PPLA Participations Ltd.

Financial Statements in IFRS

December 31, 2018

with independent auditor's review report

PPLA Participations Ltd.

Financial statements

As of December 31, 2018

Content

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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 report on financial statements

To the Shareholders and Management of
PPLA Participations Ltd.

Opinion on financial statements

We have audited the financial statements of PPLA Participations Ltd. (Company), which comprise the balance sheet as of December 31, 2018, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies. In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards, issued by International Accounting Standards Board – IASB.

Basis for opinion on financial statements

We conducted our audit in accordance with Brazilian and International Standards on Auditing. Our responsibilities under those standards are further described in the "*Auditor's responsibilities for the audit of the financial statements"* section of our report. We are independent of the Company in accordance with the relevant ethical principles of the Code of Professional Ethics of Accountant and professional standards issued by the Federal Accounting Council, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is suficiente and appropriate to provide a basis for our opinion.

Significant uncertainty

Auditor´s report of PPLA Investments Ltd.

On December 31, 2018, PPLA Participations Ltd. has investments in the amount of R$ 3,799 thousand in the Company PPLA Investments Ltd. evaluated by the equity method. The financial statements of this investment were audited by other independent auditors who issued a report dated March 29, 2019, without qualification, containing the paragraph of Significant uncertainty disclosed below:

Going Concern

The Company had a recurring reduction in shareholders' equity over the last years, mainly due to losses arising from negative mark-to-market in its portfolio of investments and the reversal of the deficit scenario depends on the success initiatives taken by management. This situation indicates the existence of a relevant uncertainty that may raise significant doubt about its operational continuity. Our opinion has no qualifications related to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Fair value measurement of complex and illiquid financial instruments and derivatives

The Company has complex and illiquid financial instruments in its investment portfolio, which are priced and recorded at fair value. The fair value measurement of these instruments requires management to use pricing models and assumptions, such as expected cash flow, risk free rate, credit risk spread, among other inputs. Due to the nature of these instruments and the complexity and subjectivity involved in the valuation methodologies, we considered the measurement of these complex and illiquid financial instruments as one of the main audit matters.

How our audit conducted this matter

Our audit procedures included, among others, the review of the work of specialists involved in complex and illiquid financial instruments pricing to assist us in the evaluation of the pricing methodologies and the assumptions considered by management in measuring the fair value of these instruments.

Based on the evidence obtained from the procedures performed on these complex and illiquid financial instruments and derivatives, which were consistent with management evaluation, we considered that the criteria and assumptions adopted by management on the fair value measurement of these complex and illiquid financial instruments and derivatives were adequate in the context of the financial statements taken as a whole. In addition, we evaluated the adequacy of the disclosures on footnotes nº 5 to the financial statements of the Company.

Related party transactions

The Company is part of an organizational structure with several legal entities, in Brazil and abroad, and it carries out, within its operations, transactions with these related parties. Due to the number of related parties, and the volume and the inherent risk associated to these transactions, we considered related parties transactions to be one of the main audit matters.

How our audit conducted this matter

Our audit procedures included, among others, the understanding of the Company's policies and procedures for identifying and mapping transactions with related parties, as well as obtaining formal representation by management with respect of the identification of all related parties with the Company. Additionally, we audited, on a sampled basis, the transactions with related parties and the respective eliminations, when applicable, in the financial statements.

Based on the evidence obtained from the procedures performed on related party transactions, which were consistent with management evaluation, we considered that management policies and criteria in identifying and recognizing these transactions were adequate in the context of the financial statements taken as a whole. In addition, we evaluated the adequacy of the disclosures to the financial statements of the Company.

Other information accompanying the financial statements and the auditor's report

Company's management is responsible for such other information, which includes the Management Report. Our opinion on the financial statements does not cover the Management Report and we do not express any form of audit conclusion thereon.

