BC FUND

Fundo Imobiliário BTG Pactual Corporate Office Fund

2Q19 Earnings Release

Published on August 06, 2019

São Paulo, August 06, 2019 - The Real Estate Investment Fund – FII BTG Pactual Corporate Office Fund ("BC Fund") (B3: BRCR11), the largest corporate office real estate investment fund listed on the Brazilian stock exchange, announces today its results for the second quarter of 2019 (2Q19).

2Q19 Highlights

- Leasing revenue totaled **R$33.1 million** in the quarter.
- In 2Q19, FFO and adjusted FFO totaled **R$23.6 million** (R$1.23/share).
- In May, the semiannual reappraisal of the portfolio's assets was concluded, generating a **positive impact of R$33.2 million** on the value of the properties.
- Net income was **R$70.5 million** (R$3.67/share). Disregarding the effects of the portfolio's reappraisal, net income was **R$37.3 million** in 2Q19.
- Shareholders' equity at the end of 2Q19 was **R$2.1 billion** (R$110.71/share).
- Total earnings paid out in 2Q19 was **R$1.89/share** (R$36.3 million), in accordance with the policy of monthly distribution of profits calculated on a cash basis. It is noteworthy to mention that, in May, the Fund made an extraordinary distribution of **R$0.60/share** (R$11.5 million) related to capital gains obtained from the sale of the space leased to a Santander branch at the BFC building.
- In the last 12 and 24 months (base of June/2019), shareholders' profitability, considering distributed earnings and share value, was **+27.5% and +17.4%**, respectively.
- At the end of the quarter, the portfolio's Gross Leasable Area (GLA) corresponded to **176,916 m²**, a variation of -0.4% in relation to 1Q19 given the sale of the space leased to a Santander branch at the BFC building in April.
- Financial vacancy stood at **10.5%** at the end of the second quarter of 2019.
- In 2Q19, **14.4%** of the contract portfolio was reviewed or registered new leases, which led to a nominal reduction of **31.0%** in leasing revenues and a **35.4%** drop considering inflation (leasing spread). Same-tenant contracted revenue in 2Q19 had a nominal decrease of **0.2%** in relation to 1Q19.

Conference Call (Portuguese)	Conference Call (English)	Investor Relations
August 07, 2019	August 07, 2019	E-mail: contato@bcfund.com.br
10:00 a.m. (BR) / 9:00 a.m. (ET)	12:30 p.m. (BR) / 11:30 a.m. (ET)	Phone: +55 11 3383 2000
Phone: +55 11 3127 4971	Phone: +1 929 378 3440	

Presentation and further information available at www.bcfund.com.br

Recent Events – 2Q19

Annual and Extraordinary Shareholder's Meeting

On April 24, 2019, the Fund held its Annual and Extraordinary Shareholders' Meeting, which approved, by vast majority of votes, the 2018 financial statement, and the members of the Shareholders' Monitoring Committee were elected. The Fund's Extraordinary Shareholders' Meeting also included a market presentation by an independent market specialist.

Monitoring Committee

The Meeting held in April also elected the members of the Shareholders' Monitoring Committee. The committee held its first meeting in May, which included the presentation of each member, with an explanation of their responsibilities, as well as a detailed discussion of the portfolio and status of the Fund's current operation, and other relevant clarifications. We emphasize that the communication channel between shareholders and members of the committee is still available through the following e-mail: comiteacompanhamento@bcfund.com.br.

BFC

Asset sale

On April 22, 2019, the Fund sold part of its stake in the Brazilian Financial Center building, which was leased as a Santander branch. The transaction amounted to R$20,526,124.61, equivalent to R$30,683.75/m². Proceeds from capital gain on the sale price totaled R$11,489,192.78 and was distributed to shareholders in May, resulting in earnings of approximately R$0.60/share.

New lease agreements

In June, the Fund signed two lease agreements in the BFC building. These contracts together represent 2,619 m², corresponding to 3 floors and 2 mezzanines, are valid for 120 months and were signed with a financial institution and a media company.

Early termination

Also in June, the Fund received notification that a contract for an entire floor would be terminated. It is still on notice for termination and, if implemented, it will generate a termination fine.

Eldorado

Receipt of outstanding amounts

On May 27, the Fund received the amount of R$747,436.79 related to the favorable decision in the Eviction Order for Lack of Payment with Preliminary Request against Gafisa. We should note that this matter was widely disclosed to shareholders in the Notice to the Market released on December 19, 2018. The amount received was distributed to shareholders in June.

LEED-EBOM Certification

In June, the EBT building received the LEED-EBOM Certification (Operation and Maintenance) in the Platinum category, the highest certification possible. This certification proves the quality of the property's operation, attesting to water and energy efficiency with low operating costs.

New lease agreement

Also in June, half a floor in the EBT building was leased, which had been vacated by Banco Pine in May. The lease agreement, signed with an aviation company, has a ten-year term and values in line with the market in the region.

Cenesp

New lease agreement

After an extensive period of investments and generation of value in the Cenesp building, which led to the reduction by more than 30% of the condominium fee, the Fund signed a new contract to lease 18,223 m² with Banco do Brasil for a period of 120 months. We emphasize that the lease was carried out by our expert team, without the intermediation of a broker, which did not encumber the Fund with commission expenses.

Semiannual Portfolio Reappraisal

In May, the semiannual reappraisal of the Fund's real estate portfolio was completed. The result of this appraisal, which impacts May's financial statements, generated an increase in the value of assets of R$33.2 million. As a result, shareholders' equity reached R$2.1 billion or R$110.0/share.

Subsequent events

Eldorado

New lease agreements

In July, the Fund signed 2 lease agreements in the Eldorado building. These contracts together represent 2,506 m², corresponding to 2 and a half floors. The new contracts were signed with the current tenants, and the terms were extended until 2023. With these new leases, the vacancy of the asset is null.

Tax refund

On July 23, the Fund received R$128,133.31 related to the refund of income tax payable on the profit made from the sale of real estate investment fund shares resulting from 2 administrative proceedings filed in 2012 and 2018, and adjusted by Selic. We also inform that, considering that the decision declaring the said refund can still be subject to revision by the tax authorities, the amount received will be retained in the Fund and allocated to assets with greater liquidity until the final decision of the Federal Revenue Office.

Comments on financial information

The preparation of the quarterly financial statements followed the accounting standards adopted in Brazil applicable to real estate investment funds. In line with the practices of the companies listed on B3 and considering BC Fund's current shareholder base, the financial statements for the second quarter of 2019 were submitted to an audit by PricewaterhouseCoopers, pursuant to Brazilian and international standards.

Financial Highlights (million R$, unless otherwise indicated)	2Q18	2Q19	Var.	6M18	6M19	Var.
Lease Revenue	**44.2**	**33.1**	**(25.1%)**	**83.0**	**50.6**	**(39.1%)**
Net Income	**30.2**	**70.5**	**133.8%**	**53.5**	**(31.7)**	**n.a.**
Net Income per share (R$ / share)	1.57	3.67	133.8%	2.78	(1.65)	n.a.
Net Income (ex-fair value adj.)	**20.0**	**37.3**	**86.1%**	**43.3**	**(64.9)**	**n.a.**
Net Income (ex-fair value adj.) / share (R$ / share)	1.04	1.94	86.1%	2.25	(3.38)	n.a.
FFO	**20.6**	**23.6**	**14.2%**	**39.9**	**46.2**	**15.8%**
FFO / share (R$ / share)	1.07	1.23	14.2%	2.07	2.40	15.8%
Adjusted FFO	**20.6**	**23.6**	**14.2%**	**39.9**	**46.2**	**15.8%**
Adj. FFO / share (R$ / share)	1.07	1.23	14.2%	2.07	2.40	15.8%
Total Distribution	**17.8**	**36.3**	**104.3%**	**42.7**	**262.0**	**514.1%**
Total Distribution / share (R$ / share)	0.92	1.89	104.3%	2.22	13.63	514.1%
Shareholders Equity	**2,407.0**	**2,128.4**	**(11.6%)**	**2,407.0**	**2,128.4**	**(11.6%)**
Shareholders Equity / share (R$ / share)	125.21	110.71	(11.6%)	125.21	110.71	(11.6%)
Gross Debt	**441.8**	**120.0**	**(72.8%)**	**441.8**	**120.0**	**(72.8%)**
Net Debt	**84.2**	**(204.1)**	**n.a.**	**84.2**	**(204.1)**	**n.a.**

Operational Highlights	2Q18	2Q19	Var.	6M18	6M19	Var.
Portfolio GLA (m2)	**229,426**	**176,916**	**(22.9%)**	**229,426**	**176,916**	**(22.9%)**
Contracted leasing revenue (R$ million)	**13.8**	**11.7**	**(15.2%)**	**13.8**	**11.7**	**(15.2%)**
Financial Vacancy (EoP)	**31.4%**	**10.5%**	**(20.9 p.p.)**	**31.4%**	**10.5%**	**(20.9 p.p.)**
Deliquency	**(2.0%)**	**-2.6%**	**0.3 p.p.**	**(2.0%)**	**-2.6%**	**0.3 p.p.**
Same-Area Rent (SAR)	**(0.0%)**	**-0.2%**	**6.4 p.p.**	**(0.0%)**	**-0.2%**	**6.4 p.p.**
Leasing Spread	**(16.0%)**	**(35.4%)**	**(19.4 p.p.)**	**(19.4%)**	**(28.2%)**	**0.5 p.p.**
% of portfolio (in terms of lease revenue)	1.7%	14.4%	12.6 p.p.	8.2%	20.0%	1.4 p.p.

