

PPLA Participations Ltd.

**Interim Condensed Financial Statements
in IFRS**

June 30, 2020

with independent auditor's report

PPLA Participations Ltd.

Interim condensed financial statements

As of June 30, 2020

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A free translation from Portuguese into English of the review report on the interim consolidated financial statements prepared in accordance with the international accounting standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB and in Reais (R\$).

REVIEW REPORT ON THE INTERIM CONDENSED FINANCIAL STATEMENTS

To the Shareholders and Management of
PPLA Participations LP.
São Paulo – SP

Introduction

We have reviewed the interim condensed financial statements of PPLA Participations LP. (“Company”), referred to the period ended in June 30, 2020, which comprise the interim condensed balance sheet as of June 30, 2020, the related statements of income and of comprehensive income for the three- and six- month periods then ended, and of changes in shareholders’ equity and cash flows for the six-month period then ended, including the explanatory notes.

Management is responsible for the preparation of the interim condensed financial statements in accordance with the international accounting standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB. Our responsibility is to express a conclusion on these interim condensed financial statements based on our review.

Scope of review

We conducted our review in accordance with Brazilian and International Standards on Review Engagements (NBC TR 2410 - Revisão de Informações Intermediárias Executada pelo Auditor da Entidade and ISRE 2410 – Review of Interim Financial Information Performed by the Independent Auditor of the Entity, respectively). A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.



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Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim condensed financial statements referred to above have not been prepared, in all material respects, in accordance with the international accounting standard IAS 34 – Interim Financial Reporting, issued by the International Accounting Standards Board – IASB.

Emphasis of matter

Restatement of corresponding figures

We draw attention to Note 2 to the interim condensed financial statements, which describes that, due to an adjust related to accounting of administrative expenses and other operating income recorded in disregard of the accrual basis method of accounting, the amounts corresponding to the period ended June 30, 2019 and the amounts corresponding to December 31, 2019, presented for comparison purposes, have been adjusted and are restated as provided in IAS 8 (Accounting Policies, Changes in Accounting Estimates and Errors). Our conclusion is not qualified in respect of this matter.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 in the interim condensed financial statements, which indicates that the Company incurred recurring decrease on the Company's P&L over the last few periods, mainly due to losses arising from negative mark-to-market in its investment entity portfolio. The revert this scenario Company depends on success of the efforts that have been taken by the management and new shareholders subscription. These events or conditions indicate that a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our conclusion is not modified in respect of this matter.

Other matters

Review of corresponding figures for the 2nd quarter of 2019

The review of the interim condensed financial statements for the quarter and six-month period ended June 30, 2019, prepared before the adjustment's restatements described in Note 2, was conducted under the responsibility of another independent auditor who issued an unmodified review report thereon dated August 14, 2019. As part of our review of the condensed interim financial statements at June 30, 2020, we also reviewed the enhanced adjustments in Note 2 that were made to change the amounts corresponding to the interim condensed financial statements as at June 30, 2019. In our conclusion, such adjustments are necessary and have been made correctly. We were not engaged to audit, review or apply any other procedures on the Company's interim condensed financial statements



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for the period ended June 30, 2019 and, therefore, we do not express an opinion or any form of assurance on the overall interim condensed financial statements as of June 30, 2019.

Audit of prior-period corresponding figures

The audit of the financial statements for the year ended December 31, 2019, originally prepared before the adjustment's restatements described in Note 2, was performed under the responsibility of another independent auditor who issued an unmodified audit report dated March 27, 2020. As part of our review of the interim condensed financial statements of June 30, 2020, we also revised the adjustments described in Note 2 that were made to change the corresponding figures relating to the financial statements as of December 31, 2019. In our conclusion, such adjustments are appropriate and have been correctly made. We were not engaged to audit, review or apply any other procedures on the Company's financial statements for year 2019 and, therefore, we do not express an opinion or any form of assurance on the 2019 financial statements taken as a whole.

São Paulo, August 26th, 2020.