In connection with the audit of the financial statements, our responsibility is to read the Management Report and, in doing so, to consider whether this report is materially inconsistent with the financial statements or with our knowledge obtained in the audit, or otherwise whether this report appears to be materially misstated. If based on our work we conclude that there is material misstatement in the Management Report, we are required to report this fact. We have nothing to report on this matter.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards, issued by International Accounting Standards Board – IASB, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process, and includes Management, Audit Committee and Board of Directors of the Company.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Brazilian and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditor's responsibilities for the audit of the financial statements--Continued

As part of an audit conducted in accordance with Brazilian and International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may envolve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements, including the applicable independence requirements, and communicate any relationships or matters that could significantly affect our independence, including, where applicable, respective safeguards.

Based on the matters that were communicated to those in charge of governance, we determine those that were considered most significant in the audit of the financial statements for the current year and, therefore, that represent the significant audit issues.

Auditor's responsibilities for the audit of the financial statements--Continued

We describe these matters in our audit report, unless the law or regulation has forbidden public disclosure of the matter or when in extremely rare circumstances we determine that the matter should not be included in our report because the adverse consequences from such disclosure may, within a reasonable perspective, overcome the benefits from communication to the public interest.

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

São Paulo, March 29, 2019.

Baker Tilly 4Partners Auditores Independentes S.S.

Fábio Rodrigo Muralo **Leonardo Boiani Antoniazzi**

PPLA Participations Ltd.

Balance sheets
As of December 31, 2018 and 2017
(In thousands of reais)

Assets	**Note**	**12/31/2018**	**12/31/2017**
Investment entity portfolio	5	3,799	159,698
Total assets		**3,799**	**159,698**
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		424,445	417,388
Accumulated losses		(1,922,494)	(1,759,538)
Total shareholders' equity		**3,799**	**159,698**
Total liabilities and shareholders' equity		**3,799**	**159,698**

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

PPLA Participations Ltd.

Statements of income

Years ended December 31, 2018 and 2017

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

	Note	12/31/2018	12/31/2017
Loss on investment entity portfolio measured at fair value	8	(162,956)	(531,952)
Operating loss		**(162,956)**	**(531,952)**
Administrative expenses	9	-	(105)
Other revenues		-	(1)
Loss for the year		**(162,956)**	**(532,058)**
Loss per share (basic and diluted - R$)	7	(2.34)	(1.29)

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

PPLA Participations Ltd.

Statements of comprehensive income
Years ended December 31, 2018 and 2017
(In thousands of reais)

	12/31/2018	12/31/2017
Loss for the year	(162,956)	(532,058)
Other comprehensive results not to be reclassified to profit or loss:	**7,057**	**(1,261)**
Currency translation adjustments	7,057	(1,261)
Total comprehensive loss for the year	**(155,899)**	**(533,319)**

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

PPLA Participations Ltd.

Statement of changes in shareholders' equity
Years ended December 31, 2018 and 2017
(In thousands of reais)

	Note	Capital stock and share premium	Treasury shares	Other comprehensive income	Accumulated losses	Total shareholders' equity
Balance as of December 31, 2016		**1,504,802**	**(17,991)**	**418,649**	**(1,182,826)**	**722,634**
Sale of treasury shares	1, 6	-	(29,617)	-	-	(29,617)
Cancelation of treasury shares		-	44,654	-	(44,654)	-
Net loss of the period		-	-	-	(532,058)	(532,058)
Currency translation adjustments		-	-	(1,261)	-	(1,261)
Balance as of December 31, 2017		**1,504,802**	**(2,954)**	**417,388**	**(1,759,538)**	**159,698**
Net loss of the period		-	-	-	(162,956)	(162,956)
Currency translation adjustments		-	-	7,057	-	7,057
Balance as of December 31, 2018		**1,504,802**	**(2,954)**	**424,445**	**(1,922,494)**	**3,799**

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

PPLA Participations Ltd.

