

PPLA Participations – PPLA11

Earnings Release

Fourth Quarter 2017

March 6, 2018

Performance PPLA Participations

Rio de Janeiro, Brazil, March 6, 2018 - PPLA Participations Ltd. (PPLA Participations), reported losses of R\$100.6 million and a total comprehensive loss of R\$90.1 million for the quarter ended December 31, 2017 (4Q 2017).

Financial position and results from PPLA Participations consists mostly of its proportional share on PPLA Investments' equity, equivalent to 28.0% as of December 31, 2017.

PPLA investments, in its turn, posted losses, mainly related to Merchant Banking portfolio, in special, negative fair value adjustment in BR Pharma debt instruments, and from interest expenses recognized on PPLA Investments' financial liabilities, partially offset by positive fair value adjustment in our position in BTG Pactual Bonds.

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

As of December 31, 2017 the total theoretical number of units of PPLA11¹ was 100.5 million units, and its book value per unit would be R\$6.26, considering PPLA Investments net equity of R\$628.8 million.

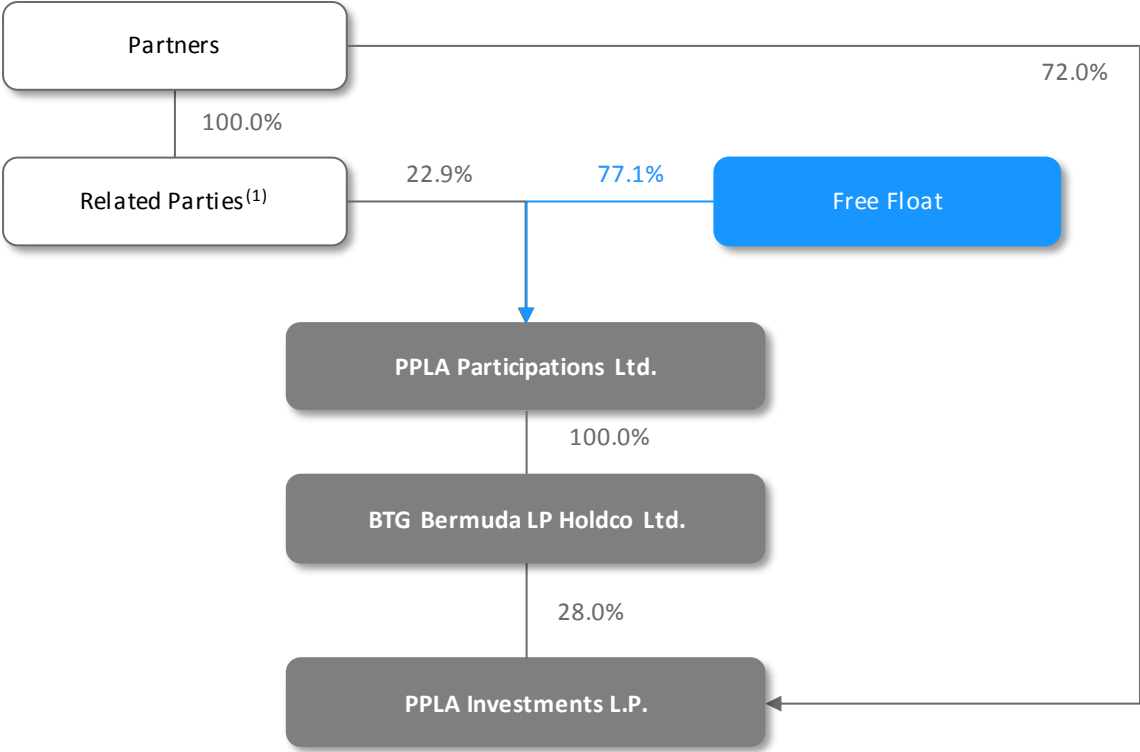
Relevant Events

On October 2017 PPLA Investments reduced its position of Banco BTG Pactual S.A. Bonds in R\$1,290 million in context of the buyback program conducted by Banco BTG Pactual S.A.

