

**Interim Condensed Financial Statements in  
IFRS**

**PPLA Participations Ltd.**

September 30, 2018  
with independent auditors' review report

## **PPLA Participations Ltd.**

Interim condensed financial statements

As of September 30, 2018

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(A free translation from Portuguese into English of the independent auditor's review report on interim condensed financial statements prepared in accordance with the international accounting standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB.)

## **Independent auditor's review report on the interim condensed financial statements at September 30, 2018**

To the Management and Shareholders of **PPLA Participations Ltd. (previously denominated BTG Pactual Participations Ltd.)**  
São Paulo - SP

We have reviewed the interim condensed financial statements of **PPLA Participations Ltd. (previously denominated BTG Pactual Participations Ltd.) (Company)** as of September 30, 2018 and the related statements of income and the comprehensive income for the quarter and nine-month period then ended, and the changes in shareholders' equity and the cash flows for the nine-month period then ended, as well as a summary of the main accounting practices and other notes.

The Company's management is responsible for the fair presentation and preparation of the interim condensed financial statements in accordance with the International Accounting Standard IAS 34 – Interim Financial Reporting issued by the International Accounting Standards Board (IASB). Our responsibility is to express an opinion on the interim information based on our review.

### **Scope of the review**

We conducted our review in accordance with Brazilian and international standards for reviewing interim financial information (NBC TR 2410 and ISRE 2410 – *“Review of Interim Financial Information Performed by the Independent Auditor of the Entity”*). An interim review consists principally of applying analytical and other review procedures, and making enquiries of and having discussions with persons responsible for financial and accounting matters. An interim review is substantially less in scope than an audit conducted in accordance with auditing standards. An interim review does not provide assurance that we would become aware of any or all significant matters that might be identified in an audit. Accordingly, we do not express such an audit opinion.

### **Conclusion on the interim condensed financial statements**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim condensed financial statements referred to above do not present fairly, in all material respects, in accordance with the International Accounting Standard IAS 34 – Interim Financial Reporting issued by the International Accounting Standards Board (IASB).

## **Other issues**

### **Restatement of statements of cash flows**

The financial statements of **PPLA Participations Ltd. (previously denominated BTG Participations Ltd.)** for the quarter and nine-month ended September 30, 2017 previously audited by us, who reports thereon, dated November 14, 2017, had no modification. As described in footnotes 2.b., these financial statements have been changed in order to improve the cash flow statement and are being restated.

The accompanying financial statements have been translated into English for the convenience of readers outside Brazil.

São Paulo, November 13, 2018.

**Baker Tilly 4Partners Auditores Independentes S.S.**



**Fábio Rodrigo Muralo**

## PPLA Participations Ltd.

### Interim condensed balance sheets

As of September 30, 2018 and December 31, 2017

(In thousands of reais)

<b>Assets</b>	<b>Note</b>	<b>09/30/2018</b>	<b>12/31/2017</b>
Investment entity portfolio	5	10,428	159,698
<b>Total assets</b>		<b>10,428</b>	<b>159,698</b>
Shareholders' equity			
Capital stock and share premium	6	1,504,802	1,504,802
Treasury shares	1, 6b	(2,954)	(2,954)
Other comprehensive income		425,034	417,388
Accumulated losses		(1,916,454)	(1,759,538)
<b>Total shareholders' equity</b>		<b>10,428</b>	<b>159,698</b>
<b>Total liabilities and shareholders' equity</b>		<b>10,428</b>	<b>159,698</b>

The accompanying notes are an integral part of these interim financial statements.

## PPLA Participations Ltd.

### Interim condensed statements of income

Quarters and nine-month periods ended September 30, 2018 and 2017

(In thousands of reais, except for loss per share)

	<u>Note</u>	<u>Quarters ended on:</u>		<u>Nine-month periods ended on:</u>	
		<u>09/30/2018</u>	<u>09/30/2017</u>	<u>09/30/2018</u>	<u>09/30/2017</u>
Loss on investment entity portfolio measured at fair value	8	(20,980)	(58,737)	(156,916)	(431,432)
Operating loss		<u>(20,980)</u>	<u>(58,737)</u>	<u>(156,916)</u>	<u>(431,432)</u>
Administrative expenses	9	-	-	-	(105)
Other revenues		-	14	-	14
<b>Loss for the period</b>		<u><b>(20,980)</b></u>	<u><b>(58,723)</b></u>	<u><b>(156,916)</b></u>	<u><b>(431,523)</b></u>
Loss per share (basic and diluted - R\$)	7	(0.30)	(0.19)	(2.25)	(0.83)

The accompanying notes are an integral part of these interim financial statements.

## PPLA Participations Ltd.

### Interim condensed statements of comprehensive income

Quarters and nine-month periods ended September 30, 2018 and 2017

(In thousands of reais)

	Quarters ended on:		Nine-month periods ended on:	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Loss for the period	(20,980)	(58,723)	(156,916)	(431,523)
<b>Other comprehensive results not to be reclassified to profit or loss:</b>	<b>(46)</b>	<b>(14,798)</b>	<b>7,646</b>	<b>(11,720)</b>
Currency translation adjustments	(46)	(14,798)	7,646	(11,720)
<b>Total comprehensive loss for the period</b>	<b>(21,026)</b>	<b>(73,521)</b>	<b>(149,270)</b>	<b>(443,243)</b>

The accompanying notes are an integral part of these interim financial statements.

## PPLA Participations Ltd.

### Interim condensed statement of changes in shareholders' equity

Nine-month periods ended September ended 30, 2018 and 2017

(In thousands of reais)

	Note	Capital stock and share premium	Treasury shares	Other comprehensive income	Accumulated losses	Total shareholders' equity
<b>Balance as of December 31, 2016</b>		<b>1,504,802</b>	<b>(17,991)</b>	<b>418,649</b>	<b>(1,182,826)</b>	<b>722,634</b>
Sale of treasury shares	1, 6	-	(29,617)	-	-	(29,617)
Cancelation of treasury shares		-	44,654	-	(44,654)	-
Net loss of the period		-	-	-	(431,523)	(431,523)
Currency translation adjustments		-	-	(11,720)	-	(11,720)
<b>Balance as of September 30, 2017</b>		<b>1,504,802</b>	<b>(2,954)</b>	<b>406,929</b>	<b>(1,659,003)</b>	<b>249,774</b>
<b>Balance as of December 31, 2017</b>		<b>1,504,802</b>	<b>(2,954)</b>	<b>417,388</b>	<b>(1,759,538)</b>	<b>159,698</b>
Net loss of the period		-	-	-	(156,916)	(156,916)
Currency translation adjustments		-	-	7,646	-	7,646
<b>Balance as of September 30, 2018</b>		<b>1,504,802</b>	<b>(2,954)</b>	<b>425,034</b>	<b>(1,916,454)</b>	<b>10,428</b>

The accompanying notes are an integral part of these interim financial statements.



