

PPLA Participations Ltd.

Financial Statements in IFRS

December 31, 2019

with independent auditor's report

PPLA Participations Ltd.

Financial statements

As of December 31, 2019

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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, 2019, 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, 2019 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, 2019, PPLA Participations Ltd. has investments in the amount of R\$ 26 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 27, 2020, 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.

Uncertainty related to the realization of assets

According to footnotes nº5 the Company's financial statements, which describes that the investee PPLA Investment Ltd, has credits receivable arising from credit certificate contracts ("CCB"), on December 31, 2019, at amount of R\$ 604 million, representing 43% of the investee's total assets with União de Lojas Leader SA ("Leader"). Leader started your judicial settlement in a period subsequent to December 31, 2019. The realization of these assets depends on the actions that will be made by the Leader's management to pay your liabilities. Our opinion does not contain a reservation 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.

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 involve 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.

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

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.

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 27, 2020.

Baker Tilly 4Partners Auditores Independentes S.S.

A handwritten signature in dark ink, appearing to read "Fábio Muralo", written over a light blue circular stamp.

Fábio Rodrigo Muralo

A handwritten signature in dark ink, appearing to read "Leonardo Beiani Antoniazzi", written over a light blue circular stamp.

Leonardo Beiani Antoniazzi

PPLA Participations Ltd.

Balance sheets

As of December 31, 2019 and 2018

(In thousands of reais)

Assets	Note	12/31/2019	12/31/2018
Investment entity portfolio	5	26	3,799
Total assets		<u>26</u>	<u>3,799</u>
Shareholders' equity			
Capital stock and share premium	6	1,504,802	1,504,802
Treasury shares		(2,954)	(2,954)
Other comprehensive income		424,138	424,445
Accumulated losses		(1,925,960)	(1,922,494)
Total shareholders' equity		<u>26</u>	<u>3,799</u>
Total liabilities and shareholders' equity		<u>26</u>	<u>3,799</u>

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

PPLA Participations Ltd.

Statements of income

Years ended December 31, 2019 and 2018

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

	Note	12/31/2019	12/31/2018
Loss on investment entity portfolio measured at fair value	8	(3,466)	(162,956)
Operating loss		<u>(3,466)</u>	<u>(162,956)</u>
Loss for the year		<u>(3,466)</u>	<u>(162,956)</u>
Loss per share (basic and diluted - R\$)	7	(0.05)	(2.34)

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

PPLA Participations Ltd.

Statements of comprehensive income Years ended December 31, 2019 and 2018 (In thousands of reais)

	12/31/2019	12/31/2018
Loss for the year	<u>(3,466)</u>	<u>(162,956)</u>
Other comprehensive income / (loss) not to be reclassified to profit or loss:		
Currency translation adjustments	<u>(307)</u>	<u>7,057</u>
	<u>(307)</u>	<u>7,057</u>
Total comprehensive loss for the year	<u><u>(3,773)</u></u>	<u><u>(155,899)</u></u>

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

PPLA Participations Ltd.

Statement of changes in shareholders' equity Years ended December 31, 2019 and 2018 (In thousands of reais)

	Capital stock and share premium	From Company	Treasury shares	Accumulated losses	Total shareholders' equity
Balance as of December 31, 2017	<u>1,504,802</u>	<u>417,388</u>	<u>(2,954)</u>	<u>(1,759,538)</u>	<u>159,698</u>
Loss of the year	-	-	-	(162,956)	(162,956)
Currency translation adjustments	-	7,057	-	-	7,057
Balance as of December 31, 2018	<u>1,504,802</u>	<u>424,445</u>	<u>(2,954)</u>	<u>(1,922,494)</u>	<u>3,799</u>
Loss of the year	-	-	-	(3,466)	(3,466)
Currency translation adjustments	-	(307)	-	-	(307)
Balance as of December 31, 2019	<u>1,504,802</u>	<u>424,138</u>	<u>(2,954)</u>	<u>(1,925,960)</u>	<u>26</u>

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

PPLA Participations Ltd.

Statements of cash flows Years ended December 31, 2019 and 2018 (In thousands of reais)

	Note	12/31/2019	12/31/2018
Operating activities			
Loss for the year		(3,466)	(162,956)
Adjustments to the income / (loss) for the period			
Gains from investment entity portfolio measured at fair value	8	3,466	162,956
Adjusted gain/(loss) for the year		-	-
Increase / (decrease) in cash and cash equivalents		-	-
Balance of cash and cash equivalents			
At the beginning of the period		-	-
At the end of the period		-	-
Increase / (decrease) in cash and cash equivalents		-	-

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

PPLA Participations Ltd.

