

# BTG Pactual Participations – BBTG12

Earnings Release

Second Quarter 2017

*August 14, 2017*

## Performance BTG Pactual Participations (BTGP) / BTG Investments (BBTG12)

For 2Q 2017, BTG Participations had a negative loss for the quarter of R\$304.8 million and a total comprehensive loss of R\$284.5 million.

Negative revenues from BTGP are mainly related to losses in Merchant Banking due to impairments in credit instruments with BR Pharma and Lojas Leader. We had also a negative PnL from an impairment in the Beira Rio real estate project.

Those adjustments were made in the light of a downturn in the Brazilian economic scenario that hurts the recovery of the retail sector.

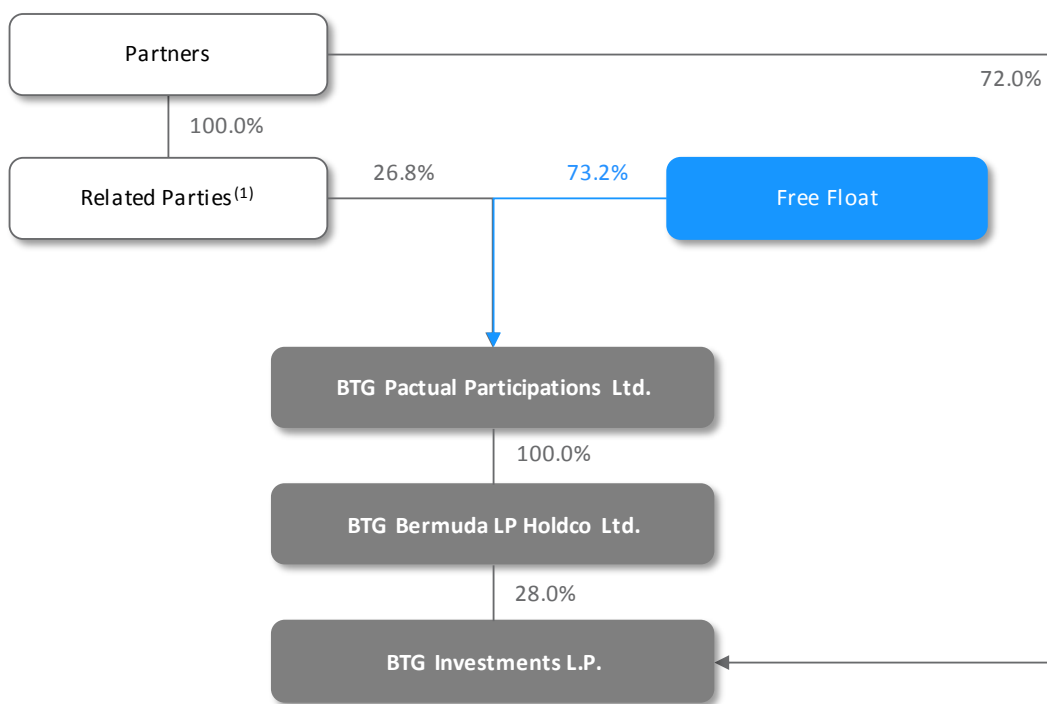
Considering the structure after the Automatic Migration the total theoretical number of units of BBTG12, would be 904 million units, and its book value per unit would be R\$ 1.18.

### Shareholding Structure

The Boards of Directors of both, Banco BTG Pactual S.A. and BTG Pactual Participations approved, in meeting held on August 4, an automatic migration of all remaining BBTG11 unit holders to the segregated trading structure of each of the Companies, i.e., BPAC11 for Banco investors and BBTG12 for BTG Pactual Participations investors. The automatic migration will take place in August 18, 2017 after market closes.

After the Automatic Migration, there will be a total of 904,097,257 BBTG12 theoretical units.