## PPLA Participations Ltd.

### Interim condensed statements of cash flows

Nine-month periods ended September 30, 2018 and 2017

(In thousands of reais)

	<u>09/30/2018</u>	<u>(Restated) 09/30/2017</u>
Operating activities		
Loss for the period	(156,916)	(431,523)
Adjustments to the loss for the period		
Losses from investment entity portfolio measured at fair value	(156,916)	431,432
<b>Adjusted loss for the period</b>	<u>-</u>	<u>91</u>
(Increase) / decrease in operating assets, net		
Investment entity portfolio	-	29,617
<b>Cash provided by operating activities</b>	<u>-</u>	<u>29,526</u>
Financing activities		
Sale of treasury shares	-	(29,617)
<b>Cash used in financing activities</b>	<u>-</u>	<u>(29,617)</u>
<b>Decrease in cash and cash equivalents</b>	<u>-</u>	<u>(91)</u>
Balance of cash and cash equivalents		
At the beginning of the period	-	107
At the end of the period	-	16
<b>Decrease in cash and cash equivalents</b>	<u>-</u>	<u>(91)</u>

The accompanying notes are an integral part of these interim financial statements.

## **PPLA Participations Ltd.**

### **Notes to the interim condensed financial statements**

As of September 30, 2018

(In thousands of reais)

## **1. 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.

PPLA Investments 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.

### **Discontinuation of the BDR Program**

During the quarter ended September 30, 2018 PPLA Participations Ltd. submitted to B3 S.A. - Brasil, Bolsa, Balcão ("B3") a procedure for the voluntary discontinuation of the BDRs Program of the Company, along with the resulting termination of its listing and negotiation of the Units with B3, as well as the termination of its registration as a category "A" foreign issuer, held with the Brazilian Securities and Exchange Commission – Comissão de Valores Mobiliários ("CVM"), pursuant to the Issuer Manual, issued by B3 and the CVM Instruction 332, of April 4, 2009.

## **PPLA Participations Ltd.**

### **Notes to the interim condensed financial statements**

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(In thousands of reais)

The procedure for discontinuation, including its terms and conditions, is subject to (i) the approval that shall be issued by B3, (ii) the ratification by CVM, and (iii) the applicable corporate approvals.

#### **Buyback Program**

On November 25, 2015 the Board of Directors announced its units buyback program. Since the beginning of the program 92,742,230 shares have been repurchased in the total amount of R\$1,260,754 and 86,530,430 shares had been canceled, in the amount of R\$1,174,199. On September 30, 2018, 2,070,600 units (December 31, 2017: 5,896,900) are held in treasury.

#### **New unit programs**

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 depository receipt ("BDR") representing one class A share and one BDR representing two class B shares issued by PPLA Participations.

#### **Acquisitions and sales**

During the period ended September 30, 2018, due to the financial situation of Brasil Pharma S.A. ("BR Pharma") and recent request for judicial recovery carried out by the entity, an additional impairment was established in the credits held with PPLA Investments in the amount of R\$239 millions. 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. As at September 30, 2018, PPLA Investments exposure in BR Pharma is equivalent to a corporate loan of R\$56.8 millions (2017: R\$318.4 millions) recorded at fair value.

During the period ended September 30, 2018, PPLA Investments has measured at nil its exposure in Bravante Group due to a fair value adjustment made in light of a reduced transported volume, relevant commercial contracts lost and company high indebtedness.

During the period ended September 30, 2018, PPLA Investments recorded fair value adjustment gain of R\$350.5 millions in Universo Online S.A ("UOL"), as a result of PagSeguro's IPO on NYSE (New York Stock Exchange) on January 24, 2018.

During the year ended December 31, 2017, PPLA Investments has measured at nil its equity investment in B&A Mineração S.A and Brasil Pharma S.A., recording a loss of approximately R\$125 millions and R\$404 millions, respectively.

## **2. Presentation of interim condensed financial statements**

The Company's interim condensed financial statements were prepared and are being presented in accordance with the International Accounting Standard (IAS 34) – Interim Financial Reporting, issued by the International Accounting Standards Board (IASB).

## **PPLA Participations Ltd.**

### **Notes to the interim condensed financial statements**

As of September 30, 2018

(In thousands of reais)

The items included in the financial statements of each of the businesses of the Company are measured using the currency of the primary economic environment in which the company operates ("functional currency"). The Company's functional currency is the U.S. Dollar, since the majority of the Company's business transactions are in the mentioned currency. The subsidiaries functional currency generally corresponds to the currency from its country.

These interim condensed financial statements do not include all information and disclosures required in the annual financial statements and should be read in conjunction with the Company's financial statements for the year ended December 31, 2017, issued on March 6, 2018.

#### **a. Revised IFRS pronouncements**

##### **I. Accounting standards recently issued and applicable in future periods**

The following pronouncements will become applicable for periods after the date of these interim condensed financial statements and were not early adopted:

- IFRS 16 – Leases – The pronouncement replaces IAS 17 - Leases, and related interpretations (IFRIC 4, SIC 15 and SIC 27). It eliminates the accounting for operating lease agreements for the lessee, presenting only one lease model, that consists of: (a) recognizing leases which terms exceeds 12 months and with substantial amounts; (b) initially recognizing lease in assets and liabilities at present value; and (c) recognizing depreciation and interest from lease separately in the result. For the lessor, accounting will continue to be segregated between operating and financial lease. This standard is effective for annual periods beginning on January 1st, 2019. Possible impacts arising from the adoption of this standard are being assessed and will be completed by the date this standard is effective.
- IFRS 17 – Insurance Contracts: The pronouncement replaces IFRS 4 – Insurance Contracts and presents three approaches for assessment of insurance contracts:
- General Model: applicable to all contracts, particularly the long-term contracts;
- Premium Allocation Approach (PAA): applicable to contracts which term is up to 12 months and with modestly complex cash flows. It is simpler than the standard model; however, it can be used only when it produces results similar to those that would be obtained if the standard model was used;
- Variable Fee Approach: approach specific for contracts with participation in the result of investments.

Insurance contracts should be recognized based on the analysis of four components:

- Expected Future Cash Flows: estimate of all components of cash flow of the contract, considering inflows and outflows;
- Risk Adjustment: estimate of offset required by deviations that may occur between cash flows;

## **PPLA Participations Ltd.**

### **Notes to the interim condensed financial statements**

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- Contractual Margin: difference between any amounts received before the beginning of the contract coverage and present value of cash flows estimated in the beginning of the contract;
- Discount: projected cash flows should be discounted at present value, to reflect the time value of money, at rates that reflect the characteristics of respective flows.