ERNST & YOUNG
Auditores Independentes S.S.
CRC-2SP034519/O-6


Renata Zanotta Calçada
Partner

PPLA Participations Ltd.

Interim condensed balance sheets

As of June 30, 2020 and December 31, 2019

(In thousands of reais)

	<u>Note</u>	<u>6/30/2020</u>	<u>12/31/2019</u> <u>(Restated)</u>
Assets			
Investment entity portfolio	5	-	26
Amounts receivable	6	1,380	748
Total assets		<u>1,380</u>	<u>774</u>
Liabilities			
Other liabilities	7	1,380	748
Total liabilities		<u>1,380</u>	<u>748</u>
Shareholders' equity			
Capital stock and share premium	8a	1,504,802	1,504,802
Treasury shares	8b	-	(2,954)
Other comprehensive income		424,142	424,138
Accumulated losses		(1,928,944)	(1,925,960)
Total shareholders' equity		<u>-</u>	<u>26</u>
Total liabilities and shareholders' equity		<u>1,380</u>	<u>774</u>

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

PPLA Participations Ltd.

Interim condensed statements of income

Quarters and semesters ended June 30, 2020 and 2019

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

	Note	Quarters ended on:		Semesters ended on:	
		06/30/2020	06/30/2019 (Restated)	06/30/2020	06/30/2019 (Restated)
Loss on investment entity portfolio measured at fair value	10	-	(1,117)	(30)	(3,344)
Administrative expenses	11	(1,717)	(882)	(2,235)	(1,945)
Other income	12	1,717	882	2,235	1,945
Operating loss		<u>-</u>	<u>(1,117)</u>	<u>(30)</u>	<u>(3,344)</u>
Loss for the quarter / semester		<u>-</u>	<u>(1,117)</u>	<u>(30)</u>	<u>(3,344)</u>
Loss per share (basic and diluted - R\$)	9	-	(0.160)	(0.001)	(0.048)

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

PPLA Participations Ltd.

Interim condensed statements of comprehensive income

Quarters and semesters ended June 30, 2020 and 2019

(In thousands of reais)

	Quarters ended on:		Semesters ended on:	
	<u>06/30/2020</u>	<u>06/30/2019</u>	<u>06/30/2020</u>	<u>06/30/2019</u>
Loss for the quarter / semester	-	(1,117)	(30)	(3,344)
Other comprehensive income / (loss) not to be reclassified to profit or loss:				
Currency translation adjustments	-	85	4	(305)
	-	85	4	(305)
Total comprehensive loss for the quarter / semester	<u>-</u>	<u>(1,032)</u>	<u>(26)</u>	<u>(3,649)</u>

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

PPLA Participations Ltd.

Interim condensed statement of changes in shareholders' equity

Semesters ended June 30, 2020 and 2019

(In thousands of reais)

	Capital stock and share premium	From Company	Treasury shares	Accumulated losses	Total shareholders' equity
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 semester	-	-	-	(3,344)	(3,344)
Currency translation adjustments	-	(305)	-	-	(305)
Balance as of June 30, 2019 (restated)	<u>1,504,802</u>	<u>424,140</u>	<u>(2,954)</u>	<u>(1,925,838)</u>	<u>150</u>
Balance as of December 31, 2019 (restated)	<u>1,504,802</u>	<u>424,138</u>	<u>(2,954)</u>	<u>(1,925,960)</u>	<u>26</u>
Cancelation of treasury shares	-	-	2,954	(2,954)	-
Loss of the semester	-	-	-	(30)	(30)
Currency translation adjustments	-	4	-	-	4
Balance as of June 30, 2020	<u>1,504,802</u>	<u>424,142</u>	<u>-</u>	<u>(1,928,944)</u>	<u>-</u>

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

PPLA Participations Ltd.