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



(2) 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 because we believe they are more meaningful than those ones 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	
	3Q 2017	4Q 2017
Financial income	(25)	(395)
Financial expenses	(67)	(68)
Gross financial income	(92)	(463)
Other operating income (expenses)	(2)	1
Operating income	(95)	(461)
Non-operating income/(expenses)	-	-
Income before taxes and profit sharing	(95)	(461)
Income and social contribution taxes	-	-
Statutory profit sharing	-	-
Non-controlling interest	-	-
Net income	(95)	(461)

Note: As PPLA Investments is accounted in USD, the adjusted financial statements do not consider the effect of exchange variation of the assets, reporting the net income in BRL. The income statement disclosed above is pro forma, excluding conversion impacts between lines.

In 4Q 2017 PPLA Investments had a negative gross financial income of R\$463 million, related mainly to the adjustment at fair value of BR Pharma investment. The result was also impacted by the financial expense of R\$68 million related mostly to PPLA Investments' financial liabilities.

These losses were partially offset by a positive impact of the fair value of our BTG Pactual Bonds which increased from 98.8% of par in 3Q 2017 to 102.0% in 4Q 2017.

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\$461 million in line with the gross financial income.

	PPLA Participations (28.02%)	PPLA Investments
Net Income	(129.2)	(461.3)
PPLA Investments' other comprehensive Income (OCI)	36.3	129.7
(-) FX Reval Adjustments	(10.4)	(37.0)
Total (A)	(103.3)	(368.6)
Fair value of PPLA Investments debt (B)	2.8	
Total losses (A+B)	(100.6)	
Other comprehensive income (C)	10.5	
Total comprehensive losses (A+B+C)	(90.1)	

Main Assets

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

Summarized Balance Sheet | PPLA

Unaudited pro-forma balance sheet (in R\$ million)					
	3Q 2017	4Q 2017		3Q 2017	4Q 2017
Assets	5,735.08	4,653.13	Liabilities + Equity	5,735.08	4,653.13
Cash & Equivalents	149.8	564.2	Financial Liabilities	4,754.9	4,004.6
Investment Entity Portfolio	3,806.0	2,174.9	- Financial Institutions ⁽¹⁾	2,627.4	2,281.8
Merchant Banking	2,051.9	1,585.8	- Medium Term Notes	2,127.5	1,722.7
- Lojas Leader	590.2	586.6			
- BR Pharma	768.4	315.4			
- DSB	273.9	273.9			
- B&A	78.6	84.2	Other Liabilities	23.0	19.7
- Fazendas Timber	120.2	124.7			
- BR Pec	90.8	79.5			
- Other Assets	129.8	121.6			
BTG Pactual Bonds ⁽²⁾	1,733.2	568.7			
Global Markets ⁽²⁾	20.9	20.3			
Invest at Fair Value - OCI	119.6	255.4			
Loans and Receivables	1,638.4	1,599.2			
- Partners	1,511.3	1,523.5			
- Other	127.1	75.7			
Other Assets ⁽¹⁾	21.3	59.5	Shareholders Equity	957.2	628.8

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

- (i) **Cash & Equivalents** ended the quarter in R\$564.2 million compared to R\$149.8 million on the previous quarter. The increase was due to the buyback program made by BTG Pactual of its perpetual bond (**BTG Pactual Bonds**), that was partially offset by the payment of financial liabilities.
- (ii) **Investment Entity Portfolio.**
- Corporate loan of R\$586.6 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 4Q 2017.
 - Corporate loans and marketable securities in **BR Pharma**, a pharmaceutical retail company undergoing operational turn-around. The credit performance will depend on business capacity to implement such turn-

around. The decrease in exposure is mostly due to the fair value adjustment of R\$453 million made in 4Q 2017 in the context of BR Pharma's recent request for judicial recovery. The current exposure is equivalent to a corporate loan of R\$177.4 million and a marketable debt security of approximately R\$137.9 million, both recorded at fair value.