This standard is effective for annual periods beginning on January 1st, 2021. Possible impacts arising from the adoption of this standard are being assessed and will be completed by the date this standard is effective.

- Amendment to IFRS 4 – Insurance Contracts – Joint application of IFRS 9: The amendment enables entities that are issuers of insurance contracts to mitigate possible impacts of the adoption of IFRS 9 – Financial Instruments before the effectiveness of IFRS 17 – Insurance Contracts, through two options:
  - Temporary exemption: adoption of IFRS 9 together with IFRS 17, i.e., as from January 2021. This option is applicable only to entities with significant insurance activities (over 80% of total liabilities) and that have not applied IFRS 9 in advance;
  - Overlay approach: adoption of IFRS 9, however, for assets reclassified to the category Fair Value through Profit or Loss, transferring the effects of the adoption of IFRS 9 from Income for the period to Other Comprehensive Income until the effectiveness of IFRS 17.

The Company has no insurance contracts at the date of preparation of these interim condensed financial statements.

- Amendment to IFRS 10 – Consolidated Financial Statements and IAS 28 – Investments in Associates and Joint Ventures – The amendments refer to an inconsistency between IFRS 10 and IAS 28 requirements, when addressing the sale or contribution of assets between an investor and its associate or joint venture. The effective date has not been defined by IASB yet. No material impacts arising from this change on the interim condensed financial statements of Company were identified.

#### **b. Restatement of statements of cash flows**

Due to the improvements identified on the statement of cash flow for the period ended September 30, 2017, the "Translation adjustments" was reclassified in the amount of R\$11,720 thousand, previously presented in the group "Adjusted gain / (loss) for the year ", to "Investment entity portfolio" included in the group "Increase / (decrease) in operating assets", both of them included in the Operating Activities of the Company.

The interim condensed financial statements were approved by the Management on November 13, 2018, and they contain a true and fair view of the financial position and results of the Company.

## **PPLA Participations Ltd.**

### **Notes to the interim condensed financial statements**

As of September 30, 2018

(In thousands of reais)

## **3. Main accounting practices**

### **a. Financial instruments**

Considering that IFRS 9 was adopted by PPLA Investments during the years 2015 and 2016, and all the assets and liabilities of the Company are recorded according to the respective practices, this section described the accounting practices adopted as a result of the adoption of IFRS 9.

#### **Recognition date**

All financial assets and liabilities are initially recognized on the trading date, that is, the date in which the entity becomes an interested party to the contractual relationship of the instrument. This includes purchases or sales of financial assets or liabilities that require delivery of the asset at a specified time established by regulation or market standard.

#### **Initial recognition of financial instruments**

The classification of the financial instruments at their initial recognition depends on the purpose for which they were acquired and their characteristics. IFRS 9 classification is generally based on the business model in which a financial asset is managed and its contractual cash flows. Subsequently to the IFRS 9 early adoption without electing fair value option, the Company classified its financial assets as measured at fair value through profit or loss (FVTPL), fair value through other comprehensive income (FVOCI) with or without recycling or at amortized cost.

#### **Derivatives financial instruments**

Derivative financial instruments are recorded at fair value and held as assets when fair value is positive and as liabilities when fair value is negative. The changes in fair value of derivatives are recognized in the consolidated income statement "Net gains (losses) with financial instruments held for trading".

#### **Financial assets and liabilities held for trading**

Financial assets or liabilities held for trading are recorded in the balance sheet at fair value. Variations in fair value, interest revenue, expenses and dividends are recorded in "Gains (losses) on financial instruments held for trading".

Included in this classification are: debt instruments, equities and short sale that have been acquired specifically for the purpose of short term trading or repurchase.

#### **Financial assets and liabilities designated at fair value through profit and loss**

Company irrevocably designates financial assets at fair value through profit or loss in the initial recognition (fair value option), when the option significantly reduces or eliminates measurement or recognition inconsistencies that could otherwise arise from the measurement of assets or liabilities or recognition of gains and losses on these assets and liabilities in different bases.

## **PPLA Participations Ltd.**

### **Notes to the interim condensed financial statements**

As of September 30, 2018

(In thousands of reais)

#### **Financial assets at fair value through other comprehensive income**

Financial assets at fair value through other comprehensive income includes equities and debt instruments:

##### **Equity Instruments**

At initial recognition, the Company may make an irrevocable election to present in other comprehensive income subsequent changes in the fair value of an investment in an equity instrument that is not held for trading, nor contingent consideration recognized by an acquirer in a business combination to which IFRS 3 applies. If it makes such election, only dividend income that does not clearly represent a recovery of part of the cost of the investment is recognized in profit or loss, with all other gains and losses (including those related to foreign exchange) recognized in other comprehensive income. These gains and losses remain permanently in equity and are not subsequently reclassified to profit or loss, even on derecognition. After derecognition of the investment, the Company may transfer the cumulative gain or loss retained in other comprehensive income to retained earnings.

##### **Debt Instruments**

Debt instruments can be recognized under this category if the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and; the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The unrealized gains or losses are recognized directly in equity as other comprehensive income. Upon the realization of the debt instrument, the unrealized gains or losses, previously recognized in the statement of comprehensive income, are reclassified to the income statement, as "Gain (losses) on fair value through other comprehensive income".

#### **Financial assets measured at amortized cost**

A financial asset shall be measured at amortized cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and;
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, financial assets are measured at amortized cost using the effective interest rate method.

Although the Company is not expected to sell a financial asset measured under this category, as it is expected to hold it to maturity to collect contractual cash flows, the Company need not hold all of those instruments until maturity and sales may occur. Changes in foreign exchange related to Financial assets measured at amortized cost are presented as "Other income / (expenses)".

## **PPLA Participations Ltd.**

### **Notes to the interim condensed financial statements**

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(In thousands of reais)

#### **Financial liabilities at amortized cost**

Financial liabilities are measured at amortized cost using the effective interest rate method and taking into account any discount or premium on issue and relevant costs that become part of the effective interest rate.

#### **Reclassifications**

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Company changes its business model for managing financial assets.

#### **Impairment of financial assets**

Under IFRS 9, at initial recognition of a debt instrument, the Company needs to project its expected credit losses for the next 12 months and recognize it as an allowance for credit losses, even though no losses have yet occurred. This is a change of concept to an expected loss model, rather than an incurred loss model that was effective under IAS 39.

If the Company is expecting a significant deterioration in the credit quality of its counterparty, it should recognize an allowance equivalent to the lifetime expected credit losses of the instrument, rather than only the 12 month expected credit losses.