Stock Market Highlights	2Q18	2Q19	Var.	6M18	6M19	Var.
Total Number of Shares	**19,224,537**	**19,224,537**	**0.0%**	**19,224,537**	**19,224,537**	**0.0%**
Market Cap	**1,705.4**	**1,855.4**	8.8%	**1,705.4**	**1,855.4**	8.8%
Share Price - End of period (R$ / share)	88.71	96.51	8.8%	88.71	96.51	8.8%
Share Price - Average for the period (R$ / share)	96.62	92.63	(4.1%)	101.24	96.61	(4.6%)
Average Daily Trading Volume (R$ million)	**2.82**	**3.17**	**12.7%**	**3.00**	**3.05**	**1.7%**
Number of Shareholders	**34,009**	**66,647**	**96.0%**	**34,009**	**66,647**	**96.0%**
Total Individual Investors	33,842	66,418	96.3%	33,842	66,418	96.3%
Total Institutional Investors	167	229	37.1%	167	229	37.1%
% of shares held by Individual Investors	79.1%	79.6%	0.5 p.p.	79.1%	79.6%	0.5 p.p.
% of shares held by Institutional Investors	20.9%	20.4%	(0.5 p.p.)	20.9%	20.4%	(0.5 p.p.)

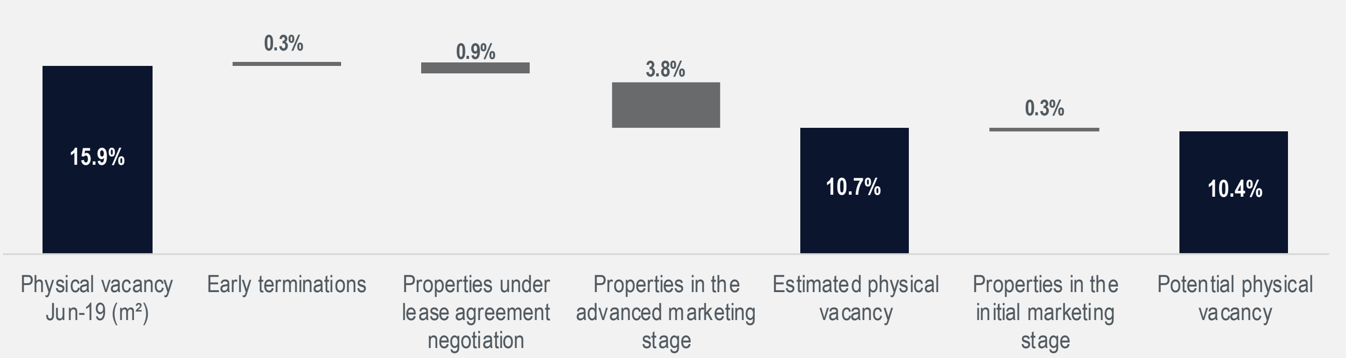
Management Comments

The Fund underwent an important turnover this quarter. In line with our prospect of the commercialization process, the Fund has leased more than 18,000 meters in the Cenesp building, where most of our vacant areas were located. We understand that although the region in which the complex is located is still moving towards a neutral point, the active management of the condominium, that is, the 30% reduction in condominium costs and the retrofit of the property's facade, have made the project quite competitive. These agreements represented one of the largest leases of the year, and it is undoubtedly the largest leased area in the complex in recent years.

Regarding the acquisition of new assets, we emphasize that the quarter was very busy, with a significant number of assets being analyzed by our team. After the completion of one of the most relevant asset purchase and sale transactions of the Brazilian real estate industry, the Fund has repositioned itself as a differentiated player in the sector, being actively sought by several houses for possible transactions. We believe some of these opportunities may be converted into acquisitions in a short/medium term scenario. It should also be mentioned that the economic scenario still has a strong expectation of interest rate cuts, and the better positioned we are in good assets, the more return we will be able to generate for the shareholders. In May, we had an extraordinary distribution of income to shareholders of approximately R$0.60/share (R$11.5 million), related to the sale of the space leased to a Santander branch at the BFC building.

The Fund ended the second quarter of 2019 with a physical vacancy in the portfolio equivalent to 15.9%, considerably lower than at the end of 1Q19, mainly impacted by Cenesp leasing. We understand that these new leases lead the complex to a new level which drives a new flow of interest in the asset. Our sales team showed outstanding performance with this lease operation, without the intermediation of a broker. We believe that with our opportunity mapping framework, we have a good chance of positioning the Fund at increasingly lower vacancy levels. We also highlight that a tenant is scheduled to exit the BFC building, as previously disclosed. In addition to this lease termination, we have 0.9% of the Fund's properties in the process of exchanging advanced lease agreement drafts ("Properties at the negotiation stage of commercialization"), and 3.8% of the assets in advanced commercial stages, that is, still not ready to exchange lease agreement drafts, but already defining the commercial conditions for a potential lease ("Properties at an advanced stage of commercialization"). In this sense, considering properties at the negotiation stage of commercialization and at the advanced stage of commercialization, the Fund's vacancy rate would drop to 10.7% ("Estimated physical vacancy"). It should also be mentioned that 0.3% of the Fund's properties are in the initial stage of commercialization ("Properties in the initial stage of commercialization"). If these Properties in the initial stage of commercialization are also effectively leased, the Fund's vacancy rate would drop to 10.4% ("Potential Physical Vacancy"). This scenario is presented below.

Commercialization of vacant area (m² of the portfolio in %)



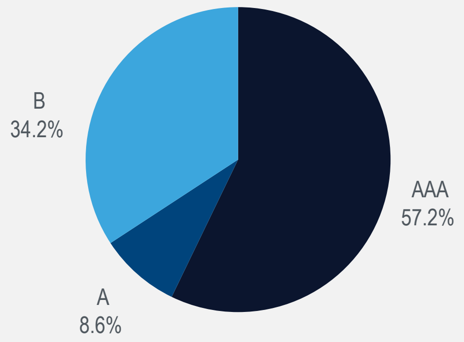
Operational performance

Breakdown of the asset portfolio

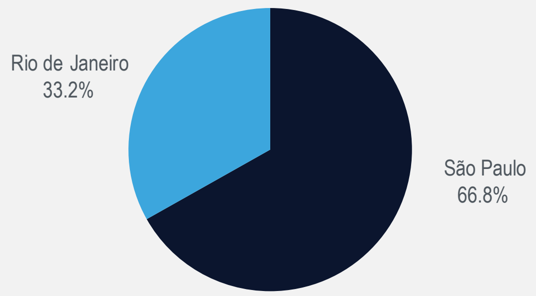
At the end of the quarter, the portfolio's GLA corresponded to 176,916 m², down 0.4% in relation to 1Q19 and 22.9% in relation to previous quarters due to the conclusion of the asset purchase and sale transaction with Brookfield in February and the sale of the space leased to a Santander branch at the BFC building in April.

Asset portfolio (based on contracted leasing revenue in June/2019)

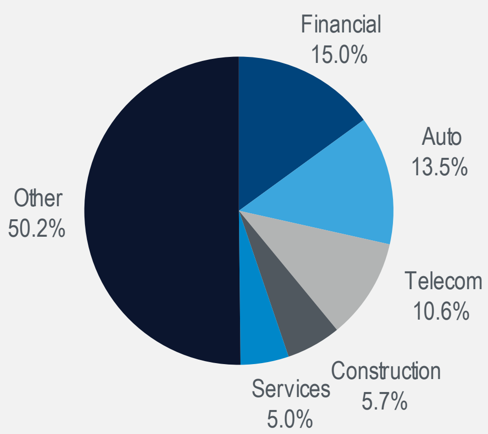
By asset type



By location



By tenants' sector of activity



By tenant concentration

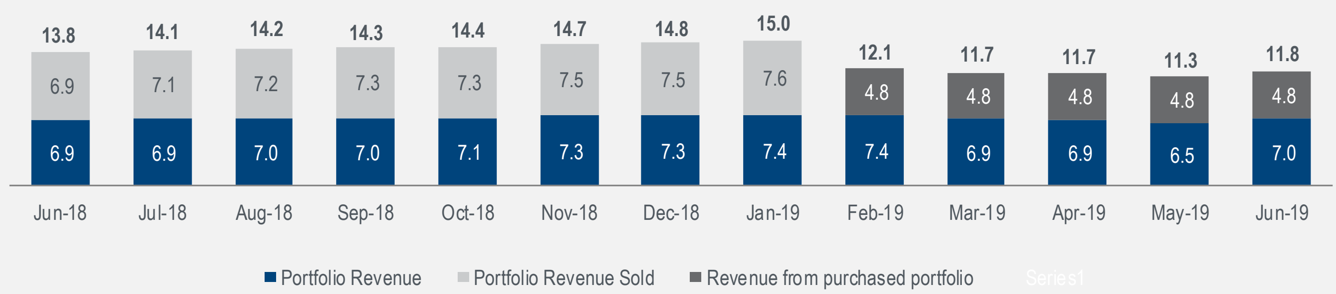
- In June 2019, the Fund's main tenant accounted for approximately 21.7% of contracted leasing revenue.
- A relevant portion of the increase in GLA concentration in Rio de Janeiro is due to the exposure of an atypical lease agreement.
- In June 2019, the Fund had 58 lease agreements.

Contracted Leasing Revenue

The monthly contracted leasing revenue in June 2019 was R$11.8 million, down 14.5% compared to June 2018.

Contracted leasing revenue is a non-accounting indicator corresponding to the total amount of lease agreements in effect in the reference month, excluding discounts, grace periods, fines and other adjustments impacting the book value of the leasing revenue.

