

Management Report/Performance Comments

DEAR SIRs.

We hereby present the Management Report of PPLA Participations Ltd. ("PPLA Participations" or the "Company"), related to years ended December 31, 2017 and 2016, prepared in accordance with the international financial reporting standards, as issued by the International Accounting Standards Board (IASB).

OPERATIONS

PPLA Participations Ltd. ("PPLA Participations" or "Company") was constituted as a tax exempted Limited Liability Company under the laws of Bermuda on March 26, 2010. On December 29, 2010, the Bermuda monetary authority approved the constitution of the Company. PPLA Participations headquarters is located on Clarendon House, 2 Church Street, HM 11, Hamilton, Bermuda.

The Company has applied for and has been granted exemption from all forms of taxation in Bermuda until March 31, 2035, including income, capital gains and withholding taxes. In jurisdictions other than Bermuda, some foreign taxes will be withheld at source on dividends and certain interest received by the Company.

In August, 2017, the Company's Board of Directors changed the corporate name of BTG Participations Ltd. to PPLA Participations Ltd., in order to clarify the investors' understanding of the BPAC11 units and BBTG12 units (PPLA Participations, currently PPLA11) in the context of the segregation held on August 21, 2017.

PPLA Participations (together with BTG Pactual, the "Group") have units listed on NYSE Euronext in Amsterdam and B3 in São Paulo. Each unit issued, corresponds to 1 class A shares and 2 class B shares of PPLA Participations Ltd. All units listed and traded in Amsterdam remained wholly interchangeable with the units in Brazil.

The Company is the sole owner of BTG Bermuda LP Holdco Ltd ("BTG Holdco") which, on December 29, 2010, received a Class C common share from BTG Pactual Management Ltd. and thus became general partner of PPLA Investments LP. ("PPLA Investments"), previously denominated BTG Investments LP. As a consequence of this transaction, the Company obtained the right to control the financial and operating policies of PPLA Investments LP.

PPLA Investments LP. was formed in 2008 and makes proprietary capital investments in a wide range of financial instruments, including Merchant Banking investments in Brazil and overseas, and a variety of financial investments in global markets.

BTG Pactual's asset management area manages PPLA Investments' assets and receives fees at arm's length.

Special Committee

On December 4, 2015, the Board of Directors created a Special Committee, consisting of a majority of independent/non-executive members of the Board of Directors, to oversee and direct an internal investigation of issues raised as a result of the arrest of Mr. André Santos Esteves. The Special Committee hired the law firms Quinn Emanuel Urquhart & Sullivan, LLP and Veirano Advogados

(together, "Legal Counsel") to conduct the independent investigation on its behalf. The Board of Directors granted the Special Committee and Legal Counsel authority to require full cooperation from the Group, its management and its employees in the investigation and unlimited access to information requested by the Special Committee and Legal Counsel.

On April 7, 2016, the Special Committee, assisted by outside counsels, concluded their investigation and released the final report. Based on its investigation, the Legal Counsel found no basis to conclude that André Santos Esteves, BTG Pactual or members of its personnel that were subject to this investigation, were engaged in any corruption or illegality with respect to the alleged matters. In addition, in April, 2016, the Brazilian Supreme Court authorized Mr. André Santos Esteves to return to BTG Pactual, who has been acting as Senior Partner, with no executive function.

Buyback Program

On February 14, 2017 the Board of Directors have approved two new unit programs, which units will be trade on the B3 S.A., comprised exclusively the securities of each of the Companies: (i) units to be traded under the "BPAC11" ticker symbol, comprised of one common share and two class A preferred shares issued by the Bank, and (ii) units to be traded under the BBTG12 ticker symbol, comprised of one Brazilian depositary receipt ("BDR") representing one class A share and one BDR representing two class B shares issued by PPLA Participations Ltd.

On November 25, 2015, the Board of Directors announced its units buyback program. Since the beginning of the program 92,742,230 units have been repurchased in the total amount of R\$1,260,754 and 86,530,430 units had been canceled, in the amount of R\$1,174,199. On December 31, 2017, 2,070,600 (December 31, 2016: 5,896,900) units are held in treasury.

Corporate events

On April 8, 2016, BTG Pactual decided to implement the separation of its commodity trading activities, with the exception of those activities carried out by the Brazil energy trading desk from the operational structure of BTG Pactual and to rearrange the Commodities Platform under a new Luxembourg-based company named Engelhart Commodities Trading Partners ("Engelhart CTP"). The Commodities Platform will operate separately from BTG Pactual, with limited administrative and operational services to be provided by BTG Pactual based on arm's length contracts in accordance with market practices, including cost sharing and infrastructure sharing agreements, until such services are fully assumed by Engelhart CTP. It is anticipated that a portion of such equity will be held by senior employees of Engelhart CTP under an incentive program. Up to five years after the completion of the separation, Engelhart CTP will have the option to acquire its remaining equity interest held by Banco for its shareholders' equity value.