#### **Measurement**

Expected credit losses are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows;
- Undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Group if the commitment is drawn down and the cash flows that the Group expects to receive; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover.

If the assets are no longer performing (a credit event), despite considering the expected credit losses for the lifetime of the instrument, the Company should also recognize interest revenue based on the net carrying amount, which means that the allowance should be accounted for on interest recognition.



## PPLA Participations Ltd.

### Notes to the interim condensed financial statements

As of September 30, 2018

(In thousands of reais)

The main evidence of deterioration of the credit quality of the counterparty are:

- the significant decline in the fair value of any security for a prolonged period;
- noncompliance with contract terms for delay of principal or interest;
- deterioration in ability to pay and operational performance;
- breach of covenants;
- significant change in the performance of the counterparty market;
- reduced liquidity of the asset due to financial difficulties the lender.

For impairment losses related to debt instruments through other comprehensive income, such losses will be recognized on the consolidated statements of income against other comprehensive income in an account called "accumulated impairment amount". However, if in a subsequent year occur an increase in the fair value of the financial asset that can be related to any event, the loss previously considered will be reversed in profit and losses.

The Company is required to reduce the gross carrying amount of its financial instruments when there is no reasonable expectation of recovering the contractual cash flows on the financial assets on its entirety or a portion thereof.

IFRS 15 - Revenues from Client Contracts: The statement replaces IAS 18 - Revenue and IAS 11 - Construction Contracts, as well as related interpretations (IFRICs 13, 15 and 18). Requires revenue recognition to portray the transfer of goods or services to the customer.

#### b. Invested companies

The table below presents the direct and indirect interest of the Company in its investees:

	Country	Equity interest - %	
		09/30/2018	12/31/2017
<b>Direct</b>			
BTG Bermuda LP Holdco Ltd.	Bermuda	100.00	100.00
<b>Indirect</b>			
PPLA Investments LP.	Bermuda	28.02	28.02

## PPLA Participations Ltd.

### Notes to the interim condensed financial statements

As of September 30, 2018

(In thousands of reais)

Below is the ownership interest held by PPLA Investments in its investees and investment funds:

	Country	Equity interest - %	
		09/30/2018	12/31/2017
<b>Subsidiaries</b>			
BTG Loanco LLC	USA	100.00	100.00
BTG Pactual Stigma LLC	USA	100.00	100.00
BTG Pactual Reinsurance Holdings LP	Bermuda	100.00	100.00
BTG Equity Investments LLC	USA	100.00	100.00
Preserve Insurance Co. Ltd	UK	100.00	100.00
Hárpia Omega Participações S.A.	Brazil	100.00	100.00
BTG Pactual Servicios S.A. de C.V.	México	100.00	100.00
BTG Pactual Prop Feeder (1) S.a.r.l.	Luxembourg	100.00	100.00
BTG Pactual Investimentos Florestais S.A.	Brazil	58.39	63.32
BRPEC Agro Pecuária S.A.	Brazil	100.00	100.00
BTG Pactual Proprietary Feeder (1) Limited	Cayman	100.00	100.00
Timber XI SPE S.A. (i)	Brazil	15.57	16.89
Timber IX Participações S.A. (i)	Brazil	15.57	16.89
São Lourenço Empreendimentos Florestais Ltda. (i)	Brazil	15.57	16.89
Fazenda Corisco Participações S.A. (i)	Brazil	15.57	16.89
BTG Pactual Santa Terezinha Holding S.A. (i)	Brazil	15.57	15.89
SCFlor Empreendimentos Agrícolas Ltda.	Brazil	15.57	15.89
Fazenda Santa Terezinha Participações S.A. (i)	Brazil	15.57	15.89
BTGI Quartzo Participações S.A	Brazil	100.00	100.00
BTGI Safira Participações S.A	Brazil	100.00	100.00
BTGI VII Participações S.A.	Brazil	100.00	100.00
BTGI VIII Participações S.A.	Brazil	100.00	100.00
<b>Investment funds</b>			
Beira Rio Fundo de Investimento em Participações	Brazil	100.00	100.00
Bravo Fundo de Investimento em Participação	Brazil	100.00	100.00
BTG Pactual Brazil Investment Fund I LP	Cayman	100.00	100.00
BTG Pactual Absolute Return II Master Fund LP	Cayman	100.00	100.00
Turquesa Fundo de Investimento em Participação	Brazil	100.00	100.00
FII Estoque Residencial Vitacon	Brazil	100.00	100.00

(i) The investee equity is divided into ordinary and preferred shares. The Company has the majority of the ordinary shares and voting rights.

## 4. Risk management

The Company's risk management involves several levels of our management team and various policies and strategies. The structure of the Company's committees/areas allows engaging the whole organization and ensuring decisions are readily implemented.

## **PPLA Participations Ltd.**

### **Notes to the interim condensed financial statements**

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(In thousands of reais)

The main committee/area structure allows for the inputs from the entire organization and ensures that the decisions are implemented effectively. The main committees involved in risk management activities are: (i) management committee, which approves policies, defines overall limits and is ultimately responsible for managing risks; (ii) New Business Committee, which assesses the feasibility and supervises the implementation of proposals for new businesses and products; (iii) Credit Risk area, which is responsible for approving new loans according to the guidelines set forth by our CRO; (iv) Market Risk area, which is responsible for monitoring market risk, including the use of our risk limits (Value at Risk - VaR), and approving exceptions, (v) Operational Risk Area, which assesses the main operational risks for the internal policies and regulatory risks established; (vi) Compliance Committee, which is responsible for establishing policy rules and reporting potential problems related to money laundering; (vii) CFO, which is responsible for monitoring liquidity risk, including cash and cash equivalents and capital structure; (viii) Audit Committee, which is responsible for independent verification of compliance with internal controls and assessment of maintenance of the accounting records.

The Company seeks to monitor and control its risk exposure through a variety of separate but complementary financial, credit, operational, compliance, tax and legal reporting systems. In addition, a number of committees are responsible for monitoring risk exposures and for general oversight of our risk management process, as described further below. The close involvement of various committees/areas (including their subcommittees) with the ongoing management and monitoring of our risks helps the Company foster its culture of risk control throughout the organization. The committees/areas consist of senior members of business units and senior members of control departments that are independent of businesses.

#### **a. Market risk**

Value at Risk (VaR) is the potential loss of value of the trading positions due to adverse movements in the market during a defined year within a specific level of confidence. Together with the Stress Test,

VaR is used to measure the exposure of the Company's positions at market risk. The Company uses a historical simulation for calculation of VaR, applying real distributions and correlation amongst assets, not using Greek approximations and standard distributions. VaR may be measured in accordance with different years, historical data and reliable levels. The accuracy of the market risk methodology is tested through daily back testing that compares the compliance between VaR estimates and gains and losses realized.