Interim condensed statements of cash flows

Semesters ended June 30, 2020 and 2019

(In thousands of reais)

	<u>Note</u>	<u>06/30/2020</u>	<u>06/30/2019</u> <u>(Restated)</u>
Operating activities			
Loss for the semester		(30)	(3,344)
Adjustments to the income / (loss) for the semester			
Loss from investment entity portfolio measured at fair value	10	30	3,344
Adjusted gain / (loss) for the semester		-	-
Increase / (decrease) in cash and cash equivalents		-	-
Balance of cash and cash equivalents			
At the beginning of the semester		-	-
At the end of the semester		-	-
Increase / (decrease) in cash and cash equivalents		-	-
Non-cash transactions			
Amounts receivable		(632)	(780)
Other liabilities		632	780

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

PPLA Participations Ltd.

Notes to the interim condensed financial statements

As of June 30, 2020

(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.

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.

The Management of PPLA Investments is monitoring the recurring reduction in the Company's Shareholders' Equity over the last few years, mainly due to losses arising from negative mark-to-market in its investment entity portfolio. Reverting the deficitary situation requires a successful implementation of Management's initiatives, eventual capital contributions included.

PPLA Participations Ltd.

Notes to the interim condensed financial statements

As of June 30, 2020

(In thousands of reais)

Although the deficit picture portrays the existence of a relevant uncertainty that can raise questions about the Company's operational continuity, management evaluation came to conclude, based on the aforementioned initiatives, that PPLA Investments has the capacity to continue operating in the next 12 months.

COVID-19

The Company's management 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 economic and market conditions, triggering a decline in global economic activity. 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. The COVID-19 pandemic has had, and continues to have, a material impact on businesses around the world, including ours, and the economic and political environments in which businesses operate. There are a number of factors associated with the ongoing COVID-19 pandemic and its impact on global economies that could have a material adverse effect on our business, financial condition, results of operations, cash flows, prospects and the market price of our securities. In particular, the COVID-19 pandemic has affected business and economic sentiment, causing significant volatility in global markets and affecting the outlook of the Brazilian economy and that of other countries in which we maintain investments, may in the future make investments and conduct business through our subsidiaries.

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.

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.

PPLA Participations Ltd.

Notes to the interim condensed financial statements

As of June 30, 2020

(In thousands of reais)

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 distorts the result of the valuation.

Loan Agreement

On February 28, 2020, March 17, 2020 and May 5, 200, PPLA Investments ("PPLAI") received loans from BTG MB, through a Loan Agreement, in the amounts of US\$72 million, U\$29 million and U\$43 million, respectively, with maturities of 1 (one) year, of the respective loans dates, 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.

Acquisitions and sales

On March 4, 2020, the Lojas Leader S.A ("Leader") released its Management's decision by requesting judicial reorganization. As of March 31, 2020, the Company's Management assessed the possible impacts and does not have expectations for receivables related to this operation. Due to Leader's financial situation and the entity's request for judicial reorganization, an additional impairment was recorded corresponding to the amount of credits, resulting in zero exposure.

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.

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 year ended December 31, 2019 the investment held by PPLAI was valued at nil, once there is no expectations of proceeds related to the such investment.

PPLA Participations Ltd.

Notes to the interim condensed financial statements

As of June 30, 2020

(In thousands of reais)

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 17 - Insurance Contracts:** The pronouncement replaces IFRS 4 - Insurance Contracts. It presents three approaches for evaluating insurance contracts:
 - **Standard Model:** applicable to all contracts, especially long-term contracts;
 - **Premium Allocation Approach (PAA):** applicable to contracts with maturity of up to 12 months and with little complex cash flows. It is simpler than the standard model, but can be used only when it produces results similar to what would be obtained if the standard model were used;
 - **Variable Fee Approach:** specific approach to contracts with participation in the result of investments.

Insurance contracts must be recognized through the analysis of four components:

- **Expected Future Cash Flows:** estimate of all components of the contract's cash flow, considering inflows and outflows of funds;
- **Adjustment to Risk:** estimate of the compensation required for deviations that may occur between cash flows;

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(In thousands of reais)

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

This standard is effective for years beginning on or after January 1, 2021. The possible impacts resulting from the adoption of this standard are being evaluated and will be concluded by the date of its entry into force.

