QGEP Participações S.A.

Individual and Consolidated Financial Statements for the year ended December 31, 2015, and Independent Auditor's Report
(Draft Free Translation from Portuguese Original)

MANAGEMENT REPORT

Dear Shareholders:

We hereby present the Management Report and Consolidated Financial Statements for the fiscal year ended December 31, 2015.

MESSAGE FROM MANAGEMENT

2015 was marked by progress in several areas of our portfolio. Most notably, we returned production capacity at the Manati Field to previous levels, obtained even more encouraging results from the delimitation of Carcará, and acquired two exploratory blocks with high potential in the Sergipe-Alagoas Basin in the 13th ANP Bidding Round. In the year, the Company also continued to prepare for the start of production at the Atlanta Field, in the Santos Basin, expected for the end of 2016.

These developments were aligned with goals established for the year, namely, prioritizing cash flow-generating projects, optimizing our asset portfolio and maintaining our strong financial position. Given the prevailing headwinds for both our industry and the Brazilian economy, undoubtedly the most challenging since the Company went public, we exercised even greater discipline in our decision-making, in order to build QGEP's resilience to factors beyond our control. As a result, we enter 2016 with good predictability of production and cash generation, as well as a modular investment plan that can be modified to fit into the industry price reality. We are in a strong position to face the current industry conditions and confident in the recovery of the oil and gas market in the long run.

The successes of 2015 included:

- **Consistent gas production**: In 2015, average daily gas production at the Manati Gas Field reached 5.6MMm^3, in line with our projections. Manati is one of Brazil's largest non-associated gas field, serving important demand in the northeast of the country. In the course of 2015, the consortium at Manati completed the construction and interconnection of a gas compression plant, accomplished with only 13 days of production downtime. By the third quarter, the compression plant had returned production capacity of the field to 6.0MMm^3 per day, which will maintain a steady flow of revenues in 2016. To date, we have seen only minimal impact from Brazil's economic conditions on demand for gas from industry in the northeast region. We are closely monitoring the situation and projecting gas production to average approximately 5.7MMm^3 / day for the full year 2016.

- **Robust cash position**: We ended 2015 with a net cash position of R$910 million, making QGEP quite unique in the oil and gas industry. This cash position is the product of the positive performance of Manati and the Company's long-time policy of maintaining a disciplined approach to capital investment. In addition, QGEP's cash management policies, which include mainly investing in AAA-rated securities and hedging our exposure to dollar-denominated costs, enabled us to report financial income of R$272.2 million for 2015. Based on our strong operating cash flow, QGEP has been able to fund our ongoing operating expenses, continue with priority capital expenditures and be opportunistic when evaluating growth opportunities.

- **Development of the Atlanta Field**: Throughout 2015 we advanced on the development of the Atlanta Field, which will be a milestone for QGEP as an operator. The Field challenges on the drilling and completion of the horizontal wells for production have been successfully navigated. First oil from Atlanta was postponed for the fourth quarter of 2016, following the arrival of the Petrojarl I Floating Production Storage and Offloading vessel (FPSO) at the Field in the third quarter. Two production wells have already been drilled, with an initial average capacity of 20,000 barrels per day, and we have the option to increase output to 30,000 barrels per day by drilling a third production well. Late in 2015, we signed a three-year Crude Oil Sales Agreement with Shell Western Supply and Trading Ltd., who will purchase QGEP's 30% share of total Atlanta Field production. It is worth noting that our partners have also executed similar agreement with Shell.

- **Portfolio management**: We have actively managed our portfolio of exploratory assets in order to prioritize the exploration of the highest-potential blocks. Advances at these assets in 2015 included:
    - Significant progress in the Evaluation Plan of the Carcará Field discovery at Block BM-S-8. Two extension wells were concluded and two Drill Stem Tests were carried out in one of them. Results were positive, showing a light oil column (31º API) of more than 530 meters and initial flow rates equivalent to the best wells in the pre-salt. The oil/water contact has not been identified in any of the drilled wells. All these factors give us further confidence as we advance the activities at Carcará.
    - In October 2015, QGEP successfully bid for and acquired two high-potential blocks in the 13th ANP Bidding Round. These two blocks, SEAL-M-351 and SEAL-M-428, are both located in ultra-deep waters in the Sergipe-Alagoas Basin. This is a traditional producing basin in onshore, shallow and deep-water areas, and considered by our technical team as one of the basins with the greatest potential in all of the Brazilian offshore area. Geological assessments, QGEP's experience with the regulatory framework in Brazil and the Company's solid financial position enabled us to acquire these blocks under attractive pricing conditions.
    - We continued the process of acquiring and analyzing the seismic data at the Blocks acquired in the 11th ANP Bidding Round. In 2015, we acquired the data for the Block CE-M-661 in the Ceará Basin, while the data for Block FZA-M-90 (in the Foz do Amazonas Basin) and ES-M-598 and ES-M-673 (in the Espirito Santo Basin) were analyzed by the respective consortiums. In the coming months, we expect to begin the acquisition of data for blocks PAMA-M-265 and PAMA-M-337 in the Pará-Maranhão Basins.
    - In December, 2015, QGEP announced the decision to relinquish Block BM-J-2 in the Jequitinhonha Basin to the ANP. The Company acquired this Block in 2002, and fulfilled

its commitments under the minimum Exploratory Program. Although a Notice of Discovery was filed in 2013, further technical and economic analysis held after the seismic reinterpretation of new data indicated low quality reservoirs and sub-commercial volumes, as well as environmental challenges for operations in the area. As a result, the Company determined to relinquish the Block, in line with our strategy to prioritize the highest potential blocks and optimize our portfolio.

Hand in hand with our operating achievements in 2015 we reported solid financial results:

- Net revenue of R$496.2 million, similar to the R$503.2 million reported in 2014, despite the interruption of production at the Manati Field for connection of the compression plant;
- EBITDAX of R$273.0 million;
- Net income of R$93.6 million, or R$0.36 per share;
- Operating cash flow of R$431.5 million.

There is no question that 2016 will be another challenging year for the global oil and gas industry. The sharp drop in crude oil prices has strained cash flows and led to many independent oil and gas companies to cut back operations. In Brazil, the situation is further complicated to Petrobras, due to its financial unbalance, as well as the economic recession and political instability.

By contrast, QGEP's results have been insulated from the vagaries of oil prices, as the Manati gas price is set in reais and indexed to inflation, and we also have a take-or-pay contract for our production. This gives us substantial visibility on this year's cash flow. In late 2016, this dynamic will change to some extent as production begins at the Atlanta Field. Production at Atlanta will be of 20,000 barrels per day with two wells, via an Early Production System (EPS), which will have a 3-5 year term. Over that time period, forecasts point towards oil prices rising from current levels, reducing the expected impacted of lower oil prices in the Company's cash flow.

Our competitive advantages will continue to distinguish us in the industry. These advantages include a high degree of technical expertise, a unique positioning with Brazil's petroleum industry, a track record as a partner and as an operator of important fields, and a balanced portfolio of assets. With these advantages, and our financial strength, we will be actively seeking opportunities to capitalize on new opportunities, as we did with the two blocks acquired in the 13th Bidding Round in 2015.

The challenges that affect the broader environment have impacted sentiment towards Brazil's oil and gas sector, including QGEP, and have impacted the Company's stock price. Despite our track record of operating cash flow, even as we expanded the scope of our operations via the 11th and 13th ANP Bidding Rounds, challenging market conditions brought our stock price to R$5.83 at the end of 2015, and even less than that in January and February of 2016. Today, our stock price is below the value of our per share cash position, giving investors the opportunity to own our production, development and exploration asset portfolio on an almost risk-less basis. Hopefully, our valuation will improve as QGEP executes on our strategic plan, and benefits from any potential improvement in the global price of crude oil.

In conclusion, we are pleased with our financial and operating results in 2015. We expect 2016 to be another year of achievement, and we are positioned to maintain our track record of positive results. The end of the year will be a milestone in the Company's history, as we begin oil production in the Atlanta Field. We look forward to keeping our investors informed as we move through this year.

PROFILE

In 2015, QGEP came fourth in the ranking of the largest gas producing companies in Brazil, accounting for 3% of total production of the country. QGEP was also the ninth largest company in terms of production in Brazil in the year, with 0.5% of Brazil's total production of oil and gas.

First independent Brazilian company to achieve qualification as Operator Type A by the National Agency of Petroleum, Natural Gas and Biofuels – ANP, authorized to operate in shallow, deep and ultra-deep waters since 2000. QGEP has a diversified and balanced portfolio, with assets in eight of the main sedimentary basins off the coast of Brazil.

ECONOMIC OVERVIEW

Similar to 2014, 2015 was a year of weak economic performance in Brazil and specially challenging for the oil and gas industry. GDP contracted 3.8% and industrial production fell 8.3%, while inflation ended the year above 10%, along with a sharp drop in commodity prices. In addition, the real weakened more than 50%, from R$2.66 per dollar to R$3.96 per dollar at year-end despite a benchmark interest rate (Selic rate) which ended the year at 14.25%. This scenario led to the loss of investment grade by Brazil at the end of the year. At the beginning of 2016, Brazil was rated Ba2 by Moody's, BB by S&P and BB+ by Fitch, all of them with negative outlook.

All of these internal factors impacted the economic performance of several industries, including oil and gas, which in turn was also impacted by the external environment, with the fall in the price of Brent crude oil, which went from US$53.27 per barrel at the end of 2014 to US$37.04 per barrel at the end of 2015, resulting from supply surplus versus falling demand expectations. On the supply side, the shale oil boom and the decision of some OPEP countries to increase production pushed the commodity price down. On the demand side, the still fragile recovery of the European economy and the slowdown in China contributed to the drop in oil prices. In this context, the market provides a high volatility in the price of oil in the first months of 2016. Despite the short-term uncertain scenario, the market calls for a gradual recovery in oil prices over the second half of 2016, maintaining the trend until 2020.

OUTLOOK

The outlook for 2016 is for further economic contraction in Brazil of approximately the same magnitude as 2015. The projections of the Focus report, from the Brazilian Central Bank, point to GDP contraction of 3.8% due to the decline of industrial production, the increase in unemployment and the shortage of credit in the market, as well as uncertainties related to the prospects of economic and political issues of the country.

The Company believes that, despite the fact that expectations for 2016 are also quite challenging for Brazil and the industry, QGEP has certain qualities that place it in a favorable situation to face and to get advantage of opportunities arising from this scenario, as it did in 2015 with the blocks it acquired in the 13th ANP Bidding Round. This strong financial position allows us to keep a long-term perspective for the business; the stable revenue from the Manati Field gas provides resources to finance the operation and part of the investments; our commitment to a diversified portfolio and prudent risk management guides our solid business decisions. Finally, we rely on qualified technical and corporate teams, for which proven experience is the foundation for our future growth and the maintenance of our long-term vision.

FINANCIAL STRATEGY

Efficient risk management and financial diligence always have been central to QGEP's strategy. The Company derives its revenues and operating income from its key producing asset, the Manati Field, one of the largest non-associated gas field in Brazil. The Company is distinguished by its disciplined approach toward growth and, since its IPO, has been selectively acquiring stakes at development and exploratory assets to expand and consolidate its portfolio. This disciplined financial strategy supports and enables its growth.

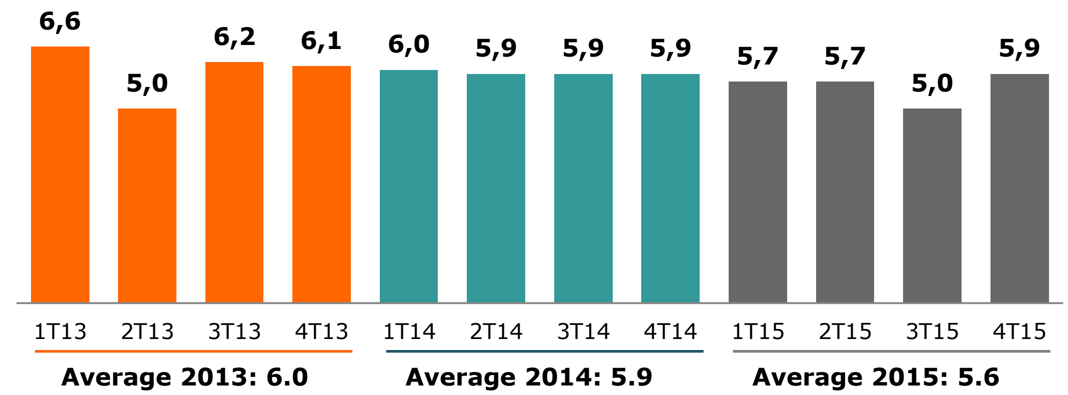
The company has a Market Risk Management Policy which allows the use of derivative financial instruments and natural hedge through cash investment in dollars and foreign exchange fund to mitigate the risks of exchange rate variation related to the portion of its capital investments denominated in US Dollars or strongly influenced by its price.

The hedging strategy is implemented in order to protect the Company's investment capacity, considering an integrated analysis of all QGEP's exposure to foreign exchange risk and ensure its liquidity. The period of analysis for exposure mitigation is the next 24 months and the share of investments in foreign currency is covered in proportion to its maturing time, so that short-term investments have increased coverage against currency fluctuations. The Company currently invests part of the future capex value in exchange rate funds, in accordance with our Policy. The use of derivatives by the Company is limited to hedging operations. The Company does not use derivatives for speculative purposes.

The Company's cash portion denominated in reais is invested mainly in financial instruments categorized with AAA rating, and 85% have daily liquidity.

OPERATING PERFORMANCE

The Manati Field continued its strong production in 2015. Full year production averaged 5.6MMm^3 per day, while average daily output of 5.9MMm^3 was already achieved in the fourth quarter, the highest quarterly output of the year. By beginning of 2016, production had already come back to average 6.0MMm^3 per day. Below is the Field's production curve:



In 2015, the Manati Field was responsible for approximately 6% of the total gas production in Brazil and 32% of the gas production in the Northeast of Brazil, according to data disclosed by the Brazilian National Agency of Petroleum, Natural Gas and Biofuels (ANP).

FINANCIAL PERFORMANCE

The following financial statements correspond to the Company's consolidated financial information for the year ending December 31, 2015. As a firm that holds interest in corporations dedicated substantially to the exploration, production and sale of oil and natural gas products, the Company's results basically reflect those of Queiroz Galvão Exploração e Produção S.A. Below are the major financial highlights for the fourth quarter and full year ended 2015:

Consolidated Financial Information
(R$ million)

	2015	2014	Δ (%)
Net income	93.6	194.8	-52.0%
Amortization	121.7	122.8	-0.9%
Net financial income (expenses)	(272.2)	(119.2)	128.4%
Income tax and social contribution	(17.9)	(16.3)	-209.6%
EBITDA[(1)]	**(74.9)**	**214.7**	**-134.9%**
Oil and gas exploration expenditure with subcommercial and dry wells [(2)]	347.9	71.6	385.9%

EBITDAX(3)	**273.0**	**286.3**	**-4.6%**
EBITDA Margin(4)	-15.1%	42.7%	-135.4%
EBITDAX Margin (5)	55.0%	56.9%	-3.3%
Net Cash (6)	910.3	877.7	3.7%
Net Debt/EBITDAX	(3.33)	(3.07)	6.2%

(1) We calculate EBITDA as profit before taxes and social contributions, net financial results and amortization expenses. EBITDA is not a financial measure according to Brazilian GAAP or IFRS. It should also not be considered in isolation or as a substitute for net income, as a measure of operating performance, or as an alternative to operating cash flow as a measure of liquidity. Other companies may calculate EBITDA differently than us. Furthermore, EBITDA has limitations which inhibit its usefulness as a measure of our profitability as it does not consider certain costs inherent in our business, which could significantly impact our net results, such as net financial income, taxes and amortization. EBITDA is utilized by us as an additional measure of our operating performance.
(2)Exploration expenses relating to subcommercial wells or to non operational volumes.
(3) EBITDAX is a measure used by the oil and gas industry calculated as follows: EBITDA + exploration expenses with subcomercial and dry wells.
(4) EBITDA divided by net revenue.
(5) EBITDAX divided by net revenue.
(6) Net cash corresponds to cash, cash equivalents and marketable securities investments excluding total debt, comprising current and long-term loans and financing and derivative financial instruments, less cash and cash equivalents and marketable securities. Net debt is not recognized under Brazilian GAAP, U.S. GAAP, IFRS or any other generally accepted accounting principles. Other companies may calculate net debt in a different manner.