BTG Participations owns through its wholly-owned subsidiary BTG Holdco a stake corresponding to 28.02% of BTG Investments capital. BTGI equity is held by BTG Participations as an investment portfolio at fair value in accordance with IFRS10 and substantially represents BTGP’s equity.



(1) Includes units acquired by investment vehicles owned by certain partners individually or collectively and vehicles under common control of the *Partnership*

## Financial Information

For informational purposes we are presenting the adjusted financial statements of BTG Investments, which is the underlying asset.

Income Statement (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	BTG Investments	
	1Q 2017	2Q 2017
Financial income	(221)	(945)
Financial expenses	(62)	(69)
<b>Gross financial income</b>	<b>(283)</b>	<b>(1,014)</b>
Other operating income (expenses)	11	(12)
<b>Operating income</b>	<b>(272)</b>	<b>(1,026)</b>
Non-operating income/(expenses)	-	-
<b>Income before taxes and profit sharing</b>	<b>(272)</b>	<b>(1,026)</b>
Income and social contribution taxes	-	-
Statutory profit sharing	-	-
Non-controlling interest	-	-
<b>Net income</b>	<b>(272)</b>	<b>(1,026)</b>

As BTGI is accounted in USD, the adjusted financial statements do not consider the effect of exchange variation of the assets, reporting the net income in BRL.

In the second quarter BTG Investments had a negative gross financial income of R\$ 1,014 million mostly related to the impairments in credit instruments in connection with Lojas Leader (R\$ -718 million) and BR Pharma investments (R\$ -152 million). The result was also impacted by an impairment of R\$ 49.8 million in Beira Rio.

BTG Investments had also a negative financial income of R\$ 18 million from the mark to market of the BTG Pactual Bonds.

As BTG Investments is an investment entity it has almost no operating expenses and administrative costs. Therefore, it's net income was R\$ -1,026 million in line with the gross financial income.

## Main Assets

Below a brief summary of BTG Investments main assets. The balance sheet below is pro-forma and includes intercompany eliminations.

Unaudited pro-forma balance sheet (in R\$ million)							
	1Q 2017	2Q 2017	% Change		1Q 2017	2Q 2017	% Change
<b>Assets</b>	<b><u>7,158.93</u></b>	<b><u>6,149.14</u></b>	<b><u>(14.1%)</u></b>	<b>Liabilities + Equity</b>	<b><u>7,158.93</u></b>	<b><u>6,149.14</u></b>	<b><u>(14.1%)</u></b>
Cash & Equivalents	298.4	108.1	(63.8%)	Financial Liabilities	5,049.6	5,059.2	0.2%
Investment Entity Portfolio	4,947.9	4,105.4	(17.0%)	- Financial Institutions <sup>(1)</sup>	2,673.2	2,676.3	0.1%
Merchant Banking	2,984.7	2,217.6	(25.7%)	- Medium Term Notes	2,376.5	2,382.9	0.3%
- Lojas Leader	1,235.4	592.2	(52.1%)				
- BR Pharma	826.6	767.4	(7.2%)	Derivatives	0.0	0.2	0.0%
- DSB	274.9	273.9	(0.4%)	Other Liabilities	4.0	22.0	457.3%
- B&A	208.3	215.7	3.5%				
- Fazendas Timber	120.2	120.2	0.0%				
- BR Pec	140.4	116.2	(17.2%)				
- Other Assets	179.0	131.9	(26.3%)				
BTG Pactual Bonds	1,799.2	1,719.0	(4.5%)				
Global Markets	164.0	168.8	3.0%				
Invest at Fair Value - OCI	126.2	118.5	(6.1%)				
Loans and Receivables	1,732.2	1,790.8	3.4%				
- Partners	1,595.2	1,664.7	4.4%				
- Other	137.0	126.1	(7.9%)				
Other Assets <sup>(1)</sup>	54.3	26.3	(51.5%)	<b>Shareholders Equity</b>	<b><u>2,105.4</u></b>	<b><u>1,067.7</u></b>	<b><u>(49%)</u></b>