## PPLA Participations Ltd.

### Notes to the interim condensed financial statements

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The VaR presented below was calculated for a one-day year, level of level of confidence of 95.0% and one-year historical data. Reliable level of 95.0% means that there is 1 within 20 chances that the day trade net income remains below estimated VaR. Therefore, insufficiencies arising from net income expected from trade in a single day of trading exceeding the reported VaR would be expected to occur, on average, around once a month. Insufficiencies in a single day may exceed the VaR reported in material amounts. Insufficiencies may also occur more frequently or accrue during a longer year, such as the number of consecutive trading days. As it is backed up by historical data, VaR's accuracy is limited to its capacity to predict unprecedented market changes, as historical distributions in market risk factors may not produce accurate prognostics of future market risk. VaR methodologies and assumptions on different distributions may produce a materially different VaR. In addition, VaR calculated for a one-day year does not consider the market risk of positions that may not be settled or offset with hedges within the term of one day. As previously mentioned, the Company uses a stress test models as a complement to VaR method for its daily risk activities.

The table below contains daily average VaR for the years ended:

In millions of R\$	<u>September 30, 2018</u>	<u>December 31, 2017</u>	<u>September 30, 2017</u>
Daily average VaR	0.2	0.3	0.6

### Credit risk

The following table shows the maximum exposure of the investment entity portfolio by geographic region:

	<u>09/30/2018</u>			<u>Total</u>
	<u>Brazil</u>	<u>United States</u>	<u>Others</u>	
<b>Assets</b>				
Investment entity portfolio				
Cash and cash equivalents	61,654	-	-	<b>61,654</b>
Financial Assets at fair value through profit or loss				
Investment entity portfolio (i)	239,200	-	1,575	<b>240,775</b>
Derivatives	2,056	-	-	<b>2,056</b>
Investments at fair value through other comprehensive income	174,148	1,120	(9,110)	<b>166,158</b>
Loans and receivables (ii)	2,857	148,296	94,247	<b>245,400</b>
Other assets	377	-	-	<b>377</b>
<b>Liabilities (iii)</b>				
Total	<b>480,292</b>	<b>(32,830)</b>	<b>(437,034)</b>	<b>10,428</b>

## PPLA Participations Ltd.

### Notes to the interim condensed financial statements

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	12/31/2017			
	Brazil	United States	Others	Total
<b>Assets</b>				
Investment entity portfolio				
Cash and cash equivalents	65,297	-	-	65,297
Financial Assets at fair value through profit or loss				
Securities	-	-	211,632	211,632
Investment entity portfolio (i)	1,309,456	-	46,228	1,355,684
Investments at fair value through other comprehensive income	83,894	979	(12,654)	72,219
Loans and receivables (ii)	20,733	-	427,349	448,082
Other assets	2,332	-	-	2,332
<b>Liabilities (iii)</b>	-	-	(1,995,548)	(1,995,548)
<b>Total</b>	<b>1,481,712</b>	<b>979</b>	<b>(1,322,993)</b>	<b>159,698</b>

(i) The amount of R\$1,575 (2017 – R\$46,228) being presented as Others mainly relates to ARF II, Fund based in the Cayman Islands with global market investments strategy, as described in Note Scii.

(ii) The amount basically corresponds to loans to partners.

(iii) Includes financial liabilities contracted into by PPLA Investments (PPLA Participations is not a counterparty of such contracts).

The table below states the maximum exposures to credit risk of the investment entity portfolio, classified by the counterparties' economic activities:

	09/30/2018				
	Private institutions	Companies	Individuals	Others	Total
<b>Assets</b>					
Investment entity portfolio					
Cash and cash equivalents	61,654	-	-	-	61,654
Financial Assets at fair value through profit or loss					
Investment entity portfolio	290,631	266,590	-	(316,446)	240,775
Derivatives	2,056	-	-	-	2,056
Investments at fair value through other comprehensive income	-	175,268	-	(9,110)	166,158
Loans and receivables	-	-	241,957	3,443	245,400
Other assets	-	-	-	377	377
<b>Liabilities (i)</b>	-	-	-	(705,992)	(705,992)
<b>Total</b>	<b>354,341</b>	<b>441,858</b>	<b>241,957</b>	<b>(1,027,728)</b>	<b>10,428</b>
	12/31/2017				
	Private institutions	Companies	Individuals	Others	Total
<b>Assets</b>					
Investment entity portfolio					
Cash and cash equivalents	65,297	-	-	-	65,297
Financial Assets at fair value through profit or loss					
Securities	211,632	-	-	-	211,632
Investment entity portfolio	1,349,761	429,801	-	(423,878)	1,355,684
Investments at fair value through other comprehensive income	-	84,873	-	(12,654)	72,219
Loans and receivables	-	21,210	426,872	-	448,082
Other assets	-	-	-	2,332	2,332
<b>Liabilities (i)</b>	-	-	-	(1,995,548)	(1,995,548)
<b>Total</b>	<b>1,626,690</b>	<b>535,884</b>	<b>426,872</b>	<b>(2,429,748)</b>	<b>159,698</b>

(i) Includes financial liabilities entered into by PPLA Investments (PPLA Participations is not a counterparty of such contracts).

## PPLA Participations Ltd.

### Notes to the interim condensed financial statements

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(In thousands of reais)

#### b. Liquidity analysis and risk

As of September 30, 2018, and December 31, 2017 the Company does not have any cash, cash equivalents and liabilities.

As of September 30, 2018 and December 31, 2017, there is no fixed maturity for the discounted cash flows for the investment entity portfolio of the Company. The following table shows the Investment entity portfolio's liquidity position as of September 30, 2018 and December 31, 2017:

	09/30/2018				
	Up to 90 days / No maturity	90 to 365 days	1 to 3 years	Over 3 years	Total
<b>Assets</b>					
Investment entity portfolio					
Cash and cash equivalents	61,654	-	-	-	61,654
Financial Assets at fair value through profit or loss					
Investment entity portfolio	290,631	-	-	(49,856)	240,775
Derivatives	2,056	-	-	-	2,056
Investments at fair value through other comprehensive income	-	-	-	166,158	166,158
Loans and receivables	1,635	-	10,826	232,939	245,400
Other assets	-	377	-	-	377
<b>Liabilities (i)</b>	(367,701)	(21,376)	(316,915)	-	(705,922)
<b>Total</b>	<b>(11,725)</b>	<b>(20,999)</b>	<b>(306,089)</b>	<b>349,241</b>	<b>10,428</b>
	12/31/2017				
	Up to 90 days / No maturity	90 to 365 days	1 to 3 years	Over 3 years	Total
<b>Assets</b>					
Investment entity portfolio					
Cash and cash equivalents	65,297	-	-	-	65,297
Financial Assets at fair value through profit or loss					
Securities	-	-	-	211,632	211,632
Investment entity portfolio	1,138,135	-	-	217,549	1,355,684
Investments at fair value through other comprehensive income	-	-	-	72,219	72,219
Loans and receivables	1,880	-	3,316	442,886	448,082
Other assets	-	2,332	-	-	2,332
<b>Liabilities (i)</b>	(1,471,494)	(331,408)	(192,646)	-	(1,995,548)
<b>Total</b>	<b>(266,182)</b>	<b>(329,076)</b>	<b>(189,330)</b>	<b>944,286</b>	<b>159,698</b>

(i) Includes financial liabilities entered into by PPLA Investments (PPLA Participations is not a counterparty of such contracts).

## 5. Investment entity portfolio

As of September 30, 2018 and December 31, 2017, the investment entity portfolio measured at fair value through profit and loss is represented by the interest in BTG Holdco, a holding entity, in the amount of R\$10,428 (December 31, 2017 - R\$ 159,698). Below are presented relevant information of the investment portfolio as of September 30, 2018 and December 31, 2017, through the investment in PPLA Investments (via BTG Holdco).

## PPLA Participations Ltd.

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(In thousands of reais)

On January 1, 2016, PPLA Investments adopted IFRS 9, with prospective effects from that date onwards. For this matter, the figures disclosed below include impacts from the early adoption, as described in its financial statements.

The relevant figures of the Company's investment portfolio, as of September 30, 2018 and December 31, 2017, are presented below:

	<u>Note</u>	<u>09/30/2018 (1)</u>	<u>12/31/2017 (1)</u>
<b>Assets</b>			
Cash and cash equivalents	(a)	220,042	233,045
Financial assets at fair value through profit or loss			
Securities	(b)	-	755,288
Investment entity portfolio	(c)	859,322	4,838,449
Derivatives		7,339	-
Investments at fair value through other comprehensive income	(d)	593,017	257,749
Loans and receivables	(e)	875,829	1,599,203
Other assets		1,345	8,322
<b>Total</b>		<b><u>2,556,894</u></b>	<b><u>7,692,056</u></b>
<b>Liabilities</b>			
Financial liabilities at fair value through profit or loss			
Derivatives		10,102	1,469
Financial liabilities at amortized cost	(f)	2,457,821	7,051,230
Other liabilities		59,842	10,510
<b>Total</b>		<b><u>2,527,765</u></b>	<b><u>7,063,209</u></b>
<b>Shareholders' equity</b>		<b><u>29,129</u></b>	<b><u>628,847</u></b>
<b>Total liabilities and shareholders' equity</b>		<b><u>2,556,894</u></b>	<b><u>7,692,056</u></b>
Investment entity portfolio reconciliation			
PPLA Investments shareholder's equity		29,129	628,847
PPLA Participations ownership (via BTG Holdco)		28.02%	28.02%
<b>Subtotal</b>		<b><u>8,162</u></b>	<b><u>176,197</u></b>
Fair value adjustment (2)		2,266	(16,499)
<b>Total</b>		<b><u>10,428</u></b>	<b><u>159,698</u></b>

(1) Balances as reported by PPLA Investments as of September 30, 2018 and December 31, 2017.

(2) PPLA Investments measures certain assets and liabilities at amortized cost in its financial statements, therefore a fair value adjustment is necessary upon adoption of investment entity by PPLA Participations.

#### (a) Cash and cash equivalents

Cash and cash equivalents are comprised exclusively of highly liquid bank deposits.

#### (b) Securities

##### I. Corporate bonds

As of September 30, 2018 PPLA Investments had not investment in corporate bonds. During the year ended December 31, 2017, the amount was composed of investment in corporate bonds comprises exchanged traded corporate bonds issued by Banco BTG Pactual S.A - Luxembourg Branch, maturing December 29, 2049 and by BTG Pactual S.A. – Cayman Branch, maturing on September 28, 2022.

	<u>As of September 30, 2018</u>		<u>As of December 31, 2017</u>	
	<u>Cost</u>	<u>Fair value</u>	<u>Cost</u>	<u>Fair value</u>
Corporate bonds	-	-	410,100	424,124
<b>Total</b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>410,100</u></b>	<b><u>424,124</u></b>

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#### II. Time deposits

As of September 30, 2018 PPLA Investments had not amount of time deposits. During the year ended December 31, 2017, this item was basically composed of interbank deposits in the international market, issued by Banco BTG Pactual S.A - Cayman Agency, with fixed term and non-negotiable until maturity on March 19, 2018.

	As of September 30, 2018		As of December 31, 2017	
	Cost	Fair value	Cost	Fair value
Time deposits	-	-	331,164	331,164
<b>Total</b>	<b>-</b>	<b>-</b>	<b>331,164</b>	<b>331,164</b>

#### (c) Investment entity portfolio

	As of September 30, 2018		As of December 31, 2017	
	Cost	Fair value	Cost	Fair value
Merchant Banking investments (i)	3,167,074	950,301	2,977,727	1,533,957
Private equity funds ("FIP")	397,507	132,002	300,507	79,483
Subsidiaries, associates and jointly controlled entities	2,769,567	818,300	2,677,220	1,454,474
Global markets investments (ii)	5,621	5,621	164,987	164,987
Loans (1)	1,031,637	1,031,637	4,652,319	4,652,319
Others (2)	(1,128,238)	(1,128,238)	(1,512,814)	(1,512,814)
<b>Total</b>	<b>3,076,094</b>	<b>859,322</b>	<b>6,282,219</b>	<b>4,838,449</b>

(1) Refers to loans granted by BTG Pactual Proprietary Feeder (1) Limited to PPLA Investments. The amount is reflected as financial liabilities at amortized cost in Note 5f.

(2) Includes financial assets and liabilities held by PPLA Investments' subsidiaries (PPLA Participations is not a counterparty of such contracts).

#### (i) Merchant Banking investments

Merchant Banking investments consist of investments, held directly or through investment vehicles (including funds that also include third party investors), in a diversified group of portfolio companies primarily located in Brazil. Merchant Banking investments are structured generally through privately negotiated transactions with a view to disinvest in four to ten years.