Statements of cash flows

Years ended December 31, 2018 and 2017
(In thousands of reais)

	12/31/2018	12/31/2017
Operating activities		
Loss for the year	(162.956)	(532.058)
Adjustments to the loss for the year		
Losses from investment entity portfolio measured at fair value	162.956	531.952
Adjusted loss for the year	**-**	**(106)**
(Increase) / decrease in operating assets, net		
Investment entity portfolio	-	29.616
Cash provided by operating activities	**-**	**29.510**
Financing activities		
Sale of treasury shares	-	(29.617)
Cash used in financing activities	**-**	**(29.617)**
Decrease in cash and cash equivalents	**-**	**(107)**
Balance of cash and cash equivalents		
At the beginning of the year	-	107
At the end of the year	-	-
Decrease in cash and cash equivalents	**-**	**(107)**

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

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 clarifying the investors' understanding of the BPAC11 units and BBTG12 units (PPLA Participacions, 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 year ended December 31, 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.

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.

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.

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 December 31, 2018, 2,070,600 units (December 31, 2017: 5,896,900) are held in treasury.

Acquisitions and sales

During the year ended December 31, 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$262 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 December 31, 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 year ended December 31, 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 indebtness.

During the year ended December 31, 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 financial statements

The Company's financial statements were prepared and are being presented in accordance with International Financial Reporting Standards, issued by International Accounting Standards Board (IASB).

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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.

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 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.

- 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 financial statements of Company were identified.

The financial statements were approved by the Management on March 29, 2019, and they contain a true and fair view of the financial position and results of the Company.

3. Main accounting practices

a. Use of estimates

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported balances of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenses during the year. These estimates are based on historical experience and various other factors that Management believes are reasonable under the circumstances, the results form the basis for judgments about carrying values of assets and liabilities, which are not determined through other sources. The actual results could differ from those estimates.

b. Functional currency and presentation

Functional currency

The items included in the financial statements of each of the subsidiaries 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.

Foreign currency translation

The financial statements of subsidiaries whose functional currency is different from that adopted by the parent Company, are translated into the functional currency of the parent using the criteria in IAS 21.

Monetary assets and liabilities denominated in currencies other than U.S. Dollars are converted into U.S. Dollar using exchange rates closing at the end of each year. The non-monetary assets and liabilities are translated using the historical rate date. Transactions during the end of the financial year, including purchases and sales of securities, income and expenses are translated at the exchange rate in effect at the transaction date. Gains and losses on foreign currency transactions are included in “translation adjustments” in the statement of comprehensive income.

Presentation currency

These financial statements are presented using the Brazilian Real (“Real” or “reais” or “R$”) , the presentation currency, as its reporting currency exclusively to meet the specific requirements of the Brazilian Federal Securities Commission (“CVM”), the Brazilian regulatory body.

The conversion of U.S. Dollar functional currency into reais (presentation currency) was recorded pursuant to the methodology described in IAS 21 – (“The effects of changes in exchange rates”), and is summarized below:

- The assets and liabilities for each balance sheet date were translated at the closing exchange rate at the balance sheet date. Income and expenses were translated using monthly average exchange rate.

- For assets and liabilities for each balance which IAS 21 does not establish a methodology for translation, the Company elected to translate balances using the closing rate of each balance sheet, and other movements in shareholders’ equity were converted using monthly average rate, except those that correspond to a specific transaction with shareholders that were converted at the exchange rate at the transaction date.

- For the preparation of the statement of cash flows, the Company used the average annual rate for the conversion of balances of changes in assets and liabilities items of operational cash flows. For the remaining transactions, the Company used the historical rate. All resulting translation differences are recognized directly in “translation adjustments” in the statement of other comprehensive income.

All resulting translation differences are recognized directly in “translation adjustments” in the statement of other comprehensive income.

c. Cash and cash equivalents

For the purposes of statements of cash flow, cash and cash equivalents includes cash, bank deposits and highly-liquid short-term investments redeemable in up to 90 days, subject to an insignificant risk of change in value.

d. Revenue and expense recognition

Net gains with financial instruments

Amounts that arise from trading activity including all gains and losses from changes in the fair value and the interest and dividend income or expense of financial assets and liabilities held for trading.

Interest income (expense)

Interest income (expense) is recognized as incurred, using the effective interesting rate method. The interest on financial instruments held for trading are recorded in “Gain (losses) on financial instruments held for trading”.