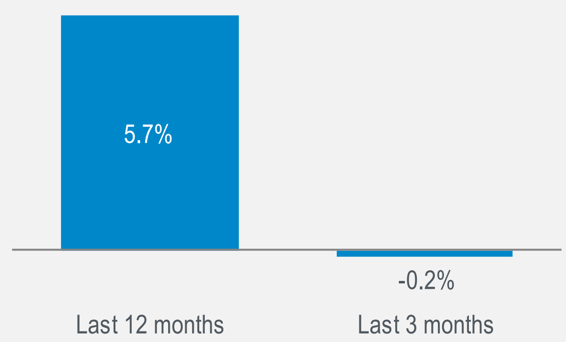
Monthly evolution of contracted leasing revenue (in R$ million)



Same-tenant contracted revenue in 2Q19 registered a nominal increase of 5.7% against 2Q18. Compared to 1Q19, same-tenant contracted revenue fell by 0.2%.

Same-Tenant Rent (STR) is a non-accounting indicator corresponding to the total amount of lease agreements in effect in the reference month in a given area that was already leased by the same tenant at the end of the same period the year before or at the end of the previous quarter, excluding discounts, grace periods, fines and other adjustments impacting the book value of the leasing revenue.

Variation of Same-Tenant Rent (STR)



Renewals and Reviews

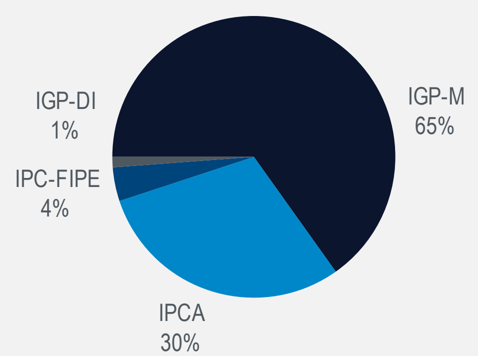
The equivalent of 14.4% of contracted leasing revenues was renewed, reviewed or came from new leases in 2Q19, resulting in a nominal reduction of 31.0%. Considering the effect of inflation, leasing spread was -35.4%.

The leasing spread was mainly impacted by Cenesp's current market conditions, which still require greater price flexibility in order to attract new tenants and avoid the exit of the current ones.

Only 3.2% of the Fund's contracts mature by the end of 2019 and 9.0% by the end of 2020.

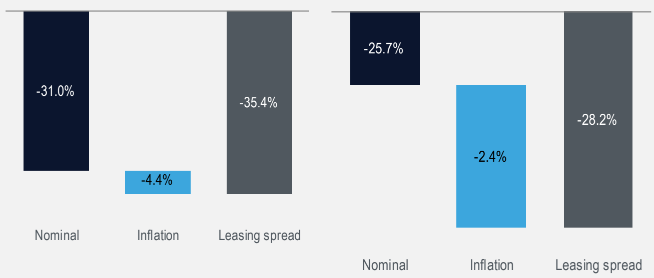
Portfolio breakdown in June/2019

(by inflation index)



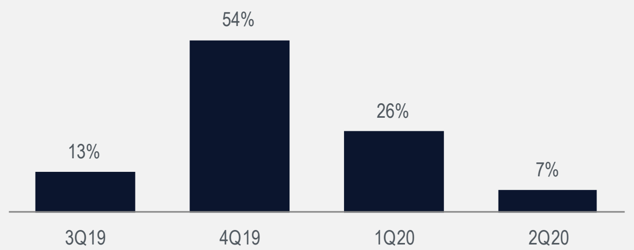
Leasing spread 2Q19 | 6M19

(14.4% of revenue) | (20.0% of revenue)



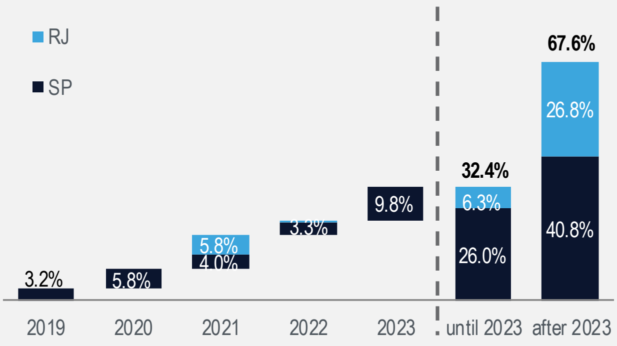
Inflationary adjustment schedule

(% of contracted revenue)



Contract maturity schedule

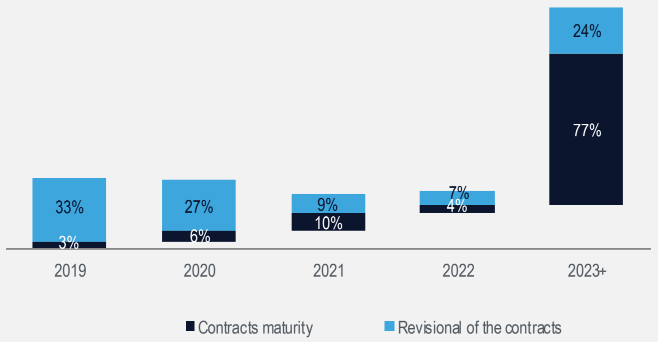
(% of contracted revenue)



As a result of the new leases and in line with market practices, discounts or grace periods were granted to new tenants. The Fund should be impacted in the coming quarters by the conversion of contracted revenue into leasing revenue from newly closed agreements and it is estimated that, in the next 6 months, 8.3% of the current contracted revenue will be converted into leasing revenue due to the expiration of such discounts and grace periods.

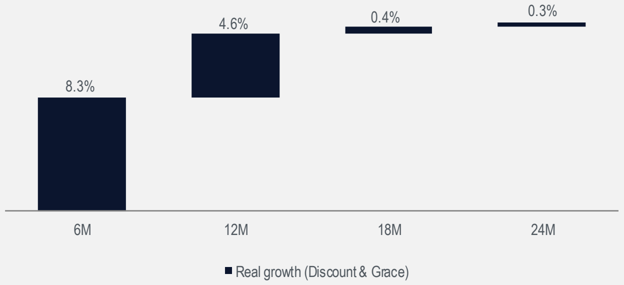
Maturity and renegotiation schedule

(% of contracted revenue)



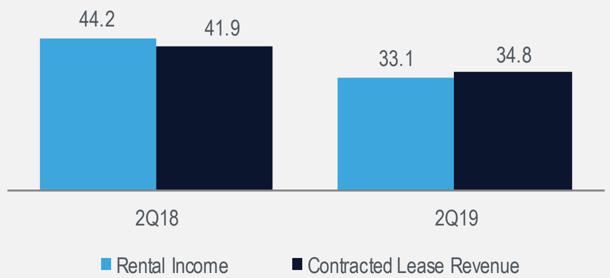
Real growth (discounts and grace periods)

(% of contracted revenue)



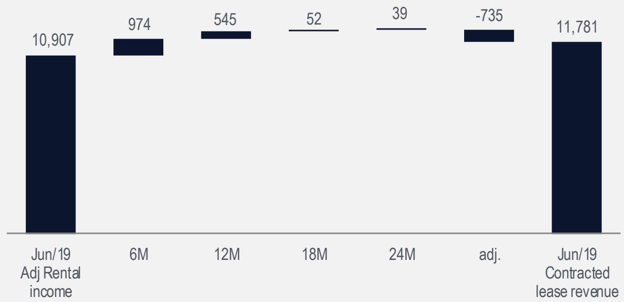
Leasing revenue vs. contracted revenue

(R$ million)



Real growth (discounts and grace periods)

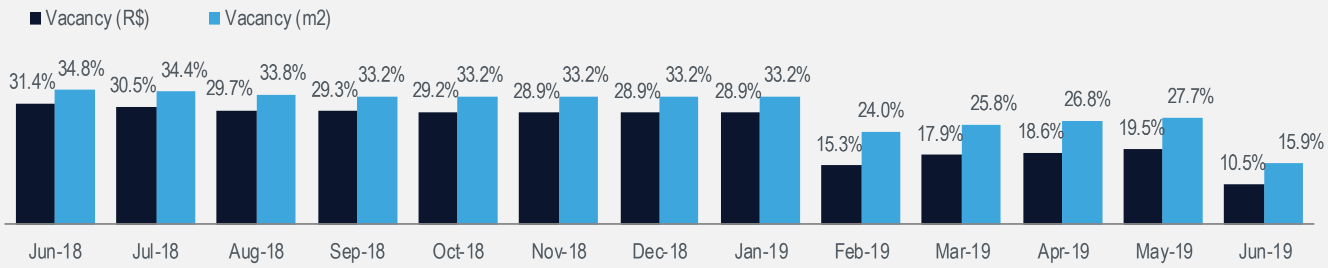
(R$ ‘000)



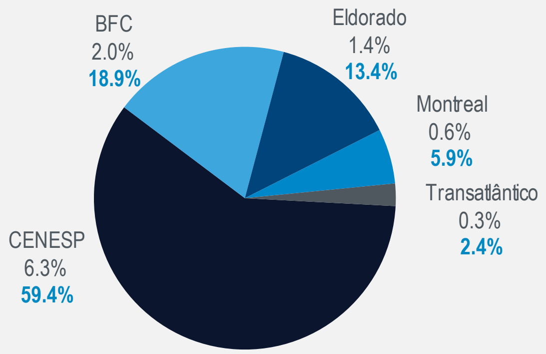
Vacancy

Financial vacancy at the end of 2Q19 was 10.5%, considerably lower than in 1Q19, mainly due to the new lease agreement at Cenesp. At the end of the quarter, the vacant areas corresponded to 21,874 m² at Cenesp, 2,443 m² at BFC, 1,753 m² at Montreal, 1,504 m² at Eldorado and 525 m² at Transatlântico.