ADJUSTMENT OF THE EXCHANGE RATE VARIATION IN THE PROVISION FOR ABANDONMENT

On February 25, 2016, QGEP announced to the market that it would rectify, in the fourth quarter of 2015, the accounting procedure adopted to record the U.S. dollar exchange rate variations in the provision for abandonment. As a result, the Company is restating the individual and consolidated financial statements for the years ended December 31, 2014 and 2013, approved on March 12, 2015 and February 24, 2014, respectively (see explanatory note 2.28 to the financial statements dated December 31, 2015).

The provision for abandonment has, as one of its premises, cost estimates in U.S. dollars, while the Company's functional currency is the Brazilian real. As a result, exchange rate variations between the dollar and the real were recorded as exchange rate variations in the financial statement and impacted the Company’s results, leading to non-cash gains and losses that created great fluctuations in the reported net income. Considering the rectification of the accounting procedure, the effect of exchange rate variation on the provision for abandonment will be recorded in the respective fixed assets, affecting the amortization for the period, having no impact on the financial result. This accounting practice is aligned with the interpretation of Rules CPC 25 (Provisions, Contingent Liabilities and Contingent Assets) and ICPC 12 (Changes in Liabilities due to Decommissioning, Restoration and Similar Liabilities).

In addition to the effect of the exchange rate variations recorded to fixed assets, reversed from the net financial results, other accounting effects, such as recalculation of the depreciation and measurement of the income tax expense, are being restated as required by

CPC 23 (see explanatory note 2.28).

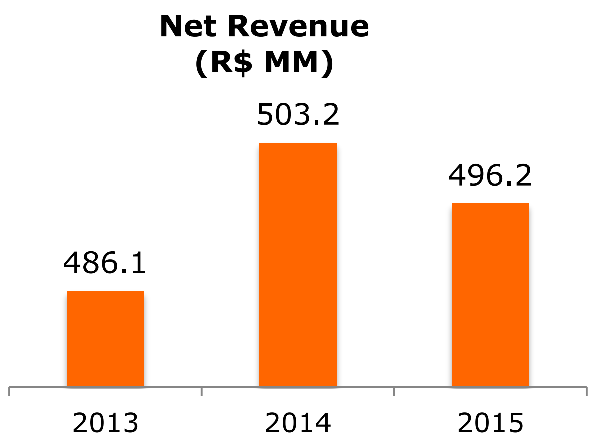
Although the restatement of the financial statements for the fiscal years ended December 31, 2014 and 2013 has resulted in higher net income in these years, the proposed dividend amount, paid to shareholders, based on the financial statements prepared in accordance with the Brazilian corporate law and approved on March 12, 2015 and February 24, 2014, respectively, still complied with the regulation of the Company’s minimum mandatory dividend in those years. The dividends paid exceeded (even after the restated balances) the minimum required for the fiscal years ended December 31, 2014 and 2013.

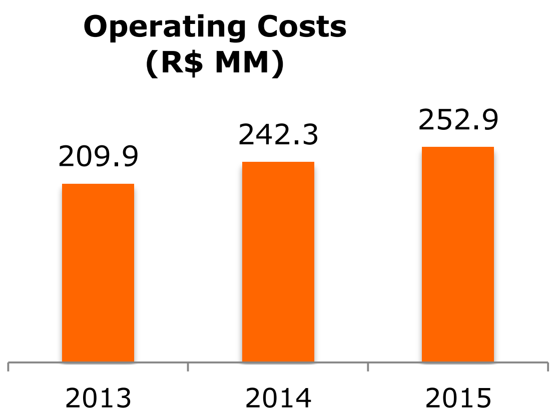
The management announces that the rectification of the accounting procedure mentioned above is aimed at better alignment to the accounting practices adopted in Brazil and the International Financial Reporting Standards (IFRS), which will provide a clearer view of the Company's operational and financial performance.

OPERATING RESULTS

Net revenues for 2015 reached R$496.2 million, in line with the R$503.2 million recorded in 2014. The modest 1.4% decline from 2014 levels was due to impact of lower gas production at the Manati Field in 2015 of average 5.6MM m^3 per day compared to the 5.9 MMm^3 output in 2014. This decrease was a result of the stoppage in production in order to install and connect the gas compression plant, partially offset by higher contractual prices adjusted by inflation in the period.

Total operating costs in 2015 were R$259.2 million for the year, up by 4.4%, mainly related to the increase in costs due to the installation and connection of the compression plant at Manati.





Operating costs (R$ million)

	2015	2014	Δ%

		Restated	
Depreciation and amortization	117.9	120.5	-2.1%
Production costs	64.1	54.3	18.0%
Maintenance costs	10.3	11.9	-13.9%
Royalties	37.7	38.9	-3.1%
Special participation	9.2	11.2	-18.1%
R&D	5.6	5.5	1.6%
Others	8.2	-	N/A
TOTAL	**252.9**	**242.3**	**4.4%**

The item that most contributed to the increase in total operating costs in the comparison between 2015 and 2014 was production costs, which rose 18.0% in the period, from R$54.3 million in 2014 to R$64.1 million in 2015, reflecting the increase of R$13.2 million related to the compression plant. Reductions in royalties and special participation were due to the lower production in the year compared to the previous year and were fully offset by higher depreciation and amortization costs, being the last one impacted by the combined effect of (i) signature of the amendment in the Manati gas sales contract and (ii) reclassification to fixed assets of the exchange variation on the provision of abandonment at Manati.

The combination of the drop in revenues and the rise in costs led to a 6.8% reduction in QGEP's gross profit in 2015 compared to 2014.

OPERATING REVENUES (EXPENSES)

General and Administrative Expenses

In 2015, General and Administrative Expenses were R$52.9 million, compared with R$58.5 million in 2014. The 9.5% drop in the period reflects the rationalization of costs carried out by the Company during the year, as well as a higher allocation for projects operated by QGEP.

Exploration Expenses

Total exploratory costs in 2015 amounted to R$386.1 million, compared with R$110.3 million in 2014. This increase in 2015 was due primarily to the write-off of R$332.5 million in the fourth quarter, related to the relinquishment of Block BM-J-2 to the ANP, and the R$18.2 million related to the acquisition and processing of seismic data blocks acquired in the 11th Bidding Round.

FINANCIAL RESULT

Net financial result was R$272.2 million in 2015, compared to R$119.2 million in 2014. This sharp increase was the result of the Company's income earned on the Company's cash balances, which is 60% invested in financial instruments denominated in reais and the remaining in foreign exchange funds to hedge dollar-denominated liabilities. The depreciation of the Brazilian real against the U.S. dollar in the period and the increase of the Selic interest rate in the country, which ended the year at 14.25% p.a., contributed to the increase in net revenue in 2015, which totaled R$265.9 million compared to R$119.5 million in 2014.

NET INCOME

The Company reported net income of R$93.6 million in 2015, comprised of operating income from the sale of gas from the Manati Field and net financial income earned on the Company's cash balances, impacted by lower exploratory costs mainly due to the relinquishment of Block BM-J-2. Net income was also impacted by a reversal of R$116.3 million in deferred/current income tax with no cash impact, due to the adjustment in accounting for the exchange rate on the provisions for abandonment. In 2014, net income was R$194.8 million, reflecting the higher production in Manati and lower exploration expenses.

BALANCE SHEET/CASH FLOW HIGHLIGHTS

CASH (CASH EQUIVALENTS, FINANCIAL INVESTEMENTS AND RESTRICTED CASH)

The Company ended 2015 with a cash balance of R$1.3 billion. On December 31, 2015, around 40% of QGEP's investments were in exchange funds, with the remaining balance in Brazilian real-denominated instruments.

The cumulative average yield on the cash invested in reais at December 31, 2015 was 101.9% of the CDI rate and approximately 85% of the funds had daily liquidity.

PROPERTY PLANT AND EQUIPMENT

Property, plant and equipment totaled R$885.5 million at December 31, 2015, down from R$1.2 billion at the end of 2014. The decrease is due to the changes to the Company's portfolio during the course of 2015, of which we emphasize the write-off of R$332.5 million in property, plant and equipment related to expenses with drilling wells and other activities in Block BM-J-2 that was returned to the ANP in December.

INTANGIBLE ASSETS

At year-end 2015, intangible assets totaled R$728.9 million, compared with R$630.5 million at the end of 2014. This increase was largely due to the addition in intangible assets of the acquisition of two blocks in the 13th Bidding Round of ANP in October 2015, in the amount R$100.0 million.

ACCOUNTS PAYABLE

Accounts payable were R$71.7 million, compared to R$35.2 million at the end of 2014. The increase recorded between the periods is due to contracts made for payment of equipment and services for the Atlanta Field in the BS-4 concession, especially the collection and umbilical systems.

CREDITS WITH PARTNERS

Of the R$23.9 million recorded on December 31, 2015, R$12.2 million corresponds to consortium member OGX Petróleo e Gás S.A. - Judicial Recovery and the remaining from other consortium members (R$11.7 million).

On January 19, 2016, the "cash call" 01/2016 related to the Block BS-4 operations was issued, totaling R$19.6 million, due on February 3, 2016. Of this amount, R$8.8 million corresponded to OGX. As of the date of approval of the financial statements, QGEP had not received payment for January 2016.

LOANS AND FINANCING

At December 31, 2015, QGEP had borrowings and financing of R$369.7 million, up from R$250.5 million at the end of 2014. This is due to the disbursement from BNB (Banco do Nordeste do Brasil), in the first quarter of 2015, in the amount of R$117.8 million.

QGEP's debit is comprised of funds drawn down from the financing package awarded by Brazil's Financiadora de Estudos e Projetos (FINEP) and its credit line from Banco do Nordeste do Brasil. The FINEP package, which is intended to support the development of the Atlanta Field EPS, consists of two credit lines, one with a fixed rate and one with a floating rate. Both lines feature a 3-year grace period and an amortization period of seven years, with a total credit available to QGEP of R$266.0 million. The remaining borrowings represent funds drawn down on the credit line from Banco do Nordeste do Brasil. This credit line is dedicated to the funding of the exploration of QGEP's assets in the northeast of Brazil.

OPERATING CASH FLOW

Operating cash flow for 2015 was R$431.5 million, up 23.8% from R$348.5 million in 2014, despite the lower net income reported in 2015. Such variation is mainly due to the reduction in payments to suppliers.

ADDED VALUE STATEMENT

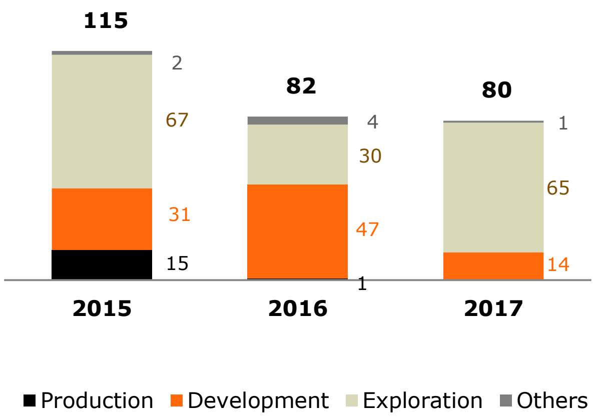
In 2015, QGEP's operations generated R$300.0 million in wealth to society, compared to R$449.1 million in 2014. The amount reflects the increase in purchased inputs due to operating activities held in Atlanta Field in the year.

For every R$1.00 of revenue obtained by QGEP in the year, R$0.60 was distributed among different stakeholders: the government (taxes), third parties (interest paid to financial institutions and rentals), shareholders (dividends), employees (remuneration and benefits) and part retained as the Company's profit reserve.

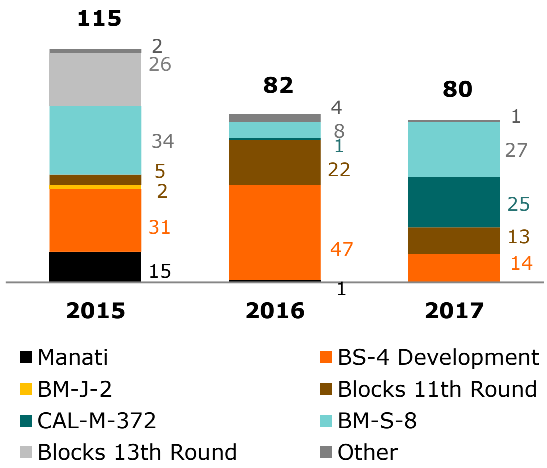
CAPEX

In 2015, total capital expenditures were R$115 million. Of this, US$67 million was spent on the Company’s exploratory portfolio, including US$34 million at the Carcará discovery, where results to date have been very encouraging. The remainder was spent at the Company’s developmental and producing assets, including US$31 million at the Atlanta Field and R$15 million at Manati.

CAPEX net to QGEP (US$ million)



CAPEX net to QGEP (US$ million)



In 2016, total capital expenditures are expected to fall to US$82 million. More than half of this figure, or US$47 million, will be spent at the Atlanta Field, where oil production will begin late in the year. 2016 CAPEX will also include US$22 million to be spent in the processing of seismic data at the blocks acquired in the 11th ANP Bidding Round.

QGEP expects to invest US$80 million in 2017, mainly consisting of investments in exploration: US$13 million are estimated to be invested in the blocks acquired in the 11th Bidding Round; US$25 million related to the drilling of a well in Block CAL-M-372 and US$27 million allocated to activities in Block BM-S-8, including a wildcat well in Guanxuma and a test in the Carcará Noroeste well.

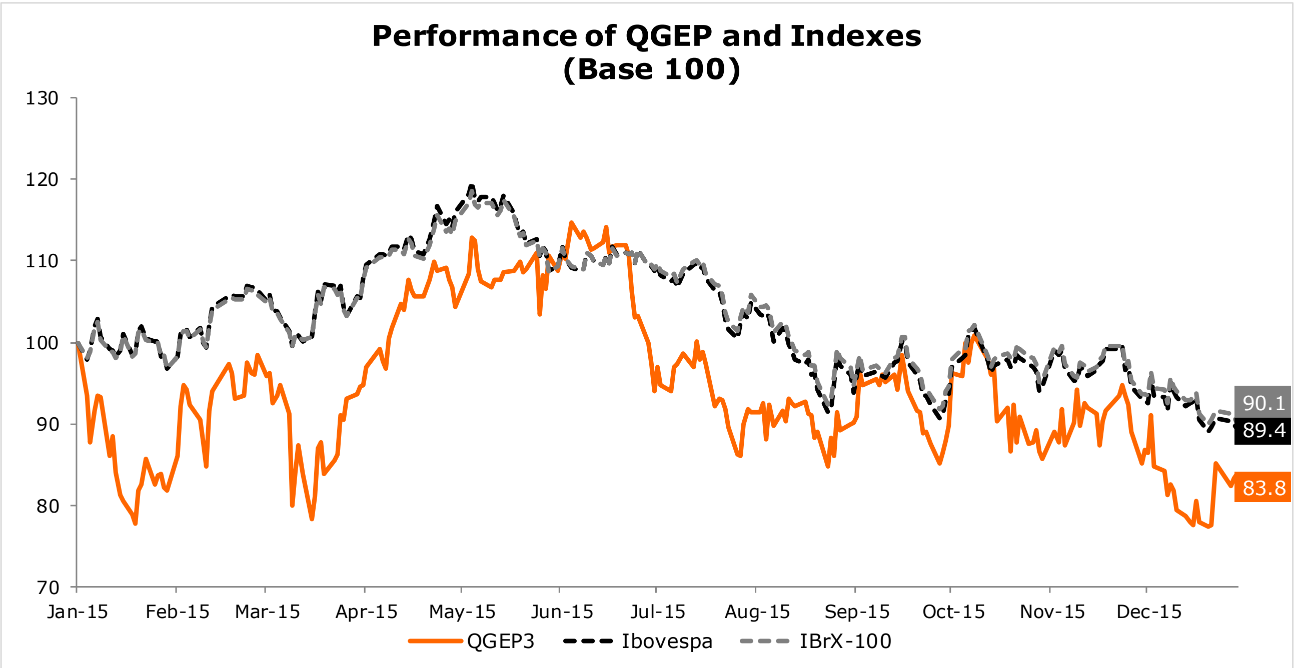
CAPEX amounts are presented in US$, as they are strongly linked to this currency. A minor portion of the figures, however, is denominated in reais.