Notes to the financial statements
As of December 31, 2019
(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 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.

PPLA Participations Ltd.

Notes to the financial statements

As of December 31, 2019

(In thousands of reais)

On April 25, 2019, the Company received from investors, representing more than 10% of PPLA Participations Units and BDR's in circulation in the market, a request to call a Special Shareholders' Meeting ("AGE") to resolve on the realization of a new valuation to determine the value of the Units and BDRs.

Additionally, on May 2, 2019, as part of the tender offer for the purchase of Units and BDRs ("OPA" or "Offer"), the Securities Commission ("CVM") made the following requests: (i) amendment of the tender offer to include information on related party transactions, loan and capitalization as disclosed in Material Fact of April 9, 2019, (ii) updating by the appraiser of the Company's value in valuation, based on the latest financial statements made available by the Company, as of June 3, 2019. In addition, the CVM announced that the holding of the Extraordinary Shareholders' Meeting requested by the minority shareholders should be made fifteen days after the valuation report was previously released mentioned.

On July 19, 2019, the Company received from investors representing more than 10% of the Company's Units and BDR's in circulation in the market, a request to call a Special Shareholders' Meeting, for a new evaluation of the value of the Company's units and BDRs on August 20, 2019.

On September 30, 2019, the Company received the Company's appraisal report, dated December 31, 2018, to determine the value of Units and BDRs under the voluntary discontinuation of the share deposit certificate program.

On October 4, 2019, BTG Pactual Holding SA, as the offerer for the Acquisition of Units and BDRs for Voluntary Discontinuation of the PPLA Participations Ltd. Issuance Certificate Program ("Offer"), expressed its withdrawal from the execution of the Offer and, therefore, from the discontinuation procedure of the BDR program, the cancellation of its listing and the trading of units with B3 SA - Brasil, Bolsa, Balcão and the registration as a foreign "A" issuing company, held with the Brazilian Securities Commission. The withdrawal results from the realization of a new valuation requested by an investor in the scope of the Offering has found a value higher than the initial value of the Offering, due to material errors that distort the result of the valuation.

Acquisitions and sales

On May 31, 2019, the sale of 100% of the equity interest directly or indirectly held in Estre Ambiental ("Estre") was concluded to Energy Sustainable, in a transaction that also involved the interest held by Banco BTG Pactual. Upon conclusion of the transaction, sellers will receive a token amount and will be entitled to a future receipt of up to R\$60 million if (i) the same equity is sold to a third party or (ii) Estre receives capital contributions. It is expected to receive up to R\$6.4 million for the sale.

PPLA Participations Ltd.

Notes to the financial statements

As of December 31, 2019

(In thousands of reais)

On June 6, 2019, Brasil Pharma S.A. announced that its management decided to file for bankruptcy, claiming that it was not able to see prospects for its operational continuity or to obtain new resources to continue compliance with its obligations under the Judicial Reorganization Plan. During the quarter ended June 30, 2019 the investment held by PPLAI was valued at nil, once there is no expectations of proceeds related to the such investment. During the year ended December 31, 2018, due to the financial situation of Brasil Pharma S.A. ("BR Pharma") and 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. At September 30, the exposure was zero (December 31, 2018 – 56.8 millions).

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 indebttness. As of March 31, 2019, there was no change in fair value.

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.

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).

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.

PPLA Participations Ltd.

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(In thousands of reais)

- 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 27, 2020, 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.

PPLA Participations Ltd.

Notes to the financial statements
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(In thousands of reais)

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 interest rate method. The interest on financial instruments held for trading are recorded in "Gain (losses) on financial instruments held for trading".

PPLA Participations Ltd.

Notes to the financial statements
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(In thousands of reais)

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.

PPLA Participations Ltd.

Notes to the financial statements

As of December 31, 2019

(In thousands of reais)

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.

PPLA Participations Ltd.

Notes to the financial statements
As of December 31, 2019
(In thousands of reais)

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.

PPLA Participations Ltd.

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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.

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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.

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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.

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.