Dividend income

For investments classified as fair value through profit and loss and available for sale, dividend income is recognized when the right to receive payment is established.

Dividends on financial instruments held for trading are recorded as “Gain (losses) on financial instruments held for trading”, and dividends received on financial assets as available for sale are classified as “Gain (losses) on financial assets available for sale”.

e. Financial instruments

This section described the accounting practices adopted as a result of the early 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 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

Financial assets and liabilities classified in this category are those designed as such on initial recognition. The designation of a financial instrument at fair value through profit or loss on initial recognition is only possible when the following criteria is observed and the designation of each instrument is individually determined:

- Designation eliminates or significantly reduces the inconsistent treatment which would occur in the measurement of assets and liabilities or in the recognition of gains and losses corresponding to different ways; or

- Assets and liabilities are part of a group of financial assets, financial liabilities, or both, which are managed and with their performance assessed based on the fair value, as a documented strategy of risk or investment management; or

- The financial instrument contains one (or more) embedded derivative(s), which significantly modifies the cash flows that would otherwise be required by the agreement.

Financial assets and liabilities at fair value through profit and loss are recorded in the balance sheet at fair value. Changes in the fair value and earned or incurred interest are recorded in “Net gain on financial assets or liabilities designated at fair value through profit and loss”.

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.

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 Company 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 Company if the commitment is drawn down and the cash flows that the Company expects to receive; and

- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Company 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.

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 statements of income against other comprehensive income in an account called “accumulated impairment amount”. However, if in a subsequent period 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.

f. Valuation of Investment entity portfolio

Investment entity portfolio is held at fair value with movements in fair value going through the profit and loss account. The investments held by BTG Holdco (through BTGI) are defined as underlying investments. These underlying investments correspond substantially to an investment in global markets and merchant banking investments which are generally made directly or through ownership in limited partnership funds. The merchant banking investments are comprised of equity ownerships, loans and convertible instruments which most of the risk and return are dependent on the fair value and characteristics of underlying equity. The Company may adjust these values if, in its view, the values do not reflect the price which would be paid in an open and unrestricted market between informed and prudent parties, acting at arm's length and under no compulsion to act.

Investment entity portfolio are measured according to the fair value measurement hierarchy described below:

Level 1: Price quotations observed in active markets for the same instrument;

Level 2: Price quotations observed in active markets for instruments with similar characteristics or based on pricing model in which the relevant parameters are based on observable active market data;

Level 3: Pricing models in which current market transactions or observable data are not available and require a high degree of judgment and estimation. Instruments in this category have been valued using a valuation technique where at least one input which could have a significant effect on the instrument's valuation, is not based on observable market data. Where inputs can be observed from market data without undue cost and effort, the observed input is used. Otherwise, the Company determines a reasonable level for the input. The valuation models are developed internally and are reviewed by the pricing team, which is independent from the revenue generating areas, they are updated whenever there is evidence of events that could have affected the assets' pricing. Investment entity portfolio primarily includes certain limited partnership interests in private equity funds mainly derived from our merchant banking activities and OTC derivatives which valuation depends upon unobservable inputs. No gain or loss is recognized on the initial recognition of an investment entity portfolio valued using a technique incorporating significant unobservable data.

Level 3 valuation assumptions

Asset	Valuation technique	Main assumptions
Private Equity Funds (unquoted investments)	Price of recent investments; Models based on discounted cash flows or earnings; Market and transaction (M&A) multiples.	Market and revenue growth, profitability and leverage expectations, discount rates, macro-economic assumptions such as inflation and exchange rates, risk premiums including market, size and country risk premiums.
Derivatives	Standard models and non-bidding quoted prices	Probability of default and recovery rates.