- **Amendment to IFRS 4 - Insurance Contracts - Joint application of IFRS 9:** The amendment allows entities issuing insurance contracts to mitigate possible impacts of the adoption of IFRS 9 - Financial Instruments before the term of IFRS 17 - Insurance Contracts, through two options:
 - **Temporary exemption:** adoption of IFRS 9 in conjunction with IFRS 17, that is, starting in January 2021. This option applies only to entities with relevant insurance activities (above 80% of total liabilities) and that have not applied IFRS 9 in advance; and
 - **Overlapping Approach:** adoption of IFRS 9, however, for assets reclassified to the Fair Value through Profit category, transfer the effects of the adoption of IFRS 9 from Income for the period to Other Comprehensive Income until the validity of IFRS 17.

The Company does not have insurance contracts on the base date for the preparation of these interim condensed financial statements.

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

The interim condensed financial statements were approved by the Management on August 26, 2020, and they contain a true and fair view of the financial position and results of the Company.

PPLA Participations Ltd.

Notes to the interim condensed financial statements

As of June 30, 2020

(In thousands of reais)

II. Restatement

During the semester ended June 30, 2020, the Company made adjustments on its comparative financial, due to the adjustments related to the reckoning of administrative expenses and non-operating income accounted for in disagreement with the accrual accounting principle. It is worth mentioning that these administrative expenses are fully reimbursed by PPLA Investments, so the aforementioned effects had no impact whatsoever on the Company's result or its shareholder's equity lines. Such adjustments were retrospectively applied, with effects on the Balance sheet, Income statement and Cash flows, as shown below:

	12/31/2019 (Original)	Adjustments	12/31/2019 (Restated)
Assets			
Investment entity portfolio	26	-	26
Other assets	-	748	748
Total assets	26	748	774
Liabilities			
Other liabilities	-	748	748
Total liabilities	-	748	748
Shareholders' equity			
Capital stock and share premium	1,504,802	-	1,504,802
Treasury shares	(2,954)	-	(2,954)
Other comprehensive income	424,138	-	424,138
Accumulated losses	(1,925,960)	-	(1,925,960)
Total shareholders' equity	26	-	26
Total liabilities and shareholders' equity	26	748	774

	Quarters ended on:			Semesters ended on:		
	06/30/2019 (Original)	Adjustments	06/30/2019 (Restated)	06/30/2019 (Original)	Adjustments	06/30/2019 (Restated)
Loss on investment entity portfolio measured at fair value	(1,117)	-	(1,117)	(3,344)	-	(3,344)
	-	(882)	(882)	-	(1,945)	(1,945)
Other operating income	-	882	882	-	1,945	1,945
Operating loss	(1,117)	-	(1,117)	(3,344)	-	(3,344)
Loss for the quarter / semester	(1,117)	-	(1,117)	(3,344)	-	(3,344)
Loss per share (basic and diluted - R\$)	(0.300)	-	(0.300)	(0.048)	-	(0.048)

	06/30/2019 (Original)	Adjustments	06/30/2019 (Restated)
Operating activities			
Loss for the semester	(3,344)	-	(3,344)
Adjustments to the income / (loss) for the semester			
Loss from investment entity portfolio measured at fair value	3,344	-	3,344
Adjusted gain / (loss) for the semester	-	-	-
Increase / (decrease) in cash and cash equivalents	-	-	-
Balance of cash and cash equivalents			
At the beginning of the semester	-	-	-
At the end of the semester	-	-	-
Increase / (decrease) in cash and cash equivalents	-	-	-
Non-cash transactions			
Amounts receivable	-	(780)	(780)
Other liabilities	-	780	780

3. Main accounting practices

The interim condensed financial statements do not include all the information required for the annual financial statements, and should be read joint with the financial statements for the year ended December 31, 2019, issued March 27, 2020.

PPLA Participations Ltd.

