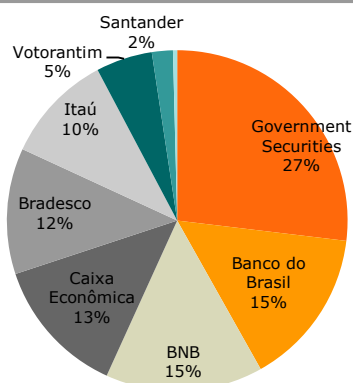
# Balance Sheet/Cash Flow Highlights

## Cash (Cash, Cash Equivalents and Investments)

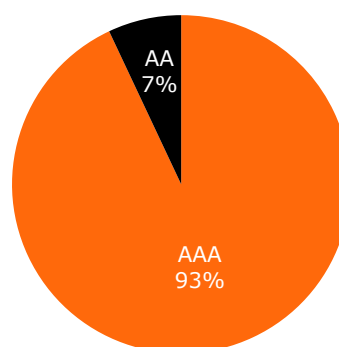
At the end of 1Q13, the Company had a cash balance and net cash position of R\$1,034.3 million.

Cash is invested in dedicated funds and fixed income assets, all in reais. The cumulative average yield of the portfolio at March 31, 2013 was 101.6% of the CDI rate and approximately 92% of the funds have daily liquidity. The breakdown is shown in the charts below.

### Investment Distribution



### Ratings \*



\*Does not include Government Securities

## Accounts Receivable/Payable

Accounts receivable at the end of 1Q13 were R\$101.2 million compared to R\$92.8 million at the end of 4Q12; Accounts payable were R\$36.2 million at the end of 1Q13, similar to the R\$32.5 million reported at the close of 2012.

## Debt

The Company ended 1Q13 with no debt. As previously reported, in the 2012 second quarter the Company eliminated its debt, following the total repayment of the BNDES and BNB loans linked to Manati Field development.

## Operating Cash Flow

The Company had operating cash flow of R\$98.7 million in the 2013 first quarter, 77.1% higher than the comparable 2012 period, due to record first quarter production numbers from the Manati Field.

# Investor Relations

**QGEP Participações S.A.**

Paula Costa Côte-Real  
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Renata Amarante  
Investor Relations Manager

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## About QGEP

QGEP Participações S.A. is Brazil's only private Brazilian company to operate in the premium pre-salt area in Brazil. 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 6 million of m<sup>3</sup> per day. For more information, access [www.qgep.com.br/ri](http://www.qgep.com.br/ri)

*This material 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 warning.*

The consolidated financial information of the Company for the quarter ended March 31, 2013 and March 31, 2012 were prepared by us in accordance with IFRS as issued by IASB.

## Annex I – INCOME STATEMENT

### Income Statement (R\$ million)

	1Q13	1Q12	Δ%
<b>Net Revenue</b>	<b>131.9</b>	<b>96.0</b>	<b>37.4%</b>
Operating costs	(48.5)	(38.3)	-26.6%
<b>Gross profit</b>	<b>83.4</b>	<b>57.7</b>	<b>44.6%</b>
<b>Operating income (expenses)</b>			
General and administrative expenses	(16.7)	(10.7)	-56.6%
Equity Method	(0.2)	-	N/A
Oil and gas exploration expenditures	(13.5)	(3.0)	N/A
Other net operational expenses	-	-	-
<b>Operating income (loss)</b>	<b>52.9</b>	<b>44.0</b>	20.4%
Financial income (expenses), net	18.3	39.3	-53.3%
<b>Income (Loss) before income tax and social contribution</b>	<b>71.3</b>	<b>83.2</b>	<b>-14.3%</b>
Income tax and social contribution	(5.6)	(14.0)	60.2%
<b>Net Income (Loss)</b>	<b>65.7</b>	<b>69.2</b>	<b>-5.1%</b>

## Annex II – BALANCE SHEET

### Balance Sheet (R\$ million)

	1Q13	4Q12	Δ%
<b>Assets</b>			
<b>Current Assets</b>	<b>1,180.9</b>	<b>1,100.1</b>	<b>7.3%</b>
Cash and cash equivalents	674.1	871.3	-22.6%
Investments	360.2	80.9	N/A
Trade accounts receivable	101.2	92.8	9.0%
Recoverable taxes	18.9	35.7	-47.1%
Other	26.5	19.3	37.0%
<b>Non-current Assets</b>	<b>1,326.9</b>	<b>1,334.0</b>	<b>-0.5%</b>
Restricted cash	27.7	24.2	14.3%
Recoverable taxes	0.4	0.4	-
Investments	4.3	-	N/A
Property, plant and equipment	758.2	773.2	-1.9%
Intangible assets	536.3	536.1	-
<b>Total Assets</b>	<b>2,507.7</b>	<b>2,434.0</b>	<b>3.0%</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities</b>	<b>96.7</b>	<b>89.8</b>	<b>7.7%</b>
Trade accounts payable	36.2	32.5	11.4%
Taxes payable	30.1	23.8	26.5%
Payroll and related taxes	6.7	11.7	-42.5%
Due to related parties	0.3	0.1	196.5%
Borrowings and financing	-	-	N/A
Provision for research and development	10.7	9.0	18.4%
Other current liabilities	12.7	12.7	-
<b>Non-current Liabilities</b>	<b>114.8</b>	<b>116.5</b>	<b>-1.5%</b>
Borrowings and financing	-	-	N/A
Provision for abandonment	114.8	116.5	-1.5%
<b>Shareholders' Equity</b>	<b>2,296.3</b>	<b>2,227.8</b>	<b>3.1%</b>
Capital Stock	2,078.1	2,078.1	-
Other Comprehensive income	0.2	-	N/A
Profit Reserve	176.4	176.4	-
Capital Reserve	(24.1)	(26.7)	9.8%
Net income for the period	65.7	-	N/A
<b>TOTAL Liabilities and Shareholders' Equity</b>	<b>2,507.7</b>	<b>2,434.0</b>	<b>3.0%</b>