- c. Corporate loan of R\$273.9 million to **DSB** – Bravante, a company that operates in the oil and gas industry rendering services of marine and port support, shipbuilding and ship repair and environmental protection. The company is undergoing an operational turn-around and the credit recovery will depend on business capacity to implement it. The total exposure remained stable during 4Q 2017.
 - d. **B&A** is a mining company to develop and explore opportunities in this sector. The R\$84.2 million exposure is related to a debt instrument. The total exposure comprises the recovery value of the investment at fair value.
 - e. **Fazendas Timber** consists of land properties, dedicated to management and commercial activities inherent to the eucalyptus and pine plantation. The total exposure remained stable during 4Q 2017.
 - f. Equity investment of R\$79.5 million in **BR Pec**, an agricultural / ranching company that is focused on production of soy, corn and cattle. The operations are focused on improving productivity levels. PPLA Investments owns 100% of the asset. The 14.2% decrease in asset value from 3Q 2017 was mostly due to the interest accrual in the company's debt, and the maintenance of company's land at the same value.
 - g. **Other Assets** inside Merchant Banking portfolio consist of over ten smaller investments across different sectors.
- (iii) **BTG Pactual Bonds** consists in perpetual bonds issued by Banco BTG Pactual S.A. The bonds at the end of 4Q 2017 were trading at 102.0% of par value, compared to 98.8% in 3Q 2017. The decrease in total exposure was due to the sale of part of the position in the context of the buyback program conducted by Banco BTG Pactual S.A.
- (iv) PPLA Investments also carries other private equity assets, under **Invest at Fair Value – OCI**, which are mainly held via investment funds, such as UOL, CCRR and Estre, among other investments. The increase in exposure is mostly due to fair value adjustments of R\$57.8 million in UOL and R\$62.5 million in Estre.
- (v) **Loans and Receivables** exposure consists of R\$1,523.5 million of loan related to the partnership and R\$75.7 million of other loans. The loans are recorded on an accrual basis.
- (vi) **Financial Liabilities**
- a. Liabilities to Financial Institutions, consist in several long term loans, most of them with Brazilian financial institutions, the total exposure went down to R\$2,281.8 in 4Q 2017 due to prepayments performed this quarter.
 - b. Medium Term Notes: PPLA Investments has issued notes to finance its operations over the last 4 years. The total exposure decreased 19.3% from the last quarter due to buybacks performed this quarter.

Basis for Presentation

Except where otherwise noted, the information concerning our financial condition presented in this document is based on our Balance Sheet and Income Statement, which is prepared in accordance with IFRS.

Forward-looking statements

This document may contain estimates and forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the U.S. Securities Exchange Act of 1934, as amended, or the Exchange Act. These statements may appear throughout this document. These estimates and forward-looking statements are mainly based on the current expectations and estimates of future events and trends that affect or may affect the business, financial condition, and results of operations, cash flow, liquidity, prospects and the trading price of the units. Although we believe that these estimates and forward-looking statements are based upon reasonable assumptions, they are subject to many significant risks, uncertainties and assumptions and are made in light of information currently available to us. Forward-looking statements speak only as of the date they were made, and we do not undertake the obligation to update publicly or to revise any forward-looking statements after we distribute this document as a result of new information, future events or other factors. In light of the risks and uncertainties described above, the forward-looking events and circumstances discussed in this document might not occur and future results may differ materially from those expressed in or suggested by these forward-looking statements. Forward-looking statements involve risks and uncertainties and are not a guaranty of future results. As a result, you should not make any investment decision on the basis of the forward-looking statements contained herein.

Rounding

Certain percentages and other amounts included in this document have been rounded to facilitate their presentation. Accordingly, figures shown as totals in certain tables may not be an arithmetical aggregation of the figures that precede them and may differ from the financial statements.