Notes to the interim condensed financial statements

As of June 30, 2020

(In thousands of reais)

The accounting practices, policies and principal judgments on estimates adopted in the preparation of the interim condensed financial statements are consistent with those adopted and disclosed in the financial statements for the year ended December 31, 2019.

a. Invested companies

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

	País	Participação acionária - %	
		06/30/2020	12/31/2019
Diretas			
BTG Bermuda LP Holdco Ltd.	Bermuda	100,00	100,00
Indiretas			
PPLA Investments LP.	Bermuda	0.003	0,026

On June 30, 2020, the capitalization of PPLA Investments by BTG MB Investments LP ("BTG MB") was concluded, a company that has an indirect controlling shareholder common to the Company, by issuing 91,805,085,836 Class D shares by PPLA Investments, in the amount of R\$801.1 million, corresponding to R\$0.0087 per share. As a result of the capitalization, PPLA Investments' investors were diluted in their participation, in such a way that: (i) the Company started to indirectly hold, through PPLA Bermuda LP Holdco Ltd, 0.003% of PPLA Investments; (ii) BTG MB now directly holds approximately 99.99% of PPLA Investments.

On December 31, 2019, the capitalization of PPLA Investments by BTG MB Investments LP ("BTG MB") was concluded, a company that has an indirect controlling shareholder common to the Company, by issuing 261,460,784,625 Class D shares by PPLA Investments, in the amount of R\$126.6 million, corresponding to R \$ 0.00048 per share. As a result of the capitalization, PPLA Investments' investors were diluted in their participation, in such a way that: (i) the Company started to indirectly hold, through PPLA Bermuda LP Holdco Ltd, 0.03% of PPLA Investments; (ii) BTG MB now directly holds approximately 99% of PPLA Investments.

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 of 41,069,392,537 Class D shares, equivalent to R\$0.00 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 aprox. 99% of PPLA Investments shares.

During the quarter ended on June 28, 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 of 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 aprox. 98% of PPLA Investments shares.

PPLA Participations Ltd.

Notes to the interim condensed financial statements

As of June 30, 2020

(In thousands of reais)

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 of 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 approx. 93% of PPLA Investments shares.

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

	Country	Equity interest - %	
		06/30/2020	12/31/2019
Direct subsidiaries			
BTG Loanco LLC	USA	100.00	100.00
Indirect subsidiaries			
Timber XI SPE S.A. (i)	Brazil	8.73	9.03
Timber IX Participações S.A. (i)	Brazil	8.73	9.03
Timber XII SPE S.A.	Brazil	8.73	9.03
São Lourenço Empreendimentos Florestais Ltda. (i)	Brazil	8.73	9.03
Fazenda Corisco Participações S.A. (i)	Brazil	8.73	9.03
BTG Pactual Santa Terezinha Holding S.A. (i)	Brazil	8.73	9.03
SCFlor Empreendimentos Agrícolas Ltda.	Brazil	8.73	9.03
Fazenda Santa Terezinha Participações S.A. (i)	Brazil	8.73	9.03
Timber VII SPE S.A. (i)	Brazil	8.73	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
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	32.75	33.85
BRPEC Agro Pecuária S.A.	Brazil	100.00	100.00
BTG Pactual Proprietary Feeder (1) Limited	Cayman	100.00	100.00
Invested funds			
Beira Rio Fundo de Investimento em Participações	Brazil	100.00	100.00
Bravo Fundo de Investimento em Participação	Brazil	1.02	1.02
BTG Pactual Brazil Investment Fund I LP	Cayman	23.62	23.62

(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.

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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.

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:

	<u>June 30, 2020</u>	<u>December 31, 2019</u>	<u>June 30, 2019</u>
In millions of R\$			
Daily average VaR	0.8	0.7	0.7

b. Credit risk

As of June 30, 2020, the Company has no credit risk.