## Annex III – CASH FLOWS

### Cash Flows (R\$ million)

	1Q13	1Q12	Δ%
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income (loss) for the period	65.7	69.2	-5.1%
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization and Depreciation	23.6	17.3	36.2%
Equity Method	0.2	-	N/A
Deferred income tax and social contribution	-	(0.1)	N/A
Financial charges and exchange rate (gain) loss borrowings and financing	-	1.9	N/A
Provision for stock option plan	2.6	1.5	78.2%
Provision for income tax and social contribution	(5.6)	14.0	139.5%
Provision for research & development	1.7	1.2	33.9%
Exchange rate (gain) loss on accounts payable for acquisition of exploratory blocks	-	(22.8)	N/A
Exchange rate (gain) loss on provision for abandonment	(1.7)	(3.1)	44.8%
(Increase) decrease in operating assets:	1.3	(2.9)	143.9%
Increase (decrease) in operating liabilities:	10.9	(20.7)	152.4%
<b>Net cash inflows from operating activities</b>	<b>98.7</b>	<b>55.7</b>	<b>77.1%</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
<b>Net cash inflows from (used in) investing activities</b>	<b>(295.9)</b>	<b>(232.3)</b>	<b>-27.4%</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
<b>Net cash inflows from (used in) financing activities</b>	<b>-</b>	<b>(30.1)</b>	<b>N/A</b>
Comprehensive profit adjustments	0.1	-	N/A
<b>Increase in cash and cash equivalents</b>	<b>(197.2)</b>	<b>(206.6)</b>	<b>4.6%</b>
Cash and cash equivalents at beginning of the period	871.3	1,022.0	-14.7%
Cash and cash equivalents at end of the period	674.1	815.4	-17.3%
Increase in cash and cash equivalents	(197.2)	206.6	4.6%

## Annex IV – GLOSSARY

<b>ANP</b>	National Agency of Petroleum, Natural Gas and Fuel
<b>Deep water</b>	Water depth of 401 – 1.500 meters.
<b>Shallow water</b>	Water depth of 400 meters or less.
<b>Ultra-deep water</b>	Water depth of 1.501 meters or more.
<b>Basin</b>	A depression in the Earth's crust in which sediments have accumulated that could contain oil and/or gas, associated or not.
<b>Block(s)</b>	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.
<b>Blue Picanha</b>	An area which spans approximately 140 thousand km <sup>2</sup> , stretching from the Brazilian Coast of Espírito Santo State to Santa Catarina State. It was termed the "Pre-salt Polygon" and reclassified from the Concession Regime to the Production Sharing Regime by Brazilian Law nº 12.351 on December, 22, 2010.
<b>"Boe" or Barrel of oil equivalent"</b>	A measurement of gas volume converted to barrels of oil using a conversion factor whereby 1.000 m <sup>3</sup> of gas equals 1 m <sup>3</sup> of oil/condensate and 1 m <sup>3</sup> of oil/condensate equals 6.29 barrels and (energy equivalence).
<b>Field</b>	An area covering a horizontal projection of one or more reservoirs containing oil and/or natural gas in commercial quantities.
<b>Concession</b>	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.
<b>Discovery</b>	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.
<b>E&amp;P</b>	Exploration and Production
<b>Farm-in and Farm-out</b>	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.
<b>GCOS</b>	Geological Chance of Success



<b>GCA</b>	Gaffney, Cline & Associates
<b>Operator</b>	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.
<b>"Type A" Operator</b>	Qualification of the ANP to operate onshore, offshore in shallow to ultra-deep waters
<b>Exploratory Prospect(s)</b>	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.
<b>Contingent Resources</b>	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.
<b>Risk Prospective Resources</b>	Prospective resources multiplied by GCOS.
<b>Reserves</b>	Quantities of petroleum expected to be commercial recoverable by applying development projects to known accumulations as of a given date and under defined conditions.
<b>Possible Reserves</b>	Quantities of petroleum which analysis of geoscience and engineering data indicate are less likely to be recovered than probable reserves.
<b>Proven Reserves</b>	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.
<b>Probable Reserves</b>	Quantities of petroleum that, according to geoscience and engineering data, are estimated to have the same chance (50%/50%) of being achieved or exceeded.