In certain cases, data used to determine fair value may be from the different levels of the fair value measurement hierarchy. In these cases, the financial instrument is classified in the most conservative hierarchy in which the relevant data for the fair value assessment were used. This evaluation requires judgment and considers specific factors of the relevant financial instruments. Changes in the availability of the information may result in reclassification of certain financial instruments among the different levels of fair value measurement hierarchy.

g. Financial instruments – Offsetting

Financial assets and liabilities are presented net in the balance sheet if, and only if, there is a current and enforceable legal right to offset the amounts recognized and if there is the intention to offset, or to realize the asset and clear the liability simultaneously.

h. Contingent assets and liabilities

Provisions are recognized when the Company has a current obligation (legal or constructive), as the result of a past event and it is probable that an outflow of resources which incorporates economic benefits shall be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. The expense related to any allowance is presented in the income statement net of any reimbursement.

(In thousands of reais)

The recognition, measurement and the disclosure of the assets and contingent liabilities and of the legal are made pursuant to the criteria described below.

Contingent assets - not recognized in the financial statements, except when there is evidence that realization is virtually certain.

Contingent liabilities - are recognized in the financial statements when, based on the opinion of legal advisors and Management, the risk of loss of an action, judicial or administrative is deemed likely, with a probable outflow of resources to settlement of the obligations and when the amounts involved can be reasonably measured. Contingent liabilities classified as possible losses by the legal advisors are only disclosed in explanatory notes, while those classified as remote losses are neither provided for nor disclosed.

i. Profit allocation

The dividends are classified as liabilities when declared by the board and approved by the Extraordinary / Ordinary General Meeting.

j. Segment information

IFRS 8 requires that operating segments are disclosed consistently with information provided to the Company's chief operating decision maker, who is the person or group of persons that allocates resources to the segments and assesses their performance. Management believes the Company has only one segment, which is related to the overall activity of an investment entity and so no segment information is disclosed.

k. Invested companies

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

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

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(In thousands of reais)

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

		Equity interest - %	
	Country	12/31/2018	12/31/2017
Invested			
BTG Loanco LLC	USA	100.00	100.00
BTG Pactual Stigma LLC	USA	100.00	100.00
BTG Equity Investments LLC	USA	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
Investment funds			
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.

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

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:

	December 31, 2018	December 31, 2017	December 31, 2016
In millions of R$			
Daily average VaR	0.2	0.3	0.7

(In thousands of reais)

Credit risk

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

	12/31/2018			
	Brazil	**United States**	**Others**	**Total**
Assets				
Investment entity portfolio				
Cash and cash equivalents	41,004	-	-	**41,004**
Financial Assets at fair value through profit or loss				
Securities	-	-	8,450	**8,450**
Investment entity portfolio (i)	226,736	-	1,507	**228,243**
Investments at fair value through other comprehensive income	175,552	767	(8,128)	**168,191**
Loans and receivables (ii)	2,857	133,690	72,724	**209,271**
Other assets	4,671	-	-	**4,671**
Liabilities (iii)	-	-	(656,031)	**(656,031)**
Total	**450,820**	**134,457**	**(581,478)**	**3,799**

	12/31/2017			
	Brazil	**United States**	**Others**	**Total**
Assets				
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
Liabilities (iii)	-	-	(1,995,548)	(1,995,548)
Total	**1,481,712**	**979**	**(1,322,993)**	**159,698**

(i) The amount of R$1,507 (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 5cii.
(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:

	12/31/2018				
	Private institutions	**Companies**	**Individuals**	**Others**	**Total**
Assets					
Investment entity portfolio					
Cash and cash equivalents	41,004	-	-	-	**41,004**
Financial Assets at fair value through profit or loss					
Securities	8,450	-	-	-	**8,450**
Investment entity portfolio	281,446	266,773	-	(319,976)	**228,243**
Investments at fair value through other comprehensive income	-	176,319	-	(8,128)	**168,191**
Loans and receivables	-	-	205,842	3,429	**209,271**
Other assets	-	-	-	4,671	**4,671**
Liabilities (i)	-	-	-	(656,031)	**(656,031)**
Total	**330,900**	**443,092**	**205,842**	**(976,035)**	**3,799**

PPLA Participations Ltd.