(1) Excludes Intercompany Transactions

### (i) Investment Entity Portfolio.

- a. Corporate loan of R\$592 million to União de **Lojas Leader**, a retail company undergoing operational turn-around. The credit performance will depend on business capacity to implement such turn-around. The decrease in exposure is mostly due to the impairment of R\$ 718 million made in 2Q 2017.
- b. Corporate loans and marketable securities in **BR Pharma**, a pharmaceutical retail company undergoing operational turn-around. The current exposure is equivalent to a corporate loan of R\$427 million and a marketable debt security of approximately R\$340 million, both recorded at fair value. The decrease in exposure is related to the impairment of R\$ 152 million made in 2Q 2017.
- c. Corporate loan of R\$274 million to **DSB – Bravante**, a company that operates in the oil and gas industry rendering services of marine and port support, shipbuilding and ship repair and environmental protection.
- d. **B&A** is a mining company to develop and explore opportunities in this sector. The R\$216 million exposure is composed of an 88% stake accounted at fair value at R\$120 million and a R\$96 debt instrument. In 2Q 2017 BTG investments increased the net exposure in R\$ 7.4 million.

- e. **Fazendas Timber.** Investment to timber funds, managed by one of the largest timberland managers globally with a diversified portfolio that includes over 1.8 million acres across four continents most of them in Latin America and USA.
  - f. Equity investment of R\$116 million in **BR Pec**, an agricultural / ranching company that is focused on production of soy, corn and cattle. The operations are focused on improving productivity levels. BTG Investments owns 100% of the asset. The 17% decrease in asset value from 1Q 2017 was mostly due to the interest accrual in the company's debt, and the maintenance of company's land at the same value.
  - g. **Other Assets** inside Merchant Banking portfolio consist of over ten smaller investments across sectors
- (ii) **BTG Pactual Bonds** issued by Banco BTG Pactual S.A., value at R\$ 1,719 million concentrated in perpetual bonds. The bonds at the end of the 2Q 2017 were trading at 93.75% of par value, in the 1Q 2017 they were trading at 94.57% of the par value.
  - (iii) BTG Investments also carries other private equity assets, under **Invest at Fair Value – OCI**, which are mainly held via investment funds, such as Bodytech, CCRR and UOL, among other investments. The decrease of 6% in total value was mainly driven by BR Brokers fair value adjustments.
  - (iv) **Loans and Receivables.** The exposure consists of R\$1,665 million of loan related to the partnership and R\$126 million of other loans. The loans are recorded on an accrual basis.
  - (v) **Financial Liabilities**
    - a. Liabilities to Financial Institutions, consist in several long term, most of them with Brazilian institutions.
    - b. Medium Term Notes: BTG Investments has issued notes to finance its operations over the last 4 years.

## **Basis for Presentation**

Except where otherwise noted, the information concerning our financial condition presented in this document is based on our Balance Sheet and Income Statement, which is prepared in accordance with IFRS.

## **Forward-looking statements**

This document may contain estimates and forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements may appear throughout this document. These estimates and forward-looking statements are mainly based on the current expectations and estimates of future events and trends that affect or may affect the business, financial condition, and results of operations, cash flow, liquidity, prospects and the trading price of the units. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to many significant risks, uncertainties and assumptions and are made in light of information currently available to us. Forward-looking statements speak only as of the date they were made, and we do not undertake the obligation to update publicly or to revise any forward-looking statements after we distribute this document as a result of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this document might not occur and future results may differ materially from those expressed in or suggested by these forward-looking statements. Forward-looking statements involve risks and uncertainties and are not a guaranty of future results. As a result, you should not make any investment decision on the basis of the forward-looking statements contained herein.

## **Rounding**

Certain percentages and other amounts included in this document have been rounded to facilitate their presentation. Accordingly, figures shown as totals in certain tables may not be an arithmetical aggregation of the figures that precede them and may differ from the financial statements.