

PPLA Participations – PPLA11

Earnings Release

Second Quarter 2018

August 14, 2018

Performance PPLA Participations

Rio de Janeiro, Brazil, August 14, 2018 - PPLA Participations Ltd. (PPLA Participations), reported losses of R\$31.8 million and a total comprehensive loss of R\$25.7 million for the quarter ended June 30, 2018 (2Q 2018).

Financial position and results from PPLA Participations consist mostly of its proportional share in PPLA Investments' equity, equivalent to 28.02% as of June 30, 2018.

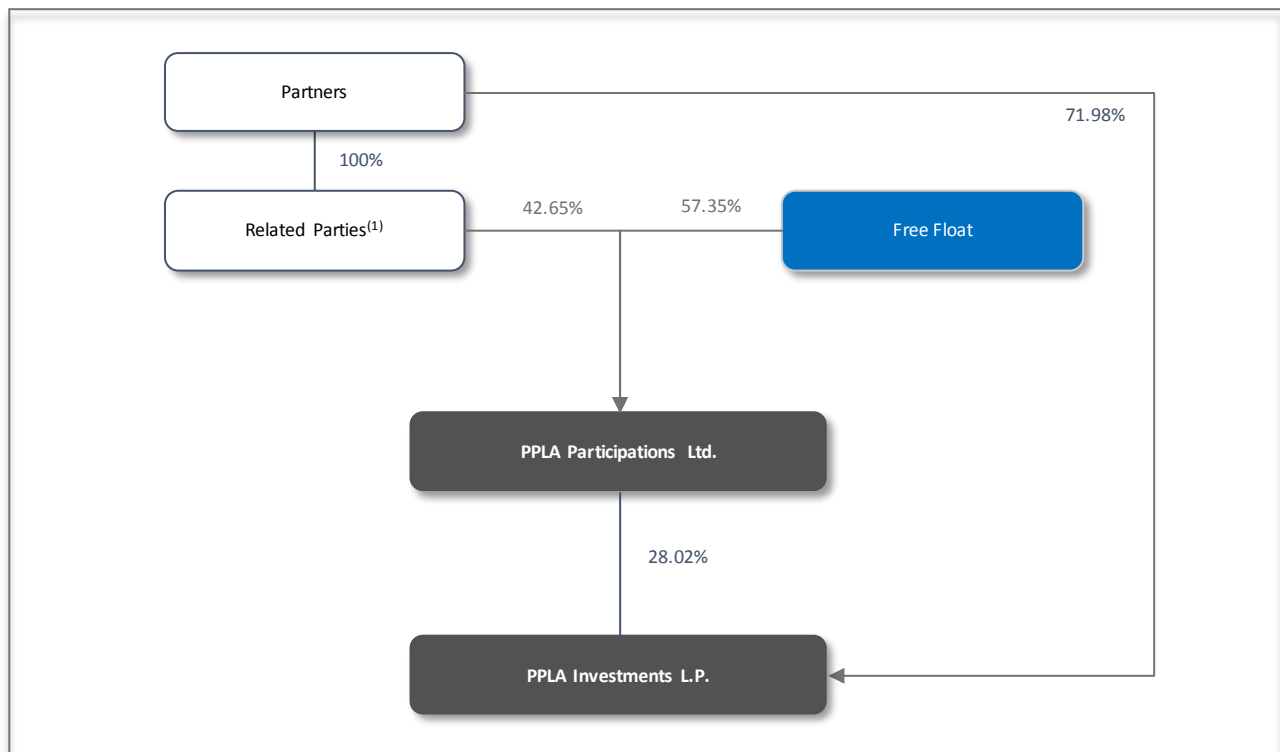
PPLA investments, in turn, posted comprehensive losses of R\$93.8, mainly from interest expenses recognized on PPLA Investments' financial liabilities.

As of June 30, 2018, the total theoretical number of units of PPLA11¹ was 100.5 million units, and its book value per unit would be R\$1.17, considering PPLA Investments net equity of R\$117.5 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 28.02% of PPLA Investments’ capital. PPLA Participations indirectly holds equity interest in PPLA Investments and accounts for its as investment entity in accordance with IFRS 10 - Consolidated Financial Statements where assets and liabilities are measured at fair value.