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	12/31/2017				
	Private institutions	**Companies**	**Individuals**	**Others**	**Total**
Assets					
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
Liabilities (i)	-	-	-	(1,995,548)	(1,995,548)
Total	**1,626,690**	**535,884**	**426,872**	**(2,429,748)**	**159,698**

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

b. Liquidity analysis and risk

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

As of December 31, 2018 and 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 December 31, 2018 and 2017:

	12/31/2018				
	Up to 90 days / No maturity	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Assets					
Investment entity portfolio					
Cash and cash equivalents	41,004	-	-	-	**41,004**
Financial Assets at fair value through profit or loss					
Securities	-	-	-	8,450	**8,450**
Investment entity portfolio	281,446	-	-	(53,203)	**228,243**
Investments at fair value through other comprehensive income	-	-	-	168,191	**168,191**
Loans and receivables	-	6,082	6,716	196,473	**209,271**
Other assets	-	4,671	-	-	**4,671**
Liabilities (i)	(357,527)	(11,284)	(287,220)	-	**(656,031)**
Total	**(35,077)**	**(531)**	**(280,504)**	**319,911**	**3,799**

(In thousands of reais)

	12/31/2017				
	Up to 90 days / No maturity	**90 to 365 days**	**1 to 3 years**	**Over 3 years**	**Total**
Assets					
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
Liabilities (i)	(1,471,494)	(331,408)	(192,646)	-	(1,995,548)
Total	**(266,182)**	**(329,076)**	**(189,330)**	**944,286**	**159,698**

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

5. Investment entity portfolio

As of December 31, 2018 and 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$3,799 (December 31, 2017 - R$ 159,698). Below are presented relevant information of the investment portfolio as of December 31, 2018 and 2017, through the investment in PPLA Investments (via BTG Holdco).

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 December 31, 2018 and 2017, are presented below:

	Note	**12/31/2018 (1)**	**12/31/2017 (1)**
Assets			
Cash and cash equivalents	(a)	146,343	233,045
Financial assets at fair value through profit or loss			
Securities	(b)	30,158	755,288
Investment entity portfolio	(c)	814,599	4,838,449
Investments at fair value through other comprehensive income	(d)	600,271	257,749
Loans and receivables	(e)	746,885	1,599,203
Other assets		16,672	8,322
Total		**2,354,928**	**7,692,056**
Liabilities			
Financial liabilities at fair value through profit or loss			
Derivatives		20,875	1,469
Financial liabilities at amortized cost	(f)	2,315,165	7,051,230
Other liabilities		12,041	10,510
Total		**2,348,081**	**7,063,209**
Shareholders' equity		**6,847**	**628,847**
Total liabilities and shareholders' equity		**2,354,928**	**7,692,056**
Investment entity portfolio reconciliation			
PPLA Investments shareholder's equity		6,847	**628,847**
PPLA Participations ownership (via BTG Holdco)		28.02%	28.02%
Subtotal		**1,919**	**176,197**
Fair value adjustment (2)		1,880	(16,499)
Total		**3,799**	**159,698**

(In thousands of reais)

(1) Balances as reported by PPLA Investments as of December 31, 2018 and 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

Investment in corporate bonds comprises exchanged traded corporate bonds issued by Banco BTG Pactual S.A. – Cayman Branch, maturing on September 28, 2022 (December 31, 2017: Banco BTG Pactual S.A. - Luxembourg Branch, maturing December 29, 2049 and by BTG Pactual S.A. – Cayman Branch, maturing on September 28, 2022).