CAPITAL MARKETS

Representing a market value of R$1.5 billion, QGEP's stock price (Ticker: QGEP3) was R$5.83 at the end of 2015, down 19% from December 31, 2014. This drop is inserted in the context of the Brazilian capital markets, considering that BM&FBovespa's main index, the Ibovespa, fell by 13% in the same period. The share price performance in the period reflected the concern of investors with the strong oil price fall, with the state of the economy and Brazilian politics, and the postponement of Petrobras investments. The average daily value traded in 2015 was R$4.8 million.

At the end of 2015, QGEP had 12 covering sell-side analysts, including both domestic and international banks and brokerages. 9 of the analysts had BUY recommendations and 3 had NEUTRAL recommendations on the stock. The stock's highest target price was R$16.60/share and the lowest, R$7.30/share, with an average target prices of R$10.52/share, representing a 96% upside from QGEP's stock's closing price on the end of 2015.

In September 2015, QGEP was included in the IBrX-100 theoretical portfolio, the Brazilian index that measures the return on a theoretical portfolio composed of 100 stocks selected among the most traded on BM&FBOVESPA, in terms of number of transactions and financial volume. The participation in this index may contribute to the increase of the Company's stock liquidity and expand the visibility among capital market analysts, both in Brazil and abroad. The IBrX-100 index is reviewed every 4 months.



DIVIDENDS

QGEP has a supplementary dividend payment policy ("Dividend Policy"), above the statutory minimum established in the Bylaws.

The dividend distribution proposal, to be submitted annually by the Board of Directors to the Annual Shareholders' Meeting, includes the payment of a dividend in the amount of R$0.15 per share. This amount includes the value of the statutory minimum dividend.

- The payment of the dividend supplement is subject to the existence of profits or profit reserves. Furthermore, the allocation of the Company's net profits are, in each case, subject to approval at the Annual Shareholders' Meeting and may be revised, at any moment, by the Company's Board of Directors given its plans and needs at the relevant time, among which, but not exclusively due to, material acquisitions, relevant investments, debt covenants and regulatory requirements.

Given the above mentioned Dividend Policy, the requirements of Law 6,404/76, as amended, of the Securities and Exchange Commission, and the Company's Bylaws, the Company will adopt the following rules and practices regarding its dividend distribution:

(i) 5% of the year's net profit will be allocated to the legal reserve until such reserve reaches a sum equal to 20% of capital stock. The constitution of this reserve could be waived if its balance in any fiscal year, added to the balance of capital reserves, exceeds 30% of the capital stock;

(ii) After constituting the legal reserve, of the remaining net profit portion, priority will be given to the payment of supplement dividend of R$0.15 per share. This amount includes the minimum mandatory divided of 0.001% of net profit according to the Company's by-laws. If in a given year, the adjusted net profit is insufficient for the payment of the dividend supplement, the Company's administration may propose to revert part or all statutory profit reserves in order to meet dividend payments; and

(iii) With due regard to the foregoing allocations, the Board may propose that the remaining net profit portion be, all or in part, used to constitute the "Investment Reserve". This reserve can reach a maximum limit of 100% of capital stock provided that the balance thereof, added to the balances of the remaining profit reserves, other than unrealized profit reserves, contingencies reserves, and tax incentive reserves, shall not exceed one hundred per cent (100%) of Company's capital stock.

Exceptionally, the dividend supplement may be suspended if in any fiscal year, the Company's administration notifies the Annual Shareholders' Meeting that it is incompatible with the Company's financial situation.

The table below shows the dividend payment history over the last three years:

Dividend payment history over the last three years

Type of Payment	Base year	Approval Date	Payment Date	Total Amount (R$)	Amount per share (R$/Share)
Dividends	2014	17/04/2015	05/05/2015	38,677,840.95	0.150000

Dividends	2013	16/04/2014	05/05/2014	40,000,000.00	0.150485
Dividends	2012	19/04/2013	30/04/2013	783.45	0.000003

CORPORATE GOVERNANCE

QGEP adopts good Corporate Governance practices in order to optimize Company returns and to align all stakeholder interests. For that purpose, it was listed in 2011, under the BM&FBovespa's highest corporate governance segment, the Novo Mercado.

The Company conducts its activities based on the principles of the Code of Ethics, as well as the following corporate policies: Policy on the Disclosure of Material Act or Event and the trading of Securities, Market Risk Management Policy, and Integrated Management System Policy. In 2015 we also added the Anticorruption Policy, which complements the anticorruption provisions provided for in the Company's Code of Ethics, establishing guidelines for the interactions of Employees with private and public agents.

Aiming at improving its Corporate Governance practices, QGEP installed in 2015 by the Board of Directors, the Ethics, Governance and Sustainability Committee, a non-statutory committee responsible for ensuring the good market and corporate governance practices, among others. This Committee is composed of three members and must have at least one independent member of the Board, who will occupy the chair of the Committee. In the beginning of 2016, the Board of Directors also established the Company's Compensation Committee, also non-statutory and composed of three members.

In the year, QGEP launched its Compliance Program, which includes, in addition to the Code of Ethics, policies that preserve the ethics by which QGEP is guided, as well as procedures related to the topic. The Code observes the principles of the Anti-Corruption Law, which aligns Brazil's with international legislation. The Code treats, among other matters, of its management, Anticorruption Guidelines, Competitive Procedures, Formation of Partnerships, Hiring of Suppliers and Outsourced Services, Related Party Transactions and Conflicts of Interest.

The management of the Code of Ethics is incumbent to the Ethics, Governance and Sustainability Committee, assisted by Compliance Manager, who is responsible, among other duties, to investigate possible violations of the Code or guide the investigation in accordance with QGEP's policies and procedures. One of the key tools to ensure the functioning of the Compliance Program is QGEP's Whistleblower Channel (named *Canal Confidencial*), an open space to receive doubts and questions from all our stakeholders, being a service provided by an independent company that receives complaints in a confidential and anonymous way.

Since 2014, QGEP has been installing a Fiscal Council on a non-permanent basis. The Council is comprised of three effective members, one of which elected by minority shareholders. The Council members are highly qualified and experienced professionals.

Additionally, since its foundation, the Company discloses all its activities with transparency and accessibility on its Annual Sustainability Reports.

HUMAN RESOURCES

The majority of QGEP's employees are skilled executive's technical staff with extensive experience in the local, regional and global oil and gas sector. Their areas of expertise include geology, geophysics, reservoir engineering, production, drilling and sustainability, among others. Numerous team members previously held senior roles at Petrobras and have worked on important discoveries in Brazil. All QGEP operations adhere to the highest levels of sustainability, including employee safety.

At the close of 2015, the Company had in total 131 employees, including QGEP employees and third-party workers, compared to our workforce of 133 at the end of 2014.

SOCIAL AND ENVIRONMENTAL RESPONSIBILITY

QGEP prioritizes the identification and evaluation of impacts and the management of potential environmental, social and safety risks of its exploration and production activities taking action to minimize and control them. The Company seeks the commitment of all those involved (employees and outsourced services) in order to achieve high operational, environmental, safety, health and social responsibility standards.

In 2015, we highlight the Company's recertification under ISO 14001 (Environmental Management System) and OHSAS 18001 (Health and Safety Management System) on our exploration and production activities, which reiterates our commitment for the continued improvement of our processes.

Maintaining the commitment to transparency and responsible management, we began, in November 2015, to process all the information for the preparation of our 5th Annual Sustainability Report, which should be published throughout the first half of 2016.

RELATIONS WITH THE INDEPENDENT AUDITORS

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

On February 2, 2016, QGEP informed the market that is Board of Directors approved KPMG Auditores Independentes to provide independent audit services, starting with the results for the first quarter of 2016. KPMG replaces Deloitte Touche Tohmatsu Auditores Independentes. This change is in compliance with Instruction CVM nº 308/99, which mandates the rotation of independent auditors every five years.

MANAGEMENT STATEMENT

The Board of Executive Officers states that it has reviewed, discussed and agreed with the opinion expressed in the Independent Auditors' Report issued on March 7, 2016, as well as with the Financial Statements for the year ended December 31, 2015.

Rio de Janeiro, March 7, 2016.

QGEP Management

Deloitte.

Deloitte Touche Tohmatsu
Av. Presidente Wilson, 231 – 22º
25º e 26º andares
Rio de Janeiro – RJ – 20030-905
Brasil

Tel: + 55 (21) 3981-0500
Fax:+ 55 (21) 3981-0600
www.deloitte.com.br

(Convenience Translation into English from the Original Previously Issued in Portuguese)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders, Directors and Management of
QGEP Participações S.A.
Rio de Janeiro - RJ

We have audited the accompanying individual and consolidated financial statements of QGEP Participações S.A. ("Company"), identified as Parent and Consolidated, respectively, which comprise the balance sheet as of December 31, 2015, and the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

In our opinion, the individual and consolidated financial statements present fairly, in all material respects, the individual and consolidated financial position of Companhia QGEP Participações S.A. as of December 31, 2015, and its individual and consolidated financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board - IASB and accounting practices adopted in Brazil.

Emphasis of matter

CPC 23 - Accounting Policies, Changes in Accounting Estimates and Errors

As disclosed in Note 2.28, due to the accounting effects mentioned in such Note, the corresponding amounts on the individual and consolidated balance sheet as of December 31, 2014 and 2013 and the related income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on December 31, 2014, presented for comparative purposes, are being adjusted and restated as defined by CPC 23 - Accounting Policies, changes in Accounting Estimates and Errors/ IAS 8 - Accounting Policies, Changes in Accounting Estimates and Errors and CPC 26 (R1) - Presentation of Financial Statements/ IAS 1 - Presentation of Financial Statements. Our opinion is not qualified on this matter.

Other matters

Statements of value added

We have also audited the individual and consolidated statements of value added ("DVA") for the year ended December 31, 2015, and also the comparative statements restated for the year ended on December 31, 2014 (note 2.28), prepared under the responsibility of the Company's management, the presentation of which is required by the Brazilian Corporate Law for publicly-traded companies, and as supplemental information by IFRS, which does not require the presentation of a DVA. These statements were subject to the same auditing procedures described above and, in our opinion, are fairly presented, in all material respects, in relation to the financial statements taken as a whole.

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

Rio de Janeiro, March 7, 2016

DELOITTE TOUCHE TOHMATSU
Auditores Independentes

John Alexander Harold Auton
Engagement Partner

QGEP PARTICIPAÇÕES S.A.

BALANCE SHEET AT DECEMBER 31, 2015
(In thousands of Brazilian reais - R$)

ASSETS	Note	Parent Company 12/31/2015	Parent Company 12/31/2014 (Re-presented)	Parent Company 12/31/2013 (Re-presented)	Consolidated 12/31/2015	Consolidated 12/31/2014 (Re-presented)	Consolidated 12/31/2013 (Re-presented)
CURRENT ASSETS							
Cash and cash equivalents	4	100	1	268	180,672	117,191	357,765
Short-term investments	4	3,037	2,897	-	941,514	1,011,417	647,954
Accounts receivable	5	-	-	-	102,615	101,627	99,446
Inventories	7	-	-	-	3,064	54,477	47,769
Recoverable taxes	10.1	85	25	27	74,335	37,636	12,091
Related parties	8	-	-	-	6,741	-	-
Dividends receivable	11.2	-	3,277	4,310	-	-	-
Credit to partners	6	-	-	-	23,940	19,344	116,185
Others		-	-	3	4,462	1,967	4,724
Total current assets		3,222	6,200	4,608	1,337,343	1,343,659	1,285,934
NONCURRENT ASSETS							
Restricted cash	9	-	-	-	86,787	27,916	4,167
Long-term investments	4	-	-	-	157,760	-	-
Recoverable taxes	10.1	-	-	-	4,925	2,654	337
Inventories	7	-	-	-	57,100	-	-
Deferred income tax and social contribution	10.4	-	-	-	45,538	19,392	22,477
Related parties	8	-	-	-	234	4,878	479
Investments	11.2	2,686,128	2,583,947	2,437,073	125,118	22,843	10,428
Property, plant and equipment	12	-	-	-	885,458	1,178,616	1,114,155
Intangible	13	-	-	-	728,357	630,470	631,350
Others non current assets		-	1	-	1,643	1,810	2,401
Total noncurrent assets		2,686,128	2,583,948	2,437,073	2,092,920	1,888,579	1,785,794
TOTAL ASSETS		2,689,350	2,590,148	2,441,681	3,430,263	3,232,238	3,071,728
LIABILITIES AND NET EQUITY							
CURRENT LIABILITIES							
Suppliers		71	47	137	71,663	35,199	160,245
Borrowings and financing	14	-	-	-	12,472	387	238
Taxes payable	10.2	59	48	42	27,578	26,313	30,059
Payroll and related taxes		55	50	38	18,572	17,914	19,367
Related party transactions	8	-	-	-	420	336	8
Provision for research and development		-	-	-	15,703	12,760	8,577
Insurance		-	-	-	8,466	6,256	-
Other obligations		-	-	-	3,093	11,442	15,210
Total current liabilities		185	145	217	157,967	110,607	233,704
NONCURRENT LIABILITIES							
Provision for abandonment	16	-	-	-	225,960	281,099	228,894
Borrowings and financing	14	-	-	-	357,171	250,528	167,666
Total noncurrent assets		-	-	-	583,131	531,627	396,560
NET EQUITY							
Capital stock	24	2,078,116	2,078,116	2,078,116	2,078,116	2,078,116	2,078,116
Capital reserve		37,898	31,632	22,628	37,899	31,632	22,628
Shares held in tresury		(81,007)	(81,007)	(62,501)	(81,007)	(81,007)	(62,501)
Investment reserve		610,788	555,852	401,030	610,788	555,852	401,030
Other comprehensive income		43,369	5,410	2,191	43,369	5,410	2,191
Income of the year		-	-	-	-	-	-
Total net equity		2,689,165	2,590,003	2,441,464	2,689,165	2,590,003	2,441,464
TOTAL LIABILITIES AND NET EQUITY		2,689,350	2,590,148	2,441,681	3,430,263	3,232,238	3,071,728

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

QGEP PARTICIPAÇÕES S.A.

STATEMENT OF INCOME FOR THE YEAR ENDED DECEMBER 31, 2015
(In thousands of Brazilian reais - R$)

	Note	Parent Company 01/01/2015 to 12/31/2015	Parent Company 01/01/2014 to 12/31/2014 (Re-presented)	Consolidated 01/01/2015 to 12/31/2015	Consolidated 01/01/2014 to 12/31/2014 (Re-presented)
NET REVENUE	17	-	-	496,192	503,232
COSTS	18	-	-	(252,854)	(242,266)
GROSS PROFIT		-	-	243,338	260,966
OPERATING INCOME (EXPENSES)					
General and administrative expenditure	18	(4,484)	(4,019)	(52,907)	(58,475)
Equity method	11	97,632	198,527	(1,178)	(185)
Oil and gas exploration expenditure	19	-	-	(386,098)	(110,348)
Others, net		-	-	335	-
		93,148	194,508	(196,510)	91,958
INCOME FROM OPERATIONS BEFORE FINANCIAL INCOME					
FINANCIAL INCOME, NET	20	465	316	272,220	119,201
INCOME BEFORE INCOME TAX SOCIAL CONTRIBUTION		93,613	194,824	75,710	211,159
Deferred Income tax and social contribution	10.3	-	-	(8,242)	(13,250)
Current Income tax and social contribution	10.3	-	-	26,145	(3,085)
NET INCOME FOR THE YEAR		93,613	194,824	93,613	194,824
NET INCOME PER SHARE - BASIC AND DILUTED	24	0.36	0.75		

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

QGEP PARTICIPAÇÕES S.A.