Portfolio's physical and financial vacancy

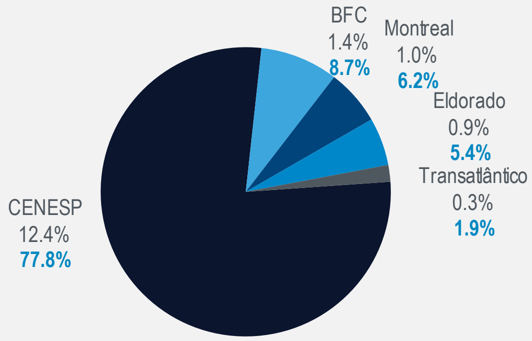


Breakdown of financial vacancy



% of total potential revenue
% of potential revenue of vacant areas

Breakdown of physical vacancy



% of total GLA
% of vacant GLA

Delinquency

Given the high quality of our portfolio and tenants, the delinquency rate has always been historically low. However, at the end of 2Q19, provisions for doubtful accounts remained at R$4.9 million, the greater part of which refers to a tenant who disagrees with the amounts involved in the contract renewal and a difference in rent corresponds to the default amount, not incurring credit risk. We reiterate that the Fund has been taking the necessary measures to recover this amount through legal proceedings, and the proceeding is at the stage for the manifestation of the parties regarding the expert report.

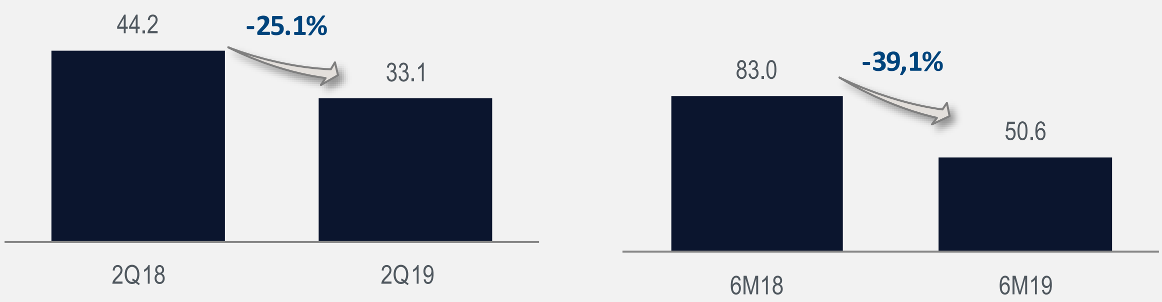
Financial Performance

Revenue

Revenue from investment properties, which includes leasing revenues, in addition to fines and interest received in the period, totaled R$87.4 million in 2Q19, representing an increase of 58.9% in relation to the same period of the previous year. The main events that impacted revenue were:

- The semiannual reappraisal of the portfolio's assets, which generated a positive impact in the quarter (R$33.2 million);
- The sale of the space leased to a Santander branch at the BFC building, which generated an increase in revenue in the period (R$20.5 million).

Leasing revenue (R$ million) (1)



(in R$ '000)	2Q18	2Q19	Var.	6M18	6M19	Var.
Revenue from properties	**55,010**	**87,384**	**58.9%**	**91,709**	**1,433,678**	**1463.3%**
Rental income	44,195	33,113	(25.1%)	83,036	50,585	(39.1%)
(-) Provision - receivables	879	852	(3.1%)	(1,419)	1,518	n.a.
Fines and interest received	751	17	(97.7%)	925	68	(92.6%)
Adjustment to fair value	10,127	33,237	228.2%	10,127	33,237	228.2%
Sale of property	-	20,526	n.a.	-	1,349,036	n.a.
Discounts granted	(942)	(361)	(61.7%)	(960)	(766)	(20.2%)

Note:

(1) No distinction is made between gross and net revenue, since there is no taxation on leasing revenue or on capital gains on the sale and/or reappraisal of assets.

Portfolio appraisal

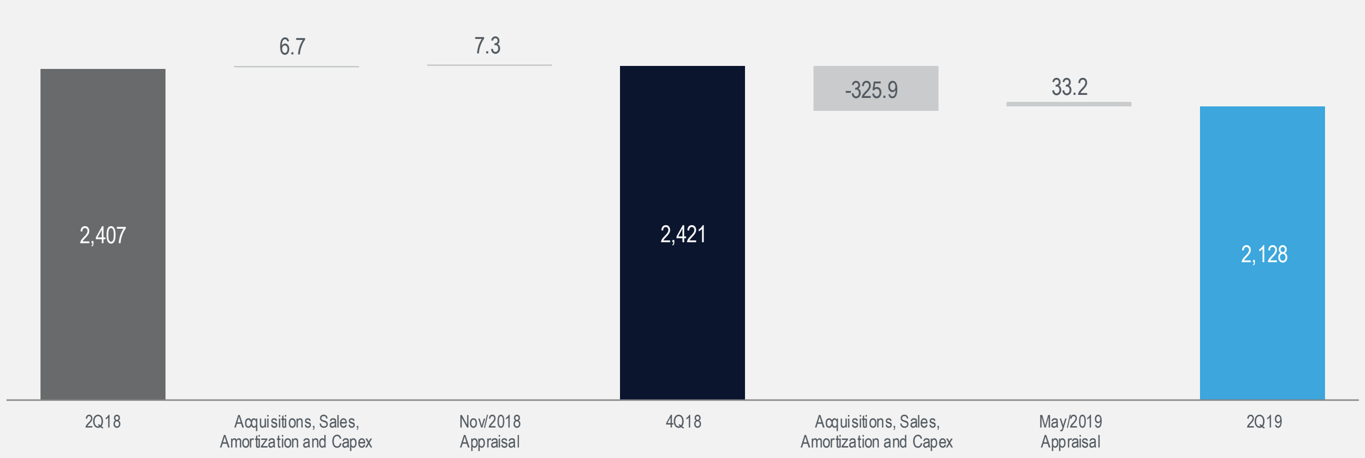
On a six-month basis, in May and November, we conduct a full reappraisal of the Fund's asset portfolio, the result of which is used to determine the book value of BC Fund's properties.

The appraisal conducted in May/2019 by Cushman & Wakefield used one or more methods listed below to determine the assets' value, depending on the characteristics of the properties and the market: (i) direct comparison of market data; (ii) income by direct capitalization income; and (iii) income by discounted cash flow.

Based on the May 2019 appraisal, the value of the Fund's portfolio was R$2.1 billion.

The value of the portfolio in June 2019 represents a cap rate of 8.2% over the current contracted revenue and 9.2% considering the potential revenue of the currently vacant areas.

Evolution of portfolio value (R$ million)



Costs and Expenses

(in R$ '000)	2Q18	2Q19	Var.	6M18	6M19	Var.
Cost of Investment properties	**-**	**(11,546)**	**n.a.**	**-**	**(1,454,734)**	**n.a.**
Cost of sold investment properties	-	(8,952)	n.a.	-	(980,574)	n.a.
Reversal of adjustment at fair value of sold investment properties	-	(2,594)	n.a.	-	(474,160)	n.a.
Expenses over Properties	**(5,064)**	**(3,701)**	**(26.9%)**	**(10,752)**	**(7,404)**	**(31.1%)**
Comissions	(450)	(371)	(17.6%)	(1,354)	(493)	(63.6%)
Management of properties expenses	101	(83)	n.a.	(123)	(103)	(16.3%)
Condominium expenses	(4,594)	(3,047)	(33.7%)	(8,760)	(6,379)	(27.2%)
Maintenance	(121)	(200)	65.3%	(515)	(429)	(16.7%)
G&A	**(8,006)**	**(3,046)**	**(62.0%)**	**(18,080)**	**(5,339)**	**(70.5%)**
Consulting/Management fee	(5,486)	(5,678)	3.5%	(11,442)	(11,106)	(2.9%)
Administration fee - Fund	(1,216)	(1,154)	(5.1%)	(2,525)	(3,001)	18.9%
Property tax expenses	(1,790)	(624)	(65.1%)	(3,687)	(1,584)	(57.0%)
Other operating expenses	486	4,410	807.4%	(426)	10,352	n.a.

- Commission expenses are related to (i) brokerage services for the renewal and/or review of lease agreements, (ii) brokerage fees for the commercialization of vacant areas and (iii) brokerage services for the purchase and sale of assets.

- Property management expenses are related to property management services and correspond to a percentage of the revenue generated by each property.

- Condominium, repair, maintenance and conservation expenses are incurred by the Fund to cover such expenses generated by the vacant areas of its portfolio.

- Management expenses refer to BTG Pactual's management services and correspond to 1.5% p.a. of the Fund's market value (currently at a discount, totaling 1.1% p.a.), in line with the trading price of its shares on B3, which is calculated and provisioned on a daily basis and paid monthly.

- The Fund's administration fee refers to BTG Pactual's management services and corresponds to 0.25% p.a. of the Fund's market value, based on the trading price of its shares on B3, which is calculated and provisioned on a daily basis and added to the amounts paid to the Fund's bookkeeping agent.

- Tax expenses refer to the municipal, state and federal taxes incurred by the Fund, most of which corresponds to the payment of IPTU (municipal property tax) on the portfolio's vacant areas.

- Other operating expenses/revenues are related to sundry expenses, such as utility bills related to the vacant areas, CVM inspection fees, custody expenses, B3, auditing, revaluation of assets, various taxes, legal advice services, notary fees and others.