As of September 30, 2018 and December 31, 2017, PPLA Investments Merchant Banking investments corresponds to private equity and real estate investments, through FIP or other investment vehicles, as disclosed below:

Merchant Banking investments	Description/Segment activity	09/30/2018		12/31/2017	
		(%) (1)	Fair value	(%) (1)	Fair value
Through FIPs:					
BrPec Agropecuária S.A.	Ranching	100.0%	132,002	100.0%	79,483
Through subsidiaries, associates and jointly controlled entities:					
Timber XI SPE S.A.	Biological assets	15.6%	11,904	16.9%	12,173
Timber IX Participações S.A.	Biological assets	15.6%	73,207	16.9%	69,587
BTG Pactual Santa Terezinha Holding S.A	Biological assets	15.6%	14,251	15.9%	14,851
Fazenda Corisco Participações S.A	Biological assets	15.6%	19,372	16.9%	20,614
Loans - Merchant Banking investments (2)	Others		699,565		1,337,250
<b>Total</b>			<b>950,301</b>		<b>1,533,957</b>



## PPLA Participations Ltd.

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(In thousands of reais)

- (1) The equity interest disclosed in the table above refers to the the interest of PPLA Investments in the mentioned entities.
- (2) As at September 30, 2018, includes loans granted to Leader R\$631 millions (2017: R\$597 millions), B&A R\$12 millions (2017: R\$84 millions) and BR Pharma R\$57 millions (2017: R\$318 millions). Additionally, during the first quarter of 2018 the Company has measured at nil its exposure in Bravante Group recording a loss of approximately R\$337 millions.

#### (ii) Global market investments

A hedge fund is an investment fund that typically undertakes a wider range of investment and asset trading than other funds, but which is only open for investment from particular types of investors specified by regulators.

As of September 30, 2018, the Company's investment in BTG Pactual Absolute Return II Master Fund LP ("ARF II") corresponds to the amount of R\$5,621 (December 31, 2017: R\$164,987). Currently, ARF II is in the process of closing its activities, with low volume of transactions.

The Net Asset Value ("NAV") of global markets investments approximates to its fair value, which is equivalent to its cost value on the referred date.

#### (d) Investments at fair value through other comprehensive income

Subsequently to the IFRS 9 early adoption, PPLA Investments now presents part of its investment entity portfolio as investments at fair value through other comprehensive income, as shown hereunder:

	As of September 30, 2018		As of December 31, 2017	
	Cost	Fair value	Cost	Fair value
Merchant Banking investments – FIP (i)	191,634	625,531	230,864	302,911
Others (1)	(32,514)	(32,514)	(45,162)	(45,162)
<b>Total</b>	<b>159,120</b>	<b>593,017</b>	<b>185,702</b>	<b>257,749</b>

- (1) Includes payables for management fees or loans purposes.

## PPLA Participations Ltd.

### Notes to the interim condensed financial statements

As of September 30, 2018

(In thousands of reais)

#### (i) Merchant banking investments - FIP

As of September 30, 2018 and December 31, 2017, PPLA Investments Merchant Banking investments corresponds to private equity and real estate investments, through FIP, as disclosed below:

Merchant Banking investments	Description/Segment activity	09/30/2018		12/31/2017	
		(%) (1)	Fair Value	(%) (1)	Fair Value
Through FIPs:					
Universo Online S.A.	Internet and server provider	2.3%	475,490	2.30%	162,690
Estre Participações S.A.	Waste collection, treatment and disposal	17.8%	88,378	9.70%	88,402
Auto Adesivos Paraná S.A.	Adhesives, labels and special paper company	30.1%	38,546	30.10%	29,231
A!Bodytech Participações S.A.	Fitness segment	10.4%	19,121	10.60%	18,169
Deep Sea Group	Maritime transport and logistics services for the oil and gas sector	0.4%	3,996	14.70%	3,494
Brasil Brokers Participações S.A.	Investment in real estate companies	-	-	4.50%	925
<b>Total</b>			<b>625,531</b>		<b>302,911</b>

(1) The equity interest disclosed in the table above refers to the interest of PPLA Investments in the mentioned entities .

#### (e) Loans and receivables

	09/30/2018	12/31/2017
Partners (i)	863,541	1,523,503
Others	12,288	75,700
<b>Total</b>	<b>875,829</b>	<b>1,599,203</b>

(i) Loans indexed to CDI or libor, and the maturity are in general higher than 1 year. Loans to partners are provided in connection to the acquisition of shares in BTG Pactual Group.

As of September 30, 2018 and December 31, 2017, the fair value attributed to the Loans and receivables is similar to its amortized cost.

#### (f) Financial liabilities at amortized cost

	Maturity	Index	09/30/2018	
			Cost	Fair value
Loans with financial institutions	December-18 to September-20	Libor and 1.15% to 5.3% p.a.	2,162,708	2,154,624
Medium term notes	July-18 to June-19	0.8%p.a. to 100% CDI	295,113	295,113
<b>Total</b>			<b>2,457,821</b>	<b>2,449,737</b>
			12/31/2017	
	Maturity	Index	Cost	Fair value
Loans with financial institutions	March-18 to August-20	Libor and 1.15% to 5.3% p.a.	5,328,498	5,386,984
Medium term notes	January-18 to June-19	0.8%p.a. to 100% CDI	1,722,732	1,723,130
<b>Total</b>			<b>7,051,230</b>	<b>7,110,114</b>

Certain issuance of the loans and medium term notes are guaranteed by BTG Pactual Holding S.A., parent company of BTG Pactual S.A.

## PPLA Participations Ltd.

### Notes to the interim condensed financial statements

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(In thousands of reais)

#### (g) Fair value Hierarchy

PPLA Participations classifies its investment entity portfolio as level 3. However, the underlying assets and liabilities of this portfolio have different classification which is presented as follows:

##### (i) Investment entity portfolio

	09/30/2018			Total
	Level 1	Level 2	Level 3	
<b>Investment entity portfolio</b>				
Merchant Banking investments				
Private equity funds	-	-	132,002	<b>132,002</b>
Subsidiaries, associates and jointly controlled entities	-	699,565	118,735	<b>818,300</b>
Global markets investments	-	5,621	-	<b>5,621</b>
Loans	-	1,031,637	-	<b>1,031,637</b>
Others	-	(1,128,238)	-	<b>(1,128,238)</b>
<b>Total</b>	<b>-</b>	<b>608,585</b>	<b>250,737</b>	<b>859,322</b>

  

	12/31/2017			Total
	Level 1	Level 2	Level 3	
<b>Investment entity portfolio</b>				
Merchant Banking investments				
Private equity funds	-	-	79,483	79,483
Subsidiaries, associates and jointly controlled entities	-	1,337,250	117,224	1,454,474
Global markets investments	-	164,987	-	164,987
Loans	-	4,652,319	-	4,652,319
Others	-	(1,512,814)	-	(1,512,814)
<b>Total</b>	<b>-</b>	<b>4,641,742</b>	<b>196,707</b>	<b>4,838,449</b>