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31, 2015
(In thousands of Brazilian reais - R$)

	Note	Parent Company		Consolidated	
		01/01/2015 to 12/31/2015	01/01/2014 a 12/31/2014 (Re-presented)	01/01/2015 to 12/31/2015	01/01/2014 a 12/31/2014 (Re-presented)
Net income for the year		93,613	194,824	93,613	194,824
Other comprehensive income					
Comprehensive income of investees recognized by the equity method	11	37,958	3,219	37,958	3,219
Total comprehensive income for the year		131,571	198,043	131,571	198,043

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

QGEP PARTICIPAÇÕES S.A.

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS FOR THE YEAR ENDED DECEMBER 31, 2015
(In thousands of Brazilian reais - R$)

			Capital Reserves		Income Reserve					
	Note	Capital stock	Stock options	Shares held in treasury	Legal reserve	Investment reserve	Other comprehensive income	Retained earnings	Aditional dividends proposed	Total
BALANCE AT DECEMBER 31, 2013 (re-presented)		2,078,116	22,627	(62,500)	20,123	380,907	2,191	-	-	2,441,464
Shares held in treasury	25	-	-	(18,507)	-	-	-	-	-	(18,507)
Cumulative translation adjustments		-	-	-	-	-	3,219	-	-	3,219
Stock option	24	-	9,005	-	-	-	-	-	-	9,005
Appropriation of profit for the year: (re-presented)		-	-	-	-	-	-	194,824		194,824
Legal reserve		-	-	-	8,303	-	-	(8,303)	-	-
Investment reserve (re-presented)		-	-	-	-	186,519	-	(186,519)	-	-
Minimum mandatory dividends		-	-	-	-	-	-	(2)	-	(2)
Dividends paid		-	-	-	-	(40,000)	-	-	-	(40,000)
BALANCE AT DECEMBER 31, 2014 (re-presented)		2,078,116	31,632	(81,007)	28,426	527,426	5,410	-	-	2,590,003
Cumulative translation adjustments	11	-	-	-	-	-	37,959	-	-	37,959
Dividends paid		-	-	-	-	(38,676)	-	-	-	(38,676)
Stock option	24	-	6,267	-	-	-	-	-	-	6,267
Appropriation of profit for the year:		-	-	-	-	-	-	93,613	-	93,613
Legal reserve	24	-	-	-	7,739	(3,059)	-	(4,681)	-	-
Investment reserve	24	-	-	-	-	50,255	-	(50,255)	-	-
Minimum mandatory dividends	24	-	-	-	-	-	-	(1)	-	(1)
Aditional dividends proposed	24	-	-	-	-	-	-	(38,676)	38,676	-
BALANCE AT DECEMBER 31, 2015		2,078,116	37,897	(81,007)	36,165	535,946	43,369	-	38,676	2,689,165

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

QGEP PARTICIPAÇÕES S.A.

STATEMENTS OF CASH FLOW FOR THE YEAR ENDED DECEMBER 31, 2015
(In thousands of Brazilian reais - R$)

		Parent Company		Consolidated	
	Note	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014 (Re-presented)	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014 (Re-presented)
CASH FLOWS FROM OPERATING ACTIVITIES					
Net income for the year		93,613	194,824	93,613	194,824
Adjustments to reconcile net income to net cash provided by (used in) operating activities:					
Equity method	11.2	(97,632)	(198,527)	1,178	185
Depreciation and amortization	12/13	-	-	121,652	122,775
Deferred income tax and social contribution	10.4	-	-	(26,146)	3,085
Financial charges and exchange rate (gain) loss on borrowings and financing		-	-	14,617	5,932
Reduction of fixed assets and intangibles	12/13	-	-	332,374	70,647
Stock option plan	24	-	-	6,267	9,005
Provision for income tax and social contribution	10.3	-	-	8,242	15,482
Provision for research and development		-	-	2,943	4,183
Exchange rate and others		-	-	-	18,791
(Increase) decrease in operating assets:					
Trade accounts receivable	5	-	-	(988)	(2,181)
Recoverable taxes	10.1	(60)	2	(38,970)	(27,862)
Other assets		1	3	(14,710)	89,083
Increase (decrease) in operating liabilities:					
Suppliers		24	(90)	12,638	(131,180)
Taxes payable	10.2	11	6	(5,643)	101
Related parties	8	-	-	84	(6,435)
Other liabilities		7	8	(60,620)	(19,329)
Interest paid	14	-	-	(13,723)	328
Income tax and social contribution paid		-	-	(1,336)	1,033
Net cash provided by (used in) operating activities		(4,036)	(3,774)	431,472	348,467
CASH FLOWS FROM INVESTING ACTIVITIES					
Restricted cash	9	-	-	(58,871)	(23,749)
Short term investments	4	(140)	(2,897)	(87,857)	(363,463)
Increase capital in foreign company		(925)	-	(103,453)	(12,599)
Payment of investment		40,599	63,879	-	-
Payment of property, plant and equipment	12	-	-	(134,669)	(215,615)
Payment of intangible	13	-		(100,259)	(1,840)
Dividends recieved		3,277	1,032	-	-
Net cash provided by (used in) investing activities		42,811	62,014	(485,109)	(617,266)
CASH FLOWS FROM FINANCING ACTIVITIES					
Payment of financing	14	-	-	117,835	83,513
Shares held in treasury	24	-	(18,507)	-	(18,507)
Payment of dividends		(38,676)	(40,000)	(38,676)	(40,000)
Net cash provided by (used in) financing activities		(38,676)	(58,507)	79,159	25,006
Cumulative translation of adjustment of foreign companies		-	-	37,959	3,219
Total of cumulative translation of adjustment of foreign companies		-	-	37,959	3,219
Increase (decrease) in cash and cash equivalents		99	(267)	63,481	(240,574)
Cash and cash equivalents at beginning of year		1	268	117,191	357,765
Cash and cash equivalents at end of year		100	1	180,672	117,191
Increase (decrease) in cash and cash equivalents		99	(267)	63,481	(240,574)

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

QGEP PARTICIPAÇÕES S.A.

STATEMENTS OF VALUE ADDED FOR THE YEAR ENDED DECEMBER 31, 2014
(In thousands of Brazilian reais - R$)

	Note	Parent Company		Consolidated	
		01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014 (Re-presented)	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014 (Re-presented)
REVENUES		-	-	758,559	851,408
Gas sales	17	-	-	615,398	634,285
Revenue related to services rendered		-	-	8,183	-
Other revenues		-	-	309	1,508
Revenues related to own assets of construction	12	-	-	134,669	215,615
INPUTS ACQUIRED FROM THIRD PARTIES (including Tax - ICMS, IPI, PIS and COFINS)		915	879	602,359	397,262
Gas production and service costs		-	-	471,908	186,728
Material, energy and other service		915	879	109,542	192,927
Others		-	-	20,909	17,607
GROSS VALUE-ADDED		(915)	(879)	156,200	454,146
DEPRECIATION, AMORTIZATION AND EXHAUSTION	12/13	-	-	121,465	124,491
NET VALUE-ADDED PRODUCED BY THE ENTITY		(915)	(879)	34,735	329,655
VALUE-ADDED RECEIVED IN TRANSFER		98,104	198,846	265,252	119,423
Equity income and dividends	11.2	97,633	198,527	(1,178)	(185)
Financial income	20	471	319	265,899	119,608
Others		-	-	531	-
TOTAL VALUE-ADDED TO BE DISTRIBUTED		97,189	197,967	299,987	449,078
VALUE-ADDED DISTRIBUTION					
PERSONEL:					
Personnel		2,864	2,491	54,613	53,530
Benefits		136	128	6,585	5,282
Charges and fees		-	-	(2,590)	2,161
Others		(2)	-	307	-
		2,998	2,619	58,915	60,973
TAXES:					
Federal		572	498	48,231	81,313
State		-	-	55,825	57,000
Municipal		-	-	491	85
ANP (Bonus e royalties)		-	-	46,846	50,076
		572	498	151,393	188,474
PAYMENT OF THIRD PARTY CAPITAL:					
Interest		-	3	(6)	167
Rentals		-	-	1,857	3,650
Bank charges		6	23	794	852
Monetary/Exchange variation		-	-	(6,579)	138
		6	26	(3,934)	4,807
SHAREHOLDERS					
Net income for the year		93,613	194,824	93,613	194,824
		93,613	194,824	93,613	194,824
DISTRIBUTION OF VALUE ADDED		97,189	197,967	299,987	449,078

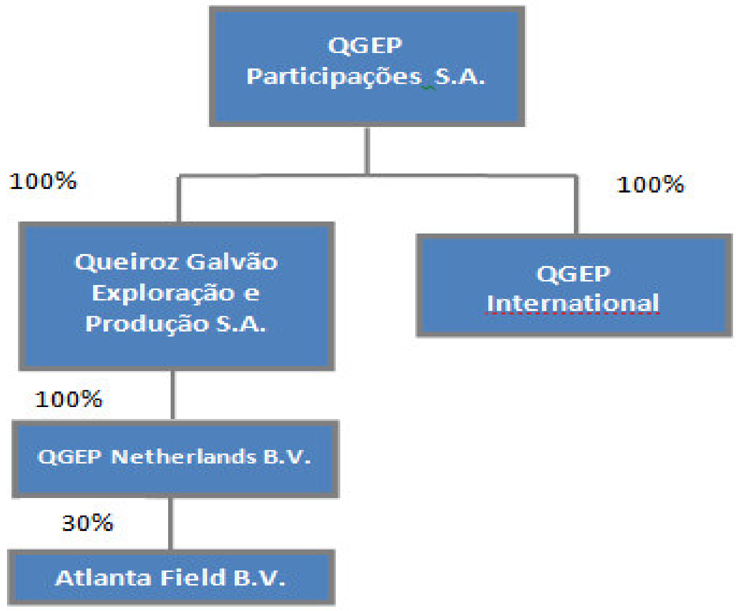
The accompanying notes are an integral part of these financial statements.

1. OPERATIONS

Corporate structure

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

As of December 31, 2015, the Company's ownership structure was as follows:



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

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

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

On October 3, 2013, QGEP International GmbH (“QGEP International”) was established as the QGEPP’s wholly-owned subsidiary with registered offices in Vienna, Austria; its corporate object is acquisition of companies in Austria and other nations, constitution and management of subsidiaries in Austria and abroad, and asset management.

Operational History:

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

As of December 31, 2015, the Group’s portfolio included stakes in 16 E&P concessions located in the offshore portion of the Brazilian Continental Shelf (Note 21). Out of this total, 12 are in the exploration phase and four are in the development/production phase. All the stakes in the concessions belong to subsidiary QGEP.

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

The Manati Field was developed through the drilling of six wells completed with Wet Christmas Trees (WCT). These wells produce for a fixed production platform (PMNT-1) which pumps gas along a 24” diameter pipeline, approximately 125 km long, to the treatment station, which stabilizes and condenses the gas (Geologist Vandemir Ferreira Plant). Since August of 2015, the Manati compression station has been connected to the system. The station is now fully operational and its production capacity has already reached once again the threshold of 6.0 million m³/day.

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

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

The Block BS-4 is already under development and comprises Oliva and Atlanta fields. Oliva is a post-salt oil field is located in BS-4 Block, 17 km distant from Atlanta Field. The development plan for Atlanta Field includes an Early Production System (EPS) with two horizontal wells, already drilled and tested in the first semester of 2014. At the end of 2014, the Company signed the contract of the Petrojarl I floating, production, storage, and offloading vessel ("FPSO"), chartered for the Atlanta Field Development. The vessel will be customized to the Field's specifications and is scheduled to be on site in the third quarter of 2016. Production is scheduled to begin in mid-2016. The CAPEX estimated for this EPS is US$745 million, of which US$223,5 million net relate to QGEP. This amount refers to a system of three production wells and the drilling of the last well is expected to begin at the end of 2015. As of December 31, 2014, the Company had disbursed US$156 million of the total EPS CAPEX.

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

QGEP is in the process of contracting the acquisition of 3D seismic data for the blocks in the Foz do Amazonas, Pará-Maranhão, Ceará, Pernambuco-Paraíba and Espírito Santo basins that were awarded in the ANP's 11th Bidding Round. The total amount until December 31, 2014 is R$25,914. Well drilling, which we have a commitment to initiate in the first period, is scheduled for 2017.

The Development Plan (PD) for the Oliva Field, which was approved on August 21, 2013, calls for the drilling of a reservoir data acquisition (ADR) well during the year ended December 31, 2016, followed by testing in order to prove the estimated reserves and decision-making regarding the model for development of this field.

The concessions acquired in the ANP's 11th Round of Bidding in the basins known as Foz do Amazonas, Pará-Maranhão, Ceará, Pernambuco-Paraíba and Espírito Santo are in the phrase of acquisition and processing of 3D seismic data. The total accumulated disbursement up to December 31, 2015 is R$ 49,055. The well-drilling schedule, where we have a commitment in the first period, should be carried out in the years 2017 and 2018 (Note 22).

In the ANP's 13th Round of Bidding, subsidiary QGEP acquired a 100% stake in blocks SEAL-M-351 and SEAL-M-428. Both blocks are located in ultra-deep water in the Sergipe-Alagoas Basin, with respective areas measuring 756.86 km² and 756.24 km².

The subscription bonus paid was the minimum amount required by the ANP, in the amount of R$ 63.9 million for SEAL-M-351 and R$ 36.1 million for SEAL-M-428. The minimum exploratory program (PEM) for the first period for both Sergipe-Alagoas blocks is covered by a letter of guarantee in the amount of R$ 18.3 million. In order to fulfill these programs, it is forecast that seismic surveys will be conducted covering the entire area of the blocks, estimated at around US$ 10 million. The concession agreement was signed on December 23, 2015, thus kicking off the 1st period of the Exploration Phase, which lasts 5 years.

2. SIGNIFICANT ACCOUNTING POLICIES

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

2.1. Statement of conformity

The individual and consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and accounting practices adopted in Brazil

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

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

2.2. Basis of preparation

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

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

2.3. Basis of consolidation and investments in subsidiaries

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

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

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

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

Company’s equity interests in subsidiaries

As of December 31, 2015 and 2014, the Company's financial statements include the financial information of its direct and indirect subsidiaries, using the same base date, as listed below:

			Percentage stake	
	Country of operation	Control	12/31/2015	12/31/2014
QGEP	Brazil	Direct	100%	100%
QGEP International	Austria	Direct	100%	100%
QGEP B.V.	Netherlands	Indirect	100%	100%

2.4. Interests in joint ventures

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

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

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

Company interests in joint ventures

	Country of operation	Control	Type of business	Percentage stake 12/31/2015	12/31/2014
AFBV	Netherlands	Indirect	Joint venture	30%	30%

2.5. Segment information

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

2.6. Cash and cash equivalents

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

2.7. Current and noncurrent assets and liabilities

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

2.8. Oil and gas exploration, development and production costs

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

Material maintenance costs of the production units, which include, but are not limited to, spare parts and assembly services, are recorded in property plant and equipment, if the recognition criteria in IAS 16 (CPC 27) are met. These maintenances occur, on average, every five years and costs are depreciated until the beginning of the next stop and recorded as cost of production.

IFRS 6 allows management to determine the accounting policy for the recognition of exploration assets used to explore mineral resources. The Company's Management has defined the accounting policy for exploration and evaluation of oil and gas reserves considering the criteria that represent the best judgment aspects of business environment and reflect more adequately financial and equity position. The main accounting principles adopted are:

- Exploration concession rights and signature bonus are recorded as intangible assets;
- Drilling costs from the feasibility studies not yet concluded remain recorded in property, plant and equipment until conclusion. Exploratory costs of all production wells and of successful exploration wells related to economically viable reserves are

capitalized while non-viable ("dry hole") ones are recorded directly in income in the account for oil and gas exploration expenditures.