Financial result

(in R$ '000)	2Q18	2Q19	Var.	6M18	6M19	Var.
Interest and inflation indexation on liabilities	**(10,125)**	**(3,836)**	**(62.1%)**	**(19,145)**	**(16,108)**	**(15.9%)**
Interest	(10,125)	(3,836)	(62.1%)	(19,145)	(16,108)	(15.9%)
Profit from real-estate financial assets	**(4,566)**	**3,014**	**n.a.**	**6,900**	**14,680**	**112.8%**
Income from Mortgage Backed Securities (CRIs)	2,904	2,522	(13.2%)	5,349	4,977	(7.0%)
Income from Mortgage Notes (LCIs)	1,702	178	(89.5%)	3,498	1,047	(70.1%)
Income from FII shares	834	1,029	23.4%	2,030	2,117	4.3%
Gains on sale / MTM - CRI and other FII shares	(10,006)	(715)	(92.9%)	(3,977)	6,539	n.a.
Other financial assets	**337**	**1,192**	**253.7%**	**691**	**2,751**	**298.1%**
Income from fixed-income fund shares	494	1,494	202.4%	897	3,462	286.0%
Expenses from income tax on financial investments	(157)	(302)	92.4%	(206)	(711)	245.1%
Financial income	**(14,354)**	**370**	**n.a.**	**(11,554)**	**1,323**	**n.a.**

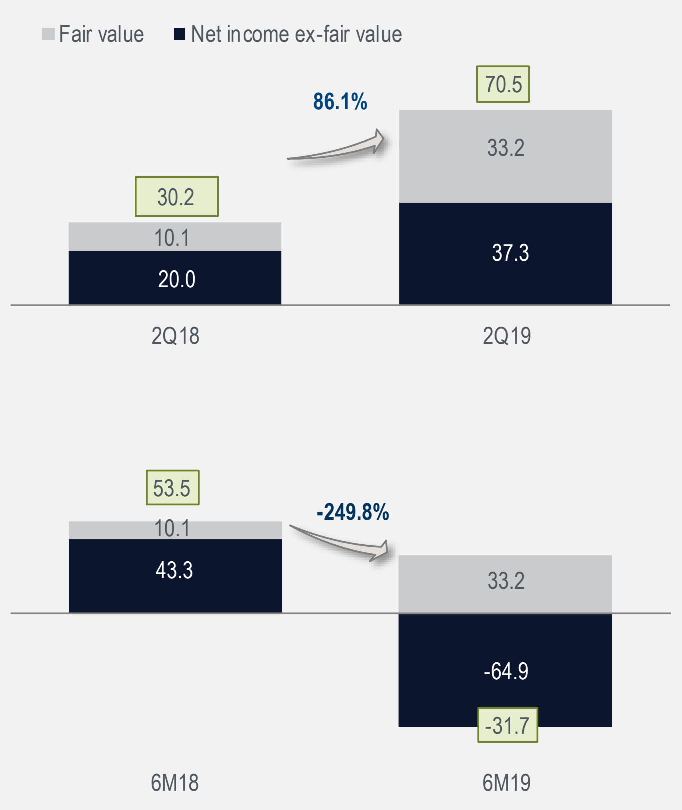
Interest and monetary restatement expenses related to funding and acquisitions totaled R$3.8 million in 2Q19, 62.1% lower than the same period in 2018, due to the pre-payment of Eldorado and BFC liabilities.

Financial revenues increased considerably in 2Q19 compared to the same period of 2018, as this quarter, unlike 2Q18, was not impacted by the reclassification of the realized result of mortgage-backed securities.

Net income

Net income in 2Q19 totaled R$70.5 million (R$3.67/share). Excluding the effect of the reappraisal of the portfolio's assets, net income was R$37.3 million (R$1.94/share), an increase of 86.1% compared to 2Q18.

Net Income (R$ million)



Net Income per Share (R$/share)

FFO and Adjusted FFO

The Fund's FFO totaled R$23.6 million in 2Q19, representing an increase of 14.2% versus 2Q18. FFO is not a measure recognized by accounting practices adopted in Brazil and its methodology may vary in comparison with other companies. In this quarter, the main item that influenced FFO, based on net income, was:

- Results from sale of asset.

The Fund's Management believes that the accounting effect of the monetary restatement of liabilities has no cash effect. Therefore, for the analysis of cash flow of operations, managers use adjusted FFO (FFO minus non-cash effects on liabilities). Non-cash financial expenses in 2Q19 were not relevant and adjusted FFO totaled R$23.6 million, or R$1.23/share, 14.2% higher than the same period of the previous year.

(in R$ '000, unless otherwise indicated)	2Q18	2Q19	Var.	6M18	6M19	Var.
Net income	**30,163**	**70,522**	**133.8%**	**53,472**	**(31,684)**	**n.a.**
(-) Adjustment at fair value	(10,127)	(33,237)	228.2%	(10,127)	(33,237)	228.2%
(-) Gains in the sale of properties	-	(8,980)	n.a.	-	105,698	n.a.
(-) Gains on sale / MTM - CRI and other FII shares	10,354	708	(93.2%)	4,185	(6,536)	n.a.
(+) Non-recurring expenses	(9,750)	(5,433)	(44.3%)	(7,655)	11,939	n.a.
(=) FFO	**20,640**	**23,580**	**14.2%**	**39,875**	**46,180**	**15.8%**
FFO / share (R$ / share)	**1.07**	**1.23**	**14.2%**	**2.07**	**2.40**	**15.8%**
(+) Non-cash financial expenses	-	-	n.a.	-	-	n.a.
(=) Adjusted FFO	**20,640**	**23,580**	**14.2%**	**39,875**	**46,180**	**15.8%**
Adjusted FFO / share (R$ / share)	**1.07**	**1.23**	**14.2%**	**2.07**	**2.40**	**15.8%**

Debt and Cash

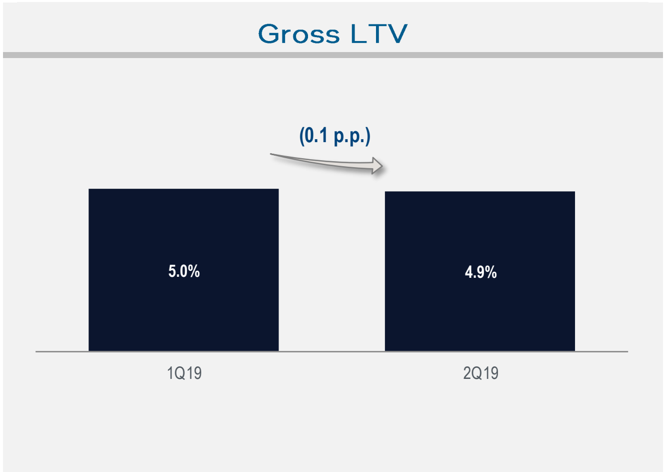
Liabilities from acquisition of properties and funding totaled R$120.0 million at the end of 2Q19, while cash and cash equivalents totaled R$324.1 million.

(in R$ '000)	Cost	Orig.	Maturity	1Q19	2Q19
Liabilities from acquisition of properties				**120,000**	**120,000**
Cidade Jardim	IPCA + 6,55% p.a.	6 years	Jul/2023	120,000	120,000
Liabilities from funding				-	-
Gross Debt				**120,000**	**120,000**
(-) Cash and Financial investments				(249,214)	(247,218)
(-) Shares of Other FIIs (Market)				(77,618)	(76,905)
Net Debt				**(206,832)**	**(204,123)**

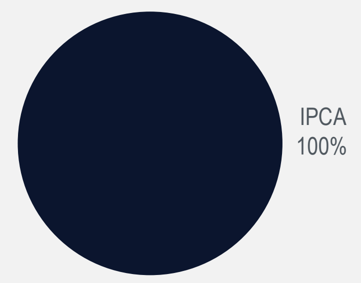
Leverage remained at a comfortable level in June 2019, with gross LTV of 4.9% and net LTV of -8.3% (the Fund should maintain net LTV below 30.0%).

All the Fund's liabilities are adjusted by fixed rates tied to the IPCA index.

Upon conclusion of the asset purchase and sale transaction with Brookfield, the fund pre-paid its BFC and EBT liabilities. The Fund also hired a new debt instrument for the acquisition of Ed. Cidade Jardim, with principal payment only upon maturity, in July 2023.



Adjustment index



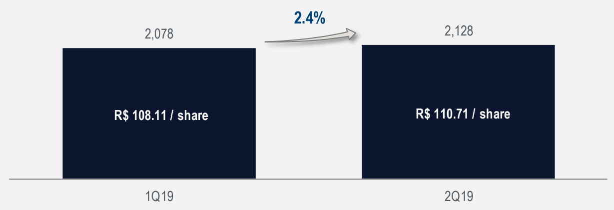
Amortization schedule (R$ million)

Shareholders' equity

In 2Q19, shareholders' equity totaled R$2.1 billion, an increase of 2.4% over the previous quarter.

Book value per share went from R$108.11/share in March 2019 to R$110.71/share at the end of June 2019, due to the reappraisal of the portfolio's assets in May.