	As of December 31, 2018		As of December 31, 2017	
	Cost	**Fair value**	**Cost**	**Fair value**
Corporate bonds	29,840	30,158	410,100	424,124
Total	**29,840**	**30,158**	**410,100**	**424,124**

II. Time deposits

As of December 31, 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 December 31, 2018		As of December 31, 2017	
	Cost	**Fair value**	**Cost**	**Fair value**
Time deposits	-	-	331,164	331,164
Total	**-**	**-**	**331,164**	**331,164**

(c) Investment entity portfolio

	As of December 31, 2018		As of December 31, 2017	
	Cost	**Fair value**	**Cost**	**Fair value**
Merchant Banking investments (i)	3,167,074	952,110	2,977,727	1,533,957
Private equity funds ("FIP")	397,507	148,382	300,507	79,483
Subsidiaries, associates and jointly controlled entities	2,769,567	803,728	2,677,220	1,454,474
Global markets investments (ii)	5,378	5,378	164,987	164,987
Loans (1)	999,105	999,105	4,652,319	4,652,319
Others (2)	(1,141,994)	(1,141,994)	(1,512,814)	(1,512,814)
Total	**3,029,563**	**814,599**	**6,282,219**	**4,838,449**

(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 divest in four to ten years.

(In thousands of reais)

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

		12/31/2018		12/31/2017	
Merchant Banking investments	**Description/Segment activity**	**(%) (1)**	**Fair value**	**(%) (1)**	**Fair value**
Through FIPs:					
BrPec Agropecuária S.A.	Ranching	100.0%	148,382	100.0%	79,483
Through subsidiaries, associates and jointly controlled entities:					
Timber XI SPE S.A.	Biological assets	15.6%	12,157	16.9%	12,173
Timber IX Participações S.A.	Biological assets	15.6%	79,694	16.9%	69,587
BTG Pactual Santa Terezinha Holding S.A	Biological assets	15.6%	14,263	15.9%	14,851
Fazenda Corisco Participações S.A	Biological assets	15.6%	19,287	16.9%	20,614
Loans - Merchant Banking investments (2)	Others		678,327		1,337,250
Total			**952,110**		**1,533,957**

(1) The equity interest disclosed in the table above refers to the the interest of PPLA Investments in the mentioned entities.
(2) As at December 31, 2018, includes loans granted to Leader R$609 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 reconding 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 December 31, 2018, the Company's investment in BTG Pactual Absolute Return II Master Fund LP ("ARF II") corresponds to the amount of R$1,507 (December 31, 2017: R$46,228). 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 December 31, 2018		As of December 31, 2017	
	Cost	**Fair value**	**Cost**	**Fair value**
Merchant Banking investments – FIP (i)	191,634	629,279	230,864	302,911
Others (1)	(29,008)	(29,008)	(45,162)	(45,162)
Total	**162,626**	**600,271**	**185,702**	**257,749**

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

(In thousands of reais)

(i) Merchant banking investments - FIP

As of December 31, 2018 and 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 (%) (1)	09/30/2018 Fair Value	12/31/2017 (%) (1)	12/31/2017 Fair Value
Through FIPs:					
Universo Online S.A.	Internet and server provider	2.3%	475,491	2.30%	162,690
Estre Participações S.A.	Waste collection, treatment and disposal	17.8%	66,799	9.70%	88,402
Auto Adesivos Paraná S.A.	Adhesives, labels and special paper company	30.1%	65,129	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%	2,739	14.70%	3,494
Brasil Brokers Participações S.A.	Investment in real estate companies	-	-	4.50%	925
Total			**629,279**		**302,911**

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

(e) Loans and receivables

	12/31/2018	12/31/2017
Partners (i)	734,648	1,523,503
Others	12,237	75,700
Total	**746,885**	**1,599,203**

(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 December 31, 2018 and 2017, the fair value attributed to the Loans and receivables is similar to its amortized cost.

(f) Financial liabilities at amortized cost

	Maturity	Index	12/31/2018 Cost	12/31/2018 Fair value
Loans with financial institutions	December-18 to September-21	Libor and 1.15% to 5.3% p.a.	2,024,190	2,017,480
Medium term notes	Janueary-18 to June-19	0.8%p.a. to 100% CDI	290,975	290,975
Total			**2,315,165**	**2,308,455**

	Maturity	Index	12/31/2017 Cost	12/31/2017 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
Total			**7,051,230**	**7,110,114**

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

(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:

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(i) Investment entity portfolio