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k. Invested companies

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

	Country	Equity interest - %	
		12/31/2019	12/31/2018
Direct			
BTG Bermuda LP Holdco Ltd.	Bermuda	100.00	100.00
Indirect			
PPLA Investments LP.	Bermuda	0.03	28.02

During the quarter ended on December 31, 2019, BTG MB Investments LP ("BTG MB"), a company that has an indirect participation in the Company, converted R\$126.6 million of a loan granted to PPLA Investments into equity – PPLA Investments issued 261,460,784,625 Class D shares, equivalent to R\$0.00048 per share. As a consequence of the capitalization, PPLA Investments shareholders were diluted in their participation, in such a way that: (i) the Company indirectly holds, through PPLA Bermuda LP Holdco Ltd, 0.03% of PPLA Investments and (ii) BTG MB directly holds approximately 99% of PPLA Investments shares.

During the quarter ended on September 30, 2019, BTG MB Investments LP ("BTG MB"), a company that has an indirect participation in the Company, converted R\$63.7 million of a loan granted to PPLA Investments into equity – PPLA Investments issued 41,069,392,537 Class D shares, equivalent to R\$0.0015 per share. As a consequence of the capitalization, PPLA Investments shareholders were diluted in their participation, in such a way that: (i) the Company indirectly holds, through PPLA Bermuda LP Holdco Ltd, 0.14% of PPLA Investments and (ii) BTG MB directly holds approximately 99% of PPLA Investments shares.

During the quarter ended on June 30, 2019, BTG MB Investments LP ("BTG MB"), a company that has an indirect participation in the Company, converted R\$175.9 million of a loan granted to PPLA Investments into equity – PPLA Investments issued 13,918,235,294 Class D shares, equivalent to R\$0.01 per share. As a consequence of the capitalization, PPLA Investments shareholders were diluted in their participation, in such a way that: (i) the Company indirectly holds, through PPLA Bermuda LP Holdco Ltd, 0.47% of PPLA Investments and (ii) BTG MB directly holds approximately 98% of PPLA Investments shares.

On March 29, BTG MB Investments LP, a company that has an indirect participation in the Company, converted R\$85 million of a loan granted to PPLA Investments into equity – PPLA Investments issued 3,766,919,006 Class D shares - equivalent to R\$0.02 per share. As a consequence of the capitalization, PPLA Investments shareholders were diluted in their participation, in such way that: (i) the Company indirectly holds, through PPLA Bermuda LP Holdco Ltd, 2.08% of PPLA Investments and; (ii) BTG MB directly holds approximately 93% of PPLA Investments shares.

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

	Country	Equity interest- %	
		12/31/2019	12/31/2018
Subsidiaries			
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 Investimentos Florestais S.A.	Brazil	33.85	58.39
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	9.03	15.57
Timber IX Participações S.A. (i)	Brazil	9.03	15.57
São Lourenço Empreendimentos Florestais Ltda. (i)	Brazil	9.03	15.57
Fazenda Corisco Participações S.A. (i)	Brazil	9.03	15.57
BTG Pactual Santa Terezinha Holding S.A. (i)	Brazil	9.03	15.57
SCFlor Empreendimentos Agrícolas Ltda.	Brazil	9.03	15.57
Fazenda Santa Terezinha Participações S.A. (i)	Brazil	9.03	15.57
Timber VII SPE S.A. (i)	Brazil	9.03	-
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

(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 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 and CRO, which is responsible for monitoring liquidity risk, including cash and cash equivalents and capital structure; (ix) Audit Committee, which is responsible for independent verification of compliance with internal controls and assessment of maintenance of the accounting records.

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The Company monitors and controls risk exposure through several and different supplemental internal systems, including credit, financial, operational, compliance, tax and legal systems. The company believes that the involvement of the Committees/areas (including their subcommittees) with management and continuous risk control promotes a strict risk control culture in the organization as a whole. The commissions of Grupo BTG Pactual comprise senior members of the business units and senior members of the control departments, which do not depend on the business areas. Further details on risk management can be found at www.btgpactual.com.br/ri, in the Corporate Governance / Risk management section.

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.

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

	December 31, 2019	December 31, 2018	December 31, 2017
In millions of R\$			
Daily average VaR	0.7	0.6	1.2

b. Credit risk

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

	12/31/2019			
	Brazil	United States	Others	Total
Assets				
Investment entity portfolio				
Assets				
Cash and cash equivalents	8	-	-	8
Investment entity portfolio	154	-	1	155
Investments at fair value through other comprehensive income	152	-	(8)	144
Financial assets at amortized cost (i)	-	30	2	32
Other assets	30	-	-	30
Liabilities (ii)	-	-	(343)	(343)
Total	344	30	(348)	26