Evolution of shareholders' equity (R$ million)

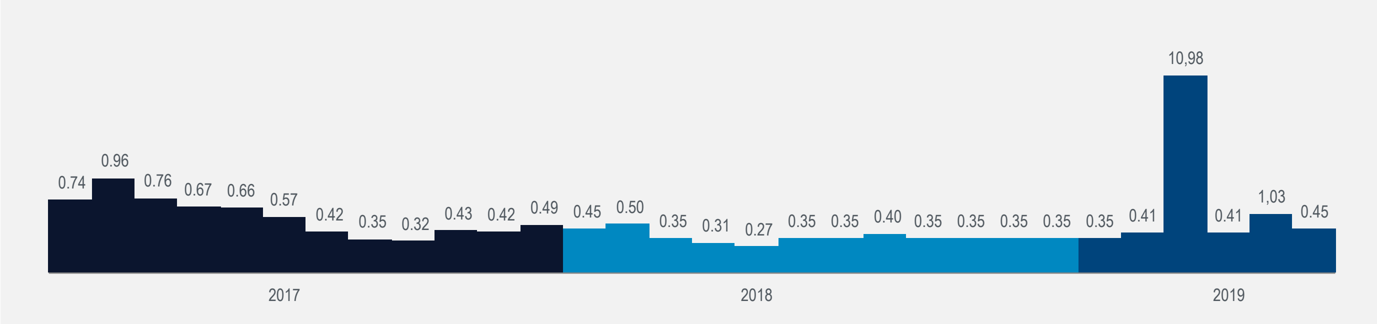


Payout

In 2Q19, the average amount distributed per share was R$0.63/share/month, representing a payout ratio of R$1.89/share during the quarter. The total amount distributed in 2Q19 was R$36.3 million. It should also be mentioned that the Fund made an extraordinary distribution of income to shareholders of approximately **R$0.60/share** (R$11.5 million) related to capital gains obtained from the sale of the space leased to a Santander branch at the BFC building.

It is also worth noting that, in May 2016, the Fund distributed earnings and amortized shares in the total amount of R$400 million. After this payout, the Fund, pursuant to its regulations, began to pay out at least 95% of its earnings calculated on a cash basis. In order to mitigate the volatility inherent to this regime, which may suffer significant impacts from late payments, fines and non-recurring expenses, vis-a-vis the distribution previously conducted by the Fund corresponding to R$1.01/share, we are distributing monthly income based on the weighted moving average of the Fund's Adjusted FFO for the six-month period and adjusting the cash effect in the last month of the current six-month period.

Monthly payout and amortization evolution (R$/share/month)

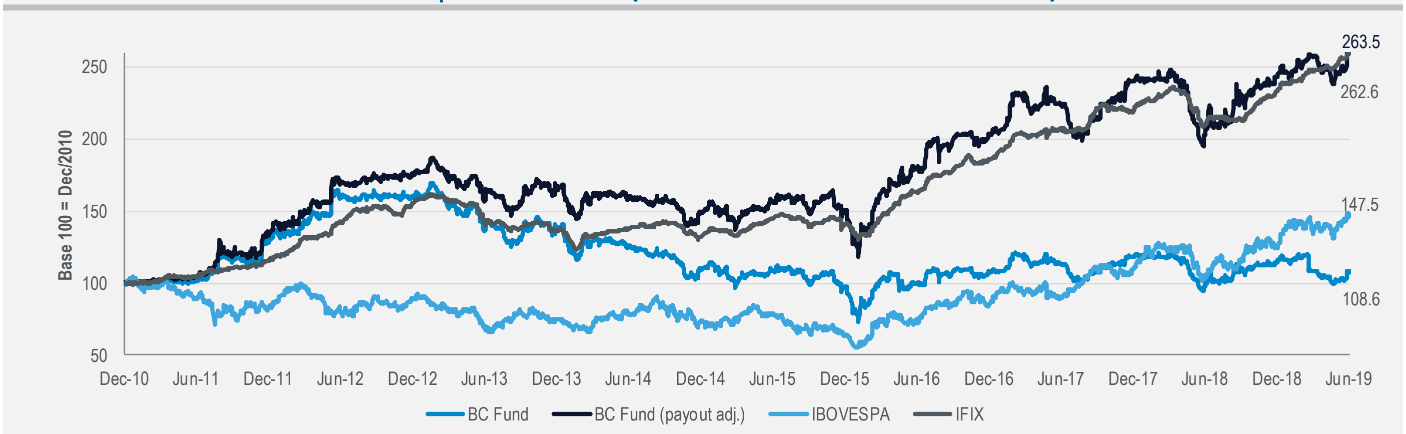


Capital Markets

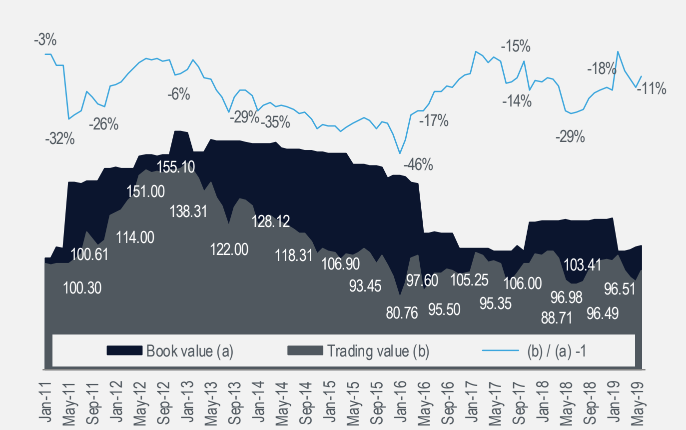
In the last 12 and 24 months (base of June/2019), the profitability of BC Fund's shares (BRCR11), considering distributed earnings and share value, was 27.5% and 17.4%, respectively. In the same periods, the Ibovespa recorded variations of 38.8% and 60.5%, respectively.

In the quarter, share profitability was 2.1%, while Ibovespa and IFIX registered variations of 5.8%.

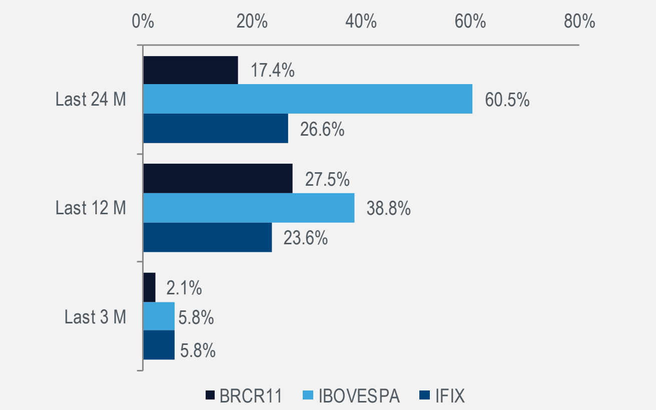
Share performance (Base 100 – December/2010)



Book value vs. Market value



Returns in the last 3, 12 and 24 months (Jun/19)



The share's closing price of R$96.51 on June 28, 2019 represented:

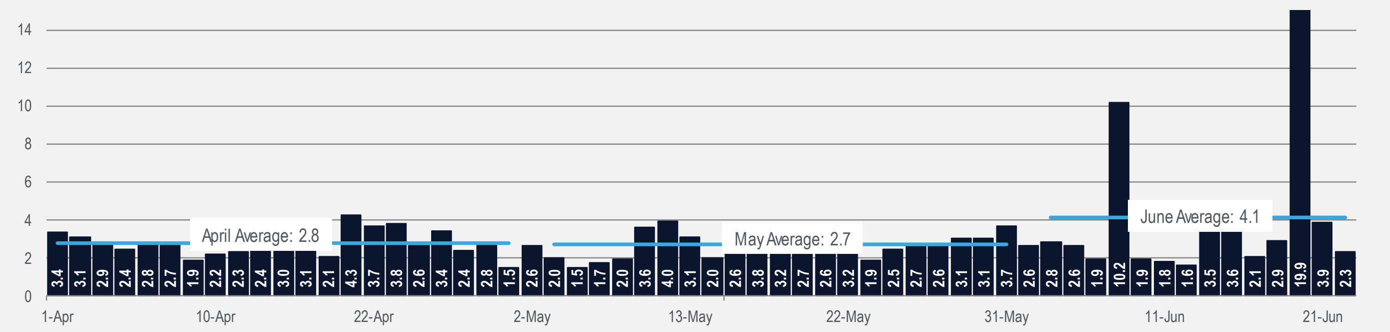
- A 12.8% discount over the book value per share.
- Distribution of annualized earnings of 5.7% p.a.
- Implied portfolio cap rate of 8.2% (considering the contracted revenue in June 2019). Considering potential revenue from vacant areas, the implied cap rate is 9.2%.
- Average GLA of R$9,670/m².

Valuation at market prices

		Jun-19	Jun-18
NAV / share	[R$ / share]	110.71	125.21
Share price	[R$ / share]	96.51	88.71
Discount to NAV	[%]	*(12.8%)*	*(29.1%)*
Montlhy payout	[R$ / share]	0.45	0.35
Montlhy profitability	[% p.m.]	0.47%	0.39%
Annual profitability (linear)	**[% p.a.]**	**5.6%**	**4.7%**
Annualized profitability	**[% p.a.]**	**5.7%**	**4.8%**
Shares outstanding	[#]	19,224,537	19,224,537
Market cap	[R$ mn]	1,855.4	1,705.4
Net debt (Cash)	[R$ mn]	(204.1)	84.2
Monirities stake	[R$ mn]	59.6	64.0
Enterprise Value	**[R$ mn]**	**1,710.8**	**1,853.6**
Contracted lease	[R$ mn]	11.7	13.8
Implied Cap rate	**[%]**	**8.2%**	**8.9%**
Cap rate with vacant areas	**[%]**	**9.2%**	**13.0%**
Portfolio GLA	[m2]	176,916	229,426
Average per m2	**[R$ / m2]**	**9,670**	**8,079**

In the second quarter of 2019, BRCR11's average daily traded volume was R$3.2 million.