- Other exploration costs not related to the subscription bonus are recorded in the income statement as exploration costs for oil and gas extraction (costs related to the acquisition, processing and interpretation of seismic, drilling campaign planning, licensing studies, area occupation and retention costs, environmental impact, etc.).

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

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

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

The Group basically includes in intangible assets the costs on the acquisition of exploration concessions and subscription bonuses corresponding to the bids to obtain oil or natural gas. These are recorded at acquisition cost, adjusted, as applicable, to recoverable value and amortized under the unit of production method in relation to proven reserves.

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

- The period for which the entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- Substantive expenditure on further exploration for and evaluation of mineral resources in the specific area/block is neither budgeted nor planned by the Company or its partners;
- Exploration for and evaluation of mineral resources have not led to the discovery of commercially viable quantities of mineral resources and Management has decided to discontinue such activities in specific areas/blocks.
- Sufficient data exists to indicate that, although development in the specific area/block is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

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

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

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

2.9. Appraisal of asset impairment

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

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

2.10. Expenditures associated with joint E&P operations

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

2.11. Inventories

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

2.12. Borrowings and financings

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

2.13. Provision for lawsuits

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

2.14. Legal obligations

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

2.15. Accrual of results

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

2.16. Income tax and social contribution

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

2.17. Tax incentives

2.17.1. Federal incentives

As the Company owns the Manati Field, located in the region under the jurisdiction of the Northeast Development Authority (SUDENE), it is entitled to income tax relief of 75%, calculated on its operating profit during a ten-year period and started to enjoy this benefit since year ended December 31, 2008. At the operational investee QGEP, the amount corresponding to the incentive has been recognized in results and subsequently transferred to the revenue reserve – tax incentives, under Shareholders' Equity.

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

2.17.2. State incentives

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

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

2.18. Share-based payment arrangements

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

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

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

2.19. Treasury stock

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

2.20. Financial instruments

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

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

2.21. Financial assets

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

2.21.1. Financial assets at FVTPL

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

2.21.2. Investments held to maturity

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

2.21.3. Loans and receivables

Loans and receivables are represented by non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortized cost using the effective interest method, less impairment losses, if any.

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

2.21.4. Impairment of financial assets

Financial assets, except those measured at FVTPL, are valued using impairment indicators at the end of each reporting period. Impairment losses are recognized if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, with an impact on the estimated future cash flows.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or obligor; or

- Breach of contract, in the form of default or delinquency in interest or principal payments; or
- Likelihood that the borrower will become bankrupt or file for court-ordered reorganization; or
- The disappearance of an active market for that financial asset because of financial difficulties.

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

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

2.22. Financial liabilities

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

2.22.1. Other financial liabilities

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

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

2.22.2. Derecognition of financial liabilities

The Group derecognizes financial liabilities only when the obligations are discharged or cancelled or when they expire.

2.23. Functional currency

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

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

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

2.23.1. Foreign currency translation

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

2.24. Statement of Value Added (SVA)

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

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

2.25. Statement of Cash Flows (SCF)

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

2.26. Earnings per share

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

2.27. New and revised standards and interpretations

a) New and revised standards and interpretations effective for annual periods beginning on or after January 1, 2015

The standards listed below, related to the Company's information, have been issued and are mandatory for accounting periods beginning on or after January 1, 2015:

Pronouncement or interpretation	Description	Effective for annual periods beginning on or after
IAS 19 / CPC 33 (R1)	Employee benefits	July 1, 2014

b) New and revised standards and interpretations not yet effective and which were not adopted on an early basis by the Company

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

Pronouncement or interpretation	Description	Effective for annual periods beginning on or after
IFRS 9	Financial Instruments – Measurement and Classification	January 1, 2018
IFRS 14	Regulatory deferral accounts	January 1, 2016
IFRS 15	Revenues from contracts with customers	January 1, 2018
IFRS 16	Leasing	January 1, 2019
IFRS 11	Accounting for acquisitions of equity interests in joint operations	January 1, 2016
IAS 27	Option for using equity method in separate financial statements	January 1, 2016
IAS 1	Clarifications regarding the judgmental process for disclosures in financial statements	January 1, 2016

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

2.28. CPC 23 – Accounting policies, changes in estimates and correction of errors.

Company Management has identified the need to restate the individual and consolidated financial statements for the years ended December 31, 2014 and 2013, which were previously approved and authorized for publication on March 12, 2015 and February 24, 2014, respectively.

The aim of such restatement is to correct the effects of the accounting recognition of the provision for asset retirement obligation (ARO), when applicable, in light of the interpretation of CPC 25 (Provisions, Contingent Liabilities and Contingent Assets) and ICPC12 (Changes in Liabilities due to Deactivation, Restoration and Other Similar Liabilities).

The alterations in the financial statements presented on the following pages of this section result from the effects of the recognition of exchange variation for the US$, one of the premises used in remeasuring the provision for ARO in hydrocarbon development and production areas. The effect of such exchange variation had been recorded as net financial results, but is now recognized with a contra entry under PP&E (fixed assets) in the financial statements for the year ended December 31, 2015 and in the comparative financial statements that are being restated for the years ended December 31, 2014 and 2013.

The accounting impacts in consolidation resulting from the recording of the exchange variation on fixed assets, recalculation of depreciation/amortization and remeasurement of income tax expenses / taxes and contributions recoverable, as well as the accounting impacts at the Parent Company in the line items investments in noncurrent assets and equity results in investee, are being re-presented as required by CPC 23 – Accounting policies, changes in estimates and correction of errors.

Even though the restatements of the financial statements for the years ended December 31, 2014 and 2013 has resulted in higher net income in such years, the dividends proposed and paid out to the shareholders based on such financial statements, prepared in accordance with Brazilian corporate legislation and approved on March 12, 2015 and February 24, 2014, respectively, remain in accordance with the Company's mandatory minimum dividend obligation for those years. The dividends exceeded (and continue to exceed, even with the restated balances) the minimum required for the years ended December 31, 2014 and 2013 (see Note 24).

a) Restated balance sheets as of December 31, 2014 and 2013:

	Parent Company		
ASSETS	12/31/2013 (Originally presented)	Adjustments	12/31/2013 (Restated)
Current Assets			
Current Assets	4,608	-	4,608
Total Current Assets	4,608	-	4,608
Noncurrent Assets			
Investments	2,404,666	32,407	2,437,073
Other noncurrent assets	-	-	-
Total Noncurrent Assets	2,404,666	32,407	2,437,073
Total Assets	2,409,274	32,407	2,441,681

LIABILITIES AND EQUITY

Current Liabilities			
Current Liabilities	217	-	217
Total Current Liabilities	217	-	217
Noncurrent Liabilities	-	-	-
Total Noncurrent Liabilities	-	-	-
Total Shareholders' Equity	2,409,057	32,407	2,441,464
Total Liabilities and Equity	2,409,274	32,407	2,441,681

	Consolidated		
ASSETS	12/31/2013 (Originally presented)	Adjustments	12/31/2013 (Restated)
Current Assets			
Taxes and contributions recoverable	10,380	1,711	12,091
Current Assets	1,273,843	-	1,273,843
Total Current Assets	1,284,223	1,711	1,285,934
Noncurrent Assets			
Fixed assets (PP&E)	1,083,459	30,696	1,114,155
Other noncurrent assets	671,639	-	671,639
Total Noncurrent Assets	1,755,098	30,696	1,785,794
Total Assets	3,039,321	32,407	3,071,728
LIABILITIES AND EQUITY			
Current Liabilities			
Current Liabilities	233,704	-	233,704
Total Current Liabilities	233,704	-	233,704
Noncurrent Liabilities	396,560	-	396,560
Total Noncurrent Liabilities	396,560	-	396,560
Total Shareholders' Equity	2,409,057	32,407	2,441,464
Total Liabilities and Equity	3,039,321	32,407	3,071,728

	Parent Company		
ASSETS	12/31/2014 (Originally presented)	Adjustments	12/31/2014 (Restated)
Current Assets			
Current Assets	6,200	-	6,200
Total Current Assets	6,200	-	6,200
Noncurrent Assets			
Investments	2,522,772	61,176	2,583,948
Other noncurrent assets	1	-	1
Total Noncurrent Assets	2,522,773	61,176	2,583,949
Total Assets	2,528,973	61,176	2,590,149

LIABILITIES AND EQUITY			
Current Liabilities			
Current Liabilities	145	-	145
Total Current Liabilities	145	-	145
Noncurrent Liabilities	-	-	-
Total Noncurrent Liabilities	-	-	-
Total Shareholders' Equity	2,528,828	61,176	2,590,004
Total Liabilities and Equity	2,528,973	61,176	2,590,149

	Consolidated		
ASSETS	12/31/2014 (Originally presented)	Adjustments	12/31/2014 (Restated)
Current Assets			
Taxes and contributions recoverable	33,692	3,944	37,636
Current Assets	1,306,023	-	1,306,023
Total Current Assets	1,339,715	3,944	1,343,659
Noncurrent Assets			
Fixed assets (PP&E)	1,121,384	57,232	1,178,616
Other noncurrent assets	709,963	-	709,963
Total Noncurrent Assets	1,831,347	57,232	1,888,579
Total Assets	3,171,062	61,176	3,232,238
LIABILITIES AND EQUITY			
Current Liabilities			
Current Liabilities	110,607	-	110,607
Total Current Liabilities	110,607	-	110,607
Noncurrent Liabilities			
Noncurrent Liabilities	531,627	-	531,627
Total Noncurrent Liabilities	531,627	-	531,627
Total Shareholders' Equity	2,528,828	61,176	2,590,004
Total Liabilities and Equity	3,171,062	61,176	3,232,238

b) Restated statement of income for the year ended December 31, 2014:

	Parent Company		
	12/31/2014 (Originally presented)	Adjustments	12/31/2014 (Restated)
Net Revenues	-	-	-
Cost of merchandise sold	-	-	-
Gross Profit	-	-	-
Operating revenues / expenses	165,740	28,768	194,508
Operating results before financial results	165,740	28,768	194,508
Net financial results	316	-	316
Results before income tax (IRPJ) and social contribution (CSLL)	166,056	28,768	194,824
Current IRPJ and CSLL	-	-	-
Deferred IRPJ and CSLL	-	-	-
Net Income for the Year	166,056	28,768	194,824
Net earnings per share (Reais and centavos)	R$ 0.64	-	R$ 0.75

	Consolidated		
	12/31/2014 (Originally presented)	Adjustments	12/31/2014 (Restated)
Net Revenues	503,232	-	503,232
Cost of merchandise sold	(235,388)	(6,878)	(242,266)
Gross Profit	267,844	(6,878)	260,996
Operating revenues / expenses	(169,008)	-	(169,008)
Operating results before financial results	98,836	(6,878)	91,958
Net financial results	85,787	33,414	119,201
Results before income tax (IRPJ) and social contribution (CSLL)	184,623	26,536	211,159
Current IRPJ and CSLL	(15,482)	2,234	(13,250)
Deferred IRPJ and CSLL	(3,085)	-	(3,085)
Net Income for the Year	166,056	28,768	194,824

c) Restated statement of comprehensive income for the year ended December 31, 2014:

	Parent Company and Consolidated		
	12/31/2014 (Originally presented)	Adjust-ments	12/31/2014 (Restated)
Net Income for the Year	166,056	28,768	194,824
Other comprehensive income			
Currency translation adjustments (CTA) of overseas companies	3,219	-	3,219
Comprehensive Income for the Year	169,275	28,768	198,043

d) Restated statements of changes in shareholders' equity for the years ended December 31, 2014 and 2013:

	Parent Company and Consolidated		
	12/31/2013 (Originally presented)	Adjustments	12/31/2013 (Restated)
Capital Stock	2,078,116	-	2,078,116
Capital reserves	(39,873)	-	(39,873)
Earnings reserves	368,623	32,407	401,030
Other comprehensive income	2,191	-	2,191
Total	2,409,057	32,407	2,441,464

	Parent Company and Consolidated		
	12/31/2014 (Originally presented)	Adjustments	12/31/2014 (Restated)
Capital Stock	2,078,116	-	2,078,116
Capital reserves	(49,375)	-	(49,375)
Earnings reserves	494,677	61,176	555,853
Other comprehensive income	5,410	-	5,410
Total	2,528,828	61,176	2,590,004

e) Restated cash flow statement for the year ended December 31, 2014:

	Parent Company		
	12/31/2014 (Originally presented)	Adjustments	12/31/2014 (Restated)
Cash Flows from Operating Activities,			
Net income for the year	166,056	28,768	194,824
Adjustments to:			
Equity pickup	(169,759)	(28,768)	(198,527)
(Increase) decrease in operating assets:			
Operating assets	5	-	5
Increase (decrease) in operating liabilities:			
Operating liabilities	(76)	-	(76)
Net Cash Provided by Operations	(3,774)	-	(3,774)
Net Cash Used in Investing Activities	62,014	-	62,010
Cash Flows from Financing Activities	(58,507)	-	(58,507)
Cash and cash equivalents at beginning of year	268	-	268
Cash and cash equivalents at ending of year	1	-	1

	Consolidated		
	12/31/2014 (Originally presented)	Adjustments	12/31/2014 (restated)
Cash Flows from Operating Activities,			
Net income for the year	166,056	28,768	194,824
Adjustments to:			
Equity pickup	185	-	185
Amortization and depreciation	115,897	6,878	122,775
Deferred income tax and social contribution	3,085	-	3,085
Financial charges and exchange variation on borrowings and financings	5,932	-	5,932
Write-off (derecognition) of fixed and intangible assets	70,647	-	70,647
Expense on stock option plan	9,005	-	9,005
Provision for income tax and social contribution	15,482	-	15,482
Provision for research and development	4,183	-	4,183
Exchange variation and complement to provision for ARO	52,205	(33,414)	18,791
(Increase) decrease in operating assets:			
Trade accounts receivable	(2,181)	-	(2,181)
Taxes recoverable	(25,629)	(2,233)	(27,862)
Other assets	89,083	-	89,083
Increase (decrease) in operating liabilities:			
Operating liabilities	(155,482)	-	(155,482)
Net Cash Provided by Operations	348,468	-	348,468
Net Cash Used in Investing Activities	(617,267)	-	(617,267)
Cash Flows from Financing Activities	25,006	-	25,006
Exchange variation on cash and cash equivalents	3,219	-	3,219
Decrease in cash and cash equivalents	(240,574)	-	(240,574)
Cash and cash equivalents at beginning of year	357.765	-	357.765
Cash and cash equivalents at ending of year	117.191	-	117.191

f) Restated statement of value added for the year ended December 31, 2014:

	Parent Company		
	12/31/2014 (Originally presented)	Adjustments	12/31/2014 (Restated)
Inputs acquired from third parties [including state (ICMS) and federal taxes (IPI) and federal contributions (PIS/COFINS)]	879	-	879
Gross Value Added (Used)	(879)	-	(879)
Net Value Added Produced (Used) by the Entity	(879)	-	(879)
Value added received in transfer	170,078	28,768	198.846
Results of equity pickup and dividends	169,759	28,768	198,527
Financial revenues	319	-	319
Other items	-	-	-
Total Value Added for Distribution	169,199	28,768	197,967
Distribution of Value Added			
Personnel:			
Direct remuneration	2,491	-	2,491
Benefits	128	-	128
F.G.T.S. (accrued severance pay)	-	-	-
	2,619	-	2,619
Taxes, fees and contributions:			
Federal	498	-	498
State	-	-	-
Municipal	-	-	-
ANP (bonuses and royalties)	-	-	-
	498	-	498
Remuneration of third party capital:			
Interest	3	-	3
Rentals	-	-	-
Banking expenses	23	-	23
Monetary / exchange variation	-	-	-
	26	-	26
Remuneration of capital invested by shareholders			
Net income for the year	166,056	28,768	194,824
	166,056	28,768	194,824
Total Value Added Distributed	169,199	28,768	197,967