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

	<u>12/31/2019</u>			
	<u>Brazil</u>	<u>United States</u>	<u>Others</u>	<u>Total</u>
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	<u>344</u>	<u>30</u>	<u>(348)</u>	<u>26</u>

(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:

	<u>12/31/2019</u>				
	<u>Private institutions</u>	<u>Companies</u>	<u>Individuals</u>	<u>Others</u>	<u>Total</u>
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	<u>201</u>	<u>371</u>	<u>29</u>	<u>(575)</u>	<u>26</u>

(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 June 30, 2020 and December 31, 2019, the Company does not have any cash or cash equivalents.

As of December 31, 2019, 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 June 30, 2020 and December 31, 2019:

PPLA Participations Ltd.

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(In thousands of reais)

	12/31/2019				Total
	Up to 90 days / No maturity	90 to 365 days	1 to 3 years	Over 3 years	
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	<u>163</u>	<u>(313)</u>	<u>6</u>	<u>170</u>	<u>i</u>

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

5. Investment entity portfolio

The interim condensed financial statements of PPLA Investments for the semester ended June 30, 2020 were reviewed by independent auditors who issued a report on August 26, 2020, without modification, presenting a section of relevant uncertainty related to operational continuity.

As of June 30, 2020, PPLA Investments' equity is negative due to adverse results with the investment entity portfolio. PPLA Participations marked its investment in PPLA Investments at zero in the semester ended June 30, 2020, since it does not have contractual commitments with the liabilities of its investees.

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. Below are presented relevant information of the investment portfolio as of March 31, 2020 and December 31, 2019, 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 PPLA Investments investment portfolio, as of June 30, 2020 and December 31, 2019, are presented below:

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(In thousands of reais)

	Note	6/31/2020 (1)	12/31/2019 (1)
Assets			
Cash and cash equivalents	(a)	48,747	29,739
Securities			-
Investment entity portfolio	(b)	220,542	589,228
Investments at fair value through other comprehensive income	(c)	516,283	547,216
Financial assets at amortized cost	(d)	118,673	119,681
Derivative financial instruments		-	-
Other assets		81,588	113,377
Total		985,833	1,399,241
Liabilities			
Derivatives		50,640	24,152
Financial liabilities at amortized cost	(e)	614,658	1,250,408
Other liabilities		340,703	31,439
Total		1,006,001	1,305,999
Shareholders' equity		(20,168)	93,242
Total liabilities and shareholders' equity		985,833	1,399,241
Investment entity portfolio reconciliation			
BTGI shareholder's equity		(20,168)	93,242
BTGP ownership (via BTG Holdco)		0.003%	0.026%
Subtotal		-	25
Fair value adjustment (2)		-	1
Total		-	26

(1) Balances as reported by PPLA Investments as of June 30, 2020 and December 31, 2019.

(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) Investment entity portfolio

	As of June 30, 2020		As of December 31, 2019	
	Cost	Fair value	Cost	Fair value
Merchant Banking investments (i)				
Private equity funds ("FIP")	3,270,134	226,277	3,269,156	829,916
Subsidiaries, associates and jointly controlled entities	412,507	69,539	412,507	87,483
Global markets investments (ii)	2,857,627	156,738	2,856,649	742,433
Loans (1)	5,893	5,893	4,460	4,460
Others (2)	614,657	614,657	729,932	729,932
Total	(626,285)	(626,285)	(975,080)	(975,080)
Total	3,264,399	220,542	3,028,468	589,228

(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 June 30, 2020 and December 31, 2019, PPLA Investments Merchant Banking investments corresponds to private equity and real estate investments, through FIP or other investment vehicles, as disclosed below:

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(In thousands of reais)

