

BTG Pactual Participations – BBTG12

Earnings Release

First Quarter 2017

May 12, 2017

Performance BTG Pactual Participations / BTG Investments (BBTG12)

For 1Q 2017, BTGP had negative loss for the quarter of R\$68 million and total comprehensive loss of R\$90 million.

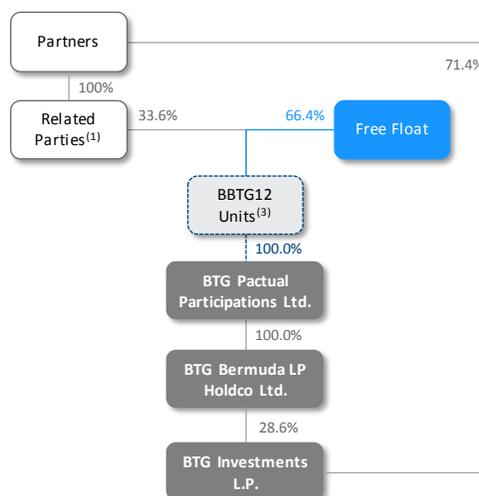
For 1Q 2017, negative revenues from BTGP are mainly related to losses in Merchant Banking mainly due to the BR Pharma transaction announced March 31st. Negative Revenues were partially compensated by the gains on mark to market of BTG Pactual Bonds.

Assuming that 100% of units' holders voluntarily break up their BBTG11 unit into the individual BPAC11 and BBTG12 units, the total theoretical number of units of BBTG12, would be 911 million units, and its book value per unit would be R\$2.31.

The Board of Directors of BTGP (BBTG12), approved the appointment of the new Officers of BTGP (BBTG12), which will be comprised as follows: (i) José Octavio Mendes Vita, as the Chief Executive Officer of BTGP; and (ii) Renata Gomes Santiago Broenn, as the Investor Relations Officer of BTGP.

Financial Information

BTG Participations owns through its wholly-owned subsidiary BTG Holdco a stake corresponding to 28.61% 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. As of today, BBTG12 has a total of 275,377,935 formed units and a total of 911,529,057 theoretical units⁽²⁾.



- (1) Includes units acquired by investment vehicles owned by certain partners individually or collectively and vehicles under common control of the *Partnership*
 (2) Assumes all current BBTG11 unit holders decide to break up their units and hold new Banco units and BTGP units; however, the breakup is not mandatory and it is likely that there will be some BBTG11 units outstanding following the transaction
 (3) Considering economic interest only (i.e., Class A and Class B shares)

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	
	4Q 2016	1Q 2017
Financial income	9	(221)
Financial expenses	(89)	(62)
Gross financial income	(80)	(283)
Other operating income (expenses)	3	11
Operating income	(77)	(272)
Non-operating income/(expenses)	-	-
Income before taxes and profit sharing	(77)	(272)
Income and social contribution taxes	-	-
Statutory profit sharing	-	-
Non-controlling interest	-	-
Net income	(77)	(272)

As BTGI is accounted in USD, the adjusted financial statements withdraw the effect of exchange variation of the assets, reporting the net income in BRL.

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)							
	4Q 2016	1Q 2017	% change		4Q 2016	1Q 2017	% change
Assets	6,927.49	7,158.93	3%	Liabilities + Equity	6,927.49	7,158.93	3%
Cash & Equivalents	7.7	298.4	3751%	Financial Liabilities	4,405.5	5,049.6	15%
Investment Entity Portfolio	4,520.8	4,947.9	9%	- Financial Institutions(1)	1,962.8	2,673.2	36%
Merchant Banking	2,636.8	2,984.7	13%	- Medium Term Notes	2,442.6	2,376.5	(3%)
- Lojas Leader	1,139.0	1,235.4	8%	Derivatives	3.7	0.0	(100%)
- BR Pharma	520.9	826.6	59%	Other Liabilities	61.1	4.0	(94%)
- DSB	274.9	274.9	0%				
- B&A	218.2	208.3	(5%)				
- BR Pec	165.6	140.4	(15%)				
- Others	318.2	299.1	(6%)				
BTG Pactual Bonds	1,723.1	1,799.2	4%				
Global Markets	161.0	164.0	2%				
Invest. at Fair Value - OCI	172.2	126.2	(27%)				
Loans and Receivables	2,206.8	1,732.2	(22%)				
- Partners	2,119.6	1,595.2	(25%)				
- Others	87.2	137.0	57%				
Other Assets(1)	19.9	54.3	173%	Shareholders Equity	2,457.2	2,105.4	(14%)

(1) Excludes Intercompany Transactions

- (i) **Corporate bonds** issued by Banco BTG Pactual S.A., value at R\$ 1,732 million concentrated in perpetual bonds. The bonds at the end of the 1Q 2017 were trading at 95% of par value.
- (ii) **Loans and Receivable.** The exposure consists of R\$1,595 bi of loan to partners in the context of the partnership and R\$137 million of other loans. The loans are recorded on an accrual basis. In the first quarter of 2017 part of loans exposure was pre-paid, reducing BTG Investments exposure.
- (iii) **Investment Entity Portfolio.**
 - a. Corporate loan of R\$1,235 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 increase in exposure is due to the accrual of the loan that is accounted as fair value. There is no significant operational update since 4Q 2016.
 - b. Corporate loans and marketable securities in BR Pharma, a pharmaceutical retail company undergoing operational turn-around. The former equity investment is currently nil, and the current exposure is equivalent to a corporate loan of R\$500 million and a marketable debt security of approximately R\$300 million, both recorded at fair value.
 - c. Equity investment of R\$140 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 asset was revalued to R\$140 million a 15% decrease from the previous quarter mostly given the interest accrual in the company's debt, and the maintenance of company's land at the same value. The company still undergoes operational loss.

- d. B&A is a mining company to develop and explore opportunities. Currently, exit strategies continue to be evaluated. The R\$208 million exposure is composed of an 88% stake accounted at fair value at R\$133 million and a R\$75 million note. The change in exposure in 1Q 2017 is due to fair market value adjustments.
- e. Corporate loan of R\$274.9 million to Brasbunker Participações – 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.
- f. Other Assets inside Merchant Banking portfolio consist of over ten smaller investments across sectors
- g. 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 27% in total value was mainly driven by the fair market value review of BodyTech.

(iv) **Financial Liabilities**

- a. Liabilities to Financial Institutions, consist in several long term loans with average maturity of 4.4 years, most of them with Brazilian institutions. BTG Investments contracted new loans in 1Q 2017 mainly to the financing in BR Pharma.
- b. Medium Term Notes: BTG Investments has issued notes to finance its operations along the last 4 years. The main issuance is the publicly traded bond that matures in 2018.

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.