Changes in level 3 for the period ended September 30, 2018 and year ended December 31, 2017 are as follows:

	Merchant Banking investments
<b>Balances as of December 31, 2016</b>	<b>856,050</b>
Acquisitions	530
Losses on fair value of investment entity portfolio	(659,873)
<b>Balances as of December 31, 2017</b>	<b>196,707</b>
Acquisitions	98,183
Losses on fair value of investment entity portfolio	(44,153)
<b>Balances as of September 30, 2018</b>	<b>250,737</b>

##### (ii) Investments at fair value through other comprehensive income

The summary of assets and liabilities classified in accordance with the fair value hierarchy is as follows:

	09/30/2018			Total
	Level 1	Level 2	Level 3	
<b>Investments at fair value through other comprehensive income</b>				
Merchant Banking investments - FIP	3,996	-	621,535	<b>625,531</b>
Others	-	(32,514)	-	<b>(32,514)</b>
<b>Total</b>	<b>3,996</b>	<b>(32,514)</b>	<b>621,535</b>	<b>593,017</b>

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### Notes to the interim condensed financial statements

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	12/31/2017			Total
	Level 1	Level 2	Level 3	
<b>Investments at fair value through other comprehensive income</b>				
Merchant Banking investments - FIP	4,419	-	298,492	302,911
Others	-	(45,162)	-	(45,162)
<b>Total</b>	<b>4,419</b>	<b>(45,162)</b>	<b>298,492</b>	<b>257,749</b>

Changes in level 3 for the period ended September 30, 2018 and year ended December 31, 2017 are as follows:

	Merchant Banking investments
<b>Balances at December 31, 2016</b>	<b>213,042</b>
Gain on fair value of investment entity portfolio	85,450
<b>Balances at December 31, 2017</b>	<b>298,492</b>
Sale	(38,303)
Gain on fair value of investment entity portfolio	361,346
<b>Balances at September 30, 2018</b>	<b>621,535</b>

#### (iii) Loans and receivables

Loans and receivables are presented at fair value at PPLA Participations' level using a pricing model in which the relevant parameters are based on observable active market data. Therefore, they fall in the Fair Value Level 2 category.

#### (iv) Financial liabilities at amortized cost

Financial liabilities at amortized cost are presented at fair value at PPLA Participations' level using a pricing model in which the relevant parameters are based on observable active market data. Therefore, they fall in the Fair Value Level 2 category.

#### (v) Derivatives

Derivatives are presented at fair value at PPLA Participations' level using pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation. Therefore, they were classified as a Level 3.

#### (vi) Summary of valuation techniques

There were no changes from the valuation techniques disclosed in the interim condensed financial statements for the period in September 30, 2018.

#### (vii) Reclassification between levels

During the period ended September 30, 2018 there were no reclassification between levels and fair value hierarchy.

## PPLA Participations Ltd.

### Notes to the interim condensed financial statements

As of September 30, 2018

(In thousands of reais)

## 6. Shareholders' equity

### a. Capital

In August, 2017, the reverse stock split of Class A shares and Class B shares issued by the Company, as approved by the Company's Board of Directors' Meeting, held on August 4, 2017 (the "Shareholders' Meeting") was ratified.

As of the trading session of September 8, 2017, the Company's units started to be listed and traded reflecting the new proportions of the Reverse Stock Split, as well as the BDRs representing shares issued by the Company were listed reflecting the new proportions of the Reverse Stock Split, at a ratio of nine-to-one.

As of September 30, 2018 and December 31, 2017, the Company's capital was comprised by the following class of shares:

	09/30/2018				
	Authorized	Issued	Par value (R\$)	Voting rights	Vote per share
Class A (i)	5,000,000,000	28,146,637	-	Yes	1
Class B (i)	10,000,000,000	56,293,346	-	No	-
Class C	1	1	10	Yes	(*)
Class D	1,000,000,000	-	0,0000000001	Yes	1
<b>Total</b>	<b>16,000,000,001</b>	<b>84,440,020</b>			

  

	12/31/2017				
	Authorized	Issued	Par value (R\$)	Voting rights	Vote per share
Class A (i)	5,000,000,000	28,146,637	-	Yes	1
Class B (i)	10,000,000,000	56,293,346	-	No	-
Class C	1	1	10	Yes	(*)
Class D	1,000,000,000	-	0,0000000001	Yes	1
<b>Total</b>	<b>16,000,000,001</b>	<b>84,440,020</b>			

(\*) Class C shareholders have voting rights equivalent to ten times the total number of issued and subscribed A and D Class shares at any moment.

(i) Only class A and class B shareholders are entitled to economic benefits.

### b. Treasury shares

During the period ended September 30, 2018, the Company did not repurchased units.

During the year ended December 31, 2017, the Company repurchased units in the amount of R\$30,373, equivalent to 16,160,980 units and canceled units in the amount of R\$44,379, equivalent to 15,846,080 units.

### c. Dividends

The Company did not distribute dividends for the period ended on September 30, 2018 and year ended on December 31, 2017.

## PPLA Participations Ltd.

### Notes to the interim condensed financial statements

As of September 30, 2018

(In thousands of reais)

## 7. Loss per share

	Quarters ended on:		Nine-month periods ended on:	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Loss attributed to controlling shareholders	(20,980)	(58,723)	(156,916)	(431,523)
Weighted average per thousand shares outstanding during period (i)	69,689	308,675	69,689	519,635
<b>Loss per share – Basic and Diluted (in Reais)</b>	<b>(0.30)</b>	<b>(0.19)</b>	<b>(2.25)</b>	<b>(0.83)</b>

(i) Class A and class B shares.

## 8. Loss from investment entity portfolio measured at fair value

The breakdown of this item for the period ended September 30, 2018 and 2017 is as follows:

	Quarters ended on:		Nine-month periods ended on:	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Investment entity portfolio loss	(20,980)	(18,603)	(156,916)	(411,210)
Others	-	(40,134)	-	(20,222)
<b>Total</b>	<b>(20,980)</b>	<b>(58,737)</b>	<b>(156,916)</b>	<b>(431,432)</b>

## 9. Administrative expenses

	Quarters ended on:		Nine-month periods ended on:	
	09/30/2018	09/30/2017	09/30/2018	09/30/2017
Professional fees	-	-	-	(105)
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(105)</b>

## 10. Related Parties

As of September 30, 2018 and December 31, 2017, PPLA Participations presented no balances of related-party transactions.

No management compensation was recorded during the period ended on September 30, 2018 and year ended December 31, 2017.