BTG Pactual Group issued new units as a consequence of this transaction, which lead to a new issuance of shares from PPLA Participations, during the year ended December 31, 2016, as described in note 6.

Acquisitions and sales

Due to the financial situation of Brasil Pharma S.A ("BR Pharma") and recent request for judicial recovery carried out the entity, an additional impairment was established in the credits held with this company in the amount of R\$ 453 million. The Company's Management continues to monitor the

restructuring process of BR Pharma, the likelihood of success and operational continuity, and the consequent ability to receive the activated amounts.

On December 31, 2016, BTGI Investimentos Florestais S.A., one of PPLA Investments' subsidiaries, raised capital through a share issuance that was fully subscribed by Fundo de Investimento em Participações Development Fund Warehouse. Subsequent to the capital increase, BTGI Investimentos Florestais S.A. acquired a 26.67% stake in Timber SPE S.A., for approximately R\$8.27 million.

On July 29, 2016, the Company, through BTG Pactual Brazil Infrastructure Fund II LP, sold its interest in Latin America Power Holding B.V. to BTGPH Corp Hedge Fund for US\$60,454 (equivalent to R\$190,810 at the time of the transaction), via transfer of shares at carrying amount with no gains or losses recorded.

On September 30, 2016, the Company, through its subsidiary BTG Equity Investments LLC, sold its interest in ADS - Advanced Disposal Service to BTGPH Corp Hedge Fund owned by BTG Pactual International Portfolio Fund II SPC for US\$94,347 (equivalent to R\$302,835 at the time of the transaction), via transfer of shares at carrying amount with no gains or losses recorded.

On April 12, 2016, PPLA Investments together with BTG Pactual Principal Investments FIP, entered into a series of agreements through which they committed to dispose of 100% of their shares in União de Lojas Leader S.A. ("Leader"). By the time these financial statements were issued, PPLA Investments, through one of its subsidiary, among other commitments, had loans in the amount of R\$600 million, subsequent to the acquisition of a portion of Leader's liabilities in the process of restructuring its debts. The sale price of the shares corresponds to a symbolic value and the Company will be entitled to receivables deriving from Leader's future results. The sale of Leader was concluded on July 28, 2016.

On March 21, 2016, A.Z.P.S.P.E. Empreendimentos e Participações S.A., PPLA Investments' subsidiary, entered into a share purchase and sale agreement with Gaia Ambiental Empreendimentos S.A, in which it committed to dispose of 100% of its shares in CDR Pedreira, for the amount of approximately R\$258 million, at carrying amount with no gains or losses recorded.

BTG Pactual Group Structure

BTG Pactual Group is comprised of both Banco BTG Pactual and PPLA Participations and its subsidiary PPLA Investments. The two entities are sister entities that have the same ultimate beneficial owners. Banco BTG Pactual, its principal operating company, was founded as a small broker-dealer and has grown by creating new business units and expanding the activities within these business units. PPLA Investments is the investment vehicle for many of BTG Pactual's principal investments (including most of its non-Brazilian investments and certain of its Brazilian investments). PPLA Investments acts as a vehicle for part of BTG Pactual's principal investment business, and has no operating activities or employees. Its assets are managed by the Asset Management unit of Banco BTG Pactual, which receives arm's length fees and commissions from PPLA Investments for its services. Such fees and commissions are primarily recorded as revenues in Banco BTG Pactual's Asset Management unit.

BTG Pactual Group Results and Financial Condition

In the year ended December 31, 2017, total revenues as of the Group amounted R\$5,527 million and its net income, R\$2,384 million. Net income per unit and annualized return on average shareholders' equity (ROAE) of BTG Pactual were R\$0.84 and 16.0%, for the year ended on such date.

As of December 31, 2017, total assets for BTG Pactual were R\$126.6 billion, and the BIS capital ratio for Banco BTG Pactual was 18.0%.

Our costs continue to be under control. As a result, for the full year 2017, our cost to income ratio was 54.4%.

BTG Pactual Group Partnership

BTG Pactual is a public company run by a meritocratic partnership model, in a flat and open management structure, encouraging the exchange of ideas and teamwork.

We consider people to be our most valuable asset. It is our culture and partnership structure that allows us to attract, retain and motivate highly talented professionals. Our recruiting strategy and training are aimed at producing future partners. The culture is centered on the recognition of individual merit and a competitive compensation system that rewards teamwork, an entrepreneurial spirit and initiative. Our most valuable professionals become partners.

