

PPLA Participations – PPLA11

Earnings Release

First Quarter 2018

May 15, 2018

Performance PPLA Participations

Rio de Janeiro, Brazil, May 15, 2018 - PPLA Participations Ltd. (PPLA Participations), reported losses of R\$104.1 million and a total comprehensive loss of R\$102.5 million for the quarter ended March 31, 2018 (1Q 2018).

Financial position and results from PPLA Participations consist mostly of its proportional share in PPLA Investments' equity, equivalent to 28.0% as of March 31, 2018.

PPLA investments, in turn, posted losses, mainly related to Merchant Banking portfolio, in special, negative fair value adjustment in BR Pharma and DSB (Bravante) debt instruments, and from interest expenses recognized on PPLA Investments' financial liabilities.

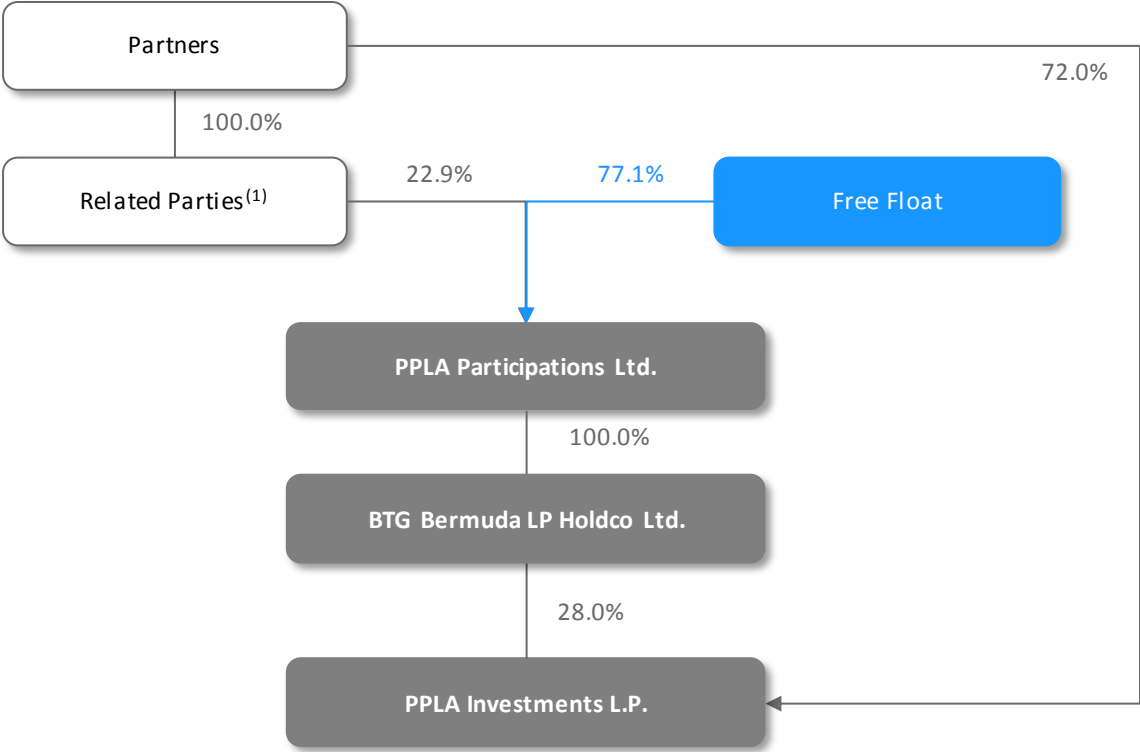
These losses were partially offset by the positive fair value adjustment in our investment fund FIP Principal, related to our investments in UOL, after Pagseguro's IPO. These investments are in other comprehensive income of PPLA Investments, thereby, only impacts the revenues of PPLA Participations.

As of March 31, 2018 the total theoretical number of units of PPLA11¹ was 100.5 million units, and its book value per unit would be R\$2.10, considering PPLA Investments net equity of R\$211.4 million.

(1) Assuming that the entire interest in PPLA Investments LP is converted into PPLA Participations Ltd. shares. Theoretical number of shares based on the economic interest in PPLA Investments LP units acquired by investment vehicles owned by certain partners individually or collectively and vehicles under common control of the *Partnership*.

Shareholding Structure

PPLA Participations owns through its wholly-owned subsidiary BTG Bermuda LP Holdco Ltd. a stake corresponding to 28.0% of PPLA Investments’ capital. PPLA Investments’ equity is held indirectly by PPLA Participations and it is considered an investment entity. As a result, its assets and liabilities are measured at fair value in accordance with IFRS 10 - Consolidated Financial Statements.



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

Financial Information

The financial information presented in the tables below consists of the financial position and results of operations from PPLA Investments as we believe they are more meaningful than those from PPLA Participations in order to understand the results of PPLA Participations.

Income Statement (unaudited) <i>(in R\$ million, unless otherwise stated)</i>	PPLA Investments	
	4Q 2017	1Q 2018
Financial income	(395)	(696)
Financial expenses	(68)	(68)
Gross financial income	(463)	(764)
Other operating income (expenses)	1	6
Operating income	(461)	(757)
Non-operating income/(expenses)	-	-
Income before taxes and profit sharing	(461)	(757)
Income and social contribution taxes	-	-
Statutory profit sharing	-	-
Non-controlling interest	-	-
Net income	(461)	(757)

Note: As PPLA Investments 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. The income statement disclosed above is pro forma, excluding conversion impacts between lines.