	12/31/2018			
	Brazil	United States	Others	Total
Assets				
Investment entity portfolio				
Assets				
Cash and cash equivalents	41,004	-	-	41,004
Investment entity portfolio	226,736	-	9,957	236,693
Investments at fair value through other comprehensive income	175,552	767	(8,128)	168,191
Financial assets at amortized cost (i)	2,857	133,690	72,724	209,271
Other assets	4,671	-	-	4,671
Liabilities (ii)	-	-	(656,031)	(656,031)
Total	450,820	134,457	(581,478)	3,799

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

(ii) 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:

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12/31/2019					
	Private institutions	Companies	Individuals	Others	Total
Assets					
Cash and cash equivalents	8	-	-	-	8
Investment entity portfolio	193	219	-	(257)	155
Investments at fair value through other comprehensive income	-	152	-	(8)	144
Financial assets at amortized cost	-	-	29	3	32
Other assets	-	-	-	30	30
Liabilities (i)	-	-	-	(343)	(343)
Total	201	371	29	(575)	26

12/31/2018					
	Private institutions	Companies	Individuals	Others	Total
Assets					
Cash and cash equivalents	41,004	-	-	-	41,004
Investment entity portfolio	289,896	266,773	-	(319,976)	236,693
Investments at fair value through other comprehensive income	-	176,319	-	(8,128)	168,191
Financial assets at amortized cost	-	-	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

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

c. Liquidity analysis and risk

As of December 31, 2019 and 2018, the Company does not have any cash, cash equivalents and liabilities.

As of December 31, 2019 and 2018, 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, 2019 and 2018:

12/31/2019					
	Up to 90 days / No maturity	90 to 365 days	1 to 3 years	Over 3 years	Total
Assets					
Investment entity portfolio					
Assets					
Cash and cash equivalents	8	-	-	-	8
Investment entity portfolio	154	-	-	1	155
Investments at fair value through other comprehensive income	-	-	-	144	144
Financial assets at amortized cost	1	-	6	25	32
Other assets	-	30	-	-	30
Liabilities (i)	-	(343)	-	-	(343)
Total	163	(313)	6	170	26

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	12/31/2018				Total
	Up to 90 days / No maturity	90 to 365 days	1 to 3 years	Over 3 years	
Assets					
Investment entity portfolio					
Cash and cash equivalents	41,004	-	-	-	41,004
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
Financial assets at amortized cost	-	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	<u>(35,077)</u>	<u>(531)</u>	<u>(280,504)</u>	<u>319,911</u>	<u>3,799</u>

(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, 2019, 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\$26 (December 31, 2018 - R\$3,799). Below are presented relevant information of the investment portfolio as of December 31, 2019 and 2018, through the investment in PPLA Investments (via BTG Holdco).

PPLA Participations values its investments at fair value, in accordance with the accountings standards of PPLA Investments.

The relevant figures of the Company's investment portfolio, as of December 31, 2019 and 2018, are presented below:

	Note	12/31/2019 (1)	12/31/2018 (1)
Assets			
Cash and cash equivalents	(a)	29,739	146,343
Securities			30,158
Investment entity portfolio	(b)	589,228	814,599
Investments at fair value through other comprehensive income	(c)	547,216	600,271
Financial assets at amortized cost	(d)	119,681	746,885
Other assets		113,377	16,672
Total		<u>1,399,241</u>	<u>2,354,928</u>
Liabilities			
Derivatives		24,152	20,875
Financial liabilities at amortized cost	(e)	1,250,408	2,315,165
Other liabilities		31,439	12,041
Total		<u>1,305,999</u>	<u>2,348,081</u>
Shareholders' equity		<u>93,242</u>	<u>6,847</u>
Total liabilities and shareholders' equity		<u>1,399,241</u>	<u>2,354,928</u>
Investment entity portfolio reconciliation			
BTGI shareholder's equity		93,242	6,847
BTGP ownership (via BTG Holdco)		0.03%	28.02%
Subtotal		<u>25</u>	<u>1,919</u>
Fair value adjustment (2)		<u>1</u>	<u>1,880</u>
Total		<u>26</u>	<u>3,799</u>

(1) Balances as reported by PPLA Investments as of December 31, 2019 and 2018.

(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.