Every year, the stockholdings of each partner are reviewed according to the performance in the period. We believe this model (i) fosters a culture of teamwork, talent development, entrepreneurship, meritocracy and long-term commitment, (ii) strongly enhances the integration of our business units and maximizes cross-selling of our products, (iii) increases our ability to attract the best available talent, and (iv) facilitates a lean and cost efficient organizational structure.

With the exception of the Board of Directors, which includes non-executive members, all the other Directors and main executives of BTG Pactual are partners with a full-time commitment to the bank.

GROUP ACTIVITIES

BTG Pactual Group is organized in the following business areas:

- **Investment Banking:** by means of its Investment Banking area, Group offers financial and capital markets consulting services;
- **Corporate Lending:** Group offers facilities, structured credit and secured loans to companies by means of its Corporate Lending area;
- **Sales and Trading:** by means of the Sales and Trading area, Group offers products and services to a diversified group of clients within the Brazilian and international markets, including market maker services, brokerage and offsetting, as well as derivatives, interest rate, exchange, shares, energy and commodities transactions, for hedge and trading purposes;
- **Asset Management:** through its Asset Management area, Group offers fund administration services from a wide investment product portfolio in several asset types to Latin American and foreign clients;

- **Wealth Management:** Group's Wealth Management area offers investment management and financial planning services, as well as investment products to high income individuals;
- **Principal Investments:** Group Principal Investments area involves investment activities in a proprietary position from a broad range of financial instruments, including investments in Merchant Banking, real estate investment Brazil and investments in a variety of financial instruments in the global market, bring such investments mainly managed by Group Asset Management business area; and
- **Banco Pan:** an independent Brazilian Bank in which Group holds co-control since mid-2011, has as its focus the granting of financing for the acquisition of automobiles and direct consumer credit, paycheck deductible loan, middle market and real estate loans, primarily to individuals and companies in Brazil.

BTG Pactual is an innovative global financial firm operating as a meritocratic partnership with a passion for consistently creating value for its clients and shareholders. With 30 years of experience, BTG Pactual and offices spread across Latin America, United States and Europe. In December 2017, the Group shareholder's equity is R\$18.5 billion, with total assets of R\$126.6 billion, and AuM and AuA of R\$144.9, and R\$86.9 billion of Wealth under Management.

MARKET ANALYSIS AND ECONOMIC ENVIROMENT

Global growth surprised on the upside in Q4 2017, intensifying a trend initiated in the previous quarter. The main surprises were observed in developed economies, driven by vibrant manufacturing and evidence of rising investment, and have accompanied by upward revisions of consensus growth estimates for the coming years as well. Forecast revisions for the American economy were largely fueled by rising expectations of Congress approving an ambitious tax reform with a pro-growth bias, which in fact occurred mid-December. These developments have favored rising energy and industrial commodity prices and have supported risk appetite in global financial markets in general. The S&P500 index appreciated 6.1% and the Nikkei 225 index rose 11.8% in the quarter.

Early November, president Trump nominated Jerome Powell to replace Janet Yellen as Fed chair once her term expired (early February 2018). As a member of the FOMC since 2012, Mr. Powell has embraced a centrist view to monetary policy, supporting Janet Yellen's approach of gradual policy normalization. The appointment was thus well received by financial markets. Meanwhile, US core CPI inflation continued to grind higher in the fourth quarter, further confirming that the low prints observed between March and July were a temporary phenomenon.

The mark up in US growth and inflation outlook favored a reassessment of market expectations for future Fed policy in favor of a tighter policy path, closing the gap vis-à-vis the FOMC median projections. The 2-year Treasury Bond yield ended the year at 1.89% pa, up from 1.49% pa at the closing of Q3. The longer term yields did not keep up with the short end of the curve, resulting in a flattening of the US yield curve. Short term government bond yields in other developed markets also decoupled from their US equivalent. Despite the resulting wider yield differentials between the US and other major economies in the short end, the Dollar Index (DXY) depreciated 1% in Q4, reflecting primarily a 1.6% appreciation of the EUR.

In Brazil, the government did not manage to make progress on the key item of its reform agenda – the pension reform bill. That said, the improved policy macro mix has continued to yield dividends, perhaps even more visible at the margin. So, inflation remained very low, interest rates were adjusted further down and there have been clearer signs of a stronger rebound of the economy. However, given the incomplete fiscal agenda, the electoral process will still be a major force in the coming quarters and uncertainty will probably last until the very end of the race.