Merchant Banking investments	Description/Segment activity	6/30/2020		12/31/2019	
		(%) (1)	Fair value	(%) (1)	Fair value
Through FIPs:					
BrPec Agropecuária S.A.	Ranching	100.00%	69,539	100.00%	87,483
Through subsidiaries, associates and jointly controlled entities:					
Timber XI SPE S.A.	Biological assets	8.73%	5,537	9.03%	5,856
Timber IX Participações S.A.	Biological assets	8.73%	40,839	9.03%	42,281
Timber XII SPE S.A. (4)	Biological assets	8.73%	24,618	9.03%	18,110
BTG Pactual Santa Terezinha Holding S.A	Biological assets	8.73%	8,920	9.03%	9,478
Fazenda Corisco Participações S.A.	Biological assets	8.73%	10,133	9.03%	11,086
Timber VII SPE S.A. (3)	Biological assets	8.73%	40,879	9.03%	40,728
Loans - Merchant Banking investments (2)	Others	-	25,812	-	614,894
Total			226,277		829,916

- (1) The equity interest disclosed in the table above refers to the the interest of PPLA Investments in the mentioned entities.
- (2) As of June 30, 2020, includes loans granted to B&A R\$25 million (2019: R\$12 million) and Leader valued at zero (2019: R\$ 603 million). In addition, during the year ended December 31, 2019, the Company evaluated its exposure to BR Pharma to zero, recording a loss of approximately R\$57 million.
- (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.

(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. These funds have hybrid portfolios composed of a mixture of fixed income, stocks, currencies, foreign exchange, derivatives, commodities, mortgages and interest rates. These funds generally employ a wide variety of investment strategies, and make use of techniques such as short selling and leverage.

As of June 30, 2020, the Company's investment in BTG Pactual Absolute Return II Master Fund LP ("ARF II") corresponds to the amount of R\$5,893 (December 31, 2019: R\$4,460).

On June 30, 2020 and December 31, 2019 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 June 30, 2020		As of December 31, 2019	
	Cost	Fair value	Cost	Fair value
Merchant Banking investments - FIP (i)	185,722	559,832	187,414	577,022
Others (1)	(43,549)	(43,549)	(29,749)	(29,806)
Total	142,173	516,283	157,665	547,216

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

(i) Merchant banking investments - FIP

As of June 30, 2020 and December 31, 2019, PPLA Investments Merchant Banking investments corresponds to private equity and real estate investments, through FIP, as disclosed below:

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Merchant Banking investments	Description/Segment activity	6/30/2020		12/31/2019	
		(%) (1)	Fair value	(%) (1)	Fair value
AlBodytech Participações S.A.	Fitness segment	10.4%	11,881	10.4%	20,406
Latte S.A.	Waste collection, treatment and disposal	32.0%	12,022	32.0%	10,568
Auto Adesivos Paraná S.A.	Adhesives, labels and special paper company	30.1%	64,402	30.1%	64,076
Estre Participações S.A. (2)	Waste collection, treatment and disposal	-	8,054	-	6,425
Sete Brasil Participações S.A. (3)	Oil and gas	-	263	-	56
UOL Universo on Line S.A.	Internet and server provider	2.3%	463,210	2.3%	475,491
Total			559,832		577,022

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

(2) See note 1.

(3) In the quarter ended March 31, 2020, Sete Brasil Participações S.A incurred an adjustment to fair value due to the agreement in the arbitration process with Petrobras.

(d) Financial assets at amortized cost

	6/30/2020	12/31/2019
Partners (i)	118,673	109,476
Others	-	10,205
Total	118,673	119,681

(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 June 30, 2020 and December 31, 2019, the fair value attributed to the Loans and receivables is similar to its amortized cost.

(e) Financial liabilities at amortized cost

	Maturity	Index	6/30/2020	
			Cost	Amortized Cost
Loans with financial institutions	Dec-20	Libor and 1.5% p.a.	609,846	614,658
Total			609,846	614,658
12/31/2019				
	Maturity	Index	Cost	Amortized Cost
Loans with financial institutions	Oct-20	Libor and 1.5% to 5.3% p.a.	1,167,349	1,013,195
Medium term notes	Jun-20	112.5% CDI	249,864	237,213
Total			1,417,213	1,250,408

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 Investments 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