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(a) Cash and cash equivalents

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

(b) Investment entity portfolio

	As of December 31, 2019		As of December 31, 2018	
	Cost	Fair value	Cost	Fair value
Merchant Banking investments (i)	3,269,156	829,916	3,167,074	952,110
Private equity funds ("FIP")	412,507	87,483	397,507	148,382
Subsidiaries, associates and jointly controlled entities	2,856,649	742,433	2,769,567	803,728
Global markets investments (ii)	4,460	4,460	5,378	5,378
Loans (1)	729,932	729,932	999,105	999,105
Others (2)	(975,080)	(975,080)	(1,141,994)	(1,141,994)
Total	3,028,468	589,228	3,029,563	814,599

(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 5e.

(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.

As of December 31, 2019 and 2018, 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	12/31/2019		12/31/2018	
		(%) (1)	Fair value	(%) (1)	Fair value
Through FIPs:					
BrPec Agropecuária S.A.	Ranching	100.00%	87,483	100.0%	148,382
Through subsidiaries, associates and jointly controlled entities:					
Timber XI SPE S.A.	Biological assets	9.03%	5,856	15.6%	12,157
Timber IX Participações S.A.	Biological assets	9.03%	42,281	15.6%	79,694
Timber XII SPE S.A. (4)	Biological assets	9.03%	18,110	0.0%	-
BTG Pactual Santa Terezinha Holding S.A	Biological assets	9.03%	9,478	15.6%	14,263
Fazenda Corisco Participações S.A.	Biological assets	9.03%	11,086	15.6%	19,287
Timber VII SPE S.A. (3)	Biological assets	9.03%	40,728	0.0%	-
Loans - Merchant Banking investments (2)	Others	-	614,894	-	678,327
Total			829,916		952,110

(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, 2019, includes loans granted to União de Lojas Leader S.A ("Leader") R\$603 millions (2018: R\$609 millions), B&A R\$12 millions (2018: R\$12 millions) and BR Pharma -Zero (2018: R\$57 millions). Additionally, during the first quarter of 2018 the Company has measured at nil its exposure in Bravante Group recoding a loss of approximately R\$337 millions.

(3) On January 8, 2019, BTGI Investimentos Florestais S.A, a subsidiary of the Company, acquired a stake in Timber VII, a company whose purpose is to participate in other companies, as partner or shareholder, in Brazil or abroad.

(4) On June 26, 2019, BTGI Investimentos Florestais S.A, a subsidiary of the Company, acquired a stake in Timber XII, a company whose purpose is to participate in other companies, as partner or shareholder, in Brazil or abroad.

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(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, 2019, the Company's investment in BTG Pactual Absolute Return II Master Fund LP ("ARF II") corresponds to the amount of R\$4,460 (December 31, 2018: R\$5,378). 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.

(c) 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, 2019		As of December 31, 2018	
	Cost	Fair value	Cost	Fair value
Merchant Banking investments - FIP (i)	187,414	576,965	191,634	629,279
Others (1)	(29,749)	(29,749)	(29,008)	(29,008)
Total	157,665	547,216	162,626	600,271

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

(i) Merchant banking investments - FIP

As of December 31, 2019 and 2018, PPLA Investments Merchant Banking investments corresponds to private equity and real estate investments, through FIP, as disclosed below:

Merchant Banking investments	Description/Segment activity	12/31/2019		12/31/2018	
		(%) (1)	Fair value	(%) (1)	Fair value
AlBodytech Participações S.A.	Fitness segment	10.4%	20,406	10.4%	19,121
Deep Sea Group (1)	Maritime transport and logistics services for the oil and gas sector	0.4%	-	0.4%	2,739
Latte S.A.	Waste collection, treatment and disposal	32.0%	10,568	0.0%	-
Auto Adesivos Paraná S.A.	Adhesives, labels and special paper company	30.1%	64,076	30.1%	65,129
Estre Participações S.A.	Waste collection, treatment and disposal	-	6,425	8.4%	66,799
UOL Universo on Line S.A.	Internet and server provider	2.3%	475,490	2.3%	475,491
Total			576,965		629,279

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

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Notes to the financial statements As of December 31, 2019 (In thousands of reais)

(d) Financial assets at amortized cost

	12/31/2019	12/31/2018
Partners (i)	109,476	734,648
Others	10,205	12,237
Total	119,681	746,885

(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, 2019 and 2018, the fair value attributed to the Loans and receivables is similar to its amortized cost.