On the economic activity front, we expect GDP to have advanced 0.2% q/q in 4Q17, leading to a 1% rise in 2017. Industry and services are expected to advance in 4Q, while agriculture/livestock – a bright spot in 2017 as a whole – should decline (q/q). Also, coincident indicators of consumption and investments indicate a good quarter for domestic demand, implying a benign composition for 4Q GDP. Looking forward, we see upside risks to our GDP growth expectation of 2.7% in 2018, as we keep seeing convincing signs that the economy is gradually recovering, supported by the lagged effects of the monetary easing cycle.

With respect to inflation, consumer prices finished 2017 at 2.95% y/y, accelerating from the trough of the year in August (2.5%) but still symbolically below the lower bound of the inflation target tolerance band (3%). Against this backdrop, and in response to anchored inflation expectations and a sizable output gap, the Central Bank's monetary policy committee (Copom) continued to cut the Selic benchmark interest rate, reaching 6.75%pa in early 2018. Going forward, inflation should accelerate this year, but convergence will probably be slow and the IPCA has high odds of finishing the year below 4%, still comfortably below the target (4.5%).

With respect to the external sector, the current account deficit improved a little further during the 4Q17. Such improvement continued to be explained by the increase of the 12-month trade surplus, which totaled US\$64bn in 4Q17 (US\$62bn in 3Q17). Looking at the main sources of financing, there was (i) an improvement in portfolio flows, with net outflows in the 3Q17 turning into net inflows in the 4Q17, (ii) a sizable contraction of direct investment and (iii) net issuance standing virtually flat. Finally, disbursements and amortizations stood flat in 4Q17, if compared to the negative contribution in 3Q17. In addition, the net outflows in all the remaining lines in the financial account increased from US\$46.5bn, on a 12-month window ending in 3Q17, to US\$49.5bn by the end of 4Q17. Looking ahead, a recovery of economic activity should lead imports to advance, causing a gradual weakening of the current account in the coming quarters.

Finally, on the fiscal front, the consolidated public-sector deficit finished 2017 at R\$111 billion (-1.7% of GDP). The result contrasted favorably versus the accumulated deficit in 2016 (-R\$156 billion; -2.6% do PIB). Despite the positive surprise, it is too early to celebrate the lower-than-expected deficit. Revenue performance last year benefited from strong non-recurring flows and key reforms to curb mandatory spending growth are yet to approved. So, the fiscal scenario remains challenging, with risks of not fulfilling fiscal rules in the medium term. That said, the ongoing economic recovery suggests that meeting 2018 's target will be a more manageable task.

PERFORMANCE

The net loss of the Company was R\$532.6 millions as of the year ended December 31, 2017, and a net income of R\$108.3 million in the year ended in 2016. The stockholder's equity decreased from R\$722.6 million on December 31, 2016 to R\$159.7 million on December 31, 2016.

PROFIT DISTRIBUTION

The Company has not paid dividends for the year ended on December 31, 2017 and 2016.

CULTURAL AND SOCIAL RESPONSIBILITY

In 2017, BTG Pactual supported cultural and social projects that promotes economic and social development in Brazil. Historically, the Bank has fostered several catalysts of human development, via Culture, Education and Social Responsibility.

Culture

By promoting and divulging Brazilian art, BTG Pactual aims to share the high quality of Brazilian artistic production with its clients and partners. The Bank has a vast history of supporting the editorial production of internationally renowned artists. We also support the Orquestra Filarmônica de Minas Gerais.

Education

The Bank invests in projects that encourage the development of talents, the pursuit of excellence, meritocracy and entrepreneurialism, helping to form the country's youth and future leaders through partnerships with Endeavor, USP, Insper, Fundação Estudar (the Study Foundation) and one of the sponsors of USP's Endowment Fund.

Citizenship

BTG Pactual supports numerous cultural and social projects throughout Brazil that aims to provide access to infant/child education ensuring a better quality of life. The Bank support and also encourages its employees to individually support institutions recognized for its work along with the Brazilian society. The institutions supported by BTG Pactual were: TUCCA, Hospital do Câncer de Barretos, Fraternidade Irmã Clara, Projeto Felicidade, Fazenda História, Lar das Crianças, Instituto Esporte e Educação, Instituto Baccarelli, Fundação Ary Frauzino, Instituto Península and Hospital Pequeno Príncipe.

INDEPENDENT AUDITORS

The Company's policy to hire services not related to external audit of our independent auditors is based in the applicable regulation and on principles internationally accepted for the preservation of the auditor's independence. These principles consist of: (a) the auditor shall not audit its own work, (b) the auditor shall not perform management services at its client and (c) the auditor shall not promote the interests of its client.

ACKNOWLEDGEMENTS

To maintain a continuous and balanced growth, the Company would like to thank its customers, employees and market partners for the trust, dedication and continuous support.