	12/31/2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment entity portfolio				
Merchant Banking investments				
Private equity funds	-	-	148,382	148,382
Subsidiaries, associates and jointly controlled entities	-	678,326	125,402	803,728
Global markets investments	-	5.378	-	5,378
Loans	-	999,105	-	999,105
Others	-	(1,141,994)	-	(1,141,994)
Total	**-**	**540,815**	**273,784**	**814,599**

	12/31/2017			
	Level 1	**Level 2**	**Level 3**	**Total**
Investment entity portfolio				
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)
Total	**-**	**4,641,742**	**196,707**	**4,838,449**

Changes in level 3 for the years ended December 31, 2018 and 2017 are as follows:

	Merchant Banking investments
Balances as of December 31, 2016	**856,050**
Acquisitions	530
Losses on fair value of investment entity portfolio	(659,873)
Balances as of December 31, 2017	**196,707**
Acquisitions	98,183
Losses on fair value of investment entity portfolio	(21,106)
Balances as of December 31, 2018	**273,784**

(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:

	12/31/2018			
	Level 1	**Level 2**	**Level 3**	**Total**
Investments at fair value through other comprehensive income				
Merchant Banking investments - FIP	2,739	-	626,540	629,279
Others	-	(29,008)	-	(29,008)
Total	**2,739**	**(29,008)**	**626,540**	**600,271**

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

(In thousands of reais)

Changes in level 3 for the years ended December 31, 2018 and 2017 are as follows:

	Merchant Banking investments
Balances at December 31, 2016	**213,042**
Gain on fair value of investment entity portfolio	85,450
Balances at December 31, 2017	**298,492**
Sale	(38,303)
Gain on fair value of investment entity portfolio	366,351
Balances at December 31, 2018	**626,540**

(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 financial statements for the year ended in December 31, 2018.

(In thousands of reais)

Merchant Banking Investment	Fair value - 12/31/18	Fair value - 12/31/17	Valuation technique	Significant unobservable inputs	Relationship of unobservable inputs to fair value
Private Equity Funds	626,540	298,492	Discounted cash flows	· Future Cash Flows	· Increases (decreases) in future cash flows increase (decrease) fair value
				· Discount rate	· Increases (decreases) in discount rates decrease (increase) fair value
			Market Multiples	· Future Cash Flows	· Increases (decreases) in future cash flows increase (decrease) fair value
				· Comparison to peers	· Increases (decreases) in multiples for individual companies in peer group may skew averages and increase (decrease) fair value
			Transaction Multiples	· Future Cash Flows	· Increases (decreases) in future cash flows increase (decrease) fair value
				· Comparison to peers	· Increases (decreases) in multiples for individual companies in peer group may skew averages and increase (decrease) fair value
			Net Asset Valuation	· Asset values	· Increases (decreases) in liquidation value for individual assets increase (decrease) fair value
			Adjusted Quoted Price	· Liquidity discount	· Increases (decreases) in discount for lack of liquidity for individual assets increase (decrease) fair value

(vii) Reclassification between levels

During the year ended December 31, 2018, there were no reclassification between levels and fair value hierarchy.

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.

(In thousands of reais)

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 December 31, 2018 and 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
Total	**16,000,000,001**	84,440,020			

	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
Total	**16,000,000,001**	84,440,020			

(*) 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 year ended December 31, 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 year ended on December 31, 2018 and 2017.

7. Loss per share

	12/31/2018	12/31/2017
Loss attributed to controlling shareholders	(162,956)	(532,058)
Weighted average per thousand shares outstanding during period (i)	69,689	411,113
Loss per share – Basic and Diluted (in Reais)	(2.34)	(1.29)

(i) Class A and class B shares.

(In thousands of reais)

8. Loss from investiment entity portifolio measured at fair value

The breakdown of this item for the years ended December 31, 2018 and 2017 is as follows:

	12/31/2018	12/31/2017
Investment entity portfolio loss	(162,956)	(514,485)
Others	-	(17,467)
Total	(162,956)	(531,952)

9. Administrative expenses

	12/31/2018	12/31/2017
Professional fees	-	(105)
Total	-	(105)

10. Related Parties

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

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