Average daily trading value on B3 (R$ million)



Consolidated Financial Statements

Consolidated Income Statement

(R$ '000)	2Q18	2Q19	Var.	6M18	6M19	Var.
Investment properties	**55,010**	**87,384**	**58.9%**	**91,709**	**1,433,678**	**1463.3%**
Rental income	44,195	33,113	(25.1%)	83,036	50,585	(39.1%)
(-) Provision for impairment of trade receivables	879	852	(3.1%)	(1,419)	1,518	n.a.
Income from fines and interest received	751	17	(97.7%)	925	68	(92.6%)
Revenue from the sale of investment property	-	20,526	n.a.	-	1,349,036	n.a.
Discounts granted	(942)	(361)	(61.7%)	(960)	(766)	(20.2%)
Adjustment to fair value	10,127	33,237	228.2%	10,127	33,237	228.2%
Cost of Investment properties	**-**	**(11,546)**	**n.a.**	**-**	**(1,454,734)**	**n.a.**
Cost of sold investment properties	-	(8,952)	n.a.	-	(980,574)	n.a.
Reversal of adjustment at fair value of sold investment properties	-	(2,594)	n.a.	-	(474,160)	n.a.
Interest and inflation indexation on liabilities	**(10,125)**	**(3,836)**	**(62.1%)**	**(19,145)**	**(16,108)**	**(15.9%)**
Interest on liabilities from acquisition of properties	(10,125)	(3,836)	(62.1%)	(19,145)	(16,108)	(15.9%)
Expenses over Properties	**(5,064)**	**(3,701)**	**(26.9%)**	**(10,752)**	**(7,404)**	**(31.1%)**
Comissions	(450)	(371)	(17.6%)	(1,354)	(493)	(63.6%)
Administration fee - property	101	(83)	n.a.	(123)	(103)	(16.3%)
Condominium expenses	(4,594)	(3,047)	(33.7%)	(8,760)	(6,379)	(27.2%)
Maintenance	(121)	(200)	65.3%	(515)	(429)	(16.7%)
Profit from investment properties	**39,821**	**68,301**	**71.5%**	**61,812**	**(44,568)**	**n.a.**
Income from Mortgage Backed Securities (CRIs)	2,904	2,522	n.a.	5,349	4,977	(7.0%)
Income from Mortgage Notes (LCI)	1,702	178	(89.5%)	3,498	1,047	(70.1%)
Income from FII shares	834	1,029	23.4%	2,030	2,117	4.3%
Adjustment to market value of other FII shares	(10,006)	(715)	(92.9%)	(3,977)	6,539	n.a.
Adjustment to fair value (CRI)	(348)	7	n.a.	-	(3)	n.a.
Profit from real-estate financial assets	**(4,914)**	**3,021**	**n.a.**	**6,692**	**14,677**	**119.3%**
Profit from real-estate activities	**34,907**	**71,322**	**104.3%**	**68,504**	**(29,891)**	**n.a.**
Income from fixed-income fund shares	494	1,494	202.4%	897	3,462	286.0%
Expenses from income tax on financial investments	(157)	(302)	92.4%	(206)	(711)	245.1%
Other financial assets	**337**	**1,192**	**253.7%**	**691**	**2,751**	**298.1%**
Management expenses	(5,486)	(5,678)	3.5%	(11,442)	(11,106)	(2.9%)
Administration fee - Fund	(1,216)	(1,154)	(5.1%)	(2,525)	(3,001)	18.9%
Property tax expenses	(1,790)	(624)	(65.1%)	(3,687)	(1,584)	(57.0%)
Other operating expenses	486	4,410	807.4%	(426)	10,352	n.a.
Operating income (expenses)	**(8,006)**	**(3,046)**	**(62.0%)**	**(18,080)**	**(5,339)**	**(70.5%)**
Profit for the period (before minorities)	**27,238**	**69,468**	**155.0%**	**51,115**	**(32,479)**	**n.a.**
Minorities' stake	2,925	1,054	(64.0%)	2,357	795	(66.3%)
Net income	**30,163**	**70,522**	**133.8%**	**53,472**	**(31,684)**	**n.a.**
Number of shares	19,224,537	19,224,537	0.0%	19,224,537	19,224,537	0.0%
Earnings per share - R$	1.57	3.67	133.8%	2.78	(1.65)	n.a.

Consolidated Balance Sheet

ASSETS (R$ '000)	1Q19	% over Total Assets	2Q19	% over Total Assets	Var.
Current assets	**486,719**	**19.6%**	**490,104**	**19.6%**	**0.7%**
Financial investments	248,092	10.0%	240,054	9.6%	(3.2%)
Rentals receivables	22,353	0.9%	29,408	1.2%	31.6%
Other assets	9,897	0.4%	10,582	0.4%	6.9%
Receivable on sale of real estate	206,377	8.3%	210,060	8.4%	1.8%
Non-current assets	**77,618**	**3.1%**	**76,905**	**3.1%**	**(0.9%)**
Financial investments	77,618	3.1%	76,905	3.1%	(0.9%)
Investment properties	**1,915,920**	**77.2%**	**1,938,329**	**77.4%**	**1.2%**
Buildings	1,915,920	77.2%	1,938,329	77.4%	1.2%
TOTAL ASSETS	**2,480,257**	**100.0%**	**2,505,338**	**100.0%**	**1.0%**

LIABILITIES AND EQUITY (R$ '000)	1Q19	% over liabilities and	2Q19	% over liabilities and	Var.
Current liabilities	**324,498**	**13.1%**	**193,445**	**7.7%**	**(40.4%)**
Income to be distributed	30,686	1.2%	15,436	0.6%	(49.7%)
Taxes and contributions payable	131	0.0%	3	0.0%	(97.7%)
Provisions and trade payable	20,498	0.8%	17,584	0.7%	(14.2%)
Liabilities from acquisition of properties	273,183	11.0%	160,422	6.4%	(41.3%)
Non-current liabilities	**16,683**	**0.7%**	**123,905**	**4.9%**	**642.7%**
Provisions and trade payable	7,908	0.3%	7,908	0.3%	0.0%
Liabilities from funds in guarantee	8,775	0.4%	3,418	0.1%	(61.0%)
Liabilities from acquisition of properties	-	0.0%	112,579	4.5%	n.a.
TOTAL LIABILITIES	**341,181**	**13.8%**	**317,350**	**12.7%**	**(7.0%)**
Equity	**2,078,328**	**83.8%**	**2,128,396**	**85.0%**	**2.4%**
Paid-up shares	1,659,669	66.9%	1,659,669	66.2%	0.0%
Shares placement expenses	(38,806)	(1.6%)	(38,806)	(1.5%)	0.0%
Reserve for contingencies	18,915	0.8%	22,632	0.9%	19.7%
Carrying value adjustment to fair value	374,750	15.1%	448,480	17.9%	19.7%
Accumulated profit	63,800	2.6%	36,421	1.5%	(42.9%)
Minority Stake	**60,748**	**2.4%**	**59,592**	**2.4%**	**(1.9%)**
TOTAL LIABILITIES AND EQUITY	**2,480,257**	**100.0%**	**2,505,338**	**100.0%**	**1.0%**

Consolidated Cash Flow

(R$ '000)	6M18	6M19	Var %
Receipt of net rental revenues	37,387	39,416	5.4%
Receipt of other operating income	37	444	1100.0%
Receipt of fines and interest	431	51	(88.2%)
Payment of commissions	(1,000)	(439)	(56.1%)
Payment/Reimbursement of IPTU	921	2,642	186.9%
Payments of management fee	(10,957)	(10,454)	(4.6%)
Payment of legal advice	(162)	(1,059)	553.7%
Payments of administration expenses - Fund	(1,852)	(2,315)	25.0%
Payments of administration expenses - Property	(201)	(109)	(45.8%)
Payment of condominium expenses	(1,393)	(1,022)	(26.6%)
Payment of maintenance and repair expenses	(550)	(462)	(16.0%)
Payment of tax expenses (IR on financial revenues)	(41)	(444)	982.9%
General payments	(744)	728	n.a.
Cash flows from operating activities	**21,498**	**26,977**	**25.5%**
Application for fund units fixed income and debenture	6,650	(50,221)	n.a.
Amortization of unconsolidated controlled entity	(7,944)	282,303	n.a.
Acquisition of rental properties (improvements and registration costs)	-	(259,827)	n.a.
Sale of rental properties	-	537,200	n.a.
Advance money for real estate purchase	-	(132)	n.a.
Redemption of LCI	11,792	92,653	685.7%
Acquisition of CRI	-	701	n.a.
Acquisition of unconsolidated controlled entity	-	(253,920)	n.a.
Acquisition/Sale of FII shares	5,963	-	n.a.
Receipt of income from real estate funds invested	1,730	1,973	14.0%
Income from unconsolidated controlled entity	18,667	77,983	317.8%
Property improvements	(89)	(87)	(2.2%)
Amortization of mortgage backed securities	5,160	5,026	(2.6%)
Cash flows from investing activities	**41,929**	**433,652**	**934.3%**
Payment of interest and monetary restatement over term acquisition	(9,440)	(9,349)	(1.0%)
Payment of principal for liabilities from acquisition of properties	(11,218)	(189,140)	1586.0%
Profits distributed	(42,647)	(262,013)	514.4%
Income Tax Withheld at Source (IRRF) paid	(1)	(1)	0.0%
Net cash used in financing activities	**(63,306)**	**(460,503)**	**627.4%**
Changes in cash and cash equivalents	**121**	**126**	

Annex A – Asset Portfolio

Eldorado
São Paulo - SP
Area: 22,246 m²

BFC
São Paulo - SP
Area: 10,657 m²

Senado
Rio de Janeiro - RJ
Area: 19,262 m²

Cidade Jardim
São Paulo - SP
Area: 7,458 m²

Cenesp
São Paulo - SP
Area: 64,480 m²

Volkswagen
São Paulo - SP
Area: 12,560 m²

Burity
São Paulo - SP
Area: 10,550 m²

Transatlântico
São Paulo - SP
Area: 4,208 m²

Montreal
Rio de Janeiro - RJ
Area: 6,439 m²

MV9
Rio de Janeiro - RJ
Area: 15,174 m²

CEO Office
Rio de Janeiro - RJ
Area: 4,782 m²

Urbanity[1]
São Paulo - SP
Area: 29.248 m²

1. Acquire option – 4Q21

Annex B – About BC Office Fund

BC Office Fund (Fund) is Brazil's largest corporate office real estate investment fund. Its shares have been traded on the organized market of B3 since its December 2010 IPO, under the ticker BRCR11. The Fund was created in June 2007 and since then it has excelled for actively managing a portfolio with the purpose of investing in commercial income properties strategically located in the most important cities in Brazil. The target investment assets include commercial properties or real estate rights in completed properties or those in the final stages of construction.