(e) Financial liabilities at amortized cost

	Maturity	Index	12/31/2019	
			Cost	Amortized Cost
Loans with financial institutions	December-19 to October-20	Libor and 1.5% to 5.3% p.a.	1,167,349	1,013,195
Medium term notes	July-19 to June-20	3.6%p.a. to 100% CDI	249,864	237,213
Total			1,417,213	1,250,408

	Maturity	Index	12/31/2018	
			Cost	Amortized Cost
Loans with financial institutions	Sep-21	Libor and 1.15% to 5.3% p.a.	2,017,480	2,024,190
Medium term notes	January-16 to June-19	0.8%p.a. to 100% CDI	290,975	290,975
Total			2,308,455	2,315,165

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

(f) 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:

PPLA Participations Ltd.

Notes to the financial statements As of December 31, 2019 (In thousands of reais)

(i) Investment entity portfolio

12/31/2019				
	Level 1	Level 2	Level 3	Total
Investment entity portfolio				
Merchant Banking investments				
Private equity funds	-	-	87,483	87,483
Subsidiaries, associates and jointly controlled entities	-	614,894	127,539	742,433
Global markets investments	-	4,460	-	4,460
Loans	-	729,932	-	729,932
Others	-	(975,080)	-	(975,080)
Total	-	374,206	215,022	589,228

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

(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:

12/31/2019				
	Level 1	Level 2	Level 3	Total
Investments at fair value through other comprehensive income				
Merchant Banking investments - FIP	-	-	576,965	576,965
Others	-	(29,749)	-	(29,749)
Total	-	(29,749)	576,965	547,216

12/31/2018				
	Level 1	Level 2	Level 3	Total
Investments at fair value through other comprehensive income				
Merchant Banking investments - FIP	2,739	-	629,540	632,279
Others	-	(32,008)	-	(32,008)
Total	2,739	(32,008)	629,540	600,271

(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.

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Notes to the financial statements
As of December 31, 2019
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(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, 2019.

(vii) Reclassification between levels

During the year ended December 31, 2019, 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.

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, 2019 and 2018, the Company's capital was comprised by the following class of shares:

	12/31/2019				
	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	-	0,000000001	Yes	1
Total	16,000,000,001	84,440,020			

PPLA Participations Ltd.

Notes to the financial statements As of December 31, 2019 (In thousands of reais)

			12/31/2018		
	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			

(*) 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 years ended December 31, 2019, the Company did not repurchased units.

c. Dividends

The Company did not distribute dividends for the years ended on December 31, 2019 and 2018.

7. Loss per share

	12/31/2019	12/31/2018
Loss attributed to controlling shareholders	(3,466)	(162,956)
Weighted average per thousand shares outstanding during the year (i)	69,689	69,689
Loss per share - Basic (in Reais)	(0.05)	(2.34)
Loss per share - Diluted (in Reais)	(0.05)	(2.34)

(i) Class A and class B shares.

8. Loss from investment entity portfolio measured at fair value

The breakdown of this item for the years ended December 31, 2019 and 2018 as follows:

	12/31/2019	12/31/2018
Loss on investment entity portfolio	(3,466)	(162,956)
Total	(3,466)	(162,956)

9. Related Parties

No management compensation was recorded during the years ended December 31, 2019 and 2018.

10. Subsequent events

União de Lojas Leader

On March 4, 2020, Leader announced that his management settle for judicial reorganization. The Management is evaluating the possible accounting and financial effects of credit exposure to Leader group.

PPLA Participations Ltd.

Notes to the financial statements
As of December 31, 2019
(In thousands of reais)

Reverse Split

At the general meeting held on March 18, 2020, the reverse split between shares class A and B issued by the Company was approved in the proportion of 30 shares for 1 share.

COVID-19

The Company's Board of Directors is tracking the effects COVID-19 may have on its business. Any outcome prediction is hampered due to the situation's rapid and fluid development, which can lead to a fallout in the economic and market conditions, triggering a decline in the global economic activity scenario. The Company is monitoring all developments related to COVID-19 and coordinating its operating response, taking into account the continuity plans from preexisting business ventures and on the guidelines exposed by global health organizations, governments and general best practices in response to this pandemic.

Loan Agreement

On February 28, 2020 PPLA Investments ("PPLAI") entered into a Loan Agreement with BTG MB in which PPLAI received US\$72 million with one year maturity starting that same date, paying interest indexed to the 3 (three) month LIBOR added of 2.85% spread per year. This loan agreement includes the possibility of being totally or partially converted into capital, once certain conditions are met.

On March 17, 2020 PPLAI entered into another Loan Agreement with BTG MB in which PPLAI received US\$29 million with one year maturity starting that same date, paying interest indexed to the 3 (three) month LIBOR added of 2.85% spread per year. This loan agreement includes the possibility of being totally or partially converted into capital, once certain conditions are met.