	6/30/2020			
	Level 1	Level 2	Level 3	Total
Investment entity portfolio				
Merchant Banking investments				
Private equity funds	-	-	69,539	69,539
Subsidiaries, associates and jointly controlled entities	-	25,812	130,926	156,738
Global markets investments	-	5,893	-	5,893
Loans	-	614,657	-	614,657
Others	-	(626,285)	-	(626,285)
Total	-	20,077	200,465	220,542

	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

(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:

	6/30/2020			
	Level 1	Level 2	Level 3	Total
Investments at fair value through other comprehensive income				
Merchant Banking investments - FIP	-	-	559,832	559,832
Others	-	(43,549)	-	(43,549)
Total	-	(43,549)	559,832	516,283

	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

(iii) Financial assets at amortized cost

Loans and receivables are presented at fair value at PPLA Investments 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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(iv) Financial liabilities at amortized cost

Financial liabilities at amortized cost are presented at fair value at PPLA Investments 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) Summary of valuation techniques

There were no changes from the valuation techniques disclosed in the financial statements for the semester ended in June 30, 2020.

(vi) Reclassification between levels

During the semester ended June 30, 2020, there were no reclassification between levels and fair value hierarchy.

6. Amount receivable

As at June 30, 2020, and December 31, 2019, the item refers entirely to amounts receivable from investees/subsidiaries, to pay for the Company's administrative expenses.

7. Other liabilities

As at June 30, 2020, and December 31, 2019, the item refers entirely to amounts payable regarding administrative expenses from the BDRs Company's program.

8. Shareholders' equity

a. Capital

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

As of June 30, 2020 and December 31, 2019, the Company's capital was comprised by the following class of shares:

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	6/30/2020				
	Authorized	Issued	Par value (R\$)	Voting rights	Vote per share
Class A (i)	5,000,000,000	938,222	-	Yes	1
Class B (i)	10,000,000,000	1,876,444	-	No	-
Class C	1	-	10	Yes	(*)
Class D	1,000,000,000	-	0,0000000001	Yes	1
Total	16,000,000,001	2,814,666			

	31/12/2019 (Restated)				
	Authorized	Issued	Par value (R\$)	Voting rights	Vote per share
Class A (i)	5,000,000,000	28,146,673	-	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	84,440,019			

(*) 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

In the semester ended June 30, 2020, the shares that were held in treasury were canceled.

During the year ended December 31, 2019, the Company did not repurchased units.

c. Dividends

The Company did not distribute dividends for the period ended on June 30, 2020 and year ended December 31, 2019.

9. Loss per share

	Quarters ended on:		Semesters ended on:	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Loss attributed to controlling shareholders	-	(1,117)	(30)	(3,344)
Weighted average per thousand shares outstanding during the quarter / semester (i)	2,815	69,689	28,591	69,689
Loss per share - Basic (in Reais)	-	(0.016)	(0.001)	(0.048)
Loss per share - Diluted (in Reais)	-	(0.016)	(0.001)	(0.048)

(i) Class A and class B shares.

10. Loss from investment entity portfolio measured at fair value

The breakdown of this item for the semesters ended June 30, 2020 and 2019 as follows:

	Quarters ended on:		Semesters ended on:	
	6/30/2020	6/30/2019	6/30/2020	6/30/2019
Loss on investment entity portfolio	-	(1,117)	(30)	(3,344)
Total	-	(1,117)	(30)	(3,344)

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11. Administrative expenses

In the semesters ended on June 30, 2020 and 2019, the item is composed exclusively of custodial expenses, due to the Company's BDR program.

12. Other income

In the semesters ended on June 30, 2020 and 2019, the item is composed exclusively by amounts regarding reimbursed from subsidiaries

13. Related Parties

Relationship	Assets (Liabilities)		Revenues (Expenses)		
	6/30/2020	12/31/2019	6/30/2020	6/30/2019	
Assets					
Amounts receivable					
- PPLA Investments LP	Related	1,380	748	2,235	1,945

No management compensation was recorded during the semester ended June 30, 2020 and year ended December,31, 2019.