(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	
	1Q 2018	2Q 2018
Financial income	(696)	(6)
Financial expenses	(68)	(70)
Gross financial income	(764)	(76)
Other operating income (expenses)	6	(7)
Operating income	(757)	(82)
Non-operating income/(expenses)	-	-
Income before taxes and profit sharing	(757)	(82)
Income and social contribution taxes	-	-
Statutory profit sharing	-	-
Non-controlling interest	-	-
Net income	(757)	(82)

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 foreign exchange translation effects impacts between lines. Includes adjustments in order to normalize hedge effects.

In 2Q 2018 PPLA Investments had a operating loss R\$82 million, mostly related to the financial expense of PPLA Investments' 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\$82 million in line with operating income.

	PPLA Participations (28.02%)	PPLA Investments
Net Income	(23.1)	(82.3)
OCI	(28.1)	(100.4)
(-) FX Reval Adjustments	18.4	65.8
Total (A)	(32.8)	(117.0)
Fair Value of Financial Liabilities (B)	0.9	-
Total losses (A+B)	(31.8)	(117.0)
Other comprehensive results from PPLA Participations (C)	6.1	23.1
Total comprehensive losses (A+B+C)	(25.7)	(93.8)

Main Assets

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

Unaudited pro-forma balance sheet (in R\$ million)					
	1Q 2018	2Q 2018		1Q 2018	2Q 2018
Assets	4,089.0	3,096.6	Liabilities + Equity	4,089.0	3,096.6
Cash & Equivalents	130.7	181.9	Financial Liabilities	3,865.3	2,979.0
Investment Entity Portfolio	1,614.1	1,103.1	- Financial Institutions ⁽¹⁾	2,204.2	2,311.8
Merchant Banking	1,057.8	1,058.0	- Medium Term Notes	1,661.1	667.3
- Lojas Leader	624.2	619.8			
- BR Pharma	38.3	57.0			
- B&A	84.2	84.2	Other Liabilities	12.3	-
- Fazendas Timber	124.7	125.1			
- BR Pec	67.5	45.6			
- Other Assets	119.0	126.2			
BTG Pactual Bonds ⁽²⁾	531.3	26.8			
Global Markets ⁽²⁾	25.0	18.3			
Invest at Fair Value - OCI	605.0	594.0			
Loans and Receivables	1,701.1	1,101.2			
- Partners	1,689.1	1,089.0			
- Other	11.9	12.2			
Other Assets ⁽¹⁾	38.1	116.3	Shareholders Equity	211.4	117.5

(1) Excludes Intercompany Transactions

- (i) **Cash & Equivalents** ended the quarter in R\$181.9 million compared to R\$130.7 million on the 1Q 2018. The changes reflects the sale of partnership loans and the BTG Pactual Perpetual Bonds partially offset by the maturity of medium term notes.
- (ii) **Investment Entity Portfolio.**
- Corporate loan of R\$619.8 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 remained stable during the 2Q 2018.
 - Corporate loans and marketable securities in **BR Pharma**, a pharmaceutical retail company undergoing operational turn-around. The total exposure increased during 2Q 2018 due to a new loan disbursement.
 - 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.

- d. **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 2Q 2018.
 - e. Equity investment of R\$45.6 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 32.4% decrease in asset value from 1Q 2018 was mostly due to the interest accrual in the company's debt, and a fair value adjustment of the company's assets.
 - f. **Other Assets** inside Merchant Banking portfolio consist of over ten smaller investments across different sectors.
- (iii) **BTG Pactual Bonds** consists of bonds issued by Banco BTG Pactual S.A. During the 2Q 2018 PPLA Investments sold the perpetual BTG Pactual bonds and the remaining position consists mostly in the 22s BTG Pactual Bonds that were trading at the end of 2Q 2018 at 93.3% of par value, compared to 99.0% in 1Q 2018.
- (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. During the 2Q 2018 the total fair value remained stable.
- (v) **Loans and Receivables** consists of R\$1,089.0 million of partnership loans and R\$12.2 million of other loans. The decrease was mostly due to the sale of partnership loans.
- (vi) **Financial Liabilities**
- a. Liabilities to Financial Institutions consist in several long-term loans, most of them with Brazilian financial institutions.
 - b. Medium Term Notes: PPLA Investments has issued notes to finance its operations over the last 4 years. The total amount decreased 59.8% from the last quarter due the maturity of our note.

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.