In 1Q 2018 PPLA Investments had a negative gross financial income of R\$764 million, related mainly to the adjustment at fair value of BR Pharma and DSB (Bravante) investments. The result was also impacted by the financial expense of R\$68 million related mostly to PPLA Investments' financial liabilities

As PPLA Investments is an investment entity it does not have significant operating expenses and administrative costs. As a result of the foregoing, net income was negative in R\$757 million in line with operating income.

	PPLA Participations (28.02%)	PPLA Investments
Net Income - PPLA Investments	(212.2)	(757.4)
OCI - PPLA Investments	94.0	335.3
(-) FX Reval Adjustments - PPLA Investments	(0.2)	(0.5)
Total (A)	(118.4)	(422.6)
Fair Value PPLA I Debt (B)	14.3	-
Total losses (A+B)	(104.1)	(422.6)
OCI PPLA Participations (C)	1.6	5.1
Total comprehensive losses (A+B+C)	(102.5)	(417.5)

Main Assets

The table presents a summary of PPLA Investments' assets. The balance sheet below is pro-forma and it considers certain adjustments, such as intercompany eliminations.

Unaudited pro-forma balance sheet (in R\$ million)					
	4Q 2017	1Q 2018		4Q 2017	1Q 2018
Assets	4,653.1	4,089.0	Liabilities + Equity	4,653.1	4,089.0
Cash & Equivalents	564.2	130.7	Financial Liabilities	4,004.6	3,865.3
Investment Entity Portfolio	2,174.9	1,614.1	- Financial Institutions ⁽¹⁾	2,281.8	2,204.2
Merchant Banking	1,585.8	1,057.8	- Medium Term Notes	1,722.7	1,661.1
- Lojas Leader	586.6	624.2			
- BR Pharma	315.4	38.3			
- DSB	273.9	(0.0)			
- B&A	84.2	84.2	Other Liabilities	19.7	12.3
- Fazendas Timber	124.7	124.7			
- BR Pec	79.5	67.5			
- Other Assets	121.6	119.0			
BTG Pactual Bonds ⁽²⁾	568.7	531.3			
Global Markets ⁽²⁾	20.3	25.0			
Invest at Fair Value - OCI	255.4	605.0			
Loans and Receivables	1,599.2	1,701.1			
- Partners	1,523.5	1,689.1			
- Other	75.7	11.9			
Other Assets ⁽¹⁾	59.5	38.1	Shareholders Equity	628.8	211.4

(1) Excludes Intercompany Transactions (2) BTG Pactual Bonds in "Global Markets" strategies are being disclosed in "BTG Pactual Bonds" line.

- (i) **Cash & Equivalents** ended the quarter in R\$130.7 million compared to R\$564.2 million on the previous quarter. The decrease was mostly due to disbursements in loan to partners, the amortization of debt with financial institutions and the buyback of medium term notes.
- (ii) **Investment Entity Portfolio.**
- Corporate loan of R\$624.2 million to União de **Lojas Leader**, a retail company undergoing operational turn-around. The credit recovery will depend on business capacity to implement such turn-around. The total exposure increased during 1Q 2018 due to new loan disbursements.
 - Corporate loans and marketable securities in **BR Pharma**, a pharmaceutical retail company undergoing operational turn-around. During 1Q 2018 BR Pharma decided to suspend the operational activities of 270 stores, components of drugstore chains "Santana and Big Ben", adding to that, the company entered into a judicial

recovery plan and therefore the credit performance will depend on business capacity to implement such turn-around and successfully overcome the judicial recovery. The decrease in exposure is mostly due to the fair value adjustment of 1Q 2018 in this context of BR Pharma's significantly worsening operational profile, and therefore, the capacity to pay own liabilities. The current exposure is equivalent to a corporate loan of R\$38.3 million recorded at fair value.

- c. Corporate loan 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. The total exposure decreased during 1Q 2018 due to a fair value adjustment made in light of a reduced transported volume, relevant commercial contracts lost and company high indebtedness.
 - d. **B&A** is a mining company to develop and explore opportunities in this sector. The R\$84.2 million exposure is related to a debt instrument. The total exposure comprises the recovery value of the investment at fair value.
 - e. **Fazendas Timber** consists of land properties, dedicated to management and commercial activities inherent to the eucalyptus and pine plantation. The total exposure remained stable during 1Q 2018.
 - f. Equity investment of R\$67.5 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. PPLA Investments owns 100% of the asset. The 15.0% decrease in asset value from 4Q 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 different sectors.
- (iii) **BTG Pactual Bonds** consists of perpetual bonds issued by Banco BTG Pactual S.A. The decrease in total exposure was due to coupon payment and, in a minor degree, to negative mark to market. The bonds at the end of 1Q 2018 were trading at 101.0% of par value, compared to 102.0% in 4Q 2017.
- (iv) PPLA Investments also carries other private equity assets, under **Invest at Fair Value – OCI**, which are mainly held via investment funds, such as UOL, CCRR and Estre, among other investments. The increase in exposure is mostly due to fair value adjustments of R\$350.5 million in UOL, as result of PagSeguro's IPO on NYSE (New York Stock Exchange) on January 24, 2018. The company's performance and growth attracted high demand and enabled the stock to be priced at a valuation above the PPLA's previous fair market value, generating significant gains.
- (v) **Loans and Receivables** exposure consists of R\$1,689.1 million of loan related to the partnership and R\$11.9 million of other loans.
- (vi) **Financial Liabilities**
- a. Liabilities to Financial Institutions consist in several long term loans, most of them with Brazilian financial institutions. The outstanding amount reduced from R\$2,281.8 to R\$2,204.2 in 1Q 2018 due to down payments performed this quarter.
 - b. Medium Term Notes: PPLA Investments has issued notes to finance its operations over the last 4 years. The total amount decreased 3.6% from the last quarter due to buybacks performed this quarter.

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.