

**PPLA PARTICIPATIONS, LTD.**

CNPJ/MF nº 15.073.274/0001-88

Clarendon House, 2 Church Street

Hamilton, HM11, Bermuda

**MATERIAL FACT**

**PPLA PARTICIPATIONS CO., LTD.** (“PPLA” or “Company” and, in case of investments made by and through PPLA Investments L.P., the “PPLA Group”), in addition to the Material Fact disclosed on August 20, 2019 and the Notices to the Market disclosed on September 18, 2019 and September 30, 2019, hereby inform its shareholders, BDR holders and the market in general, that it received notice from BTG Pactual Holding S.A. (“Offeror”), as the offeror of the Delisting Tender Offer of Units and BDRs for Voluntary Discontinuation of the BDR Level III Issuance Certificate Program (“Offer”), informing the withdrawal of the Offer, pursuant to article 24, item IV, of CVM Instruction 361, and consequently of the procedure for the voluntary discontinuation of the Company’s BDR Program of issuance of the Company, the cancellation of the listing and trading of the Units before B3 S.A. - Brasil, Bolsa, Balcão (“B3”) and the cancellation of its enrollment before the Securities and Exchange Commission (“CVM”) as a foreign issuer category “A” (“Withdrawal” and “Procedure of Discontinuity”).

Accordingly, the Company will continue to have its BDRs traded on B3 and will maintain its registration as a foreign issuer before the CVM, as well as Euronext.

**I. RATIONALE FOR WITHDRAWING THE OFFER:**

According to the Offeror statement sent to the Company on the date hereof, the Withdrawal results from determinations of the appraisal report, dated December 31, 2018, prepared by an appraiser chosen by the majority of investors holding more than 10% of the free float Units and BDRs of the Company - Urca Capital Partners Gestão, Consultoria, Projetos e Participações Ltda. (“Second Appraiser” and “New Appraisal Report Company”) which indicated a value per Unit PPLA11 corresponding to BRL 4.31, which is higher, than the price per Unit PPLA11 (i) offered in the Offer of BRL 1.19 (“Offer Price per Unit”), based on the appraisal report, dated June 30, 2018, prepared by Planconsult Planejamento e Consultoria Ltda. (“First Appraiser”), (ii) determined by the First Appraiser in the appraisal report, dated December 31, 2018, equivalent to the price of BRL 0.17 per Unit PPLA11.

According to the statement sent by the Offeror to the Company, the Second Appraiser incurred, within the scope of the New Appraisal Report, in material errors (beyond the choice of assumptions that supported such report) that resulted in a serious distortion of the price per Unit PPLA11 of the Company indicated in the New Appraisal Report. The Offeror understands that the result of the New Appraisal Report does not adequately reflect the value of the Company.

## **II. MATERIAL ERRORS AND INCONSISTENCIES OF THE COMPANY'S SECOND APPRAISAL REPORT:**

From a request presented by the Offeror and, for the sake of clarity, in favor of a greater transparency and informational symmetry, the Company informs its shareholders, BDR holders and the market in general that it has identified the following conceptual inconsistencies in the New Appraisal Report (notwithstanding other discrepancies found), prepared by the Second Appraiser:

- (i) Failure to consider a wholly-owned subsidiary of PPLA Group which has, in addition to assets and liabilities of low amount, an estimated bank debt of approximately BRL 209 millions. Such verification would result in an estimated negative adjustment of BRL 176 millions;
- (ii) Failure to consider due performance fees in an estimated amount of BRL 85 millions. Such fees result from services of investment fund management, in which PPLA Group is a quotaholder;
- (iii) Presented adjustments in the valuation of certain assets in the forest and biological segments, in which it does not have the required expertise to perform such valuation, including, but not limited to, with respect to prices practiced by the market, cultivated land area and productivity of the respective asset. The Company estimates that such adjustment – which does not correctly reflect the value of the respective assets – would correspond to approximately BRL 115 millions above the amount currently attributed by a duly certified independent appraiser.

Certain inconsistencies identified above differ, including, from works prepared by independent auditing characterized as Big Four and other reputable ones on the national scene, including specialized agricultural consultants and other independent auditors. In addition, there are several disagreements on possible references to market multiples, liquidity discount, holding discount, which are usual in company's valuation.

The inconsistencies and material errors referred to above, made by the Second Appraiser, represent approximately BRL 376 millions, out of a total adjusted amount of approximately BRL 426 million disclosed in the New Appraisal Report. As a consequence of the foregoing, the Company estimates that the value per PPLA11 Unit would be lower than the Offer Price per Unit, which in no way alters the Withdrawal informed by the Offeror and consequently the extinction of the Offer and the Procedure of Discontinuity.

## **III. COMPANY'S ECONOMIC AND FINANCIAL SITUATION:**

As set out in the Company's Related Party Transaction Announcements disclosed on April 23,

2018, July 10, 2018, September 28, 2018, September 30, 2018, March 27, 2019, April 9, 2019, July 1, 2019, October 1, 2019 and pursuant to the Material Facts of January 27, 2017, February 14, 2017, August 4, 2017, and August 7, 2017, several measures were adopted under PPLA Investments L.P. (“PPLA Investments”), in view of the economic and financial situation and the recurrent capital necessity of PPLA Investments.

Considering Offeror's Withdrawal statement and, therefore, the cancellation and loss of effectiveness of the Discontinuity Procedure as of this date, the Company will continue to evaluate alternatives to address its economic and financial situation and liquidity, as well as PPLA Investments (“Alternatives”). Among such Alternatives, the Company evaluates, in particular, the capitalization process of the Company by its investors, under the terms and conditions of the Material Fact disclosed on April 9, 2019 and the Notice to the Market disclosed on July 1, 2019, including the use of the Company’s value calculation method and the granting of preemptive rights to the Company’s investors, in order to avoid unjustified dilution of the investors’ stake in the Company.

The implementation of any of the Alternatives is subject to the evolution of the economic and financial situation and the conditions of the Brazilian and international capital markets, as well as to the appropriate corporate approvals of the Company. Any increase in private capital or public offering of shares, as the case may be, shall be carried on in accordance with applicable regulations and legislation, primarily Bermuda law, which is the corporate law applicable to the Company.

The Company will keep the market, the Units holders and its shareholders informed about the Alternatives to be implemented.

**LEGAL NOTICE.** This Material Fact contains forward-looking statements that are identified by terms and phrases such as “anticipate,” “believe,” “intend,” “estimate,” “expect,” “continue,” “should,” “could,” “may,” “plan,” “project,” “predict,” “will” and similar expressions and are mainly based on the Company’s current expectations and estimates of future events and trends. These prospect statements are subject to several risks and uncertainties, which may change from time to time. It is impossible for the Company to predict how prospect statements may be affected by such risks and uncertainties, and the Company does not have any duty to, and does not intend to, update or revise the prospect statements in this announcement, except as may be required by law.

São Paulo, October 4, 2019.

**PPLA Participations, Ltd.**  
GUSTAVO DOS SANTOS VAZ  
Investor Relations Officer