	Consolidated		
	12/31/2014 (Originally presented)	Adjustments	12/31/2014 (Restated)
Revenues	851,408	-	851,408
Gas sales	634,285	-	634,285
Other revenues	1,508	-	1,508
Revenues from construction of Company assets	215,615	-	215,615
Inputs acquired from third parties [including state (ICMS) and federal taxes (IPI) and federal contributions (PIS/COFINS)]	397,262	-	397,262
Cost of products, merchandise and services sold	186,728		186,728
Materials, energy, third party services and other supplies	192,927		192,927
Other items	17,607		17,607
Gross Value Added (Used)	454,146	-	454,146
Depreciation, amortization and depletion	117,613	6,878	124,491
Net Value Added Produced (Used) by the Entity	336,533	(6,878)	329.655
Value added received in transfer	119,423	-	119,423
Results of equity pickup and dividends	(185)	-	(185)
Financial revenues	119,608	-	119,608
Other items	-	-	-
Total Value Added for Distribution	455,956	(6,878)	449.078
Distribution of Value Added			
Personnel:			
Direct remuneration	53,530	-	53,530
Benefits	5,282	-	5,282
F.G.T.S. (accrued severance pay)	2,161	-	2,161
	60,973	-	60,973
Taxes, fees and contributions:			
Federal	83,545	(2,233)	81,312
State	57,000	-	57,000
Municipal	85	-	85
ANP (bonuses and royalties)	50,076	-	50,076
	190,706	(2,233)	188,474
Remuneration of third party capital:			
Interest	167	-	167
Rentals	3,650	-	3,650
Banking expenses	852	-	852
Monetary / exchange variation	33,552	(33,414)	138
	38,221	(33,414)	4,807
Remuneration of capital invested by shareholders:			
Net income for the year	166,056	28,768	194,824
	166,056	28,768	194,824
Total Value Added Distributed	455,956	(6.878)	449,078

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

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

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

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

3.1. Main judgments in applying accounting policies

3.1.1. Held-to-maturity investments

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

3.2. Key sources of uncertainty in estimates

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

3.2.1 Measurement of financial instruments

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

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

3.2.2 Useful lives of fixed and intangible assets

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

3.2.3 Deferred income tax and social contribution

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

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

3.2.4 Provision for lawsuits

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

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

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

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

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

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

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

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

3.2.6 Accrued profit sharing

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

4 CASH AND CASH EQUIVALENTS AND SHORT-TERM INVESTMENTS

a) Cash and cash equivalents

	Parent Company	
	12/31/2015	12/31/2014
Cash and banks	100	1
CDB's and debentures	-	-
Total	100	1

	Consolidated	
	12/31/2015	12/31/2014
Cash and banks	76,095	17,444
CDB's and debentures	104,577	99,747
Total	180,672	117,191

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

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

	Parent Company	
	12/31/2015	12/31/2014
Repurchase commitments (debentures) (i)	3,037	2,897
Total	3,037	2,897
Current	3,037	2,897

	Consolidated	
	12/31/2015	12/31/2014
Repurchase commitments (debentures) (i)	160,797	2,897
Exclusive exchange fund (ii)	420,680	285,176
Exclusive multi-market investment fund (iii):	517,797	723,344
Repurchase commitments (debentures)	59,763	64,003
CDB (floating rate CDI)	57,138	86,999
Government securities (LFT/NTN)	203,698	344,887
Financial notes (iv)	197,198	227,455
Total	1,099,274	1,011,417
Current	941,514	1,011,417
Noncurrent (i)	157,760	-

i. In the Consolidated figures, the amount of R$ 157,760 is classified as a noncurrent asset and refers to short-term investments in repurchase commitments (debentures) and CDB's, guarantee collateral falling due in 2017 and 2021 (see Note 14).

ii. The Company has an exclusive exchange fund in order to hedge its policy on foreign currency E&P expenditures.

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

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

c) Average yields

The average yield of cash equivalents and short-term investments was equivalent to 101.90% of the cumulative CDI rate for the year ended December 31, 2015 (102.34% for the year ended December 31, 2014).

For the year ended December 31, 2015, the variation in the foreign exchange fund was 51.25% (with the official exchange rate - PTAX - being 47.01% as benchmark for the fund), while for the year ended December 31, 2014 it was 12,27% (compared with a PTAX of 13.38%).

5. TRADE ACCOUNTS RECEIVABLE

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

On July 16, 2015, an amendment to the contract for such agreement between QGEP and Petrobras was signed in relation to the sale of gas from the Manati Field. The original contract for sale of gas called for purchase of a volume of 23 billion m^3 of gas, with a take or pay clause. The amended contract raises the total volume contract to the entire reserve of the Manati Field, with all the other terms and conditions of the original contract being maintained.

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

6. CREDITS RECEIVABLE FROM BUSINESS PARTNERS

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

Out of the R$ 23,940 recognized as of December 31, 2015, R$ 12,194 refers to the share of consortium member OGX Petróleo e Gás S.A. – in Judicial Recovery (hereinafter referred to simply as "OGX"), while the remaining amount refers to other consortium members and consortiums (R$ 11,746). The amounts outstanding as of December 31, 2015 are not overdue.

Considering the current situation of OGX, which is under judicial recovery, QGEP is monitoring the judicial recovery proceeding to mitigate possible risks related to OGX's ability to discharge its payment obligations and investment commitments (see Note 30).

7. INVENTORIES – CURRENT AND NONCURRENT

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

	Consolidated	
	12/31/2015	12/31/2014
Supplies and raw materials	60,164	54,477
Total	60,164	54,477
Current	3,064	54,477
Noncurrent	57,100	-

Based on the premises used in its business plan prepared in 2015, the Company intends to use such supplies and raw material inputs in exploratory campaigns or development as from the year ending December 31, 2017. Accordingly, out of the total balances as of December 31, 2015, the amount of R$ 57,100 was classified to noncurrent assets.

8. RELATED PARTIES

(i) Transactions with related parties

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

	Consolidated	
	12/31/2015	12/31/2014
Current Assets		
Accounts receivable from AFBV (a)	6,741	-
Total	6,741	-

	Consolidated	
	12/31/2015	12/31/2014
Noncurrent Assets		
Accounts receivable from AFBV (a)	234	4,878
Total	234	4,878

	Consolidated	
	12/31/2015	12/31/2014
Current Liabilities		
Accounts payable to QGOG (b)	9	8
Accounts payable to AFBV (c)	411	328
Total	420	336

	Consolidated	
	12/31/2015	12/31/2014
Profit or loss		
Service revenues (a)	8,183	-
Exchange variation on service revenues	371	-
General and administrative expenses (b)	90	86
Sale of fixed assets	-	14
Total	8,644	100

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

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

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

(ii) Guarantees and surety involving related parties

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

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

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

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

(iii) Management compensation

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

	Parent Company	
	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014
Short-term benefits	3,573	3,113

	Consolidated	
	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014
Short-term benefits	12,510	12,252
Stock option plan	2,931	4,548

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

9. RESTRICTED CASH

	Consolidated	
	12/31/2015	12/31/2014
Short-term investments - Guarantors (a)	17,009	-
ARO fund (b)	69,778	27,916
Total restricted cash	86,787	27,916

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

(b) The ARO fund is represented by short-term investments in marketable securities, which are maintained for the commitment for payment of the ARO provision for the Manati Field, which are administered by Petrobras (See Note 16 – ARO Fund) and managed by Bradesco Asset Management. Yield from this fund was 22.94% for the year ended December 31, 2015 (8.86% for the year ended December 31, 2014).

10. TAXES AND CONTRIBUTIONS

10.1. Taxes and contributions recoverable

	Parent Company		
	12/31/2015	12/31/2014	12/31/2013
WIT (IRRF) on short-term investments (a)	85	25	27
Total	85	25	27
Current assets	85	25	27

	Consolidated		
	12/31/2015	12/31/2014 (Restated)	12/31/2013 (Restated)
IRPJ and CSLL prepayments	28,040	8,652	1,711
IRRF on short-term investments (a)	40,195	18,169	9,676
Taxes recoverable	5,239	3,256	426
PIS/COFINS credit (b)	5,388	9,722	-
ICMS on PP&E acquisitions	398	491	615
Total	79,260	40,290	12,428
Current	74,335	37,636	12,091
Noncurrent	4,925	2,654	337

(a) As of December 31, 2015, these taxes refer to withholding income tax (WIT or IRRF) on credits relating to the semi-annual collection of income tax on yields from investment portfolios, denominated "*come-cotas*".

(b) Refers to the PIS and COFINS credits on fixed assets (PP&E).

10.2. Taxes and contributions payable

	Parent Company		Consolidated	
	12/31/2015	12/31/2014	12/31/2015	12/31/2014
State ICMS (a)	-	-	4,915	4,739
Federal PIS/COFINS (a)	2	-	13,786	13,154
Federal IRRF	56	48	1,295	938
Royalties (b)	-	-	3,230	3,236
Special take (b)	-	-	2,906	2,514
Other items (c)	1	-	1,446	1,732
Total	59	48	27,578	26,313
Current	59	48	27,578	26,313
Noncurrent	-	-	-	-

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

(b) Government takes on the gas produced in the Manati Field, as described in Note 21.
(c) These charges refer to the fee for retention of the area, the municipal service tax (ISS), the taxes and contributions withheld on services provided by third parties (ISS, INSS, PIS, COFINS and CSLL) and the federal Contribution for Intervention in the Economic Domain (CIDE, a sort of fuel tax) on service imports.

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

	Parent Company	
	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014 (Restated)
Income before IRPJ and CSLL	93,613	194,824
Combined statutory tax rate (25% IRPJ + 9% CSLL)	34%	34%
IRPJ and CSLL charge at combined statutory tax rate	(31,829)	(66,240)
Adjustment of charges to effective rate:		
Equity pickup	33,195	67,500
Unrecognized tax loss carry forwards (a)	(1,373)	(1,271)
Non-deductible expenses/non-taxable revenues:		
Temporary	7	11
Deferred IRPJ and CSLL	-	-
Current IRPJ and CSLL	-	-

(a) These amounts refer to IRPJ tax losses and negative CSLL results. As of December 31, 2015, QGEPP has carry forwards relating to IRPJ tax losses and negative CSLL results in the amounts of R$ 74,298 and R$ 74,299 (R$ 70,260 and R$ 70,261, respectively as of December 31, 2014), for which no deferred IRPJ and CSLL assets arising from tax loss carry forwards are recorded, as there is no history of taxable income to date and the Company is a holding company.

	Consolidated	
	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014 (Restated)
Income before IRPJ and CSLL	75,710	211,159
Combined statutory tax rate	34%	34%
IRPJ and CSLL charge at combined statutory tax rate	(25,741)	(71,794)
Adjustment of charge to effective rate:		
Tax incentives (a)	24,935	62,820
Non-deductible expenses/non-taxable revenues, net:		
Permanent (b)	152	3,807
Temporary (d)	20,327	(9,770)
Unrecognized tax loss carry forwards (c)	(1,770)	(1,398)
Income tax and social contribution	17,903	(16,335)
IRPJ and CSLL – current portion	(8,242)	(13,250)
IRPJ and CSLL – deferred portion	26,145	(3,085)

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

(b) Main add-back refers to the stock option plan.

(c) Refer basically to QGEPP tax loss carry forwards.

(d) Refer basically to the temporary differences described in Note 10.4.

10.4. Deferred income tax and social contribution

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

	Consolidated	
	12/31/2015	12/31/2014
Breakdown of deferred tax assets		
Profit sharing	4,388	4,428
Amortization of provision for ARO	37,163	-
Provision for write-off of wells and return of blocs	-	11,689
Provision for research and development (R&D)	5,339	4,338
Sundry provisions	3,729	773
Total breakdown of deferred tax assets	50,619	21,228

	Consolidated
Deferred tax assets	
Balance as of December 31, 2014	21,228
Temporary differences generated by provisions and respective reversals:	
Profit sharing (reversal)	(40)
Reversal of provision for write-off of wells and returned areas	(11,689)
Amortization of provision for ARO	37,163
Sundry provisions – Additions and reversals	3,957
Balance as of December 31, 2015	50,619
Deferred tax liabilities	
Balance as of December 31, 2014	(1,836)
Temporary exclusions	(3,245)
Balance as of December 31, 2015	(5,081)

The Company estimates that the deferred tax assets constituted as of December 31, 2015 will be realized in the forthcoming years, as per the timetable that follows, in proportion to the realization of the provisions and the final outcome of future events, supported by the projections made and approved by Management and corporate governance bodies (see Note 3.2.3).

Timetable of expected realization of deferred tax credit as of December 31, 2015:

Deferred assets	
2016	10,094
2017	2,014
2018	-
2019	-
2020	-
2021-2023	1,348
2024-2025	37,163
Total	50,619

10.5. Law No. 12.973/2014

Management has conducted a preliminary assessment of the provisions of Law 12.973/2014 resulting from the conversion into law of Provisory Measure No. MP 627 of November 11, 2013 ("MP 627") and Federal Revenue Bureau Regulatory Instruction No. IN/RFB 1397, of September 16, 2013, as amended by IN/RFB 1422 of December 19, 2013 ("IN 1397"). Even though Law 12973/2014 becomes effective on January 1, 2015, taxpayers could elect for irrevocable early adoption beginning January 1, 2014.

Management decided not to elect early adoption, out of its understanding that there will be no effect on the Company's financial information.

11. INVESTMENTS

11.1. Breakdown

The following are details on the Company's subsdiaries as of the closing of the year ended December 31, 2015:

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

11.2. Subsidiaries valued under equity accounting method

As of December 31, 2015, investments and financial information for calculation of equity in direct and indirect subsidiaries are broken down as follows:

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

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

The changes in QGEPP's investments in the individual and consolidated financial statements for the year ended December 31, 2015, are as follows:

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

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

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

12. PROPERTY, PLANT AND EQUIPMENT

	Percentage depreciation /amortization rate	Consolidated 12/31/2015 Cost	Depreciation /amortization	Net	12/31/2014 (Restated) Net	12/31/2013 (Restated) Net
Corporate segment						
Furniture and fixtures	10%	2,705	(706)	1,999	2,035	1,719
Vehicles	20%	1,404	(457)	947	866	666
Leassehold improvements	20%	4,107	(2,422)	1,685	2,623	5,989
Installations	11%	1,556	(271)	1,285	1,552	-
Computer hardware	20%	2,533	(1,514)	1,019	1,246	1,471
Real estate properties	3%	6,363	(176)	6,187	6,321	-
Land	-	174	-	174	173	120
Subtotal		18,842	(5,546)	13,296	14,816	9,965
Upstream segment						
Expenditures on exploration of natural resdource in progress (i)	-	201,359	-	201,359	421,989	456,509
Expenditures on exploration of natural resources (ii)		16,844	(12,224)	4,620	1,264	3,018
Expenditures on development of O&G production in progress (iv) and (v)		305,060	-	305,060	268,734	103,112
Expendittures on development of O&G production	(iii)	1,052,301	(691,178)	361,123	471,812	541,551
Subtotal		1,575,564	(703,402)	872,162	1,163,800	1,104,190
Total		1,594,406	(708,948)	885,458	1,178,616	1,114,155

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

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

(iii) The proven reserves used to calculate amortization (in relation to the monthly production volume) are estimated by external geologists and petroleum engineers in accordance with international standards, and revised annually or when there is evidence of significant change [Note 21(b)]. The effects of changes in reserves as compared to their amortization are recordedon a forward-looking basis, that is, they do not affect previously recognized amounts.

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

(v) Through the year ended December 31, 2015, R$ 18,123 was capitalized as borrowing costs (R$ 7,452 as of December 31, 2014) on the FINEP financing. The related rates are listed in Note 14.