The BC Fund's current portfolio comprises 11 high-quality Grade AAA and A-class office buildings located in São Paulo and Rio de Janeiro, leased to a variety of renowned national and multinational companies such as WeWork, Volkswagen, LinkedIn, Petrobras, among others. BC Fund's investments seek to acquire a controlling interest in the projects in its portfolio, allowing it to actively manage said properties in order to make them more attractive to occupancy of current and future tenants, as well as ensure they are updated and modern. In addition, BC Fund has investments in other assets, such as shares of other Real Estate Investment Funds (FII), Mortgage Notes (LCI) and Mortgage-Backed Securities (CRI), whose earnings are tax-exempt.

BC Fund's active management policy is based on four pillars: (i) the efficient renegotiation of lease agreements to market value in the minimum intervals permitted by law; (ii) investments in property expansions, improvements and retrofits in order to obtain higher leasing revenue and lower vacancy rates; (iii) the efficient recycling of the portfolio in order to increase revenue and generate capital gains; and (iv) positive leverage in the acquisition of new properties and/or shares of other real estate investment funds, ensuring greater flexibility in regard to managing cash reserves and maximizing shareholder returns.

FIIs are structured investment vehicles whose primary purpose is to invest in the real estate sector in order to foment and develop the sector. One of the main advantages of investing in an FII is 100% exemption from revenue and income taxes on real-estate-backed assets, ensuring potentially higher revenue than companies operating in the same sector, which are generally subject to revenue tax of 9.25% and a real income tax rate of 34%. FII payouts to individual investors are also tax exempt, provided certain legal requirements are met.

Other advantages of investing in FII shares rather than in companies operating in the real estate sector or directly investing in properties include: (i) savings from the non-payment of taxes, labor charges and/or executive bonus payments, since FIIs are prohibited from directly hiring employees; (ii) more predictable and constant cash flows since FII revenues are mainly derived from the leasing of their properties; (iii) the predictability of and the ability to pay expenses with service providers, whose compensation is normally established as a percentage of the FII's financial performance; (iv) protected assets, in the sense that the Funds are prohibited from using their portfolio properties as collateral or acting as a co-obligor in any transaction; (v) potentially higher liquidity on stock exchange transactions and a substantially lower and widespread investment through the acquisition of shares; and (vi) greater transparency in addition to a simple information collection process.

The Fund's monthly payout policy reflects management's strategic decisions, based on the macroeconomic scenario in Brazil and the prospects for the real estate sector. In 2016, when the market signaled falling interest rates, the Fund reduced its cash through capital amortization and changed its monthly distribution policy, previously based on fixed earnings. BC Fund currently pays earnings based on the legal minimum limit, currently at 95% of its six-month result, calculated on a cash basis, in accordance with the Fund's regulations and legislation in force.

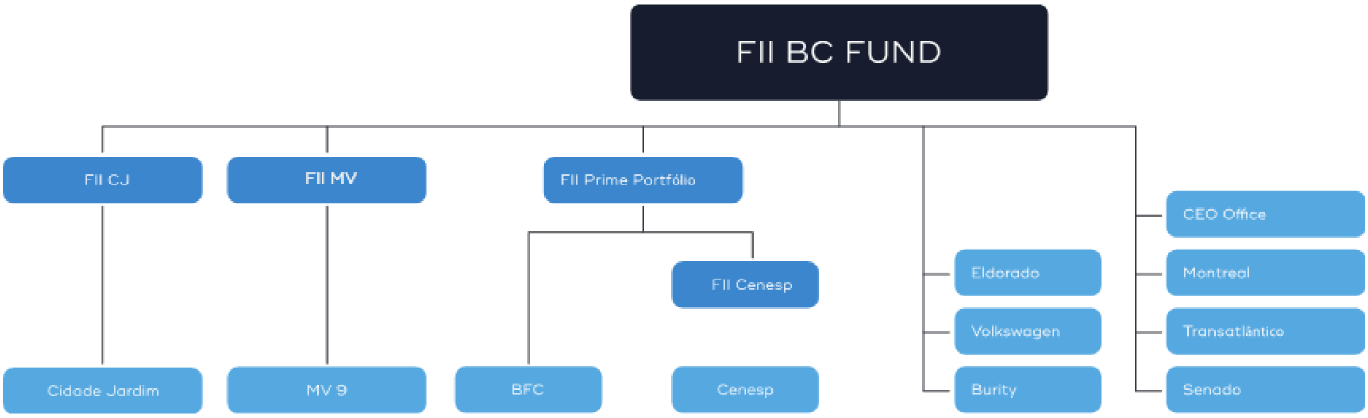
Although FIIs are prohibited from taking on debt, they can still leverage their assets by buying real estate in installments or assigning future credit receivables. The guarantees offered in these transactions are not binding in relation to the shareholders nor do they result in the creation of any obligation against the Fund, which is not jointly liable for the solvency of the assigned credits.

BC Fund selects its acquisitions based on the constant monitoring of the corporate office real estate market mainly in Rio de Janeiro and São Paulo, rigorous due diligence of the properties and the ability of the fund administrator and manager (both controlled by Banco BTG Pactual) to prospect and recommend the best investment opportunities. Frequent investments in the mapping of commercial office space supply and demand allow the Fund to identify real estate acquisition opportunities with substantial appreciation potential. BC Fund's portfolio turnover demonstrates that even in periods of economic uncertainty in the real estate market, as in 2009 and 2010, BC

Fund was able to identify and take advantage of good investments, and, as in 2015 and 2016, periods with a lower volume of real estate transactions, the Fund made divestments with significant capital gains to its shareholders. In 2018, with the resumption of the real estate market, the Fund also made divestitures and positive acquisitions for its portfolio.

BC Fund stands out in the FII market for its pioneering and innovative characteristics, always maintaining a close relationship with investors and mitigating asymmetries. Among the measures taken in this regard, the most important are the Fundamentals Spreadsheet, updated and made available to the market on its website on a monthly basis, and the creation of the Monitoring Committee, composed of a group of shareholders aligned for the benefit of the Fund and its close relationship with investors, who meet periodically to discuss paths and strategies for the Fund's portfolio.

BC Fund's Organizational Structure



Annex C – Glossary

GLA – Gross Leasable Area: Corresponds to the area effectively leased and, therefore, generating revenue. It is used as a basis for calculating the metrics related to the portfolio area.

BOMA Area: The main method for measuring area adopted for the sale of space in corporate office buildings. It allows a better comparison between properties' areas, taking into account space that is for the exclusive use of the standalone units as well as that which provides general support for the condominium.

Cap rate: Corresponds to the monthly revenue from a property on an annualized basis (12 months) divided by the value of the property.

CDB: Certificado de Depósito Bancário (Certificate of Deposit).

CRI: Certificado de Recebíveis Imobiliários (Mortgage-Backed Securities).

FFO – Funds from Operations: A non-accounting measure corresponding to net income, minus (plus) the effects of gains (losses) from the sale of investment properties, gains from the fair value of investment properties, and nonrecurring revenues and expenses. FFO is calculated by the Fund's administrators and has no standard definition, so the BC Office Fund's definition may not correspond to those of other funds or companies in the same industry.

Adjusted FFO: Corresponds to FFO plus non-cash financial expenses from the monetary restatement of debt.

LCI: Letra de Crédito Imobiliário (Mortgage Notes).

Leasing Spread: The real increase (above inflation) of the lease amount at the close of the period over the lease amount for the same area at the beginning of the period due to contract reviews or new leases.

LTV – Loan to Value (gross): Gross debt over total assets minus minority interests.

LTV – Loan to Value (net): Gross debt minus cash and cash equivalents over total assets minus cash and cash equivalents.

IGP-M: Índice Geral de Preços de Mercado: General Market Price Index, calculated and published by Fundação Getulio Vargas on a monthly basis.

IPCA – Índice Nacional de Preços ao Consumidor Amplo: Broad Consumer Price Index, announced by the IBGE (Brazilian Institute of Geography and Statistics) on a monthly basis.

IPO – Initial Public Offering: The Fund's IPO took place in December 2010.

Market Cap: Corresponds to the Fund's value in the secondary market, equivalent to the number of shares multiplied by the closing price of the share on the last business day of the corresponding period.

Contracted Leasing Revenue: A non-accounting indicator corresponding to the total amount of lease agreements in force in the reference month, excluding discounts, grace periods, fines and other adjustments impacting the book value of leasing revenue.

Same-Tenant Rent – STR: A non-accounting measure that corresponds to the total amount of lease agreements in force in the reference month in a given area that was already leased by the same tenant at the end of the same period the year before or at the end of the previous quarter, excluding discounts, grace periods, fines and other adjustments that affect the accounting leasing revenue.

Financial Vacancy: The estimated percentage representing the potential monthly leasing revenue from vacant areas over the portfolio's total monthly leasing revenue plus the potential monthly leasing revenue from vacant areas.

Book Value of the Share: Corresponds to the book value of the Fund's equity divided by the number of outstanding shares.