Cost	Consolidated Corporate PP&E costs	Expenditures on exploration of natural resources in progress		Expenditures on exploration of natural resources	Expenditures on development of oil and gas production in progress		Expenditures on development of oil and gas production		Total
Balances as of 12/31/2013 (Restated)	12,385	456,509		16,844	103,112		992,714		1,581,564
(+)Additions in the year	9,229	31,310	(a)	-	165,621	(b)	49,004	(c)	255,166
(-) Disposals in the year	(3,468)	(65,830)	(d)	-	-		-		(69,298)
Balances as of 12/31/2014 (Restated)	18,146	421,989		16,844	268,732		1,041,718		1,767,432
(+)Additions in the year	978	111,856	(e)	-	49,933	(f)	133,085	(g)	295,852
(-) Disposals in the year	(282)	(332,487)	(h)	-	(13,606)		(122,502)	(i)	(468,877)
Balances as of 12/31/2015	18,842	201,358		16,844	305,060		1,052,301		1,594,406

The main additions and disposals of PP&E in the year ended December 31, 2014, refer to: (a) additions to BM-J-2 and BM-S-8, (b) additions to BS-4, which include drilling costs, (c) additions to the Manati Field, including the provision for ARO, and (d) disposal of the Biguá well and the Carcará extension well, both located in the BM-S-8 Block, disposal of the CAL-M-312 Block, part of the BM-CAL-12 concession, and disposal of BM-CAL-5.

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

Depreciation and amortization	Depreciation of corporate PP&E	Amortization of expenditures on exploration of natural resources	Amortization of expenditures on development of O&G production	Total
Balances as of 12/31/2013 (Restated)	(2,420)	(13,826)	(451,163)	(467,409)
(-) Additions in the year	(2,620)	(1,754)	(118,741)	(123,115)
(+) Disposals in the year	1,710	-	-	1,710
Balances as of 12/31/2014 (Restated)	(3,330)	(15,580)	(569,904)	(588,814)
(-) Additions in the year	(2,384)	(1,339)	(116,579)	(120,302)
(+) Disposals in the year	168	-	-	168
(+ -) Transfers in the year	-	4,695	(4,695)	-
Balance as of 12/31/2015	(5,546)	(12,224)	(691,178)	(708,948)

According to the criteria defined in Notes 2.8 and 2.9, in making its internal appraisal of impairment, the Company's Management did not identify any evidence that its property, plant and equipment are not recoverable as of December 31, 2015. It thus concluced that there is no need to recognize any provision for impairment of PP&E, except for the economic unfeasibility of exploratory block BM-J-2, as described in Note 1, which was written off. Normally, Management cannot forecast if events will occur that might cause impairment of Company assets, when this could occur or how it might affect the amounts recorded. Even so, the Company believes that the premises employed are resaonable, consistent with internal management reports and reflect Management's best estimates in preparation of these financial statements.

13. INTANGIBLE ASSETS

	Consolidated				
	Deprecia-tion rate	Cost	Amortiza-tion	12/31/2015	12/31/2014
Acquisition of exploratory concession (i)	-	529,399	-	529,399	529,399
Subscription bonus (ii)	-	195,472	-	195,472	96,324
Computer software programs	20%	7,680	(4,194)	3,486	4,747
Total		732,551	(4,194)	728,357	630,470

	Consolidated			
Cost and amortization	Acquisition of exploratory concession	Subscription bonus	Software	Total
Balances as of 12/31/2013	529,399	97,675	4,276	631,350
(+) Additions (cost)	-	-	1,840	1,840
(-) Disposals (cost) (iii)	-	(1,351)	-	(1,351)
(-) Additions (amortization)	-	-	(1,369)	(1,369)
Balances as of 12/31/2014	529,399	96,324	4,747	630,470
(+) Additions (cost)(iv)	-	100,003	256	100,259
(-) Disposals (cost) (iii)	-	(855)	-	(855)
(-) Additions (amortization)	-	-	(1,517)	(1,517)
Balances as of 12/31/2015	529,399	195,472	3,486	728,357

(i) Refer to the 10% participation rights in the BM-S-8 Block, located in the Santos Basin offshore, amounting to R$278,692, and the 30% participation rights in the Atlanta and Oliva fields (BS-4), located in the same basin offshore, amounting to R$250,707. These shares are not being amortized, since the fields are still in the development phase (US$157,500).

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

(iii) As of December 31, 2014, the disposals refer to the subscription bonuses for both Block CAL-M-312, part of the BM-CAL-12 concession, and Block BM-CAL-5 amounting to R$205 and R$1,146, respectively. As of December 31, 2015, the disposal refers to the subscription bonus for Block BM-J-2, in the amount of R$855. At the blocks disposed of in 2015 and 2014, such decisions were made owing to the level level of attractiveness indicated by feasibility studies

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

According to the criteria defined in Notes 2.8 and 2.9, in making its internal appraisal of impairment, the Company’s Management did not identify any evidence that its intangible assets are not recoverable as of December 31, 2015. It thus concluded that there is no need to recognize any provision for impairment of the intangible assets, except for the economic unfeasibility of exploratory block BM-J-2, as described in Note 1, which was written off. Normally, Management cannot forecast if events will occur that might cause impairment of Company assets, when this could occur or how it might affect the amounts recorded. Even so, the Company believes that the premises employed are resaonable, consistent with internal management reports and reflect Management’s best estimates in preparation of these financial statements.

14. BORROWINGS AND FINANCINGS

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

	Consolidated				
	12/31/2015	12/31/2014	Annual interest charge	Interest payments	Maturity
Brazilian currency (R$)					
BNB - Banco do Nordeste	117,943	-	4.71% p.a. + 15% bonus for payment on time	Monthly	Sep. 2026
FINEP- Financiadora de Estudos e Projetos:					
Subloan A	124,159	124,289	Subloan A: 3.5% p.a.	Monthly	Sep. 2023
Subloan B	129,587	128,936	Subloan B: TJLP + (5% p.a. – 6.5% p.a.) (a)	Monthly	Sep. 2023
	253,746	253,225			
Total	371,689	253,225	As of Dec. 2015, the TJLP was 7% p.a.		
Current	12,472	387			
Noncurrent	359,217	252,838			
Total Consolidated	371,689	253,225			

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

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

Changes in borrowings and financings:

Balance as of 12/31/2014	253,225
(+) Borrowings	117,835
(+) Interest charged	14,274
(-) Interest paid	(13,723)
(-) Other fees	78
Total before borrowing costs	371,689
(-) Borrowing costs (FINEP loan)	(2,046)
Final balance as of 12/31/2015	369,643
Current	12,472
Noncurrent	357,171

The noncurrent portion of borrowings and financing matures as follows:

Maturities	12/31/2015
2016	10,741
2017	35,935
2018	35,935
2019-2026	289,078
Total	371,689

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

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

15. TAX, CIVIL AND LABOR LAWSUITS

Based on the opinion of its external legal counsel and/or the terms of the relevant consortium agreements, as well as on the opinion of the related Block Operator (which is responsible for monitoring each claim), Management has concluded that there are no lawsuits for which the likelihood of an unfavorable outcome for the Company is probable; therefore, no provision has been recognized in the financial statements for the years ended December 31, 2015 and 2014.

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

IMA

Tax Foreclosure No. 0087249-25,2010,805,0001 resulting from the fine imposed under Tax Assessment Notice No. 2006-007365/TEC/AIMU-0343, issued on November 22, 2006. The alleged offense relates to breach of condition determined by the Environment Institute (IMA), resulting in erosion and silting-up of streams, upon installation of the pipeline between the cities of Guaibin and São Francisco do Conde. The updated amount of the fine is R$779.

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

These cases involve a series of assessments in relation to the federal IRRF and CIDE, which the government claims should have been levied on remittances made by the Group for payment of charter party operations carried out in 2008 and 2009. It is also claiming IRRF and CIDE on such remittances in 2010, as well as IRRF, PIS/COFINS contributions and CIDE on such remittances in 2011. The issues are being handled in administrative and court proceedings, where the Company is monitoring the defense and strategy being conducted by the party responsible (operator Petrobras). With respect to the share of QGEP, as regards the charter operations dating back to 2008 and 2009, the amount potentially at stake is approximately R$ 21,440, while for 2010 it could come to roughly R$ 256 and for 2011 around R$ 28,372.

Contracts with QGOG

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

16. PROVISION FOR ASSET RETIREMENT OBLIGATION (ARO)

The estimated costs for ARO, as reported by the by operator, were revised for the year ended December 31, 2015, as described in Notes 2.8 and 3.2.5. As of December 31, 2015, this provision reflects the revision of the estimates of costs to be incurred, including, but not limited to: (i) plugging of wells; and (ii) removing lines and production equipment, and (iii) other costs inherent in meeting such obligation.

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

As mentioned in Note 2.28, Management identified that changes in the exchange rate should be treated as changes in the face value of the estimates of the ARO provision. Accordingly, the adjustments arising from exchange variation result in an increase or decrease in liabilities (accounting policy already adopted), and the contra entry for this should be an equal increase or decrease in the corresponding fixed assets.

Changes in the provision for ARO in the year ended December 31, 2015 were as follows:

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

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

17. NET REVENUES

	Consolidated	
	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014
Gross revenues	623,583	634,087
PIS	(9,895)	(10,078)
COFINS	(45,575)	(46,418)
ICMS	(69,726)	(71,187)
Presumed ICMS credit (*)	13,945	14,237
ISS	(409)	-
Discounts – contractual reductions	(15,731)	(17,409)
Total deductions	(127,391)	(130,855)
Net revenues	496,192	503,232

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

18. GENERAL AND ADMINISTRATIVE COSTS AND EXPENSES

18.1. Costs

	Consolidated	
	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014 (Restated)
Extraction costs	(82,528)	(66,228)
Royalties and special government take	(46,846)	(50,076)
R&D	(5,558)	(5,467)
Amortization and depreciation	(117,922)	(120,495)
Total	(252,854)	(242,266)

18.2. General and administrative (G&A) expenses

	Parent Company	
	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014
Personnel	(3,575)	(3,119)
Outsourced services	(407)	(350)
Taxes and fees	(41)	(22)
Announcements and publications	(303)	(354)
Maintenance	-	(10)
Other G&A expenses	(158)	(164)
Total	(4,484)	(4,019)

	Consolidated	
	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014
Personnel (a)	(74,288)	(72,358)
Outsourced services	(7,384)	(9,537)
Insurance	(2,100)	(1,358)
Taxes and fees	(2,323)	(1,269)
Announcements and publications	(486)	(1,088)
Sponsorshipo	(203)	(281)
Shared services	(90)	(86)
Depreciation	(3,901)	(3,989)
Maintenance	(3,448)	(1,981)
Rental	(2,751)	(3,651)
Other G&A expenses	(1,099)	(4,008)
Allocation of E&P projects (b)	45,166	41,131
Total	(52,907)	(58,475)

(a) For the year ended December 31, 2015, a total of R$ 12,906 was allocated relating to the provision for profit sharing (R$ 13,023 for the year ended December 31, 2014).

(b) Balance for the prorating of expenses referring to the blocks operated by QGEP, related to its non-operator business partners.

19. EXPLORATORY EXPENDITURES ON OIL AND GAS EXTRACTION

	Consolidated	
	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014
Derecognition of well (a)	(347,869)	(72,026)
Acquisition and processing of seismic data	(19,156)	(27,809)
Geological and geophysical expenditures	(2,815)	(6,275)
Other exploratory expenditures	(16,258)	(4,238)
Total	(386,098)	(110,348)

(a) Mainly referring to the write-off of block BM-J-2 (see Note 1).

20. NET FINANCIAL RESULTS

	Parent Company	
	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014
Yields from short-term investments (*)	471	319
Other financial revenues and expenses	(6)	(3)
Total	465	316

	Consolidated	
	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014 (Re-presented)
Yields from short-term investments (*)	265,899	119,608
Other financial revenues and expenses	6,321	118
Total	272,220	119,201

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

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

a) Rights and commitments with the ANP

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

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

(i) In the process of ANP transfer to Petrobras.

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

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

Block/field	Guarantee for PEM (% QGEP) R$ million	Year of contract	Subscrip-tion bonus	Area km^2	Royalties	Retainer fee for the area per km^2 (Amounts in R$) Exploration	Development	Production
Manati	-	2000	-	75.650	7.5%	100.00	200.00	1,000.00
Camarão Norte	-	2000	-	16.470	7.5%	100.00	200.00	1,000.00
CAL-M-372	6.3	2004	562	745.031	10%	239.00	478.00	2,390.00
PEPB-M-896	7.2	2013	637	722.400	10%	93.75	187.50	937.50
PEPB-M-894	3.6	2013	239	721.200	10%	93.75	187.50	937.50
FZA-M-90	48.9	2013	18,945	768.500	10%	644.80	1,289.60	6,448.00
PAMA-M-265	9.1	2013	3,020	766.300	10%	62.50	125.00	625.00
PAMA-M-337	68.6	2013	35,206	769.300	10%	214.93	429.86	2,149.30
ES-M-598	27.8	2013	14,182	769.300	10%	214.93	429.86	2,149.30
ES-M-673	9.0	2013	12,562	507.2	10%	95.49	190.98	954.9
CE-M-661	33.9	2013	10,116	760.900	10%	31.25	62.50	312.50
SEAL-M-351	18.3	2015	63,860	756.86	10%	875.73	1,741.76	8,757.30
SEAL-M-428	18.3	2015	36,143	746.24	10%	875.73	1,741.76	8,757.30
BM-S-8	-	2000	-	392.000	10%	396.02	792.04	3,960.20
Atlanta/Oliva (BS-4)	-	2000	-	199.6	7.8%	200.00	400.00	2,000.00
Total	251		195,472					

As of December 31, 2015, the remaining Minimum Exploration Program ("PEM") commitments for the concessions described in table above, prior to the ANP's 11th Round of Bidding (see Note 1), comprise the drilling of one pioneering well in BM-CAL-12 (CAL-M-372 Block), scheduled to start in 2016.

For the blocks acquired in the ANP's 11th bidding round, there is a commitment to drill wells in the FZA-M-90, EC-M-661, M-PAMA-337 and ES-M-598 blocks, and drilling operations are scheduled to start in 2017.

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

The commitments for Block BM-S 8 discovery evaluation comprise: (i) drilling two wells (Carcará and Guanxuma), and (ii) conducting formation testing and long-duration testing (LDT).

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

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

- Royalties – These amounts are paid over at 7.5% of the higher of the benchmark price or sales revenues, payable from the start of production of the concession area. In the year ended December 31, 2015, the amount of R$ 37,679 in royalties was accrued (R$ 38,889 in the year ended December 31, 2014) on production from the Manati field, of which R$ 3,230 (R$ 3,236 in the year ended December 31, 2014) remains in liabilities as of that date. These expenditures are recognized as costs in the income statement.

- Special participation – These are government takes provided for by Article 45, paragraph III, of Law 9478/97, which consist of financial compensation due by oil and natural gas production concessionaires, in the case of large production volumes or high profitability, as defined in the regulatory decree. Such government takes are to be paid for each field in a given concession area as from the quarter in which such field starts production. In the year ended December 31, 2015, the Company recognized R$ 9,167 (R$ 11,187 in the year ended December 31, 2014) by way of government takes in the income statement as costs, of which R$ 2,906 (R$ 2,514 as of December 31, 2014) remain under liabilities as trade accounts payable as of that date.

- Payment for concession area occupation and retention - During the exploration, development and production stage the Company disbursed R$ 604 for the year ended December 31, 2015, recognized in the income statement as operating costs and exploration costs (R$1,201 for the year ended December 31, 2014).

b) Information on reserves

The net proven gas reserves of subsidiary QGEP in the Manati field were prepared in accordance with the criteria set out by the FASB - Accounting Standards Codification (ASC) 932 - Extractive Industries - Oil and Gas.

These reserves are the estimated quantities of gas which, based on geological analysis and engineering information, can be estimated with reasonable certainty under defined economic conditions, established methods of operation and prevailing regulatory conditions.

The estimate of reserves is subject to uncertainties, and therefore changes in such estimates may occur as knowledge is increased based on new information collected.

The estimated commercial gas reserves are as follows:

	Total gas reserves (millions of m^3) (not reviewed by independent auditors)
Proven commercial reserves estimated by Gaffney, Cline & Associates as of December 31, 2015 (*)	10,087

(*) This is the amount estimated based on the reserves certified in December 2014 by specialized experts, less the monthly gas production through December 31, 2015, and adjusted by the amendment to the agreement for sale of gas from the Manati Field signed by QGEP and Petrobras on July 16, 2015 (see Note 5).

c) Guarantees

As of December 31, 2015, the Company has guarantees, in the form of guarantee insurance, filed with the ANP in the total amount of R$ 330,033. Such guarantees cover PEM's established in the concession agreements for the exploration areas in the amount of R$ 250,983, the operation for dismantling the early production system for the Atlanta Field (BS-4) in the amount of R$ 63,828 and development of the latter field in the amount of R$ 15,222.

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

22. COMMITMENTS

As of December 31, 2015, the Group had commitments contracted for supply and operation of materials and equipment, including the leasing of vessel, as well as with suppliers that involve technical advisory services, with various maturities for the exploration and development campaign, as per the following financial timetable:

	Consolidated (*)		
	2016	2017	2018 onwards
Total commitments	254,784	130,713	248,501

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

23. FINANCIAL INSTRUMENTS

a) General considerations

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

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

b) Category of financial instruments

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

	12/31/2014			
	Parent Company		Consolidated	
	Carrying value	Fair value	Carrying value	Fair value
Financial assets				
Held to maturity				
Restricted cash	-	-	27,916	27,916
Loans and receivables				
Cash and banks	1	1	17,444	17,444
Trade accounts receivable (i)	-	-	101,627	101,627
Related parties	-	-	4,878	4,878
FVTPL				
Cash equivalents (ii)	-	-	99,747	99,747
Short-term investments (ii)	-	-	1,011,417	1,011,417
Financial liabilities				
Amortized cost				
Trade accounts payable (i)	47	47	35,199	35,199
Related parties	-	-	336	336
Loans and financings (ii)	-	-	250,915	210,452

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

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

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

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

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

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

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

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

c) Liquidity risk

The Company manages its liquidity risk maintaining adequate reserves and approved credit facilities it considers appropriate, through the continuous monitoring of expected and actual cash flows, and through the alignment of the maturity profiles of financial assets and liabilities.

The table below shows in detail the maturity of outstanding financial liabilities:

	Parent Company	
	Up to 1 yr.	Total
Trade accounts payable	71	71
Total	71	71

	Consolidated				
	Up to 1 mo.	1-3 mos.	Up to 1 yr.	Up to 10 yrs.	Total
Trade accounts payable	58,353	660	12,650	-	71,663
Related parties	-	-	420	-	420
Loans and financings	-	-	12,472	357,171	369,643
Total	58,353	660	25,542	357,171	441,726

d) Credit risk

The credit risk is minimized by the fact that the Company's sales are basically made to Petrobras (97.6% in the year ended December 31, 2015, and 95.8% in the year ended December 31, 2014). The risk, represented by the fact that most transactions are conducted with one customer (Petrobras), controlled by the Brazilian Federal Government, is considered by the Company's management as immaterial, since historically it has no record of defaults or late payments. In the year ended December 31, 2015 no losses on receivables from Petrobras were recorded.

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

e) Interest rate risk

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

Interest rate sensitivity analysis

Operation	Balance at 12/31/2015	Risk	Probable scenario (a)	Scenario I - Drop of 25%	Scenario II - Drop of 50%
Annual CDI rate as of December 31, 2015 (14.14%)	783,171				
Cash equivalents and short-term investments (current and noncurrent) – effective		Cut in CDI rate			
Estimated annual CDI rate as of December 31, 2016			14.25%	10.69%	7.13%
Cash equivalents and short-term investments – estimated		Cut in CDI rate	894,773	862.897	831.020
Estimated revenues for year ended December 31, 2016			111.602	79.726	47.849
Effect of reduction in revenues from yields from short-term investments as of December 31, 2016			-	(31.876)	(63.753)

(a) Probable CDI rate for the year 2016, as per Focus report issued by the Brazilian Central Bank on February 26, 2016.

Operation	Balance at 12/31/2015	Risk	Probable scenario (a)	Scenario I - Drop of 25%	Scenario II - Drop of 50%
Annual CDI rate as of December 31, 2015 (14.14%)	69,778				
Restricted cash:					
Fund for ARO provision		Cut in CDI			
Estimated annual CDI rate as of December 31, 2016			14.25%	10.69%	7.13%
Fund for ARO provision – estimated		Cut in CDI	79.721	76.881	74.041
Estimated revenues for year ended December 31, 2016			9.943	7.103	4.263

Effect of reduction in revenues from short-term investments in 2016		-	(2,840)	(5,680)

(a) Probable CDI rate for the year 2016, as per Focus report issued by the Brazilian Central Bank on February 26, 2016.

Operation	Balance at 12/31/2015	Risk	Probable scenario (a)	Scenario I - Drop of 25%	Scenario II - Drop of 50%
TJLP as of December 31, 2015 (7% p.a.)					
Loans and financings:					
FINEP	129,587(b)	Rise in TJLP			
Loans and financings:					
Estimated TJLP rate for December 31, 2016		Rise TJLP	7%	8,75%	10,50%
Estimated expense as of December 31, 2016			9.071	11.498	13.924
Loans and financings- estimated as of December 31, 2016			138.658	141.085	143.511
Effect of increase in expenses on loans and financings in the year ended December 31, 2016			-	2.427	4.853

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

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

f) Exchange rate risk

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

Exchange rate sensitivity analysis

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

		Consolidated			
		12/31/2015			
		Probable scenario (a)		Scenario	
	Risk	Balance in US$	Balance in R$	Possible (25%)	Remote (50%)
Effective exchange rate as of December 31, 2015 (US$ 1.00 = R$ 3.90)					
Operation					
Exchange fund – assets	Drop in US$	107,734	420,680	420,680	420,680
Estimated average annual exchange rate for the US$ as of Dec. 31, 2016			4.19	3.14	2.10
Estimated exchange fund as of December 31, 2016			451,405	338,554	225,703
Effect on income and equity as of December 31, 2016			30,726	(82,126)	(194,177)
Effect of reduction in financial revenues for the year ended Dec. 31, 2016			-	(112,851)	(225,703)

(a) Probable scenario for exchange rate for 2016, as per the Focus report issued by the Brazilian Central Bank on February 26, 2016.

24. SHAREHOLDERS' EQUITY

i. Capital stock

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

Shareholders	Number of common shares	% equity interest
Queiroz Galvão S.A.	167,459,291	63.0
FIP Quantum	18,606,588	7.0
Shares in circulation	71,575,162	26.9
Treasury stock	7,954,632	3.0
Administrators	211,232	0.1
Total	265,806,905	100.0

ii. Earnings per share

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

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

Basic and diluted earnings per share	01/01/2015 to 12/31/2015	01/01/2014 to 12/31/2014 (Restated)
Numerator:	93,613	194,824
Net income for the year		
Denominator (thousands of shares):		
Average weighted number of common shares	257,852	259,325
Basic and diluted earnings per share (Reais/centavos)	R$ 0.36	R$ 0.75

Basic earnings and diluted earnings per common share are the same, since as of December 31, 2014 the stock options are out of money and, therefore, do not affect the calculation of diluted earnings per share.

iii. Stock option plan

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

The fair value of the stock options was estimated at the stock option grant date using the binomial pricing model and amounts to R$ 1.96 for the 2015 Plan, R$ 2.65 for the 2014 Plan, R$ 4.11 for the 2013 Plan, R$ 5.31 and R$3.87 for the 2012 Plans, and R$9.87 for the 2011 Plan. The Board of Directors' meetings and the assumptions used in the pricing model are as follows:

	03/12/2015 stock option plan	02/24/2014 stock option plan	03/14/2013 stock option plan	05/29/2012 stock option plan	03/26/2012 stock option plan	04/29/2011 stock option plan
Date of Board meeting	03/12/2015	02/24/2014	03/11/2013	05/28/2012	03/23/2012	04/29/2011
Total stock options granted	2,334,915	2,296,500	2,120,319	550,000	1,941,517	1,097,439
Stock option strike price	R$6.36	R$8.98	R$12.83	R$12.81	R$14.17	R$19.00
Fair value on grant date	R$1.96	R$2.65	R$4.11	R$3.87	R$5.31	R$9.87
Estimated share price volatility	36.96%	43.36%	43.92%	49.88%	53.24%	59.24%
Expected dividend	2.47%	3.84%	1.89%	1.93%	1.93%	2.35%
Risk-free rate of return	6.39%	6.20%	3.81%	4.06%	4.69%	6.36%
Duration of option (in years)	7	7	7	7	7	7

Changes in the stock options in the past three years, through December 31, 2015, have been as follows:

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

The strike price range and the average maturity of outstanding options, as well as the strike price range for the exercisable options for the year ended December 31, 2015, are summarized below:

	Options in circulation			Vested options	
Plans	Options in circulation as of 12/31/15	Average remaining maturity in years	Strike price in R$	Vested options as of 12/31/15	Average strike price in R$ (*)
2015 Plan	2,334,915	7	6.36	-	6.36
2014 Plan	2,296,500	7	8.98	1,977,775	9.67
2013 Plan	2,120,319	7	12.83	1,766,933	14.69
2012 Plan – 2nd grant	550,000	7	12.81	550,000	15.81
2012 Plan – 1st grant	1,941,517	7	14.17	1,941,517	17.40
2011 Plan	1,097,439	7	19.00	1,097,439	24.48

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

For the year ended December 31, 2015, the Company recognized in equity a share based compensation result amounting to R$ 6,267, including R$ 406 for the 1st grant of the 2012 Plan, R$ 147 for the 2nd grant of the 2012 Plan, R$ 1,717 for the grant of the 2013 Plan, R$ 2,099 for the grant of the 2014 Plan and R$ 1,898 for the grant of the 2015 Plan, with a contra entry in the income statement as personnel cost.

The reduction in the balance as of December 31, 2015, when compared with the 2014 figures, is due to revision of the premises relating to service conditions of the respective grants of plans for previous years, as well as non-recognition of an expense for the 2011 Plan (as duration of the option under that plan was just 3 years).

iv. Dividends

Pursuant to the Company's new dividend policy, on March 12, 2015, the Board of Directors approved payment of minimum dividends of 0.001% calculated on net income for the year, adjusted in the manner provided by the Brazilian Corporation Law. The Board thus proposed distribution of dividends in the amount of R$ 38,678, R$ 1 relating to the mandatory minimum dividends and R$ 38,677 referring to dividends additional to the mandatory minimum out of net income for the year ended December 31, 2015. On May 5, 2015, the amount of R$ 38,676 was paid out by way of additional dividends for the year ended December 31, 2014, as approved on March 12, 2015. Both the mandatory minimum dividends and the additional dividends as of December 31, 2015 and 2014, amount to R$ 0.15 per share in circulation.

v. Appropriation of income for the year

The Company's bylaws provide for the following appropriation of net income for the year, adjusted in the manner provided by the Brazilian Corporation Law:

	12/31/2015	12/31/2014 (Re-presented)
Net income for the year	93,613	194,824 (*)
Appropriation to legal reserve (5%)	(4,681)	(8,303)
Mandatory minimum dividends	(1)	(2)
Additional dividends paid	(38,677)	(38,676)
Investment reserve	(50,255)	(186,519) (*)

(*) Re-presented as described in Note 2.28.

The comparative balances of the appropriation of the legal reserve and distribution of mandatory minimum dividends for the year ended December 31, 2014 were not affected by the restatement of net income for the year ended December 31, 2014, as described in Note 2.28. Management has maintained the corporate appropriation of the legal reserve and distribution of mandatory minimum dividends for the year ended December 31, 2014, as per the financial statements approved by the Board of Directors on March 12, 2015.

The effects of the prior years' adjustments described in Note 2.28, which for purposes of preparation of these financial statements, were disclosed in accordance with CPC 23, for purposes of remeasurement of the legal reserve and mandatory minimum dividends, when applicable. This way, the total appropriation of legal reserve for the year ended December 31, 2015 was R$7.739, which R$4.681refers to 5% of profit of the year and R$3.059 refers to 5% of prior year adjustments, , in the amount of R$ 61.176, as mentioned in note 2.28.

The earnings reserve for investment was set up as of December 31, 2015 based on the profits remaining after the appropriations to the legal reserve and dividends, which will be submitted to the approval of the shareholders at their next General Meeting.

25. TREASURY STOCK

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

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

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

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

(*) Number of shares

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

Minimum	7.88
Average	10.60
Maximum	13.39

Market value of treasury stock

The market value of the common shares held as treasury stock as of December 31, 2015, is calculated as follows:

Number of shares of treasury stock	7,954,632
Quotation for share on Brazilian Stock Exchange (BM&FBOVESPA)	R$ 5.83
Market value (R$ Th.)	46,376

The number of shares held as treasury stock as of December 31, 2015 represents 3.0% of the total common shares issued by the Company.

26. INSURANCE

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

	Effective coverage term		Insured sums
Type of insurance	Beginning	Expiration	December 2015
General and civil liability	01/16/2015	01/21/2017	474.858
Petroleum and operating risks	07/05/2015	01/21/2017	358,318
Total			833,176

27. PENSION PLAN BENEFITS

Direct subsidiary QGEP offers a private pension plan to all employees and directors. It involves a defined contribution plan, of which up to 12% of the monthly salary is contributed by the employee and up to 6.5% by the employer, according to the hierarchical level. The plan is managed by Bradesco Vida e Previdência under two regimes: progressive and regressive. When employees leave the plan before the end of the minimum contribution period, the contributions payable are reduced to the amount already paid by the Company. The only obligation of the Company in relation to the retirement plan is to make the specified contributions.

The total expense of R$ 1,252 as of December 31, 2015 (R$ 1,083 as of December 31, 2014), recognized in the consolidated income statement, refers to contributions to be paid as rates specified by the rules of such plan.

28. SUPPLEMENTARY CASH FLOW INFORMATION

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

	12/31/2015	12/31/2014 (Restated)
Suppliers of property, plant and equipment	23,826	6,134
Reversal of provision for ARO	137,358	-
Provision for ARO and PP&E	102,981	26,536
Capitalized borrowing charges	18,123	7,452

29. APPROVAL OF THE FINANCIAL STATEMENTS

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

30. POST REPORTING DATE EVENT

On January 19, 2016 cash call No. 01/2016 was issued in relation to the operations of Block BS-4 in the total amount of R$ 19,563, falling due February 3, 2016. Of this total, the amount of R$ 8,794 refers to partner OGX. Up to the date for approval of the financial statements (see Note 29) Management did not identify the receipt of this credit in relation to the month of January, 2016.

On February 23, 2016, the Company authorized the fifth Stock Option Plan for 2016 of 2,334,915 book-entry, registered common shares without nominal value, with a buyback deadline of 365 days from the date of approval.

queiroz galvão
QGEP PARTICIPAÇÕES

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

We declare, as Directors of QGEP PARTICIPAÇÕES S.A., based on Avenida Almirante Barroso, nº 52, sala 1301 (parte), Centro, Cidade do Rio de Janeiro, Estado do Rio de Janeiro, registered on number 11.669.021/0001-10 ("Company") pursuant to subsection VI of Article 25 of CVM Instruction 480 of December 7, 2009, that it has reviewed, discussed and agreed to the Company's Financial Statements for the period ended December 31, 2015, authorizing their conclusion as of this date.

March 7, 2016.

Lincoln R. Guardado

Lincoln Rumenos Guardado
CEO

Paula Vasconcelos da Costa Corte-Real
CFO

Danilo Oliveira
Director

Sérgio Michelucci Rodrigues
Director

queiroz galvão
QGEP PARTICIPAÇÕES

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

In conformity with sub-item V of article 25, CVM Instruction 480 of December 7 2009, the Board of Executive Officers of QGEP PARTICIPAÇÕES S.A. declares that it has reviewed and discussed the content and opinion expressed in the report of the Independent Auditors on the Company's Financial Statements for the period ended December 31, 2015.

March 7, 2016.

Lincoln Rumenos Guardado
CEO

Paula Vasconcelos da Costa Corte-Real
CFO

Danilo Oliveira
Director

Sérgio Michelucci Rodrigues
Director

QGEP PARTICIPAÇÕES S.A.
Av. Almirante Barroso, 52, sala 1301, Centro - Rio de Janeiro - RJ 20031-918 - tel. 55 21 3509-5800 / fax